

# SAVINGS PATTERNS CAPITAL FORMATION TO MANAGE HOUSEHOLD DEBT FOR AGING SOCIETY DIGITAL ECONOMY IN SAMUT SONGKRAM

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## ABSTRACT

The objectives of saving potential for our country economic stability were to study the potential of household saving in usual lifestyle and to educate the suitable saving knowledge and create the useful handout for the Thai savers monetary future planning in Samut Songkram. For quantitative research technique, the results from 400 sampling savers revealed that they were well-educated, having upper medium to high revenue and had average saving rate between 25 – 30 % of their income. Their main purpose of saving was for spending in the end of life period. As for the pattern of savings / investment they approached to the commercial bank, purchase the lottery 3 years from Government Saving Bank and invest in life insurance policies more than invest in financial assets in The Stock Exchange of Thailand because of the household savers understood the lump sum risk from SET and they did not want to face with fluctuation movement. For qualitative research technique by an in-depth interview with 15 savers showed their vision that “SAVING” for life was essential for everyone. The highest proportion of savings was distributed to deposit in commercial bank, deposit in their office saving co-operation and invest in life insurance policies. As for the high income household or the new family was allocated to the investment in landed property and sometimes in valuable stones and the bullion and the new discovery is perennial plant in the way of agriculture life is a value added for their real estate in the theme of saving pattern.

**Keywords**– Aging Society, Digital Economy, Household Debt, Samut Songkram, Savings Patterns

## INTRODUCTION

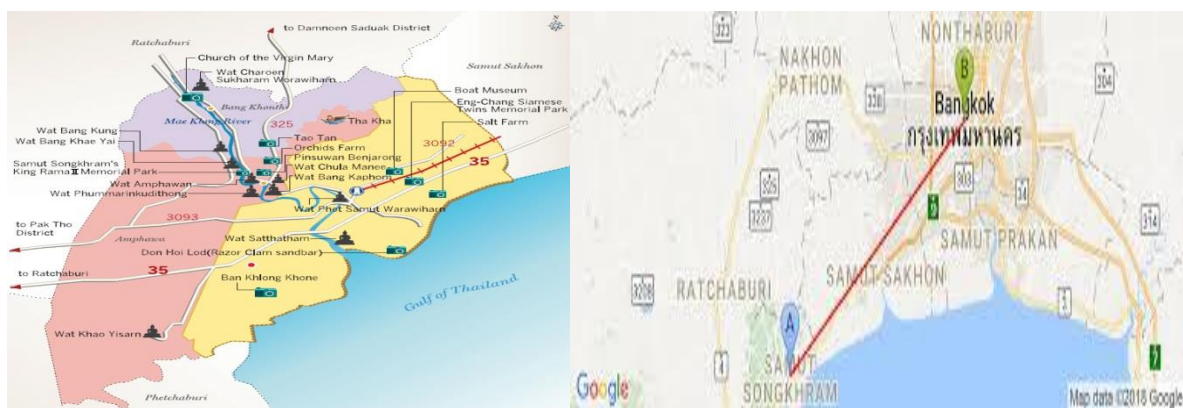
World Class Financial System, Household Savings have become increasingly important for the economic growth and stability for a decade. Huge savings, especially from the citizen, in sufficient quantities to businesses can be reinvested to grow the economy leading the Household Savings Sector to become the cornerstone of the country growth direction. The significant source of funding of the local household sector also does not rely on lending from abroad since it has higher risks from several factors. Finally, as Thailand is one of the ASEAN members in 2017, we need to have a considerably good economic position, especially the financing that needs to be strengthened by starting from the most basic level, the household sector in particular. According to the forecast by the International Monetary Fund (IMF), GDP of Thailand economic rate would increase from 4.5 to 5.1 percent [11].

When comparing the proportion of savings as gross domestic products (GDP) percentage among Asian countries with similar economic status, we found that in 2015, the savings rate of Thailand, Indonesia, Vietnam and the Philippines were 33.56, 26.75, 22.43 and 12.48 respectively; all of which except the Philippines increased from 2014. Although Thailand has a high domestic savings ratio which makes the country seemingly able to grow and meet the targets; however, we found that savings in the household sector actually decreased when compared with both business and public sector. In 2015, the average growth of the total savings of Thailand was at 4.8 percent per year while it could expand the investment average at 9.1 percent per year [13], indicating that the savings were much lower. This trend reveals that savings amount is not enough to invest in the future which might as well possibly result in deficit savings. These important and interesting points indicate that, even if Thailand's savings ratio is close to Singapore, Malaysia, Vietnam, and Indonesia, the capital market was still very low developed compared to Singapore and Malaysia [16].

Savings in the economic system were not only limited to those in commercial banks and other financial institutions, but also in the form of investment in the private sector or in the bond market. Before the economic crisis in 1997, Thailand mainly relied on commercial banks for a long time. Such banks had the ability to

mobilize savings in a high degree; also the government had policies which protected the deposits thoroughly made by the people with financial institutions. In addition, the savings habits of most people were conservative, that is, they would rather choose to deposit with banks. However, because of the effects from economic crisis that year, the Thai Government came to realize that the financial structure of Thailand was not balanced; therefore, they put more effort into developing capital markets, new financial instruments, and innovations to increase funding alternatives as well as new investment alternatives. For the savers, there had been more diverse and complex forms of savings with the purpose of raising funds through stock market and bond markets in the same amount as the lending from financial institutions. New forms of savings include common stocks, debentures, unit trusts, and etc. In addition, long-term savings through life insurance policies had an increasingly important role as an intermediary to move money from the household to the corporate sector which demands for more money. At this time, savings in the life insurance business in Thailand is still low compared to Singapore and Malaysia, both of which there are holders of insurance policies of 80 and 43 percent respectively, whereas in Thailand, the life insurance policies holders are only 14.1 percent of the whole population or only 1.1 percent per gross national product. There is definitely a chance for this number to grow rapidly by the government having various policies which encourage people to have life insurance, lawfully enforce individuals with income, and reduce the personal income tax from the insurance premium. There is also a form of savings which are tangible assets such as the purchase of real estate, gold bullion, amulets of which the value are not affected by inflation. Mostly, the households use savings and investment tool as the rights of owning the assets and receiving benefits in the form of interest, dividends, rents, and profits from financial instruments which eventually results in the wealth for the family and the country. The behavior of individual or potential household savings to create financial stability in the ASEAN Economic Community; thus, was an interesting research topic. Moreover, this study focused on savings of the household sector in order to explore the phenomenon of accessing the financial markets, contribute to the determination of measures to promote and increase the level of savings and to promote the development of financial markets to be ready for ASEAN Economic Community. The conclusion drawn from our study would be to suggest economically beneficial policies for Thailand Government. The map of Samut Songkram: Thailand, Bank Notes, Gold Bullion, life Insurance and Stock Exchange of Thailand Index were shown in Figure 1, Figure 2, Figure 3, Figure 4 and Figure 5 respectively.

**Figure 1**  
Map of Samut Songkram: Thailand



**Figure 2**

Bank Notes at Bank of Thailand



**Figure 3**

Gold Bullion as a Monetary Reserve



**Figure 4**

Life Insurance Investment



**Figure 5**

Stock Exchange of Thailand Index



### LITERATURE & THEORY

Main theories consist of 1) Liquidity Preference Theory (Keynesian Economics) in 1936 [1] which believes that aggregate demand is influenced by a host of economic decisions—both public and private—and sometimes behaves erratically. The public decisions include, most prominently, those on monetary and fiscal (spending and tax policies). According to Keynesian theory, changes in aggregate demand whether anticipated or unanticipated come from transaction demand, precautionary demand and speculative demand 2) Monetary Policies (Milton Friedman, one of the most colorful and controversial characters in the history of American economics) in 1962 which trusts that private would collect financial assets from their work for the retirement period and the government should stay out of matters that do not need and should only involve itself when absolutely necessary for the survival of its people and the country and recounts how the best of a country's abilities come from its free markets while its failures come from government intervention.

### RELATED WORKS

Numerous affiliate studies are shining up both in the Western and Asia such as Ann Foster, 2001 [2] declared that Keynesian Hypothesis: KH, Life-cycle Hypothesis: LCH, Premium-income Hypothesis: PIH and Ricardian-equivalence Hypothesis: REH; all 4 hypothesizes concluded that income and the proportion of savings are positively correlated. Hefferan Carl, 2002 [3] stated that almost savers collect monetary items from their work for the last period; preparing for Children tuition fee, daily expense, healthcare and travel but they cannot add asset in the retirement period. Michael Marquardt & Skipton Leonard, 2009 [4] revealed that the borrowing is the channel to escape liquidity constraint at the present but its affects the decreasing future consumption. Woo Jung, 2009 [5] classified household income from low to high and explained that the small revenue they get, the tiny saving they have. Moreover, Michael Marquardt, 2010 [6], Richard Thaler & Shefrin Hersh, 2010 [7] and World health Organization, 2014 [14] indicated that household income positively cause to saving for wealth and Mazzocco, 2014 [12] announced that the household which accept low risk from investment tend to thrifty more than the household which accept higher risk.

## METHODOLOGY

The targets of the empirical analysis came from random sampling population lived in 5 districts that sized 23% of total GDP of our country which represented the economic situation and located in the central region of Thailand as shown in Table 1.

**Table 1**  
Number of Sample Size for each Technique

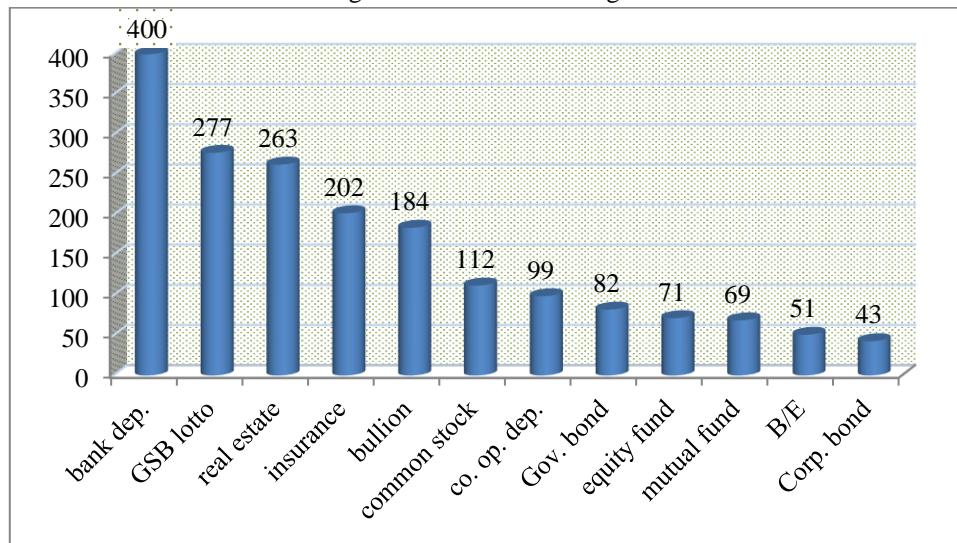
District	Sample Size For questionnaires	Sample Size for interview	Number of population
Mae Klong	157	5	76,162
Ampawa	184	7	89,049
Bangkhonthi	59	3	28,691
<b>Total</b>	400	15	193,902

First was the content which the researchers defined to evaluate the potential of household savings in normal lifestyle and to educate the suitable saving knowledge for the Thai savers to use for financial planning in this province. For the next step, our team used a quantitative method by 400 questionnaires and confirmed the results with a qualitative method by using an in-depth interview with 15 samplings from each district. Second, the time frame of this research was from October 2018 to September 2019.

## RESULTS

We found that the level of income affected the savings rate in this study area. The higher income persons were more likely to save money or invest for the future higher benefits than those with low revenue; this result presented among overall savers as well as when divided individuals into groups according to range of ages. Main aims were to find savings to spend in their retirement, to fund education for their children, and to plan for housing respectively. The desired benefits from savings or investments for the retirement period shows that each individual has to rely on 1) his/her own revenue gained during the working time and 2) an interest or dividend from the principal. This is consistent with the changing of age structure of the Thai population which the average tends to be higher, or so called aging society [8], [16]. Evidences from the findings announce the savings or investments form in 12 patterns that every household has savings through 1) Deposit in commercial banks because they are aware of its being low-risk and the service is convenient to access; yet, it gives a low return. 2) The Government Saving Bank Lottery, 3) Real estate, 4) Life Insurance Policy of which the benefit also reduces tax in time savings, 5) Investment in gold bullion and jewelry. The interesting points for this topic are, lower than 50 percent of the investors managed their saving by 6) Investment in Common Stock in The Stock Exchange of Thailand, 7) Deposit with the Cooperative, 8) Government bonds, 9) Equity Fund, 10) Mutual Fund, 11) Bill of Exchange from Commercial Bank and 12) Corporate bonds. The savings or investment in the latter group provided higher returns (may even be higher than the inflation rate) than the first group but it requires that those savings must be knowledgeable as presented in Figure 7.

**Figure 7**  
Samut Songkram Household Saving Patterns



For qualitative research technique by an in-depth interview with 15 savers showed their vision that “SAVINGS” was essential for everyone. The highest proportion of savings was distributed to deposit in commercial bank, invest in life insurance policies and deposit in their office saving co-operation. As for the high revenue household or the new family, they allocated the investment in the property: land, building including perennial plant and sometimes in the bullion.

The savers or investors realized that savings is necessary for a better quality of life both at the present time and in the retirement period. They planned and created a strategy for their savings and expenses. For those who received pension, they would have confidence for their life in the different way than the private employer or the business owner who would invest their income conservatively in order to receive the benefit over the inflation rate [10]. Even better, some behaviors needed changing such as gambling, having an improper diet, drinking alcohol, frequently eating out, along with overly spending for non-essential goods and services. The important sources of information preparing for smart saving in the AEC period came from family, public agencies and internet [9], [10], [17], [18]. The main goal is to let everybody involve in and thoroughly have them experience the most out of the development. Hence, it can be said that, living in accordance with the philosophy of sustainable economy is one approach leading to a real strong community as people are always reminded of a cautious life: Thailand 4.0: Prosperity, Security and Sustainability under the Sufficient Economy Approach of the Great King Bhumibol Adulyadej as presented in Figure 8.

**Figure 8**  
Thailand Motto



According to these results, the approach to saving in Samut Songkram, applying the concept of sustainable economy found that once the community has developed up to indicate where people were given an opportunity to work and get enough revenue to make a living, the people themselves should emotionally be mature, become forward-thinking or vision, and have a responsibility towards the society. In addition, they must share a common value, a tradition, and an identity, in order to make them feel belong to the community. The people will have an



awareness of preserving such manners inherited from prior generations and prior period. Moreover, they will organize a network to share ideas, create a funding plan, and solve problems when necessary, all of which help to strengthen the community. Eventually, a unity will be achieved leading to an ideal peacefulness. It can be said that, a strong economic community is highly capable of dealing with difficulties by itself applying a local knowledge and its social network as major resources. Finally, this type of community tends to be self-reliant in most aspects, depending on others only for a compliment.

## CONCLUSION

Saving Potential for Thailand Economic Stability was studied and major conclusions as follows:

1. Stock Exchange of Thailand Board must improve the capital market system rapidly to give the higher yield and control the lower risk from investing in financial assets at the same time. Ministry of Finance, Bank of Thailand and commercial bank must also work together in the theme of strong information. Convenient channels must provide for the investors. Finally, in the AEC 2017, everyone should save or invest for higher benefits than every year inflation rate.

2. Government should encourage savers to save their revenue in order to flow saving cash to the financial market both money market and capital market; this helps decrease the fluctuation from the foreign fund by giving knowledge and information to increase the volume of Thai baht currency circulation in Thailand economic.

3. Perennial plant or standing timber in the way of agriculture life is a value added for their real estate which improves the tangible asset in the theme of saving pattern.

## ACKNOWLEDGEMENTS

This paper would not have been possible without the contribution, the supporting, the kindness help and the encouragement of Associate Professor Dr.Luedeck Girdwichai, The Chancellor of Suan Sunandha Rajabhat University, Assistant Professor Dr.Witthaya Mekhum, The Vice President and Assistant Professor Dr.Prateep Wajeetongratana, the Dean of Faculty of Management Sciences Suan Sunandha Rajabhat University.

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