



## **BANK OF THAILAND NEWS**

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### **The Seminar on Financial Services for All: Business Models for the Underserved**

Dr. Tarisa Watanagase, Deputy Governor (Financial Institutions Stability), Bank of Thailand (BOT), announced that, today, the BOT had organized the Seminar on “Financial Services for All: Business Models for the Underserved”. The aim of this seminar is to enhance the learning process and to stimulate an exchange of experiences amongst foreign and Thai experts, regarding commercial banks’ new business opportunity through market expansion into low-income and SMEs segments. The seminar, thereby, demonstrates the BOT’s intention to promote commercial banks’ microfinance business.

One of the Financial Sector Master Plan’s visions for the Thai financial system is to provide financial services to all potential users, particularly to the underserved, which are the low-income and SMEs. Low-income people account for most of the country’s population while SMEs prove an important driver for the Thai economic development. The BOT believes that commercial banks can play a vital role in making this goal achievable since they are the main financial service providers and significant contributors to the development of the Thai economy.

This seminar began with the presentation of survey findings, revealing public’s demand for financial services and its fulfillment. The survey shows that most of the low-income and SMEs have insufficient access to the financial services. As a result, expanding market into this target group should be a good business opportunity for banks in the future. As commented by experts, promotion of widely-accessed financial services should be implemented concurrently with development in low-income’s living standards, thereby assuring sustainable progress.

In addition, from international experiences in serving the low-income, microfinance business can be viable and profitable for commercial banks, provided that suitable business models and service mechanism are adopted, including

- Post offices as access points for financial services, having been practiced in over 60 countries worldwide

- Innovative partnership or franchising approach to increase distribution channels to customers

- Financial services on group/network basis
- Use of mobile salesforce to increase customers' accessibility
- Communities' people as bank staffs to induce better understanding of the local, and
- Employment of technology as an important tool for cost reduction

To succeed in this business, commercial banks should not only employ the alternative business models but also adjust strategies and mindset to fit this target group. This concerns sales management, product design, price setting, distribution of services, and operating system. However, the most critical issue is the extent to which bank executives are committed towards an expansion of their financial services to cover the low-income segment. Evidently, some middle- and low-income service providers in foreign countries have successfully proved that, given their current performance and business capacity, they are now eligible for commercial-banking license in their countries.

The BOT is ready to assist commercial banks doing microfinance business in various ways, for example, providing some infrastructures and information including results from researches and studies. Also, the BOT tries to create a supportive environment for banks doing this business eg. enhancing the functions of credit bureaus, allowing banks to appoint representatives for deposit taking, loan repayment, and credit card payment, as well as, permitting banks to assign Thailand Post Co., Ltd. as a representative for taking deposits and withdrawals (under the preparing process for announcing in the royal gazette).

The seminar today is a starting point for commercial banks to expand financial services to the low-income and SMEs. The next step will be the launch of pilot projects jointly collaborated by interested commercial banks and the BOT, who will provide support on professional consultant recruitment. From pilot projects, the BOT expect wider outreach of financial services to people all over the country, which will lead to the savings, investment, trading via a well-established payment system, and finally to the growth of Thai economy.

**Bank of Thailand**

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