

Title	Responsibility of govt and Bank Negara to throw lifeline to drowning businesses, workers: Economists
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PETALING JAYA: A more targeted approach is essential to prevent widespread bankruptcy when the moratorium on bank loans ends in September.

According to economists theSun spoke to yesterday, both lenders and borrowers must work together to help each other avoid the insolvency chasm.

They also agreed that it is the duty of the government to throw a lifeline to those most in need of help, be they individuals or small businesses.

Asli Centre for Public Policy chairman Tan Sri Ramon Navaratnam said since the issue affects both lenders and borrowers, they must work hand-in-hand to overcome the problems presented by the economic downturn.

“If banks insist on every pound of flesh (from borrowers) they will undermine the prospects of a recovery in the long term,” he said.

“At the same time, borrowers will not be helping if they take advantage of any aid extended to them.

“For the sake of public growth, business must have greater morality. Let’s help each other survive and progress.”

Ramon acknowledged that although there is no indication of an extension of the across-the-board moratorium that began in April, targeting just the smallest and weakest can go a long way to helping them get out of the quagmire.

He said the government and Bank Negara Malaysia could lead an effort to extend the moratorium to those most in need, and to arbitrate on behalf of others on a case-by-case basis.

“It is the responsibility of the government and Bank Negara to throw a lifeline to the drowning businesses and workers. They cannot allow the majority to be pushed into bankruptcy.”

He said the moratorium on loans could be extended to enable small and medium enterprises and the worst-hit companies to get back on their feet.

“Bank Negara can also arbitrate between lenders and those who can’t pay (their debts) rather than allow both to sink,” he added.

Ramon said although it is hard to know the exact scale of the problem, with the economy only slowly recovering from the current downturn caused by the Covid-19 pandemic, the effects will be severe.

“Those in trouble now will be the ones in trouble in future. They include workers in the tourism and service industries. Those in the B40 income group or those facing job loss and pay cuts will also be hard hit.

“The size of the problem will depend on whether the government and Bank Negara can find the means to negotiate the settlement of debts.”

Sunway University Business School professor of economics Yeah Kim Leng also agreed that a more targeted moratorium should be extended and that Bank Negara could lead an effort to screen individual cases.

“I think a more targeted approach will be desirable, especially because there will be uneven effects among different industries and among those in different economic backgrounds,” he said.

However, Yeah believes the worst is over, “given that most economic activities have resumed since early May and a lot more businesses are already operating”.

“But the economy is still subject to constraints on operations and low consumer sentiment, especially from countries still struggling with the pandemic.”

“The hope now is for demand from Asian countries, such as China, to pick up,” he added.