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BUDGET-REACTION

1999 BUDGET TO PROVIDE STRONGER FOOTING ON COUNTRY'S ECONOMY

By: Azlina Aziz

KUALA LUMPUR, Oct 23 (Bernama) -- The Association of Banks Malaysia feels that the expansionary fiscal policy outlined in the 1999 Budget today, is the most appropriate response to place the economy on a stronger footing.

Its chairman Datuk Amirsham A Aziz said that the banking sector was particularly heartened by the 50 percent tax exemption on interest-in-suspense provided in the Budget.

The concession was indeed significant considering the present level of non performing loans (NPLs) in the industry, he said, adding that it will have the effect of improving profitability of banks and strengthening the industry especially during the challenging period.

Amirsham, who is also the managing director of Maybank, said that ABM welcomed the exemption on stamp duty and real property gains tax on mergers of financial institutions.

"This move will reduce the costs involved, thereby encouraging further the process of mergers and the strengthening of the country's banking industry," he said in a statement.

The association viewed positively the exemption of stamp duty on refinancing of loans as it provides greater flexibility to the borrowers and would benefit businesses in the long run, Amirsham added.

TA Securities banking analyst, Chie King Ngu said since the government has done "a lot" for the banking sectors in recent months, most of the bankers did not expect much incentives to be provided for the sector in the 1999 Budget.

"The establishment of Pengurusan Danaharta Nasional Bhd and Danamodal Nasional Bhd for example, will assist in strengthening the banking system," he said.

Nevertheless, Chie said Prime Minister Datuk Seri Dr Mahathir Mohamad, who tabled the Budget in Dewan Rakyat, did come out with more than what the bankers had expected namely the 50 percent interest income in the "interest in-suspense" over the next two years.

He said that the 1999 Budget was slightly different compared to previous years but that it could be a kick-start to the economy which has been torn apart by unscrupulous currency and stock market speculators.

"People will definitely asked how the government is going to finance the budget deficit which is expected to be around RM16 billion next year, but I feel the government has its own ways to solve the matter," he said.

Meanwhile, President of Malaysian Investors' Association, Dr PHs Lim viewed the 1999 Budget as "people friendly" and pro-business.

"Despite the difficulties face by the country currently, the government is trying hard to expand the economy, so that the country could come out from this difficulties as soon as possible," he said.

-- BERNAMA

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