

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

In most developing countries the absence of working credit and insurance markets leads to household saving rates becoming an important indicator of a population's welfare. In these developing countries a household without savings has no other real options to deal with an unexpected financial downturn. Therefore an unbalanced economy can have serious effects on the amount that households can put away as it forces them to spend. Saving also allows householders to gain assets without using credit or insurance brokers, and as such the ability to save becomes an important factor in social status and welfare. There is some debate as to whether there is a clear relationship between saving and economic growth. Despite this, there is agreement that as saving rates increase, alongside increases in salary, more economic opportunities are created and financial investment becomes a real possibility.

Savings and investments are related to the economic growth of Thailand in the following ways; assisting development, as saving is one of the principal factors that support investment by providing an investment source; also to increasingly improve the mobilization of domestic and foreign resources in order to generate sufficient investment to accelerate economic growth. The government has a responsibility to encourage foreign direct investment (FDI) into Thailand as this will raise employment levels and increase the national income. FDI results in significant amounts of capital coming into the country, which helps add to domestic investment. With higher investment comes higher income and with higher income comes higher rates of spending which also helps the national economy. It has been noted by Piroj Vongvipanond (1978) that in Asian countries domestic savings makes a much larger contribution to the economy than foreign savings. As a result it may be concluded that the mobilization of domestic resources is an important factor in sustained economic growth, and saving rates are the most significant indicator of the condition of Thailand's economic strengths and long-term growth potential.

National Income of Thailand

(Million of Baht)

	2003	2004	2005r	2006r	2007p
Personal Income	3,832,530	4,258,370	4,640,421	5,098,049	5,555,556
Disposable Personal Income	3,691,646	4,090,863	4,457,665	4,892,526	5,325,480
Personal Savings	249,996	319,531	328,739	423,532	661,124
Personal Income Per Capita (Baht)	59,900	65,990	71,283	77,745	84,123
Disposable Personal Income Per Capita (Baht)	57,698	63,394	68,475	74,611	80,639
Personal Outlay Per Capita (Baht)	53,791	58,442	63,425	68,152	70,628
Personal Savings Per Capita (Baht)	3,907	4,952	5,050	6,459	10,011
Population (1,000 Heads)	63,982	64,531	65,099	65,574	66,041

Source: Office of the National Economic and Social Development Board, Office of the Prime Minister

Savings and Gross Capital Formation

(Million of Baht)

	2002	2003	2004	2005r	2006r	2007p
Private Sector	865,683	1,036,552	1,255,594	1,544,629	1,655,253	1,668,384
Public Sector	377,505	387,642	426,230	505,194	541,968	578,790
Change in Inventories	54,146	53,281	56,766	180,344	31,150	10,753
Gross Domestic Capital Formation	1,297,334	1,477,475	1,738,590	2,230,167	2,228,371	2,257,927
Net Savings	773,458	867,530	984,320	1,038,276	1,352,612	1,626,971
Private Sector	385,219	411,975	508,868	535,184	718,941	1,045,839
<i>Households</i>	214,526	249,996	319,531	328,739	423,532	661,124
<i>Corporations and Cooperatives</i>	170,693	161,979	189,337	206,445	295,409	384,715
Public Sector	388,239	455,555	475,452	503,092	633,671	581,132
<i>General Government</i>	220,053	314,154	327,452	371,179	470,314	387,401
<i>Public Corporations and Government Enterprises</i>	168,186	141,401	148,000	131,913	163,357	193,731
Provision for Consumption of Fixed Capital	790,921	824,216	868,249	927,456	995,296	1,077,263
Statistical Discrepancy	-64,700	-16,996	-3,850	-38,058	-34,984	37,446
Gross Savings	1,499,679	1,674,750	1,848,719	1,927,674	2,312,924	2,741,680
Less : Surplus of the Nation on Current Account	202,345	197,275	110,129	-302,493	84,553	483,753
Finance of Gross Domestic Capital Formation	1,297,334	1,477,475	1,738,590	2,230,167	2,228,371	2,257,927

Source: Office of the National Economic and Social Development Board, Office of the Prime Minister

To gain an insight into the structure of Thailand's domestic savings system, two components must be looked at. The first, Private Sector Saving, consists of the

household saving and corporate saving rates. The second is Public Sector saving, which consists of the government saving and state enterprise saving rates. The household saving rate contains the largest proportion of the nations total net saving. In the year 2003, the proportion of household saving growth was at 17.0%, and this has continually increased. In 2006, growth was raised to 29% from the year 2005, which obviously indicates a year in which there was substantial growth of personal income in the country.

There are a number of factors that can slow the growth of the national saving rate. These factors include the rise of consumption; greater access to credit; government medical policies, which increase personal health spending; and uncertain employment conditions where the possibility of being laid off is very real. The Bank of Thailand (2005) has mentioned that if the current rate of saving in Thailand continues to decline, then economic growth will halt and future retiree's living conditions cannot be guaranteed. The future situation will be even more drastic for those who only have low-income jobs. The same study mentioned above has indicated that the amount of money saved by low-income earners has dropped like a stone in recent years, while those from higher-income groups have managed to save much more.

In order to get some ideas of the saving behaviors of Thai people, this study aims to investigate the following factors; the reasons they save their money; their behaviors when selecting types or methods of saving money; and the way people manage their savings. The sample of people in this study focuses on office workers who work for private companies in the Siam Area. People from this particular demographic seem to acknowledge other saving methods aside from the traditional option of simply putting money into commercial banks; this may be because they work in financial institutions, foreign firms and educational organizations. It is for this reason that they are the primary focus of this study. One reason to study this focus group, unlike those who work in government offices, is that these particular employees will receive no government pension when they retire. Some firms, but by no means all, may provide a type of provident fund that may help an employee in their retirement, but for the vast majority of these workers it is their own money which must provide for them in later years. By determining the saving habits of the

focus group, this study aims to provide prudent information on the methods used by employees of private companies in the Siam area to save their money, and to find out the factors influence their saving behaviors.

1.2 OBJECTIVES OF THE STUDY

The objectives of this study are as follows:

1.2.1 To study the factors influencing the saving behaviors of office workers at private companies in the Siam area.

1.2.2 To find out the actual saving behaviors of office workers at private companies in the Siam Area.

1.3 DEFINITION OF TERMS / VARIABLES AND DEFINITIONS

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

“Income” is a monthly average wage or salary income; self-employment income; interest payments, rents garnered and other forms of earnings received in exchange for labor, services, from the sale of goods or property, or as earnings from investments made by office workers employed at private companies in the Siam Area.

“Consumption” is the expenses that office workers at private companies in the Siam Area spend on housing, food, transportation, health care, and all goods and services each month.

“Saving” is an average amount of money that office workers at private companies in the Siam Area do not spend on any consumption expenditures. .

“Behavior” is the methods that office workers at private companies in the Siam Area use to save after spending money to meet their needs.

VARIABLES

Independent Variables

The independent variables of this study are age, occupation, number of work experiences, income and expenditures.

Dependent Variables

The dependent variables of this study are the percentages of saving amount.

<u>Independent Variables</u>	<u>Dependent variables</u>
<ol style="list-style-type: none"> 1. Age 2. Occupation 3. Number of working experiences 4. Income 5. Expenditures 	<ol style="list-style-type: none"> 1. The saving behaviors <ul style="list-style-type: none"> - Forms of saving

1.4 SCOPE OF THE STUDY

1.4.1 This research is being conducted to find out the factors that influence office workers at private companies to save their money; to study the behavior of office workers in selecting which types of savings plans they used; and how they manage their savings. The people employed as government officers are not included in this study.

1.4.2 The period during which the study was conducted was from November 2008 till the end of February 2009.

1.4.3 Data collection was classified by using a closed-end questionnaire and open-ended questionnaire with the results tabulated from 150 samples.

1.5 SIGNIFICANCE OF THE STUDY

1.5.1 This study can be a guideline for people in preparing themselves for their financial emergencies, retirement and down payments.

1.5.2 The results of this study will benefit the planning of a saving campaign to encourage people to save their money, as they will not have a pension in retirement.

1.5.3 This study provides a general idea on the possible ways of money saving apart from using bank deposit accounts.