"A Study on Equity in Indian Capital Marketing"

Chandrika L[1] Dr. G. D. Shukla[2]

[1]Research Scholar MJP Rohilkhand University Barely

[2]Head of Commerce Department

Abstract – In India most of the industries require huge amount of investments. Funds are raised mostly through the issue of share. An investor is satisfied from the reasonable return from investment in shares. Speculation involves higher risks to get return on the other hand investment involves no such risks and returns will be fair.

Keywords: Equity, Capital Market, Industry

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INTRODUCTION

The capital market in India is a market for securities, where companies and governments can raise long term funds. It is a market designed for the selling and buying of stocks and bonds. Stocks and bonds are the two major ways to generate capital and long term funds. Thus, the bond markets and stock markets are considered as capital markets. The capital markets consist of the primary market, where new issues are distributed to investors, and the secondary market, where existing securities are traded. In addition, the Indian Equity Markets and the Indian Debt markets do form part of the Indian Capital market. The Indian Equity Market depends mainly on monsoons, global funds flowing into equities and the performance of various companies. The Indian Equity Market is almost wholly dominated by two major stock exchanges -National Stock Exchange of India Ltd. (NSE) and The Bombay Stock Exchange (BSE) [9].

The Indian capital Market has witnessed a tremendous growth. There was an explosion of investor interest during the nineties and an Equity Guilt emerged in statutory legislations has helped the capital market. Foreign Exchange regulation act is one such legislation in this direction [1]. The Indian stock market has gained a new life in the post-liberalization era. It has experienced a structural change with the setting up of SEBI, opening up to the foreign investors, establishment of the NSE, initiation of the screen based trading system, dematerialization of securities and introduction of derivative instruments. The activities of the market have increased in all respects. Market capitalization has increased spectacularly. Number of listed companies has gone up. But the most important and amazing phenomena of all are the movement of secondary market share prices which are reflected in either the upward or downward trend in the major share price indices in the country. The stock market reflects the performance of an economy. When the economy does well and the companies make lucrative profit, people get induced to invest in stocks because they expect higher return from their stockholding [2].

REVIEW OF LITERATURE:

Micko Tanaka Yamawaki et. Al., [3] have conducted a study on the Adaptive use of Technical Indicators for predicting the Intra-Day price movements. The researcher has projected a structure to select the best amalgamation of technical indicators and their parameter values adaptively by learning the patterns from the tick-wise financial data. In this paper, the researcher has shown that this system gives good forecasts on the directors of motion with the hitting rate at 10 ticks ahead of the decision point as high as 70% for foreign exchange rates (FX) in five years from kl1996 to 2000 and 8 different stock prices in NYSE market in 1993 The study brings to a close that the tick-wise price time series carry a long memory of the order of at least a few minutes, which is equivalent to 10 ticks.

Bennet, James A.et.al [4] have conducted a study on "can money flow predict is defined as the difference between up stick and down stick dollar trading volume. The study says that despite little published research regarding its usefulness, the measure has become an increasingly popular technical indicator because of its own means. The study summarizes its most important finding that money flow appears to predict across- sectional variation in future returns.

Factors exaggerated for the share prices

Share prices are affected by the following factors. The major factors are –

➢ **Inflation**

Inflation means, a rise in general level of prices of goods and services in a economy over a period of time. When the general price level rises, each unit of currency buys fewer goods and services. Thus, inflation results in loss of value of money. Another popular way of looking at inflation is "too much money chasing too few goods". The last definition attributes the cause of inflation to monetary growth relative to the output / availability of goods and services in the economy.

➢ **Deflation**

Deflation is the opposite of inflation. Deflation refers to the situation, where there is decline in general price levels. Thus, deflation occurs when the inflation rate falls below 0% (or it is negative inflation rate). Deflation increases the real value of money and allows one to buy more goods with the same amount of money over time. Deflation can occur owing to reduction in the supply of money or credit. Deflation can also occur due to direct contractions in spending, either in the form of a reduction in government spending, personal spending or investment spending. Deflation has often had the side effect of increasing unemployment in an economy, since the process often leads to a lower level of demand in the economy.

➢ **Interest Rates**

A rate which is charged or paid for the use of money, an interest rate is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal. Interest rates often change as a result of inflation and Federal Reserve Board policies. For example, if a lender (such as a bank) charges a customer $90 in a year on a loan of $1000, then the interest rate would be 90/1000 *100% = 9%.

From a consumer's perspective, the interest rate is expressed as annual percentage yield (APY) when the interested is earned, for example, from a savings account or a certificate of deposit. When the interest is paid, for example, for a credit card, a mortgage, or a loan, the interest rate is expressed as annual percentage rate (APR).

➢ **Exchange Rates**

Price for which the currency of a country can be exchanged for another country's currency is known as Exchange
Rates. Factors that influence exchange rate include

(1) Interest rates,

(2) Inflation rate,

(3) Trade balance,

(4) Political stability,

(5) Internal harmony,

(6) High Degree of transparency in the conduct of leaders and administrators,

(7) General state of economy, and

(8) Quality of governance.

Developments in the Indian Equity Market

➢ The Indian equity market has witnessed a series of reforms since the early 1990s. The reforms have been implemented in a gradual and sequential manner, based on international best practices, modified to suit the country's needs. The reform measures were aimed at -

(i) Creating growth-enabling institutions;

(ii) Boosting competitive conditions in the equity market through improved price discovery mechanism;

(iii) Putting in place an appropriate regulatory framework;

(iv) Reducing the transaction costs; and

(v) Reducing information asymmetry, thereby boosting the investor confidence.

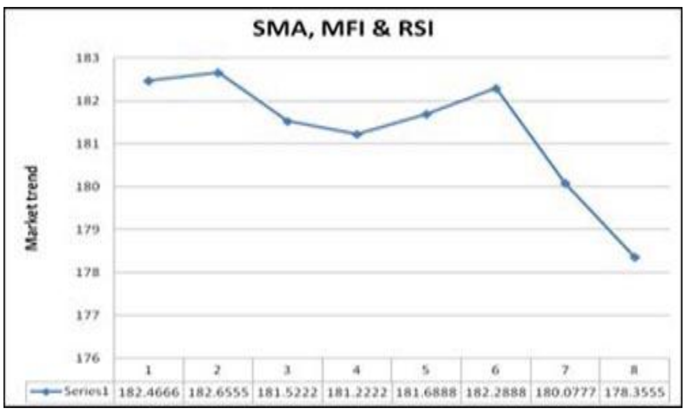
These measures were expected to increase the role of the equity market in resource mobilization by enhancing the corporate sector's access to large resources through a variety of marketable securities.

➢ Institutional development was at the core of the reform process. The Securities and Exchange Board of India, which was initially set up in April 1988 as a non-statutory body, was given statutory powers in January 1992 for regulating the securities markets.

ANALYSIS-

Tata motors ltd (automobile)

The daily closing price of TATA motors ltd. is found to be lesser than the moving average which indicates the stock is proceeding in a down trend and the bearish trend would continue until there is a buy or sell signal. The MFI value lies below the centre line which confirms the trend but index is moving upwards against the trend which indicates a certain market change in the trend in the near future. The RSI indicator lies well below the 30 marks which shows the stock is obviously oversold and there would a definite bullish trend [1].



Source [1]

To conclude this is a better time for the stock to be bought as soon as the indicator shows a buy signal.

CONCLUSION:

In this paper we found that the capital market promotes economic growth in various ways such as by augmenting the quantum of savings and capital formation and through efficient allocation of capital, which, in turn, raises the productivity of investment. It also enhances the efficiency of a financial system as diverse competitors vie with each other for financial resources.

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