

Independent study title	FIRM LIFE CYCLE AND IDIOSYNCRATIC VOLATILITY: EVIDENCE FROM THAILAND
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ABSTRACT

This study investigates whether firm life cycle stages affect idiosyncratic volatility using fixed effects regression with robust standard errors. We focus on firms in the SET100 in Thailand during the period of 1994 to 2020. Also, we examine the role of cash flow volatility in affecting idiosyncratic volatility. Our findings suggest that idiosyncratic volatility is significantly higher when the firms are in the introduction and decline stages compared to the shake-out stage. For the role of fundamental uncertainty, we are unable to conclude that cash flow volatility affects idiosyncratic volatility for both estimations. This paper also studies the association between idiosyncratic volatility and firm life cycle stages by individual industries of firms in the SET100. The regression results show that there are significant results in some stages for the firms in the finance, property & construction, resource, and service industries. In terms of fundamental uncertainty, investors should be careful when investing in the finance, property & construction, service, and industrial & technology industries because higher cash flow volatility affects an increase in idiosyncratic volatility. This paper will provide important insight for managers and investors to manage their investment portfolio and diversify firm-specific risk by analyzing cash flow activities.

Keywords: Idiosyncratic volatility, Firm life Cycle, Cash Flow Volatility