CONCLUSION

“This chapter is divided into four sections, namely, Research Background, Empirical Findings, Implication and Future Research Potential, which gives a brief outline of present study”.

6.1 Research Background

The segment of a financial market of an economy from long-term capital is raised via instruments such as shares, securities, bonds, debentures, mutual funds is known as the security market of that economy. A security market has components such as a security regulator (Like SEBI in India), stock exchanges, different share indices, brokers, FIIs, jobbers, etc. There are different kinds of transactions which take place in a security market such as badla, reverse badla, future trading, private placement, etc.

The Stock market is an important element of the economic structure of a country. The stock market plays a critical role in the development of the industry and commerce of the area that eventually affects the economic structure of the country to a great extent. The Stock market is viewed as a very significant element of the financial sector of any economic structure. Furthermore, it plays a crucial role in the mobilization of capital in many of the emerging economies. There are many factors which affect the stock market behaviour rapidly. The variation due to the different factors reflects its impact on the economy also. It is said that if one wants to discover the economic structure of the country, he/she should read out the behaviour of the securities markets. So, in the above context, there is a need to conduct present research to investigate the relationship between stock market and economic financial factors.

The study investigated the impact of financial (economic) variable such as: Gross Domestic Product (GDP), The Index of Industrial Production (IIP), Consumer Price Index (CPI), Foreign-exchange reserves (also called forex reserves or FX reserves), International Crude Price (CP) on selected stock market, namely Indian Stock Market (S&P BSE SENSEX (BSE 30) index, S&P CNX Nifty index (NIFTY 50), London Stock Exchange (Financial Times Stock Exchange 100 Index (FTSE 100) and New York Stock Exchange (NASDAQ) Dow Jones Industrial Average
(Dow 30). The data sets of all variables have been considered from April, 2001 to March, 2013 on a monthly basis. All the required information for the study has been retrieved from the International Financial Statistics (IMF Data Base).

The chapter 2 attempts to review the earlier literature, related to the “Impact of financial Economic variables such as Money Supply, Rate of Interest, Rate of Inflation, Rate of Exchange, Economic growth, Index of Industrial Production, Gross Domestic product etc., on Stock Market”. Through earlier literature researcher identified research gap and go for further research related to this area. This chapter has been categorized into four sections, namely, theoretical framework, literature related to developed countries, literature related to developing countries and literature related to group countries, classification of the earlier literature has been done to understand the various issues of the impact of financial economic variables on stock market and whether Indian empirical result behaves differently when compared to other countries results. Basically, this classification also helps to find the model which gives conflicting results in case of developed and developing countries.

The chapter 3 is all about legal and regulatory framework of stock market in selected countries, namely, United State (U.S.), United Kingdom (U.K.) and India. It is studied with the consideration of related securities exchange law, like, The U. S. Securities and Exchange Commission (SEC), The Financial Conduct Authority (FCA) and SEBI (Securities and Exchange Board of India).

6.2 Empirical Findings

The chapter 4 is on the descriptive or summary statistics of all the dependent, namely, the S&P BSE SENSEX (BSE 30) index, S&P CNX Nifty index (NIFTY 50), Financial Times Stock Exchange 100 Index (FTSE 100) and Dow Jones Industrial Average (Dow 30) and independent variables, namely, Gross Domestic Product (GDP), The Index of Industrial Production (IIP), Consumer Price Index (CPI), Foreign-exchange reserves (also called forex reserves or FX reserves), International Crude Price (CP) with their logarithm returns. The main objective of this
chapter is to develop subject knowledge of the variables considered in the whole research work. Summary statistics are presented through E-Views.

“The presentation of summary statistics for all the selected variables through the frequency distributions of the data series of selected variables is shown by Histogram divides the series range (the distance between the maximum and minimum values) into a number of equal length intervals or bins and displays a count of the number of observations that fall into each bin. A complements of standard descriptive statistics are displayed along with the histograms. Descriptive statistics include the Mean, Median, Maximum, Minimum, Standard Deviation (Std. Dev.), Skewness, Kurtosis, Jarque-Bera and its probability.”

**Chapter 5** present the relation between the stock price and selected financial (economic) variables through different tools and tests, namely, Ordinary least square (OLS) (to test the relationship between the selected financial (economic) variables and the stock price index), Augmented Dickey Fuller Test (ADF), (to check the stationarity of data), Johansen Co – integration test (to check the long run relationship among selected variables), Granger Causality test (to examine the relation between individual explanatory variables and selected indexes, either unidirectional, bidirectional or no relation).

By Augmented Dickey Fuller Test (ADF), In case of India researcher found all selected variables are stationary at I(1) except LGDP (log of Gross Domestic Product) and LIIP (log of Index of Industrial Production), these variables are stationary at I(2) because t- statistics is less than the critical value (5% level) at I(1). In case of United State, all selected variables are stationary at I(1) except LGDP (log of Gross Domestic Product) and LIIP (log of Index of Industrial Production), these variables are stationary at I(2) because t- statistics is less than the critical value (5% level) at I(1). In case of United Kingdom, all selected variables are stationary at I(1) except LCPI (log of Consumer Price Index), LGDP (log of Gross Domestic Product) and LIIP (log of Index of Industrial Production), these variables are stationary at I(2) because t- statistics is less than the critical value (5% level) at I(1).

Ordinary Least Square (OLS) method, show the impact of the financial (economics) variables on stock market. Here, “Both the predicted and all the predictor variables are log-transformed. This
is associated with the price elasticity meaning that the percentage change in Y is caused by one percentage change in X”. For example in the case of this study, 1% change in IIP will cause stock prices to decrease by 6.69%. The coefficient of determination (R²) are 0.5956(SENSEX), 0.5765(Nifty), 0.5957(DJI), 0.4283(FTSE_100) which are considered as 59%, 57%, 59%, and 42%. This indicates that about 59%, 57%, 59% and 42% of the total systematic variations in the SENSEX, Nifty, DJI and FTSE_100 are explained by the variation in the explanatory variables, namely CPI, GDP, IIP, CP and FX. The remaining 41%( SENSEX), 43 %( Nifty), 41 %( DJI) and 58 %( FTSE_100) could be attributed to the some other factors and stochastic error term which are not included in the model.

Through Johansen Co-integration model, researcher found that all the series are integrated an order one or I(1). Means there is at least 1cointegrated equation, or we can say all selected variables have long run association.

Granger Causality Test, By seeing Table: 5.6 (ANNEXURE 2), researcher found DDLGDP does not granger cause DLDJI, DLJI does not granger cause DLCP, DLDJI does not granger cause DLCPI, means have Unidirectional relation, DLDJI and DDLIIP have Bilateral relation (Feedback) and DLFX and DLFX have Exogeneity (Independence).

By seeing table: 5.7 (ANNEXURE 2), researcher found, DDLIIP, DLCPI and DDLGDP have Exogeneity (Independence), DLNIFTY does not granger cause DLFX and DLNIFTY does not granger cause DLCP, means have Unidirectional relation.

By seeing Table: 5.8 (ANNEXURE 2), researcher found, DDLGDP, DDLIIP and DLCPI have Exogeneity (Independence), DLCP and DLFX have Bilateral (feedback) relation with DLSENSEX. By seeing Table: 5.9 (ANNEXURE 2), researcher found, unidirectional relation among the variables.
6.3 Practical Implications: The Implication of the present study is as follows:

- “Since the study found strong linkages between financial (economic) variables and stock market, so policy makers should have to set a good platform for promoting investors to invest more in stock market”.
- “The study also found a significant relationship between the economic growth and stock market. So policy should be made for a healthy growth of the economy, which will construct a path for the enhancement of capital market”.

6.4 Future Research Potential:

In the present research work, an attempt has been made by the researcher to apply various econometric techniques for analyzing impact of financial (economic) variables on stock market. But, there are some areas of research which could not take up in the study. It would be worthwhile for the future researches to investigate these areas as listed below:

There is a scope for further research by extended the study period.

- “Data collected for the present study is completely secondary in nature. Researcher could not incorporate the views and opinions of the stock market practitioners, investors, dealers etc. So, there is a scope for further research by collecting views on the sphere of impact of financial (economic) variables on stock market of these parties”.
- The study is focused only on long term variables. So there is a wide scope of further research by considering the long term as well as short term.
- Additional researches can be done using some other linear or non-linear mathematical modeling techniques, namely, Hidden Markov Models, Wavelet Neural Networks etc.
- Presently researches about only developing and developed country. So, there is a wide scope of further research for grouped countries as well.