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From Dyadic Cooperation to Group-Based Cooperation

In Thailand agriculture is carried out mainly by farming households that rely primarily on the use of family labor. According to 1988 statistics, only 4 per cent of management units (including farming households) use hired labor on a regular basis, while 74 per cent of members of farming households are employed in household farming activities (NSO 1989). There are also households in Thai villages that are not involved in agriculture. Even with the inclusion of these nonfarming households, however, it seems reasonable to conclude that Thai rural residents are engaged in economic production, basically in family units. These economic units (i.e., households) must procure the resources they need for their day-to-day living activities from outside of their households. In the past, they were forced to rely on mutual exchanges of resources with other households due to the inadequate development of resources markets.

In Thai villages, this type of mutual resource exchange generally took the form of dyadic mutual assistance. As socioeconomic conditions change, however, this method is being replaced with a new form of exchange. This change is manifested in the emergence of cooperative activities, whereby people exchange resources through group-type organizations established by collective agreement.

Organizational Structure of Dyadic Cooperation

In Thailand, as in most other countries, neighboring households in rural areas generally exchange various resources on a cooperative basis. These resources range from production factors, such as labor, to foodstuffs, household sundries, and even cash. Since such transactions are “consciously co-ordinated” (Barnard 1956) between the parties involved, they can be seen as a kind of organization. In practice, the simplest exchange format is between two individuals or two households. Such a form of cooperation is not unique for Thailand, but for many researchers on Thailand, the most impressive characteristic of Thai villages has been the fact that they lack any form of social organizations other than dyadic cooperation. What, then are the organizational characteristics of dyadic cooperation in Thai villages?

The most general and frequent type of dyadic cooperation in Thai villages is the exchange of labor. Because farm management in Thailand relies on family labor, and because the main crop is rice, farmers need to procure nonfamily labor in some way to meet the seasonal labor requirements associated with rice cultivation. Before agriculture in Thailand became part of the market economy, farmers had little cash income. This factor, together with the primitive state of the labor market, meant that farmers had to rely on mutual exchange to meet their labor needs. Mutual exchanges of labor in Thai villages were not limited to agricultural tasks, and such cooperation also occurred in the context of day-to-day living. In quantitative terms, however, agricultural work accounted for the bulk of such exchanges.

Thai words for this mutual exchange of labor vary with regional differences as well as with differences in exchange formats. Expressions include *long khaek*, *ao raeng*, *kho raeng*, *ao mu*, *na wan*, and *ok pak*. In all cases, however, such transactions involve the supply of labor by one household to another household that is temporarily unable to meet its labor needs. In one type of transaction, the recipient household reciprocates with an equal amount of labor during the same rice growing season. In another, the recipient does not invariably incur an obligation to provide an equivalent repayment. The latter format is sometimes used when an influential member of a village needs to procure labor on a one-way basis (Tanabe 1994, pp. 233–37). However, this approach is not common, and most labor exchanges in Thai villages are carried out with cooperative intentions, as described below.

Compared with market-based labor procurement, mutual exchanges of labor have the following characteristics. First, exchanges of labor do not require immediate reciprocation. In some cases the recipient can reciprocate

within a specified period, and in others precise reciprocation is not required.¹ Second, the purpose of such exchanges, at least on the surface, is to help others. Exchanges of labor are thus possible only when there are social relationships capable of supporting such transactions. This means that the refusal of a request for labor could damage social relationships. Farmers feel a stronger sense of hesitation about declining requests than refusing an offer for paid work. In other words, long-term exchange relationships are possible only between people with such close personal relations, which is why people are able to participate without worrying about whether the amounts of labor provided are exactly equal in each transaction.

A comparison with other forms of organizational exchange highlights the following characteristics of these labor exchanges. First, labor exchanges are always based on agreement between two individual households, not on an existing collective agreement among the villagers who gather to carry out the requested work. Even if (as in fact commonly happens) several households at the same time provide assistance to one household, the exchange of resources is based on individual agreements between the recipient household and each household providing assistance. Second, since the number of people with whom a person can maintain good two-way relationships is naturally limited, the range of people with which dyadic cooperation is possible is also limited. Nonetheless, the scope of cooperation is not defined by clear boundaries or fixed membership. Such transactions cannot be carried out between total strangers, but at the same time they are not based on fixed relationships. From the viewpoint of membership, dyadic cooperation is positioned half-way between market exchanges, in which anyone is free to participate, and organized exchanges, in which exchanges are based on a membership system.

What will happen to dyadic cooperation when the market economy permeates rural areas? The impact of the market economy in rural areas will be manifested first of all in the emergence of a class of people who live by selling their own labor (wage workers). With the formation of an agricultural labor market and a nonagricultural labor market, people will become aware of the opportunity cost of labor, in the sense that they will compare the value of labor supplied through dyadic cooperation with the cost of buying and selling labor efficiently in a labor market. Evidence of the permeation of cost awareness can be seen in that the percentage of farming households in Thailand hiring temporary employees reached 44 per cent in 1988 (NSO 1989). Conversely, the development of labor markets has meant that the range of people whose social relationships enable them to engage in labor exchanges through dyadic cooperation is now limited to those with close personal ties that allow cost to be overlooked. As a result, there has been a decline in both

the size and frequency of labor exchanges through dyadic cooperation.

In Thailand's central region, where exposure to the market economy began decades ago, labor exchanges have already disappeared from many villages. In Thon Village in the northeastern region of Thailand, the use of hired labor first became common in the 1970s as a consequence of cassava cultivation. Since then the practice has gradually spread to rice cultivation, leading to a gradual decline in labor exchanges through dyadic cooperation. In other words, organized transactions in the form of dyadic cooperation have tended to be replaced by market-based transactions.

A similar tendency has affected dyadic cooperation in areas other than exchanges of labor. As discussed later in this book, dyadic cooperation is no longer adequate as a method of gathering resources for funerals, or as a basis for mutual financing to meet temporary cash needs. However, this does not mean that rural people have shifted totally to market-based transactions, or that an environment has formed in which economic production can be achieved solely through market-based transactions. People in rural areas have started to search for new forms of organized transactions that meet their needs.

New Forms of Labor Exchange

As described in the previous section, the use of hired labor in rice growing has become increasingly common in Thon Village in the Northeast since the 1970s. In this environment some farming households are seeking to reduce their operating costs by organizing new labor exchange formats.

Around 1985 a group was formed by eight people linked by friendship. Members of this group help each other in turn until each household has completed its rice transplanting. It was also agreed that the host household in each case would provide daily meals while the work was in progress.

In 1987 a similar rice-transplanting group was formed under an agreement among six neighboring households linked by family and friendship ties. In this case the members agreed that the host should provide everyday meals and sweets. In 1990 the same households plus two more formed another group to exchange labor during the soybean planting season. The eight households in this new group decided that members should help each household until all have finished their planting.

Also in 1990 another group was formed by eight neighboring households to exchange labor for rice and soybean cultivation. Each household receives two days of labor from one person in each of the other households. If the work of any of the households has not been completed after one cycle, the group begins another cycle. However, the group does not provide a third cycle

of assistance if any household's work still remains incomplete. This group carried out two cycles during the 1990 rice harvest, two cycles during the 1991 soybean planting season, and one cycle during the 1991 soybean harvest. Wages were paid for labor provided by one member of the group who was unable to plant soybeans because his field lacked irrigation. The group is also thinking to pay wages for second-cycle work carried out by a member whose own work was completed during the first cycle due to the small area of his land.

In all cases, the formation of these groups was prompted by the desire to reduce labor costs. Wages in Thon Village have started to rise since the late 1980s in step with the rapid growth of the Thai economy. The daily wage of a farm laborer rose from 35 baht (approximately U.S.\$1.4) at the start of 1989 to 40 baht in 1990, and 60 baht in 1993. As a result, expenditure on labor is becoming a heavier cost burden. Despite this, the customary *long khaek* pattern of dyadic cooperation, which does not assume reciprocation of labor on equivalent terms, has started to break down, and it has become increasingly difficult to procure labor in this way. People are trying to overcome this problem by forming groups where there are sufficient households to provide the labor required for certain tasks, with participants promising in advance to exchange their labor. The formation of labor exchange groups of this type has also been reported in other villages (Thawatchai and Surat 1989, pp. 54–55; Anan 1989, p. 119). However, labor exchange groups have existed longest and are most widespread in the southern region of Thailand.

Labor exchange groups in the South are generally referred as *klum raeng ngan* (Table 2-1). Under this system, the membership status of those participating in labor exchanges is clearly defined, and group membership is fixed at least until labor has been supplied to all members. Anyone who fails to assist with another member's work or to observe the agreement will be excluded from membership in the next round. The amount of labor exchanged is set on a stringently equalized basis. According to rules based on collective agreement, a person who fails to take part in work is normally required to pay an amount equivalent to wages as compensation. Working hours and meal arrangements are also covered by agreement.²

In the villages surveyed by the author, it appears that these sorts of labor exchange groups came to be frequently organized following the introduction of market crops, such as natural rubber and fruit. For example, in Phrong Ngu (S5) and Sathon (S7), people apparently began to form labor groups after the commencement of natural rubber cultivation about twenty to thirty years ago. (Previously, both villages were involved primarily in rice growing and reportedly relied on labor exchanges based on dyadic cooperation, such as *ok*

TABLE 2-1
LABOR EXCHANGES IN THE SURVEY VILLAGES IN SOUTHERN THAILAND

Place	Main Crops	Name of Labor Exchange		Start of Labor Exchange Groups	Labor Exchanges before the Start of Labor Exchange Groups	Terms Agreed On	Compensation for Absence	Remarks	Survey No.
		Group Type	Dyadic Cooperation						
Nam Khao	Fruit trees, rubber	<i>Klum shae raeng ngan</i>	<i>Long khaek, ok pak</i>	1981	<i>Long khaek, ok pak</i>	Working hours, start of work, period of rest	Payment of wages	Some groups are engaged in mutual financing	S2
Nawa	Rubber, fruit trees	<i>Shae raeng ngan, long so kan</i>	<i>Ok pak</i>	For more than 40 years	Unknown but more cases of <i>ok pak</i> 40 years ago	Working hours (3 hours each in the morning and afternoon), weekly frequency	Penalty	<i>Ok pak</i> decreased because of complaints of inequality in exchanged labor	S3
Khlong Pia	Rubber	<i>Long phak kan, long so</i>	<i>Ok pak</i>	For more than 40 years	Unknown but more cases of <i>ok pak</i> 40 years ago			There are few cases of <i>ok pak</i> today, but <i>long phak kan</i> has tended to increase; some groups are engaged in mutual financing	S4
Phrong Ngu	Rubber, rice growing	<i>Long wen</i>	<i>Ok pak, ok khaek</i>	Since around 1967 (after the introduction of natural rubber)	<i>Ok pak, ok khaek</i>	Working hours (3 hours each in the morning and afternoon), lunch at home			S5

TABLE 2-1 (Continued)

Place	Main Crops	Name of Labor Exchange		Start of Labor Exchange Groups	Labor Exchanges before the Start of Labor Exchange Groups	Terms Agreed On	Compen-sation for Absence	Remarks	Survey No.
		Group Type	Dyadic Cooperation						
Samrong Sami	Rice growing	Groups nonexistent	<i>Long khaek</i>						S6
Sathon	Rubber, fruit trees	<i>Phak</i>	<i>Ok pak, wan</i>	20 years ago (with the introduction of natural rubber)	<i>Ok pak, wan</i>			Some groups are engaged in mutual financing	S7
Khiri Wong	Fruit trees	<i>Klum raeng ngan</i>	<i>Ok pak</i>	Since around 1980	<i>Ok pak</i>		Replacement worker	Only one group (80 members)	S9
Pak Khlong Nua	Rice growing	Groups nonexistent	<i>Ok pak</i>		<i>Ok pak</i>				S10
Wang Lung	Rubber, fruit trees	<i>Klum raeng ngan</i> (almost extinct)		Unknown (resumed with the reconstruction of the village around 1985)				Groups were formed at the time of the redeveloping the rubber plantation, but they disappeared with the end of redevelopment	S11

TABLE 2-1 (Continued)

Place	Main Crops	Name of Labor Exchange		Start of Labor Exchange Groups	Labor Exchanges before the Start of Labor Exchange Groups	Terms Agreed On	Compensation for Absence	Remarks	Survey No.
		Group Type	Dyadic Cooperation						
Don Kha	Rubber, fruit trees	No group existed for the past 16 years							S12
Na Kacha	Rice growing, fruit trees, rubber	Groups nonexistent	<i>Ok pak</i>						S13
Mai Rieng	Fruit trees	Labor exchange now extinct							S14

Source: Surveys by the author in 1995.

pak arrangements.) In Khiri Wong Village (mainly fruit trees; S9) (Pornpilai 1989b, pp. 46–47) and Nam Khao Subdistrict (rubber and fruit trees; S2), the emergence of labor exchange groups coincided with the introduction of market crops from around 1980 onwards. Informants in the rubber and fruit growing villages of Nawa (S3) and Khlong Pia (S4) report that this type of exchange has existed in their villages for over forty years, but that the *ok pak* system of dyadic cooperation was much more popular forty years ago. It is not clear when labor exchange groups were first formed in the South. The penetration of market economy seems to be the first factor that makes dyadic cooperation arrangements gradually evolve into group-based arrangements (Phithaya and Manun 1990, p. 98).

The second possible factor was the development of natural rubber plantations. For example, labor exchange groups were reportedly used to organize labor for the restoration of rubber plantations in Wang Lung (S11) from around 1985. These groups were apparently formed because rubber plantation development requires large numbers of male workers, and because almost all residents had to participate in the development work. The third factor may be the formation of labor exchange systems by hired labor subcontractors as a way of sharing employment opportunities. For example, an agricultural work subcontracting group that emerged in the rice and rubber growing village of Khuan Toleng in Satun Province apparently formed a labor exchange system within the group (Seri 1988, p. 112).

The formation of labor exchange groups in southern Thailand was thus prompted by the introduction and spread of market crops. The groups developed as a way of equalizing the amounts of labor exchanged and enabling exchanges to be carried out on a regular basis. The creation of such groups is highly significant in villages where natural rubber and fruit tree cultivation is the main activity, since work must be carried out throughout the year in such villages.

However, group-based labor exchange organizations were not found in villages in the rice growing areas of the South where food is produced mainly for family consumption, and where work is concentrated in certain seasons. Labor exchanges in these areas were based solely on the *ok pak* system of dyadic cooperation. Today the *ok pak* custom appears to be disappearing gradually from the South while a significant number of group-based labor exchange organizations have been formed. In some villages, such as Khlong Pia (S4), there has been a marked increase in these types of organizations.

The characteristics of these labor exchange systems are listed in Table 2-2, together with employment methods.

TABLE 2-2
COMPARISON OF METHODS FOR SECURING LABOR

Points of Comparison	Methods for Securing Labor		
	Employing Wage Labor	Dyadic Cooperation	Labor Exchange Group
Is immediate reciprocation in transaction required?	Yes	No	No
Is social relations essential for exchange?	No	Yes	Yes
Is fixed membership necessary for exchange?	No	No	Yes
How can an agreement on resource exchange be reached?	Mutually	Mutually	Collectively

Source: By the author.

The Formation and Organizational Principles of Funeral Associations

The emergence of group-based labor exchanges is not the only organizational change that has taken place following the transformation of the social and economic environment in Thai villages. There have also been changes in the way people cooperate in the transition ceremonies that are a vital part of human life. One obvious manifestation of these changes is cooperation for funerals. A funeral is a major ceremony involving considerable expense. Frequently the cost exceeds the resources of the individual or household (generally the family or close relatives of the deceased) that hosts the event. According to data from around 1930, funeral expenses were equivalent to 10–25 per cent of annual household cash income.³ In order to lighten this burden, people traditionally donated gifts in the form of cash or goods to the family hosting the funeral. The donors determined the amount or volume of their gifts according to their own economic resources, the situation of the recipients, and their past relationship with the recipients. In other words, this practice was a form of dyadic cooperation.

With the spread of the market economy, however, it became impossible to gather sufficient funds in this way, with the result that people began to form organizations known as *chapanakit*, or funeral associations, in order to secure the funds and goods needed for funerals. In Thon Village, for example, a funeral association was formed in 1975. According to villagers, this step was

taken because households with few relatives frequently experienced difficulty meeting funeral expenses due to their inability to obtain sufficient monetary assistance. A funeral association in Si Phon Thong Village in the Northeast (cf. Appendix A) was formed about twenty-five years ago when an impoverished household went into debt because of funeral expenses.

When it became impossible to gather sufficient quantities of resources other than cash through voluntary donations, villages began to levy compulsory contributions through their organizations. For example, Pa Toeng Village in the North (Chiang Mai Province; N5) formed a funeral association in 1957. This organization began to collect not only cash but also specific amounts of white rice. Some twenty years later it added firewood to the list of resources levied. When the author conducted a survey in 1991, members were required to bring twenty baht in cash, one liter of white rice, and one piece of firewood of a specified size. Those who failed to bring the firewood to a funeral were required to pay ten baht instead. The firewood levy was made compulsory because it had become difficult to find sufficient firewood for cremations. After the creation of the funeral association, people in this village also began to form neighborhood groups called *muat tham sop* to assist with funerals.

Cooperative behavior at the *muat* (a subdivision of a village) level can also be seen in the northern village of Tha Kham (cf. Appendix A). When a funeral takes place, *muat* members are required to take turns attending the wake (*fao sop*), which continues over several days. This requirement was introduced comparatively recently. As is apparent from these examples, funeral associations were formed to compel a certain level of cooperative behavior by people living in the village where it was not possible to secure sufficient resources through spontaneous cooperation, and which did not yet have access to the life insurance service market. In this sense, they represent an organizational response by rural residents confronted with social changes resulting from the spread of the market economy.

Funeral associations were created to procure resources on a larger scale than was possible through dyadic cooperation. For this reason, they need to be reasonably large. Most funeral associations are based on some form of locality grouping. If the number of households in a locality group is small, a funeral association spanning multiple groupings may be formed. For example, the funeral association centered on Tha Kham Temple covers 1,310 households in fifteen villages (as of 1991). Since the membership dues are 15 baht per household, the organization collects almost 20,000 baht for each funeral. This association was originally formed in 1963 by residents of four villages who supported Tha Kham Temple. The membership of this association was gradually extended as funeral costs rose.

While a funeral association has to be of a reasonable size, the most important aspect of its management is the ability to collect assistance payments reliably when funerals are held. To ensure that their organizational rules are observed, funeral associations must limit their membership to specific people. For this reason, the associations have regulations governing membership eligibility. Normally funeral associations stipulate territory of a manageable size and allow only people living within that territory to become members. When a new household moves into the area, that family will not be able to join the funeral association without assurances of its continued residence in the area. The funeral association in Tha Kham stipulates that new households must have resided in its territory for at least three months before they can join. A new household that has split off from a parent household must produce a written declaration to that effect.

Some associations are based on compulsory membership of all residents in a specific region, while others have voluntary membership. In the former case, residents do not have the freedom to refuse membership. The funeral association in the Song Khwae Subdistrict (N3) has a compulsory membership system. Interestingly, however, it has a rule providing for the expulsion of anyone who commits theft within its territory. In other words, the threat of losing the benefits of membership in the funeral association is seen as a way of reducing theft, and as a method of compulsion used to maintain order in the local community.

The survival of a funeral association would be threatened if members left as soon as their own household funerals were complete, or failed to make assistance payments to others. For this reason members of funeral associations are usually not allowed to withdraw from these organizations as long as they continue to reside in the territories that these cover. Funeral associations must also make prior provision for the rights of members who move out of their territories. In the case of Pa Toeng Village (N5) in the North, people who move out of the area retain the right to receive assistance payments as long as they continue to pay membership dues. However, in Pa Sak Noi (N7) and San Sai (N8), also in the North, members lose their rights as soon as their residence registration in the villages is canceled. The association in Wang Nam Yat (N1), also a northern village, stipulates that those leaving the village can retain their assistance rights only for the funerals of the household head, and his or her spouse or descendants.

The survival of funeral associations also depends on their management skills. First, it is important to ensure that all members recognize that benefits received from the organization should be equal. Some associations place particular emphasis on this aspect by limiting their membership to individuals

and granting the right to receive assistance payments only to the surviving families of deceased individual members. For example, until 1987 Wang Nam Yat Village had a funeral association based on household membership. However, there were complaints about unfairness since small households faced heavier costs due to the higher probability that funerals would occur in large households. Since then, the association has differentiated payments according to the number of people in each household. Even those with household membership systems may have regulations stipulating the range of family members for whom funerary assistance will be provided. The Tha Kham funeral association has a rule that assistance payments will be paid in the event of the death of household members aged six or over. The funeral association in Song Khwae Subdistrict has age rules. It also requires that a person who marries into a household must obtain eligibility by officially notifying the association of the marriage.

Also essential are management systems to ensure that assistance payments are reliably collected for each funeral, and that payments are always made to the person in charge of each funeral. If a funeral association is created within a single settlement, simple management system can be used, since the members all know each other's circumstances. In Thon Village in the Northeast, the funeral association's accountant visits the house of the person hosting a funeral and waits there for members to bring their assistance payments. If any assistance payments are still outstanding three days after the funeral, the accountant goes to the houses of the members concerned to collect payments. As long as this kind of management is maintained, there is no particular need for written rules. Assistance payments are simply recorded in a notebook. However, if membership extends beyond a single settlement, it becomes necessary to establish a system of management based on formal rules. This is typified by the Tha Kham Funeral Association which covers fifteen villages.

The Tha Kham Funeral Association set down written rules when it was registered with the government in 1973. In 1984 it revised its rules to provide more detailed stipulations. As of 1992 it was being managed under these rules which included the following provisions. Whenever a death occurred, an executive of the association distributed notices to member households requiring assistance payments (*bat kep ngoen songkhro*). Once these notices had been distributed, the members had to make their payment within fifteen days. Those who failed to pay received warning notices. If they still had not paid within three days, they lost their membership status. Those who submitted assistance payments were given receipts. The funeral host had to submit a form notifying the association of the funeral and requesting an assistance payment. On receipt of this form, the association immediately provided an advanced

payment of 10,000 baht to the funeral host. The balance was paid after assistance payments had been collected from members. The recipient of an assistance payment had to be the person stipulated in the application for membership of the funeral association. If that person were unable to accept payment, it would be made to a person deemed suitable by the association executive representing the relevant district. The recipient of an assistance payment was required to provide a receipt to the association. The association thus had a formal and clearly defined system of business administration that maintained documentary evidence of all payments made and received.

There is regional variation in the way funeral associations are structured. Associations that operate under clearly defined rights and responsibilities and maintain a strict policy of equality, as is the case with the Tha Kham Funeral Association, are common in the North. In the Northeast, funeral associations commonly limit their membership to a single village and are thus able to rely on mutual trust among the people involved. In such cases, there is little need for strict rules and written regulations. Many associations in the North are more than thirty years old, while most in the Northeast have existed for barely twenty years. In the central region, the formation of funeral associations by residents does not seem to be as widespread as in the North and Northeast. The author asked about funeral associations at the nineteen sites he surveyed in the central region, and found that only nine of them had been formed as villager associations. Moreover, most of them had been established during the 1980s. In contrast, public and private life insurance services are now quite widely available in central Thailand. In 1994, for example, 76 per cent of surveyed households in Huai Rong settlement and Si Phran Subdistrict had life insurance policies for some members of the household sold by the Bank of Agriculture and Agricultural Cooperatives (BAAC), by agricultural cooperatives, and by private sector companies. The development of such an insurance market has been a rather recent phenomenon starting from the 1970s. Considering that the cost of funerals increased in the central region much earlier than the other regions, it is possible to assume that the impact of the market economy was not always an immediate cause that prompting the formation of funeral associations and other villager organizations.

Formation and Management of Savings Groups

In the past the forms of production and livelihood in the rural areas of Thailand limited the need for purchasing resources in cash (Andrews 1935). Mutual exchanges of labor obviated the need for wage payments, and the purchasing of commercial fertilizers was rare until chemical fertilizers were in-

roduced to Thai villages in the 1960s. As farmers used very simple agricultural tools, there were few occasions when they had to make cash purchases. In their daily lives, they relied on rice that they raised themselves as their staple food, and they could consume herbs and plants as well as fish and other game that they could gather or catch in the surrounding forests and rivers. If they were short of funds for some reason, they could turn to their relatives for help. According to a survey by James M. Andrews (1935, pp. 307–8), in 1933 this type of borrowing from relatives accounted for 73 per cent of total borrowing in the Northeast, 84 per cent in the South, 20 per cent in the North, and 48 per cent in the central region. Such borrowing, which was based on mutual trust, required no contracts. Interest rates were nonexistent or very low. Good dyadic relationships made this form of mutual assistance possible.

The situation underwent major changes with the development of commercial agriculture and the growth of industry. Farmers were no longer able to remain self-sufficient in food production other than rice, and they began to purchase almost all of their clothing and daily necessities. As demand for funds increased, borrowing through dyadic social relationships based on relatives and friends became insufficient, and farmers had to resort to economic entities that supplied funds to the market (i.e., moneylenders and merchants). Interest rates for funds raised on the market were very high, averaging 48 per cent per annum in a 1978 survey.⁴ These high market rates also caused interest rates on money borrowed from relatives and friends to rise (Table 2-3), and consequently, some insolvent households began to sell their land.

The government subsequently began to provide institutional financing. Since the 1970s, a major provider of such institutional financing has been the Bank of Agriculture and Agricultural Cooperatives (BAAC). However, informal high-interest financing is still the prevailing method of meeting the demand for small-lot borrowing in the private sector. This is because BAAC loans are not convenient for short-term small-lot demand or for nonagricultural purposes, and because commercial banks require land as collateral and do not lend small amounts of funds.

To cope with these circumstances, savings groups (*klum omsap*) came into being. Their members deposited monthly savings in accordance with their financial capability. When these savings reached a certain level, lending to group members began. Interest rates differed from group to group but generally ranged from 1 to 3 per cent per month. These rates were considerably lower than the 3 to 5 per cent rates demanded by moneylenders or merchants. Part of the interest income generated by lending would be distributed to the members. Rates of return were often slightly higher than bank deposit rates.⁵

In this way, money flowed from households with surplus funds to those in

TABLE 2-3
 PERCENTAGES OF LOANS FROM RELATIVES TO TOTAL DEBT IN
 THE INFORMAL FINANCIAL SECTOR

	1952/53 ^a	1962 ^b	1978/79	1988/89
Percentages of loans from relatives (%):				
Whole Kingdom	52.4	33.7	35.1	17.2
Northeast	82.1	65.6	53.1	37.9
Lower Central	50.4 ^c	23.3	35.9	17.3
North + Upper Central	n.a.	52.1	23.6	5.6
South	60.0	49.8	40.9	67.3
Interest rates on loans from relatives (% per annum):				
Whole Kingdom	18.3	21.6	22.1	30.3
Northeast	22.1	21.6	25.0	27.7
Lower Central	19.5 ^c	20.4	18.5	22.7
North + Upper Central	n.a.	31.2	42.2	34.3
South	5.5	13.2	16.6	42.8

Sources: For 1952/53, MOA (1955, pp. 112-15); for 1962, Pantum et al. (1965, pp. 37, 40); for 1978/79, OAE (1980, pp. 21, 24); and for 1988/89, OAE (1991, pp. 41, 69).

Note: For 1952/53, 1978/79, and 1988/89: loans from April to March of the following year. For 1962: all loans at the time of the survey (1962-63).

^a For 1952/53, "Central" excludes the eastern region, and "South" shows a weighted average of Upper and Lower South.

^b The annual rate of interest in 1962 was calculated by multiplying the monthly rate by 12.

^c Including Upper Central.

need of funds. This system enabled farmers to reduce interest costs by borrowing money at lower interest rates than those charged in informal financial markets in rural areas. It also encouraged them to save and deposit money. Despite these advantages, however, the formation and management of such groups were not easy. As will be explained in Chapter 5, the development of these groups required promotion and publicity by the government and non-governmental organizations (NGOs), and many collapsed before attaining their objectives. In Thon Village, for instance, a savings group established in the 1970s under the guidance of an NGO was set up for the purpose of lending money to members. However, after the group had changed its rules enabling a member to borrow beyond his deposit balance, some borrowers became insolvent. Finally, the villager in charge of the account books absconded causing the group to collapse. In 1990 another attempt was made to set up a savings group, this time under government guidance. A total of seventy-seven members of a women's group were enrolled, and their deposits accumulated steadily until the end of 1991. In 1992, however, members began to leave the

group and it collapsed in April 1993. The reason was their strong suspicion that group leaders were using the funds for their own purposes.

As the problems in Thon Village illustrate, it is critically important that members of a savings group who use the group's funds abide strictly by the rules, and that deposited funds, which are the personal assets of the members, be fairly managed. In order to meet these requirements, villagers must experiment with various approaches that utilize the social environment and conditions in their village. As will be apparent from the following three examples, the format of savings groups varies in accordance with the social environment and conditions.

(1) Savings Group in Si Phon Thong Village

Women in Si Phon Thong Village played a central role in organizing a thirty-nine-member savings group in 1988. Deposits in the first month amounted to 941 baht which were lent out to nine members (100 baht each). This step was intended to help the members to realize the mutual benefit expected from the organization. Monthly deposits were lent out each month, and in six months almost all members had borrowed from the group at least once. However, there was no noticeable increase in membership until July 1990 (Table 2-4), primarily because the group's methods of management were not adequately systematized. The practice of merely recording repayments in the accountant's notes often caused trouble over evidence of repayment. Misgivings about the management of deposits made villagers hesitant to join the group. To overcome this problem, the savings group systematized its management under the guidance of an NGO in August 1990. Members were provided with passbooks, and their deposits were entered into these books as well as into the group ledgers. Borrowers were also required to sign certificates of debt and receive receipts upon repayment. This system eliminated trouble over borrowing and repayment procedures, and standardized book-keeping provided unmistakable evidence of revenues and expenditures. As villager confidence in the group grew, its membership increased rapidly. By December 1992, membership had reached 148, and lending in 1992 reached about 330,000 baht. This increase made it possible for people to borrow more than 1,000 baht at a time. Membership is limited to villagers, and the management of the group has been incorporated into village activities. The village headman remains fully informed about the group's activities through attendance at its meetings.

(2) Savings Group in Tha Kham Village

This group's membership covers four administrative villages. As it was

TABLE 2-4
GROWTH OF WOMEN'S SAVINGS GROUP IN SI PHON THONG VILLAGE

Year (Month)	No. of Members (End of Term)	Deposits (Baht)	Total Lending (Baht)	Frequency of Lending	Amount of Each Lending (Baht)
1988 (May–Dec.)	n.a. ^a	n.a.	12,265	84	146
1989 (Jan.–Dec.)	43	n.a.	45,490	201	226
1990 (Jan.–July)	50	n.a.	34,868	122	286
1990 (Aug.–Dec.)	60	45,893	36,351	68	535
1991 (Jan.–Dec.)	127	180,120	172,532	228	757
1992 (Jan.–Dec.)	148	359,634	328,317	324	1,013

Sources: Calculated by the author from the account books of the Women's Savings Group and Credit Union in Si Phon Thong Village.

^a Members at the time of establishment (May 1988) numbered 39.

established under government guidance, the group had statutory rules from the outset, and its members were provided with passbooks. Actual management was entrusted entirely to villagers. In 1991, ten years after the establishment of the group, its membership stood at 249 (including two organizational members), and deposits amounted to more than 210,000 baht. Of this amount, 200,000 baht was placed in a bank time deposit at an annual interest rate of 12 per cent. With this deposit as collateral, the group borrowed money and lent it to members at an annual interest rate of 15.5 per cent. Profits were distributed to depositors. In 1991 the annual dividend rate reached 9 per cent, compared with an ordinary deposit interest rate of 6.5 per cent in commercial banks. Borrowers also benefited from this system, since the savings group guaranteed repayment to banks, thus ensuring their access to loans from commercial banks without land as collateral. The group provided its members with various other benefits in the forms of a rice bank, a village cooperative shop, finance for pig raising, and subsidies for medical expenses.⁶

However, the group was not always this successful (Table 2-5). After increasing from an initial 63 members in 1982 to 81 in 1984, its membership dropped to 61 in 1985. The main reason was that lending services were still under preparation, and villagers did not fully understand the importance of the group. A sense of uncertainty led some members to leave the group. In those days most members (57 out of the initial membership of 63) were residents of Tha Kham Village, and many were relatives of the group's leaders (the village headman and the group's accountant). When the group was started, one-third of member households in Tha Kham were related to these leaders. Since these households stayed with the group even when feelings of uncer-

TABLE 2-5
ACTIVITIES OF SAVINGS GROUP IN THA KHAM VILLAGE

Year	Membership ^a		Deposits per Annum (Baht)	Withdrawals per Annum (Baht)	Net Increase in Deposits (Baht)	Cumulative Deposits (Baht)
	Total Membership	Of Which: Tha Kham Villagers				
1982	63	57	3,350	0	3,350	3,350
1983	75	69	25,730	0	25,730	29,080
1984	81	73	24,225	12,135	12,090	41,170
1985	61	53	20,550	3,120	17,430	58,600
1986	63	54	23,045	5,610	17,435	76,035
1987	78	67	28,905	3,450	25,455	101,490
1988	99	82	44,860	8,930	35,930	137,420
1989	162	123	62,190	120	62,070	199,490
1990	207	153	59,230	79,645	-20,415	179,075
1991	249	180	70,270	38,165	32,105	211,180

Source: Calculated by the author from the account book of the Savings Group in Tha Kham Village.

^a An organization was added in 1989 and another in 1990.

tainty prevailed in 1985, they came to make up about half of the member households in the group. Because of mounting uncertainty in the initial stage of the group's development, the membership did not extend much beyond close relatives within the village. However, this factor alternatively enhanced the group's organizational stability.

In 1989 the savings group greatly increased its lending and also moved into peripheral activities, such as the provision of medical subsidies. Villagers now began to recognize the benefits of membership. The fact that the group had successfully weathered its first crisis also demonstrated the stability of its management. Membership increased rapidly in the group's seventh year. In 1990, however, deposits shrank because many member villagers happened to move out of the village. The decrease in deposits was also caused by the withdrawal from the group of villagers who had opposed the village headman over such matters as headman elections and the operation of the cooperative shop. However, membership continued to expand, and the percentage of members who were related to the group's leaders fell to about one-third of total membership in the village. Subsequently this share has dropped further due to a noticeable rise in the number of members from outside of Tha Kham Village.

The members of the Tha Kham Village Savings Group from outside of the

village came primarily from four villages that support Tha Kham Temple. As the majority of the members are Tha Kham villagers, the group's staff are all from the village. However, there is no intentional exclusion of people from other villages. Rather those from other villages perceive the group as an organization of Tha Kham Village since it is operated as a village activity of that village, and the Tha Kham village headman is among the management leaders of the savings group.

(3) Huai Rong Savings Group

This group was organized in areas surrounding Huai Rong Temple in Ang Thong Province (cf. Appendix A). It is based on a women's group which was organized under government guidance to disseminate information and techniques on housekeeping and running side businesses. The organization of the group started when the headman (B) of the First Administrative Village in this district was requested by the government to organize a women's group. B did not take the plan to the women in his settlement, but to a woman (P) in the neighboring settlement of Huai Rong. P, who belonged to the largest kinship group in the settlement and who was respected by her fellow villagers, organized her relatives and friends into a women's group in 1983. The government encouraged this group to join the savings group which had just been established at the subdistrict (*tambon*) level. (See Figure 3-1 for the structure of local organizations.) The intention was to incorporate women's groups, which were being formed in all administrative villages, as chapters of the subdistrict savings group headed by the wife of a subdistrict chief (*kamnan*). In response to this call, a total of 37 women in B's village joined the subdistrict savings group. Of these, 35 were from Huai Rong settlement and 18 belonged to P's kinship group.

Every month P made the one-hour walk to the village where the subdistrict chief lived bringing the savings of her group. After two years, however, P felt that she could no longer handle these monthly deliveries. Moreover, a substantial amount of savings had accumulated at the subdistrict savings group, and depositors began to feel uncertainty about the management of their money. The subdistrict covers an extensive area, and many depositors did not know each other or the group leaders in charge of their deposits. In November 1985, the Huai Rong Savings Group separated from the subdistrict savings group. The membership of the former immediately doubled to 70 (Table 2-6), while that of the latter did not expand thereafter, and according to district records, its membership stood at just 16 and savings amounted to only 85,000 baht in May 1994.

After the Huai Rong group became independent, its membership began to

TABLE 2-6
ACTIVITIES OF HUAI RONG SAVINGS GROUP

Year (Month)	Total No. of Members ^a	Members per Settlement							Deposits per Annum ^c (Baht)	Cumulative Deposits ^d (Baht)	Lending (Baht)
		Huai Rong	Chong Nam Lai	Khan Khlong	Don Khum	Huai Khiao	Others ^b				
1985 (Oct.)	37		2	0	0	0	0	0	10,590	10,590	—
1985 (Nov.-Dec.)	70	55	6	0	7	2	0	0	2,370	12,960	—
1986	78	61	7	0	7	2	1	1	18,950	31,910	—
1987	84	62	10	0	8	2	2	2	19,570	50,660	—
1988	82	61	9	0	8	2	2	2	19,740	69,600	n.a.
1989	98	62	11	0	21	2	2	2	26,630	93,070	36,990
1990	107	66	11	0	25	3	2	2	32,090	125,160	108,380
1991	109	66	12	0	26	3	2	2	31,310	151,870	94,280
1992	135	78	15	0	33	7	2	2	36,720	185,040	58,267
1993	165	96	15	0	45	7	2	2	45,810	230,610	198,400
1994	225	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	175,500

Source: Surveys by the author.

^a The number is as of the end of the term.

^b An abbot is included.

^c The amount of deposits for the year. Figures for 1985 show deposits in October and in November-December respectively.

^d The amount of deposits minus withdrawals.

extend to areas beyond its own settlement, to areas such as Don Khum settlement, which administratively did not belong to the First Administrative Village. Rather than the village, membership was based on the area where supporters of the Huai Rong Temple resided. Although the group's independence brought about the doubling of its membership, the savings group did not start lending funds at that time because of uncertainties about lending to members, and members' savings were kept in a bank deposit until 1988. As a result dividend rates declined below the bank deposit rate (5 per cent in 1987), and there was no significant increase in the membership. In 1988 the group began lending to members up to a ceiling equivalent to the combined deposits of the borrower and two joint guarantors. The lending rate was set at 12 per cent per annum, or half of the rate charged by savings groups in other regions. This rate took into account the relative ease of access to BAAC loans in the region. Since profits from member interest payments were added to group revenues, the annual dividend rate for depositors rose to 8 per cent. Membership expanded as a result, and the percentage of members who were P's relatives, who had numbered 31 in 1990, dropped to less than 30 per cent of the total membership.

In its initial stage of organization, the Huai Rong Savings Group maintained its stability by soliciting people who were greatly trusted by its leaders, and strong social bonds in the form of kin relationships were utilized. In order to become profitable as an organization, the group also needed to expand its membership to a certain size. Members were sought in seven settlements where fellow temple supporters lived. The membership thus expanded to include those beyond the range of dyadic relationships. Because of this development, it became necessary to limit individual member borrowing to no more than the combined deposits of the borrower and his or her joint guarantors.

The group continues to be managed and controlled by members with little involvement of local administration at the village or settlement level. The group's management is never discussed at administrative village meetings. Management discussions and decisions instead are carried out at meetings of members. Although the village headman B is the head of the group, he has nothing to do with the group's actual operations. These are totally in the hands of P. In sum, the group's recruitment of members and its operation function independently from locally linked groups such as administrative villages and settlements.

Economic Strata and Cooperative Organizations

The organization of people in an area of economic activity has often been criticized as a process that benefits those at the top of the socioeconomic ladder and widens economic disparities. To test the validity of this criticism, we will review two areas, the village of Tha Kham and the settlement of Huai Rong, where there are relatively large economic gaps among residents. We will start by analyzing the socioeconomic bracket distribution of members of the two savings groups (Table 2-7). In Tha Kham the participation rate among the landless class was slightly low but still stood at over 60 per cent. In Huai Rong no significant gap in participation rates was observed among the different socioeconomic classes. In terms of deposits, there was no major discrepancy among socioeconomic classes in either area. Indeed, in Tha Kham the landless class deposited more than other classes. In terms of borrowing, in Tha Kham the biggest borrowers were owner farmers; in Huai Rong these were owner farmers and landlords (including those who work part of their land themselves). In terms of land area worked, medium- and large-scale operators borrowed more than other groups in both areas. Their larger operating scale meant they needed a greater amount of funds for agricultural management, which seems to have been reflected in the relatively larger share of loans they borrow from the savings group.

This analysis shows that the membership of the two savings groups was distributed widely over all socioeconomic brackets, and that the groups did not function in a way that allowed upper socioeconomic groups to absorb all the profits. If there is any class difference, it is that medium- and high-socioeconomic brackets in each region benefit more than others from low-interest loans. Conversely, however, this implies that interest paid by people in those brackets is being distributed to the low-socioeconomic brackets in the form of deposit interest. The reasons for these circumstances can be explained in the following four ways.

First, if a savings group is made up only of upper class elements and special factions in a geographically limited area where all residents are friends and acquaintances, it will not be viable because of the resulting limited membership and funding scale. Second, a certain degree of disparity between the economic levels of members is desirable since a savings group requires both people who have ample funds and those who are in need of funds. Third, a savings group is organized to allow funds to be supplied according to economic wherewithal and not to exclude low-income earners. Fourth, since people are free to join or leave savings groups, the operation of a group to the

TABLE 2-7
PARTICIPATION, CONTRIBUTION, AND BENEFITS OF MEMBERS OF THA KHAM AND
HUAI RONG SAVINGS GROUPS BY SOCIOECONOMIC STRATUM OF HOUSEHOLD

Classification of Households by Strata and Size of Farming Area		Number of Total Households (A)	Number of Member Households (B)	(B)/(A) (%)	Member Households	
					Average Savings (Baht)	Average Debt ^a (Baht)
Total Tha Kham (1991)		104	78	75.0	2,888	1,363
Socioeconomic strata	Landless	52	33	63.5	3,734	1,265
	Tenants and tenant-cum-owner farmers	12	11	91.7	1,485	1,209
	Owner farmers	28	24	85.7	2,319	1,710
	Landlords ^b	12	10	83.3	3,004	1,020
Size of farming area (rai)	None	57	37	64.9	3,761	1,264
	Under 5	17	15	88.2	1,774	267
	5 to less than 10	15	14	93.3	2,137	2,161
	10 to less than 20	10	7	70.0	3,301	2,071
	Over 20	5	5	100.0	1,284	2,160
Total Huai Rong (1993)		112	50	44.6	2,307	6,680
Socioeconomic strata	Landless	35	15	42.9	2,067	4,539
	Tenants and tenant-cum-owner farmers	45	20	44.4	2,375	5,913
	Owner farmers	16	6	37.5	1,452	10,428
	Landlords ^b	16	9	56.3	3,124	9,456
Size of farming area (rai)	None	35	15	42.9	2,067	4,539
	Under 6	6	2	33.3	2,105	5,000
	6 to less than 10	10	4	40.0	2,448	11,267
	10 to less than 25	32	16	50.0	1,652	5,767
	25 to less than 40	16	8	50.0	2,739	3,163
	40 to less than 70	12	4	33.3	5,220	15,200
	70 to less than 140	1	1	100.0	1,110	32,500

Source: Surveys by the author.

^a Figures for Tha Kham show loans outstanding as of 1991. Figures for Huai Rong show cumulative loans up to 1993 divided by the number of members as of 1993.

^b Landlords who work some part of their land themselves are included.

benefit of specific people only will immediately lead to many withdrawals causing the organization to collapse.

This organizational principle also applies to funeral associations, village cooperative shops, and rice banks. The successful operation of funeral associations and savings groups does not depend on the absence of class dispari-

ties among members, but rather on an organizational principle that operates without directly reflecting any advantages or disadvantages within these associations. The existence of class differentiation is not necessarily a hindrance to the operation of local organizations.⁷ Rather it should be recognized that the impact of class differences varies according to the purpose of each organization.

Summary—Comparison of Organizational Principles

The most general and important form of cooperation in the traditional Thai farming village was dyadic exchange. The spread of the market economy has weakened this traditional cooperation and forced villagers to depend more on the market. However, there are some economic areas where economic production may be hampered by simply relying on the market to secure necessary resources. Therefore a new form of cooperation has been sought in such areas. As observed by the author, the new organizations that have emerged as replacements for the traditional forms of dyadic cooperation are labor exchange groups, funeral associations, savings groups, and rice banks. Rice banks, which will be reviewed in detail in Chapter 5, are mutual rice accommodating organizations equipped with rice granaries. Rice banks have the same organizational form as savings groups, except that members are required to provide resources only once at the time of joining.

These new cooperative organizations share six differences from dyadic forms of cooperation.

The first is the resource exchange system. Under dyadic cooperation, resources were exchanged among two parties, whereas with the new collective organization resources are pooled and then distributed.

The second difference is the motivation behind organized behavior. Dyadic cooperation was based on a sense of mutual assistance, whereas the new organizations are based on a calculation that cooperative organizations are more beneficial than a market economy, even in terms of the individual pursuit of economic profit.

The third difference relates to the role of organizers. Under the dyadic system, cooperation was possible only through mutual agreement, whereas the new systems require organizers who can negotiate agreements among many people. A new organization is easier to form if there is an established mother organization on which to base it.

The fourth difference is that the dyadic system does not require a fixed membership, while the new systems do.

The fifth difference relates to management. Under the dyadic system, the

quantity and quality of resources to be exchanged depend on the degree of bilateral relationships. Under the new system, the resources to be exchanged are predetermined through collective agreements which require the formalization of management methods.

The sixth difference is in the norms that govern the conduct of members. Under the dyadic system, exchanges of resources are governed by the social norms of conduct that maintain dyadic relationships. Under the new systems, organizational norms requiring the observance of collective agreements are necessary, regardless of the existence of close bilateral relationships.

Slight differences in organizing principles can be observed among group-based cooperative organizations. For example, labor exchange groups differ from funeral associations and savings groups in the degree to which the preceding six differences apply. A labor exchange group is somewhat similar in nature to a dyadic association, since it is organized by relatively few members and thus characterized by closer human relationships among members than is the case with the other two types of organizations. The formation of a labor exchange group is often motivated by a sense of mutual assistance based on dyadic relationships, and such groups thus require no leadership. Since the membership may change at the finish of each season's projects, there may be little development in formalizing organizational management. The emphasis on human relationships among members works as a controlling force that ensures cooperative action and complements the group's organizational norms. As has already been pointed out, however, such groups are different from dyadic cooperation.

Funeral associations also differ from savings groups in several ways. For instance, most funeral associations pool resources only when exchanges are necessary, whereas savings groups require constant pooling of resources. These practices are reflected in differences in the degree of harm caused when members violate the rules. In the case of labor exchange groups and funeral associations, such behavior merely reduces the amount of resources that can be contributed. In the case of savings groups, there is the possibility that other depositors will lose their deposited private resources. The risk is thus perceived as being greater, which makes it more difficult to organize savings groups. Once an organization is formed, however, there will be stricter mutual supervision among members.

Looking at these organizations from the perspective of organizational norms, in the case of funeral associations all households can be expected to have funerals eventually. Naturally all members are thus encouraged to contribute their resources to other households in the expectation that they themselves will receive the same benefit in the future. This perception works as a con-

trolling force which discourages members from failing to behave cooperatively and complements the collective organizational norms. As this controlling force will not be effective unless members can be sure of the whereabouts of other members, this type of organization has generally been formed within territorially limited groups.

In the case of savings groups, participants cannot have any controlling force except organizational norms for ensuring the repayment of loans. However, it is almost impossible for savings groups to expect members to abide by the new norms from the outset of their operation. At the time of their establishment, therefore, savings groups have required substantial support in the form of promotional activities by the government and NGOs. When they have subsequently gone through periods of uncertainty, they have had to mobilize social relationships based on family and kinship relationships. However, savings groups cannot develop unless they are organized broadly to encompass groups of villagers in general. Indeed, the savings groups analyzed in this chapter developed by depending on territorially linked social organizations, such as administrative villages and Buddhist temple supporters.

In the following chapter, our analysis will focus on the ways in which such territory-based social units in Thai rural society form cooperative organizations.

Notes

- 1 As we have already noted, however, there also exists a type of dyadic relationship in which cooperative labor exchange is customarily repaid with an equivalent amount of labor. There has been a tendency, especially since the spread of the labor market into the rural sector, to seek rigorous equality in the amounts exchanged by carrying out the same type of work in order to fulfill the obligation, or in cases where it is not possible to fulfill the obligation in this way, by paying equivalent amounts of wages or providing hired workers (Kamol 1955, p. 257; Hirsch 1990, p. 153).
- 2 Some groups also play a mutual financing role. Members contribute specified amounts on each work day, and this money is then paid to the household that is to receive labor services. While groups of this type do not appear to be especially common, they are, as far as the author knows, the only spontaneously formed mutual financing organizations in rural Thailand.
- 3 Calculated by the author from charts in Zimmerman (1931, pp. 268–71).
- 4 Interest rates on loans from merchants as shown in OAE (1980).
- 5 The savings groups' lending rates are lower than informal sector rates, but higher

than those for formal financial institutions. Therefore, it is possible to provide higher dividends from deposit rates than those at formal financial institutions.

- 6 Rice banks were established in 1987 using the government's rice granary funds and villager donations of paddy as fiscal resources. Members of the bank could borrow paddy at an annual interest rate of 20 per cent. Cooperative shops, which were set up in 1988, provided shareholders with annual dividends of 9 per cent in 1991 and returned a dividend of about 2 per cent to purchasers. In 1989 the savings group started to lend funds for six months for purchasing pigs at a rate of 600 baht per pig. A partial subsidy system for outpatient medical charges was established for the members of the savings group in 1989.
- 7 Interestingly, the social heterogeneity and stratification of members are in positive correlation with the organization's performance, according to a study by Esman and Uphoff (1984, p. 108). However, the validity of such measurements cannot be ascertained without a study of how social stratification has worked in individual organizations. This is another case, in the author's view, where the method of Esman and Uphoff has its limitations.