



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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Letter to the Editor

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CAP Calls for Debt Control in Malaysia

The Consumers' Association of Penang (CAP) urges the government to take a comprehensive approach to address Malaysia's rising household debt, which surged from RM1.53 trillion in 2023 to RM1.57 trillion by mid-2024. This alarming figure now stands at 83.8% of the country's GDP, making Malaysia one of the most indebted nations in the ASEAN region.

According to the Ministry of Finance, housing loans account for the largest share (61%) of household debt, followed by vehicle loans (13.5%), personal financing (12.4%), and other financial obligations such as credit card debt, non-residential property purchases, and securities. Housing and vehicle loans collectively constitute 74.5% of total household debt, indicating a systemic issue that requires urgent intervention.

Household debt will continue escalating unless the underlying causes are addressed. Constructing low- and low-medium-cost flats for sale is not a viable solution if people must take on substantial debt to afford them. If financial institutions reject loan applications, these flats risk becoming overhang properties, further exacerbating the issue. Instead, CAP strongly advocates for Rent-to-Own housing schemes as a sustainable solution to improve home ownership without excessive financial strain on consumers.

Modern housing is not designed to accommodate extended families, forcing children in such families to seek their own homes once they start working or reach marriageable age. As a result, many turn to bank loans, and given the high cost of housing, these loans constitute the largest portion of household debt.

Similarly, car ownership in Malaysia is often seen as a necessity rather than a luxury due to inadequate public transportation. To reduce dependency on vehicle loans, CAP calls for a revamp of the public transport system to ensure it is:

- Reliable – Minimal breakdowns and regular service intervals.
- Affordable – Accessible to low-income groups.
- Convenient – Easily reachable without crossing highways and major roads.
- Punctual – Enabling commuters to plan their trips effectively.

Enhancing public transport system is crucial because it will eventually lessen the demand for road expansion and, moreover, roads require costly maintenance. It has been estimated that Malaysia has 23 million personal vehicles for a population of 34 million.

The government focus on promoting electric vehicles won't reduce the negative impact of car ownership but instead exacerbate the situation as there will be a demand for electricity for recharging and non-recyclable wastes from expired EV batteries which are likely to end up in landfills.

Bank Negara Malaysia (BNM) plays a critical role in safeguarding financial stability by monitoring and regulating lending activities. The Central Credit Reference Information System (CCRIS) provides insights into borrowing trends, revealing that Malaysians have accumulated substantial debt in key areas as in December 2024:

- Residential property loans: RM34.48 billion
- Passenger vehicle loans: RM15.85 billion
- Personal financing (weddings, home renovation, etc.): RM9.20 billion
- Credit card debt: RM3.73 billion
- Securities-related loans: RM2.35 billion

CAP urges financial institutions to adopt responsible lending practices and for the government to implement policies that encourage sustainable financial planning among Malaysians. More importantly, the public must be educated on managing personal debt to prevent financial distress. Strong marketing strategies entice consumers to either overspend their budget resulting in having to use their credit card or resort to Buy Now Pay Later (BNPL).

Consumers must watch their spending very carefully because inflation may not permit them to maintain their lifestyle without increasing their expenditure. Inflation is likely going to escalate in years to come even just by watching the 1 sen coins going out of circulation and 5 sen coins are growing rare.

The government must take immediate action to mitigate the rising household debt crisis. Addressing housing affordability through Rent-to-Own schemes and improving public transportation infrastructure are crucial steps. Additionally, stricter financial regulations and consumer education initiatives must be implemented to prevent Malaysians from falling into deeper debt.

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