

Zamani Abdul Ghani: Growth and development of SME's in Malaysia

Opening address by Mr Zamani Abdul Ghani, Deputy Governor of the Central Bank of Malaysia, at the Top SMI Supporter Award Presentation, held at the Credit Guarantee Corporation Malaysia Berhad (CGC), Petaling Jaya, Selangor, 9 June 2008.

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Bismillahirrahmanirrahim

Distinguished fellow members of the Board of Directors of CGC,
Yang Berbahagia Datuk Wan Azhar Wan Ahmad, Managing Director of CGC
Distinguished Guests and Representatives of Financial Institutions
Members of the Media
Ladies and Gentlemen

Assalamualaikum w.b.t. and a very good afternoon

On behalf of the Board of Directors and Management of the Credit Guarantee Corporation, (CGC), I am pleased to welcome you to this Top SMI Supporter Awards Presentation ceremony. This occasion is held in conjunction with the CGC's 35th Annual General Meeting that was successfully concluded just a while ago. I am pleased to note the encouraging representation made here today by fellow members of financial institutions. This signifies the importance that financial institutions attest to this CGC's annual award presentation ceremony. That said, allow me to record our appreciation to all of you for making this ceremony an important event in your calendar.

This Top SMI Supporter Awards presentation ceremony, as you are all well aware, is an annual occasion. It recognises the active participation by financial institutions in CGC's credit guarantee schemes in particular, and contributions by financial institutions to SME development in general. We firmly believe such efforts should not go unnoticed. Collectively, the award recipients and all other financial institutions have helped in making CGC a stronger SME-support institution. This is so as their active participation opened a new window of opportunities not only for the SMEs but also for the CGC in reaching out to a wider cross section of the SME community throughout the country.

In 2007, CGC provided credit guarantees totalling RM4.6 billion to more than 13,000 SMEs through our main schemes, the programmed lending schemes as well as the securitisation of SME loans. There was actually remarkable growth with the number of loans and amount guaranteed growing by 73% and 53% respectively. This could be attributable to the strong support given by participating financial institutions that have been robust in serving the SME market in the recent years. I particularly note with interest that the seven recipients today collectively contributed more than 80% of the total loans guaranteed by CGC in 2007.

In view of the changing facets of SME financing, CGC undertook several initiatives to further reach out to SMEs that are in need of financing. This includes the introduction of innovative products and services as well as widening the scope of guarantee beneficiaries by forging alliances with strategic partners. In the last two years, CGC has entered into strategic partnership with many local and international institutions with the aim both of expanding its SME outreach as well as to better equip itself with the expertise and knowledge to take it to a higher service delivering platform. As a result, CGC is now able to undertake some new business activities such as securitisation, portfolio guarantees and collateralised loan obligations (CLOs). These are aimed at raising alternative sources of funds as well as attracting medium-term funding from the capital markets for SMEs. CGC firmly believes that these exercises are also key drivers in the Corporation's efforts towards achieving financial sustainability.

The Corporation has also identified a number of strategies to help it to achieve financial independence. Of importance is the expansion in the product range that include capital

market activities. In view of our commitment towards making CGC a financially sustainable institution, we have even gone a step further by working closely with our financial partners to ensure higher business quality. To encourage active participation, CGC introduced for the first time in 2008, a new award called the **Best Financial Partner Award**. The award acknowledges and recognizes the financial partner that contributed the most towards quality assets for CGC. It also recognises the financial institutions' conscientious efforts in ensuring that scarce funds are channelled to SME borrowers identified to have the capability and capacity to maintain good credit standing.

The Best Financial Partner Award will be a regular feature in the years to come and we look forward to the active participation of all the financial institutions. In addition to the Best Financial Partner Award, another two awards were also introduced. These are the Top Islamic Bank and Top Development Financial Institution awards to recognize these two categories of institutions for their contribution towards the overall business growth of CGC and the SME sector. These new categories illustrate our sincere acknowledgment of the financial institutions that have made significant contribution to SME development.

We believe 2008 is an important year for CGC. Foremost is that it marks the 36th year of the Corporation's involvement in SME development. It is also the year which will see the implementation of the third phase of our three-year business transformation plan and the successful completion of the three-year strategy. The necessary preparatory work under the transformation plan has largely being completed and we hope to take the first step towards achieving financial sustainability.

Another significant milestone in 2008 is the establishment of the SME Credit Bureau, a watershed event in CGC's evolution. The Bureau is a source of credible and reliable credit information that serves the needs of both the SMEs and the potential financiers. This reflects the natural progression for the CGC in its continuous efforts to enhance access to financing by SMEs. The establishment of a SME Credit Bureau, by CGC in strategic collaboration with Dun & Bradstreet, would no doubt complement the other initiatives of the Government and the financial sector in promoting growth and development of SMEs.

We have seen how CCRIS, where real-time and comprehensive information on consumers' credit exposures and history is readily available. Such availability has served as a valuable source of information in credit assessment and help expedite loan processing time. In the same vein, with greater availability of information on SMEs from the Bureau, the processing time for SME loans can be similarly shortened and decisions to grant financing can be made based on a more comprehensive set of information. We hope and encourage the financial institutions to avail themselves of the services provided by the Bureau and help create a healthier and more transparent credit culture amongst the SMEs and lenders.

I would now like to take this opportunity to congratulate all the award recipients today. We hope the recognition accorded by CGC will help to create a better understanding of the spirit behind this initiative, which is aimed at fostering mutually beneficial working relationship between the CGC and the financial institutions for the over-arching objective of promoting SME sector development. You have certainly given us your unwavering support through your active participation in our guarantee schemes. We look forward to your greater participation in the future.

On another note, I would take this opportunity, in conjunction with our 35th AGM, to thank all employees of CGC for their understanding and commitment in adopting and adapting to changes. This include the internal organizational change that we have been through in the past two years to face the challenges of the dynamic business environment of today.

Thank you for the kind attention and have a pleasant day.