Financial institution must play a bigger role

Financial institutions are expected to play a bigger role in providing loans to help qualified Malaysians to complete their higher education.

Due to the increasing demand for places in colleges and universities, the government-financed National Higher Education Loan Fund is unable to keep pace with the requests for such assistance.

In his 2003 Budget, Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also the Finance Minister, said that though the Government had given out 300,000 loans totalling some RM3.5bil, it was still insufficient.

The Government prefers financial institutions to assume a bigger role for at least two reasons.

Firstly, it will reduce the public funds to be used for this purpose with the greater participation of the private sector.

Secondly, the default rate will be minimised as it has been shown that more borrowers tend to ignore their commitments if the loans come from the government as public money is involved.

Somehow, there are some Malaysians who believe that it is not necessary to repay their loans if it is public money as it is the duty of the Government to pay for their higher education as well.

They are not interested in the fact that they had agreed to repay the borrowings a few months after they have started work.

The Government is also reluctant to take legal action to recover the funds unless as a last resort this process can have a negative impact.

At the same time, the civil servants are also rather slow in sending out letters to the borrowers when they are supposed to start their repayments.

It cannot be over-emphasised that the money allotted to the National Higher Education Loan Fund is a revolving fund, meaning that the borrowers are expected to repay their loans so that the money can be used to finance those needing such assistance in future.

In this way, it will be possible for Malaysians wishing to further their education either in universities or colleges to make use of the money in the fund almost in perpetuity, so long as the borrowers live up to their obligations.

With the financial institutions involved in this project, swift action will be taken to get payment and legal action will definitely be instituted if the borrowers should refuse to keep to their part of the bargain.

These corporations are not going to wait around for their money and will claim the financial charges as well if the repayments should be delayed.

The borrowers will therefore have to pay more to service their loans.

The banks and finance companies should have no qualms about giving education loans or any other loans so long as there is money to be made.

Their only worry should be the inability of the borrowers to repay the loans.

Such borrowers could be considered as good risks as many will have to fulfil their commitments or else it will be a poor start to their careers.

They are supposed to be the leaders of tomorrow because of their university education and therefore few will renege on their contracts.

The financial institutions also appear to be flush with funds based solely on the low interest rates they are charging their clients.

They must lend out their money if they are to generate revenue and profits.

They are already concentrating fully on housing and car loans as these are supposed to be pretty secure.

With education loans, they can generate more business while fulfilling a social obligation in enabling more Malaysians to further their studies.