

Bounthom Sisoumang 2013: Operational Efficiency and Sustainability of Village Development Fund in Champasak Province, Lao PDR. Doctor of Philosophy (Agricultural Economics), Major Field: Agricultural Economics, Department of Agricultural and Resource Economics. Thesis Advisor: Assistant Professor Visit Limsombunchai, Ph.D. 100 pages.

Village Development Fund (VDF) is a microfinance institution that has been established across Lao PDR since 1997. This study assesses and compares operational efficiency and sustainability of the VDF in urban (Pakse) and rural (Bachiang) districts of Lao PDR. Data envelop analysis (DEA) approach is used to analyze operation efficiency of VDF in urban (Pakse) and rural (Bachiang) districts of Champasak province in 2010. The result shows that the VDF, on average, had technical efficiency scores under constant return to scale and variable return to scale of 0.87 and 0.90 respectively. The fund had the scale efficiency of 0.97. The VDF in rural areas, despite their small sizes and located in poor infrastructure and public facilities, were more efficient than those in urban area. The main input factors contributing to inefficiency were number of staff and operating costs, while output factors contributing to inefficiency were the contribution money and financial revenue. More VDFs in rural area also had better repayment rate than those in urban area that mean VDFs in Bachiang more efficient than VDFs in Pakse.

When measure sustainability of VDF in Pakse and Bachiang using DEA to compare efficiency value for three years 2007-2009 with the average efficiency value of village development fund in Pakse (0.835) being slightly higher than in Bachiang (0.790) year 2007. However, in 2008 and 2009, the average efficiency values of village development fund in Bachiang became fully efficient (1) in both years and higher than in Pakse (0.978 and 0.929, respectively). This implies that the village development fund in rural area (Bachiang) has more efficiency and has a higher sustainability than in urban area (Pakse).

To improve operational efficiency and sustainability of VDFs in Champasak province, Lao PDR. There is a need to improve skill in operation and reduce operating costs. Balancing contribution to social welfare and ensure financial return is also a key to efficiency improvement. Finally, social norms and measures would also enhance responsibilities and transparency among members and hence improve the operational efficiency of the VDF.

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