The share price and its valuation

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The paper locates the significantly probable factors that can affect share prises & share valuation. The relative importance of these factors has also been assessed by a perception survey of various players in the market.

In the early nineties we, the people of India, experienced a severe scam in the share market. In an era when India is handicapped with foreign exchange crisis, and shortage of fund, she is struggling hard to adjust to the fast changing global situation full of severe and cut-throat competition. In this situation the uninterrupted supply of capital is a must for the survival and growth of the economy and share markets have a positive and effective role to play in this direction. In fact, share prices reflect the market evaluation of the company performances. In other words, the price of a stock is an indicator of how the public evaluate the current and future productivity and profitability of the company in question. Therefore, it is also a public judgement on the 'efficiency' of the capital assets held by the firm. Thus, stock price are supposed to be a guide for investors, and consequently play an important role in the process of resource allocation. If a company works efficiently, it will find little difficulty in raising capital from the public. People are interested in investing their earnings in the company where the security of their investment and expected return on the same are ensured. The evaluation of the company performance is reflected through the demand for its shares. But since the shares are traded like commodities, the traders i.e. brokers and speculators manipulate the prices artificially.

On a stock exchange, because of the forces of competition, the securities are generally evaluated at their true worth, taking into account all the relevant factors, present and prospective, concerning not only the particular enterprise and industry, but also the general economic and financial situation. In the process of determining security prices and yields, the stock exchange also indicates the direction in which the community's saving should be invested, for in a perfect market, price differences between shares represent difference in their profitability and prospects as judged by the collective opinion of numerous competent operators. Thus, the price system established on the stock exchange provides guidance to investors and helps in directing the flow of funds into enterprises, which are prosperous and are expected to have bright future. But in this context it is necessary to explain certain important probable factors which push up or pull down the prices of the active shares from time to time and which enable the speculators to make money on short-term operations. The following is the short list of some major probable factors affecting share prices.

Earning Capacity Of the Company

When a person is considering the purchase of shares, the first question that springs to his mind is what return he is going to receive on the capital he is investing in the shares. The answer lies with the determination of the future earning capacity of the company. Profits expected to be earned by the company in future including those arising from its special advantages are to be ascertained from the records of past few years' profits with special attention to the following factors

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each one of which may be independently considered for the valuation of shares:-

a) Efficiency of management and policies of management. b) Business location or site. c) Nature of the business. d) Presence of goodwill. e) Prospect of the company and the industry as a whole. f) Future risk. g) Future market of the products. h) Change in the pattern of production. i) Capital required. j) Future competition. k) Pending contract. i) Exceptional contracts. m) Access to supply. n) Protection by patents and trademarks.

The Extent Of The Security In The Form Of Tangible Assets

The earnings-cover for a share is not enough, assets-cover too is important. In assessing the value of a business and thereby the shares, it is necessary to look at assets and the profits. Care must be taken to see that the estimates of tangible property and anticipated earnings stand in proper harmony. While considering the extent of assets-cover for a share, Balance Sheet should be obtained, preferably in the form of comparative annual statements for two or more years immediately preceding the date of appraisal, together with a Balance Sheet at the end of the month preceding that date, if corporate accounting permits. The valuer should give attention to the following aspects of Balance Sheet at the time of examining the Balance Sheet- a) Liquid position (Ratio of Current Assets to Current Liabilities) b) Gross and net book value of the principal classes of fixed assets. c) Working Capital d) Long-term indebtedness e) Capital Structure f) Net worth g) Asset not essential to the operation of the business such as investments in securities of funds, which currently do not find employment in the business.

The Nature Of Business And The History Of The Enterprise Since Its Inception.

The nature and class of business is an important factor in determining share prices. While examining the nature of business the valuer should consider the following matters: -

a) Is the dealing in the necessities of life or in articles for comforts and luxuries? If the answer is "the necessities", it is unlikely that the profits will diminish. b) How long is the company operating in the present line of business? Is it old and experienced or is it a new entrant? c) If the company is a new entrant, what are the difficulties that the company is likely to face in penetrating into the industry? d) What difficulties may arise due to the market having reached its saturation point or due to unduly heavy expenditure on fixed assets or due to legal difficulties such as exchange regulations, import control, licensing etc.? e) Does the company enjoy monopoly or near monopoly conditions? If so, how long the situation is likely to continue?

A valuer is expected to consider this third factor influencing valuation, i.e. the nature of the business of the company with particular attention to the following points-

Object of the company

Various objectives of the company which are stated in the Memorandum of Association, should be carefully scrutinized, as that have a serious effect on the price of shares.

Probability of future intense competition

The probability of future intense competition in the production and distribution of goods and services upon which the profit depends, may seriously affect future prospects and value of the shares.

Government interference

The interference of the Governments with the profits and business of companies is becoming increasingly apparent, and the tendency to profit control instead of being left to enterprise or altered by rates of income tax, is also becoming more apparent".[8]

The possibility of future interference of the Government in the business or the threat of nationalization will reduce the future expectancy of the investors and consequently will affect the value of the shares. Even the formal call of the Union Industry Minister to take over investment companies led to the reduction in the value of the shares of the investment companies.[9] Speculation on Government policies makes the investor's cautious. However the Current situation has greatly changed into an atmosphere of reducing interference from the Government since the beginning of the economic reforms in 1990s. Gradually Government is dis-investing the public sector companies and the private sector is expected to play a more important role taking advantage of this tendency. The fear of Government intervention, which was very real in 1970s and 1980s, is no longer existing today.

Political Situation

The local political situation is one influence guiding the mind of the person who is engaged in valuing shares in any country. It is a difficult factor to assess but is becoming increasingly important with change in the socio-economic conditions of the people, change of Government, political stability growth of a national political party etc. are important aspects of consideration. Even the change of the Ministers may affect the value of shares.

Hence the history of the company and of the industry as a whole should be considered to form an opinion about future.

The Marketability Of Shares, As Affected By Special Restrictions Of Transfer, Usually Specified In The Articles

Marketability of shares is an important factor. The lack of negotiability acts as a depreciating incident in the valuation. A purchaser will not be willing to pay more for a share, which he cannot freely and quickly realize in emergency. He would be prepared to pay more for a similar share, which could be disposed of by him at a short notice. It is relatively easy to sell or mortgage quoted shares, but in case of unquoted shares, this is not so. This is the reason why normally some allowance is made in valuing shares in quoted companies to provide for the lack of negotiability. What amount of allowance is required is a question of fact and depends on the prudent judgment of the valuer in each case.

Where the Articles provide for the restrictions on transfer of shares. such restrictions cannot be ignored because they form an inherent element in the property being valued. In the *Crossman Case*[10], it was held that restrictive articles generally have a depreciating effect on share values. The purchaser will know well that his power of re-sale is correspondingly limited in case of restrictive shares. In the *Salveson Case*[11], Lord Flaming observed— "I may say at once that I regard these restrictions as depreciating their value considerably. Nobody, except a person who was prepared to have his capital locked up for many years could afford to buy them".

Under the Companies Act 1956. Sec. 3(1)(iii), there are some restric-tions on the transfer of shares of Private Companies. Even the Public Limited Companies, Articles of Association are to be found though not frequently, restricting the transfer of shares to an outsider and granting a right of pre-emption to the existing shareholders in case any shareholder desires to sell his share. In case where shares have to be valued with reference to the assets of the company, restrictions on alienation are irrelevant. If by articles powers are given to directors to refuse to register the shares of any member, Sec. 111 of the Companies Act. 1956 gives right to the members to appeal to the Central Government against the refusal. But it is to be remembered that restrictions on transfer will have some depreciatory effects.

Other factors

Apart from the basic considera-tions noted above, share prices may also be affected by some other factors. Any of these factors may assume considerable significance in a particular case and as such these factors should not be taken to be additional considerations but should be considered side-by-side with the basic considerations. Such other factors that affect valuation are the following: —

i) The economic outlook in general and the condition and outlook of the specific industry in particular. ii) Dividend paying capacity of the company, rather than the dividends actually paid in the past, and retained earnings. iii) Sufficiency of the existing capital. iv) Yield of quoted shares in the industry. v) The basis of the value of the assets. vi) Speculative nature of the business. vii) The incidence of taxation. viii) The number of shareholders. ix) Capital structure with special attention to priority classes of shares -whether the shares are fully paid shares. x) The amount of liabilities and the terms under which these have been borrowed. xi) The size of the company. xii) The quality of the product of the company. xiii) The effect of inflation. xiv) The extent of market for the shares. xv) Money market consi-derations. xvi) Possibility of redemption of preference shares and debentures. xvii) Psychological adoptability of the existing share-holders in the case of fresh issue to the outsiders. xviii) Existing sales volume and the future plan to increase it and the trend of sales. xix) Possible labour unrest and its impact on the production and sales. xx) Probable changes in the managerial personnel.

To conclude it is important to note that depending on the circumstances in each case, certain factor may carry more weight than others because of the nature of the company's business.

Objectives of the Study

The main objective of our study is to analyse the impact of funda-mental variables on stock prices and to detect, as far as possible, the difference in such impact between the pre-reform and post-reform period.

Empirical Analysis

In this survey we have tried to understand the opinion of the general public related to stock exchange through questionnaire. Quantitative analysis reveals a lot of information. It is not possible for us to collect all such data, and indeed many of those were in the nature of attributes. So conducting a survey was the only way of judging their impact. During the course of the survey through questionnaire the interviewers are classified into three groups viz. (i) the individuals who are interested to invest their excess incomes. (ii) the brokers related to the investors and (iii) the financial institutions operating in the stock market.

(i) The Individuals

We have surveyed 300 individuals; among them 120 are graduates, 138 are post-graduates and 42 have more than post-graduate qualifications. Among the Individuals 198 are service holders, 72 are related to the business and 30 are related to their individual professions. Out of 300 investing 126 having income between Rs. 5000 to Rs.15000, 114 have income between Rs.15001 to Rs. 25000 and 60 investors have income above Rs. 25000/- per month. 18% of the total amount invested are related to Primary Market 27% are related to the Secondary Market and the rest 55% of the fund are invested in fixed interest bearing risk-free securities. When basic motive behind investment in the Stock Market was asked, 147 respondents answered that they invested for long term capital appreciation, 72 for dividend income, 57 for short-term capital appreciation and the rest for other purposes. Due to financial reforms since 1991, out of 300, 144 respondents declare that they have made some changes in their investment pattern.

Importance of Internal & External Factors (Table -A)

Internal Factors	Very Important	Impor-tant	Weakly Important	Unim-portant
Profit earning ability, future earning	63%	35%	2%	0
Policy of management, regarding dividend & Bonus	34%	58%	6%	2%
Firm size & nature of business	27%	58%	12%	3%
Presence of goodwill	38%	43%	19%	0
Future competition and risk	35%	52%	13%	0
Sufficiency of capital fund	19%	58%	23%	0
Product diversification	25%	50%	23%	2%
Rate of growth of sales	40%	52%	8%	0
Others	7%			

External Factors (Table -B)

1. Industrial Growth	54%	42%	4%	0
2. Growth of the economy	42%	53%	5%	1%
3. Increase in general price level	23%	48%	29%	0
4. Speculative activities	32%	46%	15%	7%
5. Change in political Climate	38%	44%	18%	0
6. Role played by Financial Institutions	33%	43%	23%	1%
Others		3%		

Stock prices are perceived to be affected by so many internal and external factors. Various internal and external factors with their % of importance are given in Table-A and Table -B :

Role of random elements in stock price determination was asked during pre-reform and post-reform period. In the pre-reform period 15% of total investor gave there views in favour of very important , 50% in favour of important, 21% for weakly important and 6% in favour "no role". Similarly during the post-reform period 54% of total investor gave their views in favour of 'very important, 40% in favour of important' and 6% for 'weakly important'. When the relevancy of sensex in today's context was questioned to the interviewers during pre-reform period, 33% answered 'largely relevant', 56% for 'moderately relevant' and 11% said 'not-relevant'. Again in the post reform period 57% of total investors said 'largely relevant' , 36% said 'moderately relevant' and 7% said not-relevant'.

When the question relating to attractiveness of investment in the Indian Stock market was asked in the pre-reform period, 30% feels it 'attractive' , 50% feels it 'moderately 'attractive' and rest 20% feels 'unattractive'. Again in the Post-reform period 49% feels 'attractive', 32% moderately attractive and 19% feels it un-attractive. Further, 61% of the respondents said there are different situation in the developed capital market.

Only 10% said the situation remains same in developed countries also, 29% have no idea about developed capital market.

On an average Mutual Funds in India have not fared well. Although Mutual Funds are operated by professionals with large funds and large data base, the best players cannot always foresee the market movements. 85% of the respondents gave their views in favour of this opinion. Out of them 22% still likes to invest in Mutual Funds as in their opinion it is the better choice. 25% of them have an opinion to concentrate on only a few shares and depend on their own judgement. Again 36% have an opinion to put their money in fixed interest bearing and zero-risk instruments. Only 2% have some other opinions.

For determining intrinsic worth of shares the respondents have the following views according to its importance (See Table - C)

About more transparency of accounts of the firms and Governments, 88% felt the need for more transparency of accounts but only 4% had the opposite opinion. 8% had nothing to say about transparency of accounts.

Whether there is any difference regarding transparency in India and developed countries, 81% of the respondents gave a 'yes' reply and only 3% disagreed and 13% had no idea about developed Countries.

Respondents (i.e. individuals) Views According to Importance (Table -C)

	Very Important	Impor-tant	Weakly Important	Unim-portant
1. Corporate earning power & future earnings	67%	32%	—	1%
2. Degree of risk involved	32%	46%	22%	—
3. Efficiency & policy of mgt.	53%	43%	2%	2%
4. Presence of Goodwill	38%	50%	6%	—
5. Prospect of the Co. & the industry	39%	55%	6%	—
6. Nature of business & location	23%	60%	13%	4%
7. Pending contracts & excep-tional contracts	11%	28%	51%	10%
8. Protection by patents & trademarks	22%	39%	33%	7%

About the reliability of the various micro and macro level data, the following answers are collected : (Table - D)

Reliability of Data (Table - D)

	Reliable Important	Moderately reliable	Not reliable
a) Micro level (pre-reform '91 post-reform '91)	12% 34%	58% 56%	30% 10%
b) Macro level (pre-reform '91 post-reform '91)	10% 45%	60% 39%	30% 16%

When the influence of large players on stock market were asked, the following answers are suggested. (See Table - E)

Influence of Large Players (Table - E)

	Very Influenced	Moderately Influenced	Not Influential
Pre-reform	46%	31%	23%
Post-reform	66%	26%	8%

(ii) Brokers

Through questionnaire I have studied 30 brokers. Among them 15 are graduates, 12 have post-graduate qualification also. The area of business of 22 brokers are in Kolkata, 3 operate in Mumbai and the remaining 5 have business interests in Kolkata and Mumbai and other places. The nature of business of 20 brokers are proprietorship. 7 are in the nature of partnership firms and the remaining 3 are other types.

Out of 30 brokers, annual gross turnover of 2 brokers firm is below Rs 100 crores , 7 firms having annual gross turnover within Rs. 100 to Rs. 500 crores, 4 firms having annual gross turnover within Rs. 500 to Rs. l000 crores and 2 firms above Rs. 1000 crores 50% of the respondents did not like to disclose their annual gross turnover.

Role of random elements in stock price determination was asked during the prereform and post-reform period. In pre-reform period, 70% of the brokers gave their views in favour of 'important' role, and the remaining 30% in favour of 'weakly important' role. Similarly during the post-reform period, 60% of the brokers gave their views in favour of 'very important' role 20%, in favour of 'important' role and the remaining 20% for 'weakly important' role.

When opinion about the relevance of Sensex in today's context was sought, 25% answered 'largely relevant' 70% for 'moderately relevant' and the remaining 5% answered 'not-relevant' in the pre-reform period. Again in the post-reform period, 40% answered in favour of 'largely relevant', 55% suggested 'moderately relevant' and the remaining 5% said 'not relevant'. When the question relating to attractiveness of investment in the Indian Stock market was asked in the pre-reform period 40% feels it as an 'attractive' investment and 45% feels that it is moderately attractive and the remaining 15% in favour of 'un-attractive investment'. Again in the post-reform period, 50% feels it as an 'attractive investment' and the remaining 50% feels it moderately attractive investment.

Further, 30% of the respondents said there are different situation in the developed Capital Market, 20% said the situation remains same in the developed countries also but a majority of the brokers i.e., 50% have no idea about developed Capital

Importance of Internal & External Factors (Table - F)

Internal	Very Important	Impor-tant	Weakly Important	Unim-portant
Profit earning ability, future earning.	70%	30%	0	0
Policy of management, regarding dividend and bonus.	40%	60%	0	0
Firm size and nature of budiness	10%	70%	20%	0
Presence of good will	40%	40%	20%	0
Future competition & risk	40%	50%	5%	5%
Sufficiency of capital fund	20%	70%	5%	5%
Product diversification	20%	50%	20%	10%
Rate of Growth of sales	40%	50%	10%	—

External Factors	Very Important	Impor-tant	Weakly Important	Unim-portant
1. Industrial growth	60^	25%	15%	0
2. Growth of the economy	40%	50%	10%	0
3. Increase in general 'price level'	70%	25%	5%	0
4. Speculative activities	30%	25%	40%	5%
5. Change in the policial climate	25%	60%	15%	0
6. Role played by Financial institutions	25%	40%	20%	15%

For determining the intrinsic worth of shares the respondents have the following views according to its importance (Table - G)

Respondents (i.e., Brokers) Views According to Importance (Table -G)

	Very Important	Impor-tant	Weakly Important	Unim-portant
1. Corporate earnings power & future earnings.	60%	15%	25%	—
2. Degree of risk involved	20%	70%	10%	—
3. Efficiency & policy of management	25%	70%	5%	—
4. Presence of Goodwill	20%	70%	10%	—
5. Prospect of the co. and the Industry	30%	70%	—	—
6. Nature of business and loction	20%	35%	45%	—
7. Pending contracts and exceptional contracts	10%	30%	50%	10%
8. Protection by patents and trademarks	60%	10%	25%	5%

Market.

Similar to the findings for individuals, here also, on an average Mutual Funds in India have not fared well. Although Mutual Funds are operated by professionals with large funds and large data-base, the best players cannot always foresee the market movements. 90% of the respondents give their views in favour of this opinion. Out of them 30% would still like to invest in Mutual Fund, as in their opinion it is the better choice. 40% of brokers have an opinion to concentrate on only a few shares and depend on their own judgement. Again 20% of them have an opinion to put their money in fixed interest bearing and zero-risk instruments. Only 10% have some other opinions.

About more transparency of accounts of the firms and Governments. 85% gave a favourable opinion about the need to have more transparency of accounts and the rest 15% can not said anything.

On the issue of any difference regarding transparency was questioned In India and developed countries. 75% of the respondents think that there is a difference 15% sold there is no difference and only 10% have no idea about developed countries.

(iii) Financial Institutions

Out of ten financial institutions questioned, 8 function allover India. one only in its place of business and one functions in India and abroad.

There is a mixed attitude of investors relating to various pattern of investments, like investment in new issues, investment in debentures or fixed interest bearing securities, buying and selling of

About the reliability of the various micro and macro level data, the following answers are collected : (See Table - H)

Reliability of Data (Table - H)

		Reliable	Moderately reliable	Not reliable
a) Micro Level	(pre-reform '91 post-reform '91)	— 35%	40% 65%	60% —
b) Macro Level	(pre-reform '91 post-reform '91)	10% 85%	40% 15%	50% —

When the influence of large players on Stock Market were asked, the following answers are suggested. (See Table I)

Influence of Large Players (Table - I)

	Very Influenced	Moderately Influenced	Not Influential
Pre-reform	50%	40%	10%
Post-reform	60%	30%	10%

Importance of Internal & External Factors (Table - J)

Internal	Very Important	Impor-tant	Weakly Important	Unim-portant
1. Profit earning ability, future earning.	100%	—	—	—
2. Policy of management; especially, dividend and bonus policy	80%	—	20%	—
3. Firm size and nature of business	40%	60%	—	—
4. Presence of goodwill	70%	30%	—	—
5. Future competition & risk	50%	30%	20%	—
6. Sufficiency of capital fund	10%	90%	—	—
7. Product diversification	—	50%	40%	10%
8. Rate of Growth of sales	20%	40%	40%	—

External Factors

External	Very Important	Impor-tant	Weakly Important	Unim-portant
1. Industrial growth	90%	10%	—	—
2. Growth of the economy	50%	50%	—	—
3. Increase in general 'price level'	—	50%	50%	—
4. Speculative activities	10%	40%	30%	20%
5. Change in the political climate	20%	50%	30%	—
6. Role played by financial institutions	20%	50%	30%	—

For determining the intrinsic worth of shares the respondents have the following views according to its importance (Table - K)

Respondents (i.e., Brokers) Views According to Importance

	Very Important	Impor-tant	Weakly Important	Unim-portant
1. Corporate earnings power & future earnings.	90%	10%	—	—
2. Degree of risk involved	50%	40%	—	10%
3. Efficiency & policy of management	80%	20%	—	—
4. Presence of Goodwill	50%	50%	—	—
5. Prospect of the co. and the Industry	60%	30%	—	10%
6. Nature of business and loction	10%	50%	30%	10%
7. Pending contracts and exceptional contracts	60%	30%	10%	—
8. Protection by patents and trademarks	30%	40%	20%	10%

About the reliability of the various micro and macro level data, the following answers are collected : (Table - L)

Reliability of Data (Table - L)

		Reliable	Moderately reliable	Not reliable
a) Micro Level	(pre-reform '91 post-reform '91)	20% 80%	80% 20%	— —
b) Macro Level	(pre-reform '91 post-reform '91)	90% 70%	10% 20%	— 10%

When the influence of large players on stock market were asked, the following answers are suggested: (Table - M)

Influence of Large Players (Table - M)

	Very Influenced	Moderately Influenced	Not Influential
Pre-reform	60%	40%	—
Post-reform	90%	10%	—

scrips in the secondary market etc.

On the issue of the extent of financial institutional control/ influence four institutions opined that they exerted great influence in the market, three expressed the opinion that they did not have much influence / control in the market, while three had no clear opinion relating to this specific question.

Due to implementation of financial reforms since 1991, seven institutions changed their pattern of business activities but the other three institutions did not specify any changes in their strategies.

When the question relating to the role of SEBI was asked, eight institutions thought that it had an important role while the remaining two preferred not to answer the question.

Stock prices are perceived to be affected by many internal and external factors. Various internal and external factors with their corresponding % of importance as suggested by the respondents are given in the Table: (See Table - J)

Role of random elements in stock price determination was asked during Pre-reform and post-reform period. In the pre-reform period, 40% of the total investors gave their views in favour of 'very important', 40% in favour of 'important', and 20% for 'weakly important'. Similarly during the post-reform Period 10% of the financial institutions gave their views in favour of 'very important', 40% in favour of important and 30% for weakly important and the remaining 20% in favour of 'no role'. When opinion about the relevance of Sensex in today's context was sought, 60% answered 'largely relevant and 40% 'moderately relevant In the pre-reform period. Again, in the post-reform period 80% answered in favour of "argely relevant'; 10% suggested moderately relevant and remaining 10% said 'not-relevant'.

When the question relating to attractiveness of investment in the Indian Stock Market was asked in the pre-reform period, 80% feels it an 'attractive' Investment and the remaining 20% feels that it is 'moderately attractive'. Again in the post-reform period 90% consider it to be attractive and only 10% feels it 'un-attractive'. Further, 50% of the respondents said there are different situation in the developed capital market, 30% said the situation remains same in developed countries also but the remaining 20% have no idea about developed capital market.

As we have already noted for individuals and brokers on an average Mutual Funds in India have not fared well. Although Mutual Funds are operated by professionals with large funds and large data-base, the best players can not always foresee the market movements. 70% of the respondents gave their views in favour of this opinion. Out of them 40% would still like to invest in Mutual Funds, as in their opinion it is the better choice. 30% of them have an opinion to concentrate on only a few shares and depend on their own judgement. Again 20% of them have an opinion to put their money in fixed interest bearing and zero-risk instruments. Only 10% have some other opinions.

About more transparency of accounts of the firms and Governments, 100% gave a favourable opinion about the need to have more transparency of accounts.

On the issue of any difference regarding transparency in India and developed countries, 90% of the respondents think that there is difference and 10% have no idea about developed countries.

Summary & Conclusion

Most of the internal and external factors affecting share prices are either important or very important in respect of all the gropus under study. A very small percentage of the persons gave their opinion in favour of either weakly important or unimportant. Hence, it may be said that the internal and external factors have a greater impact on share prices.

Regarding the role of random elements, during the pre-reform period majority of the interviewers give their vies in favour of important role. But during the post-reform period 60% of the individuals and brokers give their views in favour of very important role against "important role" in the pre-reform period, while only 10% of the financial institutions gave their views in favour of 'very important' role and 40% in favour of 'important' role. That means, the financial institutions think that due to liberalization more competitive attitude will be created and there will be little effect of random element on share prices. Relevancy of sensex in today's context is more important then the pre-reform period and it is accepted by all the three types of interviewers. The same conclusion can be drawn in respect of attractiveness of investment in the Indian Stock Market since all the investors feel it more attractive during the post-reform period. Although Mutual Funds are operated by expert professionals with large funds and data base, the best players cannot always forecast the prospect of the market well. Nearly 90% of the respondents of all group of interviewers gave their views in favour of this opinion. For determining the intrinsic worth of shares -corporate earning power, degree of risk, efficiency of management, presence of goodwill and prospect of the company and the industry are important and in some cases very important in respect of all the interviewers opinion. Hence all those factors have a greater influence in determining intrinsic wlue of shares. Another extremely important observation was in respect of perceived reliability of date. People assess profitability, from expectations and draw all possible inferences from examination of data. Now if the data set is considered to be less than fully reliable, this adds another form of uncertainty to the expectation formation process. Now it is seen that 80% of the financial institutions consider macro -level data in the post-reform period to be reliable why 70% consider even micro-level data to be reliable.

Regarding more transparency of books and accounts of the firm and Governments all the three groups are more or less of same opinion i.e. more than 85% felt that more transparency of account are required. Further their exists a lot of difference regarding transparency in India and that in developed countries.

Again according to all the three groups the influence of larger players on stock market are quite significant and it is greater in post-reform period than pre-reform period.

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