CHAPTER V

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS
In this chapter, the findings and conclusions of the study are summarised below.

i The industrywise analysis of Equity price indices shows that the equity prices are generally on the increasing trend. The reason is not only the improvement in the performance of the companies concerned but also the rapid development of the economy as a whole during the period of study which gave an impetus to the market forces.

ii Simple correlation analysis shows that Dividend/Share, Reserves and surplus/share and Net Worth/share are significantly and positively related to the market price of equity shares at the three levels in respect of each industry and all industries. Earnings/share show a low correlation with market price in respect of Plantations, Chemicals and Fertilisers and Miscellaneous industries. But in all the cases it shows a positive correlation. Dividend Yield is negatively correlated to equity prices taken at all the three levels in case of each industry as well as all industries, the correlation coefficients observed being very high except in Textiles. Excluding Plantations and Engineering industry, in respect of all other industries, Debt-Equity ratio shows a positive correlation. Price-Earnings ratio shows positive relationship with equity price except in Textiles, where not only it is
negative but also insignificant. Though it is positively correlated with prices of equity shares of Plantations and processing and manufacturing industries, the relationship is not much significant.

iii By testing the significance of simple correlation coefficients, it is found that the significance of individual factors differs from industry to industry. All factors assume equal significance when all the industries are considered as one group. EPS is insignificant in Plantations, Chemicals and Fertilisers and Miscellaneous industries while D/E ratio is insignificant in Textiles and Engineering industries. Other factors influence the equity prices in varying levels of significance which differ from industry to industry.

iv The analysis of partial correlation coefficients and their significance reveals that no single factor could influence significantly the equity prices when the effect of other co-factors is kept constant. But when all the industries are taken together, except EPS, all other factors prove to be significant in relation to the average market price of an equity share. Because of greater degree of interdependence between the variables, the collective influence of all the factors is significant in respect of each industry as well as all industries together.
v Using the trend analysis also, it is established that the equity prices of various industries are increasing over the period of study. A steep rise is observed in respect of Agricultural and Metal industries. As against this, only a slight increase is observed in case of Textile industries.

vi The fluctuations in equity prices are more pronounced in case of Agricultural industries while Textiles experience a minimum variation in equity prices over the period of study.

vii As to the seasonal variations in equity prices, each industry exhibits a definite seasonal pattern the degree of which varies from industry to industry. Agricultural industry presents the highest degree of seasonal fluctuations while that of food stuffs is the minimum.

SUGGESTIONS FOR MINIMISING THE PRICE FLUCTUATIONS

1 As the market prices can be rigged up in a bull market and crashed in a bear market, the direct investment by unwary investors are highly susceptible to professional manipulation. So, more number of professionally managed institutional investors are needed to ensure price stability.
ii The increase in exemption limit of capital issues from ₹50 lakhs to ₹100 lakhs in 1985 had given a free hand to the unscrupulous promoters when the investors suffered major losses. So, adequate control measures may prove to be worthwhile.

iii While listing the securities, to make the public aware of the market rate at which the security stabilises, the issues can be first sold to underwriters. This avoids the public from being misled by high unofficial premia.

iv The price range should be so regulated that it remains within a spread of reasonable limit.

v Payment of dividends should be stabilised so as to avoid wide equity price fluctuations.

vi Once Reserves and Surplus reach a certain amount, they should be capitalised by issuing bonus shares.