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**A STUDY OF DETERMINANTS
OF
COMMON STOCK RETURNS
IN
COLOMBO STOCK EXCHANGE**

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ABSTRACT

This research aimed to study the effect of firm specific variables in deciding the Common Stock Return in Colombo Stock Exchange. The research problem focused here was to identify how the firm's key specific factors effect on deciding the Common Stock Return in Colombo Stock Exchange.

The sample of eighty eight companies was selected for this research and taken only the mostly traded stocks firms. The sample period was year 2001 to 2006. The returns of the Common Stocks were calculated taking the dividend return, bonus return, capital gain and the right return. The Beta was calculated by using the market model for this research purpose.

The data analysis was done by using the correlation and the regression analysis. In this analysis the correlation was done for Return and Beta, Return and Earnings to Price Ratio, Return and Book to Market Value and, Return and Size of the Firm. Further, a regression analysis also carried out in this study.

It was found in the research study, that the return could explain only by the Earnings to Price Ratio and had a positive linear relationship with the return. The other factors such as Beta, Book to Market Value and Size of the firm didn't have any relationships with the return. This research result was par with the previous findings such as Basu (1983), Jaffe, Keim and Westerfield (1989), James (1994), and P.D Nimal, (1997).