

## **Stock Market Development and Economic Growth: Evidence from Middle Income Countries in Asian Region**

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The growing importance of stock markets around the world has recently opened a new avenue of research into the relationship between stock market development and economic growth. A vast literature is available related to the stock market development and economic growth. But there are only few studies which focus on middle income countries in Asian region. Thus the aim of this research is to fill the gap in existing literature and to develop an understanding about the relationship between stock market development and economic growth of middle income countries in the Asian region.

The study analyses data of 11 middle income countries in the Asian region over the period of 2011 to 2016 using secondary data sources. Ordinary Least Square (OLS) regression method is used as the main method of describing the relationship between stock market development and economic growth using Statistical Package for Social Science (SPSS) Version 22. Moreover; with the intention of supporting the results of the main method, descriptive statistics and correlational analysis are also used. Economic growth which is the dependent variable of this study is measured by GDP per capita growth rate. As independent variables, stock market development indicators which are recognized through literature survey are used. Market capitalization ratio is used as the indicator of stock market size and as the indicators of stock market liquidity, total value traded ratio and stock market turnover ratio are used. Rate of inflation and government consumption ratio are the control variables used in this study. The main finding of this study indicates that there is an association between stock market development and economic growth at a significance level of 0.05. The results reveal a significant positive relationship between stock market turnover ratio and GDP per capita growth rate. Further, economic growth has a significant relationship with inflation rates and government consumption ratio. In order to achieve economic growth through development of stock market, governments of middle income countries can implement numerous policies such as ensuring clear and concise rules for investment, providing incentives to attract capital on equity markets from the international monetary system, spreading knowledge to the public about the benefits of investing in stock markets and creation of state-run mutual funds to ensure higher liquidity on stock markets.

**Keywords:** economic growth; stock market development; stock market liquidity

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