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Factors of Good Governance Scores and Accounting Performance Affecting the P/E Ratio for Listed Companies on the Stock Exchange of Thailand

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Abstract
The objective of this research is to study the factors of good governance scores and accounting performance affecting the P/E Ratio for listed companies in the Stock Exchange of Thailand. The research methodology is multiple regression analysis for the data analysis. The accounting performance is tested as the mediator variable according to Baron & Kenny's concept (1986) by using the sample group consisting of the listed companies in the Stock Exchange of Thailand from 2012-2016. The data used in the study are a total of 1,710 data. The results of the study conclude that the factors of good governance scores have positive influence on the price-to-earnings ratio. For testing the mediator variables, it is found that the accounting performance is not the mediator variable between the good corporate governance scores and price-to-earnings ratio at the statistical significance level of 0.05.
Keywords: Good corporate governance scores, accounting performance, P/E Ratio

Introduction
The corporate governance is an important issue that has received a lot of attention for the supervising unit and the corporate executives. If a company has good corporate governance

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and good accounting performance, it will be reflected in the form of market performance (Srichanpetch, 2012). It is found that the corporate governance helps creating value for the business. The Securities and Exchange Commission (SEC) seeks to promote this matter by giving awards to listed companies in the Stock Exchange of Thailand (SET) that have good information disclosure. Thai Institute of Directors (IOD) creates the tools for exploring good corporate governance of the company and has conducted the survey report called the Corporate Governance Report. SET has awarded the companies which the compliance to the principles of good corporate governance called "SET Award" (Stock Exchange of Thailand, 2013).

The researchers see the importance of good corporate governance which is considered the important foundation for listed companies (Srichanpetch, 2009). The corporate governance is considered the basis for sustainable success. It has received attention and acceptance from organizations around the world as a factor that will enable the company to achieve its goals and can create confidence among the shareholders, investors, stakeholders, relevant parties as a tool to increase the value and sustainable growth of the company. From the above importance, the researchers, therefore, aim to study the factors of good corporate governance scores and accounting performance that influence the market performance of listed companies in the Stock Exchange of Thailand.

Review of related literatures

The researchers have reviewed the research literatures of both domestic and international for developing the conceptual framework of the research. This conceptual framework shows the relations among the independent variables measured from the good corporate governance scores, mediator variables, and Accounting Performance. The dependent variable is the Market Performance measured from the price-to-earnings ratio as follows.

Good corporate governance scores: The concept of Gillan (2006) presents the viewpoint of the conceptual framework on the corporate governance which is divided into 2 categories; Category 1 Internal Governance and Category 2 External Governance Mechanism. In addition, the researchers study the OECD Principles of Corporate Governance which is the internationally recognized principle that has been accepted and used as a framework for the development of corporate governance principles of various countries. This includes the good corporate governance principles for the listed companies of the Stock Exchange of Thailand. In 2012, the Stock Exchange of Thailand revised and improved the best practices of all 5 categories in accordance with the ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) (Thai Institute of Directors, 2016), including:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Roles of Stakeholders
4. Disclosure and Transparency
5. Board Responsibilities

The researchers have adopted the principles of good corporate governance in all 5 categories as part of the independent variables in this research. The researchers study the corporate governance report of the Thai Institute of Directors (IOD) that shows the Corporate Governance Rating (CG Rating) in order to achieve better corporate governance development in Thailand which will bring benefits both in providing information to investors and developing an overall level of corporate governance. The indicators of good corporate governance are divided into 4 groups (Thai Institute of Directors, 2016) to be used in this research as follows:

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Group 0 = Group not scoring the good corporate governance mean the listed companies in the Stock Exchange of Thailand obtaining the total scores in the "fair" level (scores of 60 - 69 points), in the "passed" level (scores of 50 - 59 points), in the "N/A" level.
Group 1 = Group scoring the good corporate governance mean the listed companies in the Stock Exchange of Thailand obtaining the scores in the "good" level (scores of 70-79 points).
Group 2 = Group scoring the good corporate governance mean the listed companies in the Stock Exchange of Thailand obtaining the scores in the "very good" level(scores of 80-89 points).
Group 3 = Group scoring the good corporate governance mean the listed companies in the Stock Exchange of Thailand obtaining the scores in the "excellent" level (scores of over 90).
Accounting Performance: For this research, the researchers introduced the concept of Altman (1968) applying the financial ratio and business performance to predict the bankruptcy of business which is the analysis of the data of previous operational performance in order to be aware of various situations (Brigham & Ehrhardt, 2005). In addition, financial ratio is also an important tool used as the variable to test the theory and financial model in many cases such as the model estimating the credit rating of the debentures and the model predicting the likelihood of financial problems, etc. (Stock Exchange of Thailand, 2005). This is correspondent to the research of Jaikengkit (2004) studying the corporate governance and financial warning signals. It is found that corporate governance can be applied as data to predict the business bankruptcy by considering the number of Board of directors and degree of ownership concentration. The research results support the increase of regulatory measures for companies that are bankrupt in order to prepare for the event which may occur in a timely manner. Therefore, the data obtained from the financial statements in each accounting method that the companies have prepared even in the same type of business may be different in some parts (Khumsap, 2011). Therefore, Stock Exchange of Thailand has set the dissemination of financial ratios for the investors to be used as the information in making the investment decisions for the listed companies categorized by type of Accounting Form which is currently divided into 7 types according to the business type as follows (Stock Exchange of Thailand, 2015).

Table 1 Summary of financial ratios divided according to the business type

Financial ratios		Banks and funds	Securities	Securities funds	Insurance	Life insurance	Industries and services	Funds
Liquidity Ratios								
1.	Current Ratio	-	-	-	-	-	✓	-
2.	Quick Ratio	-	-	-	-	-	✓	-
Activity Ratios								
3.	Account Receivable Turnover	-	-	-	-	-	✓	-
4.	Average Collection Period	-	-	-	-	-	✓	-
5.	Fixed Asset Turnover	✓	✓	✓	✓	✓	✓	✓
6.	Account Payable Turnover	-	-	-	-	-	✓	

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Table 1 (Con.)

Financial ratios		Banks and funds	Securities	Securities funds	Insurance	Life Insurance	Industries and services	Funds
7.	Average Payment Period	-	-	-	-	-	✓	
8.	Cash Cycle						✓	
9.	Inventory Turnover						✓	
10.	Average Sale (Inventory Period)						✓	
11.	Total Asset Turnover						✓	
Leverage Ratios								
12.	D/E Ratio	✓	✓	✓	✓	✓	✓	✓
13.	Interest Coverage Ratio	-	-	-	-	-	✓	-
Profitability Ratios								
14.	Gross Profit Margin	-	-	-	-	-	✓	-
15.	Net Profit Margin	✓	✓	✓	✓	✓	✓	✓
16.	Return on Asset	✓	✓	✓	✓	✓	✓	✓
17.	Return on Equity	✓	✓	✓	✓	✓	✓	✓

Source: Stock Exchange of Thailand, 2015

Market Performance: Price to Earnings Ratio (P/E Ratio): Regarding the operational performance measuring (Christopher Brown, 2007, p. 38), it is said that buying the shares with low P / E Raito is good regardless of whether the market is good or bad. The calculation principle is based on the belief that the investors will pay for buying the shares which are several times to the shares. In summary, how many years will the shares be spent on the returns or profits which the companies can make totaling to the amount of money spent in buying the shares? Therefore, the shares with low P/E are better than the shares with high P/E. If the P/E ratio of the companies that we are evaluating which is less than the benchmark P/E, it means that the true value of the shares is lower than the current market price. Thus, the investors should "buy". On the other hand, if the P/E ratio of the company that we are evaluating is more than the benchmark P/E, the true value of the shares is higher than the current market price, the investors should "sell" (Stock Exchange of Thailand, 2015). This is correspondent with Niwet Hemwachirawarakorn (2016) stating that the investment is to choose the good stocks into the port to find out which stocks are not too expensive compared to the P/E values. Besides, the profits shown by each company are also the important factors in choosing stocks.

Controlled variable: Log (Size) studied through the variables of total assets of the companies

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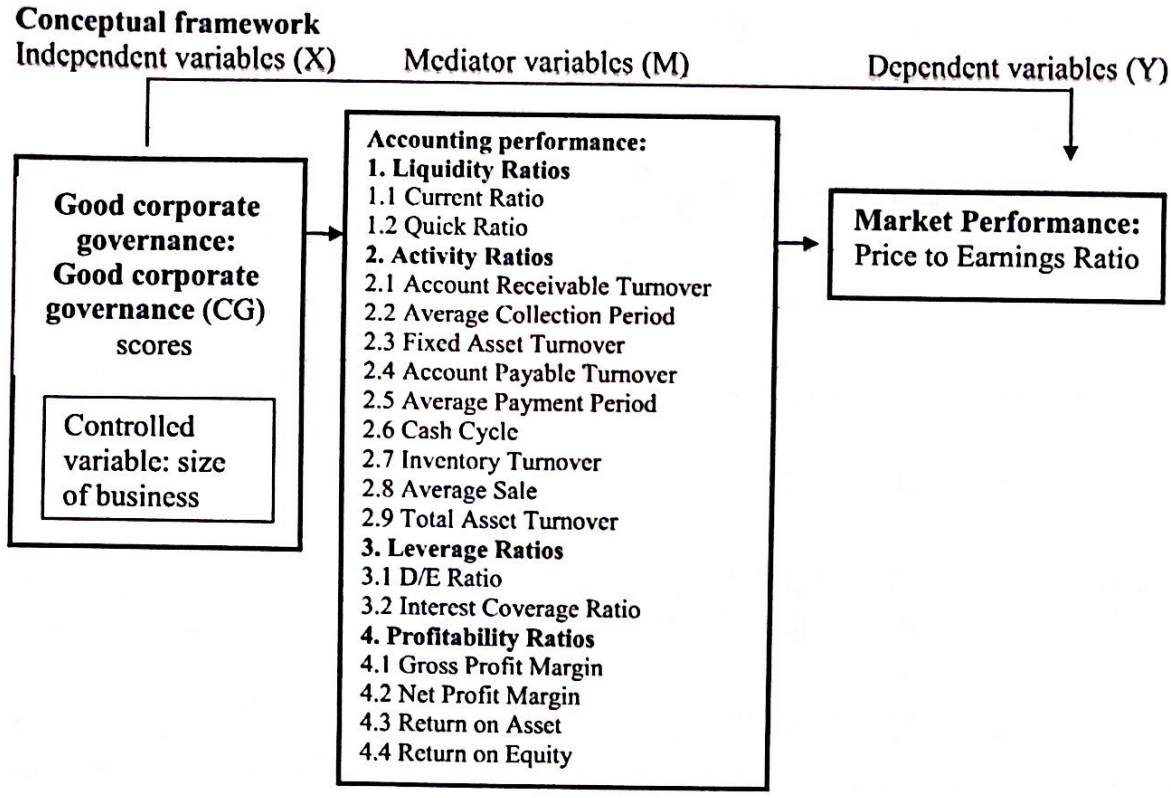

Figure 1 Conceptual framework of factors of good corporate governance scores and accounting performance that influence the market performance of the listed companies in the Stock Exchange of Thailand

Research hypotheses: In determining the research hypothesis, the researchers have determined from the research concept framework which are the results from the review of literatures, concepts, theories and related researches. The research conceptual framework shows the relationship between independent variables and dependent variables. The independent variable is the good corporate governance score. The mediator variable is the accounting performance. The dependent variable is the market performance which is the price-to-earnings ratio as shown in Figure 1. The researchers hypothesize this research as follows.

Hypothesis 1 Factor of good corporate governance scores influences the market performance.

Hypothesis 2 Factor of good corporate governance scores influences the accounting performance.

Hypothesis 3 Factor of good corporate governance scores influences the market performance through the variable of accounting performance.

Research Methodology

The population of this research consists of 7 listed companies in the Stock Exchange of Thailand including 1. Agriculture and food industry, 2. Consumer products, 3. Industrial products, 4. Real estate and construction, 5. Resources, 6. Services, and 7. Technology. According to the information from the Thai Institute of Directors, there are 342 listed companies in the Stock Exchange of Thailand classified by industry group. The data presentation is analysed wholly using the data of 342 companies during the year 2012 to 2016

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totalling 5 years. The total amount of data used in the study is 1,710 items as shown in Table 2.

Table 2 shows the comparison of companies scoring the good corporate governance and not scoring the good corporate governance from 2012 to 2016

Population details	2012	2013	2014	2015	2016
Companies score the good corporate governance					
Total of companies score the good corporate governance (Excellent, very good and good)	380	405	308	405	455
Companies did not score the good corporate governance					
"Fair" level (60 - 69 points), "Passed" level (50 - 59 points) "N/A" (lower than 50 points)	133	121	242	183	146
Total of listed companies	**513**	**526**	**550**	**588**	**601**
Deducted with Financial business group and Market for Alternative Investment (MAI) having the incomplete performance from 2012 to 2016	171	184	208	246	259
Remaining the number of companies operating the business from 2012 to 2016	**342**	**342**	**342**	**342**	**342**

Source: Thai Institute of Directors, 2016

Results

Hypothesis testing: In analyzing for hypothesis testing, the researchers start with Multiple Regression Analysis using all analytical units from the sample group. It is the test of the relationship between variables in case of having more than 1 independent variable and 1 dependent variable (Hair et al., 1995). For the factors of good corporate governance scores and accounting performance influencing the market performance of listed companies in the Stock Exchange of Thailand for hypothesis testing, the researchers start from the Multiple Regression Analysis using the concept of Baron & Kenny (1986). It is recommended to use the set of multiple regression variables in examining the mediator influence consisting of the regression of the mediator variable on the independent variable, regression of dependent variable on independent variable, and the regression of dependent variable on the mediator variable and the independent variable. The estimated coefficients in each equation will be statistically tested and linked to the model of influence transmission to be used in testing the mediator variable: Med) (Testing Mediation) to examine the influence of transmission with 4-step regression analysis as shown in Figure 2 and Table 3.

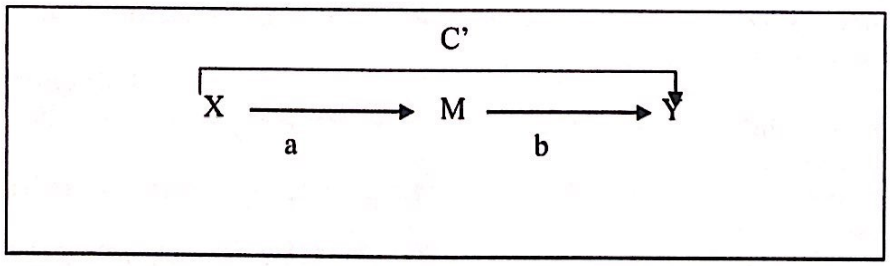

Figure 2 Examination of the influence of transmission

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Whereas **Step 1** Test the variable X → Y
Step 2 Test the variable X → M
Step 3 Test the variable M → Y
Step 4 Test the variable X,M → Y (Show only the coefficients for X → Y).

After completing the examination on the influence, through all of the 3 steps, in step 4, if it is found that the coefficients of the independent variables (c') are not statistically significant, it will show that the mediator variables can be transmitted completely. But if the coefficients of the independent variables (C') that have found statistical significance from the test with the value less than the coefficient of independent variables (C), it can be concluded that the mediator variables can transmit the influence only partially.

Table 3 Test of the mediator variables

(X)	(M)	(Y)	Step1	Step2	Step3	Step4	Conclusion
Liquidity Ratios							
CGR	CR	P/E Ratio	-1.415*	.222	.257*	-	Not correspondent with the test conditions
CGR	QR	P/E Ratio	-1.415*	.003*	-5.209	-	Not correspondent with the test conditions
Activity Ratios							
CGR	ART	P/E Ratio	-1.415*	-3.762*	.004	-	Not correspondent with the test conditions
CGR	ACP	P/E Ratio	-1.415*	.935	-.002	-	Not correspondent with the test conditions
CGR	FAT	P/E Ratio	-1.415*	.597	.010	-	Not correspondent with the test conditions
CGR	APT	P/E Ratio	-1.415*	.297*	-.109	-	Not correspondent with the test conditions
CGR	APP	P/E Ratio	-1.415*	2.371	.002	-	Not correspondent with the test conditions
CGR	CC	P/E Ratio	-1.415*	-12.640*	.003	-	Not correspondent with the test conditions
CGR	IT	P/E Ratio	-1.415*	5.989*	.004	-	Not correspondent with the test conditions
CGR	IP	P/E Ratio	-1.415*	-10.698*	.003	-	Not correspondent with the test conditions
CGR	TAT	P/E Ratio	-1.415*	-.005	-4.060*	-	Not correspondent with the test conditions
Leverage Ratios							
CGR	DR	P/E Ratio	-1.415*	.107	-.030	-	Not correspondent with the test conditions
CGR	ICR	P/E Ratio	-1.415*	-.468	.026	-	Not correspondent with the test conditions
Profitability Ratios							
CGR	GPM	P/E Ratio	-1.415*	-.331	.168*	-	Not correspondent with the test conditions
CGR	NPM	P/E Ratio	-1.415*	.024	.339*	-	Not correspondent with the test conditions
CGR	ROA	P/E Ratio	-1.415*	-.079	.179	-	Not correspondent with the test conditions

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Table 3 (Con.)

(X)	(M)	(Y)	Step1	Step2	Step3	Step4	Conclusion
CGR	ROE	P/E Ratio	-1.415*	-.445	.168*	-	Not correspondent with the test conditions

* With the statistical significance at level 0.05

Table 4 Conclusion of testing results on the mediator variables

Accounting performance	P/E Ratio
Liquidity Ratios	
Current Ratio (CR)	-
Quick Ratio (QR)	-
Activity Ratios	
Account Receivable Turnover (ART)	-
Average Collection Period (ACP)	-
Fixed Asset Turnover (FAT)	-
Account Payable Turnover (APT)	-
Average Payment Period (APP)	-
Cash Cycle (CC)	-
Inventory Turnover (IT)	-
Inventory Period (IP)	-
Total Asset Turnover (TAT)	-
Leverage Ratios	
D/E Ratio (DR)	-
Interest Coverage Ratio (ICR)	-
Profitability Ratios	
Gross Profit Margin (GPM)	-
Net Profit Margin (NPM)	-
Return on Asset (ROA)	-
Return on Equity (ROE)	-

Remarks: FM is Full mediation
PM is Partial mediation
- Not correspondent with the test conditions

Discussion on the Results

Testing the mediator variable of accounting performance aims to study the factors of good corporate governance scores and accounting performance that influence the market performance of listed companies in the Stock Exchange of Thailand. According to the study on the results of the data analysis, good corporate governance scores have positive influence on the price-to-earnings ratio. This indicates that if the business has good corporate governance score, it will yield the companies to have good market performance. The research results are correspondent with the research of Klapper & Love (2002) finding that the good corporate governance will yield the companies to have higher operational performance. The research of Brown & Caylor (2004) reveals that the companies having high Gov-Score of the corporate governance will have high profits from the operation, corporate value, and payment of returns to the shareholders. On the other hand, the companies having low Gov-Score of the corporate governance will have low profits from the operation, corporate value, and payment of returns to the shareholders. The research of Limpaphayom & Connelly (2004) reveals that there is the positive relation between the corporate governance and the company's value measured into Tobin's Q. The good corporate governance can lead to the higher value of

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companies. The research of Brown & Caylor (2006) reveals that the entities having the good corporate governance will lead to the higher value of entities. The research of Ammann et al. (2011) reveals that for the influence of the good corporate governance on the company's value, it is found that the companies with good corporate governance will have positive impact on the company's value. Malik (2012) reveals that the corporate governance scores have significant relations in the same direction with the price of ordinary shares of the companies. Pasopa (2018) reveals that the corporate governance is related to the proportion of independent directors and the business size has the positive relations to the profits per share. Thunputtadom (2018) reveals that the mechanism of corporate governance in the positions of President and CEO and the number of times for the Board meetings have negative impact on the company's operations. Tunpornchai (2018) reveals that the corporate governance has the positive relations to the company's operation. The research results are not correspondent with the research of Albassam (2014) which does not find the relations between the corporate governance and the company's value.

Meanwhile, the factors of good corporate governance have the positive influence on the quick ratio, Account Payable Turnover, and Inventory Turnover. They also have negative influence on the Account Receivable Turnover, Cash Cycle, and Inventory Period. It reveals that the good corporate governance scores influence the accounting performance with the statistical significance at 0.05 level. For other variables entirely, p-value is over 0.05. In testing the mediator variables, it is found that the accounting performance which the Stock Exchange of Thailand (2015) defines to reveal the Financial Ratios for the investor to be used as the information in making the investment decisions are not the mediator variables between the good corporate governance scores and the ratio of profits per share.

Recommendations for the research

For the presentation of research data in this section, the researchers propose the research's recommendations divided into 2 areas; recommendation for the implementation and recommendation for further researches. The details are as follows.

Recommendation for the implementation: For the results of this research, the researchers have recommendation for listed companies in the Stock Exchange of Thailand as the guidelines for applying in order to promote good corporate governance by regulating agencies in the development of the Thai capital market. The regulatory agencies should focus and encourage the listed companies in the Stock Exchange of Thailand to comply with the guidelines of good corporate governance to be more stringent and universal. This can add clarity in the principles rather than the form as well as finding the ways to prove whether or not there is a real practice in order to create confidence for those interested in investing both domestically and internationally.

Recommendation for further researches: For the research as mentioned above, there are some literatures that support this research. The findings are for creating new knowledge in research. Apart from testing the influence of independent variables and dependent variables following the relationship in the above research, there should be a test on the influence of mediator variables as well. In the case of this research, for the accounting performance of listed companies in the Stock Exchange of Thailand, there should pay attention to good corporate governance in order to create market performance in various forms leading to confidence in investment decisions for shareholders, stakeholders, various agencies and individuals who are interested generally. This will lead to the sustainability of the organizations.

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