

The Indian Stock Market during COVID-19: A Review

OPEN ACCESS

Manuscript ID:
ECO-2022-10034839

Volume: 10

Issue: 3

Month: June

Year: 2022

P-ISSN: 2319-961X

E-ISSN: 2582-0192

Received: 07.04.2022

Accepted: 15.05.2022

Published: 01.06.2022

Citation:

Magesh Kumar, C., et al. "The Indian Stock Market during COVID-19: A Review." *Shanlax International Journal of Economics*, vol. 10, no. 3, 2022, pp. 23–26.

DOI:

<https://doi.org/10.34293/economics.v10i3.4839>



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Abstract

The COVID-19 outbreak shocked the entire global economy and intensified the financial crisis. India is the fastest emerging economy that is severely affected by this pandemic scenario. The performance of the stock market is a reflection of the economic condition and growth of a country. The impact of COVID-19 on distinctive sectors of the Indian stock market is presented in this study, which intends to review various studies and provide significant insights on distinctive sectors of the Indian stock market during COVID-19. This study will help investors and stock brokers with managing and improving their portfolios of stock market investments as well as overcome the hurdles posed by the pandemic.

Keywords: Impact, COVID-19, Pandemic, Distinctive Sectors, Indian Stock Market.

Introduction

The pandemic named COVID-19, which broke out at the end of December, 2019 in Wuhan, China, spread over several countries quickly and affected millions of people worldwide in a short span of time. Because of this widespread, intense lockdown, both national economies and the global economy were affected. India is one of the fastest emerging economies and reported its first COVID-19 case at the end of January, 2020 in Kerala. Quickly, multiple cases were reported across the entire country, and a complete lockdown was made available for 55 days from the end of March, 2020. The Indian economy was abruptly affected by this scenario (S. U. Kumar et al., 2020; Singh & Singh, 2020). The stock markets have a strong relationship with the economic growth of the country (Dagar, 2014), and this COVID-19 pandemic affected the global emerging stock markets, specifically the Asian emerging stock markets (which include the Indian stock market), severely (Topcu & Gulal, 2020). Hence, the present study attempts to provide significant insights into the Indian stock market during the COVID-19 pandemic.

Indian Stock Market in COVID-19 Pandemic

The major objective of this study is to highlight the significant insights on the distinctive sectors of Indian stock market during COVID-19 pandemic scenario based on the several studies.

The Indian stock market consists of distinctive sector indices within it, namely some of them are Fast Moving Consumer Goods (FMCG), Pharmaceuticals, Manufacturing, Automobiles, Banking, Financial Services, Consumer Durables, Information Technology (IT), Telecom, Healthcare, Energy, Oil & Gas, Metals, Realty, Media, etc. The studies conducted on the impact of the pandemic on these distinctive sector indices of the Indian stock market will be discussed here.

When the outbreak of the COVID-19 pandemic is announced, it results in the highest negative return in the financial sector, followed by the pharmaceutical sector, but the fertilizer and service sectors show the highest mean returns amid the lockdown period (Thomas et al., 2020). Initially, the FMCG, auto, bank, and pharma sectors were impacted negatively, and it took time to revive from this dip, but the pharma and FMCG sectors performed well compared to other indices due to their demand in the market (A. Kumar, 2020). In support of this, the study conducted by (Prabu & Karthika, 2021; Sireesha & Haripriya, 2021) reveals that the pharma, healthcare, and FMCG sectors show positive impact while other sectors show negative impact. Similarly, the researchers (Behera & Rath, 2021; Mittal & Sharma, 2021; Pushpa et al., 2021) analysed that there was a significant positive effect on the pharma and healthcare sectors during this pandemic.

In order to support these above-provided results, the research conducted by (Ashri et al., 2021) reveals that, in the short run, there is a negative effect of the pandemic on automobiles, FMCG, pharma, and oil & gas sectors. However, the pharma and FMCG sectors revived quickly, which yielded positive mean returns, while the automobile, metals, oil & gas, and banking sectors have suffered in the long run. In addition, (Varma et al., 2021) also found a short run positive or limited impact on the pharma, FMCG, and IT sectors, while the financial sectors were severely impacted. The investigation conducted by (Bhuvaneshwari & Radhika, 2021; Jaiswal &

Arora, 2020) finds that there is an adverse effect on the financial services sector of the Indian stock market, and (Rajamohan et al., 2020) examined that the automobile sector is also highly impacted by this COVID-19 pandemic.

The research conducted by (Jasuja & Sharma, 2020) on the sectoral indices of the Indian stock market reveals that the automobile, metal, realty, financial services, and capital goods sectors are severely affected by this scenario. To support these results, (R. Kumar et al., 2021) show that the returns of the financial services, automobile, metal, and realty sectors are highly negative, while the pharma, media, and FMCG sectors' returns are slightly negative during this pandemic. Also, (Agarwal et al., 2021) reveals that since the announcement of the COVID-19 outbreak, the hotel and tourism sectors have shown double the negative returns of their stock prices, which resulted in the abnormal negative returns in the Indian stock market. Table 1 provides the effect of COVID-19 on the distinctive sectors of the Indian stock market during the pandemic period.

Table 1 COVID-19 on Distinctive Sectors of Indian Stock Market

Distinctive Sectors of Indian Stock Market	Effect of COVID-19
Pharmaceutical	Highly Negative
FMCG	Highly Negative
Automobile	Highly Positive
IT	Negative
Metal	Highly Positive
Oil & Gas	Highly Positive
Banking	Highly Positive
Financial Services	Highly Positive
Media	Negative
Realty	Positive
Hotel & Tourism	Highly Positive

Source: Observed by the authors from the reviews

Conclusion

The Indian stock market, which is a strong development for the economic growth of the country (Guha Deb & Mukherjee, 2008), has been affected and faced a downfall by the COVID-19 pandemic

(Choudhuri, 2020), and therefore needs to be considered for the research. So, this study is focused on reviewing the significant insights on the distinctive sectors of the Indian stock market during the pandemic, based on the various studies. COVID-19 has a relative impact in the short-term and, after an initial setback, it has recovered fast (Gupta et al., 2021). With this, it is also suggested that the deep learning model Long Short-Term Memory (LSTM) has a more precise prediction of the Indian stock market (Sharma et al., 2021), which can be used for predicting the stock market movement for better investment. Thus, this study reviewed the impact of COVID-19 on distinctive sectors of the Indian stock market, which will be helpful for investors and stock brokers to manage and improve their portfolios of stock market investments to overcome the pandemic hurdles.

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