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Make it easier for private sector to get loans, says PM

Ashraf Abdullah

KUALA LUMPUR, Sat. - Prime Minister Datuk Seri Dr Mahathir Mohamad tonight urged financial institutions to make it easier for the private sector to obtain loan approval following the various "enabling" measures taken by the Government to boost growth.

He said this was important because only the private sector could revive the ailing economy.

Speaking at the 19th Association of Merchant Banks' annual dinner, Dr Mahathir said although the country still faced economic problems, the various measures taken by the Government had created a more conducive environment for business growth.

He said the exchange rate controls, which rendered the ringgit valueless outside the country and prevented short-selling by returning the trading of Malaysian shares to the Kuala Lumpur Stock Exchange, were among them.

These measures, he added, had increased liquidity in the financial system.

"It is needless to stress that economic recovery is dependent on the private sector's vigour to carry out its business with the assistance of banks.

"The more vigorous the private sector, the faster the recovery will be. The faster the economy recovers, the more comfortable people's lives will be."

Dr Mahathir, who is also First Finance Minister, said companies should borrow from banks, either to revive old businesses or to start new ones.

"The Government has decided that credit growth must not be lower than eight per cent (for 1998), but we find that banks still refuse to approve loans.

"It seems branch managers are refusing to do so as they have not got instructions in black and white. Thus, they continue to be extra cautious in giving out loans.

"I hope what I am hearing is just a fairy tale. I hope banks will be more positive in loan approval," he said, adding that Bank Negara would continue to monitor their activities.

Dr Mahathir said the economy was badly affected as a result of continuous attacks on the ringgit and shares on the Kuala Lumpur Stock Exchange.

"When the depreciation of the currency is followed by the fall in the value of shares, the country, banks and companies are exposed to the possibility of being bankrupt.

"Weak companies will be the first to fall and the stronger ones will eventually suffer the same fate. The failure of the banks and the companies will then drag the country down."

He added that Malaysia did not want to seek assistance from the International Monetary Fund (IMF) because it felt that the economic problems were not its own doing but because of the activities of currency traders.

"We don't think the IMF can help us as long as currency traders can attack and devalue our currency for quick profits. Although it had promised to discuss ways to control currency trading, it has yet to do anything meaningful."

Dr Mahathir said the IMF would also impose tight conditions, including opening up the local market for foreign takeover.

"This means foreign companies and banks can take over 100 per cent of Malaysian banks and companies. As they are huge, wealthy and have branches all over the world, local banks and companies cannot possibly compete with them."

In such a situation, Malaysians would be reduced to mere employees of banks and companies owned by foreigners.

Malaysia's independence would have no meaning if Malaysians did not have total control of its economy.

"The country cannot be considered independent if Malaysians only have political power. Unless the people have total control of the economy, the country's freedom cannot be guaranteed," he said.

Dr Mahathir said some were of the opinion that even without exchange control measures, the value of the ringgit would appreciate.

He said they based the argument on recent signs that East Asian economies were recovering.

"We should not hurriedly accept this argument. It is not that the value of the East Asian currencies is increasing, it is the depreciating US dollar."

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