

# **Determinants of market share prices in blue-chip companies listed in Colombo Stock Exchange**

**M.Z.A. Ahamed and R.M.N.C. Swarnapali**

*Department of Accountancy and Finance, Faculty of Management Studies,  
Rajarata University of Sri Lanka, Mihintale*

*Corresponding author: aazeerzahir@yahoo.com*

## **Abstract**

The determinants of share prices are often a matter of debate. Various researchers have found different factors that determine the share prices for different markets. Consequently, this study aims to identify the determinants of market share prices in 20 Blue-chip companies listed in the Colombo Stock Exchange for the period covering the most recent five years (from 2015 to 2019). Six determinants [i.e., earnings per share, dividend per share, book value, price-earnings ratio, gross domestic product, and inflation rate] were selected as the independent variables of the present study. The dependent variable was market share price and it was measured by closing share price at the end of the respective financial year. The study was executed regression analysis on panel data to achieve the study objectives. The results of the study revealed that earnings per share, book value, and price-earnings ratio have a positive impact on the market share prices, while gross domestic product shows a negative impact on the market share prices. Hence, the result of the present study supports by making a change in earnings per share, book value, and price-earnings ratio and firms can expect a positive result from the market share prices. However, dividend per share and inflation rate were not the significant determinants of market share prices of the selected companies. Thus, it could be concluded that evidence is mixed with the determinants of the market share prices of the Blue-chip companies listed in the Colombo Stock Exchange. It believed that the result of the study is vital to the market participants, such as investors, stock dealers, investment managers, and others who wish to be aware of the changes in share prices by observing the determinants used in this study.

***Keywords:*** *Blue-chip companies, determinants, market share price*