Chapter 2
Regulatory Reforms in Indian Financial Market

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ABSTRACT
In India, Financial sector reforms are at the centre stage of the economic liberalization that was initiated in mid 1991. Financial institutions and regulatory structures have been developing gradually & in this process SEBI, the capital market regulator & insurance watchdog IRDA has played a very significant role. On the other hand Reserve Bank of India has built a strong regulatory environment which can be considered as backbone of Indian Financial Industry. This chapter has discussed about the regulatory reforms initiated from 1990s till date in the evolution of Indian financial industry & harmonization of Indian laws to make it a investor friendly state for International Investors & safe platform for stock market trading for householders.

INTRODUCTION
Financial market is an important fragment of an economy making it probable for production, occupation and business to grow without any hindrance in relation to resources. Currently most markets around the globe are adjudged by the performance of their monetary markets. The financial markets ensure pointers in place which reveal the activities of businesses whose securities are transacted in those marketplaces. The financial markets, similarly, serve an important purpose in the progress and advancement of a business, which desires to grow. Such businesses with development plans and innovative ventures are in want of capital and the financial market functions as the greatest platform from where a business can regulate the viability of such opportunities (Joesph, 1989).
The economic writings recognize that effective and advanced financial markets can lead to improved economic development by promoting the productivity of distribution and use of investments in the economy. Well-functioning financial systems minimize the external funding restraints that obstruct strong and industrial development (Krishnan, 2011).

There is a growing body of empirical analyses, including firm-level studies, industry-level studies, individual country studies, and cross-country comparisons, which prove this strong, positive link between the functioning of the financial system and long-run economic growth. In addition, they better allocate resources, monitor managers and exert corporate control, mobilize savings, and facilitate the exchange of goods and services (Krishnan, 2011).

A capital market is a market for securities (debt or equity), where commercial enterprises (businesses) and governments can increase long-term resources. It is characterized as a marketplace in which currency is delivered for periods stretched than a year as the raising of short-term resources takes place on supplementary marketplaces (e.g., the money market). The capital market comprises of the stock market (equity securities) and the bond market (debt) (Jain & Bhanumurthy, 2005).

The capital market of a nation can be reflected as one of the principal pointer in shaping the development of its economy. According to Professor Hicks, the industrial Revolution in England was ignited more by the presence of liquid financial market than the technological investment” (Prasad, Rajan & Subramanian, 2016).

FINANCIAL MARKET IN INDIA

The economic system and setup of any nation at any interval can be measured as the outcome of its own particular historical growth. This growth is occasioned by constant communication among all the contributors prevailing in the system. The growth of Indian financial markets and the monitoring system has correspondingly followed a parallel path. India initiated with the principal bank, Reserve Bank of India (RBI), as the banking zone watchdog, and the Ministry of Finance as the controller for all supplementary financial segments (Singh, 1997).

Currently, maximum financial service sources and their governing agencies are present. The part of controllers has advanced over interval from that of advice for strategic growth in the primary phase to that of a mediator of a comparatively more contemporary and multifaceted financial sector existent. Over this phase, various financial sector improvement actions have been carried out in India, with numerous significant achievements. An imperative feature of these changes has been the endeavor of the specialists to line up the governing framework with global best practices, taking into account the requirements of the nation and internal factors (Gupta 2003). These changes can be broadly categorized as actions taken for:

1. Opening up the whole macroeconomic and governing background surrounded by which financial sector establishments will function.
2. Firming up the institutions and refining their efficacy and effectiveness.
3. Creating and strengthening the governing structure and institutions for supervision of the financial system.