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**THE IMPACT OF DOMESTIC MACRO ECONOMIC  
VARIABLES ON THE RETURNS OF THE UNIT TRUSTS IN  
SRI LANKA.**

By

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(M.Com/2001/12)



**A DISSERTATION SUBMITTED TO THE  
DEPARTMENT OF COMMERCE AND FINANCIAL MANAGEMENT OF  
THE FACULTY OF COMMERCE AND MANAGEMENT STUDIES,  
UNIVERSITY OF KELANIYA, SRI LANKA  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF  
THE MASTER OF COMMERCE DEGREE.**

**JUNE - 2004**

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## ABSTRACT

This research investigates the influence of macro economic variables on returns of fund management companies. The objective of this research is to examine the relationship between macro economic variables and returns of unit trust. The study is limited to 4 Unit Trusts namely, National Equity Fund, Pyramid Unit Trust, Ceybank Unit Trust and Comtrust Equity Fund operating in Sri Lanka for the period of 10 years from May 1992 to April 2002. Returns on the Mutual fund investment were calculated from daily buying price of the management company. Daily buying price was averaged to arrive at a monthly average returns of the Unit trusts. In this study Colombo Consumer Price Index, Narrow Money Supply, Treasury Bill Rate, Savings Deposit Rate, Call Bank Money Rate and Exchange Rate are used as macro economic variables.

For the purpose of the study the research gathers information through secondary data source. The analysis of the relationship between return of the Unit Trusts and macro economic variables is done by multiple regression analysis, correlation analysis, t-test and F- test. In the regression model four mutual fund's returns are used as dependant variables and macro economic variables have been used as independent variables.

The research findings show that Money supply and Exchange rate are and positively significant and Call Bank Money Rate is negatively significant. Other three variables are not significant.