

Independent Study Title	LOAN MARKET COMPETITION AND BANKS' STABILITY: EVIDENCE FROM THAI BANKING SYSTEM
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ABSTRACT

This paper aims to measure competition level in the loan market of the Thai banking system over the past ten years (2004-2013) by using the indirect method known as Boone Indicator. The results indicate that the overall degree of the Thai loan market competition has been increased. In addition, this paper also examines the linkage between loan market competition and banks' stability. We explore the relationship of the Boone indicator with non-performing loan ratio, which is the proxy of banks' stability. The results suggest that higher competition tends to increase banks' riskiness, it can also be argued for instability which is supportive of the Competition-Fragility paradigm. This paper is beneficial for policy makers including bank's risk management team to deal with the trade-off between competition and stability.

Keywords: Loan market competition, Banks' stability, Thai banking system