

ABSTRACT

Thesis Title : Household Savings and Financial Deepening
in Thailand

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Degree Sought : Master of Economics

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The main purposes of this thesis are to study the relationships between household savings and the financial deepening in Thailand and the other economic variables which influence the savings determination. In addition a forecast on household savings is made for the years 1996 to 2001.

Econometric method is applied in this study which consists of three models : the model on aggregate household savings, the model on financial asset savings and the model on real asset savings. The annual time series data of 1977-1995 are employed to estimate the relevant parameters.

The empirical analysis finds that both permanent income and the transitory income are positively related to aggregate household savings with the marginal propensity to save of 0.845 and 0.112 for transitory income and the

permanent income respectively. The expected real interest rate is positively related to financial asset savings and the real asset savings. Finally, the financial deepening is positively related to the financial asset savings but negatively related to real asset savings.

According to the trend analysis, it finds that real aggregate household savings, the financial asset savings, and the real asset savings will be increasing for the year 1996 to 2001. Real aggregate household savings increases from 265,450 million baht in 1996 to 309,573 million baht in 2001 with the average of 3.12 percent per annum. Financial asset savings increases from 538,122 million baht in 1996 to 672,397 million baht in 2001 with the average of 4.52 percent per annum. And finally, real asset savings increases from 170,207 million baht in 1996 to 209,817 million baht in 2001 with the average of 4.24 percent per annum.

Since the transitory income has a strong influence on aggregate savings, a policy that increases in income will stimulate aggregate savings as well. In addition, due to the strong influence of financial deepening on financial asset savings, a policy that promotes financial deepening will induce financial asset savings inevitably.