CONFERENCE REPORT

36th ACSIC
CONFERENCE
NEPAL-2024

The 36th Asian Credit Supplementation Institution Confederation (ACSIC) Conference

Financing Innovations for Economic Growth

"Shaping Innovative Future"

20-25 September, 2024
The Soaltee Kathmandu,
Nepal

THE 36TH ACSIC CONFERENCE

DATE: 20-25 September, 2024

VENUE: The Soaltee Kathmandu

THEME: Financing Innovations for Economic Growth

SLOGAN: Shaping Innovative Future

HOSTED BY

Deposit and Credit Guarantee Fund (DCGF)

36th ACSIC
CONFERENCE
NEPAL-2024

EMBLEM

ACSIC logo depicts the blue sky and the highest peak on the earth, Mount Everest, which is also known as "Sagarmatha" in Nepal on the top, followed by a human head at the bottom. A light bulb is placed inside the human head to indicate ideas, creativity, and expression. The blue color used here represents the teamwork of ACSIC members, while the green lines decorated with electric cable around a human head represent all the ACSIC member organizations, and the light bulb represents the novel approach of the ASCIC community that leads to the peak of the achievement of economic prosperity through ACSIC member's commitments.

36th ACSIC Conference, 2024
Kathmandu, Nepal

Chairman's Closing Remarks

Dear ACSIC Members,

It is my immense pleasure to stand before you to celebrate the closing of the 36th ACSIC Conference and bid farewell to the conference participants. I had a keen desire to attend the conference and side events in person throughout 5 days. However, unfortunately, I could not attend the conference sessions and side activities owing to my official exigencies. Please accept my profound apology.

Nevertheless, I am regularly supervising the whole conduct of the Conference and attendant activities through daily reports and remote watch of videos and it is my impression that the overall conduct of the Conference should have been successful. The extensive deliberations on the Theme "Financing Innovations for Economic Growth" followed by the slogan "Shaping Innovative Future", which commenced from 21st September onwards ended yesterday and the excursion program spanning one and half day has also come to an end from today. I hope, the in-depth engaging sessions spanning 3 and half days commenced with the thought-provoking key note speech of the Chief Economic & Development Advisor of the Office of the Prime Minister & former Finance Minister Dr. Yubraj Khatiwada and ended yesterday with an impressive experience sharing by the experts led by the World Bank on Financing Nature should have sufficiently benefited the conference participants in learning insights and information on new innovations, sharing best practices with each other and formulating new strategies in promoting financing innovations.

On perusal of the daily updates, it appears that the Conference has drawn number of meaningful conclusions and actionable items, which to my view should remain part and parcel of the ongoing partnership and collaborations among ACSIC members. I anticipate, the host of the upcoming ACSIC Conference will take up the key take-aways of the 36th Conference to the next Conference being held in Taiwan for the benefit of the members.

Besides conclusions and actionable items derived from the sessions, the year's CDM has concluded 2 significant agenda items having a wider ramification on ACSIC future- (1) the Object Clause of the ACSIC Charter to include central Asia has been unanimously approved and (2) as a result, OJSC Guarantee Fund of Kyrgyzstan has been added to the ACSIC community as an observer with immediate effect. Likewise, the host of this year's Conference DCGF, Nepal and, the host of the upcoming Conference TSMEG, Taiwan are entrusted with a task to initiate and finalize the Sustainable Communication Channel Plan through Working Level of each of the Member Institutions well ahead of the upcoming ACSIC Conference. This definitive action item will ease the business of the next year's CDM in taking this long pending issue to a meaningful conclusion.

Finally, I want to thank Organizing Team of this Conference headed by CEO, DCGF who have devoted long hours and months for the smooth conduct of this Conference and all ACSIC member institutions, Chief

Delegates and participants for your gracious presence, active participation and constructive feedback and suggestions during the Conference.

I hope you enjoyed our hospitality and warmth. Please take my farewell greetings back to your offices and families.

I wish you a healthy stay here and a safe journey back home.

See you in the next year's Conference in Taiwan.

Thank you !

Dr. Ram Prasad Ghimire
Chairman, DCGF

CEO's Remarks

Dear ACSIC Members,

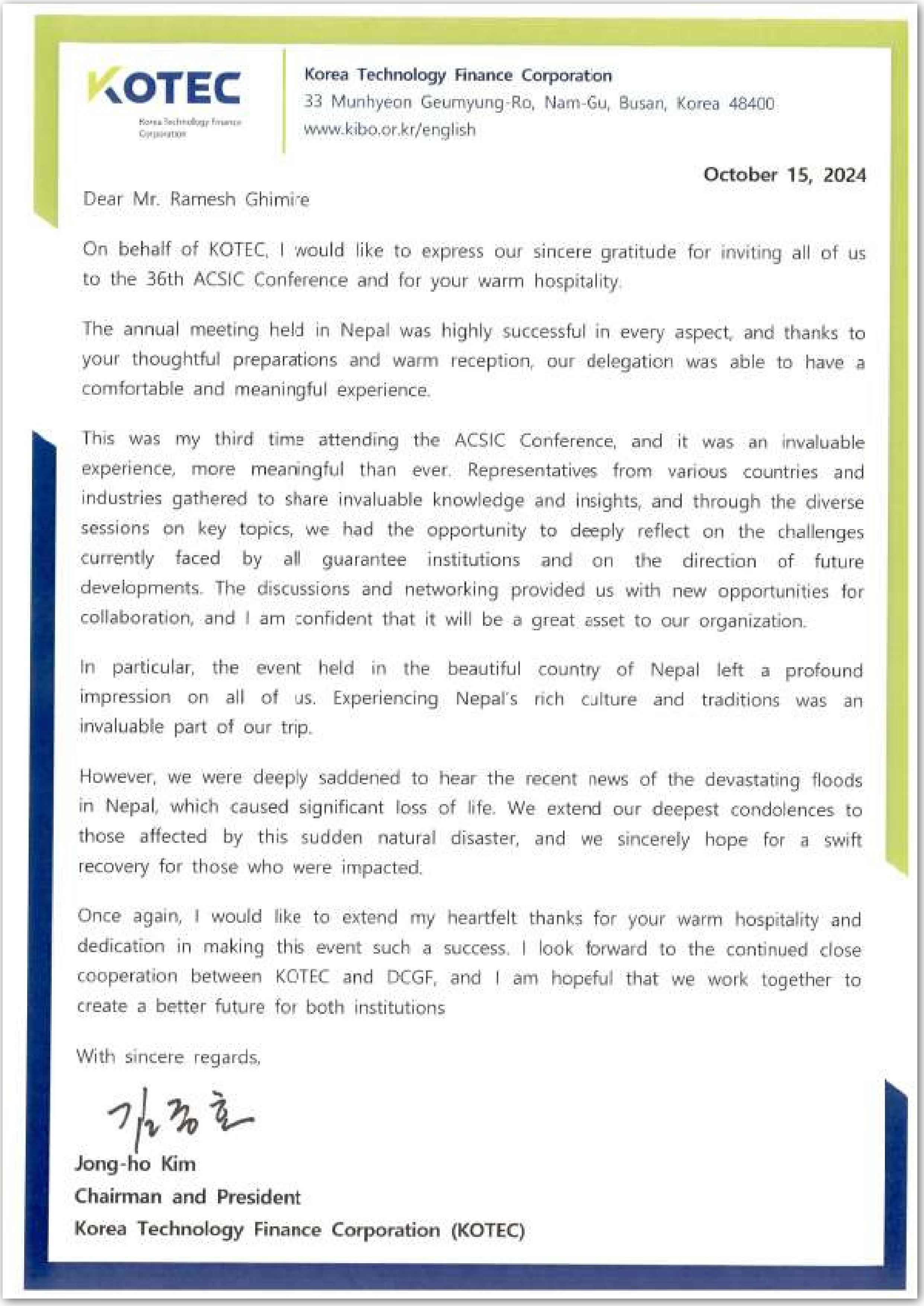
I am delighted to have been put together a highly appreciated the 36th ACSIC Conference in Kathmandu, Nepal. We spent four days engaging sessions in stimulating conversations, learning new innovations and sharing best practices with each other. The outcomes of the Conference, including the decisions taken in the CDM, remained very much fruitful. CGCC of Cambodia has been added as a new member to the ACSIC community. The deliberation on Sustainable Communication Channel (SCC) plan, which was pending since past two years, has got a meaningful conclusion as the task to give final shape to the SCC has been entrusted to a working level group consisting of representatives from every member institution. Likewise, another crucial agenda on amendment in the ACSIC Charter to include central Asia has been unanimously approved. As a result, Kyrgyzstan has become an observer.

The Conference has laid a strong bedrock of our continued collaboration in some of the potential projects in the upcoming days, e.g., (i) A project to explore the potential of offering trade-based guarantees to support pre-shipment and post-shipment credit needs of the exporters and importers, more particularly those engaged in innovative business, and also de-risk them from payment defaults and foreign exchange fluctuations. (ii) A project for using Actuarial Science and the power of AI to bring data to life and support member institutions (ii) A project on financing nature to preserve our natural capital, reduce bio diversity degradation, and also reduce our carbon footprint. I hope, the aforesaid projects shall take shape over this year and support ACSIC's common goals on shared prosperity and strongly urge the host of the upcoming Conference SMEGTEG, Taiwan to kindly bring these into the conference theme of the 37th ACSIC Conference so that we can enjoy the fruits of these outcomes.

I am extremely thankful to my team at DCGF for devoting long hours and months and the Chairman and Members of the DCGF Board for their able guidance to the team. Finally, I would like to extend my sincere thanks and gratitude to the Key Note Speakers, Chief Delegates, Speakers and all the participants for their active participation and meaningful contributions to make the Conference a grand success.

Ramesh Ghimire
CEO, DCGF

Thank You Note from KOTEC, Korea



KOTEC
Korea Technology Finance Corporation

Korea Technology Finance Corporation
33 Munhyeon Geumyung-Ro, Nam-Gu, Busan, Korea 48400
www.kibo.or.kr/english

October 15, 2024

Dear Mr. Ramesh Ghimire

On behalf of KOTEC, I would like to express our sincere gratitude for inviting all of us to the 36th ACSIC Conference and for your warm hospitality.

The annual meeting held in Nepal was highly successful in every aspect, and thanks to your thoughtful preparations and warm reception, our delegation was able to have a comfortable and meaningful experience.

This was my third time attending the ACSIC Conference, and it was an invaluable experience, more meaningful than ever. Representatives from various countries and industries gathered to share invaluable knowledge and insights, and through the diverse sessions on key topics, we had the opportunity to deeply reflect on the challenges currently faced by all guarantee institutions and on the direction of future developments. The discussions and networking provided us with new opportunities for collaboration, and I am confident that it will be a great asset to our organization.

In particular, the event held in the beautiful country of Nepal left a profound impression on all of us. Experiencing Nepal's rich culture and traditions was an invaluable part of our trip.

However, we were deeply saddened to hear the recent news of the devastating floods in Nepal, which caused significant loss of life. We extend our deepest condolences to those affected by this sudden natural disaster, and we sincerely hope for a swift recovery for those who were impacted.

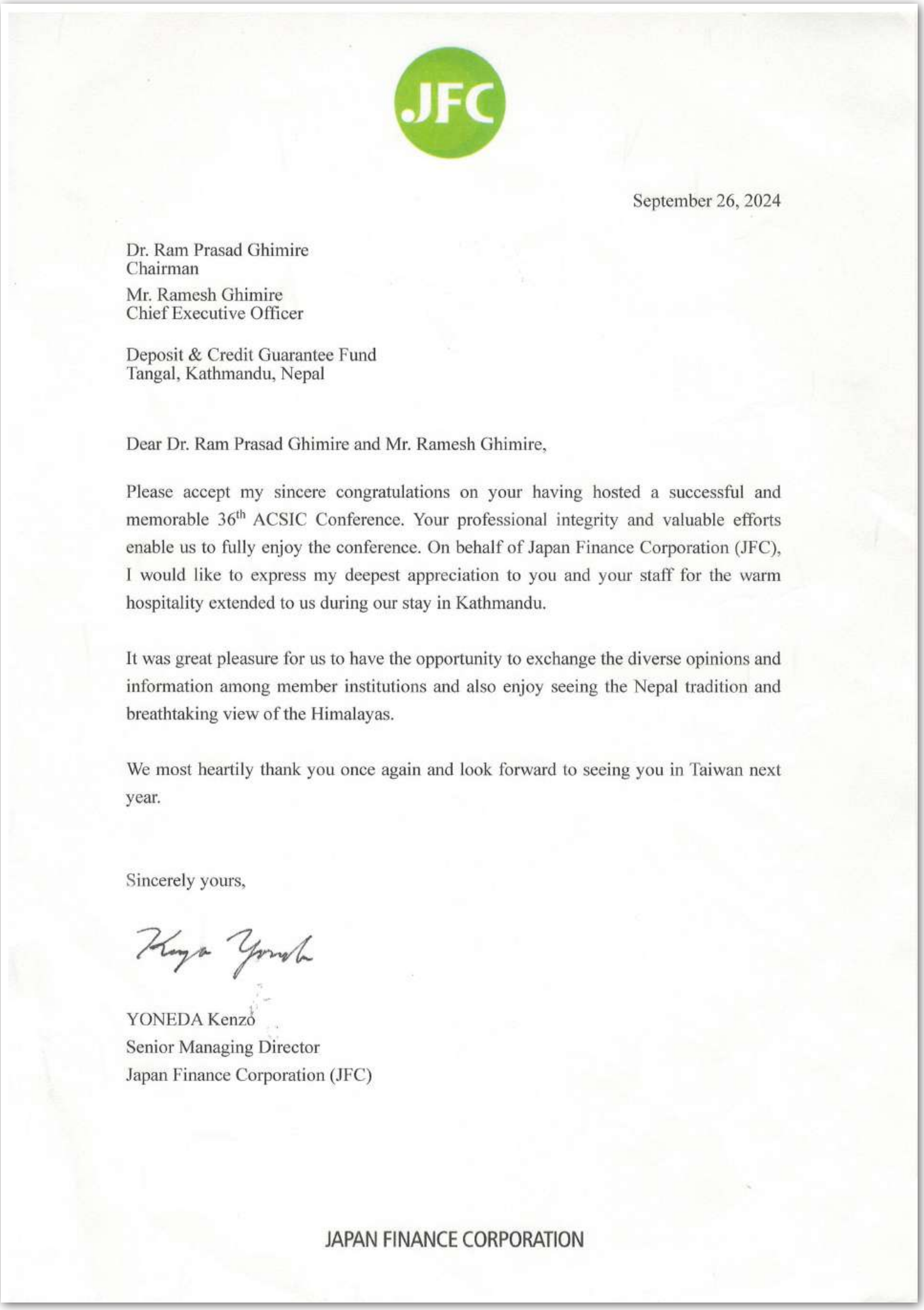
Once again, I would like to extend my heartfelt thanks for your warm hospitality and dedication in making this event such a success. I look forward to the continued close cooperation between KOTEC and DCGF, and I am hopeful that we work together to create a better future for both institutions

With sincere regards,

김종호

Jong-ho Kim
Chairman and President
Korea Technology Finance Corporation (KOTEC)

Thank You Note from JFC, Japan



JFC

September 26, 2024

Dr. Ram Prasad Ghimire
Chairman
Mr. Ramesh Ghimire
Chief Executive Officer

Deposit & Credit Guarantee Fund
Tangal, Kathmandu, Nepal

Dear Dr. Ram Prasad Ghimire and Mr. Ramesh Ghimire,

Please accept my sincere congratulations on your having hosted a successful and memorable 36th ACSIC Conference. Your professional integrity and valuable efforts enable us to fully enjoy the conference. On behalf of Japan Finance Corporation (JFC), I would like to express my deepest appreciation to you and your staff for the warm hospitality extended to us during our stay in Kathmandu.

It was great pleasure for us to have the opportunity to exchange the diverse opinions and information among member institutions and also enjoy seeing the Nepal tradition and breathtaking view of the Himalayas.

We most heartily thank you once again and look forward to seeing you in Taiwan next year.

Sincerely yours,

YONEDA Kenzo
Senior Managing Director
Japan Finance Corporation (JFC)

JAPAN FINANCE CORPORATION

ABOUT ACSIC

Overview of ACSIC

The Asian Credit Supplementation Institution Confederation, known as ACSIC, is the cooperation of Asia's credit guarantee organizations. Established in 1987, ACSIC is the largest organization of the credit supplementation institutions in Asia. ACSIC consists of 17 members from 12 Asian countries.

Objective of ACSIC

The objective ofACSIC is to promote the sound development of the creditsupplementation system for small businesses in Asian countries through the exchange of information, discussions, and interchange of personnel among small business credit supplementation institutions.

Charter of ACSIC

ARTICLE 1 (NAME)

This confederation shall be named Asian Credit Supplementation Institution Confederation (hereinafter referred to as "ACSIC")

ARTICLE 2 (OBJECTIVE)

The objective of ACSIC is to promote the sound development of the credit supplementation system for small business in the countries including regions (hereinafter referred to as "countries") of Asia excluding areas to the west and north of Pakistan (hereinafter referred to as "Asia") through exchange of information, discussions and interchange of personnel among small business credit supplementation institutions (hereinafter referred to as "institution(s)") in Asia.

ARTICLE 3 (ACTIVITIES)

- To achieve the objectives set forth in the preceding article, ACSIC shall conduct the following activities:
- Holding meetings for information exchange and discussions for the benefit of institutions.
- Other activities necessary to achieve the objectives set forth in the preceding article.

ARTICLE 4 (ELIGIBILITY FOR PARTICIPATION)

Institutions in Asia are eligible for participation in ACSIC.

ARTICLE 5 (MEETINGS)

- Meeting referred to in Article 3 Item 1 (hereinafter referred to simply as "meeting(s)") shall be held at regular intervals at venues rotating among the countries to which institutions belong, unless otherwise decided.
- The institution sponsoring each meeting (hereinafter referred to as "sponsor") shall convene, preside over and make all necessary preparations for the meeting.
- The sponsor may allow any persons deemed appropriate to participate in the meeting as observers and speakers.
- The country of venue, sponsor, and time of the next meeting shall be decided upon at each meeting.

ARTICLE 6 (MEETING PROCEDURES)

- The official language of each meeting shall be English and any other language deemed appropriate by the sponsor.
- The chairman of each meeting shall be appointed from among the representatives of the sponsor.
- Resolutions at each meeting shall be made by a majority vote of the institutions present, with the chairman casting the deciding vote in the event of a tie.
- Voting shall be made by a show of hands or balloting as the chairman deems appropriate.
- In voting upon resolutions, as described in the preceding paragraph, if one country should be represented by more than one institution, such institutions shall cast one vote jointly among them.
- After each meeting is closed, the sponsor shall prepare the minutes thereof and distribute them to the institutions which took part in the meeting and which are deemed to be interested in ACSIC activities.

ARTICLE 7 (EXPENSES)

A sponsor may ask the prospective participants of the meeting to share the necessary costs of holding the meeting.

ARTICLE 8 (AMENDMENT TO THE CHARTER)

The charter shall be amended by a two-thirds majority at the meeting attended by at least half of the countries to which the institutions eligible for participating belong.

MEMBERS Our Network

S.N.	Institution	Membership Year
1	PT. Asuransi Kredit Indonesia (PT. Askrindo) / Indonesia	1987
2	Asosiasi Perusahaan Penjaminan Indonesia (Asippindo) / Indonesia	1987
3	Japan Finance Corporation (JFC) / Japan	1987
4	Japan Federation of Credit Guarantee Corporations (JFG) / Japan	1987
5	Credit Guarantee Corporation Malaysia Berhad (CGC) / Malaysia	1987
6	Deposit and Credit Guarantee Fund (DCGF) / Nepal	1987
7	Small & Medium Enterprise Credit Guarantee Fund of Taiwan (TSMEG) / Taiwan	1987
8	Thai Credit Guarantee Corporation (TCG) / Thailand	1987
9	Korea Credit Guarantee Fund (KODIT) / Korea	1987
10	Korea Technology Finance Corporation (KOTEC) / Korea	1989
11	Korea Federation of Credit Guarantee Foundations (KOREG) / Korea	2008
12	Central Bank of Sri Lanka (CBSL) / Sri Lanka	1987
13	Sri Lanka Export Credit Insurance Corporation (SLECIC) / Sri Lanka	2017
14	Philippine Guarantee Corporation (Philguarantee) / Philippines	1988
15	Small & Medium Enterprises Corporation (SMEC) / Papua New Guinea	2000
16	Credit Guarantee Corporation of Papua New Guinea (CGC PNG) / Papua New Guinea	Pending membership
17	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) / India	2008
18	Credit Guarantee Fund of Mongolia (CGFM) / Mongolia	2015
19	Credit Guarantee Corporation of Cambodia (CGCC) / Cambodia	Pending membership

DEPOSIT & CREDIT GUARANTEE FUND (DCGF) NEPAL

Deposit and Credit Guarantee Fund (DCGF) was established on September 20, 1974, initially under the name Credit Guarantee Corporation. It was later renamed to its current title following the enactment of the Deposit and Credit Guarantee Fund Act in 2017. Initially focused on priority sector lending, DCGF has since broadened its scope, currently playing a pivotal role in both deposit and credit guarantee services aimed at fostering economic development. DCGF actively supports banks and financial institutions by offering various credit guarantee schemes, ensuring a secure investment environment across diverse sectors.

VISION

Be a reliable guarantee service institution.

MISSION

Promote trust towards banking and financial system by securing public deposits and institutional credits to targeted strata and sector.

OBJECTIVES

To secure public deposits and institutional credits.

To safeguard and conserve economic wellbeing of the general public.

To strengthen the guarantee funds.

Board of Directors of DCGF

Dr. Ram Prasad Ghimire
(Secretary)
Ministry of Finance
Chairman

Mr. Uttar Kumar Khatri
(Joint Secretary)
Ministry of Finance
Director

Mr. Binod Kumar Bhattarai
(Joint Secretary)
Ministry of Law, Justice & Parliamentary Affairs
Director

Mr. Sumar Kumar Adhikari
(Executive Director)
Nepal Rastra bank
Director

Mr. Ramesh Ghimire
Chief Executive Officer
Deposit & Credit Guarantee Fund
Member Secretary

CONFERENCE SECRETARIAT ORGANIZING COMMITTEE

Mr. Ramesh Ghimire
Chief Executive Officer

Ms. Usha Poudel
Deputy Chief Executive Officer

Mr. Bikrant Acharya
Secretariat Head

Mr. Binod Pant
Manager

Ms. Mandira Thapaliya
Manager

Mr. Bidur Parajuli
Deputy Manager

Mr. Achyut Pant
Deputy Manager

Ms. Ruma Gurung
Officer

Ms. Ruchi Shrestha
Officer

Mr. Raju K.C.
Assistant Officer

Honorable Dy. PM Mr. Bishnu Prasad Paudel inaugurating the 36th ACSIC Conference

Inauguration

Table of Contents

KEYNOTE SPEECH

Date

21st September, 2024

Dr. Yuba Raj Khatiwada

Chief Economic Advisor to Prime Minister of Nepal
Former Finance Minister of Nepal &
Former Governor of Nepal Rastra Bank

Dr. Khatiwada touched upon various facets of the financial industry, especially focusing on the challenges and opportunities presented by financial innovation, inclusion, and technology. His address touched on the critical issues faced by developing economies like Nepal in achieving financial inclusion, fostering innovation, and ensuring sustainability, particularly in the context of the rapidly evolving financial landscape.

Dr. Khatiwada began by acknowledging that financial innovation, driven by technological advancements, has significantly altered the global financial landscape. While these innovations have created opportunities, they have also brought complexities and challenges, especially for developing countries. The financial industry is not as simple or as ideal as it might seem; it involves significant risks, particularly with the emergence of new technologies. The rapid advancement of financial technology (FinTech) is transforming how financial services are delivered, but it also introduces new forms of risk, potentially impacting the stability of the financial system.

One of the primary themes of Dr. Khatiwada's speech was the importance of financial inclusion for achieving sustainable and equitable economic growth. Financial inclusion means ensuring that all individuals, especially the underserved and marginalized groups, have access to essential financial services such as credit, insurance, and payment facilities. Dr. Khatiwada said that financial exclusion is a form of social injustice, as it deprives certain segments of the population of opportunities to improve their economic status.

In many developing countries, traditional financial institutions tend to favor larger corporations or individuals with substantial collateral. As a result, small farmers, entrepreneurs, and women, in particular, find themselves excluded from the formal financial system. Dr. Khatiwada highlighted that financial inclusion is not just about providing access to banking services but also about offering comprehensive financial products that cater to the needs of the underserved population. This includes microfinance programs, credit facilities without collateral, and insurance products that enable small businesses and women entrepreneurs to thrive.

Dr. Khatiwada shed light on the gender disparity in financial inclusion, particularly in the Asia-Pacific region. He pointed out that women often face more significant barriers to accessing financial services, mainly because they do not possess assets or property in their own names to use as collateral. This exclusion limits their ability to participate in economic activities and achieve financial independence. He advocated for targeted financial programs that focus on women, as investing in women has proven to yield high returns in terms of human capital development and economic growth. By providing women entrepreneurs with access to credit, training, and financial literacy, countries can unlock a significant source of untapped potential and drive inclusive economic growth.

Dr. Khatiwada discussed the importance of financial intermediaries, particularly credit guarantee corporations, in promoting financial inclusion. These institutions play a crucial role in bridging the gap between lending institutions and borrowers who lack collateral. By providing credit guarantees, they help reduce the risk for banks and financial institutions, making it easier for them to extend loans to small businesses, farmers, and women entrepreneurs. This mechanism is particularly vital in developing countries where access to credit is often a significant barrier to growth and entrepreneurship.

The idea is to create a financial ecosystem that encourages banks to lend to underserved communities, thereby fostering a more inclusive financial system. However, Dr. Khatiwada noted that while progress has been made, there is still a long way to go in ensuring that credit guarantee schemes effectively reach those who need them the most.

Dr. Khatiwada expressed concern about the challenges posed by the rapidly changing financial landscape, particularly with the rise of digital currencies, peer-to-peer lending, and mobile banking. These innovations have the potential to disrupt traditional banking models and challenge the roles of central banks and financial intermediaries. He highlighted the need for regulatory bodies to adapt to these changes, ensuring that they can effectively supervise and regulate emerging financial technologies.

The integration of financial services across borders, often facilitated by digital platforms, makes it increasingly challenging to monitor transactions and maintain financial stability. This necessitates a shift toward more sophisticated regulatory mechanisms, such as "RegTech," to keep pace with the evolving financial environment. Dr. Khatiwada stressed the importance of developing a hybrid regulatory system that can manage risks associated with new technologies while fostering innovation and financial inclusion.

In his speech, Dr. Khatiwada highlighted the importance of risk management, especially for institutions like credit guarantee corporations. He emphasized the need for these institutions to maintain sufficient capital reserves to handle potential shocks, such as pandemics or natural disasters. Drawing from recent experiences with the Covid-19 pandemic and other unexpected crises, he highlighted the importance of being prepared for contingencies that could disrupt the financial system.

Day I Sessions

SESSION I

Unlocking Opportunities in Financing Innovations: The Role of Credit Guarantees

Date

21st September, 2024

Moderator

Mr. Bhuvan Dahal, Ex-Chief Executive Officer, Sanima Bank

Speakers

1. **Mr. Jungin Youn**, Policy Advisor for Chairperson- Korea Credit Guarantee Fund (KODIT)
2. **Mr. Celso Gutierrez**, Senior Vice President- Philippine Guarantee Corporation (Philguarantee)
3. **Mr. Mohamad Zamree Mohamad Ihsak**, President/Chief Executive Officer- Credit Guarantee Corporation Malaysia Berhad (CGC)
4. **Mr. Yu-Hsin Kuo**, Advanced Manager- Small & Medium Enterprise Credit Guarantee Fund of Taiwan (TSMEG)

Abstract

This session delved into the critical importance of de-risking instruments for encouraging financiers to invest in innovation and supporting the expansion of start-up and emerging companies. This session explored how credit guarantees can facilitate lending to innovative businesses, simplifying the process for those seeking financial support. It examined the ways in which credit guarantees serve as invaluable tools in mitigating risk and unlocking access to finance for innovative ventures.

PANEL DISCUSSION

Mr. Jungin Youn

Policy Advisor for Chairperson
Korea Credit Guarantee Fund (KODIT)

Mr. Youn presented insights into KODIT's startup support program, which is aligned with three key objectives. He argued that KODIT's role is crucial for the development of startups in several ways. First, KODIT prioritizes SME support, dedicating at least 60 percent of its resources as mandated by law. Second, it drives export and innovation growth, an area where startups play a significant role. Third, KODIT ensures market stability and has historically played an essential role in stabilizing the Korean economy during periods of crisis, such as the 1997 Asian Financial Crisis, the 2008 Global Financial Crisis, and the Covid-19 pandemic.

Established in 1976, KODIT's outstanding guarantees have grown significantly from just USD 0.1 billion to USD 6.6 billion in 2020. Youn explained that his presentation focuses on two main aspects: the startup support program and case studies illustrating its outcomes and achievements.

He discussed the defining characteristics of startups, such as commitment, high growth potential, strong incentives, risk, flexibility, and the ability to attract talent. He emphasized that these characteristics foster innovation, as seen in global examples like Kodak's transformation. Startups contribute to economic advancement, job creation, and the generation of new growth engines, especially in times of economic difficulty. Therefore, KODIT acts as a policy financing tool, making double efforts to provide effective financial support programs for startups.

Youn highlighted KODIT's paradigm shift from a supply-oriented to a customer-oriented approach. He outlined three strategies: evaluation based on future growth rather than just financial status, step-by-step support with established credit lines and annual goals, and tailored financial support aligned with the growth cycle of startups. These strategies ensure that KODIT's support program is comprehensive and effective in fostering startup success.

Mr. Mohamad Zamree Mohamad Ihsak

President/Chief Executive Officer
Credit Guarantee Corporation (CGC)

Mr. Ihsak began with an overview of CGC Malaysia, established 54 years ago, and majority-owned by the Central Bank of Malaysia. Over the past five decades, CGC has assisted more than one-third of Malaysian SMEs. He emphasized CGC's developmental role and its counter-cyclical function during economic downturns, Visiable more Particularly in the aftermath of Covid-19, where CGC supported SME resilience and growth.

CGC's core mandate is captured in its CGC 2030 plan, which focuses on three pillars: providing guarantees (which contribute 97 percent of revenue), direct financing on a selective basis to address market gaps, and offering services beyond guarantees. CGC primarily steps into direct financing when there is a gap, such as when it filled the void in startup loans in 2015, injecting around USD 100 million. Since then, CGC has guaranteed USD 150 million in startup lending, proving its readiness to exit when market needs are met.

He highlighted CGC's key roles, which include facilitating SME access to finance, promoting financial education, and enhancing creditworthiness. The challenges faced by SMEs, such as uncertain economic conditions, regulatory changes, digital transformation, and cyber risks, were also addressed.

Emphasizing financial innovation, he underscored its role in promoting financial inclusion and risk mitigation, helping SMEs pursue innovative projects. Zamree outlined five innovative offerings by CGC: Guarantee First Model, Portfolio Guarantee with peer-to-peer financiers, Portfolio Guarantee with VISA business credit card, API for Portfolio Guarantee, and iMSME, Malaysia's largest online payment gateway launched five years ago.

Particularly, he highlighted the launch of the CGC-guaranteed VISA business credit card in partnership with Alliance Bank, a first in the Asia-Pacific region, providing SMEs with more convenient access to financing. These offerings enhance SME access to capital, expedite turnaround times, and support their growth, demonstrating CGC's commitment to fostering economic prosperity.

Mr. Celso Gutierrez

Senior Vice President
Philippine Guarantee Corporation (Philguarantee)

Gutierrez presented the organization's role as a government institution aimed at enhancing the Philippine economy. Philguarantee, fully owned by the government, plays a vital role in promoting innovation through various laws, such as the Innovation Act and the Startup Act, which encourage entrepreneurship and technology transfer.

Gutierrez emphasized the importance of collaboration with academic institutions to commercialize research that can boost productivity and reduce costs. He highlighted the need for financial literacy programs to empower small and medium enterprises (SMEs), ensuring their growth and sustainability.

Addressing the challenges faced by entrepreneurs, Gutierrez noted that while starting a business carries inherent risks, supporting potential job creators can help mitigate unemployment. Philguarantee seeks to break down barriers within the Philippine banking system, which often requires collateral for loans. By providing guarantees, the institution enables medium enterprises without security to access financing and expand their operations.

Philguarantee also focuses on supporting infrastructure development across the archipelago, addressing the unique challenges posed by the country's 7,100 islands. This includes enhancing railway systems through foreign grants and official development assistance.

Innovation is critical for boosting productivity, and Gutierrez underscored the need for technology adoption and skills development. Philguarantee's mission encompasses three pillars: supporting micro, small, and medium enterprises, promoting housing for all Filipinos, and ensuring food security through agricultural support.

To foster rural development, the organization encourages businesses to apply for guarantees outside metropolitan areas and promotes inclusive economic participation. Gutierrez mentioned the importance of sustainability and green technology adoption as part of Philguarantee's strategy.

Finally, he encouraged entrepreneurship among youth, providing advisory services to guide them in accessing the right resources. By advocating for ESG principles and a long-term vision of social justice and economic stability, Philguarantee strives to support not only MSMEs but also broader government objectives and infrastructure initiatives.

Mr. Yu-Hsin Kuo

Advanced Manager, Small and Medium Enterprise Credit Guarantee Fund of Taiwan (TSMEG)

Kuo presented the organization's mission to finance innovation by supporting small and medium-sized startups in Taiwan. Kuo explained that as companies grow larger and establish a solid financial record, they typically become self-sufficient or can secure funding from banks. TSMEG specifically aims to assist smaller startups in obtaining financing from banking institutions.

Kuo highlighted a real case of a startup, referred to as Company ABC, founded by a former school teacher. The founder pivoted his career due to the declining birth rate in Taiwan and the increasing focus on carbon emissions and ESG standards. He established Company ABC in 2017 to help manufacturers improve energy efficiency. Despite initial struggles, including losses in the early years, the company experienced significant growth by 2021 and 2022, thanks in part to TSMEG's support through working capital and operating loans.

In the presentation, Kuo provided an overview of TSMEG, noting its 15th anniversary and its nonprofit status. The organization receives 70 percent of its funding from the central government and 30 percent from banking partners. With over 360 employees, TSMEG has increased its guarantee amount performance to record levels in 2023, driven by programs aimed at helping SMEs recover post-COVID-19.

Kuo discussed the challenges faced by startups in securing financing from banks, which often perceive them as high-risk due to factors like lack of financial transparency and track records. To address this, TSMEG has developed several guarantee programs, focusing on innovation and startups. Key initiatives include loans for young entrepreneurs, SME Innovation Development Project loans, and preferential credit guarantees for startups in priority sectors, such as semiconductors and AI.

The organization provides a high coverage ratio and low guarantee fees, including up to 100 percent guarantees for small loans, making it easier for startups to access financing. Kuo emphasized the importance of shifting the evaluation criteria used by banks, advocating for a focus on industry prospects and R&D capabilities rather than solely on financial history.

Concluding his presentation, Kuo reiterated TSMEG's commitment to supporting innovation and startups in Taiwan.

COMMENTS BY PANELISTS

Youn, Policy Advisor for Chairperson of Korea Credit Guarantee Fund (KODIT) said to overcome obstacles and drive innovation, there are three essential elements to focus on. First, it's important to actively identify and even create challenges to push the system to adapt and find solutions. This process encourages growth and helps develop new ideas. Second, having a clear intention is crucial when introducing any new concept or approach. Such changes usually require a shift in mindset, and while they often come with time and cost constraints, adapting to these shifts is necessary for progress. Lastly, effective communication plays a vital role. It's important to communicate clearly to persuade and align everyone involved, whether it's employees, stakeholders, or government officials.

Likewise, ***Ihsak, President/Chief Executive Office, Credit Guarantee Corporation (CGC) Malaysia*** highlighted that it is crucial to have a clear understanding of the expectations from capital providers and shareholders. In Malaysia, there are two credit guarantee entities with different approaches. One is CGC Malaysia, owned by the Central Bank of Malaysia, which is expected to be financially sustainable and implement risk-based pricing. The other is a credit guarantee owned by the Ministry of Finance that offers extremely low rates, with the government absorbing the costs. This contrast shows the challenge of balancing innovation with financial sustainability. For instance, when credit guarantees support startups with nearly 100 percent guarantees and charge only a 0.1 percent fee, it often leads to financial losses, requiring government subsidies to cover the gap.

Gutierrez, Senior Vice President, Philippine Guarantee Corporation (Philguarantee) suggests that for Philguarantee to succeed, it's essential to invest in internal training for its staff. With numerous technologies and innovative ideas emerging, employees must be equipped to distinguish between feasible ideas and those that are unrealistic. By developing this ability, the organization can ensure that its team remains capable of navigating innovation effectively, which is crucial for maintaining Philguarantee's long-term sustainability.

Yu-Hsin Kuo, Advanced Manager, Small and Medium Enterprise Credit Guarantee Fund of Taiwan (TSMEG) shared a key lesson from Taiwan's experience. It is that, despite efforts to finance innovation, the impact and scale have remained quite limited. This limitation is primarily due to the absence of a robust credit rating system. For Taiwan to expand its influence and make a significant impact, it's crucial to establish an effective credit rating system that can support and enhance the success of such innovation programs.

CONCLUSION

The speakers talked about the critical role of credit guarantee institutions in promoting innovation and supporting startups. Each pointed out the necessity of a shift from supply-oriented to customer-oriented approaches, ensuring that support aligns with the unique growth cycles of startups.

Youn articulated the importance of identifying challenges to stimulate systemic adaptation, while Ihsak talked about the balance between financial sustainability and innovation, particularly regarding varying credit guarantee models.

Gutierrez mentioned the need for internal staff training to discern feasible innovative ideas, stressing the significance of knowledgeable personnel in navigating emerging technologies. Kuo observed that despite efforts to finance innovation, Taiwan's impact has been limited due to the absence of a robust credit rating system, which is essential for enhancing the effectiveness of innovation programs.

The discussions conveyed that while significant progress has been made in supporting startups and SMEs, addressing underlying regulatory gaps, improving financial literacy, and encouraging collaboration among stakeholders are much needed for driving sustainable economic growth and achieving broader developmental goals.

PRESENTATION

Theme: Overview of OJSC Guarantee Fund of Kyrgyzstan and proposed membership request with ACSIC

Mr. Erik Talasdev

Deputy Chairperson
OJSC Guarantee Fund of Kyrgyzstan

Talasdev outlined the organization's mission and initiatives to foster entrepreneurship by improving access to financing through guarantee instruments. The fund aims to create and sustain jobs while enhancing the contribution of businesses to the national GDP. Established in 2011, the Guarantee Fund has evolved through several key stages, starting with the formation of six regional guarantee funds and culminating in the establishment of a central guarantee fund that operates nationwide. In 2013, legal frameworks were introduced, allowing the fund to expand its activities.

By 2018, the Central Bank became a shareholder, increasing the fund's capital significantly, and this capital was further boosted to USD 80 million by 2022. The fund operates on principles of self-sufficiency, with no governmental liability for its obligations. In fiscal year 2023, the Guarantee Fund reported revenues of USD 8 million and a net profit of USD 5 million, reflecting its successful financial model. It has issued various guarantees, including individual and portfolio guarantees, primarily focusing on sectors such as agriculture, industry, tourism, and mortgages.

The agriculture sector holds the largest share of guarantees, attributed to over 65 USD of Kyrgyzstan's population residing in rural areas. The fund also provides consulting services aimed at enhancing business competitiveness and financial management. Recently, it has introduced portfolio guarantees for entrepreneurs, mortgage guarantees, and support for micro-entrepreneurs receiving unsecured loans.

Talasdev highlighted the importance of collaboration to explore new tools for supporting entrepreneurship. He expressed a commitment to sharing the Guarantee Fund's experiences in building a guarantee system and implementing international financial reporting standards. He highlighted the varying regulatory approaches in different countries regarding guarantee funds, noting the Kyrgyz Central Bank's prudential supervision role.

In closing, Talasdev reiterated the fund's eagerness to become part of the broader family of guarantee funds and the opportunity to exchange knowledge and experiences. He expressed gratitude to the conference organizers and highlighted the desire to host the next conference in Kyrgyzstan in 2026, inviting further collaboration in support of entrepreneurship.

SESSION II

Bridging the financial gap in Asia: The role of innovations and credit guarantee institutions

Date

21st September, 2024

Speakers

Mr. Anirvan Ghosh Dastidar, CEO, Standard Chartered Bank Nepal

Abstract

The presentation focused on role of credit guarantee institutes and its transformative role in bridging this financial gap, mitigating risks, lending to SMEs. The presentation highlighted that despite an increasing number of tech-driven service ideas which are emerging across mainly agriculture, e-commerce, digital payments, health care, and food, and these are basically transforming their respective industries, creating thousands of jobs and fostering innovation, there is financial gaps leading to an absence of right kind of solutions, including credit institutions which would help facilitate the right technology transfers, and risk participation structures which would arrange financing for start-ups and firms.

Mr. Anirvan Ghosh Dastidar

Chief Executive Officer
Standard Chartered Bank Nepal

Mr. Dastidar talked on financial landscape in Nepal and role that credit guarantee institutions play. He briefly described start-up ecosystem in Nepal, the demographic dividend, the digital penetration in Nepal and just bringing back, connecting credit guarantees in a market like Nepal and tying it with the economic potential. He shared that in Nepal the challenge of financial inclusion was very significant in the past.

Ghosh reviewed that, in Nepal, recently, there have been a lot of guidelines which have been very effective and central to bank initiators, especially around working capital among others where it's led to the landscape changing rapidly. IFC's report on financial inclusion way back in 2023 still estimates that 27 percent of Nepal's population is currently unbanked.

Ghosh viewed that unbanked population indicates there is substantial opportunity and potential for return on investments on initiatives and projects that would aim to increase financial inclusion further. This fact is also, and a lot of the panelists were talking about SMEs, start-ups, there is a direct correlation between the financial access of individual customers and SMEs. The same IFC report also estimates that SMEs represent more than 90 percent of all enterprises in Nepal and deploys more than 80 percent of the active labor force.

Mentioning the above context, Ghosh said that the role of credit guarantee institutions are becoming more and more important. It's quite obvious that institutions can play a very transformative role in bridging this financial gap, mitigating risks, lending to SMEs.

Discussing the challenges, Ghosh reasoned regarding banks not lending more into micro and MSME sectors. Banks are regulated and bound by regulation, there is risk appetite, there is the element of risk, and there is various metrics which a bank has to look in terms of its shareholder returns. And that's where credit guarantee institutions come in. There are numerous examples of risk participation. Some of the multilaterals, and many of the regional exit bank players are coming into markets like Nepal where they are taking an unfunded or funded risk participation measure, thereby enabling banks to take more risk and participate directly.

Briefly describing Nepal's start-up ecosystem, Ghosh said that Nepal relative to its size has seen a remarkable growth in recent years, and there is an increasing number of tech-driven service ideas which are emerging across mainly agriculture, e-commerce, digital payments, health care, and food, and these are basically transforming their respective industries, but also creating thousands of jobs and fostering innovation. But despite many start-ups emerging in Nepal, the financial gaps are leading to an absence of right kind of solutions, including credit institutions which would help facilitate the right technology transfers, and risk participation structures which would arrange financing for start-ups and firms. This would significantly help generate employment and complement the business environment in the country.

Start-up ecosystem in Nepal is the demographic dividend. Currently, Nepal has a structural advantage in the economy which the demographic dividend represents a huge opportunity. About 60 percent of the population is under the age of 30 and a median age of almost 25 years. So, there is a vast pool of young talent which is eager to innovate and create new businesses. A lot of people migrating out, revenues in this country is at an all-time high, but at the same time the youthful demographic dividend would shift Nepal to the point from a labor exporting nation to a nation that generates jobs domestically. The fiscal budget of Ministry of Finance has announced this decade is to be the information technology decade where there is a target to generate over US$25 billions of IT exports in the coming decade.

Adding to this, Ghosh said that it's a very ambitious number, but just taking a run rate of this figure would translate to almost US$2 billion a year. And this is a significant stream of foreign exchange which would help diversify the income stream of foreign exchange income and complementing the inflow of remittances of the country.

Furthermore, Ghosh talked about digital penetration of Nepal which is another key factor in driving economic potential of Nepal. Citing central bank, Nepal Rastra Bank, data, he said mobile banking compromises of almost 23 million users, very high as a percentage for the size of the country. All other facilities including wallets have gained significant traction among consumers and it's really facilitated ease of transaction and access to financial services. The digital revolution of Nepal presents a significant opportunity for start-ups to leverage technology for innovative solutions and cater to local needs. Fintech companies can also in Nepal develop platforms that simplify loan applications, provide credit scoring methods based on transaction histories from mobile words. The demographics and an operating environment show that there is a long-term area where Fintechs could explore the online facilitation of credit guarantees for any loan based on certain parameters which are agreed upon.

Lastly, he said that the strategic role of credit guarantee institutions becomes even more crucial when considering these aspects. Nepal is advancing to financial standards via IFRS 9 or expected credit loss methodologies. While there are challenges in this transition, partnering with credit guarantee institutions is very beneficial in a market like Nepal which is pre-dated and getting dated soon. The whole return on capital, RWA calculations really sees a lot of benefit after getting into funded or unfunded risk participation with credit guarantee institutions. Standard Chartered have set up some of the few partnerships for the first time in Nepal with exit banks around the region and a lot of the monetary liability agencies.

QUESTIONS AND COMMENTS

A number of perspectives emerged in the general discussion. Some participants noted that there is no any public and state bank institutions working closely with any of the private credit institutions. They asked that why is not too much of an effort happening on that side and how do presenter see it.

Answering the queries, Ghosh said that one thing which is very common to most of our markets in Africa and markets in Nepal is regulatory tailwind. Explaining he said that as banks it has commitment to the deep right and the MSME sector. Now, the bank can stand back and say that it is global bank. The participation model, the bank is not supposed to participate there. For whatever reason, there is a regulatory directive. And it's common to all markets. The risk, end of the day, the bank is regulated as it has its shareholders, board, and returns on capital.

Ghosh also elaborated linking in green, sustainable finance, ESG. Because obviously now there is a transition to net zero.

Participants also asked financing startup in bank's risk, how do bank overcome the higher risk.

Answering the participant, Ghosh said that they don't finance startups. Being international bank, it has a certain return circle. However, in the next three or four years, in markets like Nepal, probably 60 percent of bank's portfolios, whether it's retail or corporate, is going to be risk-participated with a credit guarantee institution.

CONCLUSION

As a bank, Standard Chartered Bank has a very strong footprint in this part of the world. Looking in South Asia, the bank is big in India and almost in every market across Asia. In Nepal, bridging the financial gap is not about addressing immediate funding needs. It is about unlocking potential. The potential for innovation and sustainable growth by embracing these innovative financial solutions and leveraging the strategic role of credit guarantee institutions, as banks can create more inclusive financial ecosystem that empowers SMEs and startups.

SESSION III

Asian best practices of innovative financing

Date

21st September, 2024

Speakers

1. **Mr. Lida No,** Deputy Chief Executive Officer (Credit Guarantee Corporation of Cambodia-CGCC)
2. **Mr. Yohei Yamaguchi,** Senior Economists- Japan Finance Corporation (JFC)

Abstract

The session on "Asian Best Practices of Innovative Financing," held on September 20, 2024, explored strategies for promoting innovation and economic resilience across Asia. Recognizing the pivotal role of innovation in driving productivity, competitiveness, and overall economic advancement, the session underscored that innovation is the bedrock of progress. However, fostering innovation requires substantial investment, necessitating the identification of appropriate financial mechanisms. This session examined a range of strategies, including diverse funding sources, public-private partnerships (PPPs), incentive programs, supportive regulatory frameworks, global market access, risk management tactics, long-term strategic vision, and sustainability initiatives.

Mr. Lida No, Deputy CEO of the Credit Guarantee Corporation of Cambodia (CGCC), highlighted Cambodia's efforts in supporting SMEs through loan and bond guarantees, with a focus on green financing initiatives and capacity-building programs. He emphasized CGCC's alignment with international best practices and sustainable development, particularly in Cambodia's post-pandemic economic recovery by offering credit guarantees and fostering financial literacy among entrepreneurs.

Mr. Yohei Yamaguchi, Senior Economist at Japan Finance Corporation (JFC), discussed Japan's innovative financing approach, aiming to boost investment in startups and emerging sectors like logistics. The Japanese government plans to increase investment to over $67 billion by 2027, supporting technological advancements and new partnerships through patient financing schemes. JFC plays a pivotal role in complementing private financial institutions with policy-based financing, fostering a dynamic entrepreneurial ecosystem.

The session emphasized the importance of innovation in financial mechanisms to ensure sustainable growth and long-term economic advancement across Asia.

ALL ACSIC MEMBERS - EXPERIENCE SHARING

Mr. Lida No

Deputy Chief Executive Officer
Credit Guarantee Corporation of Cambodia (CGCC)

CGGC is the youngest member of the Asian Credit Supplementation Institution Confederation (ACSIC). Established during the peak of the COVID-19 pandemic, CGGC is a state-owned corporation in Cambodia, operating in the economic and financial sectors. I recall when we launched our first credit guarantee scheme—Cambodia was in complete lockdown due to the pandemic. Our primary role is to support the government's recovery plans by providing credit guarantees and loans to underserved small and medium enterprises (SMEs).

We started with an initial fund of $200 million from the Cambodian government. Last year, we were awarded a AAA rating by the Cambodian sovereign rating agency, and this year we became a full member of ACSIC.

Our products and services are based on three pillars: loan guarantees, bond guarantees, and SME capacity building. Over the past four years, we've expanded our guarantees from individual loan guarantees to preferred loan guarantees. Last year, we launched a new service, providing guarantees for corporate bonds to aid Cambodia's capital market development.

In addition to credit guarantees, we offer capacity-building programs for SMEs, promoting financial literacy.

Our guarantees cover up to 80% of the loan amount, with guarantee fees as low as 0.75% of the outstanding guaranteed amount. We offer guarantees for up to 7 years, with a maximum loan guarantee amount of $1 million. We provide guarantees for all types of SME loans.

We provide indirect guarantees to borrowers, meaning they must apply for loans through participating banks or financial institutions. After assessing the loan, the bank will seek verification from CGGC. Once approved, the bank disburses the loan to the borrower.

Our claim process operates in two phases: in the first phase, we pay 50% of the claim, and the remaining 50% is paid two years later. The banks are responsible for loan recovery on our behalf, and any recovery is shared between the bank and CGGC.

In terms of innovation, this year we launched a sustainable finance facility in partnership with the United Nations Development Programme (UNDP) to support green initiatives. Through this initiative, CGGC acts as a bridge between banks, investors, and international development partners. We have structured the loan recovery process into three tranches, ensuring a smooth repayment process by utilizing funds from CGGC, banks, and international partners.

To strengthen our bond payment capacity, we have partnered with Europe-based international guarantors on a risk-sharing basis for our guarantee fund.

At CGGC, we build trust by being professional and honest, with high standards of integrity. We are accountable for our actions and committed to performing our duties responsibly. Embracing innovation and capacity development, we strive to promote inclusive and sustainable growth, while ensuring transparency and fairness in all our operations.

Mr. Yohei Yamaguchi

Senior Economists

Japan Finance Corporation (JFC)

Japan Finance Corporation (JFC) is a public corporation, wholly owned by the Japanese government, that was established on October 1, 2008, following the merger of four policy-based financing institutions. As a comprehensive government-affiliated financial institution, JFC's mission is to promote economic stability and growth by offering a range of financial services aimed at supporting society and creating a prosperous future.

JFC operates by adhering to national policies, providing flexible, policy-based financing programs that address the needs of various sectors. These programs are designed to complement the activities of private financial institutions, ensuring that JFC’s role does not overlap but rather strengthens Japan's financial ecosystem. The corporation focuses on conducting its operations with high transparency and efficiency, upholding strong corporate governance, and being accountable to the public. JFC also strives to be a self-regulating institution, continuously assessing and improving its processes.

A significant part of JFC's work is supporting small and medium enterprises (SMEs), including startups, which are vital to Japan's economy. JFC uses two primary financing methods to achieve this: direct lending and a credit insurance program. In Japan, 51 credit guarantee corporations provide loan guarantees through private financial institutions across the country. JFC plays a critical role in monitoring these 51 corporations to ensure they function effectively and continue to support SMEs smoothly. This oversight ensures that these credit guarantee corporations provide adequate financial backing, allowing SMEs to grow and thrive with reduced financial risk.

Japan’s innovation in public financing has become increasingly important for the country’s economic growth. Although Japan lags behind some of the world’s leading economies, such as the United States and Germany, the country recognizes the need to invest in innovation to achieve sustainable long-term economic growth. Japan’s significant investments in research and development (R&D) are aimed at promoting innovation and supporting new entrepreneurs and investors. This strategy reduces risk and encourages more significant investments in new and innovative sectors. By fostering a less risky investment environment, Japan is boosting investor confidence and paving the way for future economic development.

The Japanese government is highly focused on increasing the number of startups. In a recent announcement, the government committed to increasing the number of startups by tenfold by 2027. To support this initiative, the government has allocated $67 billion to fund and nurture new businesses. Additionally, the Japanese government has introduced a new innovative finance law specifically for Japan Finance Corporation to support this ambitious goal.

Through its continued support for SMEs, startups, and innovative industries, JFC is playing a crucial role in shaping Japan’s economic future. By facilitating financial growth and ensuring the smooth functioning of the credit guarantee system, JFC is helping Japan create a more resilient and innovative economy capable of competing on the global stage.

CONCLUSION

The session on Asian Best Practices of Innovative Financing shed light on how different countries in Asia are addressing financial innovation through credit and loan guarantees, with a strong focus on supporting SMEs and fostering economic resilience.

Credit Guarantee Corporation of Cambodia (CGCC), represented by Mr. Lida No, exemplified Cambodia's efforts to provide credit and loan guarantees, particularly for SMEs, through green financing initiatives and capacity-building programs. CGCC's sustainable financing facility, in partnership with UNDP, and its integration of international best practices showcase how Cambodia is fostering financial literacy and supporting post-pandemic recovery. By offering credit guarantees that cover up to 80% of the loan amount and innovative bond guarantees, CGCC is driving Cambodia's economic development while enhancing financial trust and transparency.

On the other hand, Japan Finance Corporation (JFC), represented by Mr. Yohei Yamaguchi, emphasized Japan's unique approach to fostering innovation through patent financing schemes tailored for emerging sectors. Japan's substantial commitment of over $67 billion by 2027 for startup investment highlights the importance of public-sector intervention in promoting new ventures. JFC's innovative credit guarantee mechanisms, alongside its collaboration with 51 credit guarantee corporations, underline the country's long-term vision for entrepreneurship, logistics sector advancements, and the overall strengthening of Japan's entrepreneurial ecosystem.

In conclusion, both CGCC and JFC are prime examples of how innovative financing mechanisms, especially credit and loan guarantees, can be instrumental in boosting SMEs, startups, and emerging sectors. Their respective best practices not only provide economic resilience but also promote sustainable development and inclusive growth in their regions, serving as models for broader implementation across Asia.

SESSION IV

Unlocking Solutions Beyond Borders

Date

21st September, 2024

Speakers

Mr. Sanjay Thakur, Advisor and Mentor (Fintech), T-Hub Foundation, Hyderabad (India)

Learnings from the Day

Joseph Silvanus, MD, Dolma Consultancy

Abstract

Innovation is a cornerstone of economic growth and development, yet financing innovative projects poses significant challenges in many developing nations. While these projects may secure traditional financing, do they adequately address or mitigate potential cross-border impacts and risks? Can the ACSIC community forge a collective solution through a regional facility or mechanism that not only fulfills project financing needs but also ensures a sustainable future for its inhabitants? The challenge of this session is to explore how ACSIC member countries can harness their collective knowledge and expertise to devise a regional solution to this pressing issue.

CASE STUDY- BASED PROBLEM-SOLVING SESSION

Mr. Sanjay Thakur

Advisor and Mentor
(Fintech), T-Hub Foundation, Hyderabad (India)

Mr. Thakur first pointed out the diversity among ACSIC member countries in terms of population, Gross Domestic Product (GDP), income per capita, average age, banking penetration, Micro, Small, and Medium Enterprises (MSME) credit percentages, MSME contributions to their respective nations, and global trade percentages. He stressed the need for collective action with a sense of urgency to improve the situation for people in various sectors, including MSMEs.

He highlighted the role of inclusive finance, particularly in financing MSMEs for societal prosperity. Giving the example of Japan, one of the developed nations in the region, he said, “Look at the contribution of MSMEs to Japan’s GDP. Forty-two percent of the GDP is contributed by MSMEs. I found that credit guarantees have played a very significant role in the sustainable growth of MSMEs.”

He also underscored the long history of Japan’s credit guarantee programs and their contribution to the growth of MSMEs, which remain a vital part of the Japanese economy.

In fact, Japan began leveraging credit guarantee programs immediately after the Second World War, which was a turning point for the country. He described the credit guarantee program as an enabler for small businesses to receive credit. In Japan, credit guarantees cover 82-85 percent of MSME credits from banks and non-bank institutions, he noted. Despite Japan being largely homogeneous, unlike many other countries, including India, it ran a diverse credit guarantee program tailored to the specific needs of various geographies and populations, enabling easier access to credit.

Referring to an earlier presentation on credit guarantee programs in Japan, Mr. Thakur mentioned that Japan's 51 geographical administrations run 51 different types of credit guarantee programs for MSMEs. "I was amazed to see the level of autonomy given to each of these 51 credit guarantee institutions, and how each institution tailored its program to ensure inclusive credit enablement for MSME growth," he said. He termed the success of Japan's credit guarantee and MSME credit enablement as inspiring, and he asked the Japanese representative how this success was achieved and what lessons could be applied to the rest of the ASIC members.

Besides inclusive finance, Mr. Thakur also stressed the need for inclusive trade to promote growth amid the widening wealth gap between the top 1 percent or top 10 percent and the rest of the population. "There is an urgent need for serious action today, not tomorrow," he said. "On one hand, we are talking about and striving for an era of abundance, but I am not sure we are taking the necessary collective actions. This divide may widen further, leading to more issues."

He also highlighted how some East Asian countries and jurisdictions, including Japan, South Korea, and Taiwan, have incorporated MSMEs into the global supply chain to ensure inclusive trade. "They have made efforts to ensure that their MSMEs, especially manufacturers, become an indispensable part of the global trade supply chain," Mr. Thakur pointed out.

Initially, massive efforts were made to establish this kind of thriving global trade supply chain ecosystem within these nations, after which they expanded beyond their borders. However, Mr. Thakur observed that times have changed, with nations now prioritizing the onshoring of supply chains. For example, the USA is attempting to create such systems domestically or closer to the country, in North America and Mexico. "How successful this will be on a large scale is uncertain, but until that happens, I am confident these countries will continue to play a significant role," he said.

Mr. Thakur then spoke about the importance of inclusive finance and how the development of financial technologies (Fintech) is driving financial inclusion. He emphasized how critical inclusive finance is to meeting Sustainable Development Goals (SDGs) by 2030. "If you look at the SDG goals, 10 out of the 17 SDGs are dependent on inclusive finance," Mr. Thakur pointed out. He stressed that inclusive finance for both individuals and businesses is essential, as it ultimately raises income levels for individuals.

He also emphasized the role of technology as a powerful enabler of inclusive finance. Mr. Thakur discussed the innovations in the financial sector and how emerging technologies are fostering financial inclusion. It all began with payments, whether through PayPal in the US, Alibaba and Tencent in China, or the blockbuster UPI system in India. Payment technology led to innovations in large-scale financial products. The emerging trend is to increase access to financial services through digital technology at low cost and scale, driving massive innovations in the financial system. Now, there has been the emergence of stablecoins (cryptocurrency) and Central Bank Digital Currencies (CBDCs). "I believe this is the next phase, but it will take some more time. Mainstreaming CBDCs will likely take another five to seven years, possibly longer," Mr. Thakur said.

He gave an example of how robust public digital infrastructure accelerated financial inclusion in India. "India opened 430 million new bank accounts in a period of five years, from 2016 to 2021. This demonstrates the scale achieved within a short time, and all credit goes to technology. Technology provides a level playing field for financial inclusion." He also spoke about India's digital public infrastructure, known as India Stack, which is a set of open APIs and digital public goods aimed at unlocking the economic primitives of identity, data, and payments on a large scale. It includes identity layers (Aadhar) dealing with digital identity, payment layers (UPI) for low-cost digital transactions, data layers (Digilocker) for secure cloud-based digital storage, and consent layers for data empowerment and protection architecture.

He said this infrastructure has enabled over 8 billion monthly transactions. “We have more than 100,000 startups that are thriving. Because of India Stack, there is virtually no cost for them,” Mr. Thakur said, adding that these startups could innovate by relying on this public infrastructure.

According to him, the beauty of India Stack lies in the fact that it is open-source and can be easily replicated by any other member country with minor adjustments and tweaks to the technology architecture. He mentioned that India is now developing more sector-specific digital infrastructures, including Health Stack, Skills Stack, and Agri Stack.

He also discussed digital infrastructure in India that enables decentralized access to credit. OCEN (Open Credit Enablement Network) is one such infrastructure—a credit enablement platform for MSMEs with a decentralized protocol. It connects lenders and borrowers via platforms, enabling borrowers to obtain loans based on online submission and verification of required documents.

Mr. Thakur said that such an open credit enablement network helps achieve inclusive credit expansion and reduces borrowing costs for SMEs. He added that similar infrastructure could be created in other countries as well.

He also highlighted other innovations in financial inclusion, including AI-powered lending solutions such as Jumo in South Africa, which has been very successful. He praised the embedded finance initiatives of Grab Holdings in Southeast Asia, noting that similar efforts are underway in India. Another success story he cited was “Beema,” an insurance product for the low-income population in Ghana.

When it came to trade, Mr. Thakur stressed the need to increase the role of MSMEs in global trade. However, he identified challenges in how MSMEs conduct trade with global buyers. Approximately 80 percent of global MSME transactions rely on open accounts—a startling fact. Under the current system, payments for delivered goods from abroad can take a prolonged time to be received, leading to issues such as credit risk, cash flow constraints, limited access to finance, currency risk, and a lack of credit guarantees and visibility.

He suggested that a digital trade finance platform could be a solution. Though still in its early stages, it could play a significant role in financial inclusion. Some progress is already being made in decentralizing digital trade finance platforms in certain parts of the world, according to Mr. Thakur.

QUESTION/ANSWER AND COMMENTS

Several participants asked questions and commented on Mr. Thakur’s presentation.

One participant inquired about the role of AI in creditworthiness assessments and risk management. The participant praised the progress made by countries like India, Japan, and South Korea in this area. In response, Mr. Thakur acknowledged technology as a great enabler of banking services but said that the journey has just begun. He mentioned that generative AI has become very important for banks, financial institutions, and fintech companies. However, he pointed out that a significant portion of banks still rely on outdated technologies, and some large banks struggle to transition to new systems because they are too large, and these old technologies are deeply embedded in their systems.

Delegate from India, Mr. Shaji Kappacheri Praised the progress made by India in financial technology. The participant noted that credit guarantees in India are provided based on data collected from banks about clients. They also credited technology as the main driver of productivity improvements in credit guarantee organizations.

Delegate from Taiwan, Mr. Yu-Hsin Kuo raised concerns about stringent regulations surrounding financial technology in Taiwan. They remarked that such regulations have stifled some innovative ideas despite Taiwan's technological advancements in fintech. The representative highlighted how fintech has evolved into Techfin due to the rise of technology-driven services.

Mr. Thakur praised Taiwan's fintech sector but also emphasized the responsible use of technology. While technology has contributed significantly to improving social capital, he pointed out that the misuse of social media is a major concern for this generation.

CONCLUSION

Mr. Sanjay Thakur highlighted the crucial role of MSMEs in bridging the widening gap between the "haves" and the "have-nots." However, MSMEs require support through access to credit, credit guarantees, and market access. Given the challenges MSMEs often face in accessing credit, technological innovations have significantly improved their ability to obtain financing compared to the past. For example, India has developed technological solutions such as India Stack and OCEN (Open Credit Enablement Network) to facilitate access to credit. Japan's long history of credit guarantees has helped its MSMEs thrive, while Japan, South Korea, and Taiwan have also been at the forefront of integrating MSMEs into the global supply chain. This has greatly benefited the MSMEs in these countries and can serve as a lesson for other ACSIC member nations.

LEARNINGS FROM THE DAY

Mr. Joseph Silvanus

MD, Dolma Consultancy

Mr. Silvanus began by summarizing the highlights of various sessions, starting with the opening session where Nepal's Economic Advisor to the Prime Minister and Former Finance Minister Yubaraj Khatiwada spoke. Mr. Silvanus noted how Mr. Khatiwada discussed some of the issues facing the banking sector and emphasized the importance of gender inclusion in financial inclusion. The topic of "greening finance" was also discussed. Mr. Silvanus described the first session as "wonderful."

He also recounted a session featuring Anirvan Ghosh Dastidar, Chief Executive Officer of Standard Chartered Bank Nepal Limited. Mr. Dastidar emphasized the importance of technological solutions for financial inclusion, given the high cost of reaching unbanked populations without technology.

Mr. Silvanus highlighted Mr. Sanjaya Thakur's speech, where Mr. Thakur discussed the democratization of finance.

"Today was a day of great learning," Mr. Silvanus concluded.

ICE BREAK OF THE DAY-II SESSIONS

Date

22nd September, 2024

Mr. Bam Bahadur Mishra

Deputy Governor

Nepal Rastra Bank

The Deputy Governor Bam Bahadur Mishra welcomed delegates to the 36th ACSIC conference in Kathmandu, celebrating 30 years since Nepal last hosted the event. He emphasised the importance of the conference theme, Financing Innovation for Economic Growth, for regional development.

He highlighted the challenges facing micro, small, and medium enterprises (MSMEs) and stressed the significance of credit guarantees. “In the current context, where MSMEs are facing numerous constraints, credit guarantee institutions are crucial in bridging the gap between the demand and supply of credit,” he stated. He urged these institutions to collaborate closely with central banks to promote sustainable growth across all sectors.

He acknowledged the critical role of the Deposit and Credit Guarantee Fund (DCGF), which has been pivotal since its establishment in 1974, in enhancing access to finance for SMEs. The Deputy Governor reaffirmed the Nepal Rastra Bank’s commitment to ensuring that 15% of total bank credit is allocated to MSMEs, particularly in agriculture and youth entrepreneurship.

The conference included significant discussions on international best practices and collaborative opportunities in FinTech. He encouraged participants to adopt a forward-looking approach to risk management, emphasising the importance of clear pricing mechanisms for borrowers to mitigate moral hazard.

Furthermore, he stressed that sustainability is vital for credit guarantee institutions, particularly in times of crisis. He urged for the integration of SME financing models with credit guarantee schemes tailored to each economy's unique context.

In closing, the Deputy Governor underscored the role of central banks in ensuring credit flows to MSMEs, particularly in the post-COVID landscape. He invited delegates to explore Nepal’s culture and cuisine during their stay and expressed anticipation for the valuable insights that would emerge from the conference discussions.

Day II Sessions

SESSION V

Fueling Innovation: Key Resources for Financing Success-Human Capital, IT Infrastructure and Minimum Fund Requirements & Leverage Ratios

Date

22nd September, 2024

Moderator

Mr. Janardan Baral, Immediate Past President, SEJON

Speakers

1. **Mr. Hiroaki Hatano**, Senior Executive Director of Japan Federation of Credit Guarantee Corporations (JFG)
2. **Mr. Nur Syamsuhadi**, Head of Information Technology Operations Division- Asosiasi Perusahaan Penjaminan Indonesia (Asippindo)

Abstract

The session underscored the vital role that credit guarantee schemes play in providing financial support to SMEs, especially during periods of economic uncertainty or crises. These schemes are instrumental in helping small and medium enterprises access the credit they need, which can often be difficult due to stringent banking requirements or perceived risks by lenders. A key focus of the discussion was on the importance of human resources, IT infrastructure, and maintaining adequate minimum capital requirements to effectively finance innovation in these businesses.

The panel provided valuable insights into the expansion of credit guarantee schemes and how digitalisation has become an essential part of streamlining processes, reducing costs, and improving efficiency. They also emphasised the necessity for closer collaboration between credit guarantee institutions and central banks to ensure a cohesive and sustainable approach to financial innovation.

Several challenges were brought to the forefront, including managing risk, overcoming barriers to digital adoption, and addressing growing concerns around cybersecurity. These issues are critical as the financial landscape evolves, and ensuring SMEs can benefit from technological advancements while remaining secure is paramount.

Looking forward, the session explored future strategies for enhancing financial inclusion, with a particular focus on rural and underserved markets. Innovation within credit guarantee systems is seen as a key driver of economic growth, enabling a more inclusive financial ecosystem that supports SMEs in their pursuit of growth and development. By fostering collaboration, embracing digital transformation, and addressing emerging risks, credit guarantee schemes will continue to be a cornerstone of SME support in the years to come.

PRESENTATION BASED DISCUSSION (*CHAUTARI BHALA KUSARI*)

Mr. Hiroaki Hatano

Senior Executive Director

Japan Federation of Credit Guarantee Corporation (JFG)

Hatano, Senior Executive Director of the Japan Federation of Credit Guarantee Corporations (JFG), began his presentation by expressing sympathy for those affected by the heavy rains in Nepal. He went on to highlight that JFG oversees 51 Credit Guarantee Corporations (CGCs) across Japan, which play a vital role in supporting SMEs through loan guarantees. Hatano emphasised the significance of Japan's credit supplementation system, comprising both credit guarantee and credit insurance mechanisms, which have been essential in assisting SMEs during various crises, including the Lehman Shock, natural disasters, and the COVID-19 pandemic. A key component of this system, he noted, is the Safety Net guarantee program, which helps SMEs sustain cash flow during challenging times by offering additional credit and reduced guarantee fees, with municipalities being central in certifying SMEs for these benefits.

Focusing on the future, Hatano shared that digitalisation is a major area of development for JFG, particularly in streamlining credit guarantee procedures and minimising paperwork, which has proven especially valuable during crises. He highlighted that since 2023, JFG has implemented a digital platform designed to simplify the application process for financial institutions and CGCs, with plans to extend its reach to more banks. This shift towards digital processes has significantly lowered costs and processing times for SMEs, financial institutions, and CGCs alike, particularly during critical periods such as the COVID-19 pandemic. Hatano pointed to the successful example of Ishikawa Prefecture, where CGCs continued operations seamlessly following a major earthquake, thanks to digital systems. However, he also acknowledged future challenges, including the need to further promote digitalisation among all stakeholders, particularly SMEs, while leveraging these efficiencies to enhance business support and improve guarantee services.

Mr. Nur Syamsuhadi

Head of Information Technology Operations Division
Asosiasi Perusahaan Penjaminan Indonesia (Asippindo)

Syamsuhadi, representing Asippindo (the Indonesian Association of Guarantee Companies), began his presentation by highlighting the association's commitment to advocating for the interests of guarantee companies. He explained that Asippindo plays a crucial role in promoting industry growth, facilitating information sharing, and creating networking opportunities. The association is dedicated to fostering cooperation among members, promoting industry development, and providing education to enhance the capabilities of guarantee companies across Indonesia.

Syamsuhadi then shifted focus to Jamkrindo, Indonesia's largest credit guarantee company. He noted that Jamkrindo operates a vast network of 9 regional offices, 55 branches, and 17 service units, employing over 2,120 people. With 20 distinct guarantee products, Jamkrindo supports substantial credit guarantees and outstanding credit volumes, reinforcing its leadership in Indonesia's credit guarantee industry. He also emphasised the importance of human capital and IT infrastructure, stating that investment in skilled professionals and advanced technology is essential for the industry's growth. Citing McKinsey, Syamsuhadi shared that data-driven decision-making can enhance financial performance by up to 25%. He also underlined the importance of customer experience, noting that 86% of Indonesian consumers are willing to pay more for better service, which makes it a key focus for the industry.

He addressed that the rapid growth of fintech in Indonesia, noting a significant increase from 51 fintech companies in 2011 to 334 by 2022. This expansion has driven job creation and innovation, supported by government policies that foster favorable regulations. He mentioned that P2P lending transactions in Indonesia reached IDR 515.4 trillion in 2022, highlighting fintech's positive impact on the economy.

Syamsuhadi discussed the pressing issues of cybersecurity threats, regulatory hurdles, and competition in the financial sector. He suggested that enhancing cybersecurity, upskilling the workforce, and fostering innovation would be crucial steps in addressing these challenges. Likewise, he outlined Indonesia's future strategies, focusing on the expansion of rural broadband, adoption of AI and blockchain, and the promotion of public-private partnerships. These efforts are aimed at driving innovation and enhancing financial inclusion. He noted that the government is targeting 100% broadband coverage by 2024, with 49% of Indonesians still underbanked, representing significant untapped market potential. He reiterated that investing in human capital and IT infrastructure is key to the sustainable growth of Indonesia's credit guarantee industry. These investments will not only drive financial inclusion but also improve productivity and foster long-term development in the financial sector.

COMMENTS BY DISCUSSANTS

Moderator ***Mr. Janardan Baral, Immediate Past President, SEJON*** posed a pertinent inquiry regarding the challenges faced in accessing finance in Indonesia, highlighting that nearly 50% of the population remains unbanked and the financial literacy rate is alarmingly low. He asked how the decision-making process for small and medium-sized enterprises (SMEs) should be structured in light of these issues, considering the available data. Additionally, he sought insights from Syamsuhadi on how investments can be made to develop digital skills and enhance human capital in the fields of artificial intelligence (AI) and blockchain to effectively bridge the digital divide. Finally, he inquired about the role that credit guarantee providers could play in automating service delivery and bolstering digital skills while also managing the costs associated with transition and human capital development.

Mr. Nur Syamsuhadi

Head of Information Technology Operations Division- Asosiasi Perusahaan Penjaminan Indonesia (Asippindo) responded to Moderator Baral's inquiry by emphasising that in a nation like Indonesia, the decision-making process for small and medium-sized enterprises (SMEs) must adopt alternative approaches and data-reporting strategies. He highlighted two prominent strategies. The first is the utilisation of financial technology and digital solutions. By leveraging financial technology platforms, the decision-making processes can become more inclusive, enabling SMEs without formal banking relationships to access essential financial services. This approach effectively bridges the gap between SMEs and financial services through automated scoring and digital controls. The second strategy focuses on financial inclusion programmes that ensure SMEs have access to credit, even when they possess limited financial resources. These programmes enhance financial inclusion by providing structured and lower-risk credit options.

Furthermore, Syamsuhadi stated that for developing nations like Indonesia, investing in digital skills and enhancing human capital in areas such as artificial intelligence (AI) and blockchain is crucial for bridging the digital divide. He pointed out that Indonesia has implemented digital education and certification programmes, as well as nationwide digital literacy initiatives accessible to all socioeconomic groups. For instance, the country has launched a digital training programme concentrating on skills like data analysis and programming. He argued that these programmes should be expanded to encompass AI and blockchain. Additionally, he mentioned that there are subsidies available for digital training aimed at SMEs and local communities, particularly in rural areas, with a focus on how AI and blockchain can enhance business operations, reduce costs, and improve productivity. Moreover, he suggested that the government should incentivise the adoption of these technologies by providing grants to companies investing in upskilling their workforce in AI and blockchain.

Likewise, Moderator ***Mr. Janardan Baral, Immediate Past President, SEJON*** posed a critical question regarding Japan's robust credit guarantee system, which acts as a safety net during economic crises. He inquired what lessons Nepal and other developing countries could learn from this system to enhance their financial infrastructure for small and medium-sized enterprises (SMEs), particularly in terms of crisis resilience. Additionally, he asked about the key challenges SMEs face in meeting minimum fund requirements for loans in developing countries and how mechanisms could be established to facilitate capital access for these enterprises.

Mr. Hiroaki Hatano

Senior Executive Director of the Japan Federation of Credit Guarantee Corporations (JFG) responded by noting that many developing countries encounter challenges similar to those faced by Japan during crises, particularly concerning political and financial guarantees. He highlighted a significant issue: the need for efficient management of the massive volume of loan applications. Hatano recalled that three years ago, Japan hosted an online academic conference where he encountered insightful presentations from counterparts in Korea and Malaysia. He expressed admiration for their remarkable advancements in digitalisation, which inspired Japan to embark on its own digital transformation journey. Despite their progress in digitalisation being ahead of Japan's current state, he emphasised the importance of focusing on two key areas: assessing each country's potential for digitalisation and sharing this information with others.

He further explained how the quality guarantee rate is determined within the Japanese credit guarantee system. The guarantee rate varies by the category of bank and is influenced by the financial condition of each corporation. Companies with stronger financial health benefit from lower rates, while those with weaker health face higher rates. Additionally, factors such as the management's profile and future prospects are considered when determining the credit guarantee fee rate. This approach allows more SMEs to benefit from the guarantee programme. Furthermore, Hatano noted that Japan has established systems capable of generating vast amounts of data on SMEs, encompassing both quantitative and qualitative information. He highlighted the effectiveness of generative AI in analysing these data points and offering practical solutions to the challenges SMEs encounter. Hatano concluded by stating that JFC intends to continue exploring the potential applications of generative AI in this domain.

QUESTIONS AND COMMENTS

During the discussion, various perspectives emerged regarding the challenges faced by small and medium-sized enterprises (SMEs). Several participants highlighted the critical issue of access to finance and how it severely hampers the growth potential of SMEs. One participant remarked on the importance of financial literacy, emphasising that low levels of financial understanding prevent many SMEs from effectively navigating available financial resources.

In contrast, Japan's robust credit guarantee system was discussed as a potential model for improving financial infrastructure. Some participants expressed optimism about the role of technology in overcoming barriers faced by SMEs in both countries. They noted that leveraging financial technology platforms could provide essential financial services to SMEs lacking formal banking relationships, facilitating more inclusive decision-making processes.

The necessity for targeted financial inclusion programmes was underscored in both contexts. Participants advocated for initiatives that would provide structured and lower-risk credit options to SMEs, enabling them to access the capital needed for growth. Additionally, the importance of investing in digital skills and enhancing human capital in fields like artificial intelligence (AI) and blockchain was raised, with many stressing that such investments are crucial for bridging the digital divide and ensuring a more resilient economic future for both nations.

The discussion concluded with a call for collaborative efforts among stakeholders to improve financial infrastructure for SMEs, thereby fostering an environment where these enterprises can thrive and contribute significantly to the economies of both Indonesia and Japan. Participants emphasised the need for sharing best practices and insights gained from successful digitalisation efforts in both countries to further strengthen their approaches.

CONCLUSION

The session highlighted the crucial role credit guarantee schemes play in supporting SMEs, particularly during economic uncertainties. By enabling access to credit, these schemes help businesses overcome banking barriers and perceived lending risks. The discussions emphasised the importance of human resources, IT infrastructure, and sufficient capital to drive innovation.

Digitalisation emerged as key to improving efficiency and reducing costs, with collaboration between credit institutions and central banks being vital for sustainable financial innovation. However, challenges like risk management, digital adoption, and cybersecurity remain pressing.

The future focus on financial inclusion, especially in rural and underserved areas, will drive economic growth. Lessons from Japan and Indonesia demonstrate the need for targeted programmes and digital skills investment. With collaboration and shared digitalisation strategies, credit guarantee schemes will remain pivotal in supporting SME development and fostering an inclusive financial ecosystem.

SESSION VI

Asian Best Practices for Innovation Financing

Date

22nd September, 2024

Speakers

1. **Mr. Hyeongyu Kim**, Deputy Director, Korea Credit Guarantee Fund (KODIT)
2. **Ms. Mandira Thapaliya**, Manager, Deposit & Credit Guarantee Fund (DCGF)
3. **Mrs. Dusida Tapvong**, Chief Channel and Entrepreneurship Development Officer, Thai Credit Guarantee Corporation (TCG)
4. **Mr. Celso Gutierrez**, Senior Vice President, Philippine Guarantee Corporation (Philguarantee)
5. **Ms. Richa Choudhary,** Manager, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Abstract

This session assembled key regional stakeholders of the region's credit guarantee institutions to discuss "Asian Best Practices for Innovation Financing" that promote innovative financial mechanisms toward improving MSMEs growth and competitiveness. Representatives from the Republic of Korea, Thailand, the Philippines, India, and Nepal presented respective efforts of their institutions concerning stimulating innovation through collateral-free loans, AI-based diagnostics, digital financial platforms, and sectoral focused support.

This session demonstrated that these institutions have applied leverages of technology and financial innovation in responding to information asymmetries, increasing access to finance, and giving support to MSMEs in the tourism, agriculture, energy, and manufacturing sectors. Key takeaways that emerged included AI-driven business diagnostics, risk-based price modelling, and digital advisory services with a view to enhancing financial inclusions for economic resilience. The meeting further emphasized cross-country collaboration and enhancement of technologies toward MSME sustainability for continuous contribution to economic development and recovery processes in the post-pandemic era.

ALL ACSIC MEMBERS - EXPERIENCE SHARING

Mr. Hyeongyu Kim

Deputy Director

Korea Credit Guarantee Fund (KODIT)

During the Digitalization of KODIT session, Youn representing the International Cooperation Center shared with the audience the new tools the Korea Credit Guarantee Fund, KODIT, has developed in order to try and overcome information asymmetry within the SME ecosystem. The "Business Analytics System on AI" was the centerpiece of the presentation, an innovative AI-powered diagnostic platform which evaluates enterprise competitiveness and creditworthiness in real time and produces comprehensive diagnostic reports within 30 minutes.

BASA is a free service open to all enterprises and hence is proving invaluable in enabling both SMEs and large businesses to overcome market difficulties. The Web platform utilizes KODIT's huge database comprising 1.4 million enterprises, along with 630,000 credit analyses, to address SMEs' limited data in making proper decisions for businesses and financial institutions alike. Kim noted that BASA has become important for SMEs, which are 99% of Korea's businesses, as it presents timely and appropriate business intelligence using 48 years of KODIT expertise. It also tailors its services for micro-enterprises by providing knowledge of consumer preference, competition, and regional sales environments to their benefit, enabling them to adjust their strategies toward better growth.

Kim concluded by emphasizing the role of BASA in empowering businesses, especially SMEs, toward competitiveness and informed decision-making within a dynamic market landscape.

Ms. Mandira Thapaliya

Manager

Deposit & Credit Guarantee Fund (DCGF)

Ms. Thapaliya indicated the role the institution has been playing in meeting the financial need for innovation and MSMEs in Nepal. Being the only credit guarantee institution in the country, established in 1974, the DCGF has collaborated with 75 banking and financial institutions to provide credit across various sectors. Some of the key products are the SME Credit Guarantee and Agriculture Credit Guarantee, which covers up to 80% of the loan, while the Microfinance and Deprived Sector Credit Guarantee covers 75% for underprivileged sectors. The presentation unfolded newly developed Startup Loan Credit Guarantee Scheme was started in FY 2023/24 to cover 75% of loans toward entrepreneurship development. In all, a total number of 183 loans were guaranteed, valued at $13 million covering agriculture, ICT, and food processing sectors among others. Ms. Thapaliya pointed out that DCGF has made immense contributions towards fostering the growth and innovations of MSMEs; Agriculture and livestock have especially benefited from these guarantees, supported by close collaboration with the Ministry of Industries and rigorous supervision for driving innovation and economic growth across the many sectors.

In a conclusion, Ms. Thapaliya's presentation has represented the leading role of DCGF in stimulating innovation and developing MSME in Nepal. With the diverse sorts of credit guarantee products which it offers-mostly the SME Credit Guarantee, Agriculture Credit Guarantee, and the Startup Loan Credit Guarantee Scheme-the DCGF has been able to further access to finance for the unserved sectors and new entrant entrepreneurs.

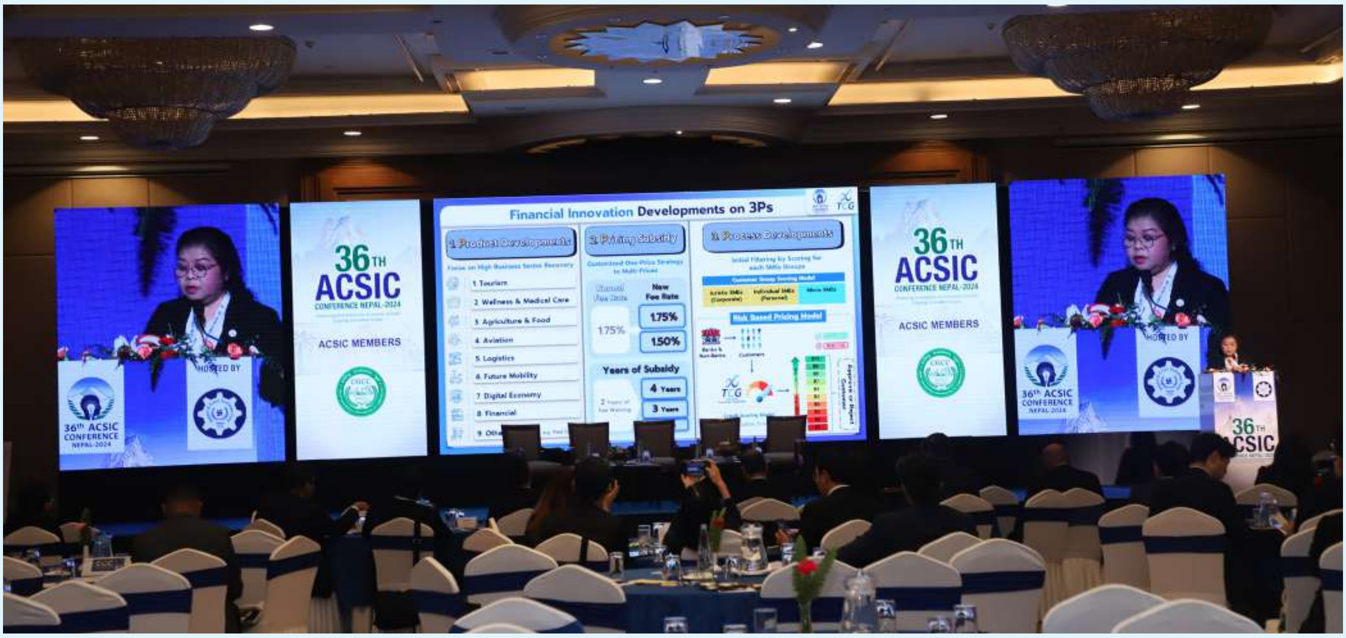
Ms. Dusida Tapvong

Chief Channel & Entrepreneurship Development Officer
Thai Credit Guarantee Corporation (TCG)

The presentation 'TCG International best practice for Innovation Finacing' by Mrs. Tapvong, , focused on innovation financing for SMEs in the wake of the COVID-19 pandemic recovery context of Thailand. TCG responded to the economic downturn, characterized by 15% GDP decline and a sharp drop in loans to SMEs, with an increase in its credit guarantee volume by 14% between 2019-2021.

TCG, for its part, provided Automated Approval Models, New Credit Guarantee Schemes, and Digital Platforms for Micro-SMEs and large corporates. The "Three P's" strategy-product, pricing, and process-was significant in addressing the needs of high-recovery sectors such as tourism, incentivizing green business practices. Such digital solutions as TCG First facilitate loan applications and improve communications between banks and SMEs, hence assisting the economic recovery of the country. The presentation concluded with TCG's ongoing commitment to supporting sustainable SME growth through digital transformation and continued collaboration with partners.

The presentation underlined how TCG has been impactful in job generation, improvement in the facilities of SME loans, and high customer satisfaction. In a nutshell, TCG will continue with its focus on sustainable growth, digital transformation, and increased support to high-risk sectors like tourism, agriculture, and the digital industry.



Mr. Celso Gutierrez

Senior Vice President
Philippine Guarantee Corporation (Philguarantee)

Mr. Gutierrez highlighted the institution's crucial role as the only credit guarantee provider in the Philippines, focusing on its MSMEs program that it launched in 2020 during the pandemic. He said that the strategy of Philguarantee in expanding financial inclusions is through partnering with banks, finance companies, and cooperatives to support small businesses. Against initial expectations of a high level of NPLs, 1.7% was considered a decent performance, well below the industry average. Mr. Gutierrez spoke next on best practices in guarantee operations: due diligence, business registration requirements, different guarantee schemes - bilateral for smaller loans, tripartite for larger ones. He further spoke to the challenge of being regulated by the Central Bank, which oversees banks mainly, and spoke to Philguarantee's work in housing, food security, and renewable energy financing. He even boasted that the organization could process claims in seven days, a testament to innovation and efficiency.

This presentation from Mr. Gutierrez showed how Philguarantee has developed into a key institution in the Philippines through the critical financial support given to MSMEs, housing, and renewable energy projects. It has been able to show flexibility and innovation in risk management, access to finance, and regulatory challenges. The experience of the organization acts as a model for other Asian economies in their quest to develop and enhance their mechanisms for innovation financing.

Ms. Richa Choudhary

Manager, Credit Guarantee Fund Trust for
Micro & Small Enterprises (CGTMSE)

Choudhary gave an overview of the various innovations and the development done by the trust in the last two financial years. Incorporated in 2000 by the Ministry of Economy, Government of India and Small Industries Development Bank of India, CGTMSE functions with a Mumbai-headquartered office with 231 member institutions and ensures collateral-free loans to MSEs towards inclusive growth.

Ms. Choudhary also spoke on the conservative nature of Indian financial institutions, which conventionally collateralize loans-a factor that may dampen entrepreneurs' application for credit facilities. With CGTMSE guaranteeing up to $0.6 million, MSEs can translate their ideas into businesses. This organization has also adopted a hybrid model that has collateral along with guarantees and has removed the timelines for joint guarantees. It has also helped CGTMSE push the guarantee coverage, ranging from 75% to 85%, especially for the under-served sections such as women, SC/ST communities, and businesses in regions such as J&K and Ladakh. A number of tie-ups with state governments and technology interventions, such as API integrations, have reduced manual interventions and approval times.

Similarly, CGTMSE has also responded to various challenges by conducting workshops for MSEs, expanding its guarantee coverage for NBFCs, and offering schemes for the more vulnerable, such as street vendors and artisans. Ms. Choudhary iterated the organization's growth on record, as guarantees rose from $4.45 billion in FY21 to $24.43 billion in FY23, with this scale-up being aided by pricing innovations, reduced guarantee fees, and enhanced coverage.

During the forthcoming period, CGTMSE will look at exploring reinsurance, green financing, and more collaborations with platforms such as Open Credit Enablement Network and Open Network for Digital Commerce toward creating an inclusive financial ecosystem for MSEs.

QUESTIONS AND COMMENTS

The session also provided participants with an opportunity to pose a range of questions to key presenters. In the case of the KODIT representatives, participants asked about sources and the historical scope of data used in the BASA analyses, including any overseas business data that could be captured and the accuracy of any assessments made on the basis of undisclosed loans. In turn, the DCGF presenter was asked why credit and deposit guarantees were combined into a single entity and about the potential for conflict of interest from such a structure. Other questions included the availability of credit facilities to startups from banks in Nepal, the strategies adopted by the agricultural sector to manage the risks, and how TCG supported the tourism sector during COVID-19. Discussions also included the handling of the moral hazards of MSME loan guarantees, the regulatory relationship between PhilGuarantee and the Central Bank, and enhancing global trade intelligence using AI.

CONCLUSION

The session on "Asian Best Practices for Innovation Financing" has identified credit guarantee institutions as one of the means of improving access to finance for MSMEs on the Asian continent. Key takeaways included how the effective integration of technology-AI and digital platforms-enhances credit assessment and reduces information gaps. MSME development was thus pursued through interlinkages between financial institutions, government bodies, and credit guarantee organizations. Product specialization and adaptive methodologies withstood the COVID-19 challenge. These were the aspects that made finances inclusive for marginalized groups. Second, these practices also relied on the regulatory environment. Future initiatives involve green financing and digitization enhancements.

In short, this session summed up the excellent role taken by the above institutions in innovation financing and economic recovery and promised continued cooperation and sharing experiences among Asian countries to achieve sustainable growth.

SESSION VII

Striking a Balance: Pricing Strategies for Financing Innovation, Managing Risk and Revenue

Date

22nd September, 2024

Moderator

Mr. Ramesh Lamsal, Associate Editor, The Rising Nepal

Speakers

1. **Mr. Anish Tamrakar**, Chief Digital Banking Officer of Kumari Bank
2. **Mr. Shaji Kappacheri**, Manager at the Credit Guarantee Fund Trust for Micro and Small Enterprises in India (CGTMSE)
3. **Mr. Tamir Erdenebat,** Head of Project and Business Development Credit Guarantee Fund of Mongolia (CGFM)

Abstract

Discussion on credit guarantees and startup financing emphasizes the critical role of pricing strategies in balancing risk, supporting business growth, and ensuring returns for investors and banks. Anish Tamrakar, Chief Digital Banking Officer of Kumari Bank, highlighted the increasing challenge of maintaining a balance between the viability of startup projects and the pricing models used by banks. He noted that high pricing has contributed to the failure of nearly 90% of startups in Nepal, reflecting the difficulty in supporting emerging businesses while managing financial risk.

Shaji Kappacheri, Manager at the Credit Guarantee Fund Trust for Micro and Small Enterprises in India, emphasized the need for equilibrium between demand and supply when determining pricing for credit guarantees, which is essential for mitigating risk and ensuring sustainability in supporting new businesses.

From Mongolia, Tamir Erdenebat, Head of project and Business Development Credit Guarantee Fund stressed that pricing is crucial for credit guarantee schemes, as lower prices do not generate enough returns. While CGFM has explored risk-based pricing, government support for higher pricing has been limited. In Mongolia, guarantees are not extended to startups initially, but rather in two phases: early-stage and growth-stage, depending on the product's market potential and future viability.

FIRESIDE CHAT (*CHULO CHARCHA)*

Mr. Shaji Kappacheri

Manager, Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE)

Kappacheri shared insights into the impact and workings of credit guarantees for small businesses. He highlighted how the CGTMSE has enabled many entrepreneurs to secure financing from banks, which were initially reluctant to lend to high-risk startups. This has been transformative for small businesses, with many entrepreneurs acknowledging that their success would not have been possible without these credit guarantees.

Kappacheri outlined two types of credit guarantees provided by CGTMSE: the normal guarantee, which involves no third-party collateral, and the hybrid guarantee, which allows partial collateral. He emphasized the ease of application through a fully online process, and how this has enabled CGTMSE to double its business in the last two years. Policy changes, such as increasing the credit limit from ₹25 lakhs to ₹5 crores and simplifying legal procedures for claims, have significantly contributed to the program's success.

He also noted that the flexibility and automation of the guarantee and claim processes have been key factors in increasing the participation of both banks and borrowers. Ultimately, the role of CGTMSE has been crucial in fostering small businesses and driving economic growth by removing financial barriers for entrepreneurs. Higlights from Shaji Kappacheri, speech can be divided into following points:

1. **Transformative Role of Credit Guarantees**: CGTMSE has been pivotal in enabling small businesses to access financing by providing guarantees that encourage banks to lend to high-risk entrepreneurs. Many entrepreneurs credit their success to the availability of these guarantees.

2. **Two Types of Credit Guarantees**:
   - *Normal Guarantee*: No third-party collateral is allowed.
   - *Hybrid Guarantee*: Allows for partial collateral but must follow specific guidelines to avoid violations.

3. **Policy Changes**:
   - The increase in the credit limit from ₹25 lakhs to ₹5 crores has allowed for more substantial business loans.
   - Simplified legal procedures have made the claim process smoother, encouraging more banks to participate.

4. **Automation and Online Processing**: The fully online application and claim process have made it easier for both banks and entrepreneurs to participate in the program, leading to a significant increase in business over the past two years.

5. **Support for Entrepreneurs**: CGTMSE has created a supportive financial ecosystem for small businesses by minimizing risks for lenders while offering credit support to entrepreneurs who otherwise may have been denied loans. This has helped foster entrepreneurship and economic growth.

Mr. Tamir Erdenebat

Head of Project & Business Development
Credit Guarantee Fund of Mongolia (CGFM)

Erdenebat discussed the challenges of supporting Mongolia's livestock-based economy, particularly the herder cooperatives, following a severe winter that devastated livestock across the country. He emphasized the government's pressure on CGFM to provide credit guarantees to herder cooperatives, despite their lack of business experience. These cooperatives, which consist of small groups of herders, faced significant risks, prompting CGFM to explore various risk management strategies.

To address the high default risk, CGFM introduced a model where individual members of the cooperative were held personally accountable through individual guarantees. This approach encouraged herders to take more responsibility and helped mitigate the risk associated with lending to inexperienced cooperatives. Tamir shared that the fund's first non-performing loan (NPL) recently occurred, but because the responsibility was shared across multiple members, the risk was contained to one borrower, reducing the overall financial burden.

Tamir also highlighted the delicate balance between government mandates, risk management, and the unique challenges of financing Mongolia's herder economy.

Mr. Anish Tamrakar

Chief Digital Banking Officer
Kumari Bank Limited

He discussed the challenges banks face in financing startups due to the inherent risks and regulatory constraints. He explained that investing in startups, especially without collateral, poses significant risks to banks, which are answerable to shareholders and public funds. However, when such investments are backed by credit guarantee funds, banks are more inclined to take the risk as the guarantee mitigates potential losses.

Tamrakar stressed that credit guarantee schemes, like those provided by DCGF (Deposit Credit Guarantee Fund), are critical for supporting various sectors, including IT startups, which are essential for modern business innovation. He suggested that these guarantees could be extended to more startups and with larger amounts, allowing banks to fulfill the financing needs of new businesses.

He also addressed the role of pricing, which is linked to the risk associated with unsecured loans for startups. While credit guarantee pricing starts relatively low (0.3% to 1%), startup loans are often seen as risky because many new businesses fail, which can push pricing higher. He acknowledged that while banks attempt to balance risk and pricing, entrepreneurs often feel that the pricing is too high.

Tamrakar concluded by pointing out that while startups have great potential, the market for their services must be viable for banks to invest. The failure rate of startups, particularly in the IT sector, contributes to the difficulty in choosing which to support, and this ultimately influences the pricing and lending decisions of banks. He emphasized that banks rely heavily on technology to offer services and ensure their own survival, underscoring the importance of these investments.

He also explained how **Kumari Bank** supports startups and businesses through digital lending and venture fund connections, with a focus on fintech and IT companies. The bank acts as a bridge between startups and potential business opportunities, leveraging its relationships across various industries like travel, entertainment, and software. Kumari Bank was among the first to introduce digital lending and Buy-Now-Pay-Later (BNPL) services, initially offering loans to salary savings account holders. The process is automated, utilizing data analytics to assess customer behavior and creditworthiness. The bank's Phone Loan product allows eligible customers to apply for and receive loans instantly through their mobile app. This service has recently been extended to e-Sewa agents, offering similar digital lending opportunities to those outside the bank's direct account holders.

However, digital lending comes with challenges, particularly credit risk, as the bank often lacks full knowledge of the customer's current situation. Since no physical interaction or paperwork is involved, fraud and system manipulation are potential risks. The bank mitigates these risks by requiring customers to settle one loan before applying for another and continuously updating business rules to manage customer behavior.

To ensure smooth operations, the bank depends heavily on technology, and any technical failure could impact loan processing. They also rely on third-party vendors, emphasizing the importance of system management to minimize issues. Despite these challenges, digital lending continues to play a key role in helping Kumari Bank extend financial services to a broader customer base.

QUESTIONS AND COMMENTS

Delegate from Malaysia, Mr. MD Zamree Bin Mohamad Ishak asked how the risk of small individuals living beyond their means with multiple BNPLs is managed, and requested clarification on the statement "we do not know the customer" in relation to the use of KYC in digital banking.

In response to the question, it was clarified from ***Mr. Anish Tamrakar***, that Kumari Bank currently limits BNPL (Buy Now Pay Later) products to one at a time; customers must fully settle their first loan before being eligible for another. Although there is demand to allow use of remaining credit limits, the bank is reconsidering whether to extend this option in the future, similar to how credit cards work. Regarding KYC (Know Your Customer), the bank collects customer data during onboarding, but the information may not always be updated in the system. In digital lending, decisions are based on past data, which can sometimes be outdated, hence the remark that "we do not know the customer" in a real-time context.

CONCLUSION

The panel discussion highlighted the critical role of financial institutions in supporting startups and small enterprises through innovative credit guarantees and digital lending services. Banks, such as Kumari Bank, have pioneered digital lending, providing instant loans to customers via mobile applications, which has significantly streamlined access to finance for salaried individuals and even e-wallet agents. However, the challenge of managing credit risk, especially in the context of digital lending, remains a concern. The banks have implemented risk mitigation strategies, such as restricting multiple loan applications until previous ones are settled and utilizing advanced analytics to assess customer eligibility.

Additionally, the discussion underscored the importance of government-backed credit guarantees in fostering entrepreneurship, especially in high-risk sectors. The experience shared from South India and Mongolia illustrated how credit guarantees can empower startups and small enterprises to grow and sustain themselves. While there are challenges in terms of risk management, especially with newer enterprises, banks can collaborate with credit guarantee funds to minimize these risks and encourage greater lending to these sectors.

Moreover, the need for better automation and digital processes was emphasized, particularly in claim processing, to improve efficiency and transparency in lending practices. The focus on pricing strategies, credit scoring, and the inclusion of cooperatives and herders in Mongolia underlined the importance of adapting financial solutions to local needs and economic conditions. Overall, the session provided valuable insights into the evolving landscape of digital lending and credit guarantees, offering a path forward for banks and financial institutions to support sustainable economic growth through innovation and collaboration.

SESSION VIII

Charting the Course: Managing Risks in Financing Innovation, Strategies and Insights

Date

22nd September, 2024

Moderator

Mr. Ramesh Hamal, Former Chairman, Securities Board of Nepal

Speakers

1. **Mr. Yohei Yamaguchi**, Senior Economist, Japan Finance Corporation (JFC)
2. **Ms. Jiyeong Cha**, Deputy General Manager of KOREG CENTRAL, Korea Federation of Credit Guarantee Foundations (KOREG)
3. **Mr. Yosep Kim**, Deputy Director, Korea Technology Finance Corporation (KOTEC)

Abstract

The session focused on sharing best practices of risk management on credit guarantees in Japan and South Korea. Innovation is seen as a driving factor to maintain competitiveness and achieve growth for every economy. However, financing innovation poses high risks. Therefore, ensuring innovative financing by minimizing potential risks is crucial for every economy. Credit supplementation institutions could play an important role in this process.

During the session, officials from Korean and Japanese credit supplementation institutions shared how they conduct credit evaluations and technical assessments when issuing credit guarantees to innovative SMEs in order to minimize potential risks. Participants learned that these advanced and emerging economies are using comprehensive, well-designed, and fact-based models and strategies to minimize the risk in innovative financing. This could be a valuable lesson for other developing nations on the continent, including Nepal.

PRESENTATION- ROUND TABLE DISCUSSION

Mr. Yohei Yamaguchi

Senior Economist

Japan Finance Corporation (JFC)

Mr. Yamaguchi presented various strategies and models that the JFC is using to minimize the risks associated with financing innovative businesses. He informed that JFC is a 100% government-owned entity which supports innovative businesses in two ways: firstly, through direct lending to SMEs and credit insurance. He shared that the JFC provides a direct lending facility to startup SMEs from the seed to the middle stage of their development. He said that financing innovative businesses is a challenging task mostly due to the fact that there is no certainty of receiving scheduled repayments, high risk, low return in such businesses, and difficulty in assessing their business potential.

Mr. Yamaguchi further informed that the JFC is employing a three-tier strategy to minimize the risks associated with innovative financing. The first strategy that the JFC is using is risk-sharing with other financial institutions. Under this strategy, the JFC is providing cooperative loans to SMEs by joining hands with four other private financial institutions, including commercial banks and venture capitals (VCs). In addition to this, it is also providing credit guarantee services to banks in financing innovation through Credit Guarantee Corporations.

Secondly, the JFC is offering venture debt schemes for innovative businesses. Under this, it supports startups by providing loans with stock acquisition rights or provides capital subordinated loans. In the case of stock acquisition right loans, the JFC disburses loans to startups without collateral with the right of acquisition of shares of the startups, which it sells to the CEO or percent recommended by the CEO after the completion of repayment. Yamaguchi said that under this mode of financing, the JFC gets capital gain when the company goes public, and the startups can avoid share dilution. As per the subordinated loan program, startups obtain mezzanine loans from JFC. The mezzanine loans of JFC are considered capital by financial institutions and are attracted to finance in such startups. JFC links the interest rate with the performance of the startups, if the company makes more profit, it has to pay higher interest.

Thirdly, to help startups by providing essential knowledge to operate innovative businesses, the JFC is mobilizing specialized teams to support innovative businesses. It has established four Startup support plazas in four major metropolitan cities and 14 business startup support centers nationwide, which offer seminars, events, consulting services, and loan screening in collaboration with other startup support institutions to foster entrepreneurial activities in Japan.

Mr. Yamaguchi said that the outcomes of these strategies have been seen in an increase in cooperative loans and venture debt by JFC. He informed that around 38% of the total loans disbursed by the JFC are cooperative loans. Another outcome is the increase in the number of venture debts. There is a significant rise in venture debt by startups. The last outcome is the increase in listed companies on the Tokyo Stock Exchange, around 35% of total listed companies in Japan are supported by JFC.

Ms. Jiyeong Cha

Deputy General Manager
Korea Federation of Credit Guarantee Foundation (KOREG)

Ms. Cha presented the role of regional credit guarantee and its risk management practices in South Korea for the promotion of micro-enterprises. She informed that there are two-layer institutions in Korea to provide regional credit guarantee and re-guarantee services to SMEs, namely the Korea Federation of Credit Guarantee Foundations (KOREG) at the central level and 17 Credit Guarantee Foundations (CGFs) with a total of 151 branches at the local level. According to her, KOREG's working area includes providing re-guarantee services to CGFs, running education and training programs for executives and employees of CGFs, and playing a key role in planning and developing credit guarantee schemes. Similarly, the main business of CGFs is to provide credit guarantee services mainly to micro-enterprises, conduct credit investigations, manage credit information, and provide business consulting services to startups.

Ms. Cha said that Korea has built a strong credit re-guarantee system with roles shared between the central government and local governments. Under this system, when SMEs apply for credit guarantees at local CGFs, they are issued guarantee certificates after a comprehensive analysis of the project, along with obtaining re-guarantees from KOREG. Financial institutions then disburse loans to SMEs based on the guarantee certificates issued by CGFs. Local governments contribute funding for the credit guarantee services of CGFs, while the central government contributes funding for the re-guarantee services of KOREG.

Analyzing the current status and role of regional credit guarantee support in Korea, she said that credit guarantees act as counter-cyclical measures during economic downturns. In Korea, they have played a significant role as an effective policy tool, especially during economic crises. She informed that the supply of credit guarantees saw a significant increase during various economic crises, including the subprime mortgage crisis (2008-2010), MERS (2015), and COVID-19 (2020-2022). According to her, the guarantee balance increased from $17.2 billion at the end of 2019, before the COVID-19 pandemic, to $34 billion in 2024, doubling the support scale. CGFs mostly provide guarantees targeting micro-enterprises, which account for 96% of their total guarantee fund. By business types, they support industries with a high promotion of micro-enterprises, such as wholesale and retail, accounting for 74.8%. Similarly, by amounts, 67% of guarantees are for amounts under $37,000, with an average guarantee amount of $22,000. She further revealed that with the expansion of guarantee supply, there has been an increase in defaults since the second half of 2022 due to high interest rates, inflation, and a slowdown in domestic demand. The default rate has increased from 2% in 2022 to 6.2% in June 2024. During the review period, the subrogation rate has also increased from 1.1% to 5.7%.

In her presentation, Ms. Cha also highlighted the various risk management schemes being practiced in Korea to minimize potential risks in innovative financing. The first risk management scheme she highlighted is the maintenance of stable guarantee capacity of CGFs and KOREG in response to the increased default rate caused by economic downturns and crises. She informed that the local governments of Korea have increased their contribution as basic capital to CGFs in response to the increasing defaults on credit guarantees. Similarly, to maintain stable guarantee capacity, the central government has also increased re-guarantee funding to KOREG. In response to the increased default rate, the legal contribution rate being charged to financial institutions has also been increased to 0.07% from 0.04%.

Another important risk management scheme that Korean institutions are using is the Proactive Risk

Management System, under which a number of credit evaluation and credit rating systems are applied to identify and manage potential risks associated with innovative financing. Micro-enterprise credit evaluation systems, non-face-to-face credit evaluation systems, and enterprise credit evaluation systems are some credit evaluation systems being applied by Korean credit guarantee institutions. Within these credit evaluation methods, various evaluation factors ranging from personal information of entrepreneurs to information related to business are used. Ms. Cha informed that in Korea, companies that do not apply credit evaluation systems are found to have a default rate that is about 3 times higher than those that carried out credit evaluation.

Korean Credit Guarantee institutions are also using a preemptive structural improvement scheme for proactive risk management, under which they provide support for structural improvements of micro-enterprises and SMEs by early identification of their structural problems. Through this scheme, startups are supported to avoid potential liquidity crunch, in making effective management and business plans, etc. Ms. Cha informed that as a result of the proactive risk management scheme, the survival rate of micro-enterprises has increased by 30%.

Korean institutions also offer a post-Risk Management Scheme for debt management and recovery support. They support the expansion of debt collection, debt write-off, debt relief support, and systematic support for recovery under the post-risk management scheme.

Mr. Yosep Kim

Deputy Director

Korea Technology Finance Corporation (KOTEC)

Mr. Kim presented how KOTEC manages its risks while providing credit guarantee services to tech-based innovative SMEs in Korea. He explained that KOTEC is a non-profit organization established with contributions from the government and financial institutions to support the national economy by providing financial assistance to technology-based innovative SMEs. It has 8 regional headquarters and 86 branches nationwide. Mr. Kim noted that KOTEC differs from other credit guarantee organizations in Korea by using a technology rating system, unlike the credit rating system used by others. According to him, the technology rating system of KOTEC focuses on the future growth potential of SMEs, while the credit rating system focuses on the history of enterprises. He mentioned that KOTEC shares its knowledge through global cooperation projects, mainly focusing on neighboring countries such as Thailand, Vietnam, and Peru. It also provides technical assistance to the World Bank and the European Union.

Analyzing the correlation between the technology evaluation grade of KOTEC and the loan delinquency rate, Mr. Kim claimed that the lower loan delinquency rate of companies with a strong technology grade indicates the effective functioning of its technology evaluation grading system.

Mr. Kim informed that KOTEC has a two-layer organizational structure for risk management - the Risk Management Committee and the Risk Management Council. There is a separate Risk Management Department in the council that oversees overall risk management in KOTEC. To carry out its risk management function, the council works in four steps: formulating an annual risk management plan and strategies at the beginning of the year, obtaining approval from the committee, implementing the plans and strategies, and based on feedback and learning from the implementation, improving the risk management model and strategies.

KOTEC uses two key indicators to maintain its sound credit guarantee services. It uses the Risk Coverage Ratio (RCR), calculated as the ratio of managed assets to integrated risk, which measures the maximum risk-bearing capacity of KOTEC from its existing assets. It maintains RCR above 115%, which is currently at 137%. The second indicator it uses is the Leverage Ratio (LR), measured as the ratio of guarantee balance to base assets, which determines whether KOTEC is managing an appropriate guarantee scale relative to its assets. The LR ratio is maintained below 12.5, and it is currently at 8.4.

KOTEC has identified two types of possible risks associated with issuing a letter of guarantee to tech-based innovative SMEs and applies different prevention measures to minimize those risks. The first type of risk identified is the possibility of a fraudulent company applying for the guarantee. KOTEC applies data and information-based pre-risk management measures to prevent such fraud risk. The second type of risk is default and moral hazards, for which post-risk management measures are applied. To prevent fraud risk, KOTEC gathers various information such as black-list information from credit bureaus, default records, concurrent loan statuses, unpaid tax information, shareholder lists, buyers' lists, board of directors, etc., and assesses deceptive, fraudulent, or false guarantee applications based on this information and on-site inspections of the business.

To minimize the risk of default, KOTEC uses three post-risk management measures: Creditworthiness monitoring, Early Warning System, and Focused post-management. Creditworthiness monitoring involves continuously monitoring companies to identify potential insolvency risks and performing appropriate post-management tasks. Under the Early Warning System measures, early warning grades of enterprises are periodically made based on which they are categorized into four grades: S1, S2, S3, and S4, with S1 indicating good business stability and S4 indicating unstable companies with high insolvency risks. Based on the early warning grades of companies, the council performs various tasks to minimize risks. For companies with weak business stability, on-site investigations, management improvement support, or exercising pre-default rights are implemented under focused post-management measures.

In case of moral hazard, KOTEC uses the Joint Surety System as a measure to minimize the risk. Under the joint surety system, a financial agreement is made between two or more parties and individuals to collectively bear financial obligations. For example, the CEO of the company personally provides a guarantee to KOTEC. Mr. Kim stated that shared responsibility will help mitigate risk and prevent moral hazard to some extent.

QUESTIONS AND COMMENTS

Addressing the moderator's question about the comparative effectiveness of JFC's two different services - direct lending and credit guarantee for innovative SMEs, Mr. Yamaguchi of JFC stated that while JFC primarily focuses on credit guarantee services, direct lending tools are utilized to have a quick impact on the economy during times of economic crisis, as credit guarantee services cannot produce immediate results to overcome crises.

In response to the question about the increasing default rates of KOREG's credit guarantee service, despite the adoption of comprehensive monitoring and surveillance methods, Ms. Cha of KOREG explained that the recent high default rates were a result of various crises adversely affecting the economy in the terms of high interest rates and high inflation. Regarding the pricing strategy of KOREG, she mentioned that they primarily focus on risk assessment of SMEs to determine the guarantee fee.

Responding to questions about the survival chances of SMEs falling into the S4 category in early warning grades due to the additional financial burden of repaying their guaranteed debt, Mr. Kim explained that the additional financial burden was meant to minimize the risk of default. Some companies in this category manage to survive, while others do not, depending on their efforts to overcome their financial challenges. Regarding pricing strategies, Mr. Kim mentioned that KOTEC sets guarantee fees based on the technology evaluation grades of SMEs evaluated by KOTEC.

CONCLUSION

During this session, officials from credit guarantee institutions in Japan and South Korea shared their practices in credit guarantee services, primarily targeting innovative SMEs. The incorporation of highly informed and data-based credit evaluation systems, proactive risk management, and post-risk management strategies employed by Japan and Korea were impressive and could serve as models for other countries to replicate. Japan's risk-sharing model through cooperative lending and venture debt with stock acquisition rights, as well as Korea's comprehensive credit evaluation and technical evaluation methods in credit guarantee services, are intriguing and could be beneficial to other countries, especially those like Nepal.

SESSION IX

Designing Sustainable Guarantee Programs Amidst Uncertainties

Date

22nd September, 2024

Moderator

1. **Mr. Joseph Silvanus,** MD, Dolma Consultancy
2. **Prof. Dr. Suresh Manandhar,** CEO/Chief Scientist for AI-driven healthcare company Wiseyak and Head of AI Research a Fusemachines Inc

Abstract

The 36th ACSIC Conference on September 22, 2024, included an important session called "Designing Sustainable Guarantee Programs Amidst Uncertainties." This session was led by Joseph Silvanus, MD of Dolma Consultancy, and Prof. Dr. Suresh Manandhar, CEO/Chief Scientist of Wiseyak. They discussed how to manage risks and use artificial intelligence (AI) for growth in organizations, especially in Nepal.

Joseph Silvanus highlighted the need to focus on early signs of risk instead of waiting for problems to happen. He explained how understanding potential issues, like the effects of changing weather on agriculture, is crucial for managing finances. He stressed the importance of using data and actuarial science to create better pricing strategies for risks and to ensure financial stability.

Prof. Dr. Suresh Manandhar discussed how AI is changing businesses. He described how AI can analyze documents and make smart decisions, which can improve efficiency. He suggested ways organizations can use AI to enhance customer service, improve decision-making, and prepare for disasters. Manandhar also pointed out various challenges AI can help address, such as credit risk assessment and creating flexible pricing models.

Together, the speakers provided valuable insights on combining risk management and AI to support sustainable growth in organizations, emphasizing the need for adaptable strategies in a changing world.

Mr. Joseph Silvanus

Managing Director
Dolma Consultancy

Joseph Silvanus, MD of Dolma Consultancy, emphasized the critical importance of managing risk, especially in a country like Nepal, known for its beauty but also its uncertainties. He highlighted the delicate balance between risk and reward, referencing significant events like the COVID-19 pandemic, which caught many off-guard. Silvanus urged the audience to focus on "lead indicators," which signal potential issues before they arise, rather than waiting for "lag indicators," which reflect problems after they occur. He illustrated this point with examples from agriculture, stressing the need to anticipate the impact of poor weather on financial portfolios.

He also noted that risk management is a fundamental part of both personal and professional life, likening it to safely crossing a busy street. Silvanus pointed out the lack of discussion around capital adequacy and the importance of being prepared, as there's no guarantee that government support will always be available. He encouraged organizations to understand their pricing strategies, particularly in the context of risk guarantees.

Silvanus underscored the significance of data management and actuarial science in assessing and pricing risk effectively. He urged participants to embrace statistical models for credit scoring and portfolio risk analysis, emphasizing that understanding macroeconomic conditions and client capabilities is crucial. He recommended learning from practices in other countries, like Japan's use of third-party databases for credit scoring, to enhance decision-making. Ultimately, Silvanus called for a proactive approach to data utilization, highlighting its importance in navigating uncertainties and improving outcomes.

Prof. Dr. Suresh Manandhar

CEO/Chief Scientist of Wiseyak
& Head of AI Research at Fusemachines Inc.

Prof. Dr. Suresh Manandhar highlighted that AI is poised to transform every business and organization, whether we embrace it or not. He discussed the advancements in AI models, such as the ChatGPT model, which can assess its own responses and correct them if needed, demonstrating a level of reasoning similar to human thought. In the coming years, we can expect AI systems to become even more capable of human-like reasoning, presenting significant opportunities for organizations to leverage this technology for various benefits.

He emphasized the shift from language processing to image and document understanding, explaining that AI can now convert lengthy documents into structured formats, making it easier to extract key information. This evolving technology will enable organizations to efficiently summarize documents, regardless of their length.

Manandhar outlined several applications of AI in organizations, including running extensive scenario analyses, integrating robotic process automation (RPA) with generative AI, and implementing voice-driven AI assistants for internal and customer service. He stressed the importance of enhancing customer satisfaction through AI.

To effectively utilize AI, organizations should focus on data warehousing and standardization, as well as investing in human capital in AI, machine learning, and actuarial science. He identified eight key challenges that AI can address, including:

1. Faster and more accurate decision-making, such as credit risk scoring and fraud detection.
2. Monitoring and optimizing portfolio performance.
3. Designing data-informed products and diversifying strategies to reduce risk.
4. Improving customer experience through personalized services and faster approval times.
5. Enhancing disaster preparedness and conducting scenario analyses for economic downturns.
6. Optimizing internal processes.
7. Promoting financial inclusivity.
8. Developing dynamic pricing models.

These challenges highlight the transformative potential of AI in driving organizational success.

COMMENTS FROM AUDIENCE

Mr. Sanjay Thakur

Advisor & Mentor (Fintech), T-Hub Foundation
Hyderabad, India

“One of the hurdles we face is our tendency to think in a linear way. If we look at the past 70 to 80 years of history, we can see the breakout nations of the last 60 to 70 years, starting with Japan in the 1950s, followed by Korea, Singapore, and China. Now, India is on the path to becoming one of these breakout nations. One key difference among these nations is that they have broken away from linear thinking. They leveraged policy, technology, and the diffusion of technology at scale. While they were ahead of their time, I believe that in 2024, the same opportunities exist for other nations, especially the member nations of ACSIC participating in the Kathmandu session. Can we start to think exponentially? Can Nepal or perhaps Mongolia become an AI-first nation? We need to raise these questions. The definition of risk has changed recently. As Joseph pointed out, traditional lagging indicators are the typical way of managing risk. However, in today’s uncertain environment, even one day of delayed information can lead to dire consequences. This is where generative AI could play a crucial role. How can we help some nations emerge as the next breakout nations? Can Nepal or Mongolia become AI-first nations?”

Mr. HIROAKI HATANO

Senior Executive Director
Japan Federation of Credit Guarantee Corporation (JFG)

“I would like to mention something that Joseph brought up regarding the Credit Risk Database (CRD). In Japan, CRD is used to determine the credit guarantee fee rate for companies. When a company utilizes CRD, it must pay a fee that corresponds to its financial condition. This system calculates the probability of future bankruptcy, which informs the decision-making regarding the guarantee fee rate. As a result, small and medium-sized enterprises in Japan with good financial conditions pay lower fees, while those with higher risk pay higher rates. Companies in poor financial condition have very little chance of accessing the credit guarantee system. However, we should consider expanding the possibilities for higher-risk companies to utilize the CRD system."

CONCLUSION

The session led by Joseph Silvanus and Prof. Dr. Suresh Manandhar highlight the critical importance of risk management and the transformative potential of AI in navigating uncertainties, particularly in a context like Nepal. Silvanus emphasized the need to focus on lead indicators rather than lag indicators to better prepare for economic fluctuations and ensure effective portfolio management. He underscored that understanding the interplay between risk and reward is essential for informed decision-making. Meanwhile, Manandhar illustrated how AI is poised to revolutionize organizations by enhancing decision-making, improving customer experiences, and facilitating data-driven strategies. By addressing key challenges such as credit risk scoring, portfolio optimization, and financial inclusivity, AI offers significant advantages for organizations looking to thrive in an increasingly complex landscape. Together, these insights call for a proactive approach to leveraging data and technology, ensuring that businesses are well-equipped to manage risks and capitalize on opportunities.

ICE BREAK OF THE DAY-III SESSIONS

Date

23rd September, 2024

Mr. Binod Kumar Bhattarai

Joint Secretary

Ministry of Law, Justice & Parliamentary Affairs

Mr. Binod Kumar Bhattarai, Joint Secretary, Ministry of Law, Justice & Parliamentary Affairs (MOLJPA), who also represents MOLPJA in the Board of Directors of DCGF, ice-broke the Day-4 Sessions. At the outset, Mr. Bhattarai believed that the delegates must have enjoyed the warm hospitality of Nepal, especially when they visited Patan Durbar Square during excursion events and expressed his happiness in hosting the Conference in Nepal.

Mr. Bhattarai believed that the deep connection and conversations developed during the Sessions might have helped in strengthening the bonding and collaboration amongst ACSIC members. He said, "if there is one thing that I will take away from this 36th ACSIC conference, it is the power of collaboration". He recapped the deliberations held during the past sessions and highlighted the suggestions from many speakers and participants. Per Mr. Bhattarai, the ACSIC community will be stronger only when its members are able to build communication to improve trade dialog, risk dialog and financial inclusion dialog. He hoped that the chief delegates would take these ideas forward so that the members could hear from them at the next ACSIC conference in Taiwan.

Mr. Bhattarai highlighted the lessons learned during the past sessions, more particularly on the power of data, actuarial science and AI. He highlighted the suggestions from the speakers from Japan and Korea and their ability to build sustainable financial product focused at better financial inclusion and resilience and pointed out a need to customize these initiatives for all other member countries. He believed that the Public Credit Guarantees (PCGs) are the extended arms of the central banks and urged the delegates to work closely with their respective central banks in devising their monetary policies and regulations accordingly.

Finally, Mr. Bhattarai thanked all the delegates for their active participations and invaluable contributions during the past sessions and appreciated the roles played by everyone in making the Conference a grand success.

Day III Sessions

SESSION X

Innovative Solutions: Financing for Nature

Date

23rd September, 2024

Moderator

Meerim Shakirova, Sr. Natural Resources Management Specialist, World Bank

Speakers

1. **Dr. Babu Kaji Thapa**, Deputy General Manager, Agricultural Development Bank Limited, Nepal
2. **Mr. Siddhant Pandey**, CEO of Business Oxygen, IFC's SME Venture Fund
3. **Ms. Natasha Kapil,** Lead Private Sector Specialist, World Bank, Nature-Based Tourism in Bhutan (tbc)

Abstract

The 36th ACSIC Conference in Nepal, 2024, Session 10, titled "Innovative Solutions: Financing for Nature" focused on various approaches to financing green initiatives and nature-based solutions. Moderated by Meerim Shakirova from the World Bank, the session explored innovative financing models to address environmental challenges. Babukaji Thapa from the Agricultural Development Bank of Nepal (ADBL) discussed the bank's efforts to promote green finance, particularly in agriculture and forest-based enterprises. He emphasized the challenges facing these sectors, such as the volatility of agriculture, lack of market guarantees, and the difficulty small enterprises face in securing collateral. Thapa highlighted key projects like the "Forest for Prosperity" initiative, which aims to support forest-based small and medium-sized enterprises (SMEs), create rural employment, and contribute to climate resilience. He also called for digitalized banking services, agroforestry insurance, and policy interventions to boost investments in forest-based ventures.

Siddhant Pandey, CEO of Business Oxygen, IFC's SME Venture Fund, focused on the importance of blended finance tools, which encourage investors to take on more risk in financing climate-smart ventures. He discussed the introduction of private equity in Nepal through IFC's SME Ventures program, which provided capital and governance support to SMEs. Pandey emphasized that blended finance is crucial for scaling up investments in renewable energy and other green projects, but noted that patient capital is required to overcome challenges in financing renewable energy initiatives. He urged for innovative financial structures to attract more investment in green projects that can contribute to achieving Nepal's sustainability goals.

Natasha Kapil from the World Bank highlighted the role of innovation in enhancing productivity, particularly through the adoption of modern technologies. She stressed the importance of creating an enabling ecosystem for SMEs, focusing not only on financial support but also on complementary assets such as infrastructure, managerial skills, and market access. Kapil shared examples from India where targeted policies on energy efficiency and innovation have supported sustainable growth. Overall, the session underscored the need for innovative financing mechanisms, supportive policies, and a conducive environment to foster green investments, SMEs, and sustainable development in Nepal and the broader region.

PRESENTATION BY PANELISTS

Dr. Babu Kaji Thapa

Deputy General Manager
Agricultural Development Bank (ADBL)

Thapa emphasized how banks are promoting green finance, particularly investing in agriculture and forest-based enterprises.

ADBL has been implementing three major projects related to green financing: Forest for Prosperity, Psychometric Prosperity, and Value Chain for an Inclusive Agricultural Sector. These projects are being carried out by Agricultural Development Bank in Nepal in collaboration with various donor agencies. Agriculture is one of the most volatile sectors in Nepal and as a result banks are hesitant to invest in the forest-based and agriculture-related ventures. Banking and financial institutions require collateral to access loans, but many small farmers are unable to provide them. Besides, lack of financial literacy among farmers makes it difficult for them to negotiate the loan process.

Nepal's forestry sector has a huge potential for the economic growth. However, minimum investment and lack of favorable policy has hindered the realization of these opportunities. Nepal has numerous products available for financing in Nepal, particularly in the forest-based enterprises, but it has not been tapped. In the banking sector of Nepal, green financing is a new concept and this is new terminology for BFIs too. BFIs even don't know why green finance is needed. Nepal's Central Bank has imposed a mandatory requirement to finance the agriculture and energy sector. For example, there is a provision of financing 12 percent in agriculture and 10 percent in the energy sector from the total loan portfolio.

Dr. Babu Kaji Thapa, in his speech, highlighted the role of the Agriculture Development Bank (ADBL) as a state-owned bank with 300,000 shareholders and a portfolio where 33% is dedicated to agriculture and forestry. The bank is involved in several development projects, including the World Bank-funded "Forest for Prosperity" project, IFC's psychometric scoring test for client selection, and a $100 million project from IFAD aimed at agricultural development and rural financing.

He emphasized the challenges in financing forest-based enterprises, such as the volatility of the business, lack of market and input guarantees, and the inability of small enterprises to provide collateral. Many entrepreneurs face barriers like long investment cycles, financial illiteracy, and limited access to insurance and credit. Thapa also discussed the need for digitalized banking services, agroforestry insurance products, and solutions to improve access to finance.

He concluded by stressing the importance of projects like the Forest for Prosperity initiative, which provides loans to forest-based SMEs, creates rural employment, and contributes to climate resilience, all with fixed interest rates and long-term loan options.

Mr. Siddhant Pandey

Chief Executive Officer

Business Oxygen, IFC's Venture Fund

Pandey talks about the innovative financial products that are currently implemented and being practiced in Nepal. He speaks about how SMEs are transforming people's livelihood in Nepal, including SMEs vital role in the national economy. He emphasizes for a paradigm shift in the investment sector by implementing blended finance tools in Nepal. According to Pandey, blended finance is important because investors are ready to take risk in such financing compared to other investing tools. There is provision of Viability Gap Funding (VGF) in Nepal, but it has not been properly implemented. As a result, Nepal has been failing to attract the investors. He focuses on green and resilient investment in Nepal to achieve the SDGs and attaining the Zero Carbon emission target by 2045. He says renewable financing is not easy in Nepal, because investors are not assured for better returns. That is why Nepal needs some sort of policy intervention to promote green financing.

Pandey's speech focused on the introduction of private equity in Nepal, brought through the IFC's SME Ventures program about a decade ago. This innovative financial product aimed to support small and medium-sized enterprises (SMEs) that lacked access to financing due to insufficient creditworthiness and banks' reluctance to take risks. The private equity model provided not only capital but also expertise and governance support, helping these companies grow and comply with legal and climate-smart standards.

Pandey highlighted a private equity firm in Nepal, which has since grown its portfolio to 16 companies. He emphasized the importance of blended finance, which brings in risk-tolerant capital to support climate-focused ventures. These investments, such as renewable energy projects and green initiatives like biogas and biofertilizers, have contributed significantly to reducing greenhouse gas emissions and promoting sustainable development in Nepal.

He noted the challenges of financing renewable energy projects, which require patient capital, and called for innovative financial structures to support green investments. this type of projects has made significant impacts, including creating jobs, promoting gender equality, and addressing climate adaptation and resilience. Pandey concluded by stressing the need for replication of these efforts to achieve greater impact and meet global sustainability goals.

Ms. Natasha Kapil

Lead Private Sector Specialist

World Bank, Nature-Based Tourism (Bhutan)

Kapil talks abouts SMEs, use of technology and energy efficiency. How SMEs are plying important role in the national ecosystem. She highlights the importance of innovation and financing in SMEs. The use of modern technologies can increase the productivity in SMEs. Forest based SMEs and value chain of these kind of enterprises are essential, bringing more companies in market and promoting them is vital for the country's prosperity.

Natasha Kapil's speech focused on innovation and its role in driving productivity growth, particularly through the adoption of existing technologies and the creation of new ones. She emphasized that innovation requires more than just financial support; it also depends on complementary assets such as managerial capabilities, access to markets, infrastructure, and finance. Without these, innovation efforts may struggle, even with sufficient funding.

Kapil highlighted the importance of governments and organizations providing not only financial support but also fostering an ecosystem that encourages innovation through these complementary assets. She pointed to examples from India, where policies like reducing energy subsidies and promoting targeted energy efficiency programs have been instrumental in supporting sustainable growth and technological adoption. Overall, her speech stressed the need for a holistic approach to innovation, combining both financial and non-financial resources for effective results.

QUESTIONS AND COMMENTS

Delegates attending the session were keen to interact with the speakers and among them one of the question asked was from a Chairman of CGC Malaysia, Mr. Mohammed Hussein. His question is “You mentioned six measures of success, one of which is the impact of SMEs across the value chain. By this, I understand you refer to the value chain influenced by your company’s investments. Could you elaborate on how you measure and achieve this impact effectively?”

Mr. Siddhant, explained the question by providing an example of a portfolio company, Company ABC, which exported cheese sourced from 200 micro dairies in Nepal and India forming the foundation of the value chain. Even a small amount of change in the price would shift the supply to another factory. To stabalize the value chain, the company created a trilateral agreement between the company, microfinance institutions, and the micro-dairies ensuring transactions flowed through the institutions. This system helped micro-diaries built credit histories, secure raw materials supply, and access loans for broader needs, benefiting both the company and the community for its development.

CONCLUSION

The speakers emphasized the critical role of green financing, innovation, and SME development in driving sustainable growth. Babukaji Thapa highlighted ADBL’s initiatives in green financing and the challenges faced in agriculture and forestry sectors, while Siddhant Pandey stressed the importance of blended finance and private equity for SMEs, focusing on climate resilience and sustainable investments. Natasha Kapil underscored the need for innovation, technology adoption, and an enabling ecosystem to enhance SME productivity and promote sustainable economic development.

PRESENTATION

Mr. Yu-Hsin Kuo

Advance Manager, Small & Medium Enterprise Credit Guarantee Fund of Taiwan (TSMEG)

On the institution's performance and upcoming ACSIC Conference 2025 update by Small & Medium Enterprise Credit Guarantee Fund of Taiwan (TSMEG).

Kuo announced that Taiwan would host the 37th ACSIC Conference next year on behalf of TSMEG. He invited all the participants to attend the conference, which will be held in Taipei in November 2025. This will be the fifth time that TSMEG will host the conference.

He describes Taiwan, the Island of Beauty, as sculpted by time and enriched by centuries of history. It offers majestic mountains and seas where natural wonders and cultural heritage meet.

"People live here with joy and inspiration. In every corner of this beautiful island, we empower dreams to soar, fueling innovation and crafting a promising future. We keep moving forward, shining brightly." "On the global stage, Taiwan is the steadfast force behind the flourishing of many industries, leading enterprises to dazzle the world."

The ACSIC has brought together the best institutions across Asia for over thirty years, building a powerful platform that strengthens credit systems and fosters growth.

Since 1987, the annual gathering has become a beacon of collaboration and progress, driving excellence in credit supplementation systems across Asia through knowledge and experience sharing.

"As a proud member of the ACSIC family, TSMEG hosted four ACSIC conferences in 1993, 2002, 2009 and 2017. In 2025, we will again organise the 37th conference with warmth and passion."

REMARKS AND OBSERVATION

Mr. Alberto Espinosa Pascual

President & CEO

Phillippine Guarantee Corporation

Pascual highlights the takeaways and achievements from the Kathmandu episode. He congratulated the Deposit and Credit Guarantee Fund of Nepal for successfully hosting the 36th conference, led by Dr. Ram Prasad Ghimire, the Finance Secretary and Chairman of the Deposit and Credit Guarantee Fund, Mr. Ramesh Ghimire.

"As we emerge from this conference, I hope you will agree with me that all the sessions, from Sessions 1 to 9 and as professionals in the credit guarantee businesses from across the globe and members of the ACSIC community, we acknowledge the need to focus on enhancing sustainability in our credit guarantee programs," says Pascual.

"As we gather here, we have a unique opportunity to connect and exchange ideas and explore the latest developments in managing risk, new guarantee products, pricing strategies, and other innovative solutions."

"If we can only quantify the contributions of ACSIC members to the Asian economy, only then can we realise the importance of credit guarantee corporations in mitigating the risk involved in lending to small businesses as well as other priority sectors of the economy," says Pascual.

According to Pascual, ACSIC members are encouraged to scale up from micro to small, small to medium and medium to large enterprises by mitigating the risk of lending to MSMEs.

Mr. Mohammed Hussein

Chairman

Credit Guarantee Corporation, Malaysia

Hussein highlighted that the conference discussed innovation further to promote the growth and development of SMEs in Asia.

"The last session was on innovative solutions and financing for nature. All the speakers spoke about the what, the why, about this most pressing issue facing us today, which is climate risk," says Hussein. "The when, now, and who, which is everyone in the world, which includes us. For most of us, if not all of us, the challenge is agreeing or implementing the how."

He says Malaysia's commitment to implementing our net zero targets is clearly stated in its new industrial master plan 2030, NIMP 2030, launched by the Malaysian Prime Minister on September 1 last year. Malaysia is committed to tackling climate change globally. It has pledged to reduce the intensity of greenhouse gas (GHG) emissions to achieve net zero emissions as early as 2050. Malaysia is actively pursuing the transition to a greener manufacturing industry.

The push to net zero missions aims to decarbonise Malaysia's industry through the implementation of energy efficiency and waste management measures, rapid renewable energy and technology adoption, as well as a robust regulatory framework.

"This mission that Malaysia has also presents new economic opportunities for Malaysia to capitalise, to position itself as a leader in new green growth areas such as electric vehicle, renewable energy, carbon capture, utilisation and storage, and the circular economy," says Hussein.

"For many of us in this hall, addressing climate risk requires investment, and we must, and I repeat, we must incur this cost. For SMEs in most countries, embracing environmental, social, and governance (ESG) costs money and may make them less competitive. The question that we should ask ourselves is why? Why are we paying for something that is mainly contributed by most developed countries? Is the carbon credit solution sufficient? I don't think so."

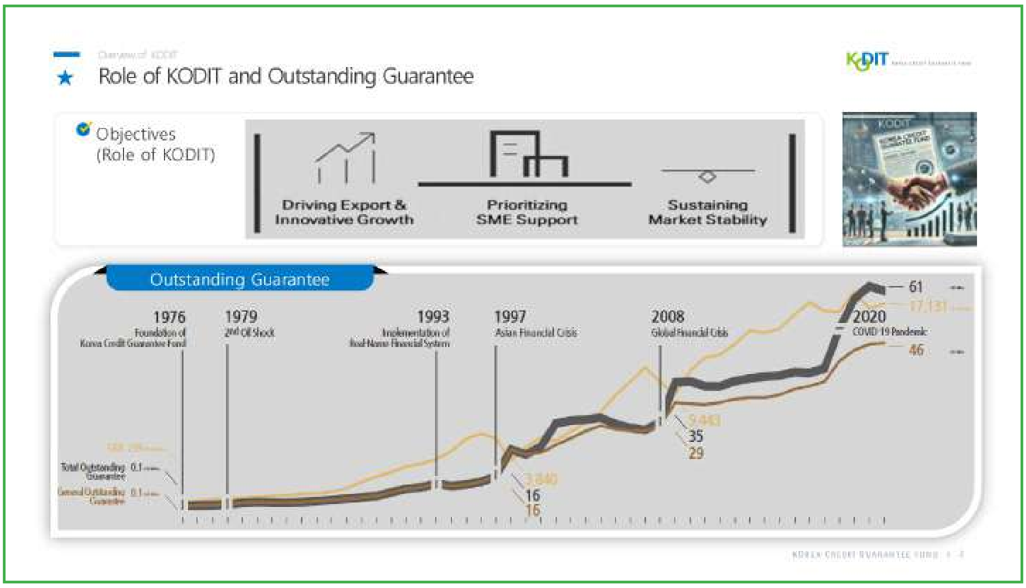
According to Hussein, the Central Bank, Malaysian banks, and Credit Guarantee Corporation have launched several products to address climate risk. "I shall just name three of them. Firstly, we launched the Low Carbon Transition Facility, or LCTF and secondly, Green Sukuk, or Islamic bonds, which finance environmentally friendly projects.

Presenter:
Mr. Jungin Youn
Policy Advisor for Chairperson
Korea Credit Guarantee Fund (KODIT)

Startup Support Programs by

KODIT for Innovative SMEs

Policy Advisor Jungin Youn



Overview of KODIT

Role of KODIT and Outstanding Guarantee

Objectives
(Role of KODIT)

- Driving Export & Innovative Growth
- Prioritizing SME Support
- Sustaining Market Stability

Outstanding Guarantee

KOREA CREDIT GUARANTEE FUND

Contents

Why Startups? 01

Case Study 02

Why Startups?

1-1 Background of Establishing CGS Programs for Startups

KODIT

Startups Support

Policy financing tool for economic development in the era of low growth

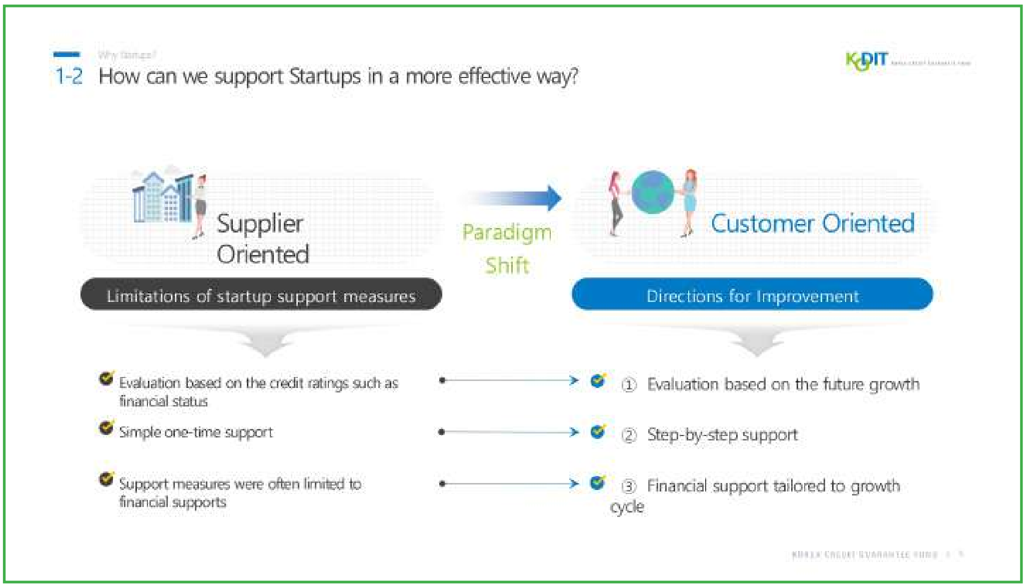
Job Creation

Opportunity to take a new leap forward in the era of the Fourth Industrial Revolution

Economic Growth

Securing new innovative growth engines for the Korean economy

Growing Importance of Startup Support



Why Startups?

1-2 How can we support Startups in a more effective way?

KODIT

Supplier Oriented

Paradigm Shift

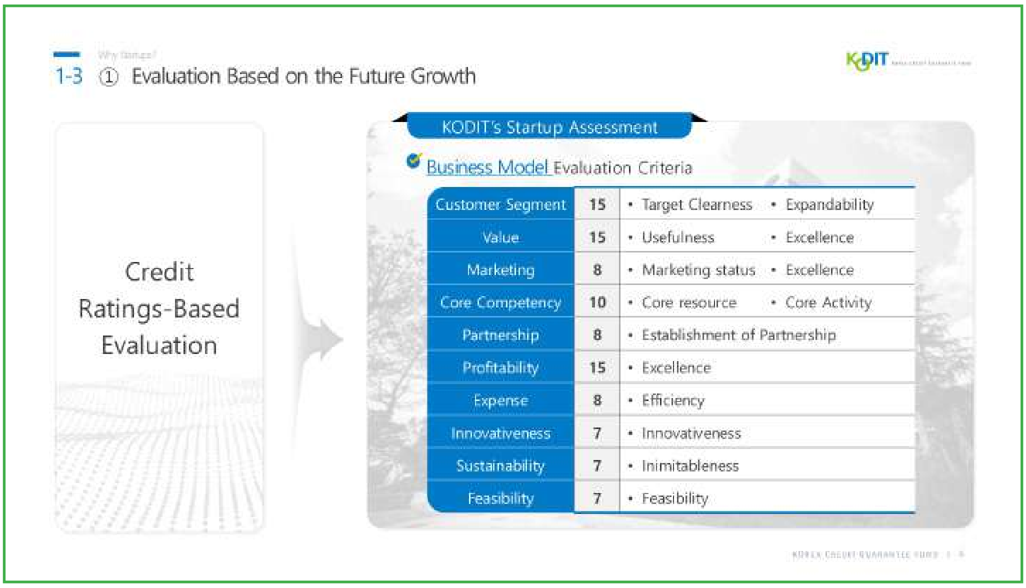
Customer Oriented

Limitations of startup support measures

- ✓ Evaluation based on the credit ratings such as financial status
- ✓ Simple one-time support
- ✓ Support measures were often limited to financial supports

Directions for Improvement

- ✓ ① Evaluation based on the future growth
- ✓ ② Step-by-step support
- ✓ ③ Financial support tailored to growth cycle



1-3 ① Evaluation Based on the Future Growth

Credit Ratings-Based Evaluation

KODIT's Startup Assessment

Business Model Evaluation Criteria

Customer Segment	15	• Target Clearness • Expandability
Value	15	• Usefulness • Excellence
Marketing	8	• Marketing status • Excellence
Core Competency	10	• Core resource • Core Activity
Partnership	8	• Establishment of Partnership
Profitability	15	• Excellence
Expense	8	• Efficiency
Innovativeness	7	• Innovativeness
Sustainability	7	• Inimitableness
Feasibility	7	• Feasibility

1-4 ② Step-by-Step Supports

"Establishing a Credit Line"

1 Year ››› 2 Year ››› 3 Year

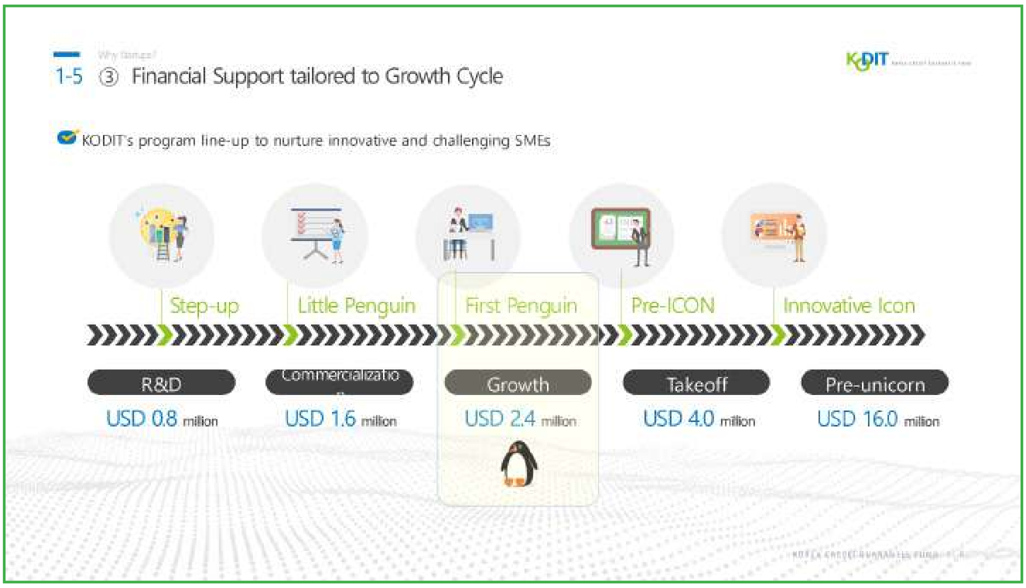
Establishing a credit line and setting up annual goals

Guarantees can be provided **only when the management goals are achieved**

Credit Line

- Min(Guarantee Limit of Scheme, **Estimated Sales** of 3rd year x ½*)

* ⅓ for Innovative Icon Guarantee



1-5 ③ Financial Support tailored to Growth Cycle

KODIT's program line-up to nurture innovative and challenging SMEs

Step-up	Little Penguin	First Penguin	Pre-ICON	Innovative Icon
R&D	Commercialization	Growth	Takeoff	Pre-unicorn
USD 0.8 million	USD 1.6 million	USD 2.4 million	USD 4.0 million	USD 16.0 million

Case Study

2-1 Video Clip (First Penguin Guarantee)

Case Study

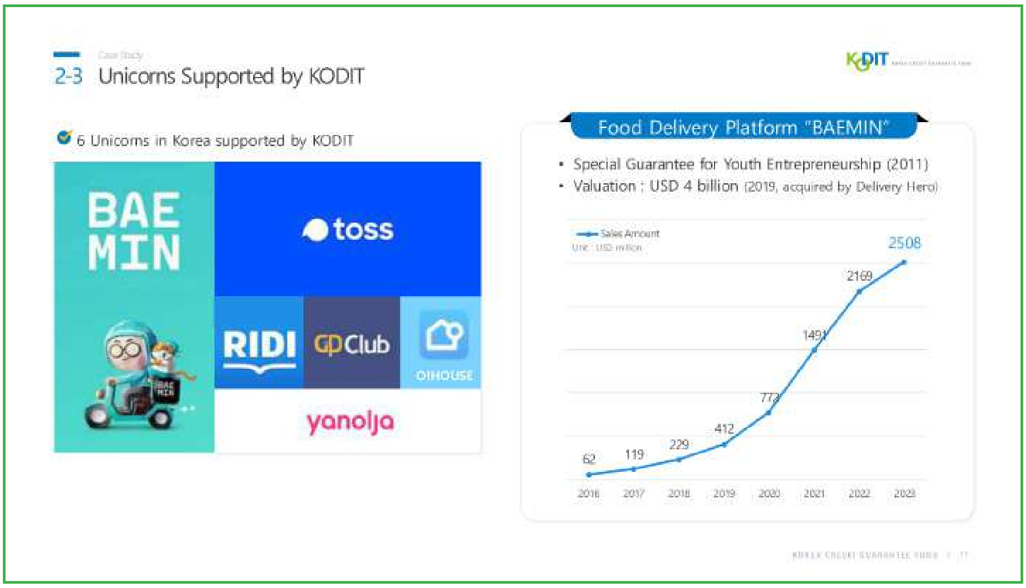
2-2 First Penguin Guarantee Program

ABOUT

Program for startups that have *excellent ideas and technology*, have the potential to pioneer new markets and grow into global leaders.

Support Program

Category			Year 1	Year 2	Year 3
Age			Within 7 years		
Guarantee Amount	Total		Maximum 2.4 USD Mil		
	Credit Line	New	Limit over 3 years ▶ Min(2.4 USD Mil, year 3 estimated sales×1/2)		
		By year	Min (60% of Credit Line, Sales limit)	Min (80% of Credit Line, Sales limit)	Min (Credit Line, Sales limit)
Guarantee Fee rate			Fixed rate 0.7%		
Coverage Ratio			100%	95%	90%



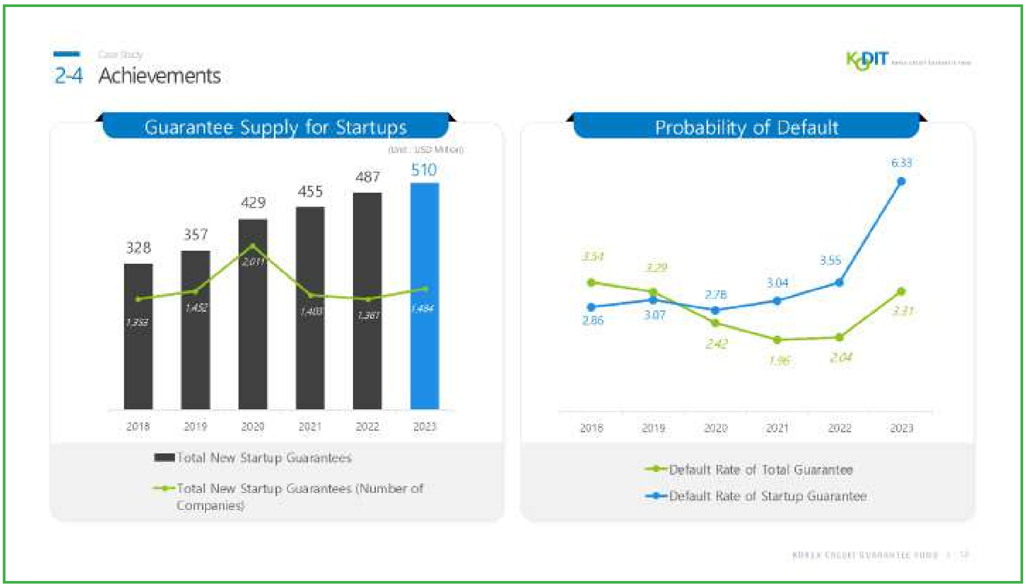
Case Study

2-3 Unicorns Supported by KODIT

✓ 6 Unicorns in Korea supported by KODIT

Food Delivery Platform "BAEMIN"

- Special Guarantee for Youth Entrepreneurship (2011)
- Valuation : USD 4 billion (2019, acquired by Delivery Hero)



Case Study

2-4 Achievements

Guarantee Supply for Startups

Probability of Default

KOREA CREDIT GUARANTEE FUND

Thank You

The Best Partner Promoting the Challenges and Growth of Enterprises

intl@kodit.co.kr

KODIT KOREA CREDIT GUARANTEE FUND

Presenter:
Mr. Celso Cutierrez
Senior Vice President
Philippine Guarantee Corporation
(Philguarantee)

PHILGUARANTEE
Philippine Guarantee Corporation

PHILGUARANTEE: EMPOWERING PHILIPPINE GROWTH

ACSIC 2024

CELSO R. GUTIERREZ
Senior Vice-President

PHILGUARANTEE

is a government-owned institution dedicated to promoting economic growth in the Philippines. Its mission is to provide financial guarantees and support to businesses and individuals, fostering a robust and thriving economy.

Innovation Laws and Programs of the Philippines

01
The Philippine Innovation Act

This act provides incentives and support for research and development, promoting the creation of new technologies and industries.

02
The Startup Act

This legislation creates a supportive environment for startups, offering funding, mentorship, and access to networks.

03
Technology Transfer Act

This act facilitates the commercialization of research and development outputs, turning scientific discoveries into practical applications.

04
Government Programs

Various programs offer grants, loans, and technical assistance to businesses and individuals engaged in innovation and technology.

PHILGUARANTEE
Philippine Guarantee Corporation

Fostering Growth

Promoting Entrepreneurship

Philguarantee provides financial guarantees to entrepreneurs, mitigating risks and fostering a favorable environment for business creation.

Supporting Small and Medium Enterprises (SMEs)

SMEs are a crucial driver of economic growth, and Philguarantee offers tailored solutions to help them expand and thrive.

Expanding Infrastructure

Philguarantee's financial support enables the development of essential infrastructure projects, boosting connectivity and facilitating economic activity.

Boosting Productivity

1
Enhancing Skills Development

Philguarantee supports initiatives that provide training and education, enabling workers to acquire new skills and increase productivity.

2
Improving Technology Adoption

Philguarantee encourages businesses to adopt innovative technologies, leading to greater efficiency and cost-effectiveness.

3
Strengthening Supply Chains

By promoting efficient supply chains, Philguarantee helps businesses reduce costs, streamline operations, and improve overall productivity.

Driving Development

1. **Rural Development**
   Philguarantee supports projects in rural areas, fostering economic growth and improving the livelihoods of local communities.
2. **Inclusive Growth**
   Philguarantee prioritizes projects that benefit all segments of society, ensuring that economic progress reaches marginalized groups.
3. **Sustainable Development**
   Philguarantee promotes projects that prioritize environmental sustainability and social responsibility, contributing to a long-term vision of progress.

Empowering Individuals

Access to Finance
Philguarantee makes it easier for individuals to access loans and financial services, empowering them to pursue their dreams and improve their lives.

Skills Development
Philguarantee supports programs that provide training and education, enabling individuals to gain valuable skills and enhance their employability.

Entrepreneurship Opportunities
Philguarantee encourages individuals to start their own businesses, creating jobs and driving economic growth.

Strengthening Organizations

Financial Guarantees
Philguarantee provides guarantees to businesses, reducing risk and increasing access to credit.

Technical Assistance
Philguarantee offers expert advice and guidance to organizations, helping them improve their operations and performance.

Capacity Building
Philguarantee supports programs that enhance the capabilities of organizations, strengthening their ability to contribute to economic growth.

Achieving Sustainable Success

Environmental Responsibility
Philguarantee supports projects that prioritize environmental sustainability, ensuring that economic growth is aligned with ecological well-being.

Social Equity
Philguarantee promotes inclusive development, ensuring that the benefits of economic progress reach all segments of society.

Long-Term Vision
Philguarantee's initiatives are designed to foster sustainable growth, creating a prosperous and equitable future for the Philippines.

Projects Guaranteed

TOURISM

- Multi-Purpose Hotel in Clark
- Solar Powered Hotel in Cebu
- Beach Hotel Cebu
- Five-star Hotel in Cebu
- Boutique Hotel in Cebu
- Amusement Park in Subic
- Villas for Foreign Dignitaries in Subic

ENERGY PROJECTS/ UTILITIES

- Wind Power Farm in Ilocos
- Geothermal Power Plant in Leyte
- Coal Power Plant in Panay
- Oil Distribution Company
- Water Distribution Company in Subic

Projects Guaranteed

MINING/EXPORTERS

- Mining Company in Benguet
- Copper Mining Company in Cebu
- Cosmetic Products Exporter
- Banana Exporter in Davao

CONCLUSION AND KEY TAKEAWAYS

Philguarantee plays a critical role in driving economic growth and development in the Philippines. By providing financial guarantees, supporting innovation, and fostering a favorable business environment, it empowers individuals, strengthens organizations, and contributes to a sustainable and prosperous future.

PHILGUARANTEE
Philippine Guarantee Corporation

THANK YOU

ACSIC 2024

Presenter:
Mr. Mohamad Zamree Mohamad Ihsak
President/Chief Executive Officer
Credit Guarantee Corporation Malaysia
Berhad (CGC)

CGC

36th ACSIC 2024
Session 1
"Unlocking Opportunities in Financing Innovation:
The Role of Credit Guarantees"

MOHD ZAMREE MOHD ISHAK
President & Chief Executive Officer
Credit Guarantee Corporation Malaysia Berhad

TABLE OF CONTENT

CGC POWERING MALAYSIAN SMEs

2

Overview of CGC Group

OVERVIEW OF CGC GROUP

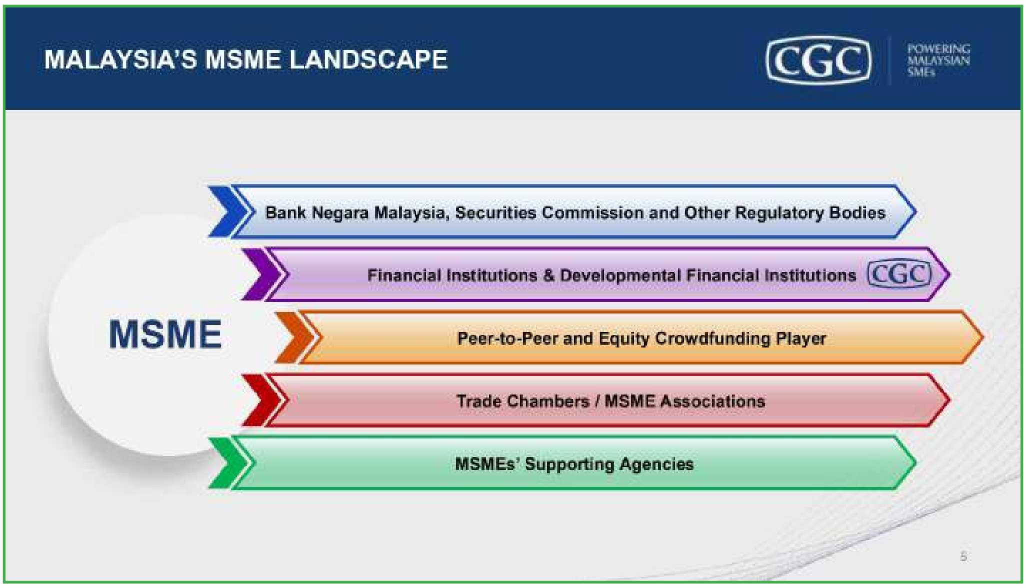
Incorporated under Companies Act of 1965 on
5 July 1972

Guarantee & Financing
USD 22 billion

380 K MSMEs*
- No Collateral
- Inadequate Track Record

Shareholders
Bank Negara Malaysia **78.6%**
22 commercial Banks **21.4%**

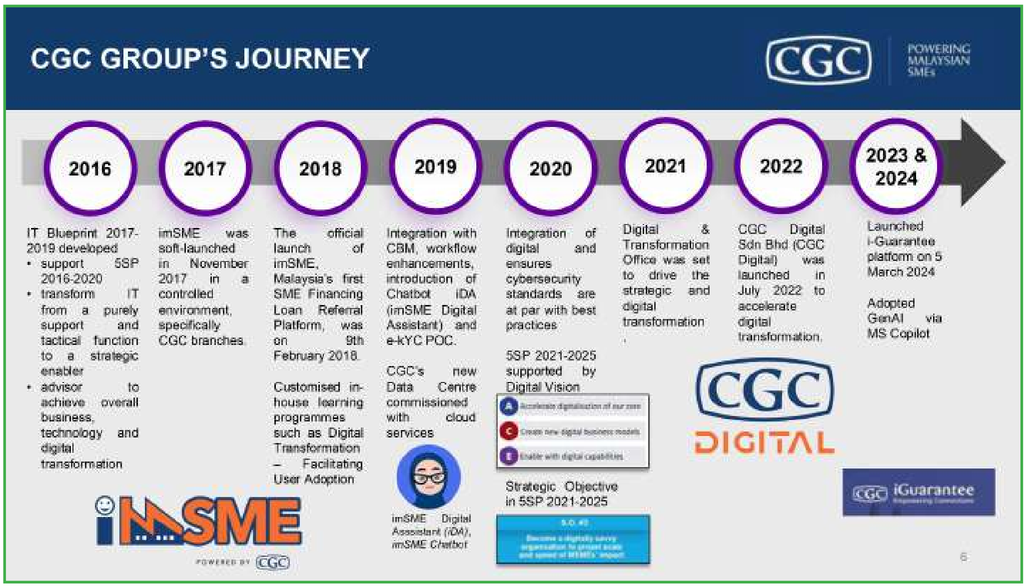
Notes:
Figures as of 30 June 2024
Exchange rate MYR4.3 as of 1 September 2024
** Micro, Small and Medium-sized Enterprises (MSME)*



MALAYSIA'S MSME LANDSCAPE

MSME

- **Bank Negara Malaysia, Securities Commission and Other Regulatory Bodies**
- **Financial Institutions & Developmental Financial Institutions** CGC
- **Peer-to-Peer and Equity Crowdfunding Player**
- **Trade Chambers / MSME Associations**
- **MSMEs' Supporting Agencies**



CGC GROUP'S JOURNEY

2016

IT Blueprint 2017-2019 developed
- support 5SP 2016-2020
- transform IT from a purely support and tactical function to a strategic enabler
- advisor to achieve overall business, technology and digital transformation

2017

imSME was soft-launched in November 2017 in a controlled environment, specifically CGC branches.

2018

The official launch of imSME, Malaysia's first SME Financing Loan Referral Platform, was on 9th February 2018.

Customised in-house learning programmes such as Digital Transformation – Facilitating User Adoption

2019

Integration with CBM, workflow enhancements, introduction of Chatbot iDA (imSME Digital Assistant) and e-kYC POC.

CGC's new Data Centre commissioned with cloud services

imSME Digital Assistant (iDA), imSME Chatbot

2020

Integration of digital and ensures cybersacurity standards are at par with best practices

5SP 2021-2025 supported by Digital Vision

A Accelerate digitalisation of our core
C Create new digital business models
E Enable with digital capabilities

Strategic Objective in 5SP 2021-2025

2021

Digital & Transformation Office was set to drive the strategic and digital transformation

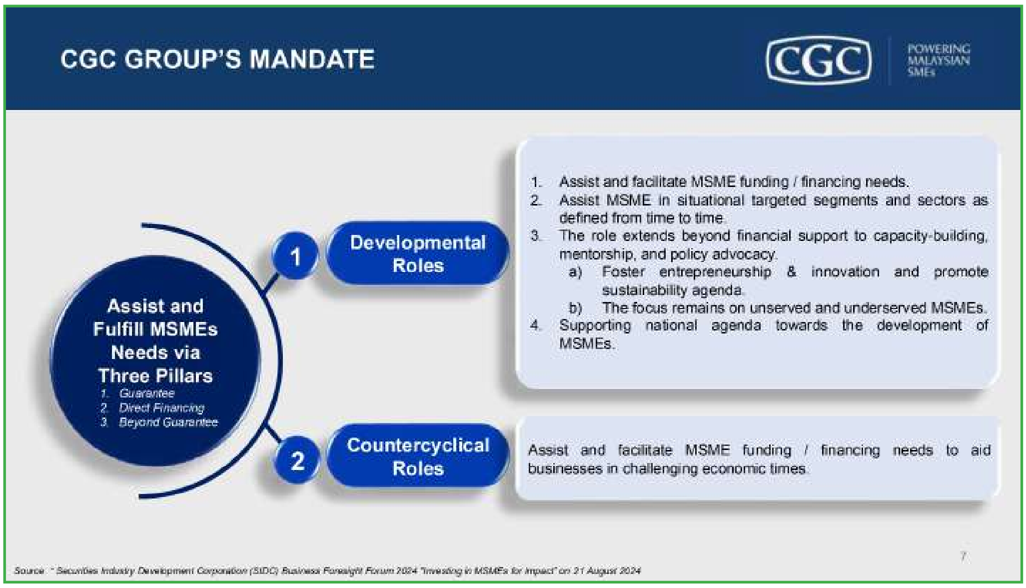
2022

CGC Digital Sdn Bhd (CGC Digital) was launched in July 2022 to accelerate digital transformation.

2023 & 2024

Launched i-Guarantee platform on 5 March 2024

Adopted GenAI via MS Copilot



CGC GROUP'S MANDATE

Assist and Fulfill MSMEs Needs via Three Pillars
1. *Guarantee*
2. *Direct Financing*
3. *Beyond Guarantee*

1 Developmental Roles

1. Assist and facilitate MSME funding / financing needs.
2. Assist MSME in situational targeted segments and sectors as defined from time to time.
3. The role extends beyond financial support to capacity-building, mentorship, and policy advocacy.
   a) Foster entrepreneurship & innovation and promote sustainability agenda.
   b) The focus remains on unserved and underserved MSMEs.
4. Supporting national agenda towards the development of MSMEs.

2 Countercyclical Roles

Assist and facilitate MSME funding / financing needs to aid businesses in challenging economic times.

Source: "Securities Industry Development Corporation (SIDC) Business Foresight Forum 2024 "Investing in MSMEs for Impact" on 21 August 2024

PRODUCTS & SERVICES

3 pillars of CGC's products and services to support MSMEs access to financing and address market gap supported by sustainable investment to ensure continuous financial resilience.

Business

GUARANTEE
- 01 Portfolio Guarantee
- 02 Wholesale Guarantee
- 03 BizJamin, BizJamin SRF/-i, BizMaju, BizSME, Flexi Guarantee Scheme
- 04 Government Backed Schemes, Green Technology Financing Scheme, Franchise Financing Scheme

DIRECT FINANCING
- 01 Contract Financing (known as *Tabung Projek Usahawan Bumiputera-i*)

BEYOND GUARANTEE
- 01 CGC DEVELOPMENTAL PROGRAMME
- 02 imSME
- 03 MyKNP

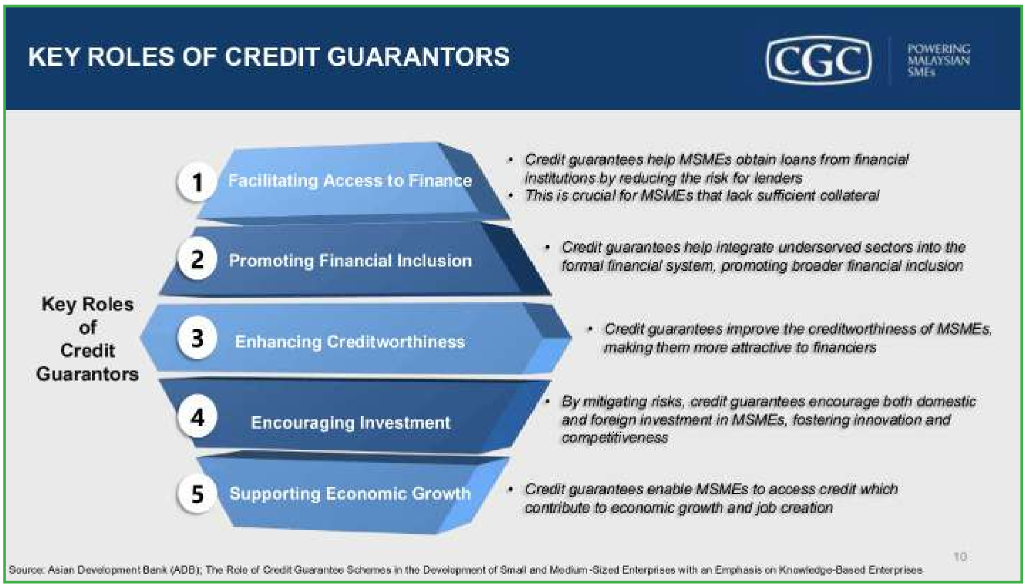
Financial | Non-Financial

Investment

Note: Investment income provides cushion for CGC to continuously provide financial assistance and serves its mandate to help MSMEs regardless of its business income generated from the 3 business pillars

CGC POWERING MALAYSIAN SMEs

“Unlocking Opportunities in Financing Innovation: The Role of Credit Guarantees”



KEY ROLES OF CREDIT GUARANTORS

CGC POWERING MALAYSIAN SMEs

Key Roles of Credit Guarantors

1. **Facilitating Access to Finance**
   - *Credit guarantees help MSMEs obtain loans from financial institutions by reducing the risk for lenders*
   - *This is crucial for MSMEs that lack sufficient collateral*
2. **Promoting Financial Inclusion**
   - *Credit guarantees help integrate underserved sectors into the formal financial system, promoting broader financial inclusion*
3. **Enhancing Creditworthiness**
   - *Credit guarantees improve the creditworthiness of MSMEs, making them more attractive to financiers*
4. **Encouraging Investment**
   - *By mitigating risks, credit guarantees encourage both domestic and foreign investment in MSMEs, fostering innovation and competitiveness*
5. **Supporting Economic Growth**
   - *Credit guarantees enable MSMEs to access credit which contribute to economic growth and job creation*

Source: Asian Development Bank (ADB); The Role of Credit Guarantee Schemes in the Development of Small and Medium-Sized Enterprises with an Emphasis on Knowledge-Based Enterprises

MSMES’ KEY CHALLENGES

CGC POWERING MALAYSIAN SMEs

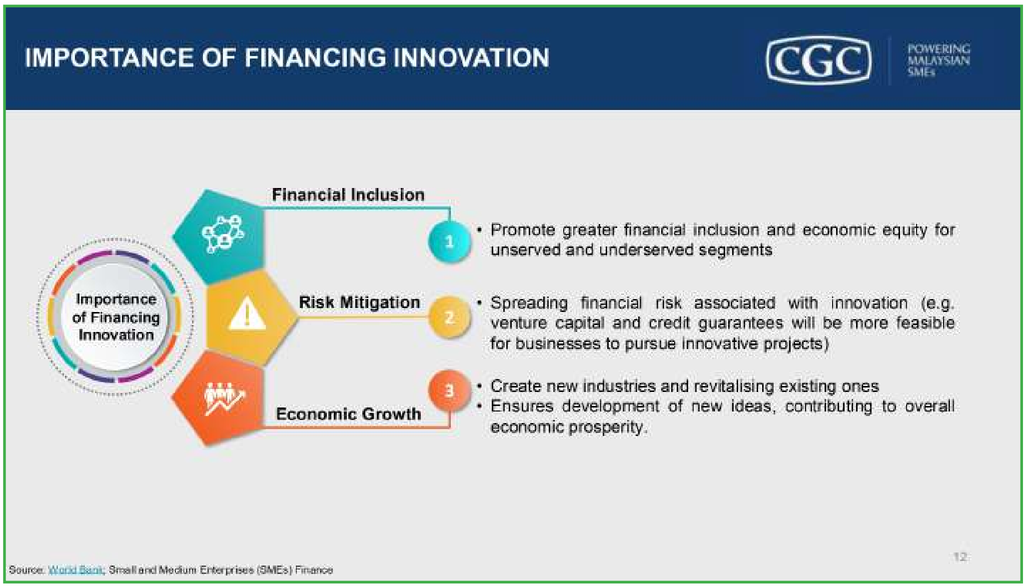
01
Access to Capital
Unserved and underserved market

02
Uncertain Global and Domestic Economic Conditions
Economic slowdown impacting revenues and growth prospects

03
Digital Transformation
Rapid technological advancements and the shift towards digital business models

04
Regulatory Changes
Additional burdens and costs

05
Entering New Market
Resource constraints for expanding market reach



IMPORTANCE OF FINANCING INNOVATION

Financial Inclusion

1. Promote greater financial inclusion and economic equity for unserved and underserved segments

Risk Mitigation

2. Spreading financial risk associated with innovation (e.g. venture capital and credit guarantees will be more feasible for businesses to pursue innovative projects)

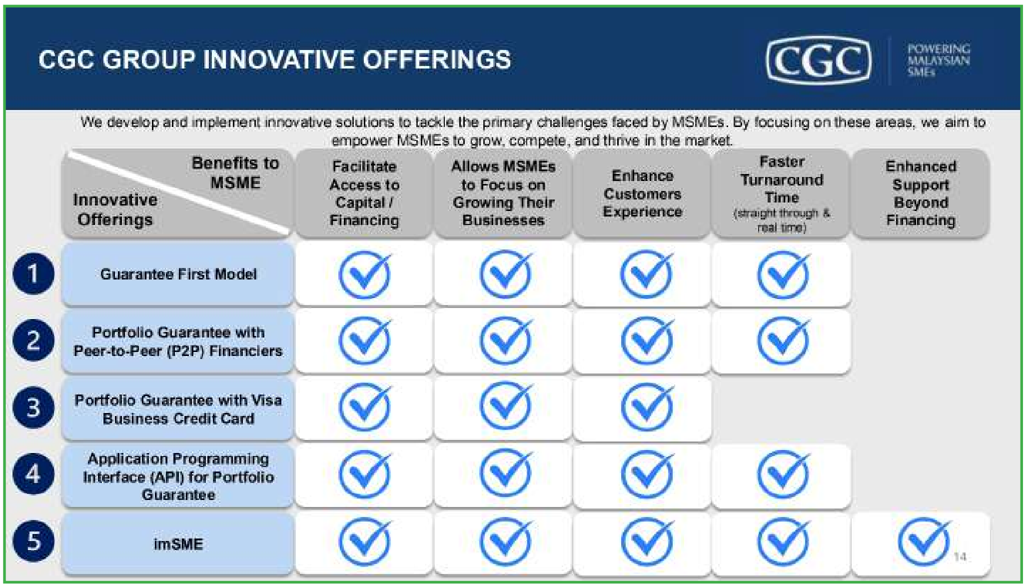
Economic Growth

3.
- Create new industries and revitalising existing ones
- Ensures development of new ideas, contributing to overall economic prosperity.

Source: World Bank; Small and Medium Enterprises (SMEs) Finance

CGC Group Innovative Offerings

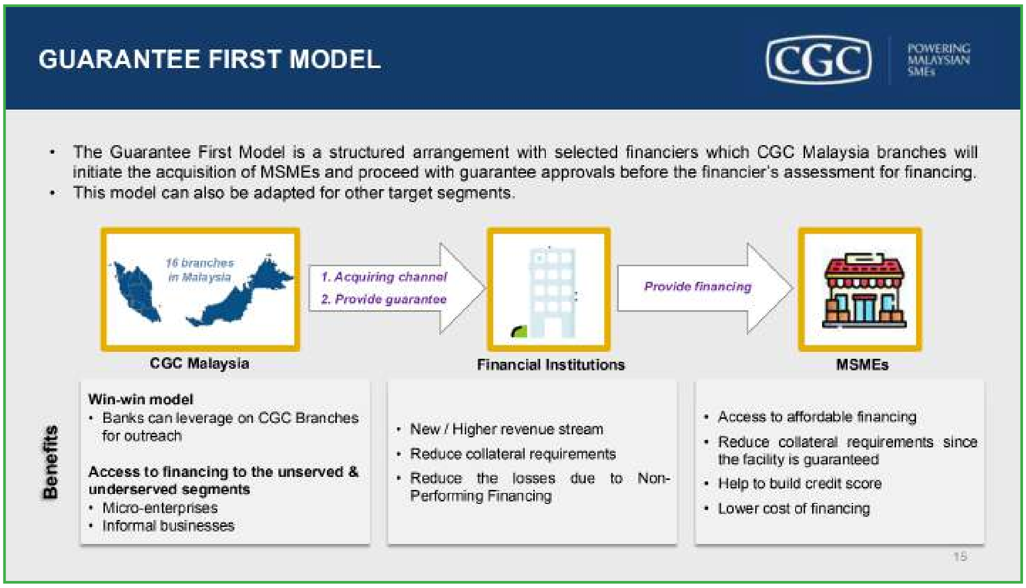
- Guarantee First Model
- Portfolio Guarantee with Peer-to-Peer (P2P) Financiers
- Portfolio Guarantee with Visa Business Credit Card
- Application Programming Interface (API) for Portfolio Guarantee
- imSME



CGC GROUP INNOVATIVE OFFERINGS

We develop and implement innovative solutions to tackle the primary challenges faced by MSMEs. By focusing on these areas, we aim to empower MSMEs to grow, compete, and thrive in the market.

	Benefits to MSME / Innovative Offerings	Facilitate Access to Capital / Financing	Allows MSMEs to Focus on Growing Their Businesses	Enhance Customers Experience	Faster Turnaround Time (straight through & real time)	Enhanced Support Beyond Financing
1	Guarantee First Model	✓	✓	✓	✓	
2	Portfolio Guarantee with Peer-to-Peer (P2P) Financiers	✓	✓	✓	✓	
3	Portfolio Guarantee with Visa Business Credit Card	✓	✓	✓		
4	Application Programming Interface (API) for Portfolio Guarantee	✓	✓	✓	✓	
5	imSME	✓	✓	✓	✓	✓



GUARANTEE FIRST MODEL

CGC POWERING MALAYSIAN SMEs

- The Guarantee First Model is a structured arrangement with selected financiers which CGC Malaysia branches will initiate the acquisition of MSMEs and proceed with guarantee approvals before the financier's assessment for financing.
- This model can also be adapted for other target segments.

Benefits

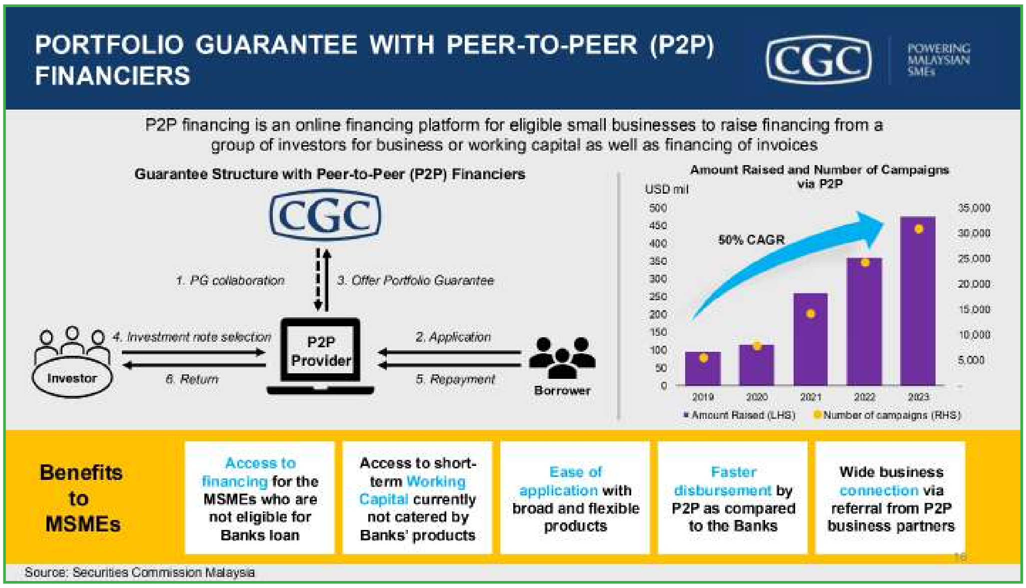
CGC Malaysia

Win-win model
- Banks can leverage on CGC Branches for outreach

Access to financing to the unserved & underserved segments
- Micro-enterprises
- Informal businesses

Financial Institutions
- New / Higher revenue stream
- Reduce collateral requirements
- Reduce the losses due to Non-Performing Financing

MSMEs
- Access to affordable financing
- Reduce collateral requirements since the facility is guaranteed
- Help to build credit score
- Lower cost of financing



PORTFOLIO GUARANTEE WITH PEER-TO-PEER (P2P) FINANCIERS

CGC POWERING MALAYSIAN SMEs

P2P financing is an online financing platform for eligible small businesses to raise financing from a group of investors for business or working capital as well as financing of invoices

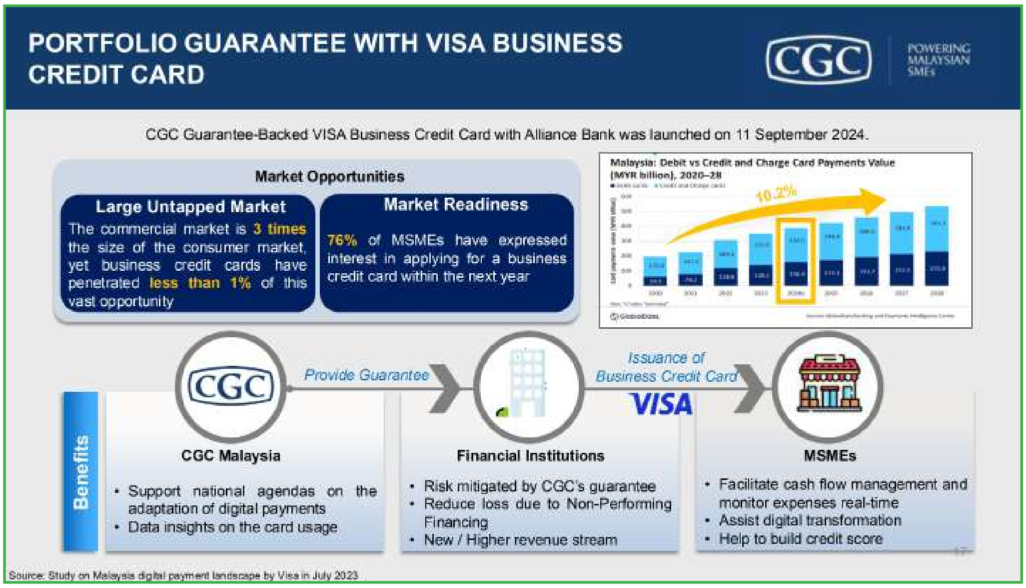
Guarantee Structure with Peer-to-Peer (P2P) Financiers

Amount Raised and Number of Campaigns via P2P

Benefits to MSMEs

- **Access to financing for the MSMEs who are not eligible for Banks loan**
- **Access to short-term Working Capital currently not catered by Banks' products**
- **Ease of application with broad and flexible products**
- **Faster disbursement by P2P as compared to the Banks**
- **Wide business connection via referral from P2P business partners**

Source: Securities Commission Malaysia



PORTFOLIO GUARANTEE WITH VISA BUSINESS CREDIT CARD

CGC POWERING MALAYSIAN SMEs

CGC Guarantee-Backed VISA Business Credit Card with Alliance Bank was launched on 11 September 2024.

Market Opportunities

Large Untapped Market
The commercial market is 3 times the size of the consumer market, yet business credit cards have penetrated less than 1% of this vast opportunity

Market Readiness
76% of MSMEs have expressed interest in applying for a business credit card within the next year

Malaysia: Debit vs Credit and Charge Card Payments Value (MYR billion), 2020–28

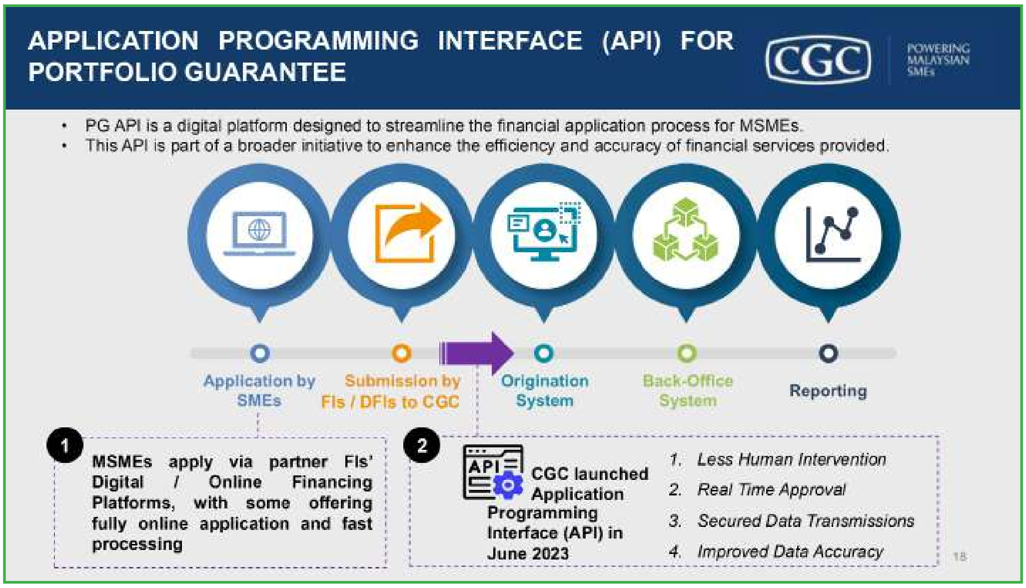
Benefits

CGC Malaysia
- Support national agendas on the adaptation of digital payments
- Data insights on the card usage

Financial Institutions
- Risk mitigated by CGC's guarantee
- Reduce loss due to Non-Performing Financing
- New / Higher revenue stream

MSMEs
- Facilitate cash flow management and monitor expenses real-time
- Assist digital transformation
- Help to build credit score

Source: Study on Malaysia digital payment landscape by Visa in July 2023



APPLICATION PROGRAMMING INTERFACE (API) FOR PORTFOLIO GUARANTEE

CGC POWERING MALAYSIAN SMEs

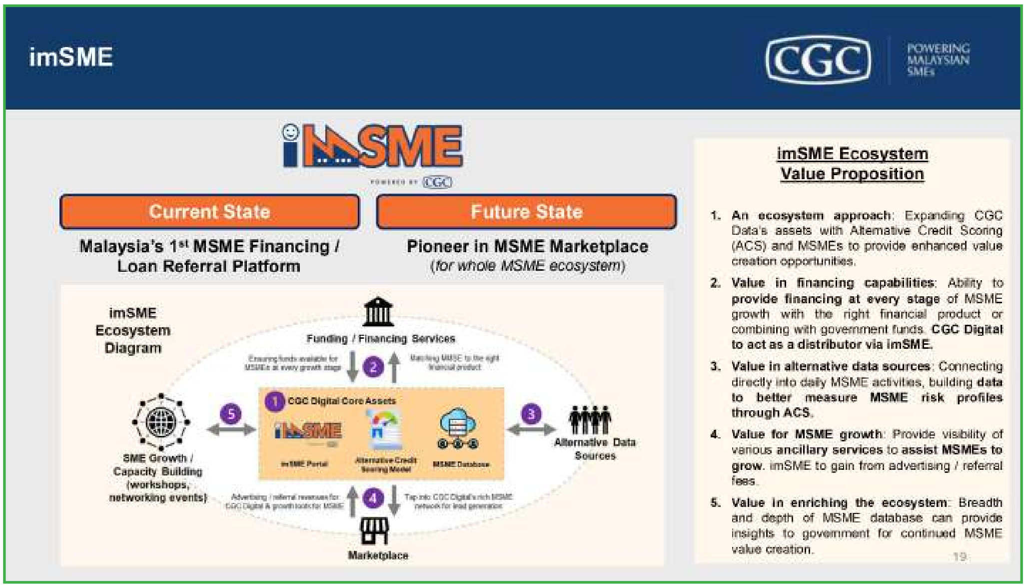
- PG API is a digital platform designed to streamline the financial application process for MSMEs.
- This API is part of a broader initiative to enhance the efficiency and accuracy of financial services provided.

Application by SMEs → Submission by FIs / DFIs to CGC → Origination System → Back-Office System → Reporting

❶ MSMEs apply via partner FIs' Digital / Online Financing Platforms, with some offering fully online application and fast processing

❷ CGC launched Application Programming Interface (API) in June 2023

1. *Less Human Intervention*
2. *Real Time Approval*
3. *Secured Data Transmissions*
4. *Improved Data Accuracy*



imSME

CGC POWERING MALAYSIAN SMEs

imSME POWERED BY CGC

Current State

Malaysia's 1st MSME Financing / Loan Referral Platform

Future State

Pioneer in MSME Marketplace
(for whole MSME ecosystem)

imSME Ecosystem Diagram

Funding / Financing Services

Ensuring funds available for MSMEs at every growth stage

② Matching MSME to the right financial product

① CGC Digital Core Assets

imSME Portal

Alternative Credit Scoring Model

MSME Database

③ Alternative Data Sources

④ Advertising / referral revenues for CGC Digital & growth tools for MSME

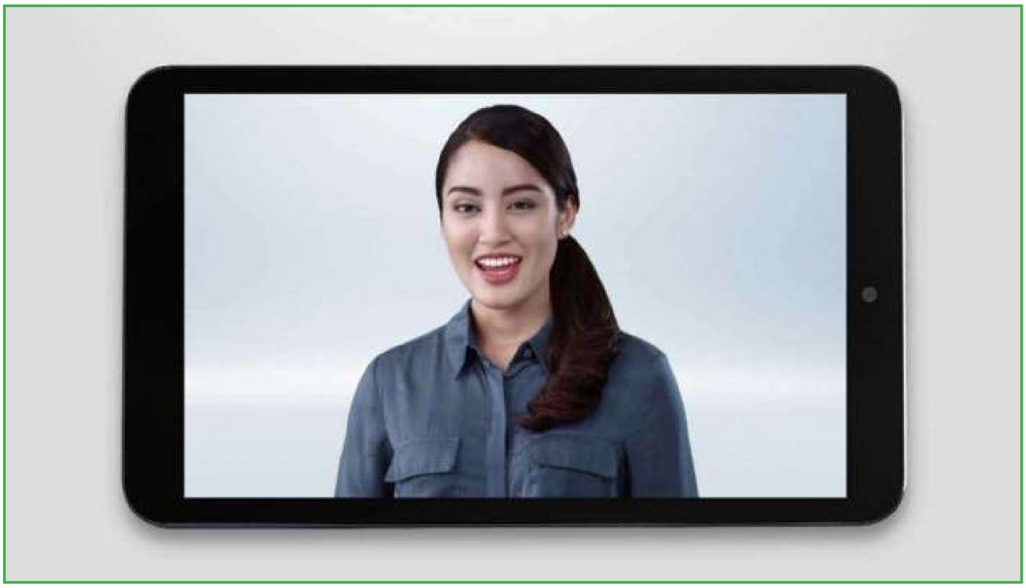
Tap into CGC Digital's rich MSME network for lead generation

Marketplace

⑤ SME Growth / Capacity Building (workshops, networking events)

imSME Ecosystem Value Proposition

1. **An ecosystem approach**: Expanding CGC Data's assets with Alternative Credit Scoring (ACS) and MSMEs to provide enhanced value creation opportunities.
2. **Value in financing capabilities**: Ability to **provide financing at every stage** of MSME growth with the right financial product or combining with government funds. **CGC Digital to act as a distributor via imSME.**
3. **Value in alternative data sources**: Connecting directly into daily MSME activities, building **data to better measure MSME risk profiles through ACS.**
4. **Value for MSME growth**: Provide visibility of various **ancillary services** to **assist MSMEs to grow**. imSME to gain from advertising / referral fees.
5. **Value in enriching the ecosystem**: Breadth and depth of MSME database can provide insights to government for continued MSME value creation.



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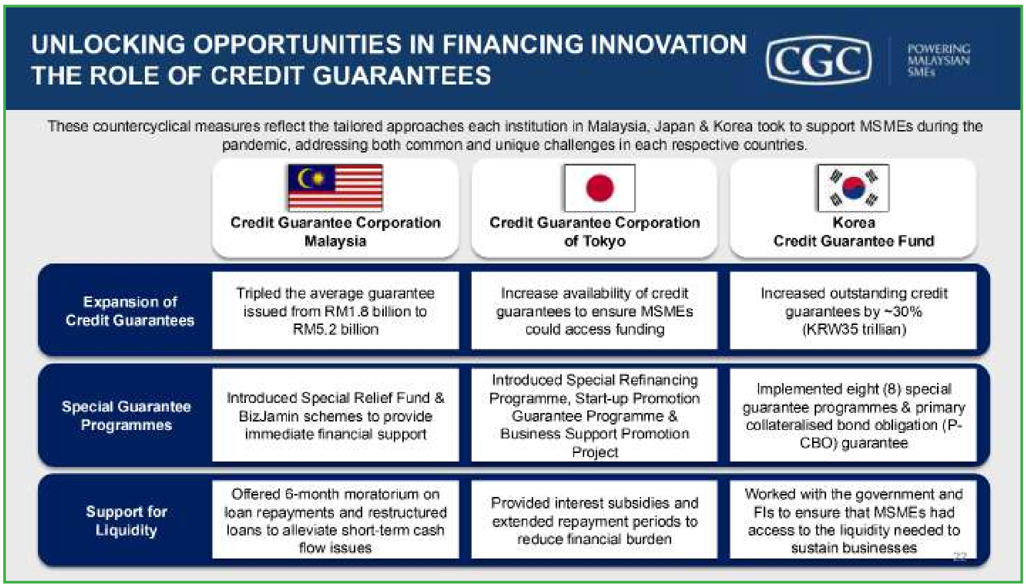
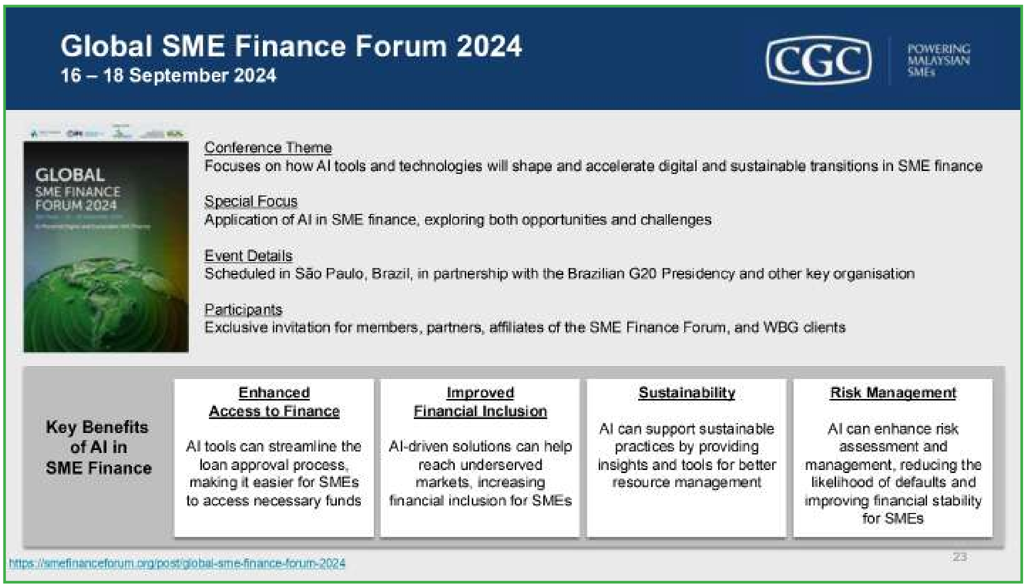


UNLOCKING OPPORTUNITIES IN FINANCING INNOVATION THE ROLE OF CREDIT GUARANTEES

CGC POWERING MALAYSIAN SMEs

These countercyclical measures reflect the tailored approaches each institution in Malaysia, Japan & Korea took to support MSMEs during the pandemic, addressing both common and unique challenges in each respective countries.

	Credit Guarantee Corporation Malaysia	**Credit Guarantee Corporation of Tokyo**	**Korea Credit Guarantee Fund**
Expansion of Credit Guarantees	Tripled the average guarantee issued from RM1.8 billion to RM5.2 billion	Increase availability of credit guarantees to ensure MSMEs could access funding	Increased outstanding credit guarantees by ~30% (KRW35 trillian)
Special Guarantee Programmes	Introduced Special Relief Fund & BizJamin schemes to provide immediate financial support	Introduced Special Refinancing Programme, Start-up Promotion Guarantee Programme & Business Support Promotion Project	Implemented eight (8) special guarantee programmes & primary collateralised bond obligation (P-CBO) guarantee
Support for Liquidity	Offered 6-month moratorium on loan repayments and restructured loans to alleviate short-term cash flow issues	Provided interest subsidies and extended repayment periods to reduce financial burden	Worked with the government and FIs to ensure that MSMEs had access to the liquidity needed to sustain businesses



Global SME Finance Forum 2024

16 – 18 September 2024

CGC POWERING MALAYSIAN SMEs

Conference Theme
Focuses on how AI tools and technologies will shape and accelerate digital and sustainable transitions in SME finance

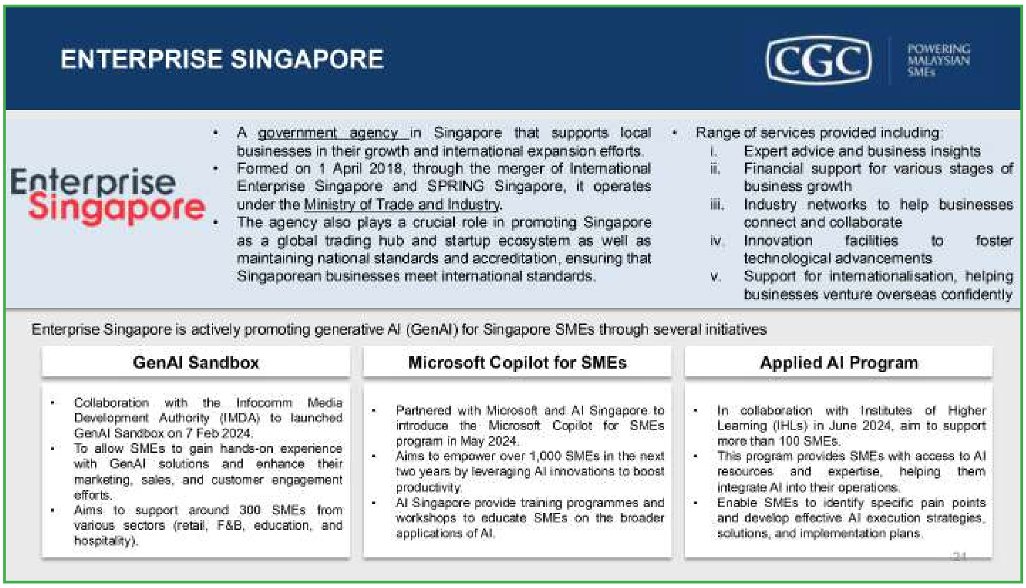
Special Focus
Application of AI in SME finance, exploring both opportunities and challenges

Event Details
Scheduled in São Paulo, Brazil, in partnership with the Brazilian G20 Presidency and other key organisation

Participants
Exclusive invitation for members, partners, affiliates of the SME Finance Forum, and WBG clients

Key Benefits of AI in SME Finance	**Enhanced Access to Finance**	**Improved Financial Inclusion**	**Sustainability**	**Risk Management**
	AI tools can streamline the loan approval process, making it easier for SMEs to access necessary funds	AI-driven solutions can help reach underserved markets, increasing financial inclusion for SMEs	AI can support sustainable practices by providing insights and tools for better resource management	AI can enhance risk assessment and management, reducing the likelihood of defaults and improving financial stability for SMEs

https://smefinanceforum.org/post/global-sme-finance-forum-2024



ENTERPRISE SINGAPORE

CGC POWERING MALAYSIAN SMEs

Enterprise Singapore

- A government agency in Singapore that supports local businesses in their growth and international expansion efforts.
- Formed on 1 April 2018, through the merger of International Enterprise Singapore and SPRING Singapore, it operates under the Ministry of Trade and Industry.
- The agency also plays a crucial role in promoting Singapore as a global trading hub and startup ecosystem as well as maintaining national standards and accreditation, ensuring that Singaporean businesses meet international standards.
- Range of services provided including:
  - i. Expert advice and business insights
  - ii. Financial support for various stages of business growth
  - iii. Industry networks to help businesses connect and collaborate
  - iv. Innovation facilities to foster technological advancements
  - v. Support for internationalisation, helping businesses venture overseas confidently

Enterprise Singapore is actively promoting generative AI (GenAI) for Singapore SMEs through several initiatives

GenAI Sandbox

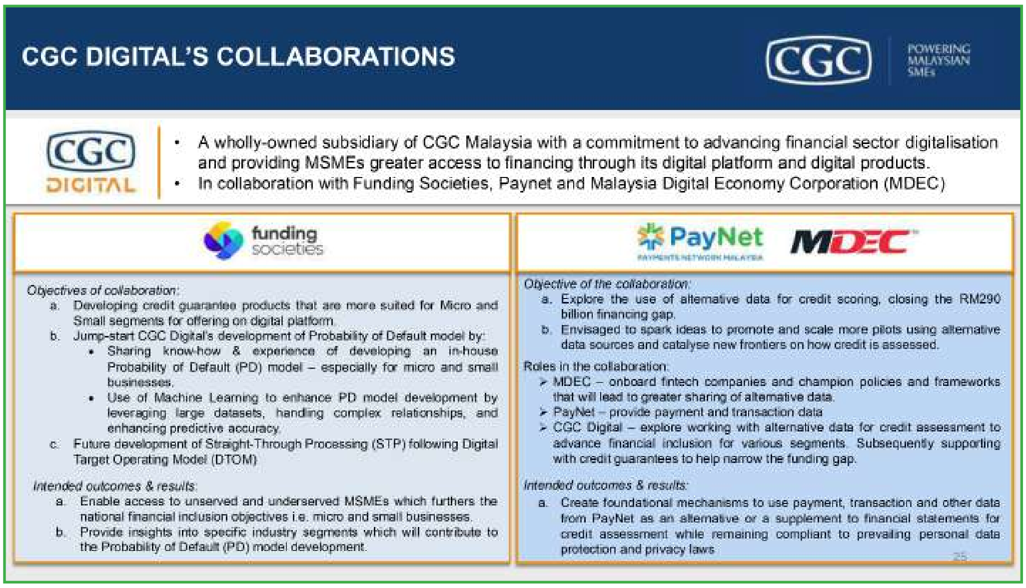
- Collaboration with the Infocomm Media Development Authority (IMDA) to launched GenAI Sandbox on 7 Feb 2024.
- To allow SMEs to gain hands-on experience with GenAI solutions and enhance their marketing, sales, and customer engagement efforts.
- Aims to support around 300 SMEs from various sectors (retail, F&B, education, and hospitality).

Microsoft Copilot for SMEs

- Partnered with Microsoft and AI Singapore to introduce the Microsoft Copilot for SMEs program in May 2024.
- Aims to empower over 1,000 SMEs in the next two years by leveraging AI innovations to boost productivity.
- AI Singapore provide training programmes and workshops to educate SMEs on the broader applications of AI.

Applied AI Program

- In collaboration with Institutes of Higher Learning (IHLs) in June 2024, aim to support more than 100 SMEs.
- This program provides SMEs with access to AI resources and expertise, helping them integrate AI into their operations.
- Enable SMEs to identify specific pain points and develop effective AI execution strategies, solutions, and implementation plans.



CGC DIGITAL'S COLLABORATIONS

CGC POWERING MALAYSIAN SMEs

CGC DIGITAL

- A wholly-owned subsidiary of CGC Malaysia with a commitment to advancing financial sector digitalisation and providing MSMEs greater access to financing through its digital platform and digital products.
- In collaboration with Funding Societies, Paynet and Malaysia Digital Economy Corporation (MDEC)

funding societies

Objectives of collaboration:

a. Developing credit guarantee products that are more suited for Micro and Small segments for offering on digital platform.

b. Jump-start CGC Digital's development of Probability of Default model by:
  - Sharing know-how & experience of developing an in-house Probability of Default (PD) model – especially for micro and small businesses.
  - Use of Machine Learning to enhance PD model development by leveraging large datasets, handling complex relationships, and enhancing predictive accuracy.

c. Future development of Straight-Through Processing (STP) following Digital Target Operating Model (DTOM)

Intended outcomes & results:

a. Enable access to unserved and underserved MSMEs which furthers the national financial inclusion objectives i.e. micro and small businesses.

b. Provide insights into specific industry segments which will contribute to the Probability of Default (PD) model development.

PayNet PAYMENTS NETWORK MALAYSIA **MDEC**

Objective of the collaboration:

a. Explore the use of alternative data for credit scoring, closing the RM290 billion financing gap.

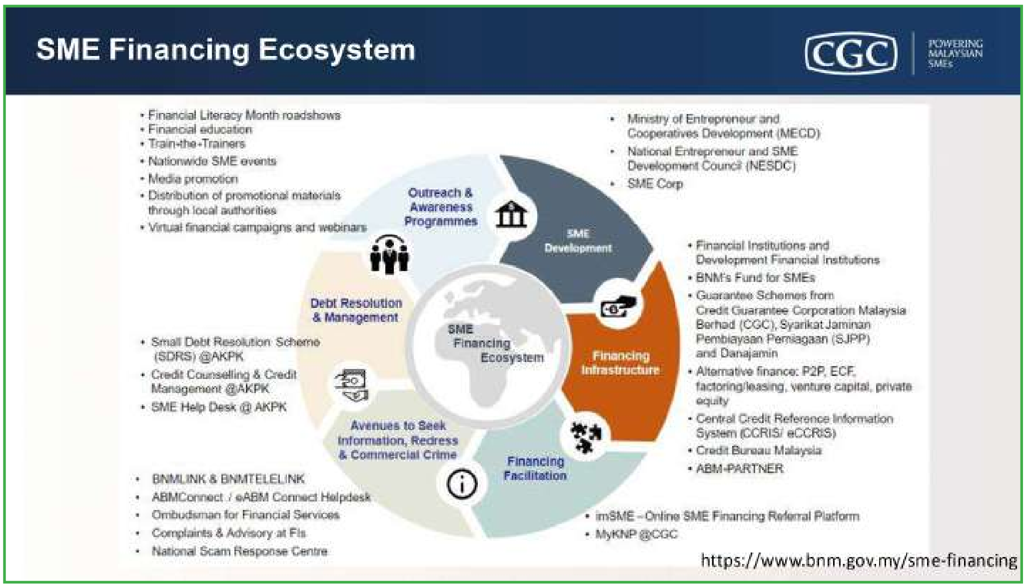
b. Envisaged to spark ideas to promote and scale more pilots using alternative data sources and catalyse new frontiers on how credit is assessed.

Roles in the collaboration:

- ➢ MDEC – onboard fintech companies and champion policies and frameworks that will lead to greater sharing of alternative data.
- ➢ PayNet – provide payment and transaction data
- ➢ CGC Digital – explore working with alternative data for credit assessment to advance financial inclusion for various segments. Subsequently supporting with credit guarantees to help narrow the funding gap.

Intended outcomes & results:

a. Create foundational mechanisms to use payment, transaction and other data from PayNet as an alternative or a supplement to financial statements for credit assessment while remaining compliant to prevailing personal data protection and privacy laws



SME Financing Ecosystem

CGC POWERING MALAYSIAN SMEs

SME Financing Ecosystem

Outreach & Awareness Programmes

- Financial Literacy Month roadshows
- Financial education
- Train-the-Trainers
- Nationwide SME events
- Media promotion
- Distribution of promotional materials through local authorities
- Virtual financial campaigns and webinars

SME Development

- Ministry of Entrepreneur and Cooperatives Development (MECD)
- National Entrepreneur and SME Development Council (NESDC)
- SME Corp

Financing Infrastructure

- Financial Institutions and Development Financial Institutions
- BNM's Fund for SMEs
- Guarantee Schemes from Credit Guarantee Corporation Malaysia Berhad (CGC), Syarikat Jaminan Pembiayaan Perniagaan (SJPP) and Danajamin
- Alternative finance: P2P, ECF, factoring/leasing, venture capital, private equity
- Central Credit Reference Information System (CCRIS/ eCCRIS)
- Credit Bureau Malaysia
- ABM-PARTNER

Financing Facilitation

- imSME – Online SME Financing Referral Platform
- MyKNP @CGC

Avenues to Seek Information, Redress & Commercial Crime

- BNMLINK & BNMTELELINK
- ABMConnect / eABM Connect Helpdesk
- Ombudsman for Financial Services
- Complaints & Advisory at FIs
- National Scam Response Centre

Debt Resolution & Management

- Small Debt Resolution Scheme (SDRS) @AKPK
- Credit Counselling & Credit Management @AKPK
- SME Help Desk @ AKPK

https://www.bnm.gov.my/sme-financing

Presenter:
Mr. Yu-Hsin Kuo
Advanced Manager
Small & Medium Enterprise Credit
Guarantee Fund of Taiwan (TSMEG)

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TSMEG

Unlocking Opportunities in Financing Innovations: The Role of Credit Guarantees

by Yu-Hsin KUO
Advanced Manager
Small and Medium Enterprise Credit Guarantee Fund of Taiwan (TSMEG)

"Financing Innovations for Economic Growth" 1

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TSMEG

Agenda

- Case of Innovation
- Overview of TSMEG
- The Dilemma of Financing Innovations
- Strategies to Facilitate Financing
- Methods to Smooth Process
- Conclusion

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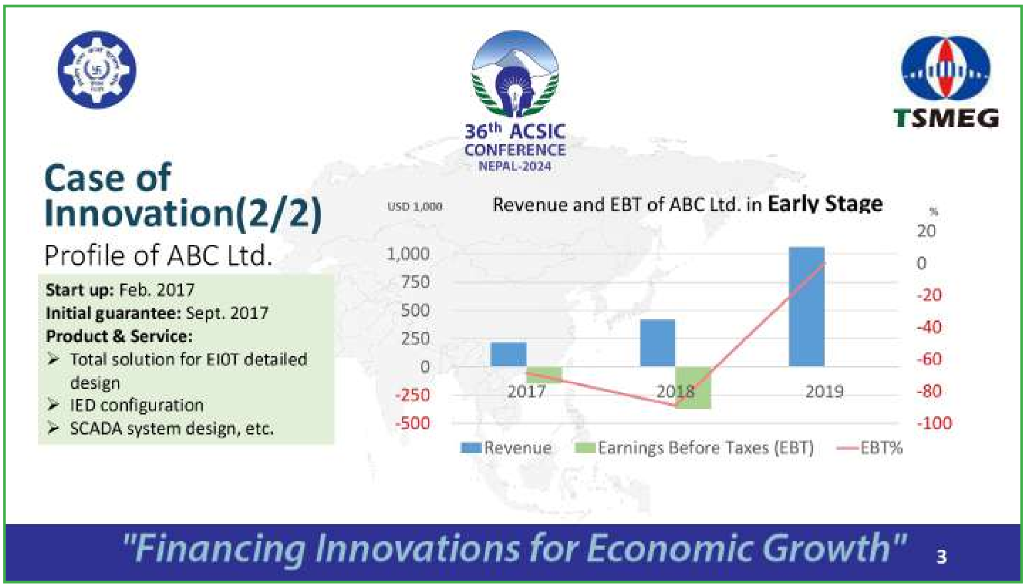

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Case of Innovation(2/2)

Profile of ABC Ltd.

Start up: Feb. 2017
Initial guarantee: Sept. 2017
Product & Service:

- Total solution for EIOT detailed design
- IED configuration
- SCADA system design, etc.

Revenue and EBT of ABC Ltd. in **Early Stage**

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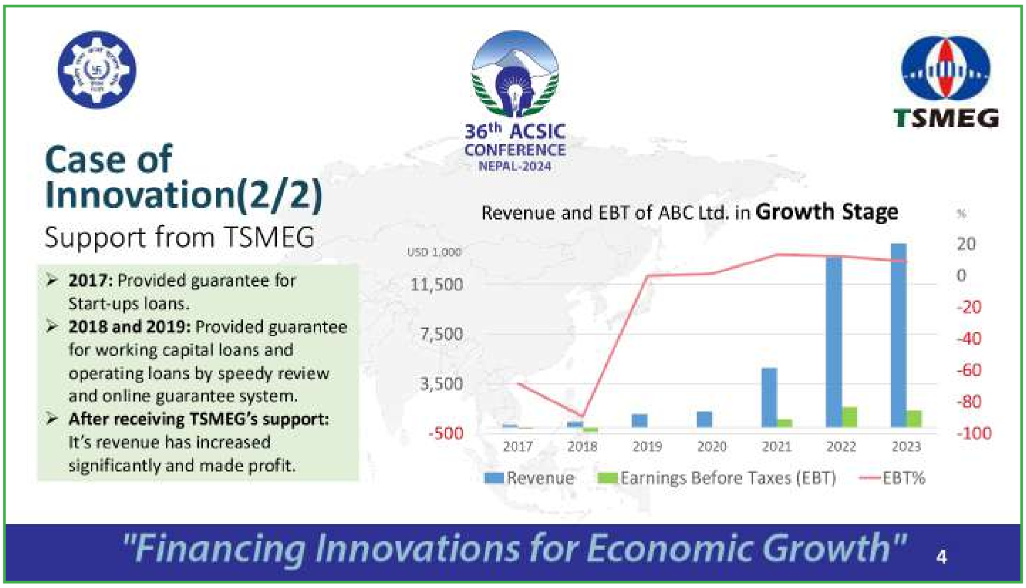

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Case of Innovation(2/2)

Support from TSMEG

- **2017:** Provided guarantee for Start-ups loans.
- **2018 and 2019:** Provided guarantee for working capital loans and operating loans by speedy review and online guarantee system.
- **After receiving TSMEG's support:** It's revenue has increased significantly and made profit.

Revenue and EBT of ABC Ltd. in **Growth Stage**

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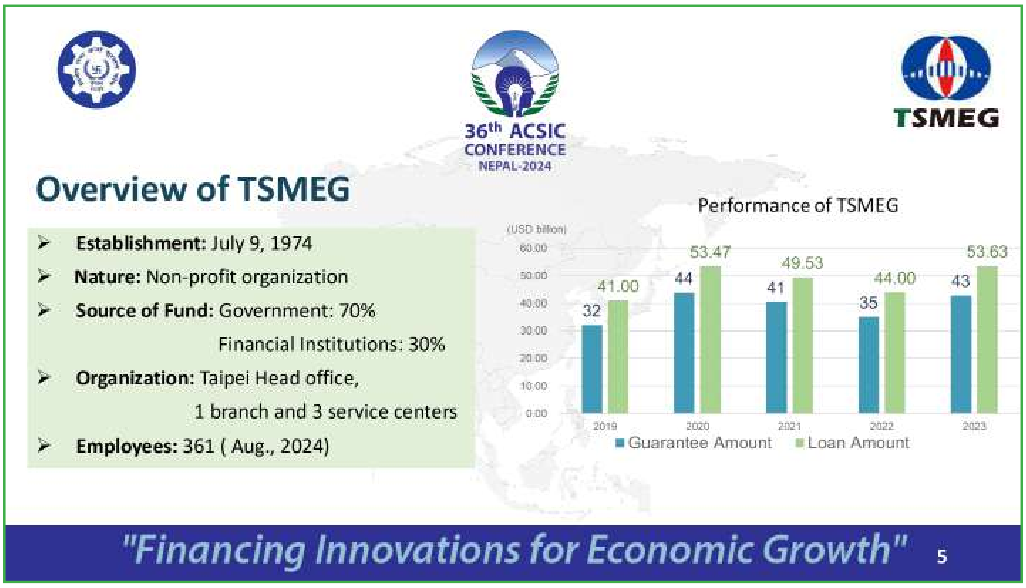

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TSMEG

Overview of TSMEG

- **Establishment:** July 9, 1974
- **Nature:** Non-profit organization
- **Source of Fund:** Government: 70%
  Financial Institutions: 30%
- **Organization:** Taipei Head office,
  1 branch and 3 service centers
- **Employees:** 361 (Aug., 2024)

Performance of TSMEG

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The Dilemma of Financing Innovations

SMEs

- Immature Business Model
- Lack of Management Experience
- Lack of Revenue Continuity in the Early Stages
- Funding Gaps at the initial and early stages
- Weak Capital Structure

Banks

- Lack of Financial Transparency
- Lack of Track Record (ex. stable financial history or established operating records)
- High Risk and Market Uncertainty
- Short of Collateral

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Strategies to Facilitate Financing

- Varied Guarantee Programs
- High Coverage Ratio
- Focus on Start-ups and Innovators
- Low Guarantee Fees

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Varied Guarantee Programs

- Loans for Young Entrepreneurs and Start-ups
- SMEs Innovation Development Project Loans
- Preferential Credit Guarantee Measures for National Development
- Preferential Credit Guarantee Project for Startup Enterprises and Intangible Asset

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TSMEG

Focus on Start-ups and Innovators

B Corporation

SMEs Received Innovation Awards or Subsidies from Government

SMEs Innovative Industries

SMEs with IP

SMEs Recommended by Government Agencies or Institutions of Research and Counseling

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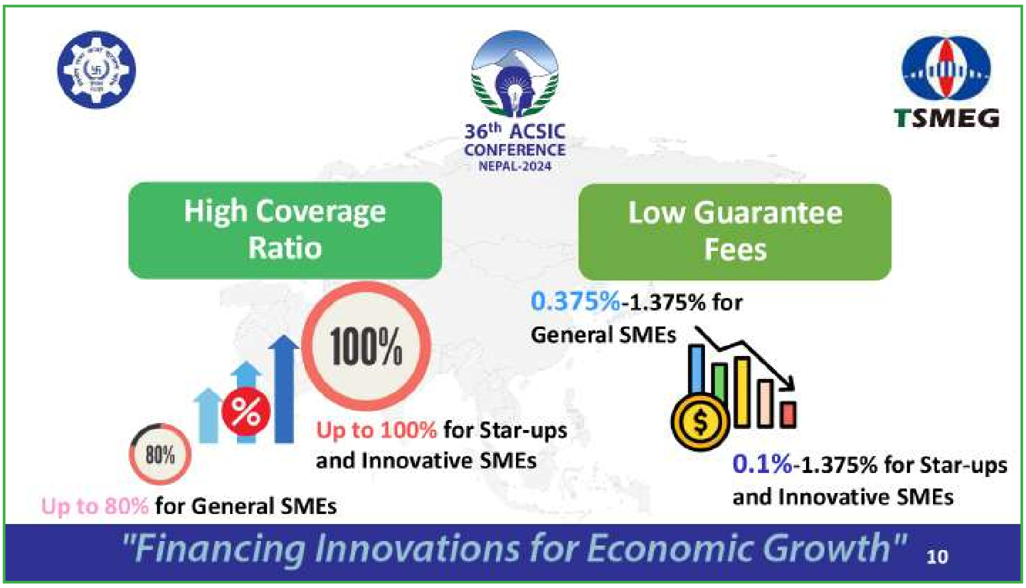

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TSMEG

High Coverage Ratio

Low Guarantee Fees

0.375%-1.375% for General SMEs

Up to 100% for Star-ups and Innovative SMEs

0.1%-1.375% for Star-ups and Innovative SMEs

Up to 80% for General SMEs

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TSMEG

Methods to Smooth Process

- Multiple Guarantee Procedures
- Full-function Local Services
- Change of Review Points
- Inter-unit Collaboration

"Financing Innovations for Economic Growth"

Multiple Guarantee Procedures

Direct Guarantee
Apply to TSMEG Directly

- Comply with the government industrial policies and enhance development of core industries of SMEs in their early stage.

Indirect Guarantee
Apply to Banks

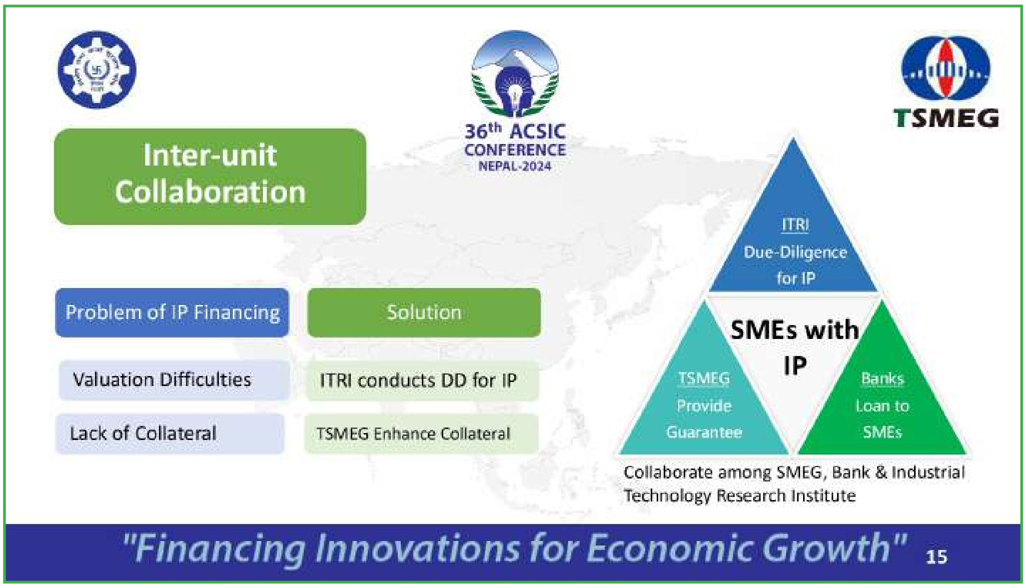
- Extend guarantees to SMEs via 45 contracted banks with more than 3,400 branches
- 80% of cases are reviewed and guaranteed online (mostly within 1 hour), others are reviewed manually (mostly within 4 working days)

Change of Review Points

Focus on SMEs' project feasibility, management team, IP value, R&D and industry outlook

Full-function Local Services

- Increase Branch Staff
- Local Services and Case Reviews



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TSMEG

Inter-unit Collaboration

Problem of IP Financing	Solution
Valuation Difficulties	ITRI conducts DD for IP
Lack of Collateral	TSMEG Enhance Collateral

Collaborate among SMEG, Bank & Industrial Technology Research Institute

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TSMEG

Conclusion

TSMEG will continue to carry out its mission

- Provide SMEs with diversified and all-around services in line with government policies
- Become the best partner for SMEs during each growth stage
- Enhance cooperation with banks and government

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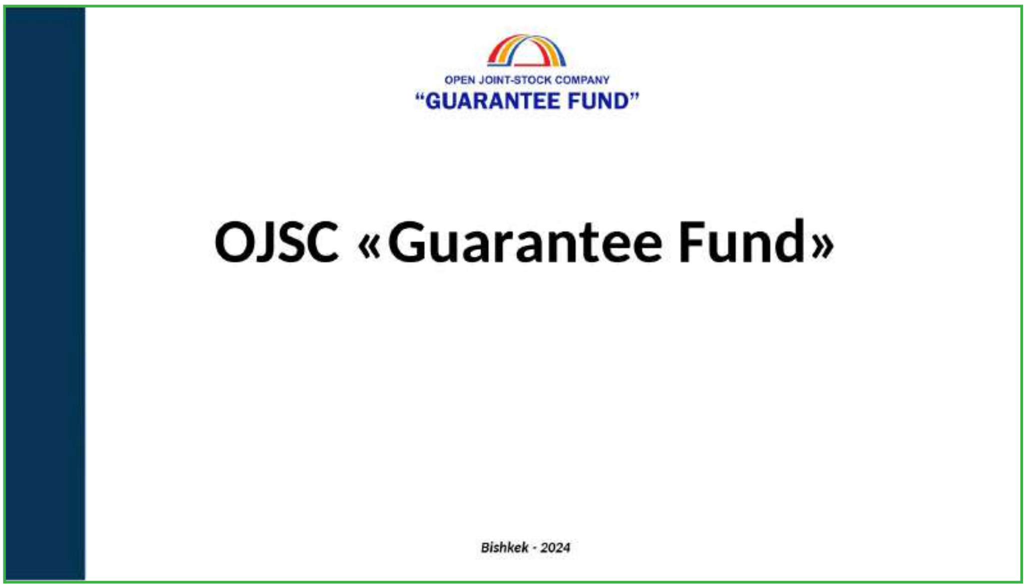
TSMEG

Thank you

Dhanyabad

"Financing Innovations for Economic Growth" 17

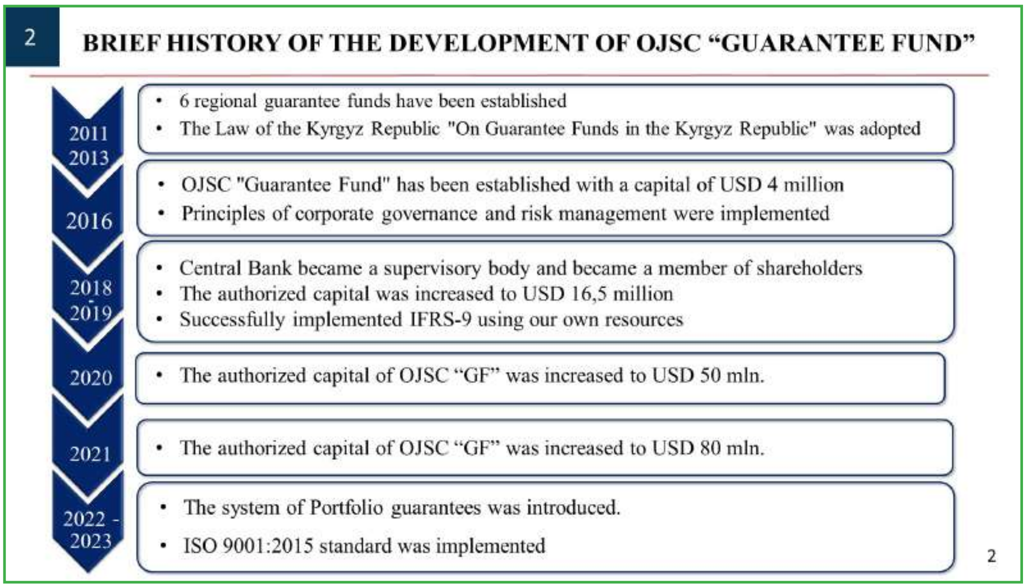
Presenter:
Mr. Erik Talasbaev
Deputy Chairperson
OJSC Guarantee Fund of Kyrgyzstan



OPEN JOINT-STOCK COMPANY
“GUARANTEE FUND”

OJSC «Guarantee Fund»

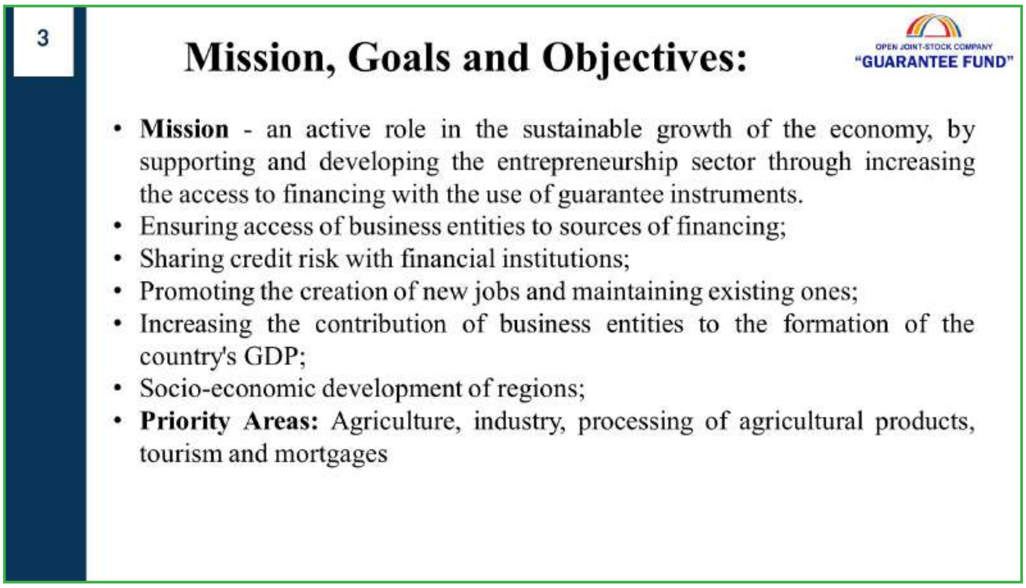
Bishkek - 2024



2 BRIEF HISTORY OF THE DEVELOPMENT OF OJSC “GUARANTEE FUND”

2011 2013	• 6 regional guarantee funds have been established • The Law of the Kyrgyz Republic "On Guarantee Funds in the Kyrgyz Republic" was adopted
2016	• OJSC "Guarantee Fund" has been established with a capital of USD 4 million • Principles of corporate governance and risk management were implemented
2018 - 2019	• Central Bank became a supervisory body and became a member of shareholders • The authorized capital was increased to USD 16,5 million • Successfully implemented IFRS-9 using our own resources
2020	• The authorized capital of OJSC “GF” was increased to USD 50 mln.
2021	• The authorized capital of OJSC “GF” was increased to USD 80 mln.
2022 - 2023	• The system of Portfolio guarantees was introduced. • ISO 9001:2015 standard was implemented

2

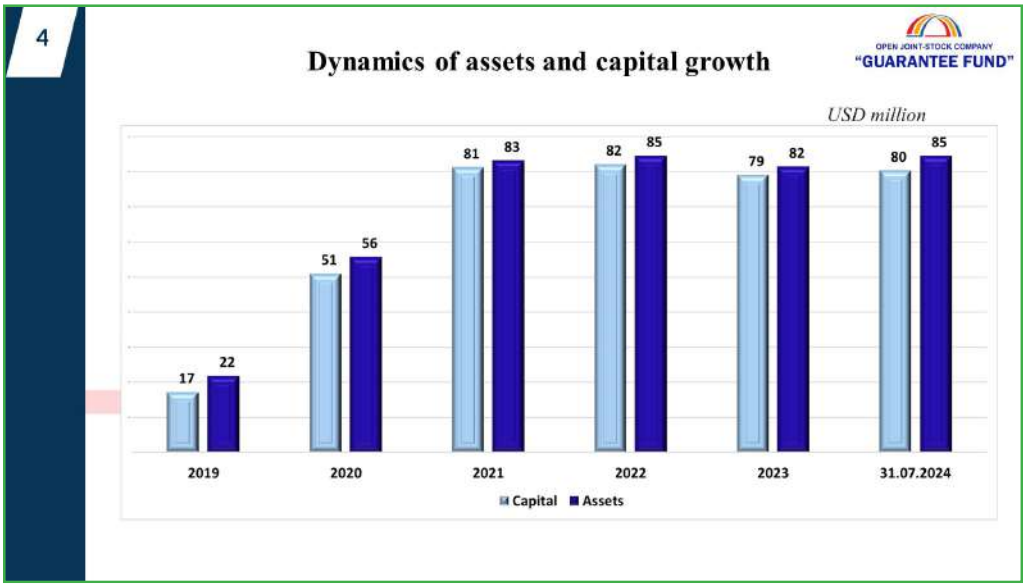


3

OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

Mission, Goals and Objectives:

- **Mission** - an active role in the sustainable growth of the economy, by supporting and developing the entrepreneurship sector through increasing the access to financing with the use of guarantee instruments.
- Ensuring access of business entities to sources of financing;
- Sharing credit risk with financial institutions;
- Promoting the creation of new jobs and maintaining existing ones;
- Increasing the contribution of business entities to the formation of the country's GDP;
- Socio-economic development of regions;
- **Priority Areas:** Agriculture, industry, processing of agricultural products, tourism and mortgages



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OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

Dynamics of assets and capital growth

USD million

5

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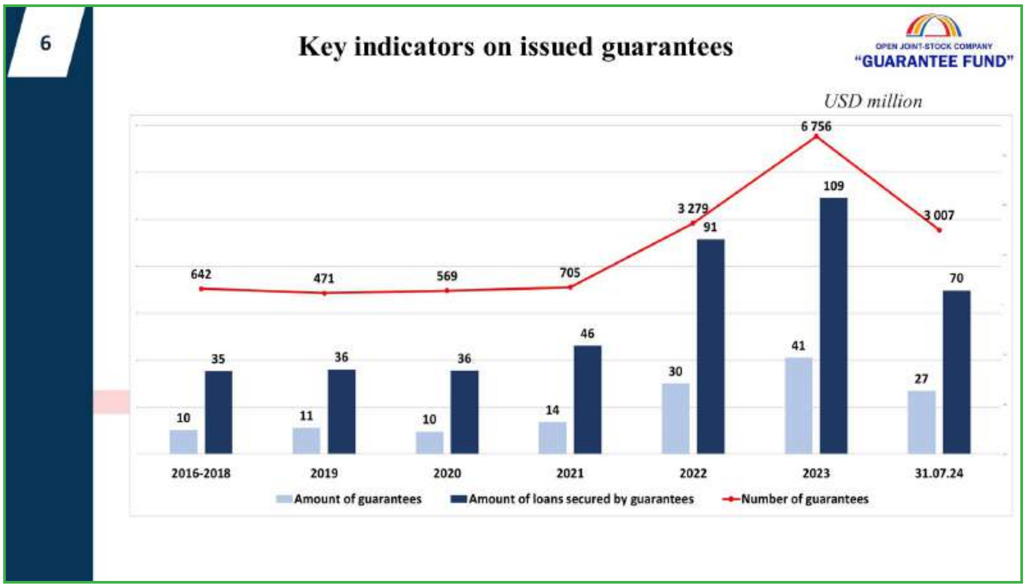
"GUARANTEE FUND"

Profit

USD million



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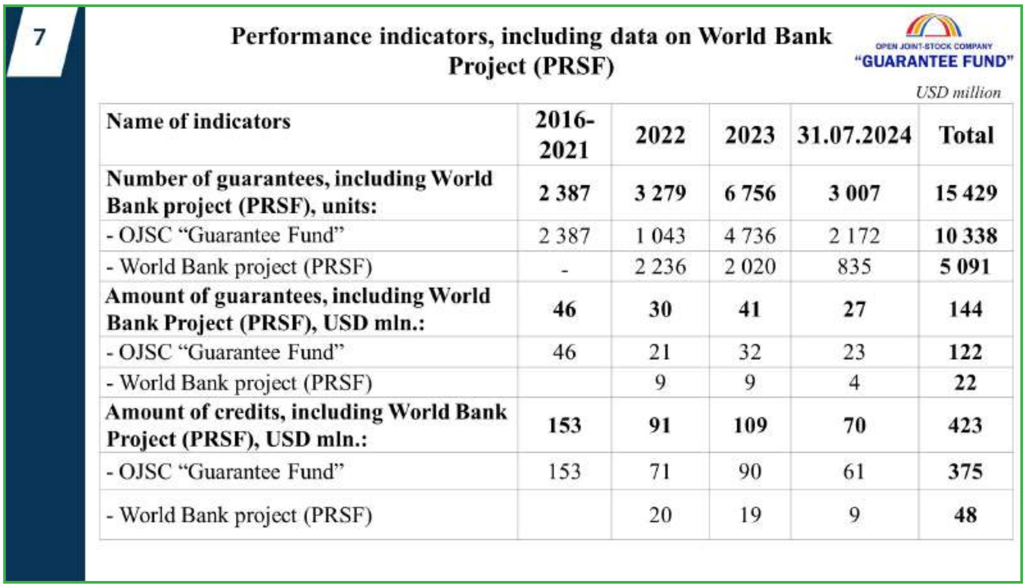
Key indicators on issued guarantees

OPEN JOINT-STOCK COMPANY "GUARANTEE FUND"

USD million



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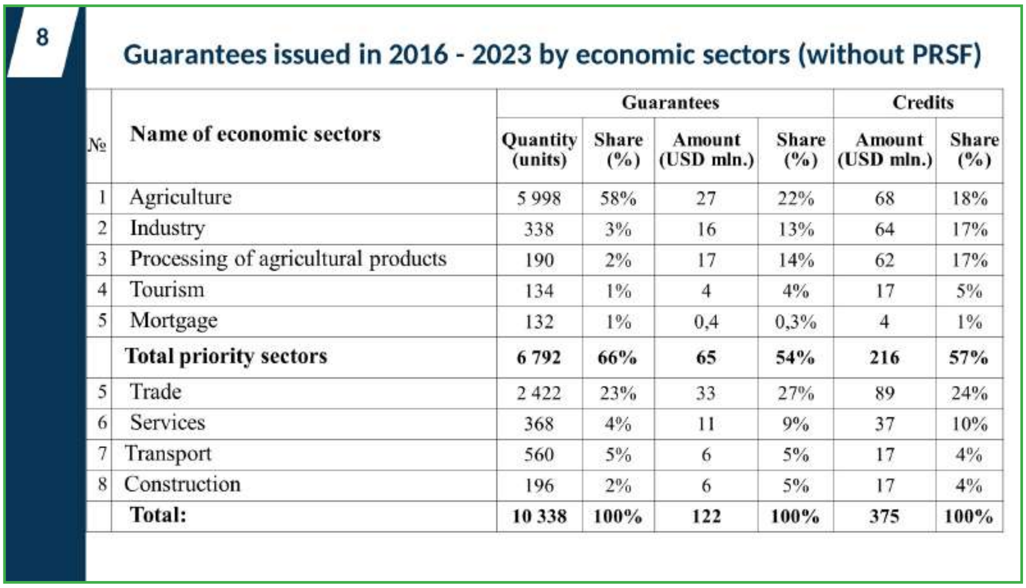
Performance indicators, including data on World Bank Project (PRSF)

OPEN JOINT-STOCK COMPANY "GUARANTEE FUND"

USD million

Name of indicators	2016-2021	2022	2023	31.07.2024	Total
Number of guarantees, including World Bank project (PRSF), units:	**2 387**	**3 279**	**6 756**	**3 007**	**15 429**
- OJSC "Guarantee Fund"	2 387	1 043	4 736	2 172	**10 338**
- World Bank project (PRSF)	-	2 236	2 020	835	**5 091**
Amount of guarantees, including World Bank Project (PRSF), USD mln.:	**46**	**30**	**41**	**27**	**144**
- OJSC "Guarantee Fund"	46	21	32	23	**122**
- World Bank project (PRSF)		9	9	4	**22**
Amount of credits, including World Bank Project (PRSF), USD mln.:	**153**	**91**	**109**	**70**	**423**
- OJSC "Guarantee Fund"	153	71	90	61	**375**
- World Bank project (PRSF)		20	19	9	**48**



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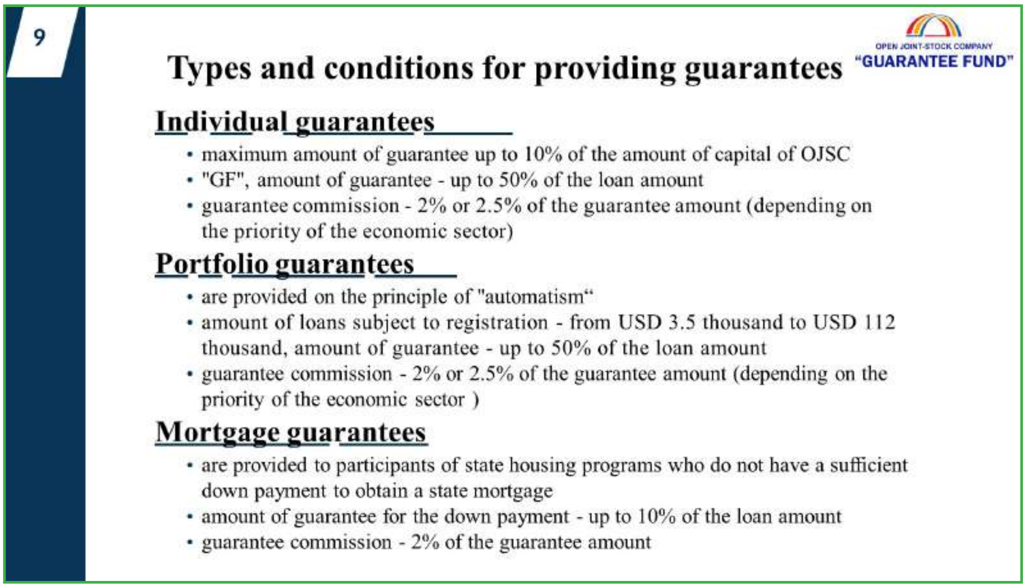
Guarantees issued in 2016 - 2023 by economic sectors (without PRSF)

№	Name of economic sectors	Guarantees				Credits	
		Quantity (units)	Share (%)	Amount (USD mln.)	Share (%)	Amount (USD mln.)	Share (%)
1	Agriculture	5 998	58%	27	22%	68	18%
2	Industry	338	3%	16	13%	64	17%
3	Processing of agricultural products	190	2%	17	14%	62	17%
4	Tourism	134	1%	4	4%	17	5%
5	Mortgage	132	1%	0,4	0,3%	4	1%
	Total priority sectors	**6 792**	**66%**	**65**	**54%**	**216**	**57%**
5	Trade	2 422	23%	33	27%	89	24%
6	Services	368	4%	11	9%	37	10%
7	Transport	560	5%	6	5%	17	4%
8	Construction	196	2%	6	5%	17	4%
	Total:	**10 338**	**100%**	**122**	**100%**	**375**	**100%**



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OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

Types and conditions for providing guarantees

Individual guarantees

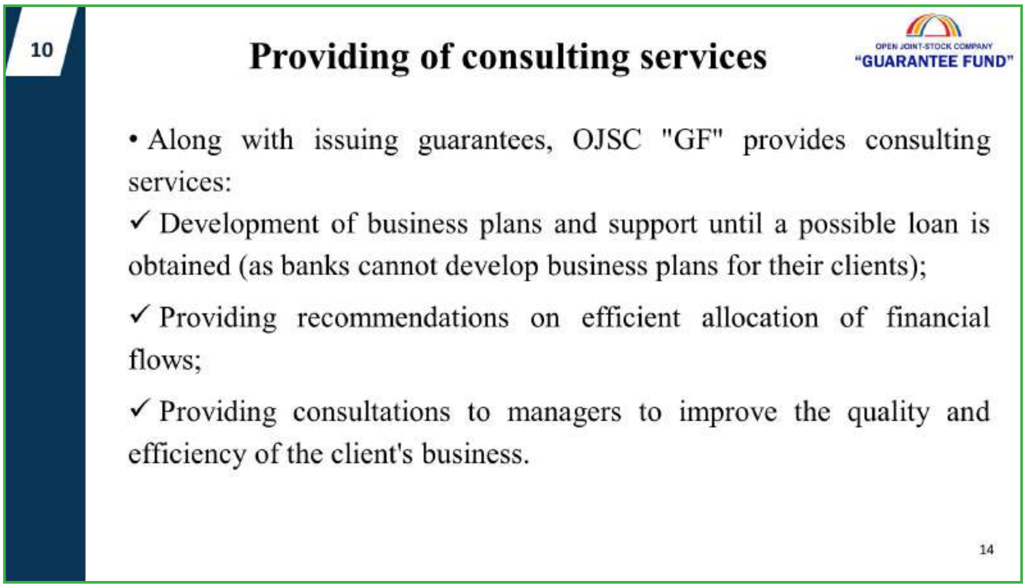
- maximum amount of guarantee up to 10% of the amount of capital of OJSC
- "GF", amount of guarantee - up to 50% of the loan amount
- guarantee commission - 2% or 2.5% of the guarantee amount (depending on the priority of the economic sector)

Portfolio guarantees

- are provided on the principle of "automatism“
- amount of loans subject to registration - from USD 3.5 thousand to USD 112 thousand, amount of guarantee - up to 50% of the loan amount
- guarantee commission - 2% or 2.5% of the guarantee amount (depending on the priority of the economic sector)

Mortgage guarantees

- are provided to participants of state housing programs who do not have a sufficient down payment to obtain a state mortgage
- amount of guarantee for the down payment - up to 10% of the loan amount
- guarantee commission - 2% of the guarantee amount



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OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

Providing of consulting services

- Along with issuing guarantees, OJSC "GF" provides consulting services:

✓ Development of business plans and support until a possible loan is obtained (as banks cannot develop business plans for their clients);

✓ Providing recommendations on efficient allocation of financial flows;

✓ Providing consultations to managers to improve the quality and efficiency of the client's business.

11

OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

Achievements for 2023

- Portfolio guarantee products have been introduced:
  - the system of portfolio guarantees;
  - providing of mortgage guarantees;
  - microguarantee registration system.
- A new guarantee product has also been introduced - pre-issued warranty.
- ISO 9001 - Quality Management System is implemented.
- The proprietary software ‘’System for issuing and accounting guarantees‘’ has been developed.
- The Project of Ministry of Finance of the Kyrgyz Republic Portfolio Risk Allocation Mechanism (PRSF) successfully implemented the worth 32 million US dollars, financed by the World Bank.
- The implementation of the Sustainable Financing for MSMEs Project for the introduction of green financing worth US$20 million has been agreed with the World Bank.

Proposed cooperation as a consultant

OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

OJSC "Guarantee Fund" is also ready to share experience with other guarantee funds of the world on a number of issues that it has successfully implemented and applies in its activities and is willing to help others implement them:

- IFRS - 9 "Financial Instruments".
- International standard ISO 9001 - "Quality Management System".
- Software for guarantee funds "System for issuing and accounting of guarantees".

Regulation and supervision of the activities of JSC "Guarantee Fund"

OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

- Since 2019, the Central Bank of the Kyrgyz Republic has become the supervisory and regulatory authority for the activities of guarantee funds.
- The Central Bank supervises and controls prudential supervision over the activities of guarantee funds based on the recommendations and principles of the Basel Committee on Banking Supervision.
- OJSC "Guarantee Fund" complies with all 11 prudential standards and requirements established by the regulator, which undoubtedly gives confidence to the partners of OJSC "GF" and reduces their risks.

Guarantee fund
Institute for Support and Development of Entrepreneurship

M. Abakirov, S. Abakirov

GUARANTEE FUND

Institute for Support and Development of Entrepreneurship

OPEN JOINT-STOCK COMPANY
"GUARANTEE FUND"

Thank you for your attention !

www.gf.kg

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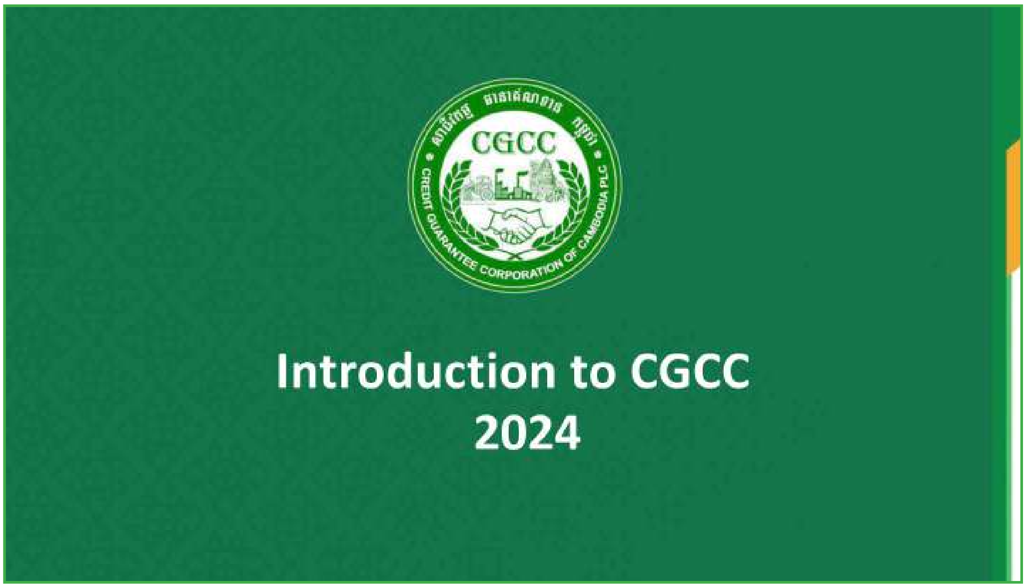
we are on social networks
Мы в соцсетях:

Presenter:

Mr. Lida No

Deputy Chief Executive Officer

Credit Guarantee Corporation of Cambodia



Introduction to CGCC
2024

About CGCC

SOE under Ministry of Economy & Finance

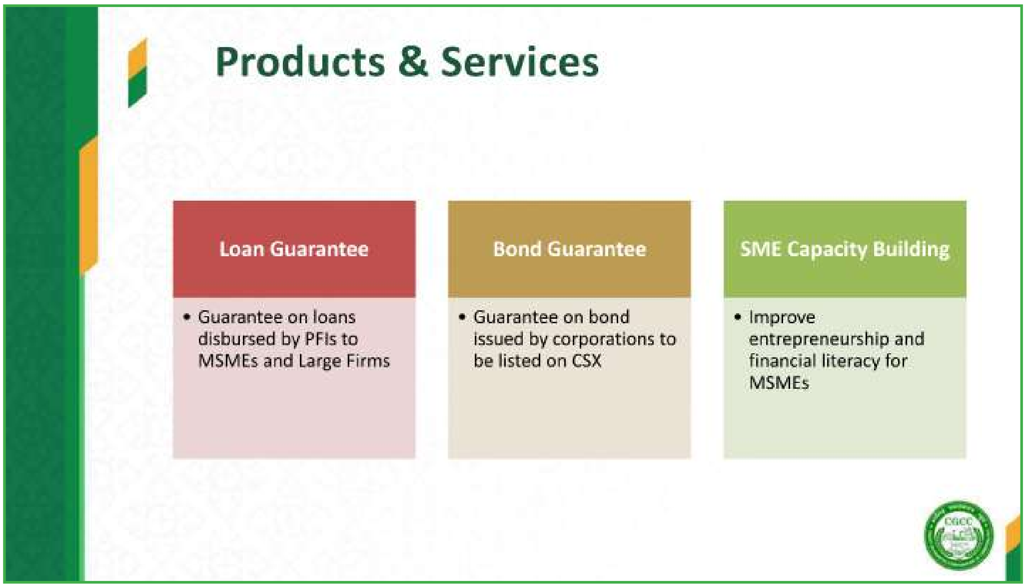
Established by Sub-Decree 140 ANKR.BK dated 1 Sep. 2020

Member of ACSIC (2024)

khAAA rating

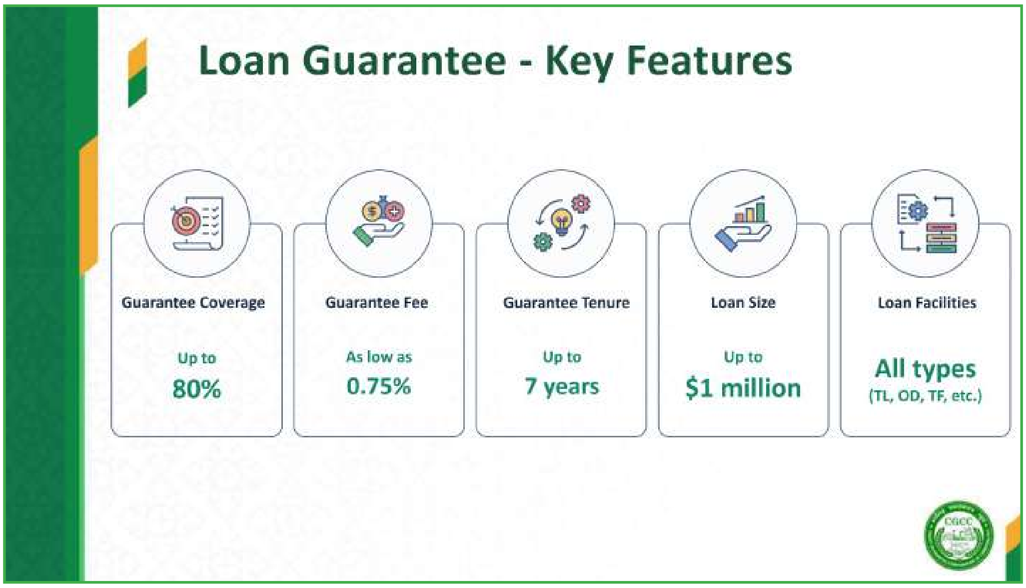
Paid in capital $200 mil.

Improve financial inclusion and develop the growth of SMEs



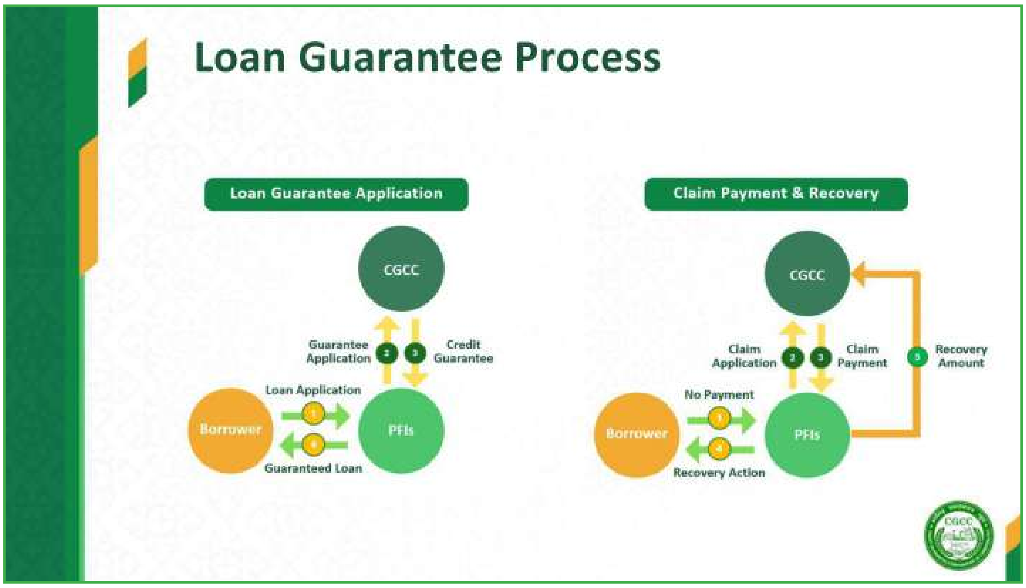
Products & Services

Loan Guarantee	Bond Guarantee	SME Capacity Building
• Guarantee on loans disbursed by PFIs to MSMEs and Large Firms	• Guarantee on bond issued by corporations to be listed on CSX	• Improve entrepreneurship and financial literacy for MSMEs



Loan Guarantee - Key Features

Guarantee Coverage	Guarantee Fee	Guarantee Tenure	Loan Size	Loan Facilities
Up to 80%	As low as 0.75%	Up to 7 years	Up to $1 million	All types (TL, OD, TF, etc.)



Loan Guarantee Process

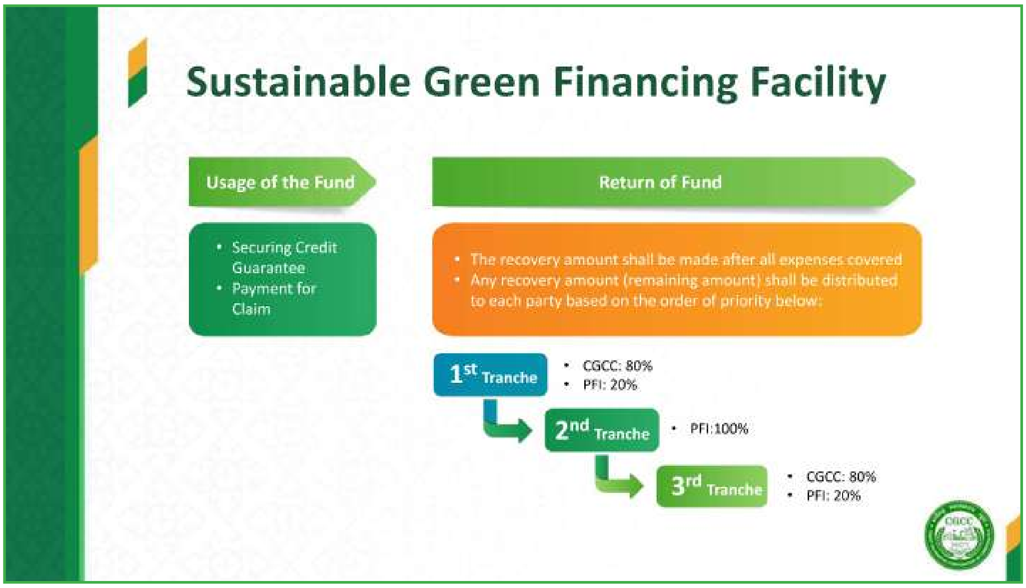
Sustainable Green Financing Facility

- **SGFF:** a **blended financing facility** that is jointly established by participation from different stakeholders such as Investors, Donors, Financial Institutions, Development Partners , ***etc***.
- **Objective:**
    - To promote **Global Green Growth** through the harmony between the Economy and the Environment
    - To build up **Credit Guarantee Capacity** to ensure the sustainability of credit guarantees to support the green sector.
    - To support **Green Loans** which lack collaterals

$3-$10 million
SGFF Scheme Size

SGFF Claim Structure

3rd Tranche	CGCC shall cover any loss of more than 20% of the total scheme size. The claim of such loss shall cover the 80% Guaranteed Coverage based on the SGFF scheme features.
2nd Tranche	PFI shall cover any loss of more than 8% to 20% of the total scheme size. The claim of such loss shall be covered 100% by PFI.
1st Tranche	CGCC shall cover any loss up to 8% of the total scheme size. The claim of such loss shall cover the 80% Guaranteed Coverage based on the SGFF scheme features.



Sustainable Green Financing Facility

Usage of the Fund

- Securing Credit Guarantee
- Payment for Claim

Return of Fund

- The recovery amount shall be made after all expenses covered
- Any recovery amount (remaining amount) shall be distributed to each party based on the order of priority below:

1st Tranche
- CGCC: 80%
- PFI: 20%

2nd Tranche
- PFI:100%

3rd Tranche
- CGCC: 80%
- PFI: 20%

Bond Guarantee - Key Features

Bond Size
Up to $20 mil.

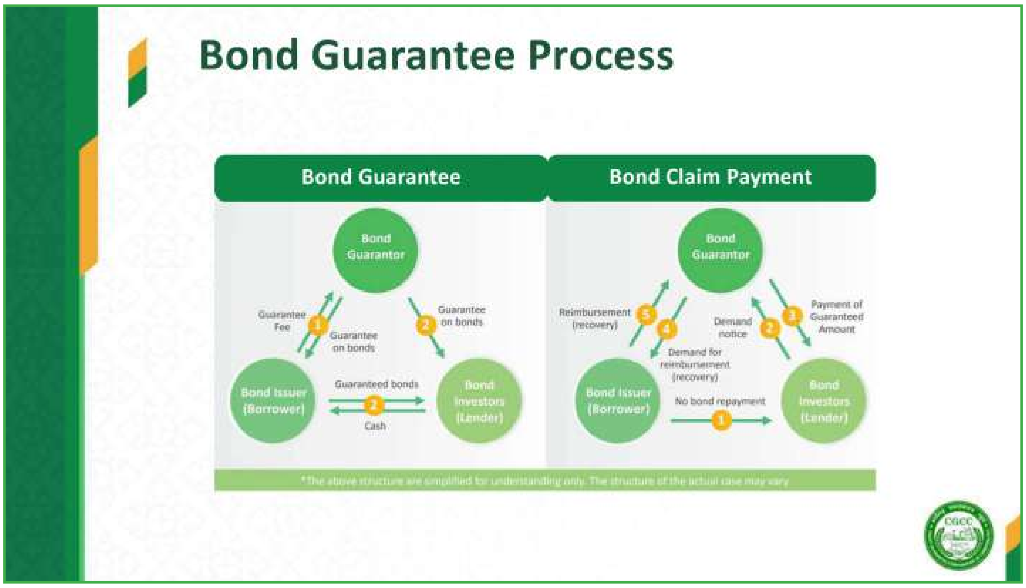
Guarantee Coverage
Up to 100%
Of Bond Principle and Coupon

Guarantee Tenure
Up to 10 years

Guarantee Fee
As low as 1%

Terms & Conditions
Unconditional & Irrevocable

Eligible Bond
KHR denominated Bond to be listed on CSX



Bond Guarantee Process

Bond Guarantee

Bond Guarantor
Guarantee Fee ①
Guarantee on bonds
② Guarantee on bonds
Bond Issuer (Borrower)
Guaranteed bonds ② Cash
Bond Investors (Lender)

Bond Claim Payment

Bond Guarantor
Reimbursement (recovery) ⑤
④ Demand for reimbursement (recovery)
Demand notice ②
③ Payment of Guaranteed Amount
Bond Issuer (Borrower)
No bond repayment ①
Bond Investors (Lender)

*The above structure are simplified for understanding only. The structure of the actual case may vary

SME Capacity Building Program - EPIC

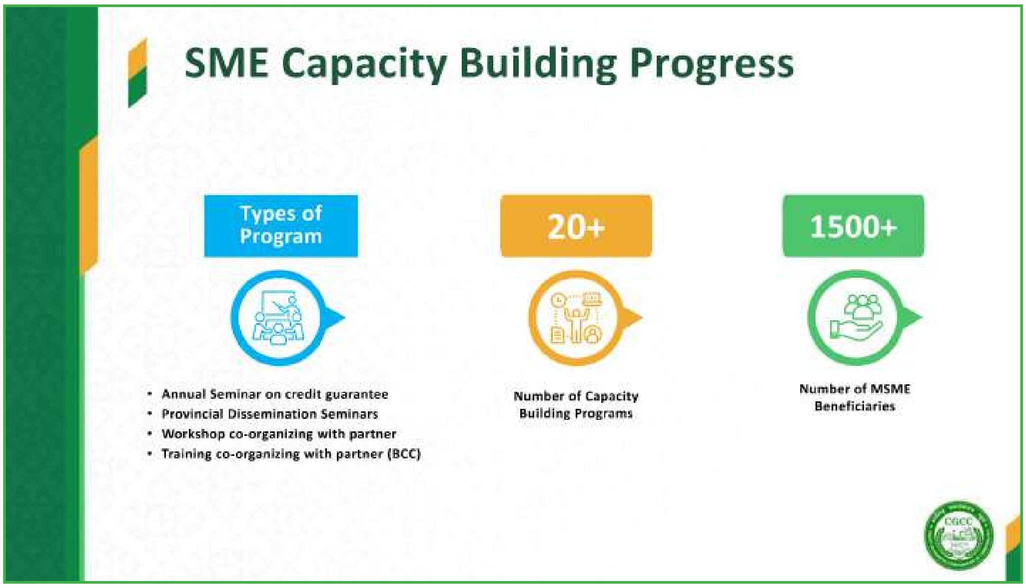
EPIC
ENTREPRENEURSHIP PROGRAM INITIATIVE OF CGCC

About EPIC

Objectives
- To improve financial literacy of MSMEs
- To promote entrepreneurship of MSMEs
- To raise awareness of credit guarantee

Topic
- Financial Literacy/Entrepreneurship
- Guaranteed Product/Loan of CGCC's PFIs
- Benefits of credit guarantee of CGCC

Targeted Trainees
- Business operation at least from 1-year up
- Be a Cambodian owner or decision maker of Micro and Small Businesses
- MSMEs who need financing from Banks/MFIs for working capital or business expansion
- Female candidates are strongly encouraged



SME Capacity Building Progress

Types of Program

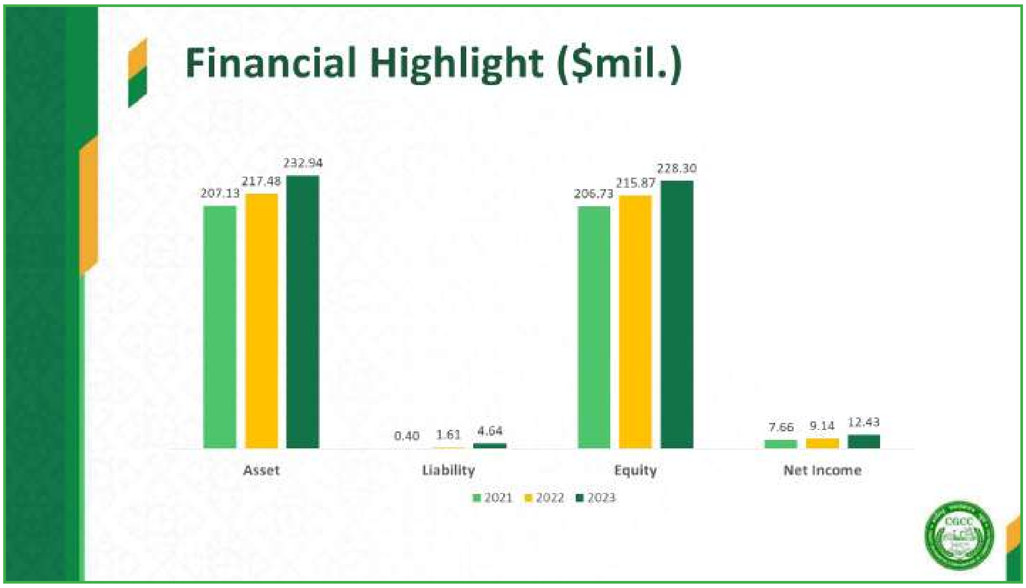
- Annual Seminar on credit guarantee
- Provincial Dissemination Seminars
- Workshop co-organizing with partner
- Training co-organizing with partner (BCC)

20+

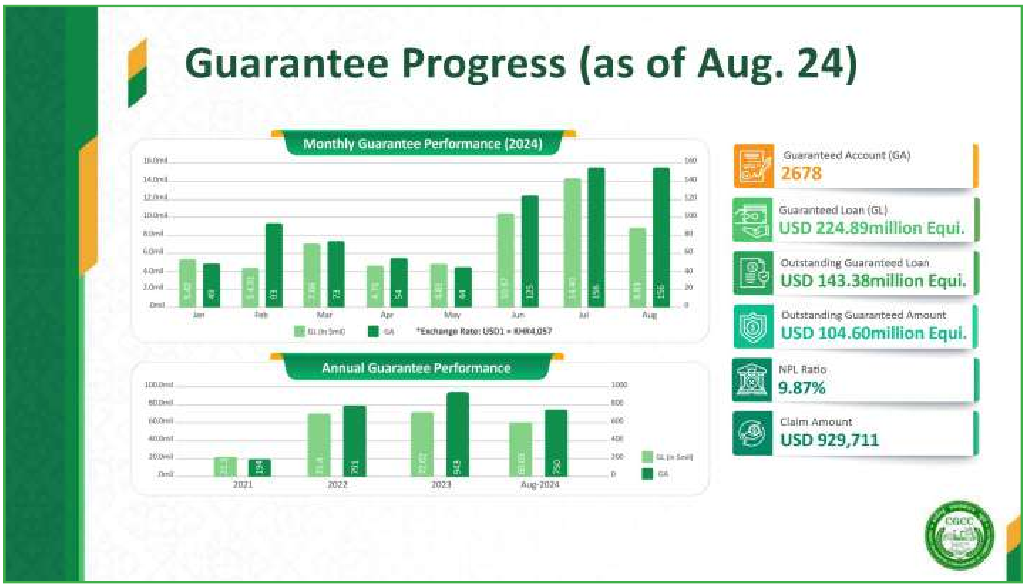
Number of Capacity Building Programs

1500+

Number of MSME Beneficiaries



Financial Highlight ($mil.)



Guarantee Progress (as of Aug. 24)

Guaranteed Account (GA)
2678

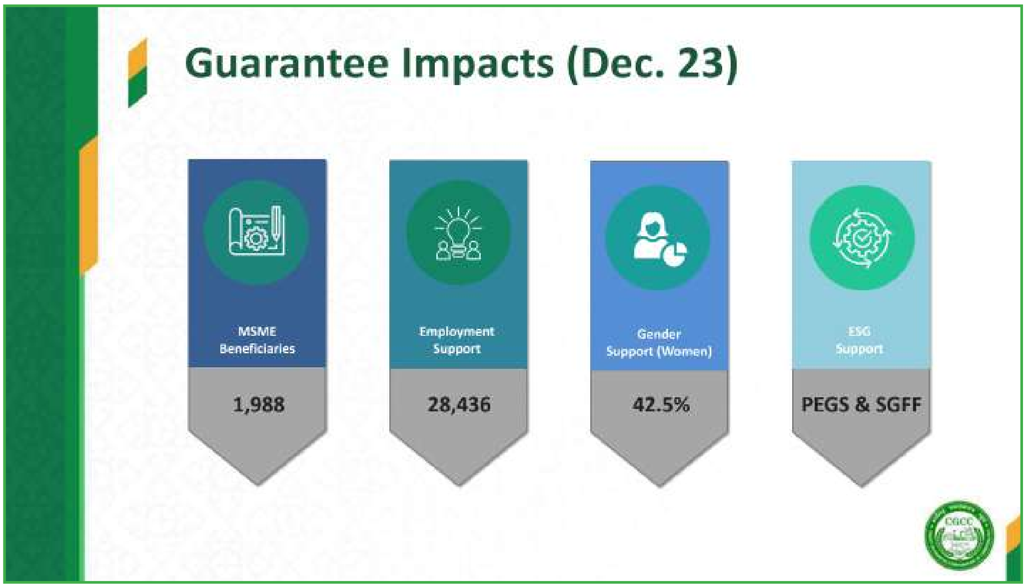
Guaranteed Loan (GL)
USD 224.89million Equi.

Outstanding Guaranteed Loan
USD 143.38million Equi.

Outstanding Guaranteed Amount
USD 104.60million Equi.

NPL Ratio
9.87%

Claim Amount
USD 929,711



Guarantee Impacts (Dec. 23)

MSME Beneficiaries	Employment Support	Gender Support (Women)	ESG Support
1,988	28,436	42.5%	PEGS & SGFF

Ministries and Relevant Authorities

Development Partners

ADB

THE WORLD BANK

UNIDO

UNDP

UNCDF

Associations & Local Institutions

BNI

ACBC

FASMEC

Participating Financial Institutions

APD BANK

BRED

BRIDGE

FTB

LOLC

Maybank

PhillipBank

PRINCE

RHB

Wing Bank

International Partners (Peer Institutions)

CGC

KODIT

GuarantCo

TCG Thai Credit Guarantee Corporation

Securities Firms

RHB

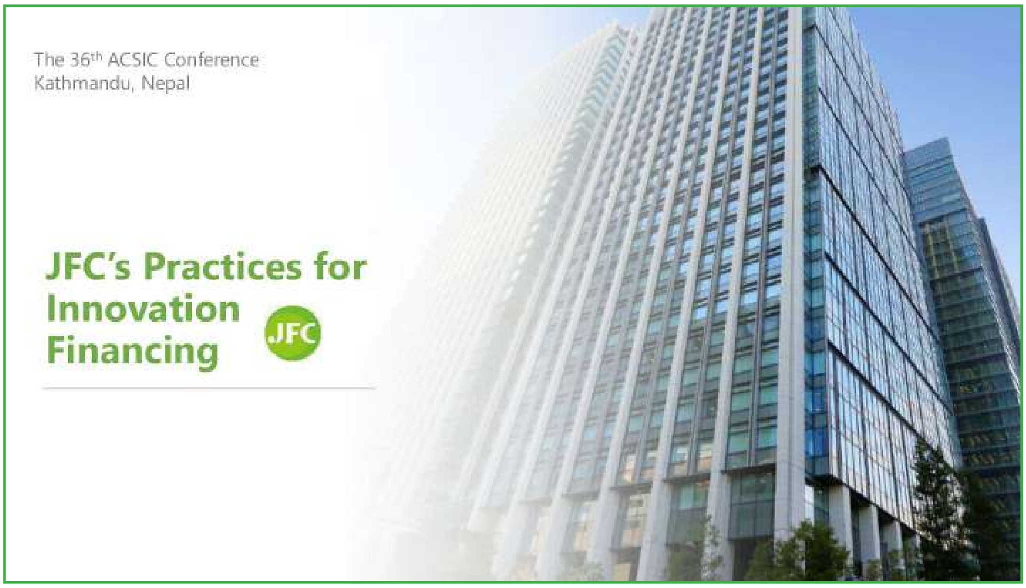
ROYAL GROUP SECURITIES

THANK YOU

www.cgcc.com.kh

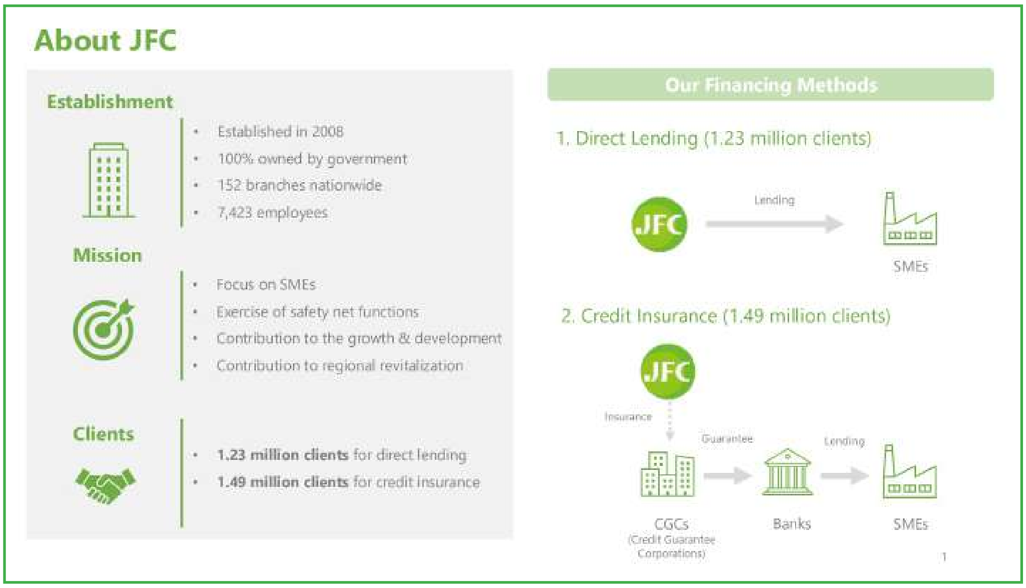
CGCC Facebook

Presenter:
Mr. Yohei Yamaguchi
Senior Economist
Japan Finance Corporation (JFC)



The 36th ACSIC Conference
Kathmandu, Nepal

JFC's Practices for Innovation Financing



About JFC

Establishment

- Established in 2008
- 100% owned by government
- 152 branches nationwide
- 7,423 employees

Mission

- Focus on SMEs
- Exercise of safety net functions
- Contribution to the growth & development
- Contribution to regional revitalization

Clients

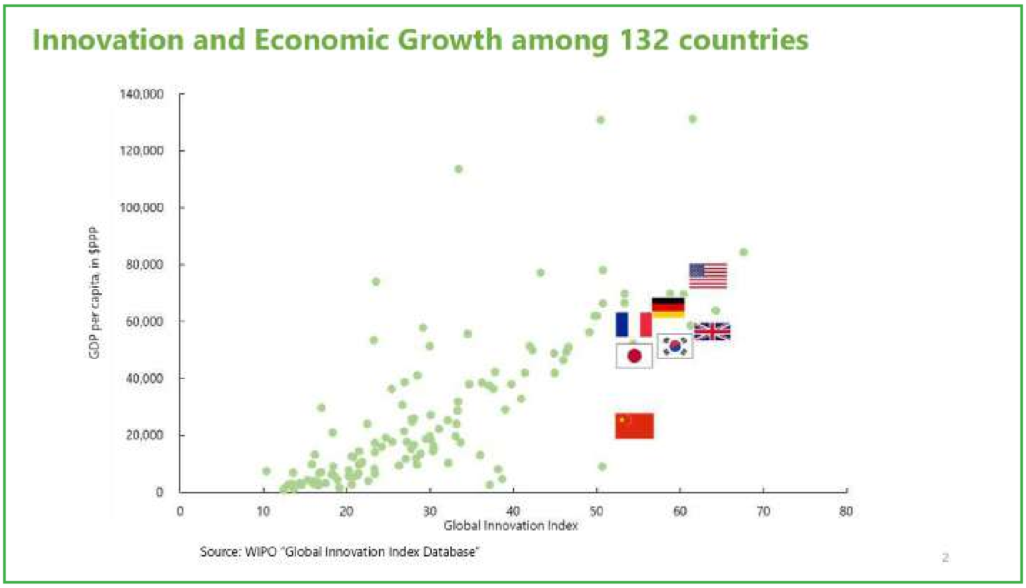
- **1.23 million clients** for direct lending
- **1.49 million clients** for credit insurance

Our Financing Methods

1. Direct Lending (1.23 million clients)

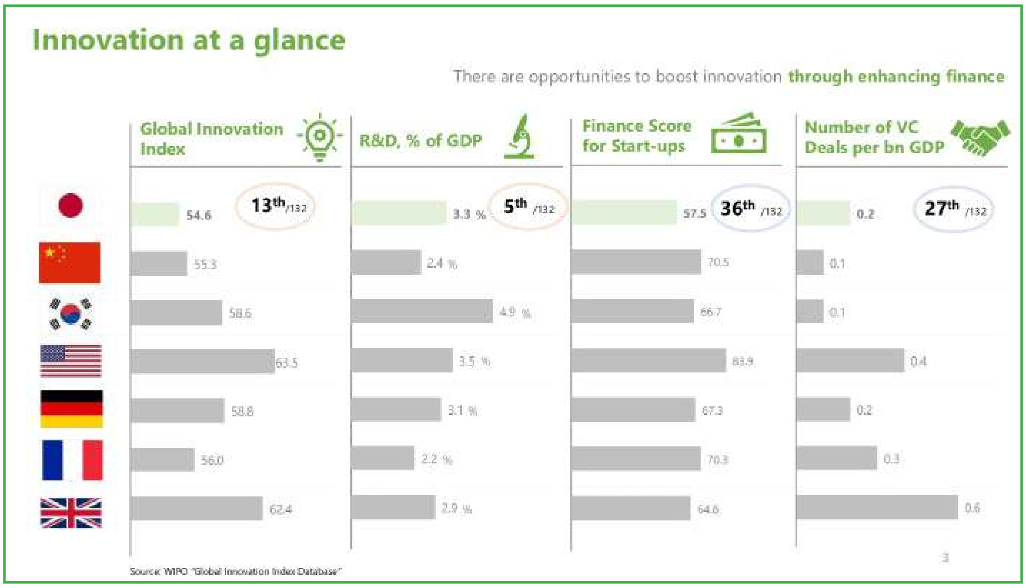
2. Credit Insurance (1.49 million clients)

1



Innovation and Economic Growth among 132 countries

Source: WIPO "Global Innovation Index Database"

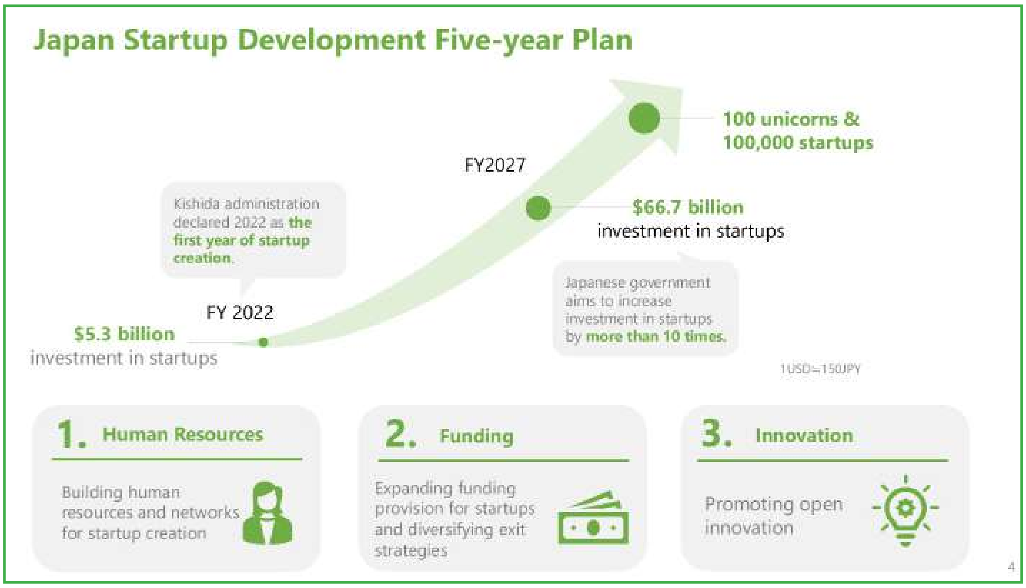


Innovation at a glance

There are opportunities to boost innovation **through enhancing finance**

	Global Innovation Index	R&D, % of GDP	Finance Score for Start-ups	Number of VC Deals per bn GDP
🇯🇵	54.6 13th/132	3.3 % 5th /132	57.5 36th /132	0.2 27th /132
🇨🇳	55.3	2.4 %	70.5	0.1
🇰🇷	58.6	4.9 %	66.7	0.1
🇺🇸	63.5	3.5 %	83.9	0.4
🇩🇪	58.8	3.1 %	67.3	0.2
🇫🇷	56.0	2.2 %	70.3	0.3
🇬🇧	62.4	2.9 %	64.8	0.6

Source: WIPO "Global Innovation Index Database"



Japan Startup Development Five-year Plan

100 unicorns & 100,000 startups

FY2027

$66.7 billion investment in startups

Kishida administration declared 2022 as **the first year of startup creation.**

Japanese government aims to increase investment in startups by **more than 10 times.**

FY 2022

$5.3 billion investment in startups

1USD=150JPY

1. Human Resources

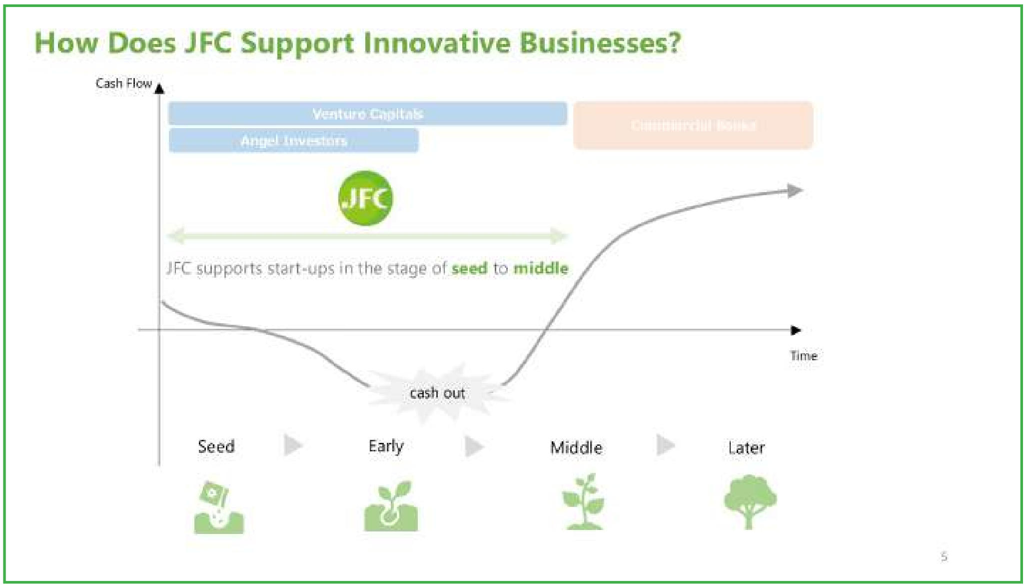
Building human resources and networks for startup creation

2. Funding

Expanding funding provision for startups and diversifying exit strategies

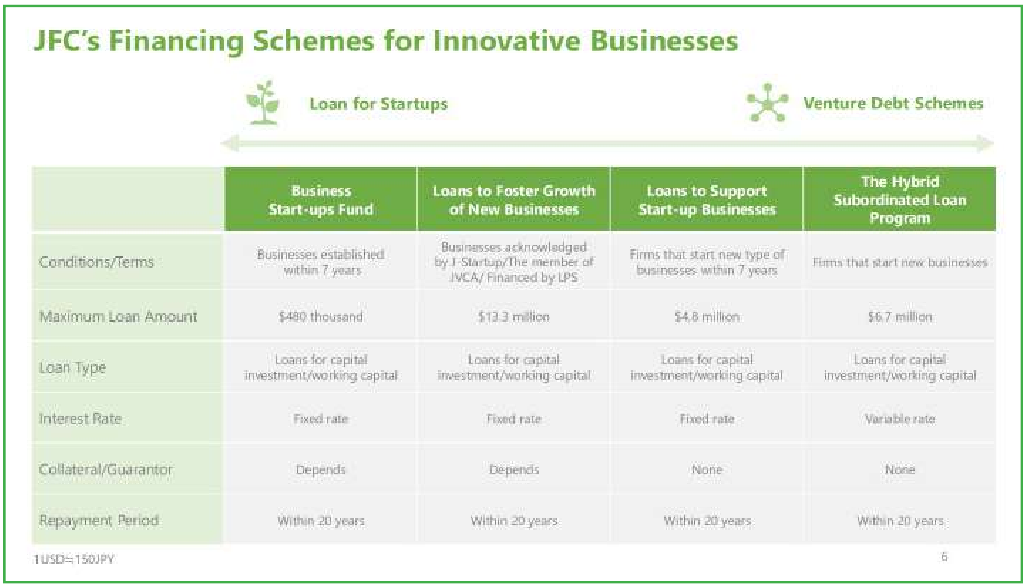
3. Innovation

Promoting open innovation



How Does JFC Support Innovative Businesses?

JFC supports start-ups in the stage of **seed** to **middle**



JFC's Financing Schemes for Innovative Businesses

	Business Start-ups Fund	Loans to Foster Growth of New Businesses	Loans to Support Start-up Businesses	The Hybrid Subordinated Loan Program
Conditions/Terms	Businesses established within 7 years	Businesses acknowledged by J-Startup/The member of JVCA/ Financed by LPS	Firms that start new type of businesses within 7 years	Firms that start new businesses
Maximum Loan Amount	$480 thousand	$13.3 million	$4.8 million	$6.7 million
Loan Type	Loans for capital investment/working capital	Loans for capital investment/working capital	Loans for capital investment/working capital	Loans for capital investment/working capital
Interest Rate	Fixed rate	Fixed rate	Fixed rate	Variable rate
Collateral/Guarantor	Depends	Depends	None	None
Repayment Period	Within 20 years	Within 20 years	Within 20 years	Within 20 years

1USD≒150JPY

Innovative Businesses Supported by JFC

ispace, inc.

- Lunar Exploration
- Founded in 2010
- https://ispace-inc.com

Innovative Businesses Supported by JFC

Rapyuta Robotics Co.Ltd.

- Logistics Robot
- Founded in 2014
- https://www.rapyuta-robotics.com

Innovative Businesses Supported by JFC

Rapyuta Robotics Co.Ltd.

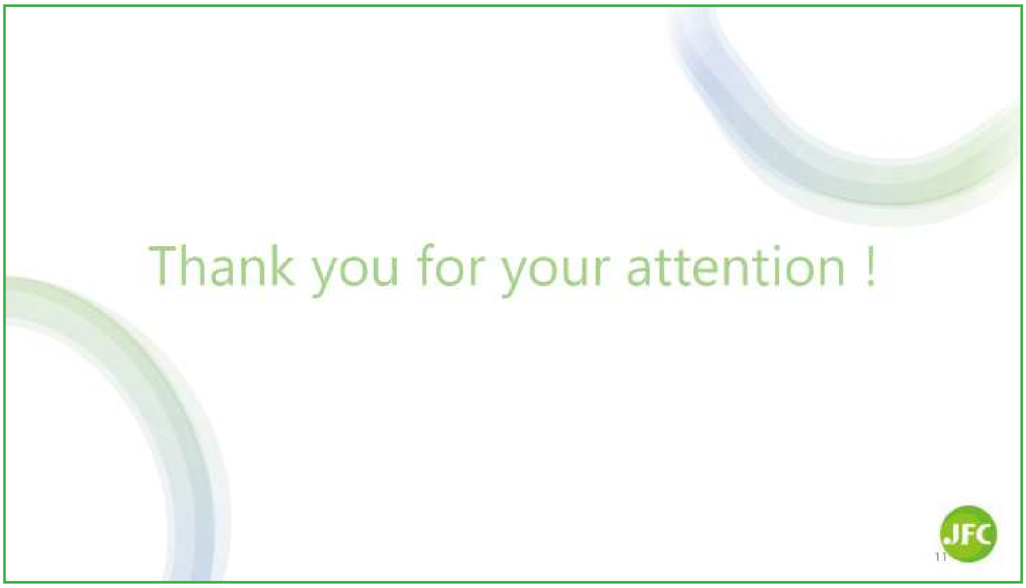
Gajan Mohanarajah
Co-founder and CEO

Arudchelvan Krishnamoorthy
Co-founder and CFO

Innovative Businesses Supported by JFC

STORYLINE, Inc.

- Decaf coffee
- Founded in 2018
- https://storyline-inc.com



Thank you for your attention !

Presenter:

Mr. Sanjay Thakur

Advisor & Mentor (Fintech),
T-Hub Foundation, Hyderabad (India)

Problem Statement 1: Identifying Barriers

What are the existing barriers to cross-border trade among ACSIC member nations, and how can these be addressed through collective action?

Guidelines for reference:

- **Tariff and Non-Tariff Barriers:** High tariffs, complex customs procedures, and regulatory differences can significantly increase the cost and time required for cross-border trade.
- **Infrastructure Constraints:** Inadequate transportation infrastructure, logistics bottlenecks, and limited access to ports and border crossings can hinder the movement of goods and services.
- **Lack of Information and Knowledge:** MSMEs may face challenges in understanding foreign markets, regulatory requirements, and cultural nuances.
- **Financial Constraints:** Limited access to financing for cross-border trade, including letters of credit, trade insurance, and working capital, can be a significant barrier for MSMEs.

Problem Statement 2 : Leveraging Technology

How can digital platforms and technologies facilitate smoother cross-border transactions and improve access to international markets for MSMEs?

Guidelines for reference:

- ***E-commerce Platforms:*** *Utilize digital platforms to connect MSMEs with international buyers and sellers, reducing transaction costs and simplifying cross-border trade.*
- ***Blockchain Technology:*** *Implement blockchain solutions to improve supply chain transparency, reduce fraud, and streamline cross-border payments.*
- ***Digital Trade Facilitation:*** *Develop digital tools and systems to automate customs procedures, reduce paperwork, and expedite the movement of goods.*

Problem Statement 3 : Integrating ESG and DEI

In what ways can ACSIC member nations ensure that their trade practices align with ESG principles and promote DEI among suppliers and producers?

Guidelines for reference:

- ***Develop Sustainable Trade Standards:*** *Establish common standards and certifications for sustainable and ethical trade practices.*
- ***Promote Supplier Diversity:*** *Encourage MSMEs from diverse backgrounds to participate in cross-border trade.*
- ***Support Fair Labor Practices:*** *Ensure that suppliers adhere to fair labor standards and human rights principles.*
- ***Integrate ESG into Procurement Processes:*** *Prioritize suppliers with strong ESG credentials in procurement decisions.*

Problem Statement 4 : Success Metrics

What metrics should be established to measure the success of cross-border trade initiatives in terms of economic growth, environmental sustainability, and social equity?

Guidelines for reference:

- ***Economic Growth:*** *Measure increases in GDP, exports, and imports.*
- ***Job Creation:*** *Track the number of jobs created in the cross-border trade sector.*
- ***Environmental Sustainability:*** *Assess the environmental impact of trade activities, including carbon emissions and resource consumption.*
- ***Social Equity:*** *Evaluate the distribution of benefits from cross-border trade, including income inequality and poverty reduction.*

Problem Statement 5 : Collaborative Framework

What collaborative frameworks or agreements can be established among ACSIC member nations to enhance trade relations and support MSMEs?

Guidelines for reference:

- ***Regional Trade Agreements:*** *Negotiate regional trade agreements to create a more integrated market and reduce trade barriers.*
- ***Joint Investment Projects:*** *Collaborate on infrastructure projects, such as transportation and logistics, to improve connectivity and facilitate trade.*
- ***Knowledge Sharing and Capacity Building:*** *Organize workshops, training programs, and knowledge-sharing initiatives to enhance the capabilities of MSMEs and government officials.*
- ***Dispute Resolution Mechanisms:*** *Establish effective dispute resolution mechanisms to address trade disputes in a timely and efficient manner.*

Problem Statement 6 : Artificial Intelligence

In the face of rapid technological advancements driven by artificial intelligence, how can ACSIC member nations collaboratively develop a comprehensive regulatory and governance framework that safeguards the interests of vulnerable citizens? What strategies can be implemented to ensure that the benefits of AI are equitably distributed while minimizing potential risks and uncertainties associated with its deployment?

Guidelines for reference:

- ***Develop Ethical Guidelines:*** *Establish ethical guidelines for the development and deployment of AI, ensuring that it is used responsibly and equitably.*
- ***Invest in Research and Development:*** *Support research and development to advance AI technologies and their applications.*
- ***Create International Cooperation:*** *Collaborate with other countries and international organizations to develop global standards and regulations for AI.*
- ***Protect Vulnerable Populations:*** *Ensure that AI is used to benefit vulnerable populations and does not exacerbate existing inequalities.*

Problem Statement 7 : SOCIAL CAPITAL (1)

What specific actions and commitments ACSIC member nations should focus individually and collectively for improving social capital to drive responsible banking / credit / business behaviour for sustainable and inclusive economic growth ?

Guidelines for reference:

- ***Promote Corporate Social Responsibility:*** *Encourage businesses to adopt sustainable and ethical practices.*
- ***Strengthen Financial Literacy:*** *Educate consumers on responsible financial management and the importance of supporting ethical businesses.*
- ***Support Stakeholder Engagement:*** *Facilitate dialogue and collaboration between businesses, governments, and civil society organizations.*
- ***Develop Trustworthy Financial Institutions:*** *Promote transparency, accountability, and ethical behavior among financial institutions*

Problem Statement 8 : SOCIAL CAPITAL (2)

How can ACSIC member countries collaborate to share knowledge and best practices in building social capital for financial inclusion while respecting cultural and regional differences ?

Guidelines for reference:

- ***Exchange Best Practices:*** *Share knowledge and experiences in building social capital for financial inclusion.*
- ***Adapt Strategies to Cultural and Regional Differences:*** *Tailor approaches to specific cultural and regional contexts.*
- ***Support Community-Based Initiatives:*** *Encourage and support community-based organizations working on financial inclusion.*
- ***Promote Financial Literacy:*** *Develop programs to improve financial literacy among underserved populations.*

Presenter:
Mr. Nur Syamsuhadi
Head of IT Operations Division
Asosiasi Perusahaan Penjaminan Indonesia
(Asippindo)

36th ACSIC CONFERENCE
NEPAL-2024

Building a Resilient Credit Guarantee Industry in Indonesia

Investing in Human Capital and Technology

Asippindo
Indonesia Guarantee Corporations Association

Jamkrindo
A member of IFG

Nepal, September 2024

Asippindo
Indonesia Guarantee Corporations Association

Asippindo is the Indonesian Association of Guarantee Companies. It is a non-profit organization representing guarantee companies in Indonesia, with a focus on advocacy, industry development, information, and networking.

Asippindo's main functions

1. **Advocacy**: Representing guarantee companies' interests to stakeholders.
2. **Industry Development**: Promoting growth in the guarantee industry.
3. **Information and Education**: Providing training and information on guarantee products.
4. **Networking**: Facilitating cooperation among members.

Jamkrindo
A member of IFG

Jamkrindo is the largest credit guarantee company in Indonesia. It operates 9 regional offices, 55 branch offices, and 17 service units, serving MSMEs and cooperatives nationwide. Employing over 2,120 people.

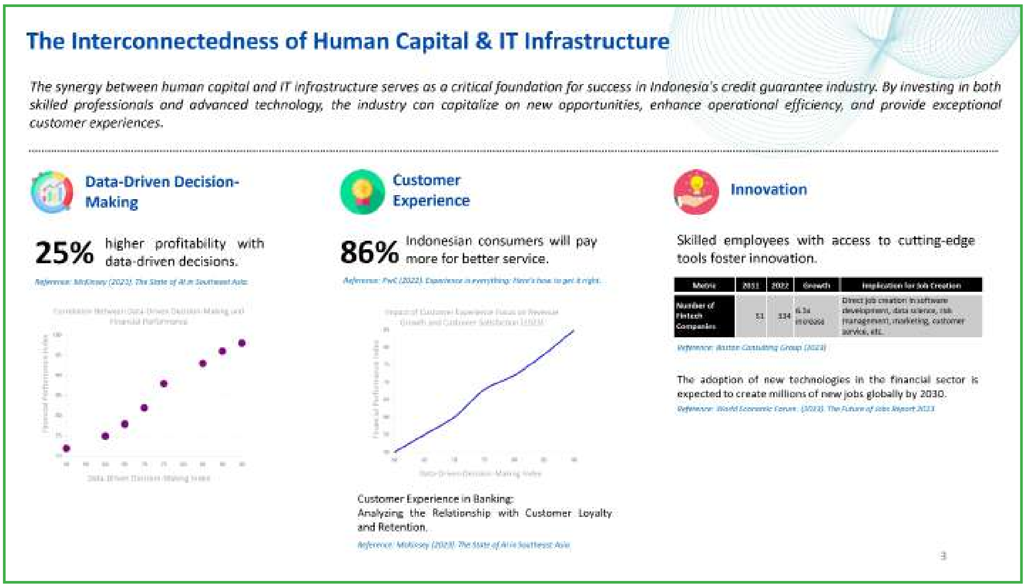
Financial Impact

556++ billion IDR - credit guarantees
491++ billion IDR - outstanding credits

The corporation offers 20 distinct guarantee products.

*As of August 2024

2



The Interconnectedness of Human Capital & IT Infrastructure

The synergy between human capital and IT infrastructure serves as a critical foundation for success in Indonesia's credit guarantee industry. By investing in both skilled professionals and advanced technology, the industry can capitalize on new opportunities, enhance operational efficiency, and provide exceptional customer experiences.

Data-Driven Decision-Making

25% higher profitability with data-driven decisions.

Reference: McKinsey (2023). The State of AI in Southeast Asia.

Customer Experience

86% Indonesian consumers will pay more for better service.

Reference: PwC (2022). Experience is everything: Here's how to get it right.

Customer Experience in Banking:
Analyzing the Relationship with Customer Loyalty and Retention.

Reference: McKinsey (2023). The State of AI in Southeast Asia

Innovation

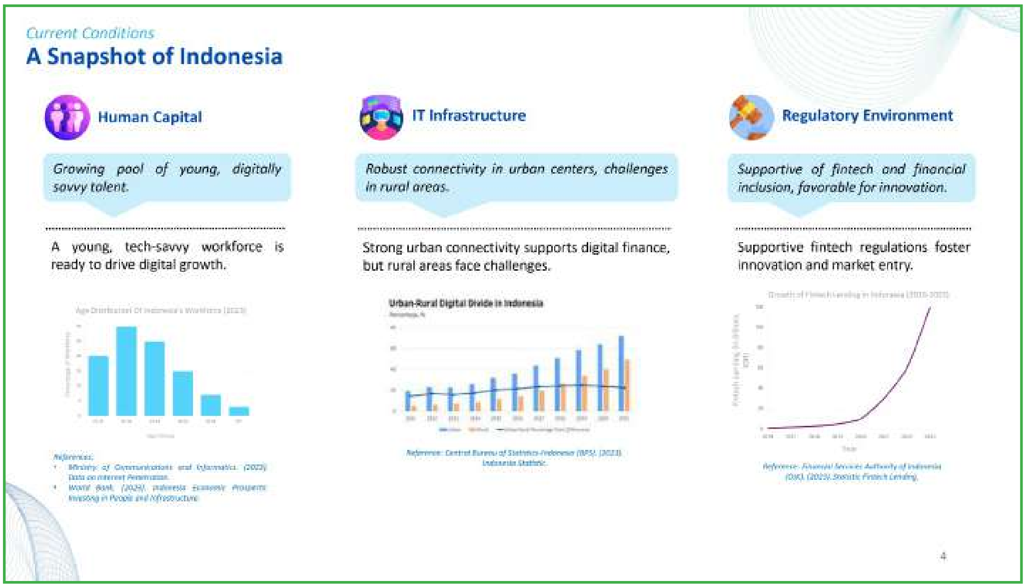
Skilled employees with access to cutting-edge tools foster innovation.

Metric	2021	2022	Growth	Implication for Job Creation
Number of Fintech Companies	51	334	6.5x increase	Direct job creation in software development, data science, risk management, marketing, customer service, etc.

Reference: Boston Consulting Group (2023)

The adoption of new technologies in the financial sector is expected to create millions of new jobs globally by 2030.

Reference: World Economic Forum. (2023). The Future of Jobs Report 2023



Current Conditions

A Snapshot of Indonesia

Human Capital

Growing pool of young, digitally savvy talent.

A young, tech-savvy workforce is ready to drive digital growth.

References:
- *Ministry of Communications and Informatics. (2023). Data on Internet Penetration.*
- *World Bank. (2023). Indonesia Economic Prospects: Investing in People and Infrastructure.*

IT Infrastructure

Robust connectivity in urban centers, challenges in rural areas.

Strong urban connectivity supports digital finance, but rural areas face challenges.

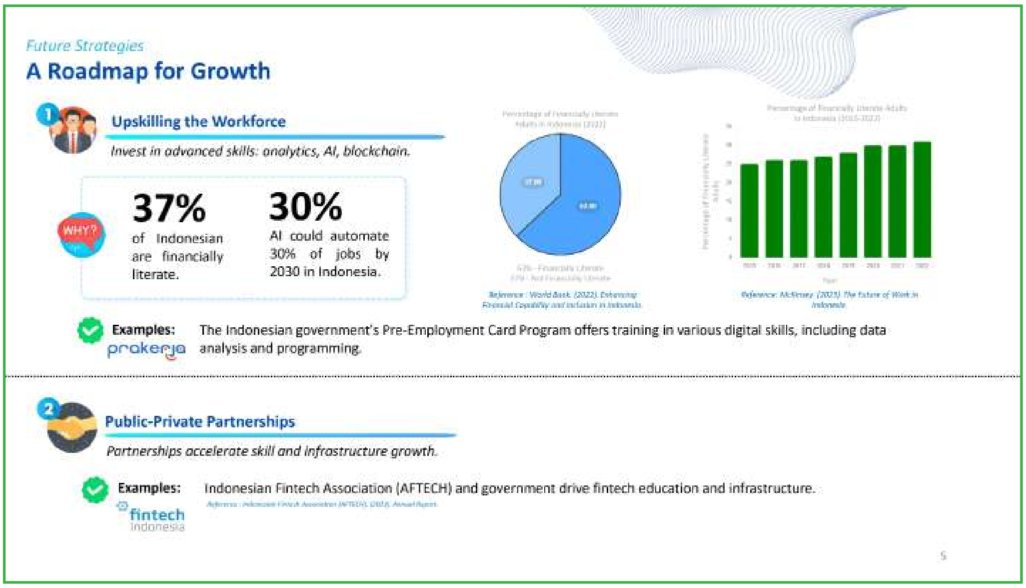
Reference: Central Bureau of Statistics-Indonesia (BPS). (2023). Indonesia Statistic.

Regulatory Environment

Supportive of fintech and financial inclusion, favorable for innovation.

Supportive fintech regulations foster innovation and market entry.

Reference: Financial Services Authority of Indonesia (OJK). (2023). Statistic Fintech Lending.



Future Strategies

A Roadmap for Growth

1 Upskilling the Workforce

Invest in advanced skills: analytics, AI, blockchain.

WHY?

37% of Indonesian are financially literate.

30% AI could automate 30% of jobs by 2030 in Indonesia.

Reference : World Bank. (2022). Enhancing Financial Capability and Inclusion in Indonesia.

Reference: McKinsey. (2023). The Future of Work in Indonesia.

Examples: The Indonesian government's Pre-Employment Card Program offers training in various digital skills, including data analysis and programming.

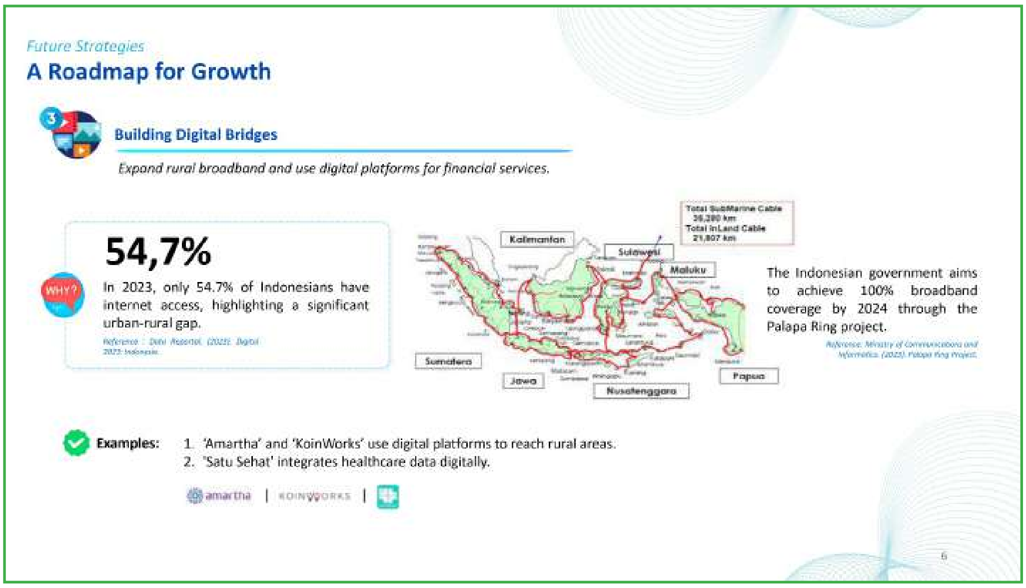
prakerja

2 Public-Private Partnerships

Partnerships accelerate skill and infrastructure growth.

Examples: Indonesian Fintech Association (AFTECH) and government drive fintech education and infrastructure.

fintech Indonesia



Future Strategies

A Roadmap for Growth

Building Digital Bridges

Expand rural broadband and use digital platforms for financial services.

54,7%

In 2023, only 54.7% of Indonesians have internet access, highlighting a significant urban-rural gap.

Reference : Data Reportal. (2023). Digital 2023: Indonesia.

The Indonesian government aims to achieve 100% broadband coverage by 2024 through the Palapa Ring project.

Reference: Ministry of Communications and Informatics. (2023). Palapa Ring Project.

Examples:

1. 'Amartha' and 'KoinWorks' use digital platforms to reach rural areas.
2. 'Satu Sehat' integrates healthcare data digitally.

Opportunities

Seizing the Moment

Untapped Market Potential

Reaching the Unbanked and Underbanked

The Opportunities

49% of Indonesians are underbanked, presenting a huge market for innovative credit solutions.

Reference: World Bank Global Findex Database, 2021

Financial Technology (Fintech)

A Catalyst for Innovation

The Opportunities

Fintech and P2P lending are reshaping finance, with IDR 515.4 trillion in transactions in 2022 (approximately USD 34.5 billion).

Reference: Financial Services Authority of Indonesia (OJK), 2023

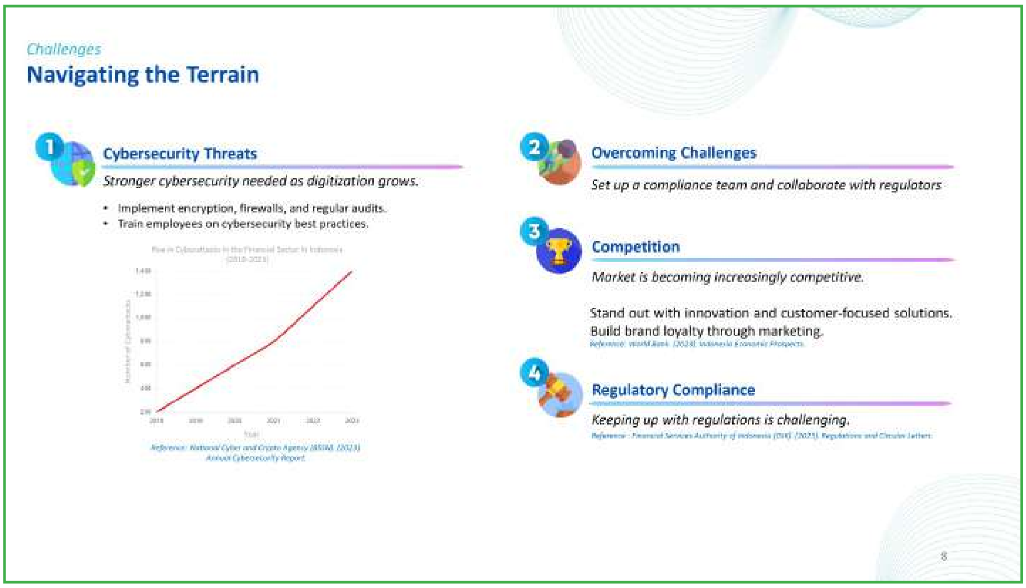
Government Initiatives

Aligning with National Goals

The Opportunities

Government initiatives, like KUR*, support SMEs, with credit guarantees playing a key role in facilitating access and The National Financial Inclusion Strategy aims to increase access to formal financial services for all Indonesians.

*Kredit Usaha Rakyat (KUR) is a government-sponsored loan program in Indonesia designed to support micro, small, and medium enterprises (MSMEs) by providing them with easier access to credit.



Challenges

Navigating the Terrain

1 Cybersecurity Threats

Stronger cybersecurity needed as digitization grows.

- Implement encryption, firewalls, and regular audits.
- Train employees on cybersecurity best practices.

Reference: National Cyber and Crypto Agency (BSSN). (2023). Annual Cybersecurity Report.

2 Overcoming Challenges

Set up a compliance team and collaborate with regulators

3 Competition

Market is becoming increasingly competitive.

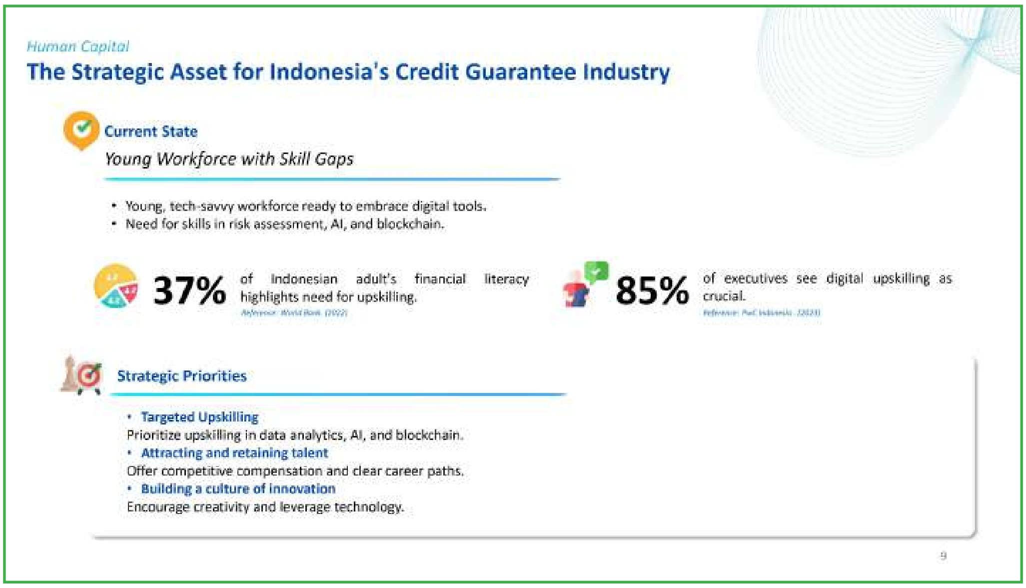
Stand out with innovation and customer-focused solutions. Build brand loyalty through marketing.

Reference: World Bank. (2024). Indonesia Economic Prospects.

4 Regulatory Compliance

Keeping up with regulations is challenging.

Reference : Financial Services Authority of Indonesia (OJK). (2023). Regulations and Circular Letters.



Human Capital

The Strategic Asset for Indonesia's Credit Guarantee Industry

Current State

Young Workforce with Skill Gaps

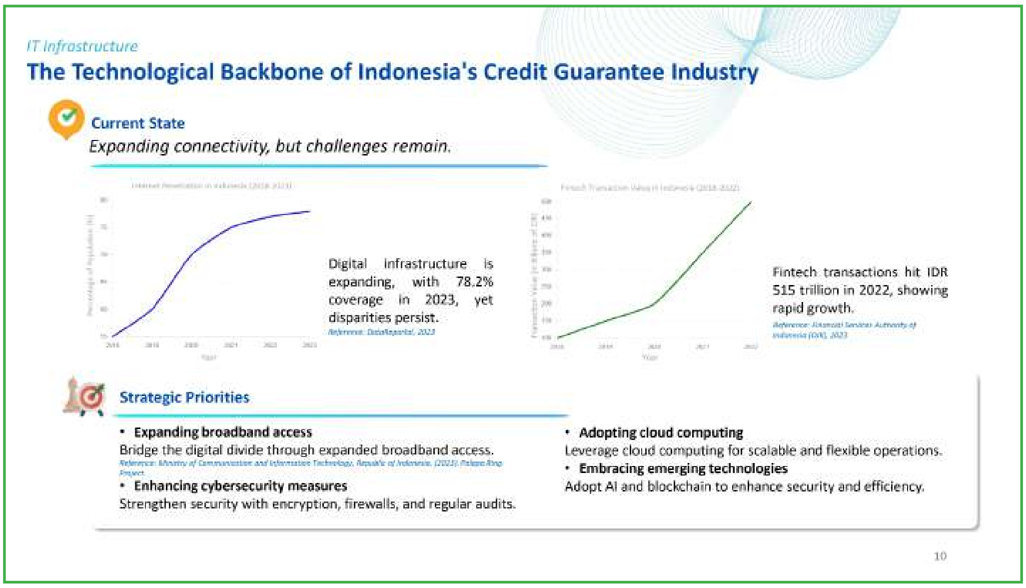
- Young, tech-savvy workforce ready to embrace digital tools.
- Need for skills in risk assessment, AI, and blockchain.

37% of Indonesian adult's financial literacy highlights need for upskilling.
Reference: World Bank. (2022)

85% of executives see digital upskilling as crucial.
Reference: PwC Indonesia. (2023)

Strategic Priorities

- **Targeted Upskilling**
Prioritize upskilling in data analytics, AI, and blockchain.
- **Attracting and retaining talent**
Offer competitive compensation and clear career paths.
- **Building a culture of innovation**
Encourage creativity and leverage technology.



IT Infrastructure

The Technological Backbone of Indonesia's Credit Guarantee Industry

Current State

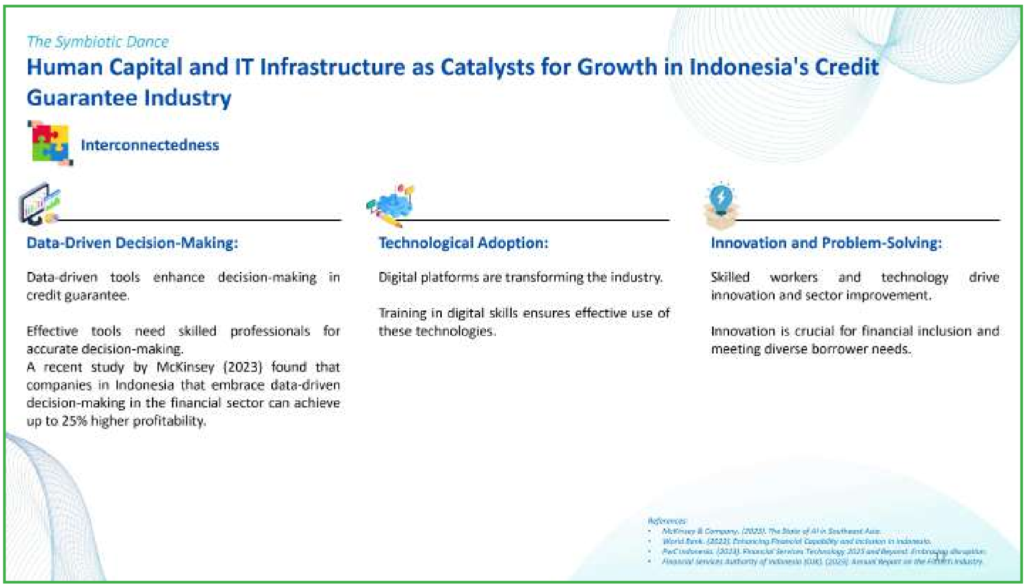
Expanding connectivity, but challenges remain.

Digital infrastructure is expanding, with 78.2% coverage in 2023, yet disparities persist.
Reference: DataReportal, 2023

Fintech transactions hit IDR 515 trillion in 2022, showing rapid growth.
Reference: Financial Services Authority of Indonesia (OJK), 2023

Strategic Priorities

- **Expanding broadband access**
Bridge the digital divide through expanded broadband access.
Reference: Ministry of Communication and Information Technology, Republic of Indonesia. (2021). Palapa Ring Project.
- **Enhancing cybersecurity measures**
Strengthen security with encryption, firewalls, and regular audits.
- **Adopting cloud computing**
Leverage cloud computing for scalable and flexible operations.
- **Embracing emerging technologies**
Adopt AI and blockchain to enhance security and efficiency.



The Symbiotic Dance

Human Capital and IT Infrastructure as Catalysts for Growth in Indonesia's Credit Guarantee Industry

Interconnectedness

Data-Driven Decision-Making:

Data-driven tools enhance decision-making in credit guarantee.

Effective tools need skilled professionals for accurate decision-making.
A recent study by McKinsey (2023) found that companies in Indonesia that embrace data-driven decision-making in the financial sector can achieve up to 25% higher profitability.

Technological Adoption:

Digital platforms are transforming the industry.

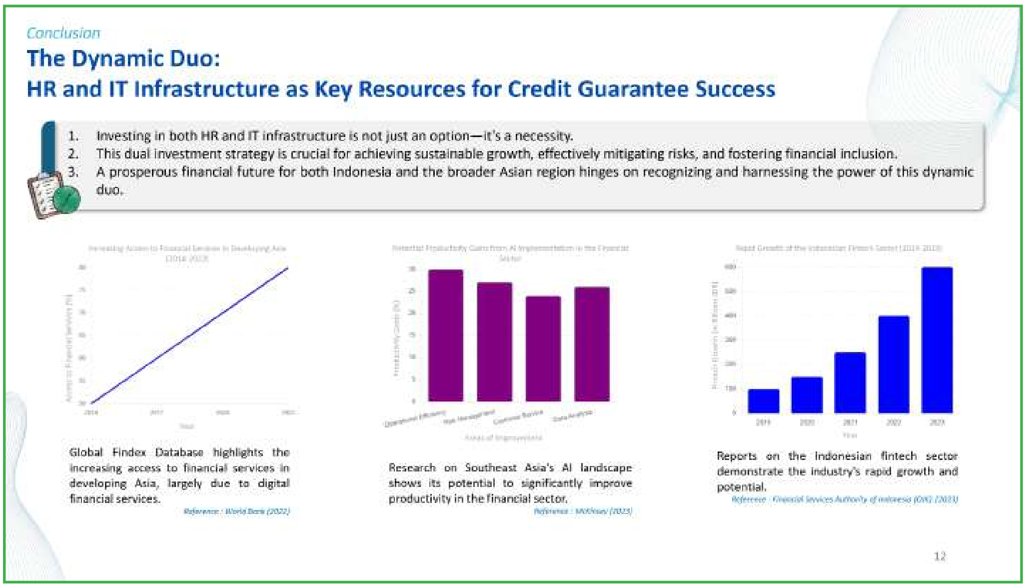
Training in digital skills ensures effective use of these technologies.

Innovation and Problem-Solving:

Skilled workers and technology drive innovation and sector improvement.

Innovation is crucial for financial inclusion and meeting diverse borrower needs.

References:
- *McKinsey & Company. (2023). The State of AI in Southeast Asia.*
- *World Bank. (2022). Enhancing Financial Capability and Inclusion in Indonesia.*
- *PwC Indonesia. (2023). Financial Services Technology 2025 and Beyond: Embracing disruption.*
- *Financial Services Authority of Indonesia (OJK). (2023). Annual Report on the Fintech Industry.*



Conclusion

The Dynamic Duo:
HR and IT Infrastructure as Key Resources for Credit Guarantee Success

1. Investing in both HR and IT infrastructure is not just an option—it's a necessity.
2. This dual investment strategy is crucial for achieving sustainable growth, effectively mitigating risks, and fostering financial inclusion.
3. A prosperous financial future for both Indonesia and the broader Asian region hinges on recognizing and harnessing the power of this dynamic duo.

Global Findex Database highlights the increasing access to financial services in developing Asia, largely due to digital financial services.

Reference : World Bank (2022)

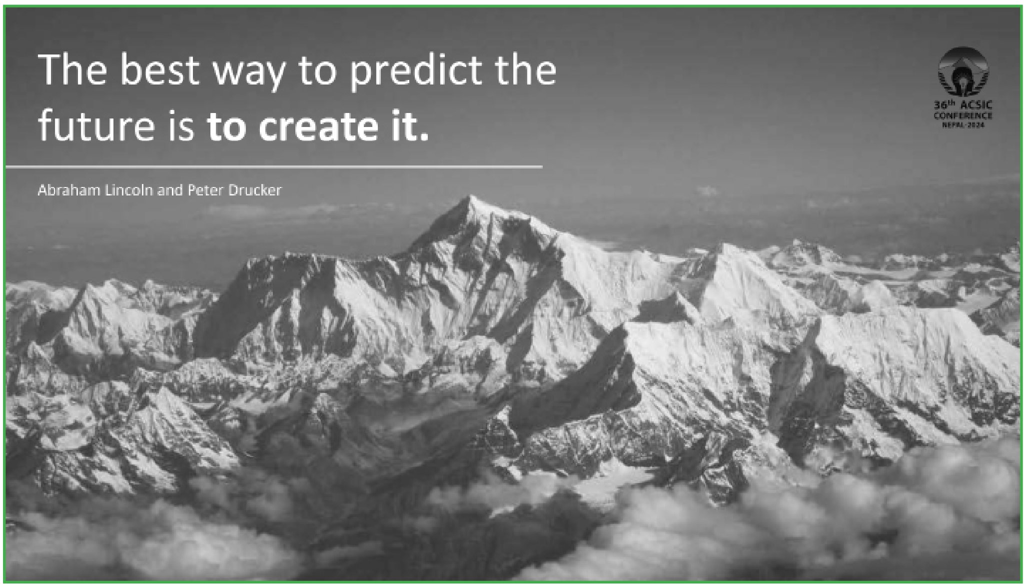
Research on Southeast Asia's AI landscape shows its potential to significantly improve productivity in the financial sector.

Reference : McKinsey (2023)

Reports on the Indonesian fintech sector demonstrate the industry's rapid growth and potential.

Reference : Financial Services Authority of Indonesia (OJK) (2023)

12



The best way to predict the future is **to create it.**

Abraham Lincoln and Peter Drucker

36th ACSIC CONFERENCE NEPAL-2024

Presenter:

Mr. Hiroaki Hatano

Senior Executive Director

Japan Federation of Credit Guarantee Corporations (JFG)

Financial Innovation

—Initiatives Toward Digitalization of Credit Guarantee Procedures—

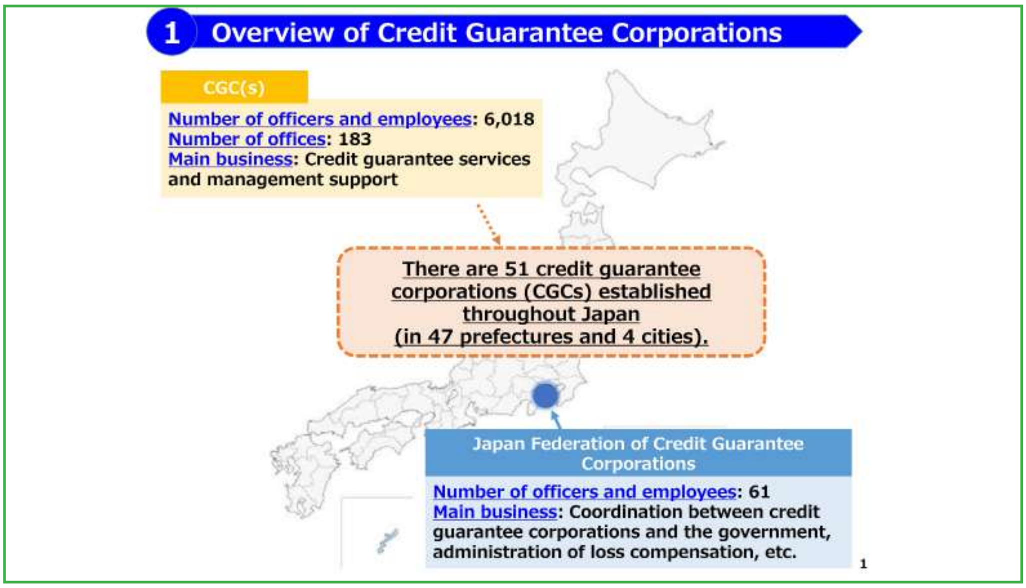
36th ACSIC CONFERENCE
September 2024

JFG

Japan Federation of
Credit Guarantee Corporations

Contents

1. Overview of Credit Guarantee Corporations
2. Structure of Credit Supplementation System
3. Role of Credit Guarantee System and Business Performance
4. Safety Net Guarantee in Times of Crisis
5. Guarantee Application Procedures [Differences between Normal and Crisis Situations]
6. Development of an Electronic Reception System for Guarantee Application Procedures
7. Solving Bottlenecks through Digitalization
8. JFG's Digitalization Promotion Status
9. Image of Bottleneck Resolution (① Digitalization of Guarantee Application)
10. Image of Bottleneck Resolution (② Municipal Certification Application)
11. About Ishikawa Prefecture and Ishikawa Credit Guarantee Corporation
12. Ishikawa Prefecture: The 2024 Noto Peninsula Earthquake
13. Ishikawa Credit Guarantee Corporation's Unique Digitalization Initiatives
14. Future Challenges After the Progress of Digitalization (1)
15. Future Challenges After the Progress of Digitalization (2)



1 Overview of Credit Guarantee Corporations

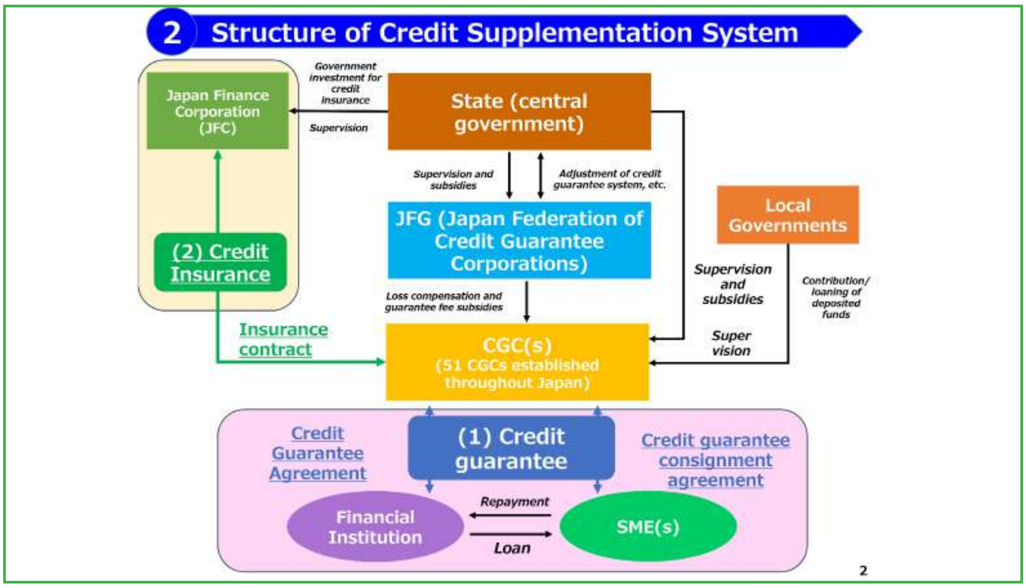
CGC(s)

Number of officers and employees: 6,018
Number of offices: 183
Main business: Credit guarantee services and management support

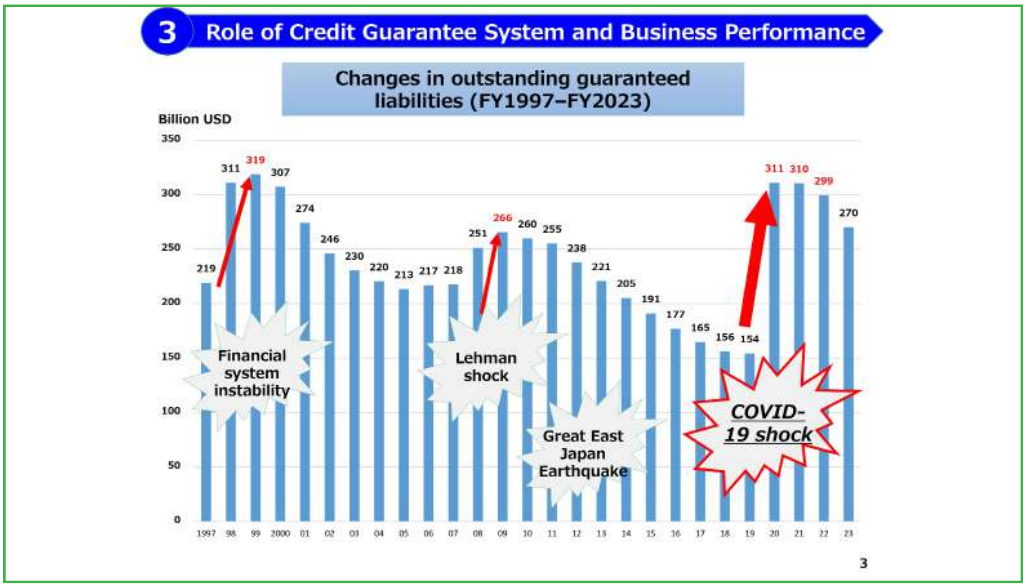
There are 51 credit guarantee corporations (CGCs) established throughout Japan
(in 47 prefectures and 4 cities).

Japan Federation of Credit Guarantee Corporations

Number of officers and employees: 61
Main business: Coordination between credit guarantee corporations and the government, administration of loss compensation, etc.

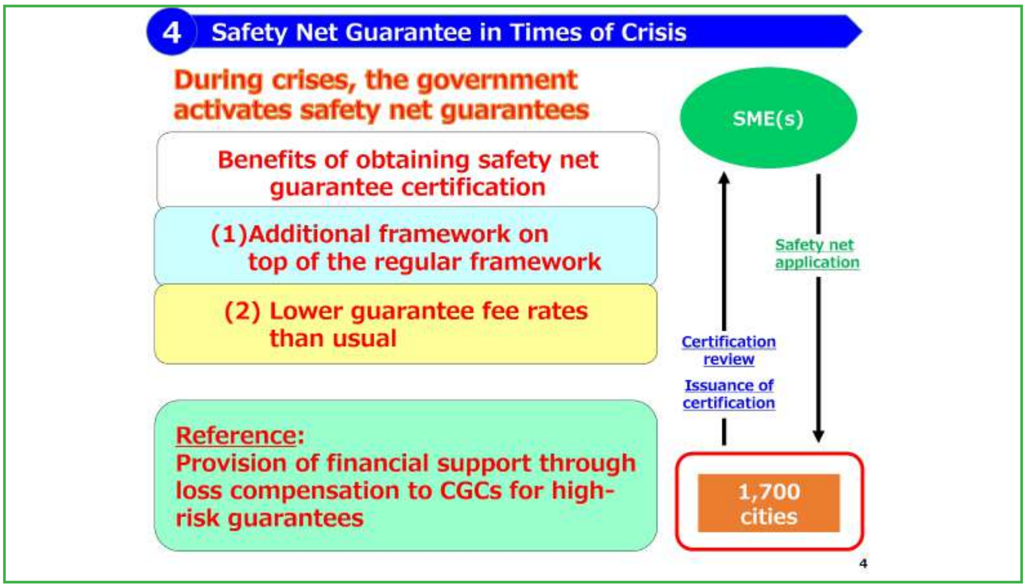


2 Structure of Credit Supplementation System



3 Role of Credit Guarantee System and Business Performance

Changes in outstanding guaranteed liabilities (FY1997–FY2023)



4 Safety Net Guarantee in Times of Crisis

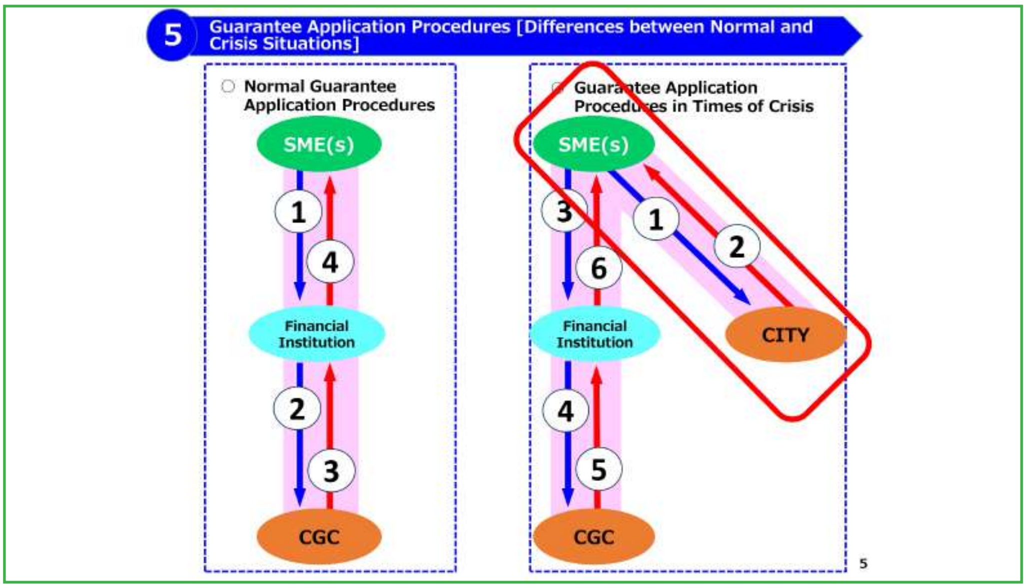
During crises, the government activates safety net guarantees

Benefits of obtaining safety net guarantee certification

(1)Additional framework on top of the regular framework

(2) Lower guarantee fee rates than usual

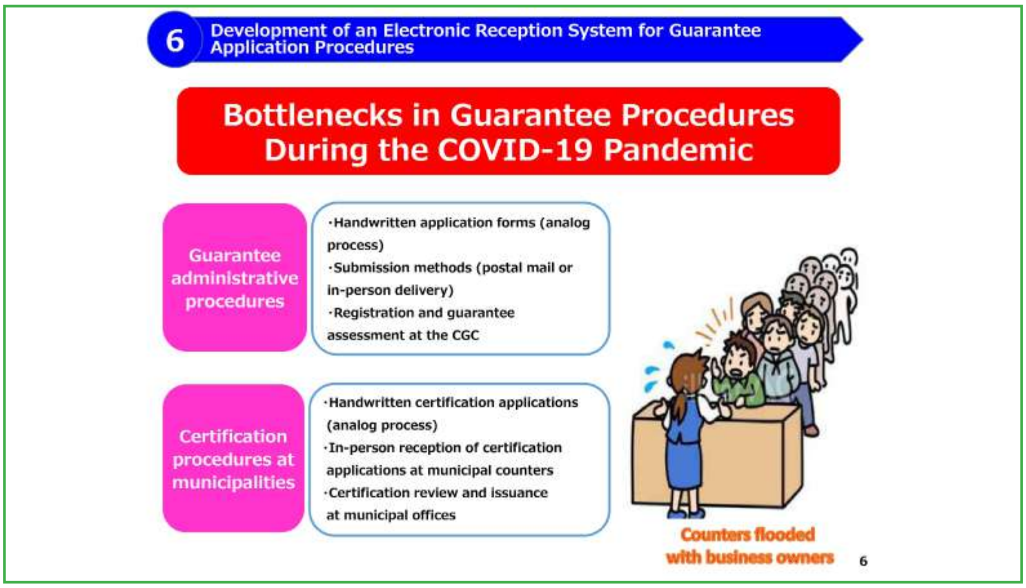
Reference:
Provision of financial support through loss compensation to CGCs for high-risk guarantees



5 Guarantee Application Procedures [Differences between Normal and Crisis Situations]

○ Normal Guarantee Application Procedures

○ Guarantee Application Procedures in Times of Crisis

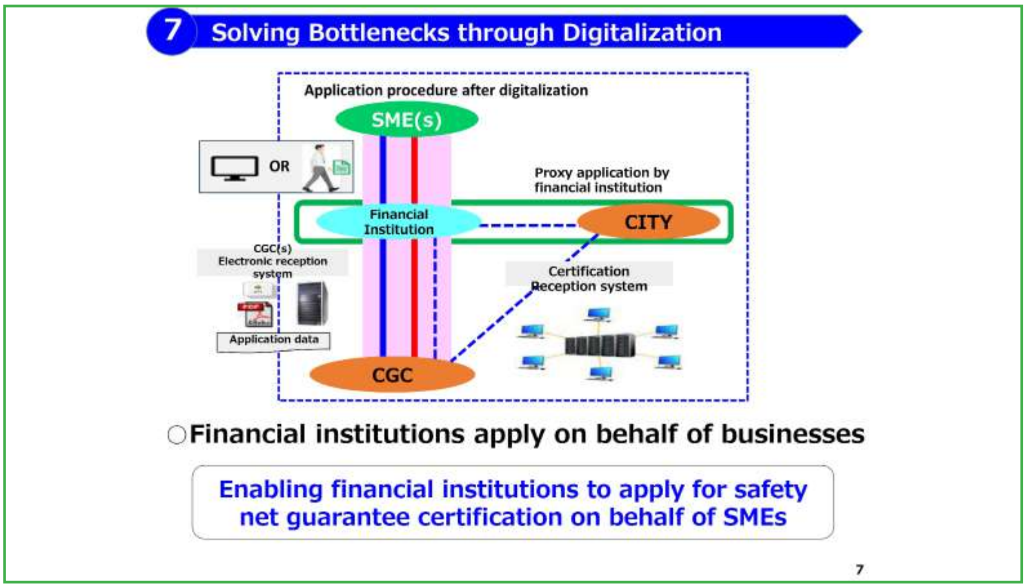


6 Development of an Electronic Reception System for Guarantee Application Procedures

Bottlenecks in Guarantee Procedures During the COVID-19 Pandemic

Guarantee administrative procedures	·Handwritten application forms (analog process) ·Submission methods (postal mail or in-person delivery) ·Registration and guarantee assessment at the CGC
Certification procedures at municipalities	·Handwritten certification applications (analog process) ·In-person reception of certification applications at municipal counters ·Certification review and issuance at municipal offices

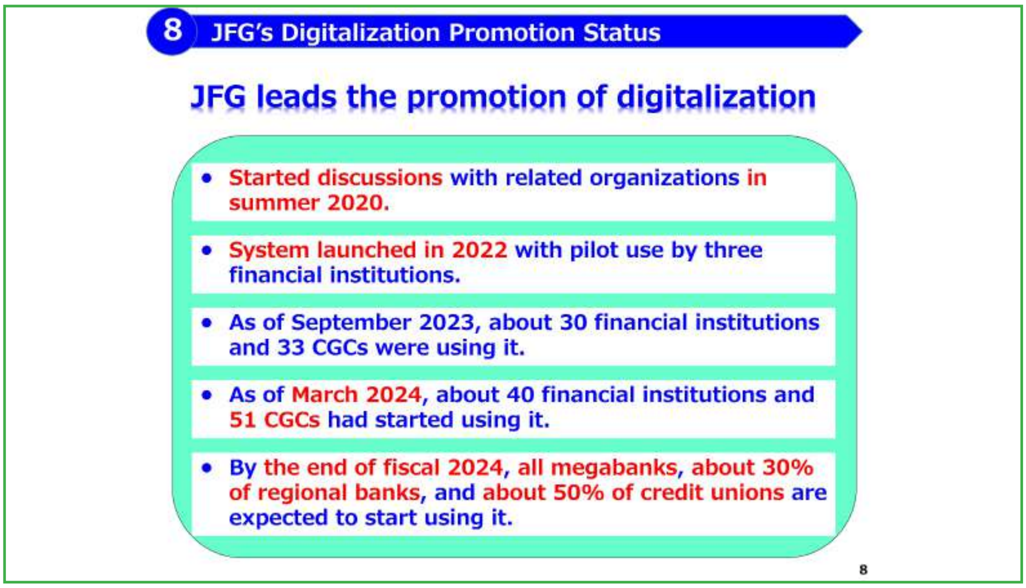
Counters flooded with business owners



7 Solving Bottlenecks through Digitalization

○Financial institutions apply on behalf of businesses

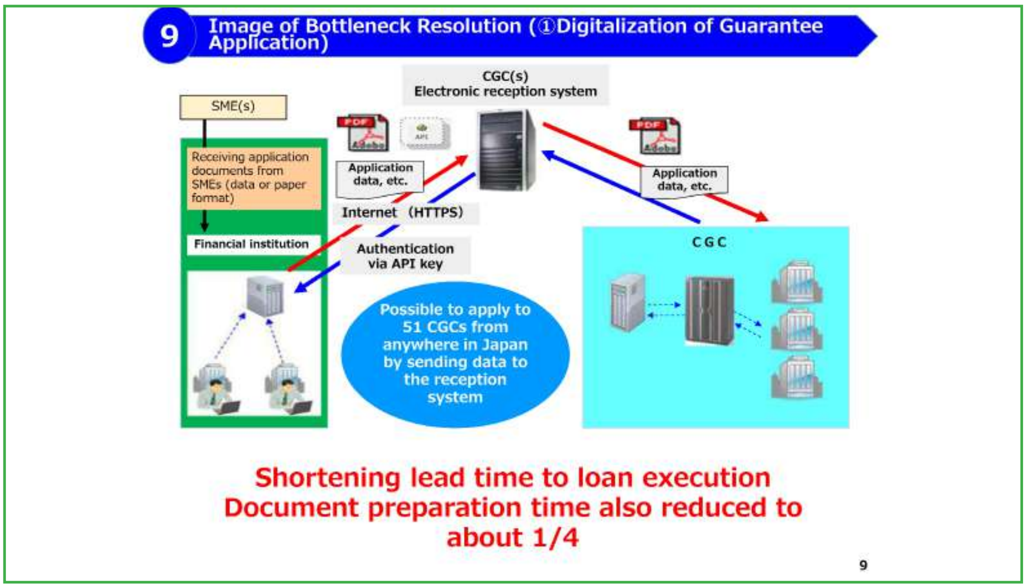
Enabling financial institutions to apply for safety net guarantee certification on behalf of SMEs



8 JFG's Digitalization Promotion Status

JFG leads the promotion of digitalization

- Started discussions with related organizations in summer 2020.
- System launched in 2022 with pilot use by three financial institutions.
- As of September 2023, about 30 financial institutions and 33 CGCs were using it.
- As of March 2024, about 40 financial institutions and 51 CGCs had started using it.
- By the end of fiscal 2024, all megabanks, about 30% of regional banks, and about 50% of credit unions are expected to start using it.



9 Image of Bottleneck Resolution (①Digitalization of Guarantee Application)

Possible to apply to 51 CGCs from anywhere in Japan by sending data to the reception system

Shortening lead time to loan execution
Document preparation time also reduced to about 1/4

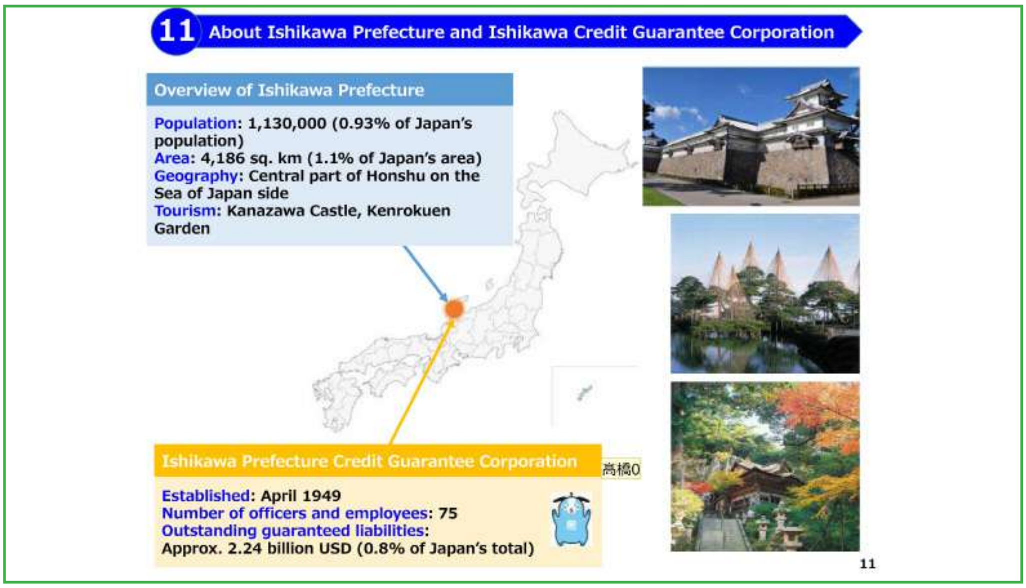
10 Image of Bottleneck Resolution (②Municipal Certification Application)

Digitalization of the safety net guarantee certification process is currently being implemented under government leadership.

Some municipalities have started digitalizing certification applications.

In municipalities that have started using it…

Digitalization has reduced certification process time from about one hour per case to about 10 minutes, which is 1/6 of the original time!!



11 About Ishikawa Prefecture and Ishikawa Credit Guarantee Corporation

Overview of Ishikawa Prefecture

Population: 1,130,000 (0.93% of Japan's population)
Area: 4,186 sq. km (1.1% of Japan's area)
Geography: Central part of Honshu on the Sea of Japan side
Tourism: Kanazawa Castle, Kenrokuen Garden

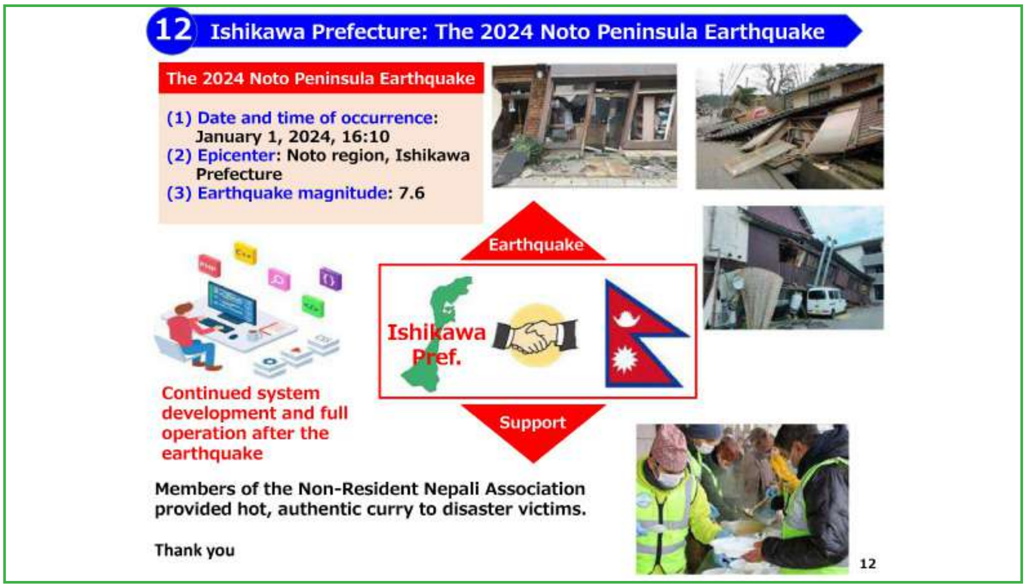
Ishikawa Prefecture Credit Guarantee Corporation

Established: April 1949
Number of officers and employees: 75
Outstanding guaranteed liabilities:
Approx. 2.24 billion USD (0.8% of Japan's total)

高橋0

スライド 13

高橋0	原本：300 billion yen 2023年3月末時点 1ドル＝134円で換算（出典：MUFG） 高橋 真二郎, 2024-09-11T02:44:19.593



12 Ishikawa Prefecture: The 2024 Noto Peninsula Earthquake

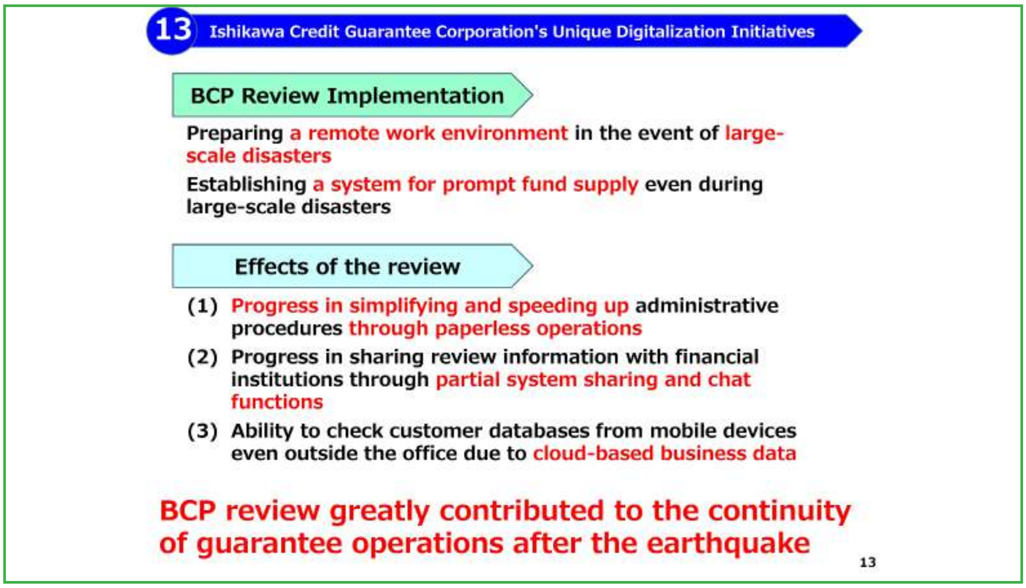
The 2024 Noto Peninsula Earthquake

(1) Date and time of occurrence: January 1, 2024, 16:10
(2) Epicenter: Noto region, Ishikawa Prefecture
(3) Earthquake magnitude: 7.6

Continued system development and full operation after the earthquake

Members of the Non-Resident Nepali Association provided hot, authentic curry to disaster victims.

Thank you



13 Ishikawa Credit Guarantee Corporation's Unique Digitalization Initiatives

BCP Review Implementation

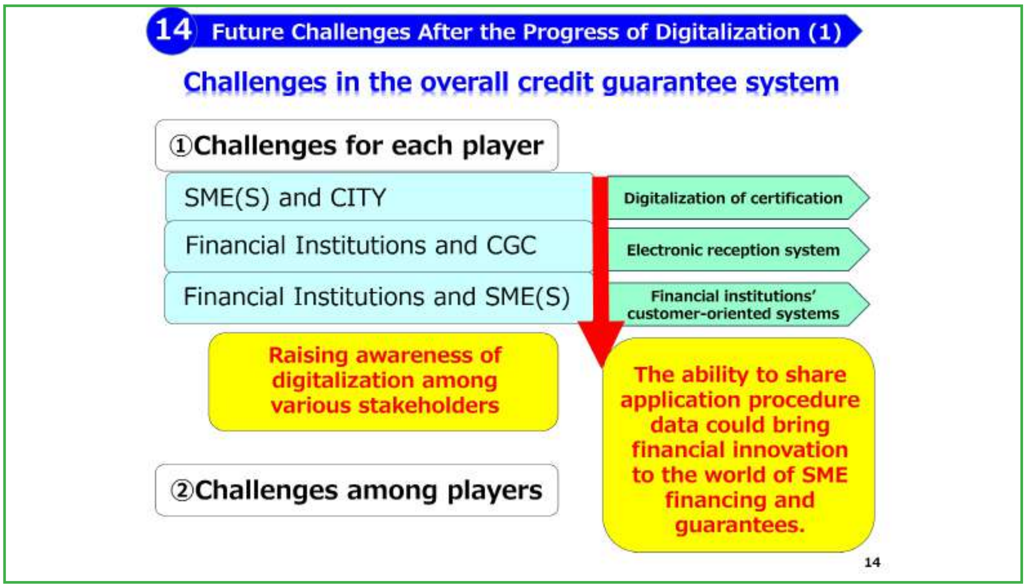
Preparing a remote work environment in the event of large-scale disasters

Establishing a system for prompt fund supply even during large-scale disasters

Effects of the review

(1) Progress in simplifying and speeding up administrative procedures through paperless operations
(2) Progress in sharing review information with financial institutions through partial system sharing and chat functions
(3) Ability to check customer databases from mobile devices even outside the office due to cloud-based business data

BCP review greatly contributed to the continuity of guarantee operations after the earthquake



14 Future Challenges After the Progress of Digitalization (1)

Challenges in the overall credit guarantee system

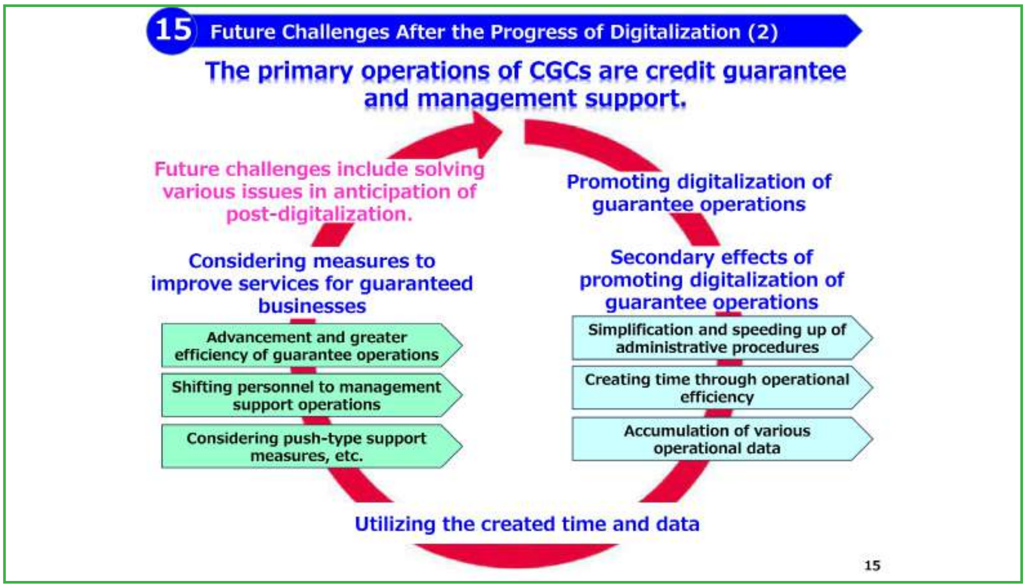
①Challenges for each player

SME(S) and CITY	Digitalization of certification
Financial Institutions and CGC	Electronic reception system
Financial Institutions and SME(S)	Financial institutions' customer-oriented systems

Raising awareness of digitalization among various stakeholders

②Challenges among players

The ability to share application procedure data could bring financial innovation to the world of SME financing and guarantees.



15 Future Challenges After the Progress of Digitalization (2)

The primary operations of CGCs are credit guarantee and management support.

Future challenges include solving various issues in anticipation of post-digitalization.

Promoting digitalization of guarantee operations

Considering measures to improve services for guaranteed businesses

- Advancement and greater efficiency of guarantee operations
- Shifting personnel to management support operations
- Considering push-type support measures, etc.

Secondary effects of promoting digitalization of guarantee operations

- Simplification and speeding up of administrative procedures
- Creating time through operational efficiency
- Accumulation of various operational data

Utilizing the created time and data

15

Thank you

36th ACSIC CONFERENCE
September 2024

JFG

Japan Federation of
Credit Guarantee Corporations
https://www.zenshinhoren.or.jp/

Presenter:
Mr. Hyeongyu Kim
Deputy Director
Korea Credit Guarantee Fund (KODIT)

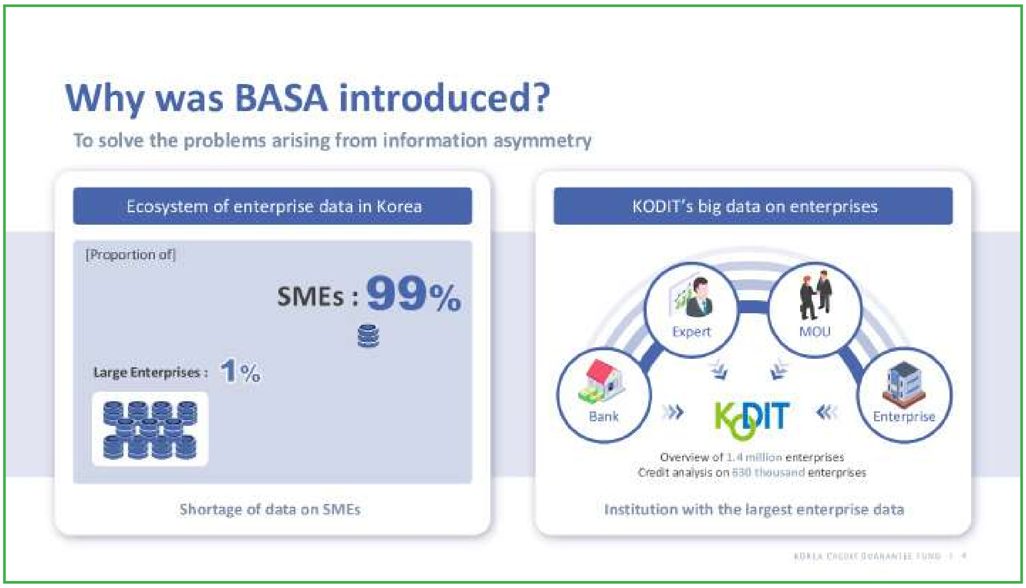
36th ACSIC CONFERENCE NEPAL-2024

Introducing KODIT's Digitalization

International Cooperation Center
Deputy Director

KIM Hyeon gyu

KODIT 신용보증기금



Why was BASA introduced?

To solve the problems arising from information asymmetry

Ecosystem of enterprise data in Korea

[Proportion of]

SMEs : 99%

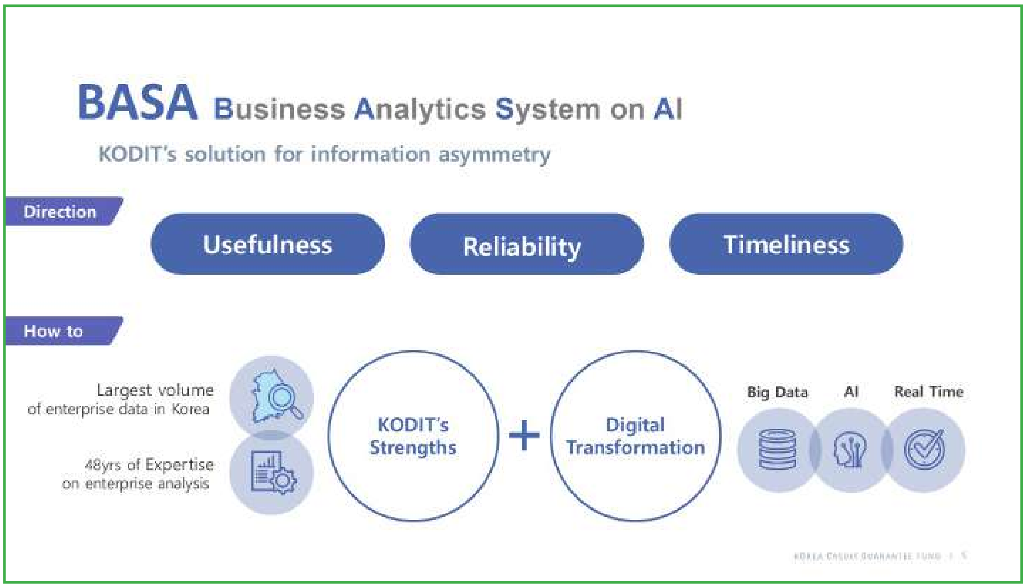
Large Enterprises : 1%

Shortage of data on SMEs

KODIT's big data on enterprises

Overview of 1.4 million enterprises
Credit analysis on 630 thousand enterprises

Institution with the largest enterprise data



BASA Business Analytics System on AI

KODIT's solution for information asymmetry

Direction

Usefulness

Reliability

Timeliness

How to

Largest volume of enterprise data in Korea

48yrs of Expertise on enterprise analysis

KODIT's Strengths + Digital Transformation

Big Data

AI

Real Time

www.basadata.com

An intelligent diagnostics solution for enterprises, Apply online with one-click


BASA
Business Analytics System on AI

AI-based management diagnosis solution formulates a report in 30 minutes at free of charge.
It is easy to find the competitiveness and credit ratings of buyers and sellers.

Business Analytics System on AI

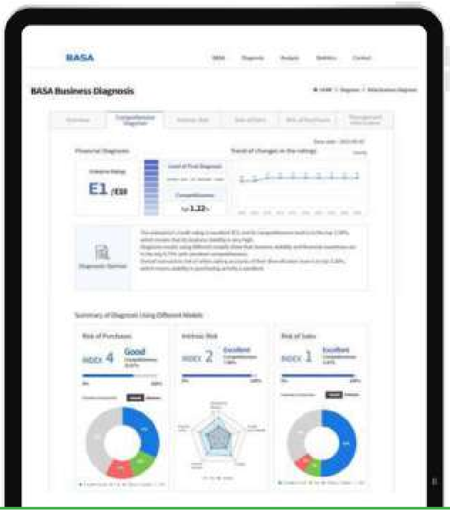
This is the largest DB in Korea

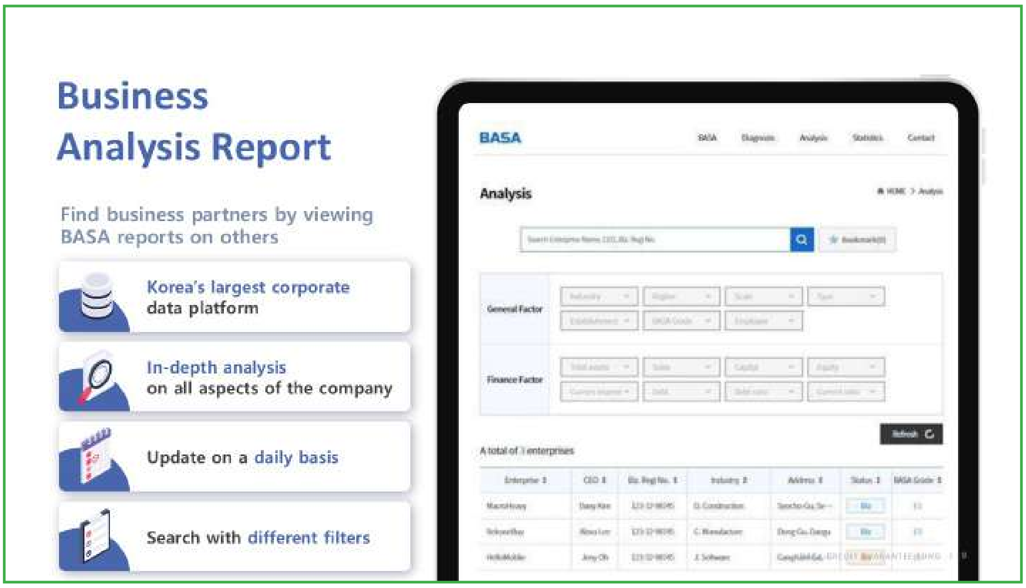
KOREA CREDIT GUARANTEE FUND | 7

Business Diagnostics Based on AI

Improve the enterprise structure and Strengthen the competitiveness of an enterprise

- Analysis on competitiveness in market
- AI-based customized diagnostic advice
- Any enterprises, Available 24/7
- Just in 30 minutes, Free of charge

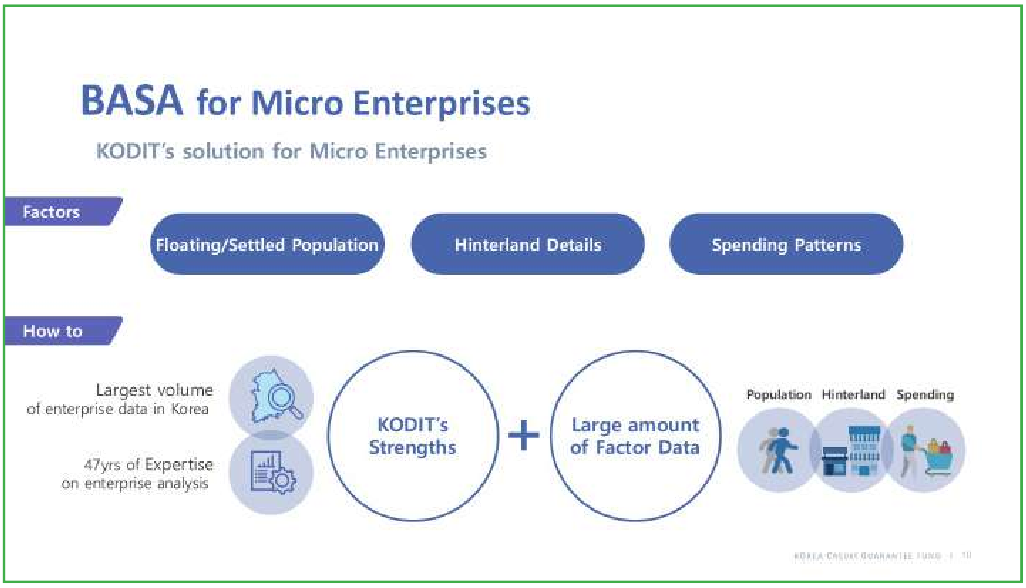




Business Analysis Report

Find business partners by viewing BASA reports on others

- **Korea's largest corporate data platform**
- **In-depth analysis on all aspects of the company**
- **Update on a daily basis**
- **Search with different filters**



BASA for Micro Enterprises

KODIT's solution for Micro Enterprises

Factors

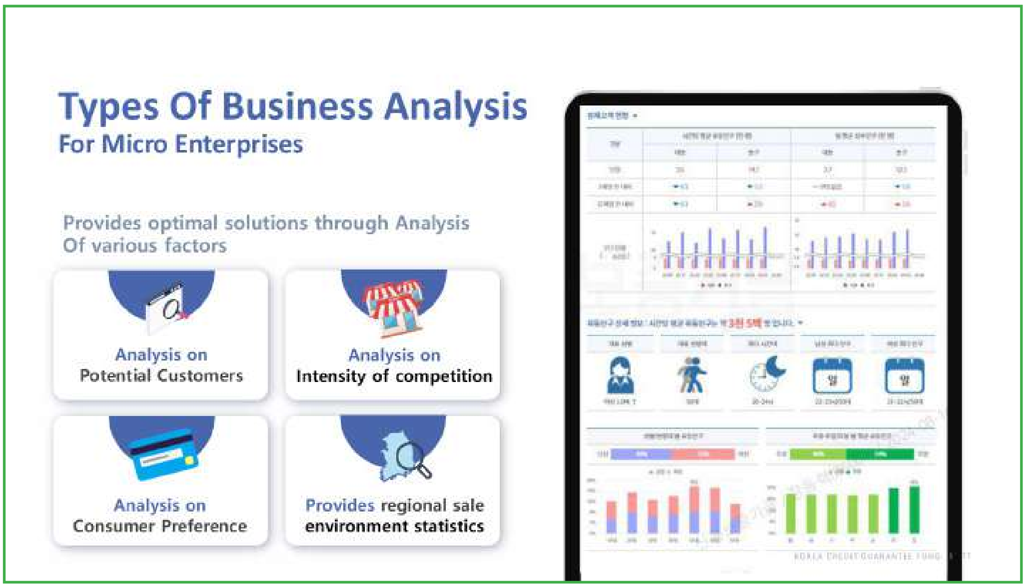
Floating/Settled Population · Hinterland Details · Spending Patterns

How to

Largest volume of enterprise data in Korea

47yrs of Expertise on enterprise analysis

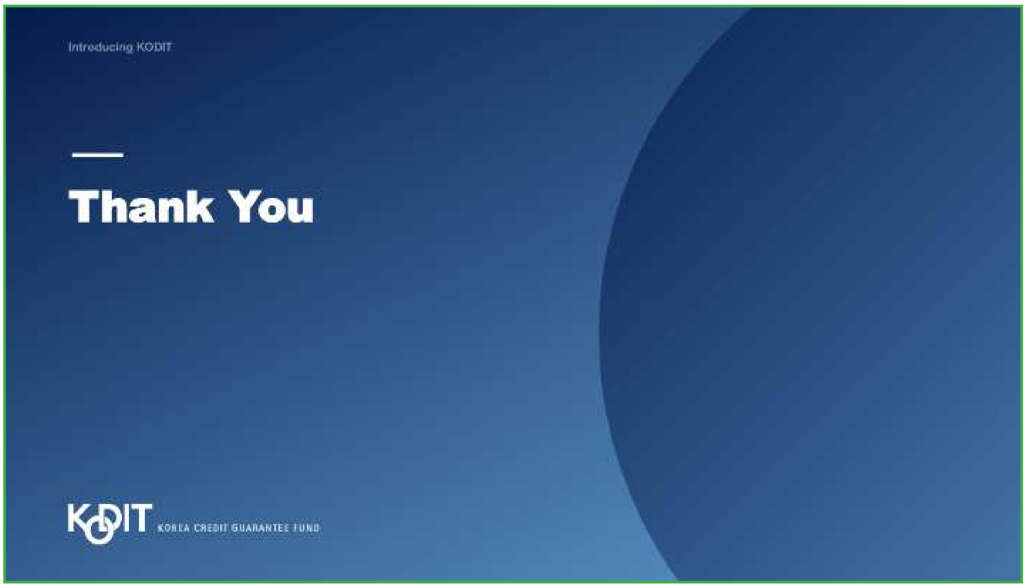
KODIT's Strengths + Large amount of Factor Data



Types Of Business Analysis
For Micro Enterprises

Provides optimal solutions through Analysis Of various factors

- **Analysis on Potential Customers**
- **Analysis on Intensity of competition**
- **Analysis on Consumer Preference**
- **Provides regional sale environment statistics**



Introducing KODIT

Thank You

KODIT KOREA CREDIT GUARANTEE FUND

Presenter:
Ms. Mandira Thapaliya
Manager
Deposit & Credit Guarantee Fund (DCGF)

Innovation Financing in Nepal: DCGF's Experience

Sunday, 22nd September 2024
The Soaltee Kathmandu

DCGF at a glance

Established
1974 (Deposit and Credit Guarantee Fund Act)

Nepal's Sole Deposit and Credit Guarantee Institution

Head Office
Kathmandu

7 branches (each in province)

Membership
75 BFIs
Out of 106(Credit Guarantee)

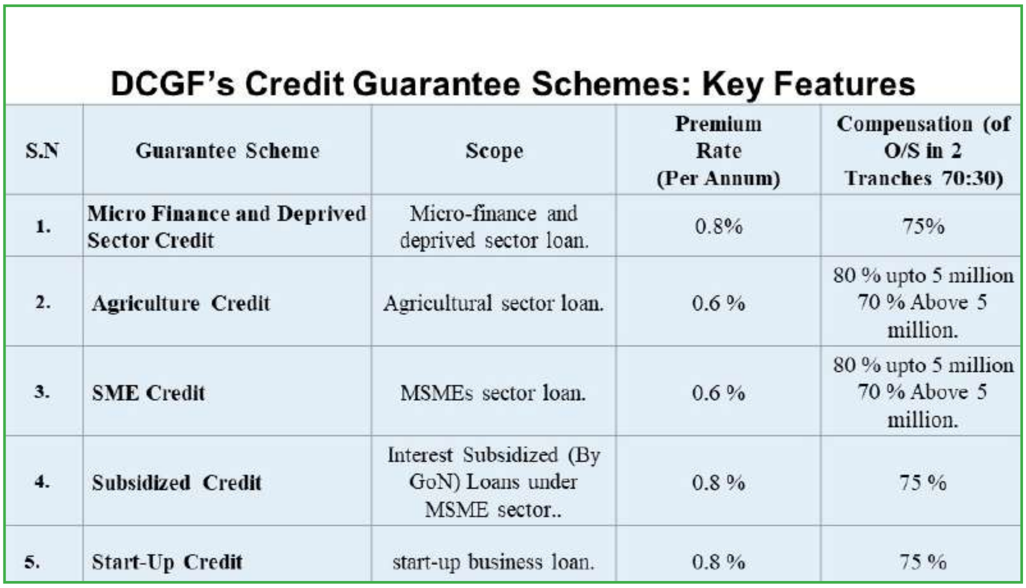
55 BFIs
All BFIs (Deposit Guarantee)

Ownership
90% Government of Nepal

10% Nepal Rastra Bank

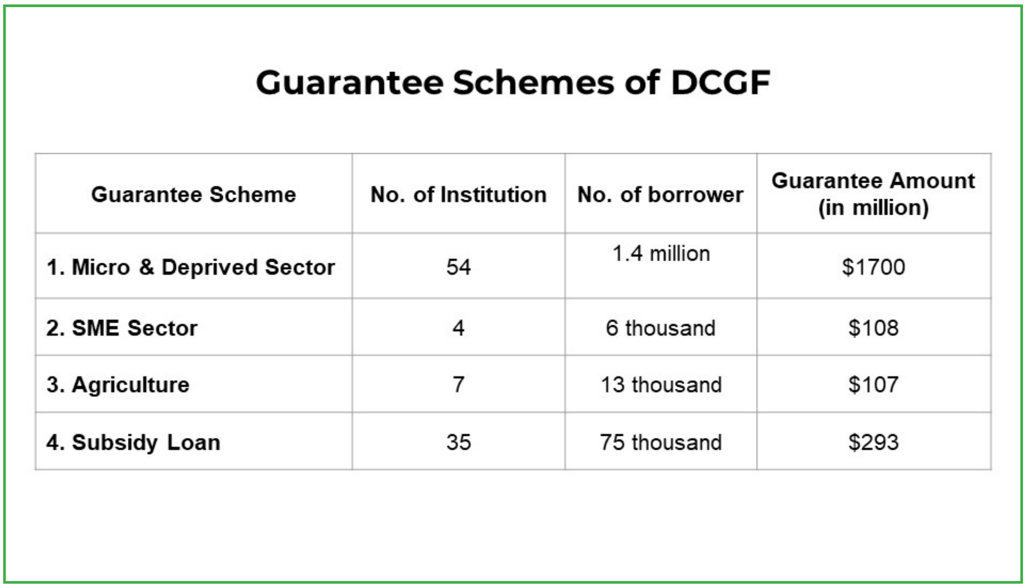
Credit Guarantee Products

1. SME Credit Guarantee
2. Agriculture Credit Guarantee
3. Microfinance and Deprived Sector Credit Guarantee
4. Startup Loan Credit Guarantee
5. Subsidy Loan Guarantee
6. Digital Job Skill Training Credit guarantee



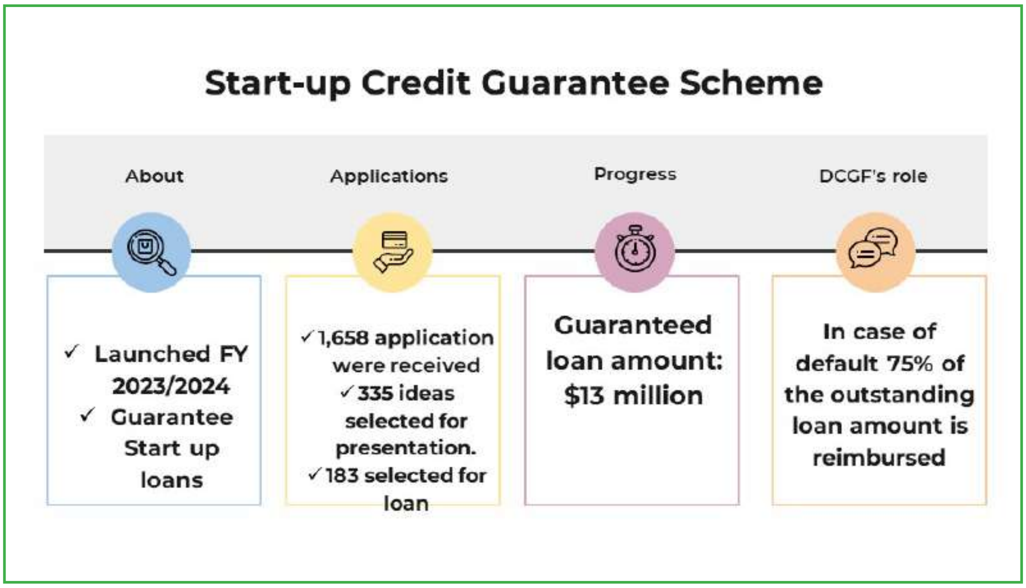
DCGF's Credit Guarantee Schemes: Key Features

S.N	Guarantee Scheme	Scope	Premium Rate (Per Annum)	Compensation (of O/S in 2 Tranches 70:30)
1.	Micro Finance and Deprived Sector Credit	Micro-finance and deprived sector loan.	0.8%	75%
2.	Agriculture Credit	Agricultural sector loan.	0.6 %	80 % upto 5 million 70 % Above 5 million.
3.	SME Credit	MSMEs sector loan.	0.6 %	80 % upto 5 million 70 % Above 5 million.
4.	Subsidized Credit	Interest Subsidized (By GoN) Loans under MSME sector..	0.8 %	75 %
5.	Start-Up Credit	start-up business loan.	0.8 %	75 %



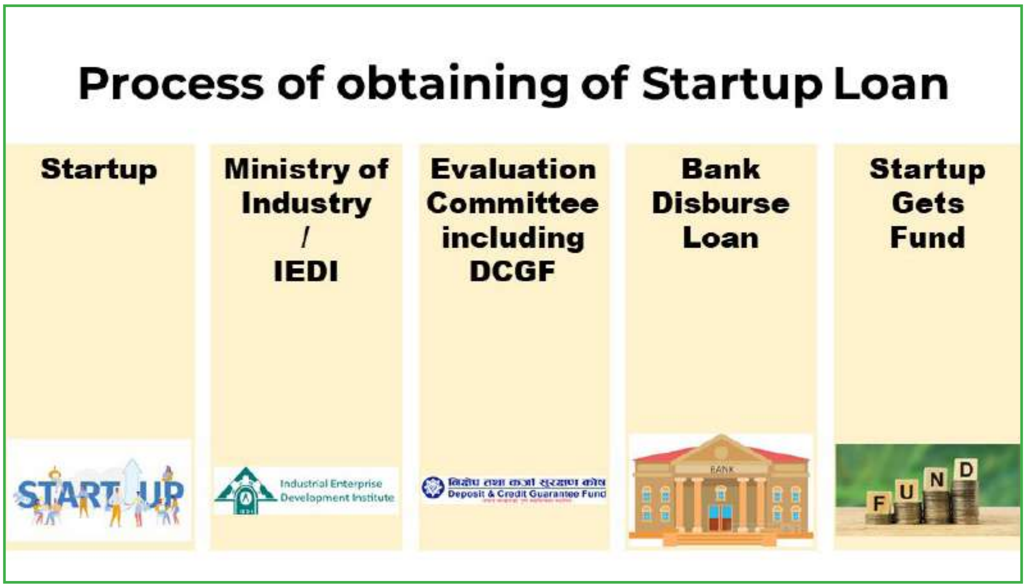
Guarantee Schemes of DCGF

Guarantee Scheme	No. of Institution	No. of borrower	Guarantee Amount (in million)
1. Micro & Deprived Sector	54	1.4 million	$1700
2. SME Sector	4	6 thousand	$108
3. Agriculture	7	13 thousand	$107
4. Subsidy Loan	35	75 thousand	$293



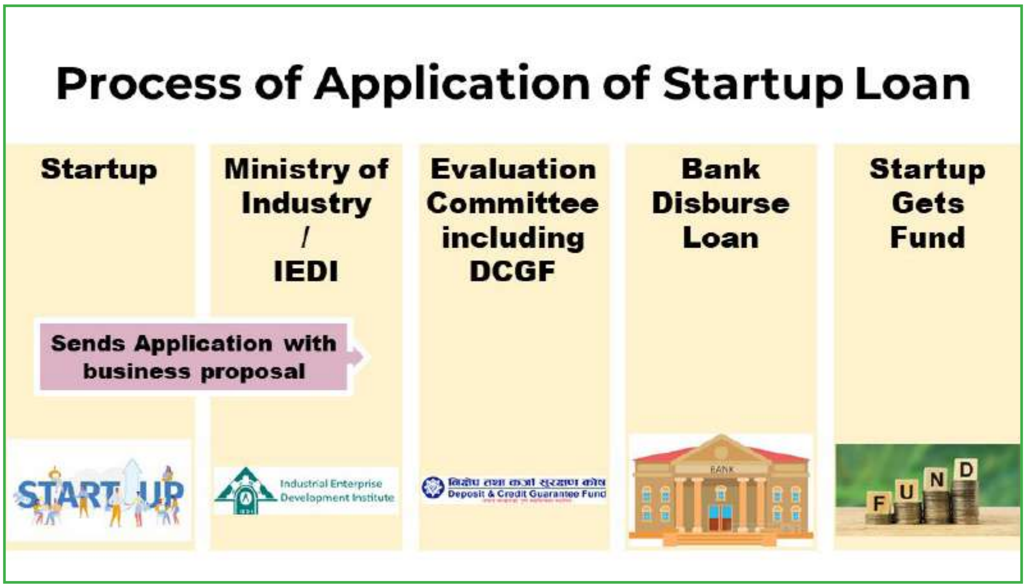
Start-up Credit Guarantee Scheme

About	Applications	Progress	DCGF's role
✓ Launched FY 2023/2024 ✓ Guarantee Start up loans	✓1,658 application were received ✓335 ideas selected for presentation. ✓183 selected for loan	Guaranteed loan amount: $13 million	In case of default 75% of the outstanding loan amount is reimbursed



Process of obtaining of Startup Loan

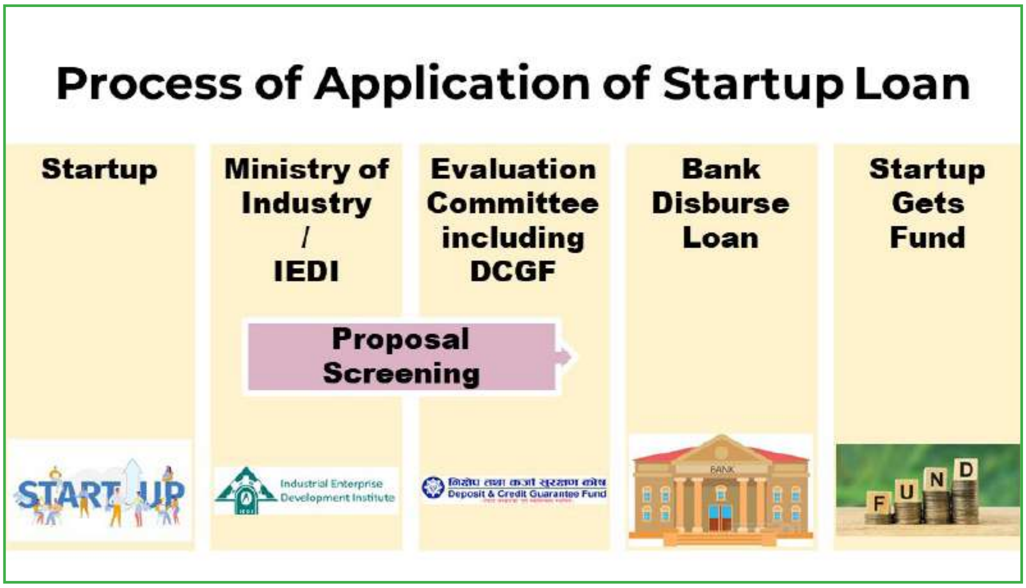
Startup	Ministry of Industry / IEDI	Evaluation Committee including DCGF	Bank Disburse Loan	Startup Gets Fund



Process of Application of Startup Loan

Startup	Ministry of Industry / IEDI	Evaluation Committee including DCGF	Bank Disburse Loan	Startup Gets Fund

Sends Application with business proposal



Process of Application of Startup Loan

Startup

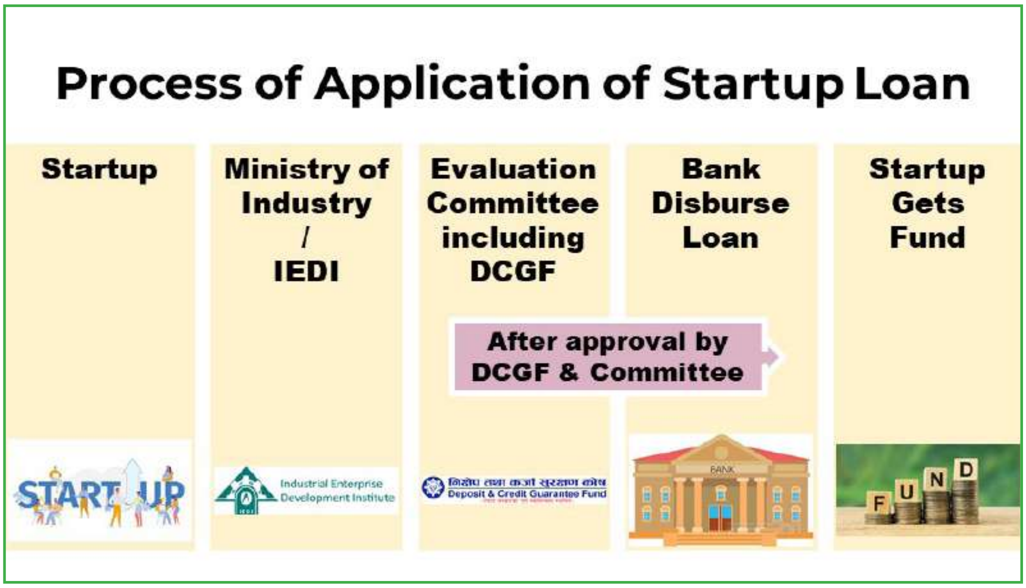
Ministry of Industry / IEDI

Evaluation Committee including DCGF

Bank Disburse Loan

Startup Gets Fund

Proposal Screening



Process of Application of Startup Loan

Startup

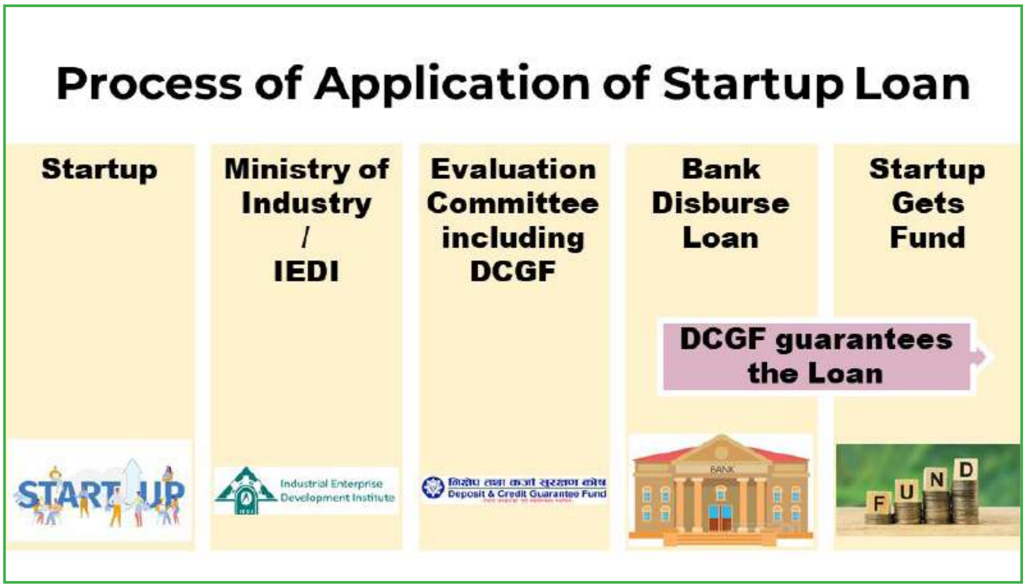
Ministry of Industry / IEDI

Evaluation Committee including DCGF

Bank Disburse Loan

Startup Gets Fund

After approval by DCGF & Committee



Process of Application of Startup Loan

Startup

Ministry of Industry / IEDI

Evaluation Committee including DCGF

Bank Disburse Loan

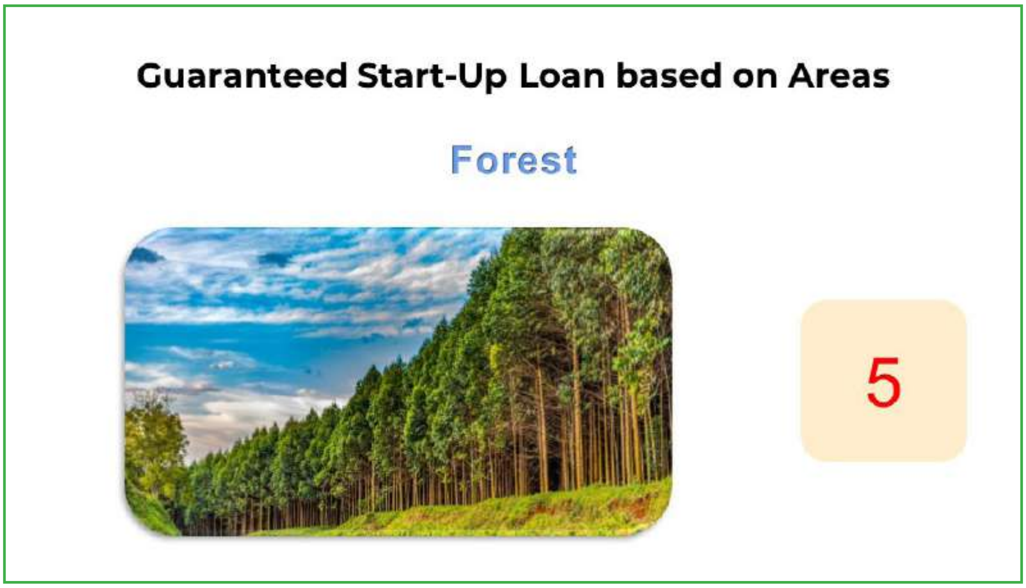
Startup Gets Fund

DCGF guarantees the Loan

Guaranteed Start-Up Loan based on Areas

Agriculture & Livestock

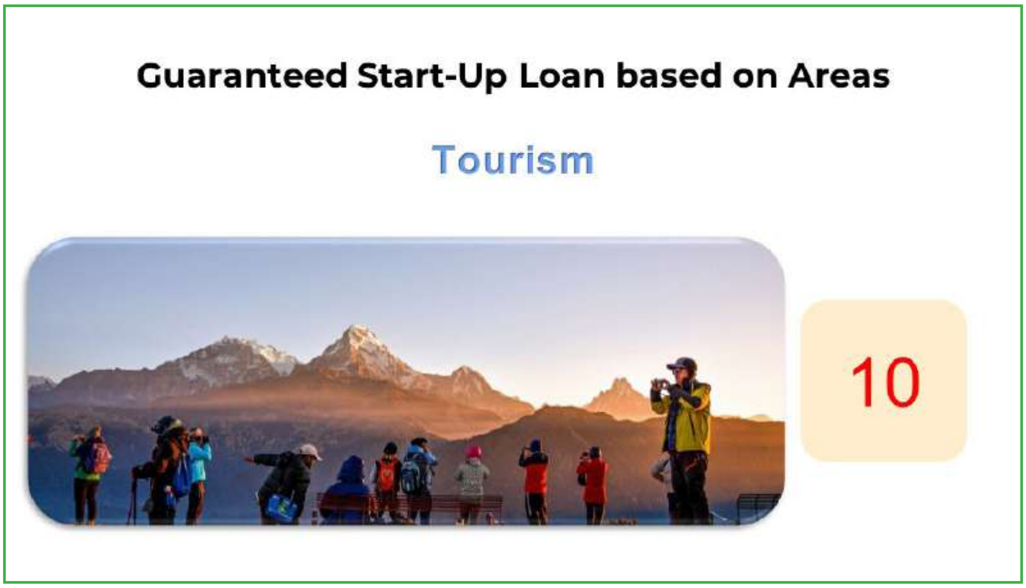
88



Guaranteed Start-Up Loan based on Areas

Forest

5



Guaranteed Start-Up Loan based on Areas

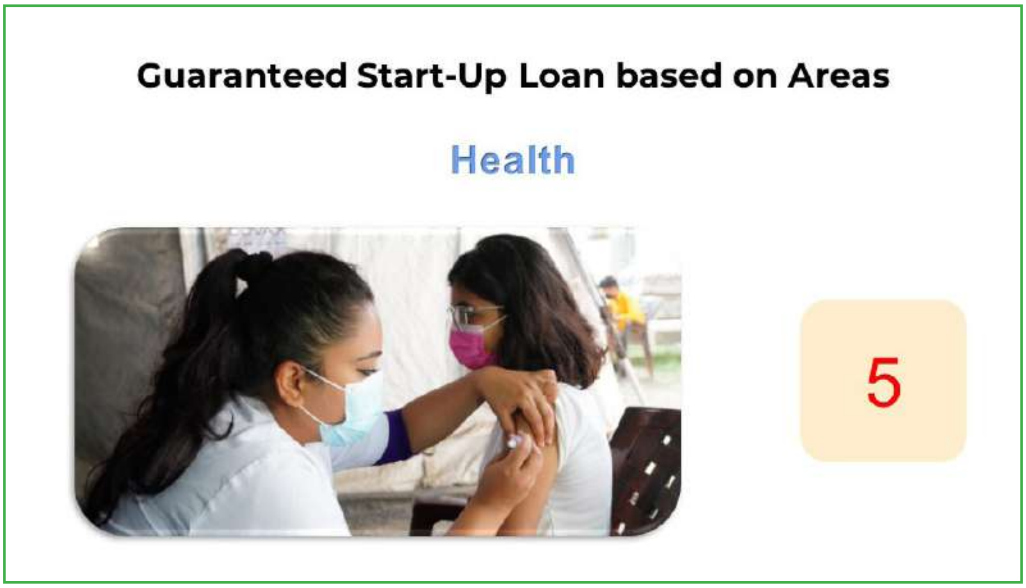
Tourism

10

Guaranteed Start-Up Loan based on Areas

ICT

15



Guaranteed Start-Up Loan based on Areas

Health

5

Guaranteed Start-Up Loan based on Areas

Education

9

Guaranteed Start-Up Loan based on Areas

Transport

2

Guaranteed Start-Up Loan based on Areas

Automobile

5

Guaranteed Start-Up Loan based on Areas

Household

5

Guaranteed Start-Up Loan based on Areas

Food Processing & Processing

12

Guaranteed Start-Up Loan based on Areas

Waste Management

4

Guaranteed Start-Up Loan based on Areas

Alternate & renewable Energy

1

Supervision of Start-Up

Supervision of Start-Up

Example of Startup

National Robotics & Research Center

eKagajpatra

Bibawo

Deposit & Credit Guarantee Fund

Tangal, Kathmandu,Nepal

☎ Contact No.: +977-01-4510659

✉ E-mail: info@dcgf.gov.np

🌐 Website: www.dcgf.gov.np

Presenter:

Ms. Dusida Tapvong

Chief Channel & Entrepreneurship

Thai Credit Guarantee Corporation (TCG)

TCG International best practice for Innovation Financing

Thai Credit Guarantee Corporation

Dusida Tapvong

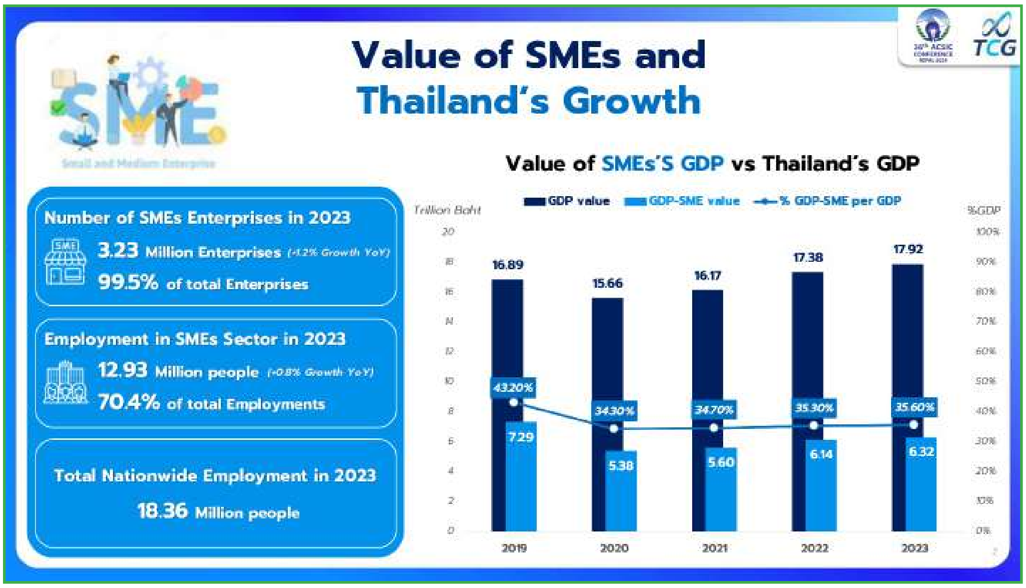
Senior Executive Vice President,

Chief Channel and Entrepreneurship Development Officer

20 – 25 Sep 2024

www.tcg.or.th tcg.or.th @tcgfirst [illegible] @tcgnewsroom

FAST & FIRST



Value of SMEs and Thailand's Growth

Number of SMEs Enterprises in 2023

3.23 Million Enterprises *(+1.2% Growth YoY)*

99.5% of total Enterprises

Employment in SMEs Sector in 2023

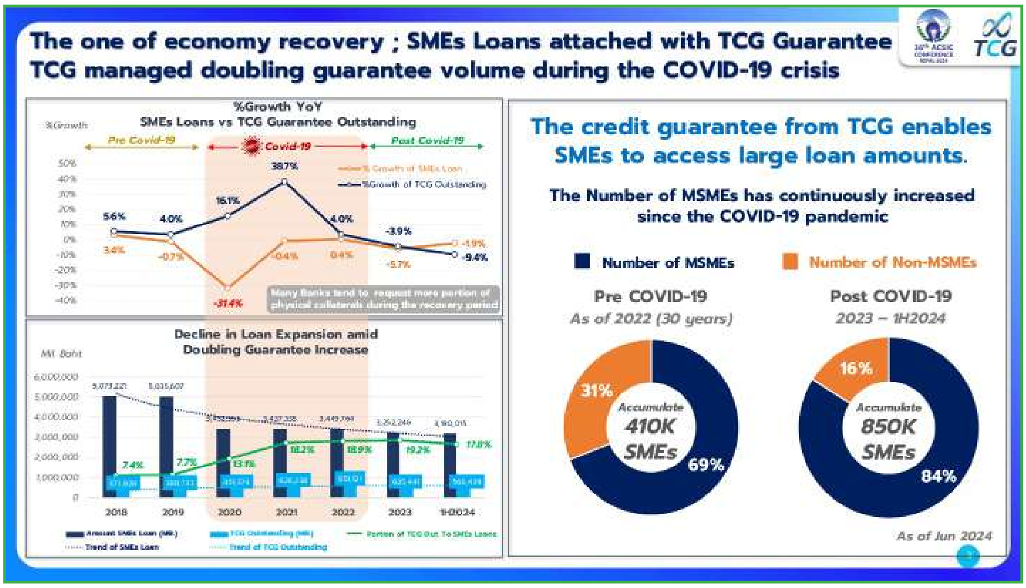
12.93 Million people *(+0.8% Growth YoY)*

70.4% of total Employments

Total Nationwide Employment in 2023

18.36 Million people

Value of SMEs'S GDP vs Thailand's GDP

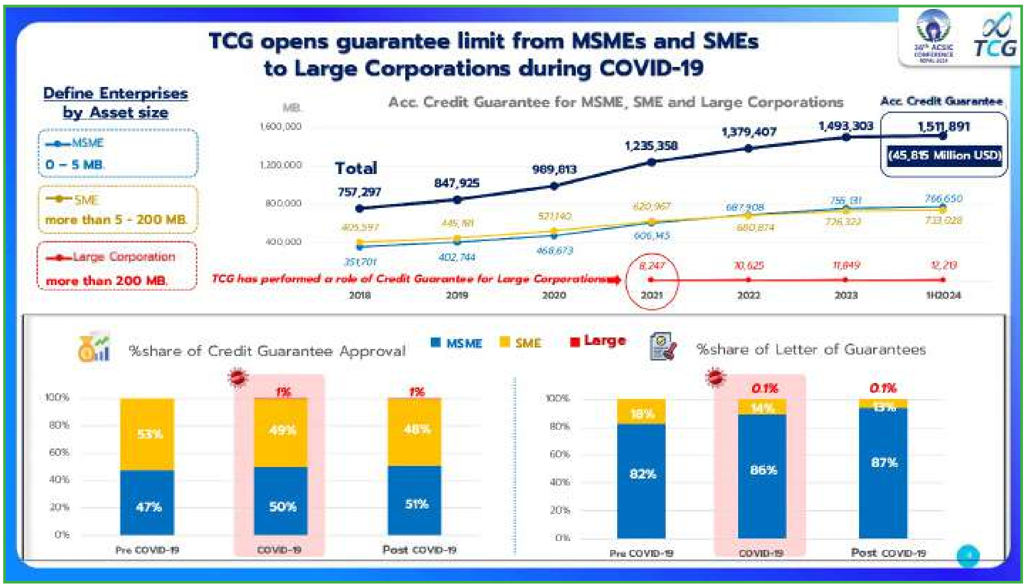


The one of economy recovery ; SMEs Loans attached with TCG Guarantee TCG managed doubling guarantee volume during the COVID-19 crisis

The credit guarantee from TCG enables SMEs to access large loan amounts.

The Number of MSMEs has continuously increased since the COVID-19 pandemic

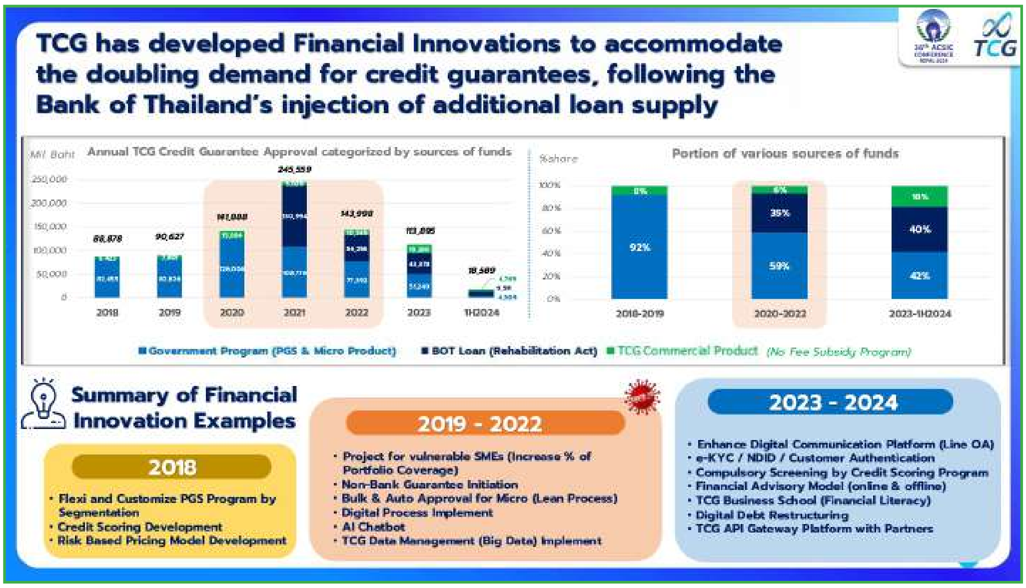
As of Jun 2024



TCG opens guarantee limit from MSMEs and SMEs to Large Corporations during COVID-19

Define Enterprises by Asset size

- MSME 0 – 5 MB.
- SME more than 5 - 200 MB.
- Large Corporation more than 200 MB.



TCG has developed Financial Innovations to accommodate the doubling demand for credit guarantees, following the Bank of Thailand's injection of additional loan supply

Summary of Financial Innovation Examples

2018

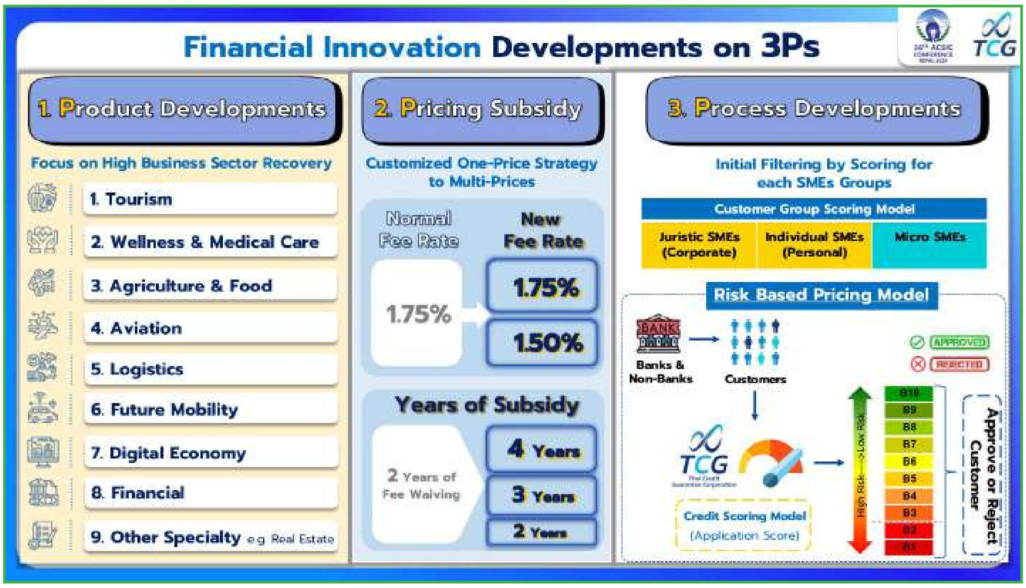
- Flexi and Customize PGS Program by Segmentation
- Credit Scoring Development
- Risk Based Pricing Model Development

2019 - 2022

- Project for vulnerable SMEs (Increase % of Portfolio Coverage)
- Non-Bank Guarantee Initiation
- Bulk & Auto Approval for Micro (Lean Process)
- Digital Process Implement
- AI Chatbot
- TCG Data Management (Big Data) Implement

2023 - 2024

- Enhance Digital Communication Platform (Line OA)
- e-KYC / NDID / Customer Authentication
- Compulsory Screening by Credit Scoring Program
- Financial Advisory Model (online & offline)
- TCG Business School (Financial Literacy)
- Digital Debt Restructuring
- TCG API Gateway Platform with Partners



Financial Innovation Developments on 3Ps

1. Product Developments

Focus on High Business Sector Recovery

1. Tourism
2. Wellness & Medical Care
3. Agriculture & Food
4. Aviation
5. Logistics
6. Future Mobility
7. Digital Economy
8. Financial
9. Other Specialty e.g Real Estate

2. Pricing Subsidy

Customized One-Price Strategy to Multi-Prices

Normal Fee Rate	New Fee Rate
1.75%	1.75%
	1.50%

Years of Subsidy

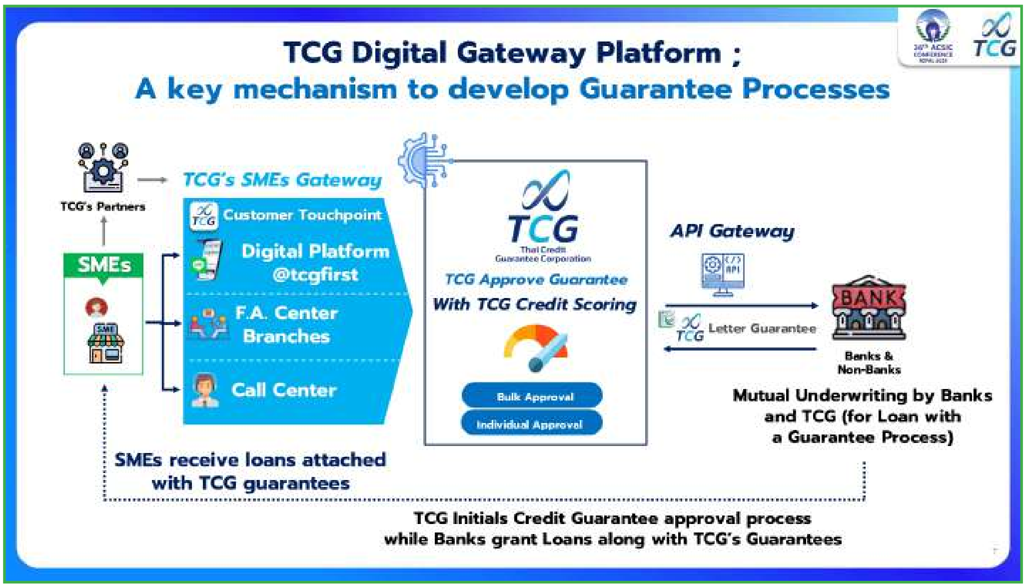
2 Years of Fee Waiving	4 Years
	3 Years
	2 Years

3. Process Developments

Initial Filtering by Scoring for each SMEs Groups

Customer Group Scoring Model		
Juristic SMEs (Corporate)	Individual SMEs (Personal)	Micro SMEs

Risk Based Pricing Model



TCG Digital Gateway Platform ;
A key mechanism to develop Guarantee Processes

Mutual Underwriting by Banks and TCG (for Loan with a Guarantee Process)

SMEs receive loans attached with TCG guarantees

TCG Initials Credit Guarantee approval process while Banks grant Loans along with TCG's Guarantees

TCG's advisory role, additional key to Accelerating Financial Innovations

Registration process for TCG Financial Advisory. Appointment via Digital Platform (Line @tcgfirst)

① Add Friend via Line OA : @tcgfirst

② Register for TCG Financial Advisory Consulting

③ Select an appointment option

④ Select a financial advisor to consult and choose date and time appointment

⑤ Complete the form to confirm appointment

⑥ Wait for a call to inform appointment from TCG

Free of charge consulting services.

TCG Financial Advisory Center's Success Rate

	2021	2022	2023	2024E
Loan Amount Approval After Completing the Advisory Process	8%	12%	14%	17%
Customer Satisfaction	97%	98%	98%	99%

Number of Members

3 Aug 2020 — 1,574
- Provide Business Advice
- Provide Loan Application Advice
- Provide Debt Restructuring Advice

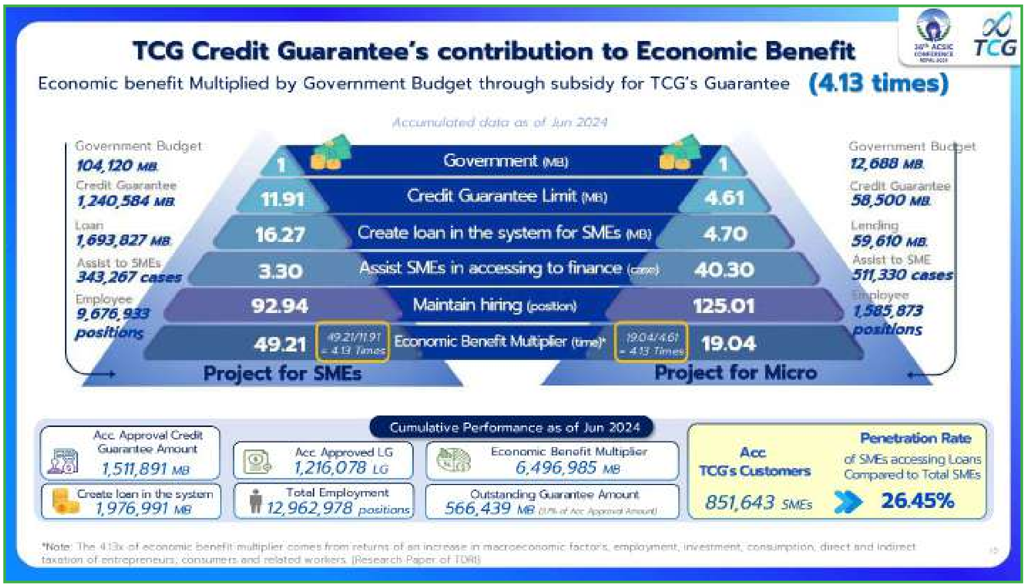
2021 — 7,283
- Collaborate with the Bank of Thailand on the Project **"Train the Trainer"**
- Debt Doctor for the People Project
- Accept online Registration

2022 — 11,213
- Expand services to all regions
- Expand Registration via **Digital Platform @tcgfirst** (line OA)

@tcgfirst

2023 — 16,084
- Add training courses
- Increase partnerships with allies
- Establish **TCG Business School**
- Guide SMEs seeking growth into the capital market

1H2024 — 20,929
- Raise Current Capability in Providing **Financial Literacy and Advisory**
- Branch Reformat to F.A. Center Model



TCG Credit Guarantee's contribution to Economic Benefit

Economic benefit Multiplied by Government Budget through subsidy for TCG's Guarantee **(4.13 times)**

Accumulated data as of Jun 2024

Project for SMEs			Project for Micro	
Government Budget 104,120 MB	1	Government (MB)	1	Government Budget 12,688 MB
Credit Guarantee 1,240,584 MB	11.91	Credit Guarantee Limit (MB)	4.61	Credit Guarantee 58,500 MB
Loan 1,693,827 MB	16.27	Create loan in the system for SMEs (MB)	4.70	Lending 59,610 MB
Assist to SMEs 343,267 cases	3.30	Assist SMEs in accessing to finance (case)	40.30	Assist to SME 511,330 cases
Employee 9,676,933 positions	92.94	Maintain hiring (position)	125.01	Employee 1,585,873 positions
	49.21 (49.21/11.91 = 4.13 Times)	Economic Benefit Multiplier (time)*	19.04 (19.04/4.61 = 4.13 Times)	

Cumulative Performance as of Jun 2024

Acc. Approval Credit Guarantee Amount 1,511,891 MB	Acc. Approved LG 1,216,078 LG	Economic Benefit Multiplier 6,496,985 MB
Create loan in the system 1,976,991 MB	Total Employment 12,962,978 positions	Outstanding Guarantee Amount 566,439 MB (37% of Acc. Approval Amount)

Acc TCG's Customers 851,643 SMEs

Penetration Rate of SMEs accessing Loans Compared to Total SMEs 26.45%

*Note: The 4.13x of economic benefit multiplier comes from returns of an increase in macroeconomic factors, employment, investment, consumption, direct and indirect taxation of entrepreneurs, consumers and related workers. (Research Paper of TDRI)

FAST & FIRST
รวดเร็ว รอบคอบ ที่หนึ่งในใจ SMEs

Thank You

Get in touch with us:
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Charn Issara Tower II, 16-18th Floor, 2922/243 New Petchburi Road, Bangkok
10310, Thailand

www.tcg.or.th tcg.or.th ห้องข่าว บสย. tcg_newsroom @tcgfirst

Presenter:
Mr. Celso Cutierrez
Senior Vice President
Philippine Guarantee Corporation
(Philguarantee)

36th ACSIC CONFERENCE NEPAL-2024

PHILGUARANTEE
Philippine Guarantee Corporation

The PHILGUARANTEE Experience

ASIAN BEST PRACTICES FOR INNOVATION FINANCING

ALBERTO E. PASCUAL
PRESIDENT AND CEO

www.philguarantee.gov.ph

ACSIC CONFERENCE 2024 THEME:
Financing Innovations For Economic Growth
"Shaping Innovative Future"

EXPORTS

PHILGUARANTEE
Philippine Guarantee Corporation

Moondish Foods (Processed Foods)

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EXPORTS

PHILGUARANTEE
Philippine Guarantee Corporation

Cutting Edge Productions, Inc. (Animation)

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EXPORTS

PHILGUARANTEE
Philippine Guarantee Corporation

Sees International Food Manufacturing Corp.
(Processed Food Banana Chips)

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EXPORTS

PHILGUARANTEE
Philippine Guarantee Corporation

Company: **Alliance Select Foods International, Inc.**
Purpose: **Acquisition of Spence and Co. Ltd.**
Funder: **Rizal Commercial Banking Corp. and Philippine Veterans Bank**

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EXPORTS

PHILGUARANTEE
Philippine Guarantee Corporation

HBC, INC. Manufacturing of Cosmetics World Partners Bank

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EXPORTS

PHILGUARANTEE
Philippine Guarantee Corporation

70-80% of Vios Underchassis Assemblies
Worldwide came from the Philippines

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PRIORITY PROJECTS (TOURISM)

PHILGUARANTEE
Philippine Guarantee Corporation

Pacific Concord Properties, Inc. Mandaluyong City
Purpose : Construction of Condotel (Lancaster Hotel)

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PRIORITY PROJECTS (TOURISM)

PHILGUARANTEE
Philippine Guarantee Corporation

Federal Land, Inc. All over Metro Manila

www.philguarantee.gov.ph

PRIORITY PROJECTS (TOURISM)

PHILGUARANTEE
Philippine Guarantee Corporation

Hilton Cebu Resort and Spa Mactan Island, Cebu

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PRIORITY PROJECTS (TOURISM)

PHILGUARANTEE
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Subic Park Hotel Olongapo, Zambales

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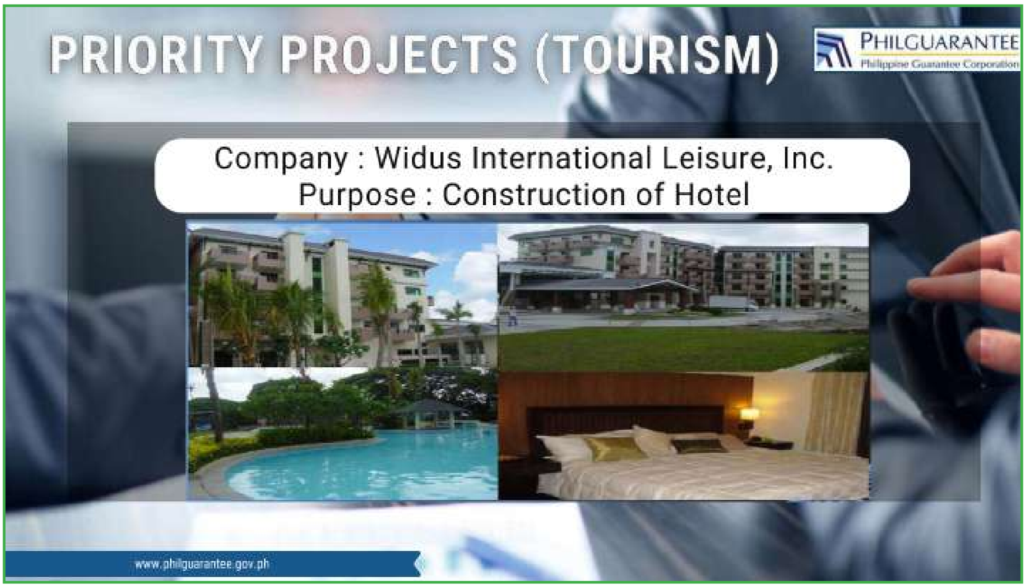

PRIORITY PROJECTS (TOURISM)

PHILGUARANTEE
Philippine Guarantee Corporation

Company : Widus International Leisure, Inc.
Purpose : Construction of Hotel

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PRIORITY PROJECTS (MANUFACTURING)

PHILGUARANTEE
Philippine Guarantee Corporation

Company : Steel Asia Manufacturing
Purpose : Rebar Manufacturing

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PRIORITY PROJECTS (INFRASTRUCTURE)

PHILGUARANTEE
Philippine Guarantee Corporation

Clark Development Corporation (Terminal Radar)

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PRIORITY PROJECTS
(RENEWABLE ENERGY)

PHILGUARANTEE
Philippine Guarantee Corporation

Company : Northwind Power Development Corporation (Power Industry

Purpose : Power Generation / Wind Farm Facility
(First in the Philippines and in Southeast Asia)

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PRIORITY PROJECTS
(RENEWABLE ENERGY)

PHILGUARANTEE
Philippine Guarantee Corporation

First Philec Solar Power Corporation

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PRIORITY PROJECTS
(RENEWABLE ENERGY)

PHILGUARANTEE
Philippine Guarantee Corporation

Company : First Gen Corporation (Power Industry)
Purpose : Expansion of energy growth projects

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PRIORITY PROJECTS

PHILGUARANTEE
Philippine Guarantee Corporation

Company : Panay Energy Development Corporation
Purpose : Fund equity via issuance of corporate notes

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PRIORITY PROJECTS (SUPPORT TO AGRI)

PHILGUARANTEE
Philippine Guarantee Corporation

Company : Philippine Phosphate Fertilizer Corporation
Purposes : Guarantee on Notes Facility / Working Capital

PHILIPPINE PHOSPHATE FERTILIZER CORPORATION

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PRIORITY PROJECTS (MINING)

PHILGUARANTEE
Philippine Guarantee Corporation

Carmen Copper Corporation

www.philguarantee.gov.ph

Projects Guaranteed: Tourism

PHILGUARANTEE
Philippine Guarantee Corporation

Beach Hotel

The development finance acumen of PHILGUARANTEE showed it can gems in the rough. When this hotel project was started, skeptics abound saying the project would fail. However, together with PHILGUARANTEE, the proponents persisted and did well. Today, the area where this project pioneered the construction of a hotel is a sought-after strip of beach property. Almost all 5-star international resort hotels of the province are located in the area. PHILGUARANTEE guaranteed the loan of Php 200.0 Million for the construction and the socio-economic dividends is a boom in tourism.

Boutique Hotel in Cebu

Influx of tourist both from foreign and local brought demand for additional quality hotel rooms which prompted proponents to build the project. Energy efficiency and sustainability were embedded in the project with its energy needs partly supplied by solar panels installed in the roof.

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Projects Guaranteed: Tourism

PHILGUARANTEE
Philippine Guarantee Corporation

Hotel in Clark

Due to its proximity to an international airport, the hotel attracted foreign tourist who were passionate to play golf during weekends. They fly in on Friday night or early Saturday, play golf for 2 days then fly out refreshed to start their work week. The hotel also catered to medical tourism, the wives of the mostly male golfers have their cosmetic surgeries done over the weekend.

Villas in Subic

While originally built for dignitaries when the Philippines hosted an APEC Summit. The villas which are located in an economic zone, were later used as tourist accommodation and some had long term leases used as executive housing for locators in the ecozone.

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Projects Guaranteed: Energy Projects

PHILGUARANTEE
Philippine Guarantee Corporation

Wind Farm Project

The first wind farm in Southeast Asia, the Wind Power project not only contributes to the Philippines' renewable energy goals but also serves as an iconic landmark, attracting tourists and promoting environmental sustainability. The project has 30 wind turbine towers with a capacity of 33 MW. It supplies 40% of the local power requirement of the province where it is located.

The USD 30.0 Million, 10-year loan term of the project from ABN-AMRO and Nordea was guaranteed by PHILGUARANTEE. The total loans of the project were subsidized by the Danish International Development Agency (DANIDA), which provided an additional interest-free loan for the project (not guaranteed by PHILGUARANTEE).

Geothermal Plant

The Palinpinon Geothermal base load power plant has a capacity of 192.5 MW. PHILGUARANTEE guaranteed a Php2.0 Billion, 5-year term loan for the proponents to rehabilitate and improve efficiency which increased its capacity to its current level.

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Projects Guaranteed: Tourism

PHILGUARANTEE
Philippine Guarantee Corporation

Coal Power Plant

The island of Panay composed of 3 provinces located in Central Philippines, is a major agricultural, industrial and tourism economic hub. It had been experiencing severe electricity shortage and a base load power plant is needed. PHILGUARANTEE guaranteed Php 1.0 Billion of the project proponent to build a 40 MW Power plant which resolved the power shortage.

Oil distribution Company

With the liberalization of the oil industry, a medium sized company which is just a regional player, wanted to expand its network through out the country. The oil industry then was controlled by 3 huge distributors, 2 of which are owned by multinationals and the third was a former government corporation that was privatized. Smaller oil distributors needed to be given a break to provide competition under a liberalized environment.

For the company, which has successfully challenged and successfully taken market share in their region from the big 3, this meant a huge amount of working capital will be needed. PHILGUARANTEE provided a Php 2.0Billion guarantee to its working capital loan. The project succeeded in providing more competition in the industry which benefitted consumers. After completion of its expansion, the company successfully listed in the stock exchange.

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Projects Guaranteed: Tourism

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Mining company (Benguet)

This company extract gold and copper with minimal amount of silver. Mine tailings are its by-product which just accumulates in a pond and pose environmental risks as it is uneconomical to extract further its mineral content. When prices of gold, silver and copper reached peak levels, PHILGUARANTEE provided a Php 200.0 Million loan for the company to purchase and install additional equipment to recover gold and silver from the mine tailings. The project is a successful utilization of what is considered uneconomic tailings and resulted in less environment waste. At that time, an ounce of gold was at USD 1,500 while break even of the company was USD 400/ ounce which made economic sense for the project to be undertaken.

Water Distribution Company

The country was developing a large former US Military base into an economic zone and expected to provide jobs for its community. Infrastructure needs to be improved and expanded. Efficient and wider water distribution with consistent availability both for industrial and consumer use was identified as a key infrastructure in making the area a successful economic zone.

PHILGUARANTEE provided guarantee to a Php 500.0 Million 5-year term loan for the proponents to tap additional water sources and reduce non-revenue water due to leaks in the existing system. The project also included a waste water treatment and recovery plant.

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Projects Guaranteed: Tourism

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Philippine Guarantee Corporation

Copper Mining in Cebu

With prices of copper increasing, the company saw an opportunity to rehabilitate a flooded copper mine. PHILGUARANTEE provided a Php500 Million guarantee to successfully de-water the flooded mine and rehabilitate it.

Cosmetic Product Exporter

The company was successful in penetrating the export market and its products were sought after. PHILGUARANTEE provided a P200.0 Million guarantee for working capital to strengthen its supply chain.

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Projects Guaranteed: Tourism

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Philippine Guarantee Corporation

Banana Exporter

With its mandate to support exporters, PHILGUARANTEE provided Php 500.0 Million guarantee to the company's working capital line for its operations to sustain its exports.

Steel Manufacturer

PHILGUARANTEE guaranteed the company for Php 1.3 Billion to rehabilitate its business and re-start the steel industry in the Philippines. It is now a market leader and continues to expand supporting the country's infrastructure build up and creating jobs

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Projects Guaranteed

PHILGUARANTEE
Philippine Guarantee Corporation

Local Government Units (LGU) Bonds

Portfolio Guarantee

as of June 30, 2024

43,326
Micro, Small and Medium Enterprises (MSMEs)

182,409
Socialized, Low-Cost, Medium and Open Housing

772,132
Small Farmers and Fisherfolk (SFFs)

19
Electric Cooperatives

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PHILGUARANTEE
Philippine Guarantee Corporation

The Principal Agency for State Guarantee Finance of the Philippines

THANK YOU.

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Presenter:
Ms. Richa Choudhary
Manager
Credit Guarantee Fund Trust for Micro &
Small Enterprises (CGTMSE)

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Asian best practices for Innovation financing

September 22, 2024

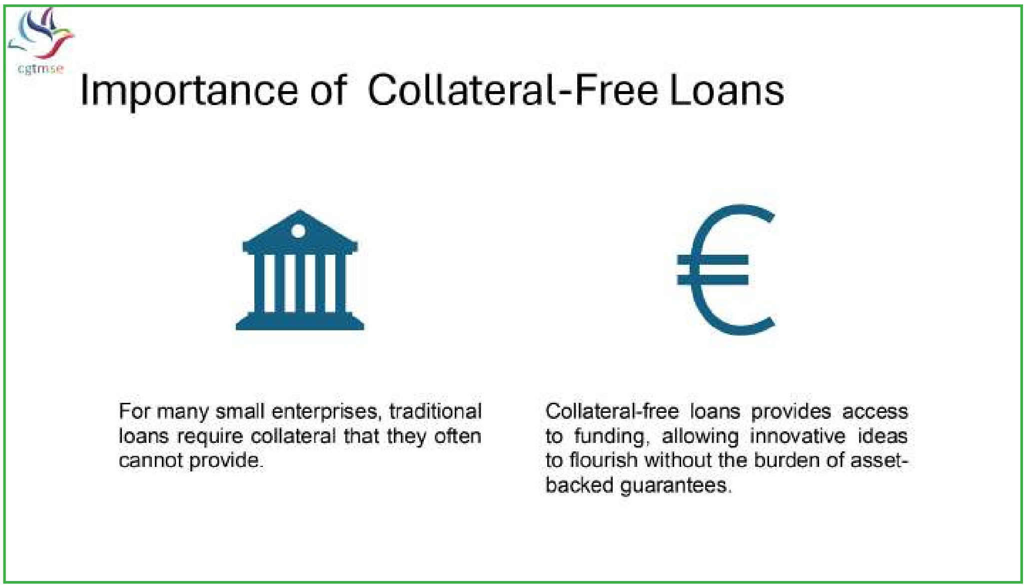
Overview

- About CGTMSE
- Initiatives in Innovation
- Growth in Guarantees

cgtmse

About CGTMSE

- Setup as Trust in 2000 by MSME GoI & SIDBI, Administered by Board of Trustees
- Centrally Operated From Mumbai by a small team
- 231 Member Lending Institutions which includes Banks, FIs, Co-operative Banks, RRBs & NBFCs



cgtmse

Importance of Collateral-Free Loans

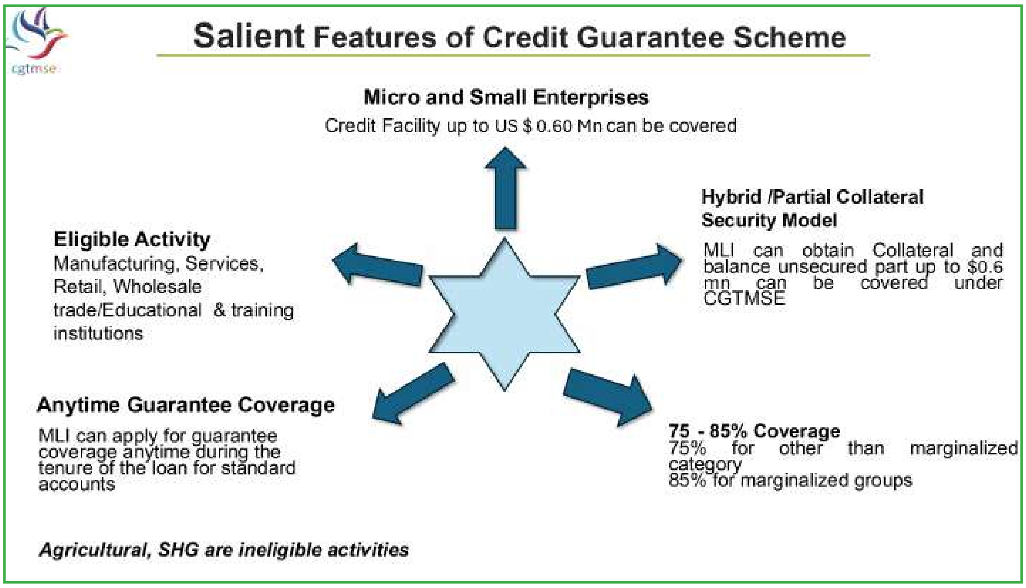
For many small enterprises, traditional loans require collateral that they often cannot provide.

Collateral-free loans provides access to funding, allowing innovative ideas to flourish without the burden of asset-backed guarantees.

cgtmse

Objectives of CGTMSE

- Facilitating Collateral Free / Third Party Guarantee free loans
- Encouraging Financial Inclusion through hassle free access to finance / credit
- Create opportunities for MSEs for further economic development



Salient Features of Credit Guarantee Scheme

Micro and Small Enterprises
Credit Facility up to US $ 0.60 Mn can be covered

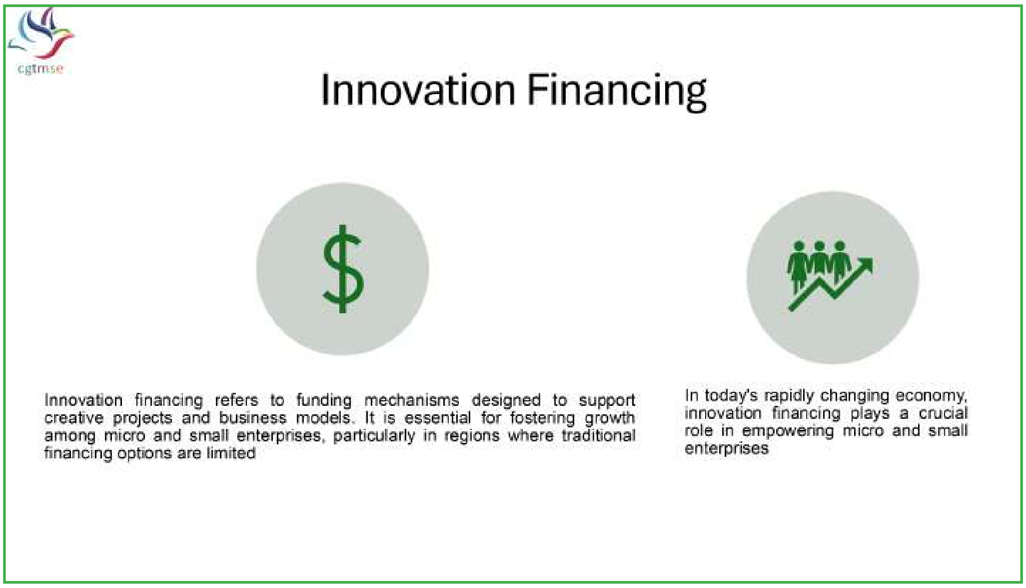
Hybrid /Partial Collateral Security Model
MLI can obtain Collateral and balance unsecured part up to $0.6 mn can be covered under CGTMSE

Eligible Activity
Manufacturing, Services, Retail, Wholesale trade/Educational & training institutions

Anytime Guarantee Coverage
MLI can apply for guarantee coverage anytime during the tenure of the loan for standard accounts

75 - 85% Coverage
75% for other than marginalized category
85% for marginalized groups

Agricultural, SHG are ineligible activities



Innovation Financing

Innovation financing refers to funding mechanisms designed to support creative projects and business models. It is essential for fostering growth among micro and small enterprises, particularly in regions where traditional financing options are limited

In today's rapidly changing economy, innovation financing plays a crucial role in empowering micro and small enterprises

Role of Innovation in Advancing MSE Growth through Credit Guarantees

Empowering MSEs through Innovation- Innovation is a catalyst for economic growth, particularly in the MSEs.

Innovation allows for the development of new financial instruments that better serve the unique needs of MSEs

Through innovative solutions, credit guarantee organizations can reduce the risks associated with MSE lending, promoting access to finance for businesses that are typically underserved

Best Practices in Asia

- Asian countries have developed unique strategies for providing collateral-free loans.
- Government-backed initiatives
- Partnerships with financial institutions
- Leveraging technology to assess creditworthiness

Government Initiatives in Asia

- Many Asian governments have launched programs to support collateral-free loans.
- These initiatives often include subsidised interest rates, grants and technical assistance to help businesses become bankable
- CGTMSE Collaboration with various State Govt. to enhance guarantee coverage & thus reducing risk of lending institutions.

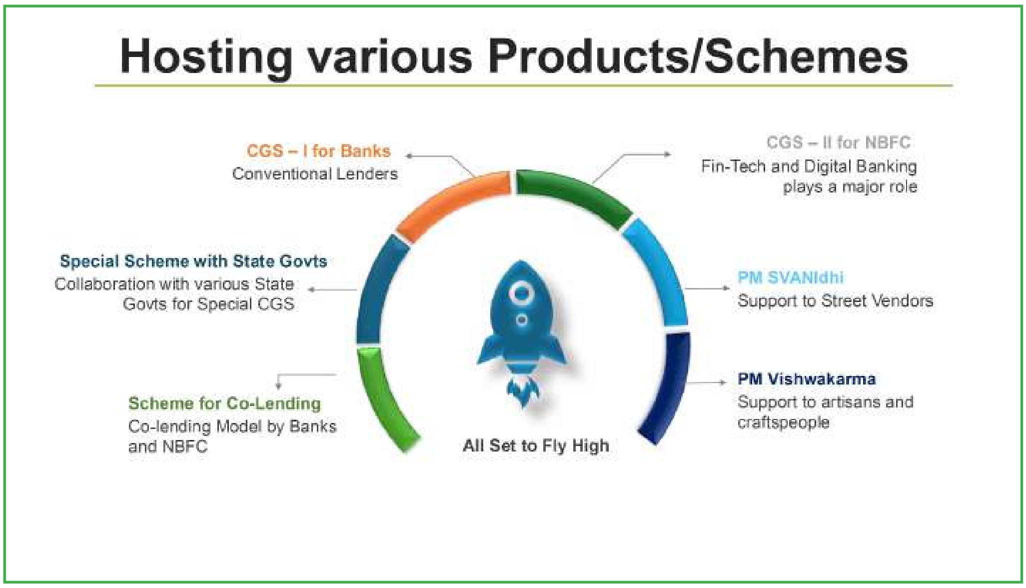
Role of Technology in Financing

- Technology plays a pivotal role in facilitating collateral-free loans.
- Blockchain, mobile banking, and online platforms streamline the lending process, making it easier for small enterprises to access funds.
- CGTMSE System improvements by API integration with major Banks for auto flow of application
- Auto approval of guarantee applications

Challenges faced by MSEs

Despite the availability of collateral-free loans, small enterprises often face challenges such as

- Limited financial literacy
- Lack of access to information
- Bureaucratic hurdles that hinder their growth



Hosting various Products/Schemes

CGS – I for Banks
Conventional Lenders

CGS – II for NBFC
Fin-Tech and Digital Banking plays a major role

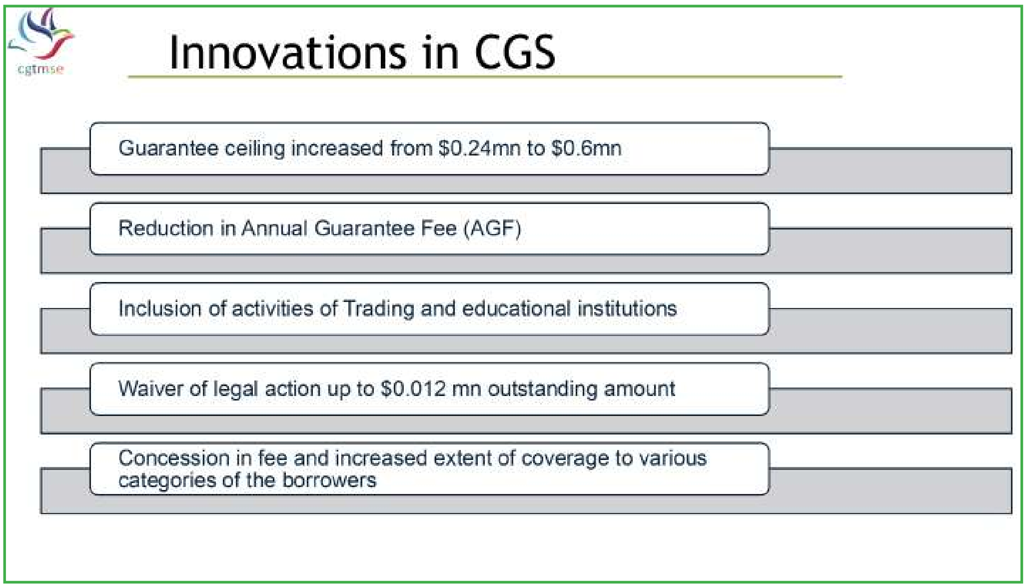
Special Scheme with State Govts
Collaboration with various State Govts for Special CGS

PM SVANIdhi
Support to Street Vendors

Scheme for Co-Lending
Co-lending Model by Banks and NBFC

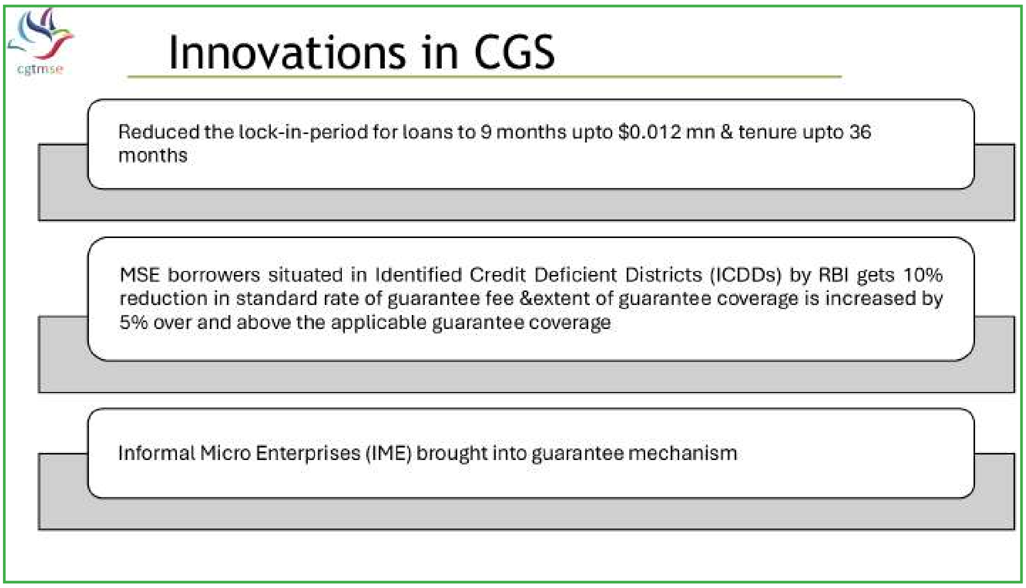
PM Vishwakarma
Support to artisans and craftspeople

All Set to Fly High



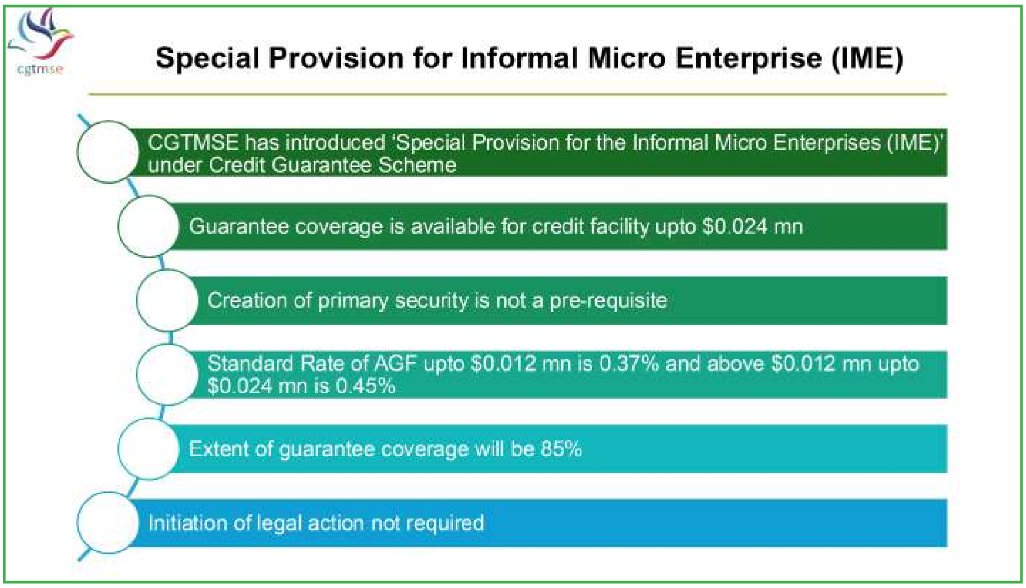
Innovations in CGS

- Guarantee ceiling increased from $0.24mn to $0.6mn
- Reduction in Annual Guarantee Fee (AGF)
- Inclusion of activities of Trading and educational institutions
- Waiver of legal action up to $0.012 mn outstanding amount
- Concession in fee and increased extent of coverage to various categories of the borrowers



Innovations in CGS

- Reduced the lock-in-period for loans to 9 months upto $0.012 mn & tenure upto 36 months
- MSE borrowers situated in Identified Credit Deficient Districts (ICDDs) by RBI gets 10% reduction in standard rate of guarantee fee &extent of guarantee coverage is increased by 5% over and above the applicable guarantee coverage
- Informal Micro Enterprises (IME) brought into guarantee mechanism



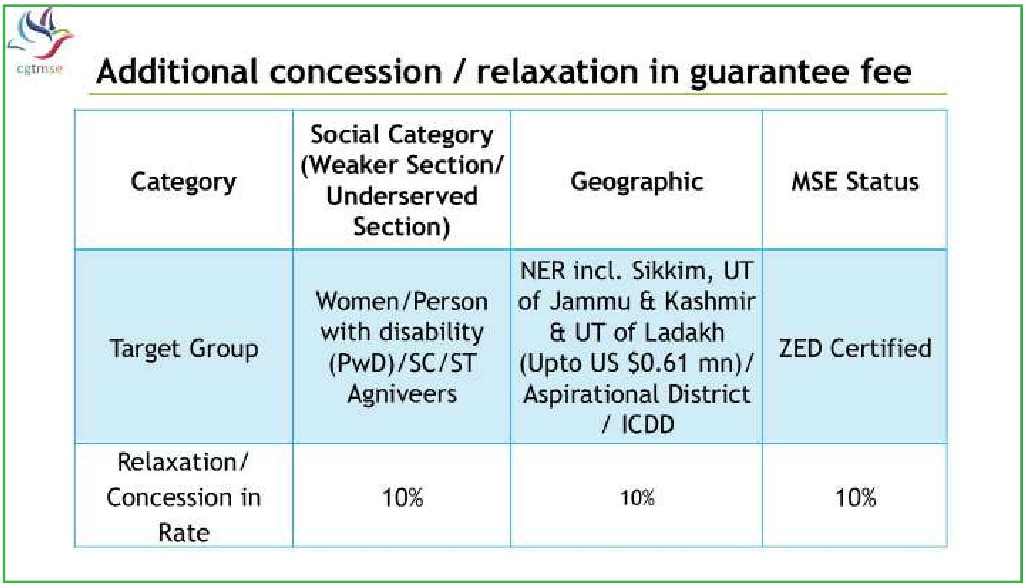
Special Provision for Informal Micro Enterprise (IME)

- CGTMSE has introduced 'Special Provision for the Informal Micro Enterprises (IME)' under Credit Guarantee Scheme
- Guarantee coverage is available for credit facility upto $0.024 mn
- Creation of primary security is not a pre-requisite
- Standard Rate of AGF upto $0.012 mn is 0.37% and above $0.012 mn upto $0.024 mn is 0.45%
- Extent of guarantee coverage will be 85%
- Initiation of legal action not required

Revised - Guarantee Fee - Standard rate

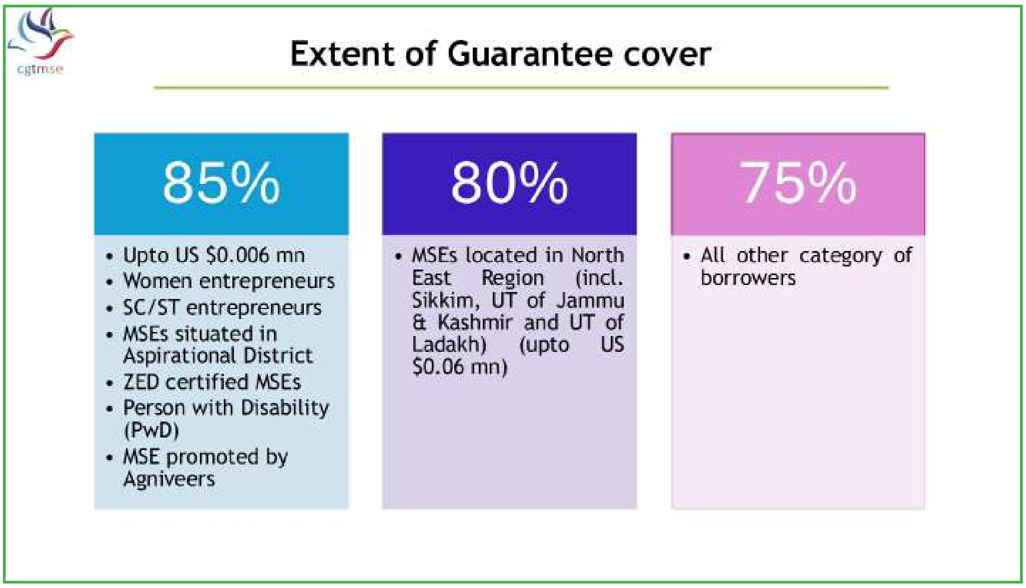
Slab (US $ Million)	Standard Rate (% pa)
0 - 0.012	0.37
Above 0.012 upto 0.06	0.55
Above 0.06 upto 0.12	0.60
Above 0.12 upto 0.24	1.20
Above 0.24 upto 0.60	1.35

Annual Guarantee Fee is charged on Loan Outstanding amount



Additional concession / relaxation in guarantee fee

Category	Social Category (Weaker Section/ Underserved Section)	Geographic	MSE Status
Target Group	Women/Person with disability (PwD)/SC/ST Agniveers	NER incl. Sikkim, UT of Jammu & Kashmir & UT of Ladakh (Upto US $0.61 mn)/ Aspirational District / ICDD	ZED Certified
Relaxation/ Concession in Rate	10%	10%	10%



Extent of Guarantee cover

85%

- Upto US $0.006 mn
- Women entrepreneurs
- SC/ST entrepreneurs
- MSEs situated in Aspirational District
- ZED certified MSEs
- Person with Disability (PwD)
- MSE promoted by Agniveers

80%

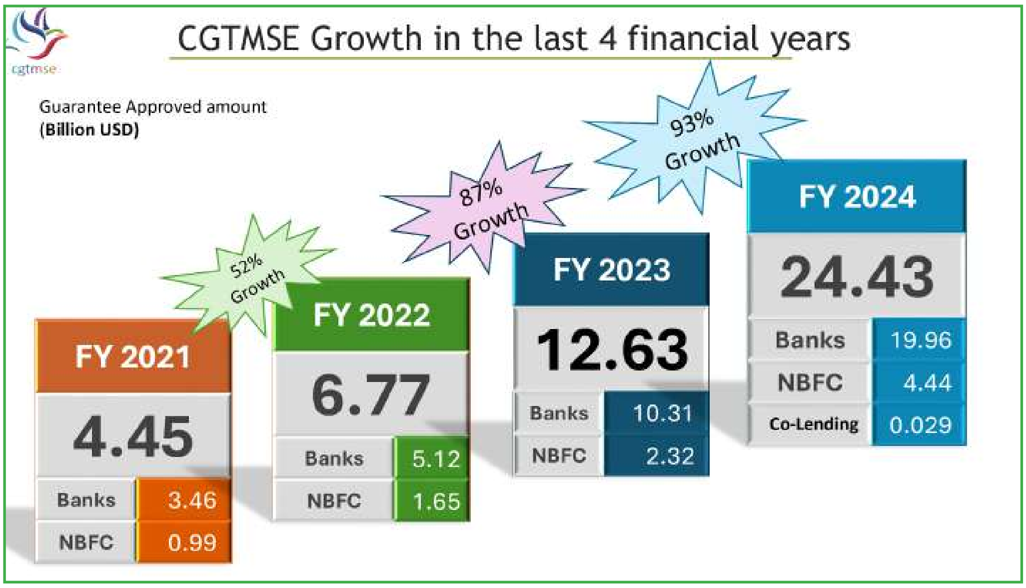
- MSEs located in North East Region (incl. Sikkim, UT of Jammu & Kashmir and UT of Ladakh) (upto US $0.06 mn)

75%

- All other category of borrowers

CGTMSE
Guarantee Growth

Let's dive in



CGTMSE Growth in the last 4 financial years

Guarantee Approved amount
(Billion USD)

52% Growth

87% Growth

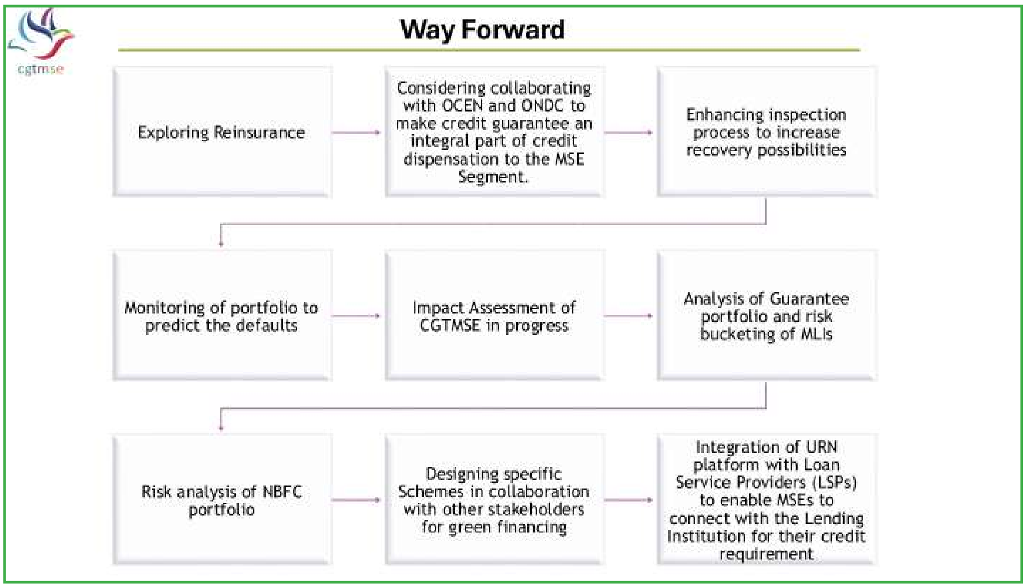
93% Growth

	FY 2021	FY 2022	FY 2023	FY 2024
	4.45	6.77	12.63	24.43
Banks	3.46	5.12	10.31	19.96
NBFC	0.99	1.65	2.32	4.44
Co-Lending				0.029

Future Trends in Innovation Financing

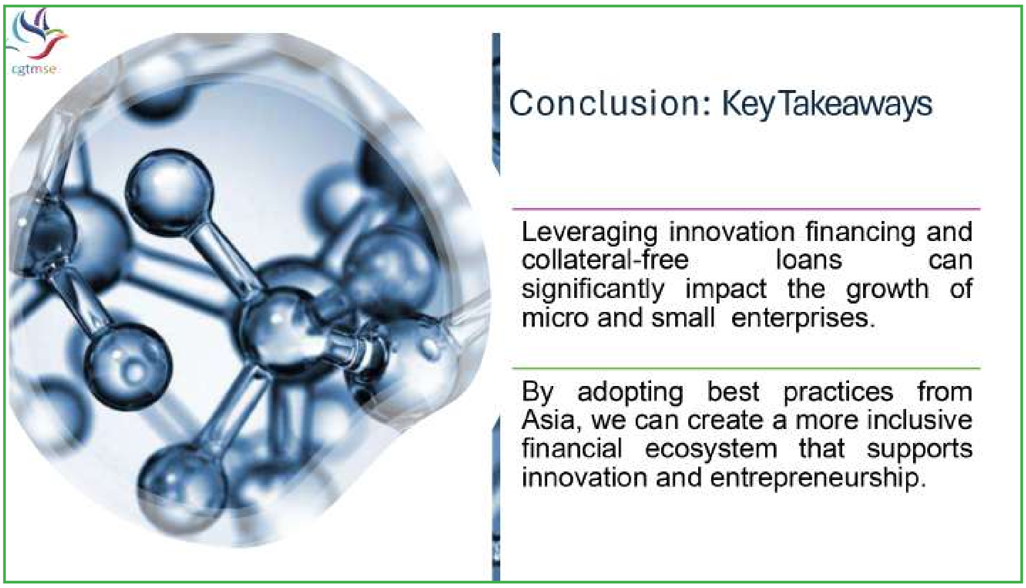
Future of innovation financing looks promising with emerging trends such as crowdfunding, impact investing and green financing.

These trends aim to provide more inclusive and sustainable funding options for small enterprises.



Way Forward

- Exploring Reinsurance
- Considering collaborating with OCEN and ONDC to make credit guarantee an integral part of credit dispensation to the MSE Segment.
- Enhancing inspection process to increase recovery possibilities
- Monitoring of portfolio to predict the defaults
- Impact Assessment of CGTMSE in progress
- Analysis of Guarantee portfolio and risk bucketing of MLIs
- Risk analysis of NBFC portfolio
- Designing specific Schemes in collaboration with other stakeholders for green financing
- Integration of URN platform with Loan Service Providers (LSPs) to enable MSEs to connect with the Lending Institution for their credit requirement



cgtmse

Conclusion: Key Takeaways

Leveraging innovation financing and collateral-free loans can significantly impact the growth of micro and small enterprises.

By adopting best practices from Asia, we can create a more inclusive financial ecosystem that supports innovation and entrepreneurship.

cgtmse

Thank You

@CGTMSEOfficial @CGTMSEOfficial CGTMSE Youtube Channel

Presenter:

Mr. Yohei Yamaguchi

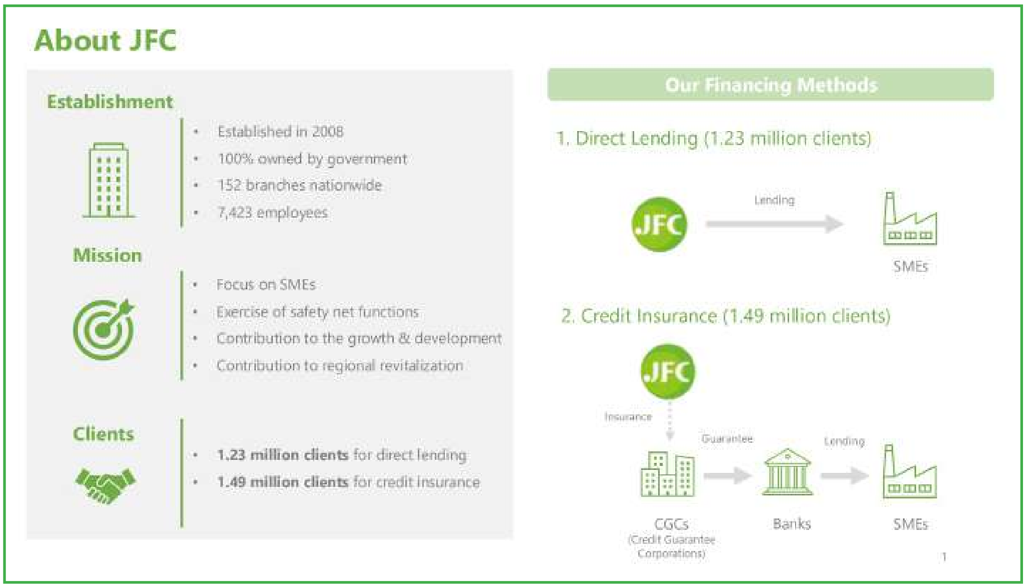
Senior Economist

Japan Finance Corporation (JFC)

The 36th ACSIC Conference
Kathmandu, Nepal

How JFC Manages the Risk of Financing Innovation

JFC



About JFC

Establishment

- Established in 2008
- 100% owned by government
- 152 branches nationwide
- 7,423 employees

Mission

- Focus on SMEs
- Exercise of safety net functions
- Contribution to the growth & development
- Contribution to regional revitalization

Clients

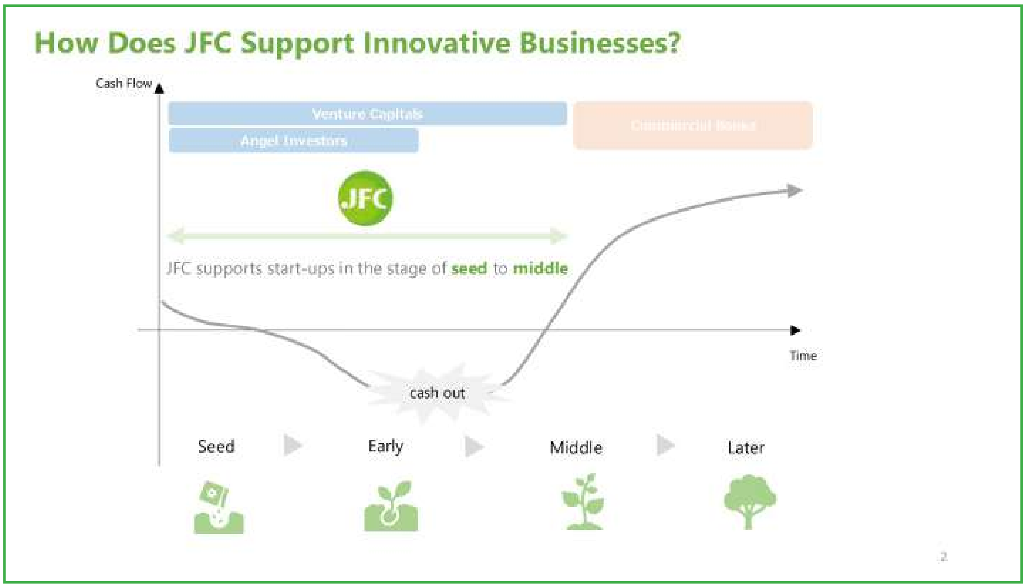
- **1.23 million clients** for direct lending
- **1.49 million clients** for credit insurance

Our Financing Methods

1. Direct Lending (1.23 million clients)

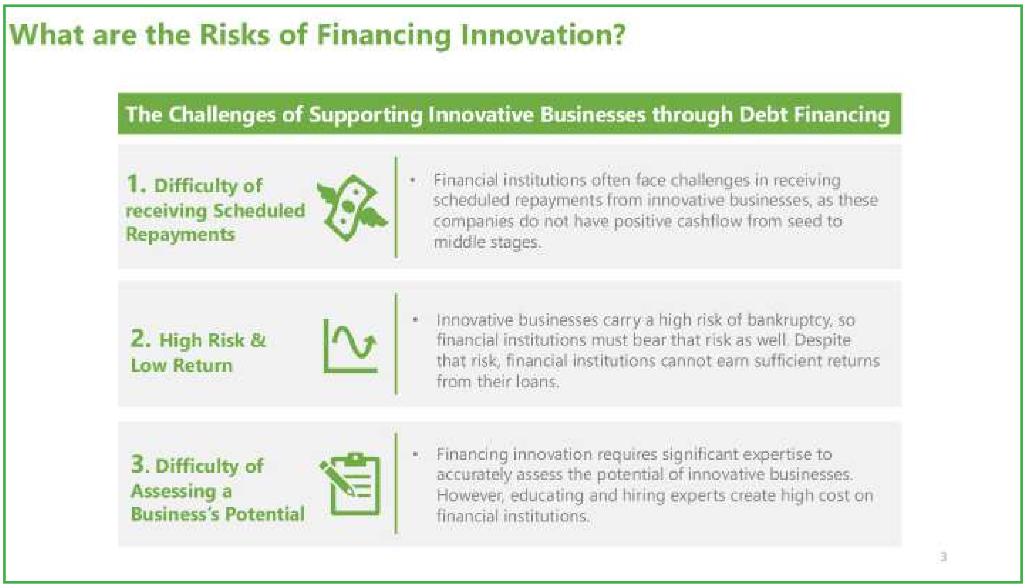
2. Credit Insurance (1.49 million clients)

1



How Does JFC Support Innovative Businesses?

JFC supports start-ups in the stage of **seed** to **middle**



What are the Risks of Financing Innovation?

The Challenges of Supporting Innovative Businesses through Debt Financing

1. Difficulty of receiving Scheduled Repayments	• Financial institutions often face challenges in receiving scheduled repayments from innovative businesses, as these companies do not have positive cashflow from seed to middle stages.
2. High Risk & Low Return	• Innovative businesses carry a high risk of bankruptcy, so financial institutions must bear that risk as well. Despite that risk, financial institutions cannot earn sufficient returns from their loans.
3. Difficulty of Assessing a Business's Potential	• Financing innovation requires significant expertise to accurately assess the potential of innovative businesses. However, educating and hiring experts create high cost on financial institutions.

How JFC Manages the Risks

1. Risk Sharing with Financial Institutions

a. Cooperative Loan Programs

b. Start-up Promotion Guarantee

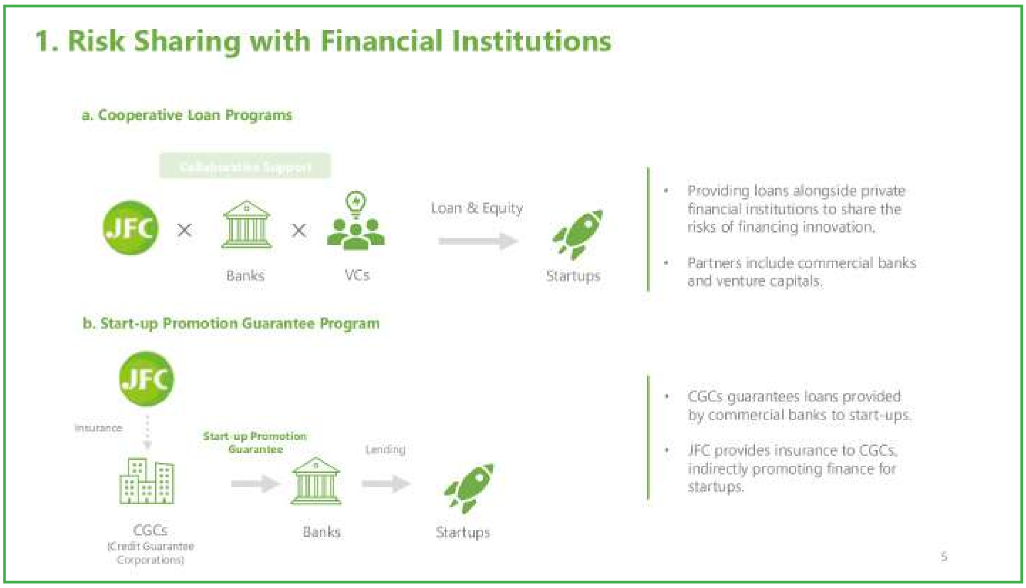
2. Venture Debt Schemes for Innovative Businesses

a. Stock Acquisition Rights Loans

b. Capital Subordinated Loans (mezzanine finance)

3. Specialized Teams for Innovative Businesses

23 offices for innovative businesses



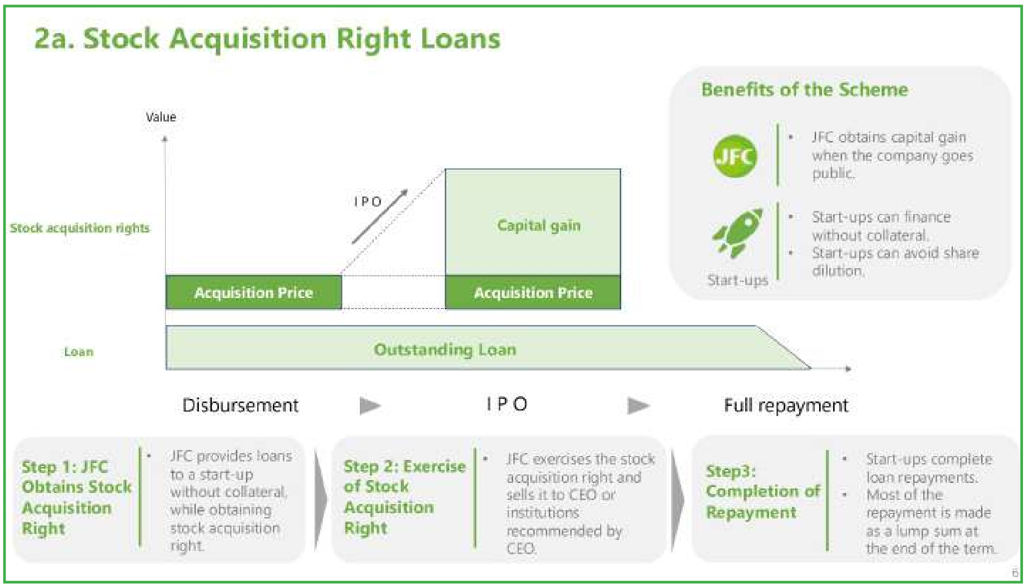
1. Risk Sharing with Financial Institutions

a. Cooperative Loan Programs

- Providing loans alongside private financial institutions to share the risks of financing innovation.
- Partners include commercial banks and venture capitals.

b. Start-up Promotion Guarantee Program

- CGCs guarantees loans provided by commercial banks to start-ups.
- JFC provides insurance to CGCs, indirectly promoting finance for startups.



2a. Stock Acquisition Right Loans

Benefits of the Scheme

- JFC obtains capital gain when the company goes public.

- Start-ups can finance without collateral.
- Start-ups can avoid share dilution.

Step 1: JFC Obtains Stock Acquisition Right

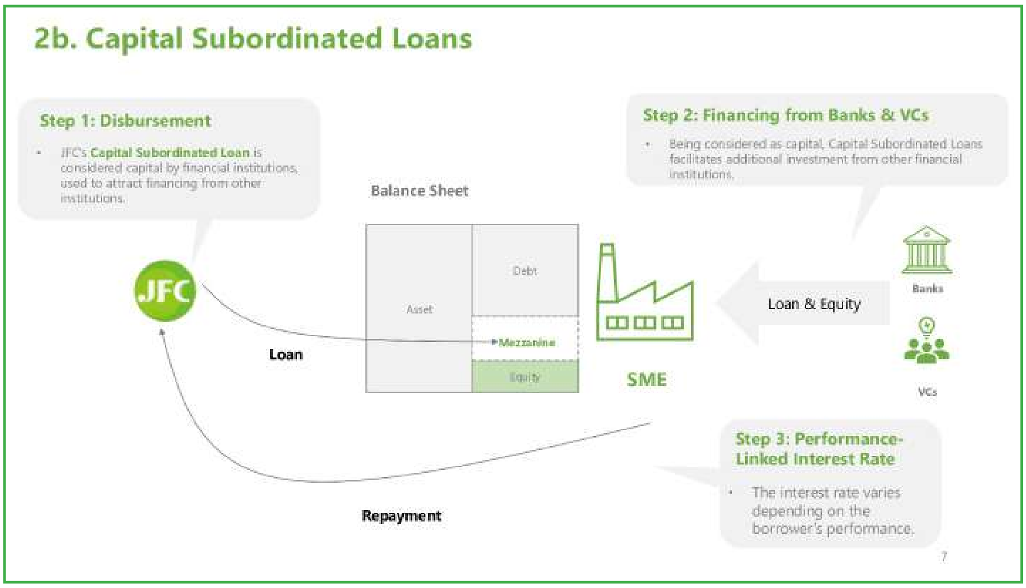
- JFC provides loans to a start-up without collateral, while obtaining stock acquisition right.

Step 2: Exercise of Stock Acquisition Right

- JFC exercises the stock acquisition right and sells it to CEO or institutions recommended by CEO.

Step3: Completion of Repayment

- Start-ups complete loan repayments.
- Most of the repayment is made as a lump sum at the end of the term.



2b. Capital Subordinated Loans

Step 1: Disbursement

- JFC's **Capital Subordinated Loan** is considered capital by financial institutions, used to attract financing from other institutions.

Step 2: Financing from Banks & VCs

- Being considered as capital, Capital Subordinated Loans facilitates additional investment from other financial institutions.

Step 3: Performance-Linked Interest Rate

- The interest rate varies depending on the borrower's performance.

3. Specialized Teams for Innovative Businesses

Screening Consulting Seminar

● Start-up Support Plazas

Seed Early

- 4 plazas in metropolitan cities, offering seminars, consulting services, and loan screening in collaboration with other start-up support institutions.

Seminar

● Business Start-up Support Centers

Seed Early

- 14 Business Start-up Support Centers nationwide, offering events and seminars to foster entrepreneurial activity in Japan.

Screening Consulting

● Business Support Plazas

Seed Early

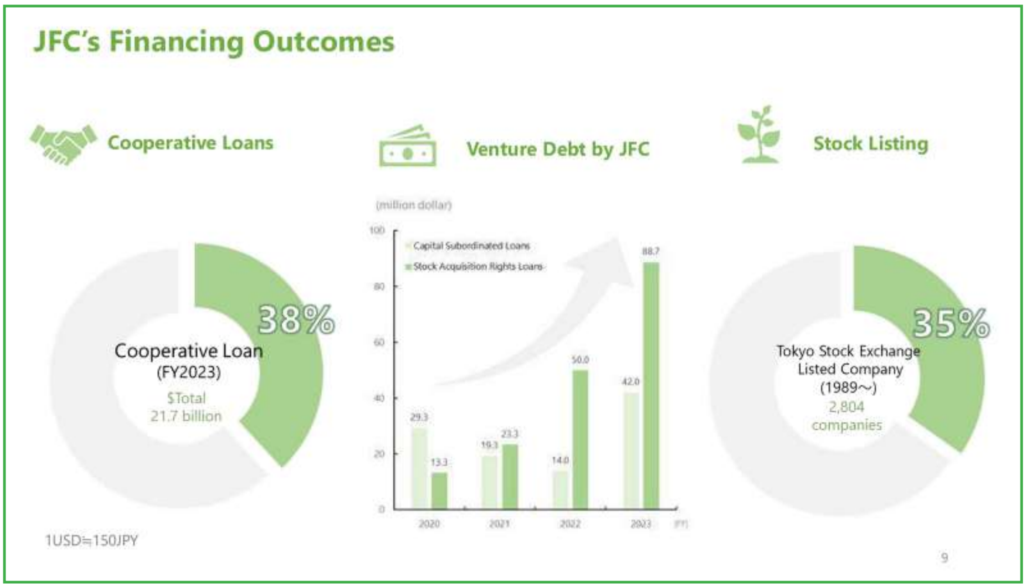
- 3 Business Support Plazas in metropolitan cities, supporting pre-seed/seed-stage startups with consulting services and seminars.

Screening

● New & Start-up Business Support Administration

Early Middle

- 2 New & Start-up Business Support Administration offices, specialized in loan screening for business start-ups with professional staffs.



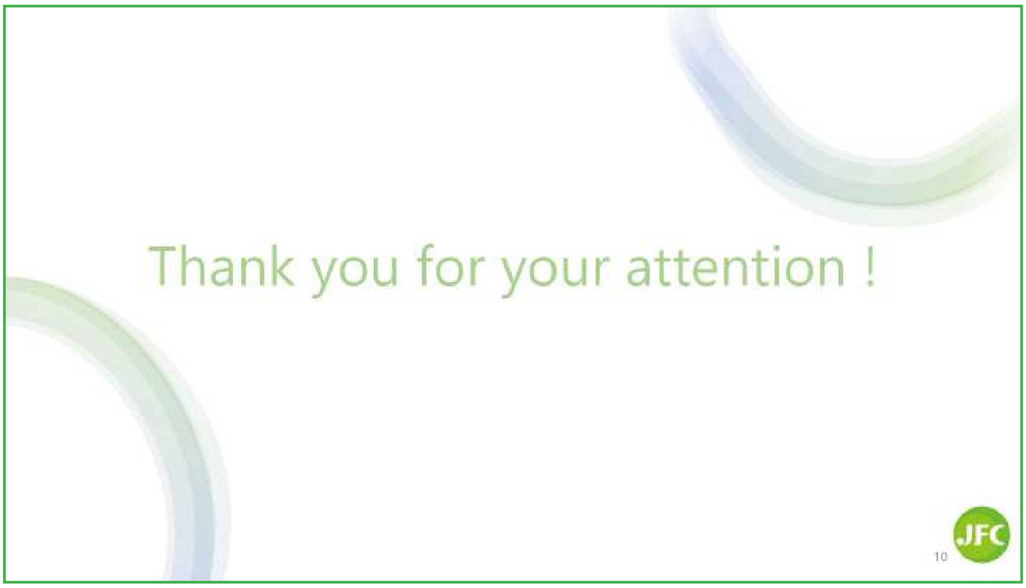
JFC's Financing Outcomes

Cooperative Loans

Venture Debt by JFC

Stock Listing

1USD≒150JPY



Thank you for your attention !

Presenter:
Ms. Jiyeong Cha
Deputy General Manager of KOREG Central
Korea Federation of Credit Grarantee
Foundation (KOREG)

KOREG

The Role of Reginal Credit Guarantee and Its Risk Management

2024.9.22.

Contents

- Ⅰ Overview of KOREG / CGFs
- Ⅱ Current Status and Role of Regional Credit Guarantee Support
- Ⅲ Risk Management Schemes

I Overview of KOREG / CGFs

I Overview of KOREG / CGFs

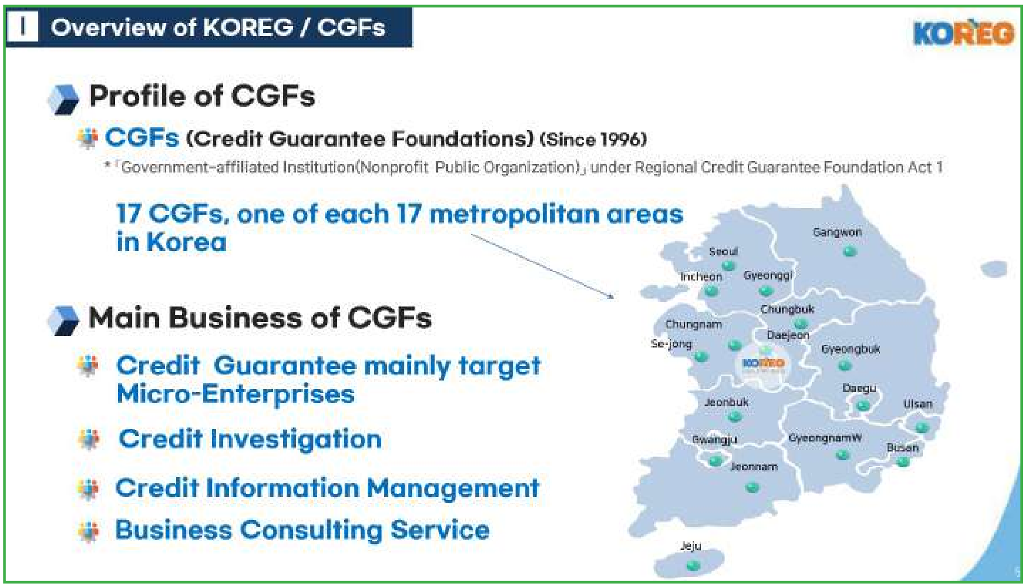
Profile of KOREG

- **KOREG** (Korea Federation of Credit Guarantee Foundations) (Since 2000.8)

“promote regional economic revitalization by guaranteeing the debts of small and micro-enterprises.”

Main Business of KOREG

- RE-guarantee Service for CGFs
- Operation of Integrated Information System
- Education and Training for executives and employees of CGFs
- Planning Credit Guarantee Scheme, Etc



I Overview of KOREG / CGFs

Profile of CGFs

- **CGFs** (Credit Guarantee Foundations) (Since 1996)

* 「Government-affiliated Institution(Nonprofit Public Organization)」 under Regional Credit Guarantee Foundation Act 1

17 CGFs, one of each 17 metropolitan areas in Korea

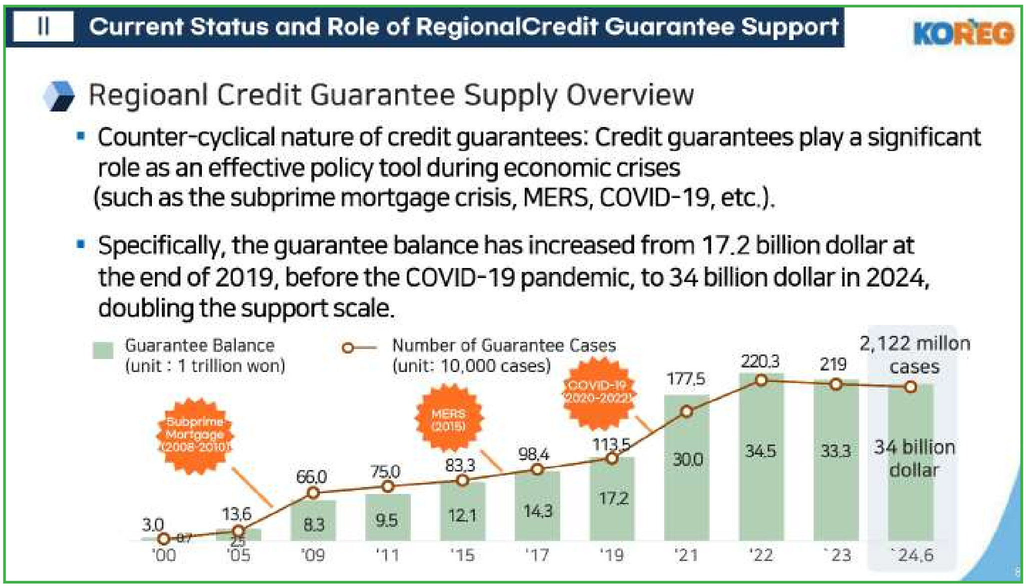
Main Business of CGFs

- Credit Guarantee mainly target Micro-Enterprises
- Credit Investigation
- Credit Information Management
- Business Consulting Service

I Overview of KOREG / CGFs

STRONG Re-Guarantee System : Reasonable Role Sharing Between Central Government and Local Governments

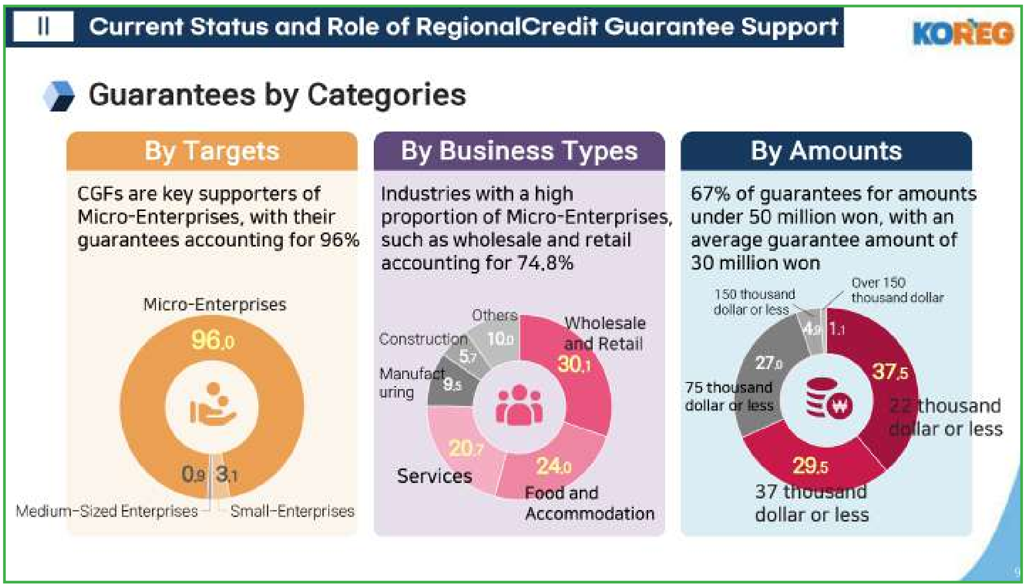
II Current Status and Role of Regional Credit Guarantee Support



II Current Status and Role of RegionalCredit Guarantee Support

Regioanl Credit Guarantee Supply Overview

- Counter-cyclical nature of credit guarantees: Credit guarantees play a significant role as an effective policy tool during economic crises (such as the subprime mortgage crisis, MERS, COVID-19, etc.).
- Specifically, the guarantee balance has increased from 17.2 billion dollar at the end of 2019, before the COVID-19 pandemic, to 34 billion dollar in 2024, doubling the support scale.



Ⅱ **Current Status and Role of RegionalCredit Guarantee Support**

KOREG

Guarantees by Categories

By Targets

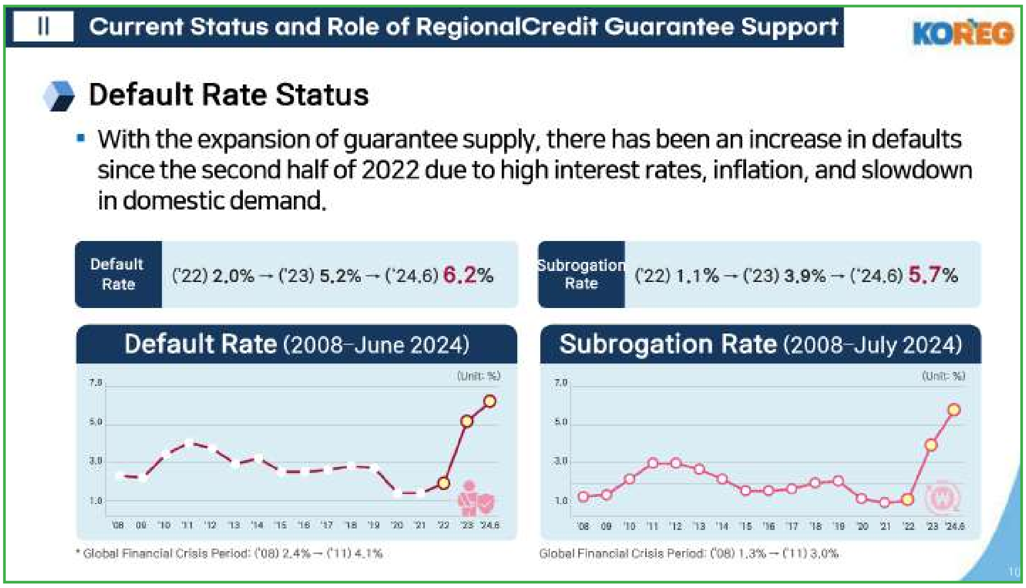
CGFs are key supporters of Micro-Enterprises, with their guarantees accounting for 96%

By Business Types

Industries with a high proportion of Micro-Enterprises, such as wholesale and retail accounting for 74.8%

By Amounts

67% of guarantees for amounts under 50 million won, with an average guarantee amount of 30 million won



Ⅱ **Current Status and Role of RegionalCredit Guarantee Support**

KOREG

Default Rate Status

- With the expansion of guarantee supply, there has been an increase in defaults since the second half of 2022 due to high interest rates, inflation, and slowdown in domestic demand.

Default Rate ('22) 2.0% → ('23) 5.2% → ('24.6) **6.2%**

Subrogation Rate ('22) 1.1% → ('23) 3.9% → ('24.6) **5.7%**

Default Rate (2008–June 2024)

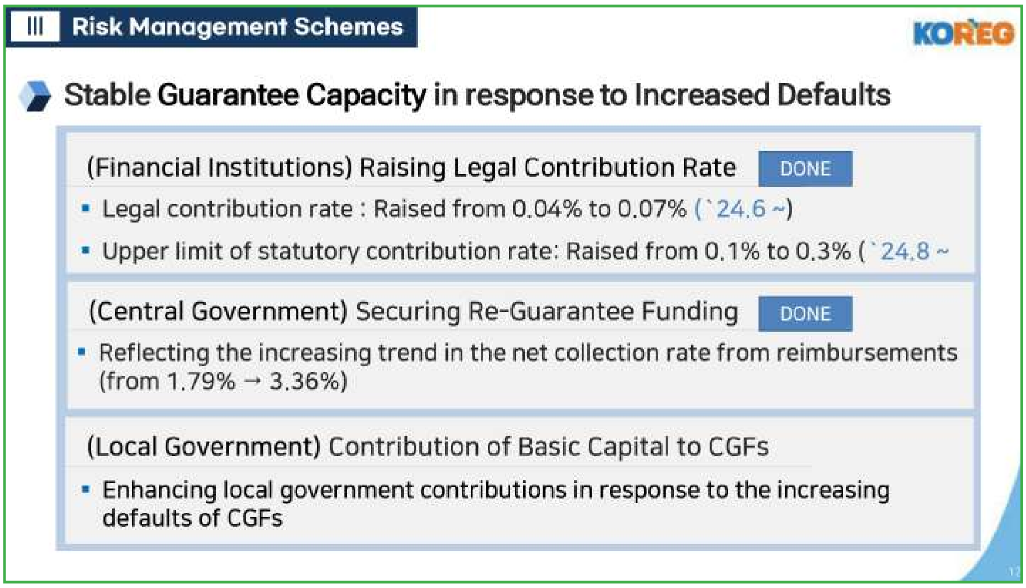
* Global Financial Crisis Period: ('08) 2.4% → ('11) 4.1%

Subrogation Rate (2008–July 2024)

Global Financial Crisis Period: ('08) 1.3% → ('11) 3.0%

KOREG

Ⅲ Risk Management Schemes



III **Risk Management Schemes**

KOREG

Stable Guarantee Capacity in response to Increased Defaults

(Financial Institutions) Raising Legal Contribution Rate DONE

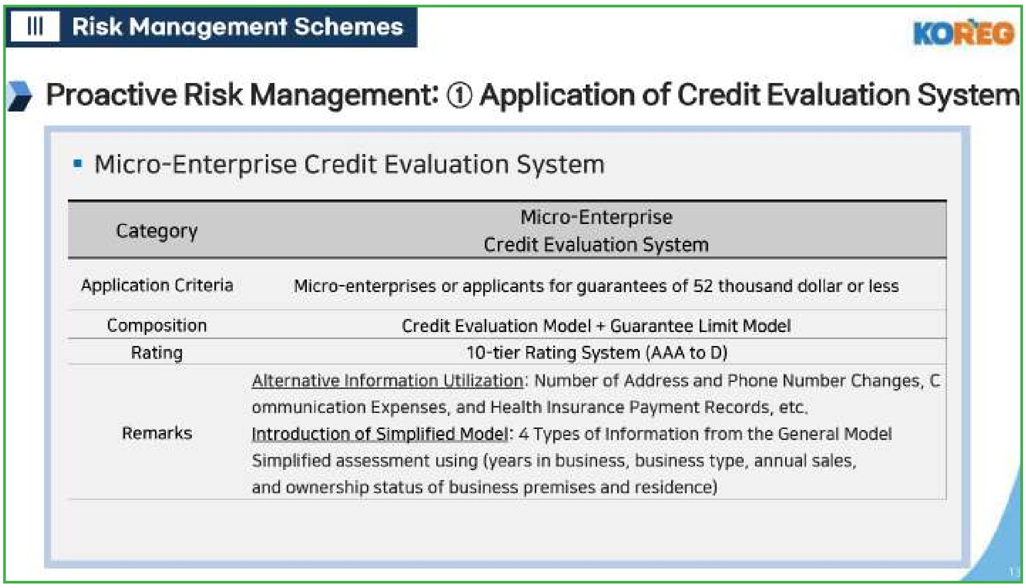
- Legal contribution rate : Raised from 0.04% to 0.07% (`24.6 ~)
- Upper limit of statutory contribution rate: Raised from 0.1% to 0.3% (`24.8 ~

(Central Government) Securing Re-Guarantee Funding DONE

- Reflecting the increasing trend in the net collection rate from reimbursements (from 1.79% → 3.36%)

(Local Government) Contribution of Basic Capital to CGFs

- Enhancing local government contributions in response to the increasing defaults of CGFs



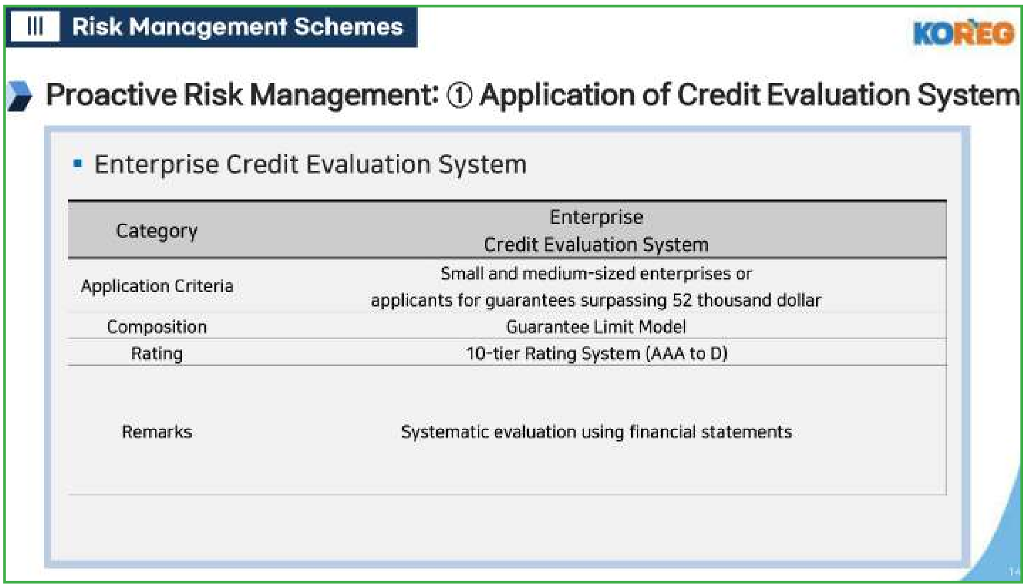
III **Risk Management Schemes**

KOREG

Proactive Risk Management: ① Application of Credit Evaluation System

- Micro-Enterprise Credit Evaluation System

Category	Micro-Enterprise Credit Evaluation System
Application Criteria	Micro-enterprises or applicants for guarantees of 52 thousand dollar or less
Composition	Credit Evaluation Model + Guarantee Limit Model
Rating	10-tier Rating System (AAA to D)
Remarks	Alternative Information Utilization: Number of Address and Phone Number Changes, Communication Expenses, and Health Insurance Payment Records, etc. Introduction of Simplified Model: 4 Types of Information from the General Model Simplified assessment using (years in business, business type, annual sales, and ownership status of business premises and residence)



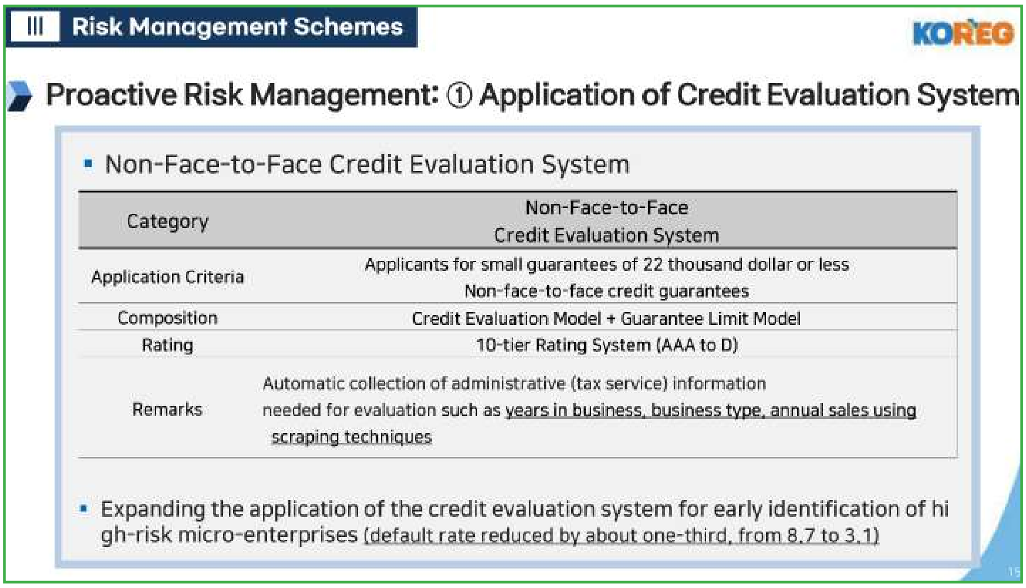
III **Risk Management Schemes**

KOREG

Proactive Risk Management: ① Application of Credit Evaluation System

- Enterprise Credit Evaluation System

Category	Enterprise Credit Evaluation System
Application Criteria	Small and medium-sized enterprises or applicants for guarantees surpassing 52 thousand dollar
Composition	Guarantee Limit Model
Rating	10-tier Rating System (AAA to D)
Remarks	Systematic evaluation using financial statements



III Risk Management Schemes

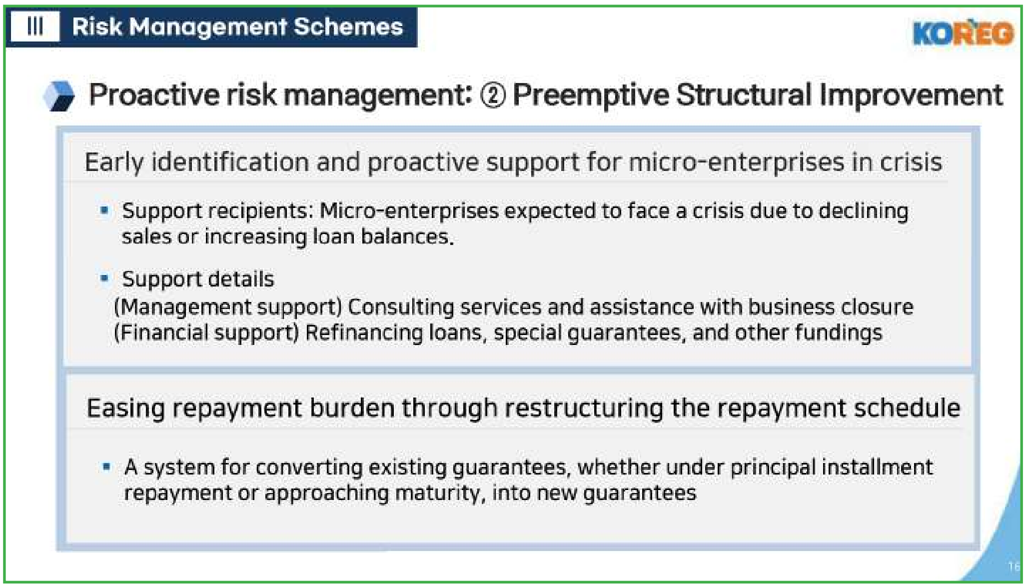
KOREG

Proactive Risk Management: ① Application of Credit Evaluation System

- Non-Face-to-Face Credit Evaluation System

Category	Non-Face-to-Face Credit Evaluation System
Application Criteria	Applicants for small guarantees of 22 thousand dollar or less Non-face-to-face credit guarantees
Composition	Credit Evaluation Model + Guarantee Limit Model
Rating	10-tier Rating System (AAA to D)
Remarks	Automatic collection of administrative (tax service) information needed for evaluation such as years in business, business type, annual sales using scraping techniques

- Expanding the application of the credit evaluation system for early identification of high-risk micro-enterprises (default rate reduced by about one-third, from 8.7 to 3.1)



III Risk Management Schemes

KOREG

Proactive risk management: ② Preemptive Structural Improvement

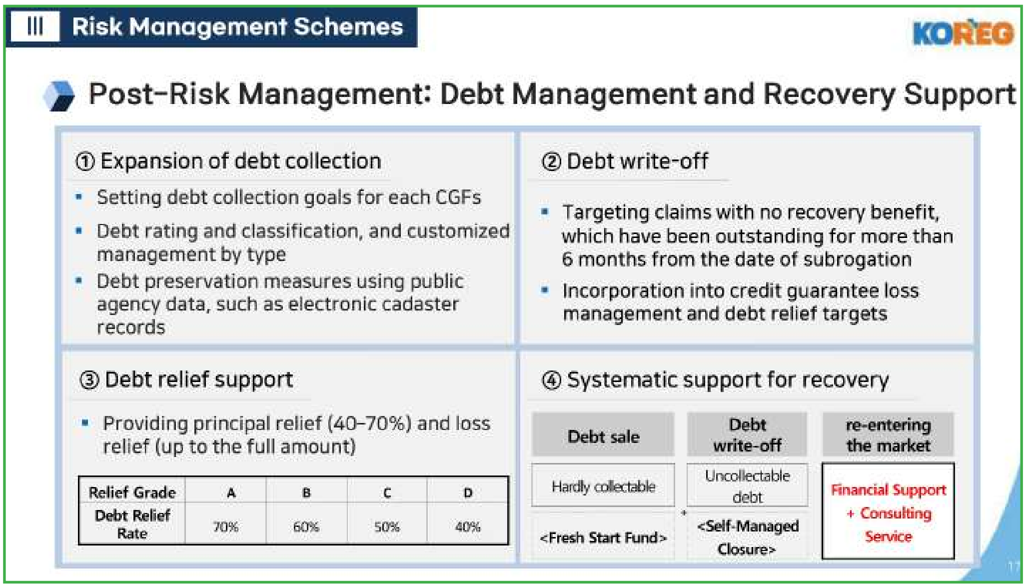
Early identification and proactive support for micro-enterprises in crisis

- Support recipients: Micro-enterprises expected to face a crisis due to declining sales or increasing loan balances.
- Support details

(Management support) Consulting services and assistance with business closure
(Financial support) Refinancing loans, special guarantees, and other fundings

Easing repayment burden through restructuring the repayment schedule

- A system for converting existing guarantees, whether under principal installment repayment or approaching maturity, into new guarantees



III Risk Management Schemes

KOREG

Post-Risk Management: Debt Management and Recovery Support

① Expansion of debt collection

- Setting debt collection goals for each CGFs
- Debt rating and classification, and customized management by type
- Debt preservation measures using public agency data, such as electronic cadaster records

② Debt write-off

- Targeting claims with no recovery benefit, which have been outstanding for more than 6 months from the date of subrogation
- Incorporation into credit guarantee loss management and debt relief targets

③ Debt relief support

- Providing principal relief (40–70%) and loss relief (up to the full amount)

Relief Grade	A	B	C	D
Debt Relief Rate	70%	60%	50%	40%

④ Systematic support for recovery

Debt sale	Debt write-off	re-entering the market
Hardly collectable	Uncollectable debt	Financial Support + Consulting Service
<Fresh Start Fund>	<Self-Managed Closure>	

KOREG

Thank you

KOREG 신용보증재단중앙회

Presenter:
Mr. Yosep Kim
Deputy Director
Korea Technology Finance Corporation
(KOTEC)

36th ACSIC CONFERENCE NEPAL-2024

Managing Risks In Financing, Strategies and Insights

Yosep Kim Deputy Director | Global Business Team

KOTEC Adding Value to Technologies, 「No.1 Partner for Innovative Growth of SMEs and Startups」

KOTEC Adding Value to Technologies, 「No.1 Partner for Innovative Growth of SMEs and Startups」

36th ACSIC CONFERENCE NEPAL-2024

Contents

I Who We Are

II What We Do

III How We Manage Our Risks

Credit Guarantee Institutions in South Korea

KOTEC

Full Name	KODIT Korea Credit Guarantee Fund	KOTEC Korea Technology Finance Corporation	KOREG Korea Regional Credit Guarantee Foundation
Establishment	1976	1989	1996
Management Ministry	Financial Services Commission	Ministry of SMEs and Startups	Ministry of SMEs and Startups
Target Clients	SMEs in General	Tech-based / Innovative SMEs	Regional Micro/SMEs
Corporate Rating System	Credit Evaluation System	KOTEC Technology Rating System(KTRS)	Credit Evaluation System

KIBO

About KOTEC

KOTEC

Establishment

Established under the Special Law in 1989
(KOREA TECHNOLOGY CREDIT GUARANTEE FUND ACT)

- Non-profit Organization(No Shareholders)
- Contributions from Government & Financial Institutions

Objective

To Contribute to the National Economy

- By providing financial supports to Technology Innovative SMEs

8 Regional HQ, 86 Branches, 1,501 Employees(304 PhDs, 1,106 experts)

KIBO

How KOTEC Differs From Other Organizations

KOTEC

Credit Rating System	Technology Rating System
Predicts a company's credit risk	Predicts the potential for commercialization of company's technology
Focuses on the history of an enterprise Assessment Basis : Past	Focuses on its future growth potential Assessment Basis : Future
Emphasizes the value of tangible assets Factory sites, buildings, machines, etc.	Emphasizes the value of intangible assets Business rights, patents, R&D expenses, etc.
Banks' credit rating models	KTRS (AIRATE)
Good for mature companies	Good for Start-ups, Ventures, tech-companies
When you assess innovative startups or venture businesses	Suitable for assessing innovative startups or venture businesses
No business history in the past	Future growth potential
↓	↓
Low rating	High rating

KIBO

Global Cooperation Project

EC 'InnoRate' Project (2019-2021)

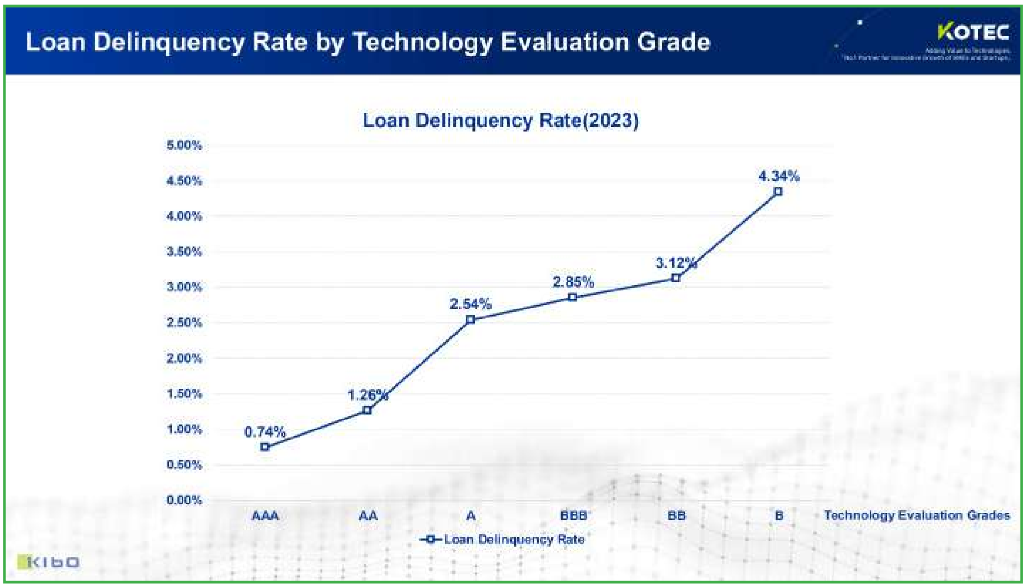
EU (2012)
IPF report "very structured and formalized Technology Appraisal System"

European Investment Bank (2018)
"The global best practice in the assessment of technology and market"

Technical Assistance (WB)

Knowledge Sharing Program (KSP)

Technical Cooperation (IDB)



Loan Delinquency Rate by Technology Evaluation Grade

Loan Delinquency Rate(2023)

Risk Management Organization

Risk Management Committee

Chairman

Executive Director of Risk Management

Risk Management Council

Risk Management Department

Manages overall risks in KOTEC

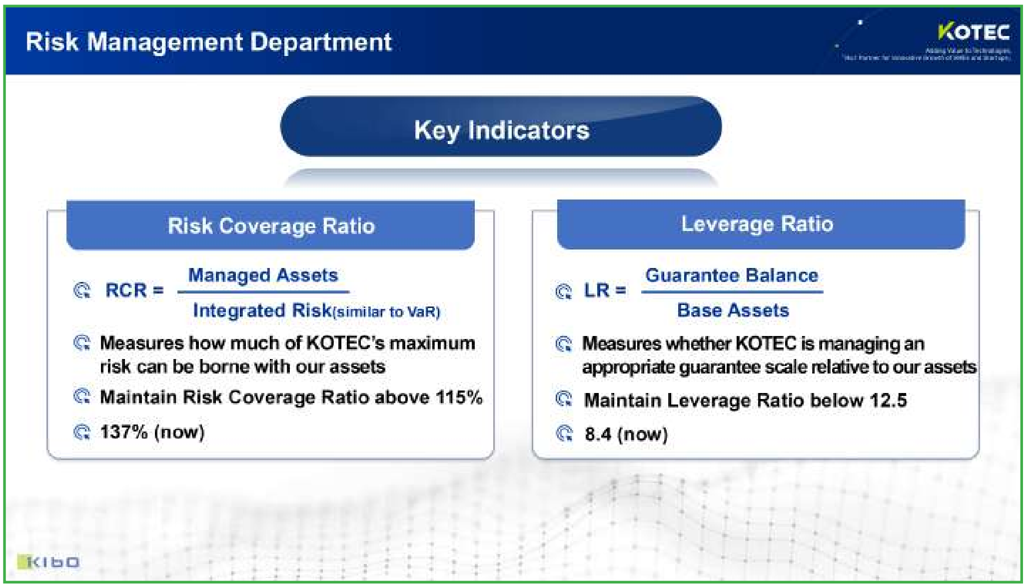
Risk Management Department

01 Establishing Annual Risk Management Plans

02 Resolution by Risk Management Committee

03 Implementation of the Goals and Corresponding Plans

04 Improving Risk Management Model



Risk Management Department

Key Indicators

Risk Coverage Ratio

- $RCR = \frac{\text{Managed Assets}}{\text{Integrated Risk(similar to VaR)}}$
- Measures how much of KOTEC's maximum risk can be borne with our assets
- Maintain Risk Coverage Ratio above 115%
- 137% (now)

Leverage Ratio

- $LR = \frac{\text{Guarantee Balance}}{\text{Base Assets}}$
- Measures whether KOTEC is managing an appropriate guarantee scale relative to our assets
- Maintain Leverage Ratio below 12.5
- 8.4 (now)

Possible Risks Associated with Issuing a Letter of Guarantee

Tech-based / Innovative SMEs → Guarantee application → KOTEC → Issuance of Letter of Guarantee → Financial institutions → Loans → Tech-based / Innovative SMEs

Shell Company

Pre-Risk Management(Fraud)

KOTEC

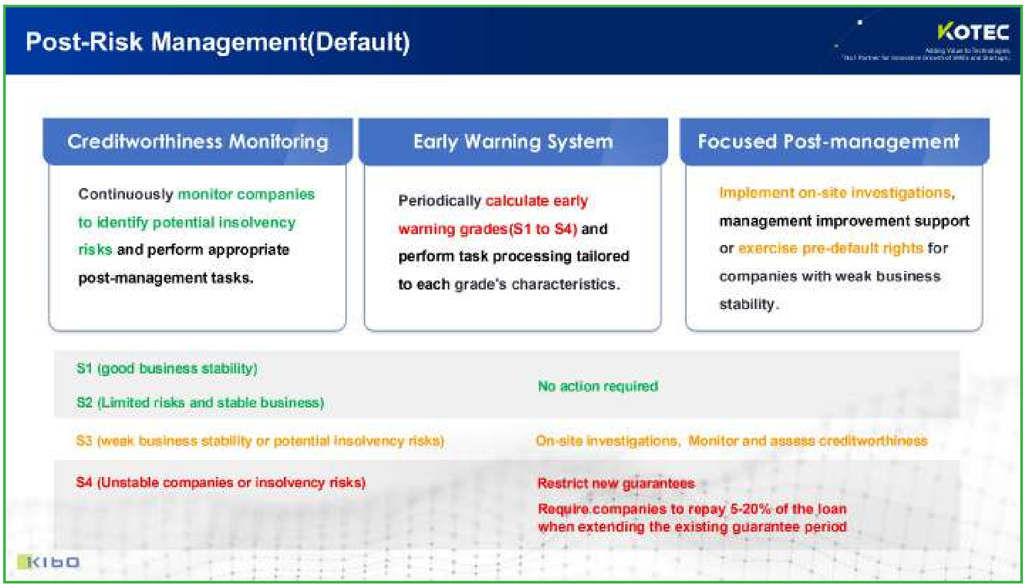
Fraud Risk Prevention

- Gather Black-List information from Korean Credit Bureau
- Default record, concurrent loan status, unpaid tax information
- Stockholder's list, buyers' list, board of directors, shareholder list
- Assess deceptive, fraud or false guarantee applications
- On-site inspection

Fraud Prevention

Thorough Investigation

KIBO



Post-Risk Management(Default)

KOTEC

Creditworthiness Monitoring

Continuously monitor companies to identify potential insolvency risks and perform appropriate post-management tasks.

Early Warning System

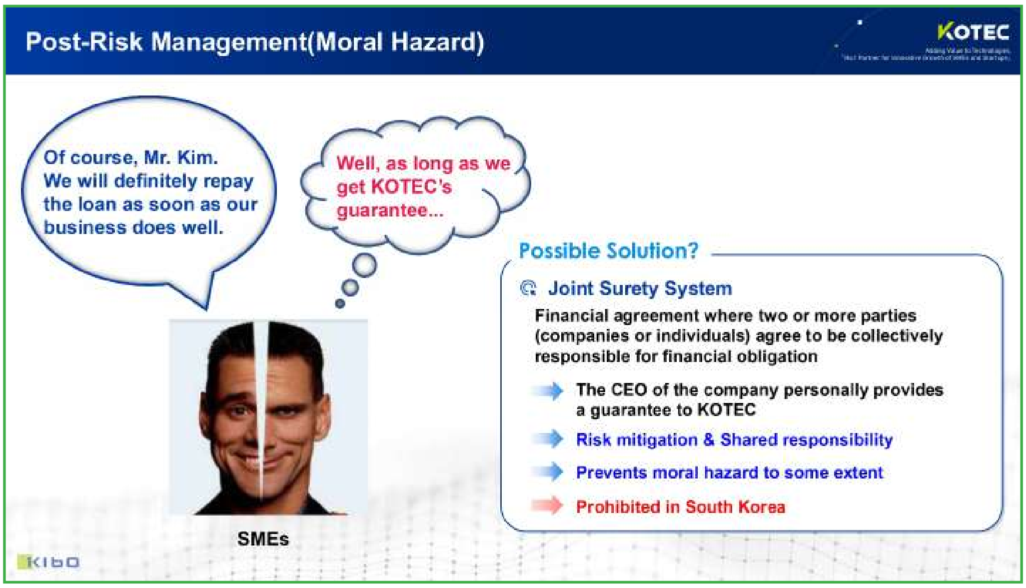
Periodically calculate early warning grades(S1 to S4) and perform task processing tailored to each grade's characteristics.

Focused Post-management

Implement on-site investigations, management improvement support or exercise pre-default rights for companies with weak business stability.

S1 (good business stability) S2 (Limited risks and stable business)	No action required
S3 (weak business stability or potential insolvency risks)	On-site investigations, Monitor and assess creditworthiness
S4 (Unstable companies or insolvency risks)	Restrict new guarantees Require companies to repay 5-20% of the loan when extending the existing guarantee period

KIBO



Post-Risk Management(Moral Hazard)

KOTEC

SMEs

Possible Solution?

- **Joint Surety System**

  Financial agreement where two or more parties (companies or individuals) agree to be collectively responsible for financial obligation

  - The CEO of the company personally provides a guarantee to KOTEC
  - Risk mitigation & Shared responsibility
  - Prevents moral hazard to some extent
  - Prohibited in South Korea

KIBO

36th ACSIC
CONFERENCE
NEPAL-2024

Thank you

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Tel : +82-51-606-7686

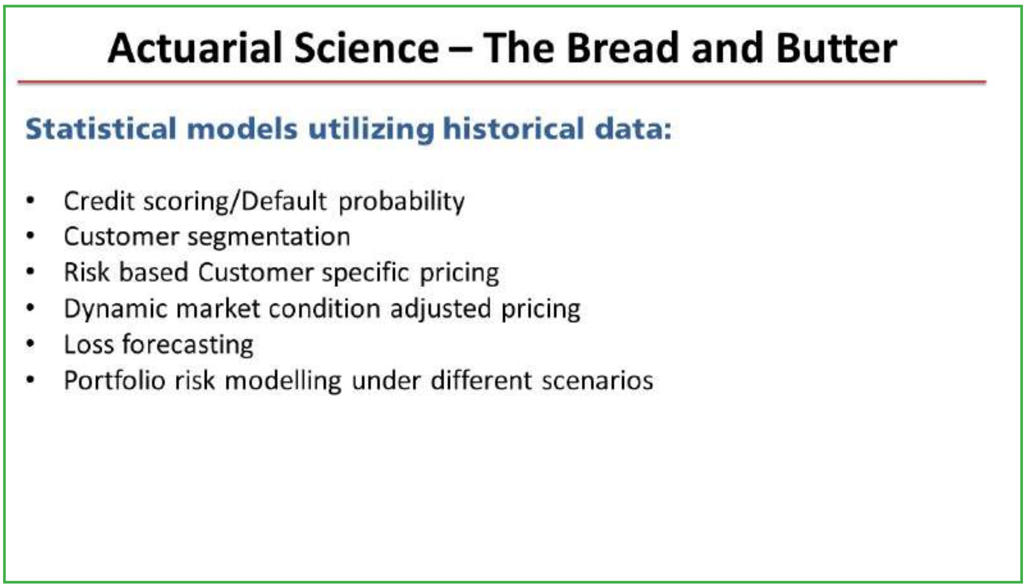
Yosep Kim, Deputy Director, 2471@kibo.or.kr

KOTEC
Adding Value to Technologies,「No.1 Partner for Innovative Growth of SMEs and Startups」

Presenter:
Prof. Dr. Suresh Manandhar
CEO/Chief Scientist of Wiseyak
& Head of AI Research at Fusemachines Inc.

Designing Sustainable Guarantee Programs amidst Uncertainties

Using Big Data, AI and Actuarial Science
to Transform the Business of Loans



Actuarial Science – The Bread and Butter

Statistical models utilizing historical data:

- Credit scoring/Default probability
- Customer segmentation
- Risk based Customer specific pricing
- Dynamic market condition adjusted pricing
- Loss forecasting
- Portfolio risk modelling under different scenarios

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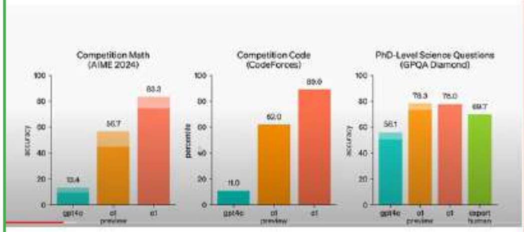
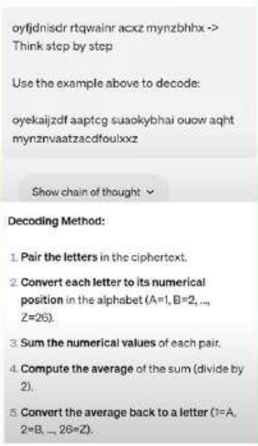
Where are we with Gen AI?



Open AI GPT-o1 capabilities



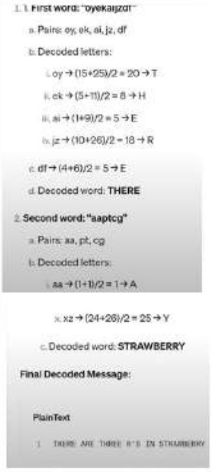
oyfjdnisdr rtqwainr acxz mynzbhhx -> Think step by step

Use the example above to decode:

oyekaijzdf aaptcg suaokybhai ouow aqht mynznvaatzacdfoulxxz

Decoding Method:

1. **Pair the letters** in the ciphertext.
2. **Convert each letter to its numerical position** in the alphabet (A=1, B=2, ..., Z=26).
3. **Sum the numerical values** of each pair.
4. **Compute the average** of the sum (divide by 2).
5. **Convert the average back to a letter** (1=A, 2=B, ..., 26=Z).



1. 1. **First word: "oyekaijzdf"**
   a. Pairs: oy, ek, ai, jz, df
   b. Decoded letters:
      i. oy → (15+25)/2 = 20 → T
      ii. ek → (5+11)/2 = 8 → H
      iii. ai → (1+9)/2 = 5 → E
      iv. jz → (10+26)/2 = 18 → R
   c. df → (4+6)/2 = 5 → E
   d. Decoded word: **THERE**
2. **Second word: "aaptcg"**
   a. Pairs: aa, pt, cg
   b. Decoded letters:
      i. aa → (1+1)/2 = 1 → A

      x. xz → (24+26)/2 = 25 → Y
   c. Decoded word: **STRAWBERRY**

Final Decoded Message:

PlainText

```
1   THERE ARE THREE R'S IN STRAWBERRY
```

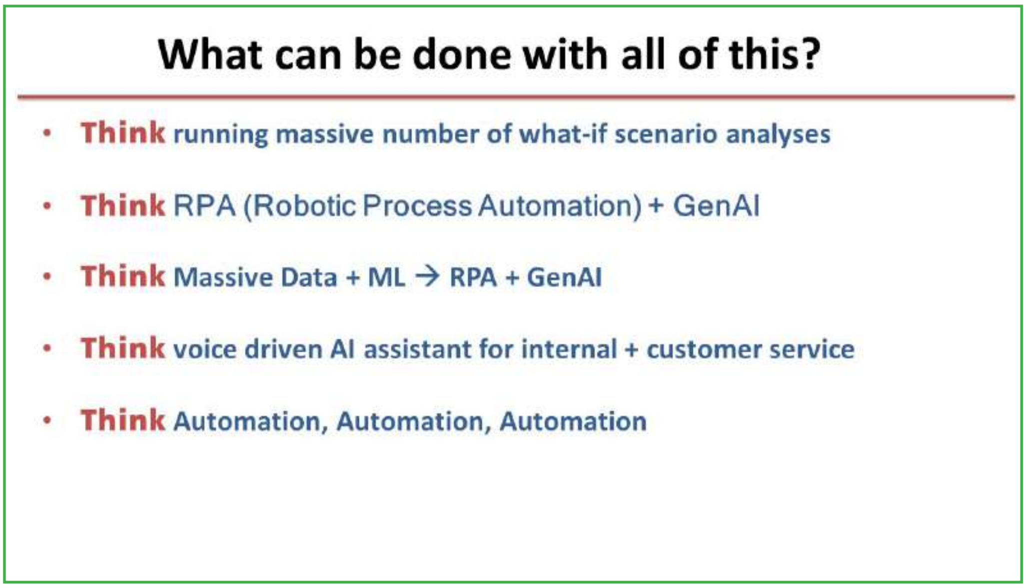
Where are we with Image and Document Understanding?

COLLECTION

American Life Histories: Manuscripts from the Federal Writers' Project, 1936 to 1940

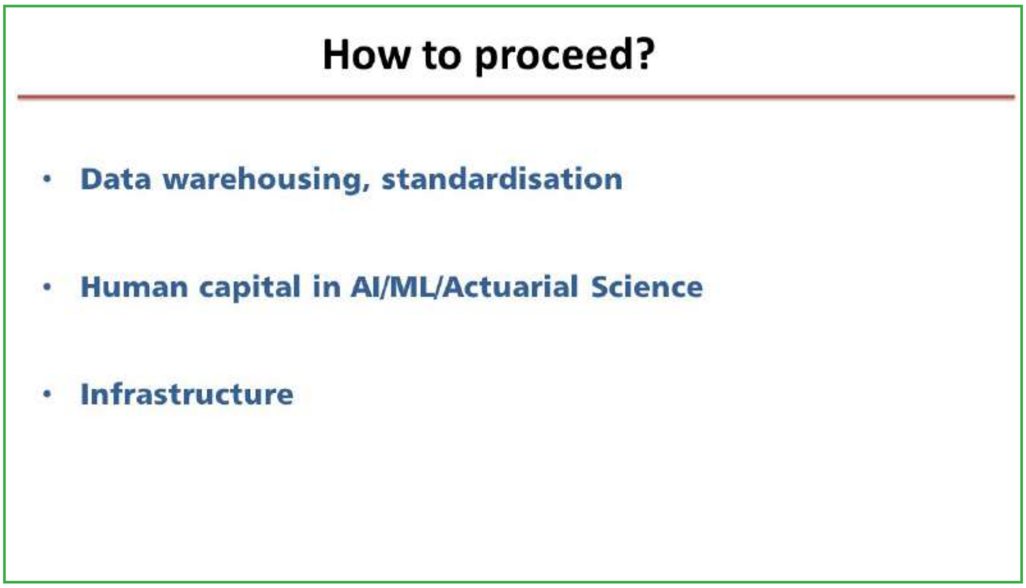
```
"title": "Chicago Folkstuff: Tavern Tales from the Early 20th Century",
"author": "WPA Federal Writers' Project interviewer",
"date": "1939",
"description": "A collection of firsthand accounts and stories about the social dynamics, characters, and
"keywords": ["folklore", "Chicago", "taverns", "20th century", "social dynamics", "anti-Semitism"],
"location": "Chicago, Illinois, USA",
"documentary_plot_score": 8,
"documentary_character_score": 9,
"documentary_genre": "Drama",
"main_characters": [
  {
    "name": "Abe Aaron",
    "description": "The WPA Federal Writers' Project interviewer who collected the stories"
  },
```

Scanned Image → Structured Document → Understanding → Decision Support



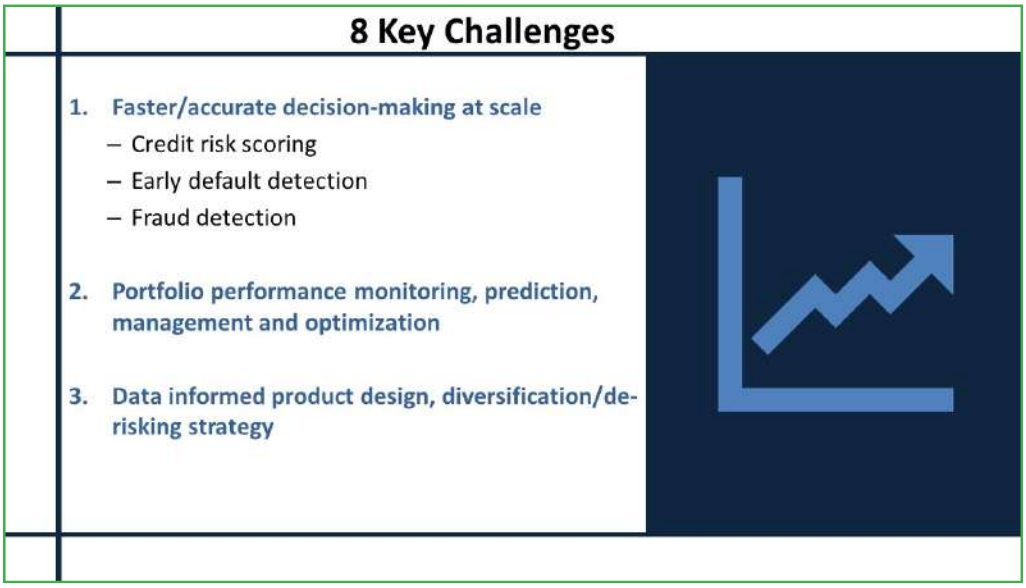
What can be done with all of this?

- **Think** running massive number of what-if scenario analyses
- **Think** RPA (Robotic Process Automation) + GenAI
- **Think** Massive Data + ML → RPA + GenAI
- **Think** voice driven AI assistant for internal + customer service
- **Think** Automation, Automation, Automation



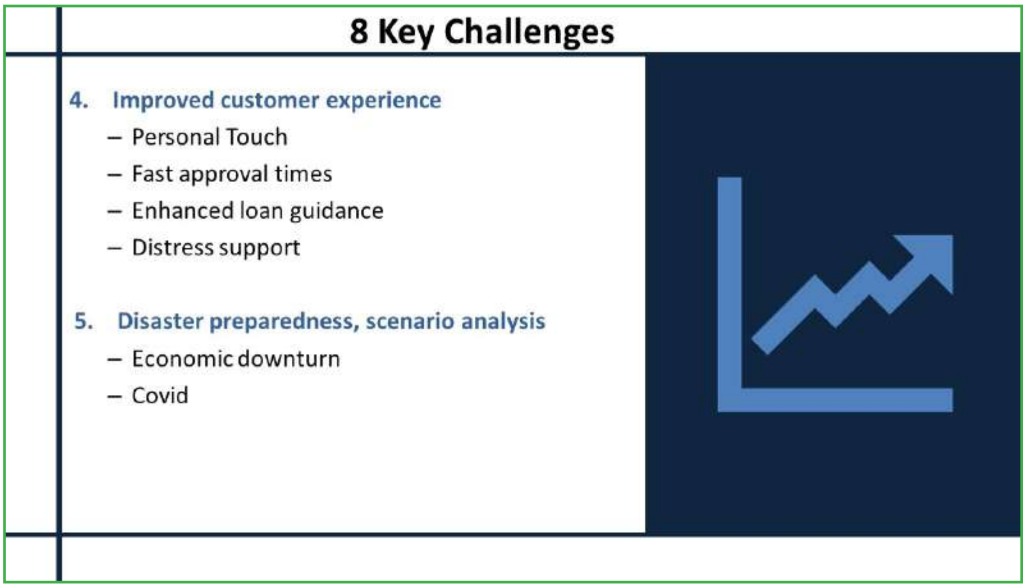
How to proceed?

- Data warehousing, standardisation
- Human capital in AI/ML/Actuarial Science
- Infrastructure



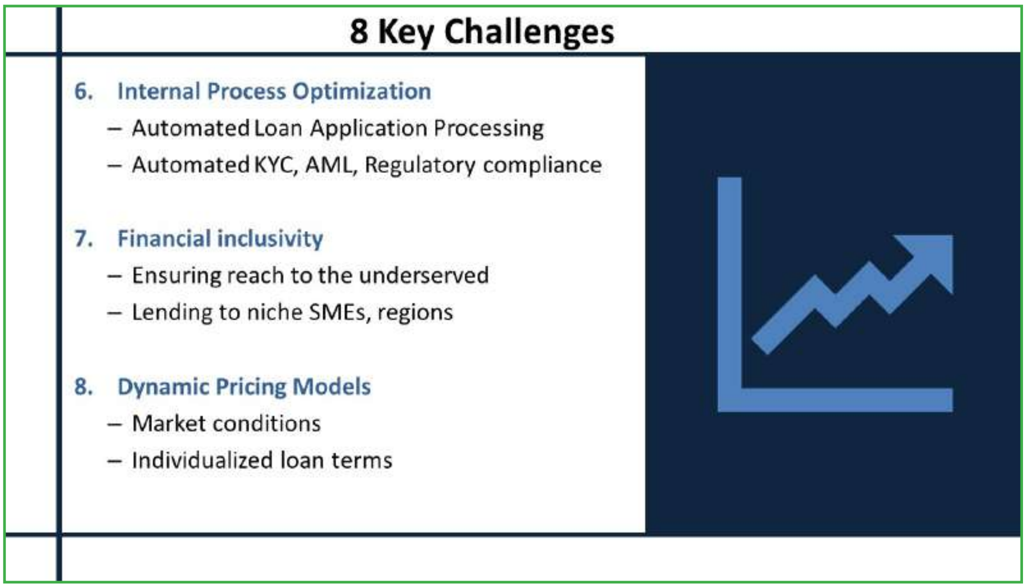
8 Key Challenges

1. Faster/accurate decision-making at scale
    - Credit risk scoring
    - Early default detection
    - Fraud detection
2. Portfolio performance monitoring, prediction, management and optimization
3. Data informed product design, diversification/de-risking strategy



8 Key Challenges

4. **Improved customer experience**
   - Personal Touch
   - Fast approval times
   - Enhanced loan guidance
   - Distress support
5. **Disaster preparedness, scenario analysis**
   - Economic downturn
   - Covid



8 Key Challenges

6. **Internal Process Optimization**
   - Automated Loan Application Processing
   - Automated KYC, AML, Regulatory compliance
7. **Financial inclusivity**
   - Ensuring reach to the underserved
   - Lending to niche SMEs, regions
8. **Dynamic Pricing Models**
   - Market conditions
   - Individualized loan terms

Team Tasks

- **Each team will choose 1-2 challenges**
- **For each challenge write down the key techniques (involving big data, AI and actuarial science) to overcome these challenges (15 mins)**
- **Deliberation: Within each table, challenge the other team to identify issues and suggest improvements (15 mins)**
- **Each team will present their recommendations and plans (5 mins each)**
- **Learnings and wrap up by moderator (10 mins)**

Presenter:
Dr. Babukaji Thapa
Deputy General Manager
Agricultural Development Bank (ADBL)

36th ACSIC Conference

Financing Innovations For Economic Growth
"Shaping Innovative Future"

Hosted by:
Deposit and Credit Guarantee Fund

36th ACSIC CONFERENCE NEPAL-2024

Mobilizing Investments for Forest-based Small and Medium Enterprises

Dr. Babu Kaji Thapa
Deputy General Manager (Credit Business)
Agricultural Development Bank Limited

कृषि विकास बैंक लिमिटेड
Agricultural Development Bank Ltd.

ADBL Facts and Figures

- Around 300,000 shareholders
- 2670++ staff hands, with > 400++ agriculture business manpower
- 285 branch outlets across the nation, 21 Extension Counters and 127 ATM
- Number of Accounts: 2,120,727
- Borrowers: 145,524
- Deposit: NPR 252,833 Million
- Loan Portfolio: NPR 203,485 Million
- Agricultural loan: NPR 66,655 Million (33% - Including Forestry sector)
- Involved in Government transaction and projects
- Successfully operating Community based Agriculture and Livestock Insurance Program.

सरल कृषि कर्जा, कृषकको लागि उर्जा

ADBL
सरल
कृषि कर्जा

अन्त कतै छैन सस्तो कर्जा यस्तो
कृषि विकास बैंकको जस्तो

विषेशताहरू*
- नेपालको विशिष्ट कृषि प्रणालीमा आधारित सरल र सहज कर्जा ।
- प्रचलित ब्याजदर प्रिमियममा ७५% छुट ।
- सेवाशुल्कमा ५० प्रतिशत छुट ।
- परियोजनाको आकार अनुसार बढीमा २० लाख सम्म कर्जा पाइने।
- १० दिन भित्र कर्जा पाईने ।
- यो सुविधा यहि फाल्गुण मसान्त सम्म मात्र लागु हुनेछ ।

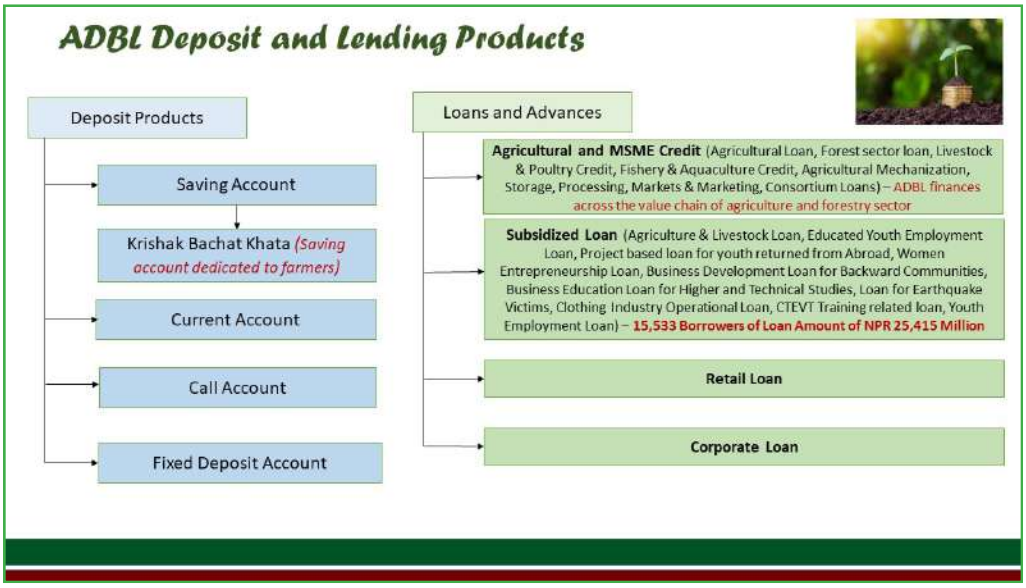
*शर्तहरु लागु हुनेछ ।

कृषि विकास बैंक लिमिटेड
Agricultural Development Bank Ltd.

www.adbl.gov.np
SWIFT ADBLNPKA

ADBL Ongoing Projects

- **Forests for Prosperity Project** funded by World Bank
- **Psychometric Scoring for Client Selection** funded by International Finance Corporation (IFC)
- **Value Chains for Inclusive Transformation of Agriculture (VITA)** Programme funded by IFAD



ADBL Deposit and Lending Products

Deposit Products

- Saving Account
  - Krishak Bachat Khata *(Saving account dedicated to farmers)*
- Current Account
- Call Account
- Fixed Deposit Account

Loans and Advances

- **Agricultural and MSME Credit** (Agricultural Loan, Forest sector loan, Livestock & Poultry Credit, Fishery & Aquaculture Credit, Agricultural Mechanization, Storage, Processing, Markets & Marketing, Consortium Loans) – ADBL finances across the value chain of agriculture and forestry sector
- **Subsidized Loan** (Agriculture & Livestock Loan, Educated Youth Employment Loan, Project based loan for youth returned from Abroad, Women Entrepreneurship Loan, Business Development Loan for Backward Communities, Business Education Loan for Higher and Technical Studies, Loan for Earthquake Victims, Clothing Industry Operational Loan, CTEVT Training related loan, Youth Employment Loan) – **15,533 Borrowers of Loan Amount of NPR 25,415 Million**
- **Retail Loan**
- **Corporate Loan**

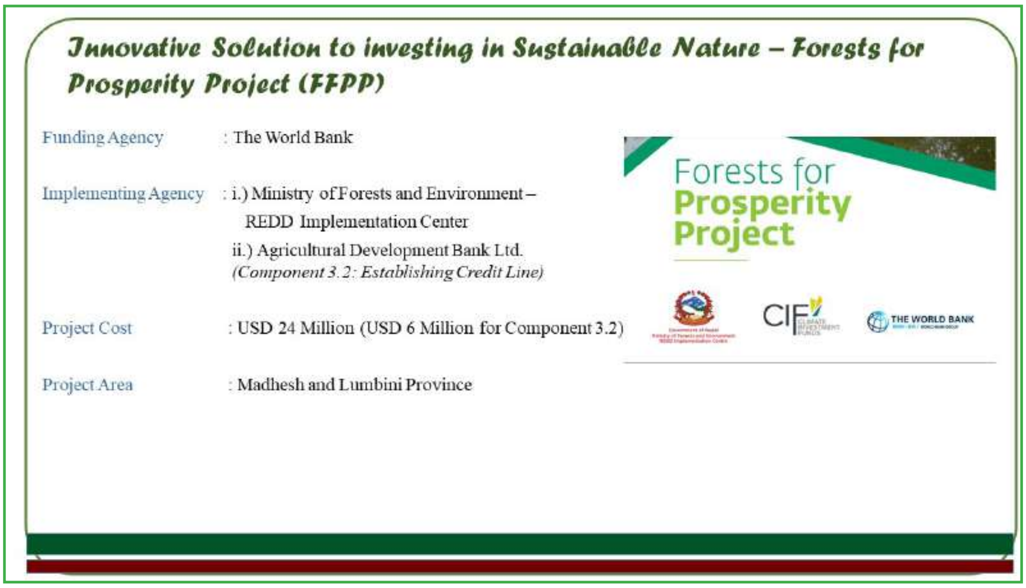
Challenges in Financing Forest-based Enterprises

Limited access to finance is a significant challenge for forest-based enterprises, especially for SMEs – due to their high-risk profile, lack of collateral and volatile interest rates.

Financial Institutions often perceive forest-based enterprises as high-risk investment due to uncertain markets, long investment cycles and dependence on natural resources (Prime concern: is it through legal sources? Will the supply be continuous for the SMEs?). This is one of the primary reason resulting low financing in forestry sector.

Forest-based enterprises often face challenges in obtaining long term financing for sustainable business and forest management and for investments in innovative technologies. Small scale forest-based enterprises also do not have adequate knowledge on innovative practices.

Lack of awareness and understanding of the financial needs for the forest-based SMEs hinder the development of appropriate financing mechanisms and financial products.



Innovative Solution to investing in Sustainable Nature – Forests for Prosperity Project (FFPP)

Funding Agency	: The World Bank
Implementing Agency	: i.) Ministry of Forests and Environment – REDD Implementation Center ii.) Agricultural Development Bank Ltd. *(Component 3.2: Establishing Credit Line)*
Project Cost	: USD 24 Million (USD 6 Million for Component 3.2)
Project Area	: Madhesh and Lumbini Province

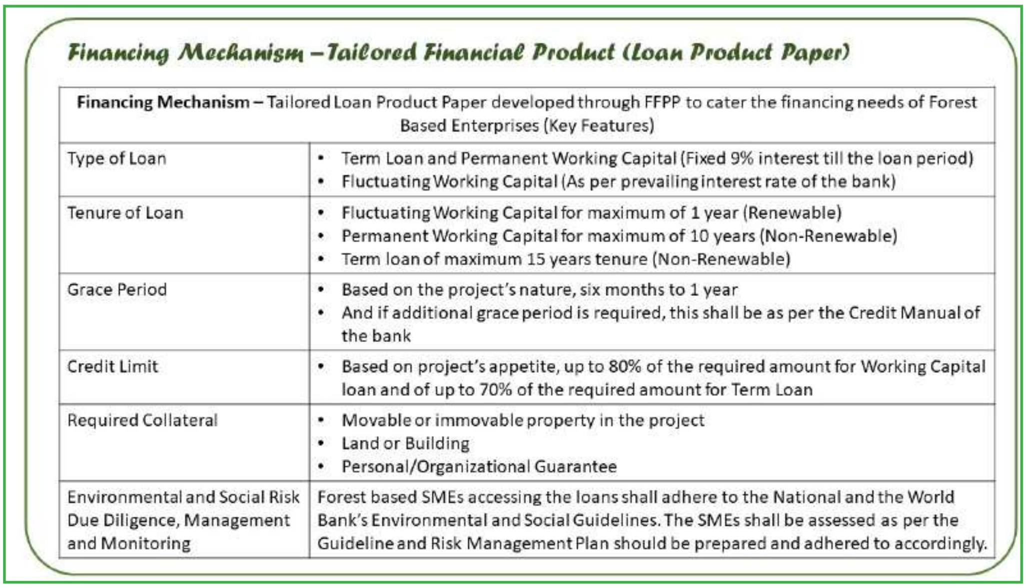
Innovative Solution to investing in Sustainable Nature – Forests for Prosperity Project (FFPP)

FFPP Component 3: Forest Enterprise Improvement and Development

- This component supports the forest product-based private sector by improving the enabling conditions and providing access to finance.

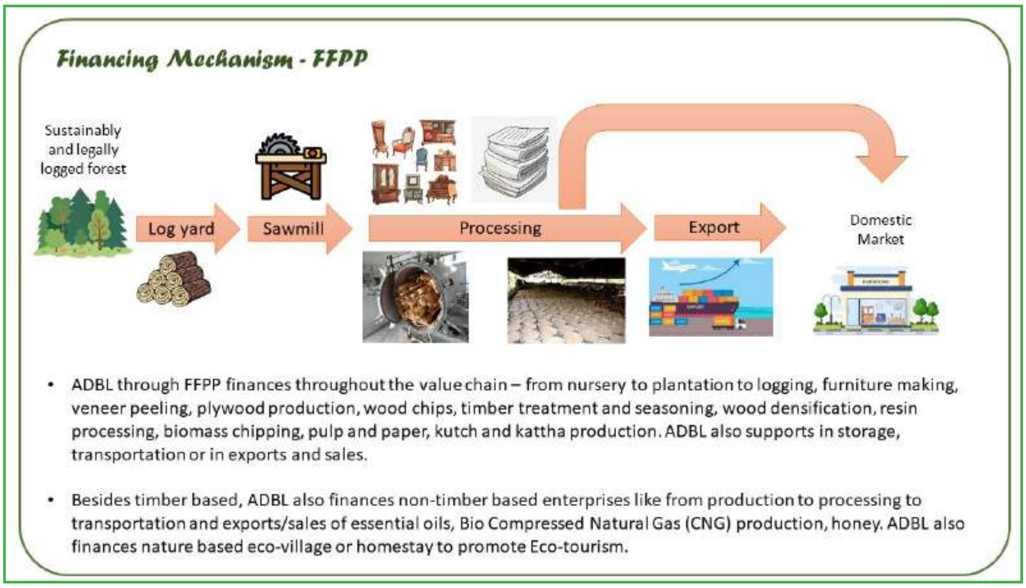
- ➢ Sub-Component 3.1 improves the enabling conditions for establishing and functioning forest-based enterprises as a source of economic growth and rural employment.

- ➢ Sub-component 3.2 supports the forest-based SMEs by providing access to finance (on lending activities by ADBL)



Financing Mechanism – Tailored Financial Product (Loan Product Paper)

Financing Mechanism – Tailored Loan Product Paper developed through FFPP to cater the financing needs of Forest Based Enterprises (Key Features)	
Type of Loan	• Term Loan and Permanent Working Capital (Fixed 9% interest till the loan period) • Fluctuating Working Capital (As per prevailing interest rate of the bank)
Tenure of Loan	• Fluctuating Working Capital for maximum of 1 year (Renewable) • Permanent Working Capital for maximum of 10 years (Non-Renewable) • Term loan of maximum 15 years tenure (Non-Renewable)
Grace Period	• Based on the project's nature, six months to 1 year • And if additional grace period is required, this shall be as per the Credit Manual of the bank
Credit Limit	• Based on project's appetite, up to 80% of the required amount for Working Capital loan and of up to 70% of the required amount for Term Loan
Required Collateral	• Movable or immovable property in the project • Land or Building • Personal/Organizational Guarantee
Environmental and Social Risk Due Diligence, Management and Monitoring	Forest based SMEs accessing the loans shall adhere to the National and the World Bank's Environmental and Social Guidelines. The SMEs shall be assessed as per the Guideline and Risk Management Plan should be prepared and adhered to accordingly.



Financing Mechanism - FFPP

Sustainably and legally logged forest

Log yard

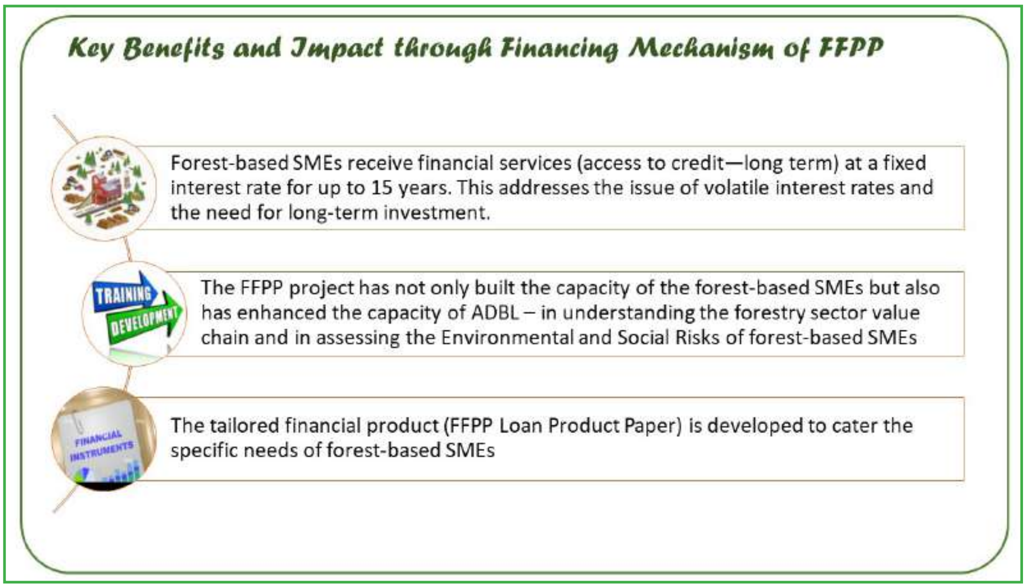
Sawmill

Processing

Export

Domestic Market

- ADBL through FFPP finances throughout the value chain – from nursery to plantation to logging, furniture making, veneer peeling, plywood production, wood chips, timber treatment and seasoning, wood densification, resin processing, biomass chipping, pulp and paper, kutch and kattha production. ADBL also supports in storage, transportation or in exports and sales.
- Besides timber based, ADBL also finances non-timber based enterprises like from production to processing to transportation and exports/sales of essential oils, Bio Compressed Natural Gas (CNG) production, honey. ADBL also finances nature based eco-village or homestay to promote Eco-tourism.

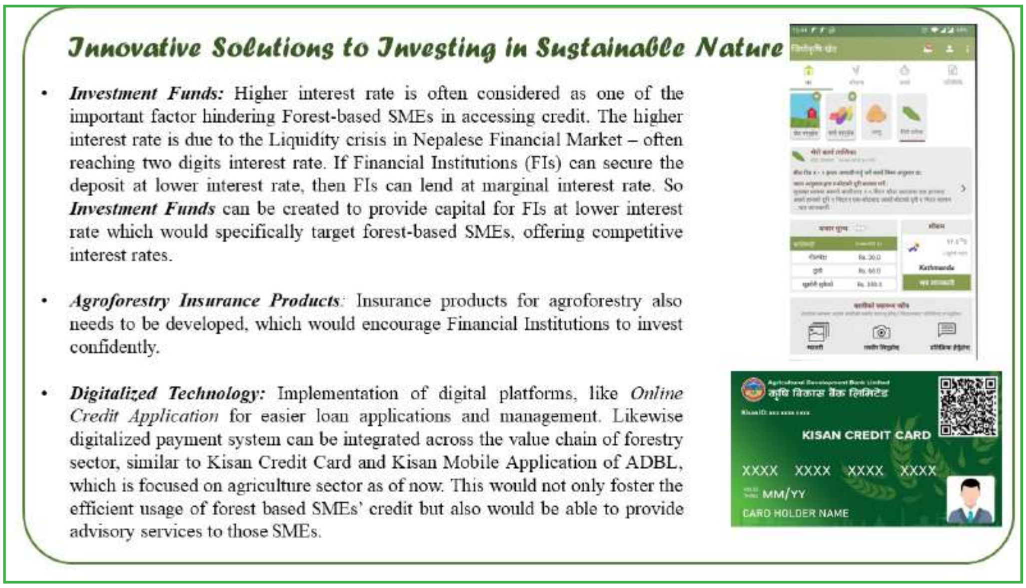


Key Benefits and Impact through Financing Mechanism of FFPP

Forest-based SMEs receive financial services (access to credit—long term) at a fixed interest rate for up to 15 years. This addresses the issue of volatile interest rates and the need for long-term investment.

The FFPP project has not only built the capacity of the forest-based SMEs but also has enhanced the capacity of ADBL – in understanding the forestry sector value chain and in assessing the Environmental and Social Risks of forest-based SMEs

The tailored financial product (FFPP Loan Product Paper) is developed to cater the specific needs of forest-based SMEs



Innovative Solutions to Investing in Sustainable Nature

- ***Investment Funds:*** Higher interest rate is often considered as one of the important factor hindering Forest-based SMEs in accessing credit. The higher interest rate is due to the Liquidity crisis in Nepalese Financial Market – often reaching two digits interest rate. If Financial Institutions (FIs) can secure the deposit at lower interest rate, then FIs can lend at marginal interest rate. So ***Investment Funds*** can be created to provide capital for FIs at lower interest rate which would specifically target forest-based SMEs, offering competitive interest rates.
- ***Agroforestry Insurance Products:*** Insurance products for agroforestry also needs to be developed, which would encourage Financial Institutions to invest confidently.
- ***Digitalized Technology:*** Implementation of digital platforms, like *Online Credit Application* for easier loan applications and management. Likewise digitalized payment system can be integrated across the value chain of forestry sector, similar to Kisan Credit Card and Kisan Mobile Application of ADBL, which is focused on agriculture sector as of now. This would not only foster the efficient usage of forest based SMEs' credit but also would be able to provide advisory services to those SMEs.


Forests for Prosperity Project
Access to finance opportunities
For Timber, Non-Timber / Herb-Medicinal Plants and Protected Horticulture* and other forest-based Small and Medium Enterprises in Madhesh and Lumbini Provinces
Up to 15 years of Term Loan
at 9%
Fixed Annual Interest Rate
Contact Details
THE WORLD BANK

THANK YOU !!!

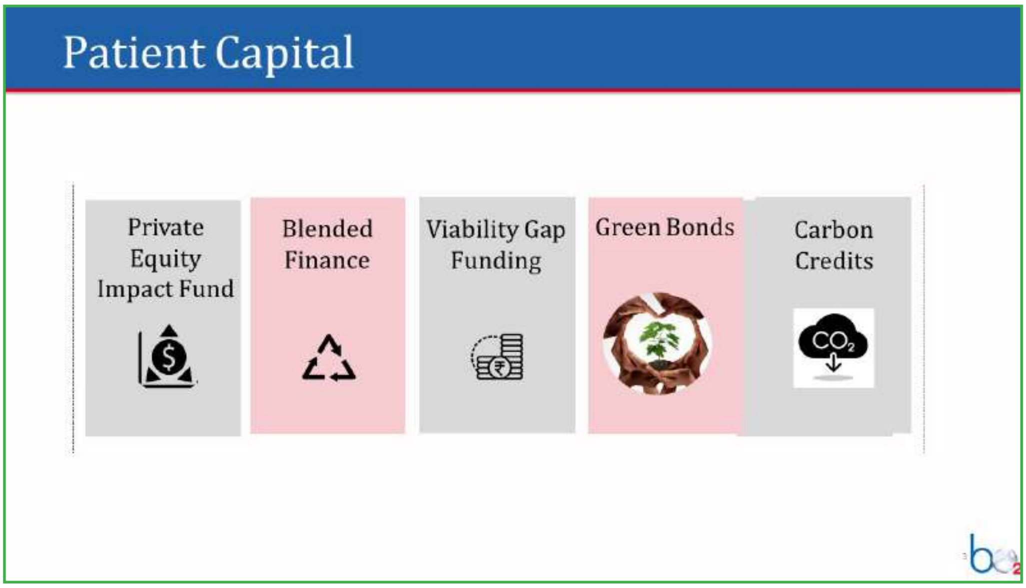
Presenter:
Mr. Siddhant Pandey
Chief Executive Officer
Business Oxygen, IFC's Venture Fund

Private Equity Investment and its Relevance in the Present Context

Siddhant Raj Pandey
Chairman/CEO

For Sustainable, Inclusive and Climate Sensitive Economic Development

BUSINESS OXYGEN Pvt. Ltd.
A WLC Ventures Managed SME Fund



Patient Capital

Private Equity Impact Fund	Blended Finance	Viability Gap Funding	Green Bonds	Carbon Credits

Role of Private Equity in Nepal

Appropriate Approach	This innovative approach to SME financing is most appropriate in Nepal's context as Nepali SMEs are characterised by traditional management practices with a low capital base, and tend to use inefficient production processes and technology.
Evident Need	There is an under-developed entrepreneurial base, with relatively poor knowledge and information about business opportunities and marketing.
Potential Impact	The impact fund will actively assist entrepreneurs in enabling a business's life cycle from start to finish with equity participation, knowledge sharing and mentoring by incorporating ESG measures and climate smart approaches.

Business Support Services for Investee Companies

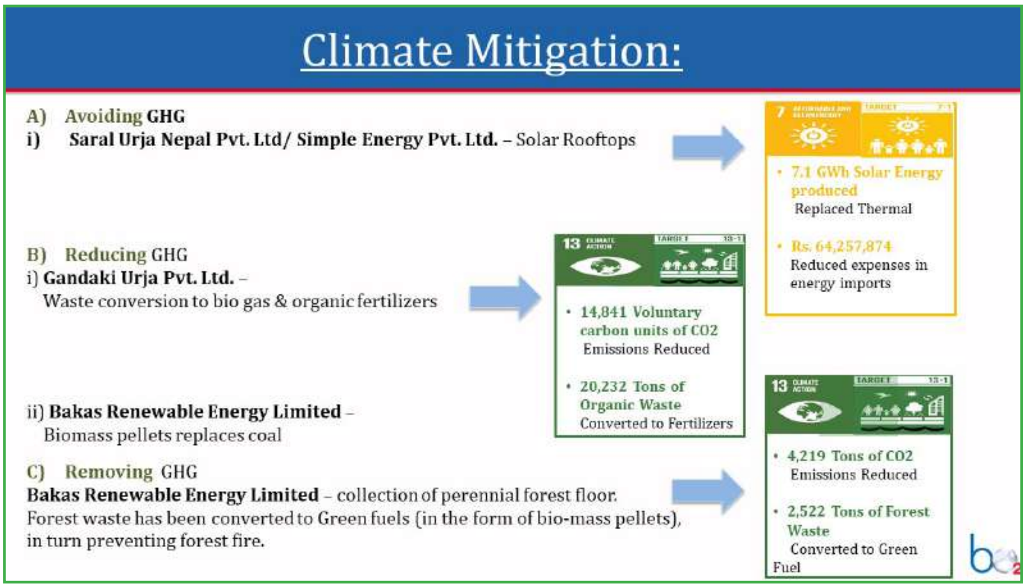
Unconventional Method	A hand holding mechanism reinforced by technical assistance – the missing component in conventional BFI financing modality.
Leverage Resources	The fund takes into consideration the demand side constrains and: ❖ Mentors entrepreneurs (Investees). ❖ Transformational change towards ESG measures and climate smart approaches. ❖ Builds capacity through knowledge sharing. ❖ Invests equity and ensures the company is profitable and sustainable. ❖ Builds true partnership integrating financing with advisory services to strengthen overall aspects of business operation. ❖ Monitors progress.

Systems

Knowledge

Expertise

Partnership



Climate Mitigation:

A) **Avoiding GHG**
i) **Saral Urja Nepal Pvt. Ltd/ Simple Energy Pvt. Ltd.** – Solar Rooftops

- **7.1 GWh Solar Energy produced**
  Replaced Thermal
- **Rs. 64,257,874**
  Reduced expenses in energy imports

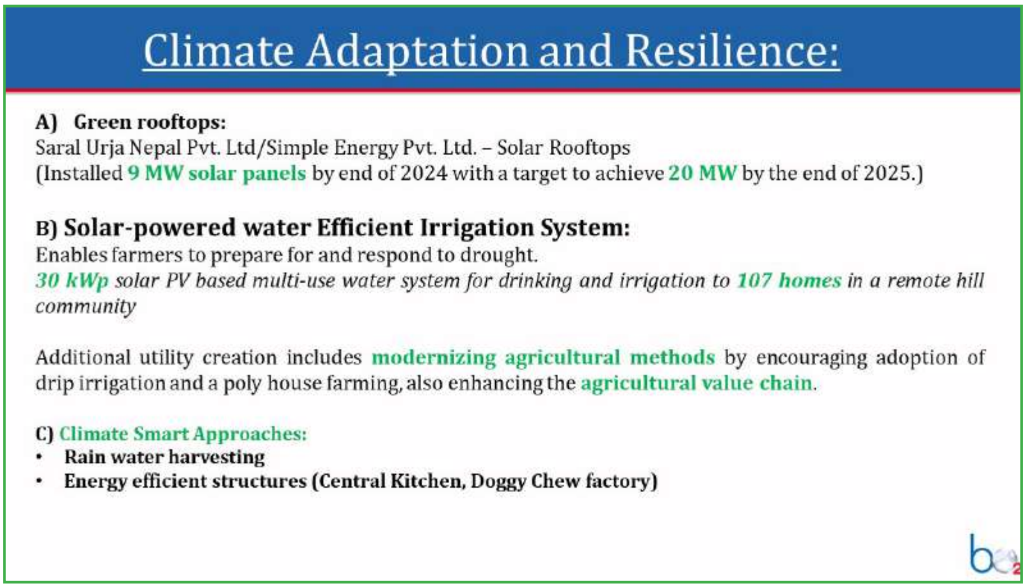
B) **Reducing** GHG
i) **Gandaki Urja Pvt. Ltd.** –
Waste conversion to bio gas & organic fertilizers

- **14,841 Voluntary carbon units of CO2**
  Emissions Reduced
- **20,232 Tons of Organic Waste**
  Converted to Fertilizers

ii) **Bakas Renewable Energy Limited** –
Biomass pellets replaces coal

C) **Removing** GHG
Bakas Renewable Energy Limited – collection of perennial forest floor.
Forest waste has been converted to Green fuels (in the form of bio-mass pellets), in turn preventing forest fire.

- **4,219 Tons of CO2**
  Emissions Reduced
- **2,522 Tons of Forest Waste**
  Converted to Green Fuel



Climate Adaptation and Resilience:

A) Green rooftops:
Saral Urja Nepal Pvt. Ltd/Simple Energy Pvt. Ltd. – Solar Rooftops
(Installed **9 MW solar panels** by end of 2024 with a target to achieve **20 MW** by the end of 2025.)

B) **Solar-powered water Efficient Irrigation System:**
Enables farmers to prepare for and respond to drought.
30 kWp *solar PV based multi-use water system for drinking and irrigation to* ***107 homes*** *in a remote hill community*

Additional utility creation includes **modernizing agricultural methods** by encouraging adoption of drip irrigation and a poly house farming, also enhancing the **agricultural value chain**.

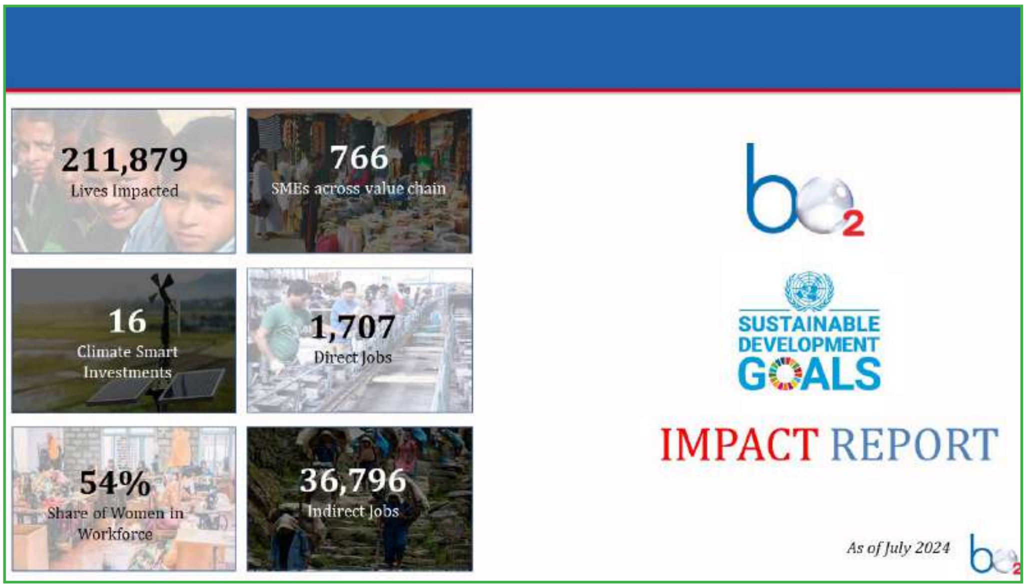
C) Climate Smart Approaches:
- **Rain water harvesting**
- **Energy efficient structures (Central Kitchen, Doggy Chew factory)**

BO2 featured in the Financial Times 100+ Impact Investors list

The Financial Times in collaboration with the GIIN has published a list of 100+impact investors, Business Oxygen Pvt. Ltd. (BO2) is listed amongst 118 Global Impact Investors.

This list is a guide for investors, showcasing where capital is making a difference and inspiring future investments. By contributing our data, we're advancing transparency and driving momentum in impact investing, supporting a sustainable future across energy, housing, food, healthcare, education, nature and more.

Please visit Impact investing 2024: interactive listing (ft.com) for the showcased list.



211,879
Lives Impacted

766
SMEs across value chain

16
Climate Smart Investments

1,707
Direct Jobs

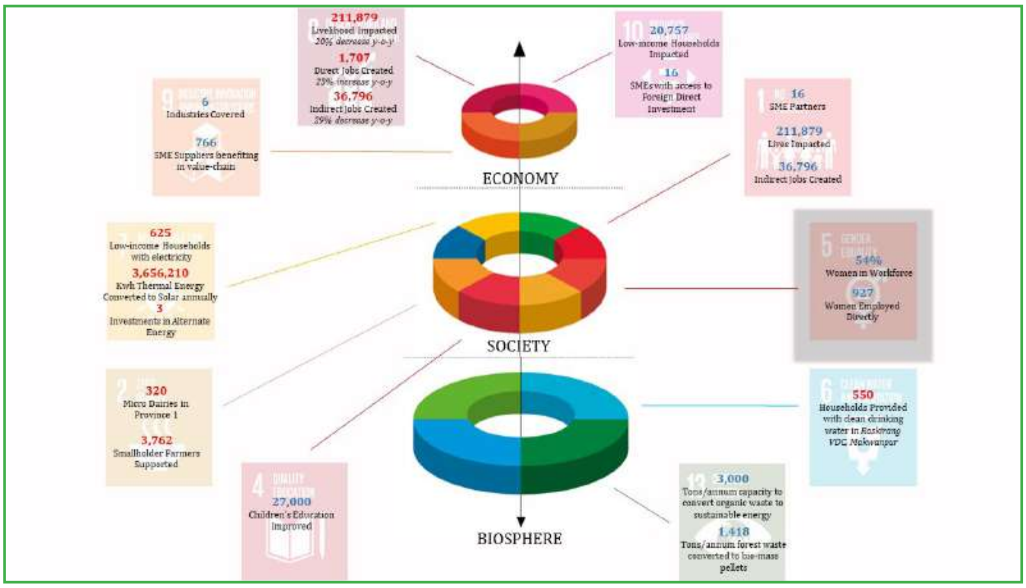
54%
Share of Women in Workforce

36,796
Indirect Jobs

SUSTAINABLE DEVELOPMENT GOALS

IMPACT REPORT

As of July 2024



211,879
Livelihood Impacted
20% decrease y-o-y
1,707
Direct Jobs Created
23% increase y-o-y
36,796
Indirect Jobs Created
39% decrease y-o-y

20,757
Low-income Households Impacted
16
SMEs with access to Foreign Direct Investment

6
Industries Covered
766
SME Suppliers benefiting in value-chain

16
SME Partners
211,879
Lives Impacted
36,796
Indirect Jobs Created

ECONOMY

625
Low-income Households with electricity
3,656,210
Kwh Thermal Energy Converted to Solar annually
3
Investments in Alternate Energy

54%
Women in Workforce
927
Women Employed Directly

SOCIETY

320
Micro Dairies in Province 1
3,762
Smallholder Farmers Supported

550
Households Provided with clean drinking water in *Raskirang VDC Makwanpur*

27,000
Children's Education Improved

3,000
Tons/annum capacity to convert organic waste to sustainable energy
1,418
Tons/annum forest waste converted to bio-mass pellets

BIOSPHERE

Let's Breathe !

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Welcome & Registration Photographs

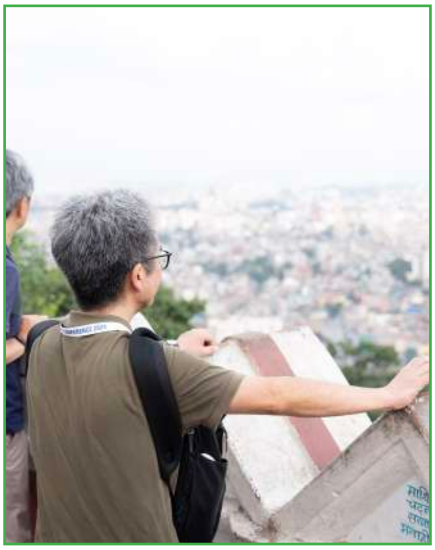
CDM Meeting Photographs

Patan Museum Photographs

Excursion to Nagarkot Photographs

Excursion to Bhaktapur Photographs

Excursion to Swoyambhu Photographs



Spouse Excursion Photographs

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