Abstract

The purpose of this paper is to identify the relationship between board characteristics and firm risk. The data were collected on a sample of 65 Thai service firms listed in SET during the period 2010 to 2014 from SETSMART database and form 56-1. There are ten independent variables (board size, board composition, board leadership structure, board age, board gender diversity, board ownership, board compensation, board meeting, remuneration committee, and CEO compensation) and four dependent variables which are measurements of firm risks that are classified as capital adequacy risk, business risk, financial risk, and investment risk that will determined the relationship to the firm risks in the study. This research uses the Panel Least Squares Method to examine these factors. In this research, the fixed effect panel data regression model is applied to examine the effect of independent variables toward firm risks.

The results present that board composition, a remuneration committee, and CEO compensation are positively related with firm risk while board age, board gender diversity, board compensation, and board meeting are negatively related. The sample contains only Thai listed firms in the service industry, and may not be representative of the entire service industry in Thailand and other countries. The results could be useful to company owners regarding board construction based on the firm’s desired risk levels. In addition, the results will also assist investors and creditors in considering the risk levels of a given company based on board characteristics. This research may also assist those who study corporate governance in Thailand.