CHAPTER - V

LIMITATIONS OF THE STUDY AND AREAS FOR FURTHER RESEARCH'}
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PERFORMANCE EVALUATION INDEX

LIMITATIONS

The effectiveness of the performance evaluation index is limited to the extent that:

(1) The items shown in the financial statements of the companies included in the study are shown uniformly across the years and across the companies and they give a 'true' and 'fair' picture of the business.

(2) The past trend continues in the future.

(3) External environment and government policies do not change drastically resulting in massive restructuring of the companies.

(4) All leasing companies have not been included in the study.

(5) Qualitative factors like the strength of the management and prospects of future growth have been ignored.

AREAS FOR FURTHER RESEARCH

(1) The performance evaluation index could include qualitative factors like management philosophy, growth prospects, market share etc. and quantify them to be included in the index.

(2) A similar index could be formulated for other industries for comparison.
STUDY OF SHORT TERM STOCK MARKET TRENDS

LIMITATIONS

This study is based on the capital market theory and the assumptions underlying the theory give rise to some of the limitations of the study. Thus the study would be limited under the following conditions:

(1) When a group of individuals or a single individual can influence the prices of securities in the market.

(2) Transaction costs are high.

(3) Income tax determines the preference of investors for the kind of return, e.g. dividend or capital gains.

(4) There are differences in expectations of investors about any particular security and they have different planning horizons.

(5) Investors cannot borrow or lend any amount of funds at identical riskless rate.

(6) Investors cannot short sell any amount of shares without limit.

(7) The purchase or sale of a security cannot be undertaken in infinitely divisible units.

(8) Investors do not make decisions based solely upon risk and return criteria which are based upon expected values and standard deviation measures.
SCOPE FOR FURTHER RESEARCH

(1) Just as returns on leasing companies were studied vis-a-vis the market, a similar study can be carried out across various industries.

(2) A similar study can be made of long term trends.

(3) As per the performance evaluation index developed in this thesis companies can be divided into two groups, viz. companies performing well and companies not performing well. The returns on these two categories of finance companies can be studied vis-a-vis each other and individually vis-a-vis the market.