

The purpose of this thesis is to study the cost of loan granting to agricultural sector by the commercial banks. The structure and components of the lending cost are analyzed to find out which expenditures are the main factors contributing to the high cost of agricultural lending. Commercial banks in the Northeast are selected as a case study.

The study has come to the conclusion as follows:

1. According to Meyer and Onchan Method, the cost of agricultural credit in Northeast region in 1986 and 1989 was 9.78 Baht and 9.91 Baht for every 100 Baht lending, respectively.
2. The components of the cost of agricultural credit are as follows.
 - cost of fund 78-80%
 - operating cost 14-16%
 - uncertainty cost 4-6%
3. The cost of agricultural credit of commercial banks located in the city is lower than those in the rural area. And the large size branch has the lowest cost while the small size branch has the highest cost. This is due to the more efficiency in fund raising, administration and risk managing of the larger size branch.
4. The cost of agricultural credit depends mostly on commercial bank credit extension volume, allocation and administration cost, commercial banks' interest rate and economic condition of the region in each year.