Study to Determine the Effect of Exchange Rate and Interest Rate on Stock Price in Pakistan

By

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APPROVAL FOR EXAMINATION

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ABSTRACT

Purpose

The research aims to study the impact of interest rates, exchange rates on the stock prices in Pakistan. The key rationale behind this research is to verify whether the claimed relationship between these variables as per literature available is statistically significant or not.

Methodology & Design

The research uses explanatory design, interpretivism research philosophy and deductive approach of research. Further, it must be noted that quantitative data and secondary sources are used for this research. The data has been analyzed using E-views and different statistical tests have been applied.

Findings

The research finds that there is a significant impact of interest rate and exchange rates on the stock prices in Pakistan as the null-hypothesis is rejected. In addition, the findings are supported by the previous researches as well.

Limitations

First limitation relates to the type of data sources employed for this research as this research uses secondary sources only. Secondly, it must be noted that the research has used quantitative data from secondary sources only. Third limitation specific to the research relates to the application of limited statistical tests out of a variety of options available. Fourth limitation is that the research is focused on data from Pakistan only and this suggests that the research findings are also applicable to the jurisdiction of Pakistan.

Recommendations

- *The future researchers are recommended to study the impact of interest rate and exchange rate on other stock indices.*
- *The investors in Pakistan and other countries are recommended to invest their funds wisely and account for returns in different financial markets*
- *The monetary policy authorities in Pakistan are strongly recommended to consider all the implications of interest rates before varying the interest rates as the movement in interest rates in Pakistan is observed to be frequent.*
- *The regulatory authorities are required to consider all of these factors very wisely and require them to regulate the financial markets as a whole as change relating to one financial market has a significant impact on all other financial markets as well.*

Keywords

Returns, Interest rate, exchange rate and Stock Prices.

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