Impact of Covid-19 on the Indian Stock Market

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The corona virus outbreak, brought about by the unprecedented spread of the Sars-CoV-2 virus, originating from the city of Wuhan, China, has brought the whole world to a standstill. Millions of families have been severely affected as well as millions of people have lost their lives. The rapid spread of the COVID-19 pandemic has led to a downturn in the global economy. Several countries have adopted strict lockdown policies which have resulted in a halt in economic activity. Uncertainty and risk created due to this pandemic have affected both the developed as well as emerging economies like the USA, Brazil and India and has led to falling in investments in stock markets. Due to this pandemic, there is a large fall in the price of oil (due to a rapid fall in demand) and a huge increase in the price of gold. Businesses are highly indebted in many countries, weak companies have been further destabilized and corporate debt has reached a very high level. The pandemic has led the global financial market to strike out around $6 trillion from 20th to 24th January. Uncertainty has also affected the rate of dividend return on stocks and hence stock sales.

The Indian Stock Market consists of the Stock Markets of BSE (Bombay Stock Exchange) and NSE (National Stock Exchange). The BSE launched its sensitivity index, SENSEX (Presently known as S&P BSE SENSEX) in 1986. Its contender the NSE had launched CNX Nifty, presently known as Nifty 50, in 1996. The SENSEX consists of around 30 organizations divided into 15 sectors and is a benchmark stock index, estimating the overall performance of the exchange whereas

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the Nifty 50 of the NSE includes 50 stocks divided into 14 sectors and also functions as a performance measure of the exchange. The country's economic standing can be analyzed by observing the values of SENSEX and Nifty.

Economists, in their research on financial markets and banks, have found that there is a fall in the share of oil, equity, and investments throughout the world as a result of the pandemic. In Britain, the Financial Times Stock Exchange (FTSE) 100 index witnessed a sharp 1-day fall since 1987. Economists are of the unified view that the shock from the pandemic can increase the volatility, negatively affecting the economic and financial system of every country. There has been a drop in the SENSEX index to 13.2% on March 23, 2020, the single highest single-day fall since the Harshad Mehta Scam. Similarly, Nifty had also declined to almost 29% during that period. Some economists have considered the impact of COVID-19 on the Indian stock market as a "black swan event." Due to lockdown policies adopted by the country, the labor force has been substantially reduced which has affected the supply chain. The main reasons for the decrease of labor forces have been the exodus of migrant laborers due to the growing concerns of infection. People have also reduced their consumption habits. The pandemic has undoubtedly affected both the demand and the supply chains.

Delving deep, it was found that the consumer goods sector (SENSEX-11.89%, NIFTY-14.46%) has faced an increased demand. The lockdown had been instrumental in driving people to stock up food materials and stop social contact altogether.

Fast Moving Consumer Goods giants like Britannia, Nestle, ITC, Hindustan Unilever, etc have faced a very high demand with a sales boom for the pandemic. The sales boom has been largely driven by rural demand and can also be attributed to the ramp-up of supply chain and logistics which have enabled micro as well as macro distribution. The oil and gas sector (SENSEX-14.71%, NIFTY-12.44%) has suffered miserably due to the raging pandemic. The demand for automobile fuels as well as turbine fuels has decreased due to global and domestic travel being shut. The oil and gas sector has seen very low demand and therefore low sales of stock.

The automobile sector (SENSEX-5.15%, NIFTY-4.53%) has faced the worst consequence because of the pandemic. It has faced heavily due to the rapidly falling demand and the closure of ancillary industries such as the tyre industry, car body industry, etc. The juvenile Electric car Industry has also been severely hit. However, giants like Hyundai, Honda, and Kia, etc. have still managed to show relativistic growth in the Indian Market.

The telecom sector (SENSEX-4.40%, NIFTY-3.13%) has been one of the most fundamental services during the pandemic. The telecom sector has played a key role in helping governments and organizations with convenient correspondence, tracking and furthermore helping with telecommuting. The new 'WFH' (Work from Home) as a way of conducting corporate work and businesses has caused an overabundance of demand for broadband and internet services. The telecom sector along with the consumer goods sectors has been the only ones witnessing a stock sales boom. Despite the fact that India is one of the top producers and exporters of medicine in the world, the Pharma sector (SENSEX-1.72% and NIFTY-2.72%) has faced a downturn due to the shutdown of imports from China.

The metallurgy sector (SENSEX-0.53%, NIFTY-2.52%) has witnessed a significant blow in mining, production, as well as distribution. India's steel industry which contributes to around 35% of the country's GDP has suffered from the lack of manpower and transportation. The cement and construction industry along with the Real Estate industries have also seen a rapid fall in demand.

On the Global Front, there has been a significant drop in stock Indices of NYSE (New York Stock Exchange), FTSE and Shanghai Stock Exchange. The USA has shown a negative GDP growth of -4.7% during the financial year 2020. China on the other hand has shown a marginal 2.3% positive growth of GDP in the financial year 2020. India has shown a negative growth of GDP at -7.97% compared to the GDP of 2019. Although the GDP had shown a negative growth, cash liquidity in the market was stable.

In conclusion, it can be said that both the Indian Stock market and the Indian Economy has faced an excruciatingly painful blow due to the sudden onset of the pandemic. From 1st December 2019 to 31st march 2020, NIFTY 50 & SENSEX both took a dip of 31.954% and 31.1769% respectively. An early lockdown had somehow softened the blow yet for an emerging economy like India, it has negatively affected the essential industries and services. Doubtlessly it would take time for the Indian Stock Market to get back on track again but the current scenario, fortunately, is hopeful. It is said that "Every cloud has a silver lining." and it is quite true for the Indian Economy. The pandemic has rattled the world dominance of China as one of the biggest production economies and has sent investors and businessmen in search of a country that has the potential to rival China. Economists at the IMF, WEF have stated that the upcoming 10 years are the "make-or-break" period for the Indian Economy. Several investors and businessmen are investing in India as a result of which new companies, enterprises and startups are coming to India, each adding to the economy, GDP, per capita income growth as well as reducing the problems of unemployment and inadequate raw material utilization. Hence, it can be stated that although the coronavirus has been like a dark cloud over the economy of India, its departure will bring forth a shining sun over the country, a better and more prosperous India.

> My great concern is not whether you have failed, but whether you are content with your failure.
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> \- Abraham Lincoln