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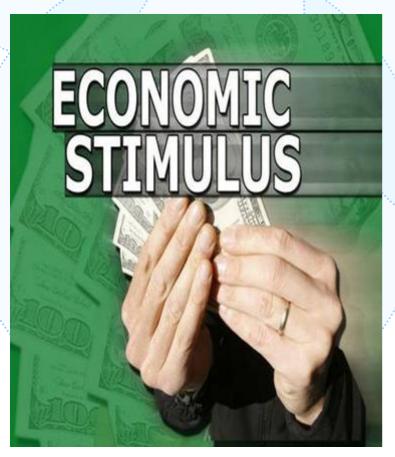
A Perspective of ASEAN Financial Sector under the Global Financial Crisis: Assisting SMEs Through Financial Sector Intervention in Asia

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The Effects of the Global Economic Crisis on SMES: The Situation & Response



- The Global financial and economic crisis has severely affected SME sector's access to bank loans and working capital;
- Asian governments have provided various forms of assistance by intervening directly in the financial sector;
- Examples of such measures include loan guarantees, interest subsidies on loans and setting targets for SME lending;



The Effects of the Global Economic Crisis on SMES



- 4. However such measures contribute little and may even be counter productive to the long-term goal of a stronger financial sector that is able to meet SME funding needs and yet maintain financial stability.
- This paper draws upon past studies and lessons learned after the Asian Financial Crisis in 1997 to examine the role of government intervention in the financial sector and its impact on SMEs;



Restructuring: A Holistic Approach



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- 6. It is important that governments should conceptualize a broader, longer term blueprint for financial sector reform and align current stimulus measures to the plan;
- 7. Balance between the need for SME financial lending and stability can be achieved through a holistic approach that strengthen supervision and capabilities such as transaction technologies of financial institutions;

Government Intervention



Government intervention is necessary to correct market failures related to information gaps, the need for coordination and collective action and concentration of power. Therefore, government has an extensive role in supporting, regulating and sometimes directly intervening in the provision of financial services to SME sector:



Other Factors



- 9. Not all government action is equally effective and some policies can be counterproductive. Measures that are effective in environments that have already enjoy strong institutions may fail elsewhere;
- 10. At the same time, a well-functioning financial system itself is likely to contribute to strengthening financial governance;

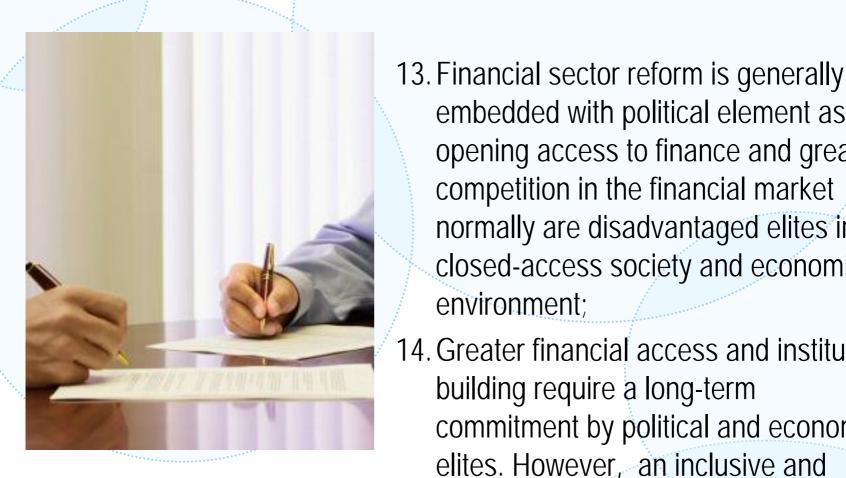
Policy Reform: Access



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- 11. A reform approach to financial sector policy that explicitly recognizes the importance of access can help ensure that financial development also makes financial systems more inclusive;
- 12. In prioritizing access policy, it is important to recognize the limitations of even a very efficient financial system supported by a strong contractual and information infrastructures, especially for developing countries

Financial and Political Reform



opening access to finance and greater competition in the financial market normally are disadvantaged elites in closed-access society and economic environment; 14. Greater financial access and institution building require a long-term

embedded with political element as

commitment by political and economic elites. However, an inclusive and sustainable financial access would provide much positive benefits to all firms, SMEs and larger enterprises;



Singapore SRI (I)

15. The Singapore experience is a case in point. The Government launched a Special Risk-Sharing Initiative (SRI) to ensure good and viable firms get the funding they need to stay afloat and grow. It involves the Government taking on more risk in bank loans from 50 percent to 80 percent and the maximum loan tenure revised longer;





Singapore SRI (II)



- 16. More than 13,000 companies, more than 90 percent of them are SMEs have benefited from the schemes
- 17. The various financial assistance schemes extended to SMEs: (a) Micro Loan Programme (b) Bridging Loan Programme (c) Local Enterprise Finance Scheme and (d) Loan Insurance Scheme.



Thank you!

Queries/Clarifications?

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