THE EMPIRICAL STUDY OF THE DETERMINING FACTORS OF CORPORATE GOVERNANCE PRACTICE FOR THE PUBLIC COMPANIES IN THAILAND

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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy (Development Administration)
School of Public Administration
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ABSTRACT

Title of Dissertation
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The purpose of the study is to understand the corporate governance practice in Thai public companies and the effects of organizational related factors, external factors and government related factors. Economic theory, agency theory, transaction cost economics, and stakeholder theory were applied to explain the reasons of the development and implementation of corporate governance in these enterprises. The integration of these theories to construct a conceptual framework provides a meaningful explanation of corporate governance practice in public companies in Thailand. The two models generated in this study are a base model and a detailed model, from which eleven and eighteen hypotheses, respectively, are tested.

The organizational related factors include size of company, year of operations, capital structure, economic performance and ownership concentration. The external related factors include foreign ownership level, free float, turnover, and institution ownership level. The government related factors concerned the state-owned enterprise, government ownership level and BOI promotion.

The sample of companies is drawn from the Stock Exchange of Thailand and the Market for Alternative Investment and comprises 215 companies from 27 industries and 9 sectors. The quantitative methods employed are descriptive statistics, factor analysis and ordinal logistic regression. The dependent factor, corporate governance rating, is collected from the Thai Institute of Directors. The determinant
factors are obtained through company annual reports, the Stock Exchange of Thailand, the Security Exchange Commission and the Board of Investment.

Results of the hypothesis testing indicate that the external factor of free float level has a strong influence on corporate governance practice, regardless of the sector or asset level of the firm. In addition, government related factors have a stronger influence on corporate government practice among large companies, while they have a weaker influence among smaller ones. Interestingly, years of operation, or company age, has a negative influence on corporate governance practice.

Although many of the factors do not appear to show a strong influence on firms’ corporate governance practice, corporate governance is still a crucial application to an organization. Thus, there is a need for the government to strengthen stakeholder understanding of corporate governance in order to create greater stability of organizations in the Thailand economy.
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