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Loans to businesses rising amid signs of recovery

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BANK Negara Malaysia expects to see positive growth in business loans this year amid signs that the tough economic conditions are easing.

Its director of corporate communication, Abu Hassan Alshari Yahaya, said loans to the business sector grew 3.7 per cent in the first six months from a year ago.

"We are encouraged by the signs of improvement and recovery of the economy and are expecting further growth in business loans," he said.

At as June 30, approved business loans stood at RM293.4 billion, of which 40 per cent were for small- and medium-scale enterprises (SMEs).

Abu Hassan also said that demand for micro-financing grew at an encouraging rate of 57 per cent at the end of June, with RM554 million approved for 51,000 micro-enterprises.

He was speaking to the media after attending a dialogue between business associations and Bank Negara, Association of Banks in Malaysia (ABM) and Small And Medium Industries Development Corp (Smidec) in Batu Pahat, Johor, yesterday.

About 30 participants attended the dialogue where they discussed issues regarding access to financing. The dialogue is part of the inaugural Financing Fair organised by ABM.

"This dialogue is part of our efforts to engage the business community so that banks understand the problems faced by the businesses. At the same time, the businesses will be more aware of the various financing facilities available to them and the proper procedures they need to follow," Abu Hassan said.

ABM executive director Chuah Mei Lin said the dialogue was important to address misunderstanding and wrong assumptions that businesses might have about banks.

"Businesses always complain about banks not approving their loan applications, or that they take a long time to do so although they don't realise the reasons why that happens. With this dialogue, banks can explain the proper procedures that businesses need to follow for successful and quick loan applications," said Chuah.

Among the complaints were that banks were becoming more stringent and asking for more information and additional collateral and that the banks did not understand the nature of the business.

"Banks are willing to support the SMEs in terms of financing as long as the business is viable and has a good track record and prospects," Chuah said.

She said ABM will organise another Financing Fair for the northern region this year and another two next year, probably on the east coast and in Sabah and Sarawak.



Abu Hassan says the loans rose 3.7pc in the first half