

## **The Effect of Financial Micro Factors on Stock Prices: Special Reference to the Manufacturing Sector in the Colombo Stock Exchange (CSE)**

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The objective of the study was to identify the effect of selected micro variables on the stock prices of selected manufacturing companies listed in Colombo Stock Exchange (CSE). Researcher used the secondary data which was collected from the annual reports of selected companies for the period of 5 years. The sample of 29 companies was selected for this study representing manufacturing sector entities. In this study, Return on Equity, Book Value per Share, Earnings Per Share, Price Earnings Ratio, Dividend Per Share, Dividend Yield, Firm Size, and Financial Leverage were used as independent variables with the Stock Prices as the dependent variable. The data have been analyzed by using descriptive statistics, correlation and regression analysis to find out the effect of the micro variables on the stock prices. According to the results of the overall analysis, there was significant impact of book value per share, dividend per share, dividend yield, firm size and financial leverage on the stock prices. Further, it was identified that there was an insignificant impact of return on equity, earnings per share, price earnings ratio on the stock prices. According to the final result majority of financial micro factors significantly affect to the stock prices.

**Keywords:** Financial micro factors, Stock prices, Manufacturing sector