STOCK MARKET INTEGRATION: EVIDENCE FROM INDIA AND OTHER MAJOR WORLD STOCK MARKETS

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ABSTRACT
India has much less exposure in the stock market integration literature until recently. Given India’s fast-growing economic influence, research on the Indian stock market still seems to be inadequate and needs further investigation. The present study extends the existing stock market integration literature in the following ways. First, to provide further evidence, we examine the dynamic price linkages and interdependence between the stock market of India and that of the U.S., U.K., Japan, Singapore, Honk Kong, Malaysia, South Korea, Taiwan, and China using daily stock price indices data covering the period January 2, 2001 to November 28, 2008. Second, this research examines the long-term and short-term dynamic relationship among the stock prices using Johansen-Juselius co-integration, vector error correction model and Granger causality test. Additionally, the innovation accounting analysis is conducted to further investigate the interactions between the Indian markets and others world markets. And lastly, the results from this research provide implications regarding international diversification and market efficiency that are important for investors and fund managers who are interested in investing in these markets. From the study, we can conclude that, Indian market is having a co-integrating relationship with US financial market. But relationship with other financial markets is not well established.

KEY WORDS: Stock Market, Integration, Global Financial Crisis, Dynamic price linkages and interdependence.

REFERENCES:


