

07/08/1999

PM: Mergers necessary to face competition

SIBU, Fri. - Datuk Seri Dr Mahathir Mohamad today reiterated the Government's call for the merger of financial institutions, saying this would make them bigger and stronger.

The local banks would then be on a better footing to compete with foreign banks which would "eventually come in".

He added that already, foreign banks operating here were expanding. And, during the economic crisis, they were able to attract funds while the local ones were not "fully trusted".

"Unless the local banks strengthen themselves and give better service, the people will not want to use them," the Prime Minister told a Press conference at the end of his two-day visit to Sarawak.

On July 29, Bank Negara gave financial institutions until September to come up with memorandums of understanding on mergers. The central bank wanted to see the creation of six large financial groups (See P19 for report on bank mergers).

Currently there are 21 local commercial banks, 25 finance companies and 12 merchant banks.

On the possible loss of jobs, Dr Mahathir hoped bank employees would not be retrenched since there were "a lot of things to do".

On lending, he said banks must learn to respond to situations.

The Government noticed that some banks sometimes were too liberal in lending. "Then when people are in bad shape, they want their money back."

He said this was why the country needed bigger and stronger banks.

On the current performance of the Kuala Lumpur Stock Exchange, he said other stock exchanges were not faring "too good" either.

On opposition parties (except Parti Bersatu Sabah) choosing not to take part in the Second National Economic Consultative Council, Dr Mahathir said this was their way of doing things.

"They want to be outside to criticise what's going on. They don't want to be inside and be committed.

"Again, it is their negative attitude ... later on, whatever we do they are going to say everything is bad.

"But if they know what is good, why don't they come in? And tell us what is good and prove to us that their ideas are good."

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