

Living on the edge, the Malaysian civil servant
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It is in black and white: Malaysia's more than one million civil servants are not allowed to take a second job. But, many do.

Working as taxi drivers, waiters or helping out at food stalls after office hours is a matter of staving off bankruptcy, of earning those extra ringgit to pay off the housing mortgage, car loan and finding the breathing space to fight another month.

Ahmad, a 28-year-old clerk with the Finance Ministry, cannot remember when the debt started spiraling out of control. His first loan was to get married, to hold a kenduri in his kampung in Terengganu.

It was not a lavish affair but it set him back RM10,000. Within a short time, he bought electrical appliances by hire-purchase and the bulk of his monthly salary of RM1,500 now goes to repaying these loans.

With barely enough to survive, he drives a taxi for a few hours a night, catching just about enough sleep before reporting for work at the Finance Ministry. Does he regret getting so deep in debt? Yes. But he concedes that with Hari Raya celebrations a month away, there is some pressure to spend money that he does not have.

He is not alone. Anecdotal evidence and interviews by The Malaysian Insider with civil servants shows that many of them are deep in debt, and most of their modest salaries are being used to pay off housing loans, car loans and credit cards debts – the end product of living beyond their means. This is a Malaysian disease which has driven household debt to dangerous levels.

The more hardworking ones plump for second jobs while the more desperate ones are seeking help from loan sharks.

Statistics suggest that every segment of the Malaysian workforce is using a substantial portion of their disposable income to pay off household debts.

These include young couples taking advantage of easy credit to buy expensive condominiums and paying off car loans to husband and wife, property speculators, and even undergraduates paying off loans even before entering the workforce.

Mohamed Khalil Jamaldin, head of corporate communications for the Credit Counselling and Debt Management Agency (AKPK) told The Malaysian Insider recently: "One of the reasons is the lifestyle... they fall into the trap because of poor financial planning."

Deputy Finance Minister Datuk Ahmad Maslan noted that some young Malaysians were being made bankrupt even before they earned their first paycheck.

Just on Friday last week, the central bank took dramatic action to curb debt. It announced that mortgages will be capped at 35 years and personal loans at 10 years and it also scrapped pre-approved loans by housing developers, a feature which has allowed many Malaysians to buy their dream homes, although they really could not afford it on their

wages.

Bank Negara noted that Malaysia's household debt has grown at an annual rate of 12 per cent for the past five years. By comparison, household debt which has hit dangerous levels in South Korea has been growing at similar levels, by 13 per cent a year.

Economists also noted that several other indicators of household debt in Malaysia are troubling. For example, the Malaysian household debt stands at 140 per cent of disposable income. That is about the same as the rate in The United States at the start of the subprime mortgage crisis in 2008 and lower than the 150 per cent of disposable income in South Korea.

The Financial Times recently warned that the household debt in Malaysia was the highest in the region and is putting the economy at risk.

It quoted Johanna Chua of Citigroup saying that the region's third largest economy was vulnerable, especially as lower income households bear a greater share of the overall debt.

The surge in household debt has the government worried, and not just for financial reasons.

If left unchecked many Malaysians may be unable to make payments on their loans and cannot cover monthly expenses on their current income. This situation could lead to social problems, which will have political consequences. – July 9, 2013.

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