



Financing Ecosystem for MSMEs

Chapter

3



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Financing Ecosystem for MSMEs

Malaysia's financial system today is the outcome of continued efforts and reforms over decades, core building blocks were established and have placed Malaysia's financial sector on a stronger footing, not only to withstand the shocks of the recent pandemic and natural disaster, but also to become a source of strength to cushion the impact to the economy which is highlighted in the Financial Sector Blueprint 2022 - 2026 and one of the key initiatives is the enhancements to the financing ecosystem for micro, small and medium enterprises (MSMEs).

Beyond bank financing, alternative sources of financing and financial instruments are key to support the growth of firms and promote longer-term financial stability. Broad strategies are required to develop a wider range of funding instruments to better meet the diverse funding needs of MSMEs across the business lifecycle.

MSME LENDING BY FINANCIAL INSTITUTIONS

Financial institutions have been bearing high amount of MSME outstanding loans over the last decade, reflecting steady support for MSMEs. Their loans have more than doubled from the RM141 billion in 2010 to RM305 billion in 2020 and RM320 billion in 2021. The share of MSME lending proportionate to business loans has risen from 38.0% in 2010 to 45.0% in 2021, underscoring the recognition of MSMEs as key economic players by financial institutions.

In 2021, total financing disbursements and approvals to support MSME relief and recovery exceeded that of 2020 as well as before the onset of the pandemic. Banks continued to undertake the major share of the financing disbursement to MSMEs as indicated by the 98.0% of the loans disbursed to MSMEs in 2021 being sourced by banks' own internal funds, with Bank Negara Malaysia (BNM) Funds for MSMEs serving only as a supplement.

Banks and Development Financial Institutions approved more than RM72 billion in financing to about 134,000 MSME accounts in 2021 compared with the pre-pandemic total of RM67 billion to 146,000 accounts in 2020 and RM71 billion to 121,000 accounts in the 2017 - 2019 period. In 2021, banks channelled RM312 billion in financing to MSMEs, exceeding the RM257 billion in 2020 and the RM300 billion in the pre-pandemic period of 2017 - 2019. Disbursements, particularly for working capital purposes, increase dramatically in 2021 as more liquidity needs emerged in tandem with businesses entering recovery during the ongoing national economic recovery phase. Correspondingly, approval rates have also improved, with nearly three out of four MSME financing applications obtaining approval during the year.



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BRIDGING GAPS IN MSME FINANCING

Development Finance Institutions (DFIs), enabled by continuous Government support and regulatory flexibilities, continue to play a counter-cyclical role in bridging financing gaps, especially for businesses affected by the pandemic. More than 25,000 MSMEs benefitted from new financing totalling RM4.5 billion from DFIs in 2021. This accounted for about one-fifth of the total number of MSME financing accounts approved by financial institutions, a bigger share compared with the pre-pandemic level of 13.0% (2019). The financing covered segments such as microenterprises, startups, first time borrowers and the tourism sector which were facing greater challenges in accessing financing from commercial banks.

The approvals by DFIs comprised largely of utilisation of special financing schemes which were established to support the recovery of viable MSMEs affected by the pandemic, namely, the Special Relief Facility under the BNM Fund for MSMEs, Government schemes and the DFIs' own special lending programmes with accommodative features such as repayment holiday of up to one-year, lower instalment amounts as well as affordable rates.

FINANCING SERVICES TO FACILITATE MSME RECOVERY

The financing ecosystem for MSMEs has been strengthened considerably over the years and continued to be enhanced amid the pandemic. The existence of a stronger and more effective ecosystem which played a pivotal role in providing critical financial support to MSMEs in distress was hugely instrumental in facilitating the recovery of the MSME during these uncertain times. Among the facilities available to support MSME financing are imSME, MyKNP and AKPK.



imSME

One of the innovative measures that facilitates MSME financing is the creation of the imSME platform by Credit Guarantee Corporation Malaysia Berhad (CGC). The acronym "I am mSME", represents micro, small and medium enterprises. It is Malaysia's first online MSME financing and loan referral platform supported by BNM and participating banks. The platform acts as a one-stop online financing referral portal that allows MSMEs to apply for financing from multiple lenders as well as matching applicants with the most suitable facility or lender. imSME enables access to fast and real-time information on financing and loan options, thus reducing search and time cost. Since its inception in 2018, the online financing or loan referral platform recorded over 2.2 million visitors, with 4,700 accounts approved worth RM488 million.

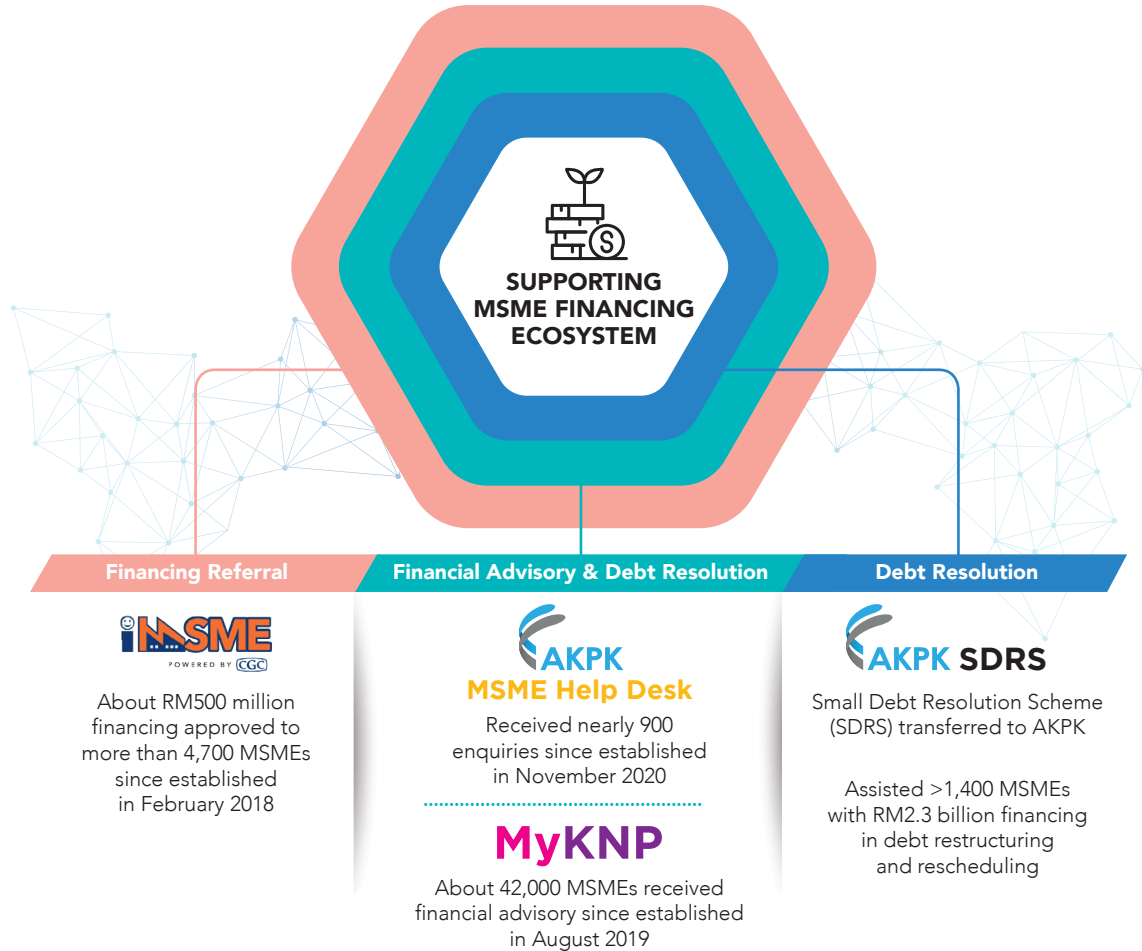
Khidmat Nasihat Pembiayaan (MyKNP)

MyKNP is a financing advisory service formalised by BNM in collaboration with CGC and the Credit Counselling and Debt Management Agency (*Agensi Kaunseling dan Pengurusan Kredit*, AKPK). MyKNP, which is managed by CGC, acts as a financial services advisor to MSMEs who had been unsuccessful in obtaining business financing from banks. The platform helps to enhance the eligibility profile of applicants as well as providing information on alternative financing. About 42,000 MSMEs has received assistance through MyKNP in 2021.

Agensi Kaunseling dan Pengurusan Kredit (AKPK)

AKPK is a one-stop platform to help MSMEs obtain more convenient access to debt restructuring services and financial education. In September 2020, the function of the Small Debt Resolution Scheme (SDRS) was transferred to AKPK to enable the platform to leverage on its strong online and nationwide presence through its 12 branches to provide more effective services to MSMEs as well as to expand the capacity of the SDRS in facilitating debt resolution. Since its inception in 2003, SDRS has achieved a close to 100.0% success rate in helping more than 1,400 MSMEs to restructure and reschedule their debts amounting to RM2.3 billion as at end of December 2021. AKPK also set up a dedicated MSME Helpdesk in November 2020 as an alternative channel for advisory services and submission of repayment assistance requests. This virtual helpdesk, which is available between 9.00 am to 9.00 pm from Monday to Saturday, provided assistance to nearly 900 SMEs in 2021.

Chart 3.1: Comprehensive Supporting Ecosystem to Assist MSME Recovery



SUPPORTING MSMEs BEYOND FINANCIAL SERVICES

Beyond lending, the financial industry also supports MSMEs by providing advisory services through their dedicated business units in areas such as capacity building.

The Centre for Entrepreneur Development and Research (CEDAR), a wholly owned subsidiary of SME Bank, focuses on entrepreneur development programmes including training, coaching, mentoring and sharing of knowledge and information such as research papers, sectoral outlook and business tips. The movement restrictions amid the pandemic led CEDAR to develop e-learning modules and conduct training and capacity-building programmes online, thus boosting MSME participation in these programmes. In 2020, there was a sharp rise in the number of participants to 13,600 compared with 2,300 in 2019.

The Agrobank Centre of Excellence partners with Government agencies and industry groups to conduct development programmes, business clinics and mentoring for entrepreneurs in the agriculture sector and agro-food industry while Bank Rakyat has set up several SME & Cooperatives Business Centre (SMEC) that

are dedicated to entrepreneurial development. SMEC is a one-stop centre that provides holistic advisory and financing services for MSMEs and cooperatives to upscale their businesses. As at end of December 2021, 10 SMECs are in operation nationwide.

DFIs have also initiated philanthropic activities to assist vulnerable segments such as low-income groups and asnaf to increase their income through entrepreneurship. In April 2021, Bank Rakyat launched its RAKYATpreneur 2.0 programme to nurture over 200 asnaf entrepreneurs nationwide. A similar initiative was also introduced by SME Bank under the Asnaf Entrepreneurship Programme 2.0 or ISHRAF 2.0 to support micro and small asnaf entrepreneurs in expanding and sustaining their businesses through the adoption of digital technology.

Banks have also accelerated the offering of digital financial solutions to help businesses pivot in the new normal, including digital financing, onboarding customers to e-payment, establishing online marketplaces and providing digital business tools such as human resource systems and accounting tools.

Some of the MSME support services provided by various banks are:

CIMB SME Partners

CIMB, through its panel of partners, offers exclusive pricing to its customers to utilise digital services related to logistics, e-commerce, digital marketing and connectivity solutions.

iStart@HLB

Hong Leong Bank assists MSMEs by complementing its banking services with digital business solutions such as accounting, e-commerce and logistics.

Maybank SME Digital Financing

Maybank offers Straight-Through-Financing a fully automated process to speed up financial transactions that enables eligible customers to receive approval and disbursement in less than five minutes. The credit approval process adopts the use of advanced analytics and machine learning modules based on existing credit approval scorecards as well as other features such as customer profile, deposits, type of facility, credit history, business transactions and nature of business.

Maybank Sama-Sama Lokal

Maybank offers local MSMEs to transform their businesses online without any commission to enable the businesses to receive 100.0% of the income via its M2U platform. The platform also provides education and training to merchants including for product placements, communication and digital marketing.

Public Bank Enterprise Digital SME Assist

Public Bank, in collaboration with its MSME digital partners provides MSME customers with business tools such as HR systems, accounting tools and e-commerce solutions to grow their business.

UOB Bank Jom Transform

UOB offers participating MSMEs exposure or matching with digital business solutions as well as providing training and workshops on digital skillsets.

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CREDIT GUARANTEE CORPORATION (CGC) ASSISTANCE FOR MSMEs

The availability of credit guarantee schemes has helped to motivate financial institutions to continue lending amid economic uncertainties when banks are more risk-averse and awaiting clarity on the performance of MSME loans that are currently under repayment assistance.

CGC continues to provide guarantees schemes to MSMEs in the services sector via BNM's fund Targeted Relief and Recovery Facility (TRRF), which offers a financing tenure of up to seven years, with a moratorium on monthly instalments of at least six months.

Disaster Relief Facility (DRF) 2021 is a financing facility established by BNM to alleviate the financial burden of MSMEs affected by floods and enable them to resume their business operations. Other than TRRF and DRF, High Tech Facility - National Investment Aspirations (HTF-NIA) was introduced to support high-tech and innovation-driven MSMEs affected by COVID-19 to recover and revitalise the nation's innovation capacity. A financing rate of up to 5.0% per annum is offered for financing inclusive of the guaranteed fee.

Through CGC's guarantee schemes, these programmes have benefitted more than 9,000 MSMEs, providing access to financing worth nearly RM3 billion in 2021. CGC provided moratorium flexibility to MSMEs, a temporary relief measure allowing our customers to defer their loan repayments. CGC continues to support and serve the guarantee to direct financing customers to enable them to sustain their business operations during the challenging time through the Targeted Repayment Assistance (TRA) programme. As at end of 2021, more than 50.0% of CGC's direct financing customers and over 24,000 guarantee customers have been granted assistance under this programme.

In addition, CGC has been proactively reaching out to the customers in need of Rescheduling & Restructuring (R&R) for their loan to support MSMEs in this challenging environment. The R&R is open to MSMEs with existing loan with CGC under the schemes BizMula-i, Bizwanita-i, Redemption & Conversion, Full Risk Schemes e.g. BizSME and Tabung Projek Usahawan Bumiputera (TPUB-i). Among new schemes introduced by CGC to ensure the MSME sustain their business include the following:

BizMikro-i

BizMikro-i scheme provides another avenue for microentrepreneurs to obtain financing by using psychometric assessment as an alternative credit assessment tool. This scheme aims to provide financing to the unserved and underserved MSMEs by bringing them into the formal financial ecosystem. These microentrepreneurs often lack track records and collateral to access financing from financial institutions. An alternative credit assessment is needed to assess the MSMEs in this segment.

BizBina-i

BizBina-i is a direct financing scheme availed to all existing CGC customers whose business operations have been affected by the floods. This is to alleviate the financial burden and assist these MSMEs to resume their business operations following this natural disaster with a 1.5% per annum reduction in profit rate and an extended tenure to five years with six-month moratorium. This scheme is geared to allow more MSMEs to survive and continue their businesses.

ALTERNATIVE FINANCING

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While alternatives to traditional debt finance are particularly important for start-ups, high-growth and innovative MSMEs, the development of alternative financing techniques may be relevant to the broader population of MSMEs. Capital gaps exist also for firms seeking to effect important transitions in their activities, such as ownership and control changes, as well as for MSMEs seeking to leverage and improve their capital structures. Excessive reliance on debt financing compared to equity will lead to higher cost, as loans to firms that already have considerable amounts of debt tend to have higher interest rates and increase the risk of financial distress and bankruptcy. Thus, the Government's decision to allocate more funds into alternative financing will further support the needs of MSMEs who are underserved by traditional financial institutions and open opportunities for businesses who have been adversely impacted by COVID-19.

In response the Securities Commission has worked on strengthening alternative financing avenues to meet the funding needs of MSMEs such Venture Capital (VC), Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) lending. Throughout 2021 the Malaysian capital market remained resilient and orderly amid the relatively challenging global and domestic environment. Total funds raised in the capital market remained robust, rising to RM130.9 billion in 2021 (2020: RM114.6 billion), above the five-year pre-pandemic average of RM121.4 billion, of which RM16.6 billion was raised via the equity market, while RM114.3 billion was raised through the corporate bond market. Meanwhile, alternative financing avenues via ECF and P2P financing continued to gain traction especially in supporting the funding needs of MSMEs. The growth in alternative financing increased by 149.2% in 2021 with RM2.4 billion raised (RM1.4 billion from ECF / P2P financing and RM1.1 billion from venture capital / private equity).

Venture Capital (VC) and Private Equity (PE)

As at 31 December 2021, the total number of registered corporations stood at 124 (refer to Table 3.1). The VC segment accounted for 105 registered corporations (Venture Capital Management Corporation, VCMC) and (Venture Capital Corporation, VCC), while the PE segment consisted of 19 registered corporations (Private Equity Management Corporation, PEMC) and (Private Equity Corporation, PEC).

Table 3.1: Statistics of Industry Participants

Detail	31 December 2020	31 December 2021
Number of Registered Corporations	127	124
Number of Registered VCMCs and VCCs	106	105
Number of Registered PEMCs and PECs	21	19
Number of VC and PE Professionals*	175	344

* Professionals with more than four years' experience

Source: Annual Report 2021, Securities Commission Malaysia

Total committed funds in the industry as at 2021 stood at RM5.2 billion and RM9.6 billion for VC and PE respectively (refer to Table 3.2), with a combined total of RM14.8 billion. For VC, the Government agencies and investment companies (45.0%), sovereign wealth funds (27.9%) and corporate investors (19.7%) make up the top 3 sources of funding (refer to Chart 3.2). For PE, commitments are sourced largely from corporate investors (28.6%), individuals and family offices (19.1%), and financial institutions (11.9%) (refer to Chart 3.3). In terms of business stage, VC investments in 2021 concentrated on early stage (51.3%), followed by seed (20.5%) and growth (17.9%) opportunities. The top three registered corporations by amount of investor commitments as at end 2021 were Creador, Xeraya Capital, and MAVCAP.

Table 3.2: Industry Key Statistics (RM million)

Detail	2021		2020	
	Private Equity	Venture Capital	Private Equity	Venture Capital
Total committed funds under management [1]	9,648.42	5,183.50	7,385.73	4,314.34
Total drawn capital [2]	6,884.29	3,870.73	5,874.77	3,187.31
Estimated capital available for investment [3]=[1]*[2]	3,495.88	1,312.77	1,510.96	1,127.03
Total no. of investee companies	41	211	31	311

Note: The statistics are reported on self-reported figures by registered VC / PE firms.

Source: Annual Report 2021, Securities Commission Malaysia

Chart 3.2: Sources of Funds for Venture Capital (2021: RM5.2 billion)

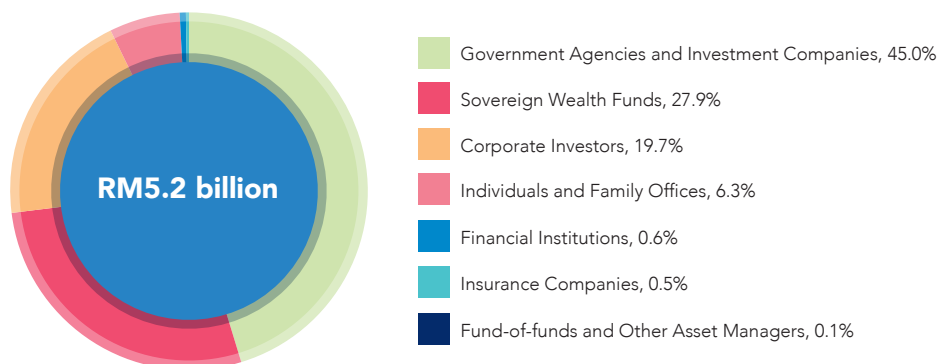
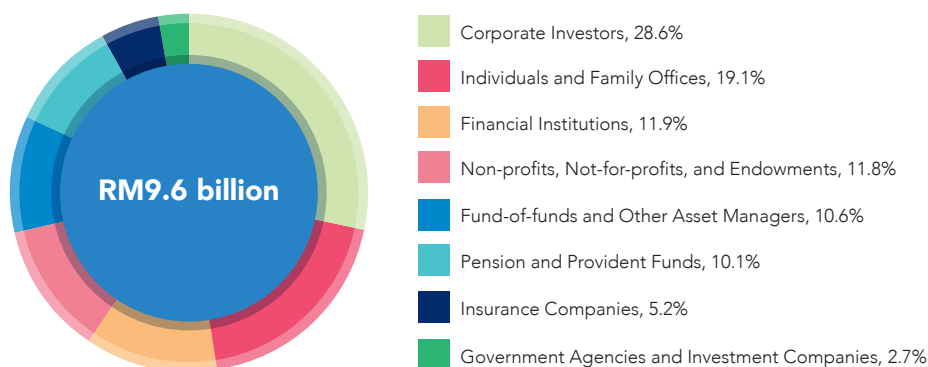


Chart 3.3: Sources of Funds for Private Equity (2021: RM9.6 billion)

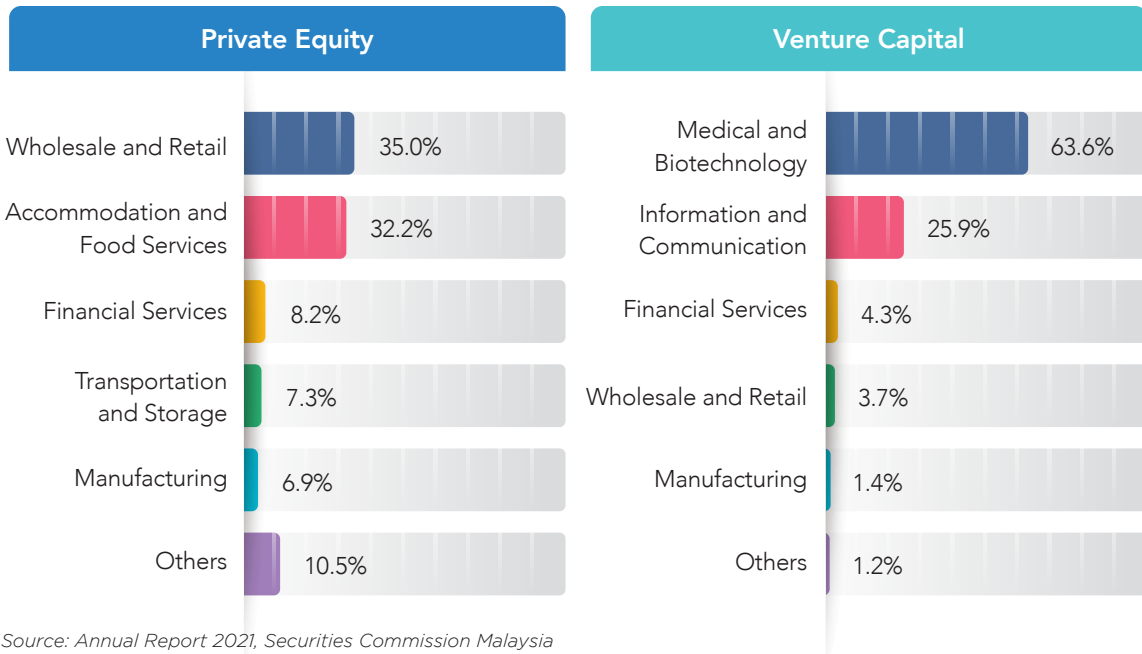


Note: Government agencies and investment companies: Includes ministerial investment companies (e.g. Minister of Finance (Incorporated)), Government agencies, statutory bodies, and Government-linked investment companies established for the purpose of managing investments of public funds (e.g. PNB, Ekuinas).

Source: Annual Report 2021, Securities Commission Malaysia

In terms of target industries, medical and biotechnology (63.6%) has the highest share of VC investment in 2021, followed by information and communication (25.9%), and financial services (4.3%). As for PE, investments were largely channelled to wholesale and retail trade (35.0%) in 2021, followed by accommodation and food services (32.2%), and financial services (8.2%) (refer to Chart 3.4).

Chart 3.4: Investments in Top Five Target Industries



Source: Annual Report 2021, Securities Commission Malaysia

Equity Crowdfunding (ECF)

The total funds raised via ECF since its inception stood at RM420.9 million. In 2021, the total funds raised increased to RM221.6 million from RM127.7 million in 2020. 104 issuers have successfully fundraised via 104 campaigns in 2021 (refer to Table 3.3). The total number of issuers increased by 33.0% in 2021 from 2020.

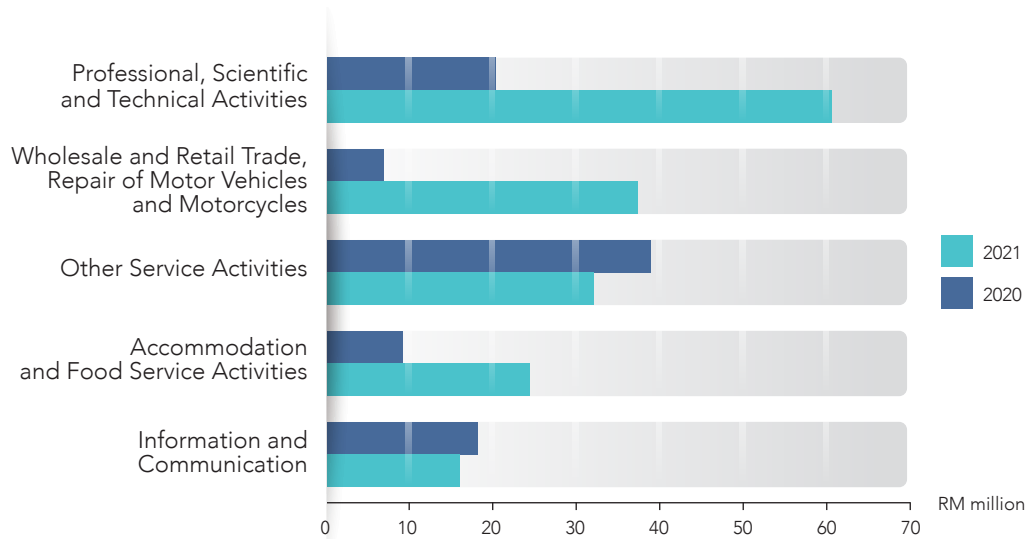
Table 3.3: Issuers and Campaigns

Detail	2020	2021
Number of issuers	78	104
Number of campaigns	80	104

Source: Annual Report 2021, Securities Commission Malaysia

Campaign sizes in 2021 continued to be of larger fundraising amounts, with 86.0% of the campaigns raising beyond the RM500,000 mark. The Professional, Scientific, and Technical activities sub-sector received the most funds in 2021 with RM60.3 million (refer to Chart 3.5).

Chart 3.5: Top Five Economic Activities by Total Fund Raised



Source: Annual Report 2021, Securities Commission Malaysia

As part of a continual evolution of the ECF market, several initiatives were introduced in 2021 to serve the needs of a wider range of businesses and spur market growth:

- Single lifetime fundraising limit on the ECF platform was raised to RM20 million from RM10 million previously to facilitate start-ups and MSMEs in raising early-stage financing in a flexible and competitive manner;
- List of ECF eligible issuers expanded to include unlisted public companies; and
- Approval of the first Microfund was granted to an ECF operator to widen product offerings on the ECF platform. A microfund is a common vehicle set up by venture capitalists / angel investors to invest in start-ups or growth-stage companies.



Peer-to-Peer (P2P) Financing

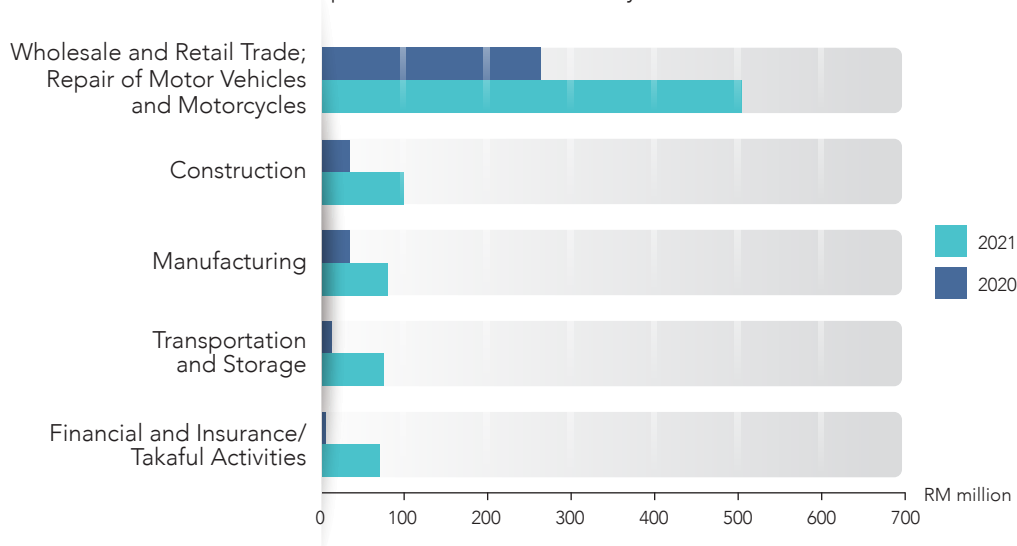
Since its inception, the total funds raised via P2P financing stood at RM2.3 billion. In 2021, the total funds raised reached RM1.1 billion, more than twice the amount of funds raised in 2020 through 14,301 successful campaigns. A total of 1,988 issuers have benefitted from these campaigns (refer to Table 3.4). Campaign sizes in 2021 continued to be of smaller fundraising amounts, with 70.0% of campaigns raising RM50,000 and below. In terms of economic activities, the Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles sub-sectors remained the largest sector served in 2021 with RM514.4 million.

Table 3.4: Issuers and Campaigns

Detail	2020	2021
Number of issuers	1,338	1,988
Number of campaigns	7,932	14,301

Source: Annual Report 2021, Securities Commission Malaysia

Chart 3.6: Top Five Economic Activities by Total Fund Raised



Source: Annual Report 2021, Securities Commission Malaysia

Notably, alternative financing platforms such as ECF and P2P financing have benefitted more than 4,000 MSMEs, with total funds raised at RM2.7 billion since their inception. While still relatively small in size, these alternative financing avenues had grown to become a viable source of financing for MSMEs, increasing their reach to small and emergent companies. ECF and P2P financing had helped to address the financing needs of MSMEs during the pandemic, as both markets had raised more than RM1.8 billion since the start of the Movement Control Order (MCO) in 2020.

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Malaysia Co-Investment Fund (MyCIF)

Since its establishment in 2019, the MyCIF has received RM180 million in allocation from the Government for co-investment with private investors through ECF and P2P financing platforms. To date, MyCIF has successfully co-invested over RM357 million in more than 16,000 ECF and P2P financing campaigns, benefitting 2,280 MSMEs. The fund had co-invested alongside more than RM1.4 billion from private investors.



Capital Market Green Financing Series

In February 2021, SC has launched NaviGate: Capital Market Green Financing Series, a programme to create greater awareness and connectivity between green companies and the capital market. The first edition of NaviGate was held virtually in February 2021 with a total of 100 participants and 40 MSMEs from the green technology and sustainable energy sectors in Malaysia participated in the programme which connected them to the ECF and P2P financing platforms. NaviGate demonstrates the SC's continued emphasis in fostering capital market inclusivity and in facilitating the acceleration of the Sustainable and Responsible Investment (SRI) agenda for the Malaysian capital market, complementing the initiatives undertaken by Capital Markets Malaysia (CMM). The inaugural session was supported by the Malaysian Green Technology and Climate Change Centre (MGTC) and Sustainable Energy Development Authority (SEDA) Malaysia.

The second NaviGate session was held in May 2021, organised by CMM and supported by Bank Pembangunan Malaysian Bhd and Danajamin Nasional Bhd. The session was attended by more than 200 participants which focused on companies with larger financing needs to finance their green and sustainable projects through the issuance of SRI Sukuk and ASEAN-labelled Bonds. It aimed to create greater awareness on SRI through the various capital market funding avenues as well as encourage greater connectivity between green and sustainability-focused companies and the capital market.

Box Article

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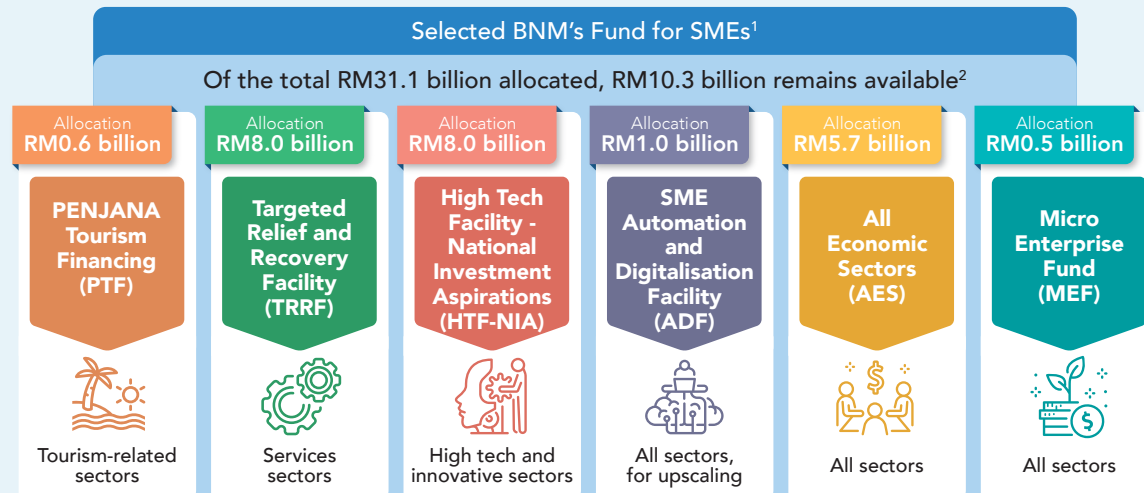
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Financing Facilities for MSMEs Affected by COVID-19 Pandemic



There has been a significant rise in the allocation for financing assistance under the BNM's Fund for MSMEs (BNM Fund) since the onset of the COVID-19 pandemic in March 2020, with the pre-pandemic allocation of RM9.1 billion increased to RM31.1 billion as at December 2021. With the bigger allocation, facilities under BNM Fund have been enhanced and upsized while new facilities were also introduced to ensure that the fund remains responsive to the needs of MSMEs. As at 29 December 2021, the fund had RM10.3 billion available for new applications from MSMEs across all sectors.

Though the BNM Fund acts only as a complementary measure to a much larger provision of MSME financing by financial institutions, it has nonetheless been pivotal in mitigating the financial challenges of MSMEs and had benefitted more than 52,000 MSMEs with a total workforce of over one million workers. More than 80.0% of the fund recipients comprised micro and small enterprises, the more vulnerable and hardest hit segments amid the pandemic.



Enhancements

- Two new facilities under Budget 2022: Business Recapitalisation Facility (RM1 billion) & Low Carbon Transition Facility (RM1 billion)
- Allowed PTF and the TRRF to be used for refinancing to reduce overall borrowing costs³

¹ Other facilities include the Agrofood (AF) Facility and the Disaster Relief Facility (DRF). Excludes the RM10 billion Special Relief Facility (SRF) which has been fully utilised

² As at 31 December 2021, including additional allocation announced during the Budget 2022

³ Up to 30.0% for the TRRF and 50.0% for the PTF

PENJANA Tourism Financing (PTF)

PENJANA Tourism Financing (PTF) facility was introduced as part of the Government's efforts to aid the tourism sector. The purpose of this facility is to support Malaysian MSMEs in the tourism sector, by preserving their capacity and assisting them to adjust and remain viable post COVID-19. Eligible SMEs and micro enterprises may apply for financing up to RM75,000 and RM500,000 respectively, with a financing rate of up to 3.5% per annum for a financing tenure of up to seven years.

Targeted Relief and Recovery Facility (TRRF)

The Targeted Relief and Recovery Facility (TRRF) introduced in November 2020, targets to provide relief to and support recovery of MSMEs in the non-tourism services sub-sector. The sub-sectors include personal services (such as computer repairs and laundry & personal grooming services), food & beverage, healthcare, social work, wholesale & retail trade and business services. The facility, which is accessible through 18 participating financial institutions, provides working capital financing at affordable financing rates of up to 3.5% inclusive of the guarantee fee, tenures of up to seven years and including a moratorium period of at least six months. To better cater to MSME needs, the scope of the facility has been expanded to enable MSMEs to utilise up to 30.0% of the loan to refinance their existing business financing. Guarantee coverage is provided by *Syarikat Jaminan Pembiayaan Perniagaan* (SJPP) and CGC. TRRF has proved to be of immense benefit to MSMEs, with 90.0% of the beneficiaries being micro or small enterprises, young MSMEs with less than three years of operation and first-time borrowers who, due to a lack of track record, would typically encounter challenges in securing financing. More than 20,000 MSMEs, with a total workforce of about 300,000 and largely from the wholesale & retail, restaurant and hotel sub-sectors, have benefitted from the RM8 billion allocated to the TRRF.

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High Tech Facility - National Investment Aspirations (HTF-NIA)

High Tech Facility - National Investment Aspirations (HTF-NIA) with allocation of RM800 million was introduced to support high-tech and innovation-driven MSMEs affected by COVID-19 to recover and revitalise the nation's innovation capacity. Financing rate of up to 3.5% per annum is offered for financing without guarantee or up to 5.0% per annum inclusive of guarantee fee (with guarantee coverage by CGC).

SME Automation and Digitalisation Facility (ADF)

SME Automation and Digitalisation Facility (ADF) is a RM1 billion facility that aims at incentivising MSMEs to automate processes and digitalise operations to improve productivity and efficiency with a financing rate of up to 4.0% per annum, inclusive of guarantee fee. Guarantee coverage is provided by SJPP.

All Economic Sectors (AES) Facility

All Economic Sectors (AES) facility aims to enhance access to financing for MSMEs and to support growth. The financing covers working capital and capital expenditures (e.g. purchase of machinery and equipment or renovation cost for owner-occupied business premises) with a maximum financing of RM500,000 per MSME at financing rate up to 7.0% per annum.

Micro Enterprises Facility (MEF)

The Micro Enterprises Facility (MEF) has an allocation of RM500 million which aimed at supporting microenterprises including gig workers on digital platforms and the self-employed. The Facility is for working capital and capital expenditure.

Disaster Relief Facility (DRF) 2021

Disaster Relief Facility (DRF) 2021 is a financing facility established by BNM to alleviate the financial burden of MSMEs affected by floods and enable them to resume their business operations.

Business Recapitalisation Facility (BRF)

Participating financial institutions and alternative financing partners involved in this facility offer a blend of equity-based financing combined with debt to help MSMEs finance their businesses without increasing their debt burden excessively. An allocation of RM1 billion has been provided for this facility.



Financial institutions continued to aid businesses that require assistance upon the expiry of the six-month blanket loan moratorium on 30 September 2020. Towards this end, banks and DFIs had introduced various targeted packages for affected MSME borrowers in the form of extended moratoriums, temporary reduction in loan repayments and other repayment flexibilities tailored to ease the financial burden of borrowers according to their financial situation. To further assist applicants, the application process was simplified, online applications were introduced while the operating hours of branches of banks were extended, including opening on weekends.

The transition to more targeted relief measures ensures that more resources were available to assist the most vulnerable and financially distressed borrowers while enabling banks to better support the broader economy through continued lending. The cash flow relief measures from deferred loan payment combined with the positive impact of cost-cutting measures and accelerated digital adoption due to the pandemic, was crucial in helping MSMEs to better cope with business challenges under the MCO.

Between October 2020 and May 2021, more than 49,000 MSMEs successfully restructured their financing commitments under the targeted repayment assistance programmes, with the majority being granted moratoriums or extensions of loan tenures. Between 1 June to 24 December 2021, 95,000 MSME borrowers obtained repayment assistance under the PEMULIH Package.

Box Article

Sustainability Related Financing



The COVID-19 pandemic has been a wake-up call prompting Governments, businesses and investors to pay greater attention to Environmental, Social and Governance (ESG) issues and stimulating all stakeholders to chart a sustainable recovery. Hence, the Government and financial institutions are also stepping up their efforts to assist the MSMEs to adopt sustainable practices.

Among the assistance being offered are:

Low Carbon Transition Facility (LCTF)

The Low Carbon Transition Facility (LCTF) is designed to encourage and support MSMEs to adopt sustainable practices to ensure business resilience. The facility is provided by BNM together with the participation of financial institutions on a matching basis by offering financing to MSMEs to transition to sustainable and low carbon practices in their business operations, for example, in increasing the use of sustainable raw materials and renewable energy as well as to improve energy efficiency of buildings or machinery to help businesses meet global requirements such as the EU Carbon Border Adjustment Mechanism 2023. A total of RM2 billion has been allocated for the facility, with RM1 billion from BNM and RM1 billion from the participating financial institutions.

The LCTF, which is available from 3 February 2022 until full utilisation, is open to MSMEs in all sectors for the purpose of funding capital expenditure or working capital to initiate or facilitate the transition to low carbon and sustainable operations. The projects and activities for which the LCTF can be used include, but are not limited to, obtaining sustainability certification; increasing the use of sustainable materials for production; improving energy efficiency of buildings & appliances and installing on-site generation equipment for renewable energy. MSMEs are eligible for financing of up to a maximum of RM10 million with a tenure of up to 10 years and a financing rate of 5.0% per annum inclusive of the guarantee fee, if applicable. Guarantee coverage is provided by CGC and SJPP.

Sustainable Development Financing Scheme (SDFS)

Bank Pembangunan Malaysia initiated the Sustainable Development Financing Scheme (SDFS) to support the Government's efforts to implement the 17 Sustainable Development Goals (SDGs) under the United Nation's Development Programme (UNDP) 2030 Agenda for sustainable development. The RM2 billion fund provides partial financing for clients' acquisition of assets or development of infrastructure that will contribute positively to any one of the 17 UNDP sustainable development goals. The targeted primary sectors are within the four mandated sectors, namely, infrastructure, maritime, oil and gas and technology. The fund, which is available from January 2021 until 31 December 2023, is open to companies which are at least 51.0% Malaysian-owned and locally registered. The margin of financing is up to 80.0%, with a tenure of up to 15 years for capital expenditure and five years for operating expenditure.

Green Technology Financing Scheme (GTFS)

The Green Technology Financing Scheme (GTFS) was initiated by the Government in 2010 to accelerate the growth of the green technology sector by facilitating greater access to financing through participating financial institutions for entrepreneurs and companies venturing into the green business sector. Malaysian Green Technology and Climate Change Centre (MGTC) (formerly known as GreenTech Malaysia) is tasked with facilitating the scheme, assessing applications to ensure that projects meet the green technology criteria, assisting in coordination between applicants and financial institutions as well as monitoring and auditing the progress of projects. The GTFS has, since its inception, funded 319 green venture projects. The initial scheme which ended in December 2017, was fully subscribed by participating financial institutions (PFIs) by up to RM3.5 billion. Due to the overwhelming response from the financial industry, the Ministry of Finance extended the scheme from 2019 to 2020 with a fresh injection of RM2 billion from PFIs.

GTFS 2.0 was officially announced during the 2019 Budget Speech with an allocation of RM2 billion. The scheme provided incentives in the form of a 2.0% rebate in interest rate for the first seven years and with a Government guarantee coverage of 60.0%. Borrowers fall under three categories for financing, namely producer of green technology, user of green technology and Energy Service Companies (ESCOs).

Table 1: GTFS 2.0 Performance as in December 2020

Sector	Green Projects Approved	Projects with Secured Financing	Financing Amount Offered (RM million)	Green Investment (RM million)	GHG Emission Reduction (thousand tCO ₂ eq/yr)	Green Jobs
Energy Efficiency	2	1	28	32	38	6
Renewable Energy	125	109	1,884	2,340	1,274	470
Waste	5	2	6	8	3	15
Water	-	-	-	-	-	-
Transport	-	-	-	-	-	-
Building	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
TOTAL	132	112	1,918	2,380	1,315	491

Meanwhile, GTFS 3.0 which will be managed and guaranteed by Danajamin has been launched on 6 November 2020 as part of the Government's agenda to support SRI as well as to drive green and sustainable standards in Malaysia. The RM2 billion scheme now includes supporting the issuance of SRI and green bonds and is open for application until 31 December 2022.