

STUDY OF VARIATIONS IN MARKET PRICES OF EQUITY SHARES QUOTED IN NATIONAL STOCK EXCHANGE

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ABSTRACT

The investment in stock market is a very lucrative mode of investment considered by investors to have growth in the net wealth. The share market prices quoted in the stock exchange are highly volatile and various forces determine the market prices of such companies. On account of such variations in the market prices, the element of risk involved of the investors is very high. The research paper attempts to study whether the variations in the market prices exists as a preliminary study to guide the investors. I have selected three blue chip companies whose shares are quoted in stock exchange and the time span I considered is fifteen days in the month of April 2017. The companies are selected for our study on the basis of Purposive Sampling Method. We used different statistical tools for our analysis and interpretation such as Trend Analysis, Arithmetic Mean, Standard Deviation and Co-efficient of Variance.

KEYWORDS: *Market Prices, Stock Market, Net Wealth, Statistical Tools, Sampling Method.*

Introduction

Valuation is all about judgment. At the extremes of cheap or expensive, value is obvious, but between those extremes, analysis and judgment are crucial for determining value. Traditional equity valuation methods are simply ways of performing analysis and exercising judgment. None of these methods consistently works particularly better than any of the others, and to a certain degree, they tend to give similar buy/sell signals for specific stocks. Still, these traditional methods are useful for thinking about stocks and what should drive buying and selling decisions.

The purpose of the study is to establish whether there is variations in the market prices as quoted in the stock exchanges exists, and if so to study the various companies variations in the market prices in the time span of fifteen days as a time scale and the extend of such variations. The market prices of different equity shares vary according to many theories governing the valuations such as traditional and behavioral finance theories. There is a huge risk involved of the wealth invested of high magnitude in a stock exchange causing such investment highly risky on account of differences in variations of different companies which is the propose of our study.

Problem on Hand

- The investors across India invest in the equity scripts on the advice of unstructured, unprofessional environment making such investment highly risky.
- The fact that there are differences in the market prices of different share scrip do exists, and if so the extend and magnitude thereof.

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- The investment in shares is either Long Term or Short Term depending upon the requirements of the investors.
- The gain arising is on account of differences in market prices of the shares sold and the shares bought.
- It is essential to understand such variations from the point of view of selecting the scripts of two factors one timing of purchase and sale and two selecting a script for investment.

Research Methodology

- **Region of Research**

The Geographical location for the study was Mumbai Stock Exchange selected Scripts Quoted in Stock Exchange

- **Research Design**

The Research conducted was of Descriptive and Analytical in Nature

The research design and the steps adopted in research methodology kept in focus the objectives set for the study. The statistical techniques used for our analysis are various types of averages, measures of dispersion, absolute and relative such as standard deviation and co-efficient of variance.

- **Population and Sampling**

The population of study consists of the different companies whose shares are quoted in stock exchange using Purposive Method of Sampling, three blue chip companies are selected for our analysis.

- **Collection of Data**

The collection of data consist of secondary data. The secondary data is in the nature of market prices quoted in stock exchanges on various dates in the month of June 2018.

- **Statistical Methods**

I have selected the scripts and only closing prices of equity shares were considered for our analysis and interpretation. Since our purpose is to study the variation in prices over a period and not during the day.

Review of Literature

A. Echchabi, D. Azouzi (2015) In this article the authors have examined the willingness of the Tunisian customers to adopt Islamic banking services, and the factors that may influence their decision. A total of 100 questionnaires were randomly distributed to banking customers. Multiple regression and one sample t – test were subsequently applied. Results showed uncertainty, compatibility, awareness as well as subjective norm, have a significant impact on the attitude towards Islamic banking services in Tunisian. Also, self-efficacy was found to have a significant influence on behavioural control. Overall the Tunisian customers were willing to shift to Islamic banking services.

A. S. Atmadja (2005) Author in this article studies the existence of Granger-causality among stock prices indices and macroeconomic variables in five ASEAN countries, Indonesia; Malaysia; the Philippines; Singapore; and Thailand with particular attention to the 1997 Asian financial crisis. This research finds that there were few Granger causalities found between the country's stock price index and macroeconomic variables. This indicates that the linkages between domestic stock price movements and macroeconomic factors vary.

A. A. Toly (2009) This study uses the accounting ratios as the determinants of the prices of stock classified as the LQ45 in the ISX during 2002-2006. The panel-data regression model is used to test whether all of the independent variables involved in the equation could simultaneously explain the behaviour of the dependent one. After conducting some statistical treatments on the developed model, this study reveals that the shareholders' ratios consisted of book value per share, dividend payout ratio, EPS, and ROA are the accounting ratios, which direct the LQ45's stock price movement in the ISX during the period of 2002-2006.

A. Ventre, V.Ventre (2012) The authors in this article have given knowledge on what Hyperbolic discounting refers to as the tendency for people to increasingly choose a smaller-sooner reward over a larger-later reward as the delay occurs sooner rather than later in time. When offered a larger reward in exchange for waiting a set amount of time, people act less impulsively (i.e., choose to wait) as the rewards happen further in the future. Put another way, people avoid waiting more as the wait nears the present time.

A. K. Jha , N. K. Singh (2014) This paper investigates the effects of economic factors on India's stock markets. It utilized Johansen cointegration test and Innovation Accounting techniques to study the short-run dynamics as well as long-run relationship between stock prices and four macroeconomic variables from the Indian economy. Results convey co-movements between stock market index and macroeconomic variables in a long-run equilibrium path. However, it is advisable not to forecast beyond one period in cases of such volatile series, because of the randomness involved as visible from the forecast errors obtained from different methods.

Analysis of Result

- **Objective**
 - To study whether the variations in the closing prices of equity shares quoted in stock exchange exists.
 - To compare the variations in different companies closing prices of equity shares quoted in stock exchange over a period of time.
- **Data Analysis**

Table 1: Closing Price of Reliance Industries Limited

Date	Close Price
24-12-2018	1089
21-12-2018	1100
20-12-2018	1128
19-12-2018	1137
18-12-2018	1136
17-12-2018	1130
14-12-2018	1112
13-12-2018	1107
12-12-2018	1111
11-12-2018	1098
10-12-2018	1090
07-12-2018	1134
06-12-2018	1124
05-12-2018	1155
04-12-2018	1152
03-12-2018	1156
30-11-2018	1168
29-11-2018	1169
28-11-2018	1153
27-11-2018	1128
26-11-2018	1110

Mean	1128
Std.dev	24
CV	2.13

Source: www.nseindia.com

- Face Value of the share is Rs 10/- (Rupees Ten Only)
- During the Time span of 30 days in the month of November and Decemner 2018, the mean (average price) quoted is Rs1128/-
- The absolute dispersion i.e Standard Deviation is 24
- The co-efficient of variance i.e relative dispersion is 2.13

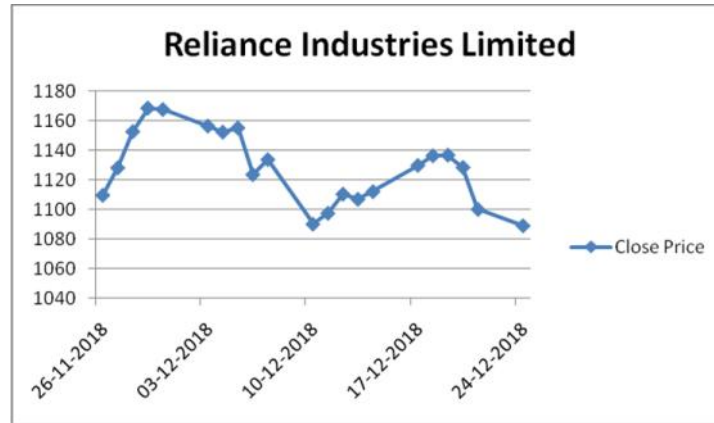


Table 2: Closing Price of State Bank of India

Date	Close Price
24-12-2018	293
21-12-2018	292
20-12-2018	294
19-12-2018	301
18-12-2018	293
17-12-2018	290
14-12-2018	289
13-12-2018	289
12-12-2018	285
11-12-2018	281
10-12-2018	274
07-12-2018	275
06-12-2018	276
05-12-2018	280
04-12-2018	283
03-12-2018	287
30-11-2018	285
29-11-2018	286
28-11-2018	285
27-11-2018	289
26-11-2018	286
Mean	286
Standard Deviation	6
Co-efficient of variance	2.27

Source: www.nseindia.com

- Face Value of the share is Rs 10/- (Rupees Ten Only)
- During the Time span of 30 days in the month of November and December 2018, the mean (average price) quoted is Rs 286/-
- The absolute dispersion i.e Standard Deviation is 6
- The co-efficient of variance i.e relative dispersion is 2.27

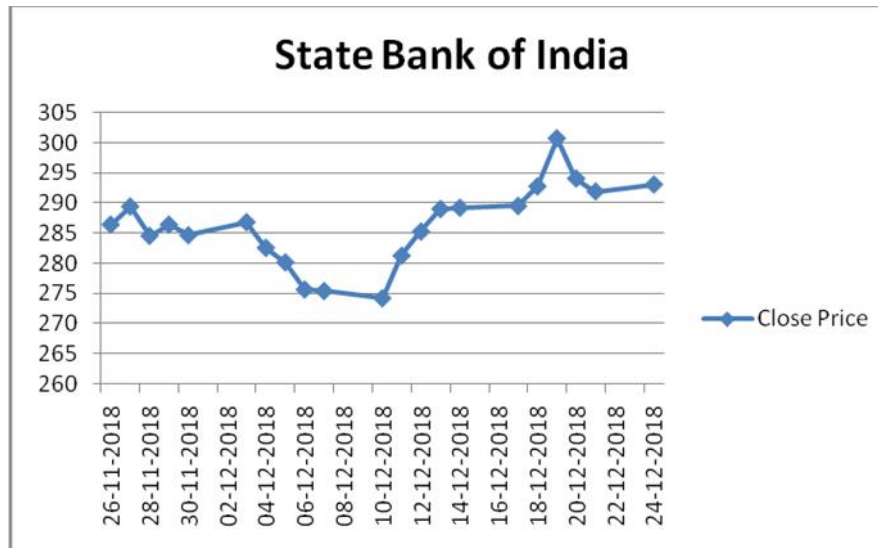


Table 3: Closing Price of Reliance Communications Limited

Date	Close Price
24-12-2018	14
21-12-2018	14
20-12-2018	14
19-12-2018	14
18-12-2018	16
17-12-2018	16
14-12-2018	16
13-12-2018	15
12-12-2018	16
11-12-2018	15
10-12-2018	15
07-12-2018	16
06-12-2018	16
05-12-2018	16
04-12-2018	17
03-12-2018	17
30-11-2018	14
29-11-2018	13
28-11-2018	13
27-11-2018	13
26-11-2018	13

Mean	15
Standard Deviation	1
Co-efficient of variance	8.05

Source: www.nseindia.com

- Face Value of the share is Rs 10/- (Rupees Ten Only)
- During the Time span of 30 days in the month of November and December 2018, the mean (average price) quoted is Rs 15/-
- The absolute dispersion i.e Standard Deviation is 1
- The co-efficient of variance i.e relative dispersion is 8.05

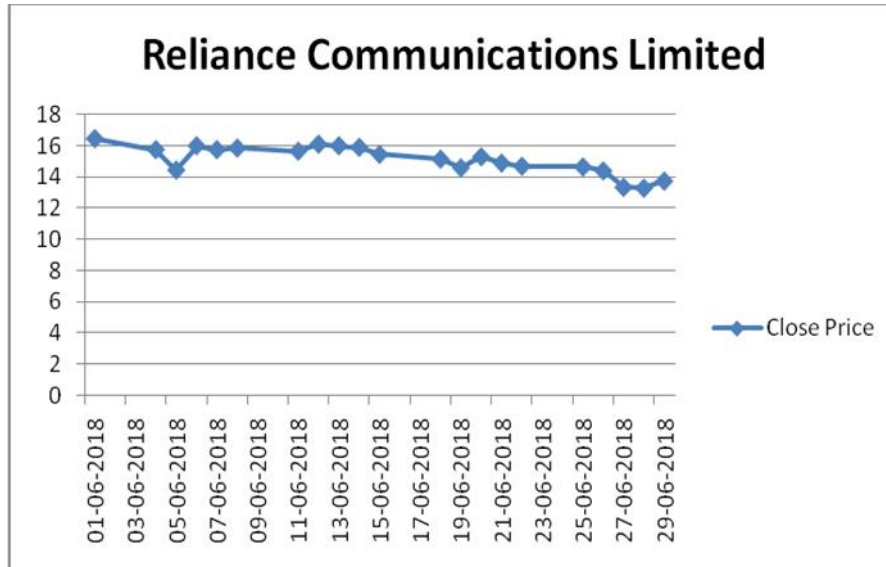


Table 4: Summary of Share Market Prices Quoted

Sr. No.	Name of Company	Mean	Standard Deviation	Co-efficient of Variance
1	Reliance Industries Limited	1128	24	2.13
2	State Bank of India	286	6	2.27
3	Reliance Communications Limited	15	1	8.05

- Amongst the companies under the study the standard deviation i.e market prices being away from mean market prices is highest in case of Reliance Industries Limited
- In case of co-efficient of variance i.e Relative Measure of Dispersion is highest in case of Reliance Communications Limited.

Conclusion

- On the basis of the study, there is variations in the market prices of shares quoted in stock exchange
- The variations in market prices on different days are different in case of different companies.

Limitations

- The present study consist of only three companies, the result could differ if more number of company samples are taken.
- The time span selected relating to the market prices is only fifteen days, the result could differ if more number of days are taken.
- The factors causing the variations in the market prices are not considered.

Further Scope of Study

The researchers should consider the different factors causing variations in the market prices of different companies using both traditional and behavioural finance valuation theories, in order to advise the small investors their investment in stock market which is highly risky and volatile.

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