Chapter VII
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Other Services Rendered by Bank for Agriculture and Rural Development

The bank provides extended credit services to farmers who participate in special development projects. The objective of such projects is to encourage farmers to engage in new activities or to upgrade their present activities so as to create permanent improvements of their living standards.

Agriculture and rural development institutions

1. Chamnien Saranaga Agricultural and Rural Development Institution.

This is an institution established in 1994 by the Foundation of Chamnien Saranaga (BAAC patron and first manager), with BAAC support.
Objectives

- To train and develop personnel involved in the promotion and development of agricultural credit and rural communities, farmers and farmer institutions.
- To be well-informed and able to carry out their roles and functions.
- To arrange training and study tours for foreign visitors who are interested in BAAC’s agricultural credit operations.
- To give advice on technical aspects of agricultural credit and rural development, both locally and internationally.
- To study, search and develop human resources for agricultural credit, rural and social development.

Role and function:

The CSARDI carries out activities assigned by BAAC in arranging study visits to BAAC for the local and foreign institutes and organizations. The institution also provides technical services, trains and develops BAAC client farmers and client farmer
institutions, and arranges activities for the self-development of BAAC staff

*Operation*:

In the last year the CSARDI arranged several staff training courses for self-development, for example a project to assist staff on self-development to review their knowledge on work procedures; and a project to assist staff in preparing themselves when they apply for higher positions within the Bank. In addition, the CSARDI arranged study visits to BAAC for more than 100 personnel from overseas institutions and organizations, for example personnel from the Bank of Ceylon (Sri Lanka), Bank Institute of Rural Development (India), Rastriya Bank (Nepal), Agricultural Development Bank (Nepal), and Bank for Development and Agricultural Credit (Egypt).

2. *Funeral Aid Association*

This is a service that BAAC offers to both its borrowers and depositors. Both kinds of clients may apply for membership of
the association. The Bank supports the establishment and operations of the association so its stability and reliability are ensured. The association's objectives are as follows:

- To promote mutual assistance among members
- To jointly make merit and devote philanthropy for members.

**BAAC Borrowers Funeral Aid Association**

Persons eligible for membership must be BAAC borrowers. The association helps cover the costs of funerals for members and their families. Any money left after the funeral may be used to pay off debts and other family expenses.

**3. Green Bank**

Since 12 June 1998 when BAAC announced its intention to launch its Green Bank Scheme, the Bank has employed an environmental consulting group to establish a set of principles for
working as a 'green bank' within five years. The following committees and a working group have been appointed to administer the scheme.

The Green Bank Scheme Committee to follow up and supervise on the efficiency of the scheme.

The Credit Project Management Committee for Environmental Preservation to oversee and manage the environmental fund allocated under ADB loan conditions.

The Green Bank Working Group to serve as the main center in coordinating and enforcing the green credit operation and translate the ISO international standard into a concrete action programme.

Past performance has established change agents among the Bank's staff so as to raise staff awareness of the importance of environment and agricultural credit under sustainable development guidelines. The BAAC has selected more than 300 of its staff, farmer clients and related networks to attend an intense training course concerning their roles.

BAAC has carried out several schemes that can serve as stepping stones for creating the green bank. Some schemes are as follows:
• Community Forest Planting Scheme in Honor of His Majesty The King. This scheme was launched in 1993 in areas covering more than 1,400 rai.

• Job Creation and Forest Construction Scheme. This scheme was a joint venture with the Community and Population Development Association covering target areas of 970 rai.

• Cooperating with the National Environment Committee in announcing an end to all credit for black tiger prawns reared in fresh water ponds.

• Extending credit services for investment in bio-gas pond construction and forest planting from 3,157.8 million baht in loans earmarked by the OECF to BAAC.

• Promoting credit for toxic-free vegetables and fragrant jasmine rice growing in Wang Nam Khiew district, Nakhon Ratchasima province and other areas.
• Promoting integrated farming under New Theory initiated by His Majesty The King, budgeted by the Bank as normal credit.

• Carrying out training and support for growing herbs by the Bang Krathom community farmer group, Phitsanulok province.

• Promoting credit services and information to support the use of organic-fertilizer in cooperation with the Land Development Department.

• Promoting credit for black tiger prawns closed-culturing as a joint venture with the Department of Fisheries in the area of Ban Tung Na Kote, Pak Panang district, Nakhon Si Thammarat province.

Since the BAAC’s establishment in 1966, the Bank has extended the scope of its lending and other services to meet as much as possible of the farmers’ demand. The Bank now serves more than 84 percent of farmer households nationwide.

Although these operations have been successful at a certain level, it is generally accepted that the banking business
depends on the confidence and trust of the target groups. Therefore BAAC attaches great importance to its public image, and has arranged an exploratory study of how information from various media have affected the knowledge and attitudes of its staff, customers and potential customers. Results from the study will be used to improve the Bank’s public relations activities.

1. Banking services

Clients and influential groups employ the services of BAAC. A majority of other groups, except BAAC staff, employ the services of the Bangkok Bank and the Krung Thai Bank. Stability, good image, good services and close proximity are reasons for making use of BAAC services.

2. The best banking services

The clients and influential groups view BAAC services the best. However a majority of other groups view the services of Bangkok Bank as the best. BAAC staff who use the services of
other banks besides BAAC consider the services of Thai Farmers Bank as the best.

3. Behavior of sampling groups about information involving banking and finance:

Most information follow-up of the respondents is at a fair level followed by an occasional level. The follow-up was made from radio broadcasting, television and newspapers, with a nearly equal share.

4. Main sources of mass media messages involving BAAC:

These media are mostly newspapers, following by radio, television and journals respectively.

5. External public relations media of BAAC:

The media disseminating messages involving BAAC are mostly radio, television and BAAC journals. Others are BAAC staff
themselves.

6. Image of banks the respondents considered best

BAAC clients and influential groups think BAAC’s image is best. Other groups, including even BAAC staff, think image of Bangkok Bank best.

7. Other aspects of BAAC’s image:

These aspects include business operations, efficiency, quality of services, contribution to economic stability and social responsibility. The overall images of BAAC on these issues are positive. The researcher identified an average score of 5.25 as positive, scores below 2.75 as negative and scores between 2.75 and 5.75 as intermediate. Results may be summarized as follows:

8.1 Respondents in all regions except the Bangkok metropolis and vicinity expressed a positive view of the Bank’s business operations.
8.2 Respondents in all regions except the Bangkok metropolis and vicinity expressed a positive view of the Bank's efficiency.

8.3 Respondents in all regions expressed a positive view on the Bank's quality of services.

8.4 Respondents in all regions expressed a positive view on the Bank's contribution to economic stability. Respondents in the Central and Eastern region revealed particularly positive views with scores averaging 5.9865.

8.5 Respondents in the Central, Eastern, Southern and Western regions expressed positive views on the Bank's socially shared responsibility. Respondents in Bangkok and vicinity and the Northern and North-Eastern regions expressed intermediate-level views in this respect.

9. BAAC's strong and weak points and areas for improvement:

These issues can be summarized as below:

- Strong points

- Weak points
  1. Slow service 2. Inadequate public relations and messages 3. Antiquated technologies 4. Servicing specific groups 5. Narrow public relations only for specific groups in general not for specific groups only.

- Need for improvement
  1. New services and branches should be added 2. Improve public relations 3. Install modern technology 4. Reduce interest rates and increase loan sizes 5. Add services for people.

**BAAC Social Activities:**

The thirtieth anniversary of the start of the Bank for Agriculture and Agricultural Cooperatives' (BAAC) operations occurred on 1st November 1996, and in addition to its normal
activities the bank marked the occasion with a number of special events during the year. Highlights from 1996 may be summarized as follows:

1. Social Activities to Mark the Thirtieth Anniversary of BAAC’s Establishment

The bank was established by the BAAC Act of B.E. 2509 (1966), and operations started from 1st November that year. During the following 30 years BAAC has focussed on developing its lending and related services to improve the incomes and quality of life of its farmer clients. The bank has also worked closely with local people and organizations to support non-banking activities for the benefit of the rural communities.

Some particular activities carried out in 1996 to mark the completion of thirty years of service may be summarized as follows:

Provision for water tanks which will become the property of rural schools in the areas served by BAAC’s district branches. A total of 413 water tanks have been supplied to schools throughout the country, one tank per school.
Provisions of educational scholarships to benefit the children of the bank's client farmers studying at levels Prathom 1 to Mathayom 3 (primary and secondary schools). The funds are targeted at children with good school performance but insufficient educational funds. A total of 1,250 scholarships were provided for farmers' children throughout the country.

Construction of multi-purpose 'common buildings' for rubber-growing communities. The single-storey, open buildings measure 16 by 24 metres, and have been established within the framework of an agricultural credit project for rubber growing which was initially funded by the European Union and co-managed by the Office of the Rubber Replanting Aid Fund. During 1996 a building was established in the area of the Soi Song temple, Tambon Sam Pi Nong, Kaeng Hang Maew sub-district, Chanthaburi province. Each 'common building' will serve as a centre for rural activities, in particular serving as an office for local rubber production and marketing groups, as a rubber auction market, a bulk fertilizer mixing centre, a place for distributing agricultural input supplies, and as a meeting place for various occasions.
Building pride in farming as an occupation and way of life, for youths and the general public. The bank arranged competitions in art and essay writing, to encourage creative work designed to draw attention to the importance of agriculture to the nation's economy and culture. These competitions attracted submissions of the highest quality from young people and the general public throughout the country.

Provision of agricultural knowledge and information to farmers across the country through radio and television. The bank worked with the Channel 9 television station through its "Farmers' Friend" programme which is broadcast as part of the national evening news. The programme focused on modern farming techniques and practices that can contribute to improved productivity and living standards. Audience reaction was good and the bank received a number of favourable comments which it has used to strengthen the content of the programme.

The activities mentioned above are only some of those that BAAC loans implemented for the benefit of rural societies during the past thirty years.
BAAC considers itself to be not only a key financial institution but also a responsible citizen of Thailand, always ready to play its part in strengthening the nation's social fabric.

2. ‘Public Relations Broadcasting through Rural Radio’ Pilot Project

Mass media communication has a role in the daily lives of people of all walks of life, and information broadcast through television, radio and newspapers can have a strong impact on popular knowledge and understanding of the work of BAAC and similar national institutions. For many years the bank has sought to work with the mass media to publicize information about its activities, and occasionally to counter the effects of misleading reports and rumours.

BAAC considers that, aside from personal contact through credit officers, radio is the best medium to reach farmers effectively and over wide areas. The Bank has therefore initiated a pilot project under which it buys time from rural radio stations to broadcast taped messages on a variety of topics. The pilot project has been implemented in 15 branches in all regions, namely,
Chiang Mai, Payao, Petchabun, Pichit, Yasothon, Nongkai, Kalasin, Sisaket, Pattani, Nakhon Si Thammarat, Chumpon, Ratchaburi, Lop Buri, Sa Kaco and Rayong. The project started in September 1996 and was completed in March 1997.

The programmes covered not only the bank’s operations but also general messages concerning agriculture and topics relevant to the daily lives of the farmers and rural people.

The results of the pilot project were satisfactory. Both farmers and the general public in each area were interested in the programmes, and the target groups were found to have better attitudes, knowledge and interest in the bank’s operation, and more confidence in the bank’s services.

As a result, with effect from FY 1997 BAAC has initiated a policy to expand the project’s operating areas. The bank expects that this will be an effective, timely and reliable way of publicizing information about its services, resulting in both expanded business and greater confidence among clients.
3. The ‘Om Sap Thawichoke’ Savings Scheme

Successful deposit mobilization is essential for the long-term success of any financial institution. BAAC has cooperated with the Technical Cooperation Organization of the Federal Republic of Germany (GTZ) to introduce the Om Sap Thawichoke savings scheme. This innovative scheme aims to improve BAAC’s ability to mobilize deposits from farmers and individual depositors. It not only encourage good, regular savings habits among farmers and the general public, in conformity with the Government’s general savings promotion policy, but it also strengthens the importance of individual savers as a source of BAAC’s operating funds.

The Om Sap Thawichoke savings scheme was designed mainly for rural people, especially those in the North and Northeast regions. Despite being more accustomed to borrowing than saving, and despite their limited incomes, these people do have the ability and resources to save regularly if they are given the right opportunities and encouragement. A special feature of the Om Sap Thawichoke scheme is that regular savers have a chance to win attractive, practical prizes through periodic draws. The local
bank staff use creative public relations methods to present the
draws and the award ceremonies as important local occasions
which are attended by large numbers of people.

The Om Sap Thawichoke scheme focuses, on continual,
regular saving with no limits of maximum or minimum deposits,
except that the first deposit must be not less than 50 baht. A saver
who deposits continually for a specified period of time will have an
opportunity to win a prize as a reward for good discipline. If a client
deposits small sums of money by instalments to an accumulated
amount of 2,000 baht within a period of not less then 3 months,
the client’s name will be entered into a prize draw, based on a
card that Bank issues for each qualified client. Prizes are awarded
once every six months, in January and July each year.

BAAC started the Om Sap Thawichoke savings scheme
in January 1995 in the operating areas of four branches, namely
Lamphun, Nan, Kalasin and Surin. In July 1995 the operation was
expanded to another five provincial branches, Petchaburi,
Prachinburi, Sa Kaeo, Songkla and Pattani, for a total of nine
areas. The scheme was monitored closely in order to identify and
solve operating problems and as a basis for planning further
expansion. In July 1996 BAAC extended the programme's
operating areas throughout the country. The programme has proved very popular. It corresponds well to the needs and capability of rural people, as shown by the steady increase in the number of accounts and volume of savings.

From January 1995 to the end of December 1996 farmers and the general public opened 505,317 Om Sap Thawichoke savings deposit accounts, with a total value of 1,776.4 million baht. The rate of growth of the scheme during the six months July - December 1996 averaged 14.98 per cent. The bank expects the programme will continue to expand, and will become an important part of the BAAC's identity in rural areas.

4. Credit Support Scheme for Members of the King's Foundation

The King's Foundation was established on 1969 following an initiative by His Majesty the King of Thailand. The King wanted to help hill tribes earn income from planting vegetables in place of opium, which would support the national economy and reduce the rate of forest destruction and soil erosion. At the beginning of the scheme the King made his own money available for interest free
lending to members of the Foundation. The scheme began with a small number of members but as it grew it began to encounter problems with loan administration. As these problems became increasingly complex the Foundation requested assistance from BAAC.

BAAC has worked with the King's Foundation since 1995 in an operation called "Credit Support Scheme for Members of the King's Foundation." The bank aimed to take on the responsibility for credit administration in order to allow the Foundation to focus more effectively on its areas of special skill.

The operating area of the King's Foundation includes 34 main development centres. Most members are hill tribes people, including Maeo (Hmong), Karen, Musur, Lisau and Lao, in the provinces of Chiang Mai, Chiang Rai, Lamphun, Phayao and Mae Hong Son. BAAC set up pilot credit operations in Nong Hoi, Mae Rim district, Chiang Mai province.

BAAC initially registered 87 hill tribe farmers from August 1996 to March 1997 (FY 1996). These farmers had a combined farm area of 187.7 rai. Loans worth a total of 367,916 baht were advanced, of this amount 16,395 baht was for planing ornamental flowers, 351,121 baht was for vegetables and 400 baht was for
planting fruit trees. While satisfactory as a start, this level of performance was lower than the target for the following three reasons:

BAAC extended credit at the end of the production season when most farmers had received supplies from the King’s Foundation and had already invested their own funds.

BAAC disbursed credit in kind, not in cash, only to members who received supplies from the King’s Foundation.

It was difficult to set up BAAC’s normal loan security arrangement, which depends on a personal guarantee by at least five clients, since these farmers were from different tribes and did not yet have enough confidence in each other.

The objective of this research was to study the social and economic factors affecting the savings behaviour of the families of BAAC farmer clients. These factors included income, net assets, age of family heads, education level of family heads, number of family dependants and motivating factors on family savings. In addition, the research studied the savings objectives, types of family savings and family behaviour on depositing with financial institutions. The study will help in designing guidelines for savings promotion policies for the families of BAAC farmer clients.
The view points of the majority of BAAC client families on the Bank’s deposit services were positive. However, the viewpoints of some client family groups were generally negative, for instance regarding slow service, insufficient space or room. An important reason client families did not deposit with BAAC was that they had no savings surplus for deposit, not the reasons of inconvenient service or dissatisfaction with returns on deposits. In spite of the costs and time loss in traveling to deposit with a financial institution, however, the farm families had little interest in a mobile deposit service. This was due to low confidence or risks the farmers might face.

Recommended policy guidelines to promote savings of BAAC client families are support to raise family income, reduction in the ratio of family dependants, promotion of education and development of BAAC deposit services. These guidelines will enable the Bank to improve its services to be better known by farmers and the general public.

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