

## **Macroeconomic Determinants of Stock Market Development in Sri Lanka**

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### **Abstract**

The goal of this study is to determine the effect of macroeconomic variables on the development of the Sri Lankan stock market. The null hypothesis indicated that variables such as economic growth rate, trade balance, gold price, money supply, and consumer price index had no effect on the development of the stock market. This examination will be conducted using the All Share Price Index (ASPI), which is a gauge of the Colombo Stock Exchange's performance. The sample will comprise all companies listed on the Colombo Stock Exchange and will span the period January 2011 to December 2020. This study will utilize secondary data as well as data from the Central Bank's monthly indicator reports and the Colombo Stock Exchange's annual reports. For both the independent and dependent variables, basic regression will be utilized. The data will be analyzed using descriptive analysis, correlation analysis, and regression analysis. This study will be particularly valuable in the Sri Lankan context due to the scarcity of research in this field. The findings of this study will benefit present and prospective investors in the Colombo Stock Exchange by providing them with a better understanding of the relationship of macroeconomic variables and stock market volatility. Additionally, these findings will be beneficial to regulators, future investors, future research, and academic purposes.

**Keywords:** *Macroeconomic Determinants, Stock Market Development, Colombo Stock Exchange, All Share Price Index*