An organised, efficient and effective stock market is a sine-qua non for the rapid growth of the corporate sector in a country. Quite simply, the stock exchange provides for the infra-structural support vital for economic democracy combined with the planned industrial development.

As the firm is interested in the buoyancy of its equity, the government is interested in the buoyancy of the stock market as a whole, because, through its operation in a competitive situation, it facilitates the flow of capital into the most productive channels of the economy. An understanding of the determinants of share price behaviour is useful in the formulation of the governmental policies for the corporate sector. Often investors make wrong decisions due to their ignorance about the forces influencing the route of the share prices or incorrect understanding of the functioning of the stock market. A proper appreciation of the stock market operations particularly in the realm of share price behaviour at the macro and micro level is likely to dispel wrong notions and concepts to some extent, and help investors in forming better judgements, formulating prudent investment policies, evolving appropriate investment strategies.

In this perspective, the present study entitled 'The Behaviour of Share Prices in India' is an attempt to study the developments in the stock market in India during the period 1961-1982 with a view to identifying the factors which influence the behaviour of individual share prices.

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