Abstract

The thesis attempts to analyze the competition among stock exchanges, taking a case study of BSE and NSE. Attempt is made to measure the efficiency of both the market by developing a market efficiency coefficient and measure liquidity of the markets through calculation of execution cost of trades. We then attempt to explain the efficiency and liquidity through indicator variables to observe any significant difference prevailing in the two stock exchanges.

Minute by minute data for a portfolio of thirty cross listed stocks in both BSE and NSE is taken for the analysis. Random effect GLS models are used to study the impact of indicator variables on the efficiency and liquidity measures. The results indicate a significant difference between NSE and BSE in terms of both trading efficiency and liquidity over short period and shows convergence over longer periods.