CORPORATE GOVERNANCE AND FIRM PERFORMANCE OF LISTED FIRMS IN THE STOCK EXCHANGE OF THAILAND

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Abstract

Corporate governance plays a significant role in allowing companies to progress in order to be competitive with international firms. After the Asian financial crisis in 1997, corporate governance has improved and changed over the year. Nevertheless, a large number of studies have shown that there is no relationship between corporate governance and firm performance. However, the majority of researchers claim that corporate governance brings about better performance.

This research studies the question of whether or not corporate governance influences firm performance. The study uses a sample of approximately 40 companies that are constituent on the Stock Exchange of Thailand in 2017. Secondary quantitative data and a regression method have been used for investigating this relationship. Additionally, this study investigates the link between board structure (board size, CEO duality, independent directors and the number of board meetings) and firm performance (the return on assets, the current ratio, and the gearing ratio).

The results of this study reveal that there is a significantly negative relationship between independent directors and ROA, while there is a significantly positive relationship between the numbers of board meetings. Secondly, there is a significantly negative relationship between and the separation of the chairman and CEO and the current ratio. Finally, there is a significantly negative relationship between independent directors and the gearing ratio, and there is a significantly positive relationship between the numbers of board meetings.

Keywords: Corporate Governance, Firm Performance, Listed Firms, Stock Exchange of Thailand

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Introduction

Generally, the corporate governance legislation and the rules issued by government offices and universal bodies, when executed, help firms, in particular, and the nation, as a rule, to attract overseas investors. In other words, corporate governance protects shareholders' rights, which safeguards them from corporate scandals (Bhagat & Bolton, 2008). The main aim is to improve the quality of transparency and disclosure, and there has been a trend among organisations to increase their complexity (Connelly, & Limpaphayom, 2004). Hence, this boosts the ability and role of boards in terms of their evaluating, as well as monitoring roles. Specifically, it is a characteristic of boards to influence the effectiveness of the internal governance mechanisms which are related to a board's structure. A previous study which addressed board structure explained that the essence of certain board structures, such as a board's size, independent directors, CEO duality and so on, as well as its committees, is the board's effective performance and operation (Gouiaa & Zéghal, 2009).

In 1997, the financial crisis in Thailand proved that ineffective corporate governance practices escalate the seriousness of financial issues. A variety of recent research studies evaluating the corporate governance practices of a large number of Thai firms concluded that there is no coordination between the local governance practices and international standards and expectations (Connelly, & Limpaphayom, 2004). Thus, there were several reasons for the failure of Thai companies during the crisis. First, Thailand has many corporate governance problems leading to the poor performance of firms. Consequently, difficulties such as overinvestment and over-borrowing could occur. Moreover, in Thailand, a large amount of borrowing flowed into projects with questionable benefits, and there were unneeded and ill-advised diversification efforts. During the crisis, a majority of Thai firms were largely family-owned, with family and related-party shareholders acting as the main shareholders. Consequently, the internal control of the boards was heavily affected. However, later research indicated that the boards of directors in Thailand have been considered by Thai regulators as accomplishing the best practices in corporate governance. Thai boards of directors have been improved by the performance of certain Thai institutions: the Stock Exchange of Thailand, the Securities Exchange and the Thai institutions of directors. Ultimately, half of all Thai listed companies participated in the program (Persons, 2006).

Thailand corporate governance was analysed by the World Bank. The Report on the Observance of Standards and Codes strongly established that corporate governance has been implemented and reformed in order to enhance shareholders' rights; particularly, there has been an increase in board competence, e.g. the effectiveness of the board's structure and the number of board meetings. Moreover, a superior level of corporate transparency has been encouraged.

By way of illustration, there have been improvements in the effectiveness of state-owned enterprises, protections have been afforded to independence, the Bank of Thailand and the Thai Securities and Exchange Commission have been effective, and the independence and effectiveness of boards has been enhanced.

Research Objectives

1. To study the relationship between corporate governance and firm performance

2. To study the relationship between board structure, including board size, duality and the separation of the chairman, and the number of independent directors, and firm performance

3. To study the relationship between the number of board meetings and firm performance

Conceptual Framework

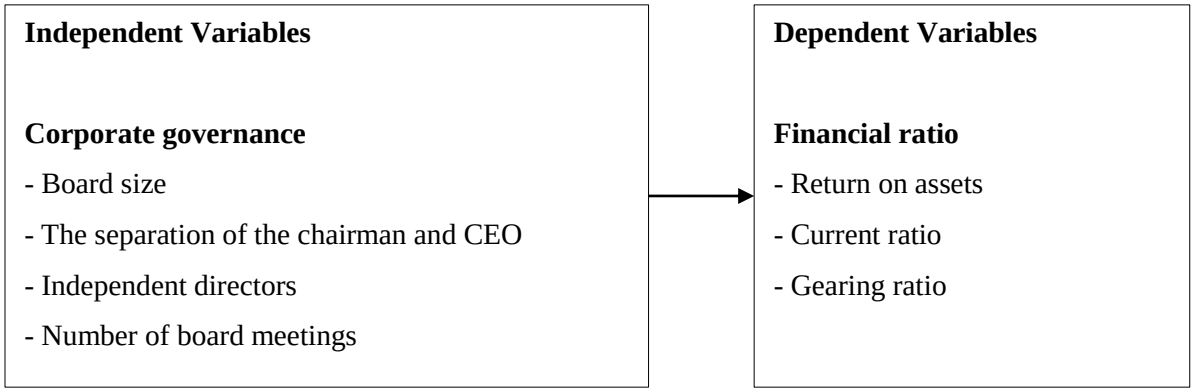

Figure 1 Conceptual Framework

Hypotheses

Hypothesis 1: Board structure influences the return on assets ratio

Hypothesis 2: Board structure influences the current ratio

Hypothesis 3: Board structure influences the gearing ratio

Literature Reviews

The Relationship Between Boar Structure and Financial Ratios

Stolowy et al. (2013) explain that return on assets (ROA) is a marker of how profitable an organisation is with respect to its total assets. ROA indicates how effective management is at utilising its advantages to generate income. Likewise, ROA reveals what profits were generated from invested capital; ROA for listed firms could differ considerably and is subject to fluctuations experienced by the business. Liang et al. (2013) conducted a research study in the same year concerning ROA, in which they defined ROA as describing how adequately the firm is changing over the cash it needs to put into net income. The higher the ROA number the better, because the firm is acquiring more cash for less investment.

The effect of corporate governance on bank performance from 2006 until 2010 in Nigeria was analysed. The secondary data was analysed using a regression test. It was shown that there is a negative relationship between board sizes and return on assets (Onakoya et al., 2014). Similarly, Mohammed (2012) also demonstrated the impact of corporate governance performance, finding that

corporate governance was significantly related to bank performance. Compared with Malaysian corporate governance, the study indicated that the impact on corporate governance is negatively associated with return on assets, board size, and board independence, using a sample of 30 listed companies in 2007. The secondary data was collated from company annual reports. Independent directors play a major role in a company, which is associated with return on assets. The empirical study argues that the percentage of return on assets increases with a higher number of independent directors, using company annual reports of a sample of firms listed on S&P 500 from 1992 to 1993 (Klein, 2002). Likewise, data from the United States from 1994 to 2007 show that share price decreases because of a lack of directors (Nielsen, 2010). On the other hand, Coles et al. (2008), applying data for the firms from Compact Disclosure from 1992 until 1997 and from IRRC for the years 1998 to 2001, show there is no significant impact between company performance and the number of outside directors. Agrawal and Knoeber (1996) prove that the percentage of independent directors causes a decrease in firm value. The literature regarding board structure in terms of the separation of chairman and CEO roles and firm performance indicates that there is no relationship between board structure (including the average of independent directors), CEO duality, and firm performance; this was shown in a study using listed companies in Spain and multiple regression was applied to test the relationship between board structure and company performance (Rodriguez-Fernandez et al., 2014). Nevertheless, having separation of chairman and CEO tends to result in company effectiveness. Jackling and Johl (2009) demonstrated that the board component has a positive significant effect on company performance. By contrast, it has been found that the notion of separation of CEO and chairman roles based on agency theory was not supported in Indian listed firms. Rodriguez-Fernandez et al. (2014) also found a negative relationship between the number of board meetings and company performance in Spain, when studying 146 firms in 2009 using regression analysis. Conversely, Liang et al. (2013) found there is a positive relationship between the number of board meetings and ROA; they studied 50 samples from 2003–2010 in China. With this, the hypothesis can be constructed as follows.

Hypothesis 1: Board structure influences return on assets ratio.

Muresan and Wolitzer (2003) explain that the current ratio – also known as liquidity ratio – indicates a company’s financial strength. If a firm's current assets surpass its current liabilities, the business is solvent. The sufficiency of a current ratio depends upon the context of the business and the character of the current assets and current liabilities. There is normally next to no vulnerability about the measure of obligations that are expected; however, there can be impressive uncertainty about the quality of accounts receivable. That is the reason a wellbeing margin is required. Bowlin (1963) claims that a high liquidity ratio may mean money is not being used in an ideal way.

Previous studies, which investigated the relationship between board composition and liquidity ratio, have revealed that there was a positive impact between firm performance in terms of board

structure and liquidity ratio from 2014–2011 in chemical sectors in Malaysia (Borhan et al. 2014). Gillan (2006) gives a broad overview of these issues and ongoing work in the corporate governance field. The research describes the relationship of corporate governance with liquidity and analyses how investor protection influences stock returns and company value. There is a positive relationship between the liquidity ratio and corporate governance when one considers the Bucharest Stock Exchange from 2006 to 2013. A few studies have inspected the effect of cross-country contrasts in lawful and regulatory conditions on securities exchange liquidity; there is also a connection between institutional outline and firm liquidity (Jain, 2001). Board structure may have specific applications in the instance of firm liquidation. Pearce and Zahra (1992), for example, argue that board structure may influence executives' capacity to impact firm performance (Hambrick & D'Aveni, 1992). Independent directors are expected to contribute a few points of difference, when contrasted with boards comprised of insiders. For instance, one of the main obligations of chiefs is to give guidance and direction to the CEO (Zahra & Pearce, 1989). Jacobs (1985) argued that boards of insiders ought to consider their board role to be an element of their typical duties; along these lines, putting insiders on the board to satisfy the role is a duplication of the firm's efforts. In addition, internal executives give no extra resources to the firm as far as expertise or contacts other than those related to their management responsibilities. Support for outside chiefs in this asset function has been recently illustrated (Hambrick & D'Aveni, 1992). The separation of CEO and chairman in terms of corporate positions could be especially critical for listed firms (Dobrzynski, 1992). Lorsch (1989), for instance, has recommended that an independent board may help avert hierarchical evolution. Moreover, independent board members may empower the board to act all the more rapidly in the case of a crisis. Others have additionally contended that some corporate governance systems, which decrease the agency problem, can likewise discourage firm liquidity. The majority of shareholders desire more satisfactory internal control; however, this can decrease stock liquidity by creating data asymmetry issues (Bhide, 1993). With this, the hypothesis can be constructed as follows.

Hypothesis 2: Board structure influences current ratio.

A firm’s gearing is measured by the percentage of capital employed by the business, which may be gained from a bank or financial company as long-term loan, in the context of capital funded by equity, and reserves (Ball, 1994). Mason (2016) argues that a high percentage of gearing means the majority of funding of the business has come from borrowing. Conversely, a low gearing indicates that a minority of funding has originated from investment by investors. Low gearing could show the level of firm borrowings. There are several main reasons for low gearing. Firstly, the company could be financed by a reinvestment of company profits in order to maximise return and minimise risk. The other situation occurs if a firm is not willing to take a risk by investing for growth. Several previous studies have discussed how board structure affects gearing ratio (Stittle & Wearing, 2008).

The board of directors is one of the most important structures for corporate governance, which can measure the overall compliance, and performance of the company. It also describes the effectiveness of a company in terms of evaluating, monitoring, and strategic decision-making (Chancharat, Krishnamurti, & Tian, 2012). The latter study reveals that the board should potentially match the size of a company. It depends upon the company's characteristics and nature of business, its control and monitoring of budgets, and the complexity of the firm. According to guidance from the Stock Exchange of Thailand, boards should have 5 to 12 people, based on the size and complexity of the company (Uchida, 2011). Previous studies have been conducted concerning the relationship between the board size and gearing ratio. Muhammad et al. (2015) found a strong positive relationship between board performance and firm financial performance in Australian firms during the financial crisis from 2001 to 2007, but in 2008–2010 no such relationship was found. Berger and Humphrey (1997) prove that there is a negative relationship between board size and gearing ratio. In contrast, Jenson (1986) argues that the higher the number of boards, the higher the gearing ratio. The argument tends to support the perception that a company with several boards could lead their network enabling them to have access that is more effective to external funding sources. Jensen and Meckling (1976) advocated that it is globally believed that a higher number of independent directors affects company performance regarding financial risk, because those directors are able to contribute to and monitor the effectiveness of a firm. Christensen et al. (2010) indicate that board independence does not influence firm performance, but internal boards have a positive relationship. Likewise, there is a negative relationship between independent directors and firm performance in China based on listed firms (Wen et al. 2002). As described in Michelberger (2016), it is supposed to be better to have a different CEO and chairman and that chairman should clearly be a non-executive chair. Dey, Engel and Liu (2011) reveal that, on the one hand, having a different person in the role of CEO and chairman would lead the company to be much more effective in the case of policy organising and management processes. On the other hand, if the same person carries out the two roles, agency difficulty would probably take place and the ability of the board to monitor the CEO decreases. CEO duality has an effect on the power of the CEO, which is higher than the board; consequently, the board might become less effective as a corporate governance mechanism and this could affect the percentage of gearing, depending on the level of risk that the CEO is able to take. Firms, which are centred on the gearing ratio, were revealed to be drivers of firm's effectiveness and productivity. Michelberger (2016) found that there is a positive relationship between the number of meetings and financial leverage or financial risk, when considering 256 company annual reports in Germany. With this, the hypothesis can be constructed as follows.

Hypothesis 3: Board structure influences gearing ratio.

Methodology

Population and Samples

The target population was all of the listed firms on the Stock Exchange of Thailand, focusing specifically on 40 firms in the banking, real estate, energy, and petrochemical, and transport sectors, for the year 2017. The analysis of financial ratios and board structures was derived from annual company reports.

Measurements

In relations to independent variables, this study used four corporate governance variables which followed previous studies (Buallay et al. 2017; Detthamrong 2017) to investigate the relationship between corporate governance and firm performance, Moreover, the study is also consistent with Liang et al. (2013) and Detthamrong (2017) in that (B_SIZE) was a measured number of board directors, including a chairman and independent directors. (DUAL) represented the separations of CEO and chairman. CEO duality was a dummy variable which is given as 1 if the CEO and chairman is the same person; otherwise it is given as 0. (B_IND) is the number of board directors, including a chairman and independent directors and (B_DIRECTORS_FRE) stood for the number of board meetings per year for each firm. In relations to dependent variables, financial ratios were measured using the corporate governance variables to analyse the three hypotheses. To test the first hypothesis, some researchers (Mohammed 2012; Onakoya 2014) utilised return on assets (ROA) to measure firm performance. To test the second hypothesis, Borhan et al. (2014) used the current ratio to investigate the relationship between corporate governance and firm performance. To test the last hypothesis, Berger and Humphrey (1997) and Detthamrong (2017) applied the gearing ratio with the board size in order to analyse the effect on firm performance.

Research Tool

The main research methods can be categorised into two types: the first is a quantitative methodology and the second is a qualitative methodology. This study uses a quantitative methodology due to the fact that it is more effective than a qualitative methodology in order to investigate the research questions. More specifically, the qualitative methodology which uses information gathering techniques – for example, interviews and direct perceptions – is more efficient at addressing "how" and "why" research questions (Saunders et al. 2016).

Data Collection

Secondary data refers to data, which have already been provided by someone else. Generally, the majority of researchers use secondary data because it is an enormous saving in terms of time and money (Ghauri & Gronhaug, 2005).

In research, it is necessary to use company financial data sources by obtaining information from financial statements of firms including those in the banking, property, transportation and logistics, and energy sectors. Secondary data provides an additional benefit because of time constraints. There are several ways to collect secondary data. For example, the majority of secondary data were collected from company annual reports of Thai companies listed on the Stock Exchange of Thailand. There are plenty of resources, such as corporate governance and accounting analysis field books, and reports on corporate governance theories, which are linked to this specific study. Nevertheless, there are limitations related to gathering data from publications. These data provide insufficient statistics for this corporate governance study. Moreover, data was also obtained from journals; this data had similar limitations.

Data Analysis

A multiple regression analysis and correlation analysis were used to determine the relationship between corporate governance (especially board structures) and firm performance at the Stock Exchange of Thailand (SET). Statistical Package for Social Sciences (SPSS) was used for the data analysis.

Research Results

Descriptive Statistics

Table 1 Descriptive of samples

	N	Range	Minimum	Maximum	Mean	Std. Deviation
ROA	40.00	3.92	-0.06	3.86	0.15	0.60
CA	40.00	89.90	0.44	90.34	4.54	14.44
Gearing	40.00	4.76	-0.05	4.70	0.16	0.74
B_SIZE	40.00	12.00	7.00	19.00	11.37	3.11
DUAL	40.00	1.00	0.00	1.00	0.13	0.21
B_IND	40.00	9.00	3.00	12.00	6.40	1.65
B_Directors_FRE	40.00	23.00	4.00	27.00	10.22	4.81

Table 1 presents the results of the descriptive statistics used in this study from 40 samples of firms listed in Thailand in 2017. The variables in terms of return on assets (ROA), current ratio (CA), gearing ratio (Gearing), board size (B_SIZE), separation of CEO and chairman (DUAL), independent directors (B_IND) and number of board meetings (B_Directors_FRE) have mean and standard deviation value in appropriate level, which it means that they can be used for further study.

Correlations Testing

Table 2 Correlations of variables

	ROA	CA	Gearing	B_SIZE	DUAL	B_IND
ROA						
CA	-0.02					
Gearing	0.998**	-0.05				
B_SIZE	-0.04	-0.17	-0.02			
DUAL	-0.07	-0.08*	-0.07	-0.006		
B_IND	-0.03*	-0.07	-0.03*	0.791**	0.13	
Bdirectors_FRE	0.28*	-0.12	0.28*	0.470**	-0.09	0.428

Table 2 reports correlation coefficients of the independent and dependent variables of the influence of corporate governance and firm performance. Firstly, correlation between board independence and ROA is -0.03, suggesting a negative relationship between corporate governance and firm performance, which is in line with hypothesis 1.

Likewise, the correlation between the number of board meetings and ROA is 0.28, indicating that there is a positive relationship between the number of board meetings and ROA. This means that increases in the number of board meetings correlate with increases in ROA. Both of these correlations are significant; they demonstrate that the observations relating to ROA have an impact on corporate governance in terms of board independence, which is negative, and the number of board meetings.

Secondly, the correlation between the separation of chairman and CEO and the current ratio is -0.05, suggesting a negative relationship between corporate governance and firm performance, which is in line with hypothesis 2. This means that the negative adverse relationship of the separation of chairman and duality is correlated with increases in the current ratio. This demonstrates that the observations relating to the current ratio have an impact on corporate governance in terms of the separation of chairman and CEO, which is negative.

Lastly, the correlation between board independence and the gearing ratio is -0.03, suggesting a negative relationship between corporate governance and firm performance, which is in line with hypothesis 3. Likewise, correlation between the number of board meetings and the gearing ratio is 0.28, indicating that there is a positive relationship between the number of board meetings and the gearing ratio. This means that increases in the number of board meetings are correlated with increases in the gearing ratio. Both of these correlations are significant. These demonstrate that observations related to the gearing ratio have an impact on corporate governance in terms of board independence, which is negative in relation to the number of board meetings.

Hypotheses Testing

Hypothesis 1: Board structure influences return on assets ratio.

Table 3 Influence of board structure on assets ratio.

Independent Variable(s)	Beta	T-stat	P-value	VIF
B_SIZE	-0.174	-0.641	0.526	2.904
DUAL	-0.034	-0.205	0.839	1.072
B_IND	-0.05	-0.184	0.045	1.869
B_directors_FRE	0.377	2.061	0.047	1.32
		F-stat		
Adjusted R^2	.308	1.132	.002b	

Note: * Correlation significant at the 0.05 level (2-tailed), ** Correlation significant at the 0.01 level (2-tailed)

The result showed that the alternative hypothesis is accepted or there is a relationship between corporate governance (board size, the separation of chairman and CEO, board independence, and number of board meetings) and firm performance (ROA) in 2017 ($p < 0.05$). Therefore, the model of corporate governance and ROA is significant in this study.

Hypothesis 2: Board structure influences current ratio.

Table 4 Influence of board structure on current ratio.

Independent Variable(s)	Beta	T-stat	P-value	VIF
B_SIZE	-0.318	-1.136	0.264	2.904
DUAL	-0.116	-0.685	0.038	1.072
B_IND	0.234	0.841	0.406	1.869
B_directors_FRE	-0.830	-0.440	0.663	1.320
		F-stat		
Adjusted R^2	0.231	0.531	0.014b	

Note: * Correlation significant at the 0.05 level (2-tailed), ** Correlation significant at the 0.01 level (2-tailed)

The result showed that the alternative hypothesis is accepted or there is a relationship between corporate governance (board size, the separation of chairman and CEO, board independence, and number of board meetings) and firm performance (CA) in 2017 ($p < 0.05$). Therefore, the model of corporate governance and CA is significant in this study.

Hypothesis 3: Board structure influences gearing ratio.

Table 5 Influence of board structure on gearing ratio.

Independent Variable(s)	Beta	T-stat	P-value	VIF
B_SIZE	-0.138	-0.509	0.614	2.904
DUAL	-0.024	-0.148	0.883	1.072
B_IND	-0.078	-0.29	0.037	1.869
B_directors_FRE	0.373	2.035	0.049	1.32
		F-stat		
Adjusted R^2	0.309	1.089	.007b	

Note: * Correlation significant at the 0.05 level (2-tailed), ** Correlation significant at the 0.01 level (2-tailed)

The result showed that the alternative hypothesis is accepted or there is a relationship between corporate governance (board size, the separation of chairman and CEO, board independence, and number of board meetings) and firm performance (gearing ratio) in 2017 ($p < 0.05$). Therefore, the model of corporate governance and ROA is significant in this study.

Discussion

The key findings can be concluded as follows. There is a significant negative relationship between board independence and return on assets, which was analysed using the independent variable of independent boards and the dependent variable of ROA – the ratio of net income to total assets. The result of this study has been consistent with the findings of Detthamrong et al. (2017) who also identified that corporate governance is negatively associated with firm performance, showing the significant level to be -0.024 in 2017. To clarify, the previous study was carried out in Thailand. There are plenty of factors relating to measuring corporate governance, which is why the result indicates that it may depend upon: (1) board composition and effectiveness, (2) transparency and owner structure, (3) corporate governance rating methodology, (4) shareholders' rights, and (5) financial fairness (Goyal, 2014). Regarding the Thai corporate governance code, the report clearly states that the corporate governance code rating system is on an 'apply or explain' basis, which is composed of eight sub-sections. Moreover, the Thai corporate governance model has three components, composed of form, substance and spirit; form determines leadership and communication in doing business, while spirit and substance are the most important things in Thailand because of religious belief in an Asian context (Jelatianranat, 2000). This could explain the fact of the negative relationship between an independent board and ROA; it could indicate that if the number of independent directors increases, ROA potentially drops. Conversely, Nielsen (2010) found a positive relationship with share price decreases because of a lack of independent directors in the United

States. The model used in the U.S. – called the Anglo-American model which focuses on emphasising the interests of shareholders as well as regulation – tends to include the legislation, fines, and imprisonment penalties for violating the requirements of the Sarbanes-Oxley Act of 2002 (SOX) (Dowdney, 2005). This study also found a positively significant relationship with the number of board meetings. This is consistent with the study by Liang et al. (2013) which found a significantly positive relationship between the number of board meetings and ROA, because the more frequent the meetings, the higher the ROA and the greater the board helps with enhancing efficiency performance in China. Resource dependence theory explains that an independent board can help to anchor and secure the essential assets of firms by using their outside connections with the environment (Pfeffer, 1972). Hillman and Dalziel (2003) argue that this connection refers to knowledge, information, policymakers, and legitimacy. These elements of board meetings can improve firm performance as well as company operation. This could also explain the positive relationship between the number of board meetings and ROA, which means that the higher the number of board meetings, the more effective the firm's performance. On the other hand, Rodriguez-Fernandez et al. (2014) also found a negative relationship between the number of board meetings and firm performance in Spain. One explanation could be the high number of board meetings held by Spanish firms in comparison with other countries. Rodriguez-Fernandez et al. (2014) also suggest that the high number of board meetings could be because of characteristics such as Spanish culture, social and personal relations, country, and type of company. Similarly, the principle of Spanish corporate governance is measured against a system called 'comply or explain', which is completely different to Thai corporate governance which can be described as 'apply or explain' (CG Thailand, 2018).

It is important mentioning that the majority of the firms stick to the corporate governance in terms of the separation of chairman and CEO. However, the result shows that the CEO duality has a negative relationship with the liquidity ratio, which consistent with Thai corporate governance code to avoid the agency problem. For the same reason, as a previous study (Cheng, 2005) discovered that CEO duality regularly brings about agency problem, which negatively influences firm performance, also, CEO duality is prominent in companies, which do not perform well Daily and Dalton (1997). It has been shown that there is a significantly negative relationship between the separation of chairman and CEO, and current ratio. This is inconsistent with Borhan et al. (2014) who suggest that board structure and liquidity ratio have a significantly positive relationship in terms of board structure and liquidity ratio in the chemical sector. However, this study used a sample of 40 companies from different sectors, including banks, real estate and development, petrochemicals and energy, and transport; these are also known as financial and non-financial companies. Therefore, how the firms liquidate may not be the same. For this reason, it can be argued that the relationship between CEO duality and current ratio depends upon the context of the business and the character of the current assets and current liabilities Muresan and Wolitzer (2003). For example, some could have a high percentage of current assets, but some may not. Moreover, (Bhatt and Bhatt, 2017) suggested that

discussed the reasons for enhancing in corporate governance depending upon market types. This is due to the fact that there is a wide range of market frameworks that exist, contingent upon the business and the organisations inside that industry such as environmental control strategies.

Last but not least, this research also found the measurement of risk of a company in relation to corporate governance and gearing ratio (Stittle & Wearing, 2008). This study found a negative relationship between an independent board and gearing ratio, which is consistent with Wen et al. (2002) who suggest that boards tend to pursue lower gearing when they encounter stronger corporate governance. In the literature review, Cole et al. (2017) argue that firms that tend to have a high percentage of independent directors have high performance (Cole et al. 2017). There is a significantly positive relationship between the number of board meetings and gearing ratio. This finding is consistent with a prior study (Michelberger, 2016) which found a positive relationship between number of board meetings and gearing ratio. Just as resource dependence theory identifies the importance of knowledge, information, policymakers, and legitimacy, these are elements of the board meetings, which could improve firm performance as well as company operation. This could also explain the relationship with the number of board meetings (Hillman & Dalziel, 2003). According to the literature review, a larger number of board meetings tend to prompt decisions and decrease irregularities and risk in the assessment of board individuals. In addition, there are several difficulties in the day-to-day operations of a firm. When the number of meetings is high, corporate risk will be resolved easily (Tarak et al., 2013).

Lastly, it concludes by the fact that the factors affecting the return on assets depend upon the typical action and the firm's performance, which indicates by increasing or lowering the profitability (Deloof, 2003). Also, the scholar suggests that factors which drive effective firm performance are debts level, financial leverage efficiency of inventories, and the efficiency of capitals as well as the proper firms of operating activities ought to be gone for the effective utilisation of current assets, which commonly have the most considerable proportion of share in total assets (Burja, 2011). However, (Dong et al., 2010) explained that the effectiveness of the use of current assets increments when the revolution of the part components such as inventories and receivables, accelerates the complete result will be a higher earning while utilising combined sources to finance activities and increment debt to a specific level which does not influence the budgetary self-governance of the company is another way intended to build the benefits' ability to generate the profitability. T ROA and the gearing ratio, these two ratios tend to go in the same way, which is in line with this study. This is because it assumes that the majority of firms funded equity by capital or creditor financing through increasing of debts. It obviously claims that effective management of firm profitability, liquidity and leverage involve implication of some sufficient strategies which can be distinguished through examination of how were showed the phenomena in their stable microeconomic environment. The components on which it can intervene for enhancing the performance are those with high effects, and

factors that impacted the profitability negatively comprises a few reserves of economic increment in the expected action (Burja, 2011).

Suggestions

Suggestions from This Study

The study result of this research is useful for the listed firms in the stock exchange of Thailand to build and improve their corporate governance in order to increase their operating performance in terms of the return on assets, the current ratio, and the gearing ratio. In order to increase the performance in terms of return on assets ratio, the executives or related persons should focus on improving independent directors and number of board meetings. In the meantime, in order to improve the performance in terms of current ratio, the executives or related persons should focus on chairman. Lastly, with the purpose to improve the performance in terms of gearing ratio, the executives or related persons should focus on independent directors and number of board meetings.

Suggestions for Future Research

After conducting the research, some recommendations have been considered for further study. First, the main suggestion for future study is the study of particular areas, for example, the tourism or agricultural sectors. It is likewise desirable to investigate a variety of nations to ascertain the distinctions in the relationship between corporate governance and firm performance among nations with different corporate governance models and business cultures.

Next, the scope of the independent variables which influence firm performance should be considered. In future studies, different valuables could be examined which may provide more precise results. For instance, additional significant variables, such as the presence of audit committees, female directorships, older directors, foreign directors and audit reputation, should be considered. Likewise, the dependent variables should be tested using return on equity (ROE) and Tobin's Q; however, for example, if the study focuses on the banking sector, the variables should be the capital ratio and the loan ratio. Finally, this study uses a model that is quite simple – a regression analysis and the fundamental test.

Moreover, utilising time series studies would perhaps provide increasingly certain results, as they would consider the relationship between corporate governance and firm performance over an extended period. In this investigation, the sample from the previous year was not sufficient. Therefore, for future research, it is further suggested that a larger sample be used, as this would likewise provide more precise results. Finally, future research should utilise a more complex model with more extensive findings to enable the results to be more reliable and precise.

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