POLITICS AND BUSINESS: EVIDENCE FROM THAILAND

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An Independent Study
Submitted in Partial Fulfillment of the Requirements
for the Degree of Master of Science (Finance)

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By

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ABSTRACT

This paper investigates reaction of Thai stock market during the rise and downfall of Thaksin government (2005-2007). Using market model to find cumulative abnormal return, the market negatively react to the events, on the other hand, political connected firms positively react to the events. This can be concluded that there is an information asymmetry in the market. Moreover, this paper examines the impact of government through firms' performance and risk measurement. Comparing the firms' performance between Thai Rak Thai regime and military coup regime, the regression results show differences in firms' performance and risk measurement.

I. INTRODUCTION

Many researchers are frequently asked to measure the effect of an event on the value of the firm. The study seems to be a difficult task, but with the use of financial market data, the measurement of event study can be easily constructed. Political event is one of the effects that are used to measure the firm's value. According to Efficient Market Hypothesis (EMH) introduced by Fama (1970, 1991), efficient stock markets react to informational news. Investors are concerned with political events to the extent that they perceive them as possibly affecting the profit or other goals of the organization.

From several studies, it was found that political connection is a valuable resource for many firms. Businessmen seek for political power and benefit from being politically connected firms. Many studies have reviewed the firm performance for the existence of benefit from being the politically connected firm. The studies in Asia Pacific Region, Indonesia and Malaysia (Fisman (2001), Johnson and Mitton (2003)), and around the world cover 47 countries (Faccio (2006)) show the benefits of political connected firms in which it can be taken in many forms. They have found that the company who has a strong relationship with the government or politician will associate with higher market share and higher profitability as well as preferential access to credit.

"Base government of former Thai Prime Minister Thaksin had indicated that he assigned position in military force, civil, or even in police department, it always has the connection in terms of family base or friends from the same institution. It is probably known as relative support or cronyism, which these people are mostly marked in high rank position. Recently, Thaksin's government had gone too far as allowing other individuals to play an important role in major position of the government." Kasem Sirisumpun, Nation Weekly, December 22, 2003

In countries with a weak legal system and a high level of corruption, the political connections are valuable to a corporation. From the research of Faccio and Parsley (2006), they have proven that connection does really matter, especially for family firms, firms with

high growth prospects, and firms operating in the industries directly under the influence of the politician and in more corrupt countries.

Thailand, one of the emerging countries with many large firms that were influenced by businessman and politicians, is an interesting setting for this phenomenon. During Thai political crisis, in year 2005-2007, series of events occurred. Sondhi Limthongkul, a media tycoon who had been a supporter for Thaksin, became one of the leaders of the anti-Thaksin People's Alliance for Democracy (PAD). The PAD had aligned itself with several supporters such as state-enterprise unions, supporters of the controversial monk Luang Ta maha Bua, prominent socialities and members of the Thai royal family, supporters from Thai military, and various civic groups. Thailand coup overthrows Thai Rak Thai (TRT) government which led to the end of political career of Thaksin Shinawatra, Prime Minister of Thailand during that time. It was believed that this political situation is one of the factors that lead to economic instability in Thailand.

Research Questions

This paper will investigate whether the announcement of the changes in Thai government have any effect on the return of the firms in Stock Exchange of Thailand (SET). Then, the observation of firm's performance, leverage, market power and firm risk will be conducted on political connected firms and non political connected firms.

Objectives of Study

1. To study the existence of abnormal return of the stock before and after the event date.
2. To study the impact of political connected firms on firm's performance.
3. To study the impact of political connected firms on firm's leverage.
4. To study the impact of political connected firms on firm's market power.
5. To study the impact of political connected firms on firm's risk.

Scope of Study

During 2005 to 2007, the changes in Thai politic will be focused on. It is interesting because it is the second term for Thaksin Shinawatra as a Prime Minister and it is the period of overthrown for TRT government; politics is in an unstable situation. The period of TRT as a government and military coup as a government can be observed and compared through this paper. The sample firms are the listed firms in SET.

To study the firm performance, Return on Asset (ROA) and Return on Equity (ROE) will be used, while Tobin's q will be used for market measure. Studying on firm's leverage, ratio of long-term debts to the product of book value of liabilities and the market value of equity will be used. By observing market power, firm's sales to total market sales will be used in this experiment, while observing the firm risk, market model beta (systematic risk), standard deviation (total risk) of weekly returns and unsystematic risk will be used.

According to Faccio (2006), a company is considered to be political connected firm even only one of the firm's major shareholders or one of its top executives is a member of parliament, a minister, a head of state or have close relationship to a top officers. Considering being major shareholders, they must hold at least 10 percent shareholding of the firm.

Limitations of Study

For this study, firms defined as political connected firms are focused only on direct connection only. Other relationship such as friendship will be omitted. Besides, firms with nominee account which aim to conceal the true ownership of the firm will be omitted. This can underestimate this study result. Considering the connection through Prime Minister and the Cabinet Ministers only can potentially underestimate the result due to the exclusion of other valuable connection via other government officers and members of parliament.

II. LITERATURE REVIEW

Politics of Thailand

Since the thirteenth century, Thailand had been ruled by the Kings. Until 1932, the political system had been officially changed to a constitutional monarchy where the Prime Minister is the head of government and a hereditary monarch is head of state. The judiciary is independent of the executive and the legislative branches. Although the political system had been changed to constitutional monarchy, but in practice, the government was influenced and ruled by the military government or elite politicians. Political freedom did not fully pass to people. Lack of education and unprepared for the changes, people has very little knowledge about their right and freedom.

In elections, most politicians got the votes because of vote-buying, expecting the return on their investment by passing biased resolutions or corrupt budget bill. This is the rising of corruption and bribery which occur in all sectors.

Starting from 2005 which is the period of Thai political crisis, there are many events occurred in this period. Thaksin Shinawatra was a Prime Minister of Thailand during that time and leader of TRT. He was alleged in many issues such as selling telecommunication shares to Temasek, a Singapore investor, without paying tax; changes in regulations and public policies to be the beneficiaries of the new policies; media intervention and corruption. The public protests led by the PAD called for his resignation and impeachment. Thaksin refused to do so and the protests continued for weeks.

Consequently, Thaksin dissolved the parliament and called for a snap election. This election was opposed by the opposition parties. The situations led to constitutional crisis and Thaksin had announced that he would step down from Prime Minister once the successor had been selected. After the removal of the Election Commission, Thaksin returned to work in the wake of the Constitutional Court's nullification of the April elections; however, the political tension remained high.

TRT government was overthrown by Thailand coup. The Council for National Security led by Sonthi Boonratkalin took over the control and establish the junta government which led

by Surayud Chulanont. The military drafted a controversial new constitution where they design to be stricter in control of corruptions and conflicts of interests for the politicians. A national referendum accepted the 2007 constitution while Thaksin's strongholds oppose this constitution. Based on the new constitution, national parliamentary election was held on December 23, 2007. People Power Party (TRT proxy party) led by Samak Sundaravej won the general election with five minor parties to form a coalition government.

Political Connections

Faccio (2006) examined the firms for over 42 countries whose controlling shareholders and top managers are members of national parliaments or governments. She found that the benefits being taken by the firms are widespread mostly in the highly corrupted countries. Connected companies got the advantage through an easier access to debt financing, lower taxation, and stronger market power.

With the influences of political power to the firm, the performance of the firm varies in different aspects. Firms in Indonesia with strong political connections are less likely to have publicly traded foreign securities since they can finance their firm through domestic investment using political relationship (Leuz and Oberholzer-Gee (2006)). The result of firm's performance is severely biased which can affect firm's strategies in the long run. They also find that once the connection with a new government fail, the connected firms are underperform with the new regime, as a result, foreign financing is increased.

Bertrand et al. (2006) who studied on the hiring and firing decision in the politically connected CEOs in France finds that political connected firms tend to hire more workers and set up more plants in the time prior to election especially in the strategic regions. As a result, the firms in political strategic area show lower profit due to higher wage payment.

Many researchers examine the effect of political connected firms on firm's value. Goldman et al. (2006) explore the importance of political connected firm in U.S. A positive abnormal stock return results from the announcement of the board nomination of politically connected director, while it gives negative return for the losing party.

Bunkanwanicha and Wiwattanakantang (2007) who studied about big business owners in politics evidence from Thailand, they found that the business owners that rely on government concessions will also run in the top office, this is to get the political power. Once they gain the power, the market valuation of their firm dramatically increases. However, the political power does not influence the financing strategies of their firms, but business owners in top office will use their political power to implement regulations and public policies favorable to their firms. As a result, these political connected firms are able to gain more market share.

Chantrataragul (2007) studied the case of political connection and ownership concentration in Thailand. He found that higher return can be gained if allocation of firm's resources is made with political connected firms. Also, connected firms can gain higher market share than non-connected firms. The benefits of connection can be gained from preferential treatment of the government and winning state licenses. Connected firms focus on higher return of investment rather than considering the firm's risk. They take risk on the project on the creditor's expense.

Performance of Connected Firms

According to Faccio (2006), the data used to test on performance of connected firms are leverage, taxation, market power, accounting performance and market valuation. The study shows that connected firms have higher leverage than non-connected firms, the higher the leverage, the stronger the connection will be. Connected firms enjoy low taxation; however, the difference between tax rate of connected and non-connected firms is not statistically significant. In addition, connected firms gain higher market share. From the study, higher market share is gained more through the owner than director. For accounting performance, Faccio tests on return on equity (ROE) and observe market valuation by using market-to-book in testing. She analyzed that these firms are poor accounting performer even though they are political connected firms.

Bunkanwanicha and Wiwattanakantang (2007) use market valuation and market share to observe the performance of political connected firm. Market-to-book ratio is used to examine

for market valuation. Connected firms experienced an extraordinary increase in market-to-book ratio than non-connected firms. While higher market share is gained once business tycoon took the position in the government.

Political Changes

Chan and Wei (1996) studied the impact of political news on stock market volatility in Hong Kong with Sino-British government and there are two types of stock listed on the Stock Exchange of Hong Kong, the Hang Seng Index (Blue-chip) and the People's Republic of China (RPC) state-owned enterprises (Red-chip). The significant result shows that there is an impact of political news on both index which results in the increase of stock market volatility. For Hang Seng Index, the announcement of favorable political news provides positive return for the index while the announcement of unfavorable political news provides negative return for the index. However, political news, good or bad, does not affect on the return of red-chip shares. With these outcomes, the researcher suggests that this may be due to the combination of market and substitution effect caused by accompanying political news. As a result, to lower the risk of political shocks, investor should invest in red-chip stocks.

Another study in South Korea by Siegel (2007) mentioned that the unexpected change in political regime could quickly change a political liability into an asset. He also suggested that the firm would benefit from being political connected firm when they were friends with government who gained the political power. If the members in the government exercised their power in the wrong way, they may use their power to punish on their enemies. The consequences of having wrong friends at the wrong time can be concluded in here.

To extend the research more globally, Nigh (1985) studied the relationship between political events and the manufacturing direct foreign investment (MDFI) decisions of U.S. multinational corporations in 24 countries for over 21 years. The result of the study demonstrated that there was an effect of political events on MDFI in certain groups of countries. For example, the conflict in intra-nation affected more on the less developed countries; on the other hand, the developed countries had no effect from conflict of intra-

nation. The investors were more concern in intra-nation when they invested in less developed countries. However, they concerned on intra-nation conflict and inter-nation political events when they considered investing in both less developed countries and developed countries.

From the above study, it shows that political shocks or events affect on stock volatility in a certain market only, while it affects to a particular types of investment or countries.

III. METHODOLOGY

To study the existence of abnormal return of the stock before and after of the announcement date of the changes in Thai government, the models for measuring normal performance, market model will be used.

Models for Measuring Normal Performance

There are several approaches available to calculate the normal return of a given stock. The approaches can be divided into two categories—Statistical and Economic. First category, statistical assumptions concern the behavior of asset returns and do not depend on any economic arguments. On the other hand, the economic category relies on assumptions concerning investors' behavior and is not based solely on statistical assumptions. However, practically in using economic models, statistical assumptions are necessary to be added in. This is to be more precise on the measurement of the normal return by using economic restrictions.

The market model is a statistical model which relates the return of stock to the return of the market portfolio. The model's linear specification follows from the assumed join normality of stock returns. The model used is as following:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (1)$$

$$E[\varepsilon_{it}] = 0 \quad (2)$$

$$Var[\varepsilon_{it}] = \sigma^2_{\varepsilon i} \quad (3)$$

where R_{it} = the return on security i on day t

R_{mt} = the return on SET Index on day t

α_i, β_i, $\sigma^2_{\varepsilon i}$ = parameters of market model

Measuring and Analyzing Abnormal Returns

To deal with the problem of measuring and analyzing abnormal returns, the market model as the normal performance return model is used.

Firstly, the notation is defined. A return in the event is represented by using τ. Defining $\tau = 0$ as the event date, $\tau = T_1 + 1$ to $\tau = T_2$ represents the event window, and $\tau = T_0 + 1$ to $\tau = T_1$ constitutes the estimation window. Let $L_1 = T_1 - T_0$ and $L_2 = T_2 - T_1$ be the length of the estimation window and the event window, respectively. If the event being considered is an announcement on a given date then $T_2 = T_1 + 1$ and $L_2 = 1$. If applicable, the post-event window will be from $r = T_2 + 1$ to $r = T_3$ and its length is $L_3 = T_3 - T_2$. In this paper, I will examine the abnormal return in the estimation window over 120 days (t-140, t-21).

The interpretation of the abnormal return over the event window is a measure of the impact of the event on the value of the index. Thus, this method implies that the event has an impact on the stock.

Firm Performance, Leverage, Market Power and Firm Risk

OLS regression model will be used to examine the relationship between government control and political connection to firm's performance, leverage, market power, and firm's risk.

Hypothesis

Firstly, I will test the relationship between government control, TRT regime and military coup regime, to firm's performance, leverage, market power, and firm's risk. Moreover, differences in political connected firms and non-political connected firms will also be investigated through the changes in political regime. In this study, I expect the overall firm's performance during military coup government to show negative relationship. Besides, political connections are expected to positively correlate with firms' performance and negatively correlate with risk measurement.

Hypothesis 1 There are differences in firms' performance between government control of TRT regime and military coup regime

Hypothesis 2 There are differences in firms' performance between government control of TRT regime and military coup regime, and firm's with political connection.

Hypothesis 3 For political connected firms, there are differences in firms' performance between government control of TRT regime and military coup regime.

Hypothesis 4 For non-political connected firms, there are differences in firms' performance between government control of TRT regime and military coup regime.

The OLS regression models are as followed:

$$ROA_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (4)$$

$$ROE_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (5)$$

$$Q_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (6)$$

$$LEV_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (7)$$

$$MKTS_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (8)$$

$$BETA_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (9)$$

$$STDEV_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (10)$$

$$UNSYS_{it} = B_0+B_1YEAR+B_2PCON+B_3STA+B_4AGE+B_5GOV+B_6SOE+B_7FOREI+\varepsilon_{it} \quad (11)$$

where i represents firm and t represents year of the study

From the literature review, the political connected firms conducted a better performance by gaining benefit from the favorable government policy or preferential treatment from the government. Results from previous study indicate that political connection can enhance firm's value. In this study, I would also expect similar result where firm performance of connected firms, ROA, ROE and Tobin's q, is better than non-connected firms.

Hypothesis 5 Connected firms have higher Return on Assets than non-connected firms

Hypothesis 6 Connected firms have higher Return on Equity than non-connected firms

Hypothesis 7 Connected firms have higher Tobin's q than non-connected firms

The OLS regression models of connected firms and firm performance are as followed:

$$ROA_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (12)$$

$$ROE_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (13)$$

$$Q_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (14)$$

where *i* represents firm of the study

Many studies have found that connected firms have higher leverage than non-connected firms. Financing through domestic investment are supported more for connected firms. With the political relationship through the owner, the connected firms are expected to gain higher market power. Hence, in this study I would expect that connected firms should have higher debt and higher market share than non-connected firms.

Hypothesis 8 Connected firms have higher leverage than non-connected firms

Hypothesis 9 Connected firms have higher market power than non-connected firms

The OLS regression models of connected firms and leverage and market share are as followed:

$$LEV_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (15)$$

$$MKTS_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (16)$$

where *i* represents firm of the study

With the support from government, favorable government policy, public project launched by the government, connected firms should gain the benefit from this positive relationship. Therefore, I would expect the connected firms to have lower risk measurement than non-connected firms.

Hypothesis 10 Connected firms have lower beta value than non-connected firms

Hypothesis 11 Connected firms have lower standard deviation than non-connected firms

Hypothesis 12 Connected firms have lower unsystematic risk than non-connected firms

The OLS regression models of connected firms and firm's risk are as followed:

$$BETA_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (17)$$

$$STDEV_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (18)$$

$$UNSYS_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i \quad (19)$$

where *i* represents firm of the study

IV. DATA

Data Source

To experiment this event study, I will use daily closing price of stock in SET Composite Index (SET) and market index; these data are extracted from Datastream.

Firm's accounting data which include companies listed in Thailand during 2005 and 2007 both financial and non-financial firms will be extracted from setsmart website (http://www.setsmart.com). The equity of ownership and members of Board of Directors are also collected from setsmart website. However, any incomplete data will be excluded from this study.

The information about Thai government, list of cabinet member for each assembly, will be obtained from the Secretariat of the Cabinet website (http://www.cabinet.thaigov.go.th) and Wikipedia website (http://wikipedia.co.th). This includes the changes and movement of cabinet during the mentioned period.

Define Event Date

The selected event date was the day that the announcement of the arrival or departure of Thaksin Shinawatra as a Prime Minister of Thailand has been made. If the event date was a trading day and the public announcement regarding the issue was broadcasted before the market close, it would consider as actual event date. Otherwise, the first trading day after the public announcement would be counted as the event date. The selected events are as following:

Event 1: General Election

General Election was held on February 6, 2005 where the victory belong to Thaksin Shinawatra and TRT with controlled 374 seats in Parliament's lower house. Thaksin Shinawatra became the Prime Minister for the second term.

Event 2: Thaksin departure

A year after the general election on February 2005 Thaksin had dissolved the Parliament in a bid to resolve the political crisis caused by his decision to sell his family business, Shin Corporation. The new House election was scheduled to be on April 2, 2006. In the meantime, PAD requested the King to intervene into the political crisis and remove Thaksin from the power. On April 2, 2006, election for new House was held and unofficial result of Thaksin's TRT Party victory was made on April 3, 2006. After an audience with King Bhumipol, Thaksin announced on April 4, 2006 that he would not accept the position of Prime Minister, but he would continue as an acting Prime Minister until the successor was elected.

Event 3: The return of Thaksin Shinawatra as a Prime Minister

To resolve the political crisis, the Constitution Court invalidated the results of the new House elections in April and set another round of election on October 2006. Several judges requested for three members of the Election Commission to resign, claiming for constitutional independence, they refused to do so. With this political instability, on May 23, 2006, Thaksin returned to work as Prime Minister while there is an objection from many parties.

Event 4: September 2006 coup d' états

The ongoing political crisis led to coup d' états on September 19, 2006 where the military seized the power. The Council for Democratic Reform under Constitutional Monarchy (CDRM) was led by General Sonthi Boonyaratkharin.

Event 5: Thai Rak Thai Party, National Development Party, and Thai Ground Party dissolved.

On May 30, 2007, the constitutional court dissolved the populist of Thai Rak Thai Party, National Development Party, and Thai Ground Party as a punishment according to the 1997 Constitution and some members of these parties are banned from politics for five years.

[Table I is here]

Performance Measures

Return on Assets (ROA)

Return on Assets is the ratio of earnings before interest and tax (EBIT) divided by total assets.

Return on Equity (ROE)

Return on Equity is the net profit divided by common equity.

Tobin's q (Q)

Tobin's q is the market value of equity at the end of year and book value of liabilities divided by book value of total assets. The market value of equity is the product of firm's market price of stock and the number of common shares.

Leverage and Market Power Measures

Leverage (LEV)

Leverage is the ratio of long-term debts divided by the product of book value of liabilities and market value of equity.

Market Share (MKTS)

Market power or market share is the firm's sales to the total market sales.

Risk Measures

Beta (BETA)

Beta is a market risk for the firm. I collect the data by using weekly return for stocks and SET index return over two years prior the study period. Then I find the difference between stock return and risk free rate, find the difference between SET index return and risk free rate to get market premium, R_m, putting the data into market model equation to get beta.

Standard Deviation (STDEV)

Standard Deviation is the equity rates of return for the firm's equity. The data used is the weekly return over two years prior the study period. I use standard deviation to represent the total risk of the firm which includes systematic and unsystematic risk.

Unsystematic Risk (UNSYS)

Unsystematic risk is the residual variance according to the following equation:

$$\sigma^2_{\varepsilon} = \sigma^2_i - \beta^2 * \sigma^2_m$$

where σ_i = firm i variance

σ_m = market variance

β = firm's beta

Define Explanatory Variable

Political Connection (PCON)

Political connected firm can be defined in many different ways; however, as defined by Faccio et al. (2005), this paper will focus on the firm if at least one of the firm's major shareholders or one of its top executives is a member of parliament, a minister, a head of state or have direct measure of connections, such as Prime Minister or Cabinet Ministers. Their family members will also be treated as direct measure of connections. A company is considered to be connected through a close relationship if a relative with the same last name as a Prime Minister or one of the Cabinet Ministers is the major shareholder of the company. Considering being major shareholders, they must hold at least 10 percent shareholding of the firm.

Year (YEAR)

Year can be defined as dummy variable where 1 represents the year that military coup is the government during 2006-2007, and 0 represents the year that TRT is the government in

2005 in this study. Considering the year of government, I will base the year on the firm performance collected data which is at the end of the year.

Define Control Variables

Size (SIZE)

Firm's size is defined as the natural log of firm's total assets. Large firms are expected to have a greater influence on the country's economic performance while receiving more political attention when coping with financial distress. Larger firms can have advantage in raising fund, both internal and external. Firm size is the main control of market power as the firm generates higher output; the entry of barrier is higher. The relationship with firm performance should be positive as larger firm has high productivity with lower cost comparing with smaller firms.

Small firm is more flexible in investing on risky projects; shareholder should be involved in management and willing to take higher risk in order to gain higher return on the expense of debt holders. Whereas, large firm will diversify its risk through the market, so firm's risk should be lower.

Age (AGE)

Firm's age is defined as number of years since incorporated. The firms with longer experience and good reputation should represent a good performance while newly established firms may lack of experience and the name is not well known to the public so they may need more time to be master.

Chances of failure is higher for newly established firms comparing with longer experienced firms so firm's age should be expected to have negative relationship with risk.

Sales to Asset (STA)

A sale to asset is defined as the ratio of sales to total assets. This variable should reflect the firm's efficiency. The higher the ratio, the higher profitability the firm can generate. As

the firms build up its size and generate higher sales, they need more capital and hence the firm can have higher risk.

Government (GOV)

Government is a dummy variable in which government owns more than 10 percent shareholding of the firm. In previous studies, the government owned firms encountered with the problem of corporate governance and management lack of expertise. As a consequence, it has driven firm performance downward, while increasing the risk to its firm instead.

State-owned Enterprise (SOE)

State-owned enterprise is a dummy variable in which government owns more than 10 percent shareholding of the firm. State-owned enterprise faces similar problem with government owned firm in which they suffer from corporate governance problem. Hence, negative relationship with firm performance can be expected and the firm's risk can increase.

Foreign (FOREIGN)

Foreign is a dummy variable in which government owns more than 10 percent shareholding of the firm. Refer to the study of Wiwattanakantang (2001), the study found that foreign owned firms perform better than domestic-owned firms. This is due to the foreign expertise and know-how. Therefore, positive relationship with firm performance can be expected.

V. EMPIRICAL RESULT

Results of the event studies

The result from market-adjusted cumulative abnormal returns (CARS) around the event dates show that there are the effects of Thai political event to the stock market. The market model parameters are estimated over 120 days (t-140, t-21), twenty days preceding the event date. The first trading day after the announcement of the news is considered as event date.

With the announcement of Thai Rak Thai being the government for second term and the continuation of Thaksin as a Prime Minister, the market response negatively from the day of announcement for over 3 weeks at 99 percent confident level. The cumulative abnormal return can be confirmed that announcement of general election result affects the stock return. The event window (-20, 20), (-10, 10), (-3, 3), (0, 0) all show negative abnormal return with statistically significant at 99 percent confident level. The general election was not an unexpected event. The date was fixed, poll had been taken in place, and sometimes winner could be expected. The result shows negative sign which can be explained according to Bialkowski et al. (2006) that the risk premium was quite modest while the risk was at the reasonable level so this might not provide an adequate compensation to the investors.

In consequence to the announcement of Thaksin steps down from being Prime Minister, the market reacts negatively to the announcement. It does affect the stock return in the event window (-3, 3) at 99 percent confident level. The possible explanation can be the worry of the investor to the instability of the political issue, the post Prime Minister, the changes in government policy and the next schedule of general election. Extending the study to the political connected firms the result shows positive cumulative abnormal return statistically significant at 95 percent confident level in the event window (-20, 20) which is opposite to the overall market. This can demonstrate the indication of information asymmetry in the market.

Once Thaksin return back to act as Prime Minister, the market reacts negatively to the news right on the day of announcement date, and statistically significant at 95 percent confident level. Although Thaksin once again return back to be Prime Minister, but the objection of PAD is still high and the fear of violence from protestor can slow down the

trading of the investor. With the announcement of Thaksin return back, the cumulative abnormal return of political connected firms show the positive sign but not statistically significant which can be explained that again he can influence the government or public policy that benefits to his firms or related parties.

Coup d'état was a critical event during the examined period. This involves the control by Thai army; a state of emergency was declared which limit people's freedom, country's key government offices, communications media, and infrastructure were taken control by the coup. These factors affect the investment decision. The result shows negative abnormal return during the event window (-3, 3), (0, 0) at 99 percent confident level. Consistently, the political connected firms generate negative abnormal return in event window (-3, 3) at 99 percent confident level.

When the announcement from the constitutional court had been made where Thai Rak Thai Party, National Development Party, and Thai Ground Party were punished to be dissolved and their members were banned from the politics for five years. The day after the market react negatively on abnormal return and turns normal in the following days. With the set up of People Power Party to replace Thai Rak Thai Party and the party members can shift to other party, the effect of this event seems to be small to the firms.

[Table II is here]

[Table III is here]

[Table IV is here]

Summary Statistics

The sample data are collected from the listed companies in Stock Exchange of Thailand during 2005 to 2007. Total of 283 firms are used in this study. The sample excludes the firm under rehabilitation sector and firms with unavailable information will be deleted.

Table V reports the number of firms in each year across the industry where they are classified into non-connected firms and connected firm either through major shareholder, management or both. The connected firms are in the industry of agribusiness, commerce, construction materials, electrical products and computer, energy & utilities, fashion, food and beverage, health care services, information & communication technology, insurance, media & publishing, mining, petrochemicals & chemicals, printing and publishing, professional services, property development, tourism & leisure and transportation & logistics. Political connected firms have connection through major shareholder, 17 firms in 2005, 27 firms in 2006 and 14 firms in 2007. Political connected firms have connection through management, 6 firms in 2005 and 2006, and 8 firms in 2007. Having connection through both major shareholder and management, they concern with 3 firms in 2005 and 2006.

[Table V is here]

Table VI reports the descriptive statistics of the firm characteristic. Connected firms show higher average total asset, total liabilities and market capitalization comparing with non-connected firms. On average, connected firms have approximately incorporated in the market for 28.69 years; it is less than non-connected firms which are approximately 31.44 years. Although the connected firms enter into the market in the later period, but it can potentially build up itself to have a bigger firm size of 22.57 larger than non-connected firms which is 21.98. Connected firms generate lower sales to asset at 0.85 comparing to non-connected firms and overall firms at 0.94 and 0.93 respectively. However, it gains higher ROA and ROE than non-connected firms. The market value of connected firms is more than non-connected firms which is shown in Tobin's Q. Market power belongs to connected firms; the average market share of 11.72% shows a big portion in the market. For leverage, the connected firms carry more debt on average of 0.14 which is higher than all firms and non-connected firms at the average of 0.12. For the risk measurement, the risk for connected firms is higher than non-connected firms. While standard deviation of weekly stock return shows the same number for

all firms at 0.11. Whereas the unsystematic risk of connected firm is lower than non-connected firms.

[Table VI is here]

Correlation Matrix

Table VII presents the correlation among variables used in the regression equations. The result reveals the positive correlation between political connection and performance variables such as return on assets, return on equity, Tobin's Q, market share and leverage. On the other hand, political connection is negatively correlated with performance such as sales to asset. Beta, standard deviation and unsystematic risk point out negative relationship with political connection.

[Table VII is here]

Regression Results

Table VIII presents the relationship between dependent variables and year operation during TRT regime (2005) and military coup regime (2006-2007). The regression uses least square method where dependent variables are as following: ROA, ROE, Q, LEV, MKTS, BETA, STDEV and UNSYS. The result illustrates negative relationship during the military coup regime that firms' return on asset, leverage and market share perform poorer than TRT regime, statistically significant at 99 percent confident level. In addition, they obtain higher risk which is represented by standard deviation and unsystematic risk, at 99 percent confident level. This implies that political regime plays an important role in firms' performance and risk measurement.

[Table VIII is here]

Table IX presents the relationship between dependent variables, year operation during TRT regime (2005) and military coup regime (2006-2007), and political connection. The regression uses least square method where dependent variables are as following: ROA, ROE, Q, LEV, MKTS, BETA, STDEV and UNSYS. The result illustrates negative relationship of firm's return on asset, leverage and market share during military coup regime, statistically significant at 99 percent confident level. With political connection, the firms correlate positively with leverage and market share at 95 percent confident level and 90 percent confident level respectively. Firms perform poorer during military coup regime comparing with TRT regime.

At the same time, the result shows positive relationship with standard deviation and unsystematic risk, statistically significant at 99 percent confident level, during military coup regime. Firms with political connection, they obtain negative relationship through firms' risk. Although, the firms take more risk during military coup regime, but with the preferential treatment from political connection, firm's risk is lower.

[Table IX is here]

Table X discloses the relationship between dependent variables and year operation during TRT regime (2005) and military coup regime (2006-2007) using political connected firms in testing. The regression uses least square method where dependent variables are as following: ROA, ROE, Q, LEV, MKTS, BETA, STDEV and UNSYS. The conclusion can be drawn that there is no relationship between firm's performance and political regime change for political connected firms. However, there is positive relationship between political regime change and risk measurement which includes beta, standard deviation and unsystematic risk. Political connected firms during military coup regime obtain higher risk than TRT regime. This can depend on the side the politician takes during the regime. According to Siegel (2007), he found that the firm will benefit from being political connected firm when they are friends with government who gain the political power. But if the government exercises their power in the

wrong way, they may use their power to punish their enemies. So, if the firms which have politician ownership, they can gain the benefit or get punishment from the government depending on what side they take.

[Table X is here]

Table XI presents the relationship between dependent variables and year operation during TRT regime (2005) and military coup regime (2006-2007) using non-political connected firms in examining. The regression uses least square method where dependent variables are as following: ROA, ROE, Q, LEV, MKTS, BETA, STDEV and UNSYS. Surprisingly, there is negative relationship between leverage and market share with military coup regime. This implies the importance of political connection; it is better of if firm's ownership contain at least 1 politician. This is to develop firm's performance in a positive direction. Non-political connected firms show positive relationship of beta during military coup regime. With the changes in political regime during 2006 and political instability, firms can face with difficulty in handling with this unstable situation. Doubt in government control, government policy, direction of the politics and economic situation, these can rise firm's beta upward.

[Table XI is here]

Table XII shows the relationship between Return on Assets and political connected firms with control variables among 3 years period (2005-2007). The regression uses least square method where dependent variable is ROA and independent variables are political connection, sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. Return on assets ratio are defined as earnings before interest rate and tax (EBIT) divided by total assets. Refer to the hypothesis, I would expect the firm with political connection perform better in accounting measure than non-connected firms. Imai (2006) has examined and shown that the connected firms present higher ROA than non-connected firms.

The result explains that in year 2005 to 2006, a political connected firm is negatively related with ROA, but not statistically significant. This means that the firms underperform when they have political connection. The result has the same finding by Chantrataragul (2007) where connected firms show lower ROA than non-connected firms. However, in year 2007, the result shows positive relationship with ROA. Sales to asset and firm size are positively related in 3 years with ROA and statistically significant at 99 percent confident level. A larger firm size has higher efficiency which leads to higher profitability. The age of firm is negatively related with ROA which means the longer the firm operates, the lower the return is. Possible explanation can be less efficient in production and ineffective way of management which leads to lower profitability. The coefficient of government shows positive relationship with ROA and statistically significant at 95 percent confident level in year 2006. The firm with government owned can better perform due to the fact that they can manipulate the policy which benefits to the firm. State-owned enterprise show positive relationship with ROA in year 2005 and 2007, but not for year 2006. The possible explanation for positive relationship can be similar to government, the firm can benefit from the support or special privilege from state-owned enterprise. While in year 2006, the political instability which resulted from coup d' états can lead to the invention of the coup and inspector, policy or privilege can be hardly offered to the firm. Foreign ownership reflects positive relationship with ROA in year 2005 and year 2006 where the focus was in Thailand; localization is taken place so the profitability is higher. As a consequence of coup d' états, the confidence of foreigner to Thailand is lower. The focus has been transferred to other countries. So the benefits from foreign ownership have decreased in year 2007.

[Table XII is here]

Table XIII shows the relationship between Return on Equity and political connected firms with control variables among 3 years period (2005-2007). The regression uses least square method where dependent variable is ROE and independent variables are political connection,

sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. Return on equity ratio is defined as net profit divided by common equity. Refer to the hypothesis, I would expect the same result with ROA which is the firm with political connection perform better in accounting measure than non-connected firms.

The coefficient of political connected firms provides positive relationship with ROE in year 2005 and year 2007. The result aligns with the hypothesis that political connection adds value to the firm rather than decreasing shareholder value. However, in year 2006 the result discloses negative sign which align with the study of Faccio (2006). She found that ROE decreased when the firms are politically connected. Sales to asset and firm age are positively correlated with ROE. This presents that the older the firm is, the better performance the firm will be. The firm can operate more efficiently through longer experience which can generate higher profit margin to the firm as well as sales to asset where the higher sale the firm generates, the efficiency is higher. Firm size in year 2005 lower the performance of ROE while in year 2006 and year 2007, the firm with larger size provide more benefits to the shareholder at confident level of 95 and 99 percent respectively. Firms with government, state-owned enterprise and foreign ownership generate higher return for shareholder. As stated earlier, the government and state-owned enterprise ownership can influence the government to issue the policy or provide special privilege to the connected firms.

[Table XIII is here]

Table XIV shows the relationship between Tobin's Q and political connected firms with control variables within 3 years period (2005-2007). The regression uses least square method where dependent variable is Q and independent variables are political connection, sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. Tobin's Q is defined as the ratio of market value of the equity plus the book value of liabilities divided by the book value of total assets. Tobin's Q explains the relationship between firm

performance and ownership structure. From the result, I would expect higher Tobin's Q in connected firms than non-connected firms.

In 2005 and 2006, the firms with political connection is negatively related with Tobin's Q. Surprisingly, the market considers the stock value of connected firms during the period of Thaksin as a Prime Minister to be lower than non-connected firm. The explanation can be the instability of TRT and investigation from the court being held during the period. Sales to asset and firm size are positively related with Tobin's Q in 2005 and 2007 and statistically significant at 99 percent confident level in 2005. The higher ratio of sales to asset bring along the confidence of the investor in which they value the stock of the firms higher. Government owned firms drove the Tobin's Q up in 2005 which indicated the confidence and stability of the government while in 2006 Tobin's Q decreased. The plausible explanation can be the disagreement with the intervention of military coup to the politics. State-owned enterprise coefficient shows negative relationship with Tobin's Q. In the view of investor, the management runs the firms inefficiently which lead to the lower profitability of the firm. In contrast, the investor gives more credit to the foreign owned so the Tobin's Q is positively related.

[Table XIV is here]

Table XV shows the relationship between leverage and political connected firms with control variables within 3 years period (2005-2007). The regression uses least square method where dependent variable is LEV and independent variables are political connection, sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. The measure of leverage is defined as long-term debts divided by book value of liabilities plus market value of the equity. From the hypothesis, I expect the connected firms to generate higher level of leverage than non-connected firms. From the previous study, the creditors are more willing to offer loans or credit to the firms with government support.

The coefficient of political connection is positively correlated with leverage. This result is in line with the hypothesis where the connected firms carry more debts than non-connected firms. The higher the sales to asset, the lower the leverage is. The result is statistically significant at 99 percent confident level. As the sales continually growing, the inventory is increased in order to fulfill the higher sales growth; this can drive down the ratio of sales to assets. The coefficient of firm size is positively correlated with leverage at 99 percent confident level which means the bigger the firm, the more credits are issued or the lender is willing to offer the credit or loan. The result of firm age shows that the older firms carry lower debt and finance more on equity. With the reputation that the firms carry for a certain period, the firm can raise their capital by issuing stock with lower cost than issuing debt. Surprisingly, the same result applies to government and foreign ownership, the firms financing through capital rather than issuing debt. This may result from the difficulty in lending to the political connected firm which caused by the investigation from the court.

[Table XV is here]

Table XVI presents the relationship between market share and political connected firms with control variables within 3 years period (2005-2007). The regression uses least square method where dependent variable is MKTS and independent variables are political connection, sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. Market share is defined as firm's sale to the total market sales. From the hypothesis, I expect the political connected firms to gain more market share than non-connected firms.

The coefficient on political connection in 2005 was negative which implied that the connected firms did not gain higher market share than non-connected firms. While in 2006 and 2007, the result was in line with the hypothesis that political connected firms gain more market share or market power than non-connected firms. Sales to asset, firm size, firm age, and government are positively correlated with market share. At 99 percent confident level,

firms with high sales growth definitely gain more market share. This can also be applied to firm size. With government ownership, the firms enjoy higher market power where the support from government is offered. Government policy or privilege is helpful to the firm. Firm with foreign ownership is negatively related with market share. This can be the case that the parent company focus more on production cost and efficiency of the firms rather than focusing on the expansion of market share.

[Table XVI is here]

Table XVII tells the relationship between beta and political connected firms with control variables within 3 years period (2005-2007). The regression uses least square method where dependent variable is BETA and independent variables are political connection, sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. Beta is a measure of market model with weekly stock return and market premium. From the hypothesis, I expect the connected firms to have lower risk than non-connected firms.

The coefficient of political connection in 2005 was negatively related and statistically significant at 99 percent confident level. This followed the hypothesis that political connected firms receive preferential treatment from the government. However, the sign turned out to be positive in 2007 at confident level of 90 percent. This was the consequence of military coup taken over the government. The connected person became opposite side of the government, so they gained no more benefit from being political connected firms. In turn, they were pinned point by the coup and inspection was being done. The market risk was increasing. Firm size was negatively related with beta in 2005-2006 but not statistically significant. Larger firms expose to lower risk, this was due to the stability of the firm and image of the firm. While in 2007, beta turned to be positive at confident level of 95 percent. The reason could be larger firm had high complexity of the firm structure comparing with smaller ones. The control of government and state-owned enterprise lower the risk of the firm. While control of foreign ownership led to higher level of risk, this was due to lack of focus from the

management, the choices of investment that could be selected among the countries not just in Thailand.

[Table XVII is here]

Table XVIII discloses the relationship between standard deviation and political connected firms with control variables within 3 years period (2005-2007). The regression uses least square method where dependent variable is STDEV and independent variables are political connection, sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. Standard deviation was a measure of standard deviation for weekly return two-year before the study period.

Coefficient of political connection provides similar result with beta where it was negatively related with standard deviation in 2005 and 2006. Meanwhile, in year 2007 the coefficient turned to positive. Sales to asset, firm size and firm age were negatively related with standard deviation.

[Table XVIII is here]

Table XIX exhibits the relationship between unsystematic risk and political connected firms with control variables within 3 years period (2005-2007). The regression uses least square method where dependent variable is UNSYS and independent variables are political connection, sales to asset, firm size, firm age, government owned, state-owned enterprise and foreign owned. Unsystematic risk is a measure of residual variance of $\sigma^2_{\varepsilon} = \sigma^2_{i} - \beta^2 * \sigma^2_{m}$.

The coefficient of political connection in year 2005 showed the negative relationship with unsystematic risk, statistically significant at 95 percent confident level. Firm size and firm age were negatively related with unsystematic risk. The bigger firms could lower their unsystematic risk. Government owned firm could also reduce unsystematic risk. Foreign owned firm showed negative relationship with unsystematic risk in year 2006 and 2007, this

could represent that foreign partnership had involvement with the firm in order to pass through the instability of political situation.

[Table XIX is here]

VI. CONCLUSION

This paper indicates that Thai stock market reacted to the political events which were the arrival and departure of Thaksin government. The observations were tested using 5 selected events during the period of 2005 and 2007, which were mainly controlled by 2 political regime, TRT regime and Thailand coup regime. Furthermore, this paper presents that there are significant impact from the government control group through firms' performance and risk measurement. The total of 283 sampling firms are tested from year 2005 and 2007, classifying into political connected firms and non-connected firms.

The event study points out negative abnormal return over 3 days before and after the event date. The result implies that either the arrival or departure of TRT government, the investors reacted to the market negatively. The instability of the political situation is a major factor for the investor to make the decision in investment. The impact of political events to the connected firms was also constructed here. The result shows positive abnormal return around the event date. This can be concluded that there is an information asymmetry where the connected firms know the movement of the government prior to the event date.

Comparing the firms' performance between government control, TRT regime and military coup regime, there were differences in all firms' performance and risk measurement. There was a negative relationship on ROA, LEV, MKTS, STDEV and UNSYS with government control. This implied the poorer performance of the firms during military coup government. ROE, Q, and STDEV showed positive relationship during the period of military coup government and negatively correlated in TRT government.

Political connected firm is negatively related with return on assets during 2005-2006 where it positively related in the period of military coup. Return on equity for connected firms is positive once the government is settled in which connected firms adds value to the firm rather than decreasing shareholder value. Political connected firms generate lower Tobin's Q than non-connected firms in 2005-2006 which could be explained that the instability of TRT and investigation from the court being held during this period. Similar to other study, political connected firms reveal higher leverage where they carry more debts than

non-connected firms. Surprisingly, market share of political connected firms in 2005 showed negative relationship, while the positive relationship was shown in 2007.

Through the study of firm's risk, the result in 2005 told that political connected firms is negatively related with beta, statistically significance, indicating that they receive preferential treatment from the government. The same result applies with standard deviation and unsystematic risk.

Implication

Refer to the study, political connection is important to firms and have impact to firm performance and risk measurement.

For regulator, this study provides evidence where regulator should employ rules in order to increase good corporate governance. With a weak law enforces and low transparency where businessman seek for political connection, regulator can apply rules and regulation to encourage good corporate governance. To improve corporate governance, regulators or independent agency can set up the stricter regulations for politicians who want to engage in business both direct and indirect way. Authority and freedom should be given more to independent agency in order to be more effective in coping with firms that violates the laws.

For investor, this study illustrates the influence of political connection on firm's business. In making decision, investor considers corporate strategy and how firm operates according to the good corporate governance policy. Good corporate governance is a practice that management should follow. Furthermore, investor should consider on how firm dealing with business risk according to the risk management policy.

For management, this study review on how shareholders contribute to the firm's value. Better management and strategy driven can maximize firm performance as well as dealing with effective risk management.

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Table I

Event date of testing events of Thai politics

This table reports the event date with description. The event date is the first trading day after the announcement of political change.

Actual date	Event date	Weekday	Event description
February 6, 2005	February 7, 2005 (Event 1)	Monday	General election where victory belongs to Thaksin Shinawatra and TRT.
April 4, 2006	April 4, 2006 (Event 2)	Tuesday	Thaksin announced that he would not accept the post of Prime Minister.
May 23, 2006	May 23, 2006 (Event 3)	Tuesday	Thaksin returned to work as Prime Minister with the objection from many parties.
September 19, 2006	September 19, 2006 (Event 4)	Tuesday	Coup d' etats led by General Sonthi Boonyaratkharin.
May 30, 2007	May 30, 2007 (Event 5)	Wednesday	The constitutional court dissolved the populist of Thai Rak Thai Party, National Development Party, and Thai Ground Party

Table II

Cumulative market model abnormal returns for an event study of the information content of political events

Event day	CAR				
	Event 1	Event 2	Event 3	Event 4	Event 5
-20	0.0012	0.0001	-0.0056***	-0.0021	-0.0012
-19	-0.002	0.0002	-0.0031	0.0008	-0.0017
-18	0.0007	-0.0037*	-0.0032	-0.0006	-0.0074***
-17	0.0005	-0.0032	-0.0007	0.0036	-0.0083**
-16	0.0023	-0.0027	-0.0046	0.0036	-0.0053
-15	0.0032	0.0016	-0.0028	0.004	-0.0066
-14	0.0038	0.0061	-0.0011	0.008**	-0.0039
-13	0.0018	0.0085*	-0.0023	0.0061*	-0.0002
-12	0.0052	0.008	0.0009	0.0063	-0.0047
-11	0.006*	0.012**	0.0053	0.0066	-0.0079
-10	0.0048	0.0234***	0.0051	0.0093**	-0.0108**
-9	-0.0016	0.0207**	0.0065	0.0097*	-0.01*
-8	-0.0033	0.0193**	0.0102	0.0168***	-0.0067
-7	-0.0017	0.0221**	0.0125	0.0242***	-0.0056
-6	-0.0045	0.0284***	0.0137*	0.03***	-0.0036
-5	-0.0051	0.0313***	0.009	0.035***	-0.0033
-4	-0.0044	0.0318***	0.0109	0.034***	-0.0037
-3	-0.0038	0.0336***	0.0149	0.0329***	-0.0021
-2	-0.0047	0.0301**	0.011	0.0325***	-0.0061
-1	-0.0078	0.0294**	-0.0005	0.0325***	-0.0083
0	-0.0222***	0.0286*	-0.0052	0.0287	-0.0114*
1	-0.0188***	0.0219	-0.0097	0.012	-0.0143**
2	-0.0214***	0.0191*	-0.0139	-0.0056	-0.0192*
3	-0.0379***	0.0213*	-0.0122	0.0013	-0.0136
4	-0.0407***	0.0226**	-0.0173	0.005	-0.0095
5	-0.0425***	0.0256**	-0.0222**	0.0069	-0.0075
6	-0.0437***	0.0259**	-0.0344**	0.0068	-0.0048
7	-0.0414***	0.0247	-0.0319*	0.0146	-0.0102
8	-0.0401***	0.0196*	-0.0264**	0.0139*	-0.0105
9	-0.0423***	0.0217*	-0.0317**	0.0202**	-0.0129
10	-0.0463***	0.0217*	-0.0356**	0.0251**	-0.0112
11	-0.0469***	0.0244*	-0.0349**	0.0254**	-0.0138*
12	-0.0519***	0.0211*	-0.0397**	0.0271**	-0.0161
13	-0.0494***	0.0227*	-0.0379***	0.0374**	-0.0128*
14	-0.0492***	0.0252*	-0.0457***	0.038**	-0.0157
15	-0.0494***	0.0242**	-0.0504***	0.0426**	-0.0095
16	-0.0487***	0.0276**	-0.0509***	0.0407**	-0.0045
17	-0.051***	0.0322**	-0.0529***	0.0432**	0.0013
18	-0.0513***	0.0321**	-0.0543***	0.0414**	0.0021
19	-0.0546***	0.0338**	-0.055***	0.0433***	0.0016
20	-0.0584***	0.0375**	-0.0596**	0.0462***	0.0015

* Significance at 10% level.
** Significance at 5% level.
*** Significance at 1% level.

Table III

Cumulative market model abnormal returns for an event study of the information content of political events

Event day	CAR				
	Event 1	Event 2	Event 3	Event 4	Event 5
(-20, 20)	-0.0584***	0.0375**	-0.0596***	0.0462***	0.0015
	(-5.8671)	(2.5027)	(-3.5455)	(2.6597)	(0.144)
(-10, 10)	-0.0535***	0.0079	-0.0431***	0.0175*	-0.0021
	(-7.5581)	(0.7086)	(-3.1936)	(1.7755)	(-0.2992)
(-3, 3)	-0.0335***	-0.0122***	-0.0244**	-0.0347***	-0.0096***
	(-7.0861)	(-2.8036)	(-2.0394)	(-6.0157)	(-2.6409)
(0, 0)	-0.0144***	-0.001	-0.0048***	-0.0041***	-0.0031*
	(-7.0654)	(-0.5463)	(-3.0159)	(-3.1734)	(-1.8502)

t -statistics are in parenthesis
* Significance at 10% level.
** Significance at 5% level.
*** Significance at 1% level.

Table IV

Cumulative market model abnormal returns for an event study of the information content of political events on political connected firms

Event day	CAR				
	Event 1	Event 2	Event 3	Event 4	Event 5
(-20, 20)	-0.0472	0.0489**	0.0014	-0.009	-0.0101
	(-1.3526)	(1.8245)	(0.0561)	(-0.3393)	(-0.346)
(-10, 10)	-0.0565*	0.0135	-0.0151	-0.023*	0.0044
	(-2.2143)	(0.9069)	(-0.7813)	(-1.4137)	(0.2404)
(-3, 3)	-0.0335*	0.011	-0.0171	-0.0626***	0.002
	(-1.841)	(1.0832)	(-1.1743)	(-3.1783)	(0.1664)
(0, 0)	-0.0012	0.0173	0.0044	0.003	0.007
	(-0.0901)	(1.2067)	(0.3372)	(0.3941)	(0.6443)

t -statistics are in parenthesis
* Significance at 10% level.
** Significance at 5% level.
*** Significance at 1% level.

Table V

Classification of connection by type and year

Industry	Non-Connected Firms			Connected Firms								
				Through shareholders			Through management			Both		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Agribusiness	14	13	15	1	2							
Automotive	10	10	10									
Commerce	6	6	6	1	1	1						
Construction Materials	24	24	24	3	2	2		1	1			
Electrical Products and Computer	11	12	12	1								
Electronic Components	6	6	6									
Energy & Utilities	11	10	9		1	2						
Fashion	18	17	19	1	2							
Finance and Securities	8	8	8									
Food and Beverage	18	17	17		1	1						
Health Care Services	9	8	9		1							
Home & Office Products	5	5	5									
Information & Communication Technology	10	11	10	2	2	1	3	2	3	1	1	
Insurance	12	11	10		1	2						
Machinary and Equipment	2	2	2									
Media & Publishing	7	7	7	2	2		1	1	2	1	1	
Mining	1				1	1						
Packaging	13	13	13									
Paper & Printing Materials	2	2	2									
Personal Products & Pharmaceuticals	4	4	4									
Petrochemicals & Chemicals	8	8	9	1	1							
Printing and Publishing	6	3	4		3	2						
Professional Services	1	1	2	1	1							
Property Development	35	33	34	2	4	2	2	2	2	1	1	
Tourism & Leisure	6	6	7	1	1							
Transportation & Logistics	7	7	8	1	1							
Total	254	244	252	17	27	14	6	6	8	3	3	0

Table VI

Descriptive statistics of firm characteristic

This table presents summary statistic for characteristic of selected firms in this study. The sampling firm is 283 firms which listed in Stock Exchange of Thailand (SET) during period of 2005 to 2007.

	All Firms		Non-connected firms		Connected firms	
	Mean	Median	Mean	Median	Mean	Median
Total assets[a] (mn Bht)	14400	2970	12700	2820	33900	6280
Total liabilities[b] (mn Bht)	7640	1240	6760	1170	17400	2440
Market cap[c] (mn Bht)	12800	1670	11000	1620	32800	3310
Firm age[d] (year)	31.21	26.74	31.44	26.88	28.69	23.00
Firm size[e]	22.03	21.81	21.98	21.76	22.57	22.56
Sales to asset[f]	0.93	0.85	0.94	0.85	0.85	0.86
ROA[g]	7.44%	7.57%	7.40%	7.50%	7.87%	8.15%
ROE[h]	1.48%	9.49%	0.95%	9.35%	7.36%	11.38%
Tobin's Q[i]	1.22	0.97	1.21	0.97	1.34	1.01
Market share[j]	6.20%	2.15%	5.71%	2.09%	11.72%	2.94%
Leverage[k]	0.12	0.06	0.12	0.06	0.14	0.11
Beta[l]	-0.21	-0.05	-0.17	-0.06	-0.66	-0.01
Standard Deviation[m]	0.11	0.08	0.11	0.08	0.11	0.10
Unsystematic risk[n]	0.04	0.01	0.04	0.01	0.01	0.01

a. Total asset is the book value of firm's assets at the end of year
b. Total liabilities is the book value of firm's liabilities at the end of year
c. Market cap is the firm's total market capitalization at the end of the year
d. Firm age is the number of years since firm is incorporated
e. Firm size is the natural log of firm's total assets
f. Sales to asset is the ratio of sales divide by total assets
g. ROA is the ratio of earnings before interest and tax (EBIT) divide by total assets
h. ROE is the ratio of net profit divide by common equity
i. Tobin's Q is the ratio of market value of equity plus the book value of liabilities divide by the book value of total assets
j. Market share is the ratio of firm's sales to total market sales
k. Leverage is the ratio of long-term debts divide by the product of book value of liabilities and market value of equity
l. Beta is measured by market model with weekly stock return and market premium
m. Standard deviation is the standard deviation of weekly stock return for the firm
n. Unsystematic risk is the residual variance of $\sigma^2_{\varepsilon} = \sigma^2_{i} - \beta^2 * \sigma^2_{m}$

Table VII

Correlation Matrix

This table presents the correlation among variables used in the regression. PCON is dummy variable where 1 equals to political connection through major shareholder or board of director and otherwise 0. ROA is the ratio of earnings before interest and tax (EBIT) divide by total assets. ROE is the ratio of net profit divide by common equity. Q is the ratio of market value of equity plus the book value of liabilities divide by the book value of total assets. MKTS is the ratio of firm's sales to total market sales. LEV is the ratio of long-term debts divide by the product of book value of liabilities and market value of equity. BETA is measured by market model with weekly stock return and market premium. STDEV is the standard deviation of weekly stock return for the firm. UNSYS is the residual variance of $\sigma^2_\varepsilon = \sigma^2_i - \beta^2 * \sigma^2_m$. STA is defined as sales divide by total assets. AGE is the number of years since firm is incorporated. SIZE is the natural log of firm's total assets. GOV is the dummy variable where 1 equals to government ownership with minimum of 10 percent holding and 0 otherwise. SOE is the dummy variable where 1 equals to state ownership with minimum of 10 percent holding and 0 otherwise. FOREI is the dummy variable where 1 equals to foreign ownership with minimum of 10 holding and 0 otherwise.

	PCON	ROA	ROE	Q	MKTS	LEV	BETA	STDEV	UNSYS	STA	AGE	SIZE	GOV	SOE	FOREI
PCON	1														
ROA	0.0143	1													
ROE	0.0100	0.1185	1												
Q	0.0145	0.1027	0.0046	1											
MKTS	0.1358	0.1615	-0.0108	0.0308	1										
LEV	0.0414	-0.1442	-0.1053	-0.0679	0.0004	1									
BETA	-0.0218	0.0492	-0.0087	0.0226	-0.0078	-0.0772	1								
STDEV	-0.0033	-0.1937	-0.0254	0.2806	-0.0027	0.0130	-0.0032	1							
UNSYS	-0.0095	-0.0983	-0.0095	0.1095	0.0332	0.0211	-0.1698	0.8791	1						
STA	-0.0331	0.1750	0.0399	0.0178	0.1854	-0.2227	0.0314	-0.0502	-0.0229	1					
AGE	-0.0384	-0.0187	0.0314	-0.0413	0.0573	-0.1754	-0.0072	-0.0672	-0.0169	0.1476	1				
SIZE	0.1152	0.1776	-0.0623	0.0354	0.4604	0.3006	0.0177	-0.0293	0.0030	-0.0586	-0.0173	1			
GOV	0.0981	0.0836	0.0149	0.0059	0.2790	0.0968	0.0225	-0.0144	-0.0088	-0.0700	-0.0725	0.2240	1		
SOE	0.0350	0.0753	0.0144	0.0068	0.0689	0.0730	0.0019	-0.0196	-0.0061	-0.0113	-0.0098	0.1807	0.5260	1	
FOREI	0.0234	0.0578	0.0476	0.0285	0.0776	0.0311	0.0469	-0.0674	-0.0510	-0.0076	0.0980	0.1953	0.1649	0.1327	1

Table VIII

Regression result of the relationship between government control with dependent variables which are return on assets (ROA), return on equity (ROE), Tobin's Q (Q), leverage (LEV), market share (MKTS), beta (BETA), standard deviation (STDEV) and unsystematic risk (UNSYS)

This table represents regression results using the following model:

$$ROA_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$ROE_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$Q_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$LEV_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$MKTS_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$BETA_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$STDEV_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$UNSYS_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variables							
	ROA[a]	ROE[b]	Q[c]	LEV[d]	MKTS[e]	BETA[f]	STDEV[g]	UNSYS[h]
Constant	-0.5021***	-1.9188***	-28.5458***	0.403***	-0.2078***	57.5357***	-0.0654	-0.4095
	(-18.4742)	(-3.1808)	(-10.126)	(2.728)	(-11.7801)	(13.8978)	(-0.3286)	(-0.802)
Year[i]	-0.0036***	0.0467***	0.1686***	-0.0038***	-0.0033***	-0.0564***	0.0717***	0.0515***
	(-19.9599)	(23.2233)	(23.9283)	(-3.9016)	(-10.5052)	(-3.5947)	(143.6805)	(9.7573)
Sales to asset[j]	0.0747***	0.1425***	-0.3475***	-0.02***	0.0177***	1.7964***	-0.0484***	-0.0893***
	(27.7011)	(7.1434)	(-3.3296)	(-8.154)	(10.1278)	(9.962)	(-4.6484)	(-6.4518)
Firm size[k]	0.0274***	0.1024***	1.5756***	-0.0006	0.0126***	-3.9366***	0.0661***	0.0629**
	(20.1826)	(3.6524)	(11.058)	(-0.0797)	(18.0733)	(-23.8051)	(6.2728)	(2.2021)
Firm age[l]	-0.0028***	-0.0149***	-0.1549***	-0.0083***	-0.0008***	0.8491***	-0.0412***	-0.0282***
	(-17.2911)	(-15.9941)	(-17.6336)	(-48.1648)	(-14.7892)	(67.8044)	(-44.8653)	(-7.099)
Government[m]	0.0129	-0.0245*	0.4966***	-0.0445	0.0021	14.4815**	-0.0728**	-0.1388***
	(0.4165)	(-1.883)	(2.7188)	(-0.8377)	(1.3143)	(2.0982)	(-2.1716)	(-3.4453)
State-owned enterprise[n]	-0.0002	-0.0269	-0.8124***	0.0405***	0.0313***	0.5656***	-0.0153***	-0.0022
	(-0.0291)	(-1.3626)	(-3.7984)	(7.8102)	(13.8571)	(5.7655)	(-2.7553)	(-0.2722)
Foreign[o]	-0.0103***	-0.0354***	0.1846***	0.014***	0.0003**	0.4556***	0.0045	-0.0025
	(-42.261)	(-8.7907)	(3.5035)	(8.188)	(2.4017)	(3.0782)	(1.0649)	(-0.4935)
Adjusted R-squared	0.954	0.7641	0.9922	0.9678	0.9982	0.8338	0.7031	0.4272
Prob(F-statistic)	0	0	0	0	0	0	0	0
Durbin-Watson stat	2.8097	2.7503	2.8194	2.362	2.4356	2.8788	3.2558	3.8611

a. ROA is the ratio of earnings before interest and tax (EBIT) divide by total assets.
b. ROE is the ratio of net profit divide by common equity.
c. Q is the ratio of market value of equity plus the book value of liabilities divide by the book value of total assets.
d. LEV is the ratio of long-term debts divide by the product of book value of liabilities and market value of equity.
e. MKTS is the ratio of firm's sales to total market sales.
f. BETA is measured by market model with weekly stock return and market premium.
g. STDEV is the standard deviation of weekly stock return for the firm.
h. UNSYS is the residual variance of $\sigma^2_{\varepsilon} = \sigma^2_{i} - \beta^2 * \sigma^2_{m}$.
i. Year is a dummy variable where equal to 1 if firm operates in 2006 and 2007 where military coup is the government and 0 if firm operates in 2005 where TRT is the government.
j. Sale to asset is the ratio of sales divide by total assets.
k. Firm size is the natural log of firm's total assets.
l. Firm age is the number of years since firm is incorporated.
m. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
n. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
o. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table IX

Regression result of the relationship between government control, political connection, and dependent variables which are return on assets (ROA), return on equity (ROE), Tobin's Q (Q), leverage (LEV), market share (MKTS), beta (BETA), standard deviation (STDEV) and unsystematic risk (UNSYS)

This table represents regression results using the following model:

$$ROA_{it} = B_0 + B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

$$ROE_{it} = B_0 + B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

$$Q_{it} = B_0 + B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

$$LEV_{it} = B_0 + B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

$$MKTS_{it} = B_0 + B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

$$BETA_{it} = B_0 + B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

$$STDEV_{it} = B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

$$UNSYS_{it} = B_1YEAR + B_2PCON + B_3STA + B_4AGE + B_5GOV + B_6SOE + B_7FOREI + \varepsilon_{it}$$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent Variables							
	ROA[a]	ROE[b]	Q[c]	LEV[d]	MKTS[e]	BETA[f]	STDEV[g]	UNSYS[h]
Constant	-0.5099***	-2.0957***	-27.6871***	0.3697***	-0.2181***	58.1291***	-0.0486	-0.4073
	(-18.5981)	(-3.4091)	(-8.3756)	(2.6835)	(-10.8947)	(14.8707)	(-0.2231)	(-0.8168)
Year[i]	-0.0035***	0.0496***	0.1722***	-0.0046***	-0.0031***	-0.0211	0.0732***	0.0516***
	(-23.4156)	(12.471)	(28.8268)	(-4.0691)	(-8.7407)	(-1.0155)	(217.8476)	(9.5385)
Political connection[j]	-0.0001	-0.0221	-0.0025	0.0056**	0.0009*	-0.5969***	-0.0181***	-0.0045*
	(-0.0643)	(-1.624)	(-0.236)	(2.1441)	(1.9327)	(-3.3604)	(-9.0677)	(-1.8322)
Sales to asset[k]	0.075***	0.1536***	-0.3582***	-0.0205***	0.0174***	1.8686***	-0.0478***	-0.0893***
	(24.5705)	(8.6145)	(-3.472)	(-7.3525)	(12.0168)	(10.083)	(-4.5375)	(-6.5016)
Firm size[l]	0.0279***	0.1114***	1.5413***	0.0005	0.0132***	-3.9639***	0.0664***	0.0629**
	(19.0681)	(3.8605)	(9.3684)	(0.0767)	(17.0678)	(-27.8972)	(5.8075)	(2.2269)
Firm age[m]	-0.003***	-0.0158***	-0.1582***	-0.0078***	-0.0008***	0.8484***	-0.0419***	-0.0283***
	(-14.0717)	(-17.4185)	(-17.9277)	(-49.6661)	(-12.2713)	(37.913)	(-46.4233)	(-6.9002)
Government[n]	0.0129	-0.0232*	0.4875***	-0.0445	0.002	14.4761**	-0.0724**	-0.1391***
	(0.417)	(-1.7055)	(2.7382)	(-0.8421)	(1.3164)	(2.0991)	(-2.1465)	(-3.4178)
State-owned enterprise[o]	-0.0004	-0.0294	-0.8358***	0.0404***	0.0312***	0.7816***	-0.0146***	-0.0018
	(-0.051)	(-1.4535)	(-4.0295)	(7.6662)	(13.8076)	(3.1211)	(-2.7417)	(-0.21)
Foreign[p]	-0.0103***	-0.0374***	0.1973***	0.0106***	0.0002	0.4289**	0.0029	-0.0004
	(-54.6892)	(-7.008)	(3.9776)	(5.5236)	(0.935)	(2.2775)	(0.5405)	(-0.0612)
Adjusted R-squared	0.952	0.7746	0.9926	0.9633	0.9983	0.8625	0.7109	0.4293
Prob(F-statistic)	0	0	0	0	0	0	0	0
Durbin-Watson stat	2.8084	2.7541	2.855	2.3684	2.4353	2.8772	3.2535	3.8549

a. ROA is the ratio of earnings before interest and tax (EBIT) divide by total assets.
b. ROE is the ratio of net profit divide by common equity.
c. Q is the ratio of market value of equity plus the book value of liabilities divide by the book value of total assets.
d. LEV is the ratio of long-term debts divide by the product of book value of liabilities and market value of equity.
e. MKTS is the ratio of firm's sales to total market sales.
f. BETA is measured by market model with weekly stock return and market premium.
g. STDEV is the standard deviation of weekly stock return for the firm.
h. UNSYS is the residual variance of $\sigma^2_\varepsilon = \sigma^2_i - \beta^2 * \sigma^2_m$.
i. Year is a dummy variable where equal to 1 if firm operates in 2006 and 2007 where military coup is the government and 0 if firm operates in 2005 where TRT is the government.
j. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
k. Sale to asset is the ratio of sales divide by total assets.
l. Firm size is the natural log of firm's total assets.
m. Firm age is the number of years since firm is incorporated.
n. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
o. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
p. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table X

Regression result of the relationship, examined on political connected firms, between government control with dependent variables which are return on assets (ROA), return on equity (ROE), Tobin's Q (Q), leverage (LEV), market share (MKTS), beta (BETA), standard deviation (STDEV) and unsystematic risk (UNSYS)

This table represents regression results using the following model:

$ROA_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

$ROE_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

$Q_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

$LEV_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

$MKTS_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

$BETA_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

$STDEV_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

$UNSYS_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent Variables							
	ROA[a]	ROE[b]	Q[c]	LEV[d]	MKTS[e]	BETA[f]	STDEV[g]	UNSYS[h]
Constant	-0.425*	-0.6222**	-2.7506*	-0.5081**	-1.1338***	-9.7831***	0.1116	0.0034
	(-1.9346)	(-2.0573)	(-1.9426)	(-2.3529)	(-3.2696)	(-3.4641)	(1.1839)	(0.1288)
Year[i]	0.0044	-0.0095	0.2755	-0.049	0.0405	1.9413***	0.0318**	0.0103**
	(0.1813)	(-0.237)	(1.0757)	(-1.1376)	(0.9727)	(4.2901)	(2.1785)	(2.3016)
Sales to asset[j]	0.0403**	0.0612**	0.2054	-0.0266	0.1137**	0.0758	0.0033	-0.0014
	(2.1972)	(2.2334)	(1.4362)	(-0.7853)	(2.5162)	(0.2755)	(0.4535)	(-0.6388)
Firm size[k]	0.0218**	0.0286**	0.1943***	0.0323***	0.0494***	0.375***	-0.0005	0.0007
	(2.2534)	(2.1464)	(2.6866)	(3.0715)	(3.1766)	(3.0312)	(-0.0955)	(0.4737)
Firm age[l]	-0.0005	-0.0005	-0.0081*	-0.0008	0.0002	-0.0133	0.0001	0.0001
	(-1.0086)	(-0.4688)	(-1.9621)	(-1.0015)	(0.1469)	(-1.143)	(0.1565)	(0.3297)
Government[m]	0.0248	0.0689	-0.2568	0.0055	0.2186	-0.8908	-0.0028	-0.0035
	(0.7346)	(1.3374)	(-1.042)	(0.0877)	(1.056)	(-0.744)	(-0.2071)	(-1.1658)
State-owned enterprise[n]	-0.0048	-0.0195	-0.3878	-0.0429	-0.0818	0.6766	-0.0404***	-0.0084***
	(-0.1201)	(-0.4485)	(-1.4766)	(-0.7417)	(-0.284)	(0.9473)	(-3.1323)	(-3.1067)
Foreign[o]	-0.0166	0.0247	-0.5775	-0.0045	-0.0109	-0.5583	-0.0372*	-0.0144*
	(-0.4438)	(0.4278)	(-1.4806)	(-0.1057)	(-0.4517)	(-1.2044)	(-1.7985)	(-1.8359)
Adjusted R-squared	0.0722	0.0828	0.0345	0.083	0.3313	0.2266	0.0465	0.0512
Prob(F-statistic)	0.1023	0.0792	0.2346	0.0788	0.0001	0.0011	0.1827	0.1652
Durbin-Watson stat	1.5463	1.4028	0.9749	1.0875	1.3454	2.0975	1.9762	2.2024

a. ROA is the ratio of earnings before interest and tax (EBIT) divide by total assets.
b. ROE is the ratio of net profit divide by common equity.
c. Q is the ratio of market value of equity plus the book value of liabilities divide by the book value of total assets.
d. LEV is the ratio of long-term debts divide by the product of book value of liabilities and market value of equity.
e. MKTS is the ratio of firm's sales to total market sales.
f. BETA is measured by market model with weekly stock return and market premium.
g. STDEV is the standard deviation of weekly stock return for the firm.
h. UNSYS is the residual variance of $\sigma^2_{\varepsilon} = \sigma^2_{i} - \beta^2 * \sigma^2_{m}$.
i. Year is a dummy variable where equal to 1 if firm operates in 2006 and 2007 where military coup is the government and 0 if firm operates in 2005 where TRT is the government.
j. Sale to asset is the ratio of sales divide by total assets.
k. Firm size is the natural log of firm's total assets.
l. Firm age is the number of years since firm is incorporated.
m. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
n. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
o. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XI

Regression result of the relationship, examined on non-political connected firms, between government control with dependent variables which are return on assets (ROA), return on equity (ROE), Tobin's Q (Q), leverage (LEV), market share (MKTS), beta (BETA), standard deviation (STDEV) and unsystematic risk (UNSYS)

This table represents regression results using the following model:

$$ROA_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$ROE_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$Q_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$LEV_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$MKTS_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$BETA_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$STDEV_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

$$UNSYS_{it} = B_0 + B_1YEAR + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_{it}$$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent Variables							
	ROA[a]	ROE[b]	Q[c]	LEV[d]	MKTS[e]	BETA[f]	STDEV[g]	UNSYS[h]
Constant	-0.1522***	2.2498	0.2369	-0.4554***	-0.77***	-1.7158	0.2022**	-0.0712
	(-2.8675)	(0.8264)	(0.2552)	(-5.2959)	(-9.0141)	(-0.8293)	(2.4165)	(-0.2868)
Year[i]	-0.0086	0.1537	0.1397	-0.0216**	-0.0139*	0.911**	0.0199	0.0473
	(-1.3764)	(0.7958)	(0.9919)	(-2.0344)	(-1.8846)	(2.5067)	(1.6275)	(0.9747)
Sales to asset[j]	0.0229***	0.0874*	0.0867	-0.0383***	0.0308***	0.3494	-0.013***	-0.0279*
	(5.8752)	(1.6698)	(1.0185)	(-6.2896)	(5.5142)	(1.0418)	(-2.822)	(-1.9466)
Firm size[k]	0.0097***	-0.1192	0.0396	0.0301***	0.0364***	0.0177	-0.0029	0.0081
	(4.0787)	(-0.8339)	(1.0204)	(7.6646)	(9.343)	(0.1766)	(-0.7225)	(0.5964)
Firm age[l]	-0.0002	0.0021	-0.0057*	-0.0011***	0.0005**	-0.0052	-0.0007***	-0.0005
	(-1.0382)	(1.0863)	(-1.8351)	(-5.4999)	(2.2703)	(-0.5758)	(-3.4608)	(-0.8513)
Government[m]	0.0117	0.1747	-0.1014	0.0005	0.1567**	1.319	-0.0033	-0.0276
	(0.8333)	(0.8931)	(-0.5294)	(0.013)	(2.3034)	(0.6627)	(-0.1981)	(-1.1291)
State-owned enterprise[n]	0.0174	0.1407	0.0669	0.03	-0.1164	-1.2789	-0.0048	0.0117
	(1.112)	(1.1404)	(0.5366)	(0.5542)	(-1.5629)	(-0.9524)	(-0.2787)	(0.6833)
Foreign[o]	0.0049	0.2066	0.1805	-0.0043	-0.0121**	0.6314	-0.0225	-0.0923
	(0.7408)	(1.0327)	(1.0093)	(-0.4249)	(-2.0815)	(1.3116)	(-1.2834)	(-1.205)
Adjusted R-squared	0.0549	0.0041	-0.0044	0.1514	0.301	0.0004	0.0037	-0.0048
Prob(F-statistic)	0	0.1829	0.8218	0	0	0.4004	0.2	0.8501
Durbin-Watson stat	1.0319	1.9793	1.8653	0.9304	1.1565	2.0071	1.8446	1.9987

a. ROA is the ratio of earnings before interest and tax (EBIT) divide by total assets.
b. ROE is the ratio of net profit divide by common equity.
c. Q is the ratio of market value of equity plus the book value of liabilities divide by the book value of total assets.
d. LEV is the ratio of long-term debts divide by the product of book value of liabilities and market value of equity.
e. MKTS is the ratio of firm's sales to total market sales.
f. BETA is measured by market model with weekly stock return and market premium.
g. STDEV is the standard deviation of weekly stock return for the firm.
h. UNSYS is the residual variance of $\sigma^2_\varepsilon = \sigma^2_i - \beta^2 * \sigma^2_m$.
i. Year is a dummy variable where equal to 1 if firm operates in 2006 and 2007 where military coup is the government and 0 if firm operates in 2005 where TRT is the government.
j. Sale to asset is the ratio of sales divide by total assets.
k. Firm size is the natural log of firm's total assets.
l. Firm age is the number of years since firm is incorporated.
m. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
n. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
o. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XII

Regression result of the relationship between political connection and return on total assets (ROA)

This table represents regression results among 2005 to 2007 using the following model:

$ROA_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: ROA[a]		
	2005	2006	2007
Constant	-0.1775**	-0.1964**	-0.1864*
	(-2.0646)	(-2.1048)	(-1.9615)
Political Connection[b]	-0.0109	-0.0066	0.0117
	(-0.7299)	(-0.3109)	(0.3727)
Sales to asset[c]	0.0232***	0.0243***	0.0244***
	(3.8238)	(3.5564)	(3.5169)
Firm size[d]	0.011***	0.0111***	0.0109**
	(2.8381)	(2.7451)	(2.5563)
Firm age[e]	-0.0003	-0.0002	-0.0002
	(-1.2312)	(-0.5639)	(-0.4704)
Government[f]	0.007	0.0469*	0.0012
	(0.3287)	(1.9575)	(0.0669)
State-owned enterprise[g]	0.0248	-0.014	0.0293
	(1.3386)	(-0.561)	(1.185)
Foreign[h]	0.003	0.0124	-0.0032
	(0.2951)	(0.9991)	(-0.267)
Adjusted R-squared	0.0552	0.0539	0.0490
Prob(F-statistic)	0.0020	0.0023	0.0040
Durbin-Watson stat	1.8668	2.0426	1.9685

a. ROA is the ratio of earnings before interest and tax (EBIT) divide by total assets.
b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
c. Sales to asset is the ratio of sales divide by total assets.
d. Firm size is the natural log of firm's total assets.
e. Firm age is the number of years since firm is incorporated.
f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XIII

Regression result of the relationship between political connection and return on total equity (ROE)

This table represents regression results among 2005 to 2007 using the following model:

$ROE_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: ROE[a]		
	2005	2006	2007
Constant	6.9615	-0.4746**	-0.6206***
	(0.9448)	(-2.1439)	(-3.2954)
Political Connection[b]	0.3765	-0.0223	0.0109
	(0.8739)	(-0.6664)	(0.2079)
Sales to asset[c]	0.174	0.0434***	0.0297*
	(1.2507)	(3.8482)	(1.8868)
Firm size[d]	-0.3511	0.0224**	0.0288***
	(-0.9465)	(2.2457)	(3.4573)
Firm age[e]	0.0052	0.0003	0.0004
	(0.9451)	(0.5387)	(0.7781)
Government[f]	0.6784	0.0937***	0.009
	(0.884)	(2.6718)	(0.2604)
State-owned enterprise[g]	0.1835	-0.0262	0.0418
	(0.548)	(-0.7964)	(1.3091)
Foreign[h]	0.5296	0.0123	-0.0071
	(1.0466)	(0.4614)	(-0.2377)
Adjusted R-squared	0.0083	0.0404	0.0198
Prob(F-statistic)	0.2331	0.0103	0.0848
Durbin-Watson stat	1.0673	2.0539	1.9417

a. ROE is the ratio of net profit divide by common equity.
b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
c. Sales to asset is the ratio of sales divide by total assets.
d. Firm size is the natural log of firm's total assets.
e. Firm age is the number of years since firm is incorporated.
f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XIV

Regression result of the relationship between political connection and Tobin's Q (Q)

This table represents regression results among 2005 to 2007 using the following model:

$Q_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: Q[a]		
	2005	2006	2007
Constant	-1.4059**	1.5147	0.1463
	(-2.2461)	(0.6464)	(0.1092)
Political Connection[b]	-0.0315	-0.0657	0.2701
	(-0.1777)	(-0.1835)	(0.934)
Sales to asset[c]	0.2123***	-0.03	0.0898
	(4.3877)	(-0.1388)	(1.1859)
Firm size[d]	0.1091***	-0.0049	0.0533
	(3.8268)	(-0.0543)	(1.0124)
Firm age[e]	-0.0028	-0.0108	-0.0039
	(-1.5346)	(-1.3841)	(-1.5114)
Government[f]	0.0397	-0.3278	-0.0681
	(0.1554)	(-0.9438)	(-0.5481)
State-owned enterprise[g]	-0.0644	-0.0938	0.205
	(-0.3783)	(-0.4221)	(0.8861)
Foreign[h]	0.0401	0.5353	-0.1669
	(0.5281)	(1.0621)	(-1.1801)
Adjusted R-squared	0.0810	-0.0187	-0.0031
Prob(F-statistic)	0.0001	0.9681	0.5236
Durbin-Watson stat	1.9711	2.0198	1.9602

a. Q is the ratio of market value of equity plus the book value of liabilities divide by the book value of total assets.
b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
c. Sales to asset is the ratio of sales divide by total assets.
d. Firm size is the natural log of firm's total assets.
e. Firm age is the number of years since firm is incorporated.
f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XV

Regression result of the relationship between political connection and leverage (LEV)

This table represents regression results among 2005 to 2007 using the following model:

$LEV_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: LEV[a]		
	2005	2006	2007
Constant	-0.3918**	-0.5062***	-0.5352***
	(-2.5431)	(-3.6683)	(-4.4421)
Political Connection[b]	0.03	0.0111	-0.0373
	(0.8255)	(0.3876)	(-1.3454)
Sales to asset[c]	-0.0442***	-0.035***	-0.0335***
	(-3.8488)	(-3.2235)	(-3.5355)
Firm size[d]	0.028***	0.0312***	0.0318***
	(3.9954)	(4.8266)	(5.5354)
Firm age[e]	-0.0014***	-0.001***	-0.0008**
	(-4.0983)	(-3.1029)	(-2.2694)
Government[f]	-0.0053	-0.0099	0.0264
	(-0.0828)	(-0.1757)	(0.7887)
State-owned enterprise[g]	0.0835	0.0502	-0.0741**
	(1.1315)	(0.5425)	(-2.3701)
Foreign[h]	-0.0104	-0.0005	-0.0015
	(-0.5651)	(-0.0267)	(-0.0935)
Adjusted R-squared	0.1318	0.1435	0.1584
Prob(F-statistic)	0.0000	0.0000	0.0000
Durbin-Watson stat	1.9846	1.9112	1.9627

a. LEV is the ratio of long-term debts divide by the product of book value of liabilities and market value of equity.
b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
c. Sales to asset is the ratio of sales divide by total assets.
d. Firm size is the natural log of firm's total assets.
e. Firm age is the number of years since firm is incorporated.
f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XVI

Regression result of the relationship between political connection and market share (MKTS)

This table represents regression results among 2005 to 2007 using the following model:

$MKTS_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: MKTS[a]		
	2005	2006	2007
Constant	-0.7895***	-0.8437***	-0.8325***
	(-5.0845)	(-5.5702)	(-6.7969)
Political Connection[b]	-0.0102	0.0275	0.0778*
	(-0.3194)	(0.9471)	(1.6858)
Sales to asset[c]	0.0367***	0.034***	0.0426***
	(3.5801)	(3.3063)	(3.3269)
Firm size[d]	0.0368***	0.039***	0.0382***
	(5.2267)	(5.663)	(6.8102)
Firm age[e]	0.0005	0.0004	0.0003
	(1.3805)	(1.2313)	(0.877)
Government[f]	0.2279*	0.1566	0.1535
	(1.8183)	(1.2262)	(1.2932)
State-owned enterprise[g]	-0.2223**	-0.0719	-0.0886
	(-2.2058)	(-0.508)	(-0.574)
Foreign[h]	-0.0065	-0.0099	-0.0113
	(-0.5581)	(-1.1218)	(-1.1462)
Adjusted R-squared	0.2844	0.3105	0.3614
Prob(F-statistic)	0.0000	0.0000	0.0000
Durbin-Watson stat	2.1440	2.1548	2.2155

a. MKTS is the ratio of firm's sales to total market sales.
b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
c. Sales to asset is the ratio of sales divide by total assets.
d. Firm size is the natural log of firm's total assets.
e. Firm age is the number of years since firm is incorporated.
f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XVII

Regression result of the relationship between political connection and beta (BETA)

This table represents regression results among 2005 to 2007 using the following model:

$BETA_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: BETA[a]		
	2005	2006	2007
Constant	-0.7854	-0.9248	-2.1293*
	(-0.4233)	(-0.1556)	(-1.9462)
Political Connection[b]	-1.3008***	-0.9574	0.3734*
	(-2.9949)	(-1.1979)	(1.7925)
Sales to asset[c]	0.0334	0.9373	-0.1533
	(0.2063)	(1.1323)	(-1.5571)
Firm size[d]	-0.0015	-0.029	0.1264**
	(-0.0178)	(-0.1104)	(2.5358)
Firm age[e]	-0.0004	-0.0123	-0.0046
	(-0.0584)	(-0.5356)	(-1.4647)
Government[f]	-0.0612	3.3011	-0.8127
	(-0.0754)	(0.7794)	(-1.0259)
State-owned enterprise[g]	-0.0483	-3.0117	0.8641
	(-0.0522)	(-1.1581)	(1.3292)
Foreign[h]	0.022	1.4956	0.1078
	(0.0974)	(1.1282)	(0.8398)
Adjusted R-squared	0.0092	-0.0125	0.0524
Prob(F-statistic)	0.2164	0.8316	0.0027
Durbin-Watson stat	1.9651	2.0351	2.0415

a. BETA is measured by market model with weekly stock return and market premium.
b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
c. Sales to asset is the ratio of sales divide by total assets.
d. Firm size is the natural log of firm's total assets.
e. Firm age is the number of years since firm is incorporated.
f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XVIII

Regression result of the relationship between political connection and standard deviation (STDEV)

This table represents regression results among 2005 to 2007 using the following model:

$STDEV_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: STDEV[a]		
	2005	2006	2007
Constant	0.1106	0.2715	0.23***
	(1.4416)	(1.4053)	(2.9569)
Political Connection[b]	-0.0106	-0.0121	0.0072
	(-1.0364)	(-0.4817)	(0.5846)
Sales to asset[c]	-0.004	-0.0258**	-0.0046
	(-0.6671)	(-2.3903)	(-1.0751)
Firm size[d]	-0.0001	-0.0018	-0.0056*
	(-0.0025)	(-0.1885)	(-1.6753)
Firm age[e]	-0.0004	-0.0011**	-0.0004
	(-1.5805)	(-2.5782)	(-1.6442)
Government[f]	-0.0137	-0.0133	0.014
	(-0.912)	(-0.5336)	(0.5142)
State-owned enterprise[g]	0.012	-0.0195	-0.0203
	(0.3713)	(-0.8402)	(-0.803)
Foreign[h]	-0.0003	-0.0613	-0.0057
	(-0.0255)	(-1.3017)	(-0.6439)
Adjusted R-squared	-0.0127	-0.0049	0.0057
Prob(F-statistic)	0.8376	0.5830	0.2860
Durbin-Watson stat	1.9042	1.9374	1.8850

a. STDEV is the standard deviation of weekly stock return for the firm.
b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.
c. Sales to asset is the ratio of sales divide by total assets.
d. Firm size is the natural log of firm's total assets.
e. Firm age is the number of years since firm is incorporated.
f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.
g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.
h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.

Table XIX

Regression result of the relationship between political connection and unsystematic risk (UNSYS)

This table represents regression results among 2005 to 2007 using the following model:

$UNSYS_i = B_0 + B_1PCON + B_2STA + B_3AGE + B_4GOV + B_5SOE + B_6FOREI + \varepsilon_i$

The regression result estimated by using least square method with white heteroskedasticity-consistent standard errors and covariance. The figures are coefficient estimates, t-values are reported in parentheses. *, **, *** denote significance at 10, 5, and 1 percent levels respectively.

Variables	Dependent variable: UNSYS[a]		
	2005	2006	2007
Constant	0.0395	-0.277	0.0924**
	(1.2625)	(-0.4415)	(2.2171)
Political Connection[b]	-0.0056**	-0.0823	0.0008
	(-2.5484)	(-0.8741)	(0.2312)
Sales to asset[c]	-0.0024	-0.0649*	-0.0023
	(-1.0789)	(-1.7398)	(-1.3634)
Firm size[d]	-0.001	0.0284	-0.0034*
	(-0.7003)	(0.7477)	(-1.9522)
Firm age[e]	-0.0002	-0.001	-0.0002
	(-1.4411)	(-0.6606)	(-1.5957)
Government[f]	-0.0037	-0.0601	0.0043
	(-0.8767)	(-1.0489)	(0.5081)
State-owned enterprise[g]	0.0055	0.007	-0.0039
	(0.5748)	(0.153)	(-0.493)
Foreign[h]	0.0005	-0.2556	-0.0012
	(0.1358)	(-1.1987)	(-0.2701)
Adjusted R-squared	-0.0097	-0.0149	0.0058
Prob(F-statistic)	0.7427	0.8965	0.2853
Durbin-Watson stat	1.9629	1.9929	1.8818

a. UNSYS is the residual variance of $\sigma^2_\varepsilon = \sigma^2_i - \beta^2 * \sigma^2_m$.

b. Political connection is a dummy variable where equal to 1 if firm has political connection through major shareholder or board of director and 0 otherwise.

c. Sales to asset is the ratio of sales divide by total assets.

d. Firm size is the natural log of firm's total assets.

e. Firm age is the number of years since firm is incorporated.

f. Government is a dummy variable where equal 1 if firm has a government holding of at least 10 percent and 0 otherwise.

g. State-owned enterprise is a dummy variable where equal 1 if firm has a state holding at least 10 percent and 0 otherwise.

h. Foreign is a dummy variable where equal 1 if firm has a foreign ownership of at least 10 percent and 0 otherwise.