

PROJECT REPORT ON
“STUDY IMPACT OF MACRO ECONOMIC INDICATORS ON
INDIAN SHARE PRICE MOVEMENT”

Submitted By

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Submitted To



VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfilment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

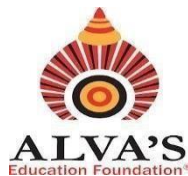
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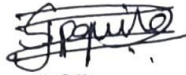
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CERTIFICATE

This is to certify that **Shraddha.M** bearing **USN 4AL22BA090**, is a bona-fide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on "**Study on the Impact of Macro Economic Indicators on Indian Share Price Movement**" is prepared by her under the guidance of **Dr. Vishnu Prasanna K.N.**, Professor, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi Karnataka.



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DECLARATION

I, Ms. Shraddha M (USN: 4AL22BA090) hereby declare that the project report entitled **"STUDY IMPACT OF MACRO ECONOMIC INDICATORS ON INDIAN SHARE PRICE MOVEMENT"** is prepared by me under the guidelines of Dr Vishnu Prasanna K N, Professor of Finance, PG Departments of Business Administration, Alva's Institute of Engineering and Technology, Mijar, Moodbidri.

I also declare that this project work is towards the partial fulfilment of the university regulations for degree of MASTER OF BUSINESS ADMINISTRATION by Visvesvaraya Technological University, Belgaum.

I have undergone a project for a period of 6 weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution

Date: 07/09/2024

Place: Mijar



signature of the student

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EXECUTIVE SUMMARY

This study investigates the impact of various macroeconomic indicators on Indian share price movements, focusing on the relationship between these indicators and the pricing behaviour of stocks across different sectors. Key macroeconomic variables analysed include interest rates, exchange rates, inflation, GDP growth, and foreign direct investment (FDI). The analysis spans the performance of 10 key sectors' share prices over the past five years and the Nifty50 index's share price over the past two decades. Interest rates significantly influence investment decisions and stock valuations. Typically, lower interest rates lead to increased borrowing and investment, which drives up stock prices. Conversely, higher interest rates can dampen investment enthusiasm due to higher borrowing costs, leading to potential declines in stock prices. In the context of a globalized economy like India, exchange rate fluctuations impact the competitiveness of Indian companies in international markets. Foreign exchange rates can boost the profitability of exporting companies, thereby increasing their stock prices, while adverse exchange rate movements can have the opposite effect. Inflation, as a measure of the general rise in prices, can erode purchasing power and alter consumer spending patterns. This, in turn, affects corporate revenues and profitability. The study explores how inflation trends correlate with stock prices, providing insights for investors navigating market volatility. GDP growth is a critical indicator of economic health, reflecting the overall productivity and expansion of the economy. Strong GDP growth often correlates with bullish sentiment in the stock market, as it signals increased corporate earnings potential and investment opportunities. FDI flows are indicative of international investors' confidence in the Indian economy. Higher FDI inflows typically signal positive sentiment, which can drive up stock prices, particularly in sectors attractive to foreign investors.

The study combination of descriptive analysis, unit root tests, Johansen co-integration techniques, correlation coefficients, and regression analysis to assess these relationships. The findings reveal significant correlations between macroeconomic indicators and stock price movements, underscoring the importance of economic stability for market performance. This research provides valuable insights for investors and policymakers, helping them make informed decisions and devise effective economic strategies based on the intricate relationship between macroeconomic fundamentals and stock market dynamics in India.

By analysing historical data and financial figures from selected sectors and the broader market, the study identifies patterns and trends that contribute to a deeper understanding of how macroeconomic indicators impact the Indian stock market. This comprehensive approach enables a nuanced analysis of sector-specific responses to economic changes, offering actionable insights for market participants.