

THE PRUDENCE OF HOUSEHOLDS IN THAILAND

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ABSTRACT

The lack of spending discipline of Thai households has been raised as one issue causing financial problems among Thai people. An urge of the prudence, which is the degree of precautionary saving motive, has been discussed as a way to alleviate this problem. Using the constructed pseudo-panel data sets from the Thai Household Socio-Economic Survey from 1992-2011, this paper estimates the degree of prudence of households in Thailand by applying dynamic pseudo-panel method with Weighted Least Squares (WLS) and Instrumental Variable (IV) in the estimation in order to address concerns regarding individual heterogeneity and endogeneity. The estimated results show a positive computed relative prudence indicating that cohorts with the higher uncertainty will have high saving and the estimated relative prudence range from 3.7-7.3. Furthermore, the results across cohorts indicate that younger cohorts have higher degree of prudence compared to the older ones.