

# STOCK MARKET PERFORMANCE AND ECONOMIC GROWTH IN EMERGING MARKET ECONOMY

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## ABSTRACT

The purpose of the study is to investigate the impact of stock market performance on economic growth in Sri Lanka. Share market plays a critical role in facilitating countries' economic growth and prosperity. Economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Dependent variable of this study is economic growth which is measured by Gross Domestic Product (GDP) and independent variable is stock market performance measured by All Share Price Index (ASPI). Further Inflation Rate (INF) and Exchange Rate (ER) have considered as control variables in this study. The study targets all the companies listed and active at the CSE from 2002 to 2016. For data analysis, secondary data was collected from annual reports of Central bank of Sri Lanka, Colombo Stock Exchange (CSE), Securities and Exchange Commission and Department of Census and Statistics. Based on the multiple regression analysis findings reveal that Stock market performance significantly impacts on economic growth whereas Inflation rate and exchange rate have no significant influence on economic growth. These findings hold practical implications for policy makers, stock market regulators, investors and stock market analysts. The findings of the study have some valuable implications. It could give some insight for policy makers about the possible linkages between stock market performance and the economic growth.

**Keywords:** Stock market performance, All Share Price Index, Economic growth, Gross Domestic Product