

UCAPAN PERDANA MENTERI, DI MAJLIS MAKAN MALAM TAHUNAN BERSAMA PERSATUAN BANK-BANK MALAYSIA, SYARIKAT-SYARIKAT KEWANGAN, BANK-BANK SAUDAGAR DAN DISCOUNT HOUSES, DI HOTEL HILTON, KUALA LUMPUR PADA 2 JUN 1979.

Yang Berhormat Senator Kamarul Ariffin, Pengerusi Persatuan Bank-Bank Malaysia, selaku Wakil Institusi-Institusi Kewangan yang lain, Yang Amat Berbahagia Tun-Tun, Yang Berhormat Timbalan-Timbalan Menteri, Yang Berbahagia Tan Sri Ismail Ali, Gabenor Bank Negara, Dif-dif Kehormat, Tuan-tuan dan puan-puan sekalian.

Saya merasa bertuah kerana dapat menemui serta beramah mesra dengan tokoh-tokoh bank dan pakar-pakar kewangan dari berbagai bidang yang berkhidmat di negara ini. Perhimpunan dan pergaulan mereka dalam satu majlis bersama seperti yang dianjurkan pada malam ini, membuktikan kerjasama erat serta persefahaman yang wujud di kalangan masyarakat bank dan institusi-institusi kewangan di tanahair kita. Sesungguhnya, semangat kerjasama dan persefahaman di antara mereka ini, merupakan satu petanda baik bagi mewujudkan iklim ekonomi yang lebih cerah untuk masa depan Malaysia.

Saya mengucapkan tahniah kepada ahli-ahli Jawatankuasa Penganjur di atas dayausaha dan kejayaan mereka mengadakan majlis yang bersejarah ini. Saya mengucapkan terima kasih kepada pihak penganjur terutama kepada Senator Kamarul Ariffin, selaku wakil tuan rumah kerana sudi menjemput saya berdua ke majlis yang meriah ini. Hanya 16 hari lalu saya telah diberi penghormatan menghadiri serta berucap di majlis makan malam tahunan Dewan Perniagaan dan Perindustrian Kebangsaan Malaysia di tempat yang sama.

Ramainya bilangan tycoon perdagangan dan perindustrian yang hadir pada malam itu serta tokoh-tokoh bank dan institusi-institusi kewangan di majlis ini, memberi gambaran kepada saya betapa besarnya masyarakat perniagaan di negara kita. Tiap-tiap seorang dari mereka ini menduduki jawatan-jawatan penting dalam syarikat dan pertubuhan perniagaan masing-masing yang mempunyai pengaruh besar dalam perhubungan perdagangan antarabangsa.

Mereka ini boleh membantu Malaysia dalam usaha kita meningkatkan lagi kegiatan ekonomi negara, mengukuhkan lagi hubungan per-

dagangan Malaysia dengan negara-negara besar di luar negeri dan memberi gambaran yang baik terhadap kestabilan politik dan ekonomi supaya lebih ramai lagi pengusaha dan pelabur luar negeri menanam modal di Malaysia.

Ladies and Gentlemen,

Recently, I had the privilege to attend a similar function as the guest of the National Chamber of Commerce and Industry. I had the opportunity to address the leaders of our commercial and industrial community. They are influential in the region as well as at the international level and can play a major role in improving the economic situation of the country. They can also help to strengthen the trade relations between Malaysia and the other countries as well as to give an accurate picture of our economic and political stability in order to promote further investment.

The promotion of private investment is one area where banks can play a positive role. Investment is crucial for the sustained economic development of this country. For this reason the Government has been actively encouraging investment by organising foreign investment missions. Unfortunately, the banking community of this country has been disappointingly passive in the promotion of investment. It appears to be content with merely reacting and responding to the proposals of investors.

With their knowledge of investment opportunities and the ability of our entrepreneurs, they should move to the forefront and assume a more aggressive role in this field, both domestically and externally. Every overseas contact should be exploited to project the investment opportunities and draw investors to this country. In particular, there is scope for bankers to play a catalyst role in "packaging" specific potential projects for attractive investment to complement and supplement the Government's direct efforts in attracting foreign investors. The assumption of such a role requires positive commitment of resources and expertise on the part of the financial community. If well conceived, I have no doubt that such efforts will pay handsome dividends and enhance the reputation of the banks as "investment-makers" in the private sector. I hope that the banks in particular, will meet this challenge with imagination.

An important prerequisite for sustained economic development is the existence of a dynamic and healthy banking system which can meet

the various needs of the people and the nation. One of the principal obstacles to the continuing balanced growth of the banking system today and to the creation of favourable conditions for more effective competition in the industry is the presence of a number of small banks and financial institutions. Among the 20 domestic banks for example, more than one half of them have shareholders' funds of less than \$15 million. In most cases, assets of these banks are below \$100 million. These institutions have tended to be a "drag" in the dynamic growth of the industry.

In order that these banks will be able to effectively meet their responsibilities in national development, I would suggest that it is in their interest to merge either among themselves or with the larger domestic banks so as to strengthen their growth potential and their competitiveness. In so doing, they would be in a position to take advantage of economies of scale to broaden their scope for modernisation as well as to increase their efficiency and service. The people would most certainly benefit from a rapidly expanding branch network and better services to meet their growing needs, especially in areas yet unserved by banks. Furthermore, the expansion of their operations into new areas particularly the less developed, will help to attract investments to these areas.

Ladies and Gentlemen,

One of the scourges of modern economic life is inflation. We have been successful, through various fiscal, monetary and administrative measures to restrain inflation inspite of the galloping inflation in many other countries. The rate of inflation in this country was 10.5 per cent in 1973, 17.4 per cent in 1974. Today it is stabilised at 5 per cent. However, in the face of continuing high inflation in the major industrial countries, the increase in oil prices and Malaysia's open economy, we will inevitably experience mounting inflationary pressures.

In recent years, the adoption of a balanced mix of monetary and fiscal measures have proved effective in warding off the full impact of inflation. The introduction of a market oriented regime in the determination of interest rates in October last year, the reform of bank liquidity, and the recent introduction of new monetary instruments, such as bankers acceptances and negotiable certificates of deposits have created an environment that is more conducive to the mobilisation of savings and the effective utilisation of these funds especially for productive purposes.

I have no doubt that competition will increase your effectiveness and bring new benefits to your customers. But because of the nature of your business, keen competition may well lead to fears of imprudent practices which can undermine public confidence to the detriment of the entire banking industry. I suggest that the answer is not to stifle freedom of action and innovation in your quest to improve profits, but to ensure that supervisory arrangements are constantly reviewed to safeguard the public interest. The real answer lies of course, with your boards of directors and top management. Their conduct, integrity and professionalism will ensure against imprudent practices.

Despite Government efforts, we still have an inflation rate well above what we would desire. Particularly at this time when we need to continue stimulating private investment, the objective of monetary policy will continue to be accommodative, mainly to ensure that the supply of credit will be adequate to meet the financing needs of the private sector at reasonable cost. In this context, the role of the financial institutions in fighting inflation will be two-fold. Firstly, no efforts should be spared in mobilising savings effectively, particularly at this time of high commodity prices. I am referring to your efforts in competing for personal savings in the non-traditional areas and extending banking facilities to the rural and less urbanised areas of the country. The rapid growth of personal incomes in recent years and distribution on a more equitable basis have resulted in substantial rural household savings. You have the responsibility to inculcate and strengthen the savings habit so that the higher incomes are not spent on conspicuous or ceremonial sprees, which can add to inflationary pressures. By expanding your branch network, you will be able to channel the savings arising from the growing prosperity of the rural people into productive investment.

This leads me to your second task, that is, to ensure that your lending activities do not contribute to more inflation. You have a public responsibility to discourage the extension of credit for speculation, hoarding and wasteful consumption.

Ladies and Gentlemen,

Another project of importance to the nation and of special relevance to the financial community, is the proposed establishment of an integrated Multi-Commodity Exchange in Kuala Lumpur. As the world's major producer and exporter of rubber, tin, palm oil, tropical hardwoods and pepper, we should not continue to depend on centres like

London, Singapore and New York to meet our needs for hedging in the marketing of our own commodities. The setting up of an integrated Multi-Commodities Exchange will enable us to assume a greater role in the effective marketing of our own products for the benefit of our country.

Malaysia is particularly suited for this role because of its ability to provide the necessary physical base to support market deals, the existence of a strong and stable currency and the virtual absence of foreign exchange controls. Furthermore, its location in an appropriate time zone provides the vital link for the creation of an international multi-commodity market to enable our traders to deal around-the clock.

The development of this Exchange will require the full support of the banking community, commodity traders and government agencies. Commercial banks will particularly benefit from the eventual setting up of this Exchange since ready bank financing and the existence of efficient foreign exchange services are necessary conditions for its successful functioning. I congratulate the banking community for preparing itself for this eventuality by ensuring that the necessary services will be forthcoming at the appropriate time.

Another basic requirement is the provision of clearing and guarantee functions to support the proposed Exchange. I hope that all parties involved in this particular area will act positively to bring about its early realisation. At the same time, commodity traders must also play a more enlightened role as direct participants of the proposed Exchange. I would like to stress here that commodity traders must accept the need for change and they should not be afraid either of the introduction of new trading methods or the injection of greater competition in the future conduct of the commodity marketing business. The Government on its part, will ensure that the necessary communication infrastructure will be provided so as to effectively meet the needs for an efficient communication network that is required for the exchange to be an attractive market place for the world to trade in our commodities.

Ladies and Gentlemen,

I have spoken at great length some of on the roles of the financial community in the economic affairs of our country. The presence of so many experts in the various fields of finance tonight will, I hope, continue to be a feature of the Malaysian financial community. It should

not, however, be confined to social gatherings only, but be extended to seeking practical ways and means to ensure the continued growth and prosperity of our country.

Ladies and gentlemen, I believe it is already past your dinner time, therefore, I will now return to my table and enjoy my well-earned dinner. Thank you.