

Relationship between Stock Market Performance & Economic Growth: Empirical Evidence from Sri Lanka

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In general, economic growth is an important factor which helps a country to become strong and prosper than the other nations in the world. Thus the attempt of this study is to identify the relationship between stock market performance and economic growth of Sri Lanka and to analyze how stock market performance affects the economic growth of Sri Lanka. Quarterly data is collected from Central Bank of Sri Lanka, Department of Census and Statistics of Sri Lanka, and Colombo Stock Exchange for a period of sixteen years from year 2000 to 2015 to follow the analysis where All Share Price Index representing the Stock Market Performance is the independent variable while Real Gross Domestic Product representing the Economic Growth is the dependent variable. Data set is proven to be normally distributed. Econometric technique of simple regression model and correlation analysis was used to analyze the data using SPSS software in order to identify and further explain the relationship between stock market performance and economic growth of Sri Lanka. Findings of the study is parallel with the previous literature that discloses a strong positive relationship between stock market performance and economic growth of Sri Lanka. This study extends the literature, providing valued information to economists in developing countries and to the academia.

Keywords: *All Share Price Index, Economic Growth, Stock Market Performance, Real Gross Domestic Product, Central Bank of Sri Lanka*

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