

## SME loan rivalry rises as fee break ends

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Competition in the small-business loan segment is expected to soar in the next few months as the state-owned Small Business Credit Guarantee Corp nears the end of its fee exemption promotions, say local bankers.

TMB Bank plans to launch a range of new products for small and medium-sized businesses, said chief SME banking officer Sayam Prasitsirigul.

Competition will increase sharply as the SBCG's fee waiver programme approaches its end in March, he said. TMB has lent 4.8 billion baht in small business loans with SBCG coverage, a figure expected to rise to 7 billion by the end of March.

Under the programme, the SBCG guarantees loans for small and medium-sized enterprises, as sharing losses for non-performing loans incurred by banks. The SBCG is waiving its normal 1.75% guarantee fee for the portfolio guarantee scheme.

TMB yesterday launched the innovative "TMB SME OD No Asset" product for small business, in co-operation with the SBGC in loan guarantees.

The new product is an overdraft (OD) facility without collateral with a guarantee from the SBGC for 50% of total credit lines. The interest rate for the typical loan is charged at minimum overdraft rate plus 4.5% to 8.5% per year, depending on the size of the loans. The bank's MOR is currently quoted at 6.5% per year. TMB aims to capture smaller SME operators, with credit lines of up to 10 million baht and sales turnover of up to 50 million baht per client.

The interest rate is 1-2% lower than the market level, reflecting the reduced credit risk under the SBGC guarantee programme, said Mr Sayam.

The SME loan will match the demands of small business operators who face collateral constraints for obtaining credit guarantees, and will support clients' liquidity to help them operate their businesses smoothly, he said.

TMB projects growth in SME loans at 1.6 billion baht this year, or 20% of an existing portfolio of 8 billion baht. Innovative products and services will be the bank's key strategy to expand the business amid high competition in the market, said Mr Sayam.

Kasikornbank has also introduced the "SME Loan of Your Choice", which gives customers flexibility on interest rates and debt payment. Customers can select from several packages of the loan product with fixed interest rates or floating rates and different debt installment features.

The interest rate charged on the loan product is based on the bank's minimum retail rate standing at 6.45% per year. The new product will mainly focus on small-scale businesses with annual sales of 10-50 million baht. KBank expects loans through the new product to total 3 billion this year.

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In its overall SME loan portfolio, the bank aims to expand by 20 billion baht to 390 billion baht by the end of 2010. The bank's credit lines under the SBGC's guarantee scheme are expected to be 5 billion baht by the end of the first quarter this year, said its executive vice-president, Pakorn Partanapat.



Photo Release : Pakorn Partanapat, executive vicepresident of Kasikornbank, promotes the bank’s new “SME Loan of Your Choice” for entrepreneurs. Customers can choose to vary installment payments and interest rates as well as turn installment payments into working capital.

*Financial and Investment*

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