

I'm not a bot































2025 © New Straits Times, New Straits Times Press (M) Bhd (Co. No. 196101000449 / 4485 H). A part of Media Prima Group. Did you know Malaysia's household debt is one of the highest in the ASEAN region? As of the end of 2023, the country's aggregate household debt has soared to a staggering RM1.53 trillion. But what did Bank Negara Malaysia response to this? Rising household debt of RM1.53trillion is 'still manageable', says BNM. While Bank Negara Malaysia (BNM) has deemed this rising debt as "still manageable," there is no denying the concern it raises from both microeconomic and macroeconomic perspectives. If a household is highly in debt, it is likely to suffer during a moment of difficulty, whether it is a general economic downturn or a personal situation. From a macro perspective, a financially fragile private sector will suffer more because it does not possess the resources to face such hardships. Let's delve into more details and see the breakdown. Housing loans made up the largest portion of the country's aggregate household debt at 60.5%, followed by vehicle loans (13.2%) and personal financing (12.6%). The remaining are loans for other purposes, including non-residential property purchases, credit card debt, securities and others. Households with a high level of indebtedness will be led to an increase in your financial vulnerability. Exposing you to more financial risks. Proactive Steps to Manage and Reduce Household Debt Given the potential risks associated with high household debt, it is crucial for individuals to take proactive steps to manage and reduce their debt levels. Here are some practical tips to help you regain control of your finances: 1. Assess your current debt levels- Begin by evaluating how much you owe and to whom. This will give you a clear picture of your financial situation. 2. Create a budget Develop a realistic budget that accounts for all your income and expenses. This will help you identify areas where you can cut back and allocate more funds towards debt repayment. 3. Prioritize debt repayment Focus on paying off high-interest debt first, such as credit card debt, while making minimum payments on other debts. 4. Reduce expenses Look for ways to reduce discretionary spending, such as dining out less or cutting back on non-essential purchases. 5. Build emergency fund Set aside a portion of your income to build an emergency fund. This can provide a financial cushion in case of unexpected expenses. 6. Avoid taking new debt Resist the temptation to take on new debt, especially if you are already struggling to manage your current debt load. 7. Monitor your credit score from time to time Regularly check your credit score to ensure that it accurately reflects your financial situation and to catch any errors or signs of identity theft. 8. Learn more on financial literacy Educate yourself about personal finance, budgeting, and debt management. The more you know, the better equipped you'll be to make informed financial decisions. 9. Seek advice from experts If you're feeling overwhelmed, consider consulting a financial advisor who can provide tailored advice and help you develop a debt management plan. While Bank Negara Malaysia maintains that the country's rising household debt is "still manageable," the situation is a wake-up call for both policymakers and individuals. By taking proactive steps to manage and reduce debt, Malaysians can protect themselves from financial risks and contribute to the overall stability of the national economy. It's essential to recognize that household debt is not just a number—it reflects the financial health of the nation's citizens. Therefore, addressing this issue is not only a matter of personal responsibility but also of national interest. What are your thoughts on the current state of household debt in Malaysia? Share your thoughts and let's discuss how we can collectively work towards a more financially secure future. Dato' Dr M Shanmughalingam, MD/CEO, Trilogic Sdn Bhd. Helped list 6 companies, Main Board, Bursa Malaysia. Ex-Dir, Delloyd Ventures Bhd, Mamee Double Decker (M) Bhd, PBA Holdings Bhd, listed on Main Board, CIMB (L) Ltd, CIMB Discount House Bhd, CIMB Securities Sdn Bhd, Hextar Holdings Bhd, EON, MIDF Aberdeen Asset Management Sdn Bhd, Exec C'tee, MIMB, (subsid, MIDF, assoc. Barclays Bank Group, UK), PTD Alumni Assoc, Board, VIOBA Foundn, Selectors Board, Rhodes Scholarship to Oxford Univ., MD Sri Inderajaya Sdn Bhd (1992 - 96), GM, PETRONAS (1979 - 91), Dep. Sec. (Econ) the Treasury, Min of Finance (1962 - 78). Fellow, Econ. Dev Inst. World Bank. On invitation by Harvard Univ, helped design new Exec. Program for Leaders in Dev: Managing Economic and Political Reform developed jointly by Kennedy School of Govt and Harvard Inst for International Dev, Harvard Univ, Cambridge, Mass, USA. Honours (Econ), Univ. Malaya, Masters, Harvard and DPhil, Oxford universities. At Harvard, first with 8 A's and admitted to Ph.D. programme without formal application. At Oxford (Balliol college) won 3 prizes. Chapter on Malaysia, Laswell, (Yale) Lerner (MIT) and Montgomery (Harvard) ed. Values and Development: Appraising Asian Experience, MIT Press. Quoted in TIME Magazine cover story on Tun Dr Mahathir, then Prime Minister, Malaysia Dec 9 1996. Stories and poems in 37 national and international anthologies and broadcasts. Producers from Australia and New Zealand offered to make movies of his short stories. Published with 3 Nobel prize-winners in London, UK. Latest publication Marriage and Mutton Curry, Malaysian bestseller with international prize winning short stories, audiobook, Storytel Europe. Royal book launch by HRH Nazrin Shah, Sultan Perak state and Deputy King, Malaysia's household debt is one of the highest in the ASEAN region. Against this backdrop, Bank Negara Malaysia (BNM) safeguards financial stability by monitoring and regulating the lending activity of all financial institutions in Malaysia, among other things. Using aggregated data from BNM's Central Credit Reference Information System (CCRIS), this dashboard gives you insight into key trends on household debt. For now, it displays data on the flow of borrowing activity on a monthly basis, broken down by purpose. In due time, it will be deepened with granular data showing the state of indebtedness of Malaysians. Making up 60.5% of all household debt in the nation, housing loans shoulder much of the responsibility for the increase. From 2022 to 2023, prices in the housing market rose by 4.1%, increasing at double the rate of income. Nevertheless, the allure of homeownership remains strong among many in the country, as evidenced by the active property market in the first quarter of 2024. During this period, there were more than 104,297 transactions worth RM56.53 billion, reflecting a 34.3% jump in value compared to the first quarter of 2023. Given that the majority of the population typically opts for loans ranging from 80% to 90% loans of the home purchase price, the total approved loans amounted to RM37.8 billion for the first two months of 2024, indicating a 14.2% increase over the same period in the previous year. While housing loans continue to be the primary contributor to household debt due to their significant expense, the purchase of vehicles also plays a substantial role, given that they are often perceived as more attractive and financially viable. Vehicle loans account for 13.2% of household debt, trailing mortgages in second place. Close to 80% of Proton and Perodua car buyers opt for loan periods of up to 9 years or more, with the number of registered vehicles in Malaysia exceeding the country's population in 2023. Despite the younger generation typically having limited financial stability and earnings due to fewer years of work experience, research has found that 73% of 1,077 Malaysians aged between 18 and 40 are already in debt, with 30% owing to vehicle loans, 28% to education loans, and 16% to mortgages. Paired with COVID-19 pandemic-induced financial constraints and shifts in lifestyle patterns, the emergence of fintech and other digital lending platforms has further streamlined access to borrowing. In addition to relying on traditional banking for larger expenses such as mortgages and vehicle purchases, individuals are now turning to Buy Now Pay Later (BNPL) schemes to finance their daily expenses. This increased accessibility has led to a rise in personal loans and debts as individuals make bulk purchases using funds they do not possess, subsequently incurring additional charges for late payments. While bank loans and BNPL schemes provide immediate relief from the burden of making large purchases, the long-term effects of frequent and high interest rates, combined with the burden of multiple loans, can significantly impact both individuals and the economy. The burden of debt disproportionately affects lower-income households, leading to a depletion of savings for families struggling to meet their monthly payments. Large household debt places both mental and financial strain on individuals, leaving them vulnerable to economic shocks like the COVID-19 pandemic. Although arguments supporting the increase in household debt have emphasised its role in boosting consumption and GDP growth, the long-run effects outweigh the benefits. Over time, high household debt will decrease purchasing power significantly, thereby slowing the economy and increasing poverty and bankruptcy rates in Malaysia. Despite the government's initiative to alleviate the burden by allowing applications for special Employees Provident Fund (EPF) withdrawal, contributors who have exhausted their savings will resort to taking out loans from financial institutions to pay their loan expenses. However, in response to the announcement of the dangerously high household debt levels, the government is implementing structural changes and reforming the domestic economy, offering aid to those facing difficulties in repaying debt. With one of Southeast Asia's highest household debt-to-GDP ratios, Malaysia stands at a pivotal moment in its economic recovery from recent years. Despite government efforts and assurances from Bank Negara Malaysia to safeguard the country's financial stability, escalating household debt remains a critical issue with profound implications for individuals and the economy, emphasising the need for further action. Addressing the crisis is, therefore, not solely the government's responsibility but that of all stakeholders. While policymakers work on implementing and enforcing regulations that promote responsible lending and borrowing practices, financial institutions—especially digital lending platforms—must increase transparency in discussing their terms. Meanwhile, individuals like you and me must be equipped to make informed financial decisions despite unfavourable economic conditions, mitigate the risks associated with debt, and learn to live within our means.