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## Agricultural cooperatives ltd. and economic growth of Thailand

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**Abstract** The foundation of Thai economic based on agriculture. Agricultural cooperatives limited in Thailand is an economic development tool for Thai government to help people in the rural area throughout Thailand. It also has been the source of agricultural production to provide food for Thais. Agricultural cooperative limited has the positive impact on Thai economy. Even it is the small impact but it is still be an economic driver for Thai economic growth. An increase in 1percent of agricultural product value produced by agricultural cooperatives members led to an increase in Thai Gross Domestic Product (GDP) 2.552 percent.

**Keywords:** Agricultural Cooperatives limited, Economic Growth

### Introduction

Long-term economic aspirations are laid out in Thailand's recent 20-year strategic plan for attaining developed country status through broad reforms. The reforms address economic stability, human capital, equal economic opportunities, environmental sustainability, competitiveness, and effective government bureaucracies. Progress on reforms has already been made. These include the implementation of multi-year large public infrastructure projects, setting up of a State Enterprise Policy Committee to improve state-owned enterprise governance, transfer of supervisory oversight of specialized financial institutions to the Bank of Thailand, approval of progressive inheritance and property taxes and the launch of the National Savings Fund, a retirement safety net for informal workers (World Bank, 2019). ([www.worldbank.org](http://www.worldbank.org))

In terms of economic development, the Royal Thai government has been considered the philosophy of Co-operatives as economic development tool of Thai economy. A cooperative is an association of persons facing the same or common problems, who accordingly and automatically better know the problems than others. Therefore, the best problem solution is to unite those who have the common problems themselves to come together in unison to solve them. Being recognized by legislation, a cooperative is legal entity and an independent organization. Government gives support only when necessary.

The Cooperatives adopt fair methods of sharing, among their members, the economic results arising from their operations. This is unique of the cooperatives that the members are co-owners. Cooperatives are based on the values of self-help, self-responsibility, democracy, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The main objective in organizing a cooperative is to unite a concerted effort of the people to solve the problems in life they cannot solve individually. A cooperative upholds the principle of voluntariness of the persons who join the cooperative. They enjoy equal rights in the operations of the cooperative, and share all the benefits derived from them. As a cooperative is a business organization with specific characteristics, it has to strictly follow, in its operations, the following seven principles accepted

universally as the Cooperative Principles, Voluntary and open membership, as followed 1) voluntary and open membership, 2) democratic member control, 3) member economic participation, 4) autonomy and independence, 5) education, training and information, 6) cooperation among national and international cooperatives, and 7) concern for community. Cooperatives carry on business under the laws of Thailand, including the Cooperatives Act of Thailand 1999.

Cooperatives in Thailand have been initiated by the government since 1915 with the prime aim of being as a means of improving the livelihood of small farmers. This is due to the increasing debt problem resulting from farmers suffering from the shift from self-sufficient economy to trade economy. Natural disasters such as droughts and flood have further worsened the debt situation for the farmers. Consequently, they lost their farmland and become laborers, leaving their debts unpaid (Department of Co-operatives Promotion of Thailand, 2017). The first cooperative in Thailand was named Wat Chan Co-operative Unlimited Liability was established by the government on February 26, 1916, in Phitsanulok province, the middle part of Thailand. It followed the Raiffeisen credit cooperative type with the single purpose of providing farm credit and being organized as a small village credit cooperative to help severely indebted farmers. The success of this type of cooperative preventing many farmers' land from being foreclosed by the money-lenders led to the increasing number of small village credit cooperatives all over the country. Small credit cooperatives had prevailed in the country until 1938 when other types of cooperative were then established in response to the people's needs.

In 1966, the government-cum-credit cooperative-owned Bank for Cooperatives was reorganized as the “Bank for Agriculture and Agricultural Cooperatives” a state enterprise, functioning as a financial center of agricultural cooperatives including lending directly to individual farmers. In 1968 with the objective to strengthen the cooperative movement, the Government enacted the Cooperative Act, 1968, which allowed the establishment of the Cooperative League of Thailand, functioning as the apex organization of the cooperative movement. The said Cooperative Act also allowed for the amalgamation program which combined the neighboring small village credit cooperatives, paddy and marketing cooperatives, land improvement and land settlement cooperatives into a large scale cooperative at district level performing multipurpose functions and which were officially categorized as agricultural cooperatives (Department of Co-operatives Promotion of Thailand, 2019).

A cooperative is based on democracy. All cooperative members are its owners; but not all of them can administer a cooperative. Therefore, they have to elect, among themselves, a board of directors to carry on the administration on their behalf. According to the Cooperatives Act, B.E. 2542, a board of directors comprises not more than 15 directors, being authorized to execute all the affairs and representing the cooperative for the affairs related to the third parties. In order for a cooperative to carry on its affairs extensively and serve all or most of all its members, the board of directors employs a manager to carry out businesses of the cooperative. The manager, in turn, employs and supervises the cooperative employees to perform the day-to-day operations of the cooperative on the basis of an appropriate volume of businesses and economy. There are 7-types of Cooperatives in Thailand---1. Agricultural Cooperatives, 2. Fisheries Cooperatives, 3. Land-Settlement Cooperatives, 4. Consumer Cooperatives, 5. Thrift & Credit Cooperatives, 6. Service Cooperatives, and 7. Credit Union Cooperatives (Department of Co-operatives Promotion of Thailand, 2019).

Agricultural cooperatives are established to enable farmer members to engaging in business together, thus helping one another in times of crisis as well as gaining a better livelihood and

quality of themselves. Agricultural Co-operatives in Thailand steamed from small credit cooperative named Wat Chan Cooperative Unlimited Liability established at Mueang district, Phitsanulok on 26 February 1916 was the first agricultural cooperative in Thailand. From then on, the number of small credit cooperatives steadily increased until the promulgation of the Cooperative Act, B.E.2511. Several of these small cooperatives then amalgamated together, forming agricultural cooperatives at the district level. Larger and stronger cooperatives are, then, expected to provide a wider scope of services to members.

Agricultural cooperatives are generally formed to meet the members' needs as follows: 1. To provide loans to members for productive and providential purposes at affordable interest rates; 2. To encourage members' thrift through savings and deposits; 3. To provide agricultural products and daily necessities for sale to members at reasonable prices; 4. To promote appropriate farm practices and disseminate technical know-how aimed to help members reduce production costs and obtain higher yields. With government assistance, members are introduced to proper cropping techniques as well as the use of fertilizers and insecticides. Another service is in the form of farm equipment made available to members at reasonable charges; and 5. To enable members to market products together, thereby obtaining higher prices for their products and maintaining fairness in terms of weights and measures. (<http://www.worldbank.org/en/country/thailand/overview>, 2019)

At present, agricultural cooperatives engage in various types of business in responding to their member's needs. Generally, the five main areas are loans, savings and deposits, sale of consumer and farm supplies, joint marketing, and agricultural extension and services. Through the assistance of the government, the Bank for Agriculture and Agricultural Cooperatives, various foundations, and other lending agencies, agricultural cooperative members are now in a better position in accessing loans at low interest rates with grace periods appropriate to their business. Thus loans are generally classified into three categories -- short-term, medium-term and long-term loans. With sufficient loans, members can gain the utmost benefit, enabling them to purchase seedlings, fertilizers, insecticides, farm machineries, buy or improving the land etc.

Agricultural cooperatives promote thrift because accumulation of savings can help in improving the living standard of members. Savings can also be used to carry out cooperative businesses that yield profit for both cooperatives and their members. Currently members can have savings and make deposits at their cooperatives. Sale of Consumer Goods and Farm Supplies Along with the credit business, agricultural cooperatives also procure quality products for sale to their members and the general public. The buyers are assured of fair prices and measures when they order large quantities through the cooperatives. Through the joint sale of products, members can obtain not only good prices but also fairness in weights and measures. With government assistance some cooperatives have been developed market centers for members' product distribution not only locally but also abroad. A successful example is that of chemical-free Hom Thong bananas from agricultural cooperatives now being exported to abroad. Cooperatives provide agricultural extension and services to members at reasonable fees. Examples are in the areas of plowing, land improvement, irrigation, demonstration farms, etc. Costs are made affordable using the expense-sharing principle (Department of Co-operatives Promotion of Thailand, 2019).

Agricultural cooperatives are generally organized among people earning their livings in agriculture with varying kinds and degrees of need, thus resulting in various agricultural cooperative types. Besides the general agricultural cooperatives, there are some special types of agricultural cooperative such as: Water Users Cooperatives. Members of this cooperative type are farmers living in the same area along a canal or other water source which they jointly use.

Joint utilization and maintenance of this valuable resource is the main purpose of this cooperative type. Land Reform Cooperatives. This cooperative type is established as part of the government's land reform program in land reform areas. The main purpose is to assist farmer members in agricultural production as well as to enable them to gain access to capital, agricultural necessities, marketing, saving facilitating and improving members' living conditions.

Since, Thailand's foundation is heavily based on agriculture. Agricultural sector is still be a bedrock of Thai economy. According to the Department of Cooperatives Audit, Ministry of Agriculture and Cooperative, the Royal Thai Government (2019), In terms of numbers, Agricultural Cooperatives has been the biggest group among others accounted for 3,340 cooperatives, 48 percent of the total numbers of cooperative in Thailand. Moreover, agricultural cooperatives still has the biggest numbers of members which were 6,347,762 individuals accounted for 55 percent of the total numbers of cooperative members in Thailand. (Table 1) (Figure 1) and (Figure 2)

Table 1 Numbers of Cooperatives and their Members in Thailand

Type of Cooperatives	Numbers of cooperatives	Numbers of cooperatives Members
Agricultural Cooperatives	3,340	6,347,762
Land Settlement Cooperatives	88	193,311
Fishery Cooperatives	70	14,932
Saving Cooperative	1,478	3,107,188
Store Cooperatives	205	641,389
Service Cooperatives	1,275	484,943
Credit Union Cooperatives	583	784,736
Total	7,039	11,574,261

Source: Department of Cooperatives Auditing, Ministry of Agriculture and Cooperatives, Thailand, 2019.

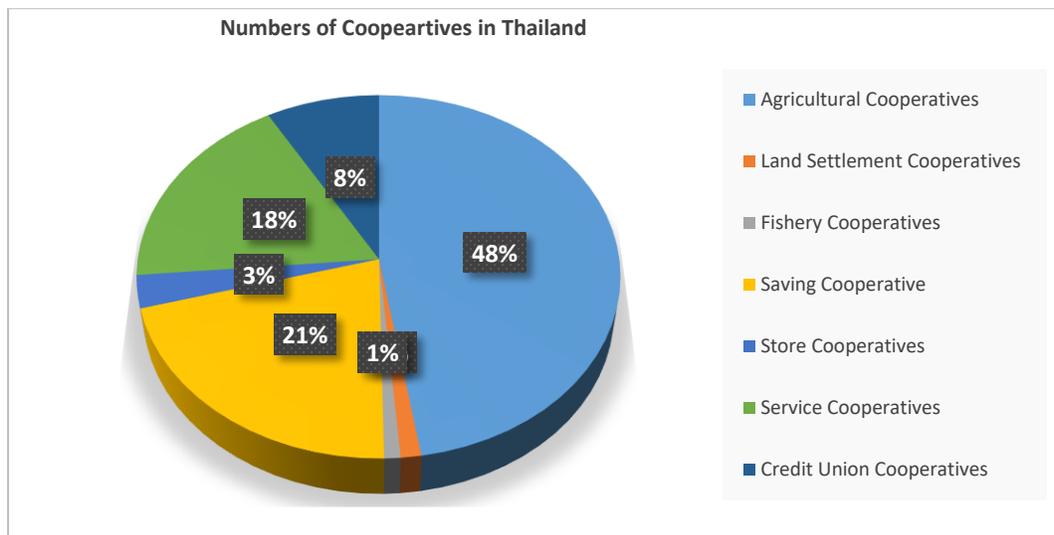


Figure 1: Numbers of Cooperatives in Thailand

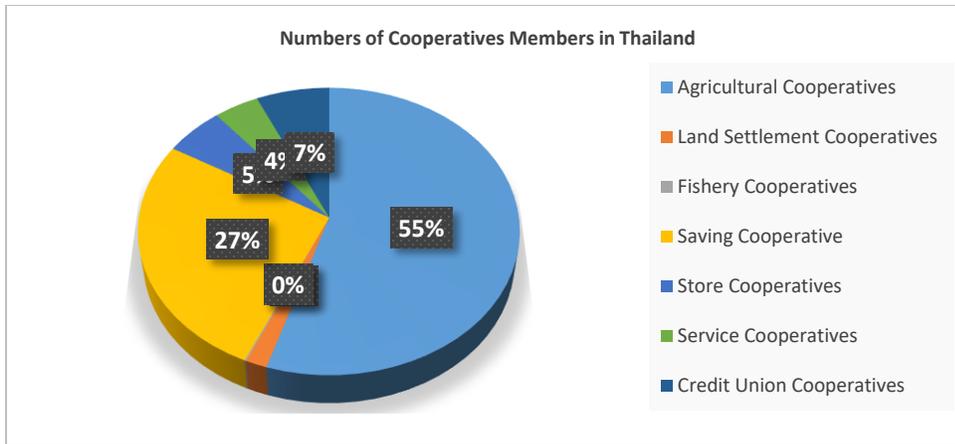


Figure 2: Numbers of Cooperatives Members in Thailand

In addition, agricultural cooperatives members took their function as the agricultural producers in Thailand such as rice, rubber, cassava, livestock, fisheries and others accounted for 2 percent of Thai Gross Domestic Product (Office of Agricultural Economics, Ministry of Agriculture and Cooperatives, Thailand, 2019). From past to present, agricultural cooperatives has played the key role on Thai economy. Since, Thai economy has been changed from last 15 years, it has been changed from agricultural production country to industrial country which has the influence on Thai economy, Society, and living. Evidently, it has been showed up that agricultural sector in Thai economy has been declined as a source of GDP. Also, agricultural product value has been getting small in GDP. In this paper, I tried to examine the role of agricultural product produced by agricultural cooperative limited in Thailand still has the impact on Thai GDP or not. Moreover, how the agricultural cooperatives members adjust themselves to the economy structural change since last 15 years. Also how Thai government adjusts themselves to maintain agriculture as a part of GDP for food production and food security.

## Materials and methods

### *Data collection*

The secondary data were collected from the Bank of Thailand. A time series data were collected from 1990 to 2016. The secondary comprised of Gross Domestic Product (GDP), the agricultural product value produced by agricultural cooperatives in Thailand from the year of 1999 to 2016. Some other secondary data were collected from the government documents from the office of agricultural economics, department of cooperative auditing, Ministry of Agriculture and Cooperatives in Thailand.

### *Data Analysis*

The descriptive statistics---percentage and arithmetic mean--- was applied to descript the data nature. The relationship of agricultural cooperative and GDP was applied regression to descript the impact of agricultural product value on Thai GDP. The inferential statistics was applied as T-test, F-test, Coefficient of Determination ( $R^2$ ) and Person Correlation Matrix ( $r$ ).

## Results

**Part 1** The trend of Gross Domestic Product and agricultural product value produced by agricultural cooperative in Thailand

The research results found that both of GDP and Agricultural Product Value Produced by Agricultural Cooperative in Thailand have been increased from 1990 to 2016 (Fig 3, 4)

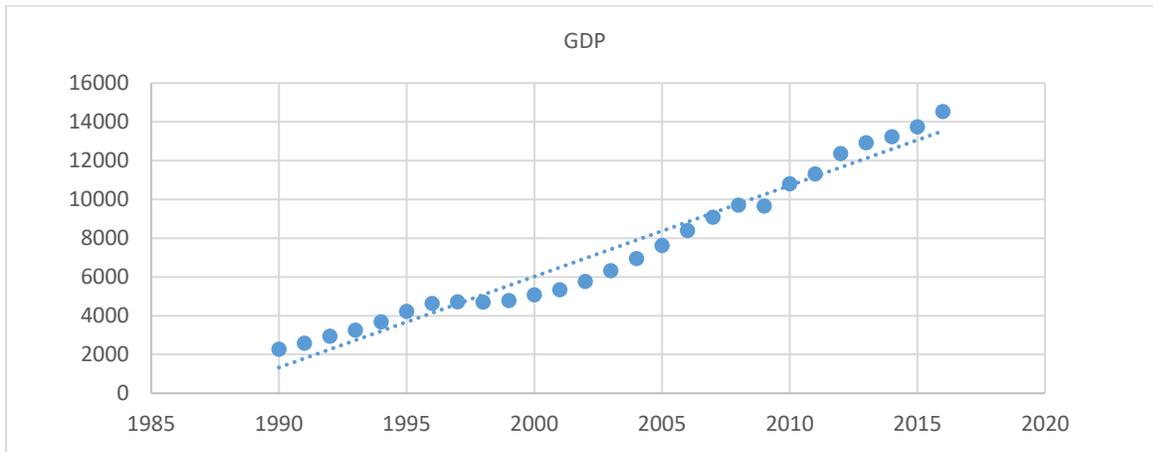


Figure 3. Time Trend of Gross Domestic Product of Thailand from 1990 to 2016

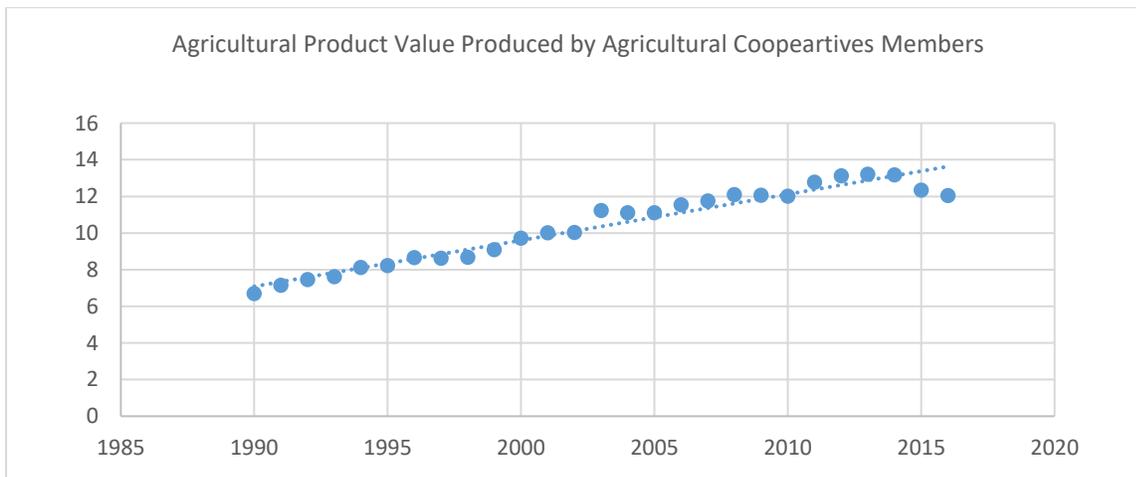


Figure 4. Agricultural Product Value Produced by Agricultural Cooperative Members from 1990 to 2016

**Part 2** The Growth Rate of Gross Domestic Product and Agricultural Product Value Produced by Agricultural Cooperative in Thailand have been increased from 1990 to 2016. The growth rate of GDP was 7.500 percent annually while the growth rate of agricultural product produced by agricultural cooperatives was 2.348 percent annually. (Fig 5, 6)

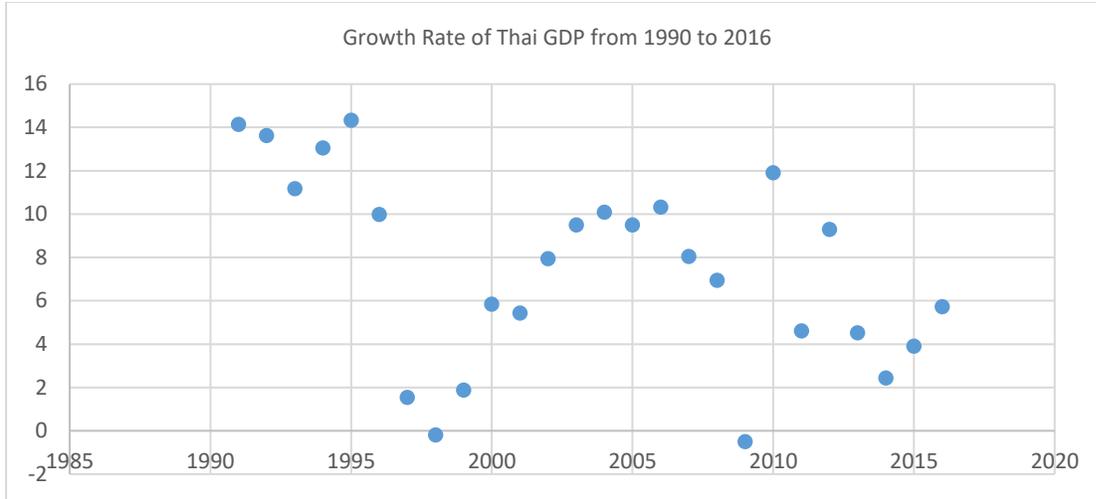


Figure 5. Growth Rate of Thai Gross Domestic Product from 1990 to 2016

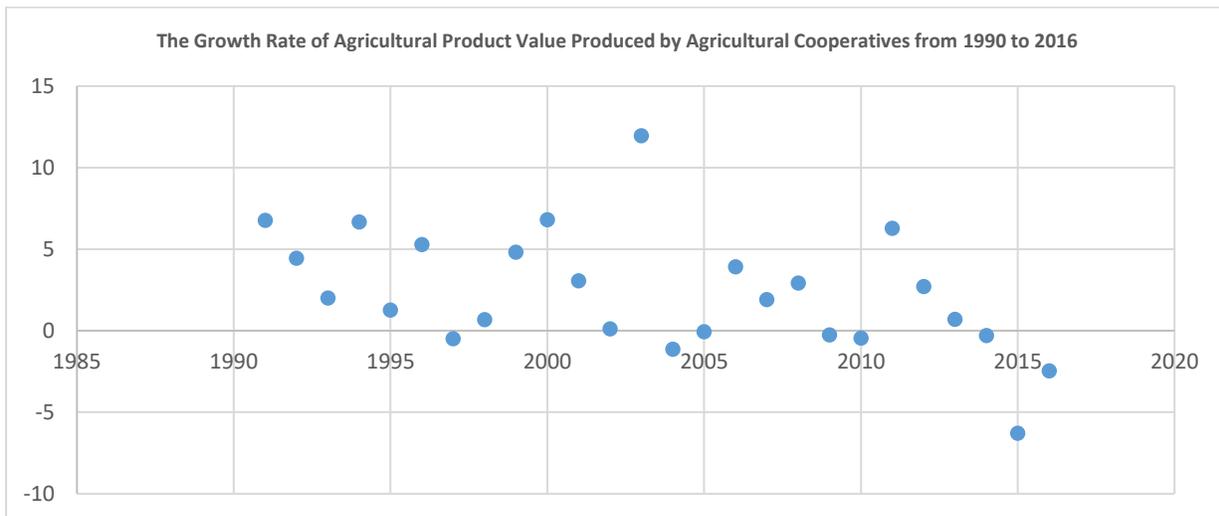


Figure 6 the Grow Rate of Agricultural Product Value Produced by Agricultural Cooperative Members from 1990 to 2016

### Part 3 the Agricultural Cooperatives Limited and Economic Growth of Thailand

Table 2: The Agricultural Cooperatives Limited and Economic Growth of Thailand

Dependent Variable: LnGDP

Dependent Variables	Estimated Parameter	T-value
Intercept	2.864	10.132**
LnAgProValue	2.552	21.003**
F	441.116**	
R-square	0.946	

\*\* Statistical Significance at 99 percent

The elasticity of GDP respond to agricultural product value produced by agricultural cooperative limited could be calculated as the formula:

$$\epsilon_a = \left( \frac{\% \Delta \text{ of GDP}}{\% \Delta \text{ of AgValue}} \right)$$

Where %  $\Delta$  of GDP is the percentage change of Gross Domestic Product (GDP) while %  $\Delta$  of AgValue is the percentage change of agricultural product value produced by agricultural cooperative in Thailand. The number of  $\epsilon_a$  turned out with 2.552. This means that an increasing in agricultural product value produced by agricultural cooperative by 1 percent led to 2.55 percent increase in GDP. In addition, the impact of agricultural product value produced by agricultural cooperative has positive impact on the economic growth of Thailand. In according with Dogarawa, A. B. (2010) who studies the role of cooperative societies in economic development in Zaria-Nigerai.

## Discussion

Agricultural cooperatives limited in Thailand that Thai government applied as an economic development tool for Thai economy. Agricultural cooperative still has the positive impact on economic growth of Thailand consistent with Xiaojing Z.*et al.* (2017) who found that agricultural cooperatives play positive role in Chinese economy. Even through, Thai economy has been change since last 15 years. The research results showed that agricultural sector has been and still be the important economic sector of Thai economy even it has been declined. So, agricultural cooperatives limited is mainly has its own purposes to help cooperatives members especially in the rural area of Thailand. That was similar to study of Halilintar, M. (2018) who found that the Indonesia's economic growth was influenced by the existing of cooperatives. Since cooperatives is based on the noble intentions of members. Moreover, cooperative is the life blood of Indonesian economy.

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