

Opening Remarks

ABDI-BOT Conference on Innovative Finance for Future Growth

Veerathai Santiprabhob, Governor of the Bank of Thailand

August 6, 2018

Governor Shirakawa,
Governor Pridiyathorn,
Dean Yoshino,
Distinguished guests,
Ladies and gentlemen,

Good morning. It is a great pleasure to welcome all of you to the Bank of Thailand for *the ADBI-Bank of Thailand Conference on Innovative Finance for Future Growth*.

Firstly, I would like to take this opportunity to thank Dean Yoshino and his team for co-hosting the event with us. This event is a part of the series of conferences hosted by the Bank of Thailand throughout this year to commemorate the 75th anniversary of the Bank of Thailand.

Secondly, I would like to personally welcome Governor Shirakawa, former Governor of the Bank of Japan. Governor Shirakawa has been our strong partner in various international arenas and also a good friend of the Bank of Thailand. Welcome Governor Shirakawa.

Ladies and gentlemen,

The theme of this conference is “Innovative Finance for Future Growth,” which is a very important topic, especially under the current landscape of rapid changes in technology. For the Thai audience, I am certain that you are quite familiar with the three imperatives of financial development that I have highlighted in a number of my speeches. In my view, the overall policy for developing the future of finance needs to focus on the three imperatives of *productivity, immunity, and inclusivity*.

On **productivity**: financial services need to be efficient and productive in order to raise the productivity of the economy as a whole. On **immunity**: financial services need to help improve risk management and create resilience without putting the financial system at greater risk. On **inclusivity**: the public at large need to be able to have access to a wide-range of affordable financial services so that they can unlock their potential and have life-long financial security. Ultimately, developments that make improvements in all of these three key areas can uplift the real economy and standard of living of people as a whole on a sustainable basis.

Diverse, accessible, and powerful—many new financial technologies can serve as important tools for Thailand and emerging economies to fulfill these three imperatives. Financial technology or FinTech is a big word. When we talk about FinTech, many people

might think about fancy ideas emerging in the capital markets, like ICOs, digital assets, robo-advisors, and algo-trading based on AI. Many other discussions have focused on improving compliance and back-office operations for financial institutions, like various applications based on distributed ledger technologies, e-KYC using biometrics, and even central bank digital currencies. Granted, all of these can help improve efficiency and productivity of our financial system, but they tend to benefit those who currently have access to financial services. **But, for a large portion of our people who have been underserved, financial technologies that matter boil down to those that can improve or complement various facets of traditional financial services.**

On this note, I am glad that throughout this conference, we will have extensive discussions on four important areas of financial services:

First, for most regional members of the ADB, building basic infrastructures remains an important task. One ADB report highlighted that over 400 million people in Asia lack electricity, and roughly 300 million do not have access to safe drinking water. The same report even estimated that developing Asian countries altogether will need to invest USD 1.7 trillion per year for the next 15 years to maintain growth momentum, eradicate poverty, and

respond to climate change¹. Many economies will have to rely on large scale funding and public-private partnerships to finance and operate large-scale infrastructure projects. It will be interesting to see how **innovative infrastructure finance**, especially on the risk management mechanism, evolves to be able to meet financing needs in Asia.

Second, improving **household finance** will be another important area as many countries still face problem of high household debt and low savings rate. Thailand, ourselves, has one of the highest household debt to GDP ratios among similar emerging economies². Households, especially those at the bottom of the pyramid, have to pay much higher interest rate than other segments of the society. As such, improving individual's financial security is critical and necessitates an overall improvement in affordable financial services as well as financial planning skill. Fortunately, there is a growing number of solutions available with financial technology and modern risk management tools; many of which can be attained at lower cost than before. What is most important then is for policymakers and market participants to ensure that individuals, especially those at the bottom of the pyramid, have opportunity to

¹ ADB. "Meeting Asia's Infrastructure Need." 2017.

<https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>

² BIS, 2017.

obtain these financial services and limit the risk of greater digital divide.

Third, rising number of new financial solutions can greatly improve **SME finance**, especially for micro-SMEs. Transitions towards electronic payment ecosystem will allow financial institutions to better assess SMEs' credit risks through analytics of transactional data. SMEs without valuable physical collateral will be able to gain easier access to funding at a fairer price with information-based lending. Moreover, new platforms could help integrate SMEs' finance with other dimensions of SMEs' operations ranging from marketing to logistics, and to data analytics. Ultimately, SMEs themselves need to realize that they have the flexibility to take advantage of new technologies, products, and platforms.

Lastly, for many regional members of the ADB, a large portion of their population still rely on the agricultural sector for their living. **Agricultural financial products** like agriculture loan and crop insurance have been critical for farmers to start production and be protected against loss, especially in the increasingly volatile weather conditions. However, extending financial services to farmers has generally been inefficient, incurring high transaction costs and subject to a high degree of asymmetric information and uncertainty. So, financial innovations will certainly have roles to play in uplifting agricultural finance. Fortunately, innovative solutions are emerging

in this area, such as alternative credit scoring based on projected crop yield, micro insurance for farmers, and platforms for farmers to connect with vendors and buyers on smartphones—all of which should serve to improve the livelihoods of our people in the agricultural sector.

Ladies and gentlemen,

In closing, I am very pleased that this conference will help us generate ideas and explore solutions that can have much impact on a large number of our people, who are currently underserved by the financial system. Let me once again thank Dean Yoshino and his team from the ADB Institute for helping us bring together leading academics, thought leaders, and policymakers for yet another important event to shape the future of finance. I would also like to thank the distinguished speakers, panelists, and esteemed participants for your presence.

I hope that this conference will improve our understanding of challenges and opportunities in the new financial landscape and foster greater collaborations among all of us so that we can shape the future of our financial systems to become more productive, more resilient, and more inclusive.

Thank you.