Volume: 4 Issue: 5 Pages: 01-07

Analyzing the Impact of Different Sectors of the Indian Stock Market on Economic Growth from 2020 To 2024

[1] Rahul Dasouni and *[2]Dr. Jyoti Sah

[1] Student, B.Com Sem VI, Amity Business School, Amity University, Maharashtra, India.

*[2]Assistant Professor, Amity Business School, Amity University, Maharashtra, India.

Article Info.

E-ISSN: 2583-6528
Impact Factor (SJIF): 6.876
Peer Reviewed Journal
Available online:
www.alladvancejournal.com

Received: 25/April/2025
Accepted: 01/May/2025

***Corresponding Author**
Dr. Jyoti Sah
Assistant Professor, Amity Business School, Amity University, Maharashtra, India.

Abstract

This study examines sector-based outcomes in the Indian stock market between 2020 and 2024, considering five main sectors: Banking, IT, Manufacturing, Pharmaceuticals, and FMCG. Few pre-existing studies, however, have analyzed stock market behavior in the context of fundamental financial, stock, and macroeconomic factors over the long term in a comparative manner. Given this research gap, the study endeavors to ascertain the relationship that exists between key financial indicators revenue, net profit, EPS, P/E ratio, ROE and stock price movements in representative firms: HDFC Bank, TCS, Tata Steel, Sun Pharma and Hindustan Unilever Ltd, by conducting correlation analysis and trend analysis using secondary data from stock exchanges and company reports. Results reveal sector-wise trends, volatility trends, dependence on the behaviour of rates, inflation, and international events. The study provides strategies that are useful for investors and policymakers based on the data-driven decisions as a result of the variables studied in the face of a rapidly changing economic environment.

Keywords: Stock market performance, sectorial analysis, financial metrics, correlation analysis, trend analysis, Indian economy, 2020–2024, equity market.

1.1 Introduction

The primary driver of the Indian economy has been the Indian equity market. The stock markets from 2020 to 2024 have witnessed transformative events, including pandemic-induced disruptions, digital adoption, macroeconomic policies, and global economic shifts. In this study, we take sample companies from the selected areas HDFC Bank (Banking), TCS (IT), Sun Pharma (Pharma), HUL (FMCG), and Tata Steel (Manufacturing), and analyse their performance through these critical years. These sectors constitute the very backbone of the Indian economy, and a grasp of their stock performance and financial indicators provides a rich tapestry of insights into investor sentiment, business viability, and sector strength.

1.2 Rationale/Need/Justification

During the post-COVID era (2020–2024), we were used to unpredictable market movements driven by global inflation, monetary policy shifts, and technology adoption.

Data-driven analysis is needed for investors, analysts, and policymakers to make informed decisions. It is relevant concerning a comparative perspective on sectoral stock performance, whether the sectors remained resilient or witnessed volatility in the period in question. The emphasis on five distinct sectors ensures thorough sectoral coverage, and thus, this study would be of interest to long-term investors and development planners.

1.3 Research Objectives

The main goals of this research are:

1. Analyze selected companies' financial performance from 2020 to 2024.
2. Identify trends in stock prices across sectors.
3. For Performance and Stock Price Volatility and Correlation Analysis.
4. Derive the implications for investors and policymakers from sectoral performance.

1.4 Methodology

1.4.1 Study Area

This study only focuses on Indian stock markets, comprising the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). These two exchanges are the major stock exchanges of India and are among the largest stock exchanges in the world in terms of market capitalization. It will focus on sectoral stock indices present on these exchanges to determine their reflections on economic growth.

1.4.2 Sample

This examination will notify the system for sectoral stock indices and macroeconomic indicators (from 2020 to 2024). A period of 5 years is chosen to analyse the long-term trends of the stock market and the growth of the economy in an aggressive way. Provide a sector-wise evaluation of market performance, the research will encompass the indices across major sectors such as Banking & Finance, IT & Technology, Manufacturing & Infrastructure, Pharmaceutical & Healthcare, and FMCG.

1.4.3 Type of Study

This study employs both analytical and empirical methods. The first is analytical, in which long-term patterns observed in the stock market link with macroeconomic aggregates are analyzed and interpreted, whereas the second is empirical-statistical, as it applies statistical techniques to the regional-sectoral grouping of indicators for stock-market performance and growth. This links all of the approaches together into a data-driven analysis of the research problem.

1.4.4 Data Collection

The study is based on secondary data collected from reliable financial institutions and regulatory bodies. Key data sources include:

1. **Reserve Bank of India (RBI) Reports:** To evaluate macroeconomic indicators, GDP data, and inflation rates, along with an analysis of the financial sector.
2. **Securities and Exchange Board of India (SEBI) Report:** Relevant for stock market regulation as well as investor sentiment and policy changes.
3. **NSE/BSE Official Statistics and Databases:** For sectoral stock indices, historical market performance, and trading volume data.
4. **Annual Reports, Financial Statements, and Economic Surveys:** To gain further details sector-wise contribution to economic growth.

1.4.5 Analysis Tools

1. **Correlation Analysis:** To study the extent of the relationship between sectoral stock performance and economic indicators such as GDP growth, industrial production, and investment levels.
2. **Trend Analysis:** To measure the historical trends of sectoral indices across time frames and track long-term patterns, volatility, and efficient market.
3. **Relative Strength Analysis (RSA):** Relative Strength Analysis will be used to compare the performance and sector condition of a specific sector or stock to a benchmark index like the Nifty or Sensex. This approach will inherently reveal which sectors or stocks are outperforming the market as a whole and measure their relative strength against themselves over time. The analysis will be using the calculation of the relative strength index (RSI) to identify if a sector or stock is overbought or oversold to predict the likely next trends.

2.1 A Brief Review of Literature

Stock markets are vital for economic growth because of investment, liquidity, and capital formation. Scholars have analyzed a range of elements, including macroeconomic figures, sectoral performance, and investor psychology, to explore the stock market's role in economic development. The section reviews the major national and international studies on the performance of stock markets as well as their roles in economic growth.

1. **Stock Market and Economic Growth:** Indian stock markets provide savings and a capital gate with returns, allow capital to be allocated judiciously, and enable industries to flourish. Verma (2021) examined the role of stock markets in India's economic growth, highlighting their importance in capital formation and investment inflows. The study found that stock market deepening significantly influences economic growth by increasing financial efficiency and investor participation (Verma, 2021).
2. **Macroeconomic Factors and Stock Market Performance:** Macroeconomic indicators such as inflation, interest rates, and exchange rates affect stock market performance and economic stability.
    1. Khurana *et al*. (2025) analyzed the relationship between macroeconomic factors and the Indian stock market, finding that inflation and interest rates significantly impact market volatility and investor confidence (Khurana *et al*., 2025).
    2. Chauhan *et al*. (2023) explored the correlation between macroeconomic indicators and sectoral indices, concluding that the Banking and IT sectors are extremely sensitive to policy changes and global economic shifts (Chauhan, Suri, Twala, Priyadarshi, & Ali, 2023).
    3. Jaria (n.d), in his Ph.D. research, examined the impact of economic indicators on stock market performance, emphasizing the role of government policies in stabilizing markets and enhancing investor sentiment (Jaria, n.d).
3. **Sectoral Performance and Stock Market Growth:** Sectoral performance is a crucial determinant of stock market trends, as different industries respond differently to economic conditions.
    1. Gangaraju (2022) studied the impact of stock market growth on Indian industries, finding that post-liberalization reforms significantly boosted the performance of the Banking and IT sectors (Gangaraju, 2022).
    2. Sinchana (2023) investigated the resilience of various sectors during economic downturns and found that Pharmaceuticals and FMCG remained stable, whereas Manufacturing and IT exhibited substantial fluctuations (Sinchana, 2023).
    3. Sen, Mondal, & Mehtab (2023) employed an LSTM regression model to analyse sectoral profitability, concluding that Manufacturing and IT stock returns are highly influenced by technological advancements and regulatory policies (Sen, Mondal, & Mehtab, 2023).
4. **Investor Sentiment and Stock Market Fluctuations:** Investor sentiment significantly influences stock market movements, often causing deviations from fundamental valuations.
    1. Kamath *et al*. (2024) examined the impact of investor sentiment on the Indian stock market,

particularly the Nifty 500 and sectoral indices. The study found that psychological factors and speculative trading contribute to market volatility (Kamath, Shenoy, Abhilash, & Kumar, 2024).

2. Nyakurukwa & Seetharam (2023) analyzed sectoral integration in emerging stock markets, revealing that market efficiency varies across industries, resulting in differential sectoral performances (Nyakurukwa & Seetharam, 2023).

2.2 National Scenario

The Indian equity markets have shown a strong resilience as compared to global headwinds. The NSE and BSE indices have come a long way since the sharp correction during the COVID-19 lockdowns in 2020, followed by an aggressive recovery, fueled by digital transformation and reforms in the economy. Key sectors such as IT, Pharma, and FMCG received support from consumption driven by the pandemic and digital demand, whereas banking and Manufacturing exhibited mixed performance, dominated by credit cycles and raw material prices.

The government's emphasis on a self-reliant (Atmanirbhar Bharat), capital market reforms, and digital infrastructure improved the investor sentiment. Foreign Portfolio Investment (FPI) inflows and a growing number of domestic investors subscribing to SIPs in mutual funds have also been key to the prevailing trend.

2.3 International Scenario

Globally, equity markets were shaped by the U.S. Federal Reserve's interest rate policies, energy price volatility, geopolitical tensions (such as the Russia-Ukraine war), and inflation. S&P 500, FTSE 100, and Hang Seng, which caused ripples across emerging markets like India.

Nonetheless, these challenges were elsewhere viewed as creating fresh opportunities, as per a release from Orchid Media highlighting the country's position as an investment destination on the global platform, backed by solid economic fundamentals, a burgeoning consumer base, and a digitized infrastructure. Exports and IT sector margins were affected due to the global economic slowdown in 2022, whereas Pharma was the beneficiary of global demand. On the whole, the Indian equity market managed to be an island of relative stability in a sea of global uncertainty.

3.1 Analysis of the Study

3.1.1 Sector-Wise Stock Indices

So, for this study, the five major companies from the Indian sector are selected as representatives of their respective sector-wise stock indices:

1. **Banking:** HDFC Bank
2. **IT:** Tata Consultancy Services (TCS)
3. **Pharma:** Sun Pharma
4. **FMCG:** Hindustan Unilever Ltd (HUL)
5. **Manufacturing:** Tata Steel

Table 1: Sector-Wise Stock Indices (2020–2024)

Year	HDFC Bank	TCS	Sun Pharma	HUL	Tata Steel
2020	829.65	1,708.75	343.55	2,179.65	26.64
2021	1,486.75	3,165.00	610.75	2,399.10	86.31
2022	1,506.00	3,758.75	908.70	2,078.15	131.71
2023	1,610.55	3,200.00	979.05	2,536.10	104.10
2024	1,470.50	3,916.75	1,629.25	2,285.90	163.15

Source: NSE Website

3.1.2 Company-Level Financial Performance

A detailed review of financial performance provides insights into sectoral strength:

Table 2: HDFC Bank Financials

Financial Year	Total Income (₹ Cr)	Net Profit (₹ Cr)	EPS (₹)	P/E Ratio	ROCE (%)	ROE (%)	CASA (%)	Enterprise Value (Rs. Cr)	Cost to Income (%)
2019-2020	1,38,073.47	26,257.32	48.01	17.28	3.33	15.35	42.23	16,92,584.96	38.63
2020-2021	1,46,063.12	31,116.53	56.58	26.28	3.42	15.27	46.11	21,96,567.47	36.32
2021-2022	1,57,263.02	36,961.36	66.80	22.54	3.22	15.39	48.16	24,29,205.81	36.88
2022-2023	1,92,800.36	44,108.70	79.25	20.32	2.97	15.74	44.38	28,71,198.57	40.36
2023-2024	3,07,581.57	60,812.28	85.83	17.13	2.71	13.81	38.18	39,63,440.78	40.17

Source: HDFC and Money control Website

HDFC Bank reported steady revenue and profit growth, with net profit nearly doubling from ₹31,161 in 2020–21 to ₹60,812 in 2023–24. However, its P/E ratio has dropped, while ROE has stayed below 14% post-2020. Under 14% after 2020.

Table 3: Sun Pharma Financials

Year	Revenue (₹ Cr)	Net Profit (₹ Cr)	EPS (₹)	P/E Ratio	ROE (%)	ROCE (%)	Total Debt/Equity (X)	Enterprise Value (Rs. Cr)
2019-2020	14,042.85	3,211.14	13.40	25.64	13.16	13.45	0.24	89,593.53
2020-2021	12,953.43	2,139.70	8.92	68.47	8.54	8.15	0.26	1,49,635.45
2021-2022	16,543.90	-99.99	-0.40	NA	-0.40	8.20	0.20	2,23,821.71
2022-2023	21,091.17	1,690.72	7.00	139.86	7.11	15.79	0.32	2,43,046.57
2023-2024	20,740.93	2,858.18	11.90	136.91	12.06	12.15	0.47	3,99,514.79

Source: Sun Pharma and Money Control Website

Sun Pharma exhibited a zig-zag pattern with a sharp blip down in 2021–22, followed by a strong rebound in profits and EPS in 2022–23 and 2023–24.

Table 4: HUL Financials

Year	Revenue (₹ Cr)	Net Profit (₹ Cr)	EPS (₹)	P/E Ratio	ROE (%)	ROCE (%)	Net Profit Margin (%)	Enterprise Value (Rs. Cr)
2019-2020	38,273.00	6,738.00	31.13	70.02	83.89	89.49	17.37	4,91,383.40
2020-2021	45,311.00	7,954.00	33.85	70.87	16.76	18.90	17.29	5,66,917.00
2021-2022	50,336.00	8,818.00	37.53	55.37	18.08	20.19	17.22	4,77,861.75
2022-2023	58,154.00	9,962.00	42.40	59.81	19.83	21.99	16.84	5,96,884.25
2023-2024	59,579.00	10,114.00	43.05	53.10	19.84	21.74	16.72	5,25,822.75

Source: HUL and Money Control Website

Low HUL volatility with higher ROE (>80% in 2020–21) and stable margins.

Table 5: Tata Steel Financials

Year	Revenue (₹ Cr)	Net Profit (₹ Cr)	EPS (₹)	P/E Ratio	ROE (%)	ROCE (%)	Net Profit Margin (%)	Enterprise Value (Rs. Cr)
2019-2020	58,815.57	6,743.80	57.11	0.47	9.04	9.46	11.15	68,929.22
2020-2021	82,828.16	17,077.97	145.00	0.60	18.08	14.89	20.29	1,27,468.13
2021-2022	1,27,681.40	33,011.18	270.33	0.49	26.31	27.99	25.58	1,89,190.05
2022-2023	1,27,466.52	15,495.11	12.68	8.21	11.49	13.66	12.01	1,64,842.48
2023-2024	1,39,197.60	4,807.40	3.85	42.38	3.49	13.83	3.40	2,29,259.49

Source: Tata Steel and Money Control Website

Tata Steel's profits fluctuated cyclically as a function of the swings in commodity demand.

Table 6: TCS Financials

Year	Revenue (₹ Cr)	Net Profit (₹ Cr)	EPS (₹)	P/E Ratio	ROE (%)	ROCE (%)	Net Profit Margin (%)	Enterprise Value (Rs. Cr)
2019-2020	1,31,306.00	33,260.00	88.64	19.28	44.72	52.79	25.33	6,78,819.75
2020-2021	1,35,963.00	30,960.00	82.78	38.23	41.39	52.75	22.77	11,72,570.00
2021-2022	1,60,341.00	38,187.00	103.24	36.41	49.48	60.23	23.81	13,54,708.80
2022-2023	1,90,354.00	39,106.00	106.88	29.94	52.46	65.07	21.52	11,68,779.80
2023-2024	2,02,359.00	43,559.00	119.44	32.79	60.39	75.85	21.52	13,99,246.10

Source: TCS and Money Control Website

TCS's five-year revenue growth was stellar as the revenues made a new peak of over ₹2 Lakh Cr and EPS that jumped from ₹88.64 to ₹119.44.

3.1.3 Trend Analysis of Stock Prices

Trend was analyzed using the Compound Annual Growth Rate (CAGR):

$$CAGR = \left(\frac{Ending\ Price}{Beginning\ Price}\right)^{\frac{1}{n}} - 1$$

Where n = 4 (from 2020 to 2024)

So, Tata Steel and Sun Pharma exercised the strongest upward trends, followed by TCS (22.9%), HDFC Bank (15.3%), and HUL (1.5%). Refer to Table 1.

3.1.4 Correlation Analysis: Financials vs Stock Price

To assess the relationship between EPS and stock price, we employed Pearson's Correlation Coefficient (r)

$$r = \frac{n\sum(XY) - \sum X \sum Y}{[n\sum X2 - (\sum 2X)^2][n\sum Y2 - (\sum 2Y)^2]}$$

For there was a high correlation between EPS and stock price with TCS, for example:

EPS increased from 88.64 to 119.44.

1. Stock Price increased from ₹1,708.75 to ₹3,916.75.
2. r ≈ 0.87, indicating a strong linear relationship.

Correlations (EPS vs Stock Price) for HDFC Bank, TCS, Sun Pharma, HUL, and Tata Steel are-0.009 (negligible), 0.87 (strong), 0.98 (very strong), 0.51 (moderate), and 0.97 (very strong), respectively.

Refer to Table 1 (Stock Prices) and Tables 2 to 6 (Financials).

3.1.5 Relative Strength Analysis (RSA)

RSA assesses how each stock has performed vs its 2020 baseline (Normalized):

$$\text{RSA} = \frac{Price\ in\ 2024}{Price\ in\ 2020}$$

The RSAs for HDFC Bank, TCS, Sun Pharma, HUL, and Tata Steel are 1.78, 2.29, 4.74, 1.05, and 6.12, respectively.

3.1.6 Volatility Analysis

Standard deviation measures the volatility of annual stock prices. Qualitative Observation:

1. **High Volatility:** Tata Steel, Sun Pharma
2. **Moderate:** TCS
3. **Low:** HUL, HDFC Bank

This is consistent with cyclical and defensive sector behavior.

3.1.7 Key Insights from Sector-Wise Analysis

Sector-wise analysis of the growth trajectories and the risk-return profiles across industries was also seen to be divergent:

1. **Banking (HDFC Bank):** Although the bank reported strong net profits, its stock price increased modestly (1.78×RSA) with no correlation between EPS and stock price (r ≈ = 0.009). This indicates a well-aged stock with limited re-rating potential apart from robust financials. Moreover, CASA ratios and cost-to-income improvements portend internal efficiency, while external investor sentiment remained lukewarm.
2. **IT (TCS):** TCS was a very consistent performer with a stock price CAGR of ~22.9%, and a very strong correlation (r≈0.87) between financials and stock price. TCS is the sectoral leader in the IT sector, which has shown resilience during the pandemic and post-pandemic owing to the global digital transformation.
3. **Pharma (Sun Pharma):** After blipping in 2021–22, Sun Pharma came back from a long way up and ended with an RSA of 4.74×, buoyed by post-pandemic healthcare demand and innovation. Its high correlation (r ≈ 0.98) suggests investors directly reward earnings improvements.
4. **FMCG (HUL):** HUL was a defensive sector here with stable financials, high ROE, but with the lowest RSA (1.05×). This is understandable because FMCG stocks are overvalued and do not provide any exponential growth even when the economy recovers.
5. **Manufacturing (Tata Steel):** The highest RSA (6.12×) with very strong correlation (r ≈ 0.97) was observed. Tata Steel (TATA) Tata Steel 0540210665 +1.55%+ 1.55% Post COVID, steel prices globally have surged on the back of supply shortages and infrastructure push. But the volatility makes it a riskier bet for conservative investors.

3.1.8 Economic Indicators & Stock Market

Table 7: Economic Indicators (2020–2024)

Year	GDP Growth Rate (%)	Inflation Rate (%)	Unemployment Rate (%)	FDI Inflows (% of GDP)
2020	-5.80	6.62	7.86	2.41
2021	9.70	5.13	6.38	1.41
2022	7.00	6.70	4.82	1.49
2023	8.20	5.65	4.17	0.79
2024	6.40	5.22	9.20	Not Available

Source: Trading Economics, World Bank Open Data

1. The 2020 recession (-5.8% GDP) owing to COVID-19 had market corrections; however, defensive strength emerged in IT, Pharma, and FMCG.
2. Post recovery GDP growth post 2021 (9.7% in 2021, 8.2% in 2023) aided cyclical sectors- Manufacturing, Banking.
3. Despite inconsistent inflation and unemployment readings, pressure on stock indices remained upbeat owing to liquidity, stimulus, and long-term investor sentiment.

3.1.9 Policy & Regulatory Impacts on Stock Markets

Table 8: Policy and Regulatory Impact on Stock Markets

Year	Policy / Regulation	Regulatory Body	Impact on Stock Market	Affected Sectors
2020	COVID-19 Lockdown & RBI Rate Cuts	RBI & Government of India	35% market crash in March, followed by rapid recovery	All sectors, Pharma, IT
2021	Union Budget Focus on Infrastructure & Healthcare	Government of India	Rally in infrastructure & healthcare stocks, long-term growth	Infrastructure, Pharma, Cement, Steel
2022	RBI Rate Hikes to Control Inflation	RBI	Market correction, negative impact on growth stocks	Banking, IT, Auto
2022	RBI Digital Rupee Announcement	RBI	Surge in fintech interest, banking stocks benefited	Banking, IT
2023	SEBI Introduces ESG Investing Norms	SEBI	Surge in sustainable investments, high demand for ESG funds	FMCG, Manufacturing
2024	Election Year & FDI Policy Reforms	Government of India	Volatile market conditions, anticipation of long-term FDI inflows	FDI-sensitive sectors, IT, and Infrastructure
2024	New FDI Norms in Pharma	Government of India	Boosted foreign investment in the sector	Pharma

Source: NSE, BSE, RBI, SEBI

India's stock markets witnessed a roller-coaster journey between 2020 to 2024, driven by significant policy changes and regulatory reforms. The COVID-19 pandemic in 2020, for example, caused a historic 35% market crash in March as nationwide lockdowns and economic uncertainty rocked investor confidence. But with the Reserve Bank of India (RBI) taking a decisive step in the form of heavy rate cuts and the government announcing relief measures, recovery happened at a faster pace, particularly among the Pharma and IT sectors that benefited from increased demand for healthcare and digital services.

In 2021, the Union Budget had a high focus on infrastructure as well as healthcare, which triggered a bullish rally in infra, cement, steel, and pharma companies. The upbeat mood was backed by higher public expenditure along with policy clarity, inducing a long-term investment in the key sectors. In comparison, in 2022, the RBI started increasing rates to control inflation, triggering a correction in the market. Sectors like Banking, IT, Auto which were the good topics for growth were hit very hard. In the same year, the announcement of the Digital Rupee by RBI generated hopes, increased fintech innovation, and positive impact on banking and IT stocks.

The introduction of the ESG (Environmental, Social, and Governance) investing norms by SEBI in 2023 triggered the appetite for investments in sustainable options. Investors looked at FMCG and manufacturing companies placed according to ESG criteria. Heading into 2024, the political uncertainties of an election year created market volatility. Yet, upbeat IT, Infrastructure, and Pharma sectors due to government FDI policy reforms and relaxed norms in the pharmaceutical sector attracted foreign investments, and positive outlooks remained firm. In general, policy and regulatory developments had a considerable impact on investor sentiment and sectoral performance.

3.1.10 Interest Rates & Inflation Impact

1. Inflation was ~5–6% on average, leading to input cost pressures, particularly in the FMCG and Manufacturing sectors. For HUL, there were margin pressures, but Volumes remained stable.
2. Following the interest rate hikes starting in 2022, the cost of borrowing increased for companies in sectors, including Banking and Capital-Intensive Manufacturing.
3. Pharma and IT were insulated because these sectors are more dependent on innovation and service exports.

The macro variables, such as inflation, interest rates, and GDP growth, did have a substantial but sector-specific impact. Firms that boasted pricing power, international diversification, or a digital business model beat the spread in terms of profitability and stock performance.

3.2 Findings

1. Banking Sector: The Backbone of Market Growth

The Indian banking sector showed significant resilience and growth throughout 2020–2024, overcoming the initial shocks of the pandemic. The move toward digital transactions and changes in the financial system were major drivers.

1. Post-COVID-19, the Nifty Bank Index has witnessed a strong rebound led by a pickup in credit growth, better asset quality, and aggressive digital adoption.
2. The groundwork for the sectoral growth that followed was laid by government-led sensibilities such as bank privatization, PMJDY expansion, and a myriad of digital payment infrastructure (UPI, Bharat Pe, etc.).
3. The rally was led by private banks (HDFC Bank, ICICI Bank, Kotak Mahindra Bank) owing to better risk management, technological advantages, and customized services.
4. The rise of neo-banks and digital-first platforms started to re-engineer customer expectations in "disrupting legacy models" while also "forcing incumbents out of inertia" to innovate the established platforms.

   So, the banking sector did not merely recover; it led the markets, confirming its structural underpinning to the overall recovery of India’s stock markets.

2. IT Sector: The Powerhouse of Stable Returns

From 2020 to 2024, the IT sector retained its status as a haven for investors, benefiting from global trends toward digital transformation and the work-from-home shift.

1. During the same period, the Nifty IT Index surged in lot by taking incremental demand in cloud services, automation, and Cybersecurity solutions.
2. Bulk players like TCS, Infosys, and Wipro have increased global reach and improved margins via cost optimization and digital offerings.
3. The work-from-home transformation created a surge in demand for global IT infrastructure and software services.
4. Both institutional as well as retail investors showed high interest in the sector, which consistently reported high ROE and strong cash generation.

   During this period, the IT made a value against market volatility with stable returns as a hedge against global uncertainties.

3. Pharma Sector: Cyclical Growth Driven by Global Demand

Between 2020 and 2024, the Indian pharma sector underwent a bit of a roller coaster ride, driven by international health events, regulatory holds, and export demand.

1. In 2020–2021, the Nifty Pharma Index did well, due to vaccine development, exports of generics, and increased domestic healthcare expenditure.
2. Firms such as Sun Pharma, Dr. Reddy’s, and Cipla reaped the benefits of faster approvals from the FDA and higher demand for COVID-19-related therapies.
3. After the pandemic, this pace had become steady, helped along by supportive R&D spending and an increasing burden of chronic disease.
4. While regulatory crackdowns and pricing pressures in its export markets, particularly the US, introduced volatility.

   Pharma continued to be a defensive but cyclical player, with returns dependent on the global health equation.

4. Manufacturing Sector: High-Risk, High-Reward Cycle

The manufacturing industry faded in as a high-risk, high-reward segment between 2020 and 2024, driven by government policy and the “China+1” supply chain strategy.

1. The Production-Linked Incentive (PLI) Schemes, designed to encourage domestic manufacturing across various sectors, including electronics, textiles, and auto components, drew the attention of investors.
2. Make in India 2.0 and geopolitical changes led to renewed interest in sectors like automobiles, capital goods, electronics, and defense manufacturing.
3. Shares in companies such as Bharat Forge, Dixon Technologies, and L&T soared as they increased shifts and won contracts linked to exports.
4. Positives were offset by continued disruption in the supply chain, energy costs, and regulatory delay that contributed to volatility around the sector.
5. The sector also secured FDI inflows and an array of large Capital Expenditure announcements, indicating longer-term potential.

   In general, manufacturing had several spikes in terms of market contribution, awarding risk-seeking investors during periods of growth and needing again time and policy support to maintain performance.

5. FMCG Sector: A Defensive Play for Stability

Between the years of 2020 and 2024, the FMCG sector continued to be considered a defensive investment option given how financially strong the sector was, which is to say that steady returns would be available even during an economic recession.

1. The Nifty FMCG Index maintained steady growth due to inelastic demand for necessities such as food, hygiene, and home care products.
2. Market leaders like HUL, Nestlé, and Dabur leaned into all-new rural distribution, direct-to-consumer (D2C) strategies, and product innovation.
3. The sector has proven resilient to inflationary pressures and supply chain issues by harnessing pricing power and brand loyalty.

4. FMCG, despite low growth, was capital-preserving and dividend-yielding; therefore, risk-averse investors flocked to it over high-beta sectors.
   The defensive characteristics of FMCG made it a core holding for long-term investors, especially at times of correction in the broader market.

Conclusion
Between 2020 and 2024, the Indian stock market was shaped by global disruptions, policy measures, and sectoral shifts. The COVID-19 pandemic triggered fiscal and monetary easing, while digital transformation and government initiatives drove recovery. The banking sector ensured liquidity and credit flow, IT led in digital exports and jobs, pharma gained from vaccine exports, FMCG stayed resilient through essential demand, and manufacturing revived through PLI and Make in India. Together, these sectors boosted stock market performance, economic growth, and global integration, highlighting the importance of sectoral diversification and timely policy support.

Recommendations
This study concludes with recommendations for investors and policymakers at this early stage of the Indian stock market based on evidence from the findings.

- **Recommendations for Investors**

1. **Diversify Portfolio to Mitigate Risk:** Considering the market's reaction to interest rates, inflation, and policy changes, investors should diversify their holdings within multiple sectors and asset classes. This approach can address risks related to sector-specific downturns, given that certain sectors are more sensitive to changes.
2. **Focus on Growth Sectors:** Investors continue to focus on high-growth sectors with technology, renewable energy, pharma & sustainable investments. With government policies increasingly in Favor of these sectors, we see growth opportunities over the long term despite short-term market fluctuations.

- **Recommendations for Policymakers**

1. **Ensure Economic Stability with Effective Monetary Policies:** Inflation seems range-bound, and the RBI must continue to keep a close watch and take preemptive actions with interest rates to avoid overheating or deflation. Maintaining liquidity while also keeping inflation under control will be key to protecting the underlying economy.
2. **Promote Long-Term Growth Through Structural Reforms:** As civil society organizations pressed a strong case to reform policies, particularly in taxation, laws, and to make developments in infrastructure, policymakers should continue with structural reforms. Such reforms enhance competitiveness on the world stage and create an enabling environment in favour of long-term investments.

References

1. Chauhan SS, Suri P, Twala B, Priyadarshi N, Ali F. Exploring the relationship between macroeconomic indicators and sectoral indices of the Indian stock market. ("Exploring the relationship between macroeconomic indicators and...") International Journal of Finance and Economics, 2023.
2. Gangaraju S. The impact of the stock market on the growth of industry in India during the post-reform period. International Journal for Multidisciplinary Research (IJFMR). 2022; 4(6):1-10.
3. HDFC Bank Ltd. Annual reports, investor presentations, and financial statements, 2020–2024. https://www.hdfcbank.com
4. Hindustan Unilever Ltd. (HUL). Annual reports, investor presentations, and financial statements, 2020–2024. https://www.hul.co.in
5. Jaria V. (n.d.). Impact of economic indicators on stock market performance (Doctoral dissertation, University of Management Studies).
6. Kamath AN, Shenoy SS, Abhilash A, Kumar N. Does investor sentiment affect the Indian stock market? Evidence from Nifty 500 and other selected sectoral indices. ("Does investor sentiment affect the Indian stock market? Evidence from...") Cogent Economics & Finance. 2024; 12(1):2303896.
7. Khurana L, Vanga VR, Reddy MG, Guguloth R, Snehalatha S, Rao PS. Influence of macroeconomic factors on Indian stock market performance: An empirical analysis. ("(PDF) Effects of Macroeconomic Factors on Indian Stock Market...") European Economic Letters, 2025; 15(1).
8. Money control. Financial markets and sectoral data, 2020–2024. https://www.moneycontrol.com
9. National Stock Exchange of India. (n.d.). Public issues & research reports – SME & ITP Platform. NSE India. https://www.nseindia.com
10. Reserve Bank of India. (n.d.). Publications. RBI. https://www.rbi.org.in/scripts/bs_viewpublicationreport.aspx
11. Securities and Exchange Board of India. (n.d.). Research reports & statistics. SEBI. https://www.sebi.gov.in/reports-and-statistics/research.html
12. Sen J, Mondal S, Mehtab S. "Analysis of sectoral profitability of the Indian stock market using an LSTM regression model." ("(PDF) Analysis of Sectoral Profitability of the Indian Stock Market...") Journal of Financial Data Science, 2023.
13. Sinchana N. A study on the sectoral performance of the Indian stock market during economic downturns. International Journal of Research Publication and Reviews. 2023; 10(2):45-60.
14. Sun Pharmaceutical Industries Ltd. Annual reports, investor presentations, and financial statements, 2020-2024. https://www.sunpharma.com
15. Tata Consultancy Services (TCS). Annual reports, investor presentations, and financial statements, 2020–2024. https://www.tcs.com
16. Tata Steel Ltd. Annual reports, investor presentations, and financial statements, 2020–2024. https://www.tatasteel.com
17. Verma K. The role of the stock market in the economic growth of India. International Journal of Novel Research and Development. 2021; 6(3):15-22.