THAILAND INDUSTRY OUTLOOK 2024-26

Credit Card



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Krungsri Research

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EXECUTIVE SUMMARY

Players can expect to see average annual growth in spending on credit cards that will run to 8.0-9.0% per year over 2024-2026. The market will be boosted by greater spending on domestic and international tourism, continuing growth in e-commerce sales and consumers' increasing familiarity with the process of making online payments. Nevertheless, the market will also come under pressure from only slow growth in domestic consumer spending power and the declining ability of borrowers to make their debt repayments on schedule, especially for those with monthly incomes of less than THB 30,000. The outlook will be further undermined by stricter regulation of the industry, including increases to minimum monthly payments and changes to debt service ratios, and intensifying competition, which will come from providers of credit cards and small-scale loans (e.g., nanofinance arrangements) and other payment types becoming increasingly popular, such as e-wallets and mobile banking services.

Krungsri Research view

The 2024-2026 outlook for credit card providers is given below.

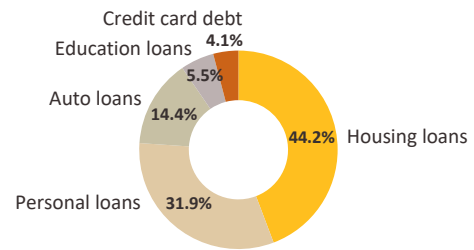
- **Non-bank issuers of credit cards that are subsidiaries of a bank:** These are market leaders within the industry. Because they can access a variety of sources of financing and typically have better cost control systems in place, they benefit from lower costs of capital than do general non-bank issuers. In addition, these are viewed as being more trustworthy and so consumers are more confident in their services, and are able to offer access through a wider range of branch outlets or other contact points. These players are also adept at managing risk and have strong internal controls, which places these on a secure business footing and provides them with the ability to successfully navigate changing economic conditions.
- **General non-bank credit card issuers:** These players will face strong competition from both general non-bank issuers and those that are subsidiaries of banks, and their position will be further hampered by the more expensive costs of capital that they have to shoulder. Moreover, these issuers are generally more flexible about who they extend credit to and the conditions that are imposed on this, and because their customers tend to be low- to middle-income earners, their income base is more sensitive to sluggishness in the economy and persistent problems with high levels of household debt. General non-bank credit card issuers are thus more exposed to the risk of debts becoming delinquent. Nevertheless, non-banks have enjoyed rapid rates of growth over the recent past as they moved to expand their customer base, dilute their risk portfolio and build economies of scale.

Overview

Credit card companies issue consumer credit to customers by authorizing the release of funds via credit cards up to a pre-approved limit, which then allows card holders to use their cards in place of cash when making purchases of goods or services, or when making cash advances to a value up to this pre-agreed limit. When purchases are made or money advanced on a credit card, the ensuing debt is a form of unsecured or non-collateralized loan that can then be paid off in installments, with the interest on this typically calculated from the day of purchase. **Credit cards comprise a significant source of consumer debt, though in Thailand, they fall behind home, personal, auto and education loans** in terms of their importance to the economy, and data from 2023 show that these accounted for 4.1% of all consumption-oriented debt (Figure 1).

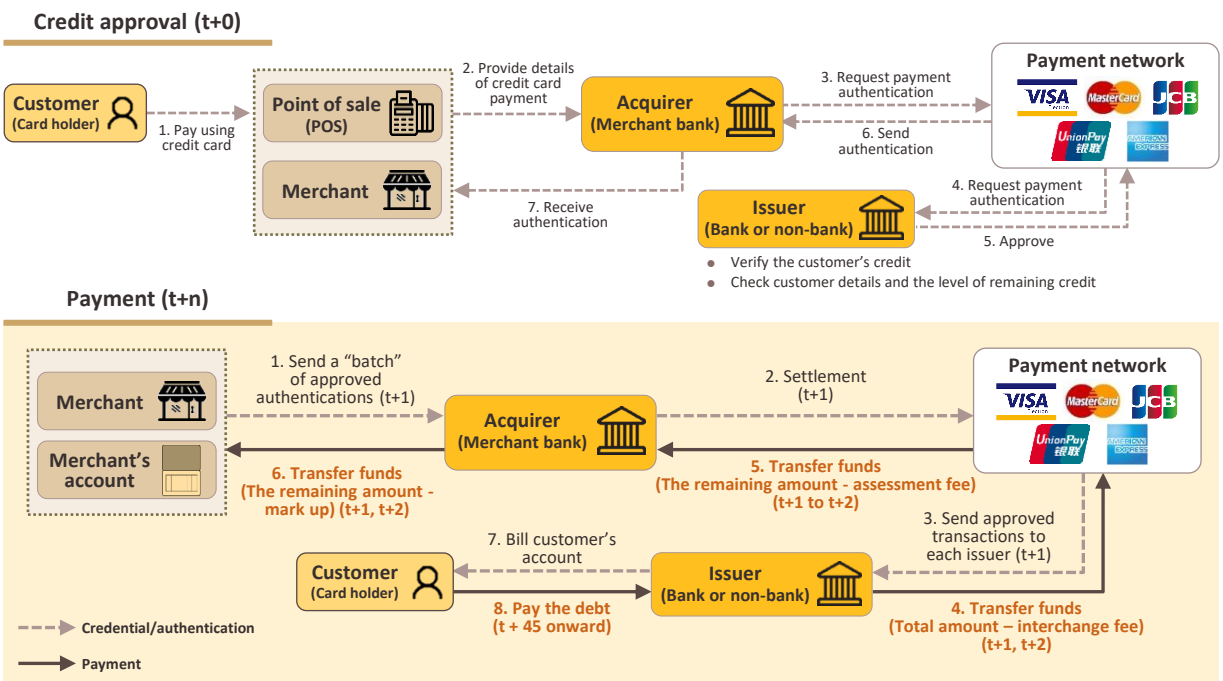
Each time a consumer purchases goods or services with a credit card, it will trigger several related-party transactions, from approving the release of credit to affecting the payment. Approving the release of credit typically happens instantaneously (t+0), and this makes the experience both convenient and seamless for consumers. Clearing and settlement between seller and the credit card company usually takes 1-2 days (t+n) and credit card holders will often have a 45-day period before interest is applied to this new debt (Figure 2).

Figure 1: Thai Consumer Debt Outstanding (2023)



Source: Bank of Thailand (BOT), Krungsri Research

Figure 2: Credit Card Payment Processing



Source: Krungsri Research

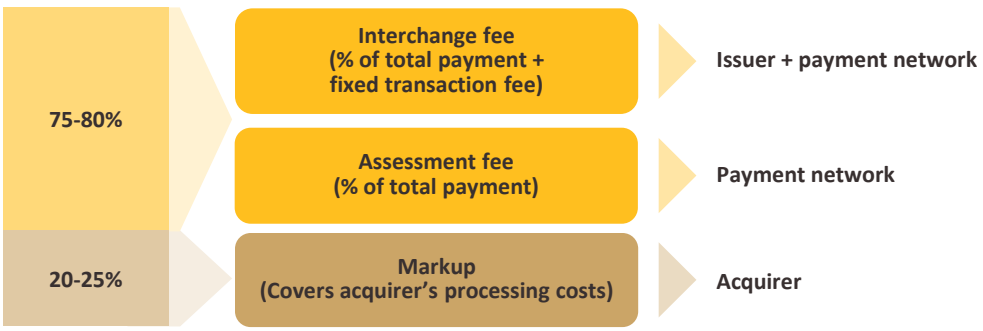
The related parties connected through the transaction include the credit card holder, the issuing bank or business, the bank or business that receives the payment, the merchant to which the payment is made, and the payment network. Details are given below.

- **Card holders**: Credit card holders may either pay off the entire balance on their card on or before the due date, or they may choose to pay off the outstanding balance in installments. For consumers, the benefits of using a credit card are: **(i) it is convenient** and reduces the need to carry excess cash; **(ii) it provides access to credit**, thus reducing the impact of fluctuations in personal liquidity and allowing consumers to spread out payments for purchases over a given period; and **(iii) credit card issuers may offer additional incentives** to encourage holders to use their cards to make purchases. The latter might include 'cashback' offers, points for purchases which can be exchanged for discounts/products, being billed for purchases in installments, benefits for making automatic monthly payments, and providing travel insurance.
- **Issuers**: It is the issuer which, having already vetted card holders and set credit limits, authorizes or denies a payment request. **Currently, there are several types of cards available, including: (i) general credit cards**, which are part of general payment networks such as Visa, MasterCard, American Express, China Union Pay (CUP), and Japan Credit Bureau (JCB); **(ii) co-branded cards**, which involve banks or credit card companies issuing cards jointly with another company (Thai or foreign) so that card holders get additional benefits when using the card to make purchases from the co-brand company; **(iii) affinity cards**, which are issued jointly with non-profit making organizations, e.g. the cards issued by Krungthai for the Thai Flyer Association and the Thai Red Cross Society; and **(iv) corporate cards**, which are issued by organizations to pay for business expenses such as travel. They may also offer special discounts to organizations that partner with merchants. Examples include Krungsri Corporate Credit Card and KBank Corporate Executive Card.
- **Acquirers**: Banks or other organizations that process transactions receive payment requests from businesses when there is a credit card transaction with a customer. When the payment is made, a charge will be imposed for the provision of this service, with the fee specified in the service contract. The fees levied by banks and processors for handling transactions vary, and providers may set a minimum charge for merchants. Banks and payment processors try to build networks of member merchants, with consideration given to the volume of transactions being made by a store or business and growth prospects. They will cooperate with retailers to offer different means of processing transactions, including: **(i) electronic data capture (EDC), (ii) mobile point of sale (m-POS), (iii) one-time passwords (OTP), and (iv) automatic deduction from accounts.**
- **Merchants**: Accepting credit card payments offers several advantages for merchants, whether this is conducted through POS terminals or the internet. Credit card payments make shopping more convenient for customers, especially when purchasing high-value goods because customers do not have to carry large amounts of cash. It is also easier for businesses to manage electronic payments than cash payments, and card payment means retailers do not have to keep a supply of coins and small change. However, some smaller businesses may prefer not to accept credit card payments because they incur processing fees, and those merchants will not receive the full proceeds of the goods or services sold. Such merchants may specify a minimum amount for payments made by credit cards (e.g. THB500) or charge the fee to the customer by including an additional charge over the transaction.
- **Payment networks**: When a merchant processes a credit card transaction, the relevant payment network will receive the request from the Thai business carrying out the transaction. These networks are based outside Thailand and are global in scope, receiving requests from around the world to make deductions in one account and balancing credit to another within the network. After the transaction information is received and evaluated, accounts will be debited and settled, and monies transferred to the relevant merchant in Thailand. The major players are Visa, MasterCard, American Express, China Union Pay (CUP) and Japan Credit Bureau (JCB). But the fact that the most important players are outside Thailand means fees for Thai transactions might be higher than they should be. Currently, local payment networks (called 'local switching') are capable of handling debit card transactions.[1/]

1/ Effective from September 1st, 2013.

Usually a fee (or merchant discount rate) of 1.5-2.4% of the value of the transaction is imposed on Thai merchants for processing credit card payments; the exact amount will depend on the type of credit card used. This fee has several sub-components. (i) The interchange fee goes to the bank or organization that issued the card and covers the costs incurred for marketing, extending credit to card holders, processing payments by card holders, and covering and pursuing bad debts. **(ii) The assessment fee** is paid to the payment network, which acts as a middleman. **(iii) The markup fee** goes to the acquirer for its role and the costs incurred in managing and receiving the transfer of monies from the merchant that has taken the payment. **On average, interchange and assessment fees will comprise 75-80% of the total fee paid by a merchant, with the markup fee accounting for the remaining 20-25%** (Figure 3).

Figure 3: Merchant Discount Rate

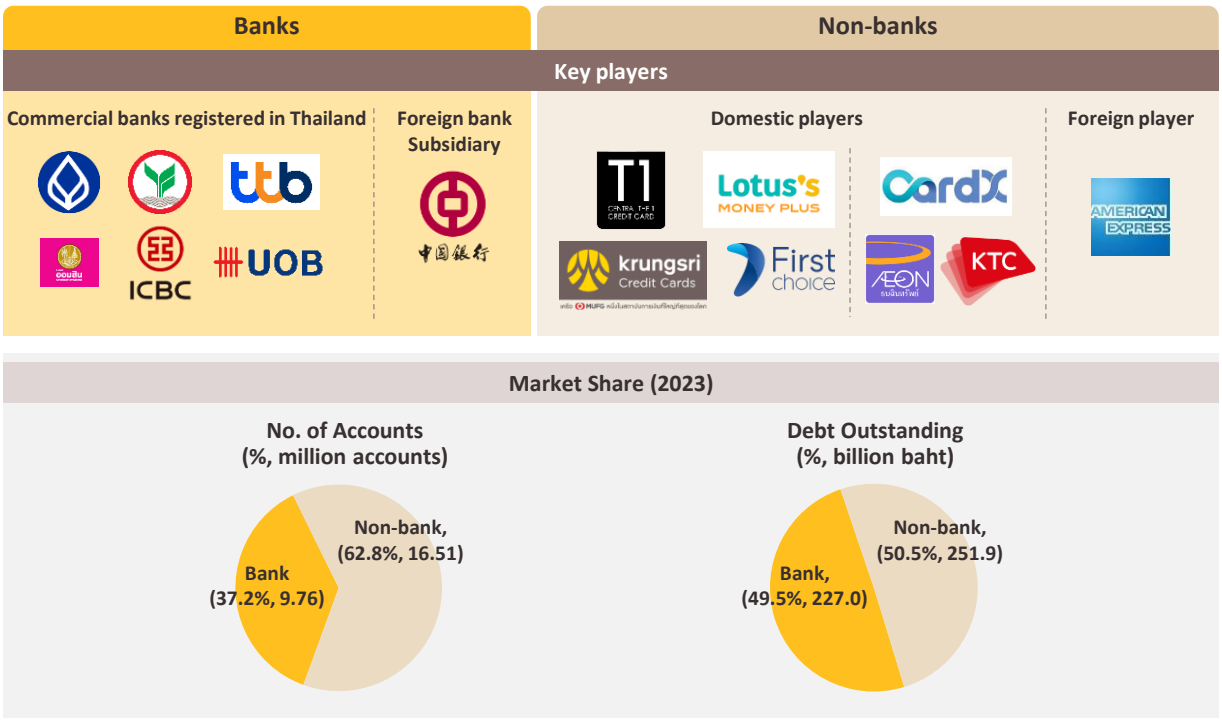


Source: Krungsri Research



Credit card issuers currently operating in Thailand can be split into two groups. (i) Banks, both commercial banks and Specialized Financial Institutions (SFIs). These include *commercial banks registered in the country*; Bangkok Bank, Kasikorn Bank, TMBThanachart Bank, UOB (Thailand), and ICBC (Thailand), ***a foreign bank subsidiary***; The Bank of China (Thailand), and ***SFIs***; Government Savings Bank. **(ii) Non-banks offering credit card services**[2/] such as two subsidiaries of Bank of Ayudhya Pcl. (Krungsri Ayudhaya Card Company Limited and Ayudhaya Capital Services Co., Ltd.); co-brands with Bank of Ayudhya Pcl. (General Card Services Ltd. and Lotus's Money Services Ltd.), Card X Co., Ltd. (part of Siam Commercial Bank Pcl.), Krungthai Card Pcl. (part of Krungthai bank), AEON Thana Sinsap (Thailand) Plc. (AEON credit card); and American Express Thai Co., Ltd. (a foreign non-bank operating American Express credit card) (Figure 4).

Figure 4: Thai Credit Card Players and Market Share



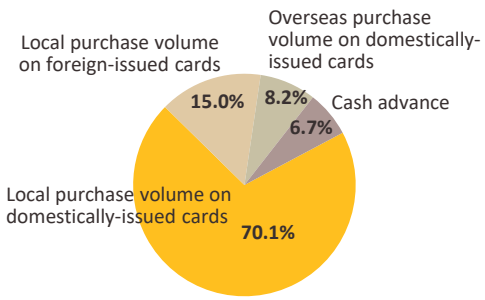
Source: BOT, Krungsri Research

2/ Regulated by the Bank of Thailand.

Looking at market share in 2023, non-banks and banks held similar market shares of 50.5% and 49.5%, respectively. However, in terms of the number of cards issued, the non-bank group holds nearly two-thirds of the total number of cards. This difference is because some non-banks market their services to low-income earners, and hence, need to widen their customer base to reduce risks and to gain economies of scale (by reducing marginal costs). Non-banks may also be more relaxed or more generous than commercial banks in assessing credit-worthiness and when considering applications and credit scores, which means it may be easier to get credit from non-banks. Hence, these card issuers have greater access to the low-income market (Figure 4).

As of 2023, 70.1% of all credit card transactions was accounted for by spending on domestically issued cards, up 6% from 2022. 15% of transactions were for purchases made on non-Thai issued cards (up 56.8%), 8.2% of spending (up 30.6%) was made overseas, and cash advances, which climbed 14.8%, comprised the remaining 6.7% of transactions (Figure 5).

Figure 5: Total Card Usage Volume (2023)



Unit: THB bn	2022	2023	%YoY
Local purchase volume on domestically-issued cards	1,717.20	1,820.98	6.0
Local purchase volume on foreign-issued cards	248.28	389.26	56.8
Overseas purchase volume on domestically-issued cards	163.30	213.25	30.6
Cash advance	150.77	173.14	14.8
Grand Total	**2,279.54**	**2,596.63**	**13.9**

Source: BOT, Krungsri Research

The Bank of Thailand is responsible for regulating the domestic credit card business, laying out similar rules for banks and non-banks regarding card issuance. To qualify, individuals should have a monthly income of not less than THB 15,000 or deposits in a bank account that average not less than THB 15,000 per month over at least 6 months. **Credit limits are set according to the following regulations:** (i) For individuals with an income below THB 30,000 per month, the credit limit is set at 1.5-times monthly income; (ii) for those with an income of THB 30,000-50,000 per month, the limit is set at 3-times monthly income; and (iii) for those on higher incomes, the limit rises to 5-times monthly income. **The interest charged on outstanding balances, fees, penalties, and other charges is fixed at a maximum effective rate of 16% p.a. (Table 1), while for 2024-25, at least 8% of the outstanding balance must be paid each month.**

Table 1: Regulations Governing Credit Cards

Monthly income	Credit limit	Interest rate ceiling
THB 15,000-29,999	1.5-times monthly income	16%
THB 30,000-49,999	3-times monthly income	16%
Over THB 50,000	5-times monthly income	16%

Source: BOT

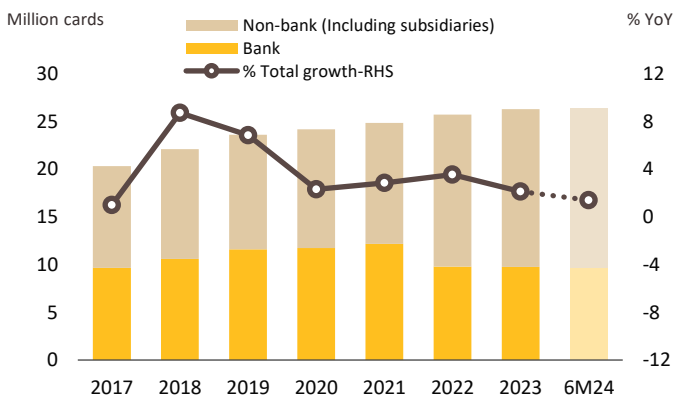
Situation

In 2023, the credit card business grew at a faster pace, supported by; (i) a 7.1% growth in private consumption helped by easing inflation that lifted domestic spending, (ii) ongoing recovery of the tourism sector, contributed by 28.1 million foreign arrivals that returned to around 70% of their 2019 level, boosting expenditure for related business e.g.; hotels and restaurants. Furthermore, a growing number of Thai tourists are traveling and spending abroad, especially for free-visa countries (China, Japan, and South Korea), (iii) The rollout of government stimulus packages including the Shop and Refund (January-February) and phase 5 of the We Travel Together (March-April) programs that encouraged greater spending on credit cards (e.g., for airline tickets and hotel rooms). (iv) Thai e-commerce market is estimated to grow by 14% in the year to a total value of THB 900 billion (source: Priceza) which boosted spending on credit cards for goods and services bought online. However, the recovery in other sectors of the Thai economy remains relatively slow, which limits the growth of the credit card business to some extent.

Credit card issuers have accelerated to adjust their business strategies in response to slow economic recovery, for example by expanding their efforts to attract middle- and upper-income consumers and focusing on growing through partnerships with Thai and international companies (e.g., by offering shoppers points to collect, or cashback offers, discounts, and prizes), all to increase spending on tourism in particular. In addition, issuers have reacted to a less favorable outlook by tightening credit approvals and offering help to consumers having difficulty making their payments on time. This has included restructuring and converting debts, and cutting interest charges. **These actions then combined to impact growth in credit card spending through 2023 as described below.**

- **Spending made through credit cards rose 13.9% YoY in the year**, split between a rise of 3.6% for spending on bank-issued cards and a jump of 37.0% for expenditure on non-bank credit cards. The value of transactions involving domestic purchases, international spending, and cash advances climbed by respectively 12.5%, 30.6%, and 14.8%. At THB 98,810, average transactions per account also broke north of the pre-Covid 2019 peak of THB 91,936 for the first time.
- **The total number of credit card accounts edged up 2.1% YoY, though this was considerably slower than 2019's 6.9% growth.** This was a result of issuers showing increased restraint in releasing new credit more generally, while some issuers placing a greater weight on card-holders that were less impacted by the slowing economy. However, there was again a marked divergence between bank and non-bank issuers, and while the number of accounts at the latter increased 3.6% YoY, the former's focus on reducing bad debt and removing inactive accounts from the system meant that the number of credit card accounts at commercial banks slipped -0.2% YoY.

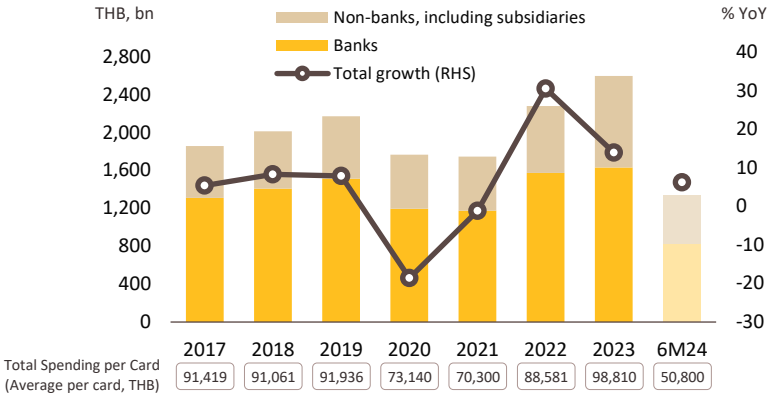
Figure 6: Total Number of Credit Card Accounts



Source: BOT, Krungsri Research

Note: At the end of 2022, a major Thai bank transferred its credit card and personal loan businesses to a subsidiary that was classified as a non-bank.

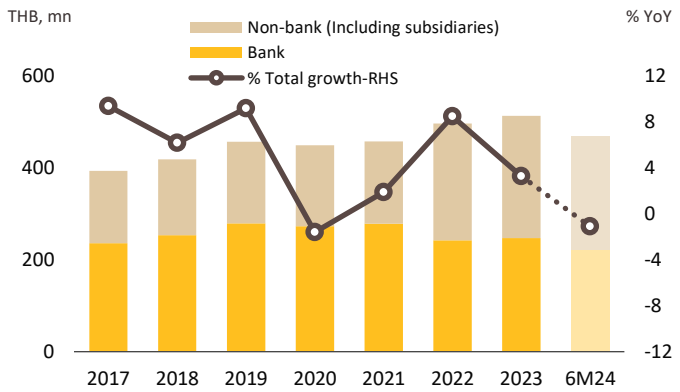
Figure 7: Total Credit Card Transactions



Source: BOT, Krungsri Research

- **The rate of growth in outstanding credit card balances slowed to 3.3% YoY in 2023 (Figure 8), down from 6.2% in 2018 and 9.2% in 2019. For bank issuers, (responsible for 48.1% of the total), outstanding balances were up 2.0% YoY, while for non-banks (51.9% of the total), these were up 4.5% YoY.** The market was affected by the only patchy and incomplete economic recovery, which then impacted the ability of some borrowers to meet their current debt obligations or to take on new debt. Issuers thus tightened the release of credit as they tried to improve the overall quality of this and to cut the rise in NPLs. **Nevertheless, non-performing loans still rose from 1.9% of total outstanding debts at the end of 2022 to 2.5% a year later, split 2.8% for bank issuers and 2.2% for non-bank issuers**, and up from respectively 2.3% and 1.5% at the close of 2022. The NPLs of banks are at a higher level than those of non-banks due to the more flexible risk management of non-banks, such as lower credit limits, stricter debt monitoring systems, and the ability to quickly adjust policies and procedures. However, the NPLs of non-banks have a higher growth rate compared to banks. This is explained by the fact that these typically target lower-income consumers, who have been more exposed to the run-up in the cost of living and high levels of household debt (at 91.3% of GDP) and who have thus seen their real incomes decline. The Bank of Thailand has responded to the rising number of NPLs within the system by revising its 'Debt clinic'[3/] regulations and extending help to those with debts related to credit and cash cards, and other unsecured loans.

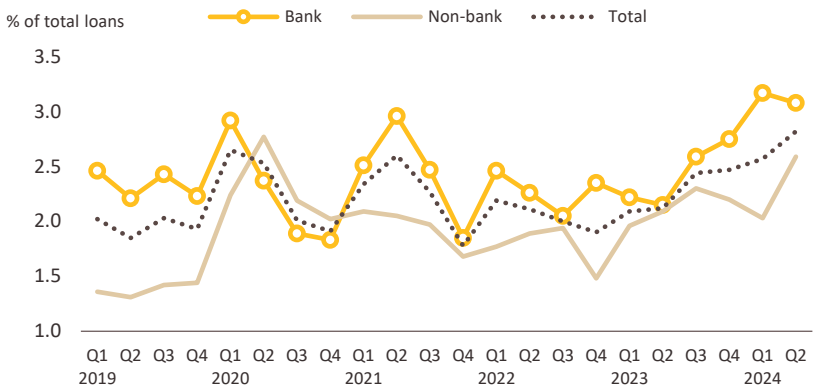
Figure 8: Credit Outstanding



Source: BOT, Krungsri Research

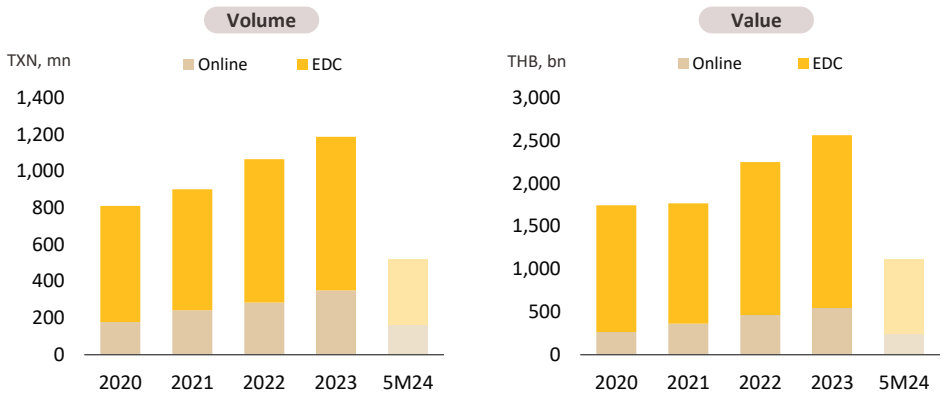
3/ Debtors wishing to join the scheme must be individuals not more than 70 years old who are receiving an income and who are more than 120 days in arrears on their debt repayments (previously, debts had to have been delinquent since before February 1st, 2023). The individual's total outstanding debt should be no more than THB 2 million, and the individual should not have been declared bankrupt. Under the scheme, debt restructuring allows debtors to pay interest of: (i) 3% for debts paid over a maximum of 4 years; (ii) 4% for debts paid over 4-7 years; and (iii) 5% for debts paid over 7-10 years. At present, 13 banks and 19 non-banks have joined the scheme.

Figure 9: NPLs



Source: BOT, Krungsri Research

Figure 10: Card Payment via Online and EDC



Source: BOT, Krungsri Research

The ending of the Covid-19 pandemic revealed that Thai consumers are still favorably inclined towards shopping online using a credit or debit card, and so in 2023, card-based spending jumped 23.2% YoY for online shopping compared to growth of just 7.3% YoY for sales made via electronic data capture (i.e., at a point-of-sale terminal). The split in total spending on these two channels has thus shifted from a ratio of 16:84 in 2019 to one of 30:70 in 2023, with cards typically being used for spending in shops and restaurants or on travel (source: BoT). Nonetheless, digital payments through a debit or credit card remain somewhat limited, and only 2.3% of expenditure is accounted for by these compared to the 96.4% attributed to internet and mobile banking.

Box 1 Shaping Tomorrow's Financial Landscape: The Evolution and Innovation of Credit Cards

The pandemic helped to accelerate adoption of digital payment systems, and credit cards are among the alternatives being adopted by consumers as they transition away from cash. As such, credit card issuers are rushing to meet demand by bringing new products to market that offer consumers greater flexibility, convenience, and peace of mind. Moreover, as mobile phone mediated payments become increasingly common worldwide, the use of credit cards to facilitate transactions is taking on an ever-wider range of forms, some of which are described below.

1) **Contactless payments** tend to become much more widespread. This will take the following forms.
   - **Contactless credit cards**, with the contactless symbol similar to the wifi symbol placed side-way, can be used to make payments in shops that display a contactless symbol or that have the corresponding infrastructure. As they use advanced encryption to prevent fraudulent use or duplication of credentials, contactless payments are usually quick, easy, and safe.
   - **Credit cards linked to an online wallet** (e.g., Google Pay or Apple Pay) or **to a wallet that is connected to a smartwatch** (e.g., Apple watch, Fitbit Pay, or Garmin Pay). These are rapidly gaining in popularity in many countries. In Thailand, Google Pay, which uses near-field communication (NFC) to make contactless payments, is deployed via Android phones, though at present, this is available only from Bangkok Bank, KTB, TTB, and Kasikornbank.
2) **Virtual credit cards,** which are tied to an existing non-virtual card, can be used to make purchases of goods and services over the internet. These can also be associated with different platforms and then used to make purchases on these or to make automated payments for services (e.g., for a mobile phone or online shopping). Because this does not entail the production of a real plastic credit card, the use of a virtual credit card also helps to cut down on waste.
3) **Credit card safety improved by the use of tokenization** to obscure personal data. This is because when data is tokenized, it is replaced with randomly generated strings of alpha-numeric text that cannot be reverse engineered back into personal data. This helps to prevent fraud and increases the safety of transactions when payments are made through mobile phone apps, online retailers, or other types of digital payment platforms.

Outlook

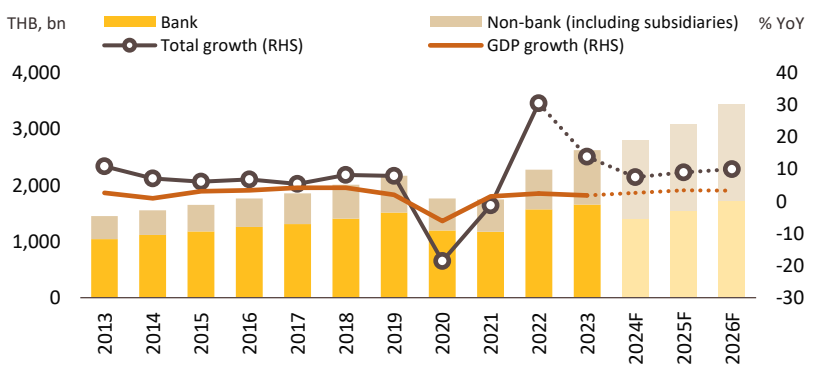
Over 6M24, spending on credit cards was boosted by a combination of ongoing growth in services connected to the tourism sector and the impacts of the government's Easy E-Receipt stimulus program (ran from Jan 1 to Feb 15, 2024). ***Total spending made via credit cards thus rose 6.2% YoY in the period***, split 62% on bank-issued credit cards and 38% on non-bank-issued cards. ***The overall number of accounts also climbed 1.4% YoY***, though while the number of non-bank accounts expanded 3.2% YoY, banks have tightened the release of new credit and so the number of credit card accounts at Thai banks declined -1.7% YoY. The sluggish performance of the economy and the resulting greater concern by lenders over borrowers' creditworthiness and the issuing of new debt further impacted total outstanding balances, which were down -1.1% YoY in the period. These factors also negatively affected credit quality, and so in Q2 of 2024, the value of credit card NPLs edged up to 2.8% of all credit card debt, up from 2.5% at the end of 2023, and while for non-banks, NPLs rose 24.0% YoY, for banks, these jumped 39.7% YoY.

The forecast for 2024 overall is for credit card spending to rise 7.0-8.0% relative to its 2023 level, thanks principally to the resilience of spending power among mid- and upper-income earners. Against this, issuers will tend to continue tightening credit for household borrowers as they look to mitigate their increasing exposure to risk arising from NPLs, especially from lower-income earners, who are particularly sensitive to continuing sluggishness in the economy. The market will also come under pressure from high levels of household debt and the decision by the Bank of Thailand to impose stricter rules over the repayment of credit card debt, which from January 1, 2024, has required a minimum monthly payment of 8% of the total outstanding balance (up from the earlier minimum of 5%). This will then drag on consumers' ability to take on more debt, and **for the year, total credit card balances will therefore remain flat compared to 2023.**

Over 2025 and 2026, spending on credit cards is forecast to rise by 9.0-10.0% annually thanks to the following factors.

- **Domestic spending power will steadily strengthen**, helped by ongoing growth in the tourism sector. The latter will be boosted by government stimulus measures, including Thailand Grand Tourism Year (for 2025) and the impact of this on domestic and international markets. In addition, Thai consumers are increasingly traveling abroad, especially to countries that allow visa-free travel, and these factors will combine to lift credit card spending at home and overseas.
- **Government policy is encouraging greater use of credit cards**, and as part of this and to promote the transition to a 'less-cash society'[4/], the Bank of Thailand is promoting digital channels as the main means of making payments. To this end, the payments infrastructure is being developed in accordance with international standards, and the government's target is now that the public should make more than 800 digital payments per person per year, up from 538 in 2023. This would then imply a doubling in the rate at which the use of cash declined over 2018-2021.

Figure 11: Total Spending on Credit Cards



Source: BOT, NESDC, Krungsri Research

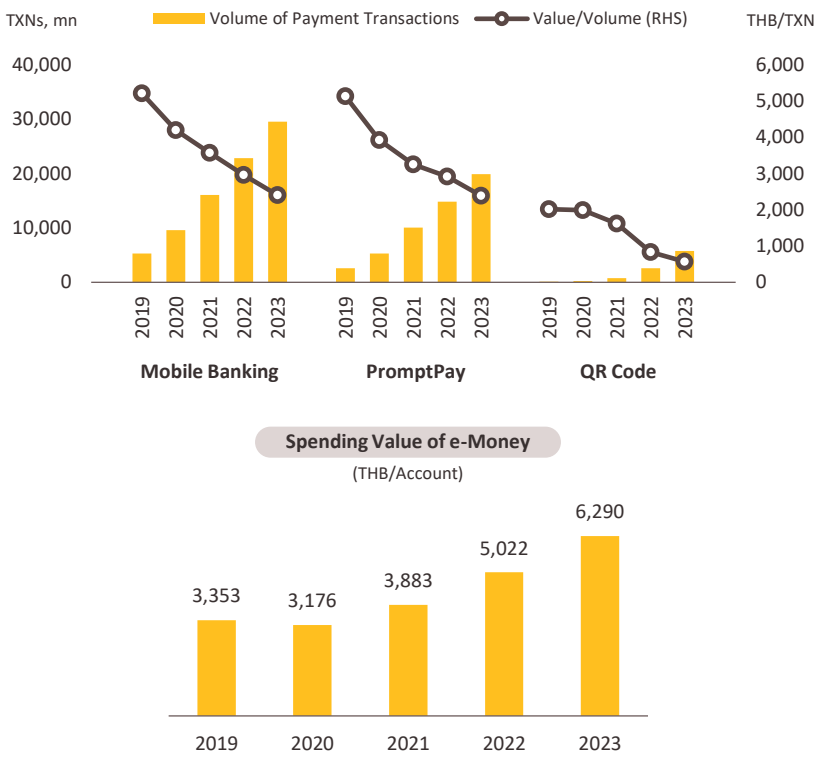
4/ As per the BoT's paper on 'The digital economy and sustainable growth within the new financial landscape', which is guiding the direction of the payment system's strategic development over 2022-2024.

- **The e-commerce industry is expanding at an average rate of 10-15% per year,** and Priceza estimates that from a value of THB 932 billion in 2023, the Thai online shopping market will be worth THB 1 trillion by 2025, and doubling to THB 2 trillion by 2030. Growth is being driven by the very high domestic rate of internet penetration of 59 million users as of 2023 (source: National Statistical Office of Thailand), and greater familiarity with shopping and making payments online. Businesses are also adapting to a changing retail environment by fully exploiting the opportunities offered by the online world, including the development of more robust digital payment systems. Data from 2023 thus show that almost 30% of online transactions were paid for using a credit or debit card, indicating that there is still considerable room for growth in this market.

Card issuers will tend to adjust their business strategies and will look to raise credit card spending by focusing more heavily on the upper end of the market (i.e., upper-middle income earners and above) and on customers that are involved in services that are benefiting from growth in the tourism sector. Players will also respond to changes in the Bank of Thailand's regulation of the credit card market that will lift the minimum monthly payment of outstanding balances from the current 8% to 10% of the total in 2026. This may negatively impact the ability of some cardholders to make their payments (especially those earning THB 15,000-20,000 per month and the self-employed, for whom income can be irregular). Lenders will thus work to maintain credit quality and to reduce delinquencies and defaults as they attempt to fulfill their obligations to undertake responsible lending.[5/]

Issuers are also expected to build growth opportunities by adjusting their service offerings, for example by providing contactless payment services, by releasing new products designed for targeted consumer groups (e.g., for tourists and travelers, and shoppers focused on health and beauty products) and partnering with other businesses, including airlines, life insurance companies, hotels, and overseas retailers. To better meet the needs of digital consumers, companies will try to increase the extent to which their services are integrated with mobile apps (e.g., Google Wallet) and these will also try to extend their business and develop new income streams by exploiting growth opportunities overseas (e.g., in Vietnam, which is benefiting from the rapid expansion of its economy).

Figure 12: Volume of Payment Transactions and Spending Value of e-Money per Account

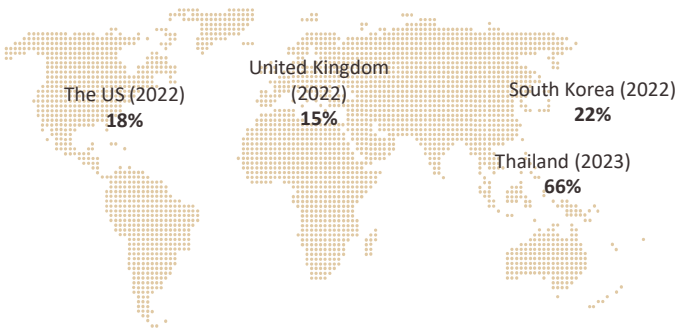


Source: BOT, Krungsri Research

5/ Effective January 1st, 2024

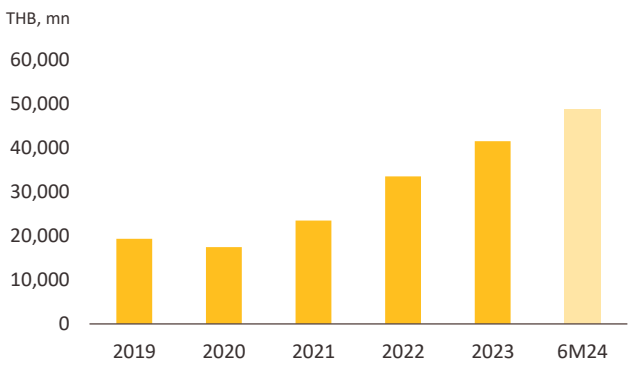
However, players will also have to contend with a number of headwinds. (i) A combination of only slow and patchy growth in the economy and high levels of household debt will drag on consumer spending power. **(ii) While it is certainly true that consumers are rapidly adopting digital payment methods, cash remains the most important means of making payments in regular day-to-day life** (as of 2023, 66% of Thai payments were cash-based, compared to 22% in South Korea and 18% in the US). Other types of digital payments (e.g., mobile banking, the PromptPay system and e-money) are also popular, but by contrast, only 1% of total spending is made through credit cards. **(iii) The BOT-mandated increase to the minimum monthly payments in the future** may erode purchasing power and expenditure, possibly forcing consumers with large outstanding balances spread across many cards to miss their payments. (Data from the BoT show that more than 50% of credit card holders use 2-5 cards and almost 30% of those with credit card or personal debt owe this to more than 4 separate creditors. Total outstanding credit limits for these run at 10-25 times monthly income, implying possible monthly repayments that would absorb more than half of the individual's income). **(iv) Government regulations are tightening the release of new credit card debt.** Thus, the responsible lending measures will tend to reduce the number of new accounts being opened, while the new debt service ratio (DSR) regulations[6/] that come into force in 2025 may affect borrowers' credit limits and the interest charged on their debts. **(v) Competition is intensifying**, especially from non-banks and online providers of nano-finance (e.g., Finnix, MoneyThunder and Line BK) that target small, retail customers. These factors will then drag on overall rates of growth for the industry.

Figure 13: The Proportion of Cash Usage



Source: BOT, Krungsri Research

Figure 14: Outstanding Loans (Nano Finance)



Source: BOT, Krungsri Research

6/ Under the DSR regulations: (i) for borrowers earning less than THB 30,000 per month, the DSR including any new debt should not exceed 60% of the total loan outstanding; and (ii) for those earning more than THB 30,000 per month, this is raised to 70%. However, to prevent borrowers seeking unregulated sources of finance, lenders may issue debt in excess of the DSR limits if the borrower is able to demonstrate that he or she has the ability to meet the repayment schedule.

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