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Alliance Bank to raise SME green project loan offerings

KUALA LUMPUR: Alliance Bank Malaysia Bhd has approved RM200 million in loans to small and medium enterprises (SMEs) for green projects in the financial year 2023 (FY2023) and aims to double the figure this year.

Group chief strategy, marketing, and business development officer Aaron Sum said the loans involve projects that contribute positively to the environment like solar initiatives and waste materials management.

The bank has observed a rise in the adoption of environmental, social, and corporate governance (ESG) practices among SMEs, he said.

"We are starting to see more traction from SMEs, especially when Bank Negara Malaysia (BNM) offered the high tech and green facility (HTG) financing scheme. We also promote those schemes to SMEs," he told Bernama.

Alliance Bank employs two strategies when providing green financing to customers; the open market approach and the supply chain approach, involving collaboration with a list of companies obligated to meet specific decarbonisation targets.

"We worked with Bursa Malaysia on its centralised sustainability intelligence (CSI) platform for large corporates to help them manage their scope 3 carbon emissions tied to suppliers, who are SMEs.

"Through this assessment tool with Bursa Malaysia, we can prioritise suppliers who have the highest carbon footprint. We then work on structured programmes to help these suppliers transform their operations, be it energy efficiency, waste management, and so forth to reduce the carbon

footprint. We do that through green financing," he said.

Scope 3 carbon footprint encompasses emissions linked to suppliers and are not directly produced by the company itself.

Overall, Alliance Bank has demonstrated significant progress towards its sustainability top-line goals, achieving RM10 billion in new sustainable banking business in the first quarter of the 2024 financial year (1Q FY2024).

This momentum will continue into the first half (1H FY2024), with the bank successfully recording RM12 billion in new sustainable banking business as it heads towards the RM15 billion FY2027 goal.

Sum also emphasised that sustainable finance can potentially serve as a driving force to reshape business models, strategies, and operations, making them more competitive and appealing to a broader market segment.

He said embracing sustainability could unlock fresh opportunities, including potential markets and revenue streams.

"Those who approach it innovatively can seize the opportunity to reshape their business models, enhance operational efficiency, boost staff productivity, and directly influence their profit and loss outcomes.

"If they approach sustainability as a competitive advantage, it can lead to a significant transformation in profit and loss. We showcase examples of successful companies when engaging with business owners to encourage them to adopt sustainability finance," he said.

— Bernama