

DOES HERDING BEHAVIOR EXIST IN INDIAN STOCK MARKET?

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ABSTRACT

This paper examines the presence of herding behavior in Indian stock market using daily return data. It creates portfolio of large and small stocks in order to remove any bias and then analyze the presence of herding behavior in both the portfolios separately. This paper also looks at the presence of herding during the stock market crash of 2006 and 2008. Our findings indicate that herd formation does not exist in Indian stock Market. The findings mean that equity return dispersions are higher even during stock market crashes, hence no herding behavior even during extreme downside movements of the market. This findings support rational asset pricing models and market efficiency.