

National Village and Urban Community Fund Management Innovation

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ABSTRACT

The objective of this research was to study the national village and urban community fund management innovation to find a model for sustainable success factors. This was qualitative research conducted by in-depth interviews from key informants comprising 16 members of the committee of the Pak Nam Shopping Center Community Village Fund in Samut Prakan Province and Ban Khu Khot Ongkharak Community Village Fund in Nakhon Nayok Province, and two accountants, as well as by participatory observation. The data were classified according to the found issues, and analyzed by the relationship between the issues then interpreted for the conclusion. The study found that there were seven aspects of innovation leading to the successful management of the village and urban funds, including the management system, regulations, coordination, members' screening, debt settlement, negotiation, and members' incentives. There were two aspects for an innovative leader leading to successful and sustainable management, including leadership, which a good leader must be accepted by the community with rhetorical arts and planning skills, and political culture, which is a participatory common people's culture, where members are responsible for their debt repayments with unity, as well as enforcement by leaders from time to time. The factors making sustainable success of the management of the village and urban funds included flexible fund management, low interest rates, and convenient access to funding sources.

Keywords

National Village and Urban Fund, management innovation, public policy model, principles of good governance
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Introduction

The village and urban fund was a public policy that started in the period of the Thaksin Shinawatra government as a populist policy (Laothammatat, 2006; Pholcharoen, 2003) that had a widespread impact. It was an election policy of the Pheu Thai Party that was implemented as a key policy that contributed to higher consumption levels and reduced money borrowing problems. However, this could not deliver much entrepreneurship and business expansion. As a consequence, household levels increased consumption, but could not increase investment (Khilentong and Rueanthip, 2016).

Loans passed through this populist project resulted in a significant increase in the debt of households who had the lowest income. Thus, group of families were financially vulnerable and in need of borrowing for debt settlement, which increased the debt repayment problems (Phutrakul, 2008). In addition, there were weaknesses and problems of the village funds; for example, some groups of people did not participate with the villagers and leader, the fund committee lacked unity, financial differences, and most of the villagers were poor and lacked good utilities and capital in the community (Jangsuwan,

2011). Although most studies on village and urban funds have had a negative impact on the people, it was still a policy that many people admired, especially in the government of General Surayud Chulanont, who continued this project, as it was a populist policy that provided more benefits than other projects (Liangchindathaworn, 2010).

Table 1. Number of goals and community financial institutions approved for establishment.

Duration (Year)	Number of Goals (Place)	Number of Village and Urban Funds That Could be Developed into Community Financial Institutions (Place)
2004-2009	2,449	1,029
2010	1,000	506
2011	1,000	595
2012	1,000	920
2013	1,000	958
2014	1,000	No operation.
2015	1,000	1,023
2016	1,000	1,073
2017	1,000	1,075
2018	738	725
Total	11,187	7,904

Source: National Village and Urban Community Fund Office (2019).

From Table 1, it can be seen that the number of community financial institutions has continued to increase. The only period when there was no operation was in 2014, when there was a coup. This indicated that the populist policy on the part of village funds was not always a failure. Since 2004-2019, the village fund policy has been implemented to distribute local income sustainably and has proved to be successful by achieving up to 7,904 community financial institutions.

The results of the research by the National Village and Urban Community Fund (2019) indicated four risk factors of the problematic situation of village funds for the period of 2018-2019 as follows: 1. There was no subcommittee for the implementation of the village fund learning institution to drive the fund committee's regulations. 2. There was an insufficient number of personnel with specialized expertise (auditor). 3. The village fund was still unable to be developed into a community financial institution. 4. Policy changes and lack of public relations for the development of Pracharat shops, and village and urban community funds.

The researcher conducted a research survey in 2019, and found that the Pak Nam Shopping Center Community Fund in Samut Prakan Province was an operating urban community fund with a working capital starting with one million Thai Baht. Now, it has more than 32 million Thai Baht in working capital and is a strong community, and an organization with high working capital and a low outstanding debt rate. Although the Ban Khu Khot Village Fund in Nakhon Nayok Province had less accumulated money, it is also an organization with a working capital flow and different processes. Therefore, a study comparing these two organizations would indicate the strengths, find innovations or factors of making successful and sustainable fund management, as well as being dependable for the people in the community. This would develop innovation for the village fund management to have more potential in order to find a model for sustainable success factors by focusing on the leadership factors of the fund president and fund committee, including the chairman of the community, who were related to the fund, as well as the strength of the community, society, and people. Therefore, this was to be summarized as a

model with recommendations of the state policy for future development by emphasizing more self-reliance among the people.

Theory

In this study, the researcher applied important concepts and theories as follows: 1. Concept of innovation management, 2. concept of the public policy model, and 3. coordination theory. The details of each are described as follows:

1. The concept of innovation management of Goffin and Mitchell (2005) proposed five main points for the concept of developing successful innovation.

1) Innovation Strategy

Innovation strategy was the most important aspect of all the strategies because it would be the essential component of any organization that would need to create an innovative strategy; for example, Porter's five forces and PESTEL analysis.

2) Ideas and Knowledge

Innovation requires creativity; as such, the ability for creativity would come from both the internal and external sources of the organization. It was found that good ideas were caused by a combination of technical methods, customers, market requirements, and demand. Because innovation included new products, services, and work improvement processes, so creativity also had a wide scope of definition as well.

3) Prioritization

The effective determination of the process was to ensure that the best ideas were selected for the development of different products, services, and processes. That is, to determine the appropriate tools for the risk analysis of each project.

4) Implementing the Idea

Implementing ideas into action effectively required management with standards. For this implementation process, the organization could learn from each project to achieve a more successful performance in the future.

5) People and Organization

The last process of the Innovation Pentathlon Framework focused on employees and organization as a form of reinforcement, which

included recruitment and training, effective career design, and organizational structuring that would increase innovative outcomes.

2. Public policy concept

The key model used in this policy analysis was the systems model. To explain, policy was a product of the aforesaid model. The systems model saw public policy as a lead factor or a response to the political system influenced and demanded by various environments. According to the systems theory, a political system comprised structures and processes that served to allocate benefits in society. A political system would receive inputs from the environment in the form of requests or support of the people and groups toward public policy. The political system then decided and determined various policies to allocate benefits to society in the form of outputs or public policy to be returned back to the environment, which would be returned as inputs to the system again (Easton, 1957).

3. Coordination theory

March and Simon (1950) believed that there were two types of coordination tools.

1. Coordination by plan - This referred to a coordination in a stable and forecastable organizational environment. Coordination could be carried out according to a predetermined plan.

2. Coordination by occurred results – Unlike coordination by plan, this type of coordination occurred in a frequently changing environment that could not be predicted. Long-term coordination would not work in the situation, so the coordination plan must be updated regularly with the use of data and news for plan adjustment and problem solving.

Thompson (1967) said that there were three types of coordination: 1. Vertical coordination, 2. coordination by a systematic pattern, and 3. coordination by adaptation.

The coordination theory led to the explanation of the process of managing an organization's network and its success or failure with causes.

Objective

To study innovation in managing national village and urban funds in order to find models of sustainable success factors.

Materials and Methods

This study was a qualitative research using an in-depth interview by constructing a suitable questionnaire that was developed from the related concept and theories and tested by experts. Then, the in-depth interview was conducted with key informants with participatory observation by observing the behavior of leaders toward village fund members for the interpretation of the results and evaluation in research papers.

The key informants consisted of 16 village fund committee members and two accountants.

For the verification of the information, to ensure accuracy and reliability, the researcher tested the data by using the triangulation method according to the concept of Chantawanich (2010), which included the following methods.

1) Data triangulation was to prove the accuracy of the obtained data. The method was to examine the source of the information by inspecting an individual source and comparing the differences between the key informants. If most opinions were in the same direction, the obtained information could be used and believed due to the judgement.

2) Methodological triangulation was the use of various data collection methods. For example, observation might be used along with inquiring, while information from document sources could also be studied at the same time.

The data analysis was a systematic process of changing information that contributed to the creation of knowledge and answering the research questions. The researcher used the data analysis according to the concept of Miles and Huberman (1994) that composed of three steps as follows:

- 1) Categorize the data according to the issues,
- 2) Analyze the relationships between the various issues,
- 3) Interpret the results.

The information found would be classified into smaller issues, then analyzed with regard to the relationship of the issues, where a connection would be found before the process of the data analysis and the interpretation of the results.

Results

The results of the study could be presented according to the three aspects of the research questions into seven innovations of making successful village and urban fund management as follows:

1) The management system was according to the model of public policy, which was a transparent system with a good management system under the principles of good governance and local democracy. It could be seen that for the process of borrowing money, a higher loan amount would have to be recognized by a majority of all members. The executive committee could not approve the fund directly by themselves. Using the majority of votes and decision-making like this caused the exchange of information in many parties.

2) The regulations were clear with no frequent revision of the important details. The clarity of the regulations was from the selection of members to access the loan process, the maximum load limit of members per family, and the amount of money that could be borrowed to distribute the money. For the clear payment criteria, most of this had to be paid at the end of every month by having a confirmation of the account at all meetings. This process would greatly reduce corruption because the money would flow into the system of the bank account and not of any committee member.

3) Coordination was applied in both formal and informal forms of the relationship. Formal coordination frequently set a meeting request. There would not be an atmosphere of pressure at the meeting, but this emphasized creating a relaxed atmosphere instead. Informal coordination was an informal meeting or a social media meeting; for example, Line application. This form of coordination had advantages of creating a relaxed conversation by being able to comment in public places, and with evidence to record.

4) Member screening focused on screening members who shared the same ideology as the group, as well as had a confirmed home address and similar work. However, for the purpose of being united, focusing on building a single network made it easy to mobilize resources and raise shared awareness, including the basic qualities; such as, being a well-known person in

the community, no dissipated behavior, no homelessness, and no drug addiction.

5) Debt repayment was focused on making payments on time, usually at the end of every month, in order to settle the account and keep the borrowers aware at all times with no careless use of loaned money, and allowing the circulation of the fund.

6) Negotiation was informal in order not to put too much pressure on the members.

7) For the members' incentive, it was important to have equality between those of the executive committee and the group members. Benefits had to be worthwhile to members with an operational fee according to the resolution of the general meeting with the consent of all members.

There were also two leadership innovations that generated a successful and sustainable village and urban fund management: 1. leadership and 2. political culture.

Leadership had elements of making a successful village and urban community fund management as follows: 1) Characteristics of the leader were being honest and sincere, 2) had rhetorical and negotiation arts, was respected and accepted by other members with great leadership, 3) and had planning and managerial skills, the ability to work as member of a team, and could assign the appropriate tasks to each person.

Political culture found that using participatory common people's political culture was also popular among village and urban funds. The political culture of village and urban fund members consisted of three factors of success in having a positive political culture. Firstly, members were responsible for their debt settlement. Secondly, members were united by having a potential middle-class background. Thirdly, leaders still had to use their authority from time to time. This reflected the common people's culture, and was not a full participatory political culture.

There were three main factors contributing to the sustainable success of the village and urban fund management comprising management, low interest, and convenience of access to financial sources, which could be considered as follows:

1) Flexible fund management for reasonable deferral, which could be negotiated. Simultaneously, leaders played a huge role in determining the flexibility, which was the use of an informal relationship to suppress conflicts within the community.

2) The low interest rate was very good for debtors because this provided the debtors the convenience of repayment without being overly pressured by creditors.

3) The convenience of access to financial sources since borrowing with financial institutions; such as, banks, required a higher interest rate with much more difficult processes.

Discussion

For the Innovation for National Village and Urban Community Fund management, a model with a sustainable success factor could be developed as follows:

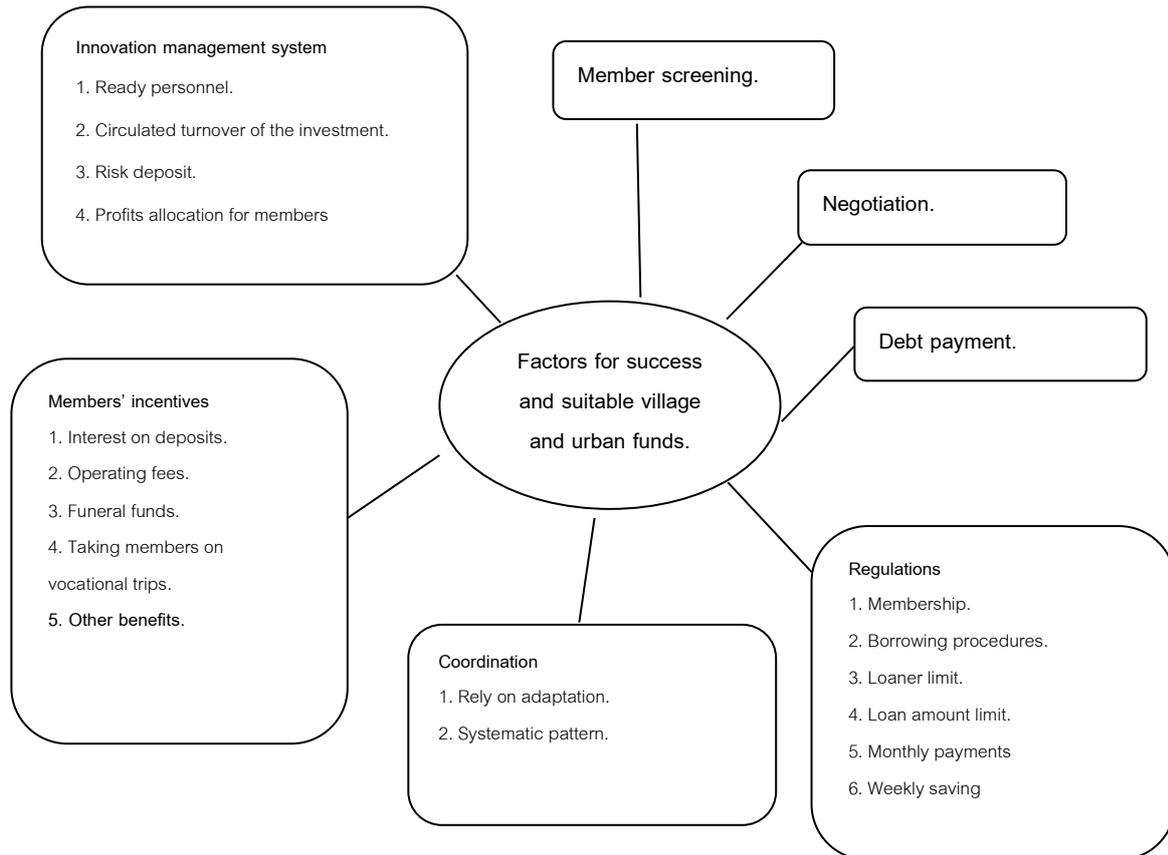


Figure 1. Model of the sustainable success factors of village and urban community funds.

1) An efficient and effective innovation management system must have a systematic operation as follows: (1) Ready personnel, especially in the accounting section. (2) Circulating turnover of the investments. (3) Having risk deposit. (4) Allocated profits to the members. The main operational mechanism was the use of local democracy.

2) Regulations must adhere to the six principles according to the patterns. (1) Membership application required at least a one-year period of being a community member and at least a six-month period of being a village fund member in order to be eligible to have the right to borrow money and to create trust within the group, which

was also known within the community that confirmed the borrower with a residential address. (2) The borrower must have a guarantor and a bank account, as to ensure that the organization would certainly have capital reserves. (3) The loaner limit stated that members within the same household could not borrow from more than two people. Siblings could guarantee each other. This was to diversify the investment thoroughly without being concentrated too much in one household. (4) Limiting the loan amount was a standard that the loan should be allocated to members within the group as needed based on income, duration of group membership, and the guarantor. (5) There must be a debt payment on a monthly basis, not annually. Although, the

repayment was a small amount, if a borrower had to pay one debt at the end of the year, he/she might not have the ability to collect the money to pay for that length of time. (6) Weekly savings with an account audit on a regular basis.

3) There were two main coordination principles. (1) Coordination by adaptation - This kind of coordination did not clearly identify the authority, roles, and authorities in a formal or written format. The coordination of the two village and urban community funds were consistent in terms of coordination by relying mainly on an informal relationship to disseminate information. Simple coordination methods; for example, setting up Line groups to mobilize public opinions. (2) Coordination by a systematic plan had no specified power structure, but practically, the related departments would decide together in a written format or had the role of cooperating with the people, both in terms of resource allocation, and/or joint decision-making for a specific action; for example, an official notification. However, this did not apply a top-down relationship system in the meeting, but it would focus on creating a more relaxed atmosphere.

4) Member screening focused on the same ideology of loaning for benefit, especially for investment. However, the loan request for other lending or loans for debt repayment were not rejected. Furthermore, the main principle was that group members must have availability and security in terms of residential address, income, or even occupation. Members must be transparent and honest. Without these qualifications, misbehavior or unmatched ideologies, the group had the rights to exclude these people from the beginning to prevent damage and risk of the organization by focusing on building trust among the members of the group.

5) Debt settlement was determined on monthly payments, not an annual payment. Monthly payment allowed borrowers to be aware and prevented them from paying large debts at once, which the borrowers might not be able to save the money to repay the debt. In addition, the debt repayment provided timely payments in installments.

6) Negotiation was a process, which the village and urban community fund frequently used when debt settlement problems occurred. The principle

of good negotiation was the relationship between the borrower and the lender. Dishonest negotiation; such as, cursing or threatening a lawsuit, was not preferred. The negotiation method was to use an informal relationship by focusing on rational negotiation, especially approaching an elder person, because the borrower was usually younger than the fund president, so this method emphasized flexibility in negotiations.

7) Members' incentive was a positive reinforcement by enabling members to be part of the organization with worthwhile benefits provided by the organization. The incentive could be considered as the following five benefits: (1) interest on deposits, (2) having an operating fee as compensation for the project's implementation, (3) funeral fund and present given to members who were ill or bedridden as appropriate, (4) vocational trips for members, and (5) other benefits as the members deemed appropriate; such as, support for various traditional activities, etc.

From the study results, the researcher had two recommendations as follows:

1) The policy of this research could be developed into a plan for the National Village and Urban Community Fund, as it was the actual findings from the study. The innovative model of seven sustainable success factors composed of 1) management system, 2) regulations, 3) coordination, 4) member screening, 5) debt payment, 6) negotiation, and 7) members' incentives, could be used as a policy to drive other national village and urban community funds in order to maximize the development of the public policy model with a good response according to Easton's (1957) model of public policy.

2) Further research might include a quantitative study. This would allow information to be more detailed and better reflect problems; such as, satisfaction with the village and urban funds, beneficiary groups, and impacts from comparative policies. This would give the study a more diverse dimension.

Conclusion

The innovation of making successful management of village and urban funds consisted of seven aspects comprising the management system, regulations, coordination, members' screening,

debt settlement, negotiation, and members' incentives. Simultaneously, there were two aspects of leader's innovation for the sustainable success in management, including leadership, which a good leader must be accepted by the community with rhetorical arts and planning skills, as well as political culture, which is a participatory common people's culture, where members are responsible for the debt repayment with unity, and enforcement by leaders from time to time. The factors making the sustainable success of the management of village and urban funds included flexible fund management, low interest rates, and convenient access to funding sources.

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