



Study on stock volatility of rural fast moving consumer goods market with reference to NSE, India

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Abstract

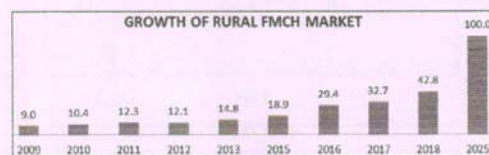
The Investment in rural network companies is a volatile market in the present situation. The companies with rural focus have set up a superior earnings growth for the past two years. The estimated growth of Fast Moving Consumer Goods sector is US \$100 billion by the year 2025. The fast moving consumer goods is considered to be the safe set of investment. But there are few instances which influence the stock price to fall down even though the financial performance is in good position. The study tries to know the movement of stock price and the prediction for the short period. The scope of the study has been limited to the select two Fast Moving Consumer Goods stocks – Hindustan Unilever Limited (HUL), Indian Tobacco Company (ITC). The study covers the period of one year from 1 November 2017 to 31 October 2018. The study uses analytical research method. The data collected was analyzed with various tools, Log Return, Standard Deviation, Augmented Dickey Fuller Test, VAR test, and correlation. The Study found that there is positive relationship between the selected companies with the market index. As per the study period the selected companies return is less volatile. The present study can be used for taking investment decision. But there are few other factors to be considered like Fundamental analysis, Technical analysis are very important for taking better investment decision.

Keywords: index, return, unit root

1. Introduction

The companies with rural focus have set up a superior earnings growth. The fast moving consumer goods sector in rural and semi urban is estimated to cross US\$100 billion by the year 2025. In future the rural consumers will strive to purchase the branded products with good quality. The Businesses in India are optimistic about the growth of country's rural consumers market. It is expected to grow faster than urban consumer markets. As per the National Stock Exchange report the rural based fast moving consumer goods have touched new 52 days week high.

Growth of rural FMCG market



Source: NSE India website

Fig 1

2. Review of Literature

William and Vimala (2015) examined the volatility of equity share price of five select private banks listed in the National Stock Exchange. Considering that banks play an important role in the economy of India, an attempt was made to analyze the market volatility of the selected banks by using mean, standard deviation and beta values using the opening and

closing prices. As per the analysis the volatility of the closing prices was similar for all the five banks selected for the study. Ayodele A. Adebisi, Adermi O. Adewumi, Charles K. Ayo (2014) [4] Volume 15, Nov 4, 16th International Conference on Computer Modeling & Simulation. Stock Price prediction using ARIMA model. The authors have done a research on stock price prediction for Nokia stock index using ARIMA model. The author have examined with different models and revealed that ARIMA model is the best for short term prediction and can compete with various techniques used for stock price prediction. Rakesh HM (2014) examined the Volatility of FMCG and Auto indices of National Stock Exchange using the Mean difference in FMCG and Auto index and to see the relationship. The period for the study is 2012-2014. The CNX Auto index has standard deviation and nifty standard deviation is 611, there is a wide range of risk deviation in sectors. The result revealed out of T- Test is there is a difference in mean value of these indices. K. Hemalatha & Dr. V. R. Nedunchezian (2014) tested weak form of efficiency and volatility of FMCG sector of Indian stock market for the period of 2008-2013. To test the market efficiency the study used both parametric and non-parametric test like Run test, Augmented Dickey Fuller test, E-Garch. The study revealed that the Godrej, Britannia, and GlaxoSmithKline have random distribution in earning return. E-Garch analyses shows that there is no effect in stock price if new stocks are been introduced because the coefficient value of the Garch is lesser than zero. Barndorff – Nielsen (2003), Study on financial volatility using Econometric time series, stated that financial volatility is a latent factor and hence cannot be directly observable, making it more difficult to predict stock prices