

## **Impact of Macroeconomic Variables on Sectorial Share Price Indices in Sri Lanka**

Senarathna, K.A.H.K.<sup>1</sup> and Rathnasiri, U.A.H.A.<sup>2</sup>  
hasinthasenarathna@gmail.com<sup>1</sup>, hashika@kln.ac.lk

In the present turbulent environmental setting in Sri Lanka, it is paramount important to investigate the fluctuations in share prices with the changes in different macro-economic variables. The objective of this research is to investigate the relationship between macroeconomic variables on sectorial share price indices in Sri Lanka. Sectorial price indices from six business sectors were selected as dependent variable. Exchange rate, Treasury bill rate (Interest rate), Consumer Price Index (Inflation rate) and money supply were selected as independent variables. Multiply regression analysis was carried out to investigate the relationship between macroeconomic variables and sectorial share price indices by using monthly data from 2006 to 2015. Analysis revealed that macro-economic variables had significant influence for variation of sectorial share price indices in Sri Lanka. Moreover the study showed that money supply is most influential factor to determine the sectorial share price indices for all selected sectors. Exchange rate and Interest rate were showed significant negative impact on share prices for all selected sectors. The study gives meaningful insight to prevailing literature and it gives practical implication for investors, stock market regulators and policy makers and makes foundation for future research to study the macroeconomic variables on different sectors separately.

**Keywords:** Exchange rate, Interest rate, Consumer Price Index, Money supply, Sectorial share price indices, Multiple regression analysis, Sri Lankan stock market