

PM's big hint on small loans

SUN, 13 JAN 2003

by **Maria J. Dass**
newsdesk@thesundaily.com

PETALING JAYA: For as long as anyone can remember, the man on the street has had difficulty getting a small loan.

This could be for as little as RM2,000 or as much as RM10,000, which to the financial institutions, is not worth their while.

After all, how much interest can you charge on such a small amount?

A potential borrower, upon running a check on bank websites, will discover that these institutions will only entertain an application for a minimum loan of RM50,000.

It is no wonder then, that illegal moneylenders continue to thrive.

However, the powers-that-be are quick to focus on the high-handedness and brutality of loan sharks, instead of acknowledging that they are in business because the legitimate institutions choose to ignore the small man.

So, if Ahmad needs to borrow RM2,000 to start a te

tarik business, he will get no further than the information counter at any bank he visits.

Unfortunately, the culture we have become accustomed to is one in which everyone jumps only after one man drops a hint - whether it is to get the public transport system or the garbage collection system working.

The prime minister has several times addressed the need for financial institutions to provide small loans, which has so far fallen on deaf ears.

Now, with the gentle "directive" that these institutions should start acting on the matter, the banks have no choice but to pay attention.

On Saturday, Datuk Seri Dr Mahathir Mohamad told banks interested only in big clients that there would be a price to pay for ignoring the small man.

"I might go to the bank and want to borrow RM10,000. If you are not prepared to give the loan, I might have to rethink having 10 banks. Maybe we need to go back to having 56 banks," he said.

"I am not threatening but advising. But advice from the finance minister who also happens to be the prime minister is worth taking note of," Mahathir said in his address to banking industry bosses.

A check on the websites of several local banks showed that only one bank currently provides small cash loans.

Mayban Finance has introduced a new personal loan service known as Al-Inah, which disburses small loans.

The service allows customers to borrow between RM3,000 and RM50,000, with low interest rates of 13% for repayment within two years, and 54% for repayment within seven years.

The closest most other banks offer in the form of personal loans are term loans, or loans which are riders to various other accounts and services offered by the bank.

With the prime minister's "advice", however, banks are expected to draw up blueprints for a small loans department when they return to work today.