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### Robowealth: Boosting financial inclusion in Thailand

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# ROBOWEALTH

## BOOSTING FINANCIAL INCLUSION IN THAILAND

Advanced fintech lowers barriers to investing.

by Chiraphol New Chiyachantana,  
David K. Ding, Pattarawan Mai  
Prasarnphanich, and Chan Chi Wei

In 2017, Chonladet Khemarattana saw the potential to disrupt the investment advisory industry in Thailand and promote greater financial inclusion. Thailand's robust economic growth over the past three decades had reduced its poverty rate dramatically. Its standard of living and life expectancy had also improved. However, most residents did not have strong social safety nets to rely on. Thailand's population was also gradually ageing, and many citizens lacked sufficient emergency savings. Lower-income workers found it difficult to save for retirement due to the lack of time, money, and expertise.

Chonladet was a dreamer who wanted to use his interests in finance and programming to help change society for the better. He was aware that the government was trying to revamp its pension programme to support a growing number of retirees in Thailand. However, he felt the problem had to be resolved first by changing the local savings culture. Education was the key to providing the basic financial literacy required for people to manage their retirement budgets. There was also an urgent need to create better social safety nets and improve access to education for children, especially those from lower-income families.

Chonladet believed there was an opportunity for people to manage their retirement planning by investing in a broad portfolio of financial securities for diversification. He decided to capitalise on innovations in financial technology (fintech) that enabled wealth management firms to lower their operating costs. With this vision, he founded Robowealth in 2017 to provide investment opportunities for every Thai citizen, including the low-income ones. Robowealth was developed by employing technology to build user-friendly digital platforms that applied algorithms to drive investment decisions. It sought to capitalise on the digitisation trend to reach consumers through an easy-to-use app, enabling even low-income

workers to make small investments and benefit from diversification. Robowealth also developed a business-to-business (B2B) channel that allowed collaborations with other industry players in order to build a more efficient financial ecosystem for locals. In due time, the start-up was hopeful that it could partner with the government to build a Thai provident fund.

### THAILAND'S ECONOMY AND SOCIETY: GROWING CONCERNS

Thailand's export-led economic model achieved an average of 7.5 percent in economic growth annually from 1960 till the onset of the 1997 Asian Financial Crisis, allowing the country to attain upper middle-income status. Its large agriculture sector counted rubber and rice among its key exports while its manufacturing sector focused on steel, electronics, and automobiles. The services sector, especially tourism, also contributed significantly to the national GDP.

In recent years though, the country's economic progress had slowed. The rate of workers moving from agriculture to industry dropped and the manufacturing sector has had to deal with heightened regional competition.<sup>1</sup> The tourism sector was another sector of concern. Given that it contributed as much as 11 percent to Thai GDP during pre-COVID times,<sup>2</sup> it required close attention and management, particularly when it tended to crowd out investments in education and bring about environmental issues, just as other tourism-dependent developing countries like Vietnam had similarly experienced.<sup>3</sup>

In 2016, Thailand's population was about 69 million people, with a labour force of about 39 million people.<sup>4</sup> From that same year, incomes for the bottom 40 percent of the population started to fall.<sup>5</sup> The government responded by approving social welfare programmes worth 13 billion baht (US\$438 million) to assist the low-income sector. It also launched a long-term plan to develop a digital-based 4.0 economy.<sup>6</sup>

There were also a few societal developments that Chonladet had been watching closely. With an Internet penetration rate of 75 percent, the Thais spent the second-highest amount of time globally on their mobile phones.<sup>7</sup> Demographically, the life expectancy in the country was rising but the population was ageing; in 2006, eight percent of people were over 65 years of age and this rose to 11 percent in 2016.<sup>8</sup> It had been forecast in 2020 that this segment could make up more than 20 percent of the total population by as early as 2035.<sup>9</sup>

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Hence Chonladet believed there was scope and opportunity for the Thais to manage their retirement planning. He explained, "Saving and investing are necessities for all of us, especially those who aim to grow their wealth for retirement. With medical advancement, people live longer and have more needs to spend their money on post-retirement. Financial planning needs to start early. A good start would be to divide our income into three parts. The first portion is for use in our daily lives. The second portion is for use in case of emergencies. And the rest should be used to invest in any asset that generates a return that is at least higher than the inflation rate. By doing all these, people will eventually achieve financial freedom."

### FINANCIAL INVESTING

#### Playground of the rich

In 2016, the stock exchange of Thailand had a market capitalisation of US\$437 billion<sup>10</sup> while the bond market was worth US\$366 billion<sup>11</sup>. Investors would often purchase a combination of stocks, bonds, and other assets through mutual funds. The Thai mutual fund market comprised around 20 Asset Management Companies or AMCs that would issue and market mutual funds.

However, it was difficult for most people to participate in the capital markets. Traditionally, the investment advisory industry advised individuals on constructing portfolios that include a combination of stocks, bonds, currencies, commodities, cash, and real estate. Relationship managers worked with clients to assess their investment goals, risk tolerance, and time horizon before implementing an investment strategy. Based on the resulting investment policy statement, the portfolio manager would embark on the asset allocation process. In order to optimise performance, portfolio managers would use a portfolio optimisation model such as modern portfolio theory.

Investors could invest a lump sum from the start or embark on a dollar cost averaging (DCA) strategy. Utilising a DCA strategy allowed investors to split the total investment across periodic purchases of target assets to reduce the volatility of returns. To maintain the target allocation, portfolio managers would usually readjust the portfolio at monthly intervals to restore the selected asset allocation. However, as could be expected, providing this level of service was only viable when serving high-net-worth individuals (HNWIs).

Chonladet felt that a lack of access to investment advisory services was a key reason for the small investor base. He elaborated, "The investor base in Thailand is very low compared to our population. Three million investors out of 70 million people are less than five percent. I think in developed countries, the ratio of investors to population should be approaching 50 percent. And in typical emerging markets, it should be about roughly 10 percent."

#### Robo-advisors level the ground

Over time, the wealth management industry became more automated. The progress of Artificial Intelligence meant that machines could process massive amounts of data in order to make recommendations based on programmed investment models. Robo-advisory was a fast-growing area of fintech solutions in wealth management, driven by advanced technology that allowed firms to develop user-friendly digital platforms that applied algorithms to drive investment decisions.

Robo-advisors were robots on digital platforms that provided investment advice based on pre-programmed instructions. They would collect relevant information from consumers via online surveys to determine their return goals, risk tolerance levels, and investment horizons, and then allocate funds to suitable asset classes. The use of robo-advisors widened the consumer base, as wealth management firms could charge lower fees commensurate with their lower costs.<sup>12</sup>



## FOUNDING ROBOWEALTH

Chonladet had begun talks with the Thai Security Exchange Commission in 2016 to get their opinion on the viability of the business and advice on the necessary licences to operate Robowealth. After getting regulatory clearance, he hired a team of developers to build the digital platform. In 2017, Chonladet founded Robowealth with an experienced group of financial professionals, turning it into the first Thai company to provide robo-advisory and mutual fund investment services.

Chonladet explained how he first tried to understand the challenges his potential consumers faced, “We figured out the pain points that prevented people from investing. Firstly, Thais perceive investing to be risky. Secondly, they think it is too difficult to start gaining knowledge on this topic. Thirdly, they think that it is time-consuming; in order to invest profitably, they will need to devote time to sitting in front of the computer and looking at the stock charts. Lastly, they think they need to have a lot of money, as investing is only for rich people. Portfolio managers would pay no attention to them because they have too little money to start with.”

His team started to work on providing solutions to address those pain points. Robowealth would democratise the investing process by requiring a low minimum investment amount and reduce risk through diversification. Its automated services would also crunch the numbers to provide quick and easy options for investors.

The plan was for Robowealth to build a stable and inclusive financial ecosystem to suit the needs of different consumer segments by offering tailored digital solutions to consumers.

### The Robowealth ecosystem

Chonladet hoped to provide universal coverage to every individual in Thailand. Consumers only had to download the Robowealth app on their smartphones to gain access to its services. While Robowealth served HNWI through its Indego brand, which functioned like a traditional investment advisory firm, it also partnered with Thai conglomerates to provide curated funds through its FinVest brand. Its Codefin software house developed and sold wealth tech software to other financial institutions. It was the odini brand though that served the low-income segment (see box story for elaboration on some of Robowealth’s services).

A robo-advisor called odini was offered by the Robowealth app. Chonladet elaborated on the role of the robo-advisor, “We use robo-advisors to do the quantitative modelling,

using mean-variance optimisation and the Black-Litterman model. It calculates the return expectation of each asset class and minimises volatility based on a given target return before computing the weight of each asset class. Once we approve the weight and fund selection, we will let the robo-advisor rebalance, as well as manage deposits and withdrawals. With odini’s purely automated asset allocation, fund selection, and rebalancing, users would not have to do anything. We also offer the lowest minimum starting amount in the industry. And the good thing is that

our users can start carrying out DCA right away. And from the very first time that you make a deposit of at least 1,000 baht (US\$34), you can choose from five portfolios, ranging from the most conservative one to the most aggressive one. After that, you make a choice. Let’s say you picked the module targeting about eight percent return per year. That would be the asset allocation giving weight to each asset class, which are Thai equities, US equities, Euro equities, Japan equities, China equities, emerging market equities, Thai Fixed Income and REIT and gold.”

odini also helped to educate investors through a talk show featuring local celebrities and social media influencers. The interviewees discussed their own financial planning tips while emphasising the need to start investing early.

It was important for Robowealth to maintain strong customer relationships to increase the network value of its platform. While the company did not provide the personal assistance offered by traditional investment advisory firms, its automated services were convenient to access and user-friendly.



### SELECTED ROBOWEALTH SERVICES

#### odini

odini was a robo-advisor offered by Robowealth to serve the low-income segment. Customers could open an account with a minimum sum of 1,000 baht (US\$34). They could choose a suitable risk profile, ranging from 1 (safest) to 5 (riskiest), and allow odini to select asset allocation targets and rebalance their portfolio automatically. The robo-advisor would automatically modify the portfolio according to market conditions and the risk appetite of the customers. odini black was a premium offering for mass affluent clients with at least 500,000 baht (US\$16,800).

#### FinVest

FinVest was Thailand’s first curated investment app that searched for suitable funds that met the needs of investors. Robowealth developed the app in partnership with Kasikorn Bank (Kbank) and Lu International, the overseas fintech arm of China’s Ping An Insurance Group. The product screening committee

met twice a month to update the list of available mutual funds. Users could invest directly through the Advance Magic Card e-wallet system or the Ascend Wealth app in True Money Wallet, a third-party e-wallet under the Charoen Pokphand (CP) Group.

Robowealth’s share of management fees vary according to the size of the investor’s Assets under Management (AUM), as shown below:

FinVest Monthly AUM (in baht)	Robowealth Share
Below 50 billion	20 percent
Between 50 & 100 million	25 percent
Above 100 billion	30 percent

  

Ascend Wealth Revenue (in baht)	Robowealth Share
Less than 5 million	25 percent
Between 5 & 10 million	20 percent
Between 10 & 50 million	15 percent
Between 50 & 100 million	10 percent
More than 100 million	5 percent

#### Indego

Indego aimed to be the leader in providing quality and impartial investment advice to high-net-worth clients. It provided accredited investors who started with 10 million baht (US\$336,000) with a wide range of global investment opportunities. Having the Indego brand on board helped Robowealth cover the wealth spectrum of local investors. Consumers in this segment would be able to consult experienced fund managers and analysts for their expert views.

#### Codefin

Codefin was the software house used to facilitate product development activities for Robowealth’s partners such as Stock Exchange of Thailand, Kasikorn Asset Management, Krungsri Asset Management, SCB Securities, and LH Bank. It assembled a dedicated full-stack software development team to work on process design, developed wealth tech software, and improved third-party collaboration.

## GROWTH PLANS

Robowealth had grown steadily after its inception, with regulators and other industry participants recognising it as a leader in the robo-advisory and mutual fund investment fields. The industry was growing, and AUM for the Thai robo-advisory industry were projected to grow from US\$5.4 billion in 2021 to US\$13.4 billion by 2025 at a compound average growth rate of 25.6 percent.<sup>13</sup>

Elaborating on Robowealth's development of multiple revenue streams, Chondalet said, "We are going down both the business-to-consumers (B2C) and B2B routes, as we know that both avenues are important to our success. The B2B offering provides our technology to other financial institutions, and we have already secured many deals with other banks, securities firms, asset management companies, and fintech start-ups."

Chondalet felt that collaboration was important to Robowealth's continuing growth. Traditional banks and asset management companies that were larger and better capitalised could respond to the competition by launching their own robo-products after conducting their internal research and development. For instance, the strong relationship Robowealth had built with Kbank, which was responsible for acquiring 70 percent of clients for Robowealth's FinVest joint venture, helped them reduce customer acquisition costs. Chonladet added, "It is easier to cooperate than compete with the big banks. Kbank is quite innovative and open to new technologies."

Chonladet also saw the benefits of collaborating to provide widespread coverage. He remained committed to building a financial ecosystem that would help Thais from all walks of life achieve their retirement goals, and added that profits were not its only consideration, "Together, we need to provide every Thai with convenient, user-friendly, and reliable investment channels. The service provider could be my company, my partner, or even any other company. We do not want to compete just for market share. We want to increase the size of the pie so that Thai people can access efficient investment channels."

Chonladet felt he could develop similar partnerships with regulators and government planners to create a Thai provident fund using Robowealth's services. If Thai employees were automatically enrolled in the scheme, they could take advantage of the convenient financial planning tools to start saving for retirement. In time, he hoped that all Thais would be able to modify their investment portfolios anytime, anywhere. AM

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