

**A SPECIAL STUDY REPORT**  
**FACTORS AFFECTING**  
**THE HOUSEHOLD INDEBTEDNESS**

**SHOW**

**A CASE STUDY IN NANGRONG DISTRICT**

**Sivaporn Pokpong**



**COMMUNITY BASED INTEGRATED RURAL DEVELOPMENT (CBIRD)  
EVALUATION PROJECT**

**INSTITUTE FOR POPULATION AND SOCIAL RESEARCH  
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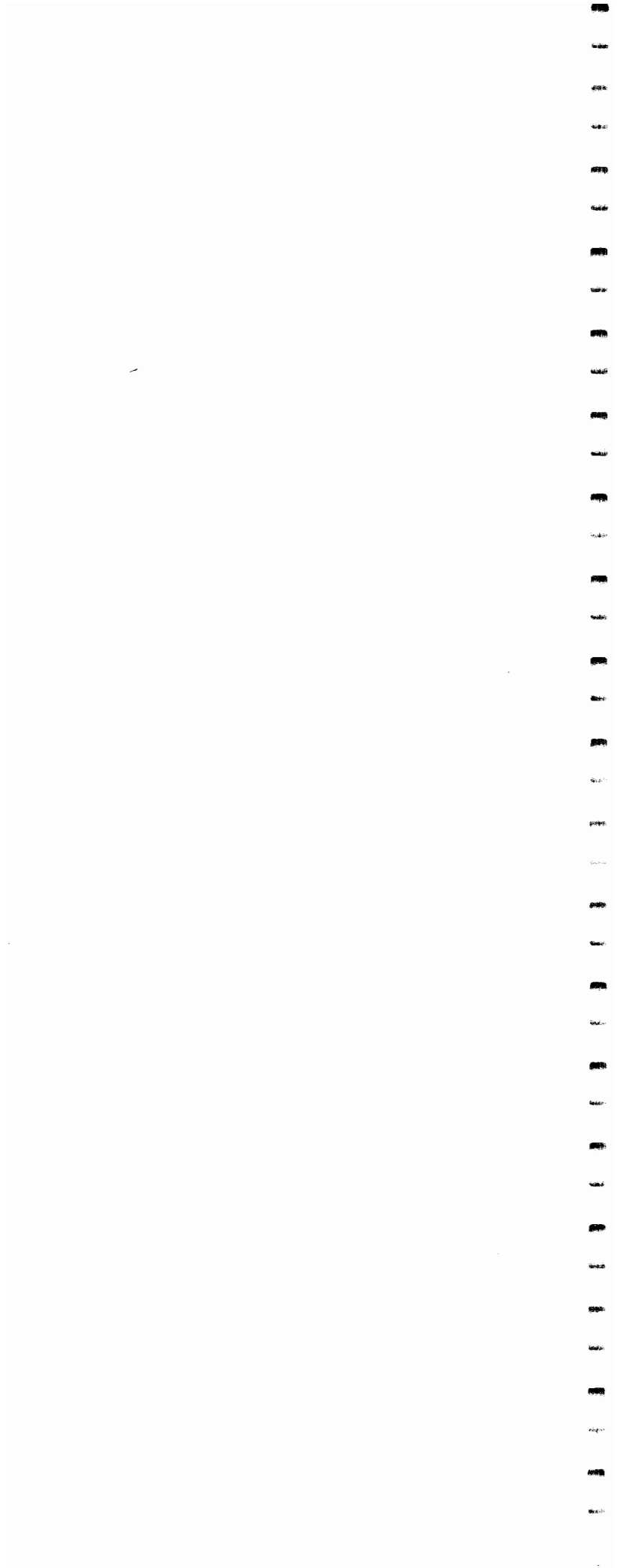
**Sivaporn Pokpong**

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# PREFACE

The main objectives of the CBIRD EVALUATION PROJECT (CEP) is to measure changes and impact of CBIRD on economic, environment, and health development. The information on economic and household indebtedness is an important indicator to develop the well-being of the rural community, thus the purpose of the study is to investigate the economic factors which affect the household indebtedness in Nang-rong District, Burirum Province. The data in this paper is obtained from the Baseline Survey conducted in 1984.

This paper is one out of several other special topic studies under the umbrella of the CEP, and the others will be published respectively.

Pramote Prasartkul, Ph.D.

CEP Project Director.

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# ABSTRACT

FACTORS AFFECTING THE HOUSEHOLD INDEBTEDNESS :

A CASE STUDY IN NANG RONG DISTRICT

by Sivaporn Pokpong

The purpose of this study is to investigate the economic factors which are related to the debt of the villagers in Nangrong. More than fifty percent of Nangrong villagers have plunged into indebtedness both in terms of cash and products kinds. Their creditors are mostly from private sector such as neighbors, relatives and merchants. The cash or product loan, which are not so much, are spent for household consumption. The interest rate for the cash loan varies from 15 to 40 percent annually. For product loan ; the capital and repay ratio is about 2 to 3, 4 or 5 which is from 150-300 percent. Only one-fifth are debtors of the government owned Bank for Agriculture and Agricultural Co-operatives, while the purpose of loans which are of higher amounts are for production investments. Though the higher gross income households are potentially able to pay back their debt, their unpaid debts remains higher than the households with lower gross income.



# Introduction

Thailand, as other developing countries, has an important problem concerning the living conditions of the rural people which it needs an efficiency strategy to solve. The World Bank reported that a quarter of Thai population is in poor living conditions. About two-thirds of that particular group lives in the Northeast region which they had an average annual income only 4,991 baht, while the population in Bangkok had an average annual income of 30,161 baht. Almost all agricultural families are poor and have low income because they have less capacity to increase their marginal products due to small land holding, less cost of investment, lack of proper advance technology and also they are obliged to sell their agricultural product at a very low market price. Their situation so further aggravated by the fact that they have a large family size which reacts negatively with income.

Debt of the rural poor has been widely discussed especially on the topics concerning with agricultural life. Farmers who are being in debt for investment have an opportunity to return after they can increase their products. On other hand, the low income families need to borrow money or products for home consumption and for living in their community.



The baseline survey data on socio-economic of the rural population of Nangrong district, Burirum Province, has been collected on April 1984 for evaluation the Community Based Integrated Rural Development Program. This data will used in studying the economic factors related to the rural indebtedness focusing on indebted and unindebted households as well as the result of being in debt.

To avoid prior misinterpretations, definitions of household had debt in this study should first be made clear. Indebted household refers to all households reported to the interviewers that they had borrowed some money or products from creditors during the period of April 1982 to April 1983. The reasons for borrowing was classified into two groups, first, for productive investments and second, for household consumption including for education of household members, for finding the jobs, for curing sick household members, and for some social activities.

## **Sources of credit**

The analysis of baseline survey data form B1, there are 472 households that had debt during the defined period, this constitutes about 60 percent of the 791 sampling households in Nangrong district. The sources of credit can be classified as

(1) Private creditor More than a half of all kind of creditors are relatives, neighbors and landowners. This type of borrowing was very convenient having no need to deal with legal documents. Convenience was further the case if the borrower has some assets for guarantee. The amount of debts and the interest rate varied depending on the relationship between the borrower and the creditor. The more the creditor recognizes the borrower, the more the money can be lent, and the less the interest rate. In general, short term loans had a interest rate of 15-20 percent.

Merchants are another source of creditor. In the villages, many kind of merchants come in contact with the villagers, for example, the merchants who come to purchase agricultural products, the retail shop owner in the villages, and the mill owner. For this group of creditor, they give the credit to the villagers in terms of "Tok-keeo". Tok-keeo (green borrowing) means that the merchants gave some money to the borrowers before the rice growing season or rice harvesting season until the farmers harvest rice then, they return the particular debt including high interest in terms of produces.

(2) Credit institutions Around 20 percent of households in Nangrong borrowed money from the Bank of Agricultural and Agricultural Co-operatives (BAAC), and other 10 percent were indebted with Agricultural Co-operatives. There are very rare cases of indebtedness from the Commercial Bank because of villagers lack

guarantee assets as same as guarantee persons. This type of indebtedness was in term of cash and fertilizers which it was clearly classified in the contract to return in cash (the capital plus interests) after the harvesting season.

## **Amount of debts and Reasons of borrowing**

Table 1. shows the amount of debt, more than 50 percent of household had debt between 100 to 3999 baht\* borrowing these amounts of money from private creditors. Debts which were more than 4000 baht was borrowed from money institution such as the BAAC. More than 50 percent of debted households borrowed money for unproductive activities especially for household consumption from private creditors, (see table 2). The reason for borrowing for productive investment was mostly found from the group of debted household borrowing from a money institution, there are about 82 percent.

There are two kinds of paying the interest : cash and kind. The interest rate in cash, accounting for more than 15 percent per year, was paid to the private creditor such as merchants. The government money institution collected the interest rate around

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\* 265 baht = \$ 10

Table 1 Number and Percent of indebted household classified by the amount of debts and sources of credit.

Amount of debts (Baht)	Sources of credit					Total
	Merchants (Percent)	Agricultural Co-opera- tives (Percent)	B.A.A.C. (Percent)	Neighbors (Percent)	Others (Percent)	
100 - 3999	65.2	22.2	11.8	77.7	54.4	259 54.9
4000 - 6999	15.2	20.0	17.2	12.3	10.5	67 14.2
7000 - 9999	0.4	13.3	16.1	2.8	8.8	35 7.4
10000 - 50000	15.2	44.5	54.8	7.1	26.3	111 23.5
Total	66	45	93	211	57	472
households						
Percent	14.0	9.5	19.7	44.7	12.1	100.00

\* Land owners, relatives, parents

Table 2 Number and Percent of indebted household classified by reasons for borrowing and sources of credit.

Reason for borrowing	sources of credit				Total	
	Merchants (Percent)	Agricultural Co-opera- tives (Percent)	B.A.A.C. (Percent)	Neighbors (Percent)	Others (Percent)	(Number) (Percent)
For productive investment	43.9	66.7	81.7	28.0	47.4	221 46.8
For household consumption	40.9	22.2	14.0	50.7	38.6	179 37.9
For education of household member	1.5	-	2.2	0.5	-	4 0.8
For social activities	4.5	-	-	2.4	-	8 1.7
For curing sick household members	-	-	1.1	4.3	3.5	12 2.5
Other reasons	9.1	11.1	1.1	14.2	10.5	48 10.2
Total households	66	45	93	211	57	472
Percent	14.0	9.5	19.7	44.7	12.1	100.0

11 to 15 percent. Paying the interest in terms of kind (Tok-keeo) was around 1:1.5 and 1.7 (borrow 2 return 3 and borrow 3 return 5, respectively), which is equal to 150 percent and 210 percent, respectively.\*\* If the debt is returned in produces, the rate will be higher ; borrow 1 return 2, which is 300 percent, or more (table 3).

## Ability to pay back

More than a half of indebted households can return the money to the creditor in the same year. The ability to pay back varies with gross income of the household in question. The more the gross income of the family, the less the money they were indebted. (table 4).

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\*\* The duration of time used for calculated Tok-keeo is from the beginning of the rice growing season to harvesting time, which covers 4 months. Therefore, if the interest rate is 1:1.5 (which is equal to 50 percent), within 1 year the interest rate should be  $\frac{50 \times 12}{4} = 150$  percent.

Table 3 Number and Percent of indebted household classified by type of interest and sources of credit.

Type of interest	Sources of credit					Total
	Merchants (Percent)	Agricultural Co-opera- tives (Percent)	B.A.A.C. (Percent)	Neighbors (Percent)	Others (Percent)	
<u>Pay in cash</u>						
No interest	2.1	-	-	15.3	30.8	31 9.5
< 10% per year	12.8	7.9	3.5	11.9	17.9	33 10.1
10-15% per year	2.1	71.1	80.2	2.5	10.3	104 31.7
> 15% per year	83.1	21.0	16.3	70.3	41.0	160 48.8
N	47	38	86	118	39	320
%	14.3	11.6	26.2	36.0	11.9	100.0
<u>Pay in product</u>						
No interest	9.5	-	66.7	13.4	30.8	19 15.8
Borrow 1 return 1.5-1.7 (150-210%)	33.3	100.0	33.3	53.7	38.5	58 48.3
Borrow 1 return 2 (300%)	42.9	-	-	26.8	15.4	33 27.5
Borrow 1 return 2.5-3 (450-600%)	14.3	-	-	6.1	15.4	10 8.3
N	21	1	3	82	13	120
%	17.5	0.8	2.5	68.3	10.8	100.0



**Table 4** Number and Percent of indebted households classified by ability to pay back the money that had not been paid back and, gross income of households.

	Gross household income (baht)			Total
	1-19,999 (Percent)	20,000-49,999 (Percent)	50,000 and over (Percent)	
<u>Ability to pay back the money</u>				
- No more debt	51.6	54.5	56.8	218 53.7
- Still have some debt	48.4	45.5	43.2	188 46.3
Total households	186	132	88	406
Percent	45.8	32.5	21.7	100.0
<u>Amount of debt had not been paid back</u>				
1-1,999 baht	50.0	25.0	7.9	63 33.5
2000-4999 baht	27.8	20.0	18.4	44 23.4
5000 and over	22.2	55.0	73.7	81 43.1
Total households	90	60	38	188
Percent	47.9	31.9	20.2	100.0

## Income generating activities

When we investigated economic variables, household either had debts or had no debt in Nangrong district. Table 5 and 6 show that all income generating activities were practiced more by the households indebt than unindebted households, especially among agricultural occupations and agricultural laborer. For agricultural household, it was found that 61 percent of indebted household participated only in rice farming while only 56 percent of household had no debt did so. Non-agricultural occupations constituted 6.8 and 11.4 percent among households which were indebted and households with no debts, respectively.

## Cultivated land

Of the household which had debts about 38 percent used more than 21 rai<sup>\*</sup> of land for cultivation while the households with no debts used the same amount of cultivated land consisted of 34 percent. When we classified the indebted households by the reason

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\* 1 acre = 2.5 rai

**Table 5** Number and Percent of households classified by household activities and indebtedness.

Type of activities	Household with debts		Household with no debts	
	Number	Percent	Number	Percent
Rice farming	434	91.9	273	86.9
Cash cropping	152	32.2	101	31.8
Fruit farming	48	10.2	37	11.8
Animal Domestication	442	93.6	286	91.1
Home gardening	355	75.2	229	72.9
Agricultural labourer	207	43.9	122	38.9
Other wage earner	11	2.3	5	1.6
Government service	31	6.6	16	5.1
Home industries	181	38.3	89	28.3
Commerce	48	10.2	27	8.6
Other activities	43	9.1	19	6.1
Total households	472	60.1	314	39.9

Table 6 Number and Percent of households classified by combination of agricultural works and indebtedness.

Combination of agricultural works	Household with debts		Household with no debts	
	Number	Percent	Number	Percent
Rice farming only	288	61.0	177	56.4
Cash cropping only	5	1.1	5	1.6
Rice farming & Cash cropping	147	31.1	96	30.6
Neither rice farming nor cash cropping	32	6.8	36	11.4
Total households	472		314	

for borrowing, we found that 45 and 31 percent of indebted household borrowed money for reasons of productive investment and for reasons of household consumption, respectively (table 7). The average cultivated land per household was 24.7, 19.2, 22.2 and 20.8 rai for the indebted household for productive investment, the indebted households for household consumption, the total indebted households and the households had no debt, respectively (table 7).

All farmers in Nangrong district can be classified into 2 groups ; part-owner and full-owner. Table 8 shows the distribution of total cultivated land that the indebted household and households which had no debt used by classifying into 2 group of part-owner and full-owner. The average cultivated land per household was higher in the group of full-owner than the group of part-owner in both types of household (23.0, 21.4 and 19.6, 17.3, respectively) (see table 8). The indebted household which used cultivated land of more than 21 rais constituted about 40 percent in the group of full-owner, and 28 percent in the group of part-owner, although the indebted and part-owner household cultivated the agricultural products on more area than unindebted and part-owner household.

The qualitative study in the same sample area showed that the rent has to be paid back by products. Two kinds of tenancy

Table 7 Number and Percent of households classified by cultivated land, reasons for borrowing and indebtedness.

Cultivated land (rai)	Household with debts			Household with no debts	
	For productive investment (Number) (Percent)	For household consumption (Number) (Percent)	Total (Number) (Percent)	(Number)	(Percent)
1 - 10	33 16.1	75 32.8	108 24.9	74	27.1
11 - 20	80 39.0	82 35.8	162 37.3	107	39.2
21 - 30	43 21.0	32 14.0	75 17.3	45	16.5
31 - 40	22 10.7	21 9.2	43 9.9	23	8.4
41 - 50	13 6.3	12 5.2	25 5.8	11	4.0
51 and over	14 6.8	7 3.1	21 4.8	13	4.8
Total households	205	229	434	273	
Average cultivated- land per household (rai)	24.7	19.2	22.2	20.8	

Table 8 Number and Percent of households classified by total cultivated land, rental land and indebtedness.

Total cultivated land (rai)	Household with debts		Household with no debts	
	part-owner (Number) (Percent)	full-owner (Number) (Percent)	part-owner (Number) (Percent)	full-owner (Number) (Percent)
1 - 10	29 26.6	81 24.9	18 41.8	56 24.3
11 - 20	49 45.0	112 34.5	16 37.2	92 40.0
21 - 30	14 12.8	61 18.8	6 14.0	39 17.0
31 - 40	8 7.3	35 10.8	- -	23 10.0
41 - 50	6 5.5	19 5.8	- -	12 5.2
51 and over	3 2.8	17 5.2	3 7.0	8 3.5
- Total households	109	325	43	230
- Percent	25.1	74.9	15.8	84.2
- Average cultivated land per household (rai)	19.6	23.0	17.3	21.4



are identified, first, the tenant must pay all cost of cultivation and the price of rented land was the rice product of 15 tang (200-225 kilograms) per 1 rented land or about 300 baht in cash. Second, the land owner pays some cost of production such as fertilizer, grain, ploughing etc., and then the rice product is shared by both the land owner and tenant equally, or if the land owner pays all cost of production after the harvest season, the land owners will receive one-third of the rice products.

## **The process of rice growing**

One point in the process of rice cultivation was found to be important, "the use of fertilizer for rice growing". The indebted households, around 95 percent, used chemical fertilizers while 91 percent of among household with no debt used it. This essentially means that the more chemical fertilizer used, the more money is spent on rice cultivation and the more a household is indebted (Table 9).

Table 9 Number and Percent of rice farming households classified  
by use of fertilizer and indebtedness.

Use of fertilizer	Household with debts		Household with no debts	
	Number	Percent	Number	Percent
Didn't use fertilizer	11	2.5	8	2.9
Used home-made manure	11	2.5	13	4.8
Used chemical fertilizer	248	57.2	150	54.9
Used both manure and chemical fertilizer	164	37.8	102	37.4
Total households	434	100.0	273	100.0

## **Family size and labour used in cultivation**

Table 10 shows that average households members of the household with no debts was 5.5 persons while there are about 5.9 persons residing in the households which had debts. The average number of household members participating in rice farming is around 3 persons in both types of households (table 11). These data could be interpreted to mean that the household with debts has a bigger family size than household with no debts.

## **Rice production**

Among the rice growing families, the average rice product per rai of indebted household was higher than the other. About 50 percent of indebted household produced more than 301 kilograms of rice per rai while only 38.5 percent of unindebted household did so. Within the group of indebted families, 51.7 percent of indebted household from productive investments produced more than 300 kilograms of rice per rai while 48.0 percent of indebted household from household expenditures could do so (table 12).

Table 10 Number and Percent of rice farming households classified  
by number of household members and indebtedness.

Number of household members	Household with debts		Household with no debts	
	Number	Percent	Number	Percent
1 - 2	8	1.8	6	2.2
3 - 4	111	25.6	92	33.7
5 - 6	169	38.9	98	35.9
7 - 8	95	21.9	52	19.0
9 - 10	38	8.8	19	7.0
11 - 12	13	3.0	6	2.2
- Total households	434	100.0	273	100.0
- Average household members per household	5.9		5.5	

**Table 11** Number and Percent of rice farming household classified by household members participating in their rice farming and indebtedness.

household members participating in their rice farming	Household with debts		Household with no debts	
	Number	Percent	Number	Percent
1 - 2	205	47.2	133	48.7
3 - 4	154	36.5	101	37.0
5 - 6	60	13.8	29	10.6
7 - 8	13	3.0	10	3.7
9	2	0.5	-	-
Total households	434	100.0	273	100.0
Average household members participating in rice farming	3.0		3.0	

Table 12 Number and Percent of rice farming households classified by average rice product per rai, indebtedness and reasons for borrowing.

Average rice product per rai (kg.) (ARP)	Household with debts			Household with no debts	
	For productive investment (Number) (Percent)	For household consumption (Number) (Percent)	Total (Number) (Percent)	Total (Number) (Percent)	(Number) (Percent)
1 - 100	12 5.8	31 13.5	43 9.9	30 11.0	
101 - 200	40 19.5	48 21.0	88 20.3	69 25.3	
201 - 300	47 22.9	40 17.5	87 20.0	69 25.3	
301 - 400	52 25.4	44 19.2	96 22.1	52 19.0	
401 - 500	27 13.2	25 10.9	52 12.0	27 9.9	
501 - 1000	24 11.7	33 14.4	57 13.1	22 8.0	
1001 - 2000	3 1.5	8 3.5	11 2.5	4 1.5	
- Total households	205	229	434	273	
- Median of ARP (kg.)	306.7	288.7	300.0	254.3	
- Percentage of household having ARP > 300 kg.	51.7	48.0	49.8	38.5	

When we focus the analysis on average rice products per head of household members of more than 1,000 kilograms, it was produced by 54.6 percent of households borrowed the money for productive investments, 35.8 percent of households borrowed the money for home expenditures and, 39.2 percent of households with no debt. The percentage of households having an average rice product per head of household member participating in their rice farming more than 2,000 kilograms are 51.7, 36.2, 43.6 and 36.2 in indebted households by the reasons of productive investment, indebted households by reasons of household expenditures, the total indebted household and unindebted households, respectively (table 13, 14).

## **Annual income**

Table 15 shows the annual household income in terms of gross and net income generation. An indebted household has a higher average annual income than a household with no debts. The difference between gross income and net income means how much money the family had spent on productive investment. While agricultural households which had debt spent 6,825 baht per year for production, the households which had no debt spent only 5,130 baht on agricultural investment.



Table 13 Number and Percent of rice farming households classified by average rice product per

head of household members, reason for borrowing and indebtedness.

Average rice product per head of household members (ARPH) (kg)	Household with debts			Household with no debts
	For productive investment (Number) (Percent)	For household consumption (Number) (Percent)	Total (Number) (Percent)	
1 - 1000	93 45.4	147 64.2	240 55.3	166 60.8
1001 - 2000	78 38.0	58 25.3	136 31.3	71 26.0
2001 - 3000	21 10.2	18 7.9	39 9.0	19 7.0
3001 - 4000	10 4.9	2 0.9	12 2.8	12 4.4
4001 +	3 1.5	4 1.7	7 1.6	5 1.8
- Total households	205	229	434	273
- Percentage of household having ARPH > 1000 kg	54.6	35.8	44.7	39.2

Table 14 Number and Percent of rice farming households classified by average rice product per head of household members participating in their rice farming, reason for borrowing and indebtedness.

Average rice product per head of household members participating in rice farming (kg) (ARPP)	Household with debts			Household with no debts	
	For productive investment (Number) (Percent)	For household consumption (Number) (Percent)	Total (Number) (Percent)	(Number)	(Percent)
1 - 1000	34 16.6	76 33.2	110 25.3	78	28.6
1001 - 2000	65 31.7	70 30.6	135 31.1	96	35.2
2001 - 3000	44 21.5	38 16.6	82 18.9	42	15.4
3001 - 4000	33 16.1	29 12.7	62 14.3	32	11.7
4001 - 5000	9 4.4	8 3.5	17 3.9	9	3.3
5001 and over	20 9.7	8 3.5	28 6.5	16	5.9
- Total households	205	229	434	273	
- Percentage of household having ARPP > 2000 kg	51.7	36.2	43.6	36.2	

Table 15 Percentage of households classified by gross household income, net household income, type of household occupation and indebtedness.

Income (Baht)	Household with debts				Household with no debts			
	All occupation h.		Agricultural h.		All occupation h.		Agricultural h.	
	G.I	N.I.	G.I	N.I.	G.I	N.I.	G.I	N.I.
Less than 0 baht	-	4.5	-	4.8	-	5.7	-	4.3
1 - 9,999	21.8	30.1	24.9	33.2	30.2	41.1	33.6	46.4
10,000 - 29,999	43.1	43.8	49.1	45.1	44.7	38.9	49.7	38.9
30,000 - 49,000	20.6	13.5	16.8	8.1	17.8	10.2	11.4	4.5
50,000 +	14.5	8.1	9.2	8.8	7.3	4.1	5.3	5.9
Average income per year (baht)	30,680	22,525	25,187	18,362	22,075	15,635	18,196	13,066
Total household (Gross income)-(Net income)	472	8,155	442	6,825	314	6,440	280	5,130

Table 16 indicates the number of household, percentage of household and gross annual income of the indebted and unindebted household classified by type of occupation. Household with debts participated in agricultural works, home industries and wage earning jobs has a higher percentage of households and gross annual income than the unindebted household.

An important item of household expenditure is for medical treatment. The data from table 17 shows that about 55 percent of households with debts had spent some money curing the sick while 46 percent of households with no debt did so. The average annual cost of medical treatment was 650 and 470 baht for households with debts and for household with no debt, respectively.

**Table 16** The distribution of household classified by type of occupation, gross annual income and indebtedness.

Types of occupation	Household with debts	Household with no debts
1) Agricultural household <sup>(a)</sup> (number)	442	280
- percentage of household of an agricultural occupation	93.6	89.2
- gross annual income from agricultural occupation (baht)	25,187	18,197
2) Home industries household (number)	147	68
- percentage of household of a home industries occupation	31.1	21.7
- gross annual income from home industries occupation (baht)	1,355	212
3) Wage and salary earning household <sup>(b)</sup> (number)	258	137
- percentage of household of a wage/salary earning	54.7	48.6
- gross annual income from wage/salary earning (baht)	12,238	11,894
4) Commerce/rental asset household (number)	49	27
- percentage of household of a commercial occupation/rental asset	10.4	8.4
- gross annual income from commerce/rental asset (baht)	7,605	8,125

(a) rice cultivation, cash cropping, fruit farming, animal domestication.

(b) Government service, factory worker, agricultural labourer, other wage earner.

Table 17 Number and Percent of households having cost of medical treatment classified by amount of money and indebtedness.

Amount of money (baht)	Household with debts		Household with no debts	
	Number	Percent	Number	Percent
1 - 50	77	29.6	55	37.4
51 - 100	55	21.2	36	24.5
101 - 300	58	22.2	31	21.1
301 - 600	28	10.8	7	4.8
601 - 1000	8	3.1	3	2.0
1001 - 2500	13	5.0	7	4.8
2501 - 5000	6	2.3	4	2.7
5001 - 9000	15	5.8	4	2.7
- Total households	260		147	
- Average annual cost of medical treatment (baht)	650		470	
- Percentage of household having a cost of medical treatment	55.1		46.5	

## Conclusion

Over 50% of rural villagers in Nangrong district during the years 1983-84 were found to be in debt. Debts were both in cash or in kind which is locally known as "tok-keeo". A large proportion of indebted villager are indebted to private lenders such as neighbors, relatives and merchants, most involving small sums of money or products. Such borrowing is for household consumption purchases with an interest rate of not less than 15% per annum (in some cases it can be as high as 40% per annum). In cases where repayment is made in rice the repayment is made on a ratio of 3-4 buckets of rice for every 2 which was borrowed (in some cases may be 5) which is equal to 150 - 300 percent. One in 5 of the indebted households are indebted to the Bank for Agricultural Cooperatives. Most borrowing from the Bank is used for productive investment thus a large sum is necessitated (more than 10,000 Baht). A large number of agricultural households with large land-holdings will borrow money for productive investments whilst households with small landholdings will borrow mostly for household consumption purposes. Households with a higher total household income are more likely to be able to repay their loans but because of the large sums of money involved for such loans such households owe more



money to the Bank than households which borrow for household consumption purchases only.

Considering the various economic factors confronted by both indebted and unindebted households a number of important characteristics can be arrived at.

- (1) Of all households represented by 4 major groups of agriculturalists, household industries salaried and employees of the government, small businesses and those who rent out their lands, indebted households consist of a higher proportion than unindebted households.
- (2) A higher proportion of household members in indebted households are engaged in rice agriculture than are unindebted households irrespective of whether they own or rent land on which to farm on.
- (3) A higher proportion of indebted households use chemical fertilizers in rice agriculture than unindebted households.
- (4) In general there are on the average 3 household members per household involved in contributing to agricultural work, indebted households though have a higher average number of family members than unindebted households.

Inspite of this, indebted households have a lower proportion of their members actually involved in agricultural pursuits when compared to unindebted households.

- (5) On the average indebted households are able to produce more rice per rai, more rice per head of household member or more rice per head of these actively involved in agricultural pursuits than unindebted households. Households which have borrowed money for productive investment will have the highest proportion of yield.
- (6) Total income earning pursuits, especially agricultural pursuits, of indebted households, are higher than unindebted households.
- (7) Indebted households have higher household medical expenses than unindebted households.

● 100%

● 100%

● 100%

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● 100%

● 100%

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