

Determinants of Borrowers of the Village and Urban Community Fund in Thailand

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ABSTRACT

To help alleviate poverty, Thailand created the Village and Urban Community Fund (Village Fund). To determine whether the Village Fund has been able to reach the truly poor, this paper applies a Logit model, using data from Thailand's Socioeconomic Survey at the household level in 2009, to investigate the determinants of borrowers and whether being poor is significant for borrowing from the Fund.

Our analysis reveals that The Village Fund targets near-poor and moderate-income households, not the poor. The Village Fund cannot be said to be pro-poor. However, the program has its merits, particularly in lending to women and less-educated heads of households. For near-poor households, the most likely borrowers are farmers, especially landless farmers in rural areas with income slightly above the poverty line. For moderate-income households, the most likely borrowers also have access to other sources of credit. While not directly pro-poor, the Village Fund, in lending to near and moderate-income groups, helps them avoid falling into poverty.

Keywords: Microcredit, Village fund, Urban community fund, Rural development, Poverty reduction.