CHAPTER - V

SUMMARY OF FINDINGS PROBLEMS AND SUGGESTIONS AND CONCLUSION

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5.1 Introduction

The present study is aimed to analyse the problems of the Equity investors in the process of their investment in the capital market. For the purpose of analysis, the researcher has identified 300 equity investors belonging to Chennai city and collected information from them through Questionnaire. On the basis of the information, the level of problems of equity investors has been analysed. In this chapter, the researcher has presented the summary of findings and problems and suggestions.

5.2 Summary of Findings

The summary of findings of the present study is presented below.

The second chapter, "Working of Stock Exchanges in India" highlights the background of the stock exchanges in India. Stock exchange is an organised market for the purchase and sale of second-hand listed securities of public limited companies, government securities, bonds and debentures issued by a municipal and port trust. It is the place where, one who wants to buy a particular security may find an immediate seller and one who wants to sell his holdings may find a buyer at a reasonable and fair price. The stock exchange in India is more than a century old. At present there are 23 stock exchanges in India recognised by the Government under the securities contract (Regulation) Act 1956. These recognised stock exchanges are operated under the rules, bye-laws and regulations approved by the Government. They
constitute an organised capital market for securities issued by the central and state government and public bodies and joint stock companies.

The earliest record of security dealings in India is meagre. The East Indian Company was the dominant institution in those days. In 1835's, there was a perceptible increase in the volume of business, not only in loans but also in corporate shares and stocks. In Bombay, between 1840 and 1850 there were half a dozen brokers recognised by the banks and merchants. Brokerage business attracted many persons in this field and the number of brokers increased. Premchand Roychand was the first broker who could speak and write in English. Within seven years, he nearly monopolised the broking business in shares, stocks, bullion and partly exchange and gathered all the strings in his hand. He was popularly known as "Napoleon of finance". He directed his financial genius to other pursuits and manifold activities.

During the share mania of 1861-65 the number of brokers greatly increased and they became possessed of great influence, authority and wealth. In Bombay, brokers meeting place was under the wide spread banyan trees, infront of the town hall at the cotton green where the Horniman circle is now situated. At the end of the American Civil war, the brokers decreased in number and prosperity.

Brokers have to shift from place to place and wherever they went, they overflowed into the street, that is now appropriately called Dalal Street after
their name, they found a place where they could conveniently assemble, meet and do their business.

At a meeting held in Brokers Hall, it was resolved to execute a formal deed of association, to constitute the first managing committee and appoint the first trustee. Accordingly, an indenture was executed constituting the Articles of Association of the exchange and the stock exchange was thus formally established in Bombay as a society to be called "the Native Share and Stocks Brokers Association". This association is now alternatively known as "The Stock Exchange".

When the Exchange was constituted in 1875, the entrance fees for new members were Re.1 and there were 318 members on the list. The number of members increased to 333 in 1896, 362 in 1916 and 478 in 1920. The entrance fees was raised to Rs.5 in 1877, Rs.1000 in 1896, Rs.2500 in 1916 and Rs.48,000 in 1920. At present, there are 620 members and they have the right of nomination, that is they are entitled to transfer their right of membership with the approval of the governing board.

As the Exchange grew in size, so did its accommodation. The premises taken in 1874 in Dalal street on a rent of Rs.130 per month were given up and what is now known as the stock exchange old building situated at Dalal Street was acquired for Rs.97,000 in 1875. In the central court-yard of these premises and in what is now the Brokers' Hall flourished sturdy peepal trees, which still
survive. The Brokers' Hall was thrown open on the 18th of January 1899, by Mr. James M. Maclean M.P.

This mushroom growth of stock exchanges fed on the war time boom and suffered almost a total eclipse in the after match of depression. The established stock exchanges in Bombay, Calcutta, Madras, Ahmadabad, Delhi, Hyderabad and Indore were recognised under the securities contract (Regulation) Act, 1956. The other stock exchanges were recognised by the Government later. At present the Cochin Stock Exchange Ltd., in 1980, the Uttar Pradesh Stock Exchange Association Ltd. and Pune Stock Exchange Ltd., in 1982, the Ludhiana Stock Exchange Association Ltd., in 1983, the Gauhati Stock Exchange Ltd., in 1984 the Kanara Stock Exchange Association Ltd., in 1985 the Magadh Stock Exchange Ltd., the Bhuvaneswar Stock Exchange Association Ltd., the Saurashtra Kutch Stock Exchange Ltd. and over-the-counter Exchange of India in 1989, the Vadodara Stock Exchange Ltd., in 1990, Coimbatore Stock Exchange Ltd. and the Meerut Stock Exchange Ltd. in 1991 and the National Stock Exchange Ltd. in 1993.

Each stock exchange is managed by a Committee of Management whose conditions and powers are governed by its own by-laws. This committee is entrusted with the responsibility of overall control and guidance. In Bombay, it is called, the "Governing Board". In Calcutta, it is known as the "Committee" and in other places "the management council". Their day-to-day
functions are vested with a number of sub-committees, like the Arbitration committee and the like. The stock exchange is governed by a council, consisting of not less than 30 and not more than 36 members, exclusive of the government broker, who may speak but has no vote. The members of the stock exchange who have been members for 5 years are eligible for election to the council.

A stock exchange does not deal with the securities of all companies but only securities which are included in the official trade list of the stock exchange. A security is said to be "listed" when its name is added to the list of securities in which trading on a particular exchange is permitted. So "listing' means admission of securities to the dealings on a recognised stock exchange. The securities may be of limited company, central or state Government, quasi Government and other financial institutions, companies, municipalities and the like. By listing the securities of a company the stock exchange does not guarantee the financial soundness of the company or recommend its share to the public. It is not the function of the stock exchange to advise the investors in the selection of securities.

The objectives of listing are; to provide ready marketability, liquidity, and free negotiability to stock and shares; to ensure proper supervision and control of dealings there in; to protect the interest of shareholders and the general investing public; and to mobilize savings for economic development.
The Third Chapter "the Level of the Problems of Equity Investors in Chennai" analyses the various problems faced by the equity investors in Chennai. In order to study the level of the problems of equity investors, the following 10 components have been identified:

i) Problems connected with Companies.

ii) Problems connected with Brokers

iii) Problems connected with Stock Exchanges

iv) Problems connected with Fellow-Investors

v) Problems connected with Government Agencies

vi) Problems connected with Availability of Information

vii) Problems connected with SEBI

viii) Problems connected with New issues

ix) Problems connected with Policies of the Government

x) Problems connected with General Issues

For measuring the level of problems of equity investors in Chennai, 10 statements have been prepared for each component. For every statement a question with `Yes' or `No' response has been incorporated in the interview schedule. `Yes' response has been given `1' score and `0' value to `No' response. The maximum score for each component is `10' and the total score
for `10' component comes to `100'. With the help of these scores, the level of problems of equity investors in Chennai has been studied.

The level of problems of equity investors has been measured with the help of a scoring technique. On the basis of the study, it is found that the total score secured by all 300 sample respondents are 16,657. The mean score worked out to 55.52 and the Standard deviation (S) is 11.43. With help of Mean value (\(\bar{X}\)) and the standard deviation value (S), the level of problems of equity investors has been classified. Based on the scores secured by the respondents, the sample equity investors were grouped into three categories namely, High (Mean (\(\bar{X}\) + S.D (S)), Medium (Mean (\(\bar{X}\) - S.D (S)) and Low (Mean (\(\bar{X}\) - S.D (S)) level of problems of equity investors.

It is clear that out of 300 equity investors selected for this study the maximum number of 161 (53.67%) investors are in the category of medium level of problems. 85 (28.33%) investors have come under the category of low level of problems and a minimum of 54 (18%) investors belonging to high level of problems. Hence it is concluded that 215 (71.67%) respondents are having problems either at high level or medium level in the process of their equity investment.

The fourth chapter, "Equity Investment Pattern of Investors in Chennai" studies the relationship between the various factors that are
affecting the investment decision and the level of problems of investors in
Chennai. For analysing the relationship between the patterns and the problems
of equity investors in Chennai. 12 factors of sample investors in Chennai have
been identified. The factors are sex group, marital status, age group, family
group, social group, occupation, educational status, size of the family, gross
monthly income, average savings, source of funds, investment and duration of
investment of sample investors in Chennai. In order to study the significant
relationship between these factors and the level of problems of investors, the
`Chi-Square' test has been applied.

On the basis of analysis, it is found that out of 12 factors identified in
this study, 7 factors namely Size of the Family, Duration of the Investment,
Gross Monthly Income, Occupation, Educational Status, Types of Family and
Size of the Investment have significant relationship with the level of problems
of equity investors in Chennai. But the factors namely Sex Group, Marital
Status, Age Group, Savings and Social Group of Equity Investors do not have
any relationship with the level of problems of equity investors in Chennai.

It is found from the analysis that 68 (23%) respondents have been
influenced only with a factor `Availability of Surplus Funds' followed by a
factor `Security' with 59 (20%) respondents. It is further noted that only 5
(2%) respondents have been influenced by a factor `High rate of Inflation'.
Majority of 205 (68%) respondents have assessed the expected rate of return
while making their investment decisions, which shows the seriousness of the investors. It is also found that there is not much difference between the durations namely short term and long term. That means the investors are equally benefitted from both short term and long term investments.

It is found that out of 300 respondents selected for this study, 219 (73%) respondents have moderate satisfaction with their actual returns. It is also found that the level of satisfaction of 8(12%) respondents were very low.

5.3 Problems and Suggestions

As everybody knows that investment in equity involves high level of risk and return. Therefore the equity investors should have consciousness approach towards the selection of their portfolio. The success and failure of equity investment is ultimately influenced both by controllable and uncontrollable factors. Therefore it is natural that there are some difficulties, disadvantages and problems are associated with the equity investment. This part of the chapter deals with the problems relating to the investment in equity shares. Based on the literature survey and filed experience, the researcher has offered appropriate solutions for solving the problems. They are as follows:

5.3.1 Problems with Companies

As per the bulletin of BSE of India over 7000 companies were listed and out of them over 2000 companies have been actively traded in stock exchanges mainly in BSE and NSE. It is a known fact that the services offered
to the equity investors vary from company to company. The main problems associated with the companies are non-receipt of dividend warrant, annual report; meeting notice, refund order and the like. When the investors approached the company for solving any of their grievances, some companies have taken more time to solve their problems and some of the companies have failed to attend to the requests of the investors. The reason for the above mentioned problems are due to ineffective insufficient, unsystematic and casual attitudes of the management of the companies.

In order to solve the above mentioned problems, it is suggested that each and every company should have a separate wing with all kinds of modern amenities to deal with all kinds of problems of equity investors. It is also suggested that a fulfledged continuous monitoring system must be established in all stock exchanges for dealing investors' related problems. It is also suggested that all the listed companies must publish their financial results in atleast two leading national news papers and all these reports are also sent to the individual investors.

5.3.2 Problems with Brokers

The role of brokers and sub brokers in the capital market is an indispensable one. They are playing intermediating role between the investors and stock exchanges. It is a fact that no one could buy or sell equity shares without the help of the brokers. Therefore the services of the brokers are
considered as backbone of the capital market. But the researcher has observed and noticed many problems with the brokers during the time of data collection. The main problems include charging more than the prescribed commission, delay in delivery of scripts, delay in payments, lack of sufficient space in the broker's office, insufficient facilities like water, telephone, magazines, dailies and the like.

In order to solve the above mentioned problems it is suggested that a systematic and statutory monitoring system must be evolved by the agencies like SEBI and Stock Exchanges for monitoring the various activities of the brokers and their offices. It is also suggested that a committee may be constituted consisting of members from different financial fields and representatives from the equity investors to conduct surprise checking of the functioning of brokers offices in India.

5.3.3 Problems in Stock Exchanges

Stock exchanges have been considered as the pivot of capital market, which provides a greater service to the companies, brokers and investors. The services of BSE and NSE vary from other regional exchanges. Even after the introduction of fully electronic trading platforms and screen based trading, the services of the stock - exchanges including BSE and NSE are not at fully satisfactorily level, compared with other stock exchanges in developed countries. The problems of stock exchanges include insufficient trading time,
unscientific method in the classification of shares, problems in the period of settlement problems of over speculation and the like.

In order to solve the above mentioned problems, the following measures are suggested.

i) The trading time should be revised to the convenience of the investors. It means the time of trading must be extended till 6 pm with some break in the middle of the trading hours.

ii) The settlement period must be reduced and daily settlement may be introduced for the benefit of the investors.

iii) A minute by minute monitoring system must be introduced by the stock exchanges to monitor the speculation activities of the market. The classification of shares namely specified, B, B1, Z, T1 must be more flexible and scientific.

iv) The stock exchanges especially BSE and NSE must open a fully automised investors' grievances cell in various parts of the country and solve their problems immediately.

v) All the major information and developments relating to the capital market must be widely published in all kinds of media which enables the investors to update the knowledge of capital market.
vi) A periodical programme like seminars, exhibitions, press conferences and training must be organised by the stock exchanges for the benefit of both stock brokers and investors.

5.3.4 Problems with Government Agencies and its Policies

The government is the ultimate authority of controlling and managing the capital market. Without the support and market friendly policies from the government, it is quite impossible for smooth movement of the capital market. If the government changes its policies frequently, the sentiment of the market would be seriously affected and the investors are not interested to involve in the capital market operations. This trend is not only affected the capital market activities but also affects the economic development of the country. The main problems of government and its policies include the lack of monitoring system, the credit policies of the banks, adverse income tax policies, the interference of too many agencies, instability in government, differentiation between domestic investors and foreign investors, problems of privatisation and the like.

For solving the above mentioned problems the researcher has suggested the following remedies:

i) The government should not change its policies concerned with the capital market frequently irrespective of the change of the government. It
means same policies should be continued and to be followed at least for a
minimum period say 5 years.

ii) The government especially the ministry of finance should discuss all
those people who are directly associated with capital market including SEBI,
Stock exchanges, Trade Associations, representatives of the investors while
preparing the annual budget of the government.

iii) Tax policies of the government must be investors' friendly. The
banks must follow a flexible and positive approach while sanctioning
advances for the purchasing of shares. The rate of interest must be more
cheaper than the other forms of lending. Government should establish a
separate monitoring cell consisting of representatives from the government,
SEBI, RBI, the Registrar of Companies, the Institute of Charted Accountants,
the Management Institutes, the Stock Exchanges, the Companies, the Brokers
and the Investors to monitor the functioning of the capital market especially
stock exchanges.

5.3.5 Problems with SEBI

The Security Exchange Board of India is the over all controller of stock
exchanges operations of India. It plays a very vital and key role in the
functioning of capital market through its well established monitoring systems.
Though the SEBI has got enormous powers to monitor the capital market
operations, it is quite obvious that the investors have been facing some
problems with the SEBI. The problems include undue delay in the settlement of grievances of the investors, impractical rules and regulations of SEBI, problems of inaccessibility with the branches and officials of the SEBI and the like.

In order to solve the above mentioned problems the researcher suggests the following steps.

i) The SEBI should open more number of branches at least in all the major cities of the country to settle the grievances of investors throughout India.

ii) The SEBI should continuously watch the daily trading of stock exchanges, which will minimise the speculation activities in the market.

iii) SEBI should monitor the company's activities with regard to publication of financial results, sending of annual reports, distribution of dividend, the press releases of the companies and the like.

5.3.6 General Suggestions

The following are the some of the General Suggestions in this study.

i) Some shares are highly fluctuating and others remain constant so it is suggested that the selections of the companies for investment is always based on technical and fundamental analysis.
ii) The investors should continuously watch the behaviour of the market before making any investment.

iii) The time of entry and exit of stock market is very important. If the investor misses the right opportunity once, he may have to wait for a long time to get the next opportunity. So it is suggested that the investor should always be alert and act fastly.

iv) The stock market is highly riskier, volatile and unpredictable in nature. So the investors should get the advice of the professional consultant before deciding their investment options.

5.4 Conclusion

The present study is a novel attempt to study the level of problems of equity investors in Chennai with the help of 300 sample respondents who have been actively engaging in the equity investments. The study is mainly based on primary data, which were collected through structured questionnaire. The study will pave the way for future researches in the field of investment in general and equity investment in particular. The following are the important problems identified by the researcher for future research.

i) A study on the problems of fixed interest bearable securities of the investors in Chennai.

ii) A comparative study on attitudes of equity investors and bond investors in Chennai.
iii) A comparative study of the attitudes of equity investors investing in homogeneous and heterogeneous scripts.

iv) A study of the attitudes of investors who have invested in new economy scripts.

v) A study of the attitudes of investors who have invested in old economy scripts.

The investment in equity is now a days considered as the best way of getting unlimited reward within very short span of time. As a result, even the people belonging to rural and middle income category are also actively participating and investing their hard earned money in the capital market. Since the stock market involves the high level speculations and risk, it is very difficult to predict the movements of the stock market so easily. The investors should have alertness and cautions while entering and existing the stock market. For that, this kind of study is very much helpful to the investors who have been mainly participating in the stock market operations. The findings of the present study will also be helpful to the Government, Securities Exchange Board of India (SEBI), Stock Exchanges including Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), Intermediaries including Merchant Bankers, Registrar of the Issues and Stock Broking Communities for evaluating their policies towards the investors. If this study helps such activities, the researcher would feel very proud of his contribution.