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Give loans to venture capitalists, banks urged

Kamarul Yunus

BANKERS should change their mindsets and take the risk of providing loans to those seeking venture capital funds, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

If possible, he said bankers should do away with the collateral requirements for such loans.

"Venture capital is something new in Malaysia. It should not involve collateral. It is actually the need to evaluate the mind of a person and commercialise ideas," he said at a dialogue held in conjunction with the two-day Europe-Asia Business Summit 2000 in Kuala Lumpur yesterday.

"Our bankers still have not changed their mindsets. I use to say nasty things about them like saying that they are nothing more than pure money lenders... but they still ask for collateral.

"It is their habit. They want collateral but venture capital does not involve collateral," he said.

Dr Mahathir said while the bankers should be prudent in disbursing loans, they must not be afraid to take the risk of providing funds to venture capitals.

"In the Silicon Valley in the US, if one out of 10 ideas succeed, they make so much money that it will be able to cover all their losses.

"So, the local bankers need to change their mindsets and put someone who can really evaluate potential ideas," he said.

Dr Mahathir stressed that the information technology era has a lot to do with ideas and inventions.

"Sometimes you can understand what the person is telling you, but most of the time you do not.

Dr Mahathir said that even if the venture capitalist can come up with good ideas, banks will turn down its request for funds because it does not have proof of a profit track record.

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