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**Auditor-General's Report/ Bank Simpanan Nasional: RM700m disbursed:
RM240m are NPLs**

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THE Auditor-General said Bank Simpanan Nasional (BSN) should take legal action against those who have not serviced their Micro Credit Scheme loans for more than six months.

He said the names of these borrowers should be sent to Bank Negara to be blacklisted. The scheme was launched in June 2003 with a RM300 million fund and increased to RM800 million in September the same year. As of 2005, RM723 million had been disbursed to 82,998 borrowers.

The Auditor-General said as of 2004, the non-performing loans stood at RM110.7 million or 18.1 per cent of the outstanding amount. This increased to RM243.5 million or 47.1 per cent at the end of December 2005.

The Auditor-General recommended that:

- a flexible loan servicing scheme, which include weekly or fortnightly repayments, be introduced;
- ties be established with agencies such as Pos Malaysia to act as collecting agents;
- an alert system be created to detect borrowers who were moving towards the non-performing loan category;
- debt collection be outsourced; and,
- regular visits be made to the premises of borrowers to ensure they pay up.

The Auditor-General said a random check on the files of 320 borrowers revealed that 214 borrowers did not prepare cash-flow statements when submitting their application for loans. BSN officials also failed to make visits to the premises of 211 borrowers to check on the viability of their investment.

However, BSN had since September 2004 made its officers visit the premises of loan applicants before they were approved. He said BSN's failure to collect arrears amounting to RM177.9 million in 2004 and 2005 caused it to suffer accumulated losses totalling RM164 million as of December 2005.

