

Comments on “Finance and Inequality in Thailand” by Prof. Virachart Kilenthong

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1. DATA

- **205 million baht.** Net worth of richest household in SES household survey in 2011
- **52,000 million baht.** Average net worth of Forbes 50 in 2011
- Furthermore, the household wealth data in the SES panel data (not the full survey) includes only housing and automobiles and **does not include the value of financial assets and land!**

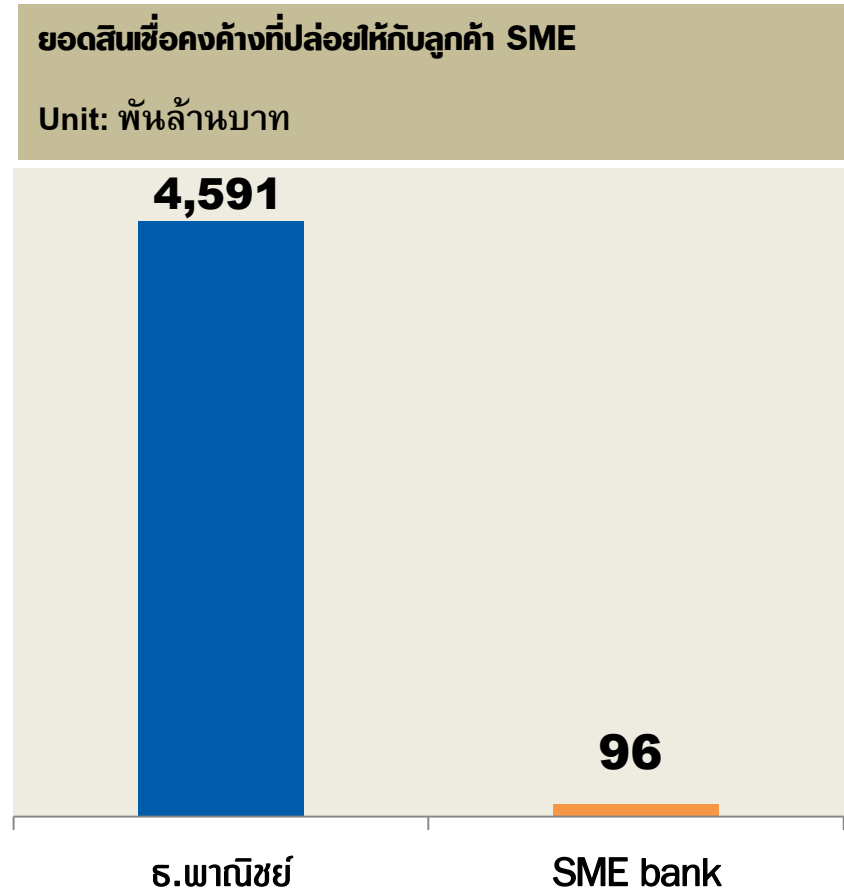
2. CONCEPTUAL AND METHODOLOGICAL

- Paper has 3 distinct parts:
 - Review of basic facts and figures about inequality in Thailand using SES data
 - Model to test whether financial access helps with consumption smoothing (idiosyncratic risks) from Kilenthong (2014)
 - Model to test whether financial access helps with being an entrepreneur from Kilenthong and Rueanthip (2014)
- **Disconnect?**
 - Is the ability (or inability) to smooth consumption *really* what is driving inequality in Thailand?
 - In fact, decomposition of inequality in Fig. 14 of paper shows that education has biggest impact. **Why not then instead model whether financial access helps to improve access to education (and thereby reduce inequality)?**

- **On facts and figures on inequality**
 - SES data problems
 - Sample sizes on SES panel probably get *really* small when making inferences from transition probability matrix
- **On the consumption smoothing (risk sharing) model**
 - Why use deposits and withdrawal (as opposed to say ability to borrow) as the dummy variable for financial access if the objective is consumption smoothing?
 - This has implications for the instrumental variable (IV) used for estimation as well. It makes sense to use “distance to branch” if looking at deposits and withdrawals, but distance might not be the right IV for ability to borrow.
 - Why use fixed effects as SES panel observations are randomly drawn from population?
- **On the entrepreneurship model**
 - Should distinguish between different kinds of entrepreneur as some require more financing than others. This may help to explain counterintuitive result in paper on financial access and entrepreneurship.
 - Need to clearly specify whether decision to get financial access and become an entrepreneur is simultaneously or sequentially determined as this has implications for type of estimation needed.

3. POLICY

- Need to understand what is really preventing greater financial access to know how to improve it.
- **Greater financial access can help reduce inequality of opportunity** (e.g. by helping with access to education), which is even more important than **inequality of income**
- **But how much is enough? Is greater financial access always a good thing?**
 - Financing for consumption or business? Or how about for home ownership? **Think “subprime”...!**
 - **Access should take place under commercial guidelines.** Rely on commercial banking system rather than SFIs where possible.



ที่มา: ธนาคารแห่งประเทศไทย, สำนักงานเศรษฐกิจการคลัง