

THAILAND: URBAN ANNUAL RESURVEY, 2005-2009

THE TOWNSEND THAI PROJECT

Data Summary

RISK RESPONSE

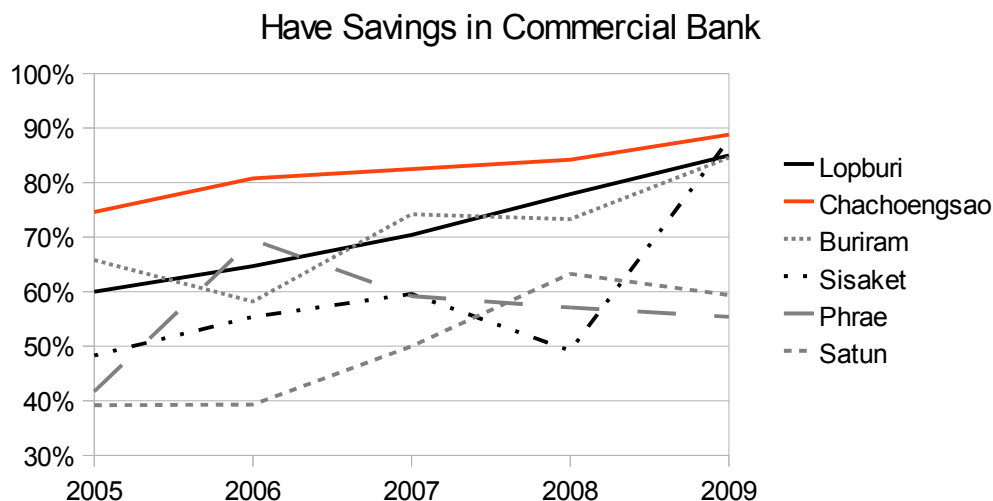
Throughout the 2005-2009 period, the most-cited reasons for low-income years are a) high investment costs, b) working fewer days in the current occupation, c) bad year for household business and d) higher education expenses. This pattern is generally consistent across all 6 provinces, though households in Sisaket and Satun also cite low crop yields approximately 10% of the time.

To get through the worst years, households in all 6 provinces report a heavy reliance on a) spending less on household items, food etc. and b) using savings as primary coping mechanisms. In Lopburi, Sisaket, and Phrae, households also tend to rely on borrowing from a village fund. Help from relatives (both pecuniary and non-pecuniary) is also important, but is generally only cited as secondary in importance relative to the above.

This same hierarchy is reflected in the answer to the hypothetical situations (“Suppose you encounter an unavoidable emergency and you needed 2,000 / 20,000 B right away. How would you get the 2,000 / 20,000 B?”) Households overwhelmingly respond that they would first use their own savings – if that option were unavailable/insufficient, they would then start borrowing from relatives.

SAVINGS

Overall, the majority of households do hold savings in a formal institution, such as a commercial bank, and this number has been growing over time:

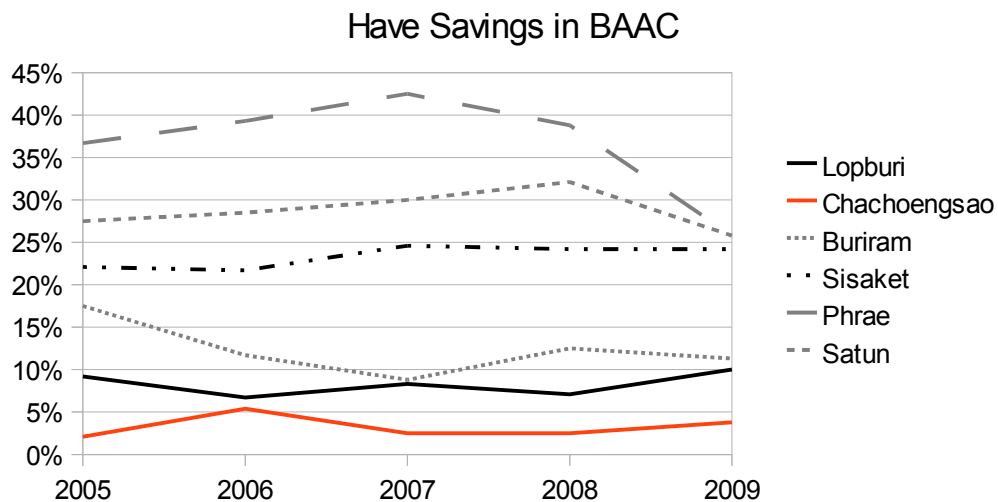


The table below provides some summary statistics comparing households who do have savings in a commercial bank and those who do not. There are several takeaway points:

- most households do have savings in a bank
- the heads in households with bank savings tend to be more educated
- households with bank savings are wealthier, and are more likely to own land and to own their own business
- households in the two categories seem to largely own the same kinds of businesses, though those without bank savings are more likely to be involved in some kind of farming/fishing

	Have CB Savings	Don't Have CB Savings
Number of households	1106	333
Age of household head	54.2	53.9
Education of household head	28.4	22.3
% with male household head	56.1	59.8
Wealth	1028728	292378
% who own land that they cultivate	74.4	73.6
% who own land that they don't cultivate	23.5	11.7
# of plots owned	1.39	1.25
% who currently own a business	62.4	52.9
# of businesses owned	1.26	1.19
Type of business	Trader (selling food); Shop; Other (laundry, renting rooms/houses, raising livestock)	Trader (selling food); shop; Other (raising livestock, fishery)

A significant number of households in Sisaket, Phrae and Satun also continue to hold savings in an agricultural institution such as an Agricultural Cooperative or the BAAC, though these numbers have declined somewhat over this period:



The table below shows that, over the whole sample, only a minority of households have savings in a BAAC. Furthermore:

- households with BAAC savings tend to be less educated, less wealthy, and are more likely to have a male household head
- households with BAAC savings tend to own more land than those without, and while the two groups are about equally likely to own a business, BAAC households are more likely to be involved in some kind of agricultural activity

	Have BAAC Savings	Don't Have BAAC Savings
Number of households	242	1198
Age of household head	53.6	54.2
Education of household head	23.9	27.6
% with male household head	67.8	54.8
Wealth	676217	894469
% who own land that they cultivate	88.4	71.3
% who own land that they don't cultivate	21.9	20.5
# of plots owned	2	1.2
% who currently own a business	62	60
# of businesses owned	1.3	1.2
Type of business	Trader (selling food); shop; Other (raising livestock, fishery)	Trader (selling food); Shop; Other (laundry, making clothes, renting rooms/houses, raising livestock)

BORROWING

For the following, I define informal borrowing as borrowing from any of the following:

- neighbor
- relative
- moneylender
- store owner
- supplier of inputs
- landlord
- purchaser of output

And formal borrowing as borrowing from any of the following:

- BAAC
- PCG
- commercial bank
- agricultural cooperative

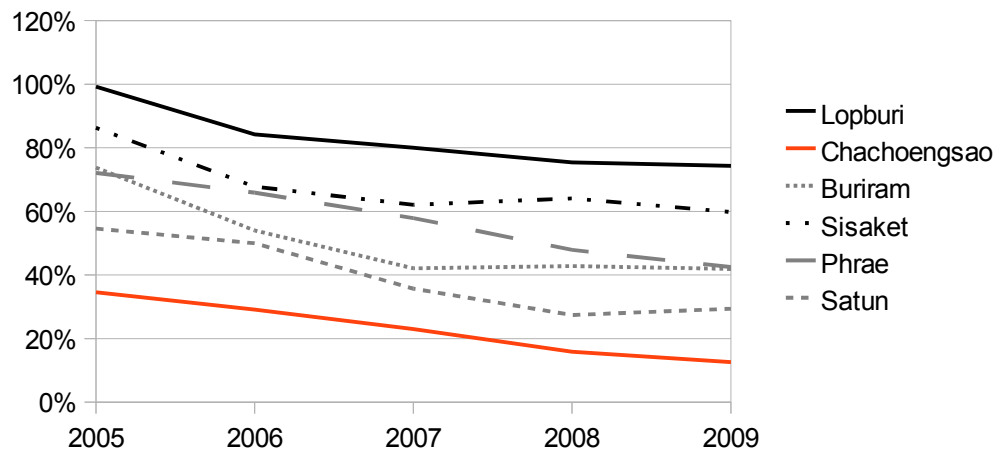
- village fund
- rice bank

Over 50% of borrowing takes place in the formal sector and, in particular, from the village funds. Borrowing from other sectors of the formal credit market (e.g., from commercial banks or the BAAC) is fairly low (the percentages in these charts denote what fraction of all households surveyed in that particular region hold a loan from the given institution):

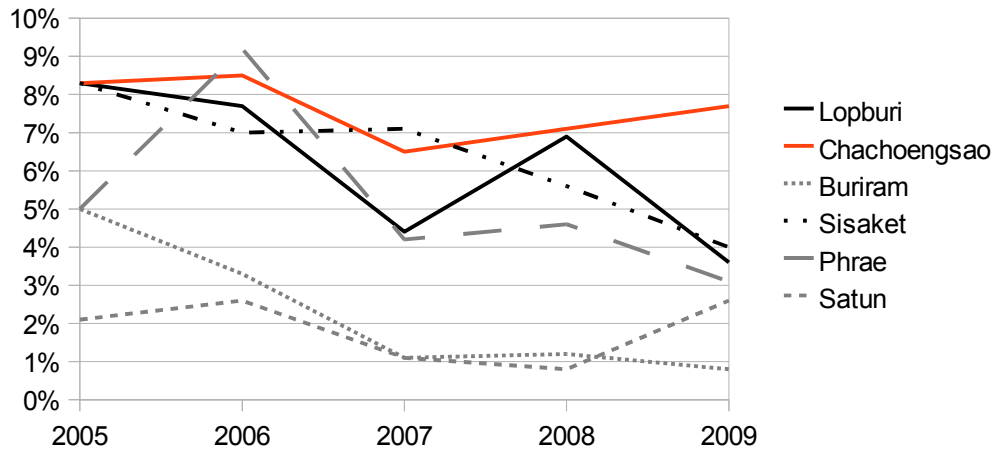
Use of Formal Borrowing



Use of Village Fund Borrowing

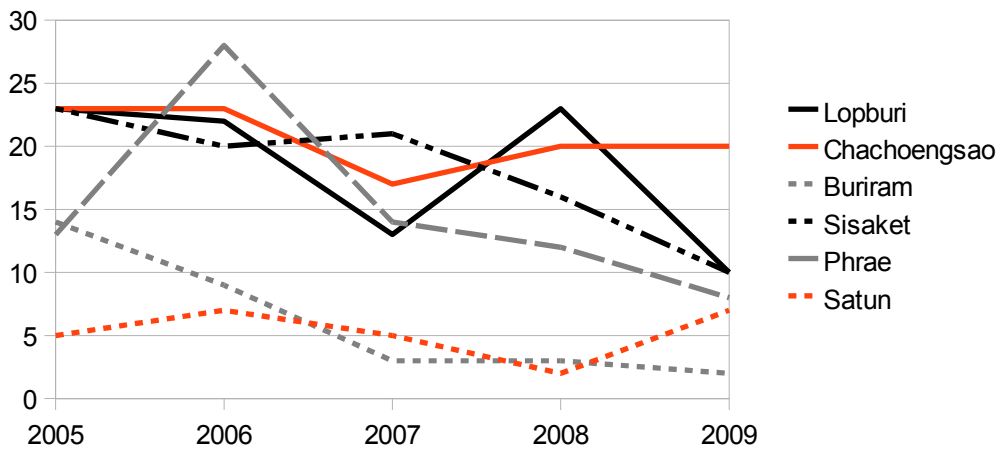


Use of Commercial Bank Borrowing

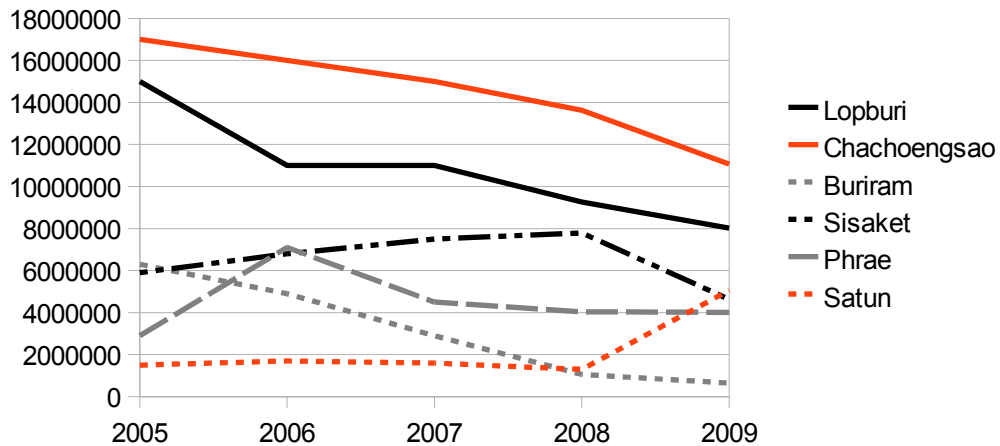


The volumes in the commercial bank borrowing market over this period are shown below:

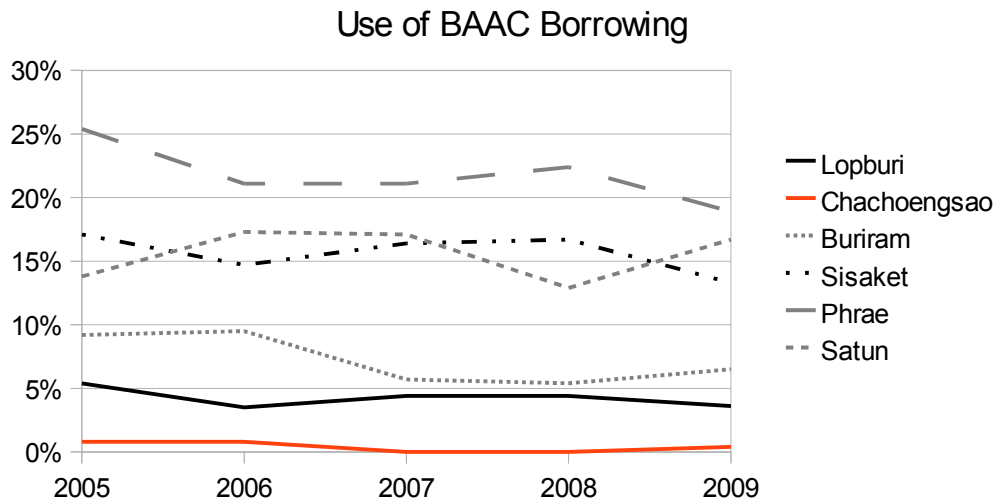
Number of Commercial Bank Loans Outstanding



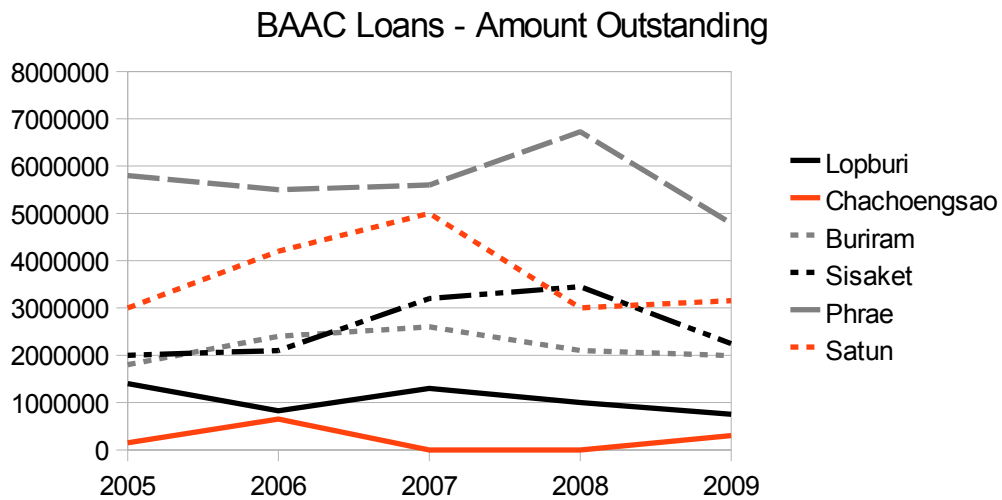
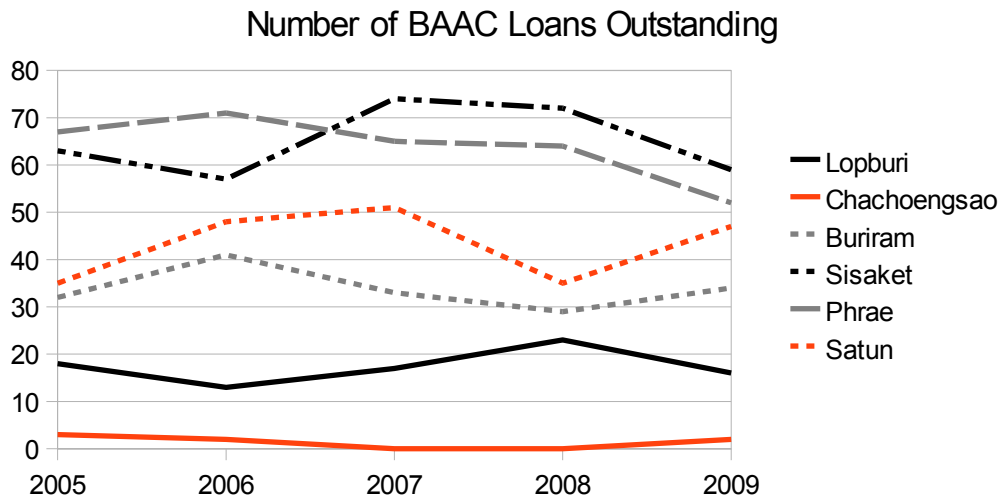
Commercial Bank Loans - Amount Outstanding



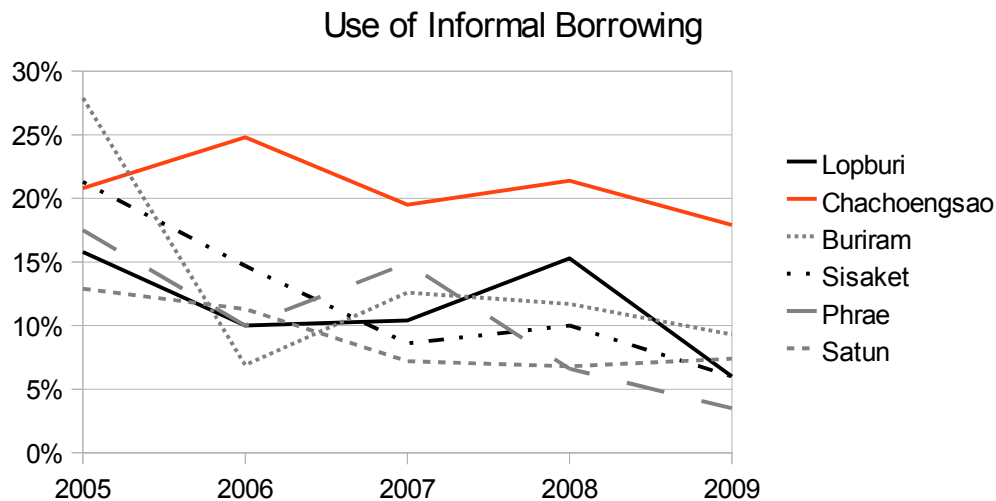
Though still a far second to the number of loans from the village funds, loans from the BAAC are still relatively important in Sisaket, Phrae, and Satun:



Respective volumes in the BAAC loan market are shown below:



Roughly 15% of loans are originated in the informal sector – however, very few households report borrowing from relatives or neighbors. Rather, most of the informal borrowing seems to be coming from moneylenders and store owners:



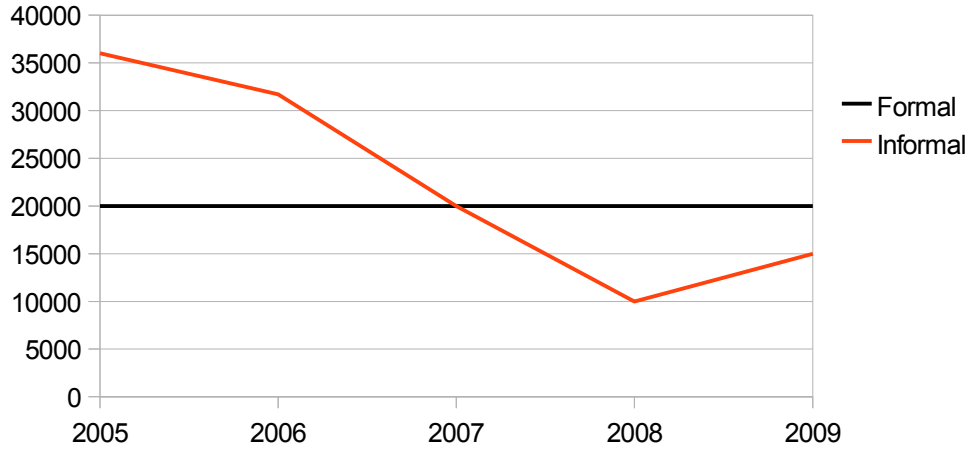
Over the 2005-2009 period, there is a declining trend in both formal and informal borrowing. In 2009, however, the vast majority of households still held at least one loan and the median household had two. Amongst households with 2 or more loans in 2009, only 11% borrowed from both the informal and formal sectors. The majority (84%) borrowed only from the formal sector.

In both the formal and informal markets, the most cited reason for borrowing is “consumption”. “Fertilizer, pesticide, herbicide, seed” and “business investment” are also cited as reasons for borrowing in the formal sector. In the informal, buying a motorcycle is the second most cited reason for borrowing (after consumption), and “business investment” is the third most cited.

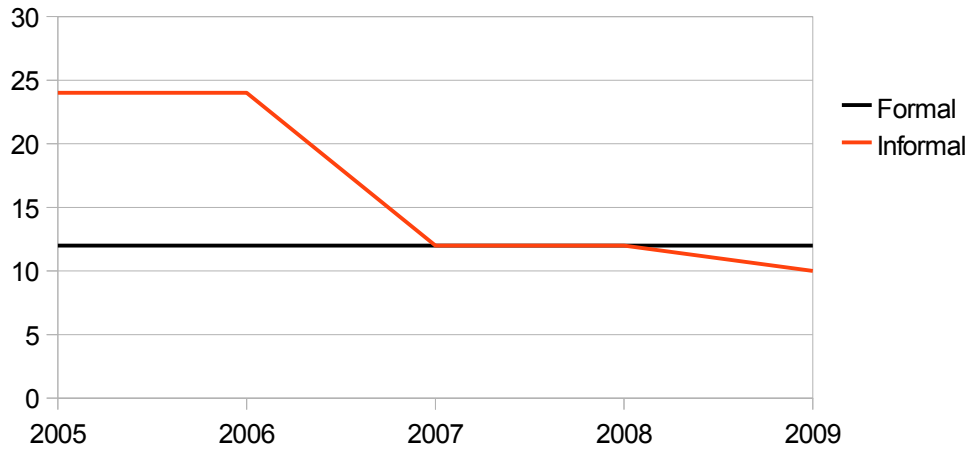
Amongst formal loans in 2009, the collateral requirement for 90% of the loans was “multiple guarantors.” “Land title – borrower uses land” accounted for another 6%. Amongst informal loans, the majority (68%) required no collateral, while 22% required a single guarantor.

A comparison of loans from the formal and informal sectors shows that the median formal loan has remained constant at a size of 20,000 for 12 months at an annual interest rate of 6%. In the informal sector, the median size and length of the loan have decreased over the survey period and, as expected, the interest rate charged on an informal loan is much higher than what is being charged in the formal sector.

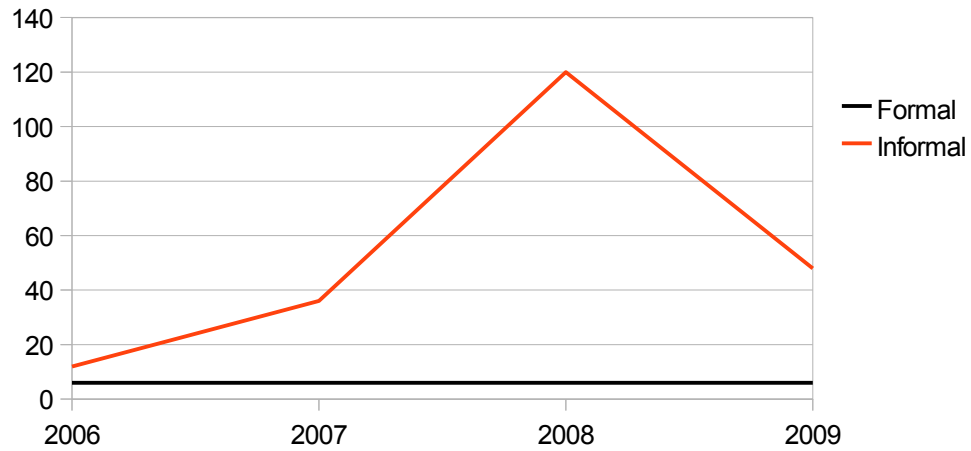
Median Size of Loan



Median Length of Loan (in months)

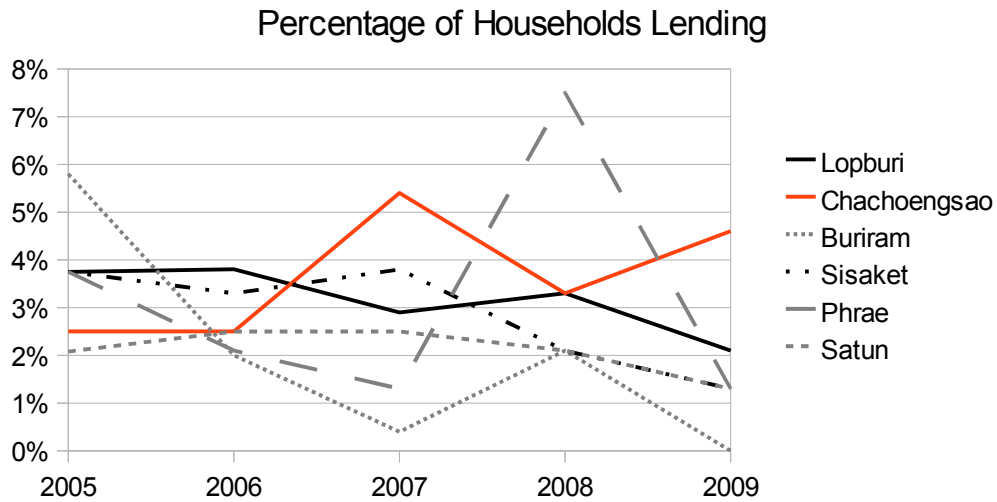


Median Annual Interest Rate



LENDING

Consistent with our finding that only a small portion of informal borrowing is accounted for by borrowing from relatives and neighbors, very few households report making loans to other people. Over the whole sample, less than 5% report that anyone currently owes them money:



Those who are lending money seem to be lending equally to relatives and non-relatives. The median loan is 20,000 for 12 months at an interest rate of around 4%. The vast majority of these loans are uncollateralized, and the most cited reasons for why the money was borrowed are to fund consumption and business investment.