The Path Analysis of Ownership Structure and Dividend Payout Ratio on Firm Performance of Listed Companies in the Stock Exchange of Thailand

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Abstract

The objective of this study was to study the impact of ownership structure and dividend payout ratio on firm performance from 185 listed companies in the Stock Exchange of Thailand (SET) which was conducted from 2015 to 2019. The data were analyzed using path analysis to examine the effect between variables and the consistency of the model and empirical evidence.

The result found that concentration ownership and institution ownership directly affected the dividend payout ratio. The dividend payout ratio also had a direct effect on firm performance. Moreover, the results of empirical evidence revealed that concentration ownership and institution ownership had an indirect effect on firm performance through dividend payout ratio which the model and empirical evidence were concordant in Thailand context, which was considered from the index value of concordance consisting of χ^2/df = 1.938, CFI = 0.998, GFI = 0.999, NFI = 0.997, RMSEA = 0.032, and RMR = 0.013.

Keywords: 1) Ownership Structure 2) Dividend Payout Ratio 3) Firm Performance 4) Path Analysis

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Introduction

Nowadays, there is a variant form of investment options, including debt instruments, equity instruments, derivatives, or investing in various types of mutual funds. The objectives of investors may differ according to the desired return and risk level and liquidity investments. For investing in equity instruments, it is one of the popular options as investors will receive higher returns than depositing money with financial institutions, which returns are in the form of excess from capital gain and dividends. However, the company's dividend payout is an essential issue that investors take when making decisions in securities investment and is still a controversial issue in business finance related to dividend policies of listed companies (San Martin Reyna, 2017; Khalid and Rehman, 2015; Agyemang, 2013).

The dividend is the distribution of returns to shareholders (Agyemang, 2013). The factors determining the decision making on the dividend payout and the number of dividends depend on the excess corporate cash and the trend of business growth in the future (Zhong, 2016; Jensen, 1986), which aims to increase the corporate value and the maximum wealth to shareholders (Thirumagal and Vasantha, 2017). However, there is no requirement that the corporates always pay dividends. According to past studies, they were conducted to investigate the cause of paying dividends to shareholders. The obtained results were varied; for example, paying dividends maintained a good relationship between agency and shareholders and reduced agency problems between managers and shareholders. This action, paying dividends by the managers, was considered a way to limit the manager's cash flow (Rozeff, 1982).

Besides the agency problem between managers and shareholders, the ownership structure also impacts the dividend payout. A past study by Nguyen and Giang (2015) that studied a relationship between the ownership structure and dividend payout found that the corporates, a structure of concentration ownership, showed a positive relationship between dividend payout and firm performance. Similar to Thanatawee (2012) which was conducted to study SET, concentration ownership was indicated to show a positive relationship between decision making and the amount of dividend payout. Moreover, the company with institutional investors tended to pay a higher dividend. However, the study of San Martin Reyna (2017), which was conducted in Mexico, a country where family firm concentrated ownership structure was found, revealed that the major shareholders with a power to control and manage showed a negative relationship with the dividend payout. This result is consistent with Harada and Nguyen (2011), which found that the payout of the dividend was low when the concentration of shareholders was high because the major shareholders wanted to protect the benefit of their group without sharing with minor shareholders. Sometimes, the decisions were made regardless of the maximum benefit of the shareholders.

Aside from the impact of dividend policy on shareholder wealth, there was a signal towards investor behaviour. According to dividend signaling theory (John and Williams, 1985; Rock and Miller, 1985), investors and managers have asymmetric information. Therefore, the dividend payout of the

corporates is a signal of the operational capability and the future corporate profit (Modigliani and Miller, 1961). In the case of the managers announcing to pay dividends higher than the investors expected, it is a sign to show that the managers expect that the future profit will increase. However, it is still a controversial issue. Modigliani and Miller (1961) suggested that the corporate dividend payout decision does not affect the value and stock price of the corporate because its value comes from distributing the expected investment in the future, not from corporate sharing or corporate allocating. It is consistent with the study of Velnampy, et al. (2014) in Sri Lanka and Eniola and Akinselure (2016) in Nigeria, who found that the dividend policy did not affect firm performance.

Both national and international previous studies widely examined the effect of ownership structure and dividend policy (Subramaniam, 2018; San Martín Reyna, 2017; Wei and Ting, 2017), the dividend payout ratio and firm performance (Israel and Bein, 2019; Hafeez, et al., 2018; Farrukh, et al., 2017), and ownership structure and firm performance (Saleh, et al., 2017; Eniola and Akinselure, 2016). Therefore, the study is critical to study the influence of ownership structure on firm performance. It uses Path Analysis to investigate direct and indirect relationships and explain the magnitude of influence between variables (Hair, et al., 2010). Since most of the past studies only studied the influence of the direct effect between ownership structure and dividend payout ratio, the impact of dividend payout ratio on firm performance, and the impact of ownership structure on firm performance. This study which will explore the indirect effect of such a relationship is essential because it provides more precise in the mechanism of the relationships between variables, especially the role of the mediator variable. This study will give more insight and a complete understanding of the effect of the dividend payout ratio as the mediator variable in the relationship between ownership structure and firm performance. It is another interesting issue and is considered a key to understanding the context of Thailand because there is no study on the indirect effect of ownership structure on firm performance through the company's dividend payout ratio.

Objectives

This study aims to study the impact of ownership structure, dividend payout ratio, and firm performance of listed companies in the Stock Exchange of Thailand (SET) as follows:

1. To study the influence of concentration ownership on the company's dividend payout ratio.

2. To study the influence of managerial ownership on the company's dividend payout ratio.

3. To study the influence of institutional ownership on the company's dividend payout ratio.

4. To study the influence of the dividend payout ratio on firm performance.

5. To study the influence of concentration ownership on firm performance through dividend payout ratio.

6. To study the influence of managerial ownership on firm performance through dividend payout ratio.

7. To study the influence of institutional ownership on firm performance through

dividend payout ratio.

Literature Review

There were two types of ownership structures: dispersed ownership and concentration ownership. A concentration ownership structure has one or more shareholders who have the power to vote or control other shareholders, which could be very beneficial. It must be closely monitored rather than dispersed ownership (Holderness, 2003). Concentrated shareholders had the power in the management and defining the crucial policies of the company, including investment policy and dividend payout policy. The concentrated ownership structure is mostly found in Asian and some European countries. This type of ownership structure reflected the power to control the business within the corporation, which in the end, concentrated shareholders have an opposite effect on the company's potential (Hu, et al., 2010). Concentration ownership structures are often dominated by large shareholders who have enough voting rights to control the company (Hutchinson and Gul, 2004), requiring the number of holdings to be tracked to mitigate agent issues. Based on the reviewing of related literature, concentration ownership can be categorized into four types as follows:

1. Managerial ownership is the management's shareholding, committee, or board of directors. If it is found that the holding is more than 10%, it is considered to have voting power and can define the company's direction (Stancic, et al., 2014; Porta, et al., 2002).

In addition, if there is a holding of more than 25%, it significantly influences the company's management and operations policies, which has the power to control shareholders or block holders. For example, executives and the board of directors are members of the same family or a business firm. The major shareholders are a person in the same family.

2. Institutional ownership is the shareholding of an institution such as a bank, insurance company, finance corporation, non-financial organization, or any other type of organization that holds the company's shares. Since institutional investors have knowledge and understanding of investment, this allows institutional shareholders to participate in voting and taking part in decision-making in the operation of the company's policies, which play an important role in corporate governance.

3. Government ownership or state ownership is the shareholding of federal, state, regional, or local authorities. In Thailand, the Ministry of Finance represents the government holding shares in the stock market, especially state-owned enterprises listed on the Stock Exchange of Thailand (SET), to supervise the country's infrastructure companies. In addition, it can also raise funds from the capital market to use for the expansion of state enterprises without being a burden on the government and still make the company's management more flexible and efficient.

4. Foreign ownership is the shareholding held by foreign investors, both retail and institutional investors. Foreign investors are entitled to investment benefits when they hold securities according to their nationality and proportions under Thai law. In general, foreigners are able to hold no more than 49%

of registered securities, except for those listed in banks and financial institutions, where the percentage of foreigners is only 25 percent.

However, concentration ownership can create a majority and minority investors problem. It is consistent with the study of Harada and Nguyen (2011), which was conducted in Japan, found that the payout of the dividend is low when the concentration of shareholders is high. The reason for this might be that the major shareholders want to protect the benefit of their group without sharing with minor shareholders. Johnson, et al. (2000) stated that major holders to control the company's management tended to pay low dividend payout (Sompoppokaset, 2016). Besides the relationship between ownership structure and the dividend policy, the dividend policy also plays a vital role in controlling the potential problems between major and minority investors. In the past, there were studies about the impact of ownership structure and dividend payout (Subramaniam, 2018; Setia Atmaja, 2016; Miko and Kamardin, 2015). The study of San Martín Reyna (2017) found a negative relationship between the concentration of shareholders and dividend payout. The study of Wei and Ting (2017) also stated that shareholder concentration played a significant role in considering dividend payout. Based on the reviewing of related literature led to the specification of a hypothesis as follows:

H_1: Ownership structure affects dividend policy.

The relationship between managerial ownership and dividend policy, as Jensen (1986) pointed out, executives would instead maintain the company's profits rather than distribute them to shareholders to ensure the company's growth and their benefits. Jensen, et al. (1992) confirmed that managerial ownership has a negative impact on the dividend policy. It is consistent with Chen, et al. (2005), who found that companies where senior executives a members with a member of the family have a negative relationship on dividend payouts. Moreover, Eckbo and Verma (1994) indicated the same result. However, the result of the study also found that if there are institutional investors in the organization, it encourages monitoring and auditing of the management regarding dividend policy. Based on the reviewing of related literature led to the specification of a hypothesis as follows:

H_2: Managerial ownership affects the dividend payout ratio.

Institutional investors play an essential role in corporate governance in the relationship between institutional ownership and the dividend policy. Several studies have shown that institutional investors significantly impact dividend policy. For example, Eckbo and Verma (1994) found that institutional investors allocate free cash flow in dividends rather than reinvesting. Moreover, high-yielding companies are associated with large institutional shareholders as they favour high dividends. Nutrujiroj (2018) said institutional investors play an important role in corporate governance by following up on the work. It also closely monitors vital policy decisions and determines shareholders' best interests to prevent representative problems (Cornett, et al., 2007). Based on the reviewing of related literature led to the specification of a hypothesis as follows:

H_3: Institutional ownership affects the dividend payout ratio.

Signaling Theory, according to the concept of Information Content of Dividends Hypothesis, related to changes in dividends, affect a company's future profitability considering the issue of the relationship between dividend policy and firm performance (Chelimo and Kiprop, 2017; Theophilus and Mirian, 2017; Eniola and Akinselure, 2016). The Farrukh, et al. (2017) study indicated that dividend payout positively impacts shareholder wealth and firm performance as measured by its return on equity. Endri and Fathony (2020) also showed a positive relationship between the dividend payout and firm performance measured by Tobin's Q. Based on the reviewing of related literature led to the specification of a hypothesis as follows:

H_4: Dividend payout ratio affects firm performance.

Based on the concept of concentration ownership that has the power to vote and define essential company policies, Harada and Nguyen (2011) conducted a study in Japan. The study found that major shareholders who want to retain their group's interests may create a representative problem between major and minor shareholders. Signaling theory also mentions that dividend changes will affect future performance. This result is consistent with Hill and Snell (1988) which found a relationship between concentration ownership and firm performance. In addition, Claessens, et al. (1997) also confirmed that concentrated ownership has a positive relationship with higher profitability and enterprise value leading to the hypotheses in the study as follows:

H_5: Concentration ownership affects firm performance through dividend payout ratio.

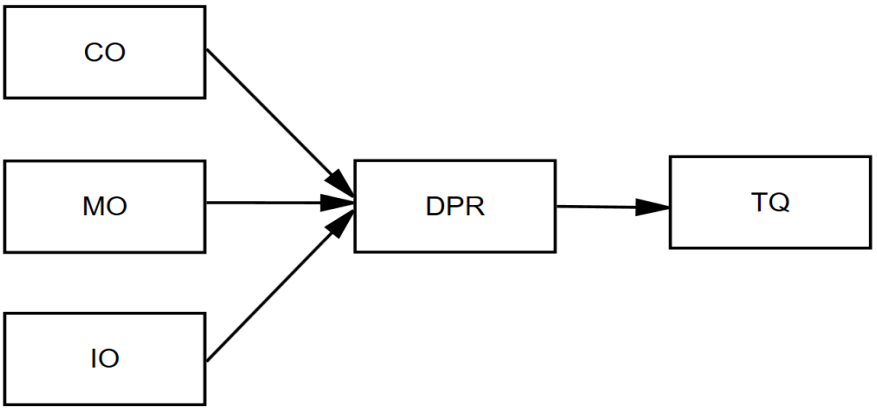
However, a past study by Berle and Means (1932) found that if the percentage of shareholding in a group of directors is so high that they have control over the management of the business, it may cause conflicts of interest between managers and shareholders which can lead to a deterioration in the company's earnings. Besides, Demsetz (1983) stated that an increase in the ownership stake within the company would result in a decrease in the company's operating efficiency. Based on the reviewing of related literature led to the specification of a hypothesis as follows:

H_6: Managerial ownership affects firm performance through dividend payout ratio.

In addition, institutional ownership such as banks, insurance companies, and finance corporations (Bush, 1998). Cornett, et al. (2007) found that institutional investors will become more active in corporate governance, especially underperforming companies. This situation shows that institutional investors are trying to prevent agency problems. It is consistent with Cornett, et al. (2007) insisting on a significant positive relationship between institutional ownership and firm performance. Based on the reviewing of related literature led to the specification of a hypothesis as follows:

H_7: Institutional ownership affects firm performance through dividend payout ratio.

Based on the reviewing of related literature led to the conceptual framework of the study as shown in Picture No. 1.



Picture No. 1 The Conceptual framework

Note: CO = Concentration Ownership, MO = Managerial Ownership, IO = Institution Ownership, DPR = Dividend Payout Ratio and TQ = Tobin's Q

Methods

The study methods were divided into three parts: scope of the study, data collection, and data analysis. The details are as follows:

Scope of the study

1. Population and samples

The population of the study was eight industry groups of 638 listed companies in the Stock Exchange of Thailand (SET) consisting of the agro & food industry, consumer products, financials, industrials, property & constructions, resources, services, and technology. A purposive sample was used in the study. For analysis, the financials and property & constructions were excluded from the study because they were different from other industries and businesses according to accounting specifications and controlled under the central bank and related governmental organizations (Pestonji, 2018). Besides, the possible delisting companies and companies undergoing business rehabilitation were excluded because the financial status and the firm performance of the delisting company did not meet the SET requirement and lack of the qualifications as the SET required (Tawhay, 2017). In addition, companies that did not pay dividends continuously and companies that entered the Stock Exchange of Thailand for less than five years were also excluded. Therefore, there were a total of 185 companies, including 925 samples.

2. Scope of the variable can be categorized as follows:

The variables used in the study	Calculation
Independent variable: Ownership structure	
Institution Ownership (%)	The number of ordinary shares held by the institution / the total number of the issued ordinary share
Mediator variable: Dividend policy	
Dividend Payout Ratio (%)	Dividend per share / net profit per company's share
Dependent variable: Firm performance	
Tobin's Q (time)	(market value of company + total debt)/total asset of the company
Concentration Ownership (%)	The top five highest number of held ordinary shares / the total number of the issued ordinary share
Managerial Ownership (%)	The number of ordinary shares held by the executive / the total number of the issued ordinary share

Data collection

The panel data, the quantitative data for analysis, was employed in this study. The secondary data relatin to the ownership structure, dividend policy, and firm performance was collected from an annual report retrieved from www.setsmart.com. From 2015 to 2019 for a total of five years.

Data analysis

A quantitative analysis was applied in this study, including descriptive statistics and inferential statistics. There was two analysis used to analyze the data, which were 1) preliminary analysis of variables; 2) Path Analysis. The details were as follows:

1. Preliminary analysis of variables was applied to explain general information about variable attributes

2. Path analysis was applied in the study. More explanation was as follows

The normal distribution test explores whether the collected data from samples has a normal distribution. The normal distribution test was conducted according to skewness and kurtosis values which the skewness coefficient is not more than ±3, and a kurtosis coefficient is not more than ±10. Thus, it indicates that the data collected from the sample group has a normal distribution (Kline, 2015). If it was found that the variable data has an abnormal distribution, variable attributes are performed by converting the data to the logarithm (Hair, et al., 2010).

Examining the correlation between observed variables generated from measurable concepts, theories and past research was used to determine whether multicollinearity was present or not. Pearson correlation analysis was adopted to find if the independent variable has a correlation level of more than ± 0.75, indicating too much correlation. In addition, if the tolerance and VIF (Variance Inflation Factor) of the independent variable exceed 1.00 and 5.00, respectively, this indicates that the independent variable is

highly correlated (Hair, et al., 2010). Therefore, only one variable should be applied if too highly correlated.

After examining the preliminary step and performing a path analysis, the coherence of the model with the empirical data was examined to study and describe the direct and indirect relationship of independent variables that had an impact on the dependent variable. It also described the direction and how much the correlation influences the variables (Hair, et al., 2010) and whether the model is consistent with the empirical data, as shown in Table No. 1.

Table No.1 Criteria of Fit Indices with the empirical data

The Fit indices	Criteria
Chi-Square statistics (χ^2)	Insignificant ($p > 0.05$)
Chi-Square/df (χ^2/df)	Less than 5
Comparative Fit Index: CFI	More than 0.90
Goodness-of-fit Index: GFI	More than 0.90
Norm Fit Index: NFI	More than 0.90
Root Mean Square Error of Approximation: RMSEA	Less than 0.08
Standardized Root Mean Square Residual: Standardized RMR	Less than 0.08

Source: Hair, et al. (2010)

Results

The results of the study were divided into two parts as follows:

Preliminary analysis of variables

Preliminary analysis of the variables revealed that concentration ownership was 53%, managerial ownership was 20.36%, institution ownership was 43.10%, the dividend payout ratio was 64.33%, and Tobin's Q was 2.71%, respectively,

Preliminary analysis and path analysis

The distribution test was applied to test for a normal distribution considering the skewness and kurtosis coefficients. According to Table No. 2, it was found that the initial data distribution analysis for some observed variables did not meet the criteria. Because of the skewness coefficient range between -0.161 to 2.701 and a kurtosis coefficient range between -1.392 to 11.098, all observed variables were converted to logarithm to resolve the problem of financial ratio with data distribution (Pestonji, 2018).

However, after analyzing the normal distribution of the (revised) data, it was found that all observed variables had a distribution that met the criteria with a skew coefficient range between -1.329 to 0.750 and a kurtosis coefficient range between 0.418 to 3.967.

Table No. 2 Normal Distribution Test of Data

Observed variables	Initial			Revised		
	Skewness	Kurtosis	SD	Skewness	Kurtosis	SD
CO	-0.161	-0.159	16.184	-1.329	3.766	0.319
MO	0.829	-0.602	21.970	-1.295	1.015	2.634
IO	0.058	-1.392	29.319	-1.202	0.885	1.038
DPR	1.783	9.487	30.320	-1.262	3.967	0.524
TQ	2.701	11.098	1.146	0.750	0.418	0.533

Note: CO = Concentration Ownership, MO = Managerial Ownership, IO = Institution Ownership, DPR = Dividend Payout Ratio and TQ = Tobin's Q

An analysis of the relationship between the observed variables to examine the multicollinearity issue is shown in Table No. 3.

Table No. 3 Correlation Matrix of the Variables

	CO	MO	IO	DPR	TQ
CO	1.000				
MO	-0.308**	1.000			
IO	0.360**	-0.547**	1.000		
DPR	0.017	0.107**	-0.132**	1.000	
TQ	0.039	0.125**	-0.074*	0.229**	1.000

Note: CO = Concentration Ownership, MO = Managerial Ownership, IO = Institution Ownership, DPR = Dividend Payout Ratio and TQ = Tobin's Q

** a significance level of 0.05

* a significance level of 0.1

According to Table No. 3, Pearson Correlation Analysis between 5 observed variables revealed that the observed variables had a correlation coefficient range between - 0.547 to 0.360. There was no problem in multicollinearity (Hair, et al., 2010).

Moreover, tolerance and VIF were analyzed for further confirmation for examining the problem of independent variables having a high correlation, as shown in Table No. 4.

Table No. 4 The Analysis of Tolerance and VIF

Variables	Tolerance	VIF
CO	0.848	1.179
MO	0.684	1.462
IO	0.653	1.532
DPR	0.975	1.026
TQ	0.977	1.023

Note: CO = Concentration Ownership, MO = Managerial Ownership, IO = Institution Ownership, DPR = Dividend Payout Ratio and TQ = Tobin's Q

According to Table No. 4, analysis of Tolerance and VIF of all five observed variables showed that tolerance ranged between 0.653 to 0.977 and VIF ranged between 1.023 to 1.532, respectively. Each variable was considered to be independent of each other. There was no problem in multicollinearity (Hair, et al., 2010).

Path Analysis

The results of Path analysis and examining concordance of the model with the empirical data were as follows:

Table No. 5 The Analysis of Fit Indices

Fit Indices	Criteria	Value
χ^2/df	Less than 5.00	1.938
CFI	More than 0.90	0.998
GFI	More than 0.90	0.999
NFI	More than 0.90	0.997
RMSEA	Less than 0.08	0.032
RMR	Less than 0.08	0.013
P-value	More than 0.05	0.164

According to Table No. 5, it was found that the P-value = 0.164 was greater than 0.05. When considering fit indices, it showed that χ^2/df = 1.938, CFI = 0.998, GFI = 0.999, NFI = 0.997, RMSEA = 0.032, and RMR = 0.013. The fit indices passed the criteria indicating that the model was consistent with the empirical data.

Table No. 6 Effect Size of Ownership Structure, Dividend Payout Ratio, and Firm Performance

Variables	B	P-value
CO --> DPR	0.082**	0.020
MO --> DPR	0.063	0.110
IO --> DPR	-0.127***	0.002
DPR --> TQ	0.220***	0.000

Note: CO = Concentration Ownership, MO = Managerial Ownership, IO = Institution Ownership, DPR = Dividend Payout Ratio and TQ = Tobin's Q

*** a significance level of 0.01

** a significance level of 0.05

According to Table No. 6, when considering the effect size, it was found that the concentration ownership had a negative direct impact on the dividend payout ratio at a statistically significant level of 0.05 with a coefficient of influence = 0.082. It was consistent with hypothesis 1, which was acceptable. It can be concluded that if concentration ownership were high, it would affect its dividend payout ratio. A 1% increase in concentration ownership will increase the dividend payout ratio by 0.082 percent.

Institution ownership had a negative direct impact on the dividend payout ratio at a statistically significant level of 0.01, with a coefficient of effect size = - 0.127. It was consistent with hypothesis 3, which was acceptable. It can be concluded that if the institutional ownership were high, it would affect its dividend payout ratio. A 1% increase in institution ownership will decrease the dividend payout ratio by 0.127 percent.

The dividend payout ratio positively impacted firm performance at a statistically significant level of 0.01with a coefficient of effect size = - 0.220. It was consistent with hypothesis 4, which was acceptable. It can be concluded that if the dividend payout ratio were high, it would affect the firm value, a 1% increase in dividend payout ratio will result in firm performance by 0.220.

Table No. 7 Sizes of Direct Effect, Indirect Effect, and Total Effect

	CO			IO			DPR		
	DE	ID	TE	DE	ID	TE	DE	ID	TE
DPR	0.082	-	0.082	-0.127	-	-0.127	-	-	-
TQ	-	0.018	0.018	-	-0.028	-0.028	0.220	-	0.220

Note: OS = Ownership Structure, DIV = Dividend Policy, FP = Firm Performance, TE = Total Effect, DE = Direct Effect and IE = Indirect Effect

Besides, in the study of the impact of concentration ownership on firm performance through dividend payout ratio, the result of the analysis indicated that the concentration ownership had a positive direct impact on firm value through dividend payout ratio at a statistically significant level of 0.05 with a coefficient of effect size = 0.018 as shown in Table 7. It was consistent with hypothesis 5, which was acceptable. It can be concluded that if the concentration ownership were high, it would affect its dividend payout ratio. A 1% increase in concentration ownership will result in an increase in firm performance by 0.18 percent.

The result of the study also indicated that institutional ownership had a positive impact on firm performance through dividend payout ratio at a statistically significant level of 0.01 with a coefficient of effect size = - 0.028 as shown in Table 7. It was consistent with hypothesis 7, which was acceptable. It can be concluded that if the institutional ownership were high, it would show a bad effect on the dividend payout ratio leading to low firm performance, a 1% increase in institution ownership will result in an increase in firm value by 0.028 percent.

However, this study did not find the influence of managerial ownership on the dividend payout ratio. That managerial ownership shows the influence on firm performance, which was in hypothesis 2 and hypothesis 6, respectively, which rejected such assumptions. It can be concluded that managerial ownership had no influence on the dividend payout ratio, and managerial ownership had no influence over the dividend payout ratio in the Thailand context.

Conclusion and Discussion

The results of the study are summarised as follows.

Concentration ownership positively influences the dividend payout ratio statistically, consistent with a study by Ramli (2010) and Wei and Ting (2017), which was conducted in Malaysia, indicated that concentration ownership has a relationship with dividend payout. However, according to the result of this study, it went against the concept stating that a high concentration of ownership structure will affect a lower dividend payout. Harada and Nguyen (2011) indicated that the dividend payout is low when the concentration of shareholders is high because the major shareholders want to protect the benefit of their group without sharing with minor shareholders. Sometimes, the decisions were made regardless of the maximum benefit of the shareholders (Sompoppokaset, 2016). However, the study results can offer guidance to investors that they should pay attention to the concentration of ownership structure in their investment decisions making. If investors expect high dividends, a high concentration of ownership structure could pay off a high percentage of dividends in the future.

Moreover, the findings of this study also found that institutional ownership had a significant negative effect on the company's dividend payout ratio, consistent with the Azzam (2010) study, which was conducted in Egypt, finding that institutional ownership had a negative impact on the dividend payout ratio. However, the results of this study strongly conflict with past studies where institutional investors played a crucial role in corporate

governance to mitigate agency problems. Eckbo and Verma (1994) also found that institutional investors allocate free cash flow in dividends rather than reinvesting. Nevertheless, the study results can offer guidance to investors that they should pay attention to the institution of ownership structure in their investment decisions making. If investors expect high dividends, a high institution of ownership structure could pay off a low percentage of dividends in the future.

In addition, it found that the significant impact of dividend payout towards firm performance was consistent with signaling theory according to the information content of dividends hypothesis, related to changes in dividends, affect a company's future profitability and dividend signaling theory (John and Williams, 1985; Rock and Miller, 1985). It was stated that investors and managers have asymmetric information. Therefore, the dividend payout of the corporates is a signal of the operational capability and the future corporate profit, according to a study by Farrukh, et al. (2017). Israel and Bein (2019) pointed out that the dividend payout had a positive effect on shareholders' wealth and firm performance. Nevertheless, it is controversial with Modigliani and Miller (1961), which suggested that business profits and profitability of the company do not depend on whether the company distributes benefits or allocates profits as dividends. However, it depends on managing and investing that generates income for the company.

This study also found that concentration ownership had a positive indirect effect on firm performance through a statistically significant dividend payout ratio consistent with a study by Hafeez, et al. (2018). The results indicated that concentrated shareholders had a positive effect on firm performance, with concentrated shareholders having the highest percentage of voting. Pathirawasam (2013) and Hill and Snell (1988) found a strong relationship between concentration ownership and firm performance and would encourage innovation to increase the company's value (Zakaria, et al., 2014). Additionally, Claessens, et al. (1997) has proven that concentration ownership had a strong positive relationship with profitability, showing that a company with highly concentrated shareholders will positively impact profitability (Mitton, 2002). However, the study also contradicts the idea of ownership structure in that ownership structure reflected control within the company. Consequently, companies with a high concentration of shareholders have significant stakes in making important policies and can interfere with their management (Holderness, 2003). A study by San Martin Reyna (2017), which was conducted in Mexico, found that companies with concentration ownership will pay low dividends because they want to protect their own benefits.

However, the study found that Institution ownership had a statistically significant negative indirect influence on firm performance through dividend payout ratio. This result was consistent with the study of Musallam, et al. (2018), conducted in Indonesia, indicating that institutional ownership negatively influenced Tobin's Q. The higher shares the government holdings, the more negative correlations exist (Shin-Ping and Tsung-Hsien, 2009). However, this study

contradicts the idea that institutional investors played a crucial role in corporate governance by closely monitoring managers' work as they are a group of knowledgeable investors but had a low cost of management. Consequently, making managers decide to make important policy decisions by considering the interests of shareholders as their best (Nutrujiroj, 2018). This situation shows that institutional investors try to prevent agency problems within the company (Cornett, et al., 2007). McConnell and Servaes (1990) pointed out that Tobin's Q will rise as the proportion of institutional investors increases. Therefore, investors should pay attention to institution ownership, both from the public and private sectors, to benefit their future investment decisions.

Research Suggestions

1. Investors should pay more attention to the major shareholders' concentration of ownership structure, which will affect the dividend payout ratio and future firm performance. Because the concentration of the major shareholders has the power to control the management of the company's important policies, whether future investment policy, financing policy, or dividend policy. Therefore, investors must closely monitor the company's management rather than the dispersed ownership structure that may cause a conflict of interests.

2. The Stock Exchange of Thailand can use the results of this study to determine guidelines or measures for good governance. This is because the Code of Governance only focuses on good governance for the board of directors and corporate executives but does not mention the good governance guidelines of concentration for major shareholders. This may cause conflicts of interest in the future. Therefore, to prevent future conflicts between major shareholders, executives and minor shareholders, clear guidelines must be established to develop and promote the image and build the ability to go global, making the Thai capital market credible to domestic and foreign investors.

3. Other studies should be explored in other countries as well in order to compare whether the operation is consistent or different from other areas.

4. This study was conducted for only one period of time. For further studies, researchers interested in this may want to study different crises, such as the 2019 coronavirus pandemic or the financial crisis to compare with the normal situation. Moreover, various types of concentration structures of shareholders may be examined, such as shareholdings by government or foreign investors to know the impact that will benefit the business investor and society.

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