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**A STUDY OF RELATIONSHIP BETWEEN STOCK MARKET DEVELOPMENT
AND ECONOMIC GROWTH**



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Person is not a perfect in all the contexts of his life; He has a limited mind and mind thinking approaches. It is the guidance from **Almighty Allah** that shows the man light in the darkness and the person find his way in the light. Without this helping light, person is nothing but a helpless creation.

The teaching of the **Holy Prophet Muhammad (PBUH)** were also the continuous source of guidance for us especially his order of getting knowledge and fulfilling once duty honestly was key motivation force for me.

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Abstract

This research study is carried out with a purpose to explore the relationship between stock market development and economic growth in Pakistan with the role of exchange rate and FDI as moderators. Despite the significance, the role of exchange rate and FDI in the development of stock market as well as economic growth is unavoidable since they all are interlinked somehow. The study uses time series data for a period of 25 years from 1993 to 2017; data for the study is collected from authentic sources World Bank and Pakistan Stock Exchange. In order to test the proposed hypothesis, several statistical tests such as descriptive statistics, unit root test, correlation analysis and regression analysis are employed. Results of the study revealed that market capitalization has significant positive impact on the economic growth and the relationship between both variables is moderated by FDI inflow. Furthermore, the study suggests that government should provide better economic and political environment in which the capital market can prosper, and it attracts foreign investors to develop more successful businesses.

Keywords: *Market Capitalization, Economic Growth, Exchange Rate, Foreign Direct Investment Inflows*

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