

P2P platforms promote SME growth

by ALIFAH ZAINUDDIN

PEER-TO-PEER (P2P) financing can help the government become inclusive and transparent in providing funds for small and medium enterprises (SMEs), said Finance Minister II Datuk Johari Abdul Ghani.

He said the use of P2P platforms will allow people to keep track of their tax payments and ensure the money is appropriately channelled for the nation's benefit.

"The government is considering this platform to include the people in equity participation and lending carried out by the government," Johari told reporters after officiating at SCxSC Digital Finance Conference 2016: Capitalising Entrepreneurship in Kuala Lumpur yesterday.

He said such platform would eliminate scepticism as it is done openly and people can evaluate the risks.

P2P platforms operate to raise funds from both retail and sophisticated investors through an online platform to promote the growth of SMEs.

The Securities Commission Malaysia (SC) recently announced six P2P financing operators in Malaysia, after the country became the first in Asean to regulate P2P financing in April 2016.

The operators are B2B FinPal Sdn Bhd, Ethis Kapital Sdn Bhd, FundedByMe Malaysia, ManagePay Services Sdn Bhd, Modalku Ventures Sdn Bhd and Peoplender Sdn Bhd. Each draws



Pic by Mhd Amin Naharul

(From left) B2B FinPal CEO Dr Lee Thean Seong, Modalku Ventures co-founder Wong Kah Meng, Ranjit, Johari, ManagePay Services founder Chew Chee Seng, Peoplender CEO Ng Wei Miem and Ethis Kapital chairman Dr Shahrizan Faiez during an introduction event of 6 P2P operators at the SCxSC Digital Finance Conference 2016 in Kuala Lumpur yesterday

on a unique area either partnering local banks, facilitating foreign direct investment, offering Islamic financing, micro-financing and invoice financing, or leveraging data analytics to generate unique insight into SMEs.

Johari said P2P financing has proven to be successful globally in meeting the needs of SMEs seeking funding for growth.

In 2015, US\$25 billion (RM104.6 billion) was raised globally and the financing is expected to grow to US\$96 billion in 2025, he said.

"We hope to leverage on this innovation to drive the growth of our local SMEs here in Malaysia," Johari said, noting

that initial equity crowdfunding (ECF) initiatives have been successful with a total of RM8 million raised for 11 Malaysian businesses since its launch in June 2015.

GDP contribution from local SMEs currently stands at 36% in 2016 and is expected to reach 41% by 2020.

With businesses accounting for 65% of the country's employment, the government has declared 2017 to be the year of the Internet economy for Malaysia and the year of start-ups and SME promotion.

To facilitate the digitalisation process, SC chairman Tan Sri Ranjit Ajit Singh confirmed that the SC will introduce the Digital Investment Services

framework next year, which will allow approved licences to offer discretionary portfolio management.

"We are beginning discussions at the moment but before we launch it, we want to make sure we have the right structure," he added.

However, despite the prevailing benefits of digital markets, Ranjit said the SC is taking a cautious approach to new emerging technologies.

"We will continue to monitor real world implementations and be aware of the inherent risks associated not just with the technology itself, but also the business model built on top of the technology," he said.