

Abstract

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Project Title : An Analysis of Thai Corporate Governance and Financial Reporting Practices from 2002 to 2007

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The research aims to investigate the corporate governance (CG) practice among Thai firms and determine to what extent the CG influences on financial reporting practices, specifically disclosure practices, in order to assess to what extent the Thai government effort in promoting good CG practice among Thai companies is accomplished. The research examine the CG and disclosure practices during 2002-2007 and thus the CG data and disclosure indexes are manually gathered from 134 and 236 listed companies in 2002 and 2007 respectively. The research employs the T-test and Mann-Whitney U test to assess the changes in CG and disclosure practices over time and the multiple regression analysis for investigating the relationships between Thai corporate governance and its financial reporting practices during 2002 and 2007.

The research results show that there are significant changes in some CG characteristics of board composition and ownership structure and disclosure practices. The size of the board of directors and the number of family members on the board decrease while the number of independent directors and of board members with cross directorships in other companies increase significantly. The managerial ownership also increases while the institutional ownership decrease significantly, suggesting the convergence of interests between the shareholders and management. The changes tend to move toward the Anglo-Saxon model but some CG characteristics of ownership-concentration business environment still remain. The levels of disclosures also significantly rise, suggesting the good trend of transparency among Thai firms. The regression results reveal that CG increasingly play its role in influencing financial reporting disclosure from 2002 to 2007, implying that good CG written in laws and regulations becomes more effective in practice. Nevertheless, the significantly positive relationship between ownership concentration and disclosure indexes indicate the influence of family-owned businesses in disclosure practice and the presence of agency problems between the majority and minority shareholders. The problems are possibly lessened, as the changes of the associations between disclosure and CG characteristics over time, particularly with the number of family members on the board from a negative to positive relationship, suggest the sign of convergence of interests between the majority and minority shareholders.

The results implies that despite the remaining ownership concentration which potentially obstruct the improvement of good CG and disclosure practices, Thai companies tend to increasingly follow good CG in practice and this is probably caused by the increasing role of capital market, meaning that the market enforcement gradually plays its role in changing CG characteristics and disclosure practices in Thai firms. This also indicates that agency theory tends to increase its relevance to developing countries' environment which is generally dominated by ownership concentration characteristics over time. In addition, the results provide the regulators and practitioners the assessment of CG and disclosure practices of Thai listed companies; therefore, both parties can act on improving these practices.

Keywords: Corporate governance, Financial reporting, Disclosure, Thailand