

PM: Creative enterprises need

# Be innovative,

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By K.H. Lim

KUALA LUMPUR, Mon. Bankers should get out of their "safe cocoons" and venture into the exciting world of creation, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

They should put their special skills in project evaluation and the management of risks to bear on the financing of creative enterprises, where ideas and not physical assets were the collateral, he said.

This would also mean that bankers should take project feasibility as sufficient grounds for them to commit their hanks and where the longer-term interest of the bank should override short-term gains.

Dr Mahathir was speaking at the opening of the second executive programme on project appraisal and risk analysis management at Bank Negara here which was organised by the Harvard Club of Malaysia, Institute of Bankers (Malaysia) and the Harvard Institute of International Development.

"We cannot afford to neglect the importance of entrepreneurship and entrepreneurial development, which go beyond mere education and training.

"I call upon all bankers to 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 said.

He added that although bankers, as custodians of public funds, were expected to be conservative, there were times when they should be more adventurous.

He said they should be more forthcoming with venture capital or "seed mon-

ey" for selected projects that badly needed and deserved financial assistance.

"In short, I would like to call on hanks to practise innovative banking to support local entrepreneurship.

"I am sure this can be done without undue sacrifice of traditional banking prudence.

"At the same time, of course, bankers need to always maintain the highest sense of honesty and integrity in all their endeavours.

"The taking of calculated risks and prudence are not incompatible."

On the economy, Dr Mahathir said he was worried over the spending habits of Malaysians who were earning more but they were also spending too much and not saving enough.

Expressing "urgent concern" over the declining trend in the national savings rate, he said it had declined to under 30 per cent of the Gross National Product (GNP) in 1990 from a high of 33.6 per cent in 1987.

For 1991, it was expected to have declined further to about 28 per cent of the GNP.

This decline was reflected largely in the boom in consumer spending, triggered by rapid real growth and improved incomes.

He said private consumer spending had been expanding at nearly 15 per cent in real terms over the three years ending in 1990.

"Although there appeared to be some moderation in consumer spending last year, the current rate is still well beyond the historical norm of six to seven per cent per annum.

"Changes in Government pension schemes will also affect savings as Government employees will be eligible to go on pensionable

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financial assistance  
banks told

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# PM: Spending habit comes with easy credit

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schemes seven years earlier than before.

"Clearly, higher consumption cannot continue indefinitely.

"While I have nothing against people enjoying a good thing while it lasts, I think it is vital for our economic sanity that we save.

"Above all, we must not spend beyond our means."

On credit cards, he said although credit card spending was only a minute proportion of total loans extended, the habit was catching.

He cautioned that once society got used to "easy credit", the tendency to spend beyond one's means would become a habit.

Controlling this habit, once it had become sizeable, would be disruptive and could affect the livelihood of a considerable section of the community.

The recent squeeze on credit by Bank Negara had affected many traders adversely, he added.

On inflation, he said it had gone up from a low of 0.4 per cent in 1985 to just over three per cent in 1990. Latest data showed the Consumer Price Index (CPI) had increased further to 4.4 per cent in the first 10 months of 1991.

This latest round of price increases was the result of increased consumer spending, coupled with record levels of private investment

outlay, he said, adding that it was clearly putting a strain on Malaysia's limited resources.

To ease the situation, he said, the Government had put in place a contractionary monetary package to discourage conspicuous consumption and to promote savings.

"Bank Negara's actions to restrict the growth of bank liquidity and the tightening of access to consumer credit will go a long way towards moderating consumption and growth in the country."

He added that efforts to expand the nation's infrastructure would be intensified during the Sixth Malaysia Plan period to overcome supply bottlenecks and prevent rising costs.

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