BANK OF THAILAND

Financial Access Survey of Thai Households 2018

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Executive Summary

The Bank of Thailand (BOT), in collaboration with the National Statistical Office (NSO), has been conducting a biennial survey on the households' financial access since 2003. The objective of the survey is to assess and monitor the level of financial access which serves as valuable inputs for the formulation of appropriate financial inclusion policies. The latest survey in 2018 covered 11,121 households across Thailand and measured the level of access to 11 key financial services, primarily provided by financial institutions, i.e. (1) deposits/ savings (including e-Money), (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.

Overall, Thai households had better access[1] to financial services with the access level increased to 98.7%, compared to 97.3% in 2016. In addition, the percentage of households using financial services increased from 86.4% to 89.8% while the percentage of no-access households decreased from 2.7% to 1.3%. It was found that commercial banks and Specialized Financial Institutions (SFIs) remained the primary financial services providers while non-banks, especially village funds and electronic payments (e-Payments) providers, were playing greater roles. There was also a decrease in the use of financial services from informal sector providers as a result of government's policies to promote roles of formal services providers. It was revealed that the majority of households with no access to financial services were low-income and those living in the Southern and Northeastern regions. However, there was no inequality between urban and non-urban households in term of the financial access. In addition, male and female had equal access to financial services, by which 98.5% and 98.8% was able to access financial services respectively.

The most accessible financial services were payments, money transfers, deposits/ savings, and loans by which the overall usage rate of each category also increased from the previous survey in 2016. Specifically, the access of households to deposit/ savings services jumped from 94.2% in 2016 to 96.9% in 2018, and the usage rate also rose from 72.5% to 80.0% during the same period. SFIs and commercial banks were the primary providers, especially the latter which witnessed a significant increase in term of usage rate. With regard to loan services, the percentage of households that had access to loans slightly increased from 94.1% in 2016 to 95.8% in 2018, with SFIs as primary lenders. The usage rate however decreased from 41.5% to 35.8% during the same period of time. Compared to 2016, there were

[1] "Access" to financial services includes both usage and self-exclusion. In case of a single household's multiple access to different types of financial services providers, the most formal financial services providers will only be counted in this survey. For instance, if both formal and semi-formal sector services providers are used by a household, only the former will be counted.

greater numbers of households from every income group (especially low-come) that decided not to use loan products. Despite a reduction in the usage rate of lending products, the overall level of Thai households' debt still remained high partly due to an increase in the amount of loans among existing borrowers. As a result of electronic payment promotion through the use of PromptPay and QR code payments as well as inter-bank transfers fee reduction, the percentage of households with access to money transfers service increased from 97.1% in 2016 to 97.8% in 2018. Similarly, 99.3% of the households had access to payment services in 2018, compared to 98.8% in 2016. Although some households still made direct payments to utility providers (e.g. electricity, water, and telephone), the survey showed that counter services, Thai Post and e-Money services providers played a greater role in payment services.

In terms of service channels, commercial banks and SFIs remained primary channels which provided basic financial services. Nevertheless, the percentage of households that used money transfer and payment services at commercial banks' and SFIs' branches dwindled due to the increasing role of village funds, community-based financial institutions, as well as other digital banking channels (e.g. mobile application and internet banking), particularly among high-income, first jobbers, and people living in Bangkok and central region. However, the percentage of households that were unsatisfied with the number of commercial banks' branches or cited that the branches were located too far, slightly increased from 1.16% in 2016 to 1.82% in 2018 due to recent closures of physical branches. In general, the majority of households were satisfied with the current level of access to financial services while some preferred additional service points, especially at convenience stores, commercial banks' and SFIs' branches and other banking agents.

Regarding quality of services, overall difficulties in using financial services were lowered, compared to 2016. Major causes of customers' dissatisfaction were poor service quality (e.g. long waiting times, impolite staff and cross-selling), complicated processes, distant service locations, and high interest rates and fees. Meanwhile, the factors which impeded households' access to financial services or caused households to exclude themselves from using financial products offered by primary financial services providers[2] consisted of their financial vulnerabilities, lack of financial knowledge, fear of being refused, and travel inconvenience.

Concerning borrowing from loan sharks, around 1.4% of Thai households obtained loans from such lenders mainly for consumption due to its rapid service, convenience, and simple loan processes. The majority of households that have been borrowing money from loan

[2] Commercial banks and SFIs are primary financial services providers for deposits, loans, and money transfers. Meanwhile, commercial banks and payment service providers (including e-Payment and e-Money operators) are primary financial services providers for payments.

sharks had insufficient income to cover expenses and did not have savings. In particular, only 3% of them could manage their money by saving before spending. Such figure was significantly lower than that of the households who used to borrow from loan sharks but have already stopped (13%).

Having commercial banks and SFIs as main deposit-taking institutions, the percentage of Thai households with savings increased from 65.4% in 2016 to 72.0% in 2018. The main purposes of savings were for healthcare or emergency use, retirement, and management of incomes and expenses, respectively. In addition, it was found that 67% of Thai households planned and started to save for retirement, which is significantly greater than only 44% in 2016. Households that could successfully follow saving plans tended to have a separate account for savings.

Key findings from the latest survey lead to 3 policy recommendations which require a close collaboration between the BOT, public and private agencies in order to promote financial access and usage of financial services by the Thai households as follows:

1. **Promoting digital banking environment** by enhancing the households' digital financial literacy and security of the services for greater usage and better access via convenient and secured channels. Households not ready to adopt digital services will be supported by other channels, such as banking agents.

2. **Replacing borrowing from loan sharks** by encouraging use of loan service provided by regulated non-banks. The measures also include improving households' financial literacy and saving attitude.

3. **Promoting savings for retirement** by raising public awareness about the importance of financial planning including short- and long-term savings. The objectives are to ensure that Thai households would have sufficient money to cover expenses in each stage of life, especially after retirement, and be equipped with financial knowledge necessary for achieving individual's savings target through the use of financial services e.g. investment in financial products.

1. Introduction

1.1 Rationale and objective

The Bank of Thailand (BOT) has recognized the importance of promoting financial inclusion which ultimately leads to a sustainable economic growth; hence, financial access was placed as one of the main measures 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 which can enhance financial inclusion, the BOT has been conducting a household survey on financial access biennially.

The Financial Access Survey 2018 is the sixth survey[3] undertaken in collaboration with Thailand's National Statistical Office (NSO). To ensure that results could be compared and analyzed to show improvements of financial access level, the questions used in this survey were similar to those used in the 2016 survey which covered 11 financial services. The scope of this household survey mainly focused on an overall level of financial access, financial service channels, obstacles to access to financial services, borrowing from loan sharks and financial planning behavior.

1.2 Scope of survey

A total of 11,121 households were surveyed from all regions across Thailand in both urban and non-urban areas. Each respondent was either the head of the household or a household representative aged 15 years and above. Respondents were interviewed on their need and usage of financial services. The questionnaire comprised 2 parts namely: 1) the level of access to 11 financial services and 2) an in-depth survey focusing on 4 basic financial services, detailed as follows:

Part 1: Level of access to 11 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

[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.
The fifth survey was conducted in 2016 by the BOT and the NSO with a sample size of 10,866 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.

Part 2: An in-depth survey focusing on 4 basic financial services[5]: (1) deposits/ savings, (2) loans (excluding credit cards), (3) money transfers and (4) payments. To have a more comprehensive assessment, this part also examined the level of access to the basic financial services, problems in using such services, issues on service channels, borrowing from loan sharks, as well as financial planning behavior.

Adopting the World Bank's definition, financial service providers were classified into 3 groups according to their legal status and the level of supervision as follows[6]:

(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:

- <u>Deposit-taking and other financial services providers</u>, 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.
- <u>Loan service providers</u>, namely, credit card companies, supervised personal loan companies, and Nano finance providers.
- <u>Payment service providers</u>, namely, e-Payment service providers and e-Money operators.
- <u>Investment and insurance service providers</u>, 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

[5] In 2016, an in-depth survey focused on 3 basic financial services: (1) deposits/ savings, (2) loans (excluding credit cards), and (3) money transfers and payments.

[6] 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.

financial institutions, money lenders (e.g. family members, private loan providers), and others (e.g. companies' welfare scheme).

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

A total sample size of 11,121 households was randomly selected and can be classified in each aspect as follows:

(1) Income level: Divided into 5 groups by ranking each responding household's 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	8,347	5,735
2	8,348	12,811	10,487
3	12,812	19,000	15,737
4	19,001	30,930	24,309
5 (Highest)	30,931	600,000	56,606

(2) Gender

- Female: 6,556 respondents
- Male: 4,565 respondents

(3) Geographic coverage: Covered 5 regions across Thailand[7], including Bangkok. The samples were randomly selected based on the NSO sampling method where the sample sizes were proportionately in line with the actual population in each region. Hence, a breakdown of the 11,121 respondents includes:

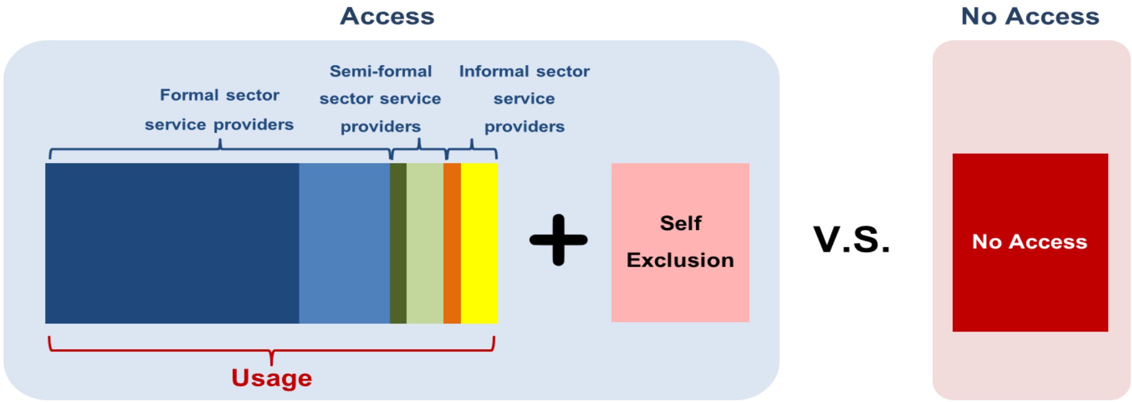
- 626 respondents from Bangkok
- 3,231 respondents from central region
- 2,616 respondents from northern region
- 2,928 respondents from northeastern region
- 1,720 respondents from southern region

[7] 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 2 groups as below:

- 6,781 respondents in urban areas
- 4,340 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).[8]

(2) No access refers to households who have demand for a financial service but are not able to use any financial service (Involuntary Exclusion).

2.3 Data processing methods

Descriptive statistics in the Tableau program were used to analyze survey data. The analysis gave an overview of households' usage in 11 financial services, followed by a further analysis of the 4 basic financial services, namely, (1) deposits/ savings (2) loans (excluding credit cards) (3) money transfers and (4) payments, and the examination on usage of loan obtained from loan sharks as well as the households' financial planning and savings behavior. Findings were used to define relevant policy recommendations which will be presented in the final part of this report.

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

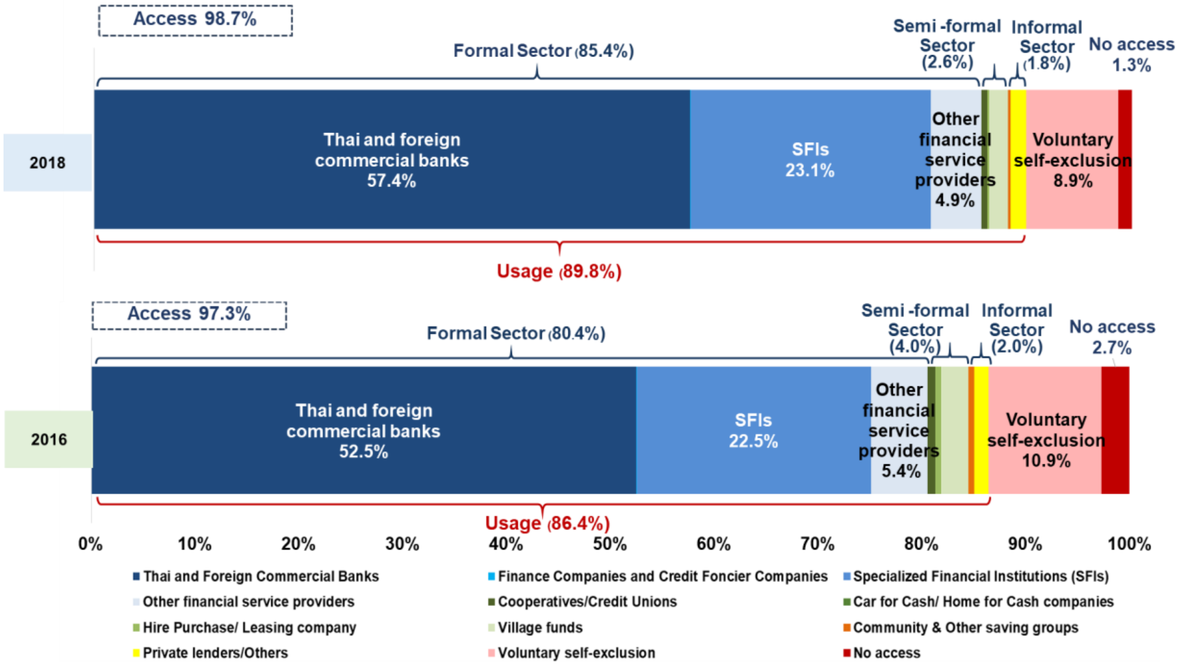
3. Findings and Analysis

The following sections provide (1) an overview of households' financial access in Thailand, (2) an in-depth analysis of 4 basic services, including deposits/ savings, loans, money transfers, and payments, (3) obstacles to access and usage of services from key financial service providers, (4) main financial service channels preferred by households and additional channels requested, (5) borrowing from loan sharks, and (6) financial planning and saving behavior.

3.1 Financial access overview

Responses from 11,121 respondents regarding the need and usage of 11 financial services commonly provided by financial institutions revealed an increase in the level of access to financial services by households (98.7%), from 97.3% in 2016. These households could be categorized into 2 groups: (1) households that used at least one financial service or **'usage'** (89.8%), and (2) households that had access to a financial service but chose not to use any financial service or **'self-exclusion'** (8.9%). The remaining were those who had demand for financial services but could not access any financial service **('no access')**, having a significant decrease from 2.7% in 2016 to 1.3% in 2018. In terms of usage, the majority of households used financial services through commercial banks (57.4%), followed by SFIs (23.1%). Both figures increased from 52.5% and 22.5% in the previous survey respectively. (Figure 1)

Figure 1: Overview of financial access (11 financial services)



Note: Total samples in 2016 and 2018 were 10,866 and 11,121 households, respectively.

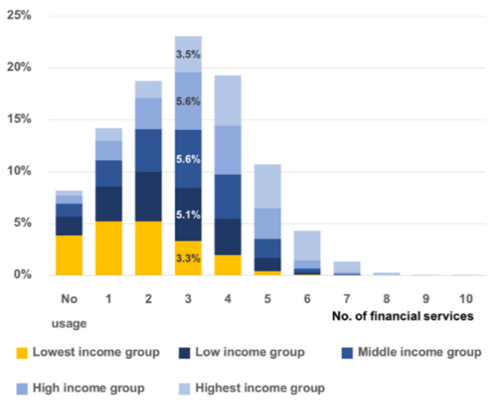
In terms of no-access group, the majority of involuntarily excluded households were in the lowest income bracket. There was no significant difference between those in urban and non-urban areas as more diverse financial service channels were provided. Nevertheless, Southern and Northeastern regions reported the highest no-access rate of 2.3% and 2.2% respectively. Similarly, there was no significant difference in term of financial access among genders as 1.5% of men were financially excluded compared to 1.2% of women. (Figure 2)

Figure 2: Access to 11 financial services, by income level, region, residential area and gender

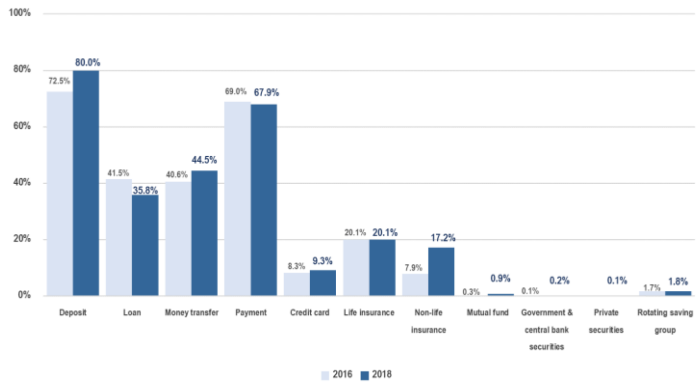
Regarding the variety of financial services used by households, the results illustrated that the largest proportion of households used up to 3 financial services. It was also observed that respondents with higher-income tended to use a boarder range of financial services, compared to those in the lower-income bracket. The 4 most-used financial services by households were (1) deposits/ savings (80.0%), (2) payment (67.9%), (3) money transfer (44.5%) and loans (35.8). (Figure 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



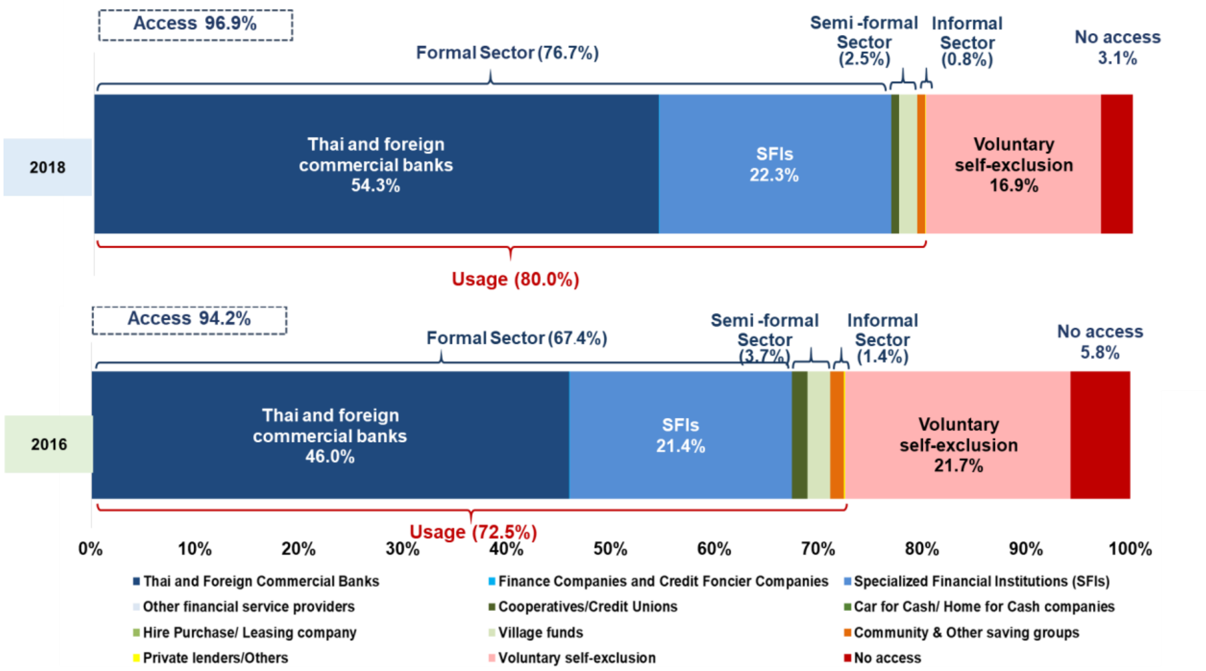
3.2 Access to 4 basic financial services

3.2.1 Deposits/ Savings

Access to deposits/ savings service

The survey results indicated that 96.9% of households had access to deposits/savings, an increase from 94.2% in 2016. The usage rate also rose from 72.5% in 2016 to 80.0% in 2018. The majority of households that used deposits/savings preferred using the service through formal service providers. The main service provider was commercial banks which showed a significant increase (54.3%) compared with 46.0% in 2016, while the percentage of households using deposits at SFIs (22.3%) had a slight increase from 21.4% in 2016. Meanwhile, there was a decrease in the use of semi-formal sector and informal sector service providers. In addition, the percentage of voluntarily self-excluded households and involuntarily exclusion reduced to 16.9% and 3.1% respectively. (Figure 4)

Figure 4: Access to deposits/ savings service



Note: Total samples in 2016 and 2018 were 10,866 and 11,121 households, respectively.

In terms of 'involuntarily excluded' households, the majority were from the lowest-income group and those living in the Northeastern and Southern regions. Overall, the proportion of 'involuntary excluded' households across all regions and income level considerably decreased. In addition, there was no significant difference regarding the level of financial access between those in urban and non-urban areas. Similar to residential areas, gender difference was not an obstacle to the access to deposits/ savings service given that 3.0% and 3.1% of men and women were financially excluded respectively. (Figure 5)

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

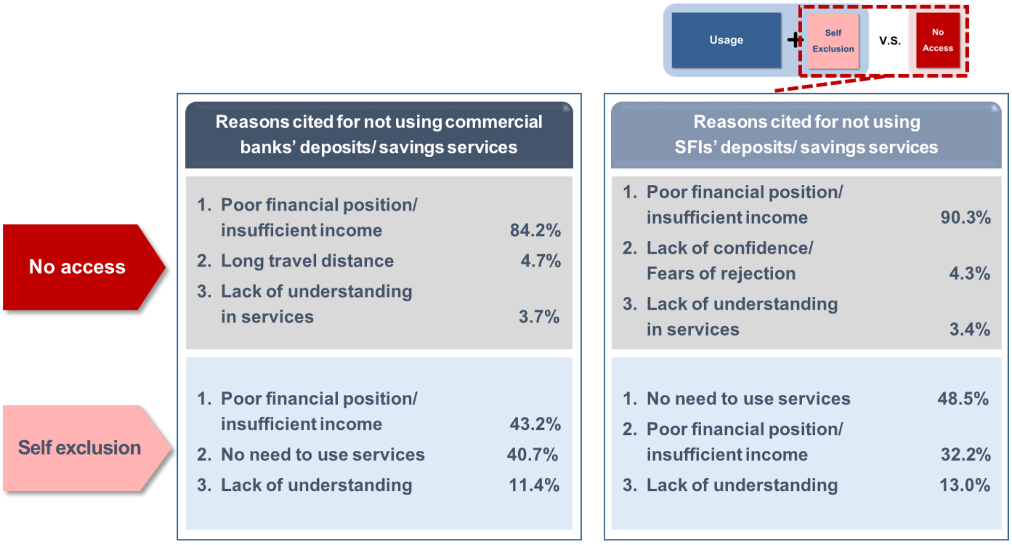
Areas to improve for deposits/ savings service

There was a decrease in the number of households encountering problems when using deposits/ savings service (3.8% in 2018 compared with 5.6% in 2016), implying a higher level of satisfaction in using this service. However, some households highlighted issues when using commercial banks' service which included limited numbers of service locations or remote service locations (41.8%), poor services quality (e.g. long waiting times and impolite staffs) (34.5%), and insufficient information provided by staff (12.5%). Regarding SFIs' service quality, key complaints were poor services quality (40.9%), limited numbers of service locations and remote service locations (34.2%), and insufficient information provided by staff (7.4%), respectively.

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

Responses from both voluntary self-exclusion and no-access households suggested that the main obstacles to access to commercial banks' and SFIs' deposits/ savings services were their financial vulnerabilities or insufficient income. Considering separately by type of institutions, the reasons for voluntary self-exclusion were linked to financial vulnerabilities or insufficient income (commercial banks: 43.2%, SFIs: 48.5%) and lack of need to use the service (commercial banks: 40.7%, SFIs: 32.2%). (Figure 6)

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



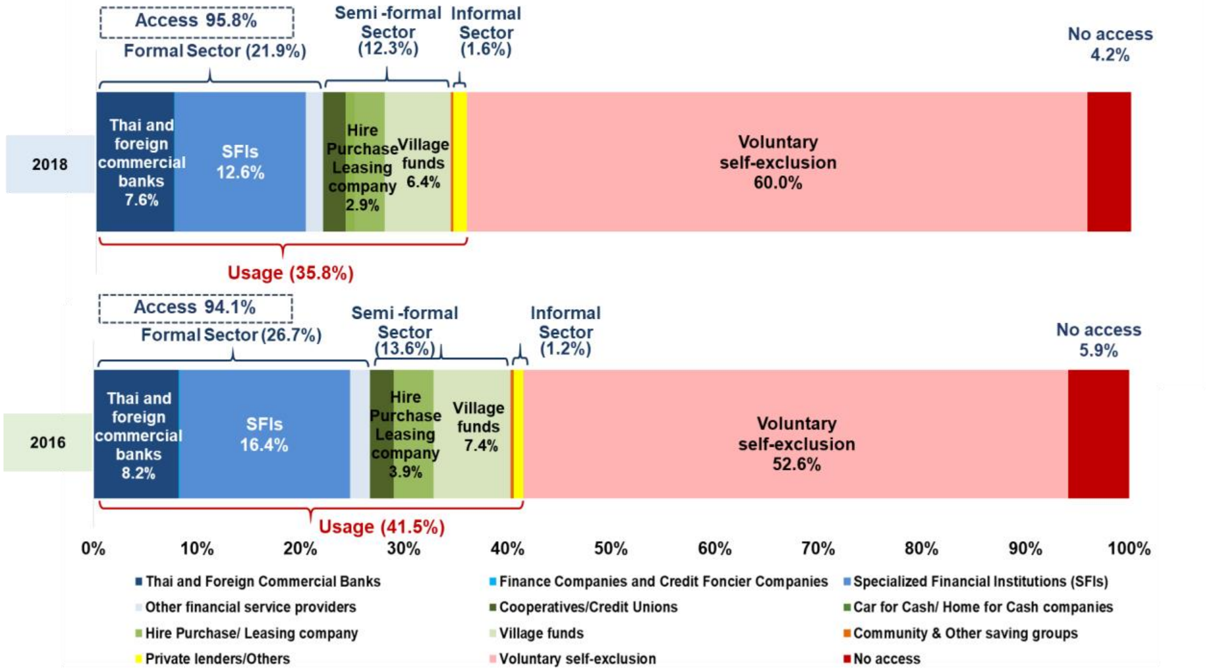
3.2.2 Loans (excluding credit cards)

Access to loan service

95.8% of households had access to loan service (excluding credit cards), a minor increase from 94.1% in 2016. However, the usage rate significantly decreased from 41.5% in 2016 to 35.8% in 2018 due to a larger proportion of voluntarily self-excluded households (from 52.6% in 2016 to 60.0% in 2018), implying less demand for loan service than in the 2016 survey. Nevertheless, an overall level of Thai households' debt remained high partly due to an increase in the amount of outstanding loans owed by existing borrowers.

The majority of loans were supplied by SFIs (12.6%), commercial banks (7.6%), and village funds (6.4%). Compared to 2016 survey's results, there was a decrease in the use of loan service provided by formal sector (21.9%) and semi-formal sector service providers (12.3%). On the other hand, the usage of loan service provided by informal sector service providers slightly increased from 1.2% in 2016 to 1.6% in 2018. (Figure 7)

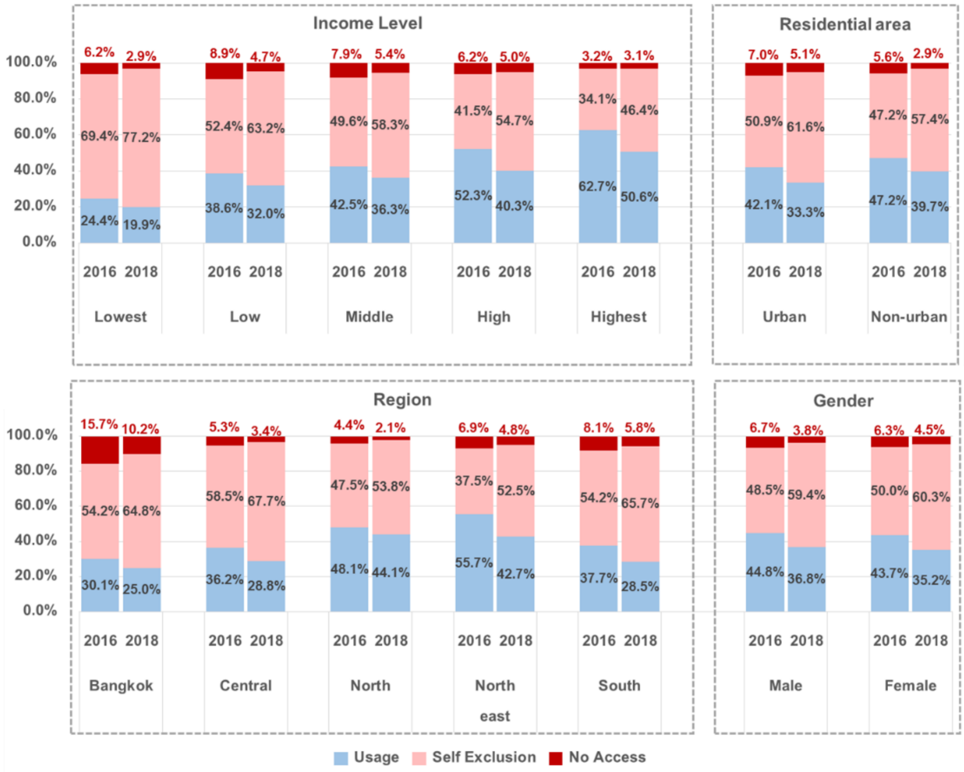
Figure 7: Access to loan service



Note: Total samples in 2016 and 2018 were 10,866 and 11,121 households, respectively.

Overall, 4.2% of households had no access to loan service, a slightly decrease from 2016 (5.9%). Of which, most of them were from middle- and high-income brackets, and those living in urban areas and Bangkok. In addition, the percentage of self-exclusion substantially increased in every income bracket, especially low-income one. However, there was no significant difference in accessing to loan service among genders given that the no-access rates of males and females were at 3.8% and 4.5% respectively. (Figure 8)

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



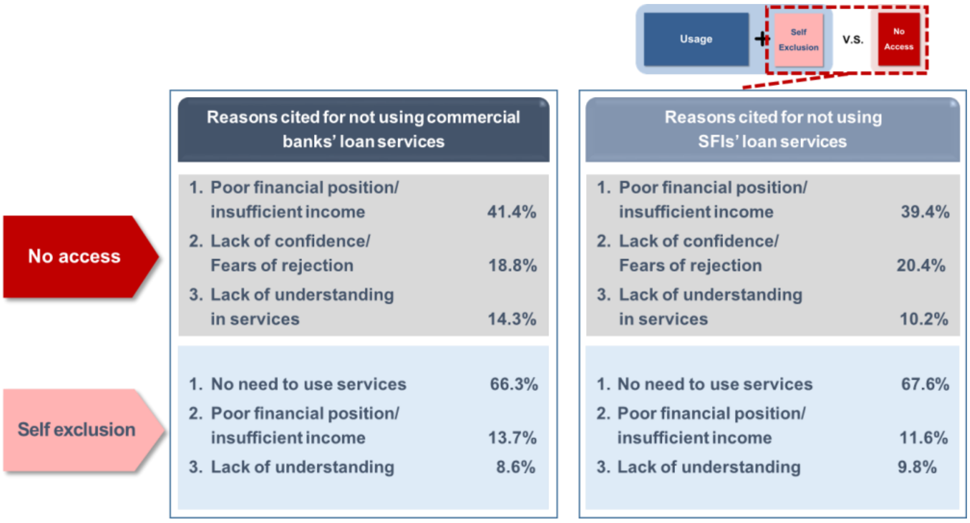
Areas to improve for loan service

Households' overall satisfaction in using loan service improved; fewer households encountered problems when using loan service (5.5% in 2016 versus 3.7% in 2018). Nevertheless, some households highlighted issues when applying for loan at commercial banks which included complicated application process (28.6%), limited numbers of and remote service locations (27.1%), and high interest rates and fees (25.7%). Meanwhile, SFIs customers also indicated similar areas which needed improvements, i.e. poor service quality (e.g., impolite staff, long waiting times) (30.2%), high interest rates and fees (23.8%), and limited numbers of and remote service locations (23.8%).

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

Key impediments faced by households in using loan service provided by both commercial banks and SFIs were their financial vulnerabilities or insufficient income (commercial banks: 41.4%, SFIs: 39.4%), fear of being rejected (commercial banks: 18.8%, SFIs: 20.4%), and lack of financial knowledge (commercial banks: 14.3%, SFIs: 10.2%). Furthermore, voluntarily self-excluded households cited that their lack of financing needs (commercial banks: 66.3%, SFIs: 67.6%), financial vulnerabilities or insufficient income (commercial banks: 13.7%, SFIs: 11.6%), and lack of financial knowledge (commercial banks: 8.6%, SFIs: 9.8%) were reasons for deciding not to use loan products. (Figure 9)

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

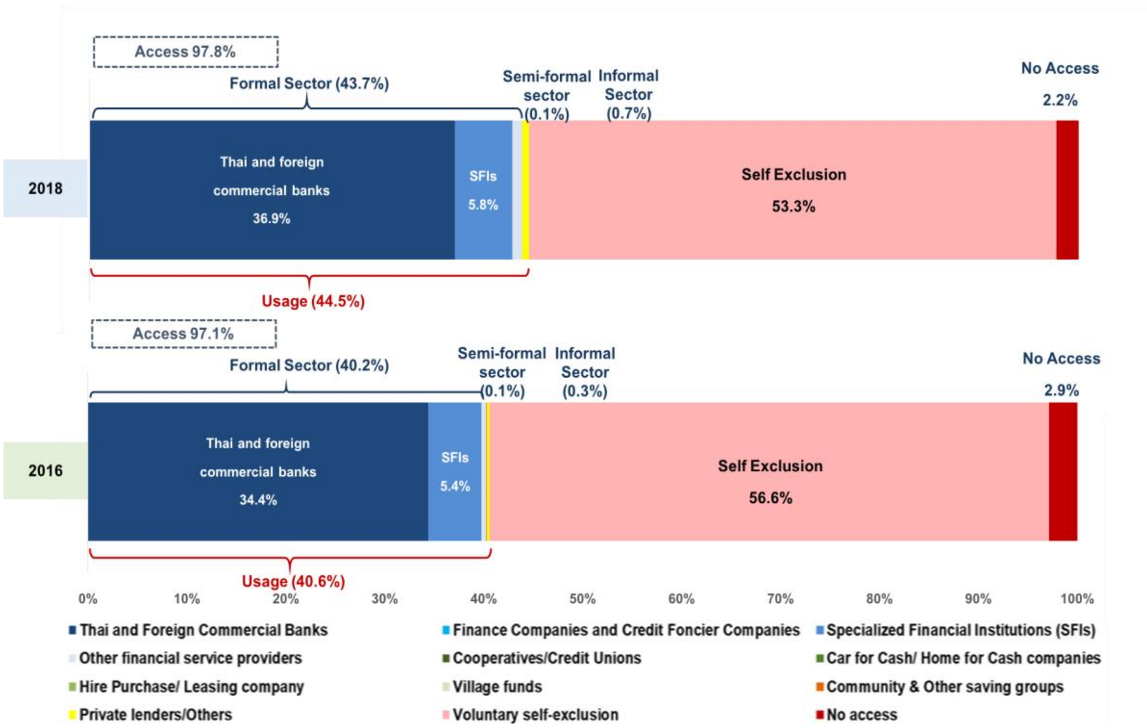


3.2.3 Money transfers

Access to money transfer service

97.8% of households were able to access money transfer service, a marginal increase from 97.1% in 2016. Such households could be divided into 2 groups: (1) the households using the services (44.5%) and (2) the voluntary self-excluded households (53.3%). Most households were served by formal sector service providers, i.e. commercial banks (36.9%) and SFIs (5.8%) which was in line with the policies to promote electronic money transfer through PromptPay with lower transaction fees. Specifically, the proportion of self-exclusion declined from 56.6% in 2016 to 53.3% in 2018, reflecting an increasing demand for money transfer service. (Figure 10)

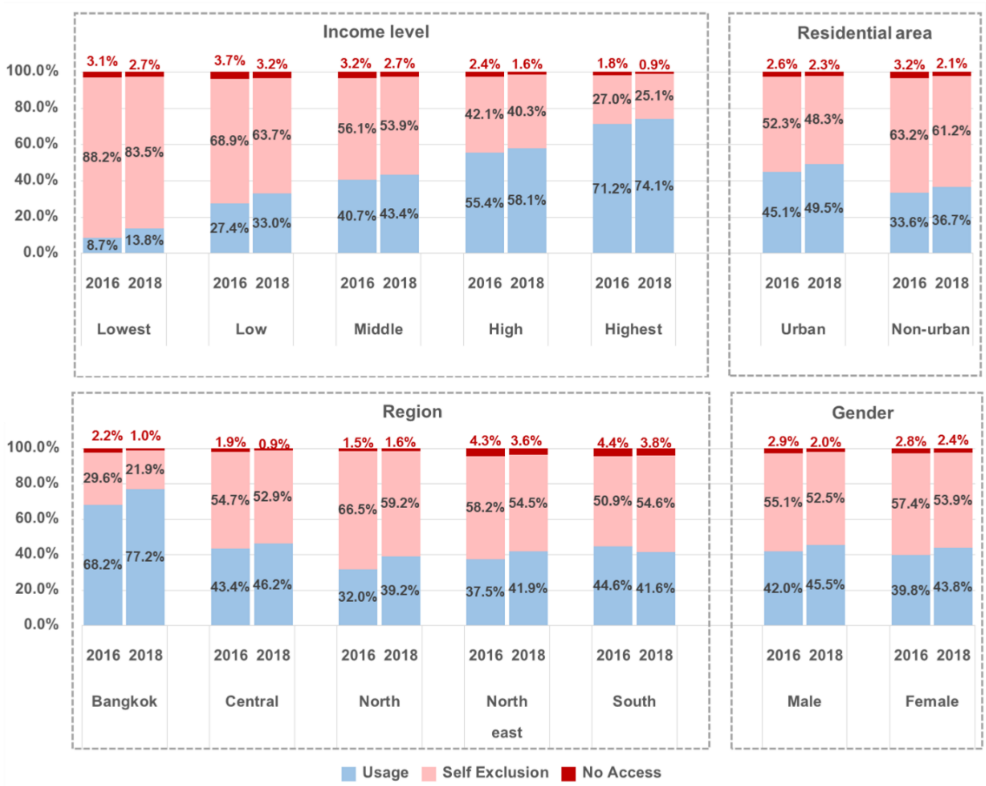
Figure 10: Access to money transfer service



Note: Total samples in 2016 and 2018 were 10,866 and 11,121 households respectively.

Overall, 2.2% of households had no access to money transfer service, a slight decrease from 2.9% in 2016. Households in the low-income group and those living in the Southern and Northeastern regions had the least access to this service. However, the survey's results showed a similar proportion between no-access households in urban and non-urban areas, as well as males and females respondents which were at 2.0% and 2.4%, respectively. (Figure 11)

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



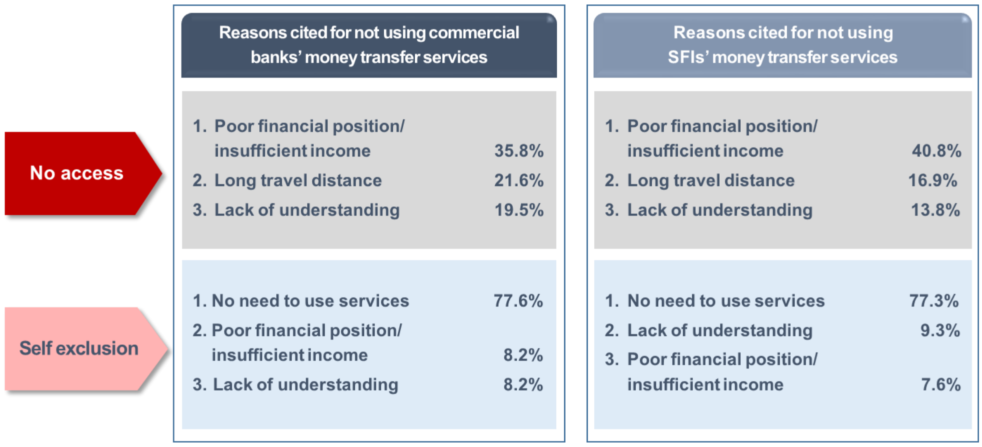
Areas to improve for money transfer service

A fewer number of households had problems in using money transfer service (5.6% in 2016 versus 3.6% in 2018), illustrating higher satisfaction in this service. Nonetheless, some households reported remaining issues with regard to poor service quality, e.g. long waiting times and impolite staffs (commercial banks: 41.0%, SFIs: 42.9%), limited numbers of and remote service locations (commercial banks: 30.6%, SFIs: 23.8%), and expensive fees (commercial banks: 14.9%, SFIs: 16.7%).

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

Households were unable to access money transfer service due to their financial vulnerabilities or insufficient income (commercial banks: 35.8%, SFIs: 40.8%), long travel distances (commercial banks: 21.6%, SFIs: 16.9%), and lack of financial knowledge (commercial banks: 19.5%, SFIs: 13.8%). In addition, the voluntarily self-excluded households noted that they did not see the need to use money transfer service (commercial banks: 77.6%, SFIs: 77.3%). (Figure 12)

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

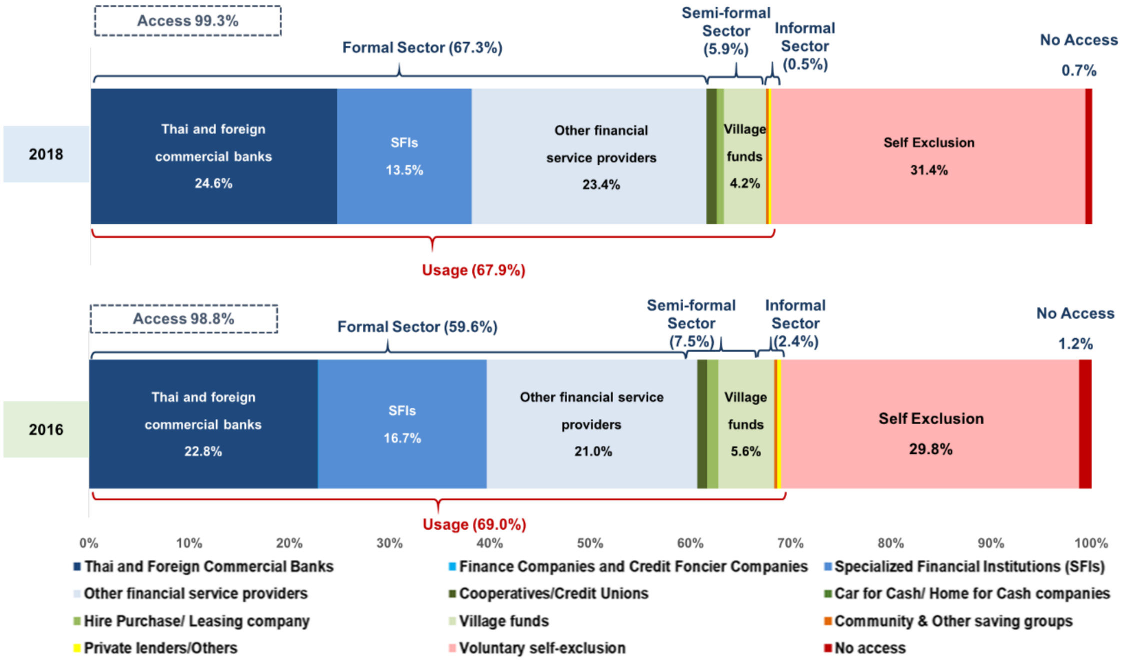


3.2.4 Payments

Access to payment service

The percentage of households that were able to access payment service slightly increased from 98.8% in 2016 to 99.3% in 2018. These households could be divided into 2 groups: (1) the households using the service (67.9%) and (2) the voluntary self-excluded households (31.4%). Most households were mainly served by formal sector service providers, i.e. commercial banks (24.6%), non-bank payment service providers (e.g., counter services, Thai Post, e-Payment service providers) (20.99%) and SFIs (13.5%). Although commercial banks and SFIs retained their roles as primary service providers, payment transactions were increasingly done through e-Payment service providers, particularly counter services and Thai Post, which can be seen from their increase in popularity from 18.73% in 2016 to 20.99% in 2018. This was likely the result of policies that promoted the use of PromptPay and QR code payment. Interestingly, some households still preferred to make direct payments to utility providers (e.g., electricity, water and telephone), instead of paying through intermediaries. (Figure 13)

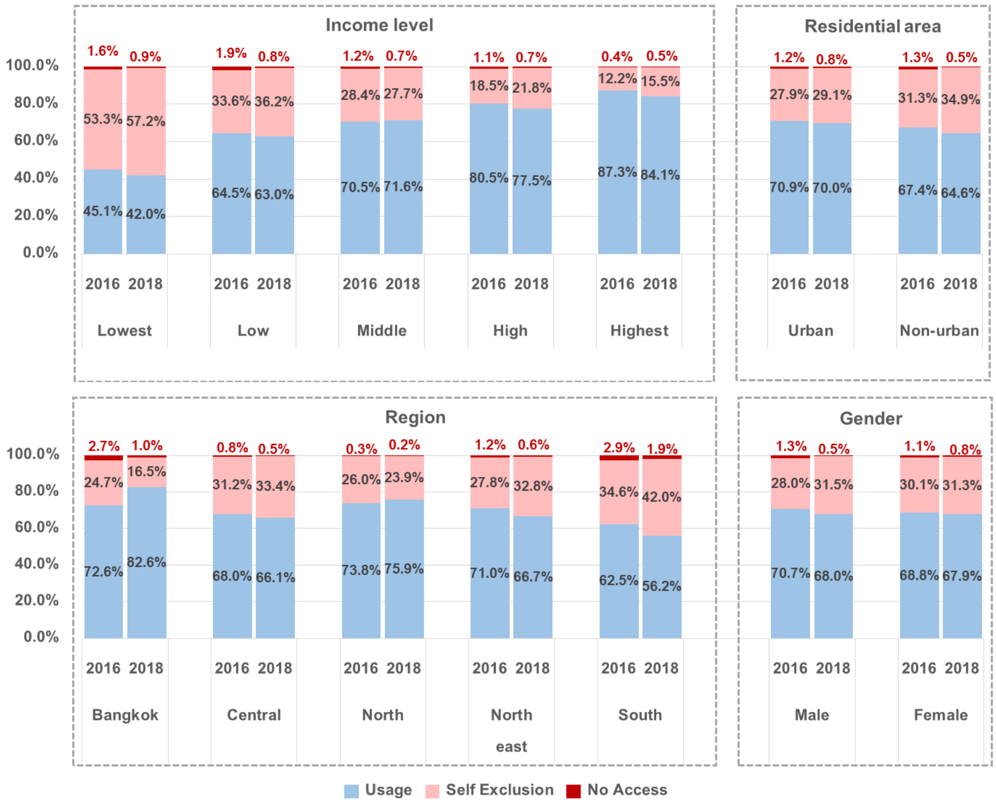
Figure 13: Access to payment service



Note: Total samples in 2016 and 2018 were 10,866 and 11,121 households respectively.

0.7% of households had no access to payment service, exhibiting a decrease from 1.2% in 2016. The households in the Southern region had the lowest access to this service. Nevertheless, the survey results showed a similar proportion between no-access households in urban and non-urban areas, as well as male and female respondents which were at 0.5% and 0.8% respectively. (Figure 14)

Figure 14: Access to payment service by income level, region, residential area and gender



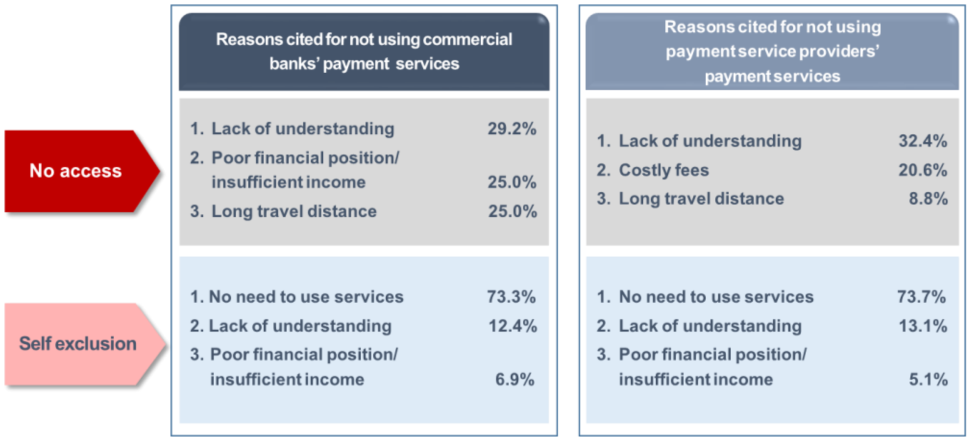
Areas to improve for payment service

Households' satisfaction in using payment service increased, indicated by a decline in the number of households experiencing problems when using money transfer service (4.6% in 2016 versus 3.5% in 2018). Nevertheless, some issues reported by households when using commercial banks' services included poor service quality, e.g. long waiting times and impolite staff (40.8%), limited numbers of and remote service locations (26.8%), and high fees (20.4%). Meanwhile, SFIs' customers reported that limited numbers of and remote service locations (31.2%) was the key area for improvement, followed by poor service quality (29.7%), and high fees (17.2%). For those who reported problems while using this service through non-bank payment service providers, almost half of them were not satisfied with high fees (43.7%), limited numbers of and remote service locations (21.5%), and poor service quality, e.g. long waiting times and impolite staffs (16.3%).

Obstacles to access payment service and reasons for voluntary self-exclusion

Key impediments faced by households in using payment service from commercial banks were their lack of financial understanding (29.2%), financial vulnerabilities or insufficient income (25.0%), and long travel distance (25.0%). Meanwhile, customers using non-bank payment service providers noted some obstacles such as lack of financial understanding (32.4%), and high fees (20.6%). For the voluntary self-exclusion group, most respondents indicated the reasons for not using the service as unnecessary (commercial banks: 73.3%, non-bank payment service providers: 73.7%). (Figure 15)

Figure 15: Obstacles to access payment service and reasons for voluntary self-exclusion



3.3 Financial service access channels

The survey results showed that bank branches remained primary channels that provided the 4 basic financial services. However, the usage rate at banks declined as the households migrated their access channels of some products i.e. taking loans from village funds, savings groups, and community-based financial institutions. In addition, there were a higher number of money transfer and payment transactions done through digital channels, such as mobile application and internet banking, especially among high-income group, first jobbers, and those households living in central region and Bangkok. Some households still had a problem with limited numbers of and remote service locations (from 1.16% in 2016 to 1.82% in 2018), given continuous closures of bank branches. Overall, the majority of households were satisfied with current service channels. However, some of them would also like to have additional financial service points at community level, particularly at convenience stores/ supermarkets and banking agents offering service directly to their home or workplace. Further details regarding service channels for deposits/ savings, loans, money transfers and payments are as follows.

3.3.1 Deposits service channels

Current access channels

According to 8,913 respondents[9], the top 3 service channels where the households have an access to deposits/ savings were (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (87.2%) (2) village funds/ savings groups/ community-based financial institutions (6.1%) and (3) ATMs/ CDMs (2.6%). The results are similar to those of the 2016 survey as seen from the following table. (Figure 16)

[9] Each household can choose only one service channel

Figure 16: Current deposits channels

Current channels	2018	2016
Commercial banks' and SFIs' branches (including branches located in shopping malls)	87.2 %	86.9 %
Village funds/ Savings groups/ Community-based financial institutions	6.1 %	7.3 %
ATMs/ CDMs	2.6 %	1.3 %
Savings cooperatives/ Credit unions	1.3 %	2.7 %
Someone else acting on their behalf	1.2 %	0.6 %
Others (e.g., Savings cooperatives and home service agents/ officers)	1.5 %	1.2 %
	8,913 respondents	7,885 respondents

Additional deposits channels requested by households

The majority of households (79.9%) did not request additional channels for deposits/savings service. However, some households mentioned that they would like more commercial banks' and SFIs' branches (including branches located in shopping malls) (5.1%), ATMs/ CDMs (3.5%) and convenience stores/supermarkets (2.9%), respectively. Households in urban areas mainly preferred additional commercial banks' and SFIs' branches, while those in non-urban areas preferred mobile service units, such as, service car or boat as well as service agents located in neighborhood/community. (Figure 17)

Figure 17: Additional deposits channels requested by households

Additional channels requested by households	2018
Satisfied with current channels	79.9 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	5.1 %
ATMs/ CDMs	3.5 %
Convenience stores/ Supermarkets	2.9 %
Home service agents/ Officers	2.9 %
Others (e.g. village funds/ savings groups/ community-based financial institutions and someone else acting on their behalf)	5.7 %

3.3.2 Loan (excluding credit card) service channels

Current access channels

The channels through which loan services were most used by the 3,975[10] respondents were (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (59.3%) (2) village funds/ savings groups/ community-based financial institutions (21.6%) and (3) savings cooperatives/ credit unions (6.2%) (Figure 18). Interestingly, household increasingly used loans through village funds/ savings groups/ community-based financial institutions, instead of bank/ SFI branches. Considering the most used channels, it was found that the percentage of households with access to loans through commercial banks' branches (30.8%) was higher than that of SFIs' branches (28.4%).

Figure 18: Current loan channels

Current channels	2018	2016
Commercial banks' and SFIs' branches (including branches located in shopping malls)	59.3 %	63.3 %
Village funds/ Savings groups/ Community-based financial institutions	21.6 %	20.3 %
Savings cooperatives/ Credit unions	6.2 %	6.3 %
Convenience stores/ Supermarkets	3.5 %	2.8 %
Someone else acting on their behalf	2.1 %	1.0 %
Others (e.g. ATMs/CDMs and home service agents/ officers)	7.3 %	6.3 %
	3,975 respondents	4,512 respondents

Additional loan channels requested by households

The majority of households (83.5%) were satisfied with current channels. However, households who would like additional channels mentioned that they preferred more commercial banks' and SFIs' branches (including branches located in shopping malls) (4.0%), supermarkets/ convenience stores (3.0%), and agents or officers offering service directly at home or workplace (2.5%). In addition, the households in urban areas would like more service points at supermarkets/ convenience stores, while those in non-urban areas preferred service agents located in neighborhood/community or mobile service units, such as, service car or boat. (Figure 19)

[10] Each household can choose only one service channel

Figure 19: Additional loan channels requested by households

Additional channels requested by households	2018
Satisfied with current channels	83.5 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	4.0 %
Convenience stores/ Supermarkets	3.0 %
Home service agents/ Officers	2.5 %
ATMs/ CDMs	1.6 %
Others (e.g. someone else acting on their behalf, and mobile applications/ internet banking)	5.4 %

3.3.3 Money transfer service channels

Current access channels

According to 4,936 respondents[11] using money transfer services, the survey revealed that (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (78.3%), (2) ATMs/ CDMs (11.0%) and (3) mobile applications and internet banking (2.6%) were the most used channels, respectively. This pattern was similar to that observed in the 2016 survey. It should be noted that money transfer was increasingly transacted through mobile applications and internet banking, in line with an increase in the usage rate of PromptPay which significantly rose from 0.05% in 2016 to 1.6% in 2018 whilst branches saw a decrease in usage. (Figure 20)

Figure 20: Current money transfer channels

Current channels	2018	2016
Commercial banks' and SFIs' branches (including branches located in shopping malls)	78.3 %	85.2 %
ATMs/ CDMs	11.0 %	10.8 %
Mobile applications/ Internet banking	2.6 %	0.8 %
PromptPay	1.6 %	0.05 %
Someone else acting on their behalf	1.5 %	0.5 %
Others (e.g. village funds/ savings groups/ community-based financial institutions, convenience stores/ supermarkets, and Thai Post)	5.1 %	2.7 %
	4,936 respondents	4,403 respondents

[11] Each household can choose only one service channel

Additional money transfer channels requested by households

The majority of households were satisfied with current money transfer channels (81.1%). However, some households would like additional service channels such as commercial banks' and SFIs' branches (3.9%), ATMs/ CDMs (3.8%), and convenience stores/ supermarkets (3.3%) (Figure 21). Moreover, urban households would like more convenience stores/ supermarkets, while non-urban households would like ATMs/ CDMs.

Figure 21: Additional money transfer channels requested by households

Additional channels requested by households	2018
Satisfied with current channels	81.1 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	3.9 %
ATMs/ CDMs	3.8 %
Convenience stores/ Supermarkets	3.3 %
Home service agents/ Officers	1.6 %
Others (e.g. someone else acting on their behalf and mobile application/internet banking)	6.3 %

3.3.4 Payment service channels

Current access channels

The responses of 8,451 households[12] using payment services indicated that the most preferred channels for payment transactions were (1) commercial banks' and SFIs' branches (including branches located in shopping malls) (40.3%) (2) convenience stores/ supermarkets (27.5%), and (3) village funds/ savings groups/ community-based financial institutions (8.5%), respectively (Figure 22). This pattern was similar to that observed in the 2016 survey. Payment services were increasingly transacted through PromptPay (from 0.1% in 2016 to 0.7% in 2018) as well as village funds/ savings groups/ community-based financial institutions, in contrast with a lower usage rate at branches.

[12] Each household can choose only one service channel

Figure 22: Current payment channels

Current channels	2018	2016
Commercial banks' and SFIs' branches (including branches located in shopping malls)	40.3 %	53.4 %
Convenience stores/ Supermarkets	27.5 %	27.8 %
Village funds/ Savings groups/ Community-based financial institutions	8.5 %	4.1 %
Someone else acting on their behalf	5.4 %	0.7 %
Home service agents/ Officers	5.2 %	1.9 %
Others (e.g. ATMs/ CDMs, Thai Post, Mobile applications/ Internet banking)	13.0 %	12.1 %
	8,451 respondents	7,540 respondents

Additional payment channels requested by households

The majority of households were satisfied with current payment channels (79.9%). Households which requested additional channels would like to have convenience stores/supermarkets (3.5%), service agents or officers provide service to their home or workplace (3.3%), as well as ATMs/ CDMs (2.3%) (Figure 23). In addition, households in urban area mainly preferred additional convenience stores/ supermarkets while those in non-urban areas preferred mobile service units, such as, service car or boat, as well as agents or officers offering service directly at home or workplace.

Figure 23: Additional payment channels requested by households

Additional channels requested by households	2018
Satisfied with current channels	79.9 %
Convenience stores/ Supermarkets	3.5 %
Home service agents/ Officers	3.3 %
Commercial banks' and SFIs' branches (including branches located in shopping malls)	3.0 %
ATMs/ CDMs	2.3 %
Others (e.g. someone else acting on their behalf and mobile application/ internet banking)	7.2 %

3.4 Borrowing from loan sharks

Around 1.4% of Thai households borrowed money from loan sharks. Of which, 0.5% were those who continually obtained loans from such informal sector service providers. Given its promptness, convenience, and simplicity, the loans were primarily used for consumption (78%), other informal loans repayment (9.4%), and child support (8.2%). (Figure 24)

Figure 24: Purposes and reasons for borrowing from loan sharks

1.4% of the households borrowed from loan shark

"Used to" borrow from loan shark?	"Currently" borrow from loan shark?	
	No	**Yes**
No	95.4	0.9
Yes	3.2	0.5
	98.6	**1.4**

Purposes for borrowing from loan shark

- 01 78.0% Consumption (necessary)
- 02 9.4% Other informal loans repayment
- 03 8.2% Child support

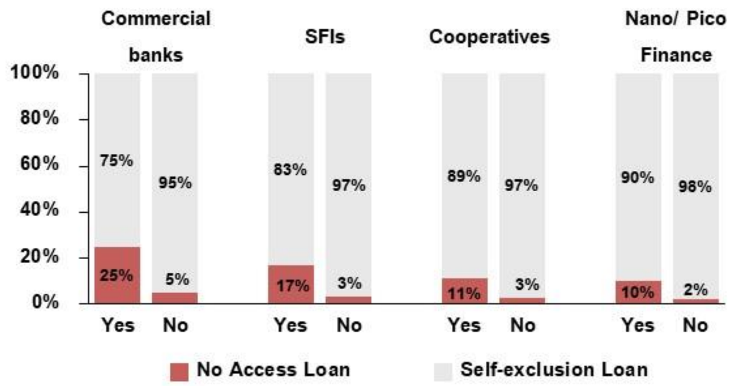
Reasons for borrowing from loan shark

- 01 69.8% Easy and fast process
- 02 11.9% Familiarity with lenders
- 03 8.2% Being rejected by formal financial institutions

Compared to those who have never borrowed from loan sharks, the survey results showed that the households who borrowed money from loan sharks had lower access to loans provided by formal financial service providers e.g. commercial banks, SFIs, cooperatives, as well as Nano and Pico Finance providers. Key factors that impaired the access to loans provided by the formal providers were the households' financial vulnerability and insufficient income (commercial banks: 46%, SFIs: 27%) as well as fears of being rejected by financial institutions (commercial banks: 19%, SFIs: 21%). (Figure 25)

Figure 25: Level of access to loan service by the households
that "used to" borrow money from loan sharks

Greater percentage of households that used to borrow money from loan shark has no access to loan, compared to other households who never borrow money from loan shark



Yes = Used to borrow money from loan shark **No** = Never borrow money from loan shark

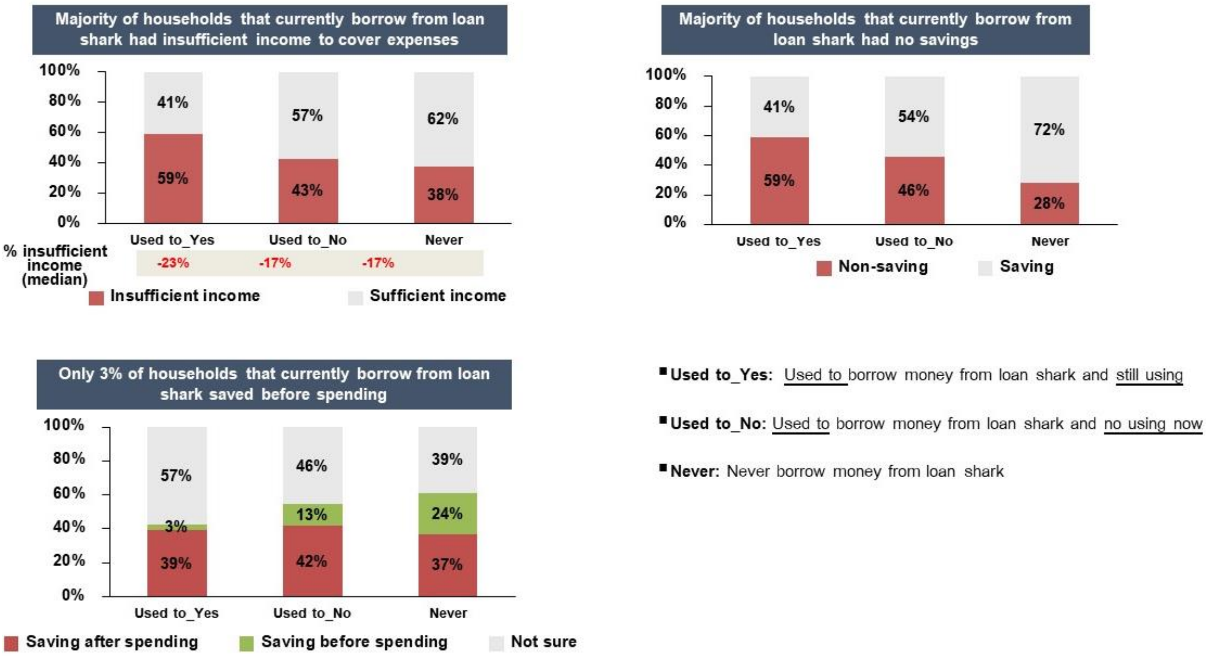
Reasons cited for inaccessibility to formal loan services

Commercial banks	Yes	No
Poor financial position /insufficient income	46%	41%
Lack of confidence /Fears of rejection	19%	19%
No need to use services	10%	15%
Complicated conditions /processes	10%	6%
Long travel distance	8%	6%

SFIs	Yes	No
Poor financial position /insufficient income	27%	41%
Lack of confidence /Fears of rejection	21%	20%
Complicated conditions /processes	18%	7%
No need to use services	9%	10%
Long travel distance	9%	3%

The survey examined savings behavior of 3 Thai household groups, i.e. "existing users" that used to borrowed money from loan sharks and were still borrowing (Group 1), the "ex-users" that used to borrow money from loan sharks and discontinued using already (Group 2), and those who "never" borrowed money from loan sharks (Group 3). It was found that 59% of the existing users (Group 1) had inadequate income to cover expenses, with a median deficit around 23% (e.g. 100 Baht of income versus 123 Baht of expenses). Considering income sufficiency of the ex-users (Group 2) and the never group (Group 3), the percentage of the households having inadequate income to cover expenses was lower in Group 2 and Group 3, 43% and 38% respectively. In addition, only 3% of the existing users (Group 1) would save a portion of money before spending, compared to 13% in Group 2, and 24% in Group 3. In this connection, borrowing from loan sharks potentially correlated negatively with the households' ability to save. The survey further indicated that 54% of the ex-users (Group 2) had savings while there were only 41% of the existing users (Group 1) that had savings. Nevertheless, the savings proportions from both groups (Group 1 and 2) were still lower than the never group (Group 3), up to 72% of them had savings. (Figure 26)

Figure 26: Savings behavior in connection with borrowing from loan sharks

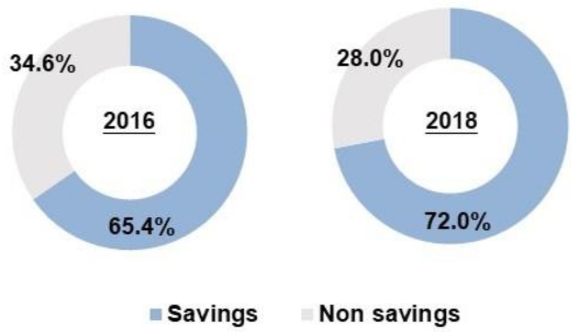


3.5 Financial planning

Regarding savings behavior of Thai households, it was found that the proportion of households that had savings increased from 65% in 2016 to 72% in 2018, with purposes for healthcare and emergency use (33.3%), retirement (29.9%), and management of incomes and expenses (13.1%). Of the total respondents, 40.9% deposited money at commercial banks or SFIs, 40.0% kept their savings in cash, and 10.5% saved their money with cooperatives or other community-based financial institutions. In terms of financial plan for retirement, it was found that 67% of the households in 2018 have already planned and started savings which was greater than only 44% in 2016. (Figure 27)

Figure 27: Savings for retirement

Proportion of the households that have savings



Objective of savings		
01	33.3%	Emergency/ healthcare
02	29.9%	Retirement
03	13.1%	Income and expense management
04	8.1%	Education
05	7.7%	Vehicle
06	5.0%	Housing

Saving channel		
01	40.9%	Deposit accounts at commercial banks and SFIs
02	40.0%	Cash
03	10.5%	Saving cooperative/ community-based financial institutions
04	5.6%	Family
05	1.5%	Others
06	1.4%	Financial products other than deposit account

Increase in planning and savings for retirement

	2016	2018
	44%	67%
Achieved saving goal	14%	19%
Failed to achieve saving goal	30%	48%
Set goal but have not started saving	31%	16%
Have not set goals	25%	17%

Households that successfully achieved their savings goals saved mainly for retirement (60%) and separated their savings in a dedicated account rather than in their transactional account. It is worth noting that households who achieved their savings goals had different saving approaches from others, i.e. using a separate account for saving as well as using investment/wealth management products. (Figure 28)

Figure 28: Primary objectives and savings approaches

Primary objectives of savings	Achieved saving goal	Failed to achieve saving goal	Set goal but have not started saving	Have not set goals
Retirement	60%	45%	35%	29%
Emergency/ healthcare	24%	31%	36%	40%
Education	5%	8%	9%	10%
Income and expense management	4%	9%	11%	11%
Housing	3%	3%	5%	3%
Vehicle	2%	4%	4%	6%
Others	1%	0%	0%	1%
Collateral (for loans)	0%	0%	0%	0%
	100%	100%	100%	100%

Saving approaches	Achieved saving goal	Failed to achieve saving goal	Set goal but have not started saving	Have not set goals
Cash	30%	36%	42%	42%
Payroll account/ expenditure account	26%	27%	24%	21%
Deposit accounts at commercial banks and SFIs	20%	11%	7%	6%
Savings cooperative/ community-based financial institutions	11%	10%	8%	5%
Family	6%	5%	4%	4%
Financial products other than deposit account	3%	1%	1%	1%
Saving sometimes	2%	7%	14%	19%
Others	2%	1%	1%	2%
	100%	100%	100%	100%

4. Conclusion

Overall, it was found that a greater proportion of Thai households had access to financial services by which the percentage increased from 97.3% in 2016 to 98.7% in 2018. Among these households, 89.8% used financial products while the other 8.9% chose not to use any services (voluntarily self-excluded). Commercial banks and SFIs remained the primary financial service providers, while non-banks (village funds and e-Payment service providers) were playing an increasing role. In contrast, the proportion of ‘no-access’ households decreased from 2.7% in 2016 to 1.3% in 2018, in which most of them were in the lowest income bracket and those living in Southern and Northeastern regions. There was no inequality between urban and non-urban households in term of financial access. Similarly, both male and female had equal access to financial services, 98.5% and 98.8% of whom could access to the services respectively.

- **Range of financial services used:** Most households used up to 3 types of financial services, while higher-income households tended to use a broader range of products compared to lower-income group. Most accessible services were payments, money transfers, deposits/ savings, and loans respectively.

- Access to basic financial services

  - **Access to deposits/ savings:** Access of households to deposits/ savings service increased from 94.2% in 2016 to 96.9% in 2018, and the usage rate also rose from 72.5% to 80.0% during the same time period. Commercial banks and SFIs remained the primary deposit-taking institutions, while the role of semi-formal and informal service providers in deposits/ savings service dwindled.

  - **Access to loans (excluding credit card):** Having SFIs as primary lenders, the access level of households to loans slightly increased from 94.1% in 2016 to 95.8% in 2018, whereas the usage rate reduced from 41.5% to 35.8% during the same time period. Compared to 2016, a larger number of households in every income group (especially low-income) chose not to use loans. However, the overall level of Thai households’ debt remained high partly due to an increase in the outstanding amount of loans owed by existing borrowers.

  - **Access to money transfers:** Access of households to money transfer service in 2018 was at 97.8%, slightly increased from 97.1% in 2016. Mainly served by commercial banks, the usage rate of money transfers service increased from 40.6% in 2016 to 44.5% in 2018, partly due to the policies to promote use of PromptPay and reduction of transfer fees.

  - **Access to payments:** 99.3% of households had access to payment service in 2018, slightly increased from 98.8% in 2016. Transactions were mainly done through formal services providers, i.e. commercial banks and e-Payment services providers (counter services, Thai Post and e-Money services providers). This was in line with policies to support the use of PromptPay and QR code payment. However, some households still preferred to make direct payments to utility providers (e.g. electricity, water, and telephone), instead of paying through intermediaries.

- **Service channels:** Commercial banks and SFIs remained primary channels which delivered basic financial services (deposits/ savings, loans, money transfers, and payments). However, the proportion of households that still used lending, money transfers, and payments services at commercial banks' and SFIs' branches were reduced due to an increasing role of village funds and community-based financial institutions. Meanwhile, there were also an increasing percentage of households; especially high-income group, first jobbers, and people living in Bangkok and central region, that adopted digital channels (e.g. mobile application and internet banking) to make transfers and payments. Nevertheless, the percentage of households that suffered from an inadequate number of bank branches increased slightly from 1.16% in 2016 to 1.82% in 2018, given that there were continuing closures of bank branches. Overall, the majority of households were satisfied with the current level of access to financial services while some still required additional service points, especially at convenience stores, commercial banks' and SFIs' branches, and other banking agents.

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

  - **Areas to improve for financial services:** Compared to 2016, overall households' difficulties in using financial services were lower. Some issues pertaining to dissatisfaction remained, namely the service quality provided by financial institutions (e.g. long waiting times, impolite staffs, and cross-selling), complicated processes, distant service locations, and expensive interest rates and fees.

  - **Obstacles to access financial services:** The factors that impeded households' access to financial services or pushed them away from using financial products offered by formal financial services providers consisted of their financial vulnerabilities, lack of financial knowledge, fear of being refused, and travel inconvenience.

- **Borrowing from loan sharks:** Around 1.4% of Thai households borrowed money from loan sharks. Due to their promptness, convenience, and simplicity, the loans were primarily used for buying consumer goods. Compared to those who never borrowed from loan sharks, the analysis showed that the households that had borrowed from loan sharks had lower access to loans provided by formal lenders. The incident was mainly due to households' financial vulnerabilities and fear of being rejected by financial institutions. In addition, the majority of households that continually borrowed money from loan sharks tended to have inadequate income to cover expenses. In particular, only 3% of them would save a portion of money before spending. Such percentage was significantly lower than that of the households who used to borrow money from loan sharks and already discontinued using (13%).

- **Savings behavior:** The percentage of households with savings increased from 65.4% in 2016 to 72% in 2018. The major purposes of savings were for healthcare and emergency use, retirement, and management of incomes and expenses. Commercial banks and SFIs remained the primary deposit-taking institutions. In term of financial planning, it was found that 67% of households in 2018 have already planned and started to save for retirement which was greater than only 44% in 2016. In addition, households that successfully followed their savings plans mostly have a separate account for savings and using investment/wealth management products.

5. Policy recommendations

According to the results of 2018 survey, there was an overall increase in the Thai households' level of access and a greater satisfaction rate from using financial services. Nevertheless, the quality of the services provided could still be further improved and some households still faced some obstacles in accessing financial services. This reflects the importance of collaboration between the BOT, public and private agencies in order to better coordinate and promote the access and usage of financial services by Thai households. Based on the survey results, policy recommendations are proposed as follows:

1. Promoting digital banking environment by enhancing households' digital financial literacy together with security for the services to foster greater usage and better access via convenient and secured channels. In addition, for those who are not ready to adopt digital services, they will be supported by other appropriate channels. This can be done in 2 aspects:

(1) Digital financial literacy: Promote financial literacy among elderly, low-income and people in non-urban areas in order to 1) enhance the use of digital banking and 2) equip households with sufficient financial knowledge for self-protection.

(2) Channels: Promote access to digital payment for daily transactions and support the role of other financial service providers such as banking agents in order to bridge the gap for some households not yet ready to adopt digital services.

2. Replacing borrowing from loan sharks

(1) Reduce the role of loan sharks by encouraging use of loan services provided by formal and semi-formal sector service providers such as personal loan, nano finance, and pico finance providers, as well as village funds. With simpler application processes and fewer required documents, households have greater chances to obtain loans from these regulated non-banks.

(2) Promote financial literacy by providing basic financial and savings knowledge to households in order to limit their reliance on loan sharks and help ending their debt cycle. Measures may also include enhancing households' ability to properly compare financial services and select an optimal choice as well as nurturing their savings behavior.

3. Promote savings for retirement by raising public awareness about the importance of financial planning including short- and long-term savings. This is to ensure that Thai households have sufficient money to cover expenses in each stage of life, especially after retirement, and be equipped with financial knowledge necessary for achieving individual's savings target through use of financial services e.g. investment in financial products.

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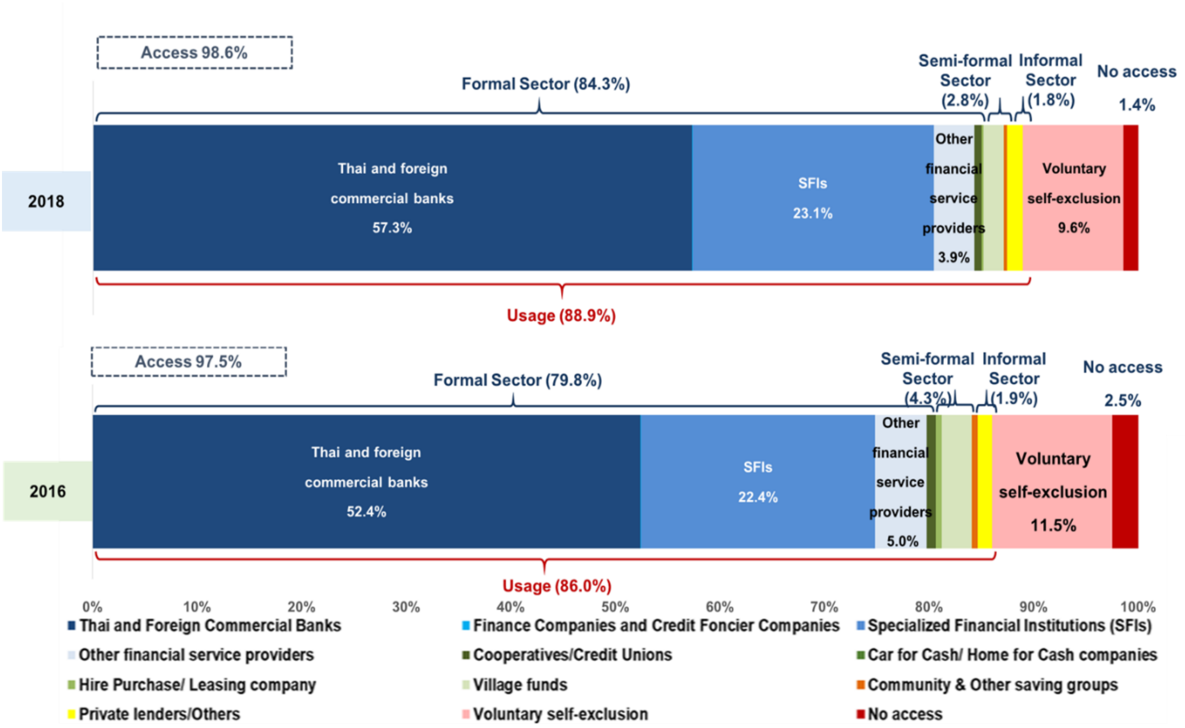
Appendix

Appendix 1: Access to 4 basic financial services

The survey on households' access to 4 basic financial services, namely deposits/ savings, loans, money transfers, and payments indicated that 98.6% of households were able to access at least one of the four financial services, an increase from 97.5% in 2016. Among these households, 88.9% used some services while 9.6% chose not to use any services. Households mainly used basic financial services from commercial banks (57.3%) and SFIs (23.1%), a substantial increase in usage at commercial banks from 52.4% in 2016. The survey also revealed that the percentage of households using the services from village funds and e-Payment service providers significantly increased. (Figure 1)

Figure 1: Access to four basic financial services



Note: Total samples in 2016 and 2018 were 10,866 and 11,121 households, respectively.

In addition, the percentage of 'no access' households largely dropped from 2.5% in 2016 to 1.4% in 2018. The majority of 'no access' households were from the lowest-income group and households in southern and northeastern areas. It also should be noted that both urban and non-urban households, as well as both genders had an equal access to basic financial services. (Figure 2)

Figure 2: Access to 4 basic financial services, by income level, region, residential area and gender

Pursuing Sustainable Economic Well-Being