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APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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MACROECONOMIC VARIABLES AND ITS IMPACT ON STANDAND AND POOR BOMBAY STOCK EXCHANGE SENSITIVE INDEX

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ABSTRACT

This paper discusses the various macroeconomic variables and its impact on Indian stock market. The select macroeconomic variables like FDI, Gold Reverse, SDRs and Foreign Currency Assets and its relationship with stock market movement and predict market behaviour in future. Main objectives of the study are to find inter relationship between macroeconomic variables and its impact. Hypothesis testing was done using on Regression between S&P BSE Sensex and macroeconomic variables. The study period was 2004-05 to 2013-2014. The study is based on the secondary data collected from RBI Bulletin. The study reveals from the analysis that macroeconomic variables are influencing the S&P BSE Sensex. This simply concludes that in long term the Indian stock market is driven by macroeconomic factors.

KEYWORDS

Foreign Direct investment, Gold Reserve, SDRs, Foreign Currency Assets, Regression and ANOVA Test.

INTRODUCTION

The stock market is one of the most important sources for companies to raise money. This allows businesses to be publicly traded, or raise additional capital for expansion through selling shares of ownership of the company in a public market. The liquidity that an exchange enables the investors to quickly and easily sell securities. This is an attractive feature of investing in stocks, compared to other less liquid investments. Some companies actively increase liquidity by trading in their own shares.

INTRODUCTION ABOUT MACRO ECONOMIC VARIABLE

The macro economy is an aggregate picture of an entire economic environment. The following are some of the factors that need to be taken care of if India has to achieve its potential: These are control inflation, liberalize financial markets, increase trade with neighbours, increase agricultural productivity, raise educational achievement, increase quality and quantity of universities , introduce a credible fiscal policy , improve infrastructure and improve governance. Macro economy study of the economy as a whole, and the variables that control the macro-economy. The study of government policy meant to control and stabilizes the economy over time, that is, to reduce fluctuations in the economy.

Macroeconomics treats the components of the economy as one unit, as one aggregate, that is looks for relationships between the various components. These variables are indicators or main signposts signalling the current trends in the economy and understand the major variables that determine the current behaviour of the macro-economy. So government must understand the forces of economic growth, why and when recession or inflation occur, and anticipate these trends, as well as what mixture of policy will be most suitable for curing whatever ills the economy.

The Indian economy slowed significantly during 2011-12, with growth decelerating to 6.5 per cent. The growth prospects for 2012-13 remain weak due to a combination of global and domestic macro-economic factors. Global growth is turning weaker than anticipated. GDP (Gross Domestic Product), the inflation rate and the unemployment are three widely cited and watched macroeconomic variables of economic activity. Individual macroeconomic variables, such as banking, the consumer price index, and changes in government regulations, each influence multiple areas of economic growth.

SIGNIFICANCE OF THE STUDY

After globalization, international capital market got integrated rapidly and this had positive effect on economic growth in terms of higher returns, portfolio diversification, market oriented reforms and the like concurrent with these effects was the rising incidence of financial crisis. Macroeconomic variables (e.g. economic output, unemployment and employment, and inflation) play a vital role in the economic performance of any country. For the past three decades, evidence of key macroeconomic variables helping predict the time series of stock returns has accumulated in direct contradiction to the conclusions drawn by the Efficient Market Theory. The majority of research concentrates on the financial markets of the developed countries, which are efficient enough and do not suffer from the inefficiency problems found in less developed countries. Considering this matter, the subject of financial markets in developing countries still needs lengthy analysis and more research attention. Hence an attempt has been made to analyse the macro economic variables and its impact on S&P BSE Sensex.

REVIEW OF LITERATURE

Sezgin Acikalin, Rafet Aktas, Seyfettin Unal (2008) investigated "Relationships between stock markets and macroeconomic variables: an empirical analysis of the Istanbul Stock Exchange", The purpose of this study is to investigate the relationships between returns in Istanbul Stock Exchange (ISE) and macroeconomic variables of Turkish economy. Employing cointegration tests and vector error correction model (VECM) on a quarterly data set, we find long-term stable relationships between ISE and four macroeconomic variables, GDP, exchange rate, interest rate, and current account balance. As a result of causality tests, we found unidirectional relationships between macro indicators and ISE index. That is, consistent with the existing literature, changes in GDP, foreign exchange rate and current account balance have an effect on ISE index. However, on the contrary to expectations, changes in the stock market index do affect interest rates

Dharmendra singh (2010) studied "Causal Relationship Between Macro-Economic Variables and Stock Market: A Case Study for India", In this research paper, attempt has been made to explore the relation especially the causal relation between stock market index i.e. BSE Sensex and three key macro economic variables of Indian economy by using correlation, unit root stationarity tests and Granger causality test. The study period monthly data has been used from April,1995 to March, 2009.The statistical tools used in the researcher in this study Augmented Dickey-Fuller (ADF) Test, Granger Causality Test. Results showed

that the stock market index, the industrial production index, exchange rate, and wholesale price index contained a unit root and were integrated of order one. Therefore, it is concluded that, Indian stock market is approaching towards informational efficiency at least with respect to two macroeconomic variables, viz. exchange rate and inflation (WPI).

Pramod Kumar Naik, Puja Padhi, (2012) studied "The Impact of Macroeconomic Fundamentals on Stock Prices Revisited: Evidence from Indian Data", The study investigates the relationships between the Indian stock market index (BSE Sensex) and five macroeconomic variables, namely, industrial production index, wholesale price index, money supply, treasury bills rates and exchange rates over the period 1994 to2011. To conclude, the analysis revealed that the Indian stock market index as proxied by BSE Sensex formed significant long-run relationship with three out of five macroeconomic variables tested. The Johansen's co-integration test suggests that the stock market index has co-integrated with the macroeconomic variables. It is observed that in the long-run, the stock prices are positively related to money supply and real economic activity represented by index of industrial production.

Subrahamanya, Chaitanya (2013) studied "Impact of Select Macro Economic Variables on SENSEX: A Behavioural Study during the Pre & Post-Economic Recession Era", This paper an attempt has been made to explore the influential relationship between SENSEX of Bombay Stock Exchange (BSE) and select macro economic variables of India by using Stepwise Regression model. Quarterly data has been used from 2005 to 2011 for all the used variables to study the relationship. The statistical findings of the study reveal that there is an influential relationship on SENSEX by Industrial Production and Foreign Exchange Rate. The statistical results of the Stepwise regression between the SENSEX and the selected Macro Economic Variables revealed that there is a significant influential relationship between SENSEX, and Industrial Production & Foreign Exchange Rate fluctuation. These two factors taken together are accounted for almost 85% of the SENSEX movements during the considered time period.

OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

1. To study the impact of Macroeconomic variables on S&P BSE Sensex.
2. To Offer suggestions based on the findings of the study.

SCOPE OF THE STUDY

The scope of the study is confined to the macroeconomic variables namely FDI, Gold Reverse, SDRs and Foreign Currency Assets

HYPOTHESIS

Ho: Null Hypothesis: There is no relationship between Macroeconomic variables and S&P BSE Sensex.
H1: Alternative Hypothesis: There is a relationship between Macroeconomic variables and S&P BSE Sensex.

PERIOD OF STUDY

The yearly data of the various chosen macroeconomic variables were collected for a period of 10 years from 2004-05 to 2013-2014.

METHODOLOGY

The study is mainly based on secondary data. Secondary data were collected from RBI Bulletin, BSE Website, Journals and Industry Reports.

DATA ANALYSIS

The followings are the statistical tools were used for analysis of data using SPSS 17.0 Version.

a) Descriptive Statistics
b) Regression and
c) ANOVA

ANALYSIS OF MACROECONOMIC VARIABLES AND S&P BSE SENSEX

TABLE 1: FDI AND S&P BSE SENSEX

Year	Foreign Direct Investment	S&P BSE Sensex
2004-05	14,653	9397.93
2005-06	24,584	13786.91
2006-07	56,390	20286.99
2007-08	98,642	9647.31
2008-09	1,42,829	17464.81
2009-10	1,23,120	20509.09
2010-11	97,320	15454.92
2011-12	1,65,146	19426.71
2012-13	1,21,907	21170.68
2013-14	1,47,518	27499.42

Source: Business Mapsofindia.com

Descriptive Statistics

	Mean	Std. Deviation	N
S&P BSE Sensex	1.746448E4	5.5703853E3	10
Foreign Direct Investment	99210.90	51883.471	10

Regression

Table 1 A: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621[a]	.385	.309	4.6315130E3

a. Predictors: (Constant), Foreign direct investment

In this Regression Analysis explore that adjusted R Square is value (0.309) that denotes 30% of S&P BSE Sensex fluctuations could be explained the variation by Foreign Direct Investment.

TABLE 1 B
ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.077E8	1	1.077E8	5.019	.055[a]
	Residual	1.716E8	8	2.145E7		
	Total	2.793E8	9			

a. Predictors: (Constant), Foreign direct investment

b. Dependent Variable: S&P BSE Sensex

Ho: Null Hypothesis: There is no relationship between Foreign Direct Investment and S&P BSE Sensex.

Interpretation

It is clear from the ANOVA table F = 5.019 the P value 0.055 is not significant P>0.05, so the null hypothesis is accepted and alternative hypothesis is rejected. There is no relationship between FDI and S&P BSE Sensex.

TABLE 2: GOLD RESERVE AND S&P BSE SENSEX

Year	Gold Reserve(Rs.in Crore)	S&P BSE Sensex
2004-05	19,686	9397.93
2005-06	25,674	13786.91
2006-07	29,573	20286.99
2007-08	40,124	9647.31
2008-09	48,793	17464.81
2009-10	81,188	20509.09
2010-11	1,02,572	15454.92
2011-12	1,38,250	19426.71
2012-13	1,39,737	21170.68
2013-14	1,29,616	27499.42

Source: Reserve Bank of India & Centre for Industrial & Economic Research (CIER) Economic Survey 2013-2014. Table 6.1 (B).

Descriptive Statistics

	Mean	Std. Deviation	N
S&P BSE Sensex	1.746448E4	5.5703853E3	10
Gold Reserve(Rs.in crore)	75521.30	48796.158	10

Regression

Table 2 A
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.673[a]	.454	.385	4.3674594E3

a. Predictors: (Constant), Gold Reserve(Rs.in crore)

In this regression analysis explore that adjusted R Square is value (0.385) that denotes 38% of S&P BSE Sensex fluctuations could be explained the variation by Gold.

Table 2 B
ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.267E8	1	1.267E8	6.640	.033[a]
	Residual	1.526E8	8	1.907E7		
	Total	2.793E8	9			

a. Predictors: (Constant), Gold Reserve(Rs.in Crore)

b. Dependent Variable: S&P BSE Sensex

Ho: Null Hypothesis: There is no relationship between Gold Reserve and S&P BSE Sensex.

Interpretation

It is clear from the ANOVA table F = 6.640 the P value 0.033 is significant P<0.05, so the null hypothesis is rejected and alternative hypothesis is accepted. There is relationship between Gold Reserve and S&P BSE Sensex

TABLE 3: SDRS AND S&P BSE SENSEX

Year	SDRs (Rs.in Crore)	S&P BSE Sensex
2004-05	20	9397.93
2005-06	12	13786.91
2006-07	8	20286.99
2007-08	74	9647.31
2008-09	6	17464.81
2009-10	22,596	20509.09
2010-11	20,401	15454.92
2011-12	22,866	19426.71
2012-13	23,538	21170.68
2013-14	26,826	27499.42

Source: Reserve Bank of India & Centre for Industrial & Economic Research (CIER) Economic Survey 2013-2014.

Descriptive Statistics

	Mean	Std. Deviation	N
S&P BSE Sensex	1.746448E4	5.5703853E3	10
SDRs (Rs.in Crore)	11634.70	12336.258	10

Regression
Table 3 A
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.693[a]	.480	.415	4.2618199E3

a. Predictors: (Constant), SDRs (Rs.in Crore)

In this regression analysis explore that adjusted R Square is value (0.415) that denotes 41% of S&P BSE Sensex fluctuations could be explained the variation by SDRs.

Table 3 B
ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.340E8	1	1.340E8	7.375	.026[a]
	Residual	1.453E8	8	1.816E7		
	Total	2.793E8	9			

a. Predictors: (Constant), SDRs (Rs.in Crore)

b. Dependent Variable: S&P BSE Sensex

Ho: Null Hypothesis: There is no relationship between CRR% and S&P BSE Sensex%.

Interpretation

It is clear from the ANOVA table F = 7.375 the P value 0.026 is significant P<0.05, so the null hypothesis is rejected and alternative hypothesis is accepted. There is relationship between Special drawing Rights and S&P BSE Sensex.

TABLE 4: FOREIGN CURRENCY ASSETS AND S&P BSE SENSEX

Year	Foreign Currency Assets (Rs.in Crore)	S&P BSE Sensex
2004-05	5,93,121	9397.93
2005-06	6,47,327	13786.91
2006-07	8,36,597	20286.99
2007-08	11,96,203	9647.31
2008-09	12,30,066	17464.81
2009-10	11,49,650	20509.09
2010-11	12,24,883	15454.92
2011-12	13,30,511	19426.71
2012-13	14,12,631	21170.68
2013-14	16,60,914	27499.42

Source: Reserve Bank of India & Centre for Industrial & Economic Research (CIER) Economic Survey 2013-2014.

Descriptive Statistics

	Mean	Std. Deviation	N
S&P BSE Sensex	1.746448E4	5.5703853E3	10
Foreign Currency Assets(Rs.in Crore)	1128190.30	338789.417	10

Regression
Table 4 A
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671[a]	.450	.382	4.3803457E3

a. Predictors: (Constant), Foreign Currency Assets(Rs.inCrore)

In this regression analysis explore that adjusted R Square is value (0.382) that denotes 38% of S&P BSE Sensex fluctuations could be explained the variation by Foreign Currency assets.

Table 4 B
ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.258E8	1	1.258E8	6.554	.034[a]
	Residual	1.535E8	8	1.919E7		
	Total	2.793E8	9			

a. Predictors: (Constant), Foreign Currency Assets(Rs.in Crore)

b. Dependent Variable: S&P BSE Sensex

Ho: Null Hypothesis: There is no relationship between Foreign Currency Assets and S&P BSE Sensex.

Interpretation

It is clear from the ANOVA table F = 6.554 the P value 0.034 is significant P<0.05,so the null hypothesis is rejected and alternative hypothesis is accepted. There is relationship Foreign Currency assets and S&P BSE Sensex.

FINDINGS

The following are the findings of the study:

- There is no relationship between FDI and S&P BSE Sensex.
- There is relationship between Gold Reserve and S&P BSE Sensex.
- There is relationship between Special drawing Rights and S&P BSE Sensex.
- There is relationship between Foreign Currency assets and S&P BSE Sensex.

SUGGESTIONS

Investors can take benefit of the results and discusions in their investment strategies considering external environment of the country.

SCOPE FOR FURTHER RESEARCH

1. A Study on Impact of Macroeconomic Variables on Indian Money Market.
2. A Study on Impact of Macroeconomic Variables on Indian Capital Market.
3. A Study on Impact of Macroeconomic Variables on Foreign Exchange Market.
4. A Study on Impact of Macroeconomic Variables on Bullion Market.

CONCLUSION

In this paper, the study performed necessary analyses to answer the research question of whether some of the identified macroeconomic factors can influence the Indian stock market. The macroeconomic variables are represented by the Foreign Direct Investment, Gold Reserve, Foreign Currency assets, Special Drawing Rights. Based on objective of the study is to study the impact of macroeconomic variables on BSE Sensex by using the annual data 2004-2005 to 2013-2014.The study reveals from the analysis that macroeconomic variables are influencing the S&P BSE Sensex. *This simply concludes that in long term the Indian stock market is driven by macroeconomic factors.*

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