JUNI KHYAT
जूनी ख्यात

इतिहास, कला एवं संस्कृति की शोध पत्रिका

संपादक

डॉ. बी.एल. भादानी

INDEX

ANALYTIC PERSPECTIVES ON INDIAN STOCK MARKET DURING PRE AND POST COVID-19.

Shri. Mahadev M. Nimbaragi, Associate Professor, Department of Commerce, KLE S C P Arts and DDS Commerce College, Mahalingpur.

Mr. MUSTAQ MULLA, Teaching Assistant, Department of Commerce, Rani Channamma University, P G Centre Jamkhandi.

Abstract:

This research paper focuses on the impact of COVID-19 on Indian Stock Market and shares performance. In other words, the article analyses the market capitalization correlation between the performances of shares and the growth of the share market, using the stock market data of Pre and post COVID-19 status by comparing the data from Jan'20 to Jun'20. The variables have positive and statistically strong significance on the changes in the market's performance and the value of its market capitalization.

Keywords: Market capitalization, COVID-19, Stock market, Sensex, Indexes, Recovery

Introduction:

Pre COVID-19, market capitalization 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 favorable as they witnessed record highs in mid-January.

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 Capitalization 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 has been impacted adversely and stocks of such companies have plummeted by more than 40%

Objectives of the Study:

- To understand how the Indian stock market is run, particularly as it pertains to the stocks of pre and post COVID-19.
- • To analyze the effects on performance of the stocks post COVID-19 spike in India.
- • To make concrete and justifiable conclusions and recommendations based on the findings of the study.

Research Methodology:

The secondary data collected from records of the companies, dealers. The data of past indices also have been collected. The secondary data has been collected to cover every aspect of the study. The secondary data shows the Indian stock market bourses data month wise, pre and post COVID-19. These data used in combination as per need of the study. These data having different merits and demerits and have serves our purpose of the research study. A variety of secondary information sources is available to gathering data on the market place.

Background of the Study:

Market Capitalization is the value of a public company in the stock market. It is based on the current share price and the total number of outstanding shares of a company. It is the total market of a company's outstanding shares of stock. It is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share. Let's assume that a company has 1 million shares to sell and the market price of a share is Rs 100. Then, the Market Capitalization of the company will be 1,000,000 (shares) × Rs100 = Rs 100,000,000.

Market Capitalization plays an important role in determining the size of a company. It gives an investor an insight to the future prospects of the company and whether or not they should invest. It also lets us know how much an investor is willing to pay for the shares of the company.

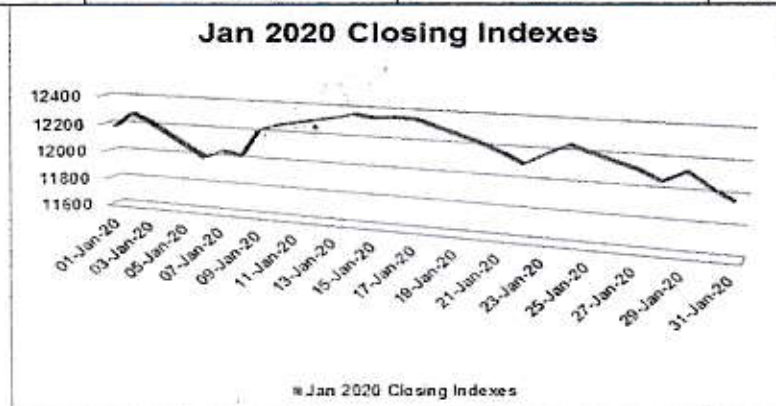## Important of Stock Market in Investment:

Before investing in a stock, it is important to not only compare the price of the individual share but compare the Market cap. Market Capitalization gives a clear picture of a company's value, the risks involved and helps in diversifying portfolios with company of Different sizes. The Market Capitalization of a company determines which broad category of publicly traded company it falls under: small cap, mid cap, or large cap.

Companies are typically divided in the following way according to market capitalization:
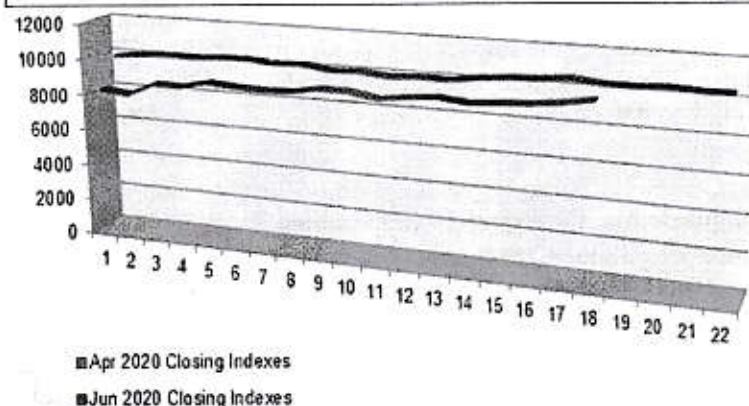
i) Large-cap: These are generally fully fledged, developed and well-known companies within established industries with a market value of $10 billion or more.

ii) Mid-cap: These are established companies whose industries are experiencing or are expected to experience rapid growth with a market value of between $2 billion and $10billion.

iii) Small-cap: These are young companies that serve emerging industries with a market value less than $2 billion.

A Comparison of Pre and Post COVID View of Indian Stock Markets-Source: Business world, Jun 2020.

Bourses	Indexes 14 Jan-2020	Indexes 14 April 2020	Indexes 14 June2020
Nifty 50	12,362	9154	10,305.3
Bourses	**Indexes 14 Jan-2020**	**Indexes 14 April 2020**	**Indexes 14 June2020**
Nifty 50	12035.8	9859.9	30-Jun-20 10302.1

Jan 2020 Closing Indexes

Apr 2020 Closing Indexes

Comparison of Jan & Apr 2020 Data

■Jan 2020 Closing Indexes   ■Apr 2020 Closing Indexes

■Apr 2020 Closing Indexes

■Jun 2020 Closing Indexes
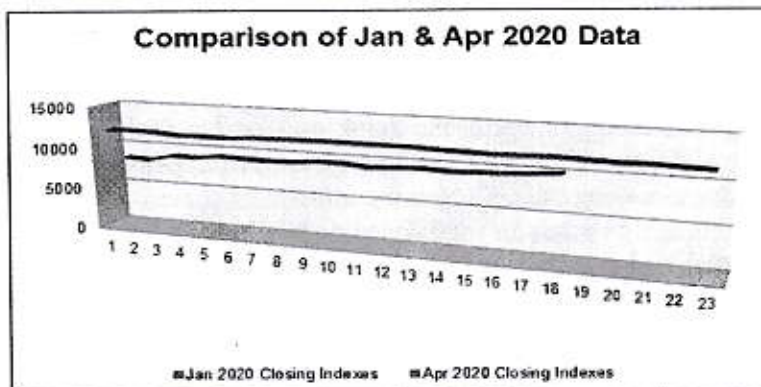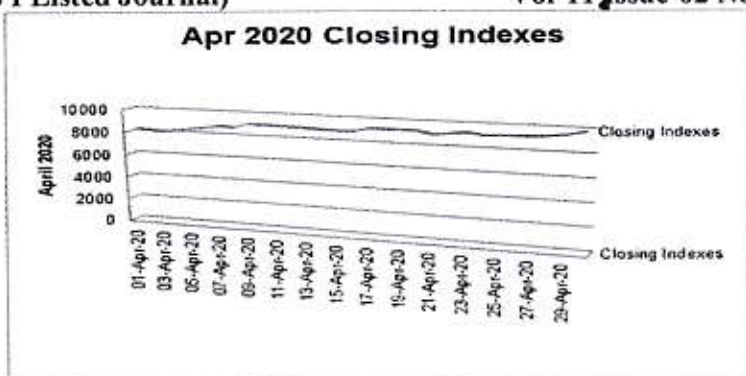
The Stock Market before Covid-19:

Pre COVID-19, market capitalization 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.

Impact of Covid-19 on the Indian Stock Market:

History is proof that sometimes events occur that nobody predicted or imagined could happen. These are events that leave everyone by surprise to an extent that create havoc and chaos in human activities and disrupt the human life. These events are called black swans. This term was derived in 1697 when mankind believed that all swans were white until Dutch explorers sighted black swans for the first time in Western Australia, completely invalidating the fact that swans could only be white. The Impact of novel corona virus (COVID-19) on the stock market is one such event, which has all characteristics of a black swan.

The stock market across the world came crashing down with the rise of Covid-19. It has brought the entire world to a halt including the world of business. The markets around the world have come crashing down to a level last seen during the financial crisis of 2008. Although the world has seen a market crash before, the impact due to covid-19 is unusually different as the pandemic is widely spreading due to which there is a lot of uncertainty in the market. The country went into a complete lockdown for almost a period of 3 months which has taken a toll on various economic activities.

The tabulated data shows the Indian market closing stock indexes of Nifty 50 for the month of January, April and June 2020. It can be observed that before the COVID-19 virus hit India, the stock market was performing very well in the month of Jan'20. It started to fall in the end of March'20 and it crashed in the month of April'20 when the country went into a nationwide lockdown. As the country started Unwinding the lockdown and restarted the economic operations in the due end of May, stock indexes started picking its speed up on the way to recovery as it can be seen in the June 2020 data.

Results and Discussion:

Following the strong correlation with the trends and indices of the global market as Nifty 50 fell by 38 per cent. The total Market Capitalization lost an astonishing 27.31% from the start of the year. The stock market has done nothing but reflected the attitude of investors globally due to the pandemic. Companies have started to scale back with their spending resulting in layoffs and unemployment.

Sectors like travel and transportation, entertainment industry, oil & gas have been the most affected. Stocks of these companies have come crashing down more than 40%. Several companies have declared bankruptcy due to a non-functioning business as a result of the lockdown.

The IT sector has also suffered as several companies have seen a drop in their revenue due to the global cut off on spending on technology because of the lockdown. However, there are also certain business sectors that are immune to the impact of corona virus or if not, will be able to revive faster than the other sectors. These sectors include healthcare, banking, telecommunications and retail such as groceries.

Conclusion:

An unfortunate pandemic, the Covid-19 has resulted in an economic, financial and medical crisis in the country. These are tough times but humankind is known to be tougher and will bounce back from this stronger than ever. To revive the economy and boost the business, a smart recovery plan is essential. The county needs to focus on attracting foreign investments and must reduce importing products. We must encourage products made in India and support local producers. The RBI and the Government of India has come up with a number of reforms such as reductions of repo rate, regulatory relaxation by extending moratorium and several measures to boost liquidity in the system in response to the current situation and keeping in mind the chaos the pandemic has created.

The government must focus on its Make in India initiatives, commercialization of Indigenous technology, developing a technology-driven transparent Public Distribution System (PDS), efficient rural health care delivery, reduction of import, adoption of emerging technology domains like AI, Machine Learning, Data Analytics and many more. Companies with innovative products, increasing distribution reach, technology-driven processes and healthy balance sheet would revive the growth momentum post lockdown. The only way to revive the economy is to strengthen the skills of its citizens and become self-sufficient as a country.

References:

1. Ekanem W. The NSE Market Annual; 2003. Investment Opportunities in the Capital Market. [Google Scholar]
2. Ekanem W. The NSE Market Annual; 2003. Stimulating the Growth of Indigenous Enterprises. [Google Scholar]
3. Kurihara Y. The relationship between exchange rate and stock prices during the quantitative easing policy in Japan. Int. J. Bus. 2006;11(4):375–386. [Google Scholar]
4. Jha R. second ed. Routledge; London: 2003. Macro Economics for Developing Countries. [Google Scholar]
5. Fosback V.G., (1991), Stock Market Logic: A Sophisticated Approach to Profits on Wall Street, New York: Florida Dearborn Financial Publishing Incorporated.
6. Ologunde, A., Elumilade, D., Saolu, T., 2006. "Stock market capitalization and interest rate in Nigeria: A time series analysis," International Research Journal of Finance and Economics, Issue 4, pp.154-6