



Stock Market- Is it a Gambling?

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Stock market refers to a group of financial markets and exchanges where shares of publicly traded firms are bought, sold, and issued. It is often referred to as the stock market or equity market. Companies can generate capital through the public issuance of shares on the stock market, and investors can then buy and sell these shares to become shareholders of the business. The stock market offers a marketplace for investors to sell or buy shares in firms and fulfils a number of functions, including earning money for investors and capital raising for businesses.

The stock market is executed through **stock exchanges**, which are regulated platforms where buyers and sellers can trade stocks or shares. **New York Stock Exchange, Euronext, London Stock Exchange, Bombay Stock Exchange, Japan Exchange Group**, etc. are some of the major stock exchanges in the world. Stock markets are subject to regulations and oversight by government agencies to ensure fair trading practices and protect investors' interests. Like in the United States, the **Securities and Exchange Commission (SEC)**, in India the **Securities and Exchange Board of India (SEBI)** plays a significant regulatory role.

Process of Stock market

A company can become publicly traded by doing an **initial public offering (IPO)** where the company offers its share to the general public for the first time. The company's shares are listed on one or more stock exchanges after the IPO. Brokerage companies then serve as an intermediary between investors and the stock exchange, allowing investors to buy and sell these shares. The price of a stock or a unit of share will be governed by the principles of supply and demand. A stock will become more expensive if there is a greater demand (buyers) than supply (sellers) for it. On the other hand, if there are more buyers than sellers, the price of a stock will rise.

History of stock market in India

The history of the stock market in India dates back to the 19th century, influenced by British colonial rule and the establishment of major trading centres.

The first stock exchange in India, known as **The Native Share & Stock Brokers' Association**, was established in Bombay (now Mumbai) in 1875. It later evolved into the Bombay Stock Exchange (BSE), which is one of the oldest stock exchanges in Asia.

In 1956, the Indian government enacted the **Securities Contracts (Regulation) Act**, which aimed to regulate and control stock exchanges. Several regional stock exchanges were established across the country.

In 1988, the Government of India established **Securities and Exchange Board of India (SEBI)** as an independent regulatory authority to oversee and regulate the securities

market. SEBI played a crucial role in bringing transparency and investor protection to the Indian stock market.

In the early 1990s, India embarked on economic liberalization and market reforms, leading to increased foreign investment and participation in the Indian markets. This period saw significant growth in the Indian stock market.

The **National Stock Exchange of India (NSE)** was incorporated in 1992 and began its operations in 1994. It introduced electronic trading systems and played a pivotal role in transforming the Indian stock market by offering a modern, transparent, and efficient trading platform.

In 1996, India introduced a system of dematerialization, allowing investors to hold securities in electronic form, which replaced the physical share certificates. Online trading also gained popularity during this period, making it more accessible to investors across the country.

The BSE launched the **S&P BSE Sensex** in 1986, which is an index representing the performance of the top 30 companies listed on the BSE. Similarly, the NSE introduced the **Nifty 50** in 1996, comprising the top 50 companies listed on the NSE.

Over the years, the Indian stock market has grown significantly, with the listing of new companies and the inclusion of various financial instruments like derivatives, exchange-traded funds (ETFs) and mutual funds. India has also opened its doors to foreign investors, allowing **Foreign Institutional Investors (FIIs)** to invest in Indian equities. This move attracted foreign capital, contributing to market growth.

The Indian stock market has come a long way from its early beginnings through embracing technological advancements, introducing new products, and attracting global investors thus emerged as one of the major stock markets globally. It plays a crucial role in India's economy by facilitating capital mobilization for businesses and providing investment opportunities to individuals and institutions.

Is stock market a gambling?

Despite certain similarities, the **stock market** and **gambling** are basically two very different choices. It is essential to recognize the differences between them.

The stock market serves as a platform for companies to raise capital for growth and expansion, and it provides individuals and institutions with opportunities to invest and build wealth over time. Gambling, on the other hand, is often seen as a form of entertainment or recreation, with the primary purpose of winning money or prizes.

In the stock market, investors purchase shares of businesses with the hope of eventually sharing in the company's profits and growth which is typically a long-term strategy for wealth accumulation through some wise decisions such as evaluation of the financial situation of businesses, their business strategies, and other significant elements. Whereas gambling often involves making bets or wagers on improbable occurrences in the hopes of winning money or prizes. Gambling results are frequently determined by luck, chance, or random occurrences, and the chances of success can often work against the gambler.

Both the stock market and gambling involve an element of risk and uncertainty. In the stock market, the value of investments can fluctuate based on various factors such as company performance, market conditions, and economic trends and the investors may face losses. However, it allows individuals to manage risk by diversifying their portfolios and making informed decisions based on analysis and research. But in gambling, the outcome is often entirely based on chance, and the risks are usually higher, with little to no control over the results.

Conclusion

The stock market is an essential part of the world financial system and is extremely important to the economy. It gives businesses a platform to raise money for growth and expansion while giving investors a chance to share in these businesses' success. The stock market and gambling are two separate activities with significantly different objectives; strategies, and outcomes. While there is risk and uncertainty involved in both the stock market and gambling, the first offers a more organized and controlled environment that allows investors to participate in the expansion of businesses and the economy. Investing is a strategic way to accumulating wealth over time whereas gambling is largely a type of amusement with random outcomes.

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