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Anwar: Don't use political influence to get bank loan

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DEPUTY Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim yesterday warned of political interference in the banking system, which he said was what brought down banks in some neighbouring countries.

Anwar said one of the main causes of the collapse of economies in some of the neighbouring countries since the start of the region's financial turmoil last July is the banking system, "which was not properly managed and without sound banking practices".

"(If) banks could be forced to give out loans due to political interference, what's the point of having a (bank) governor?

"We should learn from their mistakes and the weaknesses in their banking system. For example, we must make sure that our system does not succumb to too much political interference.

"This is because what we want is to save not just the few companies concerned, but the country's economy as a whole," he said at the opening of Bukit Bintang Umno divisional meeting in Kuala Lumpur yesterday.

Anwar said local banks should not be forced to succumb to lending requests by companies due to their status, political influence or relations with party leaders.

"Companies and corporations should not just look at themselves, but the effect on the economy as a whole," he said.

In this context, Anwar said corporate governance, greater transparency and tighter discipline in the banking sector will be some of the main objectives of new measures to revive the economy.

He is expected to announce details of the measures in Parliament tomorrow.

He said following a discussion last week with Prime Minister Datuk Seri Dr Mahathir Mohamad and the Cabinet, it was agreed to put forward the additional measures with regard to the country's economic growth, inflation and fiscal policies at the next session of Parliament, which opens today.

"We will touch on areas such as improving corporate governance, enhancing transparency and imposing tighter discipline in the banking sector, among other things," he said.

Anwar said the additional measures form part of the Government's approaches to tackle the current economic problems.

"The Government has already taken steps to reduce expenditure, for example. That too was made into a polemic because there are some economists who say this was dangerous as it can cause recession.

"But what we are saying is simply to remain patient, especially for projects that are not urgent. Those projects would have to be postponed until the end of the year or early next year," he said.

However, he added, expenditure on projects such as those to eradicate poverty will continue.

Because the credit growth of local financial institutions is too high at about 30 per cent, he said, the Government is trying to reduce the rate to 15 per cent by the end of this year. Last year, the banks lent out a total of RM417 billion.

Another existing measure is the emphasis on reducing imports and increasing exports, he said. "We must control our imports. We must only import goods that are necessary. If not, use local items."

Anwar questioned the wisdom of importing foodstuffs worth RM11 billion a

year, with animal feed as the main component.

He said the monitoring and management of local banks must also be efficient and should not adopt an "easy-going" stance.

"Although the country's economic policies and guidelines are laid down by Bank Negara Malaysia (BNM), its duty is not to micro-manage the operations of each financial institution. BNM intervenes only when there is a purpose," he added.

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