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AUTHORS Chatrudee Jongsureyapart
Victoria Wise
Ali Yaftian

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Chatrudee Jongsureyapart (Thailand), Victoria Wise (Australia), Ali Yaftian (Australia)

Post-crisis corporate governance in Thailand: banking sector

Abstract

The aim of this paper is to examine corporate governance in Thailand. The study sample was selected from firms listed on the Stock Exchange of Thailand operating in the Bangkok region. The results presented in this paper show that corporate governance is improving since the Asian financial crisis of 1997, and outside directors and professional organizations play the leading roles in this process. Better corporate governance has resulted from improved internal corporate governance mechanisms and enhanced accounting standards, information disclosure, and auditing standards. New and up-dated rules, new and revised laws, and increased regulation are in the forefront of improved corporate governance.

Keywords: corporate governance, Thailand, disclosure and regulation.
JEL Classification: G32.

Introduction

Globally, corporate governance has become a key focus in the international business agendas of not just corporations but also of governments and supranational authorities. Indeed, the World Bank sees the corporate governance agenda being anchored to the development agenda at a number of critical points: international financial stability, broadening access to capital, promoting efficiency, fighting corruption, and protecting the savings that will ultimately broaden welfare provision. In Asia, corporate governance has gained greater distinction since the Asian financial crisis in 1997. The Asian Development Bank (ADB) (2000) contended that the issue of corporate governance is important, not only for protecting investors' interests, but also for reducing systemic market risks and maintaining financial stability.

In October 1973, the military dictatorship in Bangkok shook the Thai ruling class to its foundations. It was the first time that the pu-noi (little people) had actually started a revolution from below. It was not just a student uprising to demand a democratic constitution as it involved thousands of ordinary working class people and occurred on the crest of a rising wave of workers' strikes. The economy boomed in the so-called "Asian Miracle" period of the late 1980s. Thailand was able to mould parliamentary democracy into a model suited to the needs of the capitalists by a controlled and gradual liberalization process. Prosperity and money bought social peace. Money also bought votes for the various capitalist parties at election time. The first upset to this regime occurred when the rulers fell out among themselves. The army generals were losing out in their struggle for supremacy in competition with the civilian politicians. This resulted in a massive popular uprising against the military government in May 1992. Then, just as the ruling class thought they had survived the May 1992 crisis without too much instability and damage to their power, the world economic crisis occurred. The financial meltdown started in Bangkok in July 1997 (Ungpakorn, 2005; Vichitsarawong, Eng & Meek, 2010).

Between 1986 and 1991 Thailand became one of the fastest growing economies in the world (Warr, 1999; Ibrahim, 2011). The economic performance during these years has been virtually unparalleled with the value of manufactured exports growing at over 26 percent a year; total exports over 18 percent and GDP at 9.6 percent. This growth was accompanied by a surge in foreign direct investment, particularly from Japan and the Asian Newly Industrializing Countries (NICs). After 1991 growth slowed, but GDP still grew at an average of 6.8 percent per annum. Since 1993 foreign investment has declined and overseas debt increased, and during 1996 the rate of growth of export earnings contracted sharply. These issues came to the fore with the 1997 financial crisis and a dramatic slowing of growth (Dixon, 1999).

Thailand, like many Asian countries, experienced a major financial crisis in 1997 (Ibrahim, 2011). While finance companies tended to focus on consumer and real estate financing, commercial banks focused on investment financing, especially in the manufacturing sector. In the meantime, Bangkok International Banking Facilities (BIBF) were established in 1993 to promote Bangkok as a center of international finance competing with Hong Kong and Singapore. With long-standing stable exchange rates, high baht lending rates, and substantial tax breaks, BIBF activities expanded rapidly. Initially, the plan behind the establishment of BIBF was to focus on investment in Southeast Asia, but it was never implemented. Rather, BIBF became a major channel for foreign capital flows into Thailand's domestic economy. The economy quickly became distorted, as capital inflows stoked inflation. Because the exchange rate remained fixed, the Thai currency, the baht, became over-valued, Thai products became less competitive in international markets and exports declined. At the same time, the flood of money boosted consumption, including consumption of imports, so the balance of trade slumped into deficit (Phongpaichit & Baker, 2000).

The currency crisis became a full-blown financial and economic crisis in 1997. Thailand's external debt increased from a figure of almost US$40 billion in 1992 to US$80 billion in March 1997. Total outstanding debt as a share of Gross Domestic Product (GDP) increased from 34 percent in 1990 to 51 percent in 1996. Of the total debt, 80 percent was private debt and almost 36 percent was short term (Khan, 2004). Thailand faced a high balance-of-payments deficit and a high short-term foreign debt. These problems damaged the Thai currency (Phongpaichit & Baker, 2000) and on July 2, 1997 the Bank of Thailand (BOT) announced a float of the currency. The policy mistake appeared to be the insistence on retaining a fixed exchange rate when circumstances no longer suited it (Warr, 1999). The Stock Exchange of Thailand (SET) reported that 255 companies had net losses from their operations for the third quarter of 1997 amounted to 125 billion baht (The Bangkok Business, 1998). The crisis brought other dramatic changes. Manufacturing output and national investment shrank, poverty increased and the exchange rate collapsed. Many banking and financial institutions closed for reasons related to the financial crisis.

A large number of authors have highlighted the serious structural problems in the financial markets and the lack of prudential controls at the time of the Asian financial crisis of 1997, and argue that the weakness of corporate governance was a strong contributor to that event (Claessens, Djankov & Lang, 2000; Keong, 2002; Vichitsarawong, Eng & Meek, 2010). Some also claim (Kaplan & Minton, 1994; Limpaphayom & Connelly, 2004; Claessens, Djankov & Lang, 2000; Herrmann, Pornupatham & Vichitsarawong, 2008) that better governance flows from improved internal corporate governance mechanisms and stronger accounting, disclosure, and auditing standards. The results of several studies (Limpaphayom & Connelly, 2004; Nam & Lum, 2005) have also shown that with improved corporate governance comes increased long-term investment and increased credibility in financial markets. Alba, Clasessens and Djankov (1998) indicate that bank, finance and securities companies were not sufficiently cautious about their lending.

Thailand, similar to many other Asian countries, had poor corporate governance systems which contributed to the financial crisis in 1997, as its banks, specialized financial institutions and corporations had previously been protected from the operation of market discipline. Prior to the Asian financial crisis, Thai corporate governance practices were characterized by ineffective boards of directors, weak internal controls, unreliable financial reporting, inadequate protection of minority shareholder rights, lack of adequate disclosure, poor audits, and they generally lacked enforcement to ensure regulatory compliance. Additionally, the dominance of family control over business operations was prevalent; Thai firms were generally held and managed by majority family interests (Persons, 2006).

Since the Thai financial crisis of 1997, the Thai Government has introduced a reform strategy focused on streamlining institutional arrangements, enhancing the reliability of financial information and disclosure, improving corporate board oversight and effectiveness, improving shareholder rights, and improving the effectiveness of the legal and regulatory framework for the enforcement of laws and regulations. The OECD Corporate Governance Principles (OECD Principles) have been a reference for corporate governance initiatives around the world. Thailand has post-crisis, introduced codes of corporate governance which adopt the OECD Principles to varying degrees (Persons, 2006).

A policy study on "Thailand's Corporate Financing and Governance Structures" was conducted by Alba, Clasessens and Djankov (1998) for the World Bank. Analyzing financial statements of companies listed on the SET, they found five problems related to corporate governance: concentration of ownership, high level of diversification, weak market incentives, lack of protection for minority shareholders, and inadequate accounting standards and practices. These problems should decrease as a result of implementation of the corporate governance initiatives. Earlier, Alba, Clasessens and Djankov (1998) had investigated issues on Thai corporate governance problems and concluded that the most important task in improving the structure of corporate financing and the framework for corporate governance was to change incentives by enhancing enterprise monitoring, improving disclosure and accounting practices, better enforcement of corporate governance rules, facilitating equity institutions, and strengthening institutions. Hence, in this study the appropriateness of these recommendations for strengthening corporate governance in Thailand is investigated.

The purpose of this paper is to investigate what occurs in the context of a new demand for corporate governance stemming from a financial crisis. According to Warr (1999), Thailand, like most economies based on private enterprise, has had serious company failures. Further investigation has shown that the underlying weaknesses of Thai corporate structures made them highly exposed to such crises. Thus it is important to discover whether corporate governance in Thailand has improved after the 1997 financial crisis.

1. Literature review

The literature shows that corporate governance has been investigated in many countries. However, empirical evidence indicates that corporate governance in East Asian countries is poor, and had a major role in the Asian financial crisis. In this section of the paper this issue is explored in the context of Thailand.

1.1. The nature of corporate governance. Corporate governance is a tool to evaluate and monitor internal operations of a company. It has useful guidelines to increase operational efficiency and effectiveness. An organization with good corporate governance is widely accepted comparable to international standards and possesses comparative advantages in terms of strategic management. Corporate governance can ensure the transparency of business management and reduce opportunities for executives and management to take advantages for their own benefit. In other words, stakeholders would not take any risks with an organization without good corporate governance (NCGC, 2005).

The central point in corporate governance of the firm was laid out by Berle and Means (1932). They observed that a consequence of the separation of ownership and management was ownership dispersion and that such dispersion made subsequent monitoring and discipline of management difficult. More recently Demb and Neubauer (1992) described corporate governance as the process by which corporations are made responsive to the rights and wishes of stakeholders. Monks and Minow (1996) defined corporate governance as the relationship among various participants in determining the direction and performance of corporations. Neubauer and Lank (1998) defined corporate governance as a system of structure and processes to direct and control corporations and to account for them.

Corporate governance describes all the influences affecting the institutional processes, including those for appointing the controllers and regulators, involved in organizing the production and sale of goods and services (Turnbull, 1997). Sir Adrian Cadbury stated that corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals (Iskander & Chamlou, 2000). The Asian Development Bank (ADB) defined corporate governance as the manner in which power is exercised in the management of a country's social and economic resources for development (Wescott, 2000).

Iskander and Chamlou (2000) stated that corporate governance is important not only to attract long-term patient foreign capital, but more especially to broaden and deepen local capital markets by attracting local investors-individual and institutional. Nielsen (2000) stated that corporate governance is the system of rights, structures and control mechanisms established internally and externally over the management of a listed public limited liability company, with the objective of protecting the interests of the various stakeholders. Kidd and Richter (2003) argued that corporate governance is an indirect mechanism in reducing agency costs and transaction costs imposed by managers acting in their own interests at the expense of companies and shareholders. Solomon and Solomon (2004) suggested that corporate governance is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity.

In Thailand, the National Corporate Governance Committee (NCGC) defined corporate governance as a system having a corporate control structure combining strong leadership and operations monitoring. Its purpose is to establish a transparent working environment and enhance the company's competitiveness. It also strives to preserve capital and increase shareholders' long-term value with the consideration of the business of ethics, stakeholders and social concerns factors, throughout the process (NCGC, 2005).

1.2. The United States. In 1929, the Wall Street stock market crash occurred in the US. The stock market collapse revealed market manipulation, insider trading, general mismanagement and a reckless trampling of shareholder rights. As a result, the US Congress enacted the Securities Act 1933 and the Securities and Exchange Act 1934 to address some of these abuses, primarily through the regulation of corporate financial disclosure to improve transparency. In the late 1980s, the response to governance failure in the US was similar to the response noted in the 1930s. Further reforms began as a result of takeovers and constituency statutes enacted under state laws. The major performance problems became evident in many of the largest corporations, reform began to focus more on the quality of corporate boards and their independence, and an active group of institutional investors began to emerge and grow (Iskander & Chamlou, 2000).

In the past decade major corporate crises have occurred at Enron, WorldCom, Tyco International, Adeplhia Communications, Global Crossing, Quest Communications, Computer Associates, and Arthur Andersen. The collapse of Enron, the largest bankruptcy at that time in US history, led to thousands of employees losing their life savings tied up in the energy company's stock. This proved to be an unprecedented display of accounting fraud, regulatory failure, executive excess and avoidable bankruptcy, with resulting widespread disastrous losses incurred by employees' pension funds and investors. As a result, the US Congress enacted the Sarbanes-Oxley Act (2002) which created a public company accounting oversight board and established rules regarding auditor independence, corporate responsibility, financial disclosures, financial controls, analyst conflict of interest, white collar crime and corporate fraud (Banks, 2004).

1.3. The United Kingdom. In the late 1980s financial scandals leading to the collapse of several prominent companies came to light in the UK. There was a strong private response alongside the public regulatory response. The corporate sector responded to the loss of confidence in financial reporting by setting up the Cadbury Committee in 1990 to develop a code of best practice (Iskander & Chamlou, 2000).

In 1991, several large UK corporations collapsed, including Robert Maxwell MMC, BCCI and Polly Peck. As a result, one of the greatest proponents of active corporate governance, Sir Adrian Cadbury, chaired a commission and the Cadbury Report published by that commission in 1992 was to have considerable influence, not just in the UK but in many other countries around the world that adopted similar corporate governance codes of practice (Clarke, 2004). Further UK reforms of corporate governance followed the Cadbury Code (1992). The Greenbury Report (1995) proposed guidelines for director remuneration, the Hampel Report (1998) focused on disclosure and best practice, the Combined Code (1998) outlined a mandatory disclosure framework, and the Turnbull Report (1999) offered advice on compliance with mandatory disclosure (in Kiel, Kiel-Chisholm & Nicholson, 2004).

1.4. Corporate governance and the Asian financial crisis. It is claimed that poor corporate governance was one of the major contributing factors to the building-up of vulnerabilities in the affected countries that finally led to the Asian financial crisis in 1997 (Keong, 2002; Claessens, Djankov & Lang, 2000; Vichitsarawong, Eng & Meek, 2010). The Asian financial crisis commenced in Thailand in 1997. Collapsing currencies, equity and property markets in East Asia in 1997-98 exposed underlying vulnerabilities both in governance structures and values (Persons, 2006). However, an international confidence crisis was fuelled by a growing realization of the structural weaknesses of economies often governed by crony capitalism, poor accounting and auditing systems, and too close a relationship between business and the State. Given the systemic nature of the problems of corporate governance in East Asia, only a fundamental program of reform of institutions and practices, conducted in an energetic and committed manner over a considerable period of time, was considered likely to produce results. The International Monetary Fund (IMF), World Bank and the ADB have all launched significant initiatives to encourage and facilitate the reform process.

Khan (1999) analyzed some basic issues related to reforming the corporate governance systems in post-crisis Asia. The thinness of both bond and equity markets in many Asian developing economies was identified as one problem. In addition, there are the problems of lack of, or weaknesses in, adequate regulatory structures, transparency and accountability. Johnson et al. (2000) present evidence that the weakness of legal institutions for corporate governance had an important effect on the extent of currency depreciation and stock market declines in the Asian crisis. They show that managerial agency problems can make countries with weak legal systems vulnerable to the effects of a sudden loss of investor confidence. They suggest that corporate governance, in general, and the *de facto* protection of minority shareholder rights, in particular, mattered a great deal for the extent of exchange rate depreciation and stock market decline in 1997-98. Corporate governance can be of first-order importance in determining the extent of macro-economic problems in crisis situations.

Iskander and Chamlou (2000) pointed out that the financial crisis in East Asia forced countries to take majors steps to strengthen governance. Moves included closing insolvent banks, strengthening prudential regulations, opening the banking sector to foreign investors, revamping bankruptcy and takeover rules, tightening listing rules, requiring companies to appoint external directors, introducing international accounting and auditing standards, requiring conglomerates to prepare consolidated accounts, and enacting fair trade laws.

Vichitsarawong, Eng and Meek (2010) examined conservatism and timeliness of earnings in the period surrounding the 1997 Asian financial crisis in Hong Kong, Malaysia, Singapore, and Thailand. They found that conservatism and timeliness of earnings during the crisis period were low, but improved in the post-crisis period.

1.5. Bank-led governance model (BLS). Khan's (2003) study showed that financing can come from three primary sources. First, family-based sources (FBS), especially in the initial stages of development of family businesses, could be financed internally for a large part. Second, as an enterprise grows over time, the role of banks becomes more prominent, is called bank-led system (BLS). Third, at some stage-perhaps overlapping with the second, i.e., bank financing – outside equity may become the most significant source of corporate finance which is called equity market based system (EMS). However, the key difference between FBS as a governance system and BLS and EMS lies in the fact that neither the banks nor the equity markets ultimately control the family business groups. Khan

(2003) also indicated the "historic mission" of the corporation as site of capital accumulation may require different types of governance structures under different historical conditions. In particular, in the East Asian context, the FBS structure has played an important role in the initial phase of capital accumulation in the East Asian countries. Indeed, its prevalence in Asian economies at all levels of development makes FBS almost a paradigmatic feature of corporate organization and governance in Asia.

1.6. Thai corporate governance. Some problems of corporate governance in Thailand are confirmed in a 1996 survey of 202 companies listed on the SET conducted by PriceWaterhouse (PriceWaterhouse, 1997). About 70 percent of senior management participated in the survey, the results of which indicate that significant improvement should be made in relation to corporate governance issues in Thailand. The respondents stated that they would prefer an approach that includes both the SET and a system of self-regulation by listed companies as a way to improve corporate governance. Improved corporate governance practices in Thailand, are likely to give the Thai capital markets relatively more competitive advantages over other markets in the region.

In September 1999, the SET issued a 'Code of Best Practice for Directors of Listed Companies', providing suggestions for listed company boards reporting to regulatory entities, shareholders and investors. In addition, in January 2000, a paper containing comments from listed companies over a six-month period was distributed by the SET. This paper reflected the efforts of the SET to promote good corporate governance. The report was influenced by the Cadbury Report (1992) published in the UK and modified to reflect Thai culture and family-based preferences of listed companies. It offered guidelines for voluntary disclosure. The guidance is presented in six sections: the board, the financial reports, audit reports, information disclosure and transparency, equitable business conduct, and, compliance with the code of best practice (Jelatianranat, 2000a).

The Institute of Internal Auditors of Thailand (IIAT) has also played a role in supporting the improvement of the quality of disclosure by endorsing the concept of 'transparency'. IIAT's corporate governance campaign is intended to help stimulate the concept which is one of the six key principles of good corporate governance advocated by IIAT. A regular television program, "Transparency 360 degrees" was also launched to provide education about and promote corporate governance. Both the television program on corporate governance and the annual contest about Best Practices in Corporate Governance sought to establish a trend for top companies to demonstrate position values and signal the significance of transparency (Jelatianranat, 2000b).

In 2002, the Thai Cabinet set up the National Corporate Governance Committee (NCGC) to set out policies, measures, and procedures to up-grade the level of corporate governance in Thai business. The responsibility of the NCGC is to: (1) establish policies, measures and schemes to upgrade the level of corporate governance among institutions, associations, corporations and government agencies in the capital market; (2) make suggestions to related agencies to improve their policy schemes and operating processes including legal reforms, ministerial regulations, rules and enactment to achieve good corporate governance; (3) promote the guidelines of good corporate governance to the public and related parties to raise confidence from international investors; (4) appoint sub-committees and working groups to study and assist any operations by using their authority. The NCGC group members comprise representatives from various private and public agencies and sub-committees have to report to the NCGC and (5) monitor the progress and evaluate the performance of sub-committee (NCGC, 2005).

2. Research methodology

In this section, the research methodology is described. Methods used for collecting data and the characteristics of the sample group are also outlined.

2.1. Research method. As the population, comprising all companies listed on the SET that operate in the Bangkok region (453 companies), is large, a mailed questionnaire survey (the 'questionnaire') was regarded as the appropriate method for gathering data and testing the research propositions. The main reasons to choose companies listed on the SET are that they are large-sized companies that have sufficient resources for implementation of corporate governance. A mailed questionnaire is an appropriate means to gather data from stock exchange listed companies as it allows for an improvement in the response rate and is relatively low-cost. Accordingly, the questionnaires developed for use in this study were sent with a cover letter addressed to the Chief Executive Officer (CEO), executive directors, and outside/independent directors as the officers assumed to be responsible for corporate governance in the company.

2.2. Data analysis and collection. Quantitative data from questionnaires were processed by using the Statistical Package for the Social Sciences (SPSS) program. The resultant descriptive and inferential statistical analysis included frequencies, means, and standard deviations.

2.3. Variables. Variables investigated included: demographics; company characteristics, and perceptions relating to corporate governance indicators and performance such as disclosure and transparency, shareholder rights, and effectiveness of the board of directors and impact of the implementation of corporate governance in Thailand.

2.4. Questionnaire design. Some questionnaire items were developed from existing studies (Nam, 2004; Claessens, Djankov & Lang, 2000; Werder, 2005; Kwek, Jin & Teen, 2004; Mustakallio, 2002; SET, 2004) as they have been shown to be reliable. Nevertheless, additional questions were developed to be suitable to the context of the study.

3. Results and discussion

In this section, the data collected from the questionnaire are analyzed and discussed. Unanswered questions have not been included in the tables, and percentages have been calculated on the basis of the actual number of respondents to each question.

3.1. Non-response. Mailed surveys have a possibility of biased response rates (Fox, Robinson & Boardley, 1998). In order to manage this problem non-response bias was evaluated by comparing the early (107) and late respondents (29) to the survey by using the t-test technique to compare the mean-values of each variable. There are no significant differences between the first and the second groups which means that the responses can be regarded as representative of the sample.

3.2. Profile of respondents. Table 1 shows the individual respondents' profiles in terms of their gender, age, education and the country where they graduated. This data support Bertrand et al. (2004) who indicated that while females hold executive business positions in Thailand and so are not totally precluded from participation in the survey, males hold the majority of positions. 56 (41.2%) of the individual respondents were in the 41-50 age groups with only 15 (11.1%) being aged 40 or younger. 65 (47.8%) respondents were in the over 50 age group indicating they were likely to be very experienced. Over 68% of the respondents had achieved a Master's degree qualification, predominately from Thailand, although this was followed closely by the US qualification.

Table 1. Broad demographic characteristics of respondents

Characteristics	Categories	Frequency	Percentage
Gender	Male	119	87.5
	Female	17	12.5
	Total	136	100
Age	20-30 years	2	1.4
	31-40	13	9.6
	41-50	56	41.2
	51-60	39	28.7
	Over 60 years	26	19.1
	Total	136	100
Education	Less than a degree	1	0.8
	Degree	35	25.7
	Master's degree	93	68.4
	Doctorate	7	5.1
	Total	136	100
Country of graduation	Thailand	72	52.9
	Overseas	64	47.1
	Total	136	100

Table 2 shows the respondents' position within the employing company. Thirteen of the respondents are chairmen of audit committees; seven respondents are chairmen of the board of directors; 57 respondents are CEOs and 34 respondents are independent directors. Additionally, 92 respondents have been working as employees or executives in their companies for at least the last five years. This data implies that the respondents have accumulated a great deal of working experience within companies.

Table 2. Positions of respondents

Position	Yes		No		Total	
	No.	%	No.	%	No.	%
Are you the chairman of the audit committee?	13	10	120	90	133	100
Are you the chairman of the board of directors?	7	5	126	95	133	100
Are you the CEO of this organization?	57	43	76	57	133	100
Are you an independent director?	34	25	101	75	135	100
Did you work as an employee or an executive in this company over the last 5 years?	92	69	41	31	133	100

The professional backgrounds of the respondents are most commonly business executives with 35 and 37 of 134 respondents being bankers/financiers and accountants respectively. The educational background of respondents in business, accounting, and finance implies they are likely to have financial decision-making skills and an understanding of corporate reports. Most other respondents had backgrounds in engineering, and five respondents were doctors or economists. These results are shown in Table 3.

Table 3. Professional background of respondents

Background	Yes		No		Total	
	No.	%	No.	%	No.	%
Business executive	58	43	76	57	134	100
Bank/Financier	35	26	99	74	134	100
Academic	5	4	129	96	134	100
Accountant	37	28	97	72	134	100
Lawyer	5	4	129	96	134	100
Other	25	19	109	81	134	100

Table 4 shows the ownership structure of the companies. 63 of 129 responding companies are the family-based business groups and 38 of 130 of the respondent companies are single companies. As expected, companies in Thailand are characterized as having highly concentrated ownership structures (Persons, 2006). La Porta, Lopez de-Silanes and Shleifer (1999) noted that in most East Asian countries corporate control is enhanced through pyramidal structures and cross-holdings among family-controlled firms. Family-based business groups are likely to be more reluctant to implement corporate governance structures and processes than companies that have sizeable foreign shareholdings.

Table 4. Ownership structure

Ownership structure	Yes		No		Total	
	No.	%	No.	%	No.	%
Single company	38	29	92	71	130	100
Holding company family-based business group	44	34	85	66	129	100
Subsidiary of a family-based business group	19	15	110	85	129	100
Partially owned and controlled by government	2	2	127	98	129	100
Partially owned, not controlled by government	14	11	115	89	129	100
Partially owned and controlled by foreigners	12	9	118	91	130	100
Partially owned, not controlled by foreigners	74	56	57	44	131	100

The data in Table 5 show that most companies disclose all major corporate information in their annual report. They also provide semi-annual and quarterly financial statements. Financial statement information is disclosed on the main company web site. One of the six OECD Corporate Governance Principles (OECD, 2004) is the requirement to provide adequate disclosure, and Thai companies appear to have embraced this Western-style guideline.

Table 5. Disclosure and transparency (%)

Information disclosed	Web site		Annual report		No disclosure	
	Yes	No	Yes	No	Yes	No
Semi-annual financial statements	79.8	20.2	24.0	76.0	7.8	92.2
Quarterly financial statements	84.6	15.4	21.5	78.5	4.6	95.4
Consolidated financial statements	69.5	30.5	80.9	19.1	2.3	97.7
Major share ownership and voting rights	47.4	52.6	88.0	12.0	2.3	97.7
Self-dealing (related-party) transactions	43.5	56.5	90.1	9.9	4.6	95.4
Names of board members	63.7	36.3	94.1	5.9	0	100.0
Directors selling or buying of company shares	45.1	54.9	56.6	43.4	18.0	82.0
Resume/background of directors	40.7	59.3	91.9	8.1	2.2	97.8
Remuneration of directors	29.6	70.4	93.3	6.7	4.4	95.6
Fees paid to external auditors, advisors, and other related parties	26.9	73.1	88.1	11.9	9.0	91.0
Major contingent liabilities such as cross-guarantees of debt	27.9	72.1	86.0	14.0	10.1	89.9
Policies on risk management and the company objectives	23.7	76.3	95.6	4.4	3.7	96.3
Significant changes in ownership	27.6	72.4	69.8	30.2	21.6	78.4
Material issues regarding stakeholders	22.5	77.5	79.1	20.9	16.3	83.7
Governance structures and policies	33.1	66.9	91.7	8.3	6.0	94.0
Extent to which corporate governance practices conform to established standards	27.5	72.5	91.6	8.4	7.6	92.4

Table 6 shows the respondents' beliefs in relation to improvement in the standard of business ethics and corporate governance in Thailand since the Asian financial crisis. Most respondents agreed that overall, corporate governance in Thailand had improved, 72% of respondents believed it had improved considerably, and only 25% of respondents believed that, generally, little improvement had occurred. These results support Limpaphayom and Connelly's (2004) and Persons (2006) views that corporate governance in Thailand has improved since the financial crisis.

Table 6. The standard of business ethics and corporate governance

	Frequency	Percentage
Improved considerably	98	72
Improved a little	34	25
Remained largely unchanged	1	1
Deteriorated slightly	1	1
Unsure	1	1
Total	135	100

Table 7 shows the benefits to companies from improvement in corporate governance. Most respondents agreed that corporate credibility increases if corporate governance improves; 62% believes that it enhances access to new capital; and 54% agreed that it attracts long-term investors. However, 90% of respondents did not agree that corporate governance reduced political or regulatory intervention. This is an important outcome as it suggests that regulatory costs will remain high.

Table 7. Benefits of improving corporate governance in Thailand

Benefits of corporate governance	Yes		No		Total	
	N	%	N	%	N	%
Improved access to new capital	83	62	50	38	133	100
Increased number of long-term investors	72	54	61	46	133	100
Increased share liquidity	18	14	115	86	133	100
Reduced share price volatility	32	24	101	76	133	100
Reduced political or regulatory intervention	15	10	118	90	133	100
Reduced cost of capital	27	20	106	80	133	100
Increased credibility	121	91	12	9	133	100
Increased price/earnings ratio	38	28	95	72	133	100
Increased share value	57	43	76	57	133	100

The findings drawn from the analysis of questionnaire data highlight the views of authoritative and knowledgeable personnel concerning factors that determine corporate governance in Thailand. Most respondents' backgrounds are in banking/finance or as accountants indicating their business and educational background is likely to have been a positive factor in the implementation of corporate governance by Thai companies. The ownership structures indicate substantial levels of partial ownership, but are not controled, by foreigners (56%). Most respondents agreed that corporate governance in Thailand had improved while also indicating that the SET and the Thai Securities and Exchange Commission are the most important organizations for the promotion and improvement of corporate governance. Finally, the greatest impact of the implementation of corporate governance in Thailand was seen in improved transparency and disclosure (Persons, 2006), followed by support from top management and truly independent directors, as well as the introduction of appropriate checks and balances. It can be seen that since the financial crisis in 1997, Thai companies have recognized the need for change and have greatly improved their corporate governance procedures. Examples of the transformation of Thai companies include the implementation and improvement of important corporate governance principles. The regulatory reaction to the financial crisis appears to be an important factor pushing Thai companies to improve corporate governance of their organizations (Tengamnuay & Stapleton, 2009).

Conclusions, limitations and future research

The 1997 Asian financial crisis led to the collapse of many companies and to the introduction of corporate governance structures in countries like Thailand. As a result, interest in corporate governance increased in the belief that good corporate governance is likely to increase confidence and trust in the Thai capital market. The regulation and rules governing listed companies in Thailand were improved by the SET and the Thai SEC. The major changes and reform efforts have been in enforcement and disclosure. New and updated rules, revised laws, and increased regulatory oversight have been a significant outcome. The SET has suggested disclosure-based criteria for new company listings focusing on reliable, accurate and complete information about a company's financial and non-financial performance. Accounting and auditing standards are more transparent and in-line with international best practice (Hongcharu, 2002; Persons, 2006). The results in this paper indicate that strengthening the corporate governance regime is likely to provide an incentive for foreign investment in Thailand. Also, corporate credibility and the number of long-term investors are likely to increase if corporate governance improves.

The international corporate governance system assumes a separation of ownership and control, a questionable assumption in the Thai context. Since the Asian financial crisis, all listed companies, especially family-owned businesses, have made generally poor information disclosure about related parties transactions. This could be improved as part of future moves to promote and enhance corporate governance. More consideration could be given to the use of outside directors, a powerful tool normally used in western cultures. The purpose is that outside directors can help monitor management and family owners. However, this could have limited success as Thai people are non-confrontational and group-orientated. Many boards become so-called "rubber stamp" boards, not because directors are unaware or uninterested in their roles and duties but because they are being considerate and respectful of the owner's decisions (Limpaphayom & Polwitoon, 2004).

Overall, the research reported in this paper suggests that the Asian financial crisis forced Thai companies to improve corporate governance, and that regulatory and professional organizations have played leading roles in this process. Better governance has resulted from improved internal corporate governance mechanisms and enhanced accounting, disclosure, and auditing standards.

Some limitations should be noted when interpreting the results in this paper. The scope of the study is limited by its sample size which included only public companies listed on the SET operating in the Bangkok region. This may restrict the generalizability of the findings to the private sector. Although a 22% response rate is acceptable for survey research, it raised difficulties for the conduct of statistical testing. The discussions concerning corporate governance mainly relied on description as the means to communicate the survey results.

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