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A study on Implication of Stock Market Exchange in International Business

VAIBHAV

Under The Guidance of

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Abstract

The word "Investor" is often used to refer to the person or entity that makes a financial investment. When discussing the stock exchange, The stock market does not engage in the trading of services, but rather the trading of securities and the exchange of stocks. Shares are a common example of a financial instrument that falls under the umbrella term "security," however the term is sometimes used interchangeably with the term "share." Buying a single share of stock represents a fractional stake in the firm. When a company wants to grow internationally, it often resorts to an IPO (initial public offering) to acquire capital from investors.

According to the money control, stock markets provide a secure and regulated setting in which buyers and sellers of stocks and other monetary items may interact with complete peace of mind. You may learn about upcoming dividends, bonuses, and share repurchases by visiting the Money Control website. In addition, we'd want to gather even more data regarding the sharing process.

The proceeds from an IPO may be used for a variety of business purposes. Simply put, this implies that a company's shares have been made available to the public.

Take a company with 100,000,000 shares whose management decides to distribute 25% of those shares to the public for \$100 per share. If all goes as planned, the business will raise \$2.5 billion by selling 25 million shares at \$100 each. It's because of this that the firm was able to raise around \$2.5 billion in

Chapter 1 – Introduction

an IPO. If the stock market is rising swiftly, economic growth is also likely to be brisk. If the stock market and economy are both doing well, then the price of gold must be rising. The Great Depression of 1927 was one of the worst stock market crashes in history. GDP (gross domestic product) is a simple metric that may be used to measure economic expansion.

The value added method calculates progress by subtracting the final product's price from its input price.

. The identical answer is produced by every known formula, too. Businesses expand in response to a rising GDP, which in turn boosts GDP. The stock market rises in response to business activity, prompting investors to pour more money into stock purchases. When stock prices go up, it means a country has more money to spend, which in turn helps businesses grow internationally and generate higher profits. There's also the fascinating fact that the dot-com bubble is often shown in media depictions of this phenomenon—when the stock market hits very high levels..

1927	GREAT DEPLETION
1992	CRASH (INDIAN STOCK MARKET)

2000	DOT COM BUBBLE (INTERNET SECTOR)
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The stock market has a significant effect on the global economy. A company's profile, including its history, background, and financial history, is required reading for any investor considering putting down significant capital in the form of stock purchases. If you take the time to study a company's financial records, you can make an informed choice about whether or not to invest in them. If a firm underperforms for an extended period of time, there is likewise no assurance that things will improve.

For instance, the Gautam Adani firm (Adani port, Adani Enterprise, Adani Transmission ETC) existed before to 2019. Adani stock traded at much lower prices before 2019, but after the entry of covid on the Indian stock market, it has risen dramatically. It seems that Adani does not have a sufficient number of funds, which may lead to a decline in the stock price by the end of 2022. As a result, a great deal of money was lost by the investors. The financial reports of any firm (RIL, ADANI, TATA) may be used to infer their long-term viability.

Management must assess and mitigate the risk involved in doing business in stock markets in order to make informed decisions about global sourcing of resources, outsourcing of production, and expansion into contemporary markets.

Therefore, it is essential for international trade management to have an appreciation of the factors that influence exchange rates, as well as the money-related issues that arise naturally from the volatility of global markets.

REVIEW OF LITERATURE

Here, we'll look at the six research papers on "IMPLICATION OF STOCK MARKET EXCHANGE IN INTERNATIONAL BUSINESS" and determine which three are international and which three are national.

In 1994, Benjamin Graham examined the relationship between stock market integration and economic tensions between the United States and other developed nations in Europe. The research revealed that various

differences in the structure and interconnection of the US market compared to the rest of the globe. This study concluded that a major contributor to the deterioration of the US stock market is the practise of investing large sums of money in equities without first learning the basics. It's clear that Europe, Singapore, and Thailand all contribute significantly to the flow of information into the United States.

Two, the link between the stock market and currency rates in five South Asian nations is examined by Firmansyah and Oktavilia (2017). Before and after the global financial crisis of 2008, the behaviour of the determined how the exchange rate affected stocks in Southeast Asia. Stock returns, both long and short term, have been demonstrated to benefit from an

increase in the exchange rate. My research has learned from this study that a rising exchange rate has an immediate impact on the value of stocks.

between the stock markets and the foreign currency markets is significantly reliant on government. I found that fluctuations in the value of the US dollar relative to other currencies significantly affected the probability of change across all Canadian provinces.

The financial performance of 1269 Indian non-financial enterprises listed on the BSE or NSE between 1992 and 2007 is analysed by 3 Chaton (2009) utilising two additional metrics. The Harshad Mehta scam and the Satyam Computer Scam both show that the strong relationship between capital structure and the value or price of stock market, supporting the conclusion that non-financial incorporating firms have a long-term relationship with their decisions.

Four-Nilsson and Yousuf (2022) examined the fundamentals of the US market for USD and EUR exchange rates between 2003 and 2013. The study revealed that the \$ AS is used more often in commerce than the EUR. Most people swap currencies and engage in cross-folio trading. Plus, there's also that cryptocurrency. The results suggest that the cryptocurrency market saw a boom after 2011 and accelerated growth compared to the stock

market. However, the crypto industry will be hit hard

uses.

when COVID spreads worldwide.

Research Methodology

Research Objective

The role of stock exchanges in international trade.

Examine the correlation between stock market and currency rate fluctuations.

Type of Research

The effects of the stock market on cross-border trade are the focus of this research.

Along with Here, we learn how the stock market may have both beneficial and negative effects on the global economy.

$$\sigma_t^2 = \phi_0 + \theta_1 \varepsilon_t^2 + \theta_2 \sigma_t^2 + \eta_1 v(\text{USD_INR})_t + \eta_2 v(\text{EURO_INR})_t + \eta_3 v(\text{GBP_INR})_t$$

OBJECTIVE

- ✓ Make a distinction between what should be done and what has been done.
- ✓ Find the element that pertains to the subject at hand.
- ✓ Relationship between ideas and behaviour.
- ✓ Limiting the scope of the investigation.
- ✓ Assess the situation.
- ✓ Layout of the investment portfolio.
- ✓ Portfolio-driven strategy development.
- ✓ Connecting theories and ideas with practical

Population and Sampling

The term "population" refers to a whole set of information. By contrasting the two, we can see that the population dwarfs the sample size and that the sample size accounts for a negligible fraction of the likelihood.

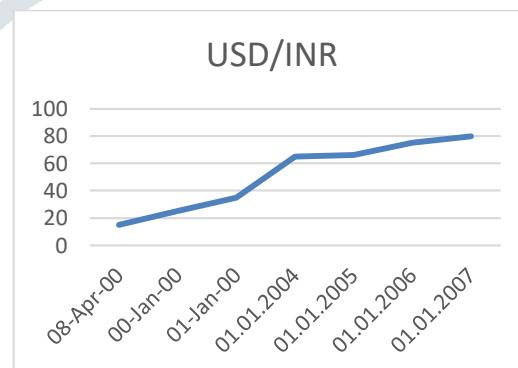
Sampling is the practice of picking representative information from a larger group.

Analysis

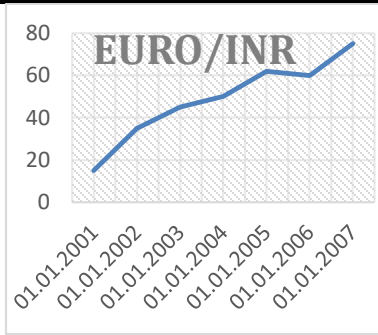
It is discusses Generalized Autoregressive Conditional Heteroscedasticity Model/ ARCH and GARCH models in his analysis. Using this model, we get the following equation:

Here v = instability of the exchange rates

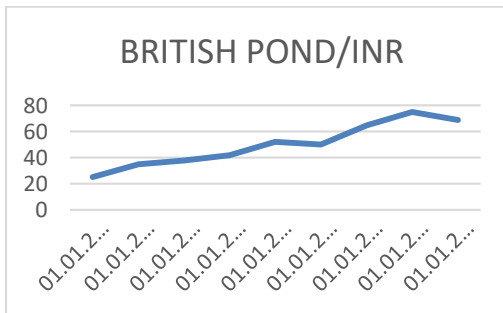
TRENS IN US DOLLOR-INDIAN RUPPES EXCHANGE



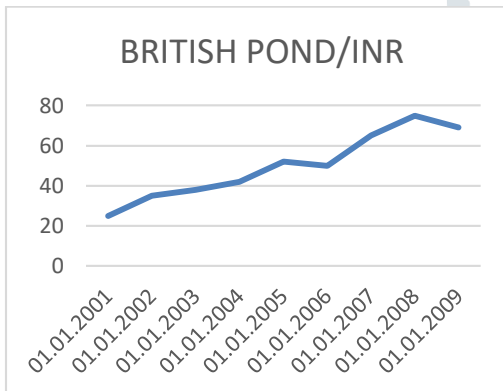
TREDS IN EURO-INDIAN RUPPES EXCHANGE



TRENDS IN BRITISHPOND-INDIAN RUPPES EXCHANGE



TRENDS IN BRITISHPOND-INDIAN RUPPES EXCHANGE



Source: Lakshmana Samy (2018)]

Figures 1, 2, and 3 show the growth of the Rupee (INR) in relation to the US dollar, the British pound, and the Euro from 2001 to 2007. Since 2006, all three exchange rates have been on the rise. Initial 2007 levels were rather high. Furthermore, all three exchange rates have shown remarkable volatility.

DESCRIPTIVE STATICS OF STOCK MARKET INDEX AND FOREIGN EXCHANGE RATES

Statics	BSE SENSEX	USD INR	GBP INR	EURO INR
STD.DEV.	0.00798	0.0012	0.0021	0.0045
SKEWNESS	0.10965	0.9856	0.1782	0.0183
KURTOSIS	3.00201	3.0259	3.256	3.0364

TABLE(1.0)

[Lakshmana Samy (2018)]

This table 1.0 will also to be show to the relationship between the price of stock and the rates of exchange in India. The skewness =0 ,as well as kurtosis=3. The data tested in to the normality using the Jarque test. From the testall variable distributions are normal.

VARIABLE AT LEVELS	T-STATICS	PROB.
BSE SENSEX RETURN	-30.765	0.000
USD/INR	-17.392	0.000
EURO/INR	-17.335	0.000
GBP/INR	-17.571	0.000

Table 2

[Lakshmana Samy (2018)]

Table 2 show the result on the basis of the ADF test. In the test the probability values are less than 0.05. Therefore, the test rejects a null hypothesis of the unit

Finding

A-The volatility of the Euro and Rupee exchange rate has a critical effect on the volatility of the BSE SENSEX while the impact of the US dollar / Rupee exchange rate and the

British pound are even worse.

B- Call and Put trading option also play an Important role in the trading.

C-Dividend decreases the value of share. As well as directly credit into the account .

D-Bonus play a important role in the share market

E- Share Division.

A	BONUS
B	DIVIDEND
C	SPLIT
D	DIRECT GROWTH

Suggestion

Investor used diversification portfolio to minimize the risk.

Limitation

Population of data is conduct a very larger amount of data .Due to which it is very difficult to understand The accurate data.

Conclusions

Analysis, we can see that the result rejects the 0 hypothesis. Since the 0 hypothesis is rejected, So we can accept the alternate hypothesis.

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