

## Credit Guarantee Corporation Malaysia Berhad

Since its establishment in July 1972, Credit Guarantee Corporation Malaysia Berhad (CGC) operates as the sole agency that provides guarantee cover to small and medium enterprises (SMEs). Following the injection of new capital in the year 2000 amounting to RM1 billion, CGC enhanced its accessibility to the SMEs and banking institutions by increasing its branch network from four to 10 branches as at end-December 2001. With the establishment of a branch each in Kota Kinabalu and Kuching in January 2002, CGC now has a total of 12 branches, that is one branch in every state, except Perlis. The branches are mainly responsible for implementing the Direct Access Guarantee Scheme which enables SMEs to apply directly to CGC for guarantee cover.

On 9 July 2001, CGC launched its internet based web service portal, known as iGuarantee. Through iGuarantee, the SMEs may submit loan applications directly via the website. Once the applications are approved by CGC, CGC would then open the applications for bidding by all banking institutions. CGC will notify the participating banking institutions of the auction results via the iGuarantee system. In this regard, the banking institution with the offer that best matches the applicant's requirement would be awarded the right to pursue the loan proposal with the SME.

CGC has received 8,832 applications for guarantee cover totalling RM1,698.2 million under the various guarantee schemes during the year 2001 compared with 11,125 applications in 2000. Of the applications received, a total of 6,839 applications or 77.4% were approved with total guarantee cover of RM1,126.3 million or 66.3% of the total guarantee cover applied.

### Guarantee Schemes

The New Principal Guarantee Scheme (NPGS) is the main guarantee scheme of CGC. Under this scheme, CGC provides guarantee cover for loans ranging from RM50,000 to RM10 million to small-scale enterprises (SSEs) and SMEs. Of the total loans approved for guarantee in 2001, 51.7% in terms of number and 74% in terms of value were approved under the NPGS. However, the number and value of loans guaranteed under the scheme declined by 50.7% to 3,533 and 40.9% to RM1,175.6 million as at end-December 2001 following lower demand for loans during the year particularly from the general business and manufacturing sectors. In terms of economic sector, 81% of the loans granted under this scheme were channelled to the general businesses.

**The Flexi Guarantee Scheme (FGS)** introduced in 1999 offers guarantee cover for loans extended under the special funds promoted by Bank Negara Malaysia (BNM), namely the Rehabilitation Fund for Small and Medium Industries, Fund for Small and Medium Industries 2 (FSMI2) and New Entrepreneurs Fund 2 (NEF2). For the year 2001, a total of 490 loan accounts with total value of RM131.9 million were guaranteed under the FGS. As at end-December 2001, CGC has guaranteed 2,426 loan accounts with a total value of RM745.2 million.

The **Direct Access Guarantee Scheme (DAGS)** was introduced in July 2000 to enable SMEs to obtain financing from RM50,000 to RM1 million by applying directly from CGC branches nationwide. All applications under DAGS will be evaluated and processed by CGC, which will then arrange for the required financing to be granted by banking institutions on the panel. A lot of progress has been made to this new scheme whereby 436 loan accounts totalling RM160.4 million were approved in 2001 compared to 23 loan accounts totalling RM5.8 million in 2000.

Under the **Small Entrepreneur Guarantee Scheme (SEGS)**, CGC guarantees 80% of the loans granted by banking institutions to SSEs that require financing amounting to between RM10,000 and RM50,000. During the year 2001, a total of 2,292 loan accounts valued at RM77.7 million were approved under SEGS. To facilitate the granting of loans to Bumiputera borrowers, the SEGS was enhanced to provide 100% guarantee cover for loans granted by the banking institutions on the panel.

**Franchise Financing Scheme (FFS)**, which was established in 1997 in co-operation with the Ministry of Entrepreneur Development is targeted at Bumiputera entrepreneurs with viable franchise businesses, but lack



collateral to obtain the normal financing from the banking institutions. During 2001, a total of 17 loan accounts valued at RM3.6 million were approved under the scheme. As at end-December 2001, CGC has guaranteed 93 loan accounts with a total value of RM24.5 million.

## Administration of BNM Special Funds

CGC continues to administer FSMI2, one of the special funds promoted by BNM. The total allocation for FSMI2 has been increased by RM200 million to RM400 million in 2001. As at end-December 2001, 752 applications with total loan value of RM357.3 million have been approved under the FSMI2. CGC was also appointed to administer another special fund promoted by BNM namely, the NEF2 effective from 15 July 2001. NEF2 which was established following the termination of the old New Entrepreneurs Fund was allocated RM250 million. As at end-December 2001, 356 applications with total loan value of RM176.2 million have been approved under the NEF2.

<b>Bank Lending under the NPGS</b>			
	Amount approved		Annual change (%)
	2000	2001	
	RM million		
General business	1,647.1	952.8	-42.2
Of which:			
Building and construction	182.2	111.2	-39.0
General commerce and sundry retail trade	1,088.0	676.6	-37.8
Transport and repairs	92.3	59.5	-35.5
Small scale industries	310.5	207.7	-33.1
Of which:			
Food, drinks and tobacco	15.7	18.2	15.9
Timber products and furniture	63.3	39.7	-37.3
Textiles and clothing	26.9	14.8	-45.0
Building materials	5.2	7.1	36.5
Printing and publishing	10.5	12.0	14.3
Agriculture	29.1	14.6	-49.8
Of which:			
Padi cultivation and marketing	0.0	0.3	-
Livestocks and poultry farming	9.9	7.1	-28.3
Fisheries	5.0	2.3	-54.0
Mining and quarrying	2.6	0.5	-80.8
Of which:			
Other minerals	2.3	0.0	-100.0
<b>Total</b>	<b>1,989.3</b>	<b>1,175.6</b>	<b>-40.9</b>

Source: The Credit Guarantee Corporation Malaysia Berhad