

**EFFECTS OF COVID-19 PANDEMIC IN INDIAN CAPITAL MARKET WITH  
SPECIAL REFERENCE TO BOMBAY STOCK EXCHANGE SENSEX**

**Mr. Rohit Mishra**

**(Assistant Professor, Jagran Lakecity University, Bhopal)**  
**E-mail id: rht\_sagar@rediffmail.com**

**Abstract**

This Research paper shows the impact of Covid-19 in Bombay Stock Exchange (BSE SENSEX) in the year 2020 (January to March 2020). Covid-19 affected not only India Capital Market but all over the world Market. This leads to the greatest downfall in the world stock market. S&P BSE SENSEX was more than 42000 in January 2020 but at the end of January it was closed at their lowest level in 2020 at 40,723 points due to the expectation of Union Budget-2020-21 and December quarter earning kept investors jittery and the outbreak of Covid-19 first case reported in India. This Covid-19 outbreak leads to the fall in the Indian Capital Market and hits its lowest to 25,981 points as on 23 March 2020. This research paper also shows the various economic decisions taken by the Government of India and Reserve Bank of India (RBI) to overcome this outbreak in Indian Capital Market also.

**KEYWORDS:** Covid-19, BSE SENSEX, RBI, outbreak, pandemic and Indian Capital Market.

**INTRODUCTION**

The Indian stock market experienced enormous volatility as the corona virus pandemic developed throughout the February and March. It has been observed that Indian capital market has never before responded so dramatically to an outbreak of disease before. BSE SENSEX reaction to the covid-19 pandemic has been remarkable and in some respect unprecedented. The remarkable aspect as more than 36% fell over February and March 2020. The unprecedented part is the extent of stock market volatility. It's not the first time that the stock market crashes in India. In 1997 market crashes due to the Asian financial crashes, in 1998 due to Russian financial crisis-debt default and devaluation of currency, in 2000 due to Dot-com bubble bursting causing widespread disruption to business model, in September-2001 due to 9/11 attacks in the US causing Global crisis, in May-2004 due to the fall of the NDA-govt. this was the one crash in Indian market that was not linked with the global markets, and which reversed pretty immediately, in May-2006 due to the rise in global interest rates, in 2008 due to global financial crisis, driven by the growth of sub-prime assets and precipitated by the fall of Lehman Brothers and Merrill Lynch, which created a crisis of all sorts in the global credit market, in 2011 high domestic inflation, high interest rates and depreciating local currency and global uncertainties, in 2018 due to trade tariff war between US and China and in March-2020 due to the outbreak of Covid-19. The past few months have been very difficult period for the investors have ever witnessed. In the beginning of this year the indices of SENSEX were going strong instead of weak economic growth. In September end last year, Morgan Stanley raises the target for SENSEX to 45,000 by June 2020 after the government cut corporate tax. All was going well till

of the predictions till 20 January 2020 when indices hit their all time high of 42,273. Since then the market has been falling continuously due to Union Budget and Corona virus shocks. This lead to the dramatic fall and sell off tends in BSE SENSEX and all over the Global market. The first case of Covid-19 was reported on 30 January 2020 originating from China and this outbreak was declare as a epidemic and more the dozens of states in India have be invoked. The prime minster of India Mr. Narendra Modi declares voluntary public curfew and the government follows it up with a nationwide lockdown. This lockdown make market weaker as the business were locked and creates volatility in the stock market. The researcher under this research paper had made an effort to show the impact on BSE SENSEX due to the covid-19 epidemic.

## **LITERATURE REVIEW & METHODOLOGY**

The study is based on the following literature review:

**Gormsen, Niels Joachim and Koijen, Ralph S. J, (April 20, 2020)** in a study analyzed the expectations of investors for future dividends in response to the corona virus outbreak and subsequent policy. They also show that how the annual growth of dividend is down with respect to the GDP by using simple forecasting model. Long term can be more effective as compared to the short term growth in the US and EU markets.

**Fernandes, Nuno, (March 22, 2020)** discussed the economic impact of the corona virus across the industries and countries. Study the relationship between economic costs and GDP of 30 Countries. A comparison of 2008-09 financial crisis and Covid-19 outbreak in respect of the GDP of various countries including Greece, Portugal and Spain has been done.

**Nozawa, Yoshio and Qiu, Yancheng, (2020)** analyzed the issue of corporate bonds with liquidity and stock return reacted during the covid-19 pandemic and federal reserve's announcement of the corporate bond purchase on March23, 2020 reflects lower default risk rather than liquidity.

**Bhalekar, Vikram, (2020)** analyzed the impact of lockdown by the states governments in India and the downfall creates in the stock market. India is working on the human values and the economic. Government has taken various measures for the "Aam-Janta" to come out of this pandemic. They also discussed the impact of Covid-19 on pollution, employment and education.

**S. Mahendra Dev and Rajeswari Sengupta, (2020)** show the impact of covid-19 on the stock market in various sctors including banking , agriculture, commodity ,oil etc. and also states that how government and RBI had made efforts to uplift the market and put forward a set of policy for specific sectors.

## **RESEARCH METHODOLOGY**

The study is primarily focused on the trend of BSE SENSEX during the outbreak of COVID-19 during January-2020 to March-2020 and the government and RBI efforts made the momentum of BSE SENSEX during this time period.

### **Objective of the study**

- To show the trend of BSE SENSEX from January to March-2020.
- To show how the government announcement affects the momentum of BSE SENSEX.
- To show how the RBI's announcement affect the momentum of BSE SENSEX.

### **Methods of data collection**

The study is based on secondary data collected from the various reliable sources i.e. SEBI, RBI, BSEINDIA, CDSL etc.

### **Duration the study**

The study is basically short term in nature and data from January 2020 to March 2020 is taken for the study.

### **Research Design**

The research is descriptive in nature.

### **Limitation of the study**

- The study is based on the secondary data due to that the accuracy of the data is depended on the sources of collection.
- The study is focused only BSE SENSEX (Bombay Stock Exchange)

## **FINDING/RESULTS**

The below data shows the BSE SENSEX index from 01-January-2020 to 01-April-2020 in respect of its open and close during the various trading days in the mentioned time period. The data also includes the change (fall or rise) in a day and the percentage of change in a day.

**Table-1**

<b>Date</b>	<b>Open</b>	<b>Close</b>	<b>Change in a day</b>	<b>% change in a day</b>
01-Jan-20	41349.36	41306.02	-43.34	-0.104814198
02-Jan-20	41340.27	41626.64	286.37	0.692714392
03-Jan-20	41634.51	41464.61	-169.9	-0.408074936
06-Jan-20	41378.34	40676.63	-701.71	-1.695838934
07-Jan-20	40983.04	40869.47	-113.57	-0.277114631

08-Jan-20	40574.83	40817.74	242.91	0.59867164
09-Jan-20	41216.67	41452.35	235.68	0.571807475
10-Jan-20	41568.2	41599.72	31.52	0.075827195
13-Jan-20	41788.21	41859.69	71.48	0.171053031
14-Jan-20	41883.09	41952.63	69.54	0.166033595
15-Jan-20	41969.86	41872.73	-97.13	-0.231427982
16-Jan-20	41924.74	41932.56	7.82	0.018652471
17-Jan-20	41929.02	41945.37	16.35	0.038994472
20-Jan-20	42263	41528.91	-734.09	-1.736956676
21-Jan-20	41487.57	41323.81	-163.76	-0.394720636
22-Jan-20	41467.13	41115.38	-351.75	-0.848262226
23-Jan-20	41191.5	41386.4	194.9	0.47315587
24-Jan-20	41377.04	41613.19	236.15	0.570727147
27-Jan-20	41510.68	41155.12	-355.56	-0.856550652
28-Jan-20	41299.68	40966.86	-332.82	-0.805865808
29-Jan-20	41131.57	41198.66	67.09	0.16311072
30-Jan-20	41380.14	40913.82	-466.32	-1.126917405
31-Jan-20	41146.56	40723.49	-423.07	-1.028202601
01-Feb-20	40753.18	39735.53	-1017.65	-2.497105747
03-Feb-20	39701.02	39872.31	171.29	0.431449872
04-Feb-20	40178.74	40789.38	610.64	1.519808735
05-Feb-20	40921.71	41142.66	220.95	0.539933449
06-Feb-20	41209.13	41306.03	96.9	0.235142067
07-Feb-20	41394.41	41141.85	-252.56	-0.610130692
10-Feb-20	41166.72	40979.62	-187.1	-0.454493338
11-Feb-20	41183.39	41216.14	32.75	0.079522351
12-Feb-20	41330.85	41565.9	235.05	0.568703523
13-Feb-20	41707.21	41459.79	-247.42	-0.593230763
14-Feb-20	41510.19	41257.74	-252.45	-0.608163923
17-Feb-20	41324.04	41055.69	-268.35	-0.649379877
18-Feb-20	41042.46	40894.38	-148.08	-0.360797087
19-Feb-20	41121.51	41323	201.49	0.489986871
20-Feb-20	41334.96	41170.12	-164.84	-0.398790757
24-Feb-20	41037.01	40363.23	-673.78	-1.641883753
25-Feb-20	40497.72	40281.2	-216.52	-0.534647383
26-Feb-20	40194.89	39888.96	-305.93	-0.761116649
27-Feb-20	39947.8	39745.66	-202.14	-0.506010343
28-Feb-20	39087.47	38297.29	-790.18	-2.021568549
02-Mar-20	38910.95	38144.02	-766.93	-1.970987601
03-Mar-20	38480.89	38623.7	142.81	0.371119275

04-Mar-20	38715.72	38409.48	-306.24	-0.790996525
05-Mar-20	38604.25	38470.61	-133.64	-0.346179501
06-Mar-20	37613.96	37576.62	-37.34	-0.099271653
09-Mar-20	36950.2	35634.95	-1315.25	-3.559520652
11-Mar-20	35468.9	35697.4	228.5	0.64422635
12-Mar-20	34472.5	32778.14	-1694.36	-4.915106244
13-Mar-20	31214.13	34103.48	2889.35	9.256545033
16-Mar-20	33103.24	31390.07	-1713.17	-5.175233603
17-Mar-20	31611.57	30579.09	-1032.48	-3.266145908
18-Mar-20	30968.84	28869.51	-2099.33	-6.778846092
19-Mar-20	27773.36	28288.23	514.87	1.853826833
20-Mar-20	28460.82	29915.96	1455.14	5.112783117
23-Mar-20	27608.8	25981.24	-1627.56	-5.895076932
24-Mar-20	27056.23	26674.03	-382.2	-1.412613657
25-Mar-20	26499.81	28535.78	2035.97	7.682960746
26-Mar-20	29073.71	29946.77	873.06	3.002919132
27-Mar-20	30747.81	29815.59	-932.22	-3.031825681
30-Mar-20	29226.55	28440.32	-786.23	-2.690122508
31-Mar-20	29294.94	29468.49	173.55	0.592423128
01-Apr-20	29505.33	28265.31	-1240.02	-4.202698292

In the Table-1 the open and close of BSE SENSEX index is taken and from this change in a day and percentage of change in a day is calculated. After the cut off in corporate tax in September 2019 by the Finance Minister Mrs. Nirmala Sitharaman and the change in the in the operational guidelines of Foreign Portfolio Investors (FPIs) in the end of 2019 made the increase in the inflow of FPIs which lead to the continuation of volatility in the BSE SENSEX index and Nifty 50. Another reason that make market move is the US-China signing the first phase of trade deal between them and increase the exports of India as an beneficially by the agreement. The market crossed a mark of 42,000 on 16 of January 2020 i.e. 42,059 the highest ever in the history of BSE SENSEX.

The market keep showing ups and downs during the January till 29 of January but on 30 of January 2020 the first case of covid-19 was witnessed in India in Kerala, making a fall of market of 466 points and makes the BSE SENSEX index to close at 40,913. The outbreak was declared a Public Health Emergency of International Concern on this day. The market keeps on following the trend due to the increase in the corona virus cases in India and all across the world. On 1 February the Union Budget of India for 2020-21 was presented by the Finance Minister, Nirmala

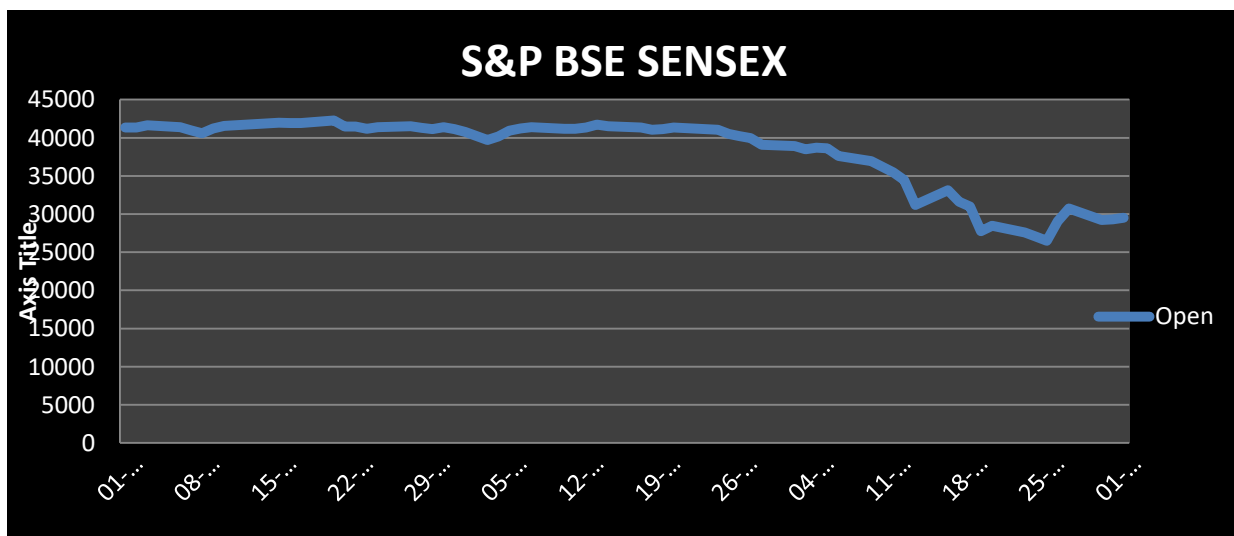
<sup>1</sup> <https://www.bseindia.com/indices/IndexArchiveData.html>

Sitharaman and makes market falls more than 1017 points and end the SENSEX at 39,735. The Union Budget includes the lack of positive announcement for the common man and apart optional income tax cuts lead to negative sentiment on BSE SENSEX index.

<sup>2</sup>On 11 of February 2020, WHO (World Health Organization) announced a name for the new corona virus disease as Covid-19. The number of Covid-19 cases increase in India as well as all across the world which lead to destructions in the world market as well as BSE SENSEX index. From 10 February to 23 of March 2020 the BSE SENSEX index has fallen from 41,166 to 25981 i.e. 36.88% of BSE SENSEX index is fallen down in just 43 days . In these 43 days the market has seen more than thrice a 4 days continuation fall in a week.

On 6 March, the RBI has taken Yes Bank under its management for its reconstruction process through the State Bank of India (SBI), who shows its willingness to make investment in Yes Bank and its reconstruction scheme. On 9 March 2020 the Global crude oil price cut off lead to the decline of 1315 points and makes the BSE SENSEX index to 35,364 together with the increase in the covid-19 cases in India. On 12 March, WHO declares Corona Virus as pandemic and leads to the worst fall of 1694 as end of day and lead to BSE SENSEX index to 32,778(33 months low). On 16 March 2020 the Market plunged by 2713 points the second worst fall in the history of BSE SENSEX and end the day by 1713 points fall to make SENSEX end at 31,390.

On 18 March the market end with 2099 points fall and closes the BSE SENSEX index at 28,869 as the number of cases and death cases raises in India. The highest fall in the history of BSE SENSEX of 3934 points in intraday on 23 March lead to BSE SENSEX index to 25,981 with 1627 points fall on the day end. This was the lowest index measure since January 2016 to touch the mark of 25,981 points. The Prime Minister Narendra Modi declares a Janta Curfew on 22 March of 14 hours and leads to the complete lockdown across the country of 21 days as the cases of Covid-19 increases.



<sup>2</sup> <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/events-as-they-happen>

### **Graph-1**

The Graph-1 shows the decline of BSE SENSEX index from 42,000 to 25,981 points till 23 March and after the graph shows the upward movement as the Government taken various steps to tackle this pandemic of Covid-19 and the economy. The market shows a movement from 25,981 to 29,468 on 31 March 2020, this momentum show snot only in the Indian capital Market but also across the world market. For this V shape in graph the role played by the Government of India and RBI for making the BSE SENSEX index to overcome from this Covid-19 pandemic.

### **DISCUSSION**

<sup>3</sup>The Government of India made complete lockdown of 21 days, making essential things available to the poor and needy people, making from home so the work continues and RBI enhanced short term liquidity for state government, relaxed export repatriation limit from 9 months to 15 months and all commercial, NBFCs, cooperative banks and all India financial institutions were allowed to allow a moratorium of three months on payment of EMIs in respect of all terms loans from March to May 2020. On 27, March RBI cut the Repo rate by 75 basis points to 4.4 percent and slashed Reverse Repo Rate by 90 basis points to 4 percent as part of measures to ease the pain on banks and industries which ar4e suffering from 21 days lockdown. The government made various others issue to enhance the economy and the Indian Capital Market which gives the V-shaped curve so that the economy must slowly be stable and be in the same place as it was before the pandemic of covid-19.

Within the constraints discussed above the following points can be consider to gear up with the stock market and economy crisis are-

- During the lockdown the supply of essential goods including agricultural goods should be operated smoothly.
- All IT sectors should be operated from home so that the operations can have an intensified impact on the stock market of India including BSE SENSEX.
- All the pharmaceutical sectors must be operated on great efficiency so that the testing kits and other medical aids can be provided within the country and outside the country and can lead the pharmaceutical sector in BSE SENSEX index
- Government grants and subsidy is to be provided to MSME and other operated industrial sector.
- More liquidity is to be provided to the Mutual fund investment

### **CONCLUSION**

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<sup>3</sup><https://rbidocs.rbi.org.in/rdocs/Content/PDFs/GOVERNORSTATEMENT5DDD70F6A35D4D70B49174897BE39D9F.PDF>



The Covid-19 pandemic has posed an unprecedented challenge for Indian capital market and all across the world capital market. The BSE SENSEX index shows the so many ups and downs in these three months will be continue in the upcoming months also. The nationwide lock down of 21 days and further lockdown will also seems to be happened as the cases of covid 19 increases rapidly in India. The Central government and the RBI have recognized the challenge and have responded so that the market and the economy can overcome from this pandemic but this response should be just the beginning. The policy maker and the Government need to prepare to scale up the response as the events unfold so as to minimize the impact in BSE SENSEX and the economy and pave the way for a V-shaped recovery of Indian capital market. At the same time the response from the government should remain enriched to avoid long term damage to the capital market as well as the human life of a country as it is rightly said that “Jaan hai toh Jahan hai” by the Prime Minister of India Mr. Narendra Modi.

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