

ABSTRACT

Abstract of thesis submitted to the Graduate School of Maejo University in partial fulfillment of the requirements for the degree of Master of Business Administration in Business Administration

STABILITY OF FINANCE AND SECURITIES PUBLIC COMPANY ANALYSIS
(THE CASE STUDY ON COMPARISON BETWEEN THE FINANCE
COMPANIES SUSPENDED BY THE BANK OF THAILAND
AND THE RUN FIRMS)

By

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The purposes of this research were 1) to study stability of finance companies suspended by the Bank of Thailand, 2) to study stability of financial firms that were announced to continue by the Bank of Thailand, and 3) to compare the stability of the suspended firms and the firms in operation.

The data used in the research was concerned with fiscal year budgets, profits and losses of the 33 SET-registered firms from the first quarter of 1994 to the second quarter of 1997, analyzed and calculated for financial ratios. The analysis was divided into 4 categories :

1. Liquidity ratios
2. Business profitability ratios
3. Turnover relationships ratios
4. Leverage ratios

Three research groups were studied according to their registered capitals :

1. The group registered with the capital of 100-499 million baht
2. The group registered with the capital of 500-999 million baht
3. The group registered with the capital of more than 1,000 million baht.

The results are shown in graphs.

The research results of financial firms registered with Stock Exchange of Thailand were as follows:

1. Liquidity of the companies by analyzing a ratio of revolving funds. It was found that the three groups of financial firms in operation had a higher ratio than those suspended firms. The firms running their business with the registered capital of 100-499 million baht and 500-999 million baht had a ratio higher than the ratio of the industry in form of financial institutions. For the companies running their business with the registered capital of over 1,000 million baht, those in operation had an average ratio lower than the average of industry in form of financial companies, but higher than the average of the suspended firms in the same group. This showed that all groups of the companies in operation were stable and had revolving assets enough for debt payments; also, it indicated the confidence of short-term creditors, i.e. a greater chance for loan repayment than that of the suspended firms. This was the regulator that caused the Bank of Thailand to announce the suspension of those firms with a lower average.

2. Profitability Ratios. In terms of the ratio of benefits to the shareholders and also net profits per incomes, those companies running their business with the registered capital of 100 - 499 million baht and over 1000 million baht were more stable in profitability and in the average industry in form of financial firms than those suspended. The firms running their business with the registered capital of 500-999 million baht had low stability in making profits. This showed that this group of firms had low proficiency in management; they made below zero net profits for consecutive quarters, when compared with total incomes gained by the companies. This stability, therefore, was not the regulator for announcing the suspension of these financial companies by the Bank of Thailand.

3 The Turnover Relationships Ratios. This analysis is concerned with the allocation of capitals for business operations to find out how efficient they are. The research results revealed that the firms running their business with the registered capital of 100- 499 million baht and over 1,000 million baht had higher stability in using assets to bring maximum profits. However, the suspended firms with the registered capital of 500-999 million baht had higher stability in using assets because the average ratio gained was higher than that of the companies running business with the same registered capital, and still higher than the average of industry in form of financial institutions. This stability was not the regulator in announcing the suspension of the companies by the Bank of Thailand.

4. The Leverage Ratio. For the long-term debts to shareholders of the suspended companies with the registered capital of 100-499 million baht and over 1,000 million baht as well as the companies running their business with the registered capital of 500- 999 million baht, the running companies were found to have an average lower than that of the suspended companies and the average of industry in form of financial institutions showed greater stability. The debt ratio to shareholders and debt ratio in total number to total assets of the three groups of running companies showed the average ratio lower than that of the suspended firms. The average industry in form of financial firms could create greater confidence among creditors in debt payment and in having more chance to ask for more loan because they had greater ability in paying debts. This stability, therefore, was not the regulator in announcing the suspension of those financial companies by the Bank of Thailand.