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PM: Cheaper funds for business sought (HL)

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THE Government will assist businesses to obtain competitive loans from outside the banking system even as it seeks ways to lower interest rates, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"We are finding ways where the interest rates are maintained at present levels or slightly lower, while other methods of financing could be provided to businessmen, perhaps not through the banking system.

"As such, the cost of doing business could be reduced," he told Parliament yesterday.

However, Dr Mahathir, who has been critical of banks' reluctance to lend to even productive and qualified businesses, did not give details on the move to obtain credit from outside the banking system.

He was replying to a supplementary question from Jimmy Lim @ Jimmy Donald (BN-Sri Aman) at the Dewan Rakyat.

The Prime Minister said interest rates cannot be brought down drastically as this will discourage Malaysians from saving with local banks. In addition, whenever the Government tries to reduce the interest rates to assist businessmen, some countries would raise their rates to attract ringgit into their banking systems.

"We try to reduce the interest rates as much as we can. But our problem is that while we try to do this, other nations purposely increase their rates, sometimes as high as 40 per cent.

"Due to this, many Malaysians tend to place their money abroad for better earnings. In the end, the local banks have less money to lend."

To the original question from Dr Tan Seng Giaw (DAP-Kepong), the Prime Minister said it is difficult for the Government to project when the economy will recover as long as currency traders have the power to attack currencies.

Dr Mahathir said such traders can only be disciplined by their own governments which also benefit whenever the former make huge profits.

The Prime Minister also clarified that there is no conflict in the Government's policies of reducing public expenditure and promoting liquidity in the financial sector.

"We decided to reduce spending by 20 per cent. But this does not mean we want companies to stand still. If they are not earning good profits, the Government's earnings from taxes will not be sufficient.

"That is why while the Government reduces public spending, we also want the private sector to be active and continue with their respective businesses. The sector lacks funds, so the Government adds more funds to the banks."

He called on Malaysians to be patient and continue to support the Government's measures to help the country weather the present economic slowdown.

He urged them to continue to save with local banks and not transfer their funds to foreign ones.

"They should also stop buying imported goods and reduce their overseas trips. With the rakyat's support and the Government's initiatives, we can reduce the impact of the economic crisis," Dr Mahathir added.

On the success of the measures so far, the Prime Minister said the fact that the country remains in no need of aid from the International Monetary Fund (IMF) is proof that the economic policy is appropriate.

"If our handling of the economy had not been good, we would have

required assistance from international bodies from the beginning.

"But due to our financial strength before our currency was attacked, the Government and the private sector do not need to borrow a lot from overseas. The country's strong financial position has helped to reduce the crisis we are experiencing."

Nonetheless the ringgit is still exposed to attacks and this makes it difficult for the Government to restore the economy, he said.

"We tried to defend the ringgit's value, but like other nations, it could not save the economy. Now, we try to reduce the use of foreign currencies, particularly the US dollar, in our international trade," he added.

At the same time, the Government is stepping up efforts to promote exports.

"This strategy has succeeded in reducing the deficit in the country's balance of payments, to the extent that we have a surplus of RM16 billion in the first four months of the year.

"We are also opting for barter trade and bilateral payments arrangements. As such, the need for currency exchange has been reduced."

Other measures include the setting up of Pengurusan Danaharta Nasional Bhd to relieve the banking system of the pressure of non-performing loans; increase in funds for small- and medium-scaled industries; and a move to issue bonds in the domestic and foreign markets to boost liquidity, Dr Mahathir said.

Additional measures are being formulated by the National Economic Action Council. "The Government believes this will reduce the impact of ringgit's depreciation and the drop in share prices".

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