7. Summary

The stock market in India, like most stock markets across other countries of the world, would be considered as a weak-form market, if evaluated using the three forms of the market as per the Efficient Market Hypothesis. This would imply that prevailing share prices are a weak representation of past price data, volume and other publicly available information that might be considered as having a significant bearing on share price movement and returns. Therefore, an investor can expect to outperform the market by an approach that is by estimating where a company might be headed by analysing the fundamentals of the firm, irrespective of whether or not the firm is listed on the stock exchange. Although it must be added here that valuation of a listed firm is less complicated since a lot of information pertaining to such companies is already available in the public domain. Additionally, there are others who adopt an investment approach that is a judicious mix of both fundamental analysis and technical analysis, which involves analysing the fundamentals of the firm and also keeping a track of the price charts. However, for the purpose of this study, the spotlight has been trained upon factors that influence stock market returns and are driven by fundamentals of listed companies. Previous literature has dedicated itself to the identification of the major factors pertaining to the fundamentals of a firm which have an impression on stock returns. Based upon such research, academicians came up with asset valuation models that are being used to this day. This research is also a step in that direction, and is primarily concerned with, but not limited to, assessing if momentum factor has any affect on stock returns. Momentum in share prices is generally considered as an outcome of company fundamentals, and a strengthening/weakening momentum factor can be linked to an improvement/worsening in company fundamentals. The study is of special importance for portfolio managers and retail investors alike. The research findings clearly indicate the strong presence of the Size effect and, to a lesser degree, the Value effect as well. The results suggest that the Profitability effect also persists in the Indian markets, but not to the same extent as the Value effect. The findings also support the strong persistence of the momentum effect in stock returns. To sum it up, it can be said that the Size, Value, Profitability and Momentum effects suffice to explain all variations in stock market returms. Thus, formulating a portfolio that comprises of small-sized, high value companies that are highly profitable and have a significant momentum effect acting as tail winds can help the investor to significantly outperform the market.