



STOCK MARKET LIQUIDITY AND THE DECISION TO REPURCHASE: AN EMPIRICAL STUDY IN THAILAND

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May 2013

ABSTRACT

This paper examines the impact of stock market liquidity on payout decision of listed companies in Thailand during 2002-2012. My empirical results indicate that stock market liquidity plays an important role in repurchase initiation and partially in dividend initiation, but not in recurring payout decisions. Dividend-paying firms are significant to internal factors such as operating income, total assets, leverage, investment opportunity, and return on equity. However, they are not significant to the liquidity. These results are inconsistent to Brockman et al. (2008). A possible explanation of the disparity is that repurchase program in Thailand is not popular; i.e. the ratio of repurchase to dividend ranges from 0.94% in 2002 to 0.38% in 2012, and the number of repurchasing firms is 29 firms in 2009 to only 8 firms in 2012.