IMPACTS OF FINANCIAL RESTRUCTURING PROGRAMS
ON PERFORMANCE OF COMMERCIAL BANKS
IN THAILAND

By

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ABSTRACT

Title of Dissertation : Impacts of Financial Restructuring Programs on Performance of Commercial Banks in Thailand

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When the financial crisis occurred in Thailand in 1997, the Thai government applied for standby credit as assistance from the IMF. One of the measures that the IMF recommended to the Thai government was to restructure the financial system by separating weak institutions from stronger ones. The measures that the Thai government implemented in 1997 and 1998 resulted in the closure of more than fifty percent of the finance companies in the country, while also intervening into weak banks and other finance companies.

One problem that Thai banks faced at that time was a lack of capital. In order to solve that problem, the government and the Bank of Thailand (BOT) relaxed the rules limiting foreign shareholding in domestic banks from the maximum of forty nine percent, previously, to approving foreign shareholding for up to one hundred percent of banks. This participation level was limited to only ten years hence, but grandfather rights were also offered beyond the ten-year limit to early investors under the new ruling. This was hoped to encourage capital inflows into the domestic banking system.

Three questions have arisen from the consequences of the above actions that drive the researcher to seek answers for, to wit:

1) What have been the effects of the implementation of the measures that the Thai government employed in restructuring the financial sector?

2) Were there any changes in the performance of the foreign-owned, domestic, commercial banks, or government-owned commercial banks?
3) Were there any other more suitable measures available to solve such problems faced by financial institutions?

In order to answer these questions, this study employs the triangulation concept, by combining qualitative and quantitative methods. The former method is employed in the documentary research, and in-depth interviews used in two rounds of interviews.

The researcher confirmed her qualitative findings by quantitative methods. The quantitative method studies the financial statements of target banks. The period of study falls between the years 1995 to 2000. Quantitative statistics show the same direction as that found in the qualitative analyses, which conclude that the two target groups of banks were not better off at the conclusion of the research period than before.

The researcher also recommends that other researchers study more on such topics as competitiveness of domestic banks, good governance in the banking sector, establishment of a deposit insurance authority, impacts of financial sector liberalization, and on an early warning system for financial fragility.
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Wantanee Boonyadej
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