

The Dynamic Relationship of Domestic Credit and Stock Market Liquidity of the Commercial Banks on the Economic Growth of the Sri Lanka

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ABSTRACT

Purpose: Domestic credit and Stock market liquidity are the most important components of the economy in any country. Both of these two components have been identified as highly impacted factors that affect economic growth in the studies. This study examines the dynamic and significant impact and the relationship between domestic credit and stock market liquidity on economic growth.

Design/Methodology/Approach: The researchers use the quantitative research method and positivism philosophy. Researchers have collected secondary data from 2011 to 2021 on the selected research variables from Central Bank and other economic publications for the study. Also, domestic credit and stock market liquidity have been identified as independent variables and economic growth has been identified as dependent variables.

Findings: The correlation analysis shows that the domestic credit has a weak negative and significant correlation to economic growth. Further, stock market liquidity has a weak, negative, and insignificant correlation to economic growth.

Originality: This study covers the Covid-19 period and it is a novelty in this study.

Keywords: *Domestic Credit, Stock Market Liquidity, Economic Growth*