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**Determinants of Bank Lending in Thailand: An Empirical Examination for the Years 1992 to 1996**

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Thailand experienced some of the world's fastest economic growth rates over the past four decades until the 1997 Baht devaluation and subsequent financial crisis. The dramatic financial collapse has raised doubts about the general efficiency of the Thai financial system. Until now, empirical knowledge about the lending process or behaviour in emerging markets has been extremely thin due to the lack of appropriate and reliable data. This study, which uses micro level bank data, examines systematic analysis of risk, relationships, and other factors in Thai bank lending decisions to assess the pre-crisis health of the lending process. Specifically, it investigates factors that affect interest rates, degree of lending volume and collateral setting in the loan decision of Thai banks between 1992 and 1996. The results show that Thai banks' lending decisions follow a similar manner as in developed countries. There are sufficient systematic structures in place, not chaos as speculated by many. Thai banks partly consider borrower's risk in their lending decision, especially the degree of lending volume but do not make use of these risk indicators in the pricing of loans. Relationship factors are important in Thai bank's lending decisions. The evidence is more resounding in Thailand than in the developed countries. However, lending to more closely related firms is neither the cause of nor related to bad loan outcome.

*Contents:* Analysing how bank-lending decisions in Thailand are determined – Investigating risk and relationship consideration in Thai bank lending – Using unprecedented micro level bank data from credit evaluation files.

The Author: Chodechai Suwanaporn received his Bachelor degree in Business Administration from Chulalongkorn University in 1988 and Master degree in Business Administration (Finance) from the University of Michigan, Ann Arbor in 1993. He worked at Bangkok Bank and Sumitomo Corporation before joining the Ministry of Finance of Thailand where his responsibilities focused on monetary and financial institution policy as well as financial and capital markets development. During this period, he also lectured at various universities in Thailand. Since 1999 he has been Research fellow at the Center for Development Research (ZEF) with DAAD scholarship. His research interest is bank-lending behaviour – particularly in emerging markets. In 2002, Chodechai Suwanaporn obtained his Ph.D. in Economics from the University of Hannover.

