

Saisuree Pakkatanang 2009: The Impact of Foreign Capital Inflows on Domestic Saving in Thailand. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Associate Professor Santiya Eag-ark, Ph.D. 145 pages.

Thailand economic development requires high volume of capital. Domestic savings is the major source of capital, because saving can be used for investment to stimulate economic growth. However, country development by depending on domestic saving only is not sufficient for increasing capital requirements. Therefore, foreign capital inflows are necessary. The main objective of this study is to analyze the impact of foreign capital inflows on domestic saving in Thailand. The data used in descriptive analysis is annual data from 1987 to 2007. The quantitative analysis uses quarterly data starting from the first quarter of 1998 to the fourth quarter of 2007 by applying a model with simultaneous equation and Two Stage Least Square estimation technique.

The result of the descriptive analysis indicates that most of domestic saving came from the saving of private sector, especially, household saving. On foreign capital inflows, the foreign loans play more important role than other kinds of capital inflows. The result of the quantitative analysis reveals that foreign capital inflows, gross national product, deposit saving interest rate and consumer price index have positive impact on Thailand domestic saving.

According to the research results, the recommendation of this study are: the government and involved institutions should consider using the policies related to the foreign capital inflows, gross national product, deposit saving interest rate and consumer price index as instruments to control the appropriate direction and optimal level of domestic saving. Furthermore, domestic saving should be allocated to country development in the most efficient ways to achieve sustainable economic growth of the country.

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Thesis Advisor's signature