

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

I
J
R
C
M



A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.

Open J-Gate, India [link of the same is duly available at Inlibnet of University Grants Commission (U.G.C.)],

Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than 2840 Cities in 164 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

<http://ijrcm.org.in/>

CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	CRITICAL ISSUES IN PROCESSING MARKETING AND INVESTMENT: IT'S CHALLENGES AND OPPORTUNITIES IN AGRICULTURAL RAW MATERIALS IN NIGERIA <i>DR. ABDULSALAM JIBRIL</i>	1
2.	A STUDY ON OCCUPATIONAL STRESS AND COPING STRATEGIES AMONG ITES EXECUTIVES <i>DR. SUMATHI ANNAMALAI & DR. R. NANDAGOPAL</i>	8
3.	AN ECONOMIC ANALYSIS OF THE PRODUCTION AND MARKETING OF GRAPE CULTIVATION IN THENI DISTRICT, TAMIL NADU <i>VAIRAM & B. MUNIYANDI</i>	14
4.	GENDER DISCRIMINATION AT WORKPLACE AMONG ITES EMPLOYEES <i>T. CHRISTY CHANCHU & DR. K. T. GEETHA</i>	19
5.	A STUDY OF IMPACT OF LEADERSHIP ON MOTIVATION IN A GOVERNMENT AND A PRIVATE SECTOR ENTERPRISE <i>DR. E. LOKANADHA REDDY & DR. G HARANATH</i>	25
6.	A REVIEW OF THE IMPACT OF VISUAL MERCHANDISING ON CONSUMER PSYCHOLOGY: CONCEPTUAL FOUNDATIONS AND RESEARCH ISSUES <i>KAVITA SASIDHARAN KULKARNI & DR. D.LALITHAA RANI</i>	29
7.	MICROFINANCE: A TOOL FOR EMPOWERMENT OF WOMEN <i>DR. M S SUBHAS & KIRAN KUMAR</i>	35
8.	IMPACT OF SELF HELP GROUPS ON GENDER EQUITY AND SUSTAINABLE DEVELOPMENT <i>DR. H. R. UMA, PUSHPA NANAIAH K & MADHU G. R.</i>	38
9.	THE IMPACT OF CREDIT RISK ON THE PERFORMANCE OF TANZANIAN COMMERCIAL BANKS <i>DR. SRINIVAS MADISHETTI & KAMUGISHA ALFRED RWECHUNGURA</i>	42
10.	RELATIONSHIP BETWEEN PRINCIPALS' LEADERSHIP STYLE AND TEACHING STYLE OF TEACHERS <i>DR. SURABHI PUROHIT</i>	48
11.	THE ROLE OF HIGHER EDUCATIONAL INSTITUTES IN FOSTERING EDUCATIONAL SOCIAL RESPONSIBILITY IN INDIA <i>DR. BADAL RATH, DR. KALPANA SAHOO & VIJAYA LAKSHMI MOHANTY</i>	53
12.	GENDER DISPARITY IN ELEMENTARY EDUCATION IN INDIA: A CHALLENGE FOR INCLUSIVE GROWTH <i>ANDALIB ZAIHRA, JIYAU RAHMAN & ZEB SHEEREEN</i>	57
13.	A STUDY OF PROBLEMS AND MEASURES OF ECONOMIES OF ONION IN MAHARASHTRA <i>R. S. SALUNKHE</i>	62
14.	EMERGING MARKETS: THE STORY OF DISCOVERY AND DYNAMICS OF A NEW ASSET CLASS <i>DR. HARIP RASULSAB KHANAPURI</i>	65
15.	IMPACT OF STOCK MARKET LIBERALIZATION ON THE ECONOMIC DEVELOPMENT OF EMERGING COUNTRIES <i>DR. S. BEULAH MABEL</i>	74
16.	MAJOR APPROACH OF EFFECTIVE LEADERSHIP <i>SUBHRANSU SEKHAR JENA</i>	76
17.	GLASS CEILING- GLOBAL STUDY AND ITS RELATED IMPLICATIONS <i>MONIKA KHEMANI</i>	86
18.	A STUDY ON DAIRY PRACTICES AND OPPORTUNITIES IN DAIRY INDUSTRY IN INDIA <i>DR. R. SUBRAMANIYA BHARATHY & M.SELVAKUMAR</i>	90
19.	IMPLICATIONS OF FDI ON RETAIL SECTOR IN INDIA: A COMPARATIVE STUDY IN EXPERIENCE OF INDIA AS A HOST ECONOMY <i>SANCHAY JOSHI & PRAVIN JADHAV</i>	93
20.	POSITIVE AFFECT IN RELATION TO AD LIKENESS AND PREFERENCE TO BUY AMONG THE HIGH AND LOW EMOTIONALLY INTELLIGENT YOUNG ADULTS <i>DR. SANTHOSH.K.R. & RISHA-RUMANA.C.C.</i>	97
21.	DISASTER MANAGEMENT: A CASE STUDY OF UTTARAKHAND <i>DR. M. N. ZUBAIRI & NAZIA ABBAS ABIDI</i>	102
22.	A COST-BENEFIT ANALYSIS OF THE EFFICACY OF NHIS AS A TOOL FOR SOLVING HEALTH CARE INEQUALITY PROBLEM IN NIGERIA <i>OBIWURU, TIMOTHY CHIDI, EDY-EWOH, UDUAK & OKWU, ANDY TITUS</i>	104
23.	EXAMINING THE EFFECT OF MOTIVATION STRATEGIES ON PERCEIVED EMPLOYEE BEHAVIOR: EVIDENCE FROM PUBLIC ORGANIZATIONS IN AMHARA REGIONAL STATE <i>DEMEKE GADISSA UMETA</i>	114
24.	IMPACTS OF LAND USE SYSTEM ON SOIL PROPERTIES AND FERTILITY STATUS IN THE MIZEWA WATERSHED OF LAKE TANA BASIN, NORTH WESTERN ETHIOPIA <i>MESFIN ANTENEH WUBIE</i>	120
25.	THE VARIATION OF CUSTOMER SATISFACTION IN THE SPHERE OF MARUTI SUZUKI CAR MARKETING <i>SAMIDH PAL</i>	125
26.	DO FINANCIAL SECTOR REFORMS PROMOTE PRIVATE SECTOR INVESTMENT? THE CASE OF GHANA <i>GRACE OFORI-ABEBRESE & KOFI KAMASA</i>	129
27.	PRODUCTION AND EXPORT PERFORMANCE OF FRESH AND DRY FRUITS IN JAMMU AND KASHMIR <i>GOWHAR BASHIR AHANGAR & R. GOVINDASAMY</i>	137
28.	CONSUMPTION TO CONSUMERISM-EFFECTS AND IMPACTS <i>SREEJA MOLE .S</i>	141
29.	AN ASSESSMENT OF DECLINING CHILD SEX RATIO IN SAMBA DISTRICT (J&K) <i>HARDEV SINGH</i>	145
30.	THE RURAL-URBAN DIVIDE STORY: A COMPARISON BETWEEN INDIA AND CHINA <i>DEWANGANA CHHILLAR</i>	150
	REQUEST FOR FEEDBACK	155

CHIEF PATRON

PROF. K. K. AGGARWAL

Chairman, Malaviya National Institute of Technology, Jaipur

(An institute of National Importance & fully funded by Ministry of Human Resource Development, Government of India)

Chancellor, K. R. Mangalam University, Gurgaon

Chancellor, Lingaya's University, Faridabad

Founder Vice-Chancellor (1998-2008), Guru Gobind Singh Indraprastha University, Delhi

Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

FOUNDER PATRON

LATE SH. RAM BHAJAN AGGARWAL

Former State Minister for Home & Tourism, Government of Haryana

Former Vice-President, Dadri Education Society, Charkhi Dadri

Former President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

DR. BHAVET

Faculty, Shree Ram Institute of Business & Management, Urjani

ADVISORS

DR. PRIYA RANJAN TRIVEDI

Chancellor, The Global Open University, Nagaland

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., Haryana College of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), Maharaja Agrasen College, Jagadhri

EDITOR

PROF. R. K. SHARMA

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

CO-EDITOR

DR. SAMBHAV GARG

Faculty, Shree Ram Institute of Business & Management, Urjani

EDITORIAL ADVISORY BOARD

DR. RAJESH MODI

Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia

PROF. SIKANDER KUMAR

Chairman, Department of Economics, Himachal Pradesh University, Shimla, Himachal Pradesh

PROF. SANJIV MITTAL

University School of Management Studies, Guru Gobind Singh I. P. University, Delhi

PROF. RAJENDER GUPTA

Convener, Board of Studies in Economics, University of Jammu, Jammu

PROF. NAWAB ALI KHAN

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

PROF. S. P. TIWARI

Head, Department of Economics & Rural Development, Dr. Ram Manohar Lohia Avadh University, Faizabad

DR. ANIL CHANDHOK

Professor, Faculty of Management, Maharishi Markandeshwar University, Mullana, Ambala, Haryana

DR. ASHOK KUMAR CHAUHAN

Reader, Department of Economics, Kurukshetra University, Kurukshetra

DR. SAMBHAVNA

Faculty, I.I.T.M., Delhi

DR. MOHENDER KUMAR GUPTA

Associate Professor, P.J.L.N. Government College, Faridabad

DR. VIVEK CHAWLA

Associate Professor, Kurukshetra University, Kurukshetra

DR. SHIVAKUMAR DEENE

Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

ASSOCIATE EDITORS**PROF. ABHAY BANSAL**

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

PARVEEN KHURANA

Associate Professor, Mukand Lal National College, Yamuna Nagar

SHASHI KHURANA

Associate Professor, S.M.S. Khalsa Lubana Girls College, Barara, Ambala

SUNIL KUMAR KARWASRA

Principal, Aakash College of Education, Chander Kalan, Tohana, Fatehabad

DR. VIKAS CHOUDHARY

Asst. Professor, N.I.T. (University), Kurukshetra

TECHNICAL ADVISOR**AMITA**

Faculty, Government M. S., Mohali

FINANCIAL ADVISORS**DICKIN GOYAL**

Advocate & Tax Adviser, Panchkula

NEENA

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS**JITENDER S. CHAHAL**

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

CHANDER BHUSHAN SHARMA

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT**SURENDER KUMAR POONIA**

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography; Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript anytime** in **M.S. Word format** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. info@ijrcm@gmail.com or online by clicking the link **online submission** as given on our website ([FOR ONLINE SUBMISSION, CLICK HERE](#)).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF.**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '_____ ' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:

- a) The whole manuscript is required to be in **ONE MS WORD FILE** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
- b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
- c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
- d) The total size of the file containing the manuscript is required to be below **500 KB**.
- e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
- f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS:** The author (s) **full name, designation, affiliation (s), address, mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
6. **MANUSCRIPT:** Manuscript must be in **BRITISH ENGLISH** prepared on a standard A4 size **PORTRAIT SETTING PAPER**. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.
7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should follow the following sequence:

INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed **5000 WORDS**.

10. **FIGURES & TABLES:** These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:
 - All works cited in the text (including sources for tables and figures) should be listed alphabetically.
 - Use (ed.) for one editor, and (ed.s) for multiple editors.
 - When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
 - Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
 - The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
 - For titles in a language other than English, provide an English translation in parentheses.
 - The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>

IMPACT OF STOCK MARKET LIBERALIZATION ON THE ECONOMIC DEVELOPMENT OF EMERGING COUNTRIES

DR. S. BEULAH MABEL
ASST. PROFESSOR
DEPARTMENT OF MANAGEMENT STUDIES
FATIMA COLLEGE
MADURAI

ABSTRACT

Out of the many liberalization policies implied by the government of India, FII scheme is very important to the stock market as well as the economy of India. This scheme has opened the domestic stock market of India to the rest of the world and has allowed the foreign investors to invest in the shares of the companies listed on the stock exchange. Many empirical studies have been done in the past to analyze the impact of the stock market liberalization on the behaviour of the stock market and the economy as a whole.

KEYWORDS

Liberalization, Stock Market.

EMERGING STOCK MARKET

The term "emerging stock markets" most often is intended to mean stock markets based in developing economies (<http://www-old.itcilo.org/actrav/actravenglish/telearn/global/ilo/equity/ifckey.htm>). According to Dara Khambata (2000), the state of development of a country can be measured by its level of income i.e. the Gross National Product (GNP). The other standard for qualifying for the label of "emerging" stock market is to notice if the process of change has began like growth of size, sophistication, and turnover.

In order to define the emerging stock market, International Finance Corporation (IFC), a member of the World Bank Group uses four characteristics namely; invest ability, change (Financial, political and economic), growth and size and liquidity. Monthly Emerging Stock Market Indexes are published by the IFC in order to assist the developing countries and help the investors measure the performance of their portfolios invested in these countries.

IMPACT OF STOCK MARKET LIBERALIZATION

Many studies have been done in the past to analyze the effects of market opening on the economic development of the country and there are evidences that show that market opening has positive effects on the emerging economies. Liberalization is very beneficial to the emerging economies as it allows the inflow of foreign capital for the economic development of the country. Bekaert and Harvey (2000) found that liberalization may enhance the growth prospects for a country (see Obstfeld 1994), leading to increased prices. Henry (1999) establishes that growth in aggregate investment rises as a result of financial and economic liberalization. Kim & Singal (2000), explain that there are many hypothetical advantages of opening stock markets to foreign investors as it provides opportunity to attract foreign capital to finance economic growth. Boyd and Smith (1996) and Levine and Zervos (1996, 1998) show theoretically and empirically that liberalization accelerates the development of equity markets and is positively related to long-run economic growth. Besides, Rajan and Zingales (1998) compare the countries with differences in the development of financial markets and conclude that development of financial markets facilitates economic growth by reducing the cost of external finance.

Kim and Singal (2000) after analyzing the data of 15 emerging countries conclude that diversification is beneficial to domestic firms as it allows them to access lower cost of funds from international investors. Further, they say that efficiency of allocation of capital will be improved as the foreign investors demand transparency and improvement in disclosure of rules. The foreign investors in order to protect themselves against expropriation of capital by governing investors will insist for accountability of management and shareholder rights. The risk of stock holding will reduce if there is a persuasive and reasonable response to these demands which, in turn, will lower the cost of capital. The result is consistent with Bekaert and Harvey (1999), who find that increases in equity flows are associated with a lower cost of capital. Similarly, Henry (1998) finds that liberalizing countries experience an upward revaluation of the domestic stocks, which reflects a reduction in the cost of equity capital.

Global diversification takes place due to foreign equity flow which has other benefits for emerging economies. Obstfeld's (1994) model explains that resource allocation improves owing to international risk sharing through global diversification. Moreover, large steady state welfare gains are generated by stock market integration and international diversification. Levine & Zervos (1998) also suggest that according to their research, reduction of international investment barriers boosts economic development and enhances stock market liquidity which in turn leads to faster rate of economic growth in long run. Henry (2000b) and Bekaert et al. (2002) also agree to this and specify that liberalization causes a rise in cumulative domestic investors which hypothetically stimulates economic growth. Bekaert et al. (2001) authenticate that an "official equity market liberalization" leads to an increase in average annual per capita GDP of around 1% controlling for other macroeconomic, demographic, and financial factors that have been shown to predict cross sectional variations in economic growth.

Levine & Zervos (1998b) show that the rise in growth rate of capital stock due to opening of stock market is just temporary and is not a permanent increase. Henry (2000b) contradicts this statement and says that this does not mean that investment is not at all affected by liberalization of capital account and the capital stock growth rate might increase temporarily. From the research conducted on 11 developing countries, Henry (2000b) documents that after the opening of the stock markets, the growth rates of private investment is abnormally high. According to the sample of countries analyzed, 8 countries experience a higher growth rate of private investment after one year of liberalization over the year without liberalization. In the second and the third year 10 and 9 countries experienced growth in the private investments.

There are certain risks associated to the opening of the stock markets which need to be taken care of by the policy makers. The inflow of private capital can endanger the viability of markets; unbalance the functioning of the country, lead to careless lending, relaxation of reforms etc. Dara Khambata (2000) explains that in order to have well developed economies, efficient stock market development must be accompanied with liberalization of financial sector and pragmatic macroeconomic policies must be followed. Uncertainty is created by financial instability which can badly damage the market efficiency and cause substantial economic instability. The benefits of liberalization must be weighed against the various risks and uncertainties and according to Kim & Singal (2000), the benefits are likely to outweigh the perceived benefits. The probable side effects of market opening will be controlled by the government of most of the countries by using various policy measures. Hence, majority of emerging countries will reap the benefits of liberalization by successfully controlling the ill effects. Therefore, one of the objectives of this research is to find out the growth of Indian economy due to the inflow of foreign capital i.e. the effect of market capitalization in the GDP of India. The benefits of opening of the stock markets are also observed.

IMPACT OF LIBERALIZATION ON INDIA

A common characteristic of all the researches explained above is that they study the effect of liberalization on a sample of countries and their research is not country specific. This makes it difficult to analyze the effect of opening of the stock market on India as the results are calculated on average basis only. But according to the research conducted by Kim & Singal (2000), India experienced high volatility around market opening. The rates of inflation were higher in the

pre liberalization period but stabilized after liberalization and the volatility of inflation decreased significantly after the market opening. Bekaert et al. (2003) showed that there was an increase in real GDP growth as well as real investment growth after financial liberalizations in India.

Unlike the researches explained above which observe the average market behaviour of a sample of emerging countries during pre and post liberalization period, there are certain studies done which analyze the impact of opening up, on India and its stock market.

Chandrasekhar (2000) explains that India did not witness the currency crisis in 1990s and thereafter which the other countries faced due to liberalization. This was because India did not liberalize its capital account to the extent done by the other countries. After opening of the stock market in 1992, there was a considerable rise in the inflow of foreign capital. According to the market observers, foreign inflows are a very important force for driving the markets up. Chandrasekhar (2000), after examining the trends of the market describes that there was an extreme volatility in Sensex during the years of liberalization but also documents that the structure of financial markets of India is also a cause of volatility. Further he suggests that the markets of developing countries like India are thin or shallow in three senses namely; (i) stocks of only a few countries are traded actively in the market. Even though there are more than 5000 companies listed on the stock exchange, BSE Sensex assimilates only 30 companies, trading in whose shares is perceived as a symbol of market activity, (ii) a large proportion of shares is held by promoters, financial institutions and others interested in corporate control or influence leading to the availability of a small proportion of shares for routine trading, and (iii) the number of players trading in these stocks is also small.

The financial press portrays the flow of foreign capital as the foremost driver of the Indian stock market returns. While, Chakrabarti (2001) suggests that the foreign inflows are the effects rather than cause of the performance of stock markets. The analysis of daily data predicts that the sole driver of foreign inflows in the post- Asian crisis period was the performance of the stock market whereas the analysis of monthly data in the pre- Asian crisis period indicates some contrary interconnection. Mukherjee et al. (2002) also confirm this return chasing behaviour of the FIIs by analyzing the daily data from 1999 to 2002 and discover that the sale of Indian stocks by foreign investors is a consequence of returns and not purchases. On the contrary, Gordon and Gupta (2003) perform an analysis on the monthly data for the time period 1993-2000 and determine that there is a negative relationship between foreign inflows and lagged stock market returns which suggests negative feedback trading. Hence, there is a need for analyzing more recent data to understand the relationship between FIIs and stock market returns.

According to the Finance Ministry of India's report (2005), the main concerns regarding vulnerability of India's capital market to FII inflows can be classified into three parts: about the outflow of 'hot money' and creation of chaos in both securities and foreign exchange markets, about too much inflow, and leading of upward pressure on either the exchange rate of the domestic currency or prices or both, and about 'foreigners' capturing a large part of the markets in securities. Two precise worries about chaos caused by FIIs centre around the problems of "herding" – where many FIIs may trade in similar ways – and "positive feedback trading" where FIIs buy after positive returns and sell after negative returns, thus aggravating market volatility.

Financial Liberalization leads to the financial deepening and growth of the economy. It helps in increasing the presence and role of financial agents but at the same time it forces the government to adopt a deflationary attitude to placate financial interests. Due to liberalization, the agriculture sector and the small scale industry had limited access to savings and credit availability, the development of which was necessary for the efforts made for poverty reduction. The emphasis on macroeconomic management was shifted from fiscal to monetary policy which was inexorably focused on inflation targets. This resulted in tight money conditions and higher interest rates which were also favoured as it helped in attracting foreign capital inflows in a more liberalized environment. The process of financial liberalizations also led to financial instability but overall it had a positive effect on the stock market and the economic development of India.

CONCLUSION

Opening of the domestic stock markets for the foreign institutional investors acts like a two edged sword, which has many benefits but at the same time exposes the emerging economies to certain risks. It attracts more and more foreign capital which is used to finance the economic growth of the country and speed up the expansion of equity markets by making them globally assimilated, more liquid and superior. The cost of capital is reduced as the foreign investors demand accountability of management which reduces the risk of holding stocks. The competence of market prices is also increased due to larger market size, development of capacity of members investing in the market and higher exposure to latest information. In contrast, the inflow of foreign capital can also lead to financial instability in the country which can badly damage the market efficiency and cause substantial economic instability. It can also endanger the viability of markets; unbalance the functioning of the country, lead to careless lending, relaxation of reforms etc. In the conditions of economic depression, financial crisis are most likely to take place. Besides, it can put pressure on the monetary policy and deteriorate the political support for further reforms. Hence, the benefits of opening of the stock markets should be reaped by the emerging economies by controlling the risks and ill effects related to it.

REFERENCES

1. Bekaert G. and Harvey C.R., (2000), "Foreign speculators and emerging equity markets". *The Journal of Finance*, Vol. 55, No. 2, pp 565-613.
2. Bekaert G., Harvey C.R. and Lundblad C.T. (2003), "Equity market liberalization in emerging markets". *The Journal of Financial Research*, Vol. 25, No. 3, pp 275-99.
3. Bekaert, G., Harvey C.R., and Lundblad C. (2001), "Emerging equity markets and economic development." *Journal of Development Economics* 66, 465-504.
4. Boyd J. And Smith B. (1996), "The co evolution of the real and financial sectors in the growth process". *World Bank Economic Review*, Vol. 10, May, pp 371-96.
5. Chakravarti, R., (2001), "FII flows to India: nature and causes", *ICRA Bulletin of Money and Finance*, October-December, pp. 61-79.
6. Chandrasekhar C.P. (2000), "Financial Liberalization and Macroeconomic Policy in India".
7. Gordon, J. & Gupta P. (2003), "Portfolio Flows into India: Do Domestic Fundamentals Matter?" Working Paper Number WP/03/02, International Monetary Fund, January
8. Henry P.B. (2000b), "Do stock market liberalizations cause investment booms?" *Journal of financial economics*, Vol. 58, No. 1, pp 301-34.
9. Khambata D. (2000), "Impact of foreign investment on the volatility and growth of emerging stock markets". *Multinational Business Review*, Spring, pp 50-9.
10. Kim E.H. and Singal V. (2000), "Stock market openings: Experience of emerging economies". *Journal of Business*, Vol. 73, No. 1, pp 25-66.
11. Levine R. and Zervos S. (1998), "Capital control liberalization and stock market development". *World Development*, Vol. 26, No. 2, pp 1169-83.
12. Mukherjee, P., Bose S. and Coondoo D. (2002), "Foreign Institutional Investment in the Indian Equity Market: An Analysis of Daily Flows during January 1999-May 2002", *Money & Finance*, Vol. 2, Nos. 9-10.
13. Obstfeld M. (1994), "Risk taking, global diversification and growth". *American Economic Review*, Vol. 84, pp 1310-1329.
14. Rajan R.G. and Zingales L. (1998), "Financial dependence and growth". *American Economic Review* 88 (June): 559-86.

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, Economics and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail **info@ijrcm.org.in** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals

