

**MEASURING AND TESTING STOCK VOLATILITY OF INDIAN FMCG STOCKS
AND ITS IMPACT ON RETURNS- AN EMPIRICAL STUDY**

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Financial markets always had an important role to play in the economic development of a country. Trade-off between return and volatility is an important aspect of asset valuation. Thus, obtaining estimates of volatilities is instrumental for decision making in numerous areas of finance that could have long lasting influence on society. Time series data collected from NIFTY FMCG INDEX has been used to measure and test the presence of volatility among the Indian FMCG (Fast Moving Consumer Goods) Stocks and the impact of such volatility on the returns of the stock. The data has been analyzed using Econometric Tools

such ARCH (Auto Regressive Conditional Heteroscedasticity), GARCH (Generalized Auto Regressive Conditional Heteroscedasticity) Model and GARCH-Mean Model. The results obtained from the study highlighted significant presence of volatility among Indian FMCG stocks. The study also proved that Volatility was a significant factor that influenced the FMCG stock return, i.e. previous period stock return information as well as previous period's volatility influenced the current stock returns. The GARCH in mean (GARCH-M) model provided conclusive evidence that Volatility persistence in the current time period does not significantly affect the conditional variance i.e. current information shocks did not affect the current returns of the Indian FMCG Stock.

Keywords: Stock Volatility, Stock Returns, ARCH & GARCH Model, GARCH-M Model