



BANK OF THAILAND

BOT Press Release

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Moving from blanket to targeted assistances for SMEs

Mrs. Roong Mallikamas, Assistant Governor, Financial Stability and Corporate Strategy Group, Bank of Thailand (BOT) revealed the following progresses of the measure on loan payment holiday under the Emergency Decree on Financial Assistance to Small and Medium-sized Enterprises Affected by Coronavirus Pandemic B.E. 2563 (2020) which will end on 22 October 2020.

1. Small and medium-sized enterprises (SMEs) totaling 1.05 million accounts have availed themselves of the loan payment holiday with an outstanding debt of 1.35 trillion baht. This figure is different from the 6.89 trillion baht outstanding debt of SMEs and individual borrowers which have been assisted by financial relief programs such as debt payment deferment and reduction, interest rate reduction, and preemptive debt restructuring.

2. The BOT has been monitoring closely the financial impact of COVID-19, and does not anticipate any cliff effect following the end of the payment holiday due to the following factors.

1) Specialized Financial Institutions (SFIs) whose customers account for an outstanding loan of 400 billion baht, have already deferred payments for 3 – 6 months. Meanwhile, commercial banks with an outstanding loan of 950 billion baht have been closely monitoring their customers. Most of the customers indicated that they will be able to repay their debts when the loan payment holiday measure ends.

2) Commercial banks will continue to assist their customers, who are unable to repay their debts or can only make partial repayment, until their financial situations improve to be able to repay their debts. Such assistance programs include individual debt restructuring to reduce the probability of loan deterioration, interest rate reduction for credit card and personal loans, debt payment deferment, debt consolidation, and multi-creditors debt restructuring program.

3) Only 6% of the total outstanding debt of 950 billion baht are cases where banks have not been able to get in touch or is in the process of contacting their customers.

In addition, the lockdown measures brought about by COVID-19 have impacted business disproportionately. Businesses in the beverage, electrical appliance, and commerce sector are recovering near the pre-COVID-19 levels. On the other hand, businesses in the tourism sector are still slow running, particularly the hotel business is at only 26% of the pre-COVID-19 level.

The BOT therefore has opted for an approach away from a traditional and generic measure to a proactive and more targeted approach since the measure on loan payment holiday also has long-term negative consequences due to the following.

1) The loan payment holiday measure merely applies to a deferral of debt payment whereas interest charges continue to accrue during the holiday period. This interest payment obligation is a burden for borrowers in the long run.

2) The measure creates moral hazard for borrowers that are in a position to continue servicing the loans. These borrowers may opportunistically decide not to service the loans.

3) Continuation of the payment holiday poses risks to the stability of the financial institution system as financial institutions will not be able to book the regular cash inflows. It is expected that the debt payment holiday will remove 200 billion baht from the financial system annually.

The borrowers who are capable to repay the loans are advised to continue to do so not only to reduce their burden in the long run, but also to provide financial institutions with the cash flow to help other affected clients. The borrowers who are unable to repay their debts - particularly those commercial banks have not been able to get in touch with - are advised to contact their respective banks for appropriate financial assistance.

In addition, the BOT has allowed a standstill for financial institutions to maintain asset classification and provisioning until the end of 2020 for borrowers who are in process of debt restructuring. This is to encourage financial institutions to expedite debt restructuring with their customers. Also, the BOT has worked closely with relevant organizations, such as the Federation of Thai Industries and Board of Trade of Thailand, to identify businesses that are severely affected by the COVID-19 and in need of assistance.

Borrowers who have been unable to get in touch with their banks or unable to agree upon mutual solution on debt restructuring with their banks may contact Debt Exit Fast Lane at <https://www.1213.or.th/App/DebtCase> to find solutions with their banks.

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