Determinants of Households' Decision to Borrow Classified by Purposes of Loans in Thailand

Mattawan Srikaew, Supanika Leurcharusmee
Jirakom Sirisrisakulchai and Natthaphat Kingnetr

Faculty of Economics, Chiang Mai University
E-mail: maki_akao@hotmail.com[1]
E-mail: supanika.econ.cmu@gmail.com[2]
E-mail: sirisrisakulchai@hotmail.com[3]
E-mail: natthaphat.kingnetr@outlook.com[4]

Abstract

Household debt is a pressing issue in Thailand. According to the 2017 Household Socio-economic Survey (SES), 51 % of the country's households were in debt. Using this data set, the present study aims to examine the determinants of households' decision to borrow classified by the purposes of loans in Thailand. As households can borrow for more than one purpose, the multi-label classification has to be considered in the investigation. Thus, the classifier chain generalized maximum entropy (CC-GME) model is applied for the estimation. The results indicate that, among all households with loans, 37.08% made borrowing for one purpose and 13.51% did so for more than one. The most common purpose of loan is for consumption, as reported by 36.55% of all households with loans, followed by loan for farming and that for purchase/hire-purchase of house and/or land, at 32.02% and 6.69%, respectively. Moreover, households that borrow for farming are more likely to borrow for consumption as well. Interestingly, only 6.62% of the indebted households borrow for both farming and consumption purposes. For factors determining the borrowing decision, households with big family size and a small number of working members are more likely to borrow for consumption purpose. Meanwhile, the size of total household debt affects the borrowing decision for purchase/hire-purchase of house and/or land purpose. In addition, gender significantly determines the borrowing decision for business.