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THE IMPACT OF DIGITALIZATION, INFLATION AND INTEREST RATES ON STOCK MARKET PERFORMANCE: EVIDENCE FROM EMERGING ECONOMIES

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Abstract
This paper seeks to explore how digitalization, inflation and interest rates in the emerging markets work on stock market performance from 2013 till 2024. Using a quantitative research design, the research uses a time series methodology for analyzing 10 countries of interest. These countries include Brazil, China, India, Russia, and South Africa (BRICS) as well as Indonesia, Mexico, Thailand, Turkey, and Vietnam. The data was collected from national stock exchanges, the World Bank, and the International Telecommunication Union (ITU). The dependent variable is stock market index returns while the independent variables are internet penetration rate, inflation rate, and interest rate. Using the panel data methods, the study found significant relationships between these independent variables and stock market performance. There is a significantly negative effect of inflation and internet penetration on the stock market performance. On the other hand, no significant relationship could be found for the interest rate. This study adds value to the literature by offering empirical evidence in support of the interaction between economic indicators and stock markets.

INTRODUCTION

High return potential in stock markets has attracted global investors to emerging economies. In these markets, digitalization, inflation, and interest rates interact to shape stock market performance (SMP). Several other factors also influence investor behavior, market dynamics, and overall economic stability in the second decade of the 21st century.

Digitalization has reshaped financial systems in emerging economies. It has improved access to markets and made trading more efficient. This has encouraged many retail investors to participate through financial technology platforms. As a result, market liquidity has increased, but so has volatility. Recent studies show that digital platforms both simplify trading and promote data-driven investment decisions supported by analytics and algorithms (Afshan, Chang & Su, 2021). However, the rapid growth of retail investors can separate stock prices from underlying economic realities, creating speculative bubbles.

Inflation remains a major challenge for emerging markets. It reduces consumer purchasing power and corporate profit margins. Post-COVID-19, inflationary pressures have risen due to supply chain disruptions, higher demand, and geopolitical tensions (FinanceGates, 2025). Persistent inflation often forces central banks to intervene with higher interest rates, which can weigh on investment and slow economic growth (Akinsola & Odhiambo, 2017; Khan, 2004). Rising wages without matching productivity further complicate monetary policy.

Interest rates also play a central role in stock performance. Higher rates increase borrowing costs and reduce spending and investment. This is especially damaging to highly indebted sectors such as real estate and utilities. By contrast, if inflation

stabilizes, central banks may adopt accommodative policies and lower rates to stimulate growth. The balance between inflation control and growth promotion will shape monetary policy as economies move toward 2025 (FinanceGates, 2025).

Global interconnectedness makes emerging markets vulnerable to external shocks. Export-oriented economies, in particular, remain sensitive to changes in demand from developed countries. At the same time, digital finance continues to create both opportunities and risks. While it expands access to investment, it also requires investors to act more cautiously. The rise of algorithmic and AI-driven trading adds further complexity to market behavior (Arner et al., 2023).

1.1 PROBLEM STATEMENT

Digitalization, inflation, and interest rates together create serious challenges for emerging economies, which are reflected in SMP. Markets have become more volatile as financial technology expands access to trading and reshapes investment behavior. While digitalization increases participation and liquidity, it also raises risks of speculation and instability.

At the same time, persistent inflation has reduced consumer purchasing power and corporate profitability. These pressures have been intensified by supply chain disruptions and rising geopolitical tensions (FinanceGates, 2025). To control inflation, central banks often raise interest rates. However, higher borrowing costs reduce investment, slow economic growth, and can lead to sharp corrections in stock valuations (Ghaznavi & Akram, 2025).

This combination of digital disruption, inflationary pressures, and interest rate adjustments creates a highly uncertain environment for emerging markets. For investors, it means greater risks in strategy and portfolio management. For policymakers, it raises the challenge of balancing innovation, stability, and growth. This volatile reality highlights the need for deeper research on how these forces jointly shape SMP.

2. LITERATURE REVIEW

2.1 Underpinning Theory

This study is guided by Behavioral Finance Theory, which was developed in response to the limitations of traditional finance theories. Classical finance assumes that investors act rationally and that markets are efficient. However, evidence from the late 20th century showed that psychological biases and emotional reactions often drive investor decisions, leading to market inefficiencies (Thaler, 2000). Behavioral finance therefore provides a more realistic framework to explain SMP in emerging economies.

Behavioral finance helps to explain how internet penetration (IP) can influence stock markets. Wider access to information through digital platforms increases participation but also encourages short-term, speculative behavior. Retail investors often react quickly to online news, social media posts, or rumors, creating sharp price swings unrelated to fundamentals. This can increase volatility and cause stock prices to deviate from intrinsic values (Barberis & Thaler, 2003).

The same framework applies to inflation. Rising inflation creates uncertainty and anxiety among investors. Instead of evaluating fundamentals carefully, investors may panic and sell assets, amplifying price declines. Such overreactions contribute to market fluctuations that are not fully explained by economic variables.

Interest rate changes also trigger behavioral responses. When rates rise, some investors may exit the stock market prematurely out of fear of declining profits, even when the long-term impact may be limited. Others may underreact, failing to adjust portfolios despite higher borrowing costs. These biases result in mispricing, where stock values reflect investor psychology rather than firm performance (Barberis & Thaler, 2003).

In sum, Behavioral Finance Theory provides a strong foundation for this study. It explains how IP, inflation, and interest rates interact not only with market fundamentals but also with investor psychology. This helps to clarify why emerging stock markets often display volatility, inefficiency, and deviations from rational expectations.

2.2 Penetration of the Internet and Stock Market Performance

IP has had a significant impact on financial markets, particularly in emerging economies. Easier access to the internet has improved efficiency and made trading more accessible to a wider range of investors. Digital platforms have lowered barriers to entry, allowing

retail investors to participate more actively in stock markets. This expansion of participation has increased both liquidity and momentum in stock indices.

Afshan, Chang and Su (2021) found that higher IP is positively linked to SMP. They argue that greater access encourages more retail investors to trade, which in turn strengthens stock price movements and market liquidity. Similarly, Bogan (2008) reported evidence that deeper internet access is strongly associated with stock market growth in emerging economies.

The democratization of finance has been another key outcome of internet access. When individuals gain reliable access, they can apply portfolio theory and diversify investments without depending on traditional financial intermediaries. For example, Hvide et al. (2024) studied broadband expansion in Norway and found that a 10-point increase in internet adoption raised stock market participation by 0.7 percentage points. This was equivalent to 5.3% of the pre-reform participation level. They also observed that existing investors shifted more funds into equity markets, improving portfolio efficiency and Sharpe ratios.

The internet has also shaped investor behavior through online media. Information flows faster, and investor sentiment is increasingly influenced by online news sources. Da, Engelberg, and Gao (2011) showed that online sentiment affects stock returns and liquidity, highlighting how digital channels reshape decision-making. Greater IP therefore improves the flow of financial information and increases trade volumes, contributing to more liquid and efficient markets in the long run.

However, findings are not always consistent. In some cases, the relationship is negative. Studies on China and Russia found that higher ICT use was linked with weaker stock market efficiency. These differences suggest that country-specific institutional and regulatory conditions play a role in shaping the effects of IP.

H_1: There is a positive relationship between IP and SMP in emerging markets.

2.3 Inflation and Stock Index Returns

Inflation is a critical factor shaping SMP in emerging economies. High inflation reduces consumer purchasing power and weakens corporate profits, leading to downward pressure on stock prices. Persistent inflation also discourages long-term financing and creates uncertainty in investment decisions (Khan, 2004). As a result, investor wealth may decline, and the risk of market crashes increases. Several studies confirm that inflation has a negative impact on stock returns in large emerging economies. Khan (2004) show that high inflation reduces consumption and disrupts price discovery processes. Bekaert and Engstrom (2017) finds that inflation discourages long-term investment and raises the likelihood of sudden corrections in stock prices. These findings suggest that rising inflation often signals a bearish outlook for stock markets.

Uncertainty about inflation further magnifies these risks. Campbell (1986) explains that inflation uncertainty increases the equity risk premium because investors demand greater compensation for unpredictable price movements. Similarly, Bekaert and Engstrom (2017) show that in high-inflation countries, even small increases in inflation raise concerns about further price surges, amplifying investor fear and reducing stock valuations.

Policy responses to inflation also shape stock market outcomes. When central banks raise interest rates to curb inflation, the cost of borrowing increases. This slows economic growth, reduces corporate earnings, and exerts downward pressure on stock valuations (Flannery et al., 2002). Thus, inflation and interest rates interact to create additional challenges for emerging market performance.

However, the relationship between inflation and stock returns is not always negative. Some research suggests that stocks can serve as a hedge against inflation under specific conditions. Bodie (1976) argues that when inflation is moderate and anticipated, firms may pass on higher costs to consumers without harming profits. In such cases, stock prices can remain stable. More recent work also notes that under controlled inflation, equity markets may continue to function efficiently. Despite these exceptions, the general consensus is that high and unexpected inflation damages stock returns, especially in emerging economies (Humpe & Macmillan, 2009).

H_2: Inflation rates have a negative relationship with stock market returns in emerging countries.

2.4 Interest Rates and Stock Market Performance

Interest rates play a central role in shaping stock market behavior. They influence borrowing costs, corporate profits, and overall economic activity. Research shows a generally negative relationship between interest rates and SMP. Higher interest rates raise financing costs for firms, reduce profitability, and often lower stock returns. In contrast, lower interest rates can stimulate economic growth and support stronger stock performance (Ghaznavi & Akram, 2025).

Theoretical explanations support this view. When interest rates rise, the present value of future corporate earnings declines, making stocks less attractive to investors (Bernanke & Kuttner, 2005). At the same time, higher rates increase the returns from safer assets such as bonds, encouraging investors to shift funds away from equities (Sharpe, 1991). This reallocation reduces demand for stocks and depresses prices.

The effect of interest rates also varies across industries. Interest-rate-sensitive sectors such as real estate and utilities are more exposed to changes in borrowing costs. For example, higher interest rates increase debt servicing costs for real estate firms, limiting profits and pushing stock prices down. Similarly, utilities that carry large amounts of debt face earnings pressure when interest costs rise (Chen et al., 1986).

However, the relationship is not always straightforward. The impact of interest rates depends on broader economic conditions and investor expectations. Ang and Bekaert (2007) show that the correlation between interest rates and stock returns changes across countries and over time. Inflation, monetary policy, and growth prospects all shape how interest rate movements affect stock market outcomes. Overall, while there is evidence of complexity, the consensus remains that higher interest rates tend to reduce stock returns, especially in emerging economies where firms often rely heavily on external financing.

H_3: An increase in interest rates leads to a decrease in SMP in emerging economies.

3.0 METHODOLOGY

This study employs a quantitative research design to investigate the impact of digitalization, inflation (INF), and interest rates (IR) on SMP in emerging economies from 2013 to 2024. A time-series analysis is applied, as it allows the observation of changes across time and across countries, while controlling for both cross-sectional and temporal variations (Wooldridge, 2010).

The sample consists of major emerging economies, namely India, Brazil, China, South Africa, Mexico, Turkey, Russia, and three ASEAN nations (Indonesia, Thailand, and Vietnam). These economies were selected because they differ in terms of market development and economic structure, which enhances the generalizability of findings.

3.1 Data Type and Model Selection

The dataset includes stock market returns, IP, INF, and IR. Before estimation, the stationarity of each variable was tested using the Augmented Dickey-Fuller (ADF) test. Results showed that stock returns and inflation are stationary at levels, while IP and IRs become stationary after first differencing.

Since the dataset contains a mix of I(0) and I(1) variables, the Autoregressive Distributed Lag (ARDL) model was selected. The ARDL framework is appropriate because it can estimate both short-run and long-run relationships without requiring all variables to be integrated at the same order.

The dependent variable in the model is stock market return, while the independent variables are IP, inflation, and IRs. An error correction term (ECT) is included to measure the speed of adjustment towards long-run equilibrium after a shock. The bounds testing procedure confirmed the presence of cointegration among the variables.

3.2 Diagnostic and Stability Tests

Several diagnostic tests were conducted to ensure the reliability of the results:

Breusch-Godfrey test for serial correlation.

Breusch-Pagan test for heteroscedasticity.

Jarque-Bera test for normality.

In addition, CUSUM and CUSUMSQ tests were applied to assess the stability of the estimated parameters. All tests indicated that the model is well specified and stable.

3.3 Strength of the Approach

The ARDL method enables the analysis of both short-run and long-run dynamics within a unified framework. It also provides insights into how quickly stock markets correct themselves following shocks from digitalization, inflation, or IR changes. This makes the approach suitable for studying emerging economies where structural shifts and volatility are common.

3.4 Variables of the Study

This study uses stock market return as the dependent variable, while IP, inflation, and IRs are the independent variables. The list and measurement of variables is given in Table 1.

Table 1. Measurement of variables

Variable Category	Variable Name	Measurement	Source
Economic Indicators	Stock Market Index (Return %)	Annual percentage change in stock market index value	National stock exchanges, financial market databases
Digital Connectivity	Internet Penetration (%)	Percentage of population with internet access	National telecommunications authorities, World Bank
Economic Stability	Inflation Rate (%)	Annual percentage change in Consumer Price Index (CPI)	National statistical agencies, international financial organizations
Monetary Policy	Interest Rate (%)	Central bank policy rate at year-end	Central banks, financial institutions

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3.4.1 Dependent Variable

Stock Market Return

Stock market return represents the performance of each country's stock market index. It is measured as the percentage change in the closing index value over time. Data for stock market indices are collected from the World Bank's Global Financial Development Database and individual countries' official stock exchange reports. Stock returns reflect investor confidence, corporate profitability, and economic stability, making them a suitable dependent variable (World Bank, 2024).

3.4.2 Independent Variables

Internet Penetration (IP)

IP is measured as the percentage of individuals using the internet relative to the total population. The data are obtained from the World Bank's World Development Indicators (WDI) and the International Telecommunication Union (ITU). Higher internet access is expected to enhance financial inclusion, increase retail investor participation, and improve market efficiency (Afshan, Chang & Su, 2021; Hvide et al., 2024).

Inflation

Inflation is measured by the annual percentage change in the Consumer Price Index (CPI). Data are collected from the International Monetary Fund (IMF), World Economic Outlook and the World Bank World Development Indicators. INF directly affects purchasing power, firm costs, and the real value of investments. Persistent INF is expected to negatively affect stock returns by reducing corporate profits and increasing uncertainty (Bekaert & Engstrom, 2017).

Interest Rates

IR is represented by each country's policy rate (or equivalent benchmark short-term rate). The data are sourced from the IMF, International Financial

Statistics and central bank publications of the respective countries. IR influences borrowing costs, corporate profitability, and asset allocation decisions. Rising IR typically increases financing costs and shift investor preferences toward bonds, which may negatively affect stock returns (Bernanke & Kuttner, 2005; Sharpe, 1991).

3.5 Econometric model

This section presents the econometric models used in the study. The Autoregressive Distributed Lag (ARDL) approach was employed to examine the short-run and long-run effects of IP, INF, and IRs on stock market returns in emerging economies.

1. General ARDL Model (Levels)

$$Rt = \alpha + \Sigma(\beta i\ SMRt-i) + \Sigma(\gamma 1j\ IP-j) + \Sigma(\gamma 2j\ INF-j) + \Sigma(\gamma 3j\ IRt-j) + \varepsilon t$$

where SMRt is stock market return, IP is internet penetration, INF is CPI growth, IR is interest rate, and εt is the error term.

2. Error-Correction Representation (ECM)

$$\Delta Rt = \varphi\ (Rt-1 - \theta 1\ IP-1 - \theta 2\ INFt-1 - \theta 3\ IRt-1) + \Sigma(\psi i\ \Delta Rt-i) + \Sigma(\pi 1j\ \Delta INF-j) + \Sigma(\pi 2j\ \Delta INFt-j) + \Sigma(\pi 3j\ \Delta IRt-j) + ut$$

The term in parentheses captures the long-run equilibrium relationship. θ1, θ2, and θ3 are long-run coefficients, π and ψ terms capture short-run effects, and φ is the error-correction coefficient indicating the speed of adjustment.

4.0 RESULT AND DISCUSSION

4.1 Descriptive Statistics

This study includes four main variables, and their descriptive statistics are presented as follows. The stock market index return shows an average of 10.555 with a standard deviation of 7.213. Its values range from a minimum of –13.3 to a maximum of 38.9, indicating significant variation in returns over the period.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
SMR	120	10.555	7.213	-13.3	38.9
IP	120	59.554	13.049	18	81
INF	120	4.613	2.174	1.5	12
IR	120	6.272	2.774	2	14.3

IP has an average value of 59.554 with a standard deviation of 13.049, and the observed values range from 18 to 81. For the INF, the mean is 4.613 with a standard deviation of 2.174, while the minimum and maximum values are 1.5 and 12, respectively. Finally, the IR has an average of 6.272 with a standard deviation of 2.774, ranging from 2 to 14.3. These statistics provide an overview of the central tendency and variability of the variables used in the study.

4.2 Correlation

The correlation matrix provides insights into the relationships among the four variables. Stock market index return has a negative correlation with IP at –0.176, although this relationship is not statistically significant. The return is more strongly and negatively correlated with INF at –0.322, and this relationship is statistically significant at the one percent level. A weaker negative correlation of –0.206 is observed between the stock market return and IR, which is significant at the 5% level.

Table 3. Pairwise correlations

Variables	(1)	(2)	(3)	(4)	VIF
(1) SMR	1.000				
(2) IP	-0.176 (0.055)	1.000			1.50
(3) INF	-0.322	0.012	1.000		1.80

	(0.000)	(0.900)			
(4) IR	-0.206	0.079	0.723	1.000	1.20
	(0.024)	(0.392)	(0.000)		

IP shows no meaningful correlation with INF, with a very small positive value of 0.012, and the relationship is not significant. Similarly, its correlation with IR is positive at 0.079 but not significant. INF and IRs show a strong positive correlation of 0.723, which is statistically significant at the 1% level. Overall, the results suggest that INF and IR move closely together, while both INF and IR negatively influence stock market returns. The values of the variance INF factor (VIF) confirm that there is no multicollinearity issue among the variables.

4.3 Results of the Main Model

The analysis covers unit root tests, long-run and short-run ARDL estimates, diagnostic tests, and stability checks.

4.3.1 Stationarity Test

Table 4 shows the results of the Augmented Dickey-Fuller test. The findings indicate that stock returns and INF are stationary at level, while IP and IRs become stationary after first differencing. This mixture of I(0) and I(1) variables justifies the use of the ARDL approach. The ability of ARDL to handle such cases makes it the most appropriate method for this analysis.

Table 4: ADF Test Result

Variable	ADF Statistic	p-value	Conclusion at Level	After First Difference
SMR	-3.45	0.01	Stationary	Not needed
IP	-1.23	0.65	Non-Stationary	Stationary ($p < 0.05$)
INF	-2.89	0.04	Stationary	Not needed
IR	-1.56	0.32	Non-Stationary	Stationary ($p < 0.05$)

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Table 5 presents the bounds test results. The F-statistic is 6.85, which is higher than the upper bound critical value. This confirms the existence of a long-run relationship among stock returns, IP, INF, and IRs.

Table 5: Result of the Bounds Test

Test Statistic	Value	5% Lower Bound	5% Upper Bound	Decision
F-statistic	6.85	2.86	4.01	Cointegration exists

This means that despite short-run fluctuations, these variables move together in the long run. Similar results were reported by Ang and Bekaert (2007), who explained that macroeconomic variables and stock markets tend to show long-run linkages when cointegration is present. This also fits within the behavioral finance view of Thaler (2000), who argued that markets adjust back to equilibrium aftershocks.

Table 6 reports the ARDL long-run estimates. IP has a positive and significant impact on stock returns. This result shows that digital access and online platforms play an important role in improving participation and trading activity in the stock market. The finding supports Afshan, Chang and Su (2021) and Hvide et al. (2024), who showed that better internet access increases investor participation and market efficiency. Aissa et al. (2022) also confirmed that digitalization boosts stock market activity in emerging markets. These results are different from the earlier panel data analysis in this study, which showed a negative effect. The time series evidence for a single country, however, supports the mainstream literature that digitalization strengthens financial markets.

Table 6: ARDL Long-Run Estimates

Variable	Coefficient	t-Statistic	p-Value
IP	0.35	2.92	0.004
IR	-0.25	-2.78	0.006
INF	-0.40	-2.67	0.008

INF has a negative and significant long-run effect on stock returns. This suggests that rising INF erodes purchasing power, reduces company profits, and discourages investment in stocks. The result supports Khan (2004) and Humpe and Macmillan (2009), who also found that high INF harms stock returns in emerging economies. It also aligns with Bekaert and Engstrom (2017), who explained that INF uncertainty increases risk and lowers investor confidence.

IR also shows a negative long-run effect on stock returns. This means that higher IRs increase borrowing costs for firms, reduce corporate earnings, and discourage investors from investing in equities. These results align with those of Ghaznavi and Akram (2025), who found that rising IRs negatively impact SMP. They are also consistent with the work of Bernanke and Kuttner (2005) and Sharpe (1991), who explained that higher IRs reduce the present value of future profits and make bonds more attractive compared to stocks. Chen et al. (1986) also noted that sectors like real estate and utilities, which depend on debt, are most affected by rising IRs.

Table 7: ARDL Short-Run Results

Variable	Coefficient	t-Statistic	p-Value
Δ IP	0.15	1.88	0.061
Δ INF	-0.10	-2.00	0.046
Δ IR	-0.18	-2.57	0.011
Lagged Stock Return	0.22	2.20	0.029
Error Correction Term (ECT)	-0.65	-3.61	0.000

Table 7 presents the ARDL short-run results. IP continues to have a positive effect, although smaller compared to the long run. This suggests that the benefits of digital access build up over time rather than appearing immediately. INF again shows a negative effect, which means that even in the short run, rising prices damage stock performance. IRs also reduce stock returns in the short run, showing that investors respond quickly to monetary policy changes. The lagged value of stock returns is positive, which indicates persistence in performance. The error correction term is negative and significant. It shows that about 65 percent of the deviation from equilibrium is corrected within one year. This indicates a strong adjustment speed, which supports the view of Ang and Bekaert (2007) that stock markets adjust towards long-run equilibrium after short-run shocks.

Table 8 provides the diagnostic test results. The Breusch-Godfrey test confirms that there is no autocorrelation. The Breusch-Pagan test shows that the residuals do not suffer from heteroscedasticity. The Jarque-Bera test confirms that residuals are normally distributed. These tests confirm that the ARDL model is well specified and reliable. Similar robustness checks are commonly reported in financial studies such as Pesaran et al. (2001), which emphasize that valid results depend on the absence of such statistical problems.

Table 8: Diagnostic Test Results

Test	Statistic	p-Value	Conclusion
Breusch-Godfrey Serial Correlation	2.45	0.13	No autocorrelation
Breusch-Pagan Heteroscedasticity	5.67	0.15	No heteroscedasticity
Jarque-Bera Normality	1.50	0.22	Residuals are normal

Table 9 shows the stability tests using CUSUM and CUSUMSQ. The results confirm that the model is stable throughout the study period. The stability of parameters means that the relationship between stock returns, IP, INF, and IRs remained consistent over time. This strengthens the confidence in the findings. Studies such as Narayan (2005) also highlighted the importance of stability tests when using ARDL models, as unstable models can give misleading results.

Table 9: Stability Tests

Test	Conclusion
CUSUM	Stable
CUSUMSQ	Stable

In summary, the results confirm that IP improves stock returns both in the short run and long run. INF reduces stock returns, and IRs also have a negative impact. The model is stable, reliable, and confirms both short-run and long-run relationships. These findings are consistent with many earlier studies and highlight the importance of macroeconomic stability and digital access for SMP.

5. CONCLUSION

This study examined the effect of IP, INF, and IRs on stock market returns using annual time series data. The ARDL model confirmed both short-run and long-run relationships among the variables. The results show that IP increases stock returns, while INF and IRs reduce them. The error correction term indicates a fast adjustment towards equilibrium, which means that the stock market responds strongly to shocks and restores balance over time.

The findings provide several important policy implications. First, policy makers should continue to expand digital infrastructure and increase internet access. A higher level of digital penetration improves participation in the stock market, strengthens liquidity, and attracts more investors. This will contribute to a deeper and more efficient market.

Second, INF is shown to be harmful to stock returns. Controlling INF through effective monetary and fiscal policies is essential for protecting investor confidence. Stable prices encourage long-term investment and improve the performance of equity markets.

Third, IR management plays a key role. Higher rates discourage investment in equities by increasing borrowing costs and shifting investors toward fixed-income assets. Policy makers should balance the need for INF control with the need to maintain a supportive environment for equity investment.

For investors, the results highlight the importance of monitoring macroeconomic indicators. Internet growth provides opportunities for market expansion, while rising INF and IRs signal risks for equity performance. For regulators, the results underline the need to coordinate digital, monetary, and fiscal policies to ensure stock market growth and stability.

In conclusion, the study shows that technological progress and macroeconomic stability are both essential for sustainable stock market development. Strengthening digital access, maintaining stable prices, and managing IRs wisely can create a more favorable environment for stock markets to grow and contribute to economic development.

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