HOUSEHOLD SAVING POTENTIAL FOR THAILAND FINANCIAL STABILITY

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Abstract- The objectives of this research were to studythe potential of household saving in normal lifestyle and to educate the suitable saving knowledge for the Thai savers to use for monetary future planning in 5 perimeter provinces: Nonthaburi, PathumThani, NakhonPathom, SamutSakhon and SamutSongkram. 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 31 – 40 % of their income. Their main purpose of saving was for spending in the post retirement period. As for the pattern of savings / investment they tended to deposit in commercial bank, purchase the Government Saving Bank Lottery 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 high risk from SET and they did not want to face with fluctuation movement. For qualitative research technique by an in-depth interview with 10 savers showed their vision that "SAVING"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 real estate and sometimes in the bullion**.**

Keywords- Financial Stability, Saving Potential.

I. INTRODUCTION

Globally, 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 preparing to be one of the ASEAN members in 2016, 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 4.4 to 4.9 percent [1].

When comparing the proportion of savings as gross domestic products(GDP) percentage among Asian countries with similar economic status, we found that in 2013, the savings rate of Thailand, Indonesia, Vietnam and the Philippines were 34.36, 28.90, 24.59 and 13.41 respectively; all of which except the Philippines increased from 2012 [2]. 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 [3]. In 2014, the average growth of the total savings of Thailand was at 4.5 percent per year while it could expand the investment average at 9.5 percent per year, 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.

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 research would be to suggest economically beneficial policies for Thailand Government. The map of Thailand, Bank Notes, Gold Bullion, life Insurance and Stock Exchange of Thailand Index were shown in **Fig.1., Fig.2. Fig.3., Fig.4. and Fig.5.**respectively.



Fig.1. Map of Thailand



Fig.2. Bank Notes at Bank of Thailand



Fig.3. Gold Bullion at Yaowaraj: China Town of Thailand

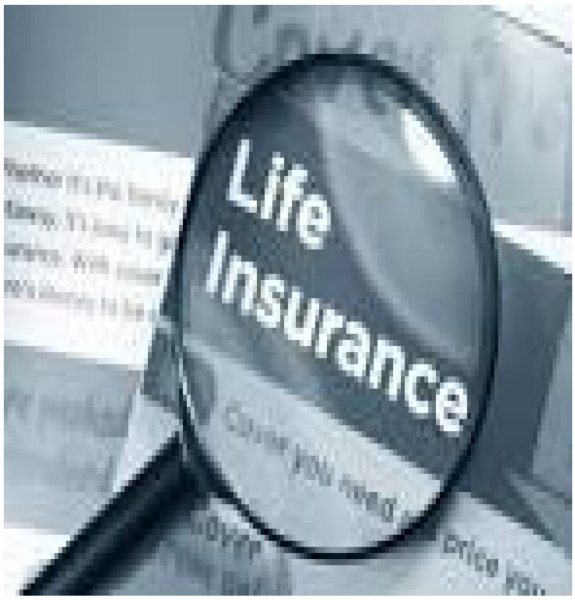


Fig.4. Life Insurance Investment



Fig.5. Stock Exchange of Thailand Index

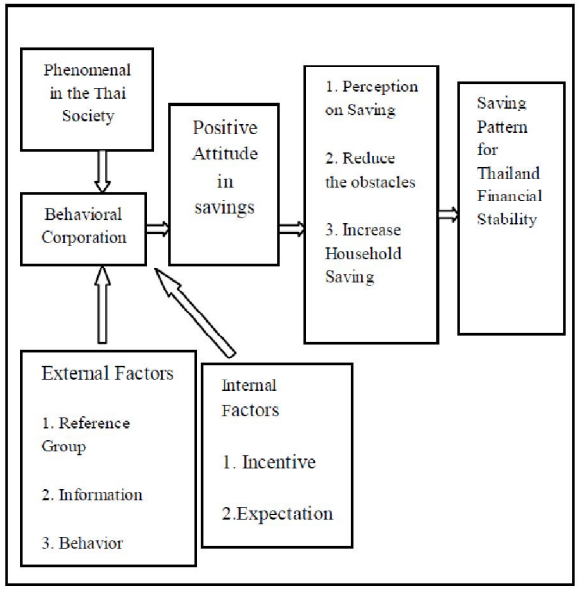


Fig.6. The Conceptual Frame Work of the Research

II. RESEARCH METHODOLOGY

2.1. Main Objectives

The targets of the empirical analysis came from random sampling population lived in 5 provinces; Nonthaburi, PathumThani, NakhonPathom, SamutSakhon and SamutSongkram which are located in the central region of Thailand as shown in **Table 1**.

Table1: Number of Sample Size for each Technique

Province	Sample Size for questionnaires	Sample Size for interview
Nonthaburi	120	2
PathumThani	110	2
NakhonPathom	90	2
SamutSakhon	55	2
SamutSongkram	25	2
Total	400	10

First was the content which the researcher 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 monetary future planning in 5 perimeter provinces. For the next step, our team researchers used a quantitative method by 400 questionnaires and confirmed the results with a qualitative method by using an in-depth interview with 2 samplings from each province. Second, the time frame of this research was from October 2014 to September 2015.

2.2. Conceptual Frame Work

The Conceptual Frame Work of this research which shows the independent factors affected the saving pattern of Thailand Financial Stability is shown in **Fig.6.**

III. RESULTS AND DISCUSSION

3.1. Results

We found that the level of income affected the savings rate. The higher income persons were more likely to save money or invest for the future higher benefits than those with low income; this result appeared among overall savers as well as when divided individuals into groups according to range of ages. Main purposes were to find savings to spend in their retirement, to fund education for their children, and to prepare for mortgage respectively. The desired benefits from savings or investments for the retirement period shows that each individual has to rely on 1) his/her own income 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 [4].Evidences from the findings show the form of savings or investments in 12 patterns that every family has savings through 1) Deposit with 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 (GSB) Lottery, 3) Life Insurance Policy of which the benefit also reduces tax in time savings, 4) Mortgage or Real estate, 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) Deposit with the Cooperative, 7) Investment in Common Stock in The Stock Exchange of Thailand (SET), 8) Government bonds, 9) Mutual Fund, 10) Equity Fund, 11) Corporate bonds and 12) Bill of Exchange from Commercial Bank. 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 **Fig. 7.**

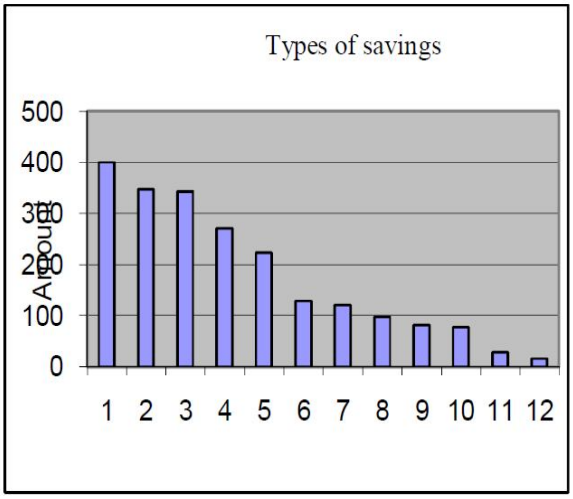


Fig.7. Number of the Investors classified by types of savings

For qualitative research technique by an in-depth interview with 10 savers showed their vision that "SAVING 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, they allocated the investment in the mortgage or real estate and sometimes in the bullion.

3.2. Discussion

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 [5]. 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. The important sources of information preparing for smart saving in the AEC period came from family, public agencies and internet [6], [7]. 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 [8].

According to these results, the approach to saving in 5 provinces; Nonthaburi, PathumThani, NakhonPathom, SamutSakhon and SamutSongkram, applying the concept of sustainable economy found that once the community has developed up to point where people were given an opportunity to work and get enough income to make a living, the people themselves should emotionally be mature, become forward-thinking, 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 network as major resources. Finally, this type of community tends to be self-reliant in most aspects, depending on others only for a compliment.

CONCLUSIONS

Household Saving Potential for Thailand Financial Stability was studied and major conclusions are as follows:

1. Government should encourage savers to save their income in order to flow saving cash to the financial 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.
2. Improve the capital market system to give the yield from investing in financial assets and controlling risk 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 are provided for the investors. Finally, in the AEC next year, everyone should save or invest for higher benefits than every year inflation rate.

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