

# **CHAPTER – I**

## **INTRODUCTION**

### **a. Meaning and importance of Capital Market**

#### **Introduction To The Capital Market**

A capital market is a market for securities (equity and debt), where business enterprises (companies) and governments can raise long-term funds. It is defined as a market in which money is provided for periods longer than a year (raising of short-term funds takes place on other markets like the money market). Financial regulators, such as SEBI and RBI regulate and oversee the capital market in their designated jurisdictions to ensure an orderly development of the market and protection of investors.

Capital market can be classified into primary market and secondary market. In the primary market, new stocks and bonds are sold by companies to investors. In the secondary market, the existing issued securities are sold and bought among investors or traders through a stock exchange.

Capital market development is essential for the economic development of a country. The objective of economic activity in any country is to promote the well-being and standard of living of its people, which depends upon the distribution of income in terms of

goods and services in the economy. For the growth process in the economy, production plays a vital role. Production of output depends upon material inputs, human inputs, and financial inputs. Material inputs are in the form of raw materials; plant, and machinery etc., Human inputs are in the form of intellectual, managerial and labour manpower. Financial inputs are in the shape of capital, cash, credit etc. The proper availability and utilization of these inputs promotes the economic growth of a country. The financial inputs, among other sources, emanate from the capital market system. The capital market thrives with investors' confidence based upon their return on investment as well as from anticipated capital appreciation from their investment.

Investors are a heterogeneous group; they comprise wealthy and middle class, educated and illiterate, young and old, expert and lay man. However, all investors need protection; not protection for assured growth of their investments but protection from malpractices and frauds. An investor typically has three objectives: safety of the invested money, liquidity of the invested money and returns on the investments. There can often be conflicts in the objective of allowing raising of capital for economic development on one hand and protection of investors on the other. However, it is beyond debate that unless the interests of investors are protected, raising of capital would be difficult. An efficient capital market

should, therefore, provide a mechanism for efficient raising capital as well as have adequate safeguards to protect the interests of the investors.

In the Indian scenario, efforts were made right since Independence, to create a healthy and efficient capital market through legislative measures. The Capital Issues (Control) Act, 1947 was the first piece of legislation passed in India to control the capital market. Subsequently, The Companies Act was enacted in 1956.

The watershed event in this direction was in 1992 when the Capital Issues Control Act was replaced by the Securities and Exchange Board of India Act, 1992. This Act provides *“for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto.”*

SEBI has given priority to both the development, promotion and regulation of the capital market and to investor protection. Its greater focus on investor protection has earned it the name of the Watchdog of the capital market. SEBI strongly believes that investors are the backbone of the capital market as they are the providers of the capital for the economic growth of the country and also are the fulcrum around which the trading in securities takes place.

SEBI has laid down guidelines for almost all constituents of the capital market-from issuers on one hand to stock exchanges on the other hand and all other intermediaries like stock brokers, merchant bankers and underwriters. It also regulates the intermediary fund managers like mutual funds, portfolio managers and collective investment schemes.

Alert to the changing markets-both domestic and international, SEBI continuously revises its various guidelines and regulations.

In the primary market, the focus is on regulation through disclosures. Starting of with the Disclosure and Investor Protection (DIP) Guidelines, SEBI has recently converted these guidelines into the Issue of Capital and Disclosure Requirements) Regulations) (ICDR). These Regulations prescribe detailed norms and directions on disclosures.

However, many investors, especially small investors, do not possess adequate expertise/ knowledge to take informed investment decisions. Many of them are not aware of the risk-return profiles of various investment products. A large number of investors are not fully aware of the precautions they should take while dealing with the market intermediaries. Many are not familiar with the market mechanisms and practices as well as with their rights and obligations.

In the last decade, far-reaching developments have taken place in the capital market. These have impacted the issuers, the intermediaries as well as the investors. The present capital market is significantly different from what it used to be even in the nineties, leave aside the period prior to that. However, new challenges emerge almost on a daily basis. These are substantially fuelled by the huge rewards that the capital market has the potential to offer compared to any other form of investment. At the same time, wrong investment decisions can lead to huge losses too. As such, this market requires considerable skill and expertise, and a higher-than-normal risk profile

Different securities carry different risk-return profiles. Generally, higher risks carry higher returns and vice-versa. The risks may be in the form of credit risk (counter party may default on payment), return risk (the returns from the investment depends upon several contingent factors) and liquidity risk (it may be difficult to convert the securities into cash]. While the counter party risk has been significantly mitigated by the regulator, the other two risks are market-related risks.

Various investment options are available in the capital market and an investor should choose the right products based upon his life cycle stage and upon various parameters like liquidity, safety, returns and taxes, He of course needs to decide whether he has the

skills and time for active management of his investments or would he rather pass on this responsibility to a mutual fund or a portfolio manager.

Investors do not have any control over the day to day activities of any company. Investor cannot guide the fate or destiny of the money invested. An investor to that extent is quite fragile. Worse, he is exposed to additional risks if the promoters of the company siphon off or misutilize his money. There are, no doubt, laws some of which are adequate to protect the interests of investors, but inadequacies of certain legislative measures have come to light wherein innocent investors have been deprived of their hard earned money.

“Investor protection” is a very popular phrase which all those concerned with regulation of the capital market use these days, be it SEBI, stock exchanges, investors associations, and even the companies themselves. The term “Investor Protection” is a wide term encompassing various measures designed to protect the investors from malpractices of companies, merchant bankers, depository participants and other intermediaries.

“Investors Beware” should be the watchword of all programs for mobilization of savings for investment. As all investments have some risk element, this should be borne in mind by the investors.

If caution is thrown to the winds, they have only to blame themselves.

### **Understanding Financial Markets**

The financial markets can broadly be divided into money market and capital market.

**Money Market:** Money market is a market for debt securities that pay off in the short term usually less than one year, for example, the market for 90-days treasury bills. This market encompasses the issuance and trading of short term non-equity debt instruments including treasury bills, commercial papers, bankers' acceptance, certificates of deposits, etc.

**Capital Market:** Capital market is a market for long-term debt and equity shares. In this market, the capital funds comprising of both equity and debt are issued and traded. This includes both private placement sources of debt and equity as well as organized markets like stock exchanges. Capital market can be further divided into the primary market and the secondary market.

In the primary market, securities are offered to the public for subscription, for the purpose of raising capital or funds or dilution of the promoter's holding for the purposes of listing.

**Secondary** market refers to a market where securities, both equity and debt, are traded after being initially offered to the public in the primary market and/or listed at the stock exchanges. Majority of the trading is done in the secondary market.

For an investor, the secondary market provides an efficient platform for trading of his securities. For the management of the company, secondary equity markets serve as a monitoring and control conduit—by facilitating value-enhancing control activities, enabling implementation of incentive-based management contracts, and aggregating information (via price discovery) that guides the management decisions.

### **Components Of The Capital Market**

The focus of the capital market is the investor. The other components of the market which include the government, regulators, issuers, exchanges and various types of intermediaries, all of whom work for the investor.

Some of the market components work as regulators, some as mediators, some as issuers and some as investors. These are:

REGULATORS	Ministry of Corporate Affairs (MCA), Ministry of Finance (Stock Exchange Division), Securities and Exchange Board of India
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	(SEBI) and Stock Exchanges.
INTERMEDIARIES	<p><b>Participants in the Indian capital market (SEBI- regulated):</b></p> <ul style="list-style-type: none"> <li>• Stockbrokers, sub-brokers, share transfer agents, bankers to an issue, trustees, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers, and other such intermediaries;</li> <li>• Depositories, participants, custodians of securities, FIIs, credit rating agencies, and other such intermediaries</li> </ul>
ISSUERS	Corporate (Primary & Secondary Market), venture capital funds and collective investment schemes, including mutual funds.

### **INVESTMENT OPTIONS**

Various options available are described in the following paragraphs and evaluated broadly on criteria such as

- Liquidity

- Safety
- Returns
- Tax savings
- Active involvement required to manage the investment
- Minimum amount that can be invested

### **Equity Shares**

An equity share, commonly referred to as ordinary share represents a fractional ownership of the company in which a shareholder, as a fractional owner, undertakes the entrepreneurial risks and rewards associated with a business venture. The holders of such shares are members of the company and have voting rights. Equity Shares can be purchased in the Primary and Secondary Markets.

**Primary Market:** Primary market refers to issue of securities by companies/entities to the public. Apart from shares, other instruments commonly issued in the primary market are debentures, convertible debentures, shares with attached options like warrants etc.

**Secondary Market:** Secondary market refers to the stock exchanges where an investor can buy (or sell) shares which are

listed on them. As a result of significant changes in the recent past, particularly computerization, online trading, dematerialization and depository participation, investors are dealing with a much more transparent and efficient secondary market.

Equity Shares yield returns in two ways: one, dividends declared by companies usually at the end of a year (and sometimes during the course of the year) and, two, capital gains on selling.

Liquidity of investments in equity shares depends upon the trading volumes of the share. If the share is actively traded, an investor can easily sell the shares and realize the sale proceeds. However, if the share is not traded (or is delisted), then liquidity is a constraint. Technically, it is possible to buy even one share in the dematerialized securities regime.

### **Significance, Role or Functions of Capital Market**

Like the money market capital market is also very important. It plays a significant role in the national economy. A developed, dynamic and vibrant capital market can immensely contribute for speedy economic growth and development.

Functions and role of the capital market are:

1. **Mobilization of Savings:** Capital market is an important source for mobilizing idle savings from the economy. It mobilizes

funds from people for further investments in the productive channels of an economy. In that sense it activate the ideal monetary resources and puts them in proper investments.

2. **Capital Formation:** Capital market helps in capital formation. Capital formation is net addition to the existing stock of capital in the economy. Through mobilization of ideal resources it generates savings; the mobilized savings are made available to various segments such as agriculture, industry, etc. This helps in increasing capital formation.
3. **Provision of Investment Avenue :** Capital market raises resources for longer periods of time. Thus it provides an investment avenue for people who wish to invest resources for a long period of time. It provides suitable interest rate returns also to investors. Instruments such as bonds, equities, units of mutual funds, insurance policies, etc. definitely provides diverse investment avenue for the public.
4. **Speed up Economic Growth and Development :** Capital market enhances production and productivity in the national economy. As it makes funds available for long period of time, the financial requirements of business houses are met by the capital market. It helps in research and development. This helps in,

increasing production and productivity in economy by generation of employment and development of infrastructure.

5. **Proper Regulation of Funds:** Capital markets not only helps in fund mobilization, but it also helps in proper allocation of these resources. It can have regulation over the resources so that it can direct funds in a qualitative manner.
6. **Service Provision:** As an important financial set up capital market provides various types of services. It includes long term and medium term loans to industry, underwriting services, consultancy services, export finance, etc. These services help the manufacturing sector in a large spectrum.
7. **Continuous Availability of Funds:** Capital market is place where the investment avenue is continuously available for long term investment. This is a liquid market as it makes fund available on continues basis. Both buyers and seller can easily buy and sell securities as they are continuously available. Basically capital market transactions are related to the stock exchanges. Thus marketability in the capital market becomes easy.

These are the important functions of the capital market.

## **Indian Capital Markets – Scenario in last decade**

Since 2003, Indian capital markets have been receiving global attention, especially from sound investors, due to the improving macroeconomic fundamentals. The presence of a great pool of skilled labour and the rapid integration with the world economy increased India's global competitiveness. No wonder, the global ratings agencies Moody's and Fitch have awarded India with investment grade ratings, indicating comparatively lower sovereign risks.

The Securities and Exchange Board of India (SEBI), the regulatory authority for Indian securities market, was established in 1992 to protect investors and improve the microstructure of capital markets. In the same year, Controller of Capital Issues (CCI) was abolished, removing its administrative controls over the pricing of new equity issues. In less than a decade later, the Indian financial markets acknowledged the use of technology (National Stock Exchange started online trading in 2000), increasing the trading volumes by many folds and leading to the emergence of new financial instruments. With this, market activity experienced a sharp surge and rapid progress was made in further strengthening and streamlining risk management, market regulation, and supervision.

The securities market is divided into two interdependent segments:

- The primary market provides the channel for creation of funds through issuance of new securities by companies, governments, or public institutions. In the case of new stock issue, the sale is known as Initial Public Offering (IPO).
- The secondary market is the financial market where previously issued securities and financial instruments such as stocks, bonds, options, and futures are traded.

In the recent past, the Indian securities market has seen multifaceted growth in terms of:

- The products traded in the market, viz. equities and bonds issued by the government and companies, futures on benchmark indices as well as stocks, options on benchmark indices as well as stocks, and futures on interest rate products such as Notional 91-Day T-Bills, 10-Year Notional Zero Coupon Bond, and 6% Notional 10-Year Bond.
- The amount raised from the market, number of stock exchanges and other intermediaries, the number of listed stocks, market capitalization, trading volumes and turnover on stock exchanges, and investor population.
- The profiles of the investors, issuers, and intermediaries.

- Broad Constituents in the Indian Capital Markets
- Fund Raisers are companies that raise funds from domestic and foreign sources, both public and private. The following sources help companies raise funds:
  - Fund Providers are the entities that invest in the capital markets. These can be categorized as domestic and foreign investors, institutional and retail investors. The list includes subscribers to primary market issues, investors who buy in the secondary market, traders, speculators, FIIs/ sub accounts, mutual funds, venture capital funds, NRIs, ADR/GDR investors, etc.
  - Intermediaries are service providers in the market, including stock brokers, sub-brokers, financiers, merchant bankers, underwriters, depository participants, registrar and transfer agents, FIIs/ sub accounts, mutual Funds, venture capital funds, portfolio managers, custodians, etc.
  - Organizations include various entities such as BSE, NSE, other regional stock exchanges, and the two depositories National Securities Depository Limited (NSDL) and Central Securities Depository Limited (CSDL).



- Market Regulators include the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), and the Department of Company Affairs (DCA).



Capital market plays an extremely important role in promoting and sustaining the growth of an economy. It is an important and efficient conduit to channel and mobilize funds to enterprises, and provide an effective source of investment in the economy. It plays a critical role in mobilizing savings for investment in productive assets, with a view to enhancing a country's long-term growth prospects. It thus acts as a major catalyst in transforming the economy into a more efficient, innovative and competitive marketplace within the global arena.

In addition to resource allocation, capital markets also provide a medium for risk management by allowing diversification of risk in the economy. A well-functioning capital market also tends to improve information quality as it plays a major role in encouraging the adoption of stronger corporate governance principles, thus supporting a trading environment, which is founded on integrity.

Capital market has played a crucial role in supporting periods of technological progress and economic development throughout history. Among other things, liquid markets make it possible to obtain financing for capital-intensive projects with long gestation periods. This certainly held true during the industrial revolution in the 18th century and continues to apply even as we have moved towards the so-called "New Economy".

The existence of deep and broad capital market is absolutely crucial and critical in spurring the growth of our country. An essential imperative for India has been to develop its capital market to provide alternative sources of funding for companies and in doing so, achieve more effective mobilization of investors' savings. Capital market also provides a valuable source of external finance.

For a long time, the Indian market was considered too small to warrant much attention. However, this view has changed rapidly as vast amounts of international investment have poured into our markets over the last decade. The Indian market is no longer viewed as a static universe but as a constantly evolving market providing attractive opportunities to the global investing community.

## **b. Importance of Investors' Satisfaction**

Indian capital market has undergone many developmental changes in past 20 years. In this period the way investors perceive the market has also changed. It is observed that the major regulatory developments after the establishment of SEBI are with the mandate to protect the interest of investors in securities market or for the matters connected therewith or incidental thereto. Changes in regulatory structure has surely changed the point of view of investors. With availability of credit rating agencies like CRISIL, ICRA, CARE etc investors can now be helpful in accessing financial health of various issuers, financial institutions and agencies connected with the financial market. Investors can even understand risk in any particular investment. It is very important to study what exactly is the impact created on the minds of investors because of all these reforms. Even it is justified to consider investors satisfaction with reference to such reforms. Investors have witnessed real time trading, cash settlement, improved margining system and much more facilities in past few years. So to pen down their experience with reference to these changes it is very important to study investors' satisfaction.

### **c. Review of Literature**

In November 2011 an academician Mr. Vijay Kelkar presented his work in NSE working paper series titled MOVING AHEAD WITH EXCHANGE REFORMS. In this study researcher highlighted reforms in the industry. The paper advocates that there is a need to address the issue of conflict of interest between the regulatory and commercial roles of the exchanges on a priority basis.

A very detailed literature is presented by C.Rangarajan, the then governor of RBI in Nov 1997 bearing the title “Indian Financial Market Changes & Challenges”. The literature was presented at 2<sup>nd</sup> Stock Market Summit with detailed note on challenges on Indian Stock Market considering the prevailing scenario and recent reforms.

Assocham (Associated Chambers of Commerce and Industries in India) and PWC (Price Waterhouse Coopers) jointly researched on the topic “Indian financial industries a roadmap 2020”. Reforms and challenges concerned with Indian Stock Market are discussed in this report. This report is published in October 2010 with detailed comparison on the related issues.

Challenges before Indian stock Market are highlighted in the report presented by L.C. Gupta bearing title “Challenges before Securities & Exchange Board of India”. In its critical assessment of the

regulatory effectiveness of SEBI, the author find the stock market still plagued by price rigging, opaqueness of trade and a ubiquitous sub broker system. It is mentioned that the SEBI can ensure effectiveness by instituting collective decision making in its functioning and by insisting on better monitoring of corporate governance.

Going through many related literatures, following research gap is identified:

Many researchers have studied reforms in capital market but it is very important to study current topic with reference to investor satisfaction.

Researches are already carried out pointing out stock exchanges, SEBI and government policies but how a retail investor perceives all these reforms carries equal importance.

Being a researcher based at Nagpur district it is justified to concentrate the efforts specifically studying the current topic with reference to the Nagpur district of Vidarbha region.

#### **d. Need and scope of the study**

India is a developing country but still Indians follow traditional approach while investing. Physical assets are always preferred over financial assets. Indians still trust bank deposits, investment in physical gold and in real estate as compared to investment in shares and mutual funds.

Indians have about 1606 million savings and deposit accounts with banks. Indian households have more than 16000 tonnes of gold, most of that in the form of jewelry. Indians are also very crazy about real estates and extremely fascinated for their own house and in turn invest big amount in this sector. But on the contrary data from NSDL and CDSL reflects that Indians own less than 20 million D-mat accounts only of which about 30% accounts are zero-balance with no transactions taking place. Many Indians still do not have PAN numbers which is a pre requisite to open a Demat account.

Hence it is the matter of research why Indians are not turning towards for investment in capital market. May be the first time investors are not satisfied by the returns or may be due to panic because of volatility and are feeling safe being away from market. All these facts justify the study in the area of reforms in capital market. It is very important to study invertors' satisfaction in this



regard to predict possible future behavior of Indian investor. This study will surely be helpful to issuers of the securities for future planning of issues. Moreover it can give fair idea to policy makers and regulatory authorities about current scenario in capital market and may provide justified background for future policy making. Prospective investors can assist and steer themselves towards the area of opportunities with the help of this study.

## **CHAPTER – II**

### **PROFILE OF NAGPUR DISTRICT**

#### **BACKGROUND NAGPUR CITY**

Nagpur is considered to be the heart of India and has a glorious past. Known as one of the green cities, Nagpur has its prominence in the present political and commercial and historical scenario, as in the past. The development plan for Nagpur is under final stages of review by the State Government. But is Nagpur ready for the next millennium?

The present state of Nagpur has a stark difference from what was mentioned in the city's original plan. As per the original plan even before independence, Nagpur would have been the second capital of the country. The British rulers, owing to Nagpur's locational advantage preferred it as an alternative capital which was then a forest city. To better understand the importance of Nagpur, it would be appropriate to go into the history of development of Nagpur in brief.

#### **2 History Of Nagpur City Development:**

Nagpur which appears as one single city is in fact a twin city strategically planned by different rulers in different periods. The present Nagpur was occupied by 12 small hamlets known by the

name of "Rajpur Barsa" till 1686 A.D. The inhabitants were primarily Gonds and Adivasis in the wooden fort on the hills at Deogarh about 30 miles from present Chhindwara.

Deogarh kingdom included whole a Modern Chhindwara, Nagpur, Bhandara, Seoni, Balaghat, Betul and Hoshangabad Districts upto Chanda in the South. The Deogarh kingdom gained prominence and enjoyed power for nearly 200 years from Raja Jatba's period till the conquest by Raghuji Bhonsla. The Gond Rajas moved from Haryagarh to Deogarh and to Nagpur as their political power slowly flourished.

Bakht Bulland Shah formed Nagpur city after 1686 and named it so after lord Nag. Nag River (Nag Nallah) was actually a waste water stream and then Nagpur was located on it's banks. Bakht Bulland shah's eldest son Chand Sultan became the king in 1706 and made Nagpur his capital by shifting his court from Deogarh Fort. Raja Chand Sultan constructed the Killa palace in Mahal and fortified it with a 3 mile wall in circumference. An emblem of Nagpur as the Capital of Deogarth Kingdom and ruins from that by-gone era, still exists in Mahal area of the city. He prepared the first Development plan of Nagpur city and continued it's work for next 33 years of his regime. During this time, he constructed Telengkhedi Tank, Telengkhedi Garden, Ambajhari Lake, Maharajbagh, Shukrawari Tank and the remains of Killa palace.

The planning and implementation were based on perfect town planning principles.

The city's misery began after the death of Raja Chand Sultan in 1739. Due to infighting, Raghuji Bhonsla, captured Wali Shah to reinstate Burhan Shah on the Kingdom of Deogarh. As gratitude the kingdom's part comprising Gondwana, Pauni, Marwad and Balaghat were given to Raghoji Sena Saheb. The Maratha chieftain came and lived in Nagpur and Deogarh. In 1742 A.d. Raghuji Bhonsla got established in place of Raj-Gond Maharajas and the Deogarh family was ousted without any bloodshed. Under the Bhonsla regime the condition of the city deteriorated further due to infighting. Finally the Bhonslas lost power to the Britishers in the battle of sitabuldi on November 26-27, 1817.

The British Government realizing the locational importance of Nagpur amended original city plan of Chand sultan to meet to their requirements. In 1936 the Britishers established Nagpur Improvement Trust (NIT) for city's development. The city became the capital of Central Province & Berar state and old Madhya Pradesh. After re-organizing of states, half of Deogarh Kingdom went to Maharashtra as also Nagpur, which was adopted as the second capital of the state, but actually it deserved the status of the second capital of India.

Britishers, with the help of M/s Patrice Geddes and S.V. Lancaster, famous town planning experts planned to convert Nagpur into a garden city. The Britishers mooted NIT to provide controlled expansion of Nagpur city. The Civil Station Expansion Scheme was subsequently sanctioned as NIT scheme on June 20, 1939.

The Britishers wanted to develop their own city to the west of old Nagpur which was the capital of Deogarh Kingdom. Nagpur was being developed to enable Britishers to control its operations from Nagpur and hence a second twin city was planned and action started since 1853 D.D. Itself. Britishers wanted to establish Governor's province at the centre of India to rule the nation from spot of old Nagpur. At Sitabuldi Britishers constructed GIP Railway from Bombay to Nagpur with main station on the east of Sitabuldi Fort and extended Nagpur-Itarsi Line and opened Delhi-Madras route dividing the old Nagpur on East and North Nagpur and West and South Nagpur. Three major water tanks were planned by the Britishers to control the strategic points as check points. Historically the present Nagpur Mahanagar Building was the official residence of the British agent – Chief Commissioner. The National Highways used to cross at Variety Square as the only junction crossing of East, West, North & South Trunk Routes. With the main railway and road junctions on the west side in Sitabuldi,

the Britishers planned full control of this junction to control the city.

It was so planned as to keep the present Mahal area as the City Centre in old Nagpur and the City Centre of new Nagpur was proposed at the Square crossing South North and South East running West High Court Road and East West running Central Bazar Road at Bajaj Nagar. The Policy was to provide city center to both the city on East and West of railway line crossing. Variety Square area was to be kept free from all congestions. The Sitabuldi main railway station, variety square were placed close as important centers controlling parts of the twin city.

Two Master plans were formulated and established by NIT – Civil Station Expansion Scheme of over 3,000 acres between Wardha Road and Amravati Road junction of east and west Sitabuldi as center and over 110 acres between Sitabuldi and Craddock Town (present Dhantoli area) to the east of Wardha Road.

NIT was supposed to keep the development plan of the Britishers a close secret and hence it had very few public representatives by keeping majority ex-officio executives to control affairs as per the British law. This also ensured that the British plans of development remained a secret to meet their needs.

After India's independence, NIT took over the development of these plans and subsequently changed the plans sans proper town planning and implementation. As such four plans were implemented by NIT. (a) Greater Nagpur Plan of 1946 (b) Master Plan to 1953 (c) Aped plan of 1968 and (d) Development Plan of 1976. The Development plan of 1986 revised upto 1999 is currently under consideration.

Maharashtra Regional and Town Planning (MRTP) Act was passed in 1966. In Nagpur it was redundant due to NIT's presence as the latter had taken number of schemes of development under its control (Source NT-7/7/89; NT-13/5/90; NT-14/8/93 and NT-30/12/87).

The Nagpur Municipal Corporation (NMC) which was formed for improvement of city under the CITY of Nagpur Corporation Act, 1948 (CNC Act) was primarily given the responsibility of upkeep and maintenance of civic amenities but the planning authority remained NIT. Recently the NMC has also been given the status of a planning authority for areas under its control. Overlapping rules & planning by the NIT, NMC and the Town Planning Authority under the MRTP Act are still a contentious issue to be resolved. This is a unique case in Maharashtra.

Hence the tale of Nagpur has been that of lost glory.

Given this past, lately Nagpur is witnessing substantial initiatives and steps, being taken for the development. However, needless to say that a proper Master Plan which is implementable remains a need of the hour. In fact the development Plan which is under approval is so old that it is almost redundant even before it's implementation.

### **3 Establishment of the region**

The Government, exercising its powers under the Maharashtra Regional and Town Planning Act, 1966 established the Nagpur Region Co-terminus with the entire Nagpur District boundary under it's notification No. TPS-2490/568/DR-28/UD-9 dated November 15, 91. The region thus covers the earlier Nagpur Metropolitan region of which the plan was sanctioned by Government in 1976.

### **4 Geographical Information**

North Latitude – 210.07; East longitude – 790.07

Height above mean sea level – 312.42 mtrs.

Location - It is practically at geographical centre of India, in fact the zero milestone of India is in this city. All major highways NH-7 (Varanasi-Kanyakumari) & NH-6 (Mumbai-Sambalpur-Calcutta) and major railways trunk route (Mumbai, Chennai, Howrah &



Delhi) pass through the city. Important Central & State Government offices and institutions are located in Nagpur. Industrial Development is existing along the fringe areas like Kamptee, Hingna, Wadi, Khapri, Butibori and Kalmeshwar.

Maximum, Average & Minimum Rain fall are 1993 mm, 1205 mm and 606 mm respectively.

Nagpur's Municipal Limits encompass 217.56 Square Kms of land areas.

Nagpur is 837 kms. From Mumbai, 1094 Kms south of Delhi, 1092 kms north of Chennai and 1140 kms west of Calcutta.

## **5 Climate**

	Max.	Min
Humidity	70%	20%
Elevation	274.5 mtrs to 652.70 mtrs	
Forest Cover is	28% i.e. 2818 sq. kms	

(for Nagpur District)

Nagpur generally has a dry tropical weather

**CLIMATE** : The climate of Nagpur follows a typical seasonal monsoon weather pattern. The peak temperatures are usually

reached in May/June and can be as high as 48°C. The onset of monsoon is usually from July and the season extends upto September, with monsoon peaking during July and August. After monsoons, the average temperature varies between 27°C and approx 6 to 7°C right through December and January.

## **6 Demographics**

Population - 16,24,155 - 'A' category as per 1991 census. The floating population is about 30,000 to 50,000 persons per day.

The Urban population is 61%

The Literacy Ratio is 62%.

## **7 How To Reach Nagpur**

ROAD LINKS: The district is well connected by roads with all industrial centres of the Country. National Highways passing through Nagpur are Bombay Calcutta NH-6 & Kanyakumari Varanasi NH-7.

The length of the roads in the Nagpur district is as under :

National Highways 230 km

Major State Highway 129 km

State Highways 699 km

Major District Roads	717 km
Other District Roads	1043 km
Village and Other Roads	2974 km

RAIL LINKS : Electrified broad gauge railway track connects Nagpur to all four major metros. The length of broad gauge railwayline is 266.06 kms and that of narrow gauge railway line is 134.32 kms. Destinations connected included Mumbai, Delhi, Calcutta, Chennai, Kolhapur, Pune, Ahmedabad, Hyderabad, Jammu, Amritsar, Lucknow, Varanasi, Bhubaneshwar, Trivendrum, Cochin, Gorakhpur, Visakhapatnam, Bangalore, Mangalore, Patna, Indore.

AIR ROUTES: The Sonegaon Airport is 8 kilometers south of Nagpur City. It is connected to Mumbai, Calcutta, Delhi Hyderabad, Pune, Bhubaneswar, Raipur.

## **8 Agriculture**

- i. Agricultural Area: Total agriculture area is around 986.384 Hectares.
- ii. Major Corps : Jowar, Tur, Rice, Wheat are major crops. Cotton and Oranges are major cash crops. Grondnut, Soyabean are the major oil seed corps.

iii. Mineral Resources: Out of the mineral bearing area in Maharashtra, 60% falls in Nagpur, Bhandara, Chandrapur and Yavatmal districts of Vidarbha region.

**Town Planning Authorities:**

Nagpur Municipal Corporation has been graded as an "A" class Municipal Corporation. NMC functions under the State Statute the City of Nagpur Corporation Act, 1948 (CNC Act). The Municipality was established in 1864 and simultaneously the people's representatives got the power of making available to the people certain welfare facilities such as sanitation, street lighting, market and primary education.

For development of the city, Nagpur Improvement Trust (NIT) was established in 1936 and after about 87 years the Municipality was upgraded to the status of Corporation.

A. Western Coalfields Limited is the sole coal producer in this region. The Company contributes about 11% of the national coal production which comes to about 32 Million tonnes annually. It has mining operation spread over the states of Maharashtra (in Nagpur, Chandrapur & Yavatmal Districts) and Madhya Pradesh (in Betul and Chhindawara Districts). The Company is a major source of supplies of coal to the industries located in Western India in the State of Maharashtra, Madhya Pradesh, Gujrat and

also to Southern India- Andhra Pradesh, Tamil Nadu, Karnataka and Kerala. A large numbers of Power Houses under Maharashtra- Madhya Pradesh-Gujrat and Karnataka - Electricity Boards are major consumers of its coal alongwith Cement, Steel, Chemical, Fertilizer, Paper and Brick Industries in these states.

- B. Besides coal deposits Chandrapur accounts for 186 million tones of iron ore, situated close to Nagpur.
- C. Extensive Deposits of Chromite, used in metallurgical refractory and chemical industries are based in Nagpur, Bhandara and Chandrapur, Mineral Baryte occurs in Phutana and Dewada areas in Chandrapur.

i. Electricity: The region has been surplus in power generation and is expected to continue in future. The major power stations and their capacity is :

ii. Thermal Project Capacity

Khaparkheda, Nagpur	420 Mw
Koradi, Nagpur	1100 Mw
Chandrapur (Near Nagpur)	1840 Mw
NTPC, Chandrapur (Near Nagpur)	500 Mw

Besides, there is ongoing expansion at Khaperkheda Thermal Power Station of 400 MW

iii. Water supply: The water availability in Nagpur city is adequate.

The main source of water supply to the city is from Kanhan river, the Pench river and lakes – Ambajhari and Gorewara.

NMC has present capacity of 369 MLD and Augmentation by another 100 MLD is under implementation.

The water for MIDC Hingna area is supplied from Ambajhari Lake.

For the new Buti Bori Industrial estate, water is supplied from Wadgaon Dam on the river of Wena and Nand Dam from Kanhan Water Works.

- Ranks amongst the important cities of Maharashtra and 23<sup>rd</sup> in India.
- The largest industrial estate in Asia of approximately 6,000 hectares, is being developed at Butibori, close to Nagpur.
- The Nagpur airport has been upgraded as an International Cargo hub. The facility of a container terminal for rail and air cargo already exists, thus fulfilling the needs of a dry port.
- Nagpur has ample resources for water, electricity, minerals, transportation, human resource etc. needed for industrialization.

## **9 NAGPUR DISTRICT - INDUSTRIES**

### **1. Industrialization**

The extent of industrialization gets reflected by the number of industrial estate and industrial activity and in terms of movement of cargo.

#### **Extent of Industrialization**

Number of Industrial Estates	8
Number of Chemical Industries / Tanks farms	16
Number of Pipelines carrying Chemicals	Nil
Number of Potentially Hazardous Locations	8
Number of Vehicles carrying Hazardous raw materials for Industries (during a month)	46
Number of Vehicles carrying Hazardous products from Industries (during a month)	162
Number of Vehicles passing through the District carrying hazardous materials for industries (during a month)	Total 1767 trucks

#### **Types of Industries:**

Engineering, Plastics, Paper products, Food Processing, Wood based, Coal based, Pharmaceuticals Electrical, Electronics, Textile, Cements, Ceramics, Printing, Toys, Chemicals etc.

## **BUTIBORI INDUSTRIAL AREA**

<b>Sr.</b>	<b>Particulars</b>	<b>Industrial</b>	<b>Commercial</b>	<b>Residential</b>	<b>Amenity</b>
1.	No.of plots carved out	848	371	161	10
2.	No.of plots allotted	639	152	17	10
3.	No.of plots available	209	219	144	--
4.	Rate per sq.mtrs.	100/-	250/-	150/-	100/-

Butibori Industrial Area is fully developed with all infrastructural facilities like Water Supply, Roads, Power, Street lights, Telephone, Fire Station, Parking Zone, C.F.C; Dormitories & Residencial Galas, CETP etc.

## **2. NAGPUR (HINGNA) & KALMESHWAR INDUSTRIAL AREA**

In Nagpur (Hingna) Industrial Area, no plot is available for allotment. However, as per Govt. policy, MIDC has constructed different sizes of industrial galas at Nagpur (Hingna) Industrial Area under Suverna Laghu Udyog Yojana and the same are available for allotment.



### **3. Growth Centers & Mini Industrial Areas In Nagpur District**

In Nagpur District, there are 3 Growth Centres, viz. Umrer, Katol and Saoner. There are 10 plots @ Rs. 25/- per sq.mtr; 70 plots @ Rs. 25/- per sq.mtr; and 36 plots @ Rs. 25/- per sq.mtr; respectively are available for allotment.

There are 2 Mini Industrial Areas in Nagpur District viz. Parshivani and Narkhed. However, 10 plots @ Rs. 15/- per sq.mtr; and 13 plots @ Rs. 15/- per sq.mtr; respectively are available for allotment.

In Kuhi and Bhivapur Mini Industrial Areas, plots are available for allotment @ Rs. 15/- per sq.mtr. each.

## **DISTRICT PROFILE**

Sr. No.	Description	Unit
1	Total Tehsil	14
2	Total Panchayat Samiti	13
3	Gram Panchayat	776
4	Populated Villages	1,645
5	Total Population	40,67,637
6	Rural Population	17,12,217
7	Scheduled Cast Population	3,01,816 (17.63 Per)
8	Scheduled Tribes Population	2,35,248 (13.74 Per)
9	Total Family (APL)	2,13,350
10	Total Family (BPL)	1,32,760
11	Total Rural Literacy Percent	77.58 Per
13	Gram Panchayat Member	6507
14	Female Member	3577
15	Male Member	2930
16	Scheduled Cast Member	898
17	Scheduled Tribes Member	838
18	Geographical Area	9892 cm.
19	Forest Area	2538 cm
20	Cropped General Area	3563000 Hectors.
21	Kharib Cropped Area	4,66,400 Hectors.
22	Rubbi / Summer Cropped Area	1,20,200 Hectors.
23	Total Irrigation Lake /humus	2628

24	Total Villages Water Supply by Tabs	1280	
25	Average Annual Temperature	1147.50	
26	Primary School	2616	
27	Middle School	16	
28	Total of start Anganwadi	1667	
29	Rural Medical	9	
30	Primary Health Center	49	
31	Primary Health Maincenter	316	
32	Birth Rate	15.00	16.90
33	Death Rate	7.00	6.80
34	Nymph mortality	28.10	28.00
35	Maternal mortality	0.80	

### **M.I.D.C.**

M.I.D.C. : MIDC acquires and develops industrial plots with all the basic amenities and make them available to needy entrepreneurs. There are three major, four mini industrial estates and three growth centres in the district.

Sr.No.	Ind.estate/ Growth Center	Total area hectares	Developed Area Hectares		No.of Plots		Units working
			Area	Plots	Allotted	Available	
1	Butibori Major	2428.14	1438.81	2502	2086	416	1094
2	Nagpur Major	745.83	534.98	1620	1557	63	1295
3	Kalmeshwar Major	116.76	116.76	166	164	2	112

4	Umred GC	310.12	310.12	227	215	12	27
5	Katol GC	143.92	143.92	88	87	1	22
6	Saoner GC	73.95	73.95	73	70	3	30
7	Narkhed Mini	20.59	20.59	17	16	1	2
8	Narkhed Mini	20.59	20.59	17	16	1	2
9	Bhiwapur Mini	12.68	12.68	46	28	18	1
10	Parseoni Mini	12.00	12.00	41	39	2	10
11	Nagpur I.T.	11.66	11.66	49	44	5	32

**Butibori Industrial area:** Maharashtra Industrial Development Corporation has established its area in 1992 which is 28 Km from Nagpur highway No.7. The total area planned for development is 2428.14 hectares which covers 16 villages having private land of 865 cultivators. 2502 industrial plots have been curved out, out of which 2086 industrial plots have been allotted. To encourage the entrepreneurs, M.I.D.C. has constructed 46 work sheds. This industrial estate has been given five star status. IT park (20 hectares), Textile park (204 hectares), apparel park (68 hectares), Weaver's park (147 hectares) are proposed in the area. For phase II of the MIDC industrial estate, the process for acquisition of 1500 hectares of land has been completed.

**Hingna Industrial Area:** established in 1962, it is located 7 Km. from Nagpur city. In this Industrial area, several engineering Industries, Electrical based Industries, food based industries, etc. are located. Maharashtra state Electricity Boards has established its two sub-station. Telephone Deptt. has already its Telephone facilities by way of Electronic Exchange. To facilitate the industrialists and workers amenities like Post office, Banks, Police station, Petrol Pumps, Canteen, Bus services etc. are available in this area. In this area no land is available for further planning.

**Software Technology Park at Nagpur:** MIDC is now concentrating its efforts on developing environment friendly Software Technology Parks to cater the needs of the IT industry. It has developed more than 18 IT parks in the state, out of which one IT park is developed at Parsodi Nagpur City and other at Sadar , Nagpur City. The main objective for developing Software Technology Park at Nagpur is data communication facility of computer, single window clearance for Government licence i.e. code nos, custom, Green Cards, etc. and assistance for liaison with Govt. agencies and other departments. In the above Software Technology Park different types of premises are readily available. In addition to this space has been provided for Nodal Officer and the staff for software technology park.

## **MIHAAN**

In order to remove the regional disparity in the state, Govt. of Maharashtra has decided to develop a composite project called 'Multi-Model International Passenger and Cargo Hub Airport at Nagpur' (MIHAN). The project comprises of developing the existing domestic airport of Nagpur as an international passenger and cargo hub airport, along with a huge Special Economic Zone (SEZ), which is abutting to the boundary of the airport.

### **SEZ (Special Economic Zone) :**

Just abutting to the boundary of this airport, MADC is developing a huge SEZ on an area of more than 2,000 Hectares, which is supposed to house various export oriented units like I.T. industries, gems and jewellery, garments, electronic goods, pharmaceuticals, processed foods and any other type of industries. It is proposed to have a huge road terminal having facilities for parking of about 900 trucks at a time, huge warehouse, open stockyard, cold storage, etc. and by the side of this road terminal, there is a proposed rail terminal capable of handling 2 trains at a time. Thus, MIHAN is a composite project of airport, road terminal, rail terminal, SEZ and various other allied services like housing, health city, international school and many more.

### **Special Economic Zone - Infrastructure**

- Network of 6, 4, 3 and 2 lane roads.
- State-of-Art Telecommunication network
- Dual water (Domestic and Non-domestic) supply system with capacity of 100mld
- Sewage and storm water drainage system
- 246MW Power plant with 25MW Diesel backup
- Entertainment facilities – Multiplex, Golf course, Flying club etc.
- Residential facilities for employees working in MIHAN complex.
- Convention and Exhibition Centre, Value Added Commercial Services Complex.
- Total Project Cost – Rs. 2,581 Crores (as per 2002 rates).
- Total investment will be about Rs. 20,000 Crores in next five years.
- Employment generated in MIHAN Project is estimated at about 1, 20,000 direct jobs by year 2020 in MIHAN area.
- Indirect employment between 2, 40,000 to 3, 60,000 over next 10 years.

### **Completed infrastructure works by MADC:**

Roads, Water Supply Scheme, Electrical Transmission and Distribution System, Sewage Disposal System, Telecom cabling, Fire Station, Central Facility Building and other related services.

The project of Power Plant is already commissioned by AMNEPL., a Joint Venture Company. MERC has approved distribution licence of MADC. The tariff petition with MERC is likely to be cleared within two months and power supply will start. Expenditure incurred on infrastructure to the tune of Rs. 800 crores and Rs. 300 crore for the acquisition of land admeasuring about 2865 hectars. Approx. Rs. 1400 Crores spent on the construction and erection of Power Plant for Mihan Project.

**Allotment of land in MIHAN SEZ to the different companies.**

<b>Sr. No.</b>	<b>Company Name</b>	<b>Area in Acres</b>
1.	Mahindra Satyam	130.182
2.	Kolland Developers Ltd.	100
3.	L and T Infocity	50.85
4.	Vipul and Karamchand	50
5.	Ambuja Reality	27.852
6.	Ecoworld Infrastructure	27.852
7.	DLF	140.21
8.	HCL Technologies	140
9.	Wipro Technologies	117
10.	Tajsats Industries	2.651
11.	Indu Projects / Asara Reality	25
12.	Rgen Solutions	1.5
13.	Max Aero Space	14.82
14.	Zeta Softech	1



15.	ADCC Infocad	1
16.	Paramount Conductors	1.7
17.	Manmohan International	1
18.	Dayalu Dall and Oil Mill	1
19.	Soni Polymers	1
20.	Zeon Solutions	1
21.	TCS	53.910
22.	Air India (Boeing Inc.)	50
23.	M/s. Caliber Point	5
24.	M/s. Hexaware	15
25.	M/s. Leela Ventures	3
26.	M/s. Lipi International	1
27.	M/s. Lokmangal Infotech	1
28.	M/s. Blue Planet	1
29.	IT Shastra	1
30.	Rajtaru Studios	2.441
31.	Dukes	36.5
32.	TAL	30
33.	Cenosphere	1
34.	Gum Pharma	5
35.	Health City	74
36.	Haldiram	1.268
37.	BPCL ATF Facility	15
38.	Gurudevdatto	1
39.	Infosys	142.176
40.	Lupin Pharma	24.654
41.	Gentech Engineering Services Ltd	1

42.	Kanav Agronomy	2.5
43.	Lighthouse Infosystems pvt. Ltd.	1
44.	Saif Health remedies Pvt. Ltd.	1
45.	Abhijeet MADC Energy pvt. Ltd.	15.574
46.	Smart data	1.753
47.	Yalamanchali	1.556
48.	Zim Labotaries	2.5

**Production and Exports by companies.**

<b>S.N.</b>	<b>Name of Company</b>	<b>Nature of Work</b>	<b>Approx. No. of Employees</b>
1.	M/s Caliber Point Buisness Solutions	BPO	550
2.	M/s Ebix Software	Software Solutions	125
3.	M/s Klouddata Software	Software Solutions	50
4.	M/s Yelamanchili Software	Software Solutions	15
5.	M/s Informatics Solutions	Software Solutions	5
6.	M/s Cenosphere India Pvt. Ltd.	Software Solutions	25

Total Export in Fin. Year 2011-12 is Rs. 70 Crores approx. Employment provided to 1000 persons approximately. Trial Production Started by M/s TAL Manufacturing Solutions (Manufacturing Floor Beams and other components of Boeing Aircraft)

### **List of companies who have started Construction work in SEZ**

1. Diet Foods International (M/s Dayalu Dall and Oil Mill) Nagpur
2. Kolland Developers Pvt Ltd
3. Kanav Agronomy
4. BOEING Inc (Air India MRO)
5. Mahindra Satyam
6. Lupin Pharma
7. Tata Consultancy Services (TCS) Mumbai

### **List of Companies allotted land outside SEZ**

	Hectare
WAREHOUSING	
Gati Ltd	9.0
TCI Infrastructure Ltd	9.0
Total	18.00
RESIDENTIAL	
HCL Technologies	30.00
Mahindra Bebanco Developers Ltd (Mahindra Lifespace) – Housing	25.73
Total	55.73
OTHERS	
Atul Shirodkar andamp; Associates RMC Product Pvt Ltd Mumbai	6.00
Bharat Petroleum Corpn Ltd	0.927

Bharat Petroleum Corpn Ltd

10.035

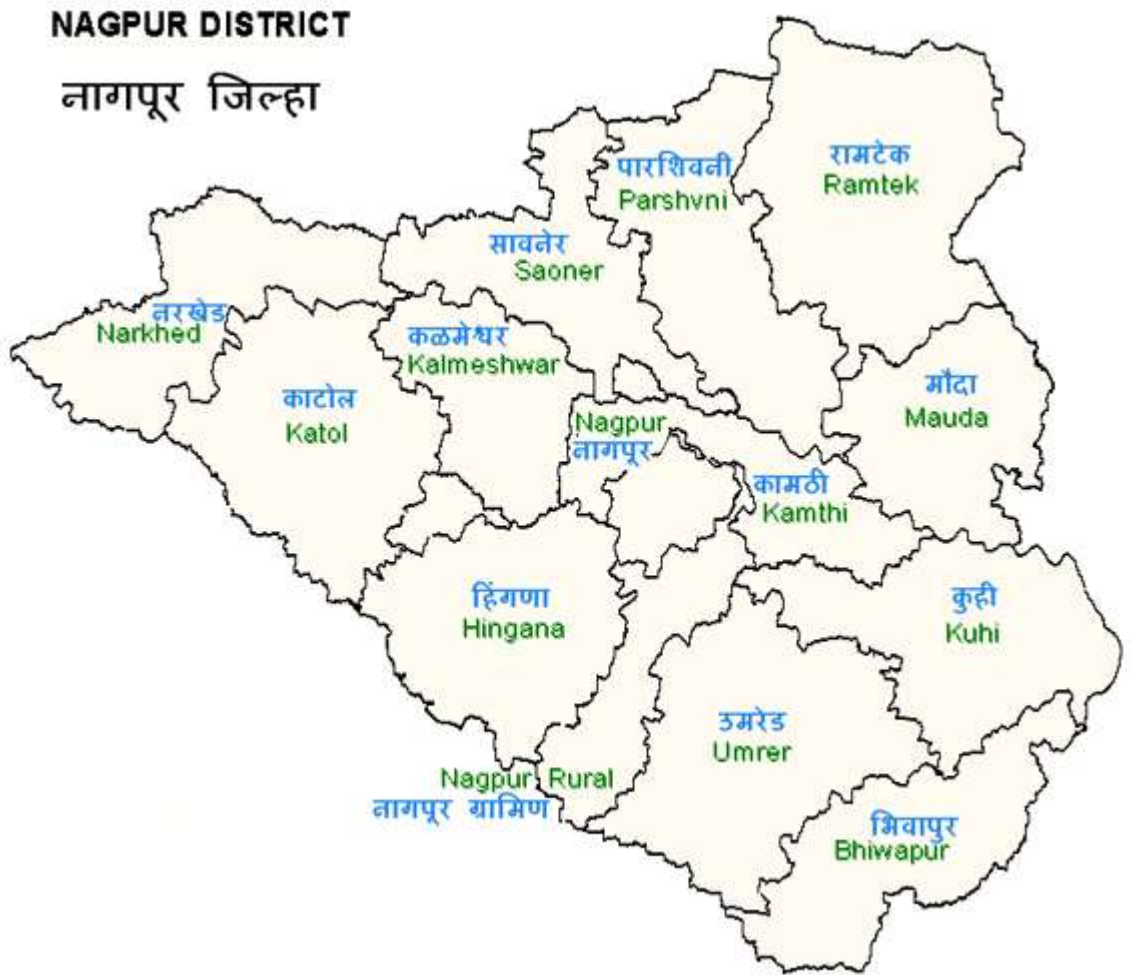
Deccan Cargo andamp; Express Logistics Pvt. 50.00  
Ltd.

Sical Logistics Ltdandnbsp; (NSGRTL) Rail 66.498  
Terminal(JV)

Sical Logistics Ltdandnbsp; (NSGRTL) Rail 148.29  
Terminal(JV)

Yojna Realities Pvt Ltd Mumbai -Hotel

10.00



Talukas

Narkhed

Parshivni

Savner

Hingna

Kamthi

Ramtek

Nagpur Gramin

Mauda

Umrer

Bhivapur

Kalmeshwar

Kuhi

Katol

Nagpur City

## **CHAPTER – III**

### **AN ANALYTICAL APPROACH**

#### **A Study of reform measures**

Over the last few years, SEBI has announced several far-reaching reforms to promote the capital market and protect investor interests. Reforms in the secondary market have focused on three main areas: structure and functioning of stock exchanges, automation of trading and post trade systems, and the introduction of surveillance and monitoring systems.

Computerized online trading of securities, and setting up of clearing houses or settlement guarantee funds were made compulsory for stock exchanges.

Stock exchanges were permitted to expand their trading to locations outside their jurisdiction through computer terminals. Thus, major stock exchanges in India have started locating computer terminals in far-flung areas, while smaller regional exchanges are planning to consolidate by using centralized trading under a federated structure.

Online trading systems have been introduced in almost all stock exchanges. Trading is much more transparent and quicker than in the past.

Until the early 1990s, the trading and settlement infrastructure of the Indian capital market was poor. Trading on all stock exchanges was through open outcry, settlement systems were paper-based, and market intermediaries were largely unregulated.

The regulatory structure was fragmented and there was neither comprehensive registration nor an apex body of regulation of the securities market. Stock exchanges were run as “brokers clubs” as their management was largely composed of brokers.

There was no prohibition on insider trading, or fraudulent and unfair trade practices . Since 1992, there has been intensified market reform, resulting in a big improvement in securities trading, especially in the secondary market for equity. Most stock exchanges have introduced online trading and set up clearing houses/corporations.

A depository has become operational for scrip less trading and the regulatory structure has been overhauled with most of the powers for regulating the capital market vested with SEBI.

The Indian capital market has experienced a process of structural transformation with operations conducted to standards equivalent to those in the developed markets. It was opened up for investment by foreign institutional investors (FIIs) in 1992 and Indian companies were allowed to raise resources abroad through Global

Depository Receipts (GDRs) and Foreign Currency Convertible Bonds (FCCBs).

The primary and secondary segments of the capital market expanded rapidly, with greater institutionalization and wider participation of individual investors accompanying this growth. However, many problems, including lack of confidence in stock investments, institutional overlaps, and other governance issues, remain as obstacles to the improvement of Indian capital market efficiency.

### **Reforms in Capital Market of India**

The **major** reforms undertaken in capital market of India includes:-

1. **Establishment of SEBI:** The Securities and Exchange Board of India (SEBI) was established in 1988. It got a legal status in 1992. SEBI was primarily set up to regulate the activities of the merchant banks, to control the operations of mutual funds, to work as a promoter of the stock exchange activities and to act as a regulatory authority of new issue activities of companies. The SEBI was set up with the fundamental objective, "*to protect the interest of investors in securities market and for matters connected therewith or incidental thereto.*"



The main functions of SEBI are:-

- i. To regulate the business of the stock market and other securities market.
  - ii. To promote and regulate the self regulatory organizations.
  - iii. To prohibit fraudulent and unfair trade practices in securities market.
  - iv. To promote awareness among investors and training of intermediaries about safety of market.
  - v. To prohibit insider trading in securities market.
  - vi. To regulate huge acquisition of shares and takeover of companies.
2. **Establishment of Creditors Rating Agencies** : Three creditors rating agencies viz. The Credit Rating Information Services of India Limited (CRISIL - 1988), the Investment Information and Credit Rating Agency of India Limited (ICRA - 1991) and Credit Analysis and Research Limited (CARE) were set up in order to assess the financial health of different financial institutions and agencies related to the stock market activities. It is a guide for the investors also in evaluating the risk of their investments.

3. **Increasing of Merchant Banking Activities:** Many Indian and foreign commercial banks have set up their merchant banking divisions in the last few years. These divisions provide financial services such as underwriting facilities, issue organising, consultancy services, etc. It has proved as a helping hand to factors related to the capital market.
  
4. **Candid Performance of Indian Economy :** In the last few years, Indian economy is growing at a good speed. It has attracted a huge inflow of Foreign Institutional Investments (FII). The massive entry of FIIs in the Indian capital market has given good appreciation for the Indian investors in recent times. Similarly many new companies are emerging on the horizon of the Indian capital market to raise capital for their expansions.
  
5. **Rising Electronic Transactions :** Due to technological development in the last few years. The physical transaction with more paper work is reduced. Now paperless transactions are increasing at a rapid rate. It saves money, time and energy of investors. Thus it has made investing safer and hassle free encouraging more people to join the capital market.

6. **Growing Mutual Fund Industry:** The growing of mutual funds in India has certainly helped the capital market to grow. Public sector banks, foreign banks, financial institutions and joint mutual funds between the Indian and foreign firms have launched many new funds. A big diversification in terms of schemes, maturity, etc. has taken place in mutual funds in India. It has given a wide choice for the common investors to enter the capital market.
7. **Growing Stock Exchanges:** The numbers of various Stock Exchanges in India are increasing. Initially the **BSE** was the main exchange, but now after the setting up of the **NSE** and the **OTCEI**, stock exchanges have spread across the country. Recently a new Inter-connected Stock Exchange of India has joined the existing stock exchanges.
8. **Investor's Protection :** Under the purview of the SEBI the Central Government of India has set up the Investors Education and Protection Fund (IEPF) in 2001. It works in educating and guiding investors. It tries to protect the interest of the small investors from frauds and malpractices in the capital market.
9. **Growth of Derivative Transactions:** Since June 2000, the NSE has introduced the derivatives trading in the equities. In

November 2001 it also introduced the future and options transactions. These innovative products have given variety for the investment leading to the expansion of the capital market.

10. **Insurance Sector Reforms** : Indian insurance sector has also witnessed massive reforms in last few years. The Insurance Regulatory and Development Authority (IRDA) was set up in 2000. It paved the entry of the private insurance firms in India. As many insurance companies invest their money in the capital market, it has expanded.
11. **Commodity Trading**: Along with the trading of ordinary securities, the trading in commodities is also recently encouraged. The Multi Commodity Exchange (MCX) is set up. The volume of such transactions is growing at a splendid rate.

Apart from these reforms the setting up of Clearing Corporation of India Limited (CCIL), Venture Funds, etc., have resulted into the tremendous growth of Indian capital market.

The major Capital market reforms can be classified into three,

- Change in the structure and functioning of Stock Exchanges.

- Automation of Trading and Post trade systems.
- Introduction of Surveillance and Monitoring systems.

Market Surveillance and Monitoring systems were introduced to detect the Insider trading or market manipulation transactional activities and a protocols were established for investigation of abnormal stock fluctuations and in case of an wrong going to curb the excessive volatility in the market, suspension of stock scrip trade for a period of time in the way of "Circuit breakers" were introduced.

Foreign Institutional Investors (FII) under SEBI regulated 1995 governing the regulation of portfolio investment by FII's and allowing the FII to participate by making the investment in the Indian securities market and a proper pricing procedures were made mandatory for the purpose of transparency in the trade execution for e.g., a proper separation in leveraging the order and brokerage charges. Further a modification of Takeover Code, which comes under play when an acquisition takes places.

Over the years for the proper functioning of Capital market, a collaboration with ICAI and formed National Committee on Accounting standards (NACAS) and made mandatory the presentation of the company's performance report in detailed within equal intervals. This disclosure clause has given a birth to

corporate governance where policies like clear indication of director remuneration, whistle blowing, cash flow and financial statement certification by CEO/CFO has made mandatory and transparency in disclosure of reports for public offering, periodicals and other transaction related. Such move by SEBI has made the capital market function smooth and more reliable on it thus other policies created a trust among the investors.

### **b Study of Retail Investor**

It is said that individual retail investors in India, numbering 2.02 million - largest in the world - consistently chase a zero rate of return on their stock investments when they make decisions themselves. The study attributed the recurring losses to these type of investors to the 'disposition effect' (selling the winning stocks too quickly and holding on to the losing stocks too long) and 'overconfidence' (taking credit for good decisions and attributing bad decisions to luck) for three categories of investors separately. Retail equity investors in India systematically lose out to other categories of players because they usually sell the winning stocks too quickly and hold on to the losing stocks too long.

The study by Hyderabad-based Indian School of Business (ISB) was conducted under the leadership of Sankar De, executive director at the Centre for Analytical Finance, ISB. It is based on the

daily trade data of 2.5 million retail investors (given by NSE) who collectively carried out 1.4 billion trades, with a total value of Rs 37 trillion between January 2005 and June 2006, and is touted as the largest sample used in an empirical study in behavioural finance.

It was estimated that individual retail investors lost close to Rs 83.76 billion during the sample period of 18 months, from January 2005 to June 2006, or Rs 55.84 billion per year," These losses are equivalent to 0.77 per cent of the country's gross domestic savings a year, said the study titled 'Do retail investors in India make rational investment and portfolio decisions?' The findings are based on the NSE data during the period and looked at the behavioural biases, investor performance and wealth transfer between investor groups.

"The total number of investors who traded at least once during this period is 2.5 million, or 0.22 percent of the population. Put differently, 0.22 percent of the country's population lost 0.77 percent of the total gross domestic savings during this period.

The figures are just the trading losses and do not include commissions, taxes and market impact losses. The co-authors of the study, funded by Citigroup and Goldman Sachs foundations, are Bhimasankaram Pochiraju, Navee Reddy and Rahul Chhabra.

Also known as small investors, retail investors are individual investors who trade various types of securities from a personal account. This is in contrast to investment activity that is conducted on behalf of a third party, including companies or other types of organizations. Typically, the retail investor deals in quantities that are much less than entities which buy and sell only large lots of securities.

A retail investor may pursue securities trading, using several different approaches. The most basic is to manage the portfolio personally, placing orders to buy or sell through a brokerage. With this strategy, the orders are placed with a phone call, via an online interface with the broker, or by crafting one or more standing orders that are executed on behalf of the investor when the provisions of those orders are met.

A retail investor may choose to participate in a managed account situation. Here, an account manager conducts trading activity based on general guidelines that are provided by the investor. For example, if the investor is of a more conservative mindset when it comes to investments, the manager will execute orders for the investor that are relatively safe and offer an equitable amount of return. Typically, the orders do not have to be cleared with the retail investor before they are executed, as long as the manager is following the guidelines provided by the investor.



There is also the option of participating in an investment club. Clubs of this type allow smaller investors to pool their resources, making it possible to take advantage of investment deals that they would not be able to manage on their own. In this scenario, the retail investor invests a certain amount of money in the club, and the pooled funds are used to purchase lots of securities under auspices of the club. Investors receive benefits from the investments based on how much money they invested in each type of security held by the club.

Since the retail investor does not buy and sell securities in large quantities, the impact of individual investors is much less than that of a large institutional investor. This is true both in terms of influencing the movement of prices within a marketplace, and with influencing decisions that are made by shareholders associated with a specific company. In addition, the retail investor usually does not trade securities with the frequency of the institutional investor. This is slowly changing, as access to trading accounts via online portals makes the process of placing orders much more convenient even for casual investors.

## **CHAPTER - IV**

### **RESEARCH METHODOLOGY**

#### **Research:**

Research is composed of two words 're' and 'search' which means to search again, or to search for new facts or to modify older ones in any branch of knowledge. The Webster's International Dictionary proposes a very inclusive definition of research as "a careful critical inquiry or examination in seeking facts or principles diligent investigation in order to ascertain something". But it is not enough to give us a complete and clear idea of what research involves. The obvious function of research is to add new knowledge to the existing store but its power for cleansing our minds of clichés and removing of rubbish of inapplicable theory is equally notable. In simple words research can be defined as any scholarly investigation in search for truths, for facts, for certainties.

Any social or economic research may have two objectives – Academic Objective and Utilitarian Objectives. An urge for knowledge is the basic ingredient of academic research. There was a time when academic research was very well regarded. But the trend has achieved a tremendous change and the research is now expected to be more utility - oriented than merely academic-oriented. This trend is evident in many recent reports of researches, which are directly linked with policy formulation.

Research provides an analytical framework for the subject matter of investigation. It establishes the relationship between different variables, especially the relationship of the dependent variables with the independent variables. The cause effect relationship between different variables can also be identified, leading to valuable observations, generalisations and conclusions. Inductions and deductions are also possible in a systematic research.

**Definition of Research:**

According to John Best, "Research is a more systematic activity directed towards discovery and the development of an organized body of knowledge." A summary of some of the characteristics of research may clarify its methodology:

**Methodology:**

Methodology is often used in narrow sense to refer to methods, technology or tools employed for the collection data as well as its processing. This is also used sometimes to designate data collected to arrive at the conclusion. In fact it describes that what should be done. It provides answers to some of the major questions while research like what must be done, how it will be done, what data will be needed, what data gathering devices will be employed, how sources of data will be selected and how the data will be analyzed to arrive at a conclusion.

For any systematic research, a scientific approach is necessary. It is therefore essential to follow systematic methodology to arrive at a proper conclusion. Research involves five important steps. They are:

1. Research Design
2. Data Collection
3. Data Analysis
4. Interpretation of Results
5. Conclusion on Hypothesis

### **Research Methodology Adopted In This Study**

The present study is based upon reforms in capital market and investors satisfaction in Nagpur district of Vidarbha, which includes to study the effectiveness of capital reforms and to study the satisfaction level of the retail investors of the Nagpur district of Vidarbha in relation to the capital reforms by SEBI. This work is a combination of fundamental and descriptive research. This study has greater focus upon small or retail investors who usually are not aware of the major reforms of SEBI or even after awareness they do not take advantage out of it. Investors investing in the primary and secondary market of the stock market are only considered.

For the purpose of this study both kinds of data are used. This study is based upon primary as well as secondary data.

### **1. Primary Data collection:**

For the present study the primary data will be collected from the targeted respondents by requesting them to fill up a questionnaire which is designed for this research.

This data will be collected from people at large, from various income groups, occupations, towns, qualification, marital status and annual savings by taking their personal interviews across Nagpur district. They will be requested to fill the designed questionnaire where the answers will be recorded in the same mostly by 'ticking' their appropriate choice.

The data so collected will be analysed as per the income levels of the respondents i.e. the independent variable will be the income level that too income up to Rs.2 lakhs annual.

The reason behind taking the dependant variable as income level that too up to 2 lakhs is that this group represents the common man in India. Even the Income Tax Department identifies that people with income level up to Rs. 2 lakhs for individual are exempted from tax. Here this study on the basis of nil slab, takes into consideration that common man is

represented in this slab of income tax. Further SEBI has also notified that retail investors is that individual who is investing below Rs. 2 lakhs in an Initial Public Offering.

## **2. Secondary Data Collection:**

For this study, the secondary data will be collected by the various means which will be as follows:

- Various websites of Government bodies
- Various Publications
- Various Journals
- Websites of various companies
- Print Media (newspapers, magazines, etc.)
- Previous Literatures will also be referred

## **3. Analysis of Data**

The data so collected will be analyzed from various aspects and statistical methods of analysis will be used. Statistical tools and techniques like percentages and proportions will be used to test the collected data. Graphic representation will also be made to find the data at a glance.

#### **4. Interpretation of Results**

Various conclusions and suggestions will be drawn from the data analyzed.

#### **5. Conclusion on Hypothesis**

Conclusion on hypothesis will be made.

#### **Statement of Hypotheses:**

For this piece of research work, the following propositions are formed as hypothesis:

- a. Retail investors are fully aware of the SEBI reforms
- b. Retail investors are satisfied while investing in the capital market
- c. SEBI is successful in reaching out to retail investors

#### **Justification of Hypothesis:**

The research is undertaken with the purpose that retail investors can achieve their financial goals by investing through the mutual fund route which is one of the many investment avenues available in India. Today, when the inflation is on the higher side and the interest rates are falling, the real returns of the investor are less. But, people have a perception that mutual funds is all about

equities and risk which actually is not so as non equity schemes are also available.

The research tries to establish that retail investors of Nagpur district of Vidarbha are aware about the reforms in capital market and are satisfied while investing.

From this point of view the hypothesis laid down for the study is quite properly justified.



**CHAPTER – V**

**CRITICAL EVALUATION OF THE PROFILE OF THE  
RESPONDENTS (QUESTIONNAIRE BASED)**

This chapter consists of details related with the respondents such as age, gender, qualification, income, etc. In addition to it, income wise responses are analyzed. This information is evaluated further. It is examined to see whether the retail investors of Nagpur district are aware of the reforms brought in by SEBI and to further examine the investors' satisfaction.

**I. Evaluation of the independent variable in Respondents**

**Analysis of the respondents according to Towns**

<b>City / Town</b>	<b>Number of Respondents</b>	<b>Percentage of Respondents</b>
Nagpur City	48	24
Kamptee	14	7
Hingna	12	6
Umred	18	9
Kalmeshwar	16	8
Katol	18	9
Mouda	11	5.5
Ramtek	15	7.5
Narkhed	8	4
Saoner	16	8
Parsheoni	9	4.5
Kuhi	7	3.5
Bhiwapur	8	4
<b>Total</b>	<b>200</b>	<b>100</b>

The above table reveals that the respondents are segregated across Nagpur district and are total two hundred in numbers having representation from 13 towns. Town plays an important role in the investor's mind due to awareness levels, openness, income levels, flexibility, point of presence, availability of stock brokers and exposure levels. These respondents are a blend of all such things and do represent the entire Nagpur district. It can be observed that towns which comprise are city and tehsils. The highest representation is from Nagpur city which accounts for 24%. followed by Katol and Umred both at 9%.

Respondents from Saoner and Kalmeshwar have equal representation at 8%. Ramtek and Kamptee have a representation 7.5% and 7% respectively. Hingna and Mouda have 6% and 5.5% respectively of respondents which is moderate. Parsheoni represents with 4.5% of the total respondents.

Bhiwapur represents only 4% of the total respondents and an equal representation is from Narkhed. The lowest number of respondents are from Kuhi which stands at just 3.5% as compared to its population.

### Analysis of respondents according to Age

Age	No. of respondents	Percentage (%)
Below 30	37	18.5
31 – 40	56	28
41 – 50	73	36.5
51 & above	34	17
<b>Total</b>	<b>200</b>	<b>100</b>

There is a great significance of the age of respondents while taking into consideration their investment patterns, habits, etc. Usually, the higher the age, the higher are the incomes and the disposable funds for savings as the wealth grows and the income levels rise and thus the savings.

But, young people are more open to capital market and are able to take risk but people of higher age tend to invest in other products and are fairly not open to new ideas of capital market and are not willing to take risk.

Where investment patterns are observed, the age wise distribution gives a fair idea about the possibility of openness to invest in capital market. The above table shows that 18.50% are below the age of 30 which is the second lowest percentage among the respondents. 28% respondents are between the ages of 31 to 40. This is the age where a person usually starts his major responsibilities of life and thus starts focusing on savings.

The study reveals that between the ages of 41 to 50 there are 36.50% respondents which is highest. This is the age where people usually have major expenses of their life. There are 17% respondents above the age of 51 and this is the age where people are more concerned about settling their children and their retirement.

#### **Analysis of respondents according to Gender**

<b>Gender</b>	<b>No. of respondents</b>	<b>Percentage (%)</b>
Male	158	79
Female	42	21
<b>Total</b>	<b>200</b>	<b>100</b>

The study reveals that 79 percent respondents are men which is little bit on higher side taking into consideration the usual sex ratio in India but is fairly good when it comes to men and women ratio that are working or earning money by any means.

#### **Analysis of respondents according to Marital Status**

<b>Marital Status</b>	<b>No. of respondents</b>	<b>Percentage (%)</b>
Married*	142	71
Unmarried	58	29
<b>Total</b>	<b>200</b>	<b>100</b>

\*Includes 1 widow, 2 widowers and 2 divorcees

The study shows that 71% of the respondents are married except five of them which include widow, widower or divorced. Married people are more matured and responsible as they have more

responsibilities upon them. Married people tend to save more (one of the option is capital market) than the unmarried whose percentage here is only 29.

### **Analysis of respondents according to Qualification**

<b>Qualification</b>	<b>No. of respondents</b>	<b>Percentage (%)</b>
S.S.C/H.S.S.C.	32	16
Graduate	83	41.5
Post Graduate	44	22
Professional	41	20.5
<b>Total</b>	<b>200</b>	<b>100</b>

Qualification plays an important role in better understanding of the capital market. Here the study reveals that majority of the respondents are graduate with 41.5% followed by post graduates with 22%. Professionals account for a good percentage at 20.5% among the respondents which shows that they are more open to investing in capital market. The lowest percentage is 16% and this lot is just S.S.C. or H.S.S.C.

### **Analysis of respondents according to Occupation**

<b>Occupation</b>	<b>No. of respondents</b>	<b>Percentage (%)</b>
Professional	36	18
Salaried	99	49.5
Business	41	20.5
Retired/VRS	15	7.5
Others	9	4.5
<b>Total</b>	<b>200</b>	<b>100</b>

The table shows that majority of the respondents are salaried with 49.50% followed by businessmen at 20.50% which shows that these two sections of respondents usually have good qualification and tend to have a higher understanding of capital market. The professionals account for 18%, retired or VRS at 7.5%, others at 4.5% which include respondents with passive or unearned income.

### **Analysis of respondents according to Annual Income**

<b>Annual Income (Rs.)</b>	<b>No. of respondents</b>	<b>Percentage (%)</b>
Up to 2 lakhs	118	59
200001 to 5 lakhs	39	19.5
500001 to 10 lakhs	29	14.5
Above 10 lakhs	14	7
<b>Total</b>	<b>200</b>	<b>100</b>

While analyzing about investments, the income of respondents play a very crucial role in the study as without income there cannot be savings and without savings there cannot be any investments made in the capital markets. The study reveals that 59% of respondents earn up to Rs. 2 lakhs and 19.5% earn between Rs. 2 lakhs to Rs. 5 lakhs. Here majority of the respondents are below the income of 2 lakhs and are considered as retail investor for this study purpose as mentioned in the Research Methodology (Chapter No. 4).

14.5% of the respondents earn between Rs. 5 lakhs to Rs. 10 lakhs and only 7% earn more than Rs. 10 lakhs.

#### **Analysis of respondents according to Annual Savings**

<b>Annual Savings (Rs.)</b>	<b>No. of respondents</b>	<b>Percentage (%)</b>
Up to 50000	131	65.5
50001 to 150000	58	29
Above 150000	11	5.5
<b>Total</b>	<b>200</b>	<b>100</b>

The study shows that a high majority of respondents save up to Rs. 50000 annually at 65.5%. This is followed by 29% whose annual savings is between Rs. 50001 to 1.5 lakhs. Only 5.5% of the total respondents save more than Rs. 1.5 lakhs annually. The respondents saving up to Rs. 50000 annually out of the total respondents is very relevant and has a good percent at 65.5 for the purpose of this study with respect to retail investor.

## II. Evaluation of the dependent variable in Respondents

### 1 Analysis of respondents explaining since how long they are investing their money in Indian capital market

<b>Income / Response</b>		<b>Below 5 years</b>	<b>5 - 10 yrs</b>	<b>11 yrs &amp; above</b>	<b>Total</b>
Upto 200000	Numbers	73	39	12	124
	%age	59.00%	31.50%	9.50%	
200001 to 5 lakhs	Numbers	16	12	13	41
	%age	39.00%	29.25%	31.75%	
500001 to 10 lakhs	Numbers	7	14	2	23
	%age	30.40%	60.80%	8.80%	
Above 10 lakhs	Numbers	2	2	8	12
	%age	16.67%	16.67%	66.66%	
<b>Total</b>	<b>Numbers</b>	<b>98</b>	<b>67</b>	<b>35</b>	<b>200</b>
	<b>%age</b>	<b>49%</b>	<b>33.50%</b>	<b>17.50%</b>	<b>100%</b>

The above table shows that almost 50% of the respondents are investing their money in the Indian capital market since less than 5 years and 33.50% of the respondents since between 5 to 10 years. This representation is very crucial as combined together it is 82.50% for less than 10 years as the average duration of all financial products is around 8 years. Only 17.50% of respondents are investing from 11 years or more among the total sample. It is also observed that more than 90% of population of people earning upto 2 lakhs is investing for period below 10 year which shows that people don't have the awareness level that capital market is for long term i.e. at least for 10 years. In the case of people earning above 10 lakhs is observed that two third of them are investing for



11 years and above which clearly indicates that high income people have high awareness level.

## **2 Analysis of respondents explaining that whether they have made good amount of money in the capital market**

<b>Income / Response</b>		<b>Yes</b>	<b>No</b>	<b>Can't Say</b>	<b>Total</b>
Upto 200000	Numbers	30	81	13	124
	%age	24.20%	65.30%	10.50%	
200001 to 5 lakhs	Numbers	10	24	7	41
	%age	24.40%	58.50%	17.10%	
500001 to 10 lakhs	Numbers	18	2	3	23
	%age	78.25%	8.70%	13.05%	
Above 10 lakhs	Numbers	8	4	0	12
	%age	66.67%	33.33%	0.00%	
<b>Total</b>	<b>Numbers</b>	<b>66</b>	<b>111</b>	<b>23</b>	<b>200</b>
	<b>%age</b>	<b>33.00%</b>	<b>55.50%</b>	<b>11.50%</b>	<b>100%</b>

This study reveals that more than half of the total sample size i.e. 55.50% agree that they have not made good money in the capital market. Only one third of them agree that they have made good money. In the category of upto 2 lakhs, 65.30% of the respondents answered “no”. Surprisingly 78.25% of respondents between 5 to 10 lakhs agreed that they have made good money in the markets as compared to respondents earning 10 lakhs and above which is at 66.67%. This indicates that respondents earning more than 5 lakhs have made good money in the markets.

### 3 Analysis of respondents as to how do they invest their money in the capital market

Income / Response		Primary Market	Secondary Market	Both	Total
Upto 200000	Numbers	25	84	15	124
	%age	20.16%	67.74%	12.10%	
200001 to 5 lakhs	Numbers	10	26	5	41
	%age	24.40%	63.40%	12.20%	
500001 to 10 lakhs	Numbers	4	5	14	23
	%age	17.40%	21.70%	60.90%	
Above 10 lakhs	Numbers	1	1	10	12
	%age	8.33%	8.33%	83.34%	
<b>Total</b>	<b>Numbers</b>	<b>40</b>	<b>116</b>	<b>44</b>	<b>200</b>
	<b>%age</b>	<b>20.00%</b>	<b>58.00%</b>	<b>22.00%</b>	<b>100%</b>

In this study, the researcher has observed that 58% of the total respondents invest their money in the secondary market followed by 20% in primary market and 22% in both (primary & secondary) which reflects that respondents have more fascination for secondary market. Out of the respondents earning upto 2 lakhs a whopping 67.74% invest in secondary market which is on higher side. The same trend is observed for respondents earning between 2 to 5 lakhs. The scenario is reversed for respondents earning above 5 lakhs as they invest in primary markets as well as in secondary markets. Out of respondents in the bracket of 10 lakhs and above, an equal percentage ie. 8.33% invest in primary market or secondary market whereas 83.34% invest in both the markets. This indicates that high net worth individuals try to get advantage of both the markets but the retail investor is mostly investing in the secondary market.

#### 4 Analysis of respondents as to whose advice they take while investing money

Income / Response		Broker	Media	Friend	Own Study	Total
Upto 200000	Numbers	31	39	49	5	124
	%age	25.00%	31.50%	39.50%	4.00%	
200001 to 5 lakhs	Numbers	16	9	12	4	41
	%age	39.00%	22.00%	29.25%	9.75%	
500001 to 10 lakhs	Numbers	9	7	3	4	23
	%age	39.00%	30.50%	13.00%	17.50%	
Above 10 lakhs	Numbers	5	3	1	3	12
	%age	41.67%	25.00%	8.33%	25.00%	
<b>Total</b>	<b>Numbers</b>	<b>61</b>	<b>58</b>	<b>65</b>	<b>16</b>	<b>200</b>
	<b>%age</b>	<b>30.50%</b>	<b>29.00%</b>	<b>32.50%</b>	<b>8.00%</b>	<b>100%</b>

The above table shows that out of the total respondents on an average the same percentage of respondents seek the advice of broker, media or friend while investing money in the capital market. Only 8% of the respondents do own study before investing money in the markets. Out of the retail investor as defined i.e. for respondents earning upto 2 lakhs, majority of them at 39.50% seek the advice of friend followed by media at 31.5% and of broker at 25%. Out of the respondents in the income bracket of between 2 to 5 lakhs and 5 to 10 lakhs, 39% of them take advice from broker. Also, the advised seeked from the broker is highest at 41.67% in the respondents earning above 10 lakhs. It is seen that own study is done by just 4% of the respondents earning upto 2 lakhs which

increases as per the income levels and goes at 25% for respondents earning above 10 lakhs.

### **5 Analysis of respondents asking the holding period of their investment**

<b>Income / Response</b>		<b>Below 1 year</b>	<b>1 year to below 3 yrs</b>	<b>3 to 5 years</b>	<b>Above 5 years</b>	<b>Total</b>
Upto 200000	Numbers	63	27	28	6	124
	%age	50.81%	21.77%	22.58%	4.84%	
200001 to 5 lakhs	Numbers	22	9	7	3	41
	%age	53.66%	21.95%	17.07%	7.32%	
500001 to 10 lakhs	Numbers	2	5	7	9	23
	%age	8.70%	21.74%	30.43%	39.13%	
Above 10 lakhs	Numbers	2	1	2	7	12
	%age	16.67%	8.33%	16.67%	58.33%	
<b>Total</b>	<b>Numbers</b>	<b>89</b>	<b>42</b>	<b>44</b>	<b>25</b>	<b>200</b>
	<b>%age</b>	<b>44.50%</b>	<b>21.00%</b>	<b>22.00%</b>	<b>12.50%</b>	<b>100%</b>

This study has observed that more than half of the respondents earning upto 2 lakhs and also for respondents earning between 2 to 5 lakhs invest for only below one year and only 4.84% and 7.32% of them invest for more than five years. But, out of the respondents between 5 to 10 lakhs or above 10 lakhs, the percentage is very high at 39.13% and 58.33% respectively who are investing for more than 5 years which is a decent time frame.

**6 Analysis of respondents as to whether they are aware that as per SEBI norms, an investor investing below Rs. 2 lakhs in an IPO is retail investor**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	39	31.45%	85	68.55%	124
200001 to 5 lakhs	22	53.66%	19	46.34%	41
500001 to 10 lakhs	16	69.60%	7	30.40%	23
Above 10 lakhs	10	83.33%	2	16.67%	12
<b>Total</b>	<b>87</b>	<b>43.50%</b>	<b>113</b>	<b>56.50%</b>	<b>200</b>

This research has observed that 56.50% of the total respondents are not aware that as per SEBI norms, an investor investing below 2 lakhs in an IPO comes under the definition of the retail investor. It is also seen that only 31.45% of the retail investors are aware of it and the awareness level of this norm increases with the income level. 83.33% of the respondents earning above 10 lakhs are aware of this norm.

**7 Analysis of respondents as to whether they are aware that as per SEBI norms, it is usually compulsory for an IPO to get grading from a rating agency to make an informed decision**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	5	4.00%	119	96.00%	124
200001 to 5 lakhs	4	9.75%	37	90.25%	41
500001 to 10 lakhs	7	30.43%	16	69.57%	23
Above 10 lakhs	3	25.00%	9	75.00%	12
<b>Total</b>	<b>19</b>	<b>9.50%</b>	<b>181</b>	<b>90.50%</b>	<b>200</b>

The researcher has observed that majority of the respondents are not aware that as per SEBI norm, it is compulsory for an IPO to get grading from a rating agency so that they can make an informed decision. It is seen that not only respondents who are earning below 5 lakhs but even those respondents earning more than 5 lakhs or 10 lakhs are not aware. 90.50% of the total respondents are not aware about grading.

**8 Analysis of respondents explaining whether they are aware that SEBI has allowed discount of 5% for retail investors in IPOs.**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	82	66.13%	42	33.87%	124
200001 to 5 lakhs	15	36.59%	26	63.41%	41
500001 to 10 lakhs	13	56.52%	10	43.48%	23
Above 10 lakhs	11	91.67%	1	8.33%	12
<b>Total</b>	<b>121</b>	<b>60.50%</b>	<b>79</b>	<b>39.50%</b>	<b>200</b>

From the above table it can be seen that two third of the retail investors are aware that there exists a discount of 5% for them while issuing the shares in IPO which is a very healthy sign. On the contrary around the same percentage i.e. 63.41% are not aware among the respondents earning between 2 lakhs to 5 lakhs. The respondents earning more than 10 lakhs are very much aware about this discount and this percentage stands at a whopping

91.67%. Out of the total respondents 60.50% of them are aware of such discount.

**9 Analysis of respondents explaining whether they are aware of ASBA (Application Supported by Blocked Amount) facility**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	11	8.87%	113	91.13%	124
200001 to 5 lakhs	26	63.41%	15	36.59%	41
500001 to 10 lakhs	17	73.91%	6	26.09%	23
Above 10 lakhs	12	100.00%	0	0.00%	12
<b>Total</b>	<b>66</b>	<b>33.00%</b>	<b>134</b>	<b>67.00%</b>	<b>200</b>

It is revealed from the above table, by this researcher that the awareness level about the ASBA facility is grossly missing in the retail investors the percentage of which stands at 91.13%. The trend gets reversed when it comes to respondents earning above 10 lakhs as all of them are aware about the ASBA facility. Further the respondents between these two income levels are also not aware about the same. Overall more than two third of the total respondents are not aware of this facility.

**10 Analysis of respondents as to whether they know that 35% of shares are reserved for retail / small investors in an IPO**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	5	4.03%	119	95.97%	124
200001 to 5 lakhs	12	29.27%	29	70.73%	41
500001 to 10 lakhs	19	82.61%	4	17.39%	23
Above 10 lakhs	10	83.33%	2	16.67%	12
<b>Total</b>	<b>46</b>	<b>23.00%</b>	<b>154</b>	<b>77.00%</b>	<b>200</b>

The retail investors are not at all aware that they get advantage of 35% shares reserved for them as almost 96% of the don't know about this. But, 82.61% and 83.33% of the respondents belong to income 5 to 10 lakhs and above 10 lakhs respectively are aware about this norm. Out of the total respondents 77% of them are not aware about such reservation for retail investors.

**11 Analysis of respondents as to have they lost faith in the capital market after the 2008 stock market crash**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	122	98.39%	2	1.61%	124
200001 to 5 lakhs	34	82.93%	7	17.07%	41
500001 to 10 lakhs	20	86.96%	3	13.04%	23
Above 10 lakhs	7	58.33%	5	41.67%	12
<b>Total</b>	<b>183</b>	<b>91.50%</b>	<b>17</b>	<b>8.50%</b>	<b>200</b>



This study has observed that majority of the respondents earning below 10 lakhs feel that they have lost their faith in the capital market after the 2008 stock market crash, the percentage of which is 98.39, 82.93 and 86.96 for respondents earning upto 2lakhs, between 2 to 5 lakhs and 5 to 10 lakhs respectively. But 41.67% of the respondents earning above 10 lakhs feel that they have not lost their faith in the capital market even after the 2008 stock market crash.

**12 Analysis of respondents explaining as to are they aware that the rolling settlement ensures that they get the payment in three days after sale of shares and get the shares in three days in case of purchase of shares.**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	51	41.13%	73	58.87%	124
200001 to 5 lakhs	35	85.37%	6	14.63%	41
500001 to 10 lakhs	21	91.30%	2	8.70%	23
Above 10 lakhs	12	100.00%	0	0.00%	12
<b>Total</b>	<b>119</b>	<b>59.50%</b>	<b>81</b>	<b>40.50%</b>	<b>200</b>

The researcher has observed that 59.50 % of the total respondents are aware about the rolling settlement and its benefits. 91.30% of the respondents earning between 5 to 10 lakhs and surprisingly 100% of the respondents earning more than 10 lakhs are aware about this which indicates that HNIs are well informed as

compared to retail investors whose percentage stands at 41.13% who are aware of the rolling settlement.

**13 Analysis of respondents as to whether they are aware that can the stock market indices fall or rise to any extent at any point of time**

<b>Income / Response</b>		<b>Yes</b>	<b>No</b>	<b>Can't Say</b>	<b>Total</b>
Upto 200000	Numbers	96	7	21	124
	%age	77.42%	5.65%	16.94%	
200001 to 5 lakhs	Numbers	39	1	1	41
	%age	95.12%	2.44%	2.44%	
500001 to 10 lakhs	Numbers	10	6	7	23
	%age	43.48%	26.09%	30.43%	
Above 10 lakhs	Numbers	2	8	2	12
	%age	16.67%	66.67%	16.67%	
<b>Total</b>	<b>Numbers</b>	<b>147</b>	<b>22</b>	<b>31</b>	<b>200</b>
	<b>%age</b>	<b>73.50%</b>	<b>11.00%</b>	<b>15.50%</b>	

From the above table it can be seen that 73.50% of the total respondents feel that the stock market indices can rise or fall to any extent at any point of time. Out of the retail investors 77.42% of the respondents have the same insecurity. But the trend gets reversed in the respondents earning more than 10 lakhs as only 16.67% of them have this feeling. The percentage of this feeling of insecurity is highest at 95.12% among the respondents earning between 2 to 5 lakhs.

**14 Analysis of respondents as to whether they are satisfied with the current set up and overall functioning of the capital market**

Income / Response	Yes		No		Total
	Numbers	%age	Numbers	%age	
Upto 200000	39	31.45%	85	68.55%	124
200001 to 5 lakhs	12	29.27%	29	70.73%	41
500001 to 10 lakhs	18	78.26%	5	21.74%	23
Above 10 lakhs	9	75.00%	3	25.00%	12
<b>Total</b>	<b>78</b>	<b>39.00%</b>	<b>122</b>	<b>61.00%</b>	<b>200</b>

This study has observed that 61% of the total respondents are not satisfied with the current set and overall functioning of the capital market. The retail investors for the purpose of this study or the respondents earning between 2 to 5 lakhs, are hardly satisfied with the current set up. But 78.26% of the respondents earning between 5 to 10 lakhs and 75% of the respondents earning more than 10 lakhs are satisfied with the current set and overall functioning of the capital market which shows that respondents with higher income levels are more satisfied as compared to retails investors.

## **CHAPTER – VI**

### **CONCLUSIONS AND SUGGESTIONS**

#### **Conclusions**

This chapter deals with the conclusion on this study. It includes the various conclusions drawn based upon the study and analysis done of the primary and the secondary data. The conclusion is also drawn on the hypothesis of this study.

This study concludes that capital markets in India have played a vital role in the growth of economy of India. India has been very matured and global financial market since last many years but the retail investors investing their money are not satisfied by the reforms offered by the regulator or the government moreover they are not aware about the reforms.

The need of the hour is that today's investor show confidence into the capital markets and take highest advantage of the available reforms offered to them. Awareness among the retail investors about how they can be benefitted from the capital market is not available to them for which SEBI need to go an extra mile and reach out to people especially in smaller town of Nagpur district.

Today, there are excellent and very exciting opportunities available in the capital market in the long run, which needs to be look upon

but the sad part is the awareness has being consolidated at Nagpur level only leaving asides the rural, which has the highest potential. Even, the government is talking about financial inclusion today, which includes that capital market investments should reach till the last level.

But, the most vital problem is also of ignorance. Investors should be made aware of the benefits. Nobody will invest until and unless he is fully convinced. Investors should be made to realize that ignorance is no longer bliss and what they are losing by not investing. Capital markets offer a lot of benefit which no other single option could offer.

This study concludes that retail investors of Nagpur district are not satisfied with the reforms as well as returns they have got while investing in the capital market.

### **Conclusion on Analysis**

This study makes a conclusion on analysis as below:

1. This research concludes that majority of the retail investors i.e. 59% are investing their money in the capital markets since last 5 years only which shows that retail investors churn out very fast from the markets. Their time horizon is very less which is not a healthy sign while investing in the capital markets.

2. It is concluded that almost two third of the retail investors feel that they have not made good amount in the capital market which shows that retail investors have been loser while investing through this option. It means that they have burnt their fingers in the markets.

3. 67.74% of the retail investors invest only in the secondary markets which indicates that they get carried away and are tempted to invest directly in the secondary market where the risk is high and so are the returns but considering they majority of them are investing for short term, they have not made money in the markets.

4. This researcher concludes that retail investors are heavily dependant upon the advice of friend, media or broker while investing their money. Just 4% of them do their own study and invest in the markets.

5. More than 50% of the retail investors invest in the market for one year and below which means that they are taking huge risk which may not be a calculated risk. Considering the advice they take from friend, broker or media, they are at huge risk of losing money as capital markets are not for one year time horizon.

6. This study of research concluded that 68.55% of the retail investors are not aware their own definition of “retail investor” i.e. 2

lakhs rupees. This is very shocking as SEBI has grossly failed to promote this awareness which is a major benefit to the retail investor.

7. 96% of the retail investors are not aware that rating for IPOs do exist for the benefit of the retail investor. It is concluded that retail investors do not have this knowledge and even don't look out for advertisement properly which contains this information.

8. Over two third of the retail investors are aware that there exists a discount of 5% for them in the IPOs, this can be due to that retail investors are paying money, hence they are aware of it. It is concluded that if retail investors are paying money at least they are aware of it.

9. A whopping 91.13% of the retail investors are not aware about the ASBA facility available to them. Here it is concluded that this figure could be low as the data is taken from smaller towns where ASBA facility is not available.

10. There exists a reservation of 35% for retail investors in IPOs but 95.97% of them are not aware about this benefit. Here again it is concluded that retail investors are not aware of such norms or many other norms and as a result they are not satisfied.

11. This study has concluded that majority of investors have lost faith in the stock market after the 2008 market crash. The retail investors have lost faith to highest extent as 98.39% of them have answered so.

12. A decent respondents at 58.87% of the retail investors are at least aware that rolling settlement exists in the capital market which ensure payment or delivery of share in three days after the transaction i.e. sale or purchase . It is concluded that awareness for this is there with the respondents but it is expected that this information should be with all the respondents.

13. Retail investors feel that the stock market can rise or fall to any extent at any point of time, hence they are not satisfied with the markets and are afraid, this is evident as 96% of the retail investors have respondent that markets can go anywhere. They are not aware that circuit filters are in place to protect the investors.

14. 68.55% of the retail investors are not satisfied with the current set up and overall functioning of the capital market. It is concluded that more than two third of the retail investors understand what has happened during the past few years which were not favorable for the markets.



### **Conclusion on Hypothesis**

The researcher has analyzed the data collected for the purpose of the study. From the analysis of the data as discussed above in Chapter 5, it can be concluded that, retail investors of Nagpur District are not at all aware about the reforms in the capital market and hence they are not satisfied. It is also concluded that retail investors of Nagpur district are not even aware about the host of benefits of investing in the capital market. SEBI has grossly failed in reaching out to people and create awareness about the benefits.

### **Evaluation of 1<sup>st</sup> Hypothesis**

The First Hypothesis tries to establish that retail investors are not fully aware of the SEBI reforms available for them. It is noticed in the study that retail investors do not know about the benefits available for them. Hence the hypothesis is rejected.

### **Evaluation of 2<sup>nd</sup> Hypothesis**

While investing money in the capital market this study has observed that the retail investors are not satisfied with the returns, current scenario or situation and moreover they have lost their confidence in the market. Hence the hypothesis is rejected.

### **Evaluation of 3rd Hypothesis**

The third hypothesis states that the SEBI is successful in reaching out to the retail investors. It is noticed that retail investors lack the awareness about the reforms and the benefits available to them. Retail investors need proper information and guidance to invest in capital market. Hence the hypothesis is rejected.

### **SUGGESTIONS**

Based on this work of Reforms in Capital Market and investors' satisfaction of the retail investors of Nagpur District of Vidarbha where the study has been done especially from the point of view of the retail investor, this study is of the view that the retail investors are not aware of the reforms available for them. Further those who are investing are not satisfied with the returns or the current set up of the capital market. They lack confidence in the markets and hence shy away from it. These suggestions seek to identify and prioritize key initiatives that are required to be undertaken by SEBI for the benefit of the retail investors and for the growth and effectiveness in this dynamic environment. This study makes the suggestions as below.

## **1. Massive Increase in Customer Awareness Campaigns**

Given that customer awareness is the pre-requisite for the achievement of the industry growth potential, there is a need for planning, financing and executing initiatives aimed at increasing financial literacy and enhancing investor education across the entire country through a sustained collaborative effort across all stakeholders. Financing a Sustainable Nationwide Customer Awareness Program.

## **2. Capital Protection to investors**

This piece of study suggests that the money invested by the retail investors at least in the IPOs should be protected for some time horizon may be for six months or so. This will boost the confidence of among them which is the need of the hour.

## **3. Severe punishment for manipulations.**

In order to protect the retail investors, this study suggests that there should be severe punishment for those who do manipulations in the primary markets. The current penalty does not seem to have fear for the people committing the manipulation.

#### **4. Mechanism to stop volatility**

Even though there exists a perfect mechanism to stop the volatility during the market hours but this study suggests that the regulator along with the government should develop some mechanism where the markets neither move up nor go down extraordinarily especially when the fundamentals of the economy are in place.

#### **5. Use of Investors' Protection Fund**

This research suggests that there should be some use of the investors' protection fund from the SEBI's side. During the last decade investors have lost money on many occasions but there seems to be hardly any occasion where the retail investor is protected through this fund.

#### **6. Action upon companies for misusing IPO money**

There are many companies who go public only for getting the money from the people. Investors are lured for returns to invest in such companies which are later wiped off from the stock market i.e. the share does not trade at the stock exchange. Here the investors loses all the money, hence this study suggests that the regulator should take action upon such companies who make a deliberate attempt to misuse the money of the retail investors.

## **7. Introduction of Physical Settlement**

It is suggested that the physical settlement should be introduced. This will create new market of arbitrage and huge Indian saving lying idea will get invested in shares as it becomes an asset class and will start earning 12 to 18% interest rate. This can automatically protect the capital of investors as interest can take care of volatility in prices.

## **8. Cool off period of trade to trade to be increased**

The cool off period of trade to trade should be made at max 30 days; this will save millions of investors to exit in hurry in deep losses. They can hang their boots during the cool off period. 150 pc upfront margin should also be relaxed so that brokers too can entertain retail investors buying trade to trade segment shares

## **9. Education about Capital Markets at all levels**

This study suggests that the government and the regulator should make it mandatory to include education about the capital markets even at the school level. The same should be carried forward to classes and the masses irrespective of the geographical location, education, etc.

## **10. Sector wise tax benefits**

It is suggested that government should give a choice to investor which should be sector wise for tax benefits. It means that an investor should be encouraged to invest in the sector or industry which he likes to get the tax benefits unlike the current situation where he is forced to invest in certain companies only. Here the criterion of investing in these companies can be pre defined by the government.

## **11. Special tax benefits for Retail Investors**

This research suggests that the money invested by the retail investors in the IPOs or even in the secondary market should enjoy a special status and should get separate tax benefits over and above the other investors.

## **12. Government's initiative**

While this study has given suggestions on various fronts for the reforms in the capital market and for the satisfaction of the retail investors which can be implemented but if we want to see a complete turnaround, only the Government of India can do so being sovereign authority. It has the power to bring in any kind of reforms e.g. capital guaranteed funds, guaranteed returns products, etc. which is actually not the concept of capital market

but the same has been proved by the pension products of the insurance companies and that too for ULIP plans which were also considered to be products with no guaranteed returns due to equity component. If the Government can do it for ULIP pension plans, this study suggest that it can surely do something similar to make the capital market grow by leaps and bounds.

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