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At the price of aid for 30,000 SMEs

IT WAS quite upsetting that on the same day the Government announced the RM500 million fund to help ailing small- and medium-sized Bumiputera businesses, the Malay daily Berita Harian also included an article on its front page on the purchase of a RM380 million mansion in England by a member of the Malaysian royal family. Beside such extravagance - it was reported to be the most expensive piece of residential property ever sold in Britain - the Government's gallant effort to help those businessmen looked so modest, which it is certainly not.

The initiative announced by Prime Minister Datuk Seri Dr Mahathir Mohamad, in his capacity as Finance Minister, will help thousands of Malay and other Bumiputera businesses which are still experiencing difficulties following the regional financial crisis that resulted in a severe economic downturn in Malaysia in 1998 and 1999. There are basically two funds under the effort. The first allocates RM120 million to help at least 10,000 small businesses that have no means to repay their bank loans (only those with less than RM1 million non-performing loans or NPLs qualify). The second is a RM380 million fund to ensure that Bumiputera and Malay businesses have access to working capital.

The initiative will benefit not just the targeted businesses but also the economy. The banking sector is a direct beneficiary. NPLs in the banking sector are a concern since the regional financial crisis. By the end of the first quarter, NPLs had risen to 6.6 per cent to reach RM28 billion and although this is manageable some banks have become very cautious about lending. As a result, the bank lending grew by only 0.2 per cent in the first quarter, which makes it very unlikely that banks will meet the 8 per cent lending growth rate target set for it by Bank Negara. The RM120 million allocation will not make a major impact on the NPL level but as there is the RM380 fund to deal with capital for businesses, some banks will feel less pressure where the affected Bumiputera businesses are concerned. The Government has also been helping some of the ailing local "big boys" through other schemes, as well as through programmes initiated by Pengurusan Danaharta Nasional Bhd and Danamodal Nasional Bhd. This gives the banking sector room to focus on other more pressing matters, such as their merger exercise and making profits.

If the RM120 million fund meets the target of helping 10,000 small- and medium-sized businesses, the economy is assured that these enterprises will not be forced to fold. This will translate into a huge socio-economic advantage of not having to lay off up to 500,000 people. A small- and medium-sized enterprises (SME) typically employs 50 people or less. At the same time, the RM380 million working capital ensures that the spirit of entrepreneurship is alive. An economy like Malaysia's needs SMEs to support the major industries as well as meet demand both from the domestic as well as export markets. Their contributions to the economy are far from modest. The country's top 10 SMEs that won the Business Times-Accenture Enterprise 50 awards last year were exporting their products to over 70 countries, which is no mean achievement by any standard.

The establishment of the RM500 million fund underscores the Government's seriousness in helping companies get through the Asian financial crisis. The International Monetary Fund or the World Bank might not have approved of such initiatives but the fate of Malaysian companies are still in their own hands and not in the foreigners'. What irks is the fact that while we

struggle to keep our heads above the water, there are Malaysians who have no qualms about splashing the ringgit overseas. That mansion in England could have helped at least another 30,000 Bumiputera and Malay businesses in these still difficult times.

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