



SMEs Financing

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Agenda

- Current SME Financing
- Future Program for SME Financing
- Measures taken so far to promote SME Finance
- Some major constraints on SME Financing
- Suggestion on promotion of SMEs



Current SME Financing

- SMIDB's subsidized loans to SMEs: extends three-year SME loans at an interest rate of 8.5%
- Cooperate with SME development Center under the Ministry of Industry in extending these loans
- Loan disbursement: 1st batch (K 5b) Dec. 2012 (24 borrowers) and 2nd batch (K 5b) July 2013 (38 borrowers)



Criteria for getting loans from banks

- Existing business (Reasons for loan: to expand/upgrade the business)
- Collateral based lending (mostly land and landed property)
- Documents to be submitted to the bank for loan:
 - 1) Evidence showing that the borrower has paid government tax
 - 2) Financial statements for 3 years (past, existing and future) endorsed by CPA
 - 3) Business license from respective authorities (City Development Committee, Industrial Supervision Department under the Ministry of Industry, etc.)
 - 4) Certificate from the local authority that the business is currently running



Future Program for SME Finance

- Receiving another credit line of K 20 billion from MEB.
- Receiving technical assistance on SME Finance from GIZ starting from April
- Receiving two-step loan from JICA
- SMIDB is expecting funds from other sources including KFW, a German Development Bank
- Receiving insurance cover under Credit Guarantee Scheme organized by Myanma Insurance



Requests from SMEs on bank loans

- Many SMEs hope to have lower interest loans:
 - Current loan interest rate (13%) compared to profit margins (10-15%)
 - Generally try to avoid bank loans to secure profits
 - Need long term (3 -5 yrs) loans for capital investment
- Simplification of loan application process
 - Applicants (SMEs) are requested to submit many documents
 - It takes long time before the loan applications are approved



Measures taken so far to promote SMEs

- Establishment of leading committees
- Drafting SME Law
- Plan to establishment of a Credit Information Bureau
- Plan to establishment of a Credit Guarantee Insurance in April 2014 (MI with SMBC & GIZ)
- Three pilot banks (SMIDB, KBZ and Yoma) are receiving TA from GIZ in April 2014
- Five banks (MEB, MCB, SMIDB, KBZ & CB) are getting JICA's two-step loans (ODA loans) in April 2014



Major Constraints

- Some SMEs do not own land & buildings to be used as collateral
- Need medium to long-term loans
- Fail to keep proper accounting records
- Deliberately hide financial information for tax reasons
- Limited knowledge of using accounting and financial information in business decision making



Some Suggestions

- Think globally, act locally
 - Export-oriented
- Learn more, serve better
 - better quality
 - competitive price
- Join-instead-of-build
 - Cluster
 - Cooperation
- Use value creation methods
 - value-added goods
 - Economies of scale



Thank You!

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