

# **The Effect of the Global Financial Crisis on Credit Union in Thailand**

**Organized by**

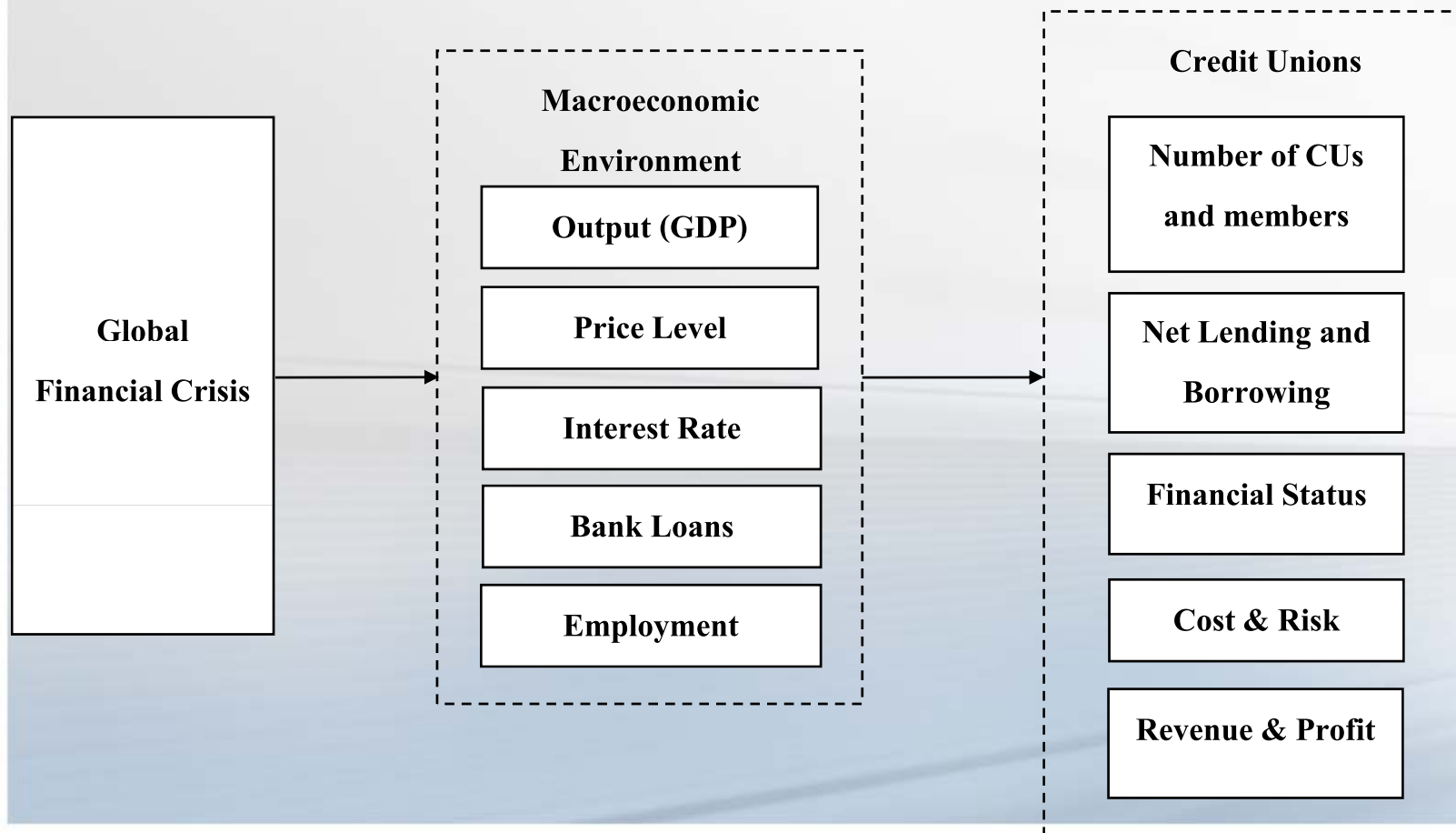
**The Association of Asian Confederation of Credit Unions (ACCU) in collaboration with the Credit Union League of Thailand and Federation of Savings and Credit Cooperatives of Thailand**

**The Emerald Hotel  
Friday 25<sup>th</sup> September, 2009**



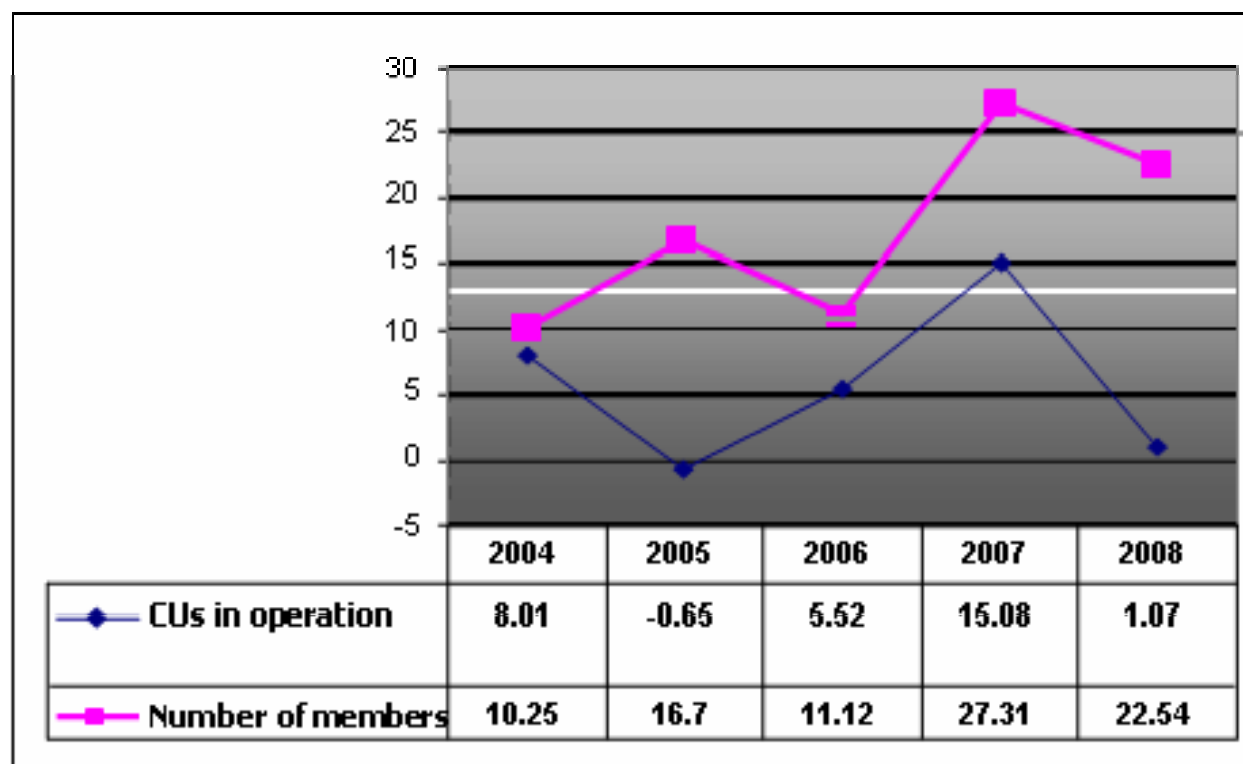
**Kriengsak Chareonwongsak, PhD**

# 1. Framework for the global financial crisis transmission channel on Credit Unions in Thailand

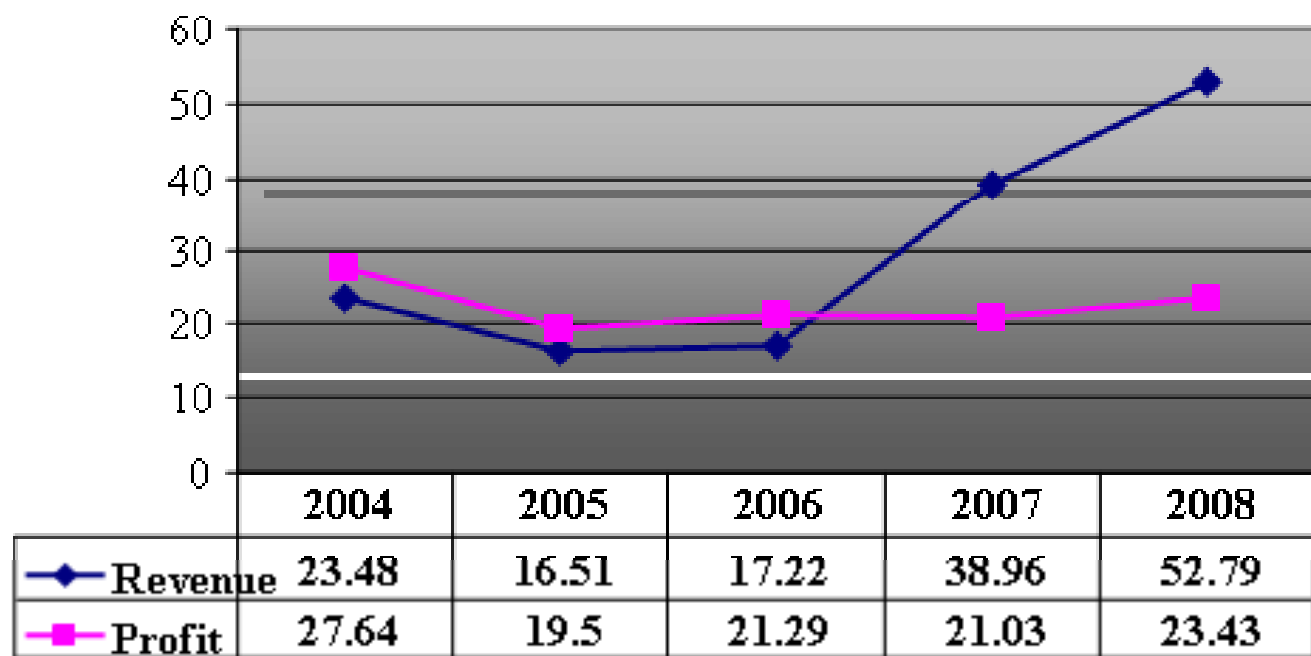


## 2. Impact of the global financial crisis on Thailand's credit unions

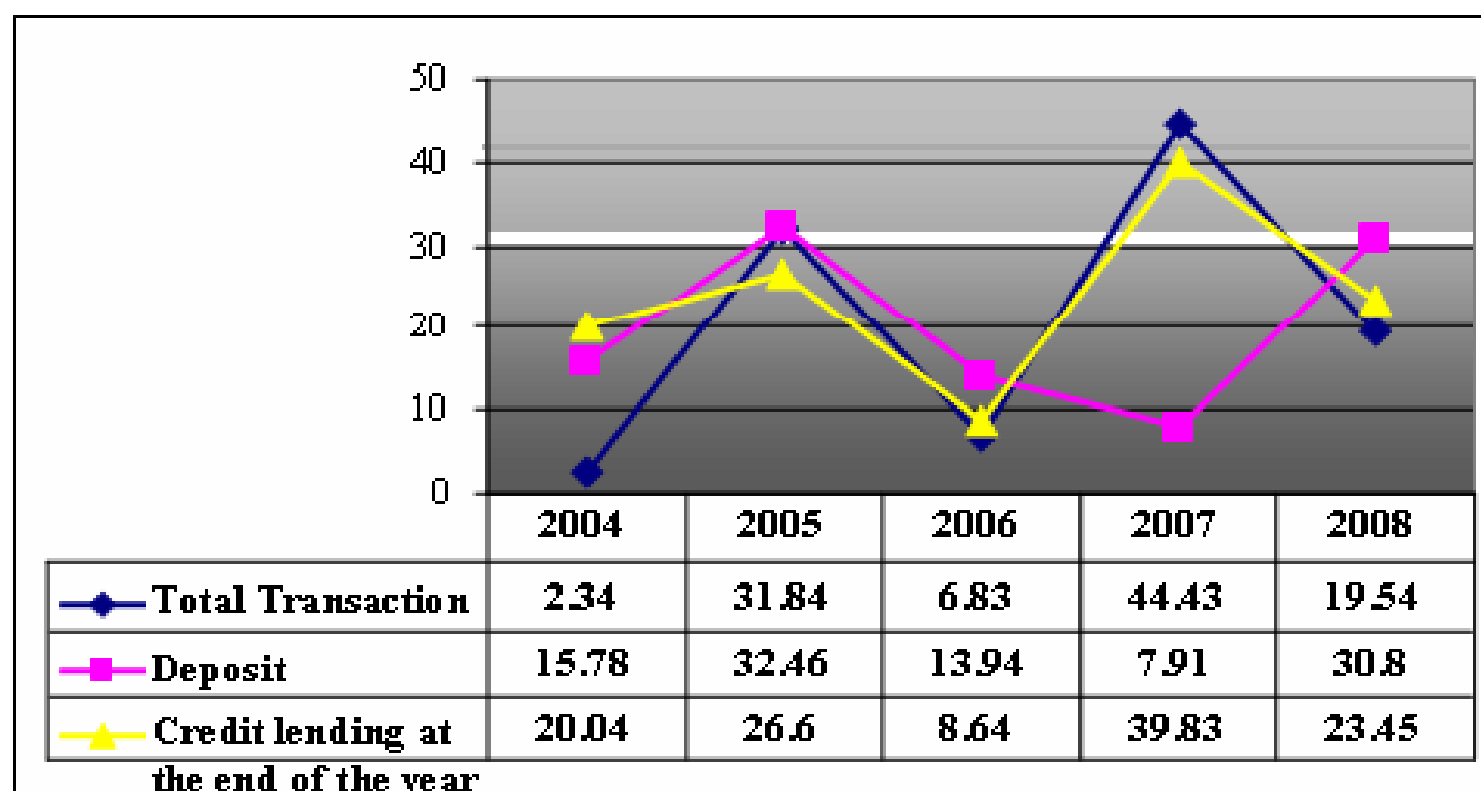
### 2.1 Continuous numeric expansion



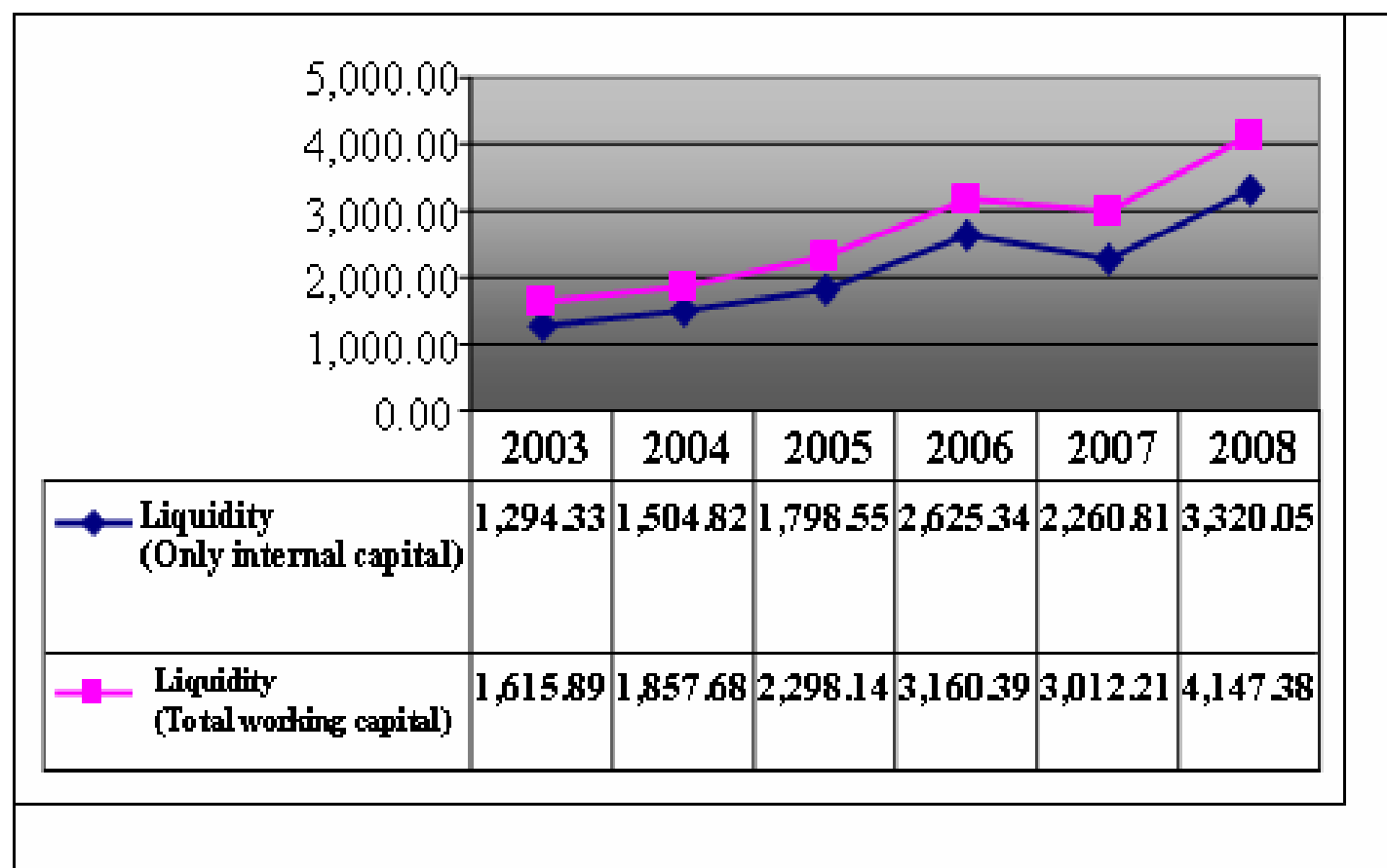
## 2.2 The improved performance of CUs



## 2.3 The continuous increase of CU transactions, in total



## 2.4 The retained financial status of CUs



## 3. Economic risks that affect the operation of CUs

### 3.1 Increased lending risk

Likely increase of CU NPLs:

- Economic contraction and less business revenue, business closures
- Probable unemployment rise

## Table 1: Use of CU Loans in 2008

Loan Usage	Million Baht	% to Total Credit
Service fees and household expenditure	1,599.94	18.32
Pay back existing debt	1,034.36	11.85
Seeds, fertilizer and herbicide	895.59	10.26
Buy or renovate buildings	672.81	7.71
Buy land, adjust land and water resources	166.85	1.91
Invest in livestock	90.82	1.04
Cost of processing and preparing products for sale	86.09	0.99
Buy cooperative shares	48.07	0.55
Buy work animals, water pumps, machinery	45.81	0.52
Rent and taxes	3.83	0.04
Lend to other cooperatives	1.65	0.02
Other	4,085.47	46.79
<b>Total</b>	<b>8,731.29</b>	<b>100.00</b>





## 3.2 Increased interest rate risk on deposits

## **4. Factors affecting the severity of impact of the global financial crisis**

- 4.1 Mainly shared working capital of CUs**
- 4.2 Cooperative/CU mechanism works strongly**
- 4.3 Non-economic nature of CU business**
- 4.4 Limited impact on Thai financial institutions**
- 4.5 Low inflation rate**
- 4.6 Lowered interest rate**
- 4.7 Lower than expected unemployment rate**

## **5. Recommendations in coping with the crisis**

**5.1 More interest rate flexibility**

**5.2 Focus on capital mobilization**

**5.3 More careful loan provision**

**5.4 Other revenue sources**