

Impact of Macroeconomic Variables on Indian Mutual Funds: A Time Series Analysis

Authors : Sonali Agarwal

Abstract : The investor perception about investment avenues is affected to a great degree by the current happenings, within the country, and on the global stage. The influencing events can range from government policies, bilateral trade agreements, election agendas, to changing exchange rates, appreciation and depreciation of currency, recessions, meltdowns, bankruptcies etc. The current research attempts to discover and unravel the effect of various macroeconomic variables (crude oil price, gold price, silver price and USD exchange rate) on the Indian mutual fund industry in general and the chosen funds (Axis Gold Fund, BSL Gold Fund, Kotak Gold Fund & SBI gold fund) in particular. Cointegration tests and Vector error correction equations prove that the chosen variables have strong effect on the NAVs (net asset values) of the mutual funds. However, the greatest influence is felt from the fund's own past and current information and it is found that when an innovation of fund's own lagged NAVs is given, variance caused is high that changes the current NAVs markedly. The study helps to highlight the interplay of macroeconomic variables and their repercussion on mutual fund industry.

Keywords : cointegration, Granger causality, impulse response, macroeconomic variables, mutual funds, stationarity, unit root test, variance decomposition, VECM

Conference Title : ICEBFM 2017 : International Conference on Economics, Business, Finance and Management

Conference Location : Istanbul, Türkiye

Conference Dates : September 28-29, 2017