

Title : The Role of Commercial Banks in Supporting  
Loans for Real Estate Business  
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This research study on "The Role of Commercial Banks in Supporting Loans for Real Estate Business" embraces its main objectives as follows: 1. To review principles and theories of credits granting of commercial banks on real estate business. 2. To analyse commercial banks roles on policies of credits granting on real setate developers. 3. To analyse the effect of commercial banks' policies on real estate business. 4. To suggest various practical measures in order to protect commercial banks from possible losses, as well as to reduce risks resulting from providing credits to real estate business.

The results of the study suggest that even though commercial banks in general apply similar criteria in credits granting, but each of them follow different methods

in credit approval. Variations in the methods are mainly due to difference in volume of credit and business strategy.

In respect to their policies on the volume and the proper timing of the loans granted, commercial banks mainly analyse the reliable aspects of business in various prospects, including the creditabilities of their potential debtors, features of schemes, profitability and potentiality of repayment. The volume of loans granted is usually regulated by Bank of Thailand as guideline. If the Bank of Thailand deems it necessary to reduce credits on real estate business. The volume of such credits will be decreased or increased in a diminishing rate. For example, after the middle of 1983 (B.E. 2530), measures curbing on credits to golf course and luxurious condominium businesses had come into effect as Bank of Thailand considered such credits irrelevant to economic improvement in general, forcing commercial banks paying more attention to their respective credits.

The results of the analyse of commercial bank credits for real estate, the entire economic conditions, together with the real estate business situations disclosed that credits for real estate were closely related to credits granted by overall Thai commercial banks, as well as with general economic indicators.

Equation of economic indicators for real estate business show relatively high relationship with various variables included in the equation.

Measures for protecting banks from unnecessary risks and potential losses as follows :

1. To limit credit for golf-course development, high class condominium building, and unused lands.
2. To extend credits for projects with payback periods of three years or less as well as those with rate of returns of 17% or greater.

The results further indicate that the value of credits granted by big commercial banks are directly related to the value of credits granted to real estate business. The equations indicate that the expansion of construction, loans, and gross national product constitute the most vital factors for real estate business. While construction expansion is negatively related to real estate credits as the expansion itself has no clear plan but depending solely upon such variables as financial liquidity, interest rate, gross national income, etc.

Regarding to real estate credit extension, special consideration should be concentrated on economic conditions and projections of future demand for real

estate. However, Banks usually considered some relevant data as confidential. It is therefore, recommended that further study on the commercial banks' role on real estate credit management should conduct on macro level to include the whole financial system as more computed data are available.