

THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FIRM PERFORMANCE IN SERVICE INDUSTRIES.

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ABSTRACT

The study of the relationship between corporate governance and the performance of the company in service industry Intended to 1. Find the relationship between the CG score and the operating results of the company, measured by ROA, ROE and Net Profit. 2. Compare the relationship between business categories in service industry

The results showed that there was a relation between the CG Score and ROE. But there was no relation between CG Score and ROA, CG score and Net Profit. A relationship value of 0.0642, 0.2522 and 0.1036 respectively. And when comparing between business categories, In the Transport group found that CG Score had a relationship with Net Profit at a significant level of 0.05. In the Media group found that CG Score had a relationship with ROA at a significant level of 0.05 and ROE at a significant level of 0.01. On the other hand in Tourism, Prof, Health, and Comm group has no relationship between CG and Firm performance.

Keyword: CG Score , ROA , ROE , Net Profit , Firm Performance

INTRODUCTION

Thailand is now Thailand 4.0 era, which focuses on innovation, technology, and creativity, which creates value and drives the country's economy. In particular, a mid-income country is a service sector, which is optimized for production. Increase competitiveness and Thailand also strengthens the business competitiveness of the potential service sector and the new service base to promote the growth of the country's economy (national Economic and Social Development Plan No. 12 2017). From the importance of the service sector, the service is important to the economy of the country

A firm in the Stock Exchange of Thailand. (SET: Stock Exchange of Thailand) Common Stocks are traded for the benefit of the company to raise capital, as working capital or grow business easily. Having a good administration to enhance the image as a company has been considered by the SEC and the set, which is regarded as a company with good operational performance and a certain level of stability, as well as the disclosure of transparent information,

Good corporate governance is structured, management, taking into maximization of shareholder's wealth and benefits of Stakeholders, in which the company on the stock exchange of Thailand has several companies that participate in CG assessments from Thai institute of directors' association. The importance of participating in this assessment is to stimulate the development and formulation of policies and standards for corporate governance in Thailand.

From the evaluation of corporate governance of Thai listed companies. In order to study that the evaluation results affect the operations of the business by using financial analysis tools, including ROA, ROE, and net profit margins from the above. Therefore, the researcher is interested in studying the relationship between good corporate governance and the performance of companies in the service industry group.

OBJECTIVE

1. To study the relationship between corporate governance scores (CG scores) and the performance of companies includes ROA, ROE and net profit margins.
2. To compare the levels of the relationship levels of the service business groups in the service industry group

LITERATURE REVIEW

Year	Author	Title	Research result
2019	W.M. Al-ahdal, et al	The Impact of corporate governance on financial performance of Indian and GCC Listed firms: An empirical investigation	Results revealed that board accountability (BA) and audit committee (AC) have an insignificant impact on firms' performance measured by ROE and Tobin's Q. Similarly, transparency and disclosure (TD) have an insignificant negative impact on firms' performance measured by Tobin's Q. Moreover, the country dummy results show that Indian firms are performing better than Gulf countries ones in terms of corporate governance practices and financial performance.
2018	Wichitra Chamlongrath	Corporate Governance, Bankruptcy Risk and Firm Performance of Thai Listed Companies	The results showed that the Thai listed companies corporate governance did not have any significant impact on the bankruptcy risk. Furthermore, it was inconclusive to elucidate that the firm performance depended on the corporate governance.
2012	Rada Mutujad	Effect of Good Corporate Governance Efficiency of Corporate Image of Beverage Businesses in Thailand	Conclusions: The good corporate governance efficiency had relationships and the positive impact on corporate image. The beverage industry executives should be aware and focus on the good corporate governance efficiency in all aspects in order to

			build the trust with all parties involved, reflect the operating results, and develop the organization to achieve steady growth in the future.
2011	Braga-Alves, M.V., Shastri, K.	Corporate governance, valuation, and performance : evidence from a voluntary market reform in brazil	Find that higher scores for our index are related to greater market value but not to better operating performance. An investment strategy that purchased stocks of firms with high NM6 and sold stocks of firms with low NM6 would have earned abnormal returns of 10.68% per year from 2001 to 2005.
2011	Sudathip Ketjoi	Effects of Good Corporate Governance Strategies on Corporate Image of the Board of Investment Supported Businesses	the good corporate governance had a relationship and an effect on the corporate image of the Board of Investment supported businesses in Thailand. The results of this research could be applied to enhancing the good corporate governance policies in order to create transparency and international standard operation which could increase acknowledgement that leads to the fluency and the highest benefit to all stakeholders.
2010	Balasubramanian N, Black B.S., KhannaV	The relation between firm- level corporate governance and market value : A case study of India	Find cross-sectional evidence of a positive relationship between firm market value and overall governance index ,as well as a subindex covering shareholder right. The association is stronger for more profitable firms and firms with stronger growth opportunities.
2010	Kawin lamtrakul	Corporate governance and earnings management : the case of commercial bank in thailand.	The number of audit committee meeting has a significantly negative relationship with the effective monitoring and financial reporting process will be, resulting in less earning management. Therefor, this evidence is consistent with past studies. However, board independence, pay-for-performance, the number of board member meetings, the

			size of the board members and the size of the audit committee member have not influence on earning management.
2010	Sureeporn Chuatpong	The stock price response to the announcement of corporate good governance ranking : The stock exchange of Thailand	It was found that there was stock price response to the announcement of corporate good governance total ranking but it was not found the stock price response to the announcement of corporate good governance different ranking. Additional test separate firms in to big firm and small firms by total asset, it was found that there was differently stock price response when big firms announce corporate good governance ranking. The difference was found for excellent level and good level in three days five days and seven days windows and for excellent level and very good level excellent and very good in only three days windows. However the relationship was not found for announcement of good corporate governance of small firms. It could be explained the investors used the information to decision for investment in the period of the announcement of corporate good governance ranking. It was found, especially, for big firms rather than small firms.

METHODOLOGY

Population and sample groups

The population of this research is collected secondary data from 111 companies registered in the Stock Exchange of Thailand in the service industry group

The research tools

Study data from financial statements Information from the annual registration statement (Form 56-1) and the annual report of companies listed on the Stock Exchange of Thailand (SET) in 2018, including relevant articles and academic documents

Data analysis using SPSS statistical program. With statistics as follows

1. Descriptive Statistic Analysis for use in analyzing the characteristics of the samples studied. The statistics used in the analysis are Percentage, MEAN and Standard Deviation, Variance, Minimum and Maximum.

2. Hypothesis Testing is used to test the relationship between corporate governance scores and the performance of companies listed on the Stock Exchange of Thailand. Service Industry Group With correlation analysis

RESULTS

The results showed that there was a relation between the CG Score and ROE .But there was no relation between CG Score and ROA, CG score and Net Profit. As following table.

Table1 :Correlation

		ROA	ROE	Net profit
CG	Pearson Correlation	.064	** .252	.104
	P-value	.503	.008	.279

** Correlation is significant at the 0.01 level (2 tailed)

When comparing between business categories, In the Transport group found that CG Score had a relationship with Net Profit at a significant level of 0.05. In the Media group found that CG Score had a relationship with ROA at a significant level of 0.05 and ROE at a significant level of 0.01. On the other hand in Tourism, Prof, Health, and Comm group has no relationship between CG and Firm performance. As following table.

Table 2: P-value of correlation between CG score and Firm performance (ROA,ROE, Netprofit)

		Trans	Tourism	Prof	Media	Health	Comm
P-value	ROA	0.381	0.121	0.901	*0.130	0.836	0.368
	ROE	0.530	0.256	0.137	**0.004	0.788	0.930
	Net profit	*0.017	0.311	0.631	0.165	0.509	0.389

*correlation is significant at the 0.05 level (2-tailed)

** correlation is significant at the 0.01 level (2-tailed)

CONCLUSION AND FUTURE WORK

The study of the relationship between CG Score and Firm performance found that there is a relationship between CG Score and ROE at the significance level of 0.01 But has no relationship with ROA and Net profit due to the criteria in determining CG scores that will give importance to shareholders. Therefore, the ROE ratio, which is directly related to shareholders' equity, is therefore related to the CG Score. But ROA and Net profit, which has no relation, may be due to the business in this service business focusing on customers more than the shareholders' equity. The impressive quality service will give a feeling of satisfaction to Tourists (customers). Pranee Tridhoskul (2015)

Future research 1) Factors in the financial statements that are impact to CG SCORE may be studied to determine which factors are important. 2) Compare the difference in the relationship between CG scores and Firm performance in all industry groups.

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