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Bernama - Moratorium - A Balanced Decision So As Not To Exhaust
Resources

□ Wednesday, Jul 29 2020

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KUALA LUMPUR, 29 July -- The biggest question on the moratorium is finally answered by the government today -- a "NO" for an extended blanket, instead a targeted approach, especially to the most deserving individuals and small and medium enterprise (SME) borrowers.

The banking industry holds a pertinent role in a country's economy, therefore it is crucial to safeguard it.

The six-month blanket moratorium ending on Sept 30, 2020, and now an extension of another three months for those who lost their jobs due to the COVID-19 pandemic was made possible only because of the strength that was built over the years.

According to Bank Negara Malaysia's Annual Report 2019, the capital buffers of banks as of February 2020 stood at RM121 billion, while the insurers at RM23.6 billion at the end of 2019, buffers which are in excess of regulatory minima and more than double during the Global Financial Crisis in 2008.

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However, this could have reduced if banks would have drawn it down during the moratorium period.

As at July 20, the deferred loan/financing repayments under the moratorium, which took effect on April 1 as part of the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) aimed at handling the impact of COVID19, are estimated to have reached RM59 billion.

Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz said recently that over the six-month moratorium period, banks total losses are expected to reach RM6.4 billion.

The arguments, especially on social media remain that such losses are a small amount for the banks -- maybe so, but let's not forget, they also employ over 166,000 people whose livelihoods are equally important.

Hence, the government's decision today is apt -- while it recognises that the economy seems to see some recovery and a vast majority of Malaysians have returned to work, the positive scenario does not apply to all the sectors.

"I am aware that there are still sectors of the economy that are still facing difficult and uncertain conditions. I understand there are businesses that are still unable to operate fully and there are those who have lost their jobs and sources of income," Prime Minister Tan Sri Muhyiddin Yassin said when announcing the moratorium extension and targeted approach assistance today.

He said the government made the decision to extend the moratorium for the most deserving ones after discussing with the Finance Ministry and Bank Negara Malaysia.

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"I heard your grievances on the loan repayment moratorium which will end on Sept 30. So, today I am pleased to announce that the Perikatan Nasional government has agreed to implement the moratorium extension and targeted bank assistance that is more focused, specifically for those who needed them most," he said.

It was also heartening to note that the number of individual borrowers who continue to repay loan installments and opt-out of the moratorium facility increased to 601,000 in July 2020 from 331,000 in April.

And the number of SME borrowers, who have chosen not to take this facility, has increased to 13,000 in July from 5,000 in the same period.

Going forward, borrowers, who can afford to repay their loans, should start doing so to reduce their overall debt, while the deserving ones take a much longer breathing space.

Besides, one needs to understand that we are not out of the woods yet.

Not only in Malaysia, but globally the number of COVID-19 cases are still increasing.

As at the time writing this article, global infections have hit 16.52 million with 655,112 deaths recorded.

As the pandemic is still evolving, it is only wise not to exhaust our resources, especially the banking and financial sector.

-- BERNAMA

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