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Message by PM is clear, says leading banker

THE message by Umno president Datuk Seri Dr Mahathir Mohamad on the economy is clear and members should study the content of the speech carefully, Arab Malaysian Development Bank Group executive chairman Tan Sri Azman Hashim said yesterday.

He said Dr Mahathir explained clearly about deregulation, globalisation, cronyism and nepotism, which are Western-coined words, and succeeded in translating them into the Malaysian context.

Asked if the speech would change anything for the banking sector, Azman said for the time being, there was pressure for banks to open its doors to foreigners.

"I think the banking sector is being looked at very closely at the moment.

"However, the market forces of the developed countries wanted us to be completely open and we have seen that when we are completely open, as in the currency situation, it affected us.

"Currencies can easily flow in and out of the country in huge amounts. We open ourself to a big disadvantage," he added.

However, he said Malaysia had been more open compared to some countries.

"Our stock market is very open. There is not much restriction to foreigners. That is why when funds want to move in, they move in, and when they want to move out, they move out.

"The foreign content in our stock market is very high because we are open. I think, in a way we are investment friendly."

Azman also said the West had also made words like bail-out look like a criminal act, although bailing out companies in the West was a normal thing.

"Bail-out is not dirty work. It is a necessity. There are certain things that we must bail out.

"There are companies which are critical to the economy. You have to do something about it."

Asked why the Government was so combative of the word, he said:

"To me, we must accept the fact that there are good and bad bail-outs.

"Where things are productive and useful to the country, if you don't bail-out it is going to be a negative thing. We should be careful in our own assessment."

Asked if he considers himself a crony, he said: "I am definitely a crony by any definition. I am happy to be one."

Meanwhile, Bernama reported that Azman said local interest rates could stabilise if offshore interest rates on the ringgit fell.

"With the intervention by the US and Japan to support the ailing yen, I was told that the overseas ringgit rates have now come down to 11 per cent, hurting the speculators," he added.

The speculators had offered rates on the ringgit as high as 30 per cent on the expectation that the local currency would drop further, he told newsmen after Prime Minister Datuk Seri Dr Mahathir Mohamad officiated the Umno general assembly in Kuala Lumpur.

"With ringgit offshore rates having fallen to 11 per cent, I hope there will be no incentives for funds to flow out of the system and maybe then our rates can stabilise," he added.

Borrowers of domestic financial institutional funds felt that the rates charged on them were quite high, he said.

"Even for the banks themselves, the existing cost of funds (COF) that they have to bear is not fair. Banks' interest rates are with the COF, which is how much we pay for the deposits," he said.

Currently, banks were offering up to 11 per cent interest on deposits but when statutory reserves, overheads and margins were added, the rates are higher at about 16 per cent, Azman added.

On the actual spread of interest charged, he said it varied from one customer to another.

"The stronger and less riskier the customer, the lower the spread will be," he added.

He said banks had to make an effort to lend to help resuscitate the economy but, still, they had to balance this with the need to lend to "good borrowers".

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