

7 FEB 1996

Mahathir-EPF

EPF'S DIVIDEND FOR 1995 MIGHT BE LESS THAN 8 PER CENT, SAYS MAHATHIR

KUALA LUMPUR, Feb 7 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said Employees Provident Fund (EPF) contributors might get a dividend of less than eight per cent for 1995, unlike the previous year.

He said that although the country recorded economic growth, it did not mean that EPF contributors would get higher returns since it all depended on investments made.

If the EPF were to utilise its reserve or capital just to pay higher dividend, then it would be incurring losses, he told reporters after presenting Hari Raya gifts to Muslim orphans in the Federal Territory here tonight.

Dr Mahathir said the government had allowed the EPF to invest in the public sector including providing loans.

The government, one of the loan recipients, had to higher interest although the loan was obtained below the market rates, he said.

There were reports that the EPF would pay out a dividend of eight per cent for 1995, similiar to that in 1994.

On this, the Prime Minister said the EPF could not set the dividend at eight per cent every year.

"This would be wrong and would no longer be considered as dividend but interest. We don't want to pay out interest but dividend from our investments. We also know that Muslims don't accept interest," he added.

Asked on the meeting of the Seventh Malaysia Plan on Friday, Dr Mahathir said the government would change its strategies and policies formulated for the 60s and 70s under the five-year development plan.

"Past strategies and policies differed because our country then relied on agriculture unlike the present where the economy is based on industrial growth. Our population has also increased and we full employment, factors which we have to take into consideration," he said.

"Certain quarters have anticipated a major shift in development strategies and policies under the Seventh Malaysia Plan. Take for example, the plantation sector, farmers still practise traditional method of padi cultivation while their children don't want to become padi planters. So, what should we do? Do we continue with small scale cultivation or do we go for the modern ways?, he said.

On claimed by economists that banks in Malaysia are facing strong competition from foreign banks, Dr Mahathir said amalgamation of small banks would help face the competition posed by foreign banks once the country's banking system opened its door to foreign market.

He said the amalgamation of small banks happened everywhere in countries like Japan and the United States to provide them the competitive edge against their competitors.

In his speech at the function, Dr Mahathir said existing peace enjoyed by the country was one factor which had enabled investors and traders to make money and as such the people should continue to preserve harmonious relations among them.

A total of 398 orphans received Hari Raya gifts during the function also attended by the Datin Seri Dr Siti Hasmah Mohamad Ali, wife of the Prime Minister. --BERNAMA