



Cash Holdings and Executives' Compensation: Evidence from Thailand

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ABSTRACT

This paper focuses on two main issues by using information on Thai publicly traded companies during the year 2007 to 2011. The first part is to examine the relationship between corporate cash holdings and managerial incentives to understand the influence of risk-taking to the management decisions on the financial policy. I found positive relationship between corporate cash holdings and management's compensation. The panel regression is a robust by controlling investment/ growth opportunity, liquidity, and the effect is stronger while the model is controlled by corporate governance index.

The second part is to investigate the effect of managements' incentives on corporate cash holdings and the marginal value to shareholders to understand how the incentives improve the alignment of managers and shareholders. In addition, the papers will examine the indirect relationship between debtholders and shareholders which is influenced by the incentives. The results indicated that an increase in managerial compensation associated with an increase in corporate cash holdings will create the marginal value to shareholders. The value to shareholders is more valued for the unlevered firms. The evidence shows that when the level of leverage increases an extra unit of cash is more valued to debtholders rather than shareholders. Furthermore, the effects are robust by controlling of corporate governance index.