



The Journal of Sri Krishna Research & Educational Consortium
**INTERNATIONAL JOURNAL OF
BUSINESS ECONOMICS AND
MANAGEMENT RESEARCH**
Internationally Indexed & Listed Referred e-Journal



WORLD ECONOMIC CRISIS AND INVESTOR BEHAVIOUR IN INDIAN EQUITY MARKET

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ABSTRACT

Indian stock market has seen a boom which was started from December 2005 and rallied throughout 2006 -2007 and reached highest in 8th Jan 2008. The financial crisis that hit the global economy since the summer of 2007 had less impact on Indian economy and stock market. India's industrial growth attracted more foreign investment which was the major reason behind the boom. The main aim of this research is to find the investing behavior of the Domestic Institutional investor, Foreign Institutional Investor, Proprietary and NRI in Indian market before the crisis, during the crisis and recovery period. The investor category wise daily buying and selling in Indian security market is collected from BSE website from 3rd April 2006 to 23rd September 2011. The data is split up by before crisis period starting from 3rd March 2006 to 30th November 2007 and crisis period from 1st December 2007 to 31st December 2008 and after crisis period from 1st Jan 2009 to 23rd September 2011. VAR model is used to analyze the relationship among the behaviour of investors, Lag is determined by considering the AIC and Schwarz criterion. Variance decomposition and Impulse Response Analysis helps to determine the effect of one variable on the other.

KEYWORDS: *Investor behaviour, economic crisis, VAR.*