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THE ORIGIN OF ASIAN FINANCIAL CRISIS AND METHODS OF ITS OVERCOMING

Abstract: The main objective of this article is to identify the reasons of East Asia financial crisis outbreak and to present the methods of crisis overcoming. The interventional activities, which were used to meet this goal, were proceeded in two directions: increasing liquidity in banking system and restoring confidence to the banking sector. The most important actions taken in order to restore liquidity in the banking system were liquidity support from the central bank and decreasing the level of banks financial reserves. Whereas the remedies directed on restoring confidence were as follows: enforcing deposit insurance system, financial support from international financial institutions (IMF, World Bank) and conducting the reforms of the banking system including the program of banks restructuring.

Keywords: financial crisis, crisis spreading, crisis overcoming.

1. Introduction

Since the 1990s the environment of financial markets functioning had changed diametrically causing their greater vulnerability to external shocks and financial crises. What is more, financial markets' globalization, supported by technological innovations, which resulted in rapid increase in the quantity and value of transactions conducted among different countries, as well as the intensity in level of interrelationship among countries, caused that crisis in one country rarely remains within its border. Intensification of interrelationships among markets of individual countries constitutes the main reason why financial crises gain a better possibility of spreading. In connection with this fact, in the last two decades we can observe considerable increase of financial crises occurrence. They became much more common and severe and spread much easier over other countries via domino effect.

Having taken into account economic history, banking crises occur more frequently in emerging markets than industrial economies. Almost 78% of banking crises in the years 1975-1997 took place in emerging markets. This fact seems to confirm the theory that emerging market economies are less stable, have more fragile financial systems which cause that they are more prone and vulnerable to banking crisis outbreak. What is more, in general, the resolution costs of banking crises have been higher in emerging market countries than in industrial ones.[1] According to P. Martin and H. Rey, most emerging markets experience an increase in the frequency of financial crises, including banking crises, once they liberalize their financial systems.[2]

Although the scale of international capital flows into emerging markets, which has increased substantially in recent years, has beneficial influence on emerging market countries in terms of increasing effectiveness of institutions' functioning, quality of their financial services and creating opportunity of economic growth, it should also be remembered that it has adverse consequences. The increased scale of these flows and growing of international linkages contributes to vulnerability to banking crises outbreak as well as greater possibility of its spreading. What is more, dependence on such large capital flows results in higher exposition of emerging market economies to changes in investors' sentiments and their perception of country risk compared to mature economies. Sudden changes in their perceptions connected with cutting off external sources financing may create recession and severe debt service problems.[3] It resulted in the fact that emerging market economies are much more exposed to capital movement, which causes them being more prone to external shocks and financial crises.

The article is aimed at presenting main reasons of Asian financial crisis and the most important activities undertaken by the authorities in order to overcome it in four Asian countries: Thailand, Malaysia, the Philippines and Indonesia. Financial crisis, which had started in Thailand in 1997, and in a very short period of time had managed to spread over the whole region of East Asia, is considered to be one of the most important and serious in the 20th century history.

2. The origin of East Asian crisis

In South-East Asia countries of high rate of economic growth, low inflation rate and openness to world economy, preceded by liberalization processes, attract new investments on large scale, which even more stimulates economic growth in these countries. In the period of 30 years preceding the crisis outbreak, income per capita increased several times in these countries, e.g., 5 times in Thailand and 4 times in Malaysia.[4] Improvement in the standard of living and poverty reduction were reached in spectacular way. According to J. Stiglitz "no other economic model has delivered

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[1] A. Ostalecka, Comparative analysis of banking crises in Argentina and Paraguay in the mid-90s, *Argumenta Oeconomica* 2008, No. 1 (20), p. 84.

[2] P. Martin, H. Rey, *Financial Globalization and Emerging Markets: With or Without Crash?*, NBER Working Paper Series No. 9288, 2002, p. 3.

[3] A. Ostalecka, *op. cit*., p. 86.

[4] A. Ostalecka, *Kryzysy bankowe i metody ich przezwyciężania*, Difin, Warszawa 2009, p. 242.

so much, to so many, in so short a span of time".[5] This economic miracle was possible among other things thanks to the fact that until the outbreak of financial crisis Asian countries were subject to almost half of international investments directed toward developing countries. In the period of 1960-1996 the average annual capital inflow to Asian countries amounted to 60 billion USD, while only in 1996 reached 107 billion USD.[6] This region was the fastest developing region in the world, which resulted in calling Asian countries – *Asian tigers*.

However, this incredible economic growth in Asian countries was connected with creating several sources of vulnerability in the mid-1990s. The region of very success-rapid growth made it attractive to private capital. These inflows, while spurring growth, were intermediated through poorly regulated domestic financial system and helped fuel domestic credit expansion. The pace and pattern of growth, interacting with often-undisciplined capital inflows, produced three weaknesses in the foundation of East Asia's growth:[7]

- large current account deficits, financed with short-term flows, exposed East Asian economies to sudden reversals;
- liberalization of domestic financial markets without adequate prudential regulation and supervision allowed banks and corporations to assume unhedged foreign borrowing positions that left them vulnerable to sudden currency fluctuations;
- companies, in the absence of fully developed bond and equity markets, borrow heavily from banks to finance their rapid expansion, and in the process become very highly leveraged. This left them vulnerable to interest rate surges.

Despite these weaknesses East Asian financial crisis, which started in Thailand, was the crisis which surprised almost everybody. World Bank Economic Report, published in December 1996, had indicated that "Thailand has been among the most successful economies in the world over the past decade. Real GDP has grown at an annual rate of almost 10% since 1986, meaning that real per capita income has more than doubled. In the last three decades, real per capita incomes have grown every year, and even during the period of stabilization and adjustment in the early 1980s, real GDP growth averaged over 5% p.a. And despite a slowdown in export growth this year, there are no signs that the engine of economic growth is faltering with medium-term growth (in 1996-98) expected to average about 7% p.a."[8]

In spite of the fact that outbreak of banking and currency crisis in that time was unexpected, having considered the situation from time perspective, some signs and internal weaknesses of Thailand economy and banking system which indicated

[5] J. Stiglitz, Restoring the Asian miracle, *The Wall Street Journal Europe* 1998, 3 February.

[6] E. Chrabonszczewska, L. Oręziak, *Międzynarodowe rynki finansowe*, Oficyna Wydawnicza SGH, Warszawa 2000, p. 157.

[7] World Bank, *East Asia. The Road to Recovery*, Washington 1998.

[8] *Thailand. Growth, Poverty and Income Distribution: An Economic Report*, Report No. 15689-TH, Country Operation Division, EAP, World Bank 1996, p. 1.

increasing risk of financial crisis eruption can be noticed. However, omnipresent optimism at that time concerning the economy and the perspective of its growth did not allowed to detect these signals.

From time perspective, World Bank study from 2001 indicates some economy and banking system weaknesses in Thailand, which should have been treated as warning signals.[9] The most important alarming signals were as follows:

– over-extensive foreign-denominated debt, which made Thailand vulnerable to loss of confidence;
– decline of international competitiveness;
– market discipline weakening;
– excessive risk accumulated in financial sector;
– high debt level of nonfinancial sector (mainly companies sector).

Internal weaknesses of Thailand economy and financial system finally brought about speculative attacks on Thailand currency (baht). Following the first attack on currency in July 1996, Moody downgraded the sovereign short term debt from prime A to prime B in September and the currency was attacked a second time in December. Investors lost confidence in the baht and the 4.1 billion USD short-term net capital inflow in the first quarter of 1996 turned into a 0.7 billion USD outflow in the second quarter of the year. The Bank of Thailand (BOT) resisted the third currency attack in February 1997 and the fourth one in May, but it did so at the cost of massive forward dollar purchases. Having virtually exhausted its reserves (net of forward liabilities), the BOT had no alternative but to let the currency float on July 2, 1997.[10]

So in July 1997 the crisis had started as a currency crisis, but quickly problems of banks and other financial institutions were attached, which combined with bank panic had triggered banking crisis. Initially the crisis referred to Thailand economy and financial system but in the short period of time, spread over other South-East Asia countries, became the crisis of regional range.

3. The phenomenon of financial contagion

Despite growing interests in investigating causes of crisis spreading in almost whole region of East Asia, economists are divided in indicating the main reason of crisis spillover. S. Radelet and J. Sachs,[11] M. Feldstein,[12] and J. Stiglitz[13] argue that the

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[9] I. Nabi, J. Shivakumar, *Back from the Brink: Thailand's Response to the 1997 Economic Crisis*, World Bank, Washington 2001, pp. 6-17.

[10] *Thailand. Country Assistance Evaluation*, Report No. 21389, World Bank, Washington 2000, p. 7.

[11] S. Radelet, J. Sachs, The East Asian financial crisis: Diagnosis, remedies, prospects, *Brookings Papers on Economic Activity I*, 1998.

[12] M. Feldstein, Refocusing the IMF, *Foreign Affairs* 1998, Vol. 77.

[13] J. Stiglitz, Reforming the global financial architecture: Lessons from recent crises, *Journal of Finance* 1999, Vol. 54, No. 4.

primary source of the crisis were sudden shifts in market expectations and confidence concerning the whole region. According to these authors, foreign lenders and institutional investors were so alarmed by the Thai crisis, which broke out in July 1997, that they abruptly pulled their investments out of the other countries in the region, making the crisis contagious. Their withdrawal was stimulated by the belief that these countries suffered from similar structural problems which resulted in a speculative attack in Thailand. As opposed to this financial panic view, many others, including the IMF, pointed to structural weaknesses and policy distortions as the major causes of the crisis, although they acknowledged that panic reaction also played a role.[14]

The phenomenon of financial contagion, which consists in financial crisis spillover, results from, among other things, more frequent appearance of herd behaviour, which can be explained by the fact that decisions on financial markets are often imitated by other market participants because the activity strategy of bigger institutions is based on the rule of reaching the results not worse than its competitors. The fear that underperformance, even if it could be attributed to purely random events, may lead to cash outflows and hence lower management fees creates the incentive to avoid positions that may result in large deviations from the benchmark.[15] All the above results in the fact that the fear of being beaten by other fund managers as well as institutional requirements that hinder in particular the managers of pension fund to hold a certain position once that investment has been downgraded by rating agencies, result in herd behaviour rather than anti-cyclical self-balancing of the market.[16] Such policy induces following the trends, and as a consequence causes the deepening of market trends.

Such herd behaviour could have been observed in East Asia crisis, because as the crisis broke out in Thailand, big investors have started to withdraw capital from other countries of this region. Decisions of big institutional investors were then imitated by other market participants resulting in huge capital outflow and national currency devaluation.

Developments in Thailand caused investors to look more critically at weaknesses they had previously ignored. In the process they discovered new information that amplified their concerns, especially about the health of financial system and the magnitude of short-term debt. Decision of capital outflow resulted also from the loss of confidence to the whole region. According to investors' sentiment there was an increase in region risk, which stimulated capital withdrawal. This situation contributed to full-scale financial panic that swept Thailand, Korea, Malaysia, Indonesia and the

[14] G. Corsetti, P. Pesenti, N. Roubini, What caused the Asian currency and financial crisis, NBER Working Paper No. 6833, Cambridge 1998; S. Radelet, J. Sachs, *op. cit*.

[15] Bank for International Settlements, *68th Annual Report (1st April 1997 - 31st March 1998)*, Basle 1998, http://www.bis.org/publ/ar98f02.pdf, p. 91.

[16] D. Heribert, *Crises in Asia or Crisis of Globalization?*, CSGR Working Paper No. 15/98, November 1998, p. 10.

Philippines. With regard to some countries like Korea and Indonesia devaluation of Thai baht was only the ignition of crisis which would occur sooner or later anyway. However, in case of other countries like Malaysia and the Philippines the devaluation of Thai baht was something more than just a catalyst of unavoidable processes.

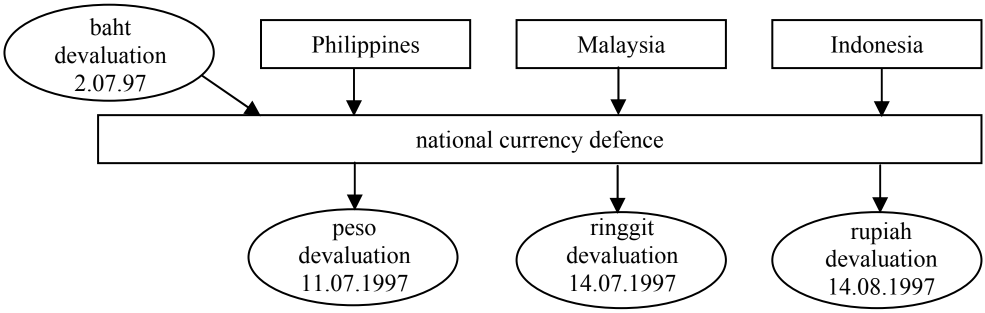

Figure 1. Influence of Thailand crisis on other countries of the region

Source: M. Iwanicz-Drozdowska (red.), *Kryzysy bankowe. Przyczyny i rozwiązania*, PWE, Warszawa 2002, p. 390.

As the result of financial contagion (Figure 1) the crisis spillover to East Asian countries initially caused currency crisis which next developed into a financial crisis. In the situation of financial crisis emergence, the authorities of individual countries and their central banks were faced with the problem of choosing the most appropriate methods of its overcoming. Remedies, which were introduced in order to mitigate the crisis, can be divided into two groups: activities aiming at restoring liquidity and activities aiming at restoring confidence in banking system.

4. Interventional activities aimed at restoring liquidity

Analyzing the first group of remedies, i.e. measures directed to support liquidity of banks which lost their liquidity and ability to meet their obligations, it could be observed that the main source of liquidity was central bank financial support. Much less important were loans on interbank market, because of the fact that in the midst of the crisis there emerges general aversion of banks which have liquid money surplus at their disposal to share it with banks affected by the crisis.

Due to lack of possibility of gaining money from interbank market, central bank had to provide liquidity resources under various emergency lending and lender of last resort (LoLR) facilities to offset the deposits withdrawal. This financial support had significant meaning for banks because it helped to prevent banks from excessive sale of bank assets. Financial support of central bank to illiquid commercial banks had various forms, among which the most important ones were: liquidity loans, limits on accounts in central banks or discount facilities.

Liquidity loans had different interest rates which were set according to banking system situation. The case of Indonesia is an interesting example, where initially central bank lent money based on high, punitive interest rate, however, observing banks' problems with servicing these loans, which additionally sharpened their liquidity problems, central bank changed its policy. Financial support based on new rules was provided on interest rates not much higher than market interest rates. The new focus was also based on nonmarket sanctions; any bank with borrowings outstanding for more than a week would have a special Bank Indonesia inspection, which would produce a report within a further week, increase restrictions on the bank's activities, and culminate in possible transfer to *Indonesian Bank Restructuring Agency* (IBRA).[17] The case of Indonesia shows that setting too high interest rate of liquidity loans can result in problems with its service, which requires further provision of financial support by central bank.

Another kind of measure aiming at increasing liquidity of individual banks was decreasing its obligations connected with various reserves and provisions. In order to do it, Malaysia decided to lower reserve requirements, whereas the Philippines lowered general and specific loan loss provisions.

5. Interventional activities aimed at restoring confidence

Second direction of introduced remedies was activities aiming at increasing confidence in the banking system, which is usually undermined in situation of crisis occurrence.

One of the crisis overcoming measures, which aims directly at restoring confidence in banking system, is the introduction of deposit insurance system. However, in order to make the system effective and capable of performing its function correctly, it has to be constructed so as the repay of guaranteed amount to depositors was performed in the shortest possible time. Too long delay in deposits repay caused that deposit insurance system does not fulfil its role in restoring confidence in banking system. It results from the fact that a long lasting process of deposit repay causes, apart from confidence loss, also partial loss of deposits in foreign currency value connected with currency depreciation (which could be deepened by the occurrence of currency crisis along with banking crisis) as well as usually increasing inflation. All these contribute to weakening of deposit insurance system's credibility and does not preserve from massive bank run.

Similar situation is in case of setting deposit guarantee limits on a low level. Deponents' awareness of being able to recover only a part of their savings does not stop them from withdrawing deposits, so it does not prevent bank panic occurrence.

[17] C.J. Lindgren, T.J.T. Baliño, Ch. Enoch, A.M. Gulde, M. Quintyn, L. Teo, *Financial Sector Crisis and Restructuring Lessons from Asia*, IMF Occasional Paper No. 188, Washington 1999, p. 60.

On the other hand blanket guarantee system, despite seeming the best solution in order to preserve confidence in the banking system, weakens market discipline creating moral hazard. Deponents deposit their money in a bank which offers highest interest rate regardless of the safety of its activity.

Besides blanket guarantee system, other measure aiming at bank panic prevention and restoring confidence was including chosen or all deposits to be covered by state guarantee. In Indonesia initially due to the lack of formalized guarantee system, the government introduced small deponents' protection, i.e. these, whose deposits did not exceed 20 million rupiah. It was believed that small deponents' protection establishment results in restoring confidence in banking system, however, it did not happen because some further steps were expected, like introducing formalized blanket guarantee system. In view of no improvement it was decided that all depositors and creditors of all domestic banks were fully protected, excluding entities with at least 10% of banks shares as well as deposits of related entities. The impact of the announcement was immediate – 4 trillion rupiah of deposits flowed back into the banking system.[18]

However, fixing wide protection of deposits or even creditors is not always a successful strategy. The example of Thailand, where the scope of protection was even wider – including not only banks but also financial institutions as depositors and creditors – shows that deponents doubted in credibility of such wide protection and the ability of central banks to fulfil its guarantee. It resulted in an inability of such wide blanket guarantee to prevent bank panic.

An activity which has usually a stabilizing influence on banking system and economy affected by crisis is receiving support from international financial institutions, like International Monetary Fund or World Bank. The most valuable form of such support was financial support, but sometimes international financial institutions helped in preparing programs aimed at restoring financial stability, especially banking systems restructuring programs.

Thailand was the country which was able to raise huge financial support from different multilateral sources. The IMF contributed 4 billion USD, and the government of Japan contributed an equivalent amount. The World Bank and the Asian Development Bank pledged 1.5 billion and 1.2 billion USD, respectively. The governments of Australia, China, Hong Kong, Malaysia, and Singapore all pledged 0.5 billion USD.[19]

The Philippines also managed to obtain financial support from international financial institutions – International Monetary Fund and World Bank. These financial resources were supposed to be designated to conducting the program of banking system reform, which covered, among other things, prudential regulation tightening,

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[18] Ch. Enoch, B. Baldwin, O. Frécaut, A. Kovanen, *Indonesia: Anatomy of Banking Crisis. Two Years of Living Dangerously 1997-1999*, IMF Working Paper No. 01/52, 2001, p. 32.

[19] I. Nabi, J. Shivakumar, *op. cit.*, pp. 26, 27.

made them resemble international standards, strengthened and improved banking supervision activity effectiveness and supported banking sector consolidation based on market rules.

In general most of Asian countries used different form of financial support in IMF, excluding Malaysia which was able to overcome crisis by itself.

In case of liquidity crisis international financial support was usually used on widening the lender of last resort function of central bank. Another basic aim was conducting banking system reform, including bank restructuring program.

Bank restructuring strategy adopted by the crisis countries aimed at removing nonviable institutions and requiring strict compliance with international best practices for capital adequacy, loan classification, and loan-loss provisioning by the end of restructuring period. All countries aimed at maximizing (domestic and foreign) private sector involvement in recapitalization process. Malaysia and the Philippines did not experience such a serious, full-blown crisis as Thailand, Korea and Indonesia and applied different restructuring strategies from those in the three above crisis countries. In Malaysia, the emergency measures assisted in containing pressures on the system and were followed by a package of proposals that focused on recapitalizing banks which were expected to become undercapitalized in the course of 1998; strengthening the finance company sector through consolidation (mergers); establishing a strong institutional framework to manage the restructuring; and strengthening of regulatory and supervisory frameworks. Faced with the threat of a crisis, the Philippines adopted a financial sector reform program in early 1998 to strengthen the ability of the system to withstand shocks. The main ingredients were the streamlining of the resolution procedures of troubled banks, encouragement of mergers, privatization of the remaining government equity stake in the Philippine National Bank (the second largest bank in the country) and enhancement of the prudential and supervisory frameworks.[20]

As Table 1 shows (institutional measures), sometimes in Asian countries there was established special institution aiming at supporting restructuring processes.

In Indonesia, no institution was in charge of restructuring until the Indonesian Bank Restructuring Agency (IBRA) was established in January 1998 under the auspices of the ministry of finance. In Malaysia, a well-designed institutional framework supported by strong legislation was already in place. The restructuring has been coordinated by an overarching steering committee chaired by Bank Negara Malaysia, which is also the supervisory authority, and includes managers of the three other agencies involved, that is, Danaharta (the asset management company), Danamodal (the bank recapitalization company), and the Corporate Debt Restructuring Committee (the corporate restructuring agency). In Thailand, no new agency was set up with specific responsibilities for bank restructuring. The Financial Institutions Development Fund, a legal entity within the Bank of Thailand, which is also the

[20] C.J. Lindgren, T.J.T. Baliño, Ch. Enoch, A.M. Gulde, M. Quintyn, L. Teo, *op. cit.*, pp. 29, 30.

Table 1. Detailed measures to address the financial sector turmoil

Measure	Indonesia	Korea	Malaysia	Philippines	Thailand
Emergency measures					
Liquidity support	Yes	Yes	Yes	Yes	Yes
Introduction of a blanket guarantee	Yes	Yes	Yes	No	Yes
Institutional measures					
Establishment of an overarching restructuring authority	Yes	Yes	Yes[a)]	No	No
Establishment of a separate bank restructuring authority	Yes	No	Yes	No	No
Establishment of a centralized asset management corporation	Yes	Yes[b)]	Yes	No	No[c)]
Adoption of a special corporate debt restructuring framework	Yes	Yes	Yes	No	Yes
Operational autonomy of restructuring agencies	Limited	Yes	Yes	n.a.	n.a.
Restructuring measures					
Intervention in financial institutions that were weak or insolvent this would include:	Yes	Yes	Yes	Yes	Yes
mergers of weak institutions	Yes[4]	Yes	Yes	Yes	Yes[d)]
closure of insolvent institutions	Yes	Yes	No	Yes	Yes
Use of public funds to purchase nonperforming assets	Yes	Yes	Yes	No	No
Use of public funds to recapitalize institutions, including:	Yes	Yes	Yes	No	Yes
state intervention in banks	Yes	Yes	Yes	No	Yes
Elimination or dilution of current shareholder stakes of insolvent banks	Yes	Yes	Yes	Yes	Yes
New direct foreign investment	Yes	Yes	Limited[e)]	Yes	Yes
Other measures					
Measures to encourage corporate restructuring	Yes	Yes	Yes	Yes	Yes
Steps to improve prudential supervision and regulation	Yes	Yes	Yes	Yes	Yes

[a)] Steering committee chaired by the central bank; [b)] The powers and resources of a preexisting asset management company were substantially increased; [c)] The Financial Sector Restructuring Agency (FRA) was established to liquidate 56 closed finance companies and the assets management company to deal with residual FRA assets; [d)] Between government-owned intervened institution; [e)] Foreign banks are allowed to purchase up to a 30% stake.

Source: C.J. Lindgren, T.J.T. Baliño, Ch. Enoch, A.M. Gulde, M. Quintyn, L. Teo, *op. cit.*, p. 31.

supervisory authority, has been in charge of managing liquidity and solvency support to intervened banks. However, most decision making has been left with the Ministry of Finance. The Financial Sector Restructuring Agency (FRA) was set up to assess the viability of the 58 suspended finance companies and to liquidate the assets of the

56 companies that were closed. A Public Asset Management company was established to purchase residual assets from FRA. Moreover, the Corporate Debt Restructuring Advisory Committee was set up to facilitate corporate debt restructuring.[21]

In case of maintaining liquidity problems of banks, which could threat their solvency, banking supervision decided to intervene in their activity. The aim of such intervention in banks was introducing recovery plan, which would enable to restore their stability. The issue of significant importance in this case is to introduce such corrective actions without unnecessary delay.

6. Conclusions

Banking crisis, which erupted in Asia in 1997, was a very serious crisis which brought about far-reaching, negative consequences. The identification of its reasons is a very complex issue since there are indicated not just the existence of macroeconomic and banking system weaknesses, but also the occurrence of external shocks, as well as the phenomenon of crisis spillover. The crisis itself started in Thailand and later spread over the South-East Asia becoming, as a result, regional range crisis.

In case of crisis emergence the authorities of countries affected by crisis started to introduce interventional actions which were proceeded in two directions: decreasing the problem of shrinking liquidity in banking system and restoring confidence in the banking sector. The most important actions taken in order to restore liquidity in the banking system were liquidity support from the central bank and decreasing the level of banks financial reserves. Whereas the remedies directed on restoring confidence were as follows: enforcing deposit insurance system, financial support from international financial institutions (IMF, World Bank) and conducting the reforms of the banking system including the program of banks restructuring.

In spite of the fact that choice of introduced remedies is assessed to be correct, some countries made failures during its implementation. As an example, in Indonesia the authorities took up correct decision about closing the bank which had lost its solvency, but they did it in the way which contributed to loss of confidence in the banking system and massive bank run. Such situation took place because deponent and other clients of this banks did not get clear information about reasons of closing their banks and its consequences.

Another important issue in the process of crisis overcoming is speed of taking actions directed toward banking system stabilization. The Philippines were the country which took up immediate decision and started to introduce remedies on the first symptom of crisis. Reaction of the Philippines authorities, which floated peso with simultaneous tightening monetary and fiscal policy and interest rates increase, resulted in limiting the pace of capital withdrawal. Additionally, in order to limit the

[21] C.J. Lindgren, T.J.T. Baliño, Ch. Enoch, A.M. Gulde, M. Quintyn, L. Teo, *op. cit.*, pp. 30, 31.

influence of crisis on banking system, the authorities started to introduce complex program of banking system reforms supported by IMF and World Bank. Owing to lightening authorities reaction the cost of banking crisis in the Philippines was the lowest among South-East Asia countries afflicted by crisis.

The Philippines example shows that fast authorities reaction and introducing of interventional activities, through prevention of crisis spreading, causes limiting its scope and scale of negative consequences, contributing to decrease of banking crisis costs.

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PRZYCZYNY AZJATYCKIEGO KRYZYSU FINANSOWEGO I METODY JEGO PRZEZWYCIĘŻANIA

Streszczenie: Celami artykułu są identyfikacja przyczyn wybuchu kryzysu azjatyckiego, a także prezentacja metod jego przezwyciężania. Działania interwencyjne podejmowane w tym celu przebiegały w dwóch głównych kierunkach: zwiększenia płynności systemu bankowego oraz przywrócenia zaufania do systemu bankowego. Do najważniejszych działań podjętych w celu przywrócenia płynności systemu bankowego należało wsparcie płynnościowe z banku centralnego oraz zmniejszanie poziomu rezerw finansowych banków. Do działań ukierunkowanych na przywracanie zaufania należały: wprowadzenie systemu gwarantowania depozytów, wsparcie finansowe międzynarodowych instytucji finansowych (MFW, Banku Światowego) oraz przeprowadzenie reform systemu bankowego, włączając w to programy restrukturyzacji banków.