INDIAN STOCK MARKET MOVEMENT DURING COVID – 19 – A SAMPLE STUDY OF PALGHAR CITY

☐ **Mr. Maqsood Memon***

ABSTRACT

The Indian Stock Market is considered to be one of the biggest trading exchanges in the global stock market. In the recent times many people have started investing into the market. There lot of seminars and webinars are conducted to create an awareness about the stock market. However, the percentage of the investors actively participating in the stock market is relatively low as compared to the population of the country. This paper highlights the extent of the influence of the lockdown on the Indian Stock Market Movement and the Market reaction would be the same in pre- and post-lockdown period caused by Covid – 19. This paper is based on Primary and Secondary Data and it is purely collected from the Individual Investors and their Investing pattern is identified. This Research also focused on the way New Investors like Indian Individual and FIIs came into the Stock Market. A Sample of 100 Investors working in different fields have been selected at random for the purpose of the study. The study finds that many new investors have infused their money in the Stock Market and lockdown had a positive impact on the stock market performance of stocks till the situation improves in the Indian context. Most Investors had reported they were ready to invest in risky capital ventures to enjoy high profits but were hesitant due to lack of knowledge of finance and stock market.

Keywords : Covid – 19, Foreign Institutional Investors, Lockdown, Stock Market, Trading, SEBI, NSE, BSE

Introduction

Stock Market :

Stock Market is a place where people buy/sell shares of publicly listed companies. It offers a platform to facilitate seamless exchange of shares. In simple terms, if Mr. X wants to sell shares of Wipro Ltd., the stock market will help him to meet the seller who is willing to buy Wipro Ltd. However, it is important to note that a person can trade in the stock market only through a registered intermediary known as a stock broker. The buying and selling of shares take place through electronic medium. In our Country Stock broker are registered under Stock Exchange in BSE and NSE.

Major Stock Exchanges in India :

There are two main Stock Exchanges in India where majority of the trades take place – Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Apart from these two exchanges, there are some other regional stock exchanges like Bangalore Stock Exchange, Madras Stock Exchange etc but these exchanges do not play a meaningful role anymore.

Indian Stock Market Movement after Lockdown :

On 22nd March, 2020, the Honourable Prime Minister Narendra Modi announced a trail lockdown for 14 hours known as Janta Curfew. But the following week, India entered into a lockdown of 21 days which was later extended to more than 90 days with partial restrictions. The announcement did not come without chaos as it caused widespread panic, especially among lower classes of society including farmers and migrant workers because they were left stranded and unemployed from their faraway homes, with no means of transport.

India's stock market has experienced a major increase in its volatility, as shown by the VIX index rising

*Assistant Professor - Department of Management Studies, Sonopant Dandekar Shikshan Mandali College, Palghar

by about three times its usual pace, with markets halted twice in March 2020 due to lower circuit filter.

During the countrywide lockdown, the regular average number of trades and the number of shares exchanged in the equity cash market segment increased significantly. NSE derivative market volume data shows a massive fall (20 percent) in the average number of daily derivative contracts traded in March 2020 compared to the previous months.

On 20th March 2020, SEBI took measures to monitor volatility and curb speculation by reducing position limits to almost half of what was previously permitted in certain stock futures, limiting short-selling of index derivatives, increasing the margin on those shares.

The COVID-19 had pushed the Indian benchmark index to a level that was witnessed during the Global Financial Crisis of 2008. The index had plunged more than 30 percent from their recent high in January. Some industries such as hospitality, tourism, and entertainment have been adversely affected and stocks of these companies have fallen by over 40%. The already slow economic growth, less job creation, high debt burdens, and credit crunch among NBFC and others have highly contributed, in addition to that the outbreak of coronavirus and extension of lockdown have highly impacted the economy of India.

Literature Review

Pre – Covid – 2019, market capitalisation on each major exchange in India was about $ 2.16 trillion. The 2019 stock market rally was limited to 8-10 stocks within the large caps. The Sensex returned around 14% (excluding dividends) for the year 2019 but prominently featured blue-chip companies such as HDFC Bank, HDFC, TCS, Infosys, Reliance, Hindustan Unilever, ICICI Bank and Kotak Bank, without which Sensex returns would have been negative. However, in the start of 2020, there was overall recovery which led to both NSE and BSE traded at their highest levels ever, hitting peaks of 12,362 and 42,273 respectively. At the beginning of the year, there were close to 30 companies that were expected to file IPO's. The market conditions were generally favourable as they witnessed record highs in mid-January.

A Comparison of Pre and Post Covid View of Indian Stock Markets

	Indexes – 14th January, 2020	Indexes – 23rd March, 2020	Indexes – 24th April, 2020	Indexes – 25th November, 2020
Nifty 50	12,362	7,610	9,154	29,196
Sensex	41,952	25,981	31,327	43,828

Ever since COVID 19 strike, markets loom under fear as uncertainty prevails. It has sent markets around the world crashing to levels not witnessed since the Global Financial Crisis of 2008. Following the strong correlation with the trends and indices of the global market as BSE Sensex and Nifty 50 fell by 38 per cent. The total market cap lost a staggering 27.31% from the start of the year. The stock market has reflected the sentiments this pandemic unleashed upon investors, foreign and domestic alike. Companies have scaled back; layoffs have multiplied and employee compensations have been affected resulting in negligible growth in the last couple of months. Certain sector such as hospitality, tourism and entertainment have been impacted adversely and stocks of such companies have plummeted by more than 40%.

While the world has witnessed many financial crises in the past, the last one being the global recession of 2008, the current coronavirus crisis is different from the past fallouts.

In response to current turmoil, RBI and the Government of India has come up with a slew of reforms such as reductions of repo rate, regulatory relaxation by

extending moratorium and several measures to boost liquidity in the system howsoever the pandemic has impacted the premise of the corporate sector. Payments deferrals, subdued loan growth, rising cases of bad loans and sluggish business conditions have impaired the growth and the health of the economic activity. Deceleration of GDP growth, demand-supply chain, cut in discretionary expenses and CAPEX has been the observed during the lockdown, which has led to falling in household incomes, marketing spends, reduced travel cost and hiring freeze.

Companies with innovative products, increasing distribution reach, technology-driven processes and healthy balance sheet would revive the growth momentum post lockdown. Lower oil prices and high capital expenditure by the government in turn creating capital which will provide a platform to flourish when we overcome COVID 19 pandemic.

Objectives of Study

The Study aims at the following :

➢ Penetration of New Investors such as Indian Individual, Institutional Investors and Foreign Institutional Investors into the Indian Stock Market

➢ Studying the behavioural pattern of the Investment of New Investors in the Market

➢ Finding out the percentage ratio of Investment to the Income of Investors

➢ Access the ways to create awareness about Indian Stock Market

➢ To create potential for an Individual Investors that could provide the opportunity to invest into the market.

Research Methodology of the Study

Research Design – Descriptive Research Design is done. Survey method is followed.

Source of Data: Data required for the study is obtained from both primary and secondary sources. Questionnaire was prepared based on the Impact of Covid – 19 on Indian Stock Market. Questionnaire was used to collect data from the respondents.

Sample description: The sampling unit is 80 belonging to the Palghar District. Palghar District consists of 8 Talukas, Mokhada, Talasari, Vasai, Vikramgad, Palghar, Dahanu and Wada. Palghar District has total 1008 Villages and 3818 Sub – Villages as well as 477 Gram Panchayats.

Limitations of Study

Data was collected among the respondents of Palghar District; therefore, the results cannot be generalised. Opinion of the respondents is not final, because the opinion or preference may differ from time to time depending on the situation. The study focuses on the impact of the Covid – 19 as well as the behavioural pattern of the New Investors into the Market.

Data Analysis and Interpretation

A. Gender of the Respondents

Table No. 1

| Particulars	No. of Respondents	Percentage
Male	43	53.75%
Female	37	46.25%
Others	0	0%
Total	**80**	**100%**
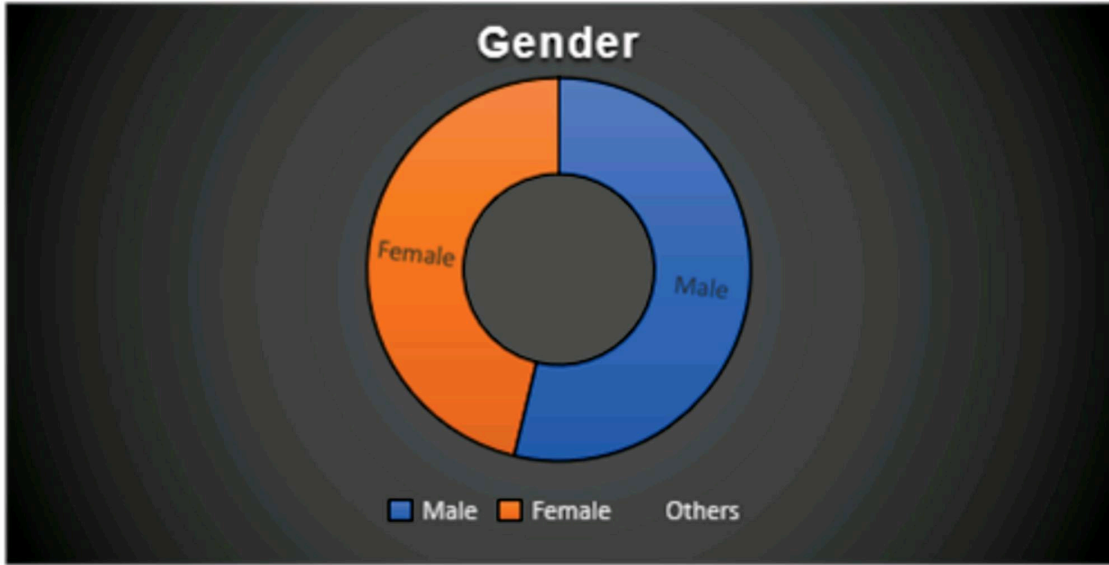
Interpretation: The above table and chart shows that around 53.75% of the respondents are Male and 46.25% of the respondents are Female.

We can find the majority of respondents were Male.

B. Age

Table No. 2

Particulars	No. of Respondents	Percentage
15 years – 25 years	57	71.25%
25 years – 35 years	19	23.75%
35 years – 45 years	3	3.75%
45 above	1	1.25%
Total	**80**	**100%**
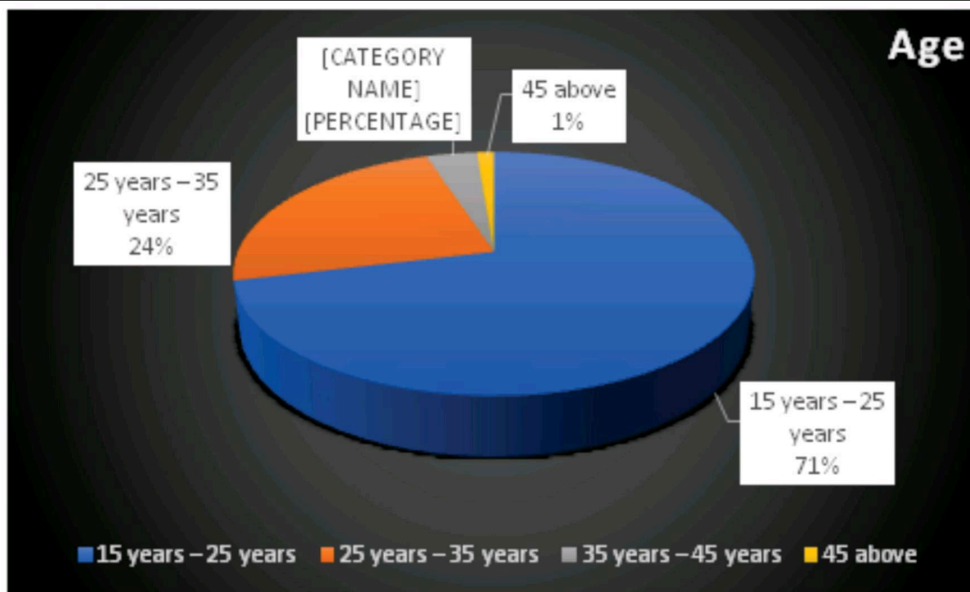
Interpretation: The above table shows that around 71% of the respondents fall in the age 15 years to 25 years, 24% of the respondents fall in the age 25 years to 35 years, 4% of the respondents fall in the age 35 years to 45 years, and 1% of the respondents above 45 years of age.
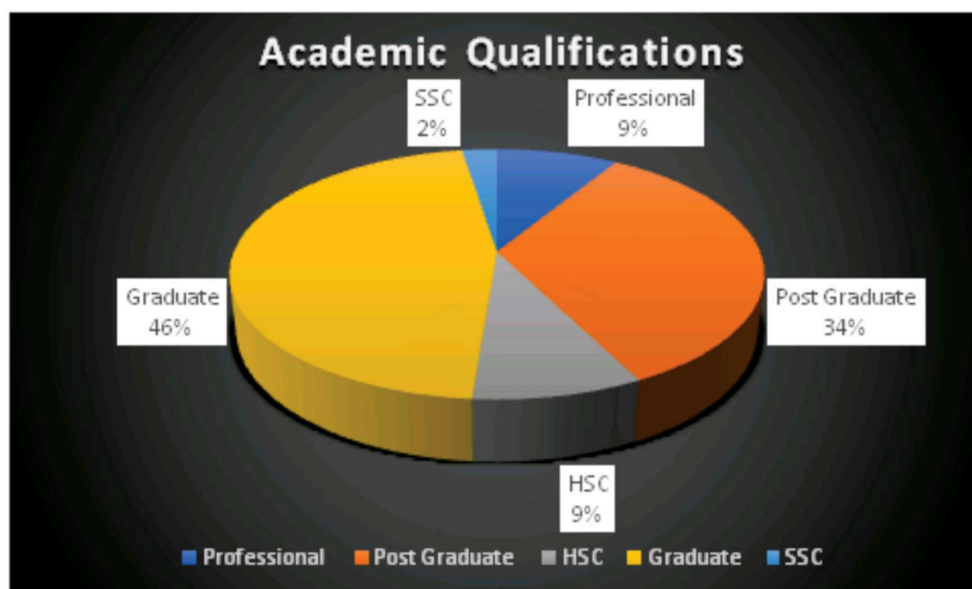
We find the majority of the respondents fall within age 15 years to 25 years.

C. Academic Qualification

Table No. 3

Particulars	No. of Respondents	Percentage
Professional	7	8.75%
Post Graduate	27	33.75%
HSC	7	8.75%
Graduate	37	46.25%
SSC	2	2.5%
Total	**80**	**100%**

Interpretation: The above table shows that around 8.75% of the respondents are Professionals, 33.75% are Post Graduate, 8.75% respondents are from HSC, Graduates are 46.25% and 2.5% respondents are from SSC.

We can find the majority of the respondents are Graduates and the least respondents are from SSC.

D. Occupation

Table No. 4

| Particulars	No. of Respondents	Percentage
Private	21	26.25%
Salaried	28	35%
Self Employed	31	38.75%
Total	**80**	**100%**

Occupation

Interpretation: The above table shows that around 26.25% respondents are from Private sector, 35% respondents are Salary based and 39% respondents are Self Employed.

We can find the majority of respondents are Self Employed.

E. Annual Income

Particulars	No. of Respondents	Percentage
Below 4 Lakh	67	83.75%
4 to 6 Lakh	9	11.25%
6 – 8 Lakh	1	1.25%
8 Lakh above	3	3.75%
Total	**80**	**100%**
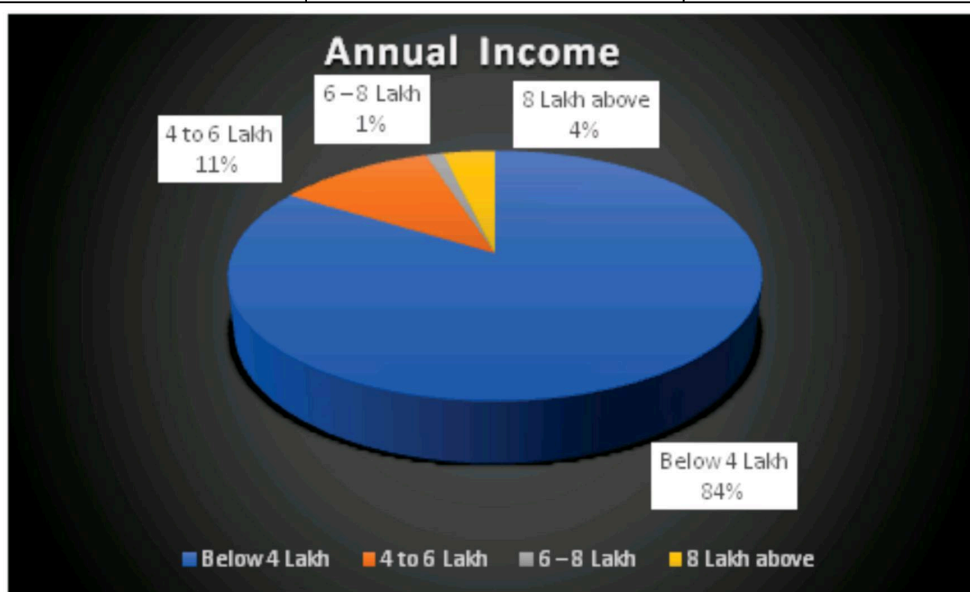
Annual Income

Interpretation: The above table shows that 83.75% respondents' annual income is below 4 Lakh, 11.25% respondents' annual income is 4 to 6 Lakh, 1.25% respondents' annual income is 6 to 8 Lakh and 3.75% respondents' annual income is above 8 Lakh.

We can find the majority of the respondent's annual income is Below 4 Lakh.

F. Level of Awareness of Investment Instruments

Table No. 6

Particulars	Not Aware	Have heard of it	Somewhat Aware	Good Knowledge	Expert
Stock/IPO/Equity Shares	9	19	24	24	4
Mutual Funds	5	19	33	21	2
Insurance	5	28	16	26	5
Derivatives (Futures & Options)	21	17	29	11	2
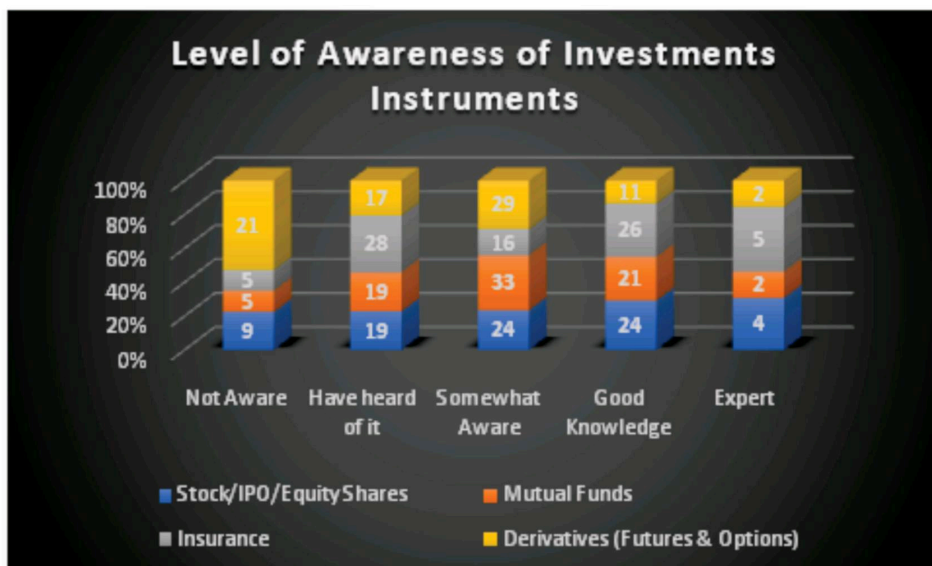
Interpretation: The level of Instruments indicates Stock/IPO/Equity Shares, Mutual Funds, Insurance and Derivatives (Futures & Options) in which we can rank 1 to Insurance as majority of respondents have a good knowledge, rank 2 is Mutual Funds and Rank 3 shows as Stock Market.

We find majority of respondents have enough knowledge about Insurance.

G. Influence of Start Investing in the Stock Market during Covid – 19

Table No. 7

Particulars	No. of Respondents	Percentage
News Channel	19	23.75%
Friends	40	50%
Internet/Websites	39	48.75%
Investors Awareness Programme	18	22.5%
Total	**80**	**100%**

Influencer to Invest in Stock Market

■ News Channel ■ Friends ■ Internet/Websites ■ Investors Awareness Programme
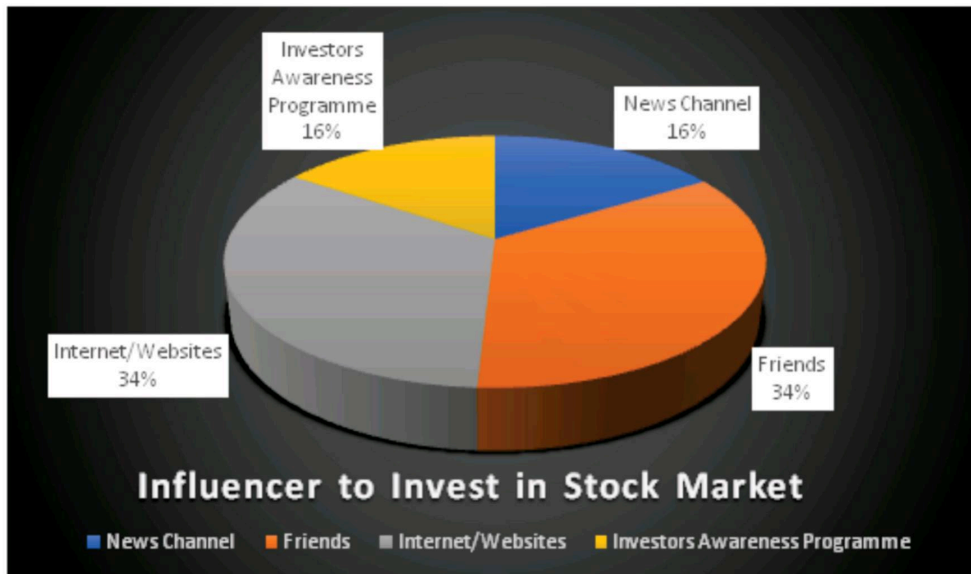
Interpretation: The above table shows that around 23.75% respondents are influenced by News Channel, 50% by Friends, 48.75% by Internet /Websites and 22.5% are influenced by Investors Awareness Programme.

We can find the majority of respondents are influenced by Friends i.e. 50%

H. Sources of Learning about Indian Stock Market during Covid – 19

Table No. 8

Particulars	No. of Responses
Webinar/Live Classes	26
YouTube	59
Books	20
Articles	23
Mentors	24
Study Successful Investors	12

Sources of Learning
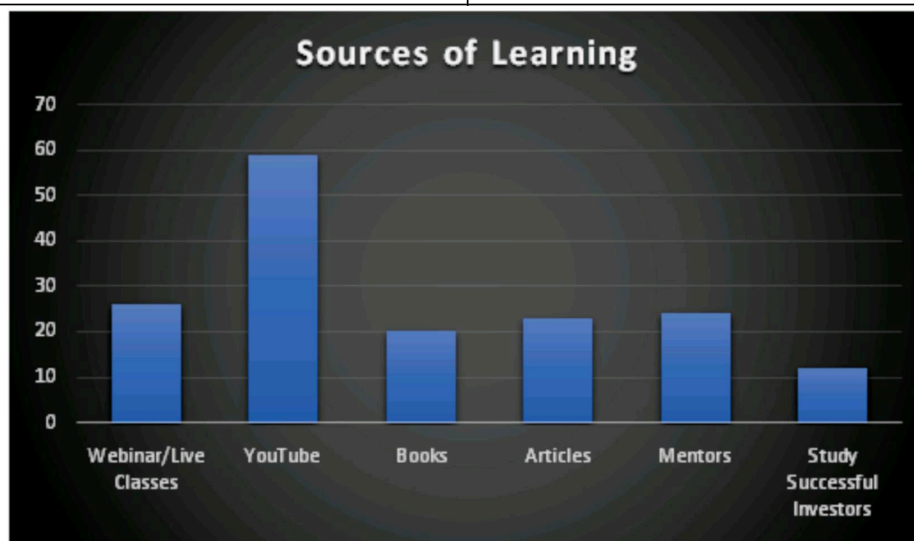
Interpretation: The above table shows that 26% of the respondents are learning from Webinar/ Live classes, 59% from You Tube, 20% from Books, 23% from Articles, 24% from Mentors and 12% from Study Successful Investors.
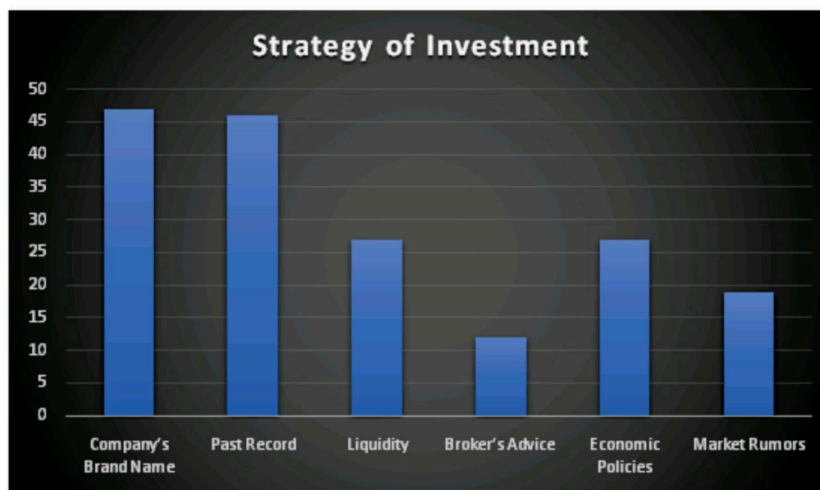
We can find the majority of the respondents are learning from You Tube.

I. Factors Influenced strategy of Investment into the Indian Stock Market during Covid - 19

Table No. 9

| Particulars	No. of Responses
Company's Brand Name	47
Past Record	46
Liquidity	27
Broker's Advice	12
Economic Policies	27
Market Rumors	19

Interpretation: The level of factor which is considered by the Investor before investing into the company is to know about the company. The respondents show here major influence investment strategy is of Company's Brand name and Past records of the company. As here we can see that the respondents of Palghar District are safe players who invest into the Branded Company.

J. Percentage of Income invested into Stock Market during Covid - 19

Table No. 10

| Particulars	No. of Respondents	Percentage
0 – 15 %	58	72.5%
15 – 30 %	19	23.75%
30 – 45 %	02	2.5%
More than 45 %	01	1.25%
Total	**80**	**100%**

Percentage of Income Invested
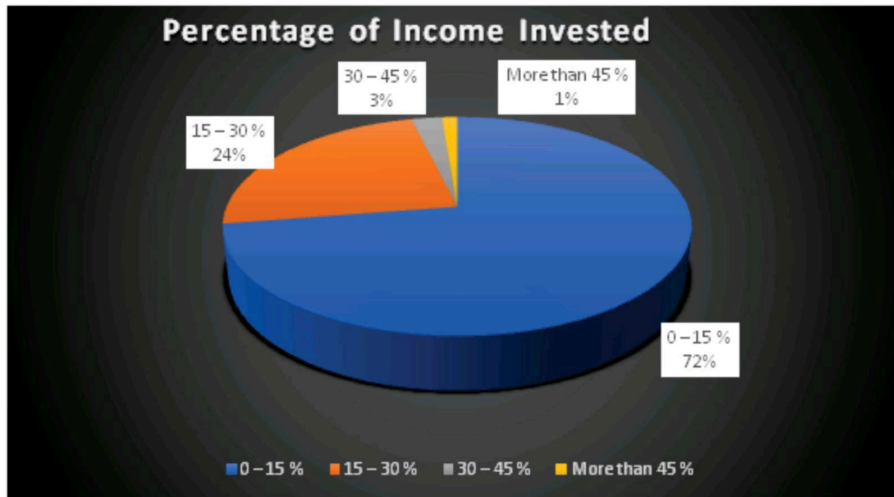
Interpretation: The above table shows that 72.5% respondents invested 0-15% in the stock market, 23.75% invested 15-30%, 25% invested 30-45%, and 1.25% invested More than 45%.

We can find the majority of the respondents invested 72.5% in the stock market during Covid – 19.

K.   **Current Position of Portfolio**

L. Table No. 11

Particulars	No. of Respondents	Percentage
Increase by 5 – 10%	42	52.5%
Increase by 10 – 15%	9	11.25%
Increase by 15 – 20%	20	25%
More than 20%	3	3.75%
Decrease by 5 – 10%	6	7.5%
Decrease by 10 – 15%	2	2.5%
Decrease by 15 – 20%	1	1.25%
Less than 20%	7	8.75%
Total	**80**	**100%**

Current Position of Portfolio
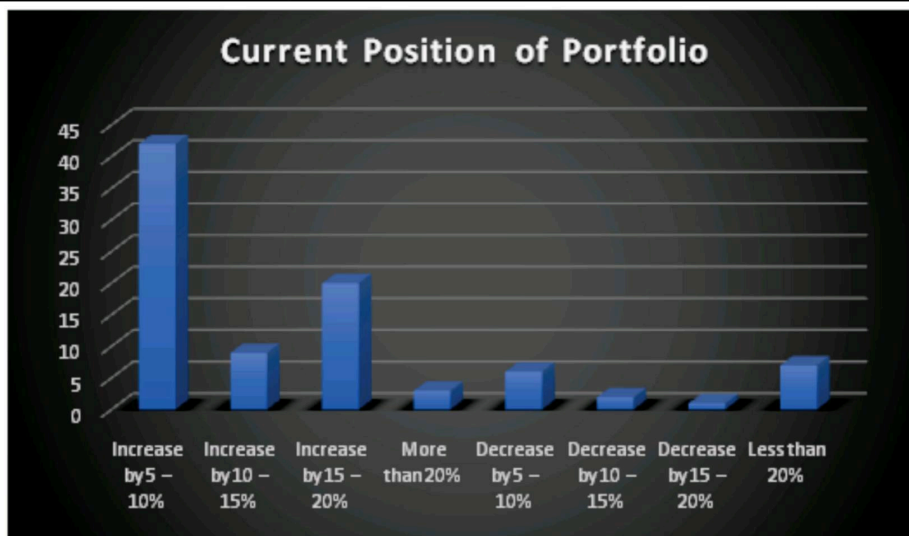
Interpretation: The above table shows the current position of the Investor's Portfolio during Covid – 19 which are as follows:

52.5% of the respondents have Increase by 5 – 10% in their portfolio. We can find out that the majority have their positive portfolio due to increase in Sensex and Nifty 50 indices.

Very few respondents have decrease in their Portfolio.

L. Sector Preferences

Table No. 12

| Particulars	1	2	3	4	5	No. of Respondents
Banking	20	17	25	7	11	80
Pharma	19	11	17	17	16	80
IT	18	16	18	18	10	80
Chemical	14	16	25	15	10	80
Petroleum	13	16	26	18	7	80
FMCG	15	18	19	16	12	80
Automobiles	19	17	21	17	6	80
Metals	15	17	31	13	4	80
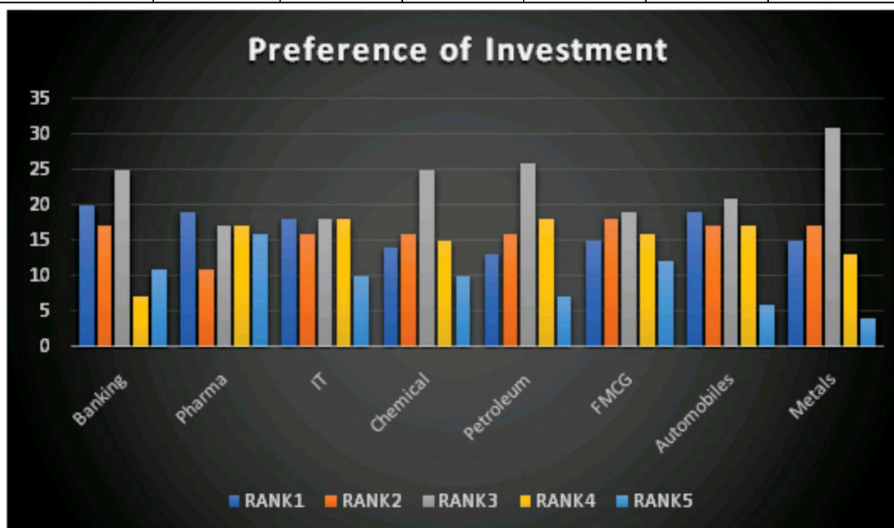
Interpretation: The above table shows that respondents prefer to invest in Banking Sector, Pharma and IT Sector as they feel that this sector gives good return on investment and they prefer to do least investment in Petroleum

M. Index Preferences

Table No. 13

Particulars	No. of Respondents	Percentage
Large Caps	19	23.75%
Mid-Caps	48	60%
Small Caps	13	16.25%
Total	**80**	**100%**

INDEX OF PREFERENCES
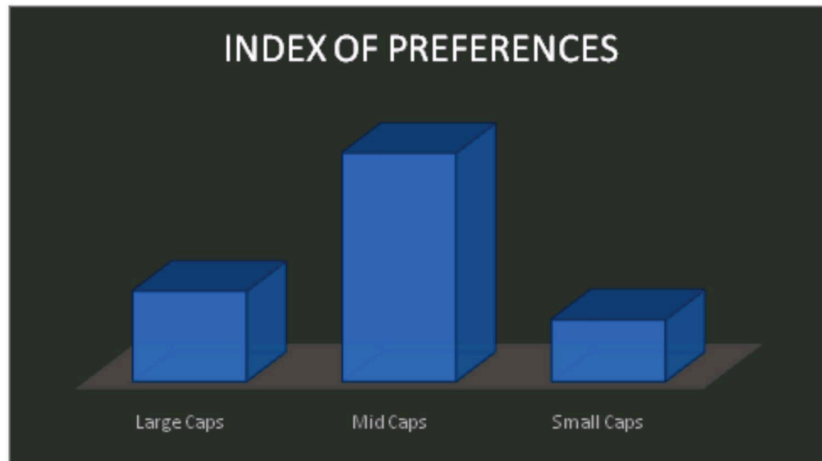
Interpretation: The above table shows that around 23.75% respondents prefer Large Caps, 60% respondents prefer Mid-Caps and 16.25% respondents prefer Small Caps.

We can find the majority of the respondents lies prefer Large Caps.

N. Activity of Trading

Table No. 14

Particulars	No. of Respondents	Percentage
Delivery	41	51.25%
Intra Day	39	48.75%
Total	**80**	**100%**

Interpretation: The above table shows that 51.25% respondents do Delivery trading activity and 48.75% take part in Intra Day activity.

We can find the majority of the respondents prefer Delivery trading activity.

Conclusion :

In view of this, we analyse the impact of the COVID-19 outbreak on the stock market using a sample of Palghar City. Our results reveal that post the COVID-19 outbreak, stock markets all over the world performed badly and experienced negative returns, as indicated by above Data Analysis. However, in the later stages of the event window, we discover, the stock markets were gradually recovering from the setback of the coronavirus outbreak, as indicated by positive Index of Pre and Post Covid 19. Overall, our results suggest that future uncertainty due to the COVID-19 outbreak, initially, caused panic selling in stock markets across the globe. Now, stock markets are experiencing the influx of capital, which is facilitating their recovery. Finally, markets are driven by noise trading in this period of uncertainty. Our study suggests that investors could adopt long-term investment strategies in weakened market conditions, and the suitable response would be to buy stocks. Accordingly, this paper tries to provide a very simple but original Data analysis of the COVID-19 pandemic by taking as sample study of Palghar City Respondents and their behaviour in Pre and Post Covid 19 of the Indian stock market.

References :

✓ Bash, A., Alsaifi, K. (2019). Fear from uncertainty: An event study of Khashoggi and stock market returns.

✓ Baumol, W. J. (1965). The stock market and economic efficiency (Issue 6).

✓ Shanaev, S., Ghimire, B. (2019). Is all politics local? Regional political risk in Russia and the panel of stock returns. Journal of Behavioral 70–8

✓ Albulescu, C. (2020). Coronavirus and financial volatility: 40 days of fasting and fear. Computational Finance (Epub ahead of -print). https://arxiv.org/abs/2003.04005

✓ Raja Ram A, (2020) COVID-19 and stock market crash.

✓ https://www.mohfw.gov.in/

✓ https://in.finance.yahoo.com/

❑ ❑ ❑