PROJECT DISSERTATION REPORT ON SHORT SELLING IMPACT ON MARKET

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CERTIFICATE

This is to certify that Mr. Lalit Kumar Bhargava (2K21/EMBA/24) have completed the project titled “Short Selling Impact on Market” under the guidance of Dr. Meha Joshi as a part of Master of Business Administration (MBA) curriculum of Delhi School of Management, New Delhi. This is the original piece of work and has not been submitted elsewhere.

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EXECUTIVE SUMMARY

The practice of short selling has been around for as long as there have been financial markets, yet the majority of people do not understand the inner workings of how it genuinely operates. In relation to the aforementioned subject, the purpose of this investigation is to distinguish between the truth and fiction about the situation at hand. This project is an analysis of previous works that have been conducted on the same subject, such as academic papers, books, and journals that have been published in the past. In the third chapter, we will discuss the methodology of the research, in addition to the framework that it was founded on and how it was developed. This discussion will take place alongside the presentation of the findings of the study. This section also includes a review of the various kinds of data and methodologies of data collection that were used in the process of developing the final findings. These were taken into consideration while developing the conclusions. These were included into the process in order to get the results that were discussed here. The results of the inquiry, including its hypotheses, observations, and conclusions, will be the topic of conversation in the fourth chapter of this book. In the conclusion, we will discover a summary of the results, as well as a discussion of those findings, as well as any relevant suggestions that have been taken into account.

CHAPTER-1

INTRODUCTION

Short sellers have been accused of unethical behavior by those who disagree with the activity. Short selling was either outlawed or heavily regulated throughout most Western markets and Anglo-Saxon nations after such broad campaigns to enhance investor trust. However, there was a lack of consensus between economists and financial specialists in favor of outlawing short selling. Many have claimed that a prohibition like this would have a negative impact on market efficiency and disrupt the free and fair functioning of the market. As a result, the focus of this study is on how the prohibition of short selling has affected the capital markets. Finding such consequences is the primary goal of this research, which takes a non-partisan, objective approach. The literature evaluation in this study was written with the specific goal of illuminating the inefficiencies and methods used by professional short sellers. Each item in the bulleted list is a key aspect of short selling that adds to the system's effectiveness and was determined by analyzing the aforementioned literature(Zachary T,2018). These vital characteristics are evaluated by tracking the ups and downs of stocks on the London Stock Exchange (LSE).

1.1 INTRODUCTION

Short selling, one of finance's most controversial themes, has resurfaced in the aftermath of the present global financial crisis. Short selling has existed for as long as there have been financial markets, but its inner workings are little understood. To differentiate fact from fiction in this argument is the goal of this inquiry. The study

report is broken down into five parts. All of these questions will be answered in the first chapter, "Introduction," which details the background, origins, and mechanics of short selling. The second part is a review of related works such as books, journals, and scholarly papers that have been done before. In the third chapter, we'll go into the methodology and framework of the study. The many types of data and techniques of collecting that went into the final results are also described in this section. In chapter four, we will discuss the study's findings, presumptions, observations, and conclusions. The last chapter contains a summary, as well as the findings and recommendations for further study.

Although the effects of short-selling on the financial markets have received a lot of attention in recent years, short-selling itself is not new. The first documented reference to short-selling in financial markets is found in Shakespeare's 16th-century play The Merchant of Venice. In 160 9, a group of Dutch merchants guaranteed future delivery of stock but did not really hold any shares of East India Company, marking the earliest known instance of short selling. After investors in the East India Company found out about the scheme, share prices dropped by 12 percent over the course of the following year, greatly benefiting the conspirators.

1.2 BACKGROUND

Short selling presents substantial risks; however, they may be reduced to some extent with education. Short interest is determined by the total quantity of borrowed shares (Boulton & Braga-Alves, 2020). In order for the exchange to maintain track of short sale data, the trade must be labelled as such. Some short sellers may elect to buy back shares of stock to settle their short position if buyers show interest in the firm and drive up the

price. Short sellers are investors who borrow shares from their brokers with the hope of selling them at a cheaper price. They are likely speculating that the stock price will decline, at which point they will be able to buy shares at a discount and resell them to their broker at a profit. They benefit from the discrepancy. Any potential buyer may reasonably ask, "How can I sell stock that I do not own?" To engage in short selling, a trader borrows shares from a broker, who subsequently transfers those shares to the customer. The issue is settled when you cover by repurchasing the stock from the broker at a later date. You may instruct your broker to sell short $100 worth of stock in XYZ Corporation at $50 per share if you believe the current price is too high. A broker will transfer 100 shares to a buyer from another customer whose account has approved a loan. Perhaps the stock price will increase rather than decrease. So, you decide to buy at $60 to hedge against future declines. After repurchasing the shares, you lose $1,000 (between $5,000 and $6,000. You may remain short for as long as you want until your broker "calls" the stock back, at which point you return the owner's shares. Limited-liquidity stocks are the only ones where this situation occurs often. There are some equities that the broker is unable to purchase. When this occurs, it becomes illegal to short the stock in question. Short-seller supporters say the prohibition is an effort to meddle with the free and fair functioning of the financial market, while short-seller opponents say the practice should be outlawed because it further depresses already low stock values. This study's overarching goal is to bring to light the contributions of short selling to market stability that have so far been overlooked.

When influential people began speaking out against short selling in January 1610, the business was outlawed. In 1733, short selling was made illegal in England, and in 1802, it was prohibited in Napoleonic France (Gruenwald, Wagner, & Weber, 2010).

Short sales are used by traders for a wide range of purposes, including as lowering risk, minimizing tax liability, hedging long bets, hedging option positions, and pursuing convertible or index arbitrage.

The practice of short selling has been supported on the grounds that it aids in price discovery and maintains market liquidity. If investors are prevented from selling short, stock prices may not reflect reality. Therefore, inefficient resource distribution results from inadequate price discovery. Market inefficiency would lead to wasteful distribution of scarce social resources.

1.3 Short Selling: A Brief History

Dutch merchant and big VOC shareholder Isaac Le Maire was engaged in the first documented case of selling short in 1609. About 85,000 guilders of his own money went to the VOC in 1602. The VOC was still not paying profits in 1609, and Le Maire's ships on the Baltic routes were always in danger from English ships because of persistent commercial disagreements with the British. Le Maire, after careful deliberation, decided to sell up his assets. Short selling was outlawed as one of the stock market's first rules after numerous prominent figures spoke out against the practice. After a few years, the ban was finally removed. thereafter the Dutch crisis four centuries ago, short sellers, sometimes known as "shorts," have been held largely responsible for every major financial crises thereafter. The habit of short selling came

under investigation after the 1929 stock market crash in the United States, prompting a denunciation from then-President Herbert Hoover in 1932. In order to prevent a chain reaction in the market caused by the hedge fund's short bets, the New York Federal Reserve stepped in to save Long Term Capital Management the next year (Boulton & Braga-Alves, 2020).

1.4 Controversy of Short Selling

Critics have been vocal against the practice of short selling since at least the seventeenth century, when it was made illegal in England. In the seventeenth century, this was thought to have contributed to the already steep decline of the Dutch tulip market. The term "short" has probably been in use since the 1850s at the earliest. When referring to a seller, the word "short" is often understood to mean that the seller has a negative balance at his brokerage. When everyone else is celebrating, short sellers are especially looked down upon. However, short sellers maintain that they are merely warning of the overvaluation of equities. To maximize their profit, they hold out until the stock's price drops before repurchasing and returning it to the broker. In speculative short selling, an investor borrows shares of a company in the hope that their price will drop.

1.5 The Short Sale Process

Phone-based loan arrangements between borrowers and lenders make up the overwhelming bulk of the market. Despite significant progress in this field over the last many years.

There have been debates and frequent, vocal calls for the limitation or outright prohibition of short selling, despite the fact that doing so is not unlawful. Some individuals look askance towards short sellers because they believe they are making money off of other people's misery. Short sellers often become the focus of a company's campaign, which may even lead to legal action. Proponents of the practice of short selling argue that it is a necessary step in the market's price discovery process. They claim that long-term investors missed signs of fraud in a company's finances because of the lack of attention paid to those numbers by short sellers. Some investors had doubts about Enron and Tyco's books months before the companies' separate financial crises became public knowledge. Concern or criticism usually centers on the fact that short selling has been related to market abuse. Companies like pension funds and insurance providers that lend out their shares to facilitate this process have also come under fire. In the expectation of a price increase, these institutions are buying shares on behalf of their clients. It's unclear why they'd want to lend shares to someone speculating on a decrease in share price.

1.6 Effectiveness of the Markets and Short Sales

The term "market efficiency," which is a synonym for the efficient market hypothesis (EMH), was coined by economist Eugene F. Fama in a 1970 paper. According to Fama, the stock market is "efficient" because stock prices adjust fast to new information. It's worth mentioning that "market efficiency" remains a speculative concept since no one has provided a clear definition for it (Fama, 1970). If stock prices fluctuate uniformly and independently of one another, as Fama (1965; 1995) states they should, then the stock market is a random walk. The market's response to fresh data brings us to our next key concept.

Kendal (1953) introduced the random walk hypothesis, which states that unpredictable and erratic price changes characterize stock markets when a random walk is adopted. This assumption will remain true so long as investors are unable to exploit stock price history to enhance returns (Kendal, 1953).

That is to say, new information is required before stock prices may shift. Prices may fluctuate as investors try to make money off of historical data, but a stock's true value will always be represented in its market price. However, there has been talk about this theory, and no consensus has been reached as of yet. According to Malkiel and 2020, technical historical research may help seasoned analysts predict where a firm is headed. In Chapter 2, we'll go further into the many theories short sellers use to justify their conviction that a stock's price is artificially high.

1.6.1 Short selling's positive impact

Financial markets may benefit greatly from short selling since it increases market liquidity. The term "market liquidity" which means buyers and sellers may transact in the stock market (Hatcher, 2020). This is beneficial to the financial markets as a whole since it improves the efficacy of the various trading activity within the current market scenario.

As a result of short selling, the market's overall stock prices tend to be more stable (Hatcher, 2020). Demand for various stocks within the market context is a major factor influencing price stability. Stocks may be supplied to markets when traders have the option to temporarily short them. When they repurchase these equities once the speculating periods have passed, they provide the demand that helps keep stock prices stable throughout the financial markets.

According to research by Li, Lin, Zhang, and Chen (2018), short selling may have a significant impact on market efficiency by balancing supply and demand, hence influencing stock prices. However, there is a drawback to short selling that depends on the circumstances under which it is done, the frequency with which it is done, and the total quantity of stocks sold short at any particular moment.

1.6.2 The Detrimental Impact of Short-Selling

Boulton and Braga-Alves 2020 note that "short selling can have adverse negative effects on markets depending on the scale at which it is practised and the likelihood of the market." When a large number of individuals are shorting stocks, a substantial proportion of the market is subject to speculation. The financial markets as a whole may be put in jeopardy if a large number of traders experienced losses. Some of the world's most well-established economies have fallen victim to this phenomenon. The negative impact is felt not only by the market as a whole, but also by the many sectors and marketplaces in which the afflicted businesses operate.

When traders engage in excessive short selling, it may disseminate anxiety across the market and affect the behavior of all participants (Boulton & Braga-Alves, 2020). As a result of this worry, investors may make poor choices in an effort to protect their portfolios against potential losses due to market downturns or depressions. This leads to frantic selling that they will come to regret. Since the financial and securities markets are where firms go to acquire capital and keep their respective sectors afloat, unchecked short selling in these arenas may have a negative impact on the business climate as a whole (Boulton & Braga-Alves, 2020

Crashing may have a significant detrimental influence on price stability, which is felt by both traders and companies that have had initial public offerings within the financial markets. To protect the stability of the financial system, short selling, although an important instrument, must be used with caution.

1.7 Purpose

Dutch merchants 400 years ago were the first to use short selling as a trading strategy, betting against East India Company shares. The strategy's widespread use has been met with criticism from investors, who blame it for the stock market's declines in recent years (Bris et al., 2007). More study into short selling has been prompted by the recent economic downturn blamed on COVID-19.

The skill of short sellers is generally correlated with their use of this strategy. The burden of deciding whether an asset is overvalued is squarely on the shoulders of the investor. In the absence of a legal requirement, publicly listed companies are under no need to provide investors with materially adverse information (Healy & Palepu, 2001). Many businesses, however, avoid disclosing positive information in quarterly or annual reports in order to keep their stock price from plummeting. More studies with a specific region in mind have been conducted recently. Is there a correlation between short selling and stock price movements? Many investors have looked to domestic statistics in an effort to address this basic issue.

1.8 The effects of exposed short-selling and mortgage lending on the underlying stock market.

It's important to remember that although most markets have reinstated covered short-selling, they have mostly prohibited naked short-selling.This is a fascinating development since, contrary to widespread assumption, there is few empirical . There are no costs associated with finding and borrowing securities while engaging in naked short-selling.

1.9 Examination of spreading CDS as well as brief selling activity from a theoretical point of view.

In the event that the bond issuer defaults on its payment promises, the bond holder is protected financially by a credit default swap (CDS), a privately negotiated contract. In return for this right, the holder makes a periodical payment (the spread) to the issuer.

The growing CDS market has not gone unnoticed by the academic community, and a sizable body of work has evolved to analyses these credit-sensitive products.

Pricing corporate bonds and pricing credit spreads represent two key theoretical schools in this literature.

Compared to yield spreads on corporate bonds, CDS spreads might be a more timely and precise measure of changes in credit risk. Blanco, Brennan, and Marsh (2003) found that when a company's creditworthiness changes, it is initially reflected in the credit default swap (CDS) spread before the bond yield spread changes. Large non-default components in bond spreads may obscure the impact of changes in credit quality.

Longstaff, Mithal, and Neis (2005) found evidence that illiquidity had a role in bond yield spreads. As a result, trade in credit default swaps (CDS) has increased while trading

in many corporate bonds has decreased or stopped altogether. CDS data is collected daily, while in most research involving corporate bonds, observations are taken once per month. This should allow for more precise testing.

In the third chapter, we aim to add to the literature that empirically investigates the factors that influence CDS price.

CHAPTER-2

LITERATURE REVIEW

This chapter provides a literature overview on short selling on financial markets, including a discussion of short selling tactics and hazards. Existing literature is as divisive as the ideological battleground between short sellers and their detractors. Although some publications and viewpoints are against short selling, the vast majority support it. Although there aren't much research that argues against short selling, the practice nevertheless faces significant resistance or gloomy attitudes from investors, the media, and market players.

The motivations for engaging in short selling within the financial markets vary greatly from one trader to the next. According to Stratmann and Welborn (2016), the difference between informed and ignorant short selling is whether or not the seller has previous knowledge about the potential impact on a particular stock. Authors have spent a lot of time analyzing the market implications of the ideas of informed and uninformed short selling, and they've come to a variety of findings. various short selling methods, whether well-informed or not, may make various insinuations for different reasons.

2.1 A Primer on Investing and the Capital Markets

For the average person, making an investment is all about becoming richer. Saving money without investing it is a losing proposition. The goals of an investor must take into account the potential for loss as well as gain. Goals for a return may be expressed both in percentage and absolute terms (in terms of dollars). Total returns, as well as

components such as capital preservation, capital appreciation, and current income requirements, must be taken into account. Setting a target rate of return for your investments might lead you down a path fraught with unnecessary danger. An investor's risk tolerance depends on his or her unique personality and circumstances. These include, but are not limited to, age, family status, wealth, insurance, cash on hand, and income. In order to get long-term financing, businesses and governments turn to the capital market, also known as the securities exchange. It's a market for loans with maturities of more than a year. If you want to buy or sell debt or stock, you're in the market. Stocks and bonds are both part of the capital market.

2.2 Understanding the Stock Market and its Trading Concepts

On the stock market, also known as an exchange or an over-the-counter market, it is possible to buy, sell, and issue new shares of stock. Alternatively, the stock market may be referred to as a stock exchange. It's possible you've heard somebody refer to "the stock market" when they really meant "the market." The stock market is one of the most important components of a market economy because it allows firms and shareholders alike to partake in the advantages of ownership in a company in return for rewards that are dependent on the success of the company in the future. A free exchange of goods and services is one of the defining characteristics of a market economy.

2.2.1 Advantages of Stock Investments

In addition to the prospect of attaining a greater degree of financial success, gains from dividends provide an additional incentive to engage in the stock market. This incentive is in addition to the possibility of attaining financial success. After the sale of shares, which

can take place at any time and in any location, gains may be realized as soon as two business days after the sale of the shares. It doesn't matter whether it's the middle of the night or the middle of the day: you may buy or sell shares whenever you choose. Because they offer relatively sizeable dividends, favorable tax treatment, and a high degree of liquidity, shares are the best investment tool for increasing wealth because they are the most common type of investment.

2.2.2 Options for Stock Market Investments

Investment in the secondary market via stock market participation. Following the establishment of a price for offering and the general sale of ownership, trading in those shares can begin on a stock exchange. When a stock begins trading on a stock market, it is considered to be "listed." Current shareholders advertise their stock for sale on a stock exchange, where anybody may buy them at a price determined by supply and demand.

Investors who want to purchase or sell shares on a stock exchange must do so via stock brokers, who are authorized members of the exchange.

2.3 Conflict Over Short-Selling

Short sellers are the worst of the worst because they are criminals, opportunists, and pessimists. This horrible practice must be put to an end as soon as possible. We need to put an end to it, put limits on it, or at the absolute least, condemn those who do it for a living. The feelings are not made up nor exceptional. On the contrary, they accurately reflect the general public's opinion of short selling. When the stock market is down,

people are more vocal in their critiques and more serious in their demands for drastic measures. Many people blame short sellers during these periods (Fabozzi, 2004). When stock values are at their lowest, many lawmakers begin to question whether short selling should be legalized, or if it would be easier to just pass a law mandating a daily increase of 50 points in the Dow. Obviously, the media isn't helping. Rising stock prices are beneficial for readership and subscriptions. Naturally, Americans are more interested in following the stock market and reading about financial news when it is positive (i.e., rising). As a result of their pessimistic outlook, short sellers seldom make headlines.

2.4 Contrasting Short Trading with Naked Short Trading

Naked short selling, also known as naked shorting, occurs when a trader sells a securities short without first borrowing it or confirming that it may be borrowed. The seller "fails to deliver" if he or she does not get the shares by the agreed upon deadlineStock are not considered acquired by the person selling them or the buyer's brokerage until the seller really owns them, the deal is not finalized (Knepper, 2004). Since the terms are often used interchangeably, In both directions, the terms "short selling" and "naked short selling" are often used interchangeably. This study focuses only on short sales, and it completely ignores exposed speculation. Therefore, it is essential to study the topic of short selling thoroughly and learn as much as possible about naked short selling. Many SEC rules and regulations forbid naked short selling in the United States. Since its inception in 2005, "Regulation SHO" has required brokers to ensure the availability of stock for stock transactions and the timely delivery of stock. Victims of naked shorting may be helpless as they watch thousands of fake equities trade hands every day. While

the stocks being sold short do exist, their prices have been unfairly blamed for every market crash.

2.5 Short Selling With Knowledge

The legality of informed short selling is a point of contention in the securities exchange and stock markets. This idea portrays a situation in which investors have access to future data on the probable performance of various equities within the market. This implies they have insider information on how a certain stock will perform in the market. As a result, they use this knowledge to their benefit, engaging in short sells when the odds are firmly in their favor and incurring no losses as a result.

According to research by Diamond and Verrecchia (1987), educated short selling may occur when investors have access to non-public information that gives them an edge over others who must depend on publicly available data when making investment decisions. Therefore, heavy shorting of a company that nobody saw coming is evidence that the stock price has not to fully reflect specific unfavorable facts. The remaining long holders then experience negative stock returns. Whether or whether it is permissible to collect private information that might unfairly affect the stock market is a matter of debate. These writers back up this argument by noting that large-scale short sales almost invariably lead to a precipitous drop in stock values. Using the New York Stock Exchange's (NYSE) internal order data, Boehmer et al. (2008) came to the same conclusion: severely shorted equities consistently underperformed the market. They claim it's impossible that it happened that way only by chance, using data that's available to the general public for conjecture.

Short sellers tend to follow a few distinct patterns, according to research by Stratmann and Welborn (2016). One such pattern is the concept that stock prices tend to fall for any companies that have large numbers of shorts. These authors argue that it is implausible that such events occurred by chance, and that the only possible explanation is that various traders in the stock markets always had access to highly confidential information. Several scholars (Karpoff & Lou, 2010; Song, 2006) have investigated the idea of short selling in relation to the secretive gathering of data.

In conclusion, there is a wide range of opinions on the topic of short selling and the question of whether or not it is an educated practice. Stock short sellers, according to the notion of informed short selling, have negative information about the companies whose shares they are selling. The negative news might come from a variety of sources, including poor reporting on financial or economic performance, which could severely reduce their income. The confidential information could include information on events both within and outside the firm that have a significant negative impact on the company's equity. As a result, savvy short sellers take precautions to limit their financial losses during market declines and make a profit by repurchasing the same equities at a lower price.

2.7 Misguided Attempts to Short Stock

The basic premise of uninformed short selling is that participants in the trading of various stocks do not have any inside knowledge of the stock's potential future performance. Future performance is often defined by the particular decline in pricing. The trader's decision to engage in short selling at this juncture is presumed to be motivated by factors

other than a simple expectation that prices would decline as a result of the trader's previous knowledge. It's also important to consider the argument made by Diamond and Verrecchia (1987), which holds that these uneducated short sellers use publicly available information about companies rather than insider knowledge. All investors have access to information that is in the public domain via various governmental sources. Rarely is private information obtained in an ethical manner, and it often involves stock market practices that may not be legally sanctioned, such as insider trading.

Further, Diamond and Verrecchia (1987) argue that the decreased costs are attributable to increasing occurrences of uninformed short selling. Many investors, it may be said, engage in misinformed short selling because they see little to no downside in doing so, particularly when they believe a certain stock's price will continue to fall. Since these inexperienced short sellers stand to lose very little by engaging in short selling, they might feel more comfortable engaging in the transaction knowing that they are protected by this buffer. Figlewski and Webb (1993) take a novel stance in agreeing that short selling should rise when dangers are low. The authors also imply that short selling is on the rise due to the abundance of available alternatives. In the event that a seller's short selling methods don't pan out as planned, the market's diverse investor base may help mitigate losses by spreading the risk and absorbing just a portion of the associated expenses.

Several factors contribute to the practice of misinformed short selling, as stated by Aitken et al. (1998). The writers introduce the idea of hedging first, which is the practice of diversifying a portfolio of equities to reduce overall exposure to market volatility. To reduce the risk of large investment losses, "hedging" entails making purchases in many

sectors of the same stock market. However, arbitrages entail buying the same stock in several markets to reduce risk. This eliminates the need for stock and securities market investors to have access to proprietary information about the companies in which they have an interest.

Uninformed short sellers claim that short sellers short their stocks for reasons other than having insider knowledge about the financial health of companies traded on the stock market. These explanations may be quite context-specific requirements of the market's many novice traders. Options, arbitrage, and taxes (Aitken et al., 1998) are only a few of the explanations.

The options protect the traders from potential losses by allowing them to try out many alternative strategies. This allows them to short many stocks, ensuring that even if the price of one goes up, the return on the other shorted stocks, which may have gone down somewhat, will be enough to cover the difference. This results in reduced shorting costs and more shorter stock call confidence among less-informed traders. Brent, Morse, and Stice (1990) looked at how tax incentives affect short selling. To lock in a profit yet postpone the realization of a capital gain, investors might go short on the same stock in which they are long (Brent et al., 1990).

When a trader simultaneously shorts and longs a certain stock in the market, as well as owning that investment, they have created an arbitrage. They have the flexibility to thrive in the ever-changing circumstances of the stock market. As a result, they have more leeway to diversify their portfolios and protect their financial stability. Investors may short stocks for a number of reasons, the most prominent of which being the desire to

defer capital losses or profits until the next financial quarter or year. This is accomplished by maintaining both long and short positions in predetermined stocks as of the fiscal year's conclusion. This ensures their continued success in the stock markets throughout the next year (Brent et al., 1990).

2.8 Scientific Investigations Of "Short Selling"

According to Diamond and Verrecchia (1987), a sluggish reaction to new information will result in stable pricing rather than price rises. This is the prediction made by the two authors. According to Bai et al. (2006), the awareness by the market that some information is not understood, which necessitates a higher risk premium, makes it possible for prices to be dropped. This necessitates a higher risk premium. They claim that this makes it feasible for prices to be dropped since it creates more competition. regular traders simply want the value of their stocks to increase and will do whatever to ensure that this occurs, therefore proponents of short selling argue that this kind of trading helps maintain the market more honestly than regular trading does. Because people who want the market to go down are drawn to short selling, proponents of short selling argue that it helps maintain the market in a more honest manner because it attracts those people.

CHAPTER-3

RESEARCH METHODOLOGY

In Chapter 3, we'll talk about the tactics, techniques, and schemes used in the study's research methodologies. This chapter delves into the methodology of the study, as well as its data gathering, analysis, and interpretation. In addition, this section discusses the study's hypotheses, questions, methods, and results. The three types of data utilized to answer the six study questions are detailed in this chapter. Investors, financial analysts, traders, and other financial professionals were among those whose opinions were analyzed for this study. Data analysis from these sources might benefit from reading this chapter. Research design, data collecting, and analytic decisions are all impacted by a wide variety of limitations. Limitations on resources, information, or time might all play a role. The availability of short selling volumes was one of the main challenges in the research and a barrier to the study's thoroughness. Due to the aforementioned obstacles, the scope of the study may also act as a minor restraint, preventing a comprehensive examination of the topic. Quantitative and qualitative information would be collected for the study.

The Aims of the Study

As a result of the recent debates surrounding the temporary restriction on short selling, the effects of short selling on the financial markets are being carefully examined. This

study aims to answer the question, "Does the prohibition of short selling increase the efficiency of the financial market?" in a definitive manner.

The research aims to accomplish the following particular things:

- The short sellers' capacity to disclose fraudulent and unlawful accounting activity in firms. The short sellers' influence on balancing the bullishness in the market.
- Stocks' precipitous decline due to short selling
- Identifying the weaknesses in regulations governing short sales that are having a negative impact on the market
- The function of short selling in the market's price-setting process

Issues for Further Study

- The study's overarching goal is to answer the following questions.
- Is short selling integral to the market's price discovery process?
- To what extent does short selling counteract market bullishness? Do declining stock prices rebound as a result of the temporary prohibition on short selling?
- When it comes to the fairness and orderliness of markets, can short selling produce rapid and disproportionate changes in the values of securities?
- How much of an impact did the short-selling ban/restriction have on market activity?
- Does the detailed financial analysis of firms by short sellers contribute to the detection of financial fraud?

Theoretical Predictions

Following the aforementioned study questions, we propose the following hypothesis.

- Short selling does play a significant part in the system through which the prices of various scripts are determined.
- After the prohibition, trading activity increased as more investors felt comfortable trading without worrying about the potential negative impacts of short selling.
- Short sellers investigate organizations' financial accounts and may reveal cases of financial dishonesty.

There are three basic parts to the research methodology:

• Method of Analysis

• Data Collection

• Study Design

3.1 Research Design

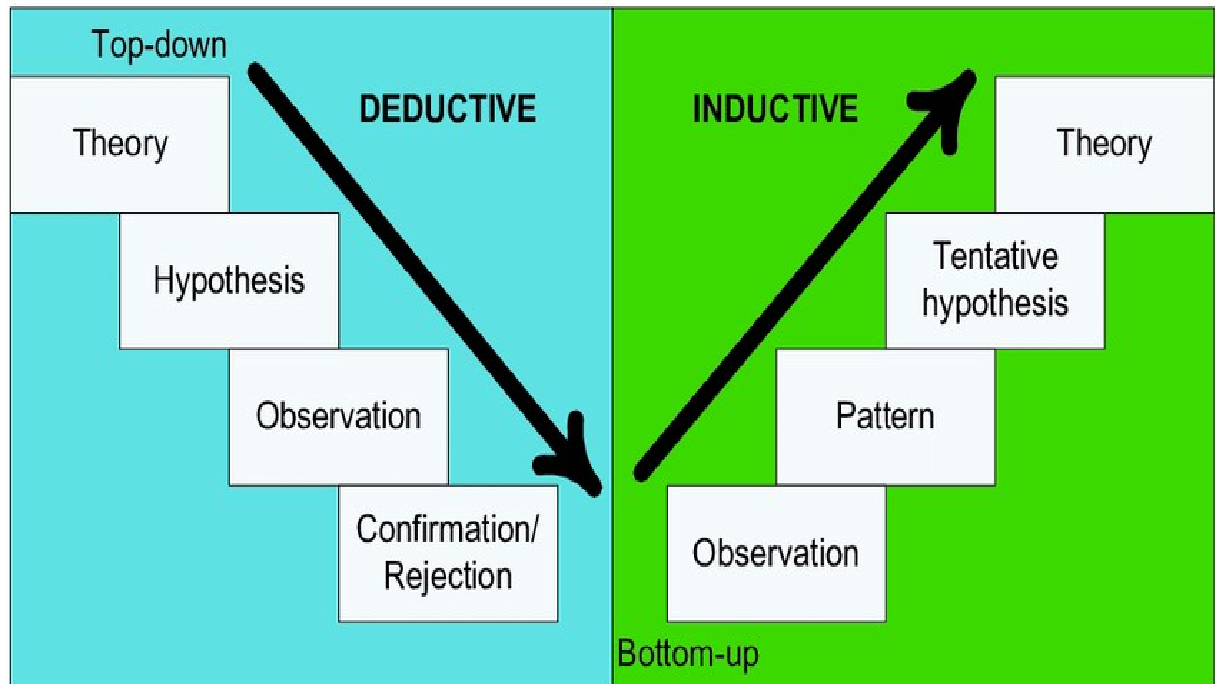
The term "research design" refers to the overarching strategy for answering the study questions. The research questions would provide specific, measurable, and attainable objectives that would be included in the study's plan of action(Zachary T,2004). In addition, it will detail the restrictions that will be faced during data collection and the sources from which the data will be gathered. The study is structured such that there are three sets of research questions.

3. 2 Research Objectives

Exploratory, descriptive, and explanatory answers are all possible to the study questions. Short sellers are mostly to blame because of the restrictions put on them and the severe criticism they get. This may be accomplished by reading the literature on the features of markets after the elimination of short selling. Therefore, the goals of this research are primarily descriptive and explanatory. According to the definition provided by Page and Meyer (2000), a descriptive research is one that just depicts a phenomena or occurrence in its natural state. A descriptive study just describes the research without making any attempts to modify it or generalize the results. In this investigation, we test our hypotheses by looking at how stocks have been trading and what factors have been at work in the financial markets. The made hypotheses are either approved or disapproved of. Not only that, but no counterargument is offered. Some of the most salient features of short selling will be revealed by this examination, allowing for their incorporation with previously established ideas and insights. Therefore, a thorough descriptive study will be conducted to provide context for the inquiries under investigation. Research aspects are revealed via descriptive analysis and then combined with other bodies of information for exploratory research (Page & Meyer, 2000). The goal of explanatory studies, as stated by Miles and Huberman (1994), is to shed light on a phenomenon or simplify a difficult problem. It achieves this by making the connection between the variables clearer. This study's overarching goal is to provide an explanation for why some features of the financial markets have persisted despite the prohibition. The research strategy itself is a crucial part of every study's methodology. The two primary methods used by researchers are the deductive and inductive methods.

3.3 Differences Between a Deductive and an Inductive Method

According to Marcoulides (1998), the deductive method involves putting hypotheses to the test. The researcher will likely have some preexisting ideas from which the hypotheses will be derived. Subsequently, the investigation will put the theories to the test. Conversely, the inductive method uses existing facts to inform the development of hypotheses and theories (Marcoulides, 1998). Since proposing a hypothesis and then testing it via observation is beyond the researcher's competence and disciplinary training, this study takes a deductive method. In addition, a logical method was employed to generate testable hypotheses and inform the study plan. In a deductive method, one begins with a general notion or theory and then utilizes the available facts to gain insight and refine the concept or theory into testable hypotheses. This method is used because it allows for inferences to be derived from the provided data. Information would be gathered via surveys and secondary sources. Charts and graphs would then be used to quantitatively display the findings. The hypothesis would be accepted or rejected based on these findings. This investigation was thus well-suited to a deductive methodology.



3.4 Collecting Data

"Data collection" refers to the stage of study whereby information is gathered directly from participants. Steps in collecting data are as follows, as outlined by Hussey and Hussey (1997): identifying the variables or phenomena of interest; selecting the sample; identifying the type of data needed; selecting suitable collection techniques; conducting a pilot study; revising collection methods; and finally, collecting the data. It is essential to define the study population, the sample size, the sampling frame, and the sampling method before beginning data collection.

3.4.1 Data from Other Sources

Library and Internet research provide the vast bulk of secondary sources. According to Jackson (1994), the inclusion of both primary and secondary sources of information in a

study increases its credibility. According to Creswell (2003), gathering secondary data requires locating previously published, relevant academic research and theories. Once the researcher has located such data, they must determine whether or not it can be trusted. That's why it's crucial for researchers to only accept secondary data from well-referenced and independently verified sources like academic articles and studies (Creswell, 2003). For this reason, the study relied only on scholarly sources such as journals, books, and databases. Having easy access to secondary data is helpful when demands are dispersed throughout a large geographical region. Secondary data includes things like raw data and published summaries. Examples of quantitative secondary data include online bar charts, publicly accessible documents, and business websites (Cooper & Schindler, 1998). Because of the study's emphasis on stock market fluctuations, it was necessary to rely on secondary sources for its data collection. These included newspapers, business journals, and online resources like Yahoo Finance and Bloomberg, as well as the sites of relevant stock exchanges and brokerage firms. Due to the analytical focus of the field, a reliance on secondary sources is essential. Producing primary data and doing an analysis of the whole short selling situation without secondary data is pointless. Since human perceptions and emotions play such a significant part in influencing the changes in stock values, initial data collection is also crucial. Primary data and how to gather it will be discussed in further detail below.

3.4.2 Primary Material

Researcher-collected primary data includes things like detailed notes taken during fieldwork as well as responses to questionnaires and surveys (Jankowicz, 2005). Primary data collection entails personally gathering information via means like interviews and

surveys. The collected data is exclusive to your study; no one else will have access to it unless you choose to make it public via publication. Primary data may be gathered in a variety of ways, the most common of which include questionnaires, interviews, focus groups, observation, and case studies. Since questionnaires allow for quick and affordable acquisition of primary data, they are used in this research. According to Hussey and Hussey (1997), a questionnaire is "a set of questions selected after extensive testing with the goal of eliciting reliable responses from a selected sample." Although questionnaires are often used for data collection, their creation is frequently a lengthy and iterative process. The following are a few of the many benefits of doing primary research:

It may be sent, emailed, or faxed; serves as a stand-alone research tool; and forms the foundation for in-person or over-the-phone interviews or surveys.

Large groups of individuals or institutions may be included.

Wide geographical reach and low cost are two major benefits.

There are two main categories of questionnaires: those with closed-end questions, and those with open-ended questions. When a question is followed by many predetermined options for a response, it is called a closed-end question. The reply chooses the most relevant option. If you're looking for hard facts, closed questions are your best bet. Unlike multiple-choice questions, participants of open-ended questions are not limited to a predetermined set of responses. The question will be posed, and the participants will be required to respond. In this survey, respondents were asked to rate how they felt about a prohibition on short selling. There are five options available to them. The attendees are all working in investment banking in some capacity, either as analysts or traders. The

vast majority of them are well educated and proficient in this area. Professional certifications in finance such as CFA, CFP, FRM, etc. are among the credentials held by the attendees. Multiple methods, including email and regular mail, have been used to disseminate the surveys. Experts' feedback is crucial since it provides a new perspective on the research. In addition, the research may be separated from the purely academic category. With open-ended inquiries, the respondent is not limited to a predetermined list of answers. The question will be posed, and the participants will be required to respond (Zachary T,2004).

3.5 Population

The word "population" may be used to refer to either a specific group of people or an abstract collection of objects. A sample is a selection made from a larger population. Hussey and Hussey (1997) argue that a statistical sample faithfully represents the opinions and perspectives of the whole population. The sample used in this study consists of all publicly listed stocks in the globe. However, for convenience's sake, this may be restricted to people in the UK, US, IN, and CHN who trade stocks and commodities. RQ6's population consists of those listed as financial specialists with the aforementioned organization. This RQ polled 120 specialists, and 55 of them filled out the survey. There was such a huge participation because several of my friends who are active in these markets helped with the data collection to acquire a timely answer. My buddies have links to several of them.

3.6 Sample

In statistics, a sample is a subset of a larger population. The goal of this research is to extrapolate from the sample to the population at large. It's impractical to examine a whole population, therefore instead, researchers choose to examine subsets of that population called samples. It is important that the sample accurately reflects the population at large. Data collection efforts may be minimized by using sampling techniques, which provide a variety of options for focusing on information from a subset of a population rather than the complete thing. When there is a great deal of diversity among the people who make up the population as a whole, it is helpful to take individual samples from each stratum. For the sake of sampling, a population is often stratified to create smaller, more manageable subsets. Strata should be mutually exclusive, with each population element belonging to just one of them. No significant section of the population should be left out of the stratum as a whole. In addition, the weekly closing price is randomly picked over 180 weeks using a systematic sampling approach. Many investors think that each week represents a complete cycle in the financial markets, with Monday being the best day for keeping tabs, Tuesday through Thursday being optimal for buying, and Friday being the best day for selling. The researcher and other professionals in the field have enough expertise to back up this notion. For RQ3, RQ4, and RQ5, we use a judgmental sampling strategy. Selecting members of a sample to achieve a certain objective is the essence of judicious sampling, also known as Purposive sampling. When using judgmental sampling, the researcher decides which individuals will be included in the study. The researcher has high expectations that the sample is representative of the target population.

The answers to these questions come from a random selection made from the available restricted and unrestricted stock options.

3.7 Analysis Approach

The analysis of the data gathered is the most crucial part of any study. The researcher's analytical abilities are crucial to the study's success. Transferring numerical and descriptive information is essential for successfully conveying the concept and knowledge gathered via data collecting. As a result, we'd use both qualitative and quantitative methods to examine the information we collect. Quantitative data analysis techniques often use ideas from the physical sciences to guarantee as much objectivity, generalizability, and dependability as possible (Creswell, 2003). Their in-depth knowledge makes them perfect for certain research assignments, but they are inappropriate for others. The neutrality and simplicity of the quantitative methods make them ideal for investigating the veracity of various assertions. The following figure compares and contrasts the two research approaches, the quantitative and the qualitative.

Quantitative data is made up of numerical and statistical information, allowing for several inferences and interpretations to be made. The importance of quantitative data in this study is crucial. Data bases, annual reports, and other sources were mined for their contents. In order to examine the data, various charts, graphs, and diagrams are employed. The data is analyzed statistically using Minitab 15 and Excel by Microsoft. Most of the information is gleaned from the financial markets, so numerical analyses and interpretations are the norm. The information evaluated is used as the foundation for the supplied explanations and descriptions. In order to get insight into the perspectives of

professionals on the short-selling ban, the current study largely relies on questionnaires sent to professionals. Though the questions are closed-ended, feedback from respondents is still welcome.

This chapter explains why the best research techniques for this topic are quantitative, logical, and inclusive of both primary and second .The data, the inference, and the conclusion obtained from the analysis will all be discussed in the next chapter.

CHAPTER-4

ANALYSIS & FINDINGS

This is where the study's findings, analyses, and conclusions are presented by the author. Here, we present our findings in response to the study's three research questions. Since the answers to one of the first two questions may be found in the other, we've combined them. The average weekly price of crude oil was monitored for 180 weeks. Both of the first two questions are analyzed by using the same information source. Since RQ3, RQ4, and RQ5 all deal with the same group of questions, their data is analyzed together. The last question (RQ6) makes use of primary data collected from 120 individuals (55 of whom returned the surveys).

4.1 Results from the first study (RQ1 & RQ2)

Obtaining pricing is the essence of trading on the financial markets. An "efficient market" in finance is one in which valuations are based on realistic expectations of future risk and return. In a perfect, efficient market, the price at any given moment provides a reasonable estimate of the risk and reward associated with making a certain investment. Since the economy is always producing new data, its price fluctuates over time. According to Ajay Shah (1998), volatility is essential for a well-functioning market. Prices must fluctuate in response to breaking news. A well-functioning market is one in which recent developments are quickly reflected in price changes. The market frequently seems quite unstable. A stagnant exchange rate between the dollar and the rupee is the result of an inefficient market.

4.2 Crude Oil: A Top Choice for Study

- The NYMEX Division light, sweet crude oil futures contract is the most liquid market for trading crude oil in the world, and the biggest volume futures contract trading on a physical commodity. The contract's strong liquidity and transparent pricing make it a main price benchmark throughout the globe.To measure how much short selling affects the price discovery process, we look at how the price of international crude oil has changed. Some of the reasons why crude oil should be used in the market's price discovery process are as follows:
- One of the most actively traded commodities is crude oil.
- The second is that it is very reactive to changes in the stock market. The fluctuation in cost tracks the ups and downs of stock markets everywhere.
- Third, it serves as the primary leading economic indicator.
- Since the prospects of discovering new oil reserves are low, the availability of crude oil has remained stable and is expected to stay so for the next several decades.

- First, because of its similarities to other natural resources, such as gold and silver, crude oil is an excellent commodity for studying the process by which prices are established.
- Second, supply and demand seldom experience big swings; instead, both are rather stable, and the producers' efforts to reduce supply will be taken into consideration in the research.

- Third, if we extrapolate our findings from the crude oil research to the other markets, including the equities markets, we will see the same level of intensity.
- The operation and conduct of the commodities market are quite similar to those of the stock market. Aside from their fundamental differences, all other market features of these two are identical.

4.3 Results Discussion

The study of deviations in crude oil prices includes 180 extreme cases. Our data set covers the 52 weeks between December 30, 2021 and May 22, 2022, and it closes at the closing crude oil price for each week. The New York Stock Exchange provides this data at http://www.nyse.tv/crude-oil-price-history.htm. Crude oil prices on the final trading day between December 24, 2021, and May 22, 2022, are used to calculate the population. Furthermore, the analysis finds the most cost-effective price for crude oil. Oil companies often determine the break-even price before selecting whether or not to drill a new well (Austin, 2008). Breakeven point profit may be calculated using the following formula: Whether or whether it's economically viable = (Oil Price - Breakeven Price). At $100 per barrel, oil is 100 percent profitable, with a breakeven price of $50 per barrel. If the breakeven price stays at $60 per barrel, then profits will drop to 20% from 40%. The breakeven point is shown in the table below.

OIL BREAK EVEN POINTS	
NATION	US $/ BARREL
Bahrain	40
Kuwait	17
Saudi Arabia	30
U.A.E	25
Oman	40
Qatar	30
Canada Oil Sand	33

Stability of Prof. I at $100/barrel oil price (40-150%). Profitability Breakeven USD$ Revenues for the Country Qatar 17 485% U.A.E. 25 300% Saudi Arabia 30.23 percent Qatar 30 233% Oil sands in Canada: a 33-203 percent increase 40+150 %: Bahrain Table 4.2: Crude Oil Profitability at $100/Barrel

When crude oil costs $100 per barrel, a highly costly situation or excessively optimistic view, profit margins increase to 439% from $167% when oil costs $76 per barrel. Even if we think the profit percentage is large, the fact that crude oil is a recognized stock resource is the basic rationale for this anomalous situation. While there will always be the

same amount available, it will increase over time as innovations in technology make previously inaccessible reserves viable. The production rate of this resource is completely flexible in response to changes in its flow supply (or price).

4.4 THE OPPRESSIVE PRICE POSITION

Stock prices may not accurately reflect unfavorable news or investor mood if short sale rules, initially proposed by Edward Miller in 1977, remain in place. Although necessary, limits on their own are not enough to trigger mispricing. There may be restraints that prevent a rational investor from shorting the inflated asset, but this does not explain why anybody would buy it. That makes sense only if there are investors willing to buy stocks at inflated prices. Therefore, significant mispricing requires both trading expenses and certain investors with downward sloping demand curves. The fact that some investors are ready to hang on to equities despite their high prices might be seen as either irrational optimism or as sensible speculative behavior reflecting divergent opinions.

4.5 Observation

Before diving into the study, it's vital to note that the price of any given item has both economic and financial components. Supply and demand are examples of major economic variations, whereas arbitraging, speculation, short selling, etc. are examples of major financial variants. The price is not only a mathematical function of these components; the relative importance of each is equally crucial. The relative importance of these elements might vary as well. Despite the relative ease with which economic and financial variables may be quantified, precise price prediction remains challenging due to

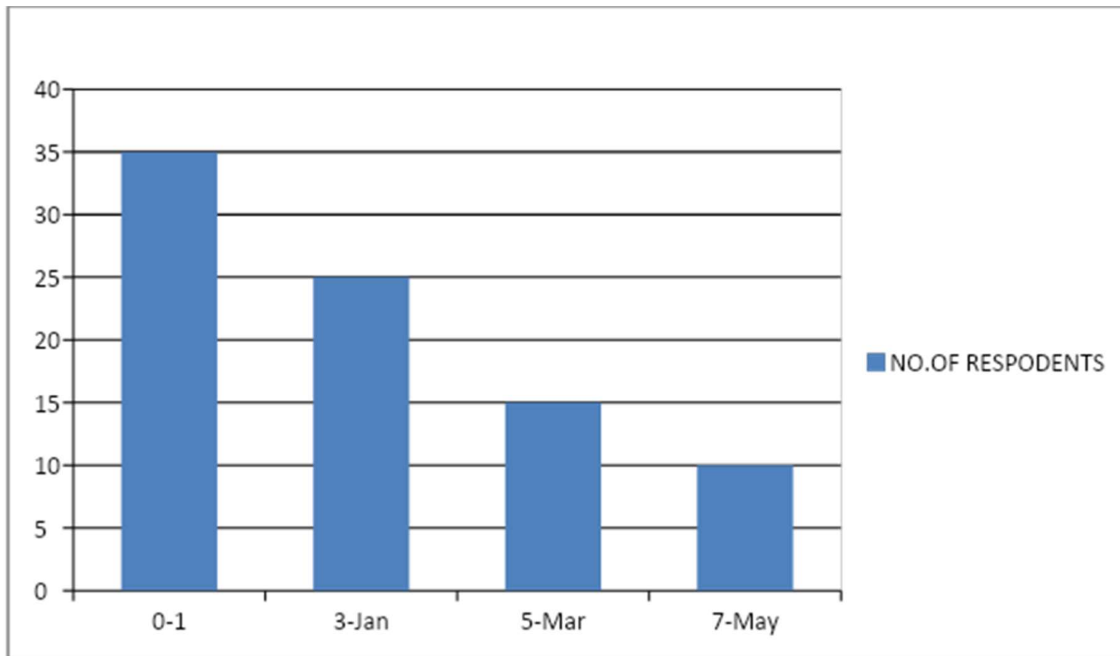
the importance of weightage considerations. It is quite difficult to put a number on the weightage elements that accurately indicate the true state of the market.

4.6 Questionnaire

1. Short selling of stock Duration in the organization?

Table 4.1: Table showing short selling working Duration.

DURATION	NO. OF RESPONDENTS
0-1	35
1-3	25
3-5	15
5-7	10



Interpretation:

It is very clear from the above table that 35% of the employee have worked for 0-1 year, 24% of them have served 1-3 years, 18% of them have served from 3-5 years and 13% of them have worked for 5-7 years in the organization.

2. Short selling Analysis source that fits for the company?

Table 4.2: Table showing short selling analysis of Stock.

SOURCES	NUMBER OF RESPONDENTS
Quantitative Method	25
Qualitative method	55

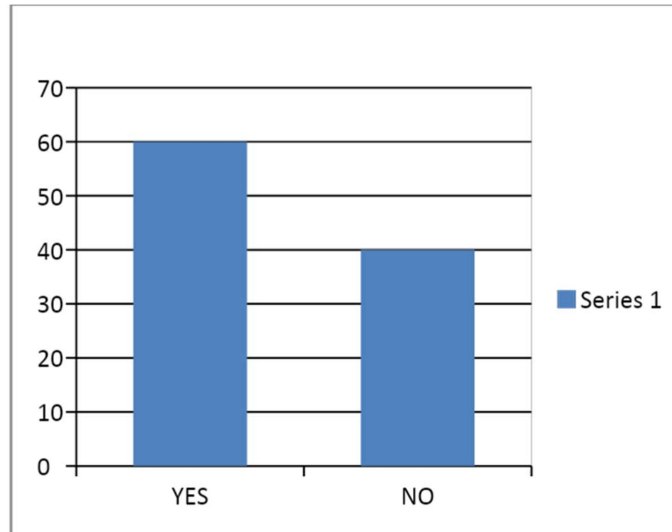
Interpretation:

32% of Analysis are done through utilizing Quantitively methods and 68% are done through utilizing Qualitative method is depicted from the above table.

3. Conducting on-time analysis of stocks of short selling?

Table 4.3: Table showing on time stock analysis

PARTICULARS	NUMBER OF RESPONDENTS
YES	60
NO	40



Interpretation:

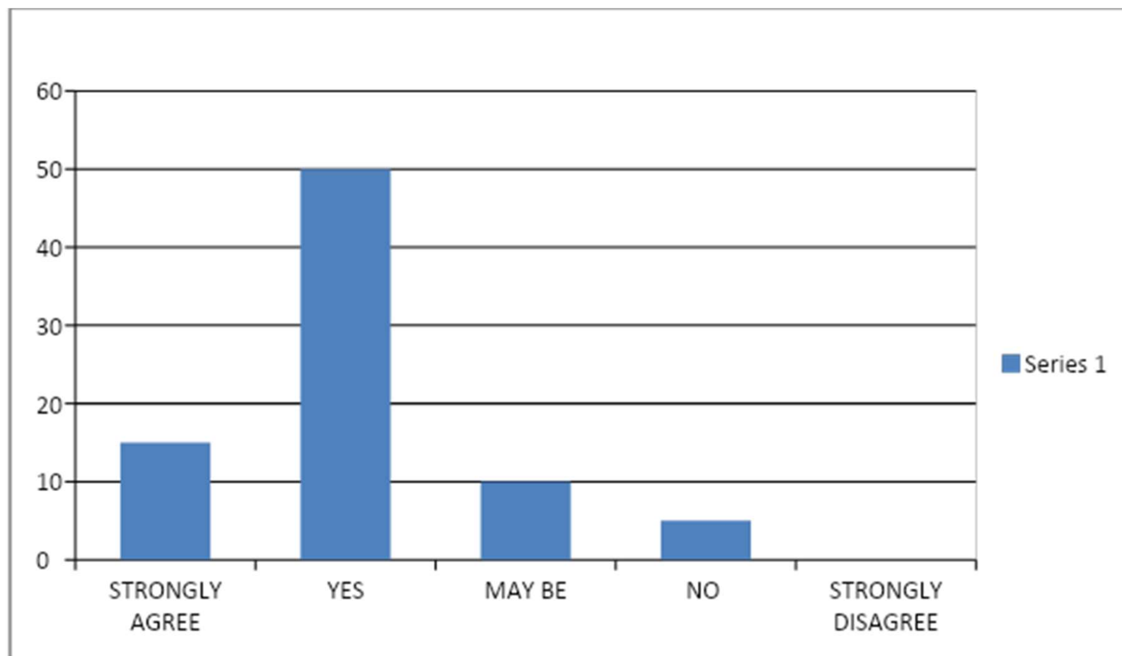
From the above table, it is predicted that 60% of think of analysis on time in the organization rest thinks opposite.

4. Scope of improvement in short selling

Table showing Scope for improvement in short selling process.

PARTICULARS	NUMBER OF RESPONDENTS
Strongly-Agree	15
Yes	50
Maybe	10

No	5
Strongly-Disagree	0



Interpretation:

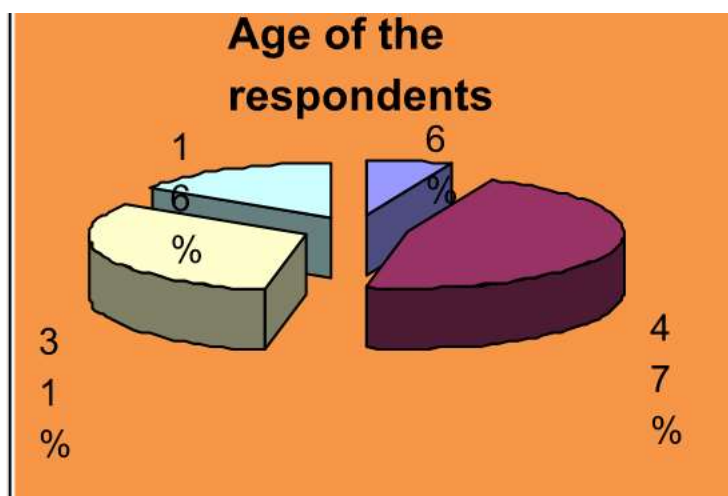
The above table says that 15% of the people Strongly-Agree, 50 % of the people say Yes, 10% of the people have a Neutral opinion, and 5% of the people says No, that there should be a scope for improvement in the short selling process.

5. The age of the respondents can be shown under the following heads.

   The respondents can be divided into the following categories

Age group	Percentage
0-20	6%
20-30	47%
30-40	31%
40-60	16%

CHART NO:1

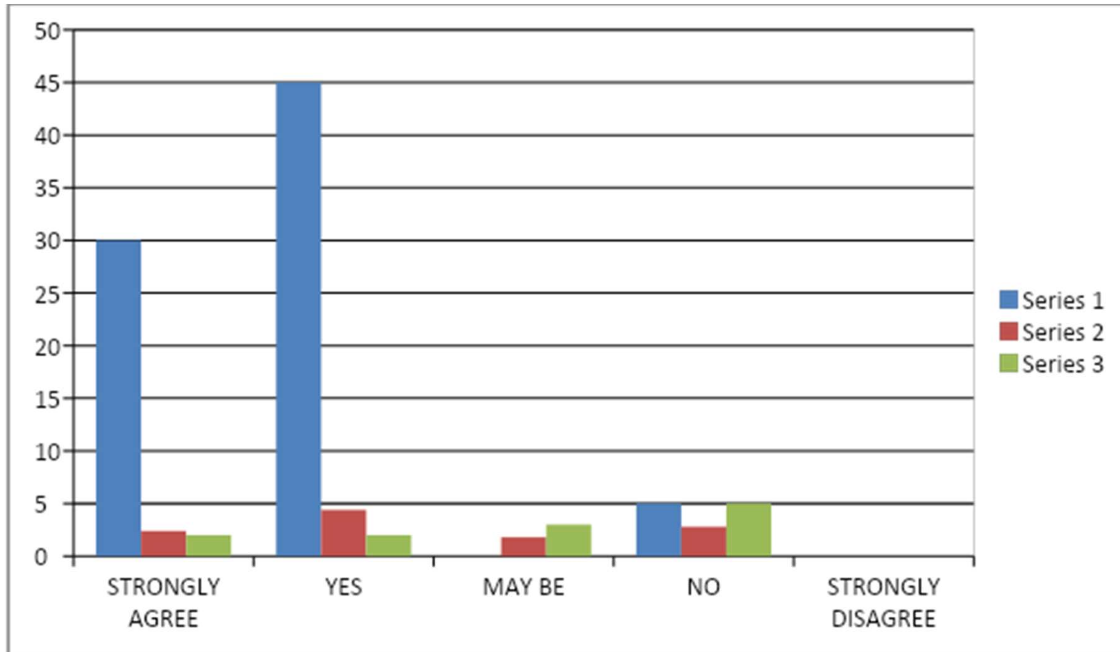


Interpretation:

It is known from the graph that the main respondents are belonging to 20 - 30 age-group i.e., 47% people out of surveyed sample size i.e., 100 are under 30 years of age it showing the age of respondent practicing short selling.

6. Table showing satisfaction of respondents increase in stock short selling performance in the year.

PARTICULARS	NO. OF RESPONDENTS
Strongly-Agree	30
Yes	45
Maybe	0
No	5
Strongly-Disagree	0

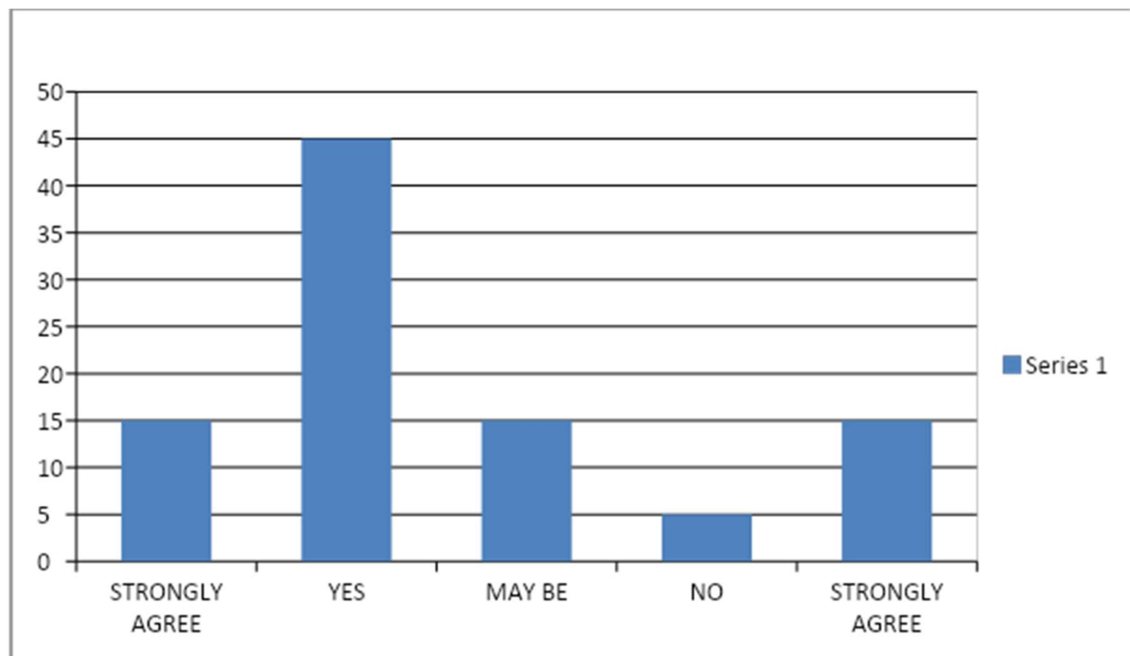


Interpretation:

Above table says that 38% of the respondent Strongly-Agree, 56 % of the respondent says Yes, and 6% of the respondent says No, that they are no satisfied with performance od short selling.

7. Table showing importance of stock short selling referrals to others.

PARTICULARS	NUMBER OF RESPONDENTS
Strongly-Agree	15
Yes	45
Maybe	15
No	5
Strongly-Disagree	15

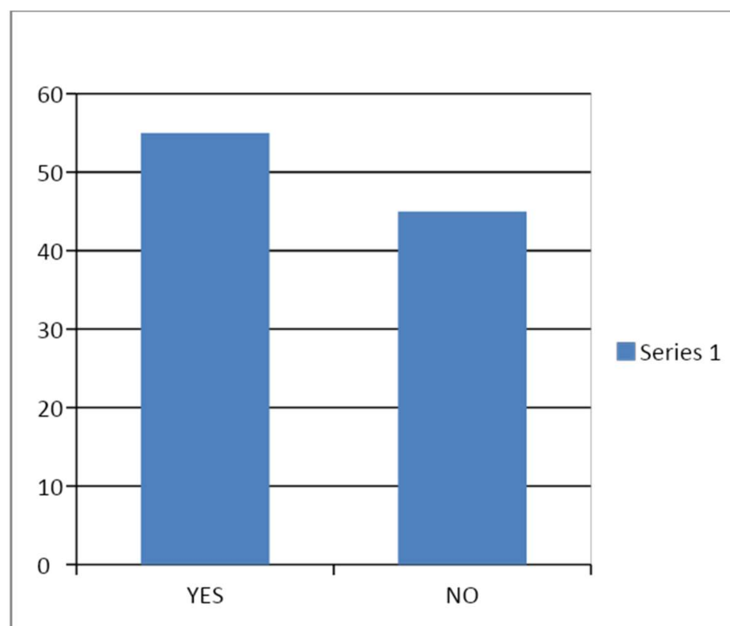


Interpretation:

Above graph we can say that 45% of the respondents Agree that short selling Referral plays an essential role in. 15% of the respondents Strongly- Agree and 15% of the respondents Disagree and another 15% of the respondents have a Neutral opinion.

8. Table showing respondent Awareness about the short selling awareness and impacts on financial market.

PARTICULARS	NUMBER OF RESPONDENTS
YES	55
NO	45



Interpretation:

It is very essential to have awareness of impact of short selling. 55% of the respondents are aware about the impacts and 45% of the respondents are unaware about the impacts.

4.7 Information analysis

Notice that the stock values in this study are shown in cents rather than pounds, since the data comes from Yahoo Finance. A visual representation of the data sets is provided. Statistics like mean, standard deviation, variance, skewness, and kurtosis will be calculated for the stocks. Each data set is examined for normalcy at the 95% confidence level, and the normality test is computed using the Anderson-Darling test. The data has been sliced into quartiles so that its distribution may be better understood. In this research, the post-ban period is represented by a sample size of 32 days, whereas the pre-ban period is represented by a sample size of 31 days and the post-ban period by a sample size of 33 days. We have agreed upon a total time period of 135, with 96 of those days counting as business days. This produces 24 data sets, each of which has information on 8 stocks over 3 time periods. The three groups of data represent three distinct phases in the economy and the stock market. Stocks had already started to drop as a result of the American investment banking crisis before the ban was enacted. This window of time span is immediately before the short sale ban went into effect. Short selling is restricted during the prohibition period. When a ban

on short sales is lifted, the ensuing time period is referred to as the "post-ban period." After that, an aggregate analysis of the stocks is performed, and a summary chart is made. After accumulating the data, the three phases may be compared using the obtained graphs. Keep in mind that comparable stocks were exposed to about the same degree of market stress and pressure. Except for the change in short selling regulations, most market factors are stable over this time period. All three of these phases have been driven mostly by short selling. Remember that the market was already experiencing the aftereffects of the subprime crisis before the ban was enacted. Therefore, it will be able to draw fair comparisons among the three time periods. However, the study acknowledges that no two capital time periods are the same. The reasoning for these comparisons is that there were no major policy moves, natural catastrophes, or terrorist attacks during these timeframes that might have influenced the outcomes differently. No outside factors contributed to the unfavorable conditions; rather, they were all the result of market conduct.

4.8 Information analysis

The four items on the survey were all multiple choice. In addition, everyone was asked for their thoughts and opinions on the subject of short selling. Only 14 people were available to submit feedback. All participant feedback is taken into account and treated with the seriousness it deserves throughout the research process. The whole capital market is quite elusive, which is why primary data collecting is being pursued. Stock market fluctuations are

heavily influenced by people's thoughts, feelings, and opinions. Therefore, it is prudent to take into consideration the opinions of those involved in the stock markets.

CHAPTER-5

CONCLUSION

This chapter gives a summary of the findings of the study. It does so by relying on the material offered in Chapter 4, as well as taking into consideration the research problems, questions, and hypothesis presented in Chapter 1. From this, one may draw a few different conclusions. The limitations of the study as well as some suggestions for more research are discussed here.

5.1 **Concluding Observations and Research**

The conclusion briefly reviews the study's most noteworthy findings. Only five of the six hypotheses could be confirmed. The most important findings need more consideration. The research began after the short selling debacle and ensuing ban that followed the subprime crisis. Short selling was singled out for particularly harsh criticism after Lehman Brothers collapsed. Therefore, understanding short selling and the potential market disruptions it can cause was essential. With this in mind, the research project set out to test the premise that short selling was not the only factor in the economic crisis.

The theory that short selling hastens the decline of stock prices was debunked. For the market to function normally, short selling is also crucial. In addition, the ban on short sales did nothing to inspire confidence amongst investors. Investors were instead thrown into confusion and chaos. The question of "when the short selling restriction be lifted" was a major point of conversation throughout the ban's introduction. The research confirmed the role of short selling in the market's price discovery process and offered a defense of the practice.

5.2 The study's caveats

There have been several constraints on the research programmed that have made progress slow. Microeconomic and other particular or unique aspects influencing market circumstances are ignored in the research analysis of short selling repercussions, which is one of the key shortcomings of the study. Another significant restriction of the research was its short duration. Additional investigation into the unusual fluctuations in trade volumes, notably in the situations of Alliance Trust and Aviva, would have made for a more thorough analysis. Due to the distance, any additional inquiries into the rationale for the prohibitions of short selling by regulatory organizations in the UK could not be conducted. Lack of access to sensitive information was the research's biggest flaw; more specifically, the study might have benefited greatly from making the amount of short selling public knowledge. The alternative was to purchase the data via other sources, but this came with a steep price tag. The study's breadth and depth were also limited, which was a

significant caveat. Due to space constraints, including a significant number of stocks in the analysis was not possible.

5.3 Recommendation

The primary recommendation for future study is to extend the length of the investigation. This research only covers a brief 135-day period. A reliable result can only be reached after a thorough examination over a longer time period that takes into consideration all current instances of short selling ban. Unusual swings in transaction volumes at Alliance Trust and Aviva are a second area that needs further scrutiny. The increase in trading volume for these stocks before, during, and after the limitation is fascinating. The pool of restricted equities may also include other stocks with comparable characteristics. The researcher thinks it's important to devote resources to identifying these stocks and understanding the factors that are driving this trend. Some potentially useful information on short selling may be uncovered as a result. The final piece of advice is to devote more time to the research and include microeconomic factors. This method may be used to determine the short selling weightage in the price discovery process under unusual conditions. Last but not least, there has been a dearth of scholarly investigation on the practice of short selling. More in-depth research of short selling's effects across several markets is necessary to get a firm judgement on the topic.

5.4 Conclusion

The study has shed light on previously obscure aspects of short selling. After researching the practice in depth, false assumptions and preconceived notions about short selling are dispelled. The study provided valuable information for assessing the merits of short selling and the relevant market dynamics, allowing for more informed decision-making. The study included an in-depth analysis of the difficulties, issues, scope, etc. Learning more about the tactics and complexity of the current market was facilitated by the thoughts and perspectives put up by specialists from the area. The report's first chapter provides context for the concept of short selling. This chapter provided an in-depth look at the processes of short selling and the contentious discussion around it. The basics of trading and investing were covered in Chapter 2. The pros and cons of engaging in short sales were discussed, as well as the relevant scholarly studies. Chapter 3 lays out the researcher's planned methodology for the investigation. In this section, the researcher outlined the steps she would take to collect data and complete the study. All the study's hypotheses were tested in the last section. The hypothesis testing resulted in a 5:1 acceptance rate. The study's implications and limitations are discussed in the last chapter.

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