

Check first, regret never

RAM Credit Info reminds SMEs that credit checks are necessary to ensure that their customers are trustworthy enough to pay them back

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Given the times that we live in, trust is a hard-bargain deal, especially when it comes to trade credit. As an SME, how much can you trust the person you allow to walk away with your products under the belief that this person will pay you back in say, a month, or two, tops? Would it not be better if there were a means to check the validity of your faith in the aforementioned person?

The answer to such a problem comes in the form of RAM Credit Information Sdn Bhd (RAMCI), a Credit Reporting Agency that maintains information pertaining to credit experience on individuals or businesses.

This was the point that RAMCI CEO Dawn Lai pushed to members of the audience during the recently concluded *MALAYSIA SME*® Economics Conference Series 2017. During her presentation titled, 'Effective Credit Management to Minimize Risk and Maximize Profits', Lai spoke about how important it was to know the credit worthiness of your customer.

"It is important for you to know your customers a lot better before you transact with them," she said.

With services such as credit score and ratings, business profiles of companies, directors, shareholders and business owners, real-time and instant access to banking payment information (also commonly known as CCRIS) from Bank Negara Malaysia (BNM) and comprehensive access to bankrupt and wound-up companies, RAMCI is a hub of information that is necessary for SMEs in a day and age where the entrenched culture of late payments is taking a heavy toll on SMEs.

Adding to this, RAMCI also offers applications such as CrediTrack, a web-based search engine where subscribers can search for online information on companies, businesses, individuals and other professional entities.

Another important tool that RAMCI provides is Credit Rating & Credit Scoring Services which provides insights for businesses to assess an entity's credit risk and payment capability.

In her presentation, Lai pointed out that to minimise credit risk, SMEs needed to have effective tools and approaches to minimise the higher risk that they were undertaking in the current economic condition. Adding to this, she advised them to reach into as many sources



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Coping with everything alone can be a common mistake that business owners make, believing that they can manage everything and do not bother seeking advice from anyone. While this strategy helps in the beginning, as the business grows, the workload takes a toll on the business.

"When you give out credit to companies or individuals, there are risks involved," Lai said, emphasising that it was important to know about the company or the individual, especially new ones, prior to giving them credit.

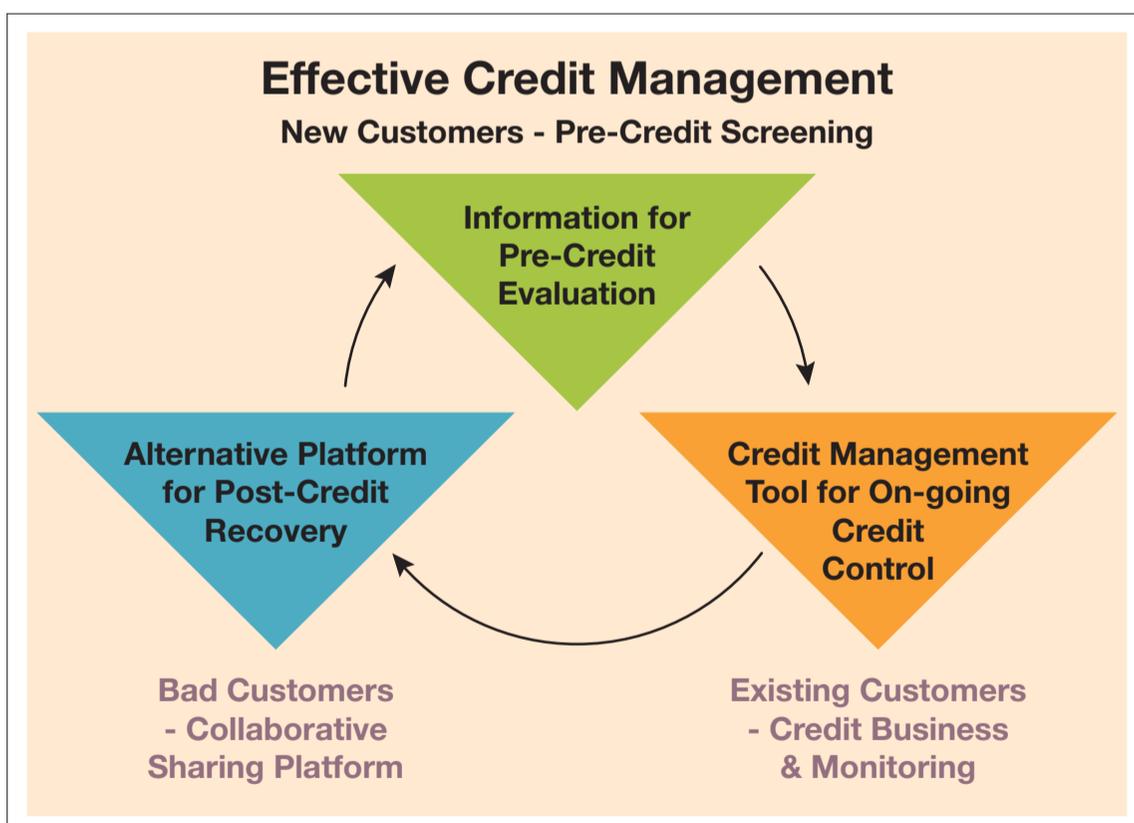
Lai advises SMEs to be better prepared and well informed, as with technology and digitalization, SMEs should be well informed about who they were going to give credit to, so that they can avoid a number of problems.

Lai also stresses on the Trade Bureau platform which allows SMEs to share their customers' payment information. "The collaborative platform encourages the sharing of both positive and negative payment records. This gives SMEs a more holistic view of their customers' payment behaviour towards not just the banks, but also trade creditors," she said.

She added that this was another important piece of information to assess their creditworthiness, saying, "The platform also functions as an effective alternative debt recovery tool to deter bad paymasters from receiving credit."

With the tools and information provided by RAMCI, a proper credit check can help SMEs ensure that the company or individual that they are about to do business with, can be trusted. Knowing the customers' financial standing and performance is important to avoid pitfalls and cash-flow problems.

A healthy cash-flow is important to SMEs, especially during slow payment collection periods or tightened lending environment. **MSME**



as possible to gather both desirable and adverse information, as after cash, information is king.

As part of her presentation to those in attendance, she presented a checklist for evaluating an individual and a company. For individuals, Lai points that SMEs had to know if the person was bankrupt, had they been sued, what assets do they possess, their future income and how many credit checks were don't onto him in the past few years.

For companies, SMEs had to take note if the company had profitabil-

ity, its inter-relationship with other business/associates, is the company suing many people, the companies' Industry Benchmark, the shareholders and paid-up capital, and the credit rating or default probability.

SMEs are able to take control of their personal financial situation with RAMCI Personal Credit Report. Knowing how the credit report works, and how lenders or the banks use it. RAMCI's Personal Credit Report makes it easy to understand with tips to improve credit status. It is more than a report; it is

a credit management tool to financial empowerment.

Such tools and information are necessary so that SMEs do not end up hemorrhaging money, especially when money is needed during volatile periods.

While trade credit is often provided based on reputation, relationships and trust, it can still be a risky affair as it is a major concern among SMEs. Errant paymasters could very well cripple smaller companies who are not afforded the same amount of liquidity that larger multi-national companies enjoy.