

PRESS RELEASE

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Malta Chamber welcomes initiatives to facilitate access to finance for business

The Malta Chamber welcomes the recent launch of a new scheme facilitating access to finance for SME's as well as of Venture Capital Malta. These new initiatives aimed at SMEs build on the positive outcomes of previous schemes such as the Jeremie initiative and are considered therefore as another important step in the right direction. The funds being allocated by Malta under the finance to SMEs initiative which will amount to €15 million will have a potential leverage effect of four times as much capital from which SMEs may benefit.

Indeed the Malta Chamber has always pronounced itself positively about initiatives of this kind. The previous Jeremie initiative administered by a local financial institution was a resounding success and was fully subscribed. This and other initiatives aimed at SMEs showed that there is clear demand for similar schemes from the business community.

The Small Business Act (SBA) fact sheet published last year indicated that local SMEs "continue to benefit from a more favourable financing environment than many of their EU peers". One must add that this mainly relates to credit based financing. On the other hand, SMEs reported that alternative forms of finance such as venture capital and equity finance in remain virtually unknown in Malta.

The Chamber agrees with the conclusions made by the European Commission (EC) that given these limitations, there is a need for more support to local firms to tap into foreign venture capital markets and other types of equity based financing. This also comes in the wake of the launch of a new Venture Capital initiative launched this week by Government the aim of which will be to attract foreign venture capitalists to invest in Malta. Nevertheless, it is also positive to note the EC's confirmation that, generally Malta enjoys favourable financing conditions for SMEs.

In its Economic Vision, the Malta Chamber noted that an 'equity gap' exists in the provision of modest amounts of equity finance to SMEs. This denotes that equity-type financing goes almost unnoticed by both potential investors and smaller businesses seeking to explore their growth potential. There is also a clear gap in the market for alternative sources of financing which are more suitable to less traditional activities which are emerging in our economy as it continues to enhance its knowledge based and creative sectors.

In the light of the above, the Chamber welcomes the latest two initiatives taken with respect to enhancing the access to finance situation in Malta. These two separate initiatives will offer alternative solutions that complement traditional bank loans and overdrafts. They seek to maximize the use of EU funded mechanisms and tap local and foreign equity based financing to continue improving the credit environment of our business community.