

27/08/1997

Malaysians must save more, says Bank Negara chief

Elaine Lim

MALAYSIA must increase its savings rate to avoid depending on foreign investment to fund development.

Bank Negara governor Tan Sri Ahmad Mohd Don said heavy reliance on foreign loans would put the country at risk and expose it to high cost of funds.

Malaysia would be especially vulnerable when the currency market was unstable such as now, he said in his opening address at a seminar on savings at the central bank in Kuala Lumpur yesterday.

He said while it was the Government's policy to encourage foreign investment to support the lack of local funds, it was necessary to increase the latter so that Malaysia could be financially independent.

"Increased competition in attracting foreign investment and currency fluctuations outside the country demonstrate why we must achieve this so that our economic future is not jeopardised."

Ahmad said it was necessary to maintain a high savings rate despite the fact that Malaysia's was among the highest in the world. Last year, it stood at 37.8 per cent of gross national product.

In comparison, the gross national savings rate as a percentage of GNP was 15.9 per cent for the US and 35 per cent for Japan in 1995. In 1996, it was 35.4 per cent for Thailand and 32.3 per cent for Indonesia. Singapore's rate was higher at 50.1 per cent.

Ahmad said a country's high savings rate could drop as in the case of developed European countries and the United States, if measures were not taken to maintain it.

Another factor was the fact that Malaysia's savings rate was expected to fall as its population grew older.

Ahmad also said the country's high investment rate compared to its savings rate had resulted in a savings-investment gap which was reflected by a deficit in the current account. In 1996, the gap was 5.5 per cent of GNP.

"To lay the foundation for consistent growth in the future, strategies to encourage savings must emphasise the development of the financial structure through new financial products and the improvement of banking services.

"Advisory services must also be made available."

Ahmad said the savings campaign would encompass both financial and non-financial measures. The savings habit must be inculcated in Malaysians, now spending too much because of higher disposable incomes.

A Cabinet committee to encourage savings was formed last August. Following that, five committees - on education, workers, women, information and finance - were set up to implement the plan. The national-level campaign was launched by Prime Minister Datuk Seri Dr Mahathir Mohamad last December.

Apart from developing the financial infrastructure, the Government plans to disseminate information and educate through publications, the media, advertisements, seminars and exhibitions. Its target groups are schoolchildren, the workforce and women.

(END)