

FACTORS AFFECTING THE MOVEMENT OF STOCK MARKET IN INDIA

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ABSTRACT: The study focuses on the factors which are affecting the movement of the stock market for the purpose to be alert enough about happenings in the stock market. Three years of data is taken under consideration. Regression analysis and correlation were used to analyze the data. The result showed that the variables have impact on stock market movements. NSE stock market movement and USD/INR exchange rate have both negative and positive relationship. It is necessary for investors in designing portfolio and help the other people to have a knowledge related to stock market i.e. how to earn and invest in the market.

INTRODUCTION

A exchange, share market or price showcase is that the assortment of purchasers and venders of stock that addresses possession affirms on associations. These might be a part of securities recorded on the open securities market equally because the stock that's merely listed subtly.

The Indian securities trade happens on its 2 stock exchanges:- the Mumbai exchange (BSE) and therefore the National exchange (NSE). The BSE has been in closeness since 1875 and therefore the NSE was engineered up in 1992 and began commercialism 1994. In any case, the 2 exchanges look for when a comparative commercialism framework, settlement method, etc. Out of all the recorded companies on the BSE, simply around five hundred companies build up over ninetieth of its market capitalization.

Because of the steady changes and extending of the FII hypothesis the stock exchange in India has tripled in the past 2 decade. The associate of backup things drove with the development in players in the Stock exchange. Over the span of ongoing decades a wide of combination of segments have expected an immense activity in the adding to the insecurity of the Stock Market. Eventually there are around 23 Stock Markets India.

The central point assumes an overwhelming job in the unpredictability of the market are:

- FDI & FII
- Inflation Rate
- Monetary Policies
- Exchange Rate

The greater part of the components influencing the market are interlinked as the impact of one parameter is the consequence of the move made because of the other parameter on the business sectors.

VARIABLES THAT EFFECT STOCK MARKET IN INDIA

Hypothetically, stock costs of an organization ought to change dependent on an organization's exhibition as it were. Be that as it may, much the same as in some other field, speculations face a huge test regarding genuine the Stock Market field also.

- Firm related factor- For every investor it is very necessary to know which factors are affecting the stock exchange because the factors are responsible for the up and down movement in the stock prices.
- Financial factor-Inflation- Inflation has a direct impact on stock exchange as when the price increases directly or indirectly, stock market is affected.
- Monetary policy
- Exchange rate
- Other factors such as politics, price rigging

LITERATURE SURVEY

According to Galbraith (1954) has discovered that the Great Crash of 1929 was trailed by blast. Because of fast monetary development of the 1920s made elation in speculation. The Element of credit from representatives included fuel in it for example perilous influence. All these are because of nonsensical financial specialists.

According to De Long and Summers (1989) demonstrate that the difference of genuine GNP was very little higher amid the monetary frenzies from 1890-1913 than amid non-alarm periods.

According to Schwert (1988) demonstrated that the standard deviation of both stock returns and modern generation are higher amid retreats than amid extensions.

According to White Eugene N. (1990) discovered that the real explanation behind the accident of 1929 was the unreasonable conduct of the speculator. The insanity of the speculator was additionally because of extension of intermediary's credit. Essentials of specific organizations were upheld it. Numerous individuals who had never purchased stock entered the market. Ladies, new financial specialist, provided projects and articles in ladies' magazines. Counting silly conduct of the speculators different variables were Credit Policy, New stock Issue, Decision of Authorities for Big Corporate, Changes in Dividend/Earning of organization, Changes in Tariff, Duties and charges, International Effect like Monetary approach of different nations, Interest Rate of home and other nation.

According to Gurloveleen Kaur (2016) mull over separated the impact of macroeconomic factors on the working of the Indian securities trade. To achieve the examination objective, month to month data of 10 macroeconomic variables, for instance, change standard, remote exchange hold, etc for the examination. All of the components ended up stationary at first differentiation. This stationary data was used to find the immense macroeconomic factors by using the different backslide procedure. One variable, that is, swapping scale was seen to be basic. It was seen that the swapping scale had no relationship with closing expenses of BSE 500 collecting firms. The examination moreover revealed that the Indian securities trade is slight structure viable because no association is found between the variables in the midst of the examination time period.

According to Arpit Bhargava, Ankush Bhargava, Surbhi Jain (2016) research has been attempted to contemplate the connection between full scale factors, for example, Inflation, Index of Industrial production(IIP), Money Supply, Oil costs, Exchange rates, Gold costs and Gross residential item (GDP) and Stock Prices utilizing time arrangement relapse. The example of the examination comprises large scale factors and stock costs for the period 2004-2013 on quarterly premise. The investigation uncovered that just Exchange Rate, Oil Prices and Inflation have critical effect over Stock costs. Further we saw that Exchange Rate and Inflation are contrarily identified with Stock costs and Oil costs are emphatically related. Another fascinating outcome that we watch is that gold cost does not have any real effect over the stock costs.

According to Anindita Chakroborty, Adwitiya Gupta (2017) considered that there is a lot of writing on how large scale financial factors can influence the stock return in both the created and rising Indian securities exchanges. The point of this examination is to test the execution of the Arbitrage evaluating hypothesis (APT) in the Bombay Stock Exchange (BSE) for the time of 2001 up to 2015 on yearly premise.

OBJECTIVES

- Secondary source for the investigation to recognize variables influencing the development of Indian securities exchange.
- To consider the connection between the variables and the development in the Indian Stock Market.

RESEARCH METHODOLOGY

The present research is of subjective just as quantitative in nature to address the examination questions. Elucidating just as exploratory research was utilized in present research. This exploration is unmistakable in nature as targets for this investigation as of now have been set. Yet, this examination is likewise exploratory in nature as it is expected to shape an establishment from which further, comparable investigations can be done. Information accumulation is a methodical procedure of social affair pertinent and required data for the examination from a different sources.

Hypothesis:

- **H₀:** There is no impact of the variables on the development of financial exchange in India.
- **H₁:** There is an impact of the variables on the development of financial exchange in India.

DATA ANALYSIS AND INTERPRETATION

The data has be classified and analysed with the help of SPSS software. Through SPSS we summaries the data and tried to establish the relationship between two factor i.e. NSE stock market movement and Exchange rate USD/INR & the relationship between Bank rate and NSE by using correlation, regression.

2.1 Monthly average of 2016

Year	NSE	USD/INR
April	8542.67	66.025
May	8156.49	66.35
June	8183.77	66.45
July	8462.5	66.62
August	8484.61	66.57
September	8282.4	66.26
October	7827.73	66.373
November	8187.8	66.227
December	7913.18	66.318
January	7792.44	66.13
February	7547.59	67.495
March	7171.27	66.125

CORRELATION

	NSE stock market movement	Exchange rate USD/INR
NSE stock market movement	1	-.171
	Pearson Correlation	.594
	Sig. (2-tailed)	
	N	12
Exchange rate USD/INR	-.171	1
	Pearson correlation	.594
	Sig. (2-tailed)	
	N	12

INTERPRETATION:-

There is low degree of negative correlation between NSE and Exchange rate as the value of correlation is -0.171. This means that if Indian currency fall short of USD than stock market will move upward.

REGRESSION

Model	R	R Square	Adjusted R sq	Std. Error of the estimate
1	.171 ^a	.029	-.068	425.21501

INTERPRETATION:-

Modal summary describes how perfectly the model fits for the analysis. R shows the degree of correlation between (Exchange rate) which is independent variable and (NSE) dependent variable. R² states the strength of the association between the variables. Here the value is .029 which show low degree of association.

2.2 Monthly average of 2017

Year	NSE	USD/INR
April	7668.62	63.94
May	7868.775	63.985
June	8184.3	64.168
July	8504.136	64.075
Aug	8615.8	63.565
Sep	8792.178	63.78
Oct	8675.361	64.695
Nov	8258.58	64.28
Dec	8116.813	63.79
Jan	8382.627	67.455
Feb	8814.174	66.615
March	9043.025	64.8

CORRELATION

		NSE stock market movement	Exchange rate USD/INR
NSE stock market movement	Pearson correlation	1	.280
	Sig. (2-tailed)		.378
	N	12	12
Exchange rate USD/INR	Pearson Correlation	.280	1
	Sig. (2-tailed)	.378	
	N	12	12

INTERPRETATION:-

There is low degree of positive correlation between NSE and Exchange rate as the value of correlation is 0.280. This means that if Indian currency fall short of USD than stock market will move downward.

REGRESSION

Model summary

Model	R	R square	Adjusted R sq	Std. error of the estimates
1	.280 ^a	.078	-.014	411.229

INTERPRETATION:-

Modal summary describes how perfectly the model fits for the analysis. R shows the degree of correlation between independent variable (Exchange rate) and Dependent variable (NSE). R² states the strength of the association between the variables. Here the value is .078 which show low degree of association.

2.3 Monthly average of 2018

Year	NSE	USD/INR
April	9327.23	64.85
May	9437.68	66.45
June	9607.6	66.84
July	9846.793	68.28
Aug	9910.889	68.265
Sep	9988.164	70.73
Oct	10137.74	72.61
Nov	10342.68	69.57
Dec	10323.43	69.57

Jan	10488.05	63.25
Feb	10539.2	63.56
March	10242.36	64.728

CORRELATION

Correlations

		NSE stock market movement	Exchange rate USD/INR
NSE stock market movement	Pearson Correlation	1	-.028
	Sig. (2-tailed)		.932
	N	12	12
Exchange rate USD/INR	Pearson Correlation	-.028	1
	Sig. (2-tailed)	.932	
	N	12	12

INTERPRETATION:-

There is low degree of negative correlation between NSE and Exchange rate as the value of correlation is -0.28. This means if Indian currency fall short of USD than stock market will move upward.

REGRESSION

Model summary

Model	R	R Square	Adjusted R sq	Std. error of the estimate
1	.028 ^a	.001	-.099	421.734

INTERPRETATION:-

Modal summary describes how perfectly the model fits for the analysis. R shows the degree of correlation Exchange rate and NSE. R² states the strength of the association between the variables. Here the value is .001 which show very low degree of association.

TABLE 3 Relationship between Bank rate and NSE

3.1 Monthly data of three years- 2016 to 2018

Correlations

		NSE Market movement	Bank rate
NSE Market movement	Pearson Correlation	1	-.227
	Sig. (2-tailed)		.184
	N	36	36
Bank rate	Pearson Correlation	-.227	1
	Sig. (2-tailed)	.184	
	N	36	36

INTERPRETATION:-

There is low degree of positive correlation between NSE and Bank rate as the value of pearson correlation is -.227. This means that stock market will move downward.

REGRESSION

Model summary

Model	R	R square	Adjusted R sq	Std. error of the estimate
1	.227 ^a	.051	.023	942.614

INTERPRETATION:

Model summary describes how perfectly the model fits for the analysis. R shows the degree of correlation between the bank rate and NSE. R^2 states the strength of the association between the variables. Here the value is .051 which show low degree of association.

FINDINGS

- In table 2, there was a reverse connection between NSE and Exchange rate in 2016 till 2018.
- The level of connection between NSE and Exchange rate is low.
- Negative connection between NSE and Bank rate.
- The level of connection was moderate low between NSE and Bank rate.

CONCLUSION

The capacity of financial exchanges in the economy isn't just to raise capital yet additionally to channel assets to the most productive chances and to guarantee that those assets are all around used. Our various relapses to test result demonstrated that Exchange Rate and Industrial Production Index are adversely related with stock costs showing the way that extra finances move through Exchange Rate and Industrial Production Index increment the supply side while request side stays unaffected. Static condition in the interest side in the security showcase puts descending weight in the stock cost. On the other had positive relationship is found between stock cost and staying autonomous variable i.e., Gross Domestic Product. All in all sense, development of total national output which actuate the interest side and at last give positive weight in stock cost. The trial of Statistical Significance Wald test result likewise bolster the conduct of the full scale factors and stock file.

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