

Covid-19: SMEs across various industries facing liquidity crunch as lenders try to ease pressure

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Singapore Chinese Chamber of Commerce & Industry

Participants from small- and medium-sized enterprises talked about the difficulties they face during the Covid-19 outbreak, at a discussion hosted by the Singapore Chinese Chamber of Commerce and Industry on March 5, 2020.

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SINGAPORE — Unable to fulfil customer orders, one precision engineering firm is now seeing the backlogs snowball as flight cancellations and mandatory leave of absences wreck its work force.

Another business services company that provides equipment for events had no income in February, and is now hard-pressed to pay their employees. Yet another construction services firm lost business to competitors when several of its suppliers from China were unable to deliver the goods.

These were some anecdotes told during a Singapore Chinese Chamber of Commerce and Industry (SCCCI) roundtable on Thursday (March 5), where a panel of credit experts presided.

The anecdotes gave an insight into how small- and medium-sized enterprises (SMEs) are facing existential problems during this unexpected and ongoing Covid-19 outbreak, even while they try their best to heed the Government's call not to shed jobs or slash wages.

Much of the spotlight this period has been on retail, food-and-beverage (F&B), tourism and aviation industries hit hard by the disease that is spreading worldwide, but the session — held at the Trade Association Hub in Jurong — reflected the extent that Singapore's SMEs are suffering across the board.

One audience member said at the session: “As a mobility services company (formed in May 2019), we had been growing by 30 per cent each month. But we saw a 50 per cent slash in revenue in February alone... We are only a startup, what are my options?”

The panel consisted of Ms Charis Liau, group chief executive officer of crowdfunding platform Minterest; OCBC bank's group chief credit officer Eric Lian; Goldbell Financial Services' chief executive officer Alex Chua; and Mr Derek Pang, principal specialist at the Employment and Employability Institute.

In his Budget 2020 speech last month, Deputy Prime Minister and Finance Minister Heng Swee Keat announced short-term measures to support businesses and workers, including a S\$4 billion Stabilisation and Support Package directed at helping businesses retain workers.

Mr Heng also recognised the need to help businesses with cash flow issues, through a temporary bridging loan programme for tourism businesses as well as an enhanced financing scheme for businesses to access working capital.

Ms Liau of Minterest said that such demand for help resolving cash flow issues cuts across industries.

Her company is disbursing a S\$5 million SME Help Fund set up by JL Family Office, an investment holding group of companies, fund management firm Ara Asset Management and investment firm Straits Trading Company. It gives out short-term loans to businesses hit by the virus outbreak.

Data from the fund showed a spread of industries among the loan applicants, including retail and F&B, information and communications, construction and engineering, and wholesale trade sectors.

Urging companies to be proactive in engaging banks or non-bank financial institutions on their cash flow issues, SCCCI's president Roland Ng said it is

encouraging that banks and private-sector financial institutions have stepped forward to lend SMEs a helping hand.

A members' survey by SCCCI done last month showed that the top three challenges to businesses at this time are a decline in revenue, cash flow issues and disruptions in their supply chains, Mr Ng said.

Panel moderator Chia Kim Huat, regional head of corporate and transactional practice at law firm Rajah & Tann, said that cash flow is the lifeblood of SMEs.

He later likened loans to “emergency blood transfusions” for businesses to keep afloat during the crisis, but questioned the panel of business lenders if there were any hidden costs and fees, given the generous lending rates offered by funds that are meant to help firms tide through the outbreak.

It prompted an audience member, property tycoon John Lim, to seek to clarify the issue. Mr Lim, one of the parties sponsoring the SME Help Fund, said that the low interest rates — of 0.5 per cent a month — are meant to guard against loan defaulters and not to profit from them.

“We are not here to try to make money out of it... There is no reason for me to, that is totally ridiculous... We decided that this fund would go out to everyone hit by Covid-19 and that is the principle,” Mr Lim said.

Mr Chua of Goldbell Financial Services, who is from a group of prominent business families that set up another S\$5 million Hope fund to help SMEs, said that he, too, is irked by questions about what he stands to gain from giving out these loans.

This is especially so when the reality is that it is difficult to find contributors to the fund because it is not meant to be profitable, he said.

“You’ll be surprised how hard it is, when times are bad, for people to actually put in money (into these funds) when they hear about the interest rates... I have to tell (the contributors) that helping them to not lose money is very good already. I am not here to make them money,” he disclosed.