

14/07/1998

Reduce interest rate spread, local banks told

Fadzil Ghazali; Kang Siew Li

LOCAL banks have been urged to narrow their interest rate spread from the current 4-5 per cent to less than 2 per cent.

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, in reply to a supplementary question by Lim Guan Eng (DAP - Kota Melaka), said this will in a way assist the Government in lowering interest rates.

"While we take steps to provide lower interest rates, we however feel that the current interest rates are still considered relatively high in Malaysia ... compared to the interest rates before the economic crisis hit the region although it is still lower compared with that of neighbouring countries," he said.

The interest rate spread is the margin that banks impose on top of the base lending rate.

"We have so far lowered the interest rates by adjusting the base lending rate, the statutory reserve requirement as well as the interest rate spread by commercial banks," he added.

Replying to a question by Abdul Hadi Awang (PAS - Marang), the Deputy Prime Minister said banks offering Islamic banking were having problems because of the drop in savings, rise in non-performing loans and fall in the value of securities put up as collaterals for funding.

The Government is looking for ways to strengthen these banks, he added.

The immediate measures taken by the Government include allowing these banks offering Islamic banking to increase their number of branches to attract more people to save with them.

To a supplementary question by Abdul Hadi, he said the Government does not propose to do away with the existing conventional banking system because it would only affect investors' confidence.

He felt it is better for Islamic banking to operate alongside conventional banking.

Replying to Wan Mohd Jamin Wan Mahmood (PAS - Tumpat), Anwar reiterated that the Government has no intention to help Bumiputera companies which were on the verge of bankruptcy or already bankrupt before the crisis if their performance and management were not up to the mark.

"We will, however, continue to help companies which are nearly bankrupt because of the fall in the value of the ringgit or the decline in the share market," he said.

* THE Government does not propose to set up any new fund to help Bumiputera entrepreneurs facing financial problems as existing funds are capable of providing adequate sources of financing.

Deputy Prime Minister Datuk Seri Anwar Ibrahim said among the existing funds to help Bumiputera companies is the Small and Medium Industries (SMI) Fund.

An additional allocation of RM500 million has been made to the SMI Fund, bringing it to RM1.5 billion, of which 60 per cent is for Bumiputera entrepreneurs, he told Rahim Mohd Said (BN - Kuala Nerus).

An additional RM500 million has also been allocated to the New Entrepreneurs Fund bringing it to RM750 million, he said.

Anwar, who is also Finance Minister, said the Government has also increased the allocation for Bumiputera borrowers under the Fund for Food from 30 per cent to 50 per cent of the RM1 billion fund and also increased the Export Credit Facility Fund managed by Exim-Bank from RM1.3 billion to RM4 billion.

Replying to Lim Kit Siang (DAP - Tanjung), Anwar said even though the various funds are aimed at helping out Bumiputera companies, there are also funds such as the Food Fund which had benefited non-Bumiputera companies.

"Some 70 per cent of non-Bumiputera companies have made use of the Food Fund," he said.

* DEPUTY Minister in the Prime Minister's Department, Datuk Fauzi Abdul Rahman said the Government will study the proposal made by Lim Kit Siang (DAP - Tanjung) to release the list of companies and individuals awarded privatization projects every six months.

The list is similar to that released by Prime Minister Datuk Seri Dr Mahathir Mohamad at the Umno General Assembly last month.

To a question by Chia Kwang Chye (BN - Bukit Bendera), Fauzi said the Government's consideration for awards to privatization projects is "clear and transparent and is in accordance to the privatization procedures".

"According to the privatization procedures, all proposals will be studied by the Privatization Committee in the Economic Planning Unit.

"This committee is aided by two sub-committees, the technical and the finance committees which will analyse the financial and technical aspects of the privatization projects," he said.

Fauzi added that the Government believes that the current privatization procedures are sufficient. "The interests of the Government and the public are taken."

* DEWAN Rakyat Speaker Tun Mohamed Zahir Ismail rejected yesterday a DAP motion calling for the adjournment of proceedings to discuss disruption of operations at the KL International Airport in the first week of its opening.

Mohamed Zahir, in rejecting the motion tabled by Opposition Leader Lim Kit Siang (DAP - Tanjung), said even though the matter is specific and of public interest, it is not however urgent.

He said disruptions in the first week of any new airport are normal as was the case in other new international airports of the world.

"I understand the main cause of the disruptions was that the KLIA staff had not familiarised themselves with their new place and with sophisticated technology.

"Now, everyone is striving to improve operations and the situation at the airport is nearly 100 per cent restored to normalcy," Mohamed Zahir said.

In his motion, Lim said, passengers had to face inconvenience such as waiting for up to three hours in the plane because the aerobridge did not function and there were also cases of lost baggage.

He said the KLIA should have taken care of all details before beginning operations.

(END)