

The Value of Cash Holdings of Firms in Thai Stock Market

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ABSTRACT

The study examines the cross-sectional variation in the marginal value of corporate cash holdings in relation to the characteristics of firms in Thai stock market during the year 2000 – 2012. By measuring the value of change in cash through the firms' excess stock returns, the marginal value of cash decreases in the level of cash position and leverage of firms. In addition, the results suggest that additional cash is valued higher in firms with more financial constraints and high growth opportunities. Overall, the findings provide some supports to the agency cost theory, the tradeoff theory and the view that financial slack is valuable in firms with good investment opportunities.

Keywords: Corporate cash holdings, Value of cash, Financial constraints