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Abstract

The article examines th t. Using daily data of S&P CNX Nifty 50 index of the National Stock Exchange over 1997–2012 and by employing Kalman filter, we investigate for the presence of herding. The article finds that the investors in the Indian market show significant herding behaviour. The presence of herding is robust after accounting for time-varying state variables that capture market volatility and market direction. Herding shows significant movements and persistence in both bull and bear markets and it seems to increase in bear market conditions.

JEL Classification: C02, C21, G11, G14

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