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BANK OF THAILAND

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SMEs Finance in Thailand

Financial System Stability, Regulation and Financial Inclusion

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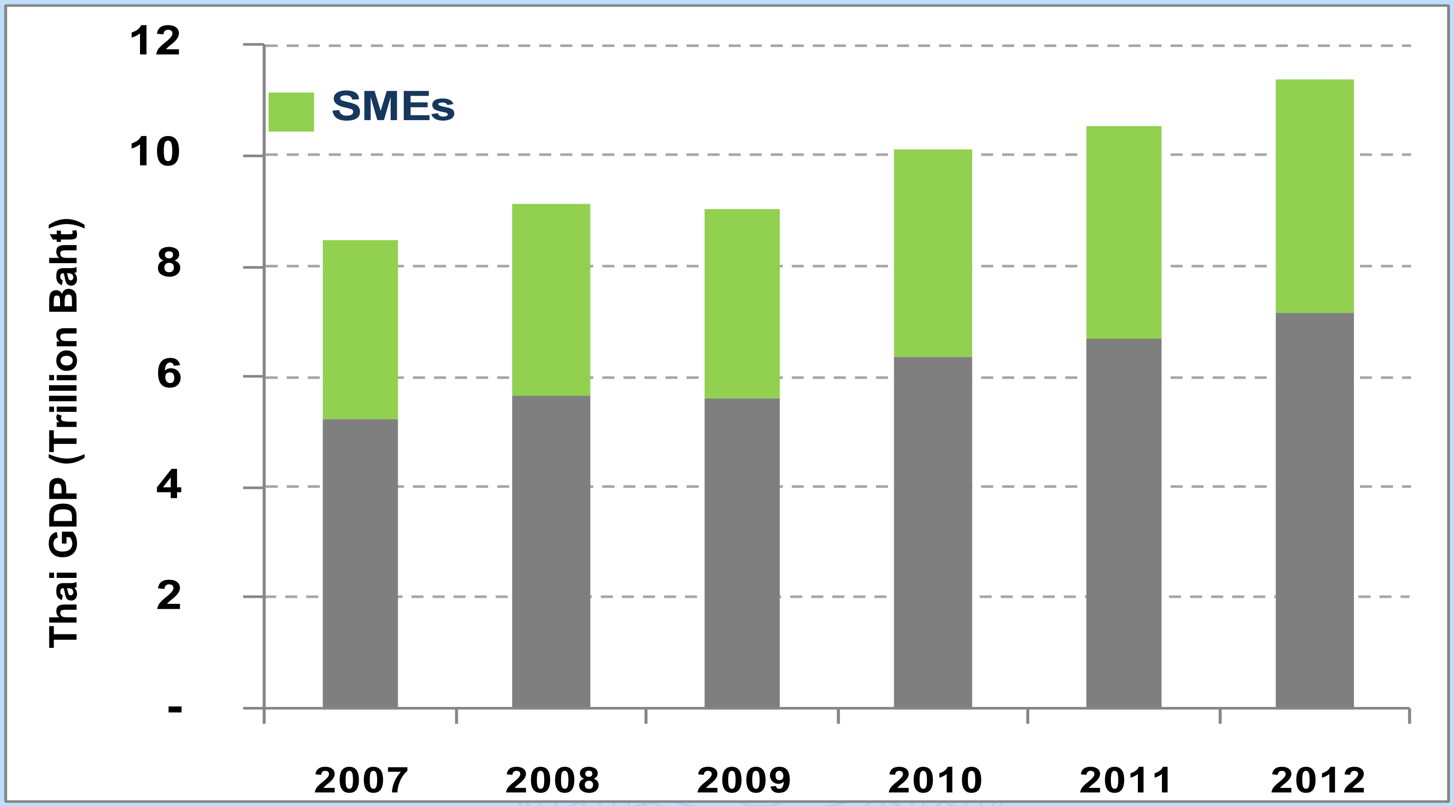
Comments on Dr. Shin’s Paper

1. Agree that excessive public support will not benefit SMEs in the long run. Weak SMEs must depend on subsidy forever.

2. SMEs in Thailand never get excessive support.
   On the contrary, they have to struggle for bank credit and have to fight at worst environment on their own.
   However, the stronger survive.

Significance of SMEs to Thai Economy



SMEs contributes to almost 40% of Thai GDP during the period of 2007-2012

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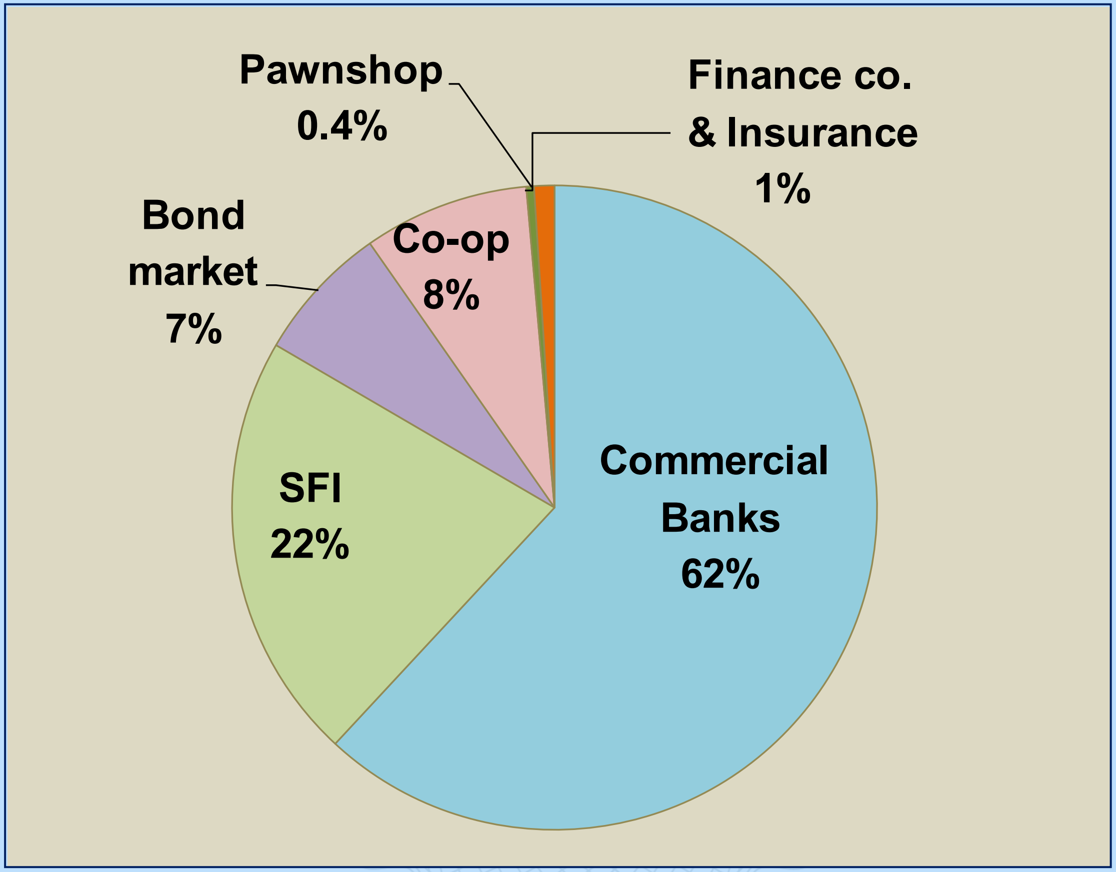
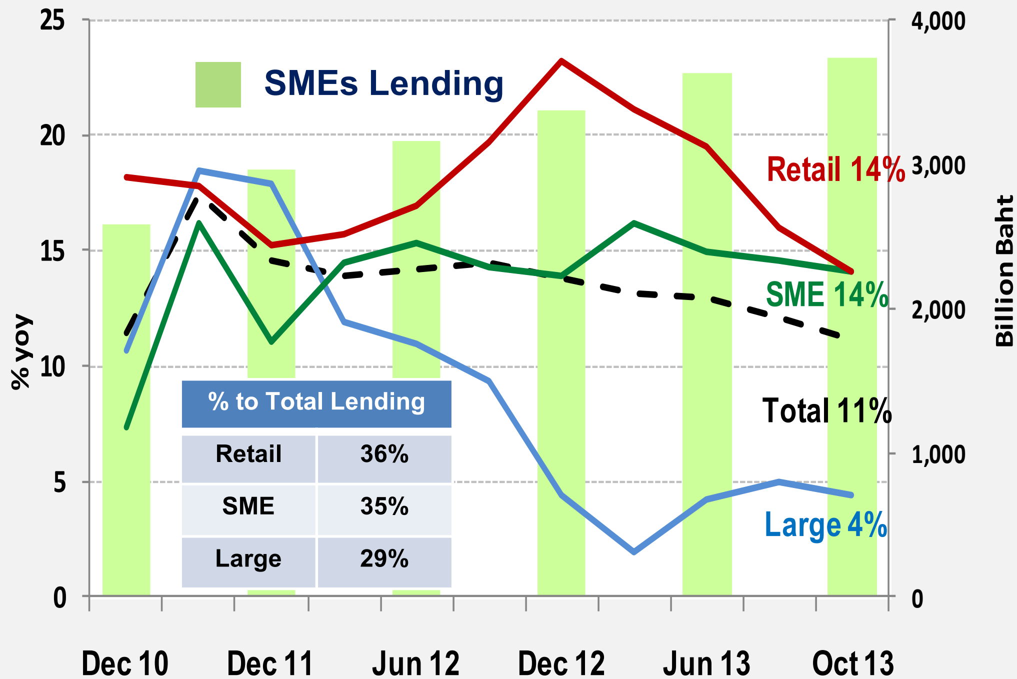
Overall Picture of Thai Financial System



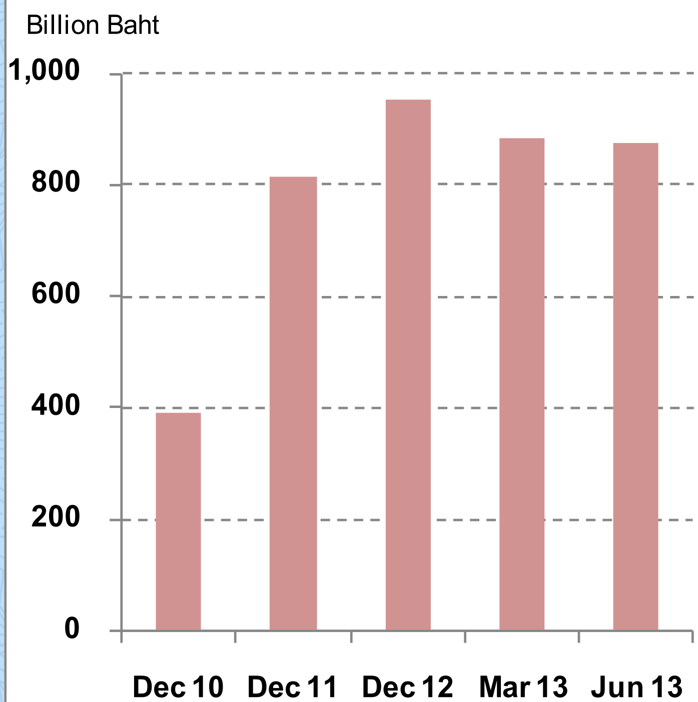
"Commercial banks and SFIs play an important role in Thai financial system"

Banks Increase Lending to SMEs

Growth of Commercial Banks Lending to SMEs



SFIs Lending to SMEs



Commercial Banks
Growth of lending to SMEs is higher than total lending

SFIs
Active in SMEs lending since 2010

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Barriers to Accessing Finance for SMEs

1. Lack of collateral
2. Lack of experiences and skills in doing business
3. Brief or nonexistent financial data for loan application
4. Insufficient liquidity during stress time (small amounts of capital)

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Supporting Programs for SMEs financing in Thailand

1. Government credit guarantee

2. BOT support for SMEs lending

   2.1 Reducing prepayment charges and cancellation fees for SMEs

   2.2 Reducing SMEs financing cost for banks

   2.3 Pushing for collateral law

   2.4 Establishing credit information center for SMEs lending

   2.5 Collaborating with banks to help SMEs during crises, e.g. rescheduling loans during subprime crisis and providing soft loans during flood

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Conclusion

1. SMEs Financing in Thailand is growing in a satisfactory rate. Commercial banks, the biggest players in credit market, are interested in SMEs lending because they perceived that SMEs is profitable.

2. The BOT promote SMEs lending by revising regulations to allow greater flexibility and reduce operating costs for commercial banks as well as helping SMEs to have variety of finance sources without unnecessary fees. This results in lower expenses for micro lending and a better credit risk management for banks. SFIs are satisfactory fulfilling their role on financing small lending.

3. However, many micro SMEs are still not able to access to finance from banks and SFIs. Consequently, many micro SMEs end up borrowing from loan sharks that charge cut-throat rates. Therefore, increasing the number of creditor is one way to alleviate this problem.