

Foreign Direct Investment as a Determinant of the Performance of Share Market in Sri Lanka

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ABSTRACT

Purpose: The purpose of this study is to examine the factors that affect foreign direct investment and stock market performance.

Design/methodology/approach: The quantitative method was applied in this research. This study covers the years 2012 to 2021 and collects monthly data. Focus on the discovery of a long-term relationship between FDI and stock market development in Sri Lanka. And discover that a shock to FDI considerably affects the performance of the stock market in Sri Lanka. The data was collected using the secondary data collecting method, and the Autoregressive Distributed Lag (ARDL) approach was applied to analyze the data in this study.

Findings: According to the study's findings, there is a Positive relationship between Sri Lanka's stock market performance and net foreign direct investment. The performance of Sri Lanka's stock market will improve with an increase in foreign direct investment.

Originality: Foreign direct investment has a direct and indirect impact on the performance of the stock market, as it can invest directly in shares and open new businesses with the board of investment's approval.

Keywords: *Economic Growth, Foreign Activity, Foreign Direct Investment, Market Capitalization, Stock Market Performance*