

## **Impact of Cryptocurrency on the Stock Market Performance in Sri Lanka: An Empirical Study Based on Ethereum**

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### **Abstract**

**Introduction:** Cryptocurrencies are becoming increasingly popular as an investment product with incredible returns and high risks. In recent time, numerous researchers have investigated about the relationship or correlation between cryptocurrencies and the stock market under different factors and situations. However, attention is not drawn to the impact of cryptocurrency and stock markets in the Sri Lankan context. Thus, the purpose of this study is to examine the impact of cryptocurrency on the stock market performance in Sri Lanka. This study specifically focused on Ethereum (ETH), which was ranked as second largest coin of total market capitalization.

**Methodology:** The analysis uses the data of ETH price Returns, ETH volume, and ASPI Returns, as well as S&P SL20 returns for the period 2015-2023 on a weekly basis. The VEC (03) model is employed in the study's quantitative research methodology to evaluate the impact of cryptocurrency on stock market performance in Sri Lanka.

**Findings:** According to the results, there is no short-term impact, but there is a long-term impact of cryptocurrency on stock market performance in Sri Lanka. Further, there is a somelevel of impact of Ethereum on ASPI return and S&P SL 20 return.

**Conclusion:** This study contributes valuable insights to the field, providing a context-specific understanding of how cryptocurrency dynamics, particularly Ethereum, can influence traditional stock market performance in Sri Lanka. The implications of these findings extend to a diverse array of stakeholders, including investors, policymakers, financial institutions, and researchers.

**Keywords:** Cryptocurrency, Ethereum (ETH), VECM, Stock market, ASPI, S&P SL20 index, COVID-19.