

**Title:** Small Banks and SME Lending: Evidence from Thailand

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**Abstract:** This paper examines one of the stylized facts about SME financing: comparatively, small banks lend more to SMEs than large banks. By using Thai data, the paper finds that small bank lending has more relation to SMEs' growth, both in term of establishment and employment, than large bank lending. This may be due to the comparative advantage of a small organization in dealing with SME information. An interesting policy implication from this result is that recent Thai government policy that supports SME financing may work more smoothly through small banks than large banks. The paper also provides theoretical background, traces backward to examine factors that affect this bank lending, and review the recent situation for SMEs in Thailand.

*JEL classification:* E44, G21

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