

8th August 2020

Malta Development Bank facilitates SME access to liquidity through new scheme for smaller loans

In its efforts to support the recovery of the local business community, the Malta Development Bank has introduced a further initiative intended to support smaller businesses in taking out loans under the MDB COVID-19 Guarantee Scheme (CGS) without the need to provide high levels of soft collateral in the form of personal guarantees.

The roll out of the CGS has been successful and through the guarantee of 90% provided by the MDB, it has enabled many businesses to secure larger loans for working capital at subsidised interest rates and moratoria on loan and interest repayments. However, concerns were expressed by the business community, particularly SMEs and self-employed, including through the Malta Chamber for SMEs, that businesses were being requested “soft” collateral (or personal guarantees) for the full value of the loan. These requests were subjecting smaller businesses to significant difficulties, especially on smaller loan amounts.

To address these concerns, the MDB is launching the MDB COVID-19 Small Loans Guarantee Scheme (SCLG) through which it will be providing additional protection to the banks in respect of the 10% of the loan which is not covered by the 90% guarantee. In return, the MDB is obliging the banks to reduce their soft collateral requirements. The SCLG is therefore a carefully thought equitable solution that addresses the concerns of smaller businesses regarding the high levels of soft collateral requested, while giving due regard for the risks faced by the intermediary banks.

The European Commission on 29 July 2020 approved the SCLG as a sub-scheme of the CGS under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak. In the context of this measure, the European Commission also approved a more flexible interpretation of the share capital required by micro and small businesses to qualify for assistance.

The SCLG applies to loan contracts of up to €250,000 that are concluded under the scheme as from 29 July. Existing loan contracts of up to €250,000 that were concluded before this date are also eligible to benefit from this new scheme provided that the banks amend these contracts to reflect the new conditions. The MDB is holding discussions with the banks in this regard.

Commenting on this new initiative, Prof Josef Bonnici, Chairman of the MDB said: “The Bank is conscious that smaller businesses are the engine of the Maltese economy, and at this critical juncture for the Maltese economy, we have sought to provide a further incentive to make sure these businesses have the necessary cash flow to get through these challenging times.”

“We believe that this new measure will have a significant impact given the fact that more than 60% of the beneficiaries under the CGS so far took out loans smaller than €250,000”, added Prof Bonnici.

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Il-Bank Malti ta' Żvilupp jiffacilita l-aċċess għal-likwidità għall-SMEs permezz ta' skema għal self iżgħar

Fl-isforzi tiegħu biex jappoġġja lin-negozji biex jirpiljaw fid-dawl tar-realtajiet ekonomiċi ta' bħalissa, il-Bank Malti ta' Żvilupp introduċa inizjattiva ulterjuri biex jappoġġja negozji iżgħar li jitolbu self lill-banek taħt l-iskema ta' Garanziji tal-COVID-19 tal-MDB (CGS) mingħajr il-bżonn li jipprovdu garanziji personali fuq dan is-self.

L-iskema tas-CGS kienet suċċess u permezz ta' garanzija ta' 90% ipprovduta mill-MDB, ippermettiet bosta negozji jiksibu self fuq kapital b'rati tal-imgħax sussidjati kif ukoll moratorji fuq self u ħlas lura ta' imgħaxijiet. Madankollu, kien espress tħassib mill-komunità kummerċjali, b'mod partikolari l-SMEs u min jaħdem għal rasu, anke permezz tal-Kamra tal-SMEs, li n-negozji kienu qed jintalbu garanziji personali fuq il-valur sħiħ tas-self. Dan kien qed ipoġġi lil negozji iżgħar f'diffikultà, speċjalment meta jmorru biex jisselfu ammonti mhux kbar.

Biex jindirizza dan it-tħassib, l-MDB qed iniedi Skema ta' Garanziji għal Self Żgħir (SCLG), li permezz tiegħu huwa qed jipprovdi protezzjoni addizzjonali lill-banek biex ikopri dakk l-10% tas-self li mhuwix koperti mid-90% garanzija. Min-naħa l-oħra, l-MDB tobbliga lill-banek biex inaqqsu b'mod sinifikanti l-ammont ta' garanziji personali mitlub fuq is-self. B'hekk, l-SCLG hi soluzzjoni li tindirizza l-bżonnijiet tan-negozji iżgħar b'konsiderazzjoni wkoll tar-riskji li jsibu quddiemhom il-banek li qed iservu ta' intermedjarji.

Din l-iskema kienet approvata mill-Kummissjoni Ewropea fid-29 ta' Lulju taħt il-Qafas Temporanju ta' għajnuna mil-istat fil-kuntest tal-għajnuna lill-ekonomija fid-dawl tal-pandemija tal-coronavirus. Il-Kummissjoni Ewropea approvat ukoll interpretazzjoni aktar flessibbli tal-kapital tal-ishma meħtieġ minn intraprizi iżgħar biex jikkwalifikaw għal din l-għajnuna.

Din l-iskema tgħodd għal self sa €250,000 li ġew konklużi mid-29 ta' Lulju iżda l-banek jistgħu jemendaw ukoll kuntratti li ġew iffirmati qabel din id-data biex jirriflettu l-kundizzjonijiet ġodda. Dwar dan, l-MDB jinsab f'diskussjonijiet mal-banek.

F'kumment dwar din l-inizjattiva, iċ-Chairman tal-MDB, il-Prof Josef Bonnici qal: "Il-Bank huwa konxju li n-negozji iżgħar huma l-mutur tal-ekonomija Maltija u f'dan il-mument kritiku għall-ekonomija Maltija, ridna nagħtu inċentiv addizzjonali biex niżguraw li dawn in-negozji jkollhom il-likwidità meħtieġa biex joħorġu b'saħħithom minn dawn iż-żminijiet ta' sfida."

"Nemmnu li din il-miżura se jkollha impatt qawwi meta tqis li aktar minn 60% tal-benefiċjarji tas-CGS ħadu self ta' anqas minn €250,000", temm jgħid Prof Bonnici.