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SMEs not getting enough support from financial institutions

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I REFER to Finance Minister Tun Daim Zainuddin's remarks on the role of financial institutions in assisting the private sector last Saturday (NST, May 8). In particular, he expressed his disappointment with certain financial institutions for doing too little to pull the private sector out of the recession.

Daim hit the nail on the head when he said that the financial institutions in our country were not playing their part to assist the private sector to accelerate our country's recovery plan. In this respect, I would like to mention the frustrations experienced specifically by the small and medium size enterprises in the country.

Let us all not forget that in most developing and developed countries, it is the small and medium enterprises who are the biggest contributors to the country's gross national product.

It is a fact too that these enterprises, combined together, employ the largest workforce in the country.

We are the "small" people who operate from a one-man shop to as many as 50 people or more. We are the engines of growth in the country that fuel the state of the economy. We happen to be the silent majority that has been taken for granted by the financial institutions and even by some sectors of the Government.

So, the Finance Minister's honest comments on the less than satisfactory contribution by the financial institutions has come at a most opportune moment. Hopefully, these comments will be seriously considered by the parties concerned.

That no less than the highest finance official in our land has to comment on some of the shortcomings of the financial institutions certainly does not reflect well of our financial system.

Today, it is difficult for small companies to obtain loans from financial institutions for up-grading capital equipment like computer equipment (both hardware and software), working capital, purchase of software, expansion of operations and new projects.

For example, I recently inquired from a senior officer of a leading finance company about loans. His reply was that they would only consider loan applications for motor vehicles and home loans.

What about other areas? I asked. No, instructions from the top are only for these items and maybe special cases only was the reply.

When we get answers like this, it demoralises us and makes us lose confidence in the financial system.

I am glad Daim has raised this important issue again.

I remember not so long ago when Prime Minister Datuk Seri Dr Mahathir lamented the role of the financial institutions in our country when there were frequent complaints that loans were hard to get. Dr Mahathir said if the banks were so cautious and so afraid to give loans, they might as well close shop. Many of us could not agree more.