Research Journal in Business and Economics
ISSN: 3078-381X
DOI: https://doi.org/10.61424/rjbe.v4i2.890
Journal Homepage: https://bluemarkpublishers.com/index.php/RJBE

RJBE
BLUEMARK PUBLISHERS

| RESEARCH ARTICLE

The Impact of Crony Capitalism on Thailand's Financial Collapse in the 1997 Asian Financial Crisis

Deepto Chakraborty[1] ✉ and Suraya Happy[2]
[1]*Dhaka University, Bangladesh*
[2]*Rajshahi University, Bangladesh*
Corresponding Author: Deepto Chakraborty, **E-mail**: chakrabortydeepto85@gmail.com

| ABSTRACT
This study analyzes and examines the role of crony capitalism in reshaping Thailand's economic orientation, resulting in financial volatility in the late 90s having ripple effects on other Southeast Asian economies as well. The research also evaluates and analyzes how political connections, government officials, and business conglomerates exert their power dynamics in terms of loan disbursements from banks and financial institutions. Using a qualitative approach backed by secondary economic data, the research study shares insightful analysis and provides an overview of how structural shortcomings and regulatory lapses pushed Thailand's economy into a devastating situation, resulting in an economic crisis that lingered on up to the early 2000s as well. At the same time, it is worth noting that politically connected firms and corporations received a substantial amount of preferential access to credit allocation and financial resources without adequate amount of regulatory oversight, and rapid financial liberalization fueled the crisis for a long period of time. The study concludes with firm belief and judgment that crony capitalism played a pivotal role in amplifying the severity level of economic collapse and the fragility of the financial system in Thailand. So, it is incumbent on developing nations to restructure and readjust their financial regulatory oversight and systems to ensure sustainable development in the financial sectors.

| KEYWORDS

Crony capitalism, Asian Financial Crisis, Thailand Economy, Financial Liberalization, Foreign Direct Investment (FDI)

| ARTICLE INFORMATION

ACCEPTED: April 21, 2026 **PUBLISHED:** June 19, 2026 **DOI:** https://doi.org/10.61424/rjbe.v4i2.890

1. Introduction

The 1997 Asian Financial Crisis was one of the most severe financial crises affecting emerging Asian economies. The financial catastrophe itself put the Asian economy, specifically Southeast Asian economies, into shambles and jeopardized their economic growth in the long run. Beginning in Bangkok with the debacle of the collapse of the Thai Baht in July 1997, the crisis had ripple effects across specific countries, for example, Indonesia, Malaysia, the Philippines, Hong Kong, and South Korea as well. It is obligatory to note that the financial catastrophe ceased to impact multifarious factors, for example, unemployment, currency depreciations, economic stagnation, stock market crashes, and banking sector collapses.

The deep-seated economic recessions started spreading out and staving off reasonable economic growth, strong foreign direct investments, and eroding substantial flows of foreign debt in Southeast Asian economies. Southeast Asian economies have been regarded as one of the most prominent yet robust regional economies, often hailed as the "Asian Miracle."It should be reiterated that the mammoth economic growth and development had been recapitulated by a high level of short-term external debt, weak regulatory frameworks, and the declining nature of investment flows and foreign direct investments. The most important yet intimidating aspect of this financial catastrophe is that crony capitalism played a pivotal role in the Asian Financial Crisis of 1997, where political elites, oligarchs, and large business and corporate conglomerates got access to an unreasonable amount of bank loans, financial accessibility without carrying out risk management. The prominent banks of Indonesia and Thailand had encountered political influence in terms of getting bank loans and financial services without any kind of risk assessment, and they were outmaneuvered owing to a lack of strong corporate governance, financial oversight, and, most importantly, stated that this weak governance deepened the financial crisis and derailed the sustainable economic growth of these countries.

The widespread implications of the Asian Financial Crisis of 1997 jeopardized and thwarted the overall economic growth of Southeast Asian economies, owing to the rampant nature of crony capitalism, lack of robust financial oversight, and a steep decline in GDP, currency depreciation, and stock market collapses. The World Bank and IMF ramped up their collective efforts and implemented judicial economic reforms and restructured financial institutions. These reforms solely focused on stabilizing the financial environment, getting rid of economic stagnation, and bringing about transparency in banking and corporate governance.

In the end, crony capitalism can be deleterious for any developing nation that always ceases to strive for rapid economic growth and stability. So, it can be concluded that this research paper examines the genesis of the Asian Financial Crisis and its ripple effects on Southeast Asian developing economies through both theoretical and analytical lenses, and the research studies will amplify how crony capitalism twisted and devastated these specific regions' economies.

Research objectives:

- ❖ To analyze the economic impact of the Asian Financial Crisis of 1997 on prominent Southeast Asian economies, particularly in Thailand, using key macroeconomic indicators, such as GDP growth, foreign direct investment, and capital flows.

- ❖ To assess crony capitalism in exacerbating financial catastrophe, and to evaluate corporate and banking governance weaknesses, politically connected bank loans, and the role of political-business networks reshaping financial systems in major Southeast Asian economies, specifically Thailand.

2. Literature Review

The Asian financial crisis was a period of economic disaster that started in early 1997, when the Thai government announced the floating exchange rate policy of its currency, the Baht, and also requested financial assistance from the IMF to overcome the situation. The crisis rapidly spread from Thailand to other countries in East Asia, causing significant economic distress.

2.1 Flashback and Reasons behind the Financial Crisis

The main reason behind the financial crisis is excessive investments- many of which turned out to be too optimistic and too unproductive. According to Laurids S. Lauridsen (2025), during 1990-96, gross domestic investment as a percentage of GDP was between 40% and 44%, compared to an average investment ratio of 25% and 30% during the 1980-84 and 1985-89 periods, respectively.

Most of the investments were FDI. Due to very high interest rates in Thailand, as well as a fixed exchange rate policy, foreign investors were very eager to invest their money in Thailand. On the other hand, domestic borrowers were also interested in going offshore to borrow, as this money was cheaper, and the fixed exchange rate system influenced people to think that there was no currency risk. The massive inflow of money also led to tripling the volume of loans, but there were not enough places to invest them productively. As a consequence, the volume of NPL (Non-Performing Loans) was channeled through already inflated assets in the real estate sector. During 1992-

96, almost 755.000 housing units were built in Bangkok, which was double the estimation of the national plan. In 1993, the total volume of loans was 264 billion baht, which became 767 billion baht by March 1996. The volume of loans has increased by 45-54 percent. As the economic recession started, the purchasing power of middle-income as well as upper-income individuals declined day by day, which directly affected the aggregate demand level. As the total aggregate demand falls, the volume of total investment further drops, which finally affects the total employment levels. As people become unemployed, their purchasing power falls more than previously.

Another crucial reason for the financial crisis was the influence of crony capitalism. Crony capitalism is an economic situation where businesses gain profit and share through close, often unfair relationships with political figures rather than through fair competition and the free market. These soft budget constraints were supervised by implicit government guarantees and poor banking regulation, which created soft credit facilities for connected firms. This credit bubble burst leads to a widespread banking crisis and systemic risk of such nepotistic lending practices.

2.2 How cronyism created a pre-crisis vulnerability

2.2.1 Preferential Credit Allocation:

The financial crisis in 1996 was not the first economic downturn since 1980. They also went through a serious economic crisis in 1983-85. The Thai financial system has been dominated by the commercial banking sector, which is 71% of total financial assets. The rest of the assets are dominated by finance and securities companies. The top 15 banking industries handled almost 95% of the total assets. More precisely, the commercial banking industry is highly concentrated, with the five largest banks (Bangkok Bank, Krung Thai Bank, Thai Farmers Bank, Siam Commercial Bank, and Bank of Ayudhya) as a result, they formed a powerful cartel. Most of the allocation of credit was based on political influences rather than following banking rules and regulatory policies. As a result, the ratio of NPL (Non-Performing Loan) to total loans was increasing day by day. As a consequence of this oligopolistic practice, the rate of interest (loans and deposits) responds relatively more slowly than in perfectly competitive market conditions.

2.2.2 Financial Liberalization and Fragility

The Thai Government followed financial liberalization policies to attract foreign direct investment during the 1990s, which played a significant role in the financial crisis. For many years, the Thai Government kept its capital account closed. Foreign borrowing and capital inflows were controlled, which isolated the domestic market from the external market as well as external economic shocks. But the situation changed when the international market was de facto and de jure opened (Blaszkiewicz, 2000). As a result, the dollar started to dominate the domestic market. On the other hand, a floating exchange rate policy leads to a drastic increase in foreign borrowings by banks as well as private firms. According to W (e, 19,98), borrowing from abroad was at about half the price of borrowing domestically. Asian Development Outlook 1999 shows that almost all Asian countries maintain a strong bias toward foreign debt. As a result, the dependency on foreign debt was at its peak.

Table 2.1 Corporate Debt Composition, 1996 (in percent)

Indonesia	20.5	19.6	31.4	28.5
Korea	29.4	17.0	27.7	25.8
Malaysia	32.1	11.0	35.7	21.2
Philippines	19.7	21.3	25.5	33.5
Thailand	29.6	12.3	32.0	26.1

Financial liberalization is not always a blessing, especially in the presence of nascent and badly regulated banks. The danger increases if a financial sector is bank-based and when the corporate sector has a high debt-to-equity ratio (Wade, 1998). Since most of the private or public companies are highly dependent on borrowing (internal or external), whenever any economic shocks occur, it will affect the whole economy, as most of the companies become insolvent.

Table 2.2 Bank credit to the private sector (percent of GDP)

	1980	1995
Indonesia	8.1	49.1
Korea	36.2	55.7
Malaysia	33.1	76.9
Philippines	37.9	39.3
Thailand	27.5	88.7
Mexico	12.8	33.6
United States	62.1	63.3

2.2.3 Asset price bubble

In some countries in Asia, especially in Thailand, a great part of new investment went exactly to the real estate and property sector Corsetti & Corsetti, 1998). Availability of loans and investment in poor and risky assets. Since the demand for investment in real estate was very high, as a result, prices were also high, the actual ones. The bank uses real estate as secured collateral, but the price of real estate was showing higher values than the actual price, which increased the volume of non-performing loans. In such a situation, the moveasset price price can affect the entire financial system. When asset prices appreciate, both borrowing and lending continue to increase, and vice versa. Finally, the price bubble burst when the price exceeded the value of the future return from the investment.

As the Asian Development Outlook (1998) reports, in 1996, in Korea, 20 of the largest 30 Korean conglomerates had rates of return below the cost of invested capital. In the first months of 1997, 7 of these 30 were effectively bankrupt. The return on equity in Indonesia, Malaysia, and Thailand declined between 1992 and 1996 to below money market interest rates, according to the World Bank (1998), meaning that there was no compensation for the risk of investing in the Asian economies. Although the stock market price bubble was not so strongly exposed in Asia, growing pressures in the real estate market were clearly more evident (Table 2.3). BIS (1997) also provides evidence of a property-price boom in emerging markets (particularly in Asia).

2.3 Stock Market Price Index (property sector in bracket)

	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
Indonesia	417.0 (n.a.)	247.0 (119)	247.0 (66)	588.0 (214)	469.0 (140)	513.0 (112)	637.0 (143)	401.0 (40)
Korea	696.0 (n.a)	610.0 (n.a)	866.0 (n.a)	866.0 (n.a)	1027.0 (n.a)	882.0 (n.a)	651.0 (n.a)	376.0 (n.a)
Malaysia	505.0 (113)	556.0 (113)	643.0 (126)	1275.0 (369)	971.0 (240)	995.0 (199)	1237.0 (294)	594.0 (64)
Philippines	651.0 (32)	1151.0 (34)	1256.0 (39)	3196.0 (81)	2785.0 (80)	2594.0 (87)	3170.0 (119)	1869.0 (59)
Thailand	612.0 (74)	711.0 (82)	893.0 (168)	1682.0 (367)	1360.0 (232)	1280.0 (192)	831.0 (99)	372.0 (7)

In 1997, according to Jardine Fleming [1997 BIS Annual Report], the maximum NPLs to total loans ratio in Indonesia, Malaysia, the Philippines, and Thailand were 16.8, 15.6, 1,3.4 and 19.3, respectively. However, these numbers in 1998 increased to above 25.0 for Indonesia and Thailand, and were between 12.0 and 25.0 in Malaysia and between 10.0 and 25.0 in the Philippines. Private sector estimates consider the share of non-performing loans in total bank loans between 15 and 35 percent as a 'warning flag', the signal of extreme bank difficulties in emerging Asia (Goldstein, 1999).

2.3.1 Exchange Rate Appreciation

Although the exchange rate is not the sole cause of financial crises in East and Southeast Asia, it is also one of the factors that contribute to them. By the early 1980s, all the affected countries had moved away from the old policy of pegging to the US dollar toward more flexible exchange rate regimes of basket-pegging or managed "dirty" float.
Pradumna B. Rana argued that the de facto dollar peg policy contributed to vulnerability in two ways. First, the strengthening of the dollar vis-à-vis the baht after 1995 led to an appreciation of the affected currencies and, thereby, to a loss of export competitiveness and current account pressures. Second, low exchange rate variability and the predictable pattern of exchange rates under the de facto pegged regime reduced the risk of foreign debtors and creditors (Rana, 1998).

2.3.2 Collapse of the Export Growth

Almost all Asian economies follow an export promotion strategy. But due to the appreciation of the currency, CNY export growth began to slow down in the mid-1990s and dropped in 1996. The role of China in the decline of exports was also substantial. This is because two-fifths of the total trade of emerging Asia was within the Asian economic zone (Howell, 1999).

(Radelet & Sachs, 1998) position on this is that China's export drop in 1996 limited its overaglobal in the world market share and therefore influenced Asia's export collapse only partially. But it remains that, in Thailand, preceding June 1997, export revenues rose just 1 percent (Bank, 1998). Foreign investors became reluctant to extend new loans because the cost of borrowing offshore also went up. At best, the accelerating current account deficit was financed with short-term currency borrowing. By the end of 1997, short-term liabilities exceeded their holdings of foreign reserves in Thailand, I, and Korea (Park & Song, 1998).

2.3.3 Rationale of the study

Many research works have been done on the financial crisis in Asian economies, but most of the studies have focused on the reasons behind it, its consequences, and what policies should be taken to overcome the crisis. None of the studies focus on how crony capitalism is the main trait that triggered the financial crisis in Thailand. The main objective of the study is not only to focus on the reasons behind the financial crisis but also to study how crony capitalism influences the Thai economy.

3. Research Methodology

This chapter examines and analyzes the methodological approach to how crony capitalism has been detrimental to Thailand's economy using a qualitative approach backed up with secondary economic data. This chapter also evaluates and synthesizes how business conglomerates, politically influenced corporations, and firms can get a preference over obtaining bank loans and financial resources without carrying out a sufficient amount of credit analysis and creditworthiness of borrowers. Macroeconomic indicators have also been used to augment and complement the research study on GDP growth rate, external debt, corporate debt, and foreign direct investments.

3.1 Research Design

This research study takes on a qualitative and analytical approach augmented by secondary economic data. The objective of this research study is to examine and analyze how crony capitalism during the Asian Financial Crisis of 1997 plagued and crumbled Thailand's economy, along with southeast asian erconomies and their knock-on effects, which were unsustainable yet abortive in overcoming the economic catastrophe. The research paper will navigate how complex political interplay plays an important role in Thailand's financial institutions and how politically connected bank loans and concessional loans brought about the financial debacle in the Thai economy. On the other hand, business elites, bureaucrats, and government officials had been demoralized in terms of returning long-overdue bank loans and capitalizing on the weak financial regulatory system that used to be a major impediment for such developing nations.

At the same time, the research also incorporates macroeconomic indicators to support the analysis, for example, GDP growth, foreign investment flows, external debt, and corporate during the tumultuous period.

This study primarily complies with a qualitative approach, with a relevant case study as the Asian Financial Crisis of 1997, originating from the fall of the Thai Baht currency in July 1997, being marked as one of the most significant chapters of the Thai economy that will offer plenty of lessons to developing nations on how not to get entrapped in influence and dominance of political elities and government officials who cease to exert their power on banks and financial institutions to exploit at the highest order and take away bank loans without repayment accountability.

3.2 Analytical Framework

This research study also examines the analytical framework of the Asian Financial Crisis of 1997 and how politically connected institutions, financial institutions, business elites, and government officials have been major impediments to developing economies. As the Nobel Laureate in Economics, Joseph Stiglitz, argues, weak governance and financial oversight in institutions and banks distort and destroy financial markets and financial institutions owing to a multifarious set of factors, for example, inefficient allocation of capital inflows. The research studies support Joseph Stiglitz's arguments and insights about the political complex interplay and dynamics of the Asian Financial Crisis of 1997, which affected the economic trajectory of Thailand, often being considered the Asian Tiger in terms of economic resilience and remarkable economic growth within a short span of time.

Robert Wade**,** the Australian economist, concurred with Joseph Stiglitz's arguments and expressed his public opinions about financial liberalization, which has been connected with the Asian Financial Asian Crisis of 1997, and harped on the fact that a governed financial system can offer transparent financial regulation and a robust financial system where political elites and business elites cannot exploit the advantage of a fragile financial system. Robert Wade also emphasized that, owing to financial liberalization, the Southeast Asian economies, including Thailand, started decreasing and becoming less stringent in terms of the banking regulatory system and oversight.

In the end, it can be implied that political lending and political considerations regarding excessive borrowing lead to a weak financial regulatory system that can be a serious threat to economic and financial development for any kind of developing nation.

4. Data Analysis and Discussion

4.1 Thailand GDP Growth Rate Trajectory pre Asian Financial Crisis and Post Asian Financial Crisis

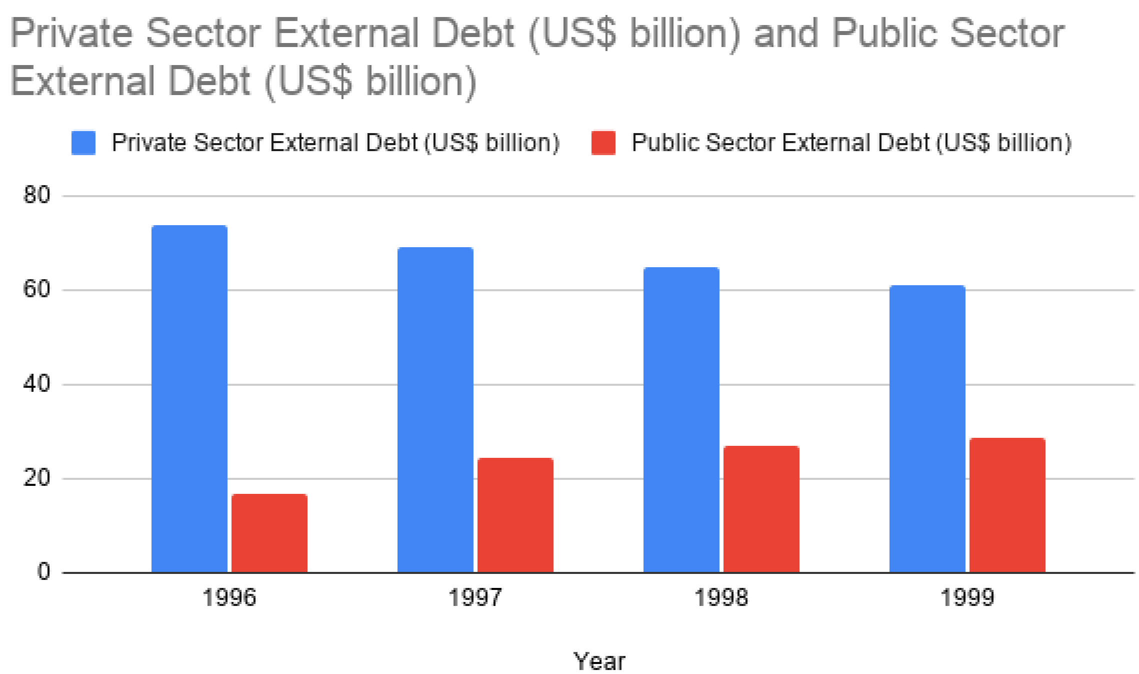
Year	GDP Growth Rate (%)
1990	11.2
1991	8.6
1992	8.1
1993	8.3
1994	8
1995	8.1
1996	5.7
1997	-2.8
1998	-7.6
1999	4.6

In the data analysis and discussion part, it can be reiterated that Thailand encountered an impressive economic stint as a developing nation, often being hailed as the Asian Miracle in the early 1990s. It is worth noting that Thailand showed a beacon of hope in transitioning from a developing nation to an emerging economy; unfortunately, due to multifarious issues, complex political dynamics, and the nature of rampant crony capitalism, the hopes were dashed within a span of moments.

From the given data chart, Thailand witnessed a strong economic growth in the early 1900s, especially between 1990 and 1993, where the average GDP growth was above 8 percent. However, it can be seen that there was a steep decline between 1994 and 1998, and the growth rate went up to a negative GDP rate, which indicated a major economic decline post Asian Financial Crisis in 1997. This dramatic reversal of Thailand's GDP rate has been a reflection of weak financial oversight, the immediate debacle of the financial sector, and excessive corporate debt and borrowing that exposed vulnerabilities of the Thai economy. In 1999, Thailand slightly bounced back from economic catastrophe because of the IMF bailout and economic reforms that helped it to overcome the financial crisis.

4.2 Thailand's External Debt during the 1997 Asian Financial Crisis

Year	Private Sector External Debt (US$ billion)	Public Sector External Debt (US$ billion)
1996	73.7	16.8
1997	69.1	24.3
1998	64.9	26.8
1999	61.2	28.6



The data chart shows that Thailand's external debt in 1996 was quite high. Nevertheless, the trend started declining gradually because the financial crisis collided with the fall of the Thai Baht currency, and many corporations faced liquidity constraints, prompting repayments and restructuring of financial restructuring.

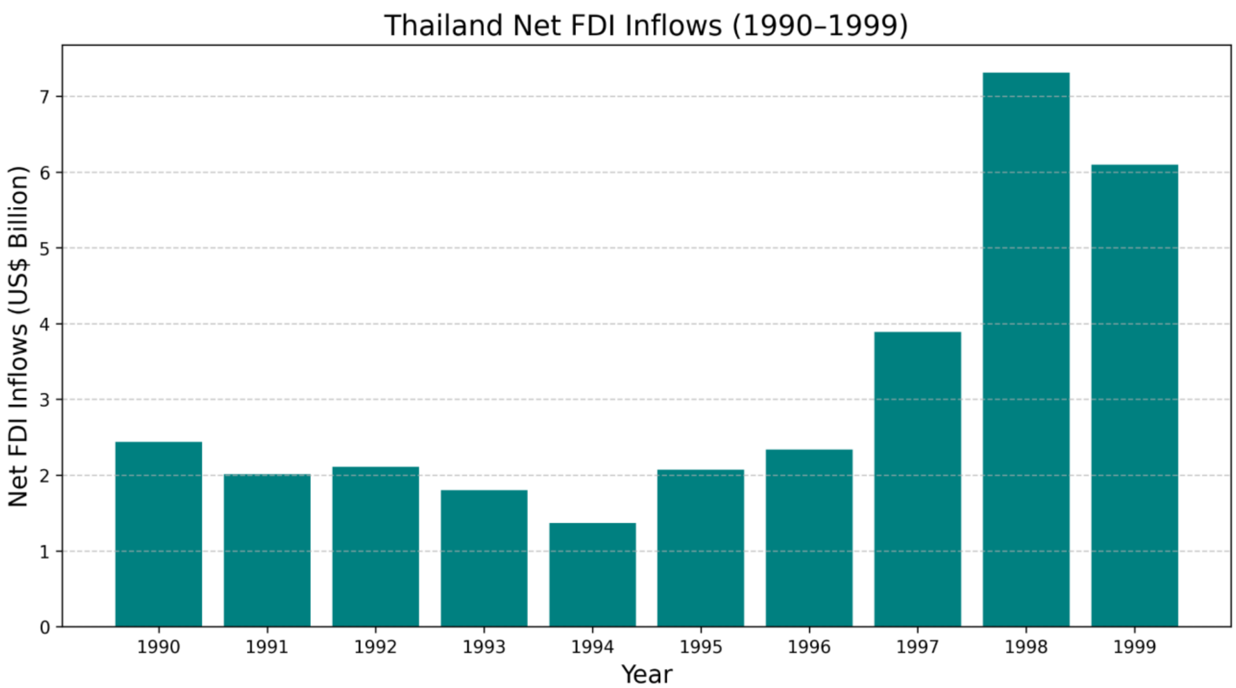
The private debt continued to decline steeply 69.1$ billion, phasing out, and private firms, banks, and prominent corporations cut down bank loans and borrowing amid financial distress in Thailand now.

In subsequent years, the downward trend continued, demonstrating that the amount was around 61.2$ billion dollars, which was reasonably lower than compared to previous years, and the Thai government decided to deleverage private firms, being overburdened with excessive debts and borrowings.

In the public sector, it can be surmised that the Thai government decided to stabilize its economy resolutely and decisively, and inject a lot of investments into the public sector. From 1996 to 1999, the data chart showed an upward trend reflecting the Thai economy's resurgence through the public sector's revival by dint of minting money to revitalize and recalibrate its economic reforms to get rid of this economic stagnation. Eventually, it can be inferred that from this financial crisis, Thailand's transition and shift from private sector debt to public sector debt indicate that governments may soak up external debt risks and vulnerabilities to prevent widespread economic catastrophe.

4.3 Thailand's Foreign Direct Investment Inflows during the Asian Financial Crisis in Thailand

Year	Net FDI Inflows (US$)
1990	$2.44 billion
1991	$2.01 billion
1992	$2.11 billion
1993	$1.80 billion
1994	$1.37 billion
1995	$2.07 billion
1996	$2.34 billion
1997	$3.89 billion
1998	$7.31 billion
1999	$6.10 billion



Based on the data chart taken from the Bank of Thailand and the World Bank report, it has been manifested that foreign direct investments in Thailand grew sharply throughout the early 1990s and jumped significantly. Despite economic depression and stagnation, FDI flows continued to deluge into the Thai economy, which facilitated them to survive in Asia Financial Crisis of 1997.

It has been inferred that Thailand's economic trajectory and stance have been quite impressive and strong because of rapid industrialization, export-oriented growth, and liberal economic policies, which encouraged corporations to rake in money in manufacturing sectors, IT sectors, and other essential sectors, which turned out to be the mainstay of the economy. On the other hand, the widespread outbreak of the Asian Financial Crisis in 1997 was drastically exacerbated by a consequent speculative attack on the Thai Bath forced the government to fix foreign exchange rates, resulting in a sharp currency depreciation and financial volatility in Thailand.

It is enthralling to see that in spite of the financial crisis in Thailand, FDI inflows continue to rise consistently, and it was around $ 3.89 billions, and in 1998 it surged up by 7.31$ billion, almost covering 6 percent of Thailand's GDP. Based on the data chart and overall trend, foreign direct investments in the pre-Asian Financial Crisis and post-crisis were comparatively stable with reasonable growth.

Post-Asian Financial Crisis, the recovery has been quite observable and measurable since FDI inflows continue to remain robust, and the amount hovered around $6.10 billion, and foreign investors felt incentivized to take part in recalibrating and reorienting Thai industrial and financial sectors decisively. So, smart and sensible economic reforms, FDI inflows, and financial sector restructuring played an important role in buffing up Thailand's economy gradually.

5. Policy Implications

The whole journey of Thailand during the Asian Financial Crisis offers multiple lessons and key takeaways, and how developing nations can recalibrate and reorient their economic reforms, strengthen financial regulatory systems, and, most importantly, it is essential to bear in mind that political dynamics and political influence from bureaucrats, corporate elites, and political elites can deform financial regulatory systems.

We need to keep in mind that strengthening financial regulations and supervision has been the first and foremost responsibility for any developing nation, and rapid financial liberalization without a sufficient amount of robust financial regulatory reforms can be unsustainable in the long term. Governments must make sure that regulatory bodies and agencies possess transparency, independence, expertise, and accountability to monitor and oversee financial institutions and implement stringent policies in terms of risk management.

Secondly, it is worth noting that crony capitalism can be deleterious to any financial institution as it may result in politically connected lending and giving out leverage to political elites, business elites, corporate professionals, and governments. Financial regulatory agencies should collaborate and ramp up efforts to lessen political connections and influence in terms of loan disbursements. Standard and ethical corporate governance and standards can help these developing nations to get rid of the clutch of political supremacy and corruption.

Thailand's excessive reliance on short-term debt and external debt substantially increased the level of financial fragility and uncovered loopholes in financial institutions' corporate governance, weak financial oversight, and financial regulatory systems. Policymakers must focus on increasing long-term investments, specifically foreign direct investments, while implementing stern steps against short - term loans and debts.

Therefore, it can start with the conviction that macroeconomic stability has been a pillar of ensuring proper transparency and generating better outcomes in terms of disbursing bank loans.

6. Conclusion

The financial collapse of Thailand was nothing but a clarion call for developing countries on how structural loopholes and weaknesses can turn rapid growth into a financial curse and volatility for the Thai economy in the late 1990s. Thailand witnessed an outstanding economic growth and trajectory since the 80s and up to the mid-90s, spurred by financial liberalization, strong growth, and substantial foreign inflows and capital inflows that helped to sustain it amid the financial crisis.

Crony capitalism appeared to be a curse for Thailand as its financial institutions, banks, were drawn towards politically connected firms in terms of loan disbursements and directing financial resources to them. Politically connected firms exploited loopholes and regulatory lapses in the financial systems of Thailand, debilitating regulatory discipline and financial oversight. It is imperative to say that corporate debt/ external debts continued to rise, and the financial regulatory system remained vulnerable and wobbly, which was a black spot in Thailand's economic stagnation and eventual debacle.

The findings of this research indicate to us that the Asian Financial Crisis was not the result of external shocks and vulnerabilities, but also originated from institutional shortcomings and an unrestrained crony capitalism culture deeply embedded in Thailand's financial institutions and prominent banks as well. Eventually, it must be stated that for any developing nation and emerging economies should concentrate on strengthening and buffing up the financial regulatory system decisively and propagate transparency to ensure sustainable development, and take stringent steps to stave off similar financial catastrophes in the near future.

6.1 Study Limitations and Areas for Further Research

This study has several limitations that should be acknowledged when interpreting its findings. First, the research primarily relies on a qualitative methodology supported by secondary data sources. While secondary data provide valuable historical and economic insights, they may contain inconsistencies, reporting biases, or limitations in coverage, which could affect the comprehensiveness of the analysis.

Second, the study focuses specifically on Thailand during the 1997 Asian Financial Crisis. Although this case offers important lessons regarding the relationship between crony capitalism and financial instability, the findings may not be fully generalizable to other countries or economic contexts that possess different institutional, political, and regulatory structures.

Third, the complex nature of financial crises makes it difficult to isolate the precise impact of crony capitalism from other contributing factors, such as financial liberalization, exchange-rate vulnerabilities, speculative capital flows, macroeconomic imbalances, and external market shocks. Consequently, the study emphasizes the significant role of crony capitalism without claiming that it was the sole cause of Thailand's financial collapse.

Finally, the research does not incorporate primary data obtained through interviews, surveys, or direct engagement with policymakers, financial regulators, or business actors involved in the crisis. Such evidence could have provided deeper insights into the decision-making processes and political-business relationships that shaped financial outcomes during the period under investigation.

Future research may expand upon this study in several ways. First, comparative studies could examine the role of crony capitalism in other countries affected by the 1997 Asian Financial Crisis, such as Indonesia, South Korea, and Malaysia, to determine whether similar patterns of political-business relationships contributed to financial vulnerability.

Second, future scholars may employ quantitative methods to measure the relationship between political connections, preferential lending practices, and financial-sector performance. Such analyses would help establish stronger empirical evidence regarding the extent to which crony capitalism influences financial instability.

Third, researchers could investigate the long-term effectiveness of post-crisis reforms implemented in Thailand, particularly those aimed at strengthening corporate governance, banking supervision, and regulatory transparency. Understanding the successes and shortcomings of these reforms would provide valuable lessons for contemporary policymakers.

Finally, future studies may explore the relevance of crony capitalism in modern emerging economies facing rapid financial liberalization and increasing capital mobility. Such research could contribute to the development of policy frameworks designed to promote financial stability, institutional accountability, and sustainable economic growth while reducing the risks associated with political favoritism and regulatory capture.

Overall, further investigation into the interaction between political influence, financial governance, and economic development remains essential for understanding how developing economies can avoid similar financial crises in the future.

Funding: This research received no external funding.
Conflicts of Interest: The authors declare no conflict of interest.
Publisher's Note: All claims expressed in this article are solely those of the authors and do not necessarily represent those of their affiliated organizations, or those of the publisher, the editors and the reviewers
Artificial Intelligence (AI) Use Disclosure: The authors declare that no artificial intelligence tools were used in the preparation of this manuscript.

References

[1] Asian Development Bank. (1999). Asian Development Outlook 1999. Manila: Asian Development Bank.
[2] Chang, H.-J. (2000). The hazard of moral hazard: Untangling the Asian crisis. World Development, 28(4), 775–788.
[3] Corsetti, G., Pesenti, P., & Roubini, N. (1998). What caused the Asian currency and financial crisis? National Bureau of Economic Research.
[4] Corsetti, G., Pesenti, P., & Roubini, N. (1999). The Asian crisis: Causes, policy responses, and outcomes. International Monetary Fund.
[5] Goldstein, M. (1999). The Asian financial crisis: Causes, cures, and systemic implications. Institute for International Economics.
[6] Johnson, C. (2000). Asian economic crisis and the end of the developmental state. Contemporary Economic Policy, 18(1), 11–17.
[7] Krugman, P. (1998). What happened to Asia? Massachusetts Institute of Technology.
[8] Radelet, S., & Sachs, J. D. (1998). The East Asian financial crisis: Diagnosis, remedies, prospects. Brookings Papers on Economic Activity, 29(1), 1–90.
[9] Radelet, S., & Sachs, J. D. (2000). The onset of the East Asian financial crisis. In P. Krugman (Ed.), Currency crises (pp. 105–162). University of Chicago Press.
[10] Stiglitz, J. E. (1998). The role of international financial institutions in the current global economy. Address to the Chicago Council on Foreign Relations.
[11] Stiglitz, J. E. (2000). Capital market liberalization, economic growth, and instability. World Development, 28(6), 1075–1086.
[12] Stiglitz, J. E. (2002). Globalization and its discontents. W. W. Norton & Company.
[13] United Nations Conference on Trade and Development. (1999). World investment report 1999: Foreign direct investment and the challenge of development. United Nations.
[14] Wade, R. (1998). The Asian debt-and-development crisis of 1997–?: Causes and consequences. World Development, 26(8), 1535–1553.
[15] Wade, R., & Veneroso, F. (1998). The Asian crisis: The high debt model versus the Wall Street-Treasury-IMF complex. New Left Review, 228, 3–23.
[16] World Bank. (2024). GDP growth (annual %) – Thailand. World Bank Open Data.