

The Relationship of Ownership Structure, Board Structure, Auditor Choice and Corporate Governance Ratings of Thai Listed Companies

Sumintorn Baotham^{*} and Kanokkan Vichasilp²

Received : June 24, 2023 Revised : August 22, 2023 Accepted : August 24, 2023

Abstract

This research examined the relationship among ownership structures, board structure, auditor choice, and corporate governance ratings of Thai listed companies. Three variables such as ownership structure, board structures, and auditor's choice were used as independent variables. The two variables used as a representation of ownership structures consist of the proportion of major shareholders and the proportion of minority shareholders. Two variables such as the proportion of independent directors on board and the control of administrative powers were used to represent the board structure. Auditor choice was measured by audit firm size (Big 4, or non-Big 4). The dependent variable is corporate governance ratings, which is measured by the CG score. The sample was collected from the annual reports of 669 firms and the website of the Securities and Exchange Commission Thailand (SEC) in 2021. The statistics in data analysis were descriptive and multiple regression analysis. The results showed that the proportion of minority shareholders, the proportion of independent directors on board and auditor choice were positively associated with corporate governance ratings. In addition, the control of administrative powers was negatively associated with corporate governance ratings. However, the proportion of major shareholders was not associated with relationship corporate governance ratings. This study adds to the literature by giving empirical data on board structure, auditor selection, and corporate governance ratings of Thai listed companies.

Keywords : Ownership structure, Board structure, Auditor choice, Corporate governance ratings,

Thai listed companies

² Assistant Professor of Faculty of Industry and Technology, Rajamangala University of Technology Isan, Sakon Nakhon Campus, Thailand

^{*} Corresponding author E-mail: sumintorn@hotmail.com

1. Introduction

Asian corporate governance literature notes that these cases have numerous distinctive features that set them apart from those created in Europe and the United States. (La Porta et al., 2000). East Asian enterprises have more concentrated ownership and control than corporations in the United States and the United Kingdom, which usually have a diverse ownership structure (Cho & Wu, 2014). Corporate governance frameworks such as corporate takeovers and boards of directors are examples of traditional corporate governance systems, are ineffectual at restricting these dominant owners' self-interested activities since the majority shareholders have the potential to effectively control the company. Claessens et al. (2000) investigated how ownership and control were divided in nine East Asian nations and discovered that the largest shareholder, who has more voting power, frequently jeopardizes the wealth of minority shareholders. Munisi (2020) discovered a negative association between management ownership and concentrated ownership and corporate governance rating. Therefore, the ownership structure is the most important factor in determining the form of corporate governance because it indicates the nature of the agency problem. The proportion of majority shareholders and the proportion of minority shareholders were used to represent the ownership structure in this study.

This paper considered the board structure to consist of a board of directors and the control of management power. The board of directors serves as an internal control mechanism used to monitor a firm and is a component of a successful corporate governance structure. Typically, independent directors are those who are most concerned with demonstrating the company's adherence to laws, regulations, and ethical standards. (Ibrahim and Angelidis, 1995). Along these lines, they also favorably consider requests from outside groups to enhance a company's ethical behavior and encourage internal groups' efforts to do so, particularly through effective governance systems (Fombrun & Shanley 1990; Johnson & Greening 1999). Since the initial publications, this position has been regarded as an important component of corporate governance legislation and guidelines, corporate governance guidelines from all around the world and for all sizes of firms precisely specify the obligations and tasks of independent board members. Most empirical and theoretical research focusing on agency theory indicates that independent directors have a positive impact on corporate performance (Brickley et al., 1994; Anderson et al., 2004). The monitoring role should be improved and management opportunism should be decreased with a higher proportion of independent directors on boards (Fama, 1980; Fama & Jensen, 1983). More independent boards contribute to a decline in dishonest behavior and the misuse of limited resources, according to Chen et al. (2006) and Lo et al. (2010). Thus, the proportion of independent directors on the board is an important factor that influences the quality of corporate governance.

The control of management power is defined as CEO/Chair duality. It refers to corporate management when the CEO also serves as the chairman of the board of directors. When there is CEO/Chair duality, it suggests that there is no distinction between decision management and decision control, which leads to agency problems.

This indicates that the CEO/Chair duality may raise shareholder-management conflicts of interest and impair manager oversight, which influences agency costs and lowers predicted firm performance (Jensen & Meckling, 1976). Because it indicates a concentration of management power, CEO/Chair duality is often discouraged by corporate governance regulations (Makani et al., 2012). This indicates that a higher degree of power by the CEO/Chair combination could result in management opportunistic behavior and have an impact on company governance.

In order to cut their capital raising costs, reduce agency issues, fraud, and economic crimes, it is generally believed that listed companies must employ high-quality auditors who can demonstrate effective audit monitoring (Lin & Liu, 2009) and excellent corporate governance (Ferreira, 2018). Choosing a qualified auditor can be considered as a process of good corporate governance, and promotes corporate governance by conducting periodic risk assessments. It is also an important tool to help detect fraud and prevent the refurbishment of the financial statements of the business as well. Cho and Wu (2014) discovered that external corporate governance tools, such a reliable auditor, might be crucial to enhancing corporate governance. Lurcker et al. (2005) argued that a poor governance structure is mitigated by the reputation of the auditor. This study adopts Big 4 auditors as the proxy for high-quality auditors, and that firms that choose Big 4 auditors have a positive relationship with corporate governance ratings.

Although previous research has examined the relationship of such variables, the relationship between ownership structure, board structure, auditor choice and corporate governance ratings have not been fully explored. This paper examines the relationship among ownership structure, board structure, auditor choice and corporate governance ratings of Thai listed companies in 2021. This study makes significant contributions to the literature by providing empirical finding on corporate governance in Thailand.

2. Literature Review and Hypothesis Development

2.1 Ownership Structure and Corporate governance

Due to differences in ownership structures and the strength of the capital market, corporate governance techniques used in industrialized nations may not be effective in emerging markets and other nations. Except for a small number of Anglo-Saxon nations, most other countries' enterprises have a significant ownership concentration (Claessens et al., 2000; La Porta et al., 2000). The majority shareholders and other minority shareholders typically experience the agency problem that results from the separation of ownership from control in such a setting. Majority shareholders have the ability and incentive to expropriate other shareholders by using the company's resources for their own benefit because they control the firm with sufficient voting rights (Claessens et al., 2002; La Porta et al., 2002). The degree of ownership concentration has consequences, such as when major shareholders dominate decision-making to the detriment of minor shareholders. (Kuznetsov &

Muravyev, 2001). Shah et al. (2012) show how declining ethical practices by businesses is a direct result of higher levels of ownership concentration. Ratings for corporate governance will consequently be lowered.

Asian corporate governance literature notes that these cases have numerous distinctive features that set them apart from those created in Europe and the United States (La Porta et al., 2000). Compared to US and UK organizations, which typically have a dispersed ownership structure, East Asian businesses have a more concentrated ownership and control structure (Cho & Wu, 2014). Traditional corporate governance mechanisms, such as corporate takeovers and boards of directors, are ineffective at taming the self-interested behavior of these dominant owners because the majority shareholders can effectively control the company. In nine East Asian countries, Claessens et al. (2000) investigated the split of ownership and power and found that the largest shareholder frequently jeopardizes the wealth of minority shareholders due to their increased voting rights.

According to Srijunpeth (2009), in Thailand the majority of listed firms are family-owned firms and within the same firm major shareholders are initial founders and hold executive positions. From the perspective of an investor, a family firm may be in danger due to poor management that disregards the interests of minority shareholders. A specific form of corporate governance that offers reduced agency costs and higher performance is provided by creating family businesses, according to earlier studies by James (1999) and Mishra et al. (2001). Further research has revealed that managers of founding family businesses are more prone to exert managerial entrenchment to the firm's harm, severely influencing performance (Thomsen and Pedersen, 2000; Gomez-Mejia et al., 2001). Consequently, minority shareholders are a crucial component of a solid firm's stock trading liquidity (Pongkasem et al., 2019), resulting in the company being able to raise funds through the stock market easily. It also helps to promote excellent company governance. Some studies also revealed contradictory and inconclusive results (Begley, 1995). This research expects that the higher the proportion of majority shareholders, the more likely are lower corporate governance ratings. On the contrary, the higher proportion of minority shareholders, the more likely that corporate governance ratings are higher. For this kind of connection, a hypothesis was created, as follows:

H1: The proportion of majority shareholders has a negative relationship on corporate governance ratings

H2: The proportion of minority shareholders has a positive relationship on corporate governance ratings

2.2 Board Structure and Corporate Governance

2.2.1 Independent Directors on Board

As part of an effective corporate governance structure, the board of directors is in charge of creating a monitoring mechanism and supervising the system's implementation. While it is evident that all directors, whether executive (those with functions within the corporation) or nonexecutive (those hired from outside), should be treated equally in terms of board obligations, one of the most important tasks of the latter is to guarantee that all

shareholders' interests are respected. Also, there are nonexecutive directors who represent particular shareholder and investor groups and independent directors who are unrelated to the company other than their directorship. (Clifford & Evans, 1997). Independent directors are tasked with monitoring the actions and decisions taken by corporate boards regarding management and ensuring that the executive is held accountable (Fama, 1980). It follows that they pay close attention to investors because they have to make sure that management choices are made with shareholders' interests in mind. Although remaining impartial toward the company and its CEO, independent directors are trustworthy tools for their organizations' management oversight (Daily & Johnson 1997). Since the first publications, this position has been recognized as a critical component in corporate governance regulations and recommendations, the function and responsibilities of independent board members are expressly outlined in corporate governance standards from throughout the world and for businesses of all sizes. Independent directors are essential in enhancing the company's ability to be recognized by external stakeholders, according to Pfeffer and Salancick (1978). Therefore, businesses with more independent director participation on their boards must adhere to minimal financial leverage and high market equity values.

Few empirical studies on agency theory have found a relationship between the percentage of independent directors and company performance, either negatively (Kumar & Singh, 2013) or not at all (Bhagat & Black, 2002). Nonetheless, the majority of empirical (Brickley et al., 1994; Anderson et al., 2004) and theoretical (Beasley, 1996) studies on agency theory shows that independent directors boost a firm's performance. The efficiency of the monitoring role should increase and management opportunism should decrease with a higher proportion of independent directors on boards (Fama, 1980; Fama & Jensen, 1983). More board independence also lowers fraudulent actions and the misuse of limited resources, according to Chen et al. (2006) and Lo et al. (2010). As a result, shareholders should gain more from the situation (Byrd & Hickman, 1992). In line with this study, according to Rosenstein and Wyatt (1990), the percentage of outside directors has an impact on shareholder wealth. Their research shows that when an additional outside director is appointed, the stock price rises. This demonstrates that the scrutiny of management by independent directors is crucial for reducing the risk of financial statement fraud (Beasley, 1996), and it is probably advantageous to shareholders (Byrd & Hickman, 1992). As a result, independent directors can enhance effective board oversight since they can be useful in bringing together the interests of shareholders and managers (Tihanyi et al., 2003). As a result, they ensure that CEOs make decisions that enhance performance (Musteen et al., 2009). Therefore, it is possible that the greater the proportion of independent directors on a board, the more likely that the corporate governance rating is higher. For this kind of connection, a hypothesis was created, as follows:

H3: The proportion of independent directors on board has a positive relationship on corporate governance ratings

2.2.2 The control of Management Power

Another important feature of modern corporate governance is the control of management power as CEO/Chair duality. It refers to corporate management in which the CEO also acts as the board chairman. Although not always a leader for the board, the CEO is a hierarchical leader for the senior management team. Hence, a CEO's structure power in relation to the boardroom can be reflected by the CEO/Chair duality, which is the pairing of the CEO and board chairman. In a firm, decision management and decision control functions should be kept apart, according to Fama and Jensen (1983). The decision management role comprises the authority to suggest and carry out new plans for the allocation of the firm's resources, whereas the choice control function includes the authority to approve and supervise such suggestions. To ensure this separation, a number of internal checks and controls are used. Use of the company's resources wisely is facilitated by this system. In light of this, the highest level should employ the same system. Thus, the chief decision management authority (CEO) job should be distinct from the chief decision control authority role (chairman). The CEO cannot have authority over the board of directors because it is the corporate structure's highest degree of decision control. The CEO/Chair duality indicates that decision management and decision control are not separated, which ultimately causes problems for the agency. Thus, CEO/Chair duality may worsen conflicts of interest between shareholders and managers and limit management oversight, both of which have an impact on agency costs and are predicted to lower the company's performance (Jensen & Meckling, 1976). Most corporate governance codes do not recommend CEO/Chair duality. (Makani et al., 2012). The higher level of control by CEO/Chair duality may lead to managerial opportunistic behavior. Therefore, it is possible that the higher control of administrative power leads to lower corporate governance ratings. For this kind of interaction, a hypothesis was established, as follows:

H4: The control of administrative power has a negative relationship on corporate governance ratings

2.3 Auditor choice and corporate governance

Because an auditor (another agent) performs an external monitoring role on behalf of the shareholders (the principal) in attesting to the credibility of accounting information provided by management (the agent), external audit is regarded as one of the most effective monitoring mechanisms in the global capital markets (Fan & Wong, 2005). According to Jensen and Meckling (1976) and others, the external auditor is essential in the effort to prevent accounting manipulation, which in turn limits conflicts of interest and lessens knowledge asymmetry between the principal and agent. As a result, if financial information is audited by one of the Big 4, capital providers will trust it more, lowering the cost of capital. An effective corporate governance instrument is high-quality auditing (Watts & Zimmerman, 1986).

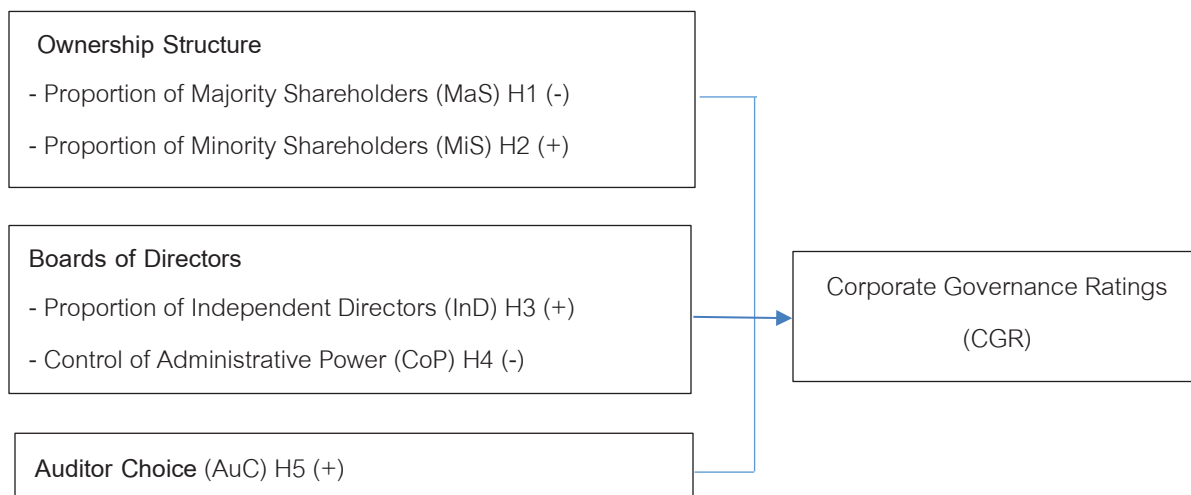
When a company chooses an auditor, the caliber of the auditing service is thought to be a crucial aspect. A company may select reputable, high-quality auditors to minimize risk to investors and prevent adverse

selection issues (Bachar, 1989). Mayoral and Segura (2008) conducted an analysis of the factors influencing the choice of auditor and discovered that the choice of auditor, in terms of audit quality, is influenced by both the corporate governance systems and the desire to mitigate agency problems and prevent associated expenses. In order to indicate competent audit monitoring and excellent corporate governance and reduce their capital raising expenses, it is generally believed that listed companies must employ high-quality auditors (Lin and Liu, 2009). Big 4 auditors are used as a standard for good audit quality by most foreign researchers. DeFond, Wong, and Li (2000) claim that Big 4 auditors are more likely to provide the qualified audit opinion in China. Francis (2004) asserts that the Big 4 auditors put more effort into the audit and have more competence than auditors who do not belong to the Big 4. This results in a greater audit quality than auditors who do not belong to the Big 4. Cho and Wu (2014) discovered that external corporate governance tools, like a reliable auditor, can be extremely helpful in enhancing corporate governance. This study also adopts Big 4 auditors as the proxy for high-quality auditors. Therefore, it is possible that firms that choose Big 4 auditors have a positive relationship with corporate governance ratings. For this kind of interaction, a hypothesis was established, as follows:

H5: Firms which choose Big 4 auditors have a positive relationship with corporate governance ratings

Figure 1

Conceptual Model



3. Research Methodology

3.1 Research Design

This study examines the relationship among ownership structure, board structure, auditor choice and corporate governance rating (Figure 1). Each company's annual report includes information on all study factors.

As a result, secondary data for inferential statistical analysis were obtained from annual reports and financial statements available on the SET website.

3.2 Samples, data collection, and measurement of variables

The sample for this study was 712 listed companies on the Stock Exchange of Thailand (SET) in 2021. All financial industries, or 41 firms, were excluded as their regulations and characteristics of corporate governance differ from those of other industries (Dadashi et al., 2013). Also, 2 firms had incomplete data. Thus, the final samples were 669 firms, representing 93.96%. The variable name and measurement scale are shown in Table 1.

Table 1 Variables and Measurement Scale

Variable name	Abbreviation	Measurement scale
The proportion of majority shareholders	MaS	The percentage of share held by the top 10 shareholders
The proportion of minority shareholders	MiS	the percentage of the number of free float shareholders who are not involved in the management or have no control
The proportion of independent directors	InD	the percentage of independent board of directors.
The control of the administrative power	CoP	a dummy variable, taking the value of 1 if Chief Executive Officer and Chairman of the Board are the same person; otherwise it is taken as 0
Auditor Choice	AuC	a dummy variable, taking the value of 1 if a Big4 auditor; otherwise it is taken as 0
Corporate Governance Ratings	CGR	Four levels of corporate governance ratings are available: 3 (excellent), 2 (very good), 1 (good), and 0 (N/A).

3.3 Data preparation

The data was examined and ready for the statistical assumption's needs. Examining the normal distribution and looking for any aberrant points was the first step in the procedure (outliers). The statistical model did not include any data that were not normally distributed. After then, the data was examined once more for normal distribution before being accepted.

3.3.1 Normality Testing

A QQ plot, Box plot, and Histogram were used to test the data for each variable's normal distribution. When plotting a dataset with a normally distributed distribution, an approximately diagonal line should rise as the plot moves from left to right along the x-axis. To find outliers that stand out clearly above or below the box, a box plot is utilized. On the histogram view, the graph looks to be generally symmetrical, and its skewness and kurtosis indices are calculated by studying Kline's skewness and kurtosis (2015). The skewness values varied from -0.920 to 0.792 and the kurtosis values varied from -1.824 and 0.280 (Table 2). The data in this study is regarded as normal.

3.3.2 Multicollinearity Testing

Before each hypothesis is evaluated, one of the prerequisites of regression analysis is to verify that the multicollinearity problem of independent variables does not present in the independent variables. Using the Pearson correlation testing method, according to Table 3, the correlation coefficient is less than 0.8 (Hair et al., 2010).

3.4 Hypothesis testing and statistical analysis

The data analysis applied descriptive statistics—means, maximums, minimums, and standard deviations, skewness, kurtosis and a correlation analysis. Multiple regression models have been used to test the research hypotheses. To test H1-H5, the equation used is as follows:

$$\text{Equation: } \text{CGR} = \beta_{01} + \beta_{02}\text{MaS} + \beta_{03}\text{MiS} + \beta_{04}\text{InD} + \beta_{05}\text{CoP} + \beta_{06}\text{AuC} + \epsilon_i$$

4. Results and Discussion

Table 2 Descriptive Statistics

Variables	Min	Max	Mean	S.D.	Skewness	Kurtosis
Proportion of major shareholders (MaS)	0.210	0.989	0.688	0.144	-0.463	-0.049
Proportion of minority shareholders (MiS)	0.014	0.920	0.398	0.162	0.533	-0.095
Proportion of independent directors on board (InD)	0.22	0.80	0.428	0.099	0.792	0.280
Control of administration Power (CoP)	0	1	0.71	0.455	-0.920	-1.158
Auditor choice (AuC)	0	1	0.60	0.489	-0.426	-1.824
Corporate Governance Ratings (CGR)	0.00	3.00	1.864	1.022	-0.483	-0.906

Table 2 presents the values of descriptive statistics used to analyze the basic characteristics of the variables. The means of the proportion of major shareholders and the proportion of minority shareholders are 68.80%, and 39.80%, respectively, indicating that families dominate many Thai listed companies. The mean of the control of administration power is 71%, indicating that the top 10 shareholders have a high control of administration power. The mean of the proportion of independent directors on board is 42.80%, indicating that most Thai listed companies have less than 50% of independent directors on board. 60% of the Thai listed companies were audited by Big4 audit firms.

Table 3 Pearson's Correlation Matrix

Variables	MaS	MiS	InD	CoP	AuC	Tolerance	VIF
CGR	-0.027	0.069	0.120**	-0.130**	0.218**		
MaS	1	-0.793**	-0.038	-0.150**	0.169**	0.351	2.851
MiS		1	0.102**	0.027	-0.132**	.972	1.029
InD			1	0.038	0.019	.987	1.013
CoP				1	-0.156**	.974	1.027
AuD					1	.958	1.044

** p value < 0.05

Table 3 demonstrates the Pearson correlation analysis to test the multicollinearity among the five variables used in this study. In this way, we can measure the degree of linear association between every pair of variables. The results show statistical significance at 0.05 levels. The variable values ranging from -0.793 to 0.169. The maximum correlation is -0.793 showing a negative significance between proportion of major shareholders (MaS) and proportion of minority shareholders (MiS) variables and shows no multicollinearity problem because the correlation is lower than 0.80 (Hair et al., 2010). For the value of tolerance and its inverse, the inflation factor in the variances (VIFs) is also calculated. Given that the variance inflation factors (VIFs) rank between 1.013 and 2.851—below the cut-off value of 10 suggested by Neter et al. (1985)—we can conclude that multicollinearity is not a concern in this study. Moreover, Durbin-Watson value rank from 2.073 which is not higher than the 4 cut-off value, meaning there is no autocorrelation problem encountered in this study (Gujarati, 2003).

Table 4 presents the results of OLS regression analysis of the relationship among the proportion of independent directors, the control of administration power, the proportion of major shareholders, the proportion of minority shareholders, auditor choice and corporate governance ratings. Statistical tests showed that the proportion of minority shareholders (H2: $b_{03} = 0.005$, $P < 0.05$), has a positive significant relationship on corporate governance ratings. Firms with the higher proportion of minority shareholders have higher corporate governance

ratings. Thus, hypothesis H2 is supported. This conclusion supports Pongkasem et al. (2019), which found that minority shareholders are a crucial component of a solid firm's stock trading liquidity, and results in the company being able to raise funds through the stock market easily and also helps to promote excellent company governance.

Table 4 OLS Regression Results

Independent variable	Dependent Variable		
	Corporate governance ratings (CGR)		
	Exp. Sign	Coefficient	Std. Err.
Constant		1.067***	0.203
Proportion of major shareholders (MaS)	H1 (-)	-0.025 ^e	-0.394
Proportion of minority shareholders (MiS)	H2 (+)	0.005**	0.002
Proportion of independent directors on board (InD)	H3 (+)	1.147***	0.387
Control of Administration Power (CoP)	H4 (-)	-0.234***	0.085
Auditor Choice (AuD)	H5 (+)	0.440***	0.080
$R^2 = .078$, Adjusted $R^2 = .072$, Durbin-Watson = 2.073			

***p value < 0.01, ** p value < 0.05

The proportion of independent directors on board (H3: $b_{04} = 1.147$, $P < 0.01$) has a positive significant relationship on corporate governance ratings. Results suggest that the higher the proportion of independent directors on board the higher the corporate governance ratings. Thus, hypothesis H3 is supported. A greater percentage of independent directors on boards should improve the effectiveness of the monitoring function and reduce managerial opportunism (Fama, 1980; Fama & Jensen, 1983). According to Chen et al. (2006) and Lo et al. (2010), more board independence also decreases fraud and the theft of limited resources. This should result in greater gains for shareholders (Byrd & Hickman, 1992). Consequently, independent directors can improve board monitoring (Tihanyi et al., 2003), and increase corporate governance.

The control of administration power (H4: $b_{05} = -0.234$, $P < 0.01$), has a negative significant relationship on corporate governance ratings. Results suggest that the higher the control of administration power the lower the corporate governance ratings. Thus, hypothesis H4 is supported. This study is in line with that of Makani et al. (2012), who demonstrated that most corporate governance codes do not propose CEO/Chair duality as the control of administration. Hence, the CEO/Chair duality's increased level of authority may encourage management opportunism and lower the level of corporate governance.

Auditor choice (H5: $b_{06} = 0.440$, $P < 0.01$), has a positive significant relationship on corporate governance ratings. This study found that firms which choose a Big-4 auditor have higher corporate governance ratings. Thus, hypothesis H5 is supported. A high-quality auditor, for example, may be a crucial component of external corporate governance procedures that can significantly improve corporate governance, according to the findings (Cho & Wu, 2014). The implementation of the corporate governance suggestion and the external auditor's confirmation of it were found to have a substantial direct relationship, according to Ferreira (2018). Thus, lessening agency issues, fraud, and financial crimes need higher information transparency. Doing the right thing and doing it the right manner is the cornerstone of excellent corporate governance. The board of directors, shareholders, and auditors should all collaborate to run businesses effectively for the benefit of all stakeholders. This is a key component of good corporate governance.

The relationship of most shareholders on corporate governance ratings was not significant (H1: $b_{02} = -0.025$, $P = 0.994$). Thus, hypothesis H1 is not supported. Although many shareholders was not significant, the beta coefficient was negative. This suggests that most of the shareholding structures of Thai listed companies are based on family companies, where the shareholding and executive power in the company is concentrated in the members of the family (Srijunpetch, 2009). As a result, founders of family firms are more prone to engage in management entrenchment at the expense of the company (Thomsen & Pedersen, 2000; Gomez-Mejia et al., 2001), which results in weaker cooperative governance. The rules governing Thailand's financial markets are insufficient to safeguard the interests of investors and minority shareholders, agency issues arise between the family-dominated majority and the minority shareholders. Those groups would prefer to abstain from making investments due to the information asymmetry disclosed by firms. Investor trust can, however, be increased by better corporate governance for businesses in emerging economies (Rajagopalan & Zhang, 2008).

Table 5 Summary of Hypothesis

Hypothesis	Result
H1: The proportion of majority shareholders has a negative relationship on corporate governance ratings	Rejected
H2: The proportion of minority shareholders has a positive relationship on corporate governance ratings	Supported
H3: The proportion of independent directors on board has a positive relationship on corporate governance ratings	Supported
H4: The control of administrative power has a negative relationship on corporate governance ratings	Supported
H5: Firms which choose Big 4 auditors have a positive relationship with corporate governance ratings	Supported

5. Conclusion

This research examined the relationship among ownership structures, board structure, auditor choice, and corporate governance ratings of Thai listed companies. The findings of the study clearly support the relation between the board structure (the proportion of independent directors on board and control of administrative powers) and corporate governance ratings. Firms with a high proportion of independent directors on board and a low control of administrative powers have higher corporate governance ratings. Besides, firms with a high proportion of minority shareholders have higher corporate governance ratings. Moreover, this study found that firms which choose a Big-4 auditor have higher corporate governance ratings. The results support the view that internal mechanisms and external mechanisms of corporate governance in Thai listed companies were key elements of corporate governance ratings of Thai listed companies.

6. Further Research

Firstly, this study uses secondary data from the annual reports, and it did not examine any other reports or other mass communication mechanisms that companies' management may use to disclose ownership structure, board structure, auditor choice and corporate governance ratings information. Future studies might use primary data gathered through interviews and questionnaire to improve the interpretation of the findings. *Secondly*, the paper investigated auditor choice via Big 4, or non-Big 4. Future research might be to study the relation between corporate governance and auditing regarding the voluntary and mandatory auditor change, auditor opinion, and auditor tenure. *Thirdly*, this paper analyzed the year 2021, Future research could be extended to analyze a more updated period. *Fourthly*, this study omitted control variables such as firm size, firm age, and industry group that could have an impact on corporate governance; future studies may include control variables in the model. *Finally*, complete, accurate and transparent disclosure of information of listed companies is an important mechanism to build confidence and attract investors' attention. In addition to financial information, Environmental, Social, and Corporate Governance Information (ESG) is critical information that influences investment decisions. Research should be expanded in the future by include additional intriguing factors, including audit committee financial experts, board characteristics, audit committee attributes, that have an impact on the disclosure of Environmental, Social, and Corporate Governance information or sustainability reports.

7. Contribution

This study adds to the body of literature by supplying more support for earlier investigations., which suggest that internal mechanism (owner structure and board structure) and external mechanism (external auditor) were key elements of corporate governance ratings of Thai listed companies.

8. Acknowledgement

This work was supported by the Fundamental fund 2566.

References

- Anderson, U., Kadous, K., & Koonce, L. (2004). The role of incentives to manage earnings and quantification in auditor's evaluations of management-provided information. *Auditing: A Journal of Practice & Theory*, 23(1), 11–27.
- Bachar, J. (1989). Optimal underwriting contracts and underpricing of new issues. *Journal of Accounting, Auditing & Finance*, 4(4), 432-459.
- Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *The Accounting Review*, 71, 443–465.
- Begley, T.M. (1995). 'Using founder status, age of firm, company growth rate as the basis for distinguishing entrepreneurs from managers in smaller businesses. *Journal of Business Venturing*, 10, 249-63.
- Bhagat, S., & Black, B. (2002). The non-correlation between board independence and longterm firm performance. *Journal of Corporation Law*, 27, 231-73.
- Brickley, J. A., Coles, J. L., & Terry, R. L. (1994). Outside directors and the adoption of poison pills. *Journal of Financial Economics*, 34, 371–390.
- Byrd, J. W., & Hickman, K. A. (1992). Do outside directors monitor managers? *Journal of Financial Economics*, 32, 195–221.
- Chen, G., Firth, M., Gao, D. N., & Rui, O. M. (2006). Ownership structure, corporate governance, and fraud: evidence from China. *Journal of Corporate Finance*, 12(3), 424- 448.
- Cho, C-C., & Wu, C-H. (2014). Role of auditor in agency conflict and corporate governance: Empirical analyses of Taiwanese firms. *Chinese Management Studies*, 8(3), 333-353.
- Claessens, S., Djankov, S., Fan, J., & Lang, L. H. P. (2000). The separation of ownership and control in East Asian corporation. *Journal of Financial Economics*, 58(1/2), 81-112.
- Claessens, S., Djankov, S., Fan, J. P. H., & Lang, L. (2002). Disentangling the incentive and entrenchment of large shareholdings. *The Journal of Finance*, 57(6), 2741-2771.
- Clifford, P., & Evans, R. (1997). Non-executive directors: A question of independence. *Corporate Governance*, 5(4), 224-231.
- Dadashi, I., Zarei, S., Dadashi, B., & Ahmadi, Z. (2013). Information voluntary disclosure and cost of debt case of Iran. *International Research Journal of Applied and Basic Sciences*, 4(6), 1478-1483.
- Daily, C. M., & Johnson, J. L. (1997). Sources of CEO power and firm financial performance: A longitudinal assessment. *Journal of Management*, 23(2), 97–117.

- DeFond, M. L., Wong, T. J., & Li, S. (2000). The impact of improved auditor independence on audit market concentration in China. *Journal of Accounting and Economics*, 28(3), 269–305.
- Fama, E.F. (1980). Agency problems and the theory of the firm. *The Journal of Political Economy*, 88(2), 288-307.
- Fama, E.F., & Jensen, M.C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(June), 301-325.
- Fan, J. P. H., & Wong, T. J. (2005). Do external auditors perform a corporate governance role in emerging markets? Evidence from East Asia. *Journal of Accounting Research*, 45(1), 35–72.
- Ferreir, J. V. (2018). The role of the external auditor in corporate governance: The case of companies listed in the NYSE Euronext Lisbon. *Risk governance and Control: Financial Market & Institutions*, 8(4), 38-51.
- Fombrum, C. J., & Shanley, M. (1990). What's in a name? Reputation building and corporate strategy. *Academy of Management Journal*, 33, 233–258.
- Francis, J. R. (2004). What do we know about audit quality? *The British Accounting Review*, 36(4), 345–368.
- Gomez-Mejia, L. R., Nunez-Nickel, M., & Gutierrez, I. (2001). The role of family ties in agency contracts. *Academy of Management Journal*, 44, 81-95.
- Guijarati, D. N. (2003). *Basic econometrics*. Singapore : McGraw-Hill.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate Data Analysis* (7th ed). Upper Saddle River: Pearson Education.
- Ibrahim, N. A., & Angelidis, J. P. (1995). The corporate social responsiveness orientation of board members: Are there differences between inside and outside directors? *Journal of Business Ethics*, 14, 405–410.
- James, H.S. Jr. (1999). Owner as manager, extended horizons and the family firm. *International Journal of the Economics of Business*, 6(1), 41-55.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and capital structures. *Journal of Financial Economics*, 3, 305-360.
- Johnson, R. A., & Greening, D. W. (1999). The effects of corporate governance and institutional ownership types on corporate social performance. *Academy of Management Journal*, 42, 564–576.
- Kline, R. B. (2015). *Principles and practice of structural equation modeling*. USA : Guilford Publications.
- Kumar, N., & Singh, J. P. (2013). Effect of board size and promoter ownership on firm value: Some empirical findings from India. *Corporate Governance: The International Journal of Business in Society*, 13(1), 88–98.
- Kuznetsov, P., & Muravyev, A. (2001). Ownership concentration and firm performance in Rusia: the case of blue chips of the stock market. *Acta Oeconomica*, 51(4), 469-488.
- La Porta, R., Lopez-de-silanes, F, Shleifer, A., & Vishny, R. (2002). Investor protection and corporate valuation. *Journal of Finance*, 57(3), 1147-1170.

- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2000). Investor protection and corporate governance. *Journal of Financial Economics*, 58, 3-27.
- Larcker, D. F., Richardson, S. A., Seary, A., & Tuna, A. I. (2005). Back door links between directors and executive compensation. Retrieved from: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=671063.
- Lin Z. J., & Liu M. (2009). The impact of corporate governance on auditor choice: Evidence from China. *Journal of International Accounting, Auditing and Taxation*, 18, 44-59.
- Lo, A. W., Wong, R. M., & Firth, M. (2010). Can corporate governance deter management from manipulating earnings? Evidence from related-party sales transactions in China. *Journal of Corporate Finance*, 16(2), 225-235.
- Makani, I., Kolsi, M., & Affes, H. (2012). The impact of corporate governance mechanisms on audit quality: Evidence from Tunisia. *The IUP Journal of Corporate Governance*, 4(3), 48-70.
- Mayoral, J. M., & Segura, A.S. (2008). Corporate governance, agency conflict and auditor Choice. *Journal of Finance and Accounting*, 37(137), 113-153.
- Mishra, C., Randøy, T., & Jenssen, J. I. (2001). The effect of founding family influence on firm value and corporate governance: a study of Norwegian firms. *Journal of International Financial Management and Accounting*, 12(3), 235-59.
- Musteen, M., Datta, D. K., & Herrmann, P. (2009). Ownership structure and CEO compensation: implications for the choice of foreign market entry model. *Journal of International Business Studies*, 40(2), 321-338.
- Neter, J., Wasserman, W., & Kutner, M. H., (1985). *Applied liner statistical model, Regression analysis of variance, and experimental designs*. Hone Wood, Illions, USA : McGraw-Hill.
- Pfeffer, J., & Salancick, G.R. (1978). *The external control of organisations: A resource-dependence perspective*. New York : Harper & Row.
- Munisi, G. (2020). Corporate governance and ownership structure in Sub-saharan Africa countries. *Journal of African Business*, 21(3), 289-314.
- Pongkasem, M., Boonsaenwai, S., & Phuwadin, P. (2019). Effecting of corporate governance on firm performance: Case study of financial industry in: The Thai-listed Company in stock exchange of Thailand. *The 6th National Conference Nakhonratchasima College*. March 3, 2019, Nakhonratchasima College, Nakhonrathasima.
- Rajagopalan, N., & Zhang, Y. (2008). Corporate governance reforms in China and India: challenges and opportunities. *Business Horizons*, 51(1), 55-64.
- Rosenstein, S., & Wyatt, J. G. (1990). Outside directors, board independence, and shareholder wealth. *Journal of Financial Economics*, 26(2), 175-91.

- Rungroch, W., & Thanatawee, Y. (2019). Relationship between ownership concentration and dispersion and stock liquidity of the listed companies in the stock exchange of Thailand. *Journal of Administration and Management*, 9(1), 137-152.
- Shah, A.A., Kouser, R., Aamir, M., & Hussain, C.M. (2012). The impact of the corporate governance and the ownership structure on the firm's financial performance and its risk taking behavior. *International Research Journal of Finance and Economics*, 93, 44-55.
- Srijunpetch, S. (2009). Does the corporate governance mechanism really increase firm value? *Journal of Business Administration*, 32(121), 1-6.
- Thomsen, S., & Pedersen, T. (2000). Ownership structure and economic performance in the largest European companies. *Strategic Management Journal*, 21, 689-705.
- Tihanyi, L., Johnson, R. A., Hoskisson, R. E., & Hitt, M. A. (2003). Institutional ownership differences and international diversification: the effects of boards of directors and technological opportunity. *Academy of Management Journal*, 46, 195-211.
- Watts, R., & Zimmerman, J. (1986). *Positive accounting theory*. New Jersey : Prentice Hall.