ABSTRACT

This study investigates the determinants for debt to equity conversion of corporate debt restructuring in Thailand. The study reveals that there are 3 major factors determining debt to equity conversion, comprising of a firm's insolvency problems, growth opportunities, and corporate governance. This study indicates that firms that are in deep insolvency position are more likely to restructure their debt with debt to equity conversion. Besides, firms with low growth opportunities, which reflect the undervaluation, are even more likely to restructure their debt with debt to equity conversion. In addition, with regards to corporate governance, it is found that debt to equity conversion is less likely to happen in firms with high managerial ownership, while it is more likely for firms that banks previously held some portions of their shares with.

Conclusively, for corporate debt restructuring in Thailand, the decision on debt to equity conversion mainly depends on the insolvency problems and firm's growth opportunity; while corporate governance is also the factor but it not the major concern for the firms and banks to accept debt to equity conversion. Nevertheless, corporate governance still plays the important role in debt restructuring negotiation, as it is the real sentimental concern for both debtor and creditor.

According to this study, debt to equity conversion is not a favorable scheme for corporate debt restructuring in Thailand. This scheme would be considered as the last alternative for firms and banks to restructure their debts, especially, when firms really go bankrupt or in serious to desperate situations and when banks almost cannot recover their claims on debts. However, optimistically, debt to equity conversion is a useful debt restructuring methodology to assist firms from the distressed situation.