

Indian Stock Market during Lockdown Period with Reference to Nifty Fifty

Dr. Monika Khindri

Assistant Professor Commerce & Management, Goswami Ganesh Dutta Sanatan Dharma College, Sector 32c, Chandigarh

Abstract- As economic development precedes the slope for acquisition and ownership of capital by individual also grows and the opportunity of stock exchange to give service also increased. Stock exchange ensures that the flow of saving is utilized for the best purpose from the community's point of view. The paper focuses on the impact of Pandemic on the Indian stock market. For this purpose Nifty fifty Index has been used to measure the effect of crisis, also to know the future prospects of Indian stock market especially post pandemic. During the crisis period calculations regarding average price index and growth rate have been done in the study. The motive is to know the overall performance and the past & current movement of the Indian securities market.

Index terms- Average Price Index, Growth Rate, Nifty Fifty, Pandemic, Stock Market

I.INTRODUCTION

Stock market is a place where buying and selling of shares takes place through various institutionalized stock exchanges. There are different types of instruments which are traded on the stock exchange such as equity, debentures, bonds, ETFs (exchange traded funds), derivatives etc. Generally, the word stock market and stock exchange is one and the same thing and these can be used interchangeably. There are leading stock exchanges in India out of which BSE Sensex, NSE, OTCEI are the common stock exchanges. The growth of economy of a nation depends largely upon the stock exchanges or stock market.

This study is based on Nifty Fifty stock exchange and the impact of pandemic on the activities of stock exchange. During the month of January 2020 China was found affected by virus at very rapid pace. The worst hit states showed 130 lakh crores as nominal GDP, the worst effect of this virus with large number of cases was in Maharashtra with accounting the

GDP of 14 Percent only. This also had a bad impact on India also and virus entered the threshold of India causing disruption in the ongoing economic activities, disturbing the equilibrium of demand and supply. Various sectors such as engineering, labor industries, cement and tourism industries, airlines, railways, shopping malls, restaurants etc. are a worst hit. Manufacturing disrupted due to imbalance of supply and demand chain, which had a great impact on the global economy as well. Balance of trade also got imbalanced due to disruption of imports and exports.

During the first phase Indian economy had a fall of 3.5 to 4 percent in the GDP. During the second or third part of lockdown government announced partial relaxation but still economy will take its time to revive back to the previous position.

II. NEED FOR THE STUDY

The paper focuses on the evaluation of the overall performance of Stock Market in India in context with Nifty Fifty. Stock market has a drastic downfall due to fall in demand of various companies and had a negative impact on their sales & profits due to the pandemic which occurred in the Starting months of the year 2020. Main purpose of this study is to analyse the effect of lock down during the period crisis on securities market.

III. OBJECTIVES OF THE STUDY

The main objective of the study is to search the impact of lockdown on the the stock market of India and in order to accomplish this objective, the study focuses upon the following pin-pointed objectives for research analysis:

- 1 To study the Growth Rate of NIFTY FIFTY Index On The Basis of High & Low prices during lockdown period 2020 in India.
- 2 To assume the future prospects of overall securities market in India on the basis of current movement of Nifty Fifty stock Market.

The stock market Indices are fairly representative of the various industry sectors and trading activity. The study consists of most prominent market Index i.e Nifty Fifty. The effect of this situation on NSE Fifty has been discussed further in this paper by calculating average price index on the basis of high and low prices of Nifty Fifty, growth rate has also been calculated to check the pace of growth of economy. The calculation for growth rate is based on the following formula; $P_1 - P_0 / P_0$. In order to check the positive and negative impact on the growth rate due to the increased cases of virus during the previous months of the year 2020.

Nifty Fifty is generally considered to be the bellwether of the Indian stock market. It is the older and the more often quoted index with fifty companies listed on its exchange. But with the growing popularity of the Nifty Fifty due to its more transparent trading mechanism and lower trading cost, Nifty Fifty has come to be considered as an important and broad-based market index. In the study, index represents the movement of the market and investor's sentiment due to the lockdown period in the year 2020 and their perception of future economic activities.

Table 1.1-Calculated Average Price & Growth Rate of NIFTY FIFTY Index On The Basis of High & Low prices

Date	High	Low	Average	Growth
May-20	9,576.40	8,807.60	13980.2	13979.2
Apr-20	9,889.05	8,055.80	13916.95	13915.95
Mar-20	11,433.00	7,511.10	15188.55	15187.55
Feb-20	12,246.70	11,175.05	17834.225	17833.225
Jan-20	12,430.50	11,929.60	18395.3	18394.3
Dec-19	12,293.90	11,832.30	18210.05	18209.05
Nov-19	12,158.80	11,802.65	18060.125	18059.125
Oct-19	11,945.00	11,090.15	17490.075	17489.075
Sep-19	11,694.85	10,670.25	17029.975	17028.975
Aug-19	11,181.45	10,637.15	16500.025	16499.025
Jul-19	11,981.75	10,999.40	17481.45	17480.45
Jun-19	12,103.05	11,625.10	17915.6	17914.6
May-19	12,041.15	11,108.30	17595.3	17594.3
Apr-19	11,856.15	11,549.10	17630.7	17629.7

Mar-19	11,630.35	10,817.00	17038.85	17037.85
Feb-19	11,118.10	10,585.65	16410.925	16409.925
Jan-19	10,987.45	10,583.65	16279.275	16278.275
Dec-18	10,985.15	10,333.85	16152.075	16151.075
Nov-18	10,922.45	10,341.90	16093.4	16092.4
Oct-18	11,035.65	10,004.55	16037.925	16036.925
Sep-18	11,751.80	10,850.30	17176.95	17175.95
Aug-18	11,760.20	11,234.95	17377.675	17376.675
Jul-18	11,366.00	10,604.65	16668.325	16667.325
Jun-18	10,893.25	10,550.90	16168.7	0

Secondary data available at the site of National Stock Exchange. The monthly high and low prices have been considered as a measure of performance of Nifty Fifty for the stock market. The average

Source: High & Low prices; Historical Index Data: National Stock Exchange of India Ltd.

Table 1.1 describes the details of high and low prices of Nifty Fifty from Secondary data available at the site of National Stock Exchange. The monthly high and low prices have been considered as a measure of performance of Nifty Fifty for the stock market. The average calculation based upon high and low prices of Sensex have been used and growth from average price index has also been calculated.

Growth rate has been calculated on the basis of average price. The growth rate is the change in price during the period, divided by the price of the investment at the beginning of the period. In the study the changing pattern of the stock market has been studied through this method. The composition of the Sensex has been changing from time to time, during the period various point changes occurred in the value of stock indices. But during the period of February 2020 there is a drastic fall in the index value due to the occurrence of pandemic. A positive growth rate occurs when the average increases and a positive increase means the increase in the value of stock indices and indicates the growth level of Nifty fifty. Positive growth rate shows good sign of growth of Nifty Fifty and negative shows weakness of stock market. The growth rate in the finance year 2020 shows negative trend in the continuous first four months because many factors are playing spoiler game, the outbreak of corona virus changed the behaviour of consumer and disrupts the production and demand in India infact whole world.



Fig 1.1 (High and low price index of Nifty Fifty)

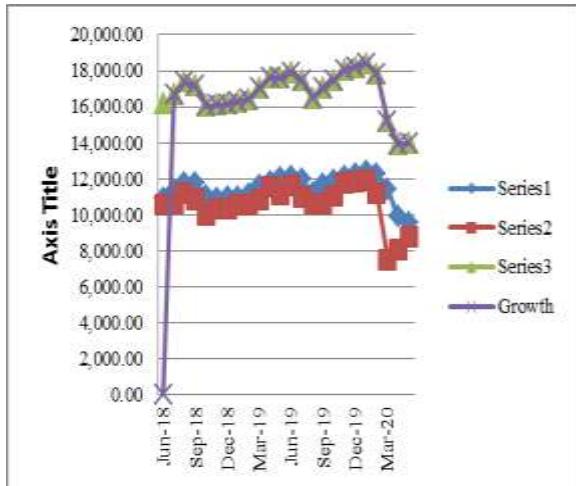


Fig1.2 (High, low, Average Price Index and Growth rate of Nifty Fifty)

The chart above depicts the high prices as series1, low prices series2, Average price series 3 and Growth is represented with the help of series 3. As it is clear from the diagram above there is regular increase in the index prices with a minor fall down in august 19 and further it increased during next months. Further in February 2020 there is a steep fall in the average price index and the growth rate of Nifty Fifty i.e due to lockdown in the period of crisis due to virus.

The future prospects of Indian stock market can be studied after the pandemic crisis tends to decrease with the passage of time. Impact of this crisis will be huge on the economy all over the world. The organization for Economic development and Co-operation (OECD) has stated the GDP i.e Gross domestic Product will be half in the year 2020 as compared to the previous years of virus. The spread virus will impact all the economic activities due to restrictions imposed by the government in the form of lockdown, which is indeed a necessary step to reduce the effect of virus. All the sectors such as

railways, airlines, tourism, restaurants and the consumption of luxurious goods have drastically fallen only FMCG sector is growing due to consumption by the consumer. The economy will take its time to revive with time and hopefully will flourish in the times to come.

IV. CONCLUSION

It has been found that there is a drastic fall in the growth of stock market especially during the month of February 2020. The banks will sink with increasing NPAs or bad loans which will have a drastic impact on Indian economy. Stock market became volatile and Foreign Institutional Investors (FIIs) have sold large chunk of Indian shares, these incidents created high risk in the market. But as the government is providing relaxation to the areas less affected by the disease and promise to start economic activity from April 2020 growth rate started increasing from the month of April but at a very slow pace. Stock market today has been hit badly as compared to the situation when market was at its prosperous stage i.e before the start of the pandemic. Market will take time to revive and the biggest fear is of another round of covid or reaching at a peak point will create damage to the market, the GDP growth may drop down to 3.5 to 4 percent leads to recession in the economy . In the long run in order to keep the stock market back on track government should take necessary measures in order to earn the trust of investors. Government should focus on aviation sector, retail and small scale sector in the future and provide them some tax relaxation. Reserve Bank of India should also work through waivers, relaxations in the deadlines, rate cut and big market operations will help in order to bring economic stability and reduce the loss due to the crisis. One of the measures is to remove long term capital gains tax to help the investors invest for long period will also help improve the profitability.

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