Guests:
Ms Lyn Kok
President and CEO, Standard Chartered Bank (Thailand).

Host:
Mr Matthieu Cognac, ILO
Youth Employment Specialist

Camera, sound, editing:
Mr Julian Hadden

You can watch the video of the show at: http://www.apyouthnet.ilo.org/podcast

Question 1: Please begin by telling us about Standard Chartered Village.

Lyn Kok said that In northern Thailand, there is the “SC Village”, which has a population of about 500 and from we have been running a village finance initiative. Seed money has been provided to the community and the villagers have been assisted in designing a plan to invest that and in the hope that they will see returns. A village committee has been established for the purposes of management, and financial literacy training has been provided to help people understand what it takes to manage basic finances and to show how it can be used to spur growth.

Question 2: About 20 years ago, microfinance became more widely known, and this was led by NGOs and organisations like Grameen. Today the picture is evolving. How are private lenders looking at micro/social finance; philanthropy or socially responsible business?

Microfinance is a specialised service, hence many commercial lenders are not involved this market, according to Ms Kok, because financing is typically small in value, although large in volume. Looking at Thailand, there is a very large unbankable population; approximately 15 million people. They are unbankable in the sense that they do not have accounts, they are not within reachable distances of bank branches, they are not salaried; therefore they are not on the radar of commercial financial institutions.

Microfinance organisations, particularly in the developing world, such as Grameen and Blue Orchard are very relevant here. However, Ms Kok doesn’t think that there is commercial scope for most banks to reach out to micro-finance borrowers, and that includes Standard Chartered Bank (SCB), who would see this as CSR activity.

On the other hand, it is feasible for such banks to work with microfinance institutions (MFIs) and to provide them with the wholesale banking services they require. They have the systems, processes and low-cost base to reach these customers. Overtime, commercial institutions may find other avenues to be involved with otherwise unbankable populations; for example the mobile wallet which SCB has been offering in parts of Africa. The mobile wallet is preferable to carrying cash, and can be facilitated by the banks and telecommunications providers together since it brings the strengths of both organisations to help ensure that unbankable populations can begin to benefit from financial services.
Question 3: Many people in countries without social protection often have to enter the world of work because they can’t afford not to work. Subsequently, young people can enter into work which is not regarded as decent work. Is it the role of the MFIs and financial institutions (FIs) to ensure that once loans are disbursed, they lead to decent jobs?

Banks have a powerful role to play according to Ms Kok. For example, if they find out that a company has been abusing human rights, then banks can state that they won’t finance companies involved in improper activities, such as child labour for example. Standard Chartered has principles which it follows in this area. In general, banks can use its services to emphasise that it only works with companies that following certain standards.

Question 4: When SCB works with MFIs, is it for microcredit, or also for other services such as remittances?

Typically the MFIs are seeking credit, for example bilateral loans. In turn, if they grew, banks can help them to find investors. Returning to the mobile wallet, MFIs are in a much better position to reach out to communities and offer them services suitable for the currently small scale, cash based needs of their customers. Over time, Ms Kok would like to develop services in the areas of pensions, savings to help such individuals further gain access to credit.

Question 5: It is two years until the ASEAN Economic Community (AEC) becomes a reality, in which it is expected that there will be a flow of people and competencies across the region. Will this lead to a shift in how finance is offered to young entrepreneurs?

For young entrepreneurs, it is not easy for them to access finance at first. When looking at the US for example, it is not financial lenders who are providing the seed capital, it is credit cards and parents! With the AEC opening up, this will lead to benefits for large corporations, but that will not necessarily be the case for young entrepreneurs unless they find cross-border angel investors or even cross-border credit cards. This emphasises the need for young entrepreneurs to have a credit history, which can begin with owning, using and repaying credits. That creates a financial track-record which assists credit lenders in determining their lending decisions.

Question 6: Do you have any key messages for young entrepreneurs, development partners such as the ILO or MFIs?

Being young means that you always have dreams and the world is your oyster. Continue to be ambitious, do not accept defeat, and continue to meet people who can offer all kinds of support. Support provides confidence, and that is the key to success.