

# **Corporate governance and liquidity:**

## **The case of Thailand**

### **ABSTRACT**

This paper explores the empirical relation between corporate governance and stock market liquidity of 50 Thai firms listed on Stock Exchange of Thailand for the period 2006-2009. We use corporate governance index as a proxy for corporate governance standards related to financial and operational transparency which are board of director, audit, remuneration, and nomination. Liquidity measures used in this paper are the Amihud estimate, turnover, and liquidity ratio. We found the positive relationship between corporate governance and liquidity. The sign of this relationship suggest that firm with better corporate governance would have more stock market liquidity due to reduce information asymmetries between minority shareholders and corporate insiders. Firms with low level of information asymmetry, they would have more transparency that makes investor to believe in firm value. Moreover, we provide additional evidence that examine the relationship among corporate governance, firm performance and liquidity. We also found the positive relationship between firm performance and liquidity. Firms with better performance also would have more liquidity. Therefore, both corporate governance and firm performance would improve stock market liquidity.

Keywords: Corporate Governance, Liquidity, Information Asymmetry, Firm Performance