

Get out of debt!

Bank Negara's Credit Counselling and Debt Management Agency offers some solutions, writes HAMISAH HAMID



CATEGORY OF SERVICES PROVIDED (April 2006 - March 2007)

Counselling	47.0%
Debt management	14.2%
Enquiries	38.7%

UNDER DEBT MANAGEMENT

Credit cards	48.4%
Combinations*	36.4%
Housing loans	6.2%
Hire purchase	3.2%
Others**	5.8%

* Housing loans, hire purchase and credit cards

** Term loans/personal loans/share margin financing

CREDIT Counselling and Debt Management Agency, a wholly-owned subsidiary of Bank Negara Malaysia, wants to reach out to each and every 26.9 million Malaysians for financial management education.

It has conducted road shows, talks, workshops and briefings targeted at the public, university students, corporations and government agencies to ensure that Malaysians are aware of its existence and services that it offers.

For the one-year-old agency, which is known by its Malay acronym AKPK (Agensi Kaunseling dan Pengurusan Kredit) its efforts may have paid off.

Over 21,000 Malaysians have knocked on its doors in the past 12 months, seeking services such as credit counseling, advice on financial management, basic money management skills and debt management programme.

"We didn't expect the outreach to be so great.

"We have also opened five branches in Johor Baru, Penang, Kuala Terengganu, Kuching and Kota Kinabalu within five months," AKPK chief executive officer Mohamed Akwal Sultan said in an interview with Business Times in Kuala Lumpur recently.

Since AKPK opened its doors to the public on April 17 2006, 10,000 people came for counseling, over 3,000 for its debt management programme, while the rest came for enquiries.

Mohamed Akwal said these people came from all walks of life with ages ranging from the 20s to 70s and earning from as low as RM500 up to RM30,000 a month.

In most cases, poor financial planning, ignorance and lack of discipline to live within their means are factors contributing to their debt and inability to repay.

He said about half of those who received assistance under the debt management programme are those who abused the credit card.

They were mostly people who lived beyond their means and were not aware of what they were getting themselves into.

Mohamed Akwal stressed that although quite a number of people who sought AKPK's assistance were those with credit card problems, it does not mean credit card is a major issue.

"The credit card is a good instrument and most

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Borrowers can seek AKPK's assistance in rescheduling or restructuring their housing loans, hire purchase loans and personal loans or outstanding credit/charge balances due to banks
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Mohamed Akwal

people are using it as a mean of paying, not as a credit," he said.

He explained that people generally pay their car and housing loans first and leave the payment of unsecured loans such as credit cards, later.

That is why more people have problems with credit cards rather than car or housing loans.

"There are also borrowers who have genuine problems, arising from unforeseen circumstances such as loss of employment, death of breadwinner, health problems and business failure," he said.

Mohamed Akwal said borrowers can seek AKPK's assistance in rescheduling or restructuring their

housing loans, hire purchase loans and personal loans or outstanding credit/charge balances due to banks and financial institutions regulated by Bank Negara Malaysia.

For the agency's debt management programme, the maximum debt limit is RM2 million.

He said on average, people who have been assisted under the debt management programme have debts amounting to about RM100,000.

"Debt management plans are devised to assist borrowers work out budgets that will help them meet their loan obligations and living expenses, thereby minimising any incidence of non-payments and avert-

Personal finance to be taught in varsities

A MODULE on Personal Financial Management is expected to be part of public university curriculum in the country by as early as July this year.

If agreement is reached between Credit Counselling and Debt Management Agency (AKPK), the universities and Higher Education Ministry, it will be compulsory for final year undergraduates to take the course.

AKPK chief executive officer Mohamed Akwal Sultan said the agency is currently discussing with relevant parties in the public higher learning institutions.

It is also working with the ministry to develop such a curriculum.

"If it is implemented, Malaysia will be the first country to implement mandatory financial management programme for undergraduates," he told Business Times recently.

AKPK, an agency under Bank Negara Malaysia, was established a year ago to provide money management, basic personal financial education, credit counselling and loan restructuring services.

Mohamed Akwal said currently only one public university offers a module on financial management but it is an elective one.

In contrast, Singapore has a financial management programme for students, starting from the

school level.

There is also financial management programme for students in the UK, New Zealand and Australia, but it is not mandatory.

He said AKPK expects to roll out the module for final year university students either by July 2007 or January 2008.

"For instance, one credit hour in the last semester. However, the final decision rests with the ministry," he said.

He said private universities in the country are also interested in making personal financial management part of their curriculum.

Mohamed Akwal said AKPK is currently conducting regular talks on financial management for university students.

"We are exploring the possibility of giving talks to National Service participants," he said.

He believes that financial education should start at home and parents play an important role in inculcating a good sense of managing personal finances in their children, including the saving habit.

"Increasing people's financial literacy can also foster their appreciation for the need to save, which serves as the basis for wealth accumulation, preparedness for financial uncertainties and comfortable retirement," he said.

In contrast, debt-collector agencies charge banks between five and 20 per cent of the debt, depending on the age of the debts.

Mohamed Akwal said AKPK's the debt management programme is not for bankrupts or those in advanced stages of legal action.

These people, however, could get financial and credit counselling from the agency.

For those who receive counselling, the banks will have no record that they have approached AKPK.

It is the other way round for those who have been assisted through the agency's debt management programme.

"They will not get new financing until they exit from the programme (by completing the payment under restructured debt)," he said.

Mohamed Akwal, who is experienced in debt resolutions after having served asset management company Danaharta as deputy general manager, said financial problems are universal.

"Debtors spend without second thoughts and they don't save enough," he said.

According to him, financial problems have a domino effect and always lead to other predicaments.

With over 25 years of experience in local and foreign banks, he said financial education can help Malaysians lead a healthy lifestyle, support banks reduce non-performing loans and eventually contribute to a robust economy.

Mohamed Akwal, who was also instrumental in setting up the Small Debt Resolution Scheme under Bank Negara, said good financial management has elements of prudent savings, prudent spending and wise debt management.

He expects more people to approach AKPK in its second year of operation.

Besides hiring more counsellors, AKPK will also open three more branches in Kuantan, Malacca and Ipoh. AKPK currently has 70 staff, including 30 counsellors, who are mostly former bankers.

Funded by Bank Negara, AKPK is a company limited by guarantee set up under the Companies Act 1965.

