

## Regulatory Measures during Covid-19 Pandemic and Its Impact on Price Discovery: Empirical Evidence from India

Mohd Merajuddin Inamdar and Minaxi A Rachchh

*This study evaluates the impact of regulatory measures taken by the securities market regulator during the Covid-19 pandemic to deal with such unprecedented event. It focuses on regulatory measures, particularly implementing market-wide position limit for futures and options, and its impact on price discovery. As compared with other countries, India didn't ban the short selling but reduced the market wide position limit (MWPL). The sample data consist of trade transactions and trading volume are considered for the companies covered under regulatory measures.*

*As per the study, for a shorter time, price efficiency is hampered for one day after regulation but rebounds in the longer duration. On the effective date of the regulation, sample stocks prices corrected sharply downward but regained later. Although abnormal trading volume volatility is observed before regulation, it reduces later. Abnormal trading volume is affected by regulation but is significant to half the stock. Abnormal trading volume to floating shares ratio decreased after the implementation of regulatory measure.*

*Our study yields important implications for regulators, government policymakers, investors and risk managers to understand the potential impact of market regulation on stock market characteristics during worldwide systematic risk due to Covid-19 pandemic.*

### I Introduction

“Global policymakers must enact wartime measures to fight the coronavirus pandemic”, International Monetary Fund (Dell, *et. al.* 2020).

Since the inception of the formal securities markets, four types of extraordinary events have posed a challenge to policymakers and market regulators. These are financial crisis, natural catastrophes, manmade disasters and terrorist attacks (Cummins 2007, Bussière and Fratzscher 2008, Worthington 2008, Chesney, Reshetar and Karaman 2011). As the probability of occurrence of

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Mohd Merajuddin Inamdar, Faculty of Finance, National Institute of Securities Markets, Vashi, Navi Mumbai 400703, Maharashtra, Email: meraj.inamdar@nism.ac.in

Minaxi A Rachchh, Assistant Professor, Department of Accountancy, ICLES' Motialaljhunhwala College of Arts, Science and Commerce, Vashi, Navi Mumbai 400703, Maharashtra, Email: rachchh\_a@yahoo.com

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