

# Enhancing Access to Financing by Small & Medium Enterprises in Malaysia

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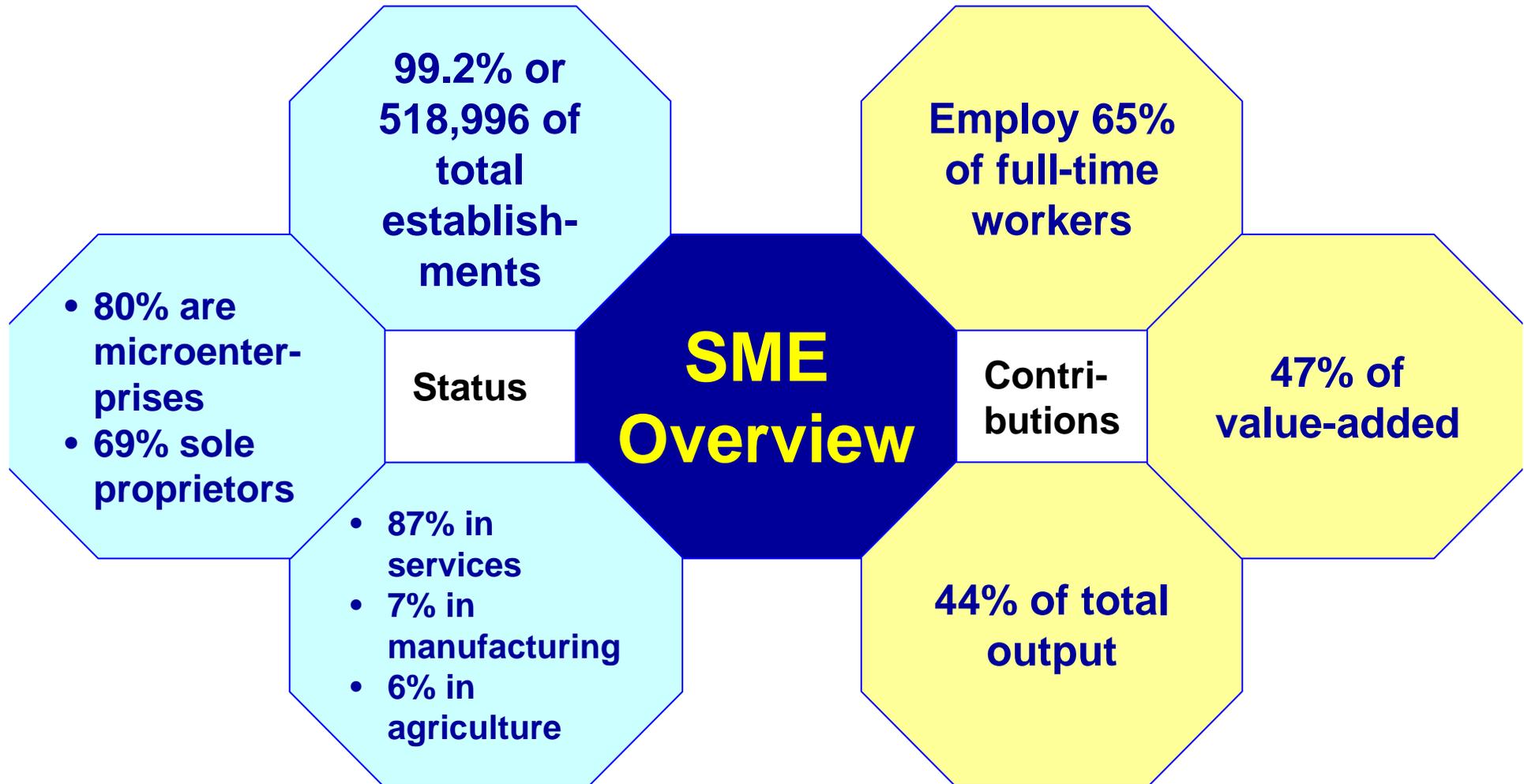
# Presentation Outline

- Overview of Malaysian SMEs
- SME Financing Landscape
- Enabling Infrastructure to Facilitate Financing to SMEs



# Overview of SMEs in Malaysia

**SMEs constitute 99.2% of business establishments**



Source: Census of Establishment and Enterprise 2005, Department of Statistics Malaysia



# National SME Development Council

## Driver of SME development

### Broad Objective:

- Promoting development of competitive and resilient SMEs in all sectors towards increasing their contributions to the economy

### Strategic Thrusts for SME Development:

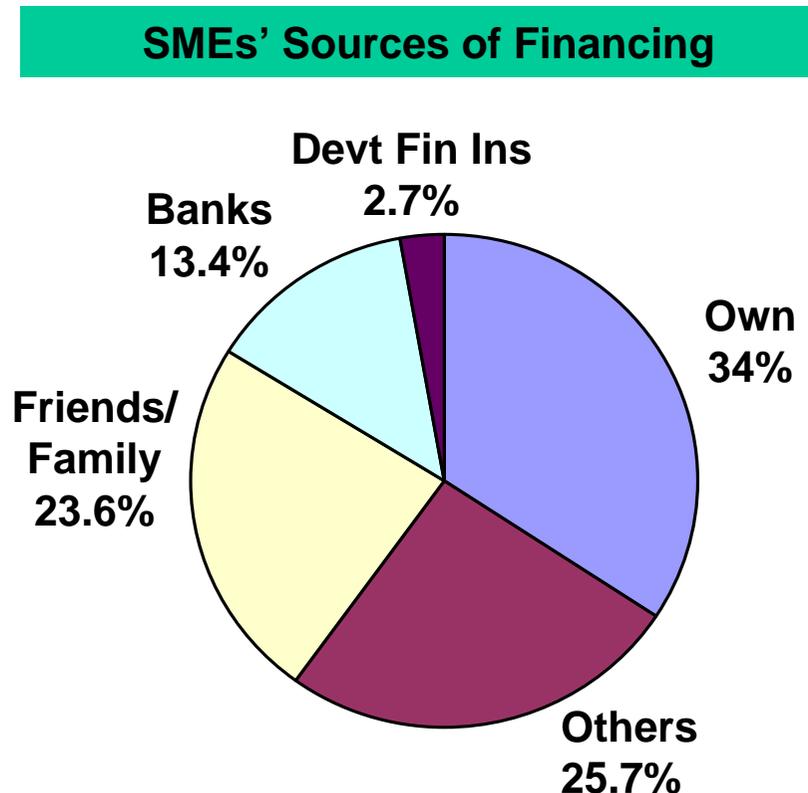
1. Strengthening Enabling Infrastructure
2. Building Capacity and Capability
3. Enhancing Access to Financing



# SMEs' Sources of Financing

Opportunity for financial sector to meet financing needs

- Most SMEs relied on own funds, friends & family to fund business
- FIs main source of financing for large & medium enterprises

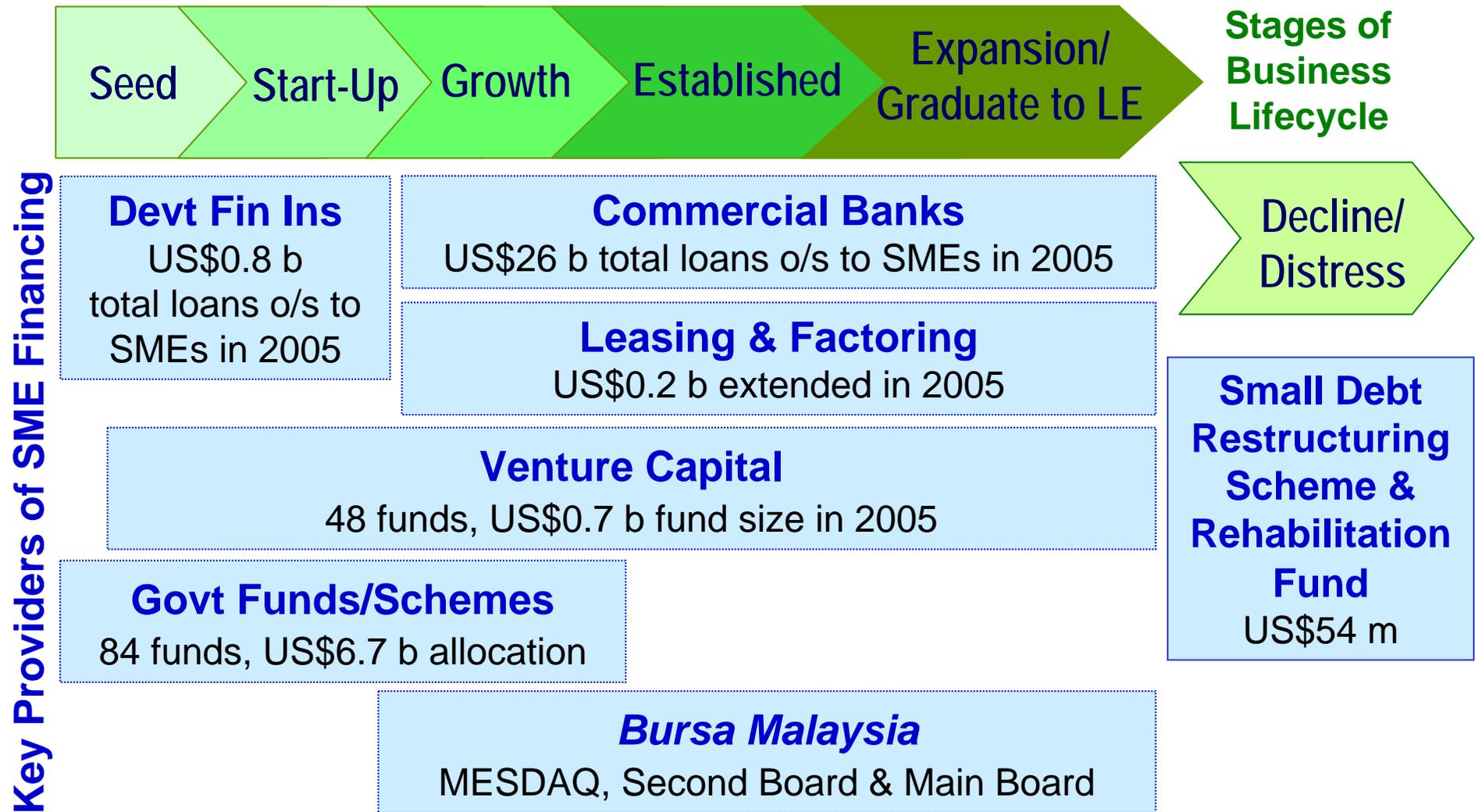


Source: SME Annual Report 2005



# SME Financing Landscape in Malaysia

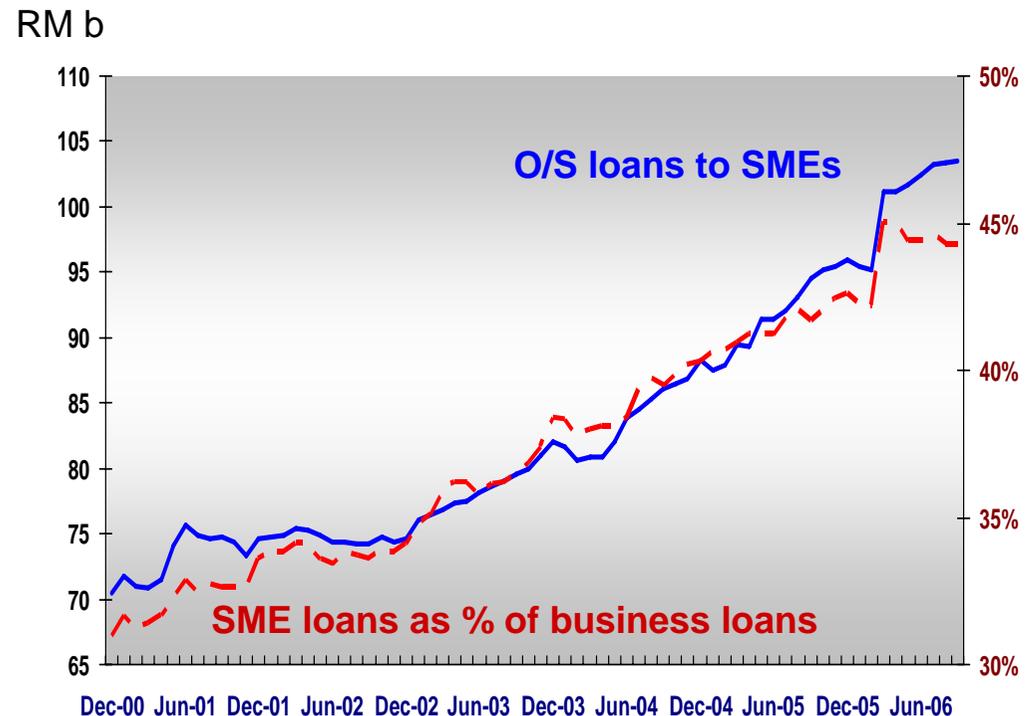
Various providers to meet SME financing needs



# Banking sector main provider of funds to SMEs

## Lending to SMEs has been increasing

- Total SME loans outstanding increased by 9.6% to US\$28b as at end-September 2006
  - 44.3% of total business loans



- As corporate borrowers shifting to capital markets for funds, banks refocused and increased lending to SMEs



# Venture Capital & MESDAQ

## Complemented bank lending to finance innovative SMEs

### Growth in VC Industry

- Provides important source of financing for newly-established businesses, esp. ICT sector
- In 2005:
  - Total size of VC Funds increased by 14% to US\$0.7 b (2004: US\$0.6 b) for investment in 380 companies
- Mostly at bridge, mezzanine/pre-IPO, expansion and early stages

### MESDAQ

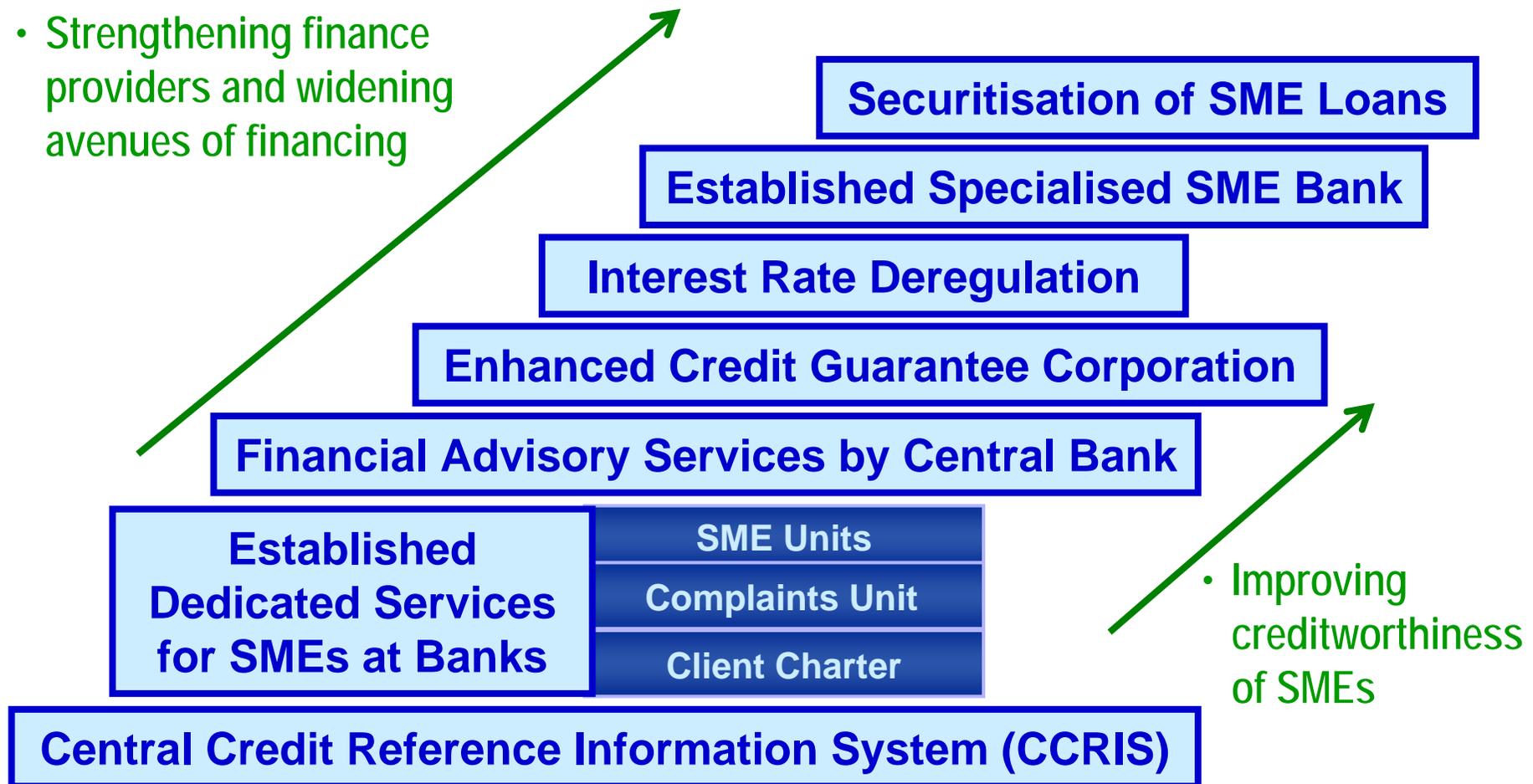
- Launched Oct 1997
  - 128 companies listed, with market cap of US\$3.4 b (at Nov 2006)
- Listing requirements
  - Issued & Paid-Up Capital > RM2 m (US\$541,000)
  - Operating History:
    - Tech-based – No min period of op, no profit record required; and
    - Non-Tech based – Min. 12 months in operation, audited accounts, but no profit required.



# Enhancing Access to Financing by SMEs

## Various initiatives undertaken

- Strengthening finance providers and widening avenues of financing



# End of Presentation

