

**BHARATI WUKKADADA**

K.J. Somaiya Institute of Management studies & Research, India

**JAYA MATHEW**

K.J. Somaiya Institute of Management studies & Research,, India

**AVANISH BALAJI**

K.J. Somaiya Institute of Management studies & Research,, India

**IMPACT OF INTEREST RATE ON STOCK MARKET, GDP AND INFLATION ON A DEVELOPED AND DEVELOPING ECONOMY**

**Abstract:**

Interest rate regulation by a central bank plays an important role in the economy. The major objective of this research paper is to investigate the impact of interest rates of the central bank on the stock market returns, gross domestic product and inflation and a relative comparison of the effect of interest rates on these factors in both a developed and developing economy. This is achieved by running statistical tests on the data of the past 10 years of the economies by taking closing stock market indices, GDP data and inflation data. The tests use tools of regression and Pearson correlation to get an insight on the same. This paper will provide a broader outlook from the perspective of both a developed and developing economy.

**Keywords:**

Interest rate, GDP, Stock market returns, Inflation, Pearson correlation