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MAHATHIR- BANKS

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KUALALUMPUR, OCT. 30 (BERNAMA) -- ALTHOUGH THE DOMESTIC COMMERCIAL BANKS DOMINATE THE MALAYSIAN BANKING SCENE BY THEIR SHEER SIZE, THEY ARE LAGGING BEHIND THE SMALLER FOREIGN-INCORPORATED BANKS IN EFFICIENCY AND PROFITABILITY, DATUK SERI DR MAHATHIR MOHAMAD SAID TONIGHT.

THE PRIME MINISTER TOLD AN ANNUAL DINNER OF BANKERS HERE THAT IN 1982, DOMESTIC BANKS EARNED ONLY \$19,000 NET PROFIT PER EMPLOYEE, COMPARED WITH \$32,000 FOR THE FOREIGN BANKS.

THIS WAS DESPITE THE FACT THAT STAFF COSTS PER EMPLOYEE OF THE FOREIGN BANKS WERE HIGHER BY NEARLY 40 PER CENT.

DOMESTIC BANKS ACCOUNTED FOR 74.5 PER CENT OF TOTAL DEPOSITS MOBILISED AND 67.2 PER CENT OF BANK CREDIT EXTENDED.

IT WAS NOW TIMELY FOR THE DOMESTIC BANKS TO TAKE STOCK OF THE SITUATION, TAKING INTO ACCOUNT THAT NO FINANCIAL INSTITUTION COULD AFFORD TO BE COMPLACENT IN AN INCREASINGLY COMPETITIVE ENVIRONMENT, HE SAID.

DATUK SERI DR MAHATHIR, HOWEVER, PRAISED THE FINANCIAL SECTOR FOR CONSISTENTLY OUT-PERFORMING THE REST OF THE ECONOMY OVER THE LAST FOUR YEARS OF INTERNATIONAL RECESSION.

THE VALUE-ADDED OF THIS SECTOR ROSE AT AN AVERAGE OF 7.3 PER CENT ANNUALLY- COMPARED WITH 6.4 PER CENT FOR THE NATION AS A WHOLE AND 6.2 PER CENT FOR THE UP-AND-COMING MANUFACTURING SECTOR.

SINCE 1979, EMPLOYMENT IN THE COMMERCIAL BANKS ALONE HAD RISEN BY AN AVERAGE OF 12.9 PER CENT ANNUALLY TO REACH NEARLY 35,000 PEOPLE BY THE END OF LAST YEAR.

DATUK SERI DR MAHATHIR SAID THAT TOTAL ASSETS ROSE FROM \$25 BILLION OVER THE SAME PERIOD TO \$60 BILLION, WHILE TOTAL REVENUE ROSE AT THE SAME AVERAGE RATE OF 24 PER CENT ANNUALLY TO \$5.3 BILLION LAST YEAR.

THIS PUT THE GROSS FINANCIAL ASSETS OF BANKS AT NEARLY DOUBLE THAT OF NATIONAL INCOME.

PRE-TAX PROFITS OF BANKS DOUBLED FROM \$342 MILLION IN 1979 TO NEARLY \$700 MILLION IN 1982. SINCE 1981, THESE PROFITS HAD RISEN AT AN ANNUAL RATE OF ABOUT 22 PER CENT.

THE PRIME MINISTER SAID THAT THE TREND OF GROWTH WAS ALSO REFLECTED IN THE PROFIT ACCUMULATION AMONG FINANCE COMPANIES AND MERCHANT BANKS, WHICH ROSE BY 42 AND 45 PER CENT RESPECTIVELY LAST YEAR.

TOTAL ASSETS PER EMPLOYEE OF BANKS INCREASED BY NEARLY 50 PER CENT TO '61.7 MILLION-LAST YEAR, WHILE ASSETS PER RINGGIT OF STAFF COSTS IMPROVED BY 15 PER CENT OVER THE SAME PERIOD.

THE PRIME MINISTER POINTED OUT, HOWEVER, THAT WHILE THE BANKING SECTOR MUST STRIVE TO IMPROVE PRODUCTIVITY, IT MUST NOT FORGET THAT THE BANKING SYSTEM WAS A SERVICE SECTOR, COMPLEMENTARY TO THE WELL-BEING OF MINING, MANUFACTURING AND AGRICULTURE.

HE ALSO TOLD BANKS THAT IN THE YEARS AHEAD, THEY WOULD BE INCREASINGLY CALLED UPON TO APPRAISE AND FINANCE PROJECTS THAT WERE CLEARLY UNORTHODOX.

AMONG OTHER THINGS , THERE WOULD BE REQUESTS FOR BANKS TO PROVIDE EQUITY FINANCE, SOMETHING NEW TO HOST BANKERS BECAUSE THEY HAD BEEN TRADITIONALLY TRAINED TO BELIEVE THAT DOMESTIC BANKING WAS ALL ABOUT MONEY TRANSMISSION AND PROVIDING WORKING CAPITAL VIA THE OVERDRAFT FACILITY.

ALSO, THERE WAS VENTURE CAPITAL, A NEW REQUEST BY ENTREPRENEURS 'SPURRED ON BY HIGH-RISK PROJECTS AND THE BURNING DESIRE FOR A +WINDOW ON TECHNOLOGY. +

THE PRIME MINISTER URGED BANKERS TO EVALUATE VENTURES ON THE BASIS OF PROJECTED' CASH FLOWS. RATHER THAN THE BALANCE SHEET POSITION.

BANKS WOULD ALSO NEED TO BE MORE INVOLVED IN ASSESSING THE DESIGN OF THE PROJECTS THEY ARE ASKED TO FINANCE WHICH WOULD PUT NEW DEMANDS IN TERMS OF SHIFTS IN THE TYPE AND QUALITY OF PERSONNEL.

DATUK SERI DR MAHATHIR SAID THAT TECHNICAL INNOVATION IN THE BANKING INDUSTRY SHOULD BE WELCOMED BY BANKERS WHO MUST 'BE' ALIVE TO THESE INNOVATIONS AND CONTINUALLY SEEK TO IMPROVE THE SERVICES THEY PROVIDED. -- BERNAMA

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