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Continue lending, Daim urges banks

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ECONOMIC Adviser to the Government Tun Daim Zainuddin yesterday urged banks to lend if they have sufficient funds to do so.

He said by giving out loans to the private sector, banks would ensure that there is no decline in the sector's activities.

Local banks, he said, are not being coerced into reducing interest rates despite government criticism of their tight lending stance.

"The Government can persuade them ... but they run their banks and they should know their customers," Daim told reporters in Kuala Lumpur after meeting New Zealand Deputy Prime Minister and Treasurer Winston Peters.

Prime Minister Datuk Seri Dr Mahathir Mohamad's statement on Tuesday had said that banks were too strict in imposing credit conditions on borrowers.

The Prime Minister had said that if the banks do not believe in the country's economy, they might as well close down.

Daim questioned the banks' conditions on lending, saying that if businesses do not do well because of these conditions, it will also affect their profits.

"Which business has no risks, tell me? ... if they do not lend, what do they do with their money ... keep under the mattress? There is greater risk if there is a fire," he said.

Asked if there is a possibility of banks lowering interest rates, Daim said many things too can be done about it but "we will not disclose that".

On another question whether a timeframe has been set for a possible revision of the rates, Daim said, "the sooner the better ... I will not tell you."

On the interest rate spread quoted by the banks, Daim said the current spread of around 5.5 per cent, can be reduced if the banks are efficient.

Asked if a narrow spread will affect the banks' margins, he said: "Why (do) you want to make so much profit? If business does not do well, it will affect their profits also.

"We have been doing well because interest rates have been reasonable. If rates are too high, how can the private sector succeed?," he questioned.

"Now, the private sector is not doing well and if they are bankrupt, what can we do? The banks will not do well then and neither will you do well ... and there will be no end to it," Daim said.

Dr Mahathir had said that effective borrowing rates of 15 to 16 per cent are too high for local businesses and that a better rate would be around 11 per cent, where three-month interbank rates currently stand.

Asked if Malaysia is in a denial stage, Daim replied, "If we were, then we will not have the National Economic Action Council (NEAC) and we will not be asking all these kind of questions. We are attending to all our problems.

"When we say denial, it usually means that we are not addressing the problems and when people ask, we keep mum and say nothing is wrong. That is denial," he said.

Asked whether his position in the NEAC (as executive director) would affect the council's decision-making since he is a businessman himself and there would be possible conflict of interest, Daim said, "I would be an idiot if I do things only for myself. I would be irresponsible if I do not think of Malaysia.

"Never in my life have I been irresponsible to the nation. The nation

must always come first," Daim said.

He was also asked if fund managers are back in the country. Daim said they are all around and "they have seen me".

"When they start to move, they move ... and when they go out, they go out. It is a free market ... they do what they like."

Daim also said he is unaware of talk that he is one of the corporate leaders who will be named by businessman Datuk Soh Chee Wen as being involved in additional corporate corner-cutting beyond the Omega Securities deal.

"All I know is what I read in the Press," he said.

Soh said in an interview with the Asian Wall Street Journal last Friday that he would expose some prominent Malaysian companies and businessmen involved in the deal.

Soh, who at one time controlled eight listed Malaysian companies, has filed a report with the police, naming several Malaysian businessmen involved in the Omega deal.

"Nobody can stop him (Soh). Of course, he is entitled to defend himself. In the end, we will see when the facts are collected and when the investigations are done," Daim said.

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