

## CHAPTER ONE

### INTRODUCTION

#### 1.1 BACKGROUND

Money saving is an important factor in growth and economic development. It provides an important source of funds for domestic investment. Savings come from 2 sources: there are domestic savings and foreign savings. Countries which do not have domestic savings can borrow from another country; however, these countries are at risk of fluctuations in the world market. In the face of instability of external finance, domestic savings has become more critical for economic expansion.

According to the dominant view, low rates of savings are associated with increases risk of a macroeconomic crisis. A country with a low rate of savings may have large account deficits and levels of investment. Excessive confidence on foreign savings improperly show the economy volatile international capital flows. A decline in the inflows of capital may force the economy into trouble. The crisis in Latin America such as in Mexico and Argentina showed the declining rate of savings and the very large current account deficits during the years leading to the crisis. The rapid cross-border movement of capital has led many countries to consider a larger role for domestic savings as a source of investment funds.

In most developing countries, increased domestic savings has become a major aspect of development policy. Therefore, it's necessary to understand the savings behavior and determinants of saving. The issue of low levels of domestic savings is a major problem in small developing states.

There are no conclusive results that determines money savings because the factors which motivate people to save money are complex and interrelated. Saving decisions are influenced by several other factors. Most analysis concluded that the most important factors are related to the following (Chalongphob Sussangkarn, 1989; Sequino & Floro, 2003; Voravut Vanitchatchavan, 1997).

1. Income is the key dominant of savings in which the incentives to save. Not only individual's own income, but also a spouse's earnings have an effect on household savings. In particular, higher incomes of both wife and husband raise the level of household savings. However, it's impossible for households with very low incomes.

2. Demographic variables are related to household structures and are a significant determinant of saving behavior. Demographics are linked to age, sex, etc. The extended family is linked to the effectiveness planning in saving decisions. The larger household consists of several generations. As a result they have less to savings.

3. Social and gender norms influence the level of savings. Social norms have a direct effect on women's responsibility to the family. They tend avoid risk and try to save for children, parents, and grandparents. Norms directly regulate a woman's activity in society.

4. The willingness of the public to save is influenced by the functioning of financial markets. If financial institutions pay high interest rates, it can lead to an increase in the amount of household savings. Meanwhile, a high level of NPLs can reduce the confidence in the banks which make the returns on saving accounts less attractive.

In addition, Individual Attitudes to risk is used to describe a decision. Under the condition of uncertainty, people decide by rational beliefs and preferences. The people will assess the degree of possible outcomes and choose the options that they prefer. The people who dislike risks are willing to reduce risk by accepting lower returns. They pass them to others who are more willing to bear the risk.

### **Income, Consumption, and Savings of Thailand at Current at 1988 Prices**

*Millions of Baht*

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006p</b>
Personal Income	3,291,859	3,382,985	3,511,942	3,832,530	4,258,370	4,649,170	5,118,009
Private Consumption Expenditure	1,623,716	1,690,644	1,782,648	1,898,464	2,016,859	2,106,868	2,173,235
<b>Net Savings</b>	<b>819,735</b>	<b>743,078</b>	<b>773,458</b>	<b>867,530</b>	<b>984,320</b>	<b>1,050,913</b>	<b>1,340,831</b>
Private Sector Savings	618,228	486,217	385,219	411,975	508,868	544,046	699,434
Households Savings	367,833	274,737	214,526	249,996	319,531	344,517	446,487
Business Savings	250,395	211,480	170,693	161,979	189,337	199,529	252,947
Public Sector	201,507	256,861	388,239	455,555	475,452	506,867	641,397
General Government	140,300	154,157	220,053	314,154	327,452	374,170	472,229
Public Corporations and Government Enterprises	61,207	102,704	168,186	141,401	148,000	132,697	169,168
Gross Domestic Product, (GDP)	3,008,401	3,073,601	3,237,042	3,468,166	3,688,189	3,855,111	4,052,006

*Note.* From Gross National Product at 1988 Prices by Economic Activities and Savings and Gross Capital Formation, by Office of the National Economic and Social Development Board, 2007. Retrieved September 14, 2008, from <http://www.nesdb.go.th>

### Domestic savings in Thailand

Domestic savings in Thailand are classified into 2 categories. There are private sector savings and public sector savings.

#### 1. Private sector savings:

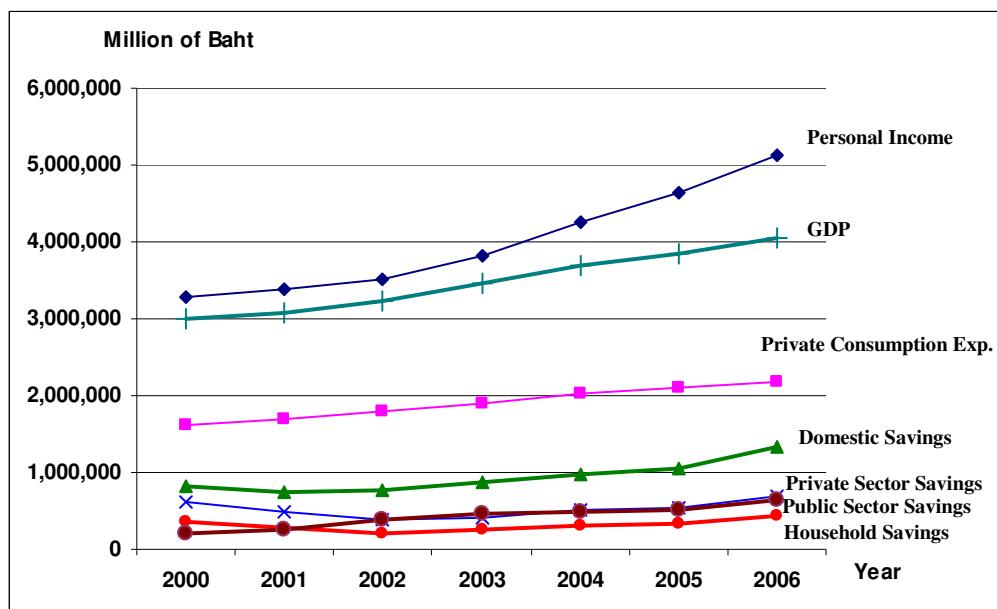
(a) *Household savings*. Household savings is equal to the difference between income and consumption expenditures. This revenue is the largest component of savings in Thailand.

(b) *Corporate savings*. They refer to the net income after deducting the contractual expenses earnings of companies. The revenue of a company is measured by the sale of its output. Two major types of article deduction from revenues are applicable expenses of operation and the various kinds of taxes.

#### 2. Public sector savings:

(c) *Government savings*. This savings refer to the sum of general savings and local government savings. The general government savings is defined as the difference between current revenues and current expenditures. The main sources of government revenues come from tax revenues which are collected from both the house hold and corporate sectors. The Government had been running a budget surplus prior to the crisis.

(d) *State enterprise saving*. It's another part of national savings.



Since 2000, the tendency of people on personal income and personal consumption has been higher every year, whereas private sector savings decreased until 2003 and has only slightly increased thereafter.

The capacity of household savings depends mainly regarding the level and growth of personal income and its sustainability. Households keep their savings in 2 forms. They save money in non-monetary forms such as gold bars, jewelry, land and buildings, whereas the motivation to save in monetary forms depends on the credibility and convenience of access to savings institutions.

Sequino and Floro (2003) states that men and women save money differently. Social norms have a direct effect on women's responsibility to the family. Women play a role in taking care of children. The behavior of sharing resources lowers women's consumption. At lower income, women spend less and save more than men because women look forward their earnings being low. The responsibilities for family activities and family conditions make women to distribute money for future spending. The increase in the degree of risk results in a decrease in present consumption and an increase in present savings.

This research will find out the differences between women vendors at the Prannok market and the Dhevej market on money savings behavior. As money savings is the main source of strengthening communities and developing the country, this study will benefit and improve savings management.

## **1.2 STATEMENT OF THE PROBLEM**

The study aims to answer the following questions:

1.2.1 How do women vendors at the Prannok market and the Dhevej market save their money?

1.2.2 What kinds of saving patterns do they have?

1.2.3 What factors affect their decision on saving?

1.2.4 Do they have a knowledge of money saving?

### 1.3 OBJECTIVES OF THE STUDY

The objectives of this study are the following:

#### 1.3.1 Main Objective

To investigate the saving behavior of women vendors at the Prannok market and the Dhevej market.

#### 1.3.2 Sub-Objectives

1. To find out the savings patterns among women vendors at the Prannok market and the Dhevej market;
2. To indicate the determinants of money saving;
3. To identify their knowledge of saving.

### 1.4 DEFINITION OF TERMS/ VARIABLES AND DEFINITIONS

The definitions of the terms of this study are as follows:

**Women Vendor:** a woman who sells products such as vegetables, fruits, and food.

**Income:** Amount of money that vendors earn from selling products including money received from other jobs.

**Consumption:** The expense of vendors in paying for food, clothing, entertainment, and other goods and services.

**Saving:** Income that is not spent on consumption goods and services.

**Risk:** The uncertainty of returns from saving. It includes both worse than expected as well as better than expected returns.

**Liquidity:** How easily assets can be spent or the ability to exchange the asset to cash that smooth consumption.

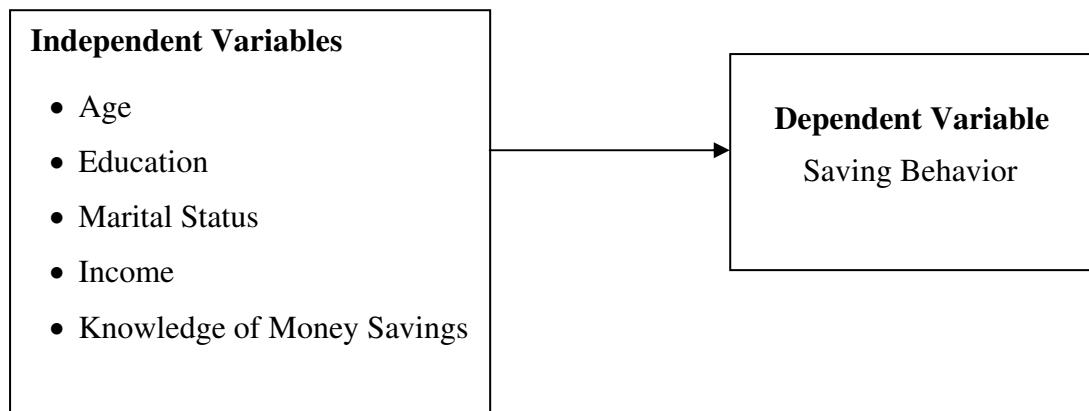
**Media:** Channels that convey information and sometimes affect the decisions.

**Saving Behavior:** The decision towards saving in official institutions and/or unofficial institutions.

**Knowledge of Money Saving:** Information and understanding of saving money

**Official Institution:** Institutions which are regulated by government in providing financial services for clients or members such banks, cooperatives, and insurance companies.

## VARIABLES



### 1.5 SCOPE OF THE STUDY

The study is limited to finding out and focusing only on the money saving behavior between vendors at the Dhevej market and at the Prannok market.

According to the subjects of this study, it focuses on 32 vendors each at the Prannok and at the Dhevej markets.

### 1.6 SIGNIFICANCE OF THE STUDY

This study of saving behavior among women vendors in Bangkok is significant in several respects.

1.6.1 To understand the nature of women vendors will help the financial institutions conduct campaigns to increase their savings. For example, what kind of saving patterns will attract women vendors.

1.6.2 The result of the study will be useful information for government in launching a saving policy for vendors. To know their saving behavior can help to design the policy that caters to vendors' needs or solves their problems. The government can use the results to implement a policy of savings. The policy may

include knowledge of savings to supporting the level of saving by giving information that can help vendors to manage their money properly.

1.6.3 To give information and to researchers who want to study the related topic.

## **1.7 ORGANIZATION OF THE STUDY**

The study of Money Saving Behavior among Women Vendors in Bangkok: A Comparison of Vendors at the Prannok market and at the Dhevej Market is divided into 5 chapters as follows:

- Chapter One      Introduction
- Chapter Two      Review of Literature
- Chapter Three      Methodology
- Chapter Four      Results
- Chapter Five      Conclusion, discussion, and Recommendations