

Impact of Terrorism on Rupee-Dollar Exchange Rate and Stock Return...

Impact of Terrorism on Rupee-Dollar Exchange Rate and Stock Return: Evidence from Pakistan

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Abstract

Every person's life is greatly impacted by terrorism, either directly or indirectly. Extreme terrorist prohibitions apply to the majority of nations, including Pakistan. This study's primary goal is to calculate the impact of terrorism from 2000 to 2017 on Pakistan's financial markets. This analysis spans a span of 17 years. Additionally, it looks at how frequently the Pakistan Stock Exchange and the FOREX market are linked to terrorist actions. After acquiring secondary data on the metrics for the two business classes, the autoregressive regression model is used to quantify the effects of various terrorist operations on financial markets. According to our research, terrorist attacks have a negative effect on the financial markets we are studying, but the significance of these attacks varies depending on the market. In addition to terrorism, a number of other stochastic occurrences that should have been considered are also to blame for the poor performance of the financial markets. The report makes recommendations for policy regarding institutional growth with regard to investments in the creative security sector and creating a more favorable environment for investors by altering the money supply and

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pricing.

Keywords: Terrorism, Financial Market, FOREX, Pakistan Stock Exchange, Criminology, Autoregressive

Following the events of September 11, Pakistan has experienced several horrific, well-planned terrorist strikes that have had a profound psychological impact on the populace and laid the groundwork for social unrest and dread. The worst-affected parts of Pakistan have seen a number of efforts by capable law enforcement officials to end and lessen the degree of violence. Due to Pakistan's effective currency value reaction, a number of (military) law enforcement operations were conducted in response to terrorist acts in order to lessen their overall influence on the country's economic statistics (Chen & Siems, 2004; Qaiser, Sohail, Liaqat, & Mumtaz, 2012). A few terrorist attacks against financial markets, the Laal Masjid, and the former prime minister Benazir Bhutto occurred in 2007. (Qaiser et al., 2012). Due to the terrorist conditions in the region, foreign investors are less likely to relocate to Pakistan (South Asian Country) (Mustafa, Imran, Ismail, & Arslan, 2020). Attacks by terrorists resumed in 2009, with the majority continuing until 2011, then the South of Waziristan's activity. In the years 2006 to 2011, there was a greater degree of volatility and terrorism risk in the USD to PKRS exchange rate. Terrorist attacks also cost Pakistan \$23.77 billion in lost income. According to reports, the years 2010–2011 were the highest in its history (Pakistan Economic Survey, 2016-2017). Pakistan has suffered from terrorism over the past 18 years, costing the country almost \$126.79. Pakistan had been ranked as the fifth most dangerous country, but in 2017, it came in at number 163 out of 163. According to Pakistan's Economic Survey from 2010 to 2011, there were more terrorist strikes than ever before. Nevertheless, Pakistan recently experienced \$2 billion in foreign investment, privatisation, tax collection, costs associated with insecurity, compensation for physical infrastructure, industrial production, and overspending due to the effects of the war and terrorism, which were reported to have cost \$5.47 billion in the fiscal year 2016-2017.

Pakistan was under a lot of stress from the fight on terror. The worldwide reputation of Pakistan was damaged as terrorist activity increased and threatened the country's peace and stability. Pakistan is a nation with a fragile economy. The war on terror had a significant negative impact on Pakistan's economy. There was to be compensation for Pakistan's direct and indirect costs. As a substantial result, domestic market operations have slowed down. Unemployment rose in the impacted regions, including as KPK and FATA. Pakistan's tourist sector has taken a significant hit. Millions of displaced people have also had a negative effect on Pakistan's economy. The terrorist attacks were hurt by the development initiatives in the FATA and KPK, which required Pakistan to pay \$6 trillion annually instead of the \$1,9 trillion it had been receiving from the US annually. As a result, Pakistan's gains from fighting in the war decreased significantly in 2007–2008. Due to terrorist attacks, Pakistan has suffered losses in a number of businesses. According to reports, “the overall cost of the war on terror from 2001–2002 to 2010–2011 was \$67.9 billion (GoP, 2011). Between FY 17 and FY 18, the losses for compensating those who were affected totaled US\$ 129.89 million, the losses for the physical infrastructure totaled US\$ 383.83 million, the losses for foreign investments totaled US\$ 1.234.40 million, the losses for private investors totaled US\$ 251.19 million, the losses for businesses totaled US\$ 1043.90 million, the losses for tax revenues totaled US\$

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3459.69 million”, and the losses for production and the loss.

Pakistan is a South Asian nation that shares its eastern border with India and its western border with Afghanistan and Iran. The Indian Ocean and China are both to the north and south of the mountainous region, respectively. As a result of terrorist activity in the western KPK (Khyber Pakhtunkhwa and Balochistan provinces), Pakistan has suffered losses of more than \$5 billion.

Due to a lack of stringent protection, Pakistan is more susceptible to terrorism, especially in areas where smuggling is rampant. This accidental impact on currency movement and the stock market finally results in economic instability. Nitsch & Schumacher (2004); Charles & Darne (2006) Numerous studies that assessed the impact of ongoing terrorism on national economies showed that the financial market always responded immediately to acts of terrorism (Alam, 2013; Shahbaz et al., 2013; Suleman, 2012). While a single terrorist incident has had devastating effects, persistent terrorist acts, which have resulted in many deaths, have less of an immediate impact. People's socioeconomic adjustments to natural or contrived calamities (Elahi & Ghauri) may cause unintended fluctuations in the FOREX and financial markets as well as a normalisation of everyday life and a subsequent re-evaluation of economic decision-making. Stay alert for any terrorist activities that could impede investments. The primary currency associated with and predominate in international trade and any financial transaction is the dollar (Kondratuk, Hausdorf, Korabik, & Rosin), which fundamentally affects the economic health of any nation. The investor supply of bursary returns will always deviate in the event of a criminal assault. Numerous studies have demonstrated how terrorist acts directly contribute to global instability. (Abadie & Gardeazabal, 2003; Chen & Siems, 2004) The goal of this study is to ascertain how much terrorist attacks in Pakistan have an impact on stock returns and currency exchange rates, taking into account the aforementioned problems.

LITERATURE REVIEW

To achieve a political or economic objective, a single individual or group of organisations may use or threaten to use force in a deliberate manner, terrifying larger audiences beyond the immediate casualties. Terrorist attacks can take many different forms, including hijacking of aeroplanes, kidnapping, assassination, intimidation, bombing, and suicide bombings, even if the attackers' motivations may differ (Enders et al., 2006). It is predicted that terrorist operations will put pressure on a government to make political compromises. The government can somewhat accommodate the proposals when the targeted issues are more expensive than the effects of a terrorist assault. Therefore, if a terrorist organisation can reduce the negative effects of its operations, it should be possible for it to achieve some of its goals more effectively. Such repercussions may include fatalities, infrastructure loss, heightened anxiety, and many other financial expenditures. It is evident that the 11 September 2001 attacks resulted in significant costs of between \$80 and \$90 billion, including the reduction of lost income, compensation for victims, and decreased trade. The entire cost of 9-11 was a miniscule fraction of the US Gross Domestic Product (GDP), which topped \$10 trillion. There are several ways in which terrorism may cost a targeted nation money. Attacks by terrorists have an impact on the economy by rerouting foreign direct investment, destroying infrastructure, diverting funds to the military, or restricting trade.

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Economic growth may be constrained in emerging nations that do not get enough FDI, a substantial source of savings, in the same way that capital may leave a nation experiencing civil strife (Collier et al., 2003). An effective terrorist campaign could significantly lower capital inflows. Similar to civil war, terrorism can have an adverse effect on neighbouring nations by discouraging capital investment or reducing economic activity in a terrorist-infested nation through regional propaganda. After 9/11, terrorism also had an impact on the airline and tourism industries.

Implementing expensive security measures after catastrophic assaults, such as the enormous domestic security expenses following September 11 is an added cost (Enders et al., 2006). With higher insurance costs, pricy security measures, and higher pay for workers at high risk, terrorism also drives up business costs. The ability of a nation to deal with terrorist attacks without suffering significant economic consequences is the key to determining GDP size and economic sustainability. The USS Cole and the Limburg assaults had a significant impact on Yemen's maritime business; as a result, half of Yemen's port activities were relocated to more lucrative locations in Djibouti and Oman, where insurance subsidies had increased by 300 percent. (U.S, 2002). The decision caused the Yemeni maritime sector to lose \$3.8 million each month. These losses have a bigger potential economic impact for a country with a lower GDP since they account for a larger percentage of GDP. Although a similar number of people are likely to lose their jobs, the proportion of the labour force in less developed nations is higher than in larger industrialised nations. Additionally important is the need for a diverse economy. As resources (capital and manpower) are transferred into other sectors of the economy, particularly export industries, or as stronger protective measures are deployed to address concerns, these maritime catastrophes may momentarily have an influence on a more diversified and industrialised economy. When a tiny developing country's export industry is linked to certain activities (like sea shipping, for example), an assault that targets such operations would have a significant negative impact on the country's foreign exchange earnings. The capacity of liberated resources to support other export activities is constrained when there are few alternatives.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Terrorism purposely creates a state of terror, ferocity, and unease with the goal of influencing the government. Terrorism has an immediate, quick, and detrimental impact on the economy and industry. Government initiatives are required to address these decreases in investment, growth, and consumption across a variety of sectors, as well as the ongoing negative impacts on companies and terrorism's indirect impact on the financial markets.

The US stock market was shut down for a few days following the attack on the World Trade Center, shocking business and industry. Since the 9/11 attacks, there has been a significant decline in the stocks of airlines, travel agencies, and insurance companies. Because of terrorism, significant mergers and acquisitions have been observed. According to Meindl's event research from 2018, the World Trade Center Attack reduced the worth of insurance firms. Bond variations, unpredictability, and capital losses all grew, they saw. The damaging consequences of terrorism on many nations' economy are short-lived; diverse economies may thrive in the face of terrorism, and terrorism provides a justification for allocating funds and investments. While the stock market responded to the World Trade Center (WTC) Attack

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with a swift but unfavourable reaction, the long-term effects of September 11 were bigger than the short-term ones. It is believed that terrorism has had a significant impact on the European stock market and that its profitability has fallen. Worse reactions to more severe acts of terrorism have been documented, and several studies have found links between terrorism and the stock market that are detrimental (Drakos, 2009). Diversification can help to lessen these activities' detrimental consequences. However, it has been proven that terrorist acts have no negative influence on the currency market or economy. According to Gul et al. (2010), under some circumstances, terrorism has a significantly higher impact on KIBOR than on the stock market. Assisting in lowering the risk and loss-related costs of terrorism are other financial products including bonds linked to terrorist occurrences, volatility options, and insurance plans to entice investors in a post-terrorist period.

CONCEPTUAL FRAMEWORK

Exchange rate, stock market, and terrorist actions make up the three research variables. According to prior research, terrorist operations are thought to be dependent on the stock market and currency rate. When terrorism strikes a nation, both the stock and money markets are affected (Balcilar, Gupta, Pierdzioch, & Wohar, 2017). As a result, when a nation is under attack by terrorism, the money market responds by devaluing the domestic currency, but it also depends on investment behaviour (Balcilar et al., 2016a) and the attention of foreign investors (Bensassi & Martinez-Zarzoso, 2012). Pakistan, which has already suffered great harm from terrorism, is the subject of the current investigation.

- H1: The stock market in Pakistan is significantly impacted by armed assault.
- H2: The foreign exchange rate is significantly impacted by armed assault.
- H3: The Pakistan stock market is significantly impacted by assassinations.
- H4: The foreign exchange rate is significantly impacted by assassination.
- H5: The Pakistan stock market is significantly affected by hostage-taking.
- H6: The kidnapping of hostages has a big effect on the foreign exchange rate.
- H7: The Pakistan stock market is significantly impacted by bombing.
- H8: The foreign exchange rate is significantly impacted by bombing.

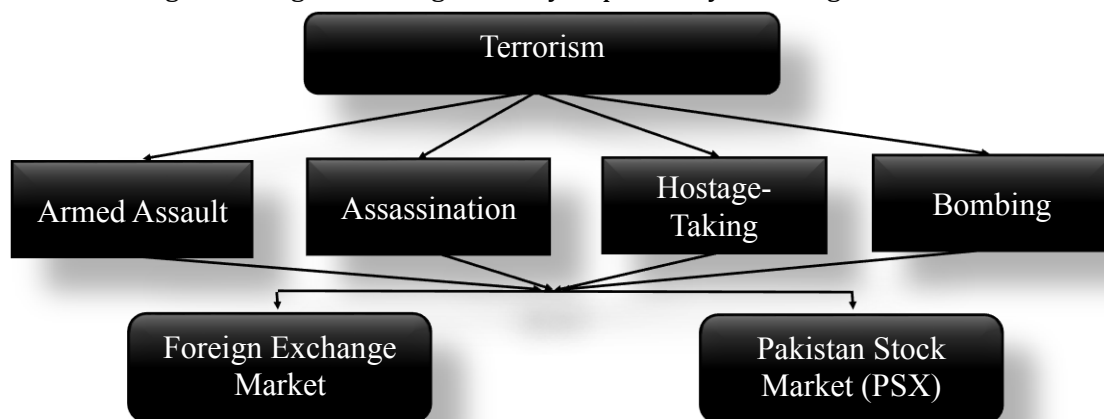


Figure .1 Conceptual Framework

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Source: The graph is adapted from Chaudhry et al (2018) and modified to fit the needs of the study

MEASURES

This study investigates how terrorist acts affect Pakistan's stock market and foreign exchange rates. At the individual analytical level, quantitative approaches were the most useful for determining the relative importance of the research variables. Time-series data are used in the study for data interpretation. For seventeen years, high-frequency daily data were gathered for this investigation (i.e., from 2000-2017). The data were gathered using a variety of tools. Two different financial markets, namely the capital market for FOREX and PSX (PAKISTAN STOCK EXCHANGE), employ secondary information. The PSX website's database of index data was used. The Department of Monetary Policy of the State Bank of Pakistan provided the information on foreign exchange (i.e., dollar parity), while the World Terrorism Database provided the information on terrorism (GTD 2019). The terrorist actions are divided into four different dummy variables as this study examines the impact of terrorism on Pakistan's financial markets. Four groupings, D1, D2, D3, and D4, were created to categorise the terrorists' conduct. Each operation was given a certain category based on how strong it was.

ANALYSIS

The findings are carefully estimated in this work using STATA, an econometric time series programme. The analysis makes use of the Autoregressive Regression Model (AR-1). The "Autoregressive Regression Analysis technique is a time series model that uses impressions from past time projects as a contribution to regression analysis to forecast the value for the future. It is an easy-to-understand concept that can lead to precise measurements for a variety of time series problems" (Brownlee, 2017).

DATA STATIONARITY

This chapter includes a thorough explanation of the findings in addition to the results. Before estimating the model, the stationarity must first be confirmed. If the series is not stable, the regression estimate might yield false findings, according to Newbold (1974). (or the existence of unit root). The stationarity of the variables was assessed using the Augmented Dickey-Fuller (ADF) test, and the outcomes are shown in the following table.

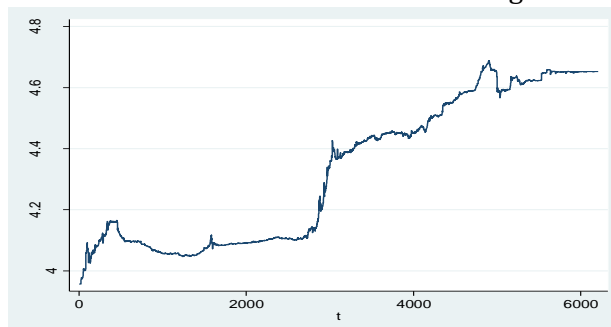


Figure 2.USD Trend (2000-2017)

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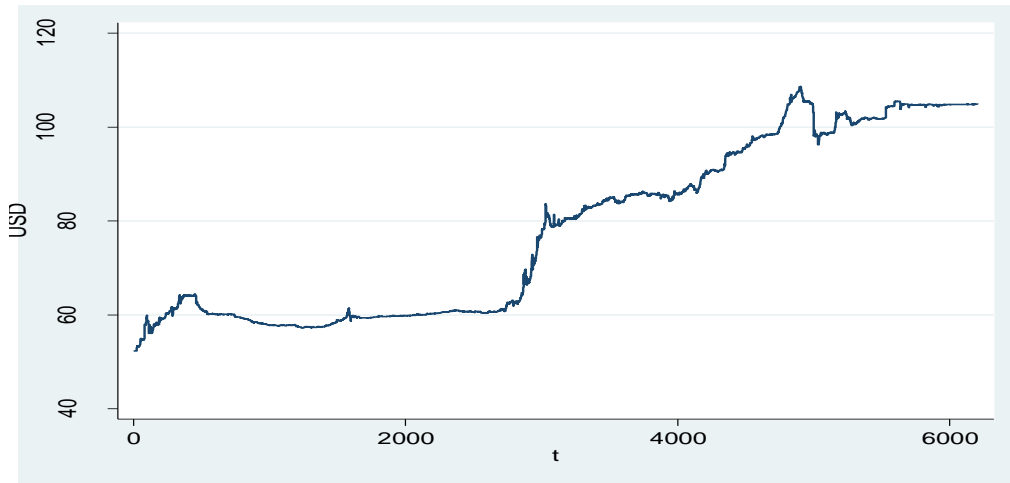


Figure 3. PSX Trend (2000-2017)

Figures.1 and.2 demonstrate that the data from USD and PSX are not stationary in the series sequence plot that we ran as a first step to assess the data stationarity visually. That suggests that the statistical properties of the date vary throughout time. Table 1 displays the ADF for USD results. The null hypothesis is not rejected since the p-value is larger than the important threshold. It follows that the USD data are not yet established. The p-value suggests that the PSX data, as shown in Table 2 of the ADF data for PSX, are not stationary.

Table 1. ADF (USD)

MacKinnon approximate p-value for Z(t) = 0.8297					
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Lnusd L1	-.0000862	.0001129	-0.76	0.445	-.0003075.0001352
_cons	.000485	.0004895	0.99	0.322	-.0004746 .0014446

Table 2. ADF (PSX)

Dickey-Fuller test for unit root				Number of obs =	
				6208	
----- Interpolated Dickey-Fuller -----					
	Test	1% Critical	5% Critical	10% Critical	
	Statistic	Value	Value	Value	
Z(t)	-0.928	-3.430	-2.860	-2.570	
MacKinnon approximate p-value for Z(t) = 0.7785					
D.lnpsx	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
lnpsx L1.	-.0001331	.0001434	-0.93	0.353	-.0004142
	.000148				
_cons	.0017708	.0013217	1.34	0.180	-.0008203
	.0043618				

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TRANSFORMATION NON-STATIONARY SERIES

When a non-stationary series can be made stationary by differentiating d times, we refer to the series as being integrated into order d and I (d). A Difference Stationary (DSP) phase is another name for it. So, an order zero stationary sequence, I (0), is put into practise. White noise is contained in the value of I(0). “So yt is I (d) if thewt= Δdyt is stationary. Δ is the difference operator, i.e. Δyt = yt-yt-1; Δ2yt = ΔΔyt = Δ(lyt-yt-1) = (yt-yt-1)- (yt-1-yt-2)= yt-2yt-1+yt-2 etc. yt is I(1) if the series wt=Δyt = yt-yt-1 is stationary”. The results are shown in Tables 3 and 4, and they demonstrate that both series are stationary at the first difference. We run ADF for the transformation of the non-stationary sequence of USD & PSX, accounting for the sequence delay. The null hypothesis is rejected using the first step of the sequence since the significance value (p-value of 0.00 & 0.03) is less than the significance level. Figures 3 and 4 show that at the initial difference I, the series is stationary (1). Figures 3 and 4 display the outcomes.

Table .2 ADF with lag Difference (USD)

Augmented Dickey-Fuller test for unit root		Number of obs = 6207				
----- Z(t) has t-distribution -----						
	Test	1% Critical	5% Critical	10%		
Critical	Statistic	Value	Value	Value		
Z(t)	-0.762	-2.327	-1.645	-1.282		
D.lnUSD	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
lnUSD L1.	-.0000852	.0001118	-0.76	0.446	-.0003044	.000134
LD.	.1418545	.012567	11.29	0.000	.1172189	.1664902
_cons	.0004648	.0004847	0.96	0.338	-.0004854	.0014151

Table .3 ADF with lad Difference (PSX)

Augmented Dickey-Fuller test for unit root		Number of obs = 6207				
----- Z(t) has t-distribution -----						
	Test	1% Critical	5% Critical	10% Critical		
	Statistic	Value	ValueV	alue		
Z(t)	-0.950	-2.327	-1.645	-1.282		
D.lnpsx	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
lnpsx L1.	-.0001362	.0001434	-0.95	0.342	-.0004172	
	.0001449					
LD.	.027027	.0126895	2.13	0.033	.0021513	
	.0519028					
_cons	.0017857	.0013218	1.35	0.177	-.0008055	
	.0043768					

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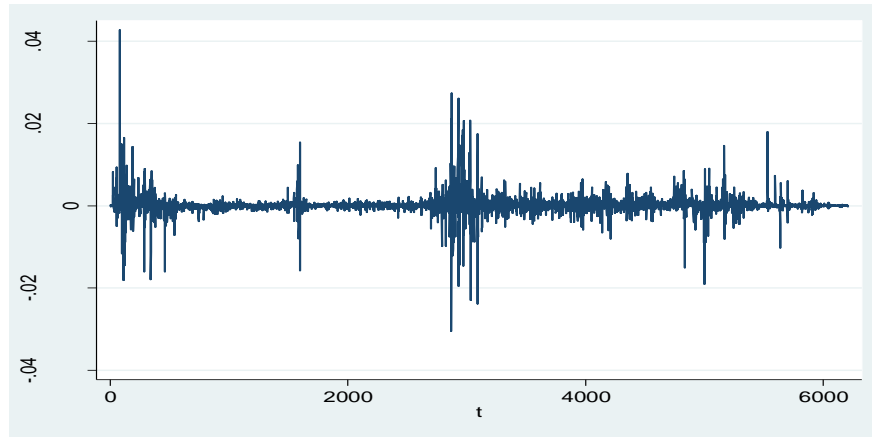


Figure. 1 Stationary Series USD

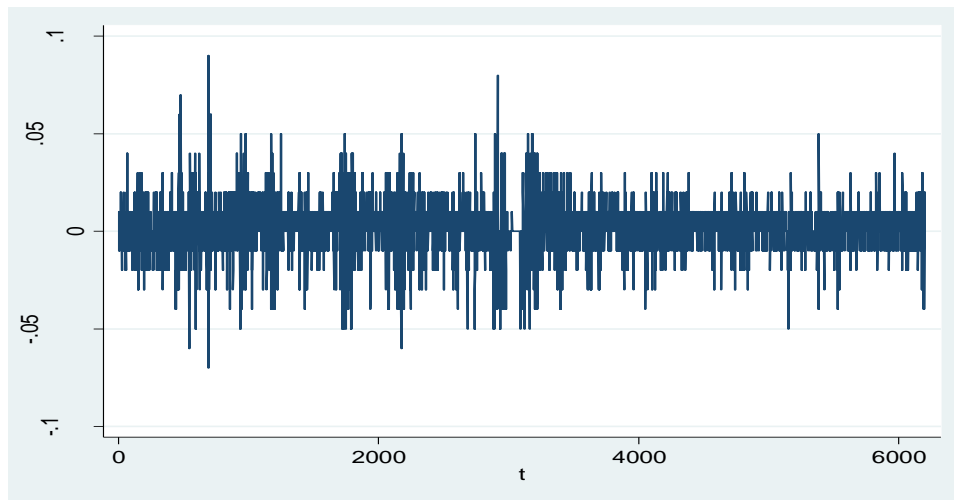


Figure .2 Stationary Series PSX

REGRESSION RESULTS

As previously indicated, we examine separately the impact of terrorist acts on two different types of financial markets, principally due to the complexity and vulnerabilities of situations. The following is the effect's final assessment:

TERRORISM EFFECT CONCERNING THE TYPE OF ATTACK

The study here displays the findings from the first regression model. In the model, there have been 6,218 observations made between July 1, 2000, and June 30, 2017. The dependent variable in the model below is the log of the US dollar, and the explanatory variables are assassination, armed assault, hostage taking, and bombing. The model result is calculated using autoregressive regression. With a R squared of 0.610, or 61%, explanatory factors may account for 61% of the variations in the dependent variable USD, whereas 39% are explained

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by error. Moving on to the findings, it can be shown that Armed Assault has a 10%, 5%, and 1% degree of significance influence on the average. Assassination significantly affects the exchange rate log, indicating that it has an effect on forex. It is possible to take this as meaning that the terrorist activity known as hostage-taking has a negative influence on the PKR exchange rate, but the effect is statistically minor, in contrast to assassinations. Regarding the bombing incidents, they are statistically significant at the 10%, 5%, and 1% levels and are correlated favourably with the exchange rate. A bombing event increases the value of the Dollar relative to the PKR by roughly 0.0768, or 7%. Here, the bombing's outcomes also support the theory put forth by Bloomberg et al. (2008), who came to the conclusion that if the informational impact of a terrorist attack is strong enough to change investor opinions, it will affect investors' psyche and cause them to withdraw their investments. As a result, leakage of foreign currency will lead to shortage, which will ultimately increase the value of foreign exchange and depreciate local currency (PKRS). For this hypothesis, it makes sense to assert that the bombing coefficient is large since a bombing strike may signify a substantial shift in how investors see the market.

It has been shown that any such event is caused by the national currency's decline relative to a foreign currency, in this case the U.S. dollar. Although this influence doesn't seem to matter much for Pakistan, it may be explained in many other ways. Due to the market's great resilience, the impact might be insignificant from Pakistan's perspective. The daily evidence of terrorism shows that throughout the time of the study, these incidences occurred at a very high rate. These episodes vary from small-scale offences to massive terror operations that terrify the whole human race. In this situation, the convergence of financial markets may be foreseen. The events would have a negative impact on the economy since they induce economic instability, raise risks and liquidity shortages, decrease exports, depreciate the currency, discourage local and international investment, and undoubtedly drive capital to leave the economy. However, the great frequency of such incidents in Pakistan, which may appear ordinary to individuals who trade money or participate in any other financial sector, may be to blame for the country's cold-blooded mentality as a whole. Because of this, the PKR's devaluation has changed far less than anticipated. Therefore, we can presume that terrorism would not have a negative impact on its exchange market in Pakistan if there had not been a negative occurrence or a worldwide emphasis like the death of the former Pakistani Prime Minister Benazir Bhutto.

Table 5. Outcome of first regression model

VARIABLES	LnUSD
As	0.0848*** (0.00507)
Asi	0.0104* (0.00962)
Hos	-0.0105 (0.0133)

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Bom	0.0768*** (0.00429)
l.LnUSD	0.768*** (.0099)
Constant	.9923*** (0.0414)
Observations	6,208
R-squared	0.610

Note: Robust standard errors in parentheses*** p<0.01, ** p<0.05, * p<0.1

OUTCOME OF SECOND REGRESSION MODEL

The results of our second regression model are presented in the table below. 6208 data from July 1, 2000, to June 30, 2017, were entered into the model. The result of the aforementioned model is estimated using autoregressive regression, with assassination, armed assault, hostage-taking, and bombing serving as explanatory factors and the log of PSX returns serving as the dependent variable. The dependent variable's variation is explained by explanatory factors to the tune of 35%, as indicated by the R Squared value of 0.355, or 35%. According to the findings, PSX and Armed Assault are extremely significant at levels of 10%, 5%, and 1% in a favourable way. It may be claimed that when an armed attack occurs, returns generally increase. As far as assassinations are concerned, there is a strong correlation between assassinations and the Pakistan Stock Exchange. Imran et al. (2012), who discovered that the stock market fell 7.5% after Benazir Bhutto's murder, also support this finding. Further research reveals a detrimental, but little effect of hostage-taking on Pakistan Stock Exchange, with a coefficient of -0.0467. It demonstrates that hostage-taking has a detrimental and little effect on PSX returns.

Bombing has a significant influence on PSX returns, just like it does on the exchange rate, but here the impact is favourable. With a coefficient value of 0.196, it can be said that anytime a bombing occurs, PSX returns increase by 0.196. Overall, it can be said that terrorists' attacks on important financial centres and on targets around the nation have a big, bad impact on PSX performance. In other words, the PSX returns might decline if similar terrorist events take place nearby. These actions have an effect on PSX returns because there has been a considerable paradigm change in policy initiatives. The extent of terrorism within a nation has a significant impact on government policy and other relevant institutions. Terrorist attacks would be more severe, the economy would be more unstable, and change would happen more quickly. As a result, there would be a greater outflow of money, lower levels of spending, and less exportation and depletion of foreign reserves.

Impact of Terrorism on Rupee-Dollar Exchange Rate and Stock Return...**Table 6. Outcome of second regression model**

VARIABLES	Model 2 Lnpsx
As	0.306*** (0.0277)
Asi	-0.133** (0.0618)
Hos	-0.0467 (0.0604)
Bom	0.196*** (0.0209)
L.lnpsx	0.584*** (0.0151)
Constant	3.785*** (0.129)
Observations	6,208
R-squared	0.355

Note: Robust standard errors in parentheses*** p<0.01, ** p<0.05, * p<0.1

DISCUSSION

Although it is not the final chapter, this study's final chapter is this one. There is a thorough discussion of the findings and conclusion. The limits and future directions of the study are also covered in this chapter. The impact of numerous terrorist actions on Pakistan's FOREX stock market is examined, just like in this study. Although it is unclear how long the influence will persist, terrorist operations are expected to enhance volatility in the growing stock and FOREX markets. Similar issues in developed economies have been highlighted. The results of the current study demonstrate that while hostages have no effects on FOREX markets, murder does. Additionally, Model 2 shows that hostage-taking has minimal stock-market relations while bombing and armed attack have significant negative stock-market connections. For example, as shown in the section on Literature review, the effects of 44 terrorist incidents on inventory return volatility by US corporations operating internationally were examined and shown to have persisted for two weeks. Similar conclusions were reached by (Essaddam and Mnasri, 2015), who investigated the effects of 28 terrorist acts in 17 countries and found that the location and attack type are the primary factors affecting how terrorist activities affect the stock market. The location and focus of the attack are the main elements influencing stock return, according to Alam (2013). There are some activities and businesses that are more vulnerable to assaults than others, according to

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Brück and Wickström (2004). Enders (2006) argued that as small nations are inadequately financially exposed to terrorism, they are less subject to terrorist blackmail urging resource reallocation. Terrorist activity's adverse impact on financial markets have also been demonstrated by (Aksoy, 2014; Aslam and Kang, 2013; Bashir et al., 2013).

CONCLUSION

It is concluded that more effective rescue efforts in Pakistan will increase investor confidence, and their first operations (bombing, armed attacks, and hostage-taking) would help the situation recover. For these reasons, the stock market returns in severely affected nations during this type of attack are not adverse.

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