

NATIONAL FINANCIAL INCLUSION STRATEGY: THAILAND EXPERIENCE

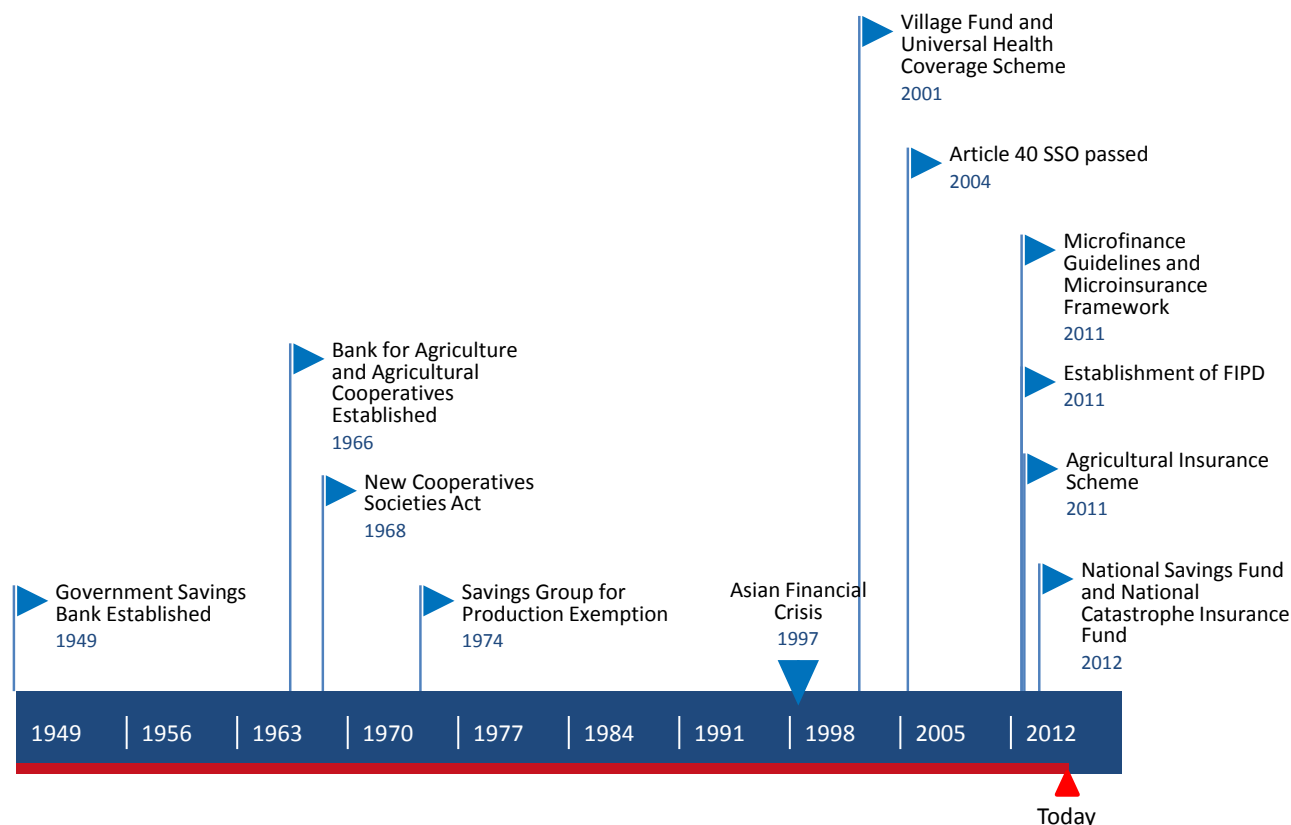
ASIA-PACIFIC FINANCIAL INCLUSION SUMMIT
October 2015

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Thailand Resident Mission

ADB Technical Support to Thailand

- A technical support to Thailand on Development of a Strategic Framework for Financial Inclusion was implemented during 2012-2014.
- Desire to develop the micro finance sector and improve financial inclusion
- Strong government involvement in the sector and lack of private sector participation
- High household debt, relatively low financial literacy and inadequate financial consumer protection

History of Financial Inclusion



- 2014 Nanofinance
- 2015 Master Plan for Financial Inclusion

2004 - 2009 FSMP I

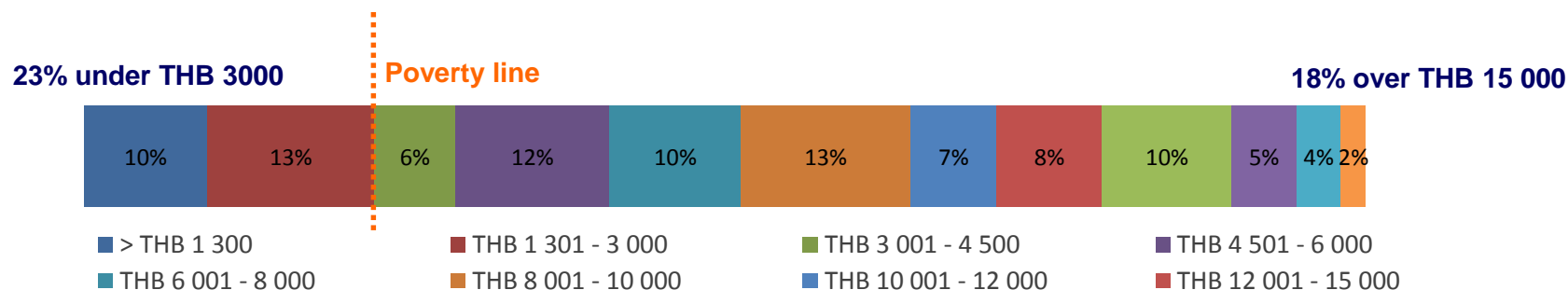
2010 - 2014 FSMP II

2012 - 2016 Payment Systems Roadmap

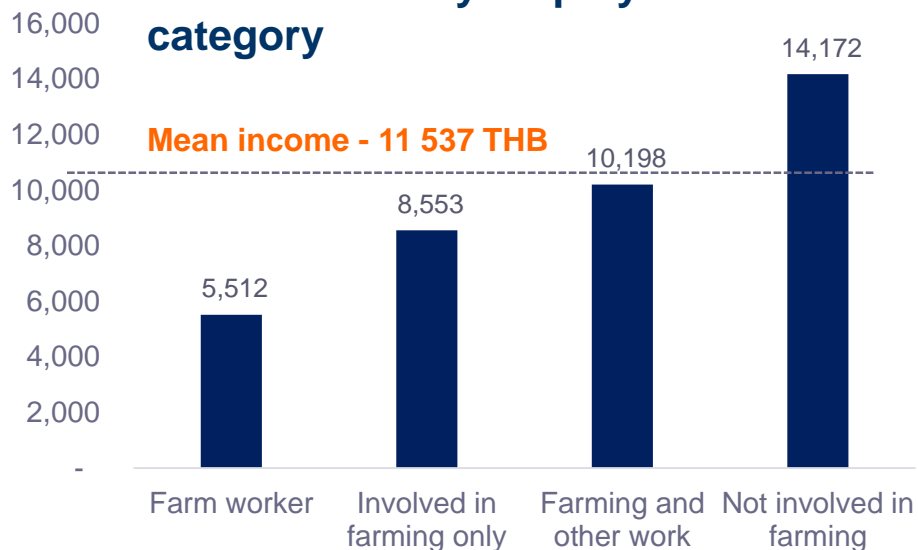
FinScope Survey: Thailand

Profile: income and poverty

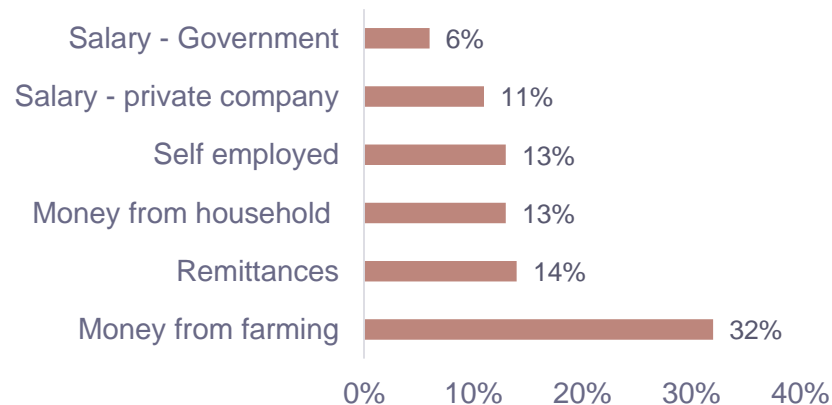
Income structure



Mean income by employment category



Main source of income



Access to Infrastructure

Average time in minutes

| Infrastructure Access | National | Municipal | Non-Municipal |
|-------------------------|----------|-----------|---------------|
| Grocery store | 7 | 7 | 8 |
| Access public transport | 24 | 16 | 29 |
| A market | 26 | 20 | 29 |
| An ATM | 29 | 19 | 35 |
| Medical facility | 30 | 27 | 32 |
| Bank branch | 31 | 21 | 37 |
| Post Office | 33 | 26 | 36 |

Access to Finance

| | | |
|-------------------|------------|-----|
| Banked | 38 374 707 | 74% |
| Formally included | 11 927 274 | 23% |
| Informally served | 1 037 154 | 2% |
| Excluded | 518 577 | 1% |
| Total | | |

- 61% of those banked have National Insurance, 55% vehicle insurance
- 23% have credit life insurance
- 16% borrow and 12% save with a Village Fund

Savings mechanism and behaviour

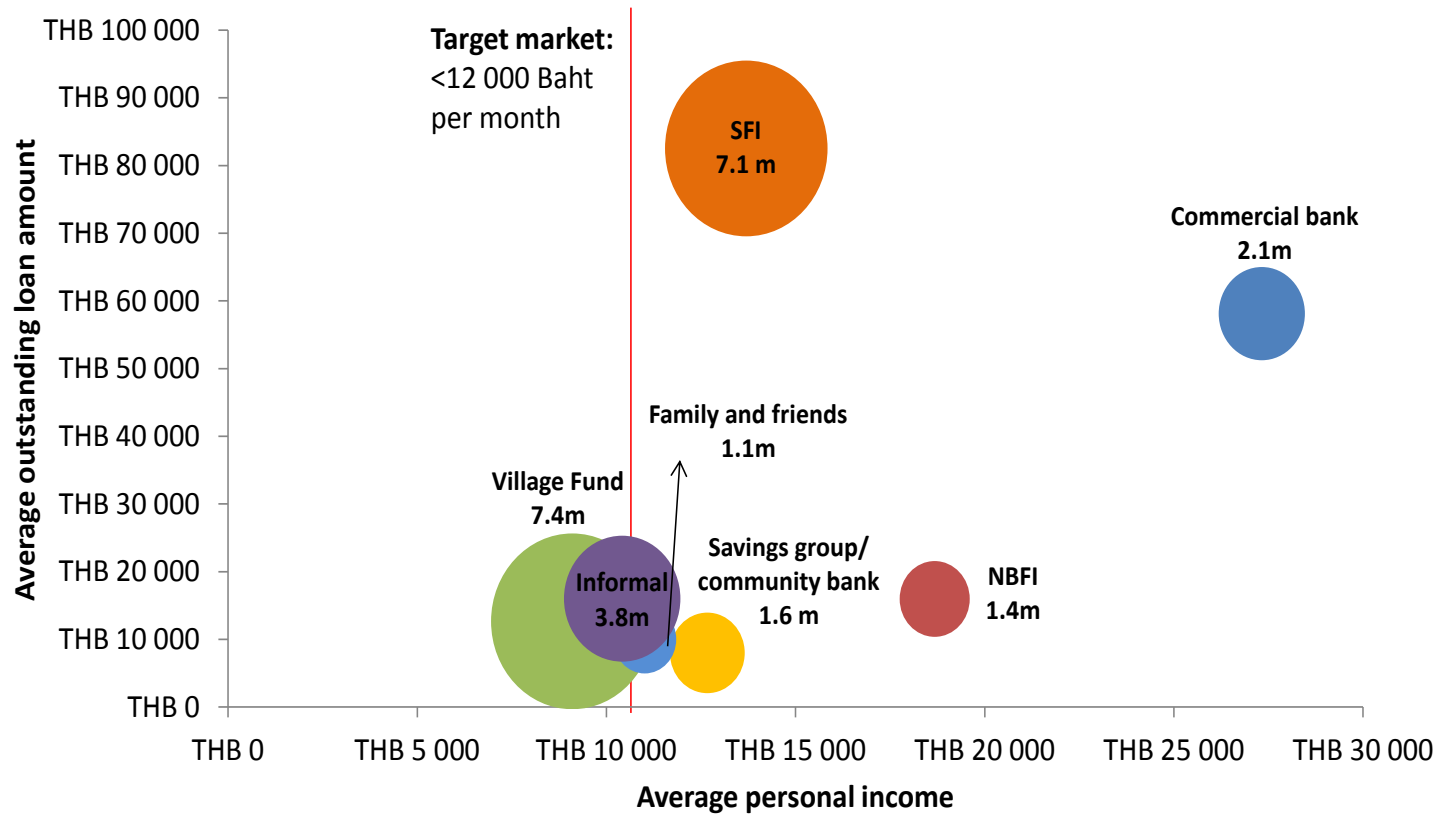
| Institution | # of people | Monthly income | Mean savings |
|------------------------|-------------|----------------|--------------|
| Commercial banks | 16,689,557 | THB 18531 | THB 5438 |
| SFI's | 15,262,221 | THB 13182 | THB 4106 |
| NBFI | 117,222 | THB 10997 | THB 3898 |
| Credit Union/ Co-op | 2,029,637 | THB 17080 | THB 4980 |
| Village Fund | 5,287,301 | THB 10043 | THB 1763 |
| Savings group | 7,549,652 | THB 11933 | THB 2522 |

Borrowing patterns

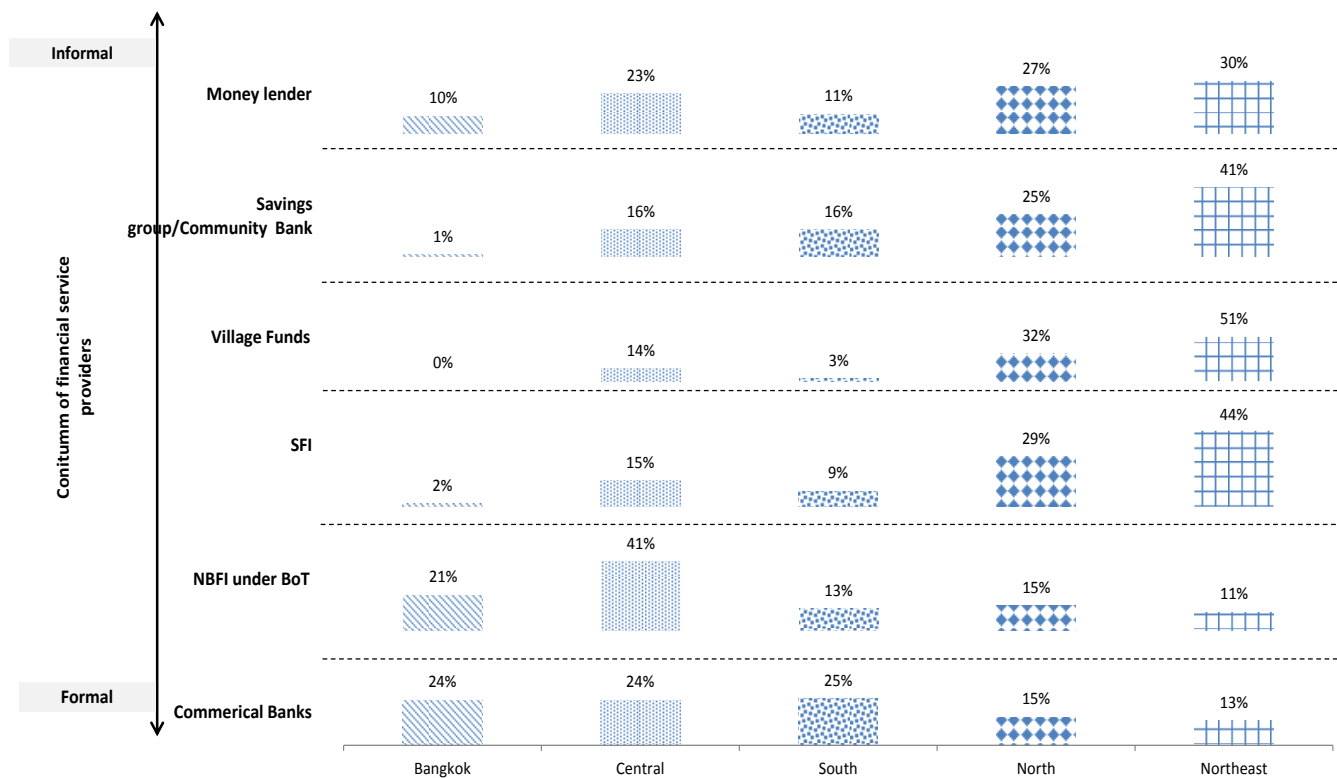
| Institution | # of people | Income | Total debt | Reasons | Region |
|-----------------|-------------|------------|-------------|--|---|
| Commercial bank | 2,088,926 | THB 27,217 | THB 176 034 | Means of transport Buying/building dwelling | Bangkok 24% Central 24% South 24% |
| SFI | 7,146,243 | THB 17,012 | THB 189 361 | Farming expenses Living expenses | North East 44% North 29% |
| NBFI under BoT | 1,374,340 | THB 18,456 | THB 229 255 | Vehicle 29% living expenses | Central 41% Bangkok 21% |
| Savings Group | 1,566,990 | THB 14,148 | THB 237 038 | 48% farming expenses 47% living expenses | North East 41% North 25% |
| Village Fund | 7,423,963 | THB 10,177 | THB 322 366 | 64% farming expenses 49% living expenses | North East 51% North 32% |
| Cooperative | 1,043 897 | THB 24,322 | THB 222 506 | Farming expenses 39% Living expenses 39% | Central 33% North 27% |

Thailand Financial Inclusion Synthesis Assessment

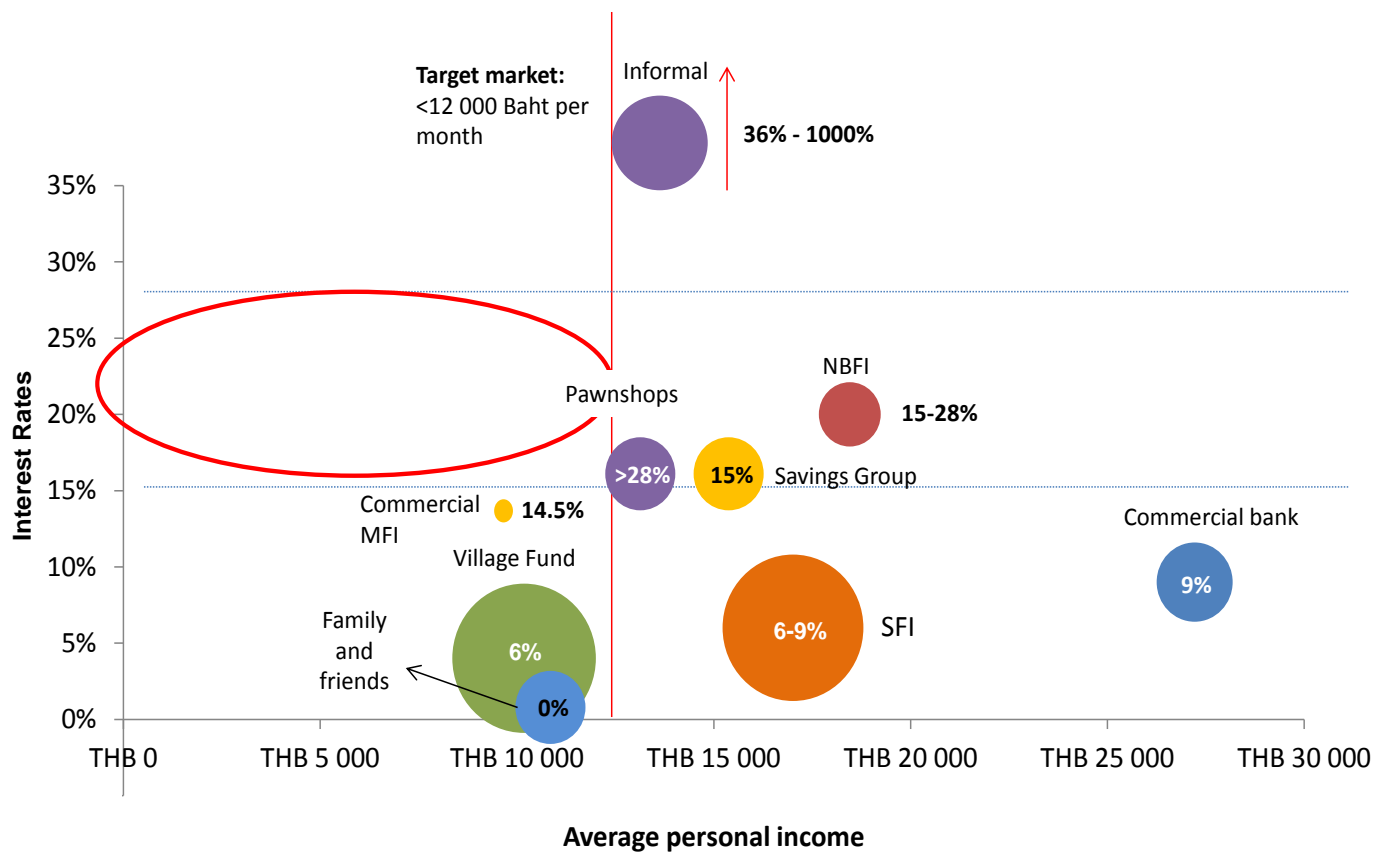
Loan Portfolio



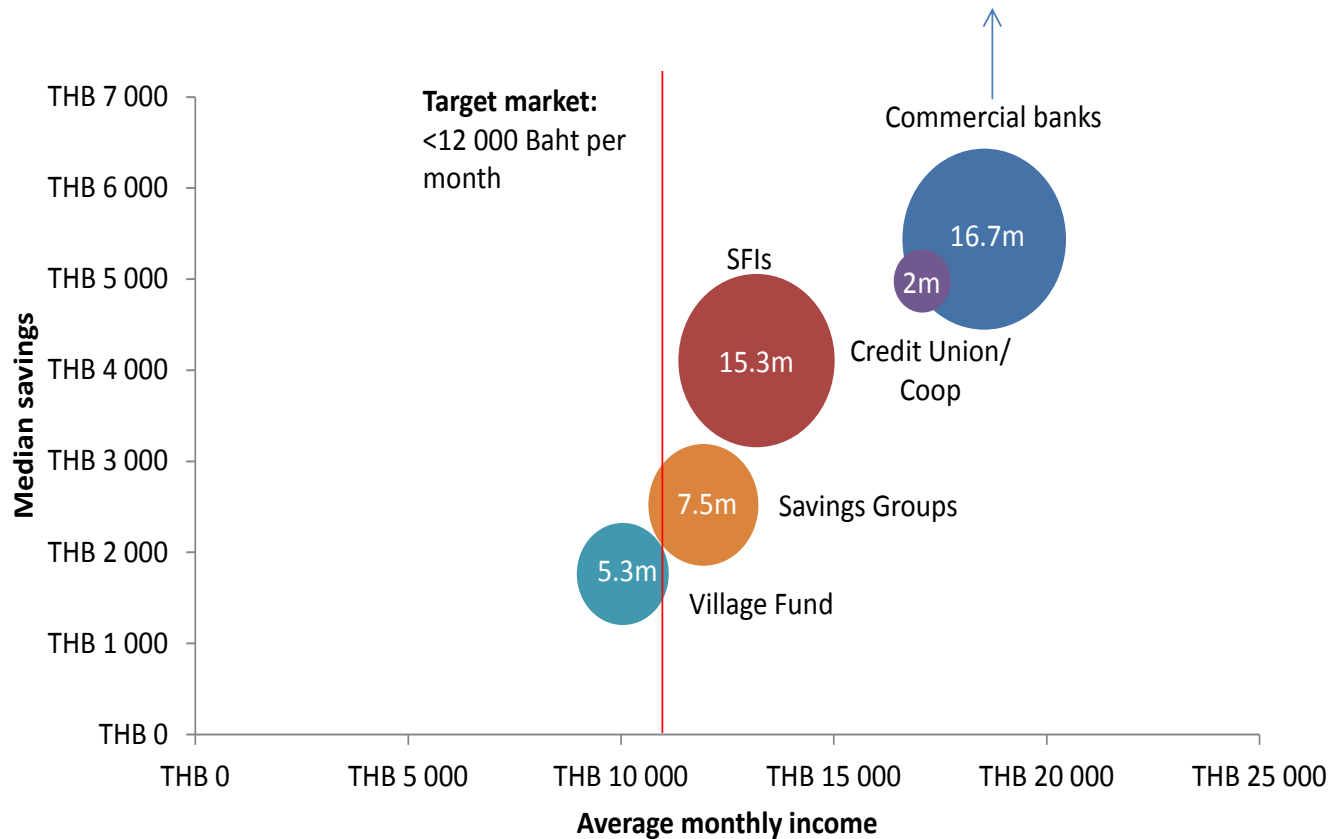
Borrower Profile



Interest rates



Savings Portfolio



Regulatory Framework

| Institution/ Supervision | Services | Governing laws | Key requirements |
|--------------------------|--|--|--|
| NBFI /BOT | Credit | The Notification of Ministry of Finance on personal loans | Minimum capital: THB 50 million; 28% cap on combined interest and fees on loans below THB 200,000. |
| Commercial bank /BOT | Full service banking | The Financial Institution Business Act B.E. 2551 (FIBA) Deposit Protection Agency Act; Microfinance Guidelines | Minimum capital: THB 5 billion; Civil and Commercial Code cap of 28% on loans below THB 200,000. |
| Cooperative /CAD | Savings and credit | Cooperatives Act | Cooperative form interest: Civil and Commercial Code interest rate cap of 15%; dividend rate determined by regulation for each type of cooperative. |
| Retail bank /BOT | Limited banking (focused on retail and SME finance; no forex or derivatives) | FIBA Deposit Protection Agency Act; Microfinance Guidelines | Minimum capital: THB 250 million; Civil and Commercial Code interest rate cap of 15% raised to 28% on combined interest and fees on loans below THB 200,000. |
| SFI /FPO (with BOT) | Banking and policy lending that includes microfinance services | Acts for each SFI (+ Deposit Protection Agency Act) | SEPO KPIs (and adapted BOT standards); PSA accounting; Civil and Commercial Code interest rate cap of 15%. SFIs have regulations (BAAC) or internal policies (GSB) setting interest rates within this limit. |

Regulatory Framework

| Institution/ Supervision | Services | Governing laws | Key requirements |
|---|--|--|---|
| Savings groups / Members, sponsor (e.g. CDD) | Savings and credit that includes microfinance services | Social policy per sponsoring ministries | Requirements locally determined; in some cases (e.g. CDD's SGPs) loan purpose rules; Civil and Commercial Code 15% interest rate cap. |
| Village Fund & CFI / NVUCF, SFI support in some cases | Savings and credit that includes microfinance services | Social policy | Civil and Commercial Code 15% interest rate cap; Village creditworthiness ratings. |
| E-money provider /BOT | Payments, mobile banking, e-money (that might include services relevant to | Electronic Transaction Act & regulations | BOT permission for e-money |
| Banking agent / BOT | Deposit, withdrawal, transfer, credit to provide convenience and lower cost to client (that might include services relevant to microfinance) | BOT Notification: Banking Agent | Commercial banks require BOT approval; SFIs do not require BOT approval. |
| Regulated Moneylender - pawnshop / MOI, other govt. departments | Credit | Pawnshop Act | Civil and Commercial Code 15% interest rate cap. |

Financial Literacy

- Most financial education programmes use group-based, classroom training as the main format and there is limited evidence these approaches work.
- Use of mass-media channels has targeted middle to high income target audiences and focus predominantly on investment education.
- Large networks exist that can be effective delivery mechanisms for the rural population.
- Gaps in product understanding suggest a considerable disconnect between literacy programmes and product delivery.

Consumer Protection

- The Office of Consumer Protection Board has the overall responsibility for consumer protection but financial services are only one out of several focus areas.
- The Bank of Thailand established the Financial Consumer Protection Centre to provide recourse to consumers who are unable to resolve grievances directly with their financial institution. This channel is only for clients of commercial banks and the 28 NBFIs.
- The National Credit Bureau is a valuable tool for lenders who wish to understand the debts held and loan history of potential customers.
- the lack of effective tools and mechanisms to prevent reckless lending and over-indebtedness

Policy Recommendations

- Improve the **coordination of public policy** on financial access
- Increase the **availability of** and **reduce the cost of electronic payments** for the target market
- **Enable** Village Funds and other existing CBFIs to evolve into **more efficient community-based financial institutions**
- Improve the **supervision of community-based financial institutions**
- Increase the distribution options for microinsurance
- Improve **market conduct** coupled with appropriate consumer protection
- Raise **public awareness** on the need for financial capabilities to manage **indebtedness** and improve the **ability of low-income households** to engage with financial services through practical **financial education** delivered at the community-level
- Improve the **monitoring** and **evaluation** of public policy on financial access through the **FIPD**.

National Strategy for Financial Inclusion

Master Plan for Financial Inclusion (2015-2018)

| | |
|---|--|
| <p>Strength</p> <ul style="list-style-type: none">- Strong financial access- SFI- CBFi- Village funds- Cooperatives | <p>Weakness</p> <ul style="list-style-type: none">- Low income segment- High household debt- Consumer protection- Commercial banks do not reach down- CBFIs do not have legal status |
| <p>Opportunities</p> <ul style="list-style-type: none">- Financial inclusion is high on national priority | <p>Threats</p> <ul style="list-style-type: none">- Economic slowdown- Lack of coordination- Balanced supervision |

Master Plan for Financial Inclusion (2015-2018)

Vision

Quality and sustainable financial access for all

Mission

Financial service providers deliver efficient financial services to all segments of the population

Thai population has appropriate financial management capability

Public sector provides necessary financial infrastructure

Thank you

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