

Sujittra Anno 2011: The Impact of Non-Interest Income on Operating Efficiency of Commercial Bank System in Thailand. Master of Economics (Business Economics), Major Field: Business Economics, Department of Economics. Thesis Advisor: Associate Professor Chollada Luangpituksa, Ph.D. 150 pages.

Restructuring of financial institute according to master plan of the financial institution reflects on changes in the structure of bank operation that attempts to enhance the role of non-interest income results in the increasing incidence of non-interest income. Therefore, the purpose of this study is to examine factors that impact on non-interest income for Thai commercial banks and foreign commercial banks in Thailand by applying the Econometric Model and Least Square Method. Furthermore, this study also examines the efficiency of cost, revenue and profit of both Thai and foreign commercial banks which are estimated by creating two models for measuring these banks efficiency. The first model, the efficiency is estimated by including non-interest income as a variable in the model. The second model does not include non-interest income as a variable for estimating the efficiency, according to Stochastic Frontier Analysis by using the quarterly data from 2004 to 2010.

The results of the study on the factors that impact on non-interest income of two groups of commercial banks are the fees and service income and the foreign exchange transactions income. For Thai commercial banks, the study indicates that the number of branches and Gross Domestic Product have significant impact on the fees and service income, while the number of branches is the only factor which has a significant impact on the foreign exchange transactions income. For foreign commercial banks, factors that have significant impact on the fees and service income are total deposit accounts and import volume, while, foreign exchange transactions and import volume have significant impact on the foreign exchange transactions income. Furthermore, the results of the efficiency analysis which including non-interest income variable for the operating efficiency estimation shows that the average efficiency in terms of cost, revenue and profit of Thai and foreign commercial banks increase. This means non-interest income affects improvement of the operating efficiency.

The result of the study suggests that executives of commercial bank should pay attention in strategies that enhance non-interest income. Moreover, they should find the new approaches to reduce the operation cost and create new financial products to satisfy the customers need is a must.

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Thesis Advisor's signature