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CGC SME AWARDS & LOGO LAUNCH CEREMONY

Date : 22 May 2017 (Monday)

Time : 2.00pm

Venue : The Royale Chulan Hotel Kuala Lumpur

INTRODUCTION

1. It gives me great pleasure to be invited once again to officiate Credit Guarantee Corporation (CGC) event this afternoon. I was made to understand that besides the awards presentation to the financial institutions and clients, CGC has taken a leap in enhancing its corporate image and brand presence among the SMEs with the launch of its new logo today.

2. With regard to CGC's efforts and initiatives undertaken to further support SME development in the country, I would like to applaud CGC for their effort in organizing this event in appreciation of their collaborative partners – the financial institutions; and recognizing their exemplary clients who have made significant contributions to the Malaysia economic growth.

3. Today's recognition and appreciation of financial institutions by CGC is in regards to their immense contribution to SME financing. I do hope that this recognition would spur financial institutions to become more innovative and forward-looking to continuously explore the best solution to address the challenges faced by SMEs in gaining greater access to financing. I also strongly believe that the recognition, which shall be accorded to CGC's customers, should serve as a motivation for all SMEs in the country to strive harder to be successful in their businesses.

SME AS DRIVER OF GROWTH AND INNOVATION

Ladies and Gentlemen,

4. As a highly trading nation with total trade amounting to RM1.5 trillion or 130 percent of GDP, Malaysia is no stranger to entrepreneurial activities. Against the backdrop of challenging external environment and moderate global growth, entrepreneurship could be the impetus to engender continued economic prosperity in Malaysia for many years to come.

5. It goes without saying that entrepreneurship in Malaysia has grown at a pace that has never been seen before. At the core of this expansion lies the significance of Small and Medium Enterprises (SMEs). 97% of business establishments in Malaysia are SMEs. These businesses are responsible for nearly 36% of the country's GDP, 65% of the country's employment and nearly 18% of Malaysia's export. SMEs employ about 6.6 million people of which, the majority is in the service sector. Our SMEs are indeed the backbone of our economy, being a source of foundation to propel growth and support economic development of our nation.

6. Under the scope of Malaysia's 2012-2020 SME Masterplan, we aim to push SMEs' contribution to GDP to 41%, and the share of the country's exports from SMEs to 23% by the year 2020. Malaysia's transition to a high-income economy will highly depend on SME. In view of this, the SME Masterplan is one of the game changers to accelerate growth, focuses on innovation and technology adaptation.

FACILITATING A MORE ROBUST SME ECOSYSTEM

Ladies and Gentlemen,

7. Given the significance of SMEs in charting our future growth, the Government is ever committed to provide a robust support system for entrepreneurial activities to thrive in Malaysia. In creating a more holistic financial ecosystem, the close collaboration between CGC and financial institutions has been instrumental in enhancing access to financing for SMEs via its guarantee mechanism. I am also pleased to note the extensive opportunities and channels created by their collaboration over the years in championing the SMEs' cause specifically on SMEs' access to financing.

8. The financial sector contributes to the growth and development of the economy through efficient mobilization and deployment of financial resources. Further, some financial institutions, notably the development financial institutions (DFIs), are not only expected to provide financing for nation building but also undertake a higher degree of developmental role to nurture and develop the targeted sectors. Greater financial inclusion supported by robust financial sector development has led to rapid growth of SME financing. For the last 10 years, loans to SMEs have expanded at an average of 9.6% per annum and thus, supporting entrepreneurship in Malaysia.

9. In sustaining such trend, domestic financial institutions have continuously portrayed their commitment towards SME development through initiatives such as the establishment of dedicated SME units to provide customized financial services and capacity-building initiatives for SMEs. Since its inception, CGC has availed over RM63.6 billion worth of guarantees, financing to over 320,000 SMEs, especially those with remarkable potential to propel economic growth to a greater height, as well as SMEs that face difficulties in gaining access to financing for their businesses due to lack of collateral and track record. Serving as a perfect fit in bridging the credit gap, allow me to commend CGC for its consistency with its mandate over the past decades.

10. Complementing these financing-related policies, are strategic initiatives to enhance inclusivity in SMEs' growth. Among others, these include stimulating development of B40 entrepreneurs through Mobilepreneur Programme by GIATMARA and Agropreneur programme. While the government continues to pursue its endeavors in creating a well-laid platform to initiate and encourage businesses for the SMEs, the private sector should also play their part.

11. The private sector should step forward to assist the government to boost SME development. This could include some accommodation of risk-taking to finance SMEs and entrepreneurs as angel investors or venture capitalists. The private sector is also encouraged to place their resources into human capital improvement, obliging them to prepare and reskill their human capital resources to meet industry requirements. They should not be depending on low-skilled foreign workers but instead, to have a pool of skilled personnel who can be absorbed in the market and get better at closing the productivity gap to be globally competitive. Taken together, greater synergy between the Government, private sector and financial institutions are key to build a lasting ecosystem that encourages innovation and entrepreneurship in Malaysia.

PREPARING SMEs FOR THE FUTURE

Ladies and Gentlemen,

12. The significance of SMEs to the Malaysian economy goes beyond of just being the engine of growth. SMEs are also drivers of innovation in the business landscape of Malaysia. They are heavily involved in shaping our future – such as creating new brands, keeping up with current trends and needs of new generation of customers. There are growing interest among SMEs to tap on the benefits of digitization by using the social media, Internet marketing and e-commerce as the platform to reduce cost and to market quality product and services in untapped market all over the world.

13. Indeed, the digital revolution and widespread penetration of technology-driven applications in nearly every segment of the economy is already upon us. This is an age in which economic activities are enabled by information and communications technologies. For example, equipped with technologies and greater penetration to the client base, Uber and Grabcar is slowly replacing traditional cabs, and AirBnB is fiercely challenging the status quo of hotels and accommodation businesses.

14. Meanwhile, FinTech is disrupting how people get access to financing beyond traditional channels such as banks and capital market intermediaries. For SMEs which are crucial for economic growth and jobs creation, FinTech provides access to a more diverse funding options. Further, innovative FinTech products can be better tailored to the needs of SMEs through reduction of information asymmetry in the marketplace and better capability to match investors, lenders and borrowers.

15. Cognizant of the potential that digital economy brings forth, the Government is taking vigorous steps in bringing more SMEs to embrace digitization. This includes initiatives such as eUsahawan and eRezeki programmes under MDEC (RM100 million). Hundreds of millions have been allocated for MDEC for the implementation of e-commerce initiatives such as e-commerce ecosystem and Digital Maker Movement.

16. The Government remains committed to mainstream alternative finance into Malaysia's financial ecosystem. These include providing a platform for equity crowdfunding (ECF), peer-to-peer (P2P) financing, online trade finance, merchant and e-commerce finance, and various more. Initiatives such as Fintech regulatory sandbox framework and Investment Account Platform (IAP) by Bank Negara are also paving the way for greater innovation in the banking system.

17. To realize full potential of the Fourth Industrial Revolution, we must quickly adapt and innovate. Rather than looking at digital phenomenon such as Fintech, as a disruptive force, the financial industry ought to rise to the challenge by embracing innovation and start evaluating commercially viable ways to collaborate with technology providers, particularly on enhancing financial services to SMEs. SMEs will also need to be creative and seek alternative ways of financing such as crowd funding, peer-to-peer lending or even merge or combine forces to raise funds from the capital market. The initiatives put in place will go a long way towards empowering SMEs to greater heights.

CONCLUDING REMARKS

Ladies and Gentlemen,

18. In conjunction with today's award ceremony, I am proud to note that CGC will be unveiling its new Corporate Logo as part of its major initiative in enhancing its brand image and presence to show a progressive corporate spirit, particularly amongst the SMEs. Allow me to congratulate CGC, for having made the transformation of CGC, which is in line with their mandate in Powering Malaysia SMEs.

19. My heartfelt congratulations to this year's award winners. To the financial institutions, with this recognition, I hope you will continue to play a bigger role in SME financing through your collaboration with CGC. To CGC's customers, I wish you a greater success in your businesses and hope the accolades extended to you would serve as an inspiration to many more SMEs out there.

20. On this note, I applaud CGC and the financial institutions in reaching out and offering assistance to SMEs, and for your continued support towards the nation's economic agenda. Once again, my deepest gratitude to CGC for inviting me to officiate the SME Awards and Logo Launch Ceremony this afternoon. Let me conclude by wishing CGC every success in hosting this prestigious ceremony.

Thank you.

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