

Factors Affecting the Level of Corporate Governance Disclosure by Companies Listed on the Stock Exchange of Thailand



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Abstract This research aimed to study the factors that affected the level of corporate governance disclosure by 360 companies listed on the Stock Exchange of Thailand, through statistical analysis of the level of disclosure of information in each company's annual report (form 56-1), annual financial statement, and notes accompanying the financial statement. Descriptive statistics (including average standard errors) and inferential statistics were used to analyze the data for statistical correlations.

The hypothesis testing in this study found that the size of the organization affected the level of corporate governance disclosure by resource, service, and technology industry companies listed on the Stock Exchange of Thailand; and that the age of the organization affected the level of disclosure by companies in the manufacturing and service industries. However, the ownership structure did not affect the level of disclosure in any of the industries that were studied.

This chapter discusses the results of this study regarding factors affecting the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand and summarizes the findings for development of disclosure policy changes to ensure transparency and establish mechanisms for good governance that stakeholders or investors can apply for decisions on investment.

1 Introduction

The Stock Exchange of Thailand (SET) is continuously encouraging companies listed on the exchange to practice good governance, and in 2012 it improved corporate governance for listed companies with modification of traditional practices in five categories—(1) the rights of shareholders, (2) equal treatment of shareholders,

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(3) the role of stakeholders, (4) disclosure and transparency, and (5) the responsibility of boards of directors—to be consistent with ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) regulations, a tool that measures the level of corporate governance of listed companies in the ASEAN countries (The Stock Exchange of Thailand 2013).

Corporate governance is a system for operation and internal control with guidelines on the roles and responsibilities of all stakeholders involved with an organization: the board of directors, employees, and shareholders (The Stock Exchange of Thailand 2006). When a company has conducted fundraising, the appointment of directors to manage the business results in the necessity to practice good governance to ensure that the operation will be conducted for the long-term benefit of shareholders and will bring about sustainable growth of the company. National Corporate Governance (2013), along with correct information disclosure by the company and transparent operation, gives the company a good image in the eyes of everyone involved, including recognition and confidence from investors, which will result in more investors being interested in investing, leading to increased securities prices and reductions in company costs. Additionally, when more investors come to invest, the company will be more expansive. Corporate governance and good administration are intended to establish a system of regulations and incentives to effectively manage the interests of executives and owners. Thailand began to recognize the principles of corporate administration (also known as corporate governance) in 1997 and established a National Corporate Governance Committee in 2002 as a result of the economic crisis in 1997, during which Thailand was severely affected by the unusual financial situation (Silipaporn Srijunpret 2009).

Researchers have found the issue of corporate governance disclosure to be of significant interest. Each company is required to disclose information on corporate governance in order to be listed on the Stock Exchange of Thailand. However, it has been found that there have been different levels of disclosure. Suntiya Tunjunpong (2014) conducted a study on the influence of corporate governance on taxation planning by companies listed on the Stock Exchange of Thailand, using information in the financial reports and annual reports of companies in the year 2011. It was found that the practices of corporate governance and appropriate disclosure resulted in reductions in the burden of time and money spent on tax planning in seven industries. Supana Sukanantasak (2014) conducted a study on the relationship, in terms of cause and effect, between corporate governance mechanisms and the quality of earnings of companies listed on the Stock Exchange of Thailand between 2010 and 2012, by measuring the level of corporate governance and stabilization of earnings. It was found that good governance mechanisms in terms of transparency that have high disclosure level will get resulted in higher profits quality. On the basis of a review of past research studies, the researchers in this study were interested in studying differences in the level of corporate governance disclosure and their effects on the operating results of companies listed on the Stock Exchange of Thailand, with categorization by industry, by studying factors affecting the level of corporate governance disclosure and the issues of size, industry, age, ownership structure, and operating results of the organizations.

2 Objectives

The objectives of this research on the influence of good practices in corporate governance disclosure that affected the operating results of companies listed on the Stock Exchange of Thailand were as follows:

1. To perform a comparison of variables affecting good practices in corporate governance disclosure by companies listed on the Stock Exchange of Thailand
2. To study the relationships of variables affecting good practices in corporate governance disclosure by companies listed on the Stock Exchange of Thailand

3 Conceptual Framework

For the conceptual framework of this research, the researchers aimed to study factors affecting the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand. The researchers conducted a literature review of international and domestic research studies to evaluate levels of disclosure for this study (which were divided into three levels: high, medium, and low) as follows:

1. Independent variables: the return on equity (ROE) of each industry according to the nature, size, age, and ownership structure of companies listed on the Stock Exchange of Thailand
2. Dependent variable: the level of corporate governance disclosure (Fig. 1).

4 Hypotheses

The three hypotheses listed below were tested in this research on the relationships among factors affecting good levels of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

Hypothesis 1 The size of the organization affects the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

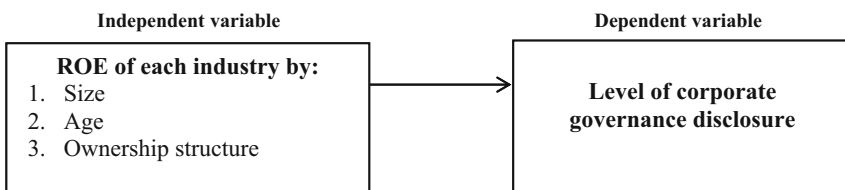


Fig. 1 Conceptual framework of research

Hypothesis 2 The age of the organization affects the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

Hypothesis 3 The ownership structure of the organization affects the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

5 Methodology

The researchers set the population used in this study as being seven industry groups of companies listed on the Stock Exchange of Thailand, excluding industrial and financial organizations (as of February 9, 2015) (The Stock Exchange of Thailand 2015). It was found that only 360 companies fulfilled the selection criteria and were appropriate to be included in this study on the level of corporate governance disclosure. The researchers used information on corporate governance disclosed in each company's annual report (form 56-1), annual financial statement, and notes accompanying the financial statement for the 2013 fiscal year for empirical research, and collected data from secondary sources to document information regarding corporate governance disclosure in order to calculate the level of disclosure to be used as an indicator of the level of good corporate governance disclosure. The researchers collected and analyzed the data during the months of August to November, 2016.

When the data collection was completed the researchers proceeded with the process of determining the statistics that were appropriate and consistent with the statistical data to meet the objectives for analysis by statistical methods in two parts:

1. *Descriptive Statistics*

These statistics were used to assess the preliminary nature of the data for each variable: means, frequency distributions, and each variable's information distribution.

2. *Inferential Statistics*

2.1 Correlation analysis was conducted to measure the relationship between two or more variables that were related or not related in any manner and to determine how much they were related. Independent variables were examined to see if they were related to each other in two steps: the first was a correlation matrix and the second was the tolerance to find the variance inflation factor (VIF) to be consistent and appropriate for use in further analysis.

2.2 Analysis by multiple linear regression was used to measure the relationship among three or more variables, with one being the dependent variable with a value that could be predicted. The other two remaining variables would be independent variables by considering the regression coefficient of each independent variable to indicate whether any of the independent variables

are correlated with the dependent variable and able to forecast the variable to be studied when we know independent variable that are consistent with:

- (1) The independent variable is ROE of each industry by the nature, size, age, and ownership structure of companies listed on the Stock Exchange of Thailand.
- (2) The dependent variable was the level of good corporate governance disclosure.

6 Results

There were two objectives in this research on factors affecting the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand: (1) to compare variables affecting good practices in corporate governance disclosure by companies listed on the Stock Exchange of Thailand, and (2) to study the relationship of variables affecting good practices in corporate governance disclosure by companies listed on the Stock Exchange of Thailand. The researchers developed a conceptual framework for research on corporate governance disclosures that affected the operating results of companies listed on the Stock Exchange of Thailand, based on the concepts of Lee (2011), Memili (2011), and the Securities and Exchange Commission (SEC) of Thailand, and the revision of the research framework conducted by Nutthawan Sirithanon (2007), Narongrit Charnsuwan (2007), and Supana Sukanantasak (2014) in synthesizing concepts and literary theories. Factors that affect the level of good corporate governance information that affects the return on equity ratio can be measured from (1) the operational age, (2) the shareholding structure, (3) Registered capital that are related to the performance factors of the company in view of the rate of return for shareholders to measure the performance of various companies.

1. *Statistics on disclosure factors that affected the governance of companies in various industries listed on the Stock Exchange of Thailand:* Differences were found among the seven industry groups listed on the Stock Exchange of Thailand with regard to disclosures in the annual report (form 56-1), annual financial statement, and notes accompanying the financial statement. With regard to the factor of age, the overall age of the industry groups was more than 21 years; with regard to the factor of registered capital, the overall capital of the industry groups was over THB 201 million; and with regard to the factor of ownership structure, companies with only Thai shareholders and companies with both Thai and foreign shareholders were equal, at 180 companies (50%) each.
2. *Analysis of basic statistics on companies listed on the Stock Exchange of Thailand:* From this analysis, categorized by industry group, with regard to the ROE ratio in the seven industry groups for the operating results for the year 2013, it was found that the ROE ratio in the technology group was higher than those in the other industry groups, with an average score of 16.07, followed by resources

(score 13.70), agriculture and food (score 11.98), services (score 9.65), consumer goods (score 7.29), manufacturing (score 5.81), and property and construction (2.29).

3. *Analysis of level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand:* The levels of corporate governance disclosure in the different industry groups, ranked from highest to lowest, were as follows: resources (score 0.432), property and construction (score 0.410), services (score 0.390), consumer goods (score 0.371), agriculture and food (score 0.347), manufacturing (score 0.251), and technology (score 0.237).
4. *Analysis to prove hypotheses:* From the hypothesis-testing results it could be concluded that the organizational size affected corporate governance disclosure by companies listed on the Stock Exchange of Thailand in the manufacturing, resources, service, and technology industries. The organizational age also affected the level of corporate governance disclosure. In the manufacturing and service industries, the ownership structure did not affect the level of corporate governance disclosure. The hypothesis-testing results are summarized in Tables 1, 2, and 3.

Hypothesis 1 The size of the organization affects the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

The relationship between the independent variables and the dependent variables was tested, with a P value significance level set at 0.05, to prove or disprove the hypothesis that the size of the organization affected the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand in at least one industry. From the testing of this hypothesis, it could be concluded that the size of the organization did affect the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand in three industries: resources, services, and technology. The size of the organization could be used to analyze the level of corporate governance disclosure by management in these three industries ($R^2 = 1.000$), followed by manufacturing ($R^2 = 0.061$), agriculture and food ($R^2 = 0.019$), real estate and construction ($R^2 = 0.061$), and consumer goods ($R^2 = 0.048$) (Table 1).

Hypothesis 2 The age of the organization affects the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

The relationship between the independent variables and the dependent variable was tested, with a P value significance level set at 0.05, to prove or disprove the hypothesis that the age of the organization affected the corporate governance disclosure by companies listed on the Stock Exchange of Thailand in at least one industry. From the testing of this hypothesis, it could be concluded that the age of the organization did affect the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand in the following industries: technology ($R^2 = 0.653$), followed by resources ($R^2 = 0.569$), manufacturing ($R^2 = 0.469$), and real estate and construction ($R^2 = 0.600$) (Table 2).

Table 1 Multiple regression analysis for hypothesis 1: The size of the organization the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand

Registered capital	Level of corporate governance disclosure		
	Regression coefficient	Standard errors	P value
<i>Agriculture and food</i>			
THB 20 million or less	–	–	–
THB 21–200 million	1.258	1.537	0.235
THB 201 million or more	–0.291	–0.893	0.452
$R = 0.770, R^2 = 0.322, SE = 0.08586, F = 0.260$			
<i>Consumer goods</i>			
THB 20 million or less	–	–	–
THB 21–200 million	0.467	0.431	0.137
THB 201 million or more	0.007	0.009	0.974
$R = 0.434, R^2 = 0.053, SE = 0.10332, F = 0.286$			
<i>Manufacturing</i>			
THB 20 million or less	–	–	–
THB 21–200 million	–0.687	–0.369	0.128
THB 201 million or more	0.511	0.579	0.040
$R = 0.587, R^2 = 0.659, SE = 0.13566, F = 0.010$			
<i>Resources</i>			
THB 20 million or less	–	–	–
THB 21–200 million	–	–	–
THB 201 million or more	1.000	0.000	0.000
$R = 1.000, R^2 = 1.000, SE = 0.00000, F = <0.000$			
<i>Real estate and construction</i>			
THB 20 million or less	–	–	–
THB 21–200 million	–	–	–
THB 201 million or more	0.409	0.412	0.000
$R = 0.412, R^2 = 0.159, SE = 0.18321, F = <0.000$			
<i>Technology</i>			
THB 20 million or less	–	–	–
THB 21–200 million	–	–	–
THB 201 million or more	1.000	0.000	0.000
$R = 1.000, R^2 = 1.000, SE = 0.00000, F = <0.000$			

Hypothesis 3 The ownership structure of the organization affects the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

The relationship between the independent variables and the dependent variables was tested, with a *P* value significance level set at 0.05, to prove or disprove the hypothesis that the ownership structure of the organization affected the corporate governance disclosure by listed companies on the Stock Exchange of Thailand in at least one industry. The research showed that the ownership structure did not affect the level of corporate governance disclosure by companies listed on the Stock

Table 2 Multiple regression analysis for hypothesis 2: The age of the organization the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand

Age	Level of corporate governance disclosure		
	Regression coefficient	Standard error	P value
<i>Agriculture and food</i>			
1–10 years	–0.704	–0.690	0.589
11–20 years	2.675	7.567	0.358
21 years or more	–2.248	–7.360	0.356
$R = 0.902, R^2 = 0.256, SE = 0.09730, F = 0.531$			
<i>Consumer goods</i>			
1–10 years	–	–	–
11–20 years	–0.337	–0.298	0.590
21 years or more	0.414	0.403	0.476
$R = 0.560, R^2 = -0.143, SE = 0.16338, F = 0.568$			
<i>Manufacturing</i>			
1–10 years	–0.661	–0.650	0.017
11–20 years	1.631	1.057	0.001
21 years or more	–0.551	–0.269	0.108
$R = 762, R^2 = 0.469, SE = 0.19900, F = 0.004$			
<i>Resources</i>			
1–10 years	0.397	0.546	0.121
11–20 years	0.201	0.203	0.532
21 years or more	–	–	–
$R = 763, R^2 = 0.569, SE = 0.19560, F = 0.004$			
<i>Services</i>			
1–10 years	0.151	0.149	0.527
11–20 years	–0.161	–0.170	0.046
21 years or more	0.086	0.071	0.758
$R = 217, R^2 = -0.103, SE = 0.27652, F = 0.816$			
<i>Real estate and construction</i>			
1–10 years	0.118	0.124	0.600
11–20 years	0.242	0.213	0.356
21 years or more	0.190	0.156	0.512
$R = 302, R^2 = -0.060, SE = 0.20228, F = 0.621$			
<i>Technology</i>			
1–10 years	–0.451	–0.334	0.266
11–20 years	0.561	0.602	0.124
21 years or more	–0.201	–0.280	0.391
$R = 909, R^2 = 0.653, SE = 0.12991, F = 0.116$			

Exchange of Thailand in any of the industries; thus, it was concluded that hypothesis 3 could be rejected (Table 3).

Table 3 Multiple regression analysis for hypothesis 3: The ownership structure of the organization the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand

Ownership structure	Level of corporate governance disclosure		
	Regression coefficient	Standard error	P value
<i>Agriculture and food</i>			
Fully owned by Thai shareholders	-0.132	-0.133	0.655
Partly owned by foreign shareholders	0.034	0.015	0.959
$R = 0.139, R^2 = -0.019, SE = 0.29751, F = 0.881$			
<i>Consumer goods</i>			
Fully owned by Thai shareholders	-0.136	-0.123	0.732
Partly owned by foreign shareholders	-0.270	-0.369	0.313
$R = 0.302, R^2 = -0.048, SE = 0.10881, F = 0.536$			
<i>Manufacturing</i>			
Fully owned by Thai shareholders	0.287	0.194	0.291
Partly owned by foreign shareholders	0.311	0.281	0.131
$R = 0.355, R^2 = 0.061, SE = 0.24748, F = 0.162$			
<i>Resources</i>			
Fully owned by Thai shareholders	0.383	0.561	0.120
Partly owned by foreign shareholders	0.446	0.432	0.216
$R = 0.553, R^2 = 0.132, SE = 0.17415, F = 0.232$			
<i>Services</i>			
Fully owned by Thai shareholders	0.116	0.122	0.530
Partly owned by foreign shareholders	0.91	0.084	0.664
$R = 0.156, R^2 = 0.048, SE = 0.25715, F = 0.717$			
<i>Real estate and construction</i>			
Fully owned by Thai shareholders	-0.030	0.032	0.860
Partly owned by foreign shareholders	-0.021	0.020	0.912
$R = 0.040, R^2 = -0.061, SE = 0.19001, F = 0.975$			
<i>Technology</i>			
Fully owned by Thai shareholders	-0.172	-0.158	0.534
Partly owned by foreign shareholders	0.349	0.243	0.342
$R = 0.284, R^2 = -0.042, SE = 0.26437, F = 0.533$			

7 Discussion

The results of this research on factors affecting the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand can be interpreted as discussed below.

The size of the organization affected the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand in the following industries: resources, services, and technology. This finding was consistent with findings reported by Camfferman and Cooke (2002), who analyzed disclosure in the annual reports of listed UK and Dutch companies and found that a small organizational size

affected the reporting of corporate social responsibility. These findings differed from those of a study on disclosure of corporate social responsibility (an issue that covers information on corporate governance) done in Thailand by Nathawan Nutthawan Sirithanan in 2007 to study factors affecting the level of disclosure by companies listed on the Stock Exchange of Thailand, which found that the size of the organization did not affect the level of corporate governance disclosure. The issues of corporate governance were studied individually and specifically, and it was found that good governance correlated with the level of corporate governance disclosure.

The age of the organization affected the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand in the manufacturing and service industries. This finding was in line with those of research conducted by Alsaeed (2006) on the relationship between organizational structure and the level of disclosure in Saudi Arabia, and a study conducted by Chotiyarn Hitapong (2006) on the relationship between the characteristics of the organization and the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand, which found that organizational age did affect the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand.

The hypothesis on the effect of the organization's ownership structure on the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand was rejected; in other words, the ownership structure did not affect the level of corporate governance disclosure by companies listed on the Stock Exchange of Thailand. This finding was consistent with those of a study conducted by Phatcharee Sarakul (2011) on the relationship between the characteristics of an organization and disclosure of corporate social responsibility by companies listed on the Stock Exchange of Thailand, and another study, conducted by Adelopo (2010), on voluntary corporate governance disclosure by companies listed on the Stock Exchange of Nigeria. It was found that the ownership structure did not affect the level of corporate governance disclosure.

8 Study Limitations

The data used in this study were derived only from information revealed in each organization's annual report (form 56-1), annual financial statement, and notes accompanying the financial statement.

The independent variables analyzed in this study were derived only from data in each organization's financial statement disclosed to the Stock Exchange of Thailand in 2013.

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