

Relationship between stock market operations and economic growth in Sri Lanka

G.G.R.I. Bandara and P.D.N.K. Palihena

*Department of Accountancy and Finance, Faculty of Management Studies,
Rajarata university of Sri Lanka, Mihintale, Sri Lanka.
Corresponding author: ruwanindika330@gmail.com*

Abstract

This study examines the association between stock market operations and the economic growth in Sri Lanka employing twenty years data from 1996 to 2015. The study used All Share Price Index, market capitalization and market liquidity as independent variables and gross domestic product represents the economic growth in the country as the dependent variable. Descriptive analysis, correlation analysis and multiple regression models were used to analyze the data. The result of the study reveals that there is a positive relationship between market capitalization and economic growth. It was found that the other variables, including All Share Price Index and market liquidity have no effect on economic growth. The empirical findings of the study confirm that there is a positive relationship between economic growth and the stock market operations. The findings of this study proved the market capitalization is the most significant factor affecting on gross domestic product in Sri Lanka.

Keywords: *All Share Price Index, economic growth, gross domestic product, market capitalization, market liquidity.*