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**LINKAGE BETWEEN ECONOMIC GROWTH AND
STOCK MARKET DEVELOPMENT**



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ABSTRACT

This study is focused primarily on identifying the linkage between stock market development (inflation rate, foreign direct investment, financial instability, and financial development) and economic growth of Pakistan. This study has included inflation rate, foreign direct investment, financial instability, and financial development as independent variables and economic growth as dependent variable. Secondary source of data has been used within this study for the collection of data and conducting this research study. Various statistical instruments that are used primarily to analyze the relationship between the variables includes correlation, regression, ANOVA, and coefficient. The results interpreted through correlation and regression interpreted by SPSS software has shown the significant impact that stock market development has over the economic growth of Pakistan. It has been found that Independent Variables (Inflation Rate, Foreign Direct Investment, Financial Instability, and Financial Development representing stock market development) have significant positive impact on the Dependent Variable (Economic Growth). The findings have revealed that foreign direct investment and financial development are positively correlated with economic growth of Pakistan. Whereas, inflation rate and financial instability are negatively correlated with economic growth of Pakistan.

Key Words: Stock Market Development, Inflation Rate, Foreign Direct Investment, Financial Development, Financial Instability, Economic Growth etc.