



Bank of Thailand



# **OECD/Thailand Seminar on Financial Inclusion and Financial Literacy in Asia**

**16-17 December 2014  
Mandarin Oriental Hotel  
Bangkok, Thailand**



## **Opening Remarks**

**Mr. André Laboul**  
**Counsellor, Directorate for Financial and Enterprise Affairs, OECD**

Dear Governor and Dr. Trairatvorakul, distinguished guests, ladies and gentlemen,

Thanks:

- I would like to start by thanking the Bank of Thailand and the Securities and Exchange Commission.
- I also wish to thank the Japanese Government for its support to the OECD in organising this event and more generally for its continued support to OECD financial education activities.

**Today's seminar:**

- This Seminar is the fifth of a series of conferences and back-to-back Roundtable on financial inclusion and financial literacy in Asia:
  - the first one was organised in Bangalore, India on 23 March 2010 in cooperation with the Reserve Bank of India,
  - the second one was organised in Jakarta, Indonesia on 28 June 2011 in cooperation with Bank Indonesia,
  - the third one was held in Cebu, Philippines, on 12 September 2012 in cooperation with Bangko Sentral ng Pilipinas (BSP), and
  - the fourth one was organised on 6 March 2013 in New Delhi, India in cooperation with the Reserve Bank of India.
- The relevance of the issue treated today and in the previous conference is reflected in the high attendance from the region. Today we have
  - About 20 Asian countries and economies are represented, of which 13 are full members of the INFE
  - 14 APEC economies
  - 7 Asian countries
- Financial inclusion is very high on the policy agenda globally and in Asia in particular. These events give us the opportunity to discuss important issues on how can financial education as well as financial consumer protection support financial inclusion policies
- These three elements are referred to in the OECD as the trilogy approach.
- This approach has been endorsed by G20 leaders through the adoption of three set of principles on:
  - innovative financial inclusion in 2010
  - financial consumer protection in 2011, developed by an G20/OECD task force
  - national strategies on financial education developed by the OECD and its INFE in 2012.
- Moreover, financial inclusion issues will be also be important on the next G20 Turkish Presidency
- Within these global efforts, the OECD and its INFE is contributing to G20 agenda through a number of work strands:
  - national strategies for financial education: progress report in 2014 and policy handbook on the implementation of national strategies to be delivered in 2015

- Measurement of financial literacy levels among young people and adults: development of a toolkit to measure financial literacy and financial inclusion and measurement of youth financial competencies through PISA financial literacy
- Gender: OECD/INFE policy guidance on addressing women's and girls' needs for financial awareness and education, welcomed by G20 leaders in 2013
- Youth: in 2014 the OECD published the report "Financial education for Youth: The role of schools" containing the INFE Guidelines for financial education in schools, which were welcomed by the APEC ministries of finance in 2012.

Following these OECD and INFE instruments, a growing number of countries in Asia are developing NS for FE (55 worldwide; 15 in Asia):

In Asia: in two countries the NS is being revised (Japan and Singapore), in another group the first NS is being implemented (India, Indonesia, Israel, Korea and Malaysia), in another group a NS is being designed/planned. This is the case of Thailand, where Ministry of Finance, together with the Ministry of Education, the Securities and Exchange Commission, and the Bank of Thailand are working to design a NS. I am pleased to note that such development is also based on the results and evidence collected through a survey that followed the OECD/INFE financial literacy questionnaire

In *session 1* my colleague, Chiara, will provide a more extensive overview of the status of development of NS in Asia and present a draft report on FE policies in the region

An interesting element highlighted in the report is the link between FE, FCP and FI in several Asian countries, showing the importance of the trilogy approach taken by the G20 and the OECD

*Session 2* this morning will give an opportunity to expand on this and the experience of Asian countries in this area.

The development of effective NS for FE needs to rely on sound and detailed evidence of the level and distribution of FL in the population, of the existence and effectiveness of financial education initiatives and about research advances in general

*Session 3* this afternoon will focus on various Asian experiences in measuring financial literacy. It will also provide an overview of the tools developed by the OECD/INFE to help countries conduct similar exercises. I am pleased here to remind you that the OECD/INFE is planning a cross country survey of adults' financial literacy and inclusion. We encourage all of you to participate

Advancing and improving financial education policies needs to rely not only on data collection at the national level but on research more generally. The OECD/INFE has just established an INFE research committee composed of top researchers around the world on financial education. Tomorrow we will have the opportunity to listen to one of this eminent researchers: Prof. Susan Thorp from the University of Technology, Sydney.

Finally, the development of a NS also goes through the identification of key target audiences, based on evidence collection and on national and local circumstances and needs. Today's and tomorrow's sessions will focus the discussion two relevant target audiences in Asia:

- during *session 2* today Flore-Anne will present the OECD/INFE Policy Guidance on Financial Empowerment for Vulnerable Groups that was developed by the INFE
- *session 4* tomorrow will focus on Financial literacy for micro-entrepreneurs and SMEs, which is another that is attracting increasing attention. I am here pleased to announce that the OECD/INFE has decided at its last meeting to launch a new work stream on financial literacy and Micro, small, medium enterprises which will be co-lead by Turkey and Indonesia.

I believe the programme we have put together with our colleagues from Thailand provides us with a unique opportunity to discuss the particular challenges faced and innovation developed in Asian countries to support financial literacy and inclusion trends.

I am thanking you all in advance for your active contribution and especially our Thai host the Bank of Thailand and the securities commission of Thailand for their generous hospitality and professionalism in organising this event.

Thank you

**Dr. Prasarn Trairatvorakul**  
**Governor, Bank of Thailand**

Mr. Andre Laboul, Chair of the OECD International Network on Financial Education,  
Distinguished Guests,  
Honorable Speakers, Ladies and Gentlemen,

Good morning,

I would like to start by welcoming you all to Bangkok. It is a great honor for the Bank of Thailand to co-host the OECD Seminar on Financial Inclusion and Financial Literacy in Asia with our partner, the Securities and Exchange Commission of Thailand. And, it is my great pleasure to deliver the keynote speech at this very important event.

Many of you might question why the Central Bank Governor is here at this forum on financial inclusion and financial literacy, as the Governor should be more worried about the slowdown of growth in major economic sectors or macro-economic policies aimed at stimulating Thailand's GDP at this very challenging period in our country. The reason I am here today is that financial inclusion and financial literacy are the pre-requisites for solid development of the national economy and a sound financial system.

Ladies and Gentlemen, the ultimate goal of the Bank of Thailand, as well as of other central banks, is to ensure sustainable economic growth which will enhance the well-being of our people. While assuring the progress of the financial system and well-established infrastructure in Thailand, we also recognize the importance of consumer empowerment in our financial sector. As a consequence, we established the Financial Consumer Protection Center or FCC in 2012 to promote consumer protection. One of the FCC's key tasks is to improve financial literacy of consumers.

Over the past few years, the FCC has continually been delivering financial education within its capacity through creative tools and communication channels. The FCC has been sending messages that would help shape consumers' behavior towards responsible finance practices, which would consequently lead to financial discipline of the entire nation. Nevertheless, the attempt to improve people's behavior to save and spend wisely has not yet been fully accomplished. Household debt is still high at 70 to 80 percent of GDP for the past two years. Crucial financial information and knowledge provided at Point-of-sale were often ignored by customers. Moreover, people still seek loans from alternative sources such as from the informal sector where interest rates are incredibly high and debt collection practices are sometimes abusive and unethical. We also have to admit that the demand side evidence is partially influenced by supply side factors. Intense market competition and countless innovative products and services nowadays could also encourage careless spending behavior. Therefore, effective measure to prevent such situation is truly in need.

The potential root causes or threats that influence people to make an adverse decision on their saving and spending manner might consist of these three following factors. **The first one is poverty**, which has long been one of the most important issues policy makers in developing countries strive to overcome. When there is insufficient wealth to nourish basic needs, indebtedness could become inevitable and it is difficult to get out of the vicious cycle of debt.

**The second factor** is the growing trend in **consumerism** which largely overshadows consumers' self-restraint and eventually entices them to spend recklessly. In this well-connected era, consumerism has rapidly intensified and spread widely through various perceptive channels especially the mass media.

Let me give you one example of this consumerism we have experienced. Not long ago, the Bank of Thailand invited the bank's CEOs to a meeting and we showed them their own television advertisement. The campaigns were trying to induce people to apply for loans with streamlined process. This could lead people to believe that applying for a loan was as simple as daily shopping at a supermarket. An average ordinary individual could easily get the cash and spend on vacations, buying some fashionable outfits, or paying for a wedding ceremony. Worse, one advertisement related the number of loan application to the chance of success in a lucky draw, the more you borrow, the higher chance of success to win gold necklaces. After watching those commercials, the CEOs were surprised to learn how far their marketing campaigns had gone and agreed to promptly revise the concepts of their marketing messages to minimize further imprudent behavior.

**Lastly**, I must add **ignorance** as another essential cause of improper financial behavior. Even with a well-designed financial education program with meaningful messages and effective delivery channels, financial literacy cannot be achieved if consumers neglect the necessity and benefits of appropriate personal financial management.

All in all, desirable financial behavior is sometimes well known, but less likely to be implemented by consumers themselves. It is similar to living a healthy lifestyle. We know that healthy food and exercise are good for us, but we don't do it. Hence, a solution to the improvement in financial behavior remains a challenging puzzle for many of the policy makers and practitioners to find the right solutions for various groups of people.

Ladies and Gentlemen, I truly believe that this seminar would allow an invaluable opportunity for us to learn how to solve these puzzles from honorable speakers who have come a long way to share with us their enriching experiences and lessons-learnt. The achievement of effective financial education and behavioral change would eventually drive the global community towards a more financial-literate and disciplined population who would help ensure sustainable growth and equality in our society.

Lastly, I wish the seminar a great success. I also wish to express my sincere appreciation for all of your endless efforts in promoting financial inclusion and financial literacy.

Thank you.

**Dinner Talk**  
**“Capital Market Strategy on Financial Inclusion and Financial Literacy”**

**Dr. Vorapol Socratyanurak**  
**SEC Secretary-General**

- Mr. Andre' Laboul, Chair of the OECD International Network on Financial Education (INFE);
- Honorable speakers; and
- Distinguished guests

It is indeed a privilege for the Thai SEC to co-host with the Bank of Thailand this special event, the OECD-Thailand seminar on Financial Inclusion and Financial Literacy in Asia, in our beautiful country of Thailand. It is also my great pleasure to welcome you all to tonight's dinner reception that we have specifically arranged for our important guests like you, as the fruitful first day of the seminar has come to an end. This kind of event reflects the OECD's, as well as the nations around the world, strong commitment to addressing financial illiteracy problems that impact families, communities, economies and the world as a whole.

**[Problems & Challenges]**

Ladies and gentlemen.... Today's global connectivity, world economic volatilities, fast changing environment and advance technological developments are among the root causes of many problems that deteriorate competitiveness and development of nations worldwide.

In the perspective of Thai capital market regulator and developer, to foster Thailand competitiveness and sustainable development, capital formation is vital and of course requires a solid foundation of quality people who are financially literate enough to achieve their goal of financial well-being.

However, according to some of our nation-wide surveys, the statistics show that 41 percent of the respondents have not started saving money for their retirement and most people start saving for retirement in their 40s. The survey results reflect problematic financial behavior of Thai people, which I call '**5 Lacks**' as follows:

- (1) They **lack discipline** to track their own spending as we can see from the figure of our household debt that has already reached 83.5 percent of the GDP, a drastic increase of 20 percent during the past four years;
- (2) A **lack of financial literacy and personal financial management skills**;
- (3) A **lack of ability to drive the country's productivity** as aged society is approaching. According to the Ministry of Public Health, Thailand will become an "**Aged Society**" in the next 10 years with 14.4 million being elderly population, or accounting for 20 percent of the total population. In other words, 1 out of 5 people will be 60 years of age or older. So, our labor force is shrinking very rapidly and the situation will affect the country's productivity significantly in the future;
- (4) A **lack of retirement savings** as a result of insufficient savings and investments during the working years; and
- (5) A **lack of serious concern** on the matter especially from the policy-makers.

The problems are more alarming as Thailand is also facing demographic shifts that bring about new challenges such as slower population growth, rapid aging, increasing life expectancy, intensification of urbanization and so on. The consequences can be a slow growth in domestic demand and huge burden of subsidy for the elderly by the government.

While the elderly population is increasing continually, the retired versus working age ratio becomes higher. This could lead to significant long-term consequences for an economy – from a pressure on state finances for health care system to lower economic growth rates if the workforce is not large or productive enough to support retirees.

Certainly, this will cause lots of problems with wide impact to the economy and society, if we have not made any preparation.

### **[The SEC and the roles of capital market]**

How can we deal with these challenges? As the Thai capital market regulator and developer, the SEC wishes to play active role in supporting Thailand's development. We set the vision for the Thai capital market to be the key mechanism for aggregating, channeling, and monitoring economic resources in an efficient manner, contributing to development of the country and the region's potential and competitiveness. This will ultimately achieve the goal for sustainability, wealth and competitiveness.

Tonight what I am about to share with you will mainly focus on our perspective in the capital market context. How the SEC Thailand has addressed the insufficient financial capability and aged society challenges. I believe we all here are aware of the challenges lie ahead, but each of us may deal with them differently, considering appropriateness and utmost benefits to each individual context.

Ladies and gentlemen, to foster the country's competitiveness, capital formation is crucial and must stem from a solid foundation of healthy funding and investment. In this regard, the SEC aims for the Thai capital market to be not only an important source of funding for businesses but also an accessible source of investment for everyone to allow them an equal opportunity for more investment choices and better returns.

### **[Financial Inclusion]**

In the future to come, only economic growth is no longer enough. We need to foster sustainability through an inclusive growth; taking into account the issues of income distribution and poverty problems. Financial education has thus become one of our priorities.

To push forward the tasks in this front, the SEC has set up the **Financial Literacy Department** to be particularly in charge of planning and implementing educational activities to reach target groups and the general public more effectively. We have laid out financial literacy promotion blueprint consisting of three main areas of focus:

- (1) **financial literacy:** a fundamental knowledge about personal finance, including careful spending, savings and investment, and financial planning for life events, etc.;
- (2) **investor education:** tips and warnings for investors including such matters as features of new financial products to be aware of, how to avoid falling victims to financial frauds and how to exercise rights as an investor; and



(3) **sophisticated investor education:** knowledge of new, complex financial products, etc.

As financial education only may not be enough to change people's financial behavior, the SEC has adopted, what we call, a three-legged approach to enhance financial capability covering 3 key aspects: 1) financial education; 2) choice architecture; and 3) regulation. Initiatives and activities under each aspect are as follows:

On financial education, the SEC places a high priority on enhancing financial literacy with a focus on personal finance issues such as keeping track of spending, debt management, saving and investment, financial planning, retirement saving, as well as raising awareness on financial crimes so as to help the public recognize the necessity of savings and investment, able to choose investment products suitable for their needs, and know their rights and protect their own benefits.

Projects already launched are such as:

- **Financial Literacy in Workplace** - to cultivate financial knowledge and skills among employees in the formal sector with the support of their employers. The Project has been initiated to encourage employers to lay down a learning process of personal finance within their workplaces. It is expected to help employees solve financial problems and learn about financial planning, which will enable them to achieve their life goals and financial stability.
- **Mobile Application Start-to-Invest** - to serve as a tool to provide the public wider access to financial literacy and more investment choices. The latest **Start-to-Invest** version provides asset allocation feature to assess investment risks and expected returns, and channels to reach a variety of information sources and contact details of service providers. The SEC mobile application Start-to-Invest has won the Thailand ICT Excellence Award in the category of ICT for Society.

Other campaigns have also been launched via various media and channels to attract new generations and the public as you have seen earlier from the VTR, so I will mention here just a few:

- Capital Market for Media curriculum
- Social network activities via Facebook and Twitter
- Money Tips from Celebrities interview column in popular magazines
- Byline articles on leading local newspapers
- Start-to-invest monthly e-newsletters
- Secrets to Wealth handbook offering fundamental knowledge and tips for financial management
- a 15-second commercial spot on free TV and cable channels
- Financial talk show
- A movie for salary men or working people
- One-minute scoop on TV English Program
- One Minute for a Better Life educational radio Program
- Etc.

In terms of choice architecture, we have encouraged issuance or improvement of products that are particularly designed, taking into account savers' demands or target groups' needs.

Initiatives are for example: 1) **A journey to your dream starts from 1000 baht**; and 2) Making available **payment channels for mutual funds** to include locations such as post office, counter service, modern trade, and supermarket.

Furthermore, we have recently introduced:

- **Post Retirement Funds** by encouraging asset management companies to set up such funds as investment alternative for retirees. The funds will provide unit holders continuous payouts and thus help prevent the retirees from using up all retirement savings before their life expectancy.
- **Target Date Funds** to offer choices for provident fund members by creating portfolio based on age or portfolio for long term investment to help investors reach their retirement goals. The portfolio will be adjusted with a view to rebalancing asset allocation to suit investors' age and risk appetite during their lifecycle;
- And in the pipeline, we are planning to push forward the establishment of **Education Fund** to promote long-term saving for children's education as well as introduction of **Health Care Fund** to allow sufficient saving for medical treatment to enhance the well-being of Thais.

On the regulatory front, in preparation for the coming aged society, the SEC has been promoting public saving for retirement via provident funds which will not only be an important income source for retirees but also a large funding source for Thailand's infrastructure and economic development.

In promoting savings through provident funds, we have proposed **amendments to the Provident Fund Act** to allow the employee contribution to be higher than the employer contribution and for employees to transfer their provident fund savings to retirement mutual funds or other funds established for retirement or resignation savings, and for employees aged not less than 55 years to receive payments in installation.

More initiatives were also launched in parallel, such as: **fund supermart** to encourage mutual fund investment; **creation of wealth advisors** to give financial management advice to the public; **mutual fund classification for performance comparison**, etc.

Apart from 3 legged approach, the SEC has stepped up its effort in seeking collaborative actions from alliances and partners and spearheading the project called the "**Financial Literacy: A Road to the Nation's Prosperity**" to create general public's awareness about the importance of personal finance, enhance their ability in managing their money as well as enhance their accessibility to capital market investments. This is considered an opportunity to utilize a peer-to-peer model to connect, encourage and enable financial educators to interact and exchange knowledge and experience about financial education initiatives. Besides, with shared goal we can reduce overlapping work and have synergy.

Projects under this collaboration are such as organizing an event "**Happy Retirement,**" that aims to disseminate knowledge for retirees and those who are about to retire to prepare them financially for a new stage of life. Moreover, the SEC, together with alliances and partners have just launched the project "**The Money**", the first money management reality show in Thailand scheduled to be aired early next year.

Through the reality show, we wish to help create saving and investment culture for financial well-being among the Thais and encourage them to achieve their own financial goals based on five financial

tips: **setting goal, earning money, tracking spending, saving and investing**, under the slogan '**Saving before spending and allocating some for investment**'.

**[Postscript]**

Ladies and gentlemen, education tasks require tireless efforts from all parties involved, both public and private sectors. I would like to express my sincere appreciation to them all for such a wonderful and continued collaboration as well as to the OECD.

The event, OECD-Thailand Seminar this time, can gather numerous participants with valuable expertise and experience in the area of financial inclusion and financial literacy from all over the world. I trust that all the participants will gain a lot from the speakers and from the exchange of ideas and comments among themselves. This is the kind of international cooperation that we should always nurture. So, I would like to thank OECD for initiating and organizing this forum for us regularly.

Lastly, I would like to say that I hope for a collaboration like this to be further materialized. So, may I make a proposition for your consideration to develop a more concrete cooperation among us by turning this event into a declaration of all Asian nations and please let us have the honor of calling it a "**Chao Phraya Declaration**" to commemorate our initiatives by the Chao Phraya River.

Now, please enjoy the dinner and the performances for tonight. Thank you.

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