



SPEECH TEXT

YB TENGKU DATO' SRI ZAFRUL TENGKU ABDUL AZIZ

CGC 25TH FI AND SME AWARDS CEREMONY

ROYALE CHULAN, KUALA LUMPUR

28 September 2020

Yang Berbahagia Datuk Nor Shamsiah Mohd Yunus

Governor, Bank Negara Malaysia

Yang Berbahagia Dato' Mohammed Hussein

Chairman, Credit Guarantee Corporation Malaysia Berhad

Yang Berbahagia Datuk Mohd Zamree Ishak

President and CEO, Credit Guarantee Corporation Malaysia Berhad

Chairmen and CEOs of Financial Institutions,

Representatives from SMEs and FIs whom we are celebrating today;

Members of the media;

Distinguished Guests;

Ladies and Gentlemen.

1. Good morning and thank you to CGC for inviting me to this occasion, to recognise our financial institutions and SMEs.

2. The CGC 25th Financial Institution and SME Awards ceremony is a testament of CGC's commitment in promoting the dynamic growth and development of Malaysia's SMEs, and a tribute to the financial institutions that have supported that growth.
3. For 48 years now, CGC has assisted Malaysian SMEs by being the bridge to the right financing. And in fulfilling this role, this corporation has celebrated the best-serving financial institutions for the last quarter century, as well as the SMEs with outstanding financial management.
4. In the face of the Covid-19 pandemic, a strong, supportive financing ecosystem, specifically catered to SMEs has become more crucial than ever. And we can see how these, coupled with PRIHATIN and PENJANA measures like Wage Subsidy Programme, loan moratorium by the banking sector and Hiring & Training Incentives have helped support business continuity, particularly among SMEs, which provide jobs to roughly 70% of the nation's employees.
5. Just last week, the Government also rolled out an additional fiscal stimulus of RM10 billion, which includes a RM2.4-billion support for businesses in the form of Wage Subsidy Programme 2.0, and RM600 million for the re-opened *Geran Khas Prihatin*. We are confident these would support at least 360,000 SMEs to maintain their operating capacity, and save the jobs for many Malaysians.
6. Related to that, I would like to thank CGC for participating in Bank Negara Malaysia's RM10-billion Special Relief Facility for the SMEs, and for supporting the battle against Covid-19 through your contribution to the Covid-19 fund.

FINANCIAL INSTITUTIONS' ROLE IN DEVELOPING THE SME SECTOR

Ladies and gentlemen,

7. SMEs, as the backbone of the country's economy, **must** be supported, especially during times of crisis. What is equally important in that the responsibility to support their survival during these uncertain times rests not only by the Government, but also with institutions like CGC, as well as commercial and development banks.
8. Through the various economic stimulus packages, and the strategic alliance between CGC as well as leading financial and development institutions, the Government hopes to not just cushion the impact from Covid-19, but also ensure that these SMEs have a crucial lifeline in terms of quicker access to funding. This will give them a solid chance to survive now, as well as to grow and prosper when the economy recovers further.
9. **The Government acknowledges our financial institutions' role in helping to develop the SME sector. But, can they do more, or do things differently? In this new normal, how can CGC and financial institutions be more innovative in contributing to the nation's economic development, to support financial inclusivity for all layers of society, and all types of businesses?**
10. Are FI's ready to change, for example, their risk-assessment and credit profiling methods, in tandem with how our economy has evolved, and how the gig economy has developed? What about the way financing is disbursed? Can current methods fairly serve the needs of the underbanked, and the unbanked?

11. In terms of supporting the SMEs, the Government is committed to facilitate a few things in the upcoming Budget 2021:

- a. **Firstly, to continue helping businesses along their recovery path.** Continued support for digitalisation and automation will continue, building on the foundation laid by PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN packages to encourage this transition.
- b. **Secondly, to accelerate the adoption of digitalisation.** Records have shown that crucial technological and digital migration have yet to hit critical mass among SMEs. We need to raise awareness that with digitalisation, SMEs can have a bigger market reach and go regional. How can our financial institutions support them in this process?
- c. **Thirdly, to guide SMEs towards business resilience and sustainability.** Most SMEs adopt high-growth strategies in making decisions, and this leaves little room to respond effectively to economic shocks. Businesses need to balance out their priorities to help themselves remain afloat regardless of the changing operating landscape. The Government is looking at how sustainability can be the foundational premise on which SME-centric measures are crafted. Can CGC and FI's also lead the SMEs on this score, given their capacity and capabilities?

GETTING SMEs READY FOR THE FUTURE, NOW

Ladies and Gentlemen,

12. Looking back, Malaysia has remained resilient despite strong headwinds through the Asian Financial Crisis and the Global Financial Crisis due to our sound economic fundamentals and well-developed institutional framework. Unfortunately, there is currently a lack of visibility in terms on when a vaccine can be found and produced commercially.
13. But there are many factors that currently place Malaysia in a leading position to take advantage of the changing economic landscape:
 - a. **Firstly, Malaysia's globally-recognised ability in controlling Covid-19:** Under these pandemic circumstances, this is a strong point to market the country as the preferred destination for investments in this region. All of us should capitalise on this. There is nothing more marketable right now than a safe operating environment for businesses;
 - b. **Secondly, our strategic location and trained human capital** supports Malaysia as a good destination for businesses to relocate from China, in view of the Sino-American trade tensions.

c. **Thirdly, the leadership of our Islamic financing and halal economic ecosystem**, which has placed Malaysia as an innovative Islamic finance provider, from grassroots SME financing to billion-dollar sovereign as well as corporate Sukuk placements. As we know, **the pandemic has forced people to take hygiene more seriously**. To that end, in terms of F&B preparation, for example, **halal certification demands that food and drinks be prepared not just from a religious aspect, but also in terms of cleanliness and high standards of hygiene**. Just within ASEAN alone, we can help our SMEs tap into a 240-million Muslim population.

14. So, today I really would like to throw a challenge to CGC and the financial institutions. **I would like to see a more serious effort in innovating products and services that could capitalise on these advantages that we currently have, and in ensuring that we serve the SMEs in the 3 ways that I had outlined earlier.**
15. This will certainly put the nation on a good footing for the next phase of our 6R strategy, Revitalise, to be represented by Budget 2021 on 6 November 2020, and later Reform, underscored by measures in the 12th Malaysia Plan to be unveiled in January 2021. Then CGC could perhaps create a fresh award next year, to reward FI's that have the most innovative SME financing product.

CONCLUSION

Ladies and Gentlemen,

16. In closing, I would like thank Bank Negara Malaysia and the financial institutions for their support to Malaysian SMEs in their journey towards success. The Government remains committed to support businesses and I hope we can continue to rely on CGC and FI's support to keep nurturing our SMEs, and in turn, the nation's road to recovery.
17. Congratulations (in advance) to all winners, and with much pleasure, I hereby launch the CGC Financial Institutions and SME Awards 2020.
18. Assalamualaikum Warahmatullahi Wabarakatuh. Thank you.