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Call for merger of different types of banks for efficiency

THE banking sector would be more efficient if mergers involved two different types of banks like a merchant and commercial bank.

It would be redundant to merge two merchant banks as the functions would overlap, MP for Tambun Husni Hanadzlah said yesterday.

"Instead of merging a merchant bank with another merchant bank, combine a commercial and merchant bank," he proposed.

"Merging two different types of banks will not see an overlap in functions and the banking system can be more efficient," he said.

On the banking sector's crisis caused by the current economic slowdown, Husni said the fall of the ringgit was only part of the reason.

"If the fall of the ringgit is said to be the problem, it is not a big problem that has affected banks."

The banking problem, Husni said, was due to three reasons:

- * banks do not limit the amount of loans given to companies;
- * share financing is allowed which is a high risk for banks; and
- * loans given out in property financing.

The banking sector, Husni claimed, was managed by amateurs, "which is why fraud happens where loans were given out based on the know who instead of know how basis", he said.

Husni asked that Bank Negara review all credit papers and compare it with those of international banks.

"International banks do a credit risk analysis before approving loans," he said. "We do not. Maybe we should."

Earlier, Lim Kit Siang (DAP-Tanjung) repeated his call to set up a Royal Commission of Inquiry into cronyism, corruption and nepotism involving the top political leaders.

The Government, he said, was avoiding structural reforms to restore investor confidence.

He also said the Commission should ask Prime Minister Datuk Seri Dr Mahathir Mohamad to prove his allegation that a former national leader has a crony who amassed wealth amounting to RM230 million.

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