



Challenges and obstacles in access to financing

By

**Mohd Rithauden Makip
SME Corporation Malaysia
12 June 2012**

**Workshop on Enhancing the Competitiveness of Small And Medium
Sized Enterprises In The OIC Member States, Ankara Turkey.**

Contents

- SMEs in Malaysia
- Status of financing for MSMEs
- Current initiatives to assist MSMEs
 - Financial Guide for SMEs
 - Financial advisory
 - Awareness programmes
- Other initiatives by Central Bank of Malaysia
- Conclusion

99%

Total Establishments

Important domestic source of growth

32%

GDP

Foundation & support in supply chain through forward & backward linkages

59%

Employment

Balanced growth

Strengthen resilience of the nation's economy

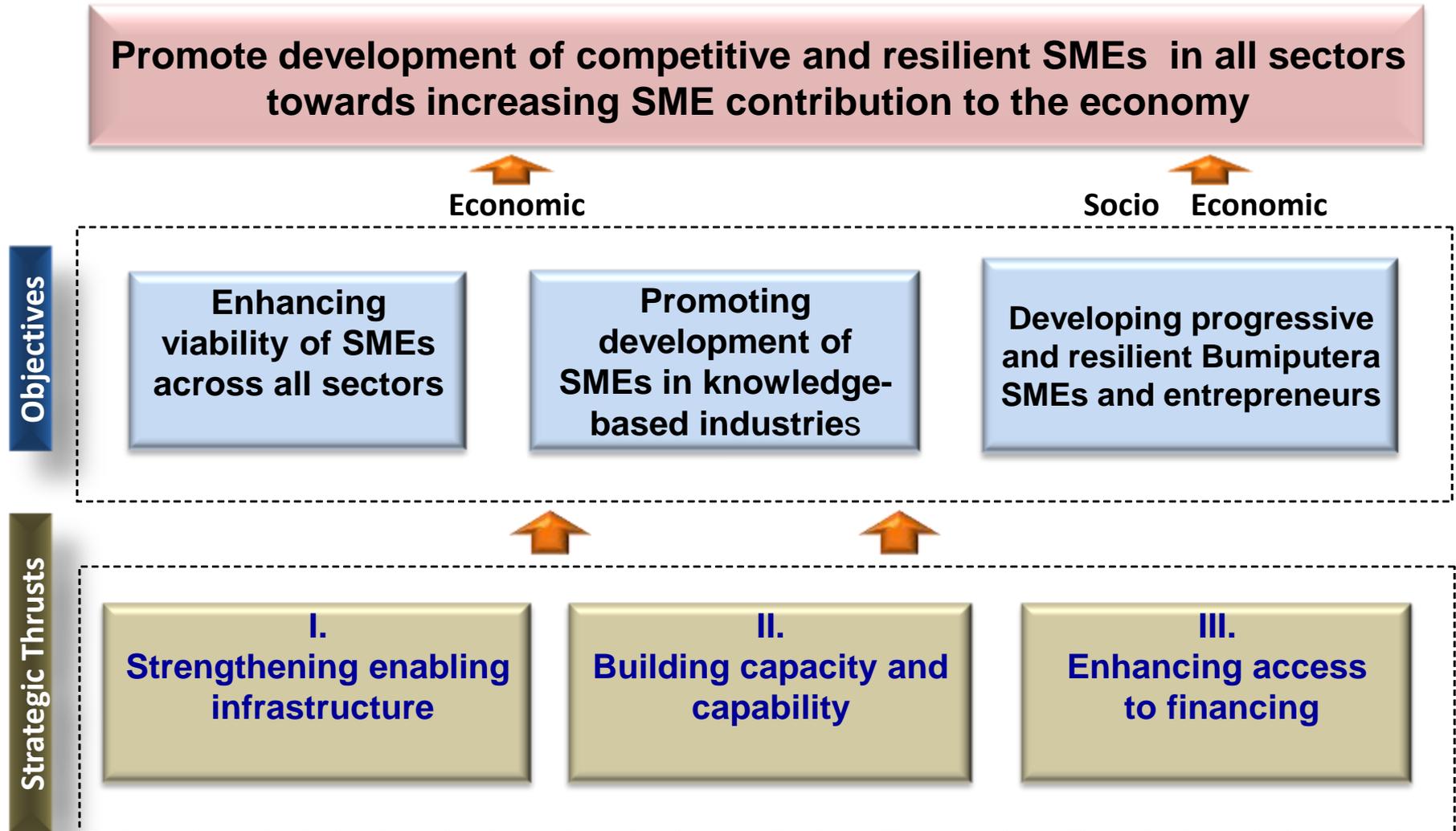
19%

Exports

Provide support for growth of new & existing sectors

Promote private sector-led growth

A structured approach in SME Development since 2005



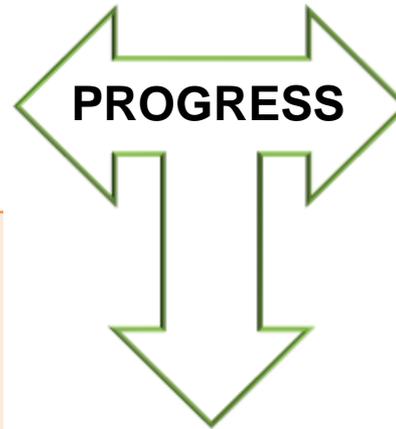
In the last 7 years, SME development achieved progress on all fronts...

Information dissemination

- SME Annual Report 2005 - 2010/11
- Financial Guide for SMEs
- Govt. Funds & Schemes
- SMEinfo Portal
- HRD Training Portal

Human capital, marketing & advisory services

- Centralised training for SME
- BNM's LINK, SME Bank, Banks' SME Unit
- "One Referral Centre"



Policy

- Standard SME Definition
- 5 - year policy targets (2006 - 2010)
- SME Integrated Plan of Action
- **SME Central Coordinating Agency**
- SME Masterplan (2012 - 2020)
- Outcome-based approach
- SME special unit at Ministries & Agencies

Statistics

- SME Census 2005 / 2011
- Time series value add data
- National SME Database

New products for SMEs

- Trade Finance Products
- Overseas Project Fund
- Venture Capital Funds for Agriculture
- Guarantee funds

Strengthening financial service providers

- Sustainable Microfinance.
- Transformation of SME Bank, CGC & Bank Pertanian Malaysia

Strengthening financial infrastructure

- SME Credit Bureau
- Small Debt Resolution Scheme

In 2012, 144 SME Development programmes worth USD4.6bil are being implemented...



Strengthening Enabling Infrastructure 11 programmes

- Automotive Centre Development Project
- Cottage Retail Shop
- Permanent Food Production Park
- Products Collection and Marketing Centre
- Incubation & Technopreneur Development
- Integrated Aquaculture Zone

- Entrepreneur Development
- Retraining and Skills Upgrading
- National Dual Training System
- Content Industry Development
- Franchise Development
- Taste of Malaysia
- Training for Furniture Design & Making
- Craft Entrepreneur Development
- Business Quality & Enhancement
- SME-Brand Development
- SME-University Internship
- Market Development Grant
- Exporters Training
- SME Expert Advisory Panel
- Biopreneur Clinic



Building Capacity and Capability 91 programmes



Enhancing Access to Financing 42 programmes

- Franchise Financing Scheme
- Micro Enterprise Fund
- Soft Loan Scheme for Service Sector
- Soft Loan Scheme for Automation and Modernisation
- Soft Loan for SMEs
- Business Accelerator Programme
- Tourism Infrastructure Fund
- Maritime Fund
- ICT, Biotechnology and Technology Development Project Financing
- Green Technology Financing Scheme

...in addition to the existing tax incentives and new funds for SME development

New Financing Schemes for SMEs during the Budget 2012 Announcement

SME Financing Fund (USD0.6bil)

SME Revitalisation Fund (USD31mil)

SME Emergency Fund (USD3mil)

Commercialisation Innovation Fund (USD156mil)

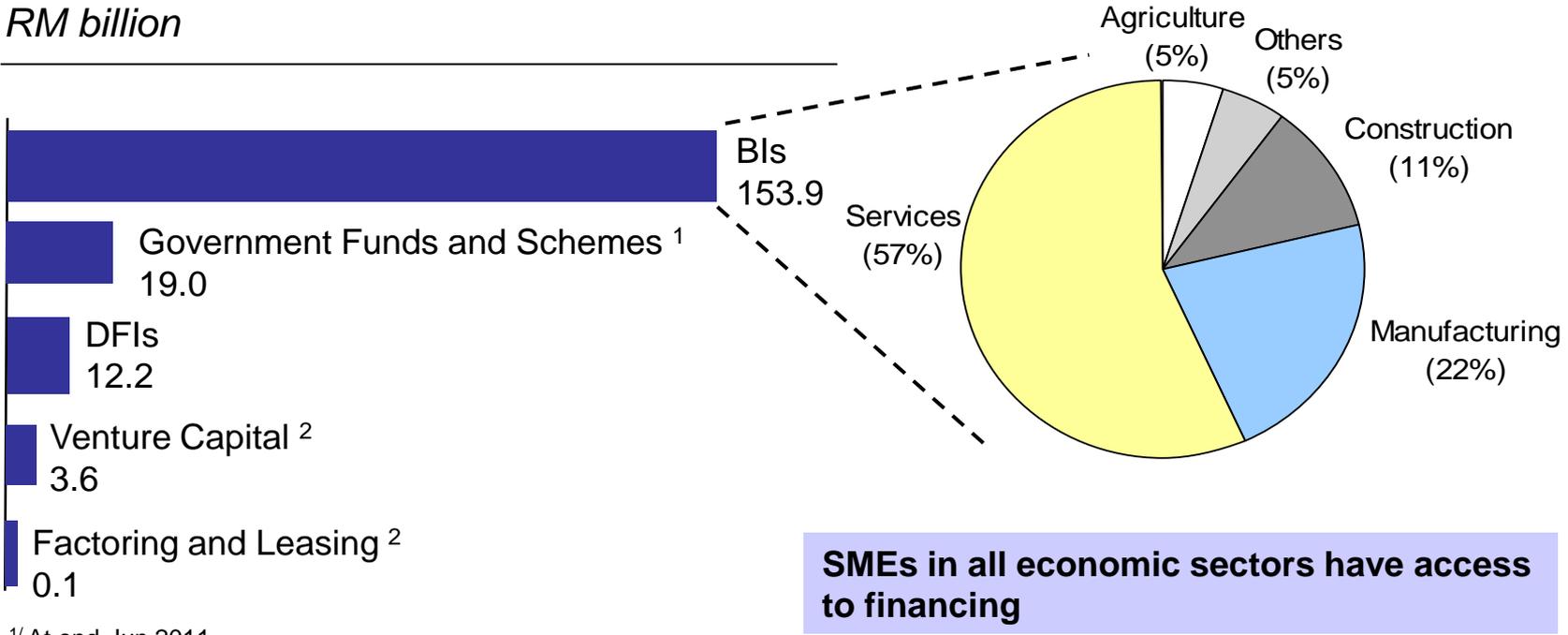
Market Validation Fund (USD94mil)

MyCreative Venture Capital (USD62mil)

Professional Services Fund (USD31mil)

SMEs across all sectors rely on banks as the main source of external financing

Financing Outstanding as at end-Feb 2012 RM billion



^{1/} At end-Jun 2011
^{2/} At end-2010

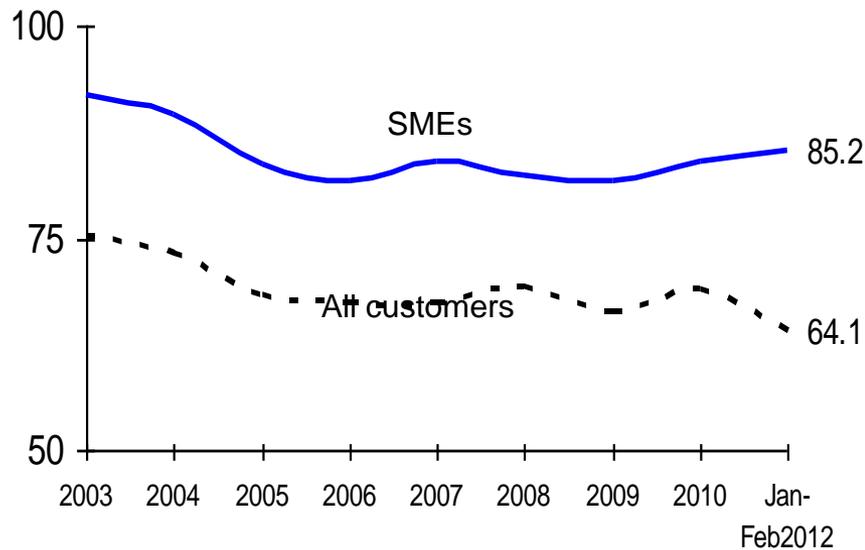
- 88% of total SME financing are from banks
- Banks have 566,976 SME accounts

Source: Bank Negara Malaysia, SME Corp Malaysia and Securities Commission



SMEs continuously have access to bank financing

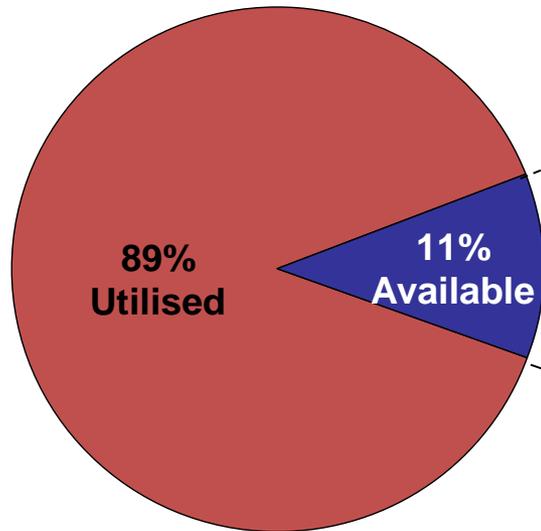
Approval rate remained high at 85% (%)



- SMEs accounted for 41% of total business financing (CAGR since 2000: 7.2% yoy)
- Based on survey conducted by SME Corp, approval rate is 85% (Third Quarter 2010 Survey on SMEs)

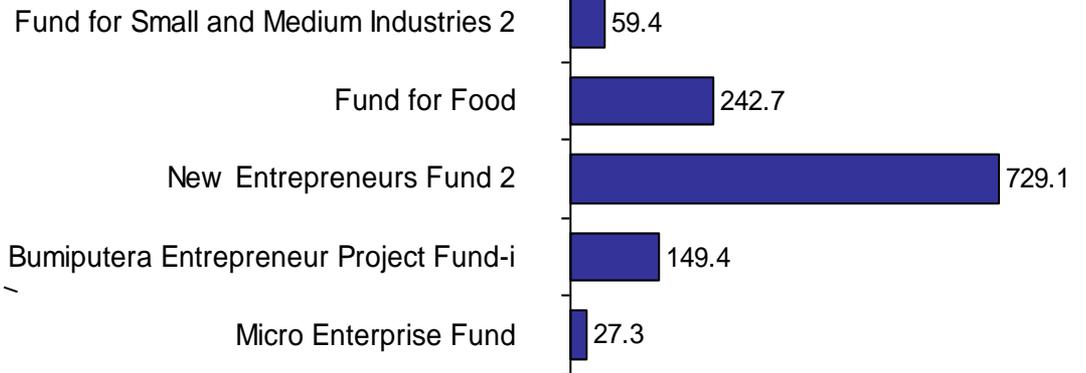
Source: Bank Negara Malaysia

BNM's SME funds: More than 51,000 SME accounts approved



RM1.2 billion still available under BNM SME Funds at end-Feb 2012

RM million



Source: Bank Negara Malaysia and CGC

Total initial allocation: RM11.4 billion

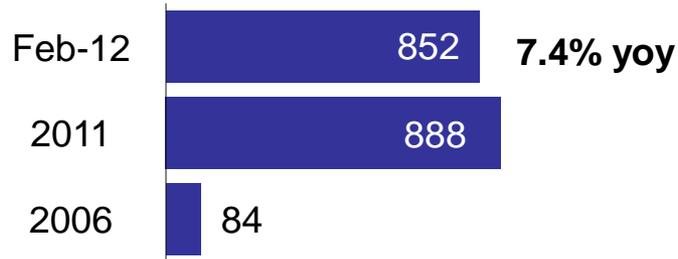
Total financing approved: RM21.4 billion (due to revolving nature of funds)

CGC has guaranteed RM48.8b to 414,469 accounts as at end-Feb 2012

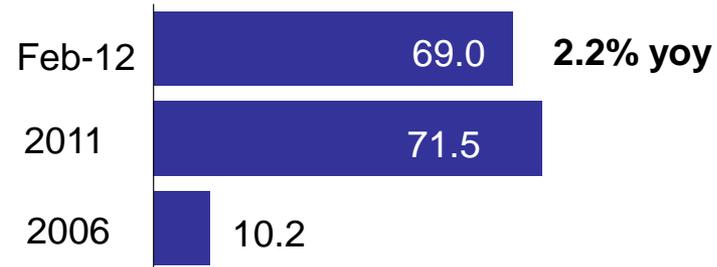
Micro enterprises have benefited from *Pembiayaan Mikro* by 10 financial institutions



Financing outstanding grew by 7.4%
RM million , end-period



No. of accounts grew by 2.2%
'000, end-period

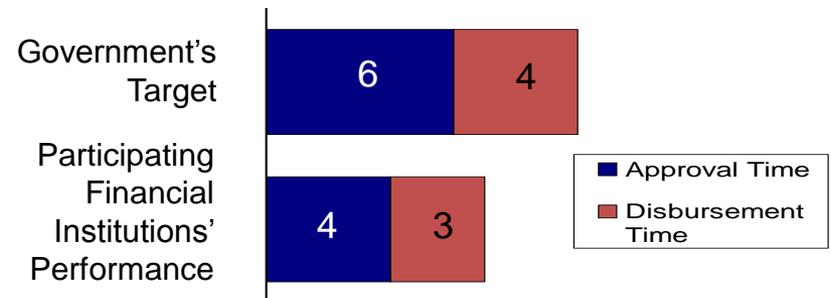


No. of access points increased significantly
End-period



* Increase in participation from 9 to 10 financial institutions

Micro enterprises have quick access to *Pembiayaan Mikro*
Average Processing Time in Feb-12 (No. of days)



Source: Bank Negara Malaysia

Challenge in developing resilient, competitive & innovative SMEs...

Capacity building key to improve viability of SMEs to grow & withstand foreign competition

Formalise and bring **microenterprises** into the mainstream – bottom 40%

Expand **marketing channels** for Malaysian SMEs to become regional/global players

Financing essential to develop medium & fast growth companies to become global and regional champions

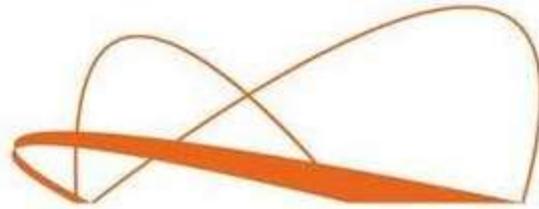
Inadequate access to financing

- Financing is a necessary component of SME start-up and survival
- SMEs around the world share some fundamental difficulties in accessing finance (Boocock, 2001)
- SMEs in the Asia-Pacific region consistently cite lack of access to finance as a serious obstacle to their development (ESCAP, 2009)
- Studying the causes of this lack of financing can help craft better policies for SMEs, which in turn can positively impact economic development

Key guidelines for effective policymaking

- The reduction of entry barriers (and thus costs) for new businesses
- The importance of cash flow to SMEs
 - The major reason most new and small businesses fail is not a lack of profits but a lack of cash
- The strengthening of entrepreneurship through training and education
- The strengthening of networking and information dissemination
 - A lack of networks and information hinders effective deployment of technology and business development services as well as collaboration with other firms

Gap Between SMEs and the Bankers...



Financial Guide for SMEs bridging the gap



SMEs,
especially among the
smaller firms, fail to
obtain financing simply
because of their poor
record-keeping



Bankers,
on their part, assume the
responsibility of ensuring that
borrowers are financially
sound and able to generate
a stable, continuous stream
of income to service their
loans

Launching of Financial Guide for SMEs...



Wednesday, September 28, 2011

“Financial management should be the key focus of small and medium enterprises (SMEs) in ensuring sound competitiveness in the market ...

... Many SMEs, especially among the smaller firms, fail to obtain financing simply because of their poor record-keeping...”

MITI Minister

Key Financial Aspects of the Guide



The **reader friendly** Guide looks at **A to Z on financial management** for SMEs:-

1. Understanding basic financial statements to improving business finance to managing debt
2. How SMEs can finance their business
3. The key messages and tips are also summarised making the Guide a useful reference material



www.smeinfo.com.my



www.sme Corp.gov.my

One Referral Centre

Disseminate

information on Government funds and incentives for SMEs

Channel for **feedback** on SME issues

Liaison for domestic and international communities on SME matter





ORC

ONE REFERRAL CENTRE
Your Business Meeting Point

BNM's holistic framework implemented to assist SMEs

Financial Infrastructure

- Microfinance Institutional Framework
- Strengthening the Development Financial Institutions (DFI)
- Credit Guarantee Corporation (CGC)
- Credit Bureau Malaysia (CBM)
- SME Financing Facilitation (ABM-PARTNER)

Financing Schemes

- Various BNM SME Funds
- Venture Capital Funds

Guarantee Schemes

- Various CGC Guarantee Schemes
- 10th Malaysia Plan: Working Capital Guarantee Scheme (RM3 b)
- Green Technology Financing Scheme (RM1.5 b)

Avenues to Obtain Information & Advice/Redress

- BNMLINK, BNMTELELINK, Mobile LINK
- Financing Help Desks at SME Business Associations
- ABMConnect
- Complaint & SME Advisory Units at FIs
-  &  Portal (www.bnm.gov.my)
- SME Rejuvenation Programme (pilot)

Debt Resolution & Management

- Small Debt Resolution Scheme (SDRS)
- Credit Counseling & Debt Management Agency (AKPK)

Outreach & Awareness Programmes

- SME financial exhibition
- Mass media advertisements
- Distribution of promotional materials through strategic partners, including Local Authorities

LINK and Regional Offices provide greater engagement through various channels

Walk-in Customer Service Centre

- Established in February 2005
- Service centres at JB, Penang, KK, Kuching & KT branches have been fully set-up in 2009 to complement the services and expand the outreach.

Contact Centre

- Established in July 2007
- Focuses on the delivery of services via phone, fax, letter, e-mail and sms.

Complaint Management & Advisory

- Facilitate resolution of complex cases (appeals/complaints) against institutions under the purview of Bank Negara Malaysia.

Mobile Service Counters

- Introduced in November 2010 to reach the public at the non-urban areas to enhance accessibility.

*LINK and Regional Office

- Transformation to **LINK and Regional Office** in June 2011 to preserve and enhance stakeholders' confidence on Bank's execution of its roles and objectives

Financial Consumer Redress and advisory

- Drive to preserve and enhance stakeholders' confidence on the Bank's capability in resolving consumer's financial issues

*Financial and Economic Surveillance and Intelligence

- Support the Bank's effective policy formulation and implementation through providing meaningful insights on consumer's financial issues and regional economic developments

Financial Education and Promotion

- Collaborate to drive the execution of strategy to enhance consumer's financial capability, heighten financial inclusion and e-payment for the nation's sustainable financial development

*Currency/Cash Management

- Champion high integrity and cost effective currency management at regional office

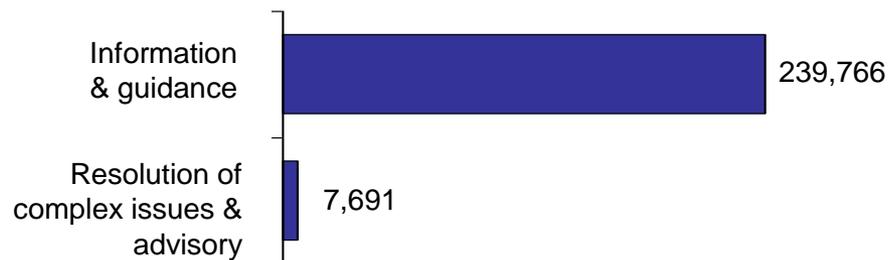
Strategic Linkages

- Strategic alignment and prioritisation of the deliverables of regional office to the bank's desired outcomes

Many have benefited from the advisory and resolution services provided

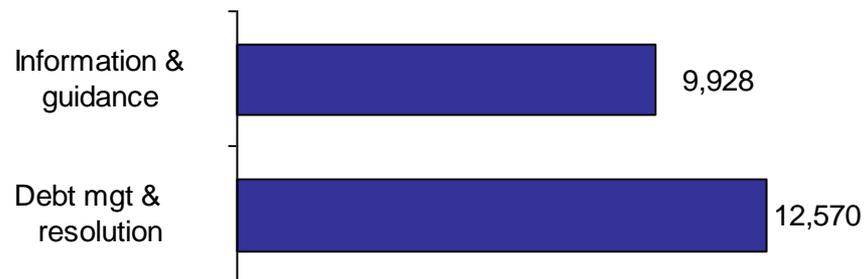
BNM has assisted 247,457 clients as at Jan-Sep 2011

No of clients



AKPK has assisted 30,010 clients as at Jan-Sep 2011

No of clients

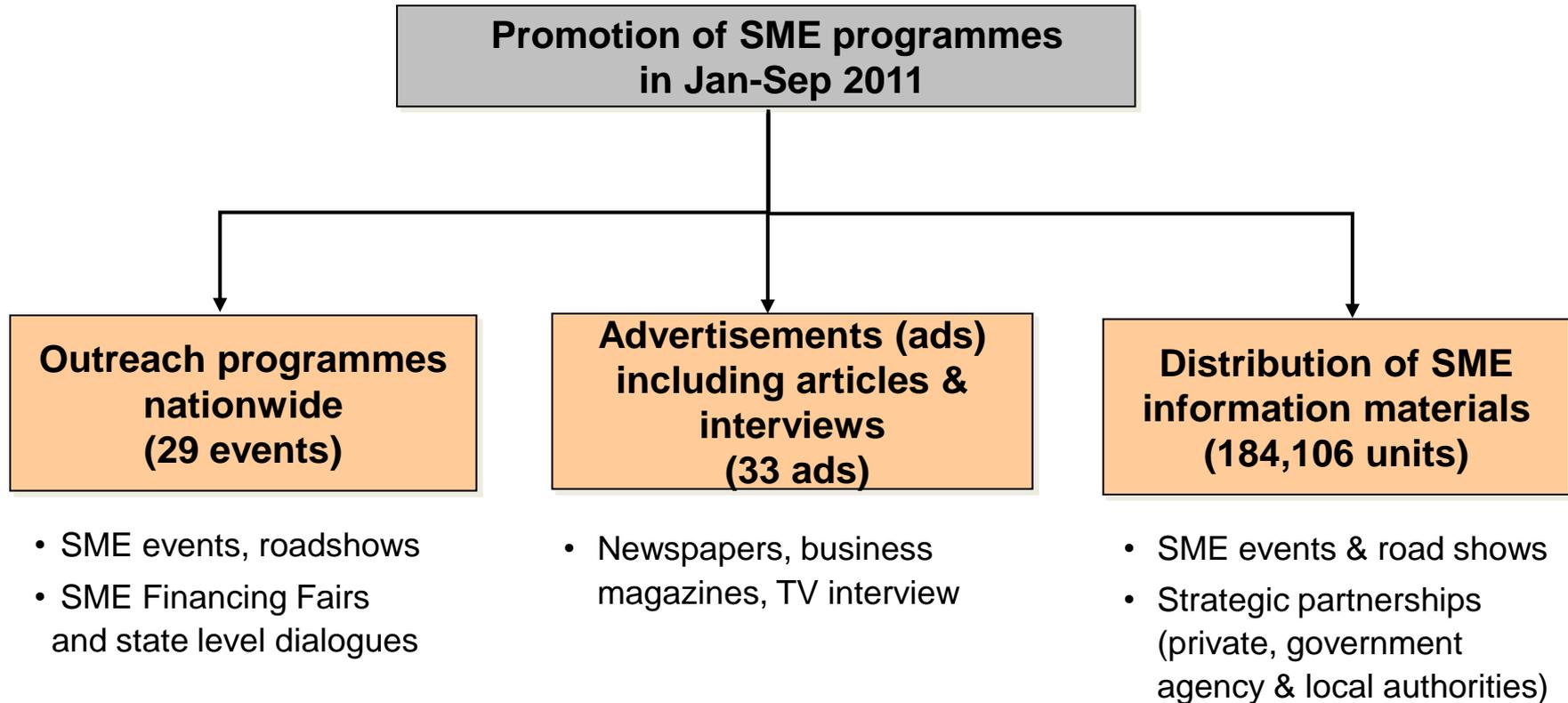


For BNM:

- Majority (96.7%) sought information
- 88% of complex issues were resolved
 - 57.5% of the resolved issues were in favour of consumers

Source: Bank Negara Malaysia and AKPK

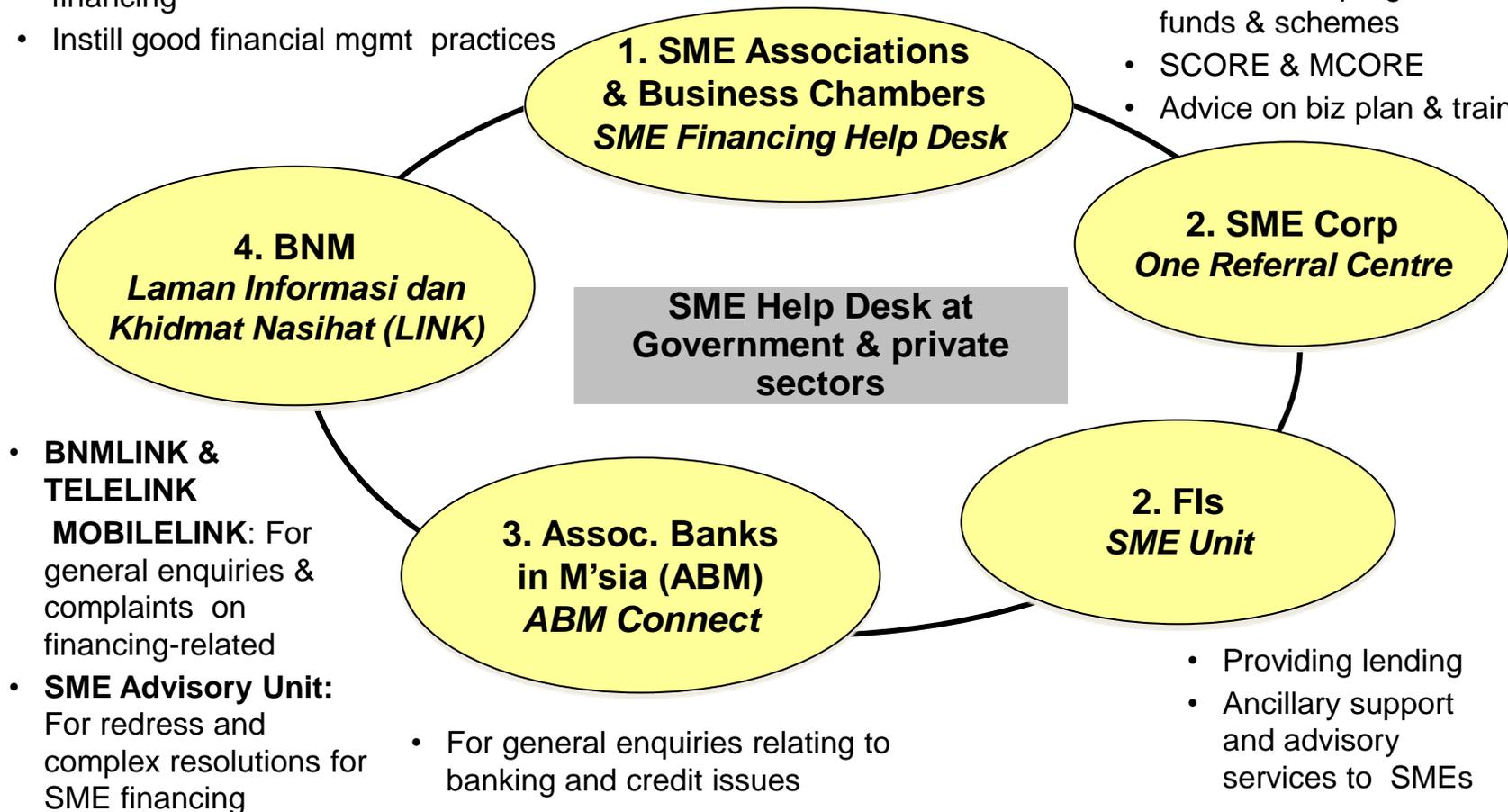
BNM's promotion initiatives to enhance awareness among SMEs



Business associations / chambers play an important role to provide more information or advisory services to the SMEs

- Advice on how to improve SME's ability to access financing through FIs
- Improve awareness level of SMEs in the area of financing
- Instill good financial mgmt practices

- Info on Govt programmes incl. funds & schemes
- SCORE & MSCORE
- Advice on biz plan & training needs



Promotion intensified to create greater awareness on SME financing



- Dialogue Sessions with Business Chambers/ Associations



- Strategic collaboration with the local authorities to promote micro financing



- BNM's information booths/counters at SME events and roadshows

Malaysia ranks high in terms of financial access

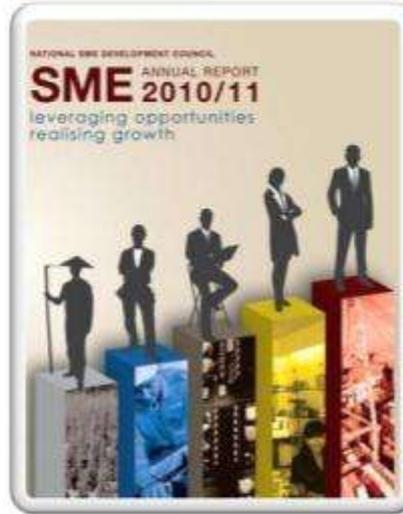
Category	Ranking	Source
'Getting Credit'	No. 1 for 4 consecutive years*	<i>World Bank (Doing Business 2009, 2010, 2011 & 2012 Reports)</i>
'Loans accounts per 1,000 adults'	No. 2 out of 87	<i>Consultative Group to Assist the Poor (Financial Access Report 2010)</i>
'Ease of Access to Loans'	No. 8 in 2011 from no.10 in 2010*	<i>World Economic Forum (The Global Competitiveness Reports 2010-2011 and 2011-2012)</i>
'Deposits accounts per 1,000 adults'	No. 9 out of 110	<i>Consultative Group to Assist the Poor (Financial Access Report 2010)</i>

* Most recent update

Key Take Away Points

- SMEs can benefit from training programmes in business, especially accounting and finance. Business development services (BDS) should be offered with capital flows
- Offers “good practices” in financing SMEs from around the region that policymakers might access to tailor to their own circumstances
 - Bank-borrower relationship
 - Different financing mechanisms at different stages of the firm’s life-cycle
 - Develop and balance both debt and equity markets

Pusat Rujukan Setempat
(BAS)



Talian Info
1-300-30-6000



THANK YOU

SMS untuk info PKS &
Maklumat Lain
Hantar ke 15888



www.smeinfo.com.my



www.smeinfo.com.my



Find us on Facebook
SME Corp. Malaysia