

Abstract

The objective of this research study was to identify relevant factors for explanation of default payment and to formulate a predicting model in the light of default payment.

This research study was made in 2002. The samples were taken from the outstanding customers who purchase home and electrical appliance products in installment credit and fail to pay in 1 or more periods of installment terms in Kamphaeng Phet, Tak, Phichit, Sukhothai and Phetchaboon provinces. This research study was made of 246 debtors.

Factor Analysis and Multiple Linear Regression were employed in this research study. At first the researcher used Factor Analysis to group all 18 variables which are gender, age, education, marital status, net income, the amount of saving, stability of employment, the amount of properties of household, the number of household working members, method of selection of customers applied by installment companies prior to approval of the hire-purchase application, debt claiming and collection, installment companies officials visit for explanation of conditions for debt payment, household expenditure, other debts in households, the amount of down payment, installment term, the amount and schedule of payment and the outstanding balance to be factors and then used Multiple Linear Regression to analyze the independent variables which are got from Factor Analysis.

From the research results 6 factors were grouped by Factor Analysis which were Factor 1 named Internal Debt Management, Factor 2 named Nature of Payment, Factor 3 named Personal Asset, Factor 4 named Personal profile, Factor 5 named Career Security, Factor 6 named Working Environment.

The result from Multiple Linear Regression shows that Default payment of Thai rural consumers on home and electrical appliance hire-purchase can be explained by internal debt management, nature of payment and career security. The estimated model for default payment explained by factors influencing the default payment is as follows :

Predicted default payment = $-2.37 E -16 - .685$ (Internal debt management) + $.134$ (Nature of payment) - $.113$ (Career security)

Researcher recommended that the hire-purchase companies should rank the debt based on amount of outstanding balance and risk into 5 levels. The debtors who have outstanding terms > 12 months should be followed first. The hire-purchase companies should decrease the installment terms to collect more amount of payment per month for decreasing risk. The inspection about debtors information in career, the amount of savings is the important mission.

