

The Sun - Bank Negara Issues Recommendations On Alternative Financing

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Bank Negara issues recommendations on alternative financing

PETALING JAYA: While alternative financing is gaining momentum among small and medium enterprises (SMEs), as opposed to conventional bank financing, there is still a gap to be filled.

Bank Negara Malaysia in its recently released financial report, stated there is a gap of RM21.8 billion that could be potentially filled by alternative finances as financing means for SMEs.

In 2015, the outstanding alternative financing for SMEs amounted to RM3.3 billion in

comparison to the total rejection of SME financing applications by banks which totalled RM 25.1 billion, hence leaving a gap of RM21.8 billion.

Having highlighted that, the central bank also came up with policy recommendations that could be taken to further develop alternative financing.

Among the recommendations given were the strengthening of institutional arrangements to coordinate, align and drive developmental policies for alternative finance, by putting in

place regulatory and legal frameworks as well as developing infrastructure for financing access and solutions.

Besides that, the report said standards should be established for finance providers to report accurate and timely data to oversight authorities. This, coupled with economic data made available to spur innovative and new growth industries, could improve the quality, coverage and integrity of data on alternative financing.

The report also highlighted

the need for a collateral registry for movable assets, which will enable SMEs to unlock value of their movable assets such as machinery and inventory, which often accounts for the majority of their capital stocks.

Lastly, the central bank recommended public engagement and education initiatives to raise awareness among SMEs. This could also be achieved with the active participation of fund providers in the alternative finance markets. -
by V. Ragananthini

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