

# SME Development Bank of Thailand



Regional Finance in Recent Period and the Way Forward  
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# SME Development Bank of Thailand

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by

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# SME Development Bank of Thailand

- ◆ 2002 - established by Act of Parliament
- ◆ Ministry of Finance and Ministry of Industry supervision
- ◆ Ministry of Finance owns 97%
- ◆ Moody's quasi-sovereign rating – Baa1
- ◆ [www.smebank.co.th](http://www.smebank.co.th)



# SME Development Bank of Thailand

- ◆ Total assets - Bt 55.7 billion (\$US 1.7 billion) (12/31/06)
- ◆ Total loans outstanding – Bt 44.3 billion (\$US 1.26 billion)
- ◆ Number of borrowers – 15,195
- ◆ Average loan size – Bt 3.7 million (\$US 100,000)
- ◆ 19 regional offices, 90 service centers



# SME Development Bank of Thailand

## Historical Dilemma

- ◆ Commercial Sector won't to lend to SMEs or start up business, but
- ◆ SMEs constitute 99 per cent of estimate 1.87 million businesses in Thailand
- ◆ Government of Thailand established Specialized Financial Institutions (SFIs) – including the SME Bank
- ◆ To provide liquidity to the sector



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## Thailand's Dilemma

- ◆ Many lower – income people with SME potential
- ◆ No savings and no collateral
- ◆ Forced to borrow from unofficial sources at high interest rates
- ◆ What can we do to encourage financial institutions to lend to them?



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## SME BANK's Vision

- ◆ To be the Bank that helps builds a Thai entrepreneurial society



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## Definition of SMEs

	Small		Medium	
	Number of Employee	Fixed Assets excld. land (THB mil.)	Number of Employee	Fixed Assets excld. land (THB mil.)
<b>Manufacturing</b>	50 or less	50 or less	51-200	> 50 to 200
<b>Services</b>	50 or less	50 or less	51-200	> 50 to 200
<b>Wholesale</b>	25 or less	50 or less	26-50	> 50 to 100
<b>Retail</b>	15 or less	30 or less	16-30	> 30 to 60

*The total number of small, medium and large enterprises throughout Thailand is estimated at 2.01 million. Out of these, 99 % or approximately 1.99 million are SMEs*





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## SME BANK's Public Policy Role

- ◆ Developing grass-roots economy
- ◆ Improving competitiveness and fostering sustainable growth
- ◆ Various financing schemes based on government policies

## Several Innovative Alternatives

- ◆ OTOP loans (one village, one product loans)
- ◆ Asset capitalization programs





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## OTOP Loans

- ◆ Support and encourage groups of individuals in villages to develop businesses
- ◆ Total allocation – Bt 5 billion (\$US 142.8 million)
- ◆ Maximum loan per person – Bt 1 million (\$US 28,571)
- ◆ Supported by national policy to promote and market products domestically and internationally



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## Asset Capitalization Programs

- ◆ Reviewed lower income people's assets – identifying tangible and intangible assets that can be used as collateral if structure established
- ◆ Designed infrastructure to allow collateralization
- ◆ Loans to start businesses or provide working capital

## Asset Capitalization Programs - Examples

- ◆ Loans for Royal and Treasury Land and National Housing Authority tenants
- ◆ Machinery Capitalization
- ◆ Intellectual Property Capitalization Project





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## Asset Capitalization Programs – Key elements

- ◆ Central repository of registered assets – i.e. lease rights on food stalls or small retail locations
- ◆ Machinery capitalization projects – machinery used as collateral – central machine registry established by Ministry of Industry
- ◆ Intellectual Property capitalization projects – patents, petty patents, trademarks, copyrights - used as collateral



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## Asset Capitalization Programs

- ◆ Specific loan programs for each category
- ◆ Central repository for registering specific assets
- ◆ Expansion or working capital funds
- ◆ New opportunities for SME borrowers

## Paradigm Shift

	Past Role	Current Role
<b>Role</b>	◆ Financial Institution for SMEs	◆ Institute to build an entrepreneurial society
<b>Process</b>	◆ Act as an advisor to focus on credit and investment	◆ Provide full range development ◆ Cultivation → Funding → Advisor
<b>Focus</b>	◆ Focused on product/work function	◆ Focused on entrepreneur/customer
<b>Target Group</b>	◆ General SMEs	◆ Strategic business group x area
<b>Operation</b>	◆ Dealing and coordination from time to time	◆ Networking and full range of aggressive operation





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## SME BANK's Development Services

- ◆ Recognize Bank financing alone – no guarantee for project success
- ◆ Create advisory and development services to promote sustainable growth
- ◆ Improve client's business and strategic skills
- ◆ Help them expand market opportunities



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## Regional Cooperation

- ◆ Japan Bank for International Cooperation (JBIC) untied loan to SME Bank of Thailand
- ◆ September 2006 - \$US80 million (Yen equivalent)
- ◆ Loan co-financed with private institutions including Mizuho Corporate Bank (agent bank), the Bank of Tokyo-Mitsubishi UFJ Ltd, Sumitomo Mitsui Banking Corporation ( SMBC) and Sompo
- ◆ JBIC guaranteed the co-financing portion



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## The JBIC–SME Bank Loan

- ◆ SME Bank acting as intermediary
- ◆ Financing SMEs in Thailand that support industries of local Japanese affiliates
- ◆ Loans help develop Thai SMEs to underpin Japanese operations in Thailand
- ◆ Support automobile and electronic industries – more than 1300 Japanese companies registered with Japanese Chamber of Commerce in Thailand



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Thank You