

**National Credit Bureau data shows that debt restructuring efforts have helped ease problems related to non-performing business loans, according to KResearch**

KASIKORN RESEARCH CENTER (KResearch)'s analysis on the commercial loan database from the National Credit Bureau (NCB) for the first quarter of 2025 shows that smaller businesses have seen a more pronounced increase in non-performing loans (NPLs) compared to other groups. Meanwhile, debt restructuring efforts under the Responsible Lending (RL) guidelines and proactive asset quality management by financial institutions have helped the proportion of overdue loans for 1–30 days, or Stage 1, to decline since mid-2024. A sustainable resolution to non-performing business loans requires favorable macroeconomic conditions to help Thai businesses remain competitive and maintain long-term profitability.

**Ms. Thanyalak Vatcharachaisurapol, KResearch Deputy Managing Director,** said that overall non-performing loans (NPLs) of nine commercial banks listed on the Stock Exchange of Thailand in the second quarter of 2025 increased from the previous quarter. Meanwhile, an analysis on the NCB database for the first quarter of 2025 shows that although Stage 2 and Stage 3 of business loans remained stable compared to the end of 2024, they had increased slightly compared to the second quarter of 2023, or one year after the country's reopening after COVID-19. Moreover, smaller businesses saw a more pronounced increase in NPLs compared to other groups, with the super micro segment having the highest proportion of NPLs at 14.81 percent of total loans, followed by 12.11 percent in the micro segment and 9.75 percent in the small business segment. For the medium and large business segments, the ratios were 6.51 and 1.37 percent, respectively. However, debt restructuring measures under the Responsible Lending (RL) guidelines, along with proactive debt quality management by financial institutions, have helped reduce the proportion of overdue loans for 1-30 days since mid-2024.

**Mr. Grid Kaewhiran, KResearch Senior Researcher,** said an analysis of debt quality by business type shows that businesses linked to domestic and international purchasing power, such as manufacturing and accommodation, have overdue loans of more than 30 days. The main concern, however, is with large-sized businesses because they have the highest proportion of overdue loans of more than 30 days. Small and micro SMEs have also seen a rise in unpaid loans. For businesses linked mainly to domestic purchasing power, such as wholesale and retail trade, the deterioration in asset quality seen previously in small and micro SMEs has now spread to medium-sized businesses. In the construction and real estate sectors, this negative picture is prevalent in large businesses as well. Amid increased economic uncertainty due to the impacts of the US import tariff hike on exports and sluggish domestic purchasing power, there is a heightened risk that the debt repayment ability of these businesses could decline further during the rest of this year.

Dr. Kanjana Chockpisansin, Head – Research at KResearch, said that based on the reclassification of business loan accounts according to borrowers’ repayment behavior over the past year, the accounts fall into four categories: Good, Newly Impaired, On-Off, and Distressed. As evidenced, 95 percent of all business loan accounts remain in ‘Good’ status. However, a notable point is that the number of accounts in the ‘Good’ category has gradually declined since the post-pandemic period, while the proportion of accounts classified as ‘On-Off’ and ‘Distressed’ has increased. This trend reflects the impacts of multiple economic headwinds on the profitability of Thai businesses, with a sharper decline seen in Good-status loan accounts of small enterprises over time. Moreover, while debt restructuring can help slow the deterioration into non-performing loans (NPLs), it is most effective in reviving businesses only when implemented at the early signs of overdue repayments – not after such overdue payments have already turned into NPLs. This is because the likelihood of NPLs being reclassified as performing within one year after restructuring is less than 10 percent.

KResearch added that relevant authorities should introduce debt relief schemes tailored to the repayment ability of each customer segment. This could include a policy to temporarily adjust repayment terms for Good-status borrowers who have not yet defaulted but foresee business difficulties early on. Additionally, preparation for a renewed asset warehousing program should be considered as a proactive measure to prevent debts from deteriorating into NPLs. Once debts become NPLs, the focus should shift to promoting out-of-court workouts, such as the transfer of assets to settle debt. Relevant authorities could support this process by reducing related fees, such as those associated with the transfer of buildings and land.

Moreover, if overdue payments are prolonged, the likelihood of further deterioration is higher than recovery to good standing, expediting legal proceedings could help both debtors and creditors reach clarity sooner, allowing debtors to restart their businesses more quickly. Additionally, priority should be given to allowing debtors to gradually repay for their non-performing assets (NPAs), which would effectively offer opportunities for debtors who recover quickly to reclaim their original assets. However, such debt resolution measures provide only short-term business recovery. To permanently break the cycle of NPLs, favorable macroeconomic conditions are essential to enhance Thai businesses’ competitiveness and long-term profitability. Only then can the problem be sustainably resolved.

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