



Reexamine the Incremental Value Of Corporate Governance Mechanisms In Emerging Markets: Are They Really Improving Firm Performance?

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ABSTRACT

This study reinvestigates whether corporate governance (CG) mechanisms promote corporate performance. Unlike previous studies that devised their own criteria for measuring CG mechanisms and employed only limited corporate governance mechanisms, this study introduces CG proxies that are publicly available and uses all OECD Corporate Governance's mechanisms including rights of shareholders, equitable treatment of shareholders, roles of shareholders, disclosure and transparency and responsibilities of board. In addition, the study measures firm performance in three dimensions including Tobin' Q, ROA and ROE. Using an emerging market – the Stock Exchange of Thailand dataset for the long-range period from 2009 to 2016, the analysis shows that corporate governance mechanisms slightly promote firm performance. Rather, it was found that basic financial information including firm size sale growth and cash dividend payment are significantly correlated with firm performance. However, it seems that the most corporate governance mechanism influences firm performance is annual general meeting (AGM). This means if shareholders fully active their right to control board of directors, this will improve firm performance, not all corporate governance mechanisms would improve firm performance. Finally, Tobin's is the most measuring tools comparing with ROA and ROE.

Keywords: Tobin's Q, ROA, ROE, firm value, CG

INTRODUCTION

The goal of an organization is to create firm value through the long-term impact of managerial decisions on profits. Bay (2006) reviewed prior studies to identify the factors influencing firm performance and concluded that firm performance depends on various factors such as size, financial operating results, and the economy, among others. Previous research has attempted to look for vehicles for increasing firm performance in various ways. Over the past two decades, corporate governance has been taken into consideration regarding increasing firm performance. Recent research, Ararat et al. (2017), Samaha et al., (2012) and Chou et al., (2013), for example, still shows that good corporate governance guarantees firm success and economic growth, lower costs of capital, and positive impacts on share prices. Furthermore, corporate governance can minimize wastage, corruption, risk and mismanagement. However, when corporate governance fails, it can lead companies to manipulate their financial statements. Previous studies argued that some factors other than corporate governance mechanisms improve firm performance, especially in emerging markets. Allen (2005), for instance, states that in imperfect and incomplete markets, firms act in the interest of shareholders; therefore, these companies tend to pay higher dividends to help overcome

market failure. Therefore, corporate governance is just by law, not for improving firm performance.

The objective of this current study is to re-examine the effect of corporate governance factors on firm performance of all Thai listed companies during 8-years period (2009 – 2016). The corporate governance factors are taken from the OECD's corporate governance framework, including rights of shareholders, equitable treatment of shareholders, roles of stakeholders, disclosure and transparency, and board of directors. This framework covers all important corporate governance mechanisms. This study employs both firm market value (Tobin's Q) and profitability index (return of assets, ROA and return on equity, ROE) as dependent variables. The study controls for specific characteristics, including size (total assets), sales growth, and cash dividend payment. The study then relies on hierarchical multiple regression analysis to investigate whether corporate governance factors affect firm performance.

This study makes an important contribution to existing literature and differs from previous research in three main ways. Firstly, as the effect to corporate governance on firm performance may differ between efficiency markets like those in the USA and Europe and emerging markets due to different in corporate governance mechanisms, this study uses the data from companies listed in the Stock Exchange of Thailand in the years 2009 to 2016 as an emerging market proxy. This long-range period was chosen in order to decrease limited covariates (Black et al., 2014). Secondly, while previous studies introduced corporate governance indicators based on scoring systems based on the judgement of the authors of the studies, this study uses the OECD's corporate governance framework, which covers all corporate governance mechanisms. Lastly, the study analyzes firm performance both market value (Tobin's Q) and profitability (ROA and ROE) in order to compare which firm performance proxies are most suitable for use in emerging markets.

The next section examines the theoretical framework for the relationship between corporate governance and firm performance. This is followed by a literature review and development of hypotheses. The study data and research methodology are then explained. The final section discusses the empirical results and presents the summary and conclusion.

LITERATURE REVIEW

Firm market value and profitability

Previous studies have looked for proxies to represent firm market value and firm profitability.

The most popular measure of firm market value is Tobin's Q, which comes from the economics theory of investment behavior, where ' q ' represents the ratio of the market value of a firm's existing share capital to total asset value. It is believed that the Q ratio has considerable macroeconomic significance and usefulness as the connection between financial markets and markets for goods and services (Tobin and Brainard, 1968).

For profitability, Damodaran (2001) states that two basic gauges measure profitability, one of which examines the profitability relative to the capital employed to get a given rate of return on investment. This can be done either from the view point of just the equity of investors (Return on Equity), or by looking at the entire firm (Return on Assets). The return on Equity ratio (ROE) is a profitability ratio that measures the ability of enterprise to generate profits from its shareholders' investments in the company. In other words, the return on equity shows how much profit each investment unit of common stockholders' equity generates and indicates how effective management is at using equity financing to fund operations and grow the company. On the other hand, Return on Assets (ROA) gives investors an idea of how effectively

the company is converting the money it has to invest into net income. The higher the value of the ROA, the better, because the company is earning more money on less investment.

Prior studies have explored the relationship between corporate governance and firm market value and firm profitability since the work by Jensen and Meckling (1976), who examined the relationship between firm value using Tobin's Q and equity ownership. They recommended that with higher insider equity ownership, the value of a firm was increased.

Later, many researchers took the exploration of corporate governance into many dimensions. Recent studies using Tobin's Q for firm valuation include, for example, Ammann et al. (2011), who investigated the relationship between firm-level corporate governance and firm value and found a strong and positive. Connelly et al. (2012) found that firms with high family ownership are associated with lower values of Tobin's Q. In particular, these high family ownership firms had an average Q value lower than the mean Q for low family ownership firms.

It seems that the use of firm profitability index using ROA and ROE to observe the association with corporate governance is less popular than the use of Tobin's Q. Chen and Lin, 2011 stated that ROA and ROE formulas are calculated by dividing net income by total assets or shareholders' equity. Both ratios comprise the most important accounting measures in valuation of the firm. However, under general accounting standards, managers are allowed to use discretion and judgment in reporting their earnings. This indicates that accounting earnings can be "managed" by executives through various means that may include manipulating items such as depreciation and accruals, among other provisions.

Meanwhile, the argument against Tobin's Q is that it is not directly affected by earnings management. Instead, it is affected indirectly, through investor demand for the stock, which in turn affects the market price of the stock and, thus, stock returns.

Prior studies using ROA as a measure of firm profitability include Anderson and Reeb (2003), who found that that family firms operate better than non-family firms. The study also found that firms controlled by founding families were more profitable than dispersed-ownership firms, and that the profitability of family firms was greater when the CEO family member.

Core et al. (2005) developed the G-Index in an effort to find an association with ROA. They suggested that ROA should be used as the measurement of firm performance because it is not affected by the use of financial leverage or the method used to compute extraordinary items. The authors found that the G-Index was significantly related to ROA.

Sami et al. (2011) investigated the impact of corporate governance on firm performance and valuation in China. They found that ownership concentration and board independence had a positive impact on firm performance and valuation. They also found that firm value *increases* with foreign ownership, while firm performance *decreases* with state ownership.

Gompers et al. (2003) find found that better governed firms had higher firm valuation and better ROE.

In sum, a number of prior studies used market-based performance measures like Tobin's Q, while others use accounting-based performance measures like ROA and ROE. However, the studies about whether corporate governance mechanisms have positive impact on firm performance are still inconclusive. This study will reexamine the question using all these three

firm performance measurements with corporate governance mechanisms in order to bring clarity to the area of study.

Reviews of Corporate Governance on firm performance and hypothesis development

The introduction of corporate governance indices to explore the relationship with firm performance has long been an area of study. In 1999 the Organization for Economic Co-operation and Development (OECD) first played a significant role in setting up corporate governance principles. Today, it provides specific direction for policymakers, regulators and market participants for improving the legal, institutional and regulatory framework that underpins corporate governance, with a focus on publicly traded companies. It also provides practical suggestions for stock exchanges, ensuring the basis for an effective corporate governance framework, including the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the board (OECD, 2013). Thailand, as a member of the OECD, has fully adopted this corporate governance framework and requires Thai listed companies to follow its fifteen principles in their operations. For this reason, this study will use the OECD's corporate governance framework in its analysis including several factors: the rights of shareholders, equitable treatment of shareholders, roles of stakeholders, disclosure and transparency, and the board of directors.

The following is taken from the OECD's corporate governance concept and their previous studies with firm performance and is integrated into the hypotheses of this study.

1. Rights of Shareholders means that equity investors have certain proper rights. For example, investors have the right to participate in shareholder meetings. This study employs this concept by introducing numbers of days in advance for notice of general shareholder meetings from the following three channels: direct to shareholders, websites and newspapers. The Stock Exchange of Thailand and Thai Institute of Directors (2012) have found that information alerts for shareholders have significant effects on meeting quality. The earlier the advance notice of meeting, the better the quality of that meeting because shareholders have more time to understand the issues. The first set of hypotheses is that:

H1a. There is a significant positive association between and the number of days in advance that firms notify shareholders of shareholder meetings and firm performance.

H1b. There is significant difference in the effect of the number of days in advance that firms notify shareholders of shareholder meetings on firm performance.

2. Equitable Treatment of Shareholders means all shareholders, including minority and foreign shareholders, should be ensured of equitable treatment. This study employs the concept of "one share, one vote" to represent equitable treatment of shareholders. Also, the OECD principle states that shareholders should be able to vote in person or in absentia, and equal effect should be given to the vote in both cases. It is recommended that voting by proxy be generally accepted, as it is important to the promotion and protection of shareholder rights. Connelly et al. (2012) measured the satisfaction with proxy voting by sending a questionnaire to shareholders, along with the AGM Notice to Shareholders. Furthermore, the Thai Institute of Directors, IOD, measures the equitability of shareholders from the facilitation of voting by proxy, the Notice to Shareholders specifying the documents required for giving proxy, and whether there are any requirements for a proxy appointment to be notarized. Both studies found out that the respondents were satisfied with proxy voting.

H2a. There is a significant positive association between voting rights and firm performance.

H2b. There is significant difference in voting rights on firm performance.

3. Role of Shareholders means shareholders have the right to elect the directors. Shareholder connection to company management is typically via the board of directors. If shareholders are not satisfied with the performance of the directors, they may remove the directors or refuse to re-elect them. Hodges et al. (2004), investigated attendance and procedures at the Annual General Meeting of National Health Service (NHS) Trusts. They found that attendance was low, with, on average, more employees than external stakeholders at the meeting. The absence of any decision-making authority was explained by the existence of other mechanisms of governance and control in the trusts' regulatory space. Apostolides (2007) stated that AGMs reflect the management of the Board of Directors. If the AGM rating was high, it reflected the high quality of the management team. Also, the Securities and Exchange Commission of Thailand (SEC) has developed an evaluation checklist that asks shareholders to evaluate the corporate governance level of Thai listed companies based on its protection of shareholders' rights. The score for the AGM is as follows: Outstanding=6, Excellent =5, Very Good =4, Good =3, Rather =2, Need to improve =1. This study employed the survey of shareholder participation in Annual General Meetings.

H3a. There is a significant positive association between the quality of AGMs and firm performance.

H3b. There is significant difference in the quality of AGM on firm performance.

4. Disclosure and Transparency means accurate disclosure is made on all material matters to the public, including the financial situation, performance, ownership, and governance of the company. A strong disclosure regime that promotes real transparency is a pivotal feature of the market-based monitoring of companies and is central to shareholders' ability to exercise their ownership rights on an informed basis. This study employs the concept of disclosure and transparency by measuring audit committee meeting attendance. This is because an audit committee is an operating committee to oversee financial reporting and disclosure. Previous studies found out that the level of audit committee meeting attendance has a positive correlation with the quality of financial reporting and disclosures. Sammaha et al. (2012) evaluated the extent of voluntary disclosure in corporate governance using the existence of an audit committee as a proxy. They found that audit committee played a great role in improving financial reporting and disclosure.

H4a. There is a significant positive association between audit committee meeting attendance and firm performance.

H4b. There is significant difference in audit committee meeting attendance on firm performance.

5. Responsibilities of Board means that the effective monitoring of management by the board, and the board's accountability to the company and the shareholders is highly important. Together with guiding corporate strategy, the board is chiefly responsible for monitoring managerial performance and achieving an adequate return for shareholders. Previous studies used Board of Directors meeting attendance to measure the corporate governance level. For example, Vafeas (1999) examined the association between board activity and corporate performance, by measuring the frequency of board meetings. The results showed that board meeting frequency is positively related to the corporate governance level, and positively related to firm value. Brick and Chidambaran (2010) looked at the determinants of board monitoring activity and its impact on firm value and found that board activities have a positive impact on firm value. Balasubramanian et al., (2010) also found that the number of board meetings is positively related to market value in India. Chou et al. (2013), investigated board meeting attendance and its effect on the performance of Taiwanese-listed corporations and discovered that higher meeting attendance by directors can enhance firm

performance, but high attendance by their representatives had an adverse effect. This study employs percentage of board meeting attendance to represent corporate governance level.

H5a. There is a significant positive association between board of director meeting attendance and firm performance.

H5b. There is significant difference in board of director meeting attendance on firm performance.

Control variables

To reduce the probability of omitted variable bias, the study includes a number of control variables. Bartov et al. (2000), state that missing control variables can lead to failure by rejecting the hypothesis when, in fact, it should be accepted. Specifically, the study controls for firm size (total assets), annual sales growth and cash dividend. These control variables were identified based on prior studies.

DATA AND RESEARCH DESIGN

Sample selection and data

An empirical research method based on secondary data was applied in this study. The population used in this study comprised all listed companies traded on the Stock Exchange of Thailand (SET) during the period from 2009 to 2016. Listed companies owned by property funds and finance companies were excluded from the data set because of different corporate governance rules (Issanawornrawanich and Jaikengkit, 2011). Also, missing data, and those for any fiscal year not ended 31 December were not included in the dataset. Data collection relating to corporate governance mechanisms is publicly available in annual reports, company websites and Annual General Meeting assessments (AGM) from the Thai Investors Association. In addition, the data on net income and comprehensive income were retrieved from SETSMART (SET Market Analysis and Reporting Tool).

Multiple Regression Model Specification

The study specifies the multiple regression model below for examining the relationship between corporate governance and firm performance of Thai listed companies. In equation (1), the left-hand side variables comprise firm performance as measured by Tobin's Q, ROA and ROE. On the right-hand side, variables comprise the corporate governance mechanisms that may relate to firm performance. The equation is as follow:

$$\text{Firm performance} = \beta_0 + \beta_1 \text{SIZE}_{it} + \beta_2 \text{GRO}_{it} + \beta_3 \text{DIV}_{it} + \beta_4 \text{INFO}_t + \beta_5 \text{VOTE}_t + \beta_6 \text{AGM}_t + \beta_7 \text{ACM}_t + \beta_8 \text{BDM}_t + \varepsilon$$

The definition of all variables is found in Table 1

Table 1 Variable definitions

Variables	Acronym	Measurement
Dependent variable		
Tobin's Q	Q	Ratio of (total assets plus market value of common stock) divided by (book value of common stock plus deferred taxes)
Return on assets	ROA	Net income divided by total assets
Return on equity	ROE	Net income divided by total shareholders' equity
Control variables		
Total assets	SIZE	Total assets (Baht)
Sales growth	GRO	Change in sales revenue over the previous year
Cash dividend	DIV	Cash dividend payout from statement of cashflows divided by total assets
Corporate governance variables		
Days announced in advance of general shareholders meeting	INFO	Number of the days in advance the company sent out the notification of general shareholders meeting directly to shareholders and/or website and newspaper notification
One share one vote	VOTE	If a firm provides one-share, one-vote for shareholder rights = 1; otherwise, 0.
Annual General Meeting	AGM	Rating of shareholder participation in Annual General Meeting; Outstanding=6, Excellent=5, Very Good=4, Good=3, Rather=2, Need to improve=1
Audit committee meeting attendance	ACM	Percent of audit committee meeting attendance
Board of director meeting attendance	BDM	Percent of board of director meeting attendance

RESEARCH RESULTS

Descriptive Statistics

Table 2 presents descriptive statistics for firm performance, control variables and corporate governance indicators for the full period (2009 – 2016) for the Thai listed companies included in the study. Descriptive statistics include minimum, maximum, mean, and standard deviation of all variables in this study. It is found that the mean performance, measured by Tobin's Q, for all Thai listed companies is 2.17. The result suggests that the market value of the companies reflects some unmeasured or unrecorded assets of the companies. However, the Tobin's Q in the minimum column shows -17.22, which identifies a negative book value for the company, meaning that these companies have negative total shareholders' equity. As expected, the mean of ROA (6.55) is less than the means of ROE (7.96). In addition, in the minimum column, both ROA and ROE shows a negative figure. This means some listed companies make a loss in their operations. In addition, the minimum and maximum of total assets (SIZE) indicates a wide range among the listed companies. During the studied period of 2009 to 2016, the average sales growth of Thai listed companies was 13.43%, while the mean of the cash dividend payment divided by total assets was 10%. This indicates the listed companies both performed well and provided a high cash return to investors. The mean number of days in advance of Annual General Shareholders Meetings that announcement were sent out or published is about 21.5 days. The percentage of audit committee attendance and board of director meeting

attendance averaged 95.57% and 90.67%, respectively. This indicates that these boards have been executing their responsibilities well.

Table 2 Descriptive Statistics

Variables	Min	Max	Mean	SD.
Q	-17.22	34.49	2.17	4.23
lnQ	-4.39	3.54	0.61	0.58
ROA	-143.92	93.49	6.55	10.69
lnROA	-7.06	4.42	1.56	1.55
ROE	-1,324.39	234.55	7.96	43.15
lnROE	-4.92	5.46	2.09	1.45
SIZE (Million Baht)	57,682	1,023,777,828	19,777,958	9.03
lnSIZE	10.96	20.75	15.24	0.77
GRO (%)	-232	2,601.08	13.43	95.89
lnGRO	-3.91	7.86	2.51	1.29
DIV (Times)	0	69.67	0.10	1.73
lnDIV	-19.46	4.24	-3.50	1.59
INFO (days)	3	120	21.50	13.69
ACM (%)	33.33	100	95.57	8.50
lnACM	3.51	4.61	4.55	0.14
BDM (%)	15	100	90.67	9.62
lnBDM	2.71	4.61	4.50	0.13

After data collection was completed, all five assumptions of multiple regression, including error or residual, were tested as to whether they were normally distributed. If the analysis revealed multicollinearity to be an issue, Natural log (ln) was employed to transform the data. The correlation among variables also suggests that multicollinearity should not be a problem in multiple regression analysis, as the coefficient values are low. Field (2005) states that multicollinearity becomes an issue only when the correlation coefficient exceeds 0.08. Therefore, the dependent variables did not have any multicollinearity concerns. Then, multiple regressions were performed. Table 2 Panels A – C show the Pearson's correlation results of all variables in this study.

For Tobin's Q as dependent variable (Tables 2 Panel A), it is found that a significant and positive correlation exists between Tobin's Q and total assets (SIZE), cash dividend payment (DIV), number of the days in advance for notice of general shareholders meeting (INFO), and rating of shareholder participation in annual general meeting (AGM) at 1% level. Also, a significant and negative correlation at the 5% level is found between Tobin's Q and sales growth. For ROA and ROE as dependent variables, it is found that the correlations between ROA and ROE and independent variables are similar. A significant and positive correlation between ROA and ROE and cash dividend payment (DIV), number of the days in advance for notice of general shareholders meeting (INFO) and rating of shareholder participation in

annual general meeting (AGM) at 1% level are found. The correlation with the independent variables is also significant. For example, the correlation between total assets (SIZE) and cash dividend payment (DIV) is 0.66, significant at 1% level. The correlation between cash dividend payment (DIV) and rating of shareholder participation in the Annual General Meeting (AGM) is 0.66, significant at 1% level.

Table 2 Pearson correlation coefficients

Panel A Tobin's Q and independent variables

	Q	SIZE	GRO	DIV	INFO	VOTE	AGM	ACM	BDM
Q	1								
SIZE	0.126**	1							
GRO	-0.061*	0.013	1						
DIV	0.364**	0.666**	0.033	1					
INFO	0.186**	0.273**	-0.028	0.270**	1				
VOTE	-0.016	0.029	-0.066*	-0.031	0.075**	1			
AGM	0.145**	0.296**	0.013	0.252**	0.266**	0.066**	1		
ACM	-0.007	0.039	-0.048	0.065*	0.051*	-0.015	0.016	1	
BDM	0.041	0.007	0.014	0.028	0.033	0.019	0.057*	0.236**	1

Panel B ROA and independent variables

	ROA	SIZE	GRO	DIV	INFO	VOTE	AGM	ACM	BDM
ROA	1								
SIZE	-0.011	1							
GRO	-0.046	0.013	1						
DIV	0.138**	0.666**	0.033	1					
INFO	0.082**	0.273**	-0.028	0.270**	1				
VOTE	0.035	0.029	-0.066*	-0.031	0.075**	1			
AGM	0.099**	0.296**	0.013	0.252**	0.266**	0.066**	1		
ACM	0.028	0.039	-0.048	0.065*	0.051*	-0.015	0.016	1	
BDM	0.035	0.007	0.014	0.028	0.033	0.019	0.057*	0.236**	1

Panel C ROE and independent variables

	ROE	SIZE	GRO	DIV	INFO	VOTE	AGM	ACM	BDM
ROE	1								
SIZE	0.051	1							
GRO	-0.018	0.013	1						
DIV	0.195**	0.666**	0.033	1					
INFO	0.080**	0.273**	-0.028	0.270**	1				
VOTE	-0.019	0.029	-0.066*	-0.031	0.075**	1			
AGM	0.122**	0.296**	0.013	0.252**	0.266**	0.066**	1		
ACM	0.045	0.039	-0.048	0.065*	0.051*	-0.015	0.016	1	
BDM	.046	0.007	0.014	0.028	0.033	0.019	0.057*	0.236**	1

The definition of variables is given in Table 1

* Relationship is significant at the 0.05 level (2-tailed). ** Relationship is significant at the 0.01 (2-tailed).

Multiple Regression Results

In this section, the analysis results indicating the association between corporate governance mechanisms and firm performance are reviewed. Table 3 shows the results multiple regressions of financial ratios and corporate governance mechanisms on firm performance (Tobin's Q, ROA and ROE). In Table 3, Panel 1, the analysis starts by analyzing the relationship between control variables and firm performance for all Thai listed companies from 2009 to

2016. The multiple regression results show that the adjusted R^2 , in which Tobin's Q is the dependent variable, is 17.1%, while the adjusted R^2 , in which ROA and ROE are the dependent variables, is 3.8% and 5.4%, respectively. This indicates that the control variables are more likely to influence Tobin's Q than ROA or ROE. When considering which control variables influence to firm performance, it is found that cash dividend payment (DIV) is the most significant factor influencing firm performance. This finding confirms and is consistent with prior studies such as Fairchild et al (2014). However, the analysis offers little confirmation that size (total assets) and sales growth influence firm performance.

In Table 3, Panel 2, it can be seen that, when entering corporate governance mechanisms together with control variables, it is found that corporate governance mechanisms add only slight incremental value to all firm performance indicators. All adjusted R^2 in all three firm performance indicators increase by only approximately 1%. The positive and significant factor to Tobin's Q at 1% level is the number of days in advance of general shareholders meeting that announcements are made (under right of shareholders of OECD framework), suggesting that increasing of number of days in advance of general shareholders meeting that announcements are made (INFO) would increase Tobin's Q. This confirms H_{1a} and is consistent with prior studies, such as a study by the Institute of Directors (2012), and the finding suggests that investors have more time to digest issues and prepare for discussion to be held at the general shareholders meeting. In addition, the other positive and significant factor to Tobin's Q, at 1% level rating, is the annual general meeting (AGM) (under role of shareholders of OECD framework), suggesting that improving the structure and management of annual general shareholders meetings will lead to an increase in Tobin's Q. This confirms H_{3a} and is consistent with prior studies, such as a study by Apostolides (2007). Similarly, the rating of the annual general meeting (AGM) (under role of shareholders of OECD framework) is found to be a positive and significant factor to ROA and ROE at 5% level, suggesting that improving the structure and management of annual general shareholders meetings will lead to an increase in ROA and ROE.

Table 3 Hierarchical Multiple Regression

Variables	Tobin's Q		ROA		ROE	
	β	t-stat (p-value)	β	t-stat (p-value)	β	t-stat (p-value)
Panel 1						
Constant	0.455	2.618 (0.009)	2.856	5.002 (0.000)	2.389	4.501 (0.000)
SIZE	0.049	4.463 (0.000)	-0.039	-1.070 (0.285)	0.039	1.150 (0.251)
GRO	-0.31	0.017 (0.000)	-0.020	-0.440 (0.660)	-0.009	-0.225 (0.822)
DIV	0.124	2.654 (0.000)	0.187	5.448 (0.000)	0.256	6.770 (0.000)
<i>F-stat, F-stat Sig.</i>	57.660, 0.000		11.011, 0.000		15.306, 0.000	
$\Delta F\text{-stat}, \Delta F\text{-stat Sig.}$	57.660, 0.000		11.011, 0.000		15.306, 0.000	
$R^2, \Delta R^2$	0.174, 0.174		0.042, 0.042		0.057, 0.057	
<i>Adj. R²</i>	0.171		0.038		0.054	
Panel 2						
Constant	1.587	1.604 (0.019)	-0.761	-0.231 (0.817)	1.422	0.464 (0.643)
SIZE	0.035	2.892 (0.003)	-0.065	-1.679 (0.093)	0.020	0.551 (0.582)
GRO	-0.030	-2.279 (0.023)	-0.013	-0.301 (0.763)	-0.008	-0.201 (0.840)
DIV	0.119	1.982 (0.000)	0.179	5.110 (0.000)	0.246	6.835 (0.000)
INFO	0.004	2.727 (0.007)	0.005	1.079 (0.281)	0.001	0.251 (0.802)
VOTE	-0.027	-0.486 (0.627)	0.250	1.366 (0.172)	-0.009	-0.504 (0.957)
AGM	0.016	1.548 (0.122)	0.063	1.791 (0.054)	0.066	2.018 (0.044)
ACM	-0.133	-0.749 (0.454)	0.201	0.342 (0.733)	-0.455	-0.831 (0.406)
BDM	-0.103	-0.633 (0.527)	0.546	0.988 (0.324)	-0.372	-0.723 (0.470)
<i>F-stat, F-stat Sig.</i>	23.389, 0.000		5.378, 0.000		6.561, 0.000	
$\Delta F\text{-stat}, \Delta F\text{-stat Sig.}$	2.509, 0.029		1.957, 0.083		1.296, 0.264	
$R^2, \Delta R^2$	0.186, 0.012		0.054, 0.012		0.065, 0.008	
<i>Adj. R²</i>	0.178		0.044		0.056	

SUMMARY AND CONCLUSION

The study aims to re-investigate the effect of corporate governance mechanisms on firm performance. An empirical research method based on secondary data was applied in this study. Samples used in this study comprised all listed companies traded on the Stock Exchange of Thailand (SET) during the period from 2009 to 2016. It is found that the most influential factors on firm performance are financial ratios, rather than corporate governance mechanisms. In addition, Tobin's Q seems to be the most important dependent variable associated with firm performance (i.e. highest R^2) compared with ROA and ROE.

The study makes important contribution to extant literature and has implications for both listed firms in emerging market and policymakers alike. The study adds to and confirms previous findings that corporate governance mechanisms for listed companies in efficient markets and emerging markets are somewhat different. The analysis shows that, in emerging markets, financial ratios are more likely to reflect firm performance than corporate governance mechanisms. This finding has important implications for investors, listed companies, and

security regulators. As understanding financial statements always provide incremental value to investors, investors should use available financial information when considering investing in stock markets, causing listed companies to pay attention to improving operating results and financial position. However, this is “a double-edged sword” because management of listed companies may be motivated to manipulate financial reporting to impress investors when their operating results would not otherwise meet investors’ expectations. Certified public accountants (CPA), audit committees and security regulators should, then, take these findings into consideration by looking more closely at whether there are the issues surrounding management integrity and philosophy in “cooking the books”. Also, the study shows that no statistical evidence is found to support the idea that corporate governance mechanisms improve firm performance. This means that listed companies consider the need to follow corporate governance rules merely as a matter of being “law-abiding” rather than seeing those rules as a path to be improving firm performance. Again, audit committees and security regulators should not just enforce the corporate governance rules. Rather, they should indicate that good corporate governance can minimize wastage, corruption, risk and mismanagement in the long run.

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