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Ball is in bankers' court

THE Government's decision to adopt a more flexible approach to effect bank mergers is the sort of news that would send some quarters into a frenzy. To them, there had to be some fall-out behind any turnaround in decision such as this one. Or they must portray this, at the very least, as a reflection of the Malaysian Government's fickleness. Already, a wire agency in its commentary had concluded in a matter-of-fact manner, when Datuk Seri Dr Mahathir Mohamad first indicated the possibility of the more relaxed approach, that the Prime Minister's stand was at loggerheads with First Finance Minister Tun Daim Zainuddin's more conservative plan to cut the number of financial institutions strictly to six super banking groups. The Bank Negara's failure to comment on Dr Mahathir's statement, which he first made in London some two weeks ago, and which he reiterated on the day he got home, was interpreted as a sign of weakness. Stories were written and comments made of how some politically-connected bankers have lobbied to be picked as anchor banks under the central bank's consolidation plan. The real factors and the hard facts that compelled the Government to change its mind are conveniently ignored. The focus has been on how Malaysia should not "renege" on what it has agreed to do.

It shows how short and selective memories can be. It must be recalled that when Bank Negara first announced the accelerated consolidation programme, the same quarters had quickly dismissed the plan as over-ambitious, that it favoured those with political know-who, and did not take into consideration the interests of minority shareholders. But when the Government decided to be more flexible, they immediately accused it of giving in to the lobbying of certain personalities in the industry, or even suggested that there was a major disagreement among the decision-makers.

Dr Mahathir had to disappoint these people on Tuesday when he disclosed that the decision to be less rigid about the bank merger exercise was made by the National Economic Action Council (NEAC). There are no fall-outs and the Prime Minister's views are not at loggerheads with his First Finance Minister's. Dr Mahathir chairs the NEAC and Daim is its executive director. The NEAC comprises Cabinet ministers and representatives from both private and public sectors.

The banks themselves seem to have welcomed the change in tempo for the merger exercise. The likes of Arab-Malaysian Bank Bhd, Hong Leong Bank Bhd, Phileo-Allied Bank Bhd, RHB Bank Bhd and others not originally chosen as anchor banks will be delighted to be given a second chance. The smaller banks with strong niches may have a case, too. Better still, the decision by the Government has not affected merger plans already under way among some of the banks. Southern Bank and Ban Hin Lee Bank said they are going ahead with their merger. And if the Kuala Lumpur Stock Exchange (KLSE) indices are any gauge, the surge in financial stocks should be a fair indication that investors back the idea that the banks should merge at their own pace and on their own accord.

The most important thing - and some people choose to overlook this in their criticisms - is that the Government remains committed to strengthening the financial services sector to prepare for liberalisation and globalisation. The original plan for six super banking groups has been a very effective wake-up call to the financial institutions, which had ignored the Government's earlier nudges to merge to become stronger. Now the ball is in the bankers' court and they must certainly acknowledge the fairness in which the Government has considered their interests. They have to repay the Government's faith in them by not letting the momentum achieved so far slip, and instead redouble efforts to pursue consolidation of the industry to its satisfactory conclusion. Indeed, it will be the best response to all of the country's critics and detractors.

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