# ABSTRACT

In this thesis the researcher investigates whether or not there is a relationship between firm size and its market reaction by explaining the size effect, whereby a small firm's stock can cause much more abnormal returns from market reaction at the time dividends are announced. Previous literature concludes small firm stock prices have less information than large firm stock prices in the firm's dividend announcement. Therefore, investors can get more market returns from investing the small firms' stocks like in some countries' stock markets such as U.S. and England, etc. This size effect is evidenced by the greater market reaction to small firm dividend announcements than to large firm dividend announcements.

However the researcher has found that size effect is not felt in the Stock Exchange of Thailand. Meaning, there is no relationship between firm size and market reaction for the dividend announcements.

Therefore, result of this study supports the efficient market hypothesis theory instead of size effect. The performance of Thai stock market is following the EMH (Emergence of the Efficient Market Hypothesis) theory: The stock prices are adjusted by the infusion of new information.

This study recommends that investors can invest in any firm's stocks that are listed in the Thai stock market whether the firm is large or small. Meanwhile, the stockowners in the firms that are listed on the Thai Stockmarket Exchange can make a more efficient dividend policy through knowing the result of this research.