

## **The Emergence of Alternatives to Bank Financing in ASEAN**

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It is an undeniable fact that presently, banks are still the kings of the financial jungle. However, as early as 1997, the Association of Southeast Nations (ASEAN) has learned the hard way that heavy dependence on banking can contribute to an irreversible spiral towards a financial crisis. The currency and maturity mismatches in the banks' balance sheets caused by the flush of liquidity into the region only became a problem once currency depreciation accelerated and the taps of liquidity dried up. After the dust of the 1997 Asian Financial Crisis settled, the region began the earnest development of its capital markets as a safety net against the cyclical nature of capital flows in the banking industry. Almost twenty years hence, the landscape remains the same. Commercial banking assets still accounted for a majority of the total financial assets in ASEAN in 2009 at 82%. Recent developments may possibly finally turn the region's financial ecosystem on its head, however. An estimated \$60 billion USD annually until 2022 was identified as the necessary amount in order to meet all the infrastructure needs in ASEAN. The adoption of tighter banking regulations in response to the 2008 global financial crisis has created a stricter lending environment, making it stubbornly difficult to meet this infrastructure financing requirement through the traditional bank lending channels alone. There is also the problem of lack of appetite by banks for projects with long-term time horizons, a common characteristic of infrastructure projects. The conflux of these events contributed to the emergence of products and initiatives which serve as alternatives to bank financing in ASEAN. The purpose of this paper is to map out the alternative products that have been developed and launched in response to ASEAN's financing needs, looking closely at their structure, the profile of the investors and the issuers, and the projects which utilize these products. An assessment shall then be made on the progress of these alternatives and what their prospects are in ASEAN's infrastructure investment space.