

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:278
ANSWERED ON:31.08.2007
VOLATILITY IN THE SHARE MARKET
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Will the Minister of FINANCE be pleased to state:

- (a) whether Indian Sensex has fallen in the month of July-August;
- (b) if so, the extent of loss suffered by the shareholders as a result thereof;
- (c) the reasons for such a volatility in the share market;
- (d) whether the Government is contemplating to intervene in the stock market; and
- (e) if not, the reasons therefor?

Answer

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

(a) and (b): The Sensex moved from 14,664.26 at the close of business (cob) on July 2, 2007 to 15,121.74 at the cob on August 30, 2007. The loss or gain arising from movement in stock prices is notional.

(c): The movement of market indices or price of a specific share is a function of perceptions of the investors – domestic and overseas, retail and institutional – about the economy, the sector and the company. This perception is influenced by many factors including macro-economic environment, growth potential of the economy, corporate performance, domestic and international events, and market sentiments.

(d) and (e): The Securities and Exchange Board of India and the Exchanges have put in place systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems include advanced risk management mechanisms comprising on-line monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. which reduce the scope for excessive volatility in the market.