

Influential Family Equity Characteristics On Returns Of Shareholders Through Sustainability Report

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Abstract

Family shareholding and concentrated ownership (CO) might influence returns of profits. This research article aimed to examine sustainability information in annual reports (Form 56-1), financial statements, notes to the financial statements, and sustainability reports in 2018 of 160 Thai-listed companies. Multiple Indicators and Multiple Causes (MIMIC) Model method was employed to test the hypotheses. The results showed that the concentrated ownership (CO) characteristics significantly have a direct influence on a company's sustainability report. A company's environmental performance is found as the most direct influence, followed by social and economic, respectively. The indirect influence has impacts on the return per share in a positive direction. A company's sustainability reporting has a direct influence on the positive direction of the return per share which social performance has the most influence followed by environment and economic. While the company has a CO, sustainability reporting needs to be well-prepared, and the return per share increases.

Keywords: Family Shareholding, Sustainability Reporting, Return Per Share.

Introduction

The Thai capital market has continued to develop corporate governance to strengthen investor confidence, which was reflected in various assessment results. Now, listed companies face more challenges, including generating returns for their businesses amid changing environmental, technological, and growing expectations of social and environmental responsibility. While some listed companies still view CG/ESG as fragmented from business operations and being an added cost. The board of directors, as a responsible leader in business operations, therefore ensured that the company had a mechanism to ensure that the decisions and operations of everyone in the organization were in the same direction, for the business to adapt, grow, and create value for the business along with stakeholders and society by presenting quality financial statements to be a fair representation and related to decision making (Abdillah et al.,

2019). Since the board's attributes were able to reduce uncertainty and inequality of information and support mechanism of supervision in other matters of the company; it was therefore interesting to consider whether the board's attributes were important to the quality of accounting information.

Corporate governance is an issue that investors or those interested in investing both in Thailand and abroad are increasingly interested in. Good corporate governance will drive the business to operate with professional, honest, and international standards. This is acceptable all shareholders and stakeholders, causing the business to have good operating results and to have increased business value. From the research associated with good corporate governance in the past, it was found that the factors of corporate governance mechanisms by the roles, duties, and structure of the board of directors were therefore widely studied, such as the size of the board of directors, the proportion

of independent directors, etc. Additionally, there is another factor that affected business such as the proportion of shareholding structure or ownership structure. The proportion of most shareholding structures of business in Thailand was concentrated. Most businesses start as a family, founders are often insiders and can maintain management power by being the major shareholder. It could say that the board of directors with high shareholding had the power to use their power to supervise executives creating value that met their needs (Harinanon, 2017). The study by Michelin & Parbonetti found that good corporate governance the size aspect of the board of directors and the proportion of independent directors that affected good corporate governance would increase company value (Michelon & Parbonetti, 2012). Hodgson and colleagues suggested that good corporate governance affected good performance and generated very high returns in the future, and the relationship between corporate governance affected institutional investors' decision-making and institutional investors' returns which affected the business value (Hodgson et al., 2011). The sample groups used in the studies were companies listed on the Stock Exchange of Thailand (SET) in 2018. The results showed that a company with good corporate governance could attract more institutional investors and statistically significant increased investment decisions.

Klapper and Love found that characteristics of the board's shareholding were directly related to operating results (Klapper & Love, 2004). The study also showed that corporate governance would result in a company's good operating measured by Return on Assets (ROA) and would also result in a high business value (Klapper & Love, 2004). In Thailand, it was found that corporate governance under structure of the board of directors' aspect, which consisted of board size, the proportion of non-executive directors, the proportion of shares held by top 5 major shareholders, a company's board size was correlated with its operating results as measured by Return on Assets (ROA) and Return on Equity (ROE). Therefore, to find relation between corporate governance in the structural perspective of the board of directors and clear operating results of the business. We were interested in studying the relationship

with companies listed on SET, while SET has been improving its good corporate governance practices. Additionally, we were also interested in consistency between current and past study results and for being a confirmation that good corporate governance also reflected a good relationship with the company's operating results. This study would collect data from good corporate governance data report in 2016, which was also data report according to good corporate governance data reporting guideline 2012, and then synthesized the data to categorize it according to the guidelines for reporting CG CODE in all 8 principles of practice.

For this reason, we realized the importance of analyzing influential family equity characteristics on the returns of shareholders through the sustainability report by the GRI reporting guidelines for the benefit of creating confidence for all shareholders, investors, stakeholders, and related parties. This study aimed to study influential family equity characteristics on the returns of shareholders through the sustainability report by the GRI reporting guidelines.

Research methodology

Population and participants

The population was 468 companies listed on The SET in 2018 (August 1, 2019), which did not include the following business groups:

1. Financial business group which included 60 companies because the financial business group had other laws, regulations, and corporate governance in addition to the general rules of SET (Sattaya Chanpong and Ratchaneeya Bangmek, 2017).
2. Business group which included 16 companies that were in the process of restoring their operations as determined by SET and companies that may be subject to delisting. Therefore, their management was different from other business groups (Sattaya Chanpong and Ratchaneeya Bangmek, 2017).
3. Stock exchange group in the market for alternative investment (MAI) which included 163 companies, due to having a business size different from other industrial businesses

(Sattaya Chanpong and Ratchaneeya Bangmek, 2017).

4. 61 companies in Real Estate Investment Trust (REIT) and 7 companies in another fund.

Table 1 Number of Samples Classified by Industry

List of Industry Groups	Number of Samples
1. Agro-Industry and Food Industry	18
2. Consumer Goods Industry	14
3. Industrial Products Industry	30
4. Real Estate and Construction Industry	32
5. Resources Industry	16
6. Service Industry	37
7. Technology Industry	13
Total	160

We brought the data from 7 industry groups as followed: 1) Agro-Industry and Food Industry

2) Consumer Goods Industry 3) Industrial Products Industry 4) Real Estate and Construction Industry 5) Resources Industry 6) Service Industry, and 7) Technology Industry. The participants in this study were analyzed using the Structural Equation Model (SEM) to determine the parameters from the analysis results for validity and reliability. Hair et al (1998) suggested that the optimal sample size range was 100–200 samples, the sample size determination in this study was shown in Table 1. MIMIC is often employed by researchers studying the effects of an unobservable latent variable on a set of outcomes when causes of the latent variable are observed.

Statistics Used in This Study

The data of influential family equity characteristics on the returns of shareholders through the sustainability report was analyzed by using Structural Equation Model Analysis from a statistical package of MIMIC Model, due to Structural Equation Model was notable for estimation of internally relevant relation and multivariate relation.

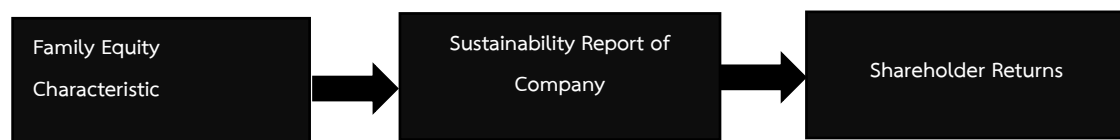


Fig. 1 Conceptual framework

Conceptual Framework

This study aimed to examine the influential family equity characteristics. Determining from summary of top 5 stocks that combine to have control over companies affecting shareholder returns through corporate sustainability reporting in accordance with the GRI Reporting Guidelines. In this study, we formulated the research hypotheses as followed:

H1: Family equity characteristics positively influence to the sustainability report of company.

H2: Sustainability report of company in economic aspect positively influence to shareholder returns.

H3: Sustainability report of company in social aspect positively influence to shareholder returns.

H4: Sustainability report of company in environmental aspect positively influence to shareholder returns.

Results

Family equity characteristics were studied on shareholder concentration in the form of a percentage of the top 5 stocks exceeding 50% in accordance with the guidelines of Haniffa & Hudaib and Alareeni and colleagues (Alareeni, 2018; Haniffa & Hudaib, 2006). For the sustainability report of the company, we studied through reporting on 3 issues, which were company economic sustainability report,

company social sustainability report and company environmental sustainability report in accordance with The Global Reporting Initiative Sustainability Guidelines GRI (Initiative, 2012). In terms of shareholders returns, we studied through shareholder returns accordance with Henri & Heroux (Henri & Héroux, 2018).

From correspondence of the causal relationship model of family equity characteristics analysis result, it was found that hypothetical model was consistent with the empirical data, Chi-Square value was 7.82, statistical probability (p) of 0.098, degrees of freedom (df) of 4, RMSEA value of 0.04, SRMR value of 0.024, GFI value of 0.99, AGFI value of 0.98, CFI value of 0.99, and NFI value of 0.98.

Family equity characteristics positively and directly affected company sustainability report on economic, social, and environmental aspects. Coefficient of influence was 0.21, followed by 0.27 and 0.45, respectively with a statistically significant level of 0.01. Family equity characteristics positively indirectly affected Earnings Per Share (EPS), Coefficient of Influence was 0.18 with a statistically significant level of 0.01. Company economic sustainability report (ECO) positively directly affected Earnings Per Share (EPS). Coefficient of influence was 0.18 with a statistically significant level of 0.05. Company social sustainability report (SOC) positively directly affected Earnings Per Share (EPS). Coefficient of Influence was 0.25 with a statistically significant level of 0.01. Company environmental sustainability report (ENV) positively directly affected Earnings Per Share (EPS), Coefficient of Influence was 0.22 with a statistically significant level of 0.01 (Tables 2 and 3).

Discussion

This research study revealed that family equity characteristics positively and directly affected company sustainability report in all aspects – economic, social, and environment aspects. These findings were consistent with the study of Chantapet and colleagues that found family equity characteristics affecting company sustainability report in the same way (Chantapet et al., 2022). This study received more summaries that CO or family

shareholding was the most influential in reporting on environmental sustainability, followed by social sustainability and economic sustainability, respectively. Sheikh found that the concentration of shareholders had responsibility in defining characteristics; and companies had also a clear responsibility to follow the principles of good corporate governance (Sheikh, 2019). From the past finding, the result was consistent with this study's result. Whenever company had concentrated shareholding, it was found that the company would reveal good corporate governance information. The operating result would highly increase according to size of good corporate governance information report. Therefore, that report was regarded as the organization of company sustainability report as well (Kongsasone et al., 2019). This finding revealed that when company had concentrated shareholding characteristics, it would influence to shareholder return rate of the company being also higher, which was consistent with the study of Henri & Heroux, which said that companies with a good corporate governance committee also made their practices more active and financially efficient (Henri & Héroux, 2018). The increased sustainability report also influenced to shareholder return rate, it was consistent with the past study which said that it's not only financial information affected the stock market price, but sustainability report disclosure also assisted investors in valuing the business's securities. Additionally, it was found that sustainability report positively directly influenced to operation ability (Boussaid et al., 2015). This could be said when company had appropriate sustainability report, it would also increase shareholder returns and affected a group of investors more interested the company. The limitation of this study was the numbers of participants were relatively small. Thus, further investigations should include more companies and numbers of participants.

From the result of influential family equity characteristics on return of shareholders through the company sustainability report in accordance with the GRI reporting guidelines, it was found that results of the consistency examination about rational relation model of the family equity characteristics (FAM). The hypothetical model was consistent with the empirical data, Chi Square value was 7.82.

Statistical Probability value (p) was 0.098, Degrees of Freedom (df) was 4, RMSEA value was 0.04, SRMR value was 0.024, GFI value was 0.99, AGFI value was 0.98, CFI value was 0.99 and NFI value was 0.98.

In conclusion, CO characteristics or family shareholding affected investor returns through company sustainability report on economic aspect, social aspect, and environmental aspect. Therefore, regulators, shareholders, and investors could integrate findings into business decision-making and planning processes, due to the attributes used in research influenced performance which was

empirical. We had 2 parts of recommendations First, recommendations for applying the research results as company sustainability report disclosure study is a study from the annual report, annual registration statement (Form 56-1), financial statements, notes to the financial statements, and sustainability reports. This should be considered as this is information had been revealed to public. Secondly, next research should expand more on the variables like the context of shareholders. Further studies may be undertaken by expanding the study period to further prove findings of congruence and differences with the time periods used in this study such as the economic crisis.

Table 2 Symbol description

Variable Name	Variable Name	Variable Name
Family Equity Characteristic	FAM	The proportion of the top 5 stocks exceeding 50%
Company Economic Sustainability Report Disclosure	ECO	Publicly Disclosed Number of Sentences
Company Social Sustainability Report Disclosure	SOC	Publicly Disclosed Number of Sentences
Company Environmental Sustainability Report Disclosure	ENV	Publicly Disclosed Number of Sentences
Shareholder Returns	EPS	Earnings Per Share Rate

Table 3 Analysis of the influential path family equity which influenced on shareholder returns through company sustainability report

Variables	ECO			SOC			ENV			EPS		
	TE	DE	IE	TE	DE	IE	TE	DE	IE	TE	DE	IE
FAM	0.2** (0.04)	0.21** (0.04)	-	0.27** (0.04)	0.27** (0.04)	-	0.45** (0.04)	0.45** (0.04)	-	0.18** (0.02)	-	0.18** (0.02)
ECO										0.08* (0.04)	0.08* (0.04)	-
SOC										0.25** (0.04)	0.25** (0.04)	-
ENV										0.22** (0.04)	0.22** (0.04)	-

$\chi^2 = 7.82$, $\chi^2/df = 1.96$, $df = 4$, $p\text{-value} = 0.098$, $RMSEA = 0.04$, $SRMR = 0.024$, $GFI = 0.99$, $AGFI = 0.98$, $CFI = 0.99$, $NFI = 0.98$

Conflict of Interest

The authors have no conflicts of interest to declare.

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