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## Proposal for Tier-1 banks

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THE National Economic Action Council has recommended that Bank Negara relaxes this year's 15 per cent ceiling on loans growth for capable Tier-1 banks, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

The proposal, one of a series of recommendations on the banking sector, however, called for the overall credit growth to be limited to 15 per cent.

Other banking-related recommendations include bringing down interest rates and borrowing costs; boosting liquidity and reducing credit pressures; reducing the Statutory Reserve Requirement with Bank Negara by one or two per cent; allowing easier funding access to foreign-owned companies to starting a business or expanding existing ones, and to expediting the establishment of a bond market.

Each of the council's wide-ranging recommendations - others include intra-Asean trade in local currencies and boosting food production - had been accepted by Cabinet either in full or in part.

"The measures are being implemented by the relevant parties," Dr Mahathir, who is chairman of the NEAC, told the Dewan Rakyat.

He was replying to an oral question from Opposition leader Lim Kit Siang (DAP-Tanjung) on the powers of the NEAC vis-a-vis the Cabinet and Parliament, its modus operandi, recruitment of staff and salary.

Dr Mahathir said the NEAC was akin to the body formed at the end of the New Economic Policy period, rather than the National Operations Council established in the wake of the riots of May 1969.

The NEAC, among others, seeks to assist the Government to restore the people's and investors's confidence in the economy, ensure the nation does not get into an economic recession triggered by currency volatility and fall in stock market.

Dr Mahathir said members of the NEAC, its Exco, working committee and the executive director are not paid any salaries.

The working committee has held some 200 meetings with representatives of local and foreign business organisations in various sectors.

The Cabinet will also consider views from members of the NEAC working committee and its Exco on matters like the strategy to further strengthen the macroeconomic situation for this year, and balancing the need for development with monetary and fiscal austerity.

While it is early to gauge whether the two-month-old council had been able to execute its duties, Dr Mahathir said he was satisfied with the efforts and contributions of parties involved.

More importantly, there have been signs of an economic recovery.

He said the NEAC was formed to assist the Cabinet and Government in tackling the economic problems. And although there were positive changes in the economic situation, the Government plans to enable the council to function until after a full recovery.

On Bumiputera interests, Dr Mahathir said measures like continuing poverty-eradication programmes, expansion of the small- and medium-scale industries and efforts on education clearly showed the Government's commitment.

"Nevertheless, as a pragmatic Government, we are also aware that programmes to assist the Bumiputeras very much need a rapid economic growth."

Therefore, he said, the Government needs to take measures to expedite

economic growth. Although in the short term, these measures can be seen as not benefiting the Bumiputeras, it has to be looked in long term perspective and benefits for the Bumiputeras arising from a rapid economic growth.

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