THE RELATIONSHIP BETWEEN STOCK RETURNS AND TRADING VOLUME OF LISTED COMPANIES IN COLOMBO STOCK EXCHANGE

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ABSTRACT

Trading volume and stock returns are two key concepts in finance. This study examined the relationship between stock returns and trading volume of listed companies in Colombo Stock Exchange. Main objective of the study is to identify the nature of relationship exists between trading volume and stock returns of listed companies in Colombo Stock Exchange. The study is conducted by using secondary data and focused quantitative approach. Data was collected from data CD in CSE. The research period covered 12 months from January 2016 December 2016. In this study, descriptive analysis, correlation analysis and regression analysis methods and the Statistical Package for Social Sciences (SPSS) was used for analysis.

The study revealed that stock returns are positively related to the contemporary change in trading volume. The importance of this study depends on giving ways to investors (individual, company) in order to maximize their returns by getting optimal investments decisions which depends on understanding the correlation between stock prices and trading volume basis through which to provide the appropriate information to make investment decisions, it is through this relationship facilitates the construction of a short term outlook on the future price volatility, which helps companies to contribute to the strengthening of profitability.

TABLE OF CONTENTS