



Risks in Managing Savings Groups for Production in Ratchaburi Province Amidst the Economic Recession

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Abstract

The purpose of this study is to study the risks in managing savings groups for production in Ratchaburi Province amidst the economic recession. with qualitative research methods Using a case study research method. It is a study from related documents. and a group of 18 people involved. Data were collected using in-depth interview techniques. and group discussion Data were analyzed using Content analysis approach and present information using descriptive methods. The research results found that Risks in managing savings groups for production in Ratchaburi Province amidst the economic recession can be summarized into 8 important elements: Internal environment Objective setting Risk identification Risk assessment Response to risks Activities for control Information and communication and monitoring results Consistent with the concept of risk management according to COSO's standard guidelines, production savings groups should adhere to these operating principles in developing management models going forward.

Keywords: Risk Management, COSO Standards, Production Savings Group

Introduction

Thailand first started to establish financial funds called "cooperatives" at the end of King Rama V in the Mueang District, Phitsanulok Province, named "Wat Chan Unlimited Assets Cooperative" registered on February 26, 1916. Later in the year 1968, the fundraising cooperative was transformed into an agricultural cooperative until the present (Nakhon Pathom Public Health Savings Cooperative Limited, 2021) and in during the year 1974, the Department of Community Development encouraged and supported rural people to join together to raise savings to establish community funds in the form of "Production Savings Group" for saving money Help yourself and each other by borrowing to invest in your career. The first established on March 8, 1974, at Khua Mung Subdistrict, Saraphi District,



Chiang Mai Province under the philosophy of "Using the principle of savings as a tool for human development" to develop the 5 virtues: honesty, sacrifice, responsibility, sympathy and trust among members (Phachi District Community Development Office, 2021)

Ratchaburi Province is a province in the central region. There are a total of 148 groups established, with 25,038 members and a total of accumulated truth money, 242,122,623.70 baht. However, from the report of the Ratchaburi Provincial Community Development Office (2023), it was found that during the epidemic situation of infectious diseases from 2020 onwards, it has greatly affected the management of the group. The overall economic system of the country is in crisis economic recession which the group cannot control good management. In other words, this situation is risky, and it is very necessary that the production savings group adopt a risk management process. It will help as collateral for various operations, whether there will be action to achieve the goals set or not and how due to risk management. It is the direction of predicting the future with reason, having principles and finding ways to reduce or prevent damage that may occur. To work in each step in advance or various unexpected events, the chance of encountering problems is less than other organizations that do not use risk management processes. Because of the preparation for various events fully in advance, while other organizations do not use the concept of risk management processes when a crisis occurs, those organizations will face problems and damages as a result. Therefore, the risk management process helps in management and will help achieve the various objectives set forth and prevent the possibility of loss (Thon Suntharayuth, 2011).

From the reasons mentioned above, the researcher is interested in studying the risks in managing savings groups for production in Ratchaburi Province amidst the economic recession. To present as policy recommendations and operations that will lead to prevention and resolution of operational problems of the savings group for production in the future.

Research Objective

The objective of the study is to explore the risk aspects in managing saving groups for production.

Literature review

The word "risk" means opportunities or events that are uncertain or that cause the current work plan to not achieve the stated objectives or goals. It will cause an impact or damage to the organization. Either in terms of money or the image and reputation of the organization (The Stock Exchange of Thailand, 2011). The Bank of Thailand has classified



risk into 5 main areas: strategy, market, operations, liquidity and credit aspect. The details (Bank of Thailand, 2003) are as follows.

Strategic risk means risk arising from the formulation of strategic plans, operational plans and implementation that is inappropriate or inconsistent with internal factors and the external environment which affects capital income or the existence of the business.

Market risk refers to the risk arising from movements in interest rates, foreign currency exchange rates and instrument prices in the money market and capital market that have a negative impact on the income and capital of financial institutions.

Operational risk means the risk of damage resulting from a lack of good corporate governance or lack of good governance in an organization, and lack of good control, which may be related to internal operating processes, staffs, work systems, external events which affect income and capital funds of financial institutions.

Liquidity risk refers to the risk that arises from the inability of financial institutions to pay debts and obligations when due. This is due to the inability to convert assets into cash or the inability to obtain sufficient funds or being able to find money to pay, but at a cost that is higher than acceptable levels, which may affect the financial institution's income and capital funds.

Credit risk refers to the chance or probability that a counterparty will not be able to meet its agreed upon obligations, including the possibility that the counterparty will have its credit risk rating downgraded. This may affect the income and capital of financial institutions.

Risk management therefore plays a role and is extremely important to organizations such as commercial banks, including savings cooperatives. This is so that those risks do not cause damage to the organization, whether in monetary or non-monetary terms (the image and reputation of the organization). The risk management refers to the process performed by the committee, all executives, and personnel in the organization to help determine strategies and operations. The risk management process is designed to be able to identify events that may occur and have an impact on the organization and to be able to manage risks to a level that is acceptable to the organization to gain reasonable confidence in achieving the objectives set by the organization. (Stock Exchange of Thailand, 2011)

The currently popular risk management concept is risk management according to COSO standards (The Committee of Sponsoring Organizations of the Tread way Commission) (Curkovic et al., 2013; Kasim and Hanafi, 2012; Gjerdrum and Peter, 2011; King Mongkut's Institute of Technology Ladkrabang, 2012; Jirarat Teeravaraprak and Ducharutai Wongpaiboonwatana, 2011) whose details are summarized as follows.



Figure 1: Risk management according to COSO standards

Source: The Committee of Sponsoring Organizations of the Tread way Commission, 2004

The environment within an organization is the basis of the organization's risk management because it determines the goal, structure strategy and business operations including assessment and risk management.

Objective setting: The organization must determine the objectives of its business operations before identifying risk events that may affect the achievement of those objectives.

Risk identification is the identification of risk events that may occur by considering factors both inside and outside the organization. Internal factors such as processes, technology, human resources, etc. and external factors such as economic conditions, political conditions, technological changes, and environmental changes, etc.

Risk assessment is an assessment of how the identified risk events will affect the achievement of the organization's stated objectives.

Risk response is the management of assessed risks to a level acceptable to the organization, such as, risk avoidance, acceptance of risk, risk reduction and risk distribution.

Control activities are steps to help ensure that specified risk responses are carried out correctly and completely in the relevant departments.

Information and communication: Information is essential for an organization, that is, it helps identify events, assess risk and manage risks that occur. The information related to the organization is both internal and external sources within the organization. This should be recorded and communicated appropriately, helping relevant people respond to risky events that occur quickly, efficiently and effectively.

Monitoring: the process that ensure that risk management is carried out quickly, efficiently and effectively, including revising risk management as appropriate.

From past research results, it was found that the study of using COSO's internal



control concept to help design internal connections was studied from a case study in the accounting and finance department, in sales and cost division. The result found that the new connection can reduce the work process and be able to use existing information to its full potential. This results in related information being more reliable and secure. (Jirarat Theeravarapruek and Ducharutai Wongpaiboonwat, 2011) In addition, Worsamon Santisiri, Akkaranan Kitsom and Siripak Siritho (2013), studied the assessment of personal loan risk management, a case study comparing commercial banks and savings cooperatives found that 1) results from in-depth interviews following the COSO standard guidelines in all 8 aspects found that the commercial bank group has risk management according to the COSO standard guidelines, no different from the savings cooperative group.

Research Methods

This research is qualitative research, a case study research method. It has its intellectual roots in the constructivism paradigm, collected data related documents (documents study) and studies from related groups of key informants (Yin, 2003; Yajai Phongboriboon, 2010; Ong-at Naiyapat, 2011). The details are as follows:

1. key informants

For obtaining 18 key informants, the researcher used a purposive selection method (Chai Pothisita, 2011), which are committee members of the production savings group who has knowledge and understanding about the management of the production savings group, amidst the economic recession crisis. All of them volunteered to provide information.

2. Research instruments

The research instruments include in-depth interviews, consist of interview questions that have been developed according to the conceptual framework and theories used in research to get the essence and a set of knowledge from the experiences of key informants.

3. Data collection

The processes of data collection are collection of both primary and secondary data, studying information from documents, participatory observation and in-depth interview by following steps: 1) setting research questions, 2) reviewing related documents, 3) building preliminary relationships with key informants before going to collect data, 4) go to the data collection, and 5) check the completeness of the information before leaving.

4. Data analysis

Data analysis employed content analysis processes which are divided into 5 steps

(Suphang Chanthawanich, 2011; Moser & Korstjens, 2017; Power & Hubbard, 1999) : 1) check the completeness of the data using the triangulation principle, 2) classify the data according to the research objectives, 3) analyze the data according to the theoretical framework, 4) interpret the data, and 5) summary compiled with descriptive analysis.

Results

The study of risks in managing savings groups for production, during an economic recession, in Ratchaburi Province, can be explained according to the analytical framework as follows.

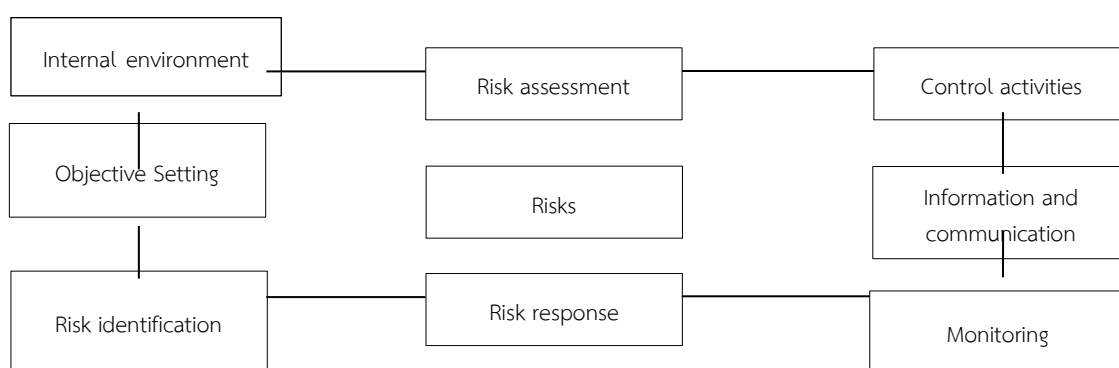


Figure 1: Showing risks in group management.

1. Internal environment

Internal environment is something that the savings group for production in Ratchaburi Province can be designed to drive the group's work to achieve its goals. It consists of group structure, authority, duties, and responsibilities. This is from a study of representatives of savings groups in urban and rural areas which have 3 levels of operating characteristics: good, medium, and improved. All 3 levels have a clear operating structure; however, it was found that the responsibility for group activities usually rests with the group president. The operations in the savings group are volunteer activities. Some groups do not provide compensation to the committee, some groups have small returns when compared to working according to the general labor market system.

2. Objective setting

Purposes of savings for production in Ratchaburi Province, having in any groups. It is often found that there is a clearly defined purpose, main goal and could measure results. Normally, the saving for production savings groups is to support promote the development of the quality of human life in the communities by using money for mediation to organize learning. In addition, it can be said that such groups help each other among the people in



the community and lead to the provision of community welfare according to the needs and appropriateness according to the context of the area.

3. Risk identification

Overall, for identifying risks in the operations of savings groups for production in Ratchaburi Province. Most of the groups have not yet organized a clear action plan. But there are often adjustments to the operating model according to the immediate situation that arises, such as during the epidemic situation of the COVID-19 disease. The group has adjusted the credit management method by means of a repayment moratorium. To help provide relief to members who were affected by the incident and there is no lending to prevent financial risks, etc.

4. Risk assessment

The production savings group in Ratchaburi Province regularly assesses risks through monthly meetings of the committee, with the agenda being to follow up on past performance of the group. To report progress of operations and adjust the operational plan to be appropriate for the situation that arises and be able to manage and solve operational problems that cause risks in a timely manner.

5. Risk response

Savings groups for production in Ratchaburi Province have no clear assessment of risk factors that may occur in the information system. But it is carried out in practice through meetings and acting on the issues that arise, using a compromise method of working with the communities.

6. Control activities

The production savings group in Ratchaburi Province has clearly established an operating policy, especially the member recruitment policy, lending and various types of welfare arrangements to be used as a standard for the group's operations. The groups will issue regulations and consider them through the annual general meeting forum to create awareness participation in creating rules among each other within the groups.

7. Information and communication

Savings group for production in Ratchaburi province set a form of communication through the monthly meeting forum and communication via online systems by setting up a line group for the operations of the groups. They prepare a monthly performance report whether it is financial performance, members, committees, and other matters according to the community situation for the group executive committees to use as information for decision making. creating operational plans that are appropriate and up to date in accordance with the changing situation.



8. Monitoring

Overall, the production savings group in Ratchaburi Province has evaluated the results of monitoring risk management by requiring the committee to sign off on the accuracy of the financial reports and will be responsible if it is found that there was an error in this operation. The group also meets monthly to consider operational risks.

Conclusion and discussion

Research on risks in managing savings groups for production in Ratchaburi province amidst the economic recession. The researcher summarized the results and discussed each issue according to the research objectives as follows.

Risks in managing savings groups for production in Ratchaburi Province amidst the economic recession on 8 important elements include the internal environment, objective setting, risk identification, risk assessment, response to risks, activities for control, Information and communication and monitoring; conforming the concept of risk management according to the standard guidelines of COSO (The Committee of Sponsoring Organizations of the Tread way Commission) (Curkovic et al., 2013; Kasim and Hanafi, 2012; Gjerdrum and Peter, 2011; King Mongkut's Institute of Technology Ladkrabang, 2012; Jirarat and Ducharutai, 2011) like to the research of Klai Rung Krasae Sin and Rung Arun Krasae Sin (2019), studying the evaluation of the effectiveness of COSO-ERM risk management, a case study of the credit underwriting process of Thai Commercial Bank's Small Business Office, found that the bank has a good level of risk management in the loan approval process which consistent with risk management principles according to all 8 COSO-ERM elements, demonstrate the ability to consider credit efficiently. Demonstrates the ability to consider credit efficiently. Jirarat Theerawarapruk and Ducharutai Wongpaiboonwattana (2011) studied the use of COSO's internal control concept to help design internal connections by studying from a case study of one in the accounting and finance department, in division of sales and cost sections, the results of the new connection reducing the work process and be able to use existing information to its full potential. This results in related information being more reliable and secure. In addition, Henri Fayol also laid down the principles nearly 80 years ago, and some of these principles are still appropriate, stating that management involves fundamentals (Fayol, Henri, 1923). These include people, money, materials, equipment, and work procedures.

The well-known author, Taylor, is considered the father of scientific management, which gets to know and experience problems in work and have knowledge and understanding of employees' attitudes as well as having the opportunity to develop the quality of management, like guidelines of COSO, to be more efficient. It will be able to increase production efficiency (Taylor, Frederick W. 2002).



Suggestions

According to the result of this research, the researcher has recommendations classified into 2 main issues as detailed below.

1. Suggestions for applying research results

How should production savings groups pay attention to risk assessment in group management? To be able to adapt to every situation by strictly adhering to the principles of evaluating the effectiveness of risk management using the COSO-ERM model. The group should prepare a strategic plan for developing a risk management model and use the results of risk research in strategy, credit, operations, benefit returns, financial liquidity, legal, rules and regulations, reputation, information technology, and developing a risk prevention action plan for the production savings group as well as preparing an operation manual.

2. Suggestions for further research

2.1 There should be a comparative study of risk management strategies of savings groups productions between in urban and rural areas

2.2 There should be a study of the relationship between management factors and the risk management efficiency of production savings groups.

2.3 There should be a study on developing a risk management model for savings groups for productions according to the results ladder concept.

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