

# What Drives Farmers to Repay Loan?

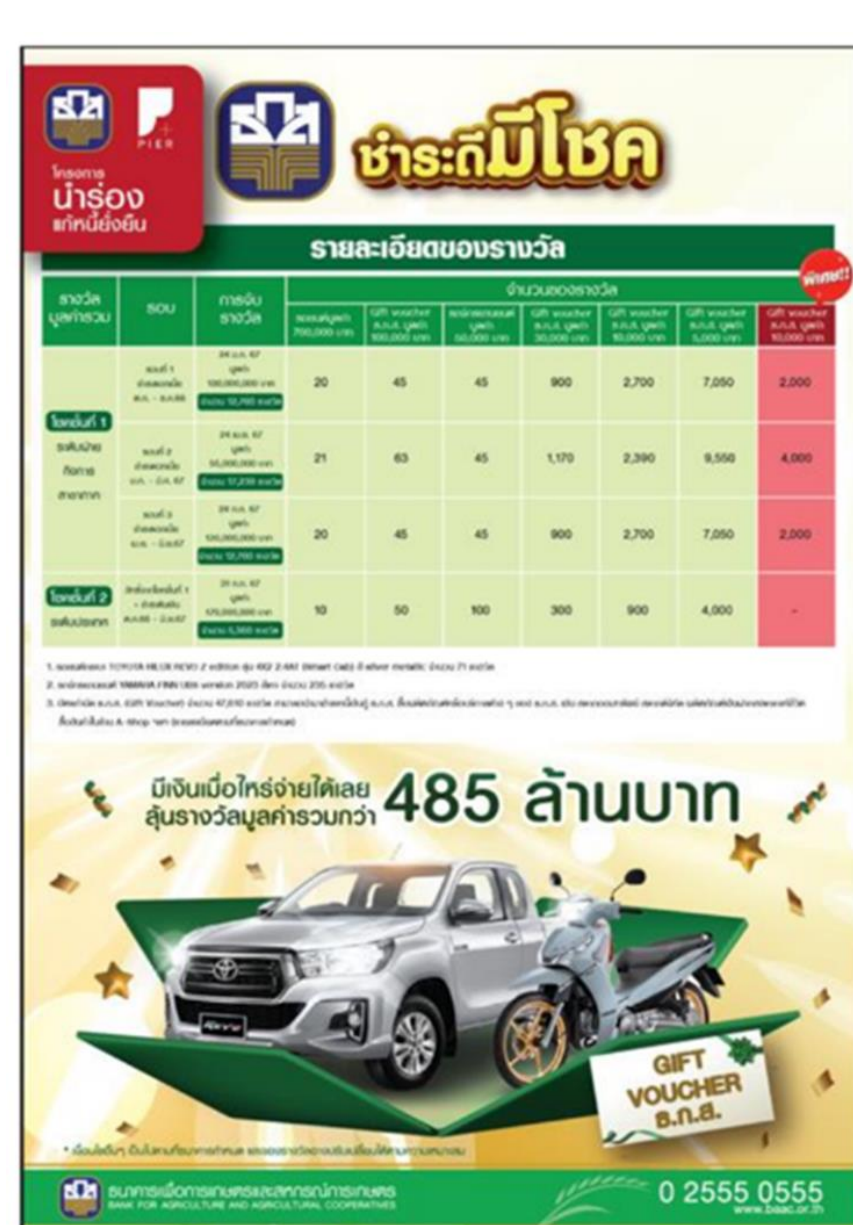
## RCT on Restructuring, Lottery and Ease of Payment

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### Motivations and Contributions

- Majority of Thai farmers trapped in persistent debt with low repayment, barely cover principle.
- Effective interventions to stimulate deeper repayment crucial to avert debt (and development) trap.
- This paper implemented a large-scaled RCT with the BAAC branches nationwide to test three types of interventions designed to address key impeditions to loan repayment: (1) low ability to repay, (2) low willingness to repay and (3) repayment frictions.

### Intervention Design



#### (1) Debt restructuring (DR) to resolve low ability to repay principle through “flexible debt moratorium (DM)”

- Launched nationwide (3 yrs from mar2024, most eligible farmers with less than 300,000 baht loan opted in) with low awareness of key feature: interest fully paid by gov, the first baht repay go to deduct principle.
- Encouragement design: BAAC hold monthly group meeting to educate/remind farmers in DM of DR feature

#### (2) Repayment lottery to incentivize repayment and solve mismatching problem through “Lucky repay program”

- Launched nationwide (Mar-Jul 24) with low awareness, prizes comparable to lottery, draw quarterly to stimulate repay everytime when have money.
- Encouragement design: BAAC hold monthly group meeting to educate/remind farmers, Lucky repay booklet

#### (3) Mobile debt collection to make repayment easy/low cost

- BAAC hold monthly group meeting and bring mobile unit to collect repayment in village at specific place/time

### Randomized Experiment

Clustered randomization with 120 BAAC branches in 12 agri prov, 14,400 farmers

#### 1. Randomize 10 BAAC branches in each province into 5 groups:

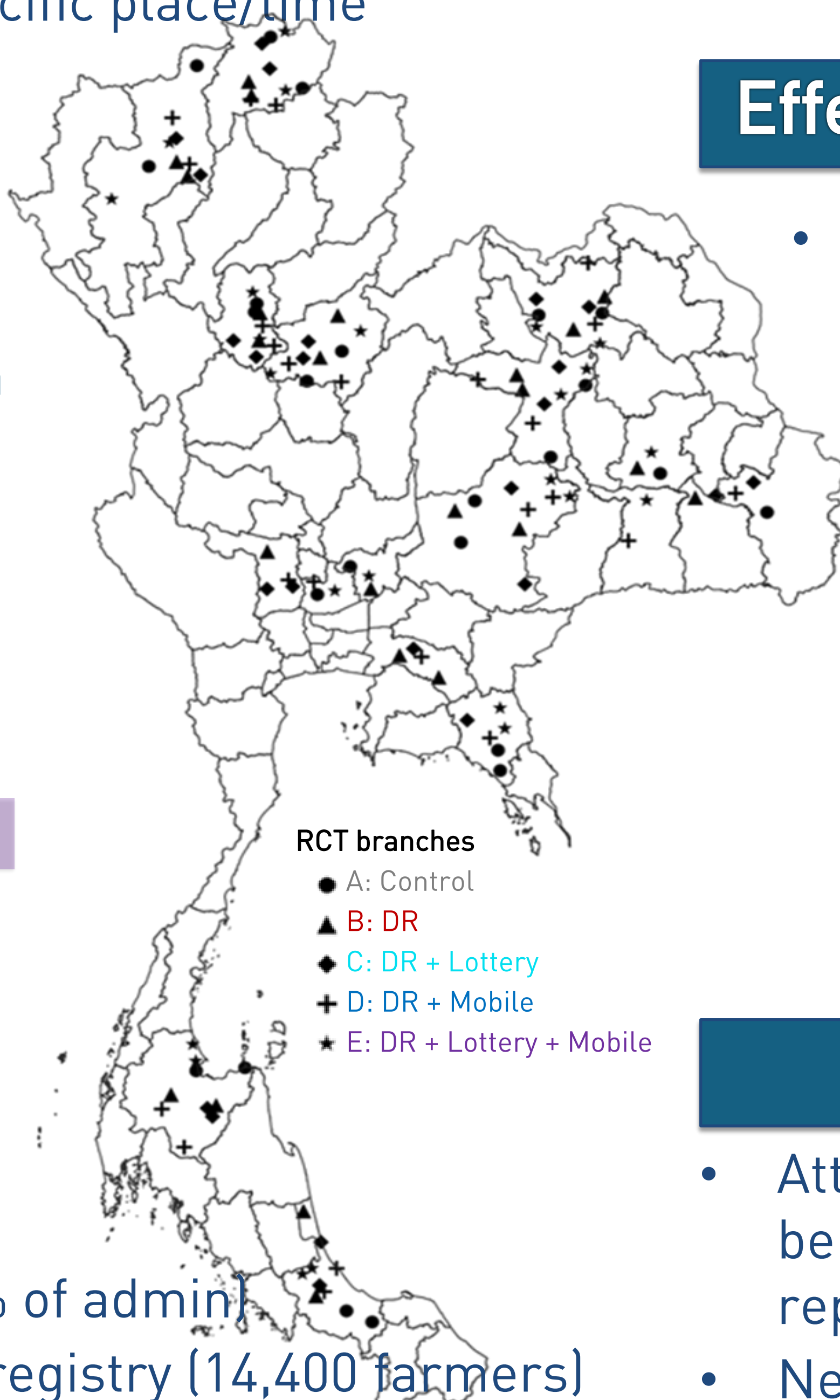
- Control (24)
- DR (24)
- DR + Lottery (24)
- DR + Mobile collect (24)
- DR + Lottery + Mobile collect (24)

#### 2. Randomly select 10 organized BAAC groups from each branch (10-20/group)

#### 3. Implement from Mar-Dec 2024

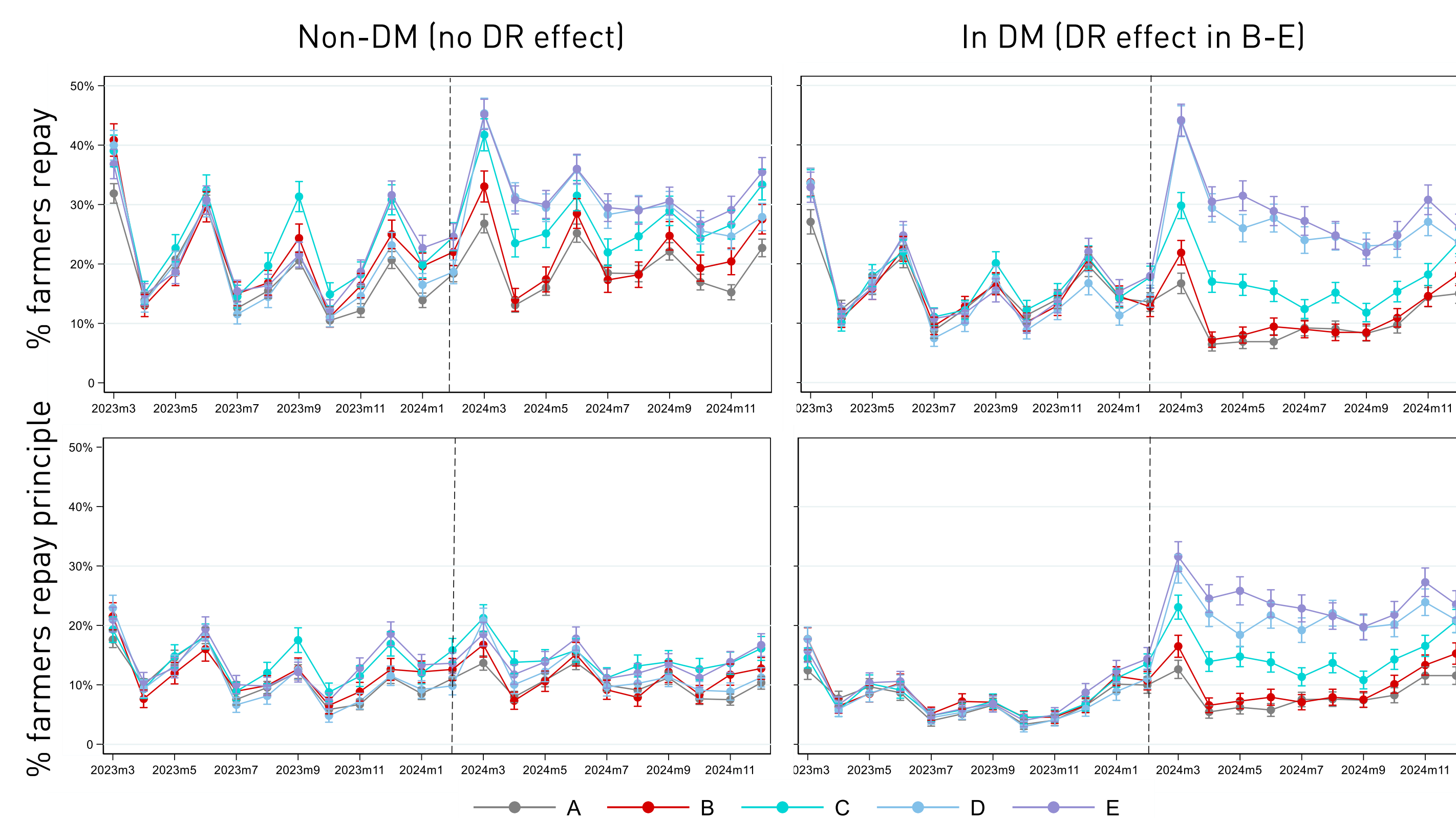
### Data

- Pre-Post survey (3,840 farmers, 30% of admin)
- Administrative data: BAAC+Farmer registry (14,400 farmers)



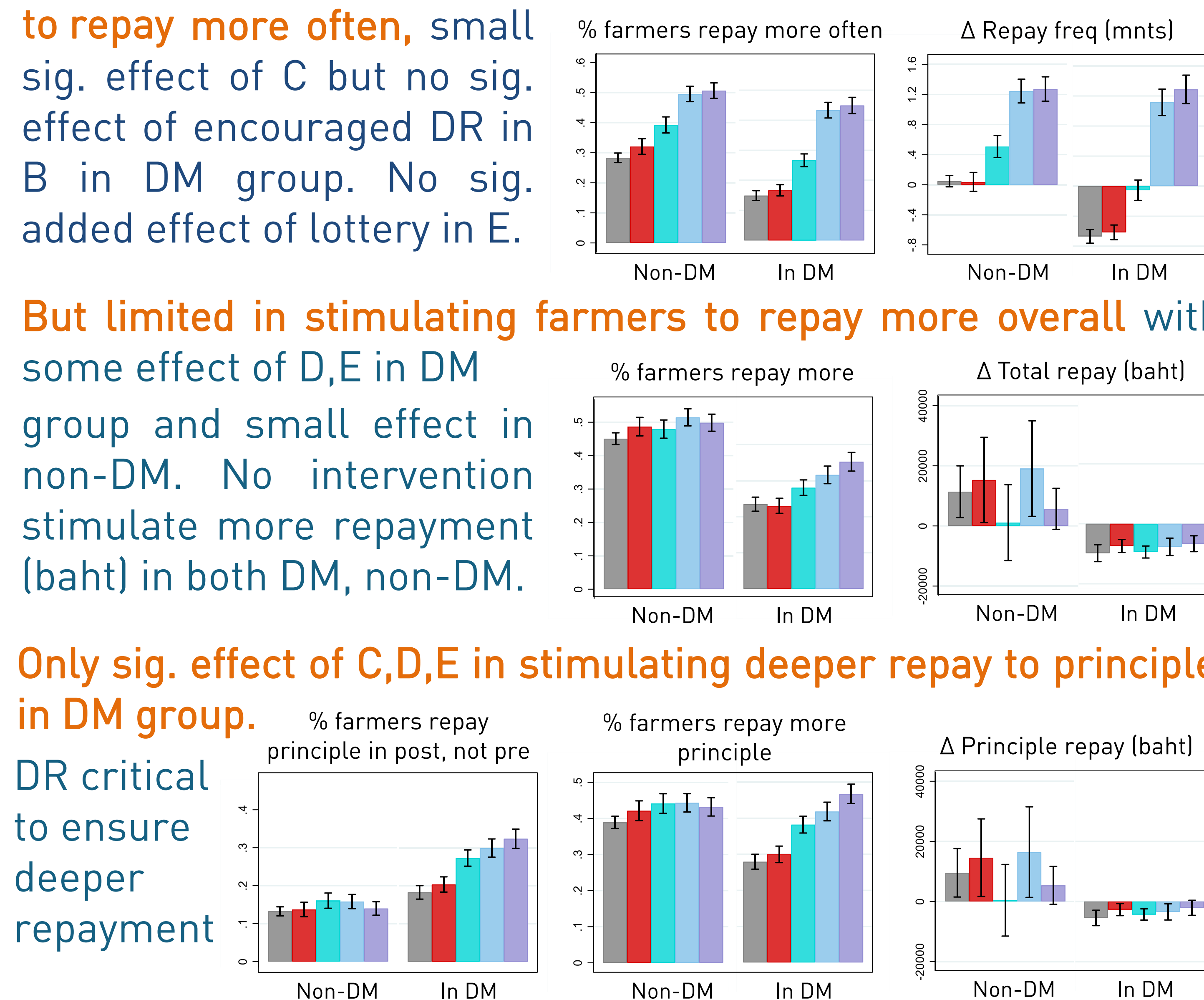
### Loan repayment pre and post interventions

- More farmers repay in post-treatment months especially in D,E: 20-30% (at and before due dates), effects persist and more in DM group with general declining repayment during DM.
- More farmers repay deep to principle only in DM group with DR effect: 10-20% (sig.) but no effect in non-DM group.



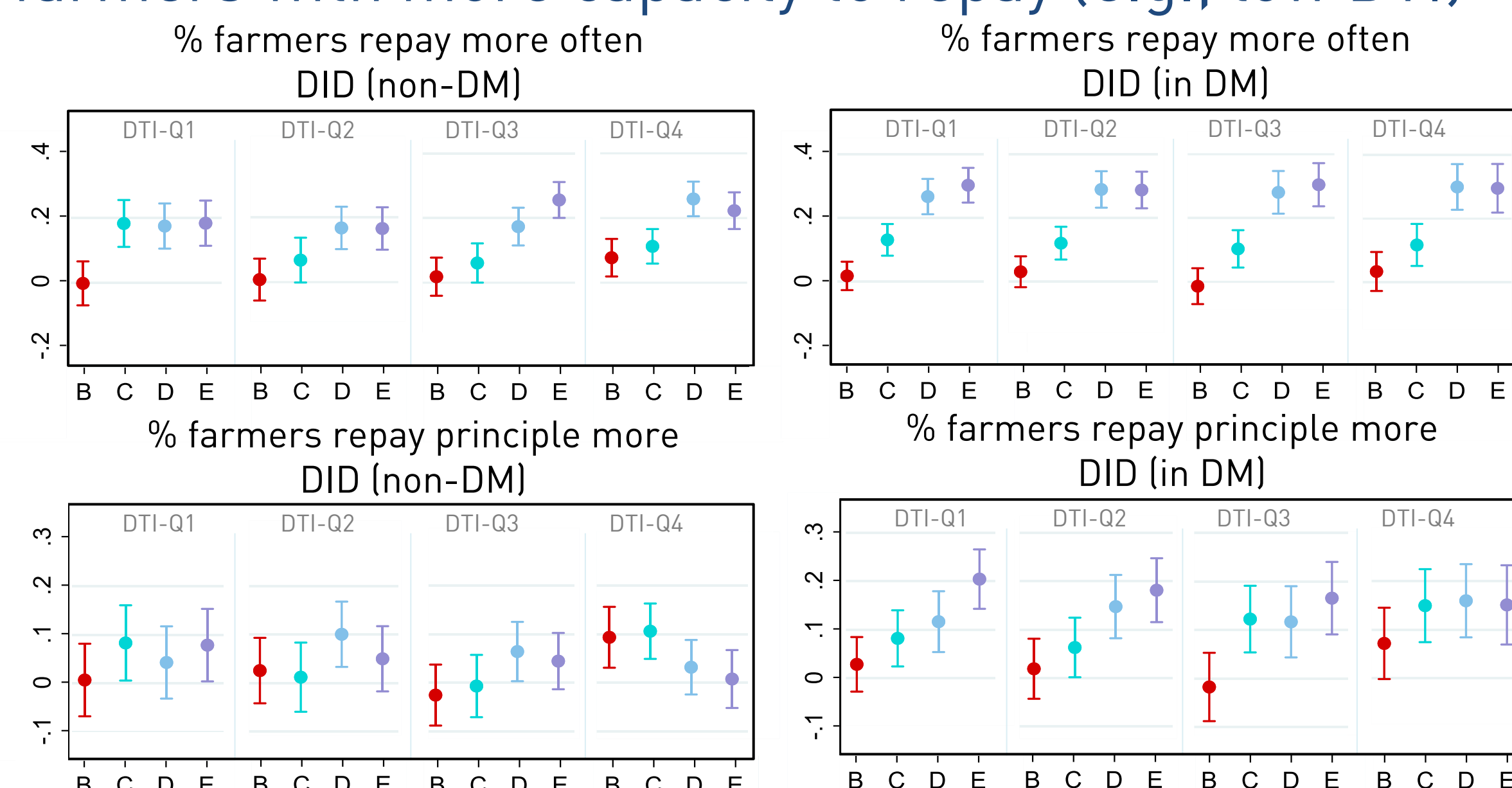
### Loan repayment effects (post-pre yr)

- D,E most effective in stimulating 20-30% farmers (DM,non-DM) to repay more often, small sig. effect of C but no sig. effect of encouraged DR in B in DM group. No sig. added effect of lottery in E.
- But limited in stimulating farmers to repay more overall with some effect of D,E in DM group and small effect in non-DM. No intervention stimulate more repayment (baht) in both DM, non-DM.
- Only sig. effect of C,D,E in stimulating deeper repay to principle in DM group.



### Effects conditional on capacity to repay (DID)

- D,E more effective in stimulating deeper repay among farmers with more capacity to repay (e.g., low DTI)



### Implications and next steps

- Attending to “last mile” by making repayment easy should be prioritized as a critical first step towards stimulating repayment and implementing critical debt policy, e.g, DR
- Next step: spillover effects, impact heterogeneity