ABSTRACT

Behaviour of stock prices has been a current topic in the academic circle. Financial Researchers developed various models and theories. Such theories models and theories must be tested. The future prices are unpredictable in the present day context. This is what all about Random Walk (RW) model. RW is the earliest theory, which tells the investment strategies based on past information will not necessarily yield higher returns in the future. Many research studies have been initiated by many international economists and professors. Modern Studies are now initiated in this area. The past performance may be a source one can predict future it may not be. These have been the predictions of the past studies. The concept of Efficient Market Hypothesis is a vital aspect of Efficient Market Theory. Since new information is publicly available in an unbiased manner it is not possible to earn excess return on the basis of that information. In this study, an earnest attempt has been made to study the pattern of stock price movements during the period of financial crisis between 2007 and 2009. It has not been a general pattern. An attempt has been made to study the Indian capital market during the time, where the stock markets of the western world nosedived. For this purpose, two major stock indices namely NIFTY and BSE SENSEX Index have been chosen. There are major factors, which influenced the capital market like inflation, government policy towards foreign trade, budgetary constraints,
and unemployment and so on. The capital market surely has taken all those information both from internally and globally. Since this study on serial correlation is the thrust area, the influencing factors are not considered as other variables explicitly. It also tried to measure the internal volatility of the capital market with proxies. This study analyses the market whether it has any form of strong or weak.

Referring to the tests that have been conducted, the stock prices during the crisis period have been volatile and nonstationary. However, the first difference proved to be stationary and acknowledged the findings of earlier researchers of the world. Random movement hold good mostly though geometric random walk movements were noticed in few stocks. The impact of financial crisis had little impact on the share prices in India. This has been revealed in the context that the findings of this study during the critical period have gone with the findings of the researchers in the earlier period. Several legislations and ordinances were introduced in other countries to combat the downfall of prices during crisis. The stock markets in India did not require such ordinances during and after the crisis. However, it does not mean that the stock market in India is free from such troubles in the days to come.