CHAPTER - VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

INTRODUCTION

Change is permanent phenomenon in the economy of a country. Stock market activities are not exceptional to this. The volatility and seasonality of stock market are due to changes in many economic and political variables. Some of them are directly affecting the stock markets’ activities and some other indirectly affect it. The present study analyzed the volatility and seasonality of Indian stock market by many angles. There are 36 companies have been taken into account for analysis (out of which 18 from BSE and rest of them taken from NSE). The values of their market return and stock return were analyzed. The values of market return and stock return of these companies have been analyzed for 10 years right from 1999-2000 to 2008-2009. As far as stock market volatility is concerned, the volatility has been analyzed in the Indian stock market on the basis of changes in the values of market and stock return daily, monthly and yearly. This has been done separately for Bombay stock exchange (BSE) and National Stock Exchange (NSE).

There are two indices have been used in the analysis of the present study. They are “sensex” and ‘nifty’. The former is used in the Bombay Stock Exchange and the latter is used in the National stock exchange. Both these indices show the tendency of the prices of the shares and stocks of companies.
Findings

On the basis of the analysis, the following findings are given by the researcher.

1. As far as the observation made by the researcher on daily market return and stock returns of companies listed at the Bombay stock exchanges is concerned, among the companies which are taken for analysis, the greater variations is recorded for Ashok Leyland Limited and Wipro Limited and this is followed by M&M Limited. The least variations in the market return and stock return is recorded for two companies viz, Hindustan Petroleum Corporations Limited and ICICI Bank Limited.

2. In the case of National stock exchange regarding the variations in the market return and stock return of the companies, all the companies under the study have the same variations except Satyam Computer Services Limited and Wipro.

3. When compared to the Bombay stock exchange, there are least variations in the market return and stock return of the companies in the National Stock Exchange.

4. The degree of peakness in the volatility in the BSE is recorded highest for Ranbaxy laboratories Limited and Hindustan Petroleum Corporation Limited has the minimum degree of peakness in its volatility.

5. In the NSE, the high degree of peakness is recorded for ITC Limited and the low degree of peakness in volatility is for Grasim industries Limited.
6. The monthly market return and stock return of companies listed at BSE showed that there is no variation in the market return and stock return of Hindustan Petroleum Corporation Limited. It reveals that there had not been a greater variation in the market and stock return of the companies over a period of time.

7. The volatility is very high for Wipro Company at the BSE and this is ranked first among all other companies at BSE having the highest volatility rate.

8. The degree of peakness in volatility rate at BSE from 1999 to 2009 is recorded for ITC Limited and it is recorded lowest for Bata India Limited.

9. Regarding the monthly market and stock returns of companies listed at NSE, Wipro Limited has the highest volatility rate during the study period and it is lowest for Reliance Industries Limited during the same study periods.

10. At NSE the maximum peak rate during 1999 to 2009 is recorded for ITC Limited and the Bata India Limited has the minimum degree of peakness.

11. The number of observation made for monthly analysis during the study period are 119. There are ten observations have been made for each and every company yearly during the study period. Of the companies listed at BSE there had been greater variation in the volatility in market return and stock return for Satyam Computer Services Limited. At the same time, Wipro Limited was given the lowest volatility rate. It reveals that the
fluctuations in the market return and stock return is high for Satyam Computer Services Limited and low for Wipro Limited.

12. The greater volatility rate is not only recorded for the Satyam Computer Services Limited but also it has the greatest degree of peakness among all other companies during the study period at BSE.

13. Both at BSE and NSE, Wipro Company placed at the lowest volatility rate. The changes in the market return and stock return is very low for Wipro Company both at BSE and NSE.

14. The yearly market return and stock return of ICICI Bank Limited varied high at NSE and the degree of peakness of the market and stock return of ICICI Bank Limited is also high during the study period. It is very low for BHEL.

15. The descriptive statistics for intra-day – weekly volatility show that there have been slight ups and downs in the changes in the market return and stock return of companies listed at BSE on an average, and there is no any bigger variation among different days of a week.

16. As far as intra month statistics are concerned, there has been slight variations like in the intraday volatility rates. It is found that there has not been any constant increase or decrease in the volatility rates of market return and stock return of companies increase in a particular month leads to decrease or somewhat increase in another month.

17. The variations in the sensex are recorded greater for Tuesday and Wednesday when compared with the other days of the weak. Since these
days fall in the middle of the week there has been peak business is done on these two days.

18. The monthly wise changes in the market return and stock return of companies at BSE, the sensex is recorded very high for the month of October and this is followed by the month of May. The change is very low for the month of August.

19. As far as NSE is concerned, the weekly intraday changes in market and stock return of companies are like that of BSE. There has also been slight variation between different days of a week. But, the degree of variations in NSE is less than that of the degree of variation in the BSE.

20. Regarding the monthly wise analysis of the changes in the stock market volatility of companies’ market and stock return, the greater variation is found during the month of October. This is the same case at BSE, where the highest variation is found for the month of October.

21. The lowest change in the returns of companies listed at NSE is December.

22. It is inferred that the lowest and the highest average returns fall on Thursday and Tuesday respectively.

23. As far as the day effect is concerned, among the selected companies, nine companies have the Tuesday effect. These companies have negative mean return on Tuesday and positive mean return on Monday. It is also found that there are 12 companies having Thursday effect.

24. It is concluded that there is inter month effect on stock return for the companies Ashok Leyland Limited, Bata India Limited, ONGC Limited,
Ranbaxy laboratories Limited and Wipro Limited. It is also concluded that there is no inter month effect on stock return of the remaining companies taken for the present study.

25. It is inferred that there is existence of inter month effect on stock returns for ACC Limited, Ashok Leyland, Bata India Limited, HPCL, and ONGC, and the remaining companies do not have the inter month effect on their return.

26. In the case of monthly wise analysis, from the chi-square analysis it is concluded that except BHEL, all other companies have inter month effect on their return at NSE. At BSE, only two companies Bata India Limited and BHEL have no inter month effect on their return.

27. The H-test has been employed to test the differences in the mean daily return across the week days. The daily analysis at BSE reveals that only the Hindustan Corporation limited and ONGC have differences in their average returns across the days of the week at BSE.

28. From the H-test analysis, it is found that all the companies taken for the present study do not have the same average returns across the months of the year at BSE.

29. In the case of NSE, companies having different average returns across the days of the week are Bata India Limited and ONGC. As far as monthly analysis is concerned, except HPCL, all other companies have differences in their average returns across the month of the year.
30. It is found from the ADF test statistics all sample companies listed both at BSE and NSE are smaller than the computed critical values at 1 percent, 5 percent and 10 percent levels of significance. It concludes that daily series is stationary one and it does not contain a unit root.

31. It is also found that the monthly series for the companies listed both at BSE and NSE are stationary and they do not contain any unit root. It also reveals that there is presence of auto correlation.

32. But the Phillips-pearson unit root test concludes that the daily series contains a unit root since the test statistics of daily sensex and nifty are more than that of the standard normal critical values at 1 percent, 5 percent and 10 percent levels of significance.

33. The same test reveals that there is monthly series which is stationary and not a unit root.

34. From the run-test, it is inferred that the successive stock prices of return changes daily at BSE are dependent for CIPLA Limited, Hero Honda motors Limited, ICICI bank Limited and M&M Limited. For other companies movement of stock returns and market returns are random.

35. There is existence of dependency between the successive returns of companies at BSE in the case of monthly analysis.

36. As far as daily series analysis at NSE is concerned the successive stock price (or) return changes are dependent for ICICI bank Limited, and Grasim industries Limited, M&M Limited and Ashok Leyland Limited, this is not for the remaining companies.
37. The successive monthly stock prices or return changes are dependent for Grasim industries Limited, M&M Limited, Bata India Limited, BHEL, CIPLA Limited and Hindustan Petroleum Corporation Limited at NSE. This does not exist for the remaining companies.
SUGGESTIONS

The present study reveals the fluctuations in the market return and stock return of companies listed at BSE and NSE. The high degree of volatility is not wanted one from the point of view of both investors and the companies.

At the same time the role of NSE and BSE is vital in the upliftment of an economy like Indian company. They help to expand trade and commerce. The following are the suggestions given by the researcher in order to have effective operation of BSE and NSE in Indian stock market.

1. In general, Indian financial market is said to be underdeveloped market when compared to the markets of foreign countries. The efficient financial markets lead to efficient functions of the stock exchanges. It is here by suggested that steps should be taken by the authorities concerned to develop the financial market on the lines of foreign markets.

2. The short-term researches on daily and monthly fluctuations in the companys’ market return and stock return can be done and the results can be informed to the investors. This will be much helpful to them to take wise investment decision.

3. The recent past changes in the market and stock returns of companies can be shown by trend lines with the help of an electronic device. This will help to the investors to take quick decision without referring any documents.

4. The factors that primarily cause for the high volatility should be indicated to the investors.
5. Inside trading occupies a predominant one in some companies. It leads to fraudulent activities. Rules and regulation in issuing shares should be strictly modified to protect the investors and to avoid artificial increase or decrease in the prices of shares of companies.

6. Stable profits of companies will lead to stability in the market returns and stock returns of companies. Further it minimizes the degree of peakness of volatility.

7. There are different rating agencies in India to rate the prices of shares and securities of companies listed at BSE and NSE. But they use different symbols and terms to indicate the degree of risk that associated with the companies. It is suggested that these rating agencies have to adopt uniform methodology and avoid complicated terms in order to facilitate easy identification of market risks.

8. Stability of Government and stability of Government policies are very important. They affect the market return and stock return. Therefore care should be taken while framing Government policies in political and economic affairs.

9. Policies like export –import policy, fiscal policy and other important policies should be taken without affecting the stock markets with national interests.

10. It is suggested that the number of companies can be increased both at BSE and NSE. It will give a comprehensive views and ideas on the market return and stock return of the listed companies.
11. It will be very helpful to the investors if they are given reasons for changes in the previous market return and stock return. It will help them to take correct decision in future investment.

12. Stern actions should be initiated against the anti-social activities and (terrorists) to have smooth functioning of the stock exchanges since their activities collapse the speculative trend.

13. There should be strong international cooperation between India and the rest of world to maintain peace that leads to smooth functioning of stock exchanges.

14. Better demand forecasting of companies’ products has to be done. Because, the stability of profits of companies relay on the demand for products produced by the companies. The stable profits reduce the high fluctuations of market return and stock return of companies.

15. It would be better, if there is a separate ministry for stock exchanges and controlling their operation on the lines of security exchange board of India.

16. Monetary policy of the central bank and the fiscal policy of the governments should be taken in accordance with the cyclical changes in the domestic and global business activities.

17. If there is any malpractices and illegal activities in the brokers’ offices and sub-brokers activities, it leads to artificial hike in prices of market return and stock return of companies. If should be severely handled by SEBI and the government to safeguard investors.
18. The activities of Bombay stock exchanges and the National stock exchanges should be enhanced just like activities of the Over the Counter Exchange of India (OTCEI). This will speed up sharing of information and wider coverage is possible.

19. It is suggested that the regional stock exchanges can be increased along with the existing stock exchanges. It will very helpful to the rural investors to invest their money.

20. The industrial development of a country depends upon the stock exchanges and their services. They have to predict the economic and political factors correctly without any bias. It will lead correct estimation of changes in the market return and the stock return of companies.
The role of industries in the economic development of a country is very important. It is said a country is developed country when it has industrial development and its share in the country’s national output is very significant. without which no country in the world would become a developed country. The industrial development is necessary to develop the other sectors of an economy since they are mutually interrelated with one another. As far as developing countries like India is concerned, there is lack of industrial growth for want of capital resources. In those days the business enterprises raised their money only by way of financial institutions and on their own. In a course of time, the role of peoples’ saving started to enter into the industrial finance in the forms of shares and stocks. Thus the surplus side of an economy is directed to the deficit side. There is need for existence of stock exchanges in it to acquire the savings of the people and lend them to the industrial houses which they need.

But, there is existence of greater degree of risk associated with this investment that there is scope for big gain or big loss. In order to have gain, the investors carefully watch the profitability and solvency of the business firms. In this situation the volatility and seasonality of market return and stock return of the companies occupy an important place. The Bombay Stock Exchange and National Stock Exchange play crucial roles in preparing the volatility and seasonality of the returns on shares of companies. The high volatility leads to uncertainty in the gain and low volatility leads to certainty of gain. The present study analysed the volatility and seasonality of market return and stock return of
some selected and important companies in India listed at Bombay Stock Exchange and National Stock Exchange. From this analysis there have been ups and downs in the stability of returns on the share and stocks. The present study concludes that the volatility and seasonality of market return and stock return of sample companies are not same in all the days of a week, in all the months of the year. This is due to changes in the socio, economic and political factors within the country and outside the country. The Indian stock market has experienced bitter taste during the year 2009 on account of global financial meltdown. The prices of shares of companies both at National Stock Exchange and Bombay Stock Exchange started downwards. But the effect is not like in foreign countries. However, the stock market in India restored to its original state at present. The existence of the Over the Counter Exchange of India and well developed sub markets ensuring the effective functions of Indian stock market. If the above suggestions are fulfilled, the stability in the stock return and market return can be normalized and it will bring more funds to the companies and more gains to the investors and ultimately India will flourish in the economic development.