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DETERMINANTS OF DIVIDEND PAYOUT RATIO IN THAILAND

Abstract:

Dividend payout ratio has been a controversial topic among scholars for some decades. Researchers have different conclusion and attempt to construct theoretical models to defy factors that impact dividend payout ratio such as transaction theory or agency theory for examples. The purpose of this study is to investigate some financial indicators that affect the dividend payout ratio in Thailand's capital market. From existing literature reviews, we select seven factors including dividend payout ratio a previous year, corporate size, current ratio, debt to equity ratio, sale growth, free cash flow and return on equity or return on assets.

This study uses secondary data collected from annual financial statements of listed companies in Thailand Stock Exchange exclude financial sector during 2014 -2016 periods. After we evaluate the data based on specific criteria, only 106 companies remained qualified. Therefore 318 firm-year financial information has applied for this study. A panel multiple regression model is implemented for statistic testing at the significant level 0.05.

The results show the positive and statistically significant effect of current ratio, debt ratio and return on equity to dividend payout ratio. While the results show negative and statistically significance of sales growth to dividend payout ratio. The results are consistent with prior survey except for debt ratio which shows the opposite direction. However, the results show no significant effect of dividend payout ratio a previous year, firm size and free cash flow to dividend payout ratio. Nevertheless, return on assets is better explanation than return on equity since the result demonstrates higher r square. This research limits determinants from previous literatures. Other explanatory variables such as investment opportunities, business risk or firm life cycle are subject to future research.

Keywords:

Dividend Payout Ratio, determinants, Thailand Stock Exchange

JEL Classification: G39, M49, G32