ABSTRACT

Managers make dividend decisions based on the dividend principle of maximizing shareholders well being. Some investors would like to receive dividends and managers need to consider dividend policy and payments. Therefore, the overall objective of this study was to examine the relationship between dividend yield, earning yield, and stock return.

In order to understand the relationship among these variables, relevant theories and concepts were reviewed and synthesized to form the theoretical and conceptual frameworks. The data received from the statistical analyses of secondary data of listed companies on the Stock Exchange of Thailand were divided into two periods: from 1980 to 1990, and from 1991 to 2001. The reason behind this division was to investigate whether the relationship, if any, among the variables varied over time.

Subsequently, the data have been analyzed using simple and multiple linear regressions. Stock return was the dependent variable, and earning yield and dividend yield were independent variables for each period. Furthermore, the results were produced in the form of descriptive statistics, ANOVA table, and regression model.

The results showed that there was no significant relationship between earning yield and stock return for both periods. Similarly, there was no significant relationship between dividend yield and stock return for both periods. In addition to these, there were no relationship among dividend yield, earning yield, and stock return.

Therefore, this study suggests that public corporate managers spend less time for dividend policy in their effort to create shareholders' wealth. They can concentrate more on creating the value of stock price through investment and financing decisions. Investors or shareholders should also understand that dividend payment are not related to the shareholders' wealth or stock return.