

**Government Interventions and COVID-19 Pandemic:  
An Economic Review of Financial Markets in Sri Lanka**

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The COVID-19 pandemic was an unexpected event which has been spreading in Sri Lanka since early 2020. To mitigate the public health threat, the country had to enforce a variety of measures, including social distancing, public awareness programmes, testing, and quarantine policies. Further, there were many lockdowns, to minimize face-to-face human interactions between the infected and the susceptible. Though these vigilant measures saved lives, they also generated a substantial negative economic shock that disrupted trade within the country. Therefore, the government had to implement income support packages to protect the people. Even though the long-term effect of these government actions is yet to be seen, in this study, we examine the economic impact of COVID-19 in Sri Lanka through the analysis of stock market returns. This was analysed through a multiple regression using daily data collected for multiple variables: Stringency Index, Economic Support Index, Containment and Health Index, COVID-19 Cases, and the effect of such actions on stock market returns through the All-Share Price Index (ASPI) from January 01 to June 30, 2020. It was revealed that stock market returns have been drastically affected in a negative manner with respect to the daily increase in COVID-19 cases. Then, stock market returns have gradually increased along with time, due to government announcements regarding public awareness programmes, testing and quarantine policies, and income support packages. Thus, some of the government measures also have indirect economic benefits which is difficult to predict. More studies need to be done with the availability of further data to better understand the economic impact of such government measures which are crucial in designing better government responses in future because the frequency of pandemics and contagious diseases has increased over recent decades.

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