

# IMPACT OF MACROECONOMIC VARIABLES ON STOCK MARKET PERFORMANCE: EVIDENCE FROM SRI LANKA

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Share market plays an important role on development of the economy and promotes the prospects of the country. The purpose of this study is to examine the influence of macroeconomic variables on stock market performance in Sri Lanka. The proxy for the stock market performance is all share price index (ASPI) whereas GDP, inflation rate (INF), interest rate (IR), exchange rate (ER) and money supply (MS) are considered as macroeconomic variables. The population of the study consists of all companies listed in Colombo Stock Exchange. The data was gathered from the secondary sources and the annual time series data was employed for the Sri Lankan economy for the period of 1995 to 2019. The techniques of Pearson's correlation and multiple regressions were employed for the data analysis and hypothesis testing. The findings demonstrate that GDP, and MS positively influence the stock market performance. IR and ER negatively influence the stock market performance while inflation rate is failed to prove the significant impact on stock market performance. The findings will be fruitful to the public as well as the economy particularly share market investors to consider the macro economic variables for making the effective decisions in order to increase their stock market performance.

**Keywords:** *GDP; Exchange rate; Interest rate; Money supply; Stock market performance*

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