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A study on the impact of selected macro-economic factors on share price movement of certain vital sectors

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Abstract

Investment decisions are highly influenced by macroeconomic variables as changes in macroeconomic variables effect stock markets differently according to the country economic conditions and government policies. The study contributes by determining the effect of various macroeconomic variables on stock prices this study will be useful for the investors who might be able to identify some basic economic variables that they should focus on while investing in stock market and will have an advantage to make their own suitable investment decisions.

Keywords: Share market, inflation, investments, cement, information technology

1. Introduction

In finance a share may be a unit of account for numerous financial instruments as well as stocks, mutual funds and limited partnerships. In British English, the usage of the word share alone refer exclusively to stocks is therefore common that it virtually replaces the word stock itself. In simple words, a share or stock may be a document issued by an organization that entitles its holder to be one among the owners of the company. A share is issued by an organization or is purchased from the stock exchange. By buying a share one will earn a little and selling shares stockholder gets financial gain. So, the return is that the dividend and the financial gain. However, the investors also run a risk of constructing a financial loss if the share is oversubscribed below the buying value.

2. Statement of the problem

Investment decisions are highly influenced by macroeconomic variables as changes in macroeconomic variables affect stock markets differently according to the country's economic conditions and government policies. The study contributes by determining the effect of various macroeconomic variables on stock prices this study will be useful for the investors who might be able to identify some basic economic variables that they should focus on while investing in the stock market and will have the advantage to make their own suitable investment decisions. Many different kinds of investors would find this study as an assistant, especially, individual investors, portfolio managers, institutional investors and foreign investors.

3. Objectives of the study

To study the share price movements in certain sectors like Cement and Information Technology, Power due to the impact of certain Macro-economic factors like Inflation, Call Money Rate, Sensitivity Index, Dollar Value, Deposit Rate, Investments by Foreign Institutional Investors.

4. Need for the study

Apart from the company's performance, Profitability, etc... investors can know how far the external factors have an impact on the share price variations to enable them to make informed investment decisions.

5. Scope of the study

The study mainly concentrates on certain sectors and certain companies. The study would be helpful for the investors for making prudent investment. The companies are selected based on market capitalization of the shares. The major macro –economic factors are taken in to consideration.

6. Limitations of the study

1. The area of study is restricted to certain sectors and certain companies and hence the results may not be extended to other companies.
2. Due to the time constraint, the sample size is restricted.
3. Many other aspects other than the factors selected may cause the share prices to change.
4. Only some of the external factors are taken, due to the time constraint

7. Methodology of the study

Area of the study: All the companies in the equity market listed in National Stock Exchange.

7.1 Sampling Method: In this study, purposive sampling method is used a type of non-probability sampling, where the researcher purposively chooses the particular units of the universe for constituting a sample on the basis that the small mass that they so select out of a huge one, will be typical or representative of the whole.

7.2 Sample Media: Sample media for the present research is based on the market capitalization of shares

7.3 Sample Unit: Each and every company in the equity market listed in national stock exchange has been treated as the sample unit by the researcher.

7.4 Sample Size: Eight sectors, each with three companies, having a sample size of 24 has been decided by the researcher.

7.5 Sample Design: Descriptive design is used for the following purpose in this research study,

1. To describe the share price fluctuations in the equity market in certain sectors.
2. To estimate the factors that causes the share prices in the equity market to change.

8. Source of the study

The study is primarily based on the secondary data which have been collected from various marketing research books, company brochures, statistical books, journals, magazines, reports and publications of various associations connected with business, and industry, stock exchanges etc, public records and statistics, historical documents and other sources of published information, and through literature review.

9. Statistical tools

The following statistical tools are used to analyze the data, Regression coefficient, ANOVA and T-Test

10. Data analysis and interpretation

Table 1

Regression Analysis Cement Sector	Multiple R	Multiple R ²	Adjusted R ²	Std. Error Of Estimate Se
INDIA	0.955	0.913	0.808	16.434
GUJARAT	0.716	0.513	0.000	32.217
ACC	0.976	0.952	0.894	4.411

Table 2

Cement Sector	Source	SS	Df	MS	F	P-value
India Cement	Regression SSR	14,097.6123	6	2,349.6020	8.70	.0156
	Residual SSE	1,350.4162	5	270.0832		
Gujarat Ambuja Cement	Regression	5,455.8967	6	909.3161	0.88	.5692
	Residual	5,189.7377	5	1,037.9475		
ACC	Regression	1,930.0375	6	321.6729	16.53	.0037
	Residual	97.3016	5	19.4603		

From the above table,

- Probability value of India cement (.0156) < significance level (0.05). So, Null hypothesis is rejected.
- Probability value of Gujarat Ambuja cement (0.5692) > significance level (0.05). So Null hypothesis is accepted

- Probability value of ACC cement (0.0037) < significance level (0.05), Null hypothesis is rejected

It is clear that share price variations of India cement and ACC are dependent on some of the factors

Table 3

Cement Sector	Calculated Probability Value	Significance Level	Accept Ho/Reject Ho
India Cement			
Inflation	.5503	0.05	Accept Ho
Call money Rate	.7375	0.05	Accept Ho
Sensex	.0091	0.05	Reject Ho
Deposit rate	.2744	0.05	Accept Ho
Dollar value	.5558	0.05	Accept Ho
FII	.0364	0.05	Reject Ho
Gujarat Ambuja Cement			
Inflation	.1525	0.05	Accept Ho
Call Money Rate	.3308	0.05	Accept Ho
Sensex	.3490	0.05	Accept Ho
Deposit rate	.7481	0.05	Accept Ho
Dollar value	.5321	0.05	Accept Ho
FII	.6175	0.05	Accept Ho
ACC			
Inflation	.0637	0.05	Accept Ho
Call Money Rate	.3350	0.05	Accept Ho
Sensex	.0006	0.05	Reject Ho
Deposit rate	.0553	0.05	Accept Ho
Dollar value	.5647	0.05	Accept Ho
FII	.4925	0.05	Accept Ho

Interpretation

- The variations of share price of India cement is dependent on Sensex and FII
- The variations of share price of Gujarat Ambuja cement is Independent on the factors
- The variations of share price of ACC cement is dependent on Sensex

Table 10.4: Regression analysis

IT Sector	R	R²	Adjusted R²	Std. Error
WIPRO	0.942	0.887	0.752	16.414
INFOSYS	0.783	0.613	0.150	14.643
SATYAM	0.953	0.908	0.798	10.078

Table 10.5: Anova Table

Cement Sector	Source	SS	Df	MS	F	P-value
Wipro	Regression	10,587.6354	6	1,764.6059	6.55	.0285
	Residual	1,347.0685	5	269.4137		
Infosys	Regression	1,701.6146	6	283.6024	1.32	.3883
	Residual	1,072.0436	5	214.4087		
Satyam	Regression	5,017.8862	6	836.3144	8.23	.0176
	Residual	507.8301	5	101.5660		

From the above table,

- Probability value of Wipro (.0285) < significance level (0.05), So Null hypothesis is rejected.
- Probability value of Infosys (.3883) > significance level (0.05), So Null hypothesis is accepted
- Probability value of Satyam (.0176) < significance level (0.05), So Null hypothesis is rejected

It is clear that share price variations of Wipro and Satyam are dependent on some of the factor.

Table 6

IT Sector	Calculated Probability Value	Significance Level	Accept Ho/Reject Ho
Wipro			
Inflation	.0179	0.05	Reject Ho
Call Money Rate	.1680	0.05	Accept Ho
Sensex	.0135	0.05	Reject Ho
Deposit rate	.7303	0.05	Accept Ho
Dollar value	.9966	0.05	Accept Ho
FII	.6794	0.05	Accept Ho
Infosys			
Inflation	.9860	0.05	Accept Ho
Call Money Rate	.5437	0.05	Accept Ho
Sensex	.1423	0.05	Accept Ho
Deposit rate	.4391	0.05	Accept Ho
Dollar value	.9483	0.05	Accept Ho
FII	.1691	0.05	Accept Ho
Satyam			
Inflation	.0868	0.05	Accept Ho
Call Money Rate	.7740	0.05	Accept Ho
Sensex	.0033	0.05	Reject Ho
Deposit rate	.2846	0.05	Accept Ho
Dollar value	.0121	0.05	Reject Ho
FII	.9866	0.05	Accept Ho

Interpretation

- The variations of share price of Wipro is dependent on Inflation and Sensex
- The variations of share price of Infosys is Independent of the factors
- The variations of share price of Satyam is dependent on Sensex and Dollar value

11. Findings

11.1. Cement sector

1. The share price movements of India Cement are influenced by Sensex and FII.
2. While, the share price movements of Gujarat Ambuja Cement is Independent of the factors.
3. In case of ACC Cement the share price movement is influenced by Sensex.

11.2. It sector

1. Inflation and Sensex has an impact on the share price movement of Wipro.
2. The considered Macro economic factors do not have an impact on the share price movement of Infosys.
3. In case of Satyam share price variations is dependent on Sensex and Dollar value.

12. Conclusion

The study says that Sensex is the major factor having an impact on the share price variations in Cement and IT Sectors. FII has an impact on the share price movements in Cement and IT Sectors. Inflation and Dollar value have an impact to certain extent on the share price movements in IT Sector. Further studies can be made by taking many other factors in to consideration. In order to make the investment profitable, various recommendations has also been put forth in this research study.

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