

Empirical Analysis Of Corporate Governance: The Impact On Firm Performance :The Case Of Thailand

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Abstract

Following Gompers, et al (2003) and Bauer, et al (2004), this paper is to investigate the relationship between Corporate Governance and Firm Performance measured by Stock Return, Firm Value and Firm Operating Performance. Impact on Stock Return is analyzed using the return difference between High Corporate Governance (“High CG”) firms and Low Corporate Governance (“Low CG”) firms as the dependent variables and 4-factor models by Cahart (1997) as independent variables during 2006-2009.. Firm Value is proxied by Tobin’q ratio, defined as the market value of asset over the replacement value of the asset. Firm value is regressed on the Corporate Governance Dummy and other financial data: age, total asset, return on equity and sector dummy. Operating performance, proxied by Net Profit Margin and Return on Equity, is regressed on Corporate Governance Dummy, book-to-market ratio, and sector dummy. The result shows that the High Governance Companies provide higher return significantly at 5% confidence level than the low one. Higher Governance Companies also significantly show higher value as measured by Tobin Q’s. However, Firm Operating Performance only measured by Return on Equity is found to be positively affected by Corporate Governance Level at 10% confidence level.

Keyword: Corporate Governance, Firm Performance, Tobin Q’s

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