Chapter --X

SUMMARY, FINDINGS, CONCLUSIONS AND SUGGESTIONS

10.1 FINDINGS OF THE STUDY

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SUMMARY, FINDINGS, CONCLUSIONS AND SUGGESTIONS

This research work points out that social processes shape economic behaviour, not only at the margins, but at the center. For this purpose, the stock markets, which are considered to be the most rational form of markets are taken up and empirically examined to show how the social factors have a very strong impact on these seeming ‘rational’ actions. The stock market mechanisms are explained in terms of social institutions using the networks perspective.

The core insights obtained through this work are discussed in this chapter. The major findings and suggestions are pointed out by tracing the conclusions obtained in each of the previous chapter which dealt with the research objectives and hypothesis. The social dynamics of the stock markets are a vast area of research that cannot be hoped to be contained within the framework of the present study. Nevertheless, with the available technology, techniques and tools, the present study has been conducted with all other limitations. For the purpose of the research objectives identified and the hypothesis sought to be tested, the present framework was quite adequate.

The present study, using the theoretical dimension of the Social Networks Perspective, found various valuable insights pertaining to the social dynamics of the stock markets which were hither to not paid much attention. The research found that the individuals behave according to scripts that are
tied to social roles in each social setting, and stock market transactions, though concerned with economic objectives, are not any different.

These economic actions are also governed by the social scripts called conventions at the collective level and cognitive schemas at the individual level. These conventions and schemas shape individual behaviour, and hence, predicting stock market behavior is a matter of comprehending these convention and institutions. Understanding the upheavals in the market can be traced to social institutions and, network dynamics. Economic ‘institutions’ offer broad prescriptions for behavior, institutions are sustained by roles people play and networks define these social roles. By cognition, these are carried forward..

10.1 Findings of the study

The major findings of the current study are categorized under different headings and presented in a nutshell:

10.1.1 Social Actors of the financial market

Stock Exchange provides a trading platform, where buyers and sellers can meet to transact in securities. This transaction is facilitated by the mediation of the brokers who bridge the gap between the buyer and the seller. by bringing together two matching participants for transacting together. These are the social actors of the financial market. The data presents the following information:

- A majority of the investors in the stock market are men. This is found in case of both the segments of the market participants – the brokers as well as the investors.
- The age group of the respondents show that the stock market as a profession is a recent phenomenon. The clustering of the sample within the younger age group reflects this point. This again, is a phenomenon observed in case of both the stock brokers and investors.
• The education scenario projects a picture that reiterates the fact that the stock markets are exclusively for those who are well educated.
• Marital status does not show any significant observations and is in tandem with the national statistics

In this section, the Research objective 1, 2, and 3 are analyzed:

RO 1: To study the social structure of stock market
RO 2: To find the pattern of social stratification in the stock markets
RO 3. To examine socio economic profile of the actors within the stock market

10.1.2 The mediating actors: Stock Brokers

• The stock brokers have emerged as an interest group to cater to their exclusive needs.
• The perception of the family towards the profession of the stock brokers is favourable
• Broker – client relationship involves various levels of interactions spanning from a purely professional talk ranging from 10-15 minutes to more in-depth relational matrix where the broker and client meet outside of their professional relationship also. This relationship reflects on the kinds of information that the investor becomes privy to and further implies better profits.
• Social support dynamics makes an analysis of the relationship of the broker with the primary circle which provides emotional support during times of distress. Similarly, the social support provided by the fellow brokers and the associations like SEBI and various stock exchanges goes to show that the group of stock brokers have good social support.
• This section makes an analysis of the RO 4
  o To study the Brokers as an interest group.
10.1.3 Trading and social network dynamics

- Network size and information dynamics speaks about the time and experience as variables which have an impact on the stock market participation, performance and time taken to react to new information.
- Social reference dynamics traces the reference groups used by the investors at different point of their lives. While initially it the family and friends circle that provides the vantage point of reference, later on, the dynamics shift toward the professional groups or vocational groups.
- Decision making dynamics map the decision and risk making aptitude of the investors.
- The following research objectives and hypothesis are tested and proved to be true:
  - RO 5 To identify the importance of social referencing in investment decisions
  - H₁: Membership in bigger network groups is positively related with the availability of varied and valuable information
  - H₂: Investors base their investment decisions on anticipated decisions of other market players than on their independent forecast

10.1.4 Gender and stock market dynamics

Gender is a social construct that influences the decisions of an individual throughout the life. From the choice of food to investment decisions, every facet of life is entwined in the gendered socialization that is imparted to an individual by the society.

The stock market has been approached as a system swayed by the dynamics of the brokers and investors up to this point in the research work. This chapter makes another dissection in this network of brokers and investors to highlight the concept of gender as an important variable.
Participation in stock markets entails an accepted level of activity. Investment aptitude is a measure that enables a concise summary of the stock market activity. Investment aptitude can be measured as a product of factors like risk and participation levels. This is discussed under the heads of participation and risk aptitude in the following sections and how social network assistance is taken

- RO 6 To find out the influence of gender on aspects like risk bearing ability, investment, participation and performance.
- H₃: Women rely more on network assistance than men
- H₄: Men tend to have more risk bearing attitude than woman

10.1.5 Time dynamics

Markets are ever changing, this is especially so in case of financial markets. The volatility seen in stock markets are true to the adage “the only thing constant is change”. The volume and frequency of stock market transactions is phenomenal. Time horizons with reference to stock markets range from seconds to months and years based on the type of trade a person is engaged in. For a day trader, situations changes in seconds while a long term trader would wait for years to execute a trade.

Time as a variable is used in this chapter to discuss various aspects like structural variance of the networks and its evolution. It also helps to analyze the “phase transitions” that occur so frequently in the stock markets and attempts to unearth the underlying social pattern that causes the same. The chapter is organized in two parts. The first part explains the time and trade dynamics in an individual investor’s life and the second part explains the dynamics of time on the stock market.

Here it is shown that Social factors like festivals, political events like elections, etc also have an impact on trade and it is not just the economic deterministic interpretation of profit motto alone. Moreover, the life an individual also while going through different phases in the physical age, has a
corresponding behaviour trained in the market. These phases of life and investment objectives are discussed here and it is shown that the hypothesis that time and trade are correlated is proved.

Phases of life
Age and objectives
Entry-exit
In this
- RO 7: To examine the patterns of trading over different time periods and also to analyze the influence of social factors on them.
- H_5: The speed with which investors respond to new information is positively related to the number of years of market participation.
- H_6: Major social events tend to positively affect the volume of trade

10.2 Suggestions

- An emerging economy like India has different set of entry dynamics that operate at different levels like age, income, gender and education. There is a need for more equitable situation
- Education must be provided, especially with reference to computer literacy. So that even though a physical stock exchange is not located nearby, people in rural areas also can get the benefits of market participation by accessing the markets through the internet.
- Financial literacy must be provided to all without any gender discrimination
- Access to networks and the ability to tap them to close the structural holes can be provided by education.
- The perception of trading as gambling must go
- The taxation policies must be made more investor friendly
- Government should evolve methods to make the Indian market system more stronger by closing the loop holes that people use to smart cheat others
The scenario is presently not correlating participation and investment. The investment is made by someone and the benefits proceed form it goes to somebody else.

The insider trading, and such other system subverting methods are making trading in stocks more like a ‘sit and cheat’ rather than a sit and earn endeavor. It is like a game where the one who makes the rules can also subvert the system by finding loopholes and winning at the cost of others.

10.3 Conclusion

On a concluding note, it can be said that markets are more than abstract systems of formal norms with perfect outcomes. Personal relationships of investors within the larger society, which can be described as networks of informal relational ties between market actors has a major impact on market performance. In order to predict market outcomes, it must never be ignored that traders are embedded in a more general social network, like the family, peer group, vocational group, polity, etc at various levels and are influenced by these networks. They are not just looking for profit maximization always.

Ties between actors which constitutes the social structure and could be anything between strong and weak relationships - helps to ease the burden of personal uncertainty, information complexity, and limited rationality of actors. It influences individual preferences. Density of ties, structural holes, and prestige or status of actors matters in trading.