Modeling Credit Risk for Thai Small-Medium Enterprises (SMEs)

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ABSTRACT

Due to the significant role of small-medium enterprises (SMEs) in the economy all over the world and the attention of SME in the Basel Accord, the objective of this study is to test the accuracy of Multivariate Discriminant Analysis (MDA) and Logistic Regression Analysis (Logit) model in predicting financial failure of SMEs. We also compare the results to the previous Thai large corporate models; Buggakupta(2004) and Kiatkhajornvoung(2008) models. This study follows the definition of SMEs which defined by The Basel II Accord (with annual sales less than 1,000 million baht). The samples of failed company are gathered over the period 2000 – 2010. The result shows that the Logit model gives higher predictive accuracy level than the MDA model in predicting financial failure of Thai SMEs and this Logit model is also superior to both large corporate models.