Chapter-2
Review of Literature and Plan of the Study

The review of literature of security market in India has been divided into two parts, i.e. pre-independence and post independence.

2.1 Pre-Independence Review of Security Market

The history of security market in India can be traced back to 19th Century. The origin of stock market, therefore, goes back to the time, when securities representing the property or promises to pay were first issued and made transferable from one individual to another. The earliest records of security markets in India are meagre and obscure. Though, the increase in volume of business in corporate stocks and shares started in 1830, but rare efforts were made to review the literature. There is dearth of published data of capital market in India. In the earlier days, Bombay emerged as a leading place of trading in securities. Share mania of 1860-65 has played vital role in promoting business and volumes of security thereon. At that time, Bank of Bombay was playing crucial role. The Bank of Bombay Commission in its report has recorded:

"The great and sudden wealth produced by the price of cotton shortly after the commencement of the American War, coupled with the want of legitimate means of investment, was at this time producing its natural result in the development of excessive speculation. From this period everyone in Bombay appears to have become wild with the spirit of speculation. Companies were started for every imaginable purpose - banks and financial associations, land reclamation, trading, cotton clearing, pressing and spinning, hotel companies, shipping and steamer companies and companies for making brick and tiles".2
Thus, the Bank of Bombay Commission in its report has highlighted the new ventures for fresh capital. It has also been observed that speculation is a deep-rooted factor in the dealings of stock market.

2.1.1 The Atlay Stock Exchange Enquiry Committee

After the World War I, there was a crisis and slump on the Bombay Stock Exchange. The prevailing conditions at that time led to an enquiry into the organisation and working of Bombay Stock Exchange. The Government of Bombay then passed Act XXVIII of 1865 to deal with the situations arising out of Share Mania of 1860-65 which followed the outbreak of the American Civil War. There was a spate of corners in Bombay which attracted public interest. Therefore, the Atlay Enquiry Committee was appointed by the Government of Bombay on 14th September, 1923.

The Atlay Enquiry Committee submitted its report in early 1924 and from the findings of the report it was observed that Bombay Stock Exchange is not administered in accordance with the expectations, and its rules and regulations were found to be in the most chaotic conditions. A member of the stock exchange or the public in general were not aware about the rules and regulations which were in force. The disciplinary action against the erring members were negligible. This Committee was of the view that existing rules and regulations of exchange, which also encourage corners and speculation in the market, were the
main causes of dissatisfaction and recommended their deletion. The findings of the Committee are summarised as under:

The Committee was of the view that for tackling corners, the short seller should, in the absence of fraud be left to pay the penalty of his improvidence. The Committee also viewed the advisability of introducing outside representation on the governing body of exchange, regulating entry into the trading hall, existence of sub broker and continuance of blank transfers.

Regarding outside representation, the Committee was of the view that it was not feasible as it would be difficult to find persons of the requisite skill and experience. Therefore, it preferred members rather than outsider.

As regards the admission to the trading hall, the Committee opined that it should be restricted only to the Card holders and their authorised assistants.

In regard to blank transfers, the Committee was of the view that it should be completely abolished and if the same was considered 'too drastic' a two months' limit on its currency was proposed by the Committee. Reduction of transfer duty was also proposed in case of complete abolition of blank transfers.

The Committee recommended that sub-broker must be suppressed or be put up under a proper control. The sub-broker was considered, 'nuisance and danger to the public'.
Other recommendations of the Committee include the codification of rules and their rigid enforcement, their publications, appointment of a non-member paid Secretary, use of a common form of transfer by listed companies.

Thus, the Atlay Stock Exchange Enquiry Committee had stressed and emphasised the necessity of the stock exchange framing and maintaining a systematic and set rules and regulations in the interests of the general investing public and of the business itself.

Though, efforts were made to give the recommendations to improve the working of stock market by the Committee, the Government of the day did not take any action on the above said recommendations. Even the authorities and members of the stock market accepted only the minor recommendations and the major ones were unattended.

In pursuance of the strong recommendations, the Government of Bombay offered a charter to the stock exchange which was rejected later on. Thereafter, Bombay Securities Contract Control Act, 1925 was passed by the Bombay Government5.

2.1.2 The Morrison Enquiry Committee

The Securities Contract Control Act, 1925 failed to improve the market position and the condition of the security market became worst in the thirties. The failure of the Act,
brought huge losses to the investing public, which led to public criticism and demand for enquiry into the organisation and working of the Bombay Stock Exchange. In order to review the existing system of stock market, the Morrison Committee was appointed in November, 1936 and this Committee submitted its report in March, 1937.

The recommendations of Morrison Enquiry Committee have been divided into two parts i.e. in relation to legislation and other which could be implemented directly by the Stock Exchange under existing law.

The main recommendations in relation to legislation are summarised as under:

(a) the abolition of blank transfers;
(b) to introduce compulsory system of margins;
(c) to empower the Government to impose rules on the exchange;
(d) extension of Control over 'ready delivery contracts' and the amendment in the definition of 'ready delivery contract'.

Apart from the above, the Committee recognised the need of legitimate speculation but it could not distinguish between legitimate speculation and reckless gambling. In order to curb unhealthy speculation the Committee proposed:

(a) restriction on speculative dealings for employees except with the written permission of their employers; and
(b) introduction of fortnightly settlements.

The Committee also suggested prescription of minimum scales of brokerage in place of the maximum brokerage. It also gave suggestions for the improvement of administrative machinery of the stock exchange, however, it opposed outside representation on its management.

The recommendations of the Morrison Enquiry Committee were considered and certain decisions were taken. It, however, could not help the stock market to grow in the desired fashion.

Following a crises in the Calcutta market in 1937, other rival stock exchanges also started operating. The working of capital market was limited to Bombay Stock Exchange before independence. Efforts made to activate and expand the security market could not bring considerable change. However, after independence, the country has made tremendous progress in the development of capital market.

2.2 Post Independence Review of Security Market

The security market after independence has taken a new turn. The various Committees were set up to review the functioning of Stock Exchanges in India and give recommendation to improve the working thereon.

2.2.1 Departmental Committee, 1948

After independence and in view of its unfortunate experience of Defence of India Rule 94-C, Government of India
proceeded with circumspection before introducing more permanent legislation. The Government appointed in May, 1948 a Departmental Committee headed by Dr. P.J. Thomas, the then Economic Advisor to the Ministry of Finance to submit a report on suitable legislation for the regulation of Stock Exchanges in India. The Committee submitted its report in August, 1948. The main finding of the Committee was that legislation for stock exchanges should be finalised only after holding a conference of the representatives of the Central Government and the Reserve Bank of India as well as the Presidents or other representatives of leading stock exchanges, in the country. Thus, this Committee failed to give any concrete suggestions to improve the working of stock exchanges except its advisory suggestions.

2.2.2 Gorwala Committee

The new constitution of India came into force on the 26th January, 1950. The Stock Exchanges and future markets became exclusive subject of union list under the item 48. In the year 1951, the Government of India prepared a draft bill for stock exchange regulation, partly on the basis of the draft suggested by the Departmental Committee of 1948 and referred it to an expert Committee headed by Sh.A.D. Gorwala. The Committee, on which the Bombay, Calcutta and Madras stock exchanges were represented by their Presidents, submitted its report on 14th July, 1951.
An official bill called the Securities Contracts (Regulation) Bill, 1954, which was prepared on the basis of recommendations of Gorwala Committee was introduced in the Lok Sabha on 24th December, 1954, which passed by the Parliament became the Securities Contract (Regulation) Act, 1956.

Since then, the Securities Contract (Regulation) Act, 1956 is in operation and stock market is regulated by this Act. This Act, provides a general framework of control which makes government influence all pervasive; and at the same time, as an enabling legislative measure, it provides the Government with a flexible apparatus for the regulations of the stock market in India.

Thereafter, the Government of India was reviewing the functioning of stock exchanges in India and issuing guidelines to improve the working but no comprehensive review took place. Moreover, the security market has been poised for a new thrust during the past two decades. In order to improve the working of Stock Exchanges in India and strengthen the security market, the Patel Committee was set up in 1984.

2.2.3 Shareownership pattern in India

In 1954, the Central Board of Revenue conducted a sample survey of pattern of ownership on the basis of income tax assessments. The survey revealed that individuals constitute the largest proportion followed by Hindu Undivided Families,
unregistered Firms and Companies.

The Reserve Bank of India conducted three sample surveys in 1959, 1965 and 1978 to analyse the ownership pattern of shareholdings. A comparison of the findings of three surveys indicates that during 1959 to 1978, the number and proportion of individual shareholders showed an increasing trend. But in terms of the paid up value by individual shareholders, the percentage declined. It indicates that in spite of an increase in their number, the individual shareholders lost their share in corporate shareholdings in favour of institutional investors. The numbers of accounts of institutional investors i.e. IDBI, IFCI, ICICI, UTI, LIC and GIC showed an increasing trend. The holdings of joint stock companies slightly declined in 1965 but increased in 1978. The trusts and charitable institutions and others including Government and semi-Government bodies showed a mixed trend and constitute comparatively low proportion.

The size of holdings of various categories of shareholders depicts the degree of concentration of ownership among the shareholders. There is high degree of concentration of shareholdings in the hands of a few shareholders, who invest large amounts in equities of the corporate sector. The spread up of the large size shareholdings among different categories of shareholders showed a highly skewed distribution.
The concentration of shareholdings reveals the controlling interest in Companies through ownership of shares either for reasons of retaining control or for long term investment prospects. The distribution pattern of 361 companies according to percentage range of shareholdings by investor's categories revealed interesting results. The term lending institutions i.e. IDBI, IFCI, and ICICI reported shareholding comparatively in a smaller number of companies. The public sector Commercial Banks showed a smaller proportion. Apart from direct shareholdings, inter corporate investments is a method of spreading controlling interest in the modern corporate sector. Among non-financial institutions, the trusts and other charitable institutions and other categories also showed mixed trend and have comparatively low proportion to other categories. In view of the fact that individuals and joint stock companies represent a considerable proportion, there is a need to defuse the concentration of shareholding in order to wider the shareownership base.

The shareholding in top 10 houses in the country at the end of December, 1980, revealed that the Public Financial Institutions held on an average 19.9 percent of the total equity in 103 companies. Among the top 10 houses, the ACC and Shri Ram group recorded largest proportion of 30.7 percent and 28.6 percent respectively. The lowest proportion was recorded by Sarsath group.
The equity shareholding of Life Insurance Corporation of India in 303 companies registered under MRTP Act, 1969 was 8.92 percent in March, 1983. The equity shareholding of the LIC exceeded 25 percent in case of 5 companies only. It was having more than 10 percent of equity holding in TISCO and TELCO.

A study of combined equity holdings of All India Financial Institutions like IDBI, IFCI, ICICI, LIC, UTI, GIC and Commercial Banks in 365 companies in 1981 revealed that in big Companies (equity capital of more than Rs.10.00 crores) the equity holdings were much greater in comparison to small companies. It has been observed that in 41.3 percent of the small sized companies financial institutions had more than one fifth of equity holdings, whereas in big sized companies, in 54.2 percent of the companies had more than the 20 percent of equity holding. The All India Financial Institutions can acquire considerable power and thus, interfere in the management.

The Reserve Bank of India conducted survey in 1978 which gives the data occupation wise break up of paid up value of shareholding of individuals in 336 companies. In these 336 companies, individuals held higher proportion of total paid up capital followed by professionals and self employed persons. The salaried class persons held the largest number of accounts of total individuals but accounted for lower proportion of the paid up value. The number of accounts and value of shareholdings of farmers, pensioners and retired persons, as expected,
were insignificant. This may perhaps be attributed to the sophisticated nature of the equity market and lack of awareness of functioning among them.

The geographical distribution of shareownership in India has been conducted through a sample survey by Gupta\textsuperscript{16} based on the year 1983-84. It revealed that the metropolitan cities had the dominant share of the country's shareownership and within such cities Bombay stood for ahead of the rest. The shareholding population in the remaining big cities represented lesser shareholding population. The rest of the country excluding 12 big cities represented about one fifth shareholding population. The shareholding density was the highest in Bombay followed by Vadodara and Ahmedabad. The density of the remaining big cities was low.

It was concluded that the shareholding in the rural areas was found to be negligible. Thus, the impression that the equity cult has been spread in a significant manner to semi-urban and rural areas was not borne out by the survey. The number of shareholdings in India was estimated around 3 million in the year 1983-84. The state-wise, Maharashtra, accounted highest proportion of the country's shareholding population followed by Gujrat.

Some of the studies have also been conducted by the Department of Company Affairs to know the trends of security market. A study\textsuperscript{17} of 56 companies taken during the year 1970-71
highlights the trends in the capital issues and the pattern of financing the project cost of non-Government non-financial public limited companies which issued prospectus during the same period.

During the year 1970-71, 56 non-Government non-financial public limited companies issued capital amounting to Rs.42.26 crores through prospectus as against Rs.43.00 crores by such companies during the previous year. The amount of capital issues raised through prospectus recorded a decline over the previous year. The debenture constituted 16.3 percent of the total amount of capital issues during 1970-71, whereas it was 61 percent in the previous year. The public response to capital issues was more encouraging. Foreign participation in capital issues was more active during 1970-71. The total cost of raising capital formed 5.7 percent of the amount offered to the public which was higher during 1970-71 than in the previous year.

Another study of 12 companies analysed the trends in capital issues of non-financial, non-Government public limited companies which issued prospectus during the first quarter of 1971-72. During the quarter, 12 companies entered the capital market for raising an amount of Rs.14.78 crores against 13 companies which raised an amount of Rs.8.91 crores in the previous year, thus amount raised was much higher. The estimated cost of projects was also higher. The companies proposed to finance the project
costs were through borrowing in 1970-71 than that in the past. The debentures constituted lesser proportion of the capital issues during 1971-72 as compared to the previous year. The public response to equity issues was quite encouraging but it was lower in case of debentures.

Ganguly\textsuperscript{20} studied the magnitude of diffusion with respect to varying sizes of issues, with respect to nature of security—equity, preference, debentures, with respect to purpose of issue—new to start production, expansion, modernisation, dilution of foreign holdings. The study emphasised upon these problems by undertaking an empirical study of 293 issues floated during 1972 to 1976. The study revealed that overall pattern of diffusion of underwriting in India was most likely both in terms of the strength of participation in a single issue as well as with respect to share of underwritten amount of the issue.

The trend in underwriting by more than one institution got a tremendous jump particularly in the year 1976 when out of the aggregate issues of 32 in which financial institutions had participated and 28 issues were such in which more than one institution had shown their favour. This showed an increasing trend of joint participation in underwriting of capital issues by All India Financial Institutions.
Panda\textsuperscript{21} studied the role of stock exchanges which reflected the working and role of stock exchange before and after independence. The findings of the study revealed that listed stocks covered four fifths of the joint stock sector companies. The shares of Government joint stock companies were not yet quoted on the recognised stock exchanges. Investment in stocks and shares was no longer the monopoly of any particular class or of a small group of people. It attracted the interest of a large number of small and middle class individuals. The people in general were not reluctant to invest in equity shares. It was found that probably a large proportion of savings went in the first instance into purchase of securities already issued. A considerable change in the investing habits of the investors was noticed.

According to Jain\textsuperscript{22} the Unit Trust of India (UTI) was an important constituent of the organisation of the New Issue Market in India. It had been providing a fairly strong support to the underwriting system since the mid-sixties. It has emerged as the second largest institutional underwriter next to the Life Insurance Corporation of India. As per the study, it constituted larger share of underwriting of fixed interest bearing securities and lends overwhelming support to large issues.

Krishan\textsuperscript{23} had also evaluated the existing system of security markets. He had recommended necessary changes in the Capital Issues (Control) Act, 1947, Securities Contract (Regulation)
Act, 1956, Companies Act, 1956, Securities Contract (Regulation) Rules, 1957 with respect to form of organisation of stock exchanges, membership eligibility criteria, composition of the governing Board, listing of securities rules and regulations of trading in securities etc.

It had also been suggested to bring radical changes in the New Issue Market with respect to procedure of issues of shares and allotment/refund structure of interest rates, broadening the shareownership base, checking the malpractices of promoters who were selling shares to the public at a premium from the promoters' quota with the help of brokers etc.

Lal had also studied the Primary Capital Market and given valuable suggestions to improve its working. He had suggested that an autonomous Corporation - Project Evaluation Corporation be set up which would help in the flotation of sound and viable concerns. To strengthen its activities he had further suggested setting up of Corporate Saving Rehabilitation Corporation. It will have beneficial effect both for the security market and the Project Evaluation. It will also encourage the small investors to invest in the securities of those concerns which are cleared by these proposed Corporations.

Gupta had also studied the working of Stock Exchanges in India and had given good suggestions to improve the working of Stock Exchanges. The researcher made various recommendations. The study emphasised the need to regulate the
volume of speculation as to serve the needs of liquidity and price continuity. The present number of stock exchanges (8 stock exchanges at that time) was considered too small a number for the size and population of the country. It also suggested the enlistment of corporate securities on more than one stock exchange simultaneously to improve liquidity and the lowering of the denomination of corporate securities to broaden the corporate ownership. To protect the interest of the small investors and create confidence in their minds, it stressed the need to set up more sub-committees in order to provide better organisation. To exercise a better control over the members, it had been suggested to introduce annual renewal of membership based on London Stock Exchange. The information regarding scripts was also desired to be frequently published to the public. The study wished the cost of issues to be low in order to protect small investors. The appointment of an expert stock exchange commission was recommended to advise the Government in the implementation of the Securities Contracts (Regulation) Act, 1956.

2.2.4 Patel Committee

The Government of India, Ministry of Finance, constituted a high powered Committee on May 17, 1984 to make a comprehensive review of functioning of the recognised stock exchanges in India as an integral part of the national financial system. This Committee was set up after an impasse of over three decades. The Committee was set up under the Chairmanship of Sh.G.S.Patel, former Chairman of Unit Trust of India.
This Committee made valuable recommendations to improve the overall workings of stock exchanges in India and give a new direction to the security market. In the light of the recommendations made by the Committee in their interim reports, Government of India issued several guidelines and directions to the stock exchanges relating to matters such as bringing down the cost of public issues of securities, listing of securities at the stock exchanges, creation of a Customer's Protection Fund and issuance cover for members of Stock Exchanges. In the light of one of the recommendations of the Committee, the Government announced the decision to set up a separate Board for the regulation and orderly functioning of stock exchanges and the securities industries. Accordingly, the Securities and Exchange Board of India (SEBI) was constituted by the Government of India in April 12, 1988 to promote orderly and healthy developments of the securities market and to provide adequate investor protection. This Board would seek to create an environment to facilitate mobilisation of adequate resources through the securities markets. The Board was to deal with all matters relating to the development and regulation of securities markets and investor protection and advise Government in these matters; prepare comprehensive legislation for the regulation and development of securities markets; and carry out such function as may be delegated by the Central Government for the smooth development and regulation of securities markets in India.
The Tata Consultancy Services\(^{27}\) (TCS) reviewed the Stock Exchanges of Delhi, Bombay and Bangalore for automation of the operations on Stock Exchange in India. The TCS recommended instantaneous deal data collection by Stock Exchange personnel for immediate data entry into the computer system through the terminals stationed in the Trading Ring. Use of screen projection of VDU contents for continuous display of security price and volume information in the Trading Ring. To improve the communication between exchanges; and use of star network of communication lines. This communication system was to be used for exchange of information on price fluctuations, company news and announcements, for the benefits of brokers as well as the Stock Exchange Authorities. In the long run the network was also suggested to be used for recording inter-exchange deals by the brokers.

The working group of capital markets headed by Hussian\(^{28}\) also gave recommendations to provide a long term thrust to the capital markets. It recommended certain technical changes in the existing rules and regulations to ensure adequate protection of investor's interest.

The findings of Abid Hussian Working Group revealed that the present listing rules does not provide liquidity to the scrips and an investor was unable to take decision. According to his report, out of 5000 companies listed on the Stock Exchanges in the country, hardly a few hundred were actively traded. Thus,
the group recommended a 'Multi-tier' listing system and the responsibility was bestowed upon SEBI to prepare a such model.

The investors would be able to judge, the market-ability easily and new companies will also mobilise its resources effectively and would not have to compete with the larger companies in the security market.

The study further revealed that the securities offered through prospectus does not disclose adequate information to enable investors for taking investment decisions and hence suggested that merchant bankers should be allowed to play vital role in this regard. To ensure that better disclosure standards were adopted, it had been proposed by the group to make mandatory for all companies proposing to raise capital from the public to go through a merchant banker registered with the SEBI. The group also recommended that mutual funds may also be allowed to float in the private sector.

Regarding procedural delays in effecting transfer of shares, it was proposed that the share transfer services may be institutionalised. Several measures to offer new instruments and to make the existing ones more attractive had been recommended by the group. It was suggested that about 1/4th of the equity of well managed companies may be offered for public subscription.
The group had suggested the restructuring of interest rates taking into liquidity, maturity and risk features of the instruments. Apart from this certain incentives like tax benefits were recommended to mobilise the savings from rural sector.

Thus, the recommendations given by the Abid Hussian Group were mainly towards investor protection and to strengthen the capital market to encourage larger resource mobilisation.

2.3 Need of the Study

The earliest records of security markets in India were meagre and obscure. The efforts to review the functioning in organised manner were not initiated by the authorities. Only two Committees i.e. Atlay Committee and Morrison Enquiry Committee were set up to review the functioning of stock exchanges in India before independence but their contribution to the development of security market was not considerable and enthusiastic. The main factor for the sluggish growth of security market in India was the political instability in the country. Out of the eight stock exchanges in the country only three stock exchanges were recognised upto 1947.

After independence, the Government of India set up Departmental Committee in 1948, but the findings of the Committee were of advisory nature only. On the basis of recommendations of Gorwala Committee (1951), the Securities
Contract (Regulation) Act, 1956 was enacted. Since then, the Act is playing vital role to control and regulate the stock exchanges in the country. The number of stock exchanges further increased to fourteen by the year 1984.

The number and proportion of individual shareholders were increased but their proportion to total paid up capital declined. There is high degree of concentration of shareholdings in the hands of few shareholders. Thus, there is need to defuse the concentration of shareholding. The geographical distribution of shareownership in India indicates that the metropolitan cities constitute the dominant share of the country's shareownership and within such cities Bombay stood for ahead of the rest. The shareholdings in the rural areas was found to be negligible.

The Patel Committee had made a comprehensive review of present system of working of stock exchanges in India and gave good suggestions. But still there are various problems in the security market. Moreover, the implementation of suggestion and recommendations is slow. The Hussain group had also given certain recommendations to protect investors interest and to strengthen the capital market to encourage large resource mobilisation. Numerous problems have griped the working of security market in India.

When any new issue take place, all malpractices are resorted like high premium. A false impression is created
upon the investors to gain or trading of securities and thus the real objective of new issue is defeated. Inspite of the considerable growth and policies of the Government during the last three and half decades, the security market still remains on the periphery of the country's financial system.

There is inadequate existence of stock exchanges and lack of organised market for new issues especially in view of our country's vast geographical area and the wide dispersal of potential investors among huge population of the country. There is inadequacy of infrastructural facilities and uneven distribution of the pattern and frequency of trading in the security market of India.

There is also inadequate arrangements for mobilisation of savings especially of investors in semi-urban and rural areas of the country. The illiteracy in India especially in rural areas is resulting lack of effective communications and free flow of informations regarding security market operations which has become a major problem in the working of security market in India.

Excessive speculation has become a marked feature of trading in the stock exchanges, infact, this problem is deep rooted. Lack of liquidity in a number of securities is another major problem confronting the investors in the country.
The past trends in the working of stock exchanges reveals that the general functioning of the stock exchanges in the country is not satisfactory. The complicated listing requirements and high cost of public issues has also inhibited the healthy growth of security market in the country. The present rules, bye-laws and regulations of stock exchanges pertaining to investors protection are not satisfactory. The rigid methods, procedures and practices being adopted by the stock exchanges at present, are beyond the understanding of common investors.

The various problems and shortcomings in the system of working of security market in India encouraged us to take up the present study and give appropriate suggestions and recommendations for the improvement of working of security market in India.

2.4 Scope of the Study

The present study has been carried out to evaluate the overall performance of security market i.e. New Issue Market and stock exchanges in India. In the New Issue Market the analysis has been done by taking into consideration domestic savings and share of capital raised (paid up), project cost and financing of the companies issuing capital, consents for capital issue and capital raised against consents/acknowledgements by CCI etc. Apart from this, an attempt has been made to evaluate the under-
writing operations and the pattern of absorption and cost of private capital issues. The recent developments in the capital market i.e. mutual funds, venture capital, lease financing and merchant banking has given a new dimension to the security market.

A comprehensive review of the stock exchanges has been made through structure and growth of stock exchanges in India, management and organisation, listing pattern of industrial securities, trading in securities etc.

It was assumed that the period of 12 to 15 years will be sufficient to study the recent trends in the New Issue Market and from 1946 onwards in case of stock exchanges in India. Due to the growing volume of new issues as well as further issues, the scope of the study has widened. Particularly, the changing habits of investing public has influenced the efficiency of stock market in India. There is scope for promoting new issues not only of existing companies but also new ones. The new schemes i.e. Mutual Funds, Venture Capital etc. which has been introduced recently in the market have attracted the attention of the potential investors. Various financial institutions have been set up to provide assistance to entrepreneurs and help in mobilising funds from investing public through underwriting. Each and every modest efforts have been made to present the study in a systematic, effective and up to date, which should not only be helpful to investors but also to various operational.
institutions i.e. All India Financial Institutions, State Level Financial Institutions, Commercial Banks in regard to merchant banking and also to encourage the research scholars in the field of financing and capital market. An emphasis has been given to highlight the practical aspect rather than theoretical aspect of present day capital market. But the non-availability of informations needed due to time constraints or otherwise becomes a serious limitation. The analysis will be carried out in two parts i.e. New Issue Market and Stock Exchanges which cover the entire working of security market in India.

2.4.1 Objectives of the Study

During the preceding four decades, the security market has made a tremendous progress. But keeping in view of vast geographical area and population, the working of security market cannot be appriciated. The pragmatic policy changes introduced by the government has also influenced the working of security market but the results are not so enthusiastic. There are various problems of security market in India and some of these problems have been aforementioned.

In order to overcome these problems and give more concrete suggestion for improving the working of New Issue Market as well as stock exchanges, the present work is undertaken. The main objective of the present study is a comprehensive review of security market i.e. New Issue Market and Stock Exchanges in India and suggest more appropriate remedies for
smooth and healthy functioning and development of the security market in India so as to achieve accelerated industrial development and a faster economic growth in the country. The main objectives are as under:

(a) to study the recent trends in New Issue Market;
(b) to scrutinize the cost of issuing expenses and underwriting expenses; and
(c) to evaluate the overall performance of stock exchanges in India.

2.5 Method of Investigation

The present study of working of Security Market in India is based on secondary data. The sources from which the data has been collected are Government of India, Ministry of Finance, Department of Economic Affairs, Publications like Patel Committee Report, Companies News and Notes various issues, The Stock Exchange official Year Directory, Bombay and Delhi Annual Reports on Working and Administration of Companies Act, 1956, various issues of Reserve Bank of India, Report on Currency and Finance, Vol. I & II. from 1975 and onwards upto 1989.

As the complete data was not available from the above sources, the information have also been collected from various Journals, publications and articles by prominent persons in the line like Sh.U.L.Gupta, L.C. Gupta and others and Newspapers like the Economic Times, Survey of Indian Industry,
For analysis of the data under study, the statistical techniques like bar diagram, subdivided bar diagram, graphs, Pie-diagram, percentages, averages and compound growth rate have been used. While calculating compound growth rate the following equation has been used:

\[ A_n = A_0 \left(1 + r\right)^n \]

Where \( A_n \) is the figure of \( n \)th year, \( A_0 \) is the figure of the base year, \( n \) is the number of years and \( r \) is the rate of growth.

Wilcoxon Matched pairs test has also been used. While applying this test (non-parametic) first of all, we find the differences \( (d_1) \) between each pairs of values and assign rank to the differences from the smallest to the largest values without regard to sign. The actual signs of each differences are then put to corresponding ranks and the test statistics 'T' is calculated which happens to be the smaller of the two sums viz; the sum of the negative ranks and sum of the positive ranks. For the purpose of this test, the calculated value of 'T' must be equal to or smaller than the table value in order to reject the null hypothesis.

2.6 Limitations of the Study

The non-availability of the data poses a serious
limitation in the present study. Some of the limitations of the study noted during the analysis are summarised as under:-

(i) keeping in view of the investing habits of the investors and to study the various problems thereon a detailed survey is needed;

(ii) to study the various problems of the Companies either new or existing companies, while floating new issues requires a primary probe which in the present study is not done;

(iii) there is dearth of published data. The data relating to companies as reported by R.B.I. and Department of Company Affairs etc. is not compatible;

(iv) there are lot of problems in studying the ownership pattern of securities because of multiplicity of owners, non-disclosure of such income by the investors in their personal income tax returns. This requires in depth study in order to broad base the shareownership.

***

References


2. Ibid; P.2.

3. Ibid; P.1.


6. Ibid; PP. 176-177.


27. Ibid; PP. 253-263.