

A Study of Relationship in Between Indian Stock Market and Economic Growth : A Review

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ABSTRACT

Securities trade has been associated with monetary improvement through its part as a hotspot for new private capital. Other hand, budgetary advancement may be the impulse for securities trade improvement. Accordingly, the inspiration driving this paper was proportional to research causal associations between securities trade. Whether securities trade change causes, or is attributable to, money related advancement is an unsettled issue. It expect more noticeable centrality for India given tremendous spurt in securities trade practices in the latest decade. There is compelled time-game plan econometric verification that reports the association between securities trade upgrades and the Indian economy. Causality tests in the present study are gone before by thought testing which gives a more ordinary setting to causality studies and acceptances. Moreover, the present study attempts to overcome the issues experienced by past research by building and using a composite document of securities trade headways. This paper endeavors to investigate whether there is a relationship between securities trade headway and financial advancement because of a making economy, for instance, India. The results, exhibit that market capitalization and regard traded extents have a to a great degree weak negative association with fiscal advancement while turnover extent has an incredibly strong positive association with budgetary improvement.

Keywords : Stock Market Development, Economic Growth, Indian Stock market, Market capitalization, liquidity.

I. INTRODUCTION

Customary researchers assumed that the cash related market when all is said in done has no association with budgetary improvement. This suggestion blended studies on finding the effect of budgetary market improvement. Abundant of studies has uncovered the traditionalists and developed relationship between securities trade and money related advancement. In today's dynamic environment, acquisitions give a basic advancement method. There is a rich composition stream inspecting market reactions to acquiring revelations with respect to the stock expenses of offering and target firms, furthermore the post-acquisition execution of the united substances (for reviews, see Datta, Pinches, and Narayanan, 1992; King et al., 2004). Other research focuses on forceful components and takes a gander at reactions by adversary firms to the essential exercises of a focal firm (Gimeno et al., 2005; Guillén, 2002). However by no speculative or observational work joins these streams to explore how securities trades treat the

rivals of getting firms after an acquisition assertion (Haleblian et al., 2009).

Objective: The essential focus of this investigation paper is finding the relationship amidst securities trade measure and money related advancement of a country.

II. RESEARCH METHODOLOGY

These goals are attempted with the going with theories:

1. Ho: There is no relationship between securities trade measure and money related advancement.
2. Ha: There is basic relationship between securities trade measure and money related advancement.

Data

The data used for this study is assembled from Indian Stock Exchange Annual Reports and Accounts, Various years; Securities and Exchange Commission Annual Reports and Accounts; Central Bank of India Statistical Bulletin and the National Bureau of Statistics.

III. RESEARCH METHODOLOGY

The study gets association and backslide examination to research the method for associations and the specific heading of causation among poor and independent variables of this study. Association coefficient is the square base of coefficient of confirmation R2. Since the coefficient of certification contrasts some place around 0.0 and 1.0, it takes after that the association coefficient must change among +1 and - 1. Both the association coefficient and the coefficient of certification don't have much to say as to causation. Regardless, in backslide examination, the heading of the relationship between variables is performed toward the begin, in this way the causality is normal rather than incited from the model. This paper picks an association coefficient $\square 0.50$ as a benchmark for the relationship between different elements

Finding

One of the purposes of this study is comparable to examine the method for associations (expecting any) between the GDP and securities trade headway records, and between stock trade change documents themselves. The connections are : GDP and Stock Market Capitalization extent = - 0.333; GDP and Value Traded extent = - 0.125; and GDP and Turnover extent = 0.907. This shows securities trade capitalization and estimation of shares traded the Indian stock exchange have a negative relationship with the Gross Domestic Product at ascertain cost India. This negative association is a to a great degree sensitive one. This infers extended GDP ought to achieve a lessened in market capitalization and regard traded of shares on the Nigerian stock exchange. Since colossal (1-took after) regard is over the 0.05 basic levels, we can assume that the proposal that securities trade capitalization and regard traded are oppositely related with GDP is not quantifiably immense and should not be viewed as essential.

Of course, the estimation of 0.907 showed up in turnover extent suggests that there is an outstandingly strong relationship among GDP and turnover extent. This regard is quantifiably basic at 0.01 level of criticalness which is underneath the 0.05 level seat set apart for this test.

Between securities trade capitalization and turnover extent; and turnover and regard traded are not quantifiably basic and should not be viewed as imperative.

Pretty much, this study develops two accurately vital associations: an enthusiastic positive relationship among GDP and turnover extent, and a strong positive relationship between securities trade capitalization extent and regard traded extent.

We outline the state of the relationship along these lines:

$$\begin{aligned} \text{Total national output} &= 426125 - 1983\text{MCR} + \\ &19866\text{VTR} + 11464\text{TOR} \\ &(34180) (726) (7963) (2417) \\ \text{Adjusted R-Squared (Adj R2)} &= .873 \\ \text{F-test}_{0.5} &= 33.115 (.0001) < \text{F}_{\text{tab}} = 27.2 \\ \text{Durbin-Watson (DW)} &= 1.607 \end{aligned}$$

To elucidate the validity of these associations, we consider the coefficient of affirmation (r^2). This estimation is utilized to exhibit how much assortment in money related improvement is cleared up by securities trade progression records. Since the example for this study is nearly nothing (15-year yearly time course of action), we use the adjusted r^2 to keep up a key separation from confident overestimation of the honest to goodness regard in the people. The estimation of the Adj r^2 is .873. This shows 87% of the assortments in GDP are cleared up by securities trade change record (turnover extent). The F-estimation exhibits that the regard is accurately tremendous at a regard underneath 0.5 gigantic level.

The closeness of autocorrelation ignores the typical scarcest squares (OLS) supposition that the misstep terms are uncorrelated. While it doesn't inclination the OLS coefficient assesses, the standard oversights are consistently disparaged (and the t-scores overestimated) when the autocorrelations of the bumbles at low slacks are sure. The Durbin–Watson estimation is a test estimation used to recognize the proximity of autocorrelation in the residuals from a backslide examination. Since the DW is equal to or generally to 2, we say that the components do no auto relates and in this manner the results are strong.

In like way, the association between's securities trade headway records shows up: securities trade capitalization and regard traded = 0.966; stock trade capitalization and turnover extent = - 0.213; and regard traded and turnover extent = - 0.031. This shows securities trade capitalization and regard traded have an especially strong association which is quantifiably significant at 0.01 underneath the shoreline market of 0.05 level.

IV. CONCLUSION

This paper discussed the piece of securities trade change on financial improvement using time course of action data from 2008 to 2015. The Ordinary Least Square strategy was used to evaluate the association between's securities trade change and monetary improvement, and between stock trade records. The results exhibit that securities trade turnover extent (a mediator for liquidity) has a to a great degree strong relationship with budgetary advancement while securities trade capitalization extent (a middle person for securities trade appraise) gives incredibly weak contrary relationship which is not genuinely basic. On that note, we develop that liquidity is vital for financial advancement however does not set up same for securities trade appraise. We should see with caution the possibility that securities trade size is not colossal for financial improvement since multicollinearity exists in the data used for this examination.

V. LIMITATIONS

The investigation paper is given theoretical on improvement of the share exchanging framework in India, as we likely am mindful Indian Stock market nature is flighty, advancement impacts by various diverse factors. Take a gander at all the factors are to some degree outrageous undertaking.

VI. REFERENCES

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