

No need for EPF scheme to buy computers

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The National ICT Association of Malaysia (Pikom) has proposed the revival of the EPF computer scheme where members can withdraw their savings to purchase information and communications products and services. Is this a good idea? Tiger says no.

Once upon a time back in the days when Tiger was just a cub, some smart human came up with the bright idea that if the country were to achieve the national agenda of “one home, one computer”, a scheme should be put in place to facilitate the purchase of computers. After all, computers were fairly expensive and not everyone had the cash (or credit card) available.

The same smart human then thought, what better place to take the money from than the Employees Provident Fund (EPF) and use it to buy computers? Contributors to EPF will not have to directly take the money out of their pockets as they will withdraw from their EPF accounts. Joe (and Jane) public gets to buy their computer, the computer companies get a boost in sales and the government gets to hit one of their national agendas. A win-win situation for all. Really?

The scheme ran from 2000 to 2002 and encountered much problem (which Tiger will go into later). Finally in August 2002, EPF closed down the scheme.

On Monday, Oct 19, Tiger noted that the National ICT Association of Malaysia (Pikom) issued a call for the reintroduction of the EPF computer scheme and this time to expand the scheme to include “personal computers, laptops, smart phones and tablets, including broadband subscription” as part of their Budget 2016 wishlist.

First of all, Tiger wonders why should such a scheme involve EPF. After all, what is the purpose of EPF? It is a fund for private sector employees to use as a retirement fund or to be used in the event that the employee is unable to work. This is the ultimate objective of EPF, a retirement fund. Not a “buy computer/smartphone” fund.

In a time where, according to a survey from HSBC, 80% of Malaysians worry about not having enough funds after retirement, Tiger thinks that the last thing anyone needs is to remove money from their EPF savings. It is not just a matter of removing

the money needed for the purchase but also forgoing the compounding interest from the day of the computer purchase until retirement.

For the sake of argument, we will assume a withdrawal made at the age of 30 to buy a laptop for RM3,000. Let's further assume that EPF pays an interest of 5% a year and that the retirement age will be at the age of 60. If the RM3,000 remains in EPF, by age 60 that RM3,000 would turn into RM12,965. Roughly, RM10,000 in interest will be earned.

For many, especially those in the lower-income groups, RM10,000 is a significant amount of money. So Tiger says, seriously? Using EPF money to buy smartphones? The term "frivolous" comes to mind.

Secondly, how is the scheme going to be administered? Will consumers buy direct from retailers and then claim the money back from EPF? In the original scheme back in 2000, this was how the scheme started.

Back then, tales of fraud started circulating where consumers would go to certain unscrupulous retailers who will, for a small sum, issue a fake invoice to be submitted to EPF for claims. It was reported in The Star that from July 2000 to November 2000 some RM171 million was paid out to 57,000 EPF contributors to buy computers but only 2% or some 1,200 contributors actually bought computers.

To put an end to the fraud, EPF then announced that Pos Malaysia will be the administrator of the scheme and sales must be channelled through them. Not being an IT sales company, Pos Malaysia then appointed a private firm called OdaSaja Sdn Bhd to manage the sales.

OdaSaja then promptly approached retailers to become their "approved partners" to market the scheme. Sounds a lot like the old story of main contractor, sub-contractor and sub-sub-contractor. The administration turned into a mess with applications not being processed in a timely manner and/ or computers not being delivered.

In response to these administrative problems, EPF suspended the scheme and appointed consultants to carry out a study on the effectiveness of the programme. The consultants found that 66.5% of the people who applied to the scheme were from households with income between RM500 to RM2,000, namely, the people from the lower-income group who will most likely require their retirement fund to remain intact.

The consultants also found that 80% of computer purchases did not originate from the scheme. EPF felt that with the many easy payment schemes and other commercially available financial options available, it was not necessary for EPF to maintain this programme to encourage ownership of computers. With these findings, EPF made the decision to close down the scheme.

Even dealing with just computers, the nationwide scheme proved to be a nightmare to administer. And if the programme is to include other products such as smartphone and broadband service, Tiger shudders at the potential of the administrative nightmare.

Pikom thinks that the scheme will encourage the adoption of ICT among Malaysians. But administering the scheme may not be as simple as Pikom thinks it will be. And at the end of the day, Tiger thinks that EPF savings should be used for its primary purpose and not for computer (or smartphone) purchases.

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