

UCAPAN OLEH: DATO' SERI DR. MAHATHIR BIN MOHAMAD  
( PERDANA MENTERI )

UPACARA: MAJLIS MAKAN MALAM TAHUNAN BERSAMA PERSATUAN  
BANK-BANK DAN INSTITUSI-INSTITUSI KEWANGAN MALAYSIA

TEMPAT: HOTEL HILTON, KUALA LUMPUR

TARIKH: 25 AUG 1982

MASA:

Yang Berbahagia Dato' Jaafar Hussein  
Pengerusi Persatuan Bank-Bank Dalam  
Malaysia yang mewakili  
institusi-institusi kewangan;  
Dif-dif kerhormat;  
Tuan-tuan dan Puan-puan sekalian.

Saya mengucapkan berbanyak terima kasih kepada Ahli  
jawatankuasa Penganjur Majlis Makan Malam Tahunan Bersama  
Persatuan Bank dan Institusi-Institusi Kewangan Malaysia  
kerana sudi menjemput saya dan isteri saya ke Majlis Makan  
Malam ini.

Distinguished Guests, Ladies and Gentlemen,

2. It is rare indeed for me to be in the midst of bankers,  
let alone this opportunity to address such a distinguished  
gathering of the nation's who-is-who in banking. Be that as  
it may, I should not let the occasion pass without making  
some personal observations on the role of our bankers in  
national development.

3. We are gathered here tonight on the eve of the 25th  
anniversary of our Independence. Much water has passed  
under the bridge in the last quarter of a century. As I see  
it, we are passing through a period that is as trying and as  
challenging as any we have ever encountered since our  
Independence. After two decades and a half of unprecedented  
countries, which still constitute our most important export  
markets, have been afflicted by or have inflicted upon  
themselves a stubborn recession, accompanied by an  
unprecedented high rate of unemployment and a weak basic  
external payments position. Much of the uncertainty and  
confusion in the economic outlook for the West stems  
capital outlays to increase productivity, and, on the other,  
a retreat from free enterprise which reduces world trade  
while promoting stagnation. There are no signs yet that the  
leaders of the great economies are about to act sensibly and  
decisively. For us in Malaysia, we will have to prepare and  
brace ourselves for a tough economic battle.

4. At the time of Independence, we inherited an economy  
assumed to be the prerogative of the industrialised western  
countries. It was unthinkable that countries like Malaysia

should do anything but buy manufactured goods. But independence brought new thinking and beginning with import substitutes; Malaysia has moved far into all kinds of industries.

5. At the same time it was felt that Malaysia must issue and regulate her own currency. Hence the establishment of the Central Bank, and later the break in the rigid links with the British pound. Today, the Ringgit is almost twice as strong as at the time the break with the Pound was made. A strong currency is not always a blessing but neither is a weak one. By and large the people have benefitted from the strong Ringgit.

6. The Malaysian economy has expanded at a remarkable rate since independence. It could have done better if it had not been for the legacy of racial disparities which forces the Government to recognise what may be called "the convoy effect." The rate of growth has to take into consideration the least adjustable member of the group. But this is a worthwhile sacrifice for it is far better to have a slightly diminished growth than to have racial confrontation due to rapid but grossly inequitable growth. Hence the New Economic policy which is no different from the Affirmative Action in the United State and other socially desirable programmes for equitability. That the NEP is not really restrictive can be assessed from the 8% growth registered -- a figure well above those of even the developed countries.

7. We have had almost continuous prosperity since independence. But now we are feeling the impact of the international recession and we have to recognise the need to adjust. Increasing protectionism and the operation of stockpiles must be factors that will affect our economic well-being in the future. We have to learn to live with them and to overcome their adverse effects with strategies and policies that are specially designed.

8. Malaysia has been called a "lucky country" but luck will have very little to do with the resuscitation of the nation's economy. What we need immediately is sheer hard work -- on the part of the managers as much as the workers. We must be more productive through hard work. There is no time for tantrums. If we have to change jobs we should do so with good grace and we should work hard at acquiring new skills. If we have to forego some amenities we must be prepared to do so. The fact is that in a recession we have to tighten our belts, and we have to live within our means. Every cent spent must be accounted for, by the person involved, the company or the Government.

9. Any happening is a challenge, and a recession is as much a challenge as anything else. We do not welcome recessions but the fact is that it is there and like Mt. Everest it has to be climbed because it is there. In the process we will learn something, something that would stand us in good stead when we face other challenges in the

future. We have heard of company doctors -- not the kind who treat your staff medically -- but the kind who take over sick companies and revive them, making them profitable again. We wonder why the original owner didn't do it. It is obvious that there were so many things wrong and by correcting them the profitability of the company would be achieved. The reason is that the original owner was so used to the way of doing things in the company that he could not see anything to rectify. He cannot see the wood for the trees. But the new owners can, simply because they must have an overview and a thorough examination of details before they buy. They could therefore see the faults and the weaknesses which need correction.

10. Similarly a recession is the time to have an overview and a thorough examination of the details. You will be amazed at the things you never noticed before that need correction. And once correction is instituted the savings will be just as amazing. There is little doubt that the oil shock has increased efficiency in numerous fields that will benefit mankind forever. The oil shock is indeed a blessing in disguise. So is the present recession.

Ladies and Gentlemen,

11. The Government is committed to growth. The country has the resources, the political will and the potential to grow and prosper. While exports will remain the major contributor to the GNP, it is important also to stimulate internal growth. Wealth begets wealth. By judicious investments in efficient services, dependence on exports can be reduced somewhat. Already domestic tourism is a thriving business. Surely there must be other business which depend on the needs of the local populace. The State Governments have joined the national effort to get the economy moving at high gear again. To succeed, we will need to change same aspiration to raise incomes and the standard of living for all.

Ladies and Gentlemen,

12. While mental attitudes and work values are important, the context of getting the private sector to assume a larger role in our economic life and in the pursuit of profits. I think it is not untrue to say that the only people with money in a recession are the bankers. Indeed, I have been informed that, despite the recession, the financial institutions represented here tonight remain highly profitable ventures. For example, in their last financial year, the profits of the commercial banks as a whole were 20 per cent higher than in 1980. There is, therefore, every reason for the financial community to help support the economy through these challenging times. I say this for several reasons. Firstly, you are charged with the responsibility to mobilise public funds in the best way you know-how. It is precisely at such a time, especially when the international financial community is suffering from the

jitters of a number of cases of large loan losses, that you should exercise your sense of prudence and sound judgement, in order to preserve the high level of public confidence and professional integrity which the public expects of you. More than ever before, now is the time to encourage savings and inculcate amongst our young, the savings habit. In addition to your growing branch network, you will need to improve banking services and facilities in order to attract more depositors. You must be aware that the Malaysian public has become much more discerning in their demands for prompt and modern professional services. Slow banking service, congested banking halls and elaborate counter procedures will neither enhance your public image nor instil confidence in you ability to manage public funds. If banks are to offer effective retail banking services, I suggest that they service their customers like true retailers, including the keeping of retail hours.

13. Secondly, at a time when resources are scarce, I would expect the financial community to discharge their responsibility of channelling funds to the most effective uses in raising productive capacity and financing economic activity in Malaysia. The financing of activities outside Malaysia is something we cannot afford yet. In the same spirit as the public sector is examining the cost-benefit of every cent of its expenditure, so must we expect the private sector to behave likewise to improve its efficiency and productivity to meet international competition. All these require discipline, foresight and planning. Here too the financial community can be of assistance. It should exercise sound judgement to help those who are already taking steps to cut undue waste and are consolidating and upgrading efficiency in terms of cost and products to prepare for the next economic upturn. You should repay the faith of the small businessmen, farmers, planters and industrialists who have placed their confidence and savings with you, by having faith in their ability to overcome this difficult period and emerge from it, hopefully, more resilient than before. Your sound financial advice and encouragement could make the difference in maintaining the resilience of our emerging enterprises. The recession will separate the men from the boys. Those who can pass this test of fire must be worthy of your support. I say this because excessive pessimism and unwarranted recall of credit at this critical time can be as damaging to our economy and to the faith of the business community in the banking system, as undue euphoria in an economic boom.

14. The recent amendments to the Banking Act, 1973 underline the need to strengthen the banking structure and prevent abuses in the system. While the major amendments are already well known, let me reiterate that these amendments had become necessary because corruption, which many people seem to associate only with Government, is very much present also in the financial community. The existence of such "bad hats" in any community damages the community as a whole. You will not be able to fulfill your role as

agents of change and trust, unless the system weeds out within itself the seeds of corruption that erodes this very trust. The delays in approving and processing loans, and malpractices such as under-the counter payments for credit are corrosive elements that must be stopped. In the last analysis, maintenance of integrity and professionalism of the financial system is paramount.

15. We in the Government, have urged repeatedly for the public service to be trustworthy, clean and efficient. In this sense, you too are a part of that service. The expectations of our people are high. Their demand for integrity and efficiency from the financial community and the public service alike should not be just exhortations at regular intervals. The public has the right to expect high standards of performance and responsibility from its financial leaders as a matter of course. You must not disappoint them in order to keep their trust in you. Thank you.

Sekian, terima kasih.