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Indian Stock Market Before & After Covid

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ABSTRACT

There can be many parameters to measure the development of any country, one of them is the stock market. It reflects the sentiment of domestic and foreign investors, which tells us how much they are ready to invest in the country. The Indian stock market is also an important component of the country's economy, from which we can measure the economic development of the country. Although there have been many ups and downs in the Indian market, but Covid 19 is the most important of them all because after this there has been a huge change in the stock market. This research paper examines the performance and dynamics of the Indian stock market before and after the COVID-19 pandemic. The aim of the research is to identify the effects of the pandemic on market stability, sectoral performance and overall economic scenario in India.

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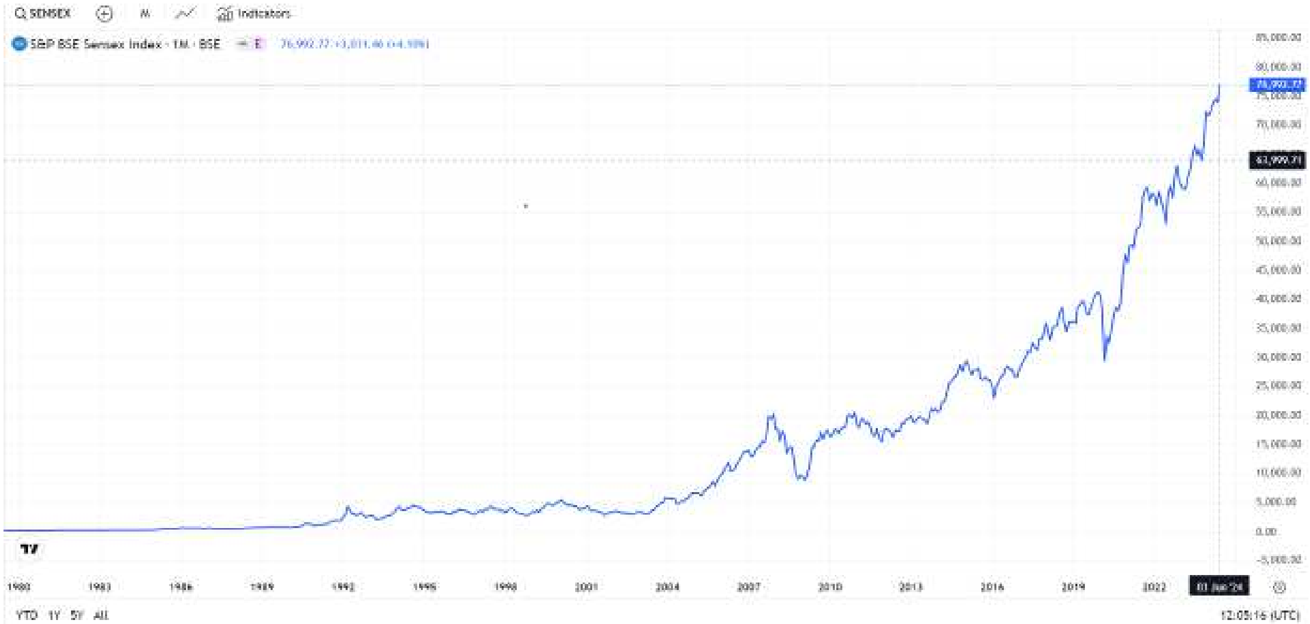
Historical Progress of Indian Stock Market:-
The Indian stock market has a rich history that spans over two centuries:

- Began with informal trading in the 18th century, formalized with the establishment of BSE in 1875. The East India Company started trading securities in the late 18th century and the Bombay Stock Exchange (BSE) was established in 1875 by cotton merchant Premchand Roychand and was initially called The Native Share and Stockbrokers Association.
- Post-independence, the market was underdeveloped until economic liberalization in the 1990s led to a boom.
- SEBI was established in 1992 to regulate the market, and NSE started electronic trading in 1994.
- The 21st century brought technological advancements, increased foreign investment, and new financial instruments.
- Recent trends include recovery from the COVID-19 pandemic and growth in technology stocks and digital trading platforms.
- Key indices like Sensex (introduced in 1986) and Nifty 50 (introduced in 1996) benchmark the market's performance.

The BSE has over 5,300 companies listed and offers a wide range of trading options including equities, mutual funds, debt instruments, derivatives and others. The Bombay Stock Exchange (BSE) is one of the world's largest securities markets, located on Dalal Street in Mumbai. It was followed by the National Stock Exchange (NSE) in 1992. Overall, the Indian stock market has evolved from an informal setup to a modern, advanced market integral to the economy.



(Source:- https://www.tradingview.com)

Journey of Sensex:-

The first 1,000-point rise took the Sensex in July 1990. The Sensex touched 5,000 and 10,000 points in October 1999, February 2006 respectively and also crossed 11,000, 12,000 and 13,000 levels in the same year. Next year in 2007, the Sensex touched 20,000 points in December. Surpassing several ups and downs of the global recession of 2008, the Sensex touched 22k levels by March 2014 and then later reached 28,000 points in November. It reached 34,000 in December 2017 and 35,000 in January 2018. There were a chaotic few month due to the pandemic, but the index hit the 45,000 mark in December 2020, rising strongly since November that year. It took just 2 months to gain the next 5,000 points and the Sensex hit the 50,000 milestone on February 3, 2021. In 2021 itself, the Sensex jumped another 10,000 points to touch its 60,000 mark in September 2021. However, its journey from 60k to 65k took a while. After one and a half years and 438 sessions, the Sensex hit 65k on July 3, 2023. However, in the same month, the index crossed its 66k as well as 67k mark. After crossing the 67,000 level in July 2023, the Sensex took about 93 sessions or 4.6 months to cross the 68,000 points mark on December 4, 2023, but the next 1,000 points milestone came in just one day on December 5, 2023. 3 more milestones of 70k, 71k and 72k levels were also hit in December 2023 last year on December 14, December 15 and December 27 respectively. After the spectacular December, the index again touched a new high and hit 73,000 points for the first time on January 15, 2024 and eventually 74,000 points on March 6, 2024. It took 32.1 years for the index to climb the 35,000 points milestone in January 2018. The next 35,000 points were added over the next 5.9 years (an increase of 100 percent). Sensex also crosses 76000 in June 2024

(Source:- https://www.moneycontrol.com)

Demat Accounts Before and After Covid:-

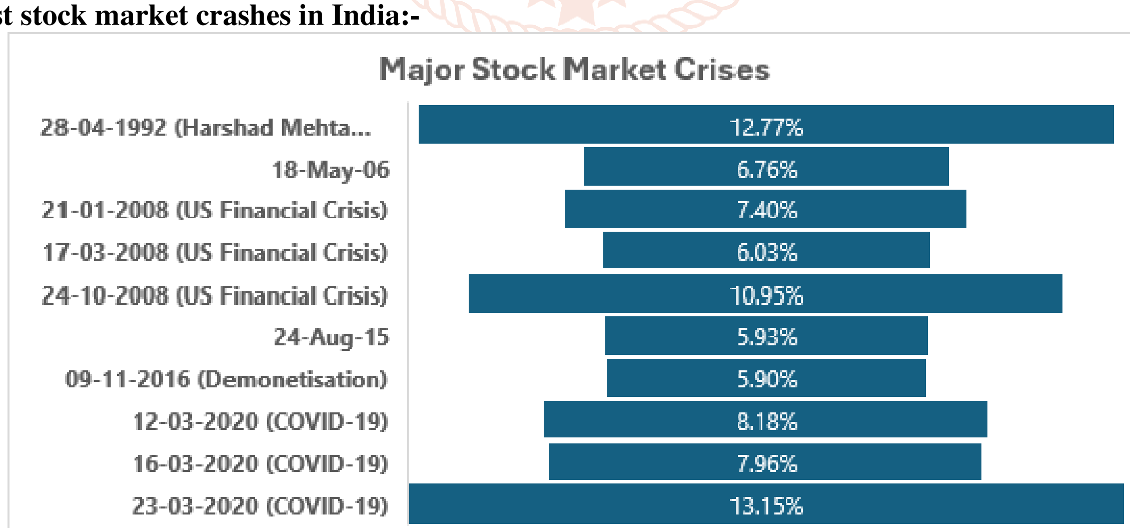
Before COVID-19, there were 40.9 million demat accounts in March 2020, which increased to 100.5 million by August 2022. This figure shows that more and more Indians are becoming partners in the country's development journey. In the year 2024, 3.7 crore demat accounts were opened which is the highest compared to previous years. The number of accounts opened with CDSL and NSDL increased by 11.9% to 15.14 crores from 11.45 crores earlier. All this resulted in the Sensex and Nifty50 rising by 24.85% and 28.61% respectively in FY 2024, while the BSE Midcap and Smallcap indices rose by 63.4% and 60% respectively.

Reasons Behind the rise in demat account post covid:-

COVID-19 had disrupted the economy and the economy is returning to normalcy. The support provided by RBI in terms of easing norms and creating a framework to support various sectors of the economy has ensured that the economy is back on track without any disruption. This also provides an opportunity for investors to invest in fundamentally strong stocks with a slightly longer time horizon.

1. Due to the uncertainty in jobs after COVID-19, people were looking for an alternative employment and the stock market fulfilled this need.
2. With the passage of time, the development of online technologies developed the online market in which online shopping, online booking as well as online demat platforms also attracted the young generation.
3. The reduction in broking charges and the availability of discount brokers attracted new people towards this. Old traditional broking firms have also started focusing on providing all services online as per the convenience of the customers.
4. The availability and reach of the internet have increased manifold, enabling even tier-II and tier-III cities to participate in equities.
5. The competitive environment in the broking space has given rise to a lot of innovative offers for clients. No frill accounts, discount brokerage, low brokerage per trade, low maintenance cost and ease of trading would have further boosted the aspirations of generating short-term gains from the equity market.
6. The relatively low returns offered by traditional products like FDs, bonds, post office MIS schemes have forced even conservative investors to consider alternative opportunities to enhance their overall returns on their investments.
7. Awareness drives run by SEBI, AMFI and the mutual fund industry have dispelled various myths and apprehensions associated with equity investments.
8. Quick and easy account opening process aided by technology-driven initiatives like e-KYC.

Biggest stock market crashes in India:-



1. Harshad Mehta Scam (April 1992): Harshad Mehta Scam (April 1992):- This scam was planned by Harshad Shantilal Mehta, who was a stock and money market broker. He took advantage of a loophole found in the "Ready Forward" (RF) deal in the banking system. He borrowed money against government issued certificates and inflated the price of certain stocks. This enthusiasm led to buying of these stocks, which further inflated their price. Journalist

Sucheta Dalal wrote about Mehta's methods in a column in The Times of India on 23 April 1992. This scam led to a major setback and loss to the Indian stock market.

2. 2006 Crash:- The global market was in turmoil due to rising interest rates and inflation concerns. Fear of recession in the US economy was also a major reason for this. Anyway, the tension increased further when foreign institutional investors (FIIs) sold Indian shares. Due to which the Indian stock market fell by a huge 826 points (6.76%) on May 18, 2006.
3. US Financial Crisis (October 2008): The 2008 financial crisis in the United States began with the housing market, which has long been a symbol of American prosperity. The crisis began with the collapse of the housing bubble. Risky mortgage practices and excessive lending led to a rise in home foreclosures, affecting financial institutions around the world. On September 15, 2008, a major financial firm, Lehman Brothers Holdings, filed for bankruptcy protection. This event spread panic in the markets. As a result, not only the US but also India's stock market fell.
4. 2015 Crash: - Indian stock market fell sharply on August 24, 2015 as Shanghai stock market fell more than 8%, due to concerns over China's stagflating economy, weak manufacturing data and devaluation of Chinese currency, which rattled equity investors across the world. Asian stock markets fell to a three-year low as a result. China's concern further increased. Brent and US crude oil futures fell to a new 6.5-year low on concerns of China's economic slowdown and weak demand amid a global supply surplus. The Indian rupee fell to a two-year low against the dollar, trading below Rs 66 for the first time in nearly two years. Continued capital outflows and a weak US currency contributed to this decline.
5. Demonetization Crash (November 2016):- On 8 November 2016, the Government of India announced the demonetisation of all ₹500 and ₹1,000 notes of the Mahatma Gandhi series. These high value notes were made invalid overnight. The decision led to prolonged cash shortages, long queues at banks and significant disruption across the economy. Investors were unsure about the implications of this unexpected move which resulted in the stock market indices, the BSE Sensex and Nifty 50, falling by over 6% in just one day, the day after the announcement and impacting industrial production and GDP growth.
6. COVID-19 Crash (March 2020): COVID-19, caused by the SARS-CoV-2 virus, is an infectious disease that spread rapidly all over the world. In the beginning, people experience mild to moderate respiratory problems and recover without any special treatment, but later it took a horrific form due to which many deaths started occurring. Due to the high rate of infection and no possibility of treatment, most of the countries of the world had to impose lockdown. Due to uncertainty, all the stock markets of the world fell rapidly, in which the Indian market was also not untouched, and it also suffered the biggest decline.

Impact of Crash on market:-

1. Loss to investors: Investors choose the stock market as an option for economic gain, but when there is a big fall in the market, investors have to bear huge losses.
2. Unstable market: When investors invest in the market, a stable environment is created, but when a big crash comes, people start withdrawing their investments due to fear, then an unstable environment is created.

Conclusion:-

There is a huge difference between the stock market before and after the Covid-19 pandemic. One is that people's interest has increased after Covid, due to which the market fell sharply and recovered equally strongly. The intervention of the government and RBI played an important role in stabilizing the market. After the pandemic, growth in the digital and technological sectors got a boost, which gave people the opportunity to connect through mobile apps.

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[3] Various Economic Survey of India

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