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Bernama Feature

LOOPHOLES IN THE SAVING CAMPAIGN ?

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KUALA LUMPUR: The national saving campaign launched by Prime Minister Datuk Seri Dr Mahathir Mohamad last month has taken off but the numerous credit or charge cards are punching holes in the pockets of many Malaysians.

In fact, these loopholes in the campaign to get the people to save more beg the question whether the government is contradicting itself in carrying out the saving campaign when it does NOT, at the same time, curb the wide use of these "plastic money".

Statistics available speak volume against the prevalence of credit/charge cards: Up to Sept 30 last year, there were two million credit card and 250,000 charge card holders in the country and in 1992, 58,498 people were taken to court for failing to settle their debts, of whom 2,121 cardholders were declared insolvent by the court.

Up to the same date, expenditure and cash advances made through the use of credit cards amounted to RM6.68 billion, while RM1.43 billion were spent through charge cards.

Malaysia now has a 12 percent credit card delinquency rate, twice the worldwide average.

Total credit card transactions grew by 44.8 percent from RM2.9 billion as at June 1995, to RM4.2 billion in the corresponding period last year.

As at June 1996, total unpaid balances of credit cards amounted to RM698 million, while non-performing balances stood at RM295 million or 42.3 percent of the total overdue.

While these figures speak of overspending and poor personal financial management, can the government encourage these people to save when credit cards are easily available?

"Definitely not!" says Dr T. Chelliah, secretary of the Selangor and Federal Territory Consumers Association, "It discourages people to save and instead makes it easier for individuals to spend more."

"How can you encourage people to save when you don't control the easy use of these cards," asks the former Universiti Malaya lecturer, adding that the government has in fact been nullifying its own saving campaign.

She stresses that if the government is serious in its campaign, it has to introduce more stringent measures to curb the use of credit cards.

Among the measures suggested by Dr Chelliah are:-

+Increase the monthly repayment to 50 percent from the present 15 percent, while imposing another form of interest for other outstanding balances;

+Limit further the credit ceiling so that it should not be easily accessible;

+Reduce outlets accepting credit cards, as it is very widely used everywhere now;

+Limit one person to one card and not more, and

+Ban advertisements and promotion of these cards in the print and electronic media since they promote a spending lifestyle using cards with various privileges and offers.

Associate Professor Dr Zulkefly Osman of Universiti Kebangsaan Malaysia's (UKM) Economic Faculty, also feels that government should impose several measures to curb spending among cardholders.

He feels that the minimum income for a cardholder should be raised to RM36,000 per annum from the present RM24,000 so as to restrict access to

credit card facilities to only those who can really afford them.

"Monthly payment for outstanding balances should be raised from the present 15 percent to 20 percent of the bill," he says.

In addition, no cardholder should be allowed to run up bills exceeding two months' salaries in order to help him with his debt management.

Dr Zulkefly says that there should be proper planning and financial control on the part of the cardholders, so as not to be overwhelmed by the bills that they would receive later.

To date, the government has imposed two measures to control inflation and curb excessive spending through credit cards. It has raised the minimum monthly repayment from 10 percent to 15 percent of the outstanding balance, besides a service tax of RM50 on each card a year.

With two million credit cards, the government will collect RM100 million a year from the tax.

Finance Ministry Secretary-General Tan Sri Clifford Herbert had stated that the RM50 service tax was a cautious step taken to curb extravagant spending, as the government had found that many people were becoming increasingly careless and some had large unpaid balances which incurred high interest charges.

To further monitor the credit card spending situation, Bank Negara had set guidelines for credit card companies that could result in cardholders saving on interest payments should they settle their balances promptly.

The central bank also said that credit card companies must inform cardholders of the charges imposed on the outstanding balances and the method of computing such charges.

The move was aimed at introducing more transparency in the way card issuers compute and impose interest charges, thus curbing excessive spending as well as encouraging prompt payments.

But what is vital to the success of the campaign is to plug whatever loopholes there are, while making it profitable for people to bank in their extra cash. -- Bernama