

Piyada Ditsathan 2006: An Analysis of Financial Performance and Economies of Scale of Rubber
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The objectives of this study were to analyze performance and economies of scale, and to study market structure of rubber gloves industry in Thailand. Financial statements of 14 firms from 2000 to 2004 were used to calculate financial ratios in order to analyze their performance, and survivor technique was employed to analyze economies of scale.

The results showed that small and medium firms with low investment and low technology of production had low financial efficiency and diseconomies of scale. As a result, potential in expanding their business was low. In contrast, large firms had high financial performance and economies of scale, showing sufficient potential in their growth in the future. Such high performance came from the advantage on financial investment, high technology, and adequate targeting markets. The analysis on market structure showed that the Thai rubber gloves industry was operated in an oligopoly. The four-firm concentration ratio was more than 80 percent, showing that the market was highly concentrated. The high potential and economies of scale of large firms were barriers to new entrants. The products were differentiated but they are close substitutes. Since the rubber gloves supplied in domestic market was saturated, new entrants had to find foreign markets. This difficulty also created a barrier to the new entrants.

This study suggested that in order to increase the production potential of rubber gloves industry in the long run, the government should supply financial support with low interest rate to small and medium firms. Moreover, the government and private sector should be cooperative in finding new foreign markets along with enhancing research and development so as to decrease production costs and increase product quality.

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Thesis Advisor's signature

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