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Lend or close down, banks told (HL)

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KUALA LUMPUR, Tues. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today local banks which continued to impose a credit squeeze even on productive sectors should close down as they had no confidence in the Malaysian economy.

He said these banks had imposed stiff conditions for loans to the extent that some companies could no longer do business.

"The banks have now decided to tighten the screws to the point where people cannot do business.

"Instead of 10 per cent for performance bond, they are now asking for 100 per cent. If it is 100 per cent, you don't have to go to the banks, you can use it yourself," he told reporters after a three-hour visit to Cyberjaya, the nucleus of the Multimedia Super Corridor and the Multimedia University.

Performance bond is an instrument where financial institutions stand as surety for one to supply goods or services to third parties.

Dr Mahathir said the Government did not ask the banks to impose such stiff conditions.

"The banks are more interested in themselves than in supporting businesses. One of these days, the banks will have no business and will be crying for help from the Government."

Asked whether such conditions had seriously affected businesses, Dr Mahathir said: "Not yet, but it will be serious if they don't reduce it (performance bond) back to 10 per cent."

He said of late the Government had received many complaints about the banks from businessmen.

"We are having too many problems with the banks. They won't lend money, they pull back credit lines and do all kinds of other things which are stifling the economy.

"In the end, if the economy goes into contraction, the banks will also fail."

Asked what transpired at the meeting which he had with representatives from the banks recently, Dr Mahathir said:

"We explained to them but they (the banks) kept on saying that they understood the situation and will do the necessary. And yet, when I go to the ground, I find people complaining about the banks' lack of co-operation.

"I can't understand why. If they don't believe in the economy of this country, they might as well close the banks."

He said he would discuss the matter with his deputy Datuk Seri Anwar Ibrahim, who is also Finance Minister.

Dr Mahathir also said the Cyberjaya project was progressing smoothly although there was a problem in obtaining credit.

"In fact, we are one year ahead of plans."

Covering 7,000ha, Cyberjaya, the MSC's flagship intelligent city, will be equipped with world-class physical infrastructure, including telecommunications, smart highways and express rail link.

Cyberjaya, developed by Cyberview Sdn Bhd, is based on a concept that harmonises man, nature and technology. It is planned to be an attractive, low-density, world-class urban development amid lush greenery in the heart of the MSC.

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