Monetary Policy: The Impact and Incidence on Stock Prices

Hari Krishna Karri[1], Siva Reddy Podapala[2], B. D. Hansraj[3] and Venkata Radhika Chilakala[4]

[1]Faculty of Accounting & Finance, College of Engineering and Business Administration, University of Technology and Applied Sciences, Muscat, Oman
[2]Associate Professor, Department of Business Management, Malla Reddy College of Engineering & Technology (A), Secunderabad, India
[3]Professor, Department of Business Management, Malla Reddy College of Engineering & Technology (A), Secunderabad, India
[4]Assistant Professor, Department of Management Studies, Vignan Degree College, Guntur, India

ABSTRACT- "Dhanam Mulam Idam Jatath" is a Sanskrit proverb that means "Wealth is the root of this world." It is often used to emphasize the importance of wealth in achieving success in life. The word "dhanam" means wealth, "mulam" means root, and "jagat" means the world (Chanakya). The experience, knowledge, time, effort, sweat, and blood of people together earn money through various means and ways. To intuit and innovate, to solve and resolve, to create and recreate, to produce and promote, and to destroy and develop from beginning to end, we need money.

The impact of monetary policy is there on every sector of an economy, and investments in the stock market are no exception to that. A liberal monetary policy boosts investments in markets and vice versa. The specified study is objectively focused on identifying and studying the impact of monetary policy on investments in general and on equities (selected) in particular. The monetary policy index has been constructed with help of the RBI by considering the weights given as per the above-mentioned values, and the MPI values were framed from 2012–13 to 2022–23.

The VECM is used to conduct this study along with the Monetary Policy Index (MPI). The results of the study produced mixed inferences, i.e., on specific stocks, it has a positive relationship, and on others, it has a negative relationship. While acknowledging the persisting cyclical and long-term risks and challenges, the paper addresses dimensions of investment in markets and offers suggestions on 'Economic Prosperity' and 'Sustainable Economic Development (SED)' in the long run.

KEYWORDS- VECM, Monetary Policy, MPI, SED, CRR, GST.

I. MONETARY POLICY - A PREMIER

National banks deliberately influence economic activity by changing the money supply, credit availability, or interest rates consistent with specific national objectives. India, the 'Fastest Growing Major Economy' and emerging 'Top-3 Economic Powers' of the World in the World (CSO& IMF) in the Nex-Gen, has an enormous growth potential and the projected GDP Growth Rate to 6.6 per cent in 2023 and 5.8 per cent for the next 2-years. The Indian economy is on the path to economic prosperity, with expected growth rate of 7% following the disruption caused by demonetization and introduction of GST (The Hindu, 27th Feb, 2018).

II. THE TRAVAILS, TRENDS AND TRAJECTORIES OF MONEY, CURRENCY AND STOCK MARKETS-THE GLOBAL TREND

The financial system, which consists of financial intermediaries and institutions, facilitates economic transactions. The effective utilization of savings and investments is a prime factor in the creation of economic growth and development in India (IMF Factsheet). Financial System is essential for economic as well as financial stability. The Indian stock market has undergone tremendous transformation since the establishment of the Bombay Stock Exchange 135 years ago. Today, the NSE is the second fastest-growing stock exchange in the world and the third largest exchange in terms of number of shares traded, and the BSE is the 11th largest exchange in the world and is considered one of the best performers.

There is a steep increase in number of Demat accounts in 2020-21 by 35 per cent followed by 16 per cent in 2019-20 (statistical) and most importantly 90 million dematerialized account holders are active traders (NSDL & CDSL).

Nevertheless, work from home, a rise in mobile data consumption, and falling brokerage rates underpinned the growth. It also shows greater formalization of the economy. The availability of credit at lower costs and debt instruments also led to inflows into the market, which supported the boom in the market (Economic Times, 2022). An increase in the younger population, economic growth, renewed infrastructure and real estate development, and more awareness about the benefits of investing for long-term growth spur retail investment in equity (Outlook 2023).

III. OBJECTIVES

The study entitled Monetary Policy: Impact on Stock Prices is descriptive and quantitative research. The prime objective of the study is to identify and study the impact of monetary policy on investments in general and on stock prices in specific. The other peripheral objectives inter alia include:

- To understand various tools of monetary policy which influence investments.
- To study the diversified components of monetary policy and investments.
- To examine the impact of monetary policy on investments and
- To predict price movements of stocks based on action of monetary policy.

IV. SCOPE OF THE STUDY

The present study is focusing on the impact of monetary policy index on the selected equity stock price behavior. The study has designed the monetary policy index based on Reserve Bank of India monetary policy key rates from the period of 2012-13 to 2022-23.

V. METHODOLOGY OF THE STUDY

The study adopted the descriptive and quantitative research approach for the examination of framed objectives. The study considered the following statistical tools applied as per the framed objectives.

A. MPI

In this study the Monetary Policy Index has been constructed with the help RBI by- monthly monetary policy key rates. The formula of the monetary policy index is

[Bank rate + Repo rate +Reserve Repo rate + CRR + SLR/5]*100

By considering the weights given as per the above mentioned values have been derived and the MPI values were framed from the year of 2012-13 to 2022-23.

B. Statistical Tools Used for the Study

Vector Error Correction Model (VECM) and Ordinary Least Square Method.

Hypothesis:

H0: There is no relationship between monetary policy and stock prices.

H1- There is an impact of monetary policy on stock price returns.

Literature- conceptual framework

The interest rates and money supply are the key factors influence stock prices [17], and the relationship between macro-economic variables and stock market [13] was explained. Dr. Mazuruse[17] assumed that the Zimbabwe Stock Exchange needs a canonical correlation analysis model [27]. The causality in frequency was explained between stock prices and economic growth in India [1], the Gulf Cooperation Council (GCC) stock markets are studied by utilizing nonlinear smooth transition regression (STR) models [23][24]. Khan and his team make a contribution by analyzing the monthly data from May 2000 to August 2016 to determine the impact of key macroeconomic variables on Pakistani stock prices [9]. There are nonlinear vectors and asymmetric reactions in the stock market [23][24]

The idea of a liquidity effect on asset prices is frequently attributed to a number of factors, including an expanded quantity equation of money that takes asset transactions into account, easy credit that encourages spending and has an impact on prices, the direct role of interest rates in determining the fundamental value of assets, and

expectations created by current monetary policy, particularly as it is reflected in low interest rates [37] [4] evaluate the applicability of these theories and determine if excess liquidity has, in fact, had a noticeable impact on equities and real estate values in the euro region, the USA, the UK, and Japan since the 1980s began. The effects of residential real estate and equity prices, inflation, and economic activity are examined by [12][26]. An attempt was made to quantify the extent to which changes in global liquidity had an impact on the rise in asset values. [30] [35][36] [28]. The impact of monetary policy adjustments on US equity real estate investment trust (EREIT) returns in lower and higher return ranges during bull markets is examined by [19].

An investigative study conduct to know the attitude of monetary policy affects the returns on securities [8], the Kuala Lumpur Composite Index (KLCI) and Rashid Hussain Berhad Islamic Index (RHBII) are used as measures for conventional and Islamic stock markets, respectively. The narrow money supply (M1), the broad money supply (M2), interest rates (TBR), exchange rate (MYR), and industrial production index (IPI) are among the monetary policy variables tested [32]. [35][36] use substantial intraday data on 5-min price quotes, together with a comprehensive dataset on monetary policy choices and macroeconomic news announcements, to explore the return and volatility reaction of key European and US equity indexes to monetary policy surprises.

An investigative study was conducted to measure the effects of monetary policy changes on the currency and stock markets in China) and noted the adverse effects on money market and stock market because of changes in monetary policy rates [40][29], and there is an uncertainty on the anticipated stock return response to a surprise in US monetary policy [6] According to Khan, the existed inflation, monetary policy, and the fiscal policy all have a big impact on the Pakistan stock market index [39],. In a study based on the DCC-MIDAS model, it is examine the time-varying long-run connection between crude oil and the U.S. stock markets as influenced by the Economic Policy Uncertainty (EPU) index [13] [16].

A detailed study conducted to examine the impact of surge in trading, following announcements from Federal Open Market Committee (FOMC) to discover the equity prices in S&P 500 mini futures [25] [14]. It is found that the price pressure is there on most liquid assets following public news and stock prices moving along with monetary policy changes.

Schmidt investigates the impact of monetary policy shocks in European markets at different risk levels [10] [33]. The recorded responses revealed that there is a dependency reaction of asset prices to monetary policy shocks. The expansionary monetary policy shown positive impact on equity prices in those economies where transmission mechanism of monetary policy is weak. The effects of economic policies in Iran was studied by Dehbaghi [34] from 1996 to 2015, with Global Vector Auto Regression Model and found that there are monetary policy shocks affect inflation in Iran [38] [34].

On the other hand the equity prices inversely to the changes in monetary policy responded in short term as well as in long term [2]. There is an uncertainty shock to corporate cash flows due to pandemic and corporate

world prefers to raise funds through issuing of bonds and other long term instruments [5]. Kapp[3] and Rasaki[22] found that there is a significant impact on global financial shocks on asset prices.

1) Limitations of Study

- The study is focused on four different banks i.e. two public and two private sectors.
- This study focused only on selective banks not all the banks.

2) The Results Discussion

Objective -1: To study the monetary policy relationship with select public and private Sector

Stock returns using VECM, following is the hypothesis with respect to monetary policy.

H0: There is no relationship between monetary policy and stock returns of selected banks

H1: There is relationship between monetary policy and stock returns of selected banks

Table 1: The VECM Model Which Study the Monetary Policy, Relationship with Selected public and private sector stock returns

	Co-eff.	Std. Error	Z	P>|z|	[0.025	0.975]
Loading coefficients (alpha) for equation SBI						
ec1	-0.2707	0.096	-2.815	0.005	-0.459	-0.082
Loading coefficients (alpha) for equation BOB						
ec1	-0.0225	0.052	-0.435	0.663	-0.124	0.079
Loading coefficients (alpha) for equation HDFC						
ec1	-0.3228	0.408	-0.972	0.428	-1.122	0.476
Loading coefficients (alpha) for equation ICICI						
ec1	-0.1106	0.119	-0.932	0.351	-0.343	0.122
Loading coefficients (alpha) for equation MPI VALUES						
ec1	0.1114	0.039	2.829	0.005	0.034	0.189

(Source: Data Analysis through Python- Version 3.11)

Table 2: Co Integration Relations for Loading-Coefficients-Column 1

	Co-eff.	Std. Error	Z	P>|z|	[0.025 0.975]
beta.1	1.0000	0	0	0.000	1.000 1.000
beta.2	-0.7295	0.157	-4.657	0.000	-1.036 0.422
beta.3	-0.0404	0.015	-2.717	0.007	-0.070 0.011
beta.4	-0.3829	0.049	-7.790	0.000	-0.479 0.287
beta.5	0.0062	0.028	0.220	0.826	-0.049 0.061

(Source: Data Analysis through Python- Version 3.11)

3) Interpretation:

The table presents the coefficients, standard errors, z-values, and p-values for the relationship between monetary policy and selected stock returns. The null hypothesis states that there is no relationship between monetary policy and stock returns, while the alternative hypothesis suggests the presence of a relationship. The table shows the coefficient for SBI is -0.7295 with a significant negative effect on stock returns ($p < 0.001$). Similarly, BOB has a coefficient of -0.0404, indicating a negative impact on stock returns ($p = 0.007$). HDFC

shows a coefficient of -0.3829, also negatively affecting stock returns ($p < 0.001$). Whereas ICICI has a coefficient of 0.0062, suggesting a weak positive relationship that is not statistically significant ($p = 0.826$). The table reveals that reject the null hypothesis and support the alternative hypothesis, indicating that there is a relationship between monetary policy and select public and private sector stock returns. The results demonstrate varying degrees of impact, with SBI, BOB, and HDFC experiencing significant effects while ICICI shows a weak and non-significant relationship.

Objective 2: To examine the impact of monetary policy on the selected banks stock returns using ordinary least square method. Here, the MPI values act has a independent variable and selected banks stock returns such as SBI, BOB, HDFC and ICICI act has a dependent variables. The following is the hypothesis with respect to monetary policy.

H0: There is no impact of monetary policy on SBI Stock Returns.

H1: There is an impact of monetary policy on SBI stock returns

Table 3: The OLS Method

OLS Regression Results						
Dep. Variable:		SBI		R-squared		0.4000
Model		OLS		Adj. R-squared:		0.395
F-statistic:		87.34		Method:		Least Squares
Date		Sun,18Jun2023		Prob. (F-statistic)		3.20e-16
Time		14:23:28		Log-Likelih		-783.56
No of Observations		133		AIC:		1571
Df Residuals:		131		BIC:		1577
Df Model:		1				
Covariance Type:			Nonrobust			
	Co-eff.	Std. Error	Z	P>|z|	[0.025	0.975]
Const	765.9156	50.410	15.194	0.000	666.192	8639
MPI values	-0.5433	0.058	-9.346	0.000	-0.658	-0.424
Omnibus:		5.278		Durbin-Watson:		1
Prob. (Omnibus):		0.071		Jarque-Bera (JB):		139
Skew:		0.138		Prob (JB):		282
Kurtosis: 4.101				Cond.No.		5.+03

(Source: Data Analysis through Python- Version 3.11.Interpretation)

The regression analysis in above Table examines the impact of monetary policy on SBI stock returns. The R-squared value of 0.400 indicates that around 40% of the variation in SBI stock returns can be explained by changes in the MPI values. The coefficient for MPI values is -0.5433, which is statistically significant ($p < 0.001$), suggesting that an increase in monetary policy has a substantial and negative impact on SBI stock returns. The findings reject the null hypothesis and provide evidence supporting the alternative hypothesis, indicating that monetary policy indeed has an impact on SBI stock returns. The following is the hypothesis with respect to monetary policy.

H0: There is no impact of monetary policy on BOB Stock Returns.

H1: There is an impact of monetary policy on BOB stock returns

Table 4: The OLS Method

OLS Regression Results						
Dep. Variable		BOB		R-squared		0.370
Model		OLS		Adj. R-squared		0.365
F-statistic		76.96		Method		Least Squares
Date		Sun,18Jun2023		Prob. (F-statistic)		8.07e-15
Time		14:22:09		Log-Likelih		-650.34
No. of Observations:		133		AIC:		1305
Df Residuals:		131		BIC:		1310
Df Model:		1				
Covariance Type:			Nonrobust			
	Co-eff.	Std. Error	Z	P>|z|	[0.025	0.975]
Const	-29.3355	18.515	-1.584	0.116	-65.96	7.291
MPI values	0.1873	0.021	8.773	0.000	0.145	0.230
Omnibus:		1.887		Durbin-Watson:		0.222
Prob. (Omnibus):		0.389		Jarque-Bera (JB):		1.584
Skew:		0.100		Probability (JB)		0.469
Kurtosis: 2.511				Cond. No.		5.71e+03

(Source: Data Analysis through Python- Version 3.11)

Interpretation: The regression analysis in Table 3 investigates the impact of monetary policy on BOB stock returns. The R-squared value of 0.370 indicates that approximately 37% of the variation in BOB stock returns can be explained by changes in the MPI values. The coefficient for MPI values is 0.1873, which is statistically significant ($p < 0.001$), suggesting that an increase in monetary policy has a notable and positive impact on BOB stock returns. The findings reject the null hypothesis and provide evidence supporting the alternative hypothesis, indicating that monetary policy does have an impact on BOB stock returns.

The following is the hypothesis with respect to monetary policy.

H0: There is no impact of monetary policy on HDFC stock returns.

H1: There is an impact of monetary policy on HDFC stock returns

Table 5: The OLS Method

OLS Regression Results						
Dep. Variable	HDFC		R-squared		0.83	
Model	OLS		Adj. R-squared		0.834	
F-statistic	662.6		Method		662.6	
Date:	Sun,18 Jun 2023		Prob (F-statistic)		4.33e-53	
Time	14:24:10		Log-Likelih		926.91	
No. of Observations:	133		AIC:		1858.	
Df Residuals:	131		BIC:		1864.	
Df Model:	1					
Covariance Type:		Nonrobust				
	Co-eff.	Std. Error	Z	P>|z|	[0.025	0.975]
Const	5435.5003	148.126	36.695	0.000	5142.472	5728.529
MPI values	-4.3976	0.171	-25.742	0.000	-4.736	-4.060
Omnibus:	3.380		Durbin-Watson:		0.263	
Prob. (Omnibus):	0.185		Jarque-Bera (JB):		3.226	
Skew:	-0.187		Prob. (JB)		0.199	
Kurtosis:	3.665		Cond. No.		5.71e+03	

(Source: Data Analysis through Python- Version 3.11.Interpretation)

The regression analysis in Table 4 explores the impact of monetary policy on HDFC stock returns. The R-squared value of 0.83 indicates that approximately 83% of the variation in HDFC stock returns can be explained by changes in the MPI values. The coefficient for MPI values is -4.3976, which is highly statistically significant ($p < 0.001$), suggesting that an increase in monetary policy has a substantial and negative impact on HDFC stock returns. The findings reject the null hypothesis and provide strong evidence supporting the alternative hypothesis, indicating that monetary policy does have a significant impact on HDFC stock returns.

The following is the hypothesis with respect to monetary policy.

H0: There is no impact of monetary policy on ICICI Stock Returns.

H1: There is an impact of monetary policy on ICICI stock returns

Table 6: The OLS Method

OLS Regression Results						
Dep. Variable	ICICI		R-squared		0.623	
Model:	OLS		Adj. R-squared		0.620	
F-statistic:			Method:		216.5	
Date	Sun,18Jun2023		Prob. (F-statistic)		1.55e-29	
Time	14:24:48		Log-Likelih		840.46	
No. Observations	133		AIC		1685.	
Df Residuals	131		BIC		1691.	
Df Model	1					
Covariance Type:		Nonrobust				
	Co-eff.	Std. Error	Z	P>|z|	[0.025	0.975]
Const	1517.5015	77.326	19.625	0.000	1364.532	1670.471
MPI values	-1.3123	0.089	-14.715	0.000	-1.489	-1.136
Omnibus:	17.313		Durbin-Watson:		0.086	
Prob. (Omnibus):	0.000		Jarque-Bera (JB):		20.948	
Skew:	0.787		Prob. (JB): 2.83e05			
Kurtosis	4.141		Cond. No.		5.71e+03	

(Source: Data Analysis through Python- Version 3.11. Interpretation)

The regression analysis in Table 5 investigates the impact of monetary policy on ICICI stock Returns .The R-squared value of 0.623 indicates that approximately 62% of the variation in ICICI stock returns can be explained by changes in the MPI values. The coefficient for MPI values is -1.3123, which is highly statistically significant ($p < 0.001$), suggesting that an increase in monetary policy has a limited but negative impact on ICICI stock returns. The findings reject the null hypothesis and provide evidence supporting the alternative hypothesis, indicating that monetary policy does have an impact on ICICI stock returns, albeit with a relatively smaller magnitude.

Objective 3: To study the movement of select stock prices based monetary policy using VAR model.

H0: There is no movement of prices with changes of monetary policy.

H1: There is movement of prices with changes of monetary policy

Table 7: Data Analysis through Python

Summary of Regression Results			
Model	VAR		
Method	OLS		
Date	Mon,19, Jun, 2023		
Time	17:12:23		
No. Of Equations	5.00000	BIC:	32.4057
Nobs	132.000	HQIC:	32.0167
Log likelihood	-3002.03	FPE:	61546300000000
AIC	31.7505	Det (Omega_mle)	49280600000000

(Source: Data Analysis through Python- Version 3.11)

Table 8: MPI Values

Results for equation MPI values			
	Coefficient	Std. Error	t-stat	Probability
Const	33.968620	26.673537	1.273	0.203
L1.MPIvalues	0.960217	0.025892	37.086	0.000
L1.SBI	0.056722	0.046459	1.221	0.222
L1.BOB	0.020087	0.052876	0.380	0.704
L1.hdfc	-0.011921	0.005425	-2.197	0.028
L1.icici	-0.004213	0.024353	-0.173	0.863
Results for equation SBI			
	Coefficient	Std. Error	t-stat	Probability
Const	82.821761	66.175682	1.252	0.211
L1 MPI values	-0.066778	0.064235	-1.040	0.299
L1 SBI	0.713503	0.115263	6.190	0.000
L1 BOB	0.176359	0.131182	1.344	0.179
L1 HDFC	-0.011032	0.013459	-0.820	0.412
L1 ICICI	0.149087	0.060419	2.468	0.014

(Source: Data Analysis through Python- Version 3.11)

Table 9: MPI Values

Results for equation BOB			
	Coefficient	Std. Error	t-stat	Probability
Const	11.391730	35.122053	0.324	0.746
L1.MPIvalues	0.008137	0.034092	0.239	0.811
L1.SBI	-0.027939	0.061175	-0.457	0.648
L1.BOB	0.916231	0.069623	13.160	0.000
L1.hdfc	-0.008270	0.007143	-1.158	0.247
L1.icici	0.038287	0.032067	1.194	0.232

(Source: Data Analysis through Python- Version 3.11)

Table 10: MPI Values

Results for equation HDFC			
	Coefficient	Std. Error	t-stat	Probability
Const	865.245590	273.152508	3.168	0.002
L1.MPIvalues	-0.760287	0.265144	-2.867	0.004
L1.SBI	0.001866	0.475769	0.004	0.997
L1.BOB	0.447296	0.541478	0.826	0.409
L1.hdfc	0.837491	0.055553	15.076	0.000
L1.icici	0.032583	0.249389	0.131	0.896
Results for equation ICICI			
	Coefficient	Std. Error	t-stat	Probability
Const	170.136777	80.261390	2.120	0.034
L1.MPIvalues	-0.138830	0.077908	-1.782	-0.075
L1.SBI	0.031927	0.139797	0.228	0.819
L1.BOB	-0.048242	0.159104	-0.303	0.762
L1.hdfc	-0.026474	0.016323	-1.622	0.105
L1.icici	0.988966	0.073279	13.496	0.000

(Source: Data Analysis through Python- Version 3.11)

Table 11: Correlation Matrix of Residuals

	MPI Values	SBI	BOB	HDFC	ICICI
MPI values	1.000000	0.149094	0.170897	-0.009223	0.076459
SBI	0.149094	1.000000	0.692551	0.527330	0.754553
BOB	0.170897	0.692551	1.000000	0.279285	0.446426
HDFC	-0.009223	0.527330	0.279285	1.000000	0.672974
ICICI	0.076459	0.754553	0.446426	0.672974	1.000000

(Source: Data Analysis through Python- Version 3.11. Interpretation)

Based on the correlation matrix of residuals, it is observed that there are distinct relationships between select bank stock prices and monetary policy. SBI and ICICI Bank exhibit a positive correlation, implying that an increase in monetary policy may result in a potential increase in their stock prices. Bank of Baroda also shows a positive correlation, although weaker compared to SBI and ICICI Bank, suggesting a modest positive impact on BOB's stock prices in response to monetary policy changes. On the other hand, HDFC Bank demonstrates a very weak negative correlation, indicating a slight decrease in its stock prices with changes in monetary policy, albeit with minimal effect. These findings emphasize the multifaceted nature of the relationship between bank stock prices and monetary policy, emphasizing the need for investors to consider these correlations alongside other market indicators and conduct thorough analysis when making investment decisions related to the potential impact of monetary policy on bank stocks.

VI. FINDINGS

The study found that, SBI and HDFC Bank exhibit strong negative relationship, indicating that an increase in

monetary policy results in a notable decrease in these banks' values, Bank of Baroda also shows a negative relationship, albeit with a smaller magnitude, whereas, ICICI Bank demonstrates a weak positive relationship, implying that an increase in monetary policy as a limited positive effect on its value. It found that the SBI coefficient value of (-0.5433), HDFC and ICICI Coefficient value (-4.3976 & -1.3123) is indicates a negative relationship, suggesting that changes in monetary policy have a substantial and negative impact on SBI's returns. The study highlights the BOB co-efficient value of (0.1873) suggests a positive relationship which depicts monetary policy have a notable and positive impact on BOB's returns and weak positive relationship between the residuals of MPI values and both SBI (0.149) and BOB (0.170), while indicating a very weak negative relationship between the residuals of MPI values and HDFC (-0.009). The study also exhibits a weak positive relationship with ICICI (0.076). However, it's important to note that these correlations pertain to the residuals and not the actual variables themselves.

VII. SUGGESTIONS

According to the study, increasing monetary policy has a significant negative impact on the values of SBI and HDFC Bank; therefore, investors and stakeholders should be cautious and consider the potential decrease in these banks 'values when developing investment strategies. This study suggests that investors may find opportunities for potential growth and positive returns by monitoring BOB's performance during periods of monetary policy changes. Investors should approach their investment decisions with caution, especially when considering stocks such as SBI and HDFC Bank, which exhibit strong negative relationships with monetary policy. Investors should assess this positive impact along side other factors when making investment decisions related to ICICI Bank. Investors in banking stocks should be cautious, do some research, and examine financial health, market circumstances, and industry developments. By doing so, investors may make better decisions and reduce monetary policy risk to banking stock performance.

VIII. CONCLUSION

The study on the impact of monetary policy on banking stocks performance in reference to NSE India yielded several key findings. SBI and HDFC Bank demonstrated a strong negative relationship with monetary policy, indicating a significant decrease in their values. Bank of Baroda displayed a smaller magnitude negative relationship, while ICICI Bank showed a weak positive relationship. These results suggest that investors should exercise caution when considering SBI and HDFC Bank stocks and monitor BOB for potential growth opportunities during periods of monetary policy changes. When making investment decisions related to ICICI Bank, investors should consider the positive impact in conjunction with other factors. Overall, investors in banking stocks should conduct thorough research, analyze financial health, market circumstances, and industry developments to mitigate monetary policy risk.

CONFLICTS OF INTEREST

The authors declare that they have no conflicts of interest.

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