

Khwanchai Nopnom 2007: A Study of Operating Efficiency on upgraded Commercial Banks from Finance Companies under the Financial Institution System Plan. Master of Economics (Business Economics), Major Field: Business Economics, Department of Economics, Thesis Advisor: Associate Professor Darawan Virunhaphol, Ph.D. 161 pages.

The cause of economic crisis in 1997 that affect to the financial institution. Bank of Thailand wrote the financial institution system plan that use for develop and make the financial companies be strong. For this plan, the financial companies must be upgrade to be the commercial bank. The purpose of this studying is to find out the efficiency and security of financial companies which upgrade to be the commercial bank under the financial institution system plan. The annual data from 2001 up to 2005, a total of 4 years, has been used for the analysis. The Data Envelopment Analysis (DEA) and the security ratio (Capital Adequacy Ratio, Liquidity Ratio and Profitability Ratio) are applied to analyze the efficiency of financial institution.

The result of the analysis of financial companies which upgrade to be the commercial bank under the financial institution system plan indicated that Kritnakin Bank Public Co., Ltd., Tisco Bank Public Co., Ltd., and ACL Bank Public Co., Ltd. have the value of comparative efficiency in 2nd, 6th and 13th, from a total of 14 commercial banks. And the result of the analysis of security ratio indicated that capital adequacy ratio such as: total capital to risk-weighted assets ratio is above the industry average and liabilities to net worth ratio is below the industry average, liquidity ratio such as: cash to deposits ratio and liquidities assets to total assets ratio are lower than the other commercial bank, profitability ratio such as: return on equity ratio and return on assets ratio are above the industry average, provision for loan losses to total revenue ratio is below the industry average (exclude ACL Bank Public Co., Ltd.), salaries and employee benefits to non-interest expense ratio is above the industry average, interest expense to total revenue ratio is below the industry average and interest expense to total liabilities is above the industry average.

From the result of studying suggest that the financial companies which upgrade to be the commercial bank under the financial institution system plan will be the efficiently commercial bank, if they reduce the interest expense, salaries and employee benefits, premises expense and equipment expense while the productivity have on change. And the operation will be stable, if they reduce the high risk investment and increase the liquidity of operation. Moreover the commercial bank should study and expand the other services that increase their comparative advantage.

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Thesis Advisor's signature