

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1691
ANSWERED ON:23.03.2012
FLUCTUATIONS IN THE STOCK MARKET QUESTION
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Will the Minister of FINANCE be pleased to state:

(a) the details of fluctuations experienced in the Indian Stock Market alongwith the factors responsible for the same during the last three months; and

(b) the steps taken or proposed to be taken by the Government thereon?

Answer

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

(a) During the period January 02, 2012 to March 16, 2012, stock markets moved in the range of -2.73 per cent to +2.77 per cent.

Some of the major domestic and international factors that may have, in the recent past, influenced the sentiment in the market movements were:

Oil prices trending up due to tension over Iran.

Continuing crisis in euro zone with prevailing uncertainty over Greece and downgrade of nine euro zone countries` credit ratings by Standard & Poor`s.

Apprehension of slowdown in the growth rate of China.

Acceleration in India`s industrial production in January 2012.

Slowing of India`s headline inflation to its lowest level in more than two years, in January 2012 and hopes that RBI will reduce interest rates.

Injection of liquidity of nearly Rs.80, 000 Crores into the banking system by the Reserve Bank of India (RBI) through measures such as cut in Cash Reserve Ratio (CRR) in the months of January 2012 and March 2012.

(b) Securities and Exchange Board of India (SEBI) maintains constant vigil on the market, and in case of any abnormality, takes appropriate action against the concerned entities. The authorities have put in place systems and practices to promote a safe, transparent and efficient market and protect market integrity. The systems instituted include advanced risk management mechanisms comprising on-line monitoring and surveillance, various limits on

positions, margin requirements, circuit filters, etc. The systems and practices are reviewed continuously and modified to meet emerging needs. Measures taken to broaden and deepen markets include introduction of screen based trading system, dematerialization of securities, corporatization and demutualization of exchanges, settlement through clearing corporation, trading in derivatives, etc.

SEBI reviews regularly any difficulties/short comings in enforcement of stipulated regulations and necessary amendments are made in the respective regulations to promote a safe, transparent and efficient market and to protect market integrity.