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# WHAT SOURCES OF FINANCE ARE AVAILABLE FOR MSMES IN ASEAN?



## BRUNEI

In 2016, the Monetary Authority of Brunei Darussalam (AMBD) enacted the **Secured Transactions Order (STO)** and the accompanying **Secured Transactions Regulations (STR)**, which provide a credit enforcement network for borrowers to utilise their personal properties as collateral to access bank loans.

**Youth Skills Development Programme (YSDP) Micro Grant** is a grant set up to encourage and assist youths to start their microbusinesses, with a maximum of BND2,000 allocated.

**Start-up Brunei (SUB)** caters to both local and foreign businesses, with a maximum amount of BND50,000 per recipient.

Equity crowdfunding platform **CrowdPlus Asia** ventured into Brunei in 2016.

The **Promising Local Enterprise Development Scheme (PLEDS)** Investment Fund provides financing to promising scalable local enterprises.

The **Microcredit Financing Scheme** by Darussalam Enterprise (DARE) aims to assist local entrepreneurs to start and expand small-scale businesses, with a maximum loan of BND50,000.

The **Enterprise Facilitation Scheme** by Bank Islam Brunei Darussalam targets MSMEs that are looking to develop and expand their business, with a maximum loan of BND 5 million.

**Investment Incentives Order 2001**, offers tax relief to venture capital funds that qualify as Pioneer Services Companies.

## CAMBODIA

**Prakas on Registration and Licensing of Microfinance Institutions 2002**, set requirements for Microfinance Institutions to register with the National Bank of Cambodia.

**Prakas on Licensing of Microfinance Deposit-Taking Institutions 2007**, requires microfinance institutions to apply for separate license for taking deposits.

**Cambodia Credit Bureau (CBC)** launched in 2012, services both the banking and microfinance sectors.

Leading **microfinance institutions** such as ACLEDA Bank, Amret and PRASAC provide micro, small and medium loans to individuals, households as well as enterprises.

**Impact investment** exists, with a handful of international investors active in the country, including Arun LLC, Emerging Markets Investment Advisers (EMIA), Uberis Capital, SIFEM and the SHIFT Challenge Fund.

## INDONESIA

People's Business Credit programme (Kredit Usaha Rakyat) develops MSMEs by providing credit guarantee to participating banks.

In December 2016, the Indonesian Financial Services Authority (OJK) inaugurated new policies for regulating peer-to-peer lending.

In 2016, OJK finalised regulations that will allow SMEs to conduct initial public offerings, and have shares traded on a secondary board.

State-owned Bank Mandiri and Bank Rakyat Indonesia (BRI), and privately-owned Bank Tabungan Pensiunan Nasional (BTPN) are leaders in the microfinance sector.

Kredit Usaha Rakyat (KUR) provides a maximum of 70% credit guarantee to participating banks.

Bank Syariah Mandiri (BSM) and Bank Muamalat provide profit-loss sharing scheme.

UnLtd Indonesia provides grants and incubation programmes to help social enterprises become sustainable.

GandengTangan is one of the many crowdfunding platforms launched in recent years.

Homegrown peer-to-peer lending sites have emerged, such as Investree, Amartha and Koinworks.

International crowdfunding platforms include Crowdo and Modalku.

In 2016, OJK and the Indonesia Stock Exchange (BEI) were finalising new regulations to set up a dedicated SME board.

PT Bahana Pembinaan Usaha Indonesia, a state-owned corporation under the Ministry of Finance, provides financial services to SMEs.

Venture capital funds that focus on technology include East Ventures, Convergence Ventures, Ideosource, Ardent Capital and Ventura Capital.

Impact investors in the country include Unitus, Aavishkar and YCAB Ventures.

## LAOS

SME Promotion Fund set up by the government provides lines of credit to commercial banks, financial institutions and credit programmes concerned with expanding SMEs credit.

In 2010, the Bank of Lao PDR launched the Credit Information Bureau (CIB), enabling financial institutions to assess credit risk and expand lending to MSMEs.

The primary mandate of Lao Development Bank (LDB), a state-owned bank, is to provide credit to SMEs.

Nayoby Bank and Agricultural Promotion Bank (APB) are specialised banks that provide credit for farmers in the poorest districts.

Alternative financing options like angel investing, crowdfunding and impact investing are still in their infancy.

## MALAYSIA

### Capital Markets and Services

**Bill 2015** legislated equity crowdfunding. Companies may raise up to MYR 5 million through such platforms.

Under the amended **VC Tax Incentives Guidelines**, venture capital firms may be eligible for tax incentives.

### Soft Loan Scheme for SMEs

under the Ministry of International Trade and Industry (MITI) provides loan for SMEs.

Through the **Business Accelerator Programme**, SME Corp provides grants and loans for SMEs.

SMEs can access funds like the **Fund for Small and Medium Institutes 2**, **New Entrepreneurs Fund 2** and **Micro Enterprise Fund** at below market rates.

Bank Negara administers the **Small Debt Resolution Scheme** to assist financially distressed SMEs.

### Credit Guarantee

**Corporation Malaysia Bhd (CGC)** offers direct financing schemes to SMEs that adopt green technology.

**BizWanita-i** is a direct financing scheme targeting women entrepreneurs and businesses managed by women.

Homegrown peer-to-peer lending sites have emerged, such as **Investree**, **Amartha** and **Koinworks**.

Major microfinance institutions include **Amanah Ikhtiar Malaysia (AIM)** and the **Economic Fund for National Entrepreneurs Group (TEKUN)**.

In 2007, Bank Negara mandated several financial institutions to offer microloans under the **Pembiayaan Milo Scheme**, with loan sizes of between MYR1,000 to MYR50,000 and a maximum tenure of 7 years.

SMEs in Malaysia can raise funds in the capital market through the **ACE Market**.

The largest venture capital firm in the country is the state-owned **Malaysia Venture Capital Management Bhd (MAVCAP)**, which focuses on start-ups in the ICT and high-tech industries.

**Cradle Fund Sdn Bhd** administers the MYR 150 million **Cradle Investment Programme (CIP)**, which supports technology entrepreneurs.

Six equity crowdfunding platforms have been licensed: **Alix Global**, **Ata Plus**, **Crowdo**, **Eureeca**, **PitchIn** and **Propellar CrowdPlus**.

Under the **Social Outcome Fund**, investments made by private organisations may be entitled to reimbursements if these result in 1.5 times or more cost savings.

The **MaGIC Accelerator Programme** comprises the ASEAN track, Social Enterprise track and Distro Dojo track, each targetting a specific group of start-ups.

## MYANMAR

The **Microfinance Business Law**, promulgated in 2011, allows local and foreign investors to set up microfinance institutions.

The private **Small and Medium Industrial Development Bank (SMIDB)** has grown to become a specialised bank for SMEs. Other notable SME banks include **Kanbawza (KBZ) Bank** and **Yoma Bank**.

International development agencies provide assistance for MSMEs and women. Examples include the **Japan International Cooperation Agency (JICA)** and the **Livelihoods and Food Security Trust Fund (LIFT)**.

The **Myanmar Securities Exchange Centre (MSEC)** assists companies planning to get listed on the Yangon Stock Exchange (YSX).

The **Cambodia-Laos-Myanmar Development Fund II** focuses on SMEs that target the Bottom of the Pyramid (BoP) population.

The United Nations Capital Development Fund's **SHIFT Programme** co-finances innovative business models.

## PHILIPPINES

The **Magna Carta for MSMEs** mandates all financial institutions to set aside 10% of their loan portfolio for SMEs.

Banks borrowing under the **Wholesale Lending Programme of the Small Business Corporation** are eligible for a reduction in reserve requirements.

**BSP Circular No. 855** eliminates the requirement of income tax returns for microcredit borrowers.

**The Senate Bill No. 1832**, promulgated in 2013, defines the rights and responsibilities of microfinance institutions and introduces performance standards and an accreditation process for them.

**Land Bank of the Philippines** administers 3 financing programmes benefiting microfinance institutions.

The **Sustainable Enterprises for Economic Development (SEED) Program** by the Development Bank of the Philippines (DBP) provides credit to MSMEs.

The **Sustainable Agribusiness Financing Program (SAFP)** by DBP provides credit assistance of up to 90% of total project costs for agribusinesses.

The **Small Business Corporation** lends to commercial banks, rural and cooperative banks, MFIs, community cooperatives and NGOs for on-site lending to MSMEs.

**ASA Foundation** provides microloans to women-owned micro enterprises.

The Philippine Business for Social Progress (PBSP) runs a **SME Credit Programme** that provides MSMEs with access to bank loans and business development services.

## SINGAPORE

SPRING Singapore administers the **Angel Investors Tax Deduction Scheme**, where companies are eligible for a tax deduction of 50% in their investment at the end of a 2-year holding period if they invest at least USD100,000 in a qualifying start-up.

The Monetary Authority of Singapore (MAS) has adopted the "**regulatory sandbox**" approach which allows fintech start-ups to experiment and innovate within existing laws.

Under the **Local Enterprise Finance Scheme**, SPRING Singapore provides micro-loans for equipment and factory loans for automation and upgrading.

The **SME Working Capital Loan** jointly administered by SPRING Singapore enhances local SMEs' access to unsecured working capital of up to SGD300,000.

The **Venture Debt Programme** was launched with local banks to improve access to finance for innovative, high-growth SMEs looking to expand.

SPRING offers the **Capability Development Grant** which aims to defray up to 70% of qualifying costs for projects in areas such as increasing productivity, process improvement, product development and market access.

The **ACE Start-up Grant** provides co-matching funds of up to SGD50,000 for entrepreneurs who take their first steps in starting up differentiated businesses.

The **Technology Enterprise Commercialisation Scheme** by SPRING Singapore and the Infocomm Media Development Authority (IMDA) is a competitive grant in which selected tech start-ups are awarded grants up to SGD500,000.

The **Incubator Development Programme** offers up to 70% grant support to incubators and accelerators to enhance their capabilities to better assist start-ups.

Start-ups can obtain investment commitment from SPRING's investment arm - SPRING SEEDS Capital - of up to SGD2 million under the **Business Angel Scheme**.

The National Environment Agency (NEA) administers 3 grant schemes: **Energy Efficiency Improvement Assistance Scheme**, **3R Fund** and **3P Partnership Fund**, aimed at increasing the adoption of environmentally friendly practices.

Under the Singapore Stock Exchange (SGX), **Catalist** aims to provide an alternative capital-raising channel for growth companies.

SGX partnered with Clearbridge Accelerator Pte Ltd to establish **CapBridge**, an equity fund-raising platform for early stage SMEs.

The Business Angel Network of Southeast Asia (BANSEA)'s **ONE fund** pools members' financial resources to invest in early-stage start-ups.

Homegrown portals like **MoolahSense**, **Crowdonomic**, **FundedHere**, **Funding Societies** and **Capital Match** allow individuals to lend directly to businesses in exchange for fixed return.

The **Singapore Centre for Social Enterprise (raiSE)** is tasked with providing a range of support to help SEs from start to mature stages including funding, advisory services, training and access to network.

## THAILAND

The **Social Enterprises Act** provides a regulatory framework to encourage the development of SEs, promotes participation of the private sector through CSR and proposes tax incentives for enterprises that spend part of their profits on addressing social issues.

The **SME Development Bank of Thailand (SME Bank)** assists SMEs in starting, expanding and improving their businesses by providing loans, guarantees, and other services.

**Krungthai Bank** and **CIMB Thai Bank** offer loan schemes dedicated to the production of environmentally-friendly products by SMEs.

The **SMEs Private Equity Trust Fund** was launched by Krungthai Bank to accelerate the development of SMEs.

The **Market for Alternative Investment (MAI)** was established as an alternative stock exchange for SMEs.

Kasikorn Bank launched the **K-SME Venture Capital Fund** of THB200 million which invests in SMEs with growth potential.

The **Village and Urban Revolving Fund (VURF)** aims to create microfinance banks in each of Thailand's villages that extend credit for livelihoods, start-ups and business expansions.

**ChangeVenture** invests and nurtures SEs by providing start-up and early-growth funding and hands-on business development support.

## VIETNAM

Investment funds operating in Vietnam abide to regulations on securities investment funds which specify that they must have a minimum capital of VND50 billion or at least 100 investors.

Enterprises with viable business plans or projects in sectors stipulated by the Ministry of Planning and Investment (MPI) are eligible to apply for loans of up to 70% of total investment from the **SME Development Fund**, not exceeding VND30 billion.

Vietnam Development Bank (VDB)'s **credit guarantee fund** and the **local credit guarantee funds** administered by the Ministry of Finance (MOF) are two primary channels through which enterprises can obtain credit guarantees.

The state-owned **Vietnam Bank for Social Policies (VBSP)** accounts for the largest share of the country's microfinance market with an estimated 7 million borrowers and 6.9 million depositors.

The **Tao Yeu May** microfinance institution, founded by the Viet Nam Farmer's Union (VNFU), focuses on low-income women and women-owned micro enterprises, and also supports poor households and micro enterprises in general.

The **People's Credit Funds**, managed by the Co-operative Bank of Vietnam (Co-op Bank), is another government initiative that aims to enhance financial inclusion for the poor across the country.

The **Vietnam Silicon Valley Project**, launched by the Ministry of Science and Technology (MOST), incorporates a 4-month acceleration programme that offers USD10,000 seed funding, legal and business consulting, mentorship, and access to angel investors and venture capitalists in exchange for equity.