Chapter 8

Concluding Remarks and Suggestions
The presence of an active secondary market promotes the growth of the primary market and capital formation because investors in the primary assured that a continuous market exist and should occasion arise they can liquidate their investment in the stock exchange. Stock exchange provides liquidity through marketability of instruments. A buoyant stock market induces the investing public to invest larger amount of funds. New issue activity in the primary market adds depth to the secondary market by enlarging the supply of instruments for trading and investment in the secondary market. Stock markets augment economic growth by creating liquidity. Liquid equity markets render investment less risky and more attractive by allowing savers to acquire an asset and sell it quickly and cheaply if they need access to their savings or alter their portfolios. The measures of market liquidity which boost economic growth are:

- Total value of shares traded on a country’s stock exchanges as a proportion of GDP;
- The value of traded shares as a percentage of total market capitalisation.

The working and supervision of the capital market and stock exchanges are guided by prominent personalities of different areas. In spite of this super-specialization and guidelines provided by these experts many lacunas and irregularities are noticed in the working of stock markets. And scam masters like Harshed Mehta and Ketan Parekh exploit these lacunas or irregularities. Formation of SEBI and enactment of various laws are the initiatives taken by the Government in order to control the irregularities and streamline the working and functioning of the stock exchanges and
capital market. In the previous chapters the problems of the capital market and BSE are mentioned. Therefore in this chapter keeping in mind the various problems loopholes, identified in the study a very positive and constructive meaningful suggestions are presented. Their practical relevance will help to achieve the following objectives:

- To built the confidence of the people to invest in stock market business.

- To augment the resource mobilizing capacity of the stock exchanges.

- To make the working of stock exchange more transparent.

- To make India a preferred destination for foreign investing community.

- Proper and constructive utilization of funds will be possible.

- Infrastructure development overall economic development of the country and fair return to the investors etc will definitely lead to overall prosperity and development of the country as a whole.

Therefore in order to fasten the Resource mobilizing capacity of BSE and overall development of secondary market and economic development, of the country as a whole, the following suggestions are offered in these regards.

- **Creating environment of investment culture**: Creating an investment culture among small, untapped investors. For this procedures are to be further simplified. Intermediaries are supposed to be investor friendly. And as mentioned earlier at
higher secondary and graduation level the basics of capital and stock market fundamentals are to be introduced.

- **Curtail FII's Dominance**: Indian Financial Institutions like UTI, LIC, MF, etc should be motivated to participate at a much larger extent to offset the dominance of FII's in the Indian Capital Market.

- **Alignment with International standards**: Indian Stock Market trading standards practices should be aligned with international standards. It will eliminate the inconvenience to foreign investing community and thereby enhance the inflow of foreign investment.

- **Enhance role of pension and provident funds**: The size of the pension fund and provident fund is relatively low at about 12 percent of GDP. It should be increased to at least 30 percent through proper management.

- **IPOs issue criteria**: Future potential promise and performance display should be the criteria for IPOs, apart from historical performance.

- **Reasons for non-performance**: Stern action should be taken against the promoter of those companies whose shares offer price. Such promoters should be made answerable for their misdeeds.

- **Supervision of Issue fund**: Through surveillance department the utilization of Issue funds should be channelised as per the companies’ prospectus.
Motivating Indian Financial Institutions to participate actively: The role of banks financial institutions and mutual funds for investment in equity market to further enhance their ratio especially banks at presents are not so actively involved.

Augment investment by LIC and GIC in stock market: Likewise the proportion of investment in equities by LIC and GIC in India as compared to rest of the world it needs to be doubled.

Remove un-necessary protection: SEBI should remove its protective arm against those stock exchanges, which are at the verge of existence. Instead provide helping hand to BSE & NSE to expand their base.

Creating suitable environment for Debt instrument: Debt market segment has been altogether neglected. Demat, market makers, intermediaries etc are all absent in case of Debt segment. Each state imposes stamp duty on transfer of debentures. All this hindrance should be removed for active trading and market making of Debt securities.

Restrict Brokers involvement in Management and working of BSE: To reduce the influence of the brokers at BSE, Demutulisation and corporisation of the BSE is a positive step. This will eliminate many discrepancies and make the working more transparent and investor friendly.

Time bound investigations: All investigations pertaining to Stock Market Broker Company or intermediary etc should be time bound and those found guilty should not be spared.
Single window clearance: Establishing a single point interface between foreign investors their by achieving single window clearance.

Delegating wide range of powers to SEBI: The Joint Parliamentary Committee (JPC) probing the stock market scam has proposed wide ranging powers to market regulator SEBI, including monitoring the end use of funds raised from public.

Proper evaluation of company before Public Issue: SEBI should establish stringent guideline for evaluating the prospectus of companies entering the capital market and in case of dubious or fraudulent promoters stop the public issue.

Genuine and Authentic disclosures by companies: To ensure that the investors are well informed, it is not only very important to have full disclosures but also ensure that these are authentic.

Follow up of End use of issue fund: Pricing and tracking (IPOs) the end use of the funds have been totally neglected. Totally free market pricing in a market, which is imperfect and has a long history of frauds and manipulation is not a workable solution. SEBI should use either industry benchmarks or evolve other suitable criteria for this purpose.

Redressal of investor complaint: SEBI should examine the reasons for sluggishness in resolving investor complaints. SEBI must ensure that all investor complaints are resolved
within 30 days. Failure in this regard requires to be punished with heavy financial penalties.

- **Increasing returns on Equity shares:** Equities markets yielded returns of around 10 percent per annum over the eleven-year period 1991-2002. This is much lower than the 13 percent commercial deposit rate for deposits in a bank. Therefore efforts should be made to increase the returns on equities.

- **State government powers:** State governments are not getting enough power fully to approve projects. This is causing time delays and making the projects unattractive. Therefore state should be given enough powers to approve projects independently.

- **Making the Projects viable and attractive:** Investment that is flowing in is small numbers and the chunk of the cake is moving out of India. This is due to the fact that policy implementation is still a lengthy process, administration is not decentralized, there are bureaucratic delays and absence of transparent guidelines all of which leads to time and cost over runs which make the project unviable & unattractive. Therefore Government either state or central has to change its role from that of a regulator to that of a facilitator.

- **Up gradation of infrastructure:** More emphasis should be put on further reforms in the secondary market for upgradations of post trade infrastructure. Like greater transparency in trading system, reduced settlement cycles, extension of screen based trading etc.


Retaining investor's confidence: It's evident that equity offerings are no longer a favorite with Indian investors. Over the years there has been a paradigm shift towards fixed income securities and now after the recent decision to make incomes from mutual funds tax free, most mutual funds schemes are drawing overwhelming response.

Role of Indian financial institution in repatriation of funds: Secondary markets have come to be dominated by the FIIs. What is required is to make the Indian financial institute participate to a much larger extent.

Common Impression of an Indian broker: Safe keeping of share certificates with brokers would lessen the need for their physical hauling around. But this system is not popular in India because in general Indian investors did not trust their brokers to safe keep their shares for them. Therefore efforts should be made to build healthy relation between investor and broker.

Shortage of good scrips: There are several factors, which contribute to excessive volatility in the stock market. Over trading by stockbrokers on their account, insiders trading large-scale manipulation shortage of adequate floating stock of good scrips are some of them. With good regulation of place listed option trading can definitely reduce the volatility.

Lack of marketing strategies in stock exchanges particularly BSE: One thing where the stock exchanges are lacking far behind is that creating awareness among the general masses about their presence and services offered by
them. It's an era of advance technology and strife competition. No doubt BSE to some extent had aligned itself with the latest technology. In spite of this its far behind compared to other institutions like banks, mutual funds, insurance etc in mobilizing resources. BSE is lacking far behind in attracting investors towards it. The reason being absence of outlets, franchise, dealers etc. apart from this there is no proper feedback through advertisements etc therefore to mobilize resources BSE will have to adopt investor friendly policies like its competitive rivals i.e. mutual funds, banks financial institutions etc.

**Need For Further Research:**

It has been observed that still lot of area are there which are left untouched in the secondary as well as primary stock market. The areas where further research and concrete work can be done are as follows:-

1. Role of FIIs in promoting economic development of India.
2. Effect of FIIs on Indian Capital Market.
4. Reasons or causes why the investors are moving away from stock exchanges.
5. Why more and more MNCs are getting delisted from Indian Stock Exchanges.
6. Investor awareness and education programme.
7. Role of brokers in developing Indian stock market, building health investor relation and scams; mismanagement and frauds.

8. Finding various responsible factors setting criteria for pricing initial public offerings (IPOs).

9. How to monitor end use of public issue funds

These areas/topics are such where student's, researchers, institutions, etc can undertake further research activities.