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BANK NEGARA URGED TO PROVIDE TEMPORARY LOANS TO BANKS

KUALA LUMPUR, Jan 15 (Bernama) -- Bank Negara was today urged to provide temporary loans to some local banks which are facing a shortage of deposits to enable them to continue funding productive economic sectors, UMNO Youth chief and Bank Simpanan Nasional chairman Datuk Ahmad Zahid Hamidi said today.

He said a few banks had taken drastic measures in limiting loan growth during the current difficult period.

Zahid said although Bank Negara had set a target of 25 percent in loan growth last year, several banks exceeded that limit until they could not lend this time around and cited the lack of funds as the reason for their inability to do so.

He said this after a press conference on UMNO Youth's action plan which had been forwarded to the National Economic Action Council.

Zahid also exposed the practices of certain banks, which enforced forced selling on certain shares, although the government had directed that this should not be done.

"This is not fair and we feel that financial institutions should have compassion and not increase the burden on borrowers," he said. "Failure to repay is not due to weaknesses of the borrower but because of economic factors."

UMNO Youth also wanted the government to protect the interests of bumiputeras during the current economic downturn and ensure that their equity did not fall into the hands of banks of financial institutions or other parties because of their failure to repay.

For bumiputera companies which had obtained concessions or projects but could not proceed with them because of financial difficulties, banks should resort to selling the shares of these companies only to bumiputera individuals or institutions and not to other parties.

"The creation of a standby fund for bumiputera investors should be streamlined and its role should be enhanced to help bumiputera entrepreneurs and spur greater economic activities from among them.

Zahid said UMNO Youth also wanted financial institutions to clarify what economic categories were considered to be productive and non-productive because doubts had arisen.

The movement also suggested to Asean governments to merge their commercial banks. For instance, Zahid said the existing co-operation between Maybank and Bank of Commerce with other Asean banks could be enhanced towards mergers.

"This would enhance their level of competition and resilience to enable them to be fully prepared to face the economic downturn and other international banks," he said.

At the same time, he said moves towards merging Asean banks would be the first step towards the usage of a common regional currency in facilitating regional trade as suggested by prime minister Datuk Seri Dr Mahathir Mohamad.

UMNO Youth also did not want the government to seek aid from the International Monetary Fund because the IMF's prescription for Indonesia and Thailand had not worked.

Zahid also said a campaign to dismiss rumours circulating about the economy should be undertaken to bring about greater confidence among the citizens on the government.

He said UMNO Youth also felt that a open dialogue between the government, business groups, workers' unions and other parties should be held to build greater confidence on the government.

UMNO Youth also wanted the strong relations between bumiputeras and non-bumiputeras in economic activities be enhanced and that any doubts between them should be avoided, he said. -- BERNAMA

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