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Review the lending curbs by banks

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THE recent directives by Bank Negara Malaysia to all the banks and financial institutions to cut all loans and advances, and to lend only to export-oriented and IT industries, are referred.

The central bank measures are very strong, to say the least, and banks have no choice but to follow them. This is like pulling the emergency brake when the car is going downhill - it goes out of control!

Some have gone to the extent of cutting down the loans already approved for productive purposes but do not fall within the Bank Negara list of approved industries.

This is causing a lot of difficulties and confusion to the business community. Some of the affected companies are now unable to operate because their working capital has been withdrawn.

The enforcement of the directives should have been more selective.

Only companies that do not stand a chance of surviving the hard times should be deprived of financing. Those which are operating profitably should not have their banking facilities withdrawn otherwise they too will be forced to close.

The way the directives were issued and implemented is also causing concern among depositors.

When they heard that the banks no longer give loan facilities to their clients, and were withdrawing the existing facilities, their impression is that the banks no longer have the funds to operate.

It is not surprising that some of them have withdrawn their savings from the local banks and placed them with the foreign banks operating in the country or sent their money to Singapore.

I hope Bank Negara will rectify and clarify the directives immediately to allow companies to utilise banking facilities approved to them so that they can continue doing businesses. Otherwise the economy could deteriorate from slower growth to full blown recession.

I fully support the Prime Minister, Datuk Seri Dr Mahathir Mohamad, when he said: "If the banks do not protect business enterprises, who are their clients, they will also suffer."