
Efficiency of Thai Commercial Banks: Pre- vs. Post- 1997 Financial Crisis

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This study measures and compares the profit and cost efficiencies of Thai commercial banks between 1990 and 2008 which has been subdivided into the pre-crisis, the financial crisis, and the post-crisis periods. The efficiency scores are measured using a combination of parametric and non-parametric frontier approach. Both average profit and cost efficiency levels of the post-crisis period are found to be significantly lower than those of the pre-crisis period. The evidence also indicates that the real GDP growth rate and some general and financial characteristics are correlated with the efficiency level of Thai commercial banks.

Keywords: Commercial bank; efficiency; cost; profit.

1. Introduction

After the 1997 Asian financial crisis, commercial banks in Thailand began drawing much more attention from researchers who were especially keen to investigate efficiency. Several articles such as Chunhachinda and Srisawat (2007), Williams and Intarachote (2002), Narongtanupon (2000), and Leightner and Lovell (1998) considered the efficiency of Thai banks from various perspectives including the influence of liberalization, the efficiency