



# **Developing and Evaluating Characteristics of a Family Firm Index in Thailand**

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## Executive Summary

This report presents the findings of a research project supported by a research grant from the Stock Exchange of Thailand (SET), under Contract No. SET-CON-198-2567, dated 20 May 2025. The project is entitled “Developing and Evaluating Characteristics of a Family Firm Index in Thailand.”

The study addresses two important issues in the Thai capital market that are essential for the country’s long-term economic development. The first is the significant role of family-owned businesses in Thailand. The second is the need to develop a family firm stock index that can serve as a benchmark for evaluating investment performance in family businesses.

This research utilizes data on family firms officially classified by the Stock Exchange of Thailand. Stock price and financial data were obtained from the London Stock Exchange Group (LSEG) database, accessed through the Faculty of Business Administration, Chiang Mai University. The dataset covers the period from 2015 to 2024 and was carefully screened and validated using standard research procedures to ensure data accuracy. The study was conducted in accordance with five main research objectives, as outlined below.

### **Objective 1: Development of a Family Firm Stock Index**

The first objective focuses on developing a set of family firm stock indices for the Stock Exchange of Thailand (SET), based on SET’s official classification of family businesses. The index construction follows the same methodology used for SET’s standard indices to ensure consistency and comparability. The developed indices include (1) Family Firm Index (FFI) for the overall market, (2) F100 for large-cap family firms within the SET100, and (3) F50 for large-cap family firms within the SET50. Each index is constructed in both price index and total return index formats. Validation results show that the constructed indices closely align with the official SET indices, confirming the reliability and accuracy of the index calculation process.

### **Objective 2: Comparison of Return Characteristics**

The second objective examines the return characteristics of the family firm indices developed under Objective 1. The findings indicate that family firm stock indices generate lower average returns than non-family firm indices across all market segments. However, these differences are not statistically significant, suggesting that being a family firm does not inherently result in a “return disadvantage” at the overall market level.

In addition, the return distribution analysis shows that family firm indices exhibit lower negative skewness. This implies lower downside risk compared to non-family firm indices, indicating relatively more stable return behavior.

### **Objective 3: Analysis of Volatility Behavior**

The third objective analyzes the risk dimension of family firms by examining volatility patterns. The results show that family firm stock indices consistently exhibit lower volatility than non-family firm indices across all firm size categories.

This finding holds across multiple volatility measures, including market-adjusted relative volatility, residual volatility after removing long-term trends, and volatility decomposition into market-related and firm-specific components. Although overall index volatility is primarily driven by market factors, family firms demonstrate significantly lower sensitivity to market shocks. This reflects a more cautious management style and a stronger long-term orientation.

### **Objective 4: Industry Structure, Firm Size, and Liquidity Analysis**

This objective examines the structural characteristics of family firms listed on the SET. The results show that family firm indices are significantly more diversified across industries at all market levels. In contrast, non-family firm indices, particularly within the SET100 and SET50, tend to be more concentrated in a limited number of industries.

The Herfindahl Index confirms that these differences are both statistically and economically significant. In terms of firm characteristics, family firms are smaller on average, yet they exhibit relatively high trading liquidity at the overall market level. Importantly, after controlling for firm size, liquidity, volatility, valuation, and industry structure, family ownership remains positively and significantly associated with stock returns.

### **Objective 5: Long-Term Stability and Macroeconomic Linkages**

Risk-adjusted performance measures, including the Sharpe ratio and Jensen's alpha, indicate that family firm indices display more conservative risk profiles and lower sensitivity to market movements. While non-family firm indices tend to offer higher returns, these returns are accompanied by higher systematic risk.

Notably, the study finds that returns on family firm stock indices show a stronger and statistically significant positive relationship with economic growth (GDP) compared to non-family firm indices. This suggests that the performance of family firms is more closely linked to real economic activity and long-term economic cycles.

## **Conclusion**

The findings across all research objectives clearly demonstrate that family firms exhibit distinct characteristics compared to other firms listed on the Stock Exchange of Thailand. The development of a family firm index therefore provides a meaningful benchmark for investment in family-owned businesses within the Thai capital market.

Furthermore, the strong linkage between family firm performance and national economic growth suggests that establishing and promoting a family firm index can play an important role in enhancing the long-term stability and sustainability of Thailand's capital market.