Impact of Interest Rate Changes on Indian Hospitality Stocks" Track RBI repo rate changes and analyze

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***Abstract*— The aim of the present study is to investigate the effect of changes in interest rates and monetary policy announcements on the stock performance of listed Indian hospitality companies. The study method used is quantitative research design and the method of data collection was primary data collection with a survey technique using a structured questionnaire. Descriptive statistics, Pearson correlation and simple linear regression were used in SPSS for analysis of the collected data. The study findings showed that changes in interest rates have a significant and positive effect on the returns on stocks and monetary policy announcements have a significant and positive effect on stock volatility, suggesting that the changes in the interest rate of the RBI are affecting the investor behavior and performance of the stock market in the hospitality sector. The study helps in understanding the relation between monetary policy and performance of hospitality stocks in India. Larger samples could be used, as could other macroeconomic variables and more sectors analyzed in the future to make the results more generalizable.**

***Index Terms*— Interest Rate Changes, Monetary Policy, Stock Returns, Stock Volatility, Indian Hospitality Sector.**

I. INTRODUCTION

1.1. Indian Hospitality Industry and Tourism Growth

Indian hospitality industry is one of the fastest growing industries in the Indian economy and contributes to Indian tourism, employment, foreign exchange earnings, and infrastructure development to a great extent. The industry includes hotels, resorts, restaurants, tourism-related services and other sectors which, in combination, facilitate economic growth by their linkages with other sectors such as transportation, aviation, retail, real estate and more. With rapid urbanization, increased disposable income, better connectivity, digital travel platforms, and supportive government initiatives, the market has further grown and now India is one of the most promising hospitality markets in the world (Hole et al., 2019).

Indian hospitality industry has come out of the pandemic and is in a recovery mode, where primarily strong domestic tourism, business travel, destination weddings, religious tourism and large events are contributing to the sustained growth of the industry. Consumer demand and growing investor confidence have had a positive impact on hotel occupancy, Average Room Rates (ARR) and Revenue per Available Room (RevPAR) in 2025 according to industry reports. At the same time, the development of the hotel sector has grown in major cities and emerging cities, which has enhanced the long-term growth prospects of some prominent listed hospitality groups like "Indian Hotels Company Limited (IHCL), Lemon Tree Hotels and EIH Limited". This steady industry growth serves a crucial backdrop for a analysis of the macroeconomic determinants of hospitality firms' financial and stock market outcomes, including the impact of interest rates.

1.2. RBI Repo Rate, Interest Rates, and Stock Market Performance

Financial market performance and economic activity are strongly affected by changes in policy interest rates by monetary policy. The prime monetary policy tool used by Reserve Bank of India (RBI) in India is Repo rate, which is used to control the liquidity, inflation and macroeconomic stability (Dua, 2020). The transmission channels of the repo rate comprise the interest rate, credit, asset price and exchange rate channels, impacting on borrowing costs, investment decisions, consumer spending and overall economic activity. The efficacy of this transmission mechanism is a determinant of the impact of monetary policy on the real economy and on financial markets (Kapur & Behera, 2012).

An interest rate change has a strong impact on the valuation of stocks from a capital market's point of view because it influences firms' financing costs, the expected cash flows of the firm, and the required rates of return of the investors (Baker, 2009). When interest rates go up, the cost of borrowing will go up, which will put downward pressure on equity prices, but when interest rates come down, the cost of borrowing will come down, which will lead to a rise in market sentiment and an increase in the number of investments. Empirical evidence indicates, however, that the effects of monetary policy are sector-specific with an interest-sensitive sector being more responsive to monetary policy than others. Thus, understanding the effect of RBI repo rate changes on stocks in the hospitality industry in India can give a better understanding of the sector-specific influence of the Indian equity market.Therefore, it is essential to understand the relationship between the changes in the RBI repo rate and the stocks in the hospitality sector to get an idea about the impact of monetary policy on the same sector in the Indian stock market (Prabu et al., 2020).

1.3. Interest Rate Changes and Financial Performance of Hotel Companies

The hotel industry is very capital intensive, as it demands significant investments in land acquisition, building construction, renovations, and technological advance. This means that external funds, notably long-term debt, are a very important means of financing the hospitality industry and are highly sensitive to interest rate changes (Noordzy, 2021). A rise in the interest rates will lead to higher borrowing costs, lower investment in expansion initiatives, and affect the profitability and cash flows of the firms while a fall in the interest rates will make the financing easier and enhance the business growth (Singh, 2009).

Hotel companies' financial performance is also affected by capital structure policies. Indian hospitality companies should ensure optimal leverage, liquidity, size and economic growth as they have significant impact on market value of the company, according to Aggarwal and Padhan (2017). Based on their results, they conclude that investments directly affect the perception and firm valuation in the hospitality industry. Moreover, empirical studies suggest that monetary policy conditions impact the performance of hotel stocks through their effect on the cost of capital of hotel companies and their expected future earnings. In general, expansionary monetary policies tend to boost hotel stock returns and restrictive monetary policies tend to diminish investor sentiment and weaken equity returns (Chen, 2007).

Therefore, it is crucial to study how changes in the RBI interest rate affect the stocks of listed Indian hospitality companies like IHCL, Lemon Tree Hotels and EIH Limited to understand the correlation between monetary policy and the performance of stocks in the hospitality industry. Although the subject of 'Monetary Policy and Stock Market Performance' has been explored in great detail, study on the effect of interest rate changes on the listed hospitality companies in India has been limited. Previous study has tended to consider the sector's impact on larger market indexes or the performance of individual hospitality companies, and the impact of RBI rates on the sector has yet been studied extensively. Hence, this study compares the effect of the interest rate fluctuation on the stock performance of Indian Hotels Company Limited (IHCL), Lemon Tree Hotels, and EIH Limited. The results will contribute to the existing body of knowledge on the hospitality field of finance and prove to be beneficial to investors, corporate executives and policy makers.

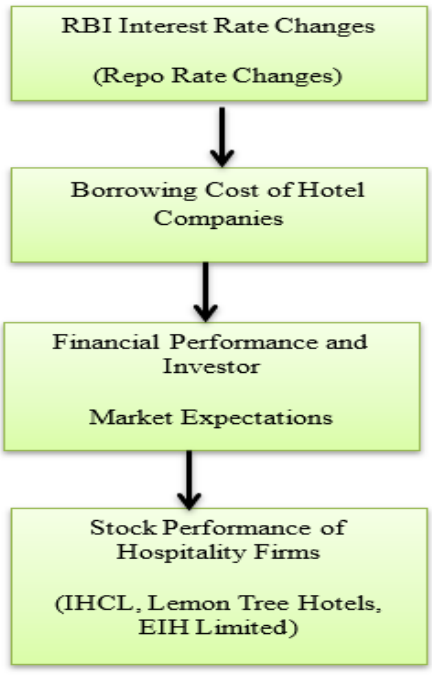


Figure 1: Conceptual Framework of Interest Rate Changes and Hospitality Stock Performance
Source: Author's Own Compilation

II. LITERATURE REVIEW

Mundi, H. S., (2026) studied determinant of capital structure of hospitality companies listed in India. The study confirmed the paradox in the capital structure determinants data for the firms listed on Bombay Stock Exchange was used. The results revealed that there was a significant relationship between firm size and total debt ratio (TDR) as well as long term debt ratio (LTDR), short term debt ratio (STDR) and return on assets (ROA). It was discovered that the variables of growth rate, tangibility and volatility were significantly related to TDR and LTDR. TDR was the only factor that was significantly associated with non-debt tax shield. All the above-mentioned determinants had different influences on capital structure decision making. The study partially confirmed the applicability of the pecking order theory to the hospitality sector firms. Our objective with the findings on hospitality firms was to give valuable guidance to lending institutions and corporate executives.

Chadda, N. (2025) examined the effects of the 100-basis point reduction in the repo rate by the Reserve Bank of India (RBI) between February and June 2025, and how it affected different sectors of the economy. The analysis was conducted based on official data from RBI, MoSPI and major financial institutions, on the transmission of lower interest rates to the lending rates, debt markets and equity markets. The findings suggested that lower borrowing costs increased the liquidity, facilitated credit expansion and enhanced investor confidence; though in the presence of structural constraints, transmission of monetary policy was found to be uneven.

Kumar, R., et al., (2024) examined the effect of monetary policy communication of the Reserve Bank of India in Indian financial market between April 2014 and June 2024. For topic modelling, the study used BERTopic and for sentiment analysis, a fine-tuned RoBERTa model was applied to analyze the impact of policy communication on stock market behavior. Results revealed that monetary policy communication had different impacts on economic issues. Equity markets had a negative reaction to dovish statements on interest rate policy and economic growth, and positive reaction to dovish comments on foreign exchange reserves, while domestic bonds were more positively affected by dovish statements on both interest rate policy and economic growth. Dovish sentiment related to interest rate policy and economic growth negatively affected equity markets, while favourable communication regarding foreign exchange reserves generated a positive response, highlighting the importance of effective central bank communication.

Altaf, N. (2024) analysed the impact of economic policy uncertainty on the corporate investment of 180 Indian hospitality companies during a period of 15 years. Using a generalised method of moments technique, it was discovered that EPU had a negative effect on the investment decisions of the Indian Hospitality firms. Further, it was observed that this negative relationship was applicable to firms in the lower capital investment quantile and that the negative relationship was stronger for firms that had financial constraints at a higher level.

Dua, P. (2023) studied the effect of monetary policy on the stock market volatility in India using secondary data obtained from studies of the past two decades. The study adopted a systematic approach, including a literature review and a regression analysis along with the GARCH model for analysing the relationship between the monetary policy factors and the stock market performance. The findings revealed that the repo rate and bank rate are the significant factors affecting the stock market indices in the negative direction, which means that the decisions of monetary policy have a significant role in creating market volatility and its effect on investor behavior and market performance.

Lee, C. C., et al., (2023) aimed to explore the following two aspects of the relationship between hotel stock returns and macroeconomic variables in the hospitality finance literature: (1) how hotel stocks responded to two different monetary policy environments (expansive and restrictive), and (2) whether the relationship between hotel stock returns and macro variables varied across different levels of monetary stringency in Taiwan. Using changes in the discount rate allowed us to effectively measure the monetary policy changes and classify the monetary environment as either restrictive or expansive. Empirical findings showed that in an expansionary monetary regime, the mean return and reward to risk ratio for the hotel stock outperformed. Additionally, the relationship between the stock returns of the hotels and the macro variables varied with different monetary

situations. The signal to investors of hotel stocks to have reallocated their holdings was given in response to monetary policy developments.

Soni, T. K., et al., (2023) examined the relationship between capital investments (CI), Economic Policy Uncertainty (EPU), and the characteristics of 420 hospitality companies in India. Utilised the dynamic panel data approach, it addressed two main questions: How current and past investments in CI were influenced by global and domestic EPU after controlling for different firm characteristics was examined. Second, it took moderating effects of EPU and liquidity on CI in sampled firms into account. The results of the study showed that the previous domestic EPU, liquidity, profitability, sales growth and leverage had a positive effect on CI. The global EPU and its past version as well as age and size had adverse impact on CI, while domestic EPU had a positive effect. It was observed that the negative effect of EPU had been slightly smaller for firms that exhibited higher liquidity for the moderating effect of EPU and liquidity on CI.

Lakdawala, A., (2021) examined the effect of monetary policy shocks in India by building high-frequency measures based on data from the derivatives market, which are able to capture both the information communicated through the Reserve Bank of India's policy communication and the unexpected policy rate change. The study explored the transmission of monetary policy to the financial markets and macroeconomic variables with structural vector autoregression and external instrumental variables. The study showed that monetary policy shock has had a significant impact on bond and stock markets, but has had different sizes of impact depending on the particular set of RBI governors. The study found monetary policy had worked through into prices, but had had a relatively small effect on output.

Prabu, A. E., et al., (2020) examined using identification through heteroscedasticity the effect of Indian and U.S. monetary policy announcements on the stock indices of the nine sectors in India. The study looked at the impact of monetary policy surprises on various industries and concluded that the impact was markedly different across industries. The banking, financial services and real estate industries showed particularly strong reactions to monetary policy and the information technology, pharmaceuticals and fast-moving consumer goods industries were relatively uninfluenced. The study found that the bank lending channel and the characteristics of sectors were important factors in explaining the responsiveness of stock prices to monetary policy actions.

2.1. Research Gap

The impact of monetary policy measures, such as changes in repo rates, monetary policy announcements, and monetary policy uncertainty on the stock market has been extensively discussed in the existing literature (Dua, 2023; Prabu et al., 2020; Lakdawala, 2021; Kumar et al., 2024). Hospitality sector studies too have, so far, concentrated on capital structure and financing decisions and investment behaviour within different macroeconomic conditions (Mundi, 2026; Altaf, 2024; Soni et al., 2023). But there is limited empirical evidence of the direct effect of RBI interest rates on the stock price performance of listed companies in the hospitality industry in India. Moreover, the market dynamics in the post-pandemic recovery of the hospitality sector and the recent monetary policy changes have left an unexplored market. Thus, the present study focuses on the gap to investigate the relationship between change in interest rates by RBI and stock performance of select Indian hospitality companies.

III. STATEMENT OF THE PROBLEM

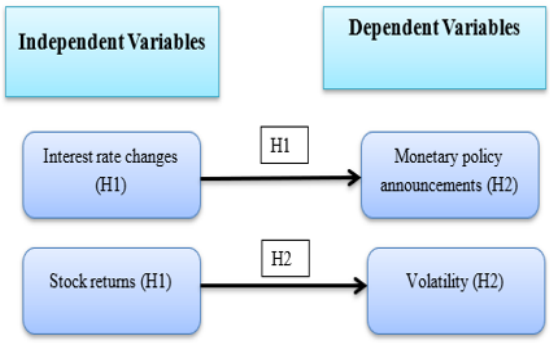
Indian hospitality industry is very interest rate sensitive, as they rely mainly on external funding and investments to operate. Some studies have explored the link between monetary policy and the overall market performance of listed companies in India, but few have focused on the stock performance of listed hospitality companies in India in response to RBI's rate changes. Furthermore, the financial landscape is evolving in the wake of the COVID-19 recovery and the recent changes in monetary policy, which requires an in-depth exploration. Hence, this study aims to provide a study of the impact of interest rate fluctuations on the stock prices of selected hospitality industries of India, which addresses an important lacuna in the literature.

IV. RESEARCH METHODOLOGY

The current study uses quantitative research approach to analyze the effect of change in interest rates on the stock performance of some hospitality companies in

India. The study includes the hospitality companies that are listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). Data has been collected through primary sources using a structured questionnaire from 150 respondents. Purposive sampling technique has been used to select listed hospitality companies like "Indian Hotels Company Limited (IHCL), Lemon Tree Hotels and EIH Limited from the study". The variables are independent – the interest rates and the monetary policy announcements – and dependent – the stock returns and the stock price volatility. The collected data are analyzed with the help of MS Excel and SPSS 27 which uses mean, standard deviation, correlation and regression analysis to determine the relationship between the study variables.

V. CONCEPTUAL FRAMEWORK



VI. DATA ANALYSIS AND INTERPRETATION

Table 1: Demographics Characteristics

Sr. No.	Variable	Category	Frequency (N)	Percentage (%)
1	Gender	Male	91	60.7
		Female	59	39.3
2	Age Group	21–30 years	32	21.3
		31–40 years	55	36.7
		41–50 years	40	26.7
		Above 50 years	23	15.3
3	Educational Qualification	Graduate	39	26.0
		Postgraduate	69	46.0
		MBA/CA/CFA/Professional Qualification	32	21.3
		Doctorate	10	6.7
4	Professional Background	Stock Market Investor	49	32.7
		Financial Analyst	28	18.7
		Banking/Financial Services	31	20.7
		Corporate Professional	24	16.0
		Academic/Researcher	18	12.0
5	Investment Experience	Below 2 Years	25	16.7
		2–5 Years	54	36.0
		6–10 Years	45	30.0
		Above 10 Years	26	17.3
6	Investment Frequency	Daily	28	18.7
		Weekly	41	27.3
		Monthly	52	34.7
		Occasionally	29	19.3

According to demographic profile, majority of respondents were male (60.7%) and in the age group of 31 to 40 (36.7%). Almost half of the respondents (46.0%) had postgraduate qualifications, and 21.3% had professional qualifications (MBA, CA or CFA). There were also a significant number of respondents who are stock market investors (32.7%) and professionals in the banking and financial services sector (20.7%). The participants were financially conscious with investment experience ranging from 2 to 5 years (36.0%) and investing in the stock market every month (34.7%) showing that the sample

consisted of financially conscious participants with relevant investment experience.

Objectives 1: examine the impact of interest rate changes on the stock returns of listed Indian hospitality companies.

H1: Interest rate changes have a significant impact on the stock returns of listed Indian hospitality companies.

Table 2: Regression

Hypothesis	Regression Weights	Beta Coefficient (β)	R^2	F-value	t-value	p-value	Hypothesis Result
H1	Interest Rate Changes → Stock Returns	0.438	0.192	35.309	5.942	< 0.001	Supported

This regression analysis showed that the interest rate changes significantly and positively affect the stock returns of listed Indian hospitality companies. In the standardized beta coefficient ($\beta = 0.438$), it shows a positive moderate relationship between changes in interest rates and stock returns. The coefficient of determination ($R^2 = 0.192$) indicates that about 19.2% of the total variance is accounted for by the changes in the interest rate. Moreover, the regression model was statistically significant ($F = 35.309$; $t = 5.942$; $p < 0.001$), which is an indication of the predicting power of the independent variable. So, the results corroborate H1 which posits that the returns of the Indian hospitality sector stocks are significantly affected by changes in interest rates.

Objectives 2: To analyze the relationship between monetary policy announcements (repo rate changes) and the volatility of Indian hospitality sector stocks.
H2: Monetary policy announcements (repo rate changes) have a significant relationship with the volatility of Indian hospitality sector stocks.

Table 3: Correlation

Hypothesis	Factor	Mean	SD	Pearson Correlation (r)	Sig. Value	Hypothesis Result
H2	Monetary Policy Announcements (Repo Rate Changes)	4.08	0.71	0.396	< 0.001	Supported
	Stock Volatility	4.15	0.68			

Monetary policy announcements (changes in repo rate) were moderately and positively correlated with the stock volatility of listed Indian hospitality firms ($r = 0.396$; $p<0.001$) as revealed by the Pearson correlation analysis. The monetary policy mean score ($M = 4.08$, $SD = 0.71$) and the stock volatility mean score ($M = 4.15$, $SD = 0.68$) show that the respondents were mostly supportive of the monetary policy statements and stock volatility statements. The p-value is < 0.001, which is statistically significant. Thus, it is concluded that the announcement of monetary policy changes has a significant effect on the volatility of stocks in the hospitality sector in India, with the support of H2.

VII. DISCUSSION

The present study finds that changes in interest rates have a significant effect on the Indian listed hospitality stocks' stock returns, thus supporting H1. The regression analysis results are consistent with the study's findings that fluctuations in interest rates are an important factor in the performance of the stock markets in the hospitality industry. The increase and decrease in the RBI's repo rate has a direct impact on the hospitality businesses due to their being capital intensive and heavily relying on external funding for expansion, modernization and operations (Mathew, 2022). Investors therefore watch closely the decisions made on monetary policy, and their reactions are seen in changes to the prices of hospitality stocks. This study has concluded that interest rate changes play an important macro-economic factor in investment decision-making and market valuation in the Indian hospitality industry (Ming-Hsiang, 2012).
The results are in line with the existing empirical research on monetary policy and financial markets. As reported by Prabu et al. (2020), monetary policy shocks directly impact the stock returns of various

sectors in India because of the impact of the monetary policy on the liquidity condition and investor's expectation. Similarly, Dua (2023) noted that policy rates in the bank affect the stock market due to the changing sentiment across the market and the financial costs. Similarly, Lakdawala (2021) found that the announcement of monetary policy affects financial market returns because it affects investors' expectations about the future economic environment. Hence, the present study adds to the existing literature that the Indian hospitality industry is also affected by changes in interest rates which further emphasizes the role of monetary policy in determining the stock performance of the sector.

Additionally, a positive correlation was found between the volatility of the stock prices of listed hospitality firms in India with monetary policy announcements and was found to be statistically significant thereby supporting H2. The results revealed that investors' valuations of hospitality stocks became more volatile with the announcement about RBI repo rate changes. These findings are consistent with Kumar et al. (2024) who identified that RBI's communication of monetary policy has a strong impact on investor sentiments and the responses of equity markets, and Lee et al. (2023) who found that changes in macroeconomic policy have a significant impact on the performance of hospitality stocks. In conclusion, the results show that the changes in interest rates and monetary policy announcements are significant factors affecting stock returns and volatility in the Indian hospitality industry. Hence, the study can offer useful insights for investors, corporate managers, and policy makers in formulating investment strategies and making financial decisions under the varying monetary policy conditions.

VIII. CONCLUSION

From the present study, it can be concluded that both interest rate changes and monetary policy announcements have significant influence on the performance of the stock prices of listed Indian hospitality companies in India. The regression analysis results showed that the change in interest rate is positively significant to the stock returns and the correlation analysis results showed that there is a positive significant relationship between monetary policy announcement and stock volatility. The results are important to note regarding the sensitivity of the hospitality industry to monetary policy changes because of the capital-intensive nature of the industry and its reliance on external financing. The study makes an important contribution to the body of knowledge as it brings empirical findings on the relationship between monetary policy and hospitality stock performance into the study context of India. The results provide useful information to investors, corporate management and policy makers for better investment, financing and strategic choices in volatile interest rates.

8.1. Practical Implications, Limitations, and Future Research

The results have significant implications for investors, hospitality companies, and policy makers, as they shed light on how changes in interest rates and monetary policy announcements impact stock performance and investment decisions. It still has some limitations, which includes that the study is restricted to 150 respondents and only the hospitality industry in India was taken into account in the study with selected variables. The study can be extended with larger sample size, incorporation of other macroeconomic variables and incorporation of other sectors which can be used with advanced statistical and econometric tools to improve generalizability of results.

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