Int. j. adv. multidisc. res. stud. 2023; 3(4):1184-1187

Received: 05-07-2023
Accepted: 15-08-2023

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Impact of Macroeconomic Variables on Indian Stock Market: A Study on Investors' Perceptions

[1] T Srinivas Rao, [2] Arshia Sulthana
[1] Professor, UCCBM, Director, SDLCE Registrar, Kakatiya University, Warangal, India
[2] Research Scholar, UCCBM, Kakatiya University, Warangal, India

Corresponding Author: **T Srinivas Rao**

Abstract
Indian stock market has gained more importance and developments in terms of financial intermediaries, number of stock exchanges, and volume of trading, stock exchange turnovers, listed companies, and others. After growth and development of financial sector in India the scope of different financial avenues has been increased and they find many investment opportunities for investment. The purpose of the study is to analyze the investor perceptions about the stock market investment by using convenient sampling technique. The data will be collected from the individual investors in the form of questionnaire and their responses on stock market investment and macroeconomic variables will be considered. The one-way ANOVA is used for the analysis part. It was found that among eight variables that is age, gender, occupation, educational qualification, marital status, size of family, monthly income and no. of members earn in the family, the two variables that is occupation and number of members earned in the family are the only factors that show no significant difference with investors' perceptions on macroeconomic variables and its impact on Indian stock market.

Keywords: BSE, Bankex, FMCG, IT, Bank Rates, Exchange Rates, GDP and WPI

Indian Stock Market

Stock market is a place where the securities will get traded. In Indian financial system these stock markets are called as secondary markets. The shares will be issues by the companies in primary market and later will get traded in secondary market. The stock market does mobilization of funds in economy, by collecting idle funds from investors and providing those funds to channels of fund distributors through which the money resource can be allocated efficiently that makes a productive economy. The stock markets grow the economy by increasing the liquidity of financial assets and hedging the risk involved in the investment process. The investors can take wise decisions about the surplus funds based on market information (Agrawalla & Tuteja, 2008) [1].

The majority of trading takes place in Indian stock markets is in only two stock exchanges: the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has been in existence since 1875. The NSE, on the other hand, was founded in 1992 and started trading in 1994. However, both exchanges follow the same trading mechanism, trading hours, settlement process, etc. At the last count, the BSE had about 5600 listed firms, whereas the rival NSE had about 1,200. Out of all the listed firms on the BSE, only about 500 firms constitute more than 90% of its market capitalization; the rest of the crowd consists of highly illiquid shares (Dalal Street Journal).

Almost all the significant firms of India are listed on both the exchanges. NSE has the dominant share of 70% as of 2009, and almost a complete monopoly in derivatives trading, with about a 98% share in this market, also as of 2009. The NSE and BSE has much competition in terms of cost reduction and innovation. Majority of Indian and Foreign firms are listed in BSE and NSE. Security prices are influenced by number of factors some are company specific, sector specific while some belong to the environment in which the company is operating. The stock market capitalizes the present and future values of growth opportunities while evaluating the growth of all sectors in the economy (Dalal street journal).

Purpose of the Study

According to Mohanta & Debasish (2011) [3], individual investors will not make rational decisions and their perceptions of investment will change based on changing external environment. Geeta & Vimala (2014) [4] has studied that during the past days there use to be only few investment avenues for the investors to invest. After growth and development of financial sector in India the scope of different financial avenues has been increased and they find many investment opportunities for investment. The objective of the study is to analyze the investor perceptions about the stock market investment by using convenient sampling technique. The data will be collected from the individual investors in the form of questionnaire and their responses on stock market investment and macroeconomic variables will be considered.

Literature Review

Mahender, Agarwal & Verma (2014), has tested the relationship between trading volume and stock return volatility based on analysis of investor's perceptions. The primary data from investors has been collected in the form of a issuing 993 sample of questionnaire. Investors, brokers, portfolio managers, and financial experts are the sample of investors that are selected to collect the data. The investor's perceptions on Factor analysis, ANOVA and Cronbach's alpha are the tools used by the author to perform the study. According to all selected investors the casual relationship was found between trading volume and stock return volatility Mahender *et al*. (2014).

Manimozhy & Borah (2018) [6], has studied the behavior of retail investors towards the stock market. The investment in stock market has strengthen the financial position of the investors. The study was limited to only Guwahati. The main purpose of yje study is to know about the perception of retail investors. It also covers the study of various factors that affect the stock market investments. The sample of 100 responses was collected by using convenient sampling technique. The percentage analysis, regression, rank analysis were the statistical tools used to perform the study. The Growth, Liquidity, Safety investment, Investment perspective, Perception, Risk minimization, Monitor and Wealth maximization are the factors that were studied. It was found that the retail investors are aware about the stock market and they take investment decisions by thoroughly doing investigation about the stock market.

Yulianai *et al*., (2017) [7], has done research in analyzing the behavior of the investors. The study investigates the psychology of the investors in terms of buying and selling the shares in emerging stock market. The main parts the paper covers the risk perception ability of the investors and their confidence level and performance at the time of doing the investment. The responses of sample of 100 investors were collected from Palembang, South Sumatera, Indonesia. It was found that the risk perception and the psychology of the investor affects the performance of the investor at the time of doing the investment.

Sharma & Verma (2011) [8], has identified four different types of investors they are traditional mode, casual, long-term and well informed. The traditional mode of investors invests very small amount of money in the stock market. The casual investors invest huge amount of money in stock market by having observation on EPS share, PE ratio, market capitalization and take expert opinion. The long-term investors value the capital gain and rely on past information to invest at present market (Bhojwani, 2015) [9]. The other type of investor is informed investors, they have a thorough study about the stock market by taking expert opinion, considering the risk factor and observing present and past share price movements in the market. Many other investors those will not have the market information and zero knowledge of investing take decisions by the help of stock brokers, financial analysts and chartered accountants (Bhojwani, 2015) [9].

Manimozhy & Borah, (2018) [6], has defined individual investors as the retail investors those buy and sell the securities for sake of gaining maximum returns. A survey report by Geojit found that 59.3% of retail investors will invest in the stock market when they have more funds in the form of savings. They invest in the alternatives like equity, debt securities, derivatives and mutual funds.

Behavioral finance helps the investors to make deicions of investment by applying the financial principles in financial decision making. There are two types in studying the behavioral finance one is micro and other is macro. In micro behavior finance the behavior of individual investor will be studied and in macro behavior of group of investors will be studied by using the efficient market hypothesis theory (Yuliani *et al*., 2017) [5]. Yuliani *et al*., (2017) [5], has studied the influence of risk perception of investors on their confidence levels that will affect the performance of stock markets.

Raut (2018), has studied behavior of individual investors in terms of their past behavior and financial literacy. The snow ball sampling techniques were used for collection of data in the form of convenient sampling technique covering the four different parts of India. The statistical tools that were used are AMOS 20.0 and structural equation modelling (SEM). It was found that the past behavior of investor towards the investment did not have direct impact on intensions of the investor. It has indirect effect on attitudes of the investors.

Dangol, (2017) has studied the perceptions of equity investors in Nepal. The responses were collected in the form of structured questionnaire and the respondents were divided into three sub-groups one part is academicians, followed by chartered accountants and investors. It was believed by the Nepalese investors that the market efficiency will be either weak or semi-strong and there is no strong form of market efficiency exists in the present market.

Methodology

The research analysis is about analyzing the perceptions of investors about macroeconomic variables and the Indian stock market. The primary data collection method is used to collect the data from investors in the form of a questionnaire. To analyze the investors' perceptions the questionnaire with a list of questions related to macroeconomic variables and the Indian stock market is prepared and then forwarded to investors in the form of Google forms. A total of 320 responses received among only 300 responses were considered for the analysis part. The sample of 300 questionnaires is distributed in the form of Google Forms at the convenience of the researcher. The convenient sampling technique is used for the collection of data from investors. The total number of responses received is 320 and among the total responses 300 responses were considered for analysis.

Data Analysis

To know about the significant difference between the demographical factors and investors' Perception of macroeconomic variables and its impact on the Indian stock market the one-way ANOVA has been applied and its analysis is shown in the below table.

Table 1: ANOVA between Demographical factors and Investors' Perception of macroeconomic variables and its impact on the Indian stock market

ANOVA Between Demographical Variables and Investors' Perceptions				
S. No	**Variables**	**F-Value**	**Sig.**	**H0 (Null Hypothesis)**
1	Age	6.661	<0.001	Reject
2	Gender	25.174	<0.001	Reject
3	Occupation	1.625	0.199	Accept
4	Educational Qualification	7.802	<0.001	Reject
5	Marital Status	6.663	0.01	Reject
6	Size of the Family	3.727	0.012	Reject
7	Monthly Income	7.63	<0.001	Reject
8	No. of Members Earn in Family	2.347	0.073	Accept

Source: Primary data, computed in SPSS

The following is the hypothesis

H0: There is no significant difference between the investors' Perception of macroeconomic variables and its impact on the Indian stock market based on demographical variables.

The results from the above table shows that the F-value of age and investors' Perception of macroeconomic variables and its impact on the Indian stock market is 6.661 and sig value is <0.001. Therefore, the null hypothesis is rejected that is that shows that there is significant difference between the age of the respondents and their perception levels on macroeconomic variables and its impact on the Indian stock market. The F-value of gender and investors' perception of macroeconomic variables and its impact on the Indian stock market is 25.174 and sig value is <0.001. Therefore, the null hypothesis is rejected that is that shows that there is significant difference between the gender of the investors and their perception levels towards macroeconomic variables and its impact on Indian stock market. The F-value of occupation and investors' Perception of macroeconomic variables and its impact on the Indian stock market is 1.625 and sig value is 0.199 that is >0.05. Therefore, the null hypothesis is accepted that is that shows that there is no significant difference between the occupation of the investors and their perception levels on macroeconomic variables and the Indian stock market. The F-value of educational qualifications and investors' Perception of macroeconomic variables and its impact on the Indian stock market is 7.802 and sig value is <0.001. Therefore, the null hypothesis is rejected that is that shows that there is significant difference between the educational qualifications of the respondents and their perceptions on macroeconomic variables and Indian stock market. The F-value of marital status and investors' Perception of macroeconomic variables and its impact on the Indian stock market is 6.663 and sig value is 0.01. Therefore, the null hypothesis is rejected that is that shows that there is significant difference between the marital status of the investors and their perceptions on macroeconomic variables and its impact on Indian stock market. The F-value of size of the family and investors' Perception of macroeconomic variables and its impact on the Indian stock market is 3.727 and sig value is 0.012. Therefore, the null hypothesis is rejected that is that shows that there is significant difference between the size of the family and their perceptions on macroeconomic variables and its impact on Indian stock market. The F-value of monthly income and investors' Perception of macroeconomic variables and its impact on the Indian stock market is 7.63 and sig value is <0.001. Therefore, the null hypothesis is rejected that is that shows that there is significant difference between the monthly income of the investors and their perceptions on macroeconomic variables and its impact on Indian stock market. The F-value of number of members earn in the family and investors' Perception of macroeconomic variables and its impact on the Indian stock market is 2.347 and sig value is 0.073. Therefore, the null hypothesis is accepted that is that shows that there is no significant difference between the number of members earn in the family and investors' perceptions on macroeconomic variables and its impact on Indian stock market.

Conclusion

The research is to analyze the investor perceptions about the stock market investment by using convenient sampling technique. The data was collected from the individual investors in the form of questionnaire and their responses on stock market investment and macroeconomic variables will be considered. The significant relationship between the two groups is tested using ANOVA (One-way analysis of variance), the two groups are personal information of investors with investors' perceptions on macroeconomic variables and its impact on Indian stock market. It was found that among eight variables that is age, gender, occupation, educational qualification, marital status, size of family, monthly income and no. of members earn in the family, the two variables that is occupation and number of members earned in the family are the only factors that show no significant difference with investors' perceptions on macroeconomic variables and its impact on Indian stock market. It means the occupation and number of members earned in the family are factors that do not show any changes in the investors' perceptions of macroeconomic variables and their impact on the Indian stock market and remaining all factors show changes. It means the perceptions of investors on macroeconomic variables and their impact on the Indian stock market vary in the other six variables that is age, gender, occupation, educational qualification, marital status, size of family, and monthly income.

Limitations

The study uses one-way ANOVA for the analysis part of investors' perceptions, even multiple regression, Cronbach alpha, factor analysis, and Chi-square test are also tools that can be applied for better results. Even a new combination of macroeconomic variables and other sectors can be selected and a new model of variables can be formed for doing research. The study used only one theory to prove its results which is behavioral finance theory. There are other theories that can be applied in the study like the efficient market hypothesis theory, and the theories of Markowitz and Sharpe to improve outcomes. The study is limited to the individual investors of India, the further scope is to study the other countries of the world on international stock markets.

References

1. Agrawalla RK, Tuteja SK. Share Prices and Macroeconomic Variables in India: An Approach to Investigate the Relationship between Stock Markets and Economic Growth. Journal of Management Research.

2008; 8(3).
2. NA. Stock Market Book. Dalal Street Investment Journal, n.d.
3. Mohanta G, Debasish SS. A Study on Investment Preference among Urban Investors in Orissa. PRERNA Journal of Management Thought and Practice. 2011; 3(1).
4. Geeta SN, Vimala K. Perception of Household Individual Investors towards Selected Financial Investment Avenues (With Reference to Investors in Chennai city). Procedia Economics and Finance, 2014, 360-374.
5. Mahender Yuliani, Isnurhadi, Ferry Jie. Risk Perception and Psychological Behavior of Investors in Emerging Market: Indonesian Stock Exchange. Business Perspectives. LLC, 2017.
6. Manimozhy N, Borah N. Perception of Individual Investors towards Stock Market Investments with Special Reference to Guwahati City. Journal of Contemporary Research in Management, 2018.
7. Yulianai, Isnurhadi, Jie F. Risk Perception and Psychological Behavior of Investors in Emerging Market: Indonesia Stock Exchange. Business Perspectives, 2017.
8. Sharma R, Verma A. Analysis of Investment Behavior during Recovery Phase among Youth Investors ofIndian Stock Market, Vision: Journal of Business Perspective, 2011, 1-9.
9. Bhojwani A. Investors Grievances Settlement in Indian Stock Market: A Study. Dissertation. ProQuest LLC, 2015.