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Better communication key to smoother access to financing

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GREATER communication between financial institutions and the small- and medium-sized industries (SMIs) can create smoother access to financing for

the SMIs, Federation of Malaysian Manufacturers (FMM) president Datuk Mustafa Mansur said.

Mustafa said banks should inform the SMIs on the right procedure to obtain loans, while the SMIs should get advice on how to make proper presentations when they apply for loans.

"It is not a matter of distrust or being familiar with the SMIs.

"Banks are familiar with the SMIs as they have business development expertise which handle the SMIs, while some have dedicated section for the

SMIs," he told Business Times in an interview in Kuala Lumpur yesterday.

Mustafa welcomes the suggestion by Prime Minister Datuk Seri Dr Mahathir

Mohamad for banks to set up special departments or sections to service small borrowers.

During the launch of Bangunan AmFinance on Saturday, Dr Mahathir said he

had heard complaints that banks which have become bigger following the industry consolidation seemed not to pay much attention to the small businesses and SMIs.

Mustafa said some banks apply blanket rejections on loan applications by

the SMIs which do not fulfil the criteria set by them.

In the process, they have denied access to financing for genuine entrepreneurs.

He said if the SMIs could not secure financing, it would be hard for them to expand their production capacity or penetrate the export markets.

"The SMIs are in need of financing especially now as they have to upgrade their plant and implement automation when the Government has imposed strict rulings on hiring foreign workers," he said.

Mustafa said banks and the SMIs should get together and develop closer rapport so that they can overcome the obstacles in SMI financing.

"The FMM, together with Affin Bank, has taken the initiative by organising a workshop for the SMIs on January 20.

"We are bringing the bank to the SMIs through the workshop," he said.

The workshop, called FMM Meet the Bankers Session, will be held on January 20.

Mustafa said the workshop is the first of a series of Meet the Bankers Session, which are open to FMM members and non-members.

For the first workshop, representatives from Affin Merchant Bank Bhd will be available to advise the SMIs on ways to go about securing financing.

"The SMIs usually go straight to banks when they need loans but there are actually many other avenues to get financing such as government funds

for the SMIs," he said.

He said the SMIs should get advice from merchant banks on how to organise themselves when they apply for loans from banks and other institutions.

According to him, merchant banks will not only give advice to the entrepreneurs on ways to apply for loans and restructure their companies, but will introduce the entrepreneurs to other banks.

During the interactive Meet the Bankers Session, Affin Merchant vice-president (corporate finance) Nurrin Anuwar Shamsuddin will speak on Planning and Building Sustainable Business for Listing on the Kuala Lumpur Stock Exchange.

Affin Merchant president and chief executive Datin Zuraidah Atan is also expected to be present.

Mustafa said the workshop will benefit the SMIs greatly as they will have more knowledge on ways to go about securing financing as well as raising capital from the equity market.

So far, some 35 people have confirmed their participation. FMM expects between 75 and 100 people from the SMIs to attend the one-day workshop.

Mustafa said later in March, FMM will organise another Meet the Bankers Session with Affin Bank Bhd.

"We will work with any bank which is interested to be involved in our workshop," he said.

According to him, if there is a need, FMM will organise Meet the Bankers Session outside Klang Valley such as in Penang and Johor Baru.

More than 60 per cent of FMM's 2,200 member companies are the SMIs which come from a wide range of industries.