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MAHATHIR-FUND

NEW FUND ALLOCATES RM120 MILLION FOR BUMIPUTERA ENTREPRENEURS FACING NPLS

KUALA LUMPUR, July 3 (Bernama) -- More than 10,000 Bumiputera entrepreneurs currently facing problems with Non-Performing Loans (NPLs) can expect to get help from a special project, Entrepreneurs Recovery and Development Fund (TPPU), launched here today.

The TPPU fund which has RM500 million, has allocated RM120 million to resolve the problem of NPLs, Prime Minister Datuk Seri Dr Mahathir Mohamad said in a statement here today.

Mahathir who is also the Finance Minister said this was an important step by the government to resolve the problem of NPLs and lack of working capital faced by entrepreneurs, particularly Bumiputeras who are still operating their businesses.

He said the government was concerned about the problems faced by entrepreneurs, especially Bumiputeras who are involved in the small and medium industries (SMIs) and had difficulties getting finance for their businesses.

Bearing this in mind, the TPPU's main objective would be to resolve the problem of Bumiputera entrepreneurs facing NPLs of not more than RM1 million through the mechanism of reducing the existing loans and providing help in the recovery of businesses that have the potential.

TPPU would also provide the opportunity for those companies that are facing difficulties in their recovery due to their high gearing, he said.

The programme would see the provision of funds from the relevant government and banking institutions.

Meanwhile, among the main features of the programme would be the abolishment of accumulated interest payments including penalties imposed by the finance institutions.

The programme would also see a "haircut" where a 40 percent reduction would be made by the finance institution on the remaining amount of the unsecured principal loan payment and the provision of 30 percent financial assistance from the government.

The remaining 30 percent of the loan would have to be settled by not more than 18 months by the entrepreneur after being accepted into the TPPU programme.

For the secured loans, the financial institution would remove between 50 to 100 percent of accumulated interest payments due, including penalty interest, and provide a two year moratorium for the repayment of loan.

Another important aspect of the TPPU fund programme would be support for entrepreneurs in the area of working capital through fresh loans.

The new loan would be limited to businesses that have a real requirement of not more than RM3 million.

A total of RM380 million has been allocated for this purpose with 80 percent of the allocation to be provided by the government through ERF Sdn Bhd and the remaining 20 percent by financial institutions.

The maximum interest rate for the loans would be 5.0 percent per annum for a maximum period of five years.

The operations of the accounts for these loans would be through accounts without cheque books where the withdrawal of the loans would be closely monitored by the financial institutions and ERF Sdn Bhd.

To further equip the participants of the TPPU fund programme, they would be required to attend various training and awareness programmes aimed at providing them the skills needed to compete amidst the current business

trends.

The training programmes would cover the aspects of financial management, computer based accounting systems, and other motivational courses.

ERF Sdn Bhd and the financial institutions would also closely monitor the operations of the participating entrepreneurs to ensure a high degree of discipline especially in the management of finance and in the repayment of loans.

To ensure that only SMIs that really qualify get the help under the programme, the following conditions have to be met by the applicants:-

- Bumiputera SMIs that have NPLs not exceeding RM1 million.

- The loan that has been classified as NPL must be loan taken for business and not a personal loan.

- The company applying for the loan must be at least 60 percent owned by Bumiputera.

- The NPL problem should not have been brought about because of mismanagement or fraud.

- The applicant has a business that is viable and has the potential.

To ensure that only entrepreneurs really affected by the recent economic crisis qualify for the programme, only loans classified as NPLs between Jan 1 1998 and June 30 2001 would be able to apply for the programme.

Entrepreneurs who meet the criteria could apply through their respective banks, the statement said.

TTPU's operations would be fully undertaken by ERF while the processing of applications would be done by the relevant banks before being passed to ERF for approval.

The programme was launched here today. -- BERNAMA

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