RESEARCH ARTICLE

Investigation of Sufficiency Economy Philosophy Reporting in Thailand

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Abstract: The aims of this research are to investigate the extent and level of sufficiency economy philosophy (SEP) reporting in the annual reports of companies listed on the Stock Exchange of Thailand (SET) and to determine the relationships between corporate characteristics, SEP reporting, and financial performance. Content analysis is used to quantify SEP reporting in the 2012 annual reports of 222 Thai SET-listed companies, while descriptive analysis is employed to describe the type and level of SEP reporting. The relationships between corporate characteristics, SEP reporting, and financial performance are investigated using a correlation matrix and path analysis. The findings show that all the sampled firms included SEP reports in the annual reports. The SEP reporting in reasonableness principle is the most common reporting followed by morality condition, self-immunity principle, knowledge condition, and moderation principle. The SEP reporting is 945.92 average words in Thai corporate annual reports. Company size and type of auditor play a significant role in SEP reporting. In addition, SEP reporting and the degree of leverage are significantly related to firms' financial performance.

Keywords: Sufficiency economy philosophy reporting, corporate financial performance, content analysis, annual report, and the Stock Exchange of Thailand

JEL Classification*:* M14, M41

The ultimate goal of profit maximization of the conventional economics theory less likely guarantees the long term sustainability of businesses. The unsustainability is in part attributable to the corporations' disregard for society, environment, and code of ethics since they are perceived to contribute little to profit maximization. In addition, traditional profit-maximizing firms typically place the shareholders' needs for financial return ahead of those of other stakeholders, for example, customers, employees, creditors, suppliers, and society. To address the issues, several alternative economics concepts that focus on wealth generation and the interests of all stakeholders have been proposed, for example, the SEP. In the realm of business, the SEP strives to create a sustainable equilibrium between economy, society, and environment. The ultimate goal of SEP is the sustainable business growth.

In fact, most business executives possess an incomplete understanding of the SEP concept, and no corporate performance measurement tools based on the philosophy currently exist. It is because the SEP reporting is still non-financial information reporting, but the current measurements of corporate performance are mostly financial-based rather than non-financial-based (Smith, Dong, & Ren, 2011). Besides, corporate reporting focuses on the financial information under the framework of accounting standards and regulations (Embong, Mohd-Saleh, & Hassan, 2012). However, non-financial information disclosures are worked as a voluntary reporting. The practice fulfills only the needs of owners of financial resources, that is, creditors, shareholders, and prospective investors. To fulfill the information needs of multiple stakeholders, even though it is on a voluntary basis, corporations should make available non-financial information, such as corporate social responsibility reporting and environmental reporting, in addition to financial information. According to Shamil, Shaikh, Ho, and Krishnan (2014), corporate social responsibility and sustainable development reporting are the most common disclosures of voluntary reporting. With regard to the voluntary SEP reporting, its extent and level are unknown.

Existing research on the relationship between the voluntary SEP reporting and corporate performance has reported inconclusive results. De Klerk and De Villiers (2012) found that both financial information (mandatory) and non-financial information (voluntary) reporting could collectively explain and provide corporate market valuation and financial performance better than an exclusive focus on traditional financial information reporting. On the other hand, Dasgupta, Hong, Laplante, and Maningi (2006) concluded that the relationship between voluntary reporting and financial performance is negative because of increasing cost. In addition, the influencing factors of voluntary SEP reporting are still unknown. No study has shown that SEP reporting can influence corporate performance, especially corporate financial performance.

The main research objectives of this study are (1) to investigate the extent and level of SEP reporting in the annual reports of listed companies in the Stock Exchange of Thailand and (2) to test the relationships between corporate characteristics, SEP reporting, and financial performance. In other words, this study attempts to answer two following questions: (1) What type and level of SEP reporting do exist in the annual reports of the SET-listed companies? (2) Do the relationships between corporate characteristics, SEP reporting, and financial performance exist?

The study findings are expected to shed light on the extent of voluntary reporting in the Thai setting and on the relationship between SEP reporting and financial performance in Thailand. The study also endeavors to validate the relevancy and applicability of the SEP concept to the sustainable development of the business sector. In addition, the study provides valuable insights relating to other non-financial reporting in Thailand, for example, corporate social responsibility reporting, triple bottom line reporting, and integrated reporting. It is also anticipated that the findings would provide Thai firms and regulatory bodies with guidelines for improvement of SEP reporting.

This research paper begins with an examination of the concept of SEP reporting, followed by a review of relevant literature, and establishment of hypotheses. The study population—the samples, the independent and dependent variables, and the methods of data analysis next—are elaborated. The results are then discussed before ending with the conclusions.

Sufficiency Economy Philosophy Reporting

Corporate information reporting in annual reports is classified within two types: mandatory and voluntary reporting. On one hand, mandatory reporting consists of financial information disclosures such as financial statement and ratio, accounting policies and standards, and notes of financial statements. The corporations have to provide financial information under regulations and standards. For example, Thai listed companies must disclose financial information reporting according to the Stock Exchange of Thailand (2014) and the International Financial Reporting Standards (Federation of Accounting Professions, 2011). On the other hand, non-financial information reporting is indicated as a voluntary reporting because it is not regulated by governance organizations. There are some reasons of corporations providing voluntary reporting. Firstly, the corporations are pressured by their stakeholder demands or social expectations to provide non-financial information (Gray, Collison, & Bebbington, 1998). Secondly, they may use the voluntary reporting to increase and improve their financial performance as advertisement or competitive advantage (Porter & Kramer, 2006). Finally, they may provide the reporting for their sustainable development (Elkington, 1997). Without regulations and standards of voluntary reporting, there are several guidelines of non-financial information from developed countries such as environmental disclosures (Cormier, Magnan, & Van Velthoven, 2005), corporate social responsibility reporting (De Klerk & De Villiers, 2012), triple bottom-line reporting (Ho & Taylor, 2007), and sustainable development reporting (Newson & Deegan, 2002). However, there is only one guideline of voluntary reporting created by emerging market economy that is the Sufficiency Economy Philosophy (SEP) reporting in Thailand (Mongsawad, 2010).

A brainchild of Thailand's His Majesty the King Bhumibhol Adulyadej, the concept of SEP was first conceptualized four decades ago. It is a philosophy that stresses the Buddhist's middle path as the overriding principle for appropriate conduct by the populace at all levels (Mongsawad, 2010). The philosophy encompasses three principles which are governed by two conditions. The principles are moderation, reasonableness, and self-immunity, and the conditions are knowledge and morality.

The moderation principle revolves around the idea of corporate survival via the middle path, without resorting to extreme behavior. On the principle of reasonableness, firms act reasonably if the actions are based on accumulated experience, self-awareness, foresight, empathy, and compassion. In addition, enterprises with a high level of self-immunity are provided with protections against unpredictable and uncontrollable factors. Meanwhile, knowledge enables businesses to better understand the demands and expectations of their stakeholders. Morality refers to corporate responsibility, honesty, integrity, and trustworthiness, a characteristic crucial to the long term corporate sustainability.

The notion of SEP reporting in Thailand is encouraged by stakeholder theory. It is because a corporate existence is dependent on its stakeholder demands. Each group of stakeholder has the right to receive information from the corporations, although stakeholders may not use that information, nor have direct influence on the firms (Gray et al., 1998). Different types of stakeholder have different power to compel and influence corporate actions and activities and the corporations need to continually adapt their operating and reporting behaviors (Deegan, 2001). Moreover, the firms also need to maintain their relationship with their stakeholders by frequently providing information such as by reporting SEP information in their annual reports. Therefore, this theory can explain why the corporations provide the SEP reporting in their annual reports.

The adoption of the SEP concept requires corporations to focus on the long-term performance rather than short-term performance. In other words, the philosophy emphasizes long-term wealth creation rather than myopic profit maximization. Besides, corporate performance under SEP is based on the notion that the needs of all stakeholders, that is, shareholders, investors, creditors, customers, employees, suppliers, competitors, society, community, and environment, are tended to. Thus, the demands of all stakeholders, not just those of the owners of financial resources, would be met for SEP-practicing businesses. The philosophy also provides the organizations with immunity and resilience to cope with new economic challenges.

An increasing number of Thai SET-listed companies have embraced and incorporated the philosophy into management and reporting, such as PTT (a petroleum conglomerate), the Siam Cement Group, and Pranda Jewelry PCL (Office of the Royal Development Project Board [RDPB], 2008). Nevertheless, Thailand's nascent SEP reporting is presently on a voluntary basis. As a result, only a certain number of SET-listed companies provide SEP reports in their annual reports. Furthermore, there exists no prior study on the extent and level of SEP reporting.

Literature Review and Research Hypothesis

Prior studies have examined the relationships between voluntary reporting and corporate governance (Ho & Wong, 2001; Akhtaruddin & Haron, 2010). In addition, there have been studies on the association between voluntary reporting and corporate characteristics, for example, ownership status (Tagesson, Blank, Broberg, & Collin, 2009), type of industry (Newson & Deegan, 2002), age (Suttipun, 2012), type of business (Choi, 1999), country of origin (Jahamani, 2003; Wanderley, Lucian, Farache, & Sousa-Filho, 2008), and adherence to the ISO26000 guidelines (Admad & Sulaiman, 2004). Nonetheless, no study has attempted to investigate the relationships between corporate characteristics, SEP reporting, and financial performance. To identify and examine the relationships between the three variables, this research study has proposed and tested seven hypotheses.

The Relationship Between Corporate Characteristics and SEP Reporting

In contrast to small firms, large firms are typically required to provide a greater amount of financial and non-financial information since the latter serve and relate to larger numbers and varieties of different stakeholders (Cowen, Ferreri, & Parker, 1987). Prior related studies (Philip & Philip, 2006; Raar, 2002; Camfferman & Cooke, 2002) reported a positive association between the level of non-financial information reporting and the size of company. On the other hand, Kumar (2003) reported a negative relationship between company size and financial and non-financial information reporting due to reduced authority of top management with regard to strategic planning and management. However, Davey (1982) and Amran, Bin, and Hassan (2009) did not find such a relationship. Thus, it is hypothesized that there is a positive relationship between the level of SEP reporting in annual reports and company size.

H1: There is a positive relationship between company size and the level of SEP reporting.

By comparison, large audit companies are generally perceived as providing more independent auditing services and abiding more closely by auditing standards than small audit firms (Joshi & Gao, 2009) because of the ensuing greater damage to reputation suffered by the large audit firms. Firms with greater potential gains from external monitoring would therefore procure the services of large audit firms, for example, PricewaterhouseCooper, Deloitte, KPMG, and Ernst & Young. However, previous findings on the relationship between auditor type and non-financial information reporting lead to a mixed conclusion. For instance, Joshi and Gao (2009) and Suttipun (2012) reported a positive relationship between the type of auditor and non-financial information reporting, but Inchausti (1997) found no correlation between the variables. Nevertheless, this research study hypothesizes that a relationship exists between the level of SEP reporting and type of auditor.

H2: There is a positive relationship between auditor type and the level of SEP reporting.

Restrictive covenants are typically incorporated into debt contracts to protect the bondholder's economic interest (Schipper, 1981). Therefore, management might increase the level of SEP reporting for monitoring purposes (Joshi & Gao, 2009). However, empirical evidence of the relationship between company leverage and the level of SEP reporting leads to a mixed conclusion. Brammer and Pavelin (2006) and Eng and Mak (2003) reported a negative relationship between corporate leverage and sustainability reporting. This is because the reporting of corporate activities and actions, including information disclosures, is demanded by creditors and shareholders and is supported by the stakeholder theory. However, Wallace and Naser (1995) found no relationship between corporate leverage and sustainability reporting. Despite the mixed results, it is hypothesized that there is a negative relationship between the level of SEP reporting and company leverage.

H3: There is a negative relationship between corporate leverage and the level of SEP reporting.

The Relationship Between SEP Reporting and Financial Performance

Following the 1997 Asian financial crisis, the SEP concept has been increasingly adopted as a management tool by SET-listed companies. The general view among those companies is that the philosophy could deliver good sustainable performance with moderate debt and risk (Chirapanda & Yoopetch, 2008). Thus, companies with a higher level of SEP reporting would perform better than those without SEP reporting. Although there exist limited studies on the relationship between SEP reporting and corporate financial performance, Kantabutra (2006) and Chirapanda and Yoopetch (2008) reported that SEP reporting is associated with a higher level of corporate performance in the long run. This is because the companies will tend to satisfy the information demands of their stakeholder that are the greatest importance to the corporate ongoing survival, if they need to have better financial performance (Nasi, Nasi, Philip, & Zyglidopoulos, 1997). However, firms might be hesitant about SEP reporting as poorly performing corporate management tends to hide negative information by disclosing discriminately (Suttipun, 2014). It is because the corporations are likely to view the SEP reporting as a cost acting to reduce corporate financial performance, so that they would provide as little reporting as possible to meet the corporate demand (Connelly & Limpaphayom, 2004). Therefore, this study hypothesizes a positive relationship between the level of SEP reporting and corporate financial performance.

H4: There is a positive relationship between the level of SEP reporting and financial performance.

The Relationship Between Corporate Characteristics and Financial Performance

The notion of corporate growth in classical economics, typified by the belief that "the larger the better," has become entrenched in the business environment. In addition, previous studies (Majumdar, 1997; Almajali, Alamro, & Al-Soub, 2012) provided evidence that larger firms had a higher level of performance than smaller companies. With regard to the relationship between voluntary reporting and financial performance, Moneva and Cuellar (2009) studied companies listed on the Madrid Stock Exchange and used company size as control variable. They found that company size positively influences the relationship between voluntary reporting and financial performance. Using stakeholder theory, larger companies undertake more actions and activities, thus, making a greater impact on society and environment, and have more number of stakeholders than smaller companies. This is why if the larger companies can serve stakeholder demand well, the larger companies will have royalty from them including higher financial performance than the smaller firms (Newson & Deegan 2002). Hence, this study hypothesizes a positive relationship between company size and corporate financial performance.

H5: There is a positive relationship between company size and financial performance.

As previously mentioned, it is commonly believed that Big-4 auditors provide a higher quality audit than non-Big-4 auditors. Nevertheless, the study results on the relationship between auditor type and corporate performance are inconclusive. Teoh and Wong (1993) found that limited numbers of investors reacted to a switch by corporations from Big-4 to non-Big 4 auditors. Hackenbrack and Hogan (2002) reported that companies with higher earnings management never switched either from non-Big-4 to Big-4 auditors or vice versa. Nonetheless, Chang et al. (2009) found no disparity in financial performance regardless of whether the companies engaged the services of Big-4 or non-Big-4 auditors. This is because market reactions to company announcements in regard to switching from Big-4 to non-Big-4 auditors are of non-negative view, especially among shareholders and investors (Chang, Dasgupta, & Hilary, 2009). Hence, this study hypothesizes that there is a relationship between auditor type and corporate financial performance.

H6: There is a positive relationship between auditor type and financial performance.

Company leverage indicates the degree to which the company utilizes money borrowed from creditors. Firms with a high degree of leverage have more risk of bankruptcy and being sued by their creditors than lower leveraged firms. However, high corporate leverage offers some benefits from the point of view of tax planning and shareholders' return. Almajali et al. (2012) found that the degree of leverage had a negative effect on the financial performance of Jordanian insurance companies. Cormier et al. (2005) also found that the corporate risks and liabilities negatively influence financial performance and market valuation. This is because reduced voluntary information could contribute to the company's lower financial performance, which subsequently increased the risk of the company (Cormier et al., 2005). This study nonetheless hypothesizes a negative relationship between company leverage and corporate financial performance.

H7: There is a negative relationship between company leverage and financial performance.

Methodology

The population of this study is all SET-listed companies (497 companies), which, according to the classification by the SET (2014), are classified into eight industries: agriculture and food, consumer product, financial, industrial product, property and construction, resources, service, and technology. Using simple random sampling in which firms listed on the Market for Alternative Investment or under rehabilitation are excluded, 222 of 497 firms were selected as the samples. By comparison, the number of sample firms in the property and construction industry is largest (25.20%), followed by service (17.60 %), industrial product (16.20%), financial (11.70%), agriculture and food (8.10%), consumer product (7.70%) and resources (5.90%).

This research uses two dependent variables. The first dependent variable is the extent and level of SEP reporting in the 2012 annual reports of the sample firms. The annual reports are utilized to examine SEP reporting due to the availability of published SEP reporting contained in the annual reports (Shamil et al., 2014). Besides, most Thai SET-listed companies publish SEP reports as a supplement to corporate annual reports (Ho & Wong, 2001). The collection of data on SEP reporting was carried out from March to May 2014. The extent of reporting is categorized by the three principles and two conditions of SEP: moderation, reasonableness, self-immunity, knowledge, and morality (Mongsawad, 2010). To determine the level of SEP reporting, content analysis is employed since the method is most commonly used for analyzing the reporting of non-financial information (Gray et al., 1998) and in several prior studies (Raar, 2002). The quantification of SEP reporting in the annual reports is carried out by word count (i.e. counting the number of words). The research instrument of the SEP reporting level is adapted from a previous study by Pacheerat (2008). The list of data collection forms is presented in Appendix 1.

The second dependent variable is return on assets (ROA), a measure of corporate financial performance. ROA indicates a firm's ability to generate profit with its total investment (total assets). ROA is chosen over several other proxies because the ratio has been used in numerous previous studies as an indicator of a company's financial performance (e.g. Aras, Aybars, & Kutlu, 2009; Ho & Taylor, 2007). Information pertaining to ROA is collected from the SET website (www.set.or.th/set/commonlookup.do).

The independent variables in this research are company size, auditor type, and company leverage, the data of which are collected from the annual reports. The proxies are used since they have been employed in a number of prior studies related to this topic. Company size is based on total assets of the sample companies (Raar, 2002; Almajali et al., 2012), while auditor type is assigned as dummy variables consisting of Big-4 and non-Big-4 auditors (Joshi & Gao, 2009; Suttipun, 2012). Company leverage is based on the debt-to-equity ratio (Teoh & Wong, 1993).

The descriptive analysis is used to analyze the extent and level of SEP reporting in the annual reports of the sample companies. The correlation matrix and path analysis are utilized to examine the relationships between corporate characteristics, SEP reporting, and performance. Goodness of fit statistical analysis is also used to confirm accordance between the empirical data and a confirmatory factor analysis model. The path analysis equations are given below:

$$\text{SEP reporting} = a + b_1\text{Size} + b_2\text{Audit} + b_3\text{Levarage} + \text{error}$$

$$\text{Performance} = a + b_1\text{Size} + b_2\text{Audit} + b_3\text{Leverage} + b_4\text{SEP reporting} + \text{error}$$

Where

SEP reporting = the level of SEP reporting in annual reports measured by the number of words determined by content analysis

Performance = Corporate financial performance measured by ROA

Size = Size of company measured by total assets

Audit = Type of Auditor (1 = Big-4 auditors, 0 = non-Big-4 auditors)

Leverage = Company leverage measured by debt/equity ratio

Findings and Discussions

The findings show that all the sampled Thai SET-listed companies undertook SEP reporting in their 2012 annual reports with an average level of 946 words (See Table I). The SEP reporting in reasonableness principle (330 words of average) is the most common reporting followed by morality condition (287 words of average), self-immunity principle (188 words of average), knowledge condition (77 words of average), and moderation principle (66 words of average). In addition, firms in the technology sector possess the highest level of SEP reporting, whereas the lowest level of SEP reporting belongs to firms in the finance and service sectors.

The results of this research already prove and support an idea of Merkl-Davies and Brennan (2007), who stated that corporations use voluntary reporting to provide specific information serving stakeholders' demand and that voluntary reporting has become more detailed and more sophisticated over the last two decades. This is because voluntary reporting enables stakeholders to make informed decision and/or provides management with an opportunity to impair the stakeholders' ability to make rational decision (Deegan, 2001). The study finding contributes that although the SEP reporting is still a voluntary reporting in Thailand, all samples used in this research provide the reporting because the corporations can have good reputations from their stakeholders. Therefore, the regulatory organizations such as the Stock Exchange of Thailand, and the Federation of Accounting Professions under the Royal Patronage of his Majesty the King should regulate the SEP reporting from voluntary to mandatory reporting for all SET-listed companies.

The level of SEP reporting in the annual reports of the sampled SET-listed companies is 945.92 words on average, with the minimum and maximum of 267 and 2,801 words, respectively. In terms of corporate performance, the average ROA is 6.82. Out of a total of 222 sample companies, 135 and 87 firms used the services of Big-4 and non-Big-4 auditors, respectively (Table 2).

A correlation matrix is used to test the relationships between corporate characteristics, SEP reporting, and performance (Table 3). The results reveal that size of company and type of auditor are significantly correlated with the level of SEP reporting at the 0.01

Table 1. *The Extent and Level of SEP Reporting (Average Word Count)*

Sector	Principles			Conditions		Total
	Moderation	Reasonableness	Self-immunity	Knowledge	Morality	
Agricultural	95.61	328.89	258.56	95.50	283.89	1062.44
Property	46.43	336.63	156.80	62.77	240.14	842.77
Financial	26.12	330.54	127.69	48.27	220.50	753.12
Consumer products	117.53	397.53	229.65	124.18	396.65	1265.53
Resources	141.00	398.38	323.46	107.08	405.08	1375.00
Technology	117.76	349.94	313.35	161.24	525.41	1467.71
Industrial	58.19	296.11	175.00	71.00	263.31	863.61
Services	43.79	286.95	132.33	45.54	226.36	734.97
Total	65.93	329.29	187.62	76.87	286.21	945.92

Table 2. ***Descriptive Analysis of Variables***

Panel A: Independent and dependent variables					
Variables	Mean	S.D.	Min.	Max.	N
SEP reporting	945.92	446.37	267.00	2801.00	222
Performance	6.82	10.31	-60.00	49.58	222
Size of company	17467.17	60232.29	3.31	813052.00	222
Company leverage	1.62	2.49	0.03	16.00	222

Panel B: Independent dummy variables			
Variables: Type of auditor	Frequency	Mean	S.D.
- Big-4 auditors	135	1034.45	488.43
- Non-Big-4 auditors	87	808.54	329.99

level. Furthermore, at the 0.01 level, a significant correlation exists between company leverage and corporate performance. Moreover, the level of SEP reporting is significantly correlated with corporate financial performance at the 0.05 level.

Using chi-square, root mean square of approximation (RMSEA), comparative fit index (CFI), goodness-of-fit index (GFI), and adjusted goodness-of-fit index (AGFI) fit statistics, the study finds a significant accordance between the empirical data and the confirmatory factor analysis model. The path analysis is employed to determine the relationships between corporate characteristics, SEP reporting, and corporate performance. The first layer of the full model analysis investigates the relationship between corporate characteristics and the level of SEP reporting. The results indicate that company size and auditor type significantly influence the level of SEP reporting at the 0.01 significance level (Model A, Table 4). However, company leverage has no impact on the level of SEP reporting at the 0.05 level.

The research findings on the relationship between corporate size and SEP reporting are consistent with prior studies of Raar (2002), Camfferman and Cooke (2002), Joshi and Gao (2009), and Suttipun (2012). With regard to company size, large firms typically provide a greater amount of financial and non-financial information since they serve and relate to larger numbers of different stakeholders vis-à-vis small firms. Moreover, many large companies in the SET are owned by Thai government organizations such as the Siam Cement Group (SCG), PTT (Petroleum conglomerate), Airports of Thailand (AOT), and Thai Airways that have brought the SEP concept from his Majesty the King Bhumibhol Adulyadej as the main policy of companies including the SEP reporting in their annual reports (RDPB, 2008). Therefore, the larger companies owned by Thai government have focused more about maximizing wealth, which supports the idea of sustainability than smaller companies that aim more on maximizing profit. This result can contribute to prove that stakeholder demands in Thailand (developing country) can force and pressure companies providing the SEP reporting as well as developed countries.

On auditor type, companies audited by Big-4 audit firms exhibit a higher level of SEP reporting than those by non-Big-4 firms since the auditors from the Big-4 audit firms attach great importance to the reporting of non-financial information. Big-4 auditors normally provide their clients with non-financial information reporting guidelines; however, no such guideline is provided by non-Big-4 audit firms. This is because Big-4 auditors are more likely to suffer serious damage to their images than non-Big-4 auditors. Therefore, because of higher reputations, Big-4 auditors have more stakeholder power to force the corporations providing the voluntary disclosures in their annual reports than non-Big-4 auditors (Suttipun, 2014). Moreover, Big-4 auditors have even created voluntary information survey for their partners. For example, KPMG provides the KPMG International Survey of Sustainable Development (KPMG, 2011), followed by the Deloitte Corporate Social Responsibility Report by Deloitte, the EY Survey Cooperation with GreenBiz Group conducted by Ernst & Young, and the Price Waterhouse Cooper Corporate Responsibility Practices Survey by Price Waterhouse Cooper. The result of this relationship indicates the contribution to the companies in their decision-making to choose the auditing partner because there are different extent and level of voluntary reporting that are provided as a guideline by each group of auditor.

Model B of Table 4 shows that the level of SEP reporting is significantly related to corporate

Table 3. *Pearson's Correlation Coefficient Matrix*

Variables	SEP reporting	Performance	Size	Auditor	Leverage
SEP reporting	1	.176*	.286**	.248**	.083
Performance		1	-.039	.104	-.248**
Size			1	-.149*	.082
Auditor				1	-.044
Leverage					1

*** and * denote the significance at the 0.01 and 0.05 levels, respectively.*

Table 4. *Path Analysis*

Model B		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model A: The first layer of the full model, R^2 = .128, adjusted R^2 = .116, sig 0.000**						
		Std. Error	Beta			
A	(Constant)	1161.952	89.880	-	12.928	.000
	Company size	.002	.000	.251	3.912	.000**
	Auditor type	189.722	58.384	.208	3.250	.000**
	Leverage	9.575	11.375	.053	.842	.401
Model B: The second layer of the full model, R^2= .087, adjust R^2 = .070, sig 0.001**						
B	(Constant)	2.081	3.830		.735	.463
	Company size	-6.839E-006	.000	-.040	-.587	.558
	Auditor type	2.541	1.416	.121	1.795	.074
	Leverage	-1.037	.270	-.251	-3.843	.000**
	SEP Reporting	.003	.002	.138	1.984	.049*

Dependent variables of Models A and B are SEP Reporting and Corporate performance.
*** and * denote the significance at the 0.01 and 0.05 levels, respectively.*

performance at the 0.05 level. The results have supported an idea of Kantabutra (2006), who mentioned that Thai listed firms with a higher level of SEP reporting and greater transparency perform better than those with neither. This is because the concept of SEP could deliver more sustainable performance with moderate debt and risk (Chirapanda & Yoopetch, 2008). Moreover, the companies providing the SEP reporting tend to satisfy not only themselves but also their stakeholders who are the most important for the corporate survival, if they need to have better financial performance (Nasi et al., 1997). By stakeholder theory, the SEP reporting can serve demands of corporate stakeholders by increasing financial performance (Mongsawad, 2010). Therefore, the companies can earn more sales and profit than offset the expense of SEP reporting which allows the firms to have higher and greater financial performance. From this result, the SEP reporting can contribute to be used as a corporate management tool to help companies complete and achieve high performance. In addition, the idea of SEP reporting in Thailand can be adopted to use in the other South East Asian countries.

Company leverage is directly related to company performance at the 0.01 level, consistent with a study by Almajali et al. (2012), who found an influence of corporate leverage on the financial performance of Jordanian companies. This is because although the companies with higher leverage provides detail about how they pay off their liability—as this is connected with their stakeholder concerns about the corporate survival—the companies will have decreased corporate value, including financial performance (Ho & Taylor, 2007). This study's findings offer useful insights to investors and creditors in their decision-making to invest in the SEP-practicing firms and to the other stakeholders with regard to an influence of different leverage on SEP reporting.

Figure 1 illustrates the full path model of this research in which SEP reporting is the dependent variable and the independent variables consist of company size, auditor type, and leverage. Alternatively, with company performance as the dependent variable, the corporate characteristics and SEP reporting can be viewed as independent variables. The results indicate that SEP reporting is significantly related to company performance at the 0.05 significance level. Nevertheless, neither company size nor auditor type has any direct relationship with company performance at the 0.05 significance level, but they do have a significant indirect effect through SEP reporting at the 0.01 level. Company leverage has a direct influence on corporate performance at the 0.01 significance level.

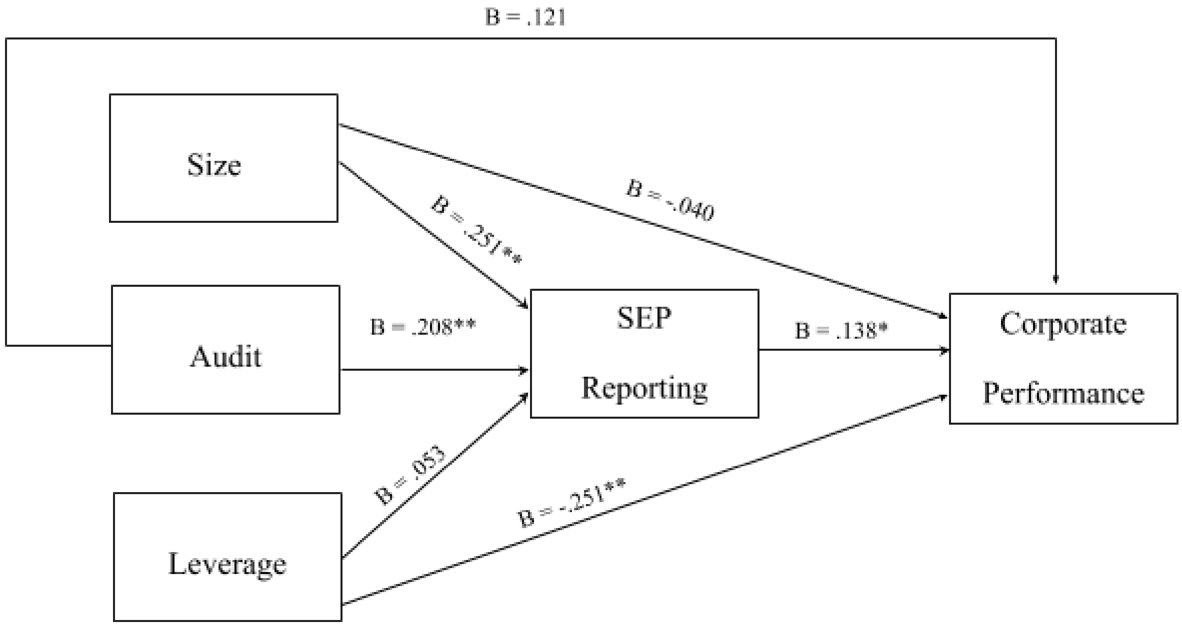

Figure 1. The path analysis model.

Conclusions and Comments

The aims of this research are to investigate the extent and level of SEP reporting in the annual reports of the sampled SET-listed companies, and to test for the relationships between corporate characteristics, SEP reporting, and corporate performance. The findings show the average level of SEP reporting in the annual reports of 945.92 words. The highest level of SEP reporting pertains to the principle of reasonableness, whereas the moderation principle receives the lowest level of SEP reporting. Company size and type of auditor also have a significant effect on SEP reporting. In addition, SEP reporting and company leverage significantly influence corporate financial performance. Therefore, this study accepts hypothesis 1, 2, 4, and 7, while hypothesis 3, 5, and 6 is rejected.

It is anticipated that the research findings contribute to existing literature on corporate reporting. In other words, the results show the informativeness of SEP on the extent of voluntary reporting in the annual reports of Thai firms; and the relationship between corporate characteristics, the level of SEP reporting, and financial performance in the Thai setting. Another contribution is the extension of existing knowledge on SEP reporting practiced by SET-listed Thai companies, as well as on other voluntary reporting tools, for example, environmental, corporate social responsibility, sustainable development, and triple bottom-line reporting. The practice of SEP reporting also enables corporations to achieve sustainable development through the creation of a balance between economy, society, environment, and ethics in the business conduct.

This research nevertheless contains some limitations. First, other corporate characteristics which are beyond the scope of this study may influence the level of SEP reporting, for example, business age, industry type, and business type. Second, this research utilizes only one source of information, that is, annual reports. In reality, firms engage in various communication channels to get messages across to the stakeholders, for example, websites, stand-alone reports, and corporate letters. Thus, future research should include other channels of communication. Finally, the analysis period of this research is only one year in 2012, so a longer analysis period for future research on the topic is strongly advised.

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Appendix 1: *Forms for collection of data on SEP reporting*

Moderation:

1. Produce as per target group demand
2. Produce in accordance with corporate capacity
3. Set reasonable product prices
4. Focus on long-term performance
5. Create business alliances
6. Manage human resources efficiently
7. Sustainably grow the business
8. Maintain the debt-to-equity ratio at an appropriate level
9. Promote human resources development
10. Contribute to society development with a share of profit
11. Provide appropriate returns to shareholders

Reasonableness:

12. Understand the business and market
13. Build corporate identity and foster innovation
14. Establish clear job descriptions and specifications
15. Fulfill corporate stakeholders' demands
16. Formulate a business plan that incorporates vision and mission
17. Benchmark corporate performance against competitors'
18. Establish non-exploitative labor policy
19. Maintain production efficiency
20. Adopt new technology to improve labor skills
21. Adopt consumer-centric rather than product-centric policy
22. Deploy quality materials in production
23. Reuse materials
24. Focus on quality of products
25. Define organization structure

Self-immunity:

26. Reduce risk through market expansion
27. Expand both locally and globally
28. Implement good material management
29. Minimize labor turnover
30. Compensate suppliers with reasonable and sustainable prices
31. Reserve cash
32. Set appropriate dividend policy
33. Evaluate risks
34. Promote customer retention and new customer development
35. Expand channel distribution
36. Prime staff for management positions
37. Set appropriate marketing budget and award innovation
38. Establish appropriate internal control system

Knowledge:

39. Standardize production process
40. Lay foundation for R&D
41. Collaborate with business alliances
42. Establish appropriate accounting system
43. Conduct market research
44. Develop information technology and database
45. Search for new materials
46. Form a network with academic institutions
47. Provide training to staff
48. Encourage learning among staff
49. Retain human capital

Morality:

50. Abide by corporate governance
51. Honor non-disclosure agreement
52. Protect environment
53. Initiate social projects and activity
54. Promote safety and health among staff
55. Evaluate operations impartially
56. Design appropriate employee welfare scheme
57. Improve employee skills
58. Pay back to community and society
59. Foster good rapport between employee and community
60. Avoid competing with community
61. Uphold business ethics
62. Offer attractive employee remuneration
63. Incorporate morality into corporate culture
64. Maintain a good record of debt servicing