

Companies, including SMEs, are likely to expand business amid economic recovery

By DALJIT DHESI
daljit@thestar.com.my

WITH the economy showing signs of recovery, the demand for financing is expected to be on the uptrend as more companies expand their operations locally and abroad.

Banks and analysts concur that loans growth next year will be better than this year underpinned by the various stimulus packages introduced this year and upsurge in trade financing activities.

The multiplier effect from the stimulus packages, analysts agree, will result in a surge in demand for other businesses, including the small and medium ones.

Malayan Banking Bhd senior executive vice president and head of business banking Rozidin Masari says the bank is targeting its small and medium enterprise (SME) loans to grow by about 8% for the current financial year ending June 30, 2010.

He says to date, the bank's SME portfolio consists of close to 34,000 borrowers with total loans amounting to RM20.7bil. From July 2008 to June 2009,

Rozidin says SME loans restructured and rescheduled totalled about RM700mil, or less than 0.5% of total SME loans.

RHB Banking Group head of retail banking Renzo Viegas says he expects the bank's overall loans growth this year to be around 7% to 9%, and SME loan assets to continue to grow on the back of improving economic climate.

As at Sept 30, RHB's SME loan portfolio stood at RM10.7bil, accounting for 19% of the bank's total loans and advances.

From January to September, Viegas says a total of RM2bil was approved and to date, a total of RM4.8bil loans have been disbursed to SMEs.

"To date, a total of 534 accounts amounting to RM179.6mil of SME loans have been restructured. These constitute 70% of total loan restructured and largely from wholesale and retail, manufacturing and construction," he notes.

On the restructuring of SME loans, Alliance Bank Malaysia Bhd executive vice president and head of SME Banking Steven Kenneth Miller says: "We have a high success rate in

Pick-up in loans expected



Datuk Muhammad Ibrahim ... 'The objective of the SDRS is to support and assist viable SMEs facing financing difficulties.'

restructuring due to our long term banking relationships established with our customers. We are on target to achieve our SME non performing loan for the group."

To promote financing and ensure viable SMEs are not deprived from continuing their businesses, Bank Negara, under its Small Debt Resolution Scheme (SDRS), recently expanded the eligibility criteria for financing.

Its assistant governor Datuk Muhammad Ibrahim says the criteria was enhanced in May to allow viable SMEs to seek assistance under the scheme irrespective of the amount of non performing loans (NPLs) or non performing financing (NPF).

SMEs that face financial difficulties with more than one financial institution are also eligible under this scheme, he explains.

The SDRS was initially established to assist viable SMEs with aggregate NPLs and NPF of not more than RM3mil.



Over 90% of applications received under the Small Debt Resolution Scheme are from the manufacturing, services and construction sectors.

"The objective of the SDRS is to support and assist viable SMEs facing difficulties by facilitating rescheduling or restructuring of financing facilities, and where appropriate, providing new financing.

"When cases cannot be resolved by the financial institutions, the SDRS will step in to support viable SMEs facing financial difficulties," Muhammad says.

The SDRS also serves to ensure that financial institutions play an effective role in facilitating the rehabilitation of viable SMEs facing financial difficulties.

Viegas says since the introduction of SDRS, the bank had received 79 applications of which 72 were amicably approved and concurred by Bank Negara.

According to data from the central bank, financial institutions had successfully restructured and rescheduled a total of 3,235 cases of financing facilities for SMEs in 2008 compared to 1,537 cases in 2007.

As at Oct 2, the SDRS received 894 applica-

tions totalling RM807mil, with 661 applications totalling RM427mil approved for restructuring or rescheduling. Over 90% of applications received under the SDRS are from the manufacturing, services and construction sectors.

Under the scheme, a committee comprising individuals with extensive experience in business, banking and restructuring undertake an independent assessment of applications on the viability of the business and may propose restructuring, or rescheduling if eligible, and new financing, where necessary.

Critical factors include the ability to generate sufficient cashflow to at least cover operational cost and repay interest.

The committee places importance on management integrity, commitment and sincerity in resolving the company's financial difficulties to service what had been mutually agreed by the company and financial institution. Industry outlook, Muhammad adds, is also an important criteria.