

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO: 994**

TO BE ANSWERED ON 07TH DECEMBER, 2021/ AGRAHAYANA 16, 1943 (SAKA)

EASING THE SPECULATIVE ELEMENT AND ACCUMULATION OF FROTH

994: SHRI SUJEET KUMAR

Will the Minister of FINANCE be pleased to state:

- (a) whether the Ministry of Finance is aware of the RBI's statement of the equity markets being frothy with stretched valuations due to sudden shifts in risk appetite, if so, the reaction of Government thereto;
- (b) steps taken or proposed by the Ministry to ease the speculative element and accumulation of froth; and
- (c) whether the Ministry is concerned that the Indian stock market's valuations may be too high for an emerging market economy considering it is ranked the highest;
- (d) if so, details thereof and the reaction of Government thereto; and
- (e) if not, the reasons therefor?

ANSWER

**SHRI PANKAJ CHAUDHRY
MINISTER OF STATE FOR FINANCE**

(a) and (b): The Reserve Bank of India's Monetary Policy Report, October 2021 has stated that "episodic shifts in risk appetite have rendered equity markets frothy with stretched valuations, with intermittent flights into and out of the safety of bonds".

It is informed that SEBI and the stock exchanges have put in place necessary systems and practices to promote a safe, transparent and efficient market and to protect market integrity. In this regard, SEBI and the stock exchanges have surveillance mechanisms in place to track the activities on the stock exchange platform and to generate alerts based on dynamic, system-based parameters. The stock exchanges are on the frontline as far as real time surveillance of the market segments. SEBI is responsible for the surveillance of all the segments of the Indian securities market across the exchanges. The surveillance systems instituted include continuous monitoring and surveillance of trading activities, various limits on positions, circuit filters / price bands, shifting to Trade-for Trade, Additional Surveillance Measures (ASM), Graded Surveillance Measures (GSM), etc.

(c), (d) and (e): While Indian stock indices have been going up in tandem with those of other markets like USA, South Korea and Brazil, India has been the best performing market in the post-COVID period compared to its Asian peers as well as MSCI Emerging Market index.

India's higher growth potential and a vibrant technology sector with a number of new generation tech companies going public this year are giving India an edge. The prevailing low interest rates in India, lack of availability of alternative saving/ investment avenues and the retail-investing boom in stock market could also be contributing to the high stock prices.