

## Prasarn Trairatvorakul: Financial inclusion and financial literacy in Asia

Opening remarks by Dr Prasarn Trairatvorakul, Governor of the Bank of Thailand, at the OECD/Thailand Seminar on “Financial Inclusion and Financial Literacy in Asia”, Bangkok, 16 December 2014.

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Mr. André 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.