Thesis Title	The Impact of Market Structure and Efficiency on the Profit of Thai Commercial Banks
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Abstract

In the past, Thai commercial bank structure has had the characteristic of oligopoly and monopoly which led to high profit in this business. Subsequently in 1990 Thailand had liberalized its monetary policy which would had an effect on Thai Monetary System including profit level in commercial banks. Thai Commercial Banks had to adjust themselves in order to cope with fierce competition in the future. Therefore, this study had three objectives in order to study the characteristic of those adjustments : (1) To study the performance of 15 Thai Commercial Banks before and beginning the liberalization during the 1987-1991 and after the liberalization during 1992-1996 (2) To study the impact of market structure and efficiency on the profit of Thai Commercial Banks (3) To test the market - power and efficient - structure hypotheses.

The study of the performance of Thai Commercial Banks showed that after the new monetary policy was launched the degree of competition tended to

increase. The large commercial banks lost more of their market share of deposit to the smaller ones. Moreover, the commercial banks lost their market share of deposit to finance companies due to the higher interest rate of deposit offered by finance companies.

The study of the impact of market structure and efficiency on the profit of Thai Commercial Banks used the market - power and efficient - structure hypotheses for the test. The Market - Power Hypothesis(MP) was divided to the Structure - Conduct - Performance Hypothesis(SCP) which used concentration(CONC) for the test and the Relative - Market - Power Hypothesis(RMP) which used market share(MS) for the test. For the Efficient - Structure Hypothesis (ES) , it was divided to the X - Efficiency Version of the Efficient - Structure Hypothesis(ESX) which used x - efficiency(X-EFF) for the test and the Scale - Efficiency Version of the Efficient - Structure Hypothesis (ESS) which used scale-efficiency(S-EFF) for the test. This study utilized the ordinary least - square method having the ratio of net profit to asset(ROA) or the ratio of net profit to equity(ROE) as dependent variable while market share(MS) , concentration (CONC), x - efficiency(X - EFF) , s - efficiency(S - EFF) , growth of assets(GAS) and growth of deposits (GDS) were classified as independent variables. The study from ordinary least - square showed the high correlation between concentration(CONC) and market share(MS) so each of these variables was put in the equation seperately.

In term of data which were classified for all the system of Thai Commercial Banks, the test that used CONC variable when ROA was a dependent variable showed the empirical results that did not support for all of 4 hypotheses while the test that used MS variable when ROA was a dependent variable demonstrated the empirical results that provided support for the Relative - Market - Power Hypothesis (RMP) since market share (MS) was positively related to profit at a significant level.

In term of data which were classified into a yearly data of Thai Commercial Banks, the test that used CONC variable when ROE was a dependent variable showed the empirical results that supported for the Structure - Conduct - Performance Hypothesis(SCP) since concentration(CONC) was positively related to profit at to a significant level. As of the test that used MS variable when ROE was a dependent variable, the empirical results found that provided support for the Structure - Conduct - Performance Hypothesis(SCP) since concentration(CONC) was positively related to profit to a significant level as well.

In term of data that were classified according to the size cf Thai Commercial Banks, the test that used CONC variable when ROE was a dependent variable showed the empirical results that provided support for the Structure - Conduct - Performance Hypothesis (SCP) in the smaller - sized commercial banks since concentration(CONC) was positively related to profit at a significant level. As of the test that used MS variable when ROA was a dependent variable, the empirical results found that provided support in the group of medium - sized commercial banks for the Relative - Market - Power Hypothesis(RMP) since market share(MS) was positively related to profit. Also, the X - Efficiency Version of the Efficient - Structure Hypothesis(ESX) was supported since x - efficiency(X -EFF) both was positively related to profit. But for the smaller - sized commercial banks it was found that, given ROE as a dependent variable, the test provided support for the Relative - Market - Power Hypothesis (RMP) since market share(MS) was positively related to profit to a significant degree as well.

In conclusion from the results found that the profit of Thai Commercial Banks can be explained by the Structure - Conduct - Performance Hypothesis(SCP), the Relative - Market - Power Hypothesis(RMP) and the X - Efficiency Version of the Efficient - Structure Hypothesis(ESX).