RECOMMENDATIONS TO THE GOVERNMENT

PRESS STATEMENT BY MOVEMENT FOR MONETARY JUSTICE MALAYSIA.
15th September 2021

A Development Financial Institution ("DFI") by definition is an Institution meant to develop a country. In Malaysia our DFIs, Bank Pembangunan Malaysia Berhad ("BPMB") is meant to develop the country's infrastructure whereas Bank SME is to develop the SME sector in Malaysia. The SME sector in Malaysia in line with the world position is a key economic sector that delivers 70% of our Nation's jobs and contributes almost 40% of our GDP.

A bank is usually a money creator ; it is no longer what economic textbooks say, an intermediary that lends from deposit. Government policy makers must digest this fact, and if they do they will realise it is the single most important factor in economic policies today.

A money creator is a prime mover in an economy. Wherever the money hose is pointed to, or in a language better understood perhaps, in whichever area the Banks' Credit Committees decide to focus loan approvals on, that is the area that will experience the most economic development in a nation.

If the banks point their money hose to houses, house prices will rocket; if the banks point their money hose to personal loans and credit cards inflation will rocket; and if the banks point their money hose to the manufacturing and service sector economic output and employment will rocket.

Those are the simple real economics of today which economic policy makers must master. Investments comes from Banks' Credit Committees' approval, not from a built up of savings.

Back to DFIs, it therefore goes without saying that they must be money creators so that they can have access to the money and point the money hose to the real sector.

The two biggest Banks in the nation, directs just 34% and 30% of their loans respectively, to the real sector; 66%-70% loans to the inflation wrecking sector of personal loans and similar.

The Movement for Monetary Justice urges the government to urgently direct Maybank and CIMB to reverse their loans/financing portfolio to 70% to the real sector and 30% to the personal sector. The ratios for the other banks are as follows :

Percentage of Loans/Financing to :	MBB	CIMB	Public Bank	RHB Bank	Hong Leong Bank	Ambank	Bank Islam	Bank Muamalat
Real Sector	34%	30%	13%	31%	30%	44%	21%	25%
Personal Sector	66%	70%	87%	69%	70%	56%	79%	75%

Source : Ex Annual Reports.

And when one do not give one's DFIs the right to create money, BPMB's and SME Bank's total loans and advances are only RM15 billion and RM7.1 billion respectively, compared to Maybank's and CIMB's RM511 billion and RM365 billion respectively. Maybank's loans and advances to the Personal Sector is RM337 billion and CIMB's RM256 billion ; BPMB's and SME's RM15 billion and RM7.1 billion respective loans and advances to the real sector, dwarfs in comparison, a mere drop in the ocean.

BANK	CUSTOMER DEPOSIT	LOANS & ADVANCES	TOTAL ASSETS	SHARE HOLDERS FUNDS	STATE OWNERSHIP %	LOANS TO REAL SECTOR %	LOANS TO PERSONAL SECTOR %
BPMB	RM1 bn (Sukuk RM12 bn)	RM15 bn	RM23.4 bn	RM7.9 bn	100%	100%	0%
SME	RM4 bn	RM7.1 bn	RM10.9bn	RM1.6bn	100%	100%	0%
MBB	RM580 bn	RM511 bn	RM856bn	RM84 bn	66%	34%	66% RM337 bn
CIMB	RM410 bn	RM365 bn	RM602 bn	RM56 bn	62%	30%	70% RM256 bn

We end our report with a tabulation of China's Top Banks' performance which displays an economy powered by Public Banking, compared to Malaysia's economy powered by Private Banking.

CHINA PUBLIC BANKS (majority owned by the State)	Percentage owned by State/ Peratusan milik kerajaan	Total Loans USD / Jumlah Pinjaman USD	Real Sector/ Sektor Ekonomi Sebenar %	Personal and other sector Sektor Peribadi %	Total Assets/ Jumlah Aset USD
Industrial Commercial Bank of China	70.82%	USD2.5 trillion	61%	39%	USD4.5 trillion
China Construction Bank	60.8%	USD2.6 trillion	56%	44%	USD3.8 trillion
Agricultural Bank of China	84.07%	USD2.4 trillion	58%	42%	USD3.7 trillion
Bank of China	65%	USD2.2 trillion	61%	39%	USD3.4 trillion

The top 4 banks in China are majority owned by the State; they are also now the 4 biggest banks in the world. Their focus in on the Real Economy, not the Personal Sector as with Malaysian banks. As a result they have brought tremendous growth to their nation. Current GDP of China is USD14,600 billion with a current average growth rate of 6.1% pa.

The Movement for Monetary Justice recommends the government adopt the following strategy with immediate effect:

1) **Allow BPMB and SME Bank to have money creation ability. In other words allow them to be able to operate Current Accounts.**
2) **Reverse MBB and CIMB loan and advances ratios from 30% Real sector : 70% Personal sector, to 70% Real sector : 30% Personal sector.**
3) **Apply similar ruling to all other banks in Malaysia.**

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