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MAHATHIR-BANKS

MAHATHIR CHIDES BANKS FOR IMPOSING STRICT CREDIT REGULATIONS

CYBERJAYA, June 16 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamd has taken to task local banks for imposing strict credit conditions on borrowers, saying that "if they don't believe in the country's economy, they might as well close down.

Not too happy with their lack of support in generating business activity during the current slowdown, he said banks were demanding that borrowers pay up to 100 percent of performance bonds from 10 percent previously.

A lot of business people have been affected by this ruling which is stifling the economy, he told reporters during a visit to the high-tech multimedia city here.

A performance bond is essentially an instrument given by the bank to a borrower who undertakes a project whereby the latter is liable in case of a default.

In case the project runs into problems or if there is a default, the party which awarded the contract can redeem the performance bond up to the value of the contract according to the terms and conditions spelt out.

Dr Mahathir said the government did not ask the banks to impose such strict conditions but "apparently, they care more about their interests than supporting businesses."

"The banks have tightened their screws to the point where people cannot do business ... there are too many (conditions) imposed by the banks on these people which is stifling the economy," he said.

"One of these days, when banks don't have business, they will be crying for help from the government," he said.

As to how serious was the problem, he said "it will be serious if they don't reduce it back to 10 percent."

The Prime Minister also expressed dissatisfaction with some bankers who kept on saying: "Yes, we want to do this, we agree with the government, but at the ground level, I find complaints about banks' lack of cooperation."

In efforts to overcome the problem, he said he would inform his deputy and Minister of Finance Datuk Seri Anwar Ibrahim to look into the matter, adding that "we are having too many problems with the banks (over) their lack of cooperation."

He said banks now were not willing to lend money and were keeping the money to themselves and were even pulling back credit lines.

"What the banks are doing is tightening the economy, which in the end will stifle business and if the economy goes into contraction, it is the banks which will also pay," he said.

"I can't understand why is it they don't believe in the economy of the country, if they don't believe in the economy, they might as well close down," he said.--BERNAMA

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