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-RESEARCH ARTICLE-

THE INFLUENCE OF CORPORATE GOVERNANCE AND PROFITABILITY AFFECTING OPERATIONAL EFFICIENCY OF THE LISTED COMPANIES OF THE STOCK EXCHANGE OF THAILAND

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—Abstract—

Corporate governance is the foundation of all organizations, huge ones. It assures and entrusts stakeholders with the availability of a control system to watch and monitor operations to promote management transparency. This research aimed to examine the impact of corporate governance and profitability on the operational effectiveness of companies listed on the Stock Exchange of Thailand. The information was gathered from the annual registration statement (Form 56-1) and the annual report of 355 firms listed on the Stock Exchange of Thailand over the past three years (2018 - 2020). The Multiple Indicators and Multiple Causes Model was applied to the structural equation model to determine that corporate governance, profitability, and operational efficiency were consistent with empirical data. Corporate governance had a statistically significant direct effect on profitability. Corporate governance had a statistically significant immediate impact on operational efficiency. Corporate governance had a statistically significant direct impact on operational efficiency through profitability. The profitability has a statistically significant direct effect on operational efficiency. The researcher suggested promoting and developing operational processes that emphasize corporate governance concerns to raise the Company's profitability and operational efficiency.

Keywords: Corporate Governance, profitability, operational efficiency

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1. INTRODUCTION

Corporate governance is an important matter that has received much attention from the organization's public, regulators, and executives. Corporate governance will ensure that the business has a good and quality management system. It also encourages all organizations to disclose transparent information with standard performance to promote efficiency, builds competitiveness, and increase business value (Pasopa, 2018; Thunputtadom et al., 2018; Tunpornchai & Hensawang, 2018). This will bring satisfaction to all stakeholders. In addition, corporate governance is an essential factor in improving the organization's efficiency (Chatchawanchanchanakij, Arpornpisal, & Jermsittiparsert, 2019; Jamali, Safieddine, & Rabbath, 2008). The SET places importance on and focuses on compliance with the principles of good corporate governance. If there is an excellent corporate governance mechanism to support effective management, such as monitoring and auditing the operations, the performance of the executives can be ensured by taking into account the fair maximum benefits of the Company. Therefore, the businesses must demonstrate an awareness that the success and sustainability of the business must be accepted by society, stakeholders, and company image (Tontiset & Kaiwinit, 2013).

Governance relates to the management team, the Board of Directors, shareholders, and other stakeholders. This structure illustrates a committee's role as an intermediary responsible for overseeing, supervising, and monitoring in a transparent manner to contribute long-term value to the enterprise (Chatchawanchanchanakij et al., 2019; Senee Puangyanee, 2018; S Puangyanee, Yaowapanee, Duangsawang, & Jermsittiparsert, 2019). It is a relationship between two parties, one of which is referred to as a principal who wants the Company to be profitable and obtain the greatest return on investment, and the other, an agent, who acts as a representative of the Company's director and is responsible for designing effective management of the Company for a fee that gives the employer or principal (Jensen and Meckling) the most incredible satisfaction (Jensen & Meckling, 1976). Cultural, ethical, and moral constraints control the sharing of benefits by ignoring the impact the Company may have on society and on the correct decision-making in which the board of directors and management own the practice of changing the size and composition of the board, as well as the compensation and shareholding of the manager and the board of directors, thereby forming a high-level control structure (Prasanjaya & Ramantha, 2013). The Stock Exchange of Thailand has urged listed firms to recognize the significance and benefits of good corporate governance by emphasizing compliance with the principles of good corporate governance. There is a method for strong corporate governance that supports efficient management. According to the research and conclusions of(Claessens & Fan, 2002), corporate governance and corporate profitability have a substantial favorable effect on CSR disclosure in Indonesia.

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Similarly, disclosing a company's CSR and profitability has a substantial and favorable effect on its market value. Governance has an indirect impact on the value of a company. Business governance and corporate earnings have a significant positive impact on CSR disclosure through mediation in China. CSR disclosure and corporate governance also have a substantial and beneficial effect on the value of a company. Profitability has an indirect impact on the value of a company. Business governance and corporate profitability have a substantial favorable effect on CSR disclosure through mediation in India.

Similarly, CSR disclosure has a significant beneficial impact on the value of a company. Corporate governance and earnings indirectly affect corporate value through CSR disclosure mediation. The majority of difficulties are caused by a lack of operational transparency and the manipulation of financial data to benefit specific groups or entities. This indicates the management team's dishonesty and the absence of proper corporate governance. Therefore, excellent corporate governance is crucial to gaining the confidence of investors who are interested in co-investing with the Company. It can illustrate the future increase in profitability-building competition that will impact its financial performance. It also influences the long-term value for the Company and its shareholders (Chantapet, Phoprachak, & Jermsittiparsert, 2021).

Consequently, several organizations have adopted Good Corporate Governance (GCG) to oversee the operations of companies listed on the Stock Exchange of Thailand. In addition, excellent corporate governance has been regarded for usage in private commercial organizations and the public sector, which will increase the organization's reputation and acceptance (Tunpornchai & Hensawang, 2018). This is congruent with Gupta Pooja and Mehta Sharma's research. According to (Artarina, 2013), there is a significant positive association between corporate governance mechanisms and company performance. Return on total assets (ROA) and return on equity (ROE) will increase due to the Company's high degree of corporate governance (ROE).

Consequently, the total performance has improved. For this reason, the research team examined the impact of corporate governance on the profitability and operational efficiency of companies listed on the Stock Exchange in Thailand to examine the effect of profitability on the operational efficiency of companies listed on the Stock Exchange of Thailand. The corporate governance and profitability model that influences the operational efficiency of companies listed on the Stock Exchange of Thailand has been established.

2. LITERATURE REVIEW

2.1 The Concept of Corporate Governance

Corporate governance is a process used to direct an organization's members' decision-making to achieve its objectives, including establishing objectives and primary goals.

Good corporate governance can provide long-term value for a corporation by formulating strategies and policies, reviewing and approving work plans and budgets, and monitoring, evaluating, and supervising the reporting of operating results. In addition to fostering investor confidence, the Board of Directors should oversee the business to produce results (Governance Outcome) that are competitive and have good operating results, taking into account the long-term effects of conducting business with integrity, respect for the rights and responsibilities of shareholders and other stakeholders, and consideration for the welfare of society, while minimizing or eliminating the negative impact on the environment (The Stock Exchange of Thailand, 2017: 4). Therefore, the Stock Exchange of Thailand has established 8 principles of practice, sub-principles, and good corporate governance practices for companies listed on the Stock Exchange of Thailand in 2017, including Principle 1: Recognize the roles and responsibilities of the Board of Directors as corporate leaders who create sustainable values for the business, Principle 2: Ensure that the Board of Directors is accountable for implementing the principles of good corporate governance, Principle 3: Ensure that the Board of Directors is responsible for implementing the principles of good corporate Principle 2: The Board determines or supervises that the business's primary objectives are sustainable. Principle 3: Enhancing the effectiveness of committees Principal No. 4: Executive recruitment and development and personnel management Principle 5: Encourage innovation and ethical business practices Principle 6: Ensure appropriate risk management and internal control system is in place. Principle 7: Maintaining financial trust and transparency, and Principle 8: Supporting shareholder engagement and communication,

2.2 The Concept Of Profitability

Profitability results from effective management processes and is the critical metric for evaluating success in business management or business management which are in many forms. It can be measured using quantitative and qualitative data reflecting the Company's actual economic value and performance as the database that helps management make investment decisions. It can be concluded that profitability is something that organizations use as a tool to measure operational efficiency (Basdekis, Christopoulos, Katsampoxakis, & Lyras, 2020; Halimatusadiah, Sofianty, & Ermaya, 2015; Imhanzenobe, 2019; Pestanyi & Donkwa, 2018; Sinha & Sharma, 2016; Thunputtadom et al., 2018; Wattanakanjana, 2016) which includes gross profit ratio, Return on Assets, net profit ratio, Return on Equity, and earnings per share ratio.

2.3 The Concept of Operational Efficiency

Operational efficiency is a measure that displays the financial strengths and weaknesses of a firm and demonstrates the organization's capacity to do diverse tasks under its goals by utilizing resources, including the most cost-effective utilization of labor. The nature of the performance is accompanied by low waste to meet the organization's goals. The objective of efficiency is to do the correct thing to maximize benefits and meet the organization's goals. The operational efficiency components include the turnover rate of trade accounts receivable, inventory turnover rate, fixed asset turnover rate, and total asset turnover ratio, according to the literature review on operational efficiency (Arora & Sharma, 2016; Bansal, Singh, Kumar, & Gupta, 2018; Basdekis et al., 2020; Beaver, 1968; Bohrnstedt, 1977; Brown & Skully, 2006; Buchory, 2015; Bui & Nguyen, 2021; Pakamat Butsalee & Sincharoonsak, 2021; Phakamas Butsalee & Sinjarunsak, 2020; Chantapet et al., 2021; Jöreskog & Goldberger, 1975; Restiyana & MAHFUD, 2011; Sinha & Sharma, 2016).

3. EMPIRICAL REVIEW

(Alarussi & Alhaderi, 2018)examine the factors affecting profitability in Malaysian-listed companies. Data of 120 companies listed on Bursa Malaysia covering 2012 to 2014 were extracted from companies' annual reports. Data analysis by following Pooled ordinary least squares regression and fixed-effects. Findings show a robust solid positive relationship between firm size, company efficiency, and profitability. The results also show a negative relationship between debt-equity, leverage ratios, and profitability. The essential findings recommended enhancing a company's profitability after the depreciation of the Malaysian currency and therefore concentrate more on the factors that strengthen their companies' profitability.

(Adam, Safitri, & Wahyudi, 2018)discovered that company size harmed profitability. Liquidity had no impact on profitability. Operational efficiency damaged profitability. Company size had a positive effect on problem credit risk. Liquidity did not affect the problem of credit risk. Operational efficiency positively impacted problem credit risk, and problem credit risk positively impacted profitability. Using a form of purposive sampling, this study analyzes 30 commercial banks listed on the Indonesia stock exchange during the period 2012-2016.

(Almaqtari, Hashid, Farhan, Tabash, & Al-ahdal, 2022)examine the effect of corporate governance on the profitability of Indian banks using a sample of 61 banks, 42 private and 19 public. Generalized Methods of Moments GMM results indicate that corporate governance at the national level has a substantial effect on the profitability of Indian banks. Private banks have superior performance to public banks. Moreover, as evaluated by Return on Assets and Return on Equity, the results indicate that demonetization has a significant adverse effect on the profitability of Indian banks. (Buchory, 2015)conducted a study to explore the elements that play their role in influencing operational efficiency in the banking sector. The researcher collects data from 26 Indonesian regional development banksThe researcher collects data from 26 Indonesian regional development banks and analyzes them through the multiple regression econometric technique. Findings show that operational efficiency is negatively associated with profitability. Abate and Mesfin (2019), in the case of Ethiopia, investigate the factors which Ethiopia investigate the factors that affect the profitability from different factors such as macroeconomics f, industry, and the banking sector. From the data analysis of 9 commercial banks, random effect model results show that operational efficiency and interest rate are negatively and significantly related to profitability. Some other studies find the similar results such as (Alemu, 2015; Oktaviantari & Wiagustini, 2013; Purwoko & Sudiyatno, 2013; Restiyana & MAHFUD, 2011). On the other side, many studies find the positive influence of operational efficiency on profitability (Artarina, 2013; Francis, 2013; Nusantara, 2009; Prasanjaya & Ramantha, 2013; Sinha & Sharma, 2016; Widati, 2012).

(Laoworapong, Supattarakul, & Swierczek, 2015)analyzed the firm performance of Thailand-listed companies by using the effect of corporate governance on board effectiveness as a surrogate for operational efficiency. Analysis of data acquired from primary and secondary sources using the structural equation model. Results reveal that operational efficiency has a positive relationship with corporate governance and improves the firm's current and future performance. (Detthamrong, Chancharat, & Vithessonthi, 2017) investigate the association between corporate governance and business performance for a panel sample of 493 non-financial firms in Thailand from 2001 to 2014. Corporate governance is unrelated to company performance. (Senee Puangyanee, 2018)examines the influence of operational efficiency on corporate governance and profitability for 254 companies listed on the Thailand stock exchange. The multiple Indicators and Causes (MIMIC) Model demonstrates that operational efficiency influences corporate governance and profitability positively and considerably in Thailand's stock market.

Previous research demonstrates the association between these factors in various ways, but no study has investigated the relationship between corporate governance and optimal performance by regulating profitability and employing the MIMIC model.

4. RESEARCH METHODOLOGY

This research is Quantitative. The research team conducted the following tasks:

The research population was 1,065 listed companies on the Stock Exchange of Thailand in 3 years (2018-2020). The data was collected in document form from annual data (Form 56-1) and annual reports. There are criteria for obtaining a sample that provides appropriate and comparable processing data (Beaver, 1968; Easton & Harris, 1991; Francis, 2013; Jensen & Meckling, 1976; Laoworapong et al., 2015; Oktaviantari & Wiagustini, 2013; Pasopa, 2018). The research samples for the structural equation model (SEM) analysis are 355 listed companies on the Stock Exchange of Thailand that disclose information in their financial statements accurately, entirely as shown in Table 1.

Research Conceptual Framework

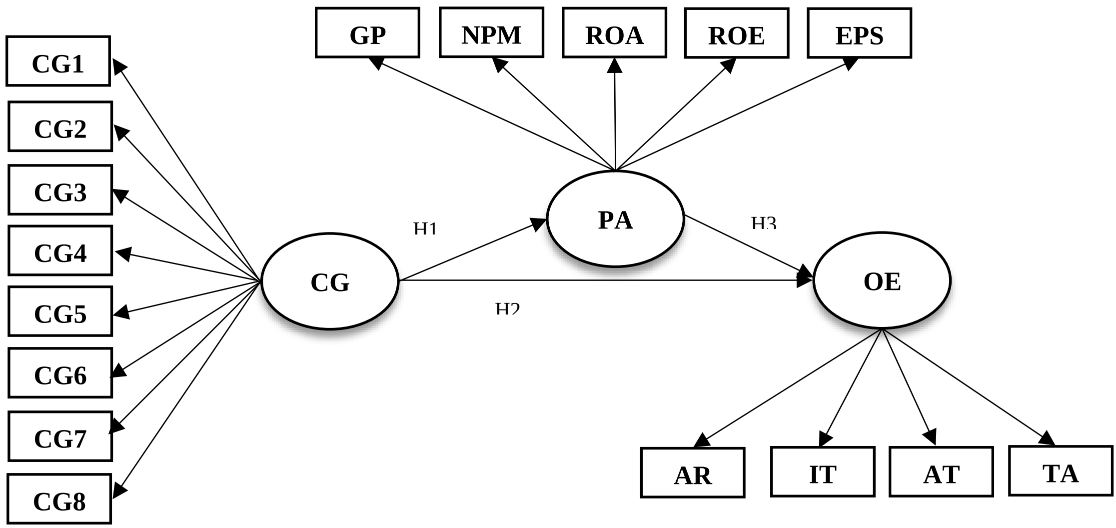

Figure 1. Conceptual framework of Structural Equation Model on Influence of Corporate Governance and Profitability Affecting Operational Efficiency of Listed Companies on the Stock Exchange of Thailand.

Table 1 Research Sample Group

Conditions in selecting the sample group		Number of companies
Listed companies on the Stock Exchange of Thailand in 2020		641
Deducted with	Financial Business Group	71
	Fund groups	65
	Total samples	505
Deducted with	companies that are unable to collect complete information	150
Remaining samples		**355**

The research instruments for 2018-2020 were the annual data report form (Form 56-1) and the annual reports of companies listed on the Stock Exchange of Thailand. The data was collected from the financial statements and the notes to the financial statements of companies listed on the Stock Exchange of Thailand, with complete information such as earnings per share, Return on Total Assets, and the rate of return on equity, as well as other research-related information such as gross profit ratio, net profit ratio, Return on Assets, Return on Equity, Earnings Per Share, Account Receivable Turnover, Inventory turnover rate, and Fixed asset turnover rate.

Table 2. Variables Description

Corporate Governance (CG)		**Profitability Affecting (PA)**		**Operational Efficiency (OE)**	
CG1	Creates Value For The Business Sustainability	*GPM*	Gross Profit	*AR*	Account Receivable Turnover
CG2	Business For Sustainability	*NPM*	Net Profit Ratio	*IT*	Inventory Turnover
CG3	Effective Committee Reinforcement	*ROA*	Return On Assets	*AT*	Fixed Asset Turnover
CG4	Senior Executives And Personnel Management	*ROE*	Return On Equity	*TA*	Total Asset Turnover
CG5	Innovation And Responsible Business Operations	*EPS*	Earnings Per Share		
CG6	Risk Management And Internal Control System				
CG7	Financial Credibility And Disclosure				
CG8	Shareholder Engagement And Communication				

4.1 Data Analysis Method

The research team conducted the analysis on the Structural equation model using the Multiple Indicator and Multiple Causes (MIMIX) Model developed by (Bohrnstedt, 1977) and (Jöreskog & Goldberger, 1975). The guidelines for data analysis were determined as follows; 1) The correlation coefficient between the observed variables in the equation model was analyzed using the Pearson correlation coefficient with a ready-made computer program to obtain basic information for analyzing the structural equation model, 2) analyzing the confirmatory elements of the latent variable measurement model consisting of corporate governance and operational results, and 3) examine the concordance of variables in the theoretical structural equation model with empirical data, many previous studies used this technique for data analysis such as (Pakamat Butsalee & Sincharoonsak, 2021; Cave, Chaudhuri, & Kumbhakar, 2020; Chen, Li, & Zhu, 2019; Dell'Anno, 2007; Siegel, 1997). The statistical criteria used to verify the congruence of the hypothesis model with the empirical data are shown in Table 3.

Table 3. Goodness of Fit Index and Consideration Criteria

The goodness of Fit Index	Consideration Criteria
χ^2/df	< 2.00
P value of χ^2	> 0.05
CFI	≥ 0.90
GFI	≥ 0.90
AGFI	≥ 0.90
RMSEA	< 0.05
SRMR	< 0.05

Based on Table 3, it was determined that the Goodness of Fit Index and the correlation coefficient consideration criteria between the elements of the statistical measure were crucial for validating the coherence between the model and the empirical data consisting of 1) Chi-square Statistics, which are values used to test the statistical hypothesis that the harmonic function is zero. If the test value is little or close to zero and has a value relative to the Degree of Freedom, then the theoretical model is consistent with the empirical data. 2) For the model to be compatible with empirical data, the Comparative Fit Index (CFI) must equal 0.90. 3) The Goodness of Fit Index (GIF) must be greater than 0.90 for the theoretical model to be consistent with the empirical data.

4) For the Adjusted Goodness of Fit Index (AGIF) when the Goodness of Fit Index (GIF) is adjusted to account for the Degree of Freedom (df), the number of variables, and the sample size, the AGIF value must be greater than 0.90 to confirm that the theoretical model is consistent with the empirical data. 5) The Root Mean Square of Error approximation (RMSEA) must be less than 0.05 to establish that the theoretical model is consistent with empirical data. 6) The Standardized Root Mean Squared Residual (Standardized RMR) is a descriptive value model discrepancy that must be less than 0.05 for the theoretical model to be consistent with the empirical data.

5. RESEARCH RESULTS

1. The results of the confirmatory component analysis of the corporate governance variables, profitability, and operational efficiency are shown in Table 4. From Table 4, it was found that the results of the confirmatory component analysis of the variables of the Corporate Governance Variables (CG) measurement model enhanced the effective committee reinforcement (CG3) with the highest factor loading value of 0.96. It was followed by the recruitment and development of senior executives and personnel management (CG4) with a factor loading value of 0.82. The determination of the objectives and main goals of the business for sustainability (CG2) had a factor loading value of 0.80.

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Table 4. Results of the confirmatory component analysis

Variables	Factor Loading			
	b	**SE**	**t-value**	**R^2**
CG				
CG1	0.79	0.37	16.34	0.63
CG2	0.80	0.37	16.83	0.63
CG3	0.96	0.08	21.82	0.92
CG4	0.82	0.32	17.53	0.68
CG5	0.59	0.65	11.79	0.35
CG6	0.44	0.80	8.56	0.20
CG7	0.43	0.82	8.26	0.18
CG8	0.31	0.90	5.81	0.10
PA				
GPM	0.47	0.78	8.68	0.22
NPM	0.88	0.22	16.55	0.78
ROA	0.79	0.37	14.75	0.63
ROE	0.72	0.48	13.12	0.52
EPS	0.35	0.88	6.29	0.12
OE				
AR	0.38	0.86	1.57	0.14
IT	0.16	0.98	1.41	0.02
AT	-0.00	1.00	-0.03	0.00
TA	0.36	0.87	1.57	0.13

The realization of the roles and responsibilities of the Board of Directors as an organization leader that creates value for the business sustainability (CG1) had the factor loading value of 0.79. The promotion of innovation and responsible business operations (CG5) had a factor loading value of 0.59. The supervision to ensure appropriate risk management and internal control system (CG6) had a factor loading value of 0.44. Maintaining the financial credibility and disclosure (CG7) had the factor loading value of 0.43. The support for shareholder engagement and communication (CG8) had a factor loading value of 0.31. When considering the standard tolerance (SE) and the t statistic, it was found that the weight of each component was significantly different from 0. The statistical value was at the 0.05 level, while the reliability value (R^2) indicated the proportion of the variation between the observed variable and the Communalities. It was found that reinforcing the influential committee (CG3) had the highest R^2 value of 0.92. It was followed by senior management and personnel management (CG4) recruitment and development with an R^2 value of 0.68.

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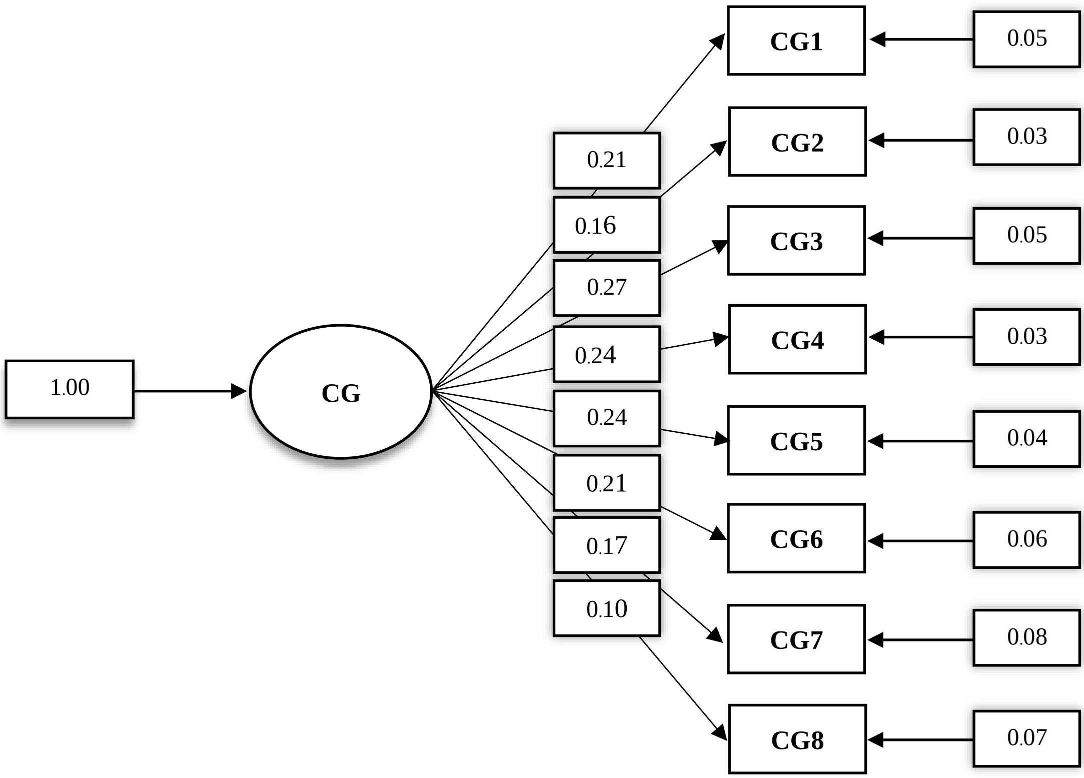
The R2 score for the understanding of the duties and responsibilities of the Board of Directors as an organization leader that provides value for the business's sustainability (CG1) and the identification of the business's objectives and primary goals for sustainability (CG2) was 0.63. The promotion of innovation and responsible business operations (CG5) had an R^2 value of 0.35. The supervision to ensure appropriate risk management and internal control system (CG6) had an R^2 value of 0.20. Maintaining the financial credibility and disclosure (CG7) had the R^2 value of 0.18. The support for shareholder engagement and communication (CG8) had the R^2 value of 0.10, as shown in Figure 2.



χ^2 = 10.91, df = 7, p-value = 0.142, RMSEA =0.040, GFI = 0.99, AGFI = 0.97

Figure 2 demonstrates the confirmatory component analysis of the corporate governance (CG) variable.

The profitability (PA) measurement model found that the net profit ratio (NPM) had the highest factor loading of 0.88. It was followed by the return on assets (ROA) with a component weight of 0.79 and the Return on Equity (ROE) with a factor loading of 0.72. The Gross Profit (GPM) had a factor loading of 0.47, and Earnings per share (EPS) had

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a factor loading of 0.35. The standard error (SE) and t-statistic found that the weight of each component was significantly different from 0 at the 0.05 level. In contrast, the reliability value (R^2), which was the proportion of the variation between the observed variable and the Communalities, found that the net profit ratio (NPM) had the highest R^2 of 0.78. The ReturnThe Return followed it on Assets (ROA) with R^2 of 0.63 and the Return on Equity (ROE) with R^2 of 0.52. The gross profit ratio (GPM) had an R^2 of 0.22, and earnings per share (EPS) of R^2 was 0.12, as shown in Figure 3.

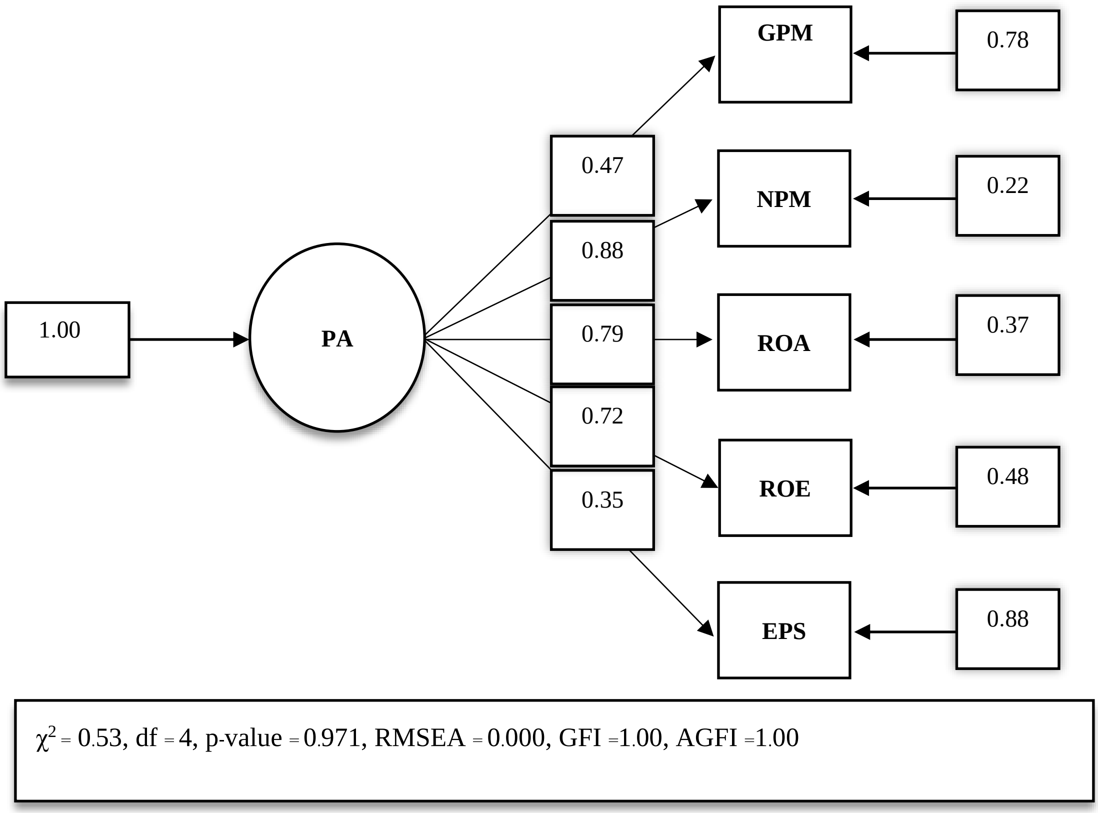

Figure 3 demonstrates the confirmatory component analysis of the profitability (PA) variable.

The operational efficiency (OE) measurement model found that the Account Receivable Turnover (AR) had the highest factor loading of 0.38. It was followed by the Total Asset Turnover (TA) with a factor loading of 0.36. The Inventory turnover (IT) had a factor loading of 0.16, and the Fixed asset turnover (AT) had a factor loading of 0.00. When considering the standard error (SE) and t-statistic, it was found that each factor loading was different from 0, with statistical significance at the 0.05 level. Meanwhile, the reliability value (R^2), which indicated the proportion of the variation between the observed variable and the Communalities, was found to have the Account Receivable Turnover (AR) with the highest R^2 of 0.14. It was followed by the Total Asset Turnover

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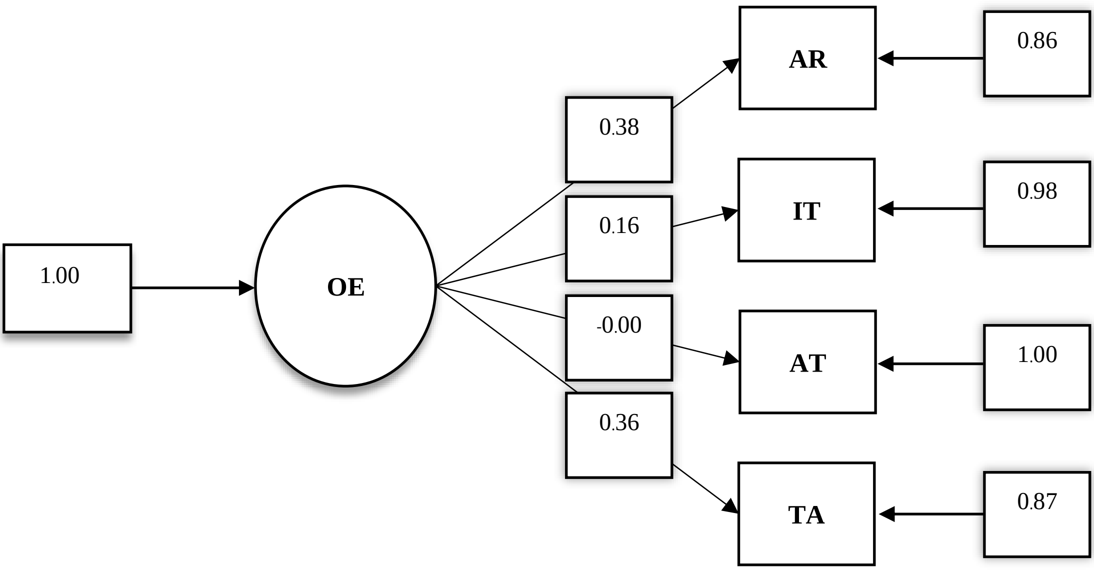
(TA) with an R^2 of 0.13. The Inventory turnover (IT) had an R^2 of 0.02, and the Fixed asset turnover (AT) had an R^2 of 0.00, as shown in Figure 4.



χ^2 = 0.33, df = 1, p-value = 0.566, RMSEA =0.000, GFI =1.00, AGFI = 1.00

Figure 4 demonstrates the confirmatory component analysis of the operational efficiency (OE) variable.

2. The results of the study on the influence of corporate governance on profitability and operational efficiency of listed companies in the Stock Exchange of Thailand in 2018 revealed that
1) Corporate Governance (CG) had a direct influence on profitability (PA) at a statistically significant level of 0.05 (P < 0.05) with a direct negative impact. The coefficient of effect was -0.71.
2) Corporate governance (CG) had a direct influence on operational efficiency (OE) at a statistically significant level of 0.01 (p < 0.01) with a direct positive influence. The coefficient of influence was 0.54. 3) Profitability (PA) had a direct influence on operational efficiency (OE) at the statistically significant level of 0.01 (p < 0.01) with a direct positive influence. The influence coefficient was 0.36, as shown in Figure 5.

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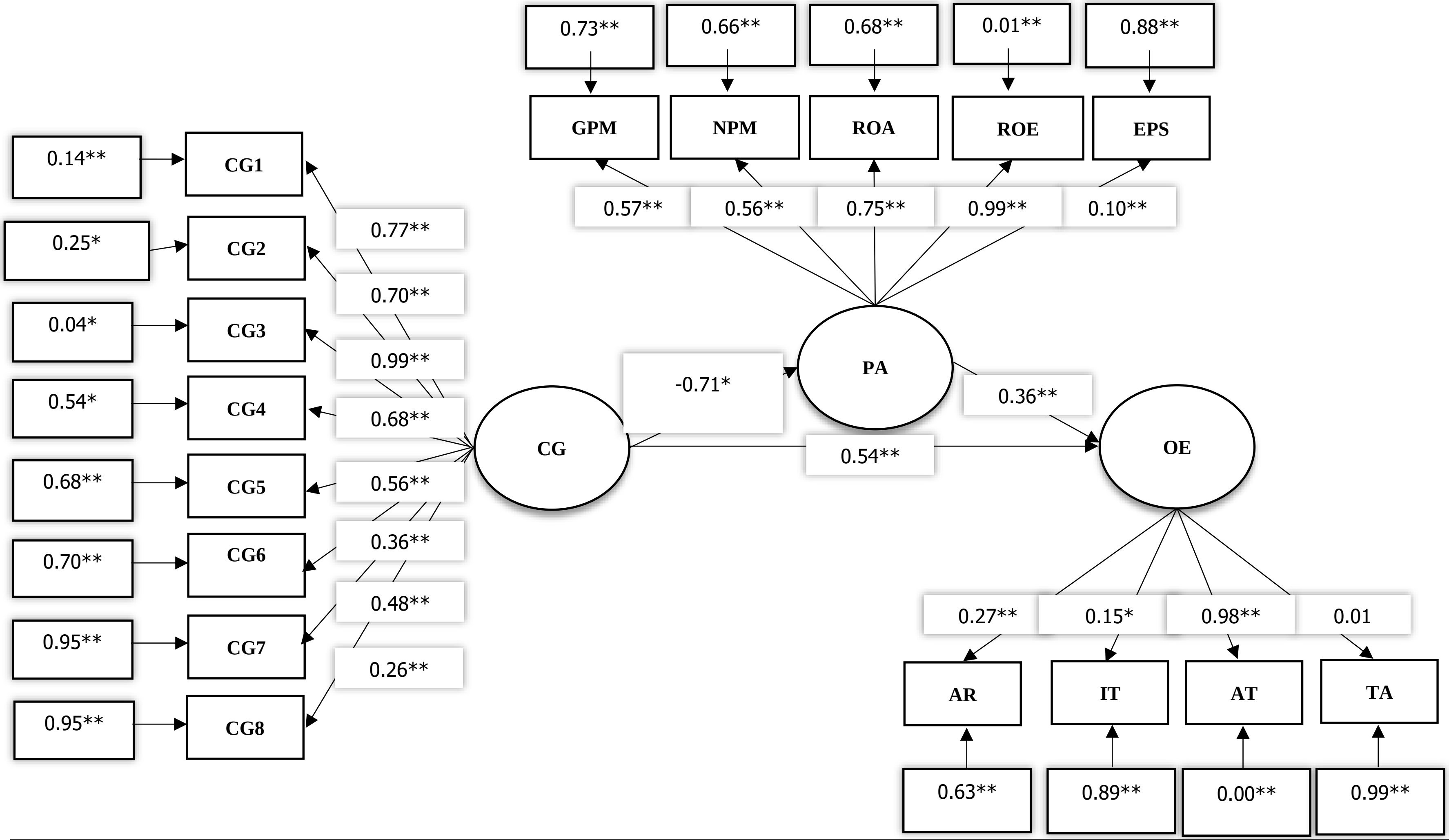

$\chi^2 = 95.91$, df = 89, $\chi^2/df = 1.08$, p-value = 0.06, CFI = 0.96, GFI = 1.00, AGFI = 0.99, RMSEA = 0.01, SRMR = 0.02

Figure 5 demonstrates the influence structure equation model based on research hypothesis and empirical data, the influence of corporate governance and profitability on operational efficiency in 2018.

3. The results of the study on the influence of corporate governance on profitability and operational efficiency of listed companies in the Stock Exchange of Thailand in 2019 revealed that

1) Corporate Governance (CG) had a direct influence on profitability (PA) at a statistically significant level of 0.01 ($p < 0.01$) with a direct negative impact. The coefficient of influence was 0.52.

2) Corporate governance (CG) had a direct influence on operational efficiency (OE) at a statistically significant level of 0.05 ($p < 0.05$) with direct positive influence. The coefficient of influence was 0.64. 3) Profitability (PA) had a direct influence on operational efficiency (OE) at the statistically significant level of 0.01 ($p < 0.01$) with direct positive influence. The influence coefficient was 0. 84, as shown in Figure 6.

4. The results of the study on the influence of corporate governance on profitability and operational efficiency of listed companies in the Stock Exchange of Thailand in 2020 revealed that
1) Corporate Governance (CG) had a direct influence on profitability (PA) at a statistically significant level of 0.05 ($p < 0.05$) with a direct negative influence. The coefficient of influence was 0.69.

2) Corporate governance (CG) had a direct influence on operational efficiency (OE) at a statistically significant level of 0.01 ($p < 0.01$) with a direct positive influence. The coefficient of influence was 0.81. 3) Profitability (PA) had a direct influence on operational efficiency (OE) at the statistically significant level of 0.01 ($p < 0.01$) with a direct positive influence. The influence coefficient was 0.88, as shown in Figure 7.

5. The results of the study on the influence of corporate governance on profitability and operational efficiency of listed companies in the Stock Exchange of Thailand for the consolidated model revealed that 1) Corporate Governance (CG) had a direct influence on profitability (PA) at a statistically significant level of 0.01 ($p < 0.01$) with direct negative influence. The coefficient of influence was -0.43. 2) Corporate governance (CG) had a direct influence on operational efficiency (OE) at a statistically significant level of 0.05 ($p < 0.05$) with a direct positive influence. The coefficient of influence was 0. 14. 3) Profitability (PA) had a direct influence on operational efficiency (OE) at the statistically significant level of 0.01 ($p < 0.01$) with a direct positive influence. The influence coefficient was 0. 38, as shown in Figure 8.

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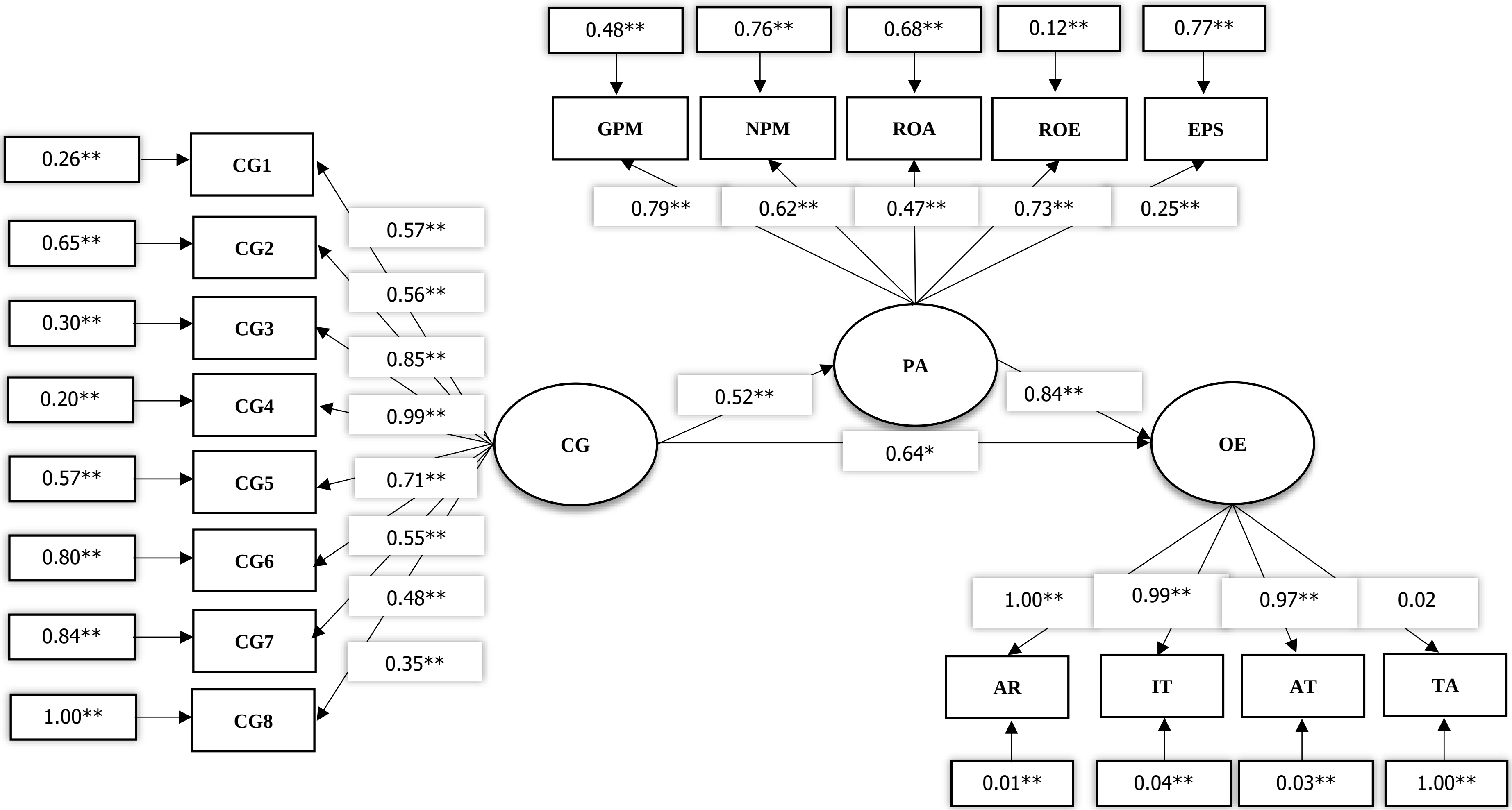

χ^2 =91.03, df = 89, χ^2/df =1.02, p-value =1.00, CFI =0.99, GFI =0.98, AGFI =0.97, RMSEA =0.02, SRMR =0.04

Figure 6 demonstrates the influence structure equation model based on research hypothesis and empirical data, the influence of corporate governance and profitability on operational efficiency in 2019.

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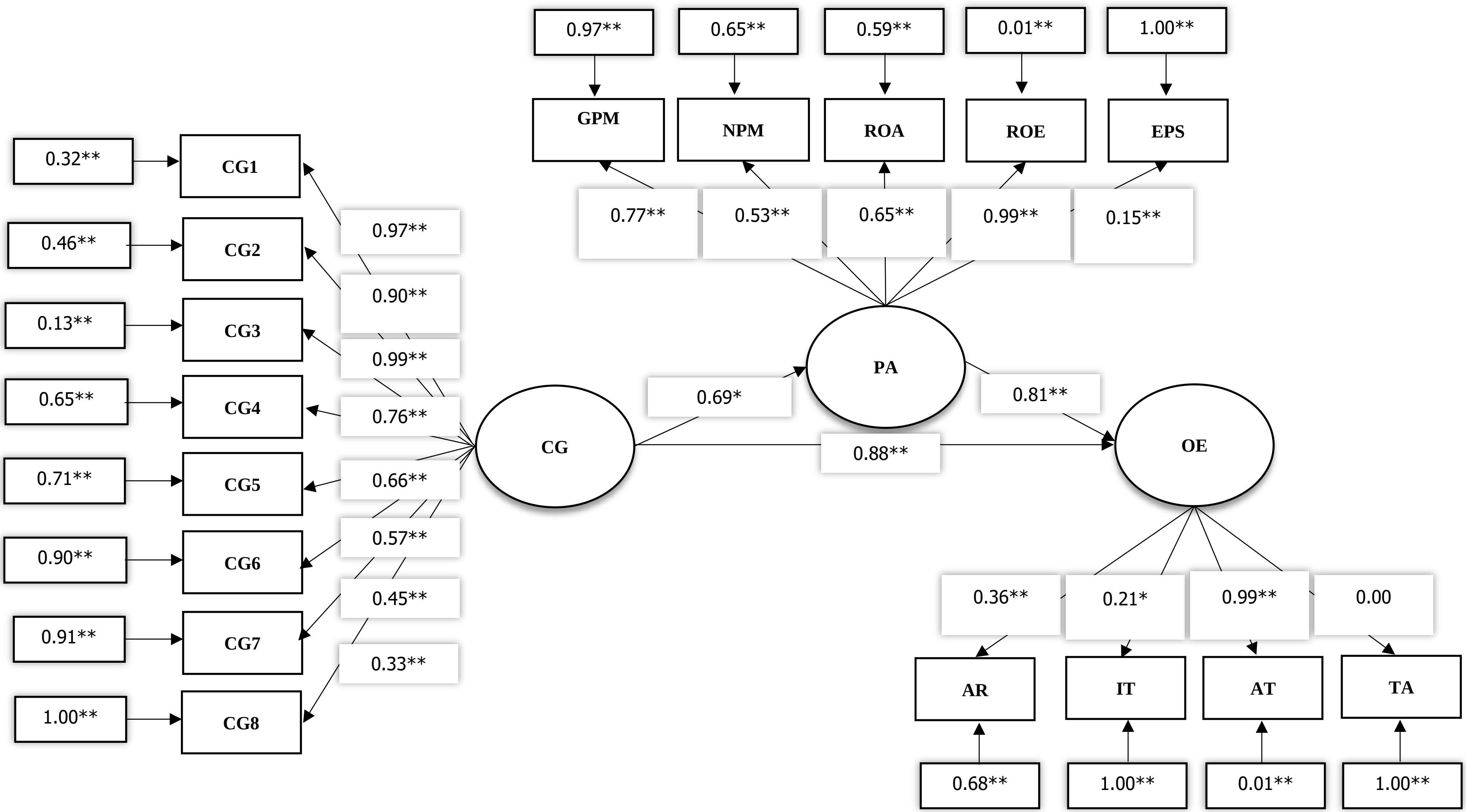

χ^2 =99.81, df =95, χ^2/df =1.05, p-value =0.06, CFI =0.97, GFI =0.99, AGFI =0.90, RMSEA =0.02, SRMR =0.04

Figure 7 demonstrates the influence structure equation model based on research hypothesis and empirical data, the influence of corporate governance and profitability on operational efficiency in 2020.

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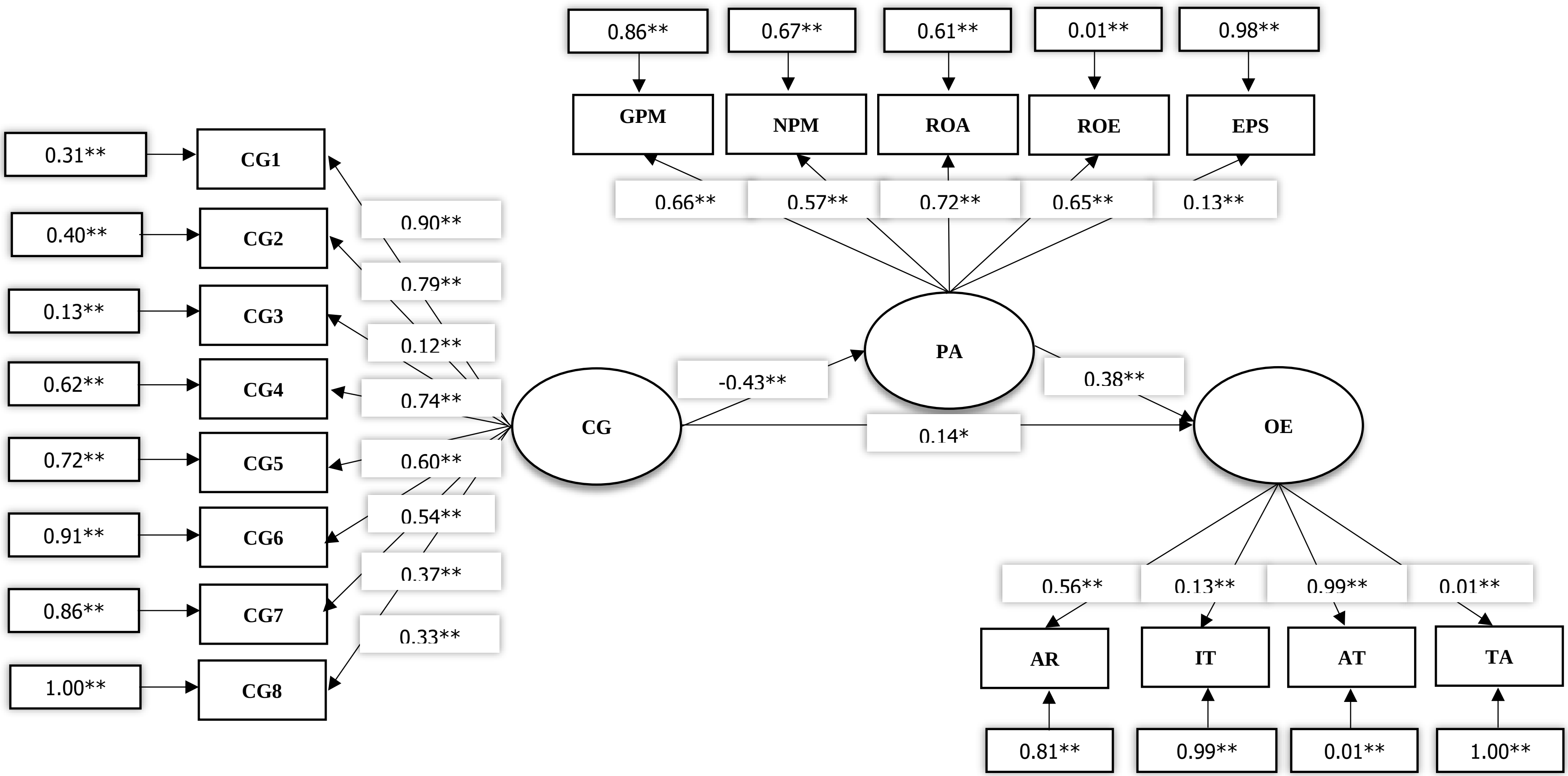

χ^2 =99.92, df =92, χ^2/df =1.08, p-value =0.07, CFI =0.98, GFI =0.99, AGFI =0.90, RMSEA =0.02, SRMR =0.03

Figure 8. demonstrates the influence structure equation model based on research hypothesis and empirical data, the influence of corporate governance and profitability on operational efficiency for the consolidated model.

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When the results of the analysis of the two models were compared, it was discovered that adjusting the model based on the preliminary agreement of the statistical analysis with the LISREL program permitted the Error Variance to be correlated (Dillon, Kumar, & Mulani, 1987), the adjusted model was consistent with the empirical data, as shown in Table.

Table 4. Shows The Goodness of Fit Index Analysis of The 2018-2020 Model and the Consolidated Model.

The goodness of the Fit index	Consideration criteria	2018	2019	2020	Total	Results of consideration
χ^2/df	< 2.00	1.08	1.02	1.05	1.08	Passed the criteria
P-value of χ^2	> 0.05	0.06	1.00	0.08	0.07	Passed the criteria
CFI	≥ 0.90	0.96	0.99	0.97	0.98	Passed the criteria
GFI	≥ 0.90	1.00	0.98	0.99	0.99	Passed the criteria
AGFI	≥ 0.90	0.99	0.97	0.90	0.90	Passed the criteria
RMSEA	< 0.05	0.01	0.02	0.02	0.02	Passed the criteria
SRMR	< 0.05	0.02	0.04	0.04	0.03	Passed the criteria

6. DISCUSSION OF THE RESULTS

1. Corporate governance has a direct influence on profitability. The research findings found that corporate governance has a statistically significant direct beneficial impact on profitability in 2019 and 2020 but a statistically significant direct negative effect on profitability in 2018 and overall. This is consistent with (Tontiset & Kaiwinit, 2013) effective corporate governance has a negative direct impact on profit management and a positive direct impact on business value, and 2) profit management has a positive direct impact on business value. (Restiyana & MAHFUD, 2011) discovered that corporate governance assessment scores were positively connected with profitability in two aspects: Return on Equity (ROE) and Return on Total Assets (ROA). The corporate governance rating is unrelated to net profit (NP), price-to-earnings (PE), and market capitalization (Tobin's Q) ratios, as well as business capitalization (Tobin's Q). Elly H., Diamonalisa S., and Husnah Nurlaela Ermaya (2015: 19) found that the CGPI

performance, as measured by the CGPI, increased and declined but generally increased. Moreover, depending on the outcomes of hypothesis testing, the average ROA as a measure of profitability has grown. Good corporate governance has a favorable influence on the Company's profitability.

2. Business governance has a direct influence on operational efficiency. The research indicated that corporate governance has a direct and statistically significant influence on operational efficiency in 2018-2020. This is consistent with (Arora & Sharma, 2016)conclusion that organizations adhering to excellent corporate governance can produce more significant accounting and marketing results. It suggests that good corporate governance results in increased corporate governance. It is possible to lower the agency's expenses. Good corporate governance can boost the productivity of businesses in developing nations. According to the findings of (Vo & Phan, 2013), corporate governance consists of the following elements: the size of the Board of Directors, the education level of the Board board, and the job experience of the Board board, and the compensation of directors. All have a beneficial impact on the performance of the Company. It is calculated based on return on assets (ROA). However, the size of the Board of Directors harms the organization's performance. Additionally, the analysis indicates that board member ownership has a nonlinear relationship with corporate performance. According to a study by (Akodo & Moya, 2009), there is a substantial positive link between corporate governance procedures and company performance. The Company's high degree of corporate governance will increase its return on total assets (ROA) and return on equity (ROE) and, consequently, its profitability. Consequently, overall performance has improved. The research conducted by (Kusuma & Ayumardani, 2016) revealed that the level of corporate governance efficiency of Indonesian Islamic banks significantly increased during the study period. Islamic bank performance is significantly correlated with good corporate governance.

3. Profitability has an immediate effect on operational effectiveness. The results indicated that profitability has a statistically significant direct beneficial influence on operational efficiency in 2018-2020. This is consistent with (Al-Slehat, Zaher, Fattah, & Box, 2020) that the working capital management causal model influences profitability. It accords with the empirical evidence. If the business has sufficient liquidity, profitability will grow. In addition, management permits a short-term cash cycle. Additionally, it will necessitate accelerating the collecting period from debtors and the sale period of inventories and attempting to extend the repayment period. (Hejazi, Ghanbari, & Alipour, 2016)discovered that the business value evaluated by Tobin's Q is more than 1, indicating that the Company can effectively manage its assets. It has a more significant impact on the Company's market value than on the value of the assets utilized. The net profit ratio, earnings per share ratio, and market-to-profit ratio are the profitability ratios that connect with the business value of the Company's first public offering. The research results allow investors to evaluate the enterprise's worth. It anticipates the return on investment and serves as guidance when investing in IPO

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securities. Future competitiveness is capable of development. According to (Pestanyi & Donkwa, 2018; Siegel, 1997) Abstract) findings, the debt serviceability ratio and performance ratio are the financial ratios that influence and are related to profitability. It was discovered that the debt-to-asset ratio affects the net profit ratio and the return on assets ratio and is related to them. The profit ratio is associated with the inventory turnover ratio. The ratio of total asset turnover influences and is connected to the ratios of gross profit and return on assets. According to the research findings of (Srijanphet, 2012), four ratios demonstrate operational efficiency: total asset turnover ratio, Accounts Receivable Turnover, Inventory turnover rate, and trade accounts payable turnover rate. The association between gross profit margin, operational profit margin, and net profit margin is similar. According to a study conducted by (Bui & Nguyen, 2021), the growth rate of liquid liabilities and fixed assets are the most influential elements of the profitability of insurance firms. Positive correlations were seen between the growth rate and profit, liquid liabilities, and fixed assets, while negative correlations were observed between the growth rate and fixed assets. The size and amount of a company's capital are proportional to the insurance company's profits. Saladin Ghalib's research demonstrates that after the Asian financial crisis, Indonesian banks soon became more competitive. It is the market focusing on banking. This development has boosted competition and improved financial pressures, particularly following the acquisitions of other foreign investors with ownership interests. Some banks have altered their business practices to provide profit incentives to smaller banks.

7. RECOMMENDATIONS

7.1 Recommendations for Implementation

These research results are recommended to companies listed on the Stock Exchange of Thailand. It is a guideline that can be applied to promote and develop operational processes focusing on corporate governance issues to increase the Company's profitability and improve the Company's operational efficiency. The details are as follows.

1.1 The listed companies emphasize the role of corporate governance on the issue of recognizing the roles and responsibilities of the Board of Directors as corporate leaders that create sustainable value for the business, strengthen the influential committees, and recruit and develop top executives and personnel management. The research results revealed that these 3 variables result in increased efficiency of the Company's operations.

1.2 For the role of profitability, listed companies should be given to the issue of gross margin ratio, Return on Assets, and the rate of return on equity. The research results revealed that this variable was most correlated with operational efficiency.

7.2 Recommendations for the Next Research

2.1 Further studies should be conducted using the conceptual framework of this research to modify the collection of corporate governance data from the annual report and annual registration statement (Form 56-1) of companies listed on the Stock Exchange of Thailand. The questionnaire can collect data so that the research results have an appropriate dimension, broader and more reflects the study's actual results.

2.2 Next study should be on the companies listed on the Stock Exchange of Thailand classified by an industry group or study each industry group to delve into the study results.

2.3 The subsequent study should be on the variables related to corporate governance in other dimensions, such as the proportion of the Board of Directors that are women, the shareholding proportion of the Board of Directors, and the proportion of independent directors to increase the results of the study to reflect the actual results of the investigation.

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