Peerapong Assavasirilert : Factors determining the x-efficiency and scale efficiency of credit unions in Thailand

The objective of this thesis is to study the efficiency of credit union in Thailand. The study has been divided into two parts with the first part exploring the efficiency of the institutions in relation with their sizes through the use of translog cost function. The second part is conducted to study the x-efficiency basing on the idea of Distribution Free Approach. Time Series and Pooling Data are used in both studies with the use of Feasible Generalised Least Squares. 60 samples of the institutions have been randomly chosen and their balance sheets from 1994-1999 are used for the studies. The conclusion for the first part of the study finds that the most important costs for this type of institution are investment const, borrowing cost and labour cost, with the elasticity equal to 0.293, 0.130 and 0.026 respectively. As for the x-efficiency study, two factors move in the same direction as the x-efficiency itself; a factor responding to change in interest rate of Cooperative Promotion Department and a factor concerning external assessment. However, there are also other factors that have a reverse relationship with the x-efficiency. These are factors that determine the liquidity of the institutions, the technology factors as well as the pension factor of the institutions. The study leads to the following conclusion. Firstly, there should be an extension in lending capacity of this institutions. Secondly, there is evidence that some certain institutions experience over supply in the office facilities as well as accessories. Hence the institutions should be equipped with the appropriate amount of office facilities and the accessories. Thirdly, the pension funds system should be organised efficiently so that there would not be any redundancy in the system. Lastly, the external assessment should be implemented to reduce the incentive problem in the management of the institutions