

## **ABSTRACT**

The objective of this study is to determine the significant relationship between financial ratios and stock returns of the firms in Technology industry listed on Stock Exchange of Thailand (SET) from the year 1997 to 2011. Five financial ratios from each category are used as sample of dependent variables; namely current ratio (CR) from Liquidity group, debt-to-equity ratio (D/E) from Leverage group, inventory turnover ratio (INTO) from Asset Activity group, return on equity ratio (ROE) from Profitability group, and price-earnings ratio (P/E) from Market Value group.

This study applies Ordinary Least-Square Regression (OLS estimate) to test the relationship between financial ratios and stock returns; and finds that ROE and PE have significant relationships with stock returns at 99% confident level and also current ratio has a significant relationship with stock return at 90% confident level. Since the result shows a significant evidence of the relationship between some financial ratios and stock returns in the Stock Exchange of Thailand, the Thai stock market is not semi-strong efficient market. Thai investors can still earn some abnormal return from financial data and public information.

In conclusion, previous studies including this study show that different methodologies and different countries report different results for the relationship between financial ratios and stock returns.