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IMPACT OF COVID-19 ON INDIAN STOCK MARKET

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ABSTRACT

The outbreak of Covid-19 has influenced the whole money market all around the world. Indian Economy has never experienced such a gigantic stun to both the demand and supply in the ongoing past. Numerous intellectuals have announced COVID-19 as the "Dark Swan" of 2020 with worldwide economies featuring at one of their most exceedingly terrible downturns ever. The investigation inspects the degree of the impact of the lockdown on the Indian stock Market and whether the market response would be equivalent in pre-and post-lockdown period brought about by COVID-19. The researcher has collected the data from November 2019 to November 2020 for its comparison. This paper attempts to investigate the impact of COVID-19 on the stock market of India in terms of its volatility due to the outbreak of the pandemic and lockdown policy adopted by the Indian government.

1. INTRODUCTION:

Indian people always emphasized on reward rather than risk, ignoring the fact that bigger risk attracts bigger rewards. FD, RD, LIC, PF & GOLD were the only popular saving instruments before COVID-19 whereas stock market instruments like equities, mutual fund could be far better alternative which are even capable to fight inflation which gives fair & flexible return in short as well as long term in comparison to fixed return instruments.

1.1 HISTORY OF STOCK MARKET:

In the past centuries, it was found that people run their business with their own money. There businesses were small and whenever they increased their scale of operations, they did it with their own money. It was not possible for all the businesses to build their factories with their own money and even the banks did not lend huge amount of capital for expanding their business. Thus, in the 17th century, when the trading companies were exploring the newly discovered continents of Asia and America, they required a huge amount money which their kings were unable to provide. The wealthy people of their country were willing to lend the money but demanded huge amount of interest. So, in 1602, The Dutch East India Company decided to raise their capital from the common people and became the first company to issue its shares in the Amsterdam Stock Exchange.

1.2 What Is A Stock?

In simple words, a stock is a part ownership in a company. It provides a share of the company's in return for the capital invested.

1.3 WHAT IS A STOCK EXCHANGE?

A Stock Exchange is a market where the exchange of securities and other financial instruments are traded. The exchange provides services to stock brokers and traders to buy or sell stocks. Those companies who want to generate capital from the public get their shares listed in the stock exchange. Most of the trading in the Stock Market of India takes place through its two main Stock exchanges i.e National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

1.4 WHAT ARE STOCK MARKET INDICES?

An Index is the basket of securities of an exchange which measures the value of a section of the stock market. It works as a barometer to measure the economic health of the country. The prominent indices of the Indian stock market are the Sensex and Nifty. The Sensex is the index of Bombay Stock Exchange and includes 30 stocks and represents about 45% of its free float market capitalization whereas on the other hand Nifty is the index of National Stock Exchange and consist of 50 shares listed on the NSE and represents about 62% of its free float market capitalization.

1.5 REVIEW OF LITERATURE:

1. Md Shabbir Alam and others (2020), in their article in Journal of Asian Finance Economics and Business, "STOCK MARKET RESPONSE DURING COVID-19 LOCKDOWN PERIOD IN INDIA: AN EVENT STUDY" inspected that COVID-19 influenced all financial exchanges far and wide. BSE recorded organizations were chosen for their investigation. The suggestions drawn from the paper propose that investors should take careful steps prior to trading in stock market during lockdown period. It was additionally proposed that the Risk Averse investors ought not go for trading and to keep away from hazard due to high instability in financial exchange.

2. Dr. Sushil Kumar Pareek and Dr. Kriti Bhaswar Singh (2020), in International Journal of Advanced Science and Technology on "COVID-19 AND ITS INITIAL SIGNALLING EFFECTS ON THE STOCK MARKET IN INDIA" found that the stock market has affected at a very initial level of pandemic. They suggested that the investors should take careful and proper knowledge before doing any investment looking to the ongoing situation.

3. Kotishwar A (2020), in Academy of Accounting and Financial Studies Journal studies the "IMPACT OF COVID-19 PANDEMIC ON STOCK MARKET WITH REFERENCE TO SELECT COUNTRIES – A STUDY" focused on global equity markets and found that there was positive growth in Six countries (USA, Spain, France, Italy, China and India) that were affected the worst during March-2020. CAAR model was used to know the effect on the equity markets with the COVID-19 pandemic. Also, the investors are thinking of long-term strategy and are investing at very low level. It was also suggested to study the impact of COVID-19 -19 effected deaths on the selected countries market returns.

1.6 SCENARIO OF INDIAN STOCK MARKET DURING PANDEMIC (COVID-19):

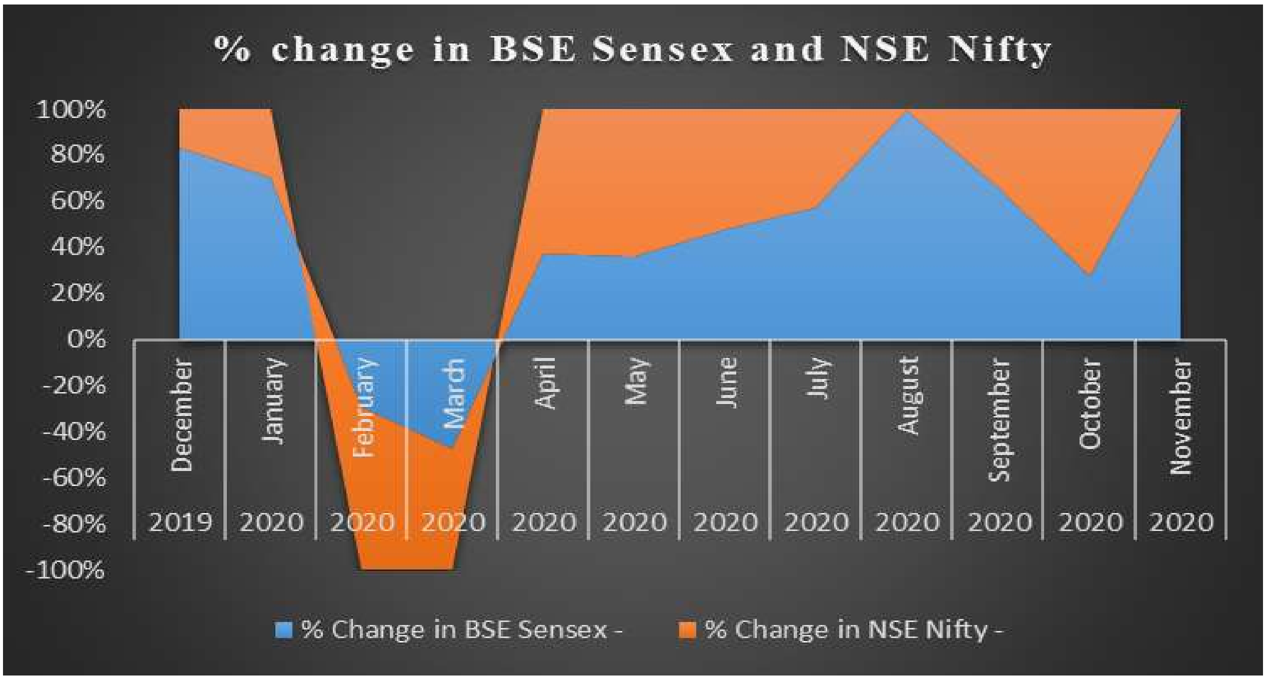
The remarkable expansion in COVID-19 has placed the world in extraordinary difficulty and changed the worldwide standpoint surprisingly. Nobody is obscure about the realities that this COVID-19 infection has first happened in Wuhan city, Hubei area of China in December 2019, and with time it spread everywhere on the globe and there was complete lockdown in each and every palace over the globe to battle against this hazardous COVID-19 infection. Monetary exercises had delayed down or in fact it was discovered practically insignificant which has made devastation in the brains of the individuals. Likewise, because of the lockdown strategy received by the public authority, the processing plants or the factories have decreased the size of their workforce as well as production level which disturbed the supply chain. Individuals have additionally decreased their utilization propensities leading to demand-side shock.

Studies have additionally discovered that the whole past pandemic had influenced only the demand chain. Yet, this COVID-19 pandemic has influenced both the demand chain and supply chain. Worldwide monetary exercises were delayed down because of limited and restricted Transports. Our Country was likewise not a long way behind to get the effect of COVID-19 on their monetary development and its turn of events and especially in financial sector i.e stock market.

BSE Sensex and NSE Nifty Trends

The study is undertaken considering the data from November 2019 to November 2020 and shows the percentage increase/decrease in BSE Sensex and NSE Nifty and are used for the purposed study.

Year	Months	BSE Sensex Index value	% Change	NSE Nifty	% Change	VOLUME (Rs. Cr.)
2019	November	39000	-	12,158	-	77658
2019	December	40,135	5%	12,293	1%	772597
2020	January	40,476	7%	12,430	3%	848939
2020	February	38,219	-5%	11,175	-12%	841110.90
2020	March	25,638	-32%	7,511	-35%	1142001
2020	April	27,500	3%	8,000	5%	926064
2020	May	29,668	5%	8,800	9%	1049727
2020	June	32,348	9%	9,500	10%	1520003
2020	July	34,927	8%	10,299	6%	1414639
2020	August	36,911	12	10,800	5%	1339265
2020	September	40,101	10%	10,790	5%	1386253
2020	October	41,048	5%	12,000	13%	1386253
2020	November	44,271	13	12,950	11%	1110638

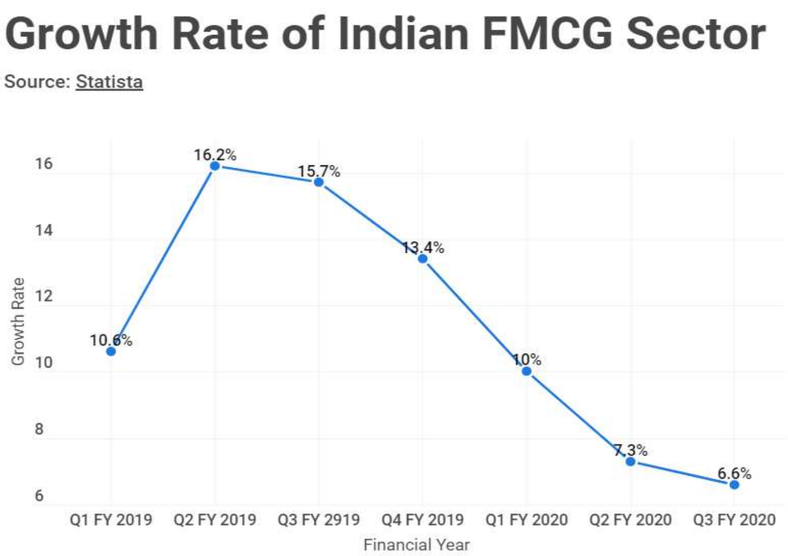


1. From November 2019 – January 2020 it could be seen that market was in good momentum & was performing exceedingly well. Even in January 2020 market was about to touch its lifetime high.
2. A sudden attack by COVID-19 lead to market huge downfall. Markets crashed so badly that it broke its past 10 years low levels.

3. It took almost 4 months to market gain confidence again. February to May market underperformed and gave negative returns.
4. In mid-May market has shown some growth or we can say bounce back indications which was due to stimulus package announced by Finance Minister which boosted liquidity in economy. Cut off in bank interest rate also brought stock market in focus & a huge crowd participation could be seen which gave a good support to market from lower levels.
5. Market seemed getting stabilize after July & gaining momentum as well.
6. In October it has slightly recovered and till date it has almost made a good level in the market.
7. Also, we can see that in negative market there was a hike in volume growth, which shows many new players were attracted during the pandemic. This was the only positive outcome we could spot which happened due to this pandemic. People have started identifying opportunities and are taking advantage of it as well.

1.7 SECTOR MAJORLY AFFECTED DURING COVID

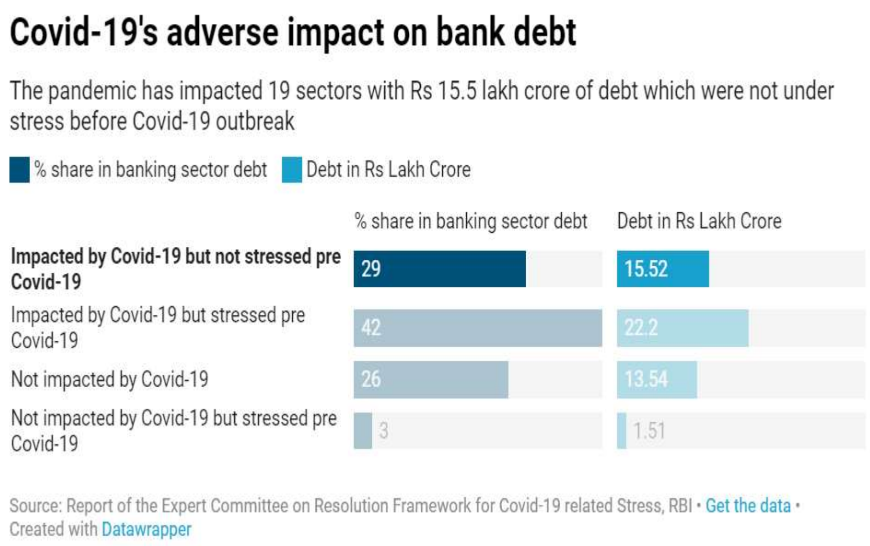
<u>FMCG (FAST MOVING CONSUMER GOOD)</u>: - The FMCG industry in India has been dynamic and was undergoing significant changes in the years leading up to the pandemic. The sector had been seeing a slow-down since mid-2018, with growth rates steadily declining for the past 15-18 months from the mid-teens to around half of that by Jan/Feb 2020. In this scenario, FMCG players had been trying to compete by way of price cuts and greater offers to consumers in the hope of gaining market share. This is especially true for urban India.



AUTO SECTOR: The automotive sector had already undergone considerable slowdown over the last 12-18 months due to structural changes beginning with the goods & services tax (GST), shift to shared mobility, axle-load reforms, the switch from BS 4 to BS 6 transition, liquidity crunch, etc. The COVID-19 lockdown has had a multiplier effect – the industry has almost been at a complete standstill since March 24. A prolonged truncation of consumer demand due to the lockdown has significantly affected auto manufacturers' revenues and cash flows.

Some of The Major Auto Sector Companies are Maruti, Tata Motors, Mahindra & Mahindra, Eicher Motors Etc. These are the Big Giants of Auto Sectors & Contributes Almost 10-15% In Indian Indexes. From the Given Chart we can See there was almost 17% downfall In Auto Sector from Feb – June.

BANKING: The Indian economy wasn't in great shape even before the Covid-19 outbreak, which has only made matters worse. The report by the Reserve Bank of India's (RBI) expert committee on a resolution framework, headed by former ICICI Bank chief K V Kamath, brings this out clearly. The report notes that the pandemic "has affected the best of companies" and businesses that were otherwise viable before the outbreak. Experts believe that banks may be more risk-averse to restructuring loans this time around, having already suffered big losses in previous restructuring efforts. Nineteen sectors, which were not under stress before the pandemic but have been hit it, account for Rs 15.5 lakh crore of debt. Retail and wholesale trade are the worst affected with outstanding debt of Rs 5.4 lakh crore. The pandemic has also affected 11 sectors which were already under stress. These sectors have a debt of Rs 22.2 lakh crore. Non-banking financial companies (NBFCs) have the highest, Rs.7.98 lakh crore, among these sectors. Agriculture and allied products make up the biggest silver lining in India's debt landscape. This sector has debt of Rs 9.8 lakh crore. It was stress-free before the pandemic and continues to be so.



However, some of the sectors like Pharma, IT, Defense have shown a significant growth. But overall, we can see a contraction in the economy. On one side we can see that global trade has adversely affected. China will be always blamed for the cause but the positive thing identified is that domestic companies have a great opportunity to comeback as government has imposed ban on most of Chinese exports. In fact, many domestic companies like smartphone industries like Micromax, lava are making a comeback in the market.

1.8 CONCLUSION:

- There was a huge downfall in stock market with introduction of COVID-19 in the month of February. Sudden attack of the pandemic was so huge that market broke it last 10 years records.
- Due to lockdown which was an outcome of COVID-19 there was a significant downfall in major sectors which ultimately affected India's GDP. Ultimately there was a major contraction in the economy.
- Positive outcome of the COVID-19 which could be identified was due to lack of funds inflow there was a cut off in bank interest rates, hence stock market instruments like Equities, Mutual funds, derivatives & commodities came in focus.

- New opportunities for domestic producers were also seen. India become one of the largest producers of Face Mask & PPE kit which were previously being imported from China.
- One major thing which we could identify that the patient investors those who were able to take risk in falling market ripped aggressive returns on their investments as market bounced back strongly from lower levels & today are at lifetime high. As we already said big risk attracts bigger reward.

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