



PRESS RELEASE

## #BOOT THE BANK PUBLIC CAMPAIGN LAUNCH

The government has done its part by all the economic stimulus package for the year 2020 being RM 205 billion and the latest in PERMAI as RM 15 billion. In total RM 320 billion out of which RM 55 billion is fiscal injection – meaning they have pumped in that cash into the system.

### The facts about the banks

1. **The loss giving moratorium:** Finance Minister said “the banking sector is estimated to see losses of RM6.4 billion during the loan moratorium period, between April and September 2020/ Banks face losses of approximately RM1.06 billion per month based on Malaysian Financial Reporting Standards (MFRS) 9.”
2. These are not losses – these are potential losses the banks incurred.
3. **The data that is publicly available shows that for 8 top local banks collective made a profit of:**
  - 2018 – RM 35.22 billion
  - 2019 – RM 32.23 billion
  - 2020 – RM 25.23 billion
4. The reporting by Edge Malaysia shows that in **2020 all the banks made a profit of RM 31.15 billion.**

### THE BANKS HAVE DONE VERY LITTLE IN TERMS OF THE RELIEF FUNDS. SEE OUR TWO EXAMPLES

#### Example 1

- a. **Special Relief Fund (SRF)** – according to LAKSANA 42<sup>nd</sup> Report – RM .1259 billion for 6,731 SMEs. That’s only a 3.2% of all the existing SMEs in MALAYSIA (Approx. 205k SMEs in Malaysia).
- b. That is after 1 year of stimulus that the government has rolled out – the numbers doesn’t make sense. How can only just over 3% of the SMEs be assisted, when the economic situation and the real situation in the ground is telling us something else – the economy shrank 5.6% in 2020 and we have over 700k people losing the jobs last year.

## Example 2

### a. Geran Khas Prihatin (GKP)

**GKP 1.0 (2020)** - 545,000 Micro business have benefitted RM 1.63 billion.

**GKP 2.0 (2021)** - 304,000 PKS Micro business have benefitted RM 912 million.

b. When government does it using a very efficient and simplistic manner of application the success is high – with a high coverage and success rate of the estimated 700k micro entrepreneurs that exist.

c. But when the banking system is allowed to do it the **LAKSANA 42 report tells us that only RM 363.4 million has been disbursed to 10,774 micro business.**

d. How can there be such a big disconnect between the coverage by the government and that of the banking system – just about 1.5% of our countries micro business.



## WE UNDERSTAND THE PROBLEM CLEARLY – IT’S A COMPLETE MISMATCH

- Banks are a for profit organization and have a role to the shareholders and depositors.
- It is not in the DNA of the banks to lend money to distressed business, and increase their risk profiles – a situation that will cause them to be lowly rated and increase their business risk.
- The banks use ‘business as usual approach’ when dealing with the pandemic which is a distress situation – the banking system is not tuned to respond to this distress.
- It’s a complete mismatch and expecting them to do so is not a practical outcome.

## WHAT WE WANT THE BANKS TO DO?

We need to reinforce the banks have a societal role of keeping the customers happy. The government has done its part with all the economic stimulus package in 2020 and 2021.

**if they set aside just 30% of this 2 years’ profit (approx. RM 70 billion) – that’s RM 21 billion.**

That’s 16 x of what the banking system has given out in terms of loans in terms of SRF loan (RM 1.259 billion) and only over one – third (38%) of what the government has done (which is RM 55 billion).

**Rakyat Bond:** The banks must collectively step up to prepare an economy recovery fund model and we suggest setting up a government backed – which banks must subscribe to and will serve as the special relief funds for the business community.

#### **WHAT WE WANT THE GOVERNMENT TO DO?**

##### **Form a new SPV (Special Purpose Vehicle) for POST COVID Economic Relief.**

**a. The model:** should be run as a Public Private Partnership (PPP) model. Government is to regulate and set policies, private sector should have expertise on board. Financing at subsidised rate. Clear exit timeline. Use the same successful Danaharta model.

**b. Single Window for Economic Stimulus Package:** all ministries (approx. 16) and agencies (approx 60) related to entrepreneurship to be collated under this single window. Anything to do with All business across all industries are to go to this single window. Suggest to use MITI as the single window.

**c. Financing model:** use a fixed working capital based on the weighted average of working capital (WC) needs of the business entity. 6 months of WC need of existing banks.

#### **HOW MANY BUSINESSES CAN BENEFIT FROM THIS?**

Using the same metrics that the banks have given out now, we estimate over 260,000 business can benefit from the RAKYAT BOND scheme using a single window approach of the government.

*For any queries please contact*

##### **Protem President**

Datuk Abdul Malik - 012 339 4585

##### **Liaison officer's:**

Puan Sofia Abdullah 019 622 2691

Mr Chris 012 345 6812

Dr.A.T.Kumararajah 012 383 9009

Mr.Raymond 016 335 1511