

Jirote Jantalakkana 2010: Factors Affecting Operational Efficiency of Commercial Banks in Thailand. Master of Economics (Business Economics), Major Field: Business Economics, Department of Economics. Thesis Advisor: Mr. Jeerasak Pongpisanupichit, Ph.D. 131 pages.

The purpose of this research is to study the operational efficiency of commercial banks in Thailand between 1997 to 2008. A total of 8 commercial banks in Thailand are assessed for the operational efficiency. The analysis is carried out by using Data Envelopment Analysis (DEA) Model considering from input factors including (1) total deposits and (2) total non-interest expenses. The output factors are considered by (1) total loans and 2) total income. Moreover, the Tobit Regression Model is used for the study to determine factors affecting operational efficiency of the commercial banks. The estimation of probability function coefficients are carried out by Maximum Likelihood Estimation (MLE) Method.

The results of DEA revealed that two efficient banks which had efficiency index equal to 1 were Bangkok Bank and Krung Thai Bank, while the three banks with lowest average efficiency index were Cimb Thai Bank , Kasikorn Bank and Bank of Ayudhya , respectively. The factors positively affecting operational efficiency index of the commercial banks and were statistically significant were the size of the bank, risk of the bank and ratio of total non-interest incomes to total incomes of the commercial bank, while the ratio of equity and bond issuance to GDP had negative effect.

The research results suggest that the commercial banks lacking operational efficiency had to reduce the excess production factors or increase the shortage output in order to raise the efficiency index to reach 1.00. Moreover, the commercial banks have to improve factors affecting the operational efficiency as mentioned above.

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