

Empowering Rural Economy

ຍັດທະນະທຳຮ່ວມຮູ້

Empowering Rural Economy

- Rural economy accounts for 56% of country economy. BAAC whose mandate to be rural development bank, plays important roles in empowering rural economy
- Its vision “To be a secured rural development bank with modern managerial technology focusing on the uplift of small-scale farmer’s quality of life.” clearly states a message and BAAC has aligned its operations and resources towards this vision

BAAC Development Process

BAAC development process based on:

- Extension of maximum outreach
- Provision of soft loan to solve problems of informal financial system
- Maintaining the financial viability

Four Decades of BAAC Operation

- The foundation (1996-1974):
 - The replacement of Bank for Cooperatives
 - Sound financial components
- Lending Operation Strengthening (1975-1987):
 - Credit quota and overseas funds as sources of funds
 - From wholesale to retail lending led to greater needs in efficient operation and productivity

Four Decades of BAAC Operation

- Growth, Expansion and Diversification
- (1988-1996): Financial sector reforms:
 - liberalized interest rates
 - Competitive adaptability
 - Outreach expansion: branch Network
 - Financial viability: increase in efficiency and productivity
- Reform after the economic crisis (From 1997 onwards):
 - Baht devaluation led to Threats and Opportunities
 - Rise in NPLs and in deposits
 - BAAC under prudential regulation and supervision
 - Non-farm lending as a diversification

BAAC's 5th Decade: Lesson Learned and Future Roles

- Lessons learned from the past 4 decades
 - Operational autonomy with a shift in funding structure to financial viability and sustainability
 - Success factors: efficiency and productivity
 - Network expansion and decentralization towards maximum client outreach
 - Financial technology and delivery mechanism
 - Successful credit technology – Joint Liability Group (JLG)
 - From wholesale to retail lending

BAAC's 5th Decade: Lesson Learned and Future Roles (Con'd)

- Turning towards savings as financial resource base
- From farm credit to rural financial services
- From dependence to self-reliance and financial self-sustainability

Future roles

- The provision of loans to various sectors
 - Farm credit
 - Rural development credit: new mission need organization and staff's new knowledge and skills
 - Microfinance, BAAC pay attention to its contribution to uplift farmers non-farmers livelihood
 - Large-scale loan
 - BAAC is obliged to serves lifetime loyal customers.

Future roles (Con'd)

- Knowledge-based financial provision
 - To improve financial services' quantity and quality, MIS is needed to provide suitable financial services, effective collateralization system, and to become aware of potential failure.
- Self-Sufficiency Economy as a new paradigm
 - BAAC has based its operation on the HM's philosophy and propagate to all customers.
- Global warming concerned practices

Future roles (Con'd)

- Customers Risk Management
- Use of technology to develop and present new services to customers
- To base its operation on Good Governance as a credible principles
- To entail yes attitude, an attitude to devote BAAC energy for customers' good
- BAAC's gender agenda involves uplift women's roles in rural development
- Perseverance. To take HM the King of Thailand as role model for perseverance to do all good things to customers

Challenges Ahead

- 1. Customers care
 - Customers Risk Management: to safeguard customers using mechanisms, e.g. crop insurance based on Weather Index, and to gain knowledge on household so that risk can be manageable.
 - Life Insurance as an addition to provides customers stability

Challenges Ahead (Con'd)

- 2. Enhance customers' capacity:
 - To serve with Taweasuk Fund: to encourage farmer clients to save money for future use once they retire
 - To provide knowledge to farmers by training activities and setting up learning centers in different regions

Challenges Ahead (Con'd)

- 3. Public-Private Sector Cooperation
 - Need for public and private sectors to cooperate for rural development
- 4. Domestic institutions and international associations Cooperation
 - Domestic institutions and international association collaboration needs to be in place, to help alleviate poverty and uplift rural people's life

Awaiting Achievement

- NPL management, since a new prudential standard and accounting standard (the International Accounting System: IAS 39), will base provisioning on NPL so BAAC seeks to be more efficient to cope with it.
- Outreach to new customers
 - Although BAAC covers most of area, new non-farmer clients need outreach to help support them