International Journal of Business and Society, Vol. 20 No. 3, 2019, 1096-1111

BOARD STRUCTURE, POLITICAL CONNECTION AND FIRM PERFORMANCE: EVIDENCE FROM THAILAND

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ABSTRACT

Corporate governance is the system by which companies are directed and controlled, then it is expected that corporate performance is affected by corporate governance attributes. Board of directors play an important role in maintaining effective corporate governance, therefore, board structure may affect the firm performance. Politically connected listed firms may advantage as a result of certain regulatory conditions and competence to access the resources such as bank loans, debt financing and strong marketing competition which lead to increases the firm performance especially for emerging countries. This paper investigates the effect of board structure and political connection on firm performance, measured by ROA of non-financial listed companies on the Stock Exchange of Thailand (SET) during the period 2006-2017. The sample consists of 102 firms. The fixed-effects panel regression analysis is used in this study to examine the relationship between board structure, political connection and firm performance. The results found that board structure attributes have positively related to firm performance whereas political connection associated negatively and statistically with firm performance.

Keywords: Corporate governance; Board structure; Political connection; Firm performance; Fixed effect panel regression

Received: 11 September 2018
Accepted: 6 March 2019

1. INTRODUCTION

Several empirical studies have examined the impact of political connection on firm performance. Results revealed that firms which the board of director were related to politic such as a former politician, police, military, government officer on the board, would have positive effect on the business and firm performance (Do, Lee, & Nguyen, 2013; Johnson & Mitton, 2003; Kim & Lim, 2010; Li, Meng, Wang, & Zhou, 2008; Sitthipongpanich & Polsiri, 2015). It would generate the flexibility and decrease the law regulations, conditions, and transaction regulation which provided a better opportunity to access the sources of investment, financing (Agrawal & Knoeber, 2001)

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and have lower interest rate than the market rate, which resulted in less chance to encounter financial problem. On the other hand, Fan, Wong, and Zhang (2007) find that political connection caused the weak corporate governance, the lack of operation transparency. Although it facilitated the firm operation, it might lead to the corruption and it had the negative effect on the firm performance. Previous empirical evidence on the relationship between political connection and firm performance is mixed. The present study attempts to fill a gap in the existing literature.

Referring to Fan et al. (2007), political connection led to the weak corporate governance, this research was important for business sector to understand the roles and impacts of political connection. Corporate governance is the mechanism to control the executives' performance on investment decision for the highest benefits of the shareholders and it is the important tools to decrease the agency cost (Dutordoir, Strong, & Ziegan, 2014). Corporate governance was the factor driving for the better performance used for managing, monitoring, and controlling the firm operation. It was necessary for the firm to build organizational culture on having conscious, transparency, and accountability, in which affected the long-term financial value and wealth of the firm and shareholders reflecting on the firm performance (Chancharat & Chancharat, 2013). Moreover, corporate governance is the important tool for the firm to have quality administrative and management system, present the information transparently, and have standard performance to create the competitive ability, satisfaction of all stakeholders, and lastly, resulted in business value increasing.

Political connections and the evolution of political system and capitalism have developed together overtime. At the beginning of the rise of capitalists from the 1850s to the early of 1900s, major businesses in Thailand were under royal patronages and owned by the King. The Thai capitalism in this period was influenced by European and Chinese merchants (Sitthipongpanich, 2004). The King encouraged the immigration of Chinese, due to their skills in trading. These immigrants prospered with the granting of several privileges, including trading licenses, tax exemptions, investment loans, and political support, especially in rice trading which accounted for 70 percent of all exports in the 1910s. This original group of immigrants has grown into the "Big Five" dominant Chinese families who continue to lead prominent business groups in Thailand today. Sophonpanich group and Chearavanont of the Charoen Pokphand (CP) group are the examples of dominant families (Sthienchoak, 2013). As a consequence of the constitutional revolution in 1932, the country's politics was dominated by military governments and state-led industrialization became a key driver to develop the economy in Thailand until the 1960s. After that, private enterprises and multinational corporations appeared to drive the Thai capitalism (Sitthipongpanich, 2004).

Thailand provides an interest setting to investigate this issue due to political power changes happen relatively frequently in Thailand. In fact, none of the elected governments, except one, has completed a full four-year term in its history. This implies that both Thai firms and their investors need to actively keep updated with these value-related changes and consider them in their business decisions. While Thai politicians have to conceal their affiliations to firms to avoid violating the law, they often use nominees and shell entities (e.g., through marital links or distant family membership) to reduce transparency and obscure the true connection between firms and themselves. This makes the corporate political connectedness of some companies unobservable on the surface. However, the distinct nature of Thai family names, which are rather unique and limited to the use of only a handful of people, allows for careful and thorough investigation which could reveal such connections. Whether this information is reflected in stock prices is particularly interesting in the context of market efficiency. Thailand represents an example of a rent-seeking society. A political-business nexus in Thailand creates what is referred to as a “crony economy” in which the Thai economy grows with the growth of business groups that have connections to the government. In such a scenario, politicians in power typically provide preferential treatment to connected firms and facilitate business operations to create a monopolistic environment which protects these businesses from competitors (Civilize, Wongchoti & Young, 2015). Therefore, it can be seen that political connections are deeply rooted in the Thai economy and well-connected business groups have enjoyed growth over many years (Sthienchoak, 2013). Moreover, the recent abrupt changes in political power in Thailand provide us the unique opportunity to examine the relationship between the political connections and firm performance (Subhapholsiri & Tirapat, 2015).

Let us provide some background information on Thailand and its stock exchange market. First, Thailand presents a dynamic market and a destination of choice for foreign investors. The economic development, indeed, has been significant: after Asian financial crisis Thailand’s GDP has grown at an average rate of 4.03 percent between 2000 and 2017 and the economy achieved a upper-middle-income status in present (World Bank, 2018). Second, Thailand is a member of the Association of Southeast Asian Nations (ASEAN) as in 2015, ASEAN countries have expanded their economic collaboration from the ASEAN Free Trade Area (AFTA) to the ASEAN Economic Community (AEC), a group of high growth markets with growing populations and dynamic economies, comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Sethapramote (2015) shows that ASEAN’ capital markets exhibit higher degrees of co-movements at times and possess intra-regional, interregional return and volatility interdependence effects. Moreover, while emerging equity markets have struggled to hold onto gains after the global financial crisis, the Thai stock market has surged to become one of the Asia’s best performing markets. Our dataset, consequently, studies a very interesting country with growing importance. It is therefore clear that Thailand provides us with an interesting, but very distinct background for our study as compared to previous studies.

This study had been conducted in Thailand context, which is the country in the emerging market which has the rapid expansion of the economic activities. The objective was to develop economic to be equal to other developed countries. However, there was lack of strict law enforcement (McMillan & Woodruff, 1999) and numbers of political relationship between the firms were found. In addition, considering corporate governance, Thailand had developed corporate governance according to international standard constantly since the world economic crisis on 1997. In particular, this study concludes that politically connected lending reinforces the decreased firm performance.

Our research contributions could be adding the literature that examines the impact of political connections on firm performance focusing on emerging market. The literatures in emerging markets would benefits from our results. Because of several distinctive features of emerging markets, several research findings based on western firms cannot be readily extended to emerging economies. Our research examines empirical evidence from one of such emerging markets.

The remainder of the paper is organized as follows. Section 2 presents literature review and hypothesis development. In section 3, the paper presents data used in the study and describes the research methodology. Section 4 shows the empirical analysis and robustness test. Section 5 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Board Structure and Firm Performance

Board of directors play an important role in maintaining effective corporate governance, particularly in publicly held corporations in which agency problems may arise from the separation of ownership and control. The management body in a firm is responsible for suggesting and implementing major policies; however, shareholders do not always agree with these policies, which can lead to an agency problem between management and shareholders. The board of directors is only one of several mechanisms that can mitigate agency conflicts within the firm. Claessens, Djankov, Fan, and Lang (2002) propose that a good corporate governance framework can benefit the firm with easier financing, lower costs of capital, improved stakeholder favour, and overall better company performance (Fauzi & Locke, 2012). This study particularly focuses on various aspects of board structure included board size and board independence and how they affect firm performance.

Board size

Board size varies from board to board, depending on factors such as the type of the firm, the firm size and the board culture. Then, what is the best size for a board of directors? The number of board members is considered to be one of the factors affecting firm performance, but there is no one optimal size for a board (Fauzi & Locke, 2012).

There are some perspectives on how big a firm's board size should be. From an agency perspective, it can be argued that a larger board is more likely to be vigilant for agency problems simply because a greater number of people will be reviewing management actions. From a resource dependence theory perspective, it can be similarly argued that a larger board brings greater opportunity for more links and hence access to resources. Organizations may increase board size to maximize provision of resources for the organization.

From a stewardship theory perspective, it is the ratio of inside to outside directors that is of relevance, since inside directors can bring superior information to the board for decision-making. Larger boards are likely to have more knowledge and skills at their disposal, and the abundance perspectives they assemble are likely to enhance cognitive conflict.

There are a number of studies in investigating whether or not board size has an effect on firm performance. Some studies found positive relationship between board size and firm performance, for example, Goktan, Kieschnick, and Moussawi (2018) concluded that the large size of the board committee may lead to effective operation. This is because the board will adequately consult before deciding any aspects of company business. The study by Haniffa and Hudaib (2006) also pointed that a company with a large board will perform better because of a wide range of experiences and opinions causing the companies to select the best choice. However, Jensen (1986) also suggests that smaller boards enhance communication, cohesiveness and co-ordination, which make monitoring more effective. The studies found results support this concept such as Eisenberg, Sundgren, and Wells (1998) and Yermack (1996) which concluded that smaller board size is associated with higher firm value.

Though the result is inconclusive, it is assumed that larger boards provide more expertise, greater management oversight and access to a wider range of resources. Therefore, the research hypothesis is established as follows:

Hypothesis 1: Board size positively affects the firm performance.

Board Independence

Board of directors plays an important role in corporate governance. They help solving agency problems inherent in an organization because they perform internal control mechanism designed to monitor actions of top management. However, board does not always act on behalf of shareholders. In general, a board dominated by inside directors may not be able to fulfill its supervisory function properly (Panyasrivanit, 2005). Therefore, numerous studies explored the effect of board independence on firm performance (Fauzi & Locke, 2012). One important mechanism of board structure is the composition of the board. The composition examines decisions, balances the company administration, controls decisions and eliminates conflicts of interest between the shareholders and the management team, which, according to the agency theory of administrators, performs these duties more efficiently than dependent boards. The theory states that people are motivated to advance personal interests (Letza, Kirkbride, Sun, & Smallman, 2008). A board composed of external parties will act to protect the interests of all shareholders in all groups who are unlikely to confront the executive director and to efficiently examine the administrative department's operation (Hu, Tam, & Tan, 2010) because they must to retain their reputations. This causes the independent board to become essential variables of corporate governance, who will be able to reduce problems arising from the representatives. The study by Jiamsagul (2007) found that a higher proportion of independent board members can reduce the agency problem and improve operations (Apadore & Zainol, 2014; Di Pietra, Grambovas, Raonic, & Riccaboni, 2008; Ho & Wong, 2001).

However, other studies argued that outside directors will not necessarily act in shareholder interest since CEOs often dominate the director nomination process (Panyasrivanit, 2005). Agrawal and Knoeber (1996) argued that board composition is one of a number of endogenously determined corporate governance mechanisms and found that more outsiders on the board negatively affect Tobin's q-ratio. The research hypothesis is as follows:

Hypothesis 2: The proportion of independent directors on board positively affects the firm performance.

2.2. Political Connection and Firm performance

Under the concepts of agency theory, the directors from the external firms had the role in selection, awarding, giving consequences, controlling the executives' performance, and the important role to reduce the conflict between the agencies. The firms which had the directors who had political experience would have better opportunity to receive useful and beneficial information for the firm operation (Agrawal & Knoeber, 2001). The firm would have privilege to access sources of investment fund and have advantage over other firms for asking the bank credit. They applied their political power as a bribe. As a result, the firm related to the politic would gain more market share and advantages in competition which resulted in the higher of firm performance (Kim & Lim, 2010).

Regarding the study of political issues in the developed countries, the research of Fan et al. (2007) of 790 companies in China and the research of Wu, Wu, and Rui (2012) found that the companies where the executives involve in the politics face lower operating result than those without political connection. In the final stage, it will affect to these company appoints state officer to sit in the board of the company rather than appointing person who have related background to the management or the business. Contrasting to the research of Claessens, Feijen, and Laeven (2008) in Brazil, the companies which involve in the politics and support the election will gain higher return per share and more efficiently access to the financial source than the companies which do not involve.

The study of political involvement among developing countries, the research of Fisman (2001) in Indonesia, the company with political connection increases the value of the company and it becomes the significant factor that affects to the national economic system. As same as the research of Adhikari, Derashid, and Zhang (2006), study in the context of Malaysia, the companies which have political connection will pay tax lower than those without political connection. As a result, their firm performance results are more positive. The political influence in the capital market is valuable, and for a long time, leading politicians have contributed to shaping the nature of main business deals, including those involving the privatisation of leading government-connected firms in Malaysia (Vithiatharan & Gomez, 2014). In addition, Marzuki and Abdul Wahab (2016) find no evidence of politically connected Malaysian firms being more conservative post-International Financial Reporting Standards (IFRS) concurrence that could influence earnings conservatism. In contrary, the study of Muttakin, Monem, Khan, and Subramaniam (2015) in Bangladesh, the operating result of the companies with political involvement is lower than those without political involvement.

As for the study in Thailand context, according to the research of Bunkanwanicha and Wiwattanakantang (2009) which studied the companies that listed in the Stock Exchange of Thailand and the companies that did not listed, it found that board of director who had political connection would applied their power to make decision in setting policy which implementing the regulations and public policy for the benefits of their firms. Such policies obstruct not only domestic competitors but also foreign investors. As a result, these politically connected firms are able to capture more market share. Furthermore, Bunkanwanicha, Fan, and Wiwattanakantang (2013) found that the company’s stock price increases when the partner is from a prominent business or political family. Furthermore, the entry of businessmen into politics is widespread in Thailand and there are many politicians that are connected to different private firms. These politicians diverge in terms of their expertness to deliver private benefits to their families, the data offers rich variation in political influence (Imai, 2006).

The cross-country research of Faccio (2010) studied companies in 47 countries described that the company with political connection has lower efficient management than those who do not involve. Moreover, the difference of performance efficiency depends on the level of corruption and of the economic development. Regarding the research of Boubakri, Cosset, and Saffar (2008) which studied the companies in 27 developing countries and the companies in 14 developed countries during 1980 to 2002, 245 firms in total, the study represented 87 companies with involving in the politics that the operating results of the companies where their directors has relationship with the politics or used to be a politician are lower than those who do not involve.

In addition, Chen, Sun, Tang, and Wu (2011) found that political connection affected the decreasing of investment efficiency of the firm. When the firm was able to apply political power to bribe for the flow and facility in transaction, it allowed more corruption in the firm which directly affected the weak corporate governance and was not in accordance with the regulated standard or practice. This expectation leads to the following hypothesis:

Hypothesis 3: Political connection negatively affects the firm performance.

3. DATA AND METHODOLOGY

3.1. Sample

This study collects data on non-financial publicly listed firms in the Stock Exchange of Thailand over a 12-year period from 2006 to 2017. The sample includes four industry sectors consist of agro & food industry, consumer product industry, resources industry, and technology industry. Table 1 provides the distribution of sample firms.

Table 1: Sample Distribution

Industry sector	**N**	**Percent**
Agro & food	36	35.29
Consumer product	35	34.31
Resources	13	12.75
Technology	18	17.65
Total	102	100

3.2. Dependent Variable

The performance measurement of the company informs its current status of the operating result; does it conform to the objectives and policy as expected or not? The measurement is a surveillance tool and a report of unceasing success. Furthermore, it takes the assistance role to evaluate competition capacity among the changeable environment.

According to the literature review, there many measurement methods and the widely accepted means in financial efficiency is financial ratio, processed from statement of financial position and income statement. The data for processing must be significant and has understandable relationships which will benefit for the analysis. It consists of return on equity (ROE) and return on total assets (ROA) (Li et al., 2008). The marketing measurement is Tobin's Q (Vizcaíno & Chousa, 2016). This study gives priority focus on the financial measurement using the return on total assets as the tool for the operating result analysis in order to present the company's capacity or efficiency to reach the return (Akbar, Poletti-Hughes, El-Faitouri, & Shah, 2016; Muttakin et al., 2015; Rostami, Rostami, & Kohansal, 2016).

The dependent variable is firm performance, which is a proxy of return on total assets ratio: ROA (measured by the ratio of earnings before interest and taxes to total assets). ROA is an indicator gives an idea as to how efficient management is at using its assets to generate earnings. ROA is a better measure as it arrests the performance of the management and is not contaminated by the differential degree of leverage present in firms (Mishra & Mohanty, 2014) and ROA is an accounting measures much more responsive to the obvious firm economic performance than market-based measures (Liu, Miletkov, Wei, & Yang, 2015).

3.3. Independent variables

The independent variables are board structure included board size, board independence and political connection.

Board size: Board of director have an important role to monitoring corporate governance for the highest benefit of the firm. They were the proficient group of people who had leadership skill, vision, and understanding in the role and business operation, worked honestly, carefully, and were responsible for performance to the firm and the shareholders. The board of director had important role in failure relief.

Board Independence: Board Independence led to good decision for administrative and management and supported the firm ability to attract the good resources.

Political connection: is a proxy of a firm in which a former politician, police, military, government officer on the board. There are four mechanisms to make firms with political connection advocated by the government; social networking, information view, reputation build-up and individual preference (Qin, 2012).

3.4. Control variables

The control variables are firm size and firm age.

Firm size: The large firm has positive relationship with loan ability. This was because of the less tendency of bankrupt, compared to the small size firm. Prior research suggested that firm's size may influence its performance, larger firms have a greater variety of capabilities and economies of scale (Frank & Goyal, 2003). However, the large size firm possibly had the inefficient chain of command which affected the controlling expenses and resulted in the complex operation and management monitoring.

Firm age: Experience and proficiency were the results of the increasing of the firm operating years. It decreased the failure feasibility and increased the survival feasibility of the firm.

We list all the variables used in this study and provide detailed definitions in Table 2.

Table 2: Variables used in the Study

Variable	Variable name	Definition
Pol_con	Political connection	A firm in which a former politician, police, military, government officer on the board then a value of 1 is recorded, 0 otherwise
Bd_size	Board size	Number of directors on the board, including chairperson
Bd_ind	Percentage of board independence	The ratio of the number of independent directors to the number of directors
F_size	Firm size	The logarithm of total assets of the firm
F_age	Firm age	Number of years since the year of the company listed to 2017
ROA	Return on total assets	Earnings before interest and tax/total assets

3.5. Methodology

This study employed fixed-effects panel regression analysis because sample contained data across firms and over time. Moreover, panel data sets are better to identify and estimate effects that clearly are not investigable in pure time series or cross-sections data. Fixed effects regressions control for, or partial out, the effects of time-invariant variables with time-invariant effects. When firm heterogeneity is unobservable, a fixed effects specification helps capture the effect of the unobservable variable (Chi, 2005) otherwise random effect regression should be employed.

In order to examine the effect of board structure and political connection on firm performance, the following baseline regression is established:

$$ROA_{i,t} = \lambda + \beta_1(Pol\_con_{i.t}) + \beta_2(Bd\_size_{i,t}) + \beta_3(Bd\_ind_{i,t}) + \beta_4(F\_size_{i,t}) + \beta_5(F\_age_{i,t}) + \mu_{i,t} \quad (1)$$

In Eq. (1), the dependent variable (ROA) is firms' performance measured by earnings before interest and taxes to total assets. The independent variables are board size (Bd_size), board independence (Bd_ind) and political connection (Pol_con). Firm size (F_size) and firm age (F_age) are control variables, where μ is a disturbance term.

Table 3: Descriptive Statistics for the Sample

Variable	Mean	S.D.	Min	Max
ROA	0.069	0.119	-1.511	1.1201
Pol_con	0.352	0.478	0.000	1.000
Bd_size	10.748	2.912	2.000	25.000
Bd_ind	0.364	0.112	0.000	0.727
F_size	15.321	1.585	10.960	20.450
F_age	21.803	6.147	9.000	42.000

Table 3 provides a variety of summary descriptive statistics for the sample of 1,202 firm-year observations. The descriptive statistics include the number of mean, minimum, maximum and standard deviations for each subsample. The ratio of earnings before interest and taxes to total assets, ROA, has a mean 0.07. The mean value of Pol_con is 0.35. Corporate governance characteristics and financial data obtained from DATA STREAM, SETSMART and the Stock Exchange of Thailand.

Table 4: Correlations between Key Variables

	ROA	Pol_con	Bd_size	Bd_ind	F_size	F_age
ROA	1.000					
Pol_con	-0.052***	1.000				
Bd_size	0.008***	0.233***	1.000			
Bd_ind	0.063***	0.059***	-0.201***	1.000		
F_size	0.201***	0.106***	0.259***	0.095***	1.000***	
F_age	-0.071***	-0.013***	0.141***	-0.103***	-0.060***	1.000

Note: *** represent statistical significance at the 1% level.

This table reports correlation coefficients between key variables for a sample of 1,202 firm-year observations covering the period 2006–2017. ROA is the ratio of earnings before interest and taxes to total assets. Pol_con is the political connection measured as a firm in which a former politician, police, military, government officer on the board then a value of 1 is recorded, 0 otherwise. Bd_size is the number of directors on the board, including chairperson. The board independence (Bd_ind) is computed as the ratio of the number of independent directors to the number of directors. The firm size (F_size) is computed as the logarithm of total assets of the firm. The firm age is computed as the number of years since the year of the company listed to 2017.

Table 4 reports correlation coefficients of key variables used in the regression for the sample of 1,202 firm-year observations over the period 2006-2017. The results of the relationship between most variables indicated that the relationship between most of the variables are significantly correlated but the relationships are small. As the correlation coefficients on explanatory variables are generally below 0.30, the issue of multicollinearity is not of great concern.

4. EMPIRICAL RESULTS

Table 5 presents the regression results of the impact of board structure and political connection on firm performance. The dependent variable is ROA measure as the ratio of earnings before interest and taxes to total assets. Overall, the results in Table 5 indicate that for the Stock Exchange of Thailand, political connection, board size and board independence have effected and significant on firm performance. Moreover, two firm characteristic which are firm size and firm age also significantly affected firm performance.

This table presents fixed-effect panel regressions of firm performance (ROA) measured as the ratio of earnings before interest and taxes to total assets. Pol_con is the political connection measured as a firm in which a former politician, police, military, government officer on the board then a value of 1 is recorded, 0 otherwise. Bd_size is the number of directors on the board, including chairperson. The board independence (Bd_ind) is computed as the ratio of the number of independent directors to the number of directors. Firm size (F_size) is computed as the logarithm of total assets of the firm. The firm age is computed as the number of years since the year of the company listed to 2017.

Table 5: Fixed-effects Panel Regression Results

Variable	Coef.	S.E.	Sig.
Constant	-0.219**	0.097	0.025
Pol_con	-0.033***	0.012	0.005
Bd_size	0.007***	0.002	0.002
Bd_ind	0.138***	0.045	0.002
F_size	0.015**	0.007	0.031
F_age	-0.003***	0.001	0.005

Note: **, *** represent statistical significance at the 5% and 1% level, respectively.

The results in Table 5 is the baseline fixed-effects panel regressions where the study includes control variables, show that political connection (Pol_con) and firm age (F_age) are negatively associated with firm performance, the hypothesis is accepted. While board size (Bd_size), board independence (Bd_ind) and firm size (F_size) are positively associated with firm performance.

In the robustness check, we have re-run regressions to check whether our findings are sensitive to different measure and method definitions.

Table 6: Robustness Tests: Alternative Measure and Method

Variable	Altermative Measure (1)	Altermative Method (2)
Constant	2.630**	-0.173**
	(0.931)	(0.062)
Pol_con	-0.105	-0.030**
	(0.113)	(0.010)
Bd_size	-0.026	0.004**
	(0.021)	(0.002)
Bd_ind	-0.600	0.102**
	(0.429)	(0.039)
F_size	-0.145**	0.014**
	(0.068)	(0.004)
F_age	0.013	-0.002**
	(0.009)	(0.001)

Note: ** represent statistical significance at the 5% level.

In Column (1) of Table 6, we use alternative definitions for firm performance. ROA is replaced by return on equity (ROE) as the dependent variable because they are the most extensively used indicators of financial performance. The coefficient of Pol_con is still negatively but insignificant. To rule out the possibility that the results are sensitive to our estimation method, we estimate our baseline regression with the random-effects panel regression. Results reported in Column (2) are consistent with our findings from the baseline models. Political connection and firm age decrease the firm performance. As such, hypotheses 1-3 are accepted.

5. DISCUSSIONS AND CONCLUSIONS

In this paper, the study uses a panel sample that includes publicly listed non-financial firms in Thailand during the period 2006-2017 to shed light on the relationship between board structure, political connection and firm performance. This finding consistent with previous studies that finds a negative effect of political connection on firm performance whereas board structure have positively related to firm performance.

The findings in this paper suggest that the interference or political connection is a risk of business which led to the corruption and affecting the firm's operation. Finally, it resulted in the inefficiency of firm performance. Board of directors should recognize the powerful development of board of directors to enhance firm liveliness because their potential influence on the survival of firms and the experience of directors are also find to be positively associated with firm performance (Pearce II & Zahra, 1991). An audit fees are greater increase for firms with political connections firms than for non-politically connected companies. Nevertheless, there is a diminishing in audit fees for politically connected companies after the capital controls are executed (Gul, 2006). According to Benjamin, Zain, and Abdul Wahab (2016) used a sample of Malaysian publicly listed companies find that politically connected companies have a propensity to pay lower dividends, higher levels of institutional ownership moderates the negative relation between dividend payouts and politically connected companies.

Furthermore, to have the long-term efficient performance and business survival, the board of director must be the proficient and skillful persons with experiences who had judgment and leadership skill as well as outside directors who are financial and business experts (Yermack, 2006). According to Sitthipongpanich and Polsiri (2015) suggested that if directors enlargement experience and knowledge from working in an area of finance, accounting, economics marketing, or management, they could make a crucial contribution to firms performance. They had the role in setting strategy, policy and the mission of the form; including monitoring the performance constantly to lead the firm to achieve the objectives, which was more important than the benefits in a short term obtained from the privilege or politic connection.

ACKNOWLEDGMENTS

Financial support from the Faculty of Business Administration and Accountancy, Khon Kaen University under grant number 007/2558 is gratefully acknowledged. An early version of this paper was presented at the ISERD international conference on business, management and finance research (ICBMFR) at Kyoto, Japan. We are indebted to other participants for their helpful comments. We are indebted to an anonymous referee for very helpful comments which had substantially improved the earlier version. We are also indebted to Professor Dr. Chaiporn Vithessonthi for his valuable guidance. Any errors are ours.

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