AN ANALYSIS ON THE EFFECT OF INTEREST RATE CHANGE ON THE SECURITY MARKET-WITH REFERENCE TO COMMON STOCK IN FEDERAL BANK.

Dissertation

Submitted by

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Under the guidance of

Ms. SANDRA SABU T

In partial fulfillment of the requirement for the Degree of

MASTER OF COMMERCE

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DECLARATION

I, Fathima Afreen K H, final year M.Com students. Department of Commerce (SF), St Teresa's College Autonomous do hereby declare that the project report entitled "AN ANALYSIS ON THE EFFECT OF INTEREST RATE CHANGE ON THE SECURITY MARKET-WITH REFERENCE TO COMMON STOCK IN FEDERAL BANK". Submitted to Mahatma Gandhi University is a bonafide record of the work done under the supervision and guidance of Ms. Sandra Sabu T, Assistant Professor of Department of Commerce (SF), St. Teresa's College Autonomous) and this work has not previously formed the basis for the award of any academic qualification, fellowship, or other similar title of any other university or board.

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FATHIMA AFREEN K H

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CHAPTER – I
INTRODUCTION

1.1INTRODUCTION

The Security Market is a very dynamic and unpredictable environment, and it is not uncommon for the prices of stocks to fluctuate significantly based on a variety of factors. One of the most significant factors that can affect Security Market performance is interest rates. The relationship between interest rates and the security market is intricate and multifaceted, with interest rate changes exerting significant influence on various aspects of the financial landscape. This analysis delves into the dynamic interplay between interest rate fluctuations and the security market, encompassing stocks, bonds, and other financial instruments. Understanding this relationship is crucial for investors, policymakers, and financial analysts alike, as it provides insights into market trends, investment strategies, and economic conditions. Interest rates serve as a fundamental component of the financial system, influencing borrowing costs, saving incentives, and overall economic activity. Central banks, such as the Federal Reserve in the United States, play a pivotal role in determining short-term interest rates through monetary policy tools like the federal funds rate. Changes in these rates can have far-reaching consequences across the financial spectrum, affecting both debt and equity markets. When interest rate increases borrowing become more costly and it will lead to higher cost for venture capitals. This corporate profitability will earn expectations and will go through stock price decline. So higher interest rates may make investment away from stocks and into interest bearing assets like bonds, reducing demand for equities and putting decrease pressure in stock prices. There for lower interest rate tend to encourage economic activity and inspire risk taking behavior among investors. Reduced borrowing costs can boost corporate earnings, drive consumer spending, and support security market gains. However lower interest rate make equities more attractive relative to fixed income securities interest rate fluctuations have direct affect on bonds prices and yields. Bonds have inverse relationship with interest rates when rate increases bond price falls. This activity is known as interest rate risk. When rates decreases bond price tend to rise as investors seek higher yields in a lower rate environment. Changes in interest rates can affect investor perceptions of risk and return, influencing asset allocation decisions and portfolio strategies. Changes in interest rate expectations can adjusted in equity valuations as investors the discount rates used to evaluate future cash flows. The affect of interest rate changes on security market extended to global economic dynamics.

Currency fluctuations, capital flow, investment patterns which inter connect of financial markets will affect the interest rate. The relationship between interest rate and security market is difficult to understand and study. To study the effect of interest rate changes in bonds, stocks and other financial instruments requires a comprehensive understanding of economic fundamentals and market policies. By indentifying the relationship between investors and policy makers can understand into market trends, risk factors, and investment opportunities. The complex play between interest rate actions and the activities of common stock in the security market a specific institution such as Federal Bank represents a focal point of interest for investors, financial analysts, and policymakers alike. Federal bank stand as an keystone within the financial sector, with its fortunes intimately tied to macroeconomic trends, regulatory policies and market sentiment. As a key player in the banking industry, the Federal Bank's operations and financial performance are profoundly influenced by changes in interest rates, which serve as a fundamental driver of borrowing costs, lending practices, and overall profitability. The transmission of monetary policy is the main reason for the affect of interest rate change in Federal bank. Central banks, such as the Federal Reserve, wield considerable influence over short-term interest rates, employing monetary policy tools like the federal funds rate to modulate economic activity, inflationary pressures, and financial market conditions. When Central bank adjusts interest rate because of inflation then cost of lending and borrowing of Federal bank increase. This increasing cause the cost of capital can utilize lower pressure on the banks profitability, lending activity, earning expectations and they will transfer into decline in the stock price. Accordingly Central bank select to lower interest rates to inspire economic growth or fight risks, borrowing, demand of credit products and banks profitability. Low interest rate will motivate increase in lending activity, consumer loans. When interest rates are favorable banks can make more money and can increase confidence of the investors and study the upward movement in its stock price. So changes in the interest rate will influence the investors, risk bearing, and calculate the valuation of Federal bank’s common stock. With response to shifting in interest rate the investors can reallocate their portfolio. By decreasing interest rate the investors may not willing to pursue risk and high return it will driving up demand for Federal bank common stock. Moreover, the affect of interest rate changes on Federal Bank's common stock extends beyond immediate market reactions, permeating various aspects of the bank's operations and strategic decision-

making processes. Changes in interest rate can affect funding costs, net interest border, demand in loan, asset liability management all this plays an important role in molding the financial performance of bank and stock price over long term. The relationship between interest rate and Federal bank's common stock is connected with economic trend. The study mainly focus on the common stock with reference to Federal bank whether the changes in interest rate will affect the security markets common stock. Study mainly focus on the common stock and their fluctuations. Not only change in interest rate but also many other factor which affect security market.

1.2 SIGNIFICANCE OF THE STUDY

The significance of studying the effect of interest rate changes on the security market lies in its implications for investors, policymakers, and financial institutions. Studying the effect of interest rate changes on the security market is essential for a comprehensive understanding of financial markets, economic policy, and investment decision making. By examining this relationship, stakeholders can better navigate market fluctuations, manage risk, and contribute to overall financial stability and prosperity. This analysis provides valuable insights into the interconnected dynamics between interest rates and Security Market performance and shapes decision making processes and outcome across various sectors of the economy and understanding how shifts in interest rates influence stock prices. To study the effect of interest rate changes on the Security Market holds significant implications of investors, businesses, economists and the general public.

1.3 STATEMENT OF PROBLEM

The aim of this study is to analyze the effect of interest rate change on the Security Market. This involves examining the relation between interest rate and Security Market and how fluctuations in interest rates influence stock prices, investor behavior and overall market sentiment. The study seeks to examine the relationship between changes in interest rates and movements in stock prices. By analyzing historical data and empirical evidence, the study will explore how shifts in interest rates affect the valuation

of equities across different sectors and industries. Understanding these dynamics is crucial for investors seeking to optimize their portfolio allocation and manage risk exposure in response to changing interest rate environments and the study also delve into the behavioral aspects of investor response to interest rate changes. By examining investor sentiment, risk appetite, and portfolio allocation decisions in response to interest rate movements, the analysis aims to uncover patterns of behavior and market dynamics that may contribute to fluctuations in asset prices and market volatility.The study provide a comprehensive understanding of the effect of interest rate changes on the security market, offering valuable insights for investors, policymakers, and financial institutions. By addressing the multifaceted nature of this relationship, the analysis seeks to contribute to the existing body of knowledge on financial markets, economic policy, and investment decision making.

1.4 OBJECTIVES OF THE STUDY

- To analyze historical data to indentify long term and short term trend in the Security Market.
- To determine the quantitative relationship between changes in interest rate and fluctuation in Security Market.
- To study the investor behavior in response to interest rate changes.
- To analyze the effect of changes in interest rate in security market.

1.5 RESEARCH METHODOLOGY

Research methodology is a way to systematically solve research problem. Research methodology not only talks about research methods but also considers logic behind the method used in the context of the study. A descriptive and analytical study is performing in this project in order to get a clear image of “An analysis of the effect of interest rate change on the Security Market”.

1.5.1 TYPE OF RESEARCH

The type of research commonly used in studying the effect of interest rate changes on the security market is typically empirical research, utilizing both quantitative and qualitative methodologies. Quantitative methods often involve statistical analysis of historical data to identify correlations and trends between interest rate movements and security market performance. Qualitative methods may involve interviews or surveys with market participants to gain insights into their perceptions and reactions to interest rate changes. Additionally, econometric modeling techniques are frequently employed to understand the complex relationships between interest rates and security market behavior.

1.5.2 RESEARCH DESIGN

- **Population of the Study:** Investors who invest in various security market sectors.
- **Sample Size:** 106 investors are responded to the survey conducted with structured questioner.

1.5.3 SOURCES OF DATA COLLECTION

The source of information for this study contains both primary as well as secondary data.

- **Primary Data-** It is a type of data which is collected directly from the respondents by using structures questionnaires.
- **Secondary Data-** It is collected from books, journals, magazines, websites etc.

1.5.4 TOOLS USED FOR DATA COLLECTION

- **Surveys/questionnaires:** According to the objective of the study set an systematic questions and circulate to various types of investors and collected data.
- **Case study:** Examine instance of interest rate changes and their effects on particular securities or market sectors to provide detailed qualitative analysis.
- **Investor behavior surveys:** This survey is designed to capture investor sentiment, risk appetite, and investment preference during periods of interest changes, providing insights into how investors adjust their portfolios in response to changing interest rate environments.

1.5.5 TOOLS USED FOR ANALYSIS

For this study, data were collected from 106 respondents and the data collected were classified and analyzed by considering the objectives of the study. Data collected by using questionnaire are analyzed using simple statistical techniques of percentage and ranking, Chi square Test. Tables and graphs are used for presentation.

- **Chi square Test -** This is an statistical test used to determine if there is any significant association between Interest rate and security market. It compares both the variables and analyze the relationship between the variables.
- **Tables and Graphs –** To analyze the data collected use tables and graphs method for the presentation.

1.5.6 HYPOTHESIS

To find out whether there is any relationship between interest rate changes and Security Market fluctuations.

H0: There is no significant relationship between interest rate and Security Market.

H1: There is significant relationship between interest rate and Security Market.

1.6 SCOPE OF THE STUDY

Examining how different sectors within the Security Market respond to interest rate changes and also to investigate the effect of interest rate changes on specific types of stocks such as growth stocks versus value stocks. To explore how investors sentiment influences the reaction of the Security Market to interest rate changes. This could include analyzing historical data, indentifying patterns or correlations, and possibly exploring the effect on different sectors or types of stocks.

1.7 LIMITATION OF THE STUDY

- The time limitations may necessitate a narrower scope or the use of simplified methodologies to ensure the study feasibility and timely completion without sacrificing the quality of the analysis.
- The study may not be consider the possibility of non-linear relationships between interest rate changes and Security Market movements
- Different statistical techniques or econometric models might yield different results

CHAPTER – II

REVIEW OF LITERATURE

2. REVIEW OF LITERATURE

- **Lee and Chen (2024)** This research focuses on how changes in the Federal Reserve's interest rate policies influence investor sentiment and market behavior. The study highlights the importance of central bank communication in shaping market expectations and minimizing uncertainty during periods of interest rate adjustments.
- **Garcia and Patel (2024)**This study by Garcia and Patel (2024) examines how different sectors of the security market respond to interest rate changes. It finds that certain sectors, such as utilities and real estate, are more sensitive to interest rate fluctuations compared to others, like technology and healthcare.
- **Kim et al. (2024)** delves into the relationship between interest rate volatility and market risk. It finds that periods of high interest rate volatility are associated with increased market risk, as investors grapple with uncertainty regarding future interest rate movements. The study emphasizes the importance of risk management strategies in such environments.
- **Chen and Gupta (2024)**, this study examines how different sectors within the security market respond to changes in interest rates. It identifies sectors that benefit from lower interest rates, such as consumer discretionary and financials, while others, like utilities and consumer staples, may face challenges. Understanding these sectoral dynamics can inform investment strategies during periods of interest rate fluctuations.
- **Rodriguez and Li (2024)**explore the phenomenon of global interest rate synchronization and its implications for cross-border market integration. It finds that synchronized interest rate movements among major economies can lead to increased correlations across international security markets, highlighting the interconnectedness of global financial markets in the context of interest rate policies.
- **Jones and Wang (2023)**this research analyzes the relationship between interest rate changes by the Federal Reserve and security market performance. The study suggests that while initial interest rate hikes might lead to market volatility, long-term equity returns can still be positive, especially if interest rate adjustments are gradual and in line with economic fundamentals.

- **Smith et al. (2023)**This study by Smith et al. (2023) found a significant negative correlation between interest rate hikes and security market returns. It suggests that higher interest rates tend to decrease stock prices as borrowing costs increase and corporate profits are affected.
- **Brown and Garcia (2023)** investigate the relationship between interest rate changes and bond market performance. It examines how different types of bonds, such as government bonds, corporate bonds, and municipal bonds, respond to shifts in interest rates, providing insights into fixed-income investment strategies during periods of monetary policy changes.
- **Patel and Lee (2023),** this research examines how changes in interest rate expectations influence equity valuations. It finds that shifts in market perceptions of future interest rate movements can affect stock prices, suggesting that investor sentiment and expectations play a crucial role in shaping market reactions to monetary policy announcements.
- **Wang and Kim (2023)** explore the relationship between interest rate policy uncertainty and security market volatility. It suggests that periods of heightened uncertainty surrounding interest rate decisions by central banks can lead to increased market volatility and decreased investor confidence, underscoring the importance of clarity and communication in central bank communication strategies.
- **Garcia and Patel (2022)** analyzed the affect of monetary policy decisions, including interest rate changes, on security market behavior in 2022. It found that while interest rate hikes may initially lead to market volatility, the long-term effect on stock prices depends on the underlying economic conditions and expectations.
- **Chen and Gupta (2022)**, this research investigated how different sectors of the security market respond to changes in interest rates. It identified sectors that are more sensitive to interest rate movements and explored the implications for sectoral rotation strategies.
- **Lee and Chen (2022)** examined how uncertainty surrounding interest rate policies affects market volatility. It found that periods of heightened uncertainty, such as ambiguity about the timing or magnitude of interest rate changes, can

lead to increased market volatility as investors react to uncertain economic conditions.

- **Rodriguez and Li (2022)**, this research explored the synchronization of interest rate movements across global markets and its affect on market integration. The study found that synchronized interest rate changes among major economies can lead to increased correlations across international security markets, suggesting greater interconnectedness in global financial markets.
- **Wang and Kim (2022)** investigated the relationship between interest rate expectations and market sentiment. It found that changes in market expectations regarding future interest rate movements can significantly influence investor sentiment and market dynamics, underscoring the importance of forward guidance and central bank communication.
- **Smith et al. (2021)** synthesized existing literature on the relationship between interest rate changes and asset prices, including stocks, bonds, and real estate. It highlighted the importance of understanding the transmission channels through which interest rate changes affect asset valuations and investor behavior.
- **Jones and Wang (2021)** explored how investor sentiment influences the sensitivity of asset prices to interest rate changes. The study found that during periods of heightened optimism or pessimism, asset prices may exhibit stronger or weaker reactions to changes in interest rates, respectively.
- **Brown and Garcia (2021)** examined how changes in interest rates influence corporate investment decisions. It found that lower interest rates generally stimulate corporate investment by reducing the cost of borrowing and increasing the present value of future cash flows, leading to increased capital expenditure and expansion plans.
- **Smith and Patel (2021),** this research explored the relationship between yield curve movements and market expectations. It found that shifts in the yield curve, such as flattening or steepening, can signal changes in market sentiment, inflation expectations, and future interest rate movements, providing valuable insights for investors and policymakers.
- **Jones and Wang (2021)** analyzed the transmission mechanisms through which monetary policy actions, including interest rate changes, affect the broader

economy and financial markets. It identified channels such as the credit channel, exchange rate channel, and portfolio balance channel through which changes in interest rates influence consumption, investment, and asset prices.

- **Smith et al. (2020)** analyzed the relationship between interest rate changes and security market performance throughout the year. It found that shifts in interest rates, particularly those influenced by central bank monetary policy decisions, had significant affects on stock prices, investor sentiment, and market volatility.
- **Jones and Wang (2020),** this research focused on how the bond market responded to changes in interest rates during 2020. It examined the yield curve movements, bond prices, and investor behavior in response to monetary policy actions, economic data releases, and geopolitical events affecting interest rate expectations.
- **Garcia and Patel (2020)** investigated how different sectors within the security market responded to changes in interest rates during 2020. It found that certain sectors, such as financials and real estate, were more sensitive to interest rate fluctuations compared to others, like technology and healthcare, due to their reliance on borrowing costs and economic growth expectations.
- **Brown and Kim (2020),** this research explored how changes in market sentiment and expectations regarding future interest rate movements influenced security market dynamics. It highlighted the role of investor sentiment, central bank communication, and macroeconomic indicators in shaping market reactions to interest rate changes and economic uncertainty.
- **John, E. (2019)** The study is examined how macro-economic variables affect the Security Market performance in Nigeria with four macroeconomic variables money supply, interest rate, exchange rate, and inflation rate as independent variables and market capitalization as the dependent variable. It was found that money supply and interest rates are the two factors influencing the Security Market performance in Nigeria as they exhibit a significant effect on Security Market performance, whereas exchange rate and inflation rate indicate a weak performance of the Security Market.
- **Matadeen, J. (2019)** has investigated a paper on the macroeconomic and institutional determinants of Security Market development in Mauritius during

the period. 1989-2016 through a dynamic vector error correction model. It was found that macroeconomic factors such as economic growth, banking sector development, Security Market liquidity, and gross fixed capital formation are important drivers of Security Market development on the island. Additionally, political stability, rule of law, government effectiveness, voice accountability, and control of corruption also play a key role in terms of enhancing Security Market development

- **Hui-Shan Lee, Wai-Mun Har, Sin-Yee Lee (2016)** Conducted a study on the profitability determinants of information technology software companies in Malaysia with intangible assets included as an important independent variable. Other variables used are profitability (ROA), change of total revenues, opportunities growth, past earning growth, and size. It was found that all independent variables have a positive and significant relationship with profitability except the relative size of the firm variable. A negative result between size and profitability could be due to the role. of flexibility by smaller size software firms to transform. Rapidly as the peripheral business surroundings change. To conclude, it is unnecessary to expand the size of the firms in achieving prosperous profit. Moreover, engagement in innovative intangibility can enhance the competitive capability and reputation of software firms. Hence it will improve firms' profitability
- **Bayar, Y. (2016)** Has investigated the effect of institutional development on Security Market development in 8 European Union transition economies during the 2002-2013 period by employing a panel regression method. It was found that political stability, regulatory. quality, rule of law, and control of corruption had a positive effect on Security Market development.
- **Alexander Owiredu, M. Oppong, Sandra A Asomaning (2016)** examines the macroeconomic determinants of Security Market development in Ghana by using annual secondary data from Bank of Ghana Quarterly Economic Bulletins, Ghana Statistical Service, Ghana Stock Exchange Market Statistics, the World Bank and IMF's International Financial Statistics .The macroeconomic indicators such as the real income (GDP per capita income), domestic saving, Security Market liquidity, financial intermediary. Growth, macroeconomic stability (inflation), and private capital flows with Security Market capitalization used as

a proxy for the study were collected and used for the analysis. These variables were examined to establish a relationship with Security Market developments based on a linear regression model

- **Latha, K., Gupta, S., Ft Kumar, A. (2016)** Examined the short and long run dynamic relationship between the Indian Stock Index and Major Macroeconomic variables, viz. GDP, Inflation, Interest Rate, Exchange Rate, Money Supply, and International Oil Prices. It was found that the Indian Stock Index is Cointegrated with Money Supply, GDP, and Inflation. ARDL model evidenced. A significant positive relation with contemporaneous GDP and significant negative relation with own lagged values; lagged values of interest rate and long-run money supply. Investors and Security Market analysts can search for the presence of exploitable arbitrage opportunities in the Indian market to earn above normal returns by formulating long-run investment strategies based on GDP, Money Supply, and Inflation.
- **Sur, D., & Bhunia, A. (2015)** Examined the influence of selected macroeconomic variables in terms of international crude oil price, exchange rates, domestic gold price, real interest rates, and wholesale price index. On Security Market indices (Sensex and Nifty) of India. With the help of time series, monthly data was collected from Reserve Bank of India database: BSE and NSE database, investing.com and yahoo, finance database for the period July 1997 to July 2015 with the application of financial econometrics. It was found that Sensex and Nifty reactions to shocks on crude oil prices, exchanges rates, real interest rates, and wholesale prices indices were positive while a negative shock from sensex and Nifty to real interest was noticed.

CHAPTER – III

THEORETICAL FRAMEWORK

INTREST RATE CHANGE IN SECURITY MARKET

Interest rates serve as a fundamental component of economic mechanisms, influencing borrowing costs, investment decisions, and overall market dynamics. Security market is a critical area of the financial markets where changes in interest rate can have a important effect. The study express that changes in interest rate can influence the investors and market opportunity. The changes in interest rate make an important change in security market. Interest rate fluctuations have a significant effect on the activity of the security market, affecting sectoral performance, investor character, evaluation, and corporate investment decisions. The investors understand the relationship between them and make investment policies according to that. To became successful complex financial market the investor focus to study about the changes in interest rate. The movements in interest rate have plays an important role in stock valuation, investor character, corporate decisions, and market sentiment, these all are the important factor which determining the performance of the security market. The relationship between interest rate and the security market study how the changes affect the investors, business, and policymakers equally Changes in interest rates not only reflect shifts in monetary policy but also serve as barometers of economic health, signaling changes in growth expectations, inflationary pressures, and market sentiment. Consequently, interest rate movements can serve as leading indicators for changes in Federal Bank's earnings outlook, asset quality, and overall financial stability, influencing investor perceptions and stock price trajectories. The relationship between interest rate changes and Federal Bank's common stock represents a complex interplay of economic, financial, and market dynamics, necessitating a holistic understanding of the underlying factors at play. By examining how shifts in interest rates affect borrowing costs, profitability, investor sentiment, and broader market conditions, this analysis seeks to provide valuable insights into the mechanisms driving stock price movements within the context of changing interest rate environments.

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Chi Square Test:

The chi square test is a statistical test used to determine whether there is a significant relationship between the categorical variable. Here variables are interest rate and Security market.

Stock valuation and interest rate:

One of the main factor the interest rate affect is stock valuation. Low interest rate leads to low discount rates, increase the present value of future cash flows associated with stocks. When interest rate declining stock prices tend to increase.

Affect of Net Interest Margin (NIM):

A bank's net interest margin, or the difference between the interest income from its assets (like loans) and the interest paid on its liabilities (like deposits), can be affected by changes in interest rates. Banks like Federal Bank may see an increase in their net interest margins if interest rates rise, which could result in increased profitability and possibly increase the value of their common stock.

Demand for loans:

Loan demand may be affected by interest rate changes. Lower interest rate is more flexible to take loans more affordable. Which increase demand in loans. Where interest rate rise taking loans get more expensive.

The state of Economic:

Economic conditions are frequently connected with the changes in interest rates. Central banks future prospect. Changes interest rate in reaction to shift in unemployment, inflation, and economic growth. Macroeconomics has the strength affect spending, investment decisions and consumer and business confidence.

Market Sentiment:

Changes in interest rate plays an important role in affect of investors sentiment and the state of the Federal banks prospects. Investors may think less highly of Federal banks stock than other investment if they participate an increase in interest rate.

Investor Conduct and the State of the Market:

Interest rate changes have bring about changes in the behavior of investors and the mood of the market. When interest rates are dropped investors might switch to stocks in an attempt to increase their returns, which would raise stock values. Increase interest rates may force investors to change a portion of their portfolio to fixed income securities.

Investor Conduct and the State of the Market:

Interest rate changes frequently bring about changes in the behavior of investors and the mood of the market. When interest rates are dropping, investors might switch to stocks in an attempt to increase their returns, which would raise stock values. On the other hand, increasing interest rates may force investors to reallocate a portion of their portfolios to fixed-income securities, which could result in a decline in stock prices as demand declines.

Corporate Finance and Investment Choices:

Decisions made by corporations about financing and investments are heavily influenced by interest rates. Lower interest rates make borrowing less expensive, which encourages businesses to expand their operations, invest in capital projects, and look for growth prospects. In low-interest-rate environments, corporations may also choose to leverage debt financing, which would support their investment activities even more. On the other hand, increasing interest rates may make borrowing more expensive, which may discourage corporate investment and dim the outlook for profits, both of which could have an adverse effect on stock prices.

Valuation:

The discount rate used to determine the present value of future stock cash flows is influenced by interest rates. Lower stock valuations result from an increase in the discount rate along with an increase in interest rates. On the other hand, since future cash flows are discounted at a lower rate when interest rates decline, stock valuations may increase. Interest rate fluctuations affect discount rates, expectations for earnings growth, competitive investments, cost of capital, and investor sentiment, all of which have a major affect on stock valuations. Investors and financial analysts must comprehend these dynamics in order to evaluate how interest rate changes may affect the valuation of securities in the market.

Investor Behavior:

Interest rate fluctuations have an affect on investor attitude and conduct. Lower stock prices could result from investors switching their portfolios from stocks to fixed-income instruments as interest rates rise. On the other hand, decreasing interest rates might encourage investors to transfer money into stocks, which would raise prices. Interest rate fluctuations may cause investor behavior to change, which may have an affect on expectations for corporate earnings growth in the security market, risk appetite, dividend yield considerations, and asset allocation choices. Investors must comprehend these dynamics in order to manage the effects of interest rate changes on their investment portfolios and the performance of the market as a whole.

Cost of Capital:

Interest rates have an affect on businesses' cost of capital. Increased borrowing costs for businesses due to higher interest rates may result in a reduction of their plans for expansion and investment, which could have a negative affect on stock prices. On the other hand, reduced interest rates can result in cheaper borrowing costs, which may encourage investment and raise stock values. Interest rate fluctuations have a direct affect on the cost of capital for businesses operating in the security market. These

fluctuations have an affect on borrowing prices, future cash flow discount rates, and investor expectations related to cost of capital. In order to evaluate the effects of interest rate changes on corporate investment decisions, profitability, and Security Market performance, investors and businesses must have a thorough understanding of these dynamics.

Economic Outlook:

Interest rate fluctuations are a reflection of changing economic circumstances. In order to fight inflation, for instance, central banks may decide to raise interest rates, which may be a sign of an overheating economy. In these situations, investors may expect slower economic growth, which could result in lower stock prices due to higher interest rates. Interest rate fluctuations are a reflection of changes in the economic outlook and can have a big affect on the security market. It is imperative for investors to comprehend the correlation among interest rates, economic conditions, and Security Market performance in order to make well-informed investment choices.

Sectoral Variances:

The Security Market's various sectors react to changes in interest rates in different ways. For instance, rising interest rates may have a negative affect on interest rate-sensitive industries like utilities and real estate because they increase the cost of borrowing. Conversely, industries that depend less on borrowing, like technology and healthcare, might be less affected.

Growth Expectations:

Interest rates determined by their evaluation of the state of the economy. An indication that the economy is expanding too quickly and could cause inflation is a rise in interest rates. Stock prices may fall as a result of investors growing more wary of future corporate earnings growth. Lowering interest rates, on the other hand, can be a sign of

weakening economic conditions or the need for stimulus, which would encourage investors to place more faith in future profits and sustain higher stock prices.

Anticipations for Inflation:

Changing interest rates is a common method of containing inflation. An increase in interest rates makes borrowing more costly, which can reduce consumer spending and possibly even inflation. Investors may expect less inflation in this scenario, which could have a favorable affect on stock prices. Lowering interest rates, on the other hand, may have the opposite effect on stock prices by boosting inflation expectations and boosting economic activity. This could raise worries about future purchasing power.

Consumer and Business Spending:

Interest rate fluctuations may have an affect on how much money consumers and businesses spend. A decrease in consumer spending and business investment can result from higher interest rates, which can also have a negative affect on corporate earnings and stock prices by discouraging borrowing. Lower interest rates, on the other hand, may encourage borrowing and spending, which may increase corporate profits and maintain higher stock prices.

Currency and Trade Dynamics:

Changes in interest rates can have an affect on currency values, which can have an affect on multinational companies and international trade. An increase in interest rates may draw in foreign capital, strengthening the home currency. This may result in higher export costs and possibly lower corporate profits for businesses that prioritize exports, which would be bad for stock prices. On the other hand, decreasing interest rates may cause the value of the home currency to decline, increasing the competitiveness of exports and possibly increasing corporate profits and stock prices.

Market Sentiment and Investor Confidence:

Interest rate fluctuations have an affect on investor confidence in the economy and market mood. An increase in interest rates may be interpreted as an indication of the economy's strength, which would encourage investor confidence and lead to higher stock prices. Lowering interest rates, on the other hand, might arouse worries about economic weakness, which would erode investor confidence and possibly drive down stock prices.

Borrowing Costs:

Comp0061nies borrowing costs are directly affected by interest rates. The cost of borrowing goes up when interest rates rise, making debt capital more expensive for businesses. This may result in increased interest costs, decreased profitability, and possibly even a decline in stock prices. On the other hand, when interest rates drop, borrowing becomes more affordable for businesses, lowering their cost of capital.

Discount Rate for Future Cash Flows:

A significant factor in determining the discount rate used to determine the present value of future cash flows from investments is interest rates. Higher required rates of return for investments and lower present values for future cash flows are the results of rising interest rates and the discount rate. Higher barriers to entry for investment projects may result from this, which could lower corporate investment and growth prospects and have a negative affect on stock prices. Falling interest rates, on the other hand, lower the discount rate, increasing the value of future cash flows and lowering the required rate of return on investments, which may increase stock prices.

Investor Expectations:

Interest rate fluctuations can affect investor expectations about a company's cost of capital. A slowdown in the economy and tighter monetary policy could be indicated by rising interest rates, which would make investors expect higher borrowing costs and a higher cost of capital for businesses. As a result, stock prices may experience downward

pressure as investors adjust their valuation models to account for the increased cost of capital. On the other hand, decreasing interest rates might encourage anticipations of economic growth and cheaper borrowing, which would make investors expect a lower cost of capital for companies and support higher stock prices. Valuation models to account for the increased capital cost. On the other hand, declining interest rates could encourage projections of economic growth and cheaper borrowing costs, making investors expect a lower

Monetary Policy:

Short-term interest rates are determined by central banks, like the Federal Reserve in the US, as part of their monetary policy to accomplish goals like price stability and full employment. The Security Market can be affected by changes in interest rates by central banks because they can have a big affect on borrowing costs, investor sentiment, and economic activity.

Inflation Expectations:

Interest rates are frequently changed by central banks in reaction to inflationary pressures. In order to prevent an overheated economy, central banks may decide to raise interest rates in response to higher inflation expectations. On the other hand, if inflation expectations decline, interest rates may be lowered to promote economic expansion. Investor perceptions of future corporate earnings and Security Market valuations may be affected by changes in interest rates based on expectations for inflation.

Economic Indicators:

Decisions about interest rates can be influenced by economic indicators such as GDP growth, unemployment rates, consumer spending, and business investment. In order to prevent runaway inflation, central banks may decide to raise interest rates in response to strong economic indicators that point to possible inflationary pressures. On the other hand, poor economic data might prompt interest rate reductions in an effort to increase consumer spending and stimulate the economy.

Global Economic Conditions:

Decisions about interest rates and, by extension, the Security Market, can be influenced by events and conditions in the global economy. For instance, central banks may decide to cut interest rates in response to financial crises or global economic slowdowns in order to promote economic expansion and maintain market stability. Variations in interest rates around the world can also have an affect on trade flows, investor sentiment, and currency exchange rates, all of which have an affect on stock prices.

Market Predictions and Projections:

Interest rate decisions and market reactions can be influenced by central banks' forward guidance and market expectations. Ahead of actual interest rate changes, stock prices may be affected by preemptive market adjustments brought on by central bank statements, economic data releases, and geopolitical developments that signal future interest rate changes.

Political and Geopolitical Factors:

Interest rate decisions and market sentiment can be influenced by political and geopolitical events like trade disputes, geopolitical tensions, and elections. The volatility of the security market and investor confidence may be affected by central banks' cautious approach to interest rate changes due to uncertainty surrounding geopolitical risks or political developments.

Financial Market Conditions:

Interest rate decisions and Security Market performance can be influenced by financial market conditions such as bond yields, credit spreads, and liquidity conditions. For instance, rising credit spreads or financial market turbulence may force central banks to

enact monetary stimulus plans, such as interest rate reductions, in an effort to ease financial strain and maintain market integrity.

Inflationary Pressures:

Inflationary pressures can be affected by changes in wages, production costs, and commodity prices. In order to preserve price stability in the face of rising inflation, central banks may decide to raise interest rates. On the other hand, central banks may decide to cut interest rates in order to boost economic activity in response to declining inflation or deflationary pressures.

Employment Trends:

The labor market, including wage growth and unemployment rates, is a major influence on interest rate decisions. Indicators of an overheating economy include robust job growth and declining unemployment, which could prompt interest rate hikes by central banks. On the other hand, a lackluster job market may lead central banks to implement accommodative policies that promote economic expansion and job creation.

Consumer and Business Confidence:

The degree of confidence held by consumers and businesses can affect decisions about investments and spending, which in turn affect inflation and economic growth. Interest rate decisions made by central banks may be influenced by shifts in the opinions of businesses and consumers as they evaluate the state of the economy as a whole.

Government Fiscal Policy:

Decisions about fiscal policy, such as adjustments to taxes and spending by the government, can have an affect on inflationary pressures and economic activity. Changes in interest rates can have a greater or lesser affect on the Security Market and the overall economy depending on coordinated actions in monetary and fiscal policy.

Global Financial Conditions:

Domestic interest rates can be affected by developments in international financial markets, such as shifts in bond yields, exchange rates, and capital flows. To preserve stability and reduce external risks, central banks may modify interest rates in response to developments in the world economy and financial system.

Regulatory Environment:

Lending practices, credit availability, and market liquidity can all be affected by changes in financial regulations and policies, which can then have an affect on interest rates and the performance of the security market. Changes in regulations intended to improve systemic risk management or financial stability could affect central banks' interest rate decisions.

Market Speculation and Sentiment:

Short-term swings in stock prices can be attributed to market participants' perceptions and expectations about future corporate earnings, interest rate changes, and economic conditions. The market's response to interest rate announcements and releases of economic data can be amplified by speculative trading, sentiment indicators, and market positioning.

ADVANTAGE OF CHANGE IN INTREST RATE IN SECURITY MARKET:

Changes in interest rates can provide various advantages for the Security Market, including stimulating economic growth, boosting corporate earnings, enhancing investor confidence, increasing valuations, reducing debt servicing costs, attracting foreign investment, supporting asset prices, and encouraging risk-taking. But it's important to understand that depending on the overall state of the economy and financial system, interest rate changes can have different effects on the security market.

Boosting Economic Development:

Interest rate reductions encourage borrowing and spending, which accelerates economic expansion. Higher corporate profits as a result of this increased economic activity frequently translate into higher stock prices.

Boosting Corporate Earnings:

Reduced interest rates cut the cost of borrowing for businesses, enabling them to expand their operations, invest in new ventures, or conduct mergers and acquisitions at a lower cost. Increased corporate earnings have the potential to support stock prices.

Enhancing Investor Confidence:

During economic downturns, central banks frequently cut interest rates in an effort to boost the economy and regain investor confidence. Reduced interest rates may reassure investors and encourage more investment in the security market by indicating to them that policymakers are committed to fostering economic growth.

Increasing Valuations:

The discount rate used to determine the present value of future stock cash flows is lowered when interest rates decline. Because future earnings are discounted at a lower rate and become more appealing to investors than other assets, this can result in higher stock valuations.

Reducing Debt Servicing Costs:

The cost of debt servicing goes down for both consumers and businesses when interest rates are lower. Consumers may have more disposable income as a result, and businesses

may experience improved cash flow. This could increase consumer spending and corporate profits, both of which would be advantageous to the security market.

Attracting Foreign Investment:

Foreign investors seeking higher returns may find a nation's stocks and other assets more alluring if interest rates are lower. This heightened demand for stocks has the potential to raise stock prices and support market expansion as a whole.

Supporting Asset Prices:

When investors seek out higher returns in riskier assets like stocks, lower interest rates can result in more liquidity in the financial markets. Investors in the Security Market may benefit from higher asset prices as a result.

Encouraging Risk-Taking:

In an effort to increase returns, investors may be encouraged to take on more risk by lower interest rates. Stock prices may rise as a result of increased investment in equities and other riskier assets.

Favorable Environment for Equity Financing:

A more hospitable environment for companies to raise equity capital through stock offerings is produced by lower interest rates. Companies may decide to use equity financing to fund growth initiatives now that borrowing costs are lower. This can help stock prices by driving up demand for shares.

Supporting Consumer Spending:

Mortgages, auto loans, and credit cards can all be made more affordable for consumers by offering lower interest rates. This may result in higher consumer spending, which

boosts the economy and helps businesses in a variety of industries, ultimately assisting the performance of the Security Market.

Mitigating Systemic Risks:

By lessening the chance of debt defaults and financial crises, lower interest rates can aid in the mitigation of systemic risks within the financial system. The Security Market may operate more smoothly as a result of increased investor confidence and general market stability.

Promoting Asset Diversification:

By putting more money into stocks and other riskier assets, investors can diversify their portfolios and take on greater risk when interest rates are lower. The Security Market is more appealing when investors can attain higher returns and lower overall portfolio risk thanks to this diversification.

CHAPTER – IV

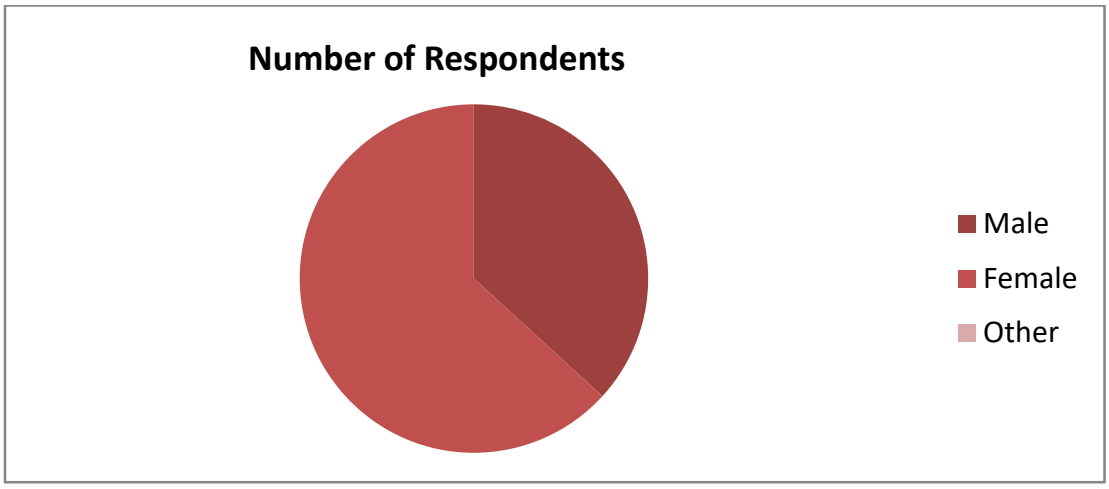
DATA ANALYSIS AND INTERPRETATION

4.1 GENDER OF THE RESPONDENTS:

4.1 Table showing Gender of the respondents-

GENDER	NUMBER OF RESPONDENTS	PERCENTAGE
MALE	39	36.8
FEMALE	67	63.2
OTHER	0	0
TOTAL	**106**	**100**

4.1 Showing gender wise classification of respondents-



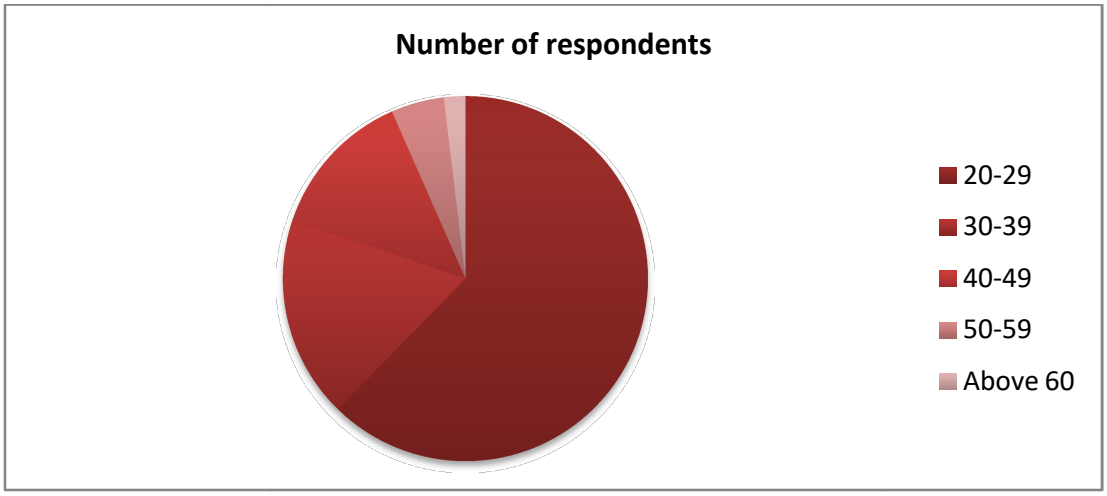
INTERPRETATIPON: The above table shows the gender classification of the respondents. 36.8% of respondents are male, 63.2% of respondents are female.

4.2 AGE OF THE RESPONDENTS:

4.2 Table showing Age of the respondents-

Age Group	Number of respondents	Percentage
20-29	66	62.3
30-39	19	17.9
40-49	14	13.2
50-59	5	4.7
Above 60	2	1.9
Total	**106**	**100**

4.2 chart showing the Age of the respondents-



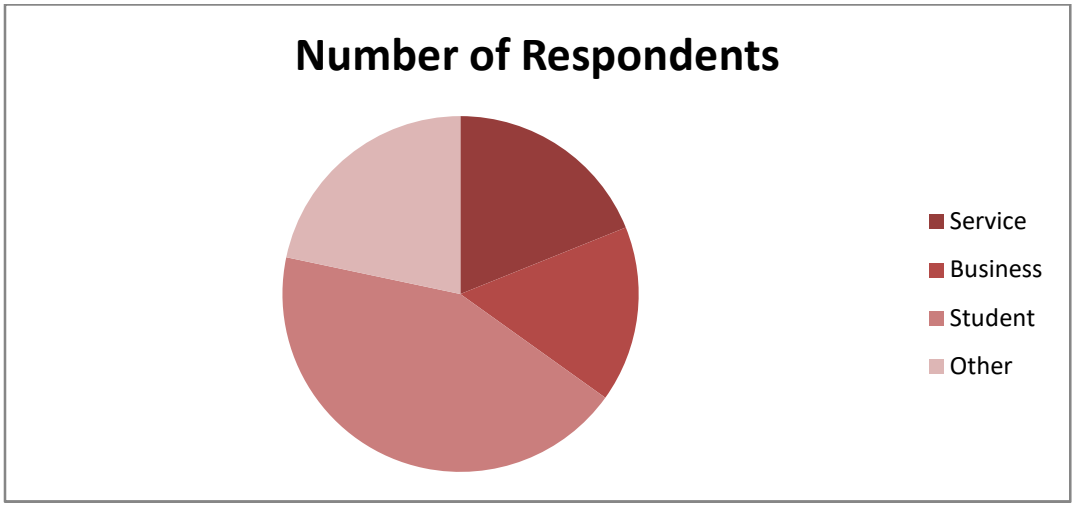
INTERPRETATION: Out of 106 respondents majority of them are belong to the age category of 20-29 and 17.9% of the respondents are belongs to 30-39 then 13.2% of respondents are in 40-49 and 4.7% respondents are belongs to 50-59 and 1.9% of respondents are belongs to above 60 age category.

4.3 OCCUPATION OF THE RESPONDENTS:

4.3 Table showing Occupation of the respondents-

Occupation	Number of Respondents	Percentage
Service	20	18.9
Business	17	16
Student	46	43.4
Other	23	21.7
TOTAL	**106**	**100**

4.3 Chart showing Occupation of the respondents-



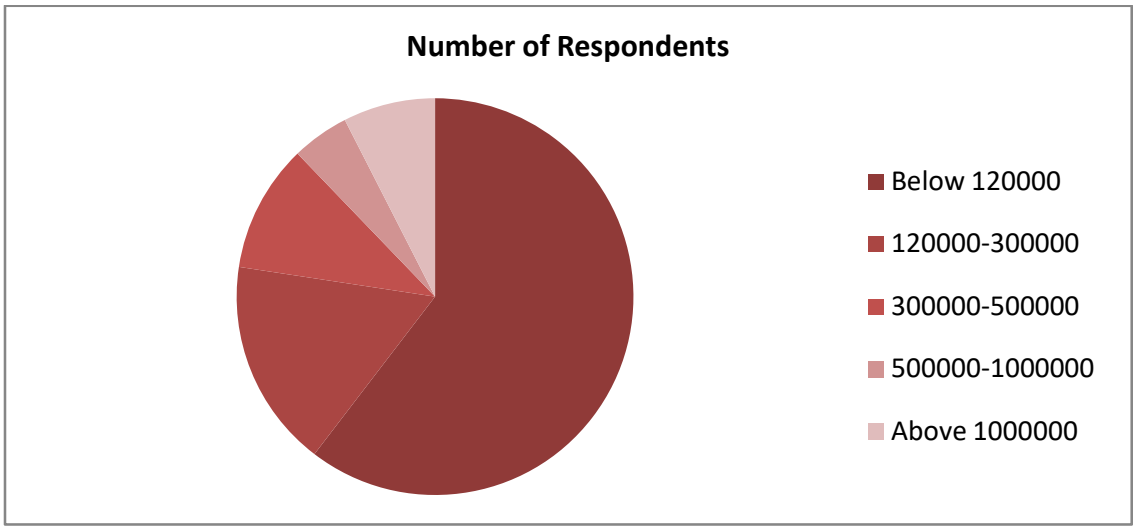
INTERPRETATION: Out of 106 respondents 43.4% of them are student, 21.7% of them are other category, 18.9% of respondents are from Service sectors and finally 16% of them are Business sectors.

4.4 MONTHLY INCOME OF THE RESPONDENTS:

4.4 Table showing Income of the respondents-

Income	Number of Respondents	Percentage
Below 120000	64	60.4
120000-300000	18	17
300000-500000	11	10.4
500000-100000	5	4.7
Above 100000	8	7.5
Total	**106**	**100**

4.4 Chart showing Income of the Respondents-



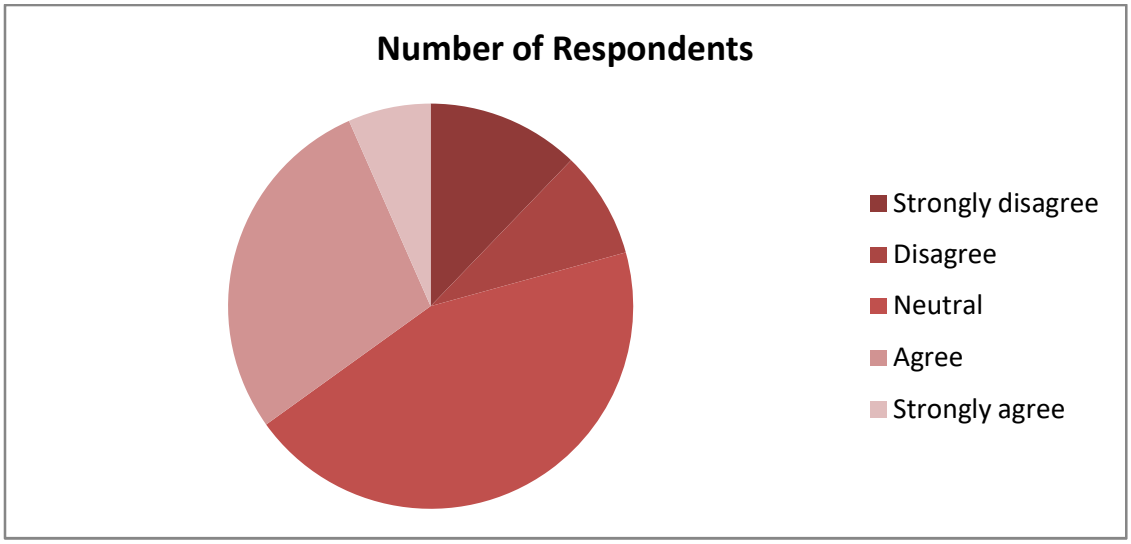
INTERPRETATION: Chart 4.4 Show that majority of the respondents who have income below 120000 and most least respondents are from 500000-1000000

4.5 DO YOU AGREE THAT THE CHANGE IN INTEREST RATE WILL AFFECT THE SECURITY MARKET COMMON STOCK IN FEDERAL BANK

4.5 Table showing whether the interest rate affect Security Market-

Affect in Security Market	**Number of respondents**	**Percentage**
Strongly disagree	13	12.2
Disagree	9	8.5
Neutral	47	44.3
Agree	30	28.3
Strongly Agree	7	6.6
Total	**106**	**100**

4.5 Chart showing whether the interest rate affect Security Market-



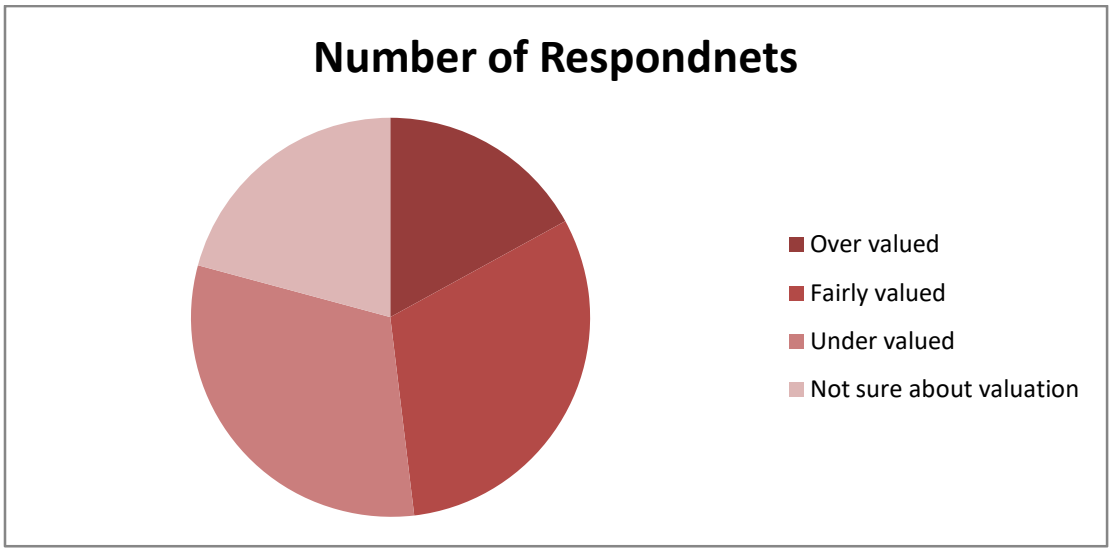
INTERPRETATION: According to the survey out of 106 respondents majority of them are in neutral opinion and least are strongly agreed. 44.3% are neutral and 6.6% are strongly agreed.

4.6 CONSIDERING THE MARKET VALUATION,DO YOU FEEL THE MARKET ARE CURRENTLY:

4.6 Table showing current market valuation-

Market valuation	Number of Respondents	Percentage
Overvalued	18	17
Fairly valued	33	31.1
Under valued	33	31.1
Not sure about valuation	22	20.8
Total	**106**	**100**

4.6 Chart showing current market valuation-



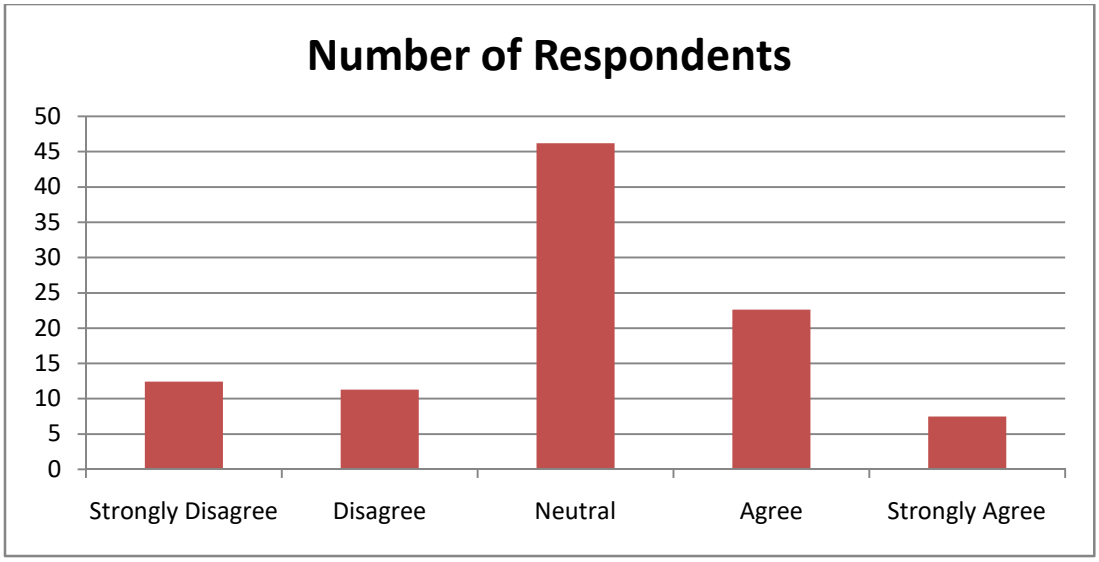
INTERPRETATION: Out of 106 Respondents majority of them are selected both Fairly valued and undervalued and 20.8% are not sure about the valuation and 17% of them are overvalued.

4.7 CHANGE IN INTEREST RATES DIRECTLY EFFECT SECURITY MARKET PERFORMANCE:

4.7 Table showing Effect of Rates changes in Security Market-

Effect in Security Market	Number of Respondents	Percentage
Strongly Disagree	13	12.4
Disagree	12	11.3
Neutral	49	46.2
Agree	24	22.6
Strongly Agree	8	7.5
Total	**106**	**100**

4.7 Chart showing Effect of Rates Changes in Security Market-



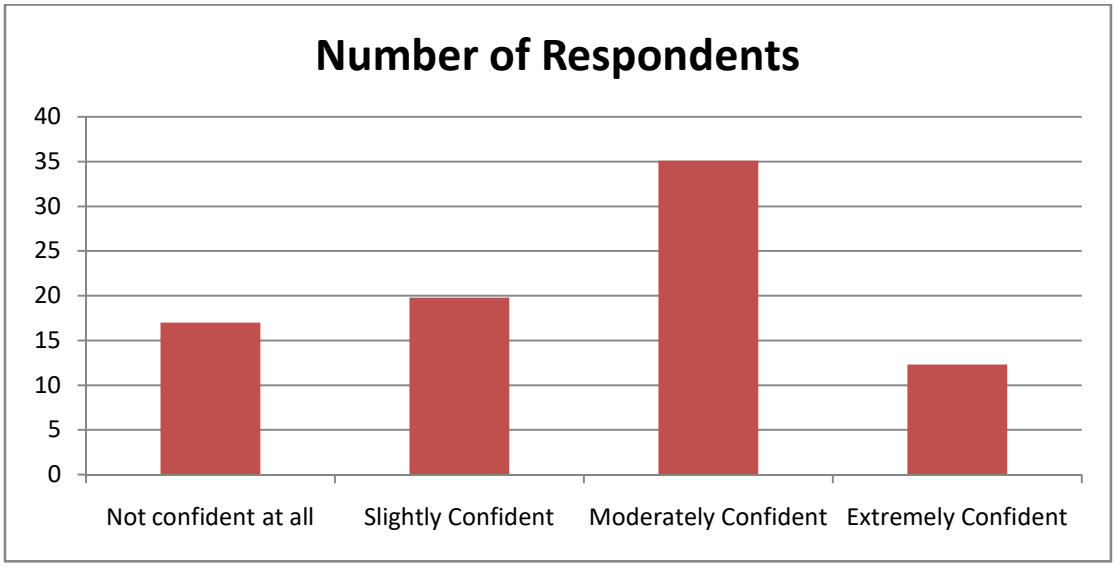
INTERPRETATION: According to the chart most of the respondents are in neutral position and least of the respondents are Strongly Agreed.

4.8 SECURITY MARKET REACTIONS TO CHANGE IN INTEREST RATES:

4.8 Chart showing Security Market Reactions

Security Market Reaction	**Number of Respondent**	**Percentage**
Not Confident at All	18	17
Slightly Confident	21	19.8
Moderately Confident	38	35.8
Very Confident	16	15.1
Extremely Confident	13	12.3
Total	**106**	**100**

4.8 Chart Showing Market Reactions-



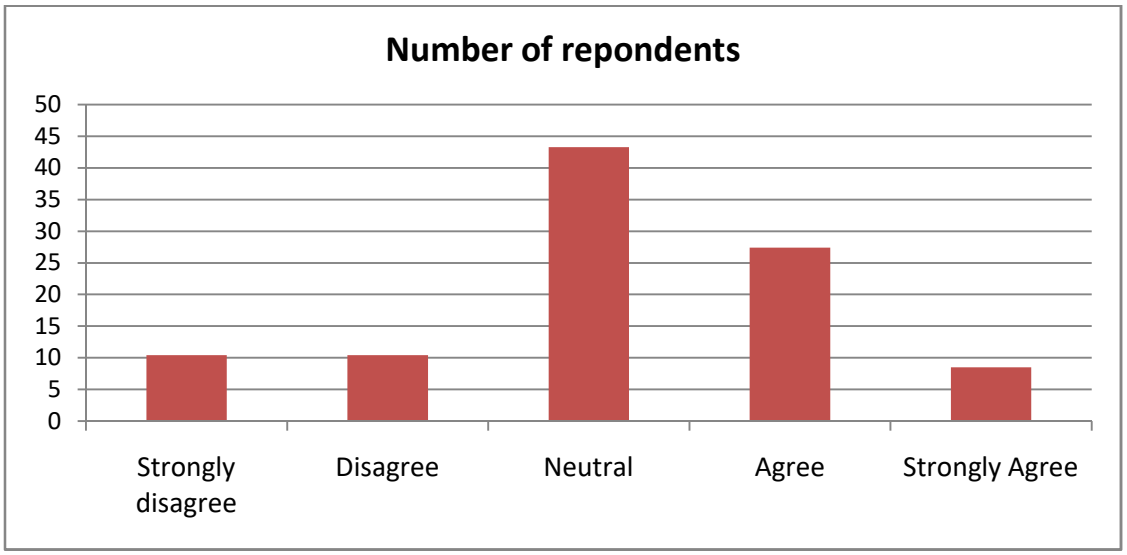
INTERPRETATION: Majority of the respondents are Moderately confident and 12.3% of respondents are Extremely Confident.

4.9 DIFFERENT SECTORS WITHIN THE SECURITY MARKET RESPOND DIFFERENTLY TO CHANGES IN INTREST RATES:

4.9 Table showing different Sectors changes in Interest Rate-

Change in Interest Rate	**Number of Respondents**	**Percentage**
Strongly Disagree	11	10.4
Disagree	11	10.4
Neutral	46	43.4
Agree	29	27.4
Strongly Agree	9	8.5
Total	**106**	**100**

4.9 Chart showing different sectors changes in interest rate-



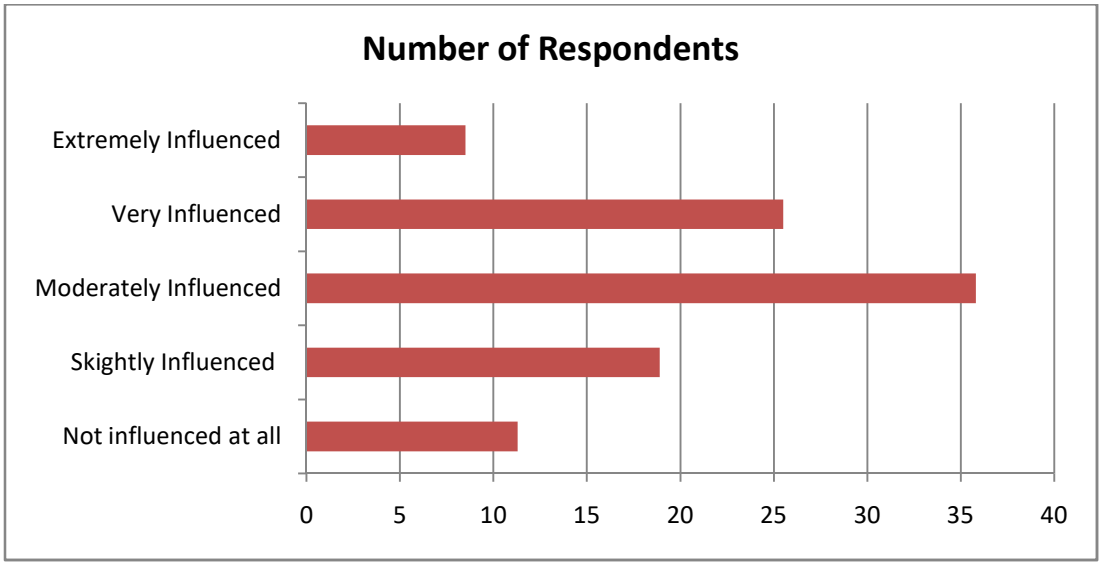
INTERPRETATION: Most of the respondents are stayed in neutral and most low responses are strongly agree and 10.4% respondents are strongly disagree and disagree.

4.10 INVESTOR BEHAVIOUR IN THE SECURITY MARKET INFLUENCED BY INTEREST RATES

4.10 Table showing Investors behavior which influence Security Market-

Influence in Security Market	**Number of Respondents**	**Percentage**
Not influenced at All	12	11.3
Slightly Influenced	20	18.9
Moderately Influenced	38	35.8
Very Influenced	27	25.5
Extremely Influenced	9	8.5
Total	**106**	**100**

4.10 Chart showing investor behavior which influence Security Market-



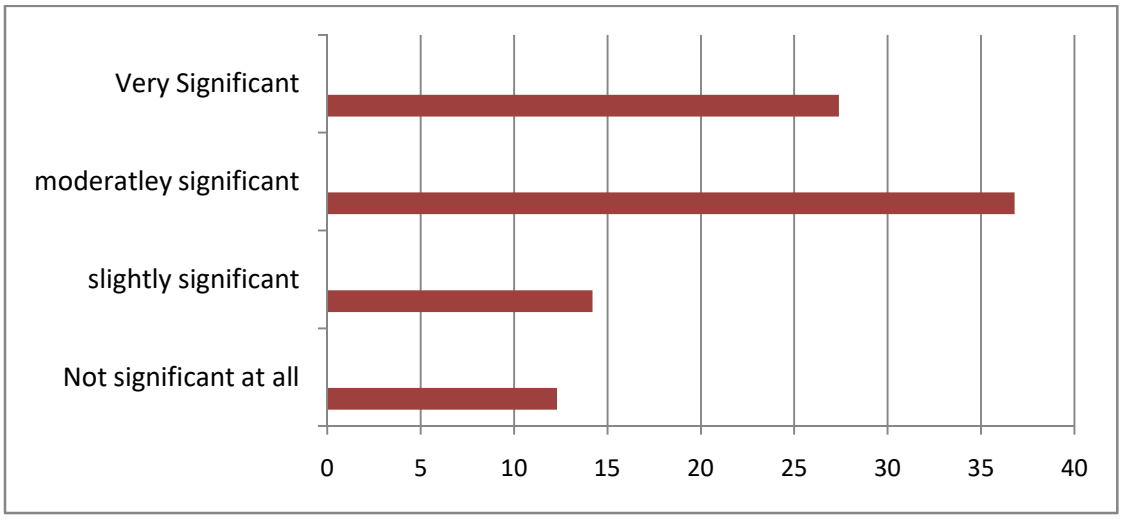
INTERPRETATION: Chart 4.10 depicts the behavior of the investors moderately influenced the Security Market and change in interest rate. 8.5% of respondents are in extremely influenced.

4.11 ROLE OF CENTRAL BANK:

4.11 Table shows the Role of Central Bank-

Role of Central Bank	Number of Respondents	Percentage
Not Significant at All	13	12.3
Slightly Significant	15	14.2
Moderately Significant	39	36.8
Very Significant	29	27.4
Extremely Significant	10	9.4
Total	**106**	**100**

4.11 Chart showing Role of Central Bank-



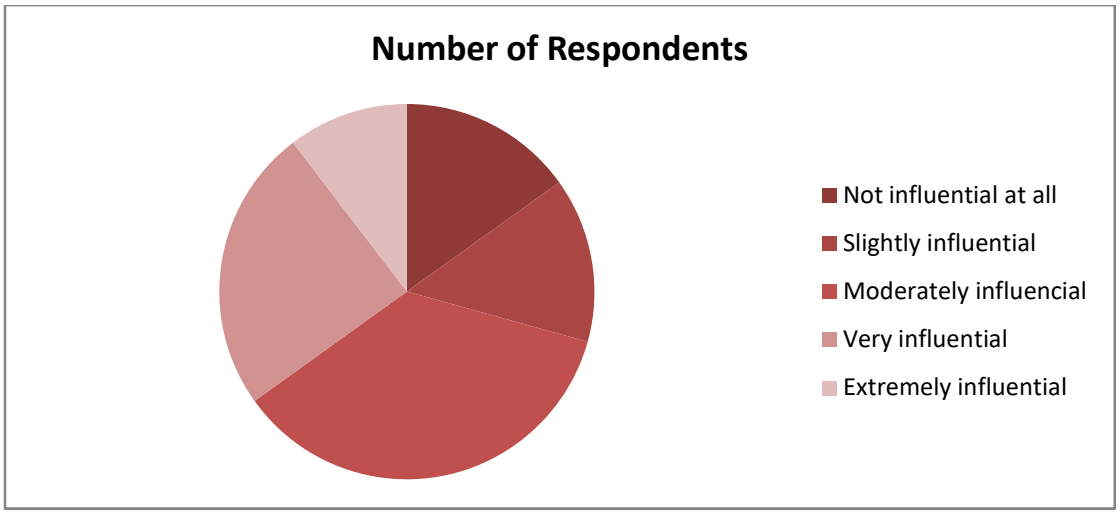
INTERPRETATION: According to the study most of responses are on moderately significant (36.8%) and 27.4% on very significant then 14.2% on slightly significant and 12.3% on not significant at all and least responses on extremely significant.

4.12 CHANGES IN INTEREST RATES INFLUENCES THE FLUCTUATIONS IN THE SECURITY MARKET

4.12 Table shows the interest rate influences the fluctuation in the Security Market-

Interest Rate	Number of Respondents	Percentage
Not Influential at all	16	15.1
Slightly influential	15	14.2
Moderately influential	38	35.8
Very influential	26	24.5
Extremely influential	11	10.4
Total	**106**	**100**

4.12 Chart showing the interest rate influences the fluctuation in the Security Market-



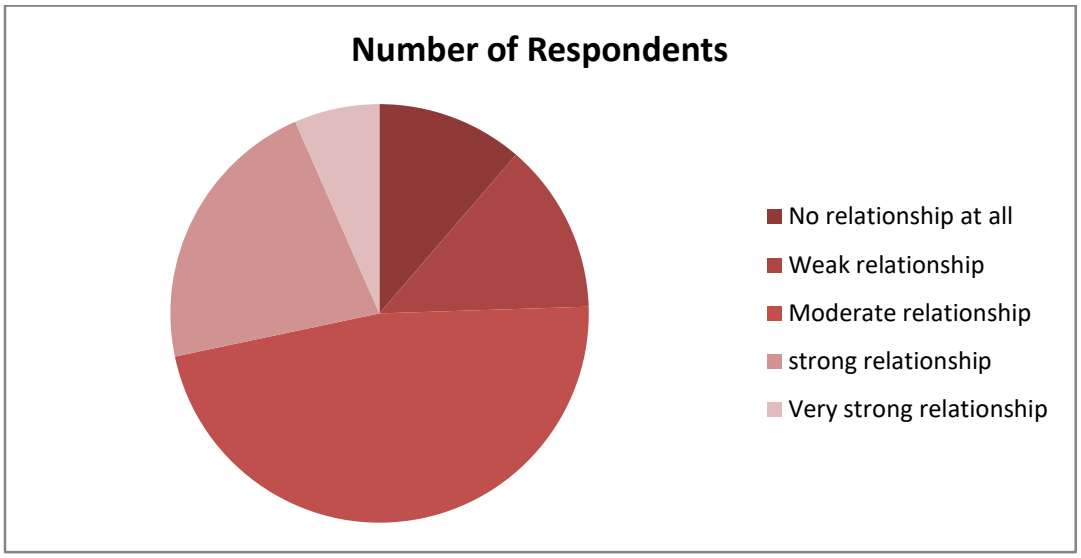
INTERPRETATION: Most of the respondents are moderately influenced and least responses are extremely influenced.

4.13 RELATIONSHIP BETWEEN INTEREST RATE CHANGES AND SECURITY MARKET COMMON STOCK IN FEDERAL BANK

4.13 Table showing the relationship between interest rate changes and Security Market-

Relationship	**Number of Respondents**	**Percentage**
No Relationship at all	12	11.3
Weak relationship	14	13.2
Moderate relationship	50	47.2
Strong relationship	23	21.7
Very strong relationship	7	6.6
Total	**106**	**100**

4.13 Chart showing the relationship between interest rate changes and Security Market-



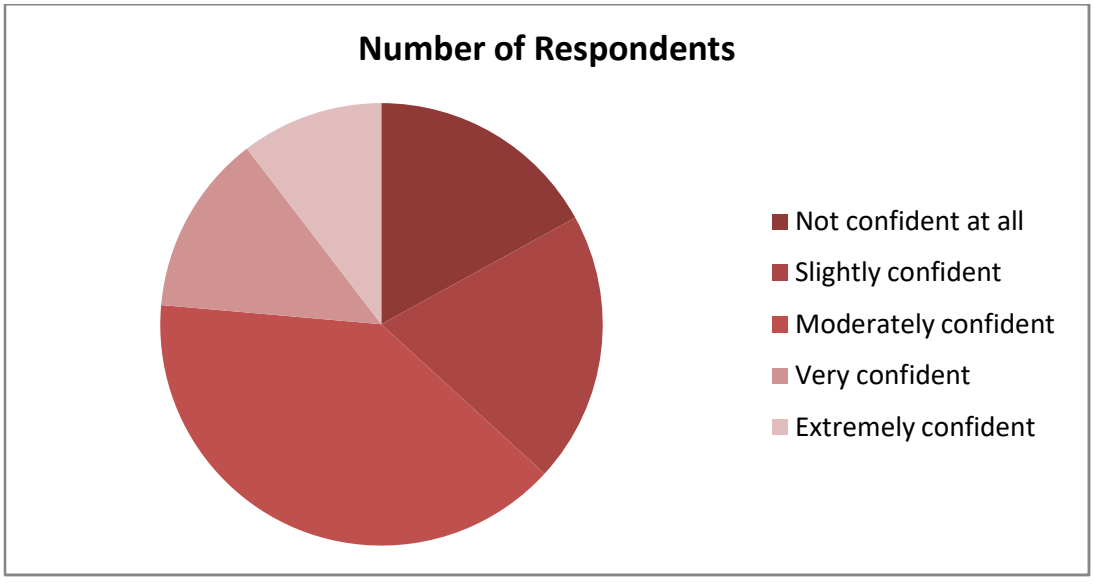
INTERPRETATION: Chart 4.13 shows that 47.2% of responses are Moderate relationship. And 6.6% of responses is on Very strong relationship. According to this rate study we can find that there is only moderate relationship between interest rate and Security Market.

4.14 QUALITATIVE ASSESMENT OF THE RELATIONSHIP BETWEEN INTEREST RATE CHANGES AND SECURITY MARKET:

4.14 Table shows the qualitative relationship between interest rate and Security Market-

Relationship	**Number of Respondents**	**Percentage**
Not confident all	18	17
Slightly confident	21	19.8
Moderately confident	42	39.6
Very confident	14	13.2
Extremely confident	11	10.4
Total	**106**	**100**

4.14 Chart shows the qualitative relationship between interest rate and Security Market-



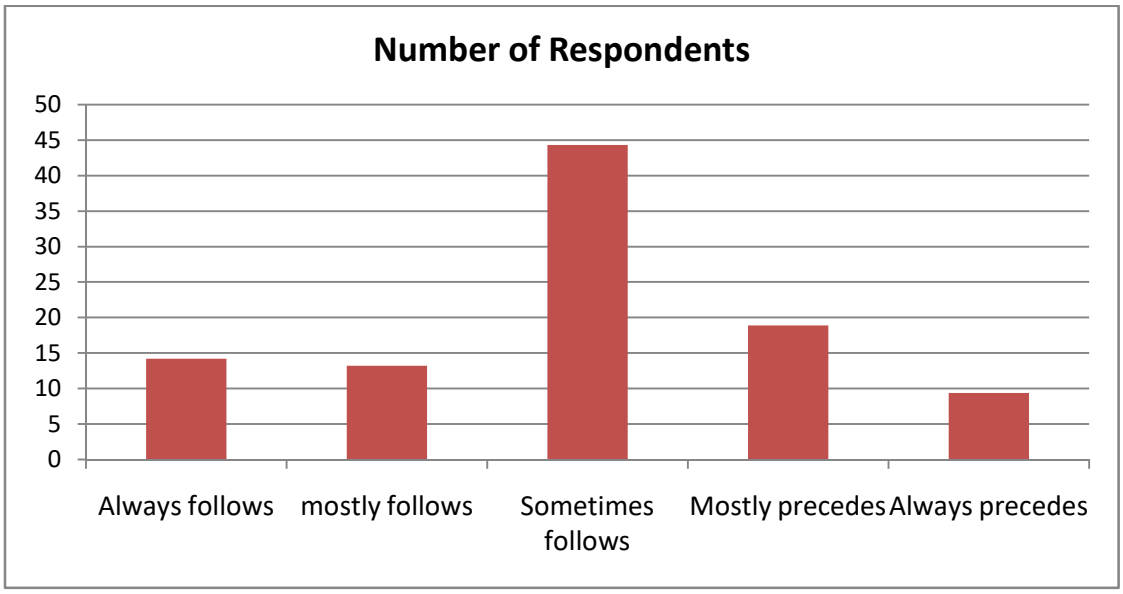
INTERPRETATION: The study shows that 39.6% are moderately confident and 19.8% are slightly confident 10.4 % are extremely confident.

4.15 DO FLUCTUATIONS IN THE SECURITY MARKET TEND TO PRECEDE OR FOLLOW CHANGES IN INTEREST RATES:

4.15 Table showing the fluctuations in Security Market tend to precede changes in interest rates-

Follow	**Number of Respondents**	**Percentage**
Always follows	15	14.2
Mostly follows	14	13.2
Sometimes follows	47	44.3
Mostly precedes	20	18.9
Always precedes	10	9.4
Total	**106**	**100**

4.15 Chart Table showing the fluctuations in Security Market tend to precede changes in interest rates-



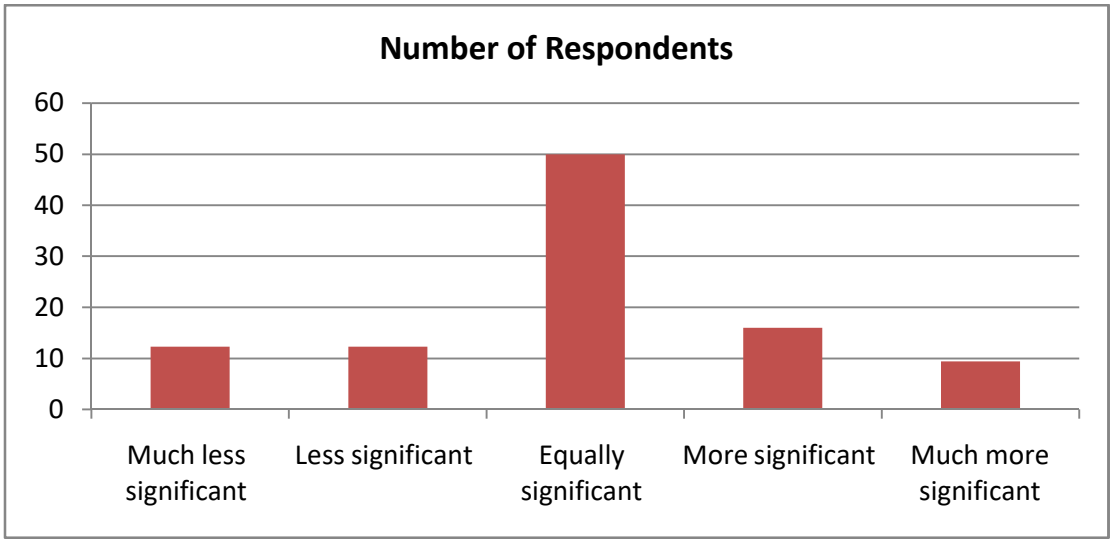
INTERPRETATION: According to the chart most of the respondents are sometimes follows the tends and 9.4% of respondents are only always precedes.

4.16 INTEREST RATE CHANGES IN DRIVING SECURITY MARKET FLUCTUATIONS:

4.16 Table showing interest rate changes in driving Security Market fluctuations-

Significant	Number of respondents	Percentage
Much less significant	13	12.3
Less significant	13	12.3
Equally significant	53	50
More significant	17	16
Much more significant	10	9.4
Total	**106**	**100**

4.16 Chart showing interest rate changes in driving Security Market fluctuations-



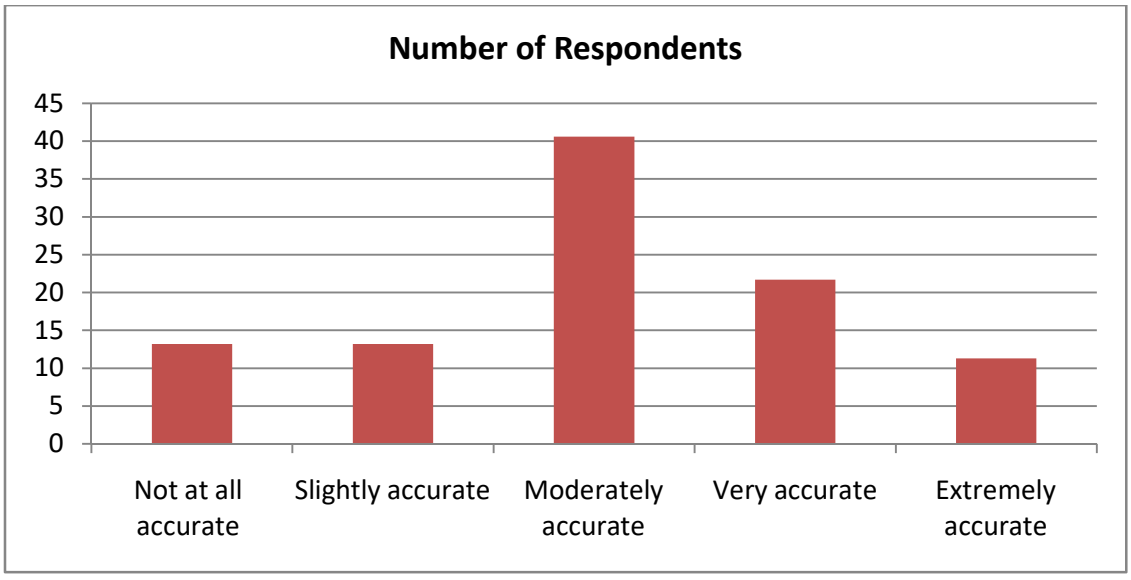
INTERPRETATION: 50% of respondents are equally significant and 16% are more significant than 12.3% are much less significant and 9.4% are much more significant.

4.17 HISTORICAL DATA REFLECTS LONG-TERM TRENDS IN THE SECURITY MARKET:

4.17 Table shows historical data reflects long term trends in Security Market-

How accurate	Number of Respondents	Percentage
Not at all accurate	14	13.2
Slightly accurate	14	13.2
Moderately accurate	43	40.6
Very accurate	23	21.7
Extremely accurate	12	11.3
Total	**106**	**100**

4.17 Chart shows historical data reflects long term trends in Security Market-



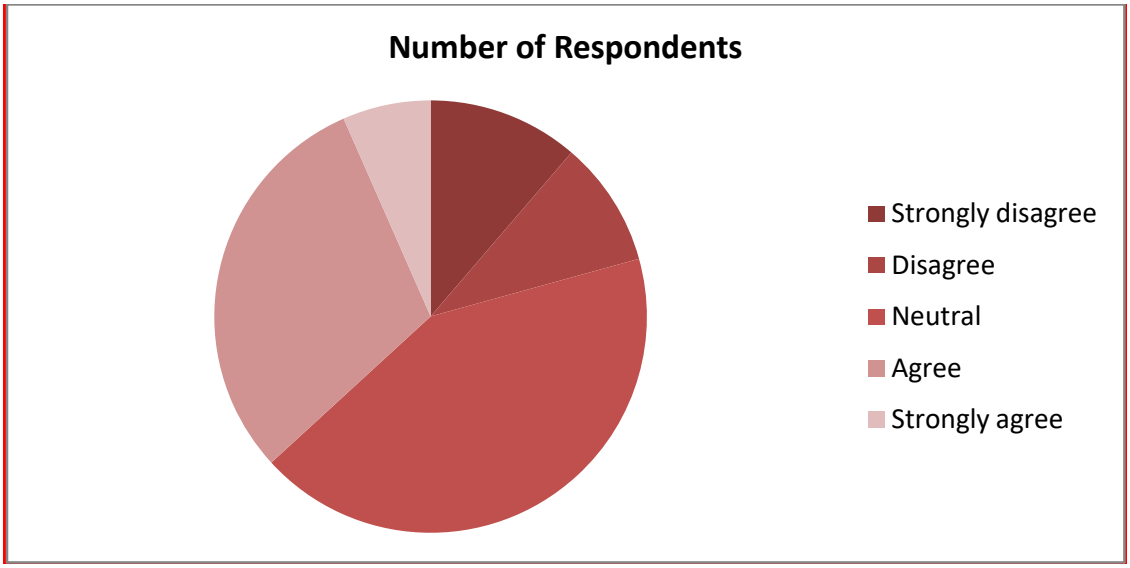
INTERPRETATION: Chart 4.17 shows the historical data reflects long term trends in Security Market and according to data most of the responses are in moderately accurate and the lowest responses is on extremely accurate.

4.18 ANALYZING SHORT TERM DATA TRENDS IN HISTORICAL SECURITY MARKET DATA

4.18 Table shows the short term historical data-

Data	Number of Respondents	Percentage
Strongly disagree	12	11.3
Disagree	10	9.4
Neutral	45	42.5
Agree	32	30.2
Strongly agree	7	6.6
Total	**106**	**100**

4.18 Chart shows the short term historical data-



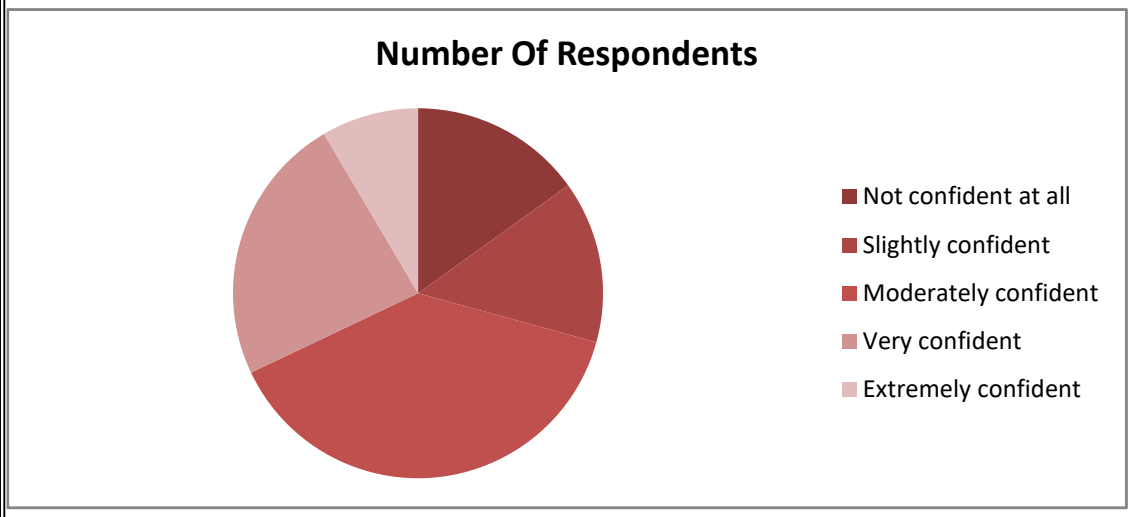
INTERPRETATION:42.5% are neutral and 30.2% Agreed to the statement then 11.3% are strongly disagree and 9.4% are disagree and 6.6% are Strongly agreed to the statement.

4.19 ABILITY TO FIND SHORT TERM AND LONG TERM TRENDS:

4.19 Table shows the ability to find short term and long term trends-

Ability	Number of respondents	Percentage
Not confident at all	16	15.1
Slightly confident	15	14.2
Moderately confident	41	38.7
Very confident	25	23.6
Extremely confident	9	8.5
Total	**106**	**100**

4.19 Chart shows the ability to find short term and long term trends-

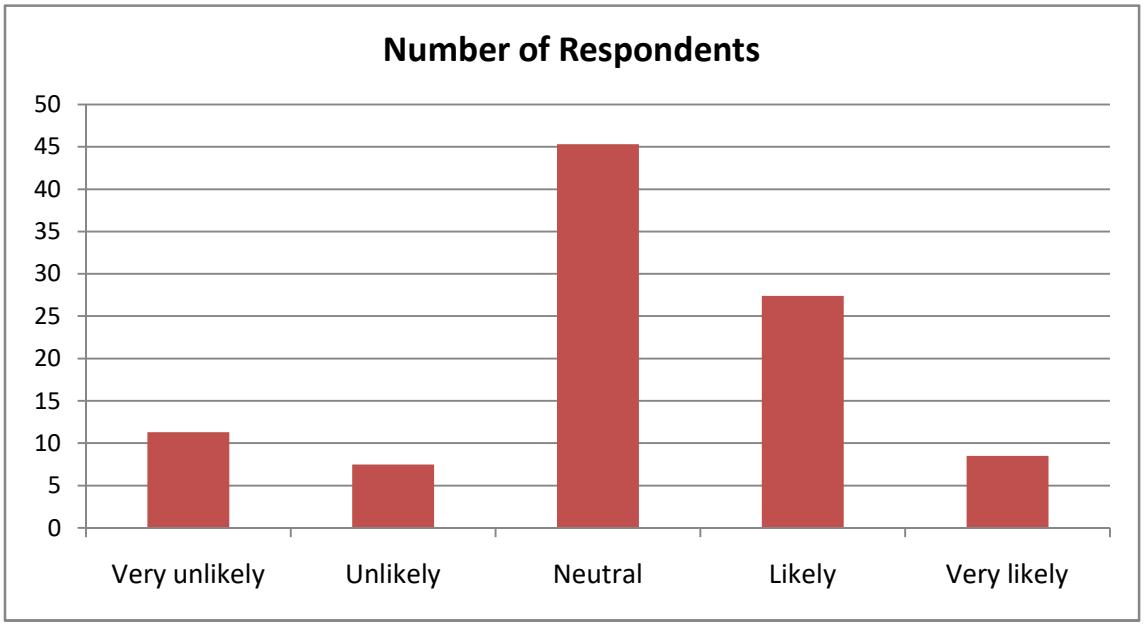


INTERPRETATION: According to the survey 38.7% are moderately confident and 23.6% are very confident and 15.1% and 14.2% are not confident at all and slightly confident then extremely confident are 8.5%.

4.20 ADJUST INVESTMENT PORTFOLIO IN RESPONSE TO CHANGE IN INTEREST RATE

4.20 Table shows the portfolio responses to change interest rate-

Responses	Number of Respondents	Percentage
Very unlikely	12	11.3
Unlikely	8	7.5
Neutral	48	45.3
Likely	29	27.4
Very likely	9	8.5
Total	**106**	**100**



4.20 Chart shows the portfolio responses to change interest rate-

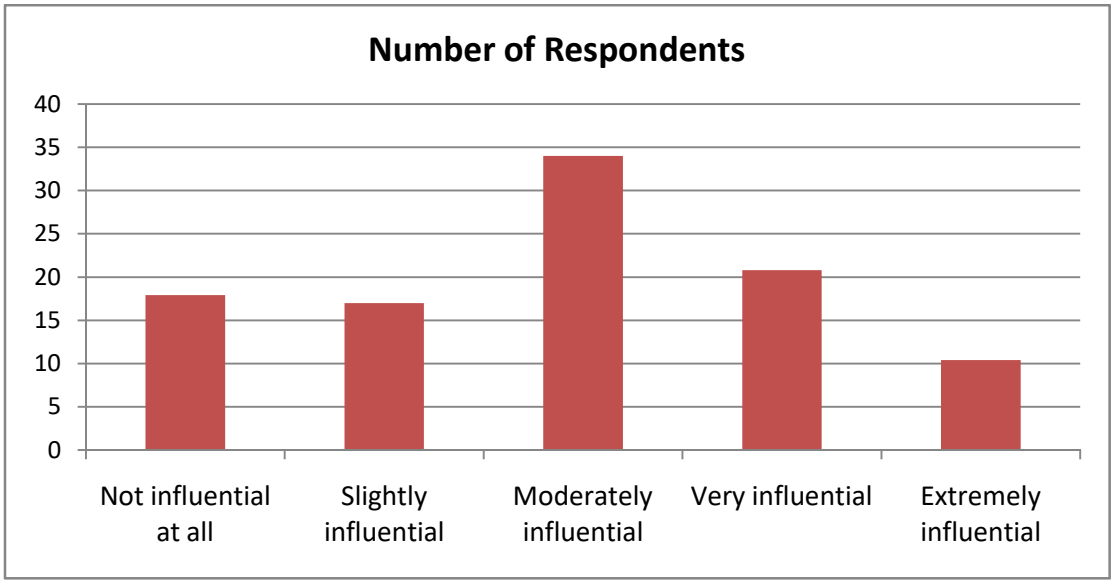
INTERPRETATION: Data shows that 45.3% are Neutral and 27.4% are likely then 11.3% are very unlikely then 8.5% are very likely and 7.5% are unlikely.

4.21 CHANGE IN INTEREST RATE INFLUENCE INVESTMENT DECISIONS:

4.21 Table showing change in interest rate influence investment decision-

Interest rate change	**Number of Respondents**	**Percentage**
Not influential at all	19	17.9
Slightly influential	18	17
Moderately influential	36	34
Very influential	22	20.8
Extremely influential	11	10.4
Total	**106**	**100**

4.21 Chart showing change in interest rate influence investment decision-



INTERPRETATION: Chart 4.21 depicts to what extend believe that change in interest rate influence investment decision and survey shows that 34% of responses are moderately influential and 10.4% are extremely influential.

Testing of Hypothesis using Chi-Square

Interest Rate and Security Market-

H0: There is no significant relationship between interest rate and Security Market

H1: There is relationship between interest rate and Security Market

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Do you agree that the change in interest rate will affect the Security Market * Considering the market valuation, do you feel the markets are currently	105	100.0%	0	0.0%	105	100.0%

Do you agree that the change in interest rate will affect the Security Market * Considering the market valuation, do you feel the markets are currently Cross tabulation

Count

	Considering the market valuation, do you feel the markets are currently				Total
	Fairly valued	Not sure about valuation	Overvalued	Undervalued	

	Agree	8	11	2	9	30
Do you agree	Disagree	4	0	1	4	9
that the change	Neutral	18	5	4	20	47
in interest rate	Strongly Agree	2	3	2	0	7
will affect the Security Market	Strongly disagree	1	3	8	0	12
Total		33	22	17	33	105

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.376[a]	12	.000
Likelihood Ratio	44.636	12	.000
N of Valid Cases	105		

a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is 1.13.

INTERPRETATION: Tow variables are taken which is interest rate and Security Market which to find whether there is a relationship between them. According to the Chi Square Test find out that there is no significant relationship between change in interest rate and Security Market fluctuations.

CHAPTER – V

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

1) Most the respondents are Female and under the age category of 20-29.
2) Majority of the respondents are students.
3) Out of 106 respondents income are below 120000.
4)
5) The respondents are agreed neutral that the change in interest rate will affect the Security Market.
6) According to the survey almost 44% of responses are neutral agree that the change in interest rate will affect the Security Market.
7) Considering the market valuation 33 respondents are fairly valued and 33 respondents are undervalued.
8) 49 respondents are neutral agreed that change in interest rates directly affect the Security Market.
9) According to the study find that almost 38 respondents are moderately confident of the Security Market reactions to change in interest rates.
10) Almost 46 respondents are neutral opinion on different sector on Security Market respond differently to change in interest rate.
11) According to the study 36% of respondents are moderately agreed that investors behavior will influence the change of interest rate in Security Market.
12) The Central Bank has plays an moderately significant role in Security Market.
13) Interest rate changes is 36% moderately influence the Security Market.
14) The study express that there is an moderate relationship between interest rate changes and Security Market.
15) Among 106 respondents 42 respondents are moderately confident that there is relationship between interest rate and Security Market.
16) 47 respondents are sometimes follows the changes in interest rates.
17) Interest rate changes in driving Security Market fluctuations are equally significant.

18) Moderately accurate the historical data reflects long term trends in the Security Market.
19) While analyzing short term data trends in historical Security Market data which is neutrally agreed by the respondents.
20) The ability to find short term and long term trends that the respondents are moderately confident.
21) 46% of respondents are neutral adjusted investment portfolio in response to change in interest rate.
22) The study express that moderately influence the change in interest rate influence investment decisions

5.3 SUGGESTIONS:

The relationship between interest rate change and Security Market performance has long been a subject of interest for economists, investors and policy makers alike. This study aims to analyze the effects of interest rate fluctuations on the Security market a focus on understanding how changes in interest rates affect stock prices and investor behavior. Understanding this relationship is crucial for making informed investment decisions and formulating effective monetary policy.

- While investing in Security Market don't put all your money into one stock.
- Stay informed about market trends, economic indicators, and company news.
- Do regular monitor your investment and review your portfolio to ensure it aligns with your goals and risk tolerance.
- Adopt a long-term investment perspective to mitigate short-term volatility.

Utilize risk management tools which automatically trigger a sale if a stock's price falls below a certain threshold.

5.2 CONCLUSION:

The topic “AN ANALYSIS OF THE EFFECT OF INTEREST RATE CHANAGE ON THE SECURITY MARKET-WITH REFERANCE TO COMMON STOCK IN FEDERAL BANK” is an analysis to find out the effect of change on interest rate will affect Security Market or not .To find out the relation between interest rate and Security Market. Based on the study, it can be concluded that interest rate changes have a significant effect on the Security Market. The analysis likely revealed correlations between interest rate movements and Security Market performance, indicating that investors should consider interest rate changes when making investment decisions. Factors such as inflation, economic growth, and central bank policies may also influence this relationship. Further research could delve into specific industries or regions to provide deeper insights into the dynamics between interest rates and Security Market behavior.

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Journals and Reports

- **Academic Databases:** Utilize academic databases such as JSTOR, Econ Lit, Google Scholar, or Pub Med to search for research articles published in academic journals. You can use keywords such as "interest rates," "monetary policy," and "Security Market" along with filters for publication year to find relevant articles from 2023.
- **University Libraries:** Access the online databases and catalogs of university libraries, which often provide access to a wide range of academic journals and research publications. You may need to be affiliated with a university or have access privileges to use certain resources (2023).
- **Financial Research Institutions:** Explore the websites of financial research institutions and think tanks such as the Federal Reserve, International Monetary Fund (IMF), World Bank, and Brookings Institution (2023). These organizations frequently publish reports and working papers on monetary policy and its effects on financial markets, including the Security Market.
- **Professional Associations:** Check the websites of professional associations related to finance and economics, such as the American Economic Association (AEA), the American Finance Association (AFA), and the European Finance Association (EFA). These associations often publish journals and working papers on topics related to monetary policy and Security Market dynamics.

- **Central Banks and Regulatory Bodies:** Visit the websites of central banks and regulatory bodies in your region or internationally, such as the Federal Reserve, European Central Bank (ECB), and Bank for International Settlements (BIS). These institutions often release research papers, reports, and policy statements related to monetary policy and its effect on financial markets.

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the relationship between interest rate changes and stock returns in the Brazilian market.

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ANNEXURE

QUESTIONNAIRE

TOPIC: AN ANALYSIS OF THE EFFECT OF INTEREST RATE CHANGE ON THE SECURITY MARKET-WITH REFERANCE TO COMMON STOCK IN FEDERAL BANK

Dear Respondents,

I am Fathima Afreen K H of St. Teresa's College Ernakulam conducting project on the topic "An analysis of the effect of Interest Rate change on the Security Market-with referance to common stock in Federal bank". The aim of this research is to gather your perspective on the given subject matter. Your feedback will be greatly appreciated and your contribution to this study is highly valued. Kindly co-operate for the same.

Gender

- Male
- Female
- Other

Age

- 20-29
- 30-39
- 40-49
- 50-59
- Above 60

Occupation

- Service
- Business
- Student
- Other

Monthly Income

- Below 120000
- 120000-300000
- 300000-500000
- 500000-100000

Do you agree that the change in interest rate will affect the Security Market

- Strongly disagree
- Disagree
- Neutral
- Agree

Considering the market valuation, do you feel the markets are currently

- Overvalued
- Fairly valued
- Undervalued
- Not sure about valuation

To what extent do you believe changes in interest rates directly affect Security Market performance

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

How confident are you in your ability to predict Security Market reactions to changes in interest rates

- Not Confident at All
- Slightly Confident
- Moderately Confident

- Very Confident
- Extremely Confident

In your opinion, do different sectors within the Security Market respond differently to changes in interest rates

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

To what extent do you believe investor behavior in the Security Market is influenced by changes in interest rates

- Not Influenced at All
- Slightly Influenced
- Moderately Influenced
- Very Influenced
- Extremely Influenced

How significant do you think the role of central bank policies, such as interest rate adjustments, is in shaping Security Market movements

- Not Significant at All
- Slightly Significant
- Moderately Significant
- Very Significant
- Extremely Significant

How strongly do you believe that changes in interest rates influence the fluctuations in the Security Market?

- Not Influential at All
- Slightly Influential
- Moderately Influential

- Very Influential
- Extremely Influential

To what extent do you perceive a direct causal relationship between interest rate changes and Security Market fluctuations?

- No Relationship at All
- Weak Relationship
- Moderate Relationship
- Strong Relationship
- Very Strong Relationship

How confident are you in the qualitative assessment of the relationship between interest rate changes and Security Market fluctuations?

- Not Confident at All
- Slightly Confident
- Moderately Confident
- Very Confident
- Extremely Confident

In your opinion, do fluctuations in the Security Market tend to precede or follow changes in interest rates?

- Always Follows
- Mostly Follows
- Sometimes Follows, Sometimes Precedes
- Mostly Precedes
- Always Precedes

How significant do you perceive the influence of external factors (e.g., geopolitical events, economic indicators) compared to interest rate changes in driving Security Market fluctuations

- Much Less Significant
- Less Significant
- Equally Significant
- More Significant
- Much More Significant

On a scale of 1 to 5, how accurately do you believe historical data reflects long-term trends in the Security Market

- Not at all accurate
- Slightly accurate
- Moderately accurate
- Very accurate
- Extremely accurate

Please rate the extent to which you agree with the statement: "Analyzing short-term trends in historical Security Market data is crucial for making informed investment decisions."

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

How confident are you in your ability to identify both long-term and short-term trends in the Security Market through historical data analysis

- Not confident at all
- Slightly confident
- Moderately confident

- Very confident
- Extremely confident

How likely are you to adjust your investment portfolio in response to changes in interest rates

- Very unlikely
- Unlikely
- Neutral
- Likely
- Very likely

To what extent do you believe changes in interest rates influence your investment decisions

- Not influential at all
- Slightly influential
- Moderately influential
- Very influential
- Extremely influential

To what extent do you believe investor behavior in the Security Market is influenced by changes in interest rates

- Not Influenced at All
- Slightly Influenced
- Moderately Influenced
- Very Influenced
- Extremely Influenced

How significant do you think the role of central bank policies, such as interest rate adjustments, is in shaping Security Market movements

- Not Significant at All
- Slightly Significant
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- Very Significant
- Extremely Significant

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- Mostly Follows
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- Mostly Precedes
- Always Precedes

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- Less Significant
- Equally Significant
- More Significant
- Much More Significant

On a scale of 1 to 5, how accurately do you believe historical data reflects long-term trends in the Security Market

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- Slightly accurate
- Moderately accurate
- Very accurate
- Extremely accurate

Please rate the extent to which you agree with the statement: "Analyzing short-term trends in historical Security Market data is crucial for making informed investment decisions."

- Strongly disagree
- Disagree
- Neutral

- Agree
- Strongly agree

How confident are you in your ability to identify both long-term and short-term trends in the Security Market through historical data analysis

- Not confident at all
- Slightly confident
- Moderately confident
- Very confident
- Extremely confident

How likely are you to adjust your investment portfolio in response to changes in interest rates

- Very unlikely
- Unlikely
- Neutral
- Likely
- Very likely

To what extent do you believe changes in interest rates influence your investment decisions

- Not influential at all
- Slightly influential
- Moderately influential
- Very influential
- Extremely influential