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MEMBER OF PARLIAMENT
RAJYA SABHA

Member of Standing Committee on Finance
Member of Consultative Committee on Finance
Member of Parliamentary Forum on Youth
Co-Chairman, Vigilance & Monitoring Committee, Bangalore Urban District

26 August, 2010

Dear Finance Minister,

Sub. : Shallow Indian Stock Market?

As you would no doubt agree, the healthy, orderly growth of our stock markets and the expansion of reach of the financial sector into as large a part of the Indian economy and population – are the two critical objectives in developing a sustainable economic growth model in our country.

Against this, it is startling to note that despite the perception of a healthy stock market in our country, the market remains narrow, shallow, illiquid and concentrated in the hands of a few individuals located in a few centres, even 20 years after India embarked on financial liberalization and ostensibly unleashed a boom in stock investing and spreading the equity cult.

In response to a question raised in Parliament, Shri Namo Narain Meena, Hon'ble Minister of State for Finance had stated – "Only 30.90 lakh investors traded on the NSE's cash market in April-June 2010. Of these 52% were retail, High Networth Individuals (HNIs) and corporate customers. Institutional investors and proprietary traders accounted for 48% of all trading (24% each)."



The Minister further said that 90% of trading in the April-June 2010 period came from just 192,200 investors and 80% of turnover came from just 41,656 investors. In other words, 1,50,546 investors (78%) accounted for just 10% of trading turnover. Further, just 8,727 investors accounted for 70% of turnover, among which 413 were proprietary traders, mainly brokerage houses. 60% of trading came from a mere 1,563 traders and 50% of the trading turnover came from 451 traders of which 156 were proprietary traders.

I am sure these figures would be extremely worrisome for the Government and yourself.

I strongly believe that reforms and further deepening of our stock market is an important policy objective for the Government to focus on and address.

I look forward to your response in this regard.

Yours Sincerely,

RAJEEV CHANDRASEKHAR

Shri Pranab Mukherjee
Hon'ble Minister of Finance
Government of India
New Delhi