



## VALUE CREATION PROJECT

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# A STUDY ON BANK PERTANIAN MALAYSIA, SARAWAK BRANCH: THE SUSTAINABILITY IN PROVIDING MICROFINANCE FOR POVERTY ALLEVIATION

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## **EXECUTIVE SUMMARY**

Poverty in Malaysia is predominantly a rural problem with 60 percent of the poor in the country residing in the rural areas and mostly are relying on agriculture activities as a source of earning. Latest statistic shows that 1.5 million Malaysians are classified as living in poverty earning a monthly income of RM580.00 in which about 140,000 of them are in Sarawak. For that reason, micro finance is an opportunity for them to access start-up or additional capital to make a living and survive! The establishment of Bank Pertanian Malaysia as a development bank is to provide and regulate credit and other facilities for the promotion and development of economic activities in the rural areas. However, BPM Sarawak branch was accused of having poor collection rates, which lead to the micro finance program being ceased. Based on its financial year ending 31<sup>st</sup> December 2001, micro credit figure is less than 5% from the total loans portfolio for Sarawak with no new micro finance loan approved or developed. The problem of BPM Sarawak is to sustain its microfinancing.

This study determined the people's awareness and understanding toward micro finance offered by Bank Pertanian Malaysia and the cause & effect relationship of the factors affecting the capability of the bank to sustain. The research further tries to identify BPM's market segment, its attributes that influence the choice of the facility, and to understand the public's perception on BPM micro finance.

# CHAPTER ONE

## INTRODUCTION

### 1.1 POVERTY AND MICROFINANCE

#### 1.1.1 Global Poverty

It is reported that there are 1.5 billion poor families in the world, living on a US\$1 per day or less and about 800 million of which are in the Asia Pacific region. The gap between the rich and the poor is widening as shown by the following indicators:

- The income of the richest 358 individuals is equivalent to the combined incomes of the poorest 45% of the world's population.
- Developing countries with 80% of the world's population account for only 20% of the world output.
- In the US, the wealthiest 1% of the population shares 36% of the country's total assets.
- The top 10 billionaires have 1.5 times as much money as the combined national incomes of the 48 poorest countries, which are home to 10% of the world's population.
- US\$80 billion is needed to provide access to basic social services and income transfers to the poverty-stricken. This is much less than the net wealth of the 7 richest men.

*Asia Pacific Rural and Agriculture Credit Association (APPRACA)*

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

The poor are not homogeneous. There are different layers of the population classified as poor. The poverty pyramid concept developed by Joe Remenyi (*Asian Institute of Management*) separates the poor in the following categories: -

- i. Ultra Poor – this category is composed of individuals who are dependent on the earning of others, the absolute poor generally those are under the supervisory of the District Office and receiving the welfare allowances from the Department of Welfare.
- ii. Labouring Poor – employed in unskilled labor jobs such as the rural folks working in the plantation like SALCRA.
- iii. Self-employed Poor – work for themselves as well as employed others, generally we refer to the farmers, fishermen.
- iv. Entrepreneurial Poor – employ more than 5 people in their enterprises such as the small contractors, which rely on the government's contract to survive.