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DIGITALIZATION AND FIRM PERFORMANCE IN THAILAND: EVIDENCE FROM FIRM DIVIDEND PAYOUT POLICY

Abstract:

Digitalization has continuously transformed economy in the global landscape, including developing countries in ASEAN region. Accordingly, Thailand has established a framework for digital economy development alongside with the "Thailand 4.0" policy to enhance the country competitiveness. As part of this initiative, healthcare services are profoundly promoted and aimed to be Asia's capital of health and wellness, as well as a number of digital projects are initiated to drive forward this digitalization. Consequently, businesses in both ICT and healthcare sector should be beneficial from this policy, and should reveal in their financial performance. In corporate finance, firm's dividend decision could provide useful information about firm performance, and might be taken into consideration when making their investment decision. This paper examines the relationship between dividend per share and financial performance using panel data from Thailand listed firms in ICT and healthcare sectors during the period 2009-2018. In order to investigate such relationship, return on asset (ROA) is a proxy for firm financial performance while firm size, asset tangibility and leverage are treated as controlled variables. Regression results confirms the differences of such relationship between the two sectors. In ICT sector, both firm size and dividend per share shows positive and significant relationship to the firm performance, which provide evidence in support of both Signaling and Bird-in-hand hypotheses of dividend policy theory. Contrary, there is no clear evidence from firms in the Healthcare sector, whose financial performance only depends significantly on asset tangibility but not on dividend.

Keywords:

Digitalization, Dividend Policy, Firm Performance, Signaling Hypothesis, Thailand Stock Exchange