

IMPACT OF COVID 19 ON NSE NIFTY

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Abstract

Almost all the country has been drastically collapsed due to COVID 19 pandemic and all the fields are paralysed. This made great uncertainty in the stock exchanges. The investors are considered as the pillars of the capital markets and they alone create vibrant capital market. But many factors are affecting the capital market. The catastrophe perceived a large contract workers they lost their job, many of the people were fight with hungry, the businesses were paralysed, transport, capital markets, education and even animals also affected. Now all the stack holders are in the expectation of high operational resilience in the global capital markets. The capital market experts felt the COVID -19 is black swan of 2020. Our Indian Economy never faced this type of crisis previously.

Keywords: NSE, Nifty, Stock Market, Capital Market and Catastrophe.

Introduction

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Nifty stands for National stock Exchange Fifty and this is yardstick index of NSE .It was introduced in the year 1996, and its other pennames are Nifty 50 and CNX Nifty. Nifty

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includes stocks from the top 50 companies among nearly 1600 companies are actively traded transversely 24 sectors. Hence Nifty imitates the performance of top 50 companies.

Review of literature

Shreeram Thakur (2020) concluded as in this study used time serious analysis using vector auto regression model in these all the analysis many strange factors adversely affect S&P 500 index. The impacted the stock market negatively high and positively low.

World bank group (2020) analysed Advanced countries like Canada, European Union, Japan, South Korea, United Kingdom, United States Developing countries like Brazil, China, Colombia, India, Malaysia, Mexico, Peru, South Africa, Turkey and many sources were used for analysis like Government websites and Global and national news outlets so on. The initial impact on international and domestic capital markets has been made sharply, with sharp price adjustments observed across fixed-income and equity markets.

Monika Chaudhary et al (2020) in their study focussed the impact level in the field of aviation, tourism, retail, capital markets, MSMEs and oil. They concluded as some reforms are needed to get resilience in every field.

G. Ranjani & S. Sivapriya (2020) this study revealed that taken 10 industries each represented by 15 companies listed with NSE. Totally it covered 150 companies, the study period divided into two period pre crisis and post crisis period. Under the study daily returns calculated and compared with bench marking index for assessing beta value.

Financial Express (Aug 2020) this study concluded continuing volatility and continuing economic gloom, Indian investors are realizing the positiveness of diversifying their investment portfolios and looking towards foreign markets where the existence of stability is comparatively higher than India. Indians are also wish to invest in US stocks because the cumulative return and expulsion of the funds are based on the actual performance of the stock and also the percentage of appreciation or depreciation are associated foreign currency. It is dangerous to invest in many or low-correlation assets across national and international markets.

Objectives of the study

- To study the present trend and forecast the trend behavior movements of Nifty.
- To analyse the impact of COVID on Nifty indices.

Statement of the problem

Development in capital market leads to economic development. But during the corona period there may be unhealthy atmosphere to the investors undoubtedly because the volatility in capital market is normally happening however not to be too excessive volatility. This climate affects the investors' confidence severely. So the capital market has been facing recession, high volatility and too much of speculation. Further the studies relevant to impact of COVID 19 on NSE are limited

Methodology

The universe of the study is capital market functioning in India. In India there are 23 stock exchanges are functioning among these two are NSE and BSE and remaining 21 are regional stock exchanges. In these two are the leading stock exchanges that are NSE and BSE. There are 5000 companies are listed in BSE and more than 1600 companies are listed NSE stock exchanges. Based on the quantity of shares traded, NSE Nifty indices are used for this study. Hence National Stock Exchange is the sampling unit for this study. To identify the impact of COVID -19 NSE Nifty indices were taken for the study from 1st January 2020 – 30th June 2020. NSE Nifty forecasting purpose the indices considered from the period 1st April 2020 – 30th September 2020.

Tools used

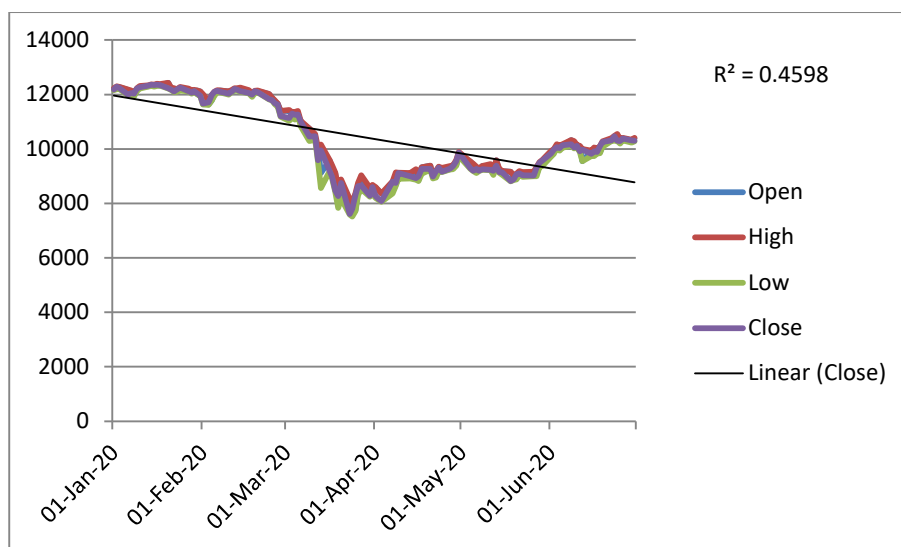
The study is mainly based on the secondary data. Correlation analysis was carried out to study co-integration movement of Nifty; ANOVA and Regression analysis were used to test goodness of fit. The period of study consist from 1st April 2020 to 30th September 2020.

Scope for further studies:

- This study is analyzed only NSE Nifty indices.
- This study analyzed only the overall Nifty movements, company wise movements were not analyzed.

Analysis and Discussion

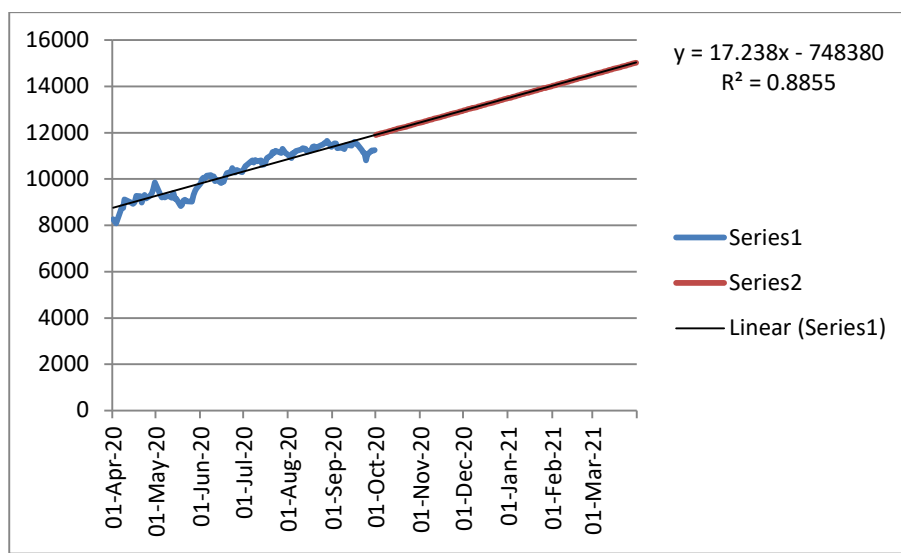
NSE Nifty past indices movements – Chart 1



Source: Money control.com

The above chart exhibits the NSE Nifty movements from January 2020 to June 2020. This shows the relationship between the indices open, high, low and close. During the period correlation between these indices are 0.45 only. So the above indices are correlated positively but at low level. The indices movements were normal in the month January to middle of the March but afterwards it was highly reducing because of the first lockdown declared by the Government due to COVID - 19 outbreaks. Subsequently there may very slow increase in the indices movements.

So the stock markets take much time to reach the January month performance level. Certainly the COVID – 19 impacted highly on NSE Nifty especially in the beginning of the complete lock down period.

Trend and Forecasting of NSE Chart - 2

Source: Money control.com

The trend line blue indicates that actual trend line and red indicates forecasted trend. It reveals that R square value (0.8855) indicates the relationship between the values. All the values are positively and highly correlated. Based on the trend equation $y = 17.238x - 748380$ forecast the movements of NSE up to the financial year ending 31st March 2021. The above trend line shows there were high fluctuations up to September 20 but the forecasting trend line shows an increasing trend up to March 2021.

Table – 1**Regression Analysis****ANOVA^b**

Model		Sum of Squares	Df	Mean Square	F	Sig.	R
1	Regression	1.113E8	3	3.709E7	1.476E4	.000 ^a	.999 ^a
	Residual	304118.183	121	2513.373			

Total	1.116E8	124			
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Source: Money control.com

The table explains R and R square values. R value indicates that simple correlation 0.99 which indicates all the variables are highly correlated. R square 0.99 represents coefficient of determination. The table reports that the regression model predicts the dependent variable expressively well. The P – value (.000) is less than 0.01. Hence the overall model F-test is statistically significant at 1% level. That is an independent variable (open, high and low) consistently predicts the dependent variable (close).

Table - 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	26.801	63.231		.424	.672
open	-.615	.063	-.616	-9.816	.000
high	.721	.073	.703	9.842	.000
low	.893	.063	.910	14.137	.000

Source : Money control.com

The unstandardized coefficients are the values for the regression equation for foreseeing the dependent variable from the independent variable. Now the regression equation is following:

$$Y = 26.801 - 0.615X_1 + 0.721X_2 + 0.893X_3$$

The regression co efficient of closing value on open, high and low found to be -0.615, 0.721 and 0.893 respectively. Also the regression co efficient open, high and low indices are significant at 1% level. The co efficient of low indices is negative which would indicate that increase of the closing points is related to lower the open value.

Conclusion

Definitely based on this study there was high impact on NSE Nifty indices during COVID – 19, because during pandemic period the correlation between the variables were too low. There were high volatility on the Nifty from April 2020 to September 2020 but in the

month of October 20 onwards there may be slow increase in the market movements. For the successful and smooth functioning of capital market investors' confidence is very must. Due to this pandemic the investors felt less assurance on return and investment money. So they diverted their investment alternatives on gold and other alternatives. After the relaxation of lock down by the government the trend line moves positively but slowly. To reach the normal situation like pre COVID - 19 on NSE Nifty it takes much time.

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