BANK OF THAILAND

Financial Access Survey of Thai Households

2016

BANK OF THAILAND

(1942 - 2017)

Table of content

Figure

Page

Table

Page

Executive Summary

The Bank of Thailand (BOT) has regularly been conducting triennial surveys on households' financial access since 2003, and has collaborated with Thailand's National Statistical Office (NSO) since 2006. The objective of the household survey is to assess and monitor the level of financial access which serve as valuable inputs for the formulation of appropriate financial inclusion policies. The latest survey, undertaken in 2016, covered 10,866 households across Thailand. The survey measured access[1] to eleven key financial services[2] commonly provided by financial institutions.

Overall, Thai households had better access to financial services with access level at 97.3% in 2016 compared to 95.8% in 2013. Among these households, 86.3% used financial services while 11.0% chose not to use financial services (voluntarily self-excluded). With regards to genders, both males and females had comparable access to financial services at 97.0% and 97.6%, respectively. **While commercial banks and Specialized Financial Institutions (SFIs) remained primary service providers of financial services, non-banks such as village funds and electronic payments (e-Payments) providers played increasing roles. Meanwhile, there was a decrease in the use of informal sector service providers.** These findings are consistent with the government's policy to promote formal service providers and integrate technology into the provision of financial services.

Money transfers and payments, deposits/ savings, and loan services were the types of financial services most used by households. The survey showed an increase in the access rate of deposits/savings services (from 92.5% in 2013 to 94.2% in 2016), as well as a higher percentage of voluntarily-excluded households due mainly to a decrease in disposable income. For loan services, there was a slight increase in access rate (from 92.5% in 2013 to 94.2% in 2016). Most of these loans were disbursed by SFIs while semi-formal sector service providers such as village funds played increasingly important roles. In line with technology advancement and a higher number of e-Payment service providers, the access rate for money transfer and payment services improved (from 96.9% in 2013 to 98.6% in 2016) along with a substantial increase in usage rate (from 56.9% in 2013 to 75.3% in 2016). Households also preferred to pay service providers directly (e.g. electricity & waterworks authority and telecommunication companies) rather than pay through financial service providers.

Analyzing the service channels used by households, it was found that despite having a broad range of service channels available, **commercial banks' and SFIs' branches and ATMs remained the most highly used channels. In addition, the slightly higher percentage of households accessing financial services through mobile applications and internet banking reflects an increasing willingness of households to use technology.**

---

[1] "Access," as defined by this survey, includes not only usage but also self-exclusion which follows the definition adopted by World Bank.

[2] Eleven financial services include (1) deposits/ savings, (2) loans (excluding credit cards), (3) money transfers, (4) payments, (5) credit cards, (6) life insurance, (7) non-life insurance, (8) mutual funds, (9) government and central bank debt securities, (10) private securities, and (11) rotating savings groups

Convenience stores and supermarkets were also important channels for money transfers and payments. The majority of households were satisfied with existing service channels compared to the previous survey, and a larger percentage were satisfied with service quality. Nevertheless, some households stated that they would like additional channels. In particular, households in urban areas requested more branches and ATMs while households in non-urban areas requested on-site servicing at their home or workplace.

Although the overall access rate increased, **some obstacles remained, particularly for no-usage households** (both voluntarily self-excluded and involuntarily excluded) to access commercial banks' and SFIs' services. The main obstacles were (1) poor financial position/ insufficient income, (2) lack of understanding, (3) lack of confidence to contact service providers due to fears of rejection, and (4) inconvenient access to service points.

Regarding households' savings behavior, **the percentage of households that planned and saved for retirement dropped from 59% in 2013 to 44% in 2016.** In addition, households mostly saved for cases of emergency, healthcare, retirement and irregular income-expenditure management, respectively. It is worth noting that households' main method of savings was through having savings accounts at commercial banks and SFIs.

From the survey findings, increased collaboration between the BOT, government, and private sector is needed when developing policies with regards to households' financial access and usage. Three policy recommendations are as follows:

(1) Enhance financial service providers and service channels by supporting the role of non-banks in order to increase competition in the financial system. This is in-line with the results which showed an increasing trend in the use of non-bank providers. At the same time, households would have access to services that are more convenient and less costly. Additionally, the BOT is in the process of revising regulations related to financial institutions' distribution channels to broaden the types of eligible banking agents. This will help to better serve financially excluded households.

(2) Have targeted financial products for example, encouraging financial institutions to offer basic banking accounts (accounts for deposits, withdrawal, money transfers and payment). This would provide households in poor financial positions with basic financial services at a lower cost.

(3) Increase financial literacy and consumer protection by promoting knowledge of basic financial products to households and empower them to choose products that meet their needs. Additionally, there is also a need to raise households' awareness and understanding on the importance of financial planning and savings for retirement. In addition, the BOT will encourage and support the use of electronic channels to increase households' convenience and reduce providers' operating cost. Moreover, the BOT will strengthen regulations related to commercial banks' market conduct.

1. Introduction

1.1 Rationale and objective

Recognizing the importance of promoting financial inclusion, the Bank of Thailand (BOT) has placed this issue one of the main policies in the Financial Sector Master Plan (FSMP) phase I (2003-2007), phase II (2010-2014), and phase III (2016-2020). In order to monitor the level of financial access and formulate appropriate policies that enhance financial inclusion, the BOT has been conducting a household survey on financial access triennially since 2003.

The Financial Access Survey 2016 is the fourth survey[3] undertaken in collaboration with Thailand's National Statistical Office (NSO). The questions used in this survey were similar to those used in the 2013 survey; however, the scope of financial services surveyed has been expanded from nine to eleven services to have a more granular assessment of the financial access level, financial service channels, as well as obstacles to accessing financial services.

1.2 Scope of survey

A total of 10,866 households was surveyed from all regions across Thailand in both urban and non-urban areas. Each respondent was either head of the household or a household representative aged 15 years and above. Respondents were interviewed on the need and usage of financial services. The questionnaire comprised two parts namely: 1) The level of access to eleven financial services and 2) an in-depth survey focusing on three basic financial services, details as follows:

Part 1: Level of access to eleven financial services:

(1) Deposits/ savings (including e-Money[4])
(2) Loans (excluding credit cards)
(3) Money transfers
(4) Payments
(5) Credit cards
(6) Life insurance
(7) Non-life insurance
(8) Mutual funds
(9) Government and central bank debt securities
(10) Private securities
(11) Rotating savings groups

Part 2: An in-depth survey focusing on three basic financial services: (1) deposits/ savings, (2) loans (excluding credit cards), and (3) money transfers and payments. This part

---

[3] The first survey was conducted in 2003 as a 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 a sample size of 4,800 households.
The second survey was conducted in 2006 by the BOT and the NSO with a sample size of 11,162 households.
The third survey was conducted in 2010 by the BOT and the NSO with a sample size of 11,202 households.
The fourth survey was conducted in 2013 by the BOT and the NSO with a sample size of 10,613 households.

[4] Refers to an electronic store of monetary value on a technical device (such as chip card, telecommunications network, or internet). The device acts as a prepaid bearer instrument and may be widely used for making payments to entities other than the e-Money issuer.

also surveyed problems faced by households when using financial services, service channels, and their financial planning behavior.

Adopting the World Bank's definition, financial service providers were classified into three groups according to their legal status and the level of supervision as follows[5]:

(1) Formal sector service providers refer to mainstream financial institutions who have a clear legal status. They are required to obtain licenses granted under relevant business laws or originally established by a specific constitutional law. These service providers are under the supervision/ examination of the Ministry of Finance (MOF) and financial regulators (the BOT, the Securities and Exchange Commission (SEC), and the Office of Insurance Commission (OIC). The supervisory regulations generally cover business undertakings, prudential measures, and/ or consumer protection. Formal sector service providers include:

- Deposit-taking and other financial services providers, namely, Thai commercial banks and foreign commercial banks (both foreign bank branches and subsidiaries), Specialized Financial Institutions (SFIs) (such as Bank for Agriculture and Agricultural Cooperatives, Government Savings Bank and Government Housing Bank), finance companies, and credit foncier companies.
- Loan service providers, namely, credit card companies, supervised personal loan companies, and Nano finance providers.
- Payment service providers, namely, e-Payment service providers and e-Money operators.
- Investment and insurance service providers, namely, securities companies, mutual fund management companies, and insurance companies.

(2) Semi-formal sector service providers refer to financial institutions whose legal status are granted by specific laws, and are supervised or examined by other government authorities, namely, leasing companies, savings cooperatives, cooperative federations, credit unions, village funds, and pawn shops.

(3) 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, self-help groups, community-based financial institutions, money lenders (e.g., family members, private loan providers), and others (e.g. companies' welfare scheme).

[5] Source: Microfinance Handbook: An Institutional and Financial Perspective and an academic article from a seminar on wealth and Thai household's debt: Risk management and financial access, 2007.

To avoid double-counting, the survey calculates the number of households that use financial services by selecting the highest tier of financial services used. For example, if household ‘A’ uses financial services from both formal sector and semi-formal sector service providers, household ‘A’ will then be assessed as a user of formal sector service providers.

2. Data sources and Methodology

2.1 Data collection and sampling

The total sample size of 10,866 households was randomly selected and can be classified in each aspect as follows:

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

Unit: Baht

Group	Lowest income	Highest income	Average income
1 (Lowest)	0	8,500	5,742
2	8,501	13,140	10,727
3	13,141	19,674	16,137
4	19,675	30,774	24,484
5 (Highest)	30,775	800,000	58,521

(2) Gender

- Female: 6,538 respondents
- Male: 4,328 respondents

(3) Geographic coverage: covers five regions (including Bangkok) throughout Thailand[6]. The samples were randomly selected based on the NSO sampling method where the sample sizes are proportionately in line with the actual population in each region. Hence, a breakdown of the 10,866 respondents includes:

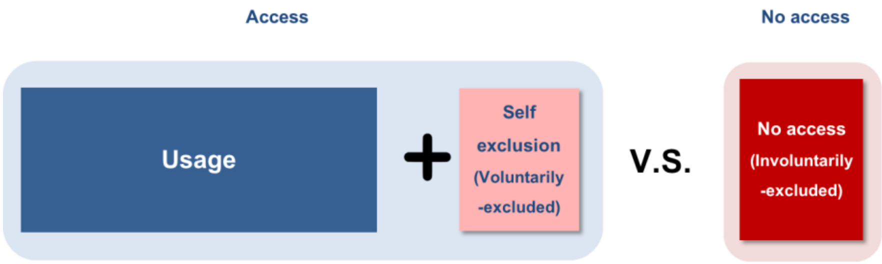
- 585 respondents from Bangkok
- 3,118 respondents from central region
- 2,587 respondents from northern region
- 2,873 respondents from northeastern region
- 1,703 respondents from southern region

[6] The Department of Provincial Administration’s classifies the region into four regions, namely, central, northern, northeastern, and southern. However, the analysis segregates Bangkok from the central region as it is the most populous city in Thailand.

(4) Residential area: divided into two groups as below:

- 6,652 respondents in urban areas
- 4,214 respondents in non-urban areas

2.2 Definition of financial access



Source: World Bank's publication "FINANCE FOR ALL? POLICIES AND PITFALLS IN EXPANDING ACCESS 2008"

(1) Access refers to households who 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).[7]

(2) No access refers to households who have demand for a financial service but do not have access to any financial service (Involuntary exclusion).

2.3 Data processing methods

Descriptive statistics in the Statistical Package for Social Science (SPSS) program were used to analyze survey data. The analysis was structured first gives an overview analysis of households' usage in eleven financial services, followed by an analysis of the three basic financial services, namely, (1) deposits/ savings (2) loans (excluding credit cards) and (3) money transfer and payment, and the examination on financial planning and savings behavior of households. Findings were used to define the relevant policy recommendations which are presented in the final part of this report.

[7] No usage for any financial services with no demand.

3. Findings and Analysis

The following section provides (1) an overview of households' financial access in Thailand, (2) an in-depth analysis of three basic services, including deposits/ savings, loans, money transfers and payments, (3) obstacles to access and usage of services from both commercial banks and SFIs, and (4) the main financial service channels preferred by households and additional channels requested.

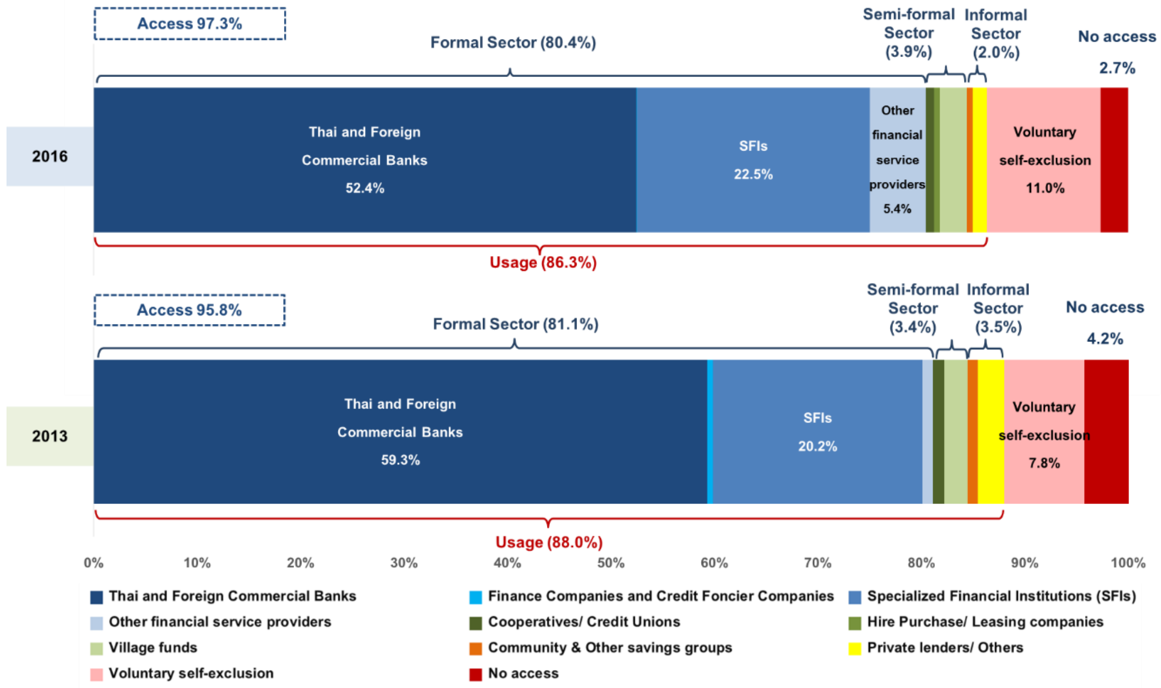
3.1 Financial access overview

Responses from 10,866 respondents regarding the need and usage of eleven financial services revealed an increase of households (97.3%) with access to financial services, from 95.8% in 2013. These households can be categorized into two groups: (1) households who used at least one financial service or **'usage'** (86.3%), and (2) households who had access to a financial service but chose not to use any financial service or **'self-exclusion'** (11.0%). The remaining were those who had demand for financial services but could not access any financial service **('no access').** This group decreased from 4.2% in 2013 to 2.7% in 2016.

The majority of 'usage' households (52.4%), used services through commercial banks; however, this percentage decreased slightly from 59.3% in the previous survey. Meanwhile, SFIs and other types of financial service providers[8], notably e-Payment service providers, had increasing roles in the provision of financial services. (Figure 1). Additionally, results indicated that households reduced usage of informal sector service providers thus reflecting the result of the government policies to reduce the role of informal service providers and illegal lenders.

[8] Other financial service providers include credit card companies, supervised personal loan companies, Nano finance providers, securities companies, mutual fund management companies, insurance companies, e-Payment service providers, and e-Money operators.

Figure 1: Overview of financial access (eleven financial services)



Note: Total samples in 2013 and 2016 were 10,613 and 10,866 households, respectively.

In terms of ‘involuntarily excluded’ households, the majority were in the lowest income bracket while there was no significant difference between those in urban and non-urban areas. Overall, the percentage of ‘involuntarily excluded’ households across all regions decreased to 2.7% in 2016 from 4.2% in 2013. Southern and northeastern regions reported the highest no-access rate of 3.6% and 3.4%, respectively. Notably, gender was not an obstacle to financial access as 3.0% of men were financially excluded compared to 2.4% of women. (Figure 2)

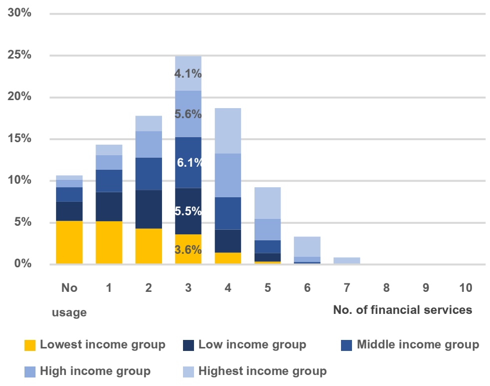
Figure 2: Access to eleven financial services, by income level, region, residential area and gender

Regarding the variety of financial services used, survey results showed that the largest proportion of households used three financial services. It was also observed that respondents in the higher income bracket tended to use a larger variety of financial services compared to those in the lower income bracket. The three most-used financial services by households were (1) money transfers and payments (73.5%), (2) deposits/ savings (72.6%), and (3) loans (41.5%) (Figure 3).[9]

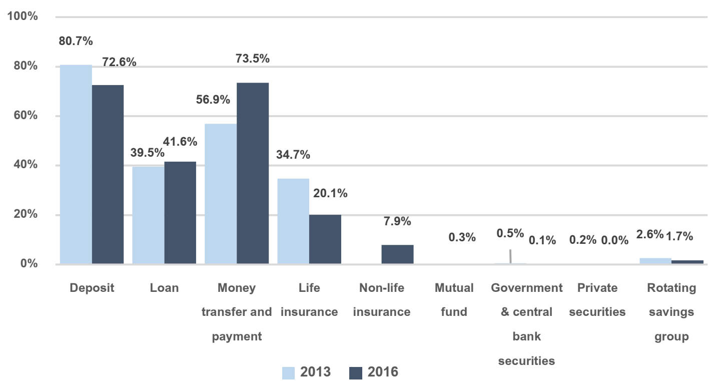
[9] For more information regarding access to three basic financial services, access to financial services by age, and cross-country comparison of financial access level, refer to Appendix 1, 2 and 3.

Figure 3: Number of financial services and percentage of households' financial services usage

Number of financial services used



Usage of financial services in percentage



Note: The usage rate of non-life insurance and mutual funds were not examined in the 2013 survey.

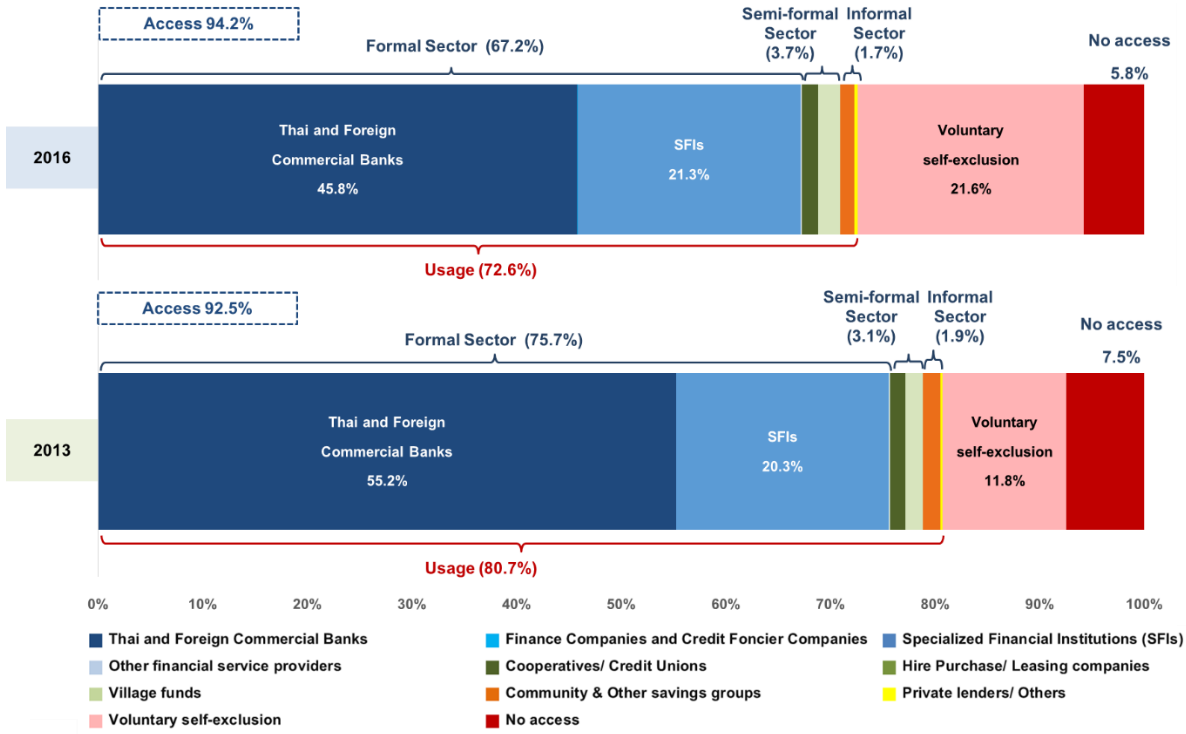
3.2 Access to three basic financial services

3.2.1 Deposits/ Savings

Access to deposits/ savings services

94.2% of households had access to deposits/ savings, an increase from 92.5% in 2013. However, the usage rate decreased to 72.6% due to a decrease in the use of Thai and foreign commercial banks. This is consistent with the increased percentage of voluntarily self-excluded households (21.6%), implying less demand for deposits/ savings services than those in the 2013 survey. (Figure 4)

Figure 4: Access to deposits/ savings services



Note: Total samples in 2013 and 2016 were 10,613 and 10,866 households, respectively.

The higher voluntary self-exclusion rate of 21.6% in the latest survey may be partly attributed to households having less disposable income due to the sluggish economy. Specifically, the percentage of lowest-income households who chose not to use deposits/ savings services substantially increased from 27.8% in 2013 to 43.0% (Figure 5). Nevertheless, the proportion of households with no access decreased from 7.5% in 2013 to 5.8% in 2016 and were mostly households in the low income bracket based in Bangkok. The findings also indicated an equal percentage of households in urban and non-urban areas with no access to deposits/ savings services. Similarly, there was no significant difference between the level of access to deposits/ savings between genders. The no-access rates, segregated by gender, was at 6.0% and 5.6% for male and female respectively.

Figure 5: Access to deposits/ savings services by income level, region, residential area and gender

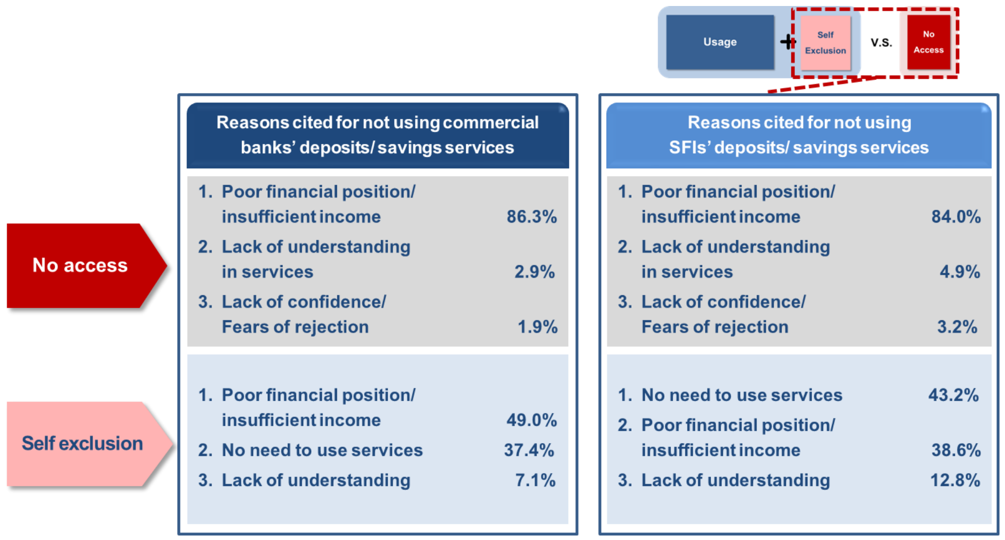
Areas to improve for deposits/savings services

The percentage of households who were unsatisfied with the service quality when using deposits/ savings services remained almost unchanged at 5.6% in 2016 compared to 5.5% in 2013. Most complaints concerned the service quality of financial institutions such as long queues and impolite staff (32.1%), low interest rates or high fees (23.8%), or insufficient information provided (17.6%). Specifically regarding SFIs' service quality, key complaints were unsatisfactory customer services (40.3%), long travel distances or inadequate service points (24.1%) and low interest rates or high fees (19.0%).

Obstacles to access deposits/ savings services and the reasons for voluntary self-exclusion

Responses from both voluntary self-exclusion and no-access households suggested that the main obstacles to access commercial banks' and SFIs' deposits/ savings services were poor financial position/ insufficient income, lack of understanding in services, and lack of confidence to contact banks due to fears of rejection. When separately considering reasons for voluntary self-exclusion from commercial banks' and SFIs' services, 49.0% of households who chose not to use commercial banks' services were those who had poor financial position/ insufficient income, while 7.1% had no understanding of the services. Meanwhile, reasons why households chose not to use deposits/ savings services from SFIs was due to (1) no need for financial services (43.2%), (2) poor financial position/ insufficient income (38.6%), and (3) lack of understanding in services (12.8%). (Figure 6)

Figure 6: Obstacles to access deposits/ savings services and reasons for voluntary self-exclusion

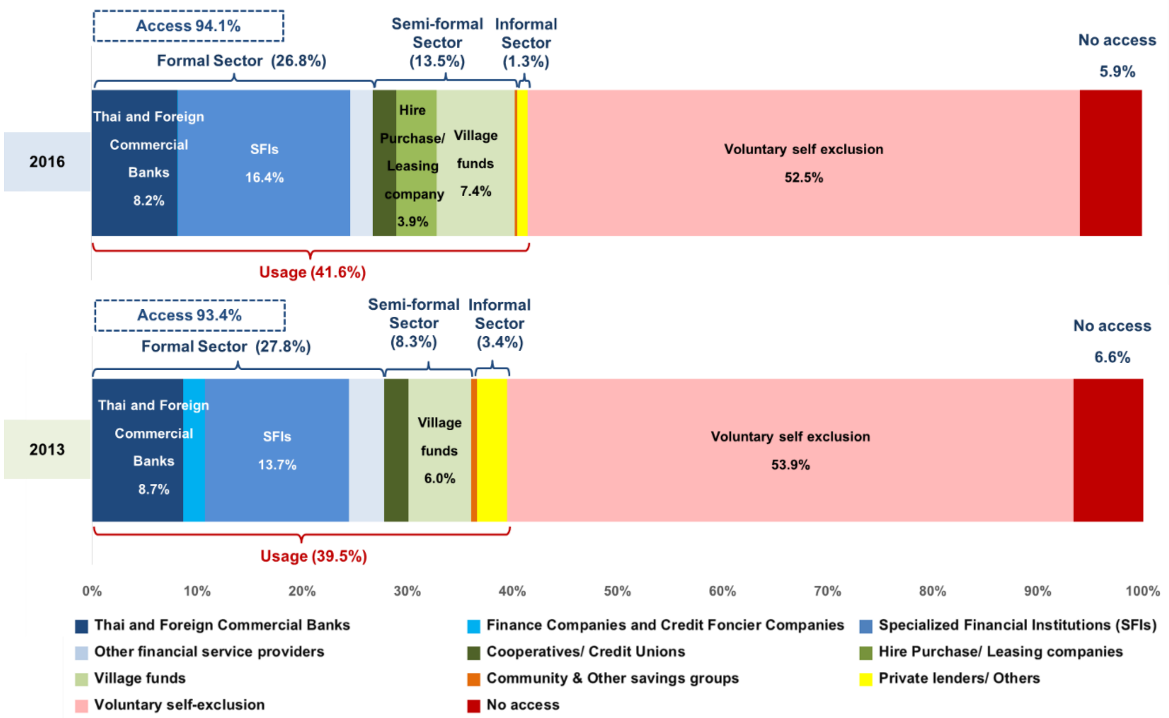


3.2.2 Loans (excluding credit cards)

Access to loan services

The percentage of households able to access loans services (excluding credit cards) slightly rose from 93.4% in 2013 to 94.1% in 2016. These households (41.6%) were served mainly by SFIs (16.4%), followed by Thai and Foreign commercial banks (8.2%), and village funds (7.4%). Compared to 2013 survey results, there was an increase in the use of loan services from SFIs and semi-formal sector service providers (e.g., village funds and leasing companies). On the other hand, the usage rate of Thai and foreign commercial banks declined. Satisfactorily, the proportion of households who only had access to informal sector service providers substantially reduced to 1.3% in 2016 from 3.4% in 2013. This might be a result of more diverse loan products provided by financial institutions such as Nano finance providers as well as the implementation of the government measures against informal debt. Moreover, the percentage of voluntarily self-excluded households had decreased from 53.9% in 2013 to 52.5% in 2016, indicating higher households' demand for loan services. (Figure 7)

Figure 7: Access to loan services



Note: Total samples in 2013 and 2016 were 10,613 and 10,866 households, respectively.

5.9% of households had no access to loan services, which slightly decreased from 2013 (6.6%). Most households were from the low-income bracket, living in urban areas and Bangkok. This may be due to limited choices of semi-formal sector service providers (e.g. village funds) in Bangkok relative to other regions. Moreover, it can be assumed that there was no significant difference in accessing loan services among genders as the no-access rates of males and females were 6.4% and 6.3%, respectively. (Figure 8)

Figure 8: Access to loan services by income level, region, residential area and gender

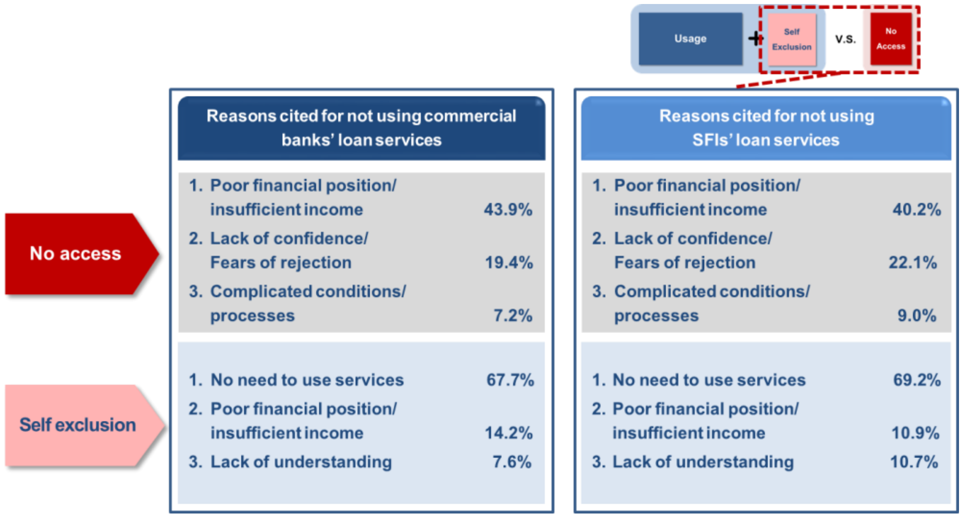
Areas to improve for loan services

Household's satisfaction in using loan services increased as there was a considerable decrease in the number of households encountering problems when using loan services (14.3% in 2013 to 5.5% in 2016). Nevertheless, these households highlighted some issues when using commercial banks' service, such as costly interest rates and fees (25.6%), unsatisfactory customer service such as impolite staff/ cross-selling/ long queues (20.5%), and insufficient information provided by staff (16.7%). For those who reported problems when using SFIs' services, almost half of respondents were not satisfied with customer service (41.3%), whereas others were not satisfied with the limited number and remote location of service points (21.2%) as well as the complicated application process (13.5%).

Obstacles to access loan services and reasons of voluntary self-exclusion

The key impediments faced by households in being able to use loan services from both commercial banks and SFIs were poor financial position/ insufficient income (commercial banks: 43.9%, SFIs: 40.2%), lack of confidence to contact banks due to fears of rejection (commercial banks: 19.4%, SFIs: 22.1%), and complicated application process (commercial banks: 7.2%, SFIs: 9.0%). Furthermore, voluntarily self-excluded households cited reasons for deciding not to take out loans as no need to use financial services, poor financial position/ insufficient income, and lack of understanding in the services provided. (Figure 9)

Figure 9: Obstacles to access loan services and reasons for voluntary self-exclusion

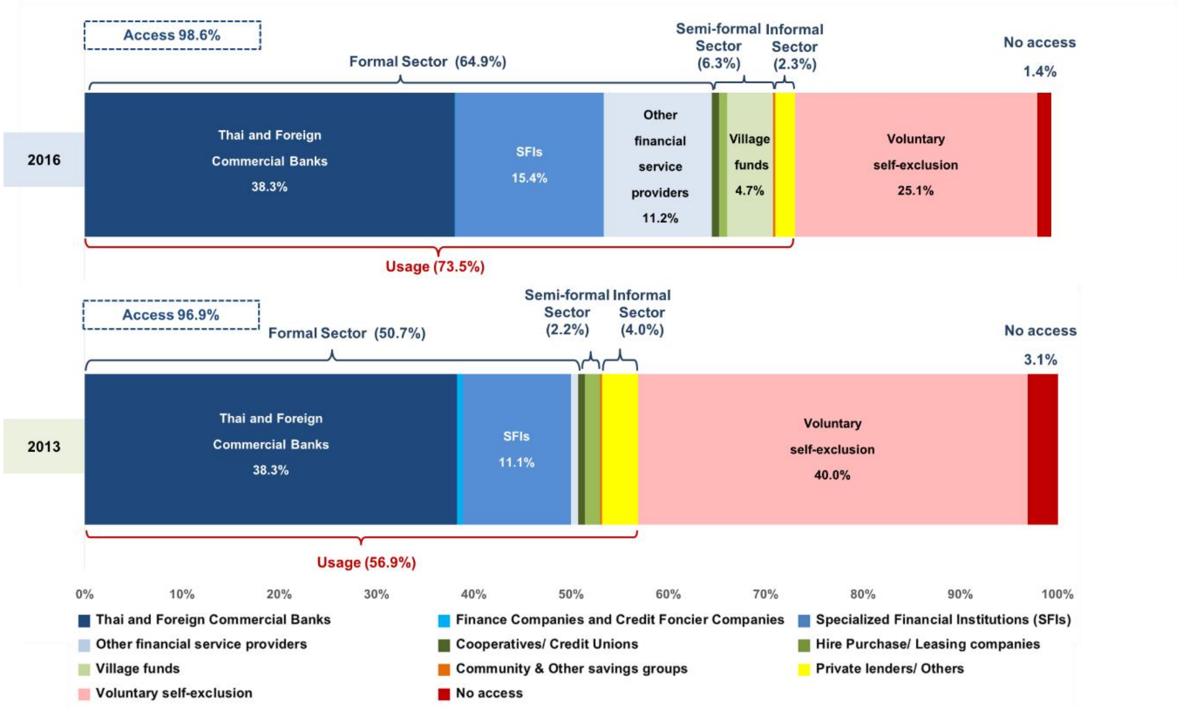


3.2.3 Money transfers and payment

Access to money transfer and payment services

98.6% of households were able to access money transfer and payment services, a marginal increase from 96.9% in 2013. These households could be divided into two groups: (1) households using the services (73.5%) and (2) voluntary self-excluded households (25.1%). Most households were served by formal sector service providers, i.e., Thai and foreign commercial banks (38.3%), SFIs (15.4%), and other financial service providers such as e-Payment service providers (11.2%). The survey also indicated that although commercial banks and SFIs maintained their roles as the primary service providers, households tended to make payment transactions through other types of providers, particularly e-Payment service providers and village funds. On the contrary, the percentage of the latter group reduced from 2013 reflecting the rising demand for money transfer and payment services. (Figure 10)

Figure 10: Access to money transfer and payment services



Note: Total samples in 2013 and 2016 were 10,613 and 10,866 households, respectively.

1.4% of households have no access to money transfer and payment services, a considerable decrease from 3.1% in 2013. This indicated the more diversified and improved service quality of transfer and payment services providers. Households in the lowest and low income group and those living in the southern region had the least access to this service. However, results showed a similar proportion of no-access households in urban and non-urban areas, as well as proportions between males and females respondents which were 1.5% and 1.4%, respectively. (Figure 11)

Figure 11: Access to money transfer and payment services by income level, region, residential area and gender

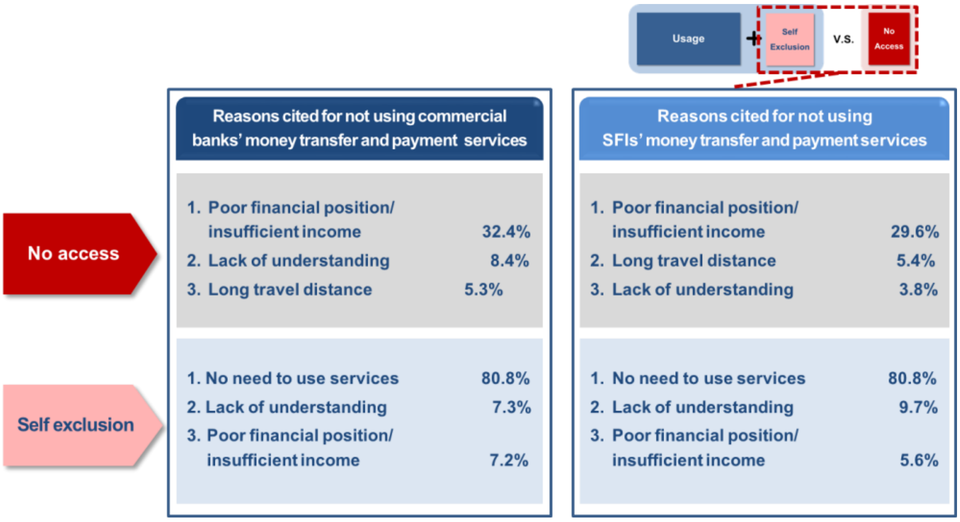
Areas to improve for money transfer and payment services

Households were not only able to access money transfer and payments to a larger degree, but were also more satisfied when using the services. The percentage of households who reported having problems with their providers decreased from 9.8% in 2013 to 5.8% in 2016. Nevertheless, some households noted poor service quality, e.g., long queues and impolite staff (36.7%), excessive fees (21.4%), and complicated procedures (14.0%). Meanwhile, SFIs' customers noted some areas which needed improvements such as poor service quality (41.3%), limited and remote location of service points (28.5%), and high fees (16.9%).

Obstacles to access money transfer and payment services and reasons for voluntary self-exclusion

Households were unable to access money transfer and payment services offered by commercial banks and SFIs due to poor financial position/ insufficient income (32.4%), lack of understanding in services (8.4%), and long travel distances (5.3%). These were in line with the responses on problems encountered when using SFIs service, i.e., 29.6% of those had poor financial position/ insufficient income, 5.4% had long travel distance, and 3.8% had a lack of understanding in services. Interestingly, the voluntarily self-excluded households noted that they did not see a need to use money transfer and payment services provided by financial institutions as those services were already offered by non-financial service providers (such as utility service providers and telecommunication companies). Moreover, some households revealed that lack of understanding in services, and poor financial position or insufficient income were the main obstacles to accessing and using services. (Figure 12)

Figure 12: Obstacles to access money transfer and payment services and reasons for voluntary self-exclusion



3.3 Financial service access channels

Survey results showed that bank branches remained the main channels through which consumers accessed financial services; however, other channels showed an increasing trend.[10] The majority of households were satisfied with currently available service channels, reflecting the increased variety and distribution of service channels offered to serve households' demand. Nevertheless, some households surveyed would like to receive additional service at the community level. Further details regarding the service channels for deposits/ savings, loans, and money transfers and payments are outlined below.

3.3.1 Deposits service channels

Current access channels

Deposits/ savings services channels ranked according to 7,885 respondents were (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (69.1%) (2) village funds/ savings groups/ community-based financial institutions (10.9%) and (3) ATMs/ CDMs (9.1%). The results are similar to those of the 2013 survey as seen from the following table. (Table 1)

[10] For more information on financial service providers' distribution, refer to Appendix 4

Table 1: Current deposits channels

Current channels	2016	2013
Commercial banks and SFIs' branches (including branches located in shopping malls)	69.1 %	70.2 %
Village funds/ Savings groups/ Community-based financial institutions	10.9 %	9.0 %
ATMs/ CDMs	9.1 %	10.3 %
Savings cooperatives/ Credit unions	4.3 %	3.6 %
Someone else acting on their behalf	2.5 %	N.A.
Others (e.g. convenience stores/ supermarkets, home service agents/ officers, and service boats/ cars)	4.1 %	6.9 %
	12,113 answers (7,885 respondents)	10,837 answers (8,556 respondents)

Additional deposits channels requested by households

The majority of households (81.2%) were satisfied with current channels. Households which would like additional channels mentioned that they would like mobile service units, such as cars or boats, to directly serve them at the community level (4.1%), commercial banks' and SFIs' branches (4.0%) and home/ workplace service agents or officers (3.0%). Households in urban areas mainly preferred additional commercial banks' and SFIs' branches while those in non-urban areas preferred to receive additional service with direct access by car or boat.

Table 2: Additional deposits channels requested by households

Additional channels requested by households	2016
Satisfied with current channels	81.2 %
Service boats/ Cars that serve directly to the community	4.1 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	4.0 %
Home service agents/ Officers	3.0 %
ATMs/ CDMs	2.8 %
Others (e.g. someone else acting on their behalf)	4.9 %

3.3.2 Loan (excluding credit card) service channels

Current access channels

The channels through which loan services were most used by the 4,512 respondents were (1) commercial banks' and SFIs' branches (51.9%) (2) village funds/ savings groups/ community-based financial institutions (26.6%) and (3) savings cooperatives/ credit unions (6.6%) (Table 3). When considering the main channels like branches, it was found that the percentage of households with access to loans through SFIs' branches (27.3%) was higher than that of commercial banks' branches (24.6%).

Table 3: Current loan channels

Current channels (excluding credit card)	2016
Commercial banks' and SFIs' branches (including branches located in shopping malls)	51.9 %
Village funds/ Savings groups/ Community-based financial institutions	26.6 %
Savings cooperatives/ Credit unions	6.6 %
Convenience stores/ Supermarkets (including having credit term with stores)	4.2 %
Home service agents/ Officers	2.8 %
Others (e.g. service boats/ cars)	7.9 %

6,430 answers
(4,512 respondents)

Additional loan channels requested by households

The majority of households did not request additional channels for loans (84.8%). However, some households would like to have additional loan channels, particularly service agents or officers offering service directly to the home or workplace (3.6%), commercial banks' and SFIs' branches (including branches located in shopping malls) (3.1%) and service cars or boats that can provide service directly to the community (3.0%) (Table 4). In addition, the survey also showed that both urban and non-urban households would like more home/ workplace service agents or officers.

Table 4: Additional loan channels requested by households

Additional channels requested by households	2016
Satisfied with current channels	84.8 %
Home service agents/ Officers	3.6 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	3.1 %
Service boats/ Cars that serve directly to the community	3.0 %
ATMs/ CDMs	1.3 %
Others (e.g. convenience stores/ supermarkets, and village funds/ savings groups/ community-based financial institutions)	4.2 %

3.3.3 Money transfer and payment services channels

According to the answers of 7,956 respondents using money transfer and payment services, the survey revealed that (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (40.0%), (2) convenience stores/ supermarkets (17.9%) and (3) ATMs/ CDMs (11.1%) were the most used channels, respectively. This pattern was similar to that observed in the 2013 survey; however, it should be noted that money transfers and payments were increasingly transacted through convenience stores and supermarkets whilst branches and ATMs/ CDMs saw a decrease in usage. Moreover, the number of households using mobile applications and internet banking have been rising since 2013. (Table 5)

Table 5: Current money transfer and payment channels

Current channels	2016	2013
Commercial banks' and SFIs' branches (including branches located in shopping malls)	40.0 %	54.5 %
Convenience stores/ Supermarkets	17.9 %	7.5 %
ATMs/ CDMs	11.1 %	20.2 %
Village funds/ Savings groups/ Community-based financial institutions	8.2 %	6.0 %
Someone else acting on their behalf	7.4 %	N.A.
Others (e.g. home service agents/ officers, post offices, mobile application, and internet banking)	15.4 %	11.8 %
	24,299 answers (7,956 respondents)	8,310 answers (6,005 respondents)

To further understand the differences between money transfer and payment channels, the details of current channels used and channels needed by households are elaborated as follows:

1) Money transfer services

Current access channels

The survey of 4,403 respondents using money transfer services showed that (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (62.9%) (2) ATMs/ CDMs (24.3%) and (3) convenience stores/ supermarkets (3.1%) were the most used channels, respectively. (Table 6)

Table 6: Current money transfer channels

Current channels	2016
Commercial banks' and SFIs' branches (including branches located in shopping malls)	62.9 %
ATMs/ CDMs	24.3 %
Convenience stores/ Supermarkets	3.1 %
Someone else acting on their behalf	2.1 %
Post offices	2.0 %
Others (e.g. village funds/ savings groups/ community-based financial institutions, mobile application and internet banking)	5.6 %
	7,573 answers (4,403 respondents)

Additional money transfer channels requested by households

The majority of households were satisfied with current money transfer channels (80.8%). However, some households would like additional service channels such as ATMs/ CDMs (3.4%), commercial banks' and SFIs' branches (2.8%), and service cars or boats that directly serve at the community (2.7%) (Table 7). Moreover, urban households would like ATMs/ CDMs, while non-urban households would like service cars or boats that would be able to directly serve them at the community.

Table 7: Additional money transfer channels requested by households

Additional channels requested by households	2016
Satisfied with current channels	80.8 %
ATMs/ CDMs	3.4 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	2.8 %
Service boats/ Cars that serve directly to the community	2.7 %
Home service agents/ Officers	2.2 %
Others (e.g. convenience stores/ supermarkets, mobile application and internet banking)	8.1 %

2) Payment services

Current access channels

A survey of 7,540 households using payment services indicated that the most preferred channels for performing payment transactions were (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (29.6%) (2) convenience stores/ supermarkets (24.6%) and (3) village funds/ savings groups/ community-based financial institutions (11.4%), respectively. (Table 8)

Table 8: Current payment channels

Current channels	2016
Commercial banks' and SFIs' branches (including branches located in shopping malls)	29.6 %
Convenience stores/ Supermarkets	24.6 %
Village funds/ Savings groups/ Community-based financial institutions	11.4 %
Someone else acting on their behalf	9.7 %
Home service agents/ Officers	6.4 %
Others (e.g. ATMs/ CDMs, post offices, mobile application and internet banking)	18.3 %

16,726 answers
(7,540 respondents)

Additional payment channels requested by households

The majority of households were satisfied with current payment channels (81.7%). Households which requested additional channels, would like to have service cars or boats directly serve them at their community (3.9%), have service agents or officers provide service to the home or workplace (3.3%), as well as commercial banks' and SFIs' branches (2.2%). For payment services, the survey revealed that households in both urban and non-urban areas requested service cars or boats.

Table 9: Additional payment channels requested by households

Additional channels requested by households	2016
Satisfied with current channels	81.7 %
Service boats/ Cars that serve directly to the community	3.9 %
Home service agents/ Officers	3.3 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	2.2 %
ATMs/ CDMs	1.7 %
Others (e.g. convenience stores/ supermarkets, someone else acting on their behalf, post offices, mobile application and internet banking)	7.2 %

3.4 Financial planning and savings behavior

When examining households' savings behavior, 65.4% of households had savings. Savings were mainly for cases of emergency/ healthcare (37.5%), retirement (29.9%) and managing irregular incomes and expenditures (12.8%), respectively (Figure 13). Most households chose to save by depositing their money at commercial banks and SFIs (46.4%) (30.4% deposited into payroll accounts or transactional accounts, and 16.0% deposited into separate savings accounts). Meanwhile, some households saved in cash (35.4%), or saved through cooperatives or community-based financial institutions (12.3%) (Figure 14).

Figure 13: Motivation for savings

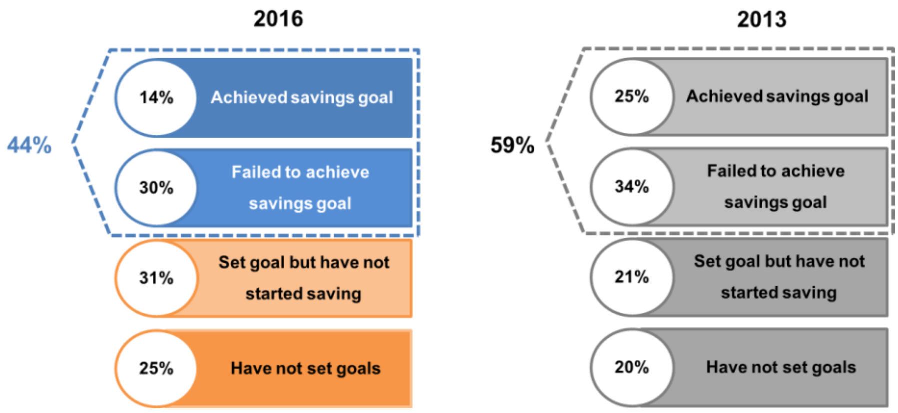
Motivation for savings	
Emergency/ sickness	37.5%
Retirement	29.9%
To manage irregular incomes and expenditures	12.8%
Education	7.6%
Vehicle	5.2%
Housing	3.6%
Others	3.4%

Figure 14: Savings channel

Savings channel	%
Deposit accounts at commercial banks and SFIs	46.4%
Cash	35.4%
Savings cooperative/ community-based financial insitutions	12.3%
Family	2.5%
Financial products other than deposit account	1.2%
Others	2.2%

Results revealed that 44.0% of households had planned and saved for retirement which is substantially lower than the 59% results of the 2013 survey. These results highlight a need for related agencies to collaborate and raise people's awareness with regards to the importance of saving for retirement and to begin their financial planning at an early age in order to achieve their financial goals and long term financial sustainability. (Figure 15)

Figure 15: Savings behavior for retirement



4. Conclusion

Overall, according to the 2016 survey, Thai households' access to at least one financial service increased to 97.3% from 95.8% in 2013. Among these households, 86.3% used some services while 11.0% voluntarily self-excluded as they did not need to use any services. Commercial banks and SFIs remained the main service providers with non-banks (village funds and e-payment service providers) playing an increasing role. While the usage of informal service providers declined from 2013, the number of 'no-access' households also decreased from 4.2% in 2013 to 2.7% in 2016. Most of these households were low income households living in the southern and northeastern region. More importantly, both genders had equal access to financial services. The percentages of male and female able to access to financial services were 97.0% and 97.6%, respectively. Additional details as follows:

- **Range of financial services used:** Most households used three types of financial services: Money transfers and payments, deposits/ savings, and loans with high income households tending to use a broader range of services compared to low income households.

- Access to three basic financial services

  - **Access to deposits/ savings:** Access of households to deposits/savings services increased to 94.2% in 2016 from 92.5% in 2013, while the usage rate decreased. The higher percentage of households in the voluntarily self-excluded category in 2016 is most likely attributed to the economic slowdown, which in turn resulted in households' weaker financial position. In addition, the majority of no-access households were low income households in Bangkok.

  - **Access to loans (excluding credit card):** 94.1% of households had access to loans which slightly increased from 93.4% in 2013. Most households obtained loans from SFIs. Moreover, semi-formal service providers (e.g. village funds and leasing companies) had increasing roles in providing financial services, while households accessed less. This was likely due to a larger variety of loan products being offered by financial institutions as well as effects of the government's measures to alleviate informal debt. Additionally, the majority of households with no access to loans were low income and urban households and households in Bangkok where fewer community-based financial institutions were available.

  - **Access to money transfers and payments:** Access increased to 98.6% of households compared to 96.9% in 2013. There was also an increase in the usage of payment services by households offered by commercial banks and SFIs. Most households that had no access to the services belonged to the lowest-low income group and were from the Southern region.

- **Service channels:** Service channels used most often to access basic financial services (deposits/ savings, loans, and money transfers and payments) were commercial banks' and SFIs' branches followed by village funds/ savings groups/ savings cooperatives, and convenience stores/ supermarkets, respectively. In addition, the percentage of households using financial services via electronic channels (e.g. mobile application and internet banking) had been rising, although the proportion remained small compared to other channels. It should be noted that the majority of households were satisfied with current service channels. However, some households would like additional channels. In particular, urban households would like branches and ATMs while non-urban households would like service agents or officers to provide service directly to the home/ workplace.

- **Areas to improve for financial services and obstacles to access**

  - **Areas to improve for financial services:** The percentage of households satisfied with financial institutions' services increased from 2013. However, households identified areas which could be further improved such as service quality (e.g. long queue, impolite staff and cross-selling), interest rates and service fees, information provided by staff, and distance to the nearest financial service.

  - **Obstacles to access commercial banks' and SFIs' services:** Households unable to access commercial banks' and SFIs' services were mainly households with poor financial position or insufficient income. Other households lacked understanding with regards to financial services, lacked confidence to contact banks due to fears of rejection, or found access to service points inconvenient.

- **Financial planning:** 65.4% of households had savings and primarily saved for cases of emergency/ healthcare, retirement and seasonal income-expenditure management, respectively. Most households saved money by maintaining deposits at commercial banks' and SFIs' accounts (30.4% kept in payroll account and 16.0% kept in separate savings account) and holding cash. Regarding households' savings for retirement, the survey revealed that 44% of households had planned and saved for retirement, a large decrease from the 2013 survey.

5. Policy recommendations

According to the results of the 2016 survey, there was an overall increase in Thai household's level of access to financial services and the satisfaction rate from using financial services. Nevertheless, the quality of financial services provided can be further improved and some households still faced obstacles to access. To improve the access and usage of financial services by households, it is therefore important that there is collaboration between the BOT, public and private agencies to formulate and implement related policies. From the survey results, we propose three policy recommendations as follows:

(1) Enhance financial service providers and service channels by supporting the role of non-banks in order to increase competition in the financial system as we found an increasing trend in the use of non-bank providers. At the same time, households would have access to services that are more convenient and less costly. Additionally, the BOT is in the process of revising regulations relating to financial institutions' distribution channels to broaden the types of eligible banking agents. This will help to better serve the financially excluded households or those in remote areas who faced the most difficulties in accessing financial services.

(2) Have targeted financial products for example, by encouraging financial institutions to offer basic banking accounts (accounts for deposits, withdrawal, money transfers and payment). This would enable households with poor financial position/ insufficient income to open bank accounts or use basic financial services at a lower cost.

(3) Increase financial literacy and consumer protection by promoting knowledge of basic financial products to households and empower them to choose products that meet their needs. Additionally, there is also a need to raise households' awareness and understanding on the importance of financial planning and savings for retirement. In addition, the BOT will encourage and support the use of electronic channels to increase households' convenience and reduce providers' operating cost. Moreover, the BOT will strengthen regulations related to commercial banks' market conduct to raise the standard of financial services provided.

Financial Institutions Strategy Team
Financial Institutions Strategy Department
The Bank of Thailand
273 Samsen Road, Bangkhunprom, Pranakhon,
Bangkok, Thailand

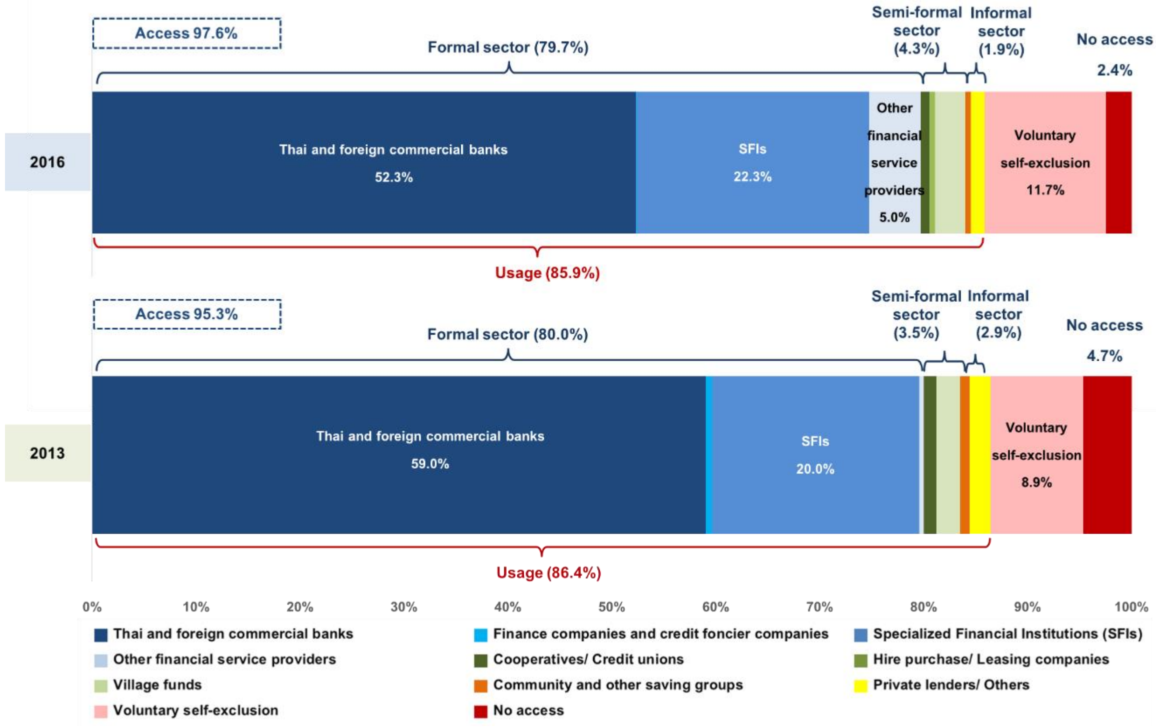
www.bot.or.th

Appendix

Appendix 1: Access to three basic financial services

The survey on households' access to three basic financial services regarding deposits/ savings, loans, and money transfers and payments indicated that 97.6% of households were able to access to at least one of the three financial services, increased from 95.3% in 2013. Among these households, 85.9% used the services while 11.7% chose not to use the services. Households mainly acquired basic financial services from Thai and foreign commercial banks (52.3%) and SFIs (22.3%). However, commercial banks' usage rate decreased from 59.0% in 2013. The survey also revealed that the percentage of households using the services from other financial service providers e.g. credit card, personal loan companies and e-Payment service providers significantly increased from 0.5% in 2013 to 5.0% in 2016. Moreover, households tended to use more services from semi-formal service providers but reduced use of informal service providers. (Figure 1)

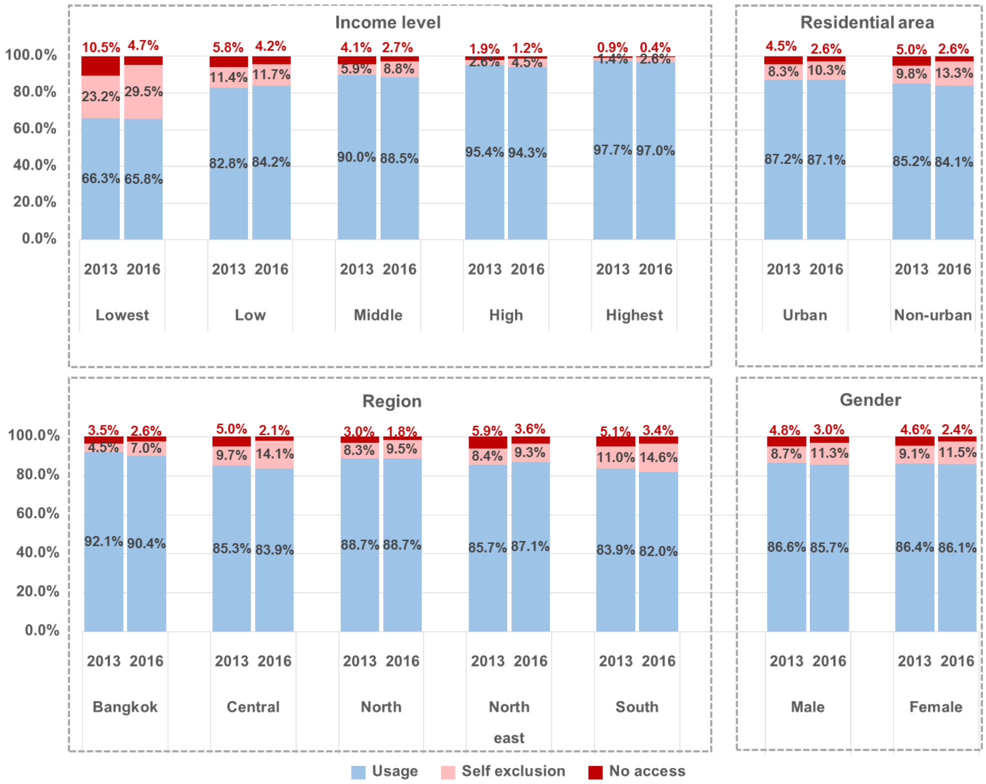
Figure 1: Access to three basic financial services



Note: Total samples in 2013 and 2016 were 10,613 and 10,866 households, respectively.

In addition, the percentage of 'no access' households largely dropped from 4.7% in 2013 to 2.4% in 2016. This indicated that a broader range of types and channels of services offered could better serve households' demand. The majority of 'no access' households were from the lowest low-income group and households in northeastern and southern areas. It also should be noted that both urban and non-urban households, as well as genders had equal access to financial services. (Figure 2)

Figure 2: Access to three basic financial services, by income level, region, residential area and gender



Appendix 2: Access to financial services by age of households' representatives

Total households representatives are classified by age ranges into five groups, which are (1) 15-25 years old (2) 26-35 years old (3) 36-45 years old (4) 46-60 years old, and (5) 60 years old and above. The 2016 survey result revealed that the majority of respondents were 46-60 years old (3,998 respondents) (Figure 1). Moreover, households' representatives with the age of 36-45 years old had the highest access level to eleven financial services and three basic financial services (deposits/ savings, loans, and money transfers and payments). (Figure 2)

Figure 1: Households distribution by age of representatives

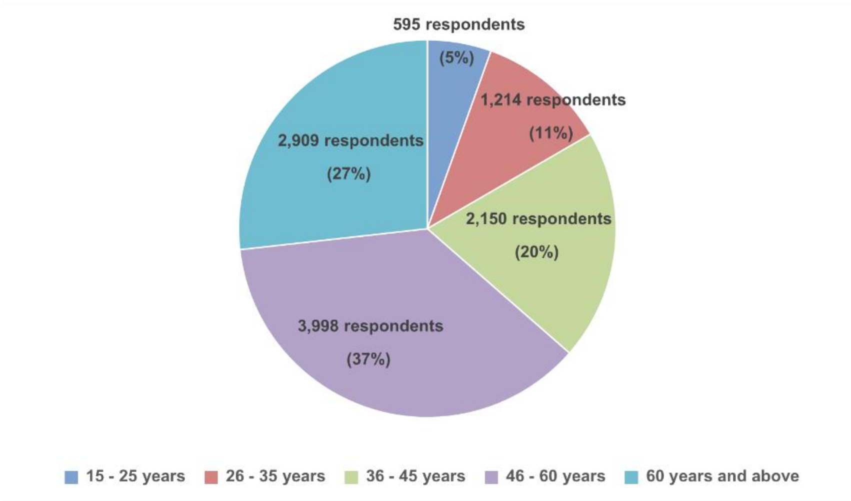
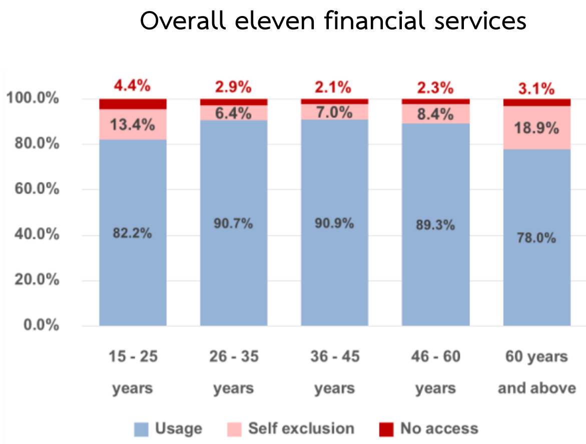
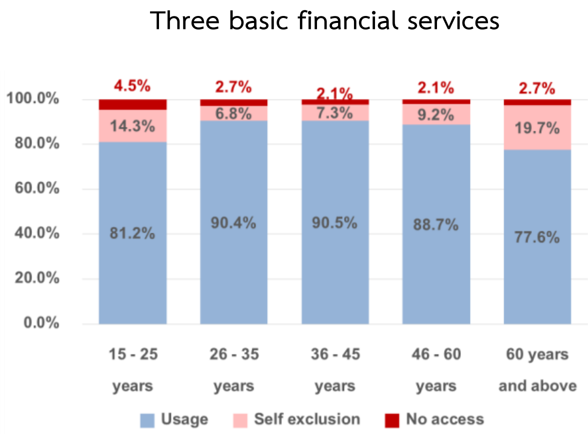


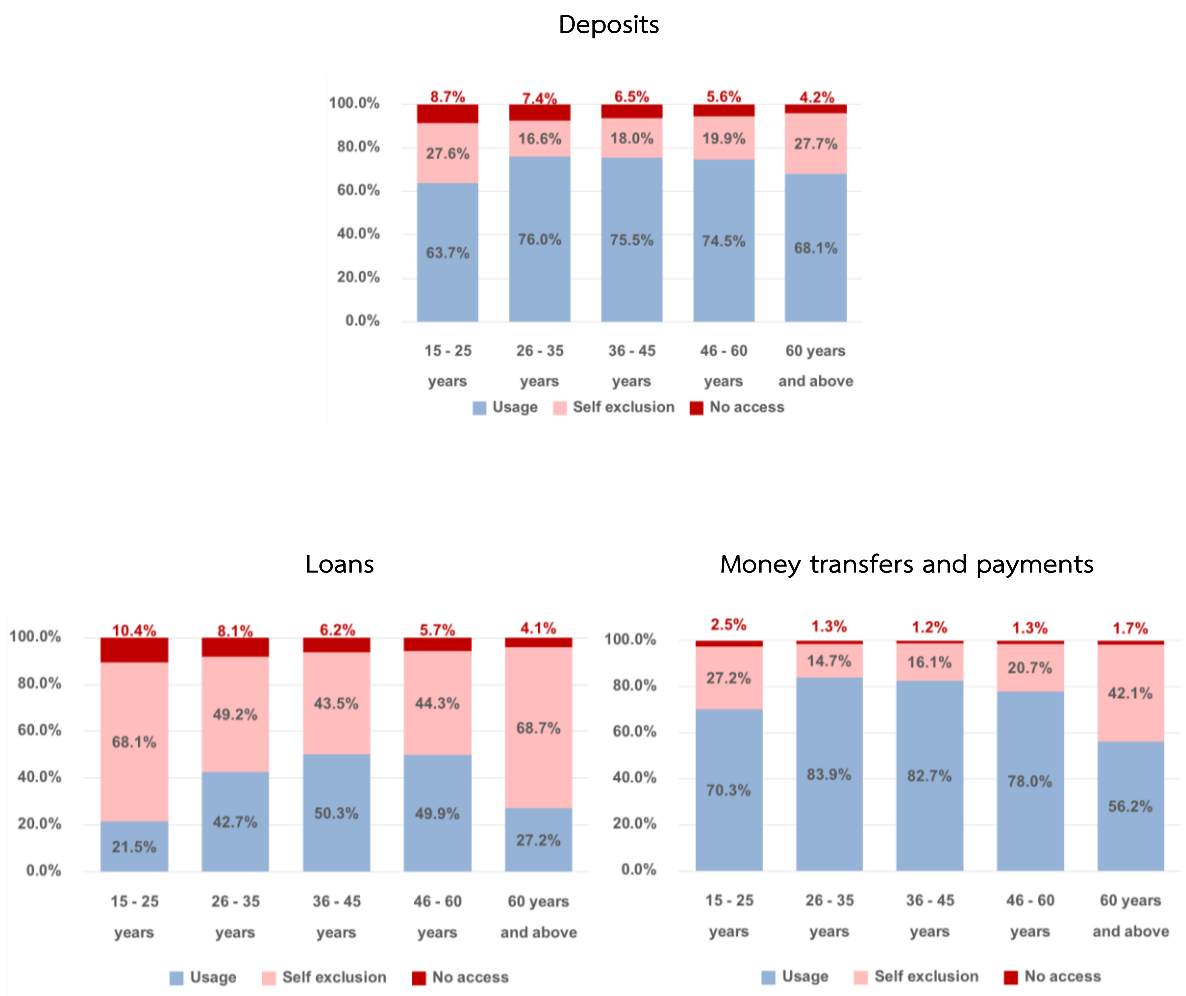
Figure 2: Level of financial access by age group





When examining the usage of deposits/ savings, loan, and money transfer and payment services separately, representatives aged 15-25 years had the least access to three basic financial services. Young adults were likely to have poor financial position/ limited income to access the services. On the other hand, the representatives aged 26-60 years had a good level of access to financial services with the highest usage rate on deposits/ savings, loans, and money transfers and payments. This was likely due to their stronger financial positions which enabled them to settle their expenditures and save more money. It should be noted that the usage rate tended to decline when the representatives were considered old age (60 years old and above). (Figure 3)

Figure 3: Access to deposits/ savings, loans, and money transfers and payments

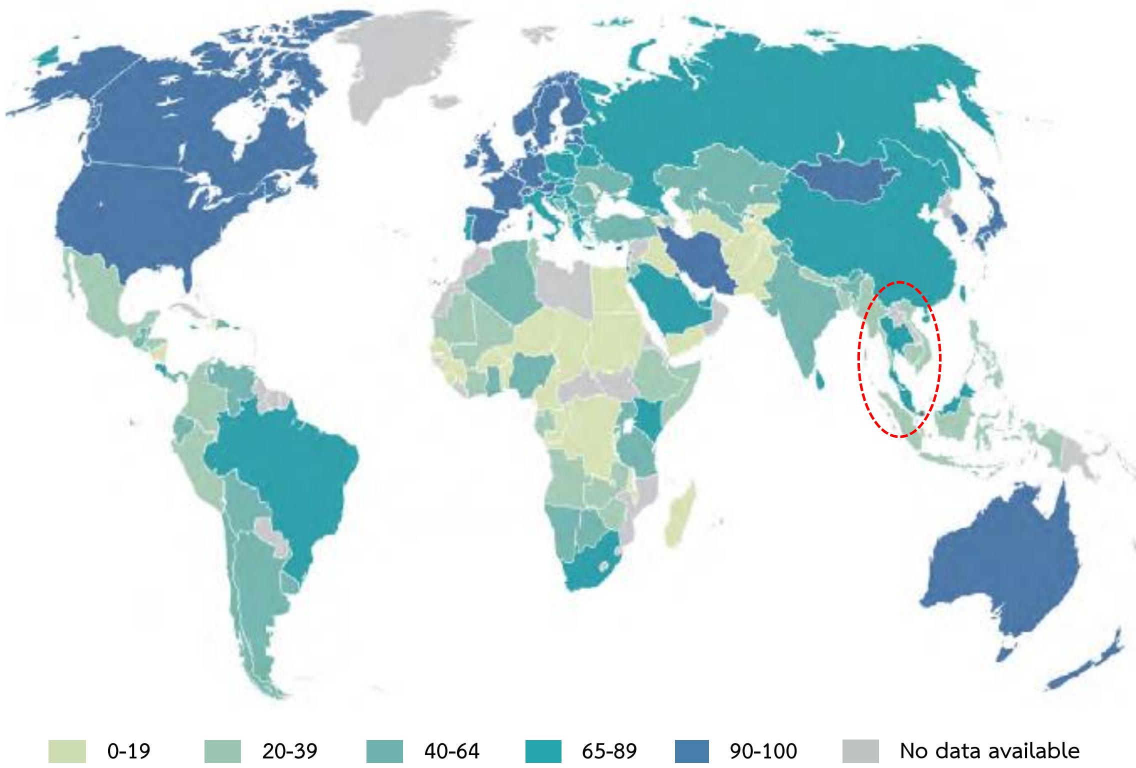


Appendix 3: Level of Thailand's financial access compared with other countries

The 2014 Global Financial Inclusion Database (Global Findex) conducted by the World Bank to assess the financial access level of 140 countries across the world revealed that 78.1% of Thai households had deposits accounts with financial institutions. This is higher than the 70.5% average level of others countries in the upper middle income group (Figure 1). Among ASEAN countries Thailand ranked third after Singapore (96.4%) and Malaysia (80.7%) (Figure 2). In addition, the World Bank survey indicated that there was no gender inequality in accessing to financial services in Thailand. The percentages of females and males having deposits accounts with financial institutions were at 75.4% and 78.1%, respectively.

Figure 1: Level of financial access in Thailand and other countries

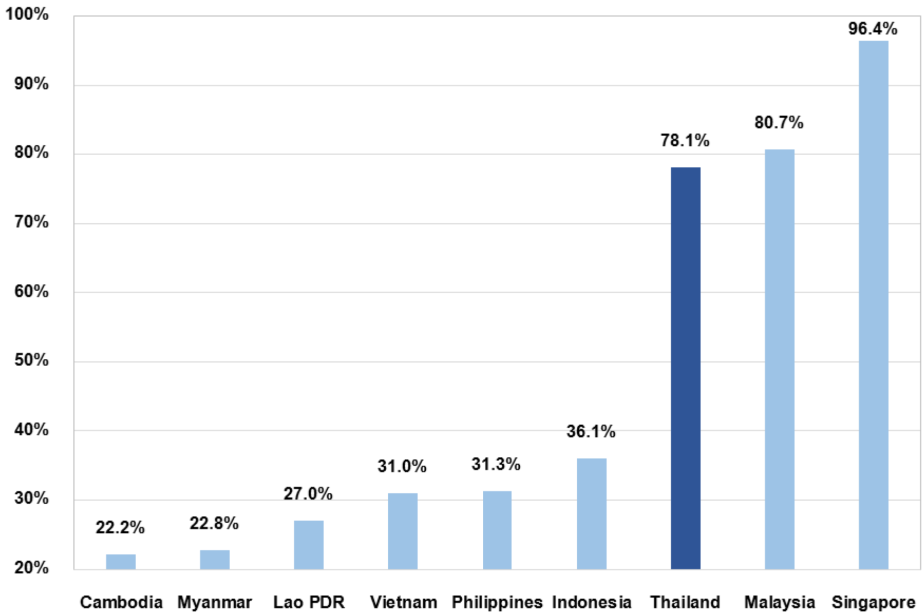
Percentage of households having an account at financial institutions (%)



Source: The Global Findex Database 2014, Measuring Financial Inclusion around the World, World Bank

Figure 2: Level of financial access in ASEAN countries

Percentage of households having an account at financial institutions (%)



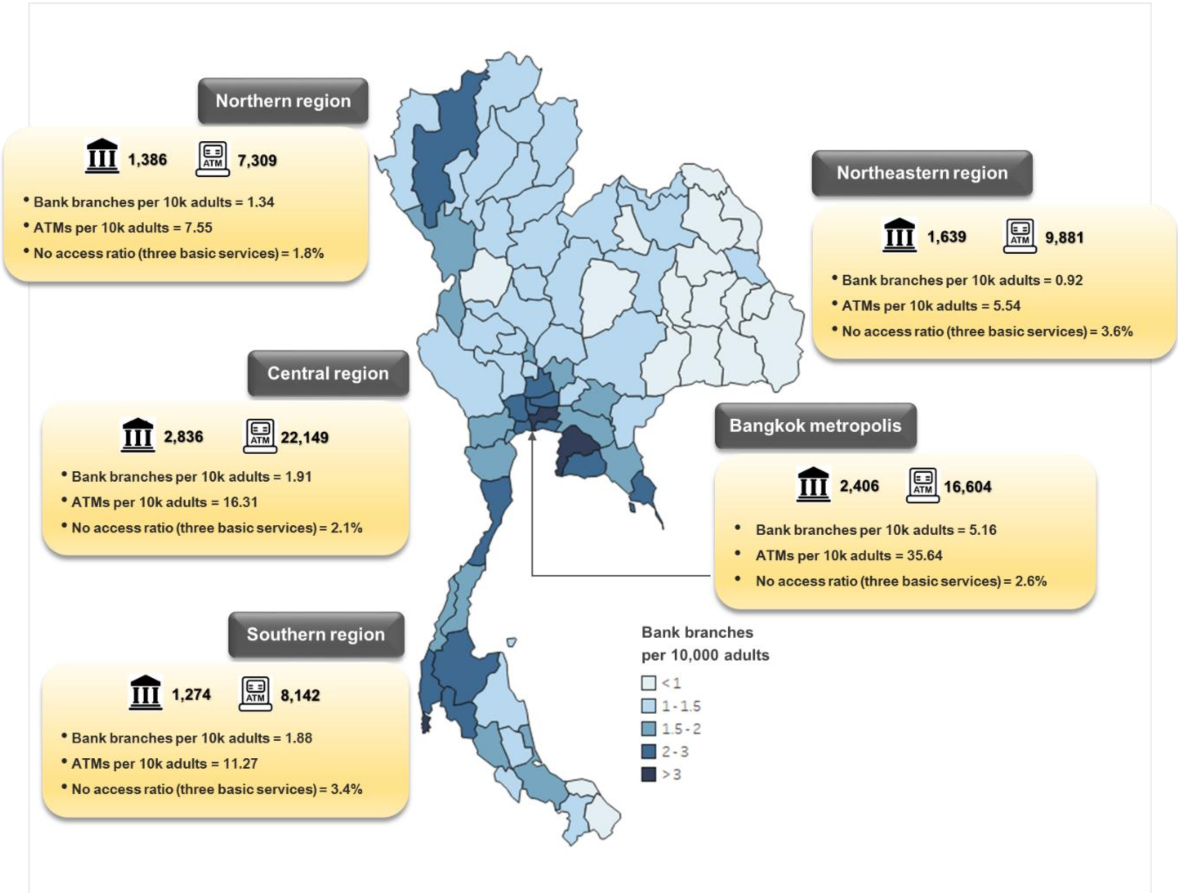
Note: Brunei was not included in the survey

Source: The Global Findex Database 2014

Appendix 4: Financial service providers' distribution

Bank branches and ATMs of **formal sector service providers** (commercial banks and SFIs) are generally concentrated in city areas. Not only is Bangkok the most populated province, but it also has the highest concentration of bank branches and ATMs per 10,000 adults[11] (Branch and ATM penetration ratio) at 5.16 and 35.64, respectively. Branch penetration ratios in central and southern regions were approximately 1.9 whereas Chonburi and provinces in Bangkok Metropolitan area had a relatively high ratio compared to other provinces within the region. Branch concentration in Phuket was also high given its small population size and area. The ratio of branch penetration in the northern region ranked the fourth at 1.34 with Chiangmai province having the highest number of branches. Lastly, the Northeastern region had the lowest bank branch and ATM penetration rate at 0.92 and 5.54, respectively. (Figure 1)

Figure 1: Distribution of commercial banks and SFIs

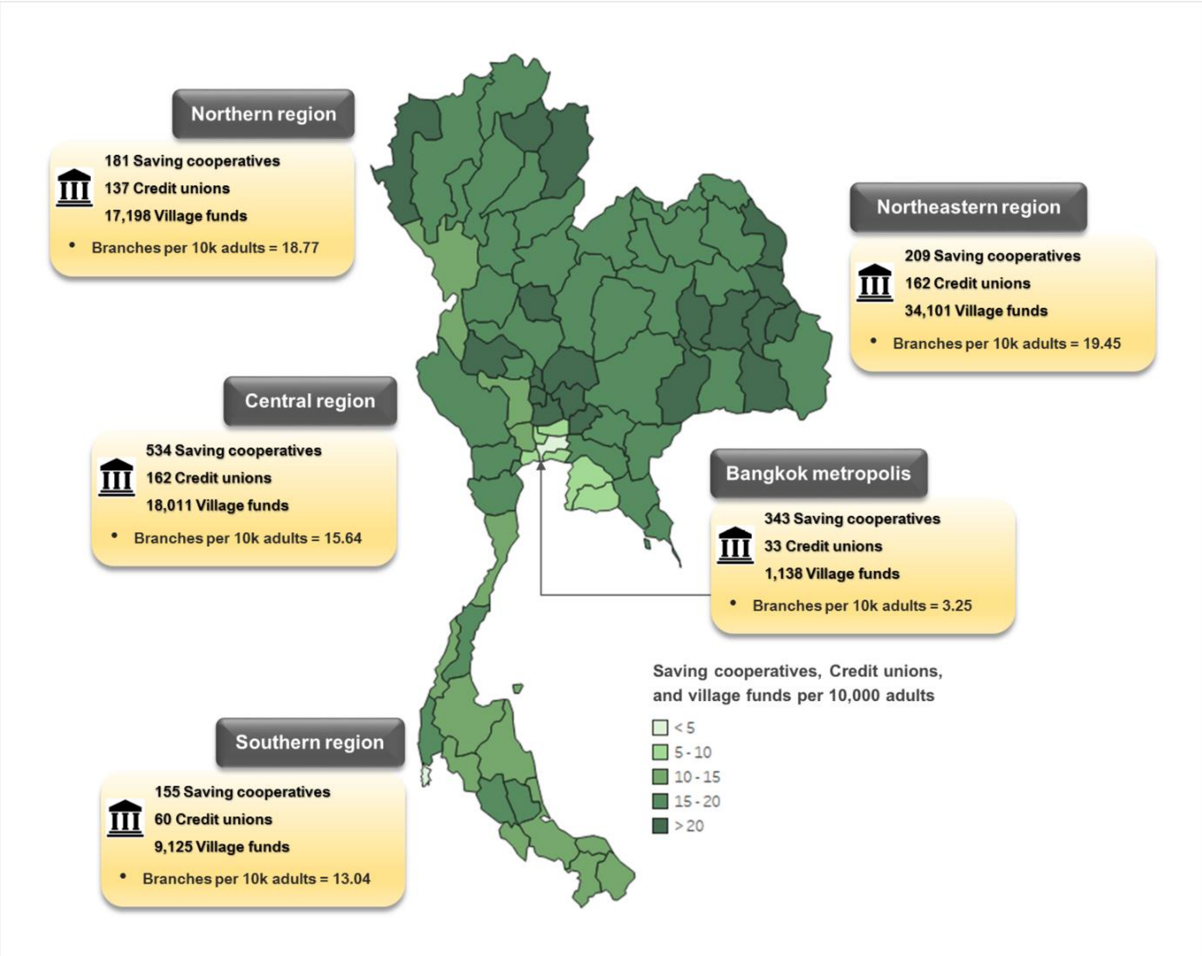


Source: BOT, and Department of Provincial Administration (DOPA)

[11] People aged 15 years old and above

Regarding the **semi-formal sector service providers** (savings cooperatives, credit unions, and village funds), branch penetration ratios were similar across all regions as village funds are established in every village across Thailand. The highest semi-formal branch penetration ratio was observed in the northeastern region (19.45). The northern and central regions followed with branch penetration rates of 18.77 and 15.64, respectively. Also, there were more cooperatives in the central region compared to other regions. Although Bangkok had the highest number of cooperatives, it had the lowest semi-formal branch penetration ratio (3.25). (Figure 2)

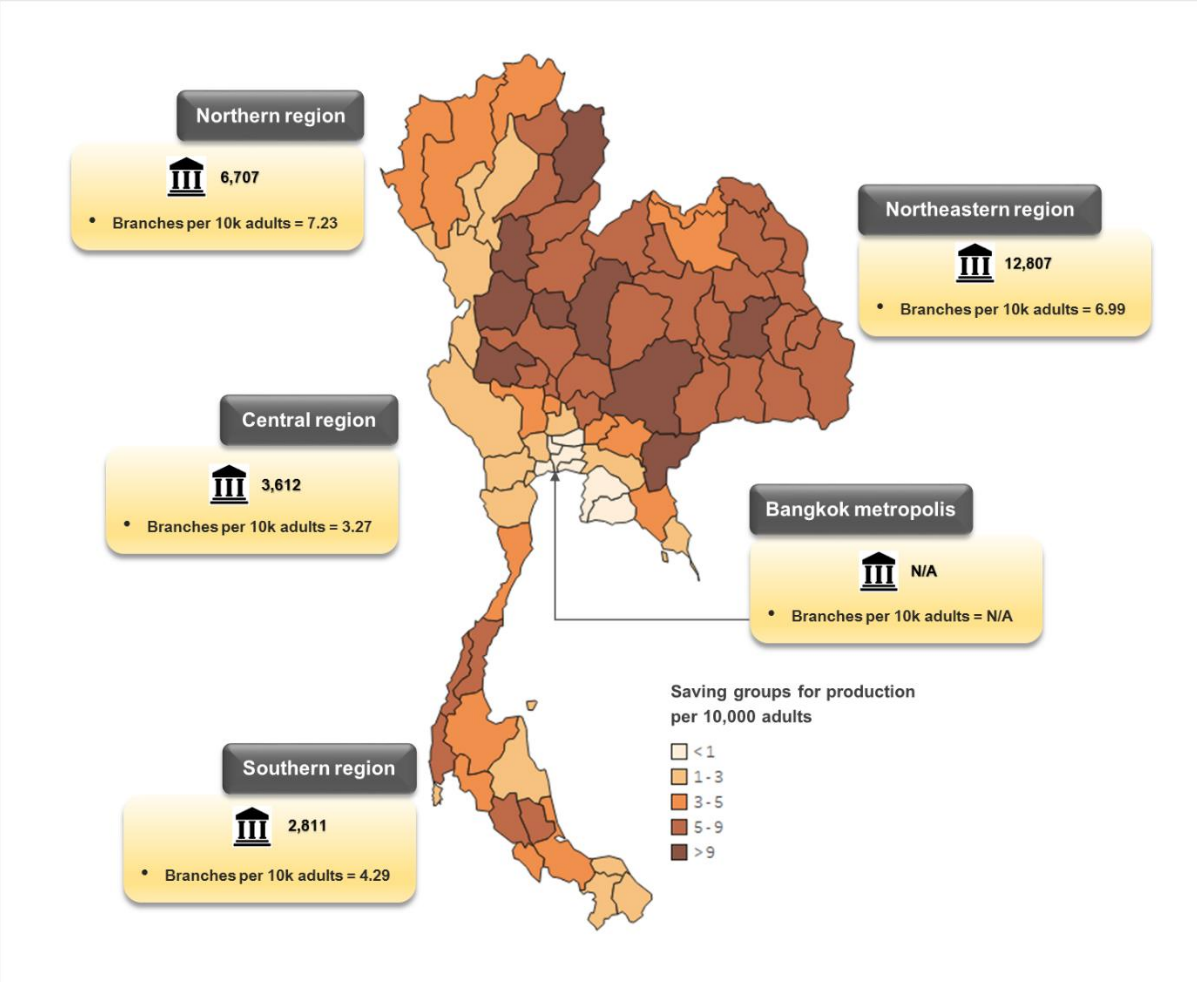
Figure 2: Distribution of savings cooperatives, credit unions, and village funds



Source: Cooperative Promotion Department, National Village and Urban Community Fund Office, and DOPA

Considering **the informal sector service providers** (savings groups for production), it was found that northern and northeastern regions stood out both in terms of branch count (6,707 and 12,807) and branch penetration ratio (7.23 and 6.99). Provinces with highest branch penetration ratios were Roi Et, Sukhothai, Phichit, and Phetchabun. Additionally, southern region had lower branches per 10,000 adults at 4.29, while central region had the lowest figure (3.27) among all regions. (Figure 3)

Figure 3: Distribution of savings groups for production



Note: Data includes only savings groups for production registered with Community Development Department (CDD)
Source: CDD, and DOPA

Pursuing Sustainable
Economic Well-Being

Bank of Thailand
273 Samsen Road, Watsamphraya, Phra Nakhon District, Bangkok 10200

Bank of Thailand Channel
Hotline1213 Channel
www.bot.or.th
@bankofthailand
bankofthailand
Hotline1213