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

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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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