Sukrutai Lomjareanchai 2012: The Role of Interest Rates on Economic Growth in Thailand. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Mr. Saksit Budsayaplakorn, Ph.D. 120 pages.

Changes in interest rates will have an impact on financial markets and product markets because interest rates have been used as a tool for maintaining price stability, as well as economic growth and employment. The interest rate is an important component of being used as a tool for monetary policy. This study illustrates the effects of monetary policy via the interest rate channel on the growth of the Thai economy. The situation impact of interest rate policy on the rate of economic growth. The study uses time series quarterly data from the 1st quarter 2000 to the 4th quarter of 2010, and estimation techniques such as the Vector Autoregressive (VAR), the Impulse Response Function, and the Error Variance Decomposition. The variables in the study consist of the interest rate, the growth rate of gross domestic product, the broad money supply, the consumer price index and the real exchange rate.

The results from impulse response function shows that the interest rates affected the growth rate in Thailand causing the long-term impact that lasts from the second to the sixteenth quarter. In addition, the volatility in growth rate generating from interest rate shock can be decomposed through variance decomposition technique, which shows that the volatility in economic growth is largely derived from the consumer price index, whereas the influence of interest rate volatility on economic growth rate is minor.

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