

ARTICLE

Enhancing governance practice for better performance of credit union cooperatives in Thailand

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Abstract

Credit union cooperatives (CUCs) are member-owned financial organisations that aim to improve the members' living standards in Thailand. The success of Thailand CUCs is significantly associated with their good governance practices. This study provides an overview of Thailand CUCs' governance practices and examines the impact of governance on the performance of Thailand CUCs. The study finds Thailand CUCs' success varies in terms of financial and social performance. The results suggest that Thailand CUCs' performance is affected by members' participation, the board of directors, the management team, as well as the organisations' age and size. This study extends the current limited knowledge on the governance-performance nexus of Thailand CUCs in the literature, thus helping Thailand policymakers and practitioners boost both the financial and social performance of the CUCs in Thailand.

1 | INTRODUCTION

Governance is a mechanism used to monitor and ensure the effective control of an organisation. The previous studies have insisted on the significant positive relationships between good corporate governance practices and financial performance of firms and microfinance institutions such as the credit union cooperatives (Gupta and Sharma 2014; Mwanja et al. 2014).

Credit union cooperatives (CUCs) are member-owned financial organisations that provide services to their members to improve the living standards of members rather than to maximise profits (McKillop and Wilson 2015). The ownership of CUCs generates a sense of belonging based on a common bond in

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TABLE 1 Financial performance of Thai CUCs during 2013–2017

Indicators	2013	2014	2015	2016	2017
Number of CUCs	518	539	558	571	587
Deposits (million baht)	31,306.26	34,314.28	33,847.45	35,483.89	21,577.20
Total revenue (million baht)	5,902.79	6,551.89	6,414.38	5,552.42	5,296.00
ROA (%)	0.10	0.14	0.13	0.11	0.10
ROE (%)	0.27	0.77	0.87	0.63	0.52

Source: CULT (2017).

that members are required to invest in their CUC every month. Each CUC is governed by its members, who have equal votes to monitor the CUC performance. CUC members manage the organisation through a board of directors that is a group of representatives from the members. Good governance will be effective only if individual CUCs collaborate with their shareholders and stakeholders to achieve their financial and non-financial objectives (Ketilson and Brown 2011).

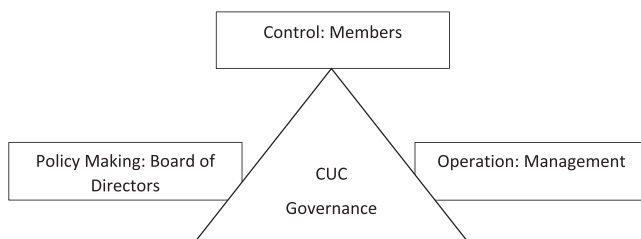
In Thailand, the first CUC was established on July 25, 1965, by 13 pioneers with initial savings of 360 baht. Up to December 31, 2016, there were 579 Thai CUCs with 1,025,126 members in 77 provinces across Thailand, with total capital bonds of 23,397 million baht (Credit Union League of Thailand; CULT 2017). The number of CUCs increased over time, however, the financial performance of Thai CUCs has been worsened recently in terms of deposits, total revenues, returns on assets (ROA), and returns on equity (ROE) (see Table 1). Additionally, some Thai CUCs have been involved in scandals revolving around poor governance, raising serious concerns for the stakeholders and the cooperative sector in general (Babalola 2014). One noteworthy example is Klongchan CUC, the largest CUC in Thailand. In 2013, Klongchan CUC faced significant problems when about 56,000 members were unable to withdraw their savings because of liquidity problems. Further, 76 cooperatives that had savings with Klongchan CUC also suffered losses. The Klongchan board of directors approved sizable loans to associate member institutions, such as other Thai CUCs, other cooperatives, temples, and financial organizations. In these lending activities, the Chairman, other executives, and Klongchan CUC officials embezzled over 10 billion baht in cash using cashier cheques and false documents (National Reform Steering Assembly 2016).

Based on the impending problems of Thai CUCs, it is critical for Thai CUCs to identify the factors that affect their business performance, especially corporate governance factors. To the best of our knowledge, however, the relationship between the governance and performance of Thai CUCs was neglected in the literature, raising an urgent need to investigate the impact of governance practice on CUCs' performance.

This study provides an overview of Thai CUCs' governance practices and examines the impact of governance practice on the performance of Thai CUCs. This study is the first to explore the effects of board characteristics (board size, board gender diversity, chairperson and managers' educational levels) and CUCs' characteristics (members' participation in annual general meetings, number of the subcommittee, and strategic plan) on financial and social performance of Thai CUCs. Accordingly, the study's findings will bridge the literature gap by shedding light on Thai CUCs' performance and good governance practices, thus helping Thai policymakers and practitioners promote good governance practices in Thai CUCs.

The paper is organised into five sections. Section 2 reviews relevant literature on the governance determinants of the CUCs performance and hypothesis development. Section 3 discusses the data and methods used to examine the impact of governance practices on CUCs' performance. Section 4 reports the empirical results. Section 5 concludes the paper and implications of the study.

FIGURE 1 Pillar of cooperative governance. Source: CULT (2017)



2 | RESEARCH BACKGROUND AND LITERATURE REVIEW

2.1 | Pillar of cooperative governance in Thailand CUCs

Implementation of governance in Thai CUCs requires the assignment of responsibilities to all parties involved in the operation. The actors who play a decisive role in ensuring governance processes and activities on a day-to-day basis, known as internal governance, are the members, board of directors, and managers. Therefore, a proper understanding and application of governance practices of cooperative members and CUCs management team can enhance the sustainable success of the organisation (CULT 2017). Figure 1 shows the main pillars of cooperative governance in a Thai CUC.

2.2 | Linking corporate governance with CUC performance

The prior studies have investigated the effects of governance practices on the CUCs' performance. A growing stream of literature highlights that there are two different strands to CUCs' performance involving both the financial (such as organisations' profits) and social performance (such as the well-being of people and the environment) (Sollenberger 2008; McKillop and Wilson 2011; Railienė and Sinevičienė 2015). Regarding the good governance practice factors, previous studies (Thrikawala et al. 2013; Taskin and Okur 2018) suggest several governance variables, including board size, board gender diversity, chairperson and managers' educational levels, members' participation in annual general meetings, number of the subcommittee, and strategic plan, as the key governance factors that may affect the organisational performance.

Board size: The effect of board size on business performance is debatable. Some studies have found that larger boards have issues with management, whereas smaller boards are good and effective at improving the CUC's performance (Sonnenfeld 2002; Hakelius 2013). Small board size enjoys the advantage of cost savings in arranging meetings and effective communication in an intimate atmosphere. However, a too small board size compared with the size of an organisation limits exposure to a diversity of opinions, ideas, and decisions concerning the management, resulting in potentially ineffective operations (Vishwakarma 2015). A large board size impacts cooperative operations and performance because larger boards could impair the communication and increase the agency cost, which is the main conflict between a CUC's board and its members (Cornforth 2004). A larger board may reduce the ability of CUCs members to set up reasonable commitments for the board of managers, or, in some cases, there is the gradual emergence of free riders. This leads to agency problems and results in decreased performance (Hakelius 2013). Similarly, Huang et al. (2013) show the negative nexus between board size and technical efficiency of Chinese agricultural marketing cooperatives due to high coordination expenses. However, other studies suggest that large boards affect firms positively in terms of performance because directors can engage more highly qualified opinions and counsel (Moss 2016). Likewise, large boards have extra scope to capitalise on the outcomes of decisions because of a greater diversity of ideas and educational skills, which can lead to high-quality advice, resulting in better performance (Lehn et al. 2009).

Board gender diversity: Several studies have confirmed the influence of board gender diversity on organisations' performance. Catalyst (2007) and Saeed et al. (2018) found that gender diversity can produce a greater variation of opinions and ideas resulting in better decisions on management than those made by the board with one gender. In Spain, Hernández-Nicolás et al. (2019) found that agricultural cooperatives with a higher percentage of female board members show higher returns. However, Montes (2011) and Rhode and Peckel (2014) argued that having females on the board can adversely impact corporate performance because they are fairly indecisive and lack leadership.

Educational qualifications of chairperson and managers: Prior researchers and scholars have investigated the education level of the chairperson and managers, and how their academic experience influences or relates to a firm's performance (Haniffa and Hudaib 2006; Wadsworth 2015). In terms of cooperatives, Huang et al. (2002) and Huang et al. (2013) demonstrate that human capital significantly and positively impacts the foundation and growth of the cooperatives.

Member participation in annual general meetings (AGM): Participation in an AGM is a key feature of good governance, where members exercise their right to vote and control the cooperative's business (Othman et al. 2012). Othman et al. (2012) pointed out that members who attended AGMs are one to three times more likely to contribute to the cooperatives share increment than those who are absent. Liang et al. (2015) also indicate the positive relationship between member participation in general meetings and the cooperative performance in China's Zhejiang province. On the other hand, if the majority of members attending an AGM are free riders, those who do not wish to express their opinions or take part in decision-making but merely want to learn for their own benefits, the budget approval for activities may not be effective (Kadir et al. 2016).

The subcommittees: The main feature of the subcommittee is to assist the board in ensuring a level of rigour and depth analysis through the process of oversight and control of the business. The delegation of responsibilities by the board to a subcommittee helps facilitate the practice of good governance (Pucheta-Martínez and Bel-Oms 2019). Some studies, in contrast, suggested that a subcommittee can have an adverse effect on overall corporate performance because decisions made by a few people can be biased to owners and organisations. Sometimes, they are limited in terms of a number of ideas proposed, causing an ineffective operation (Vishwakarma 2015). Dayanandan (2013) shows the weak relationship between members, subcommittees, and the board, indicating the poor governance of the cooperatives in Southern Ethiopia.

Strategic plan: The benefit of strategic planning is to ensure that all directors have the same understanding of how to run their CUC to achieve the established goals. A good strategic plan can, thus, enable the board to effectively organise the entity via management, resulting in performance that is consistent with the goals of the cooperatives (Aini et al. 2012; Mahazril et al. 2012). Sushila et al. (2010) prove that at least a three-year strategic plan significantly contributes to cooperative success. Aini et al. (2012) opposed, saying that strategic planning is not a key factor that has a direct effect on cooperatives' performance. The study argued that numerous cooperatives have sought to resemble others by defining their strategies, yet have been unable to put into practice or to utilise them to meet the goals. The major problem is that, due to a lack of complete understanding, both management and members do not give their full cooperation or ignore the significance of active involvement.

In summary, the literature suggested a number of governance factors that potentially affect an organisation's financial and social performance. However, no research investigated the impacts of board characteristics and CUCs characteristics on the financial and social performance of Thai CUCs in the literature, which motivates this study.

3 | RESEARCH METHODOLOGY

3.1 | Conceptual framework and empirical model

Based on the literature, Figure 2 shows the conceptual framework of governance factors that potentially affect Thai CUCs' performance. The dependent variable is the financial and social performance

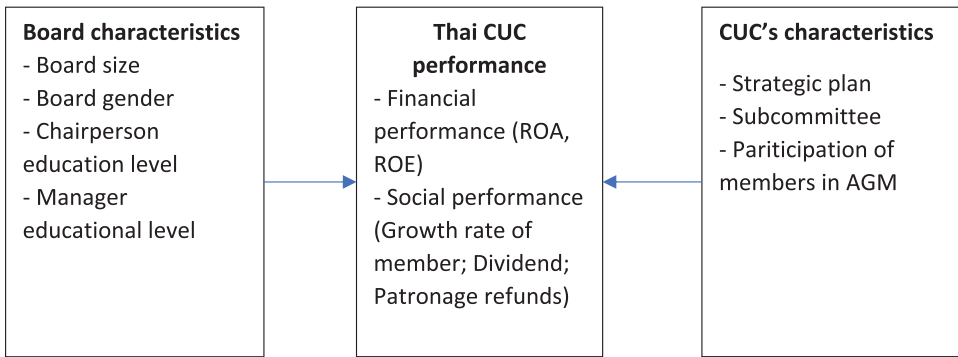


FIGURE 2 Potential governance factors affect on Thai CUCs' performance [Colour figure can be viewed at wileyonlinelibrary.com]

of CUCs. ROA and ROE are used to measure the financial performance of Thai CUCs. Social performance is the growth rate of members, dividend, and the patronage refund of the Thai CUCs. The independent variables are governance practices engaged by members, the board of directors, manager, and the organisation (Maradi et al. 2015).

Therefore, the empirical model to analyse the impact of governance practice on the performance of Thai CUCs is given in equation (1):

$$Y_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 GB_{it} + \beta_3 EDUC_{it} + \beta_4 EDUM_{it} + \beta_5 STP_{it} + \beta_6 NSC_{it} + \beta_7 NAGM_{it} + \beta_8 SIZE_{it} + \beta_9 AGE_{it} + \varepsilon_{it} \quad (1)$$

Where:

Y_{it} denotes the performance of the CUC i at year t . BS_{it} , GB_{it} , $EDUC_{it}$, $EDUM_{it}$, STP_{it} , NSC_{it} , $NAGM_{it}$ are explanatory variables which represent the governance factors (board characteristics and CUC's characteristics) of the CUC i at year t .

$SIZE_{it}$ and AGE_{it} are control variables measuring the size and age of the CUC i at year t .

Table 2 shows the measurement of the variables used in equation (1).

ε_{it} is the error term.

The study employs the panel-data fixed-effects model (FEM) and random-effects model (REM) to estimate equation (1). Hill et al. (2011) indicate that there are some advantages in using panel data. For example, panel data can take heterogeneity explicitly into account by the individual specific effect variables. In addition, it provides data that are more informative, have more variability, less collinearity among variables, more degree of freedom, and greater efficiency. FEM assumes that there is a correlation between the independent variables in the model and the error terms. REM assumes that there is no correlation between the independent variables in the model and their panel error terms (Gujarati 2004). Further, to select a more suitable model between FEM and REM, this study uses the Hausman test (Hausman 1978). Hausman test's null hypothesis states that the individual effect is a time-invariant variable and is correlated with exogenous variables. Rejection of the null hypothesis results in the use of FEM. Conversely, if the null hypothesis is not rejected, it indicates the use of the REM (Gujarati 2004).

3.2 | Data

Secondary data were used to assess the impact of governance practices on the financial and social performance of Thai CUCs. These data comprise the published statistics, annual reports, and financial

TABLE 2 Definition and measurement of variables (used in equation (1))

Categories	Variables	Description	Measurement
Financial performance	ROA	Return on Asset	Profit/Total assets
	ROE	Return on Equity	Net operational results/ equity
Social performance	GRM	Growth rate of member	Percentage change of members each year
	DI	Dividend	Payment from CUCs to members who invest in the share of CUCs. CUCs pay dividend based on the share of members.
	PR	Patronage refund	Payment from CUCs to members who use the services. CUCs return earnings (in %) to members based on value of business done.
Board characteristics	BS	Board size	Number of board directors (persons)
	GB	% male in the board	The ratio of male members in the board of directors.
	EDUC	Education of chairperson	= 1 if chairperson has bachelor's or higher degree, = 0 otherwise
	EDUM	Education of manager	= 1 if manager has bachelor's or higher degree, = 0 otherwise
Thai CUCs' characteristics	STP	Strategic plan	= 1 if CUC has strategic planning, = 0 otherwise
	NSC	Sub committee	= 1 if CUC has a subcommittee, = 0 otherwise
	NAGM	% of members in AGM	Percentage of members in AGM of each Thai CUC
Control variables	SIZE	Size of Thai CUCs	Dummy variables: VLARGE: = 1 if CUC size is very large, = 0 otherwise LARGE: = 1 if CUC size is large, = 0 otherwise
	AGE	Age of Thai CUCs	The period time since establishment (years)

statements of the 36 sampled CUCs for the four years from 2014 to 2017. During the period, Thai CUCs have been significantly concerned with CUC governance, especially since the collapse of the Klongchan CUC in 2013 because of corruption and the lack of good governance practices. Table 3 displays the list of 36 Thai CUCs investigated in the study.

Regarding the data selection process, Thai CUCs are classified by locations (rural, urban, educational, and factory areas) and size (very large, large, medium, and small) (CULT 2017b). This study adopts these two criteria to choose the sample Thai CUCs for data collection. However, all small CUCs were excluded because they were established after 2014 with the first financial statements produced in the following year. To ensure a sufficient number of sample groups from each category, the study used the purposive sampling method (Kudi et al. 2009). For example, the Thai CUCs located in Chiang Mai and Bangkok were selected as the representative group in the educational institutes. According to their sizes, the top three CULTs' (2017b) ranking scores: Thaisamut Group, Poean, and Payap University CUCs were chosen to represent the very large-sized CUCs in the educational institutes. However, some targeted provinces in particular areas (such as rural, urban, factory workplaces, and educational institutions) did not have enough CUCs of each size and type to conduct the survey. As a result, to get enough CUCs of each size and type, we selected other CUCs located in other provinces to be in our sample based on time and cost-saving and convenience of survey. For instance, the Five-Thanwa Pattana CUC located in Chiang Mai was selected for our sample as a very large CUC located in an urban area. Nukbunpetro CUC located in Nakhon Pathom was selected for our sample as a very

TABLE 3 List of 36 selected Thai CUCs

Location	Size	Thai CUC names
Urban	Very large	Klongchan, Freetrade, Five Thanwa Pattana
	Large	Soon Klang Tewa, Wongsamphan, Chatlounng Community
	Medium	Klongkum Nivate, Meenburi, Nonthaburi
Rural	Very large	Chompoo Samukkee, Nukbunpetro, Samuengneou
	Large	Ban Nongsamukkee, Doiloh, Ban Papong
	Medium	Mittrapap, Panusnikhom, Nhakhok
Factory workplace	Very large	Tarnnumjai Delta, NHK Spring, Haeng Heno Employee
	Large	Honda Auto Mobil, Arsahetech, Pahomthai
	Medium	Pipattanasumphon, Sintanee, Yoursa
Educational institute	Very large	Thaisamut Group, Poean, Payap University
	Large	999 Sarapee, Souansununtha, Rachapat Chiangmai University
	Medium	Jedee, Sendorminic, Pattanachotravee

large CUC located in a rural area. Similarly, Pahomthai CUC in Bangkok was selected as the factory workplace-medium.

4 | RESULTS AND DISCUSSIONS

4.1 | Descriptive statistics

Table 4 reports the descriptive statistics of financial and social performance, and governance practices indicators of the 36 selected CUCs during the period 2014–2017.

4.1.1 | Descriptive statistics of financial and social performance

The ROA and ROE mean values of the very large CUCs are higher than that of other CUCs. Some Thai CUCs exhibited negative ROA and ROE. In particular, the medium CUCs in urban areas have the lowest mean values of ROA and ROE (around –0.04 per cent). These findings imply that some Thai CUCs were losing their profits during the study period.

In terms of social performance, the growth rate of the membership represents the confidence of current members and newcomers to become members of CUCs. If Thai CUCs exhibit good governance practices and effective management, the growth rate of the membership will increase. As presented in Table 4, the medium Thai CUCs, which are located in urban areas, have the highest membership growth rate of 5.84 per cent. The very large CUCs in all areas (rural, urban, education, and factory workplaces) also have a positive membership growth rate. However, some of the selected Thai CUCs encounter serious problems related to the membership growth rate. For example, large Thai CUCs in urban areas have the highest negative membership growth rate of –4.65 per cent. Also, the negative membership growth rate is found in the case of the medium CUCs in rural, education, and factory workplace areas, including the large CUCs in urban and factory workplaces areas.

Table 4 shows that the very large CUCs in rural areas have higher average dividends than very large CUCs in other areas. The very large CUCs in rural areas have average dividends of 5.19 per cent during 2014–2017, followed by 5.10 per cent average dividends of the CUCs in factory workplaces areas, and 4.5 per cent average dividends of the CUCs in educational areas. In terms of the large CUCs, Table 4

TABLE 4 Descriptive statistics of the 36 selected Thai CUCs

Indicators	Rural areas			Urban areas			Educational areas			Factory workplaces areas		
	Very large	Large	Medium	Very large	Large	Medium	Very large	Large	Medium	Very large	Large	Medium
Financial and social performance	0.04	0.01	0.02	0.04	0.02	-0.04	0.05	0.04	0.02	0.06	0.05	0.02
	0.11	0.03	0.03	0.07	0.04	-0.04	0.06	0.05	0.03	0.07	0.06	0.03
	2.18	4.18	-0.8	4.17	-4.65	5.84	1.7	1.11	-0.84	3.83	-2.08	-0.84
	5.19	1.85	1.98	4.19	3.19	1.27	4.5	3.29	2.41	5.1	4.16	2.41
	10.85	2.31	1.74	3.34	1.99	0.4	5.24	2.58	2.75	14.34	8.46	2.75
Board characteristics	14.83	13.67	9	13.67	13	11	13.67	12.33	12.33	11.67	11.67	12.33
	64.02	41.51	45.96	52.5	51.3	51.24	56.62	44.37	39.04	83.55	44.35	89.07
Education of Chairpersons (persons)												
Under bachelor's	0	0	0	0	0	8	0	0	4	5	10	4
Bachelor's or higher degrees	12	12	12	12	12	4	12	12	8	7	2	8
Education of manager (persons)												
Under bachelor's	8	0	8	0	2	4	4	0	4	5	11	4
Bachelor's or higher degrees	4	12	4	12	10	8	8	12	8	7	1	8
Thai CUCs' characteristics												
Number of sub committees:	12 (0)	12 (0)	8 (4)	8 (4)	8 (4)	8 (4)	12 (0)	12 (0)	8 (4)	12 (0)	12 (0)	4 (8)
Yes (No)												
Strategy plan: Yes (No)	12 (0)	12 (0)	8 (4)	8 (4)	12 (0)	12 (0)	12 (0)	12 (0)	12 (0)	12 (0)	12 (0)	12 (0)
% of members in AGM	25.3	16.09	31.67	5.95	16.7	28.67	28.3	37.01	57.98	24.99	26.64	57.98
Control variables												
Age of CUCs (years)	33.5	19.5	25.17	19.5	24.17	4.17	18.17	14.5	25.83	26.5	19.5	25.83

result shows that the CUCs in factory workplaces areas have the highest average dividends. For the medium CUCs, the CUCs in educational and factory workplace areas have the highest dividends.

For the patronage refund, the very large Thai CUCs in the factory workplaces and rural areas have a patronage refund significantly higher than that of other Thai CUCs. Meanwhile, the large Thai CUCs in the factory area have a higher rate of patronage refund than other large Thai CUCs. For the medium Thai CUCs, Table 4 reports that the medium CUCs in the urban area have the lowest average rate of patronage refund.

4.1.2 | Descriptive statistics of governance practices indicators

Table 4 results show that medium Thai CUCs have the highest rates of CUC member participation in the AGM, compared to other CUC sizes. The lowest AGM participation occurred in the very large Thai CUCs located in the urban area with a rate of 5.95 per cent, which is significantly less than the AGM participation of other CUCs. In terms of board directors, the board size typically has three main numbers of Thai CUCs, namely nine, 13, and 15 board members. Table 4 reports that the very large Thai CUCs in rural areas have the biggest average board size of 14.38 people. In contrast, the smallest board size occurs in the medium CUCs located in rural areas, around nine people. Besides, the study finds that boards of selected Thai CUCs are mixed between males and females. For example, the medium Thai CUCs in factory workplace areas have 89.07 per cent male board members. However, some Thai CUCs provide more opportunities for females as board members. In the case of the medium CUCs in educational areas, 39.04 per cent of the board are males. Most boards of the medium CUCs in the educational area are female. The Thai CUCs in the urban area have around 50 per cent of both genders as board directors. Regarding the age of Thai CUCs, Table 4 shows that the very large (medium) Thai CUCs in rural (urban) areas have the highest (lowest) average age of CUCs of 33.50 (4.17) years old.

Table 4 also shows the educational levels of chairpersons and managers of selected Thai CUCs. All Thai CUCs in rural areas have chairpersons with bachelor's or higher degrees, while the education levels of chairpersons in other areas vary. The results also find most managers of the selected CUCs do not need to have bachelor's or higher degrees.

The last two indicators in the governance practice are the number of subcommittees and strategic plans. The results in Table 4 show most Thai CUCs have subcommittees and strategic plans. However, there are some Thai CUCs that do not have subcommittees and strategic plans, especially the medium CUCs in all areas (namely rural, urban, educational, and factory workplaces areas).

4.1.3 | Correlation matrix results

Table 5 shows the correlation matrix results of the regressors in equation (1). Since all the correlation values are smaller than 0.7, there is no multicollinearity problem among the regressors in the regression model.

4.2 | Impacts of governance practices on CUC performance in Thailand

Table 6 provides the empirical results on the impact of governance practices of Thailand CUC performance. In terms of financial performance, the study used REM estimate based on the Hausman test result. With respect to ROA, the study finds that the percentage of members at the AGM, percentage of men on the board, and CUC size variables are positive and statistically significant at 0.01, 0.05, and 0.1 levels. For example, if the CUC is very large, ROA will increase by 0.0472 per unit. Likewise, the empirical findings of ROE are explained by REM estimates, based on the Hausman test result.

TABLE 5 Pearson correlation matrix among regressors used in equation (1)

	NAGM	BS	GB	EDUC	NSC	STP	EDUM	LARGE	VLARGE	AGE
NAGM	1	-0.17	0.17	0.16	-0.09	-0.01	0.07	-0.21	-0.3	0.1
BS		1	0.08	0.26	0.36	0.09	-0.02	-0.14	0.48	-0.01
GB			1	0.03	0.14	-0.17	0.14	-0.25	0.2	-0.03
EDUC				1	0.3	0.02	0.2	-0.13	0.13	0.22
NSC					1	-0.08	-0.1	0.12	0.33	0.21
STP						1	0.06	0.11	0.13	0.25
EDUM							1	0	-0.14	-0.37
LARGE								1	-0.47	-0.18
VLARGE									1	0.35
AGE										1

TABLE 6 Impact of governance practices on Thai CUC performance

Regressors	Financial performance		Social performance		
	ROA	ROE	GRM	DI	PR
BS	-0.0008 (0.0025)	0.0015 (0.0030)	0.5436* (0.3146)	-0.3629*** (0.0812)	-0.6854*** (0.1514)
GB	0.0005* (0.0003)	0.0005* (0.0002)	0.1205*** (0.0252)	0.0089 (0.0056)	0.0137 (0.0177)
EDUC	0.0046 (0.0081)	0.0009 (0.0077)	1.4692 (1.5515)	-0.0450 (0.1716)	-0.6207 (0.3845)
EDUCM	-0.0010 (0.0222)	0.0120 (0.0215)	-11.1501*** (3.6430)	0.3649*** (0.1093)	-0.4760* (0.2472)
NAGM	0.0005*** (0.0002)	0.0005** (0.0002)	-0.0510* (0.0294)	-0.0102** (0.0041)	0.0053 (0.0146)
NSC	-0.0210 (0.0286)	-0.0300 (0.0304)	-6.8109** (2.8335)	n.a. n.a.	n.a. n.a.
STP	-0.0447 (0.0417)	-0.0716 (0.0444)	9.5044*** (3.1324)	n.a. n.a.	n.a. n.a.
LARGE	0.0495* (0.0280)	0.0624** (0.0296)	-3.5678 (2.3795)	n.a. n.a.	n.a. n.a.
VLARGE	0.0472** (0.0228)	0.0670*** (0.0239)	-0.7096 (2.2326)	n.a. n.a.	n.a. n.a.
AGE	0.0005 (0.0008)	0.0012 (0.0009)	-0.3040*** (0.1012)	-0.0916 (0.0628)	0.2572** (0.1144)
χ^2	50.33***	38.37***	78.64***	n.a.	n.a.
Hausman test	3.42	3.33	5.41	17.27***	26.21***
Model used	REM	REM	REM	FEM	FEM
F-Stat	n.a.	n.a.	n.a.	47.48***	5.33***
R-squared	0.13	0.23	0.24	0.07	0.11

Note: 1. *, **, *** indicate statistically significant levels at 0.1, 0.05, and 0.01, respectively.

2. Numbers in parentheses are corrected standard errors.

Interestingly, the study finds that significant variables for ROE are the same as the ROA variables. That is, the percentage of members at the AGM, the percentage of men on the board, and CUC size variables are positive and statistically significant for ROE. For instance, the percentage of men on the board variable is significant at the 0.1 level.

The study's findings are supported by previous studies which found that a high percentage of members at the AGM suggests good collaboration and shows that members are actively engaged in their CUC operations. High participation levels may lead to greater levels of CUC success (Osterberg and Nilsson 2009; Aini et al. 2012; Othman et al. 2012). For example, Othman et al. (2012) argue that if CUCs have high participation levels at their AGM, they are likely to increase their investment funds. As a result, CUCs are likely to have higher revenue and subsequently increased ROA and ROE. If CUCs have a high percentage of men on their boards, they tend to have higher ROA and ROE. Mentes (2011) and Rhode and Peckel (2014) state that men have good decision-making skills, especially in organisational investments. Good investment decisions can increase an organisation's revenue, and ultimately their ROA and ROE. Large CUCs are likely to have better financial performance (increased ROA and ROE) because they have more members. Large CUCs can gather more funds from members, which they can invest in and make greater returns (Kiliç and Kuzey 2016).

With respect to the social performance, Table 6 reports that the board size, the percentage of men on the board, and strategic plan variables are positive and statistically significant in CUC member growth rate at the 0.1 and 0.01 levels. Prior literature indicates that with large board size, the directors can synthesise quality opinions and contributions (Moss 2016), thereby improving the performance of the organisation (Lehn et al. 2009). Thus, a CUC with a large board may gain better results and attract more members. Men are known for their logical thinking and cooperative skills because they have a higher opportunity to use the services and financial transactions of CUCs. Thus, men have a better understanding of the structure and stakeholder roles that are necessary for running an organisation. This can increase members' confidence in CUC systems. The men on the boards can persuade community members to become CUC members (Catalyst 2007; Ghaeli 2019). As discussed in Mahazril et al. (2012), a strategic plan is a key factor for successful CUC operations. A good strategic plan is one of the main factors that increase CUC members' confidence in CUC operations. As a result, these can have positive impacts on the member growth rate.

By contrast, the percentage of members at the AGM, number of subcommittees, education of managers, and CUC age variables are negative and statistically significant in terms of the CUC member growth rate. That is, the percentage of members at the AGM and the number of subcommittees variables are significant at the 0.1 and 0.05 levels, respectively. The education of the manager and age of the CUC variables are significant at the 0.01 level. From the literature, an increase in the percentage of members at the AGM cannot guarantee the success of CUCs. In particular, if attendees do not have any good suggestions for improving their CUC operations, or members do not share their ideas, the AGM will be ineffective (Hooper et al. 2010; Kadir et al. 2016). Besides, having subcommittees does not guarantee increased CUC social performance (National Reform Steering Assembly 2016). This is because Thai CUC subcommittees usually focus on business administration and education. However, the subcommittees which facilitate and organise member applications are usually not found in Thai CUCs (CULT 2012). Moreover, the negative impact of the manager's education on the CUC member growth rate implies that Thai CUC managers who have high levels of education are likely to focus on business operations or maximising profits. However, managers often neglect CUC member services, especially membership applications. Based on our survey data, the study finds that some Thai CUCs are more than 10 years old; however, these CUCs still have poor financial and social performance. These behaviours can cause members not to trust CUC management. As a result, members are more likely to resign from their CUCs.

Table 6 shows the impacts of governance practices on the dividend variable estimated by FEM estimation. The study finds that the percentage of members at the AGM and board size variables are negative and statistically significant for the dividend variable at the 0.05 and 0.01 significance levels, respectively. As discussed above, an increased percentage of members at the AGM cannot

guarantee the success of CUCs. If CUC members do not have any good suggestions for improving CUC operations, or if the members do not participate in the discussions, then the meeting will not be effective (Hooper et al. 2010; Kadir et al. 2016). In terms of board size, Hakelius (2013) states that larger boards may increase the agency cost for coordination and communication and decrease board members' ability to monitor management behaviour; or, in some cases, there is the gradual emergence of free riders. In short, a large board size does not guarantee successful CUC operations. Therefore, these are the reasons why the percentage of members at the AGM and board size variables impact the dividend of Thai CUCs negatively. The education of managers is positive and significant for the dividend variable at the 0.01 level. Bhuyan and Leistriz (2001) argue that having CUC managers with higher levels of education may increase CUC profits, and subsequently lead to higher CUC dividends.

In terms of the patronage refund variable, the FEM results show that board size and education manager variables are negative and statistically significant at the 0.01 and 0.1 significance levels, respectively. Larger boards may increase the agency cost for coordination and communication and decrease board members' ability to monitor management behaviour. In short, a large board size does not guarantee successful CUC operations (Hakelius 2013). Likewise, the negative impact of the manager's education on CUC patronage may indicate that Thai CUCs managers who have high levels of education focus more on business operation, such as maximising profits and paying members high dividends. This suggests that managers with higher levels of education are associated with higher CUC dividends rather than patronage refunds.

In contrast, the CUC age variable is positive and statistically significant for the patronage variable at the 0.05 significance level. As discussed in Sami et al. (2011) and Taskin and Okur (2018), older firms are likely to have more experience and a better understanding of organisational management and ideologies than younger CUCs. In addition, based on the CUC philosophy, the primary goal of Thai CUCs is to enhance the capability of their members and communities to adjust to social changes. One way to improve CUC members' living standards is to provide patronage refunds to their members who use the loan services (CULT 2012). They will obtain the patronage refund based on their interest in the loan they paid to CUCs.

In sum, the impacts of governance practices on CUCs' financial and social performance differ during the study period. For financial performance, an increase in the percentage of members at the AGM and the percentage of men on the board can improve CUC financial performance. Also, if CUCs increase in size (from medium to large or very large), they will improve their financial performance. In terms of social performance, the board size, percentage of men on the board, and the strategic plan variables are positively significant for social performance in member growth. In contrast, the percentage of members at the AGM, the number of subcommittees, the education of managers, and the CUC age variables are negatively significant for member growth. Meanwhile, the education of the manager is the only variable that has a positive impact on CUC dividend. In contrast, the percentage of members at the AGM and board size variables negatively impact the CUC dividend.

With respect to the patronage refund variable, the study finds that the age of CUC variable is positively significant. By contrast, the board size and manager's education variable, negatively impact the CUC patronage refund. In order to create policies that support governance practices to improve the financial and social performance of CUCs in Thailand, policymakers need to be aware of their impact. In short, there is no one-size-fits-all policy.

5 | CONCLUSIONS AND IMPLICATIONS

5.1 | Conclusions

This study examines the impact of governance practices on the performance of Thai CUCs. The study finds Thai CUCs' success varies in terms of financial and social performance. The results suggest that

both financial and social CUC performance is affected by members, the board of directors, and the management team.

Regarding financial performance, the ROA and ROE variables are positively affected by various governance practices. For example, the ROA and ROE vary with the members' participation. An increase in the percentage of members at the AGM positively and significantly affect the ROA and ROE variables. There is a positive relationship between the number of men on the board and the ROA and ROE variables. The empirical results also show that larger size CUCs (those with more members and more assets) are more likely to have greater returns, which in turn will lead to an increase in ROA and ROE.

For social performance, the governance practice variables impact membership growth, dividends, and patronage refunds. All social performance variables have both negative and positive results when tested with different regressors. For instance, member participation at the AGM adversely affects membership growth and dividends but has no impact on patronage refunds. These results are explained by ineffective participation of members in meetings (Hooper et al. 2010; Kadir et al. 2016) that impairs the social performance of the CUCs. Likewise, board size has a positive impact on the member growth rate but has a negative effect on the dividend and patronage refund, **since a larger board** may increase agency cost (Hakelius 2013) that reduces dividend and patronage refunds for members. The empirical findings also show that managers' education levels significantly, positively affect the CUC's dividend. This implies that CUCs whose managers have higher education levels will receive higher dividends. However, the manager's education level has a negative impact on membership growth and patronage refunds. The possible reason is that managers with higher education levels focus on profit maximisation (Bhuyan and Leistriz 2001) and neglect CUC members' social benefits, thus members are more likely to leave their CUCs. This means that having a higher education level does not guarantee that a manager will successfully run the CUC; they must also understand that the CUC's goal is to improve members' wellbeing, not just maximise members' wealth.

For Thai CUC characteristics, the size and age variables are significant. CUC age has a significant negative impact on membership growth. It has a significant positive effect on patronage refunds. These findings indicate that those CUCs that have been operating for a longer period become stagnant in terms of membership growth. However, the experience gained from the number of years in operation results in greater patronage refunds.

5.2 | Implications

The study's findings illustrate the importance of governance practices on Thai CUCs' financial and social performance. Based on the empirical results, this study provides several implications regarding the governance-performance nexus of Thai CUCs.

First, the percentage of members attending the AGM has a positive effect on ROA and ROE, a negative impact on membership growth and dividends, but no impact on patronage refunds. According to Nilsson and Svendsen (2011), members who participate in the AGM might be more interested in their benefits and profitability rather than CUC benefits and thus do not make the right decisions. Therefore, the CUC's management team should encourage the involvement of members in making decisions relating to the CUC's financial matters and cooperative strategies during the AGM to achieve both financial and social goals.

Second, the board size has a positive impact on the member growth rate. These findings indicate that bigger boards have a sufficient number of directors to serve their members, including new members. However, in this study, board size has an adverse impact on the dividend and patronage refund, because having a larger board is only effective if it is made up of board members with good business knowledge or skills. Besides, a larger board may increase the agency cost as well as coordination and communication costs, or even result in free riders (Hakelius 2013). Therefore, each Thai CUC should maintain a reasonable board size that corresponds to the size of the organisation. The CUC members

should also think carefully before electing a board of directors to ensure that whoever they elect has the appropriate skills and knowledge to contribute to the success of CUCs.

Third, the managers with bachelor's or higher degrees bring about better financial performance and higher dividends but gain lower member growth rate and patronage refunds than the managers with lower education levels. This result implies Thai CUC managers who have high levels of education are likely to focus on business operations or maximise profits to increase dividends (Bhuyan and Leistriz 2001), while neglecting CUC members' services, such as membership applications and patronage refunds. Since member growth rate and patronage refunds are also indicators of members' benefits and cooperatives' social performance (Castillo et al. 2003), Thai CUC managers should set up higher social goals for both member growth and patronage refunds to improve the members' living standard and welfare.

According to the mixed effects of chairpersons and managers' educational levels on financial and social performance, this study supports that the education level is not the only criterion to choose the appropriate management team. Some CUCs attach more importance to work experiences and managerial competencies (Bhuyan and Leistriz 2001) and achieve good results. An example of a CUC that does not direct its attention towards a manager's education is the Saint Peter CUC Limited, which has operated for over 30 years in Thailand and engaged a number of managers who completed their education at the end of the 12th grade. Between 2010 and 2014, the CUC was awarded "National Outstanding Cooperative" (Chunharungroj and Vuthimedhi 2017). In contrast, Klongchan CUC, the country's largest CUC, was once chaired by a person with a doctorate and engaged several managers with education higher than a bachelor's degree. This CUC is in financial crisis, as widely reported in the press in 2011 (National Reform Steering Assembly 2016).

This study also has a limitation related to the data. In particular, the sample used in the study was of a limited size due to the budget and time constraints. The CUC data used to analyse the study's objectives covered limited provinces in Thailand, such as Bangkok and Chiang Mai. The study's results thus may not be generalisable for the whole country's CUCs. Future research, therefore, may expand the sample size to attain better analysis and more robust results.

CONFLICT OF INTEREST STATEMENT

There is no conflict of interest relating to this paper. We liaised with all co-authors to confirm agreement with the final statement.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

PEER REVIEW

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