

Determinates of Sri Lankan Stock Market's Performance with Special Reference to Colombo Stock Exchange

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ABSTRACT

Introduction - Stock market activities mainly concern in distributing nation's wealth by enabling wide ownership of public company stocks. Investors can buy shares of publicly listed companies which enable them to be the owners of the business and earn share of profits according to their invested capital. Stock market performance depends on many factors. It is highly volatile to countries' economic and political conditions. There are many factors to determining stock market performance, Specifically, this examine the determinants (treasury bill rate, exchange rate, balance of payment and gross domestic production) of Sri Lankan stock market performance. The main objective of this research is to investigate the which determinates have influence on stock market performance over the period 2010 to 2019. Second objective is find out there is a what kind of relationship between short term interest rate and stock market performance and using newly data.

Design/Methodology/Approach - The sample in this study includes 40 observations which cover the quarterly time series data over the period 2010 to 2019. Secondary data obtained from Colombo stock exchange publications and central bank quarterly indicators. Data analysis includes Descriptive statistics, correlations, and multiple linear regression. The software used for the data analysis is E-Views 11.

Findings - The Correlation Analysis concludes that the short term Interest rates have a negative correlation with Stock market performance and other macroeconomic variables are positively correlated with ASPI. Regression analysis address that when macroeconomic variables individually changes which are TBR and EX influence to ASPI negatively and GDP and BOP influence positively.

Conclusion- By testing of Coefficient, four null Hypotheses were rejected, and one of the null hypotheses accepted that is there is no relationship between balance of payment and Sri Lankan Stock Market performance.

Keywords: *Colombo stock exchange, all share price index, treasury bill rate, exchange rate, gross domestic production and balance of payment.*