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Mahathir-Banks

BANKS HAVE SUFFICIENT MONEY FOR LENDING, SAYS DR MAHATHIR

KUALA LUMPUR, Sept 10 (Bernama) -- Banking institutions have sufficient funds to finance economic activities, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said these institutions must achieve the 8.0 per cent lending target set by Bank Negara for this year.

"Banks will have to try to achieve this 8 per cent target (to finance the economic recovery). If they don't they are not doing their duty as a banker," he told a news conference, here.

Bank Negara pegged loans growth at 15 per cent at the beginning of the year "but bankers reacted badly and did not lend any money so much so that credit growth was only at 3.0 percent," he said.

Dr Mahathir said that since these bankers had a tough time in achieving the 15 per cent target, Bank Negara had reduced it to 8.0 per cent.

As part of its expansionary monetary policy, Bank Negara yesterday announced that banks should lend more and achieve a loans growth of 8.0 percent by end-1998 in efforts to finance the economic recovery.

Those banks which fail to meet the target must explain to Bank Negara while others which have higher targets should continue to meet them.

Dr Mahathir also expressed confidence that the Kuala Lumpur Stock Exchange (KLSE) would strengthen over time with prices reflecting the true value of companies despite its volatility early this week.

Following the imposition of exchange control measures last week, the composite index, which rose by more than 95 points on Monday, fell 22 per cent on Tuesday due to a sell-off.

Dr Mahathir explained that prices went down on Tuesday because there were some minor mistakes in the application of the government policy regarding transparency of trading on the stock market.

They allowed for some trading in Singapore (through the Central Limit Order Book or Clob) and as a result, the share prices came down.

Stock market sources said there was a massive selling of shares by foreign players using nominee accounts.

"We have already put a stop to that," Dr Mahathir said.

"So, you can see yesterday that prices came up (and) although it came down this morning, it is normal," he said.

At midday, the 100-stocks CI fell 13.28 points to 376.37 due to profit taking.

The KLSE, in a late statement, said that effective yesterday, all transfer transactions must be for approved reasons and accompanied by relevant supporting documents, a move aimed at further enhancing transparency on the stock market.

On contra trading, Dr Mahathir said that since it was one of the problems (causing the volatility), "the government is looking into the possibility of imposing a capital gains tax on contra trades."

Contra trading refers to the buying of shares but not actually owning them and selling them later with a view to making profits, which means investors only have to pay the difference. -- BERNAMA

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