

## DEFINITIONS, TYPES AND CHARACTERISTICS OF FINANCE COMPANIES IN MALAYA

This Chapter sets out firstly, the definitions of finance companies as they exist in Malaya, according to the types of activities they engage in. Accordingly, three forms of finance companies may be distinguished. Then, their respective characteristics will be discussed.

### Definitions of finance companies in Malaya

In Malaya, three different types of finance companies can be distinguished.

a) Hire purchase finance companies. This type by far is the most common in Malaya. Such a finance company finances customers to purchase consumer durable goods (e.g. cars, television-sets, refrigerators etc.) A definition of a hire purchase finance company would be: "A financial institution, profit-motivated, specializing in the financing of consumer durables, invariably on an instalment plan for which the terms of repayment are predetermined." Each instalment payment is equal in amount and represents repayment of principal plus hiring charges. These repayments are usually on a monthly basis.

b) Industrial finance companies. We can also distinguish finance companies which deal mainly in the financing of industrial equipments and plants. The outstanding example is the Malaysian Industrial Development Finance Limited which finances solely industrial ventures. Such a finance company can be defined as "A financial institution specializing in the financing of industrial assets."

c) House Finance Companies. Finally, there is the type of finance company which finances the purchase of residential houses, on which the customer is required to pay a portion of the price as down-payment and also to allow the house to become the mortgaged security for the loan. Thus, a house finance company is one "which specializes in the financing of residential houses."