

# ORIX Malaysia aims to stamp its mark in the SME segment

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PETALING JAYA: As one of the pioneers in the equipment leasing company in Malaysia, ORIX Leasing Malaysia Bhd (ORIX Malaysia) is intensifying its efforts to garner a stronger foothold in the small and medium enterprise (SME) segment.

The company, a wholly-owned subsidiary of one of Japan's diversified multinational financial groups ORIX Corporation, is equipped with the expertise and an array of financial solutions to support SMEs as it views this segment as a critical component of the nation's economy.

ORIX Leasing Malaysia Group president Shin Hamada (pic) told StarBiz currently more than 85% of the group's portfolio consists of SMEs from diversified sectors such as business services, manufacturing, transportation and logistics, trading, and construction.

“Our group total operating assets stood at RM2.76bil as at the end of the financial year ended March 31, 2023 (FY23), and we are targeting to achieve double-digit percentage growth in FY24,” he added.

The group has recently expanded its branch network to Kota Bharu and Tawau, bringing its total branches to 22 group wide.

It is also expanding its automobile rental business to East Malaysia this year.

The company, which has been actively serving the SMEs since 1973, to date provides financial services for acquisition of movable assets from office automation, information and communications technology (ICT) equipment, manufacturing machinery to commercial vehicles, medical equipment, vessels, and construction equipment.

Commenting on the issues faced by local entrepreneurs when coming to financing, Hamada said lack of financial literacy is still prevalent among entrepreneurs.

“When SMEs lack financial planning and forecasting capabilities, they may struggle to develop comprehensive financial plans, forecast cash flow, and effectively communicate their financial needs to lenders.

“All these financial literacy limitations make it challenging for lenders to evaluate their viability and growth potential. These may eventually lower their chances of securing financing due to high perceived risk.

“Apart from that, many SMEs today are highly innovative and are exploring new growth areas.

“However, with the lack of proven track record and commercial viability, it may also be perceived as high risk for traditional financial institutions to support accordingly,” he noted.

On top of that, Hamada said there are other factors to consider such as stringent terms and conditions imposed by traditional financial institutions, inflexible financial product structure, and mismatch between funding needs and available financing.

He said ORIX Malaysia is one of the first non-bank financial institutions in Malaysia to offer syariah-compliant facilities via its i-Lease, i-Factoring, and i-Rental services.

In 2010, the company customised a financing scheme for bumiputra SMEs, enabling them to provide ICT equipment rental programmes to the government departments and government-linked companies.

Through this financing scheme, bumiputra SMEs are able to participate in government tenders as most of them do not have sufficient track record or collateral to obtain financing from financial institutions, he said, noting that the company has also ventured into vessel financing, including barges and tugboats.

Hamada said the company at the same time has a Receivables Purchase Programme that frees up its vendors' time from monitoring their receivables, enabling them to focus on generating sales, improve cashflow, and have better financial planning.

As to the risk in SME financing and how ORIX Malaysia mitigates such risks, he said the group is strongly upholding the principle of responsible lending by exercising prudence and caution in extending credits.

“For the past 50 years, we have developed strong relationships with a large pool of SME customers and acquired a deep understanding of a wide array of industries.

“We have customised our due diligence procedures which include the know-your-customer process, risk-based pricing, rigorous credit assessment, and securitisation with additional credit enhancement, if necessary,” Hamada added.

ORIX Malaysia will be celebrating its 50th anniversary in September this year.

To a question on the outlook of the local leasing industry this year, he said the prospects for the equipment financing sector (which includes leasing) is bright, owing to economic recovery from the impact of the Covid-19 pandemic.

With the economic recovery, Hamada said the sector is expected to benefit from the increased demand for equipment acquisition in line with improving business sentiments.

Moreover, he said the government has introduced various initiatives and stimulus packages to support economic recovery and encourage business growth.

These initiatives provide incentives and support for businesses, creating a favourable environment for the equipment financing sector, he noted.

“SMEs are increasingly relying on non-bank financial institutions to provide financing for their asset acquisition such as hire purchase, leasing, and rental as they would want to reserve their credit limit for banking products.

“To meet the financing needs of SMEs, we are able to customise financing products specially tailored to address their requirements. — By DALJIT DHESI