DETERMINANTS AND CONSEQUENCES OF CORPORATE SOCIAL RESPONSIBILITY ON FIRM PERFORMANCE: EVIDENCE IN THAILAND

ปัจจัยและผลกระทบของการเปิดเผยข้อมูลความรับผิดชอบต่อสังคมต่อผลการดำเนินงานของบริษัทในประเทศไทย

ชุติมันต์ บุญนวล พนารัตน์ ปานมณี วันชัย ประเสริฐศรี

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บทคัดย่อ

การวิจัยครั้งนี้มีวัตถุประสงค์เพื่อศึกษาความสัมพันธ์ระหว่างการกำกับดูแลกิจการกับการเปิดเผยข้อมูลความรับผิดชอบต่อสังคมและผลการปฏิบัติงานของ บริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยในมุมมองของผู้มีส่วนได้เสีย ในขณะเดียวกันบทความนี้ศึกษาผลกระทบจากการเป็นปัจจัยส่งผ่านการเปิดเผยข้อมูลความรับผิดชอบต่อสังคมของ บริษัทจากการกำกับดูแลกิจการไปสู่ผลการดำเนินงานที่มั่นคง การวิจัยครั้งนี้มีจุดมุ่งหมายเพื่อศึกษาปัจจัยและผลกระทบของการเปิดเผยข้อมูลกิจกรรมความรับผิดชอบต่อสังคมโดยการวิเคราะห์ปัจจัยของการกำกับดูแลกิจการและผลกระทบต่อผลการดำเนินงานของบริษัท เพื่อตรวจสอบความสัมพันธ์ดังกล่าวได้มีการจัดทำดัชนีรายการการตรวจสอบ เพื่อตรวจสอบการปฏิบัติตามความรับผิดชอบต่อสังคม ในบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยในการพัฒนารายการตรวจสอบความรับผิดชอบต่อสังคมโดยวิเคราะห์จากรายงานประจำปี 2557 จำนวน 382 บริษัท ในการจัดทำดัชนีเพื่อตรวจสอบรายการความรับผิดชอบต่อสังคมได้จำแนกออกเป็น 6 กลุ่มของผู้มีส่วนได้เสีย ประกอบด้วยพนักงาน ลูกค้า นักลงทุน ชุมชน สิ่งแวดล้อมและผู้จัดจำหน่าย การเปิดเผยข้อมูลความรับผิดชอบต่อสังคม จะได้รับการวิเคราะห์และตรวจสอบโดยใช้การวิเคราะห์เนื้อหา การวิเคราะห์ได้ดำเนินการโดยใช้โมเดลสมการโครงสร้าง ผลลัพธ์ทางสถิติจากการวิเคราะห์ปัจจัยพบว่า ทั้ง 6 มิติเป็นมาตรวัดการเปิดเผยข้อมูลความรับผิดชอบต่อสังคมที่เหมาะสม ผลการวิจัยพบว่า ผู้ถือหุ้นองค์กร การที่รัฐบาลเข้ามาถือหุ้น และจำนวนของกรรมการอิสระมีความสัมพันธ์ในเชิงบวกการเปิดเผยข้อมูลความรับผิดชอบต่อสังคมการเปิดเผยข้อมูลความรับผิดชอบต่อสังคมและผลการดำเนินงานของบริษัท และทั้งอัตราผลตอบแทนต่อสินทรัพย์ (ROA) และอัตราผลตอบแทนต่อส่วนของผู้ถือหุ้น (ROE) ส่วนความเป็นอิสระของคณะกรรมการมีความสัมพันธ์เชิงลบกับอัตราผลตอบแทนต่อสินทรัพย์ (ROA) และอัตราผลตอบแทนต่อส่วนของผู้ถือหุ้น (ROE) ในขณะที่บริษัทที่มีรัฐบาลเข้ามาถือหุ้นมีความสัมพันธ์ทางบวกกับ อัตราผลตอบแทนต่อส่วนของผู้ถือหุ้น (ROE) เท่านั้น ผลการวิจัยยังพบการเปิดเผยข้อมูลด้านความรับผิดชอบต่อสังคมเป็นปัจจัยส่งผ่านอย่างสมบูรณ์ระหว่างผู้ถือหุ้นองค์กรและผลการดำเนินงานของกิจการ และเป็นปัจจัยส่งผ่านบางส่วนจากจำนวนกรรมการอิสระกับผลการดำเนินงานของบริษัท สำหรับกรณีที่มีรัฐบาลเข้ามาถือหุ้นในบริษัทการเปิดเผยข้อมูลความรับผิดชอบต่อสังคมเป็นปัจจัยส่งผ่านแบบสมบูรณ์กับอัตราผลตอบแทนต่อสินทรัพย์ (ROA) แต่เป็นปัจจัยส่งผ่านเพียงบางส่วนในอัตราผลตอบแทนต่อส่วนของผู้ถือหุ้น (ROE)

คำสำคัญ: ความรับผิดชอบต่อสังคม การกำกับดูแลกิจการ ผลการดำเนินงาน

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Abstract

The purpose of this study was to investigate relationships between corporate governance, corporate social responsibility disclosure, and firm performance in publicly listed firms in Thailand using a stakeholder theory perspective. Meanwhile, this paper investigates mediation effects of corporate social responsibility disclosure from corporate governance to firm performance.

This study's main purpose is to investigate determinants and consequences of CSR disclosure by analyzing corporate governance and firm performance in 2014. To investigate such a relationship, a CSR checklist was developed to identify CSR practices in Thai-listed companies. In developing a CSR checklist, the published annual reports were analyzed for the sequence of CSR practices. A clasification process was utilized to develop an index based on six dimensions, including employee, customer, investor, community, environment and supplier. CSR disclosure is then analyzed and examined using content analysis. Data was collected from the publicly available annual reports of public firms in Thailand (n = 382). Analysis was conducted using structural equation modeling. The statistical results from factor analysis found that all six dimensions are appropriate measurements of CSR disclosure. The empirical result is that positive relationships were found for institutional ownership, government ownership and board independence and CSR disclosure; CSR disclosure and firm performance; and both ROA and ROE. However, board independence has a negative relationship with ROA and ROE, while government ownership has a positive relationship with only ROE. Thus, CSR disclosure, institutional ownership, government ownership and board independence were the main factors identified in the firm's performance. The model also identified several mediating relationships of CSR disclosure between corporate governance variables and measures of firm financial performance. In conclusion, CSR disclosure has complete mediation from institutional ownership to firm performance; there is partial mediation from board independence to firm performance. For government ownership, CSR disclosure has a complete mediation to ROA, but partial mediation to ROE.

Keywords: Corporate social responsibility, Corporate governance, firm performance

Introduction

This report studies the emergence and effects of corporate social responsibility (CSR) in Thailand. CSR may be briefly defined as the ethical, philanthropic (social), economic, and legal obligations of the firm towards society as a whole and the practices that the firm uses to meet these obligations (Carroll, & Shabana, 2010). CSR was first proposed by Bowen (1953) in *Social Responsibilities of the Businessman*, and since then has developed into a complex set of firm practices such as employer and supplier codes of conduct, community participation programs, philanthropic activity, cause-related marketing, and environmental impact assessment and control of the firm's own activities, among others (Kotler and Lee, 2011). Increasing pressure from stakeholder groups concerned with the effects of environmental damage and globalization have resulted in increasing requirements for firms to balance stakeholder needs and making non-financial disclosures related to their CSR activities (Parast and Adams, 2013; Soderstrom, 2013). There is also evidence that CSR can influence the firm's financial performance, either through improving profitability, improving firm reputation, or some other mechanism (Jayachandran, Kalaignanam, and Eilert, 2013; Kapoor and Sandhu, 2010; Kitzmueller and Shimshack, 2012). Investor preferences for specific approaches to CSR can also influence the choice of CSR strategies and their effects on the firm (Mackey, et al., 2007). CSR activities may also be influenced by different ownership preferences; for example, managerial owners and large block owners may use the firm's CSR to meet their own social or reputational needs (Barnea, & Rubin, 2010). Thus, although seemingly straightforward, CSR's dimensions, antecedents and effects are a complex topic.

Today, CSR represents a key corporate governance (CG) strategy for firms around the world, with an estimated 65% of global firms undertaking some firm of CSR (Jamali, et al., 2008; KPMG, 2013). Thailand has one of the strongest CG and CSR records in Asia, with firms actively and effectively implementing CSR policies (although they may lag behind other countries in reporting) (Chapple and Moon, 2005; Ratanajongkol, Davey, and Low, 2006; Robinett, 2013). CSR is known to influence Thai consumer perceptions about the firm, improving perceived service quality, trust, and brand affect (Poolthong and Mandhachitara, 2009). However, the extent of influence of CSR activities on the firm's financial performance has not been studied in a Thai context.

The aim of this research is to examine the relationships between corporate governance, CSR, and firm financial performance in listed firms in Thailand, using analysis of public financial and non-financial disclosures.

Literature Review

Corporate social responsibility (CSR)

Stakeholder theory argues that the firm's primary responsibilities are not providing economic benefits to its owners, but in meeting the needs of a broader set of interests in the firm, including customers, employees, the environment, and society (Freeman, 1984; Harrison, & Wicks, 2010). Common stakeholder groups include customers, suppliers, employees, investors, the environment, and communities (Harrison, & Wicks, 2010), although the definition of stakeholder is deliberately flexible (Freeman, 1994). The four-dimensional concept of CSR used in this study is based on the corporate responsibility pyramid proposed by Carroll (1991). This pyramidal, multidimensional construct of CSR proposes that firms have different economic, legal, ethical, and philanthropic responsibilities at given points in time and in regard to different stakeholders (Carroll, 1991). CSR can also be regarded as a set of company practices or interests; for example, one model proposes six different types of CSR activities, including destination governance, green practice, community and social, education, business practice and human resources (Sheldon, & Park, 2011). CSR may also be considered as relating to internal and external stakeholder interests (Jones, Comfort, & Hillier, 2005). Internal stakeholders include employees and management, whose concerns include skills and education, workplace safety, working conditions, human rights, equity and justice, equal opportunities, health and safety, labour rights (Jones, et al., 2005). External interests include shareholders, economic and social partners like suppliers and communities, the government, and the environment (Deakin, & Hobbs, 2007; Munilla, & Miles, 2005). Both stakeholder theory and CSR have flexible, non-prescriptive scopes of understanding about who and what is included. However, it is common to measure and communicate CSR in the *triple bottom line* of economic, environmental, and social performance (Kotler, & Lee, 2011), which does provide some support. There are various measures of CSR that allow for comparison of CSR activities between firms, typically based on different dimensions of firm activity, although this is not a resolved question (Aguinis, & Glavas, 2012). This research uses the Thaipat Institute's Integrated CSR Reporting Framework, which is consistent with the Global Reporting Initiative (GRI) measurement and which is standard for the SET.

Corporate Governance (CG) and CSR (Hypothesis 1)

Corporate governance (CG) may be briefly defined as "the system of laws, rules and factors that control operations at a company (Gillan, 2006, pp. 382)" or "a system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all of their stakeholders and act in a socially responsible way in all areas of their business activity (Solomon, 2009, p. 7)." CG may be defined into internal and external governance structures; internal structures are concerned with ownership, management and direction of the firm, funding and capital structure, and policies and control systems, while external governance relates to laws and regulations, markets, and private external oversight (Press and lawsuits) (Gillan, 2006). Fundamental principles of CG include shareholder rights and equity of treatment, protection and management of stakeholders, transparency and disclosure, and responsibility of the firm's directors (Henchokchaichana, & Srichanpetch, 2009).

While CG and CSR are not the same concept, they are significantly related (Young, & Marais, 2012). Both CG and CSR are mechanisms for managing the firm and meeting stakeholder needs (Jamali, et al., 2008). CSR activities including employee protections and environmental, social and stakeholder activities are often the focus for CG activities, along with internal concerns like risk management, auditor independence, board behaviour and firm ethics (Kolk, & Pinkse, 2010). One author proposes that CSR extends the fiduciary duties owned to the firm's shareholders (the main concern of CG) to all stakeholders (Sacconi, 2012). Other studies have also identified a positive relationship of CG to CSR using various measures of both (Gibson, & O'Donovan, 2007; Jamali, et al, 2008; Jo, & Harjoto, 2011; Khan, et al, 2013; Wise, & Ali, 2008). In terms of firm practices, CG is known to influence firm disclosure behaviour and environmental activities (Rao, et al, 2012; Henchokchaichana, & Srichanpetch, 2009).

Hypothesis 1: *CG mechanisms will have a positive effect on CSR measures.*

CG mechanisms considered include institutional ownership (H1a), foreign ownership (H1b), government ownership (H1c), managerial ownership (H1d), board independence (H1e), and CEO duality (H1f). These dimensions of corporate governance are expected to have different effects on CSR measures. The effects of institutional ownership on CSR and other disclosure activities is uncertain; while the efficient monitoring hypothesis argues that institutional investors are able to monitor manager decisions and disclosure practices, the passive hands-off hypothesis suggests that institutions are short-term, passive investors who do not do so (Abdel-Fattah, 2008; AbuRaya, 2012). An empirical study of institutional investors showed a combination of CSR-identified strategies and motivations; for example, while in some cases institutional investors may use interventions in firm CG and CSR practice to change the firm's choices to meet their own preferences, in other cases the institutional investor may choose to exit (McCahery, et al., 2016). Thus, although the general trend is to assume a positive relationship, this relationship could be complicated. Foreign ownership is included because of higher disclosure demands from international investors in developing countries (Haniffa, & Cooke, 2005), while government ownership is thought to enforce balance between social and profit goals through disclosure (AbuRaya, 2012; Al-Janadi, et al. 2013; Ntim, et al. 2013; Said, et al., 2009). In contrast, managerial ownership is negatively related to disclosure (Eng and Mak, 2003; Chau and Gray, 2010). Board independence is positively associated with disclosure and reduction in managerial control (Arora, & Dharwadkar, 2011; Chau, & Gray, 2010; Cheng, & Courtenay, 2006; Donnelly, & Mulcahy, 2008; Jamali, et al., 2008; Li, et al., 2008). Finally, CEO duality has a negative effect on board monitoring and disclosure patterns of firms (Chau, & Gray, 2010; Dey, 2008; Donnelly, & Mulcahy, 2008; Tuggle, et al., 2010) and CSR specifically may be viewed as detrimental to CEO interests (Ghosh, et al., 2011; Salama, et al., 2011; Simpson, & Kohers, 2002).

CG, CSR and Firm Financial Performance (Hypotheses 2 through 6)

Firm financial performance may be defined as the economic performance of the firm, through which it creates value for shareholders (Brigham, & Houston, 2012). The firm's financial performance is one of the dimensions of the triple bottom line, along with social and environmental performance (Savitz, & Weber, 2006). Unlike CSR measures (Hubbard, 2009), financial performance measures are standardized and may be calculated based on public information (Brigham, & Houston, 2012). Common measures of performance including Return on Assets (ROA) and Return on Equity (ROE) equalize performance across firms by considering the firm's performance considering the resources at their disposal (Brigham, & Houston, 2012). Thus, these measures are useful for comparing performance between different firms and in different industries.

CG is generally found to have a positive relationship to the firm's financial performance (Bauer, et al, 2003; Brown, & Caylor, 2004; Klapper, & Love, 2004; Gürbüz, et al., 2010; Reddy, et al., 2010) although a few studies have found no relationship (Chidambaran, et al, 2006; Dalton, & Dalton, 2010) Not all of these studies have measured all dimensions of CG that are discussed here. For example, a study in Turkey focused on the issue of institutional ownership, showing that firms with high institutional ownership had a stronger financial return than those without (Gürbüz, et al., 2010). Their study also identified public listing as a significant moderating variable. While this study only focuses on publicly listed firms, this should be kept in mind as a factor that could be influencing the outcomes. Another study found that a ratio of independent board members above 50%, along with compliance with disclosure and subcommittee recommendations, was associated with an increase in the firm's financial performance (Reddy, et al., 2010). This study showed that principle-based CG was effective at improving the financial performance of the firm. However, some of the factors such as board independence and CEO duality do not, when considered in the broader scope of the literature, have a consistent relationship to firm financial performance (Dalton, & Dalton, 2011). A study in the Malaysian oil and gas industry also provided evidence for the effect of CG practices on the firm's financial performance (Ong, et al., 2014). These authors showed that CEO duality and firm size were the major factors in financial performance, which is inconsistent with other studies and could be due to particularity of the oil and gas industry or the national characteristics. These studies show the difficulty of arriving at a consensus about the direction, scope or even statistical significance of the proposed relationships, with plenty of evidence both for and against them. Thus, one of the contributions of this research is to test the effect of these CG dimensions on the firm's financial performance. Based on this evidence, it is likely that the dimensions of CG studied here will influence the firm's financial performance, although it is not certain given the inconsistencies in the literature such as those noted by Dalton and Dalton (2010). Thus, the following two hypotheses are studied.

Hypothesis 2: *CG mechanisms will have a positive effect on ROA.*

Hypothesis 3: *CG mechanisms will have a positive effect on ROE.*

CG mechanisms considered include institutional ownership (H2a/ H3a) foreign ownership (H2b/ H3b) government ownership (H2c/ H3c) managerial ownership (H2d/ H3d) board independence (H2e/ H3a) and CEO duality (H2f/ H3f) These measures follow the measures used for effect on CSR.

There is mixed evidence for the relationship of CSR and firm financial performance (as measured by ROA and ROE). In theory, the firm could recognize direct economic benefits like increased sales due to improved corporate reputation and consumer trust and indirect effects like improved efficiency and employee commitment (Kotler, & Lee, 2011). Several studies have also had empirical findings that supported a positive relationship of CSR and either ROA or ROE (Mishra, & Suar, 2010; Golicic, & Smith, 2013; Qu, 2009; Tang, Hull, & Rothenberg, 2011). These findings are not entirely consistent; an extensive review revealed that CSR is a complex construct and different CSR aspects had different effects on financial performance (Carroll, & Shambana, 2010). However, there evidence strongly points to a positive relationship between CSR disclosure and related activities and financial performance. Thus, the fourth and fifth hypotheses of the study are as follows:

Hypothesis 4: *There is a positive relationship between CSR and ROA.*

Hypothesis 5: *There is a positive relationship between CSR and ROE.*

Finally, CSR could potentially play an intervening role between CG and the firm's financial performance, although evidence in this area is relatively weak. For example, board characteristics can influence CSR and social objectives (Cheng, & Courteney, 2006). Others propose that CSR could be a signalling mechanism for indicating CG priorities (Fisman, Heal, & Nair, 2006; Goyal, 2006), as a means of indirect social investment (Navarro, 1988) or as a means of reducing agency costs (Brown, Helland, & Smith, 2006). To determine whether CSR does act as a signalling mechanism or other action on the part of the firm's CG policies and practices, the following hypothesis is proposed:

Hypothesis 6*: CSR will mediate the relationships between CG variables and firm financial performance.*

Conceptual Framework

The conceptual framework (Figure 1) shows the factors and expected relationships of the study. Relationships of institutional ownership, foreign ownership, government ownership and board independence are expected to be positive, while relationships of managerial ownership and CEO duality may be negative. The relationship of CSR to ROA and ROE is expected to be positive. Not represented in the framework is H6, which proposes CSR as a mediating variable between the CG variables and the firm's financial performance.

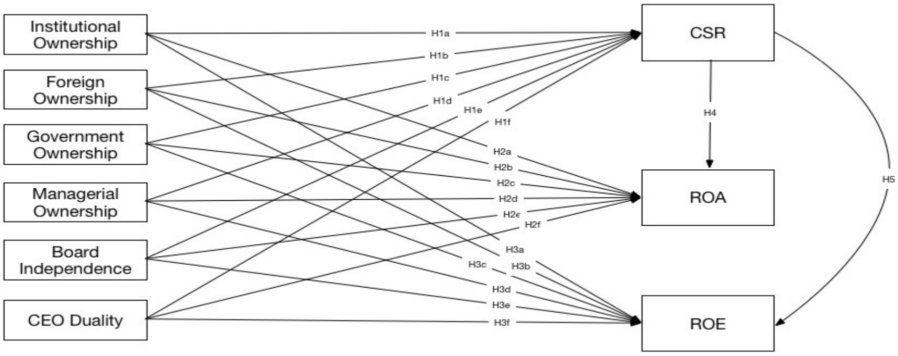

Figure 1*: Conceptual framework of the study*

Research Methodology

Data collection and preparation

Data was collected from non-financial firms listed on the Stock Exchange of Thailand (SET) in 2014. A total of 554 firms were listed in 2014. Of these, 111 were excluded as financial firms (banks, insurance companies and property funds). A further 15 were excluded because of under rehabilitation, making their results incommensurate with others, and 46 firms were excluded because of incomplete data. The resulting sample size was = 394 firms. Data was collected from two official reports, including the Annual Registration Statement (Form 56-1) and Annual Report (Form 56-2). These reports were accessed through SETSMART, the SET's online database. SETSMART provided financial performance ratios and some of the CG and CSR information, but could not provide all details. SETSMART data was supplemented from company information disclosures (such as social responsibility reports and news announcements) and additional qualitative data taken from annual reports.

Measures

Six indicators of CG were used the proportion of institutional ownership, government ownership, foreign ownership, managerial ownership, number of board independence and CEO duality to measure the CG. CSR measurement by adopt from previous study Kapoor and Sandhu (2010) and Mishra, S., & Suar, D (2010), which studied CSR and firm performance in India, provided a solution for transforming qualitative observations of CSR activities to quantitative measurements that could be used for statistical analysis. However, in order to G4 sustainable reporting guidelines of GRI from Global Reporting Initiative, ISO 26000, and Sufficiency Economy Philosophy. Measures of firm performance included ROA and ROE.

Data analysis

The study employed a structural equation modelling (SEM) approach. SEM was selected as an approach because of its superior flexibility and capabilities, particularly for modelling indirect relationships (Byrne, 2016). Confirmatory factor analysis (CFA) and path analysis were used as the main analytical tools. CFA was used to extract and examine the measurement model and identify the latent variables, while path analysis was used to examine the strength and direction of relationships within the model (Byrne, 2016; Kline, 2011). The hypothesized relationships in the theoretical framework were state as the following equations.

$$CSR = \alpha_1 + \beta_{1(CG)} + \varepsilon_1 \ (1)$$
$$FP = \alpha_2 + \beta_{2(CG)} + \beta_{4(CSR)} + \varepsilon_2 \ (2)$$

Mediation effects were detected using the direct and indirect effects analysis in the path analysis. Data analysis was conducted in SPSS (Version 20), utilising AMOS SEM plug-in (Version 18).

The main methodological limitation, in addition to the geographic and time horizon limitations, is that CSR performance scoring is by nature somewhat subjective and based on qualitative data. The study also does not reflect private or undisclosed information for any firm. As such, the study is limited by the reliability of the SETSMART database and the accuracy of the firm's own public financial and non-financial disclosures.

Results

The structural model (Figure 2) shows the relationships identified in the path analysis and their relative weights. Goodness of fit indicators (Table 1) show that the measures selected are consistent with a good fit, including chi-square 17.625 (p = 0.128), CMIN/ DF (1.469), GFI (0.991), AGFI (0.959), NFI (0.984), CFI (0.995), RMSEA (0.035) and PCLOSE (0.740). Thus, this model was generally consistent with rules of thumb regarding model fit.

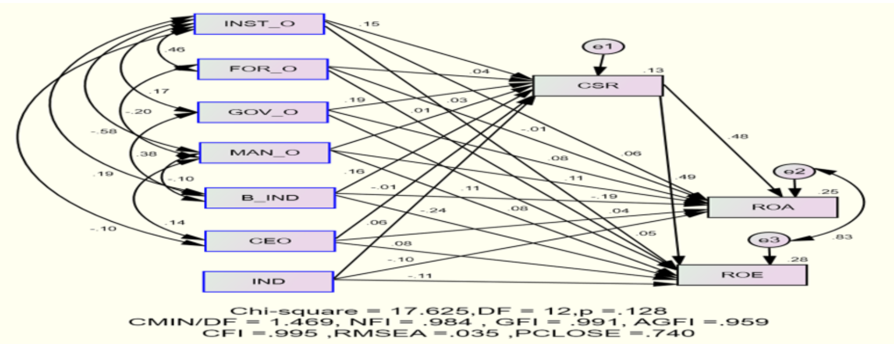

Figure 2: *Structural Model*

***Table 1**: Goodness of Fit Statistics*

Model	Model Fit Criteria	Result
Chi- square	-	17.625
Degrees of freedom(DF)	-	12
p- value	>.05	.128
CMIN/ DF	< 3	1.469
GFI	> .90	.991
AGFI	> .90	.959
NFI	> .90	.984
CFI	> .90	.995
RMSEA	< .08	.035
PCLOSE	> .05	.740

The Regression Weights (Table 2) is used to assess the significance of the proposed relationship paths in the model, assessed at p < 0.05. Of the proposed factors in CSR score, two factors (Institutional ownership, Government ownership and Board independence) were significant, while the other three factors (Foreign ownership, Managerial ownership, and CEO duality) were not significant. Standardized regression weights (Table 2) showed that Government Ownership (β = 0.190) is slightly higher than Board Independence (β = 0.165) and Institutional Ownership (β = 0.150), but all are positive.

CG factors that had a significant relationship to ROA included Managerial Ownership and Board Independence. The regression weights showed that Managerial Ownership had a moderate positive score ((β = 0.112) while Board Independence had a moderate negative score (β = -0.188). Board Independence and Government Ownership had a significant relationship to ROE. (Government ownership approached but did not reach significance for ROA. Once again, Board Independence had a negative relationship (β = -0.242). Foreign Ownership, Institution Ownership, and CEO Duality did not have a significant relationship to either measure of financial performance in this study.

Finally, the firm's CSR Score had a significant positive relationship to both ROA and ROE. The relationship of CSR Score and ROA (β = 0.497) was somewhat higher than for CSR Score and ROE (β = 0.453).

Table 2: *Regression Weights*

			Estimate	S.E.	C.R.	P	Standardized
CSR Score	<---	Institutional	.033	.014	2.308	.025*	.150
CSR Score	<---	Foreign	.005	.019	.271	.477	.039
CSR Score	<---	Government	3.472	.998	3.477	***	.190
CSR Score	<---	Managerial	.013	.020	.672	.648	.027
CSR Score	<---	B_IND	1.069	.272	3.931	.002**	.165
CSR Score	<---	CEO	-.013	.606	-.022	.882	-.007
ROA	<---	Institutional	.026	.019	1.330	.335	.061
ROE	<---	Institutional	.046	.036	1.285	.451	.046
ROA	<---	Foreign	-.022	.026	-.856	.915	-.005
ROE	<---	Foreign	-.043	.048	-.901	.881	.012
ROA	<---	Government	.828	1.348	.614	.108	.088
ROE	<---	Government	4.542	2.518	1.804	.027*	.107
ROA	<---	Managerial	.036	.026	1.390	.042*	.112
ROE	<---	Managerial	.046	.049	.951	.342	.079
ROA	<---	B_IND	-1.494	.369	-4.055	***	-.188
ROE	<---	B_IND	-3.677	.689	-5.339	***	-.242
ROA	<---	CEO	1.108	.806	1.375	.373	.040
ROE	<---	CEO	2.974	1.505	1.975	.058	.083
ROA	<---	CSR Score	.708	.067	10.524	***	.497
ROE	<---	CSR Score	1.194	.126	9.493	***	.453

*** $p < 0.001$

The mediating relationship of CSR was assessed using the model effects (Table 3) and mediation testing by Sobel test (Table 4). The Institutional Ownership-ROA relationship did show indirect effects (0.106) increasing total effects to 0.239. Board Independence-ROA had positive indirect effects (0.126) reducing the total effects (-0.070). Institutional Ownership-ROE also had moderate indirect effects (0.043), as did Board Independence (0.051) and Managerial Ownership (0.012), although this effect was very small. These can all be characterized as a complete and partial mediation of CSR in the relationship between CG factors and CSR. The disclosure of CSR is complete mediation from Institutional Ownership to firm performance (ROA and ROE). Otherwise, CSR disclosure is partial mediation from Board Independence to firm performance (ROA and ROE). Surprising, CSR disclosure is complete mediation from Government Ownership to ROA but was partial mediation to ROE.

***Table 3**: Model Effects*

Variable	CSR score			ROA			ROE		
	Direct Effect	Indirect Effect	Total Effect	Direct Effect	Indirect Effect	Total Effect	Direct Effect	Indirect Effect	Total Effect
Institutional	.208	000	.208	.133	.106	.239	.164	.043	.207
Foreign	.017	000	.017	-.061	.008	-.053	-.029	.003	-.026
Government	.024	000	.024	-.045	.012	-.032	.025	.005	.032
Managerial	.058	000	.058	.103	.030	.132	.129	.012	.141
Board	.247	000	.247	-.196	.126	-.070	-.178	.051	-.128
CEO	.007	000	.007	.044	.003	.048	-.029	.001	-.028
CSR score	000	000	000	.510	000	.510	.205	000	.205

***Table 4**: Sobel Test for Mediation Testing*

Variable	Sobel Statistic	p-value	Type of Mediation
Institution $\longrightarrow$ ROA	9.059	0.000***	Complete
Institution $\longrightarrow$ ROE	2.110	0.034*	Complete
Foreign $\longrightarrow$ ROA	0.704	0.481	No
Foreign $\longrightarrow$ ROE	0.704	0.481	No
Government $\longrightarrow$ ROA	3.413	0.000***	Complete
Government $\longrightarrow$ ROE	3.436	0.000***	Partial
Managerial $\longrightarrow$ ROA	0.444	0.657	No
Managerial $\longrightarrow$ ROE	0.014	0.988	No
Board Independent $\longrightarrow$ ROA	3.010	0.002**	Partial
Board Independent $\longrightarrow$ ROE	3.025	0.002**	Partial
CEO role duality $\longrightarrow$ ROA	0.148	0.882	No
CEO role duality $\longrightarrow$ ROE	0.148	0.882	No

Hypothesis Outcomes

Hypothesis 1 can be partially accepted, as Institutional Ownership (H1a), Government Ownership (H1d) and Board Independence (H1e) had a positive significant relationship to CSR. Foreign Ownership (H1b), Managerial Ownership (H1d) and CEO Duality (H1f) were not significant.

Hypothesis 2 can also be partially accepted. Managerial Ownership (H2d) did have a positive relationship, while Board Independence (H2e) had a negative relationship. Once again Institutional Ownership (H2a), Foreign Ownership (H2b), Government Ownership (H2c) and CEO Duality (H2f) were not significant. Hypothesis 3's outcomes are similar, with a negative relationship for Board Independence (H2e). In this case, there was also a positive relationship for Managerial Ownership (H1d), but again no significant relationship for Foreign Ownership (H1b), Government Ownership (H1c), and CEO Duality (H1f).

Hypothesis 4 showed that CSR did have a significant effect on ROA, while Hypothesis 5 also showed a significant positive relationship of CSR and ROE. Thus, H4 and H5 are accepted. Finally, CSR was a partial mediating variable between the significant CG variables and ROA and ROE respectively. Thus, Hypothesis 6 was accepted but only three CG mechanisms: Institutional Ownership Government Ownership and Board Independence are effect to firm performance through CSR disclosure.

Conclusions and Discussion

One of the most surprising findings in this study was the negative (Though small) effect of board independence on ROA and ROE but positive effect on CSR disclosure. The evidence suggested, though it did not prove, that higher levels of board independence would result in a higher level of transparency, disclosure and a reduction in managerial control of the firm, all of which are positively associated with the firm's CSR (Ahmed, et al., 2006; Arora, & Dharwadkar, 2011; Chau, & Gray, 2010; Cheng, & Courtenay, 2006; Donnelly, & Mulcahy, 2008; Jamali, et al., 2008; John, & Senbet, 1998; Li, et al., 2008). A study of implementation of New Zealand's principle-based CG found that a board independence ratio of above 50% was associated with increased financial performance of the firm (Reddy, et al., 2010). Thus, it was reasonable to test board independence and to assume that it would be positive. However, as Dalton and Dalton (2010) have pointed out, the evidence is far from clear on the relationship of board independence and the firm's financial performance. In fact, there is a high level of conflicting evidence on the role of board independence and its possible mechanisms of action within the firm's CG system. Despite how much attention this question has received in the literature, the relationship continues to elude empirical consensus, and may require more work.

Another key finding of this research was the relationship of Institutional Ownership, the firm's CSR score and the ROA and ROE performance indicators. Institutional Ownership is one of the more strongly supported CG factors that influence firm performance (Abdel-Fattah, 2008; AbuRaya, 2012; Gürbüz, et al., 2010; McCahery, et al., 2016). Of course, not all studies have supported this positive relationship, and some have found no relationship at all (Ong, et al., 2014). This raises the question of why Institutional Ownership should have seemingly inconsistent effect. The study by McCahery, et al. (2016) did provide one suggestion, arguing that from an internal perspective institutional investors may have different motivations for choosing whether to intervene or exit in CG situations. This type of unseen variance in institutional investor activity could be one of the reasons why there may be variation in the study of the externally observable factors. Surprisingly, this type of research into insider motivations from institutional investors is relatively rare, and could be an opportunity for further development.

There is the question of how well this research accords with the research conducted on CSR in Thailand previously. There has been limited research into the relationship of CSR and the financial performance of Thai firms previously, although there is some evidence for related questions. A previous study has demonstrated that board composition (including board independence as included in this study) did not influence the firm's financial value as measured by stock returns (Yammeesri, & Herath, 2010). Another study found that CSR reporting (as measured by the firm's environmental disclosures) was influenced by industry and firm size, but did not follow this question through to the firm's financial performance (Suttipun, & Stanton, 2012). However, a study of the relationship of the Thai corporate governance index to firm financial performance found that the market response to good governance categorizations was slow and inconsistent, which the authors suggested may have been due to slowness in market understanding of the index (Hodgson, et al., 2011). Thus, the evidence for CG, CSR and firm financial performance in Thailand is sparse and fragmented. This study has contributed by examining the role of CG factors and CSR in the firm's operational financial performance, but there is still more work to be done to identify relationships and improve the theoretical understanding of the relationships.

This study on Thai firms' use of CSR has demonstrated that corporate governance has a limited effect on corporate social responsibility and the firm's financial performance in Thailand. It did show that, as expected, institutional ownership positively influenced both CSR and financial performance, and that CSR was associated with positive financial performance. However, it also had unexpected findings, including the finding of a negative relationship between board independence and outcomes of ROA and ROE. There is no clear explanation for why this negative relationship may have emerged, although as Dalton, & Dalton (2010) point out, the literature is far from consensus on the role of this CG variable on the firm's outcomes. Most of the CG factors were not significant. Furthermore, the relationship between significant CG factors and firm financial performance was at least partially mediated by CSR for the variables were significant in the original model. Thus, the findings of this research provide weak positive support for CG and its role in CSR and firm financial performance, but also point to the need to better understand the role of CG and its dimensions in the formation of visible firm policies and performance. That the literature is so fragmented implies that there is a need for better theoretical development and potentially more empirical attention to the internal decision process that underlies the role of CG in firm performance.

There are several limitations of this research, which influence the possible reliability and validity of the findings. The study was cross-sectional, and does not show possible temporal patterns (for example, CG-influenced changes in CSR practice that take more than one year to influence). The study also only included Thai firms, which have a majority Thai ownership. Thus, this could limit the effect of the firm's foreign investors in the direction of the firm. Furthermore, the measures of CG and CSR are limited. These constructs are highly complex and multidimensional, and it was not possible to include all possible measures and characteristics in the model. Finally, the study was dependent on publicly available information as reported in the firms' Form 56-1 and 56-2 mandatory disclosures. This could limit the findings of the study because it is possible that firms could provide incorrect information or be required to restate their findings. Despite these limitations, this research provided a useful preliminary study of Thai firms' CG and CSR and its effects on the firm and identified several areas for new empirical research and additional theoretical development.

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