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Major boost for Bumi businessmen (HL)

Ramlan Said

KUALA LUMPUR, Wed. - The Government has introduced a scheme called Prosper or Projek Usahawan Bumiputera Dalam Bidang Peruncitan to boost Bumiputera participation in the retail sector.

The project will put into place measures to address perennial obstacles that have inhibited their active participation in the sector.

Prosper, approved by Prime Minister Datuk Seri Dr Mahathir Mohamad, brings together various aspects - from the availability of premises, capital, loans and business opportunities to training and accounting and cash management.

It is being co-ordinated by a task force headed by Tan Sri Nor Mohamed Yakcop, the special adviser to the Prime Minister.

A statement from the Prime Minister's office today said it was important that all parties contributed to the success of the scheme.

"Active participation of Bumiputeras in the retail sector is essential, not only from the economic point of view, but also in the context of the long socio-political stability of the nation."

The scheme is open to all Bumiputeras interested in taking part in the retail sector and willing to work full time in the business.

Those now already in the sector but who would like to expand their business or benefit from the rent-to-own mechanism, are also eligible.

An important target group for the scheme are ex-servicemen, both officers and rank and file.

On the availability of premises, it said one of the major hurdles that potential Bumiputera businessmen had to face in the past was finding suitable and affordable premises.

Given the high cost of properties in certain locations or high rentals, they were unable to obtain suitable premises for their business in many instances.

Under Prosper, this would no longer be a problem, the statement added.

It said a company, TPPT Sdn Bhd, which belongs to Bank Negara Malaysia and several commercial banks, would purchase the properties and rent them to Bumiputera businessmen.

"The rent will be affordable, beginning with a low rate. The rent will increase over time as the business prospers. The businessmen will have the option to purchase the property from TPPT.

"The funding for the purchase of the properties will be by way of issue of bonds through securitisation."

A number of retail properties have already been identified while an advisory panel has been set up to identify viable business locations and retail units throughout the country.

In dealing with the problem of availability of capital, Prosper plans to resolve this through a mechanism of equity support from Perbadanan Usahawan Nasional Berhad, using the Islamic principle of musyarakah mutanaqisah (partnership with decreasing participation).

For example, if a businessman has a capital of RM100,000, the business requires RM1 million and banks are willing to lend up to a gearing ratio of 1.5 times, he has to raise RM400,000 with the remainder provided by the banks.

Since he only has RM100,000, PUNB will then provide the equity support of RM300,000, with the profits to be shared in that ratio.

The businessman will receive a salary from the business, while his share

of the profit will be used to gradually purchase back the equity from PUNB.

As the proportion of his equity increases, his share of the profit during subsequent periods also increases. Eventually, the businessman will be the sole owner of the business.

To ensure the availability of loans does not become an obstacle, a special scheme has been drawn up by the Credit Guarantee Corporation for their quick approval and disbursement.

Known as Flexi Guarantee Scheme, it will enable CGC to guarantee between 30 and 100 per cent of the loan. The banking institutions, therefore, can decide on how much risk they want to take for the financing.

Some examples of the retail business envisaged under Prosper are mini markets, electrical goods, pharmacies, food (including bakery), telecommunications/IT, gift shops, furniture, books/magazines, office supplies/stationaries, photo frames/watches/clocks, garments and textiles, construction and building materials, petrol kiosks, car/motorcycle dealerships and repair workshops.

A study of previous cases of Bumiputera participation in retail has revealed that a major cause of failure was the lack of expertise in accounting and cash flow management.

Under Prosper, these will initially be undertaken by PUNB, through its panel of accountants, so that Bumiputera businessmen can concentrate on the business and marketing aspects of the venture.

They will take over these functions later as they gradually gain expertise.

As for training, it will be provided by Institut Bank-Bank Malaysia on the financial aspects, business and marketing (PUNB), technical (Perhebat, a subsidiary of Lembaga Tabung Angkatan Tentera) and on specific aspects of each franchise (Malaysian Franchiser Association).

The task force has set up a full time secretariat at PUNB to serve as a one-stop centre.

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