

**A STUDY ON THE ACCEPTANCE OF “WAWASAN  
TANI” LOAN SCHEME AMONG THE PUBLIC  
SECTOR EMPLOYEES IN SIBU**

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## ABSTRACT

The purpose of this study was to assess the level of awareness and acceptance of "Wawasan Tani" - a personal loan offered by Bank Pertanian Malaysia to finance agriculture-related activities among the public sector employees in Sibul. This study also seek to identify the factors that would enhance the demand for "Wawasan Tani" and at the same time to seek explanation as to why the potential consumers were still adamant about it; and to suggest a set of marketing strategy that would help to promote and increase the utilization of the facility.

In this study, a descriptive research approach was employed, which involved distributing the questionnaires and conducting personal interviews. The respondents in this study comprised of fixed income earners in the government and semi-government agencies in Sibul. Informal personal interviews were also conducted with the Bank's customers and officers from other financial institutions as to verify some pertinent information that had significant relationships with the objectives of this study. In addition, intensive desk research on the Bank's annual report, the branch's monthly credit activities, magazines, the Bank's journals and some textbooks was also conducted.

The findings revealed that the main factor that had encouraged the utilization of "Wawasan Tani" loan scheme was its low interest rate, while the inflexibility of terms and conditions coupled with slow loan delivery were the main reasons for non-utilization of the facility. In this regards, several suggestions and recommendations were put forward which probably could help Bank Pertanian Malaysia, Sibul Branch to secure wider and bigger market acceptance of its "Wawasan Tani" loan scheme.

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

The genesis of the present financial structure in Malaysia began with the institutional building undertaken by Bank Negara Malaysia (BNM), the Central Bank of Malaysia since the early 1960s. The building of a sound financial structure is necessary as the monetary policy operates through the financial markets. It is for this reason that BNM has devoted a great deal of attention to developing a stable and sophisticated financial system, which can effectively mobilize and channel resources for productive use.

Initially, foreign banks dominated the banking system in Malaysia.<sup>1</sup> Given this background, the government's first priority was to create the basic financial infrastructure and develop a truly Malaysian-oriented banking system. Highest priority was therefore, accorded to the expansion of the domestic banking network based on sound banking practices and the reorientation of the operations of the branches of foreign banks towards catering to the domestic needs. Hence, with the active encouragement of BNM, new Malaysian-controlled banks were set up while existing ones expanded aggressively, with their branches proliferating throughout the country.

In line with its policy to provide banking services for the agricultural sector in the country, the government established Bank Pertanian Malaysia (BPM) on 1<sup>st</sup> September 1969. The main objective of the establishment was to promote the agricultural development in the country through lending facilities as well as to mobilize deposits

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<sup>1</sup> Pang, J., (1995), *Banking & Finance, Malaysia*. Kuala Lumpur: Federal Publications, p. 7.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

Just like any market, there are many financial institutions carrying out different functions. Very often, the names can be confusing for example, the high street banks, retail banks, clearing banks; joint stock commercial banks are, with one or two exceptions, all names for the same banks – Lloyds, Barclays, Midland, Yorkshire Bank, and Cooperative Bank. However, no matter what name we give to “banks” they all perform the same basic function: they provide a link between borrowers and lenders, those who have surplus money they do not wish to spend immediately and those who do not have surplus money and wish to borrow. Basically, by charging a rate of interest to borrowers slightly higher than they pay to lenders, the banks make their profit. This is known as financial intermediation. Though the financial institutions have other important functions, the key role that they play is to act as financial intermediaries channeling funds from those with income in excess of their needs to those wishing to borrow.

To understand how and why they do this is crucial to an understanding of why banks exist. Even though we can borrow directly from our family members or friends, but it is better to use financial intermediaries due to the following reasons:

- a) Banks or financial institutions have access to large amounts of deposits and so have funds available when required by borrowers.
- b) They can minimize the risk of loss if the borrower does not repay the loan. They can do this because of their large reserves.