

Cognisance of banking gives us the edge to craft people-centric policies – Tengku Zafrul

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By Aishah Mohmad Afandi

KUALA LUMPUR, July 30 -- The ability to have in-depth understanding of banking and the financial sector has given a shot in the arm for the Ministry of Finance to implement various initiatives including the six-month blanket moratorium for the rakyat's benefit, says Tengku Datuk Seri Zafrul Abdul Aziz.

The Finance Minister said despite the initial backbites during the early days of his appointment when people said he would care more for the finance sector due to his position as a former banker, what has happened is the other way round.

“I was a banker for most of my career but what is important now is how to help fellow Malaysians. My understanding of banks, their capabilities and the initiatives they could take has appeared to be an advantage,” he told Bernama in an exclusive interview today.

He added that his experience has enabled him to communicate better with his former peers to ensure the best initiatives are given during this difficult time faced by all Malaysians.

When asked on the targeted approach moratorium, Tengku Zafrul said when the initiative was announced under the Prihatin Rakyat Economic Stimulus Package (PRIHATIN), about 7.7 million people including those who were not impacted financially by COVID-19 had taken it.

“For the targeted approach, we estimate about three million Malaysians will benefit from it which include those who have lost their jobs as well as facing pay cuts,” he said.

According to the Department of Statistics, more than 83.5 per cent or 12.7 million employees have returned to work.

Prime Minister Tan Sri Muhyiddin Yassin said while the government recognises the economy is on a recovery path and a vast majority of Malaysians are back at work, this positive scenario does not apply to all sectors.

“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.

“Hence, the government made the decision to extend the moratorium for the most deserving ones after discussing with the Finance Ministry and Bank Negara Malaysia,” he said yesterday when announcing the moratorium extension and targeted approach.

Tengku Zafrul stressed that if a blanket moratorium continuity is given; the banking sector would face an adverse impact with some banks already feeling the heat.

“What is important is that banks need to lend to drive up the economy. In the last six months, banks’ opportunity to lend has been reduced by RM79 billion. Hence, the targeted approach is taken to balance the need to support the rakyat and also to support businesses,” he said.

Among others, Affin Bank has said that under the six-month blanket moratorium, the financial institution has incurred RM80 million in total losses for not charging its customers for six months under the moratorium.

Its president and group CEO Wan Razly Abdullah Wan Ali said 63 per cent of its RM45 billion loan book is currently inactive under the moratorium.

According to Bloomberg data, Affin, whose majority shareholder is the Armed Forces Development Fund Board (LTAT), has the smallest market capitalisation of RM3.23 billion among the nine banks in the country.

This is followed closely by Alliance Bank at RM3.31 billion, Bank Islam (RM6.29 billion) and AmBank (RM8.89 billion).

Analysts today have maintained the forecast for the banking sector following the announcement yesterday.

Kenanga Research in its note today said that it does not expect the measures to be as punitive on the banks as the current arrangement and said the targeted approach is consistent with Bank Negara Malaysia's recent signal.

"While we believe these measures will serve to keep asset quality in check in the near term, visibility further out remains cloudy and thus, it is difficult to gauge the adequacy of loan provisions at this juncture," it said.

Additionally, the research house said it does not discount the possibility that these loans may also require higher expected credit loss reserves, leading to upside risk to 2020-forecast credit cost guidance, which will push the banks forward into a cleaner slate.

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