

Financial Inclusion in Thailand

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Order of

Country profile

Definition of Financial Inclusion

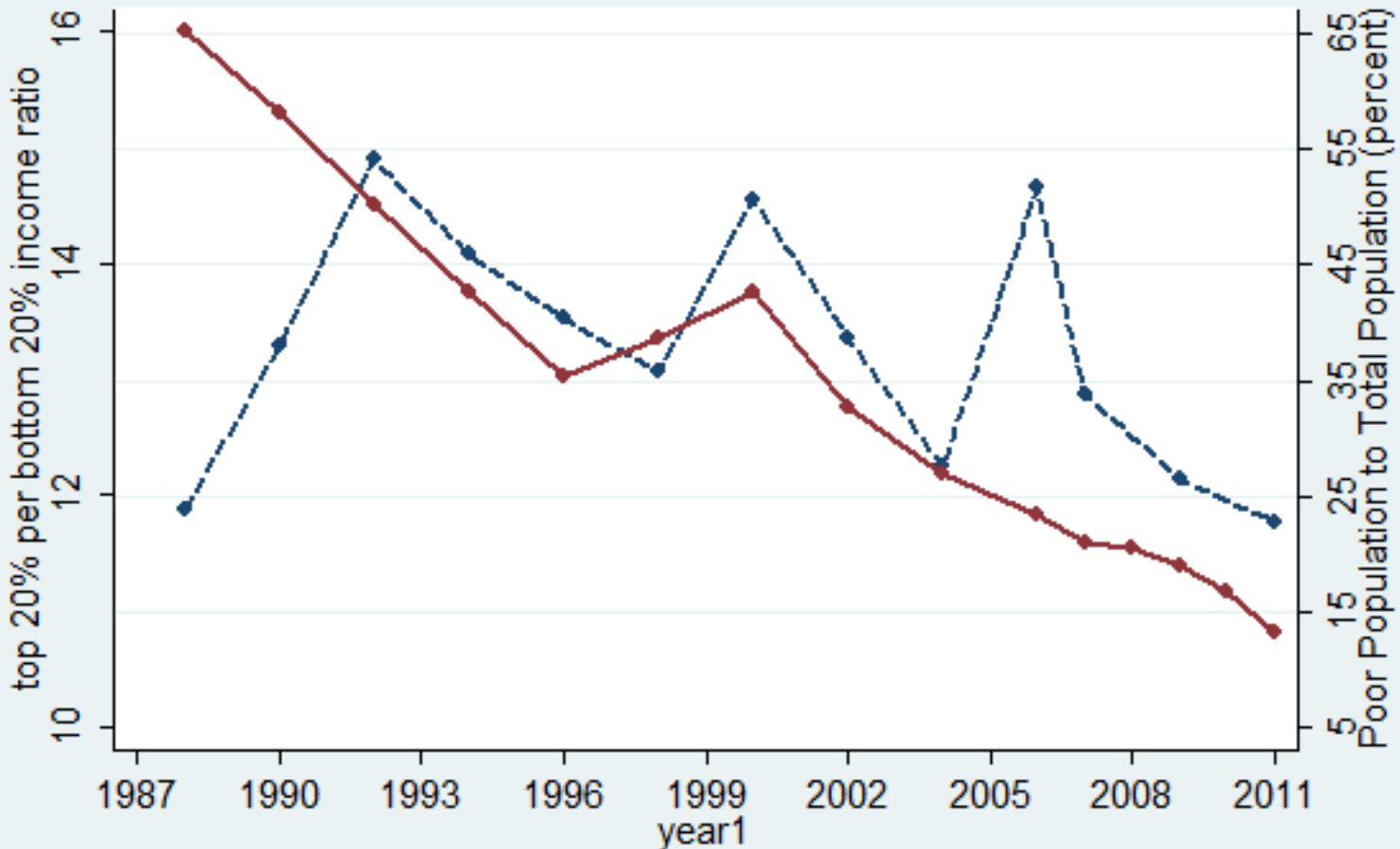
State of Financial Inclusion in Thailand

- Supply of financial services
- Demand of financial services

Financial Inclusion in Thailand – Forward Looking

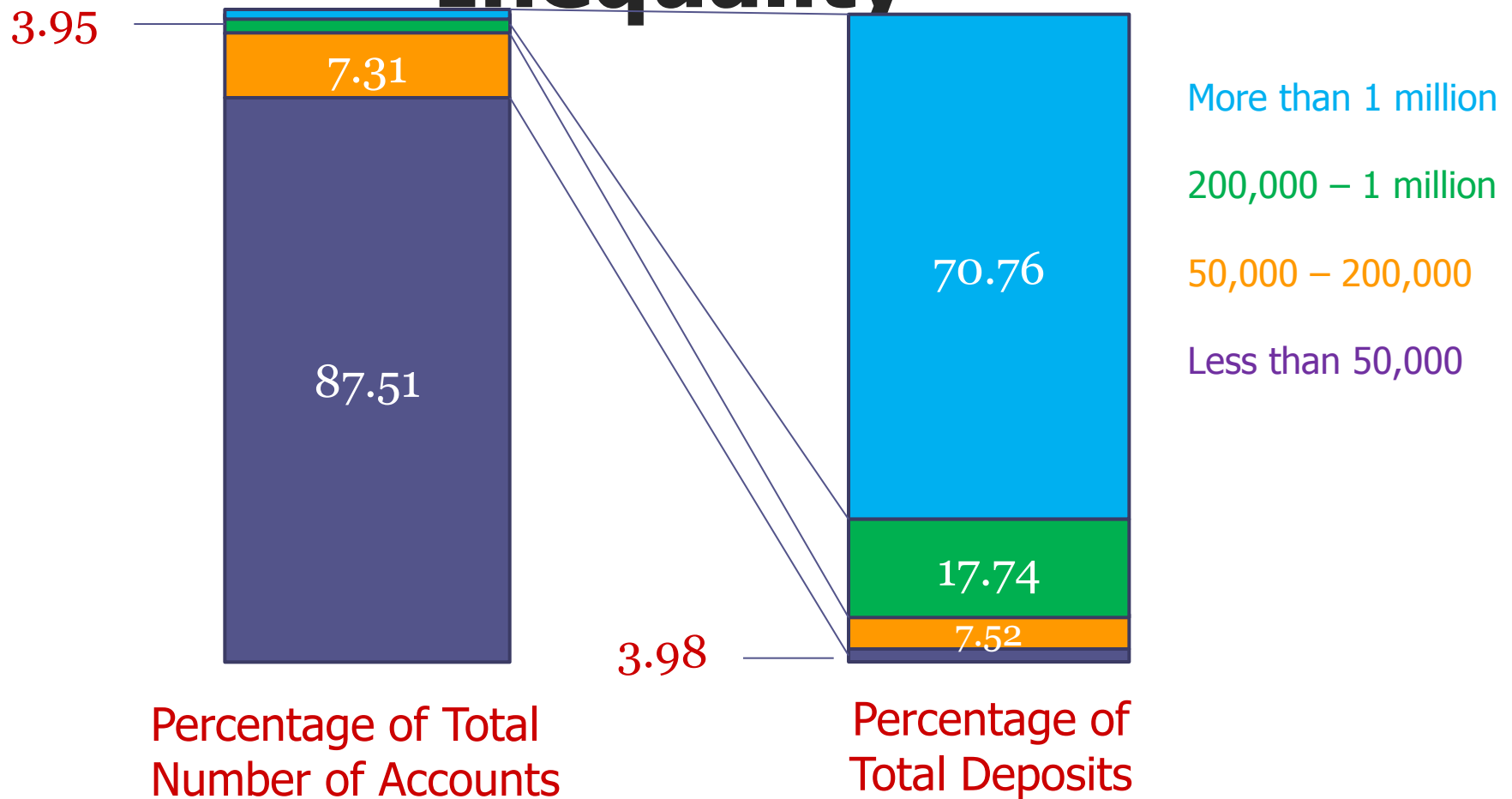
Country Profile

Country Profile: Poverty &



---◆--- top 20% to bottom 20% income ratio
 —●— Percent of Poor Population

Country Profile: 'Financial' Inequality



Country Profile: 'Financial'

Account Size (THB)	Number of Accounts (million)	% to Total Number of Accounts	Deposits (million)	% to Total Deposits
<= 50,000	68.90	87.51	310,504	3.98
50,000 – 200,000	5.76	7.31	586,793	7.52
200,000 – 1 million	3.11	3.95	1,383,046	17.74
1 million – 10 million	0.90	1.14	2,304,226	29.55
10 million or more	0.07	0.09	3,213,572	41.21
Total	78.73	100.00	7,798,141	100.00

Source: Bank of Thailand, as of October 2011

Implication:

1. Bank accounts are widespread, but most accounts remain dormant, only to be used for occasional transfers.
2. The number of bank accounts is just a small part of financial inclusion.

Definition of Financial

Inclusion

- UN: “provision of access to a wide range of convenient and affordable financial services, including savings, credit, insurance, pensions, payments and remittances to all categories of the population, including the low-income and most vulnerable”
- Millennium Development Goals Summit 2010: Universal access, at a reasonable cost, to a wide range of financial services, provided by a diversity of sound and sustainable institutions.

- 1. Universal** – types of financial services/costs
- 2. Reasonable** – prices and costs
- 3. Sound and sustainable**- financially and

State of Financial Inclusion in Thailand: Supply

Supply of Micro Financial Services

as of June 30, 2013

	Providers	Regulators	Total micro-	Total loans
Formal	Commercial banks Finance companies Credit fonciers	BoT Prudential regulation (international standard)	2,221.38 (KTB)	12,000,000
	SFIs	MoF Prudential regulation (less than international standard)	75	
	Non Banks	BoT Prudential regulation (less than international standard)	138,107.0	
Semi-formal	Cooperatives Village funds	MoAC NVFO Non-prudential regulation	1,210,780 5.52 184,189.24	
	Savings groups "Sajja" Savings Money lenders	None Self-regulation	35,000.0 0* 123,234.42**	
			4,007.0	
			21.31	
			Million	
			habt	

* Number estimated from saving groups ** Number from the previous registration of informal loans

Supply of Financial Services

Providers	Number of providers/branches	Number of members/accounts
Commercial banks/Financial companies/Credit foncier	36 banks / 6,447 branches	
Specialized Financial Institutions (SFIs)	8 banks / 2,260 branches	
Non-bank	28 companies	7 million accounts
Cooperatives	13,198	20.7 million members
Village Fund	79,255	12 million members

Financial Inclusion in Thailand – Supply Limitations for Formal Institutions

- **Cost** issue, e.g. commercial banks view cost too high for low-value transactions, especially with interest rate cap.
- **Evaluation** issue, e.g. inability to evaluate SFIs' micro-finance reach
- **Other** issues, e.g. types of collaterals currently allowed.

Financial Inclusion in Thailand – Supply Limitations for Semi- formal and Informal Institutions

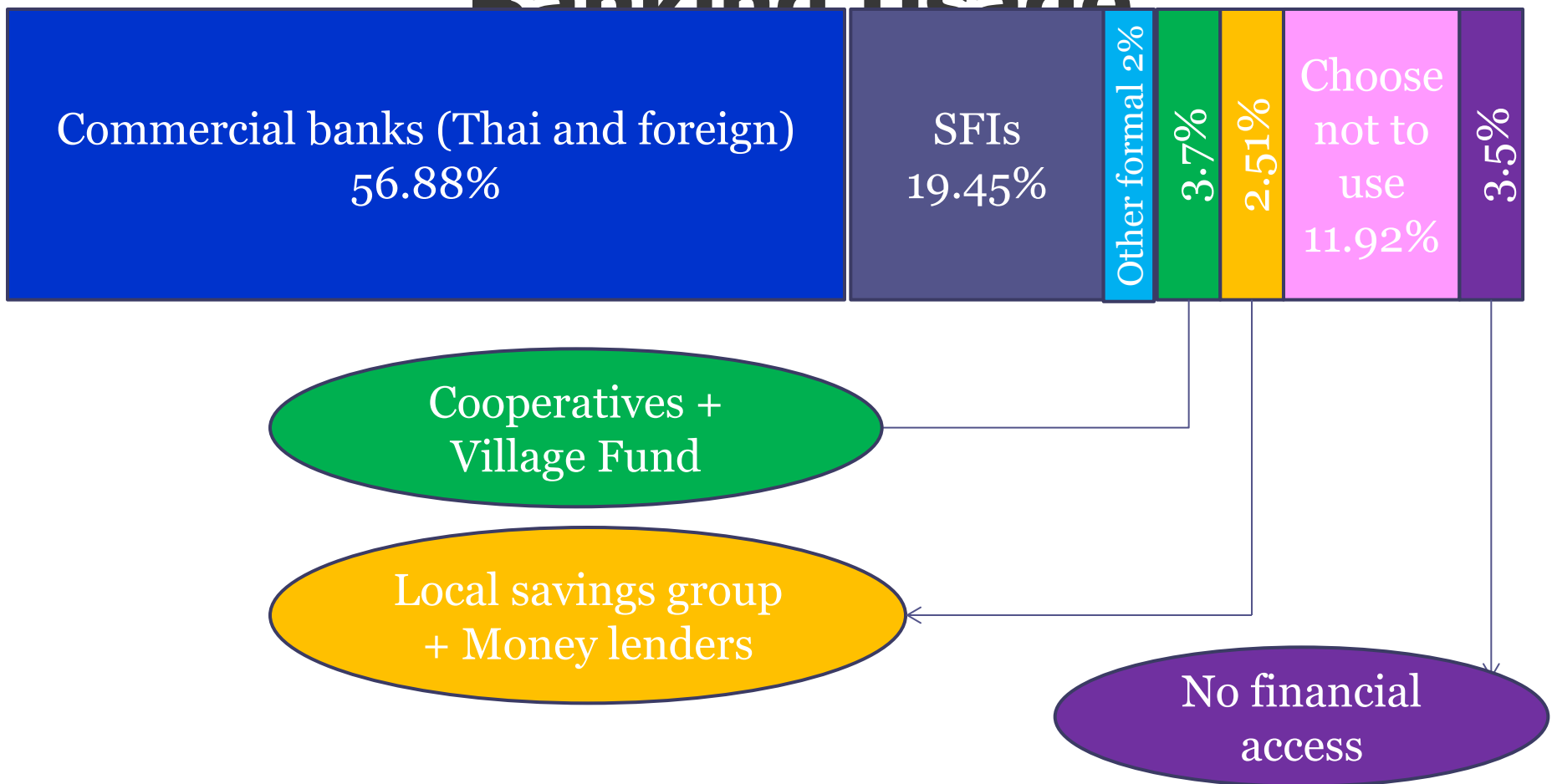
- **Information** issue, e.g. no credit information system for borrowers of community-based financial institutions, no complete information on the coverage of community-based financial institutions.
- **Capital** issue, e.g. community-based financial institutions have limited capital, so they cannot yet completely replace formal institutions.

State of Financial Inclusion in Thailand: Demand

Demand and Usage of Financial Services

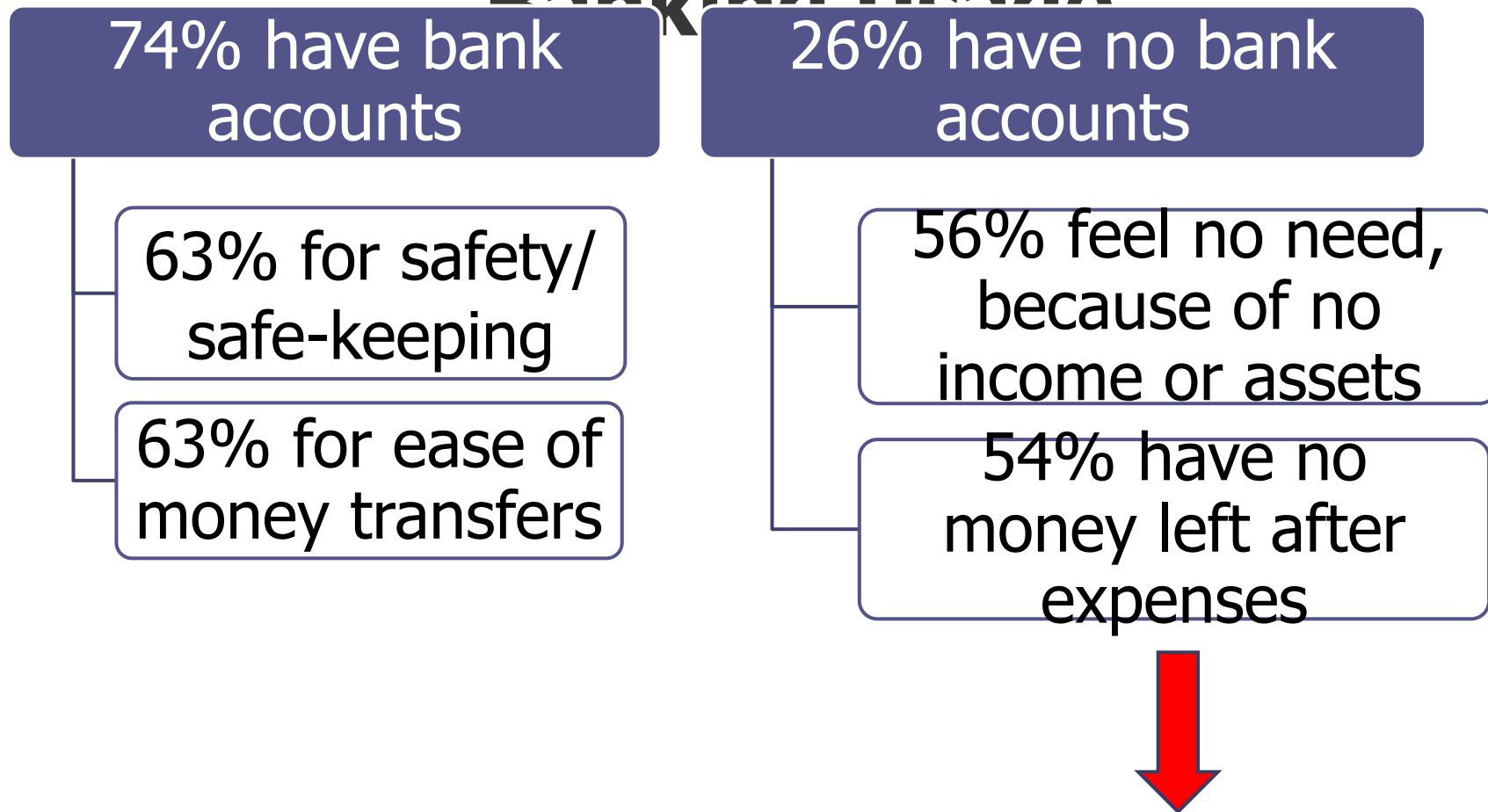
1. Bank of Thailand, 2010 Survey
 - 11,202 households
 - Data on financial access and obstacles to financial access
2. 2013 Finscope Survey, joint ADB-FPO project, Development of a Strategic Framework for Financial Inclusion
 - 6,000 observations
 - Socio-economic data and financial usage data

Financial Inclusion in Thailand – Banking Usage



Source: Bank of Thailand, 2010 Survey

Financial Inclusion in Thailand – Banking Usage



Implication: People have no bank account because they cannot.

Source – Finscope Survey, Development of a Strategic Framework for

Financial Inclusion in Thailand - Savings

Savings Method	%
At home	33
Commercial banks	32
Specialized Financial Institutions (SFIs)	29
Gold/Jewels	16
Local saving groups	15
Village Fund	10
Insurance-linked deposits	9
With employers	4
With family	4
Cooperatives, Credit Union, and Farmers Group	4

Source: Finscope Survey, Development of a Strategic Framework for

Can Thai people save recently?

68% said they can

42% save enough for one-month expenses

53% have insufficient savings for one-month expenses

32% said they cannot

80% have no money left after expenses

12% have no income

Implication: Thai people are still unable to save.

Can Thai people save?

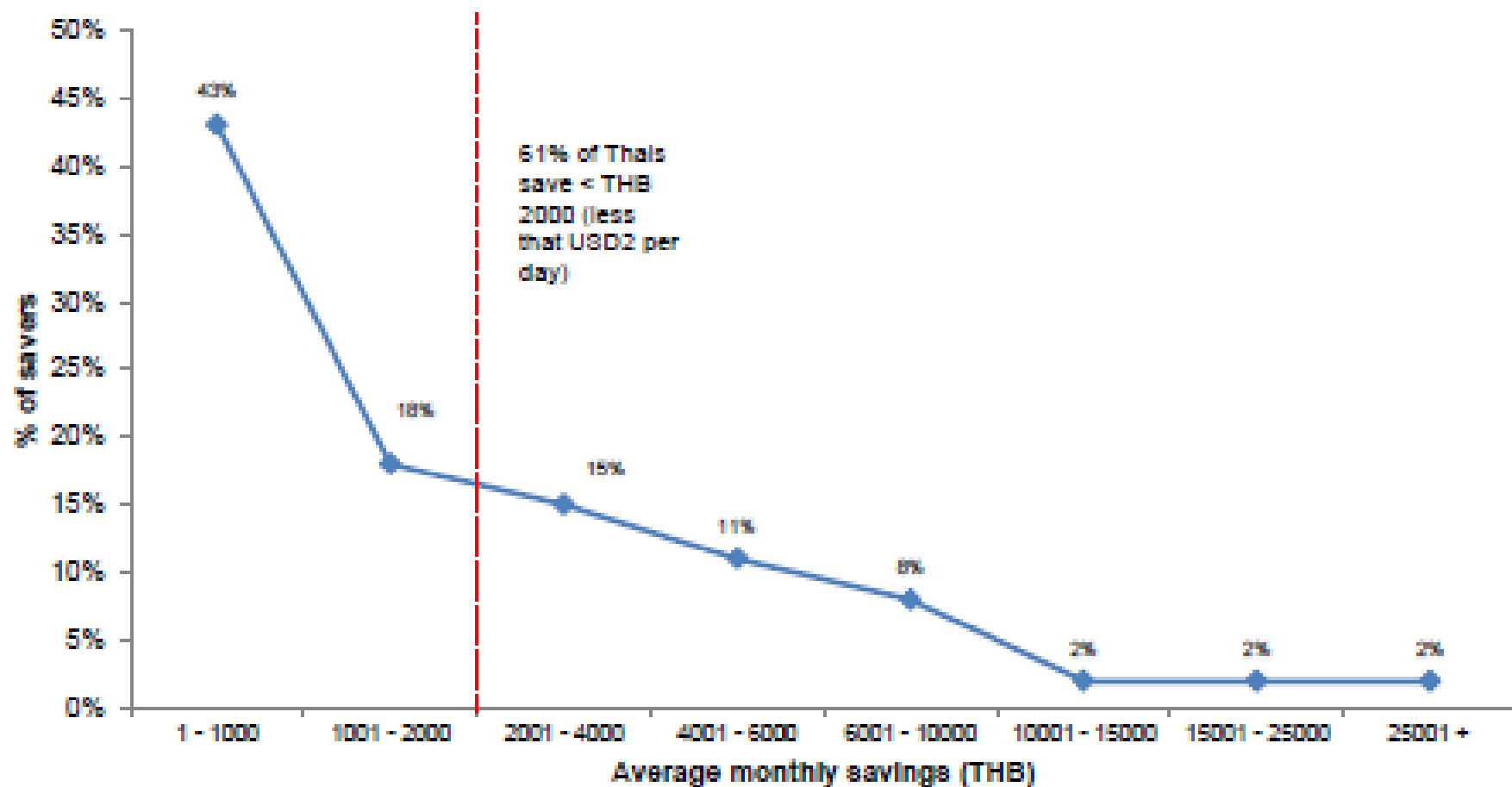
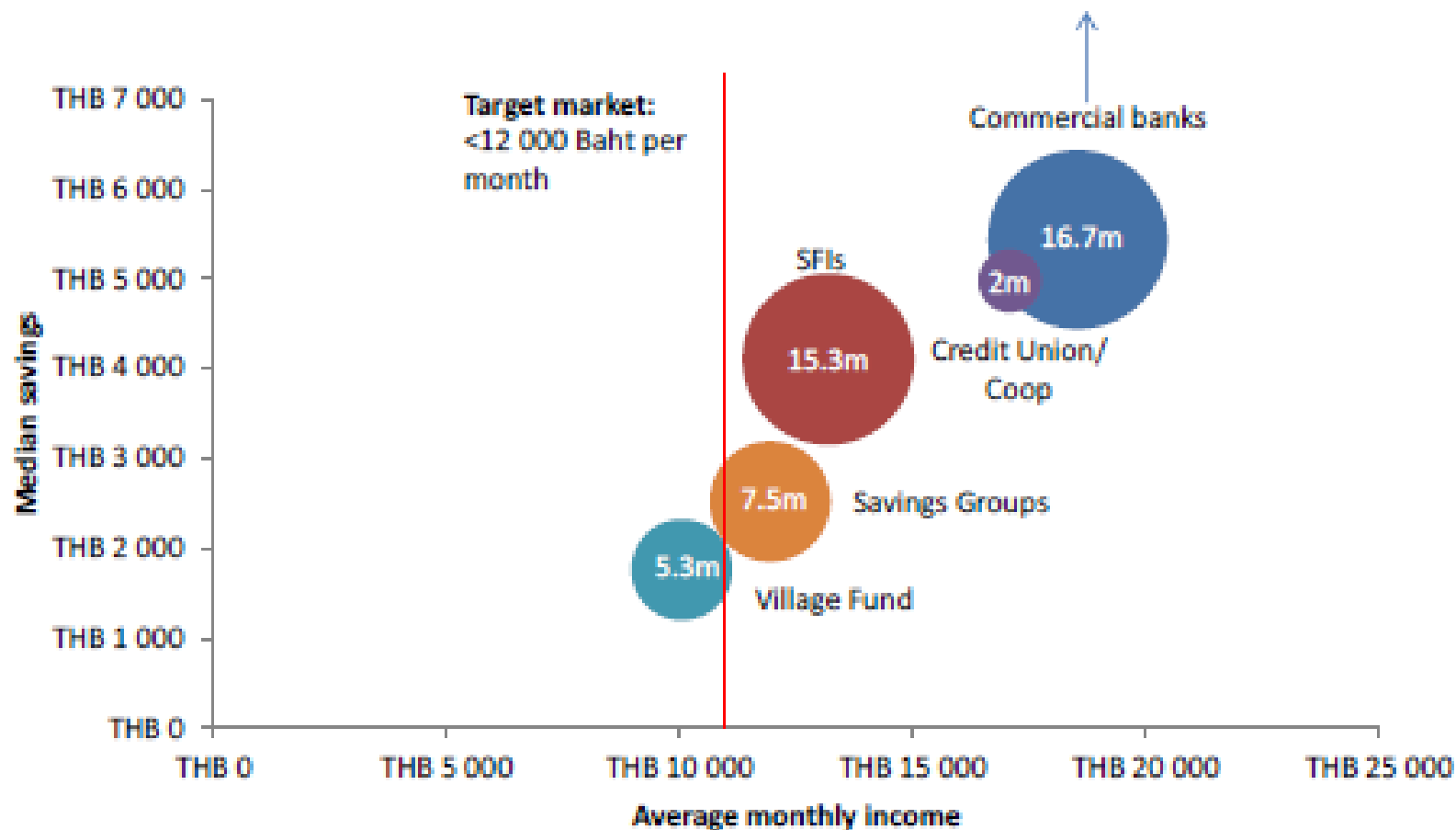


Figure 15: Average monthly savings

Source: Thailand FinScope, 2013

Financial Inclusion in Thailand - Savings



Source: Finscope Survey, Development of a Strategic Framework for

Financial Inclusion in Thailand

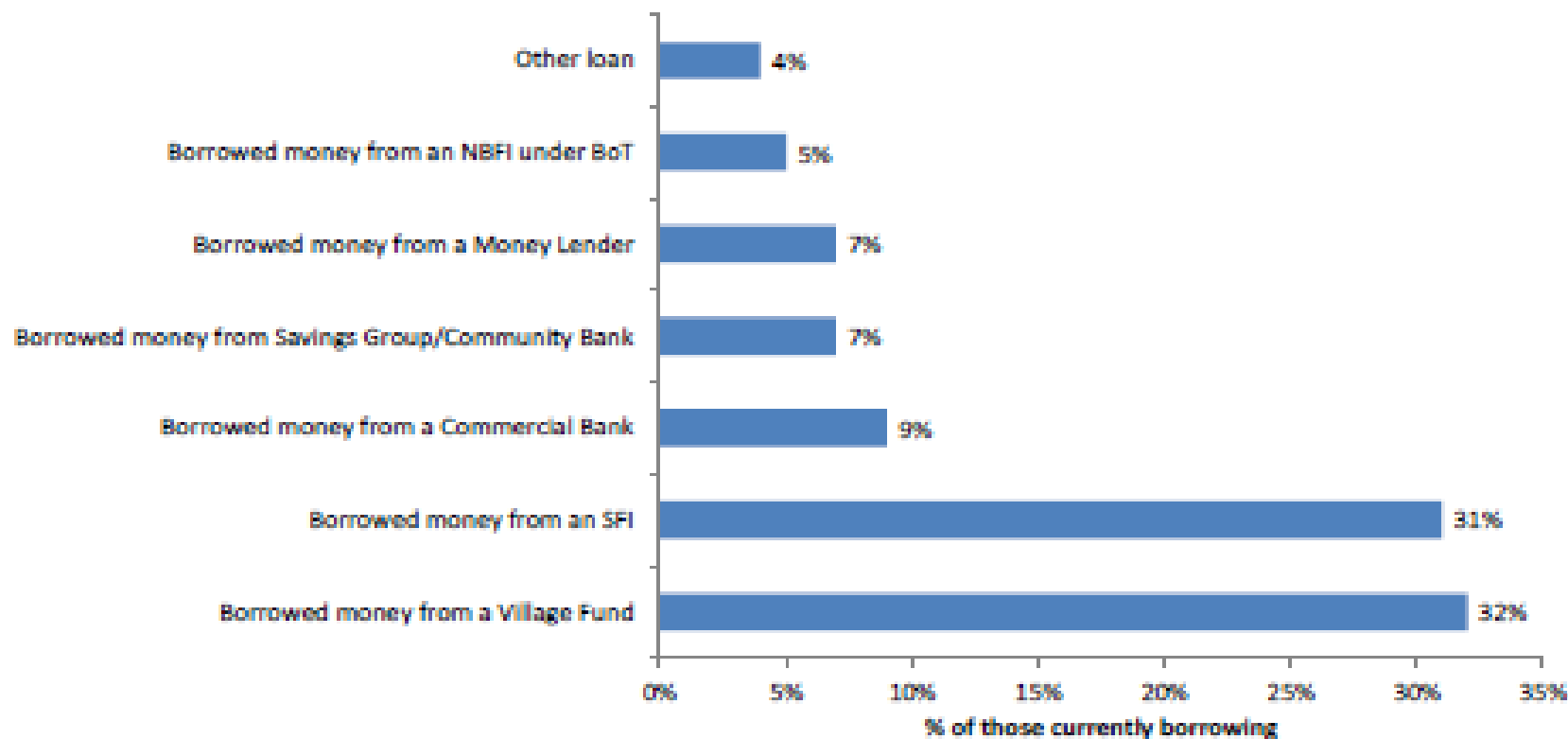


Figure 10: Primary institution used by those who are borrowing now

Source: FinScope Thailand, 2013

Financial Inclusion in Thailand

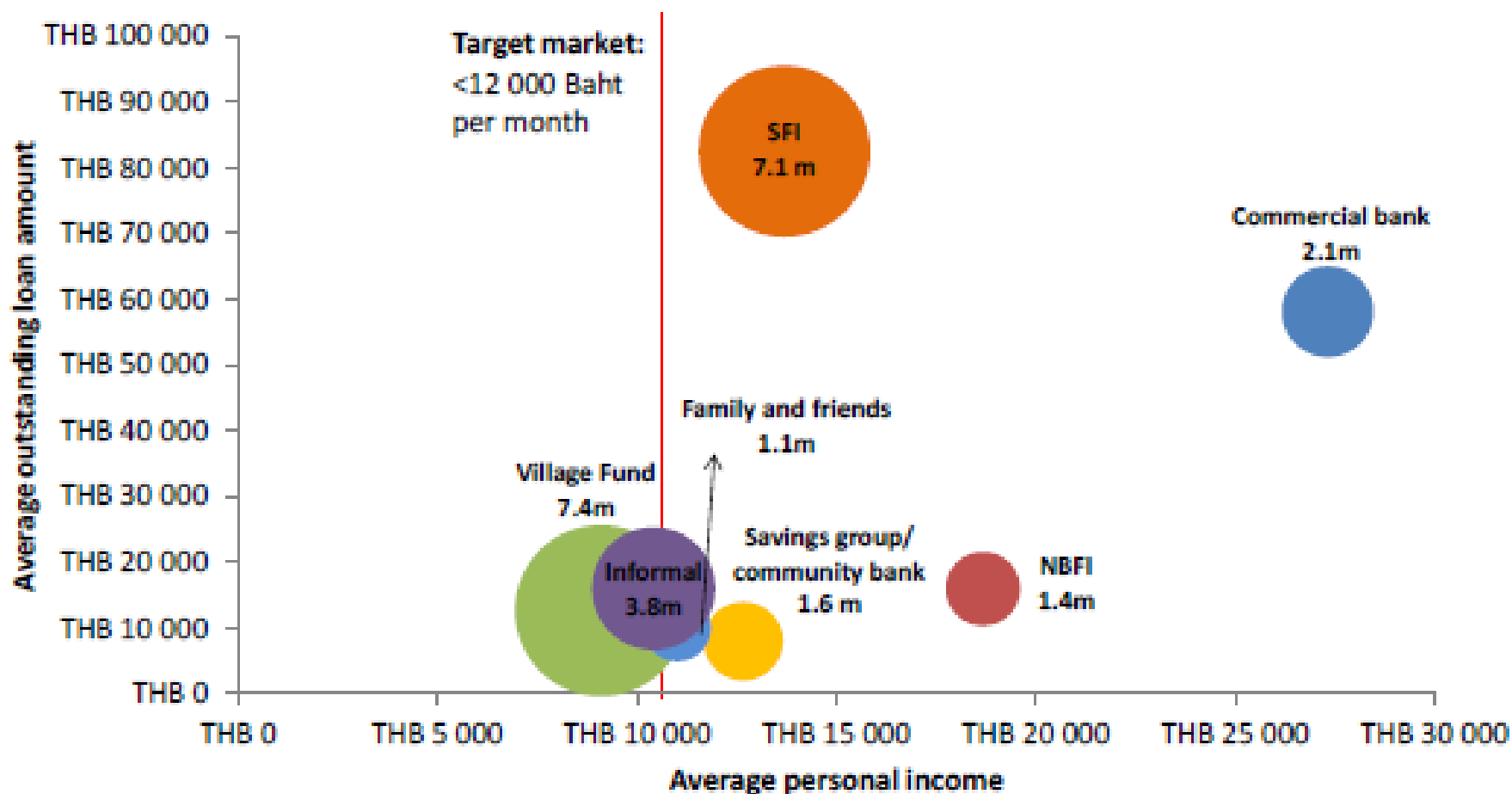
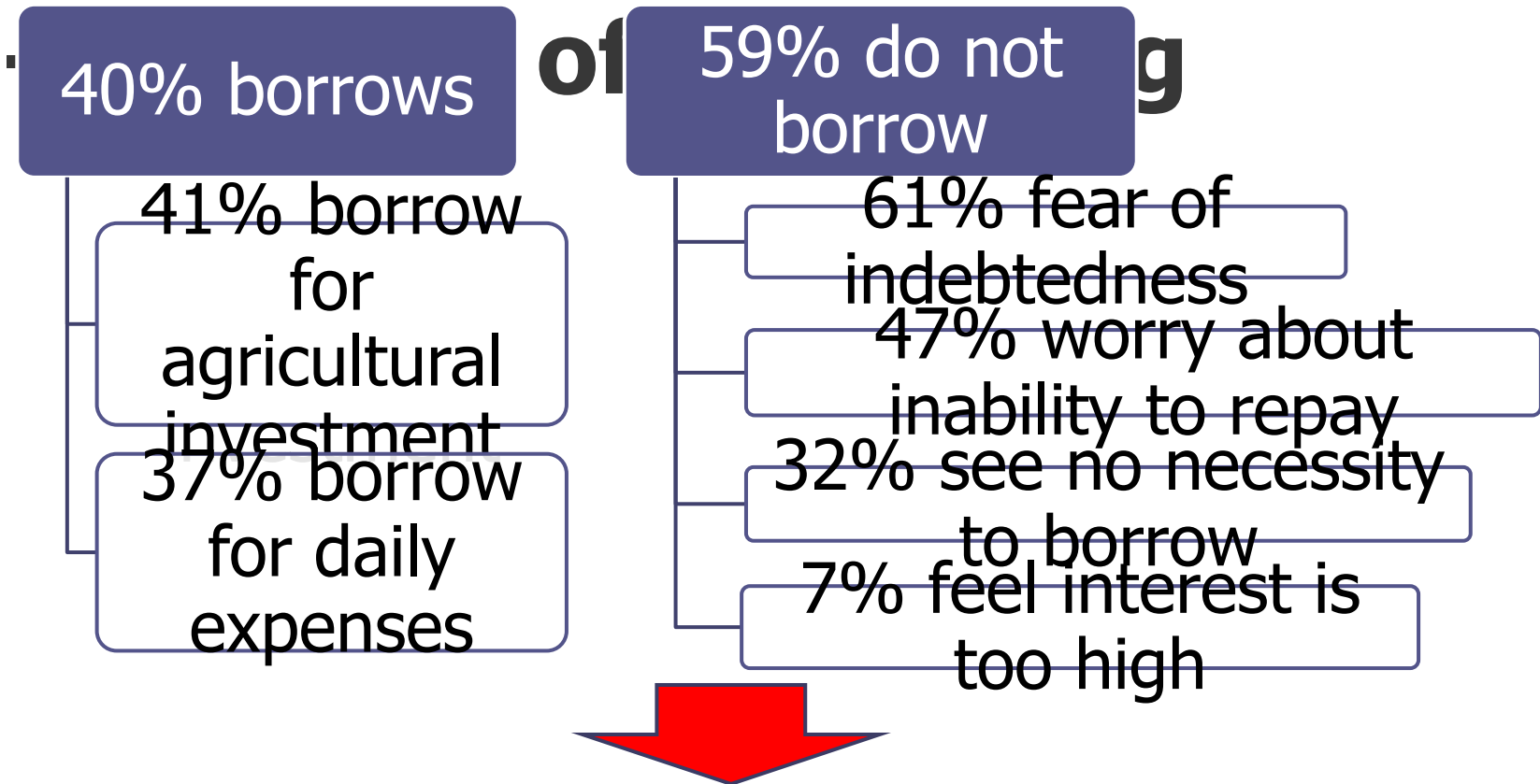


Figure 8: Relative portfolio size of loan providers vs. average outstanding loan amount and average borrower income

Source: FinScope Thailand, 2013

Financial Inclusion in Thailand

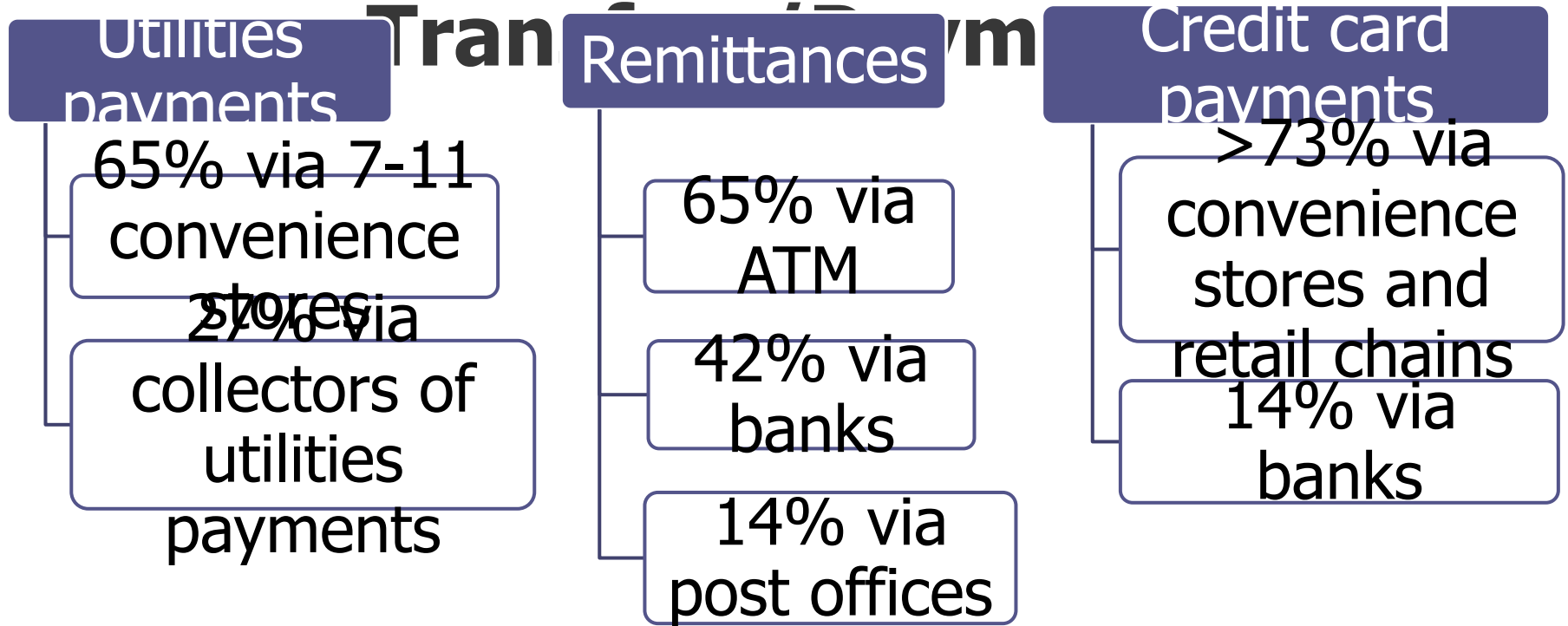


Implications:

1. Loans products should cater to agricultural sector and short-term borrowers.
2. Thai people remain fearful and anxious about borrowing, partly due to the perception of high interest.

Financial Inclusion in Thailand –

Transaction



Implication: A wide network of convenience stores and retail chains can be a basis for the expansion of financial activities and the development of financial inclusion.

Financial Inclusion in Thailand – Demand Problems

- **Physical** issue, e.g. distance to banks
- **Confidence** issue, e.g. people are fearful of debts, uncertain they can repay.
- **Ability** issue, e.g. many people still have unsustainable income.
- **Interest** issue, e.g. people see no need, especially for formal banking products when they have similar products available locally.

Micro-insurance

Financial Inclusion in Thailand -

57% have insurance

sura

43% have no insurance

49% with funeral funds

48% with auto insurance

(cars and motorcycles)

27% see no need

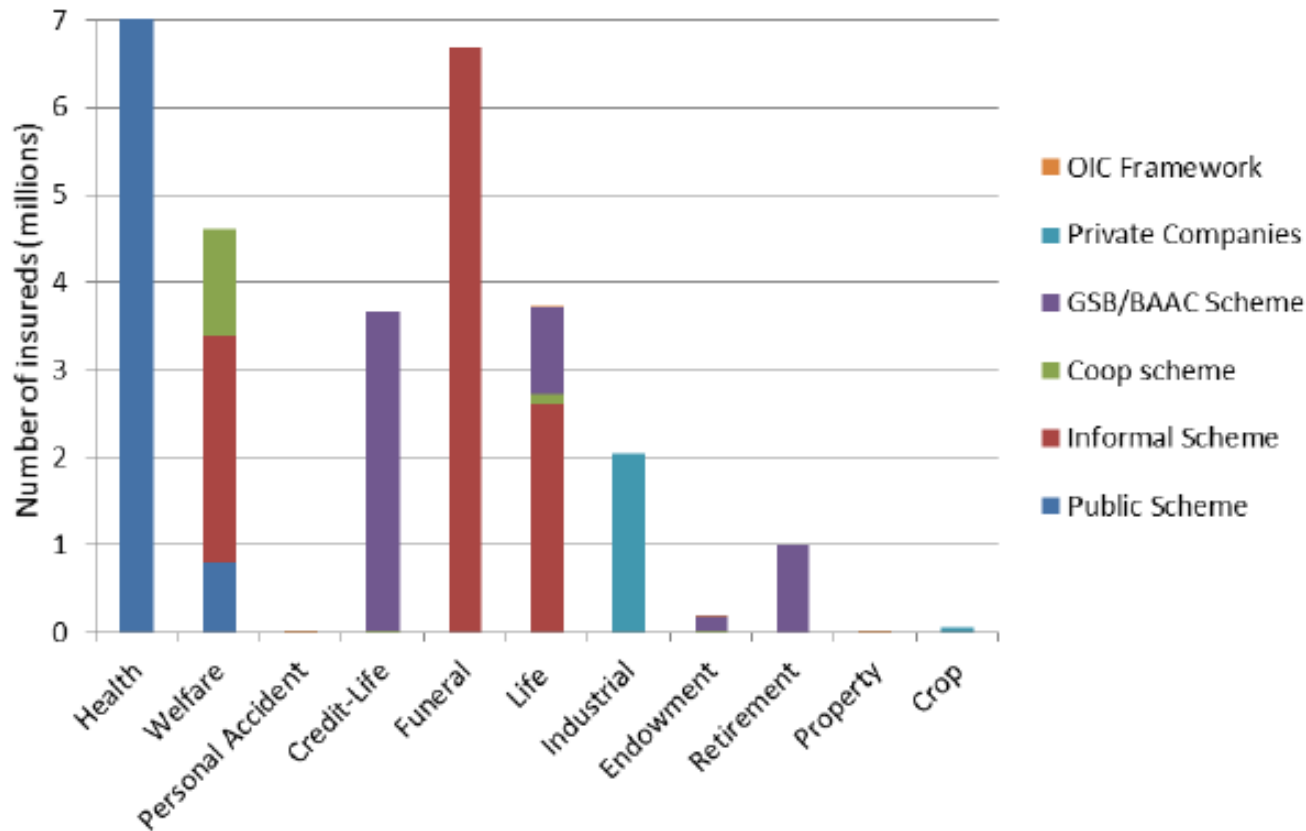
22% cannot afford premiums

Implications:

1. The needs for insurance products are not felt by Thais, maybe due to (1) the availability of universal healthcare coverage and other employer-based welfare schemes, and (2) their feeling towards risks.

2. Government's provision of insurance may hamper awareness and understanding of privately-offered insurance and the concepts of premium and benefits.

Micro-insurance: supply



Despite the seemingly high volume and variety of products available, the penetration figures remain very low with the exception of credit-life and industrial products. The rural population, other than BAAC borrowers, factory workers, informal urbanites, the low to lower-middle income have limited access to insurance products.

Financial Inclusion in Thailand -

Threats

Factors affecting income	%
Rise in prices of goods such as groceries	69
Rise in fuel prices	55
Rise in prices of utilities	54
Death of or loss of income from main income earner	52
Disability – self or household member	52
Loss of job – self or household member	51
Fire or destruction of household property	47
Illness in household or family that requires medical expenses	46
Loss of home	45
Loss of your savings	39

Source: Finscope Survey, Development of a Strategic Framework for

Financial Inclusion in Thailand – Forward Looking

Financial Inclusion in Thailand - Future

- Community-based financial institutions
 - **Demand:** three-fourths of Thai people own home; most are not willing to move.
 - **Supply:** Community-based financial institutions are very established in Thailand.
 - **Future:** To make these already-established community-based financial institutions more stable and

Suggested Regulatory Framework for Community-based Financial Institutions

- One for all – the same regulation for the same type of activities
- Ladder regulation – More stringent regulation for:
 - Institutions with more deposits
 - Institutions serving wider public

Financial Inclusion in Thailand - Future

- Mobile banking / Electronic banking
 - The need is not imminent but it will be a positive development.
 - To reduce the cost of cash
 - To reduce the cost of travelling
 - To gather information from transactions by community-based financial institutions, and possibly make the credit information system more inclusive

Financial Inclusion in Thailand -

- Micro-insurance **Future**
 - Create products that accommodate risks linked to income generation (accident, extended illness, job loss)
 - Broaden and ease up options for micro-insurance distribution and premium payments.
 - Rethink the design of micro-insurance products (not simple miniature of traditional products) and regulation thereof
 - The products can be defined by simplicity, few exclusions, and maximum premiums.
 - Formalize the current insurance-providers, including SETs and community financial

Financial Inclusion Master Plan

I. Improve the financial services providers

Improve stability for community-based financial institutions.

- New laws
- New risk management
- New regulatory scheme

Upgrade the already-expansive network of village funds to more full-fledged financial institutions

Improve the linkage between various community-based financial institutions and their respective networks.

Expand the role of SFIs to better cover the grassroots

- More branches
- More and better products
- Better targets for micro-loans
- Better quality and speed with less complexity

Support commercial banks and non-bank to have bigger roles in the micro-finance sector, possibly by relaxing some regulation

Financial Inclusion Master Plan

II. Improve the financial services recipients

Systematically and continuously improve financial management skills, especially at the grass-root level, i.e. improve awareness and usage of household accounting

Enhance the mechanism and the tools used to educate the people, with more actions from commercial banks and NGOs.

Improve ways to educate people about illegal financial activities, such as Ponzi schemes.

Enable people to have stable stream of income through career-training.

Financial Inclusion Master Plan

III. Improve the financial infrastructure

Draft and amend related laws to facilitate quality micro-finance services, to accommodate the existing demands of micro-loans, and to provide consumer protection.

Establish respective regulatory bodies to supervise the plan implementation and to solve informal loans (loan sharks) problems.

Develop database to collect information that caters to effective policy-making, including national Micro-finance Inclusion Map (MIM).

Re-model regulatory structures of micro-finance activities.

Thank you

