

04/07/2001

RM500 million loan fund (HL)

Sarban Singh

KUALA LUMPUR, Tues. - More than 10,000 Bumiputera entrepreneurs affected by the recent economic slowdown can now apply for loans from a RM500 million Entrepreneur Rehabilitation and Development Fund to kick-start their businesses.

Datuk Seri Dr Mahathir Mohamad said the fund or TPPU, was for Bumiputera entrepreneurs involved in the small- and medium-scale industries (SMIs) who have been unable to secure bank loans to service their existing ones.

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

The Prime Minister said of the RM500 million, RM120 million would be set aside to help these entrepreneurs service their non-performing loans.

"The Government is concerned over the NPL problem faced by entrepreneurs, especially Bumiputera entrepreneurs involved in the SMI sector, therefore rendering them unable to secure bank loans to carry on with their businesses," he said in a three-page statement.

He said to ensure only the affected entrepreneurs benefited, only those with loans which had been classified as NPLs between Jan 1, 1998 and June 30, 2001 would be allowed to apply.

Dr Mahathir, who is also Finance Minister, said the fund would, among others, be utilised to provide financing to Bumiputera entrepreneurs facing NPLs of less than RM1 million.

Apart from helping them to reduce their existing loans, the Government would also provide assistance in the recovery of businesses with potential.

To help the entrepreneurs solve the problem of their NPLs, it was decided that:

- * accumulated interest payments on loans and penalties imposed by financial institutions would be abolished,

- * the programme would also see a "haircut" whereby a 40 per cent reduction would be made by the financial institution on the outstanding amount of an unsecured principal loan.

In addition, Government assistance amounting to 30 per cent of the outstanding loan would be given.

The remaining 30 per cent of the loan would have to be settled by the entrepreneur within 18 months after being accepted into the programme.

- * for secured loans, the financial institution would abolish between 50 per cent and 100 per cent of the accumulated interest payments due (including penalty interest).

The financial institution will also provide a two-year moratorium for the repayment of the loan.

Dr Mahathir said those who wish to apply for new loans to continue with their businesses would be given a maximum of RM3 million.

He said 80 per cent of the amount would be provided by the Government through ERF Sdn Bhd while the remaining sum would be given by the financial sector.

"The maximum interest on these loans will be five per cent per annum for a maximum period of five years," he said.

Dr Mahathir said the withdrawal of these loans would be closely monitored by the financial institutions and ERF.

He said SMIs would have to meet several criteria if they wish to apply for the loans. They include:

- * Bumiputera firms with NPLs of less than RM1 million only may apply,
- * the loan that has been classified as an NPL must be a loan taken for business and not a personal loan,
- * the company applying for the loan must be at least 60 per cent owned by Bumiputeras, and,
- * the NPL should not have been caused by mismanagement or fraud.

Dr Mahathir said entrepreneurs who meet the criteria could apply through their banks.

He said the fund'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.

To educate entrepreneurs on the benefits of the fund and to provide them with the skills necessary to compete in business, they would be required to attend various training and awareness programmes.

The training programmes would include financial management, computer-based accounting systems and other motivational courses.

ERF and the financial institutions would closely monitor the operations of the participating entrepreneurs to ensure that a high degree of discipline is maintained, especially in the management of finance and in the repayment of loans.