

*Are Emerging Stock Markets Sideshows?
Some Stylised Facts from an Emerging
Economy, India*

Saumitra N Bhaduri

Director

GE Money-MSE Decision Sciences and Financial Research Lab

Professor

Madras School of Economics,
Gandhi Mandapam Road, Chennai – 600 025, Tamil Nadu, India
saumitra@mse.ac.in

Bhargavi Shankar

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Saumitra N Bhaduri and Bhargavi Shankar

Abstract

The article addresses one of the most important policy questions: what role do emerging stock markets play in influencing real decisions such as corporate private investment? In this article we present some stylised facts about the relationship between the stock market and corporate investment through a case study of an emerging economy, India. The results indicate that the Indian stock market seems to be a sideshow in providing price signals to Indian managers and investment decisions are predominantly determined by a firm's fundamentals. However, stock plays a very important role as a source of finance for the Indian firms.

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MADRAS SCHOOL OF ECONOMICS
Gandhi Mandapam Road
Chennai 600 025
India

Phone: 2230 0304/ 2230 0307/2235 2157

Fax : 2235 4847 /2235 2155

Email : info@mse.ac.in

Website: www.mse.ac.in