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**CREDIT OUTREACH IMPACT ON NON-PERFORMING
LOANS OF BANK FOR AGRICULTURE AND
AGRICULTURAL COOPERATIVES**

By

James Lancaster

**A Dissertation Submitted in Partial
Fulfillment of the Requirements for the Degree of
Doctor of Philosophy (Development Administration)
School of Public Administration
National Institute of Development Administration**

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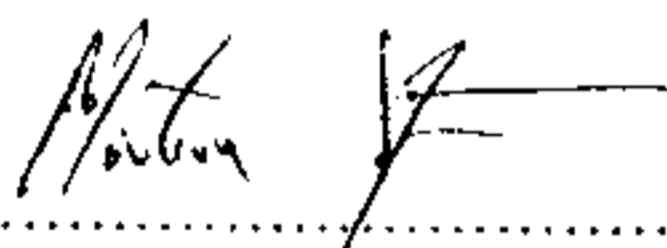
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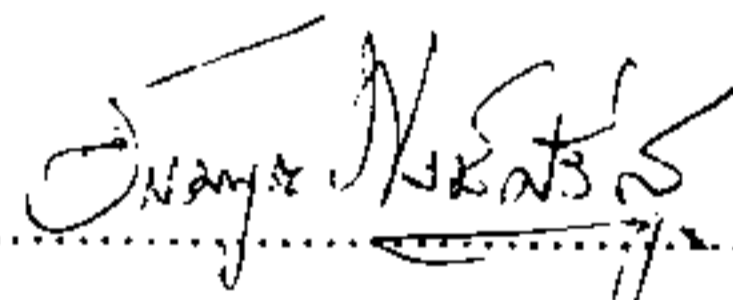
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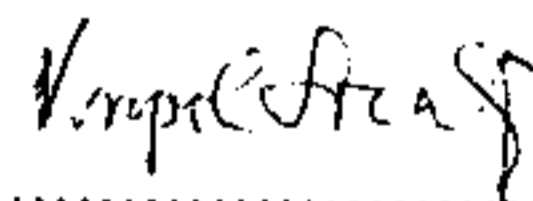
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The Examining Committee Approved This Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy (Development Administration).

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ABSTRACT

Title of Dissertation : Credit Outreach Impact on Non-Performing Loans of Bank
for Agriculture and Agricultural Cooperatives

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Credit programs have been implemented widely in both developed and developing countries in order to improve the living standards of the people. Sustainability of funds is crucial for the implementing institutions and those relying on their services. Millions of families in Thailand have been relying on loans from the Bank for Agriculture and Agricultural Cooperatives (BAAC) for investment funds. Non-performing loans have been adding to the expenses of BAAC and either the customers or the taxpayers have to pay for it. Furthermore, outreach is an important goal. Understanding the impact of outreach and other factors on non-performing loans would contribute to better information for policy development at BAAC.

This research aims at understanding the factors influencing the non-performing loan ratio of BAAC branches by using both data of BAAC branches and the data from the survey of perceptions of branch managers. Factor analysis is used to determine how variables related to the non-performing loan ratio can be grouped. Regression analysis is used to determine how the non-performing loan ratio of BAAC branches can be explained by the debt suspension program implementation and the average loan of customers with debt.

The result from factor analysis shows that the items related to non-performing loan ratio can be grouped into ten factors: policy and objectives, loan collection efficiency, branch characteristics, savings and customers outreach, borrowers' motivation, borrowers' ability, borrowers' attitude, economic environment, lending outreach, and customers' income.

Results of the five multiple regression analysis tests show that debt suspension program and average loan have impact on the non-performing loan ratio of BAAC

branches. Non-performing loan ratio is negatively related to debt suspension program in all tests and positively related to average loan in area three test at .05 level of significance.

Debt suspension program implementation has reduced the non-performing loan ratio but the non-performing loans may come back after the program ends and possibly at a higher rate if the customers perceive more such programs in the future. The relationship between average loan and non-performing loan ratio contributes to an important knowledge concerning the tradeoff between credit outreach and non-performing loans. Expansion of outstanding loans of branches should go together with the expansion of number of borrowers. Higher depth of outreach (lower average loan), that is reaching out for poor customers, can be achieved without causing higher non-performing loan ratio.

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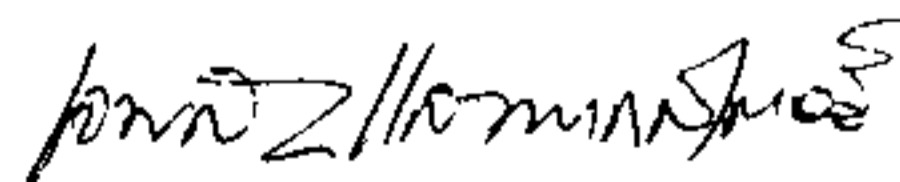
I would like to convey my deep appreciation to all professors who taught and advised me since I joined the program, especially Professor Dr. Sombat Thamrongthanyawong, the director of the Ph.D. program during my first year and former Dean of the School of Public Administration.

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Lastly, I am most grateful to God for His love.



James Lancaster
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