
Financing Micro Business

The ASEAN and GMS Context

Deliberations

- *What are the financing sources used by start-up companies and Innovative SME in the GMS and ASEAN?*
- *What stage are the start-up companies and Innovative SME in the GMS and ASEAN at, and do they use different financing sources at various developmental stages?*
- *Which financing opportunities do start-up entrepreneurs in the GMS and ASEAN prefer: informal or formal, traditional or modern?*

Defining Micro Business



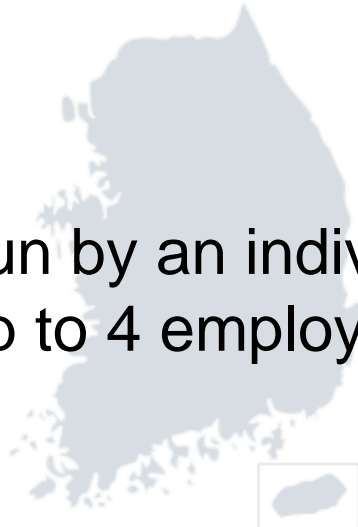
- Run by an individual
- Up to 4 employees



- Run by an individual
- Up to 4 employees



- Run by an individual
- Up to 4 employees



- Run by an individual
- Up to 4 employees

Defining Micro Business in ASEAN

APEC

Informal enterprise which has fewer than 5 workers including its owners or family members

Thailand

Manufacturing

Employees < 50

Assets 50m bht

Wholesale

Employees < 25

Assets 50 m bht

Retail

Employees < 15

Assets 30 m bht

Services

Employees < 50

Assets 50m bht

Lack of Definition



Hinders Policy Makers



Hinders Financial Markets



Hinders Growth Strategies

ASEAN SME Strategy

ASEAN Strategic Action Plan For SME Development 2016 - 2020

1 **Products**

- Improve Understanding
- Strengthen traditional financing infrastructure

2 **Policy**

- Improve Policy
- Alternative financing
- Non-traditional
- Diversified private

3 **Exports**

- Strengthen Export Financing

B
Strategic Goal

Increase Access to Finance

B-1 New institutional framework to access finance

B-2 Financial inclusion and financial literacy

1 **Literacy**

- Extend Outreach
- SME training
- Entrepreneurs

2 **Access**

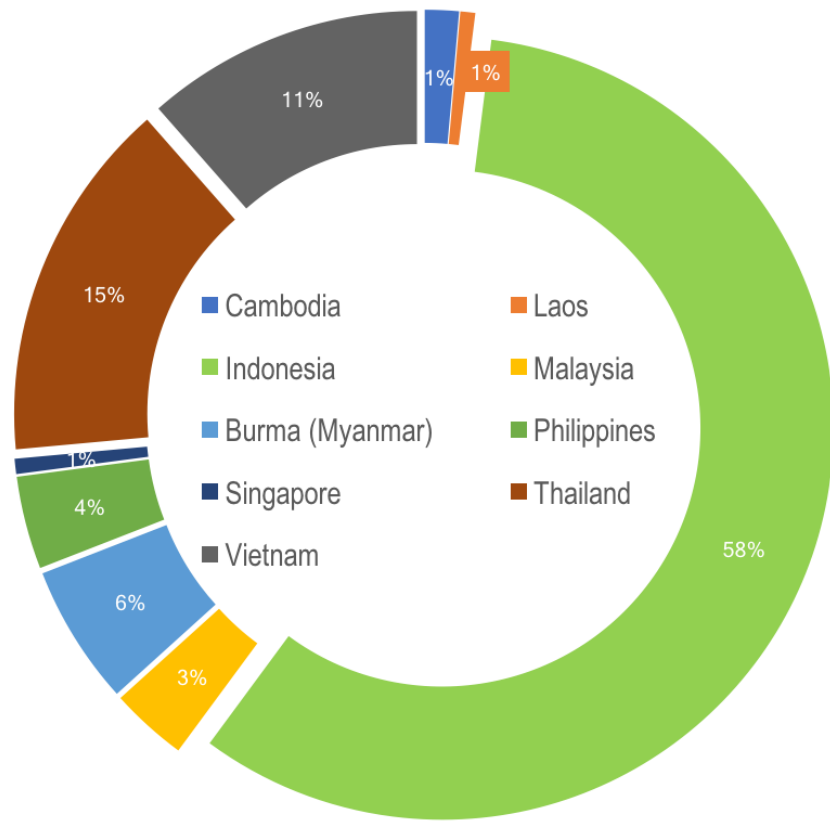
No Defined Action(s)!

Limited Supply Side Support

Source: ASEAN 2017

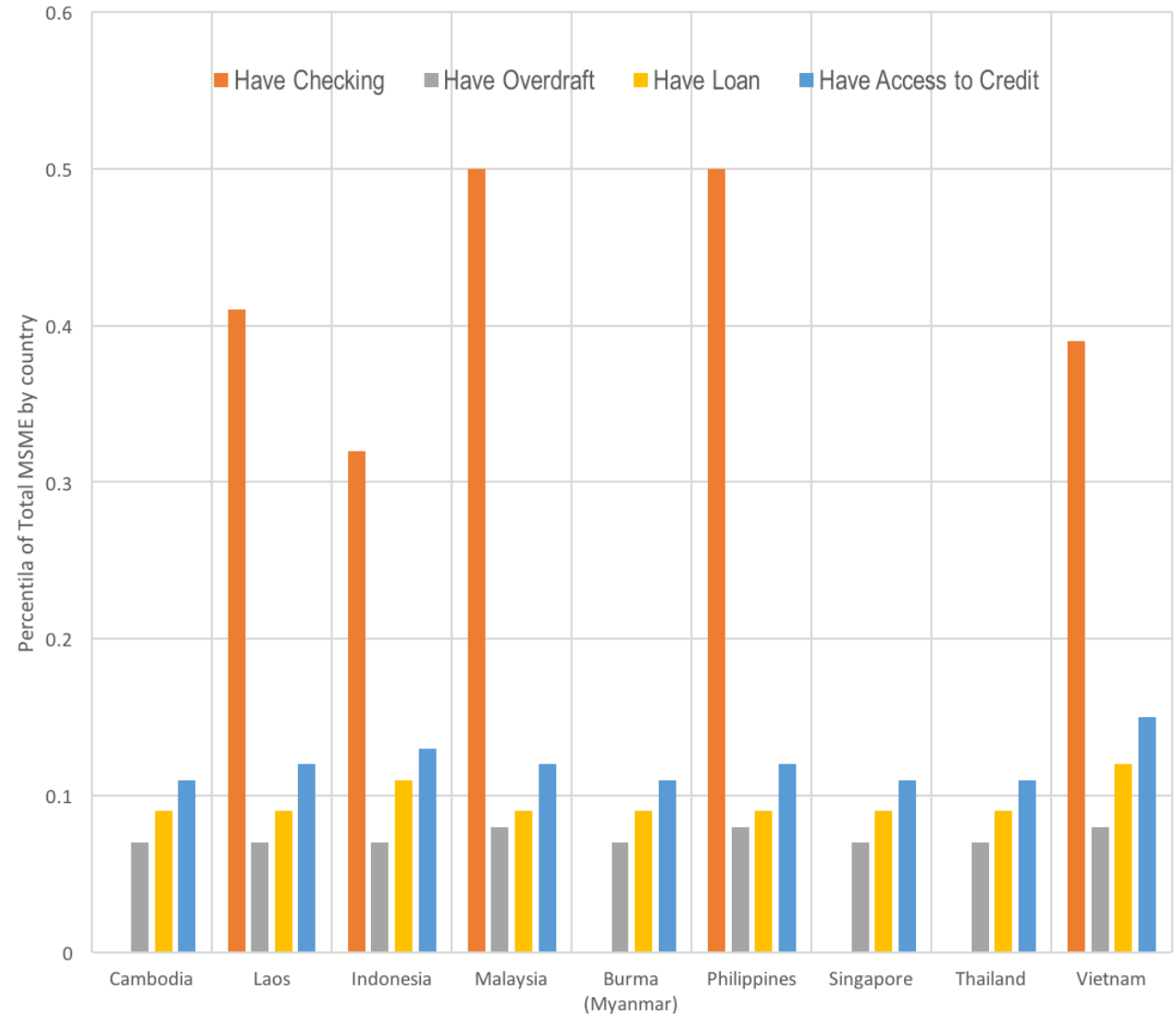


ASEAN MSME Snap Shot



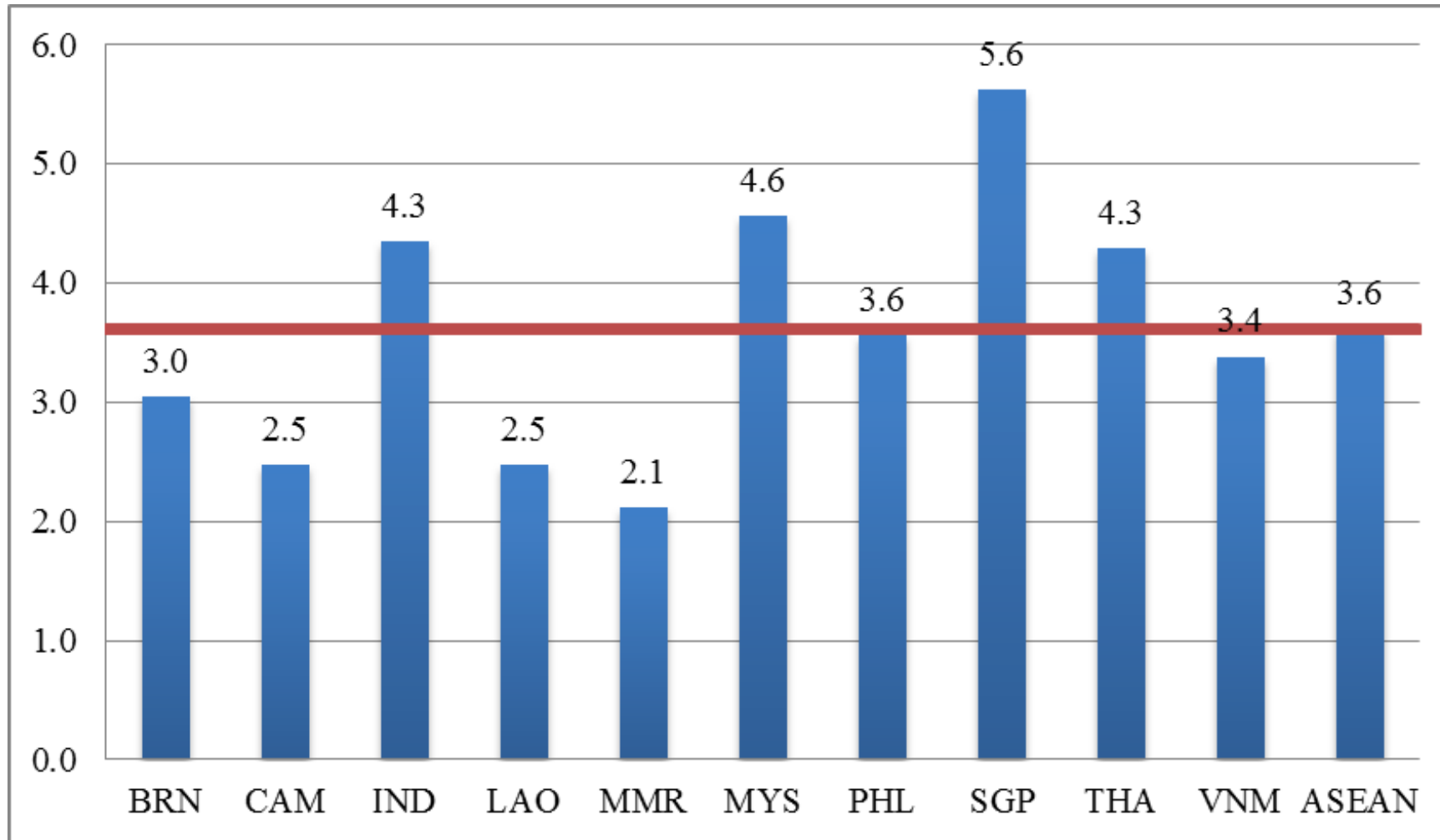
Total Recorded MSMEs

42,138,950



Source IFC Enterprise Gap Data Base

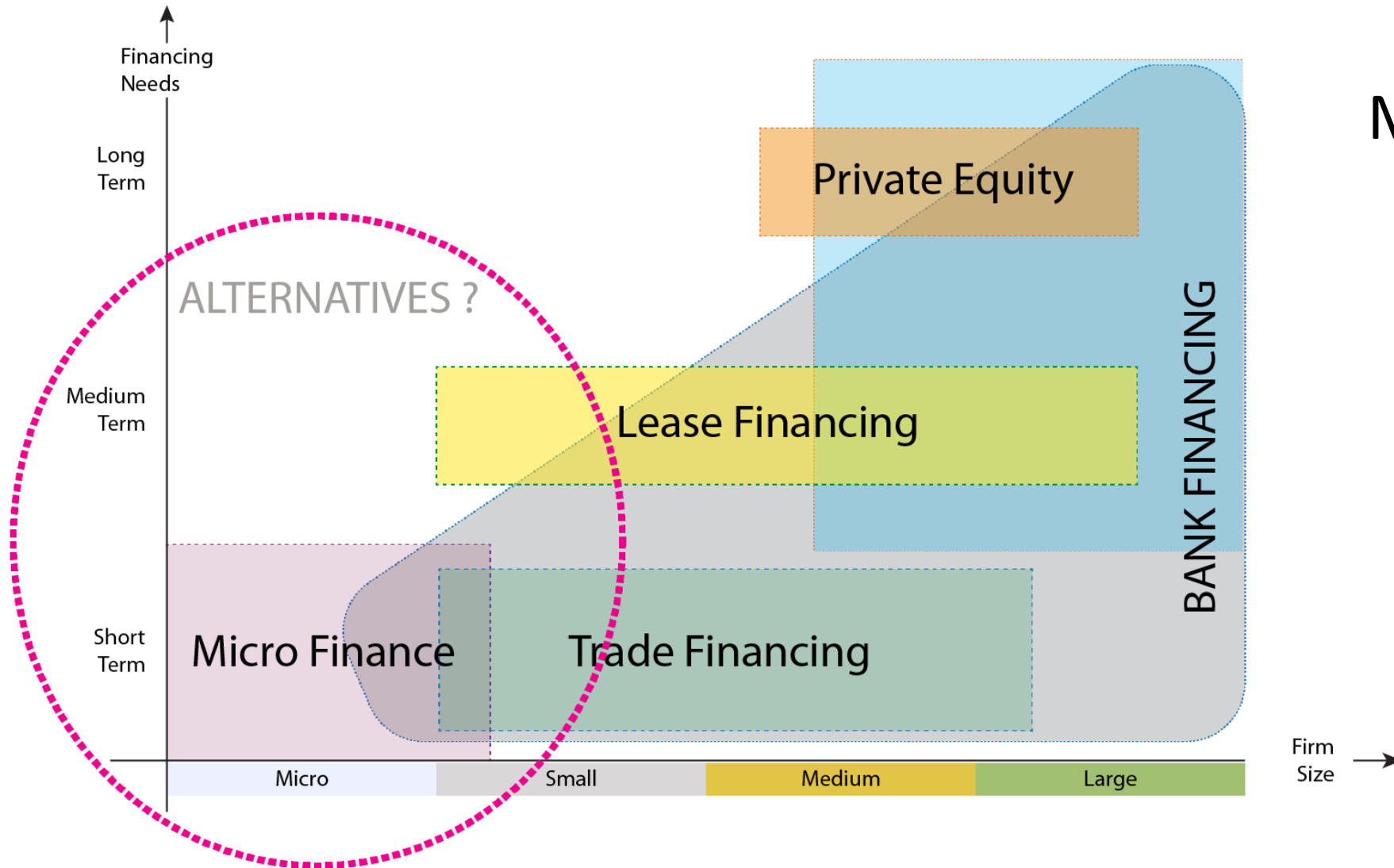
ASEAN SMEs - Access to Finance



Source: EIRA SME Policy Index (2014)

ASEANs
Lagging
economies
doing poorly

Financing varies by stage development



MSMEs Finance Sources

Micro Finance
Banking Finance
Family

Trade Financing
Lease Financing

Three Myths

Myth
1

The financing gap

More funds are needed to close the gap



Liquidity exists in most markets
ASEAN
high levels of liquidity

Myth
2

Financing products

Commercial banks know how to finance



Lack of capacity or willingness of FIs to invest into understanding needs of MSMEs

Myth
3

Economic growth

Any method to finance SMEs is acceptable



Poor regulatory frameworks
loans in foreign currency
credit cards

Supply Side Issues
Demand Side Issues

What do MSMEs need finance to do



Start Up

*Registration
Permits
Rental
Pre financing*



Scale Up

*Machinery
Premises
Labor
Energy*



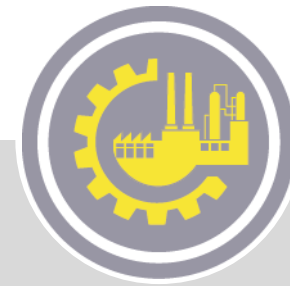
Innovate

*Design, R&D
Certification
Marketing
Machinery*



Network

*Quality
Management
Guarantees
Inventory*



Upgrade

*Management
O&M cost
Market Exp
Distribution*

Typical & New Finance Resources

Traditional



Family / Friends



Business Partner(s)



Formal Banking



MFIs



Lenders

Non Traditional



Angle Investors



Crowd Funding



Factoring

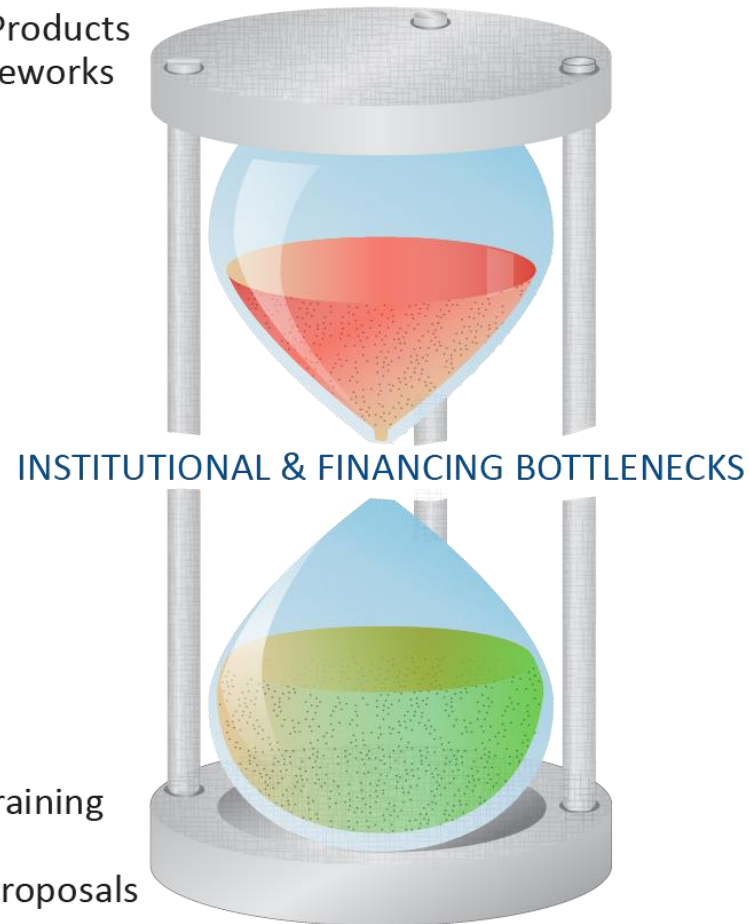


Blending

Supply and Demand Side Challenges

Supply Side Constraints

Financing Products
Legal Frameworks
Risk



Financial Training
Equity
Bankable Proposals

Demand Side Constraints

Supply Side – Financial Sector

Purpose designed products (knowing the customer)
Meet demand – start up /
expansion / upgrade /
innovation
De risk
Lower costs
Use of disruptive tech

Demand Side - MSMEs

Use of proper credit tools
Correct business and financial planning
Knowledge
Documents – correct first time

Disruptive Technologies



Mobile Internet

MSME Finance



Internet Of Things

Apps Learning



Cloud Storage

Big Data



Renewable Energy

Cheap Energy

Disruptive Technology

Crowd Sourcing

Crowd Sourcing

Crowd Sourcing

Crowd Sourcing

Suggestions

