

Bright outlook for micro credit, say banks

This follows the segment's strong performance in first six months

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PETALING JAYA: Malaysian banks are projecting a bright outlook ahead for micro credit after the segment registered a strong performance in the first six months of this year, with the sector seen as less affected by the economic slowdown and underserved with rising demand.

Micro-financing involves small business loans ranging from RM500 to RM50,000.

This bullish outlook is also supported by Bank Negara initiatives such as the RM200mil Micro Enterprise Fund, which facilitates access to micro financing.

The central bank has also allowed locally-incorporated foreign commercial banks to establish up to ten micro finance branches to serve micro enterprises.

Public Bank Bhd managing director Tan Sri Tay Ah Lek told *StarBiz* that the amount of micro loan applications received by the bank in the first half of this year jumped 34% against the same period last year.

From January 2007 to July this year, Public Bank had approved RM75mil in micro credit, he said.

"The micro finance industry in Malaysia would continue to grow because it is still an under-penetrated market segment," Tay said. "We are confident that micro enterprises will remain resilient supported by the low interest rate, high public spending and healthy domestic demand."

Increased awareness of the facility



Tan Sri Tay Ah Lek ... 'It is still an underpenetrated market segment.'

would only mean more demand going forward, he reckoned.

"Public Bank will continue to actively promote its micro finance scheme and Bank Negara's fund for micro enterprises through its 243 branches nationwide," Tay said, adding that the bank was aggressively promoting micro credit with an interest rate as low as 5.05% per annum due to the low and manageable credit risk.

"And the level of micro finance non-performing loans (NPLs) continues to remain low and stable for us and despite the slowing economy in the first half of this year where we



Datuk Bridget Lai ... 'There is still a huge demand for this type of products.'

have not seen any much increase in new NPLs from our micro finance portfolio," he said.

Tay said "the demand for our micro finance scheme would continue to be supported by the easier procedures to apply for the scheme, higher loan quantum, longer repayment period, minimum documentation, and fast approval and disbursement."

At present six commercial and Islamic banks as well as three development financial institutions provide micro credit.

Alliance Bank Malaysia Bhd group chief executive officer Datuk Bridget

Lai said since the launch of Alliance Rakan offering micro-finance services in June 2007, the bank had placed great emphasis on expanding its micro-financing portfolio.

"Our current micro-financing portfolio is still at its infancy stage, but we expect it to grow this year based on an uptrend on the number of approved loans since April," she said, adding that she believed "there is still a huge demand for this type of products in Malaysia."

Bank Simpanan Nasional (BSN) vice-president of micro finance department Nilammasri Jaafar acknowledged that there had been a surge in micro credit in the first half of the year.

BSN aim to disburse RM200mil in micro loans this year, according to Nilammasri.

"There was an increasing number of micro enterprises making use of micro finance loan as a financial option to increase their working capital and capital expenditure.

"It looks like the unfavourable economic climate failed to impede the continuous development of our micro enterprises.

"Concurrently, the Government's call for youths to engage in business ventures rather than be wage earners, has also given a boost to the local micro enterprises," she said.

Nilammasri added that BSN sees "the potential of an ever growing market in this scheme as the development of the country brought about new townships in the rural areas."