

TOWARDS UNDERSTANDING DETERMINANTS OF STOCK PRICE VOLATILITY: ANSWERS FROM RESEARCH LITERATURE

Frenki R.Chauhan*

ABSTRACT

Stock Price Volatility has gained increased attention from researchers and practitioners in recent times. Understanding the Stock price volatility and factors affecting it has been very crucial. This paper aims to acquire understanding of the determinants of Stock price volatility on the basis of answers from the existing research literature. Factors that determine Stock price volatility have been identified.

Keywords: *Stock Price Volatility, Inflation Rate, Price Earnings Ratio, Earning Per Share, GDP.*

Introduction

In today's world, most people want to find a second source of income and for them, the stock market is the best option. That is why the stockholders want to identify various determinants of stock price volatility. This research article's main aim is to identify the various determinants of stock price volatility from an existing literature review. There are also other determinants that affect the stock price volatility too. Any investors can understand that what is the variable affects the stock price volatility from this research article.

Literature Review

A wide range of literature is available on the factors that determine stock price volatility. The review of literature shows that the study of factors affecting stock price volatility has gained increased attention from researchers & practitioners in recent times. This section deals with identifying and determining variables of stock price volatility.

Nathani, N et. al. (2015) studied determinants of stock price movements in the context of the Indian Stock Market. They established the relationship between the Index returns, financial factors & economic factors with the help of Multiple regression test of NSE 100 from the Financial Year 2003-04 to 2013-14.

Om and Goel (2017) examined 31 listed companies on Bombay Stock Exchange to identify factors affecting stock price behaviour using Correlation & Regression Analysis and established the relationship between Dividend policy & Market Price of share with the time period of 2011- 12 to 2015-16.

Inumula, K et. al. (2017) considered the impact of macroeconomic factors on stock price with the application of multiple linear regression models for the time period of January 2010 to September 2016. In 1988, Friedman expected that the wealth effect would dominate and the demand for money & stock prices to be positively related.

* Research Scholar, Department of Business Administration, M. K. Bhavnagar University, Gujarat, India.

Dr. Tanwar and Irfan surveyed the fundamental determinants of share price in India with the comparative study of Shariah & Non-Shariah compliant companies. They have taken samples as 40-40 companies from Shariah & Non-shariah indices in the year 2011-2015. This study's main purpose is to compare the Shariah & Non-Shariah portfolio in terms of fundamental determinants of share price with the help of the regression model.

Faris Nasif AL-Shubiri observed determinants of stock price movements in context of Jordanian Commercial Banks. They took 14 commercial banks of the Amman stock exchange as a sample with the time duration of 2005-2008. In this study, they analysed that dividend & earnings also affects the stock price with help of Regression Model.

Alam, S et. al. studied factors affecting stock price in the context with listed cement companies in the Dhaka stock exchange. This study's main purpose is to identify the main forces that affect share prices in the capital market of Bangladesh. They have taken 7 cement companies with the data of duration 2006-2015. In this study, researchers gave a clear message to the investors of the Bangladesh capital market that they should be watching out for the finance base & earning growth of the firm. Researchers also recommended that investors should monitor the price-earnings ratio & macro-economic factors before they expand their portfolio.

Mohammad Hasan Saleh In'airat tested internal & external factors effect on stock market prices evidence from Saudi Arabia. This study was done with the data of 40 companies listed on the Saudi Stock Exchange during the period of 2011 to 2015. The researchers study in depth of the dividend & oil prices impact on stock market prices. After regression analysis, the researcher suggests that there is a significant effect of both internal & external factors.

Rjoub, H et. al. assessed the subject of Micro & Macroeconomic determinants of stock price with the context of the Turkish Banking Sector. This research paper investigates the relationship between micro & macro-economic variables & stock prices of 7 banks listed in the Istanbul stock exchange for the period span from 1995:Q3 to 2015:Q4.

Dr. Nandan Velankar studied the Impact of EPS & DPS on Stock Price with selected Public sector banks in India. He took as a sample of 12 public sector banks of India with the period of financial year 2006-07 to 2014-15. This research paper analysed the relationship of causes & effects through regression test of DPS & EPS.

Ghimire and Mishra identified the determinants of stock price in the Nepalese Market. This study's main purpose is to determine the relationship between stock price & Explanatory variables such as DPS, EPS, P/E ratio, BV, Market to BV for the period of 2012 to 2017. For this study researchers took as a sample 11 Financial & Non-Financial firms of Nepal.

Conclusion

After the study of this research article, we understand that determinants of stock price volatility are playing a major role in the decision-making process. After the literature review, we understand that there are many determinants of stock price volatility. Price-earnings ratio, dividend yield ratio, earning per share, inflation rate, interest rate, exchange rate, information flow & GDP. This study is useful for predicting the stock price and balanced portfolio. This study is also useful for the stakeholders, shareholders, speculators, policymakers, and advisors.

References

- ✿ Alam, S et .al. (2016). Analysis on Factors that Affect Stock Prices: A Study on Listed Cement Companies at Dhaka Stock Exchange. *Research Journal of Finance and Accounting*, 7(18), 93-113.
- ✿ Ghimire and Mishra (2018, December). Determinants of Stock Price in Nepalese Market. *The International Research Journal of Management Science*, 3(1), 123-135.
- ✿ In'airat, M. H. (2018, April). The effect of internal and external factors on stock market prices - evidence from Saudi Arabia. *The Business and Management Review*, 9(3), 413-423.
- ✿ Inumula, K et. al. (2018, March). Impact of Macroeconomic Factors on Stock Price:Application of MLR. *International Journal of Management and Applied Science*, 4(3), 75-78.
- ✿ Irfan and Tanwar (2017, February). Fundamental Determinants of Share Price in India:A Comparative Study of Shariah and Non-Shariah Compliant Companies. *Pacific Business Review International*, 9(8), 58-67.

- ✿ Nathani, N et. al. (2015). Determinants of Stock Price Movements: Empirical Study of Indian Stock Market. *Research Perspectives 118 in Social Sciences*, 117-126.
- ✿ Om and Goel (2017). Analysis of Factors Affecting Stock Price Behaviour: A Study on Listed Companies in Bombay Stock Exchange. *Imperial Journal of Interdisciplinary Research (IJIR)*, 3(3), 115-119.
- ✿ Rjoub, H et. al. (2017). Micro and Macroeconomic Determinants of Stock Prices: The Case of Turkish Banking Sector. *Romanian 150 Journal of Economic Forecasting –XX (1) 2017*, 150-166.
- ✿ Shubiri, F. N. (2010, October). Analysis the Determinants of Market Stock Price Movements: An Empirical Study of Jordanian Commercial Banks. *International Journal of Business and Management*, 5(10), 137-147.
- ✿ Velankar, D. N. (2017). Impact of EPS and DPS on Stock Price: A Study of Selected Public Sector Banks of India. *Prestige International Journal of Management & IT-Sanchayan*, 6(1), 111-121.

