

Developing ASEAN's Potentiality of Issuing Bonds by Small and Medium Enterprises

-Centering on SME Securitization in Thailand and Malaysia and Implication from Japanese Experience-

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The ASEAN member economies came to agree on the need to launch an Asian Bond Market Initiative(ABMI) in a bid to improve its financing framework which had not worked well during the currency crisis period due to an excessive dependence on indirect financing in the region. Ample savings were not utilized effectively in the region caused by the so-called “dual mismatch” of fund flows. Against such financial background, bond markets in the ASEAN countries have been expanding at rapid pace in accordance with diverse approaches for fostering the market by ASEAN+3. In the region, small and medium enterprises(SMEs) play a vital role in the economic development. SMEs have, however, no fund- raising tools available besides borrowings from banks. They are always at the risk of facing a credit crunch if the economy moves into a phase in which the banks are slashing credit. This means that Asian economies should urgently establish a system wherein they can be benefited by bond markets including securitized financings to expedite flows of funds into SMEs.

In this regard, Japanese SMEs once had experienced similar difficulties raising funds through direct financing in the latter half of 1990s when Japan's credit was shrinking. Measures being taken since those days and increasingly found effective in recent years are securitization projects, most remarkably Collateralized Debt Obligation(CDO), for SMEs. One might be reminded the fact that local autonomous bodies aggressively worked out measures to prevent credit crunch through their leadership to originate CDOs of local SMEs. The governments, entities and multinational institutions concerned to this subject in the region have been endeavoring to foster Asian securitization market. Stepped-up support of Japanese government and the involvement of Japanese financial institutions are also worth mentioned. Owing to these, the market has grown rapidly in the region, for vivid examples, domestic securitization in Malaysia and Thailand as well as yen-denominated CDOs for SMEs of South Korea launched last year- end under the cooperation of Korea and Japan.

There remain, however, a number of obstacles to overcome and risks to be considered for the further growth of the market. Namely, satisfactory institutional infrastructure such as accounting method and corporate disclosure system, transfer of rights under individual contracts, securing of the external effect, credit information on SMEs, fund pooling and data systems thereon together with risks generated by them and averse investment sentiments. From these points, applying Japanese experience to the development of the market is considered very effective along with a number of fruits of ABMI task forces. Joint efforts of the ASEAN countries are discussed and measures taken by Japanese public sectors and private financial institutions are referred to.