CHAPTER - I
INTRODUCTION
Corporations constitute the most representative form of business organisation in the modern industrial society. In the capital market, corporate securities—both ownership securities (equity and preference shares) and debt securities (debentures)—serve as one of the important sources of funds to the corporation; on the one hand, and provide a channel to the investor for making profitable investments on the other.

According to the studies, shareholders' fund in general and equity shares in particular occupy a significant place in the capital structure of a company as well as in the capital market of the country. Equity shares represent the residual claimants of a corporation and are entitled to all assets and earnings after other claims have been paid, along-with the exercise of control through voting rights. Equity shareholders bear the main burden of the risks of an enterprise, and also receive lion's share in its gains. Equity shares denote the potent and dynamic element in corporate financing and command the highest concentration of investors' interests.

Since equity shares constitute the backbone of the corporation, investors in these scrips are afforded commitments, which are highly challenging and potentially profitable. They are most actively traded in the stock markets and often indicate

*Of large and medium size companies with paid up capital of Rs.5 lakhs or more, the share of shareholders' funds (Share Capital + Reserves and Surplus) stood at 1970-71 (39.3%), 1971-72 (37.7%), 1972-73 (37.6%), 1973-74 (37.6%), 1974-75 (36.3%), 1975-76 (34.8%), 1976-77 (34.0%) and 1977-78 (33.3%). (Figures for 1970-71 to 1975-76 relate to 1650 Companies; while those of 1976-77 and 1977-78 to 1720 Companies).

*Of large public limited Companies with paid-up capital of Rs.1 crore or above, the share of shareholders funds (Share Capital + Reserves and Surplus) stood at 1970-71 (41.3%), 1971-72 (41.0%), 1973-74 (40.3%), 1974-75 (39.2%), 1975-76 (37.0%), 1976-77 (36.6%), 1977-78 (36.2%) and 1978-79 (36.1%). (Figures for 1970-71 and 1971-72 relate to 346 Companies; 1973-74 and 1974-75 to 375 Companies; 1975-76 to 1977-78 to 415 Companies; and 1978-79 to 421 Companies).
capital market position during a period or at a point of time. While in the stock market, variety of events/factors influence the day to day revaluations of securities that the price fluctuations may not make much sense for long-term duration, it cannot, however, be denied that the average expectations of the investors as revealed by the trends in the prices of existing equities, influence the flow of new investments into the private corporate sector. It is for this reason that we are concerned with the price behaviour of the share market.

The prices of all securities, non-speculative and speculative alike, are the product of the familiar forces of demand and supply. The demand for non-speculative securities is heavily institutional and depends chiefly upon, the funds furnished by the public for institutional investment, and the pressure for expansion or contraction of bank credit, which stems from central banking policy for the moment. The supply of institutional grade corporate securities at any time depends on the amount of new corporation financing under way and occasional selling of existing securities, when anticipated interest rate or tax policy changes suggest it.

Speculative securities, on the other hand, fluctuate extensively and often rapidly in market price, the demand for them is affected not only by the savings people have to invest in them and the competitive attractiveness of other investments, but also by the business outlook and the speculative enthusiasm at the moment. The supply of speculative securities is at all times potentially large, if its holders lose faith in business prospects or in the immediate future of share prices or have urgent need for money for other purposes.

The share price movements depend upon:

(a) PRIMARY TRENDS, which are the result of fairly fundamental forces in economic affairs like (i) the outlook for business
activity and stability, (ii) outlook for business profits, (iii) speculative attitude and expectations (market profits versus future dividends), (iv) the availability of money for share market investments, which is affected chiefly by the size and distribution of national income and savings and the attractiveness of competing investments, and (v) the amount of money withdrawn from the share markets by the individual investors, who must sell their shares to finance their business and personal affairs, and the corporations, which must sell new shares to finance expansion or debt repayment.

(b) SECONDARY MOVEMENTS, which may be attributed to the hasty speculators, who act in attempting to take advantage of impending price changes or react in the opposite direction in attempting to correct their errors.

(c) DAY-TO-DAY VARIATIONS, share prices often fluctuate sharply from hour to hour, day to day and week to week. These gyrations are usually not predictable.

While primary, secondary and day-to-day price fluctuations do have noticeable effects, some shares show opposite trends at the same period of time. Similarly, good quality, and stable earning power will tend to limit the scope of price fluctuations.

Again such factors as war, inflation, taxes, labour problems and economic conditions etc. generally are far too complex to permit the mechanical forecasting of share prices.

At an individual scrip level, though earning power, dividends, growth prospects and quality are the major factors, which determine the price of a share, there are numerous market factors which may cause its price to depart extensively from a long-run norm. They may affect the entire stock market or all the shares of an industry or some individual shares only. One of the most important market factors, besides others, is the great economic swings, which are grounded in boom or recession;
easy money or tight money; surplus or deficit budgets; and the like forces; which impinge forcefully on both the demand for securities and the supply offered for sale and thus upon market prices.

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. A proper appreciation of the mechanism and intricacies of stock market the process of investment decision-making and evolution of a strategy and timing for portfolio selection and investment management need a high degree of technical knowledge, keen perception and business experience supported by efficient communication and information systems.

In a developing country like India which is on the threshold of industrialization the scope and opportunities for expansion of stock market and the corporate sector are immense.

While there is plethora of material on investment analysis and investment management in general and price behaviour of individual securities or speculative markets in particular in the western literature, very little intensive work has been done in India in this regard. The stock markets in India have been less subjected to investment behaviour research than their counterparts elsewhere. Although there are extensive quotations of share market prices with different periodicity in investors' yearbooks, in stock exchange publications, periodicals (like Commerce, Capital, Economic and Political Weekly, Eastern Economist etc.) and daily
newspapers (like Financial Express and The Economic Times etc.), most of the available data has not been systematically processed and analysed.

An attempt has been made by NCAER in its study "Capital Market in a Planned Economy" (1966) to analyse the various factors that have brought about the sluggishness of the capital market. Based on an extensive analysis of the functions and structure of the capital market, performance of the corporate sector and return on equity investment, the study has critically examined the state of stock and new issues markets in India with a view to improving their role in the planned development of the country. Another attempt has been made to evolve an investment strategy in India by J.C. Hansukhani in his book, "Golden Investment Strategy" (1968). The book discusses some aspects of investment analysis, but lacks intensive treatment of share price behaviour. K.D. Toodha in his book "Stock Exchanges in a Developing Economy" (1962) has made an attempt to identify the causes of boom in the stock market in India during 1958-62. U.C. Gupta's "Working of Stock Exchanges in India" (1972) and S.J. Thomas report on "Regulation of Stock Market in India" (1948) and K.L. Garg's "Stock Exchanges in India" are some of the other attempts to assess the structure and working of the stock exchanges in India. L.C. Gupta's "Rates of Return on equities - the Indian experience" (1981) is the latest study relating to the measurements of the rates of return on investment in equities for India.

In addition to above, some research articles have appeared in various journals, viz. "Equity Price Behaviour in India since 1951-52" by K.P. Aggarwal; (Indian Journal of Economics, Vol. 46, July 1965, pp. 63-92); "Stock Prices, Earning and Dividends in India" (Indian Economic Journal, Vol. 12, April-June 1963, pp. 432-36) by Meghnad Desai; "The Ownership of Industrial
The objectives of the present study are:

1. To analyse the major developments and trends in the securities market and investment climate in India.

2. To study the trends in the movement of the share prices, in the light of the accepted norms and relevant criteria.

3. 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.

4. To find out the impact of environment and external factors on share price behaviour.
The study entitled, "THE BEHAVIOUR OF SHARE PRICES IN INDIA" relates to the past over twenty years (1961-82) and attempts an examination of the price behaviour of 42 selected shares actively traded on the stock market. The analysis of the selected shares has been done individually, industrial groupwise and of the sample as a whole.

SELECTED OF SAMPLE

While making the selection of shares for study, the size of the Company as reflected by assets has been taken into consideration. An attempt has been made to have a varied and diversified base, representing different industrial sectors in the economy, viz., cotton textiles, synthetic fibre and silk, steel, engineering, dyes and chemicals, cement, paper, electrical equipment and cables, shipping, food products and beverages, tea plantations, jute textiles, rubber goods and tyres tobacco, miscellaneous industrial groups and trading. Table 1.1 gives the industry-wise distribution of selected shares pertaining to 42 Companies.
### Table 1.1

DISTRIBUTION OF SHARE SAMPLE ACCORDING TO INDUSTRIAL GROUPS

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Industrial Groups</th>
<th>Number of Shares</th>
<th>Shares Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cotton Textiles</td>
<td>5</td>
<td>Bombay Dyeing, Century Spg., Mafatlal, Khatau Sakanji and F.C.M.</td>
</tr>
<tr>
<td>2.</td>
<td>Synthetic Fibre &amp; Silk</td>
<td>1</td>
<td>Swallor Rayon</td>
</tr>
<tr>
<td>3.</td>
<td>Steel and Metal Products</td>
<td>2</td>
<td>TISCO and Metal Box</td>
</tr>
<tr>
<td>4.</td>
<td>General Engineering</td>
<td>7</td>
<td>Kirloskar Oil, Voltas, Larsen and Toubro, Mahindra &amp; Mahindra, Ashoka Leyland, Haji Ato, TISCO</td>
</tr>
<tr>
<td>5.</td>
<td>Textiles, Pharmaceuticals and Plastics</td>
<td>6</td>
<td>Hindustan Lever, Tata Chemicals, Pfizer, Alemic Chemicals, Polychem, Atul Products and Union Carbide</td>
</tr>
<tr>
<td>6.</td>
<td>Cement</td>
<td>3</td>
<td>ACC, Mysore Cement and India Cement</td>
</tr>
<tr>
<td>8.</td>
<td>Electrical Equipment and Cables</td>
<td>2</td>
<td>Crompton Greaves, Peico Electronics and the Indian Cable Co. Ltd.</td>
</tr>
<tr>
<td>9.</td>
<td>Shipping</td>
<td>2</td>
<td>Scindia Steam and Great Eastern Shipping</td>
</tr>
<tr>
<td>10.</td>
<td>Food Products &amp; Beverages</td>
<td>2</td>
<td>Mohan Meakin &amp; Britannia</td>
</tr>
<tr>
<td>11.</td>
<td>Tea Plantations</td>
<td>1</td>
<td>Jai Shree Tea</td>
</tr>
<tr>
<td>12.</td>
<td>Jute Textiles</td>
<td>1</td>
<td>Sirle Jute</td>
</tr>
<tr>
<td>13.</td>
<td>Rubber goods &amp; Tyres</td>
<td>2</td>
<td>Dunlop and Ceat tyres</td>
</tr>
<tr>
<td>14.</td>
<td>Miscellaneous</td>
<td>1</td>
<td>WICO</td>
</tr>
<tr>
<td>15.</td>
<td>Trading</td>
<td>1</td>
<td>Greaves Cotton</td>
</tr>
<tr>
<td>16.</td>
<td>Tobacco</td>
<td>1</td>
<td>The Imperial Tobacco Co., Ltd.</td>
</tr>
</tbody>
</table>

Total 42
Table 1.1 indicated that shares of 42 companies belonging to 16 industrial groups were selected for the present study. 40 companies out of 42 whose shares have been selected also figure in the HRID companies list. In 1981, The Economic Times Research Bureau has conducted a study* of 101 corporate giants and 150 Mini giants in the private corporate sector. All the companies have been ranked according to their performance in terms of total assets as well as in terms of sales. It is really a coincidence that 40 out of 42 companies in our sample figured in the ET study. 28 companies in the category of 101 corporate giants and another 12 in the category of 150 Mini giants.

Table 1.2 giving the frequency distribution of sample companies according to their total assets in 1979-80 shows that there were 3 companies with assets of Rs.200 crores and above each; 11 companies with assets of Rs.100 crores to Rs.200 crores each; 8 companies with assets of Rs.50-100 crores and 20 companies with assets below Rs.50 crores each.

* May 25-26, 1981
TABLE 1.2

THE FREQUENCY DISTRIBUTION OF SAMPLE COMPANIES
ACCORDING TO TOTAL ASSETS

<table>
<thead>
<tr>
<th>Size Group (Rs. Crores)</th>
<th>Number of Companies (1979-80)</th>
<th>Total Assets (Rs. Lakhs) 1979-80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20</td>
<td>4</td>
<td>53.38 (1.45)</td>
</tr>
<tr>
<td>20-25</td>
<td>3</td>
<td>72.87 (1.98)</td>
</tr>
<tr>
<td>25-30</td>
<td>5</td>
<td>138.25 (3.75)</td>
</tr>
<tr>
<td>30-40</td>
<td>3</td>
<td>103.59 (2.81)</td>
</tr>
<tr>
<td>40-50</td>
<td>5</td>
<td>225.27 (6.11)</td>
</tr>
<tr>
<td>50-75</td>
<td>5</td>
<td>315.96 (8.58)</td>
</tr>
<tr>
<td>75-100</td>
<td>3</td>
<td>257.15 (6.98)</td>
</tr>
<tr>
<td>100-200</td>
<td>11</td>
<td>1500.52 (40.73)</td>
</tr>
<tr>
<td>200 and above</td>
<td>3</td>
<td>1017.49 (27.62)</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>3684.48 (100.00)</td>
</tr>
</tbody>
</table>

Figures in parentheses show percentage to totals.

RESEARCH METHODOLOGY

The approach adopted in the present study is micro as well macro. An intensive analysis of the price behaviour of individual equity shares, on the basis of time series data has been carried out using simple and multiple regression models.
COLLECTION OF DATA

Data has been collected from different publications viz., Bombay Stock Exchange Directory, Investors' Year Books, Report on Currency and Finance, R.S.I. Bulletins, The Economic Times, Financial Express, Business India, Commerce, Capital and several other periodicals.

DESCRIPTION OF VARIABLES

For the purpose of empirical analysis, share price has been assumed to be the dependent variable, while other factors have been taken as explanatory or independent variables. An attempt has also been made to study the interrelationships among these independent variables, as some of these are expected to influence one another.

The following variables were chosen to explain the variations in share prices:

1. Book value per share\(^*\) (BV)
2. Dividend per share\(^*\) (DPS)
3. Earnings per share\(^*\) (EPS)
4. Size\(^*\) (as determined by total assets)
5. Return on investment\(^*\) (ROI)
6. Leverage
7. Growth

\(^*\) Results of the impact of variables like BV, DPS, EPS, Assets and ROI, please see chapters IV to V. On the basis of analysis of individual shares, industrial groups and overall sample it was observed that the impact of leverage and growth of assets on market price was not significant; for their results please consult the appendices I and II at the end.
Before spelling out the specific measures, few remarks regarding our variable measures are in order.

1. To explain the share price in the year \( t \), the data used to calculate the values of explanatory variables relate to the years \((t-1)\) i.e. preceding the year \( t \). This is based on the assumption that the dividend decisions made by a company in a given year as well as its other variables are apt to affect the market price of its shares in the following year when the data relating to the performance of that year are publicly made available.

2. All the measures used to represent variables are based on accounting data. We have made no attempt to determine the validity of accounting measurements in measuring the phenomena they purport to measure. Though a study of shortcomings of accounting measurements may be interesting, it has not been undertaken in the present study, because the shareholders normally go by the reported (accounting) data in judging the performance of a company.

3. An attempt has been made to use measures which are meaningful from the point of view of the investors. This was necessary because stock market prices are determined by the actions of investors.

**BOOK VALUE PER SHARE (BV)**

The book value per share attempts to measure the amount of assets, which the corporation has on behalf of each equity share. It is calculated as follows:

\[
\text{Book value per share} = \frac{(\text{Shareholders' Reserves} - \text{Intangible assets} - \text{Preference dividend in arrears})}{\text{Number of Equity Shares Subscribed}} + \frac{\text{Called up per share}}{\text{Number of Equity Shares Subscribed}}
\]

The book value per share relates to the year \( t-1 \).

* 't' refers to the year, the share price of which is being explained.
DIVIDEND PER SHARE (EPS)

Dividend per share is the actual amount of dividend declared per share. It is arrived at as follows:

\[
\text{EPS} = \frac{\text{Earnings Paid to Equity Shareholders}}{\text{Number of Equity Shares Outstanding}}
\]

The value of dividend per share relates to the year t-1. Only cash dividend is considered as stock dividend is of no value to the investor since it simply represents the division of the corporate pie into a large number of pieces.

EARNINGS PER SHARE (EPS)

Earnings per share is computed as follows:

\[
\text{EPS} = \frac{\text{Net Profit - Preference Dividends}}{\text{Number of Equity Shares Subscribed}}
\]

The earnings per share relate to the year t-1.

**SIZE**

The criteria for determining the size of the company as adopted in the present study is based on assets. It is greatly emphasised in the annual reports and public statements issued by the company. The amount of information disseminated about a company and the risk characterising it (given its capital structure) are related to the total invested capital (i.e., the balance sheet total). Hence, the total assets of the company as measured by the balance sheet

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* Prasanna Chandra "Valuation of equity shares in India", Sultan Chand & Sons, Daryaganj, New Delhi.

** For detailed rationale of this approach vis-a-vis other determinants of size please see Prasanna Chandra "Valuation of equity shares in India", p.65 Sultan Chand & Sons, Daryaganj, New Delhi.
total in the year t-1 was taken as a measure of company size.

RETURN ON INVESTMENT

The overall profitability of the firm is also measured in relation to the investment. It has been arrived at as follows:

\[
\text{ROI} = \frac{\text{Profit before taxes}}{\text{Total assets}}
\]

The values of the ROI relates to the year t-1.

LEVERAGE

The following measure\(^*\) of leverage was considered:

\[
\text{Leverage} = \frac{\text{Total Assets}}{\text{Net worth}}
\]

The values of the leverage used in the above measure relates to the year t-1.

GROWTH

Growth of assets was chosen to measure the growth of the company. The yearly growth of assets was computed by the following formula:

\[
\frac{s_t - s_{t-1}}{s_{t-1}} \times 100
\]

where,

- \(s_t\) is the size in year t (current year)
- \(s_{t-1}\) is the size in year t-1 (previous year)

The values of the growth relates to the year t-1.

\(^*\) For details please see Prasanna Chandra "Valuation of equity shares in India", p.65, Sultan Chand & Sons, Daryaganj, New Delhi.
SHARE PRICE

Our dependent variable in the present study is the average share price. The best average price measure for our purposes would have been the weighted average of prices in all the transactions during the financial year of the company.\(^1\) The computation of such an average, however, involves a lot of information which is not easily available or not available at all. Realising this fact, some studies\(^2\) in India have used the arithmetic average of the highest price and the lowest price over the financial year of the company as a measure of the average price, following the Edwards and Hilton\(^3\) pattern, based on USA experience, which has its own limitations.

However, in the present study the following measure\(^4\) of average price was used,

The arithmetic average of the prices of the month in which companies financial year ends.

ANALYSES OF DATA

The following statistical tools have been used to analyse the data:

(a) Coefficients of Correlation

Coefficients of correlation (r) have been used to study the association between the market price of shares and the independent (explanatory) variables, as also among the independent variables themselves.

1 The weights being proportional to the number of shares traded.
2 Prasanna Chandra, "Valuation of equity shares in India", p.56, Sultan Chand & Sons, Daryaganj, New Delhi.
5 The Stock Exchange Directory published by the Stock Exchange Foundation Bombay has also given the data pertaining to various variables on the basis of the average of the month in which company's financial year ends. Since the Stock Exchange Directory's information is the most authenticated and reliable and most of the data for the present study has been taken from the SED, the above measure of average price has been adopted.
(b) **Regression Analysis**

An intensive analysis of the behaviour of individual equity shares has been carried out by using simple and multiple regression models.

We started by the simple linear regression model, that is by a relationship between two variables, one dependent and one explanatory related with a linear function. The following equation was used:

\[ Y = \alpha + \beta_1 x_1 + u \]

where,

- \( Y \) = Dependent variable (Market price of the share)
- \( \alpha \) = Constant term
- \( x_1 \) = \( i \)th explanatory variable
- \( u \) = Error term

The significance of the individual regression coefficients is tested using \( 't' \) distribution.

After carrying out the simple regression model, the multiple regression model has been used to determine the separate effects of each explanatory variable on the dependent variable and also to determine the significance of their coefficients at different levels of confidence \( 't' \) values were computed. The coefficient of multiple determination \( (R^2) \) indicating the proportion of variation in the dependent variable is also worked out for each regression relationship. \( F \) values were also computed to test the significance of \( R^2 \). Also with a view to account for the loss of degrees of freedom resulting from the inclusion of additional explanatory variables the
was computed by adjusting the $R^2$.

The following regression equations were estimated with a view to identifying the investment analysis indicators in the case of selected companies:

\[
Y = \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + u \quad (I)
\]

\[
Y = \beta_1 x_1 + \beta_2 x_2 + \beta_4 x_4 + u \quad (II)
\]

\[
Y = \beta_1 x_1 + \beta_3 x_3 + \beta_4 x_4 + u \quad (III)
\]

where,

\[
Y = \text{Market Price}
\]

\[
x_1 = \text{Book Value}
\]

\[R^2\] : The formula for $R^2$ does not take into account the loss of degrees of freedom from the introduction of additional explanatory variables in the function. The inclusion of additional explanatory variables in the function can never reduce the coefficient of multiple determination and will usually raise it. By introducing a new regressor, we increase the value of the numerator of the expression $R^2$ while the denominator remains the same. To correct for this defect we adjust $R^2$ by taking into account the degrees of freedom, which clearly decrease as new regressors are introduced in the function. The expression for the adjusted coefficient of multiple determination is:

\[
R^2 = 1 - \frac{(1 - R^2)(n-1)}{n-k}
\]

or

\[
R^2 = 1 - \frac{e^2/(n-k)}{y^2/(n-1)}
\]

where $R^2$ is the adjusted multiple correlation coefficient, $n$ is the number of sample observations and $k$ is the number of parameters estimated from the sample. If $n$ is large $R^2$ and $R^2$ will not differ much. But with small sample, if the number of regressors (x's) is large in relation to the sample observations, $R^2$ will be much smaller than $R^2$ and can even assume negative values, in which case $R^2$ should be interpreted as being equal to zero.

All the three alternatives were tried for all the companies but only model II has been retained for further analysis because of its better explanatory power in terms of high $R^2$ and significance of individual variables.

**PRESENTATION OF DATA**

For measuring the movement of share prices diagrams have been used where necessary for depicting the trends of share prices or any factors capable of numerical expression.

**TREND ANALYSIS**

A trend analysis of the various variables affecting share price becomes imperative. It clearly indicates the magnitude and directions of change over time. It helps to identify certain factors influencing share prices.

The trend analysis is mainly based on the compound growth rates, which reflect the strength of any movement. The various variables viz., Market Price (MP), Book Value (BV), Dividend Per Share (DPS), Earnings Per Share (EPS), Assets and ROI normally grow from year to year, each year enabling them to have an enlarged base to compound the growth rate. It is, therefore, considered desirable to fit the exponential function:

$$Y = a b^x$$

This function when translated into logarithematic form gives a long-linearity function:

$$\log Y = \log a + x \log b$$
Under this growth function, it is well known that growth rate is equal to \( \log b \), which implies that there is growth and growth rates are constant over time, provided \( \log b > 0 \). Anti-log of \( \log b \) gives the value \( b \). The growth rates were derived from this equation using the following relationship:

\[
    b = 1 + r
\]

where \( r \) is the compound growth rate. If we multiply \( r \) value by 100, it will give the growth rate in percentage form.

**USE OF COMPUTER**

The volume of data and the quantum of calculations in the analysis of individual share price behaviour was so huge that it could not be done manually, except with the help of mechanical aids like computer. The statistical data arranged in a particular proforma was punched on the punching cards and then fed into the Computer I BM 1620, Model 1 with core memory 20K. The programming language was FORTRAN. The services provided by Regional Computer Centre, Chandigarh were also extensively utilised. Some of the computer results were checked manually also for verification of accuracy. The desk computing machine (REMINGTON 1204) was also used for less burdensome computations.

**LIMITATIONS OF THE STUDY**

Any financial analysis like the present one, is subjected to certain limitations and constraints and the present study cannot claim perfection. The non-availability of detailed data regarding the behaviour of individual equity share was one of the important limitations of the study. The Bombay Stock Exchange when approached for the supply of the above detailed information expressed its inability to furnish the information.
The author is aware of the complexities of conducting a study like the one in hand. The conceptual controversies, differences of opinion, varied accounting practices and standards regarding approach to the problem, the changing accounting periods comparatively narrow information system and similar other constraints make the task of an individual researcher still more difficult. However, any attempt to navigate into the unchartered seas of knowledge has to be viewed in this perspective.

It may be appreciated that not all of our theoretically postulated relationships get a strong statistical support in all the cases. Although all the five investment analysis indicators (BV, DPS, EPS, Assets and ROI) are supposed to affect the market price of individual shares. It may be observed that while in univariate analysis factors like BV, DPS, EPS, Assets and ROI were found to be statistically significant, they were not so in multiple analysis. The insignificance is due to the incidence of multicollinearity that is due to the presence of linear relationships among explanatory variables. The author is aware of the possible consequences of multicollinearity and the steps to remove it. However, this could not be accomplished due to the constraints of time, resources and facilities.

The study relates to 42 companies and extends to a period of over twenty years (1961-82). Had it been possible to cover a longer period and increase the observations, the results would have been of still greater significance.
Scheme of the Study

Structurally, the present study is divided into eight chapters:

Chapter 1 deals with the objectives, research design and methodology and limitations of the study.

Chapter 2 deals with the functions, developments, organisation and mechanism of the Indian Securities Market.

Chapter 3 deals with the conceptual framework in relation to the investment criteria, the investment alternatives and investment analysis.

Chapters 4, 5, 6, 7 deal with the identification of the internal factors as depicted by investment analysis indicators in relation to the individual shares.

Chapter 6 deals with the identification of the investment analysis indicators for the sample companies, classified according to industrial groups as also for the sample companies as a whole, and

Chapter 7 deals with the impact of environment/external factors on share price behaviour.

Chapter 8 sums up the conclusions and findings of the study.