

CHAPTER 4

THE ROLE OF MICROFINANCE IN AGRICULTURAL INVESTMENT

A microfinance is a small community financial institution which people in rural areas, mostly farmers, help set up as both their financial resource and learning center which includes distribution opportunity to the people as part of its mandate. In order to provide background knowledge for the following chapters, this chapter is going to present the situation of microfinance in Northern Thailand and its role in agricultural investment.

4.1 The Microfinance in Thailand

The two most popular microfinance's in Thailand are as follows:

1) A credit union is a small community financial institution sponsored by a private organization, the Credit Union League of Thailand Limited (CULT). It was established in Thailand in 1965. It focuses on agreements between members in the same circle of relationships such as living in the same community or working in the same place. The operation focuses on the improvement of the quality of life through microfinance and using the funds as loans available to members for their careers and living, the provision of inputs, and the purchase and sale of consumer goods and products. Benefits are allocated back to the members in the form of dividends, interest and other benefits (Credit Union League of Thailand Limited, 2011).

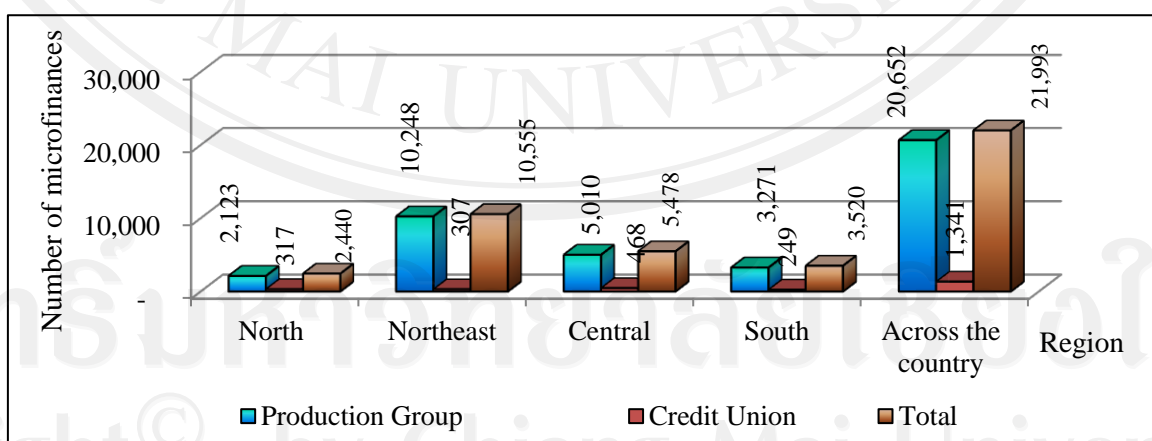
2) A production group is another popular form of financial institution for agricultural communities supported by the Community Development Department, of

the Ministry of Interior. It was established in 1974 with the following objectives: to address the farmers' lack of financial resources by gathering money to fund loans with diligence, efficiency and accuracy, to assure repayment of loans, to generate revenue and profit and to reduce the cost of living by establishing a marketing demonstration center as a focal point of buyers and sellers. This can reduce the cost of purchasing consumer goods and inputs (Community Development Department, 2011).

There are nearly fifteen times more production groups than credit unions (Figure 4.1) because the production group has been established on a village scale. Therefore, in each district, there are many production groups while credit unions are established at the district level. This is because the agency wanted to avoid competition and establish a group of transactions that are large enough to survive. As a result, a greater number of production groups than credit unions formed in accordance with both the minimum number of members and operational requirements (Fig. 4.2 to 4.3). The average number of members per group is calculated at a mean of 896.82 parties; about nine times more than an average credit union group whose members produce an average of 95.53 parties. For operating costs, the credit union group has an average cost of 12,307,979 baht/group which is thirteen times more than the production group cost, which averages 925,104 baht/group. In terms of management system standards, the credit union has good systematic operation and strong networking continuously supported by the Credit Union League of Thailand Limited (CULT), while the production group management system lacks standards. Its management is largely dependent on the community and also lacks continued support agencies. However, both microfinances are having continued problems consistently integrating

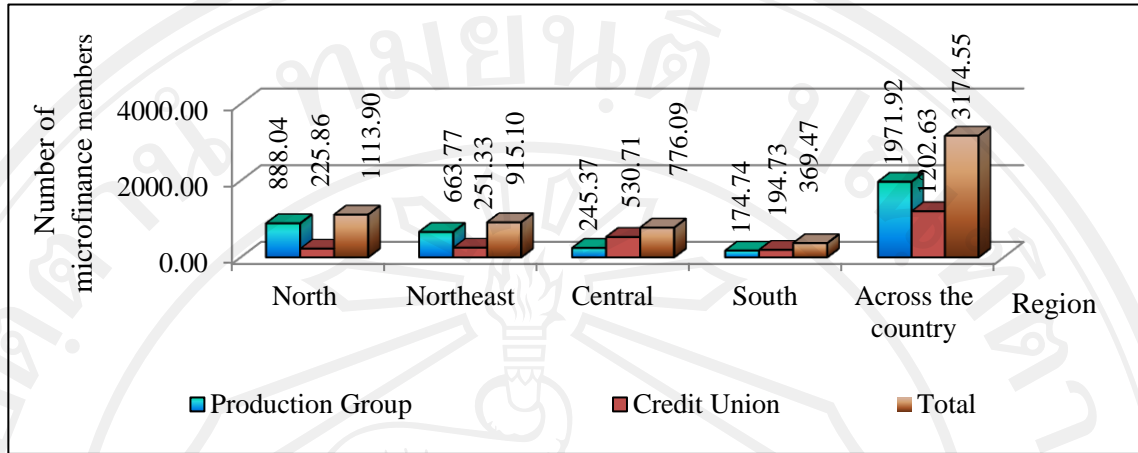
management in agreement with current economic and social situations (Padmawadi Suzuki, 2009).

Regionally, however, it is found that the Northeast has the highest number of microfinances, 10,555, representing 47.99 percent of the total number of microfinances in the country. Next is the Central region with 5,478 groups or 24.91 percent, and the North has the least at 2,440 groups, or only 11.9 percent. Considering the number of members, the North has the most members at 1,113,900 people, representing a percentage of 35.09, followed by the Northeast with 915,100 members, equivalent to 28.83 percent and the least is the Central region with 776,090 people, accounting for 24.45 percent. However, if we consider the operating funds, the Central region had the highest at 16,014 million baht or 44.98 percent of the total funding of the country followed by the South with operating funding at 9,046 million baht, equivalent to 25.41%, the Northern fund at 6,016 million baht or 16.89%, while the Northeast had the lowest operating funding at 4,525 million baht or only 12.71 percent.



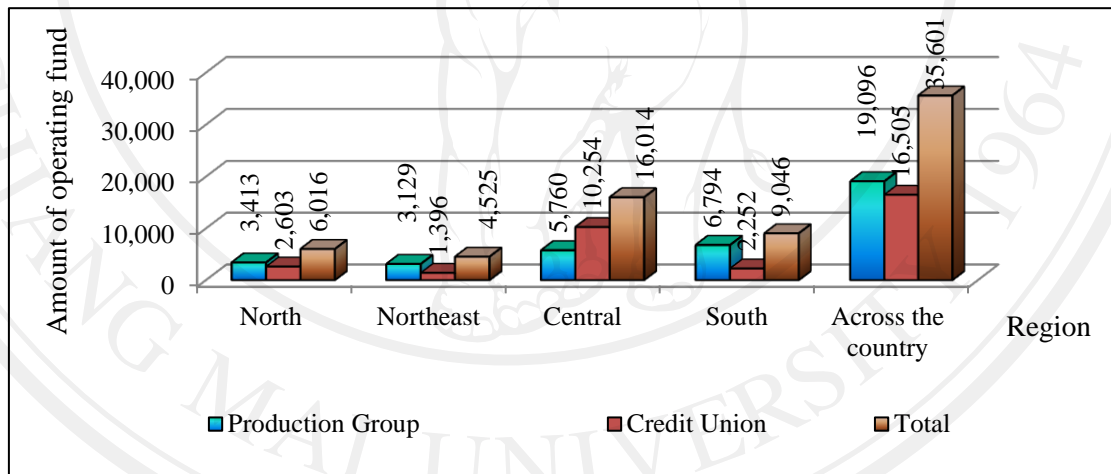
Source: Community Development Department and Credit Union League of Thailand Limited(CULT), 2011.

Figure 4.1 The total number of microfinances for Thailand in 2009 (unit: groups).



Source: Community Development Department and Credit Union League of Thailand Limited (CULT), 2011.

Figure4.2 The total number of the microfinance members of the whole country in 2010 (unit: thousand subjects).

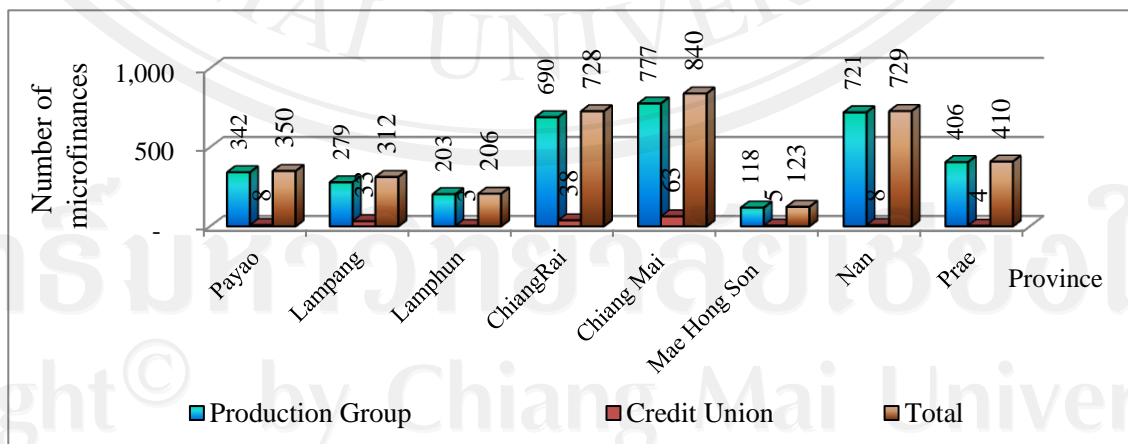


Source: Community Development Department and Credit Union League of Thailand Limited (CULT), 2011.

Figure4.3 The amount of operating funds in 2010 (unit: million baht).

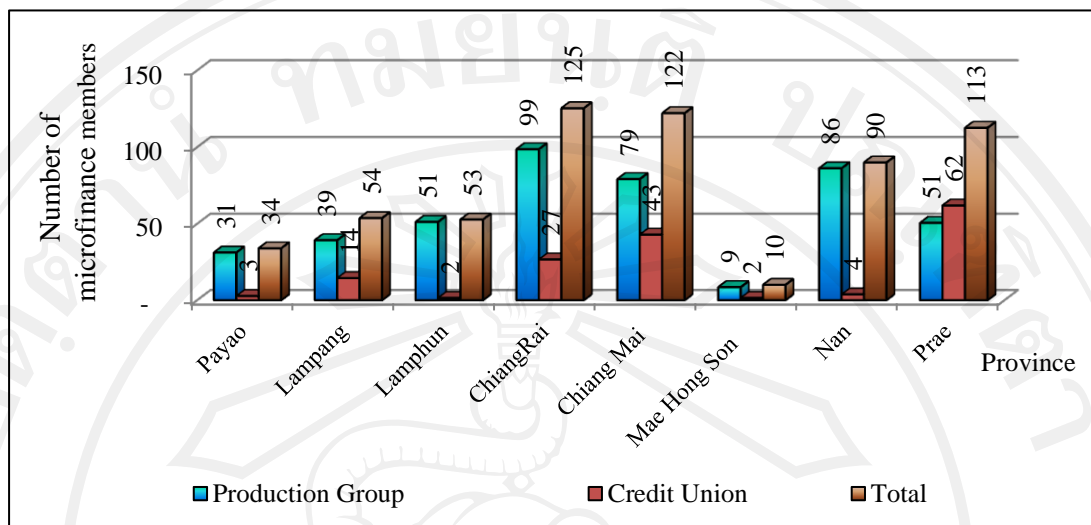
Similarly, in the Upper North, the two popular types of microfinance are the Production group and the credit union. Both the number of the groups and number of members of the production group are respectively 22 and 3 times more than those of the credit union, but they have nearly 2.5 times more operating funds than the credit unions. If we consider every province in Thailand, Chiang Mai has the most

microfinances (840), representing 22.71 percent of the total groups in the Upper North, followed by Nan and Chiang Rai which have a similar amount of groups; 729 and 728 or 19.71% and 19.69% respectively. Mae Hong Son province has the smallest number of groups at 123, representing 3.33 percent (Figure 4.4). In regards to the number of member microfinances, it is found that Chiang Rai has the most with of 125,387 people, accounting for 20.87 percent of the total microfinance members in the upper northern region. Chiang Mai is second with 122,160, which is close to Chiang Rai. Mae Hong Son has 20.34 percent with a minimum number of members of 10,060, representing 1.67 percent (Figure 4.5). If we consider the implementation of the capital, the group in Chiang Mai has the highest cost of 2,232.07 million baht or 37.57 percent of the total cost followed by Chiang Rai with operating funds of 1,317.35 million baht, equivalent to 22.17%. Mae Hong Son has the lowest level of funds at 54.90 million, equivalent to 0.92% If considered as a whole, one will find that most microfinance organizations are located in Chiang Mai and Chiang Rai. The number of members and the total cost is quite high when compared with other provinces.



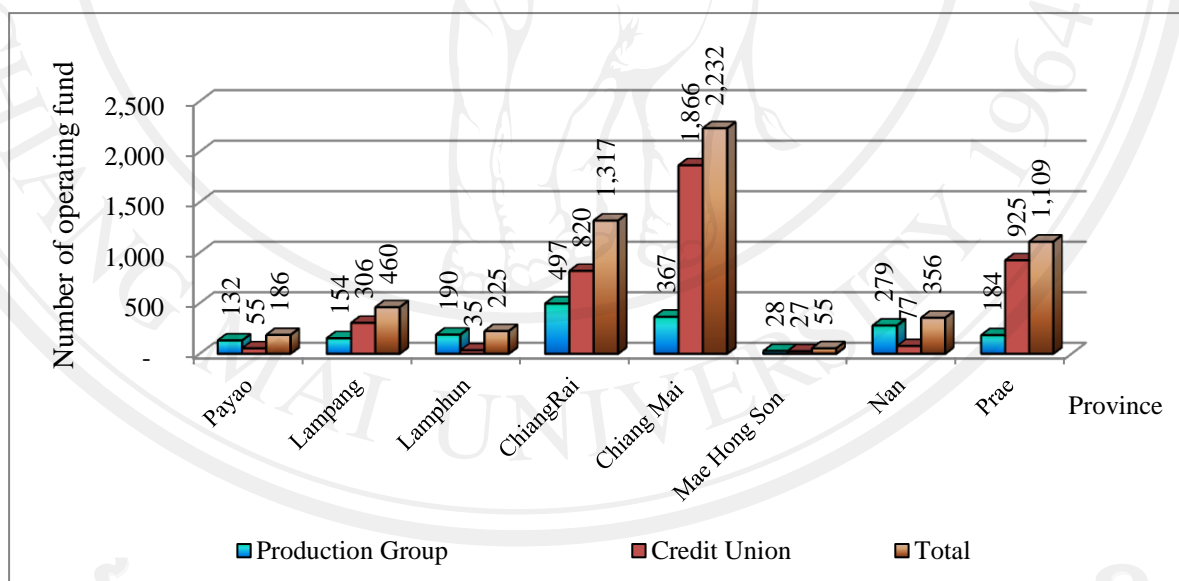
Source: Center for Community Development District 5 Lampang and Credit Union League of Thailand Limited (CULT), 2011.

Figure 4.4 The number of microfinances by province (unit: groups).



Source: Center for Community Development District 5 Lamphun and Credit Union League of Thailand Limited (CULT), 2011.

Figure 4.5 The number of members of the microfinance by province (unit: thousand subjects).



Source: Center for Community Development District 5 Lamphun and Credit Union League of Thailand Limited (CULT), 2011.

Figure 4.6 The amount of operating funds of the microfinances in the upper North provinces by province (unit: million baht).

4.2 The characteristics of the sample microfinance

According to the data of the survey of 100 microfinances, the important characteristics of the microfinances are:

Number of years established

The sample microfinance was established on average about 14 years. When considering the type of microfinance, the credit union group has a higher average number than the production group. The duration is also higher (Table 4.1), which is consistent with the fact that the credit union group is a microfinance that was established for the first time in the year 1965, while the other group started its first production in 1975.

Members

The survey found that the number of members in a microfinance were, on average, 426 people per group. The credit union members per group were greater than the production group, at almost eight times the national average. When considering the maximum and minimum values, it is found that credit unions still have more members than production group. Having many members indicates the likelihood that the group will increase the amount of financial transactions as well as the size of transactions. (Table 4.1) The reasons that credit union membership is higher than production group:

- 1) The credit union has no restrictions in the area of production. The credit union group has extensive operations. The survey data showed that they have performed at the district level so they can have more groups per district while the production group has manufacturing operations only at the village level.

2) credit union membership is not restricted and is open to all members regardless of age or profession. Everyone in the household can join to credit unions while the production group requires all candidates to be only farmers and to be the head of the household.

3) Credit Union League of Thailand Limited (CULT), an organization supporting the implementation of the credit union, has established a welfare fund for the members of the credit union, in particular the establishment of a fund to help relieve liability in case of a member's death. There is also a housing association cremation to their members. If any member dies, his or her heirs will receive 120,000 baht while the organization which supports the production has no funds in this manner.

Operating funding

The survey found that the funds of the average microfinance is equal to 9,189,082 baht/group. The average credit union's funds per group was greater than the production group by about 27 times, and the average member of the credit union uses more funds than the other by up to 3.8 times, which is much less than the national average (13 times). For the credit union's funds, the average per member was 26,577.07 baht/person in the group. The production group's funds were 6,977.59 baht/person (Table 4.1). It has been determined that the major source of the funds originated from the stock fund. This is savings in the form of stock options, followed by deposits from members of both savings and fixed deposits. Money from the public and private sectors is very rare. Of such information, it can be concluded that the majority of the funds of both types of microfinances come from the member's savings. However, as mentioned above, the credit union has more members so they

can raise more funds. In addition, members of the credit union's careers are of a greater variety, such as government officers and merchants. This group shares the money and deposits money with the credit union in the amounts due to the higher returns than standard bank interest. The production group is not opened to members of other professions, so it cannot raise funds from a group of people with great wealth. However, retained earnings can be considered as a source of funding. The profits that result from a long-time operation can be counted as benefits. Since the group has been set up longer it gains more profit resulting in increased operating funds as well (Table 4.2).

Investment

Investments act as a source of funds used to acquire benefits. The survey found that the average investment per group of a credit union is about 12 times higher than a production group. On the details of the investment, microfinances invest primarily in property, but also by a deposit with a bank and other forms of investment with minimal proportions. The credit union has more investment than the production group in all types of investment (Table. 4.1). The reason for the credit union's greater investment is that it is registered as a cooperative that is open to all members and facilitates the purchase of land and construction of buildings for use as offices for them. Since the production group does not open every day, merely once or twice per month, it does not need to invest in this area. For the adoption of the remaining funds to other investments, credit unions would invest in financial instruments such as government bonds or bonds of the Credit Union League of Thailand Limited (CULT). However, the production group has a lower amount of funds that would be deposited in banks.

Loans to members

Loans to members are the major use of the operating funds. Data from the survey showed that loans to members averaged 18,778 baht/person. On average, credit unions lend 23,137 baht/member while production groups lend 6,141 baht/person. The Credit Union members borrow four times higher more than the production group members (Figure. 4.1).

1) The credit union has higher operating funds so it can release the money to give loans to its members. Some credit unions lend up to 1.0 million baht while production groups only lend up to 30,000 baht at most.

2) The credit union offers a variety of loan types to its members throughout the year, such as emergency loans to members in cases of immediate relief, a sick child or to pay tuition, in addition to ordinary lending to all types of occupations, including agriculture, commercial or private business. Moreover, there is also a special loan facility of up to 300,000 baht with the purpose of the loan to allow members to create a stable life, like building a house or the purchase of land, while the production group has only one specific requirement of loan to use for buying agricultural inputs such as fertilizers.

Performance

1) Income

Income of the microfinance comes mainly from the interest. The average for the all groups was 711,417 baht/year. The credit union interest revenue on average per group was 1,898,193 baht/year, while the production group averages per group at 98,766 baht/year (Table 4.1). The interest rate of loans from the credit union is actually less than the production groups. The survey data showed that interest rates of

the credit union were up to 12 percent per year, while the production group loan bears interest at 2 percent per month or 24 percent per year. It is found that the credit union had a median income approximately 100 times higher than the production group in spite of all the credit union's other investments that are around 12 times higher. This showed that the credit union has a more efficient operation than the production group considering the average per capita income. The overall average revenue per member was 1,068 baht/year. The credit union's income per capita was 2,071 baht/year while the production group income per capita was 634 baht/year.

2) Expenses

Average expenses of the microfinance organization per group were 448,478 baht/year. Most of them are spent in interest on deposits. The credit union spending on interest for deposits per group was 336,795 baht/year, an equivalent of 3.90% of the total deposits for the group. While the production group's interest expense on deposits is equal to the group average of 13,138 baht/year or 3.14 percentage of total deposits for the group. It is evident that the interest rate on deposits of credit unions is lower than production groups. Therefore, they can provide loans to members at a lower interest rate as well. While incurring other expenses such as the interest expense on the loan, an employee and others found that expenses were higher at the production group of all items as well (Table 4.1). If we consider the average expenditure per capita of the members, the overall average expense of the microfinance was at 579 baht/year per capita. The credit union was at 1,023 baht/year which is higher than the production group at only 296 baht/year due to their expenses on the depreciation of buildings and equipment, and the total welfare fund to pay for security, as discussed in 4.2.3, which is paid by the group for its members.

3) Net Profit

When considered both revenues and expenses, one can estimate the net profit of the microfinances. On analysis, an average net profit was 262,939 baht/year or 617 baht/person/year or 36.95% of the total revenue averaged per group. Considering the net profit, the credit union had 777,633 baht of average earnings per group per year or 760 baht/person/year. The production group had an average profit of 55,066 baht/group/year or average of 348 baht/person/year. But the proportion of profits/income was found so that the production group profit margin to revenue ratio as a percentage was 54.80, while the credit union's was 37.54%, which is lower (Table 4.1). What caused the credit union's earnings to be lower was the cost of depreciation of buildings and office equipment because the credit union has most office buildings open to all members of the working day, while the production group has invested substantially in this section and it does not open every day. Most are open to members 1-2 times per month, and members use public places such as a temple as an office. Moreover, the president or the treasurer are the ones who keep the documents; therefore, there is no building depreciation cost

Profit Accumulation

Profit accumulation is one of the funding sources for operating funding because it is a profitable part of it. The average earning of microfinance was 261,163 baht/group. The credit union's highest profit accumulation was up to 9,575,507 baht while the production group was the lowest-earning group by producing only 556 baht. When comparing the two groups' retained earnings, it is found that the credit union's profit accumulation on average was 769,938 baht, which is 23 times higher than the average of the production group's (Table 4.1). This shows that the credit union has an overall

better performance, so it can allocate a portion to be used as funds to expand its operations. Another reason is that the credit union group has been formed and operating longer as well (Table 4.2).

Welfare Fund for the members

One of the objectives of the establishment of the microfinance is the welfare of its members. The microfinances are profitable enough to allocate its profit accumulation to fund benefits for its members in the areas of illness, including death. The groups with a large enough fund will be able to cover a breadth of disasters, such as floods, for its members. The survey found that, on average, the welfare fund was 76,793 baht/group, or 180 baht/person. The credit union's fund was up to 1,671,609 baht/group or 224 baht/person (Table 4.1) and comparing the average fund between the two groups, it is found that a credit union's fund benefits are higher than a production group by nearly 200%. This shows that a credit union can help its members much more than the other group. It is noteworthy that the longer a group has been established, the more funds it will have (Table 4.2).

Table 4.1 Characteristics of the sample group of microfinances.

List	Production group			Credit Union			Total		
	Highest Value	Lowest Value	Average Value	Highest Value	Lowest Value	Average Value	Highest Value	Lowest Value	Average Value
1. Number of year established (year)	31	3	12	42	5	19	42	3	14
2. Number of members (person)	545	40	158	6,629	76	1,023	6,629	40	426
3. Number of full-time staff (person)	14	0	3	17	0	4	17	3	4
4. Operating funding (baht)	8,908,234	49,009	1,102,459	231,574,731	949,749	27,188,342	231,574,731	49,009	9,189,082
4.1. Stock fund (baht)	4,454,117	6,600	652,885	93,102,930	803,200	12,285,872	93,102,930	6,600	4,259,111
4.2. Saving deposit (baht)	4,454,117	35,000	321,874	63,129,711	8,862	8,068,410	63,129,711	8,862	2,723,300
4.3. Fixed deposit (baht)	1,746,260	8,000	95,609	91,199,601	18,670	5,559,256	91,199,601	8,000	1,789,340
4.4. Loans from other financial institutions (baht)	1,000,000	42,000	32,018	21,687,400	0	1,265,126	21,687,400	0	414,281
4.5. Donations from government/private sector (baht)	5,000	0	72	300,000	0	9,677	300,000	0	3,050
5. Investment money (baht)	3,398,291	3,950	301,733	29,297,488	51,968	3,578,538	29,297,488	3,950	1,774,628
5.1. Bank deposit (baht)	1,508,830	1,509	142,881	10,563,504	2,951	1,885,102	10,563,504	1,509	682,969
5.2. Investment asset (baht)	150,181	0	4,974	11,801,000	0	887,876	11,801,000	0	278,673
5.3. Property value (baht)	2,187,965	2,500	70,793	10,476,579	4,097	1,377,288	10,476,579	2,500	475,806
6. Loan for member (baht)	5,431,400	32,000	972,989	233,819,260	817,411	23,658,946	233,819,260	32,000	8,005,635
7. Profit accumulation (baht)	348,090	556	32,583	9,757,507	13,224	769,938	9,757,507	556	261,163
8. Income	531,530	2,757	100,493	16,013,802	62,820	2,071,217	16,013,802	2,757	711,417
8.1. Interest (baht)	531,530	2,700	98,766	15,215,466	32,144	1,898,193	15,215,466	2,700	656,589
8.2. Other incomes (baht)	27,900	0	1,726	983,372	330	173,025	983,372	0	54,829
9. Expenses	264,008	1,869	45,427	10,350,975	5,799	1,293,584	10,350,975	1,869	448,478
9.1. Loan interest (baht)	90,181	0	4,181	865,800	0	34,059	865,800	0	13,444
9.2. Deposit interest (baht)	231,387	1,272	13,138	2,648,284	5,589	336,795	2,648,284	1,272	113,472
9.3. Staff salary/payment (baht)	74,414	0	12,799	836,565	0	170,014	836,565	0	61,536
9.4. Other expenses (baht)	114,700	600	8,313	4,810,993	2,900	577,250	4,810,993	600	184,684
9.5. Expenses deducted from dividend (baht)	34,560	600	4,361	1,443,298	2,900	175,467	1,443,298	600	57,404
10. Welfare fund for member (baht)	98,386	0	8,364	1,671,609	0	229,104	1,671,609	0	76,793

Source: The survey.

Table 4.2 The length of establishment, profit accumulation, operating funding and welfare fund.

Length of establishment (year)	Number of group (group)	Operating Fund (baht/group)	Retained earnings (baht/group)	Welfare fund for member (baht/group)
Less than or up to 5 years	6	907,025	33,057	917
6-10	20	1,239,238	37,100	4,928
11-15	35	1,489,189	62,972	11,953
16-20	21	4,184,069	132,375	83,857
21-25	11	12,783,156	358,991	141,275
26-30	3	44,207,565	1,838,298	314,573
More than 30 years	4	145,300,085	3,252,502	861,198

Source: Survey.

4.3 The role of microfinance in agricultural investment

The microfinances in the Northern Thailand not only have a role in financial transactions but they also have a role in agricultural investment through their support for the farmer for their profession. According to the survey of 399 members of the microfinance who are farmers, the essential roles of the microfinance in agricultural investment can be concluded as follows:

4.3.1 The role in production

Production Group

The survey found that the microfinance has a role in production. Most of the funding for the production in high to the highest scale at 61.09 percent, which is equal to the average point of 3.40 which is a moderate level. They play a role in the supply of quality inputs, low prices, and knowledge of manufacturing techniques and training techniques in a high level - the highest percentage of 36.36 and 31.63, with average points at 2.57 and 2.47, respectively, with standard deviations ranged from 1.61 to 1.66, which are quite low. This shows that the level of an individual farmer's point does not differ much from the average, (Table 4.3) and the average of these

shows that the production of the group is in the middle level. This is due to the production group focusing on saving money and using the money to give loans to members to invest in production mostly. In terms of educating its members, it is at the lowest level since the group was established on the idea that the farmers are poor due to their lack of funds. Therefore, the primary goal is to advocate farmers getting together to raise funds and allocate funds for the most needy farmers by the motto, "We may lack the money, but not the spirit" (Department of Community Development, 2009).

Credit Union

Members of the credit union show in the data that the group plays an important role in production more than in savings for the manufacturer. The amount of funding sources in a high–highest level - the average is 81.45 percent, equal to 3.98 points, is a high level. Their role in the supply of good quality and low price inputs for the production and the knowledge of manufacturing and training techniques are at the percentage of 55.64 and 54.84, with mean scores of 3.26 and 3.24, respectively, and standard deviations ranged from 1.40 to 1.68, which are quite low. This shows that the point of individual farmers does not differ much from the average, (Table 4.4) and the average level is medium. This is due to the operational practice of the credit union which has a more diverse group of manufacturing than the production group. In addition to the loans to its members to invest in the stock, some get together to buy inputs of production so they can get better quality and lower price inputs for production. In addition to the members coming together to buy the inputs, the group acting as an intermediary has authorized their power to negotiate with the seller. Some

suppliers of inputs even return the profits to the group by organizing training and education for members of the production as well.

Table 4.3: The role in production of the production group.

Roles	Production Group						Mean	Meaning
	Highest	High	Medium	Low	Lowest	None		
A source of funding for production	89 (32.36)	79 (28.73)	56 (20.36)	9 (3.27)	16 (5.82)	26 (9.45)	3.50 [1.66]	High
Providing good and cheap inputs for production	26 (9.45)	74 (26.91)	55 (20.00)	49 (17.82)	18 (6.55)	53 (19.27)	2.57 [1.66]	Medium
Teaching/training techniques used in production	15 (5.45)	72 (26.18)	71 (25.82)	41 (14.91)	22 (8.00)	54 (19.64)	2.47 [1.61]	Low
Overall							2.85	Medium

Source: The Survey.

Note: The numbers in () are percentages and in [] are the standard deviations.

Table 4.4 The role in production of the credit union.

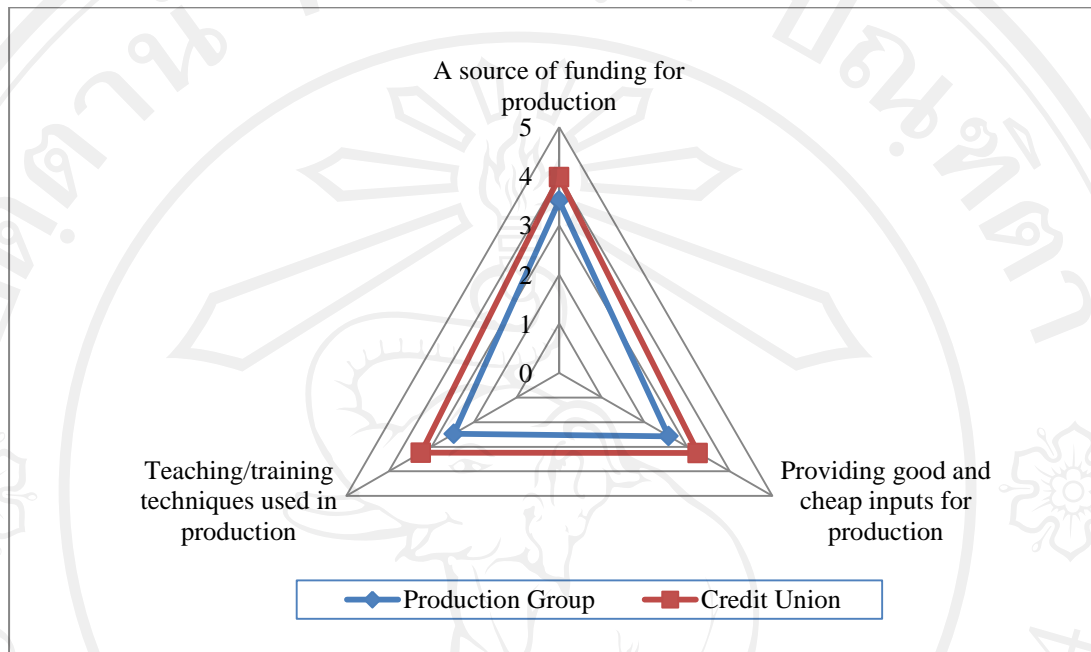
Roles	Credit Union						Mean	Meaning
	Highest	High	Medium	Low	Lowest	None		
A source of funding for production	53 (42.74)	48 (38.71)	4 (3.23)	10 (8.06)	4 (3.23)	5 (4.03)	3.98 [1.40]	High
Providing good and cheap inputs for production	33 (26.61)	36 (29.03)	18 (14.52)	17 (13.71)	7 (5.65)	13 (10.48)	3.26 [1.63]	Medium
Teaching/training techniques used in production	36 (29.03)	32 (25.81)	18 (14.52)	15 (12.10)	10 (8.06)	13 (10.48)	3.24 [1.68]	Medium
Overall							3.49	Medium

Source: The Survey.

Note: The numbers in () are percentages and in [] are the standard deviations.

The results above clearly show that the role of both microfinances focuses on being a source of funding for production. The credit union operates more effectively in the role of providing inputs for production and training on production

techniques than the production group (Figure 4.7) since the group has more operating activities, while the production group focuses more on giving loans to its members.



Source: Table 4.3 and 4.4.

Figure 4.7 Comparison of the production role between each type of microfinance .

4.3.2 The role in product processing

Production Group

Microfinance has a few roles in product processing. It has roles in being the source funding, training, and rental machines and tools in the high-highest level at 23.28, 13.46 and 7.27% with means of 1.90, 1.58 and 1.14 respectively, and the lowest level with the means between 1.14-1.90, which is quite low. This shows that the level of individual farmer's score does not differ much from the average (Table 4.5) because most members are farmers; both rice and crops such as soybeans. Therefore, they sell their product in the primary form. It is usually a group of women in the village that gathers some natural local products and transforms them for sale as, for example, chili paste, soybean paste, fermented fish and other dishes. This group,

even though they are the members of the production group, usually get support from government offices such as the Community Development Office.

Table 4.5 The role in product processing of the production group.

Roles	Production Group						Mean level	Meaning
	Highest	High	Medium	Low	Lowest	None		
Source funding for product processing	10 (3.64)	54 (19.64)	51 (18.55)	37 (13.45)	28 (10.18)	95 (34.55)	1.90 [1.70]	Low
Training on product processing	7 (2.55)	30 (10.91)	51 (18.55)	47 (17.09)	31 (11.27)	109 (39.64)	1.58 [1.57]	Low
Rental machines and equipment	4 (1.45)	16 (5.82)	38 (13.82)	38 (13.82)	38 (13.82)	141 (51.27)	1.14 [1.40]	Lowest
Overall							1.54	Low

Source: The Survey.

Note: The numbers in () are percentages and in [] are the standard deviations.

Credit Union

The credit union has a role in the processing of agricultural products in terms of the funding at the high-highest at a percentage of 48.38, followed by education and training with a percentage of 47.58, while rental equipment is 43.55%. When considering the means, the mean levels were similar, between 2.94 to 2.85 with a standard deviation of 1.69 to 1.92, which is quite low. This shows that the level score of farmers does not differ much from the mean, (Table 4.6) and these points, in this period, reflected the role in the processing in the three stages that is in a moderate level. Interestingly, members of credit unions have variety in their professions as farmers. Some of them process their output in order to get a higher price, for example, those who grow tobacco or pepper, or the ones who grow longan would dry the fruits for a better selling price. The members who produce rice will not process but distribute it the way it is.

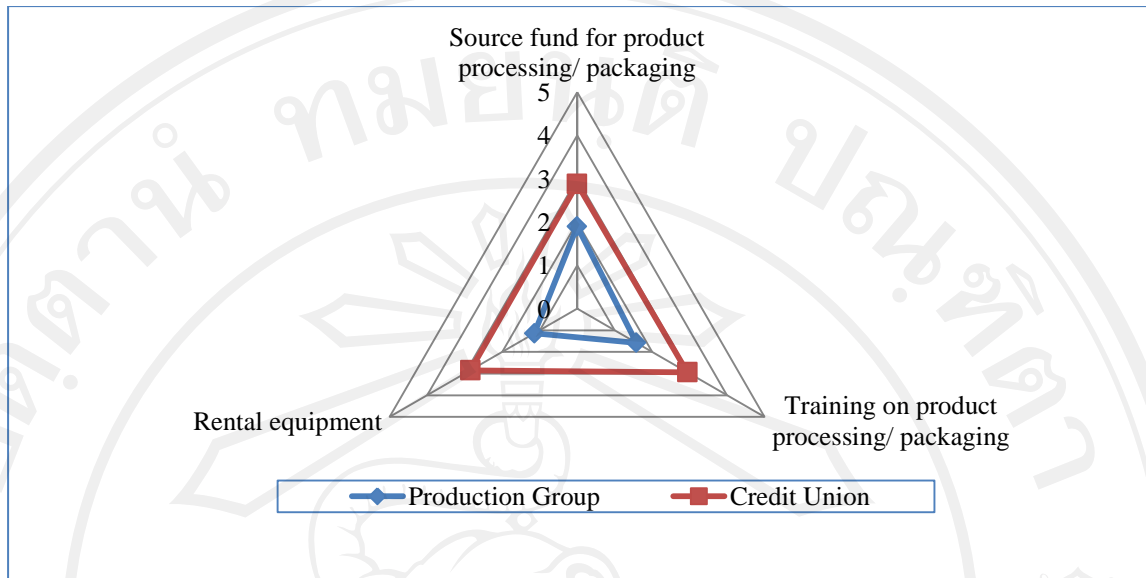
When comparing the role in supporting product processing and packaging between the two groups of microfinance, it is found that the credit union has a higher role than the Production Group (Figure 4.8). According to the survey results, the credit union has supported agricultural professions in different dimensions, including plantation, farming and also agricultural product processing through training members so they can apply the knowledge to their profession. Such examples include the Credit Union League of Ban Rim On Limited and Credit Union League of Ban Sri Ngam Pattana Limited.

Table 4.6 The role in product processing of the credit union.

Product processing/packaging	Credit Union						Mean	Meaning
	Highest	High	Medium	Low	Lowest	None		
Source fund for product processing/packaging	36 (29.03)	24 (19.35)	14 (11.29)	17 (13.71)	5 (4.03)	28 (22.58)	2.88 [1.92]	Medium
Training on product processing/packaging	30 (24.19)	29 (23.39)	17 (13.71)	19 (15.32)	10 (8.06)	19 (15.32)	2.94 [1.76]	Medium
Rental equipment	26 (20.97)	28 (22.58)	17 (13.71)	22 (17.74)	16 (12.90)	15 (12.10)	2.85 [1.69]	Medium
Overall							2.89	Medium

Source: The Survey.

Note: The numbers in () are percentages and in [] are the standard deviations.



Source: Table 4.5 and 4.6 .

Figure 4.8 Comparison of the role in processing products between each type of microfinance.

4.3.3 The role in marketing

Production Group

The sample production group has a role in marketing as it is a medium in public relations of their products in high-highest level at percentage of 30.55. Next is being a medium in negotiating at a percentage of 23.64, and third is being a channel in distributing/shelving products at 20.73%. last is teaching and training on marketing at 18.18%. When considering the means, they are 1.99-2.15, which are low, and the standard deviations are between 1.61-1.75, which are also low. This shows that the farmer's individual score does not differ much from the mean (Table 4.7). This is because the production group is supported by the Community Development Department who focuses on production activities. For the marketing activity, it is usually in the form of selling the processed products in local product fairs. However, as mentioned above, only some of the members gather to process their products. The

rest of them who do not process their agricultural products are, for example, rich farmers or herdsmen. They do not benefit from the marketing in the production group at all. Therefore, members who benefit from the marketing from the production group are the ones who gather to run a processed product business and they all get a fair opportunity.

Credit Union

According to the data from the credit union members, the group has a marketing role as a channel for product distribution and shelving in the high-highest level at 56.45%, next is being a medium in negotiation at 53.23 %, as public relations support and training are at percentages 49.19 and 44.36, respectively. On average, the role of the group in the member's opinion is at 2.57-3.10 (out of 5 points) which is medium and the standard deviation is 1.75-1.90, which is low. This shows that the farmer's individual score does not differ much from the mean (Figure 4.8). Moreover, it is also found that the members of the credit union have a variety of agricultural professions. Some of them are only producers, such as rice or crop farmers and herdsmen. The others are the ones who run business processing agricultural products. This group would buy raw products directly from the first group and process them the in which way they are trained. Most of the products are foods, for example, kaw-lam (glutinous rice roasted in bamboo joints) or pickled fish in Pan district of Chiang Rai province, or kaw-tan (crispy rice) in Sansai district of Chiang Mai province, This group of members is benefited from marketing opportunities more than the other. However, these product-processing businesses of the group have a direct effect on the first group since they are a direct source to purchase products from

the members who are producers. For example the one who makes the pickled fish would buy fresh fish from members who have a fish farm.

However, when comparing marketing roles of both microfinances, the credit union has a higher role than the production group (Figure 4.9) as a result of:

1) The credit union has members with various agricultural occupations; both members who are only farmers and those who run business on processing agricultural products, so they have more processed agricultural products to sell than the production group, most of whom are producers alone.

2) The credit union has created a network at different levels, first in the provincial level in form of clubs, and secondly in the regional level. there is a credit Union League of Thailand Limited (CULT) who establishes a branch to care and support it. For the national level, it is linked by a network with the Credit Union League of Thailand Limited as a hub. Any credit union who has products made by its members can sell their products through these networks. They will be released on the CULT's website. Moreover, each credit union has its own office which opens every day and allows members to present their products to the public while the production group has no such network. Moreover, the operation was under the care of the government who cannot support this fully, therefore they have little role in this area.

Table 4.7 The role of the production group in marketing.

Marketing aspect	Production Group						Mean	Meaning
	Highest	High	Medium	Low	Lowest	None		
A medium in public relations	10 (3.64)	74 (26.91)	58 (21.09)	25 (9.09)	20 (7.27)	88 (32.00)	2.15 [1.75]	Low
A channel in distributing/ shelving products	8 (2.91)	49 (17.82)	72 (26.18)	38 (13.82)	20 (7.27)	88 (32.00)	2.00 [1.62]	Low
A medium in business negotiating between the farmers and investors/companies	10 (3.64)	55 (20.00)	65 (23.64)	35 (12.73)	23 (8.36)	87 (31.64)	2.03 [1.66]	Low
Marketing trainings	12 (4.36)	38 (13.82)	77 (28.00)	39 (14.18)	28 (10.18)	81 (29.45)	2.00 [1.61]	Low
Overall							2.04	Low

Source: The Survey.

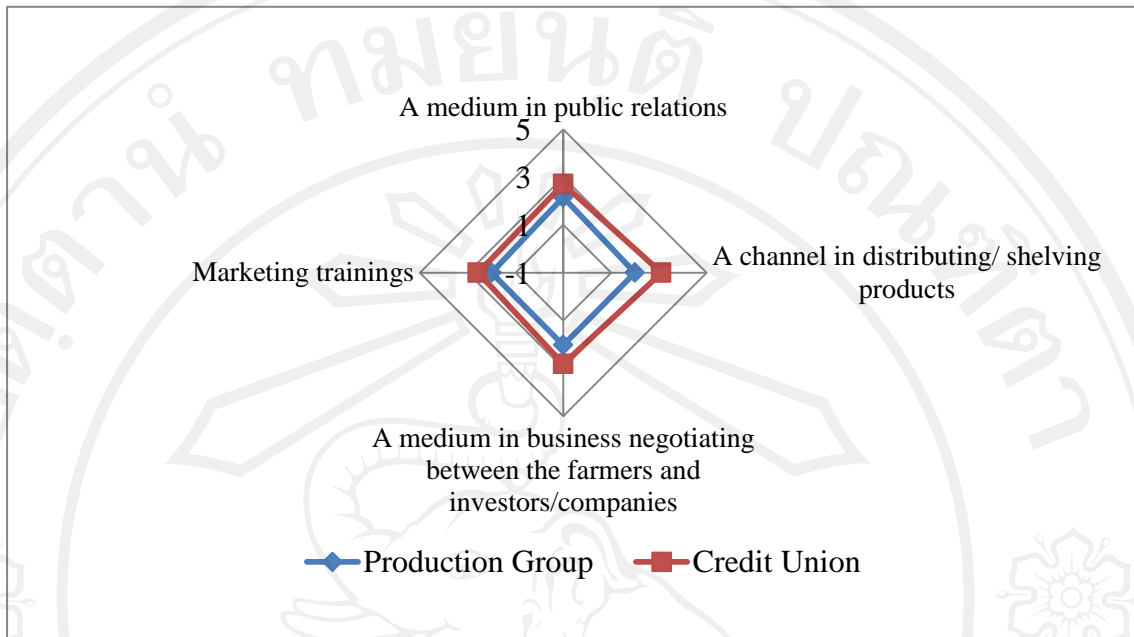
Note: The numbers in () are percentages and in [] are the standard deviations.

Table 4.8 The role of credit union in marketing.

Marketing aspect	Credit Union						Mean	Meaning
	Highest	High	Medium	Low	Lowest	None		
A medium in public relations	22 (17.74)	39 (31.45)	18 (14.52)	3 (2.42)	10 (8.06)	32 (25.81)	2.71 [1.90]	Medium
A channel in distributing/ shelving products	28 (22.58)	42 (33.87)	16 (12.90)	9 (7.26)	10 (8.06)	19 (15.32)	3.10 [1.75]	Medium
A medium in business negotiating between the farmers and investors/companies	21 (16.94)	45 (36.29)	15 (12.10)	7 (5.65)	5 (4.03)	31 (25.00)	2.82 [1.87]	Medium
Marketing trainings	18 (14.52)	37 (29.84)	18 (14.52)	11 (8.87)	5 (4.03)	35 (28.23)	2.57 [1.87]	Medium
Overall							2.80	Medium

Source: The Survey.

Note: The numbers in () are percentages and in [] are the standard deviations.



Source: Table 4.7 and 4.8.

Figure 4.9 Comparison of the marketing role between each type of microfinance.

4.3.4 Conclusion

When analyzed as a whole, it can be concluded that the microfinance's major role is as a source of funding for large scale production. For the provision of quality inputs and low prices and the education and training in production techniques, they have a medium role, while the other roles are at a low level (Table 4.9 and Figure 4.10). However, the roles of the two microfinances are different. The production group focuses on the production, and the average score was 2.85 out of 5.0, which is in the middle. Their second priority is marketing equal to the average level of 2.04, which is considerably less. The final role is the role in processing and packaging with the mean equal to 1.54. The overall role in the investment of agricultural production is at an average of only 2.13. The credit union's role in the production is at a medium level with a grade point average of 3.49. The role in the processing and packaging is at a moderate level as well as the role in the marketing at 2.89 and 2.80 points,

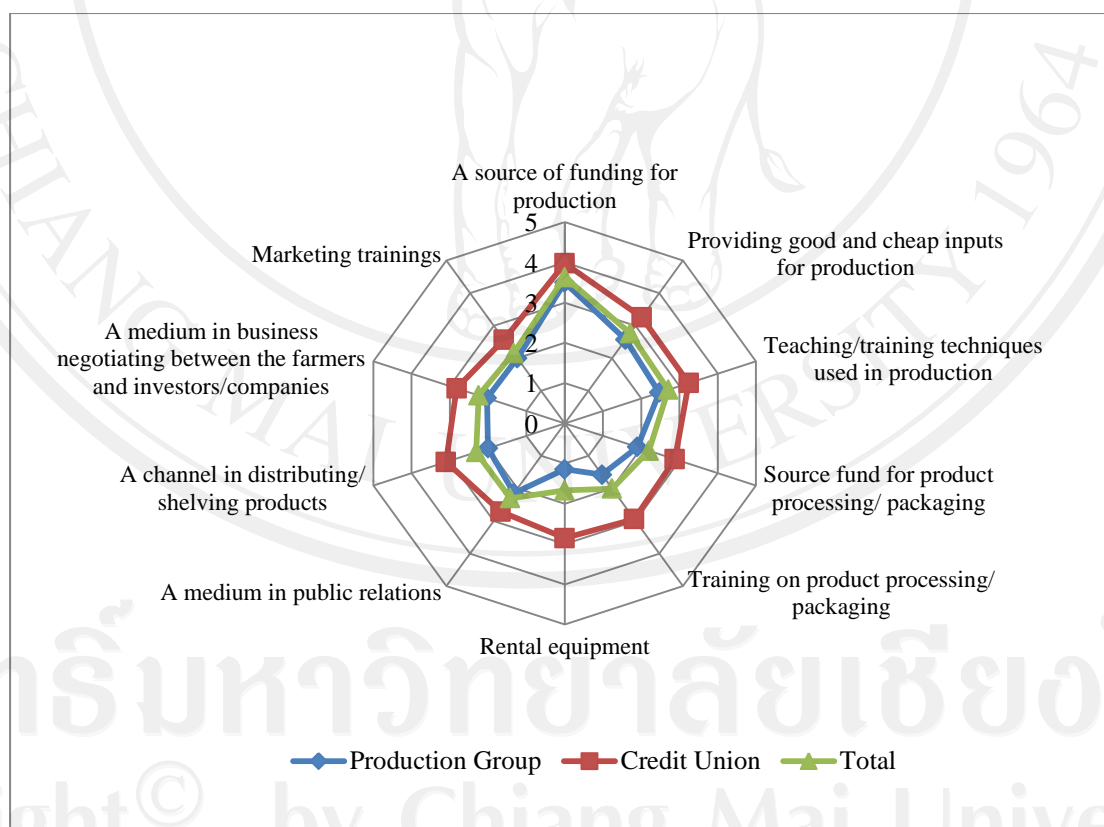
respectively. The credit union investment in the agricultural sector as a whole is at a moderate level (3.03 points), which shows that the credit union has a higher role in the investment in agriculture than the production group.

From the Figure 4.10, it can be clearly seen that the credit union has a higher role in the investment in agriculture than the production group in all aspects as a result of:

1) The operations of the credit union are supported by of the credit union League of Thailand Limited (CULT), which is a private enterprise and has networks operating across the country. This makes their implementation quite flexible and their strategies adaptable in order to meet the needs of its members, rather than the production group, which is supported by the Department of Community Development, which is a state-based regulatory authority. Moreover, the credit union in the area will gather in the form of a club as a center for coordination and exchange of experiences including helping to develop weak groups through a CULT-sponsored budget. Since the production group has no such thing, their operations were performed individually by different people. More importantly, unless the Office of Community Development in the area has allocated a budget for the professional development fund from the government, the group would not get any career development activities. In addition, the agencies supporting the credit union are working as a network so they can share their knowledge and learning experiences with each other. Moreover, they can use the network as a product distribution channel as well.

2) The credit union's board of directors has extensive knowledge and experience because the members come from a variety of professions. The members

were elected to the board of directors to provide broad development perspectives. Importantly, the Commission can choose to match the right man with the right job, for example, electing the member with a successful financial background to be on the Board of Finance or the member with a successful career to be an Educational Board member. By contrast, all members of the production group are agricultural professionals who have similar experience, so it has resulted in a one-sided view of the development. In other areas, activities which are needed, in particular the development of production skills and the formation of a marketing network, lack developmental support. Therefore, the production group has many weak points.



Source: Table 9.

Figure 4.10 Comparison of microfinances in the investment in agriculture.

Table 4.9 Comparison of roles of both types of microfinance.

Roles	Microfinance for production		Meaning	Credit Union		Meaning	Overall		Meaning
	Mean	SD		Mean	SD		Mean	SD	
A source of funding for production	3.50	1.66	High	3.98	1.40	High	3.63	1.59	High
Provide high quality and cheap supplies	2.57	1.67	Medium	3.24	1.63	Medium	2.77	1.69	Medium
The technical knowledge of production / training techniques	2.47	1.61	Low	3.24	1.68	Medium	2.71	1.67	Medium
The funding sources for processing / packaging	1.90	1.70	Low	2.88	1.92	Medium	2.20	1.83	Low
Awareness training in processing / packaging	1.58	1.57	Low	2.94	1.76	Medium	2.01	1.75	Low
Rental equipment	1.14	1.40	Lowest	2.85	1.69	Medium	1.67	1.70	Low
As an intermediary in the release	2.15	1.75	Low	2.71	1.90	Medium	2.30	1.82	Low
Channels / place	1.99	1.62	Low	3.10	1.75	Medium	2.31	1.75	Low
As an intermediary in negotiations between farmers and business entrepreneur / company	2.03	1.66	Low	2.82	1.87	Medium	2.25	1.77	Low
Education and training market	2.00	1.61	Low	2.57	1.87	Medium	2.16	1.72	Low
Overview	2.13		Low	3.03		Medium	2.40		Low

Source: The Survey.