

Financial lifelines for SMEs

Strengthening and developing SMEs, a key APO thrust area, involves creating an environment that nurtures new start-ups and enables the growth and development of existing businesses. Financing is critical. “SME financing is the key to providing an enabling environment for growth, since SMEs need varying amounts of funds at different stages of their growth. For SMEs in the formative stages, access to financing is critical,” explained Secretariat Research and Planning Department Director Mukesh Bhattarai. An APO research project on financing for SMEs was conducted in 2007 and the results were discussed at a study meeting in Indonesia, 5–8 August.

Three international and two local resource speakers attended. Soongsil University Professor Moon-Kyum Kim, Republic of Korea, who supervised the research, presented its major findings along with the importance of SMEs in economic development in each member country. National SME policies have a different focus: the Republic of Korea fosters innovative SMEs; the Philippines develops micro SMEs; and the Republic of China focuses on R&D, design, and brand development. Financing systems for SMEs include credit guarantees, mandated bank lending, equity financing, and assistance from nonbank institutions. However, the “major source of SME financing is bank loans,” Dr. Kim noted.

The Japanese resource speaker, Deputy Director Hisao Daito, National Life Finance Corporation (NLFC) International Cooperation Office, introduced the NLFC as a government-owned institution that monitors the SME financing market and “intervenes in the market with lines of credit mainly when there is



Discussing innovative financing methods

a credit crunch.” [The NLFC will be integrated into the Japan Finance Corporation from 1 October 2008.]

Participants agreed on the need to develop innovative methods to cope with current trends proactively in a changing business environment. Emerging methods such as over-the-counter financing for SMEs and blue angel schemes were welcomed. It was also pointed out that improved SME accounting and bookkeeping abilities are necessary to satisfy lending institution requirements. The APO was requested to play a supporting role by monitoring progress and developments in this basic area and by providing open forums for sharing of best practices, ideas, and suggestions. 🌀