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MAHATHIR-KWSP

2.0 PCT CUT IN EMPLOYEES' EPF CONTRIBUTIONS POSITIVE FOR ECONOMY

KUALA LUMPUR, May 22 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today said the two percent cut in the employees' contribution to the Employees Provident Fund will provide positive effects to the national economy.

He said although this could mean only RM10 per contributor, the annual total could reach RM2 billion and when the money was spent, it would enter the country's financial system.

"(On the whole) the (economic) package has received good response. (But there are views that) the drop in contributions to 9.0 percent from 11 percent did not mean a thing as it only amounted to RM10 a person," he said.

But Dr Mahathir said not all workers contributed just RM10 per person.

He said if more money went into the pockets of Malaysians, they could then help contribute towards economic growth of the country with the higher disposable income.

Dr Mahathir said the reduced EPF contributions from employees was only for a limited period. The cut is only for one year from June 1, 2003.

"We have seven million workers. Although this could amount to RM10 a person, collectively this works out to RM70 million. So it's a big sum of money," he said.

When asked on how stringent would Bank Negara Malaysia (BNM) be in terms of monitoring and ensuring compliance of the client charters of financial institutions in providing adequate and easier access to funds for SMEs as mentioned under the economic package, Dr Mahathir said "the question of how stringent it would be does not arise."

"It is something that they (financial institutons) have to do in order to service their customers. We cannot punish (financial institutions) but we ask them (financial institutions) to promise their clients that, 'if you come to me, I will provide you with easier access to funds.'"

In the financial package, financial institutions had been urged to provide support for the development of Small and Medium Enterprises (SMEs), including providing special SME windows and ensure that SMEs have easy access to funding facilities.

Towards this end, BNM would be responsible for monitoring their client charters, in which financial institutions must comply as a reflection of their commitment towards the nation's aspirations to develop SMEs.

In the economic package, Dr Mahathir said SMEs would be further developed to enable them to become catalysts in generating greater domestic investment. -- BERNAMA

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