

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1458
ANSWERED ON:04.03.2011
VOLATILITY IN CAPITAL MARKET
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Will the Minister of FINANCE be pleased to state:

- (a) whether the risk in trading has increased to a great extent due to high volatility in the Indian capital market;
- (b) if so, the reaction of the Government thereto;
- (c) whether there is need for systematic reform to deal with this situation; and
- (d) if so, the steps taken by the Government in this regard, till date?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a) The volatility observed in the Indian markets is broadly in sync with other major world markets.
- (b) Does not arise in view of reply to part (a) above.
- (c) Volatility is an inherent feature of the financial market and market movements are the outcome of perceptions of the investors. An efficient market should normally respond to events rapidly. The restructured Indian markets have generally responded to events in a healthy manner and nothing has in the recent past come to light that has warranted systemic changes in the Indian Capital Market architecture.
- (d) The exchanges and the market regulator - Securities and Exchange Board of India (SEBI) - have put in place systems and practices to promote a safe, transparent and efficient market. SEBI also maintains a constant vigil in the market, and in case any abnormal movements are noticed, it investigates the same and takes appropriate remedial action.