

Nurturing the advancement of SMEs nationwide and its ecosystem are the thrust of our existence.



DFIs Best Practices: “Credit Risk Management in SME Lending”

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Why SMEs are so important

OPPORTUNITIES IN ASEAN

USD 2.5 Trillion
combined GDP

6th largest economy

630 Million population

3rd largest labour force
behind China & India

60% population below
age of 35

POINTS OF CONTENTION

Broad Disparity on
Economic Growth

Singapore GDP is 50x higher
than Cambodia and Myanmar

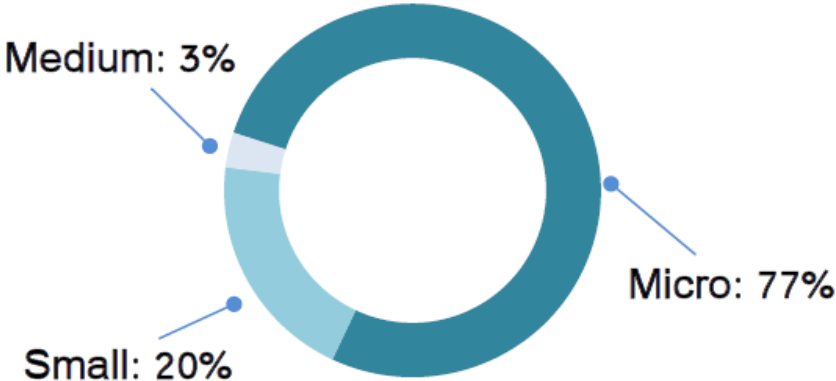
7x Variance in Average
Earnings

Only 25% Intra-Regional
Trade

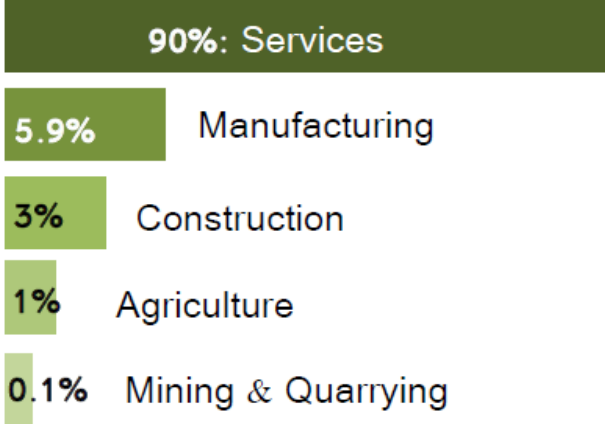
Source: APEC

Why SMEs are so important

97.3% (645,136) Business Establishments in Malaysia are SMEs



SMEs cut across all sectors of the Economy



SMEs Contribution to the Economy 2014



35.9%
GDP



65.0%
Employment



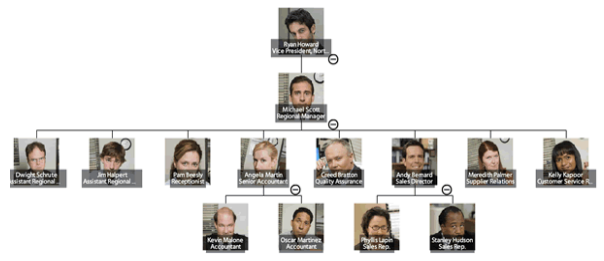
19.7%
Exports

Source: SME Corporation 2014/2015 & Annual Report BNM 2014

Credit Risk Management in SME Lending

Credit risk continues to remain the largest source of risk for DFIs

Appropriate overview by the Board of Directors and Management



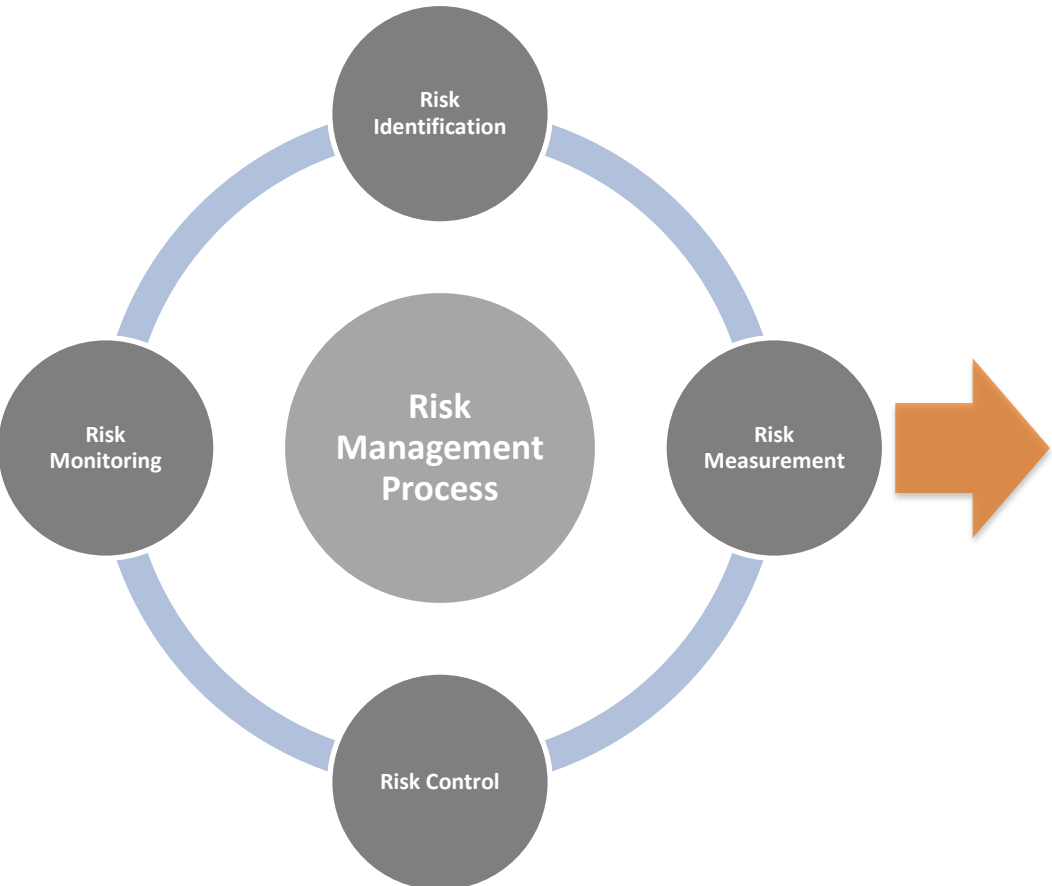
Adequate infrastructure for credit risk management

An integrated risk management process



Comprehensive internal controls and audit procedures

Components of Sound Credit Risk Management Process



Credit granting criteria


Criteria for loans

The five "Cs"


- Character/Management experience
- Capital/Owner's investment
- Cash Flow
- Credit History
- Collateral

• Other: Personal Debt to Income and Secondary Source of Income

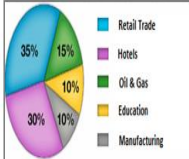
Risk measurement, evaluation and review




Management information system



Structure of limits



Collection and problem credit management process

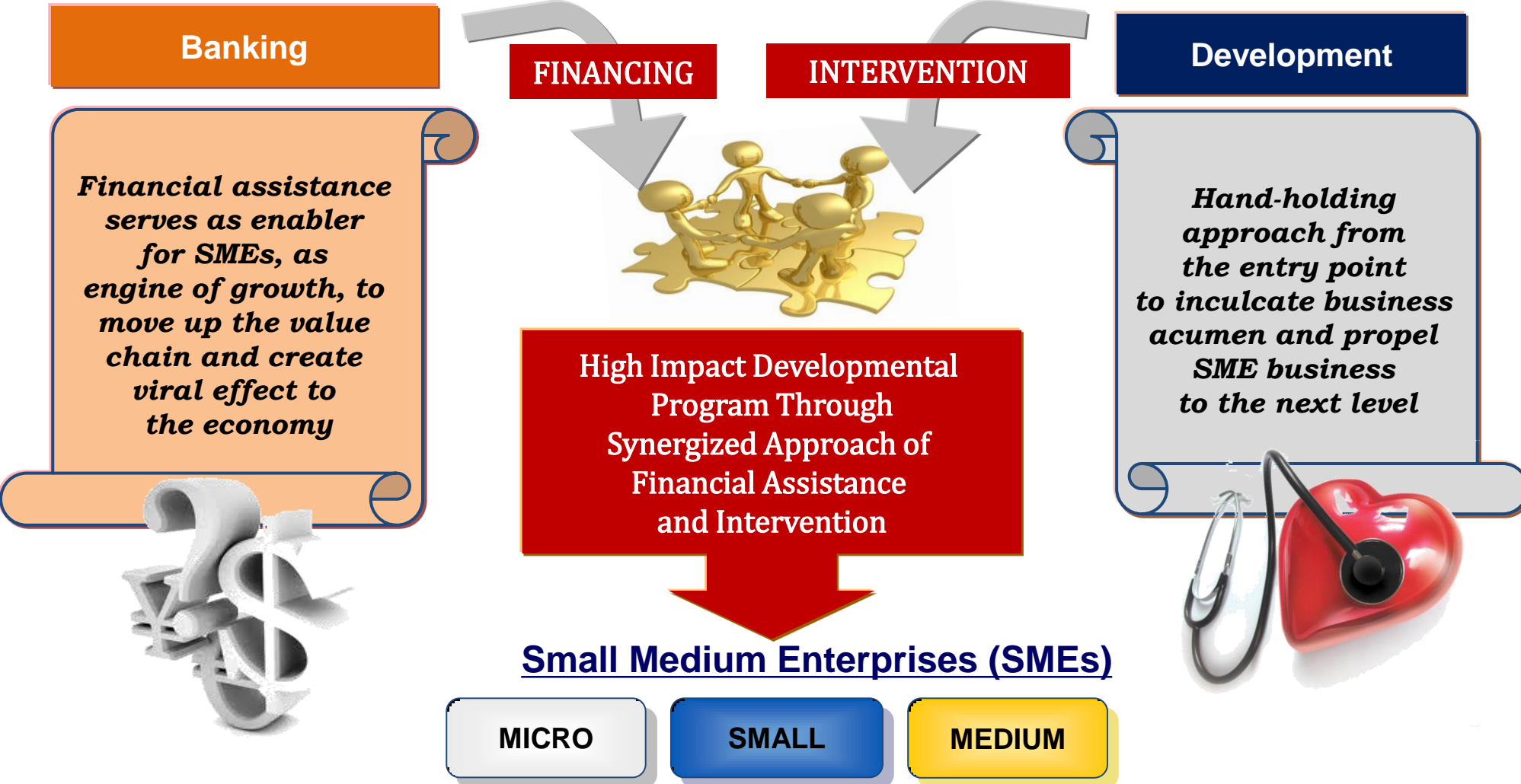


RISK MANAGEMENT IN DFIs



For business. For growth. For life.

Main Role of DFIs – Beyond Financing



Approach to SME Banking



Segmentation



Products & Programmes

Channels and Services & Access



Risk Management

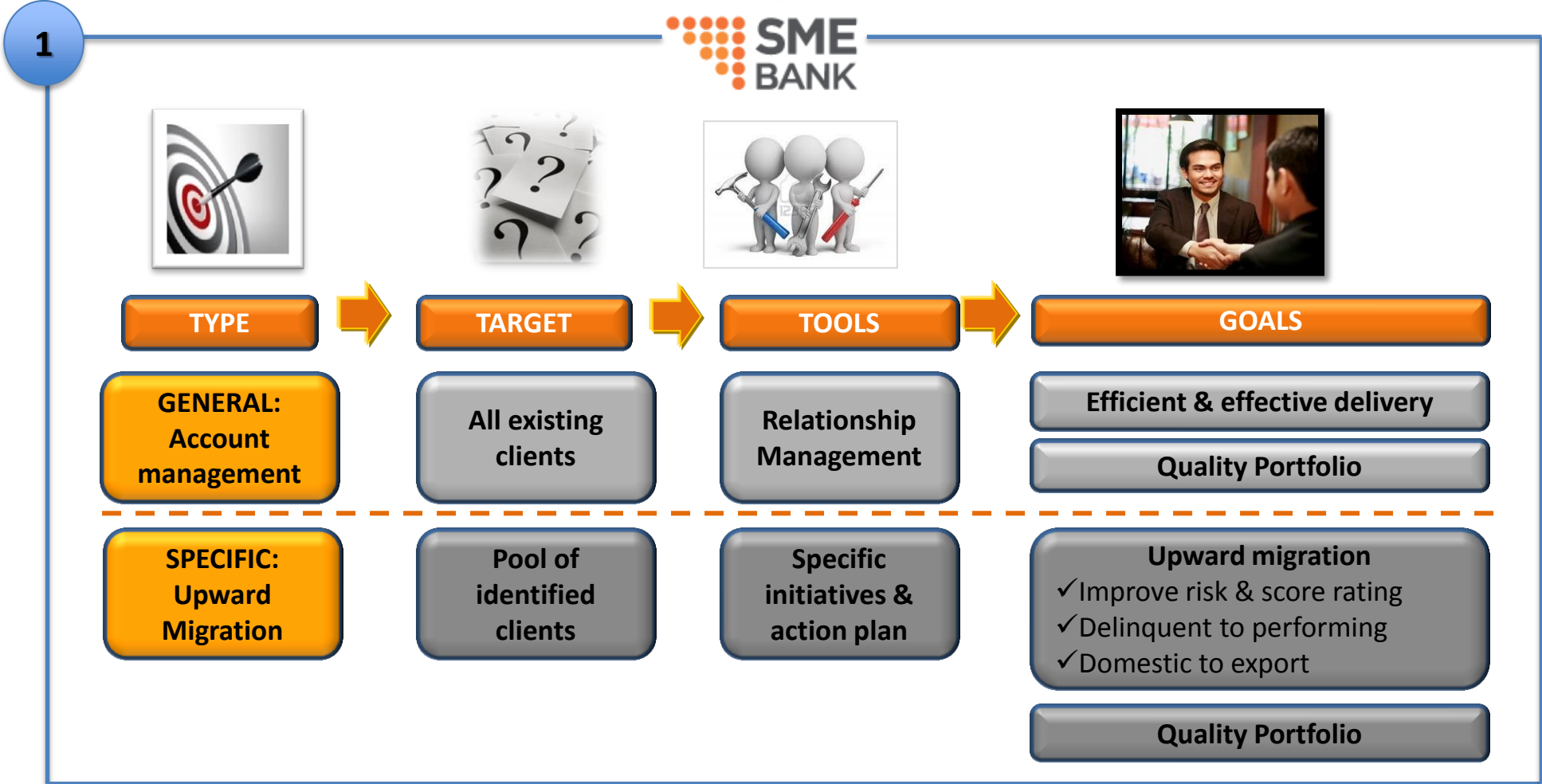


Risk Mgmt approach in DFIs is different from commercial banks

DFI's Roles are Beyond Financing



Intervention Mechanism & Approach



7 intervention steps



Thank you



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