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Banks agree to step up lending: Mustapa (HL)

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ACKNOWLEDGING that liquidity is no longer an issue, banks have given an assurance that loan approvals and disbursements will be expedited as part of efforts to revitalise the economy, Second Finance Minister Datuk Mustapa Mohamed says.

Speaking to reporters after a 75-minute closed-door meeting with some 60 senior officials of banks and industry associations yesterday, Mustapa said the banks are changing gear and in a few weeks the effects will become apparent.

They need the time to make the necessary shift in mindset, he said, adding that it was only in the past six to seven weeks that banks started to respond to calls to lend more.

The meeting was held to look into complaints that financial institutions remained "overly cautious" in giving out loans despite improved liquidity in the system following various measures introduced by Bank Negara.

Among those present were Malayan Banking Bhd managing director Datuk Amirsham Abdul Aziz, who is also the chairman of Association of Banks of Malaysia, Bank Bumiputra Malaysia Bhd executive director Datuk Abdul Aziz Othman, Bank of Commerce (M) Bhd chief executive Datuk Md Nor Md Yusof, Federation of Malaysian Manufacturers deputy president Tan Sri Zain Hashim and Malay Chamber of Commerce Malaysia deputy president Datuk Abdul Rahman Maidin.

Prime Minister Datuk Seri Dr Mahathir Mohamad had at the weekend urged financial institutions to make it easier for the private sector to obtain loans.

Credit growth had slowed to 4.5 per cent as of September, from 7.5 per cent the previous month, despite liquidity-boosting measures such as the reduction of the Statutory Reserves Requirement to 2 per cent.

The Government has targeted credit expansion at 8 per cent for this year.

At the meeting, the banks gave an undertaking that lending would be increased but had asked for time to do so, Mustapa said, adding that while the 8 per cent credit growth target will be maintained, it does not mean that the Government wants them to lend recklessly.

"Of course we do not want banks to lend irresponsibly, but we would also not want them to be overly cautious... we did not ask the banks to lend to just any project... they have to be viable projects," he said.

For example, they can lend more to the small- and medium-scale industries (SMIs) and for low-cost housing projects which have ready buyers, Mustapa added.

As a follow-up to the meeting, the various chambers of commerce and industry will compile specific cases of difficulties in obtaining financing within a week which will then be referred to the Loan Monitoring Unit of Bank Negara, he said.

Mustapa cited as example 13 entrepreneurs from the Malaysian Associated Indian Chambers of Commerce and Industry who had had their loans turned down.

"They need to sit down together... there is a communication gap between the banks and entrepreneurs. Bank Negara will be the referee," he added.

"We are talking about economic recovery. Quick approval is useful, but what is important is disbursement. Only when the money is disbursed can things take off."

For example, 591 applications from SMIs for RM629.8 million in loans have been approved, but only RM133.6 million has been disbursed, Mustapa said.

This has served to lend credence to the perception that there is discrimination against lending to small businesses.

"There has to be a paradigm shift towards favouring small loans," he added.

On other issues brought up at the meeting, Mustapa said the bankers have urged Pengurusan Danaharta Nasional Bhd to expedite the process of purchasing non-performing loans (NPLs).

They also hope to see the Credit Guarantee Corp, whose lending activities have similarly been affected by the NPLs problem, strengthened.

In addition, it was stressed that corporate governance must be improved. Meanwhile, asked whether the Government has decided how much it will raise in Singapore, Mustapa said: "There are no specific figures at this point of time. At the policy level, there is some broad agreement, what is required now to work this out at the technical level."

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