

A Comparative Study of Indian Stock Market with International Stock Market

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Abstract: Stock markets refer to a market place where investors can buy and sell stocks. The price at which each buying and selling transaction takes is determined by the market forces. Let us take an example for a better understanding of how market forces determine stock prices. ABC Co. Ltd. enjoys high investor confidence and there is an anticipation of an upward movement in its stock price. More and more people would want to buy this stock and very few people will want to sell this stock at current market price. Therefore, buyers will have to bid a higher price for this stock to match the ask price from the seller which will increase the stock price of ABC Co. Ltd. On the contrary, if there are more sellers than buyers for the stock of ABC Co. Ltd. in the market, its price will fall down. The stock market is where investors connect to buy and sell investments most commonly, stocks, which are shares of ownership in a public company. This study can help the investors to understand the impact of important happening on the Indian Stock exchange and international stock exchanges. This is especially relevant in the current scenario when the financial markets across the globe are getting integrated into one big market and the impact of one exchange on the other exchanges. The study of the stock exchanges in countries would definitely help the future investors to take investment decisions while investing in different sectors.

INTRODUCTION

In earlier times, buyers and sellers used to assemble at stock exchanges to make a transaction but now with the dawn of IT, most of the operations are done electronically and the stock markets have become almost paperless. Now investors' don't have to gather at the Exchanges, and can trade freely from their home or office over the phone or through Internet.

The Indian stock exchanges hold a place of prominence not only in Asia but also at the global stage. The Bombay Stock Exchange (BSE) is one

of the oldest exchanges across the world, while the National Stock Exchange (NSE) is among the best in terms of sophistication and advancement of technology. The Indian stock market scene really picked up after the opening up of the economy in the early nineties. The whole of nineties were used to experiment and fine tune an efficient and effective system. The corporate governance rules were gradually put in place which initiated the process of bringing the listed companies at a uniform level. On the global scale, the economic environment started taking paradigm shift with the 'dot com bubble burst', 9/11, and soaring oil prices. The slowdown in the US economy and interest rate tightening made the equation more complex.

However after 2000 riding on a robust growth and a maturing economy and relaxed regulations, outside investors- institutional and others got more scope to operate. This opening up of the system led to increased integration with heightened cross-border flow of capital, with India emerging as an investment 'hot spot' resulting in our stock exchanges being impacted by global cues like never before.

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LITERATURE REVIEW

Mihir Dash, Anirban Dutta, and Mohit Sabharwal (2011) in their study entitled "Seasonality and Market Crashes in Indian Stock Market" to explore the relation between the Month-of-the-year effect and market crash effects on monthly return in Indian Stock market. Closing value of BSE Sensex between April 1997 and March 2007 is utilized for the study. ANOVA, Regression, ADF test and Duncan post hoc test are the tools used for analysis. ANOVA result discloses that there is no significant difference in mean monthly return between the different months. Duncan post hoc test indicates that March returns were significantly lower than those of November, December, and August. The November returns were significantly higher than those of months March, April, May, October, and September. Conclusion for the study End of the year effect is due to Diwali as general public spend their saving towards purchase house hold goods, equipment's and Gold, similarly return is noticed. Negative return is noticed

during March, as investor in order to reduce their stock burden prefers to re-invest their shares.

Ash Narayan Sah (2009) in his study entitled "Stock Market Seasonality: A Study of the Indian Market" examines days of the week effect in returns of S&P CNX Nifty. To examine week end effect in S&P CNX Nifty returns and to examine the seasonality in monthly return of BSE Sensex, the monthly data on S&P Nifty for the period April 1997 to March 2009 is considered for the study. Auto Regression, augmented Dickey-Fuller test, ARCH test are employed. Over than Nifty for sample period.

Sanjay Sehgal, SrividyaSubramaniam, and FlorentDeisting (2012) in their study entitled "Accruals and Cash Flows Anomalies: Evidence from The Indian Stock Market" examines that negative relationship is observed between accruals and cash flows. CAPM tests that the market beta is lower for the low accrual portfolio as compared to the high accrual portfolio. The study perspective of portfolio manager's information in accruals / cash flows does not hold strong promise of providing extra normal returns in the India context.

RohanLaximichandRambhia, and MayankJoshi (2012) in their study entitled "Exploring Risk Anomaly in Indian Equity Market" Low volatility portfolios are used to explore the risk anomaly in Indian equity markets. The results for the study consists of the constituent stocks from S&P CNX 500 index January 2001- June 2011 were obtained by Capital line data base. Out of the total available list of 500 companies of S&P CNX 500 following companies are excluded from the final sample.

Dr. Pedapalli Neeraja and CMA. Potharla Srikanth (2014) in their study entitled "Anomalies in Indian Stock Market – An Empirical Evidence from Seasonality Effect on Bseit Index" examine the anomalies present in the Indian Information Technology companies stocks and also study the impact of overall Indian stock market conditions on the Information technology companies stocks. The result indicates of Augmented Dickey Fuller test that returns of Indian IT sector stocks are more volatile than the overall Indian stock market. GARCH model disclose that negative returns are observed in IT better during the month of March and April. Similar trend is noticed in BSE during the month of January, July and August.

RESEARCH METHODOLOGY

The study is based on secondary data. The data were collected from the official web site. The published annual reports of the selected stock markets taken from their websites is used as sources of data. To assess the comparative analysis of Indian stock markets with international stock

market. The sample covers two major stock markets i.e, Indian stock market and US stock market. BSE SENSEX and NIFTY 50 represents the Indian stock market and with respect to US stock market, NASDAQ is chosen for the study. Purposive sampling is adopted for the study. Since, US is one of the major trading country in the world, developing countries like India are compared with US stock market. The study covers a period of five years from 2015 – 2019.

OBJECTIVES OF THE STUDY

- To study the market behavior of Indian stock market and US Stock market.
- To study the relationship between Indian stock market and US stock market.
- To study the impact of Indian stock market with US stock market.

Analysis & Interpretation

Model Summary for NIFTY 50 AND NASDAQ

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974 ^a	.949	.948	338.0043994

a. Predictors: (Constant), Nifty

Based on the above table, it is found that R square is 0.949. It indicates that the determined independent variable i.e. Nifty 50 affect 94.9% of dependent variable I.e. NASDAQ. The remaining 5.1% is probably affected by other macro-economic factors which cause fluctuations in stock market.

ANOVA for NIFTY 50 and NASDAQ

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.239E8	1	1.239E8	1.084E3	.000 ^a
	Residual	6626324.491	58	114246.974		
	Total	1.305E8	59			

a. Predictors: (Constant), Nifty

b. Dependent Variable: nasdaq

Based on the above table, the F value is 1.084E3 with significant value of 0.000. therefore, the significant value is lesser than 0.05, it can be concluded the predicted variable i.e: Nifty 50 affect dependent variable i.e., NASDAQ

Model Summary for SENSEX and NASDAQ

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.974 ^a	.949	.949	337.3242581

a. Predictors: (Constant), sensex

Based on the above table, it is found that R square is 0.949. It indicates that the determined independent variable i.e. SENSEX affect 94.9% of dependent variable I.e. NASDAQ. The remaining 5.1% is probably affected by other macro-economic factors which cause fluctuations in stock stock market.

ANOVA for SENSEX and NASDAQ

<i>Model</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	1.239E8	1	1.239E8	1.089E3	.000 ^a
	Residual	6599683.994	58	113787.655		
	Total	1.305E8	59			

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Based on the above table, the F value is 1.089E3 with significant value of 0.000. therefore, the significant value is lesser than 0.05,it can be concluded the predicted variable i.e: SENSEX affect dependent variable i.e., NASDAQ

SUGGESTIONS

The following areas have been identified with a great amount of potential for future research endeavors:

Markets across the world are seeing a lot of short term volatility (frequent rise or fall in stock market) mainly driven by news and events in the global markets i.e., news/rumors related to economic recession in USA, soft/hard landing and estimation of losses due to sub-prime crisis in USA, speculation over interest rates cut by FED, rise in global commodities prices, fluctuation in global crude oil prices etc. These are some fundamental reasons why global markets, especially the Indian stock. The following are the suggestions based on the findings of the study.Indian economy is increasingly exposed to global markets post liberalization in the early 90s. From the study it is seen that fast economic growth in last few years and as a result the study have seen large fund inflows into Indian market from across the world. Most of these foreign funds are large momentum players and their activity in the market results in large volatility in stock markets.

Investment decisions of these funds are driven and depend on the development/events in foreign markets, or their own local markets. As a result, as per the study markets are getting more and more integrated with movement in global (especially American) stock markets. Market analysts track and talk about these global events and global market movements very closely.

CONCLUSION

The objective of the whole research was a try and compare the various stock exchange based on certain parameters in order to understand the impact of integration. The study brings forth some distinct conclusions many of which validate popular beliefs of the financial world on the various entities within it especially in the contact of globalization and increased interest in the capital markets fuelled by surging growth. The growth of the Indian economy has been noticed in recent years, the same thing has been witnessed in the stock market trends. From the study it is found that the Indian stock exchanges are influenced by other international stock exchanges like NASDAQ. For the theoretical analysis, here, India's major stock index BSE SENSEX, NIFTY 50 and one international indices that is NASDAQ (USA). And also from the quantitative analysis it is found that the price moment change in international market with Indian markets. Thus, BSE SENSEX is comparatively analysed with NASDAQ from 2015 to 2018 for the financial year. NIFTY 50 is comparatively analysed with NASDAQ from the year 2015-2018 for the financial year.

The study concluded that Indian stock market which has linked with stock markets of all the countries globally integrated over the next 10 to 15 years, need to move towards far greater integrated global financial world and policy makers in India need to re-think the frame work for such integration.

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