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**UNDERGROUND ECONOMY AND MOTORBIKE TRANSPORTATION**

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**Abstract**

This article wants to represent the preliminary survey conducting of the underground economy of motorbike transportation. The author will illustrate underground economy which hidden the Thai society and attempt of the government in order to solve the above problems which effect the life of people arising from this issue. As a result, the existing government that run by National Council for Peace and Order (NCPO) had to issue and come up with the policy to organize the motor bikes taxis. The movement from NCPO and the announcement to lay out the new structure and discipline to solve the prolonged problems i.e. mafia, influential, extruders etc. However these problems need to be monitored in a long term rather than the short term whether the results will be satisfactory or not.

*Keywords:* Motorbike taxis, underground economy, kickback, patronage system, rent seeking

**Introduction**

Informal economy in Thailand is important for driving the economy growth of the country not less than formal economy. It create jobs and income to labor force up to 23 million in 2002 or 71.9% of the total labor force and value up to 2.38 trillion bath or 43.8 % of the total GDP. Labors in informal economy are mostly uncovered by the government as they should be therefore they have to find way to protect themselves and their families (Office of the National Economic and Social Development Council, 2004)

causing the informal economy in Thailand come from different sources i.e. patronage system, social and political popularity, large agriculture scale and what remains after The Cold War like drugs, prostitutes, smugglings and gambling in addition to the struggling of the poor in Thailand. The informal economy is part of the

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life style of the majority of Thai to survive the global capitalism for the illegal business which have negative effects in the society involve politicians, influential officer and high-level government officers, as a result, they are difficult to control or solve the problems (Cheidchin Sukplang, 2004)

Economic expansion during the reign of General Prem Tinsulanonda by investing in a large number of infrastructure, such as the Eastern Seaboard development project. Various road cutting projects to link the floor area in Bangkok and the metropolitan area including between large districts and neighboring provinces. Corruption in public transportation system happened through the increase in demand from the commuters too fast to accommodate the need effectively as well as the laws that controlled by the government have not been adaptable to the changes. As a result, there are many ways that police can interfere by sharing the business directly through the information officers (Sangsidh Phiriyarangsarn, 2005)

The NCPO government came to administer the country and received complaints about problems in the motorcycle hire business, so they give assigning the work to the relevant authorities to resolve the issue.

### **Objective**

From the government's efforts to organize a motorcycle taxi since 2014, it was found that there was a violation of regulations. Therefore, the researcher set the objective that to study the causes and factors of the informal economy that still exist case study of motorbike taxi Pattaya city.

### **Research Question**

The research question for this study is why the underground economy of motorbike transportation still exists in Pattaya city.

### **Theory**

Using 2 theories in describing them 1. Patronage system 2. Rent Seeking

Patronage system (Amara and Preecha; 2000). "Patron" means a person with authority, status, consensus and influence. This word may be used to refer employers or sponsors of various rituals and even the patron saint by which these people must be involved with those with inferior powers or "Client" (customers) who need help and protection. Patrons give benefit by hoping to receive benefits in the form of products, loyalty, political support and services in various ways from client. In most cases, one patron will have many client, such as in the case of a feudal system in which one master has many people. In general, the relationship between two parties are "Patron

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and Client". Clients are weaker in both economy and politics. Although patrons may have to rely on their patronage in some situations.

Rent Seeking (Kasama Chatakraivat, 2006) Adam Smith, the father of academic economics, believes that if letting the economy have a competitive business. The economy will have invisible hands that helping the economy work efficiently, but in some countries. The government did not let the price mechanism work fully. On the contrary, the state often created only one monopoly burden which will have to waste real resources in order to continue to maintain the monopoly status. Therefore, rent seeking is a concept that arises from the conflict between providing a price mechanism to work effectively with the economic system being intervened by the government. However, some economists do not believe that invisible hands can work effectively because of interest groups, trying to avoid competitive situations and try to create an advantage over competitors. Such a process is called Rent-Seeking.

### **Research Methodology**

This research collects information by 2 methods 1. By collecting data and documents i.e. documents related to organizing motorcycle taxi, newspapers, internet news, land transport Act, the announcement of government rules, the articles, researches, thesis, etc. 2. By interviewing motorbike taxi and government officers in Pattaya using in-depth interviews and semi-structure for the convenience of reaching the target group, there must be a natural conversation and as friendly as possible. So the researcher will conduct a random interview with motorbike taxi riders in the Pattaya city and use the purposive sampling to interview key information providers and officers as well. The researcher analyzes the information collected from 3 sources; interviews, observations, and theories to acquire the greatest findings.

### **Literature review**

Organization of motorbike taxi (Komchadluek, 2014) the organization of public transportation system is one of the government mission to return the happiness to the country. It is one of the major problems that has been complained by the public mainly from overcharging of taxi, van and motorbike taxi. There are there main issue 1.The tribute form influential people 2.Traffic rule relief 3.How to control illegal motorbike taxi group.

Underground economy or Informal economy (Sangsidh Phiriyarangsana, 2005) means the unrecorded activities in the National Income Account which is not taxable and the uncovered by law such as 1. Underground lotto casinos football gambling drugs and informal loan and prostitution 2. Corruption both with the private and government sectors i.e. the corrupted policies and the bribe from the police 3. Tax

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avoiding of private businessmen and other business 4. Informal Business i.e. motorbike taxi illegal vans homemade alcohol unlicensed local banks this business sometime can be called informal business

Munawut Zelanan (2005) according to research on "Economic analysis of organizing a motorcycle taxi in Bangkok" The results of thesis: income per person are not increased significantly. Because the large entrepreneurs come to work freely and found that these professionals were satisfied with the government regulation and also found that there is still a win and some illegal motorcycle jackets that should be fixed quickly.

Pornprapa Banjitkit (2007) according to research on "The impact of tax burden on the demand for money and the size of the informal economy of Thailand" The study indicated that there is only a direct tax burden that is an important factor affecting the behavior of demand for holding coins and banknotes. By finding a relationship in the same way which needs to raise money in each period and find the amount of money that has been used as an exchange medium to pay the price to create value in the economic system and may reflect the income derived from the informal economic activities.

Preeynuch Watthanakul (2008) according to research on "Politics of Chiang Mai Mass Transportation System" The study indicated that Failure to organize the Chiang Mai Mass Transit System Comes from the basic factors: 1) lack of clear strategies 2) conflicts between personal and collective interests of both government and private sectors that are important to the mass transit system 3) Lack of vigorous demand and motivation from people who use the service actively.

### Finding

Important policies of the National Peacekeeping Council (NCPO) to reduce the problems of the people. After the operation in Bangkok by the government of the National Peacekeeping Council Has assigned the 14th army district to coordinate the local administrative organization solve problems and organize them concrete to reduce problems that have occurred for a long time. They have come up with 3 steps in order to organize the motorbike taxi.

Step 1 Organize the signage for motorbike taxi with the fares that transparent and fair, no obstruction to the public and get rid off the mafia seeking for kickback and eliminate the illegal motorbike taxi

Step 2 set the regulations to be updated according to the law

Step 3 plan for sustainability by not having influential people or stopping the kickback system

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Even though these problems arise from the expansion of the city and population and the failure of good urban planning that lead to the occurrence of motorbike taxis, but the kickback has happened long before. It is a norm to the society. This problem has been identified by the existing government which started the campaign on “The organizing of public transportation” which become an important issue especially in term of correcting kickback and revenue to the country the question still remain whether this issue will be resolved or not in the future. (MGR, 2014)

From the studying we can describe by using 2 theories which are 1. Patronage system 2. Rent seeking with Underground economy.

We can use the theory to explain the persistence of motorbike taxi as illustrate belows

### **Discussion**

Previous research can be discussion the results of the study as follows. Efforts to enter the role of the government cause patronage for both acquaintances and unknown people, or the public and private sectors, that is, even though there are problems in the interests of various groups. Can solve the problem with money under the table and be indebted resulting in a patronage system in the end, from the conditions between two individuals, it is consistent with the research of Preeynuch Watthanakul (2008). From the exploitation in the motorbike taxi system of the group, resulting in the influence group of seeking rent. So causing the government to solve the problem by organizing a specific transportation system to protect the rights and benefit of motorcyclists and service users and prevent money flowing out of the system is consistent with the research of Munawut Zelanan (2005) and Pornprapa Banjitkit (2007)

### **Limitations**

From studying the underground economy with a motorbike taxi, we see many problems in this business. When the researcher meet a lot of motorbike taxi riders, they want to solve or way out the problem of buying-selling-renting rights and collecting tribute of influencers.

### **Recommendation**

Problems arise from motorbike taxis have happened for a long time mainly buying/selling/renting motorbike rights, kickbacks informal by using the laws or threats for their benefit. In each area when people want to join the motorbike taxi team, they have to pay the facilitation fees. The researcher believe the problems can

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be solved by privatize the motorbike taxis. Therefore should be study setting up the public company that everyone can come and work by using the application to pick up and deliver passenger. The public company will solve the informal economy system and the kickbacks from the mafia. When everyone is in the system motorbike taxi revenue will be taxed to the revenue department and will be used to other development projects.

### Conclusion

From the study and survey area, the result of this study was obtained from the objectives; To study the causes and factors of the informal economy that still exist Case study of motorbike taxi in Pattaya city. That comes from motorbike taxi riders, and an influential person, both inside and outside the system, having to adjust according to the law and relying on legal gaps to bring people closer to join the group motorbike taxi riders. How to enter to motorbike taxi group, there are still tribute payments, so there is a difference between people who know people in the group and don't know anyone at all, in some cases such fees can be cheaper if you have known someone in the team than not another word the patronage system happens in the business. However, the kickback is still existed no matter how you join the team. Kickback can be in the form of the protection fee or others. These fees have long been as the informal economy which comes from the group leader, motorbike taxi riders and the influencers adapt themselves to the laws in order to keep the system in place. Although the government has tried very hard to these problems by set up the rules, the group of people who benefit from the business will find ways to keep the system to the way they want. In addition, the motorbike taxis also try to find a way to sell the right to their friends or relatives which can be valuable and that also one of the causes of higher fares to than from local mafias, illegal taxis, overcharging fares and other problems related to local mafias. Thus causing the patronage system and rent-seeking are the informal economy that has a tremendous value still in the motorcycle taxi business which may take a long time and rely on cooperation from all sectors to solve the problem in the future.

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