

## **Impact on Macroeconomic Variables on Share Price: Evidence from Sri Lanka**

Thilakarathna, R.M.N.T.<sup>1</sup> and Aruppala, W.D.N.<sup>2</sup>

<sup>1,2</sup> *Department of Accountancy, University of Kelaniya*

<sup>1</sup>*nuwantharaka641@gmail.com*, <sup>2</sup>*dilini@kln.ac.lk*

### **Abstract**

This study examines the relationship between macroeconomic variables and Sri Lanka stock prices regarding the five factors which are real GDP growth rate, Change in Colombo Consumer price index (Inflation rate), interest rate, USD exchange rate and money supply. As the government concerns about an attractive capital market within the country that could result in encouraging domestic as well as foreign investment which ultimately support enhancing economic development.

This study was conducted with the objective of measuring the impact of macroeconomic variables on share prices of Sri Lanka within 2000 to 2020. Quarterly time series data were extracted from central bank publications related to GDP growth rate, Inflation rate, Average weighted prime lending rate, US dollar exchange rate and M2 money supply which are independent variables and all share price index which is the dependent. Multiple regression analysis is used in order to test the relationship between selected macroeconomic variables and all share price index.

Macroeconomic policy makers and the government officials can use these research findings in formulating different policies to know what type of impact can be generated by those policies towards share prices.

**Key words:** *Macroeconomic Variables, Colombo Stock Exchange, All Share Price Index, Multiple Regression Analysis*