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| Abstract |
| This paper is intended to find out whether macroeconomic variables may impact the stock market as well as whether such impact has any country-specific pattern. The stock market return was taken as the dependent variable and real interest rate, inflation rate, GDP growth rate, foreign currency reserve growth rate, fiscal deficit, FDI to GDP ratio, exchange rate were taken as independent variables. Data-set was covered from 1993 to 2019 for five South Asian countries which were Bangladesh, India, Pakistan, Sri Lanka, and Nepal. The pattern of the stock market, as well as macro conditions of these countries, was observed and it was found that some relationships exist between the stock market returns and these chosen independent variables. Unit root test, Heteroscedasticty test, autocorrelation test, Hausman test is conducted to authenticate and clarified data to investigate relationship nature. Granger Casualty test indicated that there exists a cause and effect relationship between GDP growth rate, exchange rate, and stock market returns. Finally, the regression test reveals that the inflation rate and foreign currency reserve growth rate have a significant impact on the stock market returns. It was expected to have the unique nature of different countries having a versatile impact on dependent, so additionally fixed effects model and random-effects model were run and it was found that the random-effects model is statistically appropriate through conducting the Hausman test. The test reveals that GDP growth rate, foreign currency reserve growth rate, and fiscal deficit positively impact the stock market returns and these also support the literature review. Interest rates, inflation rate, FDI to GDP ratio, and exchange rate have negatively impacted the stock market return where only interest rate, inflation rate & exchange rate. |
| Sustainable Development Goal(s) (SDG) |
| Example: Goal 9: Industry, Innovation and Infrastructure |