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### CERTIFICATE

It is certified that the work contained in the thesis titled “**RELATION BETWEEN STOCK MARKET AND SELECT MACRO-ECONOMIC VARIABLES: A STUDY ON PRE AND POST LIBERALIZATION EXPERIENCES IN INDIA,**” by Joy Sarkar has been carried out under our supervision and that this work has not been submitted elsewhere for a degree.

  
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## DECLARATION

I declare that the thesis entitled “**RELATION BETWEEN STOCK MARKET AND SELECT MACRO-ECONOMIC VARIABLES: A STUDY ON PRE AND POST LIBERALIZATION EXPERIENCES IN INDIA,**” has been prepared by me under the supervision of former professor Hirak Ray and professor Samirendra Nath Dhar, Department of Commerce, University of North Bengal. No part of this thesis has formed the basis for the award of any degree or fellowship previously.

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# **I. Dedication**

I dedicate the thesis to the lovely memory of my father Late Narayan Chandra Sarkar

## **II. Acknowledgement**

At the outset I bow down to my esteemed and admiring teachers Prof. Hirak Ray and Prof. Samirendra Nath Dhar for their constant fillip and encouragement to complete the thesis with finesse. They are simply outliers to me. We all know that behind a successful man there is a woman. So, I take the opportunity to express my sincere gratitude to their better halves as well.

I am really indebted to my mother, wife and beloved daughter for their unconditional and invaluable support.

I am grateful to my colleagues and staffs of the department for their inspiration and magnanimity.

I owe to Dr. Debarshi Roy for helping me in many ways to prepare the thesis.

I am thankful to all the staffs of the registrar branch those who always extend their helping hands to tide over the problems when I really need their help.

I express my veneration to my maternal grandfather Late Lakshmi Kanta Chatterjee whose words still buzzing in my ears that read, read and read you will learn so many things. I respectfully recount the undeniable contribution of my paternal uncle Late Ganesh Chandra Sarkar in my life, without him I would have been nowhere.

## **IV. Preface**

Macroeconomic variables, mostly, capture the business cycles and reflect the behaviour of the economy with or without any interaction with the world. On the other hand, stock market deals with the 'share of claims on firm's assets' and largely depend and fluctuate sharply to the changes in any political, financial or economic policy changes, events and news. Prices of the individual shares change due to lots of shocks transmitted by several expected and unexpected financial, micro and macro-economic variables and shaped by the economic policy measures. Again, the impacts of the variables in the formation of prices are not equal. The influence may be immediate or gradual in nature.

Portfolio theory posits that the investors can diversify risk save the systematic component of the risk. This systematic risk is argued to be the major source of investment risk as the unsystematic one is diversifiable, can be reduced if not completely. Hence, an extra reward, may be long-term in nature, is required to be ushered whenever the particular price of the share is influenced by the systematic financial or economic variables. Conclusive answer about which economic variables, if any, changes asset prices have not yet determined. Moreover, the influence or the relationship varies across the economies, specially in developing and underdeveloped economies and behaviour of stock market in relatively less developed and developing economies is unclear. Investigations in Indian context , the economy which is a good 'subject' of study for various economic reasons and events, seem to have virtually escaped the proper and wide attention of researchers. Hence, we know little about how our stock market responds to the changes in the macroeconomic variables and whether it behaves systematically or the change in the asset prices is driven by some other factors which are unrelated to fundamentals. The issue is important and warrants settlement for sound policy prescriptions and to feed the need of the investors.

Shift in the regimes in India and their possible impacts on the relationship between stock market and macroeconomic variables attracted me to study the issue in depth and objectively considering a long time horizon. The objectives of the study, very specifically, are to assess the relationship amongst the select macroeconomic variables and stock market in the pre-liberalization and post-liberalization period. I have humbly tried to attain the objectives when I got the chance to research after my post-graduation. I have used some widely used but robust statistical and econometric tools on the Indian data collected for 54 years (1966-2019). I am fortunate to have former Professor Hirak Ray and Professor Samirendra Nath Dhar , both from the Department of Commerce, University of North Bengal, as my supervisors.

I have searched the literature and studies in the context of India are rare. The use of a variety of methodology, incomplete searching, and the fractured findings also attracted me to research on the issue to unveil the intricate relationship amongst the Indian stock market and select macroeconomic variables. Now I got the scope to research on the issue and hope that the findings of my study would help a lot to our policy planners and potential investors.

Finally, the entire study is presented in five chapters. 1<sup>st</sup> chapter of this thesis introduces macroeconomic variables selected, their theoretical relation with stock market and a brief description of the major policy measures to track the transform the economy from controlled to a free economy. Chapter-2 outlines the objectives, research questions and hypotheses along with the brief review of literature. Methodology used in the study is described in chapter-3. Hypotheses of the study are assessed by econometric tools in chapter-4. The last chapter, i.e., chapter-5 summarised the findings, counted the limitations and suggested some scope of future studies. The unique oscillating movements in the levels of integration in the pre and early period of liberalisation observed is a good issue to research in depth in future.

During my research work, two papers titled “Domestic Integration-An Empirical Investigation of the Select Segments of Indian Money Market” (with H. Ray and D. Dey) and “Indian Money and Equity Market: Are They Entwined?” (with H. Ray and D. Dey) are published in national and international journals and presented a paper titled “Asset Prices and Short-term Interest Rates: An Experience from the Indian Stock and Money Market” (with H. Ray and D. Dey) in the seminar organized by the Department of Commerce, University of North Bengal on the 28<sup>th</sup> and 29<sup>th</sup> March, 2019.

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