



**Original Article**

**IMPACT OF ARTIFICIAL INTELLIGENCE ON SHARE MARKET ANALYSIS IN INDIA**

**Mr. Sanket Dattatray Gandhi**

Research Student,

Department of Commerce and Management, Shivaji University, Kolhapur

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Corresponding Author:  
Mr. Sanket Dattatray Gandhi

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**Abstract:**

The Indian equity market is currently undergoing a structural transformation operated by Artificial Intelligence (AI). This paper examines how AI, ranging from Machine Learning (ML) models to Generative AI, has changed market analysis in India. While traditional technical and fundamental analyses remain still relevant, AI-driven tools now process large datasets—including social media sentiment, global macroeconomic shifts, and real-time news—to provide predictive insights. The study shows the shift from human-led intuition to algorithmic precision, the rise of agentic AI in retail trading, and the regulatory challenges posed by SEBI and the RBI. Findings suggest that while AI significantly enhances market efficiency and data accessibility for retail investors, it also introduces systemic risks, such as "flash crashes" and algorithmic bias, which require robust oversight.

**Keywords:** Artificial Intelligence, Indian Share Market, Algorithmic Trading, Predictive Analytics, SEBI, Machine Learning, NSE/BSE

**Introduction:**

The AI Inflection Point for decades, the Indian stock market was driven by physical trading pits and, later, basic electronic screens. However, 2024 marked a turning point. By March 2024, Indian exchanges recorded over 5 billion market messages in a single session, only AI can manage it. Today, AI is digital copilot for the everyday Indian investor; it is no longer a luxury for hedge funds.

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**Objectives of the Study:**

The primary objectives of this research are:

1. To analyze the current state of AI adoption among institutional and retail investors in India.

2. To evaluate the effectiveness of AI-driven predictive models (like LSTM and Transformers) compared to traditional statistical methods.



3. To investigate the role of sentiment analysis in predicting volatility in the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).
4. To identify the risks associated with AI-driven market analysis, including ethical concerns and data privacy.
5. To suggest a framework for the responsible integration of AI in the Indian financial ecosystem.

### Research Methodology:

This study employs a Mixed-Method Research Design:

- **Secondary Data:** Extensive review of literature from 2023–2026, including SEBI consultation papers, RBI's "FREE-AI" committee reports, and financial journals.
- **Quantitative Analysis:** Use of historical data from the Nifty 50 index to compare the accuracy of AI models (Long Short-Term Memory - LSTM) against traditional Moving Average Convergence Divergence (MACD) indicators.

**Qualitative Analysis:** Case studies of Indian Fintech platforms (e.g., Zerodha, Groww, IND money) to understand user adoption and "Nudge" AI features.

Data was collated from Yahoo Finance, NSE/BSE official filings, and the 2025-26 Economic Survey of India.

### Impact of AI on Market Analysis:

1. **From Technical Analysis to Predictive Modeling:** Traditional technical analysis relies on historical price patterns. However, AI models like Random Forest and Neural Networks can identify non-linear relationships that the human eye cannot identify. In India, AI is now used to correlate local GST collection trends, monsoon data, and international crude oil prices to

forecast the changes in specific sectors like FMCG or Auto.

2. **Sentiment Analysis and Social Media:** India has one of the world's largest retail trading populations on social media (Finfluencers, Twitter, and Telegram). AI tools now perform Natural Language Processing (NLP) on these platforms in multiple Indian languages. For instance, an IIT-Bombay study in 2024 showed that bilingual sentiment analysis improved forecasting accuracy by 15% in the Indian context.
3. **The Rise of Robo-Advisors:** Platforms like Screener.ai and INDmoney have democratized sophisticated analysis. These tools read through thousands of pages of Annual Reports and Earning Call transcripts in seconds, highlighting "Red Flags" or growth opportunities that human analyst would take days to find.

### Findings and Suggestions:

1. **Market Efficiency:** AI has reduced the bid-ask spread and increased liquidity in mid-cap and small-cap stocks by providing better data visibility.
2. **The SaaS Apocalypse Effect:** Recent events in early 2026 show that while AI helps analysis, it also threatens the valuation of traditional IT stocks (TCS, Infosys) as AI agents begin to automate back-office financial tasks.
3. **Retail Empowerment:** Retail traders now account for a higher percentage of algorithmic trades thanks to SEBI's 2022 and 2024 rulings allowing pre-tested retail algos.
4. **Anomaly Detection:** SEBI's AI Data Lake has successfully flagged coordinated pump-and-dump schemes it saved investors' hundreds of crores.



**Suggestions:**

1. Explainable AI (XAI): Regulators should direct that AI models provide reasoning for their trade to prevent black box trading where no one knows why a crash happened.
2. Ethical Guidelines: Financial institutions must adopt the RBI's FREE-AI (Fairness, Resilience, Explainability, and Ethics) guidelines to make sure that AI doesn't make discrimination against low-income investors.
3. Kill Switches: Every AI-driven trading system must have a mandatory Kill Switch to stop automated trading during extreme global volatility.

**Conclusion:**

Artificial Intelligence has permanently altered the Indian share market. It has moved analysis from the realm of calculated guesses to data-driven certainty. However, the crash of IT stocks in February 2026 serves as a reminder that AI is a double-edged sword. It can create immense

value through efficiency, but it can also disrupt entire sectors overnight. For India to remain a global leader in AI-driven finance, it must balance innovation with the human philosophy. It must ensure that technology serves the investor, not the other way around.

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