Research Article

Leading Bank Performances under Exntended Caretaker Goverment- Empirical Approach from Thailand

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ABSTRACT

Thailand's economic performance has historically been determined by the frequency and severity of political de-stability by government collapses mostly organized through army coups. This study investigated the theoretical and empirical literature political uncertainty and economic slowdown arising out of the last coup and caretaker government enforcing the emergency decree to maintain peace and order and the caretaker government being in power until the general elections were held in 2019. This paper scrutinizes the impact of political instability, macroeconomic and bank-specific factors on the performance of leading Thai banks in the context of Thailand. The study selected only two out of top 4 private banks due to the availability of data for the uncertainty period ranging from 2014 to 2018 until elections were held a year later. The study used 8 common measures of bank performance and profitability along with descriptive analyses. Using happiness index as qualitative standpoint and also comparing financial variables with rating agencies prediction, various reports including the Bank of Thailand, the study also presents some new results and a robustness analysis. Our study concludes that political uncertainty was a significant contributor for erratic bank performance.

Keywords: bank performance, happiness index, instability, macroeconomic conditions, rating agency

Introduction

The Thai banking industry graduated through its severest test in 1996 during the Asian financial crisis (AFC) when the economy was nearly wiped out as several banks collapsed. Inadequate regulatory and supervisory frameworks also contributed to the weakness of the financial system. By end-1996, there were reportedly B487 billion in NPLs on the books of commercial banks (11.5 percent of

gross loans) and another B225 billion on the books of finance companies (15 percent of gross loans) and in June 1997 Bank of Thailand announced that it was suspending the operations of 16 finance companies, including the 10 whose names had been published earlier, and ordered them to restructure their management. 4 August that an additional 42 finance companies were directed to suspend their business operations—amounting to a total of 58 out of 91 finance companies. (Masahiro Kawai, Kenichi Takayasu 1999). Public confidence in finance companies eroded between March and June 1997, as there was deposit withdrawals by the public (but not an outright panic of the entire financial system). The FIDF provided liquidity support to 66 (of a total of 91) finance companies. The BOT suspended 16 finance companies in June (7 of which were from the March list). Notably, 43 percent of loans of these suspended companies were to the real estate sector. (Sakulrat Montreevat, Ramkishen S. Rajan). Again in 2008, global financial crisis started in the US causing an economic slump, extended to Europe and also partly affected Asian region. For most Asia-Pacific economies, the failure of Lehman Brothers in September 2008 made it very hard for Asian borrowers to access international capital markets. (Andrew Filardo et al 2009). The Thai economy lost its rhythm from the second half of 2008 until 2009. In 2008, crude oil prices reached a record high of $147 a barrel in July then fell quickly. The economic performance was poor for Thailand in the last quarter. Effects of the global financial crisis caused a substantial fall in Thai exports and the forced occupation of the Government House by the PAD party further escalated the situation followed by a spate of interim governments. During the same period FIBA was amended. The main purpose of the Financial Institution Business Act, B.E. 2551 (2008), as amended, (the " FIBA") was to regulate the commercial banking, and the undertaking of finance and credit foncier businesses in Thailand. The FIBA now requires that Thai nationals hold not less than three-fourths of the total issued voting shares in a financial institution and that at least three-fourths of the total number of directors must be Thai nationals. The FIBA does, however,

empower the Bank of Thailand (" BOT"), on a case-by-case basis and upon request, to permit non-Thai nationals to hold up to 49 percent of a company's voting shares sold and to allow foreigners to comprise more than 25 percent, but less than 50 percent, of the directorship of a company. Moreover, the Ministry of Finance, upon the recommendation of the BOT, can further extend the foreign shareholding and directorship limit, in order to rectify the status and performance of a distressed financial institution or to stabilize a financial institution. (Baker & McKenzie, 2021). However, a study correlating the negative relationship between interim governments in power and the Thai stock market's volatility concluded that there were no direct effects on stock markets during the interim governments in a 10-year study of stock market volatility (Baker et al., 2006). In yet another study the findings suggest that small banks are most efficient, while medium-sized banks were found to be in the least efficient banking group and local banks had been relatively more efficient than foreign banks, which can be attributed largely to a higher pure technical efficiency level. Fadzlan Sufian et al 2010). For any economy therefore efficient and stable financial institution systems are a must. Financial institutions are categorized by the Bank of Thailand into depository companies and non-depository companies. The former includes commercial banks, SFIs, Saving Corporative and credit unions, and money market mutual funds. The latter consists of the rest of the sector such as mutual funds, insurance businesses, provident funds, AMCs, and securities companies.

Thai Political Scene: Although militaries have reclaimed power in multiple regions, the trend has been particularly prominent in South and Southeast Asia. (Joshua Kurlantzick, 2022). Since 1932, Thai politics has undergone numerous political 'reforms', often accompanied by constitutional revisions and shifts in the location of power. (McCargo 2002). Moreover, frequent constitutional reforms in Thailand from the 1990's until present date had significantly reduced the number of political parties and concentrated the party systems. (Xiaoke Zhang, 2007). Over the past decade and a half, Thailand's political system was evolving and it

was apparent to see the "people's movements" towards political change. This wave led to the first-ever people constitution in 1997. This said, however, political authority, mostly has been held by the junta, which has seized power on several occasions organizing coups. A recent study found that Thailand had 13 successful and nine unsuccessful coups over the past 100 years (Bangkok Post, 2017). The latest came when when army took control from the previous caretaker government was in May 2014, and promised a quick return to democracy. Elections were initially supposed to be held by the army backed government to be held in June 2018 (Bangkok Post, 2017). In response to the coup, the EU froze the signing of the partnership and cooperation agreement that was initialled in November 2013. Negotiations on a free trade agreement were also suspended. However, in February 2018 these elections were postponed when the army backed government announced general elections could be held only after will take place after all election-related laws are promulgated. During this period of political disarray, the Government house didn't function for extended periods, Governments failure to draw up a state budget, PM office unable to take foreign policy decisions. (Reuters, Emerging markets

may 20, 2014). All these delays and unclear policy created a void of political intention, economic stagnation, and led to an uncertain future in the minds of the citizens and the international community as a whole. Due to strong international pressure and ebbing sentiments of the citizens, junta administered council declared mid-2019 for holding elections. It was the first time Thailand would be voting in an election in eight years. Elections were held on 24 March 2019 and based on the modified constitution and changes concerning the mixed-member apportionment voting system that favoured the ruling military clique, their political party won comfortably. Obviously, we can also equate this type of junta government as a superimposed caretaker government until power returns democratically through the ballot. Very few research on caretaker governments is available. (Boston et al., 1998; Courtenay et al., 2010; Schleiter, Belu, 2015) and very few studies were found within South East Asia, on caretaker governments and bank performances though many caretaker governments functioned in the region, some after forcefully taking control. (Cambodia, Singapore, Thailand, Vietnam and Indonesia).

Financial Variables Measurement: Profitability is the ability of a business to make a profit, while solvency is the ability of a business to pay debts as they fall due (Hermanson, et al., 1992). The use of financial ratios for failure prediction is commonly based on the assumption that the process towards failure is illuminated by systematic deterioration in the value of ratios Beaver (1966), Altman (1968). Financial ratios are primarily used to analyse a bank's performance, and to compare a bank's solvency and liquidity levels with those of the banking industry benchmarking or standards. A more recent study found that the correlation of liquidity with size and economic value added was positive but have a negative correlation with risk and tangibility in determinants of financial performance for financial sectors (Khan et all 2015). The data set is composed of key elements extracted from the abridged audited annual financial statements respective banks for the entire period of this study [Jan 2015-Dec 2018]. The cut-off periods being 2014 (year of the latest coup in Thailand) and 2019 (year of general elections) and return to civilian rule and protected democracy. In 2016 the top four banks (ranked by assets) were Bangkok Bank $83.6mil (BBL), Siam Commercial Bank $81.4mil (SCB), Krung Thai Bank $81.0mil (KTB), Kasikorn Bank $70.8mil (KBANK), for this study the authors selected 'Bangkok Bank (1st ranked) and Kasikorn bank' (4th ranked) due to data availability. Bangkok Bank Public Company Limited was established in 1944 by Thai businessman Chin Sophonpanich. Presently it's the largest commercial bank in Thailand and one of the largest regional banks in Southeast Asia. Kasikorn Bank Public Company Limited or KBANK (formerly Thai Farmers Bank) was established a year later, on 8 June 1945 by Choti Lamsam as a banking group in Thailand with ThB 5.00mil capital and listed on the Stock Exchange of Thailand (SET) since 1976. First Trade Date was 11 Feb 1976 and its Authorized Capital is

30,486,146,970.00 ThB (Paid-up capital 23,932,601,930.00 ThB) presently.

Literature Survey

The effects of renewed military meddling on democracies, societies, and economies often are devastating. ("The Revival of Military Rule in South and Southeast Asia", 2022). A large number of empirical studies have been conducted about factors influencing bank performance or determinants of bank performance on banking governance post the financial crisis. Equally numerous are the studies on banking governance and Basel recommendations. Early studies on bank profitability came from Short (1979), Stijn Claessens, Demirguc-Kunt and Huizinga, (1998) focusing on foreign bank entry and domestic bank competencies. Researchers who have contributed to the framework and evaluating performances and stability of banks include Kaveri, V.S (2001), P Alessandri et al., (2009)., Army-controlled governments have been pegged as 'junta'. Samuel Huntington (1957), was to first who initiated the controversy on a military profession that has continued until today. 'Barbera Geddes, et al (2014) was one among the early researchers to arrive at a conclusion that military regimes are more unstable than other authoritarian regimes. Pye (1965) both viewed the military as the wagon of modernization and change, while Janowitz (1957), conjointly contributed similar views on the military's contribution to economic development. Authors such as Johnson (1962) highlighted the contradictory roles of the military in ushering a social change with economic development in some states and destroying others that they administered. Recent studies however suggest that a host of political and social factors may recurrently erode or uplift a state's military might, the actions of which would result in certain moneyed states to dissipate away their resources, while allowing some impoverished nations to generate disproportionate amounts of force (Brooks, 1998). Baker, et al (2016) in their paper 'Measuring economic policy uncertainty' used indices of policy-related economic uncertainty created from newspaper coverage frequency. Regarding economic development and the role of banks, distinguished researchers including Lucas (1988) pointed to the role of the financial sector in economic development as grossly overrated since commercial banks reciprocate quietly to economic development by making passive adjustments to the need of organizations. A study of banks of five major Asian economies, empirical results concluded that bank performance in terms of solvency, credit risk, and profitability improves after government intervention. (Cherng G.Ding, Chiu-HuiWu, Pao-Long Chang, 2013). This obviously is assumed to be democratically elected responsible governments. Another study employing bank data from 65 countries during 2003–2007, based on political interference hypothesis concludes that political considerations depress the performance of government banks. Chung-Hua Shen "et al." 2012). Another study concluded a positive relationship between political instability and economic activities which may indirectly affecting the financial development. (Hamid Mohsin Jadah, "et al.", 2020). Yet another empirical study using quantitative research methodology on corelating political instability and banks performances at the level of Islamic and conventional concluded a direct negative influence on the bank's performance in the GCC, whether Islamic or non-Islamic banks. The results also revealed influenced negatively on the country-specific variables. (Bassam Omar Ali Jaara, 2021). A study by Inoguchi (1979) finds that Governments "surf" on the economic cycle. Therefore, continuing with this idea, the government doesn't really generate any economic development but rather chase them for winning re-elections. It is now not the economic cycle following the political cycle but its reverse. Political uncertainty isn't therefore clearly defined since it is inside a fog of imprecise sentiments or propensity. It's true however that political uncertainty is commonly related to pessimistic or antipathetic forthcoming events. Another study based on 113 countries dating from 1950 until 1982 showed that value growth in terms of Gross domestic product was comparatively lower in countries and periods than those which showed the next propensity of presidency collapse. Alesina "et al". (1996). Across continents, one comes across elections as endogenous processes since they are more timed at the opportuneness of the party-

wielding power (Dubois, 2016). Another study by Boutchkova, et al (2012) found that systematic volatility is akin to internal political uncertainty. In a current study on impact of financial inclusion and domestic political risk on banking sector stability for 105 countries it concluded that the results reveal that a decline in political instability leads to rising banking sector stability globally. (Athari, Seyed Alireza, 2022). Yet another recent study empirical results highlighted that the domestic political stability and global economic policy uncertainty had significant positive and negative effect on Ukrainian banks' profitability, respectively. (We also came across substantial publications on unpredictable political dynamics and their effect on investment and the role of the financial sector in economic development. Bernanke (1983) mentioned that uncertainty tended to make firms withhold investments, while others like Gilchrist et al., (2014), who worked on household income and uncertainty, and Pastor and Veronesi et al., (2014) who linked households' tendency to chop back spending as a precautionary move during these uncertainties. Banks play a very crucial role in most economies as financial intermediaries. Economics of growth can also be affected by the ability of monetary advocacy. Economies say that have a profitable banking sector is better able to combat negative shocks and contribute towards the stability of the financial system (Athanasoglou et al., 2005). The performance of commercial banks can be affected by internal and external factors (Al-Tamimi, 2010; Osuagwu, 2014). Oskar Kowalewski (2014). Researchers the likes of Calvo, Carmen M. Reinhart (1999), Barry Eichengreen et al (1996), Frankel and Rose (1996), Demirgüç-Kunt and Detragiache (1997). In another study conducted to investigate bank stock prices after attempted coup, findings showed that the banks' abnormal returns (ARs) were a statistically significant negative from +2 to +6 days with the peak on day +3 when the government declared a state of emergency. (Khaled Alsaifi, et al 2020). Another recent study using common measures of profitability, concluded the impact of political instability, macroeconomic and bank-specific factors on the profitability of Islamic banks in the context of Yemen as positive. (Hamid Mohsin Jadah, Et al, 2021). Another study in emerging markets found evidence that political uncertainty during election years tends to impede bank efficiency while other results showed that commercial banks located in civil law countries and parliamentary systems tend to be less efficient during election years, while changes in efficiency among banks in common law countries and presidential systems are not driven by political uncertainty.(In spite of a variety of computational techniques using financial stability and performance assessment of the banking sector, the authors find that the perfect model which allows precisely in determining bank stability still isn't ready and the uniform indicator of its assessment is not yet perfected. Hence despite the very large database on research into banks and financial crises, each situation that evolves itself cannot be cloned into another time zone or be sited with the same consequences. However, most of these studies examine developed economies, focusing on economic crisis with very few studies examining emerging economies such as the Thai economy and influence of uncertain political environment. Politics and governments square measure both sides of the same coin. Politics of parties outline certain ideologies that then are metamorphosed into choices for its citizens related to how their government should be propped up.

Research Objectives

The aim of this study is to extend earlier work on the determinants of performance of Thai banks by closely examining the impact of military controlled government and political uncertainty during this period until elections (promise of returning power back to a protected people's democracy) on leading Thai bank performances including effect of bank-specific, industry-specific, and macroeconomic determinants of bank profitability. Following the literature and taking into account the country's particular characteristics, we use a variety of internal and external banking characteristics over the period 2014-2019. The rest of the paper is organized in the following manner: Section 2 reviews the existing literature, relating bank profitability to its determinants. Section 3 describes research methodology, variables,

data and research method and research gap. Section 4 presents and analyses the empirical results. Finally, Section 5 concludes the study.

Methods

This study is mixed research. The collected data was sourced from relevant sources and also analysed contextually involving quantitative financial techniques. Predicated on the nature of data required in this study for the extended period 2014-2019, the presented result relied mainly on secondary data sources in the process of collecting germane information. During this stage documented and archival data were extracted from texts, reputable new media, periodicals and other pertinent sources. Data generated from these sources were condensed and critically analysed through content and context analysis and information presented. The financial data set composed of key elements extracted from the abridged audited annual financial statements respective banks. This was substantiated through financial analysis and statistical analysis to corelate to the timeline of 'uncertain period' with annual bank performance. This study could be distinguished from other previous studies in terms of a significant research gap since no previous study was seen during our literature survey that corelated political uncertainty under military government and bank performance, in the region.

Results and Discussion

This study uses data gathered from the annual finance reports of each bank from 2014 until 2019 Bangkok Bank Public Company Limited (BBL) and Kasikorn Bank Public Company Limited (KBANK). The income statement results plotted of both leading banks exhibit similar trend over the period with revenues and net margins increasing with progression towards election year. They also exhibit similar movements in the build-up towards the election year of 2019 with both deposits and customer loans increasing, indicating higher positive sentiments and banks' return to confidence with greater stability of the political environment. Analysis of key variables affecting bank performance are stated below.

a) ***NPL to Total Loans***: This is a strong indicator of banking health. Both banks added assets and increased funding to customers during the period of study. Assets for BBL grew by 9.9% while loans by 51.74%, while for KBANK these were 23.47% and 18.89% respectively (2015-2018). In normally 90 days' principal plus interest outstanding comes into NPL. BBL was 2.78% (2015) and went up to 3.42 (2018) while for KBANK it was 1.36% (2015), rising to 1.89% (2018). This indicates that these banks faced increasing recovery problems during the period under the military administered government transition period. (Table F2-F3):

Table F2. Comparative Balance Sheet (2015-2018)

	2018	2018	2017	2017	2016	2016	2015	2015
	BBL	KBANK	BBL	KBANK	BBL	KBANK	BBL	KBANK
Assets	3,116,750	3,155,091	3,076,310	2,900,841	2,944,230	2,944,230	2,835,852	2,555,305
Customer loans	2,083,160	1,914,072	2,003,989	1,802,783	1,941,093	1,941,093	1,868,903	1,609,887
Deposits	2,326,470	1,995,001	2,310,743	1,878,672	2,178,141	2,178,141	2,090,965	1,705,379
Liabilities	2,703,591	2,737,269	2,674,303	2,513,019	2,564,985	2,564,985	2,473,821	2,243,092
Shareholder equity	412,814	376,298	401,724	348,625	379,016	379,016	361,832	285,800

b) ***Return on Average Assets: (ROAA)***. This ratio is used by banks and other financial institutions as a pathway to visualize their financial performance. For BBL this was 1.21 (2015) 1.09 (2016), 1.09 (2017) 1.13 (2018), while for KBANK these were and 1.60 (2015), 1.49 (2016), 1.20 (2017), and 1.27 (2018) respectively. Overall, both

banks registered a lower ratio over time indicating worsening conditions after the coup and showing a modest recovery towards the end of 2018 with election dates set for next year. This trend was very similar for both banks. (Table F3-F4 :).

Table F3. BBL- Financial ratios (%)

	2018	2017	2016	2015
Loan to deposit ratio	89.54%	86.72%	89.12%	89.38%
NPLs to total loans	3.42%	3.88%	3.22%	2.78%
Loan loss reserve to NPLs	190.93%	160.17%	173.62%	185.30%
Return on average assets	1.13	1.09	1.09	1.21
Return on average equity	8.73	8.49	8.59	9.91
Net interest margin (NIM)	2.40%	2.32%	2.34%	2.16%
Cost to income	45.44%	43.52%	47.71%	43.85%
Tier 1 capital to risk-weighted assets	16.43%	16.53%	16.40%	15.78%
Total capital adequacy ratio	17.96%	18.17%	18.32%	17.87%

Table F4. KBANK- Financial ratios (%)

	2018	2017	2016	2015
Loan to deposit ratio	95.94%	95.96%	94.58%	94.40%
NPLs to total loans	1.89%	1.85%	1.74%	1.36%
Loan loss reserve to NPLs	160.60%	148.45%	130.92%	129.96%
Return on average assets	1.27%	1.20%	1.49%	1.60%
Return on average equity	10.61%	10.24%	13.23%	14.54%
Net interest margin (NIM)	3.39%	3.44%	3.52%	3.67%
Cost to income	43.96%	42.31%	41.63%	45.19%
Tier 1 capital to risk-weighted assets	15.90%	15.66%	15.16%	14.53%
Total capital adequacy ratio	18.32%	17.96%	18.84%	18.00%

c). ***Loan Loss Reserve to NPL's:***

Loan-loss provisioning policy is critical in assessing financial system stability, in that it is a key contributor to fluctuations in banks' profitability and capital positions, which has a bearing on banks' supply of credit to the economy (Beatty and Liao, 2009). It's also commonly referred to as an allowance for loan losses. A bank's net charge offs are subtracted from its loan loss reserve, or added if there are net recoveries. IFRS 9 specifies guidelines for classifying and measuring financial assets, financial liabilities, and even covers few contracts on buying or selling non-financial items. Specifically, its objective is to establish principles for the financial reporting of financial assets and financial liabilities by presenting, clear information for users. Therefore, under this, the requirement is for more timely recognition of credit losses under the (ECL) or expected credit loss model that includes more forward-looking information compared with the previous incurred loss model.

This is a contra-asset account on a bank's balance sheet (meaning a negative number) that is adjusted against gross loans and this accounting entry is made by banks to cover for estimated losses on loan from defaults or non-payments from borrowers. For BBL it was 185.30% (2015) and rose to 190.93% (2018) while for KBANK this was 129.96% (2015) and 160.60% (2018) (indicating that banks representatives' expectation of amounts they expect to lose from the outstanding loans had spiked. (Table F3-F4:)

d). ***Return on average equity***:

BBL 9.91% (2015), 8.59% (2016), 8.49% (2017) and 8.73% (2018), and while for KBANK 14.54% (2015), 3.23% (2016),

10.24% (2017) and 10.61% (2018). Both banks have seen this ratio deteriorate from start until 2017 with recovery in the last year prior to elections falling due. (Table C9-C10 :).

Table C9. Summarized Ratios BBL with Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Loan to deposit ratio	4	86.72%	89.54%	88.69%	1.32%
NPLs to total loans	4	2.78%	3.88%	3.33%	0.46%
Loan loss reserve to NPLs	4	160.17%	190.93%	177.51%	13.62%
Return on average assets	4	1.09	1.21	1.13	0.05657
Return on average equity	4	8.49	9.91	8.93	0.66071
Net interest margin (NIM)	4	2.16%	2.40%	2.31%	0.10%
Cost to income	4	43.52%	47.71%	45.13%	1.91%
Tier 1 capital to risk-weighted assets	4	15.78%	16.53%	16.29%	0.34%
Total capital adequacy ratio	4	17.87%	18.32%	18.08%	0.20%
Valid N (listwise)	4				

Table C10. Summarized Ratios KBANK with Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Loan to deposit ratio	4	94.40%	95.96%	95.22%	0.85%
NPLs to total loans	4	1.36%	1.89%	1.71%	0.24%
Loan loss reserve to NPLs	4	129.96%	160.60%	142.48%	14.77%
Return on average assets	4	1.20%	1.60%	1.39%	0.19%
Return on average equity	4	10.24%	14.54%	12.16%	2.07%
Net interest margin (NIM)	4	3.39%	3.67%	3.51%	0.12%
Cost to income	4	41.63%	45.19%	43.27%	1.61%
Tier 1 capital to risk-weighted assets	4	14.53%	15.90%	15.31%	0.61%
Total capital adequacy ratio	4	17.96%	18.84%	18.28%	0.41%
Valid N (listwise)	4				

e). ***Net interest margin (NIM):***

This ratio works out the difference of the interest income generated by banks and the amount of interest paid out to the lenders, relative to the amount of their (interest-earning) assets. For BBL this was 2.16% (2015), 2.34% (2016), 2.32% (2017) and 2.40% (2018), while for at KBANK it was 3.67% (2015), 3.52% (2016), 3.44% (2017) and 3.39% (2018) respectively. For BBL this ratio had improved marginally indicating the banks push to higher interest revenue while for KBANK this ratio continued to drop indicating pressure on their interest on loans. (Table C9-C10 :).

f). ***Cost to Income***:

Table F1. Comparative Income statement (2015-2018)

		2018	2017	2016	2015
BBL	Interest income	110,781.00	105,476.00	102,443.00	103,814.00
	Net margin	44,271.00	41,150.00	39,625.00	43,030.00
KBANK	Interest income	98,538.00	94,161.00	89,678.00	85,012.00
	Net margin	38,459.00	34,338.00	40,174.00	39,474.00

figs in Mil ThB

Generally, for banks, this is calculated by dividing the operating expenses by the operating income generated i.e.net interest income plus the other income. For BBL 43.85% (2015), 47.71% (2016), 43.52% (2017) and 45.44% (2018), while for KBANK 45.19% (2015), 41.63% (2016), 42.31% (2017) and 43.96% (2018). For BBL this was erratic with the ratio peaking in 2016, while for KBANK, it has increased in the last year. It could indicate a trend that both banks concentrated search for additional business due to the fact that costs were rising at a higher rate than their income as the ratio suggests. (Table C9-C10 :)

g). ***Tier 1 Capital to Risk-Weighted Assets***:

This is a very critical ratio measuring a bank's core equity capital (inclusive of reserve) against its total risk-weighted assets. Risk-weighted assets are calculated as 'Weighted sum of its credit risk-weighted assets and risk-weighted assets for operational risk, minus the sum of its excess eligible credit reserves. In case of BBL 16.43% (2018), 16.53% (2017), 16.40% (2016), 15.78% (2015) and for KBANK 15.90% (2018) 15.66% (2017), 15.16% (2016),

14.53% (2015) (Table 2). For BBL the highest was recorded in 2017, while for KBANK it was in 2018. This ratio as mentioned above, the higher it goes better are the chances of the banks to withstand negative shocks within the economy and for both banks, the ratio has been affected adversely. (Table C 9-C10)

h). ***Total Capital adequacy ratio (CAR)***:

This is an important ratio also under Basel III which the guidelines specify a minimum of percent of all risk-weighted assets that should be covered by tier I and tier-II capital. In 2019 this was to be 8%. The calculation is fairly simple. It's calculated by dividing a bank's capital by its risk-weighted assets. For BBL it was calculated at 17.87%, (2015), 18.32% (2016), 18.17% (2017), and 17.96% (2018) with its highest being 2016 and for KBANK it was 18.00% (2015) 18.84% (2016), 17.96% (2017), 18.32% (2018). The ratio had deteriorated in 2018 for BBL while for KBANK it's improved, however still below its highest of 2016. So, both banks recorded the highest ratio in 2016. (Table C 9-C10).

Table S3. Descriptive statistics-BBL Balance sheet

	N	Minimum	Maximum	Mean	Std. Deviation
Assets	4	2835852	3116750	2993286	128229.4
Customer loans	4	1868903	2083160	1974286	91183.27
Deposits	4	2090965	2326470	2226580	112248.5
Liabilities	4	2473821	2703591	2604175	105403.2
Shareholder equity	4	361832	412814	388846.5	22852.37
Valid N (list wise)	4				

figs in Mil ThB

Table S4. Descriptive statistics-KBANK Balance sheet

	N	Minimum	Maximum	Mean	Std. Deviation
Assets	4	2555305	3155091	2863629	246179.3
Customer loans	4	1609887	1914072	1756081	131576.6
Deposits	4	1705379	1995001	1843472	123336
Liabilities	4	2243092	2737269	2495687	202077.9
Shareholder equity	4	285800	376298	333117.3	38614.74
Valid N (list wise)	4				

figs in Mil ThB

Table S1. Descriptive Statistics BBL Income statement

	N	Minimum	Maximum	Mean	Std. Deviation
Interest income	4	102443	110781	105628.5	3652.001
Total income	4	152747	170653	160174.25	7632.6691
Profit before provision and tax	4	55352	66236	60697.75	5043.2486
Profit before tax	4	39625	44271	42019	2047.7648
Net profit	4	31815	35330	33583.75	1512.714
Valid N (listwise)	4				

figs in Mil ThB

Table S2. Descriptive Statistics KBANK Income statement

	N	Minimum	Maximum	Mean	Std. Deviation
Interest income	4	85012	98538	91847.25	5817.9568
Total income	4	147515	156856	153314.25	4118.521
Profit before provision and tax	4	80859	90484	87006.75	4334.5734
Profit before tax	4	41385	56146	48895.5	6034.7732
Net profit	4	34338	40174	38111.25	2612.1747
Valid N (listwise)	4				

figs in Mil ThB

Table F5. BBL Measuring % change

	2018-2017	2017-2016	2016-2015	Average
Assets	1.30%	4.49%	3.68%	3.15%
Customer loans	2.54%	3.24%	2.45%	2.74%
Deposits	0.50%	6.09%	2.96%	3.18%
Liabilities	0.94%	4.26%	3.10%	2.77%
Shareholder equity	0.36%	5.99%	0.58%	2.31%

Table F6. KBank Measuring % change

	2018-2017	2017-2016	2016-2015	Average
Assets	8.06%	2.02%	10.13%	6.74%
Customer loans	3.53%	6.20%	3.08%	4.27%
Deposits	3.69%	4.67%	3.15%	3.83%
Liabilities	7.11%	0.95%	8.66%	5.57%
Shareholder equity	0.88%	8.35%	1.26%	3.50%

Table S11. Coefficient of correlation BBL & KBANK (Total Income)

Year	Thai Growth rate	Total income BBL	Thai Growth rate	Total income KBANK
2015	2.80%	157,044.00	2.80%	147,515.00
2016	3.20%	152,747.00	3.20%	153,403.00
2017	3.90%	160,253.00	3.90%	156,856.00
2018	4.10%	170,653.00	4.10%	155,483.00
Correlation Coefficient		0.77445117		0.90231252

Table S12. Coefficient of correlation BBL & KBANK (Total Loan)

Year	Thai Growth rate	Total Loan BBL	Thai Growth rate	Total Loan KBANK
2015	2.80%	1,868,903	2.80%	1,609,887
2016	3.20%	1,941,093	3.20%	1,697,581
2017	3.90%	2,003,989	3.90%	1,802,783
2018	4.10%	2,083,160	4.10%	1,914,072
Correlation coefficient		0.971559003		0.976322217

The mean size of their assets at BBL and KBANK were 2,993,286 and 2,863,6299 respectively, and customer loans were 1,974,286 and 1,756,081 respectively. The mean size of their deposits over the same period BBL 2,226,580 and KBANK 1,843,472 in respectively. There were changes to shareholder equity in both Banks and the mean was BBL 388,846.5 and KBANK 333,117.3 respectively. The mean size of their liabilities was BBL and KBANK in were 2,604,175 and 2,495,687 respectively. (Table S3-S4). The percent change for Assets were- BBL 3.68% (2015-16) while by (2017-18) just 1.3% while for KBANK the same numbers were 10.13% (2015-16) and 8.16% (2017-18) indicating the percent drop in asset growth was significant since the coup took place on both leading banks. 'Deposits' BBL 2.96% (2015-16) and 0.50% (2017-18), KBANK 3.15% (2015-16), 3.69% (2017-18) (Table F5-F6). Based on the figures BBL was affected more when comparing the percent change in Deposits with KBANK. Deposits are the cheapest source of funding for banks since these are then lent at higher rates. In 2017-18 for BBL, this has almost dried up while for KBANK it has slightly improved indicating higher trust or better product management.

Looking at horizontal percent change 'Liabilities'- BBL 3.10% (2015-16), 0.94% (2017-18) and for KBANK 8.66% (2015-16),7.11% (2017-18) (Table F5-F6). A clear signal that KBANK handled the political crisis period better and added higher value products or alternately it could also that BBL reduced its exposure into products/services that identified to be non-profitable or high-risk lines during the same period of political uncertainty. (Table 2A, 2B). Author also calculated the correlation of coefficients between the growth rate of the Thai economy (independent variable) and the respective bank's income (dependent variable) to give an indication of the strength of the relationship. (Table 4)- Coefficient of correlation BBL and KBANK. For BBL it was 0.774451173 while for KBANK it was 0.902312518 both being statistically significant. Also, the Correlation of coefficient between the growth rate of the Thai economy (independent variable) and the respective Bank's loan to the customer (dependent variable) was for BBL 0.971559003 and for KBANK being 0.976322217, again both results being statistically significant to give a clear indication of the strength of this relationship.

(Table S1-S4, F5-F6, S11-S12).

Table A1. Credit ratings combined

S&P	NA	NA	NA	NA	NA
Moody	Baaa1 (Stable) (6/2/2014)				Baa1 (Stable) (2017-07-18)
Fitch	BBB+ (Stable) (10/14/2014)	BBB+ (Stable) (2/11/2015)	BBB+ (Stable) (7/22/2016)	BBB+ (Stable) (6/14/2017)	BBB+ (Stable) 7/12/2018

Table A2: Credit ratings Grading

Grade	Moody's	S&P	Fitch
High grade	P-1	A-1+	F1+
Upper medium grade	P-1	A-1	F1
Lower medium grade	P-2	A-2	F2
Non-investment grade speculative	P-3	A-3	F3
Highly speculative		B	B
Extremely speculative	NP	C	C

Table A3 Quartiles from Country Credit rating

Test	2015	2016	2017	2018	2019
Z Test	0.980783035	1.90571805	0.960270905	0.958367742	0.002338867
3rd quartile	52.5	42.5	39.5	40.5	48
Thailand	46	47	44	45	40
	3rd quartile	2nd quartile	2nd quartile	2nd quartile	2nd quartile

A review of the major international rating summary on Thailand (as a cross-reference) are summarized under Table A1-A3 above: Scrutiny of various reports of various international credit rating and comments also collaborated with this research findings that that almost all international rating agencies attributed one of the key factors responsible for the current economic stagnation was the political crisis and that it was also the leading cause for uncertainty about the future of the Thai economy. Moody's report after the coup in May 2014 also commented adversely that though the present coup might have monetarily stooped the fall in investor confidence, however, future progress for major reforms was likely to be connected with lower political uncertainty, otherwise in future both completeness and economic growth cut be hurt in the medium term. Yet another report mentioned that removal of the previous interim government and suspension of the 2007 constitution are credit negative events for Thailand's banks. The report stated clearly that a problem caused due to the current political crisis was on the asset quality of Thai banks since they didn't now want to lend to SME or the retail sector since viewed being more vulnerable to such crisis however predicted that outlook for banking system would be stable for coming 12-18 months (The Nation Thailand, 2021). On 1st Sept 2017, Moody's announcement read as 'Thailand's easing political uncertainty aids cyclical recovery'. The comments were direct, pointing to the events unfolding that with the diluting of political uncertainty from the previous year, would help cyclical recovery in the present (Moody's, 2021). In July 2018 (less than a year before the declared elections) Moody's announcement read 'Thailand's credit profile balances its strong fiscal position and low external vulnerability against competitiveness challenges and political risk'. These were further clarified by stating that if the country moved to higher political stableness, then it would boost the chances to raise private domestic and foreign investment, and improve GDP potential while on the other hand, they would consider a downgrading the sovereign rating for Thailand if the political situation escalates and thereby hit key industries such as tourism, manufacturing, and investment (Moody's, 2021). Fitch Ratings Thailand Limited commenced operations in Thailand in 2001 and 2018 they rated Thailand as 'stable' and mainlined BBB+ on Thailand's long-term foreign-currency issuer default rating (IDR) due to solid external and public finances, However, below this they clearly added warnings on Thailand's political uncertainty since the report stated categorically that there is political uncertainty on the question of the long-awaited transition back to civilian rule that affected their rating (The Nation Thailand, 2021). (Table A1-A3).

Table B1. Economic Reporting -Bank of Thailand (BOT) 2018-2015

2018	2017	2016	2015
Despite extreme volatilities in the global financial and capital markets throughout 2018, Thailand's economy was able to grow in line with its potential	Policies were faced with challenges which mostly stemmed from external factors, including foreign exchange rate volatilities, geopolitical risk, changes in IT which affected business models and people's behaviour, and more frequent cyber threats	Thai economy was faced with a number of headwinds: severe drought, subdued exports,	Constrained by contracting exports
However, some signs of vulnerabilities were detected, for instance, "search-for-yield" behaviour in real estate sector during the prolonged period of low interest rate, the vulnerability in the mortgage loan market, the rise of household debt. Last year, despite the stable expansion in Thailand's household debt, the rate was considered at a high level of 77.8 percent of GDP or 114.6 percent of national income (as of the 3rd quarter of year 2018), which was in the top ranks among the regional peers	Domestic demand recovery remained gradual, leading to only a small upward pressure on inflation	Domestic uncertainty, dynamics of global politics and heightened volatility in the global financial market at times.	slowdown in Thailand's main trading partners' economies
On the other hand, exports were likely to decelerate due to sluggish global trade and the growth in tourism was lower than the previous year because of a significant decrease in the number of Chinese tourists		Consumption was further supported by special factors, namely intense promotional campaigns by several businesses and government's stimulus measures at various times	farm households' subdued income
	Headline inflation in the second half of 2017 edged up owing to higher domestic energy prices	Heightened volatility in the global financial market	The Effective Exchange Rates depreciated
	Asia was faced with geopolitical risk in the South China Sea and tension in the Korean Peninsula. These factors resulted in volatile movements in the global financial and capital markets all year around		

Bank of Thailand (BOT) annual reports showed that Thai economy growth figures were (0.70%) 2014 (year of coup), (2.8%) 2015, (3.2%) 2016, (3.9%) 2017, and (4.1%) 2018. These clearly indicate a gradual 'marked improvement' as Thailand progressed towards promised 'free general elections' in 2019. However, a number of factors identified and reported in these annual economic reports from the Thai Apex Bank (associating them being catalysts for the struggling Thai economy), were found to be all external. A summary of these factors is appended above ('Table B1: Annual Economic Report Comments') and these are the only exceptions that do not collaborate the findings of this study.

This study also considered the public sentiments and market mood by focusing on the Happiness index. The Happiness Index is defined as the weighted (by sampling weights) rate of respondents reporting "Very happy" or "Quite happy" less the weighted rate of respondents reporting "Not very happy" or "Not at all happy," plus 100. The index thus ranges from 0 to 200. In 2013 at the year preceding the coup the rank was 36 and in 2015 improved to 34th however by 2018 its rank was done to 46th and in 2019 52nd . This progression towards less happy country was a culmination of several factors including rising inequalities in wealth, higher poverty as well as fears of crime combined with political instability, have set the country back since 2014 until today. These also associate positively with the financial and statistical analysis indicating political as one of the factors associated with lower economic performance due to falling public sentiments. (Table B2).

Table B2. World Happiness index: Thailand

Year	World Happiness Ranking	World Happiness Index
2020	54	5.999
2019	52	6.008
2018	46	6.072
2015	34	6.455
2014	na	na
2013	36	6.371

Thailand - Happiness index (Highest = Best)

In 2020, happiness index for Thailand was 5.99 index. Happiness index of Thailand fell constantly since 2015 (6.455 dropping to 5.999), and the country rank which at start was 34th fell by 2020 to 54th. (Table B1-B2 :).

Conclusion

We summarize that bank performance was considerably lower at the start of the successful coup when political instability was the highest and public sentiment low. Subsequently as the administered caretaker government removed the martial law (though replacing initially with Article 44) allowing certain revoked fundamental rights back to the people, our findings showed that overall Thai economy as well as bank performances started showing modest improvement as the country moved towards election year (2019). Conjointly the statistical data analysis indicates low to very modest ascent from the bank data however, the changes in the median year are significant. This was further augmented by our financial analysis results showing the bank performances were quite similar during the transition period, however one bank performed slightly better than the other. During this study and scrutiny of other financial reports and economic policy statements of the its important to state that our review of current and past reports from the Bank of Thailand (BOT), could not find any single reference of political uncertainty and lack of clear government policies being associated as 'one of the causes' of the economic downturn in Thailand. Neither did the fact of election date being announced after 3 years by the caretaker government and partial revival of the market economy was referred. This omission from the Apex bank's report on Thai economy was also an exception in view of many past theories

reviewed during the literature survey associated political instability with retarded financial development. Other indicators including credit ratings from international agencies also reported political instability as one of the primary causes of economy slowdown. We further conclude from our study that economic volatility in Thailand was partly attributable to the aftershocks of this coup and lack of confidence in the minds of the investors and general public. Our study concludes that there was a strong negative association between greater political uncertainty and lower bank performance. The research findings show that gradual abatement of political uncertainty due to pressure from international groups and democratic nations, rising public anger thereby calling of general election in 2019, improved both leading banks' performances as the economy moved out of stagnation. These findings also support the 'private interest theory' thus helps to explain why the banking and financial system is particularly susceptible to political influence. We must also state that a wide variety of different approaches using different indicators exist today to interpret financial sector performances, however many of these attempts to improve their validity of results by continuously increasing the number of indicators measured, which in this study has been restricted to financial analysis and statistical observations since we think these are more definitive and easier to connect to this unique situation covered under this study. This study acknowledges that two highly significant exogenous incidents that occurred in 2016 in Thailand that might have affected the public sentiments and prolonged economic stagnation resulting in skewness in the 2016 period data. In August 2016 Thai citizens were asked to vote on another new constitution, which even though heavily weighted in favour of junta regime to get elected, was approved, probably because the people still wanted some change from their current situation and greater access to basic fundamental rights, that lead to better market sentiments. The second significant event also in the same year when H.E King Bhumibol Adulyadej's passing away and a year of mourning was declared. This event was the likely cause for a behavioural shift of the citizens from resentful

to remorseful and leading to a cooling down of negative feelings towards the junta administered government. This study also does not represent any judgment on positive sentiments upon authoritarian regimes handing power to a managed military-civilian government and continuing to leadership survival.

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Other Information:

Author's contribution

Chatterji Sudip Debkumar: He being the sole author, he conceptualised the central research idea, provided the theoretical framework. Research design and carried out the research and completed the article submission

Conflict of Interest Statement

The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declare absence of conflicting interests with the funders.

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