Xavier University Bhubaneswar

University Dialogue Series (UDS)

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Impact of Macroeconomic Variables on Indian Stock Market

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During the period 1980-2013, Indian economy had undergone structural and economic changes which brought in the necessity to understand the dynamics of economic development leading to financial development. Considering that, this study aims at scrutinizing the impact of macroeconomic variables like Inflation (CPI), Gross Domestic Product (GDP), Gross Capital Formation (GCF), Exchange Rates (REER), Foreign Direct Investment (FDI), Balance of Payments (BoP), Foreign Reserve (FOREX), and Money Supply (M3) on Stock Market (BSE SENSEX) for the period 1980-2013 using multiple regression. Explaining such an impact will also lead to a more credible investment verdict leading to financial stability. The study confirms that 96% of the variations caused in the SENSEX are due to the macroeconomic variables examined in this research with FDI, CPI and FOREX showing the most significant impact.

Key Words: SENSEX, Macroeconomic Variables, Structural Change, Investment.

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