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PM CHIDES BANKS FOR NOT TAKING RISKS

KUALA LUMPUR, Sept 11 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad has chided Malaysian banks which, while making good profits, were reluctant to take risks to support and finance local entrepreneurs undertake capital-intensive industries.

"...bankers who want to be certain always, who will take no risks at all, will become pure money-lenders or chettiars," he said in his speech at the 17th financial institutions annual dinner here tonight.

He added that while Malaysian workers had the potential to acquire skills to facilitate the nation's switch to high technology and capital-intensive industries, banks should be forthcoming to support the transition.

The move was vital in efforts to reduce labour inputs and increase value-added products as well as help reverse the balance of payments deficit and maintain the country's high growth rates.

Dr Mahathir said Malaysian have played a role in prospering the country but they could not be regarded as the catalyst.

He said: "At the risk of being accused of self praise, I would like to claim that it is government policy and drive which has contributed most to the present economic achievement in Malaysia.

"We cannot expect banks to take all the risks but we can reasonably expect them to share the risk with the investor and the government."

To this end, he called on Malaysian bankers to change their mindset.

He said: "Perhaps, unwilling to take risks is prudent banking... perhaps, that is why Malaysian banks show such good profits, but if the Malaysian economy is not doing so well, prudence alone will not help the bottom-line.

"It is in the interest of the banking fraternity to help the economy prosper and eventually reap rich returns from it."

He said banks "confidently lend blindfolded" to foreign direct investors who, unfortunately, did not contribute as much to the economy and balance of payment equation as investment by local investors.

"...in order to really benefit from our industrialisation, we need to have more local entrepreneurs going into manufacturing for export," he added.

"We cannot succeed if we are timid and unwilling to take big risks. While there may be local entrepreneurs willing enough to take risks, will there be bankers to share the risks?... obviously, if bankers won't, then one of the most powerful strategies to overcome the balance of payments will fail.

"Malaysian banks cannot forever be camp followers... the time has come for them to take the lead," he said, calling on them to learn from Japan in taking up equity in industrial ventures.

"As far as I know, Malaysian banks do not take equity in business projects, much less in companies," he added.

He also said banks should support local companies venturing abroad in line with the government's call for it could create new markets for Malaysian products.

The strategy of providing funds for capital-intensive industries called for a complete reorientation on the part of bankers which was unavoidable if Malaysia wanted to continue its high growth path as well as maintain its competitive edge, he added.

Dr. Mahathir also pointed out that a deficit in the balance of payments need not result from high growth, nor was inflation a necessary accompaniment of high growth.

"If we can hold down inflation and improve productivity and, consequently, our export growth, we can counter the deficit in the balance of payments." he said.

Turning to wages, he said it was not the government's policy to keep wages fixed for all time as it would the price of essentials... it wanted wages to go up so that the standard of living of even the ordinary workers could go up.

"But increases in wages must be related to productivity, that is, producing more at the same unit cost or producing products with higher value," he added.

This required investment in new technologies, a responsibility which should be shared by the banks, he said. -- BERNAMA

MR LDB