INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

IJRCM

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., Cabell's Directories of Publishing Opportunities, U.S.A., Google Scholar,
Indian Citation Index (ICI), J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 (2012) & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than **6408 Cities** in **196 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.	**A STUDY ON INDIAN STOCK MARKET WITH REFERENCE TO STOCK MARKET DEVELOPMENTS** *CH. TRINADHA RAO & Dr. P. VISWANADHAM*	1
2.	**FINANCIAL LITERACY, FINANCIAL INCLUSION AND CUSTOMER PROTECTION: A CASE STUDY** *SWATI PANDEY & PREM SHANKAR DWIVEDI*	8
3.	**SIZE EFFECT ANOMALY IN INDIAN STOCK MARKET: TIME SERIES ANALYSIS** *SAROJ S.PRASAD & SHANTANU PRASAD*	13
	REQUEST FOR FEEDBACK & DISCLAIMER	17

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

Former Faculty, Shree Ram Institute of Engineering & Technology, Urjani

ADVISOR

Prof. S. L. MAHANDRU

Principal (Retd.), Maharaja Agrasen College, Jagadhri

EDITOR

Dr. NAWAB ALI KHAN

Professor & Dean, Faculty of Commerce, Aligarh Muslim University, Aligarh, U.P.

CO-EDITOR

Dr. G. BRINDHA

Professor & Head, Dr.M.G.R. Educational & Research Institute (Deemed to be University), Chennai

EDITORIAL ADVISORY BOARD

Dr. TEGUH WIDODO

Dean, Faculty of Applied Science, Telkom University, Bandung Technoplex, Jl. Telekomunikasi, Indonesia

Dr. M. S. SENAM RAJU

Professor, School of Management Studies, I.G.N.O.U., New Delhi

Dr. JOSÉ G. VARGAS-HERNÁNDEZ

Research Professor, University Center for Economic & Managerial Sciences, University of Guadalajara, Guadalajara, Mexico

Dr. CHRISTIAN EHIOBUCHE

Professor of Global Business/Management, Larry L Luing School of Business, Berkeley College, USA

Dr. SIKANDER KUMAR

Vice Chancellor, Himachal Pradesh University, Shimla, Himachal Pradesh

Dr. BOYINA RUPINI

Director, School of ITS, Indira Gandhi National Open University, New Delhi

Dr. MIKE AMUHAYA IRAVO

Principal, Jomo Kenyatta University of Agriculture & Tech., Westlands Campus, Nairobi-Kenya

Dr. SANJIV MITTAL

Professor & Dean, University School of Management Studies, GGS Indraprastha University, Delhi

Dr. D. S. CHAUBEY

Professor & Dean (Research & Studies), Uttaranchal University, Dehradun

Dr. A SAJEEVAN RAO

Professor & Director, Accurate Institute of Advanced Management, Greater Noida

Dr. NEPOMUCENO TIU

Chief Librarian & Professor, Lyceum of the Philippines University, Laguna, Philippines

Dr. RAJENDER GUPTA

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

Dr. KAUP MOHAMED

Dean & Managing Director, London American City College/ICBEST, United Arab Emirates

Dr. DHANANJOY RAKSHIT

Dean, Faculty Council of PG Studies in Commerce and Professor & Head, Department of Commerce, Sidho-Kanho-Birsha University, Purulia

Dr. SHIB SHANKAR ROY

Professor, Department of Marketing, University of Rajshahi, Rajshahi, Bangladesh

Dr. S. P. TIWARI

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

Dr. SRINIVAS MADISHETTI

Professor, School of Business, Mzumbe University, Tanzania

Dr. ABHAY BANSAL

Head, Department of Information Technology, Amity School of Engg. & Tech., Amity University, Noida

Dr. ARAMIDE OLUFEMI KUNLE

Dean, Department of General Studies, The Polytechnic, Ibadan, Nigeria

Dr. ANIL CHANDHOK

Professor, University School of Business, Chandigarh University, Gharuan

RODRECK CHIRAU

Associate Professor, Botho University, Francistown, Botswana

Dr. OKAN VELI ŞAFAKLI

Professor & Dean, European University of Lefke, Lefke, Cyprus

PARVEEN KHURANA

Associate Professor, Mukand Lal National College, Yamuna Nagar

Dr. KEVIN LOW LOCK TENG

Associate Professor, Deputy Dean, Universiti Tunku Abdul Rahman, Kampar, Perak, Malaysia

Dr. BORIS MILOVIC

Associate Professor, Faculty of Sport, Union Nikola Tesla University, Belgrade, Serbia

SHASHI KHURANA

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

Dr. IQBAL THONSE HAWALDAR

Associate Professor, College of Business Administration, Kingdom University, Bahrain

Dr. DEEPANJANA VARSHNEY

Associate Professor, Department of Business Administration, King Abdulaziz University, Saudi Arabia

Dr. MOHENDER KUMAR GUPTA

Associate Professor, Government College, Hodal

Dr. BIEMBA MALITI

Associate Professor, School of Business, The Copperbelt University, Main Campus, Zambia

Dr. ALEXANDER MOSESOV

Associate Professor, Kazakh-British Technical University (KBTU), Almaty, Kazakhstan

Dr. VIVEK CHAWLA

Associate Professor, Kurukshetra University, Kurukshetra

Dr. FERIT ÖLÇER

Professor & Head of Division of Management & Organization, Department of Business Administration, Faculty of Economics & Business Administration Sciences, Mustafa Kemal University, Turkey

Dr. ASHOK KUMAR CHAUHAN

Reader, Department of Economics, Kurukshetra University, Kurukshetra

Dr. RAJESH MODI

Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia

YU-BING WANG

Faculty, department of Marketing, Feng Chia University, Taichung, Taiwan

Dr. SAMBHAVNA

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

Dr. KIARASH JAHANPOUR
Dean of Technology Management Faculty, Farabi Institute of Higher Education, Karaj, Alborz, I.R. Iran
Dr. TITUS AMODU UMORU
Professor, Kwara State University, Kwara State, Nigeria
Dr. SHIVAKUMAR DEENE
Faculty, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga
Dr. BHAVET
Former Faculty, Shree Ram Institute of Engineering & Technology, Urjani
Dr. THAMPOE MANAGALESWARAN
Faculty, Vavuniya Campus, University of Jaffna, Sri Lanka
Dr. VIKAS CHOUDHARY
Faculty, N.I.T. (University), Kurukshetra
SURAJ GAUDEL
BBA Program Coordinator, LA GRANDEE International College, Simalchaur - 8, Pokhara, Nepal
Dr. DILIP KUMAR JHA
Faculty, Department of Economics, Guru Ghasidas Vishwavidyalaya, Bilaspur

FORMER TECHNICAL ADVISOR

AMITA

FINANCIAL ADVISORS

DICKEN 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 the 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. infoijrcm@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/Mkt./HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for likely publication in one of your journals.

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

I affirm that all the co-authors of this manuscript have seen the submitted version of the manuscript and have agreed to inclusion of their names as co-authors.

Also, if my/our manuscript is accepted, I agree to comply with the formalities as given on the website of the journal. The Journal has discretion to publish our contribution in any of its journals.

NAME OF CORRESPONDING AUTHOR :
Designation/Post* :
Institution/College/University with full address & Pin Code :
Residential address with Pin Code :
Mobile Number (s) with country ISD code :
Is WhatsApp or Viber active on your above noted Mobile Number (Yes/No) :
Landline Number (s) with country ISD code :
E-mail Address :
Alternate E-mail Address :
Nationality :

* i.e. Alumnus (Male Alumni), Alumna (Female Alumni), Student, Research Scholar (M. Phil), Research Scholar (Ph. D.), JRF, Research Assistant, Assistant Lecturer, Lecturer, Senior Lecturer, Junior Assistant Professor, Assistant Professor, Senior Assistant Professor, Co-ordinator, Reader, Associate Professor, Professor, Head, Vice-Principal, Dy. Director, Principal, Director, Dean, President, Vice Chancellor, Industry Designation **etc**. ***The qualification of author is not acceptable for the purpose***.

NOTES:

a) The whole manuscript has to be in ***ONE MS WORD FILE*** only, which will start from the covering letter, inside the manuscript. ***pdf. version* is liable to be rejected without any consideration**.

b) The sender is required to mention the following in the **SUBJECT COLUMN of the mail**:

New Manuscript for Review in the area of (e.g. Finance/Marketing/HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

c) There is no need to give any text in the body of the 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 expected to be below **1000 KB**.

e) Only the **Abstract 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 within twenty-four hours*** and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of the manuscript, within two days of its submission, the corresponding author is required to demand for the same by sending a separate mail to the journal.

g) The author (s) name or details should not appear anywhere on the body of the manuscript, except on the covering letter and the cover page of the manuscript, in the manner as mentioned in the guidelines.

2. **MANUSCRIPT TITLE:** The title of the paper should be typed in **bold letters**, **centered** and **fully capitalised**.

3. **AUTHOR NAME (S) & AFFILIATIONS:** Author (s) **name**, **designation**, **affiliation** (s), **address**, **mobile/landline number** (s), and **email/alternate email address** should be given underneath the title.

4. **ACKNOWLEDGMENTS:** Acknowledgements can be given to reviewers, guides, funding institutions, etc., if any.

5. **ABSTRACT:** Abstract should be in **fully Italic printing**, ranging between **150** to **300 words**. The abstract must be informative and elucidating the background, aims, methods, results & conclusion in a **SINGLE PARA**. ***Abbreviations must be mentioned in full***.

6. **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 stop at the end. All words of the keywords, including the first one should be in small letters, except special words e.g. name of the Countries, abbreviations etc.

7. **JEL CODE:** Provide the appropriate Journal of Economic Literature Classification System code (s). JEL codes are available at www.aeaweb.org/econlit/jelCodes.php. However, mentioning of JEL Code is not mandatory.

8. **MANUSCRIPT:** Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. *It should be free from any errors i.e.* ***grammatical, spelling*** *or* ***punctuation.*** *It must be thoroughly edited at your end*.

9. **HEADINGS:** All the headings must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

10. **SUB-HEADINGS:** All the sub-headings must be bold-faced, aligned left and fully capitalised.

11. **MAIN TEXT:**

THE MAIN TEXT SHOULD FOLLOW THE FOLLOWING SEQUENCE:

INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

The manuscript should preferably be in ***2000 to 5000 WORDS***, But the limits can vary depending on the nature of the manuscript.

12. **FIGURES & TABLES:** These should be simple, crystal **CLEAR**, **centered**, **separately numbered** & self-explained, and the **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*.
13. **EQUATIONS/FORMULAE:** These should be consecutively numbered in parenthesis, left aligned with equation/formulae number placed at the right. The equation editor provided with standard versions of Microsoft Word may be utilised. If any other equation editor is utilised, author must confirm that these equations may be viewed and edited in versions of Microsoft Office that does not have the editor.
14. **ACRONYMS:** These should not be used in the abstract. The use of acronyms is elsewhere is acceptable. Acronyms should be defined on its first use in each section e.g. Reserve Bank of India (RBI). Acronyms should be redefined on first use in subsequent sections.
15. **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 may follow Harvard Style of Referencing. **Also check to ensure that everything that you are including in the reference section is duly cited in the paper**. 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 italic printing. 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 parenthesis.
- ***Headers, footers, endnotes** and **footnotes** should **not be used** in the document.* However, **you can mention short notes to elucidate some specific point**, which may be placed in number orders before the references.

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, 19–23

UNPUBLISHED DISSERTATIONS

- 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 Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

A STUDY ON INDIAN STOCK MARKET WITH REFERENCE TO STOCK MARKET DEVELOPMENTS

CH. TRINADHA RAO
RESEARCH SCHOLAR
ANDHRA UNIVERSITY
VISAKHAPATNAM

Dr. P. VISWANADHAM
PROFESSOR
DEPARTMENT OF COMMERCE AND MANAGEMENT STUDIES
ANDHRA UNIVERSITY
VISAKHAPATNAM

ABSTRACT

In the year 1990's financial sector reforms have changed the Indian capital markets into a dynamic and extensive in the context of world capital market. With the arrival of globalization in India accurate efforts are made in strengthening the investor assurance. Financial markets are very resourceful in increasing the stock market developments which exemplifies how stock market developments are capable to manage the risk increasing participants, and increasing the market capitalization. At present stock market developments have strengthened and these developments create linkages between global markets, increasing market liquidity and effectiveness. In India, the emergence and growth of stock market is relatively a recent phenomenon. Thus the present study is an attempt to analyze stock market developments in India, rules and regulation in relation to Indian capital market. It is an endeavor to demonstrate the growth and expansion Indian stock market developments from 1990 to 2018.

KEYWORDS

SEBI, NSDL, CDSL, dematerialization, market cap.

JEL CODES

G10, G24.

INTRODUCTION

Indian stock market is known to be world class in terms of trading structural design. It developed in terms of quantitative and qualitative aspects, quantitative parameters like trading volume and turnover, amount raised from the market, market capitalization, the number of listed stocks, and other intermediaries. Qualitative parameters such as rolling settlements, dematerialization and electronic transfer of securities, establishment of national wide screen based trading system; and primitive risk management have also been introduced in the stock market.

Indian stock market has a lengthy history. Its history dates back to the 18th century when the securities of East India Company were traded in Mumbai and Kolkata. The brokers used to gather under a Banyan tree and in Mumbai and under a *Neem* tree in Kolkata for this purpose.

However, the real commencement came in the 1850s with the beginning of joint stock companies with limited liability and first formally organized stock exchange was established in 1875, viz. the Stock Exchange, Mumbai. Since last two decades, the Indian stock market has undergone several changes.

The economic reforms started since 1990 and a world-shattering change in Information Technology (IT) has changed the entire structure of Indian capital market. In this paper, I would like to take an attempt to study the development of Indian stock market from 1990 to 2018.

REVIEW OF LITERATURE

Goyal and Ashima (2006)[1] stated that there had been jump of such redressal in 2001-02. The percentage of redressal rate of SEBI, which was mere 21.61% in the year 1991- 92, jumped to 94.99% during the year 2002-03. The author was of the view that timely redressal together with stiffer penalties can only help curb the malpractices in stock markets.

Wagner et al.(2007)[2] advised the investors to investment education. He further said, "New investors are jumping into a shark-infested pool. In order to survive… you need protection… and the very large teeth". While advocating for the competition among the stock market intermediaries particularly the stock brokers was of the view that higher is the competition among stock brokers, higher are the chances that their manipulations would get noticed by the market players including the investors, and that would discourage them to manipulate the markets.

Prabhudesai (2008)[3] stated that the investor is usually the sucker in the happenings on the street as he usually buys stocks when they are at their highest level and he is most likely to sell them at the lowest level, thus, bearing the brunt of huge losses. He advocated for a larger role of regulator during such manipulations. He gave some rules for the small investors not to get trapped in the manipulations like not to buy stock on tips or recommendations, look for long-term horizon, not to invest all their savings and to learn the art diversification.

Dalal (2009)[4] painfully discussed the agonies faced by the retail investors and the failure of the market regulator and Government to tackle various issues relating to the capital market particularly with regard to retail investors. She emphasized upon regulating the regulator in a more effective way, and the need for accountability of the market intermediaries with a focus on the preservation of the investors' capital.

Sabrinathan (2010)[5] is of the view that despite SEBI's best efforts, both primary and secondary markets have been affected with various troubles and situations leading to some sort of scams. He further explains that SEBI's legal position has not been far from happy as SEBI's awards and penalties have been successfully challenged in SAT or other courts, leaving a great scope for improvement.

---

[1] Goyal, Ashima (2006), "Regulation and de-Regulation of the Stock Market in India", in M. Ramesh and Michael Howlett (eds.), *Deregulation and its Discontents: Rewriting the Rules in Asia*, pp. 186-192, UK: Edward Elgar.

[2] Wagner, Gary (2007), "Gary Wagner uses Candlesticks to Measure Sentiments", Available at www.htpp://articlesbase.com, July 21, 2010, Siddiqui, Hammad, (2007), "Stock Price Manipulations: The Role of Intermediaries", CMER Working Paper 07-58, Lahore University Management Science, Citigroup Corporate Governance Initiative.

[3] Prabhuesai Arun, (2008), Indian Stock Market Manipulation – A Myth or a reality? Posted on Jan 30, 2008, source: http://trak.in/tags/business/2008/01/30/indian-stockmarket- manipulation-myth-reality/

[4] Dalal, Sucheta (2009), "Harassed Investors", July, 28, 2009, Available at www.http://suchetadalal.com, Accessed March 30, 2010

[5] Sabarinathan, G, (2010), SEBI's Regulation of the Indian Securities Market: A Critical Review of the Major Developments, Vikalpa, Volume 35, No 4 October - December 2010.

Hsu et al. (2011)[6] examined from as many as 34 both developed and developing economies as to find out how financial market development affects innovation. They were of the view that the effect of financial development on innovation is more evident in emerging countries and in countries with stronger shareholder protection. Therefore, the development of equity markets encourages innovation and on the other hand credit market development impedes innovation. They suggested that in countries with stronger investor protection laws, chances of financial innovations are increased, which result in financial development of the economy.

Kamlesh and Meetu (2013)[7] have discussed about the derivatives market in India. Since 1991 economic reforms, many initiatives has been taken to make trading process user friendly for the investors but still there are many issues like lack of economies of scale, tax and legal bottlenecks and so on. Therefore, in this study they have said that if solutions of such issues are implemented in the market then definitely it will boost the investors' confidence in Indian derivative market which will consequently lead to more growth and development in derivative segment.

Shallu (2014)[8] studied the impact of SEBI on the development of Indian Capital Market. She has concluded in her study that, with the establishment of SEBI, capital market has been developed a lot, more transparency has been introduced in the stock exchanges. But still investors are hesitant in investing under capital market. Finally, concluded that SEBI has transformed Indian stock market but at a slow rate.

Osakwe CI, Ananwude AC (2017)[9] states in their research "Stock Market Development and Economic Growth in Nigeria" that the short run and long run association between stock market and economic growth over a period of thirty five (35) years was explored in this study. Data for the analysis were obtained from National Bureau of Statistics (NBS) and Nigerian Stock Exchange (NSE). The model estimation followed the linear regression technique. The ARDL outcome divulged positive relationship between stock market development and economic growth both in short run and long run.

Somnath Chattopadhyay and Suchismita Bose (2017)[10] discovered in their paper "Effects of Market Reforms and External Shocks on Indian Stock Indices: Reform processes are expected to amend the functioning of the stock market leading to higher degree of transparency and efficiency in the market so that the ultimate goals of investor protection and equitable capital allocation are met. While liberalisation, reforms and institution building have altered the nature of the Indian market, significant exogenous events which range from global and domestic political events, and global stock market crashes to financial crises, have had significant temporary or permanent impact on the market, possibly affecting the trend in stock prices of NSE And BSE.

IMPORTANCE OF THE STUDY

Globalization of financial markets has stressed a number of countries to change regulation and reforms to bring in stock markets which have made it easier for the investors to undertake various investment decisions as per the situation.

Capital Markets have emerged as one of the biggest markets of the world during the past two decades. In this context the present study seeks to find out the influence of stock market developments on volume, risk consideration, Investor awareness etc. of Indian capital market.

OBJECTIVES OF THE STUDY

1. To study the Capital market reforms –from-1990 to 2018 in India.
2. To know how various stock market developments shows impact on Growth and Development of capital market.
3. To suggest traders for future growth of capital Market in India.

RESEARCH METHODOLOGY

The present study has been undertaken with a symptom of empirical analysis of status of stock market developments in India with the use of secondary data. The study period is taken from 1990 to 2018. Data and information for the research study were collected and analyzed from various secondary sources, viz., books, newspapers, web sites and research studies.

BRIEF DESCRIPTION WHICH REPRESENT TRUE PICTURE OF THE INDIAN

STOCK MARKET PRIOR TO REFORMS

- Primary markets were not into the main stream of financial system.
- Stock exchanges were run as 'brokers club': management dominated by brokers.
- Poor disclosure in prospectus & balance sheet was not made available to investors.
- There is no inspection of stock exchanges undertaken.
- Takeovers regulated only through listing agreements between the stock exchanges and the company.
- There was no regulation on merchant bankers and other intermediaries.
- No concept of capital adequacy.
- Mutual funds – virtually unregulated and there was poor disclosure by mutual funds.
- There was no transparency in trading.
- No prohibition of insider trading and fraudulent and unfair trade practices.

THE ERA OF STRUCTURAL REVOLUTION

The Indian economic crisis in 1991 accompanied by a steep fall in foreign exchange reserve, inflation rate was in double digit, serious fiscal deficit, a sharp down-grading of India's credit rating, balance of payment position was a matter of concern.

In this situation the then Prime Minister P.V. Narhasiham and Finance Minister Dr. Manmohan Singh declared structural regulation programs under the title of "New Economic Policy" for Stabilization of economy so that the balance of payment and inflationary pressure could be set aside under control.

INDIAN STOCK MARKET DEVELOPMENT

1) GROWTH OF DEVELOPMENT OF BANKS AND FINANCIAL INSTITUTIONS

- For providing long term funds to industry, the government set up Industrial Finance Corporation in India (IFCI) in 1948.
- This was followed by a number of other development banks and institutions like the Industrial Credit and Investment Corporation of India (ICICI) in 1955.
- Industrial Development Bank of India (IDBI) in 1964.
- 14 major commercial banks were nationalized In 1969.
- Industrial Reconstruction Corporation of India (IRCI) in 1971.

---

[6] Hsu, Po-Hsuan; Tian, Xuan; and Xu, Yan (2011), "Financial Development and Innovation: Cross-Country Evidence", College of Business Administration, University of Rhode Island, Working Paper Series: 2011/2012, No. 4.

[7] Meetu, G. K. (2013). Derivatives market in India: Evolution, Trading Mechanism and Future Prospects. *International Journal of Marketing, Financial Services & Management Research,2* (3).

[8] Shallu. (2014). Indian Capital Market and impact of SEBI. *Tactful Management Research Journal, 2* (4).

[9] Osakwe CI, Ananwude A (2017) Stock market development and economic growth: A comparative evidence from two emerging economies in Africa – Nigeria and South Africa. Archives Current Res Int 11: 1-15.

[10] *Journal of Reviews on Global Economics,* 2017, volume *6, p* 426-442, E-ISSN: 1929-7092/17

- Another 6 banks were nationalized in 1980.
- Foreign Investment Promotion Board in 1991.
- Over the Counter Exchange of India (OTCEI) in 1992.

These financial institutions and banks have contributed in strengthening of capital market in India.

2) EXISTENCE OF SEBI

The Securities Exchange Board of India (SEBI) was set up in 1988 and was given statutory recognition in 1992.

The SEBI operates within the legal framework of the SEBI Act, 1992. This act provides vast power to SEBI to control and regulate the Indian stock market. Essentially SEBI has been working for protection of investors, promotion of the development of the stock market and regulating the stock market.

Thus, establishment and empowerment of SEBI is a significant step in development of stock market in India.

FUNCTIONS OF SEBI

- Regulatory function
- Registration of brokers and sub brokers and other players in the market.
- Registration of collective investment schemes and mutual funds.
- Conducting research and publishing useful information to all market participants.
- Investor Education And Training of intermediaries.
- Prohibition of fraudulent and unfair trade practices
- Controlling insider trading and takeover bids and imposing penalties for such practices.
- SEBI imposed Rs 5 lakh fine on Serene industries for its alleged failure resolve investor complaint within the stipulated time.

As part of SEBI Role, SEBI Investigates various cases from 1992 to 2018, let's have a glance of how many cases have been undertaken and how many cases have been completed.

INVESTIGATIONS BY SEBI

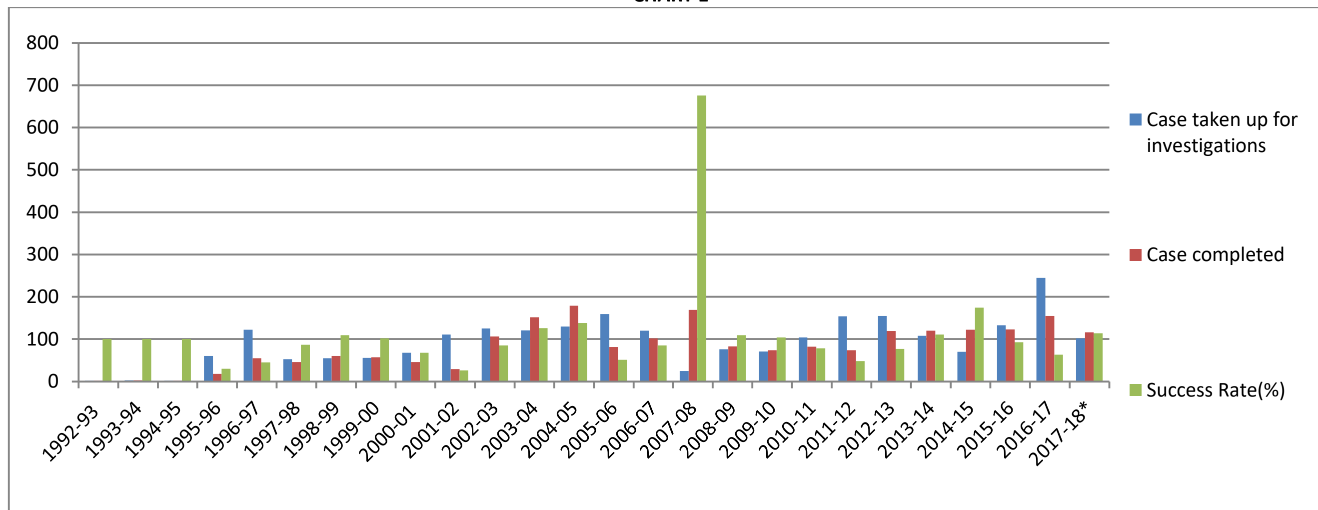
TABLE 1

Year	Case taken up for investigations	Case completed	Success Rate(%)
1992-93	2	2	100
1993-94	3	3	100
1994-95	2	2	100
1995-96	60	18	30
1996-97	122	55	45
1997-98	53	46	87
1998-99	55	60	109
1999-00	56	57	102
2000-01	68	46	68
2001-02	111	29	26
2002-03	125	106	85
2003-04	121	152	126
2004-05	130	179	138
2005-06	159	81	51
2006-07	120	102	85
2007-08	25	169	676
2008-09	76	83	109
2009-10	71	74	104
2010-11	104	82	78
2011-12	154	74	48
2012-13	155	119	76
2013-14	108	120	111
2014-15	70	122	174
2015-16	133	123	92
2016-17	245	155	63
2017-18*	102	116	113

Source: SEBI Hand Book of Statistics

*Indicates Apr to Dec Data, Source: SEBI Hand Book of Statistics

CHART 1



Source: SEBI Hand Book of Statistics

CONSOLIDATED INVESTIGATIONS DETAILS

From the below data, it has been observed that from 1992 to 2018 total 2430 cases has been taken up by SEBI and 2175 cases have been completed. On the whole the success rate of SEBI at its complaints tenacity is 89.50%, which creates trust in the minds of investors.

TABLE 2: REPRESENTATION OF CONSOLIDATED INVESTIGATIONS DETAILS

Year	Total Case taken up for investigations	Total Case completed	Overall % of Success
1992 to 2018	2430	2175	89.50

3) ESTABLISHMENT OF CREDIT RATING AGENCIES

Credit rating agencies provide guidance to investors / creditors for determining the credit risk. The Credit Rating Information Services of India Limited (CRISIL) was set up in 1988.

Investment Information and Credit Rating Agency of India Ltd. (ICRA) was set up in 1991. These agencies are helps in the development of capital market.

And other credit rating agencies The credit rating agencies includes CRISIL, ICRA, CARE, FITCH and BRICK working for development of Indian stock market development.

The Dev Committee in its interim recommendations made that credit rating is mandatory for any such scheme that wish to raise money from public and directed that their meaning be incorporated in offer documents, advertisement and all publicity material.

4) GROWTH OF MUTUAL FUNDS

The mutual funds collect funds from public and other investors and channelizes them into corporate investment in the primary and secondary markets. The first mutual fund to be set up in India was Unit Trust of India in 1964.

A reform proposals relating to mutual funds, public sector and foreign investments were announced in the Union Budget for 1991 -92.

In 1992-93, reputed foreign investors (FIIs) were allowed to invest in capital market such as pension funds, mutual funds, investment trusts, asset management companies, nominee companies, and incorporated portfolio managers.

5) DEMATERIALIZATION OF SHARES

Dematerialization of shares has been introduced in all the shares traded on the secondary stock markets as well as those issued to the public in the primary markets. Even bonds and debentures are allowed in demat form. The advantage of demat trade is that it involves Paperless trading.

National Securities Depository Limited (NSDL) It is an organisation promoted by Industrial Development Bank of India (IDBI), Unit Trust of India (UTI) and National Stock Exchange Limited (NSE).

Subsequently, State Bank of India (SBI) has also acquired a stake in NSDL. SEBI has registered NSDL on June 7, 1996 as India's first depository to facilitate settlement of securities in a dematerialized form. It commenced its operations on November 6, 1996.

Let us see the growth of dematerialization over a period of time.

PROGRESS OF DEMATERIALIZATION AT NSDL

TABLE 2

Year	Companies Live	Market Cap (Crore)	Demat Quantity (Securities in Crore)
1996-97	23	90818	2
1997-98	171	288347	176
1998-99	365	396551	711
1999-00	821	765875	1550
2000-01	2786	555376	3721
2001-02	4172	615001	5167
2002-03	4761	600539	6876
2003-04	5212	1107084	8369
2004-05	5536	1638300	12866
2005-06	6022	3005100	17472
2006-07	6483	3598800	20270
2007-08	7354	5219700	23690
2008-09	7801	3110300	28287
2009-10	8124	5617842	35114
2010-11	8842	6607900	47130
2011-12	9741	7132300	57980
2012-13	10844	7679027	68648
2013-14	12211	8939900	79550
2014-15	13992	11748315	92736
2015-16	15638	11715700	110021
2016-17	17835	14648687	131762
2017-18	19310	17674693	143932

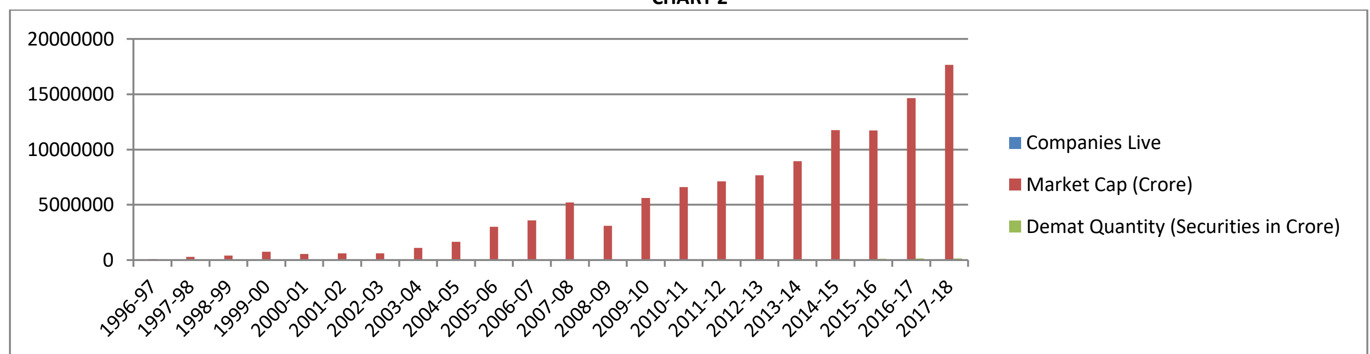
Source: NSDL, CDSL

Note: Data on Progress of Dematerialization at NSDL and CDSL is revised in few instances.

GRAPHICAL REPRESENTATION OF PROGRESS OF DEMATERIALIZATION AT NSDL

By observing the below graph we can find out there is a continuous growth rate from 1996 to 2018.

CHART 2



PROGRESS OF DEMATERIALIZATION AT CDSL

TABLE 3

Year	Companies Live	Market Cap (Crore)	Demat Quantity (Securities in Crore)
1996-97	NA	NA	NA
1997-98	NA	NA	NA
1998-99	15	NA	NA
1999-00	541	NA	NA
2000-01	2703	10906	192
2001-02	4284	24337	482
2002-03	4628	36164	821
2003-04	4810	106443	1401
2004-05	5068	120959	1908
2005-06	5,479	2,35,829	2,722
2006-07	5,589	2,83,136	3,125
2007-08	5,943	5,90,039	4,982
2008-09	6,213	4,39,703	7,082
2009-10	6,801	8,38,928	7,795
2010-11	8,030	10,81,417	10,531
2011-12	9928	1020569	13357
2012-13	8062	1020569	15179
2013-14	8630	1087603	17731
2014-15	9399	1394264	20601
2015-16	10021	1326797	22755
2016-17	9887	1773585	25523
2017-18	10343	2693980	26940

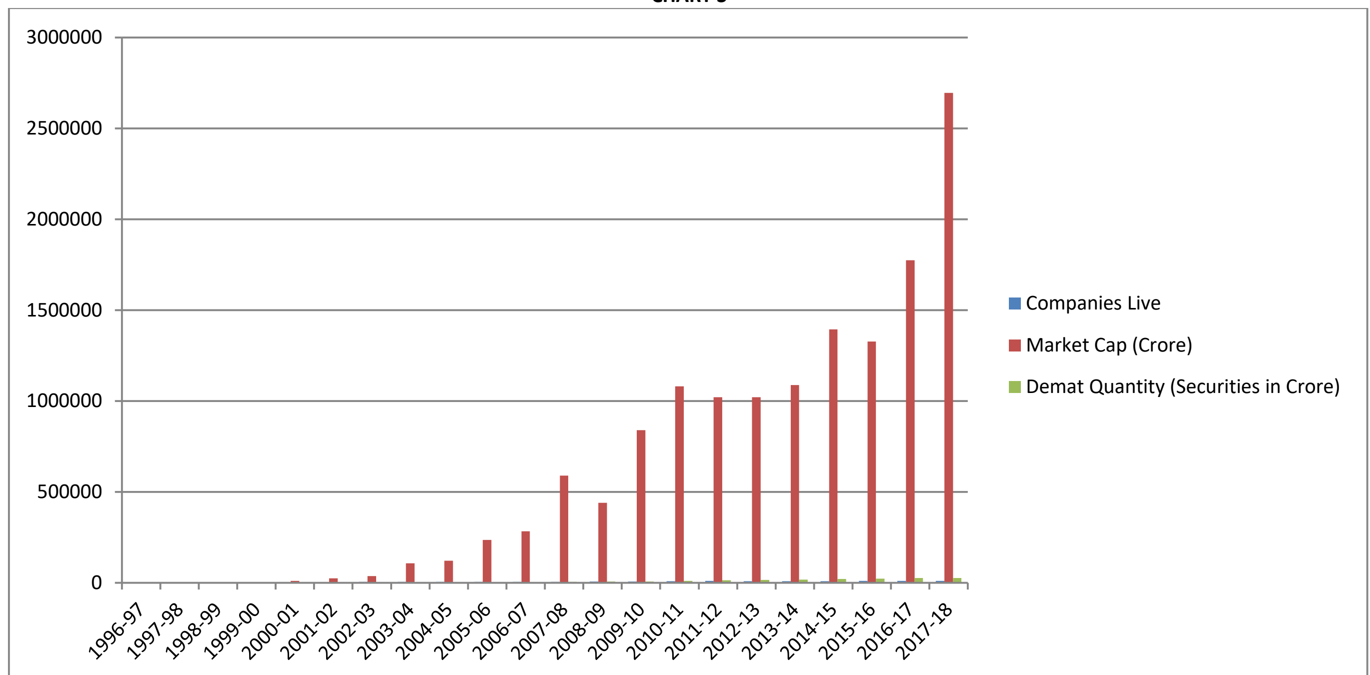
Notes:

1. Data on Progress of Dematerialization at NSDL and CDSL is revised in few instances
2. For CDSL, prior to April 2012, the Companies Live figure included the no. of mutual fund schemes along with the no. of mutual fund companies but since April 2012, the Companies Live figure includes only the number of mutual fund companies and not the schemes. Source: NSDL, CDSL

PROGRESS OF DEMATERIALIZATION AT CDSL

By observing the below graph we can find out there is a continuous growth rate in the CDSL also from 1996 to 2018.

CHART 3



6) SCREEN BASED TRADING (SBT)

Before 1994, the trading on stock exchanges in India used to take place through an "open outcry" system. In the open outcry system, traders shout and resort to signals on the trading floor of the exchange, which consist of several notional trading posts of different securities. A trader or his representative wishing to buy or sell a certain security reaches the trading post where the security is traded. Here trader comes in contact with others interest in transact in that security. Buyers make their bids and sellers make their offers and bargains are closed upon mutually agreed prices.

This system did not allow instant matching or recording of trades. This was time consuming and forced limits on trading. This was followed by BSE with BSE online trading (BOLT). The SBT replaced the trading ring by the computer screen and distant participants, geographically separated, can trade simultaneously at high speeds. As a result, open out-cry system has disappeared from India.

Today, India can boast that almost 100% trading takes place through electronic order matching. Technology has been harnessed to carry the trading platform to the premises of brokers. NSE carried the trading platform further to the PCs in the residence of investors through the internet and to hand-held devices through WAP (Wireless Application Protocol) for the convenience of retail investors. This has made a huge difference in terms of equal access to Indian investors.

7) DERIVATIVES TRADING

Derivatives are financial instrument, which are derived from equity, bonds, currencies and commodities. Value of derivatives derived from underlying instruments such as stock index (future and options based on them), currency or interest rates.

Derivatives are leveraged instruments & are used as vehicle for transferring risk. Trading in equity derivatives in India began in June 2000 after the SEBI granted permission to the derivatives.

SOME EQUITY DERIVATIVE CONTRACTS

TABLE 4

S.No.	Contracts	Segment/Exchange
1	Future on S & P CNX Nifty Index	F & O Segment of NSE
2	Future on BSE 30 Index	Derivative Segment of BSE
3	Option on S & P CNX Nifty	F & O Segment of NSE
4	Option on BSE 30 Index	Derivative Segment of BSE
5	Stock Option on 31 stocks	BSE/NSE
6	Single Stock Futures on 31 stocks	BSE/NSE

Source: Annual Report of SEBI

- In December 1999, the Securities Laws (Amendment) Bill, 1999 representing expanded definition of securities including derivatives has been passed by the Parliament.
- On June 9, 2000, derivatives trading commenced at the NSE based on Sensex and on June 12, it started based on S&P CNX Nifty.
- In November 2002, SEBI announced modified rules governing the choice of stocks on derivatives trading.
- On 3 I" January 2002, the list of firms for derivatives trading rose to 41.

CASH AND DERIVATIVES VOLUME COMPARISON

TABLE 5

Date	Cash		F & O		Total
	BSE	NSE	BSE	NSE	
2007	87,608.19	175,146.96	0	627,456.29	890,211.44
2008	185,641.83	447,137.84	0	1,453,880.84	2,086,660.51
2009	70,509.50	191,183.52	0	778,118.35	1,039,811.37
2010	117,084.51	338,442.57	0	1,490,296.84	1,945,823.92
2011	69,857.55	267,331.81	1.15	2,841,833.90	3,179,024.41
2012	52,570.82	236,872.16	69,155.15	2,251,487.46	2,610,085.59
2013	56,661.68	295,415.17	923,441.46	2,950,975.14	4,226,493.45
2014	49,672.74	255,626.10	1,147,050.42	3,324,373.67	4,776,722.93
2015	73,686.02	383,872.17	1,132,043.86	5,589,904.06	7,175,024.01
2016	63,576.26	352,083.64	132,590.34	5,829,028.96	6,377,279.20
2017	61,669.76	385,669.11	7.37	7,860,289.43	8,307,635.67
2018	122,537.46	814,838.90	4.11	16,009,778.99	16,947,159.46
2019	2,428.38	28,615.23	0	1,641,864.45	1,672,908.06

Source: www.moneycontrol.com

Note 1: Data belongs to January month every year.

Note 2: For the year 2019, data considered as on January 24.

CASH AND DERIVATIVES VOLUME COMPARISON

By observing the above table charts, Derivatives (F & O) trading volume is very high in both the exchanges. It clearly expressed that investors are giving more priority to derivatives segment than cash segment.

CHART 4

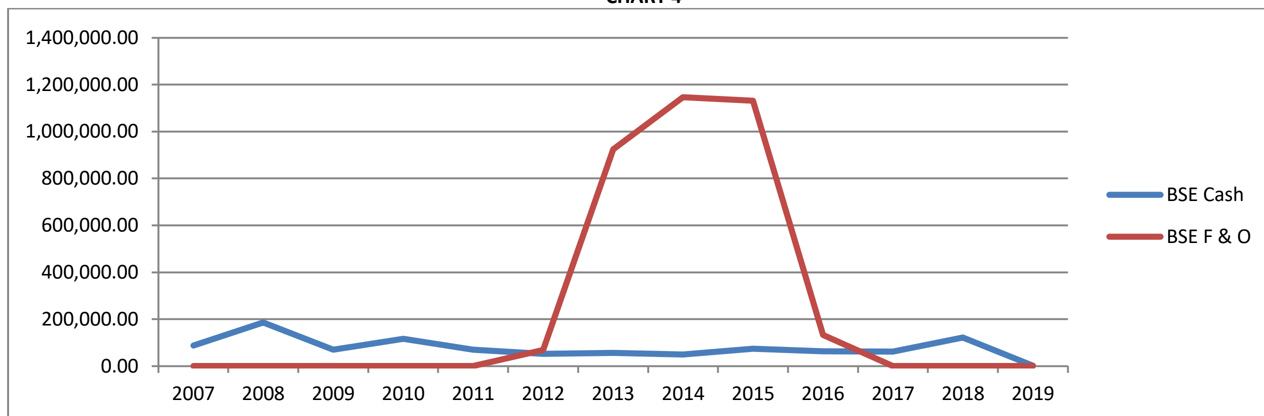
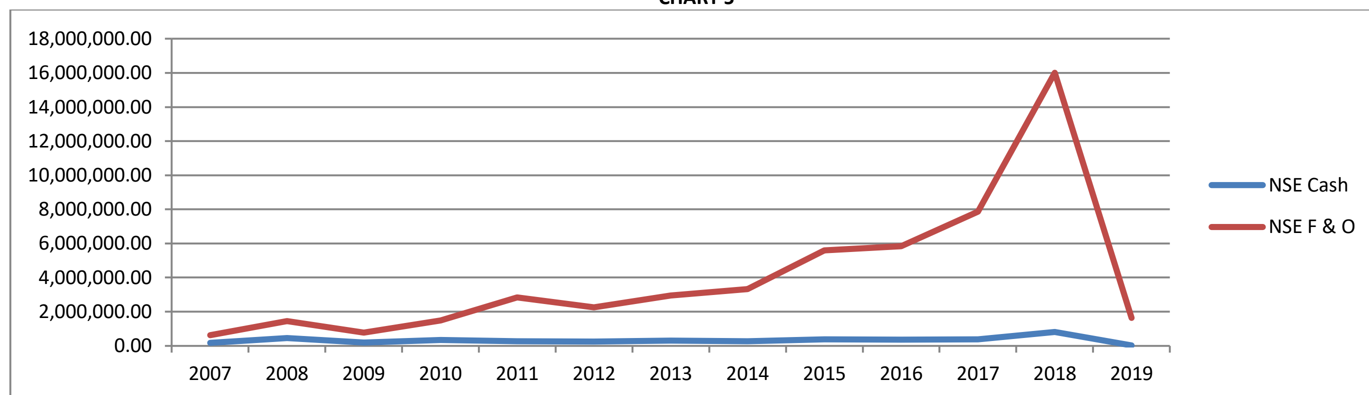


CHART 5



CONCLUSION

It is concluded that during the post economic reforms period and in the last two decades' Indian securities market developed in terms of both quantitative and qualitative perspectives. Prior to economic reform' Indian stock market was characterized by barriers to entry, non-transparent, poor disclosure, insider trading, etc. But Indian securities market has introduced changes in the last 20 years.

In the early 1990s, Indian figured a low in the global ranking of the state of capital market. But with the adoption of sophisticated IT tools in trading and settlement mechanism has now placed India in the lead. Indian stock market has integrated with the rest of the world. Shorter settlement period and dematerialization have been other major development areas which has changed the face of Indian capital market.

The numbers of listed stock, market capitalization and turnover of Indian stock and derivatives market have also been witnessing phenomenal growth.

REFERENCES

JOURNAL AND OTHER ARTICLES

1. Dash, Ranjan Kumar and Sumanjeet (2005), "*Impact of Stock Market Reforms on liquidity: Evidence from BSE*", Indian management studies Journal, Vol. 9, No. 11, pp. 117-131.
2. Ramamurthy and Reddy S (2005), "Recent Trends in Mutual Fund Industry", *SCMS Journal of Indian Management*, Vol. 2, No. 3, 69-76.

WEBSITES

3. Historical Contract-wise Price Volume Data, Viewed on September 15, 2019 *https://www1.nseindia.com/products/content/derivatives/equities/historical_fo.htm*
4. Historical Information of Instruments, Viewed on September 17, 2019 *https://www.bseindia.com/market_data.html#!#mf11*
5. SEBI Hand Book of Statistics for Establishment of Credit Rating Agencies, Growth of Mutual Funds, Receipt and Redressal of Investor Grievances, Viewed on September 20, 2019 https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=32&smid=0

FINANCIAL LITERACY, FINANCIAL INCLUSION AND CUSTOMER PROTECTION: A CASE STUDY

SWATI PANDEY
Ph. D. RESEARCH SCHOLAR
Dr. C. V. RAMAN UNIVERSITY
BILASPUR

PREM SHANKAR DWIVEDI
ASST. PROFESSOR
Dr. C. V. RAMAN UNIVERSITY
BILASPUR

ABSTRACT

This article knows about financial literacy, financial inclusion, and customer protection. Globally, the triad of financial literacy, financial inclusion, and customer protection has been recognized as intertwining threads in pursuit of financial stability. For any kind of stability, whether economic, financial, political or social, inclusive growth is an essential prerequisite. Inclusive growth, in turn, is largely driven by financial inclusion and an inclusive financial system. Financial literacy and financial inclusion are complementary to each other. For emerging market economics, ensuring adequate access to financial products and services is more important at this stage but financial literacy create demand for these products/services. In advanced economies, the access is not that important an issue. Thus, it is a global problem with global dimensions.

KEYWORDS

financial literacy, financial inclusion, customer protection.

JEL CODE

D18

1. INTRODUCTION

Financial Inclusion: - Financial inclusion refers to the ability of individuals to access financial products and services in order to meet their needs. The needs that should be met include saving, transacting, making and receiving payments, receiving credit, and insurance. In other words financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs that are delivered in a sustainable way.

Customer Protection: - Consumer protection is a group of laws and organizations designed to ensure the rights of consumers as well as fair trade, competition and accurate information in the marketplace. The laws are designed to prevent the businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors. They may also provide additional protection for those most vulnerable in society. Consumer protection laws are a form of government regulation that aim to protect the rights of consumers. For example, a government may require business to disclose detailed information about products-particularly in areas where safety or public health is an issue, such as food. However, as markets mature and more complex products become available, the need for financial literacy would become even more paramount.

Here, we are talking about Consumer protection in banking sectors. Reserve Bank of India (RBI) is the regulator of finance and banking sector in India. The Banking Regulation Act, 1949 and Reserve Bank of India Act, 1934 are the primary legislations that deal with the banking sector. Both these legislations have provisions which aim at protecting the consumers' interests. Apart from these two legislations, RBI has issued various regulations and circulars which specifically deal with the protection of consumers. RBI has also come out with several schemes like Banking Ombudsman scheme which aims at protecting the consumer.

Financial literacy: - financial literacy is the most important for all people. So all people should be financial literate in this modern age. Contrary to popular perception, financial literacy has to be imparted to everyone in the economy viz. users and providers. In the Indian context, the users are broadly the financially excluded resource-poor, the lower and middle income groups and high net worth individuals. Equally important, banks, financial institutions and other market players too need to be literate about their risks and returns framework. Last, but not the least, policy makers including the financial sector regulators must have financial literacy to comprehend and hedge the requirement of the population and financial institutions to drive the agenda. But, naturally, the message to be conveyed, the method of communication, the language of communication, the complexity of subjects etc. would have to be tailored to suit the target audience. Illustratively, what are the basic/simple messages that we are trying to get across.

2. OBJECTIVES

1. To know about Financial Inclusion, Financial Literacy and Customer Protection in banking sector.
2. To see the relationship between financial inclusion and financial literacy.
3. To analysis that how do customer protection in banking sectors.

3. REVIEW OF LITERATURE

Although financial literacy as a construct is a fairly recent development, financial education as an antidote to poor financial decision making is not. ―Financial literacy‖ as a construct was first championed by the Jumpstart Coalition for Personal Financial Literacy in its inaugural 1997 study Jumpstart Survey of Financial Literacy among High School Students. In this study, Jumpstart defined "financial literacy" as "the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security".

A few studies have shown that Americans have inadequate knowledge of personal finances (EBRI, 1995: KPMG, 1995; PSRA, 1996/1997; Oppenheimer Funds/Girls Inc., 1997; Vanguard Group/Money Magazine, 1997). They fail to make correct decisions because they have not received a sound personal finance education (HSR, 1993; Hira, 1993; O'Neill, 1993).

According to Sinclair (2001), financial exclusion means the inability to access necessary financial services in an appropriate form. Financial inclusion covers various services such as savings, credit, insurance, payments and remittance facilities, etc. by the formal financial system to those who tend to be excluded.

The Government of India's Committee on Financial Inclusion in India begins its report by defining financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee 2008).

One of the approaches to customer protection in UK financial Services which used the literature on Behavioral economics and Psychology as the basis for a critique shows that, contrary to the belief, in neo-classical economics, that people make rational choices, individuals in fact do not always make rational choices. Approximately one in four adults in Britain does not have a private or occupational pension. This is most common for lower income groups, women and minority ethnic group employees.
The use of heuristics results in cognitive weaknesses in individual's decision-making, leading them to make inferior decisions with regard to their welfare. This suggests that interventionist approaches to customer protection are preferable to non-interventionist ones, because they take into account the fact that individuals ‟ decisions are not always rational or in their best interests.
In one of reviews the literature describing the value added from professional advice. The potential welfare gain from increased reliance on expert financial advice is significant, and there is some evidence that financial advisers help households make better financial decisions. However, the results are generally mixed and the outcome is often worse when there are conflicts of interest resulting from adviser compensation incentives.

4. RESEARCH METHODOLOGY

The study has conducted with reference to the data related to customer Finance Literacy, Customer Protection, and Finance Inclusion.

A. TYPE OF RESEARCH

Descriptive research used in this study in order to identify the customer finance literacy, customer protection and financial inclusion and determining customer's level of satisfaction in India.

B. COLLECTION OF DATA

SECONDARY DATA – Our research has completed only based on secondary data.
a). Manual of instructions of customer protection on online banking.
b). Report by RBI
c). Articles and Research Papers
d). Internet

C. SAMPLING UNIT

The Study population includes the customers' of bank in India and Sampling Unit for Study has not decided because we used only secondary data.

5. FINANCIAL INCLUSION AND LITERACY

Financial Inclusion and Education are two important elements in the Reserve Bank of India's developmental role. Towards this, it has created critical volume of literature and has uploaded on its website in 13 languages for banks and other stakeholders to download and use. The aim of this initiative is to create awareness about financial products and services, good financial practices, going digital and consumer protection.
The Financial Literacy Week is an initiative by RBI to promote awareness on key topics every year through a focused campaign.
Financial Literacy Week 2019 will be observed from June 3-7 on the theme of "Farmers" and how they benefit by being a part of the formal banking system. The messages disseminated during the week will focus on Responsible Borrowing (poster)/(video) & Agricultural Finance (poster)/(video). The promotional material for the Financial Literacy Week has been uploaded in the 'Downloads' tab under the heading "Financial Literacy Week 2019" and the 'Films' tab.
The booklet FAME (Financial Awareness Messages) provides basic financial literacy messages for the information of general public. It contains eleven institution/product neutral financial awareness messages, such as, documents to be submitted while opening a bank account (KYC), importance of budgeting, saving and responsible borrowing, maintaining a good credit score by repaying loans on time, banking at doorstep or at vicinity, knowing how to lodge complaints at the bank and the Banking Ombudsman, usage of electronic remittances, investing money only in registered entities, etc.
The RBI has developed tailored financial literacy content for five target groups' viz. Farmers, Small entrepreneurs, School children, Self Help Groups and Senior Citizens that can be used by the trainers in financial literacy programmer. These are fallowing financial awareness massages for target groups.

FARMERS

1. Kisan credit cards scheme primarily for crop loan requirement and partly for consumption purposes.
2. Prompt repayment of crop loan has several benefits interest subvention scheme.
3. Avoid distress sale of farm produce-use post-harvest financing against warehouse receipts.
4. Do not loss hope even if you lose your crop during natural calamities, inform your bank of the extent of crop loss and seek assistance from the bank in the farm of restructuring.
5. Insure your crop and safeguard yourself – crop insurance throu Pradhan Mantri Fasal Bima Yojna (PMFBY).

SMALL ENTREPRENEURS - Credit Guarantee Trust

1. A joint initiative of the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India, and the Small Industries Development Bank of India (SIDBI) with an objective to provide credit to the MSE sector without the need for collateral and third party guarantee.
2. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) would provide cover facility of up to Rs. 200 lakhs.
3. Guarantee and annual fees charged by CGTMSE are to be borne by the borrower or member lending institution.
4. Instructions from the RBI to all banks not to accept collateral security for loans up to Rs. 10 lakhs provided to the MSE sector.

SCHOOL CHILDREN

1. **Savings and Current Accounts -** Provide facilities like Cheque Book, Funds Transfer, Debit Card, and Unified Payments Facility.
2. Bank, Financial institutions which accept deposits like recurring deposit and fixed deposit and provide loans like personal loan, vehicle loan, education loan, house loan etc.
3. Basic knowledge about investment, insurance and pension scheme, stock and mutual funds, growth /Equty oriented scheme, income / debt oriented scheme. etc.

SELF HELP GROUP

1. KYC for SHG saving bank accounts - You should be aware that the KYC verification of all the members of the SHG need not be done while opening the savings bank account of the SHG. The KYC verification of all the office-bearers would suffice. However, resolution of SHG indicating the name of office-bearers authorized to open the account on behalf of the SHG is required to be submitted.
2. Margin and security norms - The bank may sanction your SHG, a loan based on your total corpus. Suppose your SHG has a corpus of Rs. 10,000 (in the form of cash balance with the SHG + savings account balance with bank + amount lent to members), the loan amount may vary from Rs. 10,000 to Rs. 40,000.
   Loan amount of more than four times of the corpus is possible if:
   - SHGs are functioning successfully for many years.
   - The SHGs have repaid past loans on time.
   - The SHGs have used the credit facility responsibly.
3. Voluntary saving - Generally, as a member of an SHG, you would contribute a fixed amount as compulsory savings in weekly/ fortnightly/monthly SHG meetings. Your capacity to earn and capacity to save would increase substantially over time and it may be different from the other members of the group. You may voluntarily contribute more than the fixed amount of savings that the other members contribute.
   An individual member of a group can have two savings contributions, one fixed by the group and the second voluntary.
4. Good Principles of SHGs, Part I: Periodic Meetings, Periodic Savings & Regular Internal Lending
5. Good Principles of SHGs, Part II: Regular Repayment and bookkeeping.

SENIOR CITIZEN

Dedicated Counters/ Preference to Senior Citizens, Differently Abled Persons -

Banks have been advised to provide a clearly identifiable dedicated counter or a counter which provides priority to senior citizens and people who are differently abled including visually impaired persons.

1. **Ease of Submitting Life Certificate**

In addition to the facility of Digital Life Certificate under 'Jeevan Praman' Scheme, pensioners can submit physical Life Certificate form at any branch of the pension-paying bank. Receiving Banks should promptly update the same in the Core Banking Solution (CBS) system to avoid any delay in credit of pension.

2. **Automatic Conversion of Account Status**

KYC-compliant accounts would automatically be converted into 'Senior Citizen Accounts' on the basis of date of birth maintained in the bank's records.

3. **Ease of Filing Form 15G/H**

Banks are advised to provide senior citizens and differently abled persons Form 15G/H once in a year (preferably in April) to enable them to submit the same, where applicable, within the stipulated time.

4. **Doorstep Banking**

Banks are advised to make a concerted effort to provide basic banking facilities, such as pick up of cash and instruments against receipt, delivery of cash against withdrawal from account, delivery of demand drafts, submission of Know Your Customer (KYC) documents and Life certificate at the premises/residence of such customers.

So that RBI has other way of financial literate to all people like Audio Visuals, Posters, and booklets.

Audio visuals - Audio visuals have been designed for the benefit of general public on topics relating to Financial Literacy. These Audio visuals are on **"Basic Financial Literacy", "Unified Payments Interface"** and **"Going Digital"**

Posters - Two posters - **UPI (Unified Payment Interface)** and **(Unstructured Supplementary Service Data)** - explained these new concepts in digital payments space.

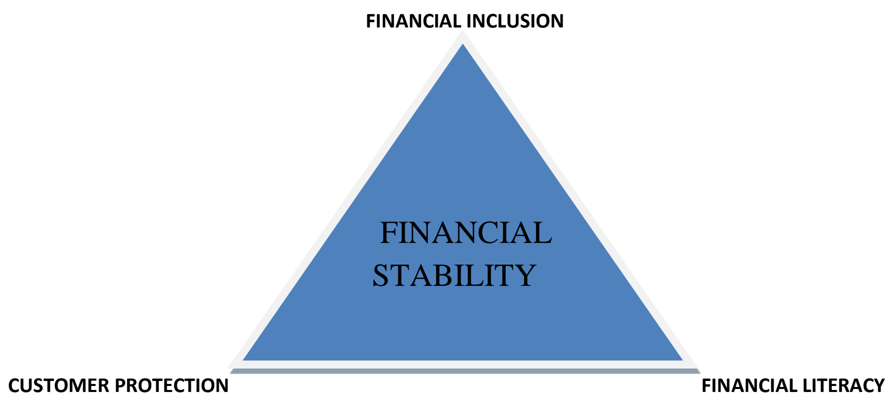
Booklets - Earlier, the Reserve Bank had published a series of pictorial booklets. Under the **'Raju'** title, it created literature on the habit of savings and banking concepts. The **'Money Kumar'** series simultaneously explained the role and functions of the Reserve Bank

As a complement to Financial Inclusion, Financial Literacy aims to build peoples capability to use the financial products and services. As the first stage of literacy is to create demand, all institutions involved in delivery of financial products and services are contributing to our financial literacy agenda. This entails devising appropriate products and services, pricing them reasonably, understanding the risk, communicating it to customers and protecting the customers. The Central Bank has taken a lead role in spreading financial inclusion and financial literacy. Both in terms of creating an enabling policy environment and providing institutional support, the Reserve Bank of India is actively contributing towards the goal of universal financial inclusion in the country. FSDC has constituted a Sub-Committee to focus solely on Financial Inclusion and Literacy.

It is well recognized that to be effective financial literacy initiatives should ideally commence at school level although even at a later stage adult education would provide substantial benefits. Realizing this, in India, we have engaged the curriculum setting bodies like National Council of Educational Research and Training (NCERT), Education Boards like Central Board for Secondary Education (CBSE), Central and State Governments, in the FSDC sub-Committee on FI and FL. A large number of other players are involved. All other financial sector regulators, Reserve bank of India, IRDA, SEBI and NABARD are actively engaged in this process. Thus, our basic and other members of the civil society are actively engaged in this process. Thus, our basic approach could be described as a central bank led multi-agency approach.

FINANCIAL INCLUSION

CHART 1: CUSTOMER PROTECTION FINANCIAL LITERACY



6. CUSTOMER PROTECTION

Reserve Bank of India (RBI) is the regulator of finance and banking sector in India. The Banking Regulation Act, 1949 and Reserve Bank of India Act, 1934 are the primary legislations that deal with the banking sector. Both these legislations have provisions which aim at protecting the consumers' interests. Apart from these two legislations, RBI has issued various regulations and circulars which specifically deal with the protection of consumers. RBI has also come out with several schemes like Banking Ombudsman scheme which aims at protecting the consumer.

BANKING OMBUDSMAN SCHEME

The banking ombudsman scheme has been introduced to resolve the disputes between the customers and the bank with respect to the services provided by the bank. It was introduced in the year 1995, at present the Banking Ombudsman scheme 2006 (As amended up to 31st of January 2019). The banking ombudsman follows a strict protocol while disposing a complaint

Ombudsman Scheme for Digital Transactions, 2019

The Scheme is introduced with the object to facilitate the satisfaction or settlement of complaints regarding digital transactions undertaken by customers of System Participants1 as defined under the Scheme.

In this Scheme unless there is anything repugnant in the subject or content:

Authorized Representative' means a person (other than an advocate) duly appointed and authorized by a complainant to act on his / her behalf and represent him / her in the proceedings under the Scheme before the Ombudsman as well as Appellate Authority for consideration of his / her complaint.

'Complaint' means any representation in writing or through electronic means containing grievance/s alleging deficiency in service by the System Participants as mentioned in Clause 8 of the Scheme.

'Digital Transaction' means a payment transaction in a seamless system effected without the need for cash at least in one of the two legs, if not in both. This includes transactions made through digital / electronic modes wherein both the originator and the beneficiary use digital / electronic medium to send or receive money.

'Ombudsman for Digital Transactions' means any officer of the Reserve Bank appointed under Clause 4 of the Scheme.

GROUNDS OF COMPLAINT

Any person may file a complaint free of cost with the Ombudsman for Digital Transactions having jurisdiction on any one of the following grounds alleging deficiency in service:

1. **Prepaid Payment Instruments:** Non-adherence to the instructions of Reserve Bank by System Participants about Prepaid Payment Instruments3 on any of the following:
   a) Failure in crediting merchant's account within reasonable time;
   b) Failure to load funds within reasonable time in wallets / cards;
   c) Unauthorized electronic fund transfer;
   d) Non-Transfer / Refusal to transfer/ failure to transfer within reasonable time, the balance in the Prepaid Payment Instruments to the holder's 'own' bank account or back to source at the time of closure, expiry of validity period etc., of the Prepaid Payment Instrument;
   e) Failure to refund within reasonable time / refusal to refund in case of unsuccessful / returned / rejected / cancelled / transactions;
   f) Non-credit / delay in crediting the account of the Prepaid Payment Instrument holder as per the terms and conditions of the promotion offer(s) from time to time, if any;
   g) Non-adherence to any other instruction of the Reserve Bank on Prepaid Payment Instruments.
2. **Mobile / Electronic Fund Transfers:** Non-adherence to the instructions of the Reserve Bank on Mobile / Electronic fund transfers by System Participants on any of the following:
   a) Failure to effect online payment / fund transfer within reasonable time;
   b) Unauthorized electronic fund transfer;
   c) Failure to act upon stop-payment instructions within the time frame and under the circumstances notified to the customers within prescribed timeline;
   d) Failure to reverse the amount debited from customer account in cases of failed payment transactions within prescribed timeline;
   e) Non-adherence to any other instruction of the Reserve Bank on Mobile / Electronic fund transfers.
3. Non-adherence to instructions of Reserve Bank / respective System Provider to System Participants, on payment transactions through Unified Payments Interface (UPI) / Bharat Bill Payment System (BBPS) / Bharat QR Code / UPI QR Code on the following grounds:
   a) Failure in crediting funds to the beneficiaries' account;
   b) Failure to return within reasonable time the payment to the originating member in case of failure to credit the fu
   c) nds to the beneficiary's account;
   d) Failure to / delay in refund of money back to account in case of transaction failure or declined transactions (i.e. failed transactions);
   e) Non-adherence to any other instruction of the Reserve Bank on payment transactions / through Unified Payments Interface (UPI) / Bharat Bill Payment System (BBPS)/ Bharat QR Code / UPI QR Code.
4. Non-reversal / failure to reverse within reasonable time, funds wrongly transferred to the beneficiary account due to lapse at the end of System Participant.
5. Any other matter relating to the violation of the directives including on fees / charges,4 if any, issued by the Reserve Bank in relation to digital transactions.

POWERS AND JURISDICTION

The Banking Ombudsman shall receive and consider complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 **irrespective of the pecuniary value of the deficiency in service complained**. They can pass awards up to 2 million rupees but won't be able to pass awards more than the losses incurred by the complainant. The ombudsman have the power to issue additional amount up to 0.1 million with the compensation by taking the mental agony and harassment suffered by the complainant.

PROCEDURE FOR FILING A COMPLAINT

If an individual has any one of the grievance mentioned under Section 8 of the scheme, they can file a complaint by filing the complaint form with the requisite details.

1. The name and the address of the complainant
2. The name and address of the branch or office of the bank against which the complaint is made
3. The facts giving rise to the complaint,
4. The nature and extent of the loss caused to the complainant, and
5. The relief sought for.

COMPLAINT FORM

The below mentioned link would direct the user to complaint form which is to be filed before the ombudsman.

https://www.rbi.org.in/Upload/Publications/PDFs/BOL.pdf

ADDRESS & CONTACT INFORMATION:

The below mentioned link directs the user to the contact information of the banking ombudsman.

https://www.rbi.org.in/commonman/English/scripts/againstbankabo.aspx

STATISTICS OF COMPLAINTS DISPOSED BY THE BANKING OMBUDSMAN

TABLE 1

NO. OF COMPLAINTS	YEAR		
	2014 - 15	2015 - 16	2016 - 17
Received during the year	85131	102894	130987
Brought forward from previous year	3307	3778	5524
Handled during the year	88438	106672	136511
Disposed during the year	84660	101148	125319
Rate of disposal (%)	96%	95%	92%
Carried forward to the next year	3778	5524	11192

INTERPRETATION

In this table, data of three years take for analysis. In which we are being knowledge from this statistical table that fraud is being continuously growing. Thus banking complaint are being also growing but percentage of complaint disposal are being seen to decrease.

7. SIGNIFICANCE OF THE STUDY

- First, the study helps to people for understand about Financial Inclusion, Financial Literacy and Customer Protection.
- Second, we can see that how did help for improvement in economic growth of India.
- Third, the study will be useful for bank customers' in order to see the impacts of online banking on customers' satisfaction and their protection.
- Fourth, it helps in understanding what attitude customers' have towards online banking and what actions should the banks take in order to benefits from the opportunities and how to overcome the challenges.
- Fifth, the Financial Inclusion of individuals and households would include several conditions, extending from access to specific facilities and resources to much wider capabilities
- Sixth, the study can be used by other researcher as a reference who wants to study further in this or related areas or to serve as a reading material for anyone who is interested. Last but not least this research will alert bankers tomorrow's problems today in order to get the intended customers' satisfaction.

8. LIMITATIONS

1. We have brief study about financial Inclusion, Financial Literacy and Consumer Protection because lake of time.
2. We used of data only reference to consumer protection
3. The study is based on the data of past three years only.

9. CONCLUSION

The last decade for Indian financial sector has witnessed a steady growth in terms of **financial inclusion**. As per world banks published report named" The global index report 2017.There was rapid increase in number of adult account holders in India, It has increased considerably from 35% in 2011, to 53% in 2014 to 80% in 2017. Jan Dhan Yojna was a massive success; more than 31 crores account has been opened under this scheme. Long awaited direct transfer of subsidy can be implemented through this initiative. Although, over 6crore accounts have been marked as dormant which accounts to 19.2% of the total number of accounts opened under the scheme. However, the scheme was successful and brought lot many citizens under the banking net. Thus, the basic structure of financial inclusion has been created. But a lot has to be done so that we can opt fruitful result from this type of initiatives and **Financial Literacy** is "sine qua non" for desired results and letting our country in the path of development. Financial literacy is one of the serious impeding factors that act as a hurdle in development process of LDC's. Hoarding of cash, Investment in unproductive assets like gold jewelry and bullion often makes it difficult for capital deficient country like India to avail adequate capital and funds so that they can increase their productive capacity. In India lot of chit fund companies are fiddling with people's money. Ponzy scheme alluring customer to deposit money with them often results in chaos. They even encourage customer to borrow at low interest rate from banks and deposit them in Ponzy schemes which has resulted in massive NPA's especially in eastern part of the country. Our Judicial system has often proved to be incompetent in suppressing the fraud companies and it can be said that **customer protection** is still at novice stage. Although the regulatory bodies are trying to spread awareness among the common masses as RBI has organized financial awareness week from 4-8th June this year, but such programs have limited coverage. A comprehensive plan is required at country level so that awareness can be reached to every corner of the country.

REFERENCES

1. Dr. K C Chakrabarty, in a panel discussion on "Financial literacy and consumer protection", Washington DC, 22 April 2012.
2. Dr. K C Chakravarty, "Financial Inclusion: Issues in measurement and analysis," IFC Bulletin No.38 (2012).
3. Duvvuri Subbarao, "Financial Inclusion: Challenges and Opportunities" Banker's Club Summit, Kolkata (2009).
4. Radhika Dixit and M. Ghosh (2013), "Financial Inclusion for Inclusive Growth of India – A Study", International Journal of Business Management & Research, Vol.3, Issue 1, pp. 147-156.
5. RBI Report on Financial Inclusion: A Review, EPW,Vol. 49, Issue No. 9, 01 Mar, 2014, R Viswanathan.

SIZE EFFECT ANOMALY IN INDIAN STOCK MARKET: TIME SERIES ANALYSIS

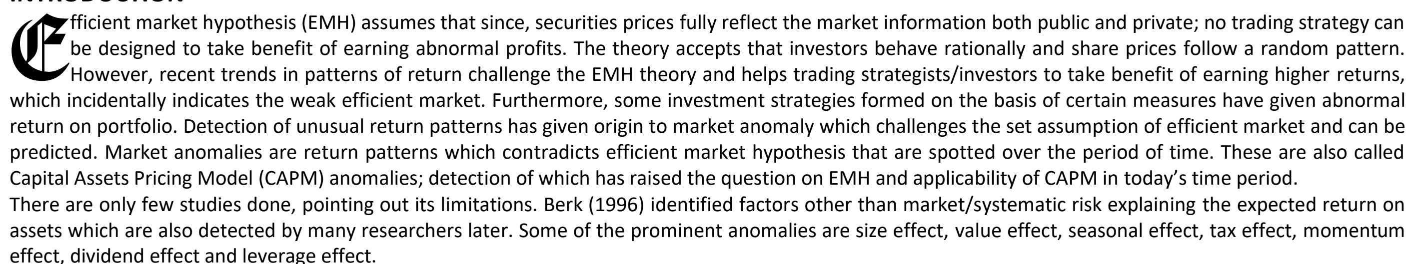
SAROJ S.PRASAD
Ph. D. RESEARCH SCHOLAR
BARKATULLAH UNIVERSITY
BHOPAL

SHANTANU PRASAD
ASST. PROFESSOR
SCMHRD
SYMBIOSIS INTERNATIONAL (DEEMED UNIVERSITY)
HINJAWADI

ABSTRACT
The study attempts to find out investment strategy based on size effect results in companies to outperform the market index. The study aims to find out whether the size effect anomaly is present in Indian stock market. The sample consists of companies listed in BSE 500 Index from the period of March 2002 to March 2014. Portfolios are constructed based on net sales and fixed assets. The monthly returns on all the securities are compared against the benchmark of Sensex monthly returns. Correlation and regression analysis are used as statistical tools for data analysis. The findings reflect the presence of abnormal returns for large stocks portfolio but its absence for small stocks portfolios. Therefore, there is absence of size effect in Indian stock market. The two main limitations are: 1. the study is carried out only for the period of thirteen years. 2. Only Sensex as benchmark is considered. The research paper is empirical in nature.

KEYWORDS
size Effect, portfolio construction.

JEL CODES
D53, G10.

INTRODUCTION


Efficient market hypothesis (EMH) assumes that since, securities prices fully reflect the market information both public and private; no trading strategy can be designed to take benefit of earning abnormal profits. The theory accepts that investors behave rationally and share prices follow a random pattern. However, recent trends in patterns of return challenge the EMH theory and helps trading strategists/investors to take benefit of earning higher returns, which incidentally indicates the weak efficient market. Furthermore, some investment strategies formed on the basis of certain measures have given abnormal return on portfolio. Detection of unusual return patterns has given origin to market anomaly which challenges the set assumption of efficient market and can be predicted. Market anomalies are return patterns which contradicts efficient market hypothesis that are spotted over the period of time. These are also called Capital Assets Pricing Model (CAPM) anomalies; detection of which has raised the question on EMH and applicability of CAPM in today's time period.

There are only few studies done, pointing out its limitations. Berk (1996) identified factors other than market/systematic risk explaining the expected return on assets which are also detected by many researchers later. Some of the prominent anomalies are size effect, value effect, seasonal effect, tax effect, momentum effect, dividend effect and leverage effect.

REVIEW OF LITERATURE
Fama-MacBeth (1973) attempted to examine the relationship between risk and return for NYSE stocks. The study noted a significant negative relation between average stock returns and their market value. The regression results of the study confirm "efficient capital market" reflecting all available information. Banz (1981) on examining the relationship between the market value and average return of NYSE common stocks; found higher risk adjusted returns for small cap stocks than large cap stocks. He reported this as size premium of 0.40% per month during the period of 1936-1975. Reinganum (1981) also tried to explain the relation between the market value and abnormal returns for NYSE and Amex stocks. The study confirmed monthly size effect of 1.77% for smaller firms for the sample size of 566 Amex and NYSE firms for the period 1963-1977. Brown, Kleidon and Mersh (1983) reported in their study that small cap firms yields more returns in contrast to predicted by CAPM. They documented size premium of 1.85% and is instable to the time period (1962-1978). Lamoureux and Sanger (1989) for the sample period of 1973-1985; for the sample size of 7659 Nasdaq stocks confirmed monthly size premium of 2.00% for 20 size based portfolios. Hawawini and Keim (1995, 2000) examined and confirmed the presence of size effect in different countries like France, Belgium, New Zealand, Taiwan and Singapore. Mohanty (2001) used the methodology of Fama-French (1993, 1995 and 1996) documented excess returns for small firms over large firms when using size as a proxy for risk. The results also documented that small firms are exposed to higher risk explained by the transaction costs. Obaidullah (1993), Ray (1994) and Mohanty (2002) in their studies; also reported evidences contradicting the application of CAPM in Indian capital market. Sehgal et al. (2002) in their study documented that 60% of the Indian respondents prefer and have conviction that small cap stocks gives more return as compare to large cap stocks if invested for the long period of time. Sehgal et al. (2003) on using alternative size measures documented strong presence of size effect and a weak value effect in Indian stock market for the period 1989-1999. Muneesh and Sehgal (2003) on using two different measures total assets and net sales found the strong existence of size effect in India. Kumar and Sehgal (2004) on using both market and non-market measures documented size effect and weak value effect on sample of 364 Indian companies. Sehgal and Tripathi (2005) reported monthly size premium of 3.99% for a sample of 482 BSE-500 companies for the period of 1990-2003. Sehgal and Tripathi (2006) by using the multivariate analysis documented variation in small firms to large firms in risk characteristics related to financial leverage, operating efficiency, stock liquidity, distress level and institutional neglect. Prasad and Verma (2013) found absence of size effect in Indian Stock market for a sample of 500 companies listed in the CNX Nifty 500 index for the study period of 2001-2010.

METHODOLOGY
SAMPLE COMPANIES
The sample for the study consists of the companies included in BSE 500 index, as on 31st March 2014. The data for the study comprises of adjusted closing prices of month-end for the sample companies for the period of 13 years starting from March 2002 to March 2014. The annual figures of net fixed assets and net annual sales for the sample companies are taken as on 31st March. Due to unavailability of continuity of data for 192 companies only 308 companies are taken for study listed in BSE 500 index. Data is taken from Center for Monitoring Indian Economy (CMIE). For all the sample companies the monthly log (ln) returns of stock prices are calculated.

PORTFOLIO CONSTRUCTION

For this study, two accounting measurement parameters net fixed assets and net annual sales are used. Based on these two parameters sample companies are ranked and sorted for first year as on 31st March 2002 and process is repeated in every consecutive year for the period of 13 years. After the ranking, these companies are separated into five equally weighted portfolios i.e. P1, P2, P3, P4 and P5. P5 and P1 represent portfolios holding 20% largest size companies and 20% smallest size companies respectively based on the two size measures. Hence, five sets of portfolios are constructed for each year based on two size measures. Returns on these equally weighted portfolios are calculated from October to next September and reconstitution is repeated for the sample period; as information publish in by Indian companies gets reflected in stock prices till September month. As the sample data is from BSE 500 index the market proxy is the returns generated by BSE Sensex. 91 days Treasury bill, rate of return applicable to the study period is taken as a risk-free rate.

Size premium is propensity of small market cap stocks to outperform large market cap stocks over a period of time. Risk premium is the excess rate of return over risk-free rate on an investment.

To find out the size premium (excess returns from the portfolio over the market portfolio) on the portfolios the following standard market model is applied:

$$R_{pt} - R_{ft} = \alpha_t + \beta\,(R_{mt} - R_{ft}) + \varepsilon \quad (1)$$

Where,

$R_{pt} - R_{ft}$ = Excess returns on portfolio at time t

α_t = Excess return of the portfolio

β = Slope coefficient measuring the sensitivity of portfolio to market return

$R_{mt} - R_{ft}$ = Excess return of Market proxy index over risk-free rate of return

ε = Random error term

RESULTS AND DISCUSSION

The descriptive statistics of the logarithmic returns of the five portfolios based on fixed assets is presented in Table 1.1. The highest (0.009) mean returns are for P1 with a highest standard deviation of 0.095. The lowest (0.000) mean returns are for P5 with a lowest standard deviation of 0.069. The Sensex mean returns are positive (0.008) with a standard deviation of (0.069). The p values for all the portfolios and Sensex indicate that none of the return series are normally distributed.

The descriptive statistics of the logarithmic returns of the five portfolios based on Net Sales are presented in Table 1.2. The highest (0.010) mean returns are for P1 with a highest standard deviation of 0.104. The lowest (0.001) mean returns are for P4 with a standard deviation of 0.094. The p values for all the portfolios indicate that none of the return series are normally distributed.

Table 1.3 presents the time series cross correlation between fixed assets and net sales. There is (0.870) correlation between net sales and fixed assets which depicts a good association between them.

Table 1.4 presents the mean excess returns of portfolios, wherein based on fixed assets the mean excess returns on P_{SMALL} are 0.009 whereas P_{LARGE} has no excess returns which indicates that P_{SMALL} has excess returns 10.8% more vis-à-vis P_{LARGE}. In case of portfolios based on the net sales, the mean excess returns on P_{SMALL} are 0.010 whereas the mean excess returns on P_{LARGE} are 0.002 which indicates that P_{SMALL} has excess returns 9.9% more vis-à-vis P_{LARGE}. Thus, the size premium is lying with the small stocks portfolio.

Table 1.5 shows size premiums based on fixed assets; wherein the maximum size premium on P1 is over P5 (0.009) which is significant (p value 0.012) at 5% level of significance (t value 2.548). The size premiums for other portfolios are not significant in terms of returns. Hence, out of ten portfolios based on fixed assets one size premium only is significant.

Based on net sales, the maximum size premium on P1 is over P4 (0.009) which is significant (p value 0.010) at 5% level of significance (t value 2.598). The size premium for P1 over P5 is 0.008 which is significant (p value 0.042). The size premium for P2 over P4 is 0.008 which is also significant (p value 0.030). Hence, out of ten portfolios based on net sales three size premiums only are significant.

Excess returns on portfolio is captured by the alpha (more than 0) explained by the excess market returns. The market model results for the portfolios based on fixed assets are presented in Table 1.6; the alpha value on P1 (0.000) indicates that there are no abnormal returns on P1. The alpha value on P2 (-0.002) indicates that there is negative and no abnormal returns on P2. The alpha value on P3 (-0.004) indicates that there is negative and no abnormal returns on P3. The alpha value on P4 (-0.004) indicates that there is negative and no abnormal returns on P4. The alpha value on P5 (-0.010) indicates that there is abnormal returns on P5; significant at 5% level of significance (p value 0.004). It is to be noted that R^2 value is increasing monotonically with respect to size of the portfolios interpreting that small firm stocks have larger variables other than market returns (Sensex) explaining variation in returns. Hence, significant abnormal returns are generated by portfolio P5 only.

The market model results for the portfolios based on net sales are presented in Table 1.7; the alpha value on P1 (0.000) indicates that there are no abnormal returns on P1. The alpha value on P2 (-0.000) indicates that there is negative and no abnormal returns on P2. The alpha value on P3 (-0.004) indicates that there is negative and no abnormal returns on P3. The alpha value on P4 (-0.008) indicates that there is abnormal returns on P4; significant at 5% level of significance (p value 0.034) on P4. The alpha value on P5 (-0.007) indicates that there is abnormal returns; significant at 5% level of significance (p value 0.028) on P5. Since, excess returns are not statistically significant for small stocks whereas excess returns are statistically significant for P4 and P5, indicating there is no size effect.

CONCLUSION

The findings of the study interpret that based on two accounting measures of size namely fixed assets and net sales there is absence of abnormal returns on small stocks portfolios however there is presence of abnormal returns on large stocks portfolios. The result confirms the size premium of 10.8% and 9.6% annually based on fixed assets and net sales respectively (significant at 5% level). The findings are inconsistent with findings of Sehgal and Tripathi (2005) for the period of 1993-2003 which confirms strong presence of size effect in Indian stock market. However, the findings of the study is consistent with the findings of Rakhi and Mittal (2015) which noted no strong evidence of size effect on the basis of market capitalization for the period of 2003 to 2007 in Indian stock market. The results are also in symmetrical with the results of Prasad and Verma (2013) which also confirms the absence of size effect in the Indian stock market for the period 2002 to 2010. The outcome of the study proposes investment managers to design investment strategy considering large stocks in portfolio to gain extra profits on portfolios. The findings highlight the possible cause may be advancement in technology, improvement in market efficiency and investors being more updated leads to pricing of securities efficiently. The outcomes reveal the fact that small firm stocks are not neglected and considered well in their pricing.

Hence forth, it is concluded that size effect is not detected using the sample of 500 companies listed in BSE 500 index for the period of 13 years from March 2002 to March 2014 on five equally weighted portfolios representing small firm stocks and large firm stocks were constructed based on fixed assets and net sales respectively. Using the BSE index as a market proxy, market model was applied which indicates the abnormal returns only for large size stocks. The study invites further research to be undertaken using different measures of size and market proxies for different time period.

REFERENCES

1. Banz, R.W. (1981). “The Relationship Between Securities Yields, Firm Size, Earnings/Price Ratios”, *Journal of Business Finance and Accounting,* Volume 21, Issue 1, pp. 109-131.
2. Berk, J. B. (1996). “An Empirical Re-Examination of the Relation between Firm Size and return”, Working Paper, School of Business Administration, University of Washington, Washington.
3. Brown, P., Kleidon, A.W., Marsh, T.A. (1983). “New evidence on the nature of size related anomalies in stock prices”. *Journal of Financial Economics.* 12, 33-56.
4. Fama, E. and French K. (1995). "Size and Book to Market Factors in Earnings and Returns", *Journal of Finance*, Volume 50, pp.131-155.
5. Fama, E., and French, K. (1993). "Common Risk Factors in the Returns of Stocks and Bonds", *Journal of Financial Economics,* Volume33, pp.3-56.

6. Fama, E., and French, K. (1996). "Multifactor Explanations of Asset Pricing Anomalies", *Journal of Finance*, Volume 51, pp. 55-84.
7. Fama, E.F., and MacBeth, J.D., (1973), "Risk, Return and Equilibrium: Empirical Tests," *Journal of Political Economy,* 81, pp.607-636.
8. Hawawini, G., Keim, D.B. (1995). "On the predictability of common stock returns: World –wide evidence. In: Jarrow, R., Maksimovic, V., Ziemba, W.T., (Eds.), *Handbooks in Operations Research and Management Science*. North Holland, Amsterdam.
9. Keim and Donald B. (1983). Size related anomalies and stock returns seasonality: Further empirical evidence. *Journal of Financial Economics,* 12.
10. Kumar, M., and Sehgal, S., (2004), "Company Characteristics and Common Stock Returns: The Indian experience," *Vision–The Journal of Business Perspective,* July- December, pp.33-45.
11. Lamoureux, C.G., Sanger, G.C. (1989). "Firm size and turn-of-the-year effects in the OTC/Nasdaq market", Journal of Finance 44, 1219-1245.
12. Mohanty, P. (2001). "Efficiency of the Market for Small Stocks", NSE Research Paper Series, Mumbai.
13. Mohanty, P.(2002). "Evidence of Size Effect on Indian Stock Returns", Vikalpa, 27(2), pp.27-37.
14. Obaidullah,M. (1993). "Does the CAPM explain Actual Price Behavior, *Chartered Financial Analyst*.
15. Prasad,S. and Verma,A. (2013). "Size and returns: A study of the Indian Stock Market*". Indian Journal of Finance*, Volume 7, No.5.
16. Rakhi and Mittal R.K. (2015). "Anomalies in Indian stock market post 2002". Thesis Shodhganga.
17. Ray, Subrata (1994), Capital Asset Pricing Model: The Indian Context, Unpublished doctoral dissertation, Indian Institute of Management, Bangalore.
18. Reinganum, M. R. (1981). "Misspecifications of Capital Market Pricing: Empirical Anomalies Based on Earnings Yields and Market Values", *Journal of Financial Economics*, Volume 9, Issue 2, pp.19-46.
19. Sehgal S. (2002). "Investor Behavior in Indian Capital Market", *Review of commerce studies,* Volumes 20-21*,* pp. 123-152.
20. Sehgal S., Muneesh, K. (2002). "The Relationship Between Company Size, Relative Distress and Returns in Indian Stock Market", *The ICFAI Journal of Finance*, Volume 8, Issue 2, pp. 41-50.
21. Sehgal, S. (2003). "Common Factors in Stock Returns: The Indian Evidence", *The ICFAI Journal of Applied Finance*, Volume 9, Issue 1, pp.5-16.
22. Sehgal, S., and Tripathi, V. (2005). "Size Effect in Indian Stock Market: Some Empirical Evidence", *Journal of Business Perspective,* Volume 9, Issue 4, pp. 27-42.
23. Sehgal, S., and Tripathi, V. (2006). "Sources of Size effect: Evidence from Indian Stock Market: *The ICFAI Journal of Applied Finance,* Volume 12, Issue 3, pp.18-28.
24. Sharpe, W. F. (1964). "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk", *The Journal of Finance*, Volume 19, Issue 3, pp. 425-442.

TABLES

TABLE 1.1: DESCRIPTIVE STATISTICS OF PORTFOLIOS BASED ON FIXED ASSETS AND SENSEX

Portfolio	Obs.	Mean	Std. Dev.	p-Value
P1	156	0.009	0.095	0.000
P2	156	0.006	0.090	0.000
P3	156	0.005	0.088	0.000
P4	156	0.005	0.092	0.000
P5	156	0.000	0.009	0.000
Sensex	156	0.008	0.069	0.000

TABLE 1.2: DESCRIPTIVE STATISTICS OF PORTFOLIOS BASED ON NET SALES

Portfolio	Obs.	Mean	Std. Dev.	p-Value
P1	156	0.010	0.104	0.000
P2	156	0.007	0.087	0.000
P3	156	0.005	0.090	0.000
P4	156	0.001	0.094	0.000
P5	156	0.002	0.092	0.000

TABLE 1.3: CROSS CORRELATION MATRIX OF TWO SIZE MEASURES (FIXED ASSETS AND NET SALES)

	Fixed Assets	Net Sales
Fixed Assets	1.000	0.870
Net Sales		1.000

Correlation is significant at 0.01 level (2-tailed)

TABLE 1.4: MONTHLY MEAN EXCESS RETURNS OF PORTFOLIOS

Portfolio	Fixed Assets	Net Sales
P1	0.009	0.010
P2	0.006	0.007
P3	0.005	0.005
P4	0.005	0.001
P5	0.000	0.002

TABLE 1.5: MONTHLY SIZE PREMIUM (SMB) ON PORTFOLIOS

Portfolio	Fixed Assets	Net Sales
(P1-P2)	0.002	0.002
p-Value	(0.323)	(0.337)
(P1-P3)	0.004	0.005
p-Value	(0.089)	(0.095)
(P1-P4)	0.004	0.009
p-Value	(0.161)	(0.010)*
(P1-P5)	0.009	0.008
p-Value	(0.012)*	(0.042)*
(P2-P3)	0.001	0.002
p-Value	(0.506)	(0.283)
(P2-P4)	0.001	0.006
p-Value	(0.641)	(0.030)*
(P2-P5)	0.006	0.005
p-Value	(0.091)	(0.173)
(P3-P4)	-0.000	0.003
p-Value	(0.837)	(0.151)
(P3-P5)	0.004	0.002
p-Value	(0.151)	(0.443)
(P4-P5)	0.004	-0.001
p-Value	(0.064)	(0.710)

Note: p Value less than 5% is statistically significant

TABLE 1.6: RESULTS OF MARKET MODEL FOR PORTFOLIOS BASED ON FIXED ASSETS

Portfolio	Alpha	p-Value	Beta	R-Square
P1	0.000	0.950	1.117	0.661
P2	-0.002	0.607	1.065	0.669
P3	-0.004	0.278	1.081	0.722
P4	-0.004	0.277	1.148	0.744
P5	-0.010	0.004*	1.271	0.821

TABLE 1.7: RESULTS OF MARKET MODEL FOR PORTFOLIOS BASED ON FIXED ASSETS

Portfolio	Alpha	p-Value	Beta	R-Square
P1	0.000	0.950	1.117	0.661
P2	-0.002	0.607	1.065	0.669
P3	-0.004	0.278	1.081	0.722
P4	-0.004	0.277	1.148	0.744
P5	-0.010	0.004*	1.271	0.821

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, Economics & 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 **infoijrcm@gmail.com** 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 to an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

The information and opinions presented in the Journal reflect the views of the authors and not of the Journal or its Editorial Board or the Publishers/Editors. Publication does not constitute endorsement by the journal. Neither the Journal nor its publishers/Editors/Editorial Board nor anyone else involved in creating, producing or delivering the journal or the materials contained therein, assumes any liability or responsibility for the accuracy, completeness, or usefulness of any information provided in the journal, nor shall they be liable for any direct, indirect, incidental, special, consequential or punitive damages arising out of the use of information/material contained in the journal. The journal, neither its publishers/Editors/ Editorial Board, nor any other party involved in the preparation of material contained in the journal represents or warrants that the information contained herein is in every respect accurate or complete, and they are not responsible for any errors or omissions or for the results obtained from the use of such material. Readers are encouraged to confirm the information contained herein with other sources. The responsibility of the contents and the opinions expressed in this journal are exclusively of the author (s) concerned.

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