

# **AGRICULTURAL COOPERATIVE CREDIT IN THAILAND**

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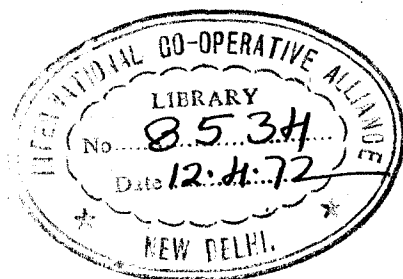
## **INTERNATIONAL COOPERATIVE ALLIANCE**

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Brief economic survey

Thailand has been an absolute monarchy up to 1932 when a constitutional government was established. Prior to 1939, it was known as Siam. Thailand has the proud privilege of never being under Western colonial domination.

Area

Situated in the centre of the South-East Asian Region, it has a area of 198,454 sq. miles (514,000 kilometres).

Population

The total population of Thailand is (1968) 33.75 million. The population density is over 180 person per square mile.

The ethenic composition of the country is predominantly Thai, although there are other important alien minorities. Among the alien population, the Chinese occupy an important place in the economic structure of the country. They number about 300,000. 93.6 per cent of the population are Budhist, 3.9 per cent Muslims and 0.6 per cent are Christians.

Climate

Thailand lies within the tropics and has annual mean temperature of 80°F. There are three main seasons : hot, rainy season of the South-West Monsoon, from May to September, the cool

dry season from October to February and the hot dry season from February to May. The annual rainfall varies in different parts of the country but the average is around 55 inches to 60 inches.

### Economy

Free enterprise is the predominant business trend of the country. The Government of Thailand was previously involved in economic activities, especially in the manufacturing sector, but since 1957 the Government has divested itself of most of its industrial activities. Government, however, maintains monopolies in economic sectors which the government feel that should be retained within its domain for reasons of development and administrative purposes, such as telecommunications, railways, water supply and power generation. 86 per cent of the Gross National Product is contributed by the private sector.

The Gross National Product of Thailand in 1967 was Baht 105,603.7 million giving a per capita income of Baht 3,088.3. The total value of industrial production in 1968 was Baht 13,313.7 million which is 13 per cent of the estimated Gross Domestic Product. The total value of agricultural production in the same year was Baht 29,138.9 million. During recent years, the trade deficit of the country has been high. For instance, in 1969 the value of export was Baht 14,080 million, while the value of import was Baht 22,200 million. Employment in industry in 1967 was 3,130,007 while employment in agriculture was 11,393,853.

### Agricultural Economy

Eighty per cent of the population in Thailand depends on agriculture for their livelihood. Twenty per cent of the total area is under cultivation, of which 21.2 per cent is under irrigation. The average farm size is 3.5 hectares. Share of agriculture in 1968 in Gross National Product was 31 per cent.

Some other economic features in relation to agriculture are given below :

1. Deficiency in food	21.2%
2. Fertilizer consumption	2.9 kilograms per hectare
3. Cereal yield tonnage per hectare	1.73
4. No. of tractors per thousand hectares	0.3

#### Major Food Crops

Rice has been the mainstay of the Thai economy for several decades. In 1967, rice production constituted 23 per cent of the total agricultural output and the total cultivated area under rice was 45.7 million Rais (1 Rai = 0.4 acres). Average yield of rice per Rai is 276 kilograms.

Diversification of crops have taken place in recent years and the position of rice is declining in the Thai economy both as a foreign-exchange earner and as the main source of income for the country's budget. In spite of this, rice is most important to Thailand as it is the basic food of the country and as rice cultivation still provides the predominant form of livelihood to the rural population.

Maize is the second important food crop. 6.3 per cent of the cropped area is cultivated with maize and in 1967 Thailand exported 1.1 million tons of maize.

#### Cropping Structure

(Percentage of total cropped area)

1965

<u>Food Crops:</u>	<u>78.0</u>
<u>Cereals</u>	
Rice	69.3
Maize	6.2
Other food	2.5

<u>Non-food Crops:</u>	<u>22.0</u>
Groundnuts	1.1
Oilseeds (other)	0.6
Sugarcane	1.5
Tobacco	0.8
Jute/Kenaf	4.1
Coconuts	2.8
Rubber	5.7
Others	5.4
Total Cropped Area .....	<u>100.00</u>

Agricultural Production<sup>s</sup>

	<u>1966</u>	<u>1967</u>	<u>1968</u> (Estimate)
Crop (000 m.tons)			
Paddy	11,980	11,300	12,400
Rubber	220	219	250
Maize	1,250	1,000	1,350
Jute & Kenaf	559	252	174
Cassava Roots	2,340	2,200	2,000
Cotton	75	80	90
Green beans	125	128	115
Groundnuts	130	130	117
Castor seeds	44	45	40
Coconuts	1,289	1,223	1,250
Forestry (000 cubic metres)			
Teak Wood	187	182	275
Yang wood	535	525	529
Fishery (000 m. tons)			
Marine fish	625	762	800
Fresh water fish	85	85	90
Livestock (000 heads)			
Buffaloes	6,900	7,300	7,500
Oxen and Cows	5,200	6,000	6,200
Pigs	4,000	4,100	4,200
Chickens	35,400	35,000	37,000
Ducks	9,700	10,400	11,000

§Source:- Department of Agriculture, published in the  
Far-eastern Economic Review, 1970, Year-book.

Projected Growth Rates and Public Allocations  
to Agriculture

(1967 - 1971)

Growth Rate (per cent p.a)

G.N.P.	8.4
Agriculture	4.3

Public allocation (per cent)

Agriculture	12.0
Irrigation	8.00
Total .....	20.00

Rural Indebtedness

A recent sample survey<sup>s</sup> conducted in Thailand found that the average indebtedness of a rural family is around Baht 5,400 and the indebtedness is heavy in the Central plain of the country where cultivation is done on commercial scale. The same survey found that the major portion of the borrowing by the rural people are used for consumption expenditure while the next highest use being for seasonal agricultural expenses. The following table shows the percentage distribution of use of loans for different purpose :

Short-term loans

<u>Purpose of Loan</u>	<u>Percentage</u>
1. Buying tools, machinery and livestock	8.15
2. Seasonal agricultural expenses such as seed, feed, fertilizer and labour	18.85
3. Construction of houses, irrigation facility etc.	1.23
4. Buying land, house etc.	7.35
5. Living expenses	25.98

contd.....

§ - "Agricultural Credit in Thailand - Theory, Data, Policy",  
Faculty of Economics and Business Administration, Kasetsart  
University.

<u>Purpose of loan</u>	<u>Percentage</u>
6. Social expenses, e.g. wedding, funeral etc.	4.17
7. Educational purposes	2.43
8. Re-lending	0.73
9. Other business than farming	1.81
10. Miscellaneous	29.30

#### Long-Term Loans

<u>Purpose of Loan</u>	<u>Percentage</u>
1. Buying tools, machinery and livestock	14.59
2. Seasonal agricultural expenses such as seed, feed, fertilizer and labour.	18.73
3. Construction of houses, irrigation facility etc.	3.47
4. Buying land, house, etc.	22.48
5. Living expenses	16.65
6. Social expenses, e.g. wedding, funeral etc.	3.45
7. Educational purposes	2.40
8. Re-lending	4.96
9. Other business than farming	9.06
10. Miscellaneous	9.95

#### Source of Credit

The main source of credit for rural people of Thailand is the relatives and neighbours except in the central plain of the country where the commercial lenders of various type are the chief source of credit. In national average, however, the commercial lenders occupies a higher place. This is as a result of the heavy borrowing by the commercial farmers of the central plain of the country from commercial lenders. The following table shows



the different sources of credit :

	<u>Source</u>	<u>Percent</u>
1.	Relatives	32
2.	Neighbours	15
3.	Commercial lender (local store, crop buyer, landlord, moneylender, etc.)	46
4.	Institutional lender (credit cooperatives, government agencies)	5
5.	Others	2

(Source:- "Agricultural Credit in Thailand - Theory, Data, Policy",  
Faculty of Economics & Business Administration,  
Kasetsart University.

### Securities

Except in the case of large loans formal pledging of security is not common. Borrowers are well-known to the lenders and they have various ways of recovering loans. Social sanction plays an important part in recoveries. When securities are given, mortgage of land is the most frequent form. Guarantee of a third person, crops, jewellery and farm equipment are some time used.

### Interest Rates

The rate of interest charged varies according to the source as well as the credit-worthiness of the borrower. The interest rates for loans borrowed from relatives and neighbours are relatively low while the loans from commercial lenders are relatively higher. Interest rates of loans from relatives and neighbours are close to the rates charged by cooperatives and sometimes even lesser.

Contrary to the general belief that rural people pay exorbitant rates of interest for all their borrowings, the survey referred to earlier found that 38.5 per cent of the rural loans are given at interest rate lower than 10.8 per cent per annum and 12.9 per cent of the loans carry interest rates ranging from 12 to

22 per cent per annum. The reason for these low rates of interest is that these loans are from relatives and neighbours.

48.6 per cent of the loans, however, carried interest rates of over 24 per cent per annum, while 13.8 per cent of the loans carried interest rates of over 48 per cent per annum and sometimes as high as 120 per cent.

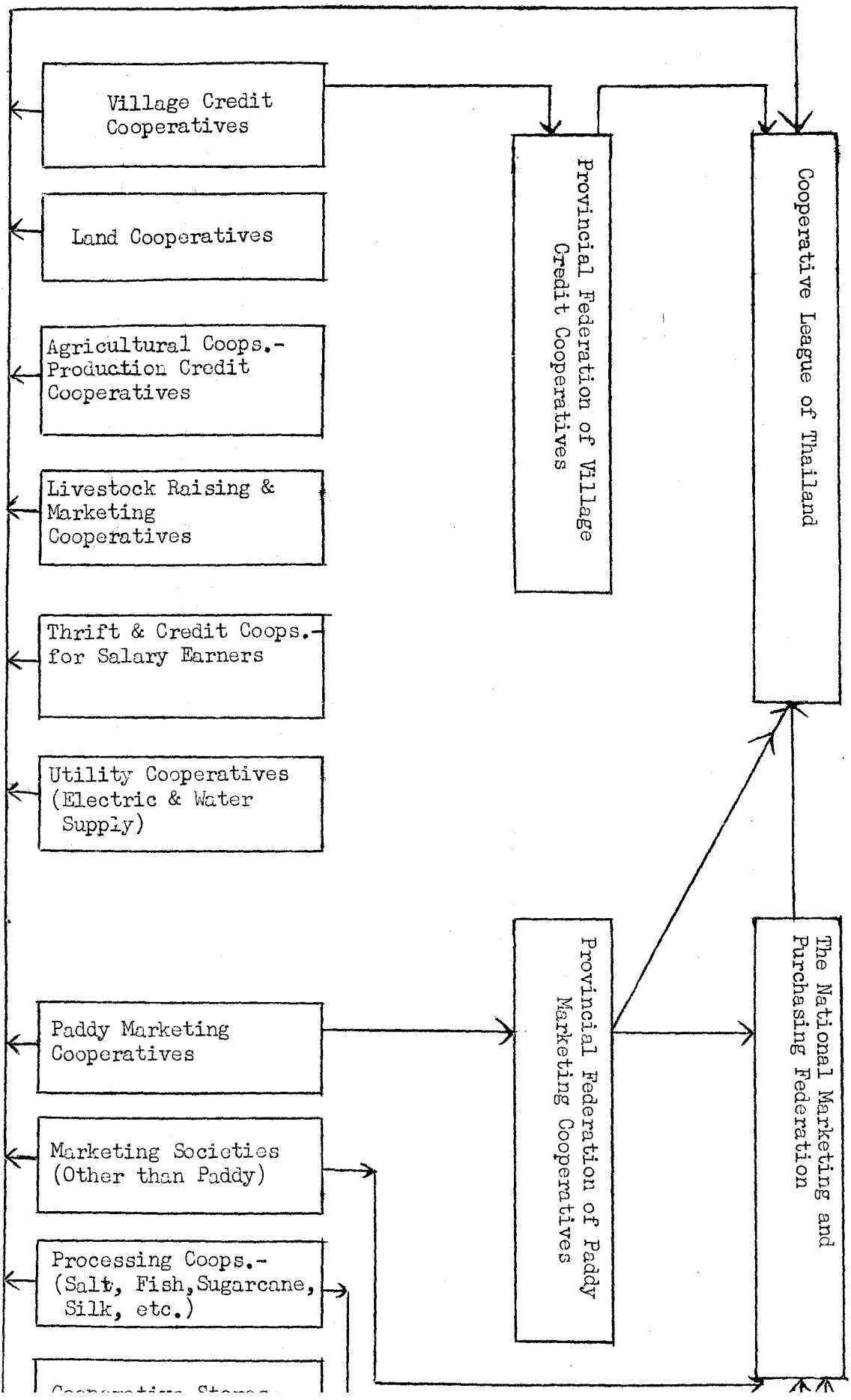
The high rates of interest are charged by commercial lenders. In areas like the central plain where most cultivation is done on commercial scale, highest amounts of borrowing are from commercial lenders. The relatives and neighbours from whom farmers borrow at low rates of interest cannot lend funds in sufficient quantities for commercial cultivation. Commercial cultivation becomes an unprofitable pursuit if farmers have to borrow at exorbitant rates of interest. Therefore this is an area where cooperatives should play a vital role in the provision of credit.

#### The Cooperative Movement of Thailand

The Cooperative Movement came into being in Thailand as a credit movement in 1917 with the organisation of the Cooperative Credit Society in Phitsanulok Province at the initiative of the then Government which was an absolute monarchy under the regime of King Rana VI. Though this Society had worked with some success, the movement did not spread during the period immediately after 1917. It was only after 1932 when the constitutional government was formed that the cooperative movement began to grow in Thailand. By 1953, there were 10,100 cooperative societies and by the end of 1968, the number rose to 10,474. Out of these, 9,766 were credit societies of unlimited liability type.

**STRUCTURE OF THE COOPERATIVE MOVEMENT OF THAILAND**

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The following table shows the growth of the cooperative societies from 1953-1966 :

PROGRESS OF THE COOPERATIVE MOVEMENT  
DURING 1953-1966

(US\$1 = Bht. 20 (approx))

End of December	ALL SOCIETIES		Membership (in thousand household)
	No. of socys. (in thousands)	Working Capital (million Baht)	
1953	10.1	361.6	374.3
1955	10.4	445.5	394.7
1957	10.6	518.3	416.3
1959	10.7	578.8	431.4
1961	10.7	630.1	450.7
1963	10.7	715.7	460.5
1965	10.8	826.2	499.4
1967			

Even today the cooperative movement in Thailand is predominantly a credit movement. The movement, however, has started to branch off into other fields of economic activities such as marketing, supply of agricultural inputs and consumer supply etc.

The following table shows the important types of cooperative societies and their number in Thailand :

Type	No. of Societies	Membership
1. Village credit	9766	
2. Urban credit	88	152,474
3. Agricultural production credit	12	4,843
4. Service	6	
5. Multipurpose	2	3,417
6. Land Tenant	20	336
7. Land Settlement	289	5,846
8. Land Hire Purchase	56	2,702
9. Land Improvement	160	34,220
10. Paddy Marketing	119	74,258

### Cooperative Credit

The major types of societies that undertake the supply of agricultural credit in Thailand are : (1) Village Credit Cooperatives, (2) Agricultural Cooperatives (formerly known as Production Credit Cooperatives), (3) Land Hire Purchase Cooperatives, (4) Land Tenant Cooperatives, (5) Land Settlement Cooperatives, and (6) Land Improvement Cooperatives.

(1) Village Credit Societies : These societies are of the Raiffeisen model and forms the large majority of the cooperative societies of the country. They are the principal source of institutional credit to Thai farmers. They are very small societies and average membership of these societies is around 17. These societies are managed by a committee of six members elected at the Annual General Meeting. At the time of joining the society, members are required to mortgage all their properties to the society irrespective of whether he borrows from the society or not.

#### Loaning Operations

Village credit societies extend short, medium and long-term loans to their members.

The short-term loans are granted for seasonal agricultural operations, for supplementary occupations and for household consumption expenditure and are repayable at the harvest time. The longest duration allowed for short-term loan is 12 months.

The medium-term loans are extended for clearance and improvement of land and for other expenses of semi-capital and capital nature and are repayable in 3 years.

The long-term loans are granted for settling old debts, purchase of land, machinery and reorganisation of farm lands and are payable within 10 years.

The maximum amount of loan to each member does not exceed 10,000 Baht and is fixed according to the needs of the member. The interest rate varies from 10 to 12 per cent per annum.

Some of these societies are implementing what is termed as "System of Control Credit" in collaboration with Paddy Marketing Cooperative Societies. Under this Scheme, the Paddy Marketing Society extends cash loans to the farmer members who are also the members of the credit society and the credit society stands surety for the borrowing members. The borrowing members are required to sell their produce raised with the loans to or through the marketing society. The Scheme enables the farmers to obtain an adequate supply of loans, while it benefits the marketing society in that they get an assured amount of produce for marketing.

The loans under this Scheme are given mostly to meet the harvesting expenditure. Loans are given up to 25 per cent of the value of the expected crop. Funds for these loans are provided to Marketing Societies from the Cooperative Promotions Fund of the Ministry of National Development. Presently, there is 110 million Baht in this Fund. Ninety million of this Fund is administered by the Department of Credit and Marketing for providing financial assistance to marketing and consumer societies. The other 20 million is used by the Department of Land Cooperatives to assist land cooperatives.

At the end of 1966, 603 village credit societies had entered into this Scheme with 42 Paddy Marketing Societies.

Sources of fund for lending

A considerable portion of the funds of the village credit societies constitute of owned funds and member deposits. The bye-laws of the societies require them to credit annually 90 per cent of their net profit to reserves. At the end of 1968, the amount of owned funds of the 9,766 credit societies stood at Baht 171,534,788.71 and the members deposit at Baht 45,737,339.61. Borrowing from the Bank of Agriculture and Agricultural Cooperatives was Baht 266,265,444.88.

The following table shows the lending operations from 1966-68 :-

(For table please see next page)

## TABLE

## LENDING OPERATIONS DURING 1966 - 1968

Year	Outstanding from the members at the beginning of the year		Loan given and interest during the year		Repayment during the year		B a l a n c e	
	Loans	Interest	Loans	Interest	Loans	Interest	Loans	Interest
1966	325,875,191.15	31,031,726.17	99,515,067.17	35,564,421.90	96,772,872.49	37,757,327.07	328,617,385.83	28,838,821.00
1967	328,617,385.83	28,838,821.00	154,015,921.00	38,299,478.64	122,953,019.17	41,088,416.80	359,680,287.66	26,049,882.84
1968	359,680,287.66	26,049,882.84	166,821,710.46	49,524,816.06	123,801,029.64	45,463,333.89	402,700,968.48	30,111,365.01



### Security for Loans

The properties of the borrowing member mortgaged to the society at the time of joining serve as security for loans and in addition two members must also stand sureties. The members can borrow up to 60 per cent of the appraised value of the mortgage property.

### Coverage of Agricultural Population

As stated earlier, the Village Credit Cooperatives in Thailand are very small and the average membership is around 17. The total membership of all village credit societies at the end of 1968 were 154,729. The rural population in Thailand is over 25,000,000 and they are predominantly an agricultural population. If each member is taken to represent a household of 5 persons, the total coverage by the societies would be only 3% of the rural population. This is clearly inadequate. Various steps are being taken to improve this situation. Some of the main steps are the formation of the Agricultural Cooperative Societies (which will be described later) and amalgamation of the small village credit societies into larger viable units of limited liability type. These amalgamated societies are also named as Agricultural Cooperative Societies. These societies are also expected to undertake the functions of supply of agricultural input and agricultural implements in addition to extending credit. At the end of August 1970, 3,336 village credit societies have been amalgamated into 127 agricultural cooperative societies in 100 districts (Amphoes) in 54 Provinces (Chanvant).

The amalgamation of village credit cooperatives have progressed rapidly and by the end of March 1971, over 7,500 of these societies have been amalgamated to form about 250 Agricultural Cooperative Societies.

These societies are expected to enrol more members in order that cooperative credit movement can serve a larger section of the agricultural population.

The introduction of multipurpose cooperative societies are also being experimented. A multipurpose cooperative society has been formed at Sappaya, Chainat, by amalgamating two land cooperatives. It presently (1969) has a membership of 1,100. Area of operation of this society covers 40,000 Rai. Rice is the main crop grown in the society area.

Members are provided with technical advice and guidance in cultivation practices. Loans are extended to members up to 5,000 Baht on personal surety and up to 20,000 Baht on mortgage of land. Fertilizers and pesticides are also being supplied. A beginning has also been made in marketing by undertaking marketing of the members paddy in a small way. Plans for diversifying the crops grown in the area are underway. A team of experts from Taiwan comprising of three cooperative experts, eight agricultural extension experts and three irrigation experts are assisting the society in its agricultural work. Nineteen Thai government officers are working as counterpart for these experts.

## 2. Agricultural Cooperative Societies (Production Credit Cooperatives)

As mentioned earlier, the Agricultural Cooperative Societies (Production Credit Cooperatives) were organised to give wider coverage and extend supervised credit to the farming population in Thailand. The first society of this type was organised in 1959 in PakChong Amphoe in Nakom Ratchasima Province and went into operation in 1960. These are limited liability societies.

At the end of 1968, there were 12 production credit societies with a membership of 4,843. The average membership of these societies are around 400.

Among the members of these societies, there are landowners as well as tenant farmers. The membership and business are large enough to employ paid personnel to manage the affairs of the society. The extent of land cultivated by each member varies from 20 Rai to 200 Rai.

Loaning Operations

The societies extend short and medium-term loans to their members. Short-term loans up to 5,000 Baht are given on personal security. Medium-term loans up to 20,000 Baht are given against mortgage of land and other property. These societies have not been able to expand their loaning operations due to insufficiency of funds. The Bank for Agriculture and Agricultural Cooperatives has advised these societies not to increase their membership for the present as the Bank is unable to provide increasing finances for lending to them.

In addition to extension of cash loans, they also supply agricultural inputs and implements on loans and on cash.

Information regarding membership, share-capital, reserves, deposits and loaning operation etc. of two agricultural cooperative societies are given below to give an idea of the size and loaning operations of agricultural cooperative societies.

	<u>PakChong Agri.Coop Society (March '70) (million Baht)</u>	<u>Muang Chachoengsao Agri.Coop. Society (March 1969)</u>
1. Membership	441	552
2. Paid-up share capital	1.07	439,100.00
3. Reserve	1.11	359,956.90
4. Other funds	0.03	21,923.00
5. Deposits	0.14	177,994.25
6. Loans outstanding to Bank	1.70	2,181,595.86
7. Loans disbursed to members during the year.	2.53	6,853,000.00
8. Loans repayments by members during the year	2.00	5,389,300.00
9. Cumulative loans disbursed to members from the beginning	21.67	29,073,190.00
10. Cumulative loans repayments by members from the beginning	18.12	25,256,590.00
11. Loans outstanding with members	3.55	3,816,300.00
12. Net Surplus	0.27	189,814.76

### Sources of funds

At the beginning, funds were supplied to these societies for lending to the members and for other requirements by United States Operation Mission (USOM) of the present U.S. Agency for International Development (US-AID) and the Thai Technical and Economic Committee, now the Department of Technical Economic Cooperation. The financial assistance was extended by these Agencies by depositing funds with the Bank for Agriculture and Agricultural Cooperatives in the form of revolving fund to be used for lending to the societies at low rate of interest (at 4 per cent). The societies were to lend these funds to members at 12 per cent and were expected to use the margin to build up its capital. The societies are required to pay back the initial fund borrowed after 3 years in yearly instalments.

In addition to these initial funds, the society borrows from the Bank for Agriculture and Agricultural Cooperatives for lending to its members. The rate of interest for these loans is 9 per cent. During the course of the year, these societies have built up their funds and expanded their activities.

The societies have endeavoured to build up their capital by various means. Every time a member borrows from the society he is required to deposit compulsorily in the society 5 per cent of the amount of loan. A percentage of yearly dividend paid to members is also deposited by them in their saving account.

### Informal Groups

The societies have formed informal member groups on the basis of the proximity of the residence of the members and the similarity of their farm business. These informal groups investigate into the loan applications of the members of the group and recommend them to the society, supervise the use of loan and assist the society in recovering them, investigate and advise on the admission of new members from their respective areas and act as a medium for disseminating knowledge on Cooperation, agricultural practices, marketing information, etc.

### Land Cooperatives

Another type of cooperatives that extend credit to agriculturists are the land cooperatives. There are four types of land cooperatives :

- a) Land Hire Purchase Cooperatives
- b) Land Tenant Cooperatives
- c) Land Settlement Cooperatives
- d) Land Improvement Cooperatives

a) Land Hire Purchase Cooperatives : The main objective of these societies are to help the members to acquire the ownership of the land they cultivate. Initially, the members are either landless farmers and or farmers with insufficient land.

The government extends financial assistance to these societies in way of loans to acquire land and resale to members. The members pay the society the value of the land on instalment basis.

b) Land Tenant Cooperatives : In the areas where land is not available for purchase, cooperatives are formed for tenants which are called Land Tenant Cooperatives. These cooperatives obtain land on long lease and allocate them to members for cultivation. The members pay rent to the society.

c) Land Settlement Cooperatives : The main objective of these societies are to open new land for cultivation and settle landless farmers in them.

The government extends assistance in the way of provision of amenities, such as roads, hospitals, schools, water supply etc. The government also extends long-term loans to the societies for clearing of loan, construction of houses etc. The members have to pay a fixed charge payable in instalment in 15 years for the part of the work done by the government in clearing the land etc.

d) Land Improvement Cooperatives : The main objective of the land improvement cooperatives is to assist the farmers in improving the land and adopt scientific and intensive farming practices. The

government assists the societies to construct irrigation canals, deikes, dams, bunds etc. by way of providing expert advice and loans.

#### Loaning Operations by Land Cooperatives

The land cooperatives receive finances for lending to their members from the Department of Land Cooperatives from a fund which is annually allocated by the government called "Cooperative Promotional Fund".

These societies extend long-term loans to members for liquidating debts incurred prior to their admission into the society, for clearing and development of land, construction of houses, etc.

#### Medium-term Loans

The period of medium-term loans varies according to the purpose for which they are borrowed. Loans given for purchase of livestock, improvement of land and for improving social obligations, are repayable within two years. Loans given for purchasing work animals and farm equipment are repayable within three years.

#### Short-term Loans

Short-term loans are granted for purchase of seeds, fertilisers and other seasonal expenditure and also for consumption expenditure of the farm family. The loans are repayable after harvest, the longest duration allowed being one year.

#### Maximum credit limits

The members of land improvement societies can borrow from the societies up to 6,000 Baht or 60 per cent of the value of the land mortgaged, whichever is less. In ordinary circumstances, the society can lend up to 10,000 Baht with the permission of the Registrar.

The land tenant cooperatives lend only up to a maximum of 2,500 Baht. This maximum, however, can be raised by the General Meeting with the approval of the Registrar.

In other types of land cooperatives, the maximum limit a member can borrow is determined by the purpose of the loan and the repayment capacity of the borrower. The maximum amount of accumulated debts of a member, however, cannot exceed 10,000 Baht. In actual practice, the average amount of loans granted to members have been around 2,500 Baht.

#### Security for loans

In addition to mortgage of land, land cooperatives use land certificates issued by the government entitling the farmer to use land for cultivation and animal identification cards which are the documents of ownership of the animals as security against loans.

#### Interest rates

The rate of interest varies according to the type of the society. Following are the rates of interest charged in different types of societies.

- |   |                 |
|---|-----------------|
| a) Land Settlement Cooperatives                       | - 7.5 per annum |
| b) Land Hire Purchase and<br>Land Tenant Cooperatives | - 9% per annum  |
| c) Land Improvement Cooperatives                      | - 10% per annum |

The reason for charging different rates of interest in the different types of land cooperatives is the different levels of the economic condition of the members of these societies. The members of land improvement societies own land and are considerably well-off while the members of the Land Settlement, Land Hire Purchase and Land Tenant Cooperatives are comparatively poorer. Hence low rate of interest are charged from them. It must be noted that the Land Cooperative Department which extends loans to the Land Cooperatives do not charge any interest on loans from the societies. The societies use the interest to meet the

operational expenses and to build up their reserves.

Following table shows loans granted to members by land cooperatives, repayment by them and the loans outstanding during 1954-1968 :-

Year	No. of Socys.	Amount of loans granted (Baht)	Amount of Repayment (Baht)	Amount of loans outstanding (Baht)
1954	145	1,442,570.00	647,614.02	5,187,587.35
1955	170	1,898,180.00	967,252.63	6,218,514.72
1956	252	2,031,577.65	985,038.00	7,265,054.37
1957	282	2,556,792.50	1,254,280.64	8,567,566.23
1958	293	1,713,830.00	1,280,325.82	9,013,222.13
1959	297	1,252,115.22	1,513,207.60	8,741,445.35
1960	320	1,192,155.00	1,799,180.74	8,166,453.31
1961	345	1,819,698.17	2,234,541.15	7,724,974.20
1962	375	2,163,140.00	2,906,207.87	7,076,174.44
1963	410	4,266,970.00	4,143,878.58	7,115,632.31
1964	457	9,550,855.00	5,028,193.61	11,656,994.57
1965	469	9,783,149.00	7,116,542.60	14,330,953.49
1966	518	13,207,839.00	10,689,047.01	16,895,169.80
1967	526	11,597,050.00	9,722,636.97	18,826,871.03
1968	526	7,909,710.00	5,197,701.23	21,516,620.18

### Some Problems

The government has spent during last five years more than 150 million Baht on the land cooperative programme. More than thousand government officers are working at various levels supervising and advising the societies.

Some of the major problems encountered in the operations on the land cooperative programmes are:-

- a) difficulty in obtaining suitable land of sufficient size for land settlement projects,
- b) member apathy. The low standard of education and most often complete lack of it, old age of members who are selected for allotting land are some of the reasons for this lack of active interest in the affairs of the society and willingness to improve one's own economic conditions,



inadequacy of trained personnel to advise and guide the work of societies and to advise on the improved methods of cultivation.

### Bank for Agriculture and Agricultural Cooperatives

#### Organisation

The Bank for Agriculture and Agricultural Cooperatives was established in September 1966 to replace the former Bank for Cooperatives. The Board of Directors of the Bank are appointed by the Council of Ministers. The Under-Secretary of Finance and the Under-Secretary of Agriculture are the ex-officio Chairman and Vice-Chairman respectively. Representatives from agencies concerned with agricultural finance and promotion of agricultural production are also appointed to the Board. The Board of Directors, with the approval of the Minister of Finance, appoints the Manager. The Manager is responsible to the Board of Directors for the administration and operation of the Bank, including approval of loan applications, in accordance with the policies and regulations set by the Board.

#### Branches

There are 45 branches of the Bank in various parts of Thailand providing credit services to over 195,000 farm households. The branches confine its lending operations to selected areas where conditions are suitable for agricultural expansion.

#### Financial position

The capital funds of the Bank constitute of paid-up share capital held by the Ministry of Finance and Cooperatives, reserves and accumulated profits. The position at the end of

1969 was as follows:-

Paid-up share capital

a) held by the Ministry of Finance	429,218,600.00
b) held by cooperatives	6,866,000.00
c) reserves	57,033,000.00
d) accumulated profits	19,073,572.97

Total:	512,191,172.97
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Deposits

The total deposits on 31st December 1969 was Baht 131.2 million. This included Baht 15.1 million of saving deposits, Baht 80.7 million of time deposits and Baht 35.4 million of deposits made in fulfilment of the condition that requires the borrowers to deposit 5 per cent of the value of the loans borrowed by them. Withdrawal of these deposit is permissible only after the expiry of a period of 36 months. The deposit receives an interest rate of 8 per cent per annum. Withdrawals before this period are permitted only under exceptional circumstances.

Inter-bank deposits

The Bank obtains deposits from commercial banks and government saving bank. These deposits help the bank to meet the seasonal demand for loans. During 1969, the Bank obtained deposits to a tune of Baht 145 million at the interest rate of 9 per cent per annum from commercial banks and Baht 100 million at an interest rate of 8 per cent from the government saving bank.

### Rediscounting with the Bank of Thailand

Since 1968, the Bank of Thailand has extended financial assistance to the Bank for Agriculture and Agricultural Cooperatives in way of rediscounting on promissory note arising from agricultural production and having a maturity not exceeding 12 months at rediscount rate of 7 per cent per annum. During 1969, the Bank rediscounted with the Bank of Thailand agricultural bills amounting to Baht 130 million.

### Assets and Profits

At the end of 1969, the total assets of the Bank amounted to Baht 1,101.9 million. Net profit realised by the Bank for 1969 was Baht 26.4 million.

### Loaning Operations

The Bank is confining most of its lending operations to small and medium-term loans. The Bank extends loans to cooperatives as well as to individual farmers who are not members of cooperatives. The loans to individuals are given by the branches of the Bank situated in different regions of the country. Only selected bonafide farmers who have been registered as branch clients are eligible to borrow from the Bank. In selecting them, care is taken to admit only those of good character, sound economic position and those who show promise in farm production and management. Small farmers who have sufficient potentiality of reaching at least semi-commercial level of production are also advanced loans. The Credit Supervisors of the Bank visit the applicant on his farm to make an investigation of his assets, production data and other information pertaining to his capability in farm production and management as well as his general standing before the applicant is admitted as a client.

Short-term loans are granted for following purposes :-

- a) purchase of seeds, fertilizers, pesticides, feeds, other farm supplies, farm implements, repairs, market livestock and poultry feeding operations, and hired farm labour;
- b) preparing for market, processing and marketing of farm products produced by a borrower;
- c) payment of:
  - i. rents
  - ii. land revenue
  - iii. farm service charges
- d) essential household expenses.

Short-term loans are repayable when the products are marketed subject to a maximum period of 12 months. In exceptional cases, the period of 18 months is allowed.

Medium-term loans are granted for investment in farm assets which are normally utilised over a period of more than 3 years, such as:-

- a) land clearing or reclamation, or purchase of additional farm lands;
- b) construction or development of water facilities, dikes, and other minor land improvements;
- c) orcharding;
- d) reorganisation of farms on a more profitable basis;
- e) purchase of work animals, water pumps, machinery, transport and other equipment as are conducive to farming;
- f) construction or remodelling of farm buildings;
- g) investment in livestock or poultry raising or fish culture;
- h) discharge of prior debts which have been incurred for farming purposes (not exceeding Baht 5,000).

Medium-term loans can be repaid in instalments and the maximum period allowed is ordinarily 3 years. In exceptional cases, a period of 5 years is allowed.

#### Maximum limits

The maximum amount of a short-term loan is decided on the basis of applicant's farm production needs. However, it does not exceed 60 per cent of the appraised value of the marketable product to be raised with the loan. The maximum amount of medium-term loans are also likewise decided on the basis of actual requirements according to the applicant's farm production plans, his repaying capacity and debt paying record. The total amount of indebtedness on both short and medium-term loans, however, should not exceed 50,000 Baht.

#### Security

Crop production loans up to 5,000 Baht are given on the joint liability of the borrowing client in a group. Loans up to 5,000 Baht for other purposes are given on securities of two or more other registered clients.

Loans over 5,000 Baht are given on mortgages of immovable properties.

#### Supervision of the use of loans

Supervision of the use of short-term production loans are done as far as possible through the "borrowing groups". Group meeting of borrowing clients of the Bank in different areas are held during the cultivation season. The Credit Supervisors of the Bank enquire into the extent of cultivation accomplished by each borrower and problems encountered by them in the season and give them necessary advice.

Individual farm visits are also made by the Credit Supervisors of the Bank, particularly in cases where borrowers credit record is not very satisfactory.

In case of short-term loans for other purposes and medium-term loans, proper use of the loans is ensured by making full investigation of the purpose for which funds are borrowed before sanctioning the loan rather than by supervision after the lending.

The following table shows the amount of loans extended to individual farmers in 1969 by the Bank for Agriculture and Agricultural Cooperatives.

	Loan outstanding on Jan. 1, 1969 Baht	Loans disbursed in 1969 Baht	Repayments in 1969 Baht	Outstanding on Dec. 31, 1969	
				No. of loans	Amount Baht
1. Short-term loans for main crop production in the areas (rice, maize, tapioca, pea, cotton, etc.)	144,030,117	320,802,155	165,035,702	115,287	301,791
2. Short-term loans for other purposes	23,466,860	60,440,810	32,026,825	22,589	51,880
Total short- term loans	167,496,977	381,242,965	195,062,527	137,876	353,671
3. Medium-term loans	205,810,055	180,730,520	100,643,525	93,988	285,891
4. Long-term loans for refinancing of accumulated old debts.	--	802,300	4,000	30	798
Total loans	373,307,032	562,775,785	295,710,052	231,894	640,372