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20pc of BPIMB loans are NPLs

Manan Osman

IPOH, Wed. - More than 20 per cent of the RM1.4 billion loans disbursed by Bank Pembangunan & Industri Malaysia Berhad to small and medium industries are outstanding and have been considered as non-performing loans (NPLs).

Senior general manager (development banking) Megat Zabidi Megat Husain however said that this did not mean that they could not be rehabilitated.

"If a loan is in arrears for six months for instance, we will try to revive it and save the business.

"We will only institute legal action as a last resort," he said, adding that such a move would be taken normally only after two years of non-payment.

But he said there were other ways to avoid the legal repercussions such as by disposing of machinery or equipment, or selling off land or transferring the business to a new partner.

Speaking at a seminar for SMIs organised by the bank at Casuarina Parkroyal hotel here today, he said the risks faced by BPIMB was slightly higher compared to other commercial banks as it also had to provide assistance to relatively inexperienced entrepreneurs and new companies.

As such, he said the amount of the bank's NPLs was higher.

On the RM500 million Entrepreneur Rehabilitation and Development Fund set up to help Bumiputera entrepreneurs affected by the economic slowdown kickstart their businesses, he said it would be able to inject new life into the affected businesses.

In welcoming the Government's move, he said it would be a win-win situation for both the businessmen and banks as part of the allocation would be set aside to service such NPLs.

Prime Minister Datuk Seri Dr Mahathir Mohamad who is also Finance Minister said yesterday that the fund or TPPU, was for Bumiputera entrepreneurs involved in the small and medium scale industries who were unable to secure bank loans to service their existing ones.

It was also to help those who lacked working capital for their businesses.

Dr Mahathir said of the RM500 million, RM120 million would be set aside to help the entrepreneurs service NPLs.