

**By :** DATO' SRI MOHD NAJIB TUN ABD RAZAK  
**Venue :** SHERATON IMPERIAL, KUALA LUMPUR  
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**Title :** CEREMONY TO FORMALISE A STRATEGIC ALLIANCE  
BETWEEN SME BANK & CIMB-BCB

Datuk Zamani Abdul Ghani (Deputy Governor, Bank Negara)

Tan Sri Dato' Seri Dr Hj Zainul Ariff Hj Hussain (Chairman Bank Pembangunan)

Dato' Abdul Rahim Mohd Zin (MD, Bank Pembangunan)

Dato' Gumuri Hussin (Chairman, SME Bank)

Dato' Azmi Abdullah (MD, SME Bank)

Tan Sri Dato' Seri Haidar bin Mohamed Noor (Chairman, Bumiputra-Commerce Bank)

Dato' Nazir Razak (Chairman, CIMB-BCB Executive Committee)

Ladies and Gentlemen

1. Small to medium businesses or SMEs are the foundations of any successful economy. During times of economic stress, it is the SME community that plays an important part in revitalizing local economies. SMEs also help to accelerate the growth of larger firms whose market competitiveness depends on the products and services of homegrown SMEs. Regional supply and distribution chains often bring together networks of SMEs that span across national borders. When successful, SMEs offer the largest source of domestic employment opportunities, providing jobs to many in the urban and rural sectors. Given the sheer numbers, SMEs are also the real engine for creating an entrepreneurial business community. Entrepreneurs are created daily with each launching of a small business.

2. In Malaysia, over 90% (or approximately 200,000) of companies are SMEs – defined as those with an annual turnover between RM200,000 to RM25 million or having between 5 to 150 employees. Yet, when compared to the overall performance of larger national firms, Malaysian SMEs have clearly not reached their full potential. SMEs collectively employ one third of the total labour force, and yet accounts for a mere 6 percent of our GDP, compared to between 30 and 40 percent in developed economies such as Australia, Japan and Germany. This poor performance can be attributed to the lack of access to appropriate productivity enhancing technologies, managerial skills and difficulties in securing sufficient sources of capital. Growth and scalability is also major issues for SMEs. While there are a large number of smaller SMEs, very few have graduated to the critical medium-sized strata with real capabilities to support greater diversification and linkages with other SMEs. Fewer still have developed the skills, scale and financial resources to become efficient partners to larger conglomerates and MNCs.

3. These findings are of concern. Today, the way a company processes information to enhance its market competitiveness, the way it delivers its product and service offerings, is increasingly being shaped by advances in technologies – telecommunications, interactive media and the internet. Malaysian SMEs cannot afford to be held back by the lack of technological skills, knowledge or funding

inadequacies. A lackluster SME sector will have serious implications for job creation, especially given that Malaysia has a growing younger population of school leavers.

Ladies and Gentlemen

4. Getting the right formula to spur sustainable SME development is a formidable challenge. Adequate SME financing probably ranks right at the top of the list. The government has long recognised the “bottlenecks” in SME financing policies and crediting rating systems. In particular, we have not seen sufficient progress in the banking sector to develop capabilities – both in terms of skills and systems, to effectively and efficiently assess an SME’s funding needs based on its business potential and track record. Prime Minister Datuk Seri Abdullah Ahmad Badawi has urged a greater use of cashflow-based lending. No where is this need greatest than among the 200,000 small and medium scale enterprises that form the backbone of our economy.

5. A number of changes have been made help better the needs of SMEs. In designing development policies, support programmes, providing technical as well as financial assistance, the National SME Development Council has classified Malaysian SMEs into specific sectors. Through the common identification of SMEs within these industry clusters, closer monitoring and more tailored incentives can be undertaken to ensure that SME development is better aligned to our national economic goals.

6. These preliminary initiatives undertaken by the National SME Development Council – including the formation of the SME Bank – have served to focus the efforts of stakeholders involved in supporting SME growth in the country. At the same time, it has become apparent that what is really needed is greater collaboration and action at all levels of public and private enterprise. Given their numbers, SME capacity building is a complex and challenging task that calls for an integrated effort and strategic process. To succeed, we will require a renewed spirit of partnership – between government and business, between lenders and companies, between individual entrepreneurs and their peers, to be bolder, to experiment with and formulate models and best practices that can be used by SMEs across different sectors and in different stages of growth. In my view, this effort will require much stamina, a commitment to continuous innovation, and a willingness to go the extra mile to support genuine entrepreneurs to grow their business.

7. Entrepreneurial spirit is a necessary but not sufficient element for successful SME development. Other elements, such as support for market access, stable financial resources, knowledge sharing and competency building, are as important. The responsibility for SME growth therefore does not reside only with the entrepreneur. We also need the various service providers that support SMEs – banks, financial advisors, business consultants, process and technology experts, product developers and brand builders – to play a greater role in helping to accelerate SME growth.

8. I am pleased to note that this strategic alliance between the SME Bank and CIMB-BCB is a visible testimony of this renewed commitment in support of SME development. This alliance brings together two financial institutions with different expertise, market experiences and mandates to deliver the end-to-end financial advisory services required by SMEs in Malaysia.

9. I understand that this strategic alliance will offer innovative financing schemes and advisory services to meet the business needs of SMES as they evolve from their

start up phase, through to the small and medium stages of growth. The alliance with its enhanced network will enable tailored products and services to be accessed by SMEs around the country. It is my hope also that with this alliance, you will pay particular attention to improving the speed and efficiency of the loan evaluation and approval process for the SME business community.

10. Let me conclude by offering my congratulations to the SME Bank and CIMB-BCB for coming together in today's strategic alliance to support SME development in the country. Given your respective strengths, mandates and track record, I am confident that we will soon bear witness to an even stronger, and more vibrant SME business community in Malaysia.