



30 MAR, 2020

Keep jobs going, keep businesses going

The Star, Malaysia



Comment by YEE WING PENG

THE Covid-19 pandemic has caused a devastating impact to the world and Malaysia. It has posed immense challenges to businesses as well as ordinary Malaysians – where household incomes continue to decline and jobs are at risk.

On March 27, Prime Minister Tan Sri Muhyiddin Yassin announced the largest economic stimulus package worth RM250bil in total – equivalent to about 17% of 2019 GDP. The package is designed based on three main thrusts: protecting the well-being of the *rakyat*; supporting business; and strengthening the nation's economy.

It is commendable that the government has proposed multiple bold measures, especially several generous initiatives which include cash assistance to the B40 and M40 communities. However, a one-off cash aid may be shortlived.

As most who fall under these two income groups are wage earners, measures to preserve their jobs would probably be more sustainable and hence, should be one of the key priorities of the government. To keep jobs going, we must first keep businesses going!

Covid-19 has brought the country's economy almost to a standstill. The entire supply chain has ground to an abrupt stop. Cash inflow is drying up due to sub-optimal delivery of goods or services.

Businesses, be it large or small, are not

spared. They are being confronted with hefty monthly financial obligations toward their suppliers, financial institutions and employees, among others. I am seeing that even the best-run companies are facing serious cash-flow problem in this extraordinary circumstance.

Addressing the acute cashflow strain of businesses becomes a top priority. I have noted impactful measures announced, among others the RM5.9bil wage subsidy programme, the RM10bil EPF contribution rescheduling for employers and the RM50bil Danajamin guarantee scheme for corporate working capital needs.

All these are in addition to a slew of other good measures introduced recently such as the automatic moratorium on all loan financing repayment for six months for SMEs, and the extension of time for companies to pay the balance of corporate tax and monthly salary tax deduction.

What have other countries done?

To preserve jobs, the Singaporean government has introduced an enhanced Jobs Support Scheme of S\$15.1bil, enabling the government to co-fund with the employers 25% to 75% of wages for local workers. Industries badly affected by Covid-19 will be granted a higher subsidy – up to S\$4,600 monthly.

In the United States, to ensure that businesses have adequate cashflow, financial aids of US\$500bil and US\$367bil are allocated to corporate businesses and small businesses, respectively, where repayment can be deferred by a year.

Similarly, in the United Kingdom, Her Majesty's government has rolled out a £379bil loan guarantees for businesses to gain access

to banking facilities. It has also set aside £1.2bil to support private renters that face difficulty in paying for occupancy cost.

What else can we do?

Anything that can be done to improve the cashflow of businesses helps! Taking a cue from certain bold measures implemented by other countries, and having considered our own unique situation, I suggest that the following be considered:

- > Automatic moratorium on loan repayment be extended beyond SMEs as larger corporations do experience acute cashflow challenges.

- > Reduce the minimum guaranteed loan size of RM20mil to benefit more corporates, especially the SMEs. Alternatively, create another loan guarantee initiative for SMEs in addition to what is available currently. Allow the guaranteed loan repayment deferral of up to a year. With the guarantee, banks would have lower risk exposure and some guidelines may be set to expedite loan application to ensure timely loan disbursement.

- > Increase the wage subsidy programme funding so as to up the funding portion to RM1,000 or 25% of wages, whichever is higher, for those with wages not exceeding RM5,000 per month. For the more badly hit industries such as transportation and hospitality, the subsidy can be raised to 75%.

- > As some companies have considerable amount of corporate tax and GST credits with the tax authorities, refunds could be expedited. Currently, corporate tax estimate is calculated based on the current year earnings on condition that it should not be lower than 85% of the previous year's tax estimate. Such condition should be suspended.

- > Rental subsidy from the government for

the badly hit industries that have high rental weighting, for instance, the retail and F&B in shopping malls. The government may also provide some guidelines to help facilitate discussion between the premise owners and tenants on rent rate review.

- > Review and grant approval for businesses that form an integral part of the supply chain for essential services to operate during the movement control order period. This would restore more economic activities and subsequently enhance cashflow circulation.

Keep going

The fluid and continuous evolving environment may potentially give rise to recalibration and further enhancement of the stimulus programme. The policymakers could be even more targeted and nimble in prescribing solutions. Primarily keep jobs going, keep businesses going and beyond a three to six-month horizon, shift the paradigm from pandemic containment to economic reinvigoration. To prepare for that, a pipeline for high-impact projects may be planned early.

Safeguarding our economy must not be the responsibility of the government solely but a collective effort from all. We count on everyone to make sacrifices, accepting the fact that the *rakyat's* household incomes may decline and businesses may suffer some losses. It is heartening to see all cabinet members, including the Prime Minister, giving up their two-month salary. Under the resilient leadership of the government, we shall pull through this unprecedented challenging time, restore prosperity, and emerge stronger together. Let's stay strong, stay healthy!

Yee Wing Peng is CEO of Deloitte Malaysia. The views expressed are entirely his.



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SUMMARIES

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