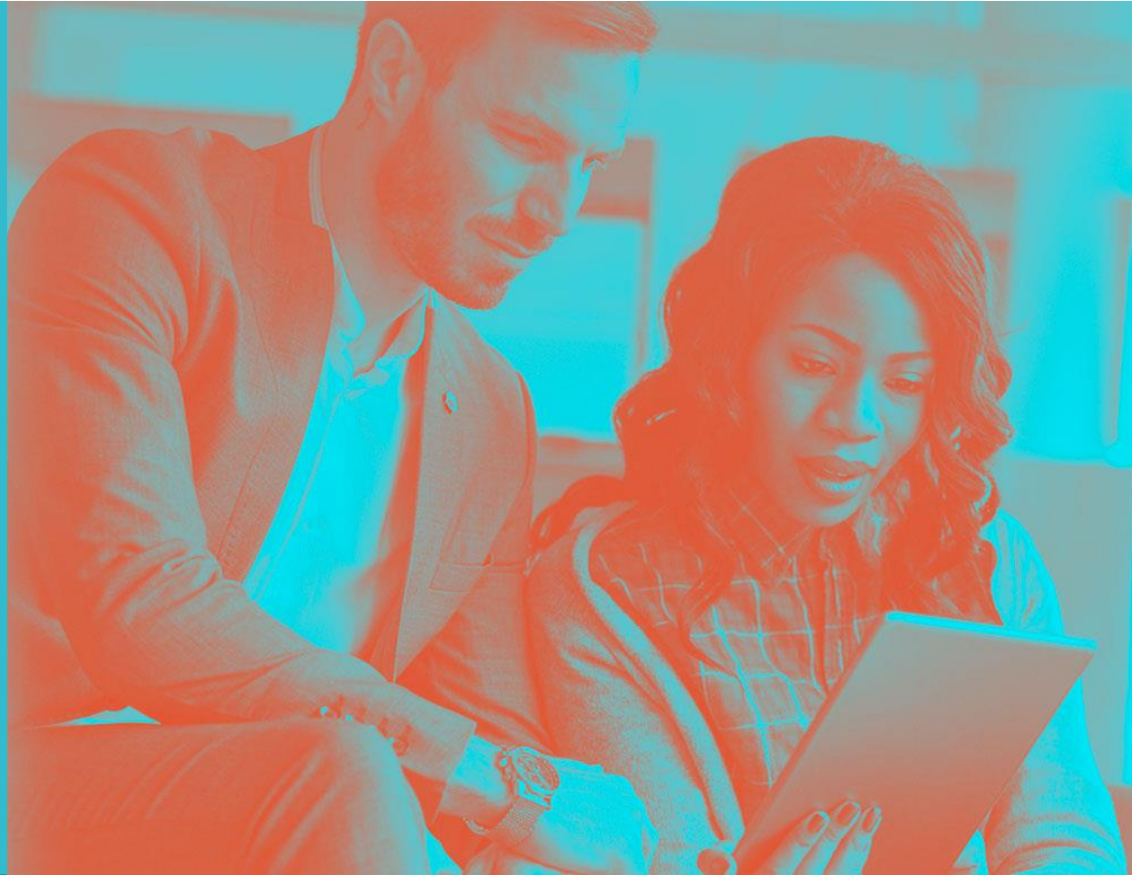


SME Finance in Asia – Challenges and Opportunities

GABV Asia Pacific
Chapter Meeting 2021





Over the past 5 years we have become the world's leading global and inclusive network of SME-oriented financiers, fintech companies, development banks and service providers, creating an industry-driven center for knowledge exchange, good practice promotion and policy dialogue



LEARN

Sharing of knowledge
& good practices



LINK

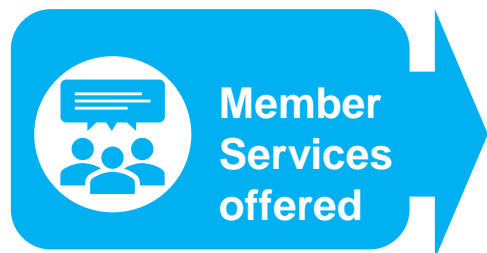
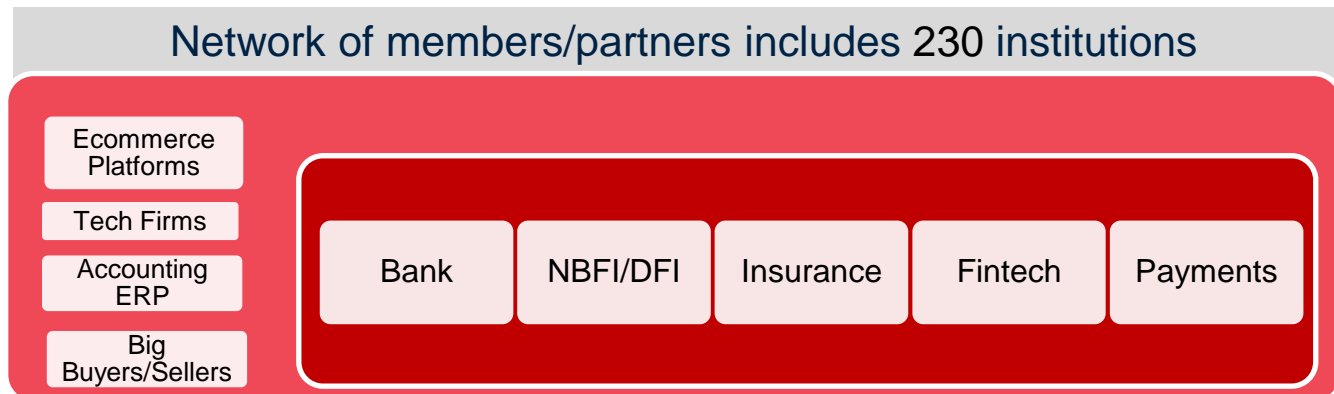
Networking & contact
brokering



LEAD

Policy & Advocacy

A Global Network to Accelerate Access to Finance for SMEs



LEARN	LINK	LEAD
<ul style="list-style-type: none"> Peer-learning on best practice in SME banking IFC thought leadership 	<p>Facilitating AS/IS partnerships btw FIs/Fintechs/DFIs</p>	<p>Engagement platform for members & policy makers</p>
<ul style="list-style-type: none"> 110+ knowledge-sharing & networking events 15,000+ professionals attended Positioning IFC for thought leadership 	<ul style="list-style-type: none"> Over 1300 match-makings 6 physical B2B marketplace events New virtual marketplace opened April 2021 to facilitate more deals between members 	<ul style="list-style-type: none"> Lead implementing partner for G20's SME finance agenda Channeling private sector inputs to policy makers

Diverse regional membership

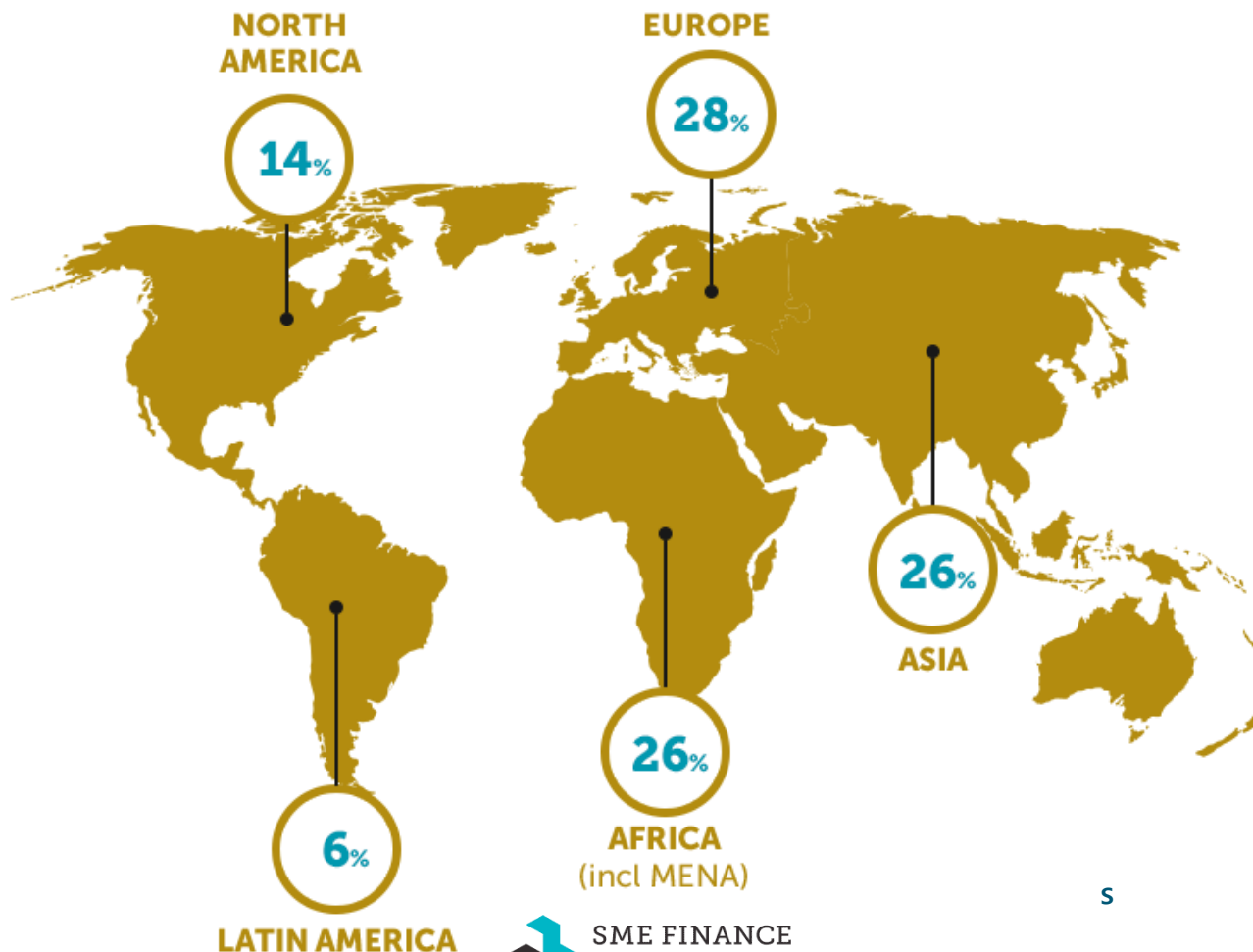


55%
Financial
Institutions

27%
FinTechs

16%
Industry
Partners

2%
Associations



S

COVID-19 RESPONSE



The SME Finance Forum initiated an intensive virtual knowledge-sharing and networking program for its members, non-member IFC clients and industry partners.



Roundtable Series on COVID-19 Mitigation Efforts:

- Launched in March 2020, held weekly
- **27 virtual roundtables**
- **2,760+ professionals** from **320+ institutions & 100+ countries** attended



Pulse surveys:

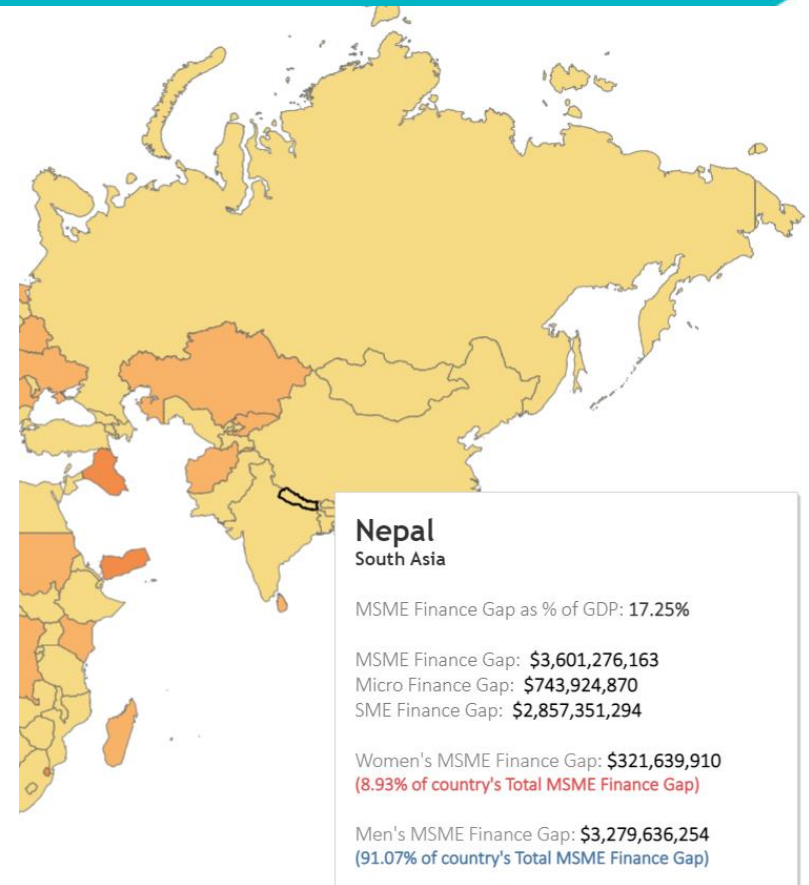
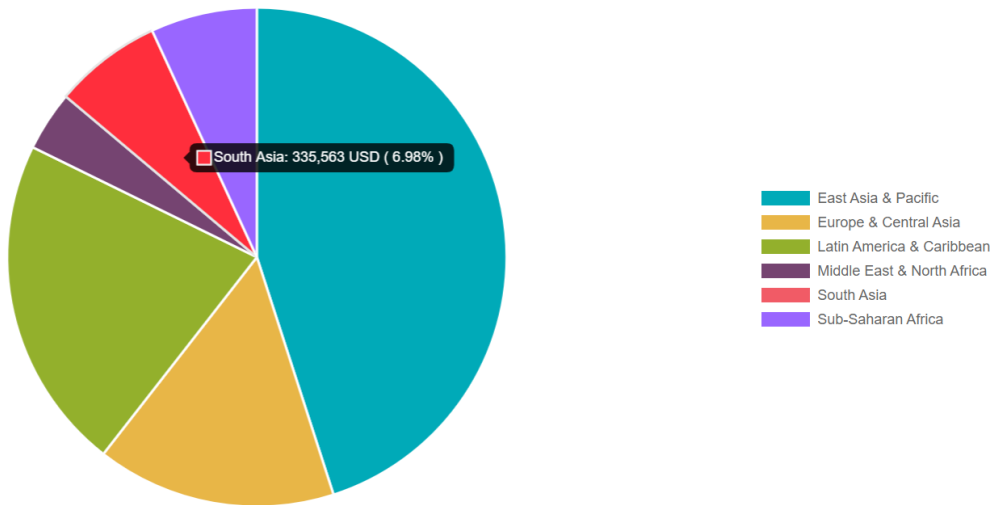
- Launched in April 2020, **10 monthly rounds** of data collection
- In total, 120+ institutions responded to the surveys since start of pandemic
- On average, **60+ financial institutions, FinTech companies & DFIs** participate



MSME FINANCE GAP DATA - ASIA



Finance Gap by Region (in millions of US dollars)



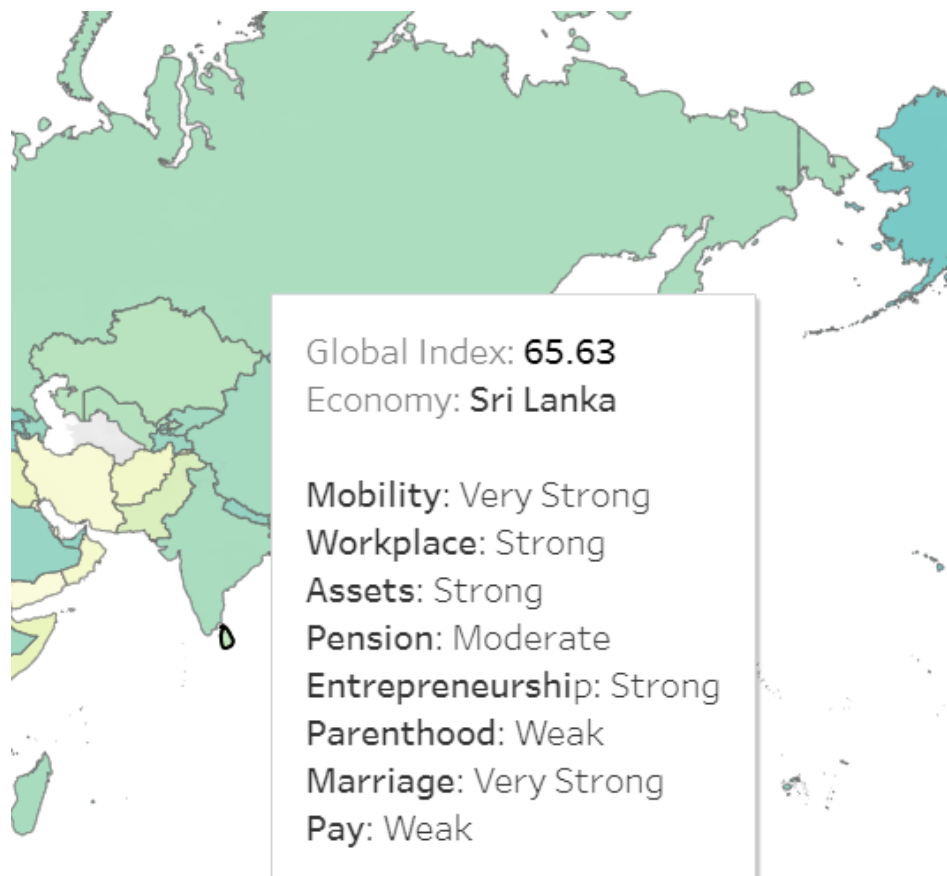
- **MSME finance gap in developing countries is estimated to be approximately \$5 trillion - 1.3 times the current level of MSME lending**
- **<https://www.smefinanceforum.org/data-sites/msme-finance-gap>**

SME Finance Forum – Women Business and the Law (WBL)



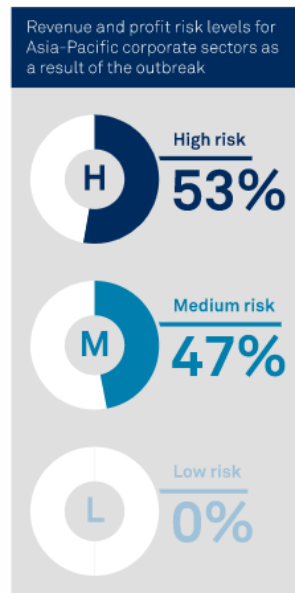
Women – SME Finance Categorized Indicators (WSOI): The WSOI identify and categorize Women Business and the Law 2018 indicators of relevance to SME finance.

- This data is a first step to systematically aggregate and collate gender data to understand the factors, monitor trends and progress.
- The data set identified 37 questions across five broad categories (Access to Business Institutions, Building Credit, Property Rights and Asset Accumulation, Labor Market Restrictions, Social Support for Female Labor Force participation).
- Comprehensive Gender Data set covering 189 economies. Systematic trend analysis can facilitate measurement of progress and gaps over time with the ease of updates.
- Website: [SME Finance Forum - Women Business and the Law \(WBL\)](#)





How the COVID-19 Outbreak is Hitting Asia-Pacific Banking Sector



Key Takeaways

- Asia-Pacific banking's nonperforming assets and consequent credit losses could rise by US\$600 billion and US\$300 billion, respectively, in 2020 because of COVID-19, the oil price shock, and market volatility.
- Events will hit the banking systems of China, India, and Indonesia the hardest.
- While many Asia-Pacific banks will exhibit resilience, negative rating momentum is inevitable.

Source: S&P Global



Green and Climate finance for SMEs is very relevant and important in region because of geography and large population



Seeing cross-cutting themes across green finance, and digital innovation and technology



Asia has taken the lead on innovation in this space, and has opportunity to continue to lead on tech/innovation in solutions to climate change



Very Large Potential for Green Finance in Asia

- **But a challenge as the definition of green finance can vary across region**
 - Lack of understanding from SMEs in what they need to do to be green
 - No universal definition of what green means (differs by country & sector)
- **Need to identify comprehensive framework in Asia**
 - Green framework is top down, definitions from regulators
 - Global reporting initiatives and government initiatives are crucial in creating definitions
 - Currently some institutions are using other standards: Sustainability Accounting Standards Board (SASB), international ESG, or UN standards



Applications for SME green finance in APAC

- **Green bonds still for larger corporations**
- **Green supply chain finance – use technology to track impact/emissions**
 - Where are carbon emissions coming from, can be across the supply chain
 - Investments made in areas to reduce emissions
- **Green loans**
 - Fintechs/technology to assess green SMEs for FIs
 - Sectors include renewable energy, green building, renewable cars/clean transportation, sustainable water, waste management, and green agriculture
- **Risk assessment tool: “Data is the fuel of most of the companies right now”**
 - Used to understand climate/weather risks
 - Satellite monitoring in agriculture, and growing in retail and infrastructure sectors as well
 - Reducing risk can help improve access to capital for SMEs



- **Technology supporting green finance include AI, Blockchain, Cloud, & Alternative Data**
 - AI/Machine Learning – helps with modeling, forecasting, and assessing risk
 - Blockchain – transparency and traceability for green activities
 - Alternative Data – using data like satellite imagery to help assess risk or measure emissions



- **Call for stronger partnership between fintechs and FIs**
 - As more data becomes available, FIs can utilize fintechs to access and utilize data

Overall, we are seeing that there are more and more SME-scale green financing project options coming forward

APPENDIX:

COVID-19 Policy Impacts of MSMEs: Initial Response



SME Finance Forum Member Survey Results on the Impact of COVID-19 started in April 2020

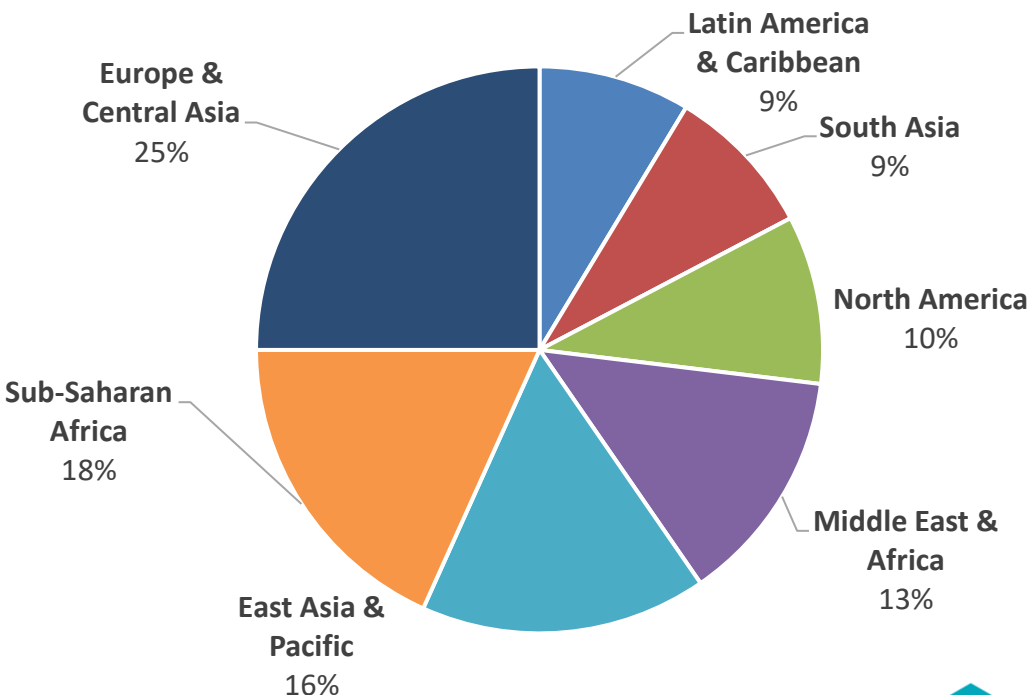
- ❖ **SME Finance Forum Member Survey Results on the Impact of COVID-19 started in April 2020**
- ❖ **Pulse survey completed 10 times over the last year**
- ❖ **Simple survey directed to our members, self-select to respond, not required to participate**
- ❖ **10th survey is more Recovery focused and posted here:
<https://www.smefinanceforum.org/post/member-pulse-survey-2021-q2-on-the-impact-of-covid-19>**



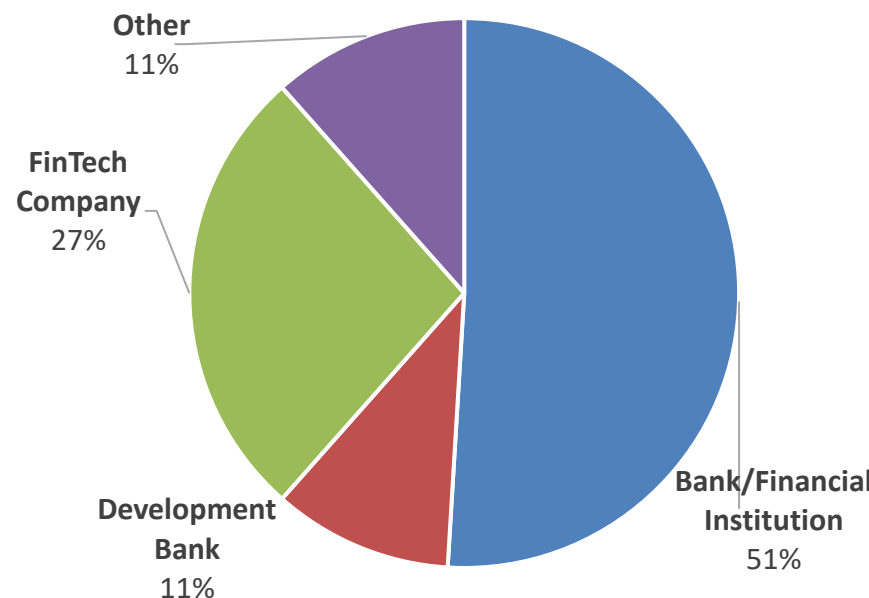
Member Pulse Survey Q2

All Respondents (June/July)

*104 Respondents
from
51 different HQ countries
representing work in 192
countries*

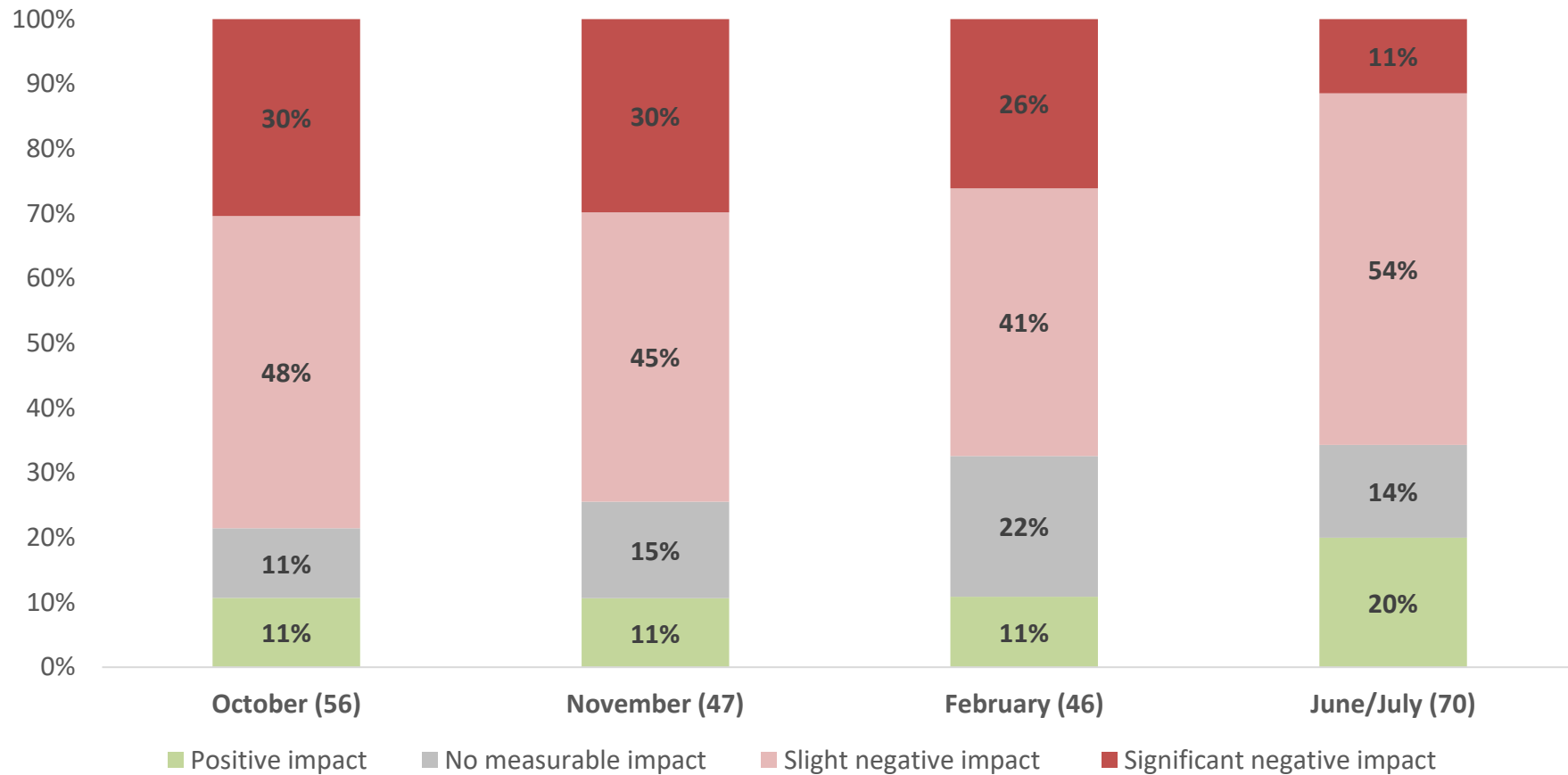


Type of Respondents



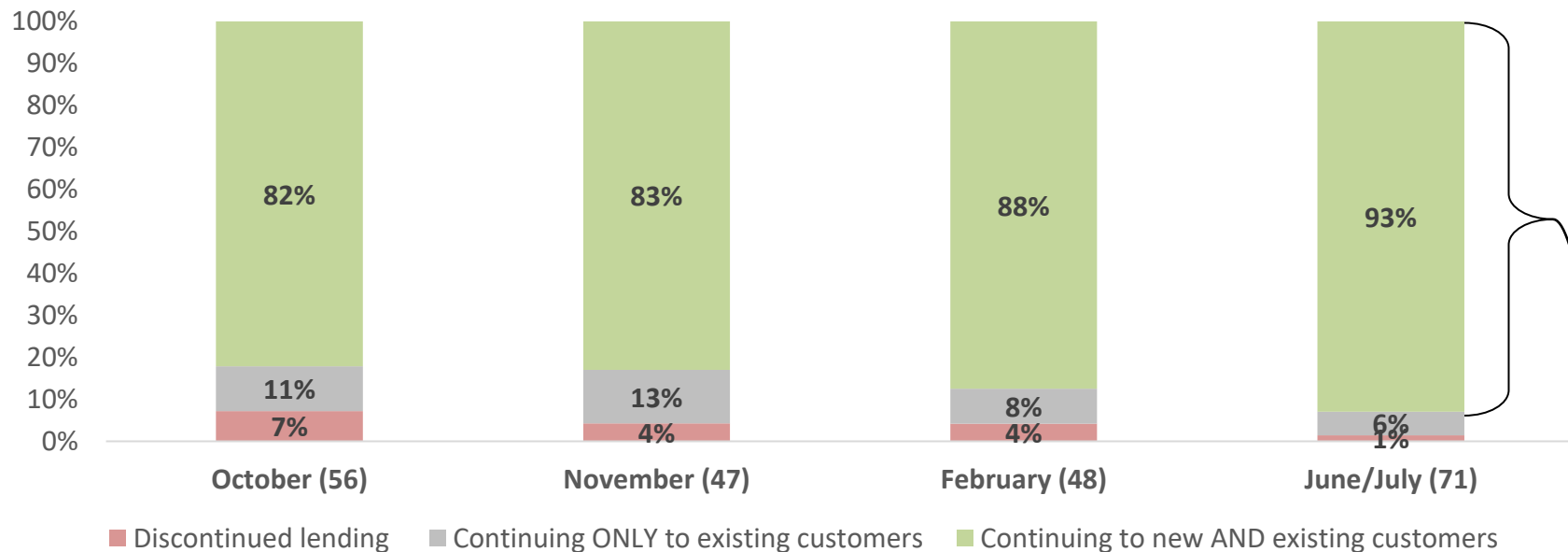
Member Pulse Survey

How has your portfolio been affected?

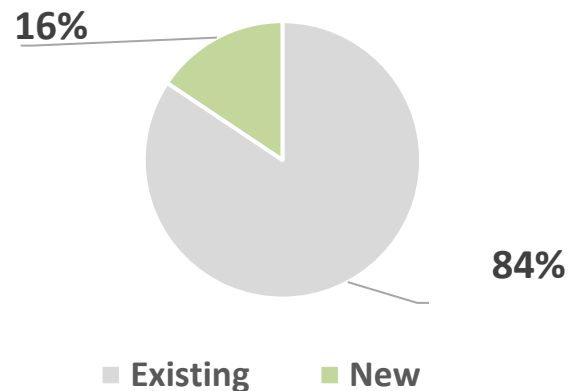


Member Pulse Survey

Are you continuing lending to new and existing customers?

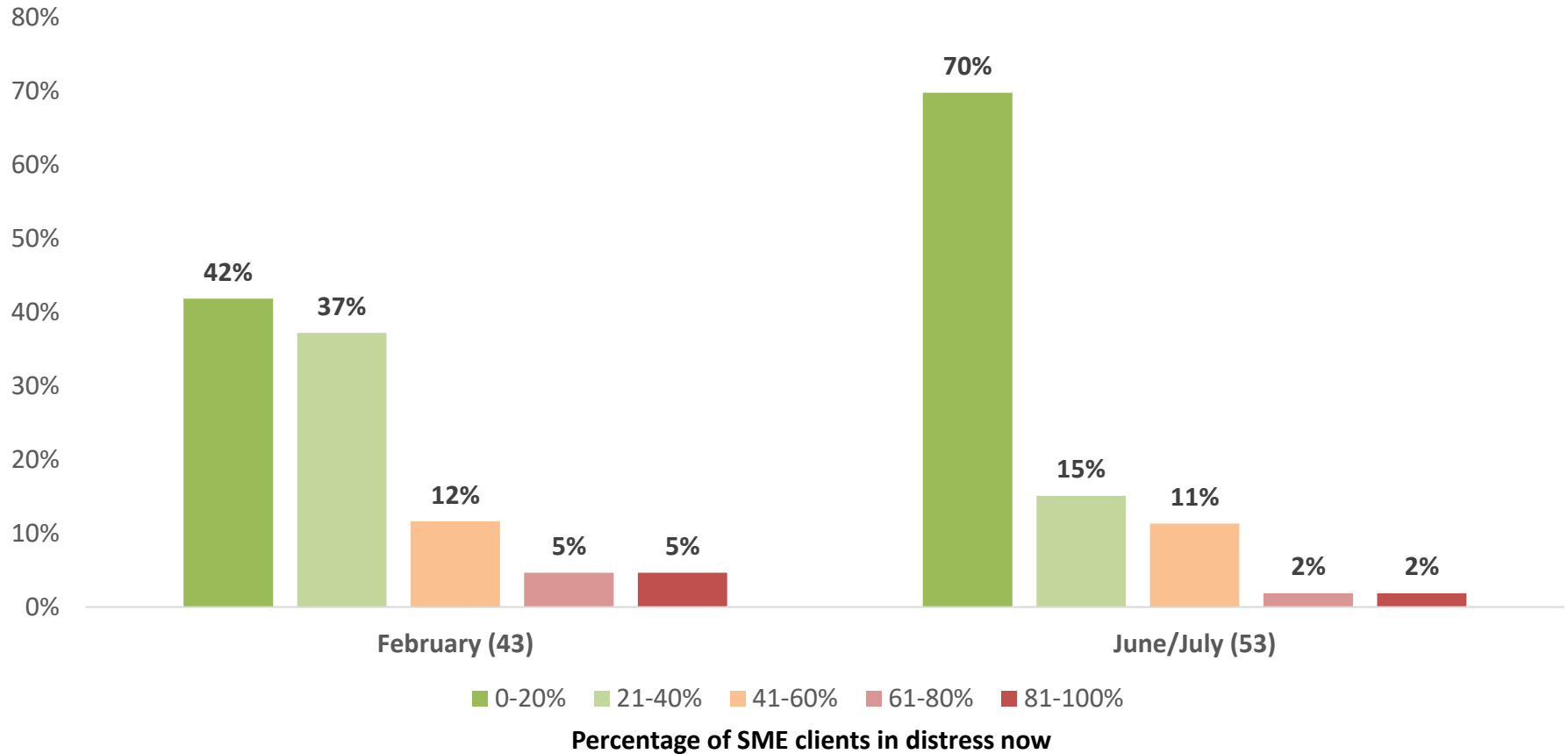


Since you are lending to new customers, are you lending *mostly* in NEW or EXISTING sectors?



Member Pulse Survey

Percentage of SME clients in financial distress now?

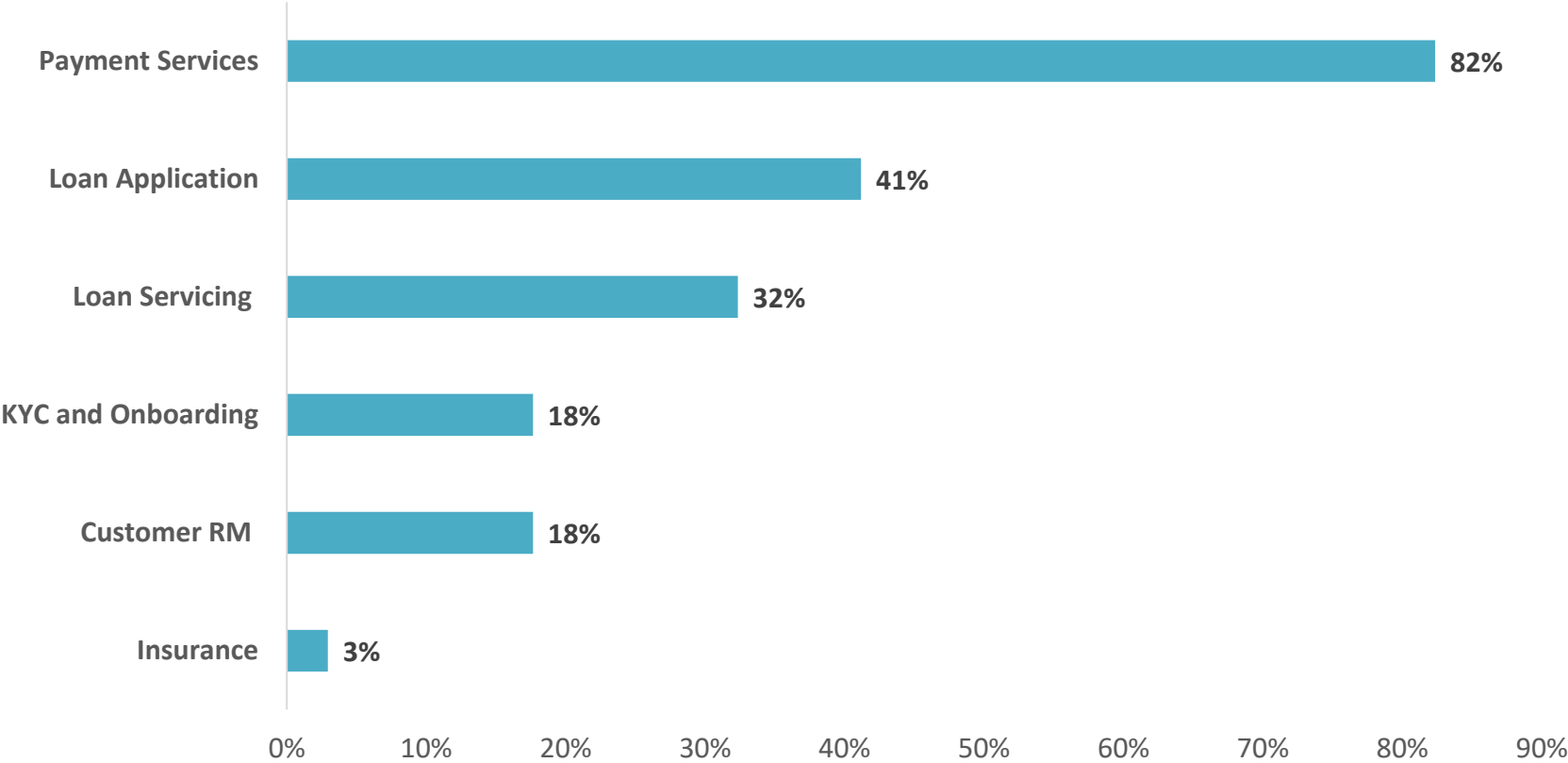




Member Pulse Survey

NEW ADDITIONS

What MSME client operations have been fully digitalized as result of COVID-19? (34)

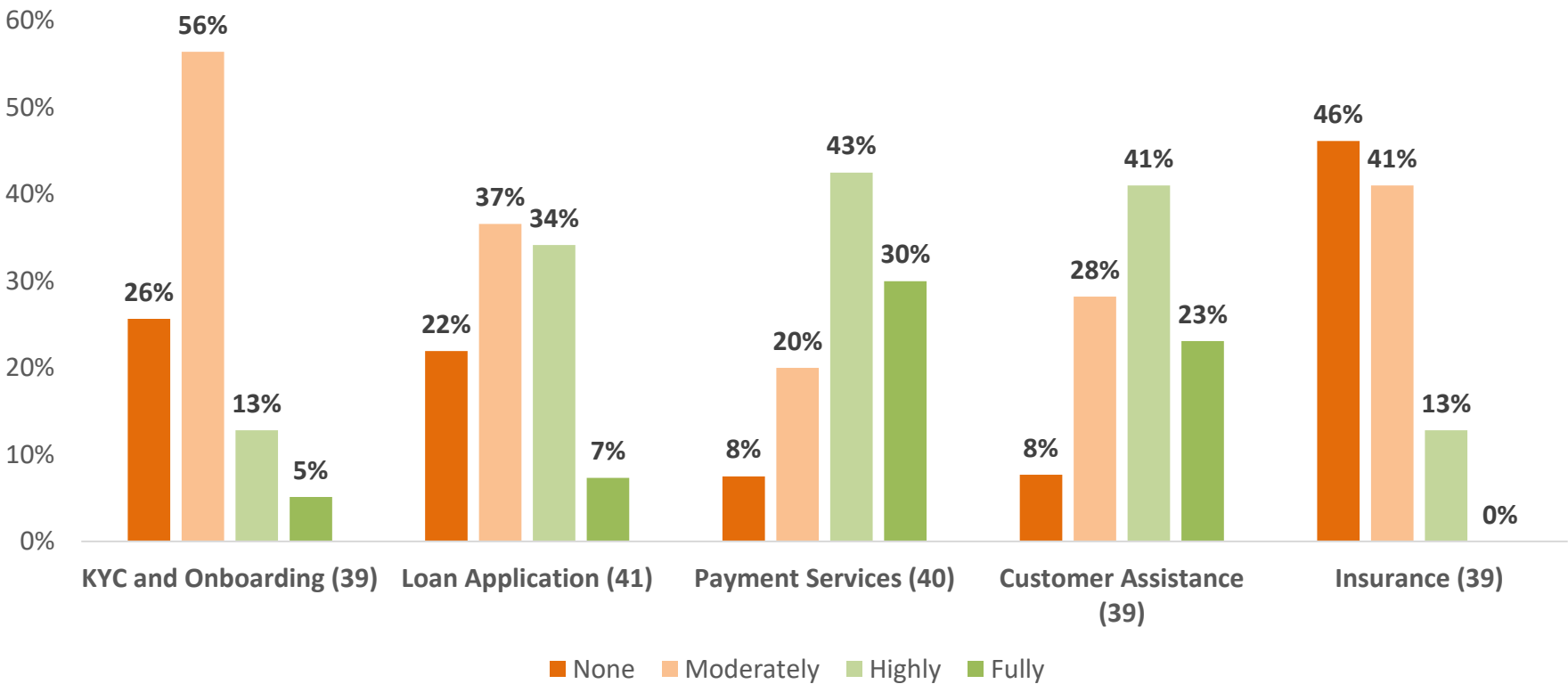




Member Pulse Survey

NEW ADDITIONS

To what degree has each of the following MSME client operations been automated?

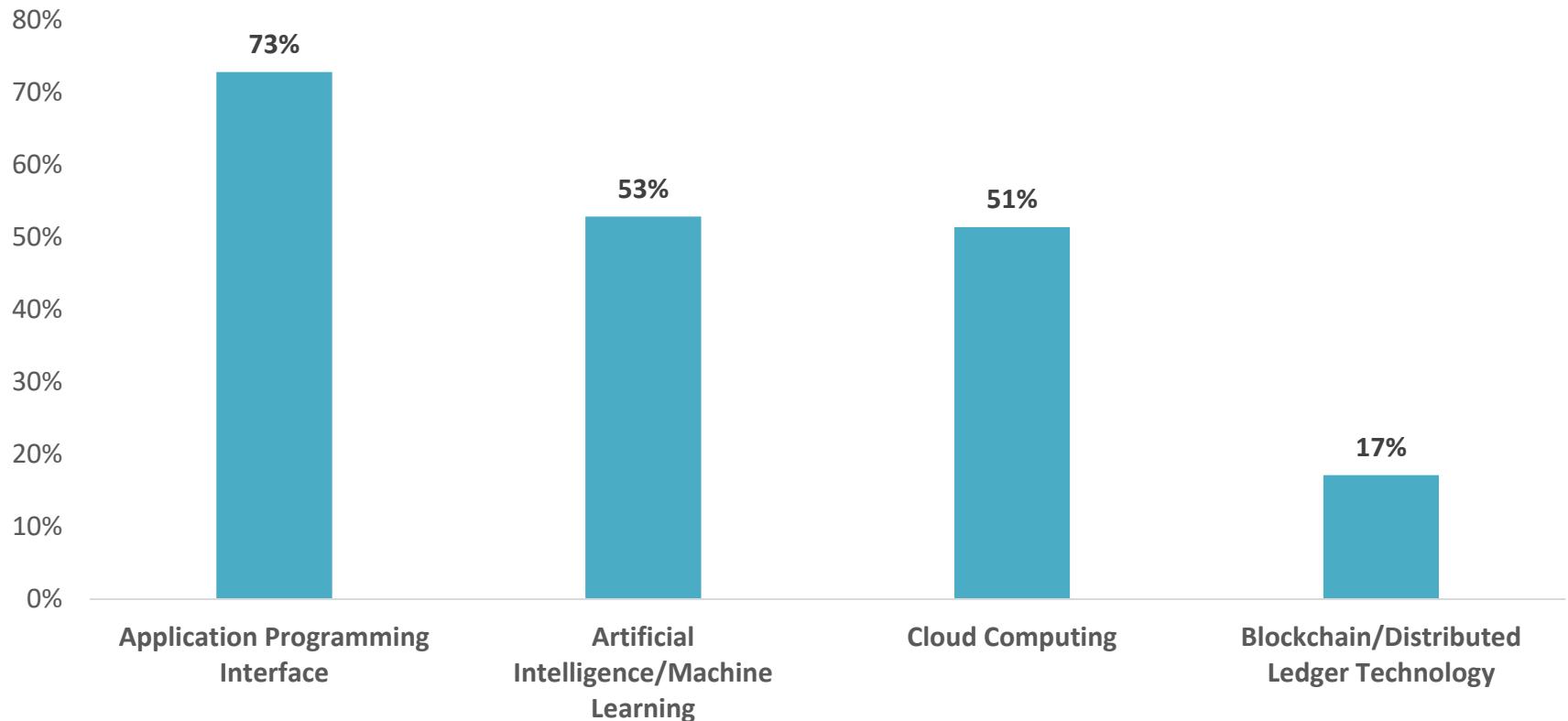




Member Pulse Survey

NEW ADDITIONS

Has COVID-19 pushed you to adopt one of these technologies as part of the digitalization of your processes and services? (70)

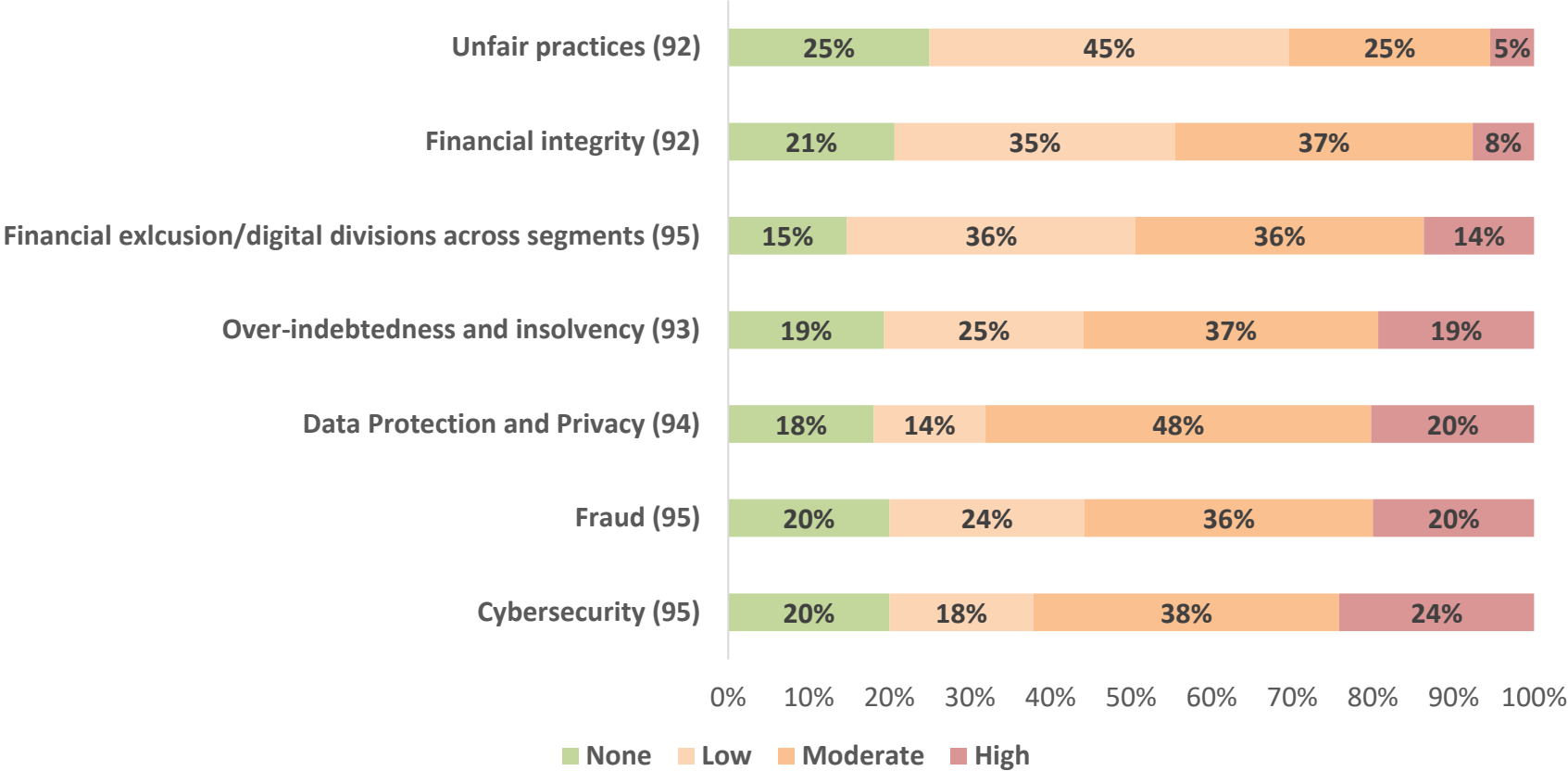




Member Pulse Survey

NEW ADDITIONS

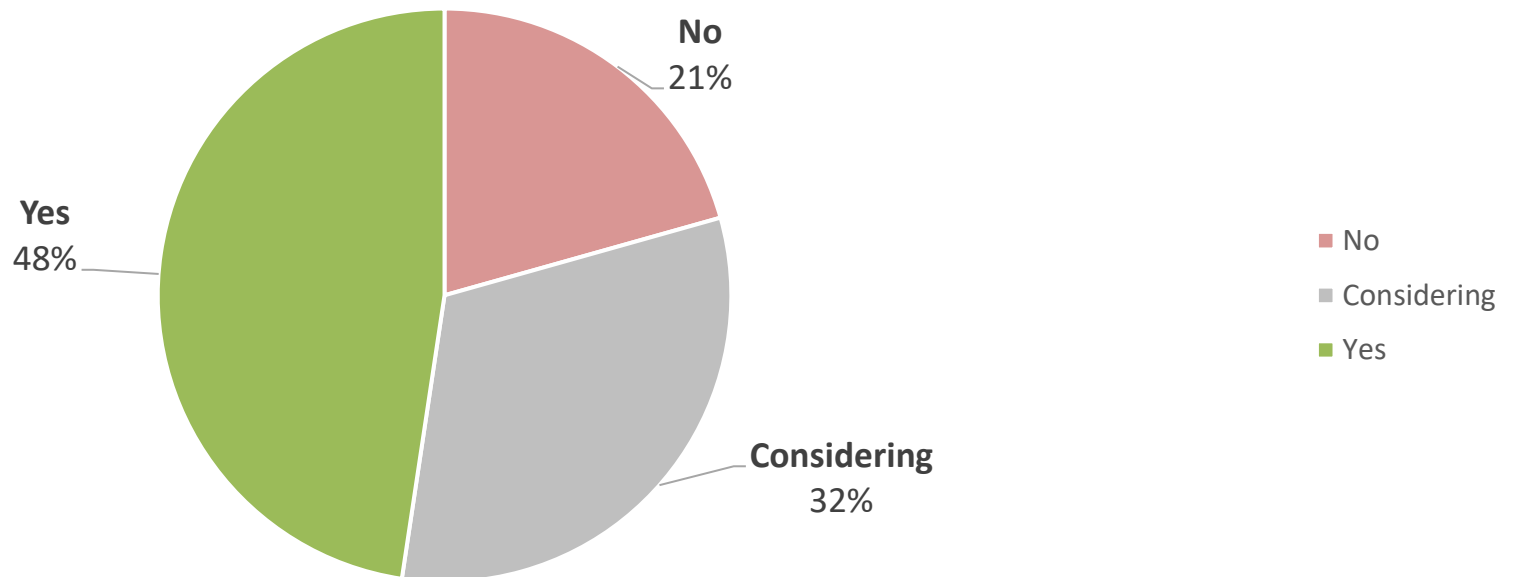
To what extent has COVID-19 increased the following risks, for either the customer or institution, related to the use of digital financial services?



Member Pulse Survey

NEW ADDITIONS

Have you partnered with a FinTech company to offer new digital financial product/services to your MSME client?
(63)





Accelerating finance for business



<https://www.smefinanceforum.org/>



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