

STOCK MARKET INTEGRATION: A STUDY OF INDIAN STOCK MARKET WITH FOREIGN CAPITAL MARKETS

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ABSTRACT

The degree of interdependence of capital markets across the world remain a burning topic among researchers. In this context the current study attempts to find interrelationship between Advanced, East Asian and Indian stock market by employing Granger causality and Johannesburg tests for short-run and long-run linkages, respectively. Since the prime motive of the study is to inspect the short-run linkages and long-term integration among the equity indices to better understand how the volatility in one market influences other markets. Therefore, the study observed that Indian capital market is impacted by the foreign stock markets. The conditions in the international stock market influence the movement in the Indian stock market. For instance, British, American and French stock markets have a significant impact on the Indian capital market in short- run. However, it is observed that capital market in India has influenced on the other Asian markets. In long-run a country's idiosyncratic fundamentals decide the performance of the stock indices.

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