ASIAN STOCK MARKET FINANCIAL CATASTROPHE: PROPORTIONAL ANALYSIS OF SOUTH-EAST ASIAN STOCK MARKETS

Athar Iqbal[1], Ammar Siddiqui[2], Mohammad Khokhar[3] and Sarwat Liaquat[4]

[1] Iqra University, Karachi, Pakistan
[2]University of Witwatersrand, Johannesburg, South Africa
[3] Iqra University, Karachi, Pakistan
[4] Iqra University, Karachi, Pakistan

Abstract

This study investigates financial crisis of 2007 in Asian stock markets. This study is aimed at studying the impact of this crisis on East and South Asian Stock Markets. The outcomes of this research would provide a better understanding of the stock market crashes or financial crisis and the possible implications of these scenarios. The study also adds valuable contribution to the existing literature on financial market crashes and may encourage further researches. The years on which the research is focused on are from 2003 to 2012 while the indexes are of 52 different countries on Panel analysis basis. It can be said in the end that the financial crisis does influence the economy of any country. Financial crisis in the global scenario impact the stock markets and other financial institutions all over the world. East Asian market was more resilient then the South Asian market in the financial crisis in the late 2000s. The governments of South Asian countries should implement the strategies and policies focused on the policies of East Asian countries to overcome the financial crisis in future..

Keywords: *Gross Domestic Product, Foreign Exchange Reserves, Inflation Rate, Inflation Rate, Saving Rates, Real Effective Exchange Rates and Real Interest Rate.*

Introduction

Overview

Financial markets or stock markets are the events, agents, organizations and strategies which perform a part in market of bonds, equities, credits and currencies. They are meant to manage the flow of finances Young (2014). Financial and stock market crises and other economic declines have occurred many times in the history. Periodic crises are considered to be a part of the financial system. In general, finance plays a leading role in the development of global economies. The rise of great powers is inseparably associated with access to investments and their capability to operate as a leader in the financial markets. Similarly their decline is also associated with the financial issues.

Financial market crisis is a wider aspect of the global economy. It impacts the overall economy of the world and the industry, whether it is financial industry, service industry or manufacturing industry. The stock market crisis is considered as one of the key indicators by which the overall crisis in financial market can be measured. The global financial crisis has influenced the countries which were in the developing phases, based on the nature of national economic dynamics and their association with the international markets. Analyzed the influence global of the economic and crisis financial on South Eastern Europe and Central

Eastern (SEECE). They stated in their study that the financial crisis and global economic affected the region of SEECE by several ways. As per this study, there are generally three main finance flow channels by which the crisis may impact a region: direct, indirect and second-round channels

Stock Exchanges are considered as a key player in corporate financing in Asia. Though, in spite of their rising significance as far as size and cross-outskirt venture movement, the business sectors of this locale are perceived to be more particular and less subject to economics of their pricing Lipinsky & Ong (2014). GDP, inflation rates, discount rates, fiscal deficit, foreign exchange reserves, savings rates, real effective exchange rates and real interest rate are the key indicators which show the execution of the stock trade and the general budgetary market of the country. Therefore, the study is focused on these variables and their impact on the stock returns after the financial crisis of 2007.

Problem Statement

The reason for this review is to distinguish the impact of full scale pointers factors on stock return after the financial crisis of 2007 in East Asian stock market and South Asian stock markets.

Background, Objectives and Significance of the study

The crisis of 2007 influenced the developing Asian market and presented the region with the hardest economic challenges in recent times. It caused a downturn in growth rates abruptly, rise in unemployment, deficits, and financial pressures. The programs for poverty reduction and other key developments were halted. As an economic outcome of the financial crisis initiated from the US and spread globally, the growth rate in Asian market fell from 9.5% in 2007 to 6.3% in 2008 and in 2009, the Asian growth fell to 3.4%. Due to the financial systems and biggest economies persisted fragility, the revival was long and followed by further setbacks (The Worldwide Economic Crisis Challenges for Developing Asia and ADB's Response, 2009). The monetary emergency in Asia emerged due to the structural flaws in financial and economic settings in this region. In Eastern Asia, the Growth rate dropped from 10.4% to 6.6% from 2007 to 2008 and it went down to around 3.6% in 2009, regardless of the strong performance of People's Republic of China (PRC). Similarly, the growth rate of Southeast Asia went down from 6.4% in 2007 to 4.3% in 2008. Regardless of the worldwide money related emergency, the finance areas in this region were resilient but the stock markets have tumbled intensely as the foreign investment has been withdrawn (The Worldwide Economic Crisis Challenges for Emerging Asia and ADB's Response, 2009).

The determination of this research is:

• To analyze the effect of GDP, Inflation Rates, Discount Rates, Fiscal Deficit, Foreign Exchange Reserves, Saving Rates, Real Effective Exchange Rates and Real Interest Rates on stock returns after the financial crisis of 2007 in East Asian stock markets.

• To analyze the effect of GDP, Inflation Rates, Discount Rates, Fiscal Deficit, Foreign Exchange Reserves, Saving Rates, Real Effective Exchange Rates and Real Interest Rates on stock returns after the financial crisis of 2007 in South Asian stock markets.

• To compare the effects of the above mentioned macro indicators on stock returns of East Asian and South Asian Stock Markets.

The outcomes of this research would provide a better understanding of the stock market crashes or financial crisis and the possible implications of these scenarios. The study also

adds valuable contribution to the existing literature on financial market crashes and may encourage further researches. Moreover, researchers could adapt the methodology of this study to observe the stock market and financial crisis and their outcomes and the impact of GDP, inflation rates, discount rates, fiscal deficit, foreign exchange reserves, savings rates, real effective exchange rates and real interest rate on Stock Returns in other regions, such as the Middle East and African continents.

Literature Review

As discussed in the previous chapter, the research is based on the Asian market which was affected by the worldwide financial crisis of 2007. The presentation of the stock markets denoted by stock returns affected by the financial crisis has been measured by the variables like GDP, inflation rates, discount rates, budget deficit, foreign exchange reserves, savings rates, real effective exchange rates and fiscal deficit taken as a proxy index for this study. This chapter presents a brief review of background literature and past studies related to this topic based on the variables of this study.

Impact of Financial Crisis on Economy Naeem and Abdul (2002) paper examined the long-run and short-run connection between stock expenses and exchange rates for four South Asian nations for the period January 1994 to December 2000. We utilized month to month information and connected co coordination, mistaken displaying methodology; furthermore, standard Granger causality tests to take a gander at the long-run and short-run affiliations. Our results show no long-run and short-run connection between stock expenses and exchange rates for Pakistan and India. No short-run association was in like manner found for Bangladesh and Srilanka. In any case, there is by all accounts a bi-directional long-run causality between these factors for Bangladesh and Srilanka. Our results suggest that in South Asian countries stock.

Expenses and exchange rates are detached in any occasion in the short run along these lines, speculators can't utilize data acquired from one business sector say securities exchange to foresee the conduct of the other business sector. Additionally, dominant presences in these nations can't use change scale as an approach contraption to pull in outside portfolio hypothesis somewhat they should use some different means to do this example use loan costs, lessen governmental vulnerability, enhance peace circumstance, produce helpful speculation atmosphere and so forth. The above results give proof against the portfolio leveling models of exchange rates affirmation that theorize a uni directional causation that continues running from stock expenses to exchange rates, neither do these results support the traditional models that speculated causation from exchange rates to stock expenses. We in any case suggest that the centrality of our results could be upgraded by applying step by step or week after week data. The usage of more standard recognitions may better catch the movement of stock and coin advertises interrelationships. Another conceivable augmentation is to utilize the firm level information for these nations and inspecting the above association for those organizations that are engaged with global exchange e.g, international firms and for those organizations that are not straightforwardly influenced by trade rates.

Roberto and Andres (2001) we build up a model in which money related emergencies in developing markets may happen when local banks are globally ill-fluid. Keeps running on local stores may interface with remote loan boss frenzies contingent upon the development of the outside obligation and the likelihood of global default. Money related advancement and expanded inflows of remote capital particularly if short term, can bother the liquidity of

banks and increment their defenselessness. The essential part of ill-liquidity is steady with the presence of advantage value blasts and crashes and of government twists.

Baig and Ilan (1999) the outcomes got in this paper recommend detectable examples of infection during the East Asian emergencies. Looking at relationships in quiet versus emergency periods, we introduce proof for generous infection in the outside obligation markets though the proof on securities exchange virus is more speculative. What's more utilizing shams built from every day new we demonstrated that in the wake of controlling for own-nation news and a couple of different basics the cross country relationships in the cash and value markets stay huge and noteworthy. The Asian emergencies recommend that amid a time of money related business sector flimsiness, market members tend to move together over a scope of nations. Stuns starting from one market promptly get transmitted to different markets, in this manner getting to be a wellspring of significant shakiness. The confirmation of infection in the outside obligation markets strengthens the perspective that there was a component of money related frenzy at the onset of the Asian emergencies given the way that relationships expanded significantly during the emergencies as opposed to the relative solidness of the connection. Coefficients in the control bunch, In spite of the inborn imperatives connected with high recurrence information, it is significant to create strategies to comprehend the transient developments in money related business sector variables. The approach suggestions connected with essentials driven and disease driven developments are entirely diverse. In the primary case, policymakers can't anticipate that the business sectors will recoup unless measures are taken to enhance essentials. Then again if markets are declining infer-able from alarm driven crowd conduct, then believable arrangement activities to alleviate the business sector assumptions should be the need. Right separation between these causes is a key to handling monetary business sector disease.

Michael (2001) The Asian monetary emergency was activated by Japanese business banks who decreased their introduction to Asia in light of rising inconveniences in Thailand and South Korea. Japanese banks had been extremely debilitated by the breakdown of the land and securities exchange rise in Japan in 1990. As the biggest loan specialists in Asia and the key leaser in Thailand, Japanese banks flagged the adjustment in conclusion to other remote business banks that likewise pulled back their advances. These capital outpourings set off a degrading in Thailand in mid-1997, however not in Korea until late 1997 due to the diverse conversion scale administrations in these nations. Regardless of the degrading what's more, surge of bank credits, bond financial specialists kept on giving capital to Asian borrowers until November 1997, at spreads which did not reflect the dangers included. By 1998, outside value financial specialists were coming back to these business sectors looking for deals. As opposed to hurrying to the ways out in a group like style, institutional financial specialists settled on speculation choices which made off-setting private capital streams. This investigation recommends that more consideration ought to be paid to the motivating forces confronting institutional speculators and the outline of household foundations, instead of to the requirement for another money related engineering.

Khan, Islam and Syed (2005) At long last, the paper discovers exchange to have assumed an imperative part in the emergency. While organized commerce makes scope for countries to profit, it is similarly imperative that legitimate arrangements stay set up to keep away from major monetary and budgetary stuns. As chances of exchange extend so does capital streams adding to monetary powerlessness as it happened in East Asia. It is the likelihood of such result that calls for appropriate policies which, entombment, incorporate an openly skimming market based trade rates. This approach would not just dishearten countries from taking part

in manipulative practices for example hobo thy neighbor system and additionally put a cover on theoretical assaults on monetary forms. It would likewise keep up cash soundness, an abundantly vaunted long haul technique. The Thai experience ought to serve for instance for Asian nations and maybe additionally for others in the years to come. A cognizant arrangement went for enhancing exchange would go far to minimize the impacts of stun, as would a typical business sector, fortified by typical cash. Political establishments are an indispensable piece of financial strategy and in that capacity will need to assume its part ensuring a sufficient responsibility and straight forwardness. Some level of government mediation is required especially to recover the money related framework on track. These are less demanding said than done but then troublesome decisions must be made for more noteworthy national interest.

Sandeep and Asani (1998)Nine securities exchange crashes happened amid the test dated we considered three in the created arcades, when value list levels decayed more than 20 percent with respect to their recorded maximums, furthermore, six in the developing markets when cost stages fell more than 35 percent with respect to their chronicled maximums. Crashes have a tendency to be speedy and steep however costs do recuperate, normally in three years on the other hand less. Developing markets have a tendency to have bigger cost decays and more recuperation times than created markets. The procedure of accident and recuperation together normally keeps going around 31 months, yet stock costs tend to decay again for a long time resulting to recuperation in spite of the fact that not with the same seriousness as amid the accident. An ascent in costs before an accident is run of the mill and the size of the value rise is bigger for the developing markets. For short skylines costs are auto associated while for more skylines confirmation proposes that costs are mean returning which is predictable with the possible recuperation of costs after an accident. The confirmation of disease inside areas is solid. We found that an emergency in one nation is taken after by emergencies in most different nations in the area. Securities exchanges in the emergency are influenced about similarly both as far as the seriousness of the cost decrease and the term of the emergency. The emergency streams quickly from one business sector in the area to the next; successive markets are influenced in the same month or inside one month of each other.

We affirmed the broadly held conviction that relationships between U.S. what's more, developing business sector returns tend to increment in business sector decays yet this change influences just financial specialists who hold stocks for brief time periods short of what one year on account of Asian stocks. Longer-skyline connections stay little notwithstanding when markets are performing ineffectively. For long skyline speculators developing business sector stocks in this way give imperative expansion benefits notwithstanding amid times of noteworthy business sector decreases.

In the same year, Kaur and Nirvikar (2014) analyzed the global financial crisis and studied its impact on Asia and policy challenges ahead. According to the study, the global financial crisis impacted the Asian economies in an unforeseen speed and force by both the trading and financial channels. It reflects the strong relationship between the Asian and global economies. Exchange rates were pressurized in numerous countries in the region. Economies in Asia, excluding Chinese and Japanese economies declined about 6.2% on an average from top to bottom in the financial depression. It is close to the 8.3% GDP decrease throughout the Asian crisis though Asia is not the Centre of the crisis.

Merrouche and Nier (2010) analyzed the causes of the worldwide money related emergency and accumulated confirmation on the drivers of monetary awkward nature form 1999 2007. The research examined the global financial imbalances. The study identified three elements

that can contribute in building of money related irregular characteristics (i) rising worldwide uneven characters (capital streams), (ii) financial approach that may have been too free and (iii) insufficient supervision and direction. Board relapses are utilized for the information of OECD nations from 1999 to 2007, for the purpose of highlighting the associative significance of these aspects and the level to which these elements could have interrelated in gearing the start up. The study found that the start up of financial inequities was led by financial influxes and a related reduction of the spread amongst long and short rates. The effects of money related approaches on the development are expanded where the controllable condition was somewhat feeble.

Financial Crisis and East Asian Market The global financial crisis influenced Malaysia but not in a way it impacted the Asian Financial Crisis. It was more affected by the manufacturing industrial economy mainly in exports. The shocks of the crisis hit the financial and trade sector in Malaysia. The primary affect touched the stock market which caused it to decline by around 50%. Another financial sector which was affected in Malaysia was restricted to banking industry (Naseem , Zulkornain and Tajul, 2010).

Sutthirak & Gonjanar (2012) studied the belongings from Asian's financial crisis and studied the issues affecting the value formation of organizations. The study explained the impact of economic crisis on Thailand, based on the aspects that influence the value addition of businesses. The data was collected from secondary sources and analyzed for the purpose of finding causal links. Outcomes of the study demonstrated that the elements influencing the business value addition have positive and direct effect on corporate social duty, corporate administration and creative association.

Another study by Nam (2010) examined the 1997-98 Asian financial crises and the 2008-09 global economic crises and its impact in Korea. In 1997-1998, East Asian economies were shocked by financial crisis. After a decade, they are still affected by the global financial crisis. This study is based on the Korean economy which suffered horrible destruction and was effectively retrieved as well by the 1997 financial crisis. The study further debated the success and failure of post-crisis transformation exercises and found the weak areas which require additional reforms. The research argued about the particular implications to be understood by Korean economy's experience throughout the crisis of the 1997-98 for the purpose of assistance in avoiding the outburst of any similar financial crisis in the future.

Jeon (2010) suggested to observe the global financial flows cautiously and to apply the effective policies for global debt management in order to prevent money and maturity divergence. Second lesson driven by the Korean economy post crisis was to uphold competent proficient and well-controlled banking and financial programs which are secured from global contamination. Third lesson was to develop the efficient resolving systems for non-active assets and credits like the Korean Assets Management Corporation (KAMCO). The last lesson elaborated from the post financial crisis economy was to improve domestic financial collaboration amid the East Asian countries, such as a rehabilitated Chiang Mai Initiative to deliver short-term fluidity support in the crises, or otherwise establishing an Asian Monetary Fund (AMF) as a creditor of last option in the Asian region.

Financial Crisis and South Asian Market, to overcome the adverse outcomes of the global recession on the economy of India, the Government reacted by starting three intensive financial incentive packages in terms of assessment alleviation to blast request and expanded spending on open improvement ventures to deliver business and open resources. The central bank of India, The Reserve Bank of India (RBI) took various fiscal facilitation and liquidity

augmenting steps to ease the flow of capitals from the economic system to meet the demands of creative sectors (Bajpai, 2015).

Mohammed, Jawad, & Kamran (2012) examined the global financial crisis factors and their impact on different segments of economy in Pakistan. The study identified the components which have affected the budgetary division globally and to visualize the situation of its impact on the Pakistani market. The worldwide money related emergency in the current years affected Pakistan and rest of the world unfavorably in routes involving settlement and relocation, global exchange, outside direct speculation, conversion scale, Interest rate, and remote Aids. The economy of Pakistan firmly centered on the relationship with the USA and few in-house angles, for example, local approaches and great administration. The research further highlighted the fears towards the economy and chances on which Pakistan can benefit.

Hypotheses

H1: There is a significant relationship between South Asian stock markets and East Asian stock markets.

H2: There is a significant impact GDP on the Stock Returns.

H3: There is a significant impact Inflation rate on the Stock Returns.

H4: There is a significant impact Discount rate on the Stock Returns.

H5: There is a significant impact Fiscal Deficit on the Stock Returns.

H6: There is a significant impact Foreign Exchange Reserves on the Stock Returns.

H7: There is a significant impact Saving Rates on the Stock Returns.

H8: There is a significant impact Real Effective Exchange Rate on the Stock Returns.

H9: There is a significant impact Real Interest Rate on the Stock Returns.

Research Methods

Method of Data Collection

There are several paradigms of that researcher's base their studies on, such as positivism, realism, interpretivsm, pragmatism, critical theory, and postmodernism. This research is based on the positivist philosophy which emphasizes on the empirical examination of the association between the variables and the impact of independent variables on the dependent variables, which in this case is the impact of GDP, Inflation rates, Discount rates, Fiscal Deficits, Foreign Exchange Reserves, Saving Rates, Real Effective Exchange Rates and Real Interest Rate on Stock Returns.

Sampling Technique

The sampling was done on the basis of the South Asian and East Asian Stock Markets listed indexes. The stock exchanges of the countries in South Asian Region and the stock exchanges of the countries of the region of East Asian region has been considered as the samples to test the hypotheses developed for this research.

The Sample Size

The sample of the research is based on the years and the indexes of different countries' stock exchanges. The years on which the research is focused on are from 2003 to 2012 while the indexes are of 8 different countries on Panel analysis basis.

Instrument of Data Collection

The data used from research papers to the statistical data has been taken from authentic and recent sources. While the quantitative data has been collected from world exchange, World Bank, international monetary fund and Dhaka stock exchange.

Research Model Development

The research model which is developed is given below:

$$Y \text{ (Stock Indexes)} = \alpha + \beta 1 \text{ (GDP)} + \beta 2 \text{ (INF)} + \beta 3 \text{ (DR)} + \beta 4 \text{ (FD)} + \beta 5 \text{ (FER)} + \beta 6 \text{ (SR)} + \beta 7 \text{ (RER)} + \beta 8 \text{ (RIR)} + e.$$

Where,

GDP = Gross Domestic Product

INF = Inflation Rate

DR = Discount Rates

FD = Fiscal Deficits

FER = Foreign Exchange Reserves

SR = Saving Rates

RER = Real Effective Exchange Rates

RIR = Real Interest Rate

Statistical Technique

Panel least square test applied to observed the impact of independent variable on dependent variables

Results

Findings and Interpretation of the results

Table 1

Panel Least Squares

Method: Panel Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DISCOUNT_RATE	988.1513	556.8478	1.774545	0.0832
DUMMY	-3560.139	4498.656	-0.791378	0.4332
FISCAL_DEFICIT	1653.345	411.2439	4.020352	0.0002
FOREIGN_EXCHANGE_RESERVE	1.40E-09	2.05E-09	0.684964	0.4971
GDP	238.1591	410.4580	0.580228	0.5649
GROSS_DOMESTIC_SAVING_RA	-409.9225	178.5988	-2.295214	0.0268

INFLATION_RATE	-142.4251	449.7261	-0.316693	0.7530
REAL_EFFECTIVE_EXCHANGE_	-64.31122	106.4263	-0.604279	0.5489
REAL_INTEREST_RATE	629.4070	356.9671	1.763208	0.0851
C	22703.48	11415.46	1.988836	0.0533

R-squared	0.470142	Mean dependent var	7369.548
Adjusted R-squared	0.356601	S.D. dependent var	7992.490
S.E. of regression	6410.948	Akaike info criterion	20.54044
Sum squared resid	1.73E+09	Schwarz criterion	20.91568
Log likelihood	-524.0515	Hannan-Quinn criter.	20.68430
F-statistic	4.140727	Durbin-Watson stat	0.456795
Prob(F-statistic)	0.000718		

Table 1 apply panel least square to find the relation between South Asian and East Asian economies by focusing the change of weekly returns of stock index in their markets. First to apply second result to find that there relation between south Asian and East Asian economies sig value >0.05 and t-Statistic <1.5 both value accept null hypothesis.

Table 2

Panel Least Squares

Method: Panel Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DISCOUNT_RATE	872.9042	535.1273	1.631208	0.1102
FISCAL_DEFICIT	1785.013	374.4476	4.767056	0.0000
FOREIGN_EXCHANGE_RESERVE	1.86E-09	1.95E-09	0.952619	0.3461
GDP	113.7558	377.5116	0.301331	0.7646
GROSS_DOMESTIC_SAVING_RA	-385.9083	175.2355	-2.202226	0.0331
INFLATION_RATE	-272.3329	416.8734	-0.653275	0.5171
REAL_EFFECTIVE_EXCHANGE_	-36.94177	100.2119	-0.368637	0.7142
REAL_INTEREST_RATE	563.4953	345.6031	1.630469	0.1103
C	19944.65	10822.79	1.842838	0.0723

R-squared	0.462241	Mean dependent var	7369.548
Adjusted R-squared	0.362193	S.D. dependent var	7992.490
S.E. of regression	6383.028	Akaike info criterion	20.51678
Sum squared resid	1.75E+09	Schwarz criterion	20.85450
Log likelihood	-524.4364	Hannan-Quinn criter.	20.64625
F-statistic	4.620188	Durbin-Watson stat	0.395498
Prob(F-statistic)	0.000403		

Table 2 apply panel least square to find the relation between South Asian and East Asian economies by focusing the change of weekly returns of stock index in their markets. Result to find that there is relation between south Asian and East Asian economies sig value <0.05 and

t-Statistic >1.5 both value reject null hypothesis. Only two independent variable fiscal deficit and gross domestics saving rate have sig value <0.05 effect dependent variable stock price.

Table 3

Panel Least Squares

Method: Panel Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DISCOUNT_RATE	885.3363	602.6409	1.469094	0.1726
FISCAL_DEFICIT	275.0894	462.1628	0.595222	0.5649
FOREIGN_EXCHANGE_RESERVE	3.41E-08	1.32E-08	2.585081	0.0272
GDP	780.7088	407.0307	1.918059	0.0841
GROSS_DOMESTIC_SAVING_RA	-613.7859	211.5198	-2.901789	0.0158
INFLATION_RATE	-394.7894	297.6480	-1.326363	0.2142
REAL_EFFECTIVE_EXCHANGE_	227.6427	144.0801	1.579974	0.1452
REAL_INTEREST_RATE	117.5068	137.1478	0.856790	0.4116
C	-13288.72	17455.85	-0.761276	0.4641

R-squared	0.831466	Mean dependent var	7648.627
Adjusted R-squared	0.696639	S.D. dependent var	3387.293
S.E. of regression	1865.661	Akaike info criterion	18.20613
Sum squared resid	34806917	Schwarz criterion	18.65350
Log likelihood	-163.9583	Hannan-Quinn criter.	18.28185
F-statistic	6.166901	Durbin-Watson stat	2.278835
Prob(F-statistic)	0.004847		

Table .3. apply panel least square to find the effect South Asian economies by focusing the change of weekly returns of stock index in their markets. result to find that there are only two independent variable foreign exchange reserve and gross domestic saving rate sig value <0.05 effect dependent variable stock price. Others six variables accept have no effect on stock market in south Asian countries.

Table 4

Panel Least Squares

Method: Panel Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DISCOUNT_RATE	936.0839	1239.123	0.755440	0.4573
FISCAL_DEFICIT	2065.692	654.1562	3.157796	0.0043
FOREIGN_EXCHANGE_RESERVE	2.50E-09	2.66E-09	0.939119	0.3570
GDP	216.0207	586.3234	0.368433	0.7158
GROSS_DOMESTIC_SAVING_RA	-385.9277	286.1142	-1.348859	0.1900
INFLATION_RATE	-619.7614	1389.300	-0.446096	0.6595
REAL_EFFECTIVE_EXCHA	-186.4499	156.4889	-1.191458	0.2451

NGE_ REAL_INTEREST_RATE	1217.591	1003.581	1.213246	0.2368
C	33024.06	14923.03	2.212959	0.0367

R-squared	0.551706	Mean dependent var	7208.866
Adjusted R-squared	0.402275	S.D. dependent var	9761.236
S.E. of regression	7546.671	Akaike info criterion	20.92260
Sum squared resid	1.37E+09	Schwarz criterion	21.33074
Log likelihood	-336.2229	Hannan-Quinn criter.	21.05993
F-statistic	3.692043	Durbin-Watson stat	0.610309
Prob(F-statistic)	0.006093		

Table 4. apply panel least square to find the effect East Asian economies by focusing the change of weekly returns of stock index in their markets. Result to be find that there are only one independent variable fiscal deficit sig value <0.05 effect dependent variable on stock price. Others seven variable have no effect on stock market in East Asian countries.

Table 5

Hypotheses Assessment Summary

Hypothesis	T-value	Sig value	Empirical Conclusion
H1: There is a significant relationship between South Asian stock markets and East Asian stock markets.	1.842838	0.0723	Accepted
H2: There is a significant impact GDP on the Stock Returns	1.918059	0.0841	Rejected
H3: There is a significant impact Inflation rate on the Stock Returns	-1.3263	0.2142	Rejected
H4: There is a significant impact Discount rate on the Stock Returns	1.631208	0.1102	Rejected
H5: There is a significant impact Fiscal Deficit on the Stock Returns	4.767056	0.000	Accepted
H6: There is a significant impact Foreign Exchange Reserves on the Stock Returns	2.585081	0.0272	Accepted
H7: There is a significant impact saving Rates on the Stock Returns	2.901789	0.0158	Accepted
H8: There is a significant impact Real Effective Exchange Rate on the Stock Returns	-0.36863	0.7142	Rejected
H9: There is a significant impact Real Interest Rate on the Stock Returns.	0.856790	0.4116	Rejected

Discussions, Conclusion, and Future Research

Discussions

The research is based on the comparison of the East and South Asian stock markets and the influenced these markets get by the financial crisis during 2007 and 2008. The past researches, literature and the statistical analysis of this study reveal that there is a strong relationship between the financial crisis and the economic situation of the country. The economic conditions in a country directly impact the stock market performance. However as far as this study is concerned the results of the study show that only two of the selected variables of this research are significant in influencing the stock market. Those variables which impact the stock market are fiscal deficit and saving rate. Fiscal Deficit is known to be the situation in which the expenditures of a country is increased than the revenues it has generated in a year excluding the amount of borrowings from outside sources while the saving rate is considered as the percentage or ratio of savings of a country out of the overall production in a year, i.e. Gross Domestic Production-Total Consumption. These results lead towards the actions which should be done by the government of a country.

According to the results of this research analyzed through regression analysis Fiscal Deficit is positively impacts the stock index point. Governments should initiate the schemes that help a country in decreasing its overall expenditures so that can reduce the Fiscal Deficits in the financial crisis. Though on the contradiction of what it looks like, the saving rate negatively impacts the stock market performance. It can be seen as if the saving rate of a country is increasing it means the investments in the stock markets are decreasing so it is causing in the decline in stock markets. It suggests that the government should increase its saving rate for the betterment of the overall economy but on the other hand, it should invest more in the stock markets to accelerate the stock markets of the country which can ultimately help the country in economic development.

Conclusion

Apply the panel least square find that only few independent variable effect stock markets in both South and East Asian countries combined and individually apply test. Combined results of both countries find that only fiscal deficit and gross domestic saving rate effect stock market on both regions. Individually apply test on both south and east countries, in south countries only two independent variables foreign exchange reserve and gross domestic saving rate effect stock market on south Asian countries. In East Asian countries, only one independent variable fiscal deficit effect stock market. Since the financial or economic crisis is a repeating phenomenon no country can completely avoid these crises. For the recovering and revival through these crises, there should be policies and strategies which can lead towards the ways out of these crises. Korean economy is the one which recovered the financial crisis of 2007-08 very efficiently and quickly. Few lessons from their revival through the effective policies by Korean government can be taken as a consideration for the policy making for the purpose of survival or avoidance as much as a country can.

Future Research

This is an open ended study it can be done in several ways in future using different methodologies variables and data. As this research is quantitative in nature it can be very effective in providing facts and figures which can lead a country towards the success in developing the economy if considered and applied on the practical decision making. This study can also be done in future in more effective manners. There are many other factors that impacts economy and the stock performance those factors can be taken as variables in future studies as in this study six out of eight variables are insignificant in relation with the dependent variable stock index point which demonstrate the stock market performance of a country.

Furthermore there should be two data sets comprised of East and South Asian countries which presents different results so that can be a better comparison between both regions. Similarly further research can be done on the same pattern using two different set comparing Asian and European countries. In future researches the effects of financial crisis on the economic development can be done as well on the global or regional basis where economic development can be represented by the gross domestic product of a country.

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