A COMPARISON OF THE COMPONENTS OF BORROWER TRANSACTION COSTS AMONG EACH CREDIT SOURCE.

D.1 The Comparative preparation of Contract and Cost of Contracting with Each Source of Credit.

Comparing the preparation of contract cost for contracting with each source of credit, it is found that to borrow money from commercial banks incurs the highest cost. In contrast, to borrow from a sugar mill incurs the lowest contract preparation cost. To obtain a loan from a sugar mill, the sugar cane farmer incurs a negative preparation of contract cost. This means the practice required by a sugar mill incurs a benefit, rather than a cost. For example, in the case of fired cane, the members of a group guarantee will exchange delivery quotas with the sugar cane farmers with whom their cane is fired. Usually, the owner of fired cane will pay 40 baht per unit for an exchange of quota, but in this case nothing is paid, because they are in the same group and have a responsibility for the total amount loan to the group. In contrast, when obtaining loans from commercial banks, the borrower is required to pay almost all expenditure and fees in making the loan contract: i.e. mortgage fees, stamp duty and so on.

Both BACC and sugar mills require a group guarantee, which impacts on the preparation of contract cost when obtaining loans from them. The preparation of contract costs for obtaining loans from a sugar mill is lower than BAAC, since there are no benefits, as guarantee from the BAAC.

Looking at contract preparation costs in obtaining loans from the formal credit sources of BAAC and commercial banks, the preparation of contract costs to obtain loans from BAAC are relatively lower than commercial banks.

Sugar cane farmers do not pay stamp duty when making a loan contract with BAAC. When making loan contracts with commercial banks, stamp duty is required.
The other reason is that sugar cane farmers, who borrow money from BAAC, use group guarantees to simplify requirements, so they do not have to pay mortgage fees.

D.2 The comparative Costs of Timeliness and Flexibility of Repayment of Contracting with Each.

Comparing the costs of timeliness and flexibility of repayment to obtain loans from BAAC and commercial banks, the borrower incurs a higher cost contracting with BAAC, than with commercial banks. The explanation for this difference is that the loan interest rate of BAAC is lower than commercial banks, while the interest rate from other credit sources that sugar cane farmers use to fill the gaps in emergencies is the same.

D.3 A comparison of the Opportunity Cost of Time and Travel Expenses of Contracting with Each Credit Source.

The opportunity costs of time and travel expenses of contracting with a sugar mill are the highest. With BAAC they are the lowest. This is because a sugar mill requires the sugar cane farmers to visit them more frequently than the BAAC. The sugar cane farmers are required to visit the sugar mill about 9 -11 times per contract, while they are required to see the BAAC twice per contract.

Comparing the opportunity costs of time and travel expenses of contracting with the sugar mill and the big sugar cane farmers, the cost of borrowing from the former is higher than borrowing from the latter. This is because the travel expenses of borrowing from the sugar mill are higher than that of big sugar cane farmers.