



EFFECTIVE SESSIONS: Chuah (left) and Abu Hassan during the press conference after the dialogue in Kuching. The dialogue session serves as a platform for more-effective identification and resolution of issues faced by SMEs in dealing with financial institutions and obtaining access to viable financing.

SMEs to benefit from vast financing options

By **Ronnie Teo**

KUCHING: Local small and medium enterprises (SMEs) will be able to benefit from the wide spectrum of financing options available apart from an improved protocol in time for consent of documentation for loan approvals.

This was the highlight of the dialogue session jointly-organised by the Association of Banks in Malaysia (ABM) together with the SME Corporation, Credit Guarantee Corporation Malaysia Bhd (CGC) and Bank Negara Malaysia in Kuching earlier this week.

"Since July last year, BNM and ABM have been working hand-in-hand to reach out to SMEs and business and trade associations through these dialogues," noted Chuah Mei Lin, executive director of ABM.

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Given the emphasis on the SME sector as one of the key drivers of economic growth in Malaysia, it was made more pertinent for commercial banks to support the growth of SMEs and industries during the dialogue via an open communication channel between both sectors.

"Financing by the banking system to the business sector including the SMEs grew by 5.7 per cent year-on-year as at end of August 2010," revealed Abu Hassan Alshari Yahaya, director of corporate communications from Bank Negara Malaysia after the dialogue.

"Total financing outstanding to business

sector stood at RM315.1 billion, out of which 38 per cent were SMEs. SME financing approval rate remained high at 82.7 per cent in August 2010."

"From this, we gather that the issue of financing viability is not difficult for SMEs, proving that we will deal with the matter case-by-case."

The dialogue session was part of Bank Negara Malaysia's continuous engagement with key stakeholders, serving as a platform for more-effective identification and resolution of issues faced by businesses in dealing with financial institutions and obtaining access to viable financing.

Additionally, Chuah revealed that a definite time frame for the approval of loans for SMEs will be

defined in order to provide businesses with the assurance that their cases are not held up unnecessarily.

"We are planning to implement steps to outline clear time frames for loan approvals to give SMEs an assurance of mind," she highlighted. "For example, we will perhaps impose a maximum cap of five days for banks to revert to you on the receipt of your documentation for loan applications. We hope to implement this by November 1 onwards this year."

Abu Hassan noted an increase in demand for microfinancing which, to date, had benefitted more than 64,000 microenterprises in the country.

"Micro-financing to small businesses grew at an encouraging rate of 25.4 per cent. In fact, as at end-August this year, outstanding micro-financing amounted to RM736 million, with an average financing size of around RM11,000 per borrower."

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Bank Negara Malaysia establishes a RM200 million Micro Enterprise Fund

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This was on the back of micro-finance becoming an important element to complement SMEs in order to obtain access to financial products and services. Currently,

financial products are being offered by ten participating financial institutions which are now available at more than 2,200 access points.

Bank Negara Malaysia had also established a RM200 million Micro Enterprise Fund to increase access to

micro-financing for micro-enterprises, whereby RM149.8 million had been approved to 6,750 micro-enterprises so far.

Several initiatives were introduced by the government and Bank Negara Malaysia to ensure

that SMEs continued to have adequate access to financing.

This include five SME special funds which are channelled through participating institutions which had assisted more than 45,000 SMEs with

total financing approvals of RM19.7 billion as at the end of August this year.

Chuah continued to add that Kota Kinabalu would be the next leg of the public engagement where a similar dialogue is scheduled for tomorrow (October 21).