

## **Bankruptcy among young Malaysians crimps consumption**

### **The Malaysian Insider**

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Malaysia, which aims to become a "high-income status" nation by 2020, is seeing an increase in the number of young people grappling with higher debts than they can handle.

Gen Ys who borrow for homes, cars and other items have contributed to heavy household burdens. Bad debts at Malaysia banks are still low, but there's been a notable increase in the number of people under age 35 who have declared bankruptcy.

To the extent that financial difficulties of young people reduce personal consumption, they are another problem for Malaysia's economy on top of low commodity prices, a battered currency and a political crisis stemming from graft allegations involving Prime Minister Datuk Seri Najib Razak, who denies wrongdoing.

Growth of private consumption has been slowing, and if that continues, Malaysia's growth rate could be hit.

"Households are accumulating debt faster than their incomes are growing, which will likely lead to repayment difficulties when the credit cycle turns," Standard & Poor's wrote in an August report.

According to S&P, Malaysia has the highest personal debt among 14 Asian economies, with the rate jumping to 88% of gross domestic product from around 60% in 2008.

Malaysia's Department of Insolvency says 5,547 individuals under age 35 were declared bankrupt last year, more than double the number in 2005, the first year for which it has published such data. Last year's number under age 25 was 635, triple the year-earlier figure.

In Malaysia, a person can be declared bankrupt if a creditor shows there's on unpaid debt of at least RM30,000.

Hafiz Adam, a vocational school graduate, thought the future looked bright when he took a bank loan of almost US\$20,000 (RM86,210) to start a Kuala Lumpur marketing business. But it didn't last, and two years ago, age 26, he was declared bankrupt.

"I struggle to survive on my own," says Hafiz, who's now employed as a security guard and is repaying his debt – through an agreement the Department of Insolvency facilitated – as he works to lift his bankruptcy status.

LM, a 34-year-old mother who asked to be identified by her initials, racked up loans to support her three children and parents.

"I can't buy a low-cost flat because I cannot afford the deposit," she said.

Asked why Malaysia has seen increasing numbers of young bankrupts, the Department of Insolvency said by email that after graduation, most "are burdened with study loans. Once they start working, they need transportation and accommodation".

Many young Malaysians grew up accustomed to rapid economic growth and relaxed attitudes to debt. Banks, meanwhile, have been eager to lend to them.

"Prompted by both national policy and a desire to diversify away from corporate lending, banks heavily pursued the consumer market," said Nurhisham Hussein, chief economist at the Employees Provident Fund, adding that banks were not solely responsible.

"Consumers themselves embraced the new openness and steadily took on more debt, especially as interest rates gradually fell over the last 15 years," he added.

For Hafiz, the idea of owning a home – a goal when he started his business – is remote. "I just sleep after work because I'm tired. That's my routine." – Reuters, September 7, 2015.

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