

CHAPTER VII

CONCLUSION

On deeper probe it can be discovered that the picture of the pawnbroking and moneylending systems and small borrowers are in reality a reflection of the question of poverty in the country. Recently, Dr. Abu Asmara Hj. Mohamed, the head of the Rubber Research Institute Malaysia Economic Group said:

"Poverty still exists despite efforts by the Government to eradicate it. The Government has identified programmes to reduce poverty, but it remains high in spite of growth and rapid development. Some 250,000 families or about 10 per cent of the total households in West Malaysia, are living below "poverty line" now. Poverty in Malaysia is essentially a rural and agricultural-based phenomena, which is still very much a reality."¹

In 1979 an estimated 4 million people, 75 per cent from the rural areas borrowed from the pawnshops and the total transactions involved about \$500 millions.²

¹The Malay Mail August 13th, 1983
An interview with this paper

²Ministry of Housing and Local Government's Notes on Pawnbroking page 8

This testifies to the truth of the above statement, although poverty also exists in the urban areas, for instance the mushrooming of squatter houses is evident of the fact.

Although both the pawnbroking and moneylending institutions usefully contribute to the living standards and economic and social well-being of the borrowers to a certain extent, yet there is a strong case on social grounds to control the exploitative aspect of the lending. Such borrowers do not represent an insignificant social problem for in absolute terms, many thousands of human beings have their lives blighted by financial disaster. The Japanese Diet (Parliament) has just passed a controversial Bill to reduce the maximum permissible annual interest rate from 103-5 per cent to 73 per cent and makes further cuts over three years to 54.75 per cent in a measure designed to control loan sharks, believed responsible for a soaring number of violent crimes and suicides in Japan. A recent survey by Kyodo News Service revealed that 409 Japanese have committed suicide this year in 1983 partly to pressures from debt.³ Therefore, it would be callous as a trivial matter which social policy can afford to ignore because the social dangers of consumer indebtedness may ultimately lead to social unrest in the society.

³New Straits Times . April 29th, 1983.
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