

Marut Kludcharoen 2013: Factors Affecting the Profits of Commercial Banks in Thailand. Master of Economics, Major Field: Economics, Department of Economics.
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This research aims to study the micro and macro economic factors that affect the profits of commercial banks in Thailand. The sources of data come from the first quarter of 2006 to the first quarter of 2012 of 11 commercial banks that register in The stock Exchange of Thailand. The models are estimated by pooled OLS, random effects and fixed effects.

The results show that random effects is the best estimation in this study. In term of macro economic factors, inflation and real interest rate have positive relationship with profits. In particular, when the values of both factors are higher, commercial banks raise interest rate. This results in higher revenues and profits. However, ratio of stock market capitalization to banks' deposits has negative impact. This happens because this ratio indicates the development in the capital market. To be specific, when the capital market expands, most companies obtain funds from this market. In this manner, banks provide less credits and gain less incomes and profits. For micro economic factors, I find that the ratio of equity to asset has positive relationship to profits. Specifically, when the ratio is higher, banks do not rely on external finance. Then, their expenditures decline and their profits increase. Furthermore, the cost to income ratio negatively affects profits because this ratio reflects the working effectiveness. Moreover, the accounting value of bank's total assets has negative effects on profits. When banks over expands, they cannot obtain economics of scale. Then, the expenditures increase and profits decline.

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