

Media Title : The Star
Headline : Alliance Bank wins in innovative financing solutions
Date : 1 April 2023
Section : News
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FINANCE

Alliance Bank wins in innovative financing solutions

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ALLIANCE Bank Malaysia Bhd has been recognised for its innovative financing solutions and unrivalled commitment to small and medium enterprises (SMEs), taking home the coveted "Best SME Financing Award" at The Asian Banker Excellence in Retail Financial Services International Awards 2023.

Despite stiff competition from other top contenders in the industry, the bank emerged victorious, reinforcing its position as a leader in SME financing.

The award recognises the bank's effort to fuel the growth of SMEs through personalised service and customised financial solutions.

Through digitalisation and technology, the bank has been able to provide faster and more efficient financial services, ultimately contributing to the growth and success of SMEs.

The bank's group chief SME and commercial banking officer, Raymond Chui, expressed his gratitude for the recognition, stating that it was a testament to the bank's ongoing commitment to supporting the development and growth of small businesses across the country.

Chui attributes the award to the bank's innovative use of technology

in providing financial solutions to SMEs including the smaller businesses.

The bank has also made it easy and convenient for businesses to apply for a loan by simplifying the loan application process with the introduction of Alliance Digital SME (Alliance DSME), which focuses on micro SMEs (MSMEs).

"The Alliance DSME is where the bank focuses on young entrepreneurs and new startups, which require funding to start off their business," Chui tells *StarBizWeek*.

Chui highlights that MSMEs can obtain financing of up to RM300,000, via a simple online process that only requires submission of the company's six-month bank statement.

However, to check other requirements for Alliance DSME funding, businesses must be in operation for at least a year and turnover should be at least RM50,000.

However, when businesses grow bigger and start reporting revenue of above RM30mil, they will be characterised under SMEs.

"That is when they require a relationship manager to not only help them manage their accounts, but provide them with financial advice," he says, adding that SMEs can obtain financing of up to RM50mil from the bank.

Chui points out that the DSMEs, SMEs and the lower range of com-



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Raymond Chui

mercial banking, makes up 42% of Alliance Bank's financing portfolio.

"We include commercial banking to this figure because part of the loans under commercial banking were also granted to SMEs," he explains.

Chui stresses that, based on a survey by Alliance DSME team, many startups or emerging businesses are seeking for bank's help to finance their working capital requirement.

However, he says, most of the time, MSMEs do not understand how to apply for a loan from a bank.

"These are some pain points that we understand through our survey, and we continue to provide education literacy to all these SMEs for them to gain a better understanding

of how our bank can provide financing solutions to address their needs," he says.

Apart from that, the bank has eased the process for these MSMEs to apply for financing, requiring only a single document submission via a simple online process.

"For example, if you look at Alliance DSME, they're only required to actually submit a six-month bank statement for the application of loan," he quips.

Upon submission of application, Chui says the bank will appoint a relationship manager to assess all the documents and have a virtual site visit.

When asked how the bank manages the risk of conducting digital

know your customer (KYC) or e-KYC, Chui says that the application form submitted by the MSMEs gives consent to the bank to go through their banking history aided by Central Credit Reference Information System (CCRIS).

CCRIS, owned and operated by Bank Negara, lists the financing and repayment history of a borrower over the past 12 months across every bank.

"That is actually a very good proof point to show us their repayment habits," he utters, adding that it is supported by the bank statement.

When asked if artificial intelligence (AI) has been incorporated into e-KYC, Chui says no. However, he says an AI capability will be deployed in a couple of months, leaving it as a suspense with no further explanation.

According to Chui, Malaysian businesses are structured in a pyramid, where MSMEs, which make up most of the businesses, sit at the bottom of the pyramid, while, towards the top of the pyramid comes large corporate businesses.

"We would like to help as many SMEs as we can, including the MSMEs, and be in their growth journey towards the top of the pyramid," he says.

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Explaining the reason why the bank is doing it digitally for the lowest funnel, Chui says: "It does not make sense from a cost-to-income ratio perspective to serve the large base like how we serve the bigger guys with a relationship manager, as we won't be profitable."

So how do MSMEs benefit from the Alliance Digital initiative? Chui says Alliance Digital does not only provide banking needs to MSMEs but also non-banking needs.

Chui adds that the bank caters to the banking needs of SMEs by providing a range of services, from opening business accounts to offering financing options.

Citing its survey, Chui says, although almost 70% of MSME respondents plan to take out a bank loan in 2023, only four in 10 MSMEs surveyed have previously even applied for funding for their businesses.

However, many of these MSMEs believe that obtaining funding from banks is not easy, as they often are rejected due to the stringent requirements set by banks.

The survey revealed that 31.4% of businesses which applied for funding before cited "too-high interest rates" as a key barrier to gaining access to funds, followed by too much documentation (24.3%), lengthy application pro-

cesses and complicated loan structures (22.9% each).

Another 20.9% cited poor services by financial institutions as a difficulty.

"In Alliance Bank, we have actually loosened the criteria to bring in the, so-called, higher risk group," Chui says, adding that the bank limits its risk by granting them smaller credit lines.

From then onwards, the bank monitors these businesses' turnover to decide on the suitable financing amount.

"Our vision is to ensure and aid even the smallest SMEs to grow until they become large SMEs and become large corporations," Chui highlights, adding that the bank also assists businesses to even go public.

On non-banking needs, Chui says Alliance Bank also has other resources MSMEs can tap into such as the "SupportLokal" initiative where they can work with the bank to extend their marketing reach via digital branding and joint promotions.

The bank also provides value added service to its MSMEs customers via a business-to-business (B2B) community platform, Alliance BizSmart® Solution, allowing them to connect with each other and offer various resources and services to help them achieve their business goals.

When asked which sector the bank favours

for financing, Chui says that the bank prefers the manufacturing, retail services, as well as food and beverages sectors.

"Although certain industries, such as the construction sector, may carry a higher risk, we are able to mitigate this risk by carefully selecting customers with strong management and a desirable customer profile to bank with," Chui quips.

"So, in short to say we actually, we are actually open to almost each and every one of the customers in the market," he adds.

Alliance DSME initiative was started in June 2021, and since then response has been good, with close to 1,200 MSMEs aided through the programme.

In its financial year ended March 31, 2022 (FY22), Alliance Bank provided RM60mil in digital SME loans to help micro and small businesses grow.

Meanwhile, for FY23, the bank aims to provide up to RM200mil in digital SME loans, and Chui says the bank is on track to achieve this target as it is well within the bank's reach.

On approval rate, Chui highlights that it has been on an improving trend and is currently close to 10% for its new-to-bank segment.

"Our approval rate is the trueblue approval rate, without anyone intervening or filtration," he says, adding that with intervention and filtration, Alliance DSME has an approval

rate of around 30%.

The improving approval rate was credited to the tweaks on refinement and enhancement of credit score approach.

Through Alliance DSME, the bank has also received several other prestigious awards for its innovative approach.

This include the "Microfinance Product of the Year" award during the Global SME Banking Innovation Awards 2023, "Best Loan Offering" at Retail Banker International Asia Trailblazer Awards 2023 and "Silver for Best Use of Customer Experience (CX) Technology" at the CX Asia Excellence Awards 2022.

With the latest accolade, the company continues to raise the bar and set new standards of excellence in the industry.

Alliance Bank, under the new vision of group chief executive officer Kellee Kam has announced an enhanced strategy plan that will guide the bank's growth for the next four years.

The bank said the plan, dubbed Acceler8, will drive its growth through to FY27 with the aim of launching it into the top quartile in the industry for return on equity, cost-to-income ratio below 45% and loans growth above industry average. At the same time, the bank also seeks to drive forward non-financial metrics such as customer service, employee satisfaction and sustainability.