

ABSTRACT

Title: Risk and Rate of Return Analysis of Listed Securities in The Stock Exchange of Thailand

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Degree: Master of Business Administration

Major Field: Business Administration

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18, 9, 97

The Stock Exchange of Thailand is an organization supporting capital in both direct and indirect ways. It provides companies with a method of getting capital for growth and helps investors to potentially gain a reward from their investment, though there is risk due to asset price shifting.

This analysis of risk and rate of return of listed securities in the Stock Exchange of Thailand aims to evaluate and compare reward rate and risk bearing of assets in the Banking; Finance and Securities; Property Development; and, Communication sectors. The rewards from dividends, capital gains, and rewards from share profit in which the company adds up the capital were determined. These are common criteria used for making investment decisions.

The study used secondary data of a monthly basis for the 48 months between January 1992 and December 1995. The Statistical Package for Social Sciences (SPSS/PC⁺) was used to do statistical analysis and simple linear regression.

The results of the study indicated that investment in common shares in the Stock Exchange of Thailand from January 1992 to December 1995 had a reward and risk bearing rate of 16.92 and 8.81 percent per year, respectively, whereas bonds had a reward rate of only 7.5 percent per year. The risk premium was as high as 9.42 percent per year. The Communication sector offered the highest reward rate, followed by the Finance and Securities; Property Development; and, Banking sectors respectively. Dynamic asset price (β) for the evaluated sectors was indicated to be faster than that of the market as a whole. For this reason, they are more suitable for a short term investment, with the exception of the Banking sector, and potentially offer higher rewards than that of the market as a whole, yet have a low risk bearing rate. The Banking sector's dynamic asset price (β) was slower than that of the total market so for this sector, long term investment is more suitable.

This study indicates that investment in the Stock Exchange of Thailand provides a high reward rate but it also has a high risk bearing rate. Each asset and asset sector had different reward and risk bearing rates. This is because each asset and asset sector is influenced by different political, economic, industrial, international, and technological factors. These factors need to be evaluated when determining asset price and when selecting a time period for investment. Psychological factors were considered to reduce investor perceptions of risk bearing and good rewards from investment.