

Economic Self Reliance during Unrest Situation in the Deep South Thailand

Suhainong Smaho

Department of Mathematics and Computer Science
Faculty of Science and Technology
Prince of Songkla University
Pattani Campus, 94000
Thailand.

Metta Kuning, Ph.D. (Epidemiology)

Department of Mathematics and Computer Science
Faculty of Science and Technology
Prince of Songkla University
Pattani Campus, 94000
Thailand

Phattrawan Tongkumchum, Ph.D. (Statistics)

Department of Mathematics and Computer Science
Faculty of Science and Technology
Prince of Songkla University
Pattani Campus, 94000
Thailand.

Piya Kitavorn

Assistant Professor
Faculty of Political Science
Prince of Songkla University
Pattani Campus, 94000
Thailand.

Abstract

This study employs a cross sectional design to investigate what the Mother's Fund activity has achieved in term of the success: repayment performance and sustainability as well as how these results were achieved. The sample was clients of the Mother's Fund activities who were residents of the three Deep South provinces (Pattani, Yala, and Narathiwat) and 4 districts in Songkhla Province (Chana, Thepa, Nathawee, and Saba-yoi), Thailand during Phase 1 - Phase 7 (October 2008 - October 2010) with a total of 83 clients. Findings of this study show that a success rate was 56.6 percent, based on the 45 percent repayment rate and continuous business activity at 80.7 percent. Factors leading towards success were local advisor and peers. Therefore, aside from providing microcredit loan, the Mother's Fund activity should also organize local advisor training, entrepreneurs training program, as well as training on savings and book-keeping. The results of this study would be used in further development of Mother's Fund in later phases.

Keywords: Microcredit, Success: Repayment rate, Sustainability, Unrest situation, Southern Thailand.

1. Introduction

The unrest in the Deep South Thailand has devastating consequences on development, in terms of depleting economic, decreasing social capital through loss of trust, diminished interaction and increased tensions between ethnic groups, and in declining human capital through death and displacement, loss of self-esteem, and trauma (Marohabout, et al., 2009). According to Robinson (2002), microfinance is the tool for imparting entrepreneur skills and training, develop the self-confidence and a standard living such as health and sanitation, nutrition, importance of educating children and improving living conditions.

Affirmatively, once the immediate shock of the conflict begins to subside, there attest to an increasingly high demand for credit (Noreen, 2011). The unrest situation in the Deep South of Thailand during 2004 - 2011 has resulted in 9,411 injuries and 4,018 deaths, of which 3,650 were male (Chirtkiatsakul, 2011). Lim et al. (2009) study on the living conditions among victim’s families revealed the average age of the victim’s wife was 42.2 years, (54 percent) were Muslim, (7.4 percent) were widowed, and the median number of dependant was 3. It was estimated that the unrest has created 2,700 widows and 8,000 dependants. Furthermore, the most urgent needs of victims’ families were financial assistance (40.6 percent), scholarship for children (22.6 percent) and personal security and assets (16.6 percent).

Reaching a critical milestone at the onset of 2007, the Thailand Research Fund (TRF) handed over a micro credit project to the community under the name of the Mother’s Fund (MF) activities. The MF activities provided aid to clients who were most affected by the conflict, empowered those who lost their loved ones as an aftermath of conflict, in which management mechanisms, structures, and systems often need to be built from scratch. The goal of the MF activities are to create opportunities for access to small loans (worth 5,000 Thai Bahts) to social entrepreneurs, and to create sustainable businesses that generate income for low-income families on individual lending system with interest free and monthly-installment payment with reasonably long term of loans. It targets the multitude of widows and vulnerable women have been suffered from the unrest situation both direct and indirect affected enabling them to build on their existing skill to earn a better income and increase their self reliance become financially self-sustaining. These activities aimed to bring them back to normality, produce their economic self-reliance and develop long-term, sustainable communities. Significantly, these programs can empower them to become self-reliance once again. Their standing has not only improved in their communities, but it also helped them to become agents of change. As the MF programme has been in operation for a number of years, this study aims to investigate *what* the MF activities have achieved in term of loan repayment rate, and sustainability as well as *how* these results were achieved. The results of this study would be used in further development of the MF activities in later phases.

2. MATERIALS AND METHODS

This study employs a cross sectional design with the sample was clients of the MF activities who were residents of the three Deep South provinces (Pattani, Yala, and Narathiwat) and 4 districts in Songkhla Province (Chana, Thepa, Nathawee, and Saba-yoi) during Phase 1 - Phase 7 (October 2008 - October 2010) with a total of 83 clients. Determinant variables were socio-demographic factors (province, religion, age group, education, marital status, and family size) and the MF activity-related factors (phase, years, small scale business, business skills, source of income, marketing problems, local advisers, and peer). The outcome is the success of the MF activity, as defined by the consistency of the business and loan repayment rate. Pearson’s chi-square test and 95% confidence intervals for odds ratio were used to assess the association between the determinant variables and the success of the MF activity. Logistic regression is a method of analysis that gives a representation for the logarithm of the odds ratio describing the association of a binary outcome, successful of the MF activity with factors (McNeil, 1996). For a set of predictor variables x_1, x_2, \dots, x_p and a dichotomous outcome Y the logistic regression model takes the form

$$\ln\left(\frac{p}{1-p}\right) = \alpha + \sum_{i=1}^n \beta_i x_i$$

where p denotes the probability of occurrence of the successful, x are the set of determinant variables, α is the constant coefficient and β is the set of regression coefficients and n is the number of predictor variables. The probability of the success, $Y = 1$ can be expressed as

$$P[Y = 1] = \frac{\exp(\alpha + \sum_{i=1}^n \beta_i x_i)}{1 + \exp(\alpha + \sum_{i=1}^n \beta_i x_i)}$$

Using the logistic regression model for measures of association arising from a contingency table, we suppose that the success has just two possible values of 2×2 which may be taken to be 0 (failure) and 1 (successful). Thus the logistic regression model given $x = 1$ is

$$\ln\left\{\frac{P(Y=1|X=1)}{1-P(Y=1|X=1)}\right\} = \alpha + \beta \quad (a)$$

While the logistic regression model given the no exposure ($x=0$) is

$$\ln\left\{\frac{P(Y=1|X=0)}{1-P(Y=1|X=0)}\right\} = \alpha \quad (b)$$

After exponentiation the equation (a) and (b), the odds for the failure and successful can be written as $\exp(\alpha + \beta)$ and $\exp(\alpha)$, respectively. Thus the odds ratio of the successful has the simple formula

$$OR = \frac{\exp(\alpha + \beta)}{\exp(\alpha)} = \exp(\beta)$$

We used R software (R Development Core Team, 2010) to produce all statistical results and graphs.

3. RESULTS

3.1 Consistency of the business

The consistency of the business refers to the fact that the clients was able to earn her livelihood continuously from the date the fund was granted, and "drop out" refers to the termination of the business / occupation. It was found that out of the 83 funds granted, 67 clients had consistent their business (80.7 percent), while 16 clients dropped out (19.2 percent)

Type of small-scale business	Drop out				Total n = 83 (100%)	
	No n = 67 (80.7%)		Yes n = 16 (19.3%)			
Commerce	19	(28.4)	4	(25.0)	23	(27.7)
Foodstuff	28	(41.8)	8	(50.0)	36	(43.4)
Other	20	(29.8)	4	(25.0)	24	(28.9)

Table 1: Consistency of the MF activity, categorized by type of business

Among the MF activity clients, most drop-outs worked in foodstuff business (8 clients, 50 percent of all drop-outs), followed by commerce and other occupations (4 clients and 25 percent each) (Table 1).

3.2 Terms of loan repayment

During 2008-2010, the MF activities were organized in 7 phases. The data in the study only included those who had been clients for 1 year or more. Drop-outs during each phase are shown in Table 2.

Phase	Drop out				Total n = 83 (100%)	
	No n = 67 (80.7%)		Yes n = 16 (19.3%)			
1	3	(4.5)	6	(37.5)	9	(10.8)
2	6	(9.0)	2	(12.5)	8	(9.6)
3	3	(4.5)	-	(0.0)	3	(3.7)
4	18	(26.8)	4	(25.0)	22	(26.5)
5	9	(13.4)	-	(0.0)	9	(10.8)
6	3	(4.5)	-	(0.0)	3	(3.7)
7	25	(37.3)	4	(25.0)	29	(34.9)

Table 2: Business consistency, classified by phase of implementation

Dropping out from the MF activity was most common among clients of Phase 1 with 6 clients (37.5 percent), followed by Phase 4 and Phase 7 with 4 clients (25 percent) each and Phase 2 with 2 clients (12.5 percent).

3.3 Repayment performance

Clients must repay the loan at the forth months after receiving the loan. Repayments were made on a monthly basis at 150 Thai Bahts each month for a total of 33 installments without any interest. Repayment was not due on any fixed date of the month. The loan repayment rate is defined by the following formula:

Loan Repayment Rate

$$= (\text{number of months with repayment} / \text{total number of months which repayment would be due}) \times 100$$

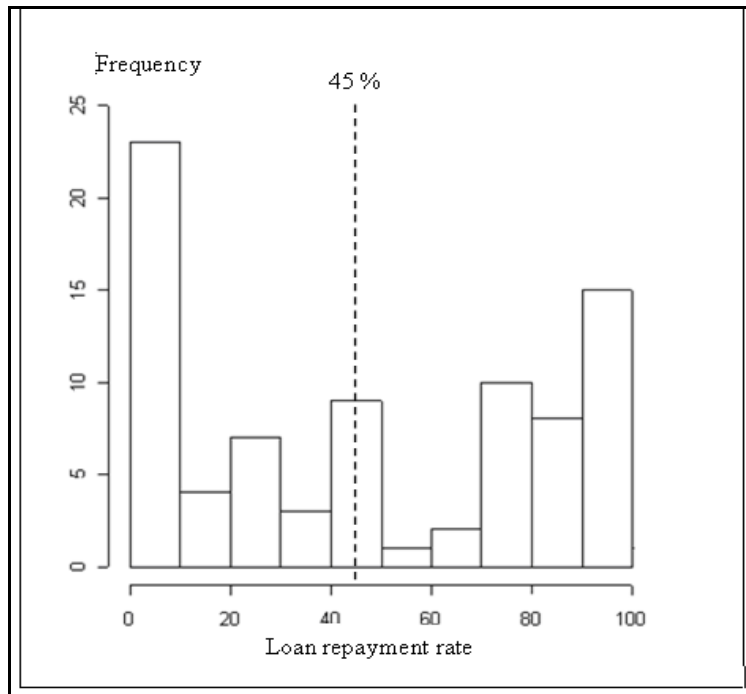


Figure 1: Distribution of loan repayment rate

Figure 1 shows the distribution of loan repayment rate with the average loan repayment rate of 45.3 percent. The median repayment rate was 38 percent (min 0 percent; max 100 percent). The cut-off point for satisfactory loan repayment rate was fixed at 45 percent.

In the study, 36 clients (43.4 percent) repaid the loan at less than 45 percent the amount, while 47 clients (56.6 percent) made repayment at 45 percent or more of the original amount. However, it should be noted that the success of the MF activity was defined by both the consistency of business (i.e. no drop-out) and loan repayment rate (45 percent or more of the original amount or higher).

Repayment rate	Drop out		Total
	No	Yes	
Less than 45 %	20	16	36
45% or more	47	-	47
Total	67	16	83

Table 3: Success of the MF activity

Therefore, 47 clients (56.6 percent) did not drop out and repaid the loan at 45 percent or higher of the amount, which were considered to be the success group and the outcome event of the study (Table 3).

3.4 Distributions of the determinants

Socio-demographic factors	Count (n = 83)	Percent
Province		
Pattani	49	59.0
Yala	8	9.6
Narathiwat	14	16.9
Songkhla	12	14.5
Religion		
Islam	77	92.8
Buddhism	6	7.2
Age group		
≤40 years	35	42.2
40+ years	48	57.8
Education group		
Secondary	55	66.3
High school or more	28	33.7
Marital status		
Married	42	50.6
Other	41	49.4
Family size		
1-3 person	20	24.1
4+ person	63	75.9

Table 4: The distribution social demographic factor of the MF's clients

Table 4 showed that most clients were in Pattani Province with 45 clients (59.1 percent), followed by Narathiwat with 14 clients (16.8 percent), Songkhla with 12 clients (14.5 percent) and Yala with 8 clients (9.6 percent), respectively. Most clients were Muslims with 77 clients (92.8 percent), and most were 40 years of age or older with 48 clients (57.8 percent). Most clients finished secondary-level education with 55 clients (66.3 percent) and were married with 42 clients (50.6 percent). Most clients came from a large family with 4 members or more (63 clients, 75.9 percent).

The MF activity	Count (n = 83)	Percent
Phase		
Phase 1	9	10.9
Phase 2	8	9.6
Phase 3	3	3.6
Phase 4	22	26.6
Phase 5	9	10.8
Phase 6	3	3.6
Phase 7	29	34.9
Years		
2008	18	21.7
2009	36	43.4
2010	29	34.9
Small scale business		
Commerce	23	27.7
Foodstuff	36	43.4
Other	24	28.9
Business skills		
No	4	4.8
Yes	79	95.2
Source of income		
Mother's Fund activity	61	73.5
Multiple sources	22	26.5
Marketing problem		
No	3	3.6
Yes	80	96.4
Local advisor		
No	23	27.7
Yes	60	72.3
Peer		
No	39	46.9
Yes	44	53.1

Table 5: The distribution the MF activity of clients

Referring to table 5, most the MF activity clients were in Phase 7 with 29 clients (34.9 percent), followed by Phase 4 at 22 clients (26.6 percent). Most clients received the fund in 2009 at 36 clients (43.4 percent), followed by 2010 at 29 clients (34.9 percent) and 2008 at 18 clients (21.7 percent). Most clients created small-scale businesses based on foodstuff at 36 clients (43.4 percent), followed by other types of business (handicraft, tailoring, beauty parlor) at 24 clients (28.9 percent), and commerce/vendor at 23 clients (27.7 percent). Most respondents (79 clients, or 95.2 percent) had previous business experience. As most clients already had previous business, a large proportion of clients also earned income from the occupation for which funding was requested at 61 clients (73.5 percent). Most clients did not have a supporting market at 80 clients (96.4 percent), while 60 clients (72.3 percent) had local advisor to provide adviser, and most have their own peers who looked after the business of one another at 44 clients (53.1 percent).

3.5 Factors affected the success of the MF activities

The association between the success of the MF activities business for livelihood and province, religion, age group, education, marital status, family size, phase, years, small scale businesses, business skills, source of income and marketing problem were removed from the model in multivariate logistic regression analysis. The reduced model after omitting the determinants with p -value greater than 0.05 using backward elimination is shown in Table 6.

Determinants	Adjusted OR (95% CI)	Wald's test (p-value)	L-R test (p-value)
Local adviser			<0.001
no	1	-	
yes	13.19 (3.30,52.65)	<0.001	
Peer			0.005
no	1	-	
yes	4.23 (1.49,12.00)	0.007	

Deviance: 80

Table 6: Reduced model of association between success and determinants

After adjustment for all covariates, the reduced model showed that province, religion, age group, education, marital status, family size, phase, years, small businesses, business skills, source of income and marketing problem were not significantly associated with the MF activities success, while two factors: local advisor and presence of peers, were all highly significantly associated with the success of the MF activity. The residual deviance for the final model was 80 with 82 degrees of freedom.

4. Conclusion and discussion

The study found a success rate of 56.6 percent, based on the 45 percent repayment rate and continuous business activity at 80.7 percent. Factors leading towards success were local advisor and peers. Women who had been getting support from local advisor were more likely to become success than those without getting any support from local advisor (OR 13.19; 95%CI 3.30-52.65). Women who had peer-to-peer support were more likely to be success in the MF activity business than those who were working alone (OR 4.23; 95%CI 1.49-12.00).

The MF activity is a microcredit program that operates during the conflict situation and provided only individual loans, especially to women, with the paradigm of being a reality-based microfinance program for building their self reliance. It is a small loan with which to start a micro-enterprise, earn a bit of income, be able to feed and school their children, sensing a degree of self worth and able to integrate into society. The MF activity was relatively young and only operated in Pattani, Yala, Narathiwat, and Songkhla Provinces with funding provided to only 83 clients.

Factors which lead towards success were local advisors and peers, because: firstly, under the situation of unrest, aside from economic stimulus, the clients also wish to receive relief and support both physical and mental. Thus both the local advisors and peers became key actors to provide advice and consultation on occupational skills, and should personally know the situation for each family, and should be able to refer not only about economical details, but even on eventual family / domestic problems. The local adviser and peer must also verify that benefits deriving from the MF activity are destined to foster in the families. They should therefore check the school attendance of the children, and their livelihood conditions. These devices being foster by the local adviser and peer. Secondly, consider the details of the applicants carefully. The local advisor usually lives in the same area as the applicants, thus they would know about the applicants' background. The selection stage is also very helpful to the local adviser in getting to know in applicants detail or information. More importantly, the local advisor could assess whether the loan would be misused. Thirdly, creating a network of fund clients, in which the local adviser would normally establish friendly relations and networking among clients for mutual business benefit. Clients share their experiences, advise each other, support each other and help each other expand their contact networks and help support the business. For example, one client wished to produce salted egg.

When the client found out that her peer was raising ducks, she no longer needed to buy eggs from the market, thus creating a process of commensalism in the community and becoming self-reliance. Finally, in term of repayment, local advisors and peers had an effect on creating incentive and motivation, leading towards the push for success in likelihood activity and reducing non-profitable loan or drop-outs. Local advisors and peers would help to check and remind the clients for repayment due date and helped to screen new clients. Such observations concur with those of clients in the Phillippines (Gine and Karlan, 2008).

In the case of prolonged periods of missed repayments, or the impossibility for a clients to continue the programme (caused for example by long term sickness) the local adviser and peer should immediately report the problem to the Mother's Fund staff, in order to co-ordinate a solution As for business sustainability, most studies wish to investigate the sustainability of the business but there had been no system for data collection. Sustainability of the micro business could be attributed to the following causes: a) Microcredit providers must allow for flexibilities in the rules according to the situation and should take care not to rush the development of their clients, as many of today's most success clients required years to reach sustainability, b) The quality of the product and service are also very important; and c) Most importantly, marketing mechanisms was the main factor which led towards business sustainability. Therefore, aside from providing microcredit loan, the MF activity should also organize entrepreneurs training program, as well as training on savings and book-keeping. Recommendations for further research for the Mother's Fund activity are on the issues of knowledge-building and project evaluation. Further studies should be made on the **outcome** and **impact** from receiving the Fund.

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