

Credit card debt not worrisome although household debt is high

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KUALA LUMPUR: When the National Cards Group (NCG) together with the Association of Banks in Malaysia (ABM), launched the Swipe Smart with 6E campaign to inculcate responsible credit card usage among consumers, it was done amid concerns over mounting household debt, which includes credit card debt.

The campaign was launched on Oct 28 and featured advertorials in

major newspapers from Nov 1 for six weeks and which was also available on the website of NCG members, who are bank and non-bank credit card issuers.

The campaign aimed to educate card holders via six enablers: Educate yourself, Exercise caution, Enhance your lifestyle, Enjoy benefits, Eliminate debt and Engage your card issuer.

According to NCG project director Perry Ong, who coordinated the campaign, the level of credit card debt compared to household debt

was still manageable.

"Credit card debt makes up 6.3% of total household debt and the credit card segment of non-performing loans (NPLs) is below 2% of total banking NPLs," he told *StarBiz* recently.

However, the latest Bank Negara statistics do give cause for concern. According to the central bank, total household debt reached an all-time high of RM561.5bil or 78.1% of gross domestic product (GDP) as at end-August, the second-highest debt level in Asia outside of Japan.

As at end-2009, household debt stood at RM516.6bil or 76.6% of GDP, compared to 63.9% in 2008 while from 2005 to 2008, total household debt averaged around 67%.

Ong acknowledged that household debt had risen but that as at end-October, credit card debt only comprised RM29bil of the total debt. As at end-2009, credit card debt stood at RM26.7bil and in 2008, it stood at RM23bil.

"Studies have shown that 88% of credit card customers pay promptly (either in full or part)," he pointed

out, adding that there were RM240mil worth of credit card transactions (on average) daily which worked out to RM80bil annually from 3.2 million card holders who hold an estimated nine million cards.

But Ong said educating consumers on responsible card usage and managing their finances to enjoy the benefits of credit cards was "a long journey".

"We think in the longer term,

> TURN TO B3

Prepaid and debit cards among other options



Perry Ong says marketing strategies not confined to credit cards.

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handing out brochures alone will not be enough, we'll need to constructively engage with the card issuers on many levels," he said.

Ong declined to comment on the suggestions published in a *StarBizWeek* commentary dated Oct 30 on what card issuers could do about high late payment charges, interest rates, marketing strategies, customer engagement, social responsibilities and explaining charges and actions fully.

"We're already responding to some of the issues highlighted by making sure that those who apply for the cards get a heads-up," he said.

Ong said the campaign's key messages included how to make the credit cards work for the card holders and how to avoid the debt trap plus exercising caution where fraud was concerned.

"It's not about lavish spending but how to take advantage of the convenience of a cashless payment system and, at the same time, enhancing one's lifestyle," he added.

Ong said that for those who paid promptly or in full, a mechanism was already in place for interest rates to be lower. Credit card interest rates currently range from 13.5% to 17.5%.

Ong said marketing strategies among issuers were not just confined to credit cards when it came to targeting those who were new in the workforce.

"They've options for prepaid and debit cards too as this is in line with Bank Negara's policy to migrate to a cashless payment method, which is more efficient and less costly," he added.

Ong said the NCG and ABM were still mulling over the next phase of the campaign. "Off the cuff, it will likely involve more on-the-ground activities instead of just advertorials," he said.