

Determinants of Interest Rate Margins and Income Structure of Thai Commercial Banks

Abstract

The studies in this paper examine the effects of bank's characteristics and macroeconomic conditions on interest rate margin and income structure of commercial banks. These studies were conducted using panel data regression with fixed and random effect on data of Thai commercial banks during the period of 1997 to 2nd quarter of 2008. Under interest rate margin studies, internal bank characteristics namely size of commercial banks, bank's capital and NPL have significant effects on banks' margin. For macroeconomic conditions, GDP growth has adversely impacted on bank's margin while inflation has positively supported bank's margin. Under income structure studies, capital is the sole factor affecting bank's income structure. However, when we conduct more analysis by comparing large and small banks, we discover that factor determining income structure between large and small banks are size and number of branches. With more branches opened, banks have more opportunities to generate fee based income.