

## SELF-FINANCIAL EXCLUSION FOR BORDER TRADE OF THAI-MALAYSIA

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### ABSTRACT

The purposes of this research are (i) to study impacts of financial literacy on decision of Thai-Malaysia border traders to make financial transaction under banking system (Financial Inclusion) and (ii) to construct model in determining border traders' decision not to make financial trading transaction under regular commercial banks system (Self-financial Exclusion). The data set of 11 observations is observed for concerned party from Thai-Malaysia border traders such as customs, department of foreign trade, banks, and traders. In-depth interview model is estimated and indicated that influencing of the financial inclusion and self-financial exclusion factors are determined by international trading transaction theory, financial inclusion, border trade, and financial literacy concept. The empirical results showed that factors illustrated above influenced to construct model in determining border traders decision not to make financial transaction under regular commercial banks system (Self-financial Exclusion) such as (i) cash payment method, and (ii) non-system exchange market payment method.

Keywords – Border Trade, Financial Literacy, Financial Inclusion, Self-financial Exclusion, Non-system exchange market.

### I. INTRODUCTION

ASEAN Economic Community (AEC) strategies expected ACE to be a single market and single production base. [2] Thailand is assigned to take the role of a financial intermediaries to provide financial support to industrial and service sector in AEC neighboring countries between Thailand with Malaysia. The important dimensions of regional financial system development comprise of (i) financial inclusion, (ii) financial literacy, and (iii) financial innovation [10] and furthermore, the important subject is the informal financial of the border trade known as non-system exchange market, which is the identity system of local border trade financial transaction.

The important subject for the development of Thailand's border trade finance is Financial Inclusion for border traders'. It will indicate border traders' decision to make financial transaction (Usage) under banking system, or border traders' decision not to make financial transaction (Self Exclusion) but make financial transaction under informal system. [6][7][17], it depends on various factors as (i) cost or fee per financial transaction (ii) support factors for financial inclusion comprise the regulations for the use of financial service, the distance to get to the bank location, the time duration spent on the financial transaction, the facilities of the service, the documents for financial transaction, and the honesty of the traders' for financial inclusion. (iii) channels for financial inclusion comprise the number and location of the bank branches and the number and location of the Automatic Teller Machines (ATM) that the traders' can use for their need.

Another important subject of Thailand border trader development is Financial Literacy. The researcher has applied the conceptual framework of Financial Service Authority (FSA) which regulates the organizations that offer financial services. There are 3 factors affecting the

effectiveness personnel's financial literacy such as (i) Financial knowledge and understanding, (ii) Financial skill and expertise, and (iii) Financial confidence and attitude. [5][15][19][21] This includes application from The Organization for Economic Co-operation and Development (OECD). [5][15][24] It is expected that the border traders' can make use these three factors for decision for the appropriate standard practice, the border traders' innovation, competency, and need. .

Thailand border trade with neighboring countries as Malaysia, Myanmar, Lao's People democratic Republic , and Cambodia, the border trade between Thailand and her neighboring countries has increased in the year 2014 [1], the total border trade volume was 987,582.22 million baht with and increase 6.85% of the year 2013. The total export volume was 589,662.29 million baht with and increase 5.26% and the total import volume was 397,909.93 million baht with an increase of 9.30%. Thailand's trade balance was surplus continuously at 191,752.36 million baht. Malaysia is the important market with the highest border trade volume. The other important market is Myanmar, Lao's People Democratic Republic, and Cambodia, respectively.

The overall perspective of Thai border trade with her neighboring countries showed different types of border trade which are as follow (i) Consumer Trade, (ii) Cash Trade, (iii) Sale on Consignment License Trade, (iv) Balance Trade include Import License, Border Trade Agreement, Account Trade or Counter Trade, and Normal Trade. The researcher studied the payment system literature {8}[9][18][26] found that the border trade payment comprises two systems as (i) Formal Bank System which includes 6 methods as (1).Advance Payment, (2).Open Account, (3).Bill for Collection consists of 2 types (3.1).Document against Payment (D/P) (3.2).Document against Acceptance (D/A), (4).Letter of Credit (L/C), (5).Non-resident Baht Account (NRBA), and 6.Baht Account. (ii) Informal Bank System which includes 3 methods as (1).Cash payment, (2).Non-system Exchange Market, and (3).The payments among the traders' group or chain companies which is similar to Non-system Exchange Market payment

As a result from the important factors of financial literacy that supports the financial inclusion of border trade payment for Thai-Malaysia border traders'. The researcher is interested in conducting a survey research on the self-financial exclusion for border trade of Thai-Malaysia in the area of the Special Economic Zone (SEZ) in the first phase [3] as Border region of Songkhla Province.

## II . THEORETICAL FRAMEWORK

### A. Trade Transaction Theory

According to Evgeny Popov with quoted from Williamson [30], it defines that transaction mean single act of trade and economic activity that transferring of goods or service from one point to another point. It will have transaction cost that be all non-manufacturing costs. [30] associated with coordination costs and transaction risk [31] between firms and within firms comprises of

(1).Hard transaction cost include customs tariffs, import duties, and transport cost.

(2).Soft transaction cost include safety regulation cost, risk cost, networking cost, trust building cost, and laws cost.

Thus, organization must manage to appropriate transaction cost by creation transaction value to reduce transaction costs. [32] Transaction management correlated with transaction cost economics, organization economics, and domestic and international trade. It depend on factors [32] as (i) productivity effect by task, (ii) price effect by terms of trade and skill labour, and (iii) labour effect by low skill labour of domestic and abroad. Trade exchange transaction has process as below

(1).Contact process is a process for looking for information about price and quality of products, distributors, and customers.

(2).Contract process is a process that involves the trade agreement.

(3).Control process is a process associated with monitoring and enforcing compliance with the agreement.

In the past, method for creation to reduce transaction costs by expanding to a larger organization. However, in the present, method for creation value to reduce transaction costs by bringing information technology and network to be a tool for direct and indirect business.

## B. Financial Inclusion

According to Bank of Thailand with quoted from World Bank [7], it defines that financial inclusion means making decision to use financial service (Usage) and making decision not to use financial service (Self Exclusion) even though there is possibility to use that financial service which is the opposite to those who want to use financial service. However, there is no access to financial service (No access). There are important components to support the financial inclusion [7][17][27] consists of (i) Supply Side are concern the service providers, (ii) Demand are concern the level of access and the use of financial products of financial sectors, and (iii) Other components that support financial access which includes the regulations for the use of financial service, the distance to get to the bank location, the time duration spent on the financial transaction, the facilities of the service, the documents for financial transaction, and the honesty of the traders' financial inclusion.

Index of Financial Inclusion (IFI) were set up to measure financial inclusion [11] comprises of (i) Index Model measure financial access, frequency of service use, and the depth of service use, (ii) Readiness of the use of law by The Economist Intelligence Unit Model measure regulatory framework, investment climate and institutional development, (iii) Composite Index Model measure depth or penetration, availability and usage, (iv) World Bank Model measure consumer protection, law and enforcement and financial literacy, (v) APEC Model measure access, usage, consumer protection, depth or penetration, financial capability, and financial rules and regulation.

## C. Financial Literacy

Definition by Bank of Thailand quoted from OECD [5] states that financial literacy means awareness, knowledge and understanding, expertise, attitude and behavior in a sensible way which will result in making good decision and finally results in a person to have financially good health. FSA will be used as a tool to study or survey in terms of quality and to design questionnaires to measure the level of financial literacy. [19] The questionnaire includes financial literacy factors to indicate the characteristics of those who have financial literacy as specified by FSA. [19] The questionnaire will be developed from the model of Mason and Wilson. [22] The model consists of 3 factors are (i) financial knowledge and understanding, (ii) financial skill and expertise, and confidence and attitude. These factors were influenced from experience and circumstances and personality. Therefore, financial literacy can be measured from personal behavior. [19]

Apart from this, the evolution of the concept of financial literacy was also defined by OECD [23] and made the term to be universal and a questionnaire was developed in accordance with FSA and the methods of measurement were established with the components of financial literacy with the total scores of 22 points (1-22). [19] The total scores are allocated into different areas of measurement. That are (i) financial knowledge and understanding with the range of scores between 1-8 points, (ii) financial skill and expertise or financial behavior with the range of scores between 0-9 points, and (iii) confidence and attitude with the range of scores between 1-5 points. Financial literacy measurement must be correlated with the financial literacy measurement structure of OECD and FSA include (i) the criteria with a high-low score which evaluated by good or bad [19], (ii) the criteria with average score which evaluated by status affecting the financial literacy as gender, age,

education, income, and occupation, and (iii) the criteria regression which evaluated situation affecting the financial literacy to support criteria (i) and (ii).

#### D. Border Trade

Thailand's border with Malaysia, Myanmar, Lao's People Democratic Republic and Cambodia, where people are similar in terms of races and languages. These result in relationship of their way of living and border trade activities which provide Thailand an opportunity to trade with her neighbors. Apart from, border trade, there is another type of trade which is dependent on land transportation through the border to the third country as Cross Border Trade. According to World Bank's definition border trade [29] means exchange of goods and services across border from one country to another with the distance longer than 30 kilometers. This trade process is not complicated and convenient to carry out. This trade is done through permanent border, check point or temporary border check point, and temporarily permitted area. This also includes Cross Border Trade that traders' across border to the third country such as Singapore, Vietnam and China. Border Trade is an international trade of which there is trading of buying and selling, exchanging goods or services using money as means of business transaction. It consists of export and import [16] which is different from border trade.[4] This type consists of (i) consumer trade, (ii) cash, (iii) sales on consignment license, (iv) balance trade which is further classified into import license, border trade agreements, account trade or counter trade, and normal trade. The trade payment system between countries and border trade [8][9][18][16] consists of (i) Formal bank system is the payment system that is conducted strictly and correctly according to regulation and tradition of International Chamber of Commerce (ICC) [12] with the same standard worldwide, and also abide by the law of each country with the commercial banks acting as facilitators in charging fees for goods or services or payment of goods and services for buyers and sellers. It also includes other bank services, which involves bank services between countries and border trade. This type of trade is called trade finance. [13][19] The methods of payment are as follow (1).Advance Payment [14], (2).Open Account [20], (3).Documentary Bill for Collection [25] which is furthered classified as (3.1).Documents Against Payment (D/P)[18][26][28] and (3.2).Documents Against Acceptance (D/A) [18][26][28], (4).Documentary Letter of Credit)[18], (5).Non-resident Baht Account (NRBA) [4][8][9], and (6).Baht Account. [4][8][9] (ii) Informal bank system payment is the type of system that the payment of international trade and border trade is not done according to the regulation and tradition of International Chamber of Commerce (ICC). However, the payment is done according to the convenience of the border traders' . Thus, the methods of payment could be as follow (1).Cash [4][8][9], (2).Non-system Exchange Market [4][8][9], and (3).Account balance between the traders' or chain companies.[4][8][9]

In addition, neighboring payment system through formal bank system and informal bank system are different from that of Thai payment method as below :

1.)Malaysia's currency is Ringgit. (i).Formal bank system by letter of credit and telegraph transfer (T/T) is by US dollars. (ii). Informal bank system by cash in Ringgit or non-system exchange market by Malaysian check or draft.[9]

2).Myanmar's currency is Kyat. (i).Formal bank system by letter of credit between foreign traders with Myanmar traders. Payment can be done only through banks that the government allows to do business transaction, for example, Myanmar-Investment and Commercial-Bank and Myanmar Foreign Trade Bank. Foreign banks are not allowed. In addition, foreign traders will give credit loan to Myanmar traders in advance., and (ii).Informal bank system by cash in Baht and Kyat or non-system exchange market.[9]

3).Lao People's Democratic Republic of Lao PDC's currency is Kip. (i).Formal bank system by letter of credit, cash payment preferable in Baht, telegraphic transfer (T/T) done with trust, and

document against acceptance (D/A). and (ii).Informal bank system by cash in Baht or US dollars or non-system exchange market. [9]

4).Cambodia’s currency is Real. (i).Formal bank system by letter of credit (L/C) for costly goods, document against payment (D/P), documents against acceptance (D/A), and telegraphic transfer., and (ii).Informal bank system by cash in Baht or US dollars or non-system exchange market. [9]

The situation of border trade between Thailand and her neighbor in 2014 [1] showed that the border trade volume between Thailand and other countries as Malaysia, Myanmar, Lao PDC, and Cambodia have increased to 987,572.22 million baht with an increase 6.85% in 2013. The export trade value was 589,662.29 million baht with and increase 5.26%, the import trade value was 397,909.93 million baht with an increase 9.30%. Thus, Thailand continuously gets more surplus the trade balance with her neighboring countries. Malaysia is the country that has the highest border trade value of all Thai neighbors. The trade value was 507,655.46 million baht or proportion was 51% of the overall trade. The second higher border trade value was that of Myanmar with the total value of 214,387.23 million baht or proportion was 22% of all Thai border trade. For Lao’s People Democratic Republic, the value of the border trade was 151,063.69 million baht or proportion was 15% of the overall border trade., and Cambodia, the value of the border trade was 114,465.84 million baht or proportion was 12% of the overall border trade.

### III . PROPOSED MODEL

The researcher has studied the relevant literature and adapted the model of financial inclusion from Kempson, E., Collard, S., and Moore, N. [19] as the conceptual framework for the research as shown below

Figure 1 Proposed Model

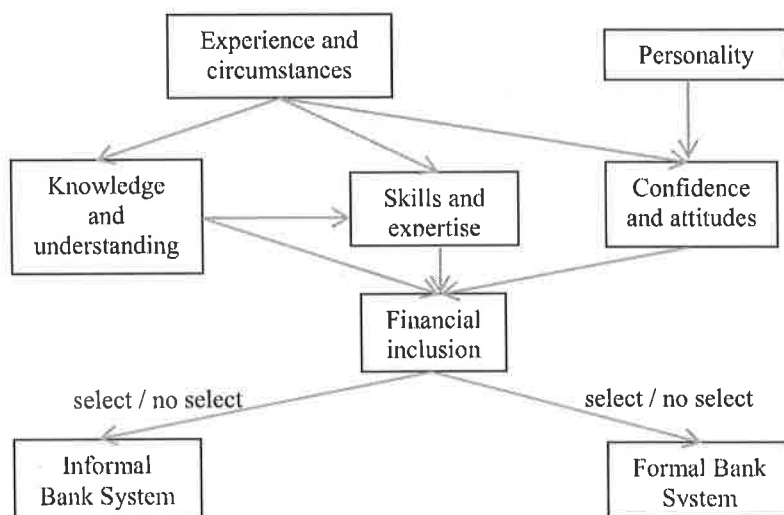


Figure 1 Proposed model of the research project of Self Financial Exclusion for Border Trade of Thai-Malaysia in order to study financial literacy affecting determining border traders’ decision not to make financial trading transaction under regular commercial banks system (Self-Financial Exclusion) between Thailand and Malaysia so that the model of decision making for the use of

financial transaction either through banks or not. This proposed model shows relationship of each factor such as (i) financial knowledge and understanding are influenced by business experience and circumstance, (ii) financial skill and expertise are influenced by experience and financial circumstance and financial skill and expertise will be created or limited by financial knowledge and understanding, (iii) confidence and attitude are influenced by experience and circumstances and also personality, (iv) financial inclusion are influenced by those mentioned factors, (v) determining border traders' decision to make financial trading transaction under regular commercial banks system (Financial Inclusion) or not to make financial trading transaction under regular commercial banks system (Self-financial Exclusion).

#### **IV. METHODOLOGY**

##### **A. Factors and Samples.**

The factors used in this research comprises of (i) Independent factors are supporting factors of financial inclusion such as business experience and circumstances, and traders personality. (ii) Dependent factors are emphasis financial inclusion factors such as financial knowledge and understanding, financial skills and expertise, and financial confidence and attitudes.

The sampling method used in this research is purposive sampling method covering Thai-Malaysia border such as Sadao customs, Padang Besar customs, Department of Foreign Trade, Private and State-owned banks, Export traders and Import Traders in the area of the Special Economic Zone (SEZ) in the first phase [3] as Border region of Songkhla Province. The total of 11 observations are involved in this research.

##### **B. Data Analysis.**

Data of this research will be collected by in-depth interview from 11 observations of Thai-Malaysia borders such as Sadao customs, Padang Besar customs, Department of Foreign Trade, Private and State-owned banks, Export traders and Import Traders in the area of the Special Economic Zone (SEZ) in the first phase [3] as Border region of Songkhla Province. The interview is semi-construct interview. The interview dimensions and questions will be related with the theoretical framework about international trading transaction theory, financial inclusion, border trade, and financial literacy concept. The interview procedure are (i) preparation for the interview (ii) in-depth interview (iii) conclusion and (iv) interpretation. The interview used interview technique as watching, checking, and discussion to get the interview results. The interview result are interpreted through by (i) narrative or descriptive (ii) created scenario or diagram to explain and (iii) created the theory conclusion.

#### **VI . EMPIRICAL RESULTS**

##### **A. The First Result : Observation Population.**

Table 1 : Thai-Malaysia Observation Population.

Sadao Customs	Padang Besar Customs	Department of Foreign Trade	Private Bank	State-owned Bank	Exporters	Importers
1	1	1	2	2	2	2

Source : In-depth Interview Data.

Table 1, the researcher can separate the population of Thai-Malaysia relevant with observation to 3 groups consists of (i) Borders trade supporter group such as Sadao Customs, Padang Besar Customs, and Department of Foreign Trade. (ii) Financial service providers group such as Private Bank and State-owned Bank. (iii) Border traders group such as Exporters and Importers.

B. The Second Result : Border Trade Value.

Table 2 : Thai-Malaysia Border Trade.

Value : Million Baht		
2013	2014	2015
501,402.01	507,655.46	485,758.96

Source : Department of Foreign Trade

Table 2, Thai-Malaysia border trade statistics from Table 2 compare statistics between 2013, 2014 and 2015. 2014 has increased from 2013 as 1.24%, but 2015 has increased from 2014 as 4.31%. The reasons of border trade decreased because exchange rate of Ringgit currency change from 2014 as 9 baht to 2015 as 7 baht. Trends of Thailand's border trade with Malaysia is increasing every year. Products type of border trade for export of Malaysia are parts and accessories assembly for machine, and for import of Malaysia are media. Border trader structure of Malaysia Traders will practice as compliance based on Ringgit currency, corruption.

C. The Third Result : Financial Literacy

From in-depth interviewed with 11 observations, the researcher can summarized the information about Financial Literacy comprise of

(i) Business experience and circumstance are separated to two groups as (1) The traditional border traders group has experience and circumstance about border trade for along time, be local traders, and familiar with informal system. (2) The new generation border traders group are applied to change new things and accept the alteration such as (2.1.) traders inherited the family business, and (2.2.) new investment traders.

(ii) Trader personality is border traders characteristics such as (1) Organization structure are partnership, company limited, public company limited, and joint venture. (2) Management are centralization or decentralization.

(iii) Financial knowledge and understanding are influenced by business experience and circumstance as (1) Financial knowledge consist of learning on the job training. This knowledge is for inherited family business traders. (2) Financial knowledge consists of learning theory before practically. This knowledge is for new investment traders.

(iv) Financial skills and expertise are influence by business experience and circumstance. It consist of learning, practice, and development continuously to be skills and expertise.

(v) Financial confidence and attitudes are influenced by business experience and circumstance, and trader's personality as (1) The traditional financial confidence and attitudes not related with formal bank system but related with informal bank system, accept financial agent of non-system exchange market. (2) The financial confidence and attitude related with formal bank system, legal regulations, customs practice, various financial services or products, teamwork, and transaction cost.

#### D. The Fourth Result : Financial Inclusion.

From in-depth interviewed with 11 observations, the researcher can summarized the information about Financial Inclusion as follow (i) Financial Inclusion through formal bank system have various financial services and products for traders solution, include transaction cost, financial service and product consulting, electronic tools, techniques, and others. Trade Finance are export and import, and transfer service. (ii) Financial Inclusion through informal bank system or non-system exchange market is system that border traders practice this system includes of (1) cash method, (2) non-system exchange market, and (3) payment between partners.

#### E. The Fifth Result : Financial Transaction Model.

From in-depth interviewed with 11 observations, the researcher can summarized the information about Financial Transaction and Financial Transaction Cost as follow

(i) Model in determining border traders' decision to make financial transaction under regular commercial bank system (formal bank system) consists of (1) Selection to make financial transaction through formal bank system., and (2) Selection not to make financial transaction through formal bank system.

(ii) Model in determining border traders' decision not to make financial transaction under regular commercial bank system (informal bank system) consists of (1) Selection to make financial transaction through informal bank system., and (2) Selection not to make financial transaction through informal bank system.

#### F. The Sixth Result : Laws, Regulations, Uniform Rules, Uniform Customs and Practice.

From in-depth interviewed with 11 observations, the researcher can summarized the information about Laws, Regulations, Uniform Rules, and Uniform Customs and Practices as follow.

(i) Borders trade country legal system are national law for each country. There are provided to 2 categories such as (1) Private Law is the law defined the relation between private and private including Civil Law and Commercial Law, and (2) Public Law is the law defined the relation between state and state's agencies or people such as Criminal Law.

(ii) Customs are separated to 2 categories such as (1) Importation depend on the nature of the imports, and regardless of value, the importers may need to obtain a permit to facilitate clearance of



the imports. (2) Exportation are all goods being exported from Thailand are subject to Customs control and must be reported to Customs. Declaration and clearance process include 4 stages as (i) submission of a declaration, (ii) Check and verification of the declaration, (iii) Payment of duties and taxes, and (iv) Inspection and release of cargo.

Customs incentive schemes to promote Thailand as a global trade hub, Thai Customs administer various Customs-related incentive schemes to facilitate the trading community. The list of incentive schemes are as below (1) Tax and Duty Compensation is one of the government measures to lower the production cost of goods for exportation to boost their worldwide competitiveness against foreign products both at international and domestic levels. (2) Duty Drawback under Section 19bis enables exporting companies to obtain a refund of Customs duty paid on imported goods where those goods will have undergone production, mixing, assembling, or packing and then exported to a foreign port. (3) Duty Drawback for Re-export enables exporters of goods which were originally imported to obtain refunds for import duties paid, subject to the criteria and conditions established by Customs. (4) Bonded Warehouse means that the importers are obliged to store the goods for more or less long period. (5) Free Zone encourages Thailand based operation by removing certain disincentives associated with manufacturing in Thailand. (6) Investment Promotion have long been one of various measures applied by the Thai Government to attract foreign investment in Thailand and to supported the government goals in decentralizing Thailand's industrial base. (7) Gold Card Scheme, and (8) Licensed Customs Broker.

(iii) Anti Money Laundering Officer (AMLO) is the main state authority that sets out Anti Money Laundering (AML) policy and Combating the Financing of Terrorism (CFT) policy and measures, as well as acting as Financial Intelligence Unit (FIU) of Thailand by receiving, analyzing and forwarding transaction analysis reports to concerned authorities for Money Laundering and Financial Intelligence (FI) prosecution. AMLO is entrusted with 3 main tasks as (1) The enforcement of law and the proceeding of legal actions against the assets associated with ML/FT offences. (2) The supervision of the reporting entities in AML/CFT matters., and (3) The financial intelligence analysis including conducting strategic analysis.

(iv) Bank of Thailand (BOT) Exchange Control Regulations has objectives as (1) to centralized foreign exchange of the country, (2) to channel foreign exchange for public benefit, (3) to monitor capital outflows, and (4) to stabilize the value of baht. The dimensions of exchange control regulations in Thailand consists of

1.Currency Regulations such as

1.1.Foreign currencies can be transferred or brought in Thailand without limit.

Any person receiving foreign currencies from abroad is required to repatriate such funds immediately and sell to and authorized bank or deposit them in a foreign currency account with an authorized bank within 360 days of receipt, except for foreigners temporarily staying in Thailand for not more than three month, foreign embassies, international organizations including their staff.

Any person bringing into or taking out of Thailand foreign currency bank notes in an aggregate amount exceeding USD20,000.- or its equivalent must declare to customs officer.

1.2.Local currencies is not restriction on the amount of Thai baht bank notes that may be brought into the country.

A person travelling to Vietnam, the People's Republic of China (Only Yunnan province) and Thailand's bordering counties is allowed to take out up to THB2,000,000.- Taking out Thai baht bank notes in an amount exceeding THB450,000.- requires declaration to Customs officer.

A person travelling to other countries is allowed up to THB50,000.-

2.Trade and Services such as

2.1.Exports: Export proceeds in an amount equivalent to USD50,000.- or above shall be repatriated immediately after payment is received and within 360 days from the export date. The

proceeds must be sold to or deposited in a foreign currency account with an authorized bank in Thailand within 360 days of receipt.

2.2. Imports: Importers may purchase or withdraw foreign currencies from their own foreign currency accounts for import payments upon submission of supporting documents. Letter of credits may also be opened without authorization.

2.3. Services: All proceeds from services in an amount equivalent to USD50,000.- or above shall be repatriated immediately after payment is received and within 360 days from the transaction date. The proceeds must be sold to or deposited in a foreign currency account with an authorized bank in Thailand within 360 days of receipt.

Outward Remittances of amounts properly due to nonresidents are permitted for items of non-capital nature such as service fees, interest, dividends, profits, or royalties provided that supporting documents are submitted to an authorized bank. Travelling expenses or educational expenses of residents are also freely permitted upon submission of supporting documents.

(v) Rules and Uniform Customs and Practice for International Trade. There are standardization for International Trade Procedure. There are conducted strictly and correctly according to regulation and tradition of International Chamber of Commerce (ICC) with the same standard worldwide. There are related with payment method, terms of payment, International Commercial Terms (Incoterms) or terms of delivery, shipping documents, and other. There are consists of :

(1) Uniform Customs and Practice for Documentary Credits, Publication No.600-2007 REV. (UCP600).

(2) International Standard Banking Practice for the Examination of Documents under Documentary Credit, Publication No.645 (ISBP).

(3) Uniform Rules for Bank-to-Bank Reimbursement under Documentary Credits, Publication No.725 (URR725).

(4) Uniform Rules for Collection, Publication No.522 (URC522)

#### G. The Seventh Results : Readiness

From in-depth interviewed with 11 observations, the researcher can summarized the information about Readiness of Banking and Traders as follow.

(i) Banking Readiness relate with (1) Financial services and products of bank are called Trade Finance., (2) Service branches, service location, trade service center, and automatic teller machine (ATM) points, Service channel., (3) Banking service quality., (4) International trade knowledge, border trade knowledge, cross border trade knowledge include other banking service are service to general traders., (5) Products, transaction, and service standardization., (6) Procedure is flexible and ease of use., (7) Facilities for traders., (8) Promotion state-owned bank policy for traders., and (9) Banking special project can attract border traders to make financial transaction.

(ii) Traders Readiness relate with (1) Traders confidence and attitude to commercial banks., (2) Informal system by cash method for border traders that have distance less than or equal 20 kilometers. If distance are more than 20 kilometers, they will make financial transaction with financial agent of non-system market.

(iii) Bankers Readiness relate with (1) Communication by local language and English language is skill for border traders, banking officers, and other concerned party., (2) Banking officer should be advisor about international trade, border trade, cross border trade, and other to border traders., (3) Human error of banking officers., and (4) Service mind and service quality.

(iv) Transaction Cost relate with financial transaction cost such as fees, transaction cost, interest, penalty charges, and other charges.

(v) Risk Management relate with border traders must estimate risk to make financial transaction through formal system consists of (1) Financial risk such as fees, transaction cost, interest, penalty charges, and other charges., and (2) Operation risk such as banking operation, banking service quality, services or products, facilities, channels, location, service standardization, reliability, and confidence.

## VII. DISCUSSIONS AND CONCLUSIONS

The researcher reviewed the literatures associated with research framework. The conclusion of the research consist of Trade of Transaction Theory, Financial Inclusion, Financial Literacy, and Border Trade. The empirical results showed that international trading transaction theory, financial inclusion, border trade, and financial literacy factors are influenced to construct model in determining border traders decision not to make financial transaction under regular commercial banks system (Self-financial Exclusion) such as (i) cash payment method, and (ii) financial agent of non-system exchange market payment method. The results are usefulness for quantitative research on the next step.

However, the limitation of this research consists of (i) Collection data are collected only 11 observations in the border region in Songkhla province. The researcher should collect data in the other border area. (ii) This research is only qualitative research. The researcher should research with quantitative research, too.

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