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BUDGET-MICRO CREDIT

ANOTHER RM1 BILLION ALLOCATED UNDER MICRO CREDIT SCHEME

KUALA LUMPUR, Sept 12 (Bernama) -- Datuk Seri Dr Mahathir Mohamad today said that the government has allocated another RM1 billion under the Micro Credit Scheme for small businesses in view of the good response for the scheme.

The Prime Minister said the move was also in line with the government's concern for the small and medium businesses that were facing difficulties in servicing their loans with financial institutions.

Under the New Strategic Package, Bank Negara Malaysia (BNM) Bank Negara Malaysia has established a scheme to restructure and reschedule loans for all types of loans and credit facilities by borrowers in the tourism sector, he said.

Todate, loans amounting to RM3 billion have gained from the scheme, he said when presenting the Budget 2004 at the Parliament here today.

Besides that, he said the government would also take the steps to help small and medium industries address their non-performing loans with financial institutions using a mechanism ala CDRC.

Dr Mahathir said the central bank would form the SMI Debt Restructuring Committee with the hope that the mechanism would help to resolve the debts of SMIs.

He said the government has also proposed a more comprehensive tax treatment be provided, similar to conventional securities, as a measure to increase financing through the issuance of Islamic securities.

Besides that, deductions will be also given on expenses incurred in the issuance of Islamic securities based on the principle of Istisna for five years, where property under construction can also be used to back such bonds.

The Prime Minister said that the growth of Islamic banking had also served as a catalyst to the rapid expansion of the Islamic financial system, comprising banking, insurance and capital market.

Total assets of the Islamic banking system increased almost four-fold to RM68 billion in 2002 from RM17.9 billion in 1997, he said.

On Private Debt Securities (PDS), Dr Mahathir said that it was beginning to get good response with the value of issue exceeding RM34 billion since 2001.

He said the net asset value of Islamic funds has also increased more than two-fold to RM4.3 billion.

He said Malaysia was the first country to issue global Islamic bonds, Sukuk Al-Ijarah. The US\$600 million bond was twice over-subscribed.

To encourage companies and financial institutions which practice Syariah principles to invest in Labuan, the government has proposed that Labuan offshore companies be given tax rebate equivalent to the total zakat paid, not exceeding RM20,000 or three percent of net profit. -- BERNAMA

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