

## EXPLORING THE INFLUENCE OF INVESTMENTS IN THE INDIAN EQUITY MARKET ON BANK SAVINGS: A STUDY

<sup>1</sup>MOHAMMAD AZMATH PASHA,<sup>2</sup>MOHAMMAD MAHABOOB

<sup>1,2</sup>Assistant Professor

Department Of MBA

Abdul Kalam Institute of Technological Sciences, Kothagudem, Telangana

### ABSTRACT

Bank interest rates have an impact on capital market investments. The Fed's recent changes in interest rates have had an impact on global markets since the flow of funds is heavily dependent on the degree of investment risk. The focus of this study is on how inflation and key interest rates affect bank deposits and equity market movement. Data from 2000 to 2015 were taken into consideration for this analysis.

The results of the bivariate correlation show that the equities market, deposits, and liquidity have a negative connection with inflation. The weight least squares model demonstrated that bank deposits and liquidity are unaffected by interest rates. The Granger causality test has been used, and the results show that while inflation is increasing the repo rate, it has no effect on the equities markets. It has been established that interest rates have an impact on bank deposits and equities market capitalization, rejecting the T-test hypothesis. The VAR model forecasted that bank deposits would rise in the near future. Foreign investors, mutual funds, pension funds, and capital market participants can all benefit from this analysis.

Numerous articles and research theses have addressed the effect of bank deposits on the economy. The impact of savings bank deposits on equities market investing in India has not been examined in any research. The higher interest rates that banks offer typically draw in investors, but the way that market capital fluctuates in response to interest rate fluctuations is also a factor. The focus of my research will be on calculating the equity capital of the structural movement during interest rate changes.

Keywords: Investment, Equity, Bank Savings

### 1. Introduction

Equity market or share market is the major source through which companies raise capital from the public. It is highly organized which offers issue and redemption of securities. Majority of Indian retail investors' still find traditional investment avenues like Banks, Post office, insurance, etc. as better avenues of investment.

Our spending decisions are guided by the interest burden that we would be bearing. Many of us will prefer to deposit money in

banks than in stock. Because, we have the opportunity to earn higher returns at very low risk. As a result, funds move out of stock market affecting the stock market adversely.

- Interest rates and stock market are inversely related. As the interest rates go up, stock market activities tend to come down. The following points are also worth taking note-

- Capital intensive industries would be most affected by high interest rates but when the interest rates are lower they

would be gaining the most. It is better to avoid investments in sectors such as real estate, automobiles etc when the interest rates are rising.

- Companies with a high amount of loans in their balance sheets would be affected very seriously. Interest cost on existing debt would go up affecting their EPS and ultimately the stock prices. But during low interest rate these companies would stand to gain.
- Sectors like Pharma and IT are less affected by interest rates. The IT sector is more influenced by factors such as currency rate fluctuations, rising attrition level, visa restrictions, competition from the large global players and margin pressures. Certainly, IT sectors are not interest ratesensitive. Pharma is considered as the defensive sector and investors can invest here during uncertain and volatile market conditions.
- In a high interest rate scenario, companies with zero or near zero debts in their balance sheets would be kings. FMCG or fast moving consumer goods is one sector that's considered as a defensive sector due to its low debt nature.
- Banking sector is likely to benefit most due to high interest rates. The Net Interest Margins (It is the difference between the interest they earn on the money they lend and the interest they pay to the depositors) for banks is likely to increase leading to growth in profits & the stock prices.

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial system and influence on national economies, banks are highly regulated in most countries. Most

nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Bank deposits consist of money placed into a banking institution for safekeeping. Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited.

A savings account is a deposit account held at a bank or other financial institution that provides principal security and a modest interest rate. Depending on the specific type of savings account, the account holder may not be able to write checks from the account (without incurring extra fees or expenses) and the account is likely to have a limited number of free transfers/transactions. Savings account funds are considered one of the most liquid investments outside of demand accounts and cash. In contrast to savings accounts, checking accounts allow you to write checks and use electronic debit to access your funds inside the account. Savings accounts are generally for money that you don't intend to use for daily expenses. To open a savings account, simply go down to your local bank with proper identification and ask to open an account.

A stock market, equity market or share market is the aggregation of buyers and sellers (a loose network of economic transactions, not a physical facility or discrete entity) of stocks (also called shares); these may include securities listed on a stock exchange as well as those only traded privately.

The stock market is one of the most important ways for companies to raise money, along with debt markets which are generally more imposing but do not trade publicly. This allows businesses to be publicly traded, and raise additional financial capital for expansion by selling shares of ownership of the company in a public market. The liquidity that an exchange affords the investors enables their holders to quickly and easily sell securities. This is an attractive feature of investing in stocks, compared to other less liquid investments such as property and other immovable assets. Some companies actively increase liquidity by trading in their own shares.

History has shown that the price of stocks and other assets is an important part of the dynamics of economic activity, and can influence or be an indicator of social mood. An economy where the stock market is on the rise is considered to be an up-and-coming economy. The stock market is often considered the primary indicator of a country's economic strength and development.

Rising share prices, for instance, tend to be associated with increased business investment and vice versa. Share prices also affect the wealth of households and their consumption. Therefore, central banks tend to keep an eye on the control and behaviour of the stock market and, in general, on the smooth operation of financial system functions. Financial

stability is the *raison d'être* of central banks.

Exchanges also act as the clearinghouse for each transaction, meaning that they collect and deliver the shares, and guarantee payment to the seller of a security. This eliminates the risk to an individual buyer or seller that the counterparty could default on the transaction.

The smooth functioning of all these activities facilitates economic growth in that lower costs and enterprise risks promote the production of goods and services as well as possibly employment. In this way the financial system is assumed to contribute to increased prosperity, although some controversy exists as to whether the optimal financial system is bank-based or market-based.

Recent events such as the Global Financial Crisis have prompted a heightened degree of scrutiny of the impact of the structure of stock markets (called market microstructure), in particular to the stability of the financial system and the transmission of systemic risk

Market Participant Market participants include individual retail investors, institutional investors such as mutual funds, banks, insurance companies and hedge funds, and also publicly traded corporations trading in their own shares. Some studies have suggested that institutional investors and corporations trading in their own shares generally receive higher risk-adjusted returns than retail investors.

A few decades ago, worldwide, buyers and sellers were individual investors, such as wealthy businessmen, usually with long family histories to particular corporations. Over time, markets have become more

"institutionalized"; buyers and sellers are largely institutions (e.g., pension funds, insurance companies, mutual funds, index funds, exchange-traded funds, hedge funds, investor groups, banks and various other financial institutions).

The rise of the institutional investor has brought with it some improvements in market operations. There has been a gradual tendency for "fixed" (and exorbitant) fees being reduced for all investors, partly from falling administration costs but also assisted by large institutions challenging brokers' oligopolistic approach to setting standardised fees

## **2. Stock market index**

The movements of the prices in a market or section of a market are captured in price indices called stock market indices, of which there are many, e.g., the S&P, the FTSE and the Euronext indices. Such indices are usually market capitalization weighted, with the weights reflecting the contribution of the stock to the index. The constituents of the index are reviewed frequently to include/ exclude stocks in order to reflect the changing business environment.

## **3. Objectives of the Study**

1) To measure the relationship of Repo Rate with liquidity, deposits, equity market capitalization along with inflation. 2) To study the interest rate influence on liquidity and bank deposits. 3) To measure the inflation impact on interest rates and equity market capitalization growth. 4) To measure the interest rate fluctuation influence on bank deposits and equity market capital growth rate 5) To forecast the future momentum of bank deposits and equity market capital based on repo rate

## **Hypothesis:**

- Null Hypothesis - Ho - Repo rate will not influence the liquidity.
- Null Hypothesis - Ho - Repo rate will not influence the bank deposits.
- Null Hypothesis - Ho - Inflation will not influence the equity market capital

## **4. Need for the Study:**

In Indian 75% of the citizens are saving their money in banking sector and only 25% of money is going to other investment segments. Many research papers have done critical research in this area but no topic is has been found how saving bank deposits are having impact on Indian equity markets growth and its market capital appreciation. The need of this study "A Bank savings deposit impact on equity investment market" is intended to know the investment decisions based on behavior of the equity markets. To know the monetary policy influence on bank deposits and the impact of bank deposits on equity market. And also how the monetary policy key rates are useful to retail investors, mutual fund investors etc.

## **5. Scope of the Study**

The present study has been emphasised to measure the impact of bank saving interest rates on capital markets. The data has been considered for the following variables from 2000 to 2015.

- Repo rate
- Liquidity in the system
- Deposits with the bank
- Equity market capitalization
- Inflation
- Gold price
- GDP

- Nifty data

## 6. Limitations

1. In the study bank deposits were consider only commercial banks data.
2. Equity market capital data has been considered from NSE India.

## 7. Research Methodology

This analysis has been done on secondary data by using descriptive statistical tools. The following formulas were considered for the analysis.

**1) Correlation:** A correlation study is a research writing that attempts to relate an event to another events or sets of causality which precipitate the event. Bivariate Correlation tests whether the relationship between two variables is linear (as one variable increases, the other also increases or as one variable increases, the other variable decreases)

$$r = \frac{\sum f_{uv} - \frac{(\sum fu)(\sum fv)}{n}}{\sqrt{\sum fu^2 - \frac{(\sum fu)^2}{n}} \times \sqrt{\sum fv^2 - \frac{(\sum fv)^2}{n}}}$$

### 2) Weight least square:

Weighted least squares (WLS) regression is useful for estimating the values of model parameters when the response values have differing degrees of variability over the combinations of the predictor values. As suggested by the name, parameter estimation by the method of weighted least squares is closely related to parameter estimation by "ordinary", "regular", "unweighted" or "equally-weighted" least squares.

### The Weighted Least Squares Method

$$E(\omega) = H(\omega) - \hat{H}(\omega)$$

$$H(\omega) = \sum_{n=1}^M a_n \text{trig}(\omega, n)$$

$$E(\omega) = \sum_{n=1}^M a_n \text{trig}(\omega, n) - \hat{H}(\omega).$$

- $H(\omega)$  actual frequency response
- $\hat{H}(\omega)$  desired frequency response
- $\text{trig}(\omega, n)$  appropriate trigonometrical function
- $a_n$  impulse response of the filter

3) Johansen Co-integration: Co-integration is a statistical property of time series variables. Two or more time series are co-integrated if they share a common stochastic drift. If two time series x and y are co-integrated, a liner combination of them must be stationary.  $Y - Bx = u$ , Where u is stationary

$$\lambda_{trace}(r) = -T \sum_{i=r+1}^g \ln(1 - \hat{\lambda}_i)$$

4) Granger causality test: Granger causality test is a statistical hypothesis test for determining whether one time series is useful in forecasting another. A time series X is said to Granger-cause

Y if it can be shown, usually through a series of t-tests and F-tests on lagged values of X that those X values provide statistically significant information about future values of Y.

$$y_t = \beta_{10} + \sum_{j=1}^p \beta_{1j} y_{t-j} + \sum_{j=1}^q \beta_{2j} x_{t-j} + e_{1t} \quad (1)$$

$$x_t = \beta_{20} + \sum_{j=1}^p \beta_{2j} y_{t-j} + \sum_{j=1}^q \beta_{3j} x_{t-j} + e_{2t} \quad (2)$$

5) T-test: A t-test's statistical significance indicates whether or not the difference between two groups' averages most likely reflects a "real" difference in the population from which the groups were sampled.

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S_1^2}{N_1} + \frac{S_2^2}{N_2}}}$$

6) Jarquebara test : In statistics, the Jarque-Bera test is a goodness-of-fit test of whether sample data have the skewness and kurtosis matching a normal distribution.

$$JB = n \left[ \frac{skewness^2}{6} + \frac{(kurtosis - 3)^2}{24} \right]$$

where

$$skewness = \frac{\frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^3}{\left( \frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2 \right)^{3/2}}$$

$$kurtosis = \frac{\frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^4}{\left( \frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2 \right)^2}$$

7) Vector auto regression: The vector auto regression (VAR) is an econometric model used to capture the linear interdependencies among multiple time series. VAR models generalize the univariate autoregressive model (AR model) by allowing for more than one evolving variable. All variables in a VAR are treated symmetrically in a structural sense (although the estimated quantitative response coefficients will not in general be the same); each variable has an equation explaining its evolution based on its own lags and the lags of the other model variables.

**VAR: Vector Autoregression**

$$y_t = v + \sum_{j=1}^p A_j y_{t-j} + u_t$$

$t = 1, \dots, T$

- Assumptions:
  - $y_t$ : Stationary K-variable vector
  - $v$ : K constant parameters vector
  - $A_j$ : K by K parameters matrix,  $j=1, \dots, p$
  - $u_t$ : i.i.d.(0,  $\Sigma$ )
- Trend may be included:  $\delta t$ , where  $\delta$  is K by 1
- Exogenous variables  $X$  may be added

**8. Data Analysis and Interpretation:**

1. To measure the relationship of Repo rate with Liquidity, Deposits, Equity market capitalisation along with Inflation.

**Correlation**

		Repo	Liquidity	Deposits	Equity Market cap	Inflation
Repo	Pearson Correlation	1	-0.05	-0.009	-0.068	-0.313
	Sig. (2-tailed)		0.786	0.96	0.713	0.081
	N	32	32	32	32	32
Liquidity	Pearson Correlation	-0.05	1	.574**	.542**	.465**
	Sig. (2-tailed)	0.786		0.001	0.001	0.007
	N	32	32	32	32	32
Deposits	Pearson Correlation	-0.009	.574**	1	.958**	.376*
	Sig. (2-tailed)	0.96	0.001		0	0.034
	N	32	32	32	32	32
EquityMar	Pearson Correlation	-0.068	.542**	.958**	1	.420*
	Sig. (2-tailed)	0.713	0.001	0		0.017
	N	32	32	32	32	32
Inflation	Pearson Correlation	-0.313	.465**	.376*	.420*	1
	Sig. (2-tailed)	0.081	0.007	0.034	0.017	
	N	32	32	32	32	32

Interpretation: The above table depicts the relationship of repo rate with select variables. The analysis results reveals that the liquidity, deposits, equity and inflation are slightly negative correlation with inflation. The 2 tail significant probability is observed to inflation with repo rate.

2. To study the interest rate influence on liquidity and bank deposits:

**Weighted Least Squares Analysis**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.178	2	8.089	0.131	0.878
Residual	1791.459	29	61.774		
Total	1807.637	31			

**Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	Beta	Std. Error	Beta	Std. Error		
(Constant)	7.73	0.357			21.653	0
Liquidity	-1.74E-06	0	-0.008	0.238	-0.034	0.973
Deposits	-3.43E-06	0	-0.089	0.238	-0.376	0.71

**ANOVA**

Liquidity	Between Groups	(Combined)		Sum of Squares	df	Mean Square	F	Sig.
				Linear Term	6.16E+08	25	2.46E+07	3.329
		Weighted Deviation	1653836.499	1	1653836.499	0.224	0.653	
			6.14E+08	24	2.56E+07	3.458	0.064	
	Within Groups		4.44E+07	6	7395610.238			
	Total		6.60E+08	31				
Deposits	Between Groups	(Combined)		Sum of Squares	df	Mean Square	F	Sig.
				Linear Term	1.97E+10	25	7.88E+08	4.47
		Weighted Deviation	1806027.919	1	1806027.919	0.01	0.923	
			1.97E+10	24	8.21E+08	4.656	0.032	
	Within Groups		1.06E+09	6	1.76E+08			
	Total		2.08E+10	31				

Interpretation: The above analysis of weight least square analysis indicates that the repo rate failed to influence the liquidity and deposits. The analysis of variance under regression probability is observed non-significant i.e., 0.878 > 0.05. The coefficient of liquidity and deposits are also observed non-significant. Both the probability values are fallen in non-significant region.

3. To measure the inflation impact on interest rate and equity market capitalisation growth.

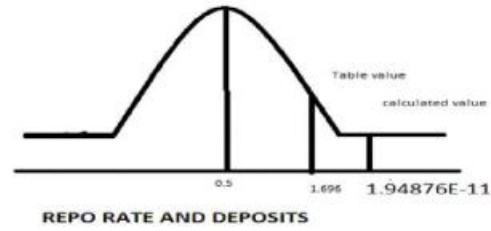
4. To measure the interest rate fluctuations influence on bank deposits and equity market capital growth:

Johansen co-integration test:

Selected (0.05 level*) Number of Cointegrating Relations by Model					
Data Trend	None	None	Linear	Linear	Quadratic
Test Type	No Intercept	Intercept	Intercept	Intercept	Intercept
	No Trend	No Trend	No Trend	Trend	Trend
Trace	2	2	3	2	3
Max-Eig	2	2	3	2	3

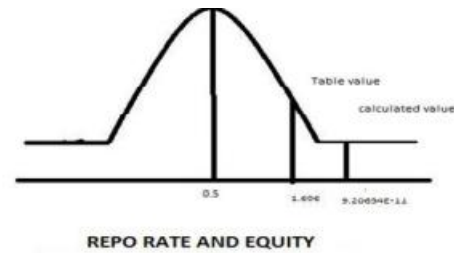
\*Critical values based on MacGinnon-Laug-Michelis (1999)

Information Criteria by Rank and Model					
Data Trend	None	None	Linear	Linear	Quadratic
Rank or No. of CEs	No Intercept	Intercept	Intercept	Intercept	Intercept
	No Trend	No Trend	No Trend	Trend	Trend
Log Likelihood by Rank (rows) and Model (columns)					
0	-458.0249	-458.0249	-457.8052	-457.8052	-457.7190
1	-445.5211	-443.9268	-443.7694	-442.8013	-442.6786
2	-433.9260	-431.4230	-431.2700	-430.2479	-430.2307
3	-433.4932	-427.6048	-427.6048	-426.5827	-426.5827
Akaike Information Criteria by Rank (rows) and Model (columns)					
0	33.35892	33.35892	33.56180	33.56180	33.76564
1	32.89436	32.85191	32.98353	32.98580	33.11990
2	32.48477	32.45864*	32.51928	32.58913	32.65976
3	32.89237	32.68606	32.68606	32.82734	32.82734
Schwarz Criteria by Rank (rows) and Model (columns)					
0	33.78713	33.78713	34.13274	34.13274	34.47932
1	33.00804	33.01317	33.83995	33.88980	34.11900
2	33.49393*	33.55315	33.66117	33.82618	33.94439
3	34.17700	34.11342	34.11342	34.39743	34.39743



**Interpretation:** The above T-test result reveals that the null hypothesis has been rejected to repo rate with bank deposits and accepts the alternative hypothesis H1. The T-test calculated value is observed greater than the table value i.e.,  $1.9487 > 1.696$ .

**Interpretation:** The above analysis of Johansen co-integration has been applied on inflation, interest rate and equity market capitalisation. The log likelihood rank values in both non-linear and linear quadratic intercept trend observed in decreasing mode. Hence the data is stated to co integrated among the analysed variables during the study period.



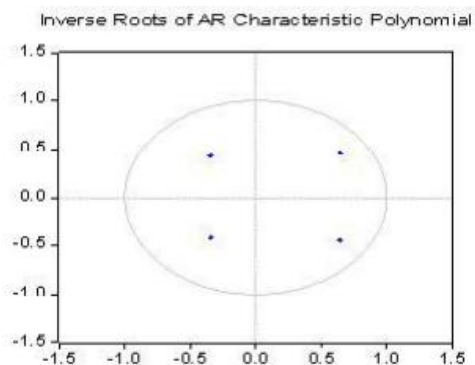
**Interpretation:** The above T-test result reveals that the null hypothesis has been rejected the repo rate with equity and accepts the alternative hypothesis H1. The T-test calculated value is observed greater than the table value i.e.,  $9.2065 > 1.696$ .

Pairwise granger causality test

Null Hypothesis:	Obs	F-Statistic	Prob.
REPO does not Granger Cause DINFLATION	29	2.40919	0.1059
DINFLATION does not Granger Cause REPO		0.97525	0.3915
DEQUITY does not Granger Cause DINFLATION	28	1.74640	0.1967
DINFLATION does not Granger Cause DEQUITY		4.10572	0.0299

**Interpretation:** The above analysis of granger causality test null hypothesis HO has been rejected to inflation with repo rate and accepted the alternative hypothesis H1. The probability value is observed non-significant which is greater than 0.05 i.e., 0.3915 The granger null hypothesis to equity has been accepted and rejects the alternative hypothesis H1 because the calculated probability value is found to be less than 0.05 i.e., 0.0299

5) To forecast the future momentum of bank deposits and equity market capital based on repo rate:



**Interpretation:** The above graph of polynomial indicates that the inverse roots were fallen inside the circle which indicates that the data is stated to be normally distributed among the dependent and independent variables.

Component	Skewness	Chi-sq	df	Prob.
1	-1.761607	14.48187	1	0.0001
2	-0.293997	0.403359	1	0.5254
Joint		14.88523	2	0.0006

Component	Kurtosis	Chi-sq	df	Prob.
1	8.226490	31.86890	1	0.0000
2	3.426765	0.212483	1	0.6448
Joint		32.08138	2	0.0000

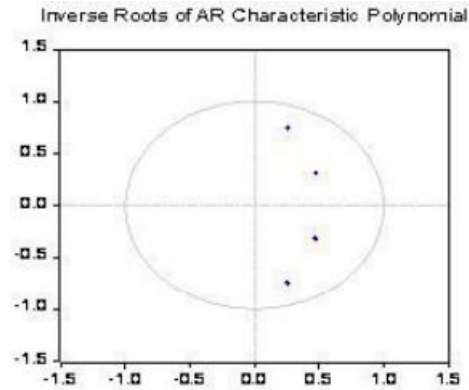
  

Component	Jarque-Bera	df	Prob.
1	46.35077	2	0.0000
2	0.615842	2	0.7350
Joint	46.96661	4	0.0000

**Interpretation:** The above table of Jarque Bera ,skewness and kurtosis probability values are observed significant which indicates that the data is normally distributed among the selected variables.

	REPO	DDDEPOSITS
REPO(-1)	1.098614 (0.17882) [ 6.14353]	161.5062 (123.878) [ 1.30375]
REPO(-2)	-0.438247 (0.17165) [-2.55318]	-223.9443 (118.907) [-1.88336]
DDDEPOSITS(-1)	0.000655 (0.00028) [ 2.32698]	-0.487765 (0.19511) [-2.49989]
DDDEPOSITS(-2)	0.000352 (0.00029) [ 1.21709]	-0.241135 (0.20020) [-1.20449]
C	2.242932 (0.84599) [ 2.65126]	666.1426 (586.047) [ 1.13667]
R-squared	0.699751	0.323193
Adj. R-squared	0.647534	0.205488
Sum sq. resid	9.140759	4386503.
S.E. equation	0.630416	436.7122
F-statistic	13.40077	2.745777
Log likelihood	-24.05782	-207.1960
Akaike AIC	2.075559	15.15686
Schwarz SC	2.313452	15.39475
Mean dependent	7.022024	122.9246
S.D. dependent	1.061863	489.9423
Determinant resid covariance (dof adj.)		67086.40
Determinant resid covariance		45266.21
Log likelihood		-229.5450
Akaike information criterion		17.11036
Schwarz criterion		17.58614

**Interpretation:** The above table of vector auto regression result indicate that bank deposits are expected to move along with the repo rate.



**Interpretation:** The above graph of polynomial indicates that the inverse roots were fallen inside the circle which indicates that the data is stated to be normally distributed among the dependent and independent variables.

Component	Skewness	Chi-sq	df	Prob.
1	-0.912229	3.883420	1	0.0488
2	0.791095	2.920547	1	0.0875
Joint		6.803967	2	0.0333

Component	Kurtosis	Chi-sq	df	Prob.
1	5.118186	5.234497	1	0.0221
2	3.119334	0.016614	1	0.8974
Joint		5.251111	2	0.0724

Component	Jarque-Bera	df	Prob.
1	9.117916	2	0.0105
2	2.937161	2	0.2303
Joint	12.05508	4	0.0169

**Interpretation:** The above table of Jarque Bera ,skewness and kurtosis probability values are observed significant which indicates that the data is normally distributed among the selected variables.



	REPO	DEQUITY
REPO(-1)	1.077282 (0.20035) [ 5.37704]	77582.88 (174921.) [ 0.44353]
REPO(-2)	-0.421471 (0.19494) [-2.16202]	-198629.8 (170201.) [-1.16703]
DEQUITY(-1)	2.10E-07 (2.0E-07) [ 1.05839]	0.390387 (0.17808) [ 2.22592]
DEQUITY(-2)	-2.76E-07 (2.2E-07) [-1.23776]	-0.613322 (0.19490) [-3.14690]
C	2.398524 (0.90258) [ 2.65742]	1220868. (788025.) [ 1.54928]

R-squared	0.660257	0.406798
Adj. R-squared	0.601172	0.303633
Sum sq. resid	10.34309	7.88E+12
S.E. equation	0.670597	585486.1
F-statistic	11.17458	3.943159
Log likelihood	-25.78788	-408.8219
Akaike AIC	2.199135	29.55871
Schwarz SC	2.437028	29.79660
Mean dependent	7.022024	331714.1
S.D. dependent	1.061863	701612.6
Determinant resid covariance (dof adj.)		1.53E+11
Determinant resid covariance		1.03E+11
Log likelihood		-434.5198
Akaike information criterion		31.75142
Schwarz criterion		32.22720

**Interpretation:** The above table of vector auto regression result indicate that equity is expected to move along with the repo rate.

## 9. Findings

1. This study found that liquidity, bank deposits and equity market are having correlation with inflation.
2. This analysis proves that repo rate failed to influence the liquidity in the system and bank deposits.
3. Inflation had influenced interest rate but during the same period inflation failed to influence equity market benchmarks.

4. The analysis had proved that bank deposits and equity markets got influenced by interest rate fluctuations

5. The future momentum of bank deposits is expected to move upside based on repo rate growth.

6. Equity markets are expected to move along with repo rate because the VAR model has shown neutral effect.

## 10. Suggestions

1. Investors are suggested to divert their investments towards equity segments when repo rate is going upside.

2. Study suggests that growth of equity market capital will force the bank deposits to go downwards, but at the same time period nifty is expected to move upwards.

3. Raise of Inflation is forcing repo and reverse repo up side by the RBI; equity investors are advised to be cautious when repo and reverse repo moving upwards.

4. Many countries central banks are offering interest rates on CRR but in India RBI is not offering interest rate but banks are paying interest to the deposit holders. The study suggest to offer interest rate to the banks on CRR.

## 11. Conclusion

I draw to an end my examination of the years 2000–2015 under the heading "Bank savings deposits impact on the equity market investment." The analysis's findings show that interest rates are directly impacted by inflation, and that bank deposits and the momentum of the equity market are impacted by interest rates. This study discovered that bank deposits and market fluctuations are not directly impacted by inflation. Therefore, there is potential for future research in this field that takes into account a variety of

microeconomic indicators that are impacted by inflation in order to determine the direction of the equities markets and bank deposits.

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