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Capital Markets and the Expanding Role of Chartered Accountants

Dr. Kiran Bala*

Assistant Professor in Commerce, Mata Sundri University Girls College, Mansa.

*Corresponding Author: drkiranjindal@rediffmail.com

Abstract

Chartered Accountants play a crucial role in the effective functioning, transparency, and credibility of the capital market. They act as key intermediaries who ensure the accuracy and reliability of financial information used by investors, regulators, and other stakeholders. Through statutory audits, financial reporting, and certification of accounts, chartered accountants help maintain investor confidence and reduce information asymmetry in the market. Their involvement in the preparation and vetting of prospectuses, due diligence reports, and compliance certificates during public issues, mergers, acquisitions, and listing processes strengthens the integrity of capital market operations. The New Education Policy announced by Government of India (NEP 2020) was a welcoming change and fresh news amidst all the negativities surrounding the world due to the challenges posed by Covid-19 pandemic. The announcement of NEP 2020 was purely unexpected by many. Though the education policy has impacted school and college education equally, this article mainly focuses on the primary objective of NEP 2020 is to provide quality education to all students by laying down several key strategies for achieving the goal.

Keywords: Capital Market, Chartered Accountants, Investor Protection, Financial Transparency.

Introduction

Capital markets play a pivotal role in the economic development of a country by facilitating the mobilization and efficient allocation of financial resources. They provide a platform where savings are channelled into productive investments, thereby promoting industrial growth, infrastructure development, innovation, and employment generation. In a rapidly globalizing economy, capital markets have evolved into complex, technology-driven systems governed by stringent regulatory frameworks and international standards.

Chartered Accountants (CAs) occupy a central position within the capital market ecosystem. Their expertise in accounting, auditing, taxation, financial reporting, valuation, and corporate governance makes them indispensable to the smooth functioning, transparency, and credibility of capital markets. From the initial stages of capital formation to ongoing compliance, disclosure, and governance, Chartered Accountants contribute at every stage of capital market operations.

This chapter examines the structure and functioning of capital markets, and analyses the multifaceted role of Chartered Accountants in ensuring efficiency, integrity, and investor confidence in capital markets.

Concept and Structure of Capital Markets

Meaning of Capital Market

A capital market is a financial market where long-term funds are raised and traded. It deals with financial instruments having a maturity period exceeding one year, such as equity shares, preference shares, debentures, bonds, and other long-term securities. Capital markets serve as a bridge between investors (suppliers of capital) and corporate or governments (users of capital).

Unlike money markets, which focus on short-term funds, capital markets are essential for long-term economic growth, capital formation, and industrial expansion.

Components of Capital Market

The primary market facilitates the issuance of new securities. Companies raise fresh capital through:

- Initial Public Offerings (IPOs)
- Follow-on Public Offerings (FPOs)
- Rights Issues
- Private Placements
- Preferential Allotments

The primary market plays a crucial role in capital formation and business expansion.

The secondary market deals with the trading of existing securities. Stock exchanges provide liquidity, price discovery, and marketability to securities, thereby enhancing investor participation and confidence.

Capital markets contribute significantly to economic growth and stability through the following functions:

- Capital markets encourage household and institutional savings by offering diverse investment avenues.

- Funds are channelled towards productive sectors, ensuring optimal utilization of resources.
- Large-scale projects require long-term financing, which capital markets effectively provide.
- Listed companies are subject to disclosure norms and regulatory oversight, leading to improved governance practices.

Regulatory Bodies of Capital Markets

Capital markets are governed by a well-defined regulatory framework. In India, this framework comprises multiple regulatory and supervisory institutions, each performing distinct but complementary functions.

- **Securities and Exchange Board of India (SEBI)**

SEBI formulates regulations governing public issues, listing of securities, takeover and insider trading norms, and disclosure requirements. It registers and supervises market intermediaries such as stockbrokers, merchant bankers, mutual funds, portfolio managers, investment advisers, and credit rating agencies.

- **Reserve Bank of India (RBI)**

RBI regulates banks and non-banking financial companies (NBFCs), which are major participants in the capital market. It manages public debt through the issuance of government securities, regulates interest rates, and oversees liquidity conditions.

- **Ministry of Finance (Government of India)**

The Ministry coordinates with SEBI and RBI to ensure consistency between fiscal policy, financial regulation, and capital market development. It also oversees reforms aimed at improving market depth, access, and efficiency.

- **Stock Exchanges**

Stock exchanges such as NSE and BSE monitor price movements, detect market manipulation, enforce disclosure requirements, and impose penalties on non-compliant listed entities and trading members.

- **Depositories and Depository Participants**

Depositories such as NSDL and CDSL facilitate the dematerialization, holding, transfer, and settlement of securities in electronic form. They enhance market efficiency by reducing settlement risks, preventing forgery, and ensuring faster transactions. Depository Participants (DPs), registered with SEBI, act as intermediaries between investors and depositories.

Chartered Accountants act as key professionals ensuring adherence to regulatory and statutory requirements.

Role of Chartered Accountants in Capital Market

Chartered Accountants play a pivotal and multifaceted role in the functioning, regulation, and development of the modern economic and corporate environment. As trusted financial professionals, they act as custodians of financial integrity, ensuring that financial statements present a true and fair view of an organization's performance and position. Through statutory audits, tax audits, and internal audits, chartered accountants enhance transparency and accountability, which are essential for building confidence among investors, regulators, lenders, and other stakeholders. Their independent assurance helps in reducing information asymmetry and protecting the interests of shareholders and the public at large.

In the area of taxation, chartered accountants contribute significantly by advising individuals, businesses, and institutions on compliance with complex tax laws while also engaging in effective tax planning within the legal framework. They assist in the preparation and filing of returns, represent clients before tax authorities, and help resolve disputes, thereby ensuring smooth interaction between taxpayers and the state. This role not only supports revenue collection for the government but also promotes voluntary compliance and reduces litigation.

Chartered accountants are also key strategic advisors to management. Beyond compliance, they assist in financial planning, budgeting, cost management, performance evaluation, and risk assessment. Their expertise supports informed decision-making related to investment, expansion, mergers and acquisitions, restructuring, and capital raising. In capital markets, they play a crucial role in due diligence, valuation, preparation of prospectuses, and certification of financial information, thereby safeguarding investor interests and contributing to efficient market functioning.

With the growing emphasis on corporate governance and sustainability, chartered accountants increasingly contribute to the design and monitoring of governance frameworks, internal control systems, and ethical practices. They help organizations comply with regulatory requirements related to corporate laws, securities regulations, and reporting standards, including environmental, social, and governance (ESG) disclosures. In the public sector as well, chartered accountants support financial management, audit of government bodies, public enterprises, and development projects, ensuring efficient use of public funds.

Regulatory oversight also enhances professional accountability and ethical conduct. Chartered Accountants act as a crucial link between regulators and market participants by ensuring compliance with regulatory norms, reducing financial irregularities, and safeguarding interests. Furthermore, regulatory bodies support the evolving role of Chartered Accountants in corporate governance, risk management, forensic accounting, and capital market advisory. A strong regulatory environment

thus empowers Chartered Accountants to contribute effectively to market integrity, investor confidence, and sustainable economic growth.

Career Opportunities in the Stock Markets for Chartered Accountants

The capital market is an emerging place to start a job. It is getting bigger day by day and many beginners are setting up every day in the country. In India, according to Bloomberg, less than 1.5% of the total population invests in the equity market. Comparing this to China and the United States, almost 10% of the Chinese population and 18% of the United States population invests in the stock market. There is great potential in the Indian stock market.

Currently, the financial market in India is growing at a much faster pace than any other region. It has widened its scope and at present has increased the number of stock exchanges from 8 (in the 1960s) to 23. Rapid growth in the industry has opened up opportunities for a huge workforce across the country. It mainly looks for graduates who have knowledge and experience in commerce, economics, finance, mathematics, and management. Freshers get started in the financial advisory companies. Mutual fund houses and the stock brokerage firms also hire fresh and skilled graduates. The Mutual Fund Company mainly includes sales and marketing, fund accounting, investment and research, operations and administration.

A Chartered Accountant acts as a Money Manager, who manages the investment portfolio of an individual/institutional investor. He has the expertise (knowledge and skills) in areas of research and investment options for monitoring the assets and deciding when to sell them.

Money manager does not deal in his own funds but he is obliged to choose and manage investments prudently for his clients. The work includes developing an appropriate investment strategy and buying and selling securities to meet those goals. A money manager may also be known as a "portfolio manager" or "investment manager." Examples of leading money managers in India include Ernst & Young Private Ltd., Deloitte Touche Tohmatsu India LLP, Capital Global Advisory Private Ltd., etc.

Money managers are an integral part of the finance industry. Some of the common job options include Portfolio Manager, Mutual Fund Analyst, and Hedge Fund Traders.

- **Economic Development through Capital Markets:** Capital markets significantly contribute to economic development by mobilizing long-term funds, supporting industrial growth, and expanding investor participation. In India, capital markets have facilitated around Rs.93 lakh crore of capital mobilization over the last decade, enabling expansion in infrastructure, manufacturing, and services. The market capitalization of Indian stock markets

has crossed Rs 400 lakh crore (over USD 5 trillion), reflecting increased corporate valuation and investor confidence. The market capitalization-to-GDP ratio has risen from about 77% in 2019 to over 125% by 2024–25, indicating deeper financial integration with the economy. Primary markets raised over Rs 11 lakh crore in FY 2024–25, supporting entrepreneurship and business growth. Investor participation has expanded rapidly, with the number of investors increasing from about 5 crore in 2020 to more than 13 crore by 2024, promoting financial inclusion. Globally, capital markets exceed USD 100 trillion in size, highlighting their central role in financing economic growth and development.

Overall, regulatory bodies of the capital market empower Chartered Accountants by creating a disciplined, transparent, and rule-based financial system. These institutions enhance professional credibility, expand service opportunities, and enable Chartered Accountants to contribute meaningfully to investor protection, corporate governance, and economic development. By working within the regulatory framework, Chartered Accountants act as vital intermediaries between regulators, corporate, and investors, ensuring ethical conduct and financial stability in the capital market

Conclusion

Capital markets are the backbone of modern economies, driving growth, innovation, and financial stability. Their effectiveness depends largely on transparency, trust, and regulatory compliance—areas where Chartered Accountants play a crucial role. From capital raising and financial reporting to valuation, governance, and compliance, Chartered Accountants serve as custodians of financial integrity in capital markets.

As capital markets evolve with globalization, digitalization, and sustainability concerns, the role of Chartered Accountants is expanding beyond traditional boundaries. By embracing new technologies, strengthening ethical practices, and enhancing professional competence.

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