



FAIR FINANCE ASIA

Executive Summary **ASIAN WEB 2021 – *Tracking Regional Financial Flows***

Fair Finance Asia (FFA) is a regional network of Asian civil society organizations (CSOs) committed to ensuring that financial institutions operating in Asia respect and uphold the rights and social and environmental well-being of local communities. Eight countries within the region are a part of the FFA: Cambodia, Japan, India, Indonesia, Pakistan, the Philippines, Thailand and Vietnam.

Background

The Fair Finance Asia's (FFA) updated study: The Asian Web 2021 identified and analyzed the regional trends of the financial institutions' financial flows from the eight FFA countries to five sectors – agriculture, fossil fuel extraction (oil & gas, and coal mining), infrastructure, manufacturing and power generation – across FFA's eight countries.

Between 2016 and 2020, the study found that financial institutions from FFA countries provided € 251 billion in loans and underwriting services attributable to agriculture, fossil fuels, infrastructure, manufacturing, and power generation. Just under three quarters of all identified credit flows provided by financial institutions from FFA countries, was attributable to power generation (US\$ 181 billion). A further 10% of credit was attributable to fossil fuels (US\$ 25 billion) and 8% to infrastructure (US\$ 21 billion).

In May 2021, investors from FFA countries invested more than US\$ 39 billion in bonds and shares attributable to agriculture, fossil fuel, infrastructure, manufacturing and power generation. 35% of all identified investments provided by financial institutions from FFA countries was attributable to power generation (US\$ 13.6 billion). A further 28% of investment was attributable to fossil fuels (US\$ 11.1 billion) and 20% to manufacturing (US\$ 7.8 billion).

Based on the findings of this study, power generation and fossil fuel extraction are the two sectors that receive the most significant financial flows from creditors and investors from FFA countries.

The analysis of the financial flows towards and between these countries provides a valuable insight on the challenges and opportunities for accelerating and scaling up sustainable finance initiatives in Asia and further allows regional level collaboration on promoting the integration of social and environmental considerations in the decision-making of respective financial institutions.

Who are the main players?

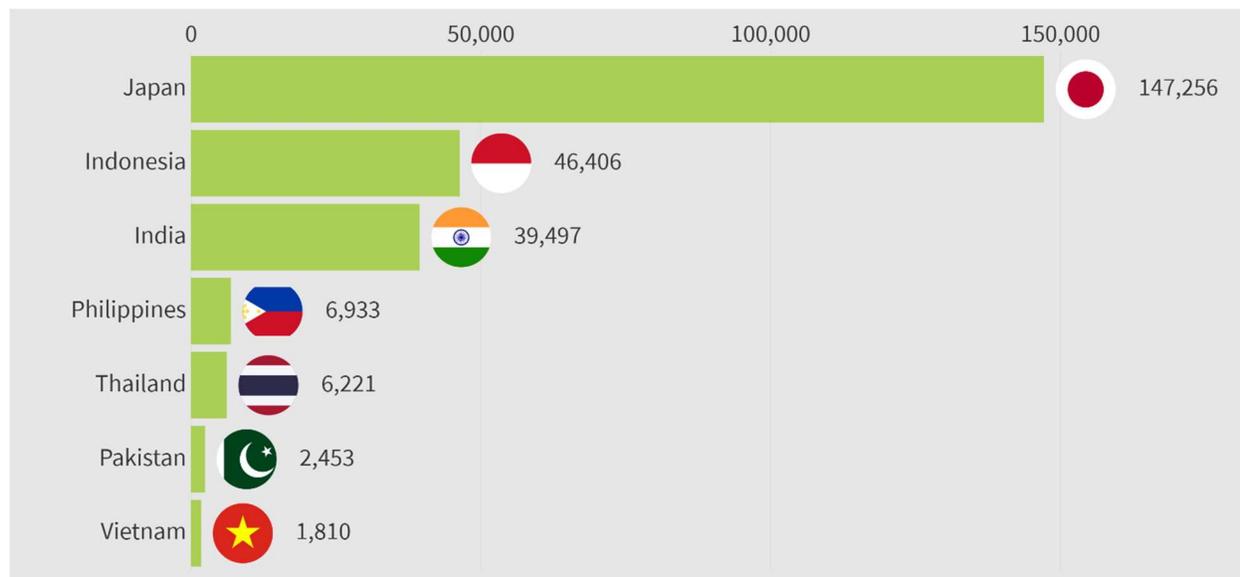
Creditors

The study confirmed that Japanese financial institutions continue to play an important role as the main providers of credit to some of the largest companies operating in Asia's high-risk sectors.

Figure 1 showed that between 2016 and 2020, Japanese financial institutions provided a total of US\$ 147 billion in loans and underwriting services attributable to the five focus sectors. This accounts for 59% of all identified credit to the selected companies in other FFA countries. The three largest creditors were all Japanese financial institutions: Mizuho Financial provided the largest creditor with a total of US\$ 36 billion in loans and underwriting services, followed by SMBC Group (US\$ 32 billion) and Mitsubishi UFJ Financial (US\$ 24 billion). Financial institutions from Indonesia provided the second most, with US\$ 47 billion. And

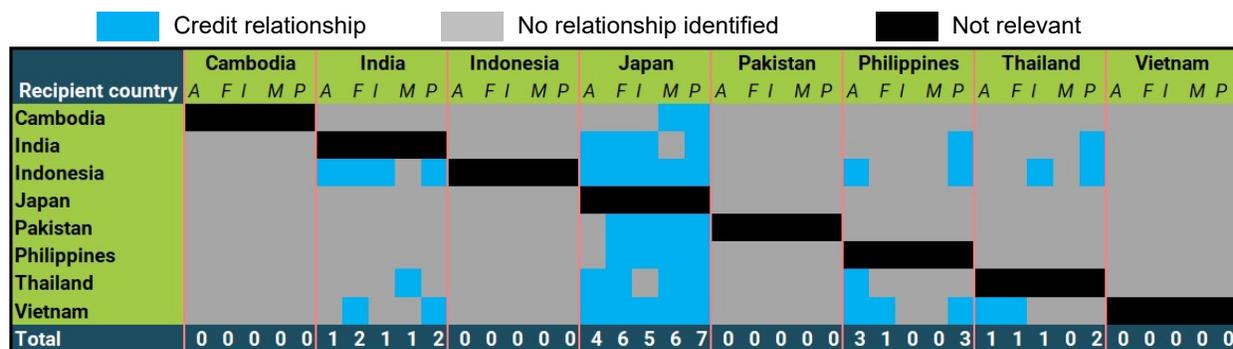
Indian financial institutions provided approximately US\$ 39 billion in loans and underwriting services attributable to the focus sectors.

Figure 1 FFA creditor countries of origin (2016-2020, US\$ mln)



A closer look at Figure 2, a matrix of the credit flows between FFA countries per sector showed that financial institutions from Japan provided credit to most sectors in most Asian countries, followed by financial institutions from the Philippines. Indonesia attracted financing from the most countries and in the most sectors, followed by India, Vietnam and Thailand.

Figure 2 Matrix of credit flows per country and per sector (2016-2020)



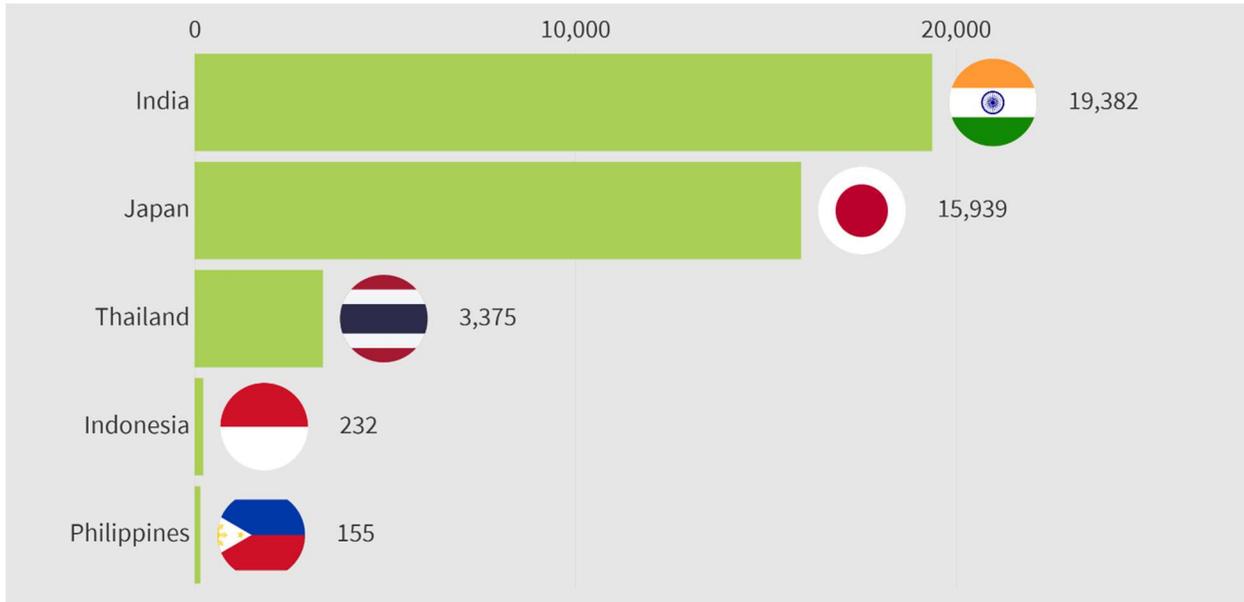
A = agriculture, F = fossil fuels, I = infrastructure construction, M = Manufacturing, P = power generation

Investors

In terms of investments, the study found that among the FFA countries, Indian investors had the highest value of investments attributable to the five focus sectors as of the most recent filings in May 2021.

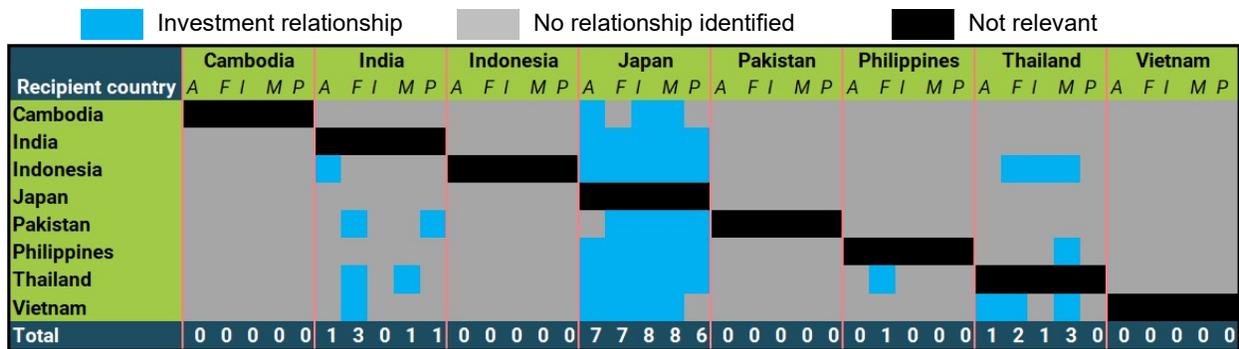
Figure 3 showed that they accounted for 50% (US\$ 19 billion) of the identified investments in the selected companies, followed by investors from Japan, who accounted for 41% (US\$ 16 billion), and Thai investors who accounted for 9% (US\$ 3 billion). The largest investors are Life Insurance Corporation of India, with investments of over US\$ 6.3 billion, followed by Japanese Nippon Life Insurance (US\$ 3.7 billion) and fellow Indian ICICI Bank (US\$ 2.4 billion).

Figure 3 FFA investor countries of origin (2021 May, most recent filings, US\$ mln)



A matrix of the investment flows between FFA countries per sector (Figure 4) shows that financial institutions from Japan, India, and Thailand invested in almost all other FFA countries. Indonesia, Thailand, and Vietnam attracted investment from most Asian countries and in almost all sectors of focus sectors.

Figure 4 Matrix of investment flows per country and per sector (2021 May, most recent filings)



A = agriculture, F = fossil fuels, I = infrastructure construction, M = Manufacturing, P = power generation