

# Finance and Development: Data, Research, and Policy Design

## Opening Remarks

Veerathai Santiprabhob

Governor of the Bank of Thailand

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**Ladies and Gentlemen,**

A very good morning to you all. On behalf of the Bank of Thailand, it is a pleasure for me to welcome you to this international conference on “Finance and Development: Data, Research, and Policy Design”, co-organized by the Puey Ungphakorn Institute for Economic Research, the Thailand Research Fund, the University of the Thai Chamber of Commerce, and Massachusetts Institute of Technology. As the theme indicates, **the aim of this conference is to highlight the importance of sound research and solid data in formulating policy.** At the Bank of Thailand, this has always been at the core of all that we do. From monetary policy to financial supervision to payment system development, **our ability to execute and deliver successfully on these mandates depends critically on the quality of our knowledge and the timeliness of our actions.** Research and data are indispensable in this respect.

Now so more than ever. **In today’s highly complex and uncertain world, it is our capacity to develop knowledge at the frontier and harness insights from ever increasing amounts of information that will determine whether we thrive or languish.** It will mean the difference between being proactive instead of reactive. Between fire-preventing and fire-fighting. Between having a strategy and having tactics. And ultimately whether we get there or simply get by. These alternatives matter a great deal.

**Thailand is at a critical juncture.** In the 15 year period prior to the 1997 financial crisis, Thailand experienced a period of rapid growth and development where GDP per capita more than doubled. Since then, economic growth has slowed down markedly. This reflects not only the prolonged recovery associated with balance sheet repair subsequent to the crisis, but also deeper structural issues. **Our growth engine needs an overhaul.** One which gears our economy more towards higher value-added and innovation-driven activities. **To reinvigorate growth, we need to upgrade education and skills of our labour force, streamline rules and regulation that shackle business productivity, catalyze public and private investment in key infrastructures, and create incentives that**

**not only spur innovation but also technology adoption.** In short, we need structural transformation.

**But our challenge is not just to boost growth. It is to achieve higher growth that is sustainable and inclusive.** The goal is not simply to run faster, but to run farther and together. **For ultimately, only if growth is sustainable and inclusive will the foundations of social harmony be established.** Economic development is a journey not a trip. It requires taking a long view, focusing on the hereafter rather than the here and now. On the trend, rather than the cycle. **We must have the grit to forgo some short-term gains and the patience to reap the benefits of structural reforms.**

Successful transformation requires many parties to collectively do their part. For the Bank of Thailand, we can contribute by **safe-guarding price and financial stability to create a supportive macroeconomic environment, and by promoting a more efficient and inclusive financial system.** We have recently undertaken a number of initiatives to this end. In support of the National e-Payment Master Plan, we have launched PromptPay as a new platform for fund transfers among individuals, firms, and institutions. This system significantly reduces the cost of fund transfers for end-users. We are also supporting various initiatives to increase usage of debit card in the place of cash, in conjunction with the push for nation-wide installation of electronic data capture machines.

Similarly, **to promote competition and innovation among financial service providers,** the Bank of Thailand recently outlined principles of a regulatory “Sandbox”. This allows operators to test the viability of their products and services in a well-defined space and duration, without being fully subject to all regulatory requirements that are normally applicable. This approach helps us assess risks arising from prospective products and services, and provide sufficient consumer protection before wider deployment.

These and other initiatives being implemented are geared towards **making our financial system more efficient and broadening their outreach. The ultimate beneficiaries are households and firms.** Some have expressed frustration and skepticism about the low take-up rates and limited impact so far. But don’t forget that we are still at a very early stage. To paraphrase the late Professor Rüdiger Dornbusch, **in technology as in economics, “...things take longer to happen than you think they will, and then they happen faster than you thought they could.”** So I urge you to see opportunities where there are gaps. Challenges where there are obstacles. And room for improvement where there are setbacks. Because if you don’t, we will all miss the opportunity.

**Ladies and Gentlemen,**

In making the economic transition that I have outlined above, we will need to increasingly rely on informed policymaking. **A critical element of this is data.** For it is only through data that we can *see* what is happening, *understand* why things are playing out as they are, and *learn* from past experience. The latter is especially crucial for public policy and an area where Thailand falls short. **We need to do more post-mortem analysis of policy measures to avoid repeating mistakes and to better design how interventions should be carried out.** Policy initiatives should be accompanied by data collection that is made available publicly for researchers to analyse.

In the Thai context, an excellent example of how data can be used to understand and evaluate policy is **the Townsend Thai Data.** Initiated in 1997 by Professor Robert Townsend under the Thai Family Research Project, detailed data on household income, spending, and balance sheets have been meticulously collected in villages across four provinces at a monthly frequency. **Over time, this has provided a comprehensive view of how households consume, invest, and deal with shocks.** It has enabled numerous studies that shed light on issues such as how households make use of formal and informal finance to manage risks, the role of financial constraints in households' choice of occupation, the drivers of inequality, as well as evaluations of policy initiatives such as the village fund and the universal health care scheme. Several of these research papers have been published in top academic journals.

**Now entering its 20<sup>th</sup> year, the Townsend Thai Data has become one of the most detailed and longest running panel datasets in the developing world.** Today's conference serves to commemorate this remarkable milestone. We are honoured to have Professor Townsend as well as members of the Thai Family Research Project with us here today. And we are proud to have contributed in partnership with the Thailand Research Fund to fund part of this endeavor in recent years, building on the previous support of the University of the Thai Chamber of Commerce.

And speaking of milestones, the Bank of Thailand will be marking its 75th anniversary later this year and this event is a fitting reflection of the important role of research and learning that the Bank of Thailand has embraced over its history. I would like to thank you all for coming, especially our international speakers who have travelled a long way to be here. I hope that the discussions will be active, insightful, and useful for everyone.

Thank you.