

Saving Behavior of Thai Agricultural Households and Income Uncertainty

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Abstract

This study aims at empirically testing the influence of income uncertainty on savings of Thai agricultural households based on Life Cycle Permanent Income Hypothesis and Theory of Precautionary Savings. The determinants of farmer decision to save are estimated using Random Effect Probit model. Factors that influence the amount of household savings are also examined using the Random Effect Regression model. 1904 repeated agricultural households are selected from the Household Socio-Economic Panel Surveys of 2005-2007.

The empirical results show that income, net wealth, number of working household members, number of agricultural type, level of education of household head and whether households owning agricultural land are key factors influencing probability of households saving, as well as the amount of household savings. In addition, the purpose of savings and variance of income are also key factors affecting the amount of savings. The increase in the variance of total income enhances the amount of savings. This indicates that Thai agricultural households have precautionary savings. The influence of diversification of agricultural type on amount of savings is also empirically tested. The result shows that increase in the number of agricultural type results in reduction of saving amount, due to the lowered uncertainty.

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