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Q.2. What is Stock Exchange? Explain the characteristics and function of Stock exchange.

→ Stock exchange is a market where second hand securities are traded. Stock exchange is a secondary market of shares and securities. Stock exchange is a place where listed company sold her securities. Stock exchange is also called security market.

According to Pyle, "Security exchanges are market places where security that have been listed there on ~~me~~ may be bought and sold for either investment or speculation."

According to Hartley Withers, "A stock exchange is something like a vast warehouse where securities are taken away from the shelves and sold across the country at a fixed price in a catalogue which is called the official list."

According to above definition, it is clear that stock market or exchange provides a market for the purchase and sell of

securities which are listed in it. In this market the investors can sell and buy securities. Stock market predominantly deal in the equity share. Debt instruments like bond and debentures are also traded in the stock market. The health of the economy is reflected by the growth of the stock market.

### • Characteristics of Stock exchange:

According to above definition, characteristics of stock exchange are as follows:

- i) Stock exchange is a place where <sup>second hand</sup> securities are bought and sold.
- ii) Stock exchange is regulated and controlled by SEBI.
- iii) Real investors and speculators both purchase and sell securities.
- iv) Share market deals in all types of securities.
- v) It may be incorporated or not.

## • Functions of Stock exchange:

The main functions of Stock exchanges are as under:

- i) Maintains active trading → Shares are traded on the stock exchanges, enabling the investors to buy and sell securities. The prices may vary <sup>from</sup> ~~from~~ transaction to transaction.
- ii) Fixation of prices → Price is determined by the transactions that flow from investors demand and suppliers preferences.
- iii) Insures safe and fair dealings → The rules, regulations and by laws of the stock exchanges provide a major of safety to the investors. Transactions are conducted under competitive condition enabling the investors to get a fair deal.
- iv) Aids in financing the industry → A continuous market for shares provides a favourable climate for raising capital. The negotiability and transferability of the securities



helps the company to raise long term funds.

v) Performance induction → The prices of stock exchange reflects the performance of the traded company this makes the corporate more concerns with its public image and tries to maintain good performance.

vi) Dissemination of information → Stock exchanges provides information through their various publications. They publish the share prices traded on daily basis along with the volume traded.

vii) Self regulating organisation → The Stock exchanges monitor the integrity of the members, brokers, listed company and clients continuous internal audit safe guards the investors against their unfair trade practices it settles the disputes between member, brokers, investors and brokers.