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Stock Market Effects of Covid'19 in India

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ABSTRACT: The outbreak of the Covid-19 virus, which began in Wuhan, China, and has since spread throughout China and the rest of the world has had a significant and detrimental effect on economies and stock markets everywhere. The outbreak began in Wuhan, China, and has since spread throughout China and the rest of the world. The first known case of the virus was discovered in Wuhan, China, and since then, it has been found throughout the rest of China and the rest of the world. The preliminary phase of the Covid wave had a sizeable impact on the activity in the Indian stock market. At this point in time, the e of this factor had a significant impact. This study employs a wide variety of statistical analysis techniques togate the effect that COVID-19 will have on the BSE Top 30 companies during the period beginning in January 2020 and ending in September 2020. This period covers when COVID-19 will become effective until it takes no list longer. The investigation was conducted during the time which was previously. The period that is being considered here begins in January of the year 2020 and continues all the September of that same year.

KEYWORDS: Indian Stock Market, Covid-19, and BSE.

INTRODUCTION

Coronavirus disease, also referred to as COVID-19, is an infectious disease that was found for the first time on the 31st of December, 2019, in Wuhan, China. The discovery was made as a result of a man eating bats. The World Health Organization was made aware of this particular case (WHO). The outbreak of respiratory disease that was caused by the coronavirus has resulted in a pandemic, which has caused significant disruptions in people's day-to-day lives and random acts of indecorousness. Not only was the pandemic a major cause for concern regarding public health, but it was also a major cause of concern regarding the economy of the entire world. The World Health Organization (WHO) made the official announcement that an outbreak had taken place on February 11, 2020. On March 11, a global pandemic was declared after the disease was found to have spread throughout 110 countries. There are 176 million people in India who are living in deplorable conditions, despite the country having the world's second-largest population. In addition, the nation's sanitation system is terrible, and its medical facilities are in a pitiful state. Because of the growing number of COVID cases, the government of India, which is led by Minister Narendra Modi, has announced that the entire country will be placed under a complete lockdown beginning on March 22, 2020. This decision was made because of the rising number of COVID cases. However, the new date for this event is going to be in May of 2020. Following the confirmation of a decline in the number of COVID cases, the government has started reintroducing some previously suspended essential services. Then, in April 2021, a strain of the Delta subtype of coronavirus that was more severe than previous strains appeared. This caused the second wave of the disease to be more dangerous than the first wave in 2020. January of 2022 marked the arrival of the third wave, which did not have any significant impact. India has reported 4.29 billion cases and 5.14 million deaths for every one million people up until this point (1 March 2022).

The response of the Indian stock market was very robust when it was first announced that there would be a lockdown in the country. This announcement came from the government of India. The Sensex experienced the most significant loss on the first day of the lockdown, finishing 3,934 points lower than it had started, while the nifty fell 1,110 points. Both indices were affected by the lockdown. In addition, by the end of the trading session, both the Sensex and the Nifty had finished the day with a loss. When businesses everywhere started to feel the effects of the pandemic's impact, companies in the pharmaceutical, telecommunications, and technology industries noticed an increase in demand for the goods and services they offered. This increase in demand was primarily caused by the fact that we are now better equipped to stop the pandemic from spreading. During the time frame that was being investigated by these pieces of evidence, there was a rise in the total amount that was being invested.

RESEARCH QUESTIONS

- What are the factors impacting BSE top 30 companies during Covid-19?
- Does the investing pattern change after Covid-19?
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LITERATURE REVIEW

Due to the adverse reaction that the outbreak of COVID-19 caused in the global stock markets, there was a significant amount of uncertainty in the market during its early days. One can count on one hand the number of studies that have been carried out to investigate the effects of Covid -19 on the stock market. Earlier research that was published came to a variety of conclusions regarding the effect that Covid-19 had on economies and the stock market.

The combined market capitalization of the companies that were trading on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) experienced a decline of 23% during the month of March 2020. The value of the overall stock market continued to decline throughout the entirety of March 2020, as indicated by the numerous indices that track the performance of the stock market. This trend was observed across all indices. Singh and Neog (2020) enumerated the trend of the Sensex and the NIFTY, and it can be seen that the decline is more rapid after the first week of March 2020. This information can be found in their research. The results of this study are in line with the bearish patterns that have been spotted on the Indian stock market over the course of the past few years. In addition, they demonstrated that the Financial, Real Estate, and Banking industries were nearly entirely extinguished as a result of the estimated loss of 2.81 lakhs Crore. This setback is a direct consequence of the worldwide financial crisis that started in 2008.

According to the results of an investigation that Jindal carried out himself. According to A, Chahal. B, and Parshsar. R. (2020), the impact of COVID-19 on India's stock market varies from sector to sector because it has a significant effect; nevertheless, the overall volume of trade has increased in comparison to before, and a great deal more money is being invested in the market, which demonstrates that people have faith in the Indian economy.

Dhillon. A. and Tyagi. V. (2020) came to the conclusion that the circumstances would have been even more dire if the Indian government had not imposed the early lockdown so quickly. This prevented India's situation from becoming even more hopeless. According to Gupta, Srinivasa, and Gosali, even during the most difficult times, businesses such as TCS, Infosys, and HCL technologies were able to maintain a healthy level of operations (2020). This is because of the rise in demand for technology, which is caused by the fact that nearly all businesses on a global scale now permit employees to work from home and that a growing number of educational programs are also delivered via the internet.

According to Taneja. E., Arora.S, and Tandon. C (2021), the majority of industries have experienced a significant reduction in their market share, with the exception of the pharma, telecom, and a little bit of that product industries. The market had undergone a dramatic transformation, with an increased emphasis placed on the utilization of voice-based applications and telecommunications platforms, such as Google Meet and Zoom. Gold and other precious metals have also improved, and it is anticipated that they will continue their upward trend as the most reliable safe asset.

The Indian stock market notched up smart gains on the last day of 2019-2020, but it ended up with record-shattering sell offs in March due to the global coronavirus pandemic that was triggered as the country was crossing the third stage of the pandemic. This provides a ray of hope for India. According to the findings of Bhat. R and Suresh.V (2021), the Indian stock market recorded significant gains on the final trading day of 2019-2020.

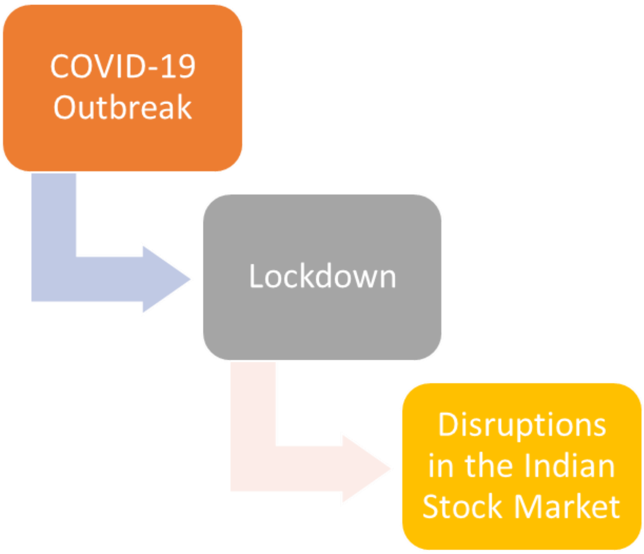
According to the findings of a study that was carried out by Bora.D and supported by Basistha (2021), it was found that the COVID outbreak had an effect on the stock prices, increasing the volatility in Indian stock markets, and had an impact on the financial system. This was found to be the case.

According to Sahoo.M (2021), the primary factors that contribute to the movement of stock prices are demand and supply. Prices have a tendency to decrease when there is a greater interest in selling stock than there is in purchasing it, because this causes a seller's market. As a direct result of COVID, this will have an impact in the immediate future, but in the longer term, the market will self-correct in the appropriate direction.

There has been a substantial amount of research carried out to investigate the effects of covid on a variety of industries, such as health and agriculture. On the other hand, the number of studies on the effects of covid 19 on the stock market is still very low at this time. There is also a paucity of research that compares the returns of the stock market before and during the COVID-19. In addition, the data that was gathered for the earlier study only spanned a period of three to four months, so its conclusions should be interpreted with caution. Additional study and some additional amount of time are going to be necessary in order to carry out an in-depth analysis of the effect that the valuations will have.

In our research, we attempted to determine the effect that COVID-19 had on the BSE top 30 companies that are included in the Sensex index by comparing the stock market before and during COVID-19 for a longer period of time. This comparison covered a longer period of time. Regarding this matter, we have decided that the time period beginning in January 2020 and ending in September 2020 will work best for us.

CONCEPTUAL FRAMEWORK



RESEARCH OBJECTIVES

1. To provide an explanation of how the Indian Stock Market is influenced by the coronavirus.
2. To investigate the effects of the Coronavirus on the 30 most valuable companies on the BSE.

Variables

COVID-19 is an additional name that can be used to refer to the Corona Virus Disease that occurred in 2019. The meaning of the abbreviation COVID-19 is as follows. This virus was discovered for the very first time in Wuhan, China, and was reported to the World Health Organization (WHO) for the very first time on December 31, 2019. It is the cause of a previously unidentified form of pneumonia. The World Health Organization (WHO) has revealed that the official name of this potentially fatal virus will be disclosed on February 11, 2020. Since the announcement was made exactly one year ago, this date marks the anniversary. On March 11, the World Health Organization (WHO) announced that the COVID-19 virus had reached pandemic proportions. As supporting evidence, the World Health Organization (WHO) cited the fact that there have been more than 118,000 confirmed cases of the coronavirus illness in 110 countries and territories around the world and that there is a continuing risk of further global spread.

LOCKDOWN: In the month of March 2020, an announcement of a nationwide lockdown was made, which resulted in the stock market experiencing a significant amount of activity.

The Bombay Stock Exchange (BSE) in India makes extensive use of the SENSEX as the primary indicator of the performance of the market. It is a gauge of India's economy and is made up of 30 of the most actively traded stocks on the BSE. These stocks are the largest ones by market capitalization. At the same time, market capitalization and float adjustment are taken into consideration for it.

The NIFTY is the name of the benchmark index that is used by the National Stock Exchange of India (NSE) (NSE). Nifty, much like Sensex, is comprised of the 50 stocks that are both the most actively traded on the NSE and have the highest market capitalization. These are the stocks that make up the index.

Hypothesis

This research paper includes hypotheses to be tested by using SPSS. The hypothesis of this study is:

1. **H0:** COVID-19 has no significant impact on India’s stock market.
2. **H1:** COVID-19 has significantly impacted India’s stock market.

RESEARCH METHODOLOGY

The BSE database was mined for secondary source information. The data was collected on a weekly basis, and the most recent share prices were used. The range of January 1, 2020 through September 30, 2020, was taken into account. To show the impact of the lockdown and the initial covid wave on the Indian stock market, we chose this time frame.

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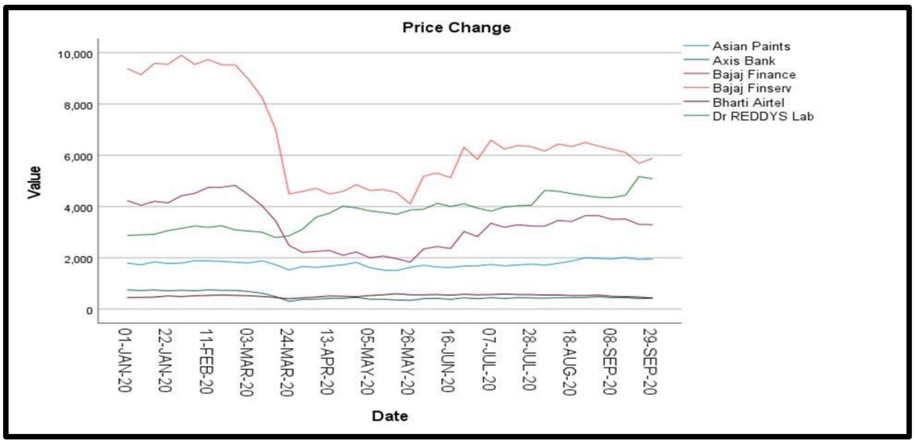
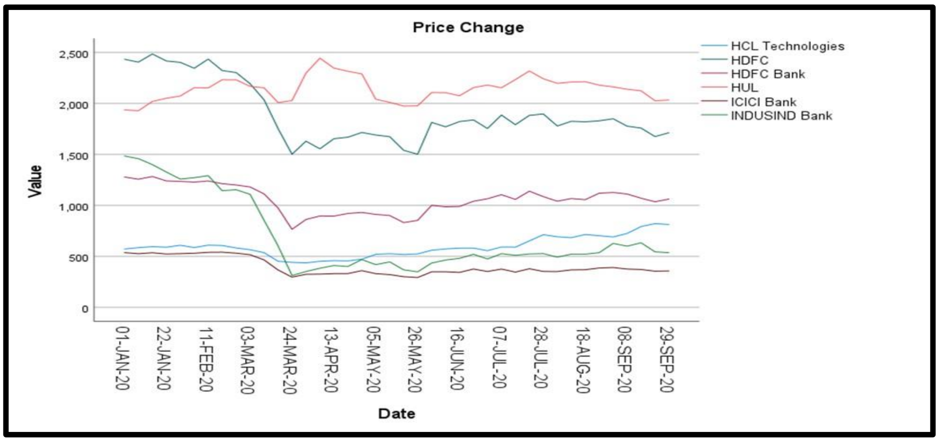
The SENSEX index components—the BSE Top 30 Companies—are analyzed by looking at their stock price movements over time. The average daily volume of trades for each of these 30 stocks was also studied. Covid's impact on specific industries like fast-moving consumer goods (FMCG), banking, information technology (IT), pharmaceuticals, and automobiles was also investigated.

Findings

Our analysis of the data gathered showed that the prices of stocks in the majority of the companies chosen experienced a precipitous drop in price (Graph 1.1–Graph 1.5) and a general downward trend after the announcement that the World Health Organization had classified covid as a pandemic and that a 21-day lockdown would be implemented. This news came shortly after the announcement that a lockdown would be implemented for 21 days. However, as COVID continued and people started to adjust to the new normal, the prices of these stocks began to rise and have nearly returned to the levels at which they had been trading prior to COVID. This occurred even though the COVID continued.

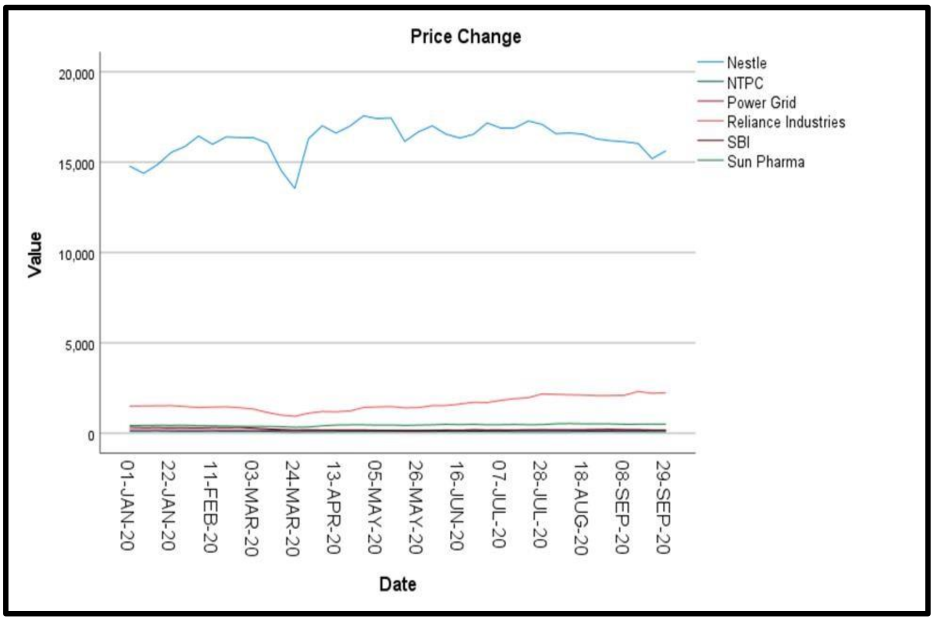


Graph 1.1



Graph 1.2

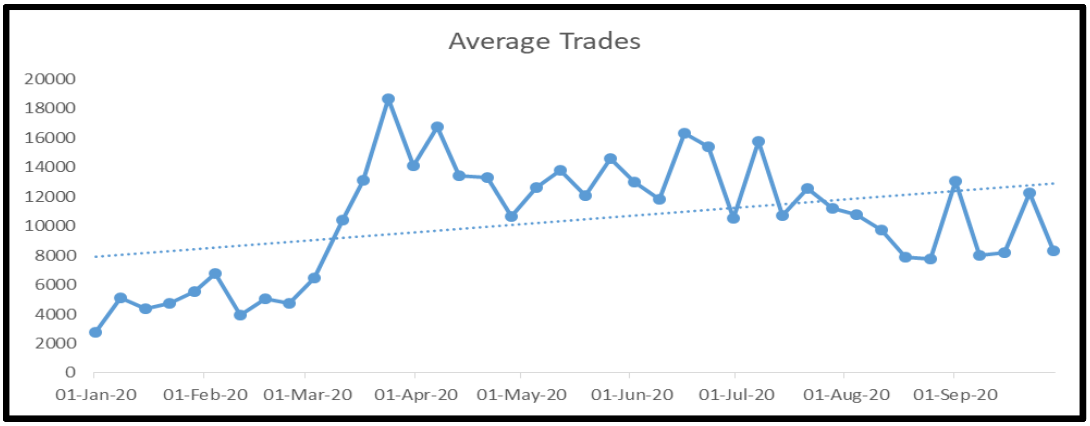
Graph 1.3



Graph 1.4

Graph 1.5

Graph 2 depicts the typical number of transactions that took place over the period of time that was chosen. As the prices went down, we were able to see from the trendline that it was going in an upward direction, which indicated an increased participation of participants and investors.



Graph 2

FINDINGS

The effects of Covid were not felt in the same way throughout all of the different industries. According to the findings of the study, a significant decline was observed in the share prices of stocks within the banking industry, the energy industry, the automotive sector, and financial institutions.

There was not a significant impact on the stocks of companies operating in the fast-moving consumer goods or pharmaceutical industries. Actually, during that time period, the prices of some of these stocks were going up while others were going down.

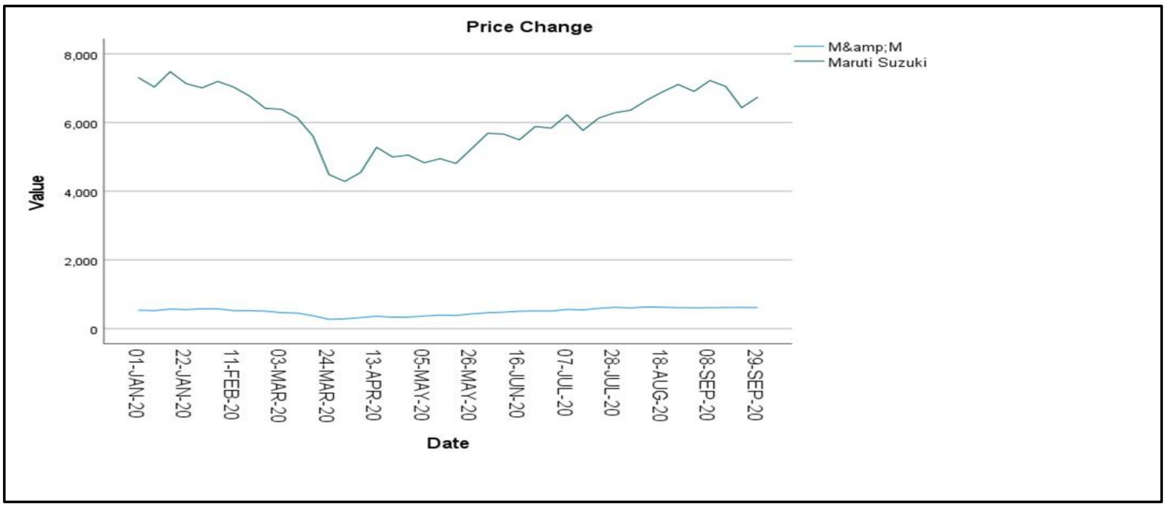
Graph 3.1 (IT Company Stocks)

Graph 3.2 (Banking company Stocks)

Graph 3.3 (FMCG Company Stocks)

Graph 3.4 (NBFC company stock)

Graph 3.5 (Energy Company Stocks)



Graph 3.6 (Automobile Company Stocks

Graph 3.7 (Pharmaceutical Company Stocks)

CONCLUSION

The significant amount of uncertainty in addition to the fear that was induced by covid and lockdown were the primary contributors to the selling pressure that was exerted by investors. The value of the majority of the stocks went down as a direct consequence of the same factor. As a result, the effect of the covid had a significant influence on the first phase. As more time passed and people became more skilled at adjusting their lifestyles to work around the covid, the effects of the covid became less severe. In addition to this, the impact was not the same across all different types of businesses. To the best of our knowledge, the businesses that make up the pharmaceutical industry were not affected in any way. In point of fact, the prices of shares in such companies either stayed the same or increased over the past few months.

During this time period, there was also a continuous upward trend in the number of average daily trades. Despite the fact that the share prices of many different companies went down, there was still an increase in the overall level of participation from the investors. This can be seen from the fact that this result was achieved. In addition, a report that was printed in a newspaper confirmed that there was a notable increase in the number of new demat accounts that were opened during that time period. This finding was included in the report.

LIMITATIONS AND FUTURE DIRECTIONS FOR RESEARCH

There are some issues with the study that should be taken into account before any conclusions are drawn. The study's sample data collection started on January 1, 2020, and ended on September 30, 2020, a shorter time frame. This was done so that the overall effect of Covid-19 on the Indian stock market could be calculated. The effects of the other two waves, such as the development of vaccines, are ignored here. We can say that vaccines contributed to this study because it includes some pharmaceutical sectors that have been positively impacted by the introduction of vaccines. Second, because of their outsized effect on the market, international portfolio investments must be considered in any comprehensive analysis of the financial system's overall impact.

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