EE 431/ EE438 Economics of Financial Markets and Institution

Benjarong Suwankiri

Assignment 1 Solution

1. Find out and list top-10 commercial banks registered in Thailand along with their asset size, number of branches, and number of ATMs. Try to use the most up to date information. (Hint: Most convenient place to get these data is at Bank of Thailand at www.bot.or.th)
   Unfortunately, numbers of ATMs are not easily available as I remember them. So to make up, I list all 16 commercial banks, ranked by asset size, as well as branches, loans and deposits.

		Assets	Branches	Loans	Deposits
1	**BBL**	2,021,807,924	975	1,301,301,878	1,525,155,817
2	**KTB**	1,881,196,238	1,022	1,376,642,887	1,292,009,876
3	**SCB**	1,767,024,481	1,094	1,234,246,948	1,154,509,230
4	**KBANK**	1,718,319,621	832	1,149,929,294	1,277,011,059
5	**BAY**	911,959,804	584	597,277,192	547,321,861
6	**TBANK**	900,340,838	677	603,051,256	441,751,796
7	**TMB**	682,322,638	459	363,789,379	468,733,614
8	**SCBT**	280,106,446	27	93,084,338	98,236,212
9	**UOBT**	265,163,863	154	179,498,788	135,430,761
10	**TISCO**	213,553,551	47	174,044,665	39,084,497
11	**KK**	187,916,587	72	127,798,816	67,903,761
12	**CIMBT**	168,381,845	157	111,100,207	98,316,979
13	**ICBCT**	87,894,722	19	61,122,461	19,736,735
14	**LHB**	77,658,796	44	51,430,155	22,513,937
15	**TCRB**	20,476,822	16	17,202,841	14,209,536
16	**MEGA**	17,895,744	4	13,130,712	5,902,687

2. News Flash: The cabinet approved on Tuesday January 10, 2012 four emergency decrees which include management of the Financial Institutions Development Fund (FIDF)'s Bt1.14 trillion debts to be transferred to the Bank of Thailand (BoT). What do you think might be the future economic risk stemming from such a decision? *(Please limit your answer to half a page)*
   FIDF emerged amidst 1997 Asian Crisis in which the government announced the guarantee of *all* deposit in the country to prevent *bank panic*. FIDF is not longer active today, except for its outstanding debts that must slowly be repaid. Passing these debts to BOT could potentially lead to new economic risks. Worse, if this type of behavior continues, it could lead to an economic crisis. If the government continues to pass debts to central banks, sooner or later investors will realize that the government isn't responsible for its own debts, hence they will stop lending to the government (Greece's situation). Next, BOT will need to pay the debts, but BOT's has no source of income or profits (BOT doesn't collect taxes), so it may resort to printing money to pay for debts. At this point, Thai baht loses its value and domestic inflation sky-rocketed.
3. Competition is always promoted as good by economists. Do you believe competition is good for the banking industry? Explain some pros and cons of highly competitive banking industry. *(Please limit your answer to half a page)*
   Competition is a double edge sword. Too competitive banking industry leads to risky lending and risky banking. This puts the whole economy at risk (like Thailand in 1997 and USA 2008-9). Too little competition, it leads to abuse of market power, too high lending interest rates with too low deposit rates, while banks earn fat margin.