



Risk Assessment and Decision Making in Stock Exchange

Azeem Akhtar Bhatti	Assistant Professor, Department of Commerce, Sindh University, Laar Campus, Badin, Sindh, Pakistan.
Ali Raza	Bahria University, Karachi Campus, Karachi, Sindh, Pakistan.
Akram Khan Shahani	Assistant Professor, IBA, University of Sindh, Jamshoro, Sindh, Pakistan.
Nida Zehra	Assistant Professor, IBA, University of Sindh, Jamshoro, Sindh, Pakistan.
Maryam Khokhar	School of Economics and Management, Yanshan University, China.

Vol. 3, No. 1 (Winter 2023)

Pages: 883 – 899

ISSN (Print): 2789–441X

ISSN (Online): 2789–4428

Key Words

Risk Management, Decision Making, Stock Exchange, Pakistan, Economy

Corresponding Author:

Maryam Khokhar

Email: maryamkhokhar60@gmail.com

Abstract: From many decades the currency of Pakistan has many flew and fawn, in this universe every one need money for their sustain so the thing is that people not knew that how to utilize their resources to make more and more and get more and more, here we try to focus on the word money that how to utilize it in a precious and sustainable way to make productule outcomes so let's begin the word stock exchange! Everyone hair about this word but there are few connections with it to generate money in a bulk form. Generally the people of industrious, shareholders and many companies are involved in it like as PSO, Unilever, Engro, FFC, OGDC, KAPCO, HUBC, AKBL, TRG etc. where the other rest of people are? are they not know the markets trends that how to make bid and ask and through what they can make their risk minimize as a term of money investment so here we took the topic which is totally related with the utilizing the term money and make money because everyone want this and most of are getting this but rest of having no knowledge how to make it.

Introduction

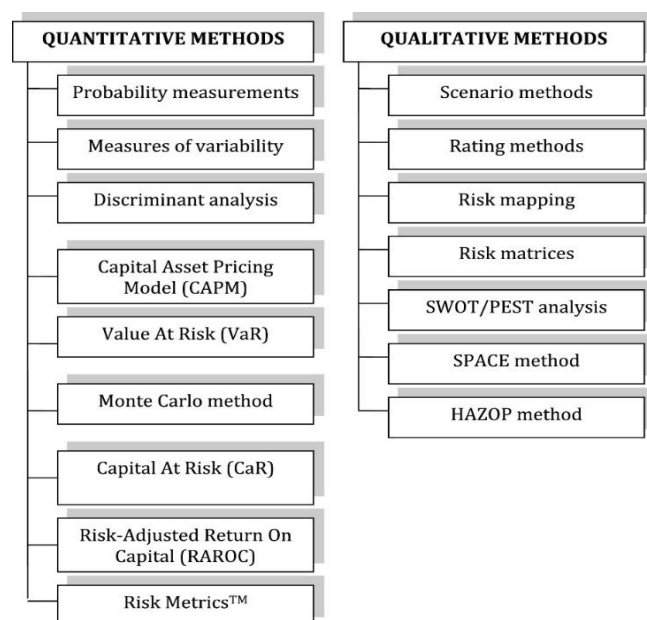
In generally the word stock refers to something which we keep in lock or have something in our hand but as referring to the term stock in stock exchange the concept of shares grew up. In past people usually do business in exchange of goods/services for their mutual advantage after some time coins and notes were the modern form of money in exchange of business (Septia et al. 2023), (Anon n.d.). But when the world and robotic era came in then people doing businesses in the form of electronic money which we called now a day's share market/equity market or money market (Chien et al. 2021).

Money is like a blood for every type of business without it no business could be done so economics considering this essential point then in mid of 14th century the world first stock market was setup in Belgium (Aryaeinezhad et al. 2023). Most experts agree that Antwerp was the pioneer of the stock market system (Bianconi and Yoshino 2014). Antwerp, which served as the commercial hub of Belgium, was also the residence of the prominent Vander Beurze family. Consequently, the initial stock markets were commonly referred to as Beurzen, owing to their origin in Antwerp.

In those days people feel fear to buy stocks of other companies which are far away due to risk of loose of money but gradually when the modern era came this all fear vanished out like a shiny morning and now a day's companies like apple, Microsoft, IBM, Toyota, Nestle and many more doing business to issuing shares in stock markets and fulfilling their need of money to doing business. Every year in all over the world stock markets doing businesses with trillions of dollars even the New York stock exchange market capital is 19,223 (USD bn) and it is the biggest stock exchange of the world (Begum Siddiqui et al. 2023). As following the international world Pakistan also have stock exchanges companies named as Karachi stock exchange KSE (founded 18th Sep 1947), Lahore stock exchange LSE (founded 14th oct 1970) (Utami and Hasan 2021) and Islamabad stock exchange ISE (founded 25th oct 1989) but on 11th January 2016 government of Pakistan realize that the three big market fragmentation should merge three in one stock exchange and named Pakistan Stock Exchange PSX. As Figure 1 showm different companies, quantitative and qualitative risk assessment techniques are employed to evaluate the level of risk involved.

Figure 1

Quantitative and qualitative methods of evaluating risk



PSX, which was established in Karachi on January 11, 2016, has 578 listed companies and a total market capitalization of Rs. 7666.410 billion (equivalent to 74 billion US dollars) as of June 5, 2016 (Hailiang et al. 2023). The exchange boasts 1887 foreign institutional investors, 884 domestic institutional investors, approximately 220,000 retail investors, and about 401 brokerage houses that are members of PSX. Additionally, there are about 22 asset management companies that are included in the exchange. (Park, Kim, and Tsang 2022). From many decades the currency of Pakistan has many flew and fawn, in this universe every one need money for their sustain so the thing is that people not knew that how to utilize their resources to make more and more and get more and more, here we try to focus on the word money that how to utilize it in a precious and sustainable way to make preductule outcomes so let's begin the word stock exchange! Everyone hair about this word but there are few connections with it to generate money in a bulk form. Generally, (Satisfaction et al. 2023)the people of industrious, shareholders and many companies are involved in it like as PSO, Unilever, Engro, FFC, OGDC, KAPCO, HUBC, AKBL, TRG etc, where the other rest of people are? are they not know the markets trends that how to make bid and ask and through what they can make their risk minimize as a term of money investment so here we took the topic which is totally related with the utilizing the term money and make money because everyone want this and most of are getting this but rest of having no knowledge how to make it (Khan et al. 2021).

So, for this we make the topic which is on behalf of thesis in this thesis we make the answers to the following questions and telling those people who are quite unaware from the word stock exchange and about different techniques which make them better under stain in taking the decision making and how and where to invest . The questions which we discuss in our research are: What is stock exchange (Latif et al. 2021). How to invest in it. Risk factors during investing money. Techniques involved making

risk minimized. Why Pakistan rupees value decline in past decades. These all question are answered in the masterpiece of work in the form of conducting thesis so be patient its interesting might be in past have no one who chose such type of topic but as considering us I might realize that the importance of success and in this world, success is measured in term of money/Honor so for this we make our masterpiece of work which will be soon published.

Terms Involved in Stock Market

Opening Price

The opening price refers to the initial price of a stock when trading begins, typically in the morning when the stock exchange opens. The price of a security can vary from the previous day's closing price due to various factors such as overnight orders that can impact demand and affect the pending price (HOANG 2021). Thus, the opening price of a security may differ from the previous day's closing price, either higher or lower, as a consequence of various factors including overnight orders that can affect demand and the pending price.

Closing Price: The closing price of a stock refers to its final price at the end of a trading session when the market closes.

Ask Price: Ask price when buying a stock, you will typically pay the asking price, which is slightly higher than the trading price because it includes a commission for the dealer facilitating the transaction.

Bid Price: The bid price, when selling a stock, is the amount that a broker or agent is willing to pay for the stock. Typically, the bid price is slightly lower than the trading price as it encompasses a commission for the dealer that facilitates the transaction.

Spread: In the stock market, the price of a stock is established by the variance between the ask price, which is the value at which a seller is

willing to sell, and the bid price, which is the amount that a buyer is willing to pay. This difference is known as the spread.

Dealer: Dealer is an individual or firm that maintains an inventory of stock and facilitates trades between buyers and sellers (Ahmed 2020). They often work in conjunction with salespeople to execute trades on behalf of clients.

Broker: A broker or specialist is an individual who facilitates the buying and selling of stocks between buyers and sellers. Brokers are also sometimes referred to as salespeople, as they may be responsible for selling stocks on behalf of clients to dealers or other buyers. Supply and demand are the primary determinants of the price of a stock in the stock market. When many buy orders are received by the specialist, the stock price is likely to rise, while many sell orders are likely to drive the price down. In stocks that are actively traded, the spread, or the variation between the bid and ask price, tends to narrow as a result of many orders. Conversely, stocks with low trading volumes often have a wider spread.

Stop order or limit order!

A stop order or limit order is a directive provided by an investor to their broker that instructs them to sell a stock when the market price falls to a specific point or level. For example, if a stock is presently trading at Rs. 200 and an investor sets a stop order to sell it at Rs. 150, the order is sometimes referred to as a stop-loss order. In this scenario, the investor would incur a loss of Rs. 50 due to fluctuations in the market price of the stock. It is done by through investor to their broker who has no time watch their stock prices on daily basis.

Purpose of study

Our main purpose of writing the research paper is to analyze the stock market. What is the origin and what type of technologies involved in it for doing business? How many types of stock are in the stock exchange? What are the benefits are

there in the stock exchange? How do stock markets help to boom the economy of a country? After discussing the following points, we will be able to analyze how to do business in the stock exchange.

Literature Review

Due to the specialized nature of stock market activities, the process by which the stock market raises capital through the sale of stocks may not be comprehensible to the general public. This can make it difficult for individuals and companies to enter the market without prior knowledge or guidance, it would be done just on the basis of some clicks so for this understanding this chapter will make you familiar the term stock exchange and the operational work which done in stock market on the daily basis.

Stock Market

Although the term stock market refers to the place where involving of companies occurs for issuing and purchasing of shares, generally stock exchange is a entity which comprises many companies to come in umbrella of it and doing business to issuing their shares/securities (Olayeni, Tiwari, and Wohar 2020). “A market in which securities are bought and sold”. stock exchange is comprises of two words, stock and change but between them a word which is added is “ex” which means something person have in past and the word change mean give the old one by getting the new one through mutual sharing (Khokhar, Zia, et al. 2022). Warren Edward Buffet is an American businessman, he was considered as world most successful investor, he defines stock market in the following way as “The stock market is a device for transferring money from the impatient to the patient” (Hanifah, Th Heni Widyarti, and Hardiningsih 2023). There are many philosophers and investor who define stock market in different ways, but thing is same stock market is an area of business in which people of different companies involved for purchasing and selling the shares to enhance the business/profit/dividend.

History of Stock Market

In France the mid of 12th century the person who concerned with stockbroker passion they addressed with a particular name and the name was de courratier. During the early development of the stock market, courtiers played a significant role in managing and regulating the debts owed by agricultural communities on behalf of banks. This involvement was central to the establishment of the stock market in its initial stages. As a result of their involvement in trading debts, these individuals were regarded as the earliest brokers in the stock market. In the early 13th century, a group of family traders in Bruges, Belgium would convene inside the residence of a man named Van Der Beurse to engage in business transactions. In 1309, the informal gathering of family traders in Bruges, Belgium was institutionalized and officially named the Brugse Beurse (Hou et al. 2022). The idea of a stock exchange rapidly gained popularity and was adopted in other areas neighboring Flanders. Subsequently, stock exchanges were established in Amsterdam and Ghent. During the middle of the 13th century, bankers from Venice started trading in government securities. However, in 1351, the Venetian government outlawed this practice by lowering the price of government funds (Jabló et al. 2023).

During the 14th century, bankers in Florence, Genoa, Verona, and Pisa began trading in government securities as well. This was made possible by the fact that these city-states were governed by councils of influential citizens rather than by dukes or other rulers. After the emergence of government securities trading in Italy, the Dutch introduced the concept of joint stock companies. This enabled investors to put their money in business ventures and reap profits or losses proportionate to their investment. The Amsterdam Stock Exchange was established in 1602 and saw the Dutch East India Company issue its first shares, which marked the beginning of the contemporary stock market. This was the first time that a company had issued both stock and bonds on the market. The Amsterdam Beurs,

established in the 17th century, was the first stock exchange to trade continuously. Since then, stock markets have been established in virtually every developed country, as well as many developing countries. Currently, the world's largest stock markets can be found in countries such as the United States, the United Kingdom, Germany, France, and Japan.

New York Stock Exchange (NYSE)

The NYSE, which was established on May 17, 1792, in New York City's Wall Street, is widely regarded as the most esteemed stock exchange globally. The New York Stock Exchange, also referred to as "The Big Board," is situated at 11 Wall Street in New York City, as depicted in Figure 2. As of June 2016, the New York Stock Exchange held the title of the largest stock exchange globally, with listed companies having a combined market capitalization of approximately US\$19.4 trillion (Gupta et al. 2022). According to estimates, the NYSE's average daily trading volume in 2013 was approximately US\$170 billion (Khaskhelly et al. 2022). The NYSE's trading floor, which is comprised of 21 rooms dedicated to facilitating trades, is located at 11 Wall Street. However, the 5th Business Trading room, situated at 30 Broad Street, was shut down in February 2007 (Shatnawi et al. n.d.). Both the main building and the 11 Wall Street building of the NYSE were recognized as National Historic Landmarks in 1978. Intercontinental Exchange, an American holding company that also lists NYSE, is the current owner of the NYSE. Previously, the NYSE was part of NYSE Euronext (NYX), which was established following the NYSE's merger with Euronext in 2007. At present, the NYSE and Euronext function as divisions of Intercontinental Exchange. Over the years, the NYSE has been the target of several lawsuits alleging fraudulent activities or violation of obligations. In 2004, the exchange was sued by its former CEO for defamation and breach of contract.

Figure 2

New York Stock Exchange (NYSE)



Nasdaq

The Nasdaq, which was founded on March 4, 1972, is a stock exchange based in the United States. With a market capitalization of over US\$9.1 trillion, it is the second largest exchange in the world, surpassed only by the New York Stock Exchange (Ahmed et al. 2022). Nasdaq, Inc. is the owner of the NASDAQ exchange platform, which is part of a larger network of stock markets, including Nasdaq Nordic (previously known as OMX) and Nasdaq Baltic. In addition to these international markets, Nasdaq, Inc. also operates multiple exchanges for stocks and options within the United States.

London Stock Exchange Group

The London Stock Exchange Group plc is a stock exchange that was founded in London in 2007. Its headquarters are located in the United Kingdom's capital, as depicted in Figure 3. With a market capitalization of approximately US\$165 billion, the London Stock Exchange Group plc is currently ranked as the third largest stock

exchange in the world based on market capitalization.

Figure 3

London Stock Exchange



Types of Stocks

There are two main type of stock, one is common stock and the second is preferred stock. They both are different in the following way take a look of them.

Common Stock

Common mean usual so the most of stocks are issued in this form and common stock/shares show ownership in a company and he/she get profit/loss in the form of dividend and investor get one vote per share to elect the board members who take the major decision of a management (Narang et al. 2022). Over the long term investment in common stock has a chance to grow that higher return than almost every other business because in common stock there is no fixed dividend and in common stock risk is high so due to that dividend may go up or low depend the price of shares in share market but if a company goes bankrupt or liquidates, the common share holder will not receive money until the creditor, bondholders and preferred shareholder are paid (Waseem et al. 2022).

Preferred stock

The London Stock Exchange Group plc holds ownership in a company, but preferred stockholders do not have the right to vote for board members. Preferred

shareholders/investors are typically entitled to a fixed dividend indefinitely with preferred shares. Some investors view preferred stock as being more akin to debt than equity because it can be callable, meaning that the issuing company can buy back the shares at any time without any explanation to the shareholders. As a result, preferred stockholders may not have the same potential for long-term capital appreciation as common stockholders.

Different Classes of Stock

Although common and preferred stocks are the two primary types of stock, companies have the ability to create various classes of stock that suit their particular needs. This allows companies to distribute voting power among different groups of shareholders. For instance, a company may create multiple classes of shares, such as A, B, and C, with different voting rights. Shareholders of class A may be given 10 votes per share, while shareholders of class B may be given 2 votes per share, and shareholders of class C may be given 1 vote per share (HOU et al. 2021). When a company has more than one class of stock, they are traditionally designated as class A, B, etc. For example, Pakistan State Oil (PSO) has two classes of stocks, represented as "PSOa, PSOb" or "PSO.A, PSO.B".

Methodology

Risk Factors During Invest the Money

Suppose you got a text from your college buddy, or someone call you or your relative work in a company which high technology based, and it announce highly revolutionary based new product and you hear the news if anybody buy the share/invest \$ 1000 today in stock then his/her money will be double in next end of a week, what do you say? In the realm of financial investments, it is commonly accepted that higher risk can lead to higher rewards or losses, emphasizing the intrinsic connection between risk and reward. It is crucial for investors to have a comprehensive understanding of various risk factors that can

potentially affect their financial future. Wise investors seek to mitigate risk by diversifying their investment portfolios across a range of stocks, bonds, mutual funds, and other financial instruments like Certificates of Deposit (CDs). However, some investors may opt for a more active approach by personally buying and selling stocks of individual companies through a broker or online trading platform (Yumei Hou 2020). If an investor prefers investing in a particular company instead of diversified mutual funds, then they may rely on their intuition and personal feelings to guide their investment decisions. However, before doing so, the investor should carefully analyze the unique risk factors associated with each investment and individual company.

Significant Risk Factors That Can Gain or Loss the Investment

We have identified seven important factors to consider when investing money, including the performance of the business sector: When assessing the risk factors of investing in a specific company, it's important to begin with a broad overview. While every company is distinct and ultimately seeks profitability, their success is often influenced by broader market trends and the overall performance of their respective business sectors. Let's decide that you are investing in an auto company. You may come across news articles that list companies involved in this sector and analyze the market demand for heavy-duty trucks and fuel-efficient vehicles. To reduce your investment risk, consider investing in a company that specializes in designing lightweight or hybrid vehicles.

Competition

Companies do not operate in isolation; they are influenced by the demands of consumers and the competitive landscape. While having a high market share can be an indication of a successful company, it is not always the case (Irshad et al. 2019). Having the largest market share does not necessarily equate to the best investment

opportunity when it comes to a company. The primary driver of profitable investing is a company's capacity to grow and appreciate in value over time. When you buy a stock at a particular price, the only way to earn a profit is by selling it at a higher price. Nevertheless, stock prices can be impacted by various factors, with market share being a significant determinant in the stock market. Investors who aim to preserve their funds tend to seek out companies that have the most potential to expand their market share in the future. It is true that Microsoft faces competition in the PC operating system market from companies like Apple and other mobile device manufacturers. However, it's important to note that the PC market is still a significant market and Microsoft's market share in that market remains strong. Additionally, Microsoft has expanded its business to other areas such as cloud computing and software as a service, which have helped to diversify its revenue streams and reduce its reliance on the PC market. Ultimately, it's important for investors to consider both the competitive landscape and the long-term growth potential of a company when making investment decisions.

Financial Performance

Every company made their financial documents quarterly or annually to record the business' financial health. Like as balance sheet, Net Income, expenditure reports, General Journal, ledger and so on which give a clear view about the health of business growth and its up and down yearly or quarterly. Figure 4 shows an example of a balance sheet, which is a financial statement that provides an overview of a company's assets and liabilities at a specific point in time. It displays all the things a company possesses, such as land, buildings, equipment, and unsold inventory. Liability refers to all the debts and obligations of the company, such as loans, salaries, and rent. Shareholder's equity is obtained by subtracting liabilities from assets, and represents the amount that investors would receive in the event of liquidation (Khokhar, Hou,

et al. 2020). The debt-to-equity ratio, which represents the proportion of a company's liabilities to shareholder's equity, is an important metric that indicates how rapidly a company is taking on debt relative to acquiring investments from shareholders. An income statement is a financial document that details the earnings a company has generated over a specific timeframe and deducts any expenses associated with producing that revenue. The figure obtained after subtracting expenses from revenue on the income statement represents the net profit or loss of the company. It's important to keep in mind that a single quarter's or year's profit or loss doesn't provide a complete perspective on the investment's risk, as it's just one aspect of a broader financial picture.

Figure 4

balance sheet is a financial statement

Income statement example		
TEDDY FAB INC. STATEMENT OF INCOME Year Ended December 31, 2100		
Revenues		\$ 1,000,000
Cost of goods sold		200,000
Gross profit		800,000
Operating expenses		
Selling, general, and administrative expense	357,700	
Interest expense	20,000	
Depreciation and amortization expense	5,200	
Operating income	417,100	
Interest income	20,000	
Net earnings before taxes	437,100	
Income tax expense	240,000	
Net income		\$ 197,100

Stock price volatility

When considering an investment in a company, it is important to make some key decisions, such as

whether you want to purchase shares for the short term or long term, or whether you aim to generate a quick profit and sell your shares? To make an informed investment decision, it is important to answer a few key questions before investing in a company. These questions may include the company's business model, financials, competitors, and industry trends. After answering these questions, you can formulate an investment strategy by utilizing platforms such as Yahoo Finance or Google Finance to evaluate the past performance of your desired stock.

Price Shocks

Price shocks are an economic concept that refers to a scenario where the prices of exported commodities experience a more substantial drop than the prices of imported commodities. An important factor contributing to price shocks is the continuous increase in the cost of importing crude oil, which reached almost a historic high of \$130 per barrel on May 25th and a record high of \$131 per barrel the following day (Khokhar, Iqbal, et al. 2020). The fluctuating prices of oil can have a significant impact on the global economy.

Expansionary financial or monetary policies

The previous government adopted the measure to boost the economy, which led to an increase in aggregate demand, resulting in high imports and low exports. When the current account deficit increases due to high imports and low exports, it can only be funded through a decline in foreign exchange reserves or an increase in capital inflows. Thus, this situation can be detrimental to the country's financial condition as it leads to a lack of trust among investors.

The current market situation has left many wondering about the potential catastrophic effects and how they could be mitigated. One significant contributor to the depreciation of the rupee was the State Bank of Pakistan's purchase of \$125 million from the interbank market and a \$45 million startup loan from the IMF in 2016.

These actions led to a scarcity of dollars in the currency market and a subsequent sharp rise in its value. However, other factors also played a role in this situation. Over the past nine years, the foreign debt of the nation has increased by 75%, leading to Pakistan's external debt reaching a peak of \$65.5 billion. Data from the State Bank of Pakistan (SBP) indicates that Pakistan's external debt has increased by 75% between 2006 and 2015 (Hou et al. 2023). Experts estimate that for every 100-paisa decline in the value of the rupee, Pakistan's international debt increases by Rs 1 billion. With the rupee's value having decreased by 7 to 8 percent, the magnitude of our international debt load is considerable. Pakistan is under immense pressure from both foreign and domestic debt, and a further decrease in the value of the rupee would only exacerbate this situation. Currency devaluation leads to expensive imports and cheaper exports, and as Pakistan tends to import more than it exports, trade deficits have been a persistent issue. Basic necessities, such as edible oil and raw materials for the industry, have to be imported even if their prices rise, increasing the import bill. Furthermore, the cost of production for companies that rely on imported raw materials has gone up, causing a rise in the prices of finished products. The recent surge in petroleum prices has significantly affected the production cost and prices of various commodities.

The government's proposed low subsidy and sudden increase in production costs are concerning for the public. The decline in the value of the rupee has also caused investors to lose confidence, leading to a further accumulation of dollars and speculation of a potential recession in the rupee's value. While currency devaluation may help to reverse the trend of trade deficits, Pakistan has historically faced recession whenever its currency loses value. This is due to the increased import bill and the low revenue generated from exports. Oil imports constitute a significant portion of our imports, and their prices must be paid even if they rise due to a decrease in the value of the rupee, resulting in a

higher import bill. Meanwhile, the decrease in export prices, which would make them more competitive, is not proportional to the reduction in the value of the rupee, leading to a decline in export revenue and increasing trade deficits (Khokhar, Devi, et al. 2022). Gas load shedding, electricity shortages, increased production costs, and poor law and order conditions make it challenging to achieve the desired export targets. However, some exporters and currency dealers have taken advantage of the situation, causing suffering for the whole nation. The government and the State Bank seem to be doing very little to address the situation. The State Bank has initiated an investigation into some banks and currency dealers as shown in figure 5 a clear view of Pakistan Rupees versus US \$ since 1947, but there is no clear outcome. Given that more than half of our population lives below the poverty line and has very little income, an increase in prices of basic necessities is highly burdensome for them, while the wealthy are less affected. It is hoped that positive steps will be taken soon to prevent further depreciation of the rupee, control inflation, and mitigate its adverse consequences for the country.

Figure 5

Now take a clear view of Pakistan Rupees versus US \$ since 1947!



Taxes on Stock Business

The imposition of numerous taxes in the federal budget for the 2016-2017 fiscal year led to a decrease in trade volume, causing investors to withdraw from the stock markets, as per the saying in the capital market. Several budgetary measures proposed by Finance Minister Ishaq Dar will have a direct impact on the capital markets "This sector is expected to make a significant contribution to the national exchequer," While Finance Minister Ishaq Dar

announced a number of benefits for the agriculture sector, it is worth noting that in comparison, listed companies contributed a total of Rs. 562.3 billion in taxes during the 2014–15 fiscal year, which accounted for 21.8% of the Federal Board of Revenue's (FBR) tax collection of Rs. 2.61 trillion. According to Muhammad Yasin Lakhani, who is a board director at the Pakistan Stock Exchange (PSX), "This is a budget that goes against the stock market? Every stock investor is already fully documented and compliant with taxes. Lakhani further added, "They have not eliminated the Capital Value Tax or the tax on bonus shares, which are completely unjustified." Furthermore, Finance Minister Ishaq Dar has made adjustments to the CGT rates and holding periods. As a part of the budgetary measures, he has increased the maximum taxable holding period for capital gains on shares from four to five years. The modification in the holding period could motivate investors to retain their stocks for a more extended time to circumvent higher taxation, resulting in decreased trade volumes on the stock exchange. The proposed CGT rates for non-filers mentioned in the budget document are 25%, 20%, and 17% for holding periods of up to one year, two years, and five years, respectively. At present, the CGT rates for holding periods of up to one year, two years, and four years are 20%, 20.5%, and 12.5%, respectively. (Mothafar et al. 2022). "Why is it so hard for the government to understand that changing tax rates every year drive investors away?" Lakhani said. Yes, that is correct. In the 2016–17 budget, The Finance Minister, Ishaq Dar, declared a one-time super tax on individuals, associations of persons, and companies earning more than Rs500 million for the tax year 2015–16. The tax rate for companies was 10%, while banking companies had to pay 15%. Recently, Ishaq Dar, the finance minister of Pakistan, announced that the super tax, which was initially a one-time tax, will continue to apply for the upcoming fiscal year as well. This decision contradicts his previous statement and is expected to cancel any benefits that the corporate sector might have obtained from the

10% reduction in their income tax rate. A proposal has been put forward to double the withholding tax rate of 5% on the commission earned by PSX members, which could potentially increase transaction costs for investors and discourage them from investing in the stock market. Moreover, raising the tax on dividends for non-filers could also discourage investors who are reluctant to disclose their earnings and become tax compliant. Nonetheless, the adjustment of excess tax withheld in the event of return filing could provide some relief to investors who file their tax returns.

Results and Discussions

Management Decision

CEOs, presidents, and chairmen of company boards are often compensated with significant salaries because they are responsible for making critical decisions that directly impact the growth, profitability, and stability of their respective companies. Before making an investment in a company, it is advisable to familiarize yourself with its leadership team and carefully analyze their decision-making process, particularly those that have contributed to the company's growth. It's also important to assess how the team has tackled risks and overcome challenges in the past. Take an example of apple company owner Steve jobs he died in 2011, sudden his death apple company goes down in market now what the reason behind it off course the role of leader has gapped that why company and investors suffered but a year it again got to stable as there in same position but the gap which come in apple company in 2011 it not be filled till death because Steve jobs is not only the owner of apple company but he was the leader who make the decisions for the betterment of the company so without good leader or management no company will get a good growth or profit in a market.

Research and Development

Investors typically ask the question, "What have you done for me lately?" when evaluating a

company. While past success can provide a vision of the future, it does not guarantee that the company will continue to perform well. Many reputable companies have a contingency plan in place, which involves extensive research and development to determine the best way to market their products to meet the needs and wants of their customers. This is a long-term process that requires conducting surveys and analyzing market trends. The primary role of Research and Development (R&D) is to gain a competitive edge over competitors. For instance, BlackBerry and its parent company, Research in Motion (RIM), utilized R&D to achieve success. The BlackBerry device, which was recognized for its innovative keyboard and push messaging system, was a dominant player in the US smartphone market during the early 2010s. As of the first quarter of 2010, BlackBerry still held over 50% of the smartphone market share. Nevertheless, in 2016, the company witnessed a drop in its market share owing to intense competition from other smartphone manufacturers. As the sleek Apple iPhone began to gain popularity and market share, BlackBerry struggled to create a robust new operating system and interface to compete with other touchscreen smartphones. BlackBerry's initial foray into the touchscreen market was with the 2008 BlackBerry Storm, which received unfavorable reviews from critics due to its slow performance and glitches. As a result, the device failed to gain much traction among consumers.

Legal Troubles

An inquiry by the U.S. Department of Justice (DOJ) is something that Wall Street views unfavorably, second only to unfavorable earnings reports. To minimize investment risk, it is advisable to avoid companies that are currently being scrutinized by the Antitrust Division of the DOJ or the Enforcement Division of the SEC. In the event that a company is found guilty of engaging in misleading accounting practices, fraudulent earnings reporting, or anticompetitive behavior, it is likely to deter potential investors and lead to

a decline in its stock price. Even if a company faces a significant legal ruling, it may not spell its demise. Microsoft, for example, violated antitrust laws in 1999 with its Windows operating system, yet it managed to pay its fine, reorganize its operations, and maintain its market share and sales. In fact, some investors actively seek to purchase stocks of robust companies that have recently faced legal challenges. The key is to recognize the moment when the stock price reaches its lowest point and starts to recover.

Certain legal problems can be insurmountable. In 2001, when government regulators and fraud investigators started to probe the headquarters of Enron, a prominent energy company, it became apparent that the former Wall Street favorite was not going to bounce back. As a result, investors rapidly sold their Enron shares, leaving those who had bought them late with worthless stock certificates that had lost their value.

How Stock Trade

Stock exchange is a company which is comprises dozens of companies registered according to the state/country of the law in which there is huge number of buyers and sellers already present in the form of company or individually for purchasing and selling the stock if we look go back in past stock exchanges doing business to issuing piece of paper in which company number of share, price per share and date mentioned after that a person who purchase the share he/she has right in the company to take dividend in the form of profit according to the dividend share policy of a particular company which is made by board of management of a company. Most are traded on exchange; Physical exchanges are locations where transactions occur on a trading floor. You may have come across pictures of a trading floor where traders are seen gesturing, yelling, and communicating with each other. Physical exchanges are locations where transactions occur on a trading floor. You may have come across pictures of a trading floor where traders are seen gesturing, yelling, and communicating with each

other. Just imagine how difficult for a company/person to sell his/her share to neighborhood trying to find the buyer and same situation happen while purchasing the share so for this stock exchange made it in minutely that a person or company can sell or purchase his/her share just by a single phone call to broker or doing themselves electronically by mean of network to accessing his/her account. The market can be categorized into two types: primary and secondary. The primary market is where new securities are issued, such as in an initial public offering (IPO). Companies issue shares to the general public to generate funds for business expansion. On the other hand, the secondary market is where previously issued securities are traded among investors, without the involvement of the issuing companies. Most trade of stock exchange done by the middleman which now we called days as broker.

Stock Market Candidate and Exchange

In the past, individual investors with wealthy family histories, like the Ford family, dominated the buyer and seller roles. However, with the modernization of the stock exchange, this concept has vanished, and now anyone, even a cyclist, can invest money in the stock market by purchasing shares through a broker or online. After a specific time period, they can gain profit or incur losses. Nowadays, the chances of profit are maximized for stable businesses.

Relation of stock market to New Financial system

I am currently investigating the United Bank Limited's mutual funds investment, which serves as a good example of how the stock market has modernized the financial system. Individuals who have accounts with UBL can invest in UBL funds by creating an account on the UBL funds investment portal.

By logging in you will find this type of screen if you have any investment it is showed under the brief case which you are seeing, yes I have little investment in UBL mutual funds because due to

less income but in future I will make it in big one to get more advantage and the other thing of this is quite better and different of this is you can back your investment at any time by clicking the redemption Button so its modern method through which we can invest our money in stock exchange. Look at the above screens that people who are working in daily wages or a big businessman can invest his/her money through many ways in UBL mutual Funds investment according to his/her demand or consult with advisor.

Importance of Stock Markets

Before talking the importance of stock markets, we talk about things which are mandatory for running the stock markets like as good network transportation, electricity, and advanced telecommunication system and all these working properly because without that business can't be channelized in these days. Financial markets are a crucial aspect of a country's infrastructure and contribute significantly to the business economy at the domestic level. Among the various types of financial markets, stock markets play a significant role in performing the following functions in an economy.

Raising Money for businesses

Stock markets offer companies the opportunity to raise capital by issuing or selling shares to the market as per their requirements.

Dynamic Savings for Asset

Investing in the stock market results in a more rational allocation of resources, as funds that were previously stagnant in banks or other accounts are mobilized through proper channels and redirected to promote business activities in various economic sectors such as commerce, industry, agriculture, etc. This results in stronger economic growth and higher productivity levels.

Facilitate firm growth

Companies are always looking to expand their business by increasing their product lines, distribution channels, market share, or acquiring necessary assets or through mergers. The stock market provides companies with the means to facilitate their growth rate.

Redistribution of wealth

It means distribution of wealth in the form of dividends to professional investor stock investors and casual stock investors when the stock price rise, they gain their profit in the form of dividend according to business proximation.

Corporate Governance

Companies always tends to improve their management efficiency due to wide range of owners generally companies set their own rules according to board of directors some companies doing with issuing their shares in market to generally public and some are governmental if in the stock exchange general public involved then there is a wide range of investors involved with the purchasing and selling of shares and the person who have share it mean he/she have the ownership in companies dividend and even board of directors according to their shares percentage .

Creates investment opportunities for small investors

Occasionally for business a lot of money is needed for investment but through stock exchange small investors can invest their money by purchasing shares of different companies. Thus, the stock exchange serves as an additional source of income for small savers.

Government raises funds for growth projects

Governments and local municipalities may decide to finance large infrastructure projects, such as sewerage and water treatment works or housing estates, by borrowing money through the sale of securities, known as bonds. Bonds can

be raised through the stock exchange, and individuals can purchase them in the hope of earning substantial returns. Through this process, the government can borrow money for various projects without incurring interest.

Barometer of the economy

Share price may go up or down depending on the market though which stability of business confirmed ,actually there are many factors which play an important role in stock exchange like as countries political situations , foreign relationships with neighbor countries , and peaceful environment of a country is necessary.

What Reasons Stock Prices to Change

Stock prices change every day due to market forces. The change in share prices is primarily driven by supply and demand. If the demand for a stock is higher than the supply (number of shares available for sale), then the price increases. Conversely, if more people want to sell a stock than buy it, then there will be an excess of supply over demand, leading to a decrease in the stock price. While understanding supply and demand in the stock market is straightforward, comprehending why people choose to buy or sell a particular stock is often challenging. One way to understand why people buy or sell a particular stock is to monitor the dividend prices and market reputation of different companies. Investors typically purchase various types of securities in the stock market with the goal of earning returns that exceed their initial investment. The primary principle underlying stock market analysis is that the price movements of a stock reflect the perceived value of the underlying company by investors. It is important not to conflate a company's actual value with the current price of its stock in the stock market. One reason for a company to issue shares in the stock market is to increase its market capitalization, which is determined by multiplying the stock price by the number of outstanding shares. The price of a stock is determined by the supply and demand in the

market, and it reflects investors' perception of a company's future growth potential and profitability. A company's actual worth is determined by its assets, liabilities, earnings, and other financial indicators, which are used to evaluate its fundamental value. However, the stock price is often used as an indicator of a company's performance and is closely watched by investors and analysts.

While earnings are an important factor in determining a company's value and its stock price, there are many other factors that can cause fluctuations in the stock market. These include economic indicators, global events, changes in industry trends, and even investor sentiment and speculation. It's difficult to predict the exact impact of these factors on stock prices, which is why investing in the stock market can be risky and requires careful research and analysis.

The important things about this subject which should be grasping are given below:

1. The supply and demand of shares in the stock market determine the stock prices.
2. Money generated by issuing shares in the share market by market capitalization which adds the value in company.
3. Investors' sentiments, attitude and expectations are ultimately affecting stock prices.
4. There are many theories explaining the stock price move up and down but regrettably there is no theory that can explain everything.

Conclusion

Regular up and down in the currency market (both currency appreciation and depreciation of currency) is a regular matter. Yet one has to express his intention regarding the current sharp decline of the rupee. There are undoubtedly some constructive aspects of this devaluation, but they do not seem to be present clearly. Though whole economy has been handover due to its terrible penalties and the common man is directly to be victim. Why has the rupee gone down so rapidly

versus the dollar? It is an individual debate, which can be highlighted on some other occasion. During May 8th, the value of the Pakistani rupee sharply declined against the US dollar in both the interbank and kerb forex markets. Despite the intervention of the central bank and government's measures, the Pakistani Rupee has been consistently devalued. Under a fixed FX rate system, the exchange rate remains stable, but it can be subject to adjustment through various mechanisms. Currency devaluation can be caused by a variety of factors, including corruption, political turmoil, economic conditions, and GDP. However, the primary drivers of currency devaluation are typically price shocks, expansionary fiscal or monetary policies, fiscal deficits, weaknesses in the domestic financial system, capital flight, low levels of foreign direct and portfolio investment, and speculative pressure.

References

- Ahmed, Salman, Sayma Zia, Ayla Wajahat, and Maryam Khokhar. 2022. "Why New Businesses Fail Due To Ineffective Services In Marketing Strategy." 19(3).
- Ahmed, SheharYar. 2020. "Impact of COVID-19 on Performance of Pakistan Stock Exchange." *SSRN Electronic Journal*. <https://doi.org/10.2139/SSRN.3643316>.
- Anon. n.d. "Occupational Health & Safety Implementation Framework for Pakistani Construction Industry in Sindh Province." *3C Tecnología. Glosas de Innovación Aplicadas a La Pyme*.
- Aryaeinezhad, Hossein, Arash Naderian, Hossein Didehkhani, and Ali Khozein. 2023. "Evaluating the Effectiveness of GARCH Models in the Estimation of Conditional Value at Risk in Listed Companies of the Tehran Stock Exchange: Accounting Data Approach." *International Journal of Finance & Managerial Accounting* 8(29):239–49. <https://doi.org/10.30495/IJFMA.2023.21140>.
- Begum Siddiqui, Mehtab, Maryam Khokhar, Tayyaba Rafique Makhdoom, Anila Devi,

- Azeem Akhtar Bhatti, Najaf Hussain, Benazir School of Business, Benazir Bhutto Shaheed University Lyari, and Crossponding Author. 2023. "Exploring the Rural Development of China Pakistan Economic Corridor Project Impact on Social Responsibilities and South Region of Pakistan." *International Journal of Special Education* 38(1):135–50.
- Bianconi, Marcelo, and Joe A. Yoshino. 2014. "Risk Factors and Value at Risk in Publicly Traded Companies of the Nonrenewable Energy Sector." *Energy Economics* 45:19–32. <https://doi.org/10.1016/j.eneco.2014.06.018>.
- Chien, Fengsheng, Abdurrahman Adamu Pantamee, Muhammed Sajjad Hussain, Supat Chupradit, Muhammad Atif Nawaz, and Muhammad Mohsin. 2021. "Nexus between Financial Innovation and Bankruptcy: Evidence from Information, Communication and Technology (Ict) Sector." *Singapore Economic Review*. <https://doi.org/10.1142/S0217590821500181>.
- Gupta, Sayan, Gautam Bandyopadhyay, Sanjib Biswas, and Arup Mitra. 2022. "An Integrated Framework for Classification and Selection of Stocks for Portfolio Construction: Evidence from NSE, India." *Decision Making: Applications in Management and Engineering*. <https://doi.org/10.31181/DMAME0318062021G>.
- Hailiang, Zeng, Maryam Khokhar, Tahir Islam, and Anshuman Sharma. 2023. "A Model for Green-Resilient Supplier Selection: Fuzzy Best-worst Multi-Criteria Decision-Making Method and Its Applications." *Environmental Science and Pollution Research* (123456789). <https://doi.org/10.1007/s11356-023-25749-4>.
- Hanifah, Ummu, Maria Th Heni Widyarti, and Sri HS Hardiningsih. 2023. "THE EFFECT OF ENTERPRISE RISK MANAGEMENT AND INVESTMENT DECISION ON FIRM VALUE DURING THE COVID-19 PANDEMIC (EVIDENCE FROM HOTELS, RESTAURANTS, AND TOURISM COMPANIES LISTED IN INDONESIA STOCK EXCHANGE 2020–2021)." *Applied Accounting and Management Review (AAMAR)* 1(2):36–45. <https://doi.org/10.32497/AAMAR.V1I2.4166>.
- HOANG, Tri M. .. 2021. "Asymmetric Effects of Oil Price Shock on Stock Markets in Vietnam: An Empirical Investigation Based on SVAR Model and NARDL Model." *The Journal of Asian Finance, Economics and Business* 8(6):553–65. <https://doi.org/10.13106/JAFEB.2021.VOL8.NO6.0553>.
- Hou, Yumei, Maryam Khokhar, Anshuman Sharma, James Bakul, Sarkar Mohammad, and Amzad Hossain. 2023. "Converging Concepts of Sustainability and Supply Chain Networks : A Systematic Literature Review Approach." *Environmental Science and Pollution Research*. <https://doi.org/10.1007/s11356-023-25412-y>.
- HOU, Yumei, Maryam Khokhar, Mumtaz Khan, Tahir Islam, and Imtiaz Haider. 2021. "Put Safety First: Exploring the Role of Health and Safety Practices in Improving the Performance of SMEs." <https://doi.org/10.1177/21582440211032173>.
- Hou, Yumei, Maryam Khokhar, Sayma Zia, and Anshuman Sharma. 2022. "Assessing the Best Supplier Selection Criteria in Supply Chain Management During the COVID-19 Pandemic." *Frontiers in Psychology* 12(April):1–13. <https://doi.org/10.3389/fpsyg.2021.804954>.
- Irshad, Muhammad, Wenyan Liu, Jehangir Arshad, M.Noman Sohail, Aparna Murthy, Maryam Khokhar, and M.Musa Uba. 2019. "A Novel Localization Technique Using Luminous Flux." *Applied Sciences (Switzerland)* 9(23):5027. <https://doi.org/10.3390/app9235027>.
- Jabló, Marek, Dariusz Zarzecki, Wojciech cwił Wojciech', Wojciech cwił Ek, Andrzej Jaki, Łukasz Popławski, and Tomasz Rojek. 2023. "Value-Creation Efficiency as a Decision-Making Basis and Its Assessment in the Financial Management of Energy Companies: Evidence from the Polish Capital Market." *Sustainability* 2023, Vol. 15, Page 1622

- 15(2):1622.
<https://doi.org/10.3390/SU15021622>.
- Khan, Muhammad Imran, Jian Zhou Teng, Muhammad Kamran Khan, Arshad Ullah Jadoon, and Muhammad Fayaz Khan. 2021. "The Impact of Oil Prices on Stock Market Development in Pakistan: Evidence with a Novel Dynamic Simulated ARDL Approach." *Resources Policy* 70:101899. <https://doi.org/10.1016/J.RESOURPOL.2020.101899>.
- Khaskhelly, Farhan Zeb, Maryam Khokhar, Nida Zehra, and Hemal Azhar. 2022. "Closed Loop Supply Chain: Evaluating Ecological Footprint." 4(2):69–94.
- Khokhar, Maryam, Anila Devi, Mehtab Begum Siddiqui, and Azeem Akhtar Bhatti. 2022. "Performance of the Cosmetics Industry from the Perspective of Corporate Social Responsibility and Circular Economy : A Cross - Cultural Current Challenges Faced In the Cosmetics Industry." 10(4):1569–77.
- Khokhar, Maryam, Sayma Zia, Tahir Islam, Anshuman Sharma, Wasim Iqbal, and Muhammad Irshad. 2022. "Going Green Supply Chain Management during Covid-19, Assessing the Best Supplier Selection Criteria: A Triple Bottom Line (Tbl) Approach." *Problemy Ekorozwoju* 17(1):36–51. <https://doi.org/10.35784/pe.2022.1.04>.
- Khokhar, Maryam, Wasim Iqbal, Yumei Hou, Majed Abbas, and Arooj Fatima. 2020. "Assessing Supply Chain Performance from the Perspective of Pakistan's Manufacturing Industry Through Social Sustainability." *Processes* 2020, Vol. 8, Page 1064 8(9):1064. <https://doi.org/10.3390/PR8091064>.
- Khokhar, Maryam, Yumei Hou, Muhammad Asim Rafique, and Wasim Iqbal. 2020. "Evaluating the Social Sustainability Criteria of Supply Chain Management in Manufacturing Industries: A Role of BWM in MCDM." *Problemy Ekorozwoju* Vol. 15(nr 2).
- Latif, Yousaf, Ge Shunqi, Shahid Bashir, Wasim Iqbal, Salman Ali, and Muhammad Ramzan. 2021. "COVID-19 and Stock Exchange Return Variation: Empirical Evidences from Econometric Estimation." *Environmental Science and Pollution Research* 28(42):60019–31. <https://doi.org/10.1007/s11356-021-14792-8>.
- Mothafar, Nora A., Maryam Khokhar, Nida Zehra, Farhan Zeb Khaskhelly, Muhammad Haris Mirza, Muhammad Asim Rafique, and Ali raza. 2022. "Aligning Organization And Human Resource Management Practices For Business Strategy." *Journal of Positive School Psychology* 2022(12):236–48.
- Narang, Monika, Mahesh Chandra Joshi, Kiran Bisht, and Arun Pal. 2022. "Stock Portfolio Selection Using a New Decision-Making Approach Based on the Integration of Fuzzy CoCoSo with Heronian Mean Operator." *Decision Making: Applications in Management and Engineering* 5(1):90–112. <https://doi.org/10.31181/DMAME0310022022N>.
- Olayeni, Olaolu Richard, Aviral Kumar Tiwari, and Mark E. Wohar. 2020. "Global Economic Activity, Crude Oil Price and Production, Stock Market Behaviour and the Nigeria-US Exchange Rate." *Energy Economics* 92:104938. <https://doi.org/10.1016/J.ENERCO.2020.104938>.
- Park, Jongwon, Sunyoung Kim, and Albert Tsang. 2022. "CEO Personal Hedging and Corporate Social Responsibility." *Journal of Business Ethics* 2021 182:1 182(1):199–221. <https://doi.org/10.1007/S10551-021-05021-W>.
- Satisfaction, Customer, Standard Adoption Practices, Sustainability Reporting, Supply Chain, Social Sustainability, Manufacturing Firms, and Social Sustainability. 2023. "Customer Satisfaction and Standard Adoption Sustainable Performance of Supply Chain Manufacturing Firm Case Study Practices on the Management : " 11(1):113–31.
- Septia, Dara Rahma, Melly Juwita Nasution, Nunik Nurmala Wardani, and Rafif Sultan Naufal. 2023. "Analysis of Factors Affecting Risk Management Disclosure." *ULIL ALBAB :*

- Jurnal Ilmiah Multidisiplin* 2(2):483–89.
<https://doi.org/10.56799/IIM.V2I2.1273>.
- Shatnawi, Saddam Ali, Ahmad Zuhier Marei, Mustafa Mohd Hanefah, and Monther Eldaia. n.d. “The Effect of Audit Committee on Financial Performance of Listed Companies in Jordan: The Moderating Effect of Enterprise Risk Management Shariah Audit View Project TAX COMPLIANCE OF INDIVIDUAL TAXPAYERS: A SYSTEMATIC LITERATURE REVIEW View Project.”
- Utami, Elok Sri, and Muhamad Hasan. 2021. “The Role Of Corporate Social Responsibility On The Relationship Between Financial Performance And Company Value.” *Journal of Asian Finance, Economics and Business* 8(3):1249–56.
<https://doi.org/10.13106/jafeb.2021.vol8.no3.1249>.
- Waseem, Afia, Maryam Khokhar, Sayma Zia, Yumei Hou, and Czech Republic. 2022. “Supply Chain Management in Crisis: Agile Planning to Avoid Supply Chain Disasters.” 13(6):422–41.
- Yumei Hou, Jingde Weng, Qiuye Gao, Yimin Wang, Maryam Khokhar, Jie Liu. 2020. “Considering the Patient Satisfaction and Staffing Skill the Optimization of Surgical Scheduling by Particle Swarm and Genetic Algorithm.” *Solid State Technology* 2096–2111.