

The Impact of Financial Ratios on Stock Return before and during Covid-19: Empirical evidence from Colombo Stock Exchange

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ABSTRACT

Purpose: The purpose of this study was to examine the impact of financial ratios on stock return before and during Covid-19 in Sri Lankan context using data collected from the companies listed in Colombo Stock Exchange.

Design/Methodology/Approach: The data was collected as two samples. 2016- 2019 was considered as before Covid-19 and 2020-2021 was considered as during Covid-19 for 60 companies listed under consumer durables and apparel, consumer services, and food and beverage and tobacco sectors in CSE. The study used four financial ratios as the independent variables; Return on asset, current ratio, debt to equity ratio, and price to earnings ratio and stock return as the dependent variable. The analysis was conducted using a multiple regression model via STATA software to understand the impact of financial ratios on stock return.

Findings: The results indicated that the price-to-earnings ratio has a significant impact on the stock return before covid-19, and the remaining financial ratios; current ratio, and debt to equity had an insignificant impact on stock return. During Covid-19, all financial ratios had a statistically insignificant impact on stock return.

Originality: It was revealed that their knowledge on financial matters based on experience has a significant impact on making sound financial decisions. The findings recommend the necessity for effective financial literacy programs focusing especially on financial knowledge to facilitate informed financial decisions of these vendors.

Keywords: *Covid-19, Financial Ratios, Significant, Stock Return, Multiple Regression model*