

IMPACT OF ECONOMIC FACTORS ON THE STOCK PRICE BEHAVIOR OF RELIANCE INDUSTRY IN NSE

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ABSTRACT

The role of fundamental analysis in share price predication is very significant in the long run due to reflecting economic, industrial and company factors which have direct or indirect effect on the share price behaviour. Thus, present study analyzed the impact of economic analysis on the share price behaviour of Reliance Company for the period of 2014-2022 by applying the correlation and multiple regression analysis. The study found negative correlation between MPS and GDP, inflation and FII during the study period, in contrast, exchange rate, IIP and crude oil price has shown positive impact on the share price during the same period. The multiple regression analysis period revealed the significant impact of all independent variables on the dependent variable i.e. market price of the share of reliance company.

Key words: Economic factors, share price behaviour, reliance industry, NSE, JEL codes: D53, E44,G11

Introduction:

The shares prices are not fixed in the market conditions whereas it fluctuates the market situations. Fundamental factors are based on the company's earnings and profitability whereas the technical factors are related to a market activates. In the stock prices are influence by the overall economy where are traders are negative impact on corporate earnings because of recessions. In the economy higher inflation leads to higher interest rates in growing economy. In 2020 the pandemic situation affected the stock prices of the economy and traders also can worry about the negative impacts on corporate earnings. Where the inflation rises 5 percent in March 2023 where is down from the 6percent in February where as its peaks on June 9.1percent measured by the CPI. Inflation is the rate of increase in prices over a given period of time. Where the stock prices are rising, the investors and consumers have more wealth about the future prospects. Where the negative impact on the stock market means the stock prices are going the lower it means a bear market. Which is a fear of recession .where the shares represent

the risky investment because of the market price is subject to fluctuations? Where the fundamental analysis identifies and evaluates the relationship between stock price development and economic factors. The economic factors in the fundamental analysis comprises of the following terms as interest rates, GDP, FII, inflation, crude oil, IIP and exchange rates.

Pražák Tomáš. (2018) study witnessed the positive impact of leverage, profitability (ROA & ROE), GAV, GDP and INDP on share price behaviour, in contrast, negative impact of HIPP, UNE and CPI on the share price behaviour. Harikumar Pallathadka (2020) the stock market is the barometer of the Indian economy. The research (FY19) study on the assortment of fundamental factors EPS, DPS, NET WORTH, P/E RATIO and current ratio on the share price moment and the result has the long-term investor has mostly effect on EPS and P/E RATIO. Almashaqbeh, Mohammad & Islam, Md. Aminul & Bakar, Rosni. (2021) this research is based on the relationship between stock prices and selected internal and external factors affecting a share price and also the share prices can be effect developed and developing economics. Joshi, Mrunal. (2013). In this research the find out the major factors affecting the stock marketing. It defined the find out the major factors responsible for up-down movement in Indian stock market. And also, it studies on some factors like flow of foreign institutional investors, political stability, growth of gross domestic product, inflation, liquidity and interest rate and global level factors responsible to create movement in Indian stock market.

Conceptual Framework

Agarwal, Tanu; Kumar, Saurabb; and Singh, Satyendra P. (2014) the study focused that to identify the factors affecting the movement of the Indian stock market . Where it can deal with time series data and consists of variables. And they can see on macroeconomics factors and internal factors. Serife Ozlen (2010), when the study is defined by the effect of selected micro economic factors. It can analysis the electric, food, communication, paper, chemistry, metal-product and main, stone, textiles commerce and transportation. In this sector we can the positive values of the stock prices. Alshahmani, Hassnain& Malik, Yasir & Mahar, Ahmed. (2019). When the research is study on the most important requirements of base III as financial indicators , and then tested by the private sector bank where is impact of solvency and indicators on stock prices and the conviction of investors . Mohammad Abdus Salam & Md. Mahmud Hasan September (18, 2015), where the study finds out the strength of the economy reflects in the stock market numeric value. The stock market business after and before analysis was an investor can be considering the three things which are acknowledged and fully with

company information and performance , risk management and continues monitoring of stock performance. Arpit Bhargava, Ankush Bhargava, Surbhi Jain, (Jul. - Aug. 2016), in the study looks like the relationship between macro variables. Where the samples are macro variables and stock prices for period 2004-2013. Whereas the negative impact on exchange rate and inflation. Where positive impact on stock prices and oil prices and we can see the gold prices are impact on stock prices.

Warren Tease (1993) it is studied on the relationship between equity prices and business investment. The equilibrium values will be affected by the macroeconomics, where united kingdom has significantly relationship between the share prices and business investment where some countries are US, JAPAN, UK, and CANADA are reflects stock prices. Ligocká, Marie & Pražák, Tomáš & Stavarek, Daniel. (2016). It is study on the stock prices of selected swiss real-estate companies and macroeconomic fundamentals, whereas the relationship between the stock prices and macroeconomics fundamentals. The macroeconomics variables are short run dynamics of stock prices. Aditya Prasad Sahoo, Dr BCM Patnaik, Dr Ipseeta Satpathy 11, 2020, it is studied on the macro-economic variables and their impact on stock market. Whereas it taken by the interrelationship correlation, regression-test and annova. Where they analysis on inflation rate and interest rate are affecting the BSE SENSEX and GDP and GDP PER CAPITA are statistically significant. Ray, Prantik and Vani, Vina, when it is study on the modern non-linear technique like VAR and Artificial Neural Network and compares the result, when the stock market influence the certain variables like interest rate, output , money supply, inflation rate and the exchange rate. Nazir, Mian Sajid & Nawaz, Muhammad & Gilani, Usman. (2010). It is study on the relationship between the stock market development and economic growth. It is increasing the size of the economic growth of a country as well as the market capitalization in an emerging market. Fragiskos Archontakis, stylianiavgerinopoulou, (15/11/2017), where it is study on the analyse the relationship between the stock market prices of FTSE 100 index and macro-economic factors consider on the consumer price index, exchange rate , treasury bills rate, unemployment rate, oil prices and industrial production.

Review of Literature

Harikumar Pallathadka (2020), the growth of it sector was US\$ 181 billion in 2018-19 and also the export revenue has increased US\$ 137 billion in 2018-19. Joshi, Mrunal. (2013). the non-panic periods mean 1890-1913 the financial panics are not much higher in GNP of real variance. And also defined as the 1988 period was the recessions are higher in stock returns and industrial production growth. The negative returns lead to larger increases in volatility

than do positive returns during the 1989 period. In 2009 the financial crises in US, the BSE Sensex fell by almost 15percent. Agarwal, Tanu; Kumar, Saurabb; and Singh, Satyendra P. (2014), where it can study on financial year on 2005-06 and 2012-13, where it can study on some factors like Indian stock market, CNX Nifty, macroeconomics factors, internal factors, principal component analysis, regression analysis, arbitrage theory .Serife Ozlen (2010), when we can see the book value is a positive impact on stock prices of the sectors. And only negative impact is on textile sector and the positive impact is on electric sector. Khan, Jawad & Khan, Imran. (2018). When the study looks like a contributes by determine the effect of various macroeconomics variables on stock prices. whereas the long term in stock exchange is affected by the money supply and the short-term variables are in negative impact on exchange rates.

Alshahmani, Hassnain & Malik, Yasir & Mahar, Ahmed. (2019). Where it taken by the bank's financial indicators of requirements as on the FS is greater or equal to 10.5percent , the LCR is greater or equal to 1, the NSFR is greater or equal to 100percent and the LR is greater or equal to 3percent. Mohammad Abdus Salam & Md. Mahmud Has an September(18,2015), the study information relating to the five divisions of DSE-Food and Allied, Fuel And Power, Engineering, Pharmaceuticals and Chemicals and Health care parts, whereas the benefit was impact offer costs on account of the food and allied, engineering, and healthcare parts. Arpit Bhargava, Ankush Bhargava, Surbhi Jain, (Jul. - Aug. 2016), where it can be defined by the relationship between different factors in Indian stock market of stock prices. They can be taken by independent variables such as inflation, index of industrial production, money supply, oil prices, exchange rates, gold prices and gross domestic product. Warren Tease (1993), the share prices on during 1980s have influence by the phenomena where as a short-term coupled with large fluctuations, its leads to some argue that various rules or circuit breakers were placed on the market limited volatility.

RESEARH METHODOLOGY

Research Problems: The analysis of share price behaviour in response to the change in economic factors is emerging topic in the research of stock market domain The economic factors are uncontrollable in nature by the specific company. Thus, the examining the effect economic factors on the share price behaviour of one of the highest market capitalization company in NSE are need of the hour.

Research Objectives: The objective the study is examined the impact of economic factors on the share price behaviour of Reliance company for the period of 2014-2022.

Hypothesis: Present study formulated and examined the following hypothesis

H₁: There is significant impact of economic factors on the share price behaviour of reliance company during the study period of 2014-2022

H₀₂: There is insignificant impact of economic factors on the share price behaviour of Reliance Company during the study period of 2014-2022

Research Methodology: Present stud is purely based on secondary data collected from the RBI and other sources and NSE website. The study is exploratory in nature. In the present study economic factors comprises of GDP, inflation rate(IR), Foreign Institutional Investors(FII), Index of industrial production(IIP), exchange rate(ER) and Crude oil where as market price of the share is dependent variables. The study period is 2014-2022. The study applied correlation and multiple regression analysis. The reliance company is one of the top market capitalized companies among listed companies in NSE. It is selected under purposive sampling technique.

DATA ANALYSIS AND INTERPRETATION

Table 01: Correlation between Economic Factors and Share Price of Reliance

	MPS	GDP GR	IR	FII	ER	IIP	CO
MPS	1	-.046	-.557	-.051	.206	.105	.333
GDPGR	-.046	1	--	--	--	---	---
IR	-.557	---	1	----	---	-----	---
FII	-.051	---	-----	1	----	-----	----
ER	.206	----	---	---	1	--	---
IIP	.105	---	---	--	--	1	---
CO	.333	----	---	---	--	--	1

The sign value is significant at * 1 percent level

The sign value is significant at ** 5 percent level

REGRESSION ANALYSIS:

Table 02: Multiple regression of Economic Factors and Share Price Behaviour of reliance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-4561.722	1068.461		-4.269	.051
Growth Rate	48.952	13.185	.389	3.713	.065
Inflation Rate	33.808	22.108	.117	1.529	.266
FII	.002	.001	.314	2.683	.115
ER	52.057	14.970	.645	3.477	.074
IIP	38.663	35.624	.189	1.085	.391
CR	28.045	5.276	.518	5.316	.034
R ²	.997				
F-Test	48.153				
Sign value	.020				

a. Dependent Variable: MPS

DISCUSSION ON STATISTICAL RESULTS

In table 01, The study found that, the correlation results between independent variables (GDP growth, inflation, FII, exchange rate, IIP & crude oil) dependent variable i.e. Market price of the share of Reliance company for the period of eight years 2014-2022. The selected company is Reliance Industries Limited belongs to large market Cap Company in NSE. The study found that, GDP has correlation value of -0.46 which indicates weak moderate correlation with MPS and this is insignificant. Similarly, inflation rate correlation value is -.557 which moderate weak negative correlation with MPS i.e. which is also not significant. It is found that, FII has moderate negative correlation with MPS i.e.-0.51 which is insignificant. It is also witnessed that exchange rate has weak positive correlation with MPS i.e. .2.06 which is insignificant. It is evidence that IIP correlation value is .105 which indicates weak positive correlation with MPS and insignificant. Finally, the study observed that, crude oil has moderate positive correlation value is .333 which is also insignificant.

In table 02 describes the model summary, ANOVA and regression results revealed that, R² value is .997 which indicates fitness of the model, thus present model explains the 99.70 percent variation in dependent variable. The Sign value is .020 which is lower than .005 and indicates that all independent variables (GDPGR, IR, FII, ER, IIP & CO) have significant

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impact on the dependent variable (MPS). This indicates significant impact of economic factors on the share price behaviour of reliance companies. This says that acceptance of alternative hypothesis and rejection of null hypothesis. There is significant impact of economic factors on the share price behaviour of Reliance Company during the study period of 2014-2022

CONCLUSION

The role of fundamental analysis in share price predication is very significant in the long run due to reflecting economic, industrial and company factors which have direct or indirect effect on the share price behaviour. Thus, present study analyzed the impact of economic analysis on the share price behaviour of Reliance Company for the period of 2014-2022 by applying the correlation and multiple regression analysis. The study found negative correlation between MPS and GDP, inflation and FII during the study period, in contrast, exchange rate, IIP and crude oil price has shown positive impact on the share price during the same period. The multiple regression analysis period revealed the significant impact of all independent variables on the dependent variable i.e. market price of the share of reliance company.

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