

Title

Recent Trends in the Stock Market in India:

Literature Review

Introduction

The Indian stock market has witnessed significant changes and developments in recent years which played a crucial role in the country's economic landscape. Furthermore, the advent of technological advancements and digital platforms has revolutionized investor access and trading practices. Online trading platforms, mobile applications, and algorithmic trading systems have facilitated easier market participation, resulting in increased trading volumes and enhanced liquidity. This review aims to examine how analysts and investors behave to utilize market trends to manage risks, identify investment opportunities, and make informed portfolio decisions. The problematic nature of market volatility during COVID, and managing the risk plays an important role in investment behavior. By examining these trends, the literature seeks to shed light on the factors driving market fluctuations, identify emerging investment opportunities, and evaluate the impact on the Indian economy. Understanding the dynamics of the Indian stock market is essential for investors, analysts, and policymakers, as it enables them to make informed decisions, manage risks effectively, and contribute to the sustainable growth of the nation's financial markets.

Literature review

Chakrabarty and Mohan (2021) found that fintech platforms have increased significantly in the early 2010s, with more than 80% of retail investors using these platforms for investing in the stock market. Furthermore, another trend in the Indian stock market is the increasing use of financial technology (fintech) platforms. These platforms provide retail investors with access to financial products such as mutual funds, exchange-traded funds (ETFs), and initial public offerings (IPOs).

According to Bansal (2013), the Indian stock market has also witnessed significant changes in terms of regulatory reforms. In 2020, the Securities and Exchange Board of India (SEBI) introduced several measures to improve transparency and investor protection. One of the key reforms was the introduction of a framework for listing commercial papers on stock exchanges, which has made it easier for companies to raise short-term funds. Despite the challenges brought about by the pandemic, it also created new investment opportunities. Sectors such as healthcare, pharmaceuticals, technology, and e-commerce experienced accelerated growth due to changing consumer behavior. SEBI focuses on improving transparency and investor protection through stringent disclosure requirements, corporate governance norms, and monitoring systems. It conducts investor education programs and provides a grievance redressal mechanism. SEBI's regulatory reforms adapt to market dynamics and international best practices, ensuring a trustworthy environment for investors. However, the Indian stock market is

not without its challenges. One of the major concerns is the impact of the COVID-19 pandemic on the market. Bora and Basistha (2021) found that the pandemic significantly negatively impacted the Indian stock market, with the Nifty 50 index falling by more than 35% in the first few months of 2020.

Poshakwale and Mandal (2014) studied the herding behavior of investors in the Indian stock market. The study looks at whether or not investors prefer to follow the herd and base their judgments on what other people are doing. Furthermore, research discovers evidence of investor herding behavior through empirical analysis utilizing data from the National Stock Exchange, particularly during times of significant market volatility and uncertainty. The study emphasizes that herding behavior has a profound influence on stock prices and overall market dynamics. Moreover, to foster a more efficient and stable stock market environment in India, it is imperative for market players and regulators to fully comprehend and analyze investor behavior, with a particular focus on herding tendencies. This understanding will enable the development of effective policies and rules that can mitigate the negative impact of herding behavior, promote rational decision-making, and enhance market efficiency. By addressing herding behavior, market participants and regulators can contribute to a more robust and sustainable stock market ecosystem in India.

Satish and Padmasree (2018) research employed a quantitative approach to examine herd behavior in the Indian equity market. They used daily data from the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) for the period between 2005 and 2010. The sample consisted of 50 highly traded stocks. According to them, herding behavior is the most common behavior as the Potential returns of stocks and actual returns vary; to address this issue and enhance the ability of investors' investing decisions, behavioral economists stress the significance of psychological biases. The investor's method for making investment decisions. Research has shown that the behavior of the share price is at variance with what well-known rational models predict since projected returns are not constant over time. Prosad et al. (2012) utilized various statistical techniques, including correlation analysis, panel regression, and Chow tests, to explore the presence and implications of herd behavior in the Indian context and found significant evidence of herd behavior in the Indian equity market. They observed positive correlations between market returns and trading volume, indicating that investors tend to follow the crowd during periods of market volatility. The study also revealed a positive relationship between herding behavior and stock price volatility, suggesting that herding exacerbates market fluctuations.

Conclusion

The literature review highlights the significant changes and developments witnessed in the Indian stock market and their implications for investors, analysts, and policymakers. The increasing use of fintech platforms has provided retail investors with greater access to financial products, fostering their participation in the stock market. Regulatory reforms implemented by SEBI have enhanced transparency, investor protection, and corporate governance, creating a trustworthy environment for

market participants. However, the COVID-19 pandemic had a notable negative impact on the Indian stock market, emphasizing the need for risk management strategies in times of uncertainty.

The presence of herding behavior among investors in the Indian stock market has been identified as a significant factor influencing stock prices and market dynamics. Recognizing and understanding this behavior is crucial for the development of effective policies and rules that promote a stable and efficient stock market environment.

Overall, this literature review emphasizes the importance of understanding the trends and dynamics of the Indian stock market. Such understanding enables investors to make informed decisions, manage risks effectively, and contribute to the sustainable growth of the Indian economy. Continued research and analysis in this field will further enhance our comprehension of market behavior, leading to improved investment strategies and financial market regulation.

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