

# THE RELATIONSHIP BETWEEN BOARD STRUCTURE AND EARNINGS QUALITY OF LISTED COMPANIES ON THE STOCK EXCHANGE OF THAILAND: THE MODERATING EFFECT OF OWNERSHIP STRUCTURE

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## Abstract

Board directors are entrusted with the responsibility to perform their duties transparently and to foster desirable managerial behavior by ensuring the quality of financial reporting, particularly within an effective ownership structure. Building on this premise, the objective of this study was to investigate the influence of board structure on the earnings quality of companies listed on the Stock Exchange of Thailand (SET100 index), considering the moderating effect of ownership structure. The analysis is based on 165 firm-year observations from 2016 to 2019, with the new paradigm of discretionary accruals, based on the Modified John and Yoon model, serving as a proxy for earnings quality. The findings provide valuable insights into how corporate governance practices influence earnings quality. Specifically, larger board size, and CEO duality, are associated with lower earnings quality, while ownership structure can either exacerbate or mitigate this effect. The study offers both theoretical and managerial contributions, emphasizing the importance of strengthening corporate governance to enhance earnings quality in Thai businesses.

**Keywords:** Ownership Structures, Board Structures, Earnings Quality, Discretionary Accruals

## 1. INTRODUCTION

Regarding companies listed on the Stock Exchange of Thailand, the most important factor that companies should prioritize, is good corporate governance, particularly in terms of reporting the company's financial performance, status, and financial information, completely and truthfully to shareholders (Sittichanbuncha, Silpcharu & Wattanakomol, 2024; Jirawuttinunt, Issarapaiboon, Mueangjum, & Pataraarechachai, 2024). Production of high-quality financial information is paramount and remains a central objective of financial reporting (Srijanphet, 2008). Earnings quality, primarily originating from normal business operations, is a critical focus for various stakeholders in assessing a company's current and future performance (Entwistle & Phillips, 2003; Schipper & Vincent, 2003). However, distortions in financial reporting often arising from managerial behavior may be exploiting opportunities to meet organizational goals or objectives (Healy & Wahlen, 1999; Casabona &

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Grego, 2003). This may be manipulated through discretionary application of accounting policies due to weak supervisory mechanisms; thereby, weakening earnings quality by increasing discretionary accruals and undermining the reliability and transparency of reported financial information (Jones, 1991; John & Coates, 2007). This has underscored the growing importance of effective monitoring and supervision of business operations (OECD, 2015). Listed companies, in particular, are mandated to appoint a board of directors responsible for overseeing the company's activities. This delegation can lead to conflicts of interest between shareholders and appointed managers, commonly referred to as agency problems (Jensen & Meckling, 1976; Man & Wong, 2013). However, shareholder structure, as a moderator, may significantly influence a company's operations, management, and performance (Nasrin et al., 2019).

The intricate dynamics between corporate governance mechanisms and financial reporting quality have been a focal point in accounting and finance research. Central to this discourse is the examination of how board structure—comprising elements such as CEO duality, board size, and the proportion of independent directors—influences earnings quality. Earnings quality reflects the accuracy and reliability of financial statements, serving as a critical indicator of a firm's financial health and operational performance. High-quality earnings provide stakeholders with transparent and truthful information, facilitating informed decision-making (Dechow et al., 1996).

Ownership structure, delineated by the distribution of equity among shareholders, notably blockholders and institutional investors, plays a pivotal role in shaping corporate governance outcomes (Sangchan et al., 2023). The presence of substantial shareholders can either mitigate or exacerbate agency conflicts between management and shareholders, thereby impacting the quality of reported earnings. For instance, concentrated ownership may lead to more effective monitoring of management, reducing the propensity for earnings manipulation (Warfield et al., 1995). Conversely, it may also facilitate entrenchment, allowing dominant shareholders to expropriate resources at the expense of minority interests (Claessens et al., 2002).

Despite extensive studies on the individual effects of board structure and ownership configuration on earnings quality, there remains a paucity of research exploring the interplay between these governance mechanisms. Specifically, the moderating role of ownership structure on the relationship between board composition and earnings quality is underexplored. Understanding this interaction is crucial, as the effectiveness of board oversight may be contingent upon the nature and concentration of ownership. For example, the efficacy of independent directors in curbing earnings management might be amplified or diminished in the presence of dominant institutional shareholders (Hashim & Devi, 2008). Furthermore, much of the existing literature is concentrated in developed markets, with limited insights into emerging economies where ownership structures and governance practices differ significantly. This contextual gap underscores the need for empirical investigations in diverse settings to enhance the generalizability of corporate governance theories (Fan & Wong, 2002).

Furthermore, gaps in the literature are also suggested by findings which remain inconclusive; (1) mixed results - variables such as Ownership Concentration and Board Size show mixed relationships with earnings quality (Jensen & Meckling, 1976; Yermack, 1996). This indicates context-specific effects (e.g., firm size, regulatory environment); (2) positive relationships-factors such as Board Independence, Institutional Ownership, and Audit Committee Characteristics consistently show a positive impact on earnings quality (Beasley, 1996; Bushee, 1998; Klein 2002). This reflects the importance of effective monitoring and oversight in corporate governance and; (3), negative relationships: CEO Duality is consistently associated with negative effects on earnings quality (Peng et al., 2007), highlighting potential conflicts of interest when the CEO holds dual roles. These previous studies investigated only

the direct effect of board structure and ownership structure on earnings quality, making explanatory power limited. However, the focus in this paper is on the moderating effect of ownership structure on the relationship between board structure and earnings quality. Future research will benefit from a closer examination of such interdependencies between other corporate governance mechanisms and market settings such as institutional ownership, anti-takeover laws, and financial reporting quality, as suggested by Duru et al., (2016). By addressing these gaps, this study aims to contribute to a nuanced understanding of how ownership structures modulate the influence of board characteristics on earnings quality, thereby offering valuable insights for policymakers, investors, and scholars in the field of corporate governance. Given the potential impact of shareholder and board structures on earnings quality, particularly in an emerging economy such as Thailand, further investigation is essential as evidence in Thailand remains limited, presenting a research gap. This study addresses the following research question: Does ownership structure moderate the board structure-earnings quality relationship in Thailand? The primary objective of this study is to examine the influence of board structures on the earnings quality of firms listed on the Stock Exchange of Thailand, with a particular focus on the moderating role of ownership structure. The findings offer empirical evidence that earnings quality can be both diminished or enhanced through various corporate governance mechanisms. To provide robust and reliable findings, this study proposes an initial model and compares it with an alternative model. By doing so, we aim to contribute incremental evidence that will be valuable to both investors and regulators, strengthening the understanding of corporate governance mechanisms in emerging markets.

## **2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

This section reviews relevant theory related to earnings quality, including the potential causes of earnings quality identified in prior research and practice, especially board structure and the moderating effect of shareholder structure.

**2.1 Agency Theory.** Agency theory highlights the conflicts of interest between principals (shareholders) and agents (managers), which can significantly affect the quality of financial reporting. Managers may manipulate earnings to achieve their personal goals such as desired performance based on manipulated accounting numbers, which could reduce earnings quality (Jensen & Meckling, 1976). Earnings quality is referred to as the extent to which reported earnings accurately reflect a firm's economic performance and are free from manipulation (Dechow et al., 2010).

Research indicates that agency conflicts often lead to earnings management practices that obscure a firm's true financial position (McColgan, 2001). For instance, managers may inflate earnings to project favorable performance or smooth profits to reduce volatility, thus misleading stakeholders (Schipper, 1989). These behaviors undermine the reliability and decision-usefulness of financial reports.

To address agency problems and improve earnings quality, various governance mechanisms are employed. Ownership structure, such as institutional investors and blockholder ownership, enhances oversight and reduces opportunistic earnings manipulation (Dechow et al., 2010). Similarly, independent directors and rigorous audits strengthen financial reporting transparency and accountability (Watts & Zimmerman, 1986). Prior research underscores certain ownership structures, such as institutional investors and blockholder ownership, as effective mechanisms to monitor and mitigate earnings management (Kanchanapen, 2016; Harinanon, 2017; Rizani et al., 2019). This study categorizes its explanatory variables into two primary domains: board structure and ownership structure.

Board size, independent directors, and CEO duality, serve as proxies for board structure, while institutional ownership and blockholder ownership exemplify ownership structure.

## **2.2 Board Structure**

**2.2.1 Board Size.** There is no consensus about the exact number of board directors. Lipton and Lorsch (1992) recommend a board size of 8-9 directors, while Jensen (1993) suggests an ideal range of 7-8. In Thailand, the Securities and Exchange Commission (2017) advises boards of 9 -15 directors, adjusted for business-specific needs. However, the size of a company's board of directors plays a critical role in earnings quality.

Research findings on the relationship between board size and earnings quality are mixed. Some studies suggest a positive correlation, indicating that larger boards may enhance earnings quality through their combined expertise and knowledge (Fodio et al., 2013; Dang et al., 2020; Githaiga, et al., 2022). Conversely, larger boards can have negative consequences on decision-making, communication, and coordination (Al Azeez, Sukoharsono & Andayani, 2019). Inefficiencies and reduced participation are common in excessively large boards, often leading to free-rider problems, where individual contributions diminish as board size grows (Guest, 2009). Furthermore, research highlights that when board size exceeds an optimal threshold, its effectiveness, particularly in ensuring earnings quality, declines (Jensen, 1993; Lipton & Lorsch, 1992; Holtz & Neto, 2014; Lhaopadchan et al., 2016; Kapoor & Goel, 2017). While others have found no significant association between board size and earnings quality (Nugroho & Eko, 2011; Tambun et al., 2017). As previously discussed, due to inconclusive results regarding board size and earnings quality, the following hypothesis is formulated:

H1: Board size is significantly associated with discretionary accruals, being either positively or negatively related to earnings quality.

**2.2.2 Independent Directors.** Thai listed companies are required to have at least one-third of their board of directors as independent directors, with a minimum of three independent directors. Independent directors play a crucial role in balancing power within the board, ensuring that decisions are made in the best interests of all shareholders. Their independence and expertise enable them to provide unbiased oversight, which can mitigate conflicts between management and shareholders. This oversight helps reduce agency costs, which arise from conflicts of interest between principals (shareholders) and agents (management). By effectively monitoring management actions, independent directors help align management decisions with shareholder interests, thereby enhancing corporate governance. Furthermore, the presence of independent directors is associated with improved corporate performance and sustainability. Their objective judgment contributes to better decision-making processes, promoting transparency and accountability within the company. In summary, the requirement for Thai listed companies to appoint independent directors is designed to strengthen corporate governance by balancing power, reducing agency costs, and protecting shareholder interests (Stock Exchange of Thailand (n.d.) and Jensen & Meckling, 1976).

Based on many previous studies, independent directors could improve the quality of financial reporting. Research evidence consistently underscores the critical role of board and audit committee independence in mitigating earnings management and enhancing financial reporting quality. Greater audit committee independence has been found to significantly reduce earnings management (Al Azeez et al., 2019). Similarly, Sajjad et al., (2019) and Chouaibi et al., (2018) reported that an increased proportion of independent audit committee members negatively correlates with earnings management in Pakistani companies. These findings align with Lai & Tam's (2017) study on Chinese listed companies, where a higher number of independent directors enhanced the efficiency of financial reporting. In the Thai context, the

independence of the board of directors has been shown to positively influence earnings quality. Studies by Sirithip (2012), Moktaison (2013), Kamwong (2019), and Thunapudom (2018), support this conclusion. Collectively, these findings form the basis for proposing hypothesis 2:

H2: Independence of directors has a negative relationship with discretionary accruals or a positive relationship with earnings quality.

**2.2.3 CEO Duality.** The role of the Chairman in a company is critical and should ideally be filled by an independent director capable of performing their duties impartially. This separation aligns with agency theory, which advocates for distinct roles for the Chairman and the CEO to mitigate conflicts of interest and ensure unbiased oversight. By maintaining this distinction, the Chairman can act as a neutral party, safeguarding shareholder interests and promoting a system of checks and balances in decision-making, rather than centralizing authority in a single individual. Agency theory emphasizes the importance of separating powers to minimize undue influence by any board member. This approach enhances transparency, ensures greater auditability, and improves the quality of financial reporting. Supporting this perspective, studies by Sajjad et al., (2019) and Chatterjee (2019), demonstrate that separating the roles of Chairman and CEO fosters better governance practices and strengthens organizational accountability. The conflicting findings highlight the complexity of the relationship between CEO duality and financial reporting quality, suggesting that the impact may be contingent on additional factors such as the type of ownership structure, firm size, and industry characteristics.

Holtz & Neto (2014) demonstrated that the separation of the roles of Chairman of the Board and CEO in Brazilian companies is positively associated with improved earnings quality. However, Moktaison (2013) found that this division of roles negatively impacts earnings management in the Thai stock market and the Market for Alternative Investment (MAI). Further corroborating these findings, studies by Kaewkao (2014) and Lhaopadchan et al., (2016) revealed consistent evidence that separating these positions enhances governance effectiveness and reduces manipulative earnings practices. As previously discussed, it is possible that CEO duality is more likely to create more discretionary accruals; therefore, hypothesis 3 is proposed:

H3: CEO duality has a positive relationship with discretionary accruals or a negative relationship with earnings quality.

## **2.3 Moderating Effect of Shareholder Structure**

Despite extensive studies on the individual effects of board structure and ownership configuration on earnings quality, the moderating role of ownership structure on the relationship between board composition and earnings quality is underexplored. Ownership structure can moderate activities conducted by management; thereby, either improving earnings quality (Khafid & Arief, 2017; Ahmad et al., 2023; Alsultan & Hussainey, 2024) or weakening it (Sofia & Murwaningsari, 2019), depending on a specific context.

**2.3.1 Institutional Investors.** Given the complexity of institutional shareholders in Thailand, we have adopted the classification outlined by the Office of the Securities and Exchange Commission of Thailand. Institutional investors are defined as the Bank of Thailand, commercial banks, banks established by specific laws, finance companies, credit foncier companies, securities companies, non-life insurance companies, life insurance companies, mutual funds, private funds managed by securities companies for large investors and special large investors, provident funds, government pension funds, social security funds, the National Savings Fund, the Financial Sector Resilience and Development Fund, futures trading

businesses, international financial institutions, deposit protection agencies, the Stock Exchange of Thailand, corporations, fund managers, or managers of futures contracts, and foreign investors, according to specific mentioned investment characteristics (Office of the Securities and Exchange Commission: Notification No. 4/2560).

Institutional investors possess advanced management mechanisms that facilitate effective monitoring of business operations, coupled with superior analytical expertise and data processing capabilities (Brickley et al., 1988; Sofia & Murwaningsari, 2019). These attributes enable them to actively oversee and enforce compliance with regulatory and policy requirements through robust monitoring frameworks. Furthermore, institutional investors play a critical role in mitigating the risk of self-serving financial reporting by management, thereby enhancing the integrity of financial disclosures (Ferreira & Matos, 2008; Putra & Mela, 2019). However, the extent of their influence may depend on the effectiveness of governance structures and the transparency of the organization's reporting practices. This proposition highlights the need for further exploration into how institutional investors' monitoring mechanisms adapt across diverse regulatory environments and their capacity to address evolving challenges in financial reporting.

Mellado & Saona (2019) provide robust evidence that institutional ownership reduces managerial opportunistic behavior in Latin American firms. Their findings highlight the superior financial sophistication and analytical capabilities of institutional investors compared to individual investors, enabling them to deter earnings management. Supporting this, studies in Sri Lanka (Anwar & Buvanendra, 2019), India (Chatterjee, 2019), and Mexico (Reyna, 2018) confirm that increased institutional shareholding significantly reduces earnings management levels.

However, the relationship between institutional leadership and data accuracy appears weaker in contexts with underdeveloped institutional ownership structures, which compromises earnings quality (Sofia & Murwaningsari, 2019). Evidence from Thailand aligns with these findings, demonstrating the efficacy of institutional ownership in curbing earnings management (Wittinanonth & Saraphat, 2021). These collective insights underscore the critical role of institutional investors in enhancing financial transparency, serving as the basis for the next hypothesis.

H4: Institutional ownership moderates the relationship between board structure (board size, independent directors, and CEO duality) and earnings quality.

**2.3.2 Blockholder Ownership.** Blockholder ownership is defined as a legal entity that holds shares according to the most recent financial statement of at least 100 million baht, or has a direct investment in securities or futures contracts of at least 20 million baht. In cases where deposits are included, the investment in such assets must be at least 40 million baht. Individual investors must have net assets of at least 50 million baht, an annual income of at least 4 million baht, or a direct investment in securities or futures contracts of at least 10 million baht. If deposits are included, the investment in such assets must be at least 20 million baht (Office of the Securities and Exchange Commission: Regulation 4/2560). In this research, the definition of major investors is based on the shareholding proportions of the top 10 holders disclosed in the annual report (Form 56-1), excluding institutional investors as defined by established criteria. Concentrated ownership reflects a governance structure where a small group of large shareholders, commonly referred to as a blockholder, holds a significant proportion of a company's shares.

The effect of blockholder ownership is inconclusive. A negative relationship between the proportion of top 10 and top 5 major shareholders and the cumulative decision-making balance in Thailand has been found (Kanchanapen, 2016), suggesting that concentrated ownership may undermine equitable decision-making, raising concerns about its impact on

minority shareholders and overall corporate governance. Other studies have found that ownership concentration improves earnings. Some confirmed that large shareholders have an important role not only in exercising voting rights but also in preventing and reducing opportunistic management behavior that could compromise the quality of financial reporting (Lai & Tam, 2017; Nigeria Obigbemi, 2017; Grimaldi & Muserra, 2017; Alexander, 2019; Mellado & Saona, 2019). It is expected that blockholder ownership may moderate the relationship between board structure and earnings quality. Thus, hypothesis 5 is proposed accordingly:

H5: Blockholder ownership moderates the relationship between board structure (board size, independent directors, and CEO duality) and earnings quality.

## **2.4 Control Variables**

**2.4.1 Firm Size.** Larger companies which experience growth and increased business size, tend to adopt more structured systems, ensuring greater stability and predictability in operations. This often results in a more consistent level of accruals and improved earnings quality (Anwar & Buvanendra, 2019). Chatterjee (2019) found that larger firms are less prone to profit manipulation compared to smaller firms, primarily due to the presence of robust internal control mechanisms and high-quality auditing practices. However, these companies are also acutely aware of their reputational risk, which could be severely impacted if earnings manipulation is detected (Hashmi et al., 2018). This aligns with prior studies, including Kapoor and Goel (2017), Gill-de-Albornoz et al., (2018), and research specific to Thailand by Kamwong (2019), Yodbutr (2020), and Wongyim (2018), all of which concluded that larger companies generally exhibit better earnings quality. Consequently, it is anticipated that larger business size positively influences earnings quality, providing the basis for hypothesis 6:

H6: Firm size has a negative relationship with discretionary accruals or positive relationship with earnings quality.

**2.4.2 Firm Auditing.** In accounting research focused on assessing the quality of financial reporting, significant attention is directed toward the role and effectiveness of auditing in ensuring the credibility and reliability of disclosed information (Trabelsi, 2021). The preference for large and reputable accounting firms, particularly the “Big Four”-PricewaterhouseCoopers (PwC), Deloitte, Ernst & Young (EY), and KPMG, is well-documented. These firms are widely regarded for their ability to detect material misstatements more effectively than smaller firms, thereby limiting the scope for managerial earnings manipulation (Anwar & Buvanendra, 2019; Trabelsi, 2021). This heightened effectiveness is attributed to their rigorous auditing standards and stringent practices (Gill-de-Albornoz et al., 2018).

The role and reputation of auditors has been shown to significantly impact earnings quality. Large accounting firms possess the resources and expertise to train auditors to detect abnormal accruals and inappropriate accounting practices (Alzoubi, 2016). Empirical evidence from Sajjad et al., (2019), Chouaibi et al., (2018), Lai and Tam (2017), and Francis and Wang (2008), confirms a reduction in earnings management practices among companies audited by these firms. Additionally, research conducted in Thailand by Moktaisong (2013), Limtang (2015), Wajakajornrit (2016), and Wongyim (2018), identified a positive correlation between the use of large auditing firms and improved earnings quality. Based on these findings, hypothesis 7 is formulated for further testing:

H7: Firm auditing has a negative relationship with discretionary accruals or positive relationship with earnings quality.

### 3. RESEARCH METHODOLOGY

#### 3.1 Conceptual Framework

Drawing on a comprehensive review of theories and prior research examining the impact of board structures on earnings quality under the moderating effect of ownership structures, with firm size and type of firm auditing serving as control variables, the proposed hypotheses were evaluated using the following model:

$$EQ = \beta_0 + \beta_1 BSIZE + \beta_2 BIND + \beta_3 CEO + \beta_4 SIZE + \beta_5 BIG4 + Year + e \quad (\text{Model 1})$$

$$EQ = \beta_0 + \beta_1 BSIZE + \beta_2 BIND + \beta_3 CEO + \beta_4 INS + \beta_5 BSIZE * INS + \beta_6 BIND * INS + \beta_7 CEO * INS + \beta_8 SIZE + \beta_9 BIG4 + Year + e \quad (\text{Model 2})$$

$$EQ = \beta_0 + \beta_1 BSIZE + \beta_2 BIND + \beta_3 CEO + \beta_4 BLK + \beta_5 BSIZE * BLK + \beta_6 BIND * BLK + \beta_7 CEO * BLK + \beta_8 SIZE + \beta_9 BIG4 + Year + e \quad (\text{Model 3})$$

Where

**Features of board structure:**

BSIZE	= board size
BIND	= proportion of independent directors
CEO	= CEO duality

**Features if shareholder structure:**

INS	= proportion of shares held by institutional ownership
BLK	= proportion of shares held by blockholders

**Control variables:**

SIZE	= firm size (measured by natural log of market capitalization)
BIG4	= auditing conducting by big audit firm
Year	= dummy variable
e	= error term

#### 3.2 Population and Sample

The population and sample remained constant in the research as data were collected from 100 companies in the SET100 group. Out of this, only 67 companies were engaged in the SET100 group for the period of 2016-2019. Banking and insurance companies (10 firms) were excluded due to different operations and financial performance and 4 firms with incomplete sets of financial data were eliminated, resulting in 55 qualifying firms for further study. These firms remained in the SET100 group for at least three years consecutively. Thus, complete and usable sets of data from a period of three years constituted 165 firm-year observations.

Data were collected from SET100 companies or SET100 Index, where the stock price index is used to show the level and movement of the prices of 100 common stocks with the highest market capitalization, because trading has consistently high liquidity and the proportion of minor shareholders passes the specified criteria. We selected these firms due to their homogenous characteristics in terms of comparable accounting systems, internal controls, and the quality of their chief financial officers which could have an impact on earnings quality. Data were collected from financial statements and annual reports between 2016 and 2019. After



deleting incomplete data, including those from the financial and insurance sectors, we obtained 165 sets of data for further examination.

### 3.3 Variable Measurement

Institutional ownership (INS) was defined as the percentage of a company's common stock held by institutional investors relative to the total number of outstanding common shares (Sirithip, 2012; Yasser et al., 2017; Anwar & Buwanendra, 2019; Rizani et al., 2019). Concentrated Shareholding or Blockholder Ownership (BLK) refers to the proportion of a company's common stock owned by the top 10 largest individual shareholders based on the number of common shares held (Sirithip, 2012; Obigbemi, 2017; Reyna, 2018). Board Size (BSIZE) was measured by the total number of directors serving on the company's board (Kaewkao, 2014; Chouaibi et al., 2018; Al Azeez et al., 2019). Independence of Directors (BIND) was quantified as the ratio of independent directors to the total number of board members within the company (Moktaisong, 2013; Kamwong, 2019; Chouaibi et al., 2018; Al Azeez et al., 2019).

CEO duality was defined as the simultaneous holding of the roles of Chief Executive Officer (CEO) and Chairman of the Board within the company. This was measured using a binary variable, where a value of 1 indicates that the CEO also serves as the Chairman, and a value of 0 signifies that these roles are held by separate individuals (Moktaisong, 2013; Kaewkao et al., 2014; Lai & Tam, 2017; Chatterjee, 2019; Sajjad et al., 2019). Firm size (SIZE) was determined by the natural logarithm of a company's market capitalization at the end of the accounting period. When examining firm performance and capital structure, it is crucial to account for empirical sensitivity, as market capitalization commonly used as a proxy for firm size, can exhibit mechanical correlations with dependent variables (Atiasen, 1985; Atiase et al., 1989; Humphery Jenner & Powell, 2011; Dang & Yang, 2018).

The type of firm auditing, referred to as BIG4, was represented by a dummy variable. A value of 1 is assigned if a company engages one of the BIG4 audit firms - PricewaterhouseCoopers (PwC), Deloitte, Ernst & Young (EY), or KPMG, for auditing purposes, and a value of 0 if the company employs a non BIG4 audit firm (Moktaisong, 2013; Wongyim, 2018; Lai & Tam, 2017; Anwar & Buwanendra, 2019). Earnings Quality was assessed using discretionary accruals (DA) via the Modified John Model (1995), developed by Dechow et al., (1995). For robustness purposes, DA was performed following the concepts of Yoon et al., (2006). The calculation of discretionary accruals involved the application of established methodologies, modified as necessary to suit the specific context of the study.

#### **Modified Jones Model (1995)**

1. Calculate total accruals based on the cash flows approach which identifies the difference between net income and cash flow from operations.

$TA_t$	$= NI_t - CFO_t$
$TA_t$	Total accruals at the end of year t
$NI_t$	Net income at the end of year t
$CFO_t$	Cash flows from operations at the end of year t

2. Calculate coefficients using the Ordinary least squares method, deflated by total assets at the beginning of the period.

$$\frac{TA_t}{A_{t-1}} = \alpha_1 \left( \frac{1}{A_{t-1}} \right) + \alpha_2 \left( \frac{\Delta REV_t}{A_{t-1}} \right) + \alpha_3 \left( \frac{PPE_t}{A_{t-1}} \right) + e$$

$TA_t$	Total accruals at the end of year t
$A_{t-1}$	Total assets at the beginning of the year t
$\Delta REV_t$	The change in revenue at the end of year t
$PPE_t$	The gross property, plants and equipment at the end of the year t
$\alpha$	coefficient
$e$	error term

3. Calculate non-discretionary accruals using coefficients from the previous step based on the following formula.

$$NDA_t = \alpha_1 \left( \frac{1}{A_{t-1}} \right) + \alpha_2 \left( \frac{\Delta REV_t - \Delta REC_t}{A_{t-1}} \right) + \alpha_3 \left( \frac{PPE_t}{A_{t-1}} \right) + e$$

$NDA_t$	Non-Discretionary Accruals at the end of year t
$A_{t-1}$	Total assets at the beginning of the year t
$\Delta REV_t$	The change in revenue at the end of year t
$\Delta REC_t$	The change in accounts receivable at the end of year t
$PPE_t$	The gross property, plants and equipment at the end of the year t
$\alpha$	coefficient
$e$	error term

4. Compute discretionary accruals as the difference between total accruals (deflated by its beginning total assets) and non-discretionary accruals expressed as follows:

$$DA_t = \left( \frac{TA_t}{A_{t-1}} \right) - NDA_t$$

$DA_t$  Discretionary Accruals

To ensure comparability,  $DA_t$  is scaled by total assets, distinguishing this approach from those employed in other studies.

### **Yoon Model (2006)**

1. Calculate total accruals according to the cash flow approach which is identical to the Modified Jones Model (1995).

$$TA_t = NI_t - CFO_t$$

2. Then, calculate coefficients using the Ordinary least squares method based on the following structural equation:

$$\frac{TA_t}{REV_t} = \alpha_0 + \alpha_1 \left( \frac{\Delta REV_t - \Delta REC_t}{REV_t} \right) + \alpha_2 \left( \frac{\Delta EXP_t - \Delta PAY_t}{REV_t} \right) + \alpha_3 \left( \frac{\Delta DEPT - \Delta RET_t}{REV_t} \right)$$

$TA_t$	Total Accruals
$\Delta REV_t$	The change in revenue at the end of year t
$\Delta REC_t$	The change in accounts receivable at the end of year t
$\Delta EXP_t$	The change in selling and administrative expenses at the end of year t
$\Delta PAY_t$	The change in payables at the end of year t
$\Delta DEPT$	The change in depreciation at the end of year t
$\Delta RET_t$	The change in retirement benefit expenses at the end of year t
$\alpha$	coefficient

3. Calculate non-discretionary accruals using coefficients from the previous step based on the following formula:

$$NDA_t = (\alpha_0 + \alpha_1 \left( \frac{\Delta REV_t - \Delta REC_t}{REV_t} \right) + \alpha_2 \left( \frac{\Delta EXP_t - \Delta PAY_t}{REV_t} \right) + \alpha_3 \left( \frac{\Delta DEPT_t - \Delta RET_t}{REV_t} \right))$$

4. Compute discretionary accruals as the difference between total accruals (deflated by its beginning total assets) and non-discretionary accruals expressed as follows:

$$DA_t = \left( \frac{TA_t}{REV_t} \right) - NDA_t$$

$DA_t$  Discretionary Accruals

To ensure comparability,  $DA_t$  is scaled by total assets, distinguishing this approach from those employed in other studies.

## 4. RESULTS AND DISCUSSIONS

### 4.1 Descriptive Statistics

**Table 1** Descriptive Statistics

Variables	Min	Max	Mean	SD	Skewness	Kurtosis
INS (%)	2	83	25.75	20.09	1.364	1.325
BLK (%)	23	93	65.13	13.71	-0.590	0.116
BSIZE (person)	5	18	11.64	2.653	-0.021	-0.546
BIND (%)	31	80	44.40	10.77	1.128	0.911
SIZE	10.00	12.00	10.90	0.642	0.099	-0.576
NI (BB.)	-4.37	135.18	9.38	17.91	4.525	25.190
TA (BB.)	-172.1	22.3	-7.78	24.75	-4.971	28.489
DA_Jones (BB.)	-154.3	21.3	-6.79	22.20	-4.746	26.303
DA_Yoon (BB.)	-174.1	22.3	-6.69	22.78	-4.827	27.854
DA_Jones (%)	-.21229	.21273	-.026	.066	.524	1.999
DA_Yoon (%)	-.20503	.22548	-.016	.068	.487	1.954

Where:

TA = total accruals  
 $EQ_{Jones}$  = discretionary accruals proposed by Modified Jones Model (1995)  
 $EQ_{Yoon}$  = discretionary accruals proposed by Yoon Model (2006)  
 BB = billion baht

DA Jones (%)	= Modified Jones's discretionary accruals scaled by total assets
DA Yoon (%)	= Yoon's discretionary accruals scaled by total assets
INS	= proportion of shares held by institutional owners
BLK	= proportion of shares held by blockholder owners
BSIZE	= board size
BIND	= independence of directors
CEO	= CEO duality
SIZE	= firm size (measured by natural log of market capitalization)
BIG4	= firm auditing
e	= error term

The skewness values of the independent and control variables ranged from -0.590 to 1.364, falling within the acceptable range of  $\pm 2$ . This indicates that the data are approximately normally distributed. Similarly, the kurtosis values of these variables were also within the acceptable threshold of  $\pm 2$ , further supporting the assumption of normal distribution (Alzoubi, 2016).

Analysis of ownership structure reveals that institutional investors (INS) hold an average ownership stake of 25.75%, while large shareholder groups (BLK) hold a significantly higher average of 65.13%. This indicates that the sample companies exhibit a substantial level of institutional ownership, with institutional investors accounting for more than a quarter of total ownership. Additionally, the dominance of large shareholders, owning over 50% of total equity, underscores their significant influence in these firms.

Board-related metrics further illustrate governance characteristics. The average board size (BSIZE) consists of 11.64 members, reflecting relatively large boards. The proportion of independent directors (BIND) averages 44.4%, suggesting moderate board independence. Interestingly, CEO duality—where the roles of the board chairman and CEO are combined—was observed in 34 companies, representing 20.6% of the sample. This figure, although not displayed in the table, highlights a notable aspect of governance practices within the sample firms.

The control variables reveal that the sample group has an average size of 10.90, reflecting a moderate scale across the companies analyzed. Furthermore, the sample includes 150 companies audited by one of the BIG4 accounting firms, representing a substantial 90.9% of the total sample. This high proportion underscores the prominence of BIG4 firms in providing auditing services to the sample companies, indicating their significant influence within the dataset (not shown in the table).

The analysis indicates that the quality of total accruals (TA) in the sample companies is relatively low compared to earnings. An examination of the components of net income (NI) reveals that accruals capture a smaller proportion of NI than cash flow. On average, the sample companies reported a net income of approximately 9.4 billion baht, of which total accruals accounted for -7.8 billion baht (approximately -0.8 times net income). The remaining 17.2 billion baht (1.8 times net income) comprised cash flows, suggesting a greater reliance on cash-based earnings.

Furthermore, discretionary accruals (DA), calculated using both models, constituted a significant proportion of total accruals, reflecting a potential influence of managerial discretion in financial reporting. Specifically, discretionary accruals accounted for approximately 85.9% to 87.2% of total accruals (6.69/7.79 to 6.79/7.79), underscoring the need for further scrutiny of earnings management practices within the sample firms.

When discretionary accruals are scaled by total assets to ensure comparability across companies, the Modified Jones model identifies discretionary accruals as constituting 2.6% of

total assets, while Yoon's model captures 1.6%. These findings indicate that discretionary accruals, though relatively low, remain a notable component of total assets. This highlights persistent concerns regarding low earnings quality and suggests that earnings management practices, albeit subtle, may still pose a challenge to the reliability of financial reporting across the sample firms.

## 4.2 Multiple Regression Analysis and Discussion

Table 2 presents the correlation coefficients ( $r$ ) among all variables. The highest correlation coefficient between the independent variables was found to be below 0.6, well within the  $\pm 0.8$  threshold set by Best (1977). This indicates that multicollinearity is unlikely to pose a problem. Furthermore, the Tolerance and Variance Inflation Factor (VIF), Durbin-Watson values reported in Table 3 and 4 also meet acceptable criteria, confirming the absence of multicollinearity among the independent variables and autocorrelation.

Notably, the analysis revealed negative correlations between discretionary accruals and several independent variables. This suggests that certain variables may have a positive influence on earnings quality, potentially serving to reduce earnings management practices. These findings underscore the need to explore the role of these variables further, to better understand their impact on the quality of financial reporting.

**Table 2** Pearson Correlation Matrix Among Variables

Variables	INS	BLK	BSIZE	BIND	CEO	SIZE	BIG4
INS	1						
BLK	0.222**	1					
BSIZE	0.480**	0.244**	1				
BIND	0.497**	0.049	0.098	1			
CEO	-0.160*	-0.134	-0.361**	-0.029	1		
SIZE	.581**	.298**	.407**	.207**	-.157*	1	
BIG4	-0.521**	-0.330**	-0.189*	-0.413**	0.143	0.382**	1
Jones	-0.072	-0.063	0.041	-0.021	0.195*	-0.137	0.075
Yoon	-0.168**	-0.051	-0.070	-0.067	0.184	0.224**	0.099

\*\*Correlation is significant at the 0.01 level (2-tailed)

\*Correlation is significant at the 0.05 level (2-tailed)

The pooled ordinary least squares (OLS) method was applied to estimate the parameters. This method has limitations regarding its appropriateness as it does not account for variability over time or variability across observational units. Therefore, it is necessary to pay attention to these contentious issues. To mitigate the problem, the Fixed Effect Least Square Dummy Variable (LSDV) method was applied. We considered changes in shareholder and board structures over time (referred to as the time effect) due to firm policy and regulations. Therefore, it was necessary to include a time variable in the equation as a dummy variable.

**Table 3** Regression analysis for Modified Jones Model (165 firm-year observations)

	Model 1		Model 2		Model3	
Variable	Standardized coefficients ( $\beta$ )	p-value	Standardized coefficients ( $\beta$ )	p-value	Standardized coefficients ( $\beta$ )	p-value
Constant						
BSIZE	.217	.020**	.258	.116	1.709	.003***

BIND	-.024	.780	.301	.556	-.148	.737
CEO	.240	.005***	-.270	.183	.575	.289
INS			.275	.677		
BLK					1.194	.047**
BSIZE*INS			.060	.938		
BIND*INS			-.718	.170		
CEO*INS			.562	.007***		
BSIZE*BLK					-2.200	.009***
BIND*BLK					.268	.666
CEO*BLK					-.288	.586
SIZE	-.184	.045**	-.165	.094*	-.182	.053*
BIG4	.017	.852	-.093	.388	.001	.994
Year		No effect		No effect		No effect
F-value	2.283		2.695		2.173	
(p-value)	(0.039)**		(0.005)***		(0.022)**	
Adjusted r <sup>2</sup>	.046		.097		.069	
Tolerance	.713		.013		.008	
	-.972		-.954		-.960	
VIF	1.029		1.048		1.042	
	-1.402		-7.095		-1.484	
Dubin-watson	1.272		1.257		1.302	

\*\*\*, \*\*, and \* indicate two-tailed significance at 1%, 5%, and 10%, respectively.

As indicated by the results shown in Table 3, all overall models demonstrate statistical significance to varying degrees. Model 1 reveals that the board size has a positive and significant relationship with discretionary accruals ( $\beta = 0.217$ ,  $p = 0.020$ ), indicative of reduced earnings quality, thereby supporting H1. Prior research suggests that an increase in board size correlates with heightened earnings manipulation, subsequently diminishing the quality of financial reporting. Larger boards are often associated with inefficiencies in decision-making processes and challenges in communication, coordination, and interaction among members, leading to less effective management and financial oversight (Guest, 2009; Al Azeez et al., 2019; Jensen, 1993; Lipton & Lorsch, 1992; Kapoor & Goel, 2017; Neto, 2014; Lhaopadchan et al., 2016). These findings underscore the potential drawbacks of expanded board size in ensuring robust financial governance and accurate reporting.

Independent directors exhibit a negative but statistically insignificant association with discretionary accruals ( $\beta = -0.024$ ,  $p = 0.780$ ), indicating that their presence does not significantly influence earnings quality. Consequently, H2 is not supported. This finding diverges from prior research, which has frequently highlighted the role of independent directors in mitigating earnings management issues (Sirithip, 2012; Holtz & Neto, 2014; Lai & Tam, 2017; Chouaibi, et al., 2018; Thunaputdom, 2018; Al Azeez et al., 2019; Sajjad et al., 2019; Kamwong, 2019; Yodbutr, 2020). The inconsistency may arise from variations in contextual factors, such as differences in regulatory environments, corporate governance practices, or the effectiveness of oversight mechanisms. This suggests that while independent directors are theoretically expected to enhance financial oversight, their practical impact on earnings management may depend on other mediating or moderating variables within the governance framework.

Furthermore, CEO duality demonstrates a significant and positive relationship with discretionary accruals ( $\beta = 0.240$ ,  $p = 0.005$ ), indicating reduced earnings quality and supporting H3. This finding suggests that when a single individual holds the roles of both Chairman and CEO, the likelihood of earnings manipulation increases. Such position consolidation fosters a trend toward managing financial reports through heightened

discretionary accruals. These results align with agency theory, which emphasizes the importance of separating the roles of Chairman and CEO to minimize the undue concentration of power and influence. Moreover, the findings underscore the principles of good corporate governance, advocating for an independent Chairman to ensure impartial leadership and effective oversight. A clear separation of duties enhances checks and balances in decision-making processes, thereby mitigating profit manipulation and improving financial reporting quality. These results corroborate prior studies (Kaewkao, 2014; Holtz & Neto, 2014; Lhaopadchan et al., 2016; Azeez et al., 2019; Chatterjee, 2019; Sajjad et al., 2019).

According to Model 2, institutional ownership itself does not affect earnings quality. However, when interacting with CEO duality, it is revealed that the interaction between these two variables significantly and positively associated with discretionary accruals ( $\beta = 0.562$ ,  $p = 0.007$ ); therefore, H4 is supported, suggesting that pure moderating effect of institutional ownership is identified. This finding contradicts prior studies (Bhide, 1993; Moktaison, 2013; Reyna, 2018; Yaowalak, 2018; Mellado & Saona, 2019; Chatterjee, 2019; Rizani et al., 2019; Anwar & Buwanendra, 2019; Wittinanoth & Saraphat, 2021), proposing that institutional ownership mitigates managerial opportunism in earnings manipulation. A plausible explanation for this discrepancy is that not all institutional investors actively monitor management. As Lin and Fu (2017) note, pressure-insensitive, foreign, and large institutional shareholders tend to exert a more positive influence on firm performance compared to their pressure-sensitive, domestic, and small counterparts. Furthermore, in contexts with underdeveloped institutional ownership structures, such as Thailand, institutional ownership appears less effective in curbing earnings manipulation, ultimately compromising earnings quality (Sofia & Murwaningsari, 2019).

In addition, Model 3 reveals that block shareholders can weaken earnings quality. However, the interaction between block shareholders and board size is significantly and negatively associated with discretionary accruals ( $\beta = -2.200$ ,  $p = 0.009$ ), implying earnings quality is improved; therefore, H5 is supported, suggesting that quasi moderating effect of block shareholders is identified. The concentration of ownership among block shareholders provides them with substantial voting power, enabling significant influence or even control over strategic decisions. However, such dominance may lead to self-serving behavior, particularly if these shareholders hold managerial positions, potentially resulting in decisions that prioritize their interests over those of other stakeholders. Nonetheless, the presence of a larger board of directors can counterbalance this concentration of power by collaborating with block shareholders to mitigate opportunistic management behaviors that could compromise financial reporting quality. These findings align with prior research, which emphasizes the role of governance structures in enhancing accountability and reducing earnings manipulation (Lai & Tam, 2017; Obigbemi, 2017; Grimaldi & Muserra, 2017; Alexander, 2019; Mellado & Saona, 2019).

Regarding the control variables, the size of the company exhibits a significant and negative impact on discretionary accruals across all tested models, indicating improved earnings quality and supporting H6. As company size increases, typically reflected in the growth of market capitalization, stronger internal control mechanisms are established, reducing the likelihood of discretionary accruals and enhancing earnings quality. This finding aligns with prior research suggesting that larger companies often have more robust internal controls and are more reputation-conscious, as the detection of earnings manipulation could severely harm their credibility (Anwar & Buwanendra, 2019; Chatterjee, 2019; Gill-de-Albornoz et al., 2018; Hashmi et al., 2018; Kamwong, 2019; Kapoor & Goel, 2017; Wongyim, 2018). Conversely, contrary to expectations, the presence of a BIG4 auditor was not found to significantly influence earnings quality, thereby leading to the rejection of H7. This unexpected

result suggests that other factors may mediate or moderate the role of external auditing in improving earnings quality.

### 4.3 Robustness Test

Discretionary accruals from the Yoon Model (Yoon et al., 2006) were used to test for robustness of the significance of ownership structure and shareholding structure on earnings quality. The following multiple regression results are presented accordingly:

**Table 4** Regression analysis for the Yoon Model (165 firm-year observations)

Variable	Model 1		Model 2		Model3	
	Standardized coefficients ( $\beta$ )	p-value	Standardized coefficients ( $\beta$ )	p-value	Standardized coefficients ( $\beta$ )	p-value
Constant						
BSIZE	.103	.263	.003	.986	1.664	.004***
BIND	-.061	.478	.183	.244	-.238	.584
CEO	.183	.032**	.377	.063*	.414	.440
INS			-.703	.288		
BLK					1.260	.034**
BSIZE*INS			.881	.253		
BIND*INS			-.436	.405		
CEO*INS			.631	.003***		
BSIZE*BNK					-2.312	.006***
BIND*BNK					.362	.555
CEO*BNK					-.179	.732
SIZE	-.238	.010**	-.186	.059**	-.182	.053*
BIG4	-.006	.947	-.056	.601	.001	.994
Year		No effect		No effect		No effect
F-value	2.494		2.675		2.595	
(p-value)	(0.025)**		(0.005)***		(0.006)***	
Adjusted $r^2$	.054		.096		.092	
Tolerance	.713		.013		.008	
	-.972		-.954		-.960	
VIF	1.029-		1.048		1.042	
	1.402		-7.095		-1.484	
Dubin-watson	1.180		1.168		1.201	

\*\*\*, \*\*, and \* indicate two-tailed significance at 1%, 5%, and 10%, respectively

Table 4 reveals consistent findings for the robustness test, reaffirming the relationships observed in the primary analysis. Specifically, even in the absence of the ownership variable, CEO duality ( $\beta = 0.183$ ,  $p = 0.032$ ) and board size ( $\beta = 1.664$ ,  $p = 0.004$ ) maintain a significantly positive effect on discretionary accruals, indicating lower earnings quality. When institutional ownership moderates CEO duality, the moderating effect remains significant ( $\beta = 0.631$ ,  $p = 0.003$ ). Similarly, the interaction between blockholder ownership and board size continues to exhibit a significant negative relationship with discretionary accruals ( $\beta = -2.312$ ,  $p = 0.006$ ), reflecting improved earnings quality. Additionally, control variables yield consistent results, further validating the findings. These outcomes suggest that the influence of



board structure on earnings quality, moderated by ownership structure, is robust when using discretionary accruals as a proxy for earnings quality across alternative measurement methods.

## **5. CONTRIBUTIONS AND LIMITATIONS**

### **5.1 Theoretical Contribution**

Larger board size and CEO duality were found to significantly reduce earnings quality in this study. This empirical study aligns with Jensen and Meckling's Agency Theory, which highlights the inherent relationship between the principal and agent, as reflected in the observed magnitude of accrual earnings. Agency Theory posits that conflicts of interest arise between principals and agents due to their divergent goals, creating what is commonly referred to as the agency problem (McColgan, 2001). This conflict underscores the necessity for effective monitoring mechanisms to mitigate potential misalignments. This study has provided an incremental benefit, making a theoretical contribution through introducing a new proxy for discretionary accruals based on previous concepts, including incorporating the moderating effect of ownership structure on the relationship between board structure and earnings quality, making our knowledge of this situation more comprehensive.

Based on this study, institutional investors may lack the capacity to effectively detect discretionary accruals, thereby potentially undermining earnings quality, particularly in the presence of CEO duality. Conversely, block shareholders may contribute to the enhancement of earnings quality when their influence is aligned with a larger and more diverse board of directors.

### **5.2 Managerial Contribution for Industry, Policy Makers and Regulator**

Investors, analysts, and other financial stakeholders should not rely solely on accounting profit figures. Instead, they should closely examine the components of financial statements, particularly abnormal accruals, which are subject to management discretion. These accruals serve as indicators of earnings management and provide critical insights into earnings quality.

Regulators could utilize the findings of this research to enhance corporate governance practices. This may involve improving board composition by improving the number of board directors with proper knowledge and expertise, and clearly delineating responsibilities between the chairman and the CEO. Such measures can enhance the efficiency and effectiveness of board operations. Additionally, the research emphasizes the importance of establishing robust systems of checks and balances within organizations to strengthen governance and ensure accountability.

Although, institutional ownership weakens the influence between CEO duality and earnings, implying institutional investors tend to be less effective in the Stock Exchange of Thailand, these listed companies might benefit from choosing the types of investors that exhibit strong corporate governance. Institutional investors such as the Bank of Thailand, commercial banks, statutory banks, finance companies, credit foncier companies, securities firms, insurance companies, mutual funds, private funds managed by securities firms for high net worth or specialized investors, and pension funds, are characterized by their strong governance frameworks. These structures enhance accountability and transparency, potentially driving better financial reporting practices. By attracting such investors, firms can align with higher standards of corporate governance and enhance their financial credibility by mitigating the likelihood of discretionary accruals associated with CEO duality. Furthermore, concentrated ownership demonstrates effectiveness in monitoring total accruals, thereby contributing to

improved financial reporting quality through the limitation of excessive board influences. The analysis of such governance-related information may serve to reduce investment decision-making risks.

### 5.3 Limitations and Future Research

As with any study, this research has certain limitations. First, the sample was restricted to the top 100 listed companies on the Stock Exchange of Thailand, selected based on market capitalization. This limitation reduces the generalizability of the findings. Future studies could address this by incorporating data from all listed companies or by conducting comparative analyses with companies from other countries that share similar or contrasting cultural contexts. Second, the data collection period spanned only three years, which may not adequately capture long term trends and changes. Extending the data collection period in future research could enhance the reliability and accuracy of the findings. Third, this study employed specific methods for detecting earnings management. Future research could explore alternative approaches to assessing earnings quality, such as earnings persistence and predictability, to provide a more comprehensive understanding.

Lastly, categorizing firms simply as institutional investors, risks oversimplifying the nuanced economic landscape of Thailand. Institutional investors are inherently diverse, encompassing family-owned businesses, foreign controlled entities, and state-owned corporations. This diversity introduces complexities that may not be adequately captured through broad classifications.

The study's sample size imposes limitations that may prevent a comprehensive analysis of the varied impacts of different types of institutional investors on the quality of financial reporting. Nonetheless, the findings highlight the significant influence that this category of investors can exert in this regard. Future research should aim to address these limitations by incorporating larger and more representative samples to provide a deeper understanding of the relationship between investor types and financial reporting quality.

## 6. CONCLUSIONS

The primary objective of this study was to examine the influences of board structure on the earnings quality of firms listed on the Stock Exchange of Thailand, with a particular focus on the moderating role of ownership structure. The findings offer empirical evidence that earnings quality can be both diminished and enhanced through various corporate governance mechanisms. Specifically, among Thai listed firms, a larger board size and the presence of CEO duality are associated with lower earnings quality. Institutional investors appear to be less effective in the context of an emerging economy, potentially due to political influences, national cultural factors, and institutional limitations. In contrast, concentrated ownership emerges as the most effective governance mechanism in this study, especially when aligned with board size, significantly reducing discretionary accruals and thereby improving earnings quality.

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