

Sukumal Chanwoot 2006: Factors Affecting the Credit Equilibrium for Wholesaling and Retailing Business of the Commercial Banks in Thailand. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Mr. Bundit Chaivichayachat, Ph.D. 143 pages. ISBN 974-16-2013-6

The main objective of this study is to analyze factors affecting the equilibrium in credit for wholesaling and retailing business of the commercial banks in Thailand, which including interest rate and credit volume, by using the loanable fund theory and simultaneous equations. The reduced forms of the model were estimated by two stages least square. Then, we used simulation method to investigate the effects of exogenous variables shock on the equilibrium of the interest rate and the equilibrium of the volume of wholesaling and retailing business credit of the commercial banks in Thailand.

Based on the result, we found that the factors affecting the equilibrium of interest rate are inflation, the ratio of loan to deposit, borrowing of foreign, fed funds rate and money supply. By increasing in the inflation or the ratio of loan to deposit or borrowing of foreign during the 1<sup>st</sup> quarter of 2006 to the 4<sup>th</sup> quarter of 2007, it causes of the equilibrium interest rate to increase. In contrast, the increasing in fed funds rate or money supply cause the equilibrium interest rate to decrease. And the factors affecting the equilibrium of volume of wholesaling and retailing business credit are the ratio of loan to deposit and quantity of money. When we shock model by increasing in the ratio of loan to deposit or money supply during the 1<sup>st</sup> quarter of 2006 to the 4<sup>th</sup> quarter of 2007, it causes the interest to increase.

In summaries, this study concludes that the important factor which determine the interest rate and the volume of wholesaling and retailing business credit are inflation and money supply, respectively. Therefore, monetaries authorities should be focused in these factors in order to stabilize the credit of wholesaling and retailing business of the commercial banks in Thailand.

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