

Dividend Policy in Family Controlling Firms from a Governance Perspective: Empirical Evidence in Thailand

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Abstract : Typically, most of the controlling firms are relate to family firms which are widespread and important for economic growth particularly in Asian Pacific region. The unique characteristics of the controlling families tend to play an important role in determining the corporate policies such as dividend policy. Given the complexity of the family business phenomenon, the empirical evidence has been unclear on how the families behind business groups influence dividend policy in Asian markets with the prevalent existence of cross-shareholdings and pyramidal structure. Dividend policy as one of an important determinant of firm value could also be implemented in order to examine the effect of the controlling families behind business groups on strategic decisions-making in terms of a governance perspective and agency problems. The purpose of this paper is to investigate the impact of ownership structure and concentration which are influential internal corporate governance mechanisms in family firms on dividend decision-making. Using panel data and constructing a unique dataset of family ownership and control through hand-collecting information from the nonfinancial companies listed in Stock Exchange of Thailand (SET) between 2000 and 2015, the study finds that family firms with large stakes distribute higher dividends than family firms with small stakes. Family ownership can mitigate the agency problems and the expropriation of minority investors in family firms. To provide insight into the distinguish between ownership rights and control rights, this study examines specific firm characteristics including the degrees of concentration of controlling shareholders by classifying family ownership in different categories. The results show that controlling families with large deviation between voting rights and cash flow rights have more power and affect lower dividend payment. These situations become worse when second blockholders are families. To the best knowledge of the researcher, this study is the first to examine the association between family firms' characteristics and dividend policy from the corporate governance perspectives in Thailand with weak investor protection environment and high ownership concentration. This research also underscores the importance of family control especially in a context in which family business groups and pyramidal structure are prevalent. As a result, academics and policy makers can develop markets and corporate policies to eliminate agency problem.

Keywords : agency theory, dividend policy, family control, Thailand

Conference Title : ICCG 2017 : International Conference on Corporate Governance

Conference Location : Singapore, Singapore

Conference Dates : July 04-05, 2017