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4. Name of Topic: Firm Characteristics, Market Regimes and the Dynamics of Herding Behaviour: Evidence from Indian Stock Market

Major findings of the studies are:

1. For the period under consideration which is approximately 21 years, there are 295 stocks which trade on more than 80% of the days each year.Empirical evidence suggests no sign of herding in the portfolio of stocks for the full sample period. Since herding is more likely to be present during the times of extreme price movements. Therefore, we examine herding focussing the days on which market return lies in the extreme, upper and lower tail. We find significant evidence of herding among these stocks during extreme positive return days (upper tail).

2. Analysis of various subperiods reveals that during the financial crisis of 2008-09, there was herding on extreme low as well as on extreme high return days.

3. Overall herding is found to be more prominent during high return days than low return days.

4. To investigate whether herd behaviour is related to specific industries, we categorize stocks into specific industry groups and test for herding in each industry group separately.For 10 out of 15 industry groups, we find evidence of herding during bullish times.

5. Regarding market volatility and herding, we find that herding is not associated with market volatility. After dividing the total period into 10 periods of varying levels of volatility, we find no evidence of herding in either of the periods.

6. To examine the relation between market liquidity and herding, we divide trading days into 10 subgroups of varying levels of liquidity based on total market turnover. We find evidence of herding during days with low liquidity. In addition, we examine whether herd behaviour for different periods of market wide liquidity is different for firms of different size. Empirical evidence suggests that herding is more prominent during days with low market liquidity and among small firms.

7. For the group of stocks (295 stocks) which trade continuously throughout the sample period, we find that size is not a significant factor to influence herding. After categorizing the firms into 10 different groups with respect to size, we find that during extreme up return days, most groups of stocks experience herding. Analysis of various subperiods reveals that

sometimes herding is more prevalent in small stocks while on other times it is the group of large stocks which experience herding.

8. With regard to firm-specific liquidity, we find a positive relation between herd behaviour and liquidity.

9. Regarding firm-specific volatility, we find that groups of stocks with a similar level of volatility experience herding. Further, finding suggests that herding is more prominent during extreme positive return days rather than on the days when market declined.