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SHARE MARKET INVESTING OR GAMBLING?

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ABSTRACT

Stock market, as you all heard about this word stock market or share market very frequently in your day-to-day life. And I must say that you had also watched that building of Bombay Stock Exchange (Located in Mumbai) in news or in magazines etc. and nowadays the youth from all over the world especially the youth of India is attracted towards investing in the share market. So, now we are ready to invest our savings when we are in college or our part of salary when we are in job in share market.

But wait... investing is all about channelizing your fund into your asset class to earn passive income but why do most of the people lost their funds into this, just ignore about passive income they even can't save their funds they lost their active income too. They don't know how they turn into gambling side when they are pre decided about investing and I know you also want to invest your savings or earnings to invest in share market to earn large sums of profit, but the question here is how. Now this research paper will help you to know about various things about share market investing and how you can save yourself from the threats in the market.

KEYWORDS- Stock market, share, brokers, NSE, BSE, IPO, shareholders, Dividends etc.

INTRODUCTION

Stock refers to part-ownership of a company. It must be noted that the term 'share' refers to part-ownership in a particular company whereas the term 'stock' refers to part-ownership in multiple companies. Companies issue shares to raise capital to run the business. Whereas, shareholders invest in shares to receive benefits of a growing business and enjoy the profits. Shareholders don't really own the entire corporation. Instead, shareholders own the shares that are issued whereas corporations own the assets. As the numbers of shares held by the shareholder increase, his/her power increases. This power of shareholder is not directly used to steer the direction of the company. Instead, a shareholder can use this power to vote in the shareholders

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meeting of the corporations, and to appoint the board of directors.

BOARD OF DIRECTORS

A board of directors is a team of people elected by a corporation's shareholders to represent the shareholder's interests and ensure that the company's management acts on their behalf. Major decisions of a corporation are made by board members and generally, shareholders get one vote per share to elect the board members and generally, shareholders get one vote per share to elect the board members. Shareholders are also eligible to receive the dividends issued by the company and that's dividends is added in your passive income. Dividend is the amount of money paid by the company to its shareholders from the profits made. Shareholders can also transfer their shares by trading it for money to buyers.

TYPES OF STOCK

The stocks are divided into two types according to the voting rights and eligibility of dividends they are: common stock and preferred stock. A common stock gives the shareholder power to vote and receive profits in terms of dividend. However, it's not mandatory for the corporation to share profits through dividends to the common shareholders. Dividends should be varied and are never guaranteed.

A preferred stock represents part-ownership of the company but doesn't ensure the same voting rights the common shareholders have. However, preferred shareholders are generally eligible for a fixed dividend as long as they invested in the company, unlike common shareholders. In addition to this, preferred shareholder is paid before the common shareholders while liquidating a company.

STOCK EXCHANGES

Stock exchanges are the place for a company to issue shares and investors to buy/sell the shares. Listing the company in the stock exchange is one of the primary ways a corporation can raise capital

At the same time, all buyers and sellers are directly matched at a price by the software of the broker. The stock market is defined as a collection of markets and exchanges in which the selling and buying of shares of companies take place. The stock market is also called an equity market. The stock market is same as a vegetable market. The stock exchanges are a part of the stock market in which the listing and trading of stocks take place according to the regulations.

For example- National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) are two major stock exchanges of India. The big companies like TATA motors, jet Airways, DLF, Infosys are listed in both the exchanges. Just like shops in the vegetable market would also sell other products like species and fruits, the stock market.

STOCK EXCHANGES

Stock Exchange also has exchanges that deal with products other than stocks such as commodities, bond etc. One such example is the Multi Commodity Exchange (MCX) which is a commodity exchange in India. A commodity market is a market that trades in the primary economic sector rather than manufactured products such as cocoa, fruit and sugar. Hard commodities are mined such as gold and oil.

Bonds are backed by the asset of the issuer whereas debentures are not secured by any of the physical assets or collateral. Debentures are issued and purchased only on the creditworthiness and reputation of the issuing party. The interest rate of bonds is generally lower than debentures.

Stock exchanges are the places that facilitate the buying and selling of securities such as stocks, bonds etc. In India, there are 28 official stock exchanges. The majority of trading in the Indian Stock market takes place in the NSE and BSE. The BSE located in Mumbai, is the first stock exchange in Asia's was founded on 9th July 1875. 'Sensex' is the benchmark Indian stock market ' index of the Bombay Stock Exchange. BSE is the world's 10th largest stock exchange. The NSE is located in Mumbai and was established in 1992 and introduced computerized in India. 'Nifty' is the benchmark Indian Stock Market index of NSE. It is the world's 11th largest stock exchange.

STOCK BROKER

A stockbroker is a professional that executes buy and sell orders of retail and institutional clients through exchanges. For these services, stockbrokers charge fee or commission from the customer. In general, stockbrokers are associated with stock brokerage firms. In many cases a stockbroker can also be an investment advisor who suggests profitable trades to the customers. Brokerage firms also provide trading software and research on the market. The brokerage firms charge the client with a fee or commission which is generally termed as brokerage charge.

SEBI

To protect the interest of investors, in the Indian stock market, the regulatory body SEBI [Securities and Exchange Board of India] was established in 1988.

1. SEBI specifies the rules and regulations for all stock exchanges in India to ensure stable performance. Ex- market opens at 9:15AM and closes at 3:30PM.
2. Bodies involved in unfair trade practices will be penalized by SEBI.
3. One of the most common unfair trade practices in the history of Indian stock markets is the manipulation of stock prices.
4. SEBI provides licenses to the brokers involved in the Indian stock market.
5. SEBI controls the mergers and acquisitions of stocks listed in Indian stock market. This is to ensure fraudulent practices by institutions such as the takeover of a company by accumulating majority stake in other companies etc are take care of.
6. As per various sections of the securities and exchange board of India act, SEBI is allowed to identify the violation of regulations and punish the violators.

TIMING OF SHARE MARKET

Saturday and Sunday are off.

9:00AM to 9:15AM- Pre opening market session.

9:00AM to 9:08AM- Order entry period. (Order modification/ Cancel period)

9:08AM to 9:12AM- Order Matching period.

9:12AM to 9:15AM- Buffer period [to decide the opening price of market] price decided by multilateral order matching system means at which price more number of buy or sell order place so, that price is the opening price of market.

9:15AM to 3:30PM- Normal trading session. In this session the order is executed.

3:30PM to 3:40PM- Closing price calculation.

3:40PM to 4:00PM- Post closing session. In which buy or sell orders be executed at the closing price of market.

4:00PM to 9:00AM- After-market orders can be placed.

The window of intraday order placement will end between 3:15PM to 3:20PM.

IPO

Initial Public Offering (IPO) is a process of offering shares to the public for the first time by private companies, to raise capital for growth and expansion of the business. Before IPO, the capital for any private company comes from the founders and a small number of investors who are angel investors/venture capitalists. This is why the IPO process is often called going public.

Advantages of an IPO-

1. Opens the doors for a large number of investors to provide capital for the company.
2. Increases the public image of the company which could in turn positively affect the business through sales.
3. Compared to other alternatives to raise capital, I PO has the potential to raise large sums of capital for a company in a single go.
4. Increases existing investor's confidence once the company is listed in an exchange after IPO.
5. Makes the process of mergers and acquisitions easy. A listed company can acquire another company by using their shares as compensation.
6. It is easy for a listed company to attract a highly skilled and talented workforce.

Disadvantages of an IPO-

1. Once the company is listed, many external factors such as global economic sentiments, interest rates and sentiment of its industry can impact the value of the company.
2. Due to stringent regulations of stock exchanges, all listed companies are demanded to be transparent and file a report of business practices with the regulators. This could reveal business methods to the competitors.
3. A listed company has to bear marketing, legal and accounting costs. This would also demand continuous time and effort from the management.
4. Due to the involvement of new shareholders and investors with voting rights, the management can loose strong over decision making.
5. Any violation of regulations has the potential to lead to lawsuits and damage to the public image of the company.

CONCLUSION

After taking above information into consideration, we clearly seen that investment is all about taking a part ownership in a company, which means we don't just buy shares to trade for profit we buy share to a take a part ownership in a company and enjoy the profit through dividends or increasing the value of share in a long term people always become impatient and start buying and selling stock at a regular basis they started trading without any technical analysis expertise. So if you are pre decided about investment wait for long term and choose those companies which you think will grow in future. We learn about shares, board of directors, types of stock, stock exchanges, stock broker, SEBI, timing of share market and IPO.