

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:84
ANSWERED ON:28.07.2006
FALL IN SHARE MARKET
Prabhu Shri R.;Shiwankar Shri Maha Deo Rao

Will the Minister of FINANCE be pleased to state:

- (a) whether there is a continuous fall in the share markets in the country in recent times,
- (b) if so, the reasons therefor ;
- (c) the details of the total amount of loss suffered by the small investors ;
- (d) whether the Government proposes to investigate the declining trend in the share market; and
- (e) the steps taken/proposed to be taken to protect the interests of the small and medium share holders ?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE SHRI (P.CHIDAMBARAM)

(a) to (e): A statement is placed on the table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 84 for answer on 28th July, 2006 on 'Fall in Stock Market' raised by Prof. Mahadeorao Shiwankar and Shri R. Prabhu

(a) & (b): The monthly average movement in the Sensex and Nifty in the recent times, along with percentage change over the previous month, is as under :

Senses % change in Sensex over Nifty % change in Nifty over
the previous month the previous month

Jan. 2006	9539.66	4.12	2892.68	4.33
Feb.	10090.08	5.77	3019.32	4.38
Mar.	10857.03	7.60	3236.36	7.19
Apr.	11741.74	8.15	3494.06	7.96
May	11599.16	-1.21	3437.41	-1.62
Jun.	9934.74	-14.35	2914.91	-15.20
July	10531.35	6.01	3084.59	5.82

(till 24th July)

As can be seen from the table above, the rates of change in the stock indices show movements in both directions. Though the months of May and June, 2006 witnessed a fall in the level of Sensex and Nifty, the average movement of the indices during the month of July, 2006 (till 24th July) has been upwards as compared to the levels in June, 2006.

The movement in stock market indices is a function of many factors including investors' perceptions of the economy, the sector or an index stock. Movements of stock market also depend on economic factors, domestic and international events, market sentiments, corporate performance and prospects of future economic growth. The stock market capitalises the present and future values of growth opportunities while evaluating the growth of all sectors in the economy.

(c) : The actual loss or gain of an individual investor will depend on the composition of his/her portfolio and the cost of acquisition of securities and benefits arising from the securities. Therefore, it is not possible to quantify the extent of the loss or gain, if any, on account of the aforesaid fall in share prices for a particular investor.

(d) : The Securities and Exchange Board of India (SEBI) is the statutory regulator which has been established to protect the interests

of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto. Irrespective of the level of indices, SEBI looks into the market movements and in case of any abnormality noticed in the securities market, initiates appropriate action. In the instant case also, SEBI is keeping constant vigil on the market and is taking expeditious measures wherever warranted. It has also been conducting weekly meetings with surveillance officials of the stock exchanges. The stock exchanges have been advised to initiate expeditious demonstrative action wherever warranted so as to protect investors' interest and ensure orderly functioning of the stock market.

(e) : SEBI and the Government have been advising the investors, whether small or big, that they should take informed investment decisions based on their own understanding of the market or such advice as they may receive from investment advisors. Investors should guard against rumors and also not take decisions in panic.

Further, to protect the investors against impact of volatility, with effect from July 10, 2006, the risk management mechanism in the cash market has been strengthened on the lines of the practice in the derivatives market. The applicable Value-at-Risk margin rates are being updated at least 5 times in a day. Exchanges have been advised to keep enhanced real time vigilance on volatility and deviance, if any, in the market.