

The Development of Village Fund into an Integrated Community Financial Institution

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Following to the setting up of the 1 million baht village fund scheme in 2001, the Thai government has contributed 74,865 million baht to each village in total (National Village and Urban Community Fund Office, 2010). This money becomes the working capital and accessible financial source for people in the rural villages. The government plans to upgrade the village fund to become the community financial institution serving as the main financial source for the community. The problems are that village fund administrators and the community members are not ready for the operation and there is no clear approach for setting up community financial institution. This research aimed to study the development of the village fund into community financial institution in Roi Et and to propose an appropriate approach to establish an integrated community financial institution in order to become choices for village fund to upgrade into community fund in the future.

This research was of qualitative and quantitative one. In qualitative study, the semi-structure in-depth interview was administered to the target groups which were model community financial institution administrators and relevant government workers. In quantitative investigation, the questionnaire was used to collect information from committees of the village funds and members of the village funds in Roi Et province. The data were collected from committees and members of village fund in Roi Et province totally 372 funds. The content analysis was used to

analyze qualitative data and descriptive statistics were used to analyze the quantitative data.

From the data analysis, the researcher proposed the integrated community financial institution as an optional form of community financial institution, mandated to accumulate fund for a better administration. The principle was to provide equal opportunity and fair allocation to people in the community getting in access to the funds. This can be a choice of financial institution administration with its simple and flexible steps for different community background. In this research, there was also an investigation of effective financial institution. It was found that having efficient and honest committee was very important. Other important features were the cooperation and royalty of members, the sufficient funds in the community as well as the readiness of facilities and the participation of people in the community.

Key Words: Village Fund; Community Financial Institution; Development; Integrated Community Financial Institution

Introduction

The village fund program was launched in 2001 upon a government policy aiming at both village and urban communities starting up with the provision of 1 million baht to everyone of 70,865 villages and about 4,000 urban communities (National Village and Urban Community Fund Office, 2010). The policy objective of setting up the village and urban community funds was (1) to be a working capital for the career development fund then people can have better job opportunities, more income and low expenses or to reinforce people welfare (2) to be a working capital for any argent matters (3) to save money for members and provide capital earned from other funds (4) to provide loans for other villages in order to strengthen its economy (5) related to any other matters that aim to develop life quality or welfare of village fund members or to strengthen the economy or society according to the regulations defined by the committee (Sutthinooy, 2007).

Previous studies concerning village funds showed the strength of this policy that is people became able to create more jobs and earn more income as well as be able to exchange knowledge about administration. This strengthened the communities. In contrast, the weaknesses were that the people had higher debts and misspent the borrowing. Also, the board of the fund administration made mistakes because they misunderstood the regulations, corrupted, and lacked the knowledge in the accounting system and financial reports which were complicated.

National Village and Urban Community Fund Office has a clear development plan to upgrade village fund into community financial institution with an aim to develop a standard and quality capital management system which can strengthen the community economy. However there are some problems according to its administration in which the village and urban community fund committee have had reported to the cabinet meeting on April 27, 2010 that (1) the village funds cannot register as a juristic person due to the debts or the management problems (2) some locations are difficult to get access such as in some southern provinces where are islands or in some 11 remote areas that are

Mea Hong Son, Chiangmai, Chiangrai, Phayao, Nan, Tak, Satun, Trang, Krabi, Phang-nga and Suratthani. Besides, there is an unclear principle of money approval and debt collection. As a result, these problems must be instantly solved and also the funds management system must be improved.

Community financial institution is a financial institution of community upgraded from village and urban community fund providing financial services for members who has no opportunity to get access to the common service (National Village and Community Fund Office, 2005).

The development steps of village fund into community financial institution are as follows:

(1) Village fund which reveals successful management with AAA level and is registered as a juristic person will be named in subcommittee meeting-Chief district officer as a chair to be upgraded to community financial institution.

(2) The representative of village fund committee from each qualified village attend the seminar about how to operate community financial institution as well as doing the test during the seminar held by the village and urban community fund office.

(3) The attended committee come back to present the information from the seminar to other village fund committee in the village fund committee meeting in order to find the resolution of setting community financial institution. In some village fund, the resolution of setting community financial institution is discussed in the regular session of village fund member meeting.

(4) The establishment of community financial institution is approved by either in the village fund committee meeting or village fund member meeting.

(5) The community financial institution committee is selected.

(6) The community financial institution committee set regulations and prepare the operational plan.

(7) The community financial institution committee or village fund

committee notifies the establishment of community financial institution to the village and urban community fund office.

(8) The village and urban community fund office issues warrant document of establishing community financial institution.

(9) The community financial institution is operated.

Nevertheless, the operation of community financial institution can be divided into 2 forms: 1) the administration is done by the same group of committee as in village fund committee with 2 different accounts-community financial institution account and village fund account. 2) the administration is done by the different group of committee with its own banking transaction and its account.

In Roi Et, there are 2,459 village funds and 40 of them had sent their committee to train about setting up community financial institution. It was found that only six village funds were upgraded to be community financial funds and five village funds provided financial services as community financial funds (National Village and Urban Community Fund Office, 2010). This number was very small in comparison with the whole number of the funds that were trained to be community financial institution. The preliminary study of this research showed that the problem was that the training provided by the government did not give a clear operation system of community financial institution and how village funds should be operated in order to gain a sustainable success after turning into community financial institution.

The preliminary study of developing village funds into community financial institutions and a study of community organizations with successful operations show that those organizations integrate local wisdom, bodies of knowledge, and related people into their operation. Therefore, this present study “The Development of the Village Fund into an Integrated Community Financial Institution” was conducted to examine successful processes of turning village fund into successful community financial institution and to study the operation of integrated community financial institutions which can develop capital sources to sustainably strengthen the community.

Purposes of the Study

1. To study the development of village fund to community financial institution in Roi Et
2. To study the operation of quality and successful community financial institution
3. To study the appropriate approach to establish an integrated community financial institution in order to become choices for village fund to be upgraded into community fund in the future

Scope of the Study

Population

The population included five groups of stakeholders:

- Group 1 The administrators of 2,459 village funds and urban community funds in Roi Et
- Group 2 Members of the 2,459 village funds and urban community funds in Roi Et
- Group 3 Policy facilitators (The administrators of branches of Bank for Agriculture and Agricultural Cooperatives and Government Savings Bank with community financial institution deal)
- Group 4 The administrators of the model community financial institution
- Group 5 Government officers who are working on developing village fund into community financial institution

Samples

1. The administrators of 372 village and urban community funds and the size of these samples was calculated following the Taro Yamane's formula.
2. The members of 372 village funds in Roi-Et and the size of these samples was also calculated following the Taro Yamane's formula.
3. The administrators of branches of Bank for Agriculture and Agricultural Cooperatives and Government Savings Bank with community financial institutions deal

4. The administrators of 8 model community financial institutions in Roi Et, Chiangrai, and Bangkok

5. Government officers who are working on developing village fund into community financial institutions and the administrators of National Village and Urban Community Fund Office 4th Branch (Roi ET).

Research Methodology

This research was of qualitative and quantitative one. In qualitative study, the semi-structure in-depth interview was administered to the target groups which were model community financial institution administrators and relevant government workers. In quantitative investigation, the questionnaire was used to gain information from committees of the village funds and members of the village funds in Roi Et province. The data were collected from committees and members of village fund in Roi Et province, totally 372. The content analysis was used to analyze qualitative data and descriptive statistics were used to analyze the quantitative data.

Results of the Study

1. Community Financial Institution's Operation Principles

The qualitative study showed that all model community financial institutions similarly operated in the way that they were loan sources for people in the community. People could easily access to the sources since the operation process was not too complicated.

The quantitative study conducted with totally 372 committee and members of village funds in Roi Et revealed the committee's opinion about community financial institution's operation principle that it was the main capital of the community (12.74 %), provided low-interest loans (12.57%) and strengthened the community, developed professional and improved life quality in the community, respectively whereas the members showed the opinions about community financial institutions' operation principles as it was the main capital of the community

(16.83 %), provided low-interest loans (13.47%), strengthened the community, developed professional and increased household income, respectively as shown in table 1.

Table 1 Opinions about Community Financial Institutions Operation Principles

Items	Committee of the village fund in Roi Et		Members of the village fund in Roi Et	
		Percent (%)		Percent (%)
1	The main capital source of the community	12.74	The main capital source of the community	16.83
2	The low-interest loans	12.57	The low-interest loans	13.47
3	Strengthen the community	11.24	Strengthen the community	10.43
4	Professional development in the community	10.72	Professional development in the community	9.66
5	Improve the quality of life in the community	9.13	Increase household income	8.83

It was revealed that another feature of the community financial institution was that it provided low interest rate, accessed easily, and helped prevent the people from making debts from non-government loans. In the case of the model Ban Terd Thai Community Financial Institution, many tribal people (Chiangrai) had debts from taking on a non-government loan. They could not borrow money from commercial banks as they did not have identity cards. Some of them were poor and needed to do farming. They necessarily took on loan from merchants in the community. The merchants charged a high interest rate-about 10% per month. The community financial institution did help the villagers with low interest loans and provided them with additional emergency loans.

Furthermore, the community financial institution turns its profits into welfare for people. This money helps people in terms of medical expenses, childbirth expense, funeral ceremony, and tuition fees. Some money is prepared for public purposes. For instance, Ban Ba Ke Community Financial Institution (Roi Et) reserves money to receive visitors and pays for bus fare for people in the community who travel to make a blood donation at Phon Thong Hospital. This promotes human kindness and sacrifice among the people.

2. Community Financial Institutions' Services

The qualitative study showed that community financial institution offered similar services such as deposit, withdrawal, loan, and welfare. This was in accord with people's needs for services from community financial institution.

The quantitative study conducted with totally 372 committee and members of the village funds in Roi Et revealed the service needed from the community financial institution that the committee needed loan fund service (16.25%), deposit service (16.04%), professional development fund (13.58%), emergency loan fund (11.69%) and funeral welfare fund (11.28%), respectively whereas the members needed loan fund service (18.21%), deposit service, emergency loan fund, professional development fund and funeral welfare fund, respectively as shown in table 2.

Table 2 The service needed from the community financial institution

Item	Committee of the village fund in Roi-Et		Member of the village fund in Roi-Et	
		Percent (%)		Percent (%)
1	Loan fund	16.25	Loan fund	18.21
2	Deposit	16.04	Deposit	16.26
3	Professional Development Fund	13.58	Emergency Loan Fund	13.13
4	Emergency Loan Fund	11.69	Professional Development Fund	12.54
5	Funeral Welfare Fund	11.28	Funeral Welfare Fund	11.47

The qualitative study also revealed an additional service from Ban Terd Thai Community Financial Service (Chiangrai)-an online money transfer because it is not convenient for people to travel a long way across the countryside to do transaction at a commercial bank. Some of them were tribal people who had no identity card. They could not open an account with a bank. The role of the community financial institution was that to open the account with commercial bank in order to transfer money to the members such as the member who works abroad and would like to transfer the money to his/her parents, he/she could transfer this money to the account the was opened with commercial bank by the community financial institution then the community financial institution would transfer the money to the member account that was earlier opened with the community financial institution with 15 baht fee for 1,000 baht.

A major difference among community financial institutions was their service hours. The service hours were upended on the specific people's ways of life and the committee. For example, Pak Kred Ruam Jai II's daily service hours are between 5.00 - 12.00 according to the members' business hours whereas Ban Terd Thai's daily service hours are between 8.30 - 15.00.

All the community financial institutions turn their profits into welfare for the people. This money helps improve the life quality of the people in terms of medical expenses, childbirth expenses, and funeral ceremony.

3. Number of Community Financial Institutions Committee Members and Source of Committee Members

The qualitative study showed that the number of committee members ranged from 11 to 15. Similarly, the quantitative study conducted with totally 372 committee and members of the village funds in Roi Et about the number of committee members revealed that 63.98 % of the committee’s opinions thought that it should be ranged from 11 to 15 and 68.82% of the members thought that it should be ranged from 11-15 as shown in table 3.

Table 3 The opinions about the number of committee members

Items	Committee of the village fund in Roi Et		Members of the village fund in Roi Et	
		Percent (%)		Percent (%)
1	11 - 15 people	63.98	11 - 15 people	68.82
2	5 - 10 people	33.60	5 - 10 people	29.57

The committee members must be elected by all the members. However, the committee member number did not have to be 11-15. As a case, Ban Laem Saai Thong (Phon Saai District, Roi Et) Community Financial Institution had nine committee members based on their real workload.

4. Regulation, Vision, and Plan Setters

The qualitative study revealed that the set up of the regulation, vision, and plan setters were all committee members themselves. These people used to administer village fund before administering community financial institution. Upon participating in the government training on the management of community financial institution, they stated that they

gained knowledge in administering community financial institutions. They added that their lengthy experience from the handling of village fund was important to put the management of community financial institutions to a success.

The quantitative study conducted with totally 372 committee and members of the village funds in Roi Et about community financial institution regulation setters revealed that 86.56% of the committee thought that the regulation should come from community financial institution committee under the guidance from the government sector, 10.75% of them showed that its committee should set the regulation themselves, and only 2.69% of them showed that the government sector should set the regulation whereas 59.68 % of the members showed that the regulation should come from its committee under the guidance from government sector and 40.32% of them showed that its committee should set the regulation themselves as shown in table 4.

Table 4 The opinion about community financial institution regulation setters

Item	Committee of the village fund in Roi Et		Members of the village fund in Roi Et	
		Percent (%)		Percent (%)
1	The regulation is provided under the guidance from the government sector.	86.56	The regulation is provided under the guidance from the government sector.	59.68
2	The regulation is from the committee.	10.75	The regulation is from the committee.	40.32
3	The regulation is from government sector.	2.69	The regulation is from government sector.	-

The quantitative study found that most of the informants wanted regulation setters to follow suggestions from government sector.

This implied that the informants were not sure about the committee’s knowledge and ability in setting regulations.

The qualitative study revealed that the existing regulations were set by the committee members following the example frameworks prepared by the government. The frameworks were included in the handouts distributed during the training. Certain regulations were partially adapted to suit the local people’s ways of life.

5. Sources of Capital

The qualitative and quantitative studies similarly unveiled that community financial institution should raise fund from government financial support, member shares, and people savings. The government financial support was provided through the village funds.

The quantitative study conducted with totally 372 committee and members of the village funds in Roi Et revealed opinions about the community financial institution source of capital as in table 5.

Table 5 The opinions about community financial institution sources of capital

Item	Committee of the Village Fund in Roi Et		Members of the Village Fund in Roi Et	
		Percent (%)		Percent (%)
1	Financial support from the government	31.28	Contributions of members (money stock)	30.64
2	Contributions of members (money stock)	26.93	Financial support from the government	28.83
3	Money saving from members	24.67	Money saving from member	27.69
4	Loans from the bank	10.25	Loans from the bank	8.56
5	Loans from other community financial institutions	6.86	Loans from other community financial institutions	4.28

Some community financial institutions began their operation from accumulated profits, but some from loans of commercial banks. A different case was found in Ban Kra Jai Community Financial Institution (AT Samart District, Roi-Et). They had sufficient prior savings and shares. This resulted from the economical characteristic of the Ban Kra Jai villagers.

6. Community Financial Institutions' Office Workers

The quantitative study discovered that the office workers of community financial institution should come from the committee members. The qualitative study also presented that most of the office workers of the model community financial institutions were the committee members. However, Pak Kred Ruam Jai II (Bangkok) and Ban Terd Thai (Chiangrai) Community Financial Institutions hired permanent officers because they had enough wage and dealt with big workload of 50 customers seven days per week.

An Integrated Community Financial Institution

It is apparently that the development of community financial institution from the prior village fund is still facing limitations about sources of capital and regulations under the City Community and Village Fund Act. The exploratory research by quantitative and qualitative methods also revealed that people had needs in developing community financial institutions in various contexts. Therefore, based on the synthesis of bodies of knowledge gained through secondary information, economic theories, organizational management theories, financial management theories, community culture, and relevant laws, the researcher proposed the development of an integrated community financial institution which is an alternative form of community financial institution apart from that of the government. The proposed form is more flexible to establish and easier to manage. This feature serves local people's needs. The administration of the proposed institution is detailed as follows:

1. Established by people and organization in the community

An integrated community financial institution is an integration of the people and organizations in the community. The establishment begins from people's needs in having a community financial institution. This is due to people's difficulties in accessing financial services. For example, their community is distant from the city. It is expensive and difficult to travel to commercial banks. They also lacked capital to invest in a business. For these reasons, people need a community financial institution to raise fund and provide low interest loans. After that, the concept of setting up a community financial institution was taken into consideration, commented, and criticized by the community assembly.

2. Administrative Committee

The members (from enrollment) of an integrated community financial institution select administrative committee through social process¹. This can result in qualified committee and prevent conflicts in the community. It is obvious that the administrative committee of successfully operating community financial institutions are selected through process. The number of administrative committee members depends on certain workload and needs of the people. Suggested groups of people to be administrative committee members are as follows:

- (1) Chief of the village or sub district
- (2) Local politicians (members of sub district administrative organizations or municipal councils) who can coordinate the financial institutions with political policies
- (3) Local government officials who understand and knowledgeable about bureaucracy

¹ Social process is a social interaction between individuals or groups of people with various forms of interactions such as opposition, competition, cooperation, assimilation. Social process has 3 significant features: 1) social contact that is there are more than 2 people interact with one another 2) communication among persons through signs or symbols such as written or spoken languages or gestures. 3) stimulation and response from number 1 and 2 then cause behavior.

(4) Local philosophers who deeply understand about social, cultural, customary, traditional dimensions, and are respectful among the communities

(5) Community people who represent the whole community and have a role in administering the community financial institution and monitoring the above people's work

The administrative committee is an integration of different groups of people inside and outside the community. This enables the local people's needs to be served by government and political sectors. The integration also connects and prevents conflicts among stakeholders.

3. Status

It is optional whether an integrated community financial institution founded by the community registers as a juristic person. As an unregistered organization, it operates like the exiting village savings or occupation development fund. On the other hand, as a registered organization, it can become more reliable. As a consequence, conducting financial activities and making requests to the government sector are easier.

4. Operational Regulations

Operational regulations are issued by the administrative committee. The operational regulations are an integration of those related to village funds, commercial banks, cooperatives, and credit unions. Only those appropriate and advantageous are incorporated into the management of community financial institution to serve local people's needs and suit their different ways of life, customs, traditions, and cultures. Thus the regulations of each community financial institution vary from place to place according to the contexts.

5. Office Location

The location of an integrated community financial institution is important as it is the service center of the community and the store of financial documents. The documents must be systematically filed and easily audited. In so doing, the operation of the community financial institution can be regarded transparent. Some communities do not

have adequate budgets to construct their own buildings. To solve this problem, they can temporarily use public places such as temples, schools, municipal office, and sub district administrative organizations. They can also share the offices of the savings groups or community cooperatives. In this way, they can make more use of the public places. For instance, Pak Kred Ruam Jai II Community Financial Institution (Bangkok) and Ban Terd Thai Community Financial Institution (Chiangrai) use village fund offices as community financial institution offices because they share administrative committee, office workers. However, they have different accounts- account of village fund and account of community financial institution.

The financial services both from village fund and community financial institution are not compete against one another but supportive. Since most of the village funds has a few banking services that is there is only a deposition once a month and loans payment with loans distribution once a year while community financial institution office serves many more services such as deposit, withdrawal, loans and other services that fulfill some limited village funds services due to its regulations. For example, Ban Ba Ke (Phon Thong District, Roi Et) uses Ban Ba Ke Village Fund Office as its community financial institution office. Ban Ba Ke Village Fund opens saving account with Ban Ba Ke Financial Community Institution instead of the commercial bank in Phon Thong. This can reduce travel expenses and time in doing banking transaction in the downtown. Moreover, other Community Development Funds of Ban Ba Ke also save their money with Ban Ba Ke Financial Community Institution.

6. Capital

The capital of an integrated community financial institution is gathered from different funds in the community such as savings, shares, money investment from village funds, etc. In case of insufficient capital, the committee can seek capital sources outside the community. They can make an integration of capital inside and outside the community to consolidate its financial condition.

7. Operation

1) Operational Principle

The operation focuses on the benefits of the community.

2) Operating Principle

Accumulating funds into the same source will provide effective operation emphasized on community benefit aiming at providing equality of accessible funds. The integrated community financial institution is distributing thoroughly and fairly funds to people in the community with standard and accountable operating system.

3) Quality factors in the operation include knowledgeable, honest and willful committee and that they can work in harmony and being unity, sufficient working capital, clear frame of administration, standard and accurate accounting system, accountability filing system, accurate, fast and systematic service, proper facilities and members' participation in the administration inspection.

4) Services

Integrated community financial institution serves community financial needs such as deposition, withdrawal, loans and other services that fulfill community needs with standard and easy-step services as well as keeping its financial evidence. Moreover, the services can be expanded as being a financial resource for the community, developing people's life quality in the community by having the cooperation with other community organizations for instant working with public health to promote health or being a source that can link with other organizations in order to serve the community such as providing internet service, micro credit or SME.

8. Steps of setting up integrated community financial institution

Steps of setting up integrated community financial institution are shown in figure 1

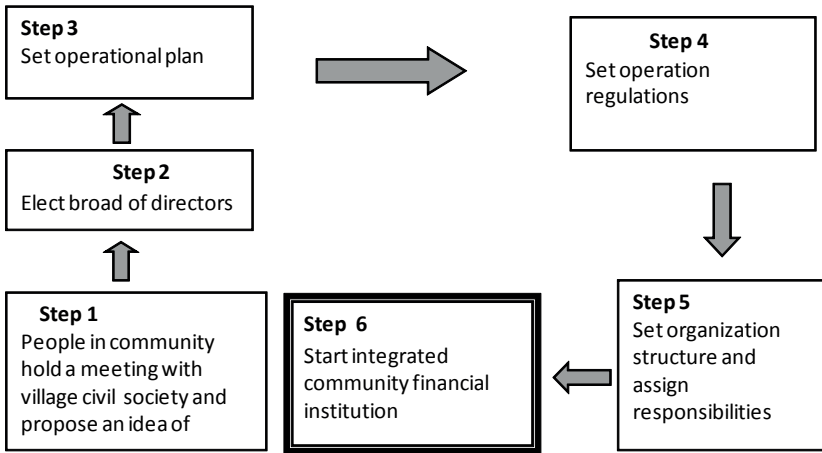


Figure 1 Steps of setting up integrated community financial institution

From figure 1, steps of setting up integrated community financial institution can be described as follows:

Step 1 Meeting with village civil society for proposing an idea about setting up integrated community financial institution and ask for a resolution

Step 2 Elect board of directors

Step 3 The operational plan is set by the board of directors and this is from the outcome of the meeting. If the board members have no ideas about setting the operational plan, they must learn more.

Step 4 Operation regulations are set by the board of directors and that they are suitable for lifestyle of people in the community.

Step 5 The setting of organization structure is to assign responsibilities of each board member or section. The main structure is director, vice director, accounting section, loan section and law section.

Step 6 Start integrated community financial institution

Discussion

1. Integrated community financial institution and village fund

Integrated community financial institution and village fund show some similarities still there are some differences as follows:

1) Establishment

Village fund and integrated financial institution share similar formation. That is they would like to be the financial resource for people in the community in which people are easily access and that they provide low loan interest rate. However, the formation procedure is different. The village fund is established in 2001 according to government policy. Then each village in Thailand operates village fund and there is 1 million baht national budget for each village to be its working capital. Furthermore, there is the City Community and Village Fund Act as a frame of administration. Moreover, government sectors like provincial or district community development office support each village to set up village fund in order that the same pattern of administration all over Thailand.

Integrated community financial institution is established from the financial service needs of people in the community. However, the reason for setting up financial institution in each community is different. For example, some community might face some village fund limitations. Therefore, the establishment of integrated community financial institution is a choice for people in community since it collects capital then provides them loan with suitable payment due. Furthermore, the integrated community financial institution is also suitable for some remote communities since it is difficult for them to make financial transactions in town. Moreover, it is advantageous for some communities who would like to collect funds into the same source then this fund can strengthen community economy.

2) Goal

Village fund aims to provide capital resource and loans with low interest rate. Its emphasis is on providing loans. This is one of the government procedures in solving poverty problem by distributing

national budget to community. In contrast, integrated community financial institution aims at collecting capital in the community then providing this as working capital to develop community economy. Its main goal is to distribute capital to people in the community equally and fairly. Therefore, integrated community financial institution does not only provide loan but promote community savings, because integrated community financial institution can create many kind of deposit that is attract people in community to save money .Then the savings can be accumulated with community fund and the loan with low interest rate can be released. As a result, people can ask for a loan when doing any activities in the community and that it will lead them better life

3) Capital resource

Village fund receives national budget from government in 2001 and each village obtains 1 million baht. In 2009 there was a national budget called Thai Kemkang Project added more capital to village and urban community fund which was signed as corporation. However, if the capital is insufficient, the village fund can ask for more loans from certain care taker bank for instant Government Savings Bank or Bank for Agriculture and Agricultural Cooperatives. This loan is not more than 1 million baht and the village fund has to pay interest at the bank rate. Village fund also has an accumulated revenue from previous years and savings from each member who saves monthly. Some village funds raise money from members to be its capital for the operation.

Integrated community financial institution accumulates capital within the community. The capital is from different sources such as the fund supported by government or village fund, professional development fund, fertilizer fund, poverty fund and community savings or individual savings. If the capital is insufficient, the integrated community financial institution can cooperate with other financial institutions and ask for low interest loan in order to serve its people in the community.

4) Deposition Service

Village fund provides deposition called Sud-ja (force saving). The deposition is done monthly and this amount of money cannot be

withdrawn. If the depositor would like to get the money back, he/she has to resign from the village fund membership. For loaning, it is done yearly. Recently, loaning is done every two years. However, there is emergency loaning and it is done during the Sud-ja deposition and the loan given is considered by the committee in about 1 week.

Banking service of integrated community financial institution is various. That is it is set according to community needs for instant depositor of saving deposits can withdraw money in accord with his/her needs. Moreover, there are various types of saving such as fixed deposits, educational savings, health savings, elder savings and children savings. These are capital accumulation from big to small unit within the community.

Loaning from integrated community financial institution and village fund is totally different. Loaning from village fund is under the City Community and Village Fund Act while loaning from integrated community financial institution is various and appropriate to people needs since the operation regulations are set under broad of directors. Furthermore, loaning can be extended from micro credit to SME and the repayment period is flexible ranging from daily, monthly or yearly. Moreover, loan types are numerous for instant educational loan, housing loan, professional development loan, etc.

5) Community Welfare

From 15 percent of village fund interest is used for community welfare and the rest of it has become accumulated interest due to the Act while integrated community financial institution can manage the interest properly in 2 ways:

1) The development of welfare fund using interest earning and service fees to have funeral amelioration fund, education fund, health fund, elder amelioration fund, public health fund, etc.

2) Invest the accumulated interest in community-based business then sell the products in cheap price or reasonable price such as agriculture shop, gas station, community cooperatives, Garbage Bank, etc.

6) Learning Resource

Integrated community financial institution can be a learning resource for people in the community via the cooperation from both government and private sectors. The agricultural information, career development or sanitation and hygiene information can be informed. Moreover, it is found that successful financial institution has become a good example for other community financial institutions to come to study. The other community financial institutions gain ideas and guideline of the operation and that this can be a way to reinforce community financial institution.

7) Regulations

Village fund operates under the City Community and Village Fund Act and that there is a limitation about loaning. Each household can borrow not more than 20 thousand baht and if it is more than that there must be some consideration in the board meeting. There is a limitation about repayment period too. That is the capital and interest must be paid within 1 year. This causes problem for some villagers who cannot make the total payment and the informal debt problem occur.

For integrated community financial institution, the regulations are established by broad of directors and approved by the members. The regulations are appropriate with income and lifestyle of people in the community. There are different types of deposits such as savings deposits or fixed deposits. Loaning covers from hundred to million baht. The repayment is also flexible because the regulations of the integrated community financial emphasize on the participation of people in the community.

8) Community Support

The village fund aims to be a low interest resource for villagers then allocates part of the interest earnings to be a community welfare fund for poverty problem solving. The accessible capital and having budget allocated from government are the advantages. Whereas integrated community financial institution aims to accumulate capital within each community then do the effective operation for people in the

community. This capital resource is accessible and loaning and welfare management are equal and fair.

Suggestions

In this research, there are suggestions for the development of community financial resource in three aspects as follows:

1) Suggestions for Village Fund

Village fund is an accessible community financial resource. Its operation is to benefit community. However, there is a limitation according to the City Community and Village Fund Act. Thus the operation does not cover the needs of people in the community. The committee can apply the Act into practice in only some points that suit people lifestyle such as loaning and repayment should be done within 2 years not only in a certain period. Deposition must be able to be done in different ways. In some small community if the fund is left, it should be able to provide loan for other communities. Moreover, if there are more troubles in operation, village fund can be developed into community financial institution. However, there must be the research before the operation then committee has to analyze the readiness of committee members since they will have to work throughout the year. The committee should study from the successful community financial institution then set the operation system.

2) Suggestions for Community Financial Institution Model

In this study, it is found that each community financial institution has a powerful and determined committee so the administration runs smoothly. However, the development of community financial institution to be stable is another challenge. The main factor of the success is the committee members thus the election is very important. It is also found that all committee members of successful community financial institution have experienced village fund administration in 2001. Some committee members are even about 60 years old. As a result, the development of the next generation of administration for community financial institution is a present committee member's duty.

The financial administration of community financial institution for small number of members, the hand-writing is acceptable. However, once the members are getting longer in number the hand-writing might not be able to support all banking services. Therefore, the community financial institution must plan ahead in using computer to support the services in the future.

Financial administration of community financial institution is another factor of success. From the committee's limitation of financial information, the capital administration is emphasized on different types of loaning. The main duty of the institution is to serve community banking services, provide loans, and support community-based business such as agriculture shop, gas station, cooperative community. Moreover, the institution services people in the community with rice harvest, school bus, etc. Moreover, if there is money left from ledger balance, money can be allocated as in government bond or state enterprise bond which provides more interest than the deposit interest rate. Furthermore, the community financial institute can loan money to other village funds or institutes. If the capital distributed to each community-based business earns profit, committee can also decrease loan interest rate for members.

3) Suggestions for Government Sector

The development of village fund to community financial institution is under government policy and that there is a seminar for village fund committee from qualified village. However, from the in-depth interview of the committee, it is found that the content in the seminar is too general but the real community financial institution operation is different. The success the community financial institution got is not from government attempt but people in the community. Therefore, it is found that not all village funds can be developed to be a community financial institution since there is the lack of readiness. Whereas some village funds can serve the community excellently, there is a question of developing these village funds into community financial institution. The development of village fund into community financial institution should base on people in the community. The government sector's role is to support the village

fund that would like to become community financial institution and concentrates on the quality of the village fund not its number. Moreover, the government should follow up those community financial institutions.

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