Chapter – II
REVIEW OF LITERATURE

2.1 Recent Views on Stock Market

An attempt has made in this chapter to examine earlier literatures, relating the research problem. The present chapter has covered the research articles in the journals, books, reports and some Ph.D. thesis related to the research problems.

M. N. A. Anasari (1994)\(^1\) made a difference between the Badla system and the future and option system, the factors which led to replacement of Badla system and the problems and reform measures that are required to be taken in the stock market for the production of future and options. It is concluded that, speculation is considered essential in free market economy in so far as it helps in price formation and provides liquidity to the market, but at the same time it should not be excessive which is detrimental to the interest of millions of genuine investors. Badla system makes excessive speculation easier and excessive volatility in share prices. Therefore, well established badla system be phased out in favour of future and options.

Yarram Subha Reddy (1998)\(^2\) studied the efficiency of a stock market. The operational, allocation and informational efficiency of the market are examined and the weak form information efficiency of Bombay Stock Exchange is analysed. It is concluded that Indian market is not efficient in weak form which implies that profitable opportunities exist for investors to form trading decisions based on past prices and to earn more than what is earned under a policy of buy and hold. It implies that investors with more ready access to information on trading prices and quantity have better opportunities for trade than other investors who do not ready access to such information. Unequal access to information leads to transfer resources from

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those with less access to those with more access, which affects investor’s confidence. Therefore, efforts should be taken to improve not only informational efficiency but also the operational and allocation efficiency of the market. For this, SEBI should make efforts to create information storage and retrieval systems to improve informational efficiency.

Pitabas Mohanty (1998)\(^3\) examined the question of whether excess returns can be earned by forecasting EPS alone. It is concluded that, one can make excess returns in India by forecasting the direction of movement of EPS (Earning per Shares) and this excess return cannot be explained away by any risk measures. In this paper P-E approach (Price – Earning) used to value the shares of a company.

S. K. Santi Swarup, Ambika Verma (1998)\(^4\) examined the important stock exchange reforms during the period 1992-1997 and their impact on capital market development as perceived by intermediaries. A sample of 30 brokers from Delhi was selected and their perceptions were studied using questionnaires and informal interviews. Thus, Indian capital market has several positive developments during the period of reform but attaining international standard is still a dream. The infrastructure for settlement and transfer of traded securities has yet to touch global standards. Liquidity has been major problem in the stock market and also is acting as a damper to the investments, regulations and surveillance need to be made more comprehensive. The Indian regulatory framework needs to shift its focus from corrective to prevention stage.

R. P. Hooda (1998)\(^5\) analysed investor’s behaviour in stock market. It is found that majority of investors follow the mixed approach, safe reasonable return combined with speculative benefits. The composition of investment in term of the amount held in different security alternatives is characterized by


highest share of investment in fixed deposits, with equity shares being very close by. Performance shares are the least preferred among different security alternatives accounting for extremely low proportion of investment. Occupation wise, agriculturists prefer to invest more with the banks. Those engaged in services hold the highest share of their investment in fixed deposits with government undertakings. Professional having no fixed deposits with government undertakings. It is found that good track record as to profitability and dividend payment is the most important factor, which greatly affects the investment making process by the investors.

S. Amanulla, B. Kamaiah (1998)\textsuperscript{6} tested the CAPMC (Capital Asset Pricing Model) in risk premium form by using the monthly return of stock traded on Bombay Stock Exchange during the period 1987 to 1994. For this purpose two stock market indices viz. BSE sensitive index and BSE national index were used to represent the market index. It concluded that, through the CAPM model describes stock return well in Indian context. It is preferable that investors investment decision may be decided with help of other relevant factor such as P/E ratio, EPS, dividend, bonus and right issues besides the CAPM estimates.

Anand Mittal (2000)\textsuperscript{7} studied the hypothesis which this study has to test is the economic reform programmes have been instrumental in overall improvements and development of India’s capital market. This requires construction of improved quantitative and qualitative indices like SINDEX, ANDEX, CAPDEX for the analysis of Indian capital market between 1989-90 to 1999-2000.

It also studied leading factors affecting capital market development. Following are the important recommendations of the study.

There should be hike in equity market investment limit of LIC and GIC to bringing in it line with global norms. Provident funds may also be permitted


to invest 5 to 10% of the corpus in equities. Larger number of strong players will reduce market volatility caused by FIIs.

Individual foreign investment in India should be permitted.

**Philip Maiyo, Subhash Chander (2001)** examined the theory of random walk in stock prices with special reference to non-specified shares listed on Bombay Stock Exchange. The analysis has been made using daily data of stock prices during the period of 1-1-1996 to 30-11-2000. It concluded that, the non-specific shares listed on the Bombay Stock Exchange and market indices follow the random walk hypothesis and hence the previous share prices does not apparently influence future prices.

This study also suggests that, the disclosure and corporate government norms need to be continuously upgraded to give the transparency to the investors. Delayed regulatory actions against the unscrupulous brokers should have to be made quickly. To arrest the volatility of stock market there is need to develop appropriate regulatory and legislative framework to curb the speculative activities of both domestic and foreign investors. Also, there is need to foster the investor confidence by making the market more 'news oriented' rather than 'noise driven.'

**L. M. Bhole, Shreya Pattanaik (2002)** discussed the working of Indian stock market from both quantitative and qualitative perspectives so as to find out how far the goal of liberalization policy has been achieved.

It is concluded that, the investment pattern on the market has undergone a change, the genuine, long term, retail, small, individual investors have largely deserted the market and the institutional investors now account for a major part of investments, FIIs have come to dominate the market. Study suggested that, the conscious efforts and suitable policy measures need to be undertaken to make investment in equities a fairly long-term investment. There is a need to reassess too much importance given to liquidity on the

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securities market. There is also need to develop and harness the technique to moral suasion against maximizing trading profits.

Mohd Javaid (2002)\textsuperscript{10} studied the operations of trading in stock exchanges. It considered both the brokers and investors of primary and secondary market in Delhi. The study concludes that changes in management of the stock exchanges are required for bringing efficiency to the operation of the stock exchanges. Demutualization is the best suitable solution to keep management free from the broker’s inference. There is need of statutory committee in each stock exchanges of India like disciplinary action committee, defaults committee and arbitration committee. There should be a separate body for the stock exchanges and strict implementation of rules and regulation, which have been imposed by SEBI on the brokers. National Clearing Corporation would be an important step towards improvement in market situation in Indian stock market. This study also suggests the need of specification for consumer protection and there should be integration of banking sector with stock markets. Also, it suggests central information system for development of stock market.

Renu Gupta (2002)\textsuperscript{11} studied performance of National Stock Exchange with a view to evaluate the role of NSE in the development of capital market. This research work also covers role of NSE to protect investors, volatility and liquidity of NSE. It is concluded that the market surveillance is necessary for ensuring the market integrity. Comparative study of NSE and BSE showed that NSE displace BSE to second position on the basis of turnover within the first year of its operation i.e. in 1995-96. The ratio of turnover to market capitalization was higher in NSE as compared to BSE. However, the market capitalization of BSE was generally higher than that NSE.

Harvinder Kaur (2002)\textsuperscript{12} in her study measures the extent of volatility of Indian stock market and its behaviour over different period and over different stocks. This study also examines the impact of foreign institutional investment.

(FII) on stock market volatility. The study spans over the period January 1990 to December 2000. The sample population of the study consists of two most prominent market indices namely Sensex and S & P CNX Nifty and 142 individual stock listed on BSE. Following are important observations of the study.

1. When compared with other markets of the world the volatility of Indian market is quite high as compared to major developed markets.

2. It is found that Monday returns have the highest volatility and Friday returns have lowest. However, there is no definite pattern in the weekday returns.

Bharti Pathak (2003)\textsuperscript{13} studied the impact of reforms on the primary market segment and secondary market segment of government securities market for the period 1990-91 to 1999-2000. The analysis reveals that the government securities market has attained width and debt but still some policy measures are needed to make it more vibrant these are: government securities are subject to a number of regulations, which create ambiguity. Hence, instead of so many acts it is desirable to have one act and one regulator for regulating this market.

Pallavi Mody (2003)\textsuperscript{14} in her doctoral research makes an attempt to understand the individual investor, their demographic and economic profile, the size of their portfolios, investment preference for equity and other saving instruments.

The study found that equity investments continue to remain small for less than 5% of gross financial assets of the householder sector in India. The equity markets remained narrow, shallow and volatile as the investor base remained small, amounting to only 21 million investors or 7.4% of the households in 2000-01. The study raises anxiety over the fact that the economic agents – investors and corporate found equity as a less attractive


option. The investor’s confidence can be enhanced if care is taken from all
directions to promote the equity culture.

Malik Sarat Kumar (2004)\textsuperscript{15} studied relationship between different
macroeconomic indicators in India and shows that there exists a relationship
between stock market development and long run growth in India. The study
concluded that there is a relationship between stock market development and
economic growth in India. It is also found that the index of industrial
production and bank credit are significantly linked to stock market
development indicators and stock market is an integral part of growth process
in the country. Thus, to achieve a sustained long run economic growth, policy
initiatives should focus more on stock market development.

T. R. Venkatesh, Ms. Purba Basu (2004)\textsuperscript{16} examined the structural
and operational changes of the securities market such as introduction of T+2
rolling settlement, online trading system and demutualization of stocks. It also
examined activities of central listing authority and growth of mutual fund
industry in India. It concludes investors now can take conscious decision
regarding the trade in derivative market. However, it is needs to be done to
increase the confidence and information base of the investors to curb market
manipulation.

Kamakshya Prasad Prusti (2004)\textsuperscript{17} studied the demutualization of
stock exchanges. Demutualization is a process of changing the corporate
structure of an exchange to the status of a limited liability or corporation. It is
an attempt to segregate ownership of the exchange from the membership of
the exchanges. Exchanges have recognised the need for being competitive
by substantially bringing down their cost of operation and being
technologically efficient even at the peak of a storm. Thus, operating at the

\textsuperscript{15} Malik Sarat Kumar (2004): Stock Market Development & Long Run Growth in India, Ph.D.
Thesis Submitted to University of Mumbai.
University Hyderabad, pp.45-52.
\textsuperscript{17} Prusti Kamakshya Prasad (2004): Demutualization : An Indian Perspective, Book Edited
by Mishra Bishnupriya & Sathy Swaroop Debasish, Indian Stock Market, Excel Book
Publication, New Delhi, pp.45-52.
peak of competency and withholding the customers confidence would be the key factor for them whether they get business or not.

**G. Kumaraswamy Naidu, Kamakshya P. P. (2004)**\(^1\) examined the effect of reducing settlement cycle of stock exchanges. It concludes that, a reducing settlement cycle plays a key role in developing the securities market by providing investors greater access to their own funds due to quicker netting off the dues. Secondly, it reduces the settlement risk considerably as the counterparties have to settle their transactions at a faster rate. Thus, the process encompasses all the brokers, banks, depository, participants, fund managers and investors. Therefore, the securities market regulators around the globe strive to reduce the settlement cycle progressively.

**Ravi Madpati (2004)**\(^2\) studied position of Indian debt market and suggest need of debt market reforms in India. It is concluded that the debt markets in India are not as developed as the equity markets. The government has yet taken steps to increase the vibrancy of the debt markets. Therefore it is suggested that favour transparency, favour disintermediation, avoid the role of a system operator build human capital etc. are the steps need to be done for the betterment of debt markets. Thus, fixed income markets provide a greater investing platform for the investors with less risk profile. Therefore, the regulatory bodies and authorities should realise the importance of vibrant debt markets and help to build the same.

**S. N. Sharma (2004)**\(^3\) explored the presence of seasonality in Indian stock market returns during the post liberalization period. Using log returns data on three popularly used BSE indices – Sensex, NATEX and BSE-100 for the period January 1\(^{st}\) 1995 to August 10\(^{th}\) 2002, the study provides evidences as to the presence of seasonality across the days of the week. It confirms the conclusions of earlier studies as to leptokurtic distribution of equity returns;

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presence of higher variance on Mondays; weekend effect, and regularity of returns across the indices.

**Bawa Singh Goraya, Dinesh Kumar (2005)**

examined the various measures taken by government and SEBI for the protection of investors and to examine the awareness of investors in relation with these protection measures; it is concluded that, majority of investors take services of brokers while making their investment both in primary as well as secondary market. But they are more dependent on brokers in secondary market. Majority of investors expect that administration of SEBI is not adequate and they demand more offices of SEBI should be opened in various parts of country and power be decentralised.

**Rohit Saini (2005)**

explores various issues relating to foreign institutional investment, its growth in India and factors that affect its inflow. The study concluded that, foreign investments have its possible positive effect on overall level of investment in the economy and its contribution towards improvement in the functioning of domestic capital market. The net effect of FII investment on a country will mainly depend upon the policy response of authority to its possible negative implications. Rate of return on stock is captured from the stock price index and domestic exchange rate have been found to affect FII investment positively while inflation in domestic country has a negative impact on it. The Granger's causality task between inflation and FII investment reveals that a higher inflation in domestic country causes retardation in flow of FII investment.

**Dritsaki Melina (2005)**

investigated the casual relations among macro economic variables such as inflation, interest rates, industrial production and the stock market index in the small and open Greek economy where financial markets are less mature as compared to those in US, Japan

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and UK. From the Granger Causality Test it is concluded that there is bilateral casual relationship between the industrial production and the General Index of Athens stock exchange. It is concluded that there is unidirectional causal relationship between inflation rate and general index of Athens stock exchange.

**Balwinder Singh, Jaspal Singh, Karamjeet Kaur (2005)**[^24] this paper analysed the impact of dematerialization of BSE listed companies on the returns and liquidity of the companies. It is found that post demat abnormal returns of the companies are not positive, rather they are negative. In case of traded volumes also, majority of the companies’ experienced negative growth in traded volumes thereby rejecting the assumption of higher liquidity after demat. This may be so because demat has become a common phenomenon and stock exchanges have already discounted this information in the stock prices, so it does not carry any abnormal benefits to the investors.

**Ashutosh Verma (2005)**[^25] studied the weak form efficiency of Bombay Stock Market. Also to study industry wise or sector wise weak form efficiency of Bombay Stock Market. It is concluded that, the efficiency of stock market is closely related to the allocation of scare capital resources. The government has permitted the participation of foreign institutional investors and it is said that these participation improves the efficiency of the markets. However, if markets are inefficient, profitable trading opportunities may exist, which may be used by the foreign institutional investors to earn excess profit at the cost of another players in the market. SEBI needs to take steps to increase the informational efficiency of the stock market.

**Saji Kumar (2006)**[^26] examined the influence of FIIs movement over Sensex. It concluded that the linkages between the FIIs inflows and the performance of Sensex are robust and significant. The performance of

Sensex in terms of market capitalization, movement of Sensex, return on Sensex, trading turnover and the FIIs inflows. The behaviour of returns on Sensex and volatility has been more stabilizing due to external inflows and the fluctuations are largely due to withdrawals by domestic equity holders during the period considered.

**B. Sravana Kumar (2006)** examined unhealthy practices in the market and what steps should be taken by SEBI to become proactive in preventing unhealthy practices in the market. It is concluded that, in IPO scam, Harshad Mehta and Ketan Parekh scam, all three have banks involved in them, which shows negligence and violation of KYC norms. Banks should have notices when continuous serial numbers on particular branches are submitted towards application money. Banks and depository participants should not have accepted a system that does not detect multiple accounts from same address. It is time for the SEBI to consider a Unique Identification Number (UIN) for each individual. UIN cannot be obtained unless a person is physically present.

**Memchal, L. Jibon Kumar Sharma (2006)** investigated the relationship between price change and trading volume in the Indian stock market in the light of economic liberalization and reforms. It concluded that, in two days bull market and bear market there is no significant relationship between price changes and volume, but in 20 days bull market and bear market a significant relationship between the two variables. In bull market have high volume is accompanied by price increase. This may be attributed to the fact that unusual fluctuations in a particular security are almost always linked to unusual interest by somebody in that security. If investor is buying up large quantities of a particular share, the price of that share is bound to go up steeply since demand increases while supply remain same and further when this is noticed by followers of the trend the market becomes more and more

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bullish. Thus, an increasing price accompanied by increasing volume with signal a buy as situation reflects unsatisfied demand in the market.

Another finding of the study shows that volume is higher in bull market and lower in bear market. It indicates that market is more liquid when price are rising and relatively dry when prices are rising and decrease when prices are falling. In other words liquidity of the capital market is more when the market is bullish and low when it is bearish.

Sreejata Banerjee and Sandaresh Sankar (2006) studied the capital asset pricing model to measure stock market integration, the study shows that Indian stock market moved towards greater integration with rest of world over a period of time. The major finding of this study is that as level of integration increases there is an argument for bringing down the barriers further. The advantage that can be accrued from this is that domestic market would become more efficient in allocating resources as mis-pricing comes down, leading to functional and informational efficiency. At the same time however, integration would make more vulnerable to global financial crises and bring about financial and macro economic instability through precipitation of currency crises and liquidity arises.

D. G. Parsuna (2006) in his article looked at Brazil, Russia and China nations and their efforts towards investors’ education and protection. It concluded that investors are backbone of any capital market. The development of financial market is inextricably linked to investors confidence. Most of the emerging markets are in an evolutionary stage, way behind the developed markets. Retail investors and domestic institutional investors in these markets are relatively unsophisticated as compared to those of developed countries. There is still long way to go before investors can consider themselves completely safe and the efforts of regulators to ensure investors protections are commendable.

Ross Levine and Sara Zervos (2006)\textsuperscript{31} studied the empirical relationship between various measures of stock market development, banking development, and long run economic growth. It is concluded that even after controlling for many factors associated with growth, stock market liquidity and banking development are both positively and robustly correlated with contemporaneous and future rate of economic growth, capital accumulation and productivity growth. Also in this paper author discussed indicators of stock market development such as size, liquidity indicators, international integration measures.

Pranab Sen, Nikhil Bahel and Shekhar Ranjan (2006)\textsuperscript{32} argue that with the recent economic reforms, an efficient and active debt market, particularly in long-term private debt instrument, is essential for the country to realise the full benefits of the reform process and to achieve its potentials. It is also concluded that, depth and width in government bond markets need to increase so that small investors can invest in debt securities for capital gains rather than simply hold them to maturity as income instruments.

Madusudan Karmarkar (2006)\textsuperscript{33} studied measures of the volatility of daily returns in the Indian stock market over the period 1961 to 2005. The GARCH (1.1) model is estimated to see whether volatility is predictable. It is found that volatility is persistence and is predictable. The GARCH model is also used to test the asymmetric volatility effect and the result suggests the asymmetry in volatility. It is also concluded that the social cost associated with high volatility was heavy. Genuine investors lost confidence.

Joydeep Biswas (2007)\textsuperscript{34} evaluated the impact of financial liberalization on the stock market in selected emerging Asian markets, in general and Indian stock market in particular. To calculate composite index SINDEX four major market development indicators considered namely size,

liquidity and risk and market integration. As the global equity markets have experienced their most explosive growth over the past decade, emerging equity market has experienced an even more rapid growth. It can seen that the stock market indicators, market capitalization, turnover ratio and value traded which measures the size and activity of a stock market respectively, have improved significantly during the decade of liberalization. In addition, as the emerging markets are getting more integrated with the world capital markets, the diversification of risk is getting easier. As a result of which the emerging markets in recent times are enjoying a flush of foreign portfolio investments which in turn benefiting the emerging economies not only by enhancing the liquidity of markets, expansion of the domestic market size but also by initiating the regulatory changes for the smooth functioning of social market.

**Sindhu K. (2007)** explored the impact of stock market development on the macro economy of the country, specifically in the post reform period. It attempts to test the extent to which stock market development affects long-term economic growth, corporate capital structure, and behaviour of retail equity investors. The study also explores the direction of causality between stock prices and major micro economic variables. In this thesis author recommended that domestic capabilities in the stock market should be enlarged by allowing instituting like provident funds to invest into stock market. The current level of participation of pension funds also should be enhanced by allowing them to invest in various derivatives instruments. More fiscal incentives should be given to stock market investment to attract investors with high income.

**Kashmira P. Mody (2007)** in her doctoral research work an attempt is made and analysed the operations of the stock market as channel of monetary policy transmission in Indian economy. Accordingly the stock market channel of monetary transmission essentially has two part of its operation i.e. the link between monetary policy and stock market, and second,

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the link between the stock market and the real economy. The researchers concentrate on the first path namely the link between Indian money market policy and the stock market, in particular the Bombay Stock Exchange. The empirical result shows that there is a link between monetary policy and the stock market; as well as to attribute some measures to and analyse in some detail the stock market’s response to monetary policy actions in aggregates as represented by BSE Sensex.

T. Satanarayana Chary (2008)\(^\text{37}\) made a comparative study of Indian stock market with World Stock Markets. The study concluded that Indian stock markets are moving ahead and conveying to the world at large, that they are very strong. Foreign investors are very attractive for their investment as India becoming a developed nation, from various perspectives. Yet, the market is not helping the common investor due to high level of sophisticated speculation in the market itself. Therefore, SEBI needs to move heaven and earth in order to rationalize further stock market activities to enable it to face the global challenges.

Bhanupriya Misra, Piyusa Prasad Mishra (2008)\(^\text{38}\) examined the behaviour of individual investor in stock market. The researcher used the survey method to collect the primary data from the major metros of the country and their prime location viz. New Delhi, Mumbai, Chennai, Kolkata and Bhubaneshwar. It studies the relationship between educational qualification and investment in share market, age wise investment in share market, nature of employment and investment, marital status and share market investment, annual income wise investment, factors influencing investment decisions. It is concluded that the education qualification of employed women do not have any correlation with their investment desire for share market. The employed women are risk averse. As typical Indian women, they prefer to take the advice of their husband/relatives for making any decision on investment matters. Respondents having an annual income


\(^{38}\) Ibid, pp.61-80.
of more than Rs. 300000 showed a greater interest for share market as they are capable of taking higher risk.

**Dr. T. Mallikarjunappa (2008)**\(^{39}\) examined the influence of macroeconomic factors on equity market return. This paper concluded that, agriculture and equity market returns show production of breeder seeds and foundation seeds (negative), non food grain yield (negative) and the food index of industrial workers (positive) are the significant determinants of the equity returns. In the industry sector index of industrial production, production of manufacturing basic, capital, consumer and petroleum and other energy sources are significant determinants of the equity market returns.

**Ali Asghar Anvary Rastamy (2008)**\(^{40}\) evaluated the relationship among the level of economic development, stock market efficiency level, market attraction to foreign investors and the nature of information. Investor uses these attributes when they trade in securities. It is concluded that there is a positive relationship between the level of economic development and stock market efficiency level. Also results clearly confirmed that there is a positive relationship between the stock market efficiency level and its attractiveness to foreign investors. Investors in underdeveloped economy mostly use quantitative (rather qualitative) and accounting (rather economic) information and accounting performance indicators were more correlated to the most important indicator (share market price).

**Harmeet Chandha, Y. P. Sachadeva (2008)**\(^{41}\) tested whether the returns on Sensex are normally distributed. The study concluded that, the distribution of the daily Sensex is not symmetric. All the three tests of goodness of fit reject the null hypothesis that distribution of a daily return on Sensex follows a normal distribution.


Sarika Mahajan, Balwinder Singh (2008)\textsuperscript{42} examined the empirical relationship between volume and return and volume and volatility in light of competing hypothesis about market structure by using daily data of sensitive index of the Bombay Stock Exchange. The empirical relationship between return, volume and volatility has been examined by using GARCH technique and Granger Causality Test. The study provides evidence of positive impact of volume on return and volatility. Positive correlation between volatility and trading volume.

The study concluded that there is wide heterogeneity exists in expectations of traders in the stock market and as a result more volume of traders are needed to cool down the volatility in the market.

Satish Mittal, Sonal Jain (2009)\textsuperscript{43} examined whether seasonal anomalies exist in Indian stock market or not. For analysis, the data has been collected for the period from January 2007 to December 2008 for three indices: BSE – 200, CNX-100, CNX-500. The results of this study shows that the anomalies do not exist in the Indian stock market and this market can be considered as informationally efficient. In this study, there turns on Monday are negative whereas the means returns on Friday are positive but T-test results conclude that there is insignificant difference between the returns on Monday and other weekdays.

K. Srinivasarao (2009)\textsuperscript{44} in his doctoral dissertation attempted to assess the growth of Indian capital market with special reference to equity market and to make appropriate suggestion to promote equity culture in India in general and Andhra Pradesh in particular. This study highlights following facts of Indian capital market.

\textsuperscript{44}Srirnavasrao K. (2003) : Indian Capital Market Spread of Equity Culture: A Study with Special Reference to Andhra Pradesh Ph.D. Thesis Submitted to University of Andhra Pradesh.
Sixty percent of household saving in India is invested in financial assets out of this only 10% are channeled towards investment in industrial securities including equity as against 25% in USA and Japan.

The major finding of the study reveals that, capital appreciation was the major objective to choose a particular line of investment. Also in connection with the investment return choice, it observed that the majority of investors followed the mixed approach i.e. safe, reasonable return, combined with speculative benefits.

The study concluded that, promotion of equity culture is must and it will be an enabling factor to raise superior type of capital for industrial sector, which will not add to capital stock of the company but will also enhance their borrowing capacity from banks and financial institutions.

**Neeraj Manini and Sanjeev Sharma (2009)** has analysed the satisfaction level of retail investors in relation with number of capital market reforms taken by government and SEBI from time to time in post liberalized period.

The study can be concluded that, a large number of investors seemed to be satisfied with reform measures taken by SEBI, but on the other hand a considerable number of investors also seemed to be not aware of many of the measures. Therefore, there is need an education of the investors with these measures. To permit a growing number and proportion of Indian families to participate more directly in and enjoy the benefits of expanded mark economy. It will be necessary to build knowledge of the market and to establish trust and confidence in its fairness.

**P. Shrinivasan (2009)** employed Vector Auto Regression model (VAR) to examine the impact of future trading on spot market volatility in India daily data from June 2000 to April 2009 has been considered for the analysis. The result indicates that the volatility in the spot market has been declined.

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after the introduction of future market in (VAR) to examine the impact of future trading on spot market volatility in India. In this study daily data from June 2000 to April 2009 has been considered for the analysis. The result indicates that the volatility in the spot market has been declined after the introduction of future market in India.

V. Gangadhar V., Naresh Reddy (2009)\textsuperscript{47} analysed the varying perceptions of stock price volatility of Indian capital market along with identifying possible reasons for volatility and measures the degree of volatility. The study is based on the important stock exchanges in India i.e. BSE and NSE. The study spans the period from April 1991 to March 2004. It is suggested that SEBI have to play an important role for reducing of volatility of stock prices in India. The SEBI has rigorously monitor and control by strengthening its pro-active and re-active measures for control of price volatility and controversial announcement are to be avoided in order to eliminate the uncertainties in the minds of the market players about future.

Saif Siddiqui (2009)\textsuperscript{48} has made an attempt to study the extent of integration among the World Stock Markets. It examines the relationship between the selected Asian and the US stock markets over a period of 1999 to 2008, using daily closing data of twelve (12) stock markets (including India’s BSE). It can be concluded that the interdependence among the stock markets in the world has increased and no clear direction of relationship exists in the sense of Granger Causality indicating the fact influence of few market especially that of the US, has eroded over a period of time.

Krishna Reddy Chittedi (2009)\textsuperscript{49} analysed the growth path of Sensex, the quantum of contribution of FIIs and the volatility of Sensex. It is concluded that, FII inflows are even smaller when compared to size of our economy. Over the last decade, the FII equity flows into our country have average around a meager ½ percent of GDP per annum. The FII investment in Indian security market has shown a fluctuating trend year after year. Along


\textsuperscript{49} Reddy Krishna Chittedi (2008): Volatility of Indian Stock Market and FII, The Indian Economy Review, the IIPM Think Tank, pp.238-245.
with the soaring Sensex in the current situation the investors should keep in mind that the factors could derail this rally like rising interest rates, high inflation fuelled by firm, global crude oil prices, slow down in the economy and in corporate earnings, fluctuations in currency market, sluggish pace of economic reforms, political instability, crash in asset prices across the board, political tension and possible terrorist attacks.

Brajesh Kumar and Priyanka Singh (2009) using 50 Indian stocks, analyse the returns and volume relationship, focusing on the contemporaneous relationship between absolute returns and trading volume. Findings of study indicate evidence of positive contemporaneous correlation between absolute price changes and trading volume in Indian stock markets. However, mixed results on asymmetric relationship between trading volume and returns were found. The results of relation between trading volume and conditional volatility support strong contemporaneous relationship between trading volume and conditional volatility.

It is concluded that most of studies related to Indian stock market is concentrated on development of Indian Stock Market in general. Though there were many studies related to market efficiency little attention was paid to the market efficiency in absorbing the structural changes. Therefore in this present study an attempt has been made to study market efficiency of BSE in absorbing the structural changes such as dematerialization & rolling settlement.

The securities market in India, has undergone sea changes in the last two decades during this period the development of stock market, the financial and market performance of BSE these issues have received little attention. Therefore in this present study an attempt has been made to study the development of Indian stock market & financial performance of BSE after the initiation of economic reforms.

It is seen that, even though there were many studies related to returns of stock market, yet indices wise return from BSE & phase wise (Bull & Bear) have received little research attention.

Although there is a plethora of research concerning stock market volatility, but volatility of BSE indices & volatility during Bull & Bear phase after economic reforms have been untouched.

Some studies have been done on relationship between FII & Indian stock market, but relationship between monthly FII investment & BSE’s monthly turnover, monthly FII investment & monthly returns of BSE has been given less emphasis. BSE’s stock prices & returns relationship with developed stock markets, comparison of returns with international stock exchanges have received less research attention.

Thus, in this present study an attempt has been made to fill these voids & investigate an important aspects & issues related to Bombay Stock Exchange during 1st & 2nd phase of stock market reforms in India.