



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

# SMEs Financing

## Thailand Case

**Bank of Thailand**

**March 23, 2016**



- 1. SMEs in Thailand**
- 2. Constraints of SMEs**
- 3. SMEs Supporting Measure**
- 4. Credit Guarantee Scheme in Thailand**
- 5. Future Challenges**



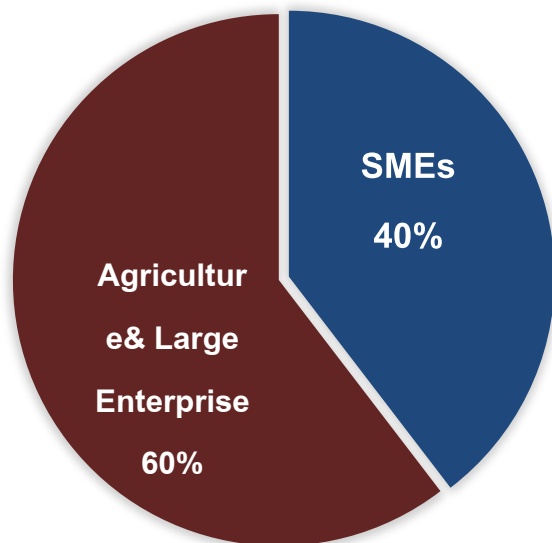


# 1. SMEs in Thailand

## SMEs play an important role in Thai economy

### Thai GDP (2014)

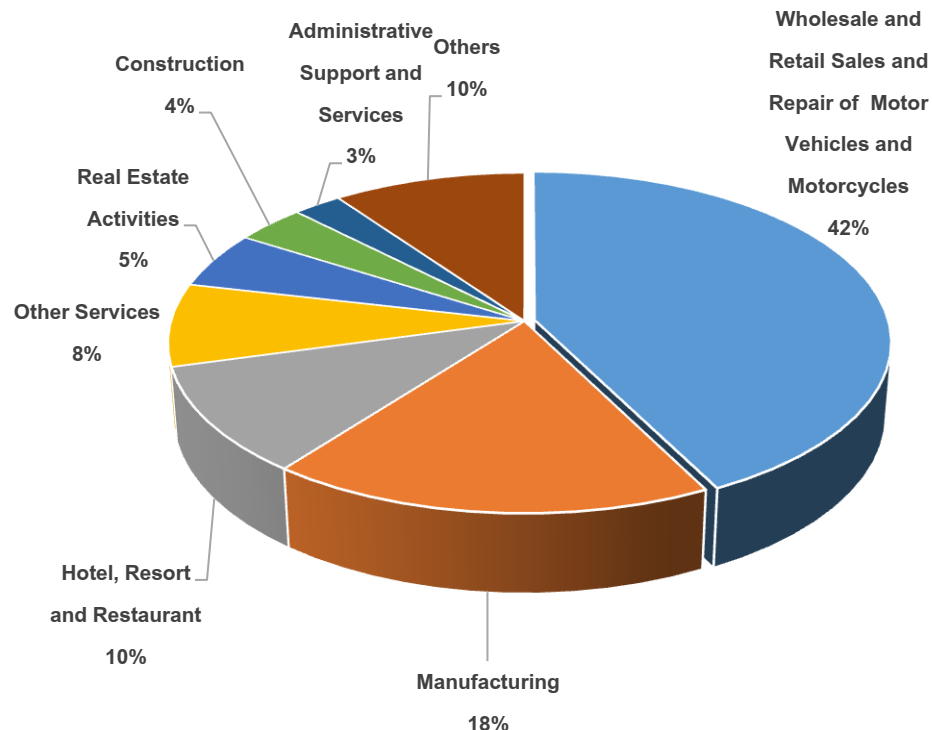
13,148,601 Million THB (\$ 375,000 Million)



| as of December 2014   | SMEs       |
|-----------------------|------------|
| Number of Enterprises | 2,735,632  |
| Total Employment      | 10,496,177 |

Source: Institute for Small and Medium Enterprise Development

### SMEs By Sector



| Definition * | Fixed Assets  | Labor    |
|--------------|---------------|----------|
| Small        | < 30-50 mio.  | < 15-50  |
| Medium       | < 60-200 mio. | < 20-200 |

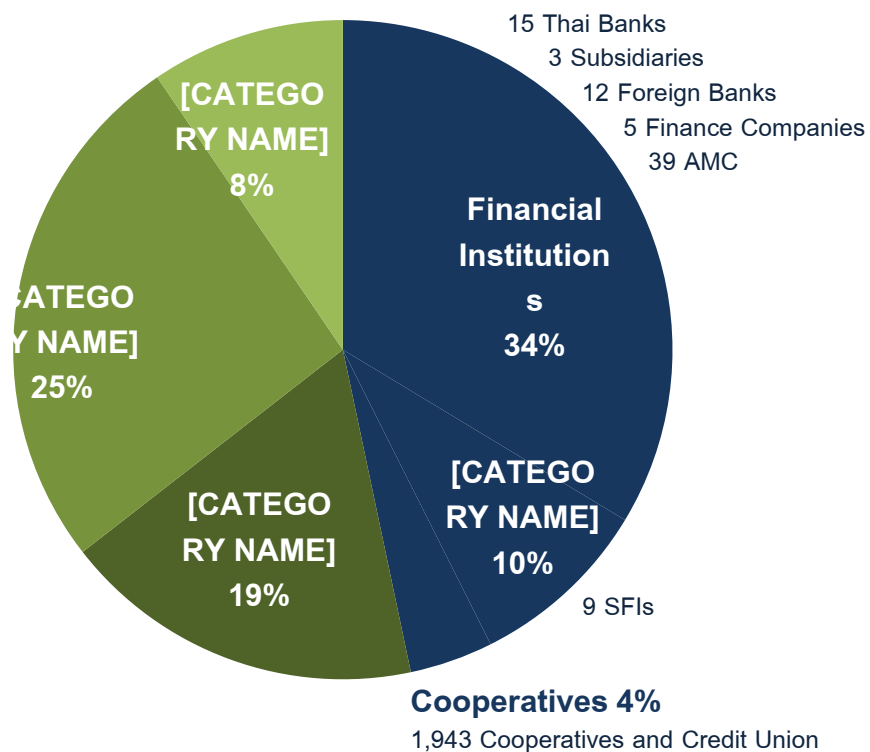
\* SME definition by the Thai Ministry of Industry



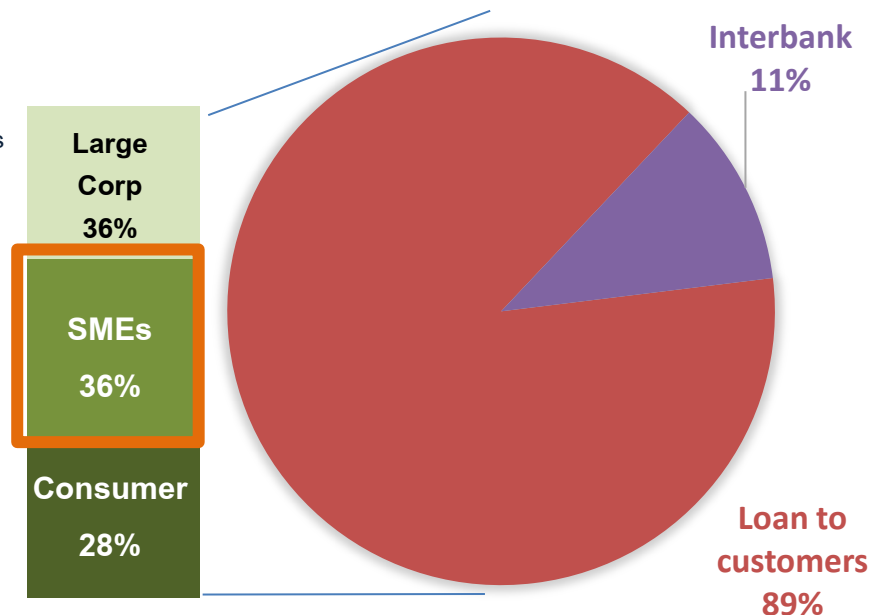
## Thai Financial System Structure

Thailand is a bank-based economy where most SME financing comes from FIs

**Total Assets of \$5.3 Trillion**  
as of December 2015



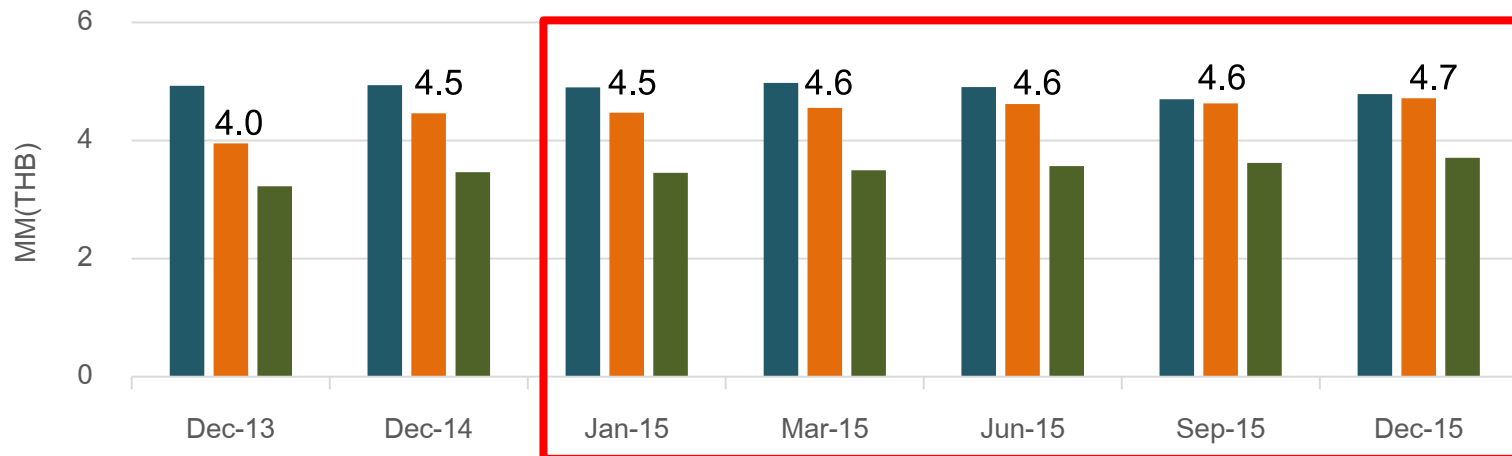
**Commercial Bank's Use of funds**  
Loans 89% of total assets



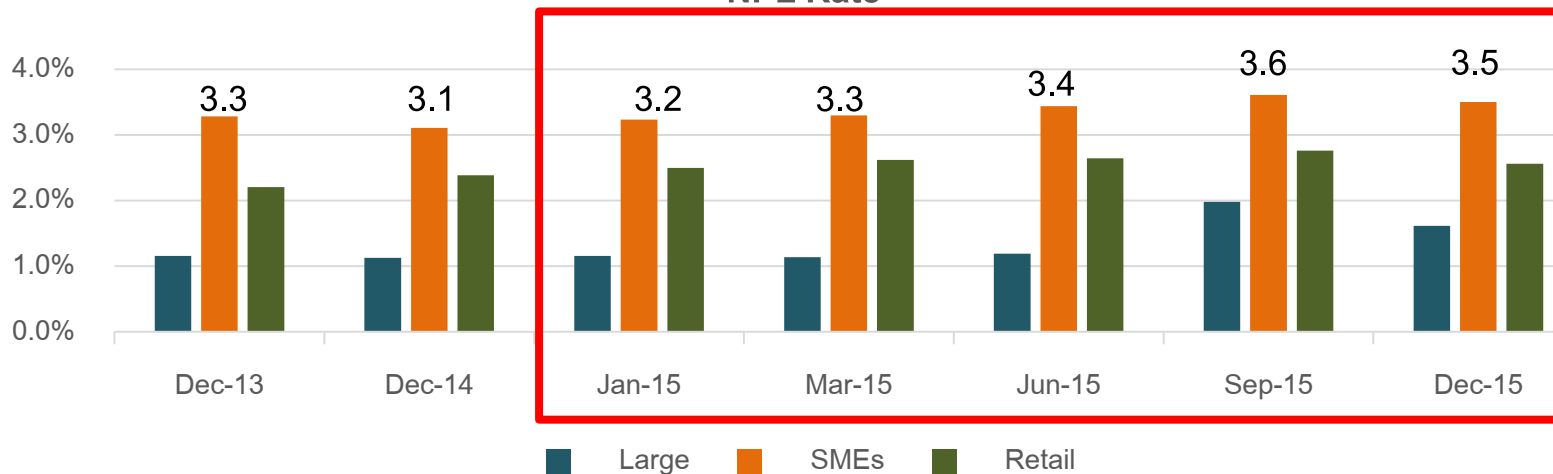


## SMEs Loan Growth and Quality

Loan Growth



NPL Rate





## 2. Constraints of SMEs

### Products Development

- Product standards
- Product differentiation
- Product innovation
- Technology

### Business Management

- Accounting standards
- Inventory management
- Labor skills development

### Marketing

- Marketing strategies & channels
- Logistics management
- Market segmentation

### Financing

- Financial data
- Collaterals
- Limited financial products  
& Channels





### 3. SMEs Supporting Measures

#### Bank of Thailand's Action

##### Short-Term

- Encourage banks to support working capital or reschedule loan to the potential SMEs
- *Support Thai Credit Guarantee Corporation to launch special credit guarantee scheme for start-up SME, OTOP, and micro entrepreneur*
- Relax fee
  - Relax minimum corporate card monthly payment for SMEs entrepreneur
  - Reduce fee ;  
prepayment/cancellation/  
front end fee

##### Medium/Long-Term

- Develop SMEs loan database
- Support development of Bureau Score
- *Develop Credit Guarantee Scheme*
- Enhance Financial Literacy
- Promote integration among agencies: Cooperation between 8 Agencies to promote SMEs
- Increase funding channel and reduce service cost: Lending office, E-banking, Nano finance license etc

#### Other Agents' Action

##### - Soft Loans For SMEs

|          | Scheme 1    | Scheme 2    |
|----------|-------------|-------------|
| Amount   | 100,000 M   | 50,000 M    |
| Interest | 4%          | 4%          |
| Tenor    | Up to 7 yrs | Up to 7 yrs |
| O/S      | 99,295 M    | 49,815 M    |

##### - Supporting Laws:

**SME Act**

**Business Collateral Act**

**Bankruptcy Act**

**Single Entity Establishment**

**Act**

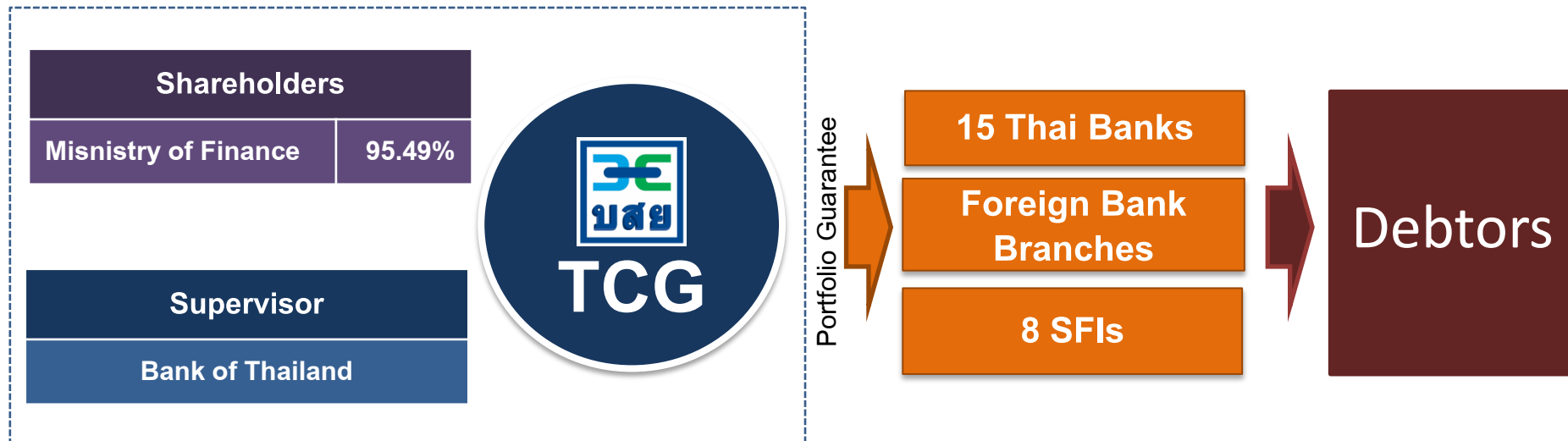
**Single Account Decree**



## 4. Credit Guarantee Scheme in Thailand

### Thai Credit Guarantee Corporation (TCG)

TCG is a government agency supervised by the Bank of Thailand







## 4. Credit Guarantee Scheme in Thailand

### TCG's Credit Guarantee Mechanisms

| PGS 1-3<br>2010-2011 | PGS 4<br>2012 | PGS 5<br>2015 | PGS 5/1<br>2015 |
|----------------------|---------------|---------------|-----------------|
| Max<br>18%           | Max<br>18%    | Max<br>30%    | Max<br>30%      |

| %Guarantee   | PGS 1-3      | PGS 4        | PGS 5        | PGS 5/1      |
|--------------|--------------|--------------|--------------|--------------|
| 100%         | First \$12   | First \$12   | First \$15   | -            |
| 75%          | \$12 - \$14  | -            | -            | -            |
| 70%          | -            | -            | -            | First \$30   |
| 50%          | \$14 - \$18  | \$12 - \$18  | \$15 - \$30  | -            |
| <b>Total</b> | <b>15.5%</b> | <b>15.0%</b> | <b>22.5%</b> | <b>21.0%</b> |



| Example : Outstanding = \$100 |                   |                 |
|-------------------------------|-------------------|-----------------|
| Scheme 5                      | Guaranteed by TCG | Bank's Own Risk |
| the First \$15                | \$15.00           | -               |
| > \$15 - \$30                 | \$7.50            | \$7.50          |
| > \$30                        | -                 | \$70.00         |
| <b>Total</b>                  | <b>22.50</b>      | <b>77.50</b>    |



## 5. Future Challenges for SMEs

|         |   |   |
|---------|---|---|
| For SME | Wide Range of Agencies Supporting SMEs  | <ol style="list-style-type: none"><li>1. Support the Operations of the National SME Board</li><li>2. Support an SME One-Stop Service Center</li></ol>   |
|         | Insufficient SME Data   | <ol style="list-style-type: none"><li>1. Support SME e-business registration, B2G e-payment, e-invoice and tax platform</li><li>2. Support the National Credit Bureau to expand the type of members and data collection</li><li>3. Develop and expand SME database coverage to Specialized Financial Institutions</li></ol> |
|         | Lack of Funding Channels  | <ol style="list-style-type: none"><li>1. Support funding through other channels such as Crowdfunding, Venture capital</li><li>2. Support tools in managing FX risks</li></ol>   |
| For TCG | <ol style="list-style-type: none"><li>1. Availability of Loan Data/ Credit Risk</li><li>2. Create Individual Guarantee</li><li>3. Develop the ability to evaluate Individual Loans and analyze PD</li></ol> |   |



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Thank you