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MAHATHIR-BANK/BM

DR MAHATHIR WANTS BANKS TO HAVE POSITIVE ATTITUDE OVER LENDING OPS

KUALA LUMPUR, Nov 7 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today said that he wants the managements of banks to adopt a more positive attitude towards providing loans to businessmen.

"Bank managements should also make it easier to borrow," he said at the annual dinner of the Association of Merchant Banks in Malaysia here tonight.

Dr Mahathir said it was found that many banks were not keen to offer loans of late.

"There have been stories that branch managers of banks often said they had not received lending instructions in black and white (from their headquarters). As a result, they were said to be extremely cautious in providing credit to businessmen. I hope these are mere stories."

The prime minister explained that various positive action had been taken by the government in the financial sector including injecting fresh capital into problem-banks to enable businesses to be better run.

But more importantly, he said, was for action to be taken by businessmen and financial institutions, where businesses could borrow from financial institutions to fund their existing operations which could have stopped or for new businesses.

Dr Mahathir said, "The country's economic recovery hinges upon the dynamism of the private sector with the help from banks in the field of business.

"If the private sector is active, the economic recovery will even be faster. When the economy recovers quickly, the livelihood of the people will be better."

Dr Mahathir also reminded the people not to be complacent after having seen certain recovery signals in East Asia like in the rise in currency values and stock market indices.

"There may be those who felt that without the selective exchange controls, Malaysia's economy would still recover."

However, he advised these people not to accept that line of reasoning because what had been happening was not an appreciation of currencies in East Asia but the fall in the US dollar.

He said, "When the Long Term Capital Fund suffered huge losses, the banks of developed nations, which used to provide huge amounts of credit to hedge funds, had withdrawn their lines of credit for currency trading.

"As a result, many hedge funds suffered losses and were forced to sell US dollar to pay for their foreign exchange loans. In view of this, the value of the US dollar also dropped while the value of other currencies appreciated."

Dr Mahathir felt that it was still uncertain that fund managers would not return to East Asia to make their speculative attacks.

"We have seen that they have repeatedly attacked the currencies of Mexico and Brazil. When economies recover after their attacks, they will return for a repeat performance."

Dr Mahathir also said there was still uncertainty whether the speculative attacks on East Asian currencies had ended.

"As long as currency trading is not regulated by the international community and certain countries, there is no guarantee that currency traders would not return to stage another attack once they have overcome their present problems."

"In view of this, Malaysia's selective exchange control measures could not be withdrawn or relaxed."

Dr Mahathir said Malaysia was still not in an economically stable position and all parties had to be cautious and vigilant over developments around them. -- BERNAMA

RIZ MFJ SHY