FINANCIAL INCLUSION IN THAILAND

1. Country Profile

2. State of Financial Inclusion in Thailand

3. Financial Inclusion – Way forward

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Fiscal Policy Office
Ministry of Finance
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1. Country Profile
Capital: Bangkok
Population: 67.73 Million (2014)
Language: Thai
GDP: $387.3 Billion (2014)
Per Capita: $5,977.4 (2014)
Poverty Rate: 10.5% (2014)
Financial Inclusion in Thailand: Demand
Financial Inclusion in Thailand: Supply
### Microfinance

- **Definition of Microfinance - BOT**

  June 2011 BOT defined Microfinance as loans for business or professional purposes for an amount not more than THB 200,000 (equivalence to Yen 670,000)

- **Interest rate ceiling - 28%**

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Total Deposit</th>
<th>%</th>
<th>Total Loan</th>
<th>%</th>
<th>Microfinance Loan</th>
<th>%</th>
<th>% total loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Commercial Bank</td>
<td>12,302,716</td>
<td>67.73</td>
<td>13,218,274</td>
<td>69.74</td>
<td>391,694</td>
<td>8.77</td>
<td>2.07</td>
</tr>
<tr>
<td>2. Special Financial Institutions</td>
<td>4,180,617</td>
<td>23.02</td>
<td>4,161,253</td>
<td>21.96</td>
<td>2,512,044</td>
<td>56.24</td>
<td>13.25</td>
</tr>
<tr>
<td>3. Non-Bank</td>
<td>-</td>
<td>-</td>
<td>133,568</td>
<td>0.7</td>
<td>123,507</td>
<td>2.77</td>
<td>0.65</td>
</tr>
<tr>
<td><strong>Total of Formal FIs (1+2+3)</strong></td>
<td>16,483,333</td>
<td>90.75</td>
<td>17,513,096</td>
<td>92.40</td>
<td>3,027,246</td>
<td>67.77</td>
<td>15.97</td>
</tr>
<tr>
<td>4. Cooperatives</td>
<td>1,621,317</td>
<td>8.93</td>
<td>1,197,690</td>
<td>6.32</td>
<td>1,197,690</td>
<td>26.81</td>
<td>6.32</td>
</tr>
<tr>
<td>5. Village Fund</td>
<td>20,000</td>
<td>0.11</td>
<td>206,845</td>
<td>1.09</td>
<td>206,845</td>
<td>4.63</td>
<td>1.09</td>
</tr>
<tr>
<td><strong>Total of Semi-Formal FIs (4+5)</strong></td>
<td>1,641,317</td>
<td>9.04</td>
<td>1,404,535</td>
<td>7.41</td>
<td>1,404,535</td>
<td>31.44</td>
<td>7.41</td>
</tr>
<tr>
<td>6. Informal FIs (Self-help group)</td>
<td>38,763</td>
<td>0.21</td>
<td>35,000</td>
<td>0.18</td>
<td>35,000</td>
<td>0.78</td>
<td>0.18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18,163,413</td>
<td>100</td>
<td>18,952,631</td>
<td>100</td>
<td>4,466,781</td>
<td>100</td>
<td>23.57</td>
</tr>
</tbody>
</table>
Financial Inclusion: Supply

- Special Financial Institutions: 56.24%
- Commercial Bank: 8.77%
- Cooperatives: 26.81%
- Village and Urban Revolving Fund: 4.63%
- Non-Bank: 2.77%
- Informal FIs (Self-help group): 0.78%
## Current Status of Microfinance system in Thailand

### Income Levels
- **High income**
  - Commercial banks (36)
  - SFIs (8)
- **Upper Middle income**
  - Non Banks (28)
- **Lower Middle income**
  - Cooperatives (13,000)
  - Village Fund (27,000)
- **Low income**
  - Self-supporting group (28,000)
  - Informal lender
- **Poor**

### Providers
<table>
<thead>
<tr>
<th>Income Level</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>High income</td>
<td>Commercial banks (36)</td>
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<tr>
<td>Upper Middle income</td>
<td>SFIs (8)</td>
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<tr>
<td>Lower Middle income</td>
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<td>Low income</td>
<td>Cooperatives (13,000)</td>
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<td></td>
<td>Village Fund (27,000)</td>
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<td></td>
<td>Self-supporting group (28,000)</td>
</tr>
<tr>
<td>Poor</td>
<td>Informal lender</td>
</tr>
</tbody>
</table>

### Regulators
- **BOT**
- **MOF& BOT**
- **MOAC**
- **NVFO**
- **NONE**

### Microfinance Loan (31/12/16)
<table>
<thead>
<tr>
<th>Income Level</th>
<th>Amount</th>
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<td></td>
<td>35,000</td>
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<tr>
<td><strong>Total</strong></td>
<td>4,466,781</td>
</tr>
</tbody>
</table>
Financial Inclusion - Way forward
Financial Inclusion in Thailand – Challenges

- Lack of credit Information
- No comprehensive regulatory approach
- Deposit Insurance is not cover all of FIs
- Distance Barriers
- Indebtedness
- Financial Literacy
- Government sector - the major provider
- Informal Sector
- Balancing between prudential regulations and promoting access to finance
- Fragmentation of regulatory oversight
- Low-income households
- Lack of private sector participation
Financial Inclusion in Thailand – Way forward

**Improve the Financial Services Providers**

- Improve stability for community-based financial institutions – new laws, new risk management and new regulatory scheme
- Expand the role of SFIs to better cover the grassroots – more branches and more products, better targets for micro-loans
- Support commercial banks and non-banks to have more roles

**Improve the Financial Services Users**

- Support Financial Literacy to strengthen financial discipline

**Improve the Financial Infrastructure**

- Draft and amend related laws to facilitate quality microfinance 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
- Re-model regulatory structures of micro-finance activities
Thank you