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PUNB tightens venture capital funding process

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PERBADANAN Usahawan Nasional Bhd (PUNB) is tightening its venture capital fund's entrepreneur selection process by engaging outside expertise to assist in the evaluation of candidates.

The corporation will have two independent panellists involved in the selection process from early next year, its chief executive officer Mohd Nasir Ahmad said.

"We have tried our best but we still go wrong sometimes... this prompted us to seriously consider getting an ex-banker and an entrepreneur with proven track records to join our selection panel.

"Meanwhile, on the entrepreneur development side, we will make it compulsory for all our candidates to attend certain modules of our courses, in particular those related to corporate governance, financial management and strategic marketing," he told Business Times.

PUNB's evaluation process currently involves a preliminary screening of the candidate's capabilities based on information provided in the application forms.

Suitability tests and personal interviews will follow to determine the candidate's competency in undertaking the proposed project, while the investment division will assess the feasibility of the venture itself.

For its "Prosper" scheme, which is aimed at boosting Bumiputera participation in the retail sector, PUNB has representatives from the Credit Guarantee Corp Malaysia Bhd (CGC) and TPPT Sdn Bhd, a subsidiary of Bank Negara, to sit on the selection panel.

TPPT's role is to identify suitable locations for the setting up of retail businesses.

Mohd Nasir said PUNB is also in the process of identifying suitable management consulting and accounting firms to assist and advise aspiring entrepreneurs on the drawing up of business proposals and ways to meet business objectives.

"We are actively looking into this and hope to get the idea implemented by year-end, provided the consultants can be engaged at a reasonable rate.

"Business plans should not only serve the purpose of securing a loan, they should be benchmarks to achieve goals," he said.

Based on Islamic financing principles, PUNB's RM400 million venture capital fund was rolled out in 1992. To date, RM342 million has been used up to fund 92 small- and medium-scale enterprises (SMEs) involving 250 entrepreneurs.

Nine of the companies have since "graduated". Of the remaining 83 yet to fully repay their loans, 14 are profitable and have been servicing their loans, while another 20 to 25 have started to turn around after encountering financial hardship.

"The rest - especially those producing semiconductors, computer chips, small metal parts and plastic products - are struggling to survive after being hard hit by the 1997 Asian economic crisis.

"For that reason, we have deferred taking legal action against them for failing to repay their loans. Instead, we try to team them up with other enterprises to enable them to revive their businesses," said Mohd Nasir

But for companies deemed to be beyond saving or found to have mismanaged their funds, legal action has been taken.

On the ventures that fail, Mohd Nasir said the main reason is poor business skills, and not as commonly perceived because of lack of

entrepreneurial spirit among Bumiputera businessmen.

"Most of them start out well but lose their way in their eagerness to diversify too fast. This results in the new businesses dragging down the original operations and they end up incurring debts.

"There is also not enough emphasis on adopting the right marketing techniques. The best products will not sell without a good price structure and marketing strategy."

On the issue of Bumiputera companies being overly dependent on government projects, Mohd Nasir said the idea is to help them kickstart their businesses.

"But they should go on to secure other businesses outside.

"My advice to them is never be dependent on a single customer, be it the Government, or mega-corporations like Proton, Petronas, Telekom Malaysia or Tenaga Nasional. If a project is postponed or cancelled, they can be out of business overnight.

"They should start fighting in the open market the day they commence business."

On the Prosper scheme, which is the brainchild of Prime Minister Datuk Seri Dr Mahathir Mohamad, Mohd Nasir said 200 companies have to date been recruited.

Their combined project value stands at RM56.3 million, of which PUNB's share is RM15.8 million, and CGC RM30.3 million. The maximum payback period is five years.

"On average, each project costs RM300,000. Of the 200 companies, 130 are fully operational.

"They include mini-markets, restaurants and bakeries, stationery stores, car dealers, workshops, tyre service centres, petrol stations, household furniture outlets, laundries, boutiques, pharmacies and jewellery, photography and optical shops."

The participating retailers come up with 10 per cent of the financing, with PUNB chipping in a maximum of 30 per cent on an equity sharing basis, and CGC the rest.

Besides training and loans, suitable retail outlets located in strategic areas are also provided.