CHAPTER VIII
SUMMARY AND
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Summary and Suggestions

Importance of Capital Markets and the Process of Reforms

The primary role of capital markets is allocation of capital among competing sectors of the economy. The financial sector reforms in India have ushered in wide ranging changes in the financial markets in India. As a result of economic liberalization and reforms in the financial sector, Indian Capital Markets are expected to play an important role in mobilizing savings and channelling the same to productive sectors of the economy. The changes in law concerning the financial sector during the '80s and the economic reforms introduced after June 1991 have contributed to the growth of Indian Capital Markets significantly. One of the main objectives of liberalization of industrial policy and financial sector reforms is to ensure an efficient allocation of scarce resources by encouraging competition (internal and external), entrepreneurial initiative and innovation. This efficient allocation of capital is sought to be achieved through abolition of various controls, industrial policy reforms, trade policy reforms, etc., thus allowing a free play of market forces. The investor base in each of the markets has also been expanded considerably and their active participation is a must to achieve a balanced growth and level of efficiency.

Need for the Study

The importance of capital market in any economy cannot be overemphasized. The development of capital market is vital for the growth of real economy. A significant
The feature of developed capital market is the degree of its integration and interaction with major sectors of the economy. A stronger capital market promotes sound and sustainable financial system. The growth and development of Indian capital market, in particular during the last two decades has been spectacular. The impacts of international trends of the developed and emerging capital markets were evident in India also. The turnover in the developed markets has grown more sharply than that in emerging markets. This is a fact that financial stock markets world wide have grown in size as well as depth during the last twenty years.

The deregulation, liberalization and globalization of the Indian economy have provided much needed impetus to the capital markets for its growth and development. The earlier reforms facilitated the faster growth and the latest one focused on strengthening the functioning of the capital markets in India by adoption and implementation of best international practices, systems and products. This trend would definitely increase the efficiency and effectiveness of Indian stock market. The Securities Market in India has undergone a major transformation during 1990s. The role played by the Securities Market has become far and wide as compared to that of its role in the initial stages.

The plethora of reforms that have taken place over a period has changed the outlook of the Securities Market. The important reforms introduced in the Indian Securities Market are more particularly, the establishment and empowerment of SEBI, market determined allocation of various recourses, screen based trading system,
dematerialization and electronic transfer of securities, banning trading deferral products, introduction of rolling settlement, trading in derivatives and risk management, efficient trading and settlement system. This has led to lot of development both in terms of volumes of the trade and in terms of the depth of the market. Now, Indian securities market can be compared to that of the developed countries in terms of the infrastructure and sophistication. The process has solved many problems and at the same time it gave birth to certain other problems. The legislature has been taking all the necessary steps to overcome the problems in the market. The review of literature presented above shows that there are no studies on the Impact of Financial Sector Reforms on Securities Market in India. Hence, it is felt that there is a need for a study on the topic selected. This study makes an effort to understand the impact of reforms on the securities market in India and to ascertain the impact of the same on the investor confidence.

Objectives of the study

1. To study the process of financial sector reforms relating to the Securities Market.

2. To study the role of intermediaries' viz. Brokers, Sub brokers, Mutual Funds, Depositories, Depository Participants, FIIs etc. in the growth of Securities Market.

3. To study the origin, growth & development of derivatives market in India.

4. To study the role of SEBI in regulating the Capital Market & to evaluate the efforts of SEBI & Stock Exchanges in promoting investor awareness & protection.

5. To understand the impact of reforms, examine the growth of the stock market and identify the reasons for the same.
6. To study the investors’ perception towards return & risk of the stock market instruments and to study impact of reforms on the confidence of the investors in the market.

7. To make necessary suggestions for the improvement of the Securities Market.

Methodology

To achieve these objectives, data has been collected from both the primary and secondary sources. The primary data has been collected through structured questionnaires from both the investors (Annexure I) and the intermediaries (Annexure II). Apart from the questionnaires, discussions are undertaken with the stock market specialists to elicit their opinions on various matters. The questionnaire has focused on the investors’ attitudes towards risk return parameters of an investment alternatives and their perception towards impact of reforms on Securities Market in India. The perception of the intermediaries towards impact of reforms on Securities Market is also ascertained. Secondary data has been collected from reports, Bulletins of RBI, Bulletins of SEBI, books, journals, magazines, conference papers etc. To understand the impact of the reforms, the data relating to the GDP, Market Capitalization etc., has been collected from economic surveys, union budgets, SEBI bulletins, Indian Securities Market review etc.

The analysis is based on averages, weighted averages, Chi-square & Anova. To understand the impact of reforms on Securities Market the relationship between GDP, Market Capitalization etc. are calculated and the results are interpreted.
Hypothesis

In this study two types of hypotheses are framed. They are (a) relating to risk and return attributes of investors and (b) relating to the perception of investors and intermediaries.

While looking at the basic attributes of the investment i.e. expected return and risk tolerance the question that arises in the mind of the researcher is that, whether there are any factors that may explain the difference in these attributes. In that direction the test of homogeneity is undertaken by using Chi square ($\chi^2$) analysis.

The hypotheses framed at this level relating to the expected return are:

H$_0$ (Null Hypothesis): The expected returns by the investor do not depend on the place of stay and gender & education level.

H$_1$ (Alternate Hypothesis): The expected returns of the investor vary with the place of stay and gender & education level.

To check whether the risk taking ability is influenced by any of the factors such as the place of stay, the gender and level of education and the level of average income. The hypotheses framed at this level are:

H$_0$ (Null Hypothesis): The investments in risky assets by the investor do not depend on the place of stay, gender & education level and the average income.

H$_1$ (Alternate Hypothesis): The investments in risky assets by the investor vary with the place of stay, gender & education level and the average income.
When it comes to the perception of the investors and intermediaries it is assumed that there is no difference in the perception of investors and intermediaries by using one way ANOVA to test equality of population means.

The hypotheses are:

H₀ (Null Hypothesis): There is no significant difference in the perception of among investors and intermediaries relating to reforms of the market, attributes of the market, role and efforts of SEBI and protection of investors’ interests.

H₁ (Alternate Hypothesis): There is a significant difference in the perception of among investors and intermediaries relating to reforms of the market, attributes of the market, role and efforts of SEBI and protection of investors’ interests.

Sampling

In order to ascertain the opinions of the investors and the intermediaries, the state of Karnataka has been selected as it is truly cosmopolitan in its nature. A Sample of 300 investors from Karnataka state is taken for the study on the basis stratified, convenience and judgmental sampling. While selecting the investors, care has been taken to select them from Urban (State Head Quarters), Semi-Urban (District Head Quarters) and Rural (Other) areas. A sample of 150 investors from urban area i.e. Bangalore, 50 investors from semi-urban i.e. Gulbarga and Mangalore and 100 investors from rural areas is selected as the number of investors at urban area is comparatively more than that of the other areas. When it comes to the semi-urban areas, the number is taken as 50, as the number areas are comparatively lesser than
the rural areas. The rural areas are given its due and accordingly ten places are selected for the study. The places covered under rural areas are Nanjanagud, Gauribidanur, Hospet, Thithahalli, Somavarpet, Harihara, Karkala, Nippani, Birur and Bhalki.

A sample of 50 intermediaries from urban area (Bangalore) such as stock brokers and depository participants is also taken for the study to understand their perception towards the reforms and market.

The data relating macro economic variables is taken from 1980 to 2006 for identifying the trends etc. relating to the growth of securities market and to see as to how the reforms have influenced the market.

Limitations of the Study

Any research by its inherent nature is bound to have some limitations and this study is not an exception to that rule. The major limitation of the study is that it is restricted to the state of Karnataka only and the size is also limited. However an effort is being made to minimize the impact of this limitation by selecting maximum number of investors from Bangalore, which is truly a cosmopolitan city. As this study is based on the responses of the investors and intermediaries there is a possibility of personal bias. A care has taken to bring down the impact by asking cross reference questions. Some of the investors could not relate themselves to the impact of reforms as they were new entrants to the market. The investment activity is
the outcome of innumerable factors. Where as in this study only a limited number of factors are considered. With all these limitations all the efforts are made to evaluate the situation as accurately and objectively as possible.

Presentation of the Study

Chapter one deals with the basic structure of the financial market in India and its evolution and growth over a period of time to reach to this level. An effort is also made to understand the reforms that have been initiated and how the reforms have made an impact on the overall securities market in India. In the second chapter review of literature, need for the study, objectives of the study, methodology, hypothesis, sampling, limitations and chapter scheme are presented. The role played by various intermediaries and other participants in the development of the Securities Market in India is explained in detail with relevant statistics in chapter three. Chapter four analyses the reasons for growth of derivatives and traces its origin and growth not only in India but also in the world. In chapter five, the role played by SEBI in regulating the market and its intermediaries is being presented. It also deals with the origin, functioning and the initiatives undertaken by SEBI. A study on SEBI in providing investor protection is also done in this chapter. The trends in the stock market are given in chapter six. In this chapter an analysis of its movements and the reasons for the same are being presented. Chapter seven deal with the perception of investors and intermediaries towards the role played by SEBI, their opinion about the role of reforms and their attitudes towards risk and returns. In chapter eight the whole study is summarized and appropriate suggestions are given.
Financial Sector Reforms

The last two decades have witnessed the opening up of the several of the world’s economies at an accelerated pace. Such deregulation has already started showing the results. The process of economic perestroika initiated by the government in 1990s is still on and is necessarily going to take a logical conclusion. For this, it is essential to educate the people about the reforms and its impact in the long run. The government is taking all efforts to sell the idea of reforms to people and various participants, so as to achieve the desired results. The reforms have attracted the attention of the world towards India. The foreign exchange reserves are in comfortable situation and lot investments from all over the globe are flowing in to India. The progressive thinking of the law makers in making full convertibility of rupee and free import and export policy has started showing the desired results. The staggering revenue deficit is being tried to be corrected through the tough economic measures.

The reforms seem to have intensified domestic competition in Indian industries and in conjunction with permitting competition from abroad through trade, it has become evident that the levels of structural monopoly has become extinct in almost all the businesses. The intensified of competition led to a fierce struggle for survival and the Indian businesses must improve their efficiency in resource allocation to achieve desired result. The intensified competition has led to reduction of collusion and led to increased and improved economic performance. This may lead to lower profits and in turn for mergers. The ultimate out come of the mergers is concentration of economic power, which is not good for the economy. Therefore it becomes
necessary for the regulators and law makers to take necessary steps for such mishaps happening.

Capital Market is the barometer of the economy. This statement truly brings out the importance of the capital market in the macro economic affairs of any country. There is an age old saying that “the capital market discounts the future”. The state of the capital market does not reflect the past or present but it is a reflection of future of the economy of any country. In the long run it is a true measure of the health of any economy. Since the initiation of reform process, Indian capital market has become quite different today from what it was earlier. Now it has become larger in size with foreign investors, more exchanges and reasonably strong regulatory authority. The SEBI has enforced a number of new rules, regulations and procedures to effectively control and regulate the activities and financial operations of capital markets. Despite major scams and other shocks caused by price rigging, insider trading and over trading etc. it is still in a better shape. But it is to some extent plagued with liquidity and volatility problems. Now India has the distinction of having the largest number of listed companies in the world.

Securities Market Intermediaries

The market does not work in a vacuum, it requires services of a large variety of Intermediaries like merchant bankers, brokers etc. to bring the suppliers of funds and suppliers of securities together for a variety of transactions. Further since the intermediaries are in a position to influence the transaction decisions of the issuers
and investors and act as partners in regulation and development of the market. There are different kinds of intermediaries involved in the securities market in India. The administrative control of the intermediaries lies with SEBI and they are governed by the rules and regulations of SEBI.

The term dealer is being used to include all those intermediaries who have a direct contact with the investor. The study revealed that, the investors by and large are happy with the services provided to them and are happy with the charges levied. The charges in India have been reduced to a level comparable to the international standards. It appears from the study that there is a communication gap between the dealers and investors. This is becoming evident by the fact that almost 28% of the investors do not know about add-on services provided by their dealers. The dealers should keep the track of their clients in a better and informed manner.

**Foreign Institutional Investors**

The globalisation of capital market and opening up of Indian economy to the foreign investors has increased the inflow of foreign capital through different routes to different spheres of Indian economy. India is now considered as one of the best emerging markets in the world.

The fact that, FIIs have dominating position in the Indian capital market needs no reiteration. The dominance has increased significantly since 2003-04. The dominance of FIIs in the Indian stock market is on steady increase. In 2006-07,
share of FIIs turnover in stock market turnover is more than 17 percent, it itself is conclusive proof of the vulnerability of the Indian stock market.

The presence of FIIs will become more productive when their investments are broad based. As of now their investments are concentrated only in few securities. The government should ensure that FIIs invest in maximum number of securities. And the government should also encourage FIIs to invest in debt securities as it will be in domestic currency though it is external debt. The increasing concentration of FIIs turnover is a disturbing factor as it may lead to imperfect market, where the FIIs will become capable of influencing the market for their advantage. The only way by which the market could save it from the shackles of FIIs, is by increasing the domestic investor base. Therefore a conscious effort has to be made in this regard.

**Mutual Funds**

Mutual funds are financial intermediaries which collect the savings of investors and invest them in a large and well diversified portfolio of securities such as money market instruments, Corporate and Government bonds and equity shares of joint stock companies. A mutual fund is a pool of commingle funds invested by different investors, who have no contact with each other. Mutual funds are conceived as institutions for providing small investors with avenues of investment in the capital market.
The structural changes that are being made in the mutual fund industry made it obligatory for the mutual fund companies to set up Asset Management Companies (AMCs) with 50% independent directors, separate boards of trustees or trustee companies, consisting of a minimum 50% of independent trustees and to appoint independent custodians. This is to ensure an arms length relationship between trustees, fund managers and custodians. This will go a long way in bringing in the professionalism and transparency in the operations of the mutual funds.

It is observed that the growth funds are more appealing to the investors than debt and balanced funds. Therefore the mutual fund companies should concentrate more on the growth funds to be appealing for more number of investors. The Indian mutual funds are operating in regime of multiple statutes. Outdated Indian Trust Act, 1882, Indian Companies Act, 1956 and SEBI (Mutual Fund) Regulations, 1996 are directing the affairs of mutual funds in India, whereas Unit Trust of India is regulated partly by SEBI (Mutual Fund) Regulations, 1996, but mainly by UTI Act, 1963. This is in contrary to well accepted single comprehensive legislation for mutual funds like Investment Company Act, 1940 in USA.

**Depositories and Depository Participants**

One of the biggest problems faced by the Indian capital markets is the manual and paper based settlement system. Such system is not suitable for rapidly growing capital markets as it would fail to handle efficiently the growing and large volume of business transactions. Just after the initiation of the economic and financial sector
reforms, the clearing and settlement system in stock exchange and procedures for transfer of shares were under constant review with the view to solving the problems of excessive paper work, delays in steeling transactions and non-customers orders are executed.

The enactment of Depositories Act in August 1996 paved the way for establishment of NSDL in November 1996, as the first depository in India. This has established a national infrastructure of international standard that handles most of the trading and settlement in dematerialized form in Indian capital market. Using innovative and flexible technology systems, NSDL works to support the investors and brokers in the capital market of the country. The Central Depository Services (India) Ltd. (CDSL) is the country’s second depository, after NSDL. It has a centralized database and a disaster recovery site. To reduce the possibility of security misuse (by brokers) post-settlement, CDSL will deliver share directly to the investors and not through any DP.

For the year 2005-06 the number of DPs with NSDL and CSDL are 223 and 582 respectively. The market capitalization of companies with NSDL is Rs.30,05,067 Crores in the year 2005-06 as against the total capitalization of Rs.30,22,191 Crore accounting to 99.43%. The total number DPs with CSDL is 582 and market capitalization is Rs.29,52,743 Crores for the year 2005-06, amounting to 97.7%. The fact that 99.9% of the trading in India takes place in dematerialized form indicates the acceptance of the system by the investors. And it has solved majority of the
problems with the physical certificates and paved way for bringing in reliability and credibility of the system.

**Derivatives**

Derivative instrument is a financial contract whose pay off structure is determined by the value of an underlying commodity, security, interest rate, share price index, exchange rate, oil price or the like. Thus the derivative instrument derives its value from some underlying variable. A derivative instrument by itself does not constitute ownership; it is only a promise to convey the ownership. However the organised exchanges for the same came into existence only during the 18th Century. The first organised formal commodities exchange was the Chicago Board of Trade (CBOT) in 1848. The quantum of operations involving derivatives is enormous. This becomes evident from the market statistics obtained from the BIS reviews on derivative statistics. From the data relating to OTC derivatives from December 1998 to June 2007 both in terms of Notional Amounts Outstanding and Gross Market Values it becomes evident that, the total Notional Values have increased from 80 trillion in December 1998 to 517 trillion in June 2007, accounting for a growth of 543% in a span of 10 years.

In India the beginning of the financial futures was made with the introduction of stock index futures by National Stock Exchange of India Limited (NSE) and the Stock Exchange, Mumbai, June 2000. The trading in index options commenced in June 2001 and trading in options on individual securities commenced in July 2001.
Single stock futures were launched in November 2001. The trading on interest rate futures commenced in NSE in June 2003. NSE has become the largest derivatives exchange in India. Almost 99% of the derivatives trading took place at NSE.

Introduction of derivatives market in an economy best speaks of the degree of the maturity of the market. A more enlightened and knowledgeable regulatory attitude is a necessity for the growth and development of the market. That has been reasonably taken care in the Indian context. Derivatives should not be treated as just another type of instrument. It should never be allowed as an off-balance sheet item in the treatment of accounting. The necessity of the day is a separate division within SEBI to regulate this market with persons with specialized training relating to the nuances of these products. In absence of better control the undoubtedly clean financial instruments may be used by the unscrupulous players of the market to make gains by furtive maneuvering of the share prices in the cash markets.

From the study it became evident that 48% of the investors still did not dealt with derivatives. The percentage is around 60% in case of Semi-urban and Rural investors. The frustrating fact is that many of the people are of the opinion that investment in derivatives is very risky though the fact is that the very purpose of existence of derivatives is for risk management. Majority of the people have expressed that they do not have the expertise to deal with them. And a reasonable number of them expressed that the re are limited opportunities. Therefore it is necessary for the SEBI and the exchanges to conduct investor awareness
programmes specifically for this purpose. A mere advertisement in the newspaper etc. does not remove the misconceptions in the minds of the people about the derivatives.

**Securities and Exchange Board of India & Regulatory Framework**

Regulation is a political commodity which is demanded by the private interest groups and provided by the government agencies through legislation or regulatory bodies. Literally speaking ‘regulator’ means the authority, which has the duty to ensure that the assigned roles and responsibilities are discharged due diligently as per the requirements.

The Indian securities market was governed by The Capital Issues (Control) Act, 1947, which until its abolition in 1992. From 1992 onwards SEBI became the watch dog of the securities market in India. It is also governed by The Companies Act, 1956, The Securities and Contracts (Regulations) Act, 1956, the Public Debt Act, 1942, the Income Tax Act, 1961, and the Banking Regulation Act, 1949.

SEBI took upon itself to provide an organized & well recognized market place in which investors can repose their confidence & where their rights are fully protected & grievances quickly readdressed. The measures taken by SEBI broadly covers measures for allocating efficiency in the primary market with fair degree of transparency, reforms in the secondary market for visible & better trading practices.
in the stock exchanges & by the mutual funds, regulation of various market intermediaries & above all for the protection of investing public.

From its inception SEBI has been trying to take actions against the erring parties of the market. SEBI strengthened its investigation activities by enactment of regulations, prohibiting fraudulent and unfair trade practices. These regulations brought all other persons including the investors or clients of intermediaries under its purview of SEBI along with the registered intermediaries. SEBI has been carrying out investigations to identify the persons involved in alleged violations of Securities Laws, Rules and Regulations in force through collection of data from various sources.

The examinations of all these facts reveal that, SEBI has been successful to a reasonable extent in achieving its twin objectives of development and regulation of capital markets and investor protection. In his direction SEBI should further strengthen its market surveillance, investigation and inspection wing so as to enable it to nip in the bud any scam, market manipulation and delinquent behaviour of capital market participants. It should strengthen the organisational setup both at headquarters and at regional levels & provide infrastructure development support to research and professional training institutions so that these institutions’ supplementary role could be utilized as and when required. It should initiate collaborative efforts with professional bodies and upgrade the disclosure norms for
protection of the investors continuously, develop networking and linkages with other regulatory bodies both at domestic and international level.

**Legal Requirements**

Justice Dhanuka Committee which was appointed to formulate a pragmatic law relating to securities market has made salutary recommendations on reform of the law and postulated merger of Securities Contracts (Regulation) Act, 1956 and the SEBI Act, 1992 into “Securities Act”. Under Securities Act a special criminal court needs to be set up to deal with offences involving violation of SEBI Act and the provisions of Companies Act relating to investor grievances. This will ensure summary trial and the speedy justice of investors’ related complaints. In addition SEBI needs to be empowered with the powers of a civil court to deal with providing of compensation and issues stay orders in fit cases to aggrieved investors. All offences relating to securities should be non compoundable and punishable by imprisonment, besides fine. Stringent penalties must be prescribed for all type of market manipulations.

**Activities of Intermediaries**

Most of the intermediaries are carrying on only one type of intermediation service because of the restrictions placed by the rules and regulations. This prevents them from reaping benefits of economies of scale and scope and encash synergies across complementary intermediation services. The regulations should permit the intermediaries to carry on all kinds of intermediation services simultaneously and
promote consolidation. As it is already seen, the number of intermediaries is too huge to have effective regulation.

**Disclosure**

An investor normally deals in securities through an intermediary, whose acts of omission and commission can cause a loss to him. In order for the investor to choose the right intermediary through whom he may transact business, it may be useful to help him in making informed decision by making details of intermediaries available to him. The details may include the form of organization, management, capital adequacy, liabilities, defaults and penal actions taken by the regulator and self regulatory organisations against the intermediary in the past and other relevant information. If possible, the intermediaries may be rated and their ratings may be disseminated. The intermediary may be mandated to make continuous disclosures about its performance and financial positions through a website such as EDIFAR. For example if an intermediary fails to comply with the prescribed eligibility criteria and particularly the capital requirements, that should come to the notice of the regulator and investor instantly. The disclosures may be mandated through regulations.

SEBI must have a think tank with experts from relevant fields who should help SEBI board to conceptualize a problem and help to find a long term workable solution.

SEBI officials should more often visit investment centers in India and listen to the domestic investors as they contribute to the major chunk of the investments. This
substantiate in the study that the investor are not having a positive opinion about the role and efforts of SEBI.

Growth of the Markets

The world's stock markets have grown in size as well as in depth over the years. The factors that influenced the market size are institutional arrangement in the financial system and the interaction of monetary, fiscal, and regulatory policy. The growth of stock market in different countries did not necessarily relate to the GDP or per capita income. The investor households amount to 7.4% of all Indian households. The percentage of investor households amount to 15.67% in urban areas, whereas it is just 4% in rural areas.

The resource mobilization by the primary market has been very impressive after the reforms. The market has grown both in terms of size and liquidity. With the increased application of information technology, the trading platforms of stock exchanges are accessible from anywhere in the country through trading terminals. The trading platforms of many exchanges are accessible through Internet and mobile devices. In a geographically widespread country like India, this has significantly expanded the reach of the exchanges to the homes of ordinary investors and the aspirations of people to have exchange in their vicinity. The market turnover, the movements of Sensex and NSE Nifty have shown good improvements. The movement of every 1000 points of Sensex indicates that at times there is extraordinary activity in the market.
From the study and understanding of the economic variables and the components of GDP it becomes very evident that the reforms have a positive impact. In this context it is worth noting that the growth of the economy depends to a large extent globally on the growth of the Securities Market as it provides the vehicle for raising resources managing risks. To day the wheels of the economy cannot move without the Securities Market. Indeed, it is a modern marvel of accomplishing astonishing numbers in terms of economic growth.

**Perception of Investors and Intermediaries**

**Profile of the Respondents**

The market activity depends on the investors. In any well developed or developing market the role played by the retail investor is very crucial for the growth and development of the same. Unless there is an active participation and support from them, the market will not be able perform the function of price discovery. And hence it becomes imperative to understand the perception & investment behaviour of the investors, their preferences and expectations.

A sample of 300 investors is taken from different places of Karnataka giving due weightage to Urban, Semi-urban and Rural areas. Another sample of 50 intermediaries is also taken for the study.

**Profile of the Investors**

An ideal mix of the genders is seen in the sample. The male members constituted 63.33% and the rest are female members. With respect to their education more than 60% of them are graduates and above and the rest are below graduation. Majority of
the respondents are in the age group of 25-45 years, who are matured enough to understand the intricacies of the market. The average age is working out to be 36 years. Almost 60% of the respondents are from either service or business. However the sample had a good mixture of all the professions. 89% of the respondents have an income less than 4 Lakhs and the average is 2.41 Lakhs. The mean number of years in to investments is 5.69 years with majority are in the range of 6-10 years.

Profile of the Intermediaries

Majority (70%) of the intermediaries are in to the business for period up to 10 years. The business is being run in the form of Non-corporate entity by 62% and the rest is run in corporate form. 72% of the intermediaries are having business in the range of 10-100 Lakhs.

Responses of Investors

Expected Return

The investments are made by rational investors on the basis of risks and returns associated with them. The expected return is influenced by many factors. Higher the risk higher will be the return. Majority of the investors expected a return in the range of 10-20%, with a mean of 18.3. When tested for the homogeneity it is found that the expected return of the investors varies with the place of their stay but does not vary with the gender and level of education.

Investments in Risky Assets

Risky investments are those whose, pay off depends on the market, have possibility of variations in the returns and are capable of generating higher returns for the
investors. Shares, Mutual Funds, Derivatives etc. are some of the examples of risky assets. Majority of the investors invested 20-40% in the risky assets with a mean of 27.39%. When tested for the homogeneity it is found that the expected return of the investors varies with the place of their stay and their level of income but does not vary with the gender and level of education.

Therefore it is necessary for the institutions offering investment alternatives to tailor make their schemes for different areas. For example the mutual funds may actively promote growth schemes in urban areas and income schemes in other areas.

**Purposes of Investments**

It has been found that the respondents have multiple objectives in making the investments. The major purposes of investments are better return, higher return and tax benefits.

**Preference for Markets**

The investors do deal in both primary and secondary markets. The preference is given over the others but not in exclusive use or participation. Majority preferred primary market to secondary market, may be in anticipation of lower risk.

**Investor Preference for Investment Alternatives**

The preference for investment alternatives indicates first preference for mutual funds, second for shares and third for Post Office / Bank Schemes. This is a clear indication of risk avoiding attitude of the investors and expecting a better return.
Average Investment, Proportion of Investment and Return

The average investment by the investors is Rs. 69,357 with majority investing in the range of Rs. 50,000 to Rs. 1,00,000. The proportion of investment is less than 20% of the annual earnings for majority of them. Majority of the investors could generate a return of less than 20%.

Type of Trading Preferred

Almost 76% of the investors preferred telephonic trading. And it becomes evident that the urban investors have more preference for online trading than that of their counterparts in other areas. It is also becoming evident that 20% of the urban inventors have exclusive preference for online trading where it is just 6% in semi-urban areas and 1% in rural areas. The availability of robust network facility that would be available to the investors in future in all areas alike may make many investors use the online trading from all the areas. This indicates the availability of the market to the online trading service providers.

Main Influencer for the Decisions of Buying and Selling

The decisions of buying and selling by the investors depend on various factors and recommendations made by different groups including the gut feeling of the self. Majority of the investors depend on electronic media for their decisions, the second influencer is the brokers followed by print media. From this we will be able to understand the presence of information asymmetry in the market. In any perfect
market situation the decision should be taken by the investors themselves after considering the associated benefits and risk. As of now only 14% the investors are self sufficient in terms of their deficient making. This indicates the popularity of exclusive television channels and news papers or magazines for markets.

**Basis for Decision Making**

Investors will be taking decisions on the basis of certain tools for expecting the market price or trend in the market for both short term and long term. It became evident that investors depend on technical analysis and on fundamental analysis. It is good to note that a reasonable number of them use both fools for decision making. The disturbing fact about the market is that of the investors still take decision blindly i.e. they do not use any type of analysis for decision making. This is a clear indication of level of uninformed investors in the market.

**Reasons for the Growth of Markets**

The market has witnessed an explosive growth during the past 5 years due to many reasons. Different players in the market have different opinions about the growth of the market. Majority of the investors felt that it is the high disposable income and strong fundamantals the contributed for the growth of the market. And some of them felt that it is the growth of the economy, possibility of high returns and lack of other investment alternatives as the reason for the growth of market. And few of them felt that it is the availability of varied instruments, presence of FIIs, investors' awareness, activities of mutual funds. The important point to be noted is that, a good number of them felt that there is no reason for growth of market.
Number Days Taken by Dealers for Settlement
As per SEBI norms any securities transaction should be settled on T + 2 bases i.e. within two days from the date of transaction. But in many occasions it has been observed that the dealers take more than the stipulated period. Majority expressed their satisfaction about the number of days taken for settlement. Where as in rural areas it is found that, the dealers are taking more number of days for settlement. SEBI as regulator of the market should take necessary steps to bring it down and act tough on those who are taking advantage of the situation. This can be controlled by SEBI, by collecting online information and asking the dealers to directly transfer the amounts to the bank accounts of the investors. This will provide for the curtailing the mischief by the dealers if any.

Rating and Ranking of Returns on Various Types of Instruments
The returns of the shares are rated as good by majority. And for bonds majority felt that it is reasonable. When it comes to mutual funds almost equal number of persons felt it is very good and good. The rating of returns on derivatives has been treated as good and reasonable by equal number of them. The first rank has been given for the mutual funds, second rank for shares, and third rank for bonds and fourth for derivatives. This can be attributed to the fact that, investors have different expectations about the market. It is interesting to note that the majority of the first ranks to derivatives are from urban area.
Rating and Ranking of Risks on Various Types of Instruments

From rating of the risk on various instruments it becomes evident that majority of the investors felt that the risk on shares is high and very high. In case bonds majority are of the opinion that it is fair and low. More number of investors felt that the risk on mutual funds is high and very high. It is surprising to note good number of investors felt that the risk on derivatives is very high and high. Majority of the investors gave first rank to the shares in terms of risk. Reasonable number of the investors gave fourth rank to debentures. The ranking for mutual funds and derivatives in terms of risk is divided almost equally.

Perception towards the Reforms of the Market

They perceive that SEBI has made a strong impact on the market. Depositories and dematerialization has been viewed as not very important factor. The investors are neutral about the impact of the introduction of derivatives. They are slightly positive about corporatisation of stock exchanges, which gave a distinct identity to these bodies and made them more accountable with bifurcation of management. Investors appear to be slightly skeptical about the utility of free pricing of securities and book building process. The investors appear to be neutral about the impact of the segregation of clients' accounts from that of the brokers. Investors agreed that the speculation has been reduced to some extent by introduction of Revised Carry Forward system in the beginning and later Modified Carry Forward system. Investors do not feel any additional benefits because of Central Listing Authority. Overall the investors are slightly positive about the reforms that have taken place over the period of time. It is found that there is not much of difference in perception
between investors and intermediaries towards the reforms of the market as per weighted scores. When tested for one way Anova it is concluded that there is no significant difference in the perception of among investors and intermediaries relating to reforms of the market.

**Perception towards the Attributes of the Market**

The perception of intermediaries towards the attributes of the market is measured on five variables and it is found that they feel there is higher degree of accountability of the parties involved, Depth and Liquidity and transparency in the market. There is a very slight level of agreement to the breadth and penetration to the remote markets. However they felt that there is not much of controllability. The intermediaries perceive that the market is comparatively better in terms of their comprehensive score. From the test of one way Anova it is concluded that there is a significant difference in the perception of among investors and intermediaries relating to attributes of the market.

**Perception towards the Role and Efforts of SEBI**

The comprehensive score for the role and efforts of SEBI is indicating a very high degree of positive agreement. They expressed that SEBI has been effective regulator of the market and SEBI has better control on intermediaries. SEBI is viewed as effective in controlling price rigging, insider trading etc. The effectiveness of rules and regulations and ability to minimize frauds in the market are also viewed as effective. There are marked differences between investors and intermediaries not
only in terms of the comprehensive score but also relating to regulation and control on the intermediaries. The intermediaries felt that it is high, whereas the investors felt that it is low. Upon testing one way Anova it is concluded that there is a significant difference in the perception of among investors and intermediaries relating to role of SEBI.

**Perception towards the Protection of Interests of the Investors**

When it comes to the protection of their interests with the help of the disclosure norms and redressal forums they are having a slight level of positive feeling. The establishment of investor education fund is not seen as the booster of efforts of investor protection by the investors. The measures undertaken by the authorities for providing adequate protection is below average level of agreement with statement. In all the investors protection efforts are seen as slightly encouraging by the investors. The intermediaries' perception towards the protection of interests of the investors is slightly higher level of agreement than the neutral level and there are no differences between the perception of investors and intermediaries. From the one way Anova it is concluded that there is no significant difference in the perception of among investors and intermediaries relating to efforts of investor protection.

**Perception towards Risk and Return Attributes**

When asked about the higher returns generated by the securities market, the weighted score is indicating above neutral level of agreement to the statement. The investors have a neutral level of agreement for the statement that the returns
generated by derivatives are better than that of other instruments. To the volatility and the risk of the market, all of them have agreed. The investors' agreement for the lower risk of derivatives indicated a lower level of agreement with the statement. The investors' view for the statement that the risk associated with the options is lower than that of the futures is also at lower level of agreement. From the responses for the above two statements we can infer that they have a fair level of understanding about the derivatives.