Seasonality Effect in Indian Stock Market with Reference to BSE SENSEX Index

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Abstract--- The study tries to investigates the existence of the seasonality anomalies in Indian Stock Market. The study utilizes the Daily return data of the Bombay Stock Exchange's Sensex Index for the period ranging from April 2016 to March 2017 for analysis. The collected secondary data are analyzed by applying Descriptive statistics, Linear Regression and paired 't' test. The results of the study confirm the existence of seasonality in stock returns in India and prevalence of the anomalies in Indian Stock Market. The results of the study confirm that the Indian stock market is inefficient. Hence, investors can time their share investments to improve returns.

Keywords--- Indian Stock Market Anomalies, Seasonality Effect, Day of the Week Effect, Semi Month Effect and Turn of the Month Effect.

I. Introduction

Stock market plays a vital role for the economic development of a country, by properly channeling the funds for productive purpose. The proposition that a well-regulated stock market extends significant economic services is now widely accepted and recognized by various academicians. Stock market assists economy as well as individual investors by mobilizing the scarce resources and allocation in those sectors, which employ them optimally. Stock market assists individual investors by providing continuous market for securities. From economic point of view, a well-developed stock market has been considered requisite for economic growth as well as improvements in country's productivity. The progress of a country can be judged by ascertaining the stock market indicators like liquidity, asset pricing and turnover. In addition, by ensuring a free and fair trading of stocks and performance of pricing mechanism, by ensuring a suitable return on investment will ensure viable investment opportunities, in the stock markets acts as a driving force for channeling savings into profitable investment and hence, ensures an optimal allocation of capital. In recent years, there has been greater distress in the midst of shareholders, portfolio managers and researchers concerning about the behaviour of stock market prices. The investors are eager to earn a higher rate of return on their investments. Hence, in order to satisfy investor's expectations, the portfolio managers have to look at the stock market conditions keenly and accordingly advise investors and to construct a sound portfolio. Our country is believed to be as one of the fastest up-and-coming markets in the world with a well-established stock market with a long history of organized trading in securities. Over the last few years, advanced technology and online based transactions have modernized the stock exchanges whereas, in terms of the number of companies listed and total market capitalization, the Indian capital market is considered large relative to the country's stage of economic development.

Stock market efficiency is amongst the most researched areas in finance. Stock markets are considered efficient informational. The weak form of market efficiency states that it is not possible to predict stock price and return movements using past price data. Following Fama (1965; 1970), a huge number of studies were conducted to test the efficient market hypothesis (EMH). These studies mostly have shown that stock prices behave randomly. More recently, however, researchers have collected evidence opposing to the EMH. They have identified systematic variations in the stock returns. The important anomalies include the Day of the week effect, Semi Monthly effect and the seasonal effect. The existence of the seasonal effect denies the weak form of the EMH and implies market inefficiency. In an inefficient market investor, would be able to earn abnormal profits, that is, returns that are not appropriate with risk.

II. Review of Literature

Archana. S, Mohammed Safeer and Kevin. S (2014) in their study entitled "A Study on Market Anomalies in Indian Stock Market" found that the Turn of the month effect are minimally visible but not statistically proven for