

# DR M TO BANKS: KEEP MONEY MOVING, GROWING

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KUALA LUMPUR, Mon. — Datuk Seri Dr Mahathir Mohamad said financial institutions must not let their money stagnate in their vaults but "must keep money moving and consequently growing."

"We have preached public and private sector co-operation. We have recently begun a three-way co-operation between the Government, the businesses and the workers to heighten economic growth.

"Now, we would like to see financial institutions throw their full weight behind the three so that we will take off on a sustained economic growth path for the betterment of us all," the Prime Minister said at the annual dinner of the institutions yesterday.

Dr Mahathir said a glance at the financial statements of the financial institutions showed apparent gains and consolidation. "However, a major part of the profits had actually come from recoveries of bad debts," he said.

"I do not have any quar-

rel with the banks' efforts to collect what is legitimately theirs, but I wonder whether it has not become an obsession among them to emphasise recoveries of bad debts at whatever expense," he added.

He said those who misused funds deserved to be bankrupts but those who failed through property depreciation did not deserve to be punished.

Dr Mahathir said it was strange that the banking community still regarded collaterals as the only worthwhile guarantees for loans.

Collaterals in the form of properties or shares could depreciate as to be almost useless, he said.

He said banks should depend less on collaterals and more on the soundness of company management and profitability of projects.

This was especially so when they dealt with new enterprises and new products, he said.

Dr Mahathir agreed that it would be risky to finance a venture with no track record and no collateral. "But banking is also a business and banks must also take risks.

"More than that, banks must be prepared to lose money or to share losses. Banks are not entirely without blame when businesses go sour," he said.

He said that a few years back he suggested that banks should take up shares and actively participate in business.

Then, if the enterprises borrowed from the banks, they (the banks) would be in a position to oversee the management, he said.

"They (the banks) will be able to halt any wild ventures, at least through the boards. Certainly, they can make sure that money is not misused," he said.

Dr Mahathir said although his suggestion was

welcomed by the banking fraternity, he had not seen any bank taking shares in companies and taking part in their management.

He said that for banks to venture into "unchartered seas," they must prepare themselves thoroughly.

"Banks must have people who look beyond pure money lending. They must understand the management of businesses, particularly new manufacturing businesses," he said.

"We need this kind of banking skills and risk-taking if we are ever to escape from traditional areas of business — commodity production and properties.

"We cannot go on relying on these limited areas of business because, in the final analysis, they are all commodity-based and there is no way we can control commodity prices."

On insurance companies, the Prime Minister said it was time that they moved closer to the forefront of economic activities.

They should seriously consider providing commercial insurance cover to hitherto "averse" risks such as crop, livestock and fishery insurance.