Headline	**Learning how to manage the finances**		
Date	**01 May 2011**	Language	**English**
MediaTitle	**Borneo Post (KK)**	Page No	**b3**
Section	**Home**	Article Size	**344 cm^2**
Journalist	**N/A**	Color	**Black/white**
Frequency	**Daily (EM)**	ADValue	**1,981**
Circ / Read	**83,120 / 166,173**	PRValue	**5,943**

This last of the three-part series dwells into the Federation of Malaysian Consumer Associations' vision in inculcating sound financial management skills among Malaysians.

Learning how to manage the finances

KUALA LUMPUR: If the RM30.8 billion credit card debt is anything to go by, Malaysians have yet to learn to manage their finances prudently.

This is the response from Mohd Yusof Abdul Rahman, Group Communications Director for the Federation of Malaysian Consumer Associations (Fomca) when asked of the rising indebtedness of Malaysians and the reckless spending habit of many.

Mohd Yusof is worried that the poor financial management of individuals and added with easy access to credit, more Malaysian consumers are mired in debt.

"Financial institutions easily give out loans even though the consumer has no real need for it and those who take up the loan only end up accumulating debts," said Mohd Yusof to Bernama here recently.

The figures provided by Bank Negara Malaysia (BNM)as at November 2010 indicated that the household debts in the country stood at RM577 billion and out of this RM118 billion is for vehicle hire-purchase, RM22 billion for personal loans and RM225 billion for housing loan.

While there is easy access to credit, not many are aware the pitfalls awaiting them when they are declared insolvent or bankrupt.

The bankruptcy statistics from 2005 to May 2010 provided by the Malaysian Insolvency Department indicated that 80,348 people were declared bankrupt.

The main reasons for these people being declared bankrupt are unable to settle their income tax, credit card debts (5.50 percent), business loan debts (10.93 per cent), vehicle hire-purchase debt (24.12 per cent), housing loan (7.49 per cent, corporate guarantor, social guarantor, education loan and others (29.05 per cent).

The highest number of bankrupts is the Malays (39.76 per cent) followed by Chinese (33.36 per cent), India (9.53 per cent) while others 17.34 per cent.

When asked about those borrowing from money lenders especially the Ah Long, Mohd Yusof said this is a serious cause of concern.

Moreover these borrowers are normally hardcore debtors and could not secure loans from institutional borrowers due to their poor credit record.

They also probably have no credit cards or have exceeded their credit limit and have accumulated huge credit card debts.

"They have no choice but to borrow from Ah Long though knowing well of the implications in the event they defaulted on the repayments.

"Normally those who loan from Ah Long do so thinking they would be able to pay back.

"What they may not realise is that the Ah Long imposes high interest rates and for those who fail to settle within the stipulated period the interest increases multiple time to the extent that the borrower would no longer be able to repay," explained Mohd Yusof.

Some borrow from Ah Long out of desperation for example to pay up debts, or school and medical fees and there are those who borrow to invest in ponzi schemes, to inject liquidity into their

Headline **Learning how to manage the finances**
Date **01 May 2011**
MediaTitle **Borneo Post (KK)**
Section **Home**
Journalist **N/A**
Frequency **Daily (EM)**
Circ / Read **83,120 / 166,173**
Language **English**
Page No **b3**
Article Size **344 cm^2**
Color **Black/white**
ADValue **1,981**
PRValue **5,943**

business or to gamble.

"These people often have no savings and to secure loans from financial institutions it may take time.

"Thus the Ah Long provides a life line by providing fast cash," he added.

However, the Ah Long are no saviours when looking at the high handed tactics that they use to intimidate their borrowers who default their repayment and the loans terms at best can be described as unbelievable.

The statistics provided by MCA's Public Services and Complaints Bureau showed that from 2005 to early 2011, the bureau had handled 2,844 cases relating to Ah Long.

Despite the negative publicity on Ah Long, the amount that they have loaned out is estimated at RM238 million!

According to Mohd Yusof, Fomca time and again observes the spending and borrowing attitude of consumers.

Fomca started monitoring consumer debt patterns since its financial management programme held jointly with BNM from June 2010 to April this year.

"The data on the money owed by Malaysians was used during the financial programme to create awareness among Malaysians on the consequences of being in debt.

"Other than this, Fomca also cooperates with BNM and is in the process of producing the monthly bulletin entitled RINGGIT with the articles within all about private financial management," said Mohd Yusof.

The financial management programme should be boosted in the society, especially among children, said Mohd Yusof.

In the early 1970s, when there was the postal savings scheme where children were encouraged to save using stamps.

"Schemes like this indirectly encourage children to pick up the saving habit," he said.

At present there are some financial institutions that have savings scheme for children like the Bank Simpanan Nasional and Bank Rakyat.

BNM, he said, has a programme on money meant for children namely the pocket money book programme and the www.DuitSaku.com website.

Nonetheless, these financial education programmes are carried out periodically only.

Mohd Yusof proposed that financial management education be inculcated in school curriculums so that students would be able to utilise what they have learned in school when they start earning.

Mohd Yusof noted that there were some agencies and non-govermental bodies that roll out programmes on financial management for the younger generation and adults.

The agencies are BNM, Credit Counseling and Debt Management Agency (AKPK), Securities Commission through the Securities Industry Development Corporation and Malaysian Insurance Deposit Cooperation (PIDM).

To avoid duplication and to ensure effective outreach, Fomca, according to Mohd Yusof has proposed the establishment of the National Financial Education Commission (SPKK).

The commission's role should focus on four aspects - create awareness on available resources, develop the information communication strategy according to the specific targets, establish cooperation between the public and private sector and lastly conduct a study and evaluation on financial education programmes.

At the same time, Mohd Yusof noted that, the public had to be exposed to the savings and investment instruments for their own future benefits including during emergencies.

The savings package that can be highlighted are the Employees Provident Fund , Tabung Haji, Life Insurance/takaful (including those providing the savings package and the unit trusts.

He also suggested investment in gold should be given consideration especially looking at the rising gold prices of late and given its stable value.

"Several private companies and state governments that have the gold currency like the dinar emas and dirham perak and they serve as the investment of the future.

"If they are in need of money, they can sell the dinar or dirham or mortgage it. This is the way to find money quickly. When they have money, they can redeem back," said Mohd Yusof adding that there was a time our society used to save through gold.