

NBC's proactive measures averted financial shock, Baker Tilly says

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Baker Tilly Cambodia Managing Partner KM Tan. Supplied

One of the world's top ten accountancy firms, Baker Tilly Cambodia says measures taken by the National Bank of Cambodia (NBC) during the Coronavirus pandemic have helped many businesses avoid bankruptcy while keeping the banking sector strong.

Last year's Circular on Loan Restructuring during Covid-19 issued by NBC allowed banks and financial institutions to restructure loans granted to borrowers up to three times without any impact on their loan classification. The scheme has been extended until December 31 this year.

Baker Tilly Cambodia Managing Partner Tan Khee Meng (KM Tan) said the NBC introduced the right measures at the right time.

"NBC has been very proactive and taken the right move by providing the relief measures to all businesses in Cambodia by providing the exceptional instructions for all banks and financial institutions in terms of allowing them to restructure loans granted to their borrowers including lowering interest rate, deferring repayment of principal or interest or capitalized interest during the pandemic period, extending loan maturity date, etc." he said.

“That will be a big help to all the businesses in Cambodia that are really affected by the pandemic so that they can survive through this crisis. I want to praise the NBC for its bold action and decisiveness by providing relief to all the borrowers in the country and also providing guidelines to the banks and financial institutions to help them perform the loan restructuring for their borrowers who are affected by the pandemic.”

Tan says the challenge for the banks and financial institutions as well as businesses will come at the start of next year when the scheme has ended.

“Most bankers have been discussing this for the last few weeks,” he said. “We have three months to prepare. Hopefully what we can look forward to is that the government’s measures, with the successful vaccination campaign and the opening up of the economy, will be sufficient for businesses to start to recover during the last quarter of the year and prepare for the renewed loan and interest commitments.”

NBC awarded Baker Tilly an external audit licence in March 2021. Tan says this gives added prestige to his company because currently only 10 audit firms in Cambodia are allowed to audit commercial banks, specialised banks, microfinance institutions, leasing companies, third-party payment processors and credit operators.

“We are ready to serve banks and other licenced financial institutions. We have been in the accountancy and auditing business since we started our firm’s operation in Cambodia 14 years ago. With the addition of the NBC’s external audit licence, we are ready to extend our audit expertise and services to banks and financial institutions,” he said. “We have partners with more than ten years auditing experience in bank and finance institutions and are supported by a team of 95 professional staff who are well trained with international financial reporting and auditing standards. At Baker Tilly, we are taking a proactive approach when dealing with our clients, we take a more personalised approach by having regular and constant communications and dialogues with clients at management levels so that we can provide them better value when we provide audit services to them.”

The government and General Department of Taxation (GDT) are trying to raise tax revenue with series of reforms, which require companies to comply with the financial reporting and tax regulations. Tan says this will strengthen the banking industry by ensuring the companies they deal with do not have undisclosed outstanding financial commitments and are generally more creditworthy if the borrowers maintain proper accounting records.

“The country is on the right track by starting to strengthen governance, especially on financial reporting and tax declarations, through the law on accounting and auditing and the tax audits from the GDT. That will help the country to grow healthily through increased tax revenue,” he said. “It will also help businesses that get financing from financial institutions to prepare their accounting records properly. Before, banks tended to lend to businesses without a proper financial report from the borrowers. Through the Accounting and Auditing Regulator and the GDT’s enforcements, the borrower will need to start to prepare their financial statement and getting external auditors to audit their accounting records in accordance with the law. That will help the financial institutions grow their lending healthily and be more prudent, giving loans to businesses based on their actual financial performance.”

Tan says Baker Tilly’s personalized approach, through regular communication and special workshops with clients on financial reporting standards and requirements as well as tax regulations, will help the financial staff of its client-companies be more capable of handling the complex changes in financial reporting standards and tax regulations.

Tan also expressed his optimism over the development of the banking and financial services sector in Cambodia during this era of digitalization. He said NBC’s policies of financial inclusion and embracement of fintech will be the key driver to elevate Cambodia’s banking and financial services sector to a level that stands out from its neighbouring countries.

“Having lived in Cambodia for more than two decades, I have seen the development of the banking and financial services sector, which advanced so much, and particularly leapfrogged in the last few years. A proud example is Bakong that was launched by NBC. It placed Cambodia under of the spotlight of the world in fintech development. I am confident that Cambodia’s fintech will be one of the name cards of the country in the near future, with the capable and forward-looking leadership of the NBC.” Tan said.

Source: <https://www.khmertimeskh.com/50948889/nbcs-proactive-measures-averted-financial-shock-baker-tilly-says/?fbclid=IwAR1eKQ4ByJNxNssKyunOT8bKVQALw1dGIJq7riOqWI1hJDz6AnYOFRS2yzY>