

## **The impact of macroeconomic variables on stock market performance in Sri Lanka**

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### **Abstract**

The Colombo stock exchange (CSE) operates as the only share market in the economy of Sri Lanka and is responsible for providing a transparent and regulated environment where both institutional and individual investors can operate in the capital market. So, this study investigates relationships between the All Share price index and macro-economic variables in Sri Lankan economy. Colombo stock exchange continued to be underdeveloped during the pre-war period but the peaceful political environment and economic growth in the post war period. So, the recent data can be useful for decision makers to understand about relationship between stock price and macroeconomic variables. The main aim of this study is to analyze the relationship that exists between the All share price index of Colombo Stock Exchange and five macrocosmic variables; namely money supply, interest rate, inflation rate, exchange rate and industrial production index in Sri Lanka. This study is carried out by using monthly time series data from 2010 to 2019. I considered stock price which is calculated by representing all listed companies in CSE. In order to test the long run and short run relationship, this study will employ the unit root, cointegration and panel data regression analysis. The finding of the study may be useful for stock market investors for making effective decisions in order to enhance stock market returns.

**Keywords:** All share price index, Colombo stock exchange, Macroeconomic variables, Multiple regression model, Sri Lankan economy