History of the Indian Stock Market

1830 – 2026 · Asia's oldest exchange, and the disasters that built it

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1875	86,159	~$5.1tn	~15%	~91%
EXCHANGE FOUNDED	SENSEX ALL-TIME HIGH	MARKET CAP, JUL 2026	INDEX CAGR SINCE 1979	F&O TRADERS LOSING

Almost nothing in India's market was designed. The exchange exists because of a crash. The regulator exists because of a fraud. Electronic trading exists because of a fraud. The modern leverage system exists because a different fraud destroyed the old one. Every rule that protects an Indian trader today was written in the wreckage of something that came first.

SECTION 1

Timeline

Year	Event
1830	Securities traded in Calcutta, including East India Company shares.
1855	About 22 brokers meet under banyan trees at Bombay Town Hall, now Horniman Circle.
1861–65	American Civil War cotton boom. Joint-stock companies in Bombay grow from ~10 (1855) to 100+ (1864).
1865	Cotton collapses. Back Bay Reclamation shares fall from Rs 50,000 to under Rs 2,000, more than 96%. Bank of Bombay falls from Rs 2,850 to Rs 87.
1874	Brokers move to a permanent home on Dalal Street.
1875	The Native Share and Stock Brokers' Association is founded on 9 July. Asia's first stock exchange, three years ahead of Tokyo.
1908	Calcutta Stock Exchange incorporated. At its peak India has more than twenty regional exchanges.
1956	Securities Contracts (Regulation) Act brings exchanges under central recognition.
1982	Reliance versus the bear cartel. The BSE closes for three trading days over an unresolved settlement.
1986	Sensex launched on 1 January. Thirty shares, base value 100 against 1978–79.
1991	Liberalisation. Licensing dismantled, rupee devalued, foreign investment opened.
1992	Harshad Mehta scam exposed on 23 April. SEBI granted statutory powers. NSE incorporated.
1994–96	NSE begins trading. BSE goes electronic. Nifty 50 launched. NSDL founded, demat begins.
2000–01	Index futures and options launched. Ketan Parekh scam. Badla banned outright.
2008–09	Global financial crisis. Satyam accounting fraud confessed.
2020	COVID crash on 23 March, -13.15%, the worst single day on record. The retail account boom begins.
2022	NSE co-location and governance orders. Algorithmic access rules tightened.
2023	India completes the move to T+1 settlement ahead of most global markets.
2024–25	Optional T+0 beta. SEBI curbs weekly expiries. Jane Street interim order.
2025–26	Sensex peaks at 86,159 on 1 December 2025. Domestic institutions reach a record 17% ownership share.

Pattern to notice. 1865 was a settlement failure. 1982 was a settlement failure. 2001 was a settlement failure. India's entire regulatory architecture exists because people were repeatedly allowed to take positions they could not fund.

SECTION 2

The four scandals that built the market

	What happened	What it produced
1865 The cotton bubble	Premchand Roychand promotes the Back Bay Reclamation Company while sitting as a director of the Bank of Bombay. Banks lend against shares of finance companies, which float reclamation companies, which are then borrowed against in turn. Each layer of credit creates the collateral for the next. The Civil War ends, cotton collapses, and forward contracts cannot be settled.	The brokers organise. Dalal Street, and in 1875 the exchange itself.
1992 The securities scam	Harshad Mehta exploits the interbank ready-forward market using fraudulent bank receipts, meaning banks lend against securities that do not exist, and channels the proceeds into a concentrated basket of BSE stocks. Sensex runs from ~800 to 4,467 on 22 April 1992. Sucheta Dalal publishes the mechanics in The Times of India the following day.	SEBI Act 1992 grants statutory investigative power. The NSE is incorporated. Electronic trading, the Nifty 50, NSDL and dematerialised shares follow within four years.
2001 The K-10 collapse	Ketan Parekh inflates a basket of small, illiquid technology and media stocks, funding the positions by borrowing against those same inflated shares, including from a cooperative bank of which he was a director. The dot-com bust unwinds the pyramid. Around seventy Calcutta brokers default.	Badla and all deferral products banned. Short selling suspended, margining tightened. Regulated, centrally cleared index derivatives replace a leverage system that had run since the nineteenth century.
2018–22 Co-location	Allegations that some participants received preferential access to the NSE's tick-by-tick data feed. A February 2022 SEBI order also finds that former MD Chitra Ramkrishna shared confidential exchange information for years with an unidentified figure she described as a Himalayan yogi, who influenced a senior appointment.	Fines of Rs 3 crore on Ramkrishna and Rs 2 crore each on the exchange and two officials. Rules on algorithmic trading, co-location access and exchange governance tightened substantially.

SECTION 3

The people

Figure	Era	What they changed
Premchand Roychand	1849–1865	Founding broker. Architect of India's first bubble and its first ruin. Lost his fortune, endowed the Rajabai Clock Tower.
Dhirubhai Ambani	1977–2002	Built India's first mass retail shareholder base. Beat the bear cartel in 1982, closing the exchange for three days.
Manu Manek	1960s–80s	The Black Cobra. The era's dominant bear operator, and the cautionary tale on selling short without a clearing house.
Harshad Mehta	1990–1992	The 1992 securities scam. Forced the creation of a real regulator, an electronic exchange and dematerialised shares.
Sucheta Dalal	1992 onward	The journalist who exposed Mehta. Financial journalism as a market-structure force.
R. H. Patil	1992–2000	Founding head of the NSE. Built the electronic, nationwide, institution-owned exchange that dragged the whole market forward.
Ketan Parekh	1999–2001	The K-10 scam. His collapse ended badla and pushed India into regulated derivatives.
Rakesh Jhunjhunwala	1985–2022	The modern Big Bull. Proved a domestic investor could compound to billions inside India without leaving it.
Chitra Ramkrishna	2013–2016	First woman to head an Indian exchange. The co-location and governance case that reset the rules on algorithmic access.

SECTION 4

The shock ledger

Date	Event	Sensex move
17 May 2004	Election result upends expected policy continuity	Around 11% down in one session
2008	Global financial crisis; foreign investors exit en masse	Roughly halved over the year
Jan 2009	Satyam Computer accounting fraud confessed by its chairman	The stock fell roughly 80% in a day
24 Aug 2015	China devaluation and emerging-market sell-off	5.94% down
9 Nov 2016	Demonetisation announced overnight	6.12% down
23 Mar 2020	COVID-19 lockdown announced	13.15% down, worst single day on record
4 Jun 2024	Election count defies exit polls	8.15% down intraday, closed 5.74% down at 72,079

The six lost years. The Sensex peaked at 20,873 in January 2008 and bottomed at 8,160 that October, a drawdown of 61%. It took roughly six years to reclaim the high. Every long-term return figure quoted for this market contains that stretch inside it.

SECTION 5

Where the market stands, and the number nobody prints

Measure	Figure
Sensex all-time high	86,159.02 on 1 December 2025
Sensex, mid-August 2026	Around 78,000, roughly 9% below the peak and about 4% lower year on year
52-week range	About 71,546 to 86,159
Total market capitalisation	Around $5.1 trillion, July 2026. Record roughly $5.66 trillion, September 2024. Fifth largest globally
Long-run price return	From 100 in 1979 to around 78,000 in 2026, roughly 15% compounded over 47 years, before dividends
Demat accounts	Crossed 200 million mid-2025; roughly 225 million by end of FY2025–26, more than tripling in four years
Unique investors	Estimated around 120 million, since one person may hold several accounts
SIP accounts	About 104.5 million, with monthly contributions running above Rs 30,000 crore
Ownership shift	FY2025–26: record domestic institutional inflows of Rs 8.5 lakh crore against foreign outflows of Rs 1.8 lakh crore. Domestic share at an all-time high of 17%, foreign at a fifteen-year low of 15.8%
March 2026 stress test	Nifty 50 fell 9.37%, worst month since March 2020. Record monthly foreign selling. SIP contributions hit an all-time high the same month

SEBI research on individual F&O traders	Finding
Three financial years to March 2024	Net losses of Rs 1.81 lakh crore, roughly $21 billion. Only 7.2% finished in profit
FY2023–24	91.1% of individual derivatives traders lost money. 96–97% of proprietary and foreign profits came from algorithmic trading
FY2024–25	After curbs on weekly expiries and larger contract sizes, around 91% still lost money. Aggregate net losses widened 41% to Rs 1,05,603 crore
Demographics, FY2023–24	43% of individual derivatives traders were under thirty, most in lower income groups

The paradox, in one line. The same market, in the same country, in the same decade, produced roughly 15% a year for people who bought and held, and a 91% loss rate for individuals trading its derivatives. Same index. Same economy. Opposite outcomes. The difference was instrument, leverage and time horizon.

SECTION 6

What it teaches a trader

Compounding is real, and only survivors collect it. The arithmetic is genuine, but it was paid out only to people still holding after 1992, 2001, 2008, 2020 and 2024. Every one of those years offered a rational, well-argued reason to get out.

Ask where the money is coming from. Mehta's rally and Parekh's rally both looked identical to a genuine bull market on a price chart. The tell in each case was funding, not price. When the only explanation for a rise is the rise itself, the question is who is buying, and with whose money.

Structure kills more accounts than analysis does. Three of the four scandals above were settlement failures. The retail version of the same failure is leverage you cannot survive, and it ends the same way at every scale.

Know which side of the statistic you are on. 15% or 91% is not a prediction about direction. It is a choice about instrument, leverage, cost and time horizon — which is to say about method and money management.

The crowd is now the market. With more than 200 million demat accounts and automatic monthly SIP flows, retail behaviour in India is a structural force large enough to absorb record foreign selling. Crowd psychology is not context to what you are trading. It is the thing you are trading.

SOURCES AND NOTES

Where these figures come from

Index levels, all-time highs and 52-week ranges are exchange and market-data figures as at mid-August 2026. Market capitalisation figures are as reported for July 2026, against the record set in September 2024. Derivatives loss statistics are from the Securities and Exchange Board of India's published studies on individual traders in the equity futures and options segment, covering FY2021–22 to FY2023–24 and FY2024–25. Demat account, SIP and institutional ownership figures are from SEBI and AMFI reporting for FY2025–26. Regulatory findings on the NSE co-location matter are from the SEBI order of February 2022. Nineteenth-century share prices are as recorded in contemporary accounts of the 1861–65 Bombay share mania.

The long-run return figure is arithmetic, not a quoted statistic: from a base of 100 in 1979 to approximately 78,000 in 2026 is a compound annual price return of roughly 15% over 47 years, excluding dividends. Percentages described as 'around' or 'roughly' are rounded from the underlying figures. Nothing in this sheet is estimated or inferred where a published figure exists.

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