CHAPTER VIII

FINDINGS AND CONCLUSIONS

This final chapter presents the summary of the research work done, its findings and the policy suggestions to strengthen the share market (stock market).

Share Market

The financial sector reforms of the last decade have often been responses to short-term problems. This chapter has refocused attention on the two fundamental issues in thinking about finance, information processing and incentives.

A sound financial system should ultimately be judged on solid information processing. Information processing works well when economic agents have sound incentives for engaging in information processing. Every aspect of financial sector policy should be judged for its impact on the incentives of actors and the impact on information processing.

Over the last 50 years, countries worldwide have come to rely on the arm's length public securities markets as a tool for information processing, owing to the good incentives that drive individuals and firms in these transparent, speculative markets. India has a sound foundation of institutional capacity and market design on the equity spot and derivatives markets. The large mass of economic agents who participate in these markets have a capacity for information processing and for risk-taking.

These markets will function much better in a more conducive environment of information disclosure and well designed regulation. These markets can be increasingly harnessed to perform numerous other roles in the system and to solve a complex combination of problems in the regulation of banks, insurance companies, and pension funds, including the moral hazard of government guarantees (implicit or explicit), public sector ownership and a regulatory stance that stifles innovation, information processing, and risk taking. A broad range of initiatives are needed to disentangle these problems and achieve a sound regulatory architecture, with world-class regulations and regulatory capacity. Addressing these problems will improve systemic integrity, ease the government's fiscal problems, augment the flow of risk capital, and improve information processing in the financial sector.

The financial sector is a complex set of contractual relationships, prices, and products. Quantitative, monitor able parameters are needed to measure whether the financial sector is sound and functioning properly. Conventional measures, such as the level of stock prices, securities market turnover, or bank deposits, are unsatisfactory because they reflect macroeconomic outcomes as well as financial market quality.

India differs from most other countries in the world, in having a substantial agricultural sector. Looking forward, there is a clear opportunity for India to greatly increase value added from agriculture, through a much more liberal policy regime. To the extent that such a policy programme makes progress, it could positively impact upon the lives of hundreds of millions.

The repressed policy regime has stifled market development, and given weak institutions. Strengthening institutions for spot and derivatives markets is a key aspect of a reforms effort.

The first financial market that enjoyed the benefits of liberalization was the equity market. The last decade has seen a flowering of considerable institutional capacity and the equity market, giving nationwide trading, the elimination of entry barriers into intermediation, anonymous electronic trading by price-time priority, risk management at the clearing corporation, dematerialized settlement thrown up on the equity market have considerable strengths, by world standards.

As a part of the process of economic liberalisationm the stock market has been assigned an important place in financing the Indian Corporate Sector. Besides enabling mobilizing resources for investment, directly from the investors, providing liquidity for the investors and monitoring and disciplining company managements are the principal functions of the stock markets. This research work has examined the growth and development in the Indian share market in general and Tamil Nadu share market in particular.

The Government of India has adopted the policy of liberalization, privatization and globalization (LPG) in its economic reforms process in early 1990s and transferred the traditional market mechanism to the threshold of a free market philosophy. This process of economic reforms has boosted India to become a nation on the move and the world noticed a new look India and its growing potential in share market in the global market. Due to free market philosophy many MNCs began to flow capital a variety of new techniques, some of them rather new to the Indian share market. They posed a tough competition before the Indian Companies. In this chain government of India has taken various pragmatic steps as a result of which Indian share market are getting more and more global across geographical boundaries of the countries and continents. For capturing the foreign Institutional investors companies in share market is necessary to build investments and better earnings from share price and dividend yield in share market.

Growth of Share Market

Growth of share market is encouraged by its ability to generate employment to increase standard of living and its linkage effects with other sectors of the Indian economy after Economic Reforms. The growth of the foreign institutional investors, net equity from foreign institutional investors, number of institutional investors, buying and selling securities in debt market, net investment debt market, equity turnover in BSE market, new listing companies, number of delisted companies, total institutional companies securities, total listed companies capital in share market, amount offered by the companies in equity market price earnings of sensex, price of book value of sensex and index ratio dividend yield sensex are explained through descriptive statistics. Foreign institutional Investors (FII) turnover selling equity represent the highest overall growth values. The computed value of simple growth rate was positive in 8 years and 5 years negative growth. The over all growth rate is positive. The net equity from institutional investors was positive in 7 years and 6 years in negative changes. Regarding the number of institutional investors average growth rate was positive and only two years simple growth rate was negative. The overall growth of institutional investors was increased positively, except two years i.e., 2002 and 2003.

Increased Buying and Selling in Debt Market

During the study period i.e.,2000 to 2013. The overall average growth rate of buying securities values was higher. It shows that the significant changes of buying securities in debt market after economic reforms by the Govt. whereas selling securities in debt market was less than 25 percent in overall growth rate in debt market.

In terms of net investment in debt market was moderately only. Since the observed value was negative, no equation is estimated. The compound growth rate was not able to computed.

The rate of growth of Bombay Stock Exchange market was not a fruitful. It is because of National Stock Exchange Market growth. The simple growth rate was negative about seven years. After economic reforms the growth of turnover of Bombay stock exchange is not highly commended.

Increased Listing Companies Securities

The purpose of a stock exchange is to facilitate the exchange of securities between buyers and sellers, thus providing a market place. The computed value of growth rate is positive, except 3 years. The overall growth rate is about 10 percent during this study period.

Regarding the delisted companies securities in share market is increased about 2 percent. The number of delisted companies was double degit in number except 3 years i.e., 2003, 2004 and 2005. It is because of policy measures taken by SEBI in promoting stock exchange market.

Decreased Total Companies Securities

This study reveals that the total companies securities in the share market was reduced by 1.26 percent. It is not significant trend in total companies securities in share market. From 2002 to 2005,about four years the simple growth rate of the companies were changes in negatively.

Increased Follow on Public Securities

A follow on offering is an issuance of stock subsequent to the company's initial public offering. The overall growth rate was increased by 18 percent. The computed p-value is significant. The simple growth rate was computed, it shows that the negative growth rate was five years out of 14 years study period.

Increased New Companies Capital

The stock market and capital market are essential for the economic development of the country. The overall growth rate is increased about 25 percent. About five years was found negative growth rate. In general the growth of companies capital in share market is increased significantly, after economic reforms measures were formulated by Govt. of India.

Increased Existing Companies Capital

Share market is a part of the capital market itself, consisting of the primary and secondary markets. The compound growth rate was 33.62 percent. R-square value is high level. P-value is significant. After economic reforms in the form of liberalisaiton in share market the existing companies capital is increased.

In terms of total listed companies capital in share market is increased by 26.94 percent. About six years negative changes in total listed companies capital during the study period.

Increased the Amount offered by the Companies in Equity Market

Under the Economic reforms – the structural adjustment programme made by Government of India was the substantial policy changes to pull down the administrative barriers to free flow of foreign capital. Strengthening of equity markets was advocated for successful implementation of the privatization programmes and attracting external capital flows. This present study reveals that the compound growth rate was 24.30 percent. The overall growth rate was highly increased.

Decreased Price Earnings of Sensex

The P/E ratio of a share measures the price paid for a share in companion to the annual net profit earned by the company per share. The average growth rate was decreased by 0.34 percent. Due to economic reforms there is less significance in price earnings of sensex is the study period. About nine years negative ratio of price earning sensex of simple growth rate was unfavourable.

There is a mild of increased in Compound growth rate by 1.16 percent. The simple growth rate was also not effective changes due to market fluctuations and liberalization in share market.

India restricted the flow of foreign capital till early 1990s and depended on external aid and official development assistance. Later, India opened up its economies by dismantling capital controls with a view to attracting foreign capital, supplementing it with domestic capital to stimulate domestic growth and output. Since then, portfolio flows from foreign institutional investors have emerged as a major source of capital for emerging market economics.

FIIs have assured decent reunion their investment enabling continuous and sustainable investment flows. FIIs flows into India registered substantial growth from a meager amount. They registered speculator growth especially since the middle of 2003 due to the higher growth rate in India GDP, corporate performance and an investment flow into India turned negative.

FII may also leads to decrease the required rate of return for equity and improve standard prices of the host economies/nations; however, there are uncertainties about the defenselessness of recipient country capital markers to such flows, often referred to as hot money are extremely unstable in character compared to other forms of capital flows.

Economics Impacts

This study has indentified that there is a remarkable changes in price level due to liberalization is share market. The demand for goods is highly sensitive.

This study has brought out the fact that share market provides employment opportunities to broker, petty shop, wage earners and so on. Also, it is found that share market has helped in the development of infrastructural facilities and helped to increase the standard of living in the study areas.

Emerging market

The securities and exchange board of India (SEBI) and reserve bank of India have initiated several measures such as allowing overseas pension funds, mutual funds investment truest and assets management companies easing the worms of registration of FFIs, reducing procedural delays. Markets these FIIs has earn marked then presence but the investment by FIIs has experienced drastic decline in the recent past. This is mainly because of the global economic meltdown.

Psychology of domestic investors is also affected by the decision of foreign institutional investors being an agricultural based economy India has faced larger number of problems while establishing industries.

Foreign Debt

Enhance of equity capital helps improve capital structures and contributes forwards building the investment gap. Managing uncertainty and controlling risks. FII inflows help in financial innovation and development of hedging instruments. Also, it not only enhances competition is financial markets, but also improves the alignment of prices to fundamental.

Improving Capital Markets

FIIs as professional bodies of asset managers and financial analysis enhance competition and efficiency of financial markets.

Equity market development aids economic development. By increasing the availability riskier long term capital for projects, and increasing firm's incentive to provide more information about their operations. FIIs can help in the process of economic development improved corporate governance. FIIs constitute professional bodies of asset managers and financial analysis, who, by contributing to better understanding of firms operations improve corporate governance.

Critical Analysis

Problems of inflation Huge amounts of FII find inflow into the country creates a lot of demand for rupee and the RSI pumps the amount of rupee in the market as a result of demand created.

Problems for Small Investor

The FIIs profit from investing in emerging financial stock market if the cap on FII is high then they can bring in huge amount of funds in the country's stock market and thus have great influence on the way the stock markets behave, gong up or down.

Adverse impact on export

FII flows leading to appreciation of the currency may lead to the exports industry becoming competitive due to the appreciation of the rupee.

Other Findings of the Study

1. BSE Senses and Nifty has moderate degree of changes with FII's investment as result their influence on the stock prices cannot be completely ignored. Hence both indices move in direction of FII's investment.

2. FII's has impact on improvement of market efficiency. As due to increasing investment of FII's, SEBI and other regulatory bodies have to improve market trading efficiency in order to sustain FII's investment and also to attract more investment.

3. Economic growth (IIP and GDP), inflation and interest rate are the key parameters on which FII,s invest in any countries. Also FII's investments lead to economic growth of country since they bring in the much needed capital.

4. USA tops the list of being the largest source of FII flows to India.

5. With the help of trend analysis of FII’s it can be seen that they are now investing more in construction and banking sector. Also now they are moving more towards PSU sector.

6. FIIA investment is now no-more concentrated on the top few company’s, but they are now increasingly investing in medium share and low share companies also.

POLICY SUGGESTIONS

This research work has a few suggestions for the government to take policy measures. They are listed below:

1. Promote the Medium Stock Exchanges

The Securities and Exchange Board of India and Government of India want to promote the medium and small enterprises and develop the stock Exchanges to help such enterprises raise capital in the financial market through stock exchanges dedicated to Medium and Small Enterprises. A stock exchange should mainly meet the capital needs of medium and small enterprises.

2. Modification of SEBI Regulations

The new regulations formulated by SEBI for regional stock exchanges like MSE which catered mainly to the requirements of medium and small enterprises makes it practically difficult for Madras stock Exchange to meet the net worth requirements and some other conditions.

3. Effective Decision

The Exchange is required to take certain decisions resulting in member firm moving away from business in view of their misjudging the market. Enthusiasm to earn money and was also required to take certain decision in the interest of its functioning, and members at large.

4. Create Opportunity for the Investor

The fact that the regional listing concept being removed, the continuation of listing by the companies whether there is trading or not, only shows the confidence they have on Madras stock exchange that the trading will be resumed one day or other, giving an opportunity for the investors who are still holding on their investment.

5. Conduct more Number of Investor Awareness Programme

It should be conducted more number of investors awareness programmes along with the investors association in various parts of Tamil Nadu in brief about the role of Exchanges and also clarifying the grievances of the investing population in face to face programme.

Again, it is necessary to conducted programmes about the stock exchange / capital market along with institute for financial management and research.

To be extended guidance and assistance to various research scholars and students of college.

6. Maintained Library

Collection of books on investment, financial, corporate management, portfolio management, which were very useful and helpful for research work by research scholars, also a library of Balance sheets of listed companies at Madras and Coimbatore share market premises.

7. Introduce the para professional Course

Liberalisation and globalization principle in share market is needed to start para professional course conferring post graduate diploma in port folio management which is about 2 years duration at all universities in Tamil Nadu.

8. Publication of year Book

The share market year book since 1951 – 52 containing details of companies listed in MSE and other Exchanges in India and other corporate related information is to be published. This is a priced publication at a subsidized rate for the benefit of investing public.

9. Stringent Monitoring Regulations

In view of the stringent monitoring regulation, are in place in share market. Once it is place in the activities on the Madras stock exchange platform, it would definitely help the investors not only in South but elsewhere.

For Regulatory Authority

Portfolio capital flows are invariably short term and speculative and are often not related to economic fundamentals but rather to whims and fads prevalent in international financial markets.

There are following policy implications, which emerge from this research work:

1. India should move to influence both the size and composition of capital flows.
2. India should focus on strengthening their bunking system rather than promoting financial markets. Banks can provide the surest vehicle for promoting long-term growth and industrialization.
3. Since financial markets in India are here to stay, government should try to shield the real economy from their vagaries.
4. The new code has proposed to remove the current distinction between short-term investments and long-term investments on the basis of the length of holding of the assets. From an investor's point of view, there is no inventive to stay long term.
5. Government should set a minimum limit as well as maximum limit, within which FII invest in India in order to avoid volatility in Indian stock market.
6. Implementation of act is must & imperative in order to eschew from seasonal variation, rules & regulation are made, but follow up is not there.

For the small investor

Apart from the money that is brought in, FII investment is a testament of increasing global investor confidence in a particular economy and stock market.

CONCLUSION

After liberalization in share market (stock market) the body language was a predominate one in the share market operations on the floor succumbed to the metamorphosis changes brought in by the technology through wide area, new work, thereby resulting in "WHO IS WHO" becoming "WHO ARE YOU" amongst those in that share market profession.

The Regulatory authorities also worked towards in bringing in Electronic form for transfer of securities – Dematerialising of the shares of the companies held by the investing public thereby entering the arena of paper less securities a fore thought, through setting up of NSDL and CDSL.

Economic Reforms on share market brought in really helped in further building up the confidence of the investors in the capital market. Investors are able to know the price sensitive information instantaneously the time at which his order has been executed and the share prices etc.

The share market (stock Exchanges) had grown leaps and bounds through the developments brought in the capital market, thanks to permission for trading operations extending the border, by allowing Foreign Institutional Investors (FIIs) to participate in the capital market and also permitting listing of the securities on other International stock exchanges through ADRs and GDRs.

Researchers conclude that after economic reforms in share market is favourable and increased the overall development and growth of financial sector of the economy. So long as investment opportunities are available, the share market exchange will function as the conduit for the growth and development of the capital market, which has really made many leaps as compared to what it was about 4 to 5 decades ago and the Generations Next will be celebrating and enjoying the fruits of real achievement of the share market are considered to be the barometer of the Economy of the country.

The study conducted observed that investment by FIIs and the movements of senses are quite closely associated in India and FIIs wield significant influence on the movement of senses. There is little doubt that FIIs inflows have significantly grown in importance over the last few years according to findings and result, research concluded that FII did have high significant impact on the Indian capital market. Therefore, the alternate hypothesis is accepted. FII's have positive impact on BSE Senses and Nifty. However there are other major factors that influence the bourses in the stock market, but FII is definitely one of the factors. This signifies that market rise with increase in FII's and collapse when FII's are withdrawn from the market FIIs and other stock index. This implies that their impact on the stock prices varies from sector to sector which is further influenced by the industry to which it belongs to and the sect oral performance. In the absence of any other substantial form of capital inflows, the potential ill effects of a reduction in the FII flows into the Indian economy can be severe which can be seen at the time of U.S subprime crisis. Data on trading activity of FIIs and domestic stock market turnover suggest that FII's are becoming more important at the margin as an increasingly higher share of stock market turnover is accounted for by FII trading. Moreover, the findings of this study also indicate that foreign institutional investors have emerged as the most dominant investor group in the domestic stock market in India. Particularly, in the companies that constitute the Bombay Stock Market Sensitivity Index (Sensex), their level of control is very high data on shareholding pattern show that the FIIs are currently the most dominant non-promoter shareholder in most of the sensex companies and they also control more tradable shares of sensex companies than any other investor groups.

SCOPE FOR FURTHER RESEARCH

Share market is highly speculative, volatile and high risk oriented. Before Independence and even upto 1960 share market was considered only for Institutions, Bankers, members and people in higher Net worth Investors club. Always share market operations were not much known to the common people and restricted to few people of the society. At that time, investments were made on long term basis purely for returns and growth trading was done in the trading hall of stock exchanges by outcry method and exchange of slips took place personally by members. After economic and financial reforms in share market is an emerging one and it is only in its infancy stage in Tamil Nadu. This present study focuses its attention share market trend values, growth rate and impact of economic and financial reforms on share market in the study areas. There are many more areas to explore studies on Bombay Stock Exchange, National Stock Exchange and Multinational Stock Exchange and so on. To mention it particularly share market / stock market studies could very well carried out in macro level. Since ample opportunities are here, it is hoped that this study would open the hearts of many researchers to explore new areas of post-liberalisation studies so as to benefit the academicians, the general public and the policy makers.