

**SFIs: A policy transmission channel for the government,  
or a threat to commercial banks?**

A Research Paper

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## I. Introduction

A state-owned financial institution known as a "Specialized Financial Institution" (SFI) is one that was created by a specific law to carry out government policies aimed at fostering economic growth and supporting various investments (Bank of Thailand, n.d.). In Thailand, there are seven SFIs categorized into two classifications. Initially, the SFIs provided financial services, including deposits. Another category are SFIs that conduct business without accepting deposits from individuals, as summarized in Appendix Table 1.

It was the Thai government's prime objective in the aftermath of the Asian financial crisis of 1997–1998 to establish SFIs with the purpose of facilitating the reconstruction of the country's financial industry and developing a more robust economy. Consequently, SFIs were revitalized to play the role of the government's mechanism for extending credit to areas of the economy that traditional commercial banks (CBs) have neglected (Asian Development Bank, 2011). In this light, SFIs are a crucial policy transmission channel for the state to enhance productivity and stimulate economic expansion.

The formation of SFIs can be attributed to three principal objectives. Firstly, when CBs' loan growth slowed down owing to greater credit risk, SFIs stepped in to provide additional credit, assisting impacted individuals and companies and bolstering the economy's recovery to pre-recession levels (Tipsuda & Tharis, 2016). Secondly, SFIs serve as a conduit for implementing quasi-fiscal policy to promote economic growth and the development of Thailand's economic potential by stimulating the investment and consumption of individuals and entrepreneurs (Wathinee, n.d.). Thirdly, SFIs can enhance financial inclusion in scenarios where market mechanisms prove ineffective by designing products that cater to the specific issues, risks, and attributes of each intended group (Bank of Thailand & The Government Financial Institutions Association & Fiscal Policy Office, 2021; Tipsuda & Tharis, 2016).

## II. Research question

Thailand's financial landscape has undergone a dramatic transformation over the past decade. In response to the increased competition in the financial markets, CBs have had to adapt, and so have SFIs. Thus, SFIs now conduct more significant transactions, similar to CBs. This is the main impetus behind the development of my primary research question: ***Do SFIs still serve as a useful policy transmission channel for the government, or have they completely morphed into profit-driven entities?*** The subsequent scenario is deemed unfavorable not only due to its

manifestation of the government's declining ability to formulate policies but also due to inequitable competition within the financial system.

Significantly, the following sub-questions must be clarified in depth to resolve the primary question:

- 1) Have SFIs departed from their original missions?
- 2) Given their many privileges, do SFIs become significant rivals of CBs?
- 3) What is the role of SFIs in the current economic situation?

### **III. Methodology**

To examine the research issues and reach the research outcomes and conclusions, I will utilize a methodology involving structural and statistical comparison analysis and case study analysis. The following presents a detailed description of them.

Regarding the initial sub-research inquiry, a review will be conducted of six SFIs' current objectives to ascertain whether they remain within their original missions. Subsequently, an analysis of SFIs and CBs will be conducted in three principal subjects, utilizing both structural and statistical comparisons. Firstly, an evaluation will be conducted on the contributions of assets, deposits, and loans to the market, along with their growth rates, to determine the importance of SFIs within the financial system. Next, an analysis will compare and assess deposit and loan structures in several aspects to discover the attributes of target customers, focus segments, and core business areas. This section aims to determine whether SFIs are endeavoring to rival CBs and to ensure that SFIs persist in effectively performing their original missions.

In response to the second sub-research question, this section will summarize the privileges that SFIs inequitably obtain compared to CBs. Afterward, an analysis will determine whether SFIs utilize these advantages to set up preferable interest rates for deposits and loans to compete with CBs. The forthcoming analysis will evaluate the efficacy of SFIs compared to CBs across various aspects, encompassing sources of income and key financial ratios.

In addressing the final sub-inquiry, an examination of Thailand will showcase the government's proficiency in utilizing SFIs to circulate policy during challenging economic circumstances, such as the COVID-19 pandemic.

## **IV. Hypothesis**

The study comprises three hypotheses as follows.

- 1) SFIs operations stay restricted within their original scope.
- 2) SFIs do not intentionally utilize their privileges to compete with CBs.
- 3) SFIs acted as a policy transmission channel of government during the COVID-19 pandemic.

## **V. Data collection and limitation**

### **5.1 Data collection**

The research samples comprise fifteen CBs and six SFIs in Thailand. The rationale for selecting these SFIs is that they offer deposits and loans similar to CBs. This research will gather aggregated data on SFIs from the Fiscal Policy Office website and on CBs from the Bank of Thailand (BOT) website over six years (2015 - 2020), except for the COVID-19 pandemic era. The data set used in this paper will be displayed in Appendix Table 2.

### **5.2 Limitation**

Due to the sensitive nature of the BOT's data utilization, the BOT has only published aggregate data on CBs and not the specific data of each bank. The publication of SFI data is also restricted. Specifically, this paper cannot compare all variables in the same period; hence, some variables contain data from different periods owing to publication start and end dates. To illustrate, the type of depositors and borrowers' data started publishing in 2017, whereas information on branch and Automated Teller Machine (ATM) numbers was released until 2015.

## **VI. Analysis**

### **6.1 The first sub-question analysis**

#### **6.1.1 Summary of SFIs' Missions**

This section comprises a review of the present objectives of six SFIs, which are documented in Appendix Table 3.

It is evident that SFIs generally follow a strategy of expanding financial inclusion and economic development by making their products available to a variety of clients who still cannot be supplied by CBs. The goal of the Ministry of Finance (MoF) to implement defined market segmentation to minimize rivalry between SFIs and CBs and to provide services to

clients who still lack access to the financial market is also addressed in this objective, which does not stray from the SFI's initial purposes (Plearnpit, 2006).

### **6.1.2 Assets, deposits, and loans outstanding and their growth rates**

In recent years, SFIs have gained importance as financial intermediaries in the Thai financial system for several government fiscal initiatives.

SFIs' asset size increased up to 35% in 2020, exceeding that of CBs at 27%. This resulted in SFIs' asset shares in the financial market expanding to 23.71%, while CBs' proportion decreased to 76.29% (See Appendix Figures 1 and 2). SFI deposits grew 32%, whereas CB's deposit growth rate was 28%, lower than SFI's. Thus, SFIs' deposit proportion rose to 26.33%, while CBs' fell to 73.67% (See Appendix Figure 3). Similarly, SFIs' credit market shares rose to 27% while CBs' fell to 73% due to SFIs' 33% loan growth compared to CBs' 21% (See Appendix Figure 4).

It was also observed that the non-performing loan (NPL) ratio of SFIs decreased to 3.21%, whereas that of CBs increased to 3.69% (See Appendix Figure 5). SFIs mostly exhibit a higher NPL ratio than CBs because their borrowers have higher risk profiles. However, both entities can manage their NPL ratios within 5%.

Nonetheless, SFIs' attempts to compete with CBs by operating deviantly from their initial objectives might not be justified just by increased asset size, deposits, and outstanding loans. To shed light on the portfolio's intended customers, a thorough investigation of its structure is next on the agenda.

### **6.1.3 Deposit and loan structures**

There has not been a substantial shift in the portfolio structure of either SFIs or CBs with respect to the lending sector, depositors, or borrowers throughout the study period.

In 2020, SFIs primarily lent to the mortgage, agriculture, and retail sectors, representing 27%, 20%, and 17% of total loan balances, respectively. While CB's highest priority sector is non-agriculture with 64% (See Appendix Figures 6 and 7).

A comparison of depositors revealed both similarities and distinctions. SFIs and CBs' primary depositors were retailers. Interestingly, disparities exist between corporations and government and state enterprises. While SFIs prioritize government and state enterprises with 18% of total deposits, CBs prioritize corporations with 29% (See Appendix Figures 8 and 9).

Next, approximately 67% of the total SFI loans were extended to individuals, followed by corporations with 9%, significantly less than the utmost proportion. Comparatively, CBs have two categories of debtors with nearly equal proportions: retailers (40%) and corporations (38%) (See Appendix Figures 10 and 11).

In this regard, the deposit structures of SFIs and CBs are not substantially different in terms of deposit amounts. That is, 59% of all SFI deposits were less than 10 million baht. In addition, 49% of CB deposits fall within this range, a slightly lower proportion than SFI's (See Appendix Figures 12 and 13).

To expound further, upon scrutinizing portfolio comparisons concerning customer base and focus segments, the results showed the differences. SFIs remain a significant player in enabling access to financial services for individuals and entities that CBs may disregard, including agricultural groups and SMEs, particularly those categorized as very small SMEs (SSMEs). This aligns with the SFIs' growth strategy, which requires a precise segmentation process and the identification of discrete target customer groups to address the financial disparity within the market effectively (Ministry of Finance, 2010).

CBs, on the other hand, do not consider these groups since most of them are low-income individuals who cannot provide enough security for a loan and have no system-recorded financial information. This situation has the potential to increase the default rate for CBs. Credit issuance and loan usage monitoring incur higher transaction costs for these consumers since their loan amounts are lower than those of CBs' customers (Plearnpit, 2006).

Nevertheless, regarding the deposit amount, both SFIs and CBs exhibit a nearly identical structure. One possible explanation is that SFIs are more prevalent among low-income individuals, who usually cannot access CB's services aligned with their missions. CBs' depositors tend to be higher-income people, but even so, many of them set aside a portion of their money to put into higher-yielding investments such as equities and funds. Additionally, many of CB's clients prefer spreading their money among different banks as a form of risk management since deposits are only insured for up to a million baht.

#### **6.1.4 Core business areas**

The following can be stated regarding the distribution of deposits and loans, including branches and ATM locations. The distribution of SFI deposits will be concentrated in the provinces of Central, Northeast, North, and South, accounting for more than 54%, whereas CB deposits are concentrated in Bangkok, the capital of Thailand, accounting for 63%. Similarly, most SFI

loans (66%) went to rural inhabitants, whereas 70% of CB loans were issued to Bangkok consumers (See Appendix Figures 14 and 15).

Simultaneously, the placement of branches and ATMs further emphasizes the dissimilarities between SFIs and CBs. More than 90% of SFIs' branches are situated in the Central, Northeast, North, and South to provide access to financial services for underserved populations, while 31% of CBs are based in Bangkok. Similarly, only 4% of SFIs' ATMs are in Bangkok, compared to 15% of CBs (See Appendix Figures 16 and 17).

Interestingly, the aforementioned statistics illustrate that SFIs have branches and ATMs in virtually every district in Thailand. This resulted in SFIs can distribute loans and deposits more widely in local areas. The vast majority of CBs, however, are located only in prosperous business locations. This expands the geographic accessibility of SFIs' financial services to the general public. To help bridge the gap in financial services, this is in accordance with the Financial Institution Development Plan Phase 1, which aims for SFIs to become the major financial institutions served in local areas. This is a vital function of SFIs, alongside fostering financial literacy, for ensuring that Thai citizens reach intrinsic value from financial inclusion (Thaipublica, 2016; Praphat, 2014).

According to the analysis in this section, it is evident that the business strategies of SFIs and CBs are distinct when comparing the granularity of their primary transactions. Moreover, it has been demonstrated that SFIs continue to operate following their original mission, and they are not competitors of CBs due to their distinct business areas and customer bases.

## **6.2 The second sub-question analysis**

Within this segment of the analysis, an endeavor is made to identify the collection of privileges conferred upon SFIs that have the potential to generate competitive advantages. Additionally, an assessment is conducted to determine whether SFIs intend to leverage these privileges to compete with CBs by offering customers attractive interest rates.

### **6.2.1 Summary of SFIs' privileges**

Regarding the research on SFI privileges, it was determined that they benefit from advantageous tax rates and lower fund transfer fees, which may reduce operational expenses. The summary of SFI's privileges will be documented in Appendix Table 4.



### **6.2.2 Interest rate setting**

To compete with CBs, SFIs may consider implementing a possible strategy of offering attractive interest rates, leveraging the advantages above, to expand their customer base.

Theoretically, if SFIs were to employ this measure, they would set their lending rate, known as the Minimum Loan Rate (MLR), at a lower threshold than that of CBs. Furthermore, the higher deposit rate will be subject to markup by SFIs.

As a result, I undertook a comparative analysis of the interest rates offered by SFIs and CBs. Overall, the findings indicate that the interest rate levels of the two entities are not substantially dissimilar, which contradicts the previously mentioned assumption.

Between March 2015 and March 2017, the MLR of SFIs was comparatively lower than that of CBs. After that, there was an escalation in the MLR of SFIs higher than CBs' (See Appendix Figure 18). According to a comparison of deposit rates up until March 2020, SFIs' deposit rates surpass those of CBs. In December 2020, they adjusted their deposit rates to achieve parity (See Appendix Figure 19).

Since their interest rates are not noticeably different and tend to move in the direction that CBs have greater competitive strength, these interest rate markups serve to underline that SFIs do not intentionally exploit the government-granted privileges to compete with CBs or increase their revenue.

Remarkably, upon scrutinizing the foresight of Specialized Financial Institutions Development Fund (SFIF) development between 2010 and 2014, during which SFIs were exempt from submitting fees, it influenced the interest rates of SFIs. During that time, SFIs offered a higher deposit rate than CBs to increase their consumer base. After the MoF decided to enforce a comparable directive for SFIs in 2015, their deposit rate has been lower than CBs' (Issakul, 2015). The MoF's persistent focus on this matter is beneficial to maintaining a reasonable level of competitiveness. The SFIF charge can be perceived as equilibrating competition within the financial system rather than as a prerogative of SFIs.

### **6.2.3 Income structure**

This section presents a comparative analysis of the income structure, highlighting both similarities and differences. The data indicate that the primary revenue stream for SFIs and CBs is derived from interest. The statement highlights the notable distinction between SFIs and CBs, wherein the latter provide a more diverse array of sophisticated financial services,

including investment banking and financial risk management, contributing to 20% of the overall revenue. (See Appendix Figures 20 and 21).

Furthermore, CBs proactively modernize their business processes and prioritize their business strategies toward increasing non-interest revenue, particularly the domestic systemically important banks. They concentrate primarily on securities, business mergers and acquisitions (M&A), and expanding global operations (Japan Research Institute, 1998). In contrast, SFIs serve only deposits and loans, following government policy to promote financial inclusion.

#### **6.2.4 Financial ratios**

The findings indicate no statistically significant distinction exists among four financial ratios that serve as indicators of a firm's profitability and performance. Net Interest Margin of both financial institutions are comparable (See Appendix Figure 22). This suggests that they efficiently manage their balance sheets to generate profitable interest income. Upon analyzing Cost to Income (CTI) ratio by disregarding the two outliers, it exhibits that the CTI ratio is comparatively higher at SFIs (See Appendix Figure 23). In addition, CBs show superior Return on Asset ratio and Return on Equity ratio compared to SFIs (See Appendix Figures 24 and 25). This is attributed to the more efficient utilization of resources by CBs in generating profits, which is facilitated by their diverse product offerings and effective management practices that lead to cost reduction.

Essentially, the MoF established a framework to assess the effectiveness of SFIs that prioritizes strategic performance indicators aligned with the missions of each SFI, such as financial aid provided in response to COVID-19, over financial ratio indicators (Bank of Thailand & The Government Financial Institutions Association & Fiscal Policy Office, 2021). This scheme posits that SFIs prefer to enhance their missions and policies more efficiently than profit-driven entities.

### **6.3 The third sub-question analysis**

This section will examine the significant role of SFIs during economic adversity. Commencing with the case study of Thailand, SFIs have played a role as governmental instruments in disbursing financial assistance to individuals impacted by the COVID-19 pandemic.

SFIs have accelerated the preparation of financial measures to assist SMEs and retail debtors who have been affected by the COVID-19. In 2021, more than 130 measures were issued to resolve debt through debt burden reduction and debt repayment based on debtors' abilities. Including measures under government policies that help increase liquidity for debtors and

credit guarantee measures that assist debtors in accessing funding sources. In addition, SFIs have developed a sustainable debt restructuring guideline that is in line with the debtor's potential and ability to repay debt, helping debtors to operate their businesses and live their lives (The Government Financial Institutions Association, 2021). Examples of necessary financial measures will be documented in Appendix Table 5.

According to those example measures, a total of 8,231,568 debtors received assistance from a combination of business loans and retail loans, amounting to a credit limit of 1,842,861 million baht. These debtors also received advice on resolving their debts. Consequently, many debtors managed to navigate the crisis and initiate recuperating their businesses.

Implementing debt relief programs and other regulatory measures has significantly contributed to mitigating the deterioration of debt quality in SFIs and CBs. This is evidenced by the NPL ratio during COVID-19, which experienced a marginal increase from 3.2% at the end of 2020 to 4%, remaining below the anticipated target level (Thailand Development Research Institute, 2020). Despite the presence of robust buffers in the form of capital and loan-loss reserves, the banking system continues to exhibit a generally stable state.

Furthermore, there has been a notable improvement in the economic burden, as evidenced by the GDP figures. Specifically, the GDP for 2020 was recorded at -6.1% but has since rebounded to a positive 1.6% in 2021. This growth trend has continued, with an upward trend of 2.6% in the coming year (The Government Financial Institutions Association, 2021).

More importantly, the reduction of fund fees charged by Financial Institutions Development Fund (FIDF) and SFIF is a prevalent fiscal measure aimed at mitigating the impact of COVID-19 on individuals and businesses. This reduction, from 2020 to 2022, has temporarily reduced financial costs for SFIs and CBs to 0.23% and 0.125% per annum, respectively. This measure aims to facilitate the efficient management of financial resources by SFIs and CBs, enabling them to effectively manage the flow of financial assistance (Bank of Thailand, 2022).

Implementing this measure has reduced financial costs for both financial institutions, amounting to approximately 105,000 million baht (or 35,000 million baht per year). This assistance has been provided to individuals and businesses above 9 million cases by adjusting interest rates on loans, which resulted in a significant decrease of 0.40%, which promptly alleviated the burden of loan interest for individuals and a substantial number of business operators, representing over half of the assisted loan balance of 10.7 trillion baht (Bank of Thailand, 2022).

In 2023, the BOT has reverted the FIDF fee to the standard rate of 0.46% annually because of the economic recovery trend. In contrast, the government has extended the reduction of SFIF fees until the end of 2023 to continue supporting SMEs and retail customers. Thus, SFIs will still be a government channel for assisting debtors by alleviating debt burdens (National News Bureau of Thailand, 2023).

## **VII. Implication**

Properly implementing stringent supervision of SFIs' and CBs' operations is necessary to prevent unjust treatment leading to unequal playing fields and intense competition between SFIs and CBs. However, this does not mean that a one-size-fits-all governance approach should be enforced in this instance, as each SFI was uniquely established by their missions. Applying the same set of regulations to all SFIs would impose a burden or compliance cost on SFIs, reducing the effectiveness of the SFIs' core mission and hindering the efficiency of government policy transmission. In other words, the BOT should differentiate prudential regulations for SFIs based on their proportions, complexity, systemic impact, and mandates.

In this regard, applying regulations can take a principle-based approach. In other words, conduct standards applicable to SFIs will continue to be adapted in transaction-specific circumstances where pertinently relevant. To illustrate, similar regulations should be implemented in areas where SFIs are growing in significance, such as deposits, retail loans, and mortgages. This is not only to ensure that they have the same competitive level but also to ensure that SFIs have adequate and effective internal controls and risk management that are commensurate with their inherent risk.

Furthermore, a reassessment of tax policies would be a feasible alternative to maintain a fair competitive level if the competition among them will intensify. In the meantime, rather than relying on tax incentives to promote SFIs' missions, the government can consider other approaches, such as providing subsidies to promote various policies.

Nonetheless, developing their technology and data systems is also necessary for SFIs to increase their operational potential and carry out their missions more effectively. This will enable consumers to receive financial services through various channels more conveniently and affordably. Ultimately, financial inclusion will be expanded. Simultaneously, this incentivizes SFIs to implement more technology to lower operating costs. SFIs should improve their databases, which include consumer data and information about externalities that benefited them, to identify financial gaps and determine the direction of their policies. In particular, it

will aid SFIs in establishing an explicit purpose and a series of indicators for monitoring their operations and performance and bolstering their risk management procedures.

## **VIII. Conclusion**

This paper presents a study on the portfolio structures of SFIs and CBs. The findings exhibit both similarities and differences in various aspects.

Regarding the deposits, the structure of the two financial entities is not notably distinct, as their primary depositors are retailers and most deposits fall within the range of less than 10 million baht, as SFIs are primarily intended for customers with lower-income families. CBs typically serve wealthy clients who desire to spread their deposits across multiple financial institutions due to the deposit insurance limit. Additionally, these customers could prefer to invest in alternative products with potentially higher returns.

Nevertheless, the findings also indicate variations in their portfolio composition. Initially, SFI transactions exhibited a greater rate of expansion in comparison to CB transactions for both deposits and loans. Secondly, the primary borrowers of CBs' loans comprise retailers and corporates, with a nearly equal allocation in contrast to SFI's primary concentration, which is households. Furthermore, regarding the targeted sectors, SFIs endeavor to supply credit to the specific industries that are agricultural, mortgage, and retail lending, as opposed to CBs, which lend to non-agricultural segments.

Furthermore, when contemplating the location of core business, the findings indicate that SFI transactions are predominantly positioned in local regions, as evidenced by the dispersion of deposits, loans, branches, and ATMs. Conversely, the CBs are primarily oriented toward conducting business operations within urban areas.

All dissimilarities above further highlight the concept that SFIs' business areas remain centered on supplementing financial products and services to customer groups, sectors, and regions that have no dependency on CBs' services. This aligns with the primary objective of SFI's establishment.

Concurrently, an analysis of the advantages of SFIs compared to CBs revealed that SFIs could derive benefits from tax incentives and contributions to the fund. Upon conducting a comparison of the interest rates for deposits and loans, it was discovered that CBs generally persist with their interest rates at a higher incentive level to customers than SFIs.

The study of income structure also discloses a slight disparity. Specifically, CBs aim to diversify their sources of revenue from fees and services generated through sophisticated

transactions as opposed to relying on only interest income. Financial ratio comparisons indicate that CBs exhibit superior profitability and management. Therefore, the findings do not obviously indicate that SFIs pose a significant competitive threat to CBs.

Lastly, SFI serves as a proactive channel to provide financial assistance to individuals and entrepreneurs impacted by the COVID-19 pandemic, following government policies. This is evidenced by the significant number of participants in various measures. With this support, debtors and entrepreneurs can sustain their livelihoods and recover their businesses from crises.

## IX. Appendix

**Table 1: Classification of SFIs in Thailand**

<b>1) Financial Intermediaries:</b> provide financial services in the form of deposits and loans, as CBs do.
1.1) Government Savings Bank (GSB)
1.2) Bank for Agriculture and Agricultural Co-operatives (BAAC)
1.3) Government Housing Bank (GHB)
1.4) Islamic Bank of Thailand (IBANK)
<b>2) Non-financial intermediaries:</b> do not have deposit transactions
2.1) Export-Import Bank of Thailand (EXIM Bank)
2.2) Small and Medium Enterprise Development Bank of Thailand (SME Bank)
2.3) Thai Credit Guarantee Corporation

**Table 2: Data set using for the first and second sub-research questions**

<b>Data set for the first sub-research questions</b>
<ul style="list-style-type: none"><li>• The asset size of SFIs and asset growth</li></ul>
<ul style="list-style-type: none"><li>• Total deposit outstandings, including types of depositors, deposits classified by area, and deposits classified by amount</li></ul>
<ul style="list-style-type: none"><li>• Total loan outstandings, including loans divided by business sectors, types of borrowers, loans classified by location, and loan qualifications</li></ul>
<ul style="list-style-type: none"><li>• Number of branches and ATMs classified by area</li></ul>
<b>Data set for the second sub-research questions</b>
<ul style="list-style-type: none"><li>• The interest rate of deposits and loans</li></ul>
<ul style="list-style-type: none"><li>• Source of income</li></ul>
<ul style="list-style-type: none"><li>• Financial ratios, which are Net Interest Margin, Cost to Income, Return on Asset, and Return on Equity</li></ul>

**Table 3: Summary of purposes and policies of six SFIs.**

<b>1. Government Saving Bank</b>	
Purpose	To establish a banking institution that serves the needs of the Thai populace, with a specific emphasis on offering deposit services to individual retail depositors. Additionally, the institution seeks to encourage savings habits among students and the general public through widespread promotion
Policy	<ul style="list-style-type: none"> <li>Serving as a leader in savings and a source of funding for individuals, SMEs, and the local economy. Also providing local enterprises with access to financial services and long-term savings instruments to serve an aging society</li> <li>Enhance the financial stability and potential of both retail customers and SMEs. Includes enhancing the functionality of school institutions, encouraging National Savings Fund savings, and educating clients about digital products</li> </ul>
<b>2. Bank for Agriculture and Agricultural Co-operatives</b>	
Purpose	To provide financial aid to farmers and agricultural cooperatives to increase their income and enhance their quality of life
Policy	<ul style="list-style-type: none"> <li>Being a source of funding for community and agricultural sector development through the distribution of financing and the development of products that support the creation of agricultural supply to strengthen supply chains. In addition to increasing the stability of farmers' wages, it is crucial to develop service channels for the next generation of farmers</li> <li>Enhancing the potential of micro farmers and agricultural entrepreneurs; increasing knowledge of financial products and financial services; enhancing the potential for customers to become knowledgeable farmers; and collaborating with relevant organizations to provide customers and farmers with access to digital information</li> </ul>
<b>3. Government Housing Bank</b>	
Purpose	To provide entrepreneurs with short-term housing loans for the development of land and housing initiatives, as well as the general public with long-term loans for the construction or purchase of housing
Policy	<ul style="list-style-type: none"> <li>Encourage people to own housing, focus on providing financial services to low- and middle-income groups as the primary target market, diversify the bank's service channels, create products to support an aging society, and consider conducting a study on new housing support models for financial services</li> <li>Promote the role of a real estate information center, encourage digital literacy and the use of online platforms for real estate transactions, and expand the role of a real estate financial literacy center</li> </ul>
<b>4. Islamic Bank of Thailand</b>	
Purpose	To offer comprehensive Islamic financial services for Islamic people
Policy	<ul style="list-style-type: none"> <li>Promote Islamic financial transactions, provide new types of services, and provide funds to businesses in the supply chain of Halal products, such as community gatherings, Islamic savings cooperatives, and community finance institutions</li> <li>Promote Islamic financial literacy to the general public, create an integrated database pertaining to Islamic finance in Thailand, and play a proactive role in promoting financial literacy for those involved in Islamic finance</li> </ul>
<b>5. Export-Import Bank of Thailand</b>	
Purpose	To promote and support export and import activities, as well as to encourage domestic and foreign investment
Policy	<ul style="list-style-type: none"> <li>Promote the exports and investments of Thai enterprises, develop a variety of products, expand the role of export credit insurance, and encourage their international investment via project financing and syndicated loan</li> <li>Educate business owners on financial transactions to promote exports and international investment</li> </ul>
<b>6. Small and Medium Enterprise Development Bank of Thailand</b>	
Purpose	To develop, promote, assist, and support the establishment, operation, expansion, and development of SMEs through the granting of secured loans, co-investments, consulting, and advisory services
Policy	<ul style="list-style-type: none"> <li>Serve as a source of funding to develop the capabilities of SME entrepreneurs, produce a broader range of products and services, diversify the information used in credit decision-making beyond financial statements and collateral, and enhance consumer access via electronic channels</li> <li>Provide SME entrepreneurs with financial expertise and business skills, such as supply chain management and e-commerce, to help them realize their maximum potential. Using technology and digital media to grow the business is also included</li> </ul>



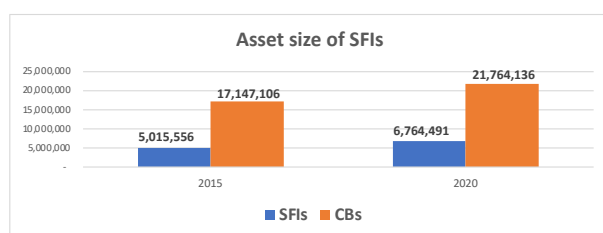
**Table 4: Summary of SFIs' privileges**

<b>Privileges</b>	<b>SFIs</b>	<b>CBs</b>
1) Specific Business Tax; another indirect tax levied on some enterprises whose value added is difficult to quantify	Exempt	<b>3%</b>
2) Corporate Income Tax; a direct tax imposed on legal entities such as partnerships and companies that are either doing business in Thailand or that are not carrying out business in Thailand but generating certain forms of revenue from Thailand	Exempt	<b>20%</b>
3) Stamp Duty; a tax on instruments or documents required to lawfully record these types of transactions	Exempt	1 baht for every 2,000 baht of loan but up to a maximum of 10,000 baht (or approximately 0.05% of loan balance)
4) Collection fees to respective funds	annually contribute 0.25% of their deposit balances to the Specialized Financial Institutions Development Fund (SFIF)	annually contribute 0.46% of their total deposits to the Financial Institutions Development Fund (FIDF)

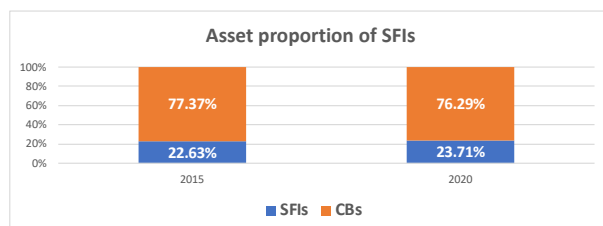
**Table 5: Summary of essential measures during the COVID-19 pandemic**

<b>Financial assistance according to the BOT measures</b>
1) Soft loan program for SMEs that have credit limit of less than 500 million baht to thoroughly distribute financial aid. This is an ongoing project that began operations in 2020. Under this, financial institutions must apply for loans approved by the BOT. A total of 14,172 transactions were fully approved for SMEs that are current debtors of SFIs, with a cumulative credit amount of 12,129 million baht.
2) Rehabilitation loan project offers financial support to entrepreneurs who have been negatively affected by the COVID-19 pandemic and possess significant potential. The loan is intended to serve as working capital for their business operations. This loan scheme caters to both current and prospective borrowers of financial institutions, with a maximum credit line of 250 billion baht. SFIs approve loans to individuals, SMEs, and corporates, totaling 10,797 transactions with credit limits totaling 24,931 million baht.
3) Debt suspension and asset warehousing project aim to help business loan customers who have been severely affected and taking a long time to recover by stopping or reducing debt obligations under standard contractual conditions with the right to repay debt by transferring assets as collateral and exercising the right to buy back such property. This will reduce the debt burden in the current situation and increase liquidity for customers to resume business operations as usual in the future. In 2021, there are 22 entrepreneurs receiving this assistance from SFIs under this project. The total credit amount was 2,239 million baht.
<b>Other financial measures</b>
1) Assistance to debtors through debt restructuring programs issued by SFIs for helping existing debtors who have decreased ability to pay with almost 100 measures such as suspending debt payments, lowering interest rates, reducing installment payments, and extending the loan tenure. These programs try to alleviate suffering and support debtors to survive through crises and recover to perform their businesses after the economic situation has improved. At the end of 2021, there were debtors who received assistance from SFIs totaling 3,858,084 accounts, the total debt amount is 1,498,374 million baht.
2) SFIs provide credit for debtors to enhance liquidity and working capital, including restoring their businesses. In 2021, 4,348,493 individuals and corporates received credit approval, with a total amount of 305,188 million baht.
3) SFIs are responsible for credit guarantees provided to debtors of financial institutions and governments. This helps entrepreneurs to access funding sources more easily and also reduces the credit risk of financial institutions. Thai Credit Guarantee Corporation role in guaranteeing both loans under the BOT measures as well as loans from SFIs and CBs totaling more than 125,000 million baht.

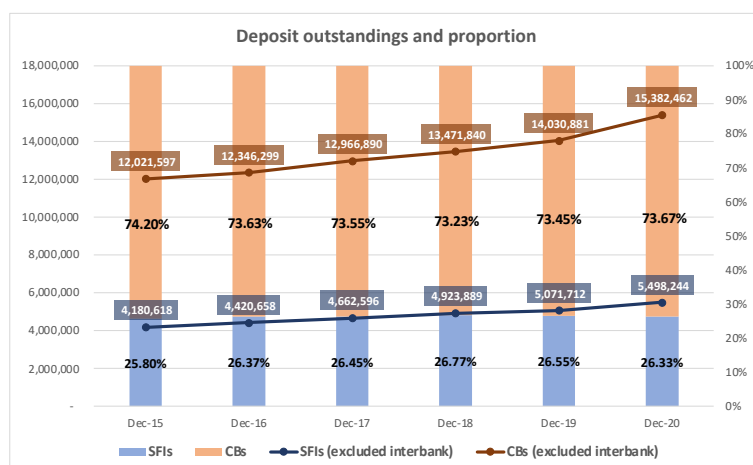
**Figure 1: Asset size of SFIs**



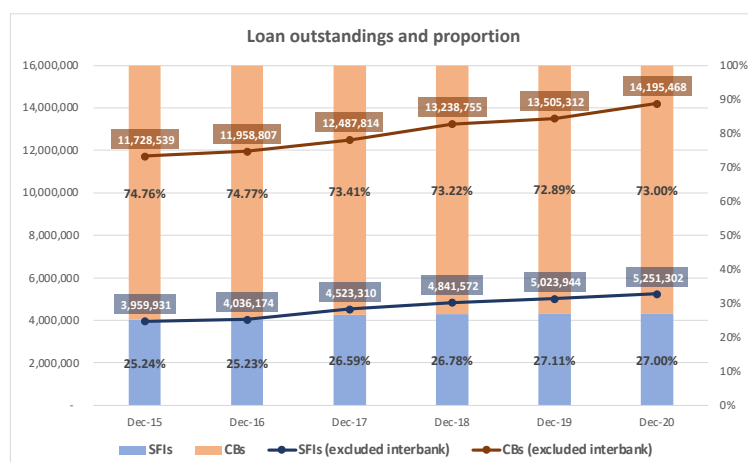
**Figure 2: Asset proportion of SFIs**



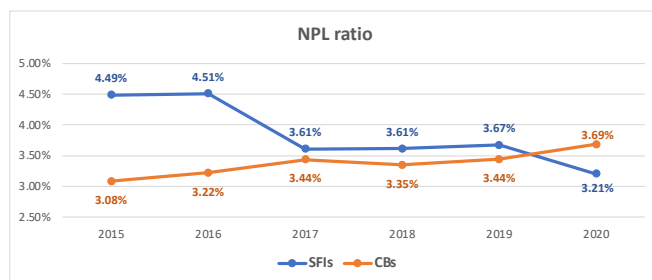
**Figure 3: Deposit outstandings and proportion**



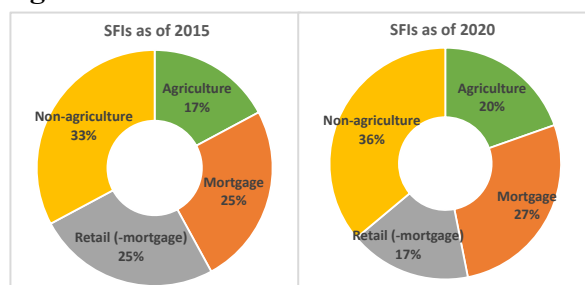
**Figure 4: Loan outstandings and proportion**



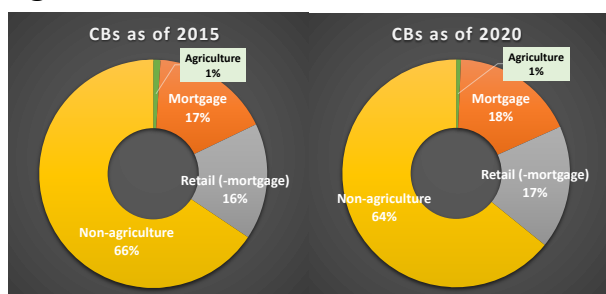
**Figure 5: NPL ratio**



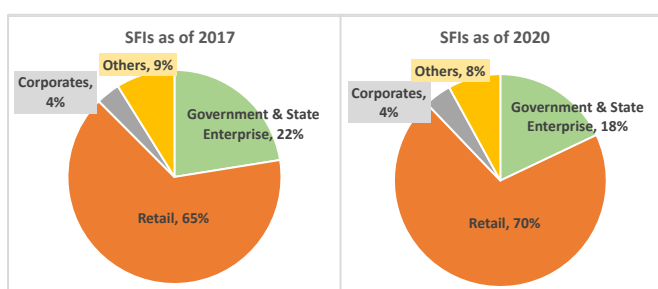
**Figure 6: Loan structure of SFIs**



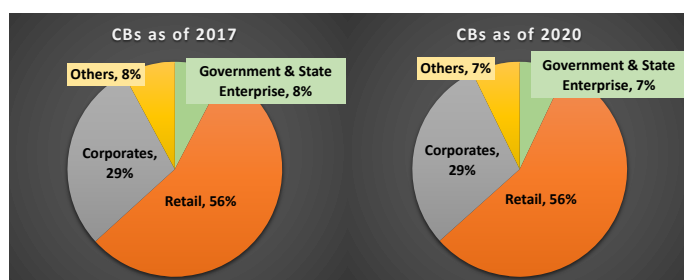
**Figure 7: Loan structure of CBs**



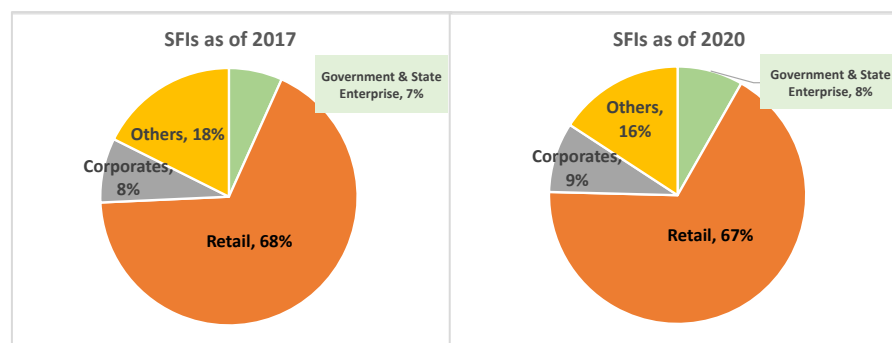
**Figure 8: Depositors structure of SFIs**



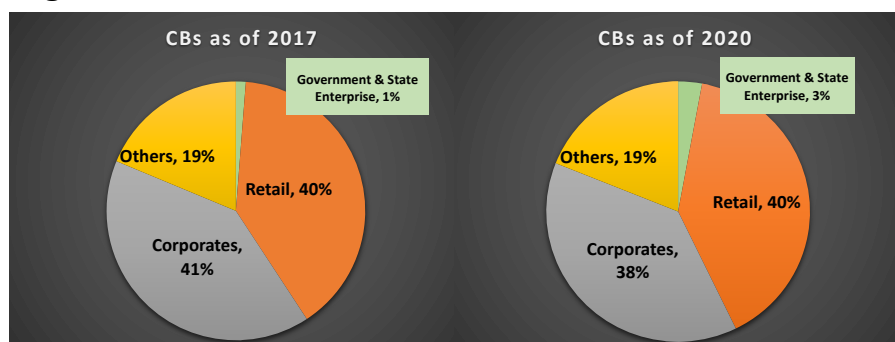
**Figure 9: Depositors structure of CBs**



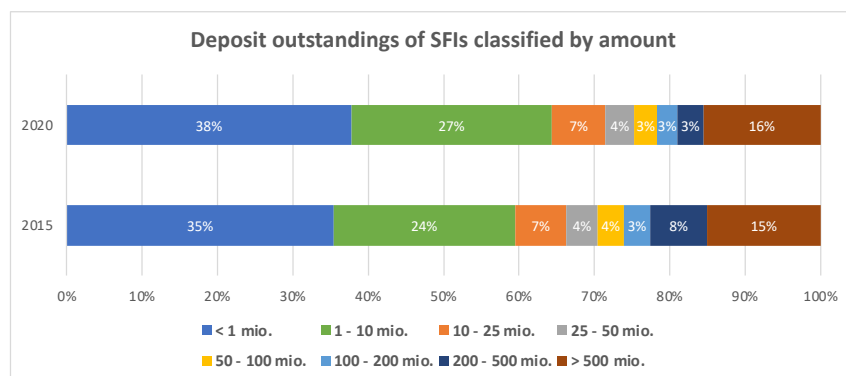
**Figure 10: Borrowers structure of SFIs**



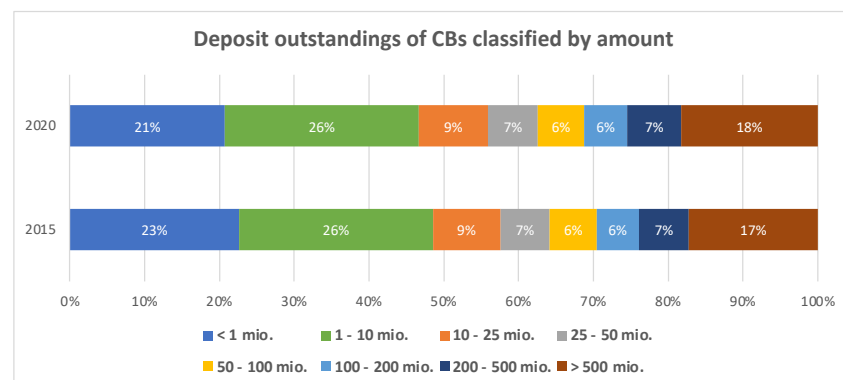
**Figure 11: Borrowers structure of CBs**



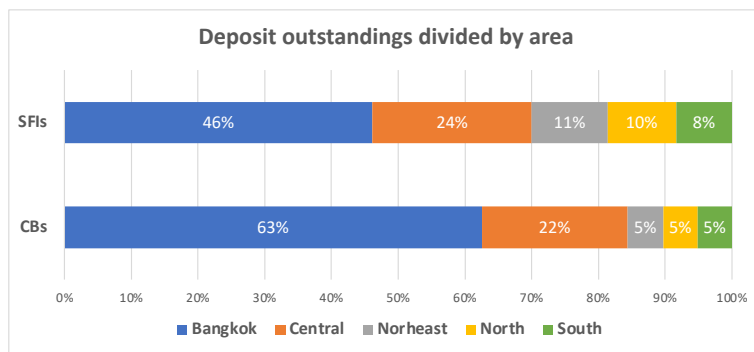
**Figure 12: Deposit outstandings of SFIs classified by amount**



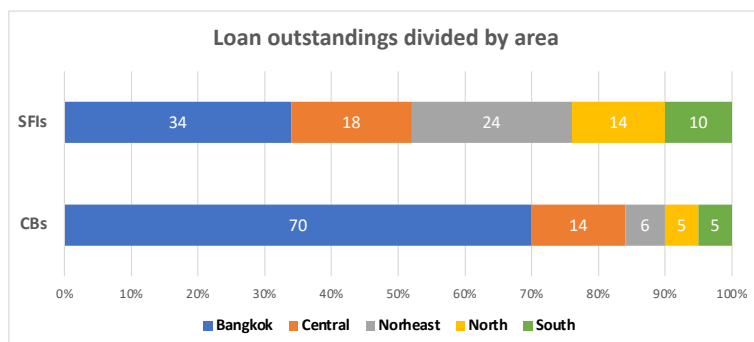
**Figure 13: Deposit outstandings of CBs classified by amount**



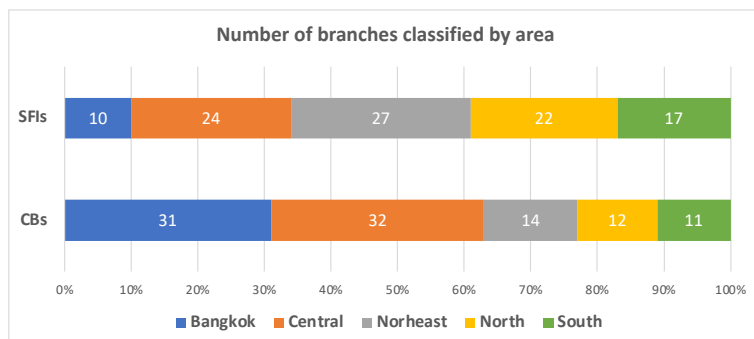
**Figure 14: Deposit outstandings divided by area**



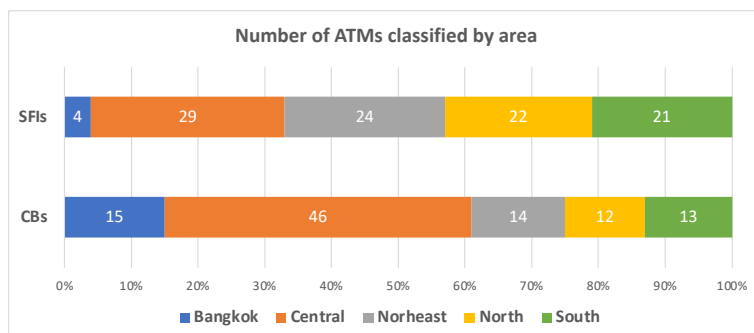
**Figure 15: Loan outstandings divided by area**



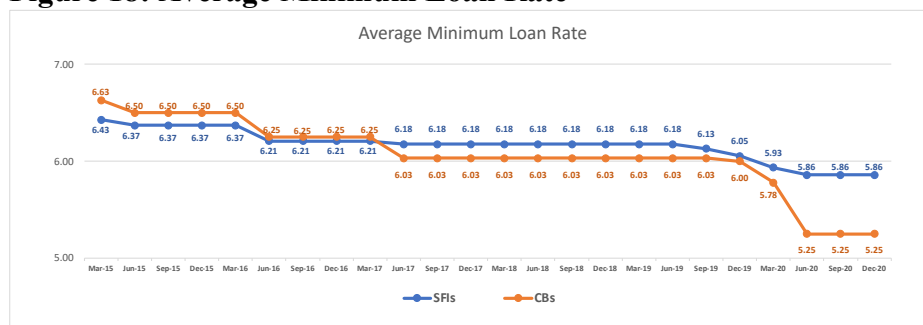
**Figure 16: Number of branches classified by area**



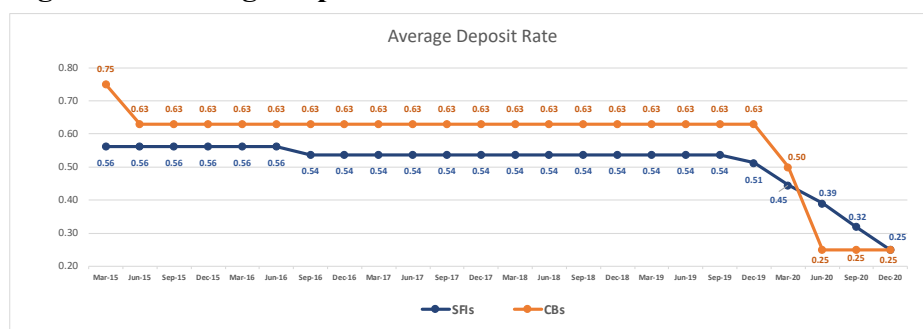
**Figure 17: Number of ATMs classified by area**



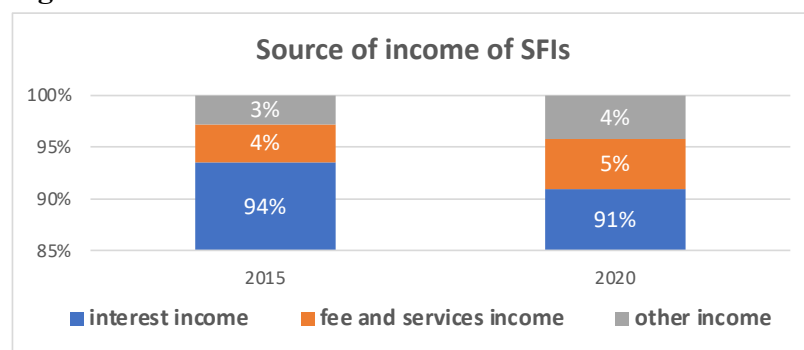
**Figure 18: Average Minimum Loan Rate**



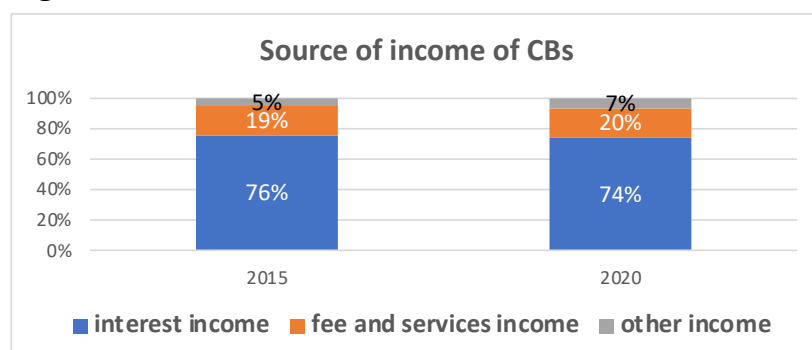
**Figure 19: Average Deposit Rate**



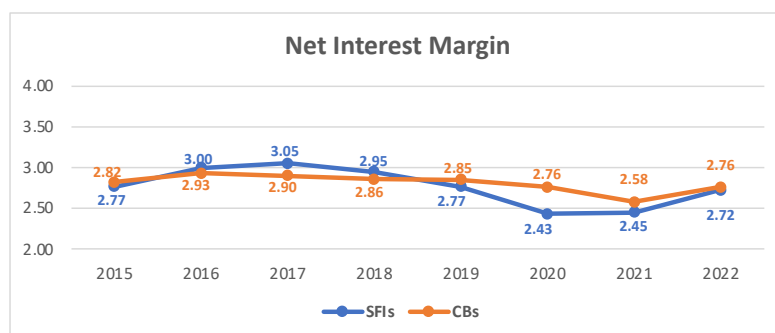
**Figure 20: Source of income of SFIs**



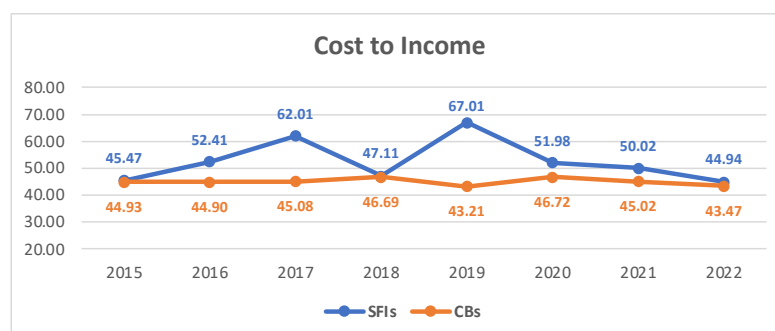
**Figure 21: Source of income of CBs**



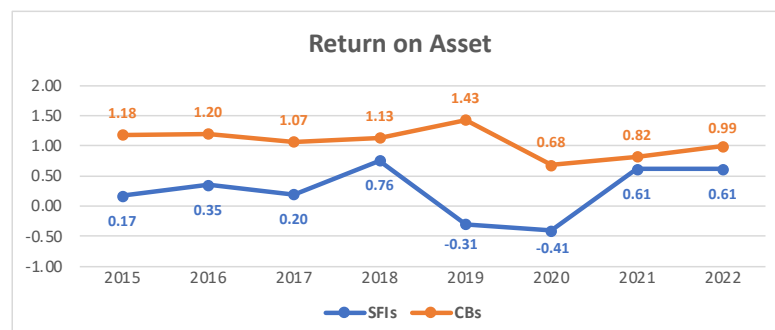
**Figure 22: Net Interest Margin**



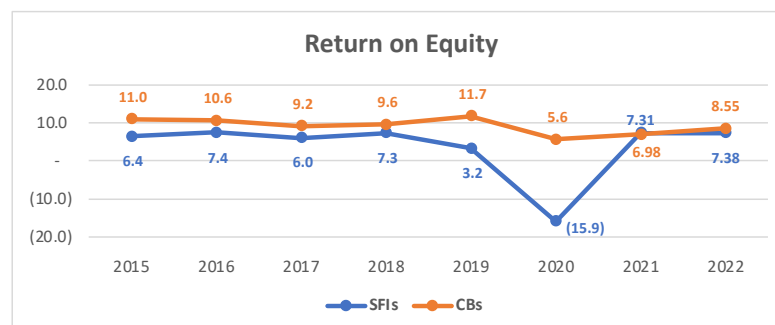
**Figure 23: Cost to Income ratio**



**Figure 24: Return on Asset ratio**



**Figure 25: Return on Equity ratio**



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