The Determinants of the Bank Sector Index Movement in SET

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Abstract - This study attempted to identify factors affecting the movement of Bank sector index in the Stock Exchange of Thailand. The results of the test showed that the four factors affecting the movement of Bank sector index in the Stock Exchange of Thailand (SET BANK). These factors were Real interest rate (RINT), Dividend (DIV), Consumer price index (CPI) and Exchange rate (EX) with high confidence interval statistics testing (95%); R2 = 0.766, R2 adjust = 0.735, F-test = 25.312 etc., and this model can only forecast the short-term trend of the Bank sector index in the Stock Exchange of Thailand (SET).

Keywords - SETBANK, Stock Price Index, Stock Exchange of Thailand

I. INTRODUCTION

The SET Index is a benchmark indicator of listed company security price that is use to compare current and historical values. This the index reflects financial market conditions and the movement of all stock prices in the Stock Exchange of Thailand (SET). The stock price index is a statistical value developed from technical analysis concept that based on the belief of security price mirror to each stock value, then stock price change implies the expectation of company performance.

The most interested security sector for investors is the group of Commercial Bank, due to commercial banks influenced on Thai economic over the past several years, both in terms of money saving and project financing. As a result, commercial banks have expanded their assets, earnings and paid a dividend to investors. The incentive for investment is the return on investment or stock return, which refers to the return on capital gains and return on dividends. According to a big sector status, changes in the Bank Sector index affected SET index movement. Economic trend leads to short-term net capital inflow and result in all index sector, especially the Bank Sector index and SET index finally.

Mentioned it above, the researcher studied the factors affecting the movement of the Bank Sector of the Stock Exchange Thailand. The Bank Sector index is important for SET and Thailand economic, so this study will be very useful for investor decision making. It also benefits as a guideline for effective management and development in the stock exchange market.

II. RESEARCH OBJECTIVES

To study the factors affecting the movement of the Bank Sector Index in the Stock Exchange of Thailand.

III. SCOPE OF STUDY

A. Information Scope

The samples used in this study were securities of the Bank Sector Index in the Stock Exchange of Thailand, as shown by the following:

1) Bank of Ayudhaya Public Company (BAY)
2) Bangkok Bank Public Company (BBL)
3) CIMB Thai Bank Public Company Limited (CIMBT)

4) Kasikorn Bank Public Company Limited (KBANK)

5) Kiatnakin Bank Public Company Limited (KKP)

6) Krung Thai Public Company Limited (KTB)

7) LH Financial Group Public Company Limited (LHBANK)

8) The Siam Commercial Bank Public Company Limited (SCB)

9) Thanachart Capital Public Company Limited (TCAP)

10) Tisco Financial Group Public Company Limited (TISCO)

11) TMB Bank Public Company Limited (TMB)

The study period is 3 years in monthly average data from 2015-2017.

**B. Variable Scope**

Dependent Variables is the Bank Sector Index in the Stock Exchange of Thailand.

Independent Variables are listed below:

1) Real Interest Rate (RINT)

2) Dividend (DIV)

3) Minimum Loan Rate (MLR)

4) Minimum Retail Rate (MRR)

5) Consumer Price Index (CPI)

6) Inflation (IF)

7) Exchange Rate of Thai Baht per US Dollar (EX).

**IV. THE CONCEPTUAL FRAMEWORK OF THE STUDY**

Learning from the related literature review, it can conclude and determine the conceptual framework as the following figures:

![Figure 1. The Conceptual Framework](image)

**V. LITERATURE REVIEW**

Tiraphat & Javakorn (2012), studied Economic Factors on Industry Group Index in the Stock Exchange of Thailand. The result shows that foreign trading volume has a positive relationship with Energy & Utilities, Banking, Information and Communication Technology. The gold price has a negative relationship with Energy and Utilities and Food and Beverage. The crude oil price has a positive relationship with Energy and Utilities. The exchange rate has a negative relationship with Banking and Commerce. Business sentiment index has a positive relationship with Information and Communication Technology and Commerce. The inflation rate has a positive relationship with Food and Beverage.

Khovitoonkij (2107), studied Factors Affecting the Price of the hotel group listed in the Stock Exchange of Thailand. The result from the study showed that the variables that significantly affect the share price in a positive way were the number of tourists and the exchange rate. Meanwhile, the variables that significantly affect the share price in a negative way were management cost, sale cost, and interest rate. However, both types of the above-mentioned variables depended on the overview index of the Stock Market of Thailand. In this regard, if the overview had
positive direction, the price would accordingly be increased. In contrary, if the overview had negative direction, the price would be decreased.

Shubiri (2010), studied Analysis the Determinants of Market Stock Price Movement: An Empirical Study of Jordanian Commercial Banks. Simple and multiple regression analysis is conducted to find out the relationship microeconomic factors with the stock price and found a highly positive significant relationship between the market price of stock and net asset value per share; market price of stock dividend percentage, gross domestic product, and negative significant relationship on inflation and lending interest rate but not always significant on some years of Amman Stock Exchange in Jordan.

VI. RESEARCH METHODOLOGY

This research used secondary data analysis in studying the factors affecting the movement of the Bank Sector in the Stock Exchange of Thailand and analyzed by linear regression approach. The assumption model was as following:

\[
\text{SET BANK} = f(\text{RINT, DIV, MRR, MLR, CPI, IF, EX})
\]

The data were analyzed in a multiple regression model and tested involved statistics such as t-test, F- test, R^2, Adjusted R^2, and Durbin-Watson.

VII. RESEARCH RESULTS

Processing data by SPSS program, the researcher could conclude the results as shown in the table below that the factors affecting the movement of the Bank Sector in the Stock Exchange of Thailand were EX, RINT, XD, and CPI.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>S.D. Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Cons tant)</td>
<td>119.998</td>
<td>660.592</td>
<td>.182</td>
<td>.857</td>
</tr>
<tr>
<td>EX</td>
<td>-50.678</td>
<td>7.542</td>
<td>-.831</td>
<td>-6.719</td>
</tr>
<tr>
<td>RINT</td>
<td>-312.315</td>
<td>97.500</td>
<td>-.592</td>
<td>-3.203</td>
</tr>
<tr>
<td>XD</td>
<td>-44.675</td>
<td>17.159</td>
<td>-.248</td>
<td>-2.604</td>
</tr>
<tr>
<td>CPI</td>
<td>21.276</td>
<td>5.169</td>
<td>.661</td>
<td>4.116</td>
</tr>
</tbody>
</table>

The adjustment Equation model was:

\[
\]

And the involved statistics were:

- \( R^2 = 0.766 \)
- \( R^2 \text{ adjust} = 0.735 \)
- \( \text{Prob (F-statistic)} = 0.000 \) (at 0.05 significance level)
- \( \text{D.W.} = 1.77 \)

Figures in parentheses were t-test

VIII. CONCLUSION

From the analysis in Multiple regression model, the study found that the factors affecting to the movement of Bank Sector index in the Stock Exchange of Thailand were Real interest rate (RINT), Dividend (DIV), Exchange Rate of Thai Bath per US Dollar (EX). And the Consumer Price Index (CPI). Only Consumer Price Index factor or CPI correlated with Stock Index of Commercial Banks (SET BANK) in the same direction but the others associated with the independent factor on the opposite side at 0.05 significance level.

IX. RESEARCH DISCUSSION

By considering each factor affecting the movement of Bank Sector index in the Stock Exchange of Thailand:

When Exchange Rate of Thai Baht per US Dollar (EX) decreases its value, that means the higher purchasing power of US Dollar, the more net capital inflow from foreign investors...
to all securities include commercial banks and lead to increases in Bank Sector Index. This consists with the research of Sangkhatubtim (2011).

For Consumer Price Index (CPI) that reflects inflation rate and domestic demand goes along with commercial banks credit growth and influences to Bank Sector index performance in a positive direction. This contrasts to the research of Banluerith (2011).

In the case of Dividend (DIV), the previous research of Rojvuthitikhun (2011), showed that there was no correlation with Bank Sector index. But in this research discloses that it has a negative relationship because Bank Sector index will become lower after commercial banks dividend payment.

And in case of Real interest rate (RINT) that move in the opposite side of Bank Sector index due to the fact that most investors turn to money market and leave out capital market securities. This finding also disagrees with Rojvuthitikhun (2011), that opened no association between two variables.

X. RECOMMENDATION

In this research concentrated in studying Determinant factors affecting Bank the Sector Index Movement in SET and tried to forecast short-term trend of Bank Sector Index in academic aspect, investors should consider all of the social contexts like psychological analysis or sentimental analysis before making a decision.

As regards to the next research, the interested researcher is advised to keep studying how to determine a suitable model for forecasting long-term trend of Bank Sector Index. Another useful research is the study about the correlation of Bank Sector Index as an important factor of Thailand economic growth.

XI. ACKNOWLEDGMENT

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REFERENCES

(Arranged in the order of citation in the same fashion as the case of Footnotes.)


