ABSTRACT

Corporate dividend policy has long been an issue of interest in financial literature. A number of researchers have advanced theories and provided empirical evidence regarding determinants of a firm's dividend policy.

The main purpose of this study is to test the factors that influence dividend payout policy of firms listed on the Stock Exchange of Thailand, specifically to identify the relationships between divided payout ratio and beta – proxy of firms' operating and financial leverage, insider holdings and the number of common stockholders – proxies of agency costs of outside ownership, past sales revenue growth rate and expected future revenue growth rate – proxies of transaction costs of external finance.

The data were gathered from SET I-SIMS CD-ROM and annual reports of firms from 1998 to 2002. The researcher chooses 32 firms as the sample size which matches the sample selection procedures. In this study, a regression model is developed to analyze the relationship between dependent variable and independent variables. The data analysis includes Descriptive Analysis and Ordinary Least Squares Analysis.

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LABOR VINCIT OMNIA
มหาวิทยาลัยอัสสัมชัญ

The results in this study indicate that the dividend payout ratio of Thai listed firms only depends on the firm's insider holdings and past revenue growth rate. Moreover, the insider holding has a positive impact on dividend payout ratio and the firms' past revenue growth rate has a negative impact on dividend payout policy. In other words, firms pay lower amount of dividends when insiders hold a lower fraction of the equity and when firms have a higher revenue growth rate in the past. The results of this study are not consistent with previous findings, the findings do not support the agency cost theory because most Thai firms are controlled by families which hold more equity, and firms pay higher dividends to increase their own profits.

This study uses Thai firms' data to test the factors that affect the dividend payout policy. Some different findings are obtained by regression analysis which shows that the dividend policy decision making of Thai firms does not follow the direction of US firms' dividend policy. These findings help outside investors to invest their money on Stock Exchange of Thailand effectively and efficiently.

ASSUMPTION UNIVERSITY OF THAILAND
BROTHERS OF ST. GABRIEL
LABOR OMNIA VINCIT
SINCE1969
มหาวิทยาลัยอัสสัมชัญ