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IMPACT OF COVID-19 ON THE STOCK MARKET IN INDIA – A STUDY

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Abstract

Economic development of the country depends on the financial system. So, the country should have well-functioning financial system because it builds a strong foundation for entire economic system and that leads to the economic development. Financial system usually covers the financial institution, financial markets, financial assets and financial services. In the financial system, financial market plays very prominent role in the economy particularly in the share market for supplying different financial products. In financial markets both primary market and secondary market supplies funds for the seekers and specifically the secondary market i.e., the stock market will be greatly impacted by the environment of the economy. So, the present paper focuses on the COVID-19 impact on the stock market.

Keywords: COVID-19, Financial Market, Financial Products, Market Share, etc.,

Introduction

Stock Market is one of the most flexible sectors in the financial system, and Stock Market plays a significant role in economic growth. Stock Market is a center where facilities are provided to all the participants in the financial market to purchase and sell their Shares, Bonds and Debenture etc. In fact, Stock Market is a podium for trading numerous securities and derivatives without any hurdles. In Stock Market, various companies are listed and traded to their business undertaking through public issues. India has been considered one of the fastest emerging markets in the world and country's stock exchanges have modernized by advanced technology and online based transactions. In this country majority companies listed have their stock in the stock exchanges like Bombay Stock Exchange (BSE), the National Stock Exchange (NSE) and the Calcutta Stock Exchange (CSE) and these three are the main Indian Stock Markets at present. Developed markets endure to provide over long period of time with higher returns. Present scenario, short term investor opts the money market products and long-term investors are investing in the companies through Stock Market to attain profit. In general sense of market, the higher the risk is greater the return associated with the security. The present paper focused on the stocks market behavior during the COVID lockdown period in India. The COVID is made larger impact on all area of the market. This paper makes an attempt to study the impact of the COVID on the Indian Stock market.

Literature review

Peter Blair Henry (2002)¹ “Stock Market Liberalization, Economic Reform, and Emerging Market Equity Prices”. In this paper researcher focused on the stock market liberalization decision and by a country's government to allow foreigners to purchase shares in that country's stock market. **Andrei Shleifer and Robert W. Vishny (2003)**² “Stock market driven acquisitions” This paper focused on the stock market valuation and merger acquisitions in the different circumstances faced by the corporate ventures. Paper covers the best model to value the merger and acquisition as compared to the present model as it compared. **Harrison Hong, Jeffrey D. Kubit and Jeremy C. Stein (2005)**³ “Social Interaction and Stock-Market Participation” in this paper investigator covers the stock market participation is influenced by social interaction also they studied the social investors, peer participants and testing the theories using data from the health and retirement data. **Eugene F. Fama**⁴ “Random Walks in Stock Market Prices” This paper describes concisely and merely the theory of random walks and some of the important issues it raises concerning the work of market analysts. A conversation of two common approaches to predicting stock prices—the chartist (or technical) theories and the theory of important value which allows the reader to put the theory of random walks into perspective. **Nuhu Sasa and Ali Hasan (2020)**⁵ “The Impact of the COVID -19 on the Financial Markets: Evidence from China and USA” The present study is undertaken to investigate the impact of the COVID-19 on the Financial Markets from the period dated March 2020 to in China and USA.

Objectives of the study

1. To obtain the conceptual knowledge of Sensex, BSE, NSE, NIFTY and DJIA.
2. To evaluate the Pre and Post effect of COVID-19 on BSE stock market.
3. To compare the stock market of India BSE and USA DJIA during the COVID-19.
4. To find the significant impact on the BSE market index and Corona Virus cases filed.



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Significance of the Study

Based on the available literature this study will generate new knowledge regarding the impact of the COVID-19 on the stock market during April 2020 to September 2020. Most importantly the study will be very useful to know the behavior in the stock during the pandemic time in the economy of the India. The inferences support investors and decision makers in the governments.

Methodology of the study

The present paper is constructed on the stock market analysis, study is done by the researcher using the secondary information culled from the Indian stock market in particularly Bombay Stock Exchange (BSE). The data analysis is done by the investigator using the line chart and using the tests.

Hypothesis

H₁: There is no significant impact on BSE market index due to the corona virus cases filed in India.

H₂: There is a significant impact on BSE market index due to the corona virus cases filed in India.

1. Conceptual framework of the Stock Market □ Sensex

The term Sensex is a combination of Sensitive and Index. The index in the Sensex that replicates the Bombay Stock Exchange (BSE). The Sensex Index comprises thirty different companies' stocks on BSE. These stocks are the leading and utmost actively traded stocks on the BSE. The Sensex replicates the movements in the Indian stock market. If the Sensex increases, it means the prices of the fundamental 30 stocks have augmented. If the Sensex has reduced, it means the prices of the fundamental 30 stocks have diminished. The Sensex is the oldest index in India, and people contemplate it to be a replication of the Indian economy. Market research forecasters refer to the Sensex to comprehend the overall progress, growth in industry, country's stock market tendency.

□ Bombay Stock Market (BSE)

Bombay Stock Exchange was popularly known as BSE. It was established in the year 1875 and located in Dalal Street in Mumbai, India. It is Asia's first and fastest stock exchange with a speed of six microseconds. Also, BSE is the primary stock exchange to be listed in India. BSE enables trading with competence and transparency in equity, mutual funds, derivatives, debt instruments, and currencies. In addition to trading, it provides other services like risk management, clearing and settlement, and investor education.

□ National Stock Exchange (NSE)

National Stock Exchange of India Ltd was established in the year 1992. It is also the major financial market in India. It has the uppermost average daily turnover for equity shares than any other stock market in India. NSE has a vertically integrated business model. It identifies technology as a core of financial markets that will improve transparency in the market.

□ Nifty

Nifty is just like the Sensex; Nifty is also an index. Nifty reveals the National Stock Exchange. The name Nifty comes from the combination of National and Fifty. The Nifty 50 also is a standard index, and it comprises the top 50 stocks i.e., company's shares are traded on the National Stock Exchange NSE. The selection of the top fifty stocks is from twelve different sectors, including information technology, financial services, consumer goods, telecommunications, automobiles, etc.

□ Dow Jones Industrial Average (DJIA)

The Dow Jones Industrial Average (DJIA) is the 2nd-oldest and best-known stock market index. It is owned by Dow Jones & Company; hence it is popularly known as DJIA. It measures the daily price movements of 30 large USA companies on the NASDAQ and the New York Stock Exchange. It is broadly viewed as a substitution for general market circumstances and even the U.S. economy itself. Started in 1896, the DJIA is comprised of blue-chip stocks, approximately two-thirds of which are represented by companies producing industrial and consumer goods. The rest are selected from all the main sectors of the economy including information technology, entertainment, and financial services.



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2. Pre and Post effect of COVID-19 on BSE stock market



It is evident from all the above line chart of Sensex index. For the pre covid-19 period January to March 2020 market data taken out for analysis and for post period of covid-19 April to August 2020 period considered. It reflects in the analysis in the chart that from the study are first three months Sensex indexes are good and changes occurred to the movement in regular basis but remarkable changes show after the covi-19 breaks out in India. Later, the stock market indexes are witnessed the greater changes that has occurred in the recent past decades.



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3. Comparison of the stock market of India BSE and USA DJIA during the COVID-19 Model Description

| | |
|---------------------------|-------------------|
| Model Name | MOD_8 |
| Series or Sequence 1 | BSE |
| 2 | DJIA |
| Transformation | Natural logarithm |
| Non-Seasonal Differencing | 1 |
| Seasonal Differencing | 0 |
| Length of Seasonal Period | No periodicity |
| Horizontal Axis Labels | DATE |
| Intervention Onsets | None |
| For Each Observation | Values not joined |

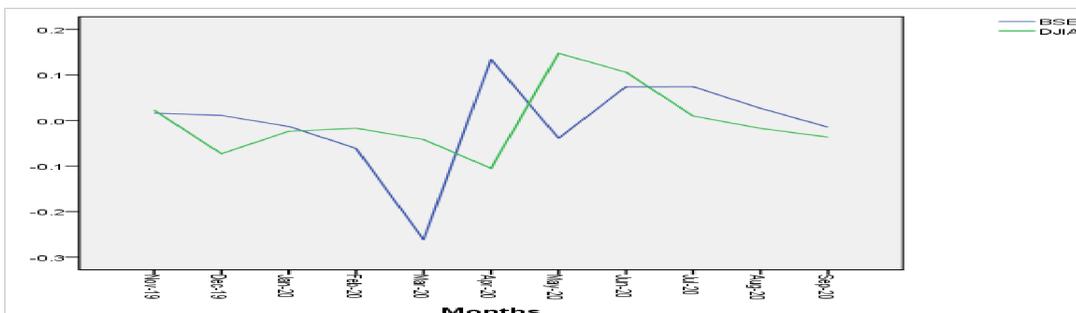
Applying the model specifications from MOD_8

Case Processing Summary

| | BSE | DJIA |
|---------------------------|-----|------|
| Series or Sequence Length | 12 | 12 |

Model Description

| | | |
|---------------------------------------|-------------------|---|
| Model Name | MOD_8 | |
| Series or Sequence 1 | BSE | |
| 2 | DJIA | |
| Transformation | Natural logarithm | |
| Non-Seasonal Differencing | 1 | |
| Seasonal Differencing | 0 | |
| Length of Seasonal Period | No periodicity | |
| Horizontal Axis Labels | DATE | |
| Intervention Onsets | None | |
| For Each Observation | Values not joined | |
| Negative or Zero Before Log Transform | 0 | 0 |
| User-Missing | 0 | 0 |
| System-Missing | 0 | 0 |





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The above line charts referred that the stock traded in the in BSE and DJIA for pre post of COVID, the researcher has taken November 2019 to September 2020 then data analyzed in the time series. The chart clears that in the month of March and April 2020 stock traded declined due outbreak of the pandemic Covid-19 the after that in both market shows the recovery in the trade. Presently the stock market back its normal flow as it was showed in the graph November 2019 and September 2020.

4. Impact of Corona Virus on BSE Stock Market

Paired Samples Statistics

| | Mean | N | Std. Deviation | Std. Error Mean |
|------------|----------|----|----------------|-----------------|
| Pair 1 BSE | 3.7169E4 | 12 | 3746.80344 | 1081.60899 |
| Cases | 5.1881E5 | 12 | 8.94620E5 | 2.58255E5 |

Paired Samples Correlations

| | N | Correlation | Sig. |
|--------------------|----|-------------|------|
| Pair 1 BSE & Cases | 12 | .109 | .736 |

Paired Samples Test

| | Paired Differences | | | | | t | df | Sig. (2tailed) |
|--------------------|--------------------|----------------|-----------------|---|-----------|--------|----|----------------|
| | Mean | Std. Deviation | Std. Error Mean | 99% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Pair 1 BSE - Cases | -4.81645E5 | 8.94220E5 | 2.58139E5 | -1.28337E6 | 3.20086E5 | -1.866 | 11 | .089 |

Above paired test on Corona virus cases filed in India from January 2020 to September 2020 its impact on BSE stock market index, null hypothesis of paired t-test was rejected. Hence, there is a significant impact on BSE market index due to the corona virus cases filed in India.

Conclusion

Economic condition all over the world is collapsed also the growth and development of corona virus affected countries are slow down. Indian financial system impacted by the pandemic, stock market witnessed a sequence of main hindrances over the last three months caused by the covid-19, followed by a spare of failures most particularly oil war, currency fluctuations. Banks moratorium-culminating in the present stage of pessimism occasioned by these scenarios since April 2020. The economic disorder associated with the coronavirus pandemic has extensive and severe consequences on financial markets.



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