

# Key challenges for SMEs financial access in Thailand

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# Outline

- **Overview of SMEs in Thailand**
- **Main challenges for SMEs financial access**
- **Current situation on SMEs Financing**
- **Policy to support SMEs: package to stimulate bank lending**
  - **Portfolio Guarantee Schemes**

# Overview of SMEs in Thailand

**Definition of SMEs : Number of employees and value of total fixed assets (excluding Land)**

Type	Number of Employees		Fixed Assets (THB mil.)*	
	Small	Medium	Small	Medium
<b>Manufacturing</b>	<b>&lt; 50</b>	<b>51 - 200</b>	<b>&lt; 50</b>	<b>51 - 200</b>
<b>Services</b>	<b>&lt; 50</b>	<b>51 - 200</b>	<b>&lt; 50</b>	<b>51 - 200</b>
<b>Wholesale</b>	<b>&lt; 25</b>	<b>26 - 50</b>	<b>&lt; 50</b>	<b>51 - 100</b>
<b>Retails</b>	<b>&lt; 15</b>	<b>16 - 30</b>	<b>&lt; 30</b>	<b>31 - 60</b>

*Remark : \* 1 USD = 30 Baht*

# Overview of SMEs in Thailand

- **There are 2.89 million SMEs which accounts for 99% of total entrepreneurs in Thailand**
- **2.88 million are small sized entrepreneurs while 12,065 are medium sized**
- **SMEs create about 78% of total employment in the country and contribute 38% of GDP in 2009.**
- **As of Dec. 2010, only 33% of total SMEs**

# Main challenges for SMEs financial access

## SMEs Perspective

- Lack of banking information and advice from FI
- Complexity and inconvenience related to loan application process
- Inadequate qualification of SMEs
- High cost of borrowing from FIs
- Lack of collateral / not enough documents for FT

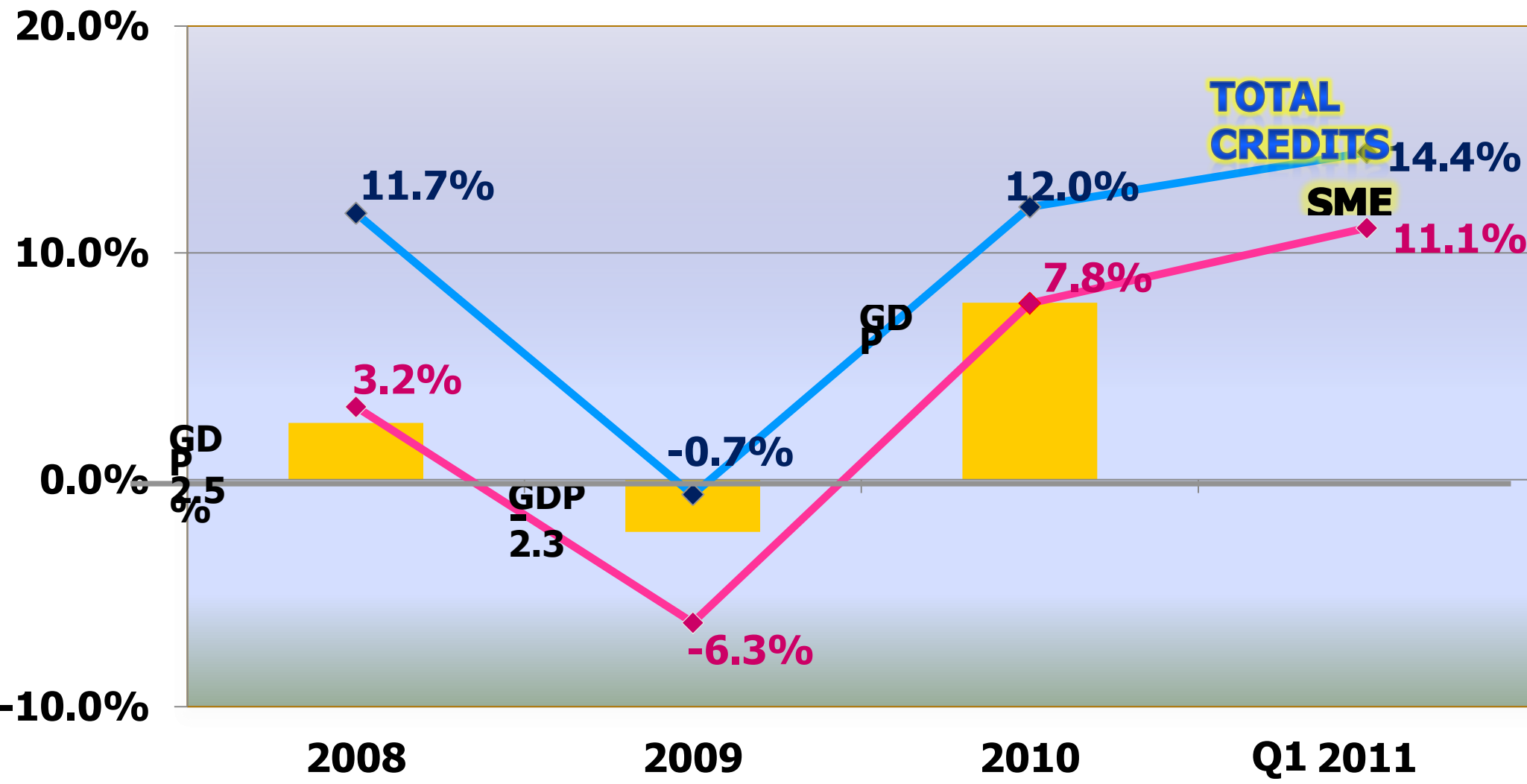
## Financial Institutions' Perspective

- Inadequate collateral
- Lack of business experience / Inadequate management skill
- Lack of SMEs business planning
- Unreliable SME financial statements
- NPL record
- High transaction and operational costs per small loan application

# Main challenges to SMEs financial access<sup>6</sup>

- **Commercial Banks mostly lend up to collateral**
- **Specialized Financial Institutions have been trying to close gap but still inadequate**

# Current Situation on SMEs Financing



# Current Situation on SME Financing

Bank Loan to SMEs	Amount (THB mil)		YoY
	April 2010	April 2011	% change
Medium	784,108	855,985	9.2
Small	1,559,823	1,787,440	14.6

# Package to stimulate Bank Lending

## Portfolio Guarantee Scheme for SMEs

- **In 2009**, Thailand established “Portfolio Guarantee Scheme for SMEs” through **SBCG**
- **Portfolio Guarantee Scheme (PGS)**
  - PGS 1 : THB 30 billion (2009)
  - PGS 2 : THB 30 billion (2010)
  - PGS 3 : THB 36 billion (May 2011)
- **February 2011**, Loan under PGS was THB 112,168 million or 4.3% of total bank loan to SMEs

# Next step to support SMEs

## Financing

### SME Information Center

- **Overall SME business and sectoral analysis**
- **Financial benchmark of each SME Sector**
- **Linkage of SME Non-Financial Information with other SME supporting agencies**

# Conclusion

- **Contribution to the economy** : SMEs is important and vital role in the Thai economy (economic growth and employment opportunities)
- **Access to finance** : difficulty to access financing is the biggest obstacle for SMEs business growth
- **Public & Private sector role** : coordinate to develop infrastructures to