

Access to Finance

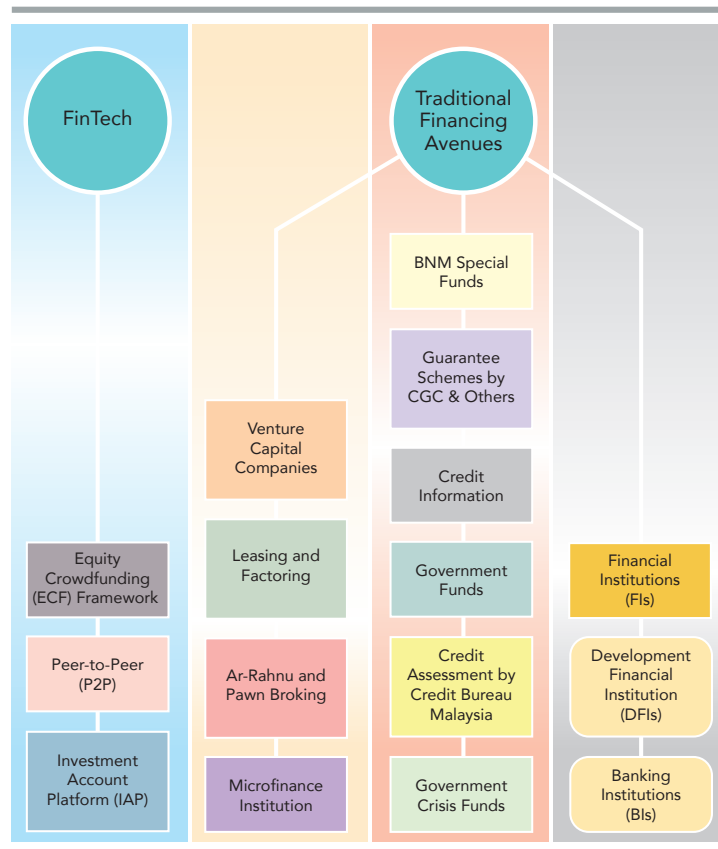
Malaysian SMEs continued to have access to diversified sources of financing to address their needs at the various stages of development. Over the years, financial institutions which accounted for 96% of total SME financing have been the main pillar in supporting the growth of SMEs. The share of SME financing to total business financing of financial institutions had risen further to 46.6% in 2015 from 43.8% in 2014.

Going forward, as SME activities intensify especially with the emergence of new types of business that are innovative, in new areas of the economy, or of high growth in nature, the traditional forms of financing may no longer be sufficient. Realising this, access to financing for SMEs has taken a new turn with the focus shifting to development of more non-banking avenues and platform financing such as venture capital, angel investors, crowdfunding, Investment Account Platform and Peer-to-Peer. At the same time, the advent of Financial Technology (FinTech) is transforming the financial landscape. These developments are expected to reduce the cost and the time taken to access funding as well as enable SMEs access to formal funding at start-ups and early stage of growth.

COMPREHENSIVE FINANCIAL LANDSCAPE FOR SMEs

Malaysia offers a wide and diversified financing landscape for SMEs. Financial Institutions (FIs) which comprise banking institutions (BIs) and development financial institutions (DFIs) are the main source of financing for SMEs in the country. SMEs can also have access to a wide range of special funds and schemes made available by the Government through various Ministries and agencies, including Bank Negara Malaysia. Aside from these sources of financing, there are also options from non-banking avenues such as venture capital companies, factoring and leasing, and microfinance institutions. The emergence of FinTechs opens up greater financing options for SMEs which include Equity Crowdfunding (ECF) Framework, Investment Account Platform (IAP) and Peer-to-Peer (P2P) lending.

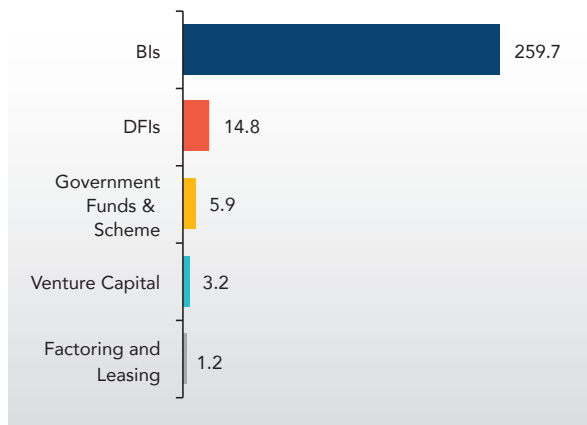
Chart 6.1 : Financial Landscape for SMEs



FINANCIAL INSTITUTIONS

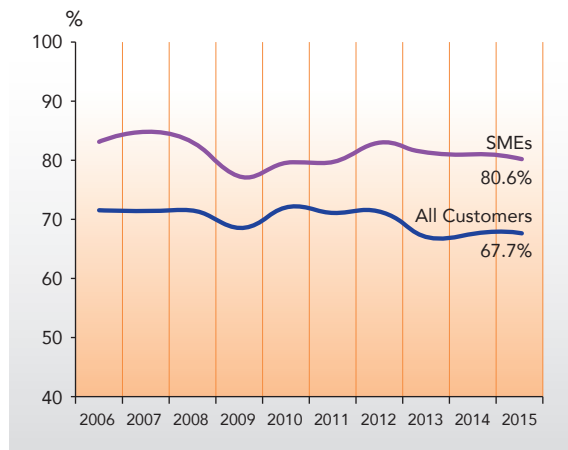
FIs continued to serve as the primary source of financing for SMEs. As at end-2015, financing to SMEs by FIs recorded double-digit growth of 14.6% which stood at RM274.5 billion that extended to 729,983 SME accounts (2014:13.3%). Hence, share of SME finance from total business financing had increased to 46.6% in 2015 from 43.8% recorded in 2014. The approval rate remained relatively high at 80.6%, albeit marginally lower than 81.6% in 2014. During the year, a total of RM71.9 billion financing was approved to 128,924 SMEs. The bulk of the financing was channelled to the services sector (61% or RM167.5 billion), followed by manufacturing sector (15.4% or RM42.4 billion), and construction sector (12.6% or RM34.5 billion). Total financing outstanding rose to RM285.5 billion, which is an increase of 9.2% as at end-June 2016.

Chart 6.2 :
Financing Outstanding as at end-December 2015



Source: Bank Negara Malaysia, SME Corp Malaysia and Securities Commission Malaysia

Chart 6.3 :
Financial Approval Rate, %



Source: Bank Negara Malaysia

CREDIT GUARANTEE SCHEMES

Credit Guarantee Corporation Malaysia Berhad (CGC) remains as the main institution to provide guarantees for SMEs which may have otherwise not succeeded in getting financing from FIs. The institution continued to leverage on FIs as the key channel to

market and provide products and services to SMEs while forging alliance with non-FIs to further expand its outreach to SMEs. Besides the various guarantee schemes, CGC also plays the role of catalyst for new growth areas by providing direct financing schemes to start-ups and women entrepreneurs and for SMEs involved in green technology and undertaking intellectual property.

CGC's support for SMEs is not only confined to the provision of loan guarantee and financing facilities, but also advisory services such as financial and business development, credit information and credit rating services in collaboration with Credit Bureau Malaysia Sdn. Bhd. Since its establishment in 1972, CGC has availed more than 437,000 financing valued at RM59 billion. For year 2015, more than 8,225 new financing were approved valued at RM3.4 billion. In 2016, the institution is targeting a loan approval of 8,650 accounts valued at RM4 billion.

In addition, CGC has introduced innovative products designed to improve the turnaround time for loan processing and disbursement of funds. One of the products include Portfolio Guarantee (PG), which allow banks to select customers based on a pre-determined set of criteria and process loan applications on a portfolio basis. This enabled both CGC and the banks to expedite the approval and disbursement of loans to SMEs. In 2015, CGC approved a total of RM1.7 billion worth of PGs with five FIs, which made up 50% of total loan approvals. In late 2015, CGC launched two new schemes for niche target groups:

a) ***BizWanita-i***

This scheme is targeted at women entrepreneurs (women-owned businesses), as well as businesses and companies that are managed and operated by women. It aims at reducing the accessibility gap for women. Within two months of its launch in October 2015, CGC approved RM10 million of financing to 76 SMEs; and

b) **Special Assistance Scheme-i (SAS / SAS-i)**

This scheme is a direct financing facility to assist existing customers recover and resume their business operation after disasters such as floods, tsunami, earthquake and epidemics. The fund can be used for repairs and purchases of assets for commercial use to replace those damaged during the disaster as well as for working capital. The financing facility would be available to those who are in towns or districts defined as a disaster area by the National Security Council of the Prime Minister's Department or deemed as a disaster area by CGC. The portfolio size of RM35 million based on commodity *Murabahah* concept provides financing ranging from RM20,000 to RM200,000 with a financing tenure of up to 5 years.

MICROFINANCE

In the last decade, FIs have been supporting microenterprises through *Skim Pembiayaan Mikro*. This scheme allows microenterprises to receive financing up to RM50,000 for business purposes in an easy, fast and convenient way without the need to put up collateral.

Since its inception in 2006 until end-2015, a total of 185,000 microenterprises have received RM3.1 billion financing via 10 participating FIs. Total financing outstanding by the Scheme stood at RM912.5 million as at end-2015 and grew further to RM940.8 million as at end-June 2016.

The microfinancing initiatives also complemented by schemes offered by the microfinance institutions namely Amanah Ikhtiar Malaysia (AIM) and Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN Nasional). AIM provides microfinancing primarily to women for income-generating activities. Total disbursement made as at end-June 2016 was RM15.7 billion with number of financing more than 3.7 million. TEKUN Nasional provides financing facilities for entrepreneurs to kick-start and further expand their businesses. Currently, the financing schemes that TEKUN Nasional offers include *Skim Pembiayaan TEKUN Nasional*, *Skim Pembiayaan TEMAN TEKUN* and *Skim Pembiayaan i-Factoring*.

VENTURE CAPITAL AND PRIVATE EQUITY INDUSTRY

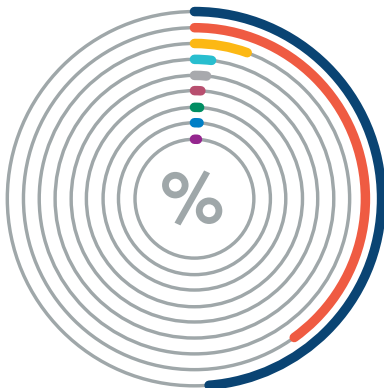
As at end-December 2015, there were a total of 121 registered venture capital corporations in the country. In 2015, 12 new registrations were approved while three companies were deregistered. Two additional types of registered corporations were introduced by the Securities Commission Malaysia (SC) following the Venture Capital (VC) / Private Equity (PE) Guidelines, which came into effect in 2015 namely, PE Management Corporations (PEMC) and PE Corporations (PEC). As at end 2015, two corporations were registered as PEMCs. During the same period, there were 229 VC and PE professionals in the industry with at least four years of experience.

There was RM7.1 billion in total committed funds under management as at end-2015, which represented an increase of 15.2% year-on-year. However, the total investments during the period decreased by 31.6% to RM2.2 billion compared with RM3.2 billion as at the end of 2014. Investments made in 2015 increased by 14.8% to RM365 million from RM318 million in 2014. The number of investee companies received funding was 74, which was the same number recorded in 2014. Meanwhile, divestments decreased by 3.3% from RM421 million in 2014 to RM407 million in 2015. In this regard, 38 companies were divested in 2015 compared with 59 companies in 2014. Divestments recorded during the year were mainly through trade sales and initial public offering (IPOs), or sales to public markets.

The largest source of capital for the industry emanated from public funds with sovereign wealth funds and Government investment companies making up 49.8% of total funding, while Government agencies contributed 38.0%. Corporate investors led private sector contribution to the industry at 6.4%, while foreign investors contributed 2% and asset managers contributed 1.5%.

The bulk of the funding in 2015 amounting RM320 million was channelled to 56 early stage and growth stages investee companies, representing 87.5% of total investments made during the year. Investments into seed and start-up stages collectively stood at 10.3% of total investments made during the year. These were channelled into 17 investee companies compared to 14 companies in 2014, which made up 7% of total investments. Investments in the life-sciences sector continued to dominate, accounting for 48.5% of total investments in 2015, followed by other sectors (wholesale and retail trade, electricity and power generation, education, and media production) at 23.5%, information technology (IT) and communication at 17.4%, while manufacturing stood at 10.6%.

Chart 6.4 :
Sources of Venture Capital Funds, %



49.76	■ Sovereign wealth funds and Government investment companies
37.98	■ Government agencies
6.43	■ Corporate investors
1.97	■ Foreign investors
1.45	■ Fund of funds and other asset managers
0.86	■ Individuals and family offices
0.60	■ Pension and provident funds
0.63	■ Other investors
0.33	■ Insurance companies

Chart 6.5 :
Investments by Stage of Business Cycle, %



64.07	■ Early stage
23.41	■ Growth
7.67	■ Start-up
2.66	■ Seed
2.19	■ Turnaround restructuring

SME FINANCING IN 2015

In 2015, the Government has spent a total of RM4.4 billion to enhance access to financing for SMEs through 36 programmes, which among others include:

- **Soft Loan Scheme for SME (SLSME)** under the Ministry of International Trade and Industry (MITI) through the Malaysian Industrial Development Finance Berhad (MIDF). The Scheme which aims to assist existing and new start-up companies in terms of financing working capital, fixed assets, relocation of business operations to legal industrial sites, and improving SMEs' overall competitiveness, saw an approval of RM174.5 million to assist 187 SMEs;
- MITI through SME Bank channelled a total RM71.5 million under **Dana Pinjaman PKS** to assist 87 SME entrepreneurs by providing various financial assistance through development programmes such as *Dana 1-SME, Tabung Usahawan Siswazah, Dana Usahawan Negeri Terengganu, Skim Modal Asas, Skim Pembiayaan Ekonomi Desa (SPED), Program Usahawan Agro-Based*, and the ASEAN Japan Development Fund.
- MITI through SME Corp. Malaysia granted rebates amounting to more than RM20 million to 874 SMEs under **Shariah Compliant SME Financing Scheme (SSFS)** whereby the Government pays 2% of the profit rate charged on the financing provided by participating Islamic Banks. Through the **Business Accelerator Programme (BAP)**, SME Corp. also approved additional financing amounting to RM183.2 million in the form of loan and grant to nurture and develop 879 SMEs.
- The Ministry of Finance (MOF) spent RM10.9 million to Kumpulan Modal Perdana Sdn. Bhd. (KMPSB) for **Dana Modal Teroka**, which provides venture capital financing to related companies in the electrical and electronics (E&E) sector. In 2015, the Fund assisted two companies to invest and developed 11 intellectual property (IPs) with 24 knowledge-based employees trained;
- **Program Sokongan Bahan Mentah kepada Usahawan Kayu Bumiputera** by the Malaysian Timber Industry Board (MTIB) under the Ministry of Plantation Industries and Commodities (MPIC) managed to generate RM67.2 million worth of contract sales throughout 2015. A total of RM10.2 million was spent on the programme which has benefited 62 Bumiputera entrepreneurs in the timber industry; and
- Ministry of Domestic Trade, Cooperative and Consumerism (KPDNKK) implemented their signature programme **Business in Transformation (B.I.T.)** to develop new entrepreneurs. In 2015, the programme channelled RM2.3 million to 324 SME entrepreneurs which has in turn created more than 1,557 new job openings.

BNM SPECIAL FUNDS

Bank Negara Malaysia (BNM) has six special funds which provide concessionary lending rates to finance SME's working capital requirements, expansion of productive capacity and awarded projects/contracts by the Government. The funds are as follows:

1. Bumiputera Entrepreneurs Project Fund (Islamic)
2. Fund for Food
3. New Entrepreneurs Fund 2
4. Fund for Small and Medium Industries 2
5. Micro Enterprise Fund
6. Special Relief Facility

With the exception of the Bumiputera Entrepreneurs Project Fund (Islamic), which is channelled through CGC, the rest of the funds are disbursed through BIs and DFIs. As at end-2015, more than 67,000 SMEs had received approval amounting to RM27.5 billion. This amount includes RM1.7 billion in new financing to 4,797 firms. In the first six months of 2016, there were 2,909 additional accounts approved with funds amounting to RM1.1 billion.

Following the establishment of a Special Relief Facility (SRF) with an allocation of RM500 million in January 2015, a total of 931 SMEs were assisted with approved financing amounting to RM138.1 million. The facility, extended at a concessionary financing rate of up to 2.25%, is aimed to alleviate the financial burden of SMEs and assist businesses in designated districts that were affected by the massive floods which hit the country at the end of 2014.



Table 6.1 : Status of BNM Special Funds as at end-2015

Type of Fund/Scheme	Allocation	Approval	Disbursement	Repayment	Loans Outstanding	Utilisation Rate*
	RM million					%
Fund For Food	300.0	2,030.3	1,994.8	1,741.6	253.2	86.3
New Entrepreneurs Fund 2	2,300.0	4,542.2	4,360.5	3,826.2	534.3	31.1
Fund for Small and Medium Industries 2	6,050.0	19,690.4	18,697.2	14,186.8	4,510.4	90.9
Micro Enterprise Fund	200.0	355.2	353.0	230.0	123.0	62.6
Bumiputera Entrepreneurs Project Fund – Islamic	300.0	743.7	430.5	347.1	83.4	27.8
Special Relief Facility 2015**	500.0	138.1	135.5	0.9	134.6	27.4
Total	9,650.0	27,499.9	25,971.5	20,332.6	5,638.9	70.7

* $Utilisation\ Rate = \frac{(Allocation - Fund\ Available)}{Allocation} \times 100$; $Fund\ Available = Allocation - Approval + Repayment\ Allocation$

** Opened and closed for new applications on 23 January 2015 and 30 June 2015 respectively

Source: Bank Negara Malaysia

SMALL DEBT RESOLUTION SCHEME

Since its inception in 2003, the Small Debt Resolution Scheme (SDRS) has been offering assistance to SMEs across all economic sectors that are constrained by impaired financing or those struggling with financing from multiple FIs. Through SDRS, problematic financing accounts are rehabilitated by restructuring or rescheduling existing financing facilities, or if applicable, via the provision of new facilities.

The SDRS has received a total of 1,448 applications since its establishment, of which 977 (83%) applications were approved for restructuring and rescheduling, amounting to RM1.1 billion in financing. As a result, half (54%) of the SMEs assisted were able to remain in business as they were able to address their cash flow problems and revive their operations again. This demonstrates the instrumental role of SDRS in helping financially

distressed SMEs survive and continue to operate. Distressed SMEs are given a new lease of hope through amicable restructuring and rescheduling arrangement, in addition to offering of new financing, on a case by case basis, mainly to SMEs pursuing new projects.

Before SMEs are referred to the SDRS, FIs on their own undertake rehabilitation programmes to assist financially impaired SMEs. In 2015, a total of 548 SMEs received assistance from FIs amounting to RM554 million in financing. SDRS supplemented this initiative by approving RM25.7 million in financing for 34 SMEs to reschedule or restructure their financing in 2015.

FINANCIAL INCLUSION

Promoting inclusive finance that enables access to suitable and affordable financial services by all segments of society has been a key focus of BNM in recent years. In 2015, the Financial Inclusion Index score increased significantly to 0.90 from 0.77 in 2011 (1.00 indicates full inclusion). The index measures the level of financial inclusion and the effectiveness in achieving the four desired outcomes of financial inclusion namely, convenient accessibility, high take-up, responsible usage and high satisfaction. Generally, the improvements were across the board, attributable to several factors including improved financial accessibility to financial access points throughout the country, increasing responsibility in the usage of products, and greater levels of satisfaction among financial consumers.

There was a significant improvement in convenient accessibility, which measures the availability of financial access points at the district and sub-district levels. All 144 districts and 97% (2011: 46%) of the 866 sub-districts with a population of above 2,000 now have access to essential financial services. As a result, 99% of Malaysians (2011: 82%) have convenient access to financial services that are reliable, affordable and safe. The expansion of access points, especially in the rural areas, is largely attributed to agent banks. The volume of financial transactions conducted through agent banks increased exponentially from 3 million transactions as at end-2012 to 63 million as at end-2015, which amounted to a value of RM5.7 billion. The growing popularity of Internet and mobile banking had also contributed to convenient accessibility. The number of Internet banking subscribers rose to 19.8 million (2011: 11.9 million) representing 63.7% of the total population, while the number of mobile banking subscribers increased to 7.3 million (2011: 1.6 million) comprising 23.5% of the total population, as at end-2015.

Similarly, there has been a noticeable improvement in the overall level of satisfaction with financial services in the country. The percentage of FI customers who are satisfied with overall financial services increased to 73% (2011:61%) with higher satisfaction levels

recorded across every segment of the population, including low-income households that recorded a rise in satisfaction to 67% (2011:60%). This is credited to the upgrading of services and conducts of FIs with the aim of enhancing customer experience. The reduction of red tape, notably in key private sector initiatives, such as the PARTNER programme by the banking industry to simplify documentation and improve the turnaround time for processing SME financing and housing loans have also contributed to increased levels of satisfaction.

Nevertheless, there are still gaps, predominantly among low-income households, when it comes to usage of financial products and services. To address the gaps, BNM has undertaken various measures which include encouraging FIs to provide microsaving products with low committed periodical savings, offer affordable microinsurance / microtakaful products by insurance companies and takaful operators, support the provision of customised microfinancing solutions for SMEs. The other indicator, which is responsible usage that measures whether financial products are used properly, remains high.

FINANCIAL ADVISORY SERVICES AND OUTREACH

SMEs can avail themselves to a wide range of channels to obtain advisory and information on Government and private sector financing schemes and programmes. These channels include BNM *Laman Informasi Nasihat dan Khidmat* (BNMLINK), One Referral Centre (ORC) at SME Corporation Malaysia, Association of Banks Malaysia (ABM), Ministries and agencies as well as DFIs and commercial banks.

BNM *Laman Informasi Nasihat dan Khidmat* (BNMLINK)

Tel: 1300 88 5465

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bankinginfo.portal

www.bankinginfo.my

One Referral Centre (ORC)

SME Corporation Malaysia

Tel: 1300 30 6000 Fax: 03-2775 6000

Email: info@smecorp.gov.my

www.smecorp.gov.my

CGC's Client Service Centre

Tel: 03-7880 0088

Fax: 03-7803 0077

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OUTREACH

BNM continuously conduct various outreach initiatives to enhance awareness and educate SMEs, particularly microenterprises and new businesses on the various financial schemes available, and the qualifying criteria to obtain financing. BNM had participated in 387 events and distributed about 1.6 million flyers, brochures and booklets to more than 245,000 SMEs nationwide as at end-2015. In addition, as part of its financial inclusion initiative, BNM also engaged with the rural communities through its MobileLINK services whereby nearly 60,000 individuals from rural communities in 366 *mukim* nationwide had benefited from the services provided by MobileLINK coach and counter services since its launch in 2011. Among the services provided include advisory on banking, insurance and takaful and SME financing-related matters. The take-up rate for financial services during those events organised by MobileLINK was 16% with total transaction value amounting to RM16.1 million. BNM also conducted site visits and provided briefings to FIs and SMEs on the Special Relief Facility 2015 at the various states affected by the flood last year.

In addition, BNM in collaboration with ABM and Association of Islamic Banking Institutions Malaysia (AIBIM) regularly held industry dialogues with the business community to obtain feedback on financing issues and challenges facing SMEs and micro entrepreneurs.

SME FINANCING IN 2016

In 2016, the Government has allocated RM3.8 billion to various Ministries to implement 31 programmes through its agencies. Aside from addressing the wide range of financing concerns and challenges faced by SMEs, there are programmes targeted at particular groups and for specific niches, as well as programmes to encourage and support entrepreneurship.

- With an allocation of RM2.5 billion, AIM is implementing **Ikhtiar Financing Scheme** to reduce poverty rate in Malaysia by providing financing to poor households to enable them to undertake viable economic activity to upgrade their household income. Through the various programmes under the Scheme, which include **i-MESRA**, **i-Srikandi**, and **i-Wibawa**, the target is to help 95% of members get out of the poverty income line and transform 1,000 micro enterprises into small and medium-sized firms;
- Meanwhile, under **Tabung Projek Usahawan Bumiputera-i (TPUB-i)**, CGC has allocated RM220 million to provide financing to 200 Bumiputera entrepreneurs who have been allotted projects / contracts but were unsuccessful in obtaining financing from FIs. This is to ensure business continuity of SMEs;
- KPDNKK has earmarked RM58 million for **PNS Franchise Scheme** which is managed by Perbadanan Nasional Berhad (PNS). The programme, which develops and promotes Middle-Level Bumiputera Entrepreneurs in franchise businesses, is targeted to assist 160 companies and create 640 new jobs;
- An allocation of RM50 million was allocated to SME Bank to implement **Financing to Indian Community Programme**. This is a collaborative effort with the Secretariat for Empowerment of Indian Entrepreneurs (SEED) to provide financing to 50 eligible Indian entrepreneurs to ensure sustainability of their business;
- Under the Budget 2016 announcement, SME Bank was provided RM20 million to undertake **Skim Anjakan Usahawan**. The Scheme is targeted to assist 80 entrepreneurs, particularly small Bumiputera companies that have been in operation for a minimum of two years to expand their business;
- SME Bank and Bank Kerjasama Rakyat Malaysia Berhad (BKRM) have been tasked to provide financing for rural entrepreneurs in the manufacturing, services, agriculture and countryside tourism through **Rural Economy Funding Scheme (SPED)**. A sum of RM15 million has been allocated to assist 300 entrepreneurs; and

- Unit Peneraju Agenda Bumiputera (TERAJU) is managing **Dana Pembangunan Usahawan Sabah** and **Dana Pembangunan Usahawan Sarawak** programmes with a budget allocation of RM15 million each. Aside from assistance in the form of facilities and funding, these programmes also provide entrepreneurial training targeted for about 500 entrepreneurs.

ALTERNATIVE FINANCING AVENUES

Across the globe, alternative modes of financing such as equity crowdfunding (ECF), peer-to-peer (P2P) lending and invoice trading have gained momentum in recent years. In Europe, the European online alternative finance increased by 144% to register approximately €3 billion in 2014. The fund has benefited around 5,801 SMEs, including start-ups. As for Australia, the crowdfunding grew by 167% in 2014 to US\$16.2 billion from merely US\$6.1 billion in 2013. Similarly in Malaysia, there is emergence of new market-based funding to meet SMEs' changing needs, particularly for the new growth areas and innovative SMEs. Of late, we can see democratisation of financing in the new form of financial intermediaries particularly via technology-based platform and innovative financing that offer financial products in the form of equity or debt.

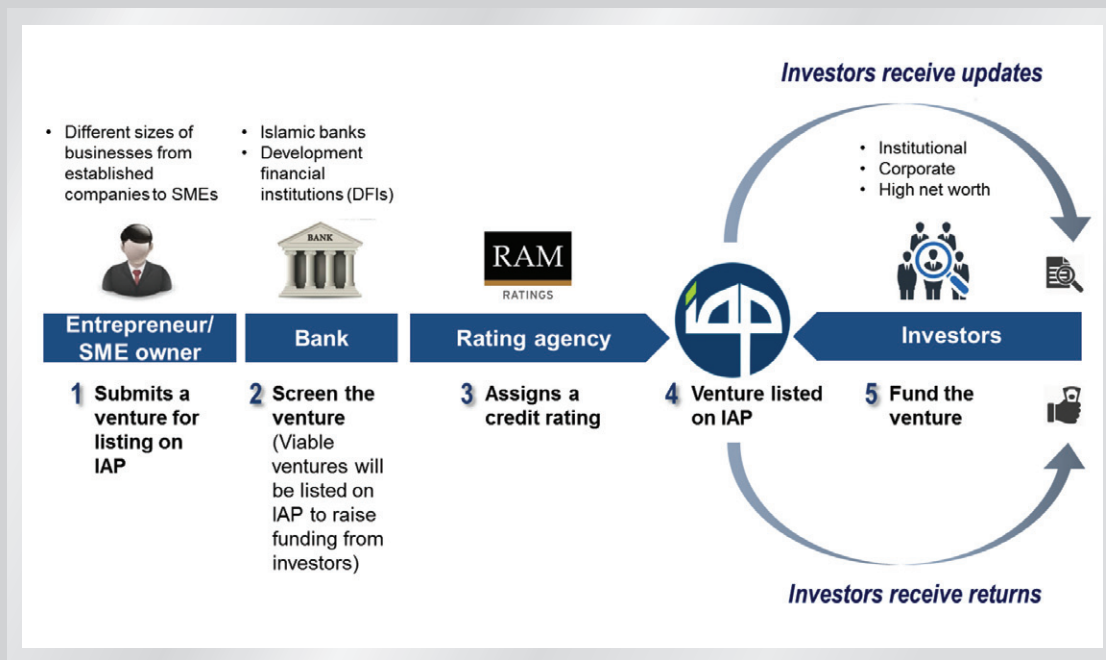
Malaysia was the third country in the world to announce a regulatory framework for equity crowdfunding, the Equity Crowdfunding Framework in 2015. Six ECF platforms have since been licensed which are Alix Global, Ata Plus, Crowdo, Eureeca, PitchIN and Propellar CrowdPlus. The selected platforms not only offer differentiated services, but also their wide range of networks which include a regional investor base, tie-ups with angel investor networks, credible local presence within the start-up ecosystem, clear venture capital (VC) linkages, ancillary digital media competencies or a focus on Shariah-compliant investments with a social impact dimension.

In April 2016, SC introduced the regulatory framework for P2P platform which will enable sole proprietorships, partnerships, incorporated limited liability partnerships, private limited and unlisted public companies to access market-based financing to fund their projects or businesses, via an electronic platform. As for FinTech, SC has introduced the 'Alliance of FinTech Community' (aFINity@SC) to catalyse greater interest towards the development of emerging technology-driven innovations in financial services, while BNM is developing the regulatory framework for FinTech which will be announced by the end of 2016. For many of these forms of funding, the move is towards public-private partnership as finance providers seek assistance from Government agencies such as SME Corp. Malaysia and others to get the profile of potential investees or borrowers. This is a trend that should be encouraged to provide greater access to finance for the more credible SMEs which may not have much track record to seek other forms of formal financing.

INVESTMENT ACCOUNT PLATFORM: A NEW FINANCING AVENUE FOR SMES

In February 2016, a consortium of Islamic banking institutions in Malaysia launched the Investment Account Platform (IAP) which was initiated by Bank Negara Malaysia. A pioneer in the financial technology platform for banking intermediation, IAP was conceived to enhance user experience in investing and fundraising.

Chart 1 : Business listing and investment processes on IAP



Source: Bank Negara Malaysia

IAP facilitates the participating bank's role as financial intermediary through its online system which streamlines the process of evaluating potential ventures for investment. A key facet of the IAP mechanism is that it also involves the input of a reputable credit agency to independently assign ratings to businesses that apply to be listed on the IAP. The participation of the banks and rating agency is a unique feature of the IAP and is aimed at strengthening investor confidence and improving the odds for entrepreneurs in need of funding.

As an alternative to traditional financing, the IAP is ideal for SMEs as it offers the following advantages:

- A wider range of financing options with possibilities for all types of SMEs including start-ups and new growth areas as investors directly assume underlying risks associated with their investments, shifting the considerations in extending SME financing from banks, which have to take into account regulatory and cost perspectives, to the risk-return preferences of investors, potentially spurring growth of SME financing; and
- Alternative financing structures beyond debt financing (such as equity financing), which is more suitable for SMEs with high growth potential but are struggling with credit worthiness.

The IAP framework also sets a competitive environment for SME owners in raising funds for their business growth, as facilitated by the following features:

- Ability to submit a proposal simultaneously to multiple banks and select the best options that fit their requirements;
- Ability to structure their financing according to their needs and based on banking know-how, while meeting targeted investors' requirements; and
- Access to a broad network of investors with diverse risk-reward preferences, which are otherwise only available for established companies.

The aim for IAP is for it to thrive as an active platform that connects entrepreneurs and investors with common financial objectives. Potential collaborations are currently being explored towards achieving this goal, including:

- Forming partnerships with institutions that have specific mandates to support particularly niche businesses by raising funds via IAP as part of the effort to enhance their prominence to investors; and
- Promoting IAP to Government agencies as a system for channelling their grants and aids to targeted SMEs by leveraging on the banks' vigorous evaluation guidelines to select suitable proposals. Furthermore, these agencies can use IAP to attract private sector funding to supplement SME grants.

IAP became active on April 2016 when participating banks begin listing ventures and businesses for investment consideration. IAP is a worthwhile fundraising option for SME owners seeking financing for their businesses to consider. For further information and to register as an IAP user, please visit www.iapplatform.com.