

**EFFECTIVENESS OF MONETARY POLICY THROUGH THE CREDIT CHANNEL IN THAILAND UNDER
THE FLEXIBLE EXCHANGE RATE REGIME**

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ABSTRACT

This research aimed to investigate how monetary policy has been transmitted into the macro economy through the credit channel of monetary policy and testing the effectiveness of monetary policy through credit channel in Thailand under Flexible Exchange Rate Regime by using the Vector Auto regression model (VAR). The results find that a change in the M1 money demand has more effect on economic growth while a change in M2 has a stronger effect on the price level. In addition, the results also show that the M1 money demand is responsive to credit channels of monetary policy.

Keywords: *Credit Channel, Monetary Policy, Transmission Mechanism, Thailand*