CHAPTER V

FINDINGS, SUGGESTIONS AND CONCLUSION

The stock market plays a significant role in the economy of a country. It occupies a dominant position in the growth of the industry and commerce that eventually affects the economy of the country to a great extent. The stock market is imperative from both the investor's point of view as well as the industries point of view as it helps financial institutions to raise funds for expansion or setting up a new business venture. The banking sector is a division of the financial sector and its role in the development process of an economy is highly important. Today's banking environment has become highly competitive with the improvements in technology and automation.

To survive and grow in the changing market environment banks are going for the latest technologies, for developing and flexible transaction. The IT sector plays an important role for delivery of banking products and services. The request of IT in the banking sector has increased beyond one's mind's eye with features like online loan application, online uploads of documents, net banking, online bill payments etc. There is a strong inter-relationship between banking and IT sectors. The investors will make investment decisions based on the performance of stocks.

Hence the study on **Performance Analysis of Select Index and Non-Index Stocks in Banking and IT Sectors** is carried out with the following objectives:

- To analyze the pattern of Index and Non-Index stock performance of Banking and IT sectors.
- To examine the stock delivery position of Banking and IT sectors.
- To identify the financial indicators of select Index and Non-index stocks suitable for investments
- To understand the Inter- relationship between Economic Value Added and Market Value Added of both Index and Non-Index stocks of Banking and IT sectors and

- To know the impact of financial and valuation ratios on market value added and also share price of both Index and Non-Index stocks of Banking and IT sectors.

The following hypotheses were tested:

- There is no significant difference between Index and Non-Index stocks on delivery position.
- There is no significant difference in fifty-two weeks high and low values of Index and Non-Index stocks of selected sectors.
- There is no significant relationship among the selected financial variables (EPS, DPS, ROPS, and NPPS) of select Index and Non-Index stocks in Banking and IT sectors.
- There is no significant difference on the mean value of Index and Non-Index stocks in Banking and IT sectors.
- There is no significant relationship exists between selected financial variables (EPS, DPS, ROPS, and NPPS) and the share prices of select Index and Non-Index of banking and IT sector with the market index.
- There is significant relationship between financial and valuation ratios and Market value added.

This research study examines the Performance Analysis of select Index and Non-Index stocks in Banking and IT sectors for a period of ten years from 2006-2007 to 2015-2016. A total of forty companies were selected from select Index and Non-Index stocks in banking and IT sectors from Nifty Bank -10, Nifty IT-10,Non-Index banking sector-10, Non-Index IT sector-10, based on purposive and judgmental sampling method.

The present research work is based on the secondary data. Most of the data were collected from authorized web portal such as www.nseindia.com, www.cmie.com and Money Control moneycontrol.com, Annual reports of the selected banks and IT

companies. Further, the data were also obtained from reputed research journals, books, magazines, and first-hand reports to support the analysis of the research study.

The collected data have been investigated by using various financial and econometric techniques such as Summary statistics, CAPM, CAGR, Fifty- two weeks stock delivery position, Economic value added and Market value added, Independent t-test analysis, Correlation, Pooled regression model, Factor analysis and Path analysis with proper dependent and Independent variables to achieve the objectives.

5.1 FINDINGS OF THE STUDY

The summary of the major findings that emerged from the analysis are given under the following major headings:

i. Performance of Select Index and Non-Index Stocks in Banking and IT Sectors
ii. Stock delivery position of select Index and Non-Index stocks in Banking and IT Sectors.
iii. Financial indicators of select Index and Non-index stocks suitable for investments.
iv. Inter- relationship between Economic Value Added and Market Value Added of Index and Non-Index stocks of Banking and IT sectors.
v. Impact of financial and valuation ratios on Market Valued Added and the Market Value Added influences on the values of Share prices of selected Index and Non-Index stocks in Banking and IT sectors.

5.1.1 Performance of Select Index and Non-Index Stocks in Banking and IT Sectors

Summary statistics, LGR, CAPM and Beta have been applied to assess the performance of select Index and Non-Index stocks in Banking and IT sectors.

a) Performance of Index Stocks in Banking Sector

Based on the performance of individual banks in Bank Index during the study period, HDFC bank has the highest percentage of the linear growth rate of 93.130

when compare to all other banks. The capital Asset Pricing Model also supports the bank with the range of 4.132, which indicates the high rate of return to the shareholder.

Punjab National Bank marks second highest rate of return 2.973 per cent followed by Axis bank (2.917), Federal bank (2.869), Canara bank (2.681), SBI (2.612), Bank of India (2.556), Bank of Baroda (2.043), ICICI bank (1.772) and Yes bank (0.655). Bank of India is having a negative linear growth rate during the study period than the all other banks. Yes bank stands in last position (0.655) in the CAPM.

b) Performance of Non-Index Stocks in Banking Sector

The performance of individual banks in Non-Index listed by NSE during the study period shows that KVB has the highest expected rate of return being 5.020 per cent when compare to other banks not only in Non-Index and also Nifty Bank Index. This result shows that there is a high market rate of return expected in Non-Index bank. Based on CAPM model, KVB scored highest value followed by South Indian Bank(3.014), UBI(2.841), CUP(2.223),IOB(1.973), Oriental Bank(1.744),Corporate bank and Dena bank(1.564), IndusInd bank(0.210),IDBI bank(0.544).Most of the banks in Non-Index category have improvements in closing price during the year 2010-2011. There is a negative growth rates in Corporate Bank (1.010), IDBI (2.729), IOB (8.438) and Oriental Bank (0.122). All Banks have positive expected rate of return in Non-Index category during the study period 2006-2016.

c) Performance of Index Stocks in IT Sector

The performance of individual companies in IT-Index listed by NSE during the study period depicts that INFOSYS Ltd (5.422) has the highest expected rate of return when compare to other companies in IT Index and also banks in Index and Non-Index banks listed by NSE. Based on CAPM model, INFOSYS Ltd has highest value followed by WIPRO Ltd (4.791), TCS (4.617), OFSS Ltd (3.840), Mind Tree Ltd (3.743), HCL TECH Ltd (3.729), Cyient Ltd (3.118), KPIT Ltd (2.723), INFO EDGE Ltd (2.598) and Tech Mahindra Ltd (1.536).

d) Performance of Non- Index Stocks in IT Sector

Based on the performance of individual IT companies in Non- Index during the study period, CAPM shows the highest value in MPHASIS being 6.713 per cent. This is the highest expected rate of return in both bank and IT sectors during the study period. ABB Ltd (3.792) marks second highest rate of return followed by SAK SOFT Ltd (3.563), NIIT Ltd (2.098), TATA-ELXSI Ltd (2.084), Polaris Ltd (1.224), 3i-InfoTech Ltd (0.856), Ramco Ltd (0.738), Rolta Ltd (0.245) and Aptech Ltd (-0.081) during the study period. The best performance based on CAPM, MPHASIS Ltd (IT-Non-Index) share price yields the high expected rate of return is 6.713 per cent.

Overall it is noticed that the performance of both Index and Non-Index stocks of banking and IT sectors played a significant role in the portfolio development and investment decision.

5.1.2 Stock Delivery Position of Select Index and Non-Index Stocks in Banking and IT Sectors.

It focuses on evaluating the relationship between Index and Non-Index stocks' performance based on the stock delivery position and 52-weeks high and low values by applying Summary statistics and CAGR and discussed as

a) Deliverable Quantity to Traded Quantity.
b) Stock Delivery Position – *t*-test Analysis
c) Fifty-Two Weeks Stock Performance of select Index and Non-Index Companies in Banking and IT sectors
d) Independent t-test analysis

a) Deliverable Quantity to Traded Quantity.

- **Stock Delivery Position of Index and Non-Index stocks of Select Banks**

➢ Key finding states that high mean delivery position is 73.47 per cent observed during the year 2007-08. Further, the result clearly indicates that delivery position shows a fluctuating trend on monthly basis. It is also observed that

maximum stock delivery position arise during the year 2006-2007 and 2007-2008.

- The delivery position towards non-index stocks of banking sector states that high mean delivery position of 87.85 per cent observed during the year 2012-13. Further, the result indicates that high delivery position was often occurred during the year 2015-2016 with reference to non-index stocks of banking sector.

- **Stock Delivery Position of Index and Non-Index of Select IT Companies**

- The finding states that the Index stocks of IT sectors state that high mean delivery position of 51.94 per cent was observed in the year 2006-07 followed by 2011-2012 (45.63 per cent). Further, the result indicates that high delivery position was often not occurred on any specified month reference to index stocks of IT sector. The lowest mean value of stock delivery being 34.23 during the year 2008-2009.

- The result states that high mean delivery position of IT-Non-Index of 82.14 Per cent was observed in the year 2007-08 and the low mean value 55.99 in the year 2014-2015. Further, the result clearly indicates that high delivery position was not occurred on a monthly basis specifically with reference to non-index stocks of IT sector and it is likely to happen in the month of February.

b) Stock Delivery Position – *t*-test Analysis

- The finding states that there is a significant difference found between Index and Non-Index stocks on delivery position. The analysis reveals that Index stocks delivery position is lesser than Non-Index stocks. It is also observed that Non-Index stocks have maintained higher delivery position compared to Index stocks.

c) Fifty-Two Weeks Stock Performance of select Index and Non-Index Companies in Banking and IT sectors

- **High and Low Price of Select Banks**
  - The result states that the bank Index mean high price is 274.56 and its standard deviation is 89.59. Similarly, mean low price is 208.64 and its standard deviation is 83.03. The coefficient of variance value indicates the consistency of stock price and it means that fifty-two weeks high price (32.63 Per cent) is more consistent than low price.
  - The result states that the Non-Index stocks have mean high price of 170.87 and its standard deviation is 49.55. Similarly, mean low price is 121.11 and its standard deviation is 45.19. The coefficient of variance value indicates the consistency of stock price and it means that fifty-two weeks high price (29 Per cent) is more consistent than low price.
- **High and Low Price of Select IT Companies**
  - IT Index states that the mean high price is 674.44 and its standard deviation is 311.07. Similarly, mean low price is 558.08 and its standard deviation is 288.06. The coefficient of variance value indicates the consistency of stock price and it means that fifty-two weeks high price (46.12 per cent) is more consistent than low price. The fifty-two weeks high price of Index stocks in IT industry is more consistent than low price of Non-Index stocks.
  - The descriptive statistics of fifty-two weeks stock performance of overall Index and Non-Index companies selected for the study in IT sector. The result states that the mean high price is 308.38 and its standard deviation is 114.95. Similarly, mean low price is 227.31 and its standard deviation is 91.70. The coefficient of variance value indicates the consistency of stock price and it means that fifty-two weeks high price (37.27 Per cent) is more consistent than low price.

d) Independent t-test Analysis

The independent t-test analysis between Index and Non-Index stocks on fifty-two weeks high and low value in banking sector states that the t-value of high price is 3.203 and its p-value is 0.005; the t-value of low price is 2.928 and its p-value is 0.009. The analysis is tested at 5 per cent level of significance and it is noticed from the result that both p-values are less than the level of significance.

Hence, the result reject the null hypothesis, which means significant difference found between Index and Non-Index stocks in banking sector. It is clearly states that index and non-index stocks of fifty two weeks high and low price has found significant difference in banking sector. The result states that the Non-Index stock prices are significantly lesser than Index stock prices in banking sector.

The result of independent t-test analysis between Index and Non-Index stocks on fifty-two weeks high and low value in IT sector states that the t-value of high price is 3.491 and its p-value is 0.003; the t-value of low price is 3.460 and its p-value is 0.003. The analysis is tested at 5 per cent level of significance and it is noticed from the result that both p-values are less than the level of significance, which means that there is a significant difference found between Index and Non-Index stocks in IT sector.

The study clearly indicates the assurance of high performance of select Banking stocks with respect to Index and Non-Index Companies. In the case of select IT Companies few chances are available to get high performance of Index Stocks and assurance of high performance with respect to Non-Index Stocks during the study period. The result also indicates that the Non-Index stock prices are significantly lesser than Index stock prices in Banking and IT Sectors. Further it is concluded that Index stocks have found a threshold to control the delivery position. When an investor trade based on delivery position Non-Index stocks will give better results than Index stocks provided, the investor should keep the stocks for a week, month or couple of months. The general assumption on stocks is considered as 50 per cent of stocks rise

or fall is directly related to the strength and weakness of its industry. Therefore, the investors should keep watching industries as close as they can.

5.1.3 Financial indicators of Select Index and Non-index Stocks suitable for Investments

The key financial indicators are the important source for assessing the performance of stocks. Moreover, it is one of the widely applicable concepts, which help to estimate the companies quickly. Four financial indicators namely, Earnings Per Share (EPS), Dividend Per Share (DPS), Revenue From Operations Per Share (ROPS) and Net Profit Per Share (NPPS) were analysed and presented as follows:

a) Descriptive Statistics – Key Financial Indicators

b) Correlation Analysis

c) Pooled Regression Model

a) Descriptive Statistics of select Index and Non-Index stocks of Banking sector

- The mean EPS of Index stocks is 59.54 and Non-Index stocks is 24.67. Similarly, EPS standard deviation of Index stocks is 19.97 and Non-Index stocks is 5.74. The mean earnings per share of Index stocks are comparatively more than Non-Index stocks
- The mean DPS of Index stocks is 10.91 and Non-Index stocks is 4.94. Similarly, DPS standard deviation of Index stocks is 3.68 and Non-Index stocks is 1.20. The mean dividend per share of Index stocks is found to be higher than Non-Index stocks
- The mean Revenue from Operations per Share of Index stocks is 458.25 and Non-Index stocks is 233.43. Similarly, ROPS standard deviation of Index stocks is144.04and Non-Index stocks is 76.63. The mean ROPS ($\bar{x}$ = 458.25) of Index stocks is comparatively more than Non-Index stocks.
- The mean NPPS of Index stocks is 58.48 and Non-Index stocks is 24.01. Similarly, NPPS standard deviation of Index stocks is 20.35 and Non-Index

stocks is 5.70. In banking sector, the mean net profit per share ($\bar{x}$ = 58.48) of Index stocks is comparatively more than Non-Index stocks. It is also noticed that Non-Index stocks are more consistent than Index stocks. The skewness result indicates that both Index and Non-Index stocks are moderately skewed and the kurtosis results indicates platykurtic pattern. The kurtosis values of Index and Non-Index have shown negative value, which are less than the lower bound critical value which is approximately 2. Hence, it confirms that selected financial indicators during the study period are platykurtic nature.

Descriptive Statistics of select Index and Non-Index stocks of IT sector

- The mean EPS of Index stocks is 49.32 and Non-Index stocks is 9.76. Similarly, EPS standard deviation of Index stocks is 18.35 and Non-Index stocks is 3.47. It is also noticed that the Non-Index stocks are more consistent than Index stocks.

- The mean DPS of Index stocks is 33.77 and Non-Index stocks is 3.99. Similarly, DPS standard deviation of Index stocks is 23.27 and Non-Index stocks is 1.25. The results of DPS shows that the Non-Index stocks are more consistent than Index stocks.

- ROPS of Index stocks is 197.89 and a Non-Index stock is 112.04. Similarly, ROPS standard deviation of Index stocks is 72.25 and Non-Index stocks is 21.82. Non-Index stocks are more consistent than Index stocks in the case of revenue from operations per share.

- The mean NPPS of Index stocks is 43.23 and Non-Index stocks is 9.89. Similarly, the standard deviation of NPPS Index stocks is 17.49 and Non-Index stocks are 3.52. Non-Index stocks of NPPS are more consistent than Index stocks. The skewness result indicates that Non-Index stocks frequently provide small gains and a few extreme losses. Similarly, the kurtosis value also indicates that Non-Index stocks have more chances of providing extreme outcomes compared to Index stocks.

b) Correlation Analysis

- ✓ **Bank Index stocks**

Since, all the p-values are less than the level of significance at 1 per cent. It is observed from the result that EPS has found significant relationship with DPS (98.9 Per cent), ROPS (96.3 Per cent) and NPPS (99.7 Per cent). Similarly, DPS has found significant relationship with ROPS (95.9 Per cent) and NPPS (98.8 Per cent). Finally, ROPS has found significant relationship with NPPS (95.4 Per cent).Key observation states that statistical significance of Index stocks such as EPS, DPS, ROPS and NPPS are highly correlates with one another in banking sector.

- ✓ **Bank Non-Index stocks**

The finding states that few financial variables highly correlate with one another (those p-values less than the level of significance 0.05). It is observed from the result that EPS has significant relationship with DPS (97.3 Percent) and NPPS (96.2 Per cent). Similarly, DPS has significant relationship with NPPS (96.5 Percent). Key observation states that statistical significance of Non-Index stocks such as EPS and DPS, NPPS; DPS and NPPS highly correlates with one another in banking sector.

- ✓ **IT Index stocks**

It is observed from the result that EPS has found significant relationship with ROPS (99.1 Per cent) and NPPS (98.8 Per cent). Similarly, ROPS has found significant relationship with NPPS (98.8 Per cent). Key observation states that statistical significance of Index stocks such as EPS and ROPS, NPPS; ROPS and NPPS are highly correlates with one another in IT sector.

- ✓ **IT Non-Index stocks**

It is also explained from the result that EPS has found significant relationship with NPPS (99.1 Per cent). Similarly, DPS has found significant relationship with ROPS (65.3 Per cent). Key observation states that statistical significance of Non-Index stocks such as EPS and NPPS; DPS and ROPS are highly correlates with one another in IT sector.

c) Pooled Regression Model

- **Pooled, Fixed Effect and Fixed Effect with Time Model for Banking Sector**

The fixed effect and fixed effect with time model are more appropriate methods to predict the target EPS. However, the huge variations in the target payout ratio of banking industry indicate the data outliers. Further, fixed effect with time model is slightly better than fixed effect model based on the Hausman test. The regression equation is as follows:

Earnings per share(Y) = 106.71+0.16 X1+0.79 X2+0.87 X3

- **Pooled, Fixed Effect and Fixed Effect with Time Model for IT Sector**

The fixed effect and fixed effect with time model are more appropriate methods to predict the target EPS. The Hausman test result states that fixed effect with time model is slightly better than fixed effect model in the IT sector. The analysis result illustrates that fixed effect and fixed effect with time model are closely associated with one another in the IT sector.

The regression equation is as follows:

Earnings per share(Y) = 12.25+0.04 X1+0.78 X2+0.89 X3

The selected financial variables are highly correlated with Select Index and Non-Index stocks of Banking and IT Sectors.

5.1.4 Inter- relationship between Economic Value Added and Market Value Added of Index and Non-Index stocks of Banking and IT sectors.

EVA and MVA are important yardsticks to measure internal and external performance of the companies, maximize shareholders wealth and to make proper investment decision. The above interrelationship between EVA and MVA was analysed with summary statistics and the findings are presented as follows:

a) Correlation between EVA and MVA for Banking stocks

b) Correlation between EVA and MVA for IT stocks

a) Correlation between EVA and MVA for Banking stocks

HDFC Banks plays high correlation (0.952) between EVA and MVA which indicates that, the bank follow proper steps to maintain the shareholder's wealth. Indus Ind Bank at the second stage of high correlation (0.882) between economic value added and market value added followed by Corporation Bank (0.844), Yes bank (0.818), Axis bank (0.693), Federal bank (0.484) and KVB (0.446).

Majority of the stocks in banking sector score negative relationship between economic value added and market value added. Based on the ranking, City Union Bank (0.135) followed by SBI (0.135), BOB (0.294), ICICI (0.303), South Indian Bank (0.322), PNB (0.741), Canara Bank (0.761), Oriental Bank (0.782), IDBI (0.785), Union Bank (0.827), Bank of Baroda (0.828), Dena Bank (0.932) and IOB (0.948).

b) Correlation between EVA and MVA for IT stocks

TCS Ltd plays high correlation (0.948) between EVA and MVA which indicates that, the TCS Limited make proper steps to maintain the shareholders wealth. It is also revealed from the result of performance of stocks, TCS Limited scores high yield of return to the shareholders. Tech Mahindra Ltd at the second stage of high correlation (0.907) between economic value and market value added followed by Tata Elxsi Ltd (0.877), HCL Tech Ltd (0.867), Ramco System Ltd (0.851), Mind Tree Ltd (0.847), KPIT Ltd (0.818), Infosys Ltd (0.796), Info Edge Ltd (0.743), Cyient Ltd (0.717), Wipro Ltd (0.653), OFSS Ltd (0.622), Mphasis Ltd (0.580), 3i-Infotech Ltd (0.328), ABB Ltd (0.324), Aptech Ltd (0.046) and Polaris Ltd (0.149).

Only three stocks attain negative relationship between economic value and market value added. Based on the ranking, Sak Soft Ltd (0.176) followed by NIIT Ltd (0.208) and Rolta Ltd (0.819).

Negative relationship was found between EVA and MVA in majority of Banking Stocks and Positive relationship was found between EVA and MVA in majority of IT Stocks.

5.1.5 Impact of Financial and Valuation Ratios on Market Valued Added and Share Prices of Selected Index and Non-Index Stocks in Banking and IT Sectors.

The above aspects were analysed with the help of Factor analysis and Path analysis and the findings were presented under the following headings:

- Factor Analysis and Path Analysis for Banking Sector–Index Stocks
- Factor Analysis and Path Analysis for Banking Sector: Non-Index Stocks
- Factor Analysis and Path Analysis for IT Sector: Index Stocks
- Factor Analysis and Path Analysis for IT Sector: Non-Index Stocks

➢ **Factor Analysis and Path Analysis for Banking Sector–Index Stocks**

The banking Companies Share price (H_6), Net worth, Net Returns and Interest are Significant at 1 per cent level, Operating Expenses is significant at 5 per cent level whereas Earnings is insignificant at 5 per cent level. Hence, it is concluded that the framed hypotheses to test the relationship between direct and indirect variables are accepted and the null hypothesis is rejected except $H_{1,}$

The proposed model is fit. The profitability factors are influencing the Market Value Added and the market value added influences of the share prices of banking company's shares in the index.

➢ **Factor Analysis and Path Analysis for Banking Sector: Non-Index Stocks**

The relationship between Market Value added and Banking Companies Share price not in the index Interest, Operating Cost, ROI and Net Profit are Significant at 1 per cent level, whereas the relationship between Price Earnings is insignificant at 5 per cent level. Hence, it is concluded that the framed hypotheses to test the relationship between direct and indirect variables are accepted except H_4.

The profitability factors are influencing the Market Value Added and the market value added influences the share prices of banking company shares not in the index (NIFTY).

- **Factor Analysis and Path Analysis for IT Sector: Index Stocks**

The relationship between Market Value added and IT Companies prices of share in RON, Price Earnings, Debtors are significant at 1 per cent level and Debt-Equity is Significant at 5 per cent level, whereas the relationship between Profit is insignificant at 5 per cent level. Hence, it is concluded that the framed hypotheses to test the relationship between direct and indirect variables are accepted except H_1.

The profitability factors are not adequately influencing the Market Value Added but the market value added influences the share prices of IT company shares in the index (NIFTY).

- **Factor Analysis and Path Analysis for IT Sector: Non-Index Stocks**

The relationship between Market Value added and IT Companies prices of share not in the index EPS, Profit, Fixed Asset and Net worth are significant at 1 per cent level and whereas the relationship between Equity is insignificant at 5 per cent level. Hence, it is concluded that the framed hypotheses to test the relationship between direct and indirect variables are accepted except H4.

The proposed model is adequately fit. The profitability factors are influencing the Market Value Added and the market value added influences the share prices of IT company shares not in the index (NIFTY).

Significant relationship exists between financial and valuation ratios on Market value added and Share Prices of Both Selected Index and Non-index Stocks in Banking and IT Sectors.

5.2 CONCLUSION

Index and Non-Index stocks are generally listed under a stock exchange and it is a common pattern followed in equity money market throughout the world. The index stocks are normally used to measure the index value of the sector (which are very few), whereas the remaining stocks are known as non-index stocks. The index stocks are quietly enjoying the benefit as trustworthy stocks when compared to

non-index stocks. This thesis is trying to exhibit more insights based on the above statement.

Investors can have a clear idea about the stock performance, which is freely available on the exchange website. In reality, most of the investors make their investment decision based on the specific company announcements, speculations, rumours and suggestions from the brokerage firms. Technically, stock exchange has not provided the sufficient tools to make the investment decision. Therefore, this research has considered historical data, 52-weeks stock performance and key financial indicators to study the pattern of index and non-index stocks and to study the influence of economic value added and market value added. The investors should concentrate on financial ratios as well as valuation ratios which influence the market share price of the individual stock. The impact of EVA and MVA on share price movements will help the investors to make proper decisions for making fruitful investment.

The results of the study states that there is a significant difference found between index and non-index stocks on delivery position. The analysis reveals that index stock's delivery position is lesser than non-index stocks. Therefore it is concluded that index stocks have found a threshold to control the delivery position. When an investor makes a decision based on delivery ratio, non-index stocks will give better results than index stocks. However, the investor shall hold the stocks for long term duration to obtain better returns on their investment.

5.3 SUGGESTIONS

Based on the research findings, the following suggestions are offered to individual investors, selected sectors, and stock brokers of selected sectors.

- ✓ The investors shall analyze the performance of individual stocks to understand about spot risk premiums, examine corporate financing decision, spot undervalued investment opportunities and compare companies across different sectors.

- ✓ The trader should give attention on the value added of the individual stocks to have a meaningful portfolio and it will also give a good amount of return to the investors. The investors can consider EVA and MVA of the individual stocks before making any investment.
- ✓ Investors shall not only rely on Index computation but also identify good performing stocks by considering the individual analysis of stocks.
- ✓ Service sector based stocks should concentrate on customer focus operational excellence, product leadership, people and sustainability. It provides the highest possible standards, growth journey and creates a long-term shareholder value.
- ✓ The corporate shall improve the financial soundness of the stocks and also to concentrate on the criteria for Index computation by the stock exchange.

5.4 SCOPE FOR FUTURE RESEARCH

- Performance of various sectors Non-Index stocks can be carried out separately in order to identify the good stocks that does not form part of Index.
- Cross country studies on index and Non-Index stocks separately can be performed in order to analyse the performance of a particular sector on a global platform.
- Future studies can be performed by considering the specific events of a sector using ‘event study’ method.
- Time Series Analysis can be used in analyzing the volatility and returns of the sector indices in comparison with SENSEX and NIFTY.
- Future studies can focus on identifying specific macro and micro economic factors that has influence on the sectoral indices.