

Independent study title	AN INVESTIGATION OF FOREIGN EXCHANGE RISK MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN PATONG, PHUKET THAILAND
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ABSTRACT

This study examines the forex risk management strategies of SMEs in Phuket, Thailand, a city with a large number of hospitality oriented SMEs which deal with a wide range of foreign currencies. To understand the strategies SMEs use to achieve the optimal payment method proportion between cash versus other payment channels with forex rate exposure situation; and to examine the proper discount rate for the business owner to make decision to exchange foreign currency back to Thai Baht. To achieve this aim, we sampled 386 business owners of various generations to determine their risk appetite and applied the SUR model to the results and found financial literacy is a key for business owner to achieve optimal proportion goal. Moreover this study applied the RE logit model to define the proper discount rate for business owners to avoid suffering a loss. The results showed that in the terms of US Dollar are straight forward and significantly reasonable for business owners. In based and depreciate situation business owners' tend to exchange Thai Baht back normally and not keep holding foreign currency. But acting differently in appreciation situation, business owners' tend to keep currency and wait in wider range for exchange Thai Baht back. In case of Chinese Yuan, the results are inconclusive and this may be an area for further investigation.

Keywords: forex risk, forex exposure, business owners' decision, payment channel