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COVID-19 EFFECT ON HERDING BEHAVIOUR IN INDIAN CAPITAL MARKET

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ABSTRACT

This study aims to test whether the pandemic of COVID-19 has an effect on herding behaviour on the Indian capital market. Using the data on a daily basis and using Cross-Sectional Absolute Deviation (CSAD) Approach for a sample of the Bombay stock exchange (BSE) and National stock exchange (NSE), for the period from November 2015, to November 2020 (1246 daily data). The results reveal a non-linear link between the cross-sectional absolute deviation of stock returns and the market portfolio return. This decreases the dispersion with the rise in the market rates of return, which means that investors emulated market performance during the study period without paying attention to stock risk and return characteristics, suggesting that the pandemic COVID-19 increases herding behaviour in the capital markets of India.

INTRODUCTION

The coronavirus (COVID-19) outbreaks in December 2019 in China, in the city of Wuhan (Hubei region). From the sellers of live fish, poultry and animals to the public consumption. Later it continues to spread across the world. On January 20, 2020, the World Health Organisation (WHO) monitored the situation and released daily reports about the new cases of infection and death numbers in the Chinese region and outside of China. WHO has an international concern declared emergency? Due to this announcement, very first in Shanghai stock market rushed 8% low on the first week of February 2020, and the shock rapidly spread over international financial markets. Initially ignored by most of the countries, the COVID-19 effect raised severe concern since the infection rapidly propagated outside of China. The first week of February 2020, WHO declared more the 90,000 people are affected in more than 60 countries. In India, January 30, 2020, was the first case of coronavirus identified in the state of Kerala by an