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KUALA LUMPUR, Jan 6 (Bernama) -- Banks should practice innovative banking, without undue sacrifice of traditional banking prudence, to support local entrepreneurship, says Prime Minister Datuk Seri Dr Mahathir Mohamad .

As custodians of public funds, bankers were expected to be conservative, but there were times when bankers need to be more adventurous and more forthcoming with venture capital or seed money for selected projects that badly need and deserve financial assistance, he said.

At the same time, bankers need to maintain the highest sense of honesty and integrity in all their endeavours, he said in opening the three-week Project Appraisal and Risk Analysis Management programme here today organised by the Harvard Club of Malaysia, Harvard Institute for International Development and the Institute of Bankers Malaysia.

+The taking of calculated risks and prudence are not incompatible,+ he said, adding that a banker needed to get out of his comfortable +safe cocoon+ and venture into the exciting world of +creation+.

+He should put his special skills in project evaluation and the management of risks to bear on the financing of creative enterprises, where ideas and not physical assets form the collateral, where project feasibility is sufficient ground for him to commit his bank, and where the longer term interest of the bank over-rides short-term gains,+ he added.

Datuk Seri Dr Mahathir said the country could not afford to neglect the importance of entrepreneurship and entrepreneurial development which went beyond mere education and training.

+Bankers should be more supportive of innovators in the business field when appraising their projects, particularly from those entrepreneurs with the vision, dynamism and fighting spirit to follow through with their ambitions and dreams,+ he added.

The Prime Minister also said that Malaysia needed to rethink the basis of reward for service, adding that the current practice would lead to inflation and regression of the national economy +and in time, our own personal wealth+.

+It is fine to follow a system that seems to promise unlimited reward but in the long term, the whole system will turn sour,+ he added.

The Malaysian thinking on income, he said, was based on conventional ideas of reward for service.

+Despite much talk of wage spirals, we still demand for higher wages as if we will be richer simply because the number of noughts are more,+ he added.

Datuk Seri Dr Mahathir said, in countries which seemed incapable of getting out of recession and becoming competitive, the pay for top executives was ridiculously high.

He added that executives got double or treble annual increments, a percentage of the profits and stock options while shareholders did not seem to mind as long as they too got good dividends.

However, he said, in Japan, the pay of executives after tax was about seven times the average wage of the rank and file.

He said perks were given in the form of lavish entertainment allowances and visits abroad on company business were encouraged but there were no stock options and bonuses paid, if any, were at the same rate as for other employees.

He added that shareholders got little by way of dividends but they could make excessive capital gains if they sold.

+They can play the stock market. But, they can rest assured that their companies are healthy, are expanding and are accumulating massive +assets,+ said Datuk Seri Dr Mahathir. -- Bernama