



Impact of Macroeconomic Variables on Share Price of the Banking Sector in Sri Lanka

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ABSTRACT

This thesis aims to examine the Impact of Macroeconomic Variables on the Share Prices of the Banking Sector Listed on the Colombo Stock Exchange. Many previous researchers have examined the relationship between macroeconomic variables and share price, and they interpreted different conclusions regarding their studies. In Sri Lanka, fewer researchers have looked separately at how macroeconomic variables affect share prices in sectors. The share price is the dependent variable of this study. The study's dependent variables are Gross Domestic Product, Exchange Rate, Interest Rate, Inflation Rate, and Money Supply. The study looked at a total of 10 publicly-traded licensed commercial banks in the banking sector from 2015 January to 2020 December and obtained data from the Colombo Stock Exchange data library and the Central Bank of Sri Lanka. Hausman and redundant fixed effect tests were applied to select the most applicable model to examine the developed hypothesis. This study finds a positive non – significant association between Gross Domestic Product and Share Price. Exchange Rate and Interest Rate had a significant positive association with the share price. The findings and conclusion of this study will fulfill the research gap stated in local empirical studies related to the topic mentioned above. The recommendation is that other than the macroeconomic factors, the fundamental and other technical elements may influence banks' share prices.

Keywords: *CSE, Exchange rate, GDP, Interest rate, Share Price*