The present chapter attempts to summarise the main conclusions and findings of the study on the behaviour of share prices in India.

1. **An efficient stock market is a necessary concomitant of the capitalistic system and an adjunct to the capital market of the country.** Understanding, appraising and forecasting the behaviour of share prices is the most complex activity, which provides an ever challenging task to an operator in the stock market or a potential investor (Chapter I).

2. The investigation was undertaken with a view to analyse the major developments and trends in the securities market and investment climate in India, to study the trends in the movement of the share prices, in the light of the accepted norms and relevant criteria, to identify the internal factors that affect fluctuations in the prices of selected equity shares on the basis of (i) individual analysis, (ii) industrial group analysis and (iii) overall analysis and to find out the impact of environment and external factors on share price behaviour (Chapter I).

3. The present study relates the past over twenty years (1961-82) and attempts an examination of the price behaviour of actively traded shares of 42 companies, belonging to 16 industrial groups (Chapter I).

4. The approach in the present study is micro as well as macro. An intensive analysis of the behaviour of individual equity shares on the basis of time series data has been carried out using simple and multiple regression models (Chapter I).
5. The stock market in India is more than a century old and has functioned continuously through the medium of organised stock exchanges. There are at present 11 stock exchanges in India, regulated by the Government of India under the Securities Contracts (Regulation) Act 1956. They are located at Bombay, Calcutta, Madras, Ahmedabad, Delhi, Hyderabad, Indore, Bangalore, Cochin, Kanpur and Pune (Chapter II).

6. While the total number of all non-government companies, public and private, increased by 201 per cent from 17324 in 1946 to an estimated 52,200 in 1979, the number of non-government public limited companies declined by 12 per cent from 10129 to 8900. Nevertheless, the number of non-government public limited companies listed on the organised stock exchanges in 1946, which was 1125 (11 per cent) of the total public limited companies then existing, increased to 2133 (24 per cent) in 1979 of the total public limited companies at work. In other words in 1979 one company out of every four non-government public limited companies operating in the country was officially listed in the organised stock market as against only one out of every nine in 1946 (Chapter II).

7. Over 1946–79, the total value of the paid-up capital of listed companies increased by about 10 times from Rs.270 crores in 1946 to Rs.2970 crores, in 1979. The average paid-up capital per listed company, which stood at Rs.24 lakhs in 1946, rose to about five and a half times as much at Rs.139 lakhs in 1979 (Chapter II).

8. The total number of average stock issues went up from 1506 in 1946 to 3569 in 1979, showing a rise of 137 per cent and the aggregate number of share units covered by these listed stocks increased by about 13 times from
about 16 crores in 1946 to 225 crores in 1979 (Chapter II).

9. The market value of listed stock recorded a corresponding rise from an estimated amount of Rs. 971 crores in 1946 to Rs. 4745 crores in 1979 (Chapter II).

10. A study of the development pattern of stock exchanges during 1946-79 reveals that the total number of listed companies quoted in Bombay went up by 738, the corresponding number of listed stocks by 1338; and the paid-up value of listed stocks increased by Rs. 2297 crores; in Calcutta, the number of listed companies and listed stocks moved up by 246 and 536 respectively, while their paid-up value appreciated by Rs. 4230 crores; in Madras, the number of listed companies, listed stock issues and their paid up value increased by 199, 339 and Rs. 692 crores respectively. During the same period similar growth was recorded in other stock markets of the country. As of December 1979 in terms of the total number of listed companies, the total number of listed stock issues and their paid up value Bombay was followed by Calcutta, Delhi, Madras and Ahmedabad in order (Chapter II).

11. The average capital of companies listed in Bombay was Rs. 2.58 crores and in Calcutta Rs. 1.68 crores. In the case of Madras, Delhi and Ahmedabad, the corresponding figures were Rs. 1.87 crores, Rs. 1.89 crores and Rs. 3.16 crores respectively (Chapter II).

12. A study of the industrial pattern of listed securities depicts that in terms of total capital employed Chemicals, Dyes and Pharmaceuticals head the list, followed by investment and finance, cotton textile, metals and metal products, electrical equipment and cables, paper and hard board and synthetic fibres (Chapter II).
According to average size of each unit, however, iron and steel, aluminium, chemicals, dyes and pharmaceuticals, cement, transport equipment and synthetic fibres are in the forefront. Chemicals, dyes and pharmaceuticals constitute by far the most important industrial group from all points of view (Chapter II).

The market-wise distribution pattern of listed stocks issues shows that out of the 2133 listed companies on December 31, 1979; 1471 are listed on only one stock exchange; 521 on two stock exchanges; 105 on three stock exchanges; 27 on four stock exchanges; 6 on five stock exchanges; 2 on 6 stock exchanges; and one on seven stock exchanges (Chapter II).

The stock issues in denomination of Rs.10 is the most popular for equity shares. For preference shares and debentures, stock issues in denomination of Rs.100 each are by far the most important (Chapter II).

A study of pattern of share ownership confirms that more than 97 per cent of the 2¼ million book shareholders were individuals, mostly with holdings of less than Rs.10,000 and that they owned in the aggregate only 25 per cent of the paid-up equity capital. Though big holders with holdings above Rs.50,000 were less than 1/2 per cent of the total number of shareholders; they held 65 per cent of the total equity capital of the listed companies (Chapter II).

During the year 1979-80 Hindustan Lever tops the list of companies with the largest number of shareholders, followed by Mafat Lal Industries, TISCO, IIC, Ashok Leyland, ACC and Scindia Steam (Chapter II).

Among the several possible investment criteria the more significant ones which influence an individual investor's
decisions making are safety (or absence of risk), income, liquidity, marketability, capital appreciation, tax benefits, public policy and diversification (Chapter III).

19. A study of investment alternatives in India shows that, company deposits, popularly known as public deposits, have become a source of working capital funds for the companies and an attractive investment alternative to the investor in recent years due to the fact that they offer a higher rate of interest. Prices of real estates in the country, particularly in the metropolitan cities have registered an astronomical rise during the period under study. As a consequence, investment in real estate has become attractive as well as less risky. Convertible debentures, a new form of debenture is gaining popularity these days. These debentures can be the finest holdings for the investor looking for both appreciation of investment and income, because after the stipulated period, they are convertible into equities (Chapter III).

20. Equity shares generally represent a more risky investment than limited return investments. The market value and dividends paid on equity shares are highly dependent upon the earning power of the company, which is a reflection of the financial health of the firm and the industry that it serves. The result of this exposure to the market and financial risk has resulted in large variability of returns on equity shares from year to year. The dividend on equity shares may vary, depending on the profits of the company. The equity shares experience the widest fluctuations in prices and offer the greatest opportunities for capital appreciation, but there is also the risk of depreciation of capital (Chapter III).
21. The equity shares are at the heart of the variable return security analysis. In relation to equity shares, the investor is primarily concerned with estimating the total rate of return available from an equity share portfolio. Total return is derived from a combination of the dividends available and the capital appreciation or decline in the price of the equity share (Chapter III).

22. The rate of interest on government securities appears as a standard, free from income risk by which the merits of an equity share can be judged and it actually sets a datum for the determination of equity share yields and price. Given the long-term rate of interest, equity share prices reflect published equity earnings and dividends declared. Viewed in isolation, a conservative dividend policy or a heavy weight of taxation tends to depress equity share prices (Chapter III).

23. Share prices will be influenced by changes in expectations regarding future dividends and earnings. If a change in dividend has been fully anticipated, the news of the change will leave the price of the share concerned more or less unaltered, but if an increase in dividends proves to have disappointed a sufficient number of investors, its announcement will be accompanied by a fall in share prices (Chapter III).

24. The oscillation of share price is partly the result of changes in expectations regarding future share prices that are to some extent based on the anticipation by investors individually of other investor's actions (Chapter III).

25. The analysis in the present study centres round the book value per share (BV), dividend per share (DPS),
Earnings per share (EPS), Size, Return on investment (ROI), Leverage and Growth.

For the present study leverage and growth were found to be redundant variables. (Appendices I and II) (Chapter IV).

26. The results of univariate analysis of 42 sample companies individually, demonstrated that out of 42 companies studied DPS was visible in 37 companies, EPS 32, Assets 31, BV 29, and ROI 23 companies respectively (Table 5.6) (Chapters IV and V).

27. Among different industrial groups while DPS has ranked first in all the industrial groups except in cement industry; the position of EPS, Assets, BV and Assets share the first place in cement industry and miscellaneous group; assets share the first place with DPS in general engineering); as reflected in Table 8.1 (Chapters IV to VI).

28. The main findings of our univariate analysis are,

i) Dividend has an overwhelmingly powerful influence on share price.

ii) Earnings per share has the powerful influence on share price.

iii) Size has a significant influence on share price.

iv) Book value per share has a positive influence on share price.

v) Return on investment has comparatively weaker influence on share price.

vi) Leverage has no influence on the share price - it is a superfluous variable.

vii) Growth of assets has no influence on share price.

Leverage and growth of assets appear to be redundant variables (Chapters IV and V).
29. While in univariate analysis DPS, EPS, Assets, BV and ROI were found to be the factors affecting the market price of the shares, in multiple analysis DPS (28 out of 42), size (22 out of 42) have come out to be the powerful factors (Table 8.1). BV is the third factor which has occurred in 13 cases out of 42 which may be regarded as insignificant. The insignificance is due to the incidence of multicollinearity i.e. due to the presence of linear relationships among the explanatory variables (Chapter IV and V).

30. It has been found that the market prices of any individual share has not registered a continuously rising or falling or static trend over the period under study. It swings frequently and in some cases violently. The market price of a share may not come back to its previous high level. Therefore, by holding on to investments an investor does not ensure that he would come out even. For example, the market price of Telco touched its peak level in 1962 (Rs.354.98) which could not be touched till 1980 (Chapter VII).

31. Over the several years of the period of study, it has been noted that the different shares did not record their highest price during the same year. The same is true of their lowest points. Some of the examples are: Telco highest price was recorded in 1962, lowest in 1975; Tisco highest (1962), lowest (1975); Hindustan Lever highest (1961), lowest (1965); ACC highest (1982), lowest (1975) and Dunlop highest (1961), lowest (1977). (Chapter VII).

32. While the assets of almost all the companies have registered consistent and significant growth rate those in case of other variables have been fluctuating (Chapter IV and V).
A review of the trends in the movement of share prices in India during the period 1953-82 presents an interesting study. Share price movements have been subject to wide fluctuations, occasionally undergoing periods of depression and boom caused by intensification of bullish and bearish activity. During certain years or during different months in the same year, mixed trends in share price movements have been visible. Sometimes the behaviour of individual shares has been distinct from the general trend in the stock market (Chapter VII).

The investment climate and environmental external factors such as demand and supply equilibrium, technical market position, state policy, monetary policy, political conditions, public opinion and press publicity, manipulations and rumours, wars and crisis situations, climate for production and productivity, trade cycles, interdependence of markets and general factors etc. have been responsible for conditioning the share price behaviour particularly in the context of the existing state of organisation of stock market in India (Chapter VII).

While internal factors at the micro-level (at the company level), or external factors at the macro level (at the economy level) may attempt to pin point the factors affecting the share prices, it is the level of perfectness of the stock market in the true economics sense that would explain the pattern of behaviour of share prices in general and individual shares in particular (Chapter VII).

Viewed in this perspective, the stock market in India suffers from serious limitations. Operating upon a narrow industrial and economic base with low per capita income and level of savings and an underdeveloped corporate sector, the stock market in India suffers from absence of financial market mechanism and instruments, existence of
imperfect competition market conditions, inefficient organisation of stock exchanges, unhealthy investment climate, lack of quick means of communication and information system, tardy and sluggish investment procedure, highly regulated and self-defeating state policies, contradictory monetary policy objectives, lack of long range perspectives and investment market planning, bureaucratic set up and ineffective decision making and implementation machinery for broadening the stock market base and irrational constraints on the growth of corporate sector and unreasonable restrictions on the functioning of the stock markets (Chapter VII).

37. In such a situation one may expect that the share prices in stock markets in India can, at best indicate a trend or trends, rather than identify a set pattern or patterns with a view to developing a model, capable of interpreting the complex share price situations in an integrated and systematic way (Chapter VII).

38. Such an endeavour in the context of stock markets, in India, which are undergoing a process of organisation, development and perfection presupposes a series of research studies in the realm of behaviour of individual and industrial groupwise share prices, both at the micro and macro level supported by the industry, government and the stock market operators in the country (Chapter VII).