

Determinants of Stock Liquidity in Listed Diversified Holdings in Sri Lanka

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Stock liquidity (SL) is vital to both the internal and external analysts as its adjacent relationship with financial market. Thus, it is of paramount important to investigate the factors that influence SL in Diversified Holdings (DHs). The present study is aimed to explore the determinants of SL in DHs listed in the Colombo Stock Exchange (CSE). Fourteen DHs were selected as the study sample as those companies own a controlling interest in multiple companies. A comprehensive literature survey was conducted to identify the variables for the present study. Accordingly, SL is selected as the dependent variable while independent variables are chosen as firm size, profitability, earnings per share (EPS), stock dividend, leverage, and tangibility. SL was proxied by the number of shares traded during the year. The independent variables were measured respectively by the natural logarithm of market capitalization, return on assets, earnings per common stock, divided per shares (DPS), long term debt to total assets and fixed assets to total assets ratio. Descriptive statistics, correlation analysis, and panel data regression analysis were utilized to analyze the collected data. As per the analysis results, DPS, EPS and, tangibility negatively and significantly impacted on SL. However, in contrast to our expectations, the other three variables; firm size, profitability, and leverage did not show any significance in determinants of SL. It can be concluded that these results contribute to the existing literature on stock liquidity.

Keywords: Stock liquidity, diversified holdings, Sri Lanka