UOB eyes SMEs expanding regionally

It will hold business tours to Vietnam; offer credit facilities, services

By JAMIE LEE

UNITED Overseas Bank (UOB) expects significant revenue growth from local small and medium enterprises (SMEs), as it targets mid-sized businesses increasingly headed for regional markets such as Vietnam.

Singapore’s second-largest lender sees this as part of a strategy to tackle stiffer competition in the SME segment and to grow the SME pie.

“For Singapore companies, the next avenue is Vietnam,” said Eric Tham, executive vice-president of commercial banking. He was speaking to BT on the sidelines of an event hosted by UOB and Singapore Management University (SMU).

“Quite a number of SMEs are looking at Vietnam now because it is more structured, in that the people are more disciplined and once they liberalise or streamline rules and regulations, it will be a good place to go into,” said Mr Tham, adding that Vietnam is expected to open up in the next few years.

“Vietnam is following behind China in economic liberalisation, I reckon the timing is between three and five years,” he said.

UOB plans to hold business tours for local SMEs to Vietnam, while offering credit facilities and other services to “support the local guys”, as well as existing clients in Malaysia and Thailand who are similarly expanding into the emerging market, said Mr Tham.

Daiwa Institute of Research banking analyst David Lim said: “This would leverage on their presence in South-east Asia, and SME banking is one of their strengths, so it’s a sensible move.”

Another growth area comes from tapping the smaller SMEs, which “have been neglected in the past”, said Mr Tham. “We have a strategic thrust to go into the community... to the HDB centres,” he added.

UOB defines a small company as one with a turnover of under $20 million, while a mid-sized firm’s turnover is from $20 million to $100 million.

Mr Tham was attending the UOB-SMU Entrepreneurship Alliance event. In the opening speech, he said the programme has helped to promote the development of the SME sector.

The $3 million tie-up — a third of which was funded by UOB — was started in 2005 to provide consulting services from students to SMEs in areas such as marketing research, business planning and human resources.

SMU students have completed 18 consulting projects, and are working on 10 more, said Ang Ser-Keng, director of UOB-SMU Entrepreneurship Alliance Centre.

“We are going to scale this scheme up to include helping local enterprises with an regional presence,” said Prof Ang, a former investment banker, adding that they hope to send undergraduates to help out at companies’ overseas offices soon.

The programme pays for 70-90 per cent of the projects pitched by SMEs. Companies that qualify for the scheme are Singaporean-owned firms that have typically been in operation for over a year, or invested above $100,000 as start-up capital.