

## **Demand of Market Share Price: Evidence from Listed Banks in Colombo Stock Exchange**

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### **Abstract**

This research motivates to study the extent to which firm-specific determinants and macroeconomic determinants to stock prices of listed banks in Colombo Stock Exchange. The relationship of internal factors and external factors has become one of the most researched areas among accounting researchers. However the relationship between firm-specific determinants, macroeconomic determinants and stock price in different stock exchanges including both developed and developing market settings whilst there is very limited knowledge in this regard in Sri Lankan context. Hence this paper focuses to analyze the bank-specific factors and macroeconomic factors on investor's decisions. The purpose of this paper is to find out the internal and external determinants on investor's decisions and to examine the relationship between these two types of determinants and stock price.

The population of the study comprises of listed seventeen banks in Colombo Stock Exchange for ten years during the period 2008-2017 and collected data from the website of central bank and annual reports of banks. This paper uses Market Share Price as dependent variable and Dividend Payout Ratio (DPR), Net Interest Margin (NIM), Interest Rate (INT), Inflation Rate (INF) and Gross Domestic Product (GDP) use as independent variables. Correlation analysis and multiple regression analysis are used to find out the relationship and impact of independent and dependent variables. The results shows that there is significant positive relationship between GDP and the market share price and significant negative relationship between interest rate, inflation and the market share price.

**Keywords:** Firm-Specific Determinants, Macroeconomic Determinants, Dividend Payout Ratio (DPR), Net Interest Margin (NIM)