

Thanomsuk Sukanarak 2006: The Causality Test between Market Capitalization and Gross Domestic Product. Master of Economics, Major Field: Economics, Department of Economics, Thesis Advisor: Associate Professor Chollada Luangpituksa, Ph.D. 109 pages. ISBN 974-16-1069-6

The Stock Exchange of Thailand (SET) set the important role towards the national economy by market capitalization determined from demand and supply in the market, and move in the same direction as gross domestic product. The objectives of this research were to study the components of the SET and the causality test between market capitalization and gross domestic product. The study used the data from 1975, which was the first year of establishment of the SET, up to 2003 when market capitalization reached the maximum. The stationary test, long - run equilibrium relationship and causality test between market capitalization and gross domestic product were implemented.

The study found that the components of the SET consisted of 70% of individual investors with speculation and short - term investment, the securities price had not reflected fundamental factors and intermediaries such as securities companies lacked the research development. Moreover, the issued securities were concentrated in some sectors which were the constraint to the Stock Exchange of Thailand's development. Meanwhile, there was a lack of good corporate governance for the listed companies in the SET under the Securities Exchange Commission's supervision and securities for transaction were unreliable to investors.

The long - run equilibrium relationship testing and causality test found that the size of the stock market as measured by the ratio of market capitalization divided by GDP, had short - run and long - run equilibrium relationship with movement in the same direction as per capita GDP, including the statistically significant causal relationship. Therefore, if the government wants to increase the per capita GDP, it has to construct a plan to stimulate the expansion of investment in the Stock Exchange of Thailand. Simultaneously, the government should enhance the liquidity of securities transactions and the operation should be disciplined, transparent, and fair to increase investor confidence.

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Thesis Advisor's signature

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