Bankers: Budget will sustain growth

DATUK AMIRSHAM A. AZIZ
President & CEO
Malayan Banking Bhd

MAYBANK welcomes the 2003 Budget and considers it an innovative and powerful policy tool that will further strengthen the core structure of our economy.

The emphasis on the domestic sector is not only about balancing the substantial contribution of the external sector, but also marks an important milestone in the country's economic development - that is, a progression into being an efficient producer of goods and a world-class service provider.

We are confident that the budget strategies will make Malaysia more competitive in today's globalised business environment.

The budget strategy of shifting the engine of growth to the private sector, in our opinion, is the most appropriate policy stance, especially after several years of expansionary fiscal policy.

In fact, under this strategic move, the proposal to have a lower corporate tax rate for small and medium scale industries will give a further boost to the development of local businesses and spur domestic investment.

In this regard, we would like to give our assurance that we will provide sufficient resources to make this strategic shift a success.

TAN SRI TEH HONG PIOW
President & CEO
Public Bank Bhd

IT IS indeed a pragmatic and thumbs-up budget, given the challenges we face today.

It lays the foundation of a development strategy for sustainable growth by emphasising the role of the private sector and domestic investment in generating growth.

The budget is fair in that it reaches out to all segments of the economy despite remaining very focused on the immediate priority to further strengthen the economy through a higher level of international competitiveness.

This emphasis is laudable as Malaysia is expected to face keener competition from other emerging economies in international markets.

It is very encouraging to see that the budget provides new incentives for agriculture, manufacturing and the services sector.

The incentives will go a long way to reduce the cost of doing business in Malaysia and hasten the transformation of the economy into a higher productivity and knowledge-based economy.

I am confident that the private sector, in particular the small and medium-size industries, will also respond positively to the proposed tax cut.

The banking sector will also benefit from this budget, particularly when the budget further strengthens the real economy and boosts consumer and business confidence.

We expect the strength of the domestic banks will further improve on the back of the healthier economy.

We also expect that the positive and strong outlook for the economy next year will trigger and result in higher demand for bank loans and other banking products by consumers and businesses.

Furthermore, under such a favourable economic environment, banks can look forward to further strengthen their capital base and asset quality.
SUBRI ABDULLAH
Managing Director/CEO
Malaysia National Insurance Bhd

MNI believes this budget will be able to sustain and encourage growth and subsequently enhance profitability of the organisation and the insurance industry as a whole.

Budget 2003 is focused mainly on domestic industry to lessen the effect of global recession.

While there was strong expectation of a corporate tax cut, its absence was mitigated given the availability of comparable incentives such as tax-free dividend and reinvestment allowance, which actually makes the effective tax rate well below the current 28%.

Our view is that incentives should not be given arbitrarily when the economy needs some buffer to weather the current global recession.

Despite the absence of specific provisions for insurance, the industry will indirectly benefit from increased economic activities and higher disposable income of the masses.

S.KUMARAVELLOO PILLAI
CEO
CMS Trust Management Bhd

BONDS which are guaranteed by the government are generally limited and due to their low risk factor, the yield will also be low.

Even if this move is beneficial to unit trust funds, the impact to investors will be minimal as it can only translate to better returns to investors if the fund declares a dividend.

If the debentures are to be approved by the SC, unit trust management companies have to really see what are these debentures; and so, at this stage, it is really premature to comment on this aspect.

The main objective of unit trust management companies is to maximise investor returns.

Naturally, we prefer to invest more in private debt securities with higher yield at acceptable risk levels.
TAN KEAH HUAT
CEO
Apex Unit Trusts Bhd

THE extension of tax exemption to unit trust funds will not have a significant impact in terms of returns to unit trust investors. This is because most of the private debt securities and bonds invested by unit trust companies are already enjoying tax exemption.

DR ROZALI MOHAMED ALI
Chairman
Association of Banks Malaysia

AFTER much reliance on the public sector as the impetus of growth, Budget 2003 is now shifting the role to the private sector, whilst at the same time refocusing on the domestic economy to reduce over dependence on the international economy.

The shift in focus to the domestic economy is a move in the right direction as experience during the turmoil proved that domestic economy can play an important role in buffering the country from the impact of instability in the global economy.

This has not been entirely at the expense of the development in the external sector, as reflected in the proposal for an income tax exemption of 30% to given to locally owned companies which record an increase in exports, while those companies which penetrate new markets are given income tax exemption of 50%.

In the banking sector, the demand for loans in the first half of the year has been relatively weak notwithstanding the all time low interest rates offered to lenders. With incentives given particularly to SMCs and selected sectors of the economy, there would be more viable projects for banks to finance more aggressively.