

afi Alliance for
Financial Inclusion

Bringing Smart Policies to Life

The First AFI Global Policy Forum
Nairobi, Kenya
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Using survey data to design financial inclusion policy - Thailand's case



Wajeetip Pongpech
Bank of Thailand

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Content

- I. Financial inclusion and policy makers' challenges
- II. Thailand's case
- III. Taking on the challenges together





I. Delivering improvement in wellbeing

Improvement in wellbeing

Capacity to be financially included

- Financial Literacy
- Financial Access
- Consumer Protection

Other policy building blocks

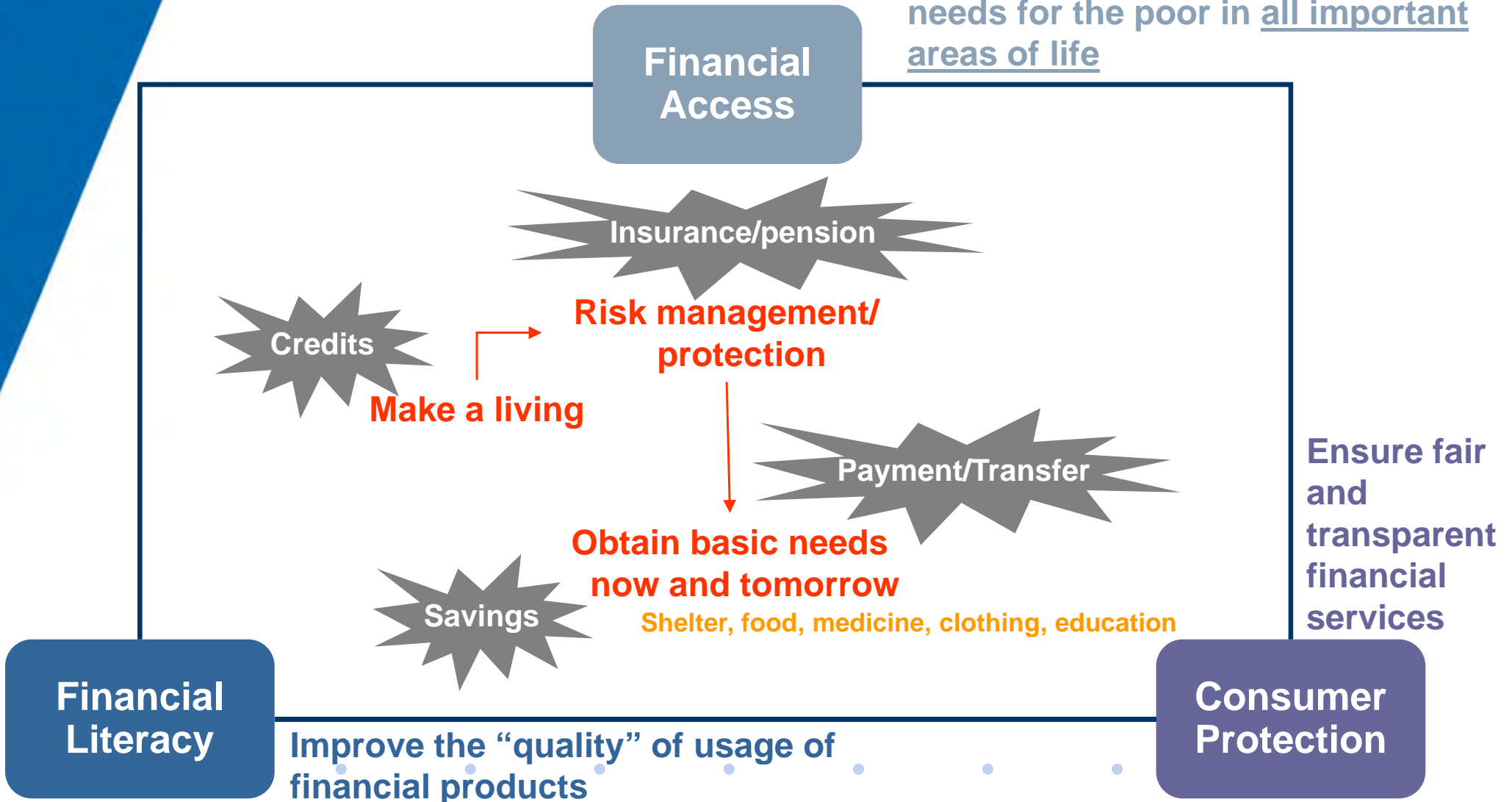
- For example...
- Career development
 - Education
 - Basic rights e.g. social support
 - Macroeconomic Stability
 - Health & Sanitation

↑ Central banks and financial regulators' participation



I. Capacity to be financially included: 3 main policies

Provide a range of financial services that address financial needs for the poor in all important areas of life





I. Central banks and financial regulators' challenges



An enabling environment* as well as necessary financial infrastructure to support 3 main policies



Need better understanding of nature of microfinance and its customers

* include: regulatory framework, investment climate and institutional development
(2008 Microscope on the Microfinance Business Environment in Latin America and the Caribbean, EIU)



I. An enabling regulatory framework and institutional development

Area	Conditions	Tools
Regulatory framework	<ul style="list-style-type: none">• Regulation of microcredit operations• Formation and operations of regulated/supervised specialized MFIs• Formation and operation of non-regulated MFIs• Regulatory and examination capacity	<ul style="list-style-type: none">• Licensing, scope of business and branching policies• Prudential policy e.g. capital adequacy, risk management, AML/CFT, outsourcing• Infrastructure enhancement e.g. credit bureau, IT
Institutional development	<ul style="list-style-type: none">• Range of MFI services• Credit information• Level of competition	

Given the uniqueness of microfinance, “better understanding” is key in achieving flexibility in policy design.





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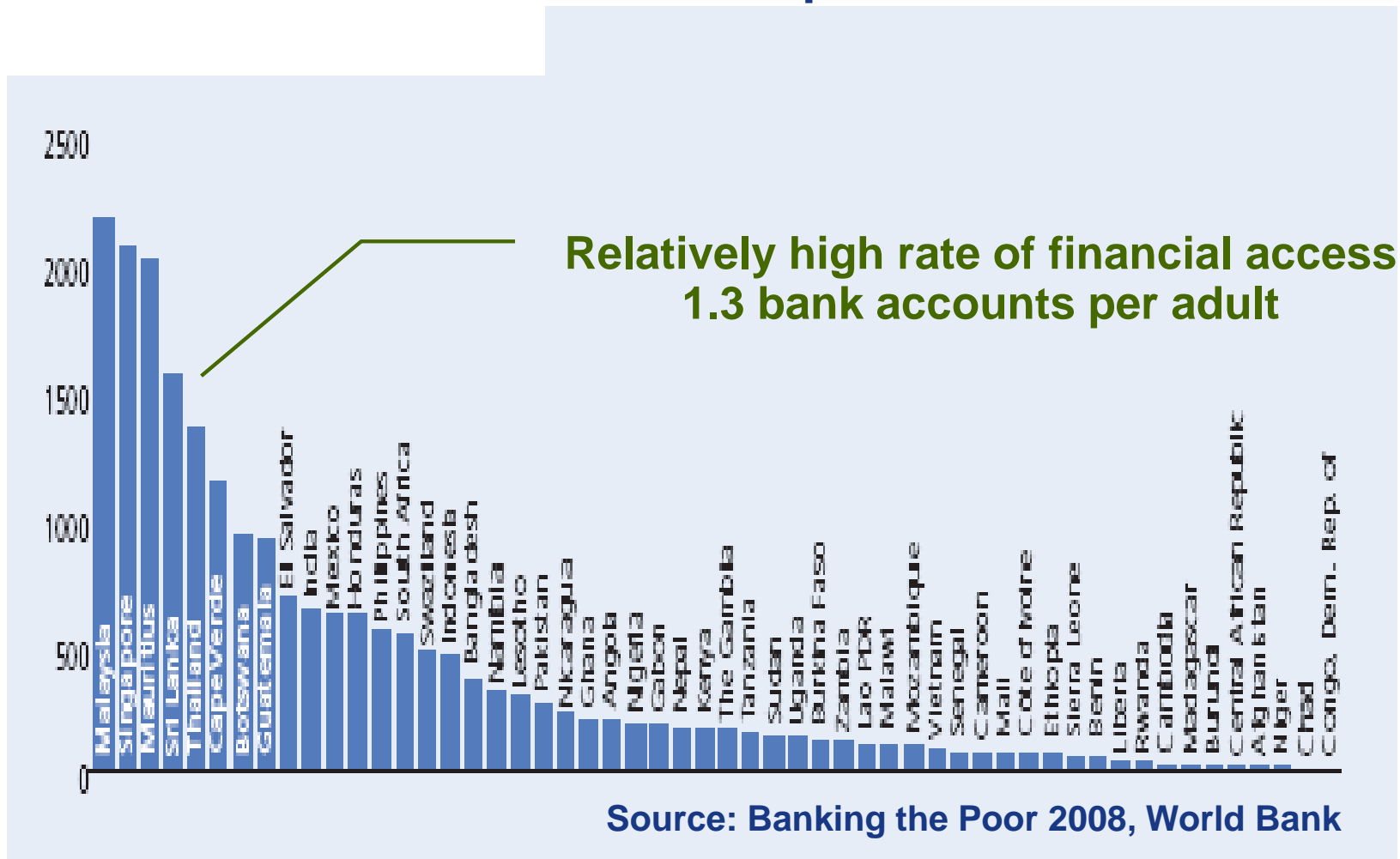
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II. Thailand at a glance

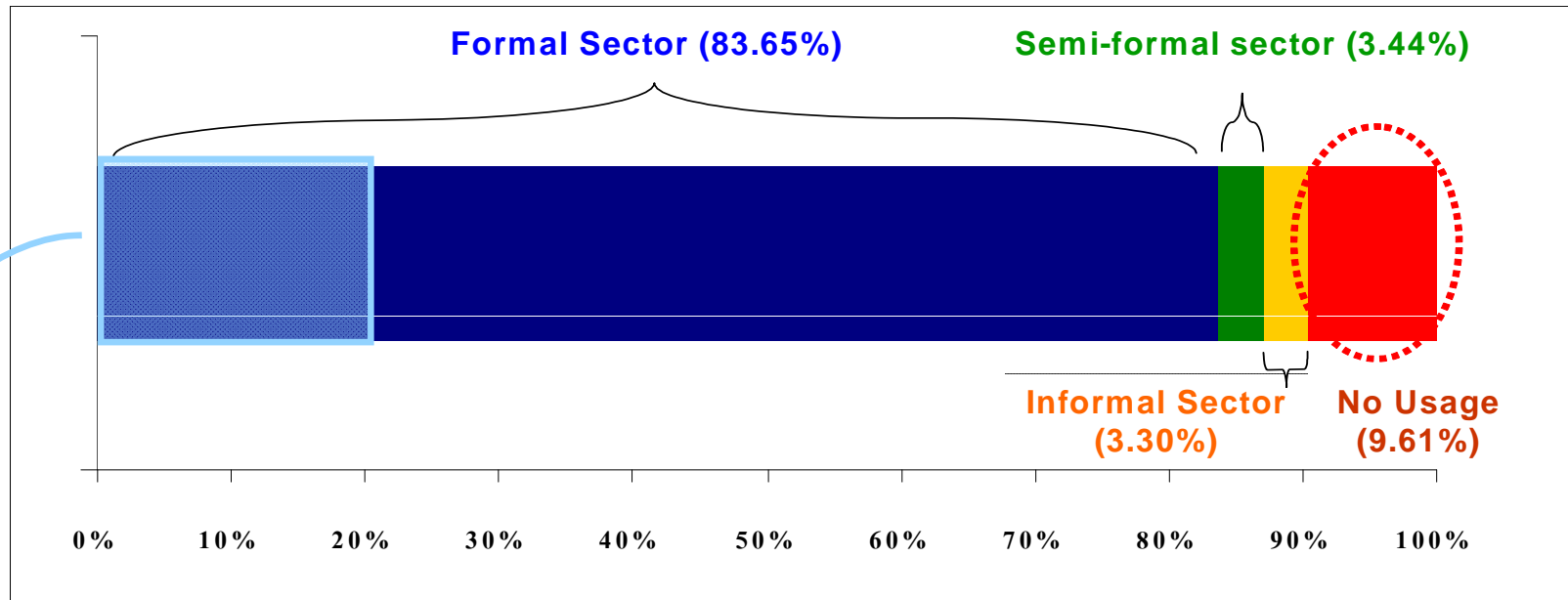
Number of bank accounts per thousand adults





II. Thailand at a better look

National Household Survey on Financial Access, 2006



Source: NSO Household Socio-Economic Survey, 2006

- **83.65%** of Thai households use financial services from the formal sector
- **19.88%** use financial services from **public banks (specialized financial institutions)**, about $\frac{1}{4}$ of that in the formal sector
- **9.61%** have no usage
- **22.58%** of Thai households still rely on informal sector's financing



II. Our HH survey 2006: background and methodology

- ❑ **Analytical framework:** Capacity to be included represents the **opportunity and ability** to use financial services
 - Questions designed by BOT in close cooperation with the National Statistics Office (NSO)

- ❑ **Measurement framework:**
 - Financial access = Usage + Self exclusion**
 - All main types of financial institutions (formal, semi-formal, informal)
 - 23 Financial products
 - 11,162 households from all regions of Thailand are surveyed, 63% from urban area and 38% from rural area
 - Identify six employment sectors, five income groups
 - Financial literacy also measured

- ❑ **Limitations:** Cross-sectional, thus changes across time cannot be directly observed. Barriers to access on provider's side are not part of the survey. Difficulty in identifying "Self exclusion".





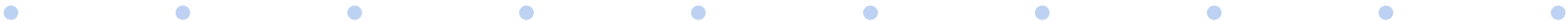
II. Our challenges & The Financial Sector Master Plan II

Facts

- ❑ High level of financial access is largely attributable to the role of Specialized Financial Institutions (SFIs)

Challenges under the FSMP II

- ❑ **Diversification** of providers and products
- ❑ **Linkage** between formal sector resources and existing MFIs
- ❑ In conjunction with enhanced **financial literacy** and **consumer protection**



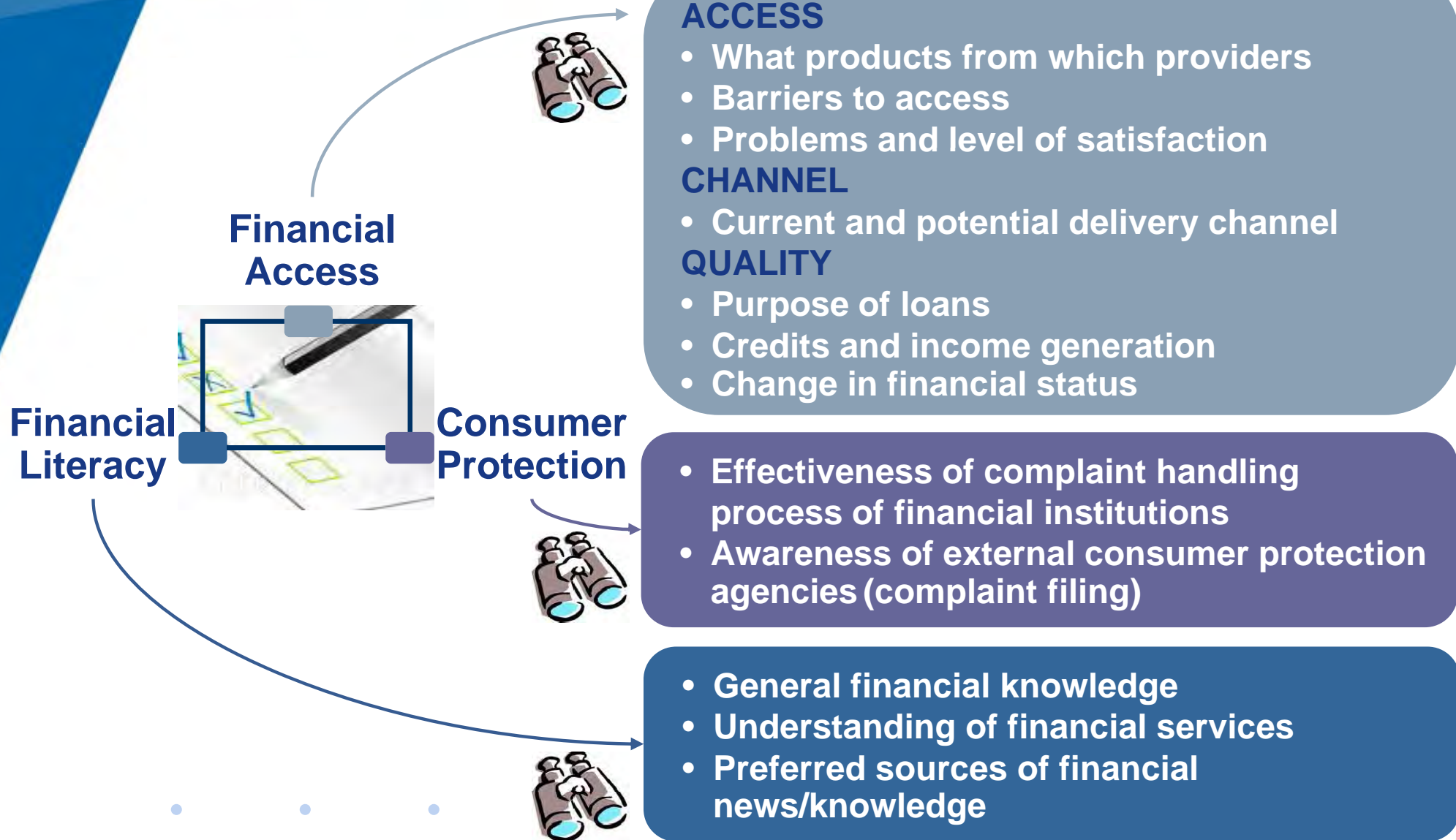


II. Better understanding by using survey data

Improvements to HH survey 2010

- ❑ Better scope: attempts to measure HH behaviour in 3 dimensions
 - Access + Literacy + Consumer Protection
- ❑ Better question design:
 - Begins with key questions that are motivated by HH financial inclusion concerns
 - Input from expert (Prof. Robert Townsend, U Chicago)
- ❑ Better analyses:
 - Tackle challenge in identifying self exclusion group
 - More in-depth analyses: coupled with field visits, focus group interviews
 - Linkage with wellbeing: benchmark model analyses

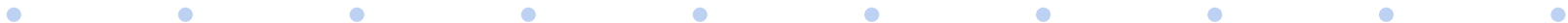
II. Zooming in on our household survey



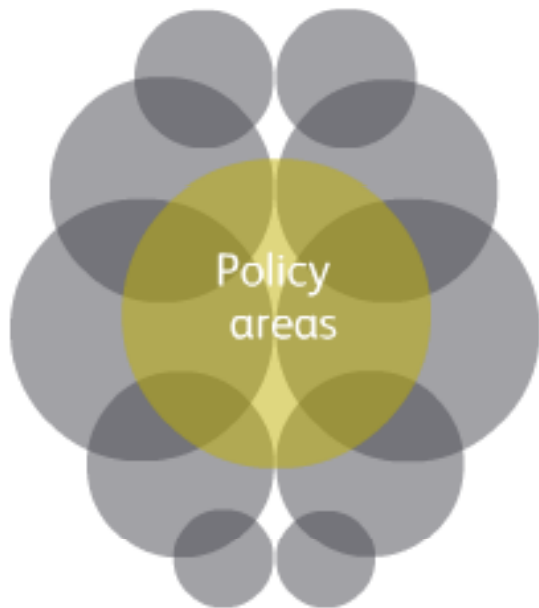


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III. Taking on the challenges together



- ❑ AFI takes on a flagship project to develop an international financial inclusion survey database
 - ✓ Collaborative effort from policy makers' perspective
 - ✓ Academic involvement
 - ✓ Leads to meaningful policy impact assessment
 - ✓ Dynamic when repeated and more members join in
 - ✓ Contribution to research

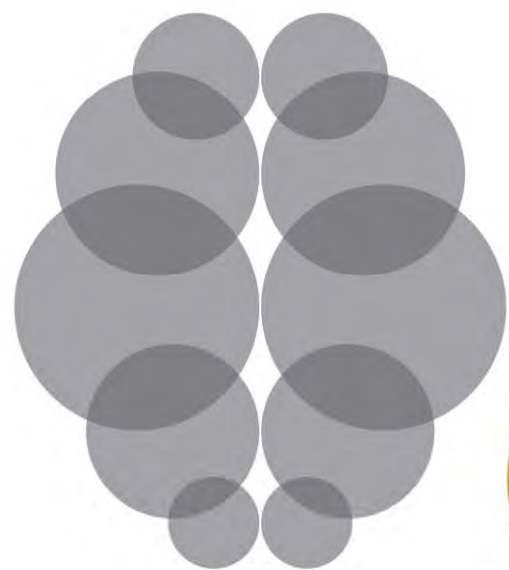
- ❑ AFI Six Solutions **Plus(+)**





THANK YOU & QUESTIONS?

For more information, please contact:
Financial Strategy Department
Tel. +66-2-283-6826
• • • • • Email. Wajeetip@bot.or.th



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