

# SME financing after the global financial crisis

**"A**ll Asian countries have a very large concentration of micro and SME units and they contribute 20% to 50% of GDP. Many units were closed down or became sick due to cuts in production and services after the global financial crisis. This directly affected their financing," Director Bankim Bhatt, Bismar Fintech Pvt. Ltd., India, explained to the *APO News*. Bhatt was one of three APO experts at the recent study meeting on SME Financing in the Aftermath of the Global Financial Crisis held in Indonesia, 23–27 November.

The study meeting examined SME financing frameworks in the Asia-Pacific region, explored nontraditional sources of financing after the financial crisis, identified best practices, and formulated recommendations for member countries. The APO experts presented suggestions for future policies based on their experience and analysis of current SME financing practices.

Bhatt listed suggestions from various perspectives to overcome obstacles faced by SMEs in obtaining financing. One solution was a cluster approach: "A cluster of SMEs could create and manage common infrastructure facilities with an advantage of scale." He pointed out the benefits of clusters as "information sharing among members with regard to market trends, customers, and technologies, and the viability of raw material banks to shield SMEs from price fluctuations."

The presentation on the SME financing support programs of the Micro Business and Individual Unit of the Japan Finance Corporation (JFC-Micro) was recognized as a best practice example of government policy-based finance. Nobuyo Hirata of JFC-Macro introduced the JFC as a comprehensive, policy-based financial institution wholly owned by the Japanese government. JFC-Micro offers general, special, managerial improvement, and environmental health business loans. Special loans, accounting for 43.8% of business loan schemes, adhere to the government's economic and financial policy for SMEs and include loans for business start-ups,



*Employees of Perum Pegadaian, a state-owned microfinancing enterprise, welcoming APO participants*

information technology, safety nets, business reconstruction, etc. After the crisis, financial support measures for SMEs are provided through this policy-based system under which JFC-Micro also offers safety-net loans, emergency credit guarantees, and crisis response measures.

Professor Moon-Kyum Kim, Soongsil University, Republic of Korea, explained SME financing as "high risk and high information asymmetries, with the result that financing for SMEs is characterized by high interest rates and unstable financing." He emphasized the need to establish an equity investment device for innovative SMEs to enable the development of a market for technology appraisal, nurture venture capitalists, and promote trust and the liquidity of technology.

The meeting suggested further study of SME financing. The APO will therefore conduct research on financing for SMEs based on the findings and recommendations of the study meeting. 