

Title : An Analysis of Agricultural Financial Market
in Amphoe Bannasan, Changwat Surat-thani:
A market Structure and Conduct Approach,
Crop Year 1992

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Problem and objective of this study : An agricultural credit is essential for the development in the agricultural sector of Thailand. Since Thai farmers have a low income and are in need of credit, financial market plays an important role in providing loans for agricultural production. Therefore, an appropriate structure of rural financial market system is required for the development of the Thai economy. The objectives of this study is to explain the structure and the conduct of the agricultural financial market.

Studying the data for the analysis were obtained from an interview of 110 farm households in Amphoe Bannasan, Surat - Thani province. The sample from households who received loans were classified by sources of credit, either institution or non - institution and not borrow. The data was explained by descriptive statistics and multiple regression analysis using a Cobb - Douglas production function, were employed in this study.

The results of study : It was found that structure of financial market in Amphoe Bannasan, Surat - Thani province appears to be of oligopoly type. It was indicated by a small number of lenders which usually cannot meet with great demand for loans of the borrowers. In view of the borrowers, credit was considered to be a differentiated product. Knowledge about financial market of the lenders and borrowers was still inadequate. Apart from this, there was some obstruction and limitation of freedom to enter and hence creating a monopolistic power for individual or private lenders in the market.

As regards the behavior of lenders in the market, it was found that all institutional lenders set up the rate of interest according to the Bank of Thailand's regulation. In contrast, the non-institution lenders could be done independently. There was no plan to expand their credit beyond the required lending quota. Moreover, no other services were given to the borrowers. The lenders usually charge interest rates according to their economic and social judgments and their monopolistic power.