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

CHUTIMANT BOONNUAL

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY PROGRAM IN BUSINESS ADMINISTRATION
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RAJAMANGALA UNIVERSITY OF TECHNOLOGY THANYABURI
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Dissertation Title	Determinants and Consequences of Corporate Social Responsibility on Firm Performance: Evidence in Thailand
Name-Surname	Miss Chutimant Boonnual
Program	Business Administration
Dissertation Advisor	Assistant Professor Wanchai Prasertsri, Ph.D.
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Academic Year	2016

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June , 2017

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ABSTRACT

The purposes of this study were to investigate the relationships among corporate governance, Corporate Social Responsibility (CSR) disclosure, and the performance of the companies under public company limited categories listed in Thailand using a stakeholder theory perspective. Likewise, this paper investigated mediation effects of CSR disclosure from corporate governance to firm performance.

CSR has become a strategic agenda for business these days. CSR disclosure practices have been developed over the last three decades in the area of financial reporting. In Thailand, most of the CSR concepts and principles were developed based on the framework of developed countries, however, CSR still remains a voluntary mechanism. The application of CSR disclosure in Thailand is still in embryonic form. Thus, this the main purpose of this study to investigate the determinants and consequences of CSR disclosure by analyzing corporate governance and firm performance in the year 2014. To investigate such 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 classification process was utilized to develop an index based on six dimensions as follows: employee, customer, investor, community, environment and supplier. CSR disclosure was then analyzed and examined using content analysis. After that, data was collected from the publicly available annual reports of public firms in Thailand with a total number of 382 samples. Finally, data analysis was conducted using structural equation modelling.

The statistical results from confirm factor analysis revealed that all six dimensions were appropriate measurements of CSR disclosure. Also, the study revealed that disclosure of corporate CSR data in Thailand from different industries have different disclosure levels. The empirical results showed positive relationships among the following: a) institutional ownership, government ownership and board independence and CSR disclosure, b) CSR disclosure and firm performance and c) both return on asset (ROA) and return on equity (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 firms' 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 and there was a 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

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Chutimant Boonnual

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CHAPTER 1
INTRODUCTION

This research studied the effect of corporate social responsibility (CSR) disclosure on firm performance. The analysis is based on Stakeholder Theory, proposed by R. Edward Freeman (1984). The theory identifies stakeholders in six groups: shareholders, customers, employees, suppliers, the local community and the environment. Moreover, this research investigated the influence of corporate governance (CG) mechanisms on CSR disclosure level in each group of stakeholder theories that could be an indirect effect on firm performance.

1.1 Background and Statement of the Problem

The concept of CSR was first introduced by Howard R. Bowen (1953) in his book *Social Responsibilities of the Businessman*. Since then, many researchers have developed an interest in the topic. In the last decade many organizations have begun to focus on CSR. Scholars suggest that organizations focusing on CSR as their core strategy can enhance their sustainable competitive advantage as well as project a different image to society. CSR can take many forms when actualized in firm strategy, including 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 (Kotler & Lee, 2011).

At the present, CSR has become a significant issue for management of private organizations as well as for profitability and wealth. Businesses and organizations are being pressured from their stakeholders to embrace CSR. Their relationship to the society and environment in which they operate is a critical factor in their ability to continue to operate effectively. This reflects an increased requirement from stakeholder groups to have an effect on social and environment issues associated with globalization (Soderstrom, 2013). Therefore, business and organizations in the world today have to promote stakeholders by balancing economic, social, and environment performance, and work towards the goal of sustainable reporting (GRI 2011). The call for disclosure of nonfinancial information has grown in response to the awareness that financial statements omit salient information about the company (Adams et al. 2011).

In 2013, KPMG found that over half of reporting companies worldwide now include CSR information in their annual financial reports. The direction of relay is clear and, with more than half of companies researched now including CSR data in their financial reports, this can arguably be considered as a standard global practice. There has been a dramatic increase in CSR reporting rates in Asia Pacific over the last two years. It is also increasingly being used as a measure of their overall performance. ISO 26000 provides guidance on how businesses and organizations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of society. The reporting of CSR information to shareholders and stakeholders can be separate or integrated with the annual report. In Thailand, The Securities and Exchange Commission (SEC), through the Committee of Capital Markets, announced conditions and reporting methods to disclose CSR in a registration statement on securities offering (69-1), a registration statement in an annual report (56-1) and annual report (56-2) effective as of 1st January 2014. Clearly, companies should disclose CSR in their report. Hence, companies that are concern about CSR also try to disclose CSR in their annual reports, both CSR in-process and CSR after- process. More CSR disclosure in annual reports means the companies are engaging in CSR activities, which may help companies to improve their image and performance.

Concurrently, the academic literature has highlighted that CG and CSR are strongly and intricately connected (Jamali et al. 2008). Despite several decades of research (Aguilera et al. 2006: Aras and Crowther 2008; Jamali and Neville 2011), the relationship between CG and CSR is still far from clear. (Arora and Dharwadkar 2011; Harjoto and Jo 2011). CG mechanisms are based on the CSR concept. Indeed many definitions of CG explicitly include concepts of CSR. For instance, Solomon (2009) defines CG as the “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”. By linking the institutional environment with responsible corporate behavior we are increasingly witnessing an increased focus as governance codes and principles, and a broadening of the scope of CG from legal and control aspects to one incorporating responsibilities. The concept of CG is extended to cover all stakeholders, including internal and external companies according to the CSR concept (Deakin and Hobbs. 2007). Therefore, The board concept of CG is inevitably associated with expanding the responsibilities to stakeholders and the organization to give stakeholders confidence that they will be able to answer all questions (Dunlop, 1998; Kendell, 1999) that links the CSR concept with the Stakeholder Theory (Freeman, 1984). The principles of CG that link to CSR include, for instance, taking responsibility for the consequences of decisions and compliance functions (Accountability), ethics, transparency, checks and balances, and leadership and control (Aras and Crowther, 2009; Rezaee et al, 2003; Jamali and Rabbath, 2008; Spira, 1991). Moreover, an organization which focuses on CG quality might be a way of increasing CSR disclosure (Chen, Watson, & Woodliff, 2014).

Thailand is one of the most vibrant economies in Southeast Asia. Its strong economic growth has been driven by factors like successful industrialization and strong CG (Robinett, 2013). Robinett (2013) points to reforms that occurred in the wake of the 1997 financial crisis as one of the factors in economic development, along with strong firms and increasing consumer incomes.

As previously mentioned, Thailand is one of the strongest countries for CG, or ethical disclosure of firm practices and policies, in Asia (Robinett, 2013). Evidence suggests that Thai firms are actively and effectively using CSR strategies, although firms are not as aggressive about reporting CSR initiatives as in some other countries (Chapple & Moon, 2005; Ratanajongkol, Davey, & Low, 2006). CSR has also been shown to directly affect Thai customers' perceptions of firms that use it, including increasing perceived service quality, trust in the firm, and brand effect (Poolthong & Mandhachitara, 2009).

This raises the question of what CSR can offer to the Thai economy more broadly. Studies have suggested that CSR can improve the profitability of firms, even in cases where it does not directly improve sales (Kapoor & Sandhu, 2010). A systematic economic survey found that CSR has an effect on consumer markets, with firms demonstrating CSR generally having stronger performance within these markets

(Kitzmueller & Shimshack, 2012). This survey also found that there was evidence that CSR induced innovation and encouraged labor market improvements. Given the dependence of Thailand on the export market, CSR may also have an effect on external consumer demand, particularly if it includes strong environmental sustainability measures (Kotler & Lee, 2011).

A very recent study suggests that not all CSR has equal effects on the firm (Jayachandran, Kalaignanam, & Eilert, 2013). Jayachandran et al. (2013) identified aspects of CSR relating to the product and the environment, and compared these aspects of CSR on the firm's financial performance. They found that, while both types of CSR did affect financial performance, the product social performance aspects (related more to suppliers, employees, and customers) had a much stronger effect than the environmental performance aspects. Thus, firms may see different effects from CSR depending on their CSR focus, as well as the appropriateness of their activities to the preferences of their customer base. A study in the oil industry also demonstrates that the effect of CSR on firm performance may be moderated by other factors (Lee, Seo, & Sharma, 2013). Lee, et al (2013) studied the American airline industry to determine the effect of operational and non-operational CSR activities. They found that, in general, these activities had a positive effect on financial performance. However, oil prices were a negative moderating factor in the impact of operational activities on firm performance. Thus, it is too simplistic to say that CSR will definitely improve firm performance, since this could depend on a number of factors outside the direct control of the firm.

From the previous discussion, it can be seen that CSR disclosures have a strong link with CG, and CG quality could increase CSR disclosure. Also, many research studies suggest that CSR disclosure is associated with performance of companies. However, the relationship between CSR and results of operations of the company depends on other factors, especially the context of the country and industry type. Moreover, CSR disclosure levels in individual companies are different, and companies are interested in different stakeholders. Thus, this study aimed to investigate the link between CG and CSR in Thai-listed companies. The literature on CSR's impact on the firm is not uniformly in agreement, as the studies discussed in brief above demonstrate. In particular, it appears that the relationship of CSR to firm performance depends on the CSR disclosure and industry conditions. Additionally, there has been relatively little research on the impact of CSR disclosure on Thai firms in recent years although, as previously noted, Thai firms are known to use CSR and Thai consumers respond to it (Poolthong & Mandhachitara, 2009) (Ratanajongkol, Davey, & Low, 2006). The gap that this research hopes to fill is determining how CSR disclosure has affected Thai firm performance within the most recent period (2014), which corresponds with increasing economic growth and globalization. Moreover, this study also investigates the relationship between CSR, firm performance and CG quality of the companies.

CSR is indeed seen as an extension of a firm's effort to implement effective CG methods which would enhance sound business practices that ensure accountability and transparency (Prior, Surroca, and Tribo 2008; Kim, Park, and Wier 2012). Moreover, CSR disclosure demonstrates a company's confidence in its CSR activity which constitutes an informative signal (Lys, Naughton, and Wang 2013; Carroll and Einwiller 2014).

1.2 Purpose of the Study

From previous research and theoretical perspective, the current study aims to achieve the following:

1.2.1 To investigate the relationship between CG mechanisms and CSR disclosure in Thai-listed companies.

1.2.2 To investigate the relationship between CG mechanisms and firm performance in Thai-listed companies.

1.2.3 To investigate the relationship between CSR disclosure and firm performance in Thai-listed companies.

1.2.4 To investigate the relationship between CG mechanisms and firm performance, mediated by CSR disclosure in Thai-listed companies.

1.3 Research Question and Hypothesis

This study attempts to obtain empirical evidence for the relationship between CSR and firm performance of Thai-listed companies. This study aims to answer research questions and test the following hypotheses.

1.3.1 Research Questions

1. Is there any association between CG mechanisms and CSR disclosure?
2. Is there any association between CG mechanisms and firm performance?
3. Is there any association between CSR disclosure and firm performance?
4. Is there any effect between CG mechanisms and firm performance, mediated by CSR disclosure?

1.3.2 Hypotheses

1. There is a positive relationship between CG mechanisms and CSR disclosure.

   H1a: There is a positive relationship between institutional ownership and CSR disclosure.

   H1b: There is a positive relationship between foreign ownership and CSR disclosure.

   H1c: There is a positive relationship between government ownership and CSR disclosure.

   H1d: There is a positive relationship between managerial ownership and CSR disclosure.

   H1e: There is a positive relationship between board independence and CSR disclosure.

   H1f: There is a positive relationship between CEO role duality and CSR disclosure

2. There is a positive relationship between CG mechanisms and firm performance.

H2a: There is a positive relationship between institutional ownership and return on assets (ROA).

H2b: There is a positive relationship between institutional ownership and return on equity (ROE).

H2c: There is a positive relationship between foreign ownership and ROA.

H2d: There is a positive relationship between foreign ownership and ROE.

H2e: There is a positive relationship between government ownership and ROA.

H2f: There is a positive relationship between government ownership and ROE.

H2g: There is a positive relationship between managerial ownership and ROA.

H2h: There is a positive relationship between managerial ownership and ROE.

H2i: There is a positive relationship between board independence and ROA.

H2j: There is a positive relationship between board independence and ROE.

H2k: There is a positive relationship between CEO role duality and ROA.

H2l: There is a positive relationship between CEO role duality and ROE.

3. There is a positive relationship between CSR disclosure and firm performance.

H3a: There is a positive relationship between CSR disclosure and ROA.

H3b: There is a positive relationship between CSR disclosure and ROE.

4. There is an effect of CG mechanisms on firm financial performance, mediated by CSR disclosure.

H4a: There is an effect of institution ownership on ROA, mediated by CSR disclosure.

H4b: There is an effect of institution ownership on ROE, mediated by CSR disclosure.

H4c: There is an effect of foreign ownership on return on asset (ROA) is mediated by CSR disclosure.

H4d: There is an effect of foreign ownership on ROE, mediated by CSR disclosure.

H4e: There is an effect of government ownership on ROA, mediated by CSR disclosure.

H4f: There is an effect of government ownership on ROE, mediated by CSR disclosure.

H4g: There is an effect of managerial ownership on ROA, mediated by CSR disclosure.

H4h: There is an effect of managerial ownership on ROE, mediated by CSR disclosure.

H4i: There is an effect of board independent on return on asset ROA, mediated by CSR disclosure.

H4j: There is an effect of board independence on ROE, mediated by CSR disclosure.

H4k: There is an effect of CEO role duality on ROA, mediated by CSR disclosure.

H4l: There is an effect of CEO role duality on ROE, mediated by CSR disclosure.

1.4 Theoretical Perspective

This study used foundation theories of agency, legitimacy and stakeholder theories, which will be discussed briefly below.

1.4.1 Agency Theory

Agency Theory argues that, in the modern corporation in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Berle and Means 1932; Pratt and Zeckhauser 1985). In Agency Theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the residual claimants, the owners, falls below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen and Meckling 1976). Agency Theory specifies mechanisms which reduce agency loss (Eisenhardt 1989). Also, Idowu and Louche (2014) show that Agency Theory can help companies to reduce conflict between owners and managers. This theory helps to explain that everyone in the organization is a driving force in realizing their benefits. Hence, management is trying to find ways to create maximum value for the company while also considering potential benefits for themselves. The assumption behind the representation theory is that the management of the company would choose accounting practices that have utility or maximum wealth.

1.4.2 Legitimacy Theory

Since the 1980's Legitimacy Theory has been used by researchers who were looking for explanations for social and environmental disclosures. Van der Laan (2006) mentions some limitations of Legitimacy Theory, such as a perceived legitimacy gap. This gap exists because of differences between society's expectations and a firm's social performance, which can be assumed not to be measured properly, nor perceived correctly. Although seen as a limited theory due to its under-development, it might be justified to further employ this theory in the field of social disclosure research (Deegan 2002). It is acknowledged that 'legitimacy' is granted by external stakeholders to the corporation, but may be controlled by the corporation itself (Ashforth and Gibbs, 1990; Buhr, 1998; Dowling and Pfeffer, 1975; Elsbach, 1994; Elsbach and Sutton, 1992; Pfeffer and Salancik, 1978; Woodward et al., 1996). This indicates that changes in social norms and values are one motivation for organizational change and also one source of pressure for organizational legitimacy. Hogner (1982) suggested that corporate social disclosures were motivated by the corporate need to legitimize activities. Legitimacy Theory has come to stress how corporate management will react to community expectations.

1.4.3 Stakeholder Theory

The Stakeholder Theory is in some ways problematic because it is both politically challenging and empirically supported. Freeman (1994) argued that resistance to Stakeholder Theory is founded not in empirical fact, but is instead ideological or self-interested. An early assessment of empirical evidence found that the model was descriptively accurate and had normative validity and instrumental power, suggesting that it was a valid model of firm operations (Donaldson & Preston, 1995). However, there have been some later critiques that are more difficult to answer. One such critique is that Stakeholder Theory does not have an objective basis, making it difficult to measure (Jensen, 2001). This could lead to the use of Stakeholder Theory as an excuse to subvert the interests of shareholders by the managers of the firm. A partial answer to this objection is that Stakeholder Theory actually encourages managers to clearly state their objectives for the firm and to measure their performance (Freeman, Wicks, & Parmar, 2004). In modern CSR, this is made explicit by the *triple bottom line* of economic, environmental, and social responsibility, which is clearly measured and reported (Kotler & Lee, 2011). Stieb (2009), in a re-evaluation of the model, argues that it is either too radical or changes nothing in business, making it an insufficient challenge to managerial capitalism.

1.5 Delimitations and Limitations of the Study

1.5.1 Delimitations of the Study

This research is based on a concept of CSR derived from Stakeholder Theory as proposed by Freeman (1984) in an extension of the CSR integrated report framework. It includes all six dimensions of stakeholder activities, including shareholders, employees, customers, suppliers, the community, and the natural environment, that are set out by this framework. It measures the effect of CSR policies on firm financial performance in Thailand. The main focus of the research is Thai public companies during the years 2014. The study excludes cross-listed and other non-domestic firms, though firm ownership rules in Thailand eliminate most such firms in any case. The research uses data collected from financial reports of Thai companies listed in the Stock Exchange of Thailand (SET). The data were collected from the SETSMART (SET Market Analysis and Reporting Tool), a database maintained by the SET that provides news and information about all firms listed on the exchange. Additional data was collected from the SET website and from the company's own website or other information sources. CG was measured using seven variables that drive good CG. Internal control quality was measured using two variables that help companies have internal control effectiveness. CSR was measured using an index scale (described in Chapter 3). Firm performance was measured using three metrics, including ROA and ROE

1.5.2 Limitations of the Study

This research used secondary data obtained from the financial reports of Thai-listed companies in 2014 that are available in the database of setsmart.com. Other data were obtained from the SET website, or the company's own website. This study investigated only the relationship between CSR to the extent that there is a link between CG and firm financial performance.

This research measured CSR disclosure by constructing check-list indexes, and processed by content analysis. The limitation is that the assessment of CSR scores is, by its nature, somewhat subjective. Although the researcher selected a systematic approach, there is still an element of judgment that could not be eliminated, and that may introduce bias. The researcher was aware of this and worked to avoid any such bias in the analysis.

1.6 Significance of the Study

This research will primarily be an academic contribution to the literature. The evidence for CSR impacts on developing economies is relatively thin, although evidence suggests that economic effects of CSR in developing economies tend to be substantial (Kitzmueller & Shimshack, 2012). This means that the labor market and working conditions, the environment, and other significant quality of life and economic issues are likely to be improved by application of CSR within these economies. The research also indicates that Thai firms are using CSR and that Thai consumers respond to CSR with increased levels of trust and positive brand effects (Chapple & Moon, 2005; Ratanajongkol, et al., 2006; Poolthong & Mandhachitara, 2009). However, what has not yet been tested is whether or not Thai firms also see direct or indirect financial benefits from the implementation of CSR policies. This research intended to fill this gap by providing empirical evidence about the relationship between CSR and economic performance in individual firms and Thailand.

This research also has a broader social significance for Thailand. Currently, Thailand is in a period of economic growth, both in terms of volume and financial performance. It already has a robust CG mechanisms in place, allowing for the development of honest and straightforward financial reporting (Robinett, 2013). However, it is important for firms not to lose hold of their origins in the community, as well as their dependence on and responsibilities to their other stakeholders. By providing clear evidence for the impact of CSR disclosure on financial performance, this research will give Thai firms practical reasons to implement CSR programs that will honor the rights of shareholders while still honoring the firm's responsibilities to shareholders. I believe that honoring these responsibilities on the part of the firm is a core tenet of Thai society and thus, this would be the most important contribution of this research.

1.7 Research Conceptual Framework

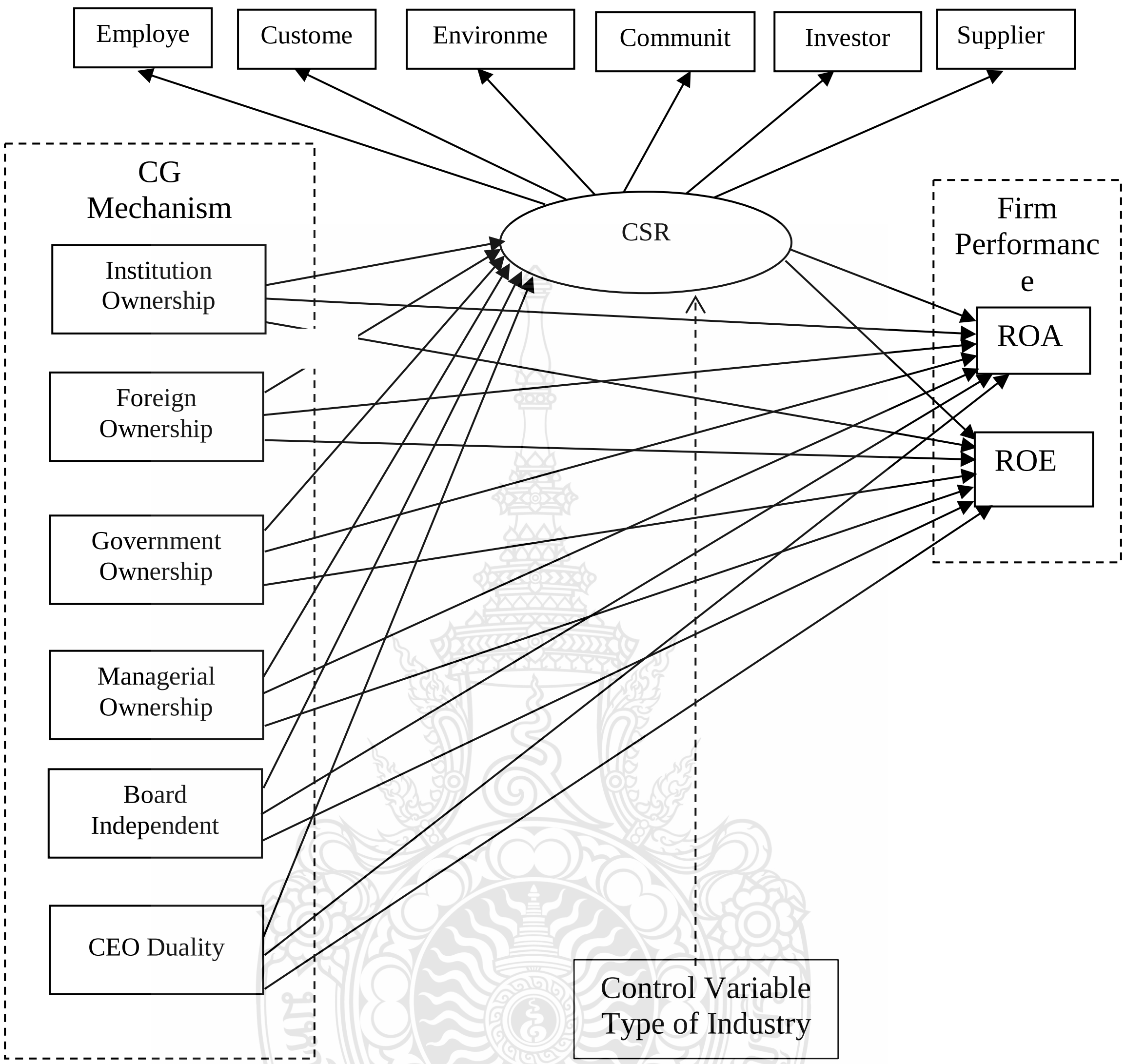


Figure 1.1 Research Conceptual Framework

1.8 Definition of terms

Corporate social responsibility. CSR refers to the ethical responsibilities of the firm toward stakeholders, including shareholders, employees, suppliers, customers, the community, the environment, and other stakeholder groups (Kotler & Lee, 2011).

Firm performance. Firm performance can refer to a variety of different perspectives. In this research, it is limited to the accounting/financial perspective, which addresses the efficiency with which the firm uses its assets to produce accounting profits (Brigham & Ehrhardt, 2011). Long-term performance measures of the firm from a financial perspective include ROE and ROA.

Corporate Governance. The system provides a process and structural of relationship between the board of directors and shareholders to create a competitive advantage for long-term growth and value-added to shareholders with regard to other stakeholders (SET, 2006). This research focuses only on the responsibility of boards of director and shareholders as measured by Institutional Ownership, Foreign Ownership, Government Ownership, Managerial Ownership, Board Independence and CEO Duality.

Institutional Ownership. The percentage of common shares held by corporate investors.

Foreign Ownership. The percentage of common shares held by individuals who are not citizens of that country, or by companies whose headquarters are not in that country.

Government Ownership. The company has common shares held by the government sector.

Managerial Ownership. The percentage of common shares held by the manager and board of directors.

Board Independence. The amount of independence in the board of directors.

CEO Duality. The same person holds the CEO and chairman positions in the company.

1.9 Organization of the Study

There are five chapters in this study. Chapter 1 introduces the research background and problem, and spells out the scope of the research problem and its significance. The literature review (Chapter 2) provides an overview of the core concepts of the paper, including CG, internal control, CSR, firm performance, and the relationships between CSR and firm performance, as found in previous empirical and theoretical studies. The methodology (Chapter 3) discusses the methods used to conduct the primary research of this study, including data collection and analysis methods. It also discusses limitations and reliability issues of the study. The primary findings are presented in the Results (Chapter 4). That chapter includes statistical results and discussion of the results based on the literature review presented in Chapter 2. The final chapter of the study (Chapter 5) offers a concluding summary and synthesis of recommendations, as well as discussion of limitations and opportunities for future research.

CHAPTER 2
LITERATURE REVIEW

This chapter provides a theoretical background to the problem of the research. The goal of the chapter is to describe and critique existing knowledge regarding the relationship between CSR and firm performance, leading to hypothesis formation. First, it defines the key concepts of corporate social responsibility (CSR) and corporate governance, which will serve as an analytical framework for the remainder of the research. Next, it describes the association of corporate governance and CSR, discusses the roles of various corporate governance in the process, and examines how perception of corporate governance toward CSR can be measured. The third task of the research is to define and analyze the concept of firm performance, which is the outcome variable in this research. In this section, the idea of firm performance is discussed and metrics for firm performance are identified. In the following section, empirical evidence regarding the role of CSR in firm performance is discussed. This discussion includes the concept of the triple bottom line, as well as observed impacts of CSR on the firm's performance. The final section of the chapter provides a brief outline of the hypotheses that are tested in this chapter, including theoretical and empirical support for the literature. .

2.1 Corporate Social Responsibility (CSR)

2.1.1 Definitions of Corporate Social Responsibility

At first the Corporate Social Responsibility (CSR) concept introduced in the book of *Social Responsibilities of the Businessman* by Howard R. Bowen (1953) where he defined the term as " It refer to the obligations of businessman to pursue those policies, to make those decisions, or to follow those line of action which are desirable in terms of the objectives and values of our society"(p.6). Since then, social responsibility gained a lot scholars interested and many definitions had been provided for CSR. However, CSR concept at present still maintain with ambiguity as it can refer to diverse ways from singular people (Crowther and Rayman-Bacchus, 2004). The author provides in this part the CSR concept from past until present.

In 1960s, the businessperson's awareness on social responsibility can be visible from the definitions launched from scholars on this topic. Starting from the argument by Keith Davis(1960) that CSR is the nebulous idea that should be considered in a managerial context. He has further asserted that the decision of some businesses on social responsible can be justified by a long complicated reasoning process with the good opportunity to come up with the firm's economic gain in the long run, thus tracing back to its socially responsible outlook (p.70). The early CSR definition is contributed by Davis as it was so significant to consider him as the runner-up to Bowen for the Father of CSR designation. Moreover, the early definition of the term was also influenced by William C. Frederick who wrote,

"[Social responsibilities] mean that businessmen should oversee the operation of an economic system that fulfills the expectations of the public. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare. Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms. (Frederick, 1960, p. 60)"

Another major social responsibility definition contributor was Joseph W. McGuire in 1960s with his book *Business and Society* (1963), in which he mentioned, "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" (p. 144). In 1967, this was added by Keith Davis to his earlier definition that there was a large moving step of social responsibility with the further emphasizing on the institutional actions and the impacts on social system as a whole. Therefore, social responsibility has broadened the views of people toward the total social system" (p. 46). In 1971, there was the publication by Committee for Economic Development (CED) on *Social Responsibilities of business corporations.* CED observed on "the public consent business functions and its basic purpose which was to constructively serve for the social needs and to satisfy the society" (p. 11). It was noted by CED that between business and society, the social contract was substantial shifting in a crucial ways:

"Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. Inasmuch as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public. (p. 16)"

Again, Keith Davis entered to the discussion on his landmark article surveying in 1973 on the case for and against the social responsibilities business assumption (Davis, 1973). In the article introduction, it was quoted on the two well-known economists and the diverse views on the subject from them. First, Milton Friedman whose had the familiar objection to most where he contended that "few trends could so thoroughly undermine the very foundations of our free society according to the acceptance of the social responsibility corporate officials rather than to generate as much of money as possible for their stockholders" (Friedman (1962), p. 133). It was pointed out by Carroll (1979): The business's social responsibility shall include with the legal, ethical, economic, and philanthropic expectations at the different points of time. Later on, his definition is well-known as the pyramid of corporate social responsibility.

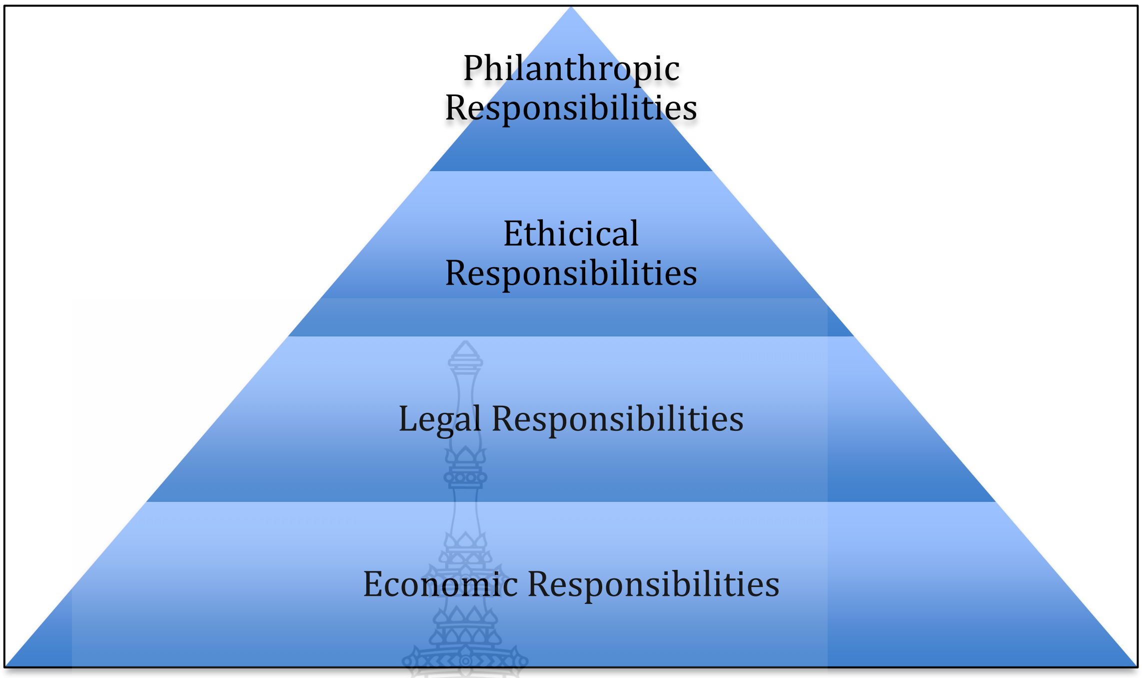


Figure 2.1 Carroll's pyramid of CSR (Source: Carroll A.B., 1991)

In reference to the pyramid model, there are different expectations and requirements from the corporate social responsibility at diverse stages. The firms meet with the economic requirements during the legal compliance has become the basic tasks. When these two basic needs are met, the moral and ethical expectations will be placed on the firm then it can expect to contribute the efforts toward society, and become the substantial contributors at the end.

The CSR pyramid is useful because it helps to contextualize what kinds of corporate activities can be understood as CSR, though it is not perfect. This complexity is demonstrated by a discussion of CSR in developing countries (Davidson, 2009). Issues such as selection of appropriate products, fair pricing, and care in advertising and promotion is part of CSR activities in developing markets (though they may be considered irrelevant in advanced markets). Davidson (2009) also points out that overt or showy CSR activities may be contextualized as charity and rejected, further emphasizing the importance of the view of society, which is not taken into account by the pyramid model. Instead, the pyramid model is entirely from the viewpoint of the firm. Another issue is that while the pyramid model suggests a building up of responsibility, in fact these responsibilities are separate; for example, firms may engage in philanthropy while otherwise breaking the law (Kakabadse, Rozuel, & Lee-Davies, 2005). Thus, a critical view of this model is appropriate even as we apply it.

In the 1980, Thomas M. Jones define CSR: “Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighboring communities. (Jones, 1980, pp. 59-60)”

Carroll revisited to his definition on CSR in 1991 in which he placed a segue from CSR to the theory of stakeholder that “the natural fit can be observed between the corporate social responsibility and an organization’s stakeholders idea” (p. 43). The term “social” is argued to be seen in CSR with some as vague and absence of specificity as to whom responsible by the corporation. The stakeholder concept was what he suggested and this was popularized by R. Edward Freeman (1984) who personalizes the social or societal responsibilities by the specific delineating businessperson or groups should consider on its CSR orientation and activities. Thus, the term “names and faces” are putting by stakeholder on the most crucial societal members or groups to business and to whom that should responsible on it(p. 43). It is believed by Cowe (2000) that CSR is the standard and value of business operation, the responsibility from raw materials obtaining for production. CSR theory as discussed by Hopkins (2003) is involved with the way to responsibly deal with the stakeholders and aim to form the better and higher living standard for stakeholders. CSR is defined by European Commission (2010) as "A concept whereby the firms integrate the concerns on social and environmental in their business operations and their interaction with stakeholders on a voluntary basis." CSR Europe, a membership organization of the huge firms in Europe, mentioned on CSR that covers to large areas such as: marketplace (customers, suppliers), workplace (employees), ethics, human rights, community and environment. The focus of Sheldon & Park (2010) is on the types of CSR activities that can be divided into 6 parts; destination governance, community and social, human resources, education, business practice and green practice.

CSR is perceived by many scholars as the internal and external encompassing. For internal, the firms reconsider on their in- house priorities and accord the due diligence of their responsibility on the internal stakeholders, for instance education and skills, working condition, workplace safety, equal opportunity, equity consideration, health and safety, human right and labor rights (Jone,Comfort and Hillier, 2005). For external CSR dimension, it was provided from Deakin and Hobbs (2007) that the priority is shifted to the need for the corporations to assume their citizens duties and according to diligence of their external including stakeholders, social and economic, and natural environment (Munilla and Miles, 2005). Primarily, the environmental component places the processes, products, and service impacts on the biodiversity, environment and human health, while the community issues, public problems, public controversies and social justice are incorporated by social bottom line. Normally, these two CSR dimensions addressing implied the difficulties in the adjustments and the willingness for the multiple bottom lines consideration (Elkington, 2006). Also, it is usually required for the good objectives and actions on CSR communication (Hancock, 2005), new standards, performance metrics and control (Lantos, 2001), and the successful CSR integration into the organizational culture (Jamali, 2006).

2.1.2 Corporate Social Responsibility Trend in Thailand

"Corporate social responsibility" had become the common term to use during the late 1960s and early 1970s after the stakeholder term was formed by various multinational corporations, meaning to those were influenced by the organization's activities. This term is used to explain the corporate owners beyond shareholders according to the influence of R. Edward Freeman’s book in 1984 so called “Strategic management: a stakeholder approach”. It is argued from the proponents that longer term profits are generated through the perspective operation while it is also argued from the critics that CSR is distracted from the business’s economic role. The Strategic Management Journal was published by McWilliams and Siegel's article (2000) as it was cited by more than 1000 academics in comparison with the existing econometric studies on the social and financial performance relationship. The conclusion gives the contradict results from the former studies by reporting the positive, neutral and negative financial impact as a consequence of the flawed from empirical analysis. It is demonstrated by McWilliams and Siegel that when the model is properly addressed, it means you can control over the Research and Development investment which is the crucial financial performance determinant. CSR presents with the neutral impact on the financial outcomes.

The mention above let the business in the world interested on CSR activities. CSR start becomes popular in western country lead to business around the world focus on CSR strategy. In 2004 Richard Welford Study CSR in Europe, North America and Asia and found that However, he selected Thailand is a one of six countries in Asia to be a sampling country that mean business in Thailand attention on CSR. Although, Welford 2004 suggest that Japan, Singapore, Hong Kong and Korea have a good policies about CSR which study base on 20 elements that developed from many sources cover CSR definition. The result shown those CSR policies in Thailand not in high level but the companies more concern on CSR. In Thailand trend to more attention on CSR activities.

Thai pat institute and the Foundation for Thailand Rural Reconstruction Movement are collected the data about CSR in Thailand. Recently, they study the responsible business conduct in Thailand and found that just only 30.46 percent of business in Bangkok never awareness on CSR. Thus, business in greater Bangkok has 69.54 percent that concern on CSR.

CSR Asia reported in Thailand context with the recognition in CSR could contribute to the firms' competitiveness by reducing the operational risks related to the social and environmental issues. It can also be the driver for innovation of product and service in response to the rapid changes opportunities and challenges in the economic, political, social, and environmental spheres. CSR Asia has measured on corporate social responsibility states in the listed of largest firms in ten operating markets of Asia Pacific region "Asian Sustainability Rating for Thailand". Included within the rank are top twenty firms in market capitalization from China, Australia, India, Pakistan, Japan, Hong Kong, Philippines, Malaysia, Singapore and Thailand. Fifty-one indicators are used by the Asian Sustainability Rating™ (ASR™) where their information is gathered from variety of available sources in the public such as websites and reports. The 51 CSR indicators are arranged in the six following headings: Governance, codes and policy, CSR strategy and communication, Workplace and people, Marketplace and supply chain, Environment and Community and Development. In the top list of Thailand, Siam Cement Public Company which is also ranked at 14^{th} from the full overall 200 sample companies in10 Asian countries from the rating in 2009. In consistent to the high scores across the six categories, it presents the company's multi-dimensional nature CSR commitment in which indicates for the importance of transparency, stakeholder communications and reporting for CSR goals achievement. In comparison with other in 200 pan-Asian sample countries, Thailand has the fairly low scores with only 30 points in average. By the way, during 2008 and 2009, most of the largest firms in Thailand tend to recognize on the crucial of CSR issues disclosure improvement. This reveals that CSR is more realizing among the Thai companies and it becomes the crucial element for the reputations and branding. This CSR strategic approach can also result on the business benefits.

Thai companies are still somewhat conservative in terms of transparency and disclosure Since the ASR is only a reflection of the amount of information in the public domain about a company's CSR activities, the CSR Asia Center at AIT sought to qualify the results of the rating for Thailand by speaking directly to some of the companies on the list. Five of the six respondents acknowledged that the ASR ranking is generally reflective of their progress with CSR. All six believed that their score would have been higher if performance rather than disclosure was measured. Increased stakeholder awareness and sophistication expected to drive CSR in Thailand. Key CSR priorities for stakeholders are environment, health and safety and corporate governance, all of which were considered vital or very important.

2.2 Stakeholder Analysis

The second key concept in this research is stakeholder analysis. In this study, we will use Freeman's (1984) original conceptualization of stakeholder theory, including the six-fold model of stakeholders provided. However, additional critiques and concerns are also considered. In this section, a brief definition and critique of stakeholder theory is offered. Second, the process of stakeholder analysis and stakeholder groups is discussed.

2.2.1 Definition of stakeholder theory

Freeman (1984) provides the basic definition and framework of stakeholder theory. Stakeholder theory is a rejection of managerial capitalism (or shareholder theory), which posits that the firm's only responsibility is to the shareholder, and the only constraint on the firm's action is legal concerns (if that) (Freeman, 1984). However, this leads to concerns such as negative externalities (like environmental damage) and moral hazard (where the full cost of risk is not borne by the firm), making society in general worse off even if the firm profits. As an alternative, stakeholder theory suggests that firms must be managed for the good of the *stakeholders*, or those who are affected by the firm. Under the stakeholder theory, stakeholders and the firm are interdependent. This implies that the firm's success cannot be sustainable unless its function also supports stakeholder interests. However, Freeman (1984) does not insist on a singular conception of the stakeholder. Instead, he asserts that "the normative, descriptive, instrumental, and metaphorical… uses of 'stakeholder' are tied together in particular political constructions to yield a number of possible 'stakeholder theories (Freeman, 1984, p. 44)." He identified a number of principles of stakeholder theory, including the doctrine of fair contracts (addressing issues such as entry and exit, governance, externalities, contracting, agency, and limited immortality); the stakeholder enabling principle; the principle of director responsibility; and the principle of stakeholder recourse.

Freeman's (1984) model of stakeholder theory has not remained static, but instead has undergone a number of refinements and challenges over time. One of the major concerns is that of property rights. Stakeholder theory would seem to contradict with the principle of property rights, which is at heart that a property (such as a firm) should be managed in the interests of its owner (Asher, Mahoney, & Mahoney, 2005). The stakeholder theory does take ownership rights into account, by including shareholders explicitly as one of the groups of stakeholders (Freeman, 1984). Freeman and Phillips (2002) explicitly defended the model regarding ownership concerns, arguing that stakeholder theory is a *voluntary* practice, and that given the structure of firm ownership shareholders are free to support (by continuing to own shares) or not support (by selling). Asher, et al. (2005) provide an explicit basis in contract theory, specifically the ideas of incomplete and implicit contracts, to argue that ownership in a firm implicitly includes acknowledgement that stakeholder interests are part of the economic value created for the shareholder. Thus, property rights are problematic within the model, but do not completely eliminate its utility. In a broader sense, the property rights critique stems from the concept of *atomic individualism*, a characteristic of American culture particularly (Buchholz & Rosenthal, 2005). This concept suggests that the interests of the firm and its stakeholders are separate. Buchholz and Rosenthal (2005) suggest a revision of the model in order to explicitly view the firm and its stakeholders as interdependent and pragmatically intertwined, which makes the connections between them clearer.

The stakeholder theory is in some ways problematic because it is both politically challenging and empirically supported. Freeman (1994) argued that resistance to stakeholder theory is founded not in empirical fact, but is instead ideological or self-interested. An early assessment of empirical evidence found that the model was descriptively accurate and had normative validity and instrumental power, suggesting that it was a valid model of firm operations (Donaldson & Preston, 1995). However, there have been some later critiques that are more difficult to answer. One such critique is that stakeholder theory does not have an objective basis, making it difficult to measure (Jensen, 2001). This could lead to the use of stakeholder theory as an excuse to subvert the interests of shareholders by the managers of the firm. A partial answer to this objection is that stakeholder theory actually encourages managers to clearly state their objectives for the firm and to measure their performance (Freeman, Wicks, & Parmar, 2004). In modern CSR, this is made explicit by the *triple bottom line* of economic, environmental, and social responsibility, which is clearly measured and reported (Kotler & Lee, 2011). Stieb (2009), in a re-evaluation of the model, argues that it is either too radical or changes nothing in business, making it an insufficient challenge to managerial capitalism. Overall, however, the model of stakeholder theory is robust and has been sued effectively in business analysis for decades, making it useful for this research.

2.2.2 Stakeholder analysis and stakeholder groups

The core of stakeholder theory is the process of stakeholder analysis. There are various views on the process of stakeholder analysis, including that it is a strategic means to an end (the strategic interpretation) and that the stakeholder groups have a direct interest in firm operations (the multi-fiduciary interpretation) (Freeman, 1994). This can be viewed as a paradox, but it only becomes so if the fiduciary relationship between shareholders and the firm is taken to be unique. In this research, the focus on stakeholder analysis is on the identification of stakeholder groups and identification and prioritization of their interests and needs (Harrison & Wicks, 2010). This deliberately sets aside the theoretical goal of the process and focuses only on its function. Harrison and Wicks (2010) note that there are at least 15 different approaches that can be used for stakeholder analysis. In general, however, the term refers to a qualitative assessment of firm activities and affected stakeholders, usually involving active engagement and discourse with representatives of stakeholder groups (Harrison & Wicks, 2010). This process may be particular to the firm, as there are a number of different interests.

There are a number of different stakeholders that may be involved in a given decision of the firm. Freeman (1984) sets out the case for six groups of stakeholders, including management, employees, owners, suppliers, the local community, and customers. Additionally, the environment must be considered a stakeholder, given the prevalence of environmental externalities in firm operations (Harrison & Wicks, 2010). Each of these groups has a particular interest in the activities of the firm, and each affects the firm’s activities and performance. Although Freeman’s (1984) model initially suggested the interests of the firm and stakeholders are independent (perhaps as a means of reducing the political controversy surrounding the model), it is more useful to consider the firm and its stakeholders as interdependent (Buchholz & Rosenthal, 2005). However, this does not mean that stakeholder identification must include every group that claims an interest, or that all interests will be equal. As Harrison and Wicks (2010) point out, stakeholder groups may be marginally or tangentially related to a particular firm’s operations and all interests cannot be ranked equally. Therefore this study that adapted from Freeman (1984) and Harrison and Wicks (2010) separated stakeholder in six groups (as shown in Figure 2).

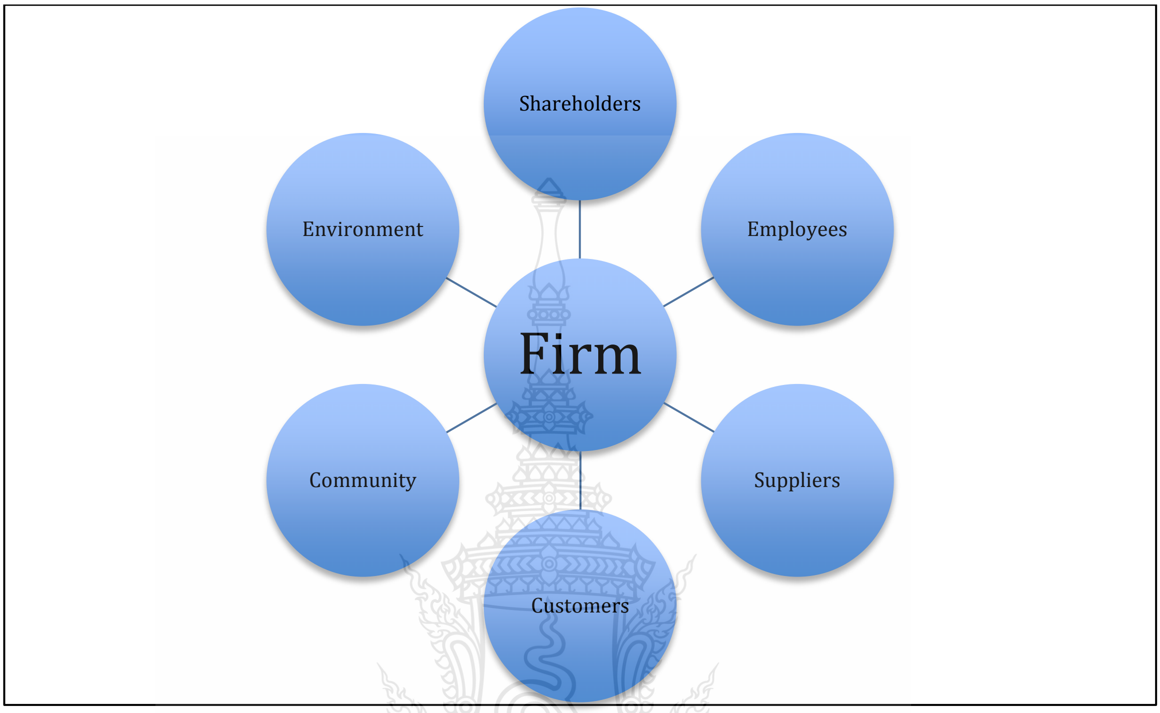


Figure 2.2 Stakeholders in the firm (Adapted from Freeman (1984) and Harrison and Wicks (2010)

2.3 CSR and Stakeholder Analysis

CSR is inherently related to stakeholder theory, because stakeholder theory provides the foundation for CSR activities within the firm (Kakabadse, et al., 2005). Simply, without stakeholder theory, there is no justification for the firm to devote energy to fulfilling its ethical or philanthropic responsibilities. Thus, understanding the role of stakeholder analysis in CSR is key to understanding the concept of CSR itself. In this section, a definition of stakeholder analysis in CSR is presented. Next, the roles of various stakeholders in CSR are examined. Finally, approaches to the measurement of stakeholder perceptions of CSR activities are critiqued. In this discussion, six stakeholders (employees, suppliers, customers, owners (shareholders), the community, and the environment) are examined. This leaves out management, which was identified as a stakeholder group by Freeman (1984). However, the management perspective is difficult to consider in this case because of the management role in setting CSR policy.

2.3.1 The concept of stakeholder analysis in CSR

CSR stakeholder analysis is an extension of general stakeholder analysis for firm decisions. As previously noted, stakeholder analysis refers to the qualitative identification of stakeholder groups, followed by identification and prioritization of interests and needs (Harrison & Wicks, 2010). The precise approach chosen by the firm may vary widely. Figure 3 shows a representative model of a stepwise approach to the problem of stakeholder analysis in the context of CSR (Louche & Baeten, 2006). As the authors note, this model can vary depending on the size of the firm and stakeholder groups as well as the available resources. Much of the model flows from the level of analysis (which can be global, national, site, or business unit), as well as the level of abstraction chosen. Firms may also choose different approaches to auditing internal and stakeholder requirements, prioritization of various stakeholders and interests, and the importance placed on stakeholder satisfaction. The output of the stakeholder analysis is an action plan to engage stakeholders and incorporate their feedback into business processes (Louche & Baeten, 2006). This generic stepwise model is useful because it can be applied to a number of different situations and types of business activity, making it highly flexible and appropriate for understanding business requirements.

There are a number of complexities to the process of CSR stakeholder analysis that need to be taken into account. One of these complexities is that stakeholder analysis is a whole-organization process, and a number of different views need to be taken into account within the process (Galbreath, 2010). This means that stakeholder analysis cannot be a top-down activity. However, top management sets the firm's strategic goals and defines its culture and ethics, and stakeholder analysis does require support from this level to succeed. Another issue is that at a pragmatic level, identifying approaches to stakeholder dialogue can be difficult (O'Riordan & Fairbrass, 2008). In some cases, stakeholder groups may actually be hostile to the firm. This can be particularly true where there have been prior poor relationships or where the firm has been perceived to be exploiting the stakeholder group. Even if this is not the case, the firm may still struggle to explain CSR initiatives to stakeholder groups and obtain appropriate feedback. A further problem is that even if a lower level of analysis is chosen, many firm strategies, including CSR activities, have global implications (Muthuri & Gilbert, 2011). Thus, decisions made at one level of analysis can have a significant effect on stakeholder groups at higher or lower levels of analysis, whose needs may not be taken into account. These complexities mean that it can be difficult for firms to engage in stakeholder analysis, even though models such as those in Figure 3 make the process seem straightforward and self-evident.

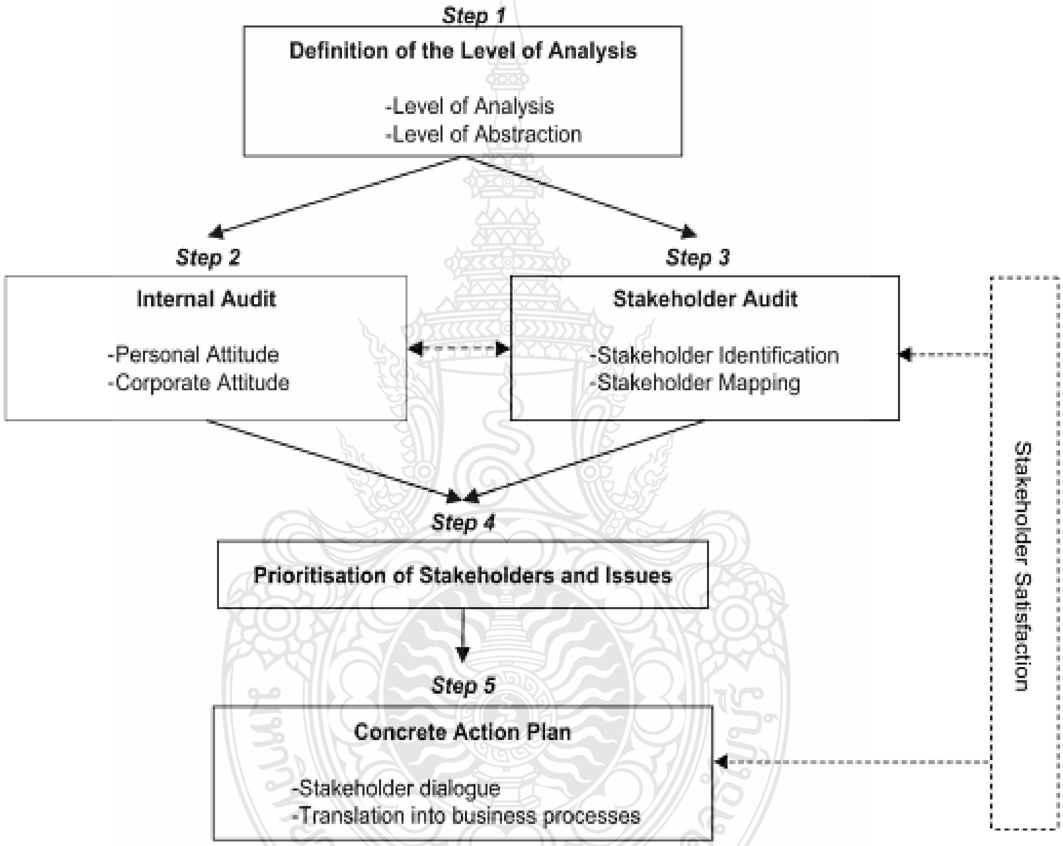


Figure 2.3 Example of an Approach to CSR Stakeholder Analysis (Source: Louche & Baeten, 2006, p. 172)

2.3.2 The role of stakeholders in CSR

The model of stakeholder analysis above suggests that stakeholder dialogue is a firm-directed discussion that is already informed by the attitudes and requirements of the firm. An alternative model suggests that CSR policies emerge from a dynamic system of feedback, including external and internal pressures for change and increasing employee involvement in definition and implementation of the CSR policy (Bolton, Kim, & O'Gorman, 2011). Bolton, et al. (2011) pointed out that external pressures from stakeholder groups could come at any time in the CSR process, including in response to established policies and in response to perceived gaps in those policies. Additionally, the CSR process is internally directed, relying on interest and involvement from company employees (and not limited to top employees), in order to function. Thus, the static model above does not reflect the full complexity of stakeholder analysis and the response that forms and changes the CSR program of a firm (Bolton, et al., 2011).

Given this increased complexity, the question of what the stakeholder’s role in the stakeholder analysis process is. Freeman’s (1984) formulation of stakeholder theory suggests that stakeholder rights to involvement stem from the mutually interdependent relationship of the group and the firm. This suggests that the stakeholder dialogue above, as well as direct actions (such as consumer choice or community actions like boycotts or law changes), is the main approaches to stakeholder involvement. However, there are also other factors that influence stakeholder involvement. One of these factors is culturally determined expectation about the relationship of the firm and stakeholder groups and ranking of importance of various groups (Orij, 2010). The communication approach chosen for CSR also influences the stakeholder’s role, since communications about CSR both describe the firm’s stakeholder priorities and frames which groups may consider themselves a stakeholder (Luoma-Aho & Vos, 2010). That is, CSR communications regarding stakeholders are both descriptive and normative. This issue is increasingly complex as stakeholder communications become more focused on issue areas rather than stakeholder-specific concerns. Additionally, there are inputs from groups that are not direct stakeholders in the CSR policymaking process. One example is the media; increased media attention has been shown to be associated with improved CSR strength (Zyglidopoulos, Georgiadis, Carroll, & Siegel, 2012). In summary, the role of the stakeholder in CSR is formalized (the firm’s stakeholder dialogue) and informal (feedback outside this process, such as boycotts, laws, and other statements). It is also influenced by other factors, including how the firm itself invites dialogue and non-stakeholder groups such as the media. Most of all, it is a dynamic role, rather than the relatively simple static role described above.

2.4 Measuring stakeholder perceptions of CSR activities

The discussion above makes it clear that stakeholder perceptions of CSR activities are one of the inputs for the firm's CSR policymaking. However, this raises the question of how stakeholder perceptions can be measured. In some cases, the answer is that it is not. A study in Singapore showed that only five out of 29 companies surveyed did any form of formal customer survey or other measurement regarding its CSR policies (Sriramesh, Ng, Ting, & Wanyin, 2007). Of the rest, most relied on informal means such as verbal feedback or did not seek out stakeholder perceptions at all. However, other companies have devised more effective means of measuring stakeholder perceptions.

There has been some progress toward development of a reliable scale for measurement of CSR perceptions among stakeholders. One study produced a reliable instrument that measured perceptions of the four dimensions of CSR in the CSR pyramid model, and was effective for employees, customers, government, and social stakeholder groups (Turker, 2009). This survey, which was developed in Turkey, could be modified for use in the present study, although different stakeholder group formulations are used and it would need to be re-tested. There are also a number of studies that address specific stakeholder groups, rather than attempting to collect data on all groups simultaneously. One example is a study of CSR perceptions of customers and their consequences (particularly repurchase intentions) (Stanaland, Lwin, & Murphy, 2011). By choosing only one perspective, it is possible to explore perceptions and actions in a way that makes sense, given the varying relationships of stakeholders and the firm as described by Freeman (1984) and others. Stanaland, et al. (2011) found that customer perceptions are largely influenced by marketing around CSR activities, and that these perceptions are related to customer trust and repurchase intentions. It is easy to see how this model is useful for studying customers, but may not translate to other stakeholder groups.

The overall problem of measurement of CSR perceptions is not resolved, and it remains an active area for further research (Aguinis & Glavas, 2012). The development of such instruments is hampered because the underlying relationships between firms and stakeholder groups are not well understood. However, the research suggests that measuring stakeholder perceptions toward CSR is likely to be done most effectively using a survey, though external information (such as actions) could also be used. This is actually at odds with the process of stakeholder analysis, which is primarily qualitative (Harrison & Wicks, 2010). However, it also is a way to collect information about perceptions in a more standardized fashion.

2.5 Integrated CSR Reporting

Recently, corporate social responsibility (CSR) is raised to important agenda for business as well as profit and wealth to shareholders and owners. The communication about corporate social responsibility is report the CSR information to shareholders and stakeholders that can be separate to report only CSR or integrated CSR report with annual report in Thailand, The Securities and Exchange Commission by committee of capital market announce condition and reporting methods to disclosure about CSR in a registration statement information securities offering (69-1) , a registration statement in annual report (56-1) and annual report (56-2) starting effect on 1st January 2014.

Integrated reporting is gather all business information that might be effect economic, social, environment and corporate governance including vision, mission, target, strategy , policy and corporate performance (Integrated Reporting 2011). The International Integrated Reporting Council (2013) provides definition that:

"Integrated Reporting is a process that results in communication by an organization, most visible a periodic integrated report, about value creation overtime. An integrated report is a concise communication about how an organization's strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term."

In Thailand, from cooperate of Stock Exchange of Thailand (SET) and Thaipat Institute provide Integrated CSR Reporting Framework that guideline companies to prepare CSR report that follow announcement from The Securities and Exchange Commission(SEC). Moreover, that related with The Global Reporting Initiative (GRI) and The International Integrated Reporting Council (IIRC). This framework that follow

Guideline for Social Responsibility and Guideline for CSR report of Stock Exchange of Thailand.

In 2012, Corporate Social Responsibility Institute and Stock Exchange of Thailand provide the guideline for social responsibility and guideline for CSR report. This is CSR guideline for companies in content of Thailand that cover all international principles; ISO26000, UN Global Compact, GRI, Corporate Governance, and Sufficiency Economy Philosophy. It is reasonable to conclude that the ICSR framework, both CSR in -process and CSR after-process framework.1. Good governance, 2. Do business with fairness, 3. Anti-corruption, 4. Respect for human rights, 5. Fair treatment of workers, 6. Consumer Responsibility, 7. Social and Community Development, 8. Environmental Management, 9. Innovation and dissemination of innovation from CSR and, 10. Sustainability Reporting

ISO26000, it is an international standard defined by the International Organization for Standardization (ISO) to provide advice on social responsibility to all types of organizations in both developed and developing countries. In response to the need for increased social responsibility with respect to responsible corporate social responsibility. The ISO 26000 standard aims to support the organization's participation in sustainable development. It intends to instigate corporate social responsibility rather than legal requirements, recognizing that compliance is the basic duty of the business and a necessary part of social responsibility. There is also the need to foster the same understanding of social responsibility and complementarity, not to replace other social responsibility tools and initiatives. The ISO 26000 content consists of seven core subjects: corporate governance, human rights, labor practices, environment, fair practice, consumer issues and participation and community development.

UN Global Compact, In CSR circles, there are talks about which businesses. It must be taken into account in the business process, often in the face of consumer responsibility, human rights and labor standards, environmental issues, corporate governance, or good corporate governance. The issues mentioned above are UN. The Secretary-General recognized the importance of corporate Citizenship for all of the businesses that could affect the world, both positively and negatively. The United Nations or the UN Global Compact was launched in 1999 to encourage all of the corporations to enter into ten international agreements for use in business activities. To be named Corporate Responsible Citizen or Responsible Corporate Citizen in Global Society. Ten universal principles It deals with four main issues: human rights, labor, environmental issues, (Environment) and anti-corruption. (Anti-Corruption).

Global Reporting Initiative (GRI) is the world's most popular comprehensive sustainable development reporting guideline and it reflects what is currently the most widely accepted approach to define sustainability and eventually for any business or government or non- government organization (GRI, 2002). The companies are using this guideline to communicate with their stakeholders (Hedberg & Malmborg, 2003). Principles, inclusion: (1) materiality: information should reflect impact to society, environment, and financial position in short-term and long-term, (2) stakeholder inclusiveness: should respond to reasonable expectations and interests, (3) sustainability context: show how to improve environmental, social, another conditions over the long-term, and (4) completeness: should reflect impacts of the business and enable stakeholder to assess its performance (Ernst & Young, 2010). The GRI guidelines for standard disclosure in sustainability reporting are divided into 3 parts: Firstly, profile disclosure including strategy and analysis, organizational profile, report parameters, and governance, commitments, and engagement. Secondly, disclosures on management approach (DMAs) include the economic (EC), environmental (EN), Legal (LA), human resources (HR), social (SO) and product (PR). Thirdly, performance indicators including the three key performance indicators:(1) Economic such as economy performance, market presence, and indirect economic impacts, (2) Environmental such as materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, and overall, (3) Social including the four key performance indicators:(3.1) Social: Labor Practices and Decent Work, such as: employment, labor/management relations, occupational health and safety, training and education, diversity and equal opportunities, (3.2) Social: Human Rights, such as :investment and procurement practices, nondiscrimination, freedom of association and collective bargaining, child labor, forced and compulsory labor, (3.3) Social: Society, such as: community, corruption, public policy, anti-competitive behavior, and compliance, (3.4)

Social: Product Responsibility, such as: customer health and safety, product and service labeling, marketing communications, customer privacy, and compliance. (GRI, 2009).

Sufficiency Economy" was a philosophy that His Majesty King Bhumibol Adulyadej of Thailand had conceived and developed over 60 years with HM tireless effort to improve Thai people lives and provide them the genuine and permanent happiness. Sufficiency Economy Philosophy implementation goal is to form the stable and balance in all levels in society development from individual, family and community for them to capable to properly cope with the critical challenges as a result of the rapid and extensive changes (i.e. globalization) in cultural, material, social, environmental conditions. Sufficiency Economy principle emphasizes on the crucial to adopt and follow the middle path by population at all societal levels for the good conduct of individual, family, community and the whole nation regarding the modernize administration and development toward the globalization forces. To be said also, the extreme thoughts, behaviors and actions should be avoided. There are three components in sufficiency: self-immunity reasonableness and moderation also with the appropriate knowledge and ethics & virtues as the accompanying conditions. Reasonable moderation in appropriate sense, not too much or too few can be seen in the Eastern concept. As stated by His Majesty the King: "Being moderate does not mean being too strictly frugal; consumption of luxury items is permitted… but should be moderate according to one's means" (Royal Speech, given at Dusit Palace, 4 December 1998).

Reasonableness requires that the choices we make be justifiable by using academic approaches, legal principles, moral values or social norms. Self-immunity emphasizes the need for built-in resilience against the risks which arise from internal and external changes by having good risk management; Sufficiency Economy recognizes that the circumstances and situations that influence our lives are dynamic and fluid. CSR is one of the components of Sufficiency Economy. CSR business organizations show that corporate policies are not limited to activities that involve stakeholders in the organization, but also to outside stakeholders. CSR is a true philosophy of corporate social responsibility, to share, and to operate without hurting the whole society, knowing, sharing and caring for society. It can be compared with the new theory in step 3 of the philosophy of sufficiency economy, which is cooperative in a dependence. Therefore, if a business organization adopts CSR principles, its balance and sustainability will be aligned with its goals in the Sufficiency Economy Philosophy. The results in both tangible and tangible. Tangible and abstract intangible. Intangible with both internal and external stakeholders.

In Thailand, listed companies provide information for corporate sustainable reporting, almost disclosure in a part of the annual report or separate stand-alone sustainable report based on international standard: 27 listed companies (Business for Social Institute, 2014). And framework is developed with international CSR standards and guidelines such as: UNGC, ISO 26000, WBCSD, IFC, OECD, EITI, GRI, and DJSI (PTT, 2012).

2.6 Measurement of CSR

Corporate social responsibility (CSR) measurement is developing more than two decade. Problem of measurement of CSR perceptions is not resolved, and it remains an active area for further research (Aguinis & Glavas, 2012). The empirical the study about CSR and firm performance mostly have positive significantly, not less cannot find the relationship and some study got a negative result. Another views the popular measurement of CSR is KLD index . Although, new research that study the impact of CSR adopt CSR score to measure CSR in the countries that no report reputation index from KLD. The table below show that measurement of CSR can measure by reputation index and content analysis. Hence, this investigate will adopt content analysis to calculated CSR score base on CSR integrated report framework by Thaipat institute that follow GRI guideline in Thailand that explain above.

Because of the announcement of SET condition and reporting methods to disclosure about CSR and corporate with Corporate Social Responsibility Institute provide GRI guideline for companies to report CSR in context of Thailand economic, social and environment lead to Thaipat institute provide CSR integrated reporting framework.

CSR measurements is various methods including content analysis, even though the favorite one is KLD index. In the beginning reputation indices such as the Council of Economic Priorities (CEP) reputation index, Moskowitz reputation index and

Fortune index . This approach to CSR measurement has been employed by a many of previous researches, including those of Bragdon and Marlin (1972), Fogler and Nutt (1975), Sturdivant and Ginter (1977), Spicer (1978), Cochran and Wood (1984), McGuire et al. (1988) and Blackburn et al. (1994). Next approach to measuring CSR is the company rating approach, such as Kinder, Lydenberg, and Domini index (KLD). Apparently from the table 2.1 several studies have used the KLD rating index, including those by Waddock and Graves (1997), Berman et al. (1999), McWilliams and Siegel (2000), Orlitzky et al. (2003) and Akpinar et al. (2008). The last approach to evaluating CSR is a content analysis of secondary data. Many researchers applied this approach to analyzed the extent of CSR activities in firm publication, particularly in their annual report. Content analysis has been used by Kapoor and Sandhu (2010), Saleh et al. (2011) and Chen and Wang (2011).

Therefore, the authors constructed 70 items index of CSR items, each of which reflects an aspect of one of six stakeholder categories. CSR index adapt from the recent research by 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. Hence, in this study prefer to measure CSR, 'CSR Measurement Instrument' covering all guideline mention above that separate in six groups of stakeholders. Afterwards, the technique of content analysis of the annual report of companies is applied to measure CSR in term of CSR scores. Content analysis is nothing more than the attribution of the incidence of an event as indicated by the mention of the event under question in the literary document that constitutes the raw data (Abbott and Monsen 1979). However, the shortcoming of content analysis is that it provides no indication of the importance the companies attach to each information item (Gray et al. 1995). In the present study, the scoring procedure (for CSR measurement) is the same as adopted by Ernst and Ernst (1978), Abbott and Monsen (1979) and Kapoor & Sandhu (2010). Disclosure of items is assigned a value of 1, and non-disclosure a value of 0. On completion of content analysis, there is an index score generated from each of the items that related to the appropriate stakeholder category. The index score represents the score of the total number of items in the category that were disclosed by the firm. This does have flaws, particularly in that it does not reflect the firm's view of the relative importance of a particular effort (Kapoor & Sandhu, 2010). Hence, this study will conduct index of CSR items that cover GRI, ISO 26000, and Sufficiency Economy Philosophy which follow CSR Integrated framework in Thailand. The index will conduct follow Kapoor & Sandhu, 2010 and Mishra, S., & Suar, D ,2010 idea that separate in each group of stakeholder theory.

2.7 Corporate Governance

In the last decade corporate governance has received much attention. Definition, the system provides a process and structural of relationship between board of director and shareholder for create advantage competition in long-term growth and value added to shareholder with regard to other stakeholders (SET, 2006). Leadership and control methods to achieve accountability, transparency and competitive advantage for long-term investment and value added to shareholder with ethic in overall balance of power with regard to other stakeholders and society in overall (Indaravijaya, 2005).A system for operation control by separate responsibility of broad of director, management, shareholder, other stakeholder and define practice and criteria for decision making on corporate objective (OEDC, 2004).And also, it avoids risk and control processes administered by management. In broader dimension, corporate governance meaning is regardless of the interests of other stakeholders in order to demonstrate corporate social responsibility together with management to create value to the owner of the business (Khanthavit, 2009). Purpose, is primarily responsible for directing the monitoring, control and take care agents in order to utilize the resources of the firm efficiently, effectiveness. And this is also an alternative to be used in resolving conflicts of interest so that the agents can work properly for the best value of the firm (Srichanpetch, 2009).As a tool of listed companies for corporate sustainable growth and value added. (SET, 2006)

Main Factors, (1) competitiveness: sustainable on performance by creating economic value to the highest level, (2) accountability: the responsible for the performance of duties will be responsible for the board of directors, shareholders and firm, (3) transparency: or openness is the cornerstone of building trust between the firm and the stakeholders under the constraints of the situation of competitiveness of the business and contributes to enhance the effectiveness of the entity with allowing it to solve problems effectively, including the opportunity for stakeholders to analyze business carefully, (4) integrity: is openly doing business under an ethical framework for good. There is honesty in the preparation, presentation and dissemination of financial reports and other information of the firm for the financial information that is accurate, complete and reliable (SET, 2001)

Principles, which are internationally recognized guidelines based on the principle of the OECD divide into five categories: (1) the rights of shareholders, such as respect for the fundamental rights of a shareholder to receive information, (2) treating shareholders equally, (3) protection measures and dispute resolution with the role of stakeholders, such as shareholders, creditors, employees, customers, competitors, the environment and society, (4) disclosure and transparency as the annual statement through the website, and (5) the responsibilities of the committee as its directors ,for instance; committees roles and responsibilities of the board, meetings of the remuneration committee and executive Development (SET, 2006; Srichanpetch, 2009). For Thailand, SET conducted a corporate governance self-assessment to make recommendations to the board of directors and the management of listed companies to self-assess first before inspection report on compliance with the principles of good corporate governance. IOD (2013) has defined a number of criteria and weights are used to evaluate the performance of corporate governance of listed companies in 2014. According to the principles of good corporate governance of the OECD countries including the Stock Exchange of Thailand, listed companies in Thailand focuses on the indicators that is tangible and can be measured quantitatively and try to avoid the abstract or a sense of judgment which are likely to be biased (SET, 2007; IOD, 2013).

Prominent corporate governance perspectives are compared to the contracting, rules, norms, and institution (legal and social) system that intended to ensure the implicit corporate managers promises accomplishment for the financial capital investors of the corporation, i.e., its shareholders. According to this position, Macey (2008, p. 1) notes:

"The purpose of corporate governance is to persuade, induce, compel, and otherwise motivate corporate managers to keep the promise they make to investors. Another way to say this is that corporate governance is about reducing deviance by corporation where deviance is defined as any actions by management or directors that are at odds with the legitimate, investment-backed expectations of investors. Good corporate governance, then, is simply about keeping promises. Bad governance (corporate deviance) is defined as promise breaking behavior."

This is a typical statement of the view toward the corporate governance from the agency. They consider the corporate governance as the game that consists of two major players that connected to each other via the special kind of (agency) contract. The agent here is the manager in charge who is running the corporation on the principal's behalf within the limits as set in the legal regulations and contracts related to the corporation and all other stakeholders.

Another corporate governance view is that corporate law has not conformed and has no intent to secure the absolute priority of shareholders to define the goals of corporate governance and corporate strategies. The boards of directors instead have been granted with primacy since they are endowed with the autonomy of the broad based on the insulated 'business judgment doctrine' for them against self-interested claims by shareholders for their share value maximizing (Blair and Stout, 1999; Elhauge, 2005; Stout, 2011b). The board seems to have the freedom to frame for the strategy of the corporation regarding to its corporation's interests views, success, and development as well as to exercise its decision making freedom related to the distribution of dividends and compensation policies of shareholder. Here, it is assumed that the balance among different claims of stakeholders result on the corporate interest. A good corporate governance theory should make sense for the autonomy management that is the corporate characteristic should be formed as a legally institution with distinctive personality from the natural involving persons (Aoki, 2010).

The corporate governance view is defined by Blair and Stout (1999, 2006) via contending that the board of directors is a 'mediating hierarchy' with the aim to mediate the diverse claims from stakeholders to pursue for the overall success of the corporation.

Thus, it is not surprised that the corporate governance's mediating hierarchy theory seems to be more sympathetic and akin to CSR rather than agency theory. We may consider CSR as the 'fairness principle' or value that directs toward the discretion of board members to perform on their mediating function.

2.8 Corporate Social Responsibility and Corporate Governance

Corporate Governance and Corporate Social Responsibility (CSR) are the two different concepts however; it delves into the links between them that can help moving towards to place more strategically corporate responsible behaviors. In business, it is found that it still lack of the two concepts integration where each situated in several of organizational departments and staff with diverse interests and expertise.

In the Global Financial Crisis (GFC) context where CSR is more and more under discussion as the strategy to deal with the failures in governance and corresponding with the linkages of reputation risks between them are worth exploring. The rise can be observed in the discourse of media, political and community centered on the managerial and director behavioral improvement and the practices of corporate responsibility. In the same way, the highlight of academic literature was on the CSR and corporate governance in which intricately and strongly connected (Young & Marais 2012).

Even though, Corporate Governance has traditionally focused on the legal rules and the corporate structures are more recently found the academics incorporating CSR into the work in their corporate governance. In the light of CSR criticisms regarding the 'green washing' and the solely focusing on the 'reporting', practitioners are calling for the CSR concept broadening to include the more strategic and integrated approaches. Indeed, many Corporate Governance definition are explicit including CSR concepts For example, Solomon (2009, p.7) defined Corporate Governance as the "system to check and balance on both internal and external of the companies to confirm the accountability discharged by the firms to all of their stakeholders with the socially responsible actions in all of their business areas and activities".

This also links to the institutional environment responsible in the corporate behaviors that seem increasingly witnessed with the more focus on the broaden of governance codes and principles scope of corporate governance in the aspects of legal and control to one's incorporating responsibilities.

In the same way with Corporate Governance, CSR comes up with various of connotations and definitions: from "business ethics or philanthropy or environmental policy", "corporate social performance and corporate citizenship" (McWilliams et al., 2006, p.8; Secchi, 2007; Windsor, 2006) and "social accounting or corporate accountability" (Crowther, 2000). It is argued by Moon (2002) that CSR has justice and democracy that seem to be the essentially concept for contest while the meaning is always debatable.

It was argued by Jamali et al (2008) that CSR and corporate governance are closely related since they present the commitment of the firms toward stakeholders and the interaction nature with the wide community". The attempts to strengthen the corporate governance are observed by Kolk and Pinkse (2010) and found the increased focus on certain mechanisms like the board behavior, controls, risk management, auditor independence, and the ethical aspects in employee behaviour, managerial, remuneration including whistleblower and complaint provisions, however this also includes the voluntary aspects for social and environment as well as stakeholder responsibilities.

Corporate social responsibility (CSR) as stated by Sacconi (2012) is the corporate governance (CG) extending model with fiduciary duties from the responsibilities towards the firm's owner's fulfillment to fulfill the analogous fiduciary duties towards every stakeholder of the firm. After consider placing the debate on CSR about the choice of corporate governance modes, the author presents the multi-stakeholder and multi-fiduciary model with full-fledged social contract foundation. It was revealed from the study that CSR is like a social norm that can endogenously rise from the social contract the stakeholders consider as the first move in an equilibrium selection process to reach toward the equilibrium state of an institution with corporate governance. What provided from the social contract is the impartial mediating reasoning model performed by board of directors that try to balance on different stakeholders' claim. This enables for the multi-stakeholder objective function deducing in which maximizing the socially responsible of the firms to offer the particular fiduciary duties specification each stakeholder must have by its position. It is suggested from many researches about the link between the corporate governance and corporate social responsibility. Those of the researches explored on various variables of governance and their relationship with CSR (Gibson & O'Donovan, 2007; Jamali et al, 2008; Jo & Harjoto, 2011; Khan et al, 2013; Wise & Ali, 2008). CSR is argued to have the positive influence on profitability and it can enhance the sustainable effectiveness of corporate governance that would support the organizations to achieve it.

2.9 Firm Performance

Although the financial performance measurement is seen as an easy task, however there are some particular complications. Here, little consensus is found on which tools to apply for the measurement but the market measure is used by many researchers (Alexander and Buchholz, 1978; Vance, S. C., 1975) while the accounting measures are put forth by other (Waddock and Graves 1997; Cochran and Wood 1984) and both are adopted by some (McGuire, J. B., Sundgren, A., Schneeweis, T., 1988). Two measures represent for the diverse perspectives on the way to assess the financial performance of the firm with various theoretical implications (Hillman and Keim, 2001) but each subject has specific biases (McGuire, Schneeweis, & Hill, 1986). It is needless to mention on the complication in the comparison of results from different studies in the use of different measures.

Firm performance refers to how well the firm achieves its strategic and operational objectives (Witcher & Chau, 2010). While firm performance may be most commonly understood as profit, firm objectives are usually more complex. The firm's strategic objectives are set by the firm's top management, and address goals for financial and non-financial performance. Goals can be defined by savings (efficiency) or profits (increase in sales), or on other appropriate measurements. Firms then use at least some metrics for tracking performance, such as financial metrics, balanced scorecards, or others, and to adjust performance as required. Firm performance is known to be influenced by a range of strategic choices, including market orientation, innovation and product development, production efficiencies, marketing and customer communications, resources and resource management, and many others. In this research, CSR is considered as a potential determinant of firm performance.

There are a variety of concepts of firm performance that can be used. One concept of firm performance is an economic or financial concept (Brigham & Houston, 2012). This concept is firmly within the shareholder value theory of the firm, where the main goal of firm performance is economic. Under an economic definition of firm performance, how well the firm has performed is determined by its use of its resources (such as equity and assets) in order to generate economic returns to the firm. This is not an absolute measurement, since firms have varying levels of resources and operations. Instead, it is often measured by ratios that attempt to determine how well the firm has performed economically considering the resources at its disposal. Thus, absolute measures of firm performance, such as profit, are considered in the context of ratio measurements, such as return on assets (ROA) or return on equity (ROE), taking into account these differences in resources.

A second concept of firm performance, and one that is often used within CSR discussions, is the concept of the triple bottom line (Savitz & Weber, 2006). The triple bottom line is a refutation of the shareholder concept, and a rejection of the idea that economic performance is the only performance that counts. The idea at the base of the triple bottom line is that in order for firm performance to be sustainable, it must integrate what are termed the three P's: profit, planet, and people. Thus, the profit-based concept of firm performance is extended by concern for the natural environment and communities, employees, and suppliers. In other words, this concept of firm performance integrates the stakeholders of CSR into the understanding of firm performance.

Although the triple bottom line concept is appealing from a CSR perspective, it does have some weaknesses. One of the main weaknesses is that since corporate social reporting is neither mandatory nor standardized in most places, it is difficult to use the concept as a quantitative or comparative measurement of firm performance (Hubbard, 2009). This means that in terms of practical application, it is not ideal. In contrast, the underlying metrics for financial performance are available in a standardized format for public firms, as they are set out by required accounting standards (Brigham & Houston, 2012). Although there have been some attempts to set out standardized measurements such as Hubbard's (2009) Sustainable Balanced Scorecard, these attempts are mostly applicable at the firm level. Thus, purely financial measurement of firm performance is in a pragmatic sense much easier to use for firm comparison, even though the triple bottom line concept is more valuable internally to understand the impact of the firm's CSR activities. Based on this analysis, the present study will focus on financial measures of firm performance.

There are a very large number of possible measures of firm performance that can be identified in the literature. However, many of these measures are inappropriate because they are absolute, leaving no opportunity to take into account the firm size or resources when considering performance. Four key measures of firm performance that do take resources into account, as well as prior performance, include return on equity (ROE) and return on assets (ROA). These two measures will be used in the current research. Some studies do use more complex measures of firm performance; for example, one study uses the Jensen, Treynor, and Sharpe measures of stock performance (Lin, Yang, & Liou, 2009). However, this level of complexity is not desired for the present research.

ROA can be calculated as the net revenues of the firm divided by its total assets (Brigham & Houston, 2012). This measurement demonstrates the asset utilization of the firm, or in other words shows how well it performs given the amount of assets it has at its disposal. ROA is a short-term measure of financial performance (as is the complementary ROE), which does not show long-term relationships between the firm's assets and returns (Kang, Lee, & Huh, 2010). However, it does provide evidence of immediate performance issues within the firm.

ROE is similar to ROA. It is calculated as net revenues divided by total shareholders' equity (Brigham & Houston, 2012). This measurement can be used with owner's equity in private firms, although this research focuses on public firms. The measurement demonstrates the firm's equity utilization, in effect demonstrating how well the firm is using its investment capital. This measurement is explicitly founded in shareholder theory, since its main focus is utilization of shareholder contributions.

These two measures of firm performance are not the only such measures that can be found. There are sets of standard performance ratios that examine economic efficiency, management, resource utilization, debt and equity management, stock performance, and other aspects of measurement of the firm (Lumby & Jones, 2003).

2.10 The Relationship between CSR and Firm Performance

The previous sections have outlined the theoretical foundations of CSR, stakeholder theory, and firm performance. In this section, empirical research is examined that supports the relationships between CSR and firm performance. The discussion begins with an examination of the general routes toward firm performance in CSR. It then focuses more particularly on two issues. First, the impact of stakeholder perceptions toward CSR activities on firm performance is examined. Second, the role of industry in this relationship is considered. This evidence serves as the basis for the hypotheses stated in the next section, which will guide the current empirical research as described in Chapter three.

CSR effects on firm performance

The first issue to discuss is the general relationship between CSR and firm performance. CSR theory suggests that firms can benefit directly and indirectly from CSR implementation (Kotler & Lee, 2011). Direct economic benefits come from increase in sales related to improved corporate reputation and consumer trust within the firm. Indirect economic benefits come from a variety of sources, such as more efficient production methods related to environmental impact reduction and employee commitment. The empirical evidence generally supports these findings, as shown below in a number of recent studies. However, some studies have found an attenuated or somewhat weaker link than others, and some have found no effect. Thus, this is not a settled question within the research.

In general, empirical evidence supports a positive relationship of CSR to firm performance. One study in Indian businesses examined stakeholder perceptions and CSR programs, and then related these perceptions to firm performance (Mishra & Suar, 2010). The authors found positive effects of CSR on ROA using several models, demonstrating that there was a financial relationship. This relationship was not uncomplicated; for example, they found that publicly listed companies had both higher CSR levels and higher returns from CSR. However, they do provide evidence that the relationship between CSR and firm financial performance persists in developing economies, which is particularly relevant for this study.

A review of previous empirical research by Carroll and Shambana (2010) sets out a general framework for understanding how firms benefit from CSR activities. The authors split the four responsibilities of business, defining CSR activities as those belonging in the ethical and philanthropic categories. This was because legal and economic responsibilities are primarily responsibilities to shareholders and to the firm itself, rather than to the community. The authors set out a variety of evidence from previous studies. In general, their review found that there was a positive performance link between CSR and financial performance. However, they acknowledge that the evidence is actually complicated, with some CSR activities having a positive effect, some having a negative effect, and some having no effect at all. They also acknowledged that the research has identified a number of moderating and confounding variables within the relationship at the firm level. Various mechanisms by which CSR may impact financial performance include cost and risk reduction, competitive advantage gains, gains in reputation and legitimacy, and synergistic value creation with other firms such as suppliers (Carroll & Shambana, 2010). Thus, although the authors acknowledge that there are some limitations to CSR and its impact on performance, it is clear that there is such a relationship.

Specific studies of financial performance and CSR activities have also shown the expected positive link. One example is a meta-analysis of environmentally sustainable supply chain practices (Golicic & Smith, 2013). This study included 215 studies published since 1990, which used a variety of accounting, market, and operational metrics of firm performance. The study found that, overwhelmingly, there was a positive link between environmentally supply chain practices and performance measures. The findings were also robust across supply chain structures, industries, and other dimensions, although there were differences that changed this relationship. A study of CSR and market orientation in China suggested that CSR was far more important, almost completely mediating the effects of market orientation (Qu, 2009).

Although Qu (2009) indicated that this finding is peculiar to China and may be because of the strong collectivist tradition in the country, it still demonstrates that there is a strong link and that this can be expected to persist. A third study provided more nuance to the effect of CSR on performance by examining the characteristics of high versus low impact CSR programs (Tang, Hull, & Rothenberg, 2011). This study found that firms with a slow implementation process, who used consistent approaches to implementing multiple related CSR programs, and who took into account both internal and external communications were likely to see the strongest positive effects.

Overall, the empirical evidence strongly supports the theoretical positive relationship between CSR and firm performance. However, there are aspects of the firm and the CSR program that can complicate this relationship.

2.11 Hypothesis Development

In order to examine the current research problem, six hypotheses have been proposed based on the existing literature and known findings. However, because some of the research is not as strong as might be useful, directionality of relationships has not been addressed.

The first hypothesis addresses the relationship between corporate governance and CSR.

Corporate social responsibility report in the literature reviews are difference name such as: corporate citizenship report; corporate responsibility and sustainability report; corporate responsibility report; corporate sustainable development reporting; environmental and social report; people, planet, profit report; sustainability development report; sustainability report (KPMG, 2013). Others name are corporate social disclosure; corporate environmental disclosure; environmental disclosure; financial disclosure; social disclosure; social, environmental reporting; relate party disclosure; public announcements disclosure; voluntary disclosure; voluntary disclosure practices; voluntary corporate disclosure; voluntary earnings disclosure; voluntary labor practices and decent work disclosure.

Corporate governance does effect companies disclosure behavior, under effective corporate governance managers are most likely to provide all relevant information to users and enhance overall disclosure behavior of firm. And corporate governance mechanisms are related to an increase level of environmental disclosure in the annual report (Rao et al, 2012).Corporate governance is the first important responsibility of business by executive and top management should support and link with corporate sustainable reporting and corporate performance (Srichanpetch, 2009).

There is a positive relationship between corporate governance mechanism and CSR disclosure.

Corporate governance mechanism in this study is based on agency theory and legitimacy theory that could be replaced by six mechanisms in the situations of imperfect competitive conditions of goods, labor and capital markets. It is proposed by agency theory that manager may be willing and be able to abuse their power in the firms' shareholders and other stakeholders exploiting (Hermalin and Weisbach 1998; Haniffa and Cooke 2002). In such of events, if the external corporate governance is unsuccessful, the internal corporate governance mechanisms by certain boards of directors will be expected to take the major role to supervise the managers and take them into account (Fama 1980; Hermalin and Weisbach 2003; Li et al. 2008; Guest 2009). The way that the supervision and control duties are discharged by broad are not only depended on their fiduciary duties, but also their organization and membership.

Institution Ownership

The two competing hypotheses are placed from the literature in describing the institutional ownership in disclosure and monitoring; active and passive (Al-Fayoumi et al., 2010; Alves, 2012). Firstly, it is suggested from the efficient-monitoring hypothesis that the sophisticated the institutional investors are in their resources and experience, thereby allow for the effective monitoring on the decisions by manager including decision related to disclosure (Abdel-Fattah, 2008; AbuRaya, 2012). Moreover, it is suggested from the agency theory that there are the extra incentives of the institutional investors to closely monitor on the disclosure policies (Jensen & Meckling, 1976; Elzahar & Hussainey 2012; Ntim et al., 2013). On the contrary, it is suggested from the passive hands-off hypothesis that the institutions' interests are prioritized by their passive and short-term investors (Al-Fayoumi et al., 2010; Alves, 2012). This implies the more interested among those investors in related disclosure and social activities.

Foreign Ownership

In general the demands for disclosures are more with the foreigners since the separation between geographically owners and management who hold shares in high proportion (Schipper 1981; Bradbury 1991). Moreover, it is likely that the foreign investors will have diverse knowledge and values since they expose into foreign market. Thus, the foreign owned company is expected to disclose more information to help them in decision making for instance, social and environmental information. The positively significant relationship is found by Haniffa and Cooke (2005) between the foreign ownership and CSR disclosures in Malaysian companies indicating the use of CSR disclosure as the proactive legitimating strategy to gain the ongoing capital inflows and to serve for the ethical investors. Thus, there is the potential for the group of investors to influence on the corporate disclosure practices including of listed companies' CSR disclosures in Thailand. Thailand, by the way that there is the higher amount of foreign ownership company, it is common since the multinational ventures growth and the percentage of shares that the foreign investors hold are so limited. Thus, also it is possible for the foreign investors to be unable to influence on practices of CSR disclosure since the limited nature of Thailand investment scale.

Government Ownership

In general, there are political, economic, and social goals for the government to achieve. The work of governments in nature is socially-oriented and this can lead to many conflicts between its goals as well as the private investor's goals to maximize the profit (Ntim et al., 2013). This study is however argues that the ownership by government could keep a balancing degree among the two competing goals in which can improve the firm's profits with effective social influence. In addition, the regulations are regularly set and issue to protect the society and therefore the governments can act as the good sponsoring example with these regulations compliance via their firm's ownership. Furthermore, it was stated by Eng and Mak (2003, p. 327) "The government sees disclosure and corporate governance as a necessary shareholders protecting measures". In consistent with Eng and Mak (2003) argument it was mentioned in Said et al. (2009), AbuRaya (2012), Ntim et al. (2013) and Al-Janadi et al.

(2013) that government ownership can also promote social responsibility, transparency, disclosure practices and the good governance.

Managerial Ownership

The managerial ownership influences on the voluntary disclosures has been in the accounting researchers' interests for a long time. Mainly, the previous literature shows the negatively relationship of managerial ownership with the voluntary disclosure levels (e.g. Eng and Mak 2003; Chau and Gray 2010). As earlier mentioned, the owner-managed companies in Bangladesh are very common while in the most cases there is the primarily comprising of family members in the board of directors (Farooque et al. 2007). Such managerial ownership focuses allow the managers to dominate the company and to make decision on the policies and strategies related to the organizational social behavior. The family members' dominance in the company management results toward the development on the tendency that the crucial decisions will be firstly made in the meeting among family members and then regularized in the formal board meetings thus, making such the largely symbolic meeting (Ahmed and Siddiqui 2011). For this firm type, public accountability may be less consider as the issue since the interests of outsiders may be relatively small. According to the agency theory view point, this refers to as 'type II' agency problem [see Villalonga and Amit (2006) and Kuo and Hung (2012) for agency problems review in family firms]. Plus, since the public interest level that the companies that closely held could be expected to be relatively low, this company types may be less active in social activities. To be said also, managers who closely held the companies may not heavily invest in socially responsible activities since these activities' investing costs may far outweigh its possible benefits. Hence, the closely held or owner-managed companies can be expected to have less amount of CSR information. Limited findings on previous evidence are also documented a negative relationship between the extent of CSR disclosures and managerial ownership (Oh et al. 2011; Ghazali 2007). Therefore, the hypothesis is proposed managerial ownership as proxy of CG mechanism.

Board Independence

According to the perspective of agency theory, the boards with a high independent director's proportion are presumed to have better effective controlling and monitoring management. Therefore, they are expected for better success in the management towards the firm value in the long terms to enhance the activities with the strong transparency level. I t is supposed that the independent should capable to evaluate the management performance in more objective way than the executive directors since the less closely involved in the firm strategies and business policies development. Moreover, independent directors are less CEO’s goodwill independent compared to the executive directors and affiliated non-executive directors the connection to the firm’s business. Thus, it is expected for the higher independent directors’ proportion in the board for the better control and monitoring management (John and Senbet 1998; Ahmed et al. 2006; Cheng and Courtenay 2006). In addition, the remuneration for the independent non-executive directors is not tied with the growth and financial performance of the form not like the top executives remuneration and the business affiliated non-executive directors’ prospects. As a result, it is expected by independent directors to focus less on targets of financial performance in short term with more interested on the measures to enhance for the long term sustainability of the firms for instance, such as reporting and engaging in CSR (Ibrahim et al. 2003). Thus, it is expected for the banks with independent boards to show the greater CSR reporting and CSR engagement (Jamali et al. 2008; Arora and Dharwadkar 2011). Indeed, it is suggested from the empirical research that the independent directors are more supportive to the CSR activities investment by the firm (Johnson and Greening 1999) and they seem to show more attention to the social impact perception of the firm rather than the executive or affiliated non-executive directors. It is moreover indicated from the previous research that the boards of directors with a high independent directors proportion seem to facilitate for the transparency and voluntary disclosure at the comparatively high degree (Cheng and Courtenay 2006; Patelli and Prencipe 2007; Donnelly and Mulcahy 2008; Li et al. 2008; Chau and Gray 2010). Independent directors are suggested to support for CSR activities disclosure to lessen the information asymmetry between the outsiders and insiders where this directs toward to hypothesis.

CEO Duality

It is suggested from the agency theory that the private interests of manager seem to show impact on their engaging degree in CSR activities and CSR disclosure.

Regarding to this context, we can observe the CEO duality both through the instrument and sign of managerial power. It is more likely for CEOs to be appointed as the chairs in the boards of directors if they possess the well track record with succeed or if the large proportion of firm’s shares is in their hand (Hermalin and Weisbach 1998). Moreover, since the ability is given to the chairs of the boards of directors to set for the board’s agenda with the influence from the provided information to other board members while CEOs who become chairs can more easily hide the important information from other, particularly the director from the non-executive (Haniffa and Cooke 2002; Li et al. 2008; Krishnan and Visvanathan 2009). A chair position could empower CEOs to influence in the board appointments as their preference (Haniffa and Cooke 2002). Thus, non-executive directors may be more possibly accepted by the managerial decisions apart from their better judgment since they will try to steer away from the oppositions with powerful CEOs, such as, to preserve their places on the board (Dey 2008). It is suggested from the empirical research that the attention of boards of directors is on negative affected from CEO duality monitoring (Tuggle et al. 2010), as well as the degree of voluntary disclosure (Donnelly and Mulcahy 2008; Chau and Gray 2010). Since profile risks of the firm tend to be reduced from the CSR engagement and disclosure (Simpson and Kohers 2002; Scholtens 2008; Salama et al. 2011; Ghoul et al. 2011), CSR reporting might be considered by CEOs as detrimental for their remuneration maximizing. In addition, if CSR can be used by the powerful CEOs for their own interests and moral convictions, rather than the shareholders’ and other stakeholders’ interests; it is likely for them to be hesitate to offer the high quality disclosure and comprehensive CSR activities. Since the information provision has raised the external control effectiveness not for just the informed investors, financial analysts and the business press (Healy and Palepu 2001; Li et al. 2008; Beyer et al. 2010), but also the other major stakeholders, and the public. It is expected that powerful CEOs will apply their power to curtail the voluntary disclosure, plus CSR disclosure.

The previous study found the relationship both positive and negative between corporate social responsibility reporting and corporate governance. The future research will improve the model to find out to clear relationship.

From the first hypothesis, corporate governance have evidence that positive relationship with firm performance. Therefore, second hypothesis will examine all seven mechanisms of corporate governance from first hypothesis. The companies should have good corporate governance in the rights of shareholder, environmental control, high disclosure and transparency, power of broad of director will attractive to investor or creditor and create profitability (Barger & Lubrano, 2006).

Previous study found difference of the relationship between corporate governance and corporate performance such as: positive relationship (Bauer et al, 2003; Brown &Caylor, 2004; Klapper & Love, 2004; Nam &Nam, 2004; Erbiste, 2005; Gomper et al., 2003; CLSA, 2001), no relationship (Chidambaran et al, 2006; Pham et al, 2007). The relationship of the mechanism and principle of corporate governance and corporate performance are:

There is a positive relationship between corporate governance mechanism and Firm performance

The third hypothesis addresses the relationship between CSR, stakeholder perspectives, and firm performance. The research clearly supports a relationship between CSR activities and firm financial performance, and in most cases this relationship is found to be generally positive (Carroll & Shambana, 2010; Golicic & Smith, 2013; Kotler & Lee, 2011; Mishra & Saur, 2010; Qu, 2009; Tang, et al., 2011). This is distinct from any non-financial performance measures, which are not considered in the current study. There are some subtleties, such as firm and industry structure (Hull & Rothenberg, 2008); CSR program orientation (Jayachandran, et al., 2013); and time-frame of the program (Lin, et al., 2009; Nelling & Webb, 2009; Tang, et al., 2011). Manipulative or dishonest use of CSR can also negatively impact firm performance (Fooks, et al., 2013; Janney & Gove, 2011). Overall, however, the empirical evidence suggests that good-faith CSR programs have a positive impact on firm financial performance.

The second aspect of this hypothesis is the difference in stakeholder perspectives. Stakeholder perspectives are inherently related to types or streams of CSR programs used by firms, and these programs have a different impact on firm performance (Inoue & Lee, 2011). Thus, it is not just the existence of CSR programs that influences the firm’s outcomes, but also how its stakeholders perceive it. A few comparative studies have identified differences in stakeholder group perceptions and outcomes on the firm’s performance (Mahon & Wartick, 2012; Mishra & Saur, 2010). This evidence is not as strong as it might be, offering an opportunity for comparative research. However, a number of studies of individual perspectives have identified differential impacts of stakeholder groups on firm performance and conditions under which it occurs. For example, the impact customer perspective of CSR on consumer-facing firms such as retail firms is potentially very strong, but is not effective unless consumer awareness is high (Servaes & Tamayo, 2013). Similarly, support for some perspectives may come from unexpected quarters; for example, evidence suggests that institutional investors (nominally representing the shareholder perspective) also improve environmental protections (thus, also representing the environment’s perspective) (Walls, et al., 2012). Thus, there is substantial evidence that stakeholder perspectives have different effects on CSR. Based on this evidence, the hypothesis is posed:

There is a positive relationship between CSR disclosure and firm performance.

Last hypothesis is based on the former research on the positive relationship between CSR and corporate governance, in which the corporate governance also present the positive relationship with the firm performance .Thus, CSR and corporate governance engagement could positively relate with the firm performance since one of the essential rationales behind CSR engagement is to form the relationship with trust and social capital, to pay more attention on the effects from social capital on economic variables. The relationship between social capital and economic growth have been analyzed by several studies (Knack and Keefer, 1997); as well as social capital and trust building (La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 1997a, b); social capital with government performance (Putnam, 1993; La Porta, Lopez-de-Silanes, and Shleifer, 1999); and social capital with financial development (Guiso, Sapienza and Zingales, 2004). In spite of the more social capital attention, only a few studies however considered on the finance examination in CSR engagement. Aggrawal and Nanda (2004) investigate on the board size and social objectives relationship while Fisman, Heal, and Nair (2005) research on the association between CSR and profitability.

Barnea and Rubin (2006) examine on CSR ratings and the firm ownership and capital structures relation. Goss and Roberts (2007) analyze on the association between cost of debt capital and CSR. Although these studies can enhance our understanding on the crucial of CSR engagement costs and benefits, in our opinion, the former research on this issue seem in stage that too fast to offer any definite conclusions on CSR engagement impact on the firm value. CSR engagement is interpreted by some researchers as a signaling device as can be seen in the interpretation of Fishman, Heal, and Nair (2006) and Goyal (2006) on CSR investment is that it is the signal in competitive industries and foreign direct investment, respectively while the focus of the other studies is on corporate contributions. Schwart (1968) asserts profit maximization together with the psychological motivation of CEO underlying with the reason behind the contribution to the corporate philanthropic. He claims that both corporate contributions and CSR can be seen as the social indirect investment to yield the reputation, potential increasing of revenue and reducing cost in which increase the firm value. It is maintained by Navarro (1988) that the factor of profit-maximization and managerial discretionary can describe the corporate contributions. The examination of Brown, Helland, and Smith (2006) is also conducted on corporate philanthropic contributions and agency costs.

There is the effect of corporate governance mechanisms on firm financial performance that mediated by CSR disclosure.

2.12 Control Variable

Industry impacts on the relationship between CSR and firm performance. As with the impact in stakeholder perceptions on firm performance, the evidence on industrial differences on firm performance in relation to CSR is tentative. However, it is suggestive that there is a substantial difference. Napompech (2012) identified seven key industrial sectors in the Thai economy, including industrials, consumer products, technology, agriculture and food, resources, construction and building materials, and services. These seven sectors are not always identified by name in other studies, due to different categorization techniques and industrial structures of different economies. However, this section demonstrates that some studies have shown differences in CSR contribution to firm performance, either among these same industries or in different industries.

A few studies have examined differential effects of CSR on firm performance between industries. A study in India compared 18 different industries, including several that Napompech (2012) identified as being key Thai industries (Mishra & Suar, 2010). This study found that the impact of CSR on ROA was different, because ROA in general was very different between firms. Simply, some industries achieve much higher ROA figures than others, which can exaggerate or reduce the effects of CSR perceptions on ROA. The authors used an industry-adjusted ROA figure in order to account for this difference. However, this study did not detail the differences that were found between industries, making it difficult to predict directionality or extent of difference in similar Thai industries. A second study examined financial and customer stakeholders (not dividing further) and their perceptions of CSR in different industries (Mahon & Wartick, 2012). There were nine industries included in this study, derived from international leading companies. The report found different effects of financial and customer perceptions on firm performance between the industries. This suggests that there is a difference, but does not clearly identify the extent or direction of difference for this study, as with Mishra and Saur's (2010) study.

As Servaes and Temayo (2013) intimated, customer awareness is essential for CSR to have an effect in customer-facing industries. A study of green marketing supports the idea that CSR effectiveness in consumer products industries is dependent on marketing (Cronin, Smith, Gleim, Ramirez, & Martinez, 2011). This study found that green marketing increased consumer awareness about CSR-related activities, especially environment and product oriented activities (though also including supplier and employee activities). This in turn had a positive impact on recognition of the firm's performance. It is easy to see how these results may hold true in other customer-facing industries like services, but may not be as relevant in industrials, construction, and so on. Thus, the relevance of marketing may be one factor in differences in perceptions between industries.

The fact that not all industries have equal access to consumers, and thus may not have as strong a financial effect from CSR initiatives, is underscored by a discussion of CSR in the French agriculture industry (Taddei & Delécolle, 2012). In contrast to the usual assumption that CSR activities and reporting is voluntary, in France large companies must have a CSR policy in place. This requirement is also followed by a number of smaller firms, who are either anticipating future requirements or simply meeting customer expectations. However, firms in the agricultural industries generally tend to be small and undifferentiated and have little direct access to consumers. This means that the effect of CSR policies on the financial performance of the firms is limited. Cooperatives, which act as aggregated distribution and production channels for micro-producers in the agricultural sector, also act as a channel for distribution of information about the CSR policies of small firms. This report does not prove that the channels worked to improve firm results, but they do demonstrate that different industries have different customer and firm relationships and thus may benefit differently from CSR activities.

The relationship of stakeholder perceptions on CSR and financial performance may depend on the particular impacts of the industry and how directly they deal with customers. This type of relationship is demonstrated by a study of CSR and performance in Argentinean mining companies (operating in the natural resources sector) (Mutti, Yakovleva, Vazquez-Brust, & Di Marco, 2012). The mining industry in Argentina has a history of community and employee exploitation, negative environmental industries and pollution, which has led to a number of groups that oppose the industry generally on environmental and social grounds. As a response, some firms have developed and continue to develop CSR policies that are meant to take into account stakeholder interests and needs. These programs are not generally seen as successfully by community groups and institutions, who feel that self-regulation in the industry is weak and insufficient to provide transparency and accountability. Thus, the mining industry's CSR programs only have a limited effect on financial performance. It is important to note that in this case, financial effects come from controls on availability of further resources, rather than customers (since few consumers are direct mining customers). Thus, this situation is very different from customer-facing situations such as consumer products and services, though it may be similar to industrials, construction and construction products.

Overall, there is evidence that the industry a firm operates within affects the relationship between CSR and firm performance. It also demonstrates that the importance of CSR disclosure and their views varies depending on the industry.

CHAPTER 3
RESEARCH METHODOLOGY

This chapter introduces the research methodology used in this study. The goal of the methodology is to define CSR perspectives used within the firm and connect these perspectives to the financial performance of the firm. This chapter includes: a discussion of the research design; the research variables and measurement; data collection; reliability and validity of the data; data analysis; and limitations of the study method. The methodology will support the primary findings, which are presented in the next chapter.

3.1 Research Design

The research design relies on secondary published information, specifically annual reports. This approach was chosen because it is more reflective of the historical context and will be more robust than an alternative approach, such as a survey. Quantitative data will be used to model firm performance, specifically data from the firm's annual reports. However, there is no set quantitative metric that can be used to measure CSR. Instead, data will be assessed and systematically condensed into a quantitative score or metric for CSR utilization. This approach can be described as a systematic approach to qualitative data. This index-building approach is commonly used to measure business outcomes where there is no specific single quantitative metric that could be used (Zikmund, Babin, & Carr, 2012). It is somewhat vulnerable to bias, given that the researcher will ultimately select the data for assessment, but this can be avoided by using a systematic and outlined approach to data collection and analysis (Zikmund, Babin, & Carr, 2012).

3.1.1 Population and Samples

In this study, the sample is drawn from the listed companies in the Stock Exchange of Thailand (SET). The sample selection is restricted to those firms with the available annual report on SET website. Some of the annual reports have been also collected from the other sources, such as the Securities and Exchange Commission of Thailand (SEC), the SETSMART database and its firms' websites. The yearly sample data at 2014. This particular period was chosen because The Securities and Exchange Commission by committee of capital market announce condition and reporting methods to disclosure about CSR in a registration statement information securities offering (69-1), a registration statement in annual report (56-1) and annual report (56-2) starting effect on 1st January 2014. Moreover, the sample of Stock exchange of Thailand listed companies cover seven industrial sectors exclude financial and banking industry.

Table 3.1 Samples selection

Description		**2014**
Total companies 2014		**554**
Excluding		
-Financial industry	58	
-Property Fund	53	
-Under Rehabilitation	15	126
Companies not completes data		34
Outlier data		12
		172
Sample		**382**

Resource : http://www.set.or.th

3.1.2 Data Collection Procedure

The population of interest in this research is Thai firms. The sample that will be selected is Thai publicly listed firms on 2014. The main source of data will be SETSMART, or the SET Market Analysis and Reporting Tool. This database includes annual financial reports and performance figures for all firms listed on the Stock Exchange of Thailand (SET). Additional sources of data include standalone report; sustainable report and CSR report.

SETSMART will be used as a source for two different forms of data. First, the financial statements stored in SETSMART will be queried in order to extract the appropriate performance measures from firms within the selection set. This information will be quantitative in nature, including ROA and ROE. Given that annual reports included in SETSMART are the same annual reports that firms must file with SET in order to remain listed, they can be considered to be the most accurate information source in this regard. The annual reports listed in SETSMART will also be used to collect information about the CSR perspectives. However, test sampling has shown that annual reports do not always include comprehensive information about CSR activities. In order to fill this gap, further research will be done using the firm's own website and, if produced, corporate social and sustainability reports; news reports; and any additional reports that discuss the firm undertaking CSR activities during this year. This holistic approach will allow the broadest possible capture of information about CSR activities and enable accurate CSR scoring using the method outlined. All sources will be listed and disclosed.

3.2 Research Variables and Measurement

There are three types of variables used in this study. They include variables to measurement corporate governance, CSR disclosure index score, and financial performance variables.

3.2.1 Corporate Social Responsibility Disclosure Variables

This study will conduct index of CSR items that cover GRI, ISO 26000, and Sufficiency Economy Philosophy. Moreover CSR index adapt from the recent research by Clarkson (1995), Kapoor and Sandhu (2010) and Mishra, S., & Suar, D (2010). There are CSR variables in the study no direct quantitative indication of CSR performance in these areas. Therefore, the authors constructed 60 items index of CSR items, each of which reflects an aspect of one of six stakeholder categories.

In this study, CSR index has been collected in several stages. Content analysis is the first stage to construct a CSR checklist involving CSR disclosure dimension theme selection. A categorization scheme is determined based on Freeman's (1984) stakeholder theory as well as the earlier studies by Kapoor and Sandhu (2010) and Mishra, S., & Suar, D (2010). The material used in these studies is adapted in order to sort information into three groups: location, theme and CSR reporting form. The examination is made on the section of chairperson's report, operation review, corporate governance, CSR and other more annual report sections. The disclosure theme is based on shareholder, employee, customers, supplier and community environment. The disclosure form comprises of narrative including monetary data and/or photographs.

The second stage of the study involved CSR disclosure checklist forming in which aimed to obtain the full CSR disclosure dimensions view in following categories: shareholder, supplier, employee, customer, and community environment dine by Clarkson (1995) Kapoor and Sandhu (2010) and Mishra, S., & Suar, D (2010). Moreover, to comply with GRI, ISO 26000, and Sufficiency Economy Philosophy according to Thailand CSR integrated framework, this CSR checklist was pre-tested on 20 firms' annual reports from eight industries. After CSR checklist pre-testing, there are 60 items in CSR checklist consisting of 14 items for employee, 5 items on customer, 6 items on shareholder, 14 items on community involvement, 16 items on environment and 5 items on supplier.

Afterwards, the content analysis technique on the companies' annual report is applied to measure CSR scores. Content analysis is nothing more than the event incidence attribution indicated from mentioning the event under literary document questions that constitute the raw data (Abbott and Monsen 1979). However, the content analysis shortcoming is that it gives no crucial indication on the companies with each of information item (Gray et al. 1995). In the present study, the scoring procedure (for CSR measurement) is the same as adopted by Ernst and Ernst (1978), Abbott and Monsen (1979) and Kapoor & Sandhu (2010). Disclosure of items is assigned a value of 1, and non-disclosure a value of 0. On completion of content analysis, there is an index score generated from each of the items that related to the appropriate stakeholder category. The index score represents the score of the total number of items in the category that were disclosed by the firm. This does have flaws, particularly in that it does not reflect the firm's view of the relative importance of a particular effort (Kapoor & Sandhu, 2010). Hence, this study will conduct index of CSR items that cover GRI, ISO 26000, and Sufficiency Economy Philosophy which follow CSR Integrated framework in Thailand. The index will conduct follow Kapoor & Sandhu, 2010 and Mishra, S., & Suar, D ,2010 idea that separate in each group of stakeholder theory.

3.2.2 Corporate Governance Variable

There are six variables used in this study. Each of these variables reflects one aspect of the good corporate governance. There are summarized in Table 3-1. Beside analysis from previous study, the author analyzed all six variable of corporate governance base on the majority shareholder holding five percent or more.

Table 3.2 Corporate governance variable

Variable	Measurement	Source
Independent directors	percentage of independent (nonexecutive) directors on a board	Rao et al., 2012; Villiers et al., 2009; Chen & Jaggi, 2000; Cheng & Courtenay, 2006; Shan, 2009; Donnelly & Mulcahy,2008; Kathyayini, et al., 2012; Khan et al, 2013; Lakhal, 2005; Ho & Wong, 2001; Cahaya et al., 2009; Eng&Mak, 2003.
CEO role duality	Dummy variable 1= Non-CEO role duality 0= CEO role duality	Donnelly & Mulcahy,2008; Tuggle et al.,2010;Chau and Gray, 2010.
Institutional ownership	percentage of Institutional ownership	Donnelly &Mulcahy, 2008; Laidroo, 2009 Moustafa et al, 2012; Halme&Huse, 1997; Donnelly &Mulcahy, 2008; Rao et al., 2012; Habib& Jiang, 2009; Shan, 2009; Lakhal, 2005; de Villiers et al., 2009;
Foreign ownership	percentage of foreign ownership	Shan, 2009; Lakhal, 2005; Khanet al, 2013; Moustafa et al, 2012; Laidroo, 2009
Government ownership	Dummy variable 1= Government ownership 0= Non- Government ownership	Habib & Jiang, 2009; Eng & Mak, 2003; Khanet al, 2013
Managerial ownership	percentage of managerial ownership	Habib& Jiang, 2009; Donnelly &Mulcahy, 2008; Eng & Mak, 2003; Khanet al, 2013; Moustafa et al, 2012.

3.3 Dependent Variables

There are two dependent variables used in this research. Each of these variables reflects different aspect of the firm's financial performance. Since this study is taken from an accounting or financial perspective, standard metrics have been defined that can be recalculated by anyone in order to repeat this study. The three measurements are defined and summarized in Table 3.3.

Table 3.3 Definition of dependent variables

Dependent Variable	Definition	Calculation
Return on Equity (ROE)	ROE represents the firm's return on equity, or how well it utilizes its shareholder equity in order to generate profits. A higher ratio indicates more effective management and better performance.	$\frac{Net\ income}{Shareholder's\ equity}$
Return on Assets (ROA)	ROA represents the firm's utilization of its available total assets in order to generate profits. Like ROE, a higher ratio indicates better performance.	$\frac{Net\ income}{Total\ assets}$

(**Source: Brigham & Ehrhardt,** 2011; Chung & Pruit 1997; Ghosh, 2011; Tobin 1969; Wolfe &Sauaia, 2003.)

Control Variable

As previously noted, industries in Thailand make different contributions to the economy and engage with export markets differently (Bank of Thailand, 2013). In order to understand whether there are differential effects of CSR across different industries, a dummy variable will be used. A dummy variable enables the researcher to determine the effects of a binary category on a particular variable relationship (Crown, 1998). It can be used in multiple regression analysis to indicate effects of different categories. However, a dummy variable can only have two values, 0 and 1. However, Napompech (2012) use seven dummy variables; 1 = Industrial; 2 = Consumer Products; 3 = Technology; 4 = Agriculture and Food; 5 = Resources; 6 = Construction and Building Materials; and 7 = Service to indicate membership (or non-membership) in each industry. These variables will all be defined as 1 = In the industry and 0 = in a different industry.

Table 3.4 Grouping of Industries

Sequence Number	Industry	Firms	Percent
1	Industrials	69	18.1
2	Consumer products	39	10.2
3	Technology	34	8.9
4	Agro & Food	39	10.2
5	Resources	33	8.6
6	Construction & Building Materials	84	22
7	Service	84	22

This study, therefore, included industry type (IND) as a control variable, as adopted from Patten (1991), Roberts (1992), Hackston and Milne (1996), Hossain et al, (2006) and Bayoud et al, (2012). The industry variable in this study is defined as manufacturing (Industrial, Agriculture and Food, and Resources.) and non-manufacturing industries (Consumer products, Technology, Construction & Building Materials and Services). If a company belongs to manufacturing industries, the variable is set to "1" and a company does not belong to manufacturing industries, the variable is set to "0".

3.4 Reliability and Validity of Data

The reliability and validity of the underlying data is the most important aspect of this research, since the analytical technique selected will not work without appropriate data. Reliability of data refers to the consistency of the data, while validity refers to the extent to which it reflects reality (Zikmund, et al., 2012). The data source for this research was specially selected because firm annual reports stored in the SET database can be considered to be the authoritative statement of the firm's performance and activities during the period. This does not mean they are necessarily correct (though the researcher would not be able to determine their correctness except in extreme cases), but that they are the most reliable and valid source that could be found. SETSMART can be considered an authoritative and trustworthy source of the type of data required for this study for firms listed on the Thai stock market, fulfilling requirements for data reliability and validity. Additionally, as annual reports are created in a standard format required by the SET, there will be no errors related to inaccurate transformation of financial statements or other issues. Thus, this is not thought to be a significant problem in this research. However, content validity testing was conducted. The content validity was used to assess the CSR index covering the theory. The CSR index was reviewed and assessed by three experts consisting of two scholars including Associate Professor Dr.amzuddoha Azad and Dr.Wisuttorn Jitaree and one businessman from business sector; Mr.Surasak Suthongwan who is executive vice president of Toyota Motor Thailand Co., Ltd. based on IOC (Index of Item-Objective Congruence) method. The result from this assessment was then adjusted and improved for the index's accuracy. Content validity refers to the degree when the instrument can fully evaluate or measure the construct of attention (Cooper & Schindler, 2003). This study tests the content validity using the index of item-objective congruence (IOC) (Rovinelli & Hambleton, 1977). The IOC was tested by three CSR report area professional raters. They will review all the items then clarify and comprehend to give the comments on each item via the rating scales from 1 (for clearly measuring), -1 (clearly not measuring), or 0 (degree for the unclear content). For each item, the IOC score was calculated via the total rating score divided by the raters' total number. All the items with less than 0.5 IOC score were cut off from the final instrument. The content validity value was shown in appendix B. After finished the testing on 60 items, the result is 0.87 in which indicating the acceptable content validity.

An index was constructed base on an extensive list of items of G4 by Global Reporting Initiative (GRI) and recent study by Kapoor and Sandhu (2010) and Mishra, S., & Suar, D (2010), Thus the coefficient alpha (Cronbach, 1951) was applied to test the reliability. The Cronbach's alpha refers to the extent to which the items in a test measure the same construct (Ho, 2006). The value above 0.70 is generally accepted (Carman, 1990; Nunnally & Bernstein, 1994). The Cronbach's alpha values of coefficients of the instrument were tested. Therefore, the 0.85 Cornbach's alpha that is above 0.70 is accepted for the study.

3.5 Data Analysis

There are two techniques for data analysis as used in this study. First is the confirmatory factor analysis (CFA) and second is path analysis. Confirmatory factor analysis or CFA refers to a type of structural equation modeling (SEM) used in the measurement models that represents for the relationship between latent variables and observed measures. Later, path analysis as a statistical technique is applied for the direct and indirect relationships comparative strength examining among variables. A series of parameters are calculated to solve one or more structural equations to test for the fit between two or more causal medals of the correlation matrix. The author sets for the hypothesis by the model fit. According to the literature reviews, the relationship of CSR discloser affected by good corporate governance is investigated and these influences are still on the firm financial performance. Only once at a time, a single multiple-regression model can specify on one response variable while path analysis can estimate on as many regression equations as required by all theoretical relationship proposed among the variables in simultaneously explanation.

To illustrate, consider the following hypothesis that firm financial performance is directly affected by good corporate governance and CSR disclosure. In addition CSR disclosures depend on good corporate governance. Further, the CSR score of disclosure is hypothesized to affect firm financial performance.

This study aims to evaluate the proper research model together with seven indicators. The first indicator is the Chi-square ($\chi 2$ or CMIN).Model that is consistent to data should have Chi-square small area p- value greater than 0.05 ($p>0.05$) (Hu & Bentler 1999). The ratio of Chi-square/degree of freedom ($\chi 2/df$ or CMIN/df) is the second indicator that must less than 5.0 in model fitness indicating (Marsh & Hocevar, 1985; Bentler, 1989). The comparative fit index (CFI) and incremental fit index (IFI) are the two later indicators that required being more than 0.9 in order for good fit indicated (Bentler & Bonett, 1980; Bentler, 1989). The fifth indicator is goodness of fit index (AGFI) adjusting that must be greater than 0.9 to be good fit (Anderson &

Gerbing, 1988; Jöreskog & Sörbom, 1993). Parsimony goodness of fit index (PGFI) is the sixth indicator that required being greater than 0.5 for acceptable fit indicated (Byrne, 2001; Hair et al., 1998). Root mean square error of approximation (RMSEA) is the last indicator that must be lesser than 0.05 to indicate good fit and between 0.05 and 0.08 for reasonable fit indicating (Browne & Cudeck, 1993; MacCullum et al., 1996).

In this research, the relationships among variables are determined by p-value and t-test related to critical ratios (C.R.). Garson (2005) stated that random sample variables with the standard normal distributions can be estimated with more than 1.96 critical ratios (C.R.) in which will be considered as significant at the 0.05 level. Thus, relationship was evaluated with the statistical significance supported by those more than 1.96. Meanwhile, less than 0.05 p-value was significant at 0.05 level (*p-value < 0.05), less than 0.01 p-value was significant at 0.01 level (**p-value< 0.01), and less than 0.001 p-value was significant at 0.001 level (***p-value< 0.001) (Arbuckle, 2011).

Thus, the set of hypothesized direct causal relationship correspond to the following path equations:

$$CSR = a1 + \beta 1\text{institutional ownership} + \beta 2\text{foreign ownership} + \beta 3\text{government ownership} + \beta 4\text{managerial ownership} + \beta 5\text{board independent} + \beta 6\text{CEO duality} + \beta 7\text{ manufacturing} + e1 \quad (1)$$

$$ROA = a2 + \beta 8\text{institutional ownership} + \beta 9\text{foreign ownership} + \beta 10\text{government ownership} + \beta 11\text{managerial ownership} + \beta 12\text{board independent} + \beta 13\text{CEO duality} + \beta 14\ CSR + e2 \quad (2)$$

$$ROE = a3 + \beta 15\text{institutional ownership} + \beta 16\text{foreign ownership} + \beta 17\text{government ownership} + \beta 18\text{managerial ownership} + \beta 19\text{board independent} + \beta 20\text{CEO duality} + \beta 21\text{ CSR} + e3 \quad (3)$$

In this model, the good corporate governance has influenced on CSR (Eq.1). Firm financial performance (Eq.2) has relied on the partial regression coefficients such as the good corporate governance and CSR score. Each endogenous or outcome variable also possess the error term or residual path (e) related to it in which reflect the unexplained variation left in the path model by the explanatory variable.

The method of path analytic underlines the approach of structural equation modeling (SEM), however this approach offers the choice with more powerful toward path analysis and other techniques of regression. More flexible assumptions allow from SEM includes the explicit modeling correlated error terms, nonlinearities, interactions, and data level. Moreover, while the only deal of path analysis is on the measured variables but the latent variables that cannot directly be observed in data can be modeled by SEM and rather be inferred from measured variable. The multiple indicators applying in a construct leads to the lowering of error in measurement and promoting for the higher reliability of data.

The analysis of mediation effect

For the research that aims to study the cause factor of the independent variable that influence on the dependent variable and to be used in the regression analysis of testing. The obtained result will find out only the direct effect that presents the amount of independent variable ability to explain or predict the variance that can only take place in the dependent variable. However, it may not conform to the real condition of the independent variable that can have both direct and indirect impact on the dependent variable. Therefore, adding the mediator variable into this research will make clearer the characteristic of influences from the independent and dependent variables. The indirect influence of the independent variable that passes from the mediator variable through the dependent variable is called as mediation effect.

Selection of mediator variable to study is accounted as the significant process. The crucial guideline in the selection of the mediator variable is the researcher needs to clearly study on the theoretical concept or related researches whether the independent variable has the relationship or being the reason that effects on the mediator variable. Thus, mediator variable shall have the relationship and being the cause that effects on the dependent variable as well. The relationships between independent variable, dependent variable and mediator variable have the large effect on the power to test the mediation effect. Since in practice, if the independent variable can explain more about the variance in the mediator variable, it would lead to the lesser amount of variance in mediator variable that will explain the dependent variable.

Thus, the researcher have to use the large sample to add more power to test on the mediation effect over the dependent variable and the test of independent variable effect over the dependent variable when controlling the effect of the mediator variable at the constant value. That is, the size of relationship between independent variable and mediator variable can effect on the power to test the mediator variable.

Besides, considering on the relationship between mediator variable and dependent variable is another crucial factor. If the size of relationship between the mediator variable and dependent variable has higher value than the size of relationship between the independent variable and mediator variable, it could lead to the higher testing power of the mediator variable as well.

The essential benefit of the Structural Equation Modeling is it can also test for the route of power either in direct and indirect way and it can also assess for the complex value of variance in measurement and the relationship of variance of measurement. Even or bringing some part of the return-effect study into the model (Baron and Kenny, 1986). This makes the Structural Equation Modeling: SEM plays more roles in the test of mediation effect.

Characteristic of mediation effect

As the mediator variable functions to send the effect from the independent variable to the dependent variable, we call it the mediation effect. This is normally used in the study of causal model as when considering the characteristic of effect sending from the mediator variable in simple form. That is to study the effect of independent variable over the dependent variable through the mediator variable, one for each variable type to be the sample for the basic understanding of those who are interested. It is the independent variable that is the cause of mediator variable and the mediator variable is the cause of dependent variable. Therefore, the mediator effect can be called in various ways such as indirect effect, surrogate effect, intermediates effect or intervening effect (MacKinnon et al., 2002 cited in Wu, A.D., & Zumbo, B.D., 2008)

The characteristic of mediation effect can be summarized into two characteristics as follows.

Firstly complete mediation or perfect mediation. Complete mediation model has the characteristic of the linear relationship as can consider from

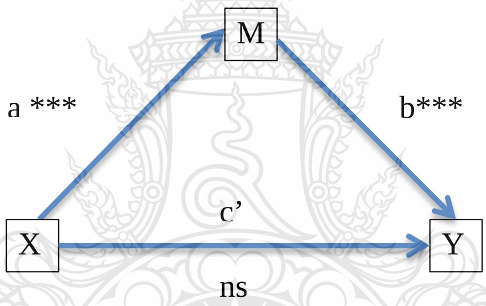
$$\boxed{X \longrightarrow Med \longrightarrow Y}$$

When x is thing that happened before (independent variable)

Med is mediator variable

Y is the outcome or dependent variable

Thing that happens formerly (x) can have an indirect effect over the outcome (y) only. By x must have direct effect toward Med then Med will directly effect on Y. therefore, if there is the control on the effect of Med, it could make x unable to effect on y. That is x has no direct relationship with y, we call this characteristic of effect as “the effect of x over y through Med completely” or “Complete mediation model”.



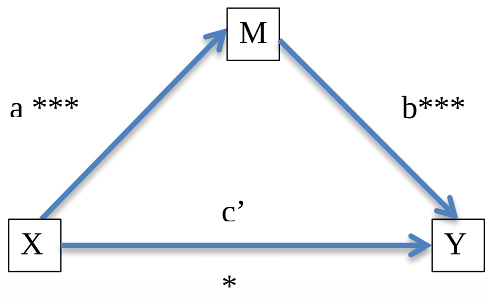
When considering the form of simple relationship, it can be seen that c as total effect of x over y. if not brining Med to study c’ is the direct effect of x over y and when controlling the effect of Med, there will be no statistical significance found.

a is the direct effect of x on Med

b is the direct effect of Med on y

Therefore, an indirect effect of x over y is equal to a x b which is equal to the different result of total effect and the direct effect (c-c’) of x over y

Secondly partial mediation, the model of partial mediation in form of simple relationship in which can be explained as follow:



When bringing Med to study in the causal structure, it can be seen that x effects on Med with the statistical significance (a) and Med has lesser effects of y but still with the statistical significance (b). In the same time, it is found that there is some partial direct effect of x over y at the statistical significance (c')

Therefore, the total effect of x on y has the equal value with the indirect effect (a x b) – direct effect (c'). In case of direct effect test on x over Med and the direct effect from x over y, there is the statistical significance (a and c') but the result of direct effect test from Med over y found none of statistical significance (b). This is called as no effect pass through mediator variable in causal model or no mediation. For this kind of case, it means the mediator just functions as another dependent variable in the research

Data was prepared and screened before being analyzed, because the majority of estimated methods in SEM make a specific distributional assumption about the data. Data-related problems can make the result biased and SEM computer programs failed to yield a logical solution (Kline, 2011). AMOS version 18 software was used to analyze the data for measurement models. In contrast, the structural model defines relations among latent variables. The software application used to organize and analyze the data for structural model was SPSS version 20.

3.6 Limitations of Methods Used

There are some significant limitations to the methods that are chosen for this research. The first issue is that the research will only include publicly listed firms. This is required because of differences in financial information availability and CSR disclosure between publicly listed and privately owned firms in Thailand. However, it does mean that factors such as public and regulatory pressure may have an undetected influence on the outcomes of the study. The second limitation is that the time period of the study is relatively recent. This means that historical trends are not reflected in the findings. Given the redesign of Thailand’s markets and financial structures following the 1997 financial crisis this is not necessarily a negative factor, but it does pose a limitation. The use of SET as a data source also imposes a geographic and ownership limitation. In particular, the firms that are listed on SET are mainly domestic Thai firms, and most ownership of Thai stocks is also domestic. This means that the results of the study will be particular to Thailand, though the findings might be applied in an analytical sense to other markets. A final limitation is that assessment of CSR scores is by its nature somewhat subjective. Although the researcher has selected a systematic approach, there is still an element of judgment that could not be eliminated, and that may introduce bias. The researcher is aware of this and will work to avoid any such bias making its way into the analysis.

CHAPTER 4
RESEARCH RESULT

This chapter describes the results from the confirmatory factor analysis (CFA) of the measurement models that is the first step of the structural equation model (SEM) analysis. After that present the results of path analysis technique to analyze data that is a sub - technique of the structural equation model (SEM) analysis.

First of all, used CFA to confirm the measurement models of latent (unobserved) variables within the AMOS program. This study use CFA to confirm all six groups that fit for measurement CSR. Then use structural equation model (SEM) for path analysis.

4.1 Description Statistics

The descriptive analysis provides about maximum, minimum, mean, standard deviation, skewness and kurtosis of all observation in 2014. This study collected data from 382 respondents which were a large enough sample to assume that they followed the rule of normal distribution. The results shown the value of skewness were ranging from 0.134 -2.436 and the values of kurtosis ranging from 1.712 -3.969.

Before conducting any statistical analysis, the rule of normal distribution of collected responses should be test. Normal distribution was assessed by two indicators including value of skewness and kurtosis. The suggestion by Stuat and Ord (1994) claimed that the value of skewness should be between -3 and +3 to judge the normal distribution. Decarlo (1997) suggested that the value of kurtosis should be between -3 and +3 to judge the normal distribution. The descriptive analysis present on Table 4.1 provides the results indicated the values of skewness ranging from 0.134 - 2.436 and the values of kurtosis ranging from 1.712 - 3.969. Thus, the results display the descriptive statistics of variables which are the proxy for board independent, CEO duality, institutional ownership, foreign ownership, government ownership, managerial ownership, ROA, ROE and CSR disclosure score including control variable the type of business after the transformation of the data. All of variable distributions were close to normal because the absolute value of skew index was less than 3.0, while the absolute value of kurtosis index was less than 10.0. As soon as the data had been prepared and screened, multivariate statistical analysis can be used in this study. Therefore, table 4.1 shows the average of all variable. Board independent has mean value at 4.0445, maximum was equal 9 and minimum was equal 3 (SD= 1.1819), CEO duality prefer dummy variable provide the companies has CEO duality was equal 61.5%, the other 38.5%, has mean value .384, maximum was equal 1 and minimum was equal 0 (SD=0.4869), institutional ownership has mean value at 37.125, maximum was equal 97.88 and minimum was equal 0 (SD=29.217), foreign ownership has mean value at 11.634, maximum was equal 87.51 and minimum was equal 0 (SD=17.507), government ownership has a proxy was dummy variable has a number of companies that has government holding was equal 44 companies and 338 companies government was not hold share. Government ownership has mean value 0.114 maximum was equal 1 and minimum was equal 0 (SD= 0.317), managerial ownership has mean value14.873 maximum was equal 76.86 and minimum was equal 0 (SD=14.873), ROA has mean value 7.282 maximum was equal 53.42 and minimum was equal -28.68 (SD=8.338), ROE has mean value of 9.547 maximum at 77.91and minimum at -37.15 (SD=14.294), and CSR disclosure score has mean value of 45.175 maximum was 50 and minimum was 30 (SD= 5.475)

Table 4.1 Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
CSR	382	30.00	50.00	45.1754	5.47513	.134	-1.209
IND	382	.00	1.00	.3691	.48320	.545	-1.712
B_IND	382	3.00	9.00	4.0445	1.18193	1.467	2.654
CEO	382	.00	1.00	.3848	.48719	.475	-1.783
ROA	382	-28.68	53.42	7.2821	8.33821	.807	4.097
ROE	382	-37.15	77.91	9.5474	14.29426	.713	3.706
INST_O	382	.00	97.88	37.2155	29.27332	.315	-1.220
FOR_O	382	.00	87.51	11.6341	17.50736	2.095	4.329
GOV_O	382	.00	1.00	.1141	.31732	2.436	3.969
MAN_O	382	.00	76.86	14.8738	18.34167	1.329	.996

Disclosure of CSR by Industry Type

The disclosure of CSR in each industry shown in table 4.2 provide that all seven industries disclosure of CSR from companies listed on the Stock Exchange of Thailand (SET). These seven industries are industrials, Consumer products, technology, agro & Food, resources, construction & Building Materials and service. The number and items of companies in different industries which disclosed CSR information in annual reports in year 2014. The overall, all seven industries disclosure reveals similar CSR disclosure. In industry group disclosure minimum items equal 32, maximum 50 (SD =5.47224, mean = 44.2319). In group of consumer products disclosure minimum items equal 30, maximum 36 (SD = 4.84789, mean = 42.8462). Technology disclosure minimum items equal 35, maximum 46 (SD = 5.50004, mean = 45.8529). Agro & Food disclosure minimum items equal 38, maximum 48 (SD = 5.00701, mean = 47.3333). Resources industry disclosure minimum items equal 38, maximum 48 (SD = 6.81200, mean = 47.1818). Construction & Building Materials disclosure minimum items equal

30, maximum 42 (SD = 5.45564, mean = 45.0833).The last of industry group, service disclosure minimum items equal 30, maximum 42 (SD = 5.15035, mean = 45.1667).

Dummy variables, or binary variables indicating belonging to a given state (Kline, 2016) were used for three variables in the study. Dummy variables could not be usefully examined for normal distribution, since only two points are possible (Kline, 2016). Dummy variables (Government ownership, CEO role duality, and Manufacturing) could therefore only be analyzed based on their distribution between the two categories used. Descriptive statistics show that 88.24% of firms in the sample (n = 345 firms) the government has a shareholding. (Government = 1), while 11.76% (n = 46 firms) the government has not a shareholding (Government = 0). For CEO, 61.6 % of firms (n = 241 firms) had a separate CEO and Chairman of the Board (CEO = 1), while 38.4% of firms (n = 150 firms) had a shared CEO and Chairman .Finally, for Manufacturing, 49.4% of firms (n = 193 firms) (Manufacturing = 1), while 50.6% of the firms (n = 198 firms) (Manufacturing = 0). This indicates that the distribution for none of the dummy variables was uniform, but this was not expected in this instance due to varying rates of the characteristics. In general, firms can be holding shareholder by government characterized as industrial firms, but with separate CEO and Chairman.

Table 4.2 Disclosure of CSR by Industry Type

Industry Type	Frequency	CSR			
		Minimum	Maximum	Mean	Std. Deviation
.Industrials	69	32	50	44.2319	5.47224
2.Consumer products	39	30	36	32.0256	2.03246
3.Technology	34	35	46	44.2353	6.14501
4.Agro & Food	39	38	48	47.3333	3.89868
5.Resources	33	38	48	45.0625	6.81200
6.Construction & Building Materials	84	30	42	35.9882	5.25424
7.Service	84	30	42	36.6071	5.76658

4.2 Measurement Models

This is the first stage of analysis to establish the knowledge foundation about the implied measurement models for CSR. The measurement models were tested by using confirmatory factor analysis (CFA). The measurement model of CSR was indicated by six observed variables that adopted form stakeholder theory (employee, customer, environment, community, investor and supplier).

Figure 4.1 illustrates the measurement model with standardized coefficients and squared multiple correlations before modification indices. Confirmatory factor analysis showed a poor model fit that mean the six groups of stakeholder analysis do not fit to measure CSR disclosure. Hence, the modification model was determined to be to execute a better fitting model.

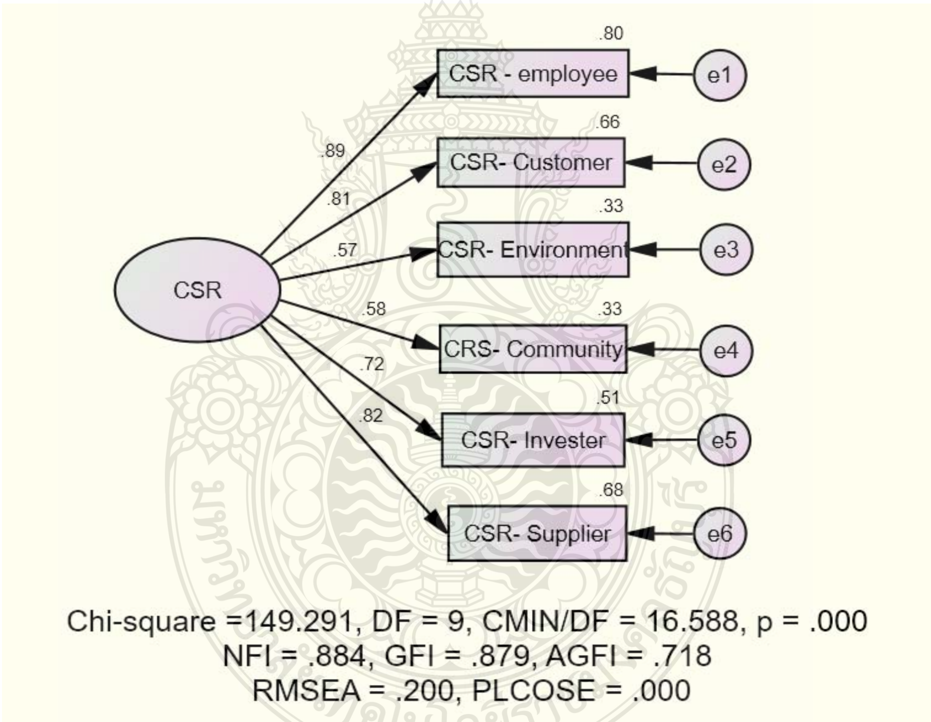


Figure 4.1 Model testing for the Initial Confirmatory Factor Analysis

As a good model fit means that the specified model is support by the sample data. In contrast, a poor model fit implies the need for rectified to gain a goodness fit since the theoretical model in not properly by the sample data (Kline, 2005; Byrne, 2001; Hair et al., 1998). Table 4.2 illustrates fit indices for model testing. The Chi-square statistic was 149.291, with 9 degree of freedom p- value of .000, and CMIN/DF of 16.588. The Chi-square statistic was significant, which means that the confirmatory factor analysis model was not support. Incidentally, the goodness of fit index (GFI) and the adjusted goodness of fit index (AGFI) were .879 and .718 respectively, which were below the acceptable criterion of model fit (GFI, AGFI > .90). In addition, the root mean square error of approximation (RMSEA) was .200, which were higher the acceptable of model fit (RMSEA < .08) at PCLOSE .276 (PCLOSE> .05). In conclusion, the fit of initial confirmatory factor model was poor. Thus, the modification indices (MI), some model modification was determined to be to execute a better fitting model.

Table 4.3 Model testing for the Initial Confirmatory Factor Analysis

Model	Model Fit Criteria	Result
Chi- square	-	149.291
Degrees of freedom(DF)	-	9
p- value	>.05	.000
CMIN/DF	≤ 3	16.588
GFI	> .90	.880
AGFI	> .90	.720
NFI	> .90	.886
CFI	> .90	.296
RMSEA	< .08	.200
PCLOSE	> .05	.276

Consequently, Figure 4.2 illustrates the final measurement model with standardized coefficients and squared multiple correlations after modification indices. In the rectified model, all of the parameters were significant.

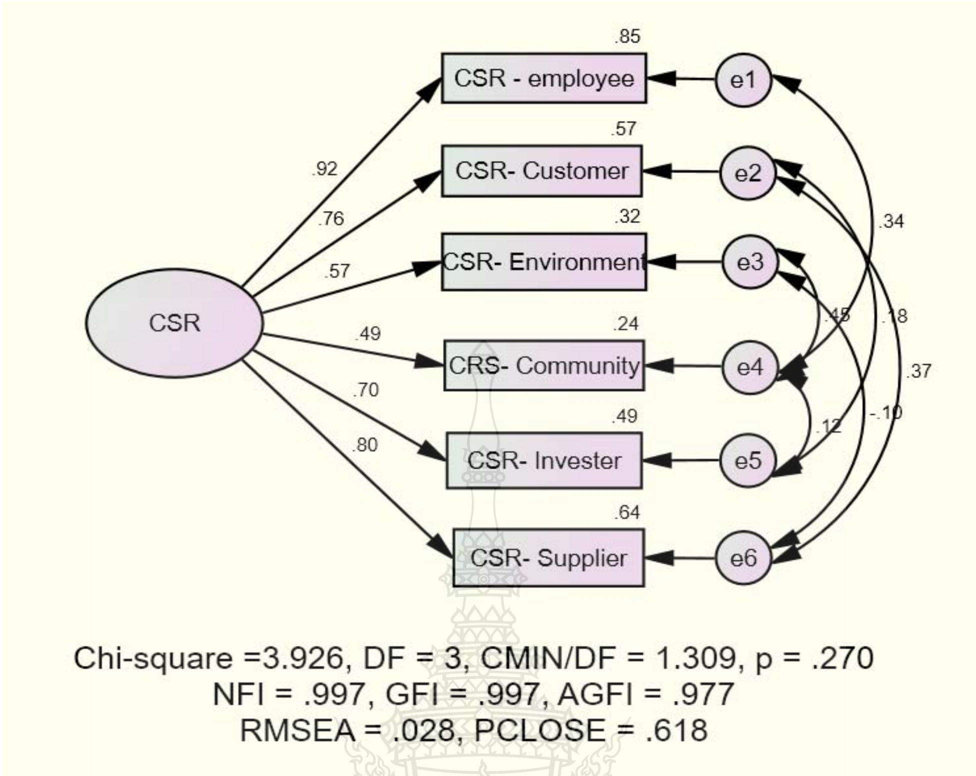


Figure 4.2 Measurement Model of CSR

Measurement Model Fit: Measurement Model of CSR is good fit. Table 4.3 shows the comparison of the CSR score model fit results with recommended values. The statistic results show fit indices for model testing. The Chi-square statistic was 3.926, with 3 degree of freedom p- value of .270, and CMIN/DF of 1.309, which CMIN/DF below or equal than 3 that mean the model fit with empirical data (Kline,1998a). Incidentally, the goodness of fit index (GFI) and the adjusted goodness of fit index (AGFI) were .997 and .977 respectively, which were higher the acceptable criterion of model fit (GFI, AGFI > .90). In addition, the root mean square error of approximation (RMSEA) were .028, which were below the acceptable of model fit (RMSEA < .08) at PCLOSE .618 (PCLOSE> .05).

Table 4.4 CFA Results of CSR disclosure Measurement Model

Model	Model Fit Criteria	Result
Chi- square	-	3.926
Degrees of freedom(DF)	-	3
p- value	>.05	.270
CMIN/DF	≤ 3	1.309
GFI	> .90	.997
AGFI	> .90	.977
NFI	> .90	.997
CFI	> .90	.999
RMSEA	< .08	.028
PCLOSE	> .05	.618

In summary, the result confirmed that CSR disclosure can be measure by employee, customer, environment, community, investor and supplier**.** These observed variables are presented in financial reports.

Table 4.5 Regression Weights of CSR disclosure

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
Employee	<---	CSR	1.000				.921
Customer	<---	CSR	.715	.044	16.230	***	.755
Environment	<---	CSR	.924	.080	11.581	***	.568
Community	<---	CSR	.646	.065	9.992	***	.494
Investor	<---	CSR	.627	.041	15.172	***	.697
Supplier	<---	CSR	.664	.038	17.349	***	.798

*** $p < 0.001$

According to the results of regression weights from table 4.4 shown that all six items are fit for this model.

4.3 Analysis of the Full Structural Equation Modeling

Similar to process of confirmatory factor analysis as model specification, model identification, model estimation, model testing and model modification were conducted. By utilizing the two step approach prior to testing the structure model, the latent construct of the hypothesize factor model were evaluated for factor loading and inter correlations (Anderson & Gerbing, 1988). A combination of scale and unique indicators was utilized in the measurement model.

The structure equation model was using AMOS software, the first run of the full model measurement model was present in figure 4.3. Thus, this model was as the structure model to test the research hypotheses. The model is composed of nine variables including; 1) six exogenous variables of CG mechanisms constructs; institutional ownership, foreign ownership, government ownership, managerial ownership, board independent and CEO duality, 2) one latent mediating variable ; CSR disclosure score, 3) two endogenous variable; ROA and ROE.

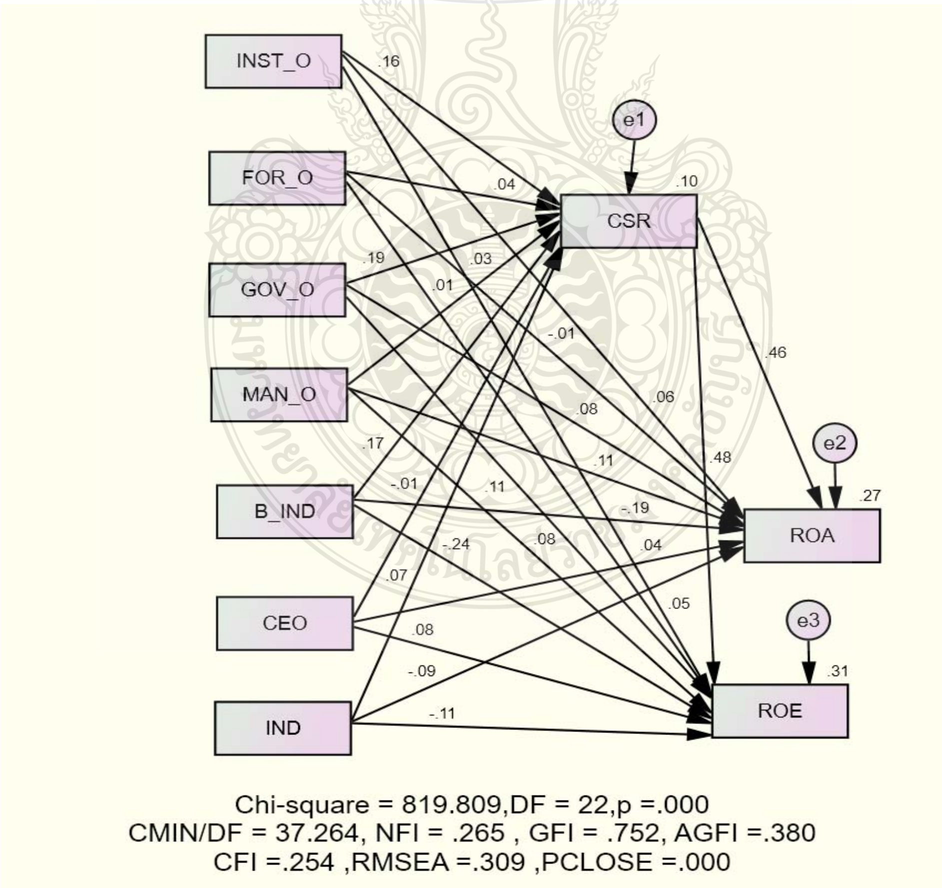


Figure 4.3 Testing for Initial Structural Equation Model

Model testing

The Chi-square statistic was 801.990, with 22 degree of freedom and P-value of .000. The Chi-square statistic was significant, which signifies that the observed model and the implied model were difference. CMIN/DF was equal to 37.264 which higher than the acceptable level of model fit (CMIN/DF< 3). Similarly, the good –of- fit (GFI) index and the adjust -good –of- fit (AGFI) was.752 and .380 respectively and Normed fit index (NFI) was .265, which were below the acceptable criterion of model fit (GFI, AGFI,NFI >.90). Along with Root mean square error of approximation (RMSEA) was .309 at PCLOSE .000, which higher than the acceptable criterion of model fit (RMSEA ≤ 0.05 at PCLOSE> 0.05 due to AMOS use PCLOSE instead of *p*-value.

Table 4.6 Testing for Initial Structural Equation Modeling

Model	Model Fit Criteria	Result
Chi- square	-	801.990
Degrees of freedom(DF)	-	22
p- value	>.05	.000
CMIN/DF	< 3	36.454
GFI	> .90	.754
AGFI	> .90	.386
NFI	> .90	.257
CFI	> .90	.246
RMSEA	< .08	.302
PCLOSE	> .05	.000

Model Modification

The resulting statistical model did not fit, thus the modifications were made. This is considered from modification indices (MI) from table 4.7 suggest that to add path to link variable to reduce Chi- square with the largest sensible modification.. The Modification Indices suggest links to change in a structure. Checking the change in Chi-square after each one should only make changes that are theoretically sensible, in terms of the model.

Table 4.7 Modification Indices

Covariance			M.I.	Par Change
Managerial	<-->	CEO	7.238	1.231
Managerial	<-->	B_IND	8.619	-3.262
government	<-->	Managerial	7.262	-.817
Foreign	<-->	Managerial	17.156	-69.225
Institutional	<-->	CEO	5.699	-1.715
Institutional	<-->	B_IND	17.448	7.288
Institutional	<-->	Managerial	138.096	-322.650
Institutional	<-->	Government	23.097	2.288
Institutional	<-->	Foreign	84.222	240.854
e2	<-->	e3	252.189	89.950

After modification indices statistic result of structural equation modeling were model fit with empirical data.

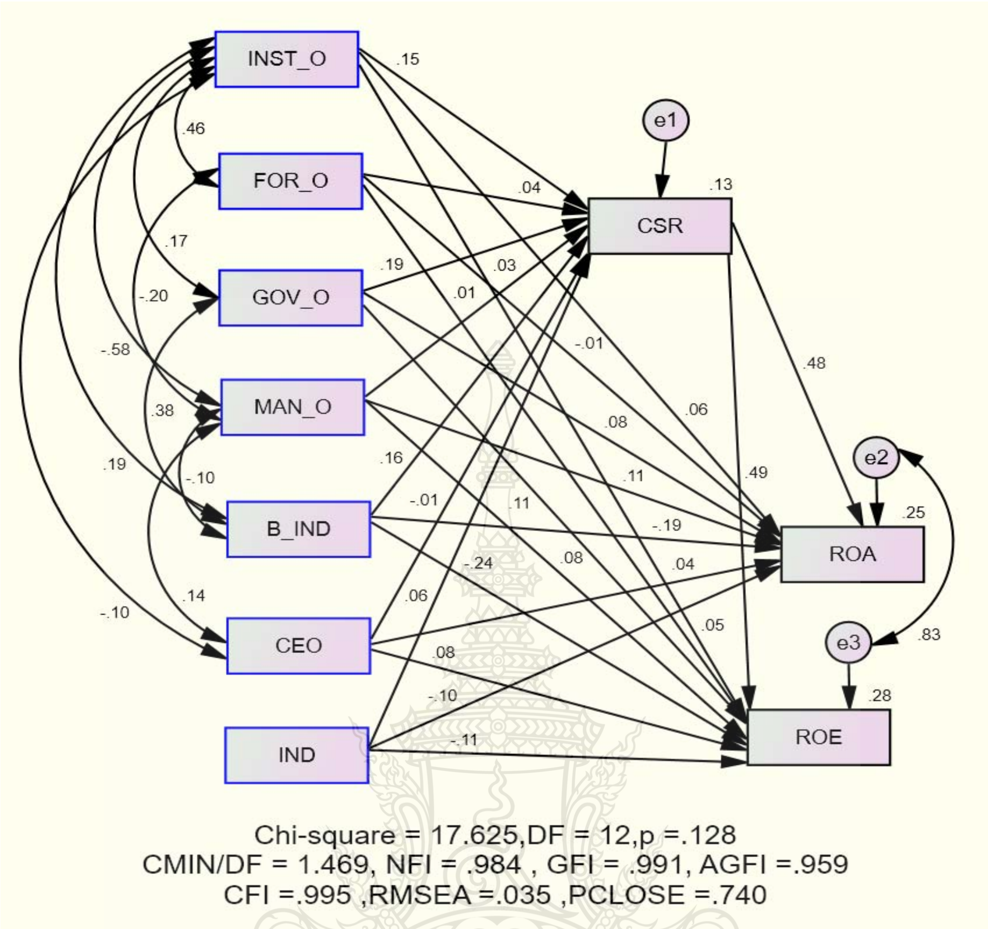


Figure 4.4 Structural Model

The path analytic method underlines the structural equation modeling (SEM) show fit indices for model testing. The researcher use AMOS with Maximum Likelihood mode. To analyze the model, the indices such as Chi- square, Degrees of freedom (DF), p - value, CMIN/DF, GFI, AGFI, NFI, CFI and RMSEA were employed. After study, the results of model fitting indices were 17.625 of Chi-square, with 12 degree of freedom, p- value of .128, 1.469 of CMIN/DF, .991 of GFI, .959 of AGFI, .984 of NFI, .995 of CFI and .035 of RMSEA at PCLOSE .740.

Table 4.8 Measuring the Model Fit

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

Hypothesis Testing

After the model was evaluated and results were computed in order to use in the hypothesis testing. All the results were used to test and investigate on the effect of corporate governance and corporate social responsibility disclosure on firm performance. This study, it has conducted four hypotheses. Due to the hypotheses corporate governance has performed as an exogenous and hypothesized with the mediators, comprising with corporate social responsibility disclosure. Moreover, the exogenous and mediators were test in the relation with the endogenous of firm performance. To test the hypotheses, there are some values required to be understood. These values are such as t-Test value at the significance value at *p-value < 0.05, **p-value < 0.01, ***p-value <0.001, and critical value (C.R.) (Arbuckle, 2011) shown in Table 4-5.

Table 4.9 Regression Weights

			Estimate	S.E.	C.R.	P	Standardized Estimate
H1a:CSRScore	<---	Institutional	.033	.014	2.308	.025*	.150
H1b:CSRScore	<---	Foreign	.005	.019	.271	.477	.039
H1c:CSRScore	<---	Government	3.472	.998	3.477	***	.190
H1d:CSRScore	<---	Managerial	.013	.020	.672	.648	.027
H1e;CSRScore	<---	B_IND	1.069	.272	3.931	.002**	.165
H1f:CSRScore	<---	CEO	-.013	.606	-.022	.882	-.007
CSR Score	<---	Manufacturing	.262	.602	.435	.177	.064
H2a:ROA	<---	Institutional	.026	.019	1.330	.335	.061
H2b:ROE	<---	Institutional	.046	.036	1.285	.451	.046
H2c:ROA	<---	Foreign	-.022	.026	-.856	.915	-.005
H2d:ROE	<---	Foreign	-.043	.048	-.901	.881	.012
H2e:ROA	<---	Government	.828	1.348	.614	.108	.088
H2f:ROE	<---	Government	4.542	2.518	1.804	.027*	.107
H2g:ROA	<---	Managerial	.036	.026	1.390	.042*	.112
H2h:ROE	<---	Managerial	.046	.049	.951	.342	.079
H2i:ROA	<---	B_IND	-1.494	.369	-4.055	***	-.188
H2j:ROE	<---	B_IND	-3.677	.689	-5.339	***	-.242
H2k:ROA	<---	CEO	1.108	.806	1.375	.373	.040
H2l:ROE	<---	CEO	2.974	1.505	1.975	.058	.083
H3a:ROA	<---	CSR Score	.708	.067	10.524	***	.497
H3b:ROE	<---	CSR Score	1.194	.126	9.493	***	.453
ROA	<---	Manufacturing	-.823	.801	-1.027	.031*	-.046
ROE	<---	Manufacturing	-1.768	1.497	-1.182	.010*	-.053

4.4 Testing Mediation

Hypothesis 4, study to determine the effect of corporate governance mechanism on firm performance that mediation by CSR disclosure. This study used Sobel test to testing mediation that provide the significant result. However, the characteristic of mediation effect can be separate into two characteristics complete mediation or perfect mediation and partial mediation (Baron and Kenney 1986). Testing of mediation can summarized in table 4.6, which summarized result of path analysis that present characteristics of mediation effected. Statistically, Sobel test is an approach to test the significance of a mediation effect. In mediation, independent variable and the dependent variable relationship is hypothesized as an indirect effect existing due to the third variable influence (the mediator). As a result, when including mediator into the regression analysis model with the independent variable, the independent variable effect is lessen while the mediator effect remains significant. Basically, Sobel test is a specialized t test providing the determination method whether the independent variable effect is reduced after the mediator is included into the model which caused the significant reduction and thus, whether there is the statistically significant in mediation effect. In summary, table 4.6 present the result that CSR disclosure was compete mediation effect of institutional ownership on firm performance. CSR disclosure was compete mediation effect of government ownership on only ROA but was partial mediation on ROE. Meanwhile, CSR disclosure was partial mediation of board independent to firm performance. Surprisingly, managerial ownership was only direct effect to ROA and other exogenous are not effect to firm performance.

Table 4.10 Result of Mediation

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

Research Finding

H1a: There is a positive relationship between institution ownership and CSR disclosure**.**

Institution ownership was found to have an influence on CSR disclosure. The unstandardized estimated value was .028 (p-value =.025), which indicated that Institution ownership is significantly positive correlation on CSR disclosure**.** Thus, the result did support hypothesis**.**

H1b: There is a positive relationship between foreigner ownership and CSR disclosure.

Foreigner ownership was found not to have an influence on CSR disclosure. The unstandardized estimated value was .012 (p-value = .477), which indicated that foreigner ownership is not significantly positive correlation on CSR disclosure. Thus, the result did not support hypothesis.

H1c: There is a positive relationship between government ownership and CSR disclosure.

Government ownership was found not to have an influence on CSR disclosure. The unstandardized estimated value was 3.240 (p-value = .000), which indicated that government ownership is significantly positive correlation on CSR disclosure. Thus, the result did support hypothesis.

H1d: There is a positive relationship between managerial ownership and CSR disclosure.

Managerial ownership was found not to have an influence on CSR disclosure. The unstandardized estimated value was .008 (p-value = .648), which indicated that managerial ownership is not significantly positive correlation on CSR disclosure. Thus, the result did not support hypothesis.

H1e: There is a positive relationship between board independent and CSR disclosure.

Board independent was found to have an influence on CSR disclosure. The unstandardized estimated value was .764 (p-value = .002), which indicated that board independent is significantly positive correlation on CSR disclosure. Thus, the result did support hypothesis.

H1f: There is a positive relationship between CEO role duality and CSR disclosure.

CEO role duality was found not to have an influence on CSR disclosure. The unstandardized estimated value was -.080 (p-value = .882), which indicated that CEO role duality is not significantly positive correlation on CSR disclosure. Thus, the result did not support hypothesis.

H2a: There is a positive relationship between institution ownership and return on asset (ROA).

Institution ownership was found to have an influence on return on asset (ROA). The unstandardized estimated value was .026 (p-value = .184), which indicated that Institution ownership is not significantly positive correlation return on asset (ROA).Thus, the result did not support hypothesis**.**

H2b: There is a positive relationship between institution ownership and return on equity (ROE).

Institution ownership was found to have an influence on return on equity (ROE). The unstandardized estimated value was .046 (p-value = .199), which indicated that Institution ownership is not significantly positive correlation on return on equity (ROE). Thus, the result did not support hypothesis**.**

H2c: There is a positive relationship between foreigner ownership and return on asset (ROA).

Foreigner ownership was found not to have an influence on return on asset (ROA). The unstandardized estimated value was -.022 (p-value = .392), which indicated that foreigner ownership is not significantly positive correlation on return on asset (ROA). Thus, the result did not support hypothesis**.**

H2d: There is a positive relationship between foreigner ownership and return on equity (ROE).

Foreigner ownership was found not to have an influence on return on equity (ROE). The unstandardized estimated value was - .043 (p-value = .367), which indicated that foreigner ownership is not significantly positive correlation on return on equity (ROE). Thus, the result did not support hypothesis**.**

H2e: There is a positive relationship between government ownership and return on asset (ROA).

Government ownership was found not to have an influence on return on asset (ROA). The unstandardized estimated value was .828 (p-value = .539), which indicated that government ownership is not significantly positive correlation return on asset (ROA). Thus, the result did not support hypothesis**.**

H2f: There is a positive relationship between government ownership and return on equity (ROE).

Government ownership was found not to have an influence on return on equity (ROE). The unstandardized estimated value was 4.542 (p-value = .071), which indicated that government ownership is not significantly positive correlation on return on equity (ROE). Thus, the result did not support hypothesis**.**

H2g: There is a positive relationship between managerial ownership and return on asset (ROA).

Managerial ownership was found not to have an influence on return on asset (ROA).The unstandardized estimated value was .036 (p-value = .165), which indicated that managerial ownership is not significantly positive correlation on return on asset (ROA).Thus, the result did not support hypothesis**.**

H2h: There is a positive relationship between managerial ownership and return on equity (ROE).

Managerial ownership was found to have an influence on return on equity (ROE).The unstandardized estimated value was .046 (p-value = .342), which indicated that managerial ownership is not significantly positive correlation on return on equity (ROE). Thus, the result did support hypothesis**.**

H2i: There is a positive relationship between board independent and return on asset (ROA).

Board independent was found to have an influence on return on asset (ROA). The unstandardized estimated value was -1.494 (p-value = .000), which indicated that board independent is significantly negative correlation on return on asset (ROA).Thus, the result did not support hypothesis**.**

H2j: There is a positive relationship between board independent and return on equity (ROE).

Board independent was found to have an influence on CSR disclosure. The unstandardized estimated value was -3.677 (p-value = .000), which indicated that board independent is significantly negative correlation on CSR disclosure**.** Thus, the result did not support hypothesis**.**

H2k: There is a positive relationship between CEO role duality and return on asset (ROA).

CEO role duality was found not to have an influence on return on asset (ROA). The unstandardized estimated value was 1.108 (p-value = .169), which indicated that CEO role duality is not significantly positive correlation on return on asset (ROA). Thus, the result did not support hypothesis**.**

H2l: There is a positive relationship between CEO role duality and return on equity (ROE).

CEO role duality was found not to have an influence on return on equity (ROE). The unstandardized estimated value was 2.974 (p-value = .048), which indicated that CEO role duality is significantly positive correlation on return on equity (ROE).Thus, the result did support hypothesis**.**

H3a: There is a positive relationship between CSR disclosure and return on asset (ROA).

CSR disclosure was found to have an influence on return on asset (ROA). The unstandardized estimated value was .708 (p-value = .000), which indicated that CSR disclosure is significantly positive correlation on return on asset (ROA).Thus, the result did support hypothesis**.**

H3b: There is a positive relationship between CSR disclosure and return on equity (ROE).

CSR disclosure was found to have an influence on return on equity (ROE). The unstandardized estimated value was 1.194 (p-value = .000), which indicated that CSR disclosure is significantly positive correlation on return on equity (ROE).Thus, the result did support hypothesis**.**

H4a: There is the effect of institution ownership on return on asset (ROA) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between institution ownership and return on asset (ROA) was .082, and standardized indirect effect was .076 whereas standardized total effect was .158. Institution ownership did expressing positive return on asset (ROA) through CSR disclosure. Since, the unstandardized coefficient affected the path of Institution ownership on CSR disclosure was significant with .033 and had a critical ratio of 2.308 (p <.05). Meanwhile, the path of CSR disclosure and return on asset (ROA), showed a positive effect was significant with unstandardized coefficient of .708 and critical ratio 10.524 (p <.05) and path of Institution ownership and return on asset (ROA) showed an effect was not significant with unstandardized coefficient of .026 and critical ratio 1.330 (p >.05). Considering the result of Sobel Test was significant with 2.300 at p-value .021. Thus, this hypothesis was supported and characteristic of mediation is compete mediation.

H4b: There is the effect of institution ownership on return on equity (ROE) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between institution ownership and return on equity (ROE) was .082, and standardized indirect effect was .069 whereas standardized total effect was .149. Institution ownership did expressing positive return on equity (ROE) through CSR disclosure. Since, the unstandardized coefficient affected the path of Institution ownership on CSR disclosure was significant with .033 and had a critical ratio of 2.308 (p <.05). Meanwhile, the path of CSR disclosure and return on equity (ROE), showed a positive effect was significant with unstandardized coefficient of 1.194 and critical ratio 9.493 (p <.05). and path of Institution ownership and return on equity (ROE), showed an effect was not significant with unstandardized coefficient of .046 and critical ratio 1.285 (p >.05). Considering the result of Sobel Test was significant with 2.287at p-value .022. Thus, this hypothesis was supported and characteristic of mediation is compete mediation

H4c: There is the effect of foreigner ownership on return on asset (ROA) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between institution ownership and return on asset (ROA) was -.044, and standardized indirect effect was .007 whereas standardized total effect was -.036. Foreigner ownership did not expressing positive return on asset (ROA) through CSR disclosure. Since, the unstandardized coefficient affected the path of foreigner ownership on CSR disclosure was not significant with .005 and had a critical ratio of .271 (p >.05). Meanwhile, the path of CSR disclosure and return on asset (ROA), showed a positive effect was significant with unstandardized coefficient of .708 and critical ratio 10.524 (p <.05) and the path of foreigner ownership on return on asset (ROA) was not significant with unstandardized coefficient of -.022 and critical ratio -.856 (p >.05) T Considering the result of Sobel Test was not significant with .263 at p-value .792. Thus, this hypothesis was not supported.

H4d: There is the effect of foreigner ownership on return on equity (ROE) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between foreigner ownership and return on equity (ROE) was -.047, and standardized indirect effect was .007 whereas standardized total effect was -.040. Foreigner ownership did not expressing positive return on equity (ROE) through CSR disclosure. Since, the unstandardized coefficient affected the path of foreigner ownership on CSR disclosure was not significant with .005 and had a critical ratio of .271 (*p* >.05). Meanwhile, the path of CSR disclosure and return on equity (ROE), showed a positive effect was significant with unstandardized coefficient of 1.194 and critical ratio 9.493 (*p* <.05) and the path foreigner ownership and return on equity (ROE) was not significant with unstandardized coefficient of -.043 and critical ratio -.901 (p >.05). Considering the result of Sobel Test was not significant with .263 at p-value .792. Thus, this hypothesis was not supported.

H4e: There is the effect government ownership on return on asset (ROA) is mediated by CSR disclosure.

The result from the structural model government that standardized direct effect between government ownership and return on asset (ROA) was .030, and standardized indirect effect was .089 whereas standardized total effect was .119. Government ownership did expressing positive return on asset (ROA) through CSR disclosure. Since, the unstandardized coefficient affected the path of government ownership on CSR disclosure was significant with 3.472 and had a critical ratio of 3.477 (*p* .<05). Meanwhile, the path of CSR disclosure and return on asset (ROA), showed a positive effect was significant with unstandardized coefficient of .708 and critical ratio 10.524 (*p* <.05) and the path government ownership and return on asset (ROA) was not significant with unstandardized coefficient of .828 and critical ratio .614 (p >.05). Considering the result of Sobel Test was significant with 3.304 at p-value .000. Thus, this hypothesis was supported and characteristic of mediation is compete mediation.

H4f: There is the effect of government ownership on return on equity (ROE) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between government ownership and return on equity (ROE) was .088, and standardized indirect effect was .081whereas standardized total effect was .169. Government ownership did expressing positive return on equity (ROE) through CSR disclosure. Since, the unstandardized coefficient affected the path of government ownership on CSR disclosure was significant with 3.472 and had a critical ratio of 3.477 (p >.05). Meanwhile, the path of CSR disclosure and return on equity (ROE), showed a positive effect was significant with unstandardized coefficient of 1.194 and critical ratio 9.493 (p <.05) and the path government ownership and return on equity (ROE) was not significant with unstandardized coefficient of 4.524 and critical ratio .1.804 (p >.05). Considering the result of Sobel Test was significant with 3.625 at p-value .001. Thus, this hypothesis was supported and characteristic of mediation is compete mediation.

H4g: There is the effect of managerial ownership on return on asset (ROA) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between managerial ownership and return on asset (ROA) was .075, and standardized indirect effect was .019 whereas standardized total effect was .095. Managerial ownership did not expressing positive return on asset (ROA) through CSR disclosure. Since, the unstandardized coefficient affected the path of managerial ownership on CSR disclosure was not significant with .013 and had a critical ratio of .672 (p >.05). Meanwhile, the path of CSR disclosure and return on asset (ROA), showed a positive effect was significant with unstandardized coefficient of .708 and critical ratio 10.924 (p <.05) and the path of managerial ownership and return on asset (ROA) was not significant with unstandardized coefficient of .036 and critical ratio 1.390 (p >.05). Considering the result of Sobel Test was significant with 3..648 at p-value .516. Thus, this hypothesis was not supported.

H4h: There is the effect of managerial ownership on return on equity (ROE) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between managerial ownership and return on equity (ROE) was .052, and standardized indirect effect was .018whereas standardized total effect was .070. Managerial ownership did not expressing positive return on equity (ROE) through CSR disclosure. Since, the unstandardized coefficient affected the path of managerial ownership on CSR disclosure was not significant with .013 and had a critical ratio of .672 (p >.05). Meanwhile, the path of CSR disclosure and return on equity (ROE), showed a positive effect was significant with unstandardized coefficient of 1.194 and critical ratio 9.493 (p <.05) and the path of managerial ownership and return on equity (ROE) was not significant with unstandardized coefficient of .046 and critical ratio .951 (p >.05). Considering the result of Sobel Test was significant with 3..648 at p-value .516. Thus, this hypothesis was not supported.

H4i: There is the effect of board independent on return on asset ROA is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between board independent and return on asset (ROA) was -.198, and standardized indirect effect was .100 whereas standardized total effect was -.098. Board independent did expressing positive return on asset (ROA) through CSR disclosure. Since, the unstandardized coefficient affected the path of board independent on CSR disclosure was significant with 1.069 and had a critical ratio of 3.931 (p <.05). Meanwhile, the path of CSR disclosure and return on asset (ROA), showed a positive effect was significant with unstandardized coefficient of .708 and critical ratio 10.524(p <.05) and the path of board independent and return on asset ROA was significant with unstandardized coefficient of -1.494 and critical ratio -4.055(p <.05). Considering the result of Sobel Test was significant with 3.6483 at p-value .000. Thus, this hypothesis was supported but is partial mediation not complete mediation.

H4j: There is the effect of board independent on return on asset (ROA) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between board independent and return on equity (ROE) was -.263, and standardized indirect effect was .091 whereas standardized total effect was -171. Board independent did expressing positive return on equity (ROE) through CSR disclosure. Since, the unstandardized coefficient affected the path of board independent on CSR disclosure was significant with 1.609 and had a critical ratio of 3.931 (p <.05). Meanwhile, the path of CSR disclosure and return on equity (ROE), showed a positive effect was significant with unstandardized coefficient of 1.194 and critical ratio 9.493 (p <.05) and the path of board independent and return on equity (ROE) was significant with unstandardized coefficient of -3.677 and critical ratio -5.339 (p <.05). Considering the result of Sobel Test was significant with 9.212 at p-value .000. Thus, this hypothesis was supported but is partial mediation not complete mediation.

H4k: There is the effect of CEO role duality on return on asset (ROA) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between CEO role duality and return on asset (ROA) was .060, and standardized indirect effect was -.001 whereas standardized total effect was .060. CEO role duality did expressing positive return on asset (ROA) through CSR disclosure. Since, the unstandardized coefficient affected the path of CEO role duality on CSR disclosure was not significant with -.013 and had a critical ratio of -.022 (p >.05). Meanwhile, the path of CSR disclosure and return on asset (ROA), showed a positive effect was significant with unstandardized coefficient of .708 and critical ratio 10.524(p <.05) and the path of CEO role duality and return on asset (ROA) was not significant with unstandardized coefficient of 1.108 and critical ratio 1.375 (p >.05) Considering the result of Sobel Test was not significant with 0.021 at p-value .982. Thus, this hypothesis was not supported.

H4l: There is the effect of CEO role duality on return on equity (ROE) is mediated by CSR disclosure.

The result from the structural model indicated that standardized direct effect between CEO role duality and return on equity (ROE) was .087, and standardized indirect effect was .000 whereas standardized total effect was .087 CEO role duality did not expressing positive return on equity (ROE) through CSR disclosure. Since, the unstandardized coefficient affected the path of CEO role duality on CSR disclosure was not significant with -.013 and had a critical ratio of -.022 (p >.05). Meanwhile, the path of CSR disclosure and return on equity (ROE), showed a positive effect was significant with unstandardized coefficient of 1.194 and critical ratio 9.943 (*p* <.05) and the path of CEO role duality and return on equity (ROE) was significant with unstandardized coefficient of 2.974 and critical ratio 1.975 (p <.05). Considering the result of Sobel Test was not significant with 0.021 at p-value .982. Thus, this hypothesis was not supported.

CHAPTER 5
CONCLUSION AND RECOMMENDATIONS

The purpose of this dissertation was to investigate relationships between corporate governance (CG), corporate social responsibility (CSR) disclosure, and firm performance in publicly-listed firms in Thailand using a stakeholder theory perspective. The six dimensions comprised in CG mechanisms are: institution ownership, foreign ownership, governance owenership, managerial ownership, board independent and CEO role duality. This study contains four research questions as follows:

Research question 1: Is there any association between CG and CSR disclosure? The six hypotheses constructed for the first research question since CG mechanisms consist of six independent variables including: H1a: The percentage of institutional ownership has a positive relationship with CSR disclosure, H1b: The percentage of foreign ownership has a positive relationship with CSR disclosure, H1c: Having government shareholding has a positive relationship with CSR disclosure, H1d: The percentage of managerial ownership has a positive relationship with CSR disclosure, H1e: The number of independent board members has a positive relationship with CSR disclosure, H1f: Having a separate chairman and CEO has a positive relationship with CSR disclosure.

Research question 2: Is there any association between CG mechanisms and firm performance? Twelve hypotheses were constructed for this research question since CG mechanisms consist of six independent variables and two variables that are representative of firm performance. The assumptions are based on two variables (ROA and ROE) and, thus, variables from all six of the CG mechanisms will be tested twice, divided into: H2a: The percentage of institutional ownership has a positive relationship with ROA. H2b: The percentage of institutional ownership has a positive relationship with ROE, H2c: The percentage of foreign ownership has a positive relationship with ROA, H2d: The percentage of foreign ownership has a positive relationship with ROE, H2e: Having government shareholding has a positive relationship with ROA, H2f: Having government shareholding has a positive relationship with ROE, H2g: The percentage of managerial ownership has a positive relationship with ROA, H2h: The percentage of managerial ownership has a positive relationship with ROE, H2i: The number of independent board members has a positive relationship with ROA, H2j: The number of independent board members has a positive relationship with ROA, H2k: Having a separate chairman and CEO has a positive relationship with ROA H2l: Having a separate chairman and CEO has a positive relationship with ROE.

Research question 3: Is there any association between CSR disclosure and firm performance? Two hypotheses were constructed for this research question including: H3a: CSR disclosure has a positive relationship with ROA; and H3b: CSR disclosure has a positive relationship with ROE.

Research question 4: Is there any effect between CG mechanisms and firm performance, mediated by CSR disclosure? Twelve hypotheses were constructed for this research question including: H2a: The percentage of institutional effect on ROA which is mediated by CSR disclosure. H2b: The percentage of institutional ownership effect on ROE which is mediating by CSR disclosure, H2c: The percentage of foreign ownership effect on ROA which is mediated by CSR disclosure, H2d: The percentage of foreign ownership effect on with ROE which is mediated by CSR disclosure, H2e: Having government shareholding effect on ROA which is mediated by CSR disclosure, H2f: Having government shareholding effect on ROE which is mediated by CSR disclosure, H2g: The percentage of managerial ownership effect on ROA which is mediated by CSR disclosure, H2h: The percentage of managerial ownership effect on ROE which is mediated by CSR disclosure, H2i: The number of independent board members effect on ROA which is mediated by CSR disclosure, H2j: The number of independent board members effect on ROA, H2k: Having a separate chairman and CEO effect on ROA which is mediated by CSR disclosure, H2l: Having a separate chairman and CEO effect on ROE which is mediated by CSR disclosure.

This study has investigated CG mechanisms that affect the extent of CSR disclosure and how, in turn, CSR disclosure influences firm performance in a developing country, i.e., Thailand. The data used in this study comprises companies listed on the main board of Stock Exchange of Thailand (SET). It excludes financial companies, companies in property funds and companies delisted by 2014. The balanced panel data set consists of 394 companies. The normality of the distribution of the data set was assessed by two indicators including skewness and kurtosis. The final data set consists of 382 companies, which is approximately 69.0% of all companies listed on SET at the end of the study period. The hypotheses were tested using the structural model of CG mechanisms and CSR disclosure using quantitative statistical analysis. In the first stage of analysis, the measurement model of the CSR disclosure variable consists of six dimensions, including employee, customer, environment, community, investor and supplier. The variables were tested by confirmed factor analysis (CFA). The results of CFA show that all six dimensions are fit for measurement with CSR disclosure with CMIN/DF < 3 (1.309), p -value > .05 (.270), NFI, GFI, AGFI >.90 (.997, .997, .977). After that, a structural equation model was used to analyze the influence of CG mechanisms on CSR disclosure and mediation effect from CG mechanisms through CSR disclosure to firm performance. CSR disclosure scored between 30 -50 (out of a total of 60), conferring a mean value equal 45.1754. The percentage of return on assets (ROA) ranged between -28.7% and 53.4%, with average of 7.3%. The percentage of return on equality (ROE) ranged between -37.2% and 77.9%, with average of 9.6%. The percentage of institutional ownership ranged between 0.0% - 97.9%, with average of 37.2%. The percentage of foreign ownership ranged between 0.0% - 87.5%, with average of 11.6%. The percentage of managerial ownership ranged between 0.0% - 76.9%, with average of 14.9%. Descriptive statistics analysis shows that for 44 (11.4%) of the 382 firms in the sample, the government has a shareholding. Finally, for CEO, 61.5% of firms (n = 235 firms) had a separate CEO and Chairman of the Board.

5.1 Discussion of the Research Findings

5.1.1 Discussion of Research Question 1

Research question include: Is there any association between CG and CSR disclosure?

The six hypotheses were constructed in first research question since CG mechanisms consist of six independent variable. 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 CG are expected to have different effects on CSR measures. The CSR disclosure variable consist of six dimensions including employee, customer, environment, community, investor and supplier. The regression weight analysis was used to assess the significance of the proposed relationship paths in the model, assessed at $p < 0.05$. Of the proposed factors in the CSR disclosure score, three 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 showed that Government Ownership ($\beta = 0.190$) is slightly higher than Board Independence ($\beta = 0.165$) and Institutional Ownership ($\beta = 0.150$), but those are positive.

The analysis of all three variables support the hypothesis, and this is consistent with previous studies. The influence of institutional ownership on monitoring and disclosure was studied by Al-Fayoumi et al, 2010; and Alves, 2012. Moreover, agency theory suggests that institutional investors have extra incentives to closely monitor disclosure policies (Jensen & Meckling, 1976; Elzahar & Hussainey 2012; Ntim et al, 2013). Therefore, the greater the percentage of corporate shareholders, inevitably results in disclosure of CSR information. This is the same as when the government holds shares in companies that engage in CSR activities and encourages them to disclose CSR information. The nature of governmental work is quite socially oriented since they have political, economic, and social goals. Conflict could rise from this orientation between the governments' goal as the owner and the private investors' profit maximization goal (Ntim et al, 2013). It was stated by Eng and Mak (2003, p. 327) that government considered disclosure and CG as necessary as a shareholder protection measure. Eng and Mak (2003), Said et al (2009), AbuRaya (2012), Ntim et al (2013) and Al-Janadi et al (2013) make the case that the ownership by government could promote good governance, disclosure practices, transparency, and social responsibility. 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 and Dharwadkar, 2011; Chau and Gray, 2010; Cheng and Courtenay, 2006; Donnelly and Mulcahy, 2008; Jamali et al, 2008; John and Senbet, 1998; Li et al, 2008).

This research found no relationship between Foreign Ownership, Managerial Ownership and CEO duality with CSR disclosure. The evidence suggests, but does not prove, the positively significant relationship found by Haniffa and Cooke (2005) between foreign ownership and CSR disclosures in Malaysian companies, indicating the use of CSR disclosure as a proactive legitimating strategy to gain the ongoing capital inflows and to serve ethical investors. Managerial ownership influence on the voluntary disclosures has been in the accounting researchers' interests for a long time. Mainly, the previous literature shows the negative relationship of managerial ownership with the voluntary disclosure levels (e.g., Eng and Mak, 2003; Chau and Gray, 2010). As earlier mentioned, the owner-managed companies in Bangladesh are very common while, in most cases, there is a concentration of family members on the board of directors (Farooque, et al., 2007). Such managerial ownership allows the managers to dominate the company and to make decisions on the policies and strategies related to the organizational social behavior. The family members' dominance in the company management leads to crucial decisions that are first made in the meeting among family members and then regularized in the formal board meetings, thus, making the latter a largely symbolic meeting (Ahmed and Siddiqui, 2011). For this firm type, public accountability may be less of an issue since the interests of outsiders may be relatively small. According to the agency theory view point, this refers to a 'type II' agency problem [see Villalonga and Amit (2006) and Kuo and Hung (2012) for agency problems review in family firms]. Plus, the public interest level that the companies that are closely held could be expected to be relatively low; these company types may be less active in social activities. It should be added that managers who closely hold their companies may not heavily invest in socially responsible activities since these activities' investment costs may far outweigh the possible benefits. Hence, the closely-held or owner-managed companies can be expected to have less CSR information. Limited findings also documented a negative relationship between the extent of CSR disclosures and managerial ownership (Oh, et al., 2011; Ghazali, 2007). It is more likely for CEOs to be appointed as the chairs in the boards of directors if they possess a good track record or if a large proportion of firm's shares is in their hands (Hermalin and Weisbach, 1998). Moreover, the chairs of the boards of directors set the board's agenda, with the influence from the provided information to/from other board members, while CEOs who become chairs can more easily hide the important information from others, particularly the director from the non-executive branch (Haniffa and Cooke, 2002; Li, et al., 2008; Krishnan and Visvanathan, 2009). A chair position could empower CEOs to influence board appointments (Haniffa and Cooke, 2002). Thus, non-executive directors may be more accepting of managerial decisions -- despite their better judgment -- since they will try to steer away from opposition with powerful CEOs in order to preserve their place on the board (Dey 2008). It is suggested that, from the empirical research, the attention of boards of directors is on negative effects of CEO duality monitoring (Tuggle, et al., 2010), as well as the degree of voluntary disclosure (Donnelly and Mulcahy, 2008; Chau and Gray, 2010). Profile risks of the firm tend to be reduced from the CSR engagement and disclosure (Simpson and Kohers, 2002; Scholtens 2008; Salama, et al., 2011; Ghoul, et al., 2011). CSR reporting might be considered by CEOs as detrimental for their remuneration maximization. In addition, if CSR can be used by the powerful CEOs for their own interests and moral convictions, rather than the shareholders' and other stakeholders' interests, it is likely they will hesitate to offer the high quality disclosure and comprehensive CSR activities. The information provision has raised the external control effectiveness, not for just the informed investors, financial analysts and the business press (Healy and Palepu, 2001; Li, et al., 2008; Beyer, et al., 2010), but also the other major stakeholders, and the public. It is expected that powerful CEOs will apply their power to curtail voluntary disclosure, including CSR disclosure.

In contrast to previous research, this study was limited to the context of Thailand, and only one year of data collection. This type of unseen variance in foreign and managerial 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 and managerial investors is relatively rare, and could be an opportunity for further development. Despite how much attention this question has received in the literature, the relationship continues to elude empirical consensus, and may require more work. However, a study of the relationship between the Thai CG index and 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.

5.1.2 Discussion of Research Question 2

Research question include: Is there any association between CG mechanisms and firm performance?

The twelve hypotheses were constructed in this research question since CG mechanisms consist of six independent variable and two variables that are representative of firm performance.

CG factors that had a significant relationship with ROA were Managerial Ownership and Board Independence. The regression weight analysis was used to assess the significance of the relationship paths in the model, assessed at $p < 0.05$. The results show that Managerial Ownership had a moderately positive score ($\beta = 0.112$, $p = .042$) but Board Independence had a moderately negative score ($\beta = -0.188$, $p = .000$). Board Independence and Government Ownership had a significant relationship with ROE. Government Ownership did not reach significance for ROA ($p = .107$). Once again, Board Independence had a negative relationship ($\beta = -0.242$, $p = .000$), but Foreign Ownership, Institutional Ownership and Managerial Ownership did not have a significant relationship to either measure of financial performance in this study.

One of the most surprising findings in this study was the negative effect of board independence on ROA and ROE, which not support the hypotheses. 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.

Managerial Ownership had positive relationship with ROA which corresponds to the findings of previous literature (Juras and Hinson 2008; Irana and Nedezhda 2009). In terms of ROE results, no relationship was found that is consistent with Juras and Hinson (2008). A large fraction is found in the cross-sectional variation study on the managerial ownership which explains the heterogeneity of the unobserved firm. This unobserved heterogeneity from the contracting environment has crucially implicated the econometric models as designed for the managerial ownership effect estimation on the firm performance. It was shown from our empirical analysis that the non-robust existing results for endogeneity induced control by time-invariance on the unobserved heterogeneity. In addition, when we control for both the fixed effects and the characteristics of the observed firms, it is hard to draw the conclusion that managerial ownership changes in the firm can affect its performance. However, the results from our instrumental-variables test, suggest that a promising step toward more complete models can be constructed from the association between the managerial ownership and firm performance. Similarly, government ownership has a positive relationship with ROE but no relationship with ROA. In the case of government holding of shares in a company, many researchers have found a positive and negative relationship with firm performance (ROA and ROE). Many debates have raged on the governmental ownership effect on firm performance. On the one hand, it is argued from state ownership brings a 'helping hand' if the government provides needed capital subsidies. On the other hand, it is proposed that state ownership will bring a 'grabbing hand' in which more of a firm's benefits are extracted by the government according to the ownership to benefit politicians and bureaucrats (Tian and Estrin, 2008). Huang and Xiao (2012) posited a net negative government ownership effect in which they state that less state ownership can lead to the firm profitability and productivity improvement. A game-theoretical model was developed by Shleifer and Vishny (1994) which assumes that state ownership would lead to subsidies and bribes between the firms and the government. They argue that this relationship could damage the firm performance due to political interference in pursuit of political goals. Empirically, this research line of evidence is mixed. Some studies show a positive effect (Jiang et al, 2008; Liao and Young, 2012; Xu and Wang, 1999) or an inverse government ownership U-shape effect over the firm performance (Sun et al, 2002). However, some studies found a negative effect as well (Chen et al, 2005, Lin et al, 2009, Qi et al, 2000, Sun and Tong, 2003, Wei, 2007). Therefore, it could be that the results from this study suggest an impact of government shareholder interest over the performance, but this is not verified, and depends on the different contexts; i.e., the time of study or the investment context in each country.

In terms of the variables that were not related to the firm performance, the results of this study on the relationship of Institutional Ownership with ROA and ROE are in the line with Duggal and Miller (1999) and Faccio and Lasfer (2000). This study is also in agreement with Wasowska (2013), in that ownership concentration does not have a significant relationship with a firm's performance in case of the internalization of companies. This study offered the results against existing theory in showing that greater the institution ownership could lead to concentration of power. Thus, management administration would need to lessen the agency conflicts and resourceful behavior in the firm, and that would have a greater effect on the firm's value-optimizing to increase financial performance. In most developing countries, studies have found no association between institutional ownership and firm performance. An insignificant impact on financial performance may be interpreted by the real application of the appropriate principles and standards of CG to the listed firms (Aljifri and Moustafa, 2007). This is evident in the studies of Aljifri and Moustafa (2007) in the United Arab Emirates, Dwivedi and Jain (2005) in India, Quang and Xin (2014) in Vietnam and Najjar(2015) in Jordan. Another CG variable, foreign ownership, was not related to firm performance. These results are inconsistent with Barbosa and Louri (2005) who found that foreign ownership brings financial, marketing, technological and governance-related advantages, which helps firms improve their financial performance. Also, within the context of CG, the chair of the board of directors and CEO positions should be held by different persons. This study found no relationship between CEO role duality and firm performance, and that finding is consistent with Fayol, (1949) and Massie (1965). The finding goes against popular beliefs in East Asia that the role of the chair of the board should be separated from the position of the CEO (Claessens and Fan, 2002; Claessens, Djankov and Lang, 2000). Perhaps, average-performing firms face complicated operational and managerial issues that demand strong and solid leadership. For performing enterprises, insignificance of CEO duality may be due to the fact that the likelihood of entrenchment is higher in such firms (Finkelstein and D'Aveni, 1994). Conversely, these firms need good surveillance mechanisms by implementing CEO non-duality, an argument in line with Agency Theory.

The results of this study may reflect the context of Thailand, including the data collection methods. These CG mechanisms focus on the variables that influence CSR disclosure. The results of the analysis of the relationship to performance are small, and the results of the study are varied.

5.1.3 Discussion of Research Question 3

Research question include: Is there any association between CSR disclosure and firm performance?

Two hypotheses were constructed in this research question. The firm's CSR score had a significant positive relationship with both ROA and ROE. The regression weight analysis was used to assess the significance of the proposed relationship paths in the model, assessed at $p < 0.05$. The relationship of the CSR Score and ROA (β = 0.497) was somewhat higher than for CSR Score and ROE (β = 0.453).

The current study found a positive relationship between CSR disclosure with ROA and ROE. The findings from this research are supported by the results from many previous studies on this subject from other countries. For example, Preston and O'Bannon (1997), Waddock and Graves (1997), Peters and Mullen (2009) and Saleh et al, (2011) are among those who suggest that the level of CSR disclosure has a direct impact on ROA and ROE, and vice versa. However, this study had different results from the findings of Sukcharoensin (2012) who collected data from 50 large, listed firms on the SET that adopted the CSR guidelines from Stock Exchange Commission of Thailand (SEC). It is shown from their findings that CSR disclosure has no relationship with ROA and ROE. It seems that they had a relatively small sample size without focusing on CSR disclosure and financial performance relationship, while emphasizing CG . This could produce changes in the positive relationship between CSR disclosure and ROA and ROE. It is questioned whether this research is in accordance with the previous study on CSR in Thailand. There is still a limited number of studies on the relationship between CSR and Thai firms' financial performance, though some evidence can be seen on the questions related to it. The findings here suggest that CSR activities are associated with the better financial performance. More evidence can be seen on the influence of CSR activities over the companies' economic performance from other non-Thai studies (Preston and O'Bannon, 1997; Waddock and Graves, 1997; Tsoutsoura, 2004; Saleh et al,, 2011).

The stakeholder approach view on social responsibility is like the strategy to balance and to meet the different stakeholders' expectations. Nonetheless, every business organization has the key objective to grow and survive; if the firm cannot generate sufficient profit, it will not prosper and rarely care about CSR implementation. This study's results are in line with Scholtens (2008), Surroca et al (2010), and Wu and Shen (2013) who found a significant and positive relationship between financial performance and CSR reporting. In making decisions about CSR, the greatest concern of the firm is the potential profitability of CSR. Sufficient profits are needed among businesses in order to cover all costs and to generate funds for development (Friedman 1970). Also, these results are in line with the theory of the instrumental stakeholder which suggests that profit-maximization requires the business to satisfy the needs of stakeholders, especially its customers (Jones and Wicks 1999). The ultimate purpose in this sense for any business activity as well as CSR is to generate profit.

5.1.4 Discussion of Research Question 4

Research question include: Is there any effect between CG mechanisms and firm performance, mediated by CSR disclosure?

The twelve hypotheses were constructed in this research question. The mediating relationship of CSR was assessed using the model effects. The Institutional Ownership-ROA relationship did show indirect effects (0.075) increasing total effects to 0.158. The Government Ownership-ROA relationship did show indirect effects (0.089) increasing total effects to 0.119. Board Independence-ROA had positive indirect effects (0.100) reducing the total effects (-0.098). Institutional Ownership-ROE also had moderate indirect effects (0.069), as did Board Independence (0.091) and Government Ownership (0.081), although this effect was small. These can all be characterized as a partial mediation of CSR in the relationship between CG factors and firm performance.

The mediating relationship of CSR was assessed using the Sobel Test. The results show that Institutional Ownership, Government Ownership and Board Independence had a significant effect. But, research findings on foreign ownership, managerial ownership and CEO role duality had no significant effect. In describing the relationship of the mediating variables, Baron and Kenny (1986), found that CSR disclosure was a complete mediation variable of Institutional Ownership and partial mediation of Board Independence to firm performance, both ROA and ROE. But CSR disclosure was a complete mediation variable of Government Ownership to ROA. Surprising, CSR disclosure was partial mediation variable of Government Ownership to ROE. Unexpectedly, this research found that there was no relationship between foreign ownership, managerial ownership and CEO role duality with CSR disclosure and the ROA and ROE performance indicators.

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 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 CG 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 CG has a limited effect on CSR 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 CSR, ROA, and ROE. There is no clear explanation for why this negative relationship may have emerged, although as Dalton and 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.

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5.2 Limitations of the Study

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 change). 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, 56-2 mandatory disclosures and CSR or sustainable standalone report. 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. Thus, future research could be a comparative, cross-sectional study of Thailand and other ASEAN Economic Community (AEC) member countries, or a comparison of developed and developing countries in an attempt to understand the nature and extent of CSR disclosure and its relationship to financial performance. It is important to understand the extent of CSR components in other countries.

Since the mid-2000s, Thai companies have been increasingly reporting about voluntary activities (Ratanajongkol, S., Davey, H., & Low, M. 2006). Corporate giving may influence the emotions of stakeholders, particularly customers and employees, increase sales and decrease costs and, as a result, promote firm value. Firm donations significantly promote performance, in terms of corporate pretax earnings, capital market returns, and corporate value in the subsequent (rather than the current) year. Thus, this suggests that the messages communicated through CSR contributions have lagged effects. Future studies should explore the effect of CSR on subsequent year firm performance to probe the effect of CSR disclosure, since this study suggests that CSR has a short-term effect, at best.

5.3 Implication for Practice and Future Research

5.3.1 Implication

In this study, the key aim was to study the factors and effects of CSR. The results of this study can be used as evidence to support CSR and CSR reporting for SEC, companies and investors**.**

At present, the SEC, via the Committee of Capital Markets, has encouraged the reporting of CSR. This research found that the reporting of CSR activities is beneficial to the business. Moreover, the SEC could use the CSR index to develop a CSR reporting standard in the Thai context. To be clear and consistent, there is a need to develop a CSR reporting framework for each stakeholder group in different industry segments. The results of the study indicate that the results of CSR were beneficial for business. The SEC should also support and provide additional guidance on the format of reporting.

Currently, these Thai-listed companies are implementing CSR practices and disclosure via reporting in the various sections of their annual reports, separate reports and through other media channels, for instance, websites and brochures. These results lead to different CSR disclosure formats in Thai firm's annual reports. In addition, both SEC and Thai-listed companies should develop an appropriate CSR framework, appropriate as well as a disclosure framework for other industries to raise the standard of CSR disclosure to be comparable with other countries in the same region. These results will steer regulatory bodies toward greater corporate CSR disclosure transparency and good governance in CSR disclosure standard framework development. These results should be meaningful for investors for better understanding CSR disclosure which impacts on firm performance of Thai-listed companies. Investors could make better investment decisions based on the level of CSR disclosure in order to secure a sustainable return on investment.

5.3.2 Future Research

This study has some noteworthy limitations. The first limitation is that the study was cross- sectional. Thus, the conclusions could not make causal inference, and this methodology also raises some concerns about bias. Therefore, a longitudinal study is required to obtain more definitive conclusions. Moreover, the study used a checklist for CSR disclosure that could be unreliable, despite the attempts of the researcher to limit bias. Thus, future studies should use the international CSR index. Moreover, a new index could be developed to serve as a benchmark that can measure CSR performance in Thailand. Lastly, this study grouped all industries; i.e., the analysis was not separate for each industry. This study simply classified the sampled companies as 'manufacturing' or 'service business.' Future studies need to be larger to produce disaggregated analysis by industry. When discussing issues that should be further explored in CSR disclosure measurement, and in addition to CSR disclosures across industry segments and stakeholders, future studies should examine the differences in

CSR reporting in each industry. There is also a need to classify CSR reports by industry and group of stakeholders.

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APPENDICES

APPENDIX A

CSR Index

CSR INDEX

Index	Score
1. Employees	
1. Company has an equal opportunity action plan	
2. Company anti- discrimination policy towards issues of gender, pregnancy, marital status	
3. Company have policies towards disability/ disability harassment prohibition	
4. Company have compensation of workers as per legally mandated minimum wage	
5. Company have policies towards prohibiting forced overtime	
6. Company have policies for the training and development of employees.	
7. Company have the right of freedom of association, collective bargaining and complaint procedure	
8. Company have a policies covering health and safety at work	
9. Company have provision for formal worker representation in decision- making	
10. Company shows the number and rate of new employee hires and employee turnover.	
11. Company have a policies for retirement’s pension and disability from work	
12. Company have a policy to local employment	
13. Company training and communication employee to anti-corruption	
14. Company shows type and rate of injury, occupation diseases.	
2. Customers	
1. Company have a policy for monument system for customer satisfaction	

Index	Score
2. Company have a policy for monument system for preserving customer health and safety during use product	
3. Company have a standard and voluntary coded for advertising	
4. Company have commitment to quality through a well-developed, company- wide quality program	
5. Company have commitment to industry research and development and innovation	
3. Shareholders/ Investors	
1. Company have constitution reference for shareholders' participation in decision making and access to all relevant information	
2. Shareholders grievance handling policies	
3. Company have rules to strengthen auditor independence	
4. Company have regulatory mechanisms for prohibiting insider trading	
5. Company have commitment to reporting financial and non-financial issues	
6. Company have a policies and procedures for engaging in wide range of stakeholder- dialogs	
4. Community and Social	
1. Company have policy for contribution of skill and time of employees for community service	
2. Company have on serves, both directly and indirectly, all relevant local laws and regulations	
3. Company helps community through charitable donation, and educational and cultural contributions	
4. Company supports for third party social and sustainable development related initiatives	

Index	Score
5. Company supports educational program for the promotion of corporate citizenship	
6. Company supports public policies and practices to promote human development and democracy	
7. Company pursues partnerships with community organizations, government agencies and other industry groups dedicated to social causes	
8. Company have prohibits child labor and violation of human rights	
9. Company make timely payment of taxes	
10. Company have a policy for dealing with a country that systematically violates human rights	
11. Company have a policy for social accountability or sustainable reporting	
12. Company code of product with regard to bribery, gift receipts and corruption	
13. Company have policy for health and safety to local community.	
14. Company have policy for anti- corruption.	
5. Environment	
1. Company explicit definition of environmental policy and long term environment plans	
2. Company well defined environment responsibilities	
3. Company have system for measuring and assessing environmental performance	
4. Company have environmental emergency plans	
5. Company have a policies for substitution of polluting and materials and conservation of virgin materials	

Index	Score
6. Company designs facilitating reduction of resource consumption and waste generation during production distribution and product usage	
7. Company preference for green products in purchasing	
8. Company have natural environment training for employees	
9. Company selection of cleaner transportation methods	
10. Company have responsible disposal of waste and residues and recuperation and recycling systems	
11. Company have emission filters and end-of-pipe control	
12. Company have process design for reducing energy and natural resources consumption in operations	
13. Company have production planning reducing energy and natural resources consumption in operations	
14. Company have regular voluntary information about environmental management to stakeholders	
15. Company have policies for preventing direct and indirect pollution of soil, water and air	
16. Company have mechanism for supporting research and development of environmental technologies	
6. Suppliers	
1. Company have inspection of supplier facilities for health, safety and environmental aspects	
2. Company have policy to ensure ethical and friendly procurement at suppliers place	
3. Company have policy to pay and receive competitive market prices timely to/ from the supplier	

Index	Score
4. Company have policy on restriction on the use of child labor, sweat shop and violation of human rights at the supplier's place 5. Company have policy for social accountability or sustainable reporting by the supplier	

APPENDIX B

Index of Item-Objective Congruence (IOC)

Index of Item-Objective Congruence (IOC)

Variable	Expert's Response			Total	Averages
	1	2	3		
1. Employees					
1.Company has an equal opportunity action plan	1	0	1	0.66	0.83
2.Company anti- discrimination policy towards issues of gender, pregnancy, marital status	1	1	1	1	
3.Company have policies towards disability/ disability harassment prohibition	1	1	1	1	
4.Company have compensation of workers as per legally mandated minimum wage	1	1	1	1	
5.Company have policies towards prohibiting forced overtime	1	1	1	1	
6.Company have policies for the training and development of employees.	1	0	1	0.66	
7.Company have the right of freedom of association, collective bargaining and complaint procedure	1	0	1	0.66	
8.Company have a policies covering health and safety at work	1	1	1	1	
9.Company have provision for formal worker representation in decision- making	1	1	1	1	
10.Company shows the number and rate of new employee hires and employee turnover.	0	1	1	0.66	
11.Company have a policies for retirement's pension and disability from work	1	0	1	0.66	
12.Company have a policy to local employment	1	0	1	0.66	
13Company training and communication employee to anti-corruption	1	0	1	0.66	
14.Company shows type and rate of injury, occupation diseases.	1	1	1	1	

Index of Item-Objective Congruence (IOC)

Variable	Expert's Response			Total	Averages
	1	2	3		
2. Customers					
1.Company have a policy for management system for customer satisfaction	1	0	1	0.66	0.86
2.Company have a policy for management system for preserving customer health and safety during use product	1	1	1	1	
3.Company have a standard and voluntary coded for advertising	1	1	1	1	
4.Company have commitment to quality through a well-developed, company- wide quality program	1	1	1	1	
5.Company have commitment to industry research and development and innovation	1	0	1	0.66	
3. Shareholders/ Investors					
1.Company have constitution reference for shareholders' participation in decision making and access to all relevant information	1	1	1	1	0.94
2.Shareholders grievance handling policies	1	1	1	1	
3.Company have rules to strengthen auditor independence	1	1	1	1	
4.Company have regulatory mechanisms for prohibiting insider trading	1	1	1	1	
5.Company have commitment to reporting financial and non- financial issues	1	1	1	1	
6.Company have a policies and procedures for engaging in wide range of stakeholder- dialogs	1	0	1	0.66	
4. Community					
1.Company have policy for contribution of skill and time of employees for community service	1	0	1	0.66	0.85
2.Company have on serves, both directly and indirectly, all relevant local laws and regulations	1	1	1	1	

Index of Item-Objective Congruence (IOC)

Variable	Expert's Response			Total	Averages
	1	2	3		
3.Company helps community through charitable donation, and educational and cultural contributions	1	1	1	1	
4.Company supports for third party social and sustainable development related initiatives	1	1	1	1	
5.Company supports educational program for the promotion	0	1	1	0.66	
6.Company supports public policies and practices to promote human development and democracy	1	0	1	0.66	
7.Company pursues partnerships with community organizations, government agencies and other industry groups dedicated to social causes	1	0	1	0.66	
8.Company have prohibits child labor and violation of human rights	1	1	1	1	
9.Company make timely payment of taxes.	1	1	1	1	
10.Company have a policy for dealing with a country that systematically violates human rights	1	0	1	0.66	
11.Company have a policy for social accountability or sustainable reporting	1	1	1	1	
12.Company code of product with regard to bribery, gift receipts and corruption	1	0	1	0.66	
13. Company have policy for health and safety to local community.	1	1	1	1	
14.Company have policy for anti- corruption	1	1	1	1	
5. Environment					
1.Company explicit definition of environmental policy and long term environment plans	1	1	1	1	0.87
2.Company well defined environment responsibilities	1	0	1	0.66	

Index of Item-Objective Congruence (IOC)

Variable	Expert's Response			Total	Averages
	1	2	3		
3.Company have system for measuring and assessing environmental performance	1	0	1	0.66	
4.Company have environmental emergency plans	1	1	1	1	
5.Company have a policies for substitution of polluting and materials and conservation of virgin materials	1	1	1	1	
6.Company designs facilitating reduction of resource consumption and waste generation during production distribution and product usage	1	1	1	1	
7.Company preference for green products in purchasing	1	1	1	1	
8.Company have natural environment training for employees	1	0	1	0.66	
9.Company selection of cleaner transportation methods	1	1	1	1	
10.Company have responsible disposal of waste and residues and recuperation and recycling systems	1	0	1	0.66	
11.Company have emission filters and end-of-pipe control	1	0	1	0.66	
12.Company have process design for reducing energy and natural resources consumption in operations	1	0	1	0.66	
13.Company have production planning reducing energy and	1	1	1	1	
14.Company have regular voluntary information about environmental management to stakeholders	1	1	1	1	

Index of Item-Objective Congruence (IOC)

Variable	Expert's Response			Total	Averages
	1	2	3		
15.Company have policies for preventing direct and indirect pollution of soil, water and air	1	1	1	1	
16.Company have mechanism for supporting research and development of environmental technologies	1	1	1	1	
6. Suppliers					
1.Company have inspection of supplier facilities for health, safety and environmental aspects	1	0	1	0.66	
2.Company have policy to ensure ethical and friendly procurement at suppliers place	1	0	1	0.66	0.86
3.Company have policy to pay and receive competitive market prices timely to/ from the supplier	1	1	1	1	
4.Company have policy on restriction on the use of child labor, sweat shop and violation of human rights at the supplier's place	1	1	1	1	
5.Company have policy for social accountability or sustainable reporting by the supplier	1	1	1	1	
Total IOC Average					0.87

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Declaration

This work contains no material which has been accepted for the award of any other or diploma in any university or other tertiary institution and, to the best of my knowledge and beliefs, contains on material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the university library, being available for loan and photocopying.

Chutimant Boonnual