

The objectives of this study are two folds, one is to investigate the lending practice of the commercial banks in the North Eastern Region of Thailand. Another is to investigate factors determining the demand for credit in various economic sectors based on the new demand for credit theory.

The study contains 7 important economic sectors, namely, agriculture, manufacturing, construction, wholesale and retail trade, public utilities, services and private consumption. The sectoral lending as reported by the commercial bank during B.E. 2521-B.E. 2531 was investigated together with other factors such as growth of credit, GRP growth and changes in the ratio of credit to GRP. The investigation of factors determining the demand for credit based on the information obtained from 836 questionnaires surveying during December 1990 and January 1991 and the ordinary least square method (OLS).

It is found that the commercial banks lending concentrates in the agricultural sector complying the guideline given by the Bank of Thailand. This is followed by private consumption, public utilities, construction, manufacturing, service, and wholesale and retail trade, respectively.

For most of the sectors except manufacturing, it was found that income level, the expense or cost of production, the borrowing rate and the product price determine the demand for credit at different levels of significant. The result is not hold for the case of manufacturing sector, i.e. other unknown dominating factor was not taken into consideration.