

The Development of E-payments and Challenges in Thailand

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Like in many countries, payment systems in Thailand have undergone substantial changes for over two decades. Significant changes in this regard include the move toward the increasing reliance on the use of newly developed technologies to enable both e-commerce and e-payments. On the part of the Bank of Thailand (BOT), it has over the last decade introduced the e-payment systems as the basis for financial transactions and financial settlements.

Evidences suggest that e-payment development in Thailand has been promising. In fact, every form of e-payment services operated by the BOT has shown a remarkably upward trend over the past decade. For example, the volume of transactions for BAHTNET (**B**ank of Thailand **A**utomated **H**igh-value **T**ransfer **N**etwork) has increased nearly 3 times in the period 2000-2007. Considerable increase in the use of other e-payment channels offered by commercial banks and non-banks can also be seen for the cases of Online Retail Funds Transfer, credit cards, debit cards, e-money, payment channels related to the Internet and mobile phones. Essentially, traditional e-payments have become increasingly important components of the Thai payment systems over the past many years. The share of debit and credit cards alone accounted for nearly 70% of the total volume of non-cash payments in 2007.

Despite such a noteworthy development, evidences also suggest that the impact of e-payment has *not* yet posed a major concern for the monetary authorities with regard to the operation of monetary policy and on the stability of the financial system. This is partly because the relatively minimal size of the e-money transactions when compared with the money supply and the relatively low degree of currency substitution for e-payments. Nevertheless, the BOT may have to take into account the developments of certain types of e-payment products, such as e-money, credit cards, in the management of monetary policy in the period ahead, as they may complicate the setting of interest rates.

Looking ahead, the BOT will continue to involve in the efforts to migrate the country to e-payments which are currently in their infancy stage compared with those in advanced economies. It has recently initiated a number of projects to create a conducive environment to foster the orderly transition to e-payment. As reflected in the Payment Systems Roadmap 2010,

the BOT has set up plans to promote the increased use of e-payments by major market participants, including in particular individual customer, businesses, government agencies.

Further efforts will be under way to revise the existing payment fee structure, effective since March 2006, to reflect a clearer picture of the actual costs of payment services among commercial banks. The proposed fee structure is also intended to encourage the greater use of e-payment products instead of paper-based payment instruments in the retail payment markets. Apart from these, it remains to be seen whether the continued efforts to put in place new laws and regulations governing the e-payment business services, as reflected in the recent enactment of the “Royal Decree Regulating E-payment Business of 2008”, would contribute to a reduction of cash and check usage in the period ahead.