

PM's vision for the banking system

BANKS WITH A HEART

By Wong Chun Wai

KUALA LUMPUR, Wed. — A competitive, modern banking system with a caring heart — that is Datuk Seri Dr Mahathir Mohamad's vision for the Malaysian banking system towards the year 2020.

The Prime Minister said the banking system should be service-oriented, committed to supporting productive activities, competitive and efficient, innovative and sophisticated as well as stable and resilient.

These qualities were not over-idealistic and could be achieved in a dynamic banking system, he said.

"If Malaysia is to make the progress towards developed-nation status, short-term gains must be subordinated to the longer-term vision," he added at the annual dinner of financial institutions here tonight.

Dr Mahathir said anything long-term must involve sacrifices and prudence — qualities which the whole nation must have, and the banking sector in even larger measure, if the people subscribed to the Malaysian vision.

He said a banking institution was basically a middleman between the savers and the borrowers.

What had actually changed in all these years, he said, was merely the method and instruments used in achieving this function.

Dr Mahathir said that as the banking system entered the 21st century, real advancement in banking would continue to be measured by how far bankers were able to bring in their intermediary function closer to the needs of society most efficiently.

He said the well-being of the banking industry hinged on how the banks interacted with the depositors who entrusted them their hard-earned savings and the entrepreneurs who depend on the banks for funds to turn an idea into a profitable venture.

"Banks simply cannot operate without the support of savers and borrowers and one sure way to ensure continuous support is to provide a better standard of service," he said.

Dr Mahathir said there should be shorter customer queues, speedier loan processing, fair and balanced terms and conditions, sympathy, understanding and a smile even when saying "no."

"Banking should always be guided by prudence and not whether someone high up is said to have approved," he added.

The Prime Minister also expressed his concern over the number of rural people being cheated by illegal deposit-takers.

"This is very disturbing indeed, particularly in the light of our present concern to enlarge the pool of domestic savings available to fund the country's expanding investment needs," he said.

He said despite having branches in rural areas, the banking industry had yet to reach out to these people to offer their services.

"While some of these depositors may be just plain greedy, the fact is that most of them are simple trusting people who are attracted by these apparent evidence of

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others getting rich quick through get-rich-quick schemes," he said.

There 'must be proper education and understanding of the workings of the scam by the ordinary folk,' he said.

"But sympathetic and public-spirited bankers can play a role by a more friendly approach towards potential depositors and indeed by helping with the process of education," he added.

Dr Mahathir also said the banking system must be prepared to fund **large-scale** private industrial investments.

He added that under the Sixth Malaysian Plan, over \$200 billion of private investment would be required.

It was the banking industry's responsibility, he said, to channel effectively and efficiently to genuine entrepreneurs who had the capability to undertake industrial projects.

The industry, he said, must enhance its financial capabilities and technical know-how to evaluate and arrange innovative financing packages for increasingly more complex, hi-tech and large-scale industrial projects.

"Without the **wholehearted** commitment of the banking system, it would be difficult for Malaysia to achieve a developed nation status by the year 2020," he said.

But Dr Mahathir said it was equally important that the banking system be committed to finance the smaller feeder industries.

"The stage has been reached where these small industries should import raw materials for processing.

"Although low-key, these industries are crucial and provide the necessary ground support for the production of competitive Malaysian-made products," he said.

Dr Mahathir said the banking industry was needed to help free the small and medium-scale industries, particularly those which were hi-tech and innovative, from the funding constraints which were presently retarding their growth.

He urged the banking **sector** to increase lending to the manufacturing sector as the sector's contribution to the gross domestic product (GDP) was expected to increase as high as 32 per cent by the end of the Sixth Malaysia Plan period.

On the need for a competitive and sophisticated banking system, he said a more attractive lending rate would stimulate greater loan demand for investment which would contribute to greater economic activity.

He said it was important for every banking institution to improve its own productivity and efficiency in all aspects of its operations.