STOCK MARKET RESPOND TO POLICY REFORMS AND TECHNOLOGY ENABLED SERVICES IN COVID 19 PERIOD: AN EMPIRICAL ANALYSIS FOR INDIA

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ABSTRACT
Covid 19 has changed the investment and business perspective of people all over the world. Investors were not able to liquidate their financial and non-financial assets to meet their basic needs. Financial markets and financial institutions suffered financial losses, but Stock markets experienced unexpected support and resilience levels. Policy reforms and Technology enabled services like LAS (Loan Against Securities), OTP confirmation, e-DIS (electronic Delivery Instructions Slips), ETCD (Exchange Traded Currency Derivatives) etc., attracted new investors along with the existing investors to invest more in Indian Stock markets. Reforms in policies of SEBI, RBI, NSDL and CDSL and Technology enabled services promoted stock trading and made the stock market safer. This descriptive research paper provides an empirical analysis of the stock market with the help of selected Circulars of the Financial Regulators in Covid 19 period, i.e., 2019-2020 & 2020-2021.
Keywords: Online trading, SPICE, Indices, Resilience level, financial regulations, stock market, covid

Introduction

Investors make investments with two main objectives, first Capital appreciation and second Capital protection. There are other factors also like Liquidity, Risk, Return, Tax, Cost of Investment, Maturity, Safety etc., which determines investment choice. This pandemic period of Covid 19, made people realise the importance of liquidity rather than other choices. People were not able to liquidate their financial and non-financial assets like Real estate property, Gold, Insurance, Postal savings Fixed deposits etc., due to restrictions on public movements, unavailability of online modes of transactions, declining economic activities, reduced income and negative sentiments in markets etc. When everything was stopped, Stock markets experienced unexpected support and resilience levels which attracted new investors along with the existing investors to invest more in stock markets. Software and Mobile applications of financial institutions made online stock trading easy; at one click Investors were able to buy and sell shares from any corner of the world. Most of investors invested in high-quality companies and hold onto them for as long as possible. Such investors had used the strategy of holding till the trajectory of the economy changed. Many investors got confidence because of reforms and relaxations by the Reserve Bank of India & Securities Exchange Board of India. Investors were calm and without creating a panic situation in the crisis period they stay invested and actually add positions at weaker prices. In Covid 19 many conversations with stock brokers, and financial advisors learned relatives and friends of Investors kept them out of the emotional rollercoaster. Such acts assured that the path of stock investing was the concurrence of somebody whose view you valued. Many investors were stuck to being disciplined by investing in different shares through SIPs.This injected diversification into their portfolios. A lot of investors underwent turbulence in their finances due to the loss of jobs, pay cuts, impact on business etc. reforms brought by financial regulators and liquidity of the stock market helped investors to meet regular expenses and commitments like EMI and SIP payments at such times. Awareness campaigns of SEBI and RBI made people mentally strong that the stock market and economy do not necessarily reflect one another. There is no linear relationship between the Economy and Stock Market. This is because economic indicators are based on past data and stock markets are based on future data. Common application process, KYC process, e-DIS operation, deferment on payment, rupee derivatives with settlement in foreign currency, the print version of financial data, and compliance requirements for INVIT and REIT have enabled financial intuitions and investors to raise and invest money in Stock markets. Technology-enabled services made investors convenient to participate in the online process of voting, Demat A/C opening and KYC, SPICE and POA in Covid 19 period, 2019-2020 & 2020-2021. In NSDL, new Demat account holders increased by 20 lakhs and CDSL became the first Depository in India to cross 3 core active Demat accounts in 2021. Researchers have reviewed several research papers on policy reforms of financial regulators of different countries and their impact on global financial markets, especially the stock markets. Researchers also analysed the annual reports of the Securities Exchange Board of India(SEBI), Reserve Bank of India (RBI), National Securities Depository Limited (NSDL) and Centre Depository Service Limited (CDSL) some to understand how reforms in policies of Financial Regulators and technology-enabled services in attracting new investors along with the existing investors to invest in financial markets. This descriptive research paper provides an empirical analysis of the stock market with the help of selected Circulars of the Financial Regulators in Covid 19 period, i.e., 2019 to 2021.

Literature Review

Researchers have reviewed several research papers to understand the impact of reforms in policies of Financial Regulators and technology-enabled services in attracting new investors along with the existing investors to invest in financial markets at the global level.

Alam and Chavali (2020) In the Covid -19, Software and Mobile applications of financial institutions made online stock trading easy at the global level which strengthen the confidence of investors. Shankar and Dubey (2021) Covid-19 had not shown a significant impact on the Volatility Index which implied that the risk perception of investors had decreased which encouraged them to buy shares at low prices and ultimately increased the volumes. This pandemic period of Covid 19, made people realise the importance of liquidity rather than other choices. Sadiq and Kamran (2021) In crisis time especially during Covid- 19, policymakers and government officials through government policies were able to control foreign exchange to stabilize the gold market. Reforms brought liquidity in the market which helped investors financially, to meet regular expenses and commitments Baek, Mohanty, Glamboskey (2020) Growth of the financial markets is one of the parameters to measure uncertainty in financial assets. Williamson, Macgilchrist and Potter (2021) Stock market performance is not the only measure of the impact of the pandemic on the economy. Zhang and Ji (2020) Many long-term investors were stuck to being disciplined by investing in different shares through SIPs due to inconsistency in short term and long-term planning. Zhou & Yang (2017) Systematic risk is one of the contributors to the Global financial crisis. Janssen and Voort (2020) Agility and adaptivity are the two sides of the coin. Agility is a core method originating in the software development industry and has since been applied to organisations. Kumar and Singh (2008) Stock market reforms do not lead to a change in volatility persistence. Rishika & Dubey (2021) Monetary policies have not affected sectors. Dey and Dash (2021) During the initial months, most of the sectoral indices showed high variation and this may be due to sudden implementation and frequent changes in the newly enacted laws and technology-enabled services. Bernanke and Kuttner (2005) Impact of Monetary policies varies from sector to sector. Prukumpai (2019) Monetary and fiscal policies have a different impacts on Different sectors. From the above literature review, we can conclude that financial intuitions and investors raised and invested money in Stock markets at the global level. Investors were calm and without creating a panic situation during the crisis period they stay invested and actually add positions at weaker prices. Technology-enabled services made investors convenient and strengthen their confidence to participate in the stock market at the global level.

Objectives

Literature review and financial data on Stock market response to Policy reforms and Technology enabled services in COVID-19 period helped researchers to frame below objectives :

1. Reforms in policies of Financial Regulators attracted new investors along with the existing investors to invest more in the Indian Stock markets
2. Technology-enabled services promoted stock trading and made the stock market safer

Data Analysis

Refer to the below table to know the growth in Demat accounts as per the annual report of National Securities Depository Limited (NSDL), in the financial year 2020-21:

Year	New Demat Account opened	Existing + New Demat Account holders	Active depository accounts
As on 31st March 2021	24.96 lakh	3.64 Crore	2.16 crore

Source:https://www.nsdl.co.in

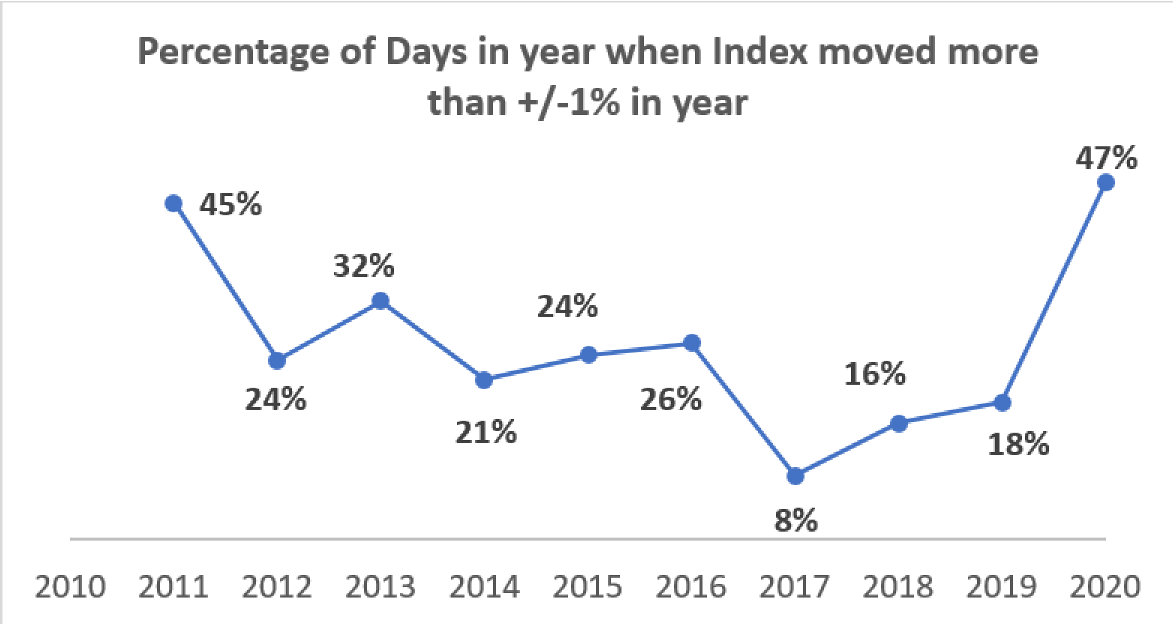
Table No.1 Growth in Demat accounts

New Demat account holders increased by 20 lakhs and there was a growth of 34% in NSDL's revenue in FY 2020-21 over the previous year and profit after tax recorded a growth of 62%.

CDSL- Centre Depository Securities Limited CDSL became the first Depository in India to cross 3 core active Demat accounts in 2021. Market share from 40% in FY 2013-2014 to 61% in FY 2020-21, in terms of cumulative market share of active Demat accounts.

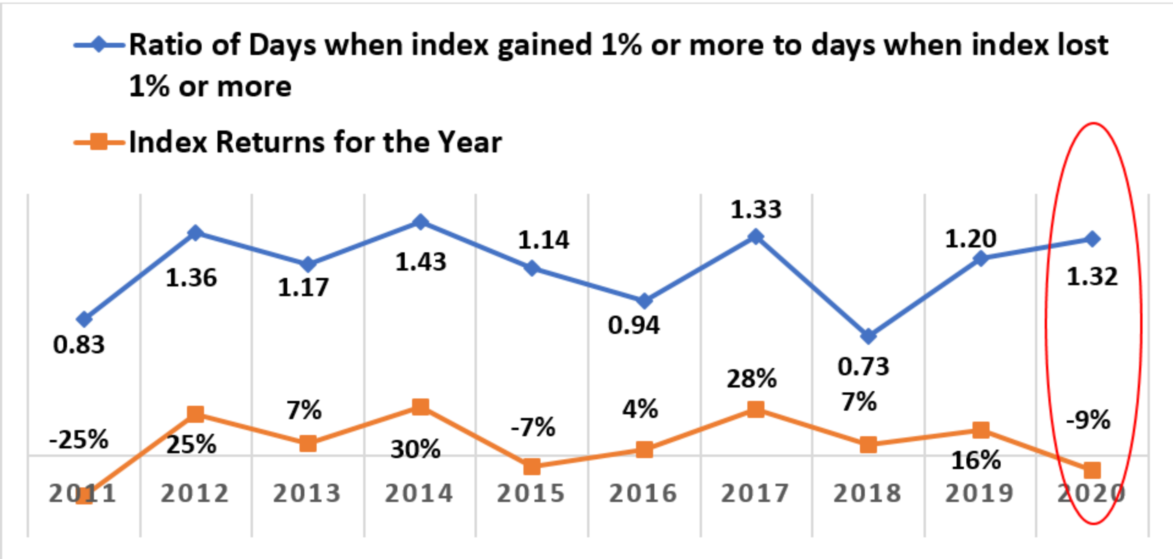
Performance of the stock market in the Covid period, 2019 to 2021
Researchers have collected financial data from the websites of SEBI, NSE and BSE to find out Stock market performance in Covid 19 period, 2019-2020 & 2020-2021. The below table shows the Category wise Share of Turnover in the Equity Cash Segment in NSE and BSE,

BSE-Sensex movement on the basis of the Index movement gained or lost one per cent or more based on 2020.



Source:https://www.bse.india.com

Figure No.1 Index movement of more than +/-1% in the year



Source:https://www.bse.india.com

Figure No.2 Ratio of Days when the Index gained more to days when the index lost 1% or more in the year
The above figure shows a steep decreasing slope in 2020.

Category	NSE		BSE	
	2019-20	2020-21	2019-20	2020-21
Proprietary Traders	22.7	25.1	27.6	32.4
Domestic Institutions (excluding MFs, Banks and Insurance)	0.1	0.1	0.1	0.1
FPIs	15.2	11.4	10.0	12.2
MFs	7.5	5.1	7.3	2.9
Insurance Companies	2.5	1.8	2.1	1.7
Banks	0.2	0.1	0.1	0.1
Corporates	5.3	4.6	10.9	5.9
Others	46.5	51.8	41.9	44.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

Notes: 1. Domestic institutions (excluding mutual funds) include banks, DFIs, insurance companies and the New Pension Scheme.

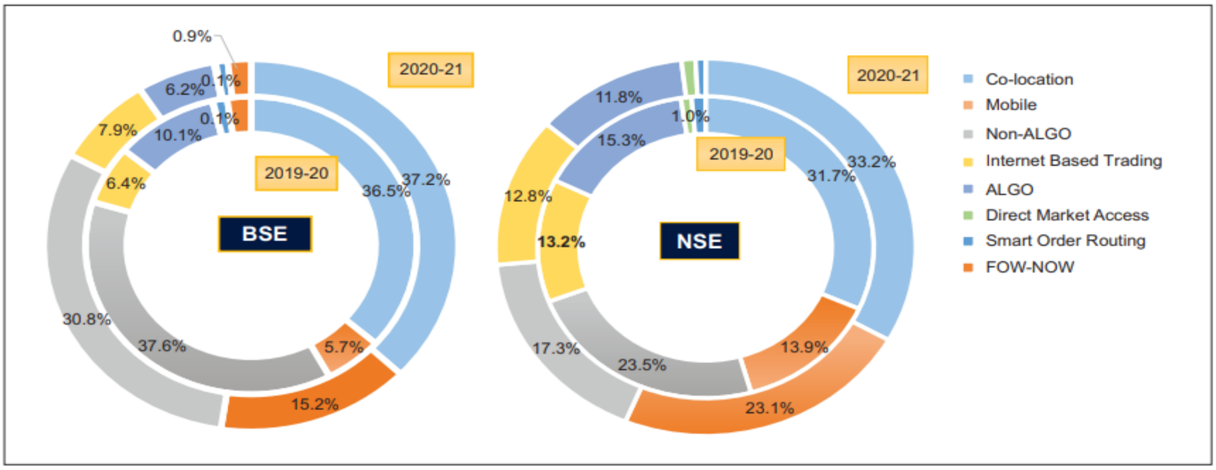
2. Others include individual domestic investors, Partnership Firms/LLP, Trust / Society, AIF, Depository Receipts, PMS clients, Statutory Bodies, VC Funds, NBFC, etc.

Source: BSE and NSE

Source: https://www.bse.india.com, https://www.nse.india.com

Table No.2 Category wise Share of Turnover in Equity Cash Segment in NSE and BSE

Share of proprietary traders increased in NSE by 2.4 per cent in 2020-2021 while that of mutual funds and FPI decreased by 2.4 percentage & 3.8 percentage points respectively. At NSE, proprietary trades, FPI and Mutual Fund had contributed 25.1 percent, 11.4 percent and 5.1 per cent, respectively. At BSE, proprietary trades, FPI and Mutual Fund contributed 32.4 percent, 12.2 percent and 2.9 per cent, respectively in 2020-2021.



Source: NSE and BSE

Source: https://www.bse.india.com, https://www.nse.india.com

Figure No.3 The percentage share Of Different Mediums

During 2020-2021, the percentage share of mobile trading increased significantly at both BSE and NSE. In the cash segment of NSE, 23.1 per cent of the total trades in 2020-2021 were through the mobile trading route, compared to 13.9 per cent in 2019-2020. In the cash segment of NSE, 23.1 per cent of the total trades in 2020-2021 were through the mobile trading route as per SEBI's report 2020-21. In the cash segment during 2020-2021 total trades were through mobile trading routes, compared to 5.7 per cent in 2019-2020. In 2020-2021, the percentage share of co-location trades increased in the cash segment significantly at both BSE and NSE. In the cash segment of NSE, 37.2 per cent of the total trades in 2020-2021, compared to 36.5 per cent in 2019-2020. Similarly at BSE, 33.22% of the total trades in the cash segment during 2020-2021 compared to 31.70% in 2019-2020. In the cash segment of NSE, 23.1 per cent of the total trades in 2020-2021 were through the mobile trading route as per SEBI's report 2020-21.

Financial Regulators And Their Reforms

In India, we have major six financial regulators, the Ministery of Finance (MoF), the Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), the Ministery of Corporate Affairs (MCA), the Insurance Regulatory and Development Authority (IRDA) and Pension Fund Regulatory and Development Authority (PFRDA). The Ministry of Finance has six different departments, the Department of Economic Affairs, the Department of Revenue, the Department of Expenditure, the Department of Financial Services, the Department of Public Enterprises and the Department of Investment and Public Asset Management through which they control financial markets. The money market and Banking Sector are regulated by RBI, the Stock market and Commodities market are regulated by SEBI, the Insurance market is regulated by IRDA, and the Pension fund market is regulated by PFRDA. Due to innovations in financial products and technology, financial regulators have to take the help of each other and jointly need to resolve the issues. In covid 19 MoF promoted lots of initiatives of financial institutions for the development of the financial markets. Policy reforms and Technology enabled services like LAS (Loan Against Securities), OTP confirmation, e-DIS (electronic Delivery Instructions Slips), ETCD (Exchange Traded Currency Derivatives) etc., attracted new investors along with the existing investors to invest more in Indian Stock markets. Reforms in policies of SEBI, RBI, NSDL and CDSL and Technology enabled services promoted stock trading and made the stock market safer. With a controlled setup, the job of financial regulators became easy to strengthen financial and non-financial institutions morally in covid 19.

Some Of The Selected Reforms Of The Government And Financial Institutions Are As Below Which Promoted Stock Trading And Made The Stock Market Safer

- NSDL launched a web-based online common application for FPI applicants on February 21, 2020. The online common application form enables FPI applicants with a single-window clearance facility of registration with SEBI, allotment of PAN from the Income Tax Department, KYC and Opening of Bank and Demat accounts in India. During FY 2020-2021, out of 855 new FPI applications, 738 FPIS were registered through online Common Application Form (CAF) portal. Out of 738 CAF registrations, around 490 applicants were allotted PAN through CAF during FY 2020-21.
- Several initiatives mooted by SEBI such as margin pledge and repledge system, EDIS operation with 2-factor authentication, OTP confirmation for off-market transfers, and block mechanism for early pay-in, were introduced
- Digitally enabled services like the Accounting Opening service and Loan Securities services allowed clients to open Demat accounts and to avail loans digitally.
- Many investors executed Power Of Attorney in respect of Demat account operation in favour of their stockbrokers based on SPICE
- Mobile App of NSDL empowered the Demat account holder to monitor their holdings along with the price and values of the securities, voting rights electronically, e-DIS launched wherein Demat account holder can accept or reject electronic Delivery Instructions Slips (e-DIS) submitted by Clearing Members.
- Rupee derivatives with settlement in foreign currency to be traded in International Financial Services Centres starting with Exchange Traded Currency Derivatives -FMRD.FMD.01/ED(TRS) 20/01/2020
- The timelines for certain filings as required under the provisions of the LODR-Listing Obligations and Disclosure Requirements were extended as per the Securities Exchange Board of India.
- Relaxations were given in compliance requirements for Infrastructure Investment Trusts and REIT-SEBI/HO/DDHS/CIR/P/2020/42
- UPI -Unified Payments Interface with ASBA-Application Supported by Blocked Amount extended-SEBI/HO/CFD/DCR2/CIR/P/2019/133
- Period of 3 months moratorium and deferment on payment permitted by RBI, on a case-to-case basis -SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53
- CRA may not consider the same as a default event and recognize default. Appropriate disclosures in this regard were made in the Press Release.
- Some relaxations in compliance with certain deadlines in Substantial Acquisition of Shares and Takeovers Regulations 2011.
- Relaxation in the processing of documents pertaining to FPIS due to COVID-19-SEBI/HO/FPI&C/CIR/P/2020/056
- Relaxation in Further Public Offerings- FPO procedure- SEBI/HO/CFD/CIR/CFD/DIL/85/2020
- In absence of paper media, exempted publication of advertisements in newspapers, as required under regulation 47 - SEBI/HO/CFD/CMD1/CIR/P/2020/48
- Listed banks and insurance companies can submit consolidated financial results under regulation 33(3)(b) for the quarter ending June 30, 2020, on a voluntary basis.

Findings and Conclusion

From this empirical analysis, we can conclude that reforms and relaxations by RBI & SEBI in policies for the common application process, KYC process, e-DIS operation, deferment on payment, rupee derivatives with settlement in foreign currency, the print version of financial data, and compliance requirements for INVIT and REIT have enabled financial intuitions and investors to raise and invest money in Stock markets. Technology-enabled services made investors convenient to participate in the online process of voting, Demat A/C opening and KYC, SPICE and POA in Covid 19 period, 2019-2020 & 2020-2021. NSDL's FPI online registration portal made the registration process with SEBI very convenient, 738 FPIS were registered through CAF portal. Out of 738 CAF registrations, around 490 applicants were allotted PAN through CAF during FY 2020-21. Digital Loan against Securities service allowed clients to avail of loans against their securities in minutes by instantly pledging their securities holdings. Commercial Banks registered as Depository Participants with NSDL have the right to distribute digital loans. SPICE facility empowered Demat account holders to execute Power of Attorney in favour of their stockbrokers for trading purposes. RBI permitted Rupee derivatives in foreign currency. A voluntary basis submission of consolidated financial results to listed entities enabled banking and insurance companies to conduct operations smoothly during the pandemic times. Due to policy reforms and technology-enabled services, investors can exercise online -voting rights, accept or reject electronic Delivery Instructions Slips (e-DIS) submitted by Clearing Members, and submission delivery instructions. Such features strengthen the confidence of Investors. Where in the pandemic many have lost things, and many new routes were explored and utilized to the best extent with the best outcomes.

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