



## Final Year Study Showcase Batch-2020 Year 2024

<b>Department: Economics and Management Sciences</b> Programme: <b>Economics and Finance</b>	
<b>1</b>	<b>Study Title</b> Assessing Stock Market and Its Impact on The Economy of Pakistan
<b>2</b>	<b>Study Idea</b> The study's primary idea was to determine the impact of Pakistan's stock market volatility on Pakistan's economy by assessing how fluctuations in the stock market influence overall economic stability. It has also assessed the causal relationship between Pakistan's stock market volatility and Pakistan's economy to better understand the connection between these variables. Additionally, the study evaluated the Efficient Market Hypothesis (EMH) on the prospects of the Pakistan Stock Exchange (PSX) to determine the validity of market efficiency in this context. Based on these analyses, the study has recommended a few effective policies to policymakers to stabilize the economy of Pakistan.
<b>3</b>	<b>Process</b> The first step of this study was to set objectives, scope, deliverables, limitations, and primarily the objectives to obtain the required results to solve the study question. Secondly, an extensive and in-depth literature review was done to know the theoretical background and literature gap. The third step was to select the methodology and to collect quarterly data from secondary sources of the focus variables Real GDP, Stock Market Capitalization(CAP), and TurnOver of Shares(TOS), and the control variables Foreign Direct Investment(FDI), Net Exports(NX), Consumer Price Index(CPI), International Oil Prices(IOP), and Large Scale Manufacturing(LSM), also the weekly Closing Prices of KSE 100 Index for EMH testing. The fourth step was the empirical analysis which was done using different econometrics tests and interpretation of the results of such tests. The final step was concluding the study and drawing some effective recommendations from the findings of this study.
<b>4</b>	<b>Outcome</b> The findings of the empirical analysis suggested that there is a need to work collectively in improving the conditions of independent variables such as CAP, TOS, FDI, NX, CPI, IOP, and LSM to increase the real GDP of Pakistan to achieve economic stability. Also, Pakistan's FDI, CAP, NX, CPI, IOP, and LSM pull up the Real GDP and then the real GDP will further enhance the conditions of those variables. Lastly, the findings of the EMH test revealed that Pakistan's stock market remains weakly efficient.
<b>5</b>	<b>Evidence (Theoretical Basis)</b> This study is grounded in the theory that stock market development plays a crucial role in economic growth, with stock market capitalization and share turnover serving as key indicators. It uses the Efficient Market Hypothesis (EMH) to evaluate the efficiency of Pakistan's stock market and employs time series analysis to explore how stock market variables interact with real GDP. This approach aims to shed light on the impact of stock market activity on economic performance and enriches the understanding of the financial market's role in economic development.

	<b>Competitive Advantage or Unique Selling Proposition</b>	
<b>6</b>	This study not only contributes to the existing literature as it used the quarterly and weekly data for a more in-depth and precise analysis of how the stock market of Pakistan impacts the economy of Pakistan but also its findings will help policymakers of Pakistan by highlighting key factors to work on, in making effective policies for Pakistan's economic growth.	
	<b>Attainment of any SDG</b>	
<b>a</b>	The study incorporates SDG# 8, (Decent Work and Economic Growth), SDG#9, (Industry, Innovation and Infrastructure), and SDG#12, (Responsible Consumption and Production).	
	<b>Process Improvement which Leads to Superior Product or Cost Reduction, Efficiency Improvement of the Whole Process</b>	
<b>d</b>	<p>Pakistan's macroeconomic factors and financial market such as the stock market are highly volatile, therefore it has been crucial to study the relationship between them. The study recommends some key points and highlights them to improve the macroeconomic and financial health of Pakistan.</p> <ul style="list-style-type: none"> <li>• Improved information transparency will enhance the market efficiency of PSX.</li> <li>• Policies to stimulate Foreign Direct Investment (FDI) in the country will pull up the real GDP.</li> <li>• Policymakers should manage the inflation rate and external shocks in Pakistan to make the macroeconomic condition stable.</li> <li>• Also, the implementation of such policies that will support the industrial and manufacturing sectors will be beneficial for the country.</li> </ul>	
	<b>Expanding of Market share</b>	
<b>e</b>	The study has incorporated the latest data or filled the study gap of variables which was used previously.	
	<b>Capture New Market</b>	
<b>f</b>	The study has also incorporated some new variables such as International Oil Prices and Large Scale Manufacturing which were not used previously.	
	<b>Target Market</b>	
<b>7</b>	The findings and recommendations will help investors make wise investment choices and help policymakers develop ways to lessen the consequences of economic and stock market volatility.	
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