

SYNOPSIS OF POLICIES AND PRACTICES OF FINANCE COMPANIES OF MALAYA

Finance companies in Malaya is a type of financial institution which specializes in the granting of loans to the public for the purchase of consumer durables, industrial assets as well as residential houses. For the purpose of studying their policies and practices, finance companies have been classified into hire purchase finance companies, industrial finance companies and house finance companies.

A hire purchase finance company in Malaya deals mainly in motor cars. A person 'hires' the car from the finance company after paying a certain deposit. However, he only becomes the owner of the car, after the last rental is paid.

An industrial finance company on the other hand, engages in hire purchase financing of industrial assets, as well as in other forms of industrial financing.

A house finance company caters for the house-purchaser who repays the loan by an instalment plan.

A customer seeking financial assistance from these finance companies has to consider three major inherent elements in a typical loan viz. the deposit required, the interest or hiring-charge rate, and the period of repayment. Before applying for a loan, it is wise to consider these factors in the light of the ability to retire the loan.

A finance company before approving a loan will consider the character, capacity and the collateral (or security) of the borrower. Consideration of character is rather subjective. 'Capacity' is largely determined by the borrower's income. 'Collateral' is the security, the finance company is able to secure. This mainly takes the form of the goods, asset or house to be financed, and the deposit paid by the borrower.