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No place for negativism

THE lack of credit in the private sector can be eased if the financial institutions are not tardy in responding to the Government's call to make loans available. The gravity of the situation should not be taken lightly. Money is the lifeline of business. Without credit, growth will come to a standstill. As Prime Minister Datuk Seri Dr Mahathir Mohamad says, "... economic recovery is dependent on the private sector's vigour to carry out its business with the banks' assistance. The more vigorous the private sector, the faster the recovery will be."

But there is no show of redemption in the banking community's attitude since the first call for continuation of lending activities. As Dr Mahathir observes, banks still refuse to approve loans despite the Government's policy that credit growth for this year must not be lower than eight per cent. Banks, which claim to espouse national aspirations and support the Government's economic recovery measures, should put their money where their mouths are. A brazen somersault of verbal support and commitment will offend the sensibilities of the people. They should not pursue policies that militate against the private sector, especially the economic growth priority areas. Their reluctance to lend financial support in rainy days reveals their Shylock heritage - a trait that has no place in the country's bid for economic revival.

The banks' excuses are cloaked in self-righteous justifications such as "we have a duty to shareholders; we must tidy our own books; we have to clean up our balance sheets". The refusal of branch managers to approve loans without instructions in black and white reflects the spinelessness of the personnel in the banking community. Their negativism undercuts, if not kills, the ability of private businesses such as exporters to lead the recovery. As complained by many borrowers, banks are more concerned whether a business is low-risk rather than being a partner in the growth of a business. Since the Southeast Asian region was ravaged by the economic crisis, there have been cases where export-oriented small-and-medium scale enterprises were denied credit despite the viability of their operations and evidence of export orders for the next two years.

Undoubtedly, financial discipline is the need of the hour in the private sector as well as the financial sector. But surely, it need not be carried to the extreme where the engine for economic recovery - the role played by the private sector - is switched off. Credit allocation in these trying times must not blindly conform to commercial criteria without due consideration of the economic scenario and the Government's macroeconomic measures for internal and external balance. Preservation of the soundness of financial institutions and public confidence in them require measures as set by Bank Negara. These are not achieved by putting a brake on credit. It is instructive to bear in mind that the credit crunch is one of the main contributors to the Great Depression. The banking community must ask itself: Only 70 years after the Great Depression, does it want history to repeat itself?

The economic problem is largely a liquidity crisis. Credit restraint, as seen in the IMF medicine which has almost killed its patients, is hardly a liquidity response. We can avoid the same fate but banks must give the Government and the private sector a helping hand in generating fuel for economic recovery.

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