

# COMPETITION IN ISLAMIC BANKING

## Propel New Opportunities For SMEs...

Mohd Yusnizam Mohd Yasin  
Commercial Banking  
Group Islamic Banking

InterContinental Kuala Lumpur, Malaysia  
May 2015



# Content

1

**SME's CONTRIBUTIONS TO MALAYSIA'S ECONOMY**

2

**UNDERSTANDING THE CURRENT NEEDS OF FINANCING FOR SMEs**

3

**SCALING UP ISLAMIC BANKING**

4

**CIMB ISLAMIC OVERVIEW**

---

## **Section 1**

# **SME's CONTRIBUTIONS TO MALAYSIA'S ECONOMY**

---

## SME MASTERPLAN 2012 –2020: Catalysing Growth and Income

*“Unless we introduce a ‘game changer’, we will be caught in a middle-income trap, whereby we are no longer as competitive on cost as some countries.”*

*“Going forward, the Government would adopt a differentiated approach to accelerate the growth of SMEs and to provide the impetus for growth led by the private sector.”*

*“...an innovation-led economy demands a new breed of SMEs that can help foster market and technology-driven innovation to create more high-skilled jobs in all economic sectors.”*



**“SMEs are important source of economic growth and will continue playing a vital role in Malaysia’s economic development as we work towards high income nation status.”**

**“SMEs account for 97.3% of the total business establishments in Malaysia and for 57% of total employment and contribute about 33% to GDP and 19% of total exports of the nation.”**

*Source: Economic Census 2011, Profile of Small and Medium Enterprise*

Dato’ Sri Mohd Najib Tun Haji Abdul Razak  
Prime Minister of Malaysia/ Chairman of National SME Development Council

# SME OVERVIEW to Malaysia's Economy

## STATUS

77% are Micro Enterprises  
20% are Small Enterprises  
3% are Medium Enterprises

90% in Services  
5.9% in Manufacturing  
3% in Construction  
1% in Agriculture  
0.1% in Mining & Quarrying

97.3% or 662,939  
of total business  
establishments



## CONTRIBUTIONS

19% of Total Exports

57% of Total  
Employment

32% of value-added

Source: Economic Census 2011, Profile of Small and Medium Enterprise

## SME Contribution to GDP

SME GDP and Overall GDP Growth by Key Economic Activity in 2013 (constant 2005 prices)

	Year 2013 (% y-o-y change)	
	SME GDP growth	Overall GDP growth
Mining & Quarrying	9.9	0.7
Construction	14.3	10.9
Agriculture	3.0	2.1
Manufacturing	4.7	3.5
Services	6.8	5.9
Total	6.3	4.7

Source: Department of Statistics, Malaysia

➤ The performance of Malaysian SMEs remained encouraging despite the difficult business environment. In 2013, GDP growth of SMEs picked up further to 6.3% versus 6% in 2012. SME growth also exceeded the overall GDP growth of the country of 4.7%.

➤ In 2014, the growth momentum of SMEs is expected to be sustained. Domestic demand will continue to be the key driver of growth led mainly by private sector activities.

SME GDP and Overall GDP Share by Key Economic Activity in 2013 (constant 2005 prices)

	Year 2013 (percentage share to total, %)	
	SME GDP	Total GDP
Mining & Quarrying	0.2	8.1
Construction	3.0	3.8
Agriculture	9.7	7.1
Manufacturing	23.7	24.5
Services	62.1	55.2
Plus import duties	1.3	1.3
Total	100	100

Source: Department of Statistics, Malaysia

➤ During the year, SME employment and labour productivity growth rates recorded a better performance than the overall total employment and labour productivity growth. SME employment grew by 6.3% (total employment growth: 5.9%), while SME labour productivity declined by 0.1% as against a decline of 1.1% for the overall labour productivity.

## Who are Malaysia's SMEs

Effective January 2015, the broad definition has been simplified under two categories, namely:

**1. Manufacturing:**

**Sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 workers; and**

**2. Services and other sectors:**

**Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers**

Category	Micro	Small	Medium
Manufacturing	Sales turnover of less than RM300,000 OR full-time employees less than 5	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200
Services & Other Sectors		Sales turnover from RM300,000 to less than RM3 Million OR full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

*Source: Guideline for New SME Definition, SME Corp Malaysia*

---

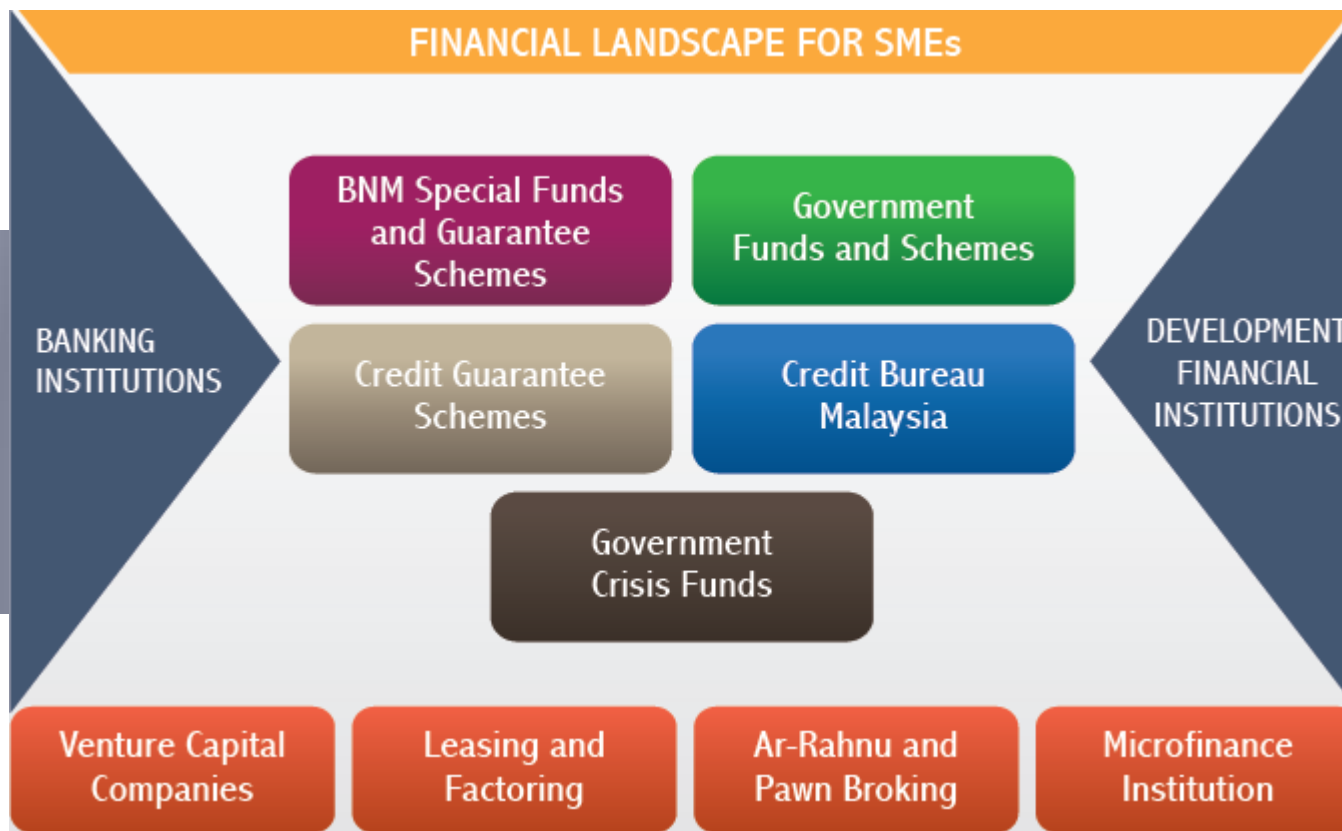
## Section 2

### UNDERSTANDING THE CURRENT NEEDS OF FINANCING FOR SMEs

---



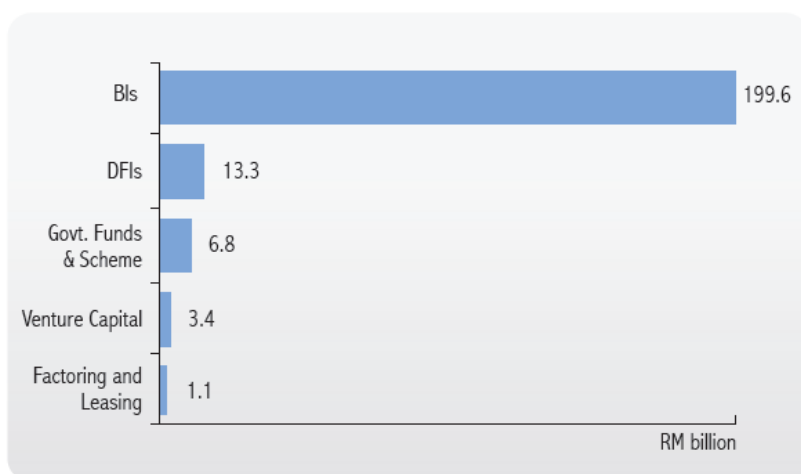
## Financial Landscape for SMEs



Source: SME Annual Report 2013/14

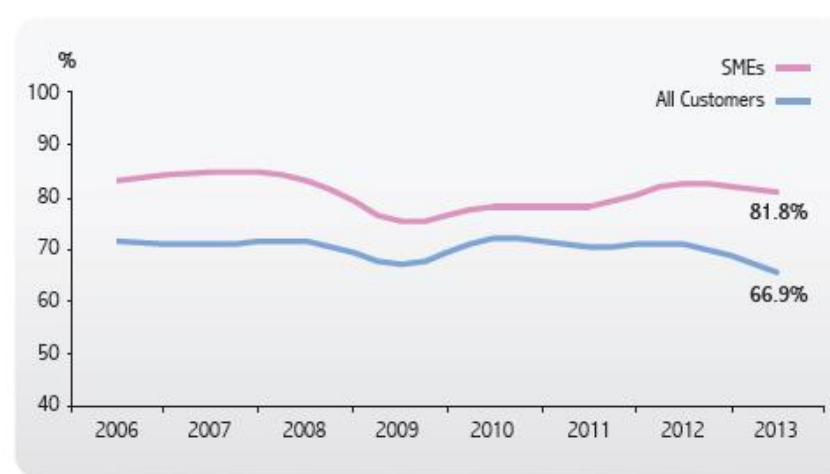
## SMEs' Financing Outstanding with FIs

Financing Outstanding as at end-December 2013



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

Financial Approval Rate (%)



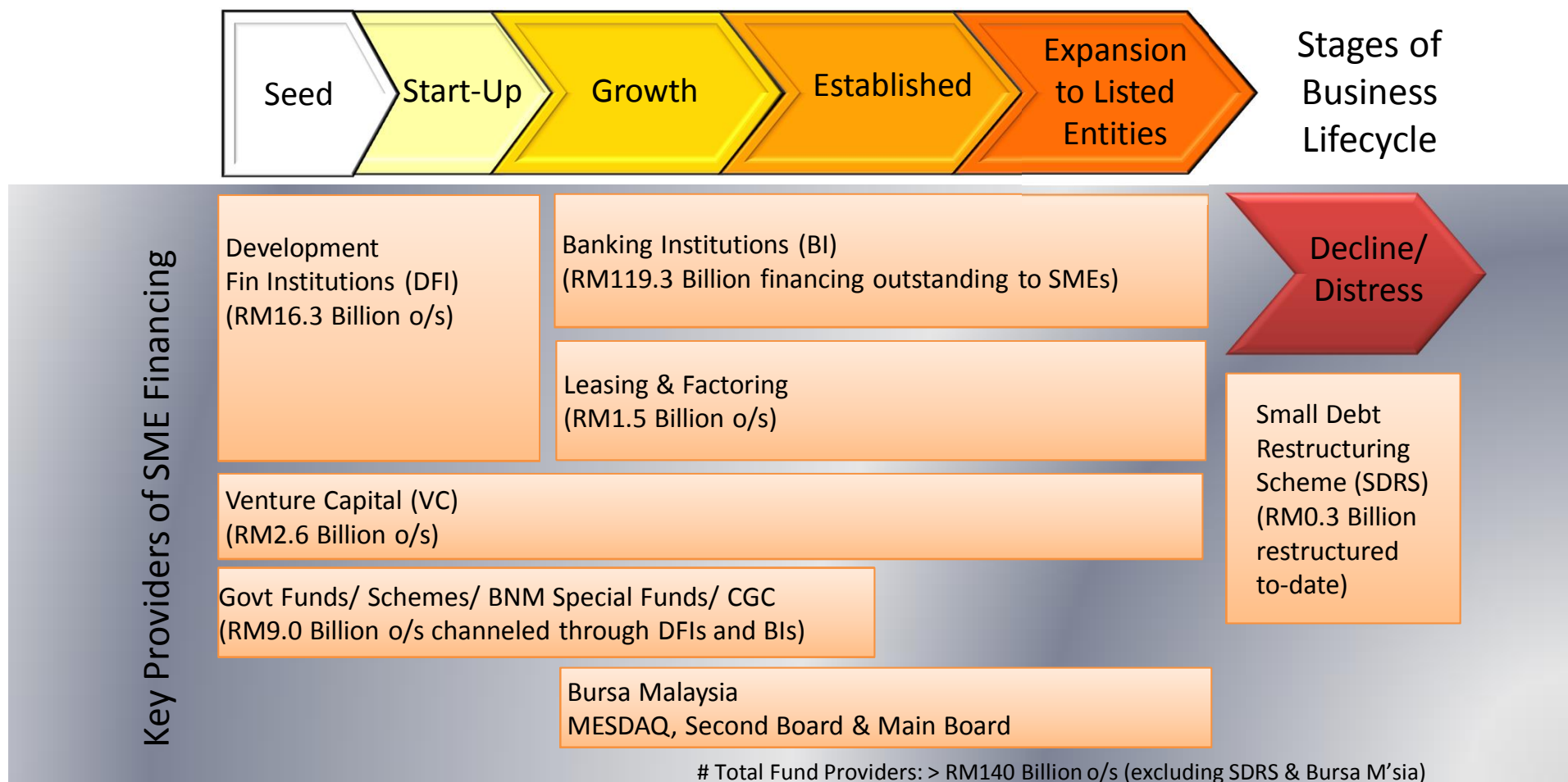
Source: Bank Negara Malaysia

- 95% of total financing outstanding (RM222.7 billion) to SMEs from both private and public sectors are emanated from financial institutions.

- RM78.5 billion of total financing approved in 2013 involving 140,815 SMEs.
- The approval rate remained high at 81.8% albeit marginally lower than 83.2% recorded in 2012.

# SME Financing at Different Stages of Business Lifecycle

Various Providers to meet SME Financing Needs



Source: BNM Annual Report 2010 and SME Annual Report 2010



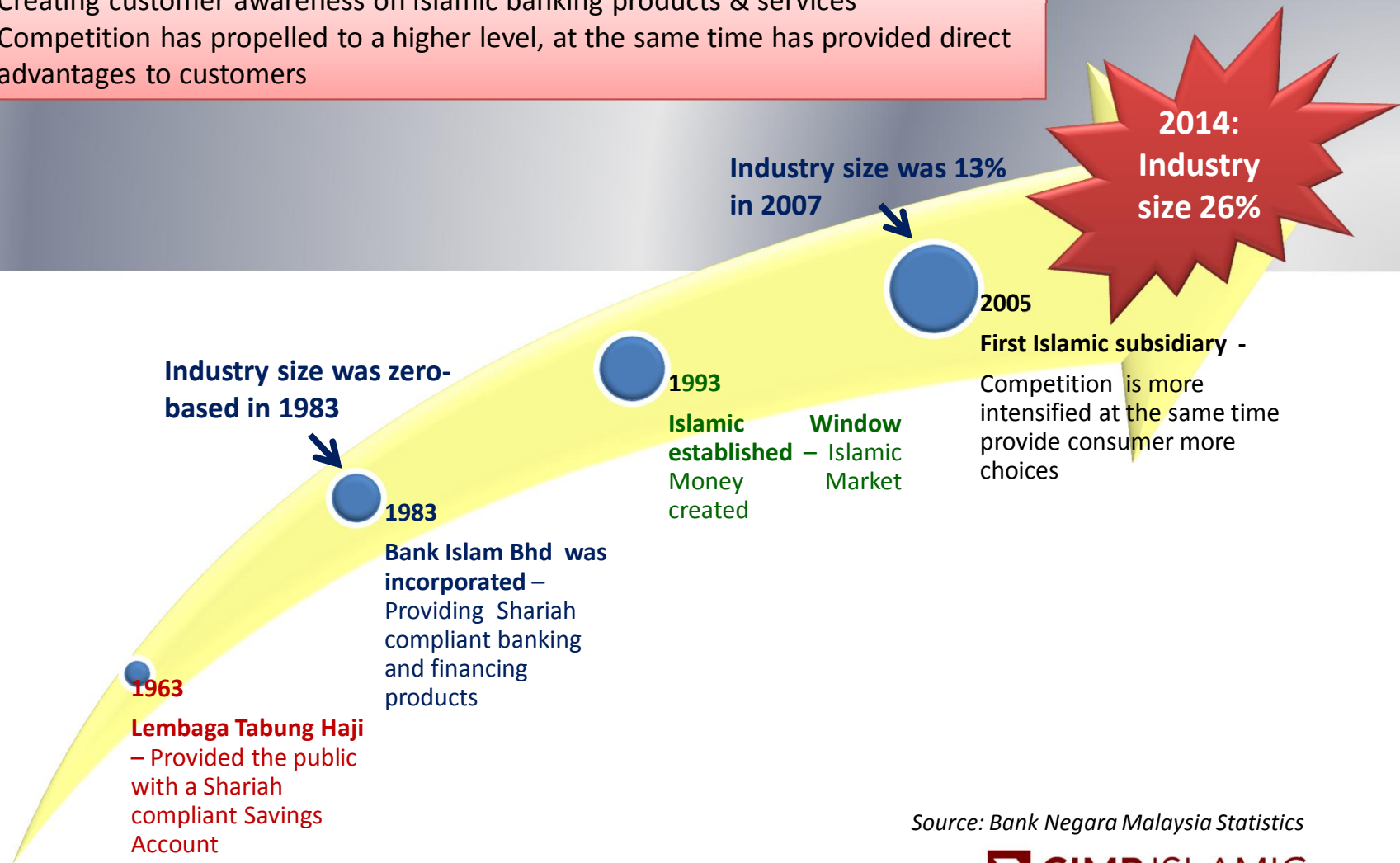
## Section 3

### SCALING UP ISLAMIC BANKING



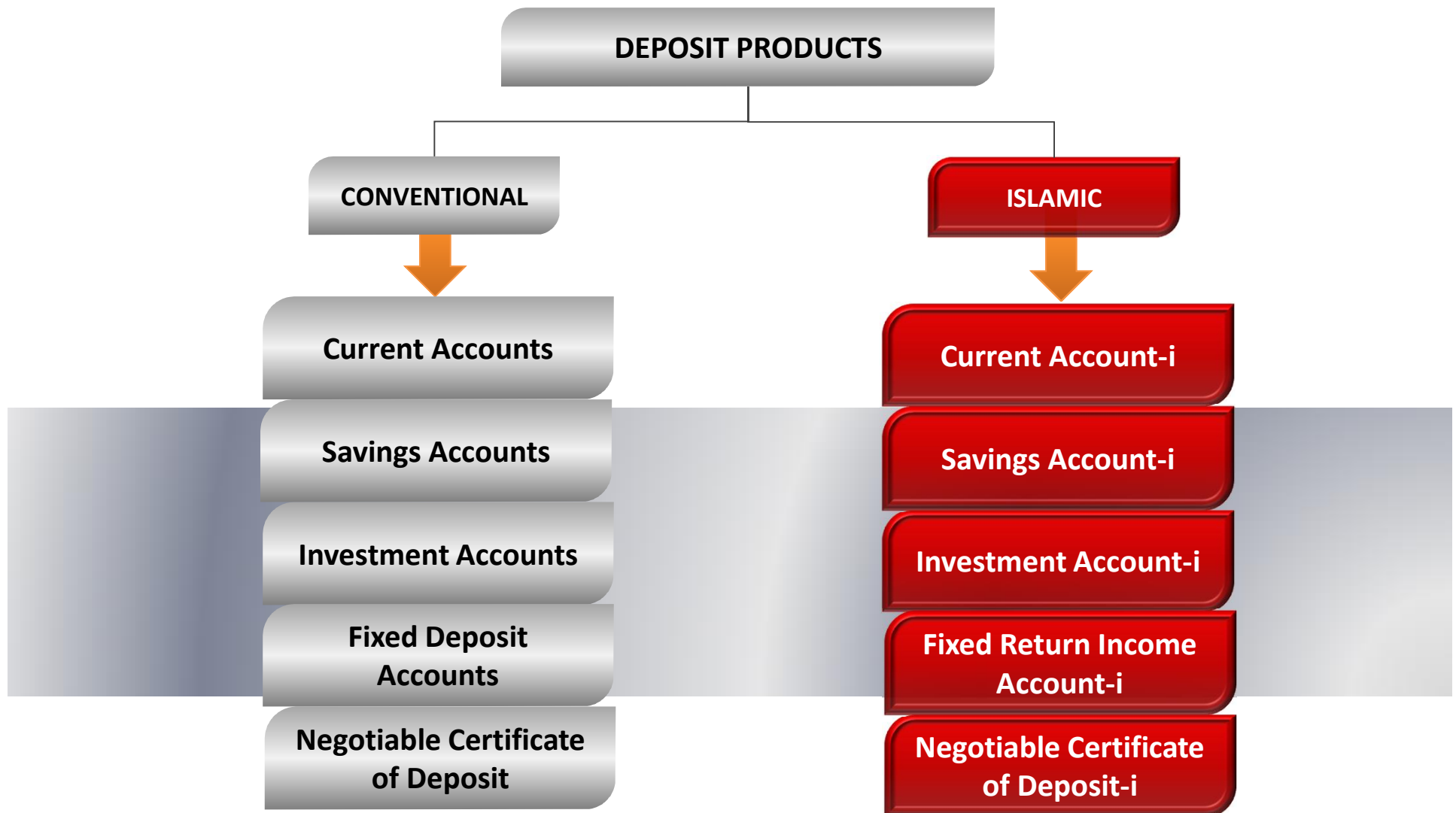
## Development of Islamic banking in Malaysia

- Creating customer awareness on Islamic banking products & services
- Competition has propelled to a higher level, at the same time has provided direct advantages to customers



Source: Bank Negara Malaysia Statistics

## Deposit Products: Conventional vs. Islamic



# Financing Products: Conventional vs. Islamic

## FINANCING PRODUCTS

### CONVENTIONAL

#### Term / Revolving Financing

- " Term Loan
- " Hire Purchase
- " Overdraft
- " Revolving Credit
- " Business Premises Loan

#### Trade Financing

- " Trust Receipt
- " Banker's Acceptance
- " Bills Purchased
- " Export Credit Refinancing

#### Other Services

- " Documentary Credit
- " Bank Guarantee
- " Foreign Exchange Credit Limit
- " Collection of Export Proceeds
- " Money Transfer

### ISLAMIC

#### Term / Revolving Financing

- " Term Financing-i
- " Hire Purchase-i
- " Cash Line-i
- " Revolving Credit-i
- " Business Premises Financing-i

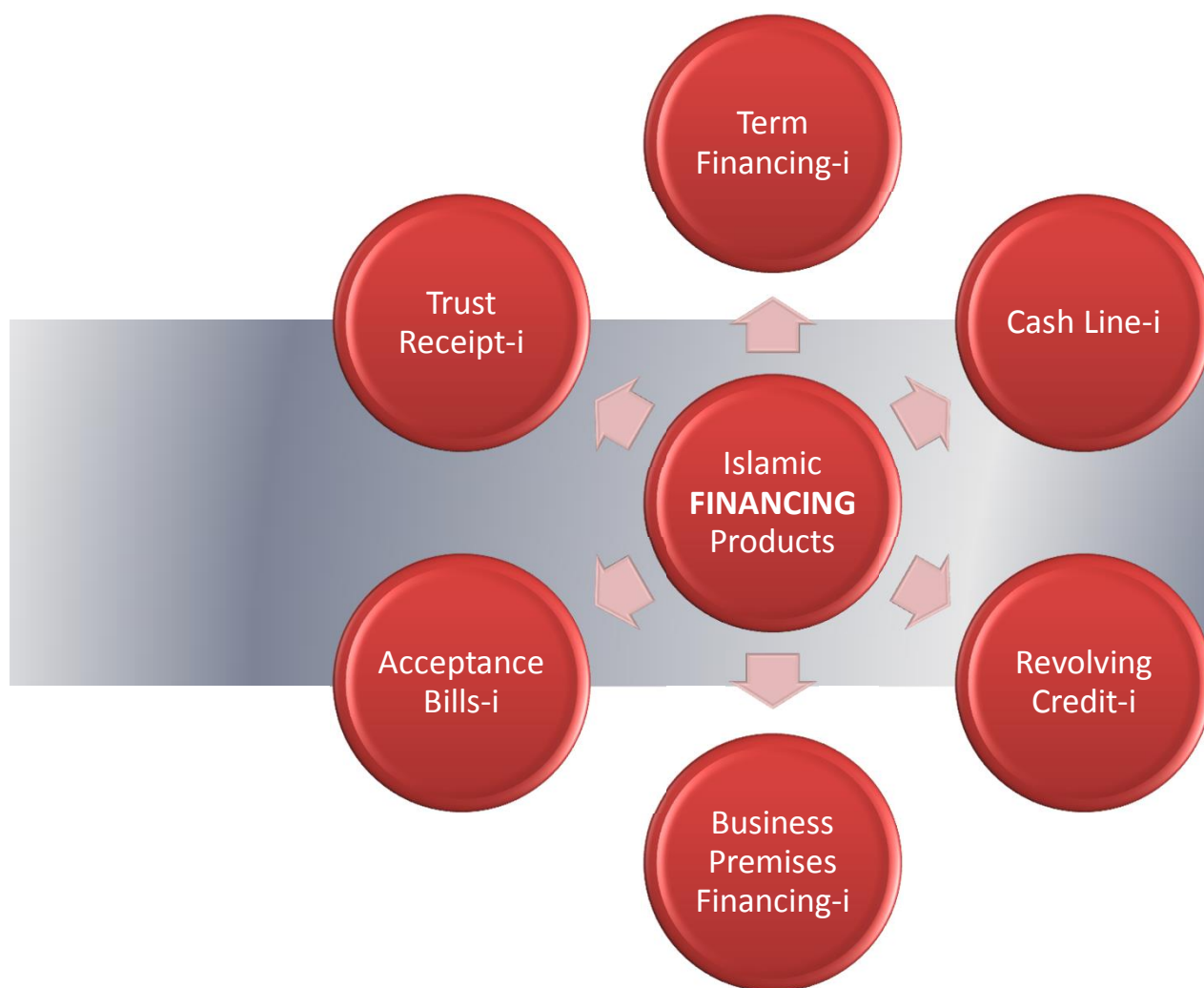
#### Trade Financing

- " Trust Receipt-i
- " Accepted Bill-i (Import/Export)
- " Bills Purchased-i
- " Export Credit Refinancing-i

#### Other Services

- " Documentary Credit-i
- " Bank Guarantee-i
- " Foreign Exchange Credit Limit-i
- " Collection of Export Proceeds-i
- " Money Transfer

**In summary...**  
an array of Islamic financing products to suit SMEs' business needs





## Value Proposition of Islamic Financings

### Product Features

- Option for a fixed rate or floating rate with a ceiling rate
- No compounding of charges on total amount overdue (ta'widh)
- No commitment fee chargeable for Cash Line-i and Revolving Credit-i
- Financing for full invoice value and profits at tail end for Accepted Bills-i

### Regulatory Support

- Additional 20% stamp duty exemption is given on instruments used in Islamic financing or related to the issue of Islamic securities.
- 100% stamp duty exemption for conversion of an existing conventional loan to Islamic financing.

---

## Section 4

### CIMB ISLAMIC OVERVIEW

---

## About CIMB Islamic

- CIMB Islamic Bank Berhad (CIMB Islamic) – formerly known as Commerce Tijari – is the Group's global Islamic banking and finance franchise. It operates in parallel with the Group's universal banking platform.
- Our business coverage spans from South East Asia to major financial markets such as Hong Kong, London, New York and the Middle East.
- We offer innovative and comprehensive Shariah-compliant financial solutions in the spheres of investment banking, consumer banking, asset management, takaful, private banking and wealth management through its 383 branches nationwide.
- CIMB Islamic's products and operations are managed in strict compliance with Shariah principles under the guidance of the CIMB Islamic Shariah Committee, which comprises the world's leading Islamic scholars.

**Private Equity**

**Corporate Finance  
Advisory**

**Consumer  
Banking**

**Investment  
Banking**

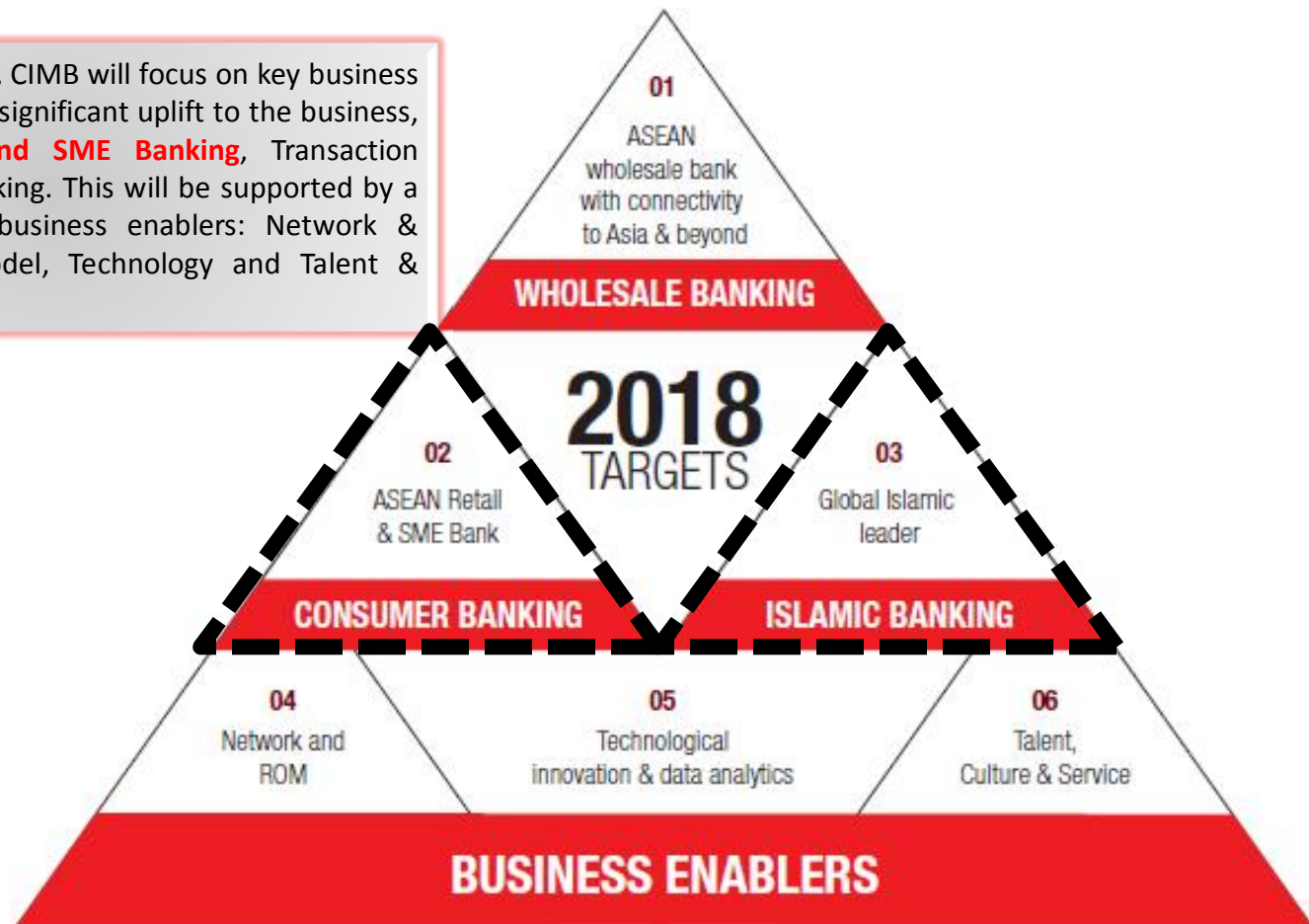
**Asset  
Management**

**Islamic  
Banking**



## CIMB Strategic Direction & Initiatives

To achieve these targets, CIMB will focus on key business drivers, which will bring significant uplift to the business, namely **Commercial and SME Banking**, Transaction Banking and Digital Banking. This will be supported by a focus on three main business enablers: Network & Regional Operating Model, Technology and Talent & Culture.



## CIMB Islamic Financing Product Offering

Financing Scheme	Campaign Financing Scheme	CGC Scheme	Government Guarantee Scheme	BNM Funded
<ul style="list-style-type: none"> <li>• Term Financing-i (TF-i)</li> <li>• Cash Line-i (CL-i)</li> <li>• Revolving Credit-i (RC-i)</li> <li>• Business Premises Financing-i (BPF-i)</li> <li>• Business Premises Financing-i Plus (BPF-i Plus)</li> <li>• Biz Top-Up-i</li> <li>• Biz Vacant Land Financing-i (Bizland-i)</li> </ul>	<ul style="list-style-type: none"> <li>• CL-i fully secured against FD/FRIA-i</li> <li>• Biz-Access Lite-i</li> </ul>	<ul style="list-style-type: none"> <li>• Credit Enhancer-i Scheme (Enhancer-i)</li> <li>• Flexi Guarantee Scheme (FGS)</li> <li>• Green Technology Financing Scheme (GTFS)</li> </ul>	<ul style="list-style-type: none"> <li>• Working Capital Guarantee Scheme-i (WCGS-i)</li> </ul>	<ul style="list-style-type: none"> <li>• Fund for Small and Medium Industries 2 (FSMI 2)</li> <li>• New Entrepreneur Fund 2 (NEF 2)</li> </ul>

## CIMB Group Shariah Committee Members



**Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil (Chairman)**

Deputy Chief Executive Officer (“CEO”) cum Principal Fellow of the International Institute of Advanced Islamic Studies (IAIS) Malaysia



**Sheikh Professor Dr. Mohammad Hashim Kamali**

Founding Chief Executive Officer (“CEO”), International Institute of Advanced Islamic Studies (IAIS) Malaysia



**Sheikh Dr. Nedham Yaqoobi**

Independent Shariah Advisor



**Sheikh Yang Amat Arif Dr. Haji Mohd Na'im Bin Haji Mokhtar**

Chief Judge of Selangor Syariah Court and the Director, Family Support Division, Malaysian Shariah Judiciary Department, Prime Minister's Department, Malaysia



**Sheikh Associate Professor Dr. Shafaai bin Musa**

Associate Professor, Ahmad Ibrahim Kulliyah of Laws, Islamic International University, Malaysia (IIUM). He is also the Chairman of Sun Life Malaysia Takaful Berhad Shariah Committee

**Sheikh Associate Professor Dr. Yousef Abdullah Al Shubaily**

Associate Professor, Comparative Jurisprudence Department, High Institute of Judiciary, Imam Muhammad bin Saud Islamic University, Kingdom of Saudi Arabia



**Professor Dr. Noor Inayah Yaakub**

Professor, Pusat Kebijaksanaan Sejagat (Global Wisdom Centre), Universiti Islam Malaysia



**Sheikh Muhamad Taufik Ridlo**

Faculty lecturer, Department of Islamic Banking, SEBI School of Islamic Economics, Depok, West Java



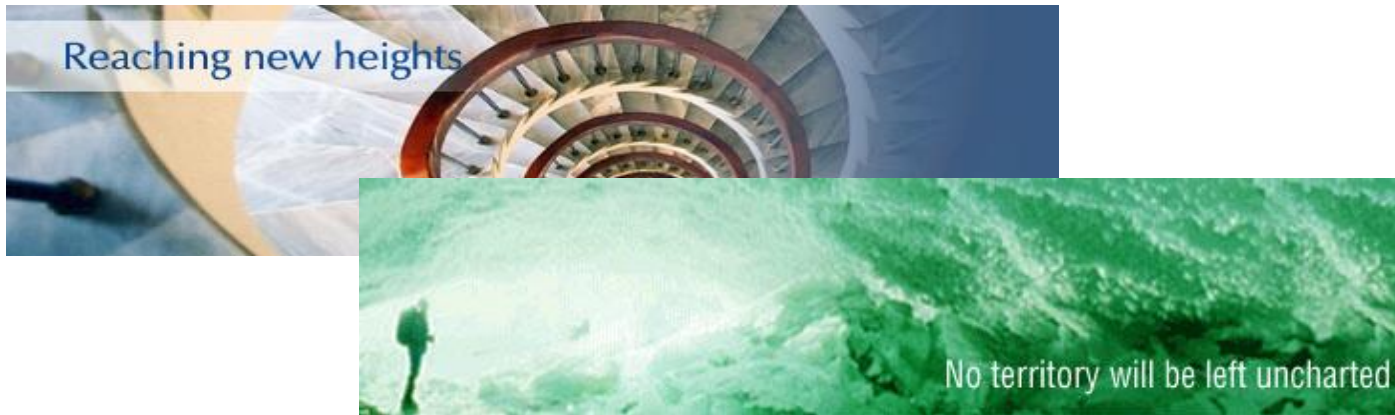
**Professor Dato' Dr. Sudin Haron**

Special Adviser to University College Bestari, Terengganu and Founding Chairman of the Malaysian Waqaf Foundation





# CIMB Islamic: Global Leader in Islamic Finance



- CIMB Islamic is recognised as a pioneer in Islamic financial markets. It has garnered numerous awards over its infant years and such accolades for year 2014 includes:

Best Islamic Bank in Malaysia

IFN Best Banks  
Poll 2014

Best Islamic Retail Bank in Asia

CPI Financials Islamic  
Business and Finance  
Awards 2014

Most Outstanding Individual  
Contribution to Islamic Finance:  
Badlisyah Abdul Ghani

KLIFF Islamic Finance  
Awards 2014

Most Outstanding Islamic Bank

KLIFF Islamic Finance  
Awards 2014

Best Islamic Trade Bank in Asia  
Pacific

Trade Finance Awards  
for Excellence 2014

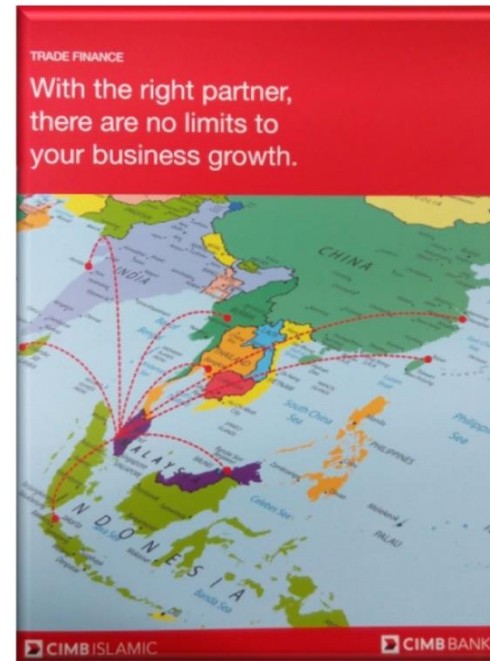
Best Islamic Finance Bank in  
Malaysia

Alpha SEA Best Financial  
Institution Awards 2014

Best Islamic Bank in Asia

Asiamoney Best Bank  
Awards 2014

## Enquiries



For any enquiries, please visit our marketing booth outside Ballroom 2

OR

Email us at [cimbislamic.cb-bb@cimb.com](mailto:cimbislamic.cb-bb@cimb.com)



**THANK  
YOU**

