

Appropriate Financing Scheme for RE

Malaysian Government is credited with the establishment of many financing schemes in an attempt to stimulate growth in selected sectors of nation's economy in order to achieve specific objectives.

In Government's new initiative to develop RE projects, the establishment of an appropriate financing scheme for this sector should be similarly prioritized and nurtured if desired targets are to be achieved.

The main source of this fund is largely from the financial institutions and the Government. BNM has important role to play to ensure financial institutions support this new priority sector by setting loan quotas or targets. BNM's close monitoring of financial institutions performance is bound to increase support of RE project financing.

Apart from BNM's directives and quotas to financial institutions, the eligibility of financing should also be in line with some major requirements of financial institutions lending guidelines. Some of the major evaluation criteria relate to: -

- ❑ Shareholders capital
- ❑ Management team
- ❑ Repayment capacity
- ❑ Collateral/security
- ❑ Project viability/feasibility
- ❑ Proven technology

The proposed scheme should also be receptive of developers' financial requirements and constraints mainly because the RE sector is new and still exist uncertainties in certain aspects of RE projects. Some major concerns of developers include -

- ❑ Large capital investment
- ❑ Accessibility of fund
- ❑ Government subsidies/incentives
- ❑ Repayment terms
- ❑ Interest rates
- ❑ Equity sources