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## CAN COMPATIBLE FINANCIAL MARKETS STRENGTHEN THE STRATEGIC BILATERAL PARTNERSHIP AMONG COUNTRIES? - A CASE STUDY OF INDIA AND SAUDI ARABIA

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### ABSTRACT

*The recent sovereign moves to strengthen bilateral ties between India and Saudi Arabia has paved way to enhance Foreign Direct Investments FDIs and mutual trade. In spite of long history of trade relations, the countries are yet to achieve the optimum success from their bilateral relationship. This paper looks into the recent economic atmosphere in these two nations to evaluate the financial markets. It aims to test the mutual compatibility of these countries for future collaborated integration and strategic strengthening of the existing bilateral relationship. The recent happenings and events in the market related to these two countries are compared with the economic, demographic, socio, cultural comparison of facts from the World Bank and other authentic data providers. This paper analyzed the daily index from Tadawul for Saudi Arabia and BSE SENSEX for India from May 2010 to December 2014 using descriptive statistics and graphical analysis.*

### KEYWORDS

bilateral partnership, strategic bilateral partnership, bilateral compatibility, comparative advantage, financial market compatibility.

### INTRODUCTION

In the global village that the economies have turned into, it make sense to explore regional integration rather than facing the force of global competition alone. World has increasingly observed that multilateral agreements seldom work to the advantage of all member countries. Thus, bilateral agreements could be a catalyst of true economic development when combined with strategic sovereign involvement. Two countries having complementary competitive advantage would make them compatible and this should pave the way for a strategic bilateral partnership between them. The purpose for such a relationship would be to maximize trade opportunities between the countries and to enhance the bilateral strategic development, which might not otherwise be possible. Economists recommend countries with similar economic and political potential to cooperate with each other on defining the absolute, comparative or competitive advantages. (Hasmik.H, Heghine. M, 2014). The potential for trade and economic development is established on the ground of economic outlook and potentials of these economies to be compatible. This means that the two countries need to be compatible in terms of socio-political, geo-cultural and economic factors. For example, the products or services demanded in one country should be abundant in the other and vice versa. In addition, the political, legal and economic condition should complement each other and be favourable to enhance the bilateral relationship.

### REVIEW OF LITERATURE

There has been a significant difference in the performance of countries and their trade and relationships in recent years. The structural rigidity of yester-decades has now faded into flexible crusade of new relationships and agreements between countries. India has realized the need for financial intermediation and a balanced diversification in the financial market.

Chalapati Rao K.S. (n.d.), proposes the need for India to restructure its financial system in the aftermath of the global financial crises, this paper calls for considering the specific characteristics of the Indian economy and markets in finding the best solution to break away from mediocre performance towards extraordinary successes seen in other countries. In this regard Chalapathi warns that the evolving system in India is quite different from that of the world so it would not help to blindly follow the models and policies from other countries. This definitely calls for studying the specific needs of India and searching out for partners who could mutually benefit with our growth and development.

In a study of country compatibility between India and ASEAN countries, Sarath Chandran B.P, (2011), explored 16 industries with the revealed comparative advantage method to test the compatibilities between these countries and found specific areas, which are of comparative advantage to each of these countries. His findings were inferred from the trade indices computed for understanding the trade structure between India and ASEAN. The complementary sectors and products were identified which could enhance trade cooperation between India and specific ASEAN countries which are in different stages of economic development. Thus, the study takes the traditional approach on comparative analysis to demonstrate the value of compatibility in planning bilateral relationships and resulting development plans.

Considering free foreign trade as the fourth economic factor of economic growth, Hasmik H and Heghine, (2014), propagate that for a developing country global competition and multilateral trade relationships may not be the best options so should prefer regionalization or bilateral relationships for strategic growth. The paper provides specific recommendations to South Caucasian governments and instigates that the emphasis on free trade could be a good solution between two or few countries rather than at a larger level. For mutually beneficial and meaningful partnerships, the countries should have bilateral cooperation with compatible countries.

Simeon D, Caralee M, Rita R, (2006) studied the doing business factsheet published by 135 countries to establish a positive relationship between the growth rate of a country with good regulations. They suggest that countries should put prioritize reforms in business regulation and careful planning of growth policies. The indication is that government policies and decisions would go a long way in identifying the right combination of growth and direction. The strategic partnership with like-minded and compatible countries would aid in faster mutual development and growth.

### NEED/IMPORTANCE OF THE STUDY

World Bank, 2014, in its Global Economic Prospects projects that the Middle East and North Africa, and in South Asia would be among the fastest growing economies in the near future. From South Asia, the focus is on India as reforms are being considered to ease supply side constraints, especially in energy and infrastructure. Though for the Middle East the projected growth rate is slower than for India, the direction of Indian growth in energy and infrastructure seems compatible with the existing strength of Saudi Arabia in this industry.

Stephen J. Brown, Jerold B. Warner (1985), test the daily return pattern and they confirm that the empirical event study procedures is more powerful than monthly data. Following this and various other studies that used actual daily data for empirical studies, this paper also considers daily indices for the study period from the two countries.

Various scholars at different level and area of clarification have studied bilateral compatibility. There are many studies undertaken to investigate the possible compatibility of countries for mutual strategic partnership. Yet no study was found in the area of checking the compatibility of two countries from the perspective of financial markets, which this paper pursues.

## STATEMENT OF THE PROBLEM

Studies on Bilateral compatibility between countries are not a new area in economics. There have been several studies in the area of free trade agreements, regional integration, international economic comparison and ascertaining the feasibility of bilateral agreement. However, there is hardly any study in the area of testing the compatibility of two countries by gauging the financial market conditions. Financial market compatibility is important in today's economic conditions where financial markets are the indicators of economic growth and development. This paper thus compares the two countries at various levels of comparison to test their mutual compatibility.

## OBJECTIVES

The specific objectives of this paper are to conduct:

### 1. Comparative study of India and Saudi Arabia to test their mutual compatibility.

This entails a systematic comparison of general socio-political, cultural, geographical and legal aspects of these countries followed by demographic, economic, trade and developmental outlook of these nations.

### 2. Evaluation of the financial markets of India and Saudi Arabia for mutual compatibility.

This involves systematic study of the financial markets with regard to the general overview, the performance in terms of closing price, volume of trade and the percentage of return in these markets.

## HYPOTHESIS (ES)

There were three pairs of hypothesis tested for this study as laid down:

### Null Hypothesis

H<sub>01</sub>: "There is no significant difference in the mean closing price of BSE SENSEX and TASI"

H<sub>02</sub>: 'There is no significant difference in the mean daily volume of trade of BSE SENSEX and TASI'

H<sub>03</sub>: 'There is no significant difference in the mean daily returns of BSE SENSEX and TASI'

## RESEARCH METHODOLOGY

The paper poses a positivist epistemological stance. This implies that the study aims to discover the real situation regarding the circumstance under investigation with quantitative empirical methods (Easterby-Smith, Thorpe and Jackson, 2012). The data utilised is factual collected from reliable data set providers including the actual daily financial data collected from the sources and treated for comparability.

### Scope of the Study

The scope of the study covers the identified areas of comparison based on the fact sheet data and daily indices of Saudi Arabia and India. The financial market study was conducted from May 2010 to December 2014.

### Sources of Data

All the fact figures and data were taken from authentic sources like; Reserve Bank of India Data and Statistics, World Bank Dataset, International Fund IMF, Tadawul - Saudi Arabian Stock Market. Saudi Arabian General Investment Authority, Capital Market Authority, Central Information Commission - India, The Indian Government, Bombay Stock Exchange and the embassy websites of India and Saudi Arabia.

### Study Period

The most recent data was collected from the sources in the form of data. For the financial data, daily stock market data was collected from their respective sources. The study period is from 17 May 2010 to December 4 2014. Since the first day of operation for Tadawul was 17 May 2010, matching period data was collected for BSE SENSEX.

### Tools used for data collection and analysis

Direct download of fact sheets information and the daily indices of these countries was used as a means of data collection; MS Excel is used for basic data collection, tabulation and analysis. There was logical evaluation and analysis of the data collected for these countries relating to the economic, demographic, socio, cultural facts. The daily index from Tadawul for Saudi Arabia and BSE SENSEX for India from May 2010 to December 2014 was analyzed using descriptive statistics, ANOVA and graphical analysis.

### Limitations of the study

The study is limited to the two countries India and Saudi Arabia with an intention to test their propensity for a fruitful bilateral partnership. The data used for the empirical study though taken from authentic sources were analyzed using simple descriptive statistics, graphical analysis and single factor ANOVA analysis has been used to logically put together the findings and analysis.

## RESULTS & DISCUSSION

### INDIA - SAUDI ARABIA GENERAL COMPARISON

India is the largest democracy with the second highest population in the world. It contributes 6.8 % to the world GDP but falls in 126 rank in terms of GDP per capita. India has second largest agriculture sector after China (IMF Database, 2014). India's economy has developed quickly in the last decade, improving living standards and experiencing strong growth and challenges due to prolonged external slowdown and domestic constraints such as high inflationary pressures and rising fiscal and current account deficits. On the positive industrial output, India expanded at a 3.5 percent annualized pace in 2014 after a 4.8 percent contraction in 2013Q4. India's growth is projected to accelerate to 6.3 percent in FY2015-16 and 6.6 percent in FY2016- 17. (World Bank, 2014).

Saudi Arabia has rich natural oil resources and one of the few such countries, which are exception to the paradox of plenty, with a well-regulated government sector, which has managed the economic, and natural resources well to date. In terms of population, it is only about a tenth of India's population and its national GDP. Being one of the world's Top 20 most competitive economies makes Saudi Arabia the perfect investment opportunity. Saudi Arabia is ranked fifth in the world for "fiscal freedom" and it is the third most rewarding tax system in the world. It is one of the world's 20 largest economies (19th) and the largest economy in the MENA region. Saudi Arabia is considered one of the world's fastest growing countries. Economic growth was 6.8% in 2012. It is the world's fastest reforming business climate. It is the largest free market in the MENA representing 25% of total Arab GDP. It has 25% of world's oil reserves. Saudi ranks 22 out of 185 countries for the overall ease of doing business globally. First for ease of registering property and it's the largest recipient of Foreign Direct Investment in the Arab world. (IMF Database and World Bank Data)

India has a healthy bilateral relationship with Saudi Arabia since time immemorial. In the medieval times when India was the center for all raw materials, spices and precious metals, Arabs were the monopoly traders in spices to link Indian goods with the rest of the commercial world. This continued until the colonial rule distorted this arrangement. Over the years, these two countries maintained good trade relations. Since the year, 2000 there have been deliberations and positive actions from both countries, which provided a surge in the relationships. Would these deliberations lead to strategic bilateral partnership would depend on how

compatible these two countries are in the areas that matter. It is logical to have an overall comparison before delving into testing the financial market compatibility between these countries.

India and Saudi Arabia are very different from each other in many ways. In fact, there may be more differences than similarities between these countries according to the social, political, cultural or legal system. The following table demonstrates the myriad of differences the two selected countries demonstrate.

**DEMOGRAPHIC COMPARISON**

There seems to be some compatibility in the demographics than in the general area. The size of population and density is at the opposite end, which means there is scope for integration and scope for improved trade relations, which is as evidence from the movement of work force from India to Saudi since several decades. The median age is same which means the human capital is compatible with each other. Both the countries have young population, which is ambitious and energetic, which could lead to fruitful collaboration and compatibility in building strategic partnerships between the two nations.

**TABLE 1**

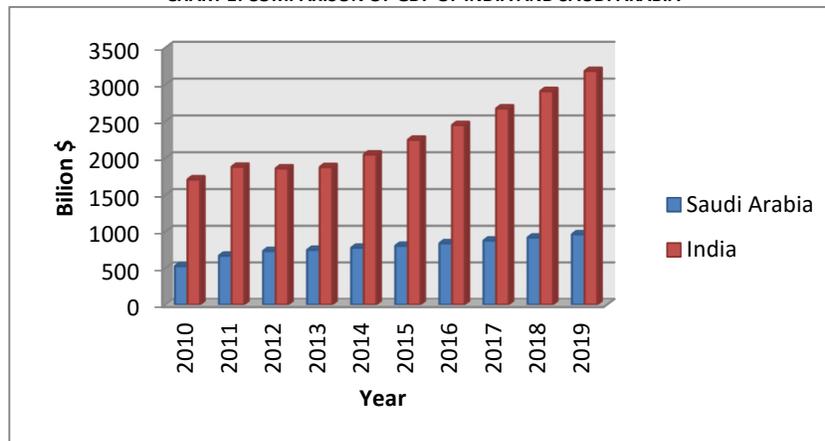
Demographic Comparison		
	India	Saudi Arabia
Population	1,236,344,631	27,345,986
Population density	371 per sq km	12 per sq km
Urban Population	31%	63%
Median age	26.7	26.7
Sex ratio	1.08 males per female	1.21 males per female

Data sources: World Bank. 2013. *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group. DOI: 10.1596/978-0-8213-9615-5. License: Creative Commons Attribution CC BY 3.0

**ECONOMIC COMPARISON**

While comparing the two countries from the economic perspective, it is interesting to note that in terms of absolute GDP India ranks 4th only after, United States of America, The European Union and China. However, per capital GDP is another story for India. Whereas for Saudi, in terms of GDP the amount is not very bright, but in terms of per capita GDP Saudi ranks 7th in the world. Thus, the statement India is a rich country with poor people whereas Saudi is a not so rich country with rich people. This could mean good compatibility between the two nations where Saudi investment in Indian business or Saudi Business with Indian talents could mutually benefit both nations by enabling diversified investments and utilization of idle resources. To bring about more investment from the vast Indian GDP, Saudi markets could encourage FDIs from India, which is already in process as currently the Capital Market Authority of Saudi Arabia is opening up Saudi market for FDIs and India is looking to advance its foreign investment in Saudi Arabia.

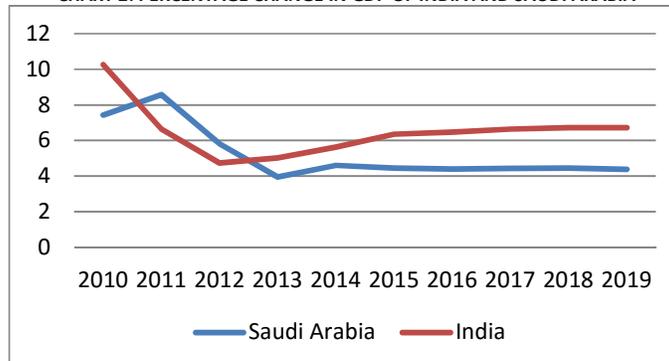
**CHART 1: COMPARISON OF GDP OF INDIA AND SAUDI ARABIA**



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

Also comparing the changes in the GDP it is found that the changes in both countries are positively correlated. The calculated correlation for the percentage change is 0.468951. Therefore, it would mean that the movements in the GDP are positive. The efforts at improving the GDP of one country should lead to an increase in the other.

**CHART 2: PERCENTAGE CHANGE IN GDP OF INDIA AND SAUDI ARABIA**



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

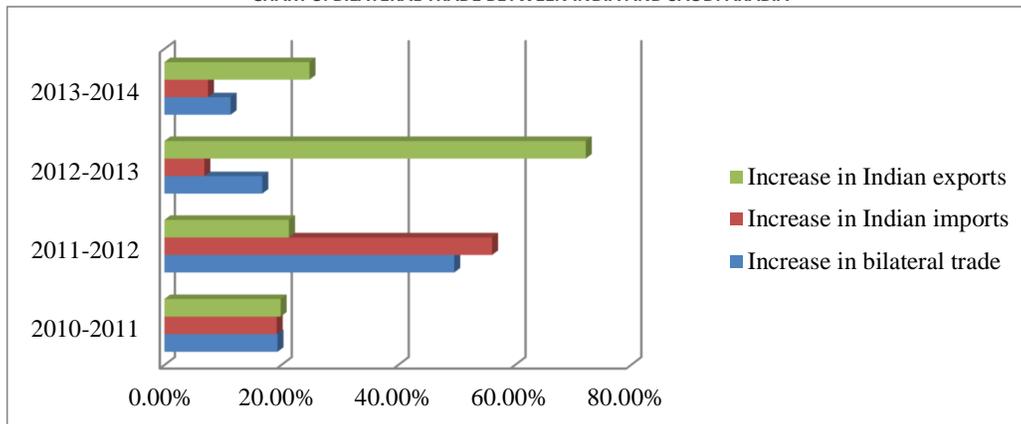
**TRADE AND COMMERCE**

Saudi Arabia is largest supplier of crude oil for India; it amounts to 17 % of our requirements besides accounting for 6.35% of India’s global imports. In addition, Saudi Arabia is one of the major markets in the world for Indian exports. It amounts to more than 1.86 percent of India’s global exports. Thus, Saudi is the fourth largest trading partner for India.

For Saudi Arabia, India is the fifth largest market for its exports. India ranks seventh largest buyer and is source of around 3.46% of Saudi Arabia’s total imports.

The total worth of bilateral trade in 2010-11 between these countries was \$25.07 million, which steadily grew to \$48.75 million in the year 2013-14. The trade relationship between the two countries is currently blossoming. India's imports from Saudi Arabia has been \$20.39 million in 2010 which grew to about \$36.53 in 2014 and the Exports to Saudi Arabia has increased tremendously from a mere \$4.68 million in 2010 to \$12.21 million. An analysis of the annual changes in the bilateral trade follows.

CHART 3: BILATERAL TRADE BETWEEN INDIA AND SAUDI ARABIA



Data Sources: Department of Commerce & Industry, GOI; www.dgft.gov.in and Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia, (2013)

There has been an unprecedented 72% surge in the Indian export during 2012-13 and there has been a constant rise in the total value of the trade through many years now.

It is easy to see these two complementary nations are exploiting the development opportunities together. Both countries can benefit from the flow of human and financial capital, exploiting the natural resources and the competitive advantage that each of these countries have in different sectors. In this regard, the economic and monetary policies should consider the impact of changes in money supply, interest rates and ensure economic stability to negate the ill effects of high inflation rates. (Rufin-Willy Mantsie, 2012).

#### DEVELOPMENTAL OUTLOOK

The Development policy of India is to achieve faster, more inclusive and sustainable growth, which it plans to achieve by Improve teaching and national assessment systems to raise education standards. India and Saudi Arabia are looking out for foreign investments and diversification. The respective governments are positive about the future development and growth in all sectors. It is interesting to note that framework of cooperation in the form of joint commission meetings, India-Saudi Business Council and regular meetings are part of supportive programs.

Saudi Arabia has issued hundreds of licenses to Indian companies for joint ventures and full ownership firms in the areas of designing, consultancy, financial services and software development. India has already taken actions to improve foreign investments and specifically invited Saudi Arabia to collaborate several big projects in India. Saudi Arabia will soon be opened to FDIs, which could be a new vista for mutual trade, and business related interaction between these two countries.

Thus, the developmental outlook in these two countries look complementary. Indian businesses have been substantially investing in Saudi Arabia for years and the recent multibillion-dollar real investments from Saudi Giant companies like SABIC and Alzamil are proofs of this partnership having further potentials.

#### FINANCIAL MARKET - THE FIFTH SECTOR

Agriculture, manufacturing, trading/ merchandising and services were the four major sectors of an economy. Financial markets has evolved as the fifth important sector especially after the globalization phenomenon. The financial markets are considered as indicators of economic growth. Financial market provide leading as well as lagging indicators in the form of stock market indexes, asset price, market capitalization etc, which can gauge the pulse of any country and its potential development.

The economic, demographic, geographical, political and cultural differences do create an illusion that the two are incompatible for any meaningful long-term relationships. Yet the similarity in trade, commercial, financial and developmental outlook of these countries appear promising and calls for further exploration. The author attempts to make sense of the financial facts of these countries to accomplish a critical evaluation of this vision.

#### FINANCIAL MARKET OVERVIEW

##### SAUDI ARABIAN STOCK MARKET

Though joint stock companies were vogue in Saudi Arabia since 1930's, there were only 15 public companies until 1975. Since 1975 with rapid economic expansion, a number of large corporations and joint stock banks were established. It was only in 1984 that a formal regulated market under a Ministerial Committee composed of the Ministry of Finance and National Economy, Ministry of Commerce and Saudi Arabian Monetary Agency (SAMA) was formed. SAMA was the governing body regulating and monitoring market activities until the Capital Market Authority (CMA) was established in July 2003 under the Capital Market Law. At present CMA is the sole regulator and supervisor of the capital market, it issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

Tadawul is the only stock exchange in Saudi Arabia. There are 163 companies listed and trading in Tadawul, though many of the companies do not trade regularly, the volume of trade generated each day is impressive. Tadawul lists and trades equities of these listed companies as well as Sukuk and bonds, exchange traded funds and Mutual funds in the open market. Tadawul has a fully automated modern online trading system.

The Tadawul All Share Index (TASI) is a major stock market index, which tracks the performance of all companies listed on the Saudi Stock Exchange. The index has a base value of 1000 as of 1985 and it was reorganized on June 30, 2008. At present, the Tadawul All Stock Index (TASI) is trading at 8,525. It had reached a highest of 20634.86 Index points in February of 2006 and a record low of 1140.57 Index points in May of 1995.

##### INDIAN STOCK MARKET

Indian stock market is one of the oldest markets in Asia. Historically stocks were traded in the 18th century and during 1830s, there was proper trading in corporate shares and bank stocks. Indian stock market is ruled by two major stock exchanges: the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has been in existence since 1875. The NSE, on the other hand, was founded in 1992 and started trading in 1994. However, both exchanges follow the same trading mechanism, trading hours, settlement process. BSE had about 5,537 stocks listed and of them 4,242 are eligible for trading. For NSE, there are about 1,635 companies listed, most of the companies listed on BSE are also listed on NSE. While the BSE ranks 11th largest stock exchange in terms of market capitalization, NSE is the 12th largest. There are 22 other smaller stock exchanges in India that trade locally, which are not as impactful as NSE and BSE.

The BSE SENSEX is one of the main indices of the BSE and the NIFTY is the index for NSE. Currently SENSEX is trading at 27,371.84 index points and the NIFTY is at 8,225.20.

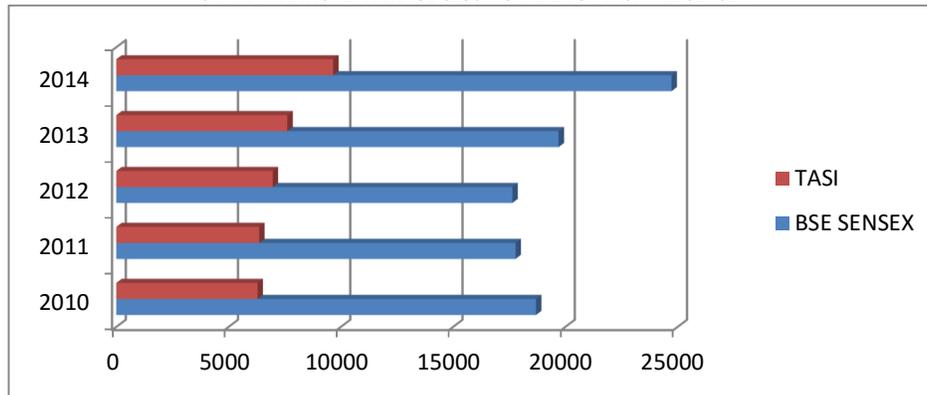
**FINDINGS**

For evaluating the compatibility between Saudi Arabia and India, a comparison between BSE SENSEX to represent the stock market indicator for India and TASI for Saudi Arabia is considered. The historic daily index for both these stock markets were collected from May17 2010 (First day of trading for TASI) until Dec 4 2014. The closing price and the volume of trade were considered for both these indices for the period. Total number of data available was 1130 for BSE SENSEX and 1153 for TASI. To normalize the data for comparison, monthly averages were calculated and these averages, thus there were 56 monthly average figures available for each one of these variables.

In addition, daily returns were calculated by using the HPR formula for daily closing prices. Previous day closing minus current day closing divided by previous day closing was considered as a return for each day. This was also converted into monthly average.

The following observations were derived from the collected data. The average closing Index for SENSEX has been higher than TASI throughout the study period. However, it is interesting to note the movement of both the closing were synchronized in aggregate.

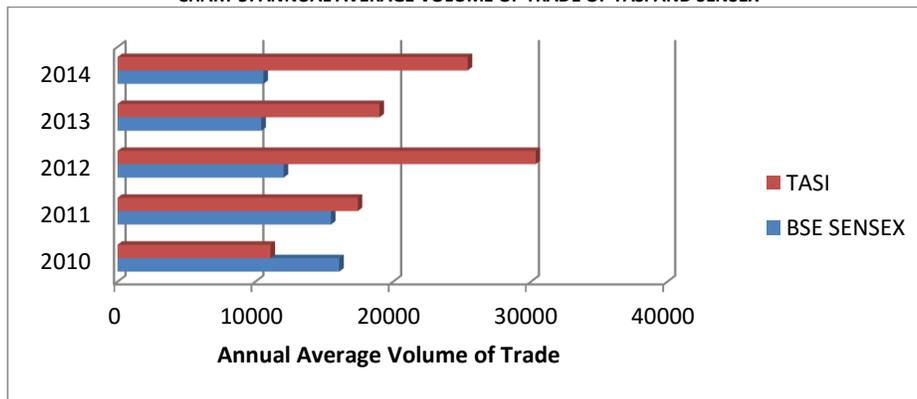
**CHART 4: ANNUAL AVERAGE CLOSING INDEX OF TASI AND SENSEX**



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

Volume of trade painted a different picture about these stock markets; TASI had a higher volume of trade as compared to SENSEX. In addition, there is not much correlation in the movement of volumes in these two indices. The calculated correlation was 0.0129. This could indicate that the factors governing the stock market activities are dissimilar between these stock market, so arbitraging opportunities could exist this helps the liquidity in the market by encouraging investors' movement in and out of the market.

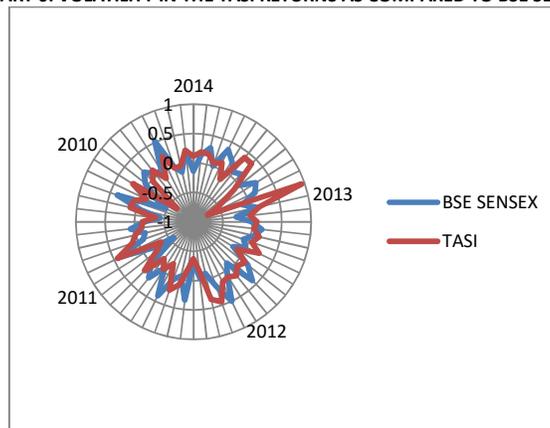
**CHART 5: ANNUAL AVERAGE VOLUME OF TRADE OF TASI AND SENSEX**



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

In comparing the volatility of the market returns, the calculated returns in the two market was plotted on a radar chart. As indicated below it was observed that the returns on TASI were more volatile than the return in the BSE index. The calculated correlation of the return between the two index was 0.1479 which again indicates small correlation. This justifies the analysis made with regard to the compatibility of the two markets for the flow of funds between them.

**CHART 6: VOLATILITY IN THE TASI RETURNS AS COMPARED TO BSE SENSEX**



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

The sharp movements in the TASI indicates higher level of risk in the Saudi stock market. It is interesting to note that that the descriptive statistics gives an entirely vivid picture of anomaly demonstrated by TASI performance as compared to SENSEX.

#### RESULTS OF DESCRIPTIVE STATISTICS FOR THE DAILY RETURNS OF BSE SENSEX AND TASI DURING THE STUDY PERIOD

TABLE 2: DESCRIPTIVE STATISTICS FOR THE DAILY RETURNS OF BSE SENSEX AND TASI FOR THE STUDY PERIOD

	Daily Return		Daily Volume	
	BSE	TASI	BSE	TASI
Mean	0.03993	0.02838	12708.0581	21343.50614
Standard Error	0.03117	0.03645	512.952861	1343.096515
Median	0.03107	0.06504	11620.1299	20018.90476
Standard Deviation	0.23326	0.27278	3838.58772	10050.814
Sample Variance	0.05441	0.07441	14734755.7	101018862
Kurtosis	0.17812	2.31336	-0.0440633	5.636584709
Skewness	-0.1752	-0.0389	0.83579063	1.915479737

Source: Data Collected from www.rbi.org.in, www.tadawul.com.sa, and Computed using Microsoft Excel Data Analysis tool

The mean return of SENSEX for the study period was 3.99% while that for TASI was only 2.84%. It would be expected that in such a situation the risk for the later would be lower as compared to the former. Nevertheless, the calculations indicate just the opposite, the standard deviation, which is a measure of risk for SENSEX was 23.33% while that for TASI was higher at 27.28%. The expectation of high-risk high return does not seem to work for TASI as compared to SENSEX. So broadly, it would mean that the funds would flow from Saudi Stock market to Indian stock market, if this is easily facilitated through strong bilateral partnership between these countries and investors from both the countries should gain.

#### ANOVA ANALYSIS

TABLE 3: ANOVA RESULTS FOR THE DAILY CLOSING INDEX OF TASI AND SENSEX

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	771133802	1	771133802	93.46751184	2.25991E-16	3.927393393
Within Groups	907531574.9	110	8250287.044			
Total	1678665377	111				

Data source: International Monetary Fund, World Economic Outlook Database, October 2014

Finally, one-way ANOVA was considered to test the hypothesis whether there are significant differences between the mean groups of BSE SENSEX and TASI as reported in the above table. The results to be is that noted at a 95% significance level, the p-value is 0.025119 ( $p = 2.25991E-16$ ), which is below 0.05 indicating that the 'p' value is statistically significant and therefore the Ho1: 'There is no significant difference in the mean closing price of BSE SENSEX and TASI' is rejected.

TABLE 4: ANOVA RESULTS FOR THE DAILY VOLUME OF TASI AND SENSEX

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	12755219404	1	12755219404	252.5314411	2.94906E-30	3.927393393
Within Groups	5556037412	110	50509431.02			
Total	18311256816	111				

Data source: International Monetary Fund, World Economic Outlook Database, October 2014

One-way ANOVA was also generated for the trading volumes on these indices to test the hypothesis whether there are significant differences between the mean groups of BSE SENSEX and TASI as reported in the above table. The results at 95% significance level gives the p-value of 0.00294962 ( $p = 2.94906E-30$ ), which is below 0.05 indicating that the 'p' value is statistically significant and therefore the Ho2: 'There is no significant difference in the mean daily volume of trade of BSE SENSEX and TASI' is rejected.

TABLE 5: ANOVA RESULTS FOR THE DAILY RETURNS ON THE CLOSING INDEX OF TASI AND SENSEX

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.003736371	1	0.003736371	0.058008836	0.810119532	3.927393393
Within Groups	7.085141093	110	0.064410374			
Total	7.088877464	111				

Data source: International Monetary Fund, World Economic Outlook Database, October 2014

One-way ANOVA was generated for the daily returns calculated by using the holding period return formula on the daily closing indices to test the hypothesis whether there are significant differences between the mean groups of BSE SENSEX and TASI as reported in the above table. The results at 95% significance level gives the p-value of 0.810119532, which is above 0.05 indicating that the 'p' value is statistically insignificant and therefore the Ho3: 'There is no significant difference in the mean daily returns of BSE SENSEX and TASI' is accepted.

#### CONCLUSIONS AND RECOMMENDATIONS

Financial markets of these countries have different characteristics pertaining to the origin of the exchanges, the types of transactions, the investor and trader base, the securities traded, volume, close and returns. The diversities as evaluated in the foregoing section, does indicate the variations, which are strong indicator of compatibility of these markets for strategic partnerships. Following the findings from the above tests, it can be concluded that there are no significant difference in the return patterns of the two stock markets, while the differences is in the prices and volume. While India is, a highly liquid market that has balanced volatility in terms of prices and volume, the TASI is a still growing market that needs to stabilize its position. Integrating its financial market with a mature market like India, which ranks among top performing markets, would boost the stability of the Saudi economy, provide the much needed investment opportunities and the avenues to diversity the portfolio among Saudi investors and policy makers. Migration of skilled experienced financial experts, movement of funds and opportunities for arbitrage, which could boost the market activity, is the need of the hour for both India and Saudi Arabian Capital markets. Saudi government's efforts to diversify and modernize the country's economy, Saudi Arabia's abounding financial resources on the other hand can be exploited in bolstering India's infrastructural development programs. India can benefit from such relationships and solve her deficiencies in the crucial petroleum upstream, midstream and downstream sector. Moreover, mutual strategic partnership in a variety of avenues like tackling piracy, confronting terrorism, preventing illegal arms, narcotics and human trafficking and collaboration in information technology, food processing, health care, biotechnology, automobile industry, space exploration and defence research and production can revolutionize the relationship between two rich Asian cultures.

A meaningful Saudi-India bilateral strategic partnership amicably followed by these countries would be a win-win proposition for both countries. The existing relationship between Saudi Arabia and India could form a firm foundation on which most-strategic bilateral partnership could be built. With a political understanding of the need for such bilateral partnerships and positive steps to achieve it could pave the way for development in the arena of financial growth, economic development, security, social, political, cultural and science and technology.

**LIMITATIONS**

The study is limited to the two countries India and Saudi Arabia with an intention to test their propensity for a fruitful bilateral partnership. The data used for the empirical study though taken from authentic sources were analyzed using simple descriptive statistics, graphical analysis and single factor ANOVA analysis has been used to logically put together the findings and analysis.

**SCOPE FOR FURTHER RESEARCH**

As a starting of point in the quest for signs of bilateral compatibility between these countries, the study has achieved its objectives. Yet there is a possibility to further this study to investigate the compatibilities in different sectors and industry. Elaborate study could be undertaken to empirically find those areas of comparative advantage that these countries have in relation to each other. Studies can also be conducted to explore the policy updates required to bring about a strategic bilateral partnership between these young and developing nations.

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