INTRODUCTION

One of the important targets in economic development is to create economic growth and the growth of economy may be done by increasing capital investment because in increasing investment one has to increase employments. Natural resources will be utilized more increasingly which will enable the population in the country to produce more goods and give more services, which will generate income. Investment in economic system has to depend on savings which constitute as an important point in the economic system. But since the savers and the investors of each period are different persons, therefore, the intended savings in economic system is unequivalent to the expected capital, depending on present and expected future income, taste, production cost, interest rate and other factors as specifier/designator. Therefore, in order to rotate capital from one person to another person systematically, financial market has to be developed. The above mentioned financial market is, therefore, an important tool for temporarily mobilizing savings from those who are wealthy for loaning it to those who need to invest so that they can develop and expand their businesses.

Commercial bank is a very important financial institution to any economy of the country as it is a financial institute which can mobilize savings and give out loans. In the present time, trading and industry in various countries worldwide are quickly progressive and business contacts are extensive, hence one of the factors which make business grow so rapidly is the existence of commercial banks which assist in facilitating financial requirement and exchanging foreign currencies.
According to Banking Act (NO.2) B.E. 1979 Section 4, it has interpreted the meaning of Commercial Banking as commercial banking is the bank which operates business in accepting deposited money which has to be returned to the depositor upon being requested or on terminating the specified period and such money is to be utilized in one way or the other, i.e.

1. giving a loan;
2. buying and selling or collecting money according to the portfolio which can change hands;
3. buying and selling of foreign currencies.

As for commercial bank, it is the bank which has been permitted to operate in commercial banking which also includes branches of foreign banks allowed to transact in commercial banking.

Commercial banking in Thailand has to comprise of the following important status:

1. being a commercial bank which accepts deposited money for paying back upon being requested;
2. being a commercial bank which gives a short-term loan as an important point and, in general, will give out loans to businesses wherein the borrowed money will automatically be returned. The business that such borrower invests will, at a later date, earn a minimum income which will enable him to return the loan;
3. being a commercial bank which can create/generate income by getting deposits;
4. being a commercial bank which acts as a temporary media between wealthy person and borrower within short period, that is, those wealthy people will deposit their money in a commercial bank and that commercial bank will, in turn, release short-term
loans to borrowers. Therefore, the bank acts as a media between temporary wealthy
person and borrower.

The system of commercial banks of Thailand, in the present time, is a branch-
bank system which experiences many problems, i.e.

1. Major commercial banks mobilize fund from the Regions for use in the
central part, but do not utilize the fund in the Regions as it ought to be, while the
branch managers have limited authority, that they are unable to give service to the
Regions in full.

2. Commercial banks tend to open branches in the Regions, development in the
backward regions cannot grow so fast.

3. Loans given by commercial banks concentrate themselves in very few
categories of business and consider about the loans and concentrate or give
importance to guaranteed property of individual borrower rather than ability in
transacting business.

4. There is little competition in interest rate.

5. No emphasis is made on the actual banking executives, thus slowing down
the development of banking operation.

From the above problems, the Government is trying to enforce regulations to
commercial banks in the Regions to utilize the deposited fund for developing the local
areas as much as possible, and encourage distribution of capitals, or compete amongst
commercial banks more increasingly as well as promoting more professional executives
and technologists to work in the banking system.
As regards the study relevant to system of commercial banks of Thailand, the researcher will make research on Thai banking system, performance of commercial banks, central bank, the economic policy of the country, asset and net profit of Thai commercial banks, study on relationship between growth rate of Total assets and growth rate of net profits of Thai commercial banks and analysis on efficiency of the banks will be made by using the rate of return on assets between 1987-1992.

Objective of the research

1. To study the background of Thai banks, its system, and the performance of commercial banks, central bank in Thailand.
2. To know the economic policy of Thailand
3. To identify, assess and analyse the relationship between the total assets and the net profits of the Thai Commercial banks.
4. To make conclusions and suggest measures to improve the working of the commercial banks.
5. To use the result of study on relationship between growth rate of Total assets and net profit for analyzing the efficiency of Thai commercial banks.

SCOPE OF RESEARCH

A study of banking system in Thailand is the study about history of Banking of Thailand, the system and performance of commercial banks, central bank, economic policy and a study on relationship between growth rate of Total asset and growth rate of net profit of Thai commercial banks. This study has specified the scope as follows:

1. This research will specifically aimed at studying about 15 commercial banks registered in Thailand exclusive of the overseas Thai bank branches.
2. This research is meant to study different items of banking budget registered at the stock exchange of Thailand during the 6 years from the year 1987-1992.

3. The figures used in this research are the annual figures.

ASSUMPTION

1. The growth rate of Total assets has the same direction of relationship as that of the net profits.

2. The relationship of the growth rate of Total assets and Net profits of commercial banks are different amongst commercial banks due to the difference of capability in earning profit and due to the size of the bank.

Compilation of data

Research pattern and steps in compiling data.

1. Study/compile data and general details of Thai commercial banks from Thai and English books, manuals, textbooks from Library.


4. Technological journals relevant to commercial banks which have both been prepared by Technology Section of commercial banks and the general magazines prepared by printing press.

5. Survey Research. An inquiry was made from commercial bank staffs and staffs of The Bank of Thailand for collecting primary data required for the research work.

6. Documentation, data and technology prepared by Commercial banks.
Characteristics of research used in preparing research.

1. Qualitative model was used for developing theory and principles while mentioning about analytical result, conclusion as well as the portion which needs additional explanation.

2. Quantitative model was used in making volume research by bringing the statistical figure to create index for finding growth rate, to calculate the whole system of proportion, regression analysis equation, correlation analysis, examine the assumption including Value-findings of the important financial proportion in order to measure the efficiency of Thai commercial banks.

Statistical data used in research

1. Financial budget of 15 Thai commercial banks during 6 years’ period from 1987-1992 was used by classifying it into:
   
   1.1. Balance Sheet, by using year-end period BalanceSheet up till 31st of December of each year.
   
   1.2. Income Statement by using profit & loss budget for a period up till 30th June, including profit & loss budget for a period up till 31st December of each year, or annual profit & loss budget up till 31st December of each year, depending on how each bank will prepare it year by year.

2. Annual Reports of 15 commercial banks for 6 year period.

3. "Form Tor.Por. 1.1 for Controlling Commercial Banks" from Controllers' office, The Bank of Thailand.

4. Journals, by compiling statistical data of commercial banks which have been published.
Statistics used in research

1. Calculate index value of Total assets and net profits of Thai commercial banks for 6 year period by using the year 1987 as base year (1987=100).

2. Regression Analysis, for specifying equation of relationship between growth rate of Total assets and Net profits.

3. Correlation Analysis, for measuring level of relationship between growth rate of Total assets and Net profits.

4. Time Series Analysis, for creating and comparing the trend between growth rate of Total assets and Net profits.

5. By using "t-distribution" statistics in testing the assumption of relationship between growth rate of Total assets and Net profits.

Benefit to be derived from the research.

1. From result of the research, it will be a knowledge which any technologist of a commercial bank may apply for use in decision-making which will assisting in planning and in preparing an estimate while making investment of the bank's assets.

2. Finding efficiency in commercial bank This will enable general interested people to learn about the efficiency of commercial banks which have different sizes/scales as well as learning about capability in earning profits of those assets.

3. It will enable us to learn about Thai banks from the past to the present, the system and performance of commercial banks, central bank (Bank of Thailand).

4. It will enable us to learn about economic policy of Thailand.
5. It will enable us to learn about the outcome from research of the proportion of balance sheet and the income statement of Thai commercial bank which will lead to growth trend of the bank.

Analysis of the relationship between growth rate of Total assets and net profits of Thai commercial banks

In this research, the following was specified: Growth rate of Total assets is Independent Variable, Growth rate of Net profits is Dependent Variable. Statistics used for research. Comprised of three categories of analysis

1. Regression Analysis

In order to create a regression analysis which shows relationship between growth rate of Total assets and net profits of Thai commercial banks that is, create Linear Regression Function, as follows-

\[ Y_c = a + bx \]

- \( Y_c \) = Growthrate of Net profits which is dependent variable which was calculated from the value of \( x \) already specified
- \( Y \) = Value of the dependent variable,
- \( a \) = Stable value, which is Y-Intercept, that is, it is the value of \( Y_c \) when "\( x \)" has the same value as "\( 0 \)"
- \( b \) = Y-axis intercept
- \( b \) = Slope of a straight line, that is, it is the value of \( Y_c \) which has changed when \( x \) changed for 1 unit
- \( x \) = Slope of the regression line
- \( x \) = Growth rate of Total assets which is independent variable or the specified value
= the independent variable, payroll

The steps of regression analysis comprise of following steps -

1.1. Calculate the value of "a"

1.1.1 Point Estimation was obtained from :

\[ a = \bar{y} - b\bar{x} \]

1.1.2 Interval Estimation was obtained from :

\[ L = a \pm t_{1-\alpha/2}(n-2).S_a \]

Wherein 2 variables are to be used :

1.1.2.1 \[ S^2a = S^2y.x \left[ \frac{1}{n} + \frac{\bar{x}^2}{\sum (x-\bar{x})^2} \right] \]

1.1.2.2 \[ S^2y.x = \frac{\sum (y-\bar{y})^2 - b(x-\bar{x})(y-\bar{y})}{n-2} \]

1.2. Finding for value of "b"

1.2.1 Point Estimation was obtained from :

\[ b = \frac{\sum xy - (\sum x)(\sum y)}{n \sum x^2 - (\sum x)^2} \]

1.2.2 Interval Estimation was obtained from :

\[ B = b \pm t_{1-\alpha/2}(n-2).S_b \]

Wherein 2 variables are to be used :

\[ S^2b = \frac{S^2y.x}{\sum (x-\bar{x})^2} \]

\[ S^2y.x = \frac{\sum (y-\bar{y})^2 - b \sum (x-\bar{x})(y-\bar{y})}{n-2} \]
1.3. Linear Regression Model from value "a" and "b" obtained from calculation:

\[ Y_c = a + bx \]

1.4. Testing the assumption that growth rate of Total assets and Net profits have no relationship, in this case, t-distribution is used in finding the value of "b" which is a Regression Coefficients by using following formula:

\[ \pm t = \frac{b}{\sigma_b} \]

2. Correlation Analysis

In order to measure the level of relationship between growth rate of Total assets and net profits, one has to calculate the value of correlation Coefficients which shows the level of relationship of values x and y. The steps in correlation analysis are:

2.1 Calculating the value of correlation coefficients by using following formula:

\[ r = \frac{\sum (x-x) (y-y)}{\sqrt{\sum (x-x)^2 \sum (y-y)^2}} \]

- \( r \) = Coefficient for correlation
- \( x \) = Growth rate of total assets.
- \( x \) = Average growth rate of Total assets
- \( y \) = Growth rate of Net profits.
- \( y \) = Average growth rate of Net profits

2.2 In testing the assumption that growth rate of Total assets and growth rate of Net profits has no relationship with one another, one has to find the value of "r" obtained as to whether or not it has any importance in statistics, in this case, statistical value of "t" is used for testing, by using the following formula:
3. Time Series Analysis

In studying the trend of growth rate of Total assets and the trend of Net profits, Least Squares Linear Trend Lines is used for making an equation:

\[ Y_c = a + bx \]

\( a \) = Stable value is y-Intercept, that is, it is the value of \( Y_c \)
\( b \) = Slope of a straight line, that is, it is the value of \( y \) that has changed when \( x \) changes for 1 unit
\( x \) = Period in 'years'

3.1. Calculating the value of "a"

\[ a = \bar{y} = \frac{\sum y}{n} \]

3.2. Calculating the value of "b"

\[ b = \frac{\sum xy}{\sum x^2} \]

3.3. Linear equation from value "a" and "b" obtained from calculation:

\[ Y_c = a + bx \]

3.4. Comparison of the linear equation drawn in item 3.3 between the growth rate of Total assets and growth rate of Net profits.

Data used for research

1. Items of Total assets are used which do not include customer's responsibility and guaranteed by 15 commercial banks for a period of 5 years (1988-1992).
2. Used Net profit after deducting income tax (not yet improved with special item) of rate commercial banks for a period of 6 years (1987-1992)

Outcome obtained from the research

In making an analysis of this research, it will be seen that, an analysis was made on the relationship between growth rate of Total assets and growth rate of net profits of Thai commercial banks which are in 4 relationships by classifying in accordance with the size of Total assets of Thai commercial banks, as follows:

1. Total system of Thai commercial banks.
2. Group of big bank.
3. Group of medium-scale banks
4. Group of small bank

Scheme of chapterisation

A study of banking system in Thailand is the study about relationship between growth rate of total asset and growth rate of net profits of Thai commercial banks. This study has specified the scheme of chapterisation as emphasizes the application and interpretation of Commercial banks in Thailand. These study about assets and net profits of Thai commercial banks, study on relationship between growth rate of total assets and growth rate of net profits and analysis on efficiency of Thai commercial banks.