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Thailand's Digital Wallet Scheme: Populist Promise or Economic Pitfall?

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The Digital Wallet Scheme, the Pheu Thai Party's signature campaign promise, aimed to reshape Thailand's economic landscape. Initially conceived as a universal handout, it has been revised to target low-income earners.¹ However, as of 2024, the rollout has faced delays, casting doubt on the feasibility of its implementation. While the Digital Wallet Scheme offers a populist appeal through direct cash handouts, its ability to address the country's economic downturn in the long-term remains questionable due to significant implementation challenges.

Thailand's Digital Wallet Scheme embodies classic populist strategies. By directly distributing cash to low-income earners, particularly those in rural areas and the informal sector, the Pheu Thai Party aims to connect with a crucial voting bloc. This strategy, reminiscent of the party's past actions as Thai Rak Thai, avoids traditional social welfare programs by delivering money directly to voters, which could create an immediate sense of benefit and gratitude toward the party. Additionally, a potentially successful scheme, leading to increased spending and improved livelihoods for low-income voters, could solidify Pheu Thai's support base and generate positive media coverage, further improving their image.

¹ Patpicha Tanakasempipat & Pathom Sangwongwanich. 23 November 2023. "Thailand Goes Ahead With Controversial \$14 Billion Cash Handout to Prop Economy". Time. Available at <https://time.com/6333748/thailand-digital-wallet-cash-handout/>

Nevertheless, pursuing these populist objectives presents economic challenges. Despite the scheme's promise of short-term spending stimulation, its long-term economic impact remains uncertain. Distributing large sums of money can lead to inflation, potentially eroding the purchasing power of the baht. The initial proposal of a 500-billion-baht injection raised concerns about currency depreciation, as seen by foreign investors selling Thai bonds and stocks in September 2023, anticipating a potential baht fall.²

While the scheme aims to stimulate spending, limitations in reach and digital literacy create obstacles. The requirement to spend the money within a 4km radius might disadvantage rural low-income earners who rely on smaller, local shops outside this zone. This could exacerbate existing inequalities.³

Moreover, with 74.1% of Thai youth and adults lacking basic digital literacy skills, the scheme's effectiveness in promoting financial inclusion is questionable.⁴ This raises concerns about its ability to reach its intended beneficiaries, potentially excluding a significant portion of the low-income population it aims to support.

However, these limitations in digital literacy are just one challenge the scheme is facing. While still under the review, the National Anti-Corruption Commission (NACC) has raised concerns about its vulnerability to corruption, both in policy execution and by potential recipients. This poses questions about the effectiveness of safeguards and the possibility of the scheme worsening existing corruption issues.⁵ Additionally, the NACC questioned whether Thailand's economic situation justifies giving money to the targeted demographic. This suggests concerns about efficiently targeting those most in need, potentially weakening the scheme's intended impact.

² The Star. 05 October 2023. "Baht plummets on digital welfare plan uncertainty". Available at <https://www.thestar.com.my/business/business-news/2023/10/05/baht-plummets-on-digital-welfare-plan-uncertainty>

³ Pichayada Promchertchoo. 20 October 2023. "Helicopter money: Thailand's 10,000-baht cash handouts facing criticisms from public, businesses and even elites". Channel News Asia. Available at <https://www.channelnewsasia.com/asia/thailand-srettha-pheu-thai-economy-3857131>

⁴ The Nation Thailand. 24 February 2024. "Baht plummets on digital welfare plan uncertainty". Available at <https://www.thestar.com.my/business/business-news/2023/10/05/baht-plummets-on-digital-welfare-plan-uncertainty>

⁵ The Nation Thailand. 20 February 2024. "NACC's proposal on contentious digital wallet scheme under review". Available at <https://www.nationthailand.com/thailand/politics/40035726>

Finally, the NACC marked potential legal challenges related to the Constitution and adherence to fiscal responsibility standards.⁶ This poses doubt on the scheme's legality and its potential impact on Thailand's financial health.

Further complicating matters are the additional approval processes outlined by Julapun Amornvivat, Deputy Minister of Finance. The scheme requires navigating time-consuming stages like securing funding through borrowing and parliamentary debates. Additionally, it needs final approval from the Senate and the King.⁷ These bureaucratic processes can significantly delay the rollout, which raises questions about the scheme's ability to achieve its intended goals.

The delays have a two-fold impact. First, if the scheme aimed to provide a timely economic stimulus during a specific downturn, these delays might render it ineffective. The lag between conception and implementation could diminish the intended short-term benefits.

Second, the delays and uncertainties surrounding the scheme might create a wait-and-see approach among businesses and consumers. This could hinder overall economic confidence as businesses delay investments and consumers postpone spending decisions. The complex approval process and the NACC's concerns raise doubts about the scheme's feasibility and effectiveness. The delays not only impact the short-term economic stimulus potential but also create doubt over the scheme's transparency and its ability to deliver on its promises.

Despite the identified risks, uncertainties, and concerns raised by stakeholders, the Thai government remains committed to pushing the Digital Wallet Scheme forward. This reflects the Pheu Thai Party's commitment to their key promise, potentially impacting Thailand's economic future. Furthermore, Prime Minister Srettha's emphasis on considering all relevant opinions, including those from the NACC and the Council of State, suggests a willingness to address

⁶ Thai PBS World. 07 February 2024. "National anti-graft watchdog raises reservations over government's digital wallet scheme". Available at <https://www.thaipbsworld.com/national-anti-graft-watchdog-raises-reservations-over-governments-digital-wallet-scheme/>

⁷ Channel News Asia. 20 March 2024. "Thailand forges ahead with 'digital wallet' handout scheme, official says". Available at <https://www.channelnewsasia.com/business/thailand-forges-ahead-digital-wallet-handout-scheme-official-says-4207976>

concerns and improve the scheme's implementation.⁸ This focus on incorporating feedback might move the scheme beyond a purely populist measure and towards a more sustainable economic solution. While challenges remain, the government's ongoing efforts, coupled with a willingness to consider diverse perspectives, offer a sign of hope that the Digital Wallet Scheme might ultimately have a positive impact on Thailand's economic landscape.

The future of the Digital Wallet Scheme depends on its ability to transcend its populist roots. Overcoming implementation challenges and delays is crucial, but also addressing the core economic concerns raised by the NACC. If the scheme evolves into a more targeted and sustainable economic solution, it might offer genuine support to low-income earners. On the other hand, if it remains fixated on short-term populist gains and fails to address Thailand's economic challenges, it could ultimately prove detrimental to the country's long-term economic health and political stability.

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⁸ The Nation Thailand. 15 February 2024. "Srettha ready to listen to all opinions on digital wallet scheme". Available at <https://www.nationthailand.com/thailand/politics/40035609>