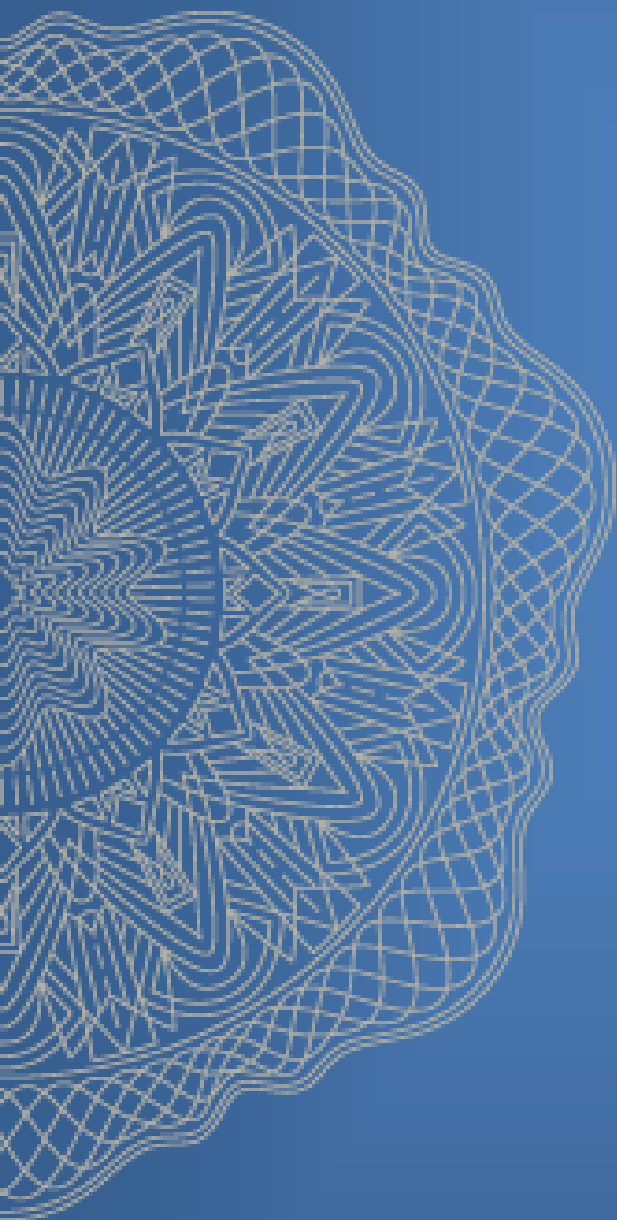




Bank of Thailand

Financial Access Survey of Thai Households 2013



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Executive Summary

The Bank of Thailand (BOT) has conducted surveys on households' access to financial services since 2003. The objective of this household survey was to monitor the level of financial access in order to formulate appropriate policies to promote financial inclusion in the country. The latest survey was undertaken in 2013 as a joint collaboration project between the BOT and Thailand's National Statistic Office (NSO). It covered the sample of 10,613 households from all regions of Thailand in both urban and non-urban areas. There were 9 financial services included in this survey namely: (1) deposits / savings, (2) loans (excluding credit cards), (3) credit cards (4) money transfers and remittances, (5) endowment insurance, (6) other types of insurance, (7) government bond investment, (8) private security investment, and (9) share.

The results showed that 87.99% of Thai households were able to access to at least one financial service which had increased from 84.58% found in the previous survey in 2010. Financial services were mainly provided by formal financial service providers, particularly commercial banks and specialized financial institutions (SFIs). On the other hand, 12.01% of non-usage households could be categorized into 2 groups: one was considered as self excluded or voluntary self-excluded (7.78%) and the other (4.23%) referred to households who were not able to access to any financial services (involuntary excluded or no access). The majority of involuntary excluded households were those with low to mid income and those who lived in southern and northeastern region.

Furthermore, the 2013 survey indicated that households tended to use more variety of financial services compared to the result of 2010. Deposit service was the most used financial service, followed by money transfer and remittance and loan service. This was the same trend as found in 2010. The survey also showed that demand for life insurance has increased which could partly be driven by cross-selling campaign from formal financial service providers. Moreover, commercial banks took an important role in providing deposits, money transfers and remittances while SFIs played a significant role in providing loans. In addition, it was found that the percentage of involuntary exclusion to deposit service was highest among the 3 fundamental financial services (deposits, loans, and money transfers and remittances), followed by loans and money transfers and remittances, respectively. Households that could not access to deposits and money transfers and remittances mostly had low income while those who could not access to loans mostly lived in urban area. These results conform with the findings of the previous survey in 2010.

Considering financial service channels, it was found that commercial bank's branches, and ATMs were the most highly used channel for deposits, withdrawals and money transfers

and remittances. Convenience stores and retail shops in the neighborhood were still important channels for money transfers and remittances, while credit unions and village funds became more important for deposits and withdrawals. However, households requested for more ATMs, agents or officers, who could provide services at their homes or workplaces, and other types of automatic kiosks, such as automatic deposit or transfer machines.

Regarding the quality of the 3 fundamental financial services, the proportion of households that encountered problems in using financial services has declined compared to the previous survey. Major impediments to use financial services were long travel distance to the nearest financial service providers, complicated procedure and service condition for loan extension, and high interest rate and fee for loans.

In terms of access to commercial banks, the percentage of access to financial services provided by commercial banks was not much different from the previous survey in 2010. Loan services provided by commercial banks were the least accessible by households compared to the other fundamental financial services. However, SFIs has played a major role in providing loans to households. The main reasons of those inaccessible households were inadequate financial status, lack of collaterals, lack of confidence to contact a bank for a loan, and too complicated processes and conditions on credit application.

Regarding the deposits and money transfers and remittances, commercial banks took significant role compared to other financial service providers. Nevertheless, there were still some barriers of accessing to both services. The impediments to access to deposit service provided by commercial banks were inadequate financial status, inconvenience in reaching service point and high minimum balance. On the other hand, the obstacles to access to money transfers and remittances include lack of understanding the service, inconvenience in reaching service point, and high transaction fees.

In summary, this survey points out an improvement in the usage of financial services and shows unfulfilled demands, future needs, and current obstacles to access fundamental financial services which could help designing effective and appropriate policies to enhance financial inclusion. Further development might include the use of innovations to increase service channels and strengthening financial literacy to empower the underserved households to be able to exercise choices and improve their financial status. Furthermore, responsible authorities should establish policies to help improve people quality of lives and increase access to financial services which could be done by heightening employment, promoting financial discipline, and encouraging saving habits through savings, investments, or insurance products. The next step of this survey could be an empirical analysis on the factors that influence the level of households' access to financial services which lead to proper implementing measures.

1. Introduction

1.1 Rationale and objective

The Bank of Thailand (BOT) has recognized the importance of financial access as a mean to help improve quality of living of Thai people. Hence, financial access was stated as one of the main policies in both phase 1 (2003 - 2007) and phase 2 (2010 - 2014) of Financial Sector Master Plan (FSMP). To monitor the level of financial access and formulate corresponding measures that enhance the national financial inclusion, the BOT has been periodically conducting a household survey on financial access regular since 2003. This survey is conducted every 3 years and the latest survey was the 4th survey¹, which was undertaken in 2013 with the collaboration of Thailand's National Statistic Office (NSO). The questionnaires used in this survey were similar to those used in the previous survey in 2010 so that policy makers could compare the results and analyze the differences of financial access level, financial service channels in need, and barriers to financial access. As a result, changes and trends observed from the analysis will lead to the formulation of appropriate policies to promote financial inclusion in the country.

1.2 Scope of survey

The samples of this survey were 10,613 households from all regions of Thailand in both urban and non-urban areas. Only one respondent, either the head of a household or a household representative, was interviewed by following the BOT's questionnaire on the need and usage of financial services. The questionnaire was composed of 2 parts as follows:

Part 1: Level of access to 9 financial services, including:

- | | |
|------------------------------------|--------------------------------|
| 1. Deposits / savings | 6. Other types of insurance |
| 2. Loans (excluding credit cards) | 7. Government bond investment |
| 3. Credit cards | 8. Private security investment |
| 4. Money transfers and remittances | 9. Share* |
| 5. Endowment insurance | |

Note: *"Share" refers to a type of financial activity created by a group of individuals (3 persons or more) who periodically invest equal amount of money for each pre-specified time interval as agreed by the group. Then each member of the group will bid for the total amount invested at the end of each period. The member who offers the highest interest shall acquire all the invested money in that round while the other members receive the interest paid for their investment. This pattern will continue until every member of the group takes turn to acquire the invested money.

¹ The 1st Survey was conducted in 2003 by the joint project between the BOT and CSN and Associate Co, Ltd. which was launched under "The study on the need for financial services" project and had the sample of 4,800 households.

The 2nd survey was conducted in 2006 by the BOT and NSO with the sample of 11,162 households.

The 3rd survey was conducted in 2010 by the BOT and NSO with the sample of 11,202 households. The questionnaire was developed to be clearer and more concise than the previous surveys in order to be used to formulate appropriate policies on financial inclusion.

Part 2: An in-depth survey focusing on 3 fundamental financial services: (1) deposits / savings, (2) loans (excluding credit cards), and (3) money transfers and remittances. This part also includes problems in using financial service, current service channels, and additional channels in need.

According to World Bank's definition², financial service providers were classified into 3 groups. Those financial service providers are grouped by their legal status and the level of supervision as follows:

1) The Formal Sector Service Providers refer to mainstream financial institutions with clear legal status. They are required to obtain a license granted under relevant business laws or originally established by specific constitutional law. These service providers are under the supervision/examination of the Ministry of Finance (MOF) or the BOT. The supervisory regulations generally cover business undertaking, prudential measures, and / or consumer protection. The formal sector service providers include commercial banks, foreign commercial banks (foreign bank branches), specialized financial institutions (SFIs) (such as Government Housing Bank, Bank for Agriculture and Agricultural Cooperatives, Government Savings Bank, etc.), finance companies, credit fonciers companies, credit card companies, supervised personal loan companies³, securities companies, mutual fund management companies, and insurance companies.

2) The Semi-formal Sector Service Providers refer to financial institutions whose legal status is granted by specific laws, and are supervised or examined by other government authorities, namely; cooperatives, credit unions, and village funds.

3) The Informal Sector Service Providers refer to individual or juristic providers that have no legal status under any business or specific law and are not supervised or examined by any government authorities, namely; savings groups, community banks, money lenders (relatives or others), and others (e.g. companies' welfare scheme).

² Groups of financial service providers are categorized by World Bank according to "Microfinance Handbook: An Institutional and Financial Perspective" (<https://openknowledge.worldbank.org/handle/10986/12383>) as well as the BOT Symposium 2007 paper on "The Wealth and Debt of Thai Households: Risk Management and Financial Access".

(http://www.bot.or.th/Thai/EconomicConditions/ResearchPublication/symposium/Symposium_DocLoad/paper4_kiatipong.pdf)

³ Supervised personal loan companies refer to personal loan companies licensed by MOF according to the MOF Notification on personal loan under supervision.

2. Data sources and Methodology

2.1 Data collection and sampling

The 10,613 samples of households were randomly selected by various stratifications as following:

1. Geographic area: the samples cover 5 regions in Thailand. They were randomly selected base on the NSO sampling method. The number of sample households for each region was proportionately in line with the number of actual population in each region. Hence, the 10,613 samples consisted of the following:

- 605 respondents in Bangkok metropolitan region
- 3,070 respondents in central region
- 2,598 respondents in northern region
- 2,811 respondents in northeastern region
- 1,529 respondents in southern region

2. Residential area: divided into 2 groups as below:

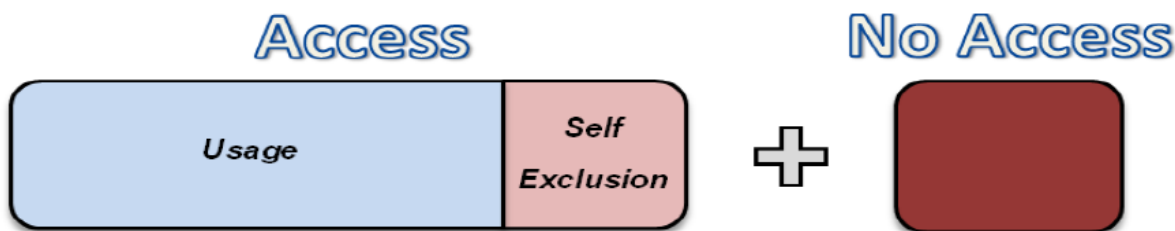
- 6,449 respondents in urban area
- 4,164 respondents in non-urban area

3. Income level: divided into 5 groups by ranking each responding households' monthly income from lowest to highest. Each income group consists of equal number of samples (20% of all samples).

(Unit: Baht)

Group	Average monthly Income	Lowest income	Highest income
1 (Lowest)	6,294	-	9,210
2	11,707	9,211	14,450
3	17,725	14,454	21,533
4	27,210	21,535	34,775
5 (Highest)	70,805	34,781	2,067,000

2.2 Definition of financial access



1) **Access** refers to households that use at least one financial service (Usage) and those who have access to a financial service but choose not to use any financial service (Self Exclusion). This definition follows the same criteria of the World Bank⁴.

2) **Self Exclusion** refers to households that are capable of accessing at least one financial service but have no needs and choose not to use any financial service (voluntary self-excluded).

3) **No Access** refers to households who have demand for a financial service but cannot access to any financial service (involuntary excluded).

2.3 Data processing methods

Descriptive Statistics was used to analyze the survey data and the Statistical Package for Social Science (SPSS) program was used for data processing. The next section shows the overview of financial access in Thailand based on all 9 financial services. Then, an in-depth analysis of the 3 fundamental services, including deposit, loan, money transfer and remittance is presented. Section 3 explores various aspects of financial inclusion, such as access to each financial service providers, quality of service, barriers to use services, current financial service channels, and additional channels that households need.

⁴ According to the World Bank's publication "FINANCE FOR ALL? POLICIES AND PITFALLS IN EXPANDING ACCESS 2008". (http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA_ch01.pdf)

3. Findings and Analysis

3.1 Financial access overview

The responses from 10,613 heads or representatives of households regarding the need and usage of 9 financial services reveal that 87.99% of the households used at least one financial service⁵ while 12.01% did not use any financial service. The non-usage households could be categorized into 2 groups. One was considered as involuntary excluded (had demand, but could not access to any financial service) (4.23%) and the other was considered as self excluded or voluntary self-excluded (7.78%) (capable of accessing at least one financial service, but did not need the service and chose not to use any financial services). It was found that the percentage of voluntary self-excluded decreased from 11.92% found in the previous survey in 2010. This can imply the increase of demand for financial services since the past 3 years. Regarding the increase in usage from each group of financial service providers⁶, the percentage of households that used formal financial service providers increased the most compared to the result of the 2010 survey, (+2.69%) followed by an increase in usage from informal financial service providers (+1.02%). This might conclude that the increase in demand for financial services during the past 3 years had been mostly fulfilled by formal financial service providers. However, a small portion of such increasing demand had been served by informal financial service providers.

Considering the usage from each financial service provider, the majority of households were customers of commercial banks (59.27%) followed by SFIs (20.22%), while the rest used financial services from semi-formal and informal financial service providers. The percentage of usage in the latter group has slightly increased from 2.51% to 3.53%, as shown in figure 1.

The increase in the percentage of involuntary excluded households was found in almost every group of income level and region. This might be resulted from the increasing demand that could not access to any type of financial services. Furthermore, it was found that the lowest income group of households and those who lived in the southern and northeastern region showed the highest percentage of involuntary exclusion. However,

⁵ The household used at least one financial service out of 9 financial services. The 9 financial services are: (1) deposits / savings, (2) loans (excluding credit cards), (3) credit cards, (4) money transfers and remittances, (5) endowment insurance. (6) other types of insurance, (7) government bonds, (8) private securities, and (9) share.

⁶ The study exclusively counts the usage from each group of financial service providers. Each household that used financial service is counted only once towards the most formal financial service provider. The prioritization of the usage counts starts from financial service providers in: formal sector, semi-formal sector, and informal sector, respectively. For example, if Household A used financial services from both commercial bank and SFI, it would be counted as commercial bank usage only; but if Household A used financial services from SFI and village fund, it would be counted as SFI usage.

when considering the residential area, the percentage of involuntary exclusion was not much different between households who lived in urban area and non-urban area. This may reflect the equally well distribution of financial service providers within urban and non-urban area. (Figure 2)

Figure 1: Overview of financial access

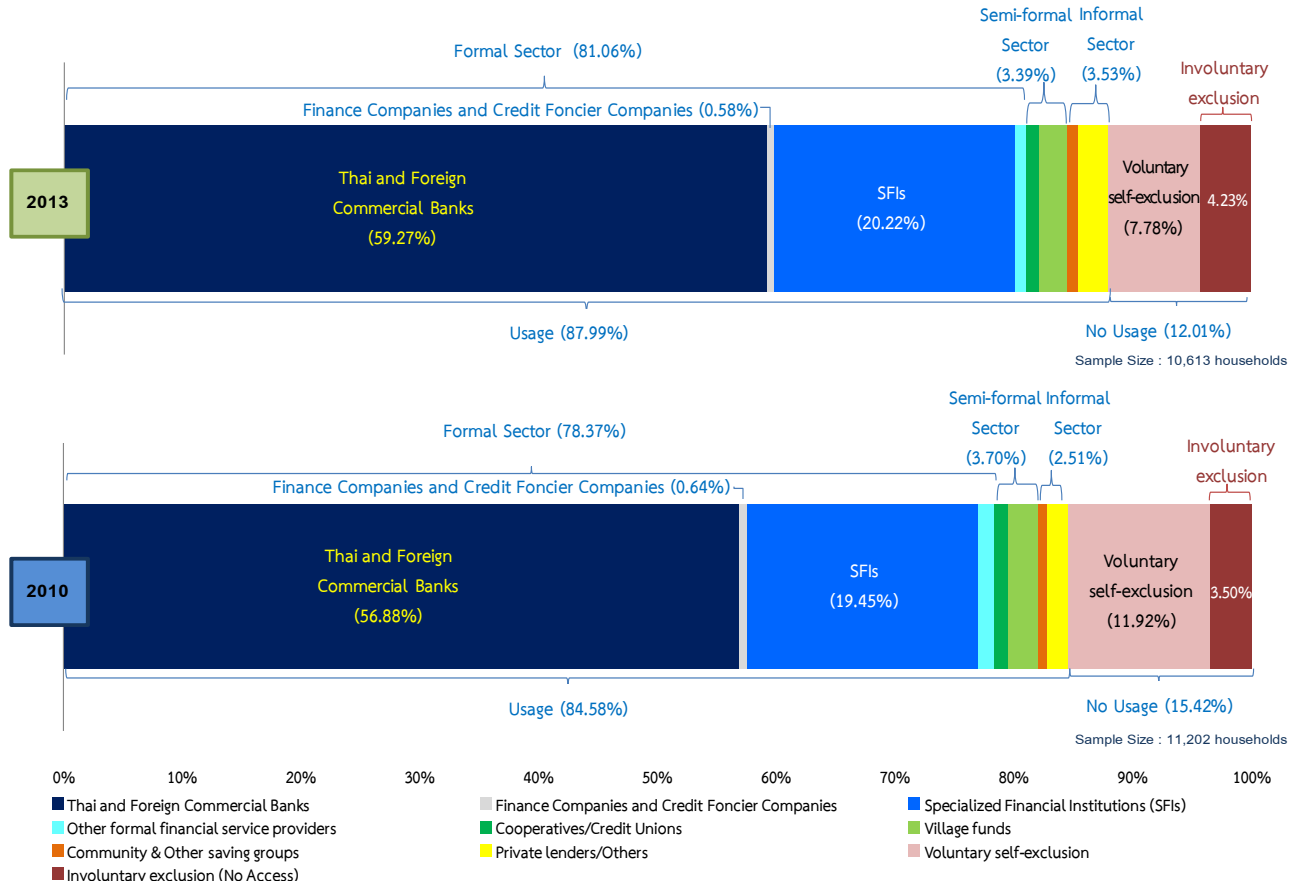
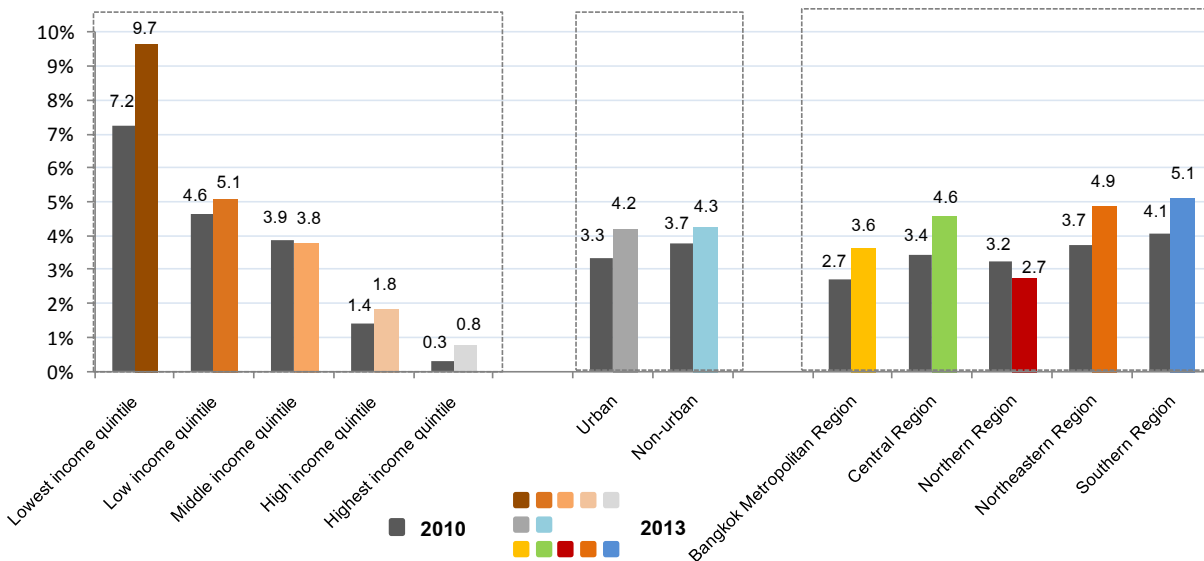
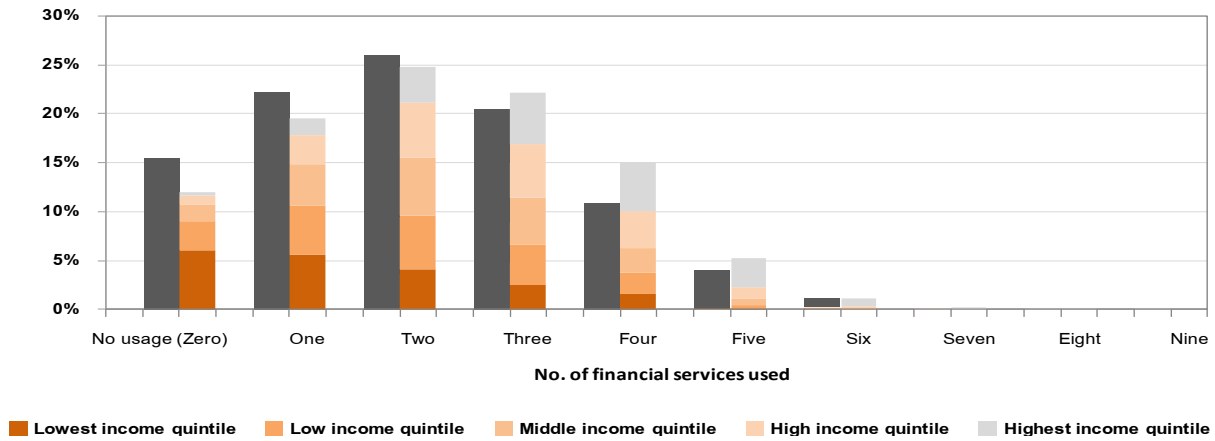


Figure 2: Percentage of involuntary exclusion (No access)

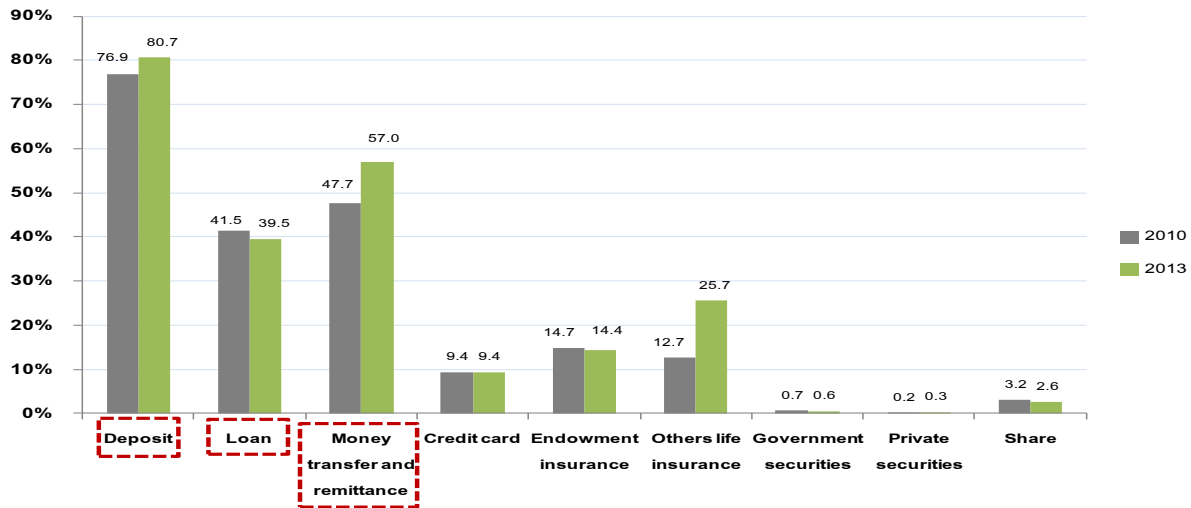


The study also reveals that the majority of households used 1-4 financial services out of the 9 services. This shows the larger diversify of usage compared to the result found in the previous survey in 2010 where the majority of households used only 1-3 financial services. Deposits, money transfers and remittances, and loans were still the most popular products (the overall access to these 3 fundamental financial services was detailed in Article 1 in the Appendix). The higher usage of insurance products might be a result from commercial bank’s cross-selling campaign⁷. In addition, households with higher income levels tended to use more types of financial services.

Figure 3: The number of financial services used by households in 2013



The percentage of usage for each financial service



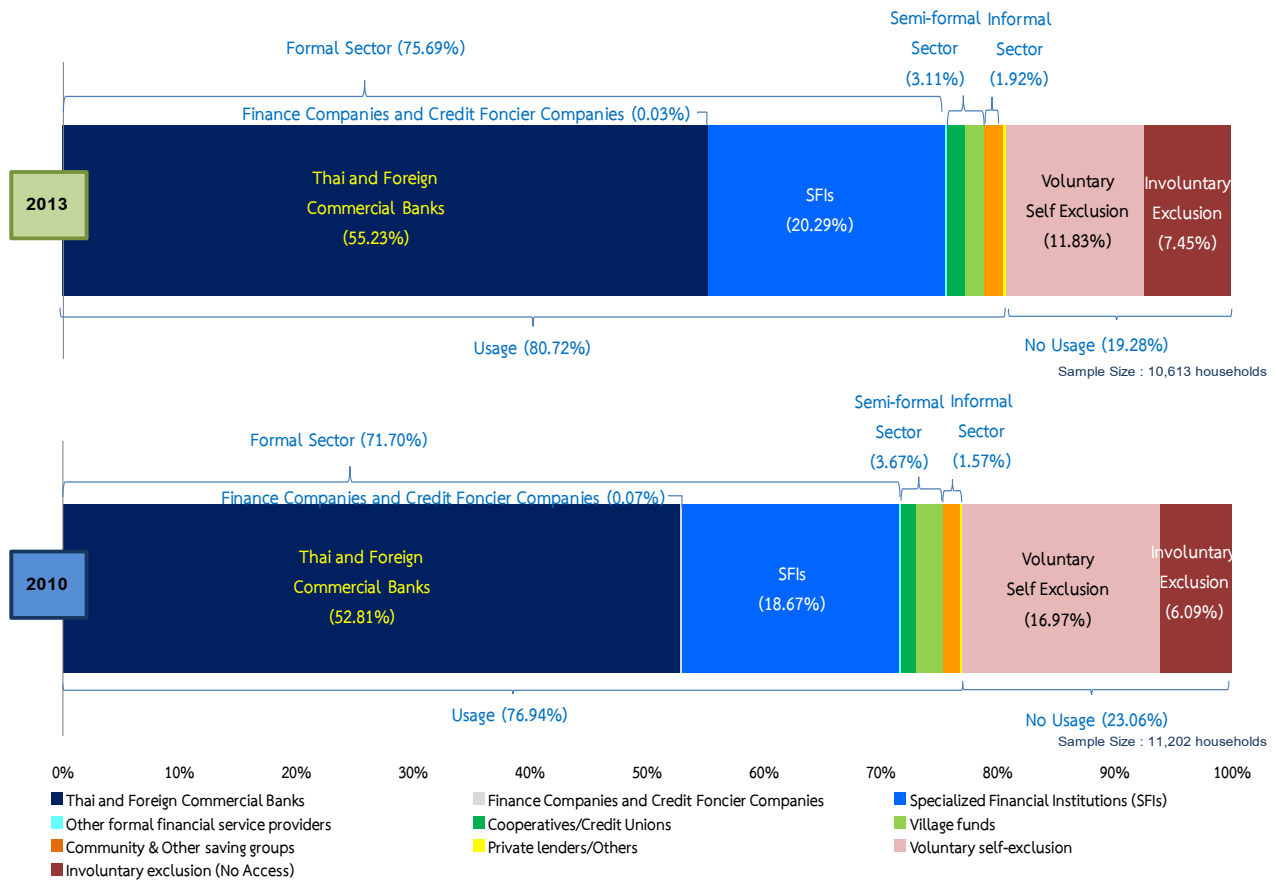
⁷ Cross selling means the sale of securities- or insurance-related products through financial institutions. In respect of the services provided by commercial banks, the BOT, in association with Securities and Exchange Commission (SEC), Stock Exchange of Thailand (SET) and Office of Insurance Commission (OIC), issued the Policy Guideline on Supervision of Sales of Securities- or Insurance-related Products through Commercial Banks (BOT.PPD.(23)Wor.1889/2555) dated 21 November 2012 which covers the regulations on sale of products, after-sale services and complaints handling.

3.2 Access to 3 fundamental financial services

3.2.1 Deposits/savings

The survey result indicated that 80.72% of households were able to access to deposits/savings provided by formal financial service providers including Thai and foreign commercial banks (55.23%) and SFIs (20.29%). However, 19.28% of households did not use any deposit or saving services. For those households with no usage, 11.83% of them chose not to use deposit/saving services (voluntary self exclusion) while 7.45% would like to use the services but could not have the access (involuntary exclusion). Comparing to 2010 survey, there was an increase in demand for deposits and savings. However, those needs were mainly served by commercial banks and SFIs. This could also reflect the intense competition for deposit taking among formal financial institutions in the last 2-3 years, as shown in figure 4.

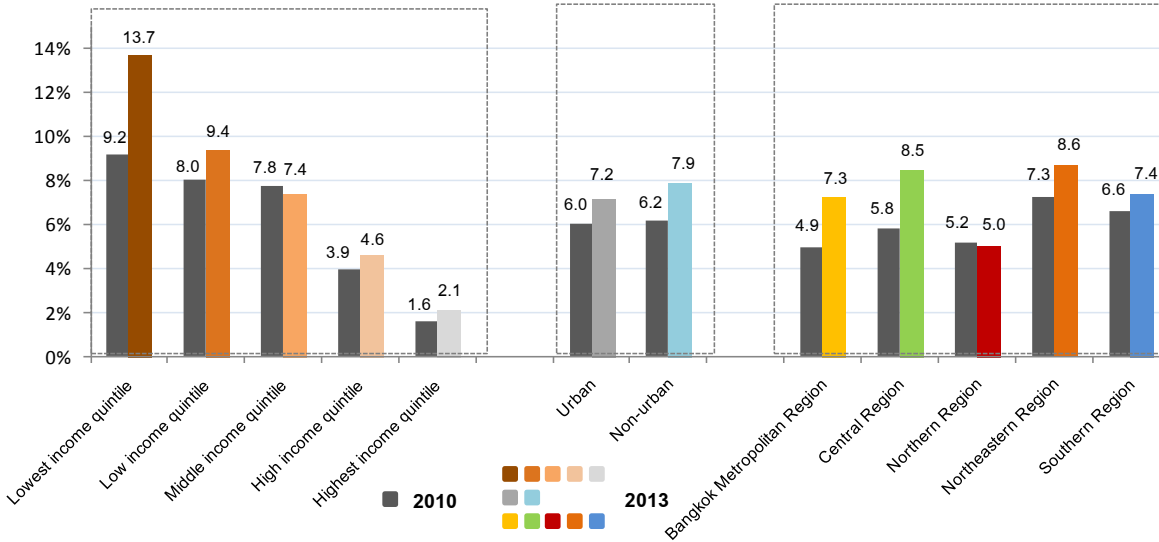
Figure 4: Overview of deposit access



Nevertheless, there were still some unfulfilled demands as evidenced by the increase in involuntary exclusion. The majority of those who could not access any financial service were households from lowest to low income categories, households from

non-urban area, and households from northeastern and central regions. The findings also show that the percentage of involuntary excluded households with the lowest income level and within central region increased the most compared to the result in 2010. (Figure 5)

Figure 5: Percentage of involuntary exclusion (No access) of deposit service



Problems of deposit/saving usage

Although the level of household access to deposit services was relatively high, there were still some problematic issues that prevented households from accessing those services. The largest obstacle, as reported by 35% of the households, was long travel distance, inconvenient, and not enough bank branches available. Most of them had to travel 1-5 kilometers to reach the nearest deposit service points. Other problems found were high service charges and account maintenance fees (19.86%) and unsatisfied services (15%)⁸. However, the proportion of households who faced problem using deposit services declined from 7.02 % in 2010 to only 5.50%. The complaints on unsatisfied services and too high minimum outstanding balance decreased the most compared with the results of the survey in 2010. Thus, this could imply better addressed solutions offered by financial service providers.

Barriers to access commercial banks⁹ deposit service

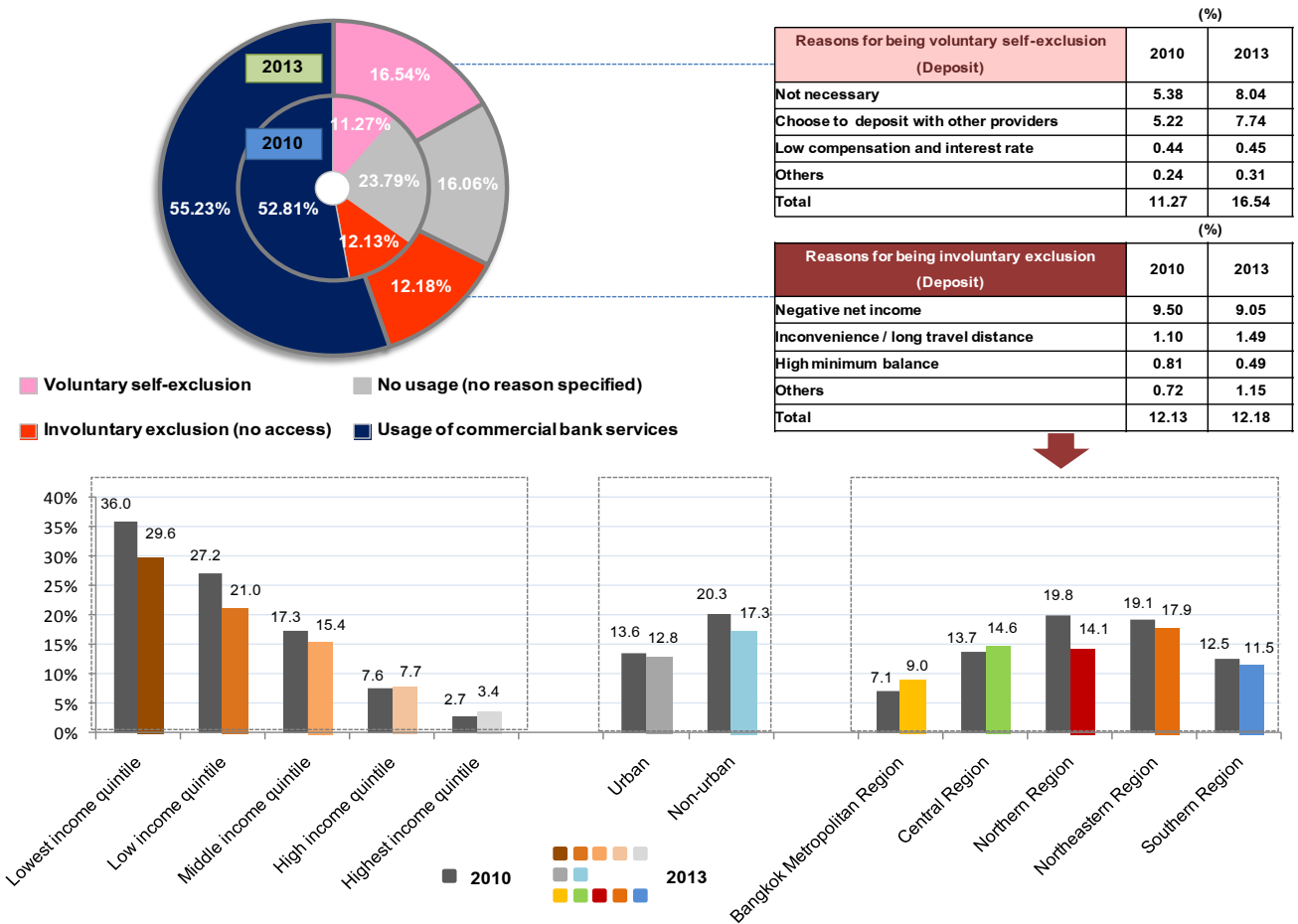
The number of households using deposits through commercial banks increased from 52.81% in 2010 to 55.23%. There were only 44.77% of households who did not have any deposit account with a commercial bank. Among those households with no deposits usage,

⁸ From 471 households (700 responses), the top 5 problems when using deposit service were long travel distance and not enough bank's branches available (35%), high service charges and account maintenance fees (19.86%), unsatisfied services (15%), high minimum outstanding balance (7.86%) and trust in financial institutions' stability (7.57%).

⁹ Both Thai and foreign commercial banks.

16.54% of them intended not to use service from a commercial bank (voluntary self-exclusion) while 12.18% could not actually access to bank's deposit services (involuntary exclusion). Nevertheless, the remaining households (16.06%) did not indicate the reasons for not using deposit services through commercial banks. The main reasons for those who chose not to use the commercial banks' deposit services were (1) they did not need to use deposit services, and (2) they used the services with other financial institutions. The alternative financial service providers that households chose to deposit their money with could be SFIs because they represented the second largest increase in deposits usage proportion. The main reasons why households could not access to deposit services provided by commercial banks were: (1) their deficit income balance after expenses (2) inconvenient transportation and long distance between their residence and bank's branch. Moreover, high proportions of involuntary exclusion were found in those households who fell into the lowest income group, who lived in non-urban area, and who lived in central and northern regions. (Figure 6)

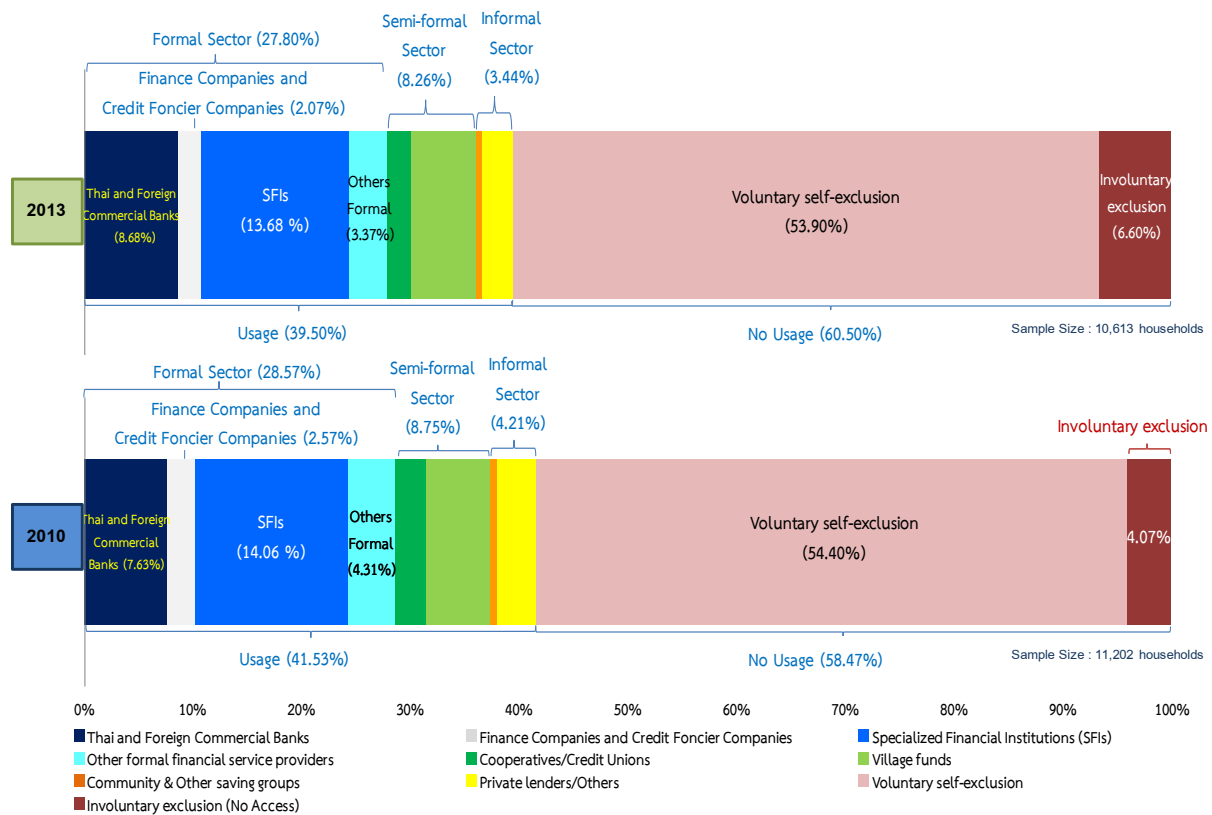
Figure 6: Access to deposits provided by commercial banks



3.2.2 Loans¹⁰

There were 39.50% of households using loan service. Most of them used the service from SFIs (13.68%) followed by Thai and foreign commercial banks (8.68%) and village funds (5.98%), respectively. The proportion of household using loan services with informal financial service providers was the most decreasing proportion, when comparing with 2010 survey. This could imply higher cautiousness of households when considering loan services from informal financial service providers. Households tended to use more loan services from commercial banks. The percentage of households that used commercial banks' loan service increased from 7.63% in the previous survey to 8.68% (+1.05%). However, 60.50% of households do not use loan services at all. This non-usage group comprised those who did not intend to use (53.90%), and those who could not access to the services (6.60%)¹¹, as shown in figure 7.

Figure 7: Overview of loan access

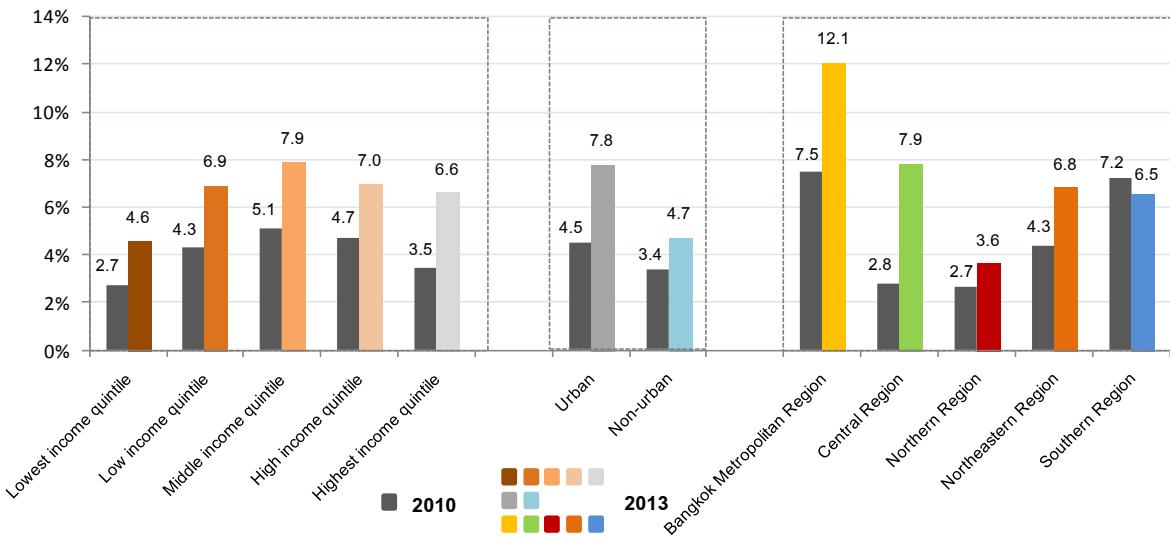


¹⁰ Exclude credit cards

¹¹ The total percentage of households that could not access loan from formal and semi-formal financial service providers was 10.04% which derived from the percentage of involuntary exclusion (6.60%) and the percentage of households that used loan service from informal sector service providers (3.44%) (consisted of households that used loan services from savings groups / community banks (0.54%) and private lenders / relatives / others (2.9%)).

The number of households that could not access to loan service slightly increased from the results found in 2010. The highest percentages of households that could not access to loan services were those in the group of middle-income quintile and those living in Bangkok metropolitan region. This could be explained by the prevalence of alternative financial service providers, such as village funds or savings groups, for households with lower income and those living in non-urban area, while households with middle range income and those living in urban area could only access loans from formal sector providers which had more strictly loan approval criteria than other providers. (Figure 8)

Figure 8: Percentage of involuntary exclusion (No access) of loan service



Problems of loans usage

The survey found that the problem of using loan services mainly came from high interest rates and fees (43.46% of the households with usage problems). Some respondents experienced difficulties and strict business conditions in order to obtain loan approval (16.67%), while others found insufficient credit line (14.87%)¹². However, the proportion of households who had problems with loan services declined from 19.11% in 2010 to 14.34% due mainly to higher consumer satisfaction regarding the granted credit lines.

Barriers to access commercial banks' loan services¹³

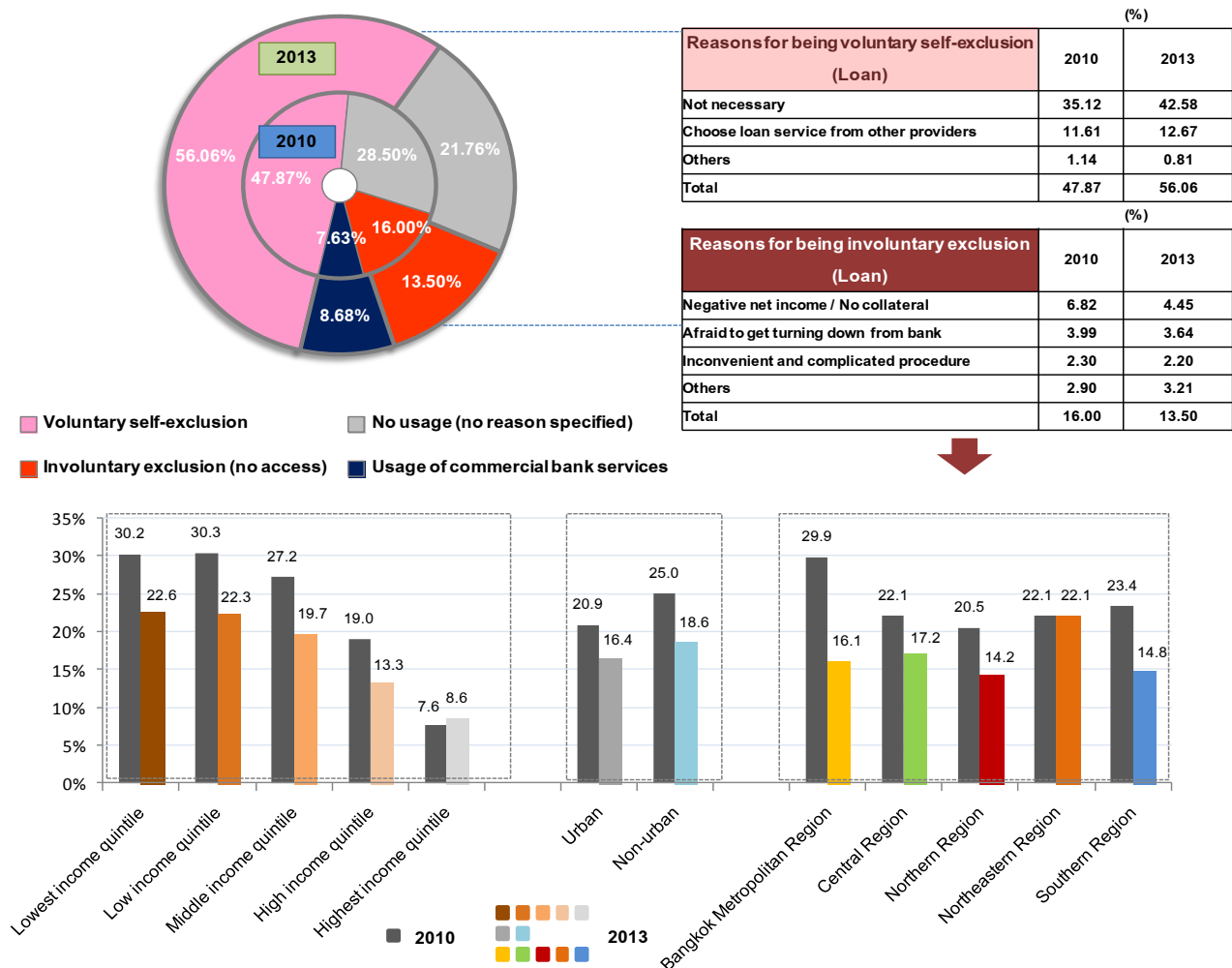
The number of households using commercial banks' loan service increased from 7.63% in 2010 to 8.68%. However, the remaining non-commercial bank usage portion

¹² From 601 households (948 responses), the top 5 problems when using loan service are high interest rate and fees (43.46%), inconvenient and complicated procedure (16.67%), insufficient credit line (14.87%), long travel distance (10.13%) and unsatisfied services (4.64%).

¹³ Both Thai and foreign commercial banks.

(91.32%) could be classified as households that did not need loan services via commercial banks (56.06%), households that could not access to commercial banks' loan services (13.50%), and the remaining was households with no specific reason for non-commercial bank usage. Most of the answers from households that chose not to use commercial banks' loans said that they neither needed to use such services nor preferred to acquire loans from other financial institutions (probably village funds and SFIs which were also the most popular choices). For households that required commercial banks' loans, but unable to attain, their barriers came from unstable financial status, lack of collateral, lack of confidence to apply for a loan (anticipating refusal), and complicated application process. In addition, households with the highest no-access ratio were those in the lowest to middle income quintile, those lived in non-urban area, and those lived in the northeastern region. It was also noteworthy that the no-access proportion of northeastern households did not change from year 2010 while such proportion of other regions decreased significantly especially in Bangkok metropolitan and southern regions. (Figure 9)

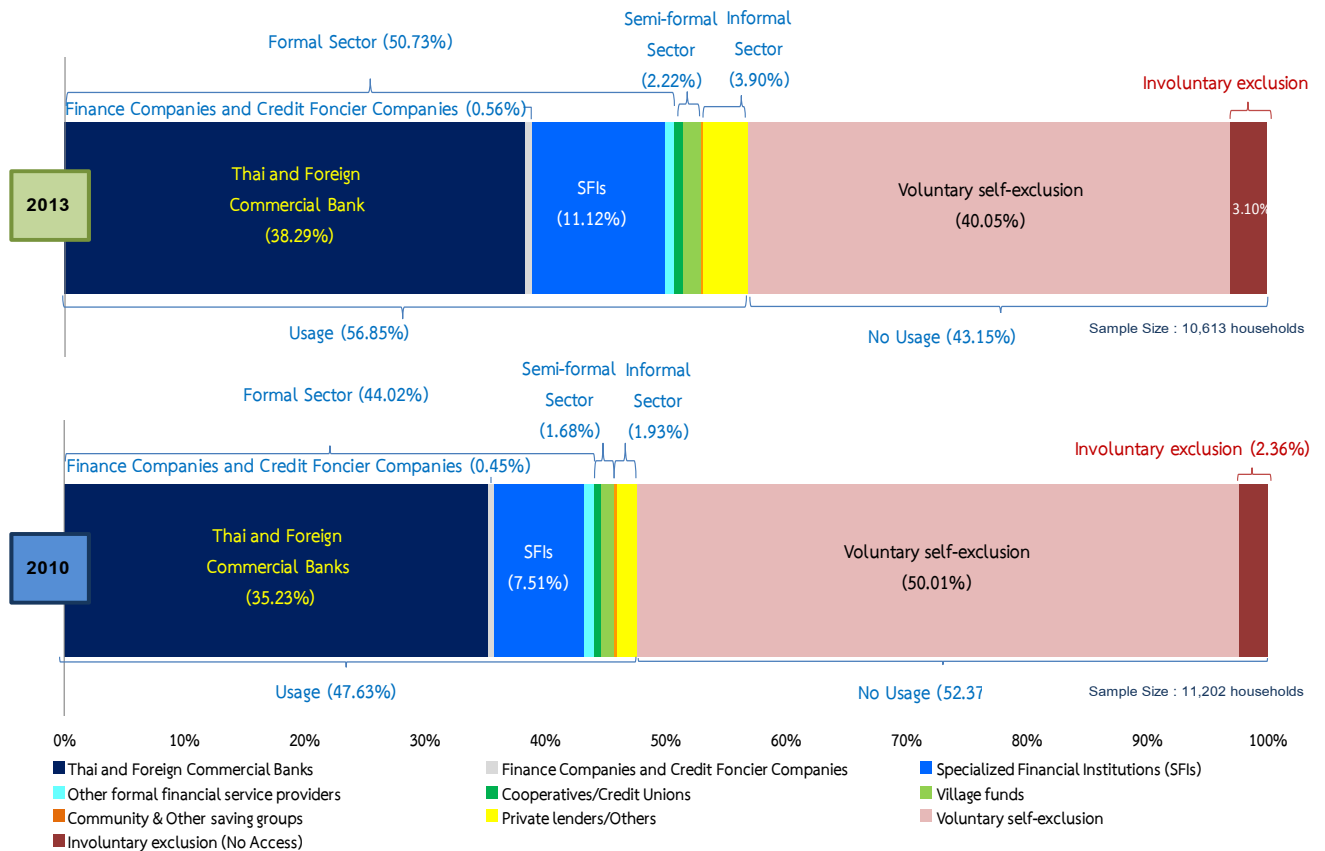
Figure 9: Access to loans provided by commercial banks



3.2.3 Money transfers and remittances

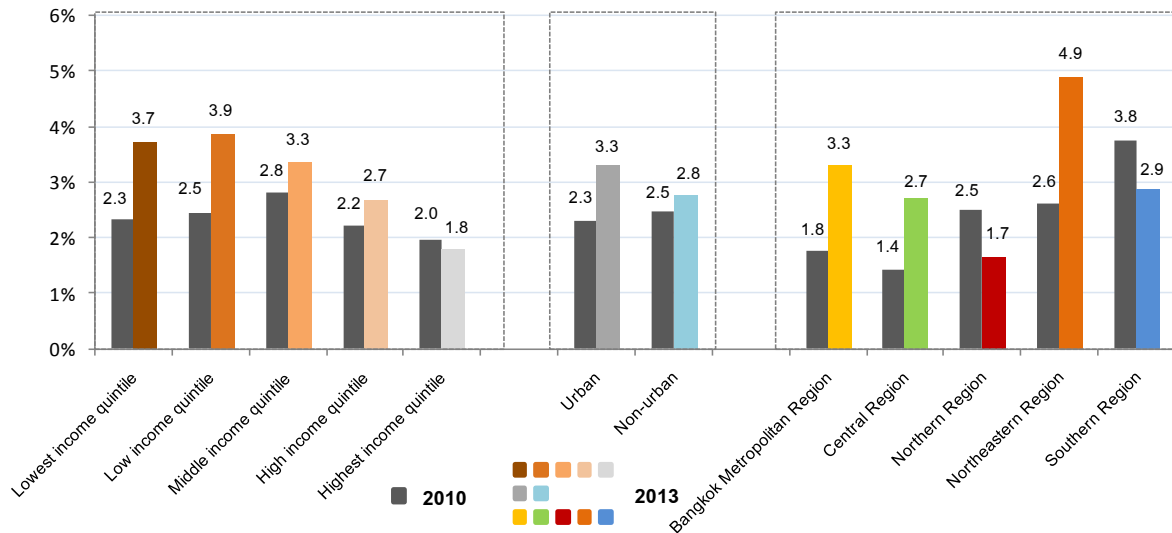
The usage proportion increased from 47.63% in 2010 to 56.85% in 2013. Households mainly used money transfer and remittance services from formal financial service providers which were Thai and foreign commercial banks (38.29%), and SFIs (11.12%). The usage of services provided by informal financial service providers also increased. For the non-usage portion which was 43.15% of households, 40.05% of them were voluntarily excluded which was smaller than 50.01% self exclusion portion found in 2010. This implied the increased in demand for money transfer and remittance services which was higher than the incremental demands for deposits and loans. The proportion of households that could not access to money transfer and remittance services was 3.10% which was higher than 2.36% found in 2010. It might be concluded that the increasing demand for money transfer and remittance services in recent years has been served mostly by commercial banks, SFIs and informal financial service providers, but there were still some demands that have been left unserved. (Figure 10)

Figure 10: Overview of money transfer and remittance access



The highest proportions of no-access households belong to those who fell in lowest to middle income quintile, and those who lived in northeastern region. (Figure 11)

Figure 11: Percentage of involuntary exclusion (No access) of money transfer and remittance service



Problems of money transfer and remittance usage

Although the level of access to the services had improved, there were still problems of using those services. The major problem¹⁴ was high transaction fee (48.77%), followed by long travel distance and insufficient service points (24.56%). However, the number of household having difficulties in using this service declined from 2010 (11.94% to 9.81%). The problem was lessened due mostly to the solution to complexity and conditions in using money transfer and remittance services.

Barriers to access commercial banks' money transfer and remittance services¹⁵

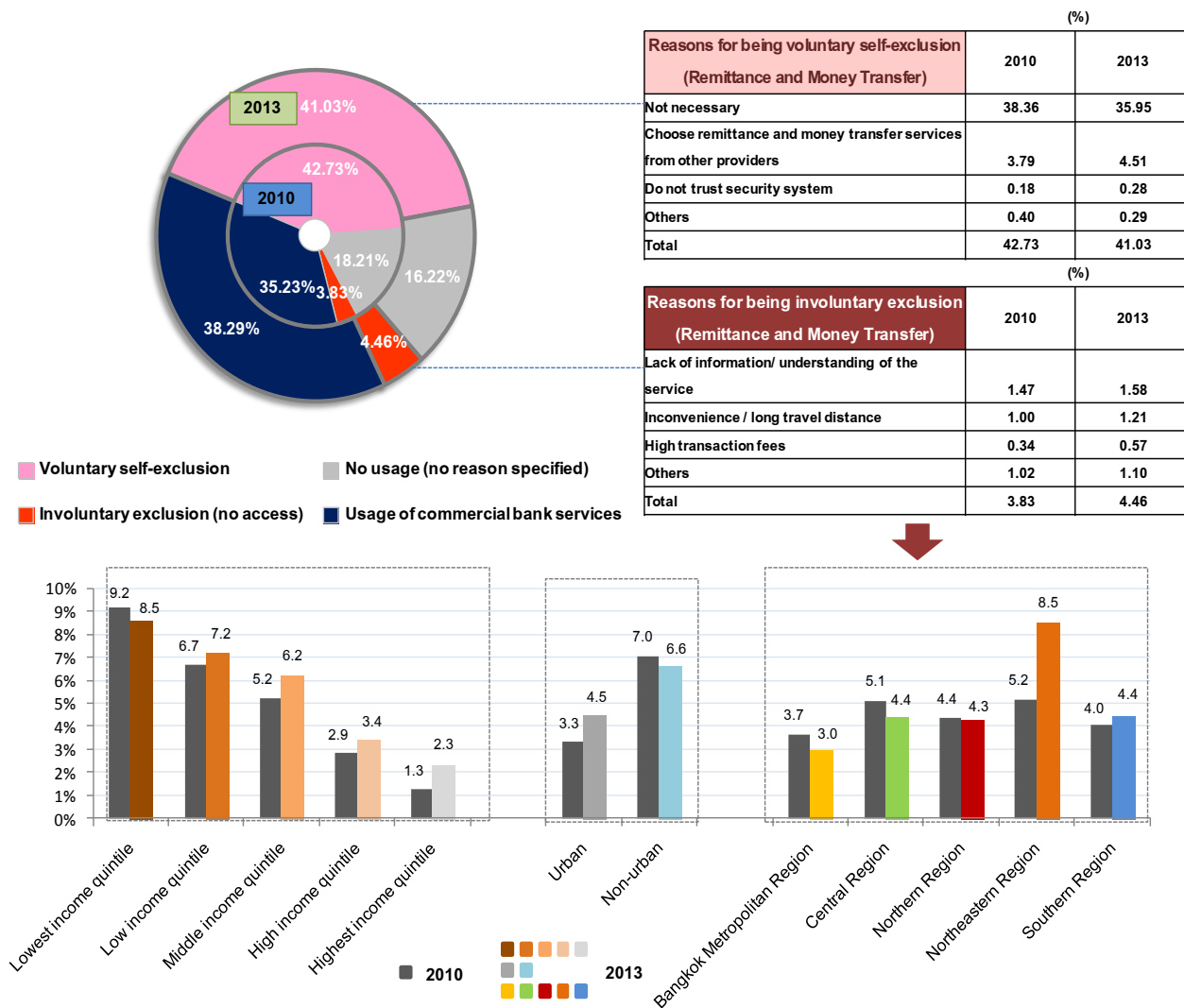
38.29% of households could access money transfer and remittance services through commercial banks, compared to 35.23% in 2010. The portion of households that did not use the services provided by commercial banks consisted of 41.03% of those who chose not to use, and 4.46% of those who were involuntarily excluded. The lack of understanding in the services and process was the main barrier that caused such involuntary exclusion. Other barriers were high transaction fees, and inconvenient in transportation. Furthermore, the highest percentage in no-access portions was the lowest income household, households

¹⁴ From 592 households (851 responses), the top 5 problems when using money transfer and remittance service are high fees (48.77%), long travel distance (24.56%), unsatisfied services (9.52%), inconvenient and complicated procedure (7.64%) and lack of service information (6.11%).

¹⁵ Both Thai and foreign commercial banks.

in non-urban area, and households in northeastern region. It was noteworthy that the rising of no-access portion in northeastern region remarkably exceeded other regions. (Figure 12)

Figure 12: Access to money transfers and remittances provided by commercial banks



3.3 Financial service channels

The survey enquired both usage and non-usage household groups¹⁶ about service channels that they currently use and wish to use in the future for 3 major financial transactions including (1) cash deposits (2) cash withdrawals, and (3) money transfers and remittances. It was found that current major channels for all 3 financial services were bank branches,

¹⁶ The sample excluded households who did not currently use and did not wish to use none of the 9 financial services covered in this survey. This is because those self-excluded households might answer the questionnaires perfunctorily which lead to deviate results.

ATMs, and savings groups and village funds, respectively. This was similar to the result in 2010 survey. Also, the usage of services through the savings groups and village funds increased. Regarding the additional channel needed in the future, the most preferable choices were bank agents and automatic machines which indicated the preference of direct personal contact in completing financial transactions.

3.3.1 Deposit channels

Current deposit channels

There were 8,556 respondents who used deposit services¹⁷. These respondents provided 10,837 answers regarding their current deposit channels. The top 3 channels of choices among the households were bank’s branches (70.21%), ATMs (10.29%), and village funds (9.01%). These 3 channels were also the most popular choices found in 2010 as shown in table 1.

Table 1: Current deposit channels

Deposit channels	2010		2013	
			2013	
Bank branch	74.55	70.21	70.21	
ATM	13.05	10.29	10.29	
Community and Other savings groups	8.11	9.01	9.01	
Automatic kiosk	n/a	5.44	5.44	
Cooperative	2.96	3.57	3.57	
Others (e.g. Home service agent/ officer, Mobile service unit)	1.33	1.48	1.48	
	10,685 responses (From 8,619 households)		10,837 responses (From 8,556 households)	

¹⁷ Each deposit user could choose up to 2 current channels.

Additional deposit channels that households need in the future

The results show the increase in demand for more deposit channel¹⁸ as compared with 2010 survey. For those who currently used deposit services (8,556 samples), they mainly needed mobile service units in their residential area (16.68%), more ATMs in various locations (16.07%), home/workplace service agents or officers (15.29%), and automated kiosks (13.66%).

For 1,218 households who did not use deposit services, the preferred channels for future deposit services were bank branches (30.3%), home/workplace service agents or officers (10.84%), mobile service units (8.46%) and more ATMs in various locations (8.37%). Comparing with 2010 survey, these non-usage households had higher demands for mobile service units, ATMs, and village funds. The details of additional deposit channels needed are shown in table 2.

Table 2: Additional deposit channels that households need in the future

(%)

Additional deposit channels	Usage of deposit services (8,556 samples)	Non-usage of deposit services (1,218 samples)
Do not need additional channels	2.82	22.82
Need additional channels (as followings)	97.18	77.18
Bank branch	9.58	30.30 ①
Cooperative	1.17	0.74
Savings Group /Village Fund	4.28	5.75
ATM	16.07 ②	8.37 ④
Mobile Banking	1.66	0.74
Internet Banking	1.54	0.16
Mobile service unit	16.68 ①	8.46 ③
Convenience store / Retail shop in th neighborhood	10.76	5.09
Post office	4.72	1.81
Home service agent / officer	15.29 ③	10.84 ②
Automatic kiosk	13.66 ④	3.94
Others	1.76	0.99

¹⁸ Each respondent could choose only 1 additional channel.

3.3.2 Withdrawal channels

Current withdrawal channels

From 11,329 answers of 8,556 respondents¹⁹ who did use withdrawal services, most of them used bank’s branches as their withdrawal channels (57.62%), followed by ATMs (30.56%), and savings groups / village funds (4.59%) as shown in table 3.

Table 3: Current withdrawal channels

Withdrawal channels	(%)	
	2010	2013
Bank branch	61.45	57.97
ATM	31.34	30.56
Savings Group / Village Fund	4.05	4.59
Automated kiosk	n/a	2.96
Cooperative	2.09	2.40
Others (ex. Mobile service unit)	1.06	1.53

10,685 responses
11,329 responses
(From 8,619
(From 8,556
households)
households)

Additional withdrawal channels that households need in the future

The analysis of additional withdrawal channels also covered both withdrawal usage and non-usage households²⁰. It was found that the demand for the additional withdrawal channel increased from 2010. The usage households would like more ATMs (17.55%), mobile service units (14.31%), home/workplace service agents or officers (13.8%), and automated kiosks (11.4%). On the other hand, the non-usage households mainly demanded for additional bank’s branches (24.14%), ATMs (12.64%), and home/workplace service agents or officers (10.18%) as shown in table 4.

¹⁹ Each deposit user can choose 2 current channels.

²⁰ This sampling group consisted of 8,556 respondents who used deposit and 1,218 respondents who did not. Each of them could choose only 1 additional channel.

Table 4: Additional withdrawal channels that households need in the future

Additional withdrawal channels	Usage of deposit services	
	(8,556 samples)	(1,218 samples)
Do not need additional channels	7.33	25.04
Need additional channels (as followings)	92.67	74.96
Bank branch	8.47	24.14 ①
Cooperative	0.96	0.74
Savings Group / Village Fund	3.65	6.08
ATM	17.55 ①	12.64 ②
Mobile Banking	1.46	0.66
Internet Banking	1.46	0.00
Mobile service unit	14.31 ②	7.80 ④
Convenience store / Retail shop in th neighborhood	13.03	5.42
Post office	4.83	1.81
Home service agent / officer	13.80 ③	10.18 ③
Automatic kiosk	11.40 ④	4.35
Others	1.75	1.15

3.3.3 Money transfer and remittance channels

Current money transfer and remittance channels

From 8,310 answers of 6,005 respondents²¹ who already used money transfer and remittance services, it was found that the popularity of service channels observed in 2013 were similar to those found in 2010. Most households used the services through a bank's branches (54.48%), followed by ATMs (20.17%) and convenience stores / retail shops (7.45%). However, as shown in table 5, the results also show the higher proportion of households who choose convenience stores and retail shops as their service channels.

²¹ Each money transfer and remittance user could choose up to 2 current channels.

Table 5: Current money transfer and remittance channels

	(%)	
Money transfer / Remittance channels	2010	2013
Bank branch	60.62	54.48
ATM	23.09	20.17
Convenience store / Retail store	6.13	7.45
Savings Group / Village Fund	4.20	6.00
Automated kiosk	n/a	4.81
Cooperative	1.44	1.96
Post office	2.04	1.30
Home banking by agent / officer	0.30	1.11
Internet	0.27	0.29
Mobile service unit	0.29	0.17
Mobile phone	0.22	0.12
Others	1.40	2.14
	7,294 responses	8,310 responses
	(From 5,336	(From 6,005
	households)	households)

Additional money transfer and remittance channels that households need in the future

To analyze the need for additional service channels, the respondents²² were grouped into 1) those who currently used money transfers and remittances (6,005 respondents), and 2) those who did not use the services (3,729 respondents). There were increasing demands for more money transfer and remittance channels as compared to the previous survey. Furthermore, 17.08% of the current users stated that they needed additional channels via convenient stores / retail shops, followed by ATMs (14.55%), home/workplace service agents or officers (13.71%), and automated kiosks (13.31%).

Regarding the non-usage respondents, most of them needed more bank's branches (14.24%), followed by home/workplace service agents or officers (10.00%), mobile service units (9.98%), and ATMs (9.17%) as shown in table 6.

²² Each respondent could choose only 1 additional channel.

Table 6: Additional money transfer and remittance channels that households need in the future

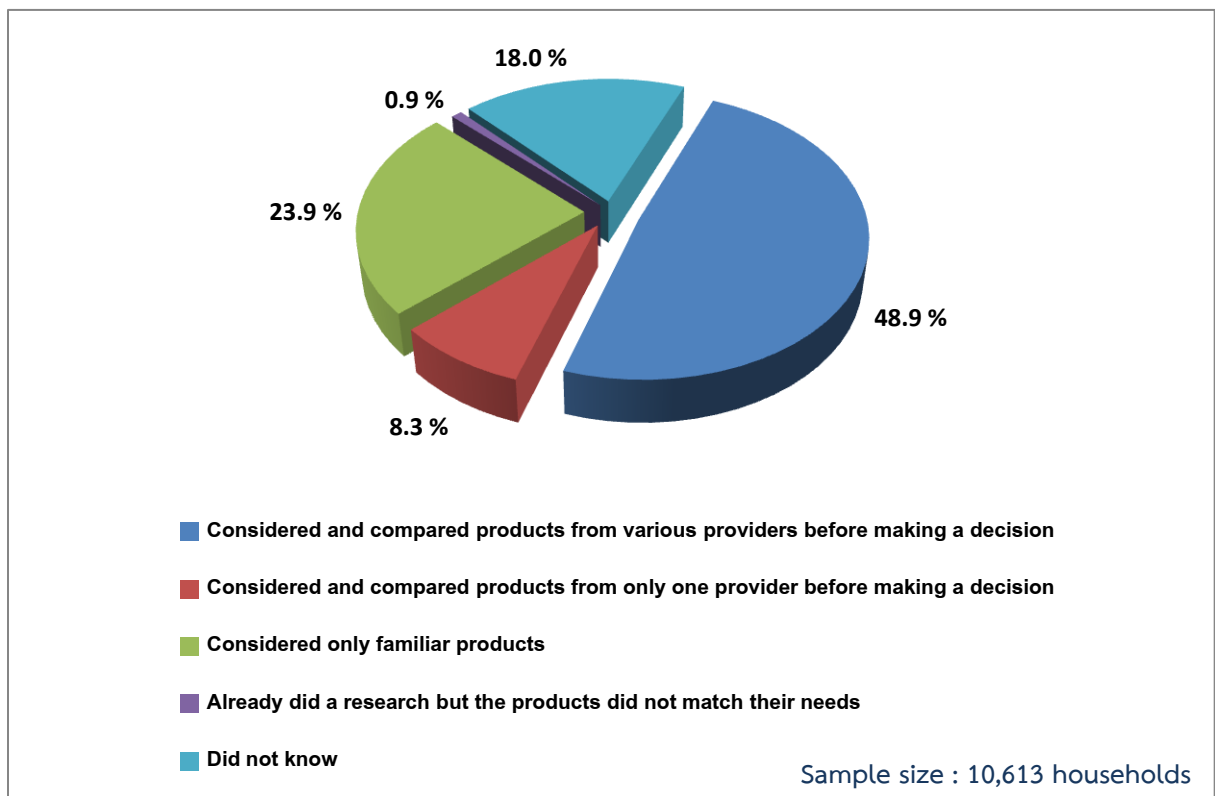
(%)

Additional money transfer / remittance channels	Usage of money transfer / remittance services (6,005 samples)	Non-usage of money transfer / remittance services (3,729 samples)
Do not need additional channels	8.28	31.86
Need additional channels (as followings)	91.72	68.14
Bank branch	5.45	14.24 ①
Cooperative	0.82	0.51
Savings Group / Village Fund	2.82	3.78
ATM	14.55 ②	9.17 ④
Mobile Banking	2.55	0.83
Internet Banking	2.37	0.27
Mobile service unit	12.15	9.98 ③
Convenience store / Retail shop in th neighborhood	17.08 ①	7.62
Post office	5.46	3.30
Home service agent / officer	13.71 ③	10.00 ②
Automatic kiosk	13.31 ④	6.70
Others	1.47	1.74

3.4 Other findings

The 2013 survey also asked how households chose their financial products such as deposits, loans, and credit cards. It was found that 48.9% of the households compared various financial products offered by each financial service provider before making the decision. However, 23.9% of households still used only familiar financial products without considering new ones and 18.0% of households did not have any knowledge to choose financial products. This indicates that Thai households still need further improvement on financial literacy and knowledge of financial products as shown in figure 13.

Figure 13: How households choose their financial products



4. Conclusions

The conclusions drawn from the 2013 Financial Access Survey of Thai households are summarized as the followings.

- **Overview of financial access:** In 2013, 87.99% of Thai households could access to financial services. This portion of access has increased from 84.58% found in 2010. The results also illustrate higher demand for financial services, which have been served mostly by formal financial service providers, especially commercial banks. However, there were 4.23% of households that could not access to any financial service providers. In addition, the characteristics of households that had lower level of access were those falling in the lowest income quintile, living in non-urban area, and living in southern and northeastern regions.

- **Overview of problems in using financial services:** The proportion of households that encountered problems in using financial services has declined compared to the previous survey in 2010. This could imply higher level of satisfaction in using financial services. However, major impediments in using the 3 fundamental financial services including deposits, loans, and money transfers and remittances were long travel distance to the nearest financial service providers or inconvenience to reach service points, high interest rate and fee for loans, insufficient credit line, and complicated procedure and service condition for loan application.

- **Variety of financial services:** Apart from the 3 fundamental financial services, the results show that Thai households have used more variety of financial services, especially those with higher income. Life Insurance became more popular among households and this might be a result from commercial banks and SFIs' cross-selling campaigns. However, investment products such as private and government securities were not as much popular as other financial products. This implies the lack of knowledge and understanding of those services which consequently resulted in the lack of confidence in using unfamiliar products.

- **Access to 3 fundamental financial services**

- **Deposits:** Deposit was the most used financial product. The percentage of households that could access to deposit service was 80.72%, which increased from 76.94% in 2010. The main deposit services providers were commercial banks and SFIs which reflected the intense competition for deposit taking among formal financial institutions in the last 2-3 years. However, the majority of households that could not access this service were those in the lowest and low income quintile, living in non-urban area, and living in

northeastern and northern regions. Main barriers of accessing the service were negative financial balance and long travel distance.

- **Loans (excluding credit cards):** Loan was the least used product among the 3 fundamental financial products. The loan usage accounted for 39.50% which was slightly lower than the results of previous survey. Most households used the service from SFIs and Thai and foreign commercial banks, respectively. The proportion of usage from Thai and foreign commercial banks increased while that from SFIs and informal financial service providers decreased. The households that could not access to loan services were those in the group of lowest to middle income quintile and living in Bangkok metropolitan and central region. It might be the case that those households in the urban areas could only access loans from formal service providers, such as commercial banks, which had strict loan approval criteria. Moreover, those service providers might have tightened their credit extension where unfavorable economic conditions and higher household debts were observed. On the other hand, those households in non-urban area could access to alternative financial services providers such as village funds or savings groups.

- **Money transfers and remittances:** Compared with the other 2 fundamental financial services, the usage proportion in using money transfers and remittances service has increased the most. The higher usage proportion was observed from every group of financial service provider, especially commercial banks and SFIs. However, those households falling in lowest to middle income quintile or living in northeastern region still had lower level of access to the formal financial service providers. They consequently might turn to informal financial service providers because of familiarity, trust, and convenience to travel to a service point.

■ **Barriers of accessing commercial banks services:** The major obstacles preventing households from accessing financial services of commercial banks include: inadequate financial status / lack of collaterals; inconvenience to reach service points; too high minimum opening balance; too complicated processes and conditions; lack of service understanding; and lack of confidence to apply for a loan. These were the same as the results found from the previous survey in 2010. It was also found that households in the northeastern region tended to have highest percentage of involuntary exclusion because of the least in proportion of bank branch per population²³.

²³ The number of commercial bank's branches per 100,000 adults was calculated by the Bank of Thailand:

Bangkok metropolitan region (27), central region (12), northern region (7), northeastern region (5) and southern region (9).

Source: number of commercial bank branches (www.bot.or.th) and number of Thai population (www.nso.go.th)

- **Financial service channels:** The most popular channels for 3 fundamental financial services (deposits, withdrawals, money transfers and remittances) that households currently used, and additional channels that households need in the future were bank branches and ATMs. However, cooperatives, savings groups / village funds, and convenience stores / retail shops became increasing popular choices. Moreover, households also needed agents or officers to provide services at their home or workplace. But, modern technology channels such as mobile/internet banking were not very well recognized because some households were still unfamiliar with those channels and culturally preferred to have direct personal contact.

5. Policy Recommendations

According to the results of 2013 survey, it can be concluded that the level of access to financial services of Thai household was relatively high. This conclusion conforms with the result of Financial Access 2010 reported by World Bank and Consultative to assist the poor (CGAP), where the level of financial access in Thailand was in the second quartile from the top and in the same rank as Malaysia and Singapore²⁴. However, Thai households still encountered some barriers of accessing financial services including inadequate financial status / lack of collaterals, inconvenience in reaching service point, too high minimum opening balance, too complicated processes and conditions, lack of services understanding, and lack of confidence to apply for a loan. Therefore, potential financial inclusion policies to support and empower stakeholders should cover 2 dimensions as follows:

1. Supporting financial service providers: Financial service providers should be enabled to provide their services through more various and innovative channels. Moreover, financial services should be designed and developed to meet households' need with more convenience and flexibility. For examples, the expansion of new branches or ATMs in the non-urban area or the establishment of tailored made low-cost branches that are well fit with local households' life style could heighten the distribution channels in remote areas²⁵ especially in northeastern region. Furthermore, cooperatives, village funds, and savings groups could be promoted to operate as banking agents who provide basic financial services to households in rural areas. In addition, modern technology such as internet and mobile banking should also be employed to help reducing problems of travel distance and expenses. Moreover, legal framework that increases types of collateral in lending agreement is also necessary, to increase access to loan service for retail individuals and SMEs who do not have traditional collaterals for credit application.

2. Supporting financial service users: Households should be properly equipped with financial literacy to strengthen financial discipline. The ability to manage cash flows and regular saving will help strengthen households' financial record which is prerequisite to use financial services from formal service providers. Moreover, households should have knowledge and understanding in financial products and services in order to make the optimal decision that best fit with their needs. In addition, the promotion of trust and familiarity with modern innovative products and services, such as mobile or internet banking, could minimize traveling inconvenience problem and reduce usage incurring cost in the long run. Moreover, employment promotion and productivity enhancement would help

²⁴ More details in the appendix (Article 2).

²⁵ Top 3 most needed channels are bank's branches, ATMs and home/workplace service agents or officers, respectively.

strengthening households' financial status. As a result, households would have adequate money to put into savings, which create strong financial records that enable them to have greater opportunity in obtaining credits. Besides, this additional money might be transferred to other family members who live in other areas or used for other financial products such as investment or insurance. This could eventually increase financial inclusion and heighten the usage of more variety of financial products.

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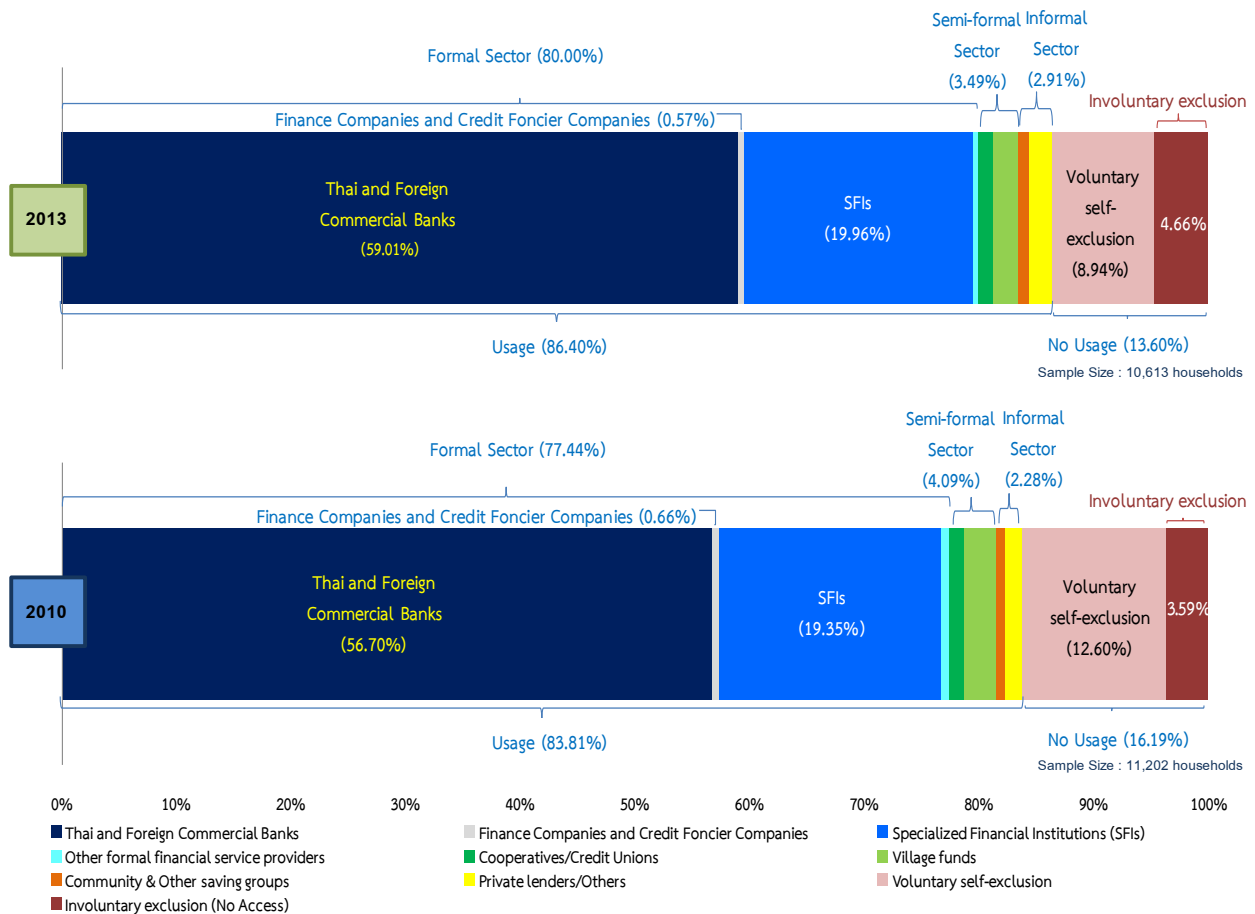
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Appendix

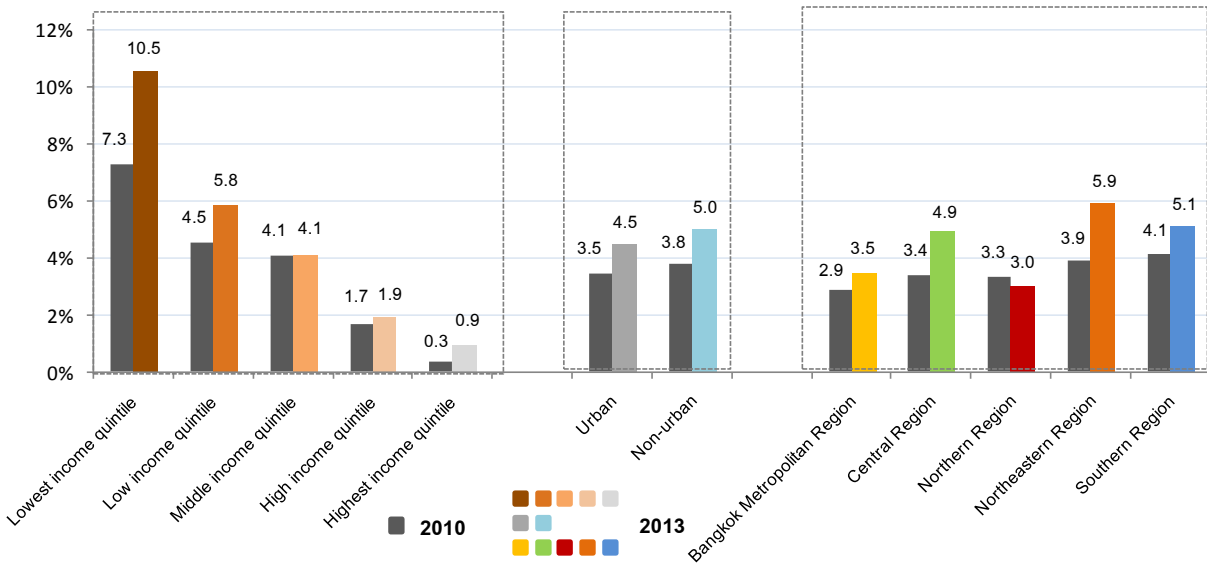
Article1: Overview of financial access of 3 fundamental financial services

Three fundamental financial services are deposits, loans, and money transfers and remittances with the percentages of households usage of 80.7%, 39.5% and 56.8%, respectively. There were 86.4% of households that used at least 1 of those 3 financial services while 13.6% of the household did not use any those financial services. For the non-usage part, the self excluded or voluntary self-excluded portion (those who were capable of accessing at least one financial service but had no need and chose not to use any financial services) were 8.94% and the involuntary excluded portion (those who had demand, but could not access to any financial service) were 4.66%.

Comparing with 2010 survey, the percentage fundamental financial services usage increased mostly from Thai and foreign commercial banks (59.01% of households) followed by SFIs (19.96%). However, there were some households who used financial services from informal financial service providers. This resulted in the higher percentage of usage from informal sector which slightly increased from 2.28 % to 2.91%. Moreover, the percentage of voluntary self-excluded decreased from 12.60% in 2010 survey to 8.94%. These finding imply the increase of households’ demand for the 3 fundamental financial services.



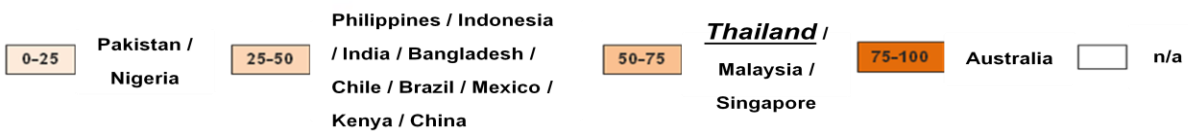
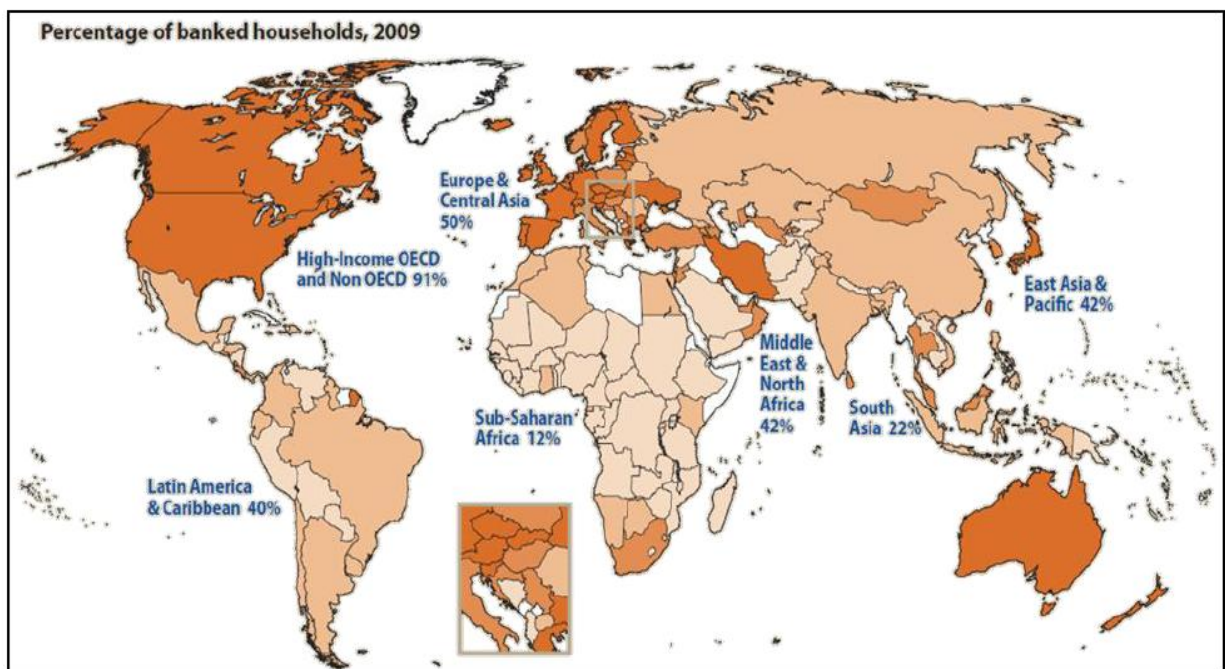
For the involuntary exclusion portion, the increase in unserved demand was evidenced by higher involuntary excluded households. The characteristics of households who could not access to any of the 3 fundamental financial services were similar to those found for all 9 services. The involuntary excluded households were those who fell in lowest to middle income quintiles, and those who lived in northeastern and southern regions. In addition, the proportion of households satisfied with the services provided by commercial banks has increased compared to the previous survey. However, there were still some problems of using the services including inconvenience to travel to service points, high interest rate and fee for loans, and complicated procedure and service condition for loan application.



Article 2: Level of Thailand's financial access compared with other countries

According to 2010 Financial Access Report by World Bank and Consultative Group to assist the poor (CGAP), the level of financial access in Thailand was in the second quartile from the top and in the same rank as Malaysia and Singapore (50-75% of households have a deposit account with a commercial bank) but was lower than U.S.A. and other developed countries which were in the first quartile. China, Philippines, Indonesia, Mexico were in the third quartile. The countries grouped into the fourth quartile were mostly those in Sub-Saharan Africa and South Asia.

Level of financial access in Thailand and other countries



Source: 2010 Financial Access Report by World Bank and CGAP measured by the proportion of households who have a deposit account with a commercial bank.

