



# **“IMPACT OF INTEREST RATE ON STOCK MARKET PERFORMANCE OF KSE-30 INDEX”**

A Thesis submitted to Department of Management Sciences  
in part fulfillment of the requirement for the MBA degree

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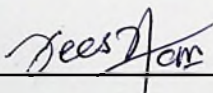
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May God bless all of them with long, happy, prosperous and peaceful lives (Ameen)

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## **Abstract**

*The purpose of the study is to find out the relationship between Interest rate and KSE-30 Index performance and also the impact of volatility of interest rate on KSE-30 Index performance.*

*We use KSE-30 Index as a measure of Stock market index performance and the 3-months Treasury bill rate as a proxy to Interest rate. The monthly data is taken from the period of September 2006 to December 2013. The time series Data is analyzed quantitatively with the help of E-views using various tools such as (Correlation matrix, Regression analysis, Granger Causality & Unit Root Test).*

*At ADF& level the data was not stationary, but at 1<sup>st</sup> difference it becomes stationary. Correlation matrix results showed that KSE-30 Index and Treasury bill are strongly negatively co-related with each other as their value is -0.772. The p value of 0, which is less than  $p < (0.05)$  indicates that we can reject the null hypothesis and the regression results are significant. The Regression result also indicates that there exist a long term Inverse relationship between Treasury bill rate and Stock market Performance. With the increase in Treasury bill rate by 1 % KSE-30 index will decrease by 1.22%. The value of R-square indicates that 59.64% change KSE- 30 Index is caused by change in Treasury bill rate. The Granger Causality Test indicates that T-Bill granger cause KSE. The GC test also indicates that in the short run any changes Treasury bill cause changes Stock index performance.*

*The findings of this paper will help investors and potential investors to check the relationship & how interest rate is effecting the Stock market performance in Pakistan .It will help companies to identify the periods to get listed on Stock Exchange.*

**Keywords:** KSE-30 Index, T-Bill, ADF Unit Root Test, Granger Causality Test, OLS regression, Ordinary Correlation,