

# PM lists five ways financial instit

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# Qualities banks

By Ahmad A. Talib

KUALA LUMPUR, Wed. — Prime Minister Datuk Seri Dr Mahathir Mohamad listed five qualities which he said were essential in banks and financial institutions as the country moves towards a developed nation status.

Banks must be caring and service-oriented, committed to support productive activities, competitive and efficient, innovative and sophisticated and be stable and resilient, Dr Mahathir said.

He said: "The Malaysian vision of a modern banking system is not over-idealistic. These qualities of a dynamic banking system are, God willing, achievable."

Elaborating these qualities, Dr Mahathir said the role of banks and financial institutions would be crucial while the demands on them would be heavy. The Prime Minister was speaking at the annual dinner of financial institutions here.

The well-being of the banking industry hinged on how the banks interacted with depositors who entrusted their hard-earned savings to them on the one hand and on the other hand the entrepreneurs who depended on the banks for funds to turn an idea into a profitable venture, he said.

Banks simply could not operate without the support of savers and borrowers and one sure way to ensure continuous support was to provide a better and better standard of service.

"Primarily, it is the quality of service, not products per se, that all levels of bank staff, from chief executives to the tellers, should strive to provide at all times.

"Unquestionably, much more can be done to improve the quality of basic banking services in Malaysia — shorter customer queues, speedier loan processing, fair and balanced terms and conditions, sympathy and understanding and a smile even when saying No."

Dr Mahathir also drew the

attention of his audience to speculative financial activities which he acknowledged were part of the industry's modern scene. On this, the Prime Minister said banks should be judicious in lending money for speculative deals and purchase of over-priced shares.

On the bank's supportive role, the Prime Minister said the banking industry must ensure that, at all times, sufficient credit at reasonable cost was directed to finance productive activities which generated real wealth, value-added goods and services and gainful productive employment.

The industry should also be committed to finance small and medium-scale industries (SMIs). Being small and often without a proven track record, the capital market was beyond the reach of the SMIs.

"We need the sincere and unrelenting assistance and commitment of the banking industry to help free the SMIs, particularly those which are hi-tech and innovative, from the funding constraints that are retarding their growth," Dr Mahathir said.

As for the need to be sophisticated, competitive and efficient, the Prime Minister said the benefits of a more competitive and efficient banking sector would be derived from a narrower spread between the lending and deposit rates.

A more attractive lending rate would stimulate greater loan demand for investment and contribute to greater economic activity. A more attractive deposit rate, on the other hand, would encourage greater domestic savings through the banking system and allow more funds to be mobilised for industrial and other economic development.

"To put it in another way, banking inefficiency and dependence on large margins will retard economic growth and obstruct our progress

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## Banks must be resilient, says PM

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towards a developed nation," the Prime Minister said:

On the need for banks to be innovative, Dr Mahathir said such creativity which satisfied market needs would enjoy greater success, and especially so if they delivered these products efficiently.

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But he cautioned against innovations which ignored basic banking practices, saying that they were non-progressive and counter-productive. The Prime Minister said banks should strive for value-added innovations rather than rule-avoidance acrobatics.

Dr Mahathir said the fifth element, that of being able

to be resilient and be able to withstand shocks, were perhaps the most important characteristics that banks should possess,

"Without a stable banking system to keep the national savings intact and continuously provide a flow of credit to industry and trade, the nation cannot progress and prosper," he added

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