

Dr M to banks: Go easy on loans to businessmen

By K. P. WARAN

NSI 28 AUG 1986

KUALA LUMPUR, Mon. — Bankers were advised to be judicious when recalling their loans and not pull the carpet from under the feet of clients' who show initiative in wanting to repay loans.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in making the call tonight, urged bankers to give these clients a chance as they contributed to economic growth, employment and to the Government's coffers.

"Indeed, the banking industry is also dependent on these people. If they go under, we are all going to go under sooner or later.

"Malaysia is not teeming with entrepreneurs and good managers. We cannot annihilate the few that we have. We have to give them a chance and

they should be helped," Dr Mahathir said at the annual dinner of the Association of Financial Institutions.

In this regard, the Government had been urged, by the business sector, to amend the Companies (Amendment) Bill, 1986 to provide for a formula to save ailing businesses threatened by debts.

"We drafted the amendment after studying similar legal provisions in the United States, Europe and Singapore. In its present form, the Bill is probably not acceptable, but there is plenty of time before it is debated in Parliament.

"The bankers can study it and suggest amendments. We need to help ailing companies as it is in the national interest to do so," he said.

Dr Mahathir said that while some borrowers had been unwise or played around and deserved to be bankrupt, many others were in a bad position, through no fault of their own.

The declining economy, due to falls in commodity prices and reduced exports, had also caused serious cash-flow problems that affected commodity traders and businessmen.

As such, recalling all their loans would have a disastrous effect on the economy.

"There will be unemployment on a massive scale. The Government will get so little revenue that it may not be able to pay salaries," he said.

He said banks should carefully consider measures to help their clients survive.

"Growth is to be stimulated by making finances available for the sectors which have potential, including housing and road construction. New incentives have and will be provided for investments," he said.

Dr Mahathir, in calling for a reduction in interest rates, said the country could not function if rates were double those of its nearest competitor.

"If we say the prime rate is so

much, that should be the prime rate. It is useless to have an official prime rate which nobody gets," he said.

Dr Mahathir said the collapse of commodity prices had been aggravated by developed countries' manipulation of exchange rates to balance their trade.

He said prudent borrowing by Malaysia had become so highly-inflated that the nation's financial resources were seriously strained in servicing loans, particularly those in Japanese yen.

Dr Mahathir said the co-operative movement had shown that there was plenty of capital available in Malaysia "but a sufficient number of crooks have got into the act".

"The Government has been asked to absorb the losses. Everybody cares about the poor depositors. But the usual champions of public morals have not let out a whimper about the people who committed obvious fraud," he said.