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Evaluation of Portfolio Analysis on Selected Securities of NSE in India

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Abstract

Most of the investors want a safe and secure return on their investment they also look for maximum returns. The pure debt investment brings an average return with lesser liquidity as compared to the equity investments. So in search of higher return (keeping the risk factor in mind) investor are a heading towards equity investment on analysis of recent year investment trends, FII, entrance and operations in Indian stock markets, it has been found that equity is gaining ground in India. The article main aim is to understand the different securities mix in a portfolio selection. Security Analysis is the analysis of tradable financial instruments called Securities. These can be classified into Debt securities, Equities, or some hybrid of the two. Investing involves risk of loss of principal and is more concerned on the return of investment. The Security Analysis relationship is a fundamental concept not only in financial analysis, but also in every aspect of life. The target of this paper is to evaluate the selected securities risks & returns.

Keywords: India, National Stock Exchange, Portfolio Analysis, Stocks, Stock Market, Security Analysis.

1. INTRODUCTION

The term 'investing" could be associated with the different activities, but the common target in these activities is to "employ" the money (funds) during the time period seeking to enhance the investor's wealth. Funds to be invested come from assets already owned, borrowed money and savings. By foregoing consumption today and investing their savings, investors expect to enhance their future consumption possibilities by increasing their wealth. But it is useful to make a distinction between real and financial investments. Real investments generally involve some kind of tangible asset, such as land, machinery, factories, etc. Financial investments involve contracts in paper or electronic form such as stocks, bonds, etc. The act of investing is commitment of money in expectation of something more in return. Generally, the primary concern of an investor is to minimize the return. An investment is, a monetary asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price, Investing usually involves the creation of wealth. Each investor should diversify his portfolio in order to minimize the risk. Selection of such an efficient portfolio is usually done with the help of some analysis.

2. OBJECTIVES OF THE STUDY

The main objectives of this research can be summarized as follows

- To study the selected securities risks & returns
- To know wisely alternative investments between the securities
- To understand the different securities mix in a portfolio selection
- To study on relationship between risk and return analysis of selected stocks on NSE

3. RESEARCH METHODOLOGY

The methodology used in the study for the completion of the project and the fulfillment of the project objectives, is as follows; Market prices of 12 companies have been taken for 12 months of different dates, there by dividing the companies into 4 sectors. A final portfolio is made at the end of the year to know the changes (increase/decrease) in the portfolio at the end of the year.

Sources of Data

Primary Data: Primary data are generated through personal investigation on the companies.

Secondary Data: The secondary information was collected from the records and published annual reports of the company, web sites, Magazines, Books, news papers and Journals etc.

4. PERFORMANCE OF NSE IN INDIA

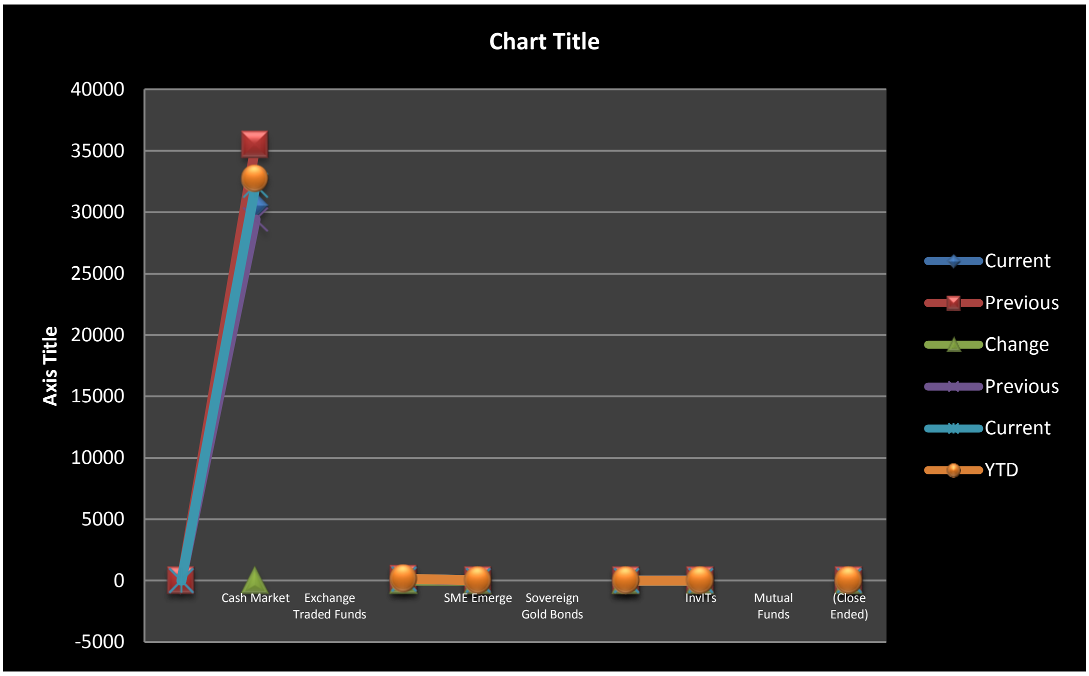
Average Daily Turnover (INR Crores)

1. Equity Market

Table 4.1

Product	Current Month	Previous Month	Change	Previous FY	Current FY	YTD	% Change
Cash Market	30548.72	35510.33	-13.97%	29416.08	32214.04	32731.18	1.09
Exchange Traded Funds	130.45	134.62	-3.10%	126.42	145.26	150.27	1.15
SME Emerge	8.07	13.61	-40.73%	22.49	20.21	23.51	-0.9
Sovereign Gold Bonds	0.54	0.80	-32.62%	0.35	0.47	0.47	1.34
InvITs	3.66	4.51	-18.86%	16.57	4.87	5.88	-0.29
Mutual Funds (Close Ended)	0.88	0.10	739.39%	0.30	0.85	0.79	2.83

Figure 4.1



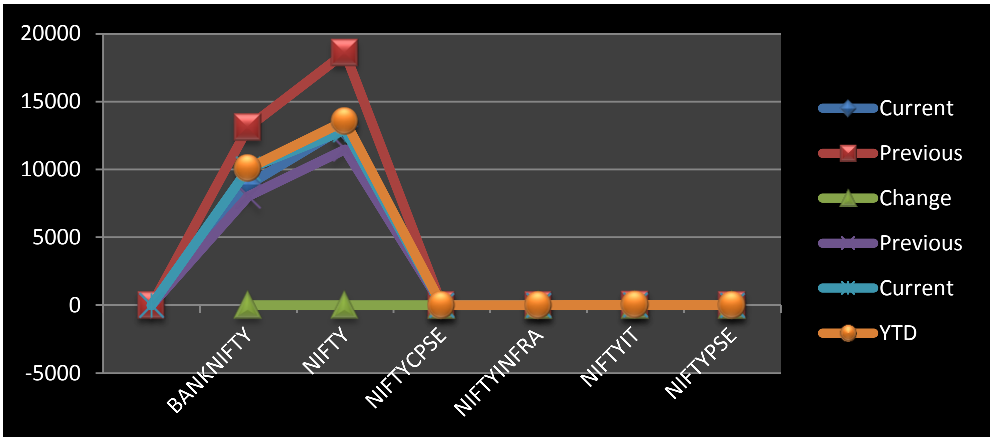
From the above chart of NSE equity market moments, it is inferred that the cash market is fallen sharply at 13.97% for the month of November 2018, whereas the same is observed that the cash market increased to 1.09 % on yearly basis. Secondly, it is inferred that the exchange traded funds are fallen at 3.10% for the month of November 2018, whereas the same is observed that the exchange traded funds increased to 1.15 % on yearly basis. Thirdly, it is inferred that the SME Emerge are fallen sharply at 40.73% for the month of November 2018, and also SME Emerge fallen to 0.9 % on yearly basis. Fourthly, it is inferred that the Sovereign Gold Bonds are fallen at 32.62% for the month of November 2018, whereas the same is observed that the Sovereign Gold Bonds increased to 1.34 % on yearly basis. And also it is inferred that the investment in IT sectors are fallen at -18.86% for the month of November 2018, and also the investment in IT sectors fallen to 0.29 % on yearly basis. Finally, it is understood that mutual fund investments plays a safe game at NSE by applying proper mix of portfolio it is observed the 739.39 % sharp rise at close ended mutual funds, and a yearly increase of 2.83%. From the above observation and inference it has been proved that the equity market is performing positively at long run than the short periods. And also it is proved that a proper combination of portfolio fetch us maximum return at equity markets over long run.

2. EQUITY DERIVATIVES - INDEX FUTURES

Table 4.2

Product	Current Month	Previous Month	Change	Previous FY	Current FY	YTD	% Change
BANKNIFTY	8889.23	13114.39	-32.22%	8031.17	10054.11	10091.08	1.25
NIFTY	13134.74	18590.79	-29.35%	11477.95	12904.75	13567.31	1.12
NIFTYCPSE	0.00	0.00	0.00	0.01	0.00	0.00	0
NIFTYINFRA	0.00	0.00	0.00	0.01	0.00	0.00	0
NIFTYIT	29.25	33.58	-12.90%	18.27	32.22	31.31	1.76
NIFTYPSE	0.00	0.00	0.00	0.01	0.00	0.00	0

Figure 4.2



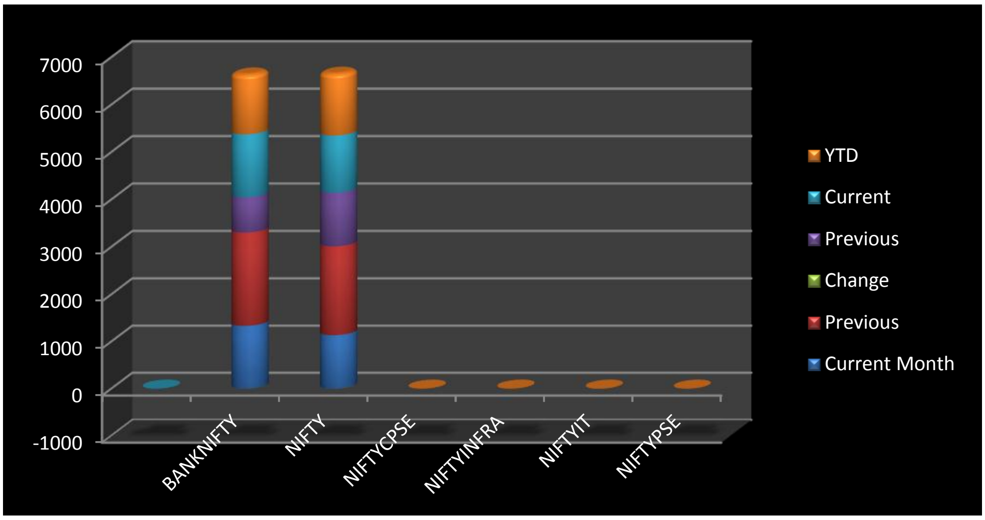
From the above chart of NSE Equity Derivatives - Index Futures, it is inferred that Bank NIFTY is fallen sharply at 32.22% for the month of November 2018, whereas the same is observed that the Bank NIFTY increased to 1.25 % on yearly basis. Secondly, it is inferred that NIFTY are fallen at 29.35% for the month of November 2018, whereas the same is observed that the NIFTY increased to 1.12 % on yearly basis. NIFTYCPSE, NIFTYINFRA, and NIFTYPSE not started their share movement wing. Finally, it is inferred that the NIFTYIT are fallen at 12.90% for the month of November 2018, and , whereas the same is observed that the NIFTYIT increased to 1.76 % on yearly basis. From the above analysis it is observed that an index futures contract of NIFTYIT giving investors the ability to buy or sell an underlying listed financial instrument at a fixed price on a future date with of maximum profits when compared with other index futures

3. EQUITY DERIVATIVES - INDEX OPTIONS

Table 4.3

Product	Current Month	Previous Month	Change	Previous FY	Current FY	YTD	% Change
BANKNIFTY	1332.51	1969.95	-32.36%	741.07	1330.43	1258.57	1.71
NIFTY	1134.16	1876.67	-39.57%	1131.48	1205.59	1301.80	1.06
NIFTYCPSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NIFTYINFRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NIFTYIT	0.00	0.00	-6.23%	0.00	0.00	0.00	0.00
NIFTYPSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Figure 4.3



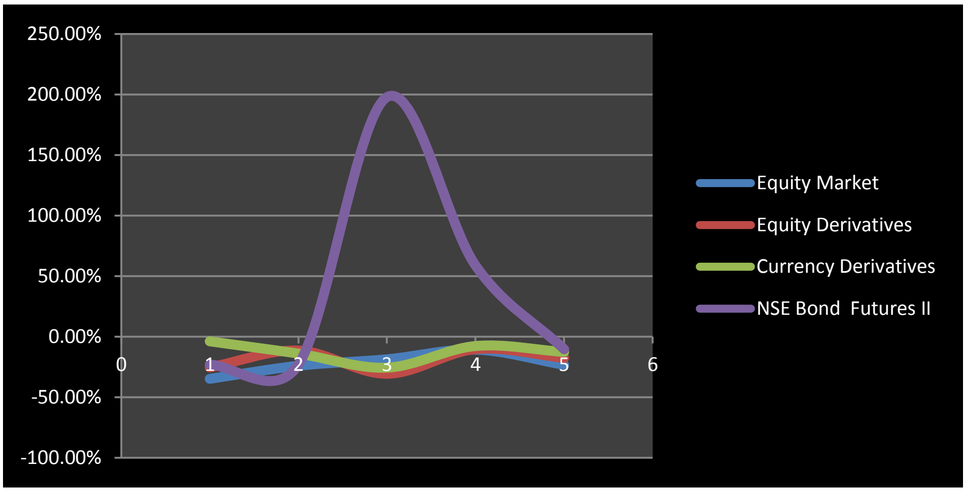
From the above chart of NSE Equity Derivatives - Index options**,** it is inferred that Bank NIFTY is fallen at 32.36% for the month of November 2018, whereas the same is observed that the Bank NIFTY increased to 1.79% on yearly basis. Secondly, it is inferred that NIFTY are fallen at 39.57% for the month of November 2018, whereas the same is observed that the NIFTY increased to1.06 % on yearly basis. NIFTYCPSE, NIFTYINFRA**,** NIFTYIT, and NIFTYPSE not started their share movement wing. From the above analysis and observation establish that Bank NIFTY is experiencing a boom in long run when compared with other equity derivatives index options at NSE.

4. CLIENT CATEGORY PARTICIPATION –PER CENTAGE CONTRIBUTION

Table 4.4

Product	Equity Market	Equity Derivatives	Currency Derivatives	NSE Bond Futures II
Corporates	-34.78%	-25.29%	-3.75%	-23.19%
DII	-24.06%	-11.41%	-13.88%	-23.09%
FII	-18.73%	-30.56%	-25.48%	197.89%
Others	-10.80%	-10.23%	-7.61%	58.80%
PRO	-23.30%	-17.39%	-12.54%	-10.38%

Figure 4.4



Client Category Participation- Percentage Contribution

From the above chart of NSE client participation at equity market, it is inferred that Foreign Institutional Investors(FII's) stood first in their participation and performance and at equity derivatives level it is observed that Domestic Institutional Investors(DII's)stood first in their participation and contribution, and at currency derivatives level it is experienced that Corporate clients are best performers as well as contributors. Lastly at NSE Bond Futures II level PRO's contribution stood first. From the above it is drawn to conclusions that each every client is contributing to the NSE trough different instruments.

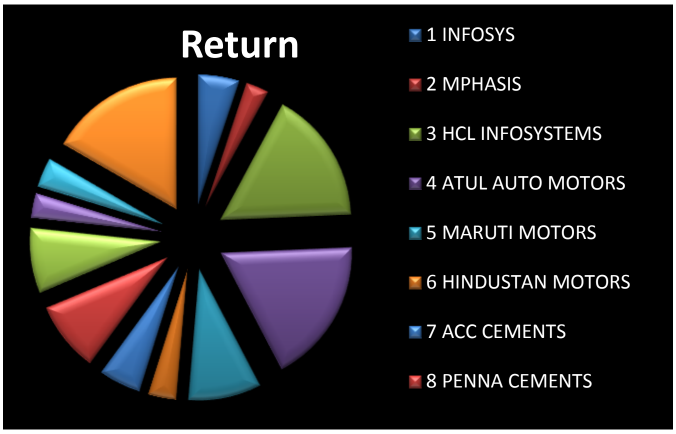
5. DATA ANALYSIS & INTERPRETATION

Calculations of Average Returns of the Companies

Table 5.1

Sr. No	Company	Return
1	Infosys	2.64
2	Mphasis	1.50
3	HCL Infosystems	8.66
4	ATUL Auto Motors	9.48
5	Maruti Motors	4.74
6	Hindustan Motors	1.82
7	ACC Cements	2.75
8	Penna Cements	4.57
9	Shree Cements	4.19
10	Dr Reddy`S Laboratories	1.57
11	Glenmark	1.91
12	Indoco Remedies	8.8

Figure 5.1



Interpretation: Here we have taken 12 companies from 4 different sectors like IT, Automobiles, Cement and Pharma to calculate the average returns for the period of July 2016 to June 2017. The table 5.1 clearly indicates that Atul Auto Motors, Hcl InfoSystems and Indoco Remedies were top performers by generating significant returns of 9.48%, 8.66% and 8.80% respectively. At the same time Maruti Motors, Penna Cements and Shree Cement were generating moderate returns of 4.74%, 4.57% and 4.19% respectively. The remaining stocks like Infosys, Mphasis, Hindustan Motors, Dr Reddy's Laboratories and Glenmark Pharma were generating very low returns of 2.64%, 1.50%, 1.82%, 1.57% and 1.91% respectively. The analysis clearly indicates that the performance of all the stocks in sector wise was not similar. For example, In IT sector Hcl Infosystem was outperformed by generating 8.66% but infosys and Mphasis were performed poorly by generating 2.64% and 1.50%. Like that stocks in specific sector were not generating similar returns. Thus, returns of the stocks were depending on the individual performance of the company, not sector wise performance.

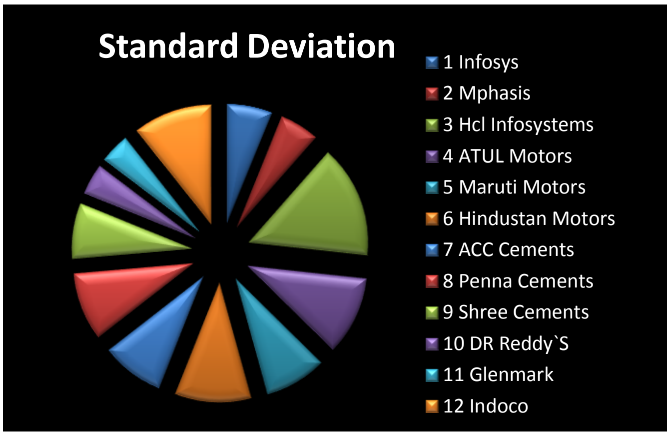
5.2 Calculation of Risk

Calculation of Standard Deviation

Table 5.2

Sr. No	Company	Standard Deviation
1	Infosys	8.511
2	Mphasis	7.45
3	Hcl Infosystems	21.15
4	ATUL Motors	14.83
5	Maruti Motors	11.58
6	Hindustan Motors	14.28
7	ACC Cements	11.81
8	Penna Cements	12.68
9	Shree Cements	10.38
10	DR Reddy`S	5.81
11	Glenmark	5.63
12	Indoco	14.79

Figure 5.2

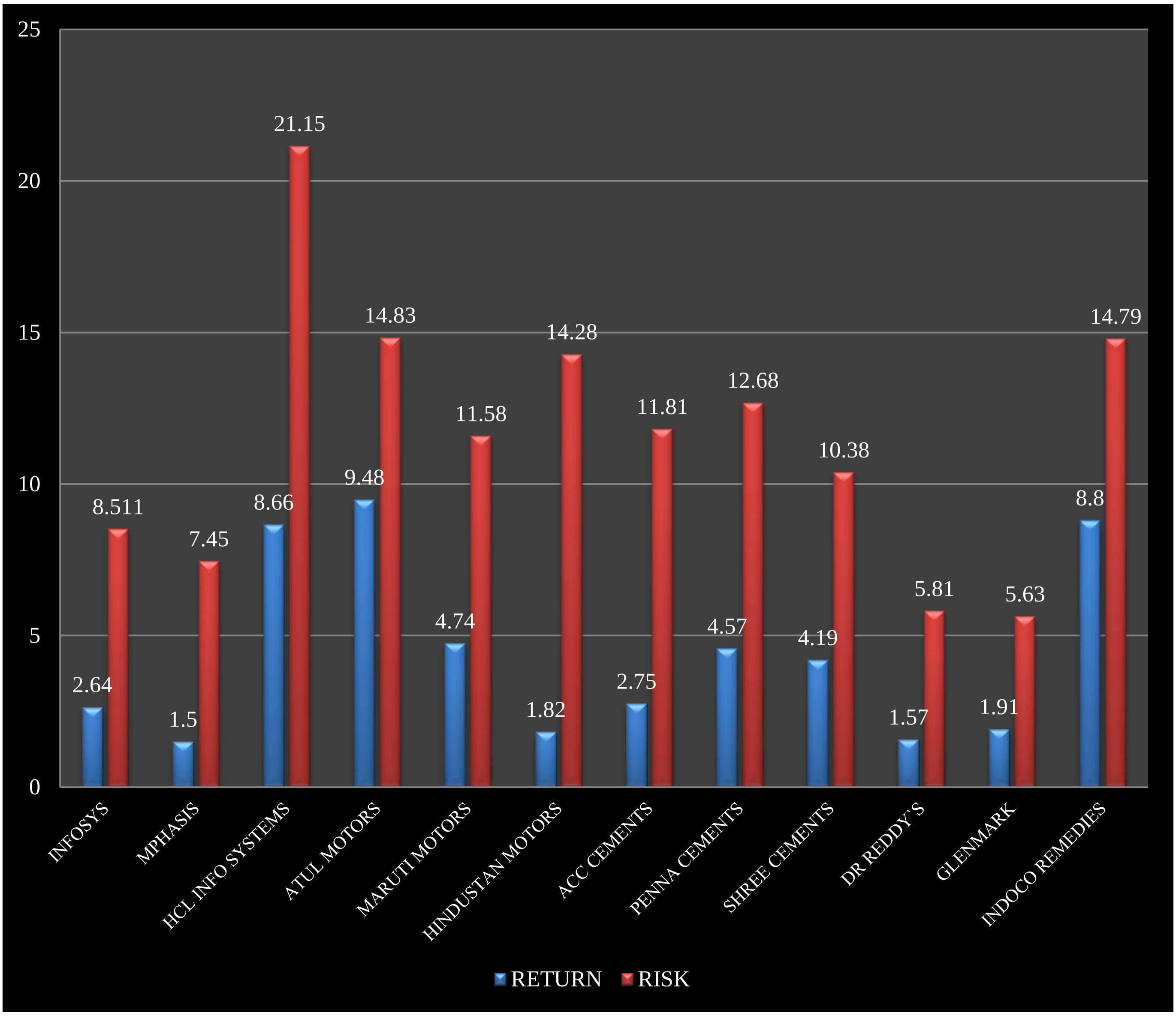


Interpretation: As per requirement for analysis, here we have calculated the standard deviation for identifying the risk levels of the stocks. The table 5.2 clearly shows that the Hcl Infosytems, Atul Motors, Hindustan Motors and Indoco Remedies had high standard deviation values which indicated high risk of the securities. The Maruti Motors, Acc, Penna Cements and Shree Cements had moderate standard deviation values which indicated the moderate risk of the securities. The remaining stocks like Infosys, Mphasis, Dr Reddy's Laboratories and Glenmark had lower standard deviation value which means low risk of the securities. Like stock returns, Risk of the stocks will be no way relevant to sector wise performance. Thus, risk level of the stocks depends on the individual performance of the company, not sector wise performance.

5.3 Risk and Returns

Figure 5.3

Risk & Return



The Risk and Returns associated with the above 12 companies can be shown in graph as follows.

Interpretations: The above chart shows the risk and returns of the all companies grouped together. From the above graph, we can interpret that the above all securities have more risk than their individual returns. The more return yielding securities are Indoco Remedies and Shree Cements. The Companies which have more risk with low returns are Hindustan Motors, ACC Cements and HCL Info Systems.

5.4 Calculations of Correlation

Table 5.4

CALCULATIONS OF CORRELATION												
	INFOSYS	EMPHASIS	HCL INFOSYSTEMS	ATUL AUTO MOTORS	MARUTI MOTORS	HINDUSTAN MOTORS	ACC CEMENT	PENNA CEMENT	SHREE CEMENTS	DR REDDY`S LABORATORIES	GLENMARK	INDOCO REMEDIES
RETURNS												
	20.26	7.76	-13.5	0.04	-13.87	-27.6	-4.2	-5.76	-8.03	2.85	5.02	-4.71
	3.91	5.99	-27.2	-6.05	-6.21	-0.78	-18.6	-3.47	-16.39	-0.3	-11.2	2.37
	-2.08	3.72	20.27	11.99	9.53	15.62	14.6	-4.77	14.7	4.82	3.21	2.03
	9.23	-3.76	-9.42	15.45	19.95	7.48	1.39	0.71	6.23	3.51	5.56	22.95
	1.65	-7.04	-9.78	9.32	2.07	-5.59	-3.63	-7.14	-1.33	1.17	-7.04	35.73
	3.98	11.11	-1.86	8.34	5.62	20.42	11	11.79	-0.63	1.42	3.21	22.29
	5.98	-16.2	12.5	-9.63	-7.55	-16.3	-8.93	-11.27	2.22	2.53	4.72	-11
	3.79	4.69	19.05	1.34	-1.91	-0.68	10	-2.41	7.04	11.15	1.72	22.28
	-14.17	4.9	35.97	4.17	24.63	-1.36	26.9	18.82	20.95	-10.91	-1.18	-5
	-3.11	3.04	18.15	23.1	-2.68	2.02	-7.64	18.16	0.55	4.84	6.16	-5.35
	-7.71	7.97	50.16	49.61	19.88	26.49	3.15	32.32	19.87	-8.59	10	23.51
	9.96	-4.12	9.62	6.15	7.46	2.11	9.01	7.89	5.15	6.45	2.72	0.45
calculation of correlation												
INFOSYS	1	-0.18	-0.70	-0.44	-0.62	-0.54	-0.44	-0.61	-0.66	0.61	0.04	-0.05
EMPHASIS		1.00	0.11	0.32	0.13	0.40	0.27	0.49	0.04	-0.23	0.05	0.12
HCL INFOSYSTEMS			1.00	0.58	0.55	0.44	0.58	0.67	0.89	-0.39	0.56	-0.08
ATUL AUTO MOTORS				1.00	0.55	0.68	0.14	0.77	0.53	-0.36	0.54	0.40
MARUTI MOTORS					1.00	0.66	0.67	0.61	0.80	-0.55	0.22	0.31
HINDUSTAN MOTORS						1.00	0.37	0.62	0.50	-0.23	0.24	0.46
ACC CEMENTS							1.00	0.36	0.77	-0.22	0.24	0.08
PENNA CEMENTS								1.00	0.54	-0.58	0.42	0.09
SHREE CEMENTS									1.00	-0.40	0.50	0.09
DR REDDY`S LABORATORIES										1.00	0.05	0.03
GLENMARK											1.00	-0.10
INDOCO REMEDIES												1

Interpretation: As part of identifying the portfolio risk, first we need to identify the relationship among the securities. So, here we used the statistical tool called correlation to measure the relationship among the securities. The possible outcome of correlation among the stocks might be positive correlation, negative correlation and no correlation. The table 4.4, In IT sector shows that Infosys had negative correlation with Mphasis and Hcl infosytems but Mphasis with Hcl infosystem had no correlation. In auto sector, Atul Auto Motors, Hindustan motors and Maruti motors had positive correlations among them. In cement sector, Acc cements, Penna cements and Shree cement had positive correlation among them. In pharma sector, Dr Reddy's laboratories, Glenmark and Indoco Remedies had no correlation among them. Generally stocks with similar sector might get positive correlation but results show that some sectors like IT had negative correlations and as well as no correlation. In Pharma sectors stocks indicate that there are No correlations exist among them but Automobiles and Cement sectors indicate the positive correlations exist among them.

6. FINDINGS

- Here we have taken 12 companies from 4 different sectors like IT, Automobiles, Cement and Pharma to calculate the average returns for the period of July 2016 to June 2017. The table clearly indicates that Atul Auto Motors, Hcl InfoSystems and Indoco Remedies were top performers by generating significant returns of 9.48%, 8.66% and 8.80% respectively. At the same time Maruti Motors, Penna Cements and Shree Cement were generating moderate returns of 4.74%, 4.57% and 4.19% respectively. The remaining stocks like Infosys, Mphasis, Hindustan Motors, Dr Reddy's Laboratories and Glenmark Pharma were generating very low returns of 2.64%, 1.50%, 1.82%, 1.57% and 1.91% respectively. The analysis clearly indicates that the performance of all the stocks in sector wise was not similar. For example, In IT sector Hcl Infosystem was outperformed by generating 8.66% but INFOSYS and Mphasis were performed poorly by generating 2.64% and 1.50%. Like that stocks in specific sector were not generating similar returns.

Thus, the returns of the stocks were depending on the individual performance of the company, not sector wise performance.

- As per requirement for analysis, here we calculated the standard deviation for identifying the risk levels of the stocks. The table clearly shows the Hcl Infosytems, Atul Motors, Hindustan Motors and Indoco Remedies had high standard deviation values which indicated high risk of the securities. The Maruti Motors, Acc, Penna Cements and Shree Cements had moderate standard deviation values which indicated the moderate risk of the securities. The remaining stocks like Infosys, Mphasis, Dr Reddy's Laboratories and Glenmark had lower standard deviation value which means low risk of the securities. Like stock returns, Risk of the stocks will be no way relevant to sector wise performance. Thus , risk level of the stocks depends on the individual performance of the company, not sector wise performance.
- As part of identifying the portfolio risk, first we need to identify the relationship among the securities. So, here we used the statistical tool called correlation to measure the relationship among the securities. The possible outcome of correlation among the stocks might be positive correlation, negative correlation and no correlation. The table 4.4, In IT sector shows that Infosys had negative correlation with Mphasis and Hcl infosytems but Mphasis with Hcl infosystem had no correlation. In auto sector, Atul Auto Motors, Hindustan motors and Maruti motors had positive correlations among them. In cement sector, Acc cements, Penna cements and Shree cement had positive correlation among them. In pharma sector, Dr Reddy's laboratories, Glenmark and Indoco Remedies had no correlation among them. Generally stocks with similar sector might get positive correlation but results show that some sectors like IT had negative correlations and as well as no correlation. In Pharma sectors stocks indicate that there are No correlations exist among them but Automobiles and Cement sectors indicate that the positive correlations exist among them.
- Here we were segregating the stocks in to high, moderate and low risk securities. Under high risk, we identified Hcl infosystem, Atul motors, Indoco Remedies and Hindustan stocks with 10 different portfolios. After examining the stocks in high risk portfolios, we found that portfolio no.2 shows higher portfolio risk of 13.04 and other remaining stocks showing similar portfolio risk.
- Under moderate risk, we identified Penna Cements, ACC Cements, Shree Cements and Maruti Motors stocks with 10 different portfolios. After examining the stock in moderate risk portfolios, we found that portfolio No.1 and portfolio No. 5 had higher portfolio risk of 10.01 and 10.13 respectively and other remaining stocks had slightly lower portfolio risk values.
- Under low risk, we identified Infosys, Mphasis, Dr Reddy's and Glenmark stocks with 10 different portfolios, we found that portfolio No.4, portfolio No.9 and portfolio No.10 have portfolio risk values of 4.05, 4.06 and 4.33 respectively and other remaining stocks have slightly lower portfolio risk values.
- Here we were segregating the stocks in to high, moderate and low risk securities. Under high risk, we identified Hcl infosystem, Atul motors, Indoco Remedies and Hindustan stocks with 10 different portfolios. The returns of the portfolios consisting of high risk securities were calculated based on individual returns and their weights in portfolio. After examining the stocks in high risk portfolios, we found that portfolio no.2, 4, 5, 7, and 10 were generated higher portfolio returns of 7.484, 7.288, 7.33, 7.149, 7.197 and 7.449 respectively and other remaining portfolios generated slightly lower returns.
- Under moderate risk, we identified Penna Cements, ACC Cements, Shree Cements and Maruti Motors stocks with 10 different portfolios. The returns of the portfolios consisting of moderate risk securities were calculated based on individual returns and their weights in portfolio. After examining the stock in moderate risk portfolios, we found that portfolio No.2, 4, 5, 6, 7 and 9 were generated higher portfolio returns of 4.10, 4.024,4.021, 4.079, 4.143 and 4.062 respectively and other remaining generated the slightly lower returns.
- Under low risk, we identified that Infosys, Mphasis, Dr Reddy's and Glenmark stocks with 10 different portfolios, The returns of the portfolios consisting of low risk securities were calculated based on individual returns and their weights in portfolio. We found that portfolio No.2, 3, 4, 9 and 10 generated slightly higher returns of 1.905, 1.925, 1.924, 1.945 and 1.994 respectively and other portfolios generated relatively lower returns.
- Generally, the potential return of an investment depends on the high risk of securities. There is no guarantee to get higher returns of accepting high risk securities. If investor wants to reduce the risk, there is only one way to minimize i.e., diversification. Diversification enables investor to reduce the risk of investor portfolio without sacrificing potential returns. Once portfolio is fully diversified, investor has to take additional risk to earn higher potential returns on portfolio.
- The numerical values of risk and return of high risk securities table 4.8.1 indicates that the portfolio which generates higher returns had higher portfolio risk and vice versa. For example, portfolio no. 2 generates higher return of 7.484 with higher portfolio risk of 13.04 and vice versa portfolio no.1 generates lower return of 6.749 with lower portfolio risk of 11.81 but it always couldn't happen because some portfolios generate high returns with moderate portfolio risk if we diversify the portfolio properly.
- The numerical values of risk and return of moderate risk securities table 4.8.2 indicates that the higher risk securities will not always generate the higher returns and vice versa. For example, portfolio no.7 generates higher return of 4.143 with moderate portfolio risk of 9.85. The well diversified portfolios will generate the higher returns with even moderate or lower securities.
- The numerical values of risk and return of low risk securities table 4.8.3 indicates that higher risk securities generated the higher returns and some portfolio generated higher returns with lower portfolio risk. For example, portfolio no.4 generates higher return of 1.924 with

higher portfolio risk of 4.05 and portfolio no.3 generates higher portfolio return of 1.925 with lower portfolio risk of 3.76 that means higher risk portfolio will generate higher returns but sometimes if portfolio is well diversified with appropriate weights of the portfolio, it leads to higher portfolio returns with low risk securities.

7. SUGGESTIONS

- As the average return of securities, HCL Infosystems, ATUL Motors, Indoco remedies, Hindustan Motors were high, the investors who are willing to earn more returns, can invest in HCL Infosystems, ATUL Motors, Indoco remedies, Hindustan Motors.
- As the securities of HCL Infosystems, ATUL Motors, Indoco remedies, Hindustan Motors are risky securities because of high volatility, it is suggested that the investors should be careful while investing in these securities.
- The investors who are not willing to take high risk with high return will invest in portfolio consisting of Infosys, Emphasis, Dr Reddy`S Lab, Glenmark
- Don't put your entire investment in one security. It is like "putting all the eggs in one basket ". This will make high risk in the long term.
- Investors are always diversifying their investments in different sectors stocks to overcome the risk of drastic fall of stocks due to fundamental weakness of company.
- The investor must select the right advisory body which has sound knowledge about the product which they are offering.
- Good advisory body always gives proper suggestions to investors which will help to get higher returns with lower risk.

8. CONCLUSION

Stock Market is a market where the trading of company stock, both listed securities and unlisted takes place. It is different from stock exchange because it includes all the national stock exchanges of the country. For example, we use the term, "the stock market was up today" or "the stock market bubble." Every investment is characterized by return and risk. The concept of risk is intuitively understood by investors. In general, it refers to the possibility of incurring a loss in a financial transaction. But risk involves much than that. The word risk has a definite financial meaning. The investors who are risk averse can invest their funds in the portfolio combination of Infosys, Emphasis, Dr Reddy`S Lab, and Glenmark proportion. The investors who are slightly risk averse are suggested to invest in Penna Cements, ACC Cements, Maruti Motors, and Shree cements as the combination is slightly low risk when compared with other companies. This study aims at analyzing the opportunity that are available for investors as per returns are concerned and the investment of risk thereof while investing in equity of firms listed in the national stock exchange. As part of the process of economic liberalization, the stock market has been assigned an important place in financing the Indian corporate sector. Besides enabling mobilizing resources for investment directly from the investors, providing liquidity for the investors and monitoring and disciplining company managements are the principal functions of the stock markets. The main attraction of the stock markets is that they provide for entrepreneurs and governments a means of mobilizing resources directly from the investors, and to the investors they offer liquidity. It has also been suggested that liquid markets improve the allocation of resources and enhance prospects of long term economic growth.

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