

The Influence of Macroeconomics and Good Corporate Governance on the Performance of Thai Banks for the Period 2019 – 2023

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ABSTRACT

Macroeconomics and Good Corporate Governance are important elements of a Bank's Performance. Macroeconomics directly affects a country's financial business including banks. While Good Corporate Governance or GCG is an important component for all types of businesses, including banking. The main purpose of GCG is to protect the interests of stakeholders, increase productivity in the organization, and minimize risk. In this study, Macroeconomics is measured using the Inflation rate and the exchange rate of a country. Meanwhile, to determine Good Corporate Governance, researchers use the Structure of the Board of Directors and Audit Committee of a company in this case banking. In this study, researchers use quantitative methods using the SPSS application as a means of processing data. The number of samples in this study was 11 consisting of 11 Banks listed on the Stock Exchange of Thailand. The period in this study was 5 years, starting from 2019 to 2023. The data obtained is secondary data obtained from the financial reports of banks listed on the Thailand Stock Exchange. In the discussion it can be concluded that banks listed on the Stock Exchange of Thailand must pay attention to the Board of Directors Structure, because the Board of Directors Structure affects Bank Performance. Directors with integrity and capacity can have a positive influence on Bank Performance.



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INTRODUCTION

The financial sector such as banking has a very important role in accelerating economic growth. The main activities of banks are collecting funds from people, redistributing those funds, and providing other banking services. Banks collect funds in the form of demand deposits, deposits, and savings. They also function as intermediaries, connecting people who need funds with people who have excess funds. Ultimately, this will improve people's welfare. Meanwhile, funding from the non-banking financial sector and effective banking is very important for strong, stable, and competitive economic growth. In Indonesia, the banking industry still holds a dominant position in the financial sector (Baskoro et al., 2023). The banking industry is growing and dominating the financial sector, in fact, not only in Indonesia, this phenomenon also occurs in many countries, one of which is Thailand.

Banking liberalization in Indonesia and other countries in Southeast Asia has led to changes in the banking structure, namely a very significant increase in the number of banks. This change in the number of banks has caused the level of competition to become tighter in the banking industry. However, on the side of changes in the market structure of the banking industry, it has also given rise to various risks in its implementation, such as the risk of increasing bad debts, the risk of misappropriation resulting in losses due to dishonesty such as violations of loans that have been determined by law (legal lending limits), and the existence of moral hazard among bank owners, investors, managers, and borrowers arising from asymmetric information between lenders and borrowers. Research on the impact of internal banking and macroeconomic factors on bank profitability has been widely conducted in various countries (Kristiana & Kristianti, 2019). Given that Indonesia and

other Southeast Asian nations have a sizable number of banks, this is an intriguing subject to research. However, in reality, the number of banks in the region continues to decline due to mergers and acquisitions related to efforts to maintain capital adequacy in order to increase banking profitability.

The issue of Good Corporate Governance has become an important topic of discussion, especially in Indonesia and other countries in Southeast Asia, after Indonesia experienced a prolonged crisis from 1998 to 2008 and it was predicted that the global economic crisis would hit again in 2018. This demonstrates the shortcomings of the Good Corporate Governance systems that are in place in Indonesia and other Southeast Asian nations. Due to instances of financial statement fraud, the issue of good corporate governance has come up for discussion in Indonesia since the Asian financial crisis. This study took the object of a banking company because banking companies have a very dominant position in the economic growth system and banks are also a source of financing for a company (Fitrianingsih & Asfaro, 2022). The researcher seeks to know the impact of sound corporate governance that has been modified to the circumstances of the Indonesian business environment based on the phenomena and prior research; return on assets (ROA) is used as a measurement in this study.

This is what underlies researchers to conduct research on banks in other countries outside Indonesia. Because the situation that occurs in other countries will also have an impact on the situation in Indonesia, as a result of the chain of globalization that has reached the banking and financial sectors. With this, researchers decided to make banks in Thailand as samples of this study, the title of this study is The Influence of Macroeconomics and Good Corporate Governance on Banks in Thailand for the Period 2019 - 2023.

LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) book *Theory of the Firm: Managerial Conduct, Agency Costs, and Ownership Structure* served as the initial introduction to agency theory. The agency contractual arrangement between the principal and the agent is explained by this idea. The government, whose duty it is to diligently oversee each tax receipt that the agent is required to file, might be considered the principle in this case. It is believed that the agent is a business that maximizes profits to manage operations. The principle hypothesis also refers to investors as principals, or parties that hire other persons to act as managers; these individuals are referred to as agents in this context. When providing facts that they are more familiar with than the principle, managers frequently put their own interests ahead of the principal. It is possible to try to lessen conflicts between the divergent interests of principals and agents. But there is a chance that new issues might arise or that there will be danger. This implies that the principal and agent may have to pay agency charges as a result of conflicts of interest.

Financial Performance

Establishing specific metrics to gauge a business's ability to turn a profit is known as "company performance". A consideration that potential investors consider when making a stock investment is the company's financial performance. Based on the research and current data, it can be inferred that macroeconomic fundamentals have the power to either directly or indirectly increase or decrease a company's worth (Riane, 2015).

In order to build a more robust national banking sector and sustain the advanced Indonesian economy by enhancing the real sector, it is imperative that banks achieve optimal financial performance. A healthy banking system is assessed from the good financial performance of banks. Healthy bank financial performance can foster public trust and vice versa, a decline in bank financial performance can reduce public trust. The definition of performance is a measure of how efficient and effective a manager or an organization is in achieving adequate goals. Financial performance evaluations, which are based on management and financial reports that showcase the company's accomplishments, are conducted on a regular basis to gauge productivity and efficiency (Tegar, 2014).

Return on Assets (ROA) is the profitability ratio employed in this study. According to Munawir (1986), ROA can be used to assess the amount of profit a bank makes from its assets. The notation for ROA is as follows:

$$ROA = \frac{EBIT (1 - Tax Rate)}{Total Assets}$$

Macroeconomics

The macroeconomic environment has a fairly strong influence on the banking sector. Fluctuations in economic activity (real GDP) that alternate between periods of depression and prosperity. A rise in aggregate demand during an economic upswing will lead to a rise in bank loan growth and the degree of economic leverage. Macroeconomics is a useful tool for understanding and resolving economic issues as well as for guiding future policy decisions. Macroeconomic theory discusses many aspects that influence it, but here the researcher limits these aspects to the inflation rate and exchange rate (Ady, 2020).

- Inflation

The process of consistently and generally rising prices is known as inflation. Put differently, inflation may also be defined as the ongoing process of a currency's value declining. Since inflation is a process rather than a result of high or low prices, a level of price that is deemed high does not always signify inflation. If the process of price increases persists and starts to affect one another, inflation is said to have occurred. Another meaning of the term "inflation" is "money supply expansion", which is occasionally cited as the reason for price increases (Supriyanti, 2020).

- Exchange rate

The price of one currency relative to another is known as the exchange rate (Salvatore, 1997:10). The study's foreign exchange rate was the shift in the US dollar's value relative to Thailand, specifically the Bath.

Good Corporate Governance

In a 1992 investigation known as the Cadbury study, the Cadbury Committee used the phrase "corporate governance" for the first time (Wilarmata 2002:40). When the National Committee on Governance Policy (KNKG) was established by the government in 1999, effective corporate governance was first implemented in Indonesia. General recommendations for sound corporate governance in Indonesia were released by the National Committee on Governance Policy (KNKG) in 2000, and they were updated again in 2006. The contents of the guidelines are that each company must make a statement about the suitability of the implementation of good corporate governance with the guidelines issued by the National Committee on Governance Policy (KNKG) in its annual report. This study uses elements of Good Corporate Governance and those used are the board of directors and the audit committee.

- Board of Directors

A board of directors is a group of individuals who are responsible for overseeing and directing the management of a company or organization. They are typically tasked with making strategic decisions, setting policies, and ensuring that the company is operating in accordance with its stated goals and values. Board members can include both internal members (such as the CEO) and external members (who are not involved in the day-to-day operations of the company). Their duties also include overseeing management performance and protecting the interests of shareholders.

- Audit Committee

Within the board of directors, the Audit Committee is in charge of managing the company's financial reporting and audit procedure. The committee is typically comprised of independent board members, who have expertise in accounting, finance, or auditing, to ensure objectivity and integrity in oversight.

From the description above, it can be described that the framework of thought used in this research is as follows:

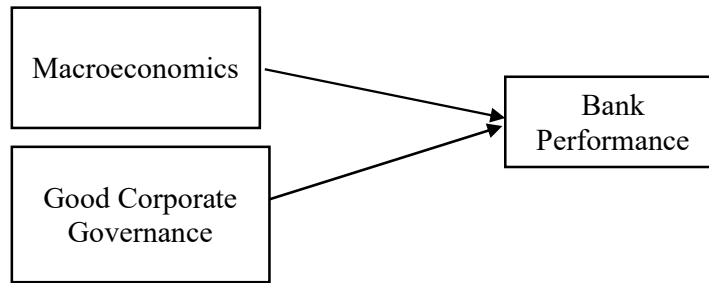


Figure 1. Framework of Thought

Referring to the framework of thought above, the hypothesis proposed in this study is:

- H1 : Inflation affects Bank Performance
- H2 : Exchange Rates affect Bank Performance
- H3 : The Board of Directors affect Bank Performance
- H4 : Audit Committee affect Bank Performance

RESEARCH METHODS

This study aimed to investigate population samples in order to provide a quantitative description of the population's attitude trend. This research includes four independent variables and one dependent variable. The dependent variable in this study is bank performance, while the independent variables are inflation, exchange rates, the board of directors, and the audit committee. The population selected in this study were all Banking Companies listed on the Stock Exchange of Thailand (2019-2023) totaling 11 Companies. In order to choose the sample for this study, the author used a purposeful selection technique, and over the course of five years, 11 businesses provided research observations. The research data in the form of annual and financial reports falls under the category of secondary data for the period 2019–2023. Data was extracted from each business's website. The data analysis method used in this study was panel data regression, which was aided by SPSS software. But before the analysis, a series of conventional assumption tests will be carried out, such as the autocorrelation, heteroscedasticity, multicollinearity, and normality tests.

RESULTS AND DISCUSSION

Descriptive Statistical Test

The goal of this study is to ascertain the research data's minimum, maximum, average (mean), and standard deviation values. The following table displays the findings of descriptive statistical testing for each variable:

Table 1. Results of Descriptive Statistical Tests
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Inflation	55	,23	2,51	,9640	,86510
Exchange Rate	55	31,30	36,19	33,8700	1,90862
Board of Directors	55	7,00	20,00	13,5455	3,56847
Audit Committee	55	2,00	6,00	3,5455	,89893
ROA	55	,00	,10	,0154	,01654
Valid N (listwise)	55				

Source: Results of Data Processing with SPSS 24

The descriptive statistics results for ROA have an average or mean value of 0.0154, or 1.54%, with a maximum value of 0.10, or 10%, and a minimum value of 0.0, or 0%. As seen by the standard deviation of 0.01654, or 1.654%, the distribution of ROA data is different since the standard deviation number is higher than the average value.

The inflation variable produced mean or average values of 0.9640, or 96.4%, with lowest and maximum values of 2.51, or 2.51, and 0.23, or 23%, respectively, according to descriptive statistics.

With a standard deviation of 0.86510, or 86.51%, the inflation figures show a uniform distribution where the standard deviation number is lower than the average value.

The Exchange Rate variable's mean or average value, as determined by descriptive statistics, is 33.8700, with a maximum value of 36.19 and a lowest value of 31.30. Because the standard deviation value is less than the average value, the exchange rate data spread does not change, with a standard deviation of 1.90862.

The Directors variable's mean, or average, value is 13.5455, with a maximum value of 20.00 and a minimum value of 7.00, according to the descriptive statistics data. The distribution of Directors data is said to be constant with a standard deviation of 3.56847, since the standard deviation value is less than the average value.

Descriptive statistics show that the mean or average value of the Audit Committee variable is 3.5455, with a maximum value of 6.00 and a minimum value of 2.00. With a standard deviation of 0.89893, the distribution of Audit Committee data is considered constant because it is less than the average value.

Classical Assumption Test

A statistical technique called the classical assumption test is used to determine how important or tightly related independent variables are to one another by calculating the correlation coefficients between them. Before using a regression model, the classical assumption test is run to determine whether the residual variables in the regression model have a normal distribution. This classic assumption test consists of the data normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

a. Normality Test

The data will have a normal distribution if the probability value (p-value) is greater than the 5% significance level. The results of the study's normality test are shown in the accompanying graphic:

**Table 2. Normality Test
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		55
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,01501623
Most Extreme Differences	Absolute	,152
	Positive	,152
	Negative	-,117
Test Statistic		,152
Asymp. Sig. (2-tailed)		,003 ^c

a. Test distribution is Normal.

b. Calculated from data.

Lilliefors Significance Correction.

Source: Results of Data Processing with SPSS 24

The data in this study are not normally distributed, as can be seen from the figure above, where the Sig value of 0.003 is less than the significance threshold of 0.05.

b. Multicollinearity Test

The results of the multicollinearity test in this study can be seen in the following table:

**Table 3. Multicollinearity Test Results
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	,086	,043		1,989	,052		
Inflation	-2,796E-5	,003	-,001	-,010	,992	,790	1,266

Exchange Rate	-,001	,001	-,113	-,782	,438	,792	1,263
Board of Directors	-,002	,001	-,332	-2,575	,013	,995	1,005
Audit Committee	-,005	,002	-,250	-1,942	,058	,998	1,002

a. Dependent Variable: ROA

Source: Results of Data Processing with SPSS 24

The results of the multicollinearity test in Table 3 show that the VIF value for the variables Exchange Rate Inflation, Directors, and Audit Committee is < 10. Given that the VIF score is 10, this indicates that there are no multicollinearity issues with the four variables.

c. Heteroscedasticity Test

Finding out if there is variance inequality between the residuals of various data in the regression model is the goal of the heteroscedasticity test. If the variance between the residuals of two observations does not vary, it is called homoscedasticity; if it does, it is called heteroscedasticity. Ghozali (2018) states that an appropriate regression model is one that is homoscedastic or lacks heteroscedasticity. To ascertain whether heteroscedasticity symptoms are present, utilize the Glacier test. The startling error in the Glacier test is regressed for each potential independent variable. A conclusion will be drawn from the test results: heteroscedasticity is not present if the significance number at a 95% confidence level is greater than 0.05 (Ghozali, 2018:143).

Table 4. Results of Heteroscedasticity Test Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,069	,028		2,433	,019
Inflation	,000	,002	,015	,110	,913
Exchange Rate	-,001	,001	-,166	-1,202	,235
Board of Directors	-,001	,000	-,465	-3,787	,000
Audit Committee	-,002	,002	-,126	-1,029	,308

a. Dependent Variable: ABS_RES

Source: Results of Data Processing with SPSS 24

The Sig value on the variables for inflation, exchange rate, and audit committee is larger than 0.05, indicating that there are no heteroscedasticity issues with them, according to the findings of the heteroscedasticity tests in Table 4. The Board of Directors variable has an issue with heteroscedasticity because its Sig value is less than 0.05.

d. Autocorrelation Test

In this study, the Durbin Watson test was employed to look for signs of autocorrelation. The Durbin Watson test can only assess first-level autocorrelation and requires a regression model with no lag effects between the independent variables and an intercept (constant) (Ghozali, 2013:111).

Table 5. Autocorrelation Test Results Model Summary^b

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,419 ^a	,176	,110	,01561	1,046

a. Predictors: (Constant), Audit Committee, Exchange Rate, Board of Directors, Inflation

b. Dependent Variable: ROA

Source: Results of Data Processing with SPSS 24

The DW value is 1.046 based on the autocorrelation test findings in Table 5. This result will be compared to the alpha table value of 5%, the number of independent variables (k = 2), and the number of samples (n) of 11. then the result from the Durbin Watson table (dL = 0.44 and du = 2.283) is

obtained. Thus, it can be stated that when the DW value is bigger than dl and lower than du, autocorrelation takes place.

Hypothesis Test

It is vital to do a hypothesis test using a regression model through many tests by evaluating how well the regression model is using the notion of determination, t-statistic value, and simultaneous test in order to produce accurate data analysis findings and support the hypothesis in this study.

a. Test of Determination Coefficient (R^2)

The degree to which the model can explain independent variables is gauged by the coefficient of determination (R^2) test. One flaw in the R^2 test is its bias towards the quantity of independent variables included in the model. Regardless of whether an independent variable significantly affects the dependent variable, each new variable will result in an increase in R^2 . As a result, modified R^2 is used in this investigation, and its values range from 0 to 1. The more closely the modified R^2 value approaches 1, the more effectively the model explains the dependent variable (Ghozali, 2020).

Table 6. Results of the Determination Coefficient Test
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,419 ^a	,176	,110	,01561

a. Predictors: (Constant), Audit Committee, Exchange Rate, Board of Directors, Inflation

Source: Results of Data Processing with SPSS 24

The R-Squared value, based on data processing findings, is 0.176. This suggests that the dependent variable, bank performance, may be described by the independent factors in this analysis namely, inflation, exchange rate, board of directors, and audit committee by a combined 17.6%. The remaining 82.4% is explained by variables not included in this study.

b. Simultaneous Test (F Test)

Simultaneous Test (F Test) is used to determine whether all independent factors used have a combined effect on the dependent variable. The results of the simultaneous test (F test) in this study are as follows:

Table 7. Simultaneous Test Results (F Test)
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,003	4	,001	2,663	,043 ^b
	Residual	,012	50	,000		
	Total	,015	54			

a. Dependent Variable: ROA

b. Predictors: (Constant), Audit Committee, Exchange Rate, Board of Directors, Inflation

Source: Results of Data Processing with SPSS 24

The value of the Probability F-statistic is known to be 0.043. Since that the F statistic's probability value is less than the significant value of $\alpha = 5\%$, it is possible to draw the conclusion that the study's independent variables the exchange rate, the audit committee, the board of directors, and inflation all collectively have a substantial influence on bank performance.

c. Partial Test (T Test)

The t-test, also known as partial hypothesis testing, is used to ascertain how each independent variable affects its dependent variable. The significance value serves as the foundation for decision-making; if it is less than the 5% error rate (sig. < 0.05), the hypothesis is accepted, and vice versa. The following will provide an explanation of the hypothesis testing outcomes.

**Table 8. Test Results
Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	,086	,043		1,989	,052
	Inflation	-2,796E-5	,003	-,001	-,010	,992
	Exchange Rate	-,001	,001	-,113	-,782	,438
	Board of Directors	-,002	,001	-,332	-2,575	,013
	Audit Committee	-,005	,002	-,250	-1,942	,058

a. Dependent Variable: ROA

Source: Results of Data Processing with SPSS 24

The first hypothesis (H1)

Based on the results of the t-test, the computed t value was obtained at -0.010 and was significant at $0.992 > 0.05$. These data show that for financial institutions listed on the Stock Exchange of Thailand from 2019 to 2023, H_0 is allowed and H_a is rejected, proving that there is no association between inflation and bank performance.

Second hypothesis (H2)

The computed t value was reached at -0.782 and was significant at $0.438 > 0.05$ based on the t-test findings. These findings demonstrate that H_0 is approved and H_a is refused, demonstrating that there is no correlation between currency rates and bank performance for banking companies listed on the Stock currency of Thailand from 2019 to 2023.

The third hypothesis (H3)

The computed t value was found at -2.575 and was significant at $0.013 < 0.05$ based on the t-test findings. These findings demonstrate that, for banking companies listed on the Stock Exchange of Thailand in 2019–2023, the Board of Directors has an impact on bank performance, with H_0 being rejected and H_a approved.

The fourth hypothesis (H4)

The computed t value was reached at -1.942 and was significant at $0.058 > 0.05$ based on the t-test findings. These findings demonstrate that H_0 is approved and H_a is refused, demonstrating that there is no correlation between currency rates and bank performance for banking companies listed on the Stock currency of Thailand from 2019 to 2023.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the test results and the aforementioned discussions, it can be concluded that the Board of Directors has an effect on Bank Performance in banking companies listed on the Stock Exchange of Thailand from 2019 to 2023. However, from 2019 to 2023, the audit committee, inflation, or exchange rates will not have an impact on the bank performance of companies listed on the Stock Exchange of Thailand.

Suggestion

Businesses in the banking sector need to be aware of how the board of directors affects the performance of the bank. The performance of banks may be maximized by choosing directors who possess both integrity and expertise. Companies need to work with financial consultants to ensure that bank performance can be maximized and consistent. Given that the board of directors affects bank performance, companies must be more careful in determining the directors who will serve.

For further research, it is recommended to expand the scope of analysis by considering other variables that can also affect financial performance. In addition, expanding the research period or using data from other industrial sectors can provide a broader perspective.

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