GREEN FINANCE for SMEs in MALAYSIA

Why GREEN FINANCE?

Providing financing for countries (Malaysia) to make investments to meet their "Intended Nationally Determined Contribution (INDC)" to reduce greenhouse gas (GHG) emissions, following the Paris Agreement on climate change in 2015

Providing means for Malaysia to finance programmes to meet their "2030 Agenda for Sustainable Development Goals (SDGs)"

CHALLENGES SMEs FACE in accessing green finance

- Lack of solid financial records and collateral for applying loans to banks
- Lack of capacity in business planning
- Lack of capacity in marketing
- Limited product diversity
- Limited access to markets
- Limited economies of scale
- Lack of skilled workers

90% of SMEs are in the services sector, 6% in manufacturing, and 5% in construction, with the remaining in agriculture, mining, and quarrying

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Deficiencies in overall financial infrastructure
- Weak legal and regulatory framework
- Perception of high risk
- Lack of in-country examples
- Lack of technical and policy analytical evaluation
- Higher transaction costs due to additional (environmental) assessments
- Long turnaround time due to additional (environmental) assessments

SMEs

The Malaysian government has allocated more than RM 1.3 billion (approx. EUR 276 million) to SMEs in 2016.

More than 600,000 registered SMEs, responsible for nearly 36% of GDP

52% of SMEs are funded by bank loans, 48% are self-funded

9.3% SME growth per annum

9.5 million jobs across all sectors

Eleventh Malaysia Plan’s goals for 2020:
- a contribution of approximately EUR 485 billion to GDP (38.4%)
- 9.3% SME growth per annum
- 9.5 million jobs across all sectors

SME POLICY AND RESPONSIBLE DEPARTMENTS

- National SME Development Council
- Malaysian Industrial Development Finance Berhad (MIDF)
- The Economic Transformation Programme (2011–2020)
- The SME Master plan (2012–2020)

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THE WAY FORWARD

Offer lending that is more tailored to SMEs’ lifecycle needs

Offer differentiated green finance products

Increase SME lending portfolio of banks

Provide varied non-financial SCP needs of SMEs so SMEs can satisfy other business requirements

In 2017, SME Corporation Malaysia has allocated a total of RM 6.7 billion (approx. EUR 1.4 billion) for SME development, channeled to SMEs through agencies such as Malaysia Dept Ventures (MDV). MDV has established the Green Technology Financing Scheme, supporting the development of green technology.

Sources:
- Commercial banks
- SME Corporation Malaysia

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