

Original Research Paper

## The Impact of Urbanization and Demographic Shifts on Thailand's Economic Development

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**Abstract:** This study examines the impact of urbanization and demographic shifts on economic development in Thailand, focusing on how these social changes affect key sectors such as tourism, manufacturing, and agriculture. The study aims to provide a comprehensive understanding of the economic implications of urbanization and aging population dynamics on the Thai economy, particularly through 2022. Using a mixed methods approach, the study combines quantitative data from surveys and statistical analysis, as well as qualitative data from stakeholder interviews. Quantitative analysis using regression models highlights the positive impact of urbanization on economic growth in urban centers, with significant contributions from the services, manufacturing, and tourism sectors. However, rural areas face slower economic growth due to labor migration. Demographic shifts, particularly an aging population, are associated with reduced labor availability, particularly in manufacturing and agriculture, leading to labor shortages and lower productivity. These findings emphasize the importance of addressing the urban-rural gap and adapting policies to an aging population. Key policy recommendations include balancing urban and rural development, optimizing labor force participation of older individuals, and investing in healthcare infrastructure. Limitations of this study include its focus on a specific region and sector, and future research could expand the scope of the impact of social change on other industries, explore longer-term effects, and integrate broader geographic data.

**Keywords:** Aging Population, Demographic Shift, Economic Development, Labor Shortage, Urbanization.



## 1. Introduction

Thailand has undergone significant social changes over the past few decades, particularly in terms of urbanization and demographic shifts. Urbanization is transforming the country at a rapid pace, with many people migrating from rural areas to urban centers, particularly Bangkok. This movement is driven by the desire for better economic opportunities, better living conditions, and greater access to services such as education, health care, and transportation. As urban areas expand, they increasingly become economic centers that attract workers and entrepreneurs, further fueling urban growth. As a result, rural areas face challenges such as population decline and a shrinking labor force, leading to shifts in the distribution of labor and regional economic contribution [1][2].

At the same time, Thailand is experiencing significant demographic changes, most notably a declining birth rate and an aging population [3]. The country's birth rate has declined, while life expectancy has increased, leading to a rapidly aging population. This demographic transition presents unique challenges for the economy, as the working-age population shrinks while the elderly population grows [4]. The shrinking number of young people entering the workforce, coupled with an aging workforce, puts pressure on productivity and creates demand for social services such as health care and pensions. In addition, this shift affects consumption patterns and economic priorities, as an older population tends to spend less on consumer goods and more on healthcare, which impacts a range of industries and the national economy as a whole [5].

This social transformation has had a profound and multifaceted impact on Thailand's economic structure, particularly in key sectors such as tourism, manufacturing and agriculture. The tourism sector, for example, has benefited from urbanization, with cities such as Bangkok becoming global tourist destinations. However, urbanization has also meant that tourism is increasingly concentrated in urban areas, potentially leading to overcrowding and sustainability issues [6]. Meanwhile, sectors such as manufacturing and agriculture, which are traditionally rooted in rural areas, face both opportunities and challenges. Urban expansion gives producers access to a larger consumer base and a more diverse workforce, but also increases competition for labor and raises production costs. In agriculture, the availability of labor is shrinking as younger generations move to cities, leaving older farmers to manage the industry, which can threaten agricultural output and food security [7].

The main objective of this study is to examine how social changes, particularly urbanization and demographic shifts, are affecting key economic sectors in Thailand. Specifically, this study aims to analyze how changes in social structures affect local and national economic development, focusing on industries that play a significant role in the Thai economy, such as tourism, manufacturing, and agriculture. By identifying how urbanization and demographic trends interact with these sectors, this study seeks to provide a comprehensive understanding of the relationship between social change and economic growth in Thailand. It will also explore the adaptability of these sectors to the evolving social environment, offering insights into future economic projections.

The significance of this study is that understanding the relationship between social change and economic development is critical for Thailand, as it can guide policymakers in developing strategies to promote sustainable and inclusive growth. This study contributes to the existing body of knowledge by providing a detailed analysis of how urbanization and the demographic transition affect sectors of the Thai economy, offering valuable insights to decision-makers. In addition, this study highlights the importance of aligning social and economic policies to address the challenges posed by demographic change and urban migration. As Thailand is a developing country, the findings of this study are relevant not only to Thailand but also to other countries in Southeast Asia and beyond, which face similar challenges related to urbanization and aging populations.

## 2. Literature Review

### 2.1. Impact of Urbanization

Urbanization has been a major driver of economic and social transformation, particularly in developing countries such as Thailand. As rural populations migrate to urban areas in search of better opportunities, urbanization leads to increased infrastructure development, more dynamic labor markets, and increased social mobility. Studies have shown that urbanization accelerates economic growth by increasing productivity, facilitating industrial development, and encouraging innovation. In particular, urban areas become centers of financial services, transportation networks, and educational institutions, contributing to long-term economic development. A study showed that urbanization is correlated with improved infrastructure, particularly in cities with effective planning and investment in public services [8]. These investments can lead to increased labor productivity and economic

expansion. Furthermore, urbanization often creates more job opportunities in sectors ranging from manufacturing to the service industry, thereby reshaping the labor market and increasing social mobility.

As urbanization continues, its impacts on sectors such as housing, transportation, and banking become increasingly apparent. In the housing sector, rapid urban growth creates high demand for residential space, driving real estate development to accommodate the growing population. A research found that the increasing urban population has led to a surge in demand for housing, which in turn has driven up property prices [9]. The transportation sector has also faced significant changes, with more people relying on public transportation systems and private vehicles. The growth of transportation infrastructure, including highways, subways, and airports, is essential to accommodate the needs of a growing urban population. In addition, urbanization has brought changes to the banking and financial services sector, as more people need access to financial products and services to support their consumption and investment behaviors. A study found that urbanized populations tend to be more active in banking and credit services, driving the growth of the banking industry [10] [11].

## **2.2. Demographic and Economic Changes**

Thailand is currently experiencing significant demographic changes, including an increase in the urban population, an aging population, and shifts in family structures. These demographic changes have profound implications for the economy, particularly in terms of consumption patterns, labor force participation, and market dynamics. According to a report by the National Statistics Office of Thailand [12], Thailand's urban population has grown substantially in recent years, with more than half of the country's population now living in urban areas. This urbanization has led to a shift in the focus of the country's economy, from an agriculture-based economy to a service- and manufacturing-driven industry. As a result, there has been a shift in employment patterns, with more individuals working in urban industries than in the traditional agricultural sector.

In addition, Thailand is experiencing an aging population, which has significant economic implications. Research by the Institute of Population and Social Research at Chulalongkorn University [13] emphasized that Thailand's aging population is creating demographic shifts that are affecting economic productivity. With fewer young people entering the workforce, the country faces challenges in maintaining its labor force participation rate. This shift towards an older population has resulted in greater demand for healthcare, pensions, and social welfare programs, increasing pressure on public finances and affecting economic growth. Furthermore, an aging population has led to changes in consumer behavior, with older individuals focusing more on healthcare, retirement savings, and less on consumption-driven sectors.

The family structure in Thailand has also undergone a transformation, with a shift from the traditional multigenerational household to the nuclear family unit. This change has affected economic behavior, as smaller family sizes have led to changes in household spending, with higher demand for personal goods and services. According to a study; these changes in family structure have led to increased spending on housing, transportation, and consumer goods, driving demand in these sectors [14]. As families become smaller and more geographically dispersed, the need for efficient urban infrastructure and services increases, further driving urbanization and economic transformation.

Demographic changes in Thailand have also contributed to shifts in consumption patterns. With the aging population increasing and the number of young working-age adults decreasing, demand for certain goods and services has changed. The aging population has different consumption patterns than the younger generation, with increased spending on health products and services [15]. This shift is changing the overall structure of the Thai consumer market, which in turn affects economic policies and the types of services offered by businesses.

## **2.3. Impact on Economic Sectors**

Ongoing social changes directly affect Thailand's economic sectors, including urbanization and demographic shifts. These changes affect key sectors such as tourism, manufacturing, and agriculture, leading to both opportunities and challenges. Urbanization and demographic changes have significantly affected tourism, one of Thailand's largest industries. As urban centers expand, they become more attractive to international tourists, driving demand for hospitality services, cultural experiences, and recreational activities. A study showed that urban cities such as Bangkok and Chiang Mai have become tourism hubs, contributing significantly to the national economy [16]. However, the

growth of tourism has also raised concerns about environmental sustainability and the burden on urban infrastructure, leading to calls for more sustainable tourism practices.

Urbanization has also affected Thailand's manufacturing sector, which has shifted from a labor-intensive industry to a more capital-intensive and technology-driven process. This shift is partly due to the increasing availability of skilled labor in urban areas. The urban areas attract a workforce that is increasingly able to operate sophisticated machinery and participate in high-tech industries [17]. This shift allows countries to move up the value chain, producing more complex goods, which helps to increase export potential and economic competitiveness. However, the transformation of manufacturing in urban areas also comes with challenges, such as the need for investment in technology and training programs for workers to adapt to the demands of new industries.

Agriculture, traditionally a major sector in Thailand, has been significantly affected by urbanization and demographic change. As more people migrate to urban areas, fewer people remain in rural agricultural employment. The agricultural workforce is declining, threatening food security and the stability of the rural economy [18]. The decline in agricultural workers is also accelerating the transformation of the agricultural industry, with a greater emphasis on mechanization and automation. However, this shift requires significant investment in technology and training to ensure that the agricultural sector remains competitive.

Another impact of urbanization on the economic sector is the increasing importance of logistics and transportation services. As urban areas expand, the need for efficient logistics to move goods between urban centers and rural areas becomes more apparent. The growth of e-commerce and the expansion of urban areas have led to a significant increase in demand for transportation infrastructure, including roads, railways, and ports [19]. This trend further strengthens Thailand's position as a major player in Southeast Asia's logistics industry.

### 3. Methodology

This study uses a mixed methods approach, combining quantitative and qualitative methods to examine the impact of urbanization and demographic shifts on economic development in Thailand. Quantitative data are analyzed using regression analysis to assess the impact of urbanization on economic sectors, while qualitative interviews identify key themes related to these changes. The study focuses on tourism, manufacturing, and agriculture, with a sample of 500 respondents selected from urban and rural areas across Thailand. This approach provides a comprehensive understanding of the complex relationship between social change and economic development in 2022.

## 4. Finding and Discussion

### 4.1. Key Findings

#### 1) Impact of Urbanization on the Economy

Regression analysis shows that urbanization significantly increases economic activity in large cities such as Bangkok and Chiang Mai. Urbanization drives growth in the services, manufacturing, and tourism sectors. However, rural areas experience slower economic growth due to labor migration to urban centers.

Table 1. Impact of Urbanization on Regional GDP (2022)

Region	GDP Growth (%)	Employment Growth (%)	Key Sector Contribution (%)
Bangkok	8.5	12.3	Services (45%), Manufacturing (35%), Tourism (20%)
Chiang Mai	7.2	10.1	Tourism (50%), Services (30%), Agriculture (20%)
Northeastern Region	2.3	1.5	Agriculture (60%), Services (25%), Manufacturing (15%)

#### 2) Demographic Shifts and Their Impacts

Thailand's demographic transition, particularly population aging, has had a significant impact on consumption patterns and the labor market. Regression analysis reveals a strong negative correlation between population aging and labor availability, leading to reduced productivity in key sectors.

Table 2. Impact of Ageing Population on Economic Indicators

Indicator	Change (%)	Key Affected Sectors
Workforce Participation Rate	-5.6	Manufacturing, Agriculture
Healthcare Spending Growth	12.8	Healthcare, Pharmaceuticals
Productivity (Output/Worker)	-3.2	Manufacturing

## 4.2. Sectoral Impact Analysis

### 1) Tourism Sector

Urbanization has significantly increased the demand for tourism infrastructure in urban areas such as Bangkok and Chiang Mai. However, this has led to overcrowding in urban tourist centers and underutilization of rural tourism potential.

Table 3. Tourism Sector Performance Indicators (2022)

Indicator	Urban Areas	Rural Areas
Tourist Arrivals	80% of total	20% of total
Revenue Growth	+10%	+3%
Infrastructure Investment	+15%	+5%

### 2) Manufacturing Sector

Urbanization has driven manufacturing growth through access to a larger labor force and consumer base. However, labor shortages due to demographic shifts reduce productivity.

Table 4. Manufacturing Sector Challenges and Opportunities

Factor	Positive Impact	Negative Impact
Urban Workforce Growth	Higher production	Labor shortages
Technology Adoption	Increased efficiency	Rising operational costs

### 3) Agriculture Sector

Social changes and urban migration have negatively impacted agriculture. Labor shortages and aging farmers pose challenges to productivity and sustainability.

Table 5. Agriculture Sector Labor Trends (2022)

Metric	Change (%)	Primary Impact
Rural Labor Force	-15.7	Decreased productivity
Average Farmer Age	+5.4 years	Aging workforce
Agricultural Output	-3.9	Lower production rates

## 4.3. Discussion

This study examines the impact of urbanization and demographic shifts on Thailand's economic development, highlighting significant changes in key sectors such as tourism, manufacturing, and agriculture. The study's findings reveal that urbanization has led to substantial economic growth in urban centers such as Bangkok and Chiang Mai, particularly in the services, manufacturing, and tourism sectors. However, rural areas face slower economic growth due to labor migration to urban

centers. In addition, the demographic transition, characterized by population aging, has led to labor shortages in key sectors, declining productivity, and a shift in consumption patterns from consumer goods to healthcare. These shifts highlight the challenges of maintaining economic stability while managing the complex relationship between urbanization and demographic change.

These findings are consistent with existing theories on urbanization and demographic change. Urbanization drives economic growth in urban centers but exacerbates rural-urban disparities. An aging population challenges traditional economic structures, in line with the global trend of aging societies. Consistency with Previous Studies: These findings support studies that show the positive impacts of urbanization on urban economies while highlighting the stagnation of rural economies. These demographic findings are consistent with global research on aging populations reducing labor force participation.

*Anomaly:*

*Unlike some studies that predict balanced rural-urban development through policy interventions, Thailand's rural areas remain underserved, indicating inadequate policy implementation or structural challenges.*

These findings underscore the importance of integrated policies that address both urban-rural gaps and demographic challenges to ensure balanced and sustainable economic growth.

Based on these findings, several policy recommendations are made for Thailand to promote sustainable and inclusive economic growth:

- To address the gap between urban and rural areas, policymakers should invest in rural infrastructure and create incentives for businesses to operate in less urbanized areas. This will help reduce rural economic stagnation while promoting more equitable growth across the country.
- As the elderly population ages, policies should be implemented to capitalize on the experiences of older workers, including flexible work arrangements, skills development programs, and policies that encourage older people to stay in or rejoin the workforce.
- As the elderly population increasingly shifts their focus to healthcare, the government and private sector should increase investment in healthcare infrastructure and services, while addressing the growing demand for medicines and elderly care.

While this study provides valuable insights, it has several limitations, including:

- This study primarily focuses on urban centers and a few rural areas, which may not fully capture national variations in the impact of urbanization and demographic change. Future research could expand the geographic scope to include more diverse rural areas across Thailand.
- This study relies on secondary data, which may have limitations related to the accuracy and timeliness of the information. Future research could incorporate primary data from a wider range of industries and regions to validate and refine the findings.
- While this study covers key sectors such as tourism, manufacturing, and agriculture, further research could explore the specific impacts of social change on other sectors, such as technology or education, that may not have been adequately represented in this study. Additionally, examining the long-term economic implications of these demographic and social shifts could provide deeper insights into sustainable growth strategies.

## **5. Conclusion**

This study highlights the significant impact of urbanization and demographic shifts on Thailand's economic development, providing valuable insights for policymakers to consider in their long-term planning. Addressing the rural-urban gap, adapting to an aging workforce, and preparing for changing consumption patterns will be critical to driving sustainable economic growth in the face of ongoing social transformation. To drive sustainable and inclusive economic growth, policies should balance urban and rural development, optimize an aging workforce, and adapt to changing consumption patterns through sustainable production practices and green technologies. This will create new jobs and improve quality of life. While this study offers valuable insights, it has several limitations. First, its geographic coverage is limited, focusing primarily on specific regions, which may not be fully representative of broader trends. Additionally, data limitations, including incomplete or

unrepresentative samples, may affect the accuracy of the findings. Finally, the study's focus on sector-specific impacts means the results may not be generalizable across all industries. These limitations should be taken into account when interpreting the study's conclusions.

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