

**Measuring Risk Appetite of Thai Banks and The Relationship
with Macroeconomic Conditions**

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ABSTRACT

This paper studies the movement of Thai commercial banks' risk appetite and its responding to the given crises and important events. In order to investigate the movement, Risk Appetite Index (RAI) is used so as to gauge the change in banks' risk appetite. During the crises and important events, RAI measurement for most of the commercial banks illustrates some responding which reflects the shift in risk appetite. However, changing in risk appetite can be different across the banks which results from the different fundamental of each bank (e.g. size, core business, and management policy). In addition, it is possible that the movement in risk appetite of the commercial banks could be affected by external fundamental (i.e. macroeconomic factors). Therefore, to certify this hypothesis, it is proper to examine the relationship between banks' risk appetite and the macroeconomic conditions. Undoubtedly, the significant relationship can be found for some macroeconomic factors. This, as a result, ensures that the change in risk appetite of the banks can be caused by the macroeconomic conditions. Nonetheless, it can be shown as well that different banks could have a different relationship with some given macroeconomic factors. This can be explained by the different business strategy and management policy across the banks.

Keywords: Thai bank; Risk appetite; Risk averse; Macroeconomic factors