

WHY AREN'T BANKS HELPING BUSINESSES AFTER MCO???

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THE PURPOSE OF THIS ARTICLE...

I have been receiving a lot of questions based on this particular issue, especially from businessmen who are trying to adapt to the new norm in the last few months. This article is written to assist the business owners going through the similar problems in the market today.

THE QUESTION

“ WHY ARE BANKS NOT HELPING BUSINESSES AFTER THE MCO?”



The current situation during the RMC0 is still not an ideal one for all businesses all around Malaysia. After all we are all still in the recovery stage. The problem that most businesses are facing is the need for working capital as the current markets that we have been working in have diminished drastically. Depending on the type of industry we are in, some have reduced by at least 50% or perhaps more.

Certain industries such as hospitality and F&B have been hit harder than most of the other industries. However that is what we are seeing on the face value of the current situation. In reality, almost every business is being impacted by the current Covid-19 pandemic.

So comes the problem of why are Banks not providing loans to help the businesses even though the government has pledged their support to help the ailing business owners. So what exactly is the problem right now???

There has been a lot of talk about how banks are discriminating amongst the customers and are only giving leverage to their existing customers and not to new customers. Well I am no supporter of banks I tell you that, but what I want to do here is perhaps explain the process and why is it difficult for most SME's to avail loans at this point of time.

THE PROCESS

In this volatile point of the economy the Financial Institution needs to ensure that your business has a survivability rate to sustain the business within the next 24 months at least, as that would determine your ability to repay the debt taken. If the company is falling under failing industries then it would be irrational for a bank to part with any form of monies for that particular applicant.



are running a wholesale potatoes operations and our monthly turnover is RM 350,000. Now there is a monthly order from a new customer for RM 150,000 a month, but payments to be made every 60 days.

Would we gladly accept the order or would we check the company out first? Most probably we would check the company thoroughly to ensure that they serious players in the market and most importantly excellent pay masters.

Now let us assume that this company has a reputation of being a bad paymaster in the market and drag payments to over 180 days. What would you do?

- a) **Would you still continue and supply them?**
- b) **Would you be willing to tie up your money for 90 – 180 days?**
- c) **Would you be willing to take legal action against them if the default on your payment?**
- d) **Or would you say NO THANK YOU!**

Now I assume that we all are sharing the same answer **D)**. So if we are being prudent in our financials, why should a financial institution be any different? Lots of people have written to us on the same problem. The first question we ask is, what have you recorded in the last 3 years in your audited accounts? Alas the same answer seems to be a common thing, 2017 some profit, 2018 and 2019 losses as business is coming down.

So how can a financial institution take a gamble on a company that was not making a profit before Covid-19? Assuming the company has been profitable before Covid-19 and then has been struck by financial problems, then the financial institutions are obliged to make these companies grow by helping them out.

The problem with most Malaysian companies are that the debt ratio carried is way too high as most operations of a company is done through one form of borrowing or another. I believe that this is a habit that we need to change as Covid-19 has truly thought us what would happen in an unprepared business scenario such as this.

I know that this probably helps very little, however governments and financial institutions can only do so much to help the economy in troubled times like this, the rest of it is up to people like you and me to make the business grow in the right path. I have so many people coming to me and saying the Government promised that the banks will help, why aren't they helping?

The answer sadly is...DO YOU QUALIFY!

We want to do our part in helping business owners any way we can. With that in mind, we have decided to offer free consultation to any business owner who needs it. You can call or email us for an appointment or online consultation. Please feel free to drop me an email and perhaps we can see how best to resolve your business issues. If not for any other reason, at least you can voice your concerns and not worry more than is necessary.

Together, I am confident, we can win this battle.

Till then please have Stay Healthy and Stay Safe!!!

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