

MAJLIS MAKAN MALAM TAHUNAN INSTITUSI-INSTITUSI KEWANGAN
MALAYSIA
HOTEL SHANGRILA, KUALA LUMPUR

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Yang Berhormat En. Daim Zainuddin, Menteri Kewangan; Yang Berbahagia Tan Sri Basir Ismail; Dif-Dif Kehormat; Tuan-tuan dan puan-puan.

Saya mengucapkan terima kasih kepada Ahli Jawatankuasa Penganjur Majlis jamuan Makan Malam Tahunan Institusi-institusi Kewangan Malaysia, kerana telah sudi sekali lagi menjemput saya dan isteri saya ke Majlis ini.

2. Before I touch on banking and finance may I talk generally about human society. A society exists because the members can relate to each other, can interact and coexist. Whether the particular society prospers or not depends on the quality of the members, that is the values they believe in and, more importantly, they practice.

3. For some time now we have been at pains to promote certain human values for our society in particular 'amanah' or trustworthiness. For the banking community no other value is more important than trustworthiness. Without trust banks simply cannot function.

4. Banks hold in trust vast sums of money belonging to individuals, businesses and the state. We, of course, have rules and regulations and laws to ensure that the money is properly managed. But as we have seen, these are full of loopholes for the crooked and the criminal-minded. The basic need is still trustworthiness. The only way the banks can function well is for them to be manned by trustworthy people. Then and then only can the wealth of the nation be entrusted to them.

5. The unfortunate thing is that we have no substitute for banks in modern times. Certainly there is none which can handle the wealth of the community without relying on trust. We have therefore to inculcate this important value called 'amanah' among bankers.

6. The question is how do we do this. It is relatively easy to teach children the correct values. But the habits and values of adults have already set in. Nevertheless, we believe we can do so, at least to some extent. We formulated the slogan 'Bersih, Cekap dan Amanah' because we believe

that by constant reminders we can sow good values. We will also punish mercilessly those who abuse the trust we place in them. We would also like to teach by precept and by example.

7. This is where the senior bankers have a role to play. You must show, like Caesars wife, that you are beyond reproach. You must take your work seriously. You must be responsible. You must be completely trustworthy.

8. Perhaps some might say you don't have to tell us all these things because we know it. But we also know that there are more than just a few in the banking business, particularly at the less exalted levels, who have not been anywhere near as trustworthy as we would like them to be. Their behaviour is not their responsibility alone. Their superiors at all levels are equally if not more responsible, for their behaviour. We don't expect you to commit hara-kiri or seppuku when your subordinates fail. But you must not neglect the supervision that is required of you and certainly you must try to inculcate the right values among your staff.

Ladies and Gentlemen,

9. Next I would like to speak of a disturbing trend in Malaysian society. Malaysia's prosperity has spawned a number of self-made millionaires, some of whom really make it in the classic rags to riches saga. Unfortunately this has brought about a 'get rich quick' mentality. Even the penniless now think that they can become millionaires overnight without any effort.

10. This is an unhealthy frame of mind. It leads to acts which frequently verge on the fraudulent. Indeed fraudulent means are often resorted to. A prosperity built on fraud is not durable. It will collapse and then the price to pay will be horrendous.

11. Not so long ago a British whiz-kid went on a rampage, acquiring companies and stripping them of their assets. He left a trail of corporate corpses all over the world including the Far East. Now in Malaysia we have people who acquire what they call a 'listed vehicle' and then inject assets, revalue and merging with other companies to form a business empire. Through revaluation and capital gains money is made. 12. The fact is that in most instances no real business is done. There is no increase in productivity or manufacturing or sales or exports. The only thing that has happened is that the assets have been revalued but have stayed where they are and as they are. The public is often taken for a ride by the inflated value of the shares.

13. This paper wealth is no substitute for real wealth. Wealth cannot be increased by calling one cent one dollar. Similarly a share that is worth \$1/is still worth \$1/even if priced at \$10/-. It is only when assets really accumulate and productivity is increased that enhanced share values have any significance.

14. Bankers are the guardians of the wealth of the nation. While they should not obstruct genuine mergers and acquisitions where the intention is to do business, they should be very careful that they are not innocent accomplices in what could be termed grey operations.

Ladies and Gentlemen,

15. I said just now that I want to talk a little about human society. I have enumerated two items which can have a profound effect on the success or otherwise of human society. These items relate to the interaction between the bankers, the Government and the public.

16. I would like to think that bankers appreciate the dangers posed by both the 'get rich quick' mentality and the manipulations involved in certain corporate games business men play. It is your duty to discern the genuine from the false. Your decisions as bankers will determine whether our society grows and prosper or we deteriorate economically and ultimately politically as well.

17. Now let me move from gross generalities to the particular although I will have to be very general still.

18. As the Fourth Malaysia Plan draws to a close, we all stand at the threshold of an uncertain era. That uncertainty has been manifested in many forms, both political and financial. I believe that Malaysian pessimists are truly like the proverbial 'Katak Bawah Tempurung' or 'frog under the coconut shell'. They sing loudest when they think the sky is getting dark, but they forget that Malaysia remains a light in the darkness of the world recession. Despite a slowdown in world economic growth, Malaysia has been able to maintain its pace of growth above 5 per cent annually. Our inflation has declined to negative levels. Thanks to the austerity drive by the Government, the fiscal and balance of payments deficits have been reduced and even reversed, and external reserves of Bank Negara rose by nearly \$1 billion ringgit since the beginning of this year.

19. On the policy front, the Government has done as much as it can to chart a steady course for the economy and to make Malaysia

Incorporated a reality. We have reduced taxation including income tax, cut electricity and communication rates, increased tariffs to assist key domestic production and improved the foreign equity participation terms in our industries. In addition, we have succeeded in cutting back wasteful public expenditure, lowered interest rates, and reduced red tape and deregulated all round. And lately, we injected 1 billion ringgit into the capital market to enable lower interest funds to be made available for key sectors of the economy. But, of course, the moans and groans go on.

Ladies and Gentlemen,

20. There is no question that the slowdown in the industrial countries, which has reduced commodity prices significantly in the last twelve months, has dampened business confidence all round. With an over-supply of high-rise property, the business community has begun to feel the cash flow pinch and has become too obsessed with self-pity to realise that now is the time and opportunity to put our own house in order. We are all aware that efficiency and productivity remains the basis of competitiveness and vigour, and yet many Malaysian businesses have been reluctant to upgrade their technology and cut wastage in order to stay in front. Many devote their energies instead to seeking more subsidies and tariff protection from the Government. Let me just say that the Government has no intention of continuing to support inefficient industries. We will give protection only where protection is due but we would like to see real efforts made to increase productivity and improve the quality and efficiency of Malaysian management. There is always a howl if Government employ foreign consultants or contractors. But Malaysian businessmen who regularly leave most of their own business to foreigners and foreign countries consider it a matter of right.

21. What role can the financial sector play in this environment? The banks have not escaped the effects of the rumour mills, with the rush at some banks a few months ago as a result of the collapse of a bank in Hong Kong. Throughout the world, banking fiascos are almost daily in the news. Bad management and fraud have caused the collapse of banks in Hong Kong, Europe and the United States of America. And as in Malaysia, Governments have been forced to rescue these banks in the interest of the public. The sensitivity of public opinion to confidence in the banking system illustrates how important a role the banking system plays in our economy. The banks are, as I have said earlier, the guardians of our assets and the sources of our liabilities. The safety of the flow of our savings and the continuity of resources for our borrowers through thick and thin are the lifeblood of our economy. The bankers may not be the major bread-winners in our economy, but they certainly help to keep our

planters, farmers, miners, manufacturers and traders supplied with sufficient funds to increase their output.

22. Over the last few years, the banking industry has continued to grow despite the sluggish environment for other industries. Total employment in banking rose on average 9 per cent annually in the 1980s, and the branch network by 6 per cent. Value added in the financial sector had grown by over 7.5 per cent between 1981-84, and is expected to be maintained at about 6.5 per cent for this and next year. Despite all the grumbles, the net profits after tax of the domestic banks in 1984, excluding the special circumstances of Bank Bumiputra, increased by 5 per cent, while that of local banks grew by 9.4 per cent. The banking industry is obviously both profitable and sound.

23. I cannot end this address without saying a few words about the process of deregulation in banking. Some of you may consider that the tightening of discipline in the industry calls for further regulation by the authorities. In a sense that is true. But to understand deregulation, one must view the process of change within the environment of changing technology and greater competition. Malaysia intends to open the avenues of change by allowing institutions to be more flexible in what they can do. In practice, deregulation means that institutions can be more free to move in areas previously prohibited by regulation, to compete more vigorously to provide better service for the public, and to break new grounds of bank profitability. Hopefully, deregulation will produce both a more efficient financial system and more responsible standard of behaviour by the banking community. The changes of the future can only come about through the adaptation and evolution of the banks themselves to the new environment. I believe that the most constructive contribution that can be made by the authorities is to be more liberal in their approach, ready to accept that the convenience of many traditional demarcations and ways of doing business may have to be set aside so that new energies and enterprises can be released.

24. The Government will not compromise in the crack down on abuses of the ethical standards in banking, and this is where prudent regulation has in fact increased rather than decreased. The Government is basically saying this to the banking community: you will be freer to venture in many new areas of business, but you will not be allowed to breach the boundaries of banking prudence and integrity. In other words, we have widened the field of banking business and encouraged competition by more players, but have also demarcated the boundaries more clearly. The sum total of all this is that, our financial institutions face some very

exciting opportunities which, if they can be effectively grasped, will greatly benefit both the banks and the nation at large.

Ladies and Gentlemen,

25. What I wish to say tonight is that we should not be overawed by the uncertainties of the future. We must grasp the opportunities today, of a stable nation, abundant natural resources and a young work force, to build a better future. If we wallow in our own miseries, we have only ourselves to blame if, as the old Malay saying goes, "kita baharu capai pengayoh, orang sudah tiba ke seberang."

26. Once again, I thank you for a most pleasant evening.