

Bankruptcy among Young Executives in Malaysia

Nazni Noordin ¹⁺, Zaherawati Zakaria ², Mohd Zool Hilmie Mohamed Sawal ³, Kamarudin Ngah ⁴
and Zaliha Hj Hussin ⁵

^{1,2,5} Faculty of Administrative Science & Policy Studies, Universiti Teknologi MARA, P. O Box 187, 08400
Merbok, Kedah. Malaysia

³ Faculty of Information Management, Universiti Teknologi MARA, P. O Box 187, 08400 Merbok, Kedah
Malaysia

⁴ Centre for Policy Research and International Studies (CenPRIS), Universiti Sains Malaysia (USM), Pulau
Pinang

Abstract. Holding a numbers of credit card and personal loans among young executives is a normal scenario right now. Some people claims that by having a numbers of credit cards, it will reflect someone socio economy status. Without realizing the impact of the excess usage of credit card, more and more young executives were declaring bankrupt due to credit card debts. This research intended to know the factors that contributed to the bankruptcy of young executives due to credit card debts. The findings of the research provide useful information to young executives as well as public in order to increase their awareness regarding this bankruptcy issue. In this study, researchers were looking at the relationship between knowledge about credit card and knowledge about bankruptcy and also lifestyles toward bankruptcy due to credit card debts. Of all the variables, only lifestyle has no relationship toward bankruptcy due to credit card debts. In order to curb with this problem, it was suggested that young executives should be provided with sufficient information regarding all matters pertaining to credit card usage as well as general knowledge on what things that can make them declared bankrupt.

Keywords: bankruptcy, credit card, credit card debts, young executives

1. Introduction

Credit cards were first issued in the USA in the early twentieth century. In Malaysia, the first card was introduced in the mid-1970s (Zafar U. Ahmed & et al., 2010) [1]. At the early on period, credit cards were only issued to professionals or successful business persons by card issuing companies. However, with the passage of time, eligibility criteria for obtaining credit cards have been changed because credit cards are now easily obtained by individuals regardless of their income or other measures of financial well being. As a result, the number of cardholders reached to about three million by the turn of the last century (Zafar U. Ahmed & et al., 2010)[1].

The increase of credit card has brought many side effects to the users especially for the people aged below 30. This is because credit card influence them in making the excessive spending because it easier and convenient for user to pay with credit card rather than bring cash with them. As a result, in March 2009, outstanding debts from credit card holders amounted to RM15.719 billion were reported. Then, by the year 2009 outstanding credit card debts accounted for 1.35 percent of the total loans outstanding or 11.41 percent of the total consumer credit (Bank Negara Malaysia, 2009; as cited in Zafar U. Ahmed & et al., 2010)[1]. Thus, its shows that increase in the number of credit card holders seeking bankruptcy records over the years

⁺ Corresponding author. Tel.: +604- 4562519; fax: +604- 4562234
E-mail address: nazni@kedah.uitm.edu.my.

were also reported. The people below 30 are the leading aged group that has been declared bankrupt because of credit card debts (Credit Card Debt and You: Under-30s Under Siege, Malay Mail Insight, 2009)[2].

2. Problem Statement

According to Datuk Abdul Karim Abdul Jalil, Director-General of the Department of Insolvency Malaysia, there is a total of 3,548 people declaring bankruptcy due to the credit card debt whereby 1,780 people belong to those aged 30 and below (Credit Card Debt And You: Under-30s Under Siege ,Malay Mail Insight, 2009)[2]

Table 1: Number of Malaysian below 30 declaring bankruptcy due to credit card debts

YEAR	TOTAL BANKRUPCTCY (ALL AGES)	TOTAL BANKRUPCTCY (BELOW 30 YEARS)	PERCENTAGE (BELOW 30 YEARS)
2005	733	362	49.39%
2006	285	132	46.32%
2007	1,011	564	55.79%
2008	1,065	513	48.17%
2009 (As of May)	454	209	46.04%
Total	3,548	1,780	

(Sources: Bank Negara Malaysia, 2009, as cited in Malay Mail Insight, June 15th, 2009).

Tables 1 indicate the number of bankruptcy due to credit card debts focused on people aged below 30. From year 2005 until May 2009, more than 46% of the bankruptcy was experienced by the people aged below 30. The above figure shows the seriousness of this bankruptcy problem due to credit card debts among people aged below 30 that happen within 5 years. As stated by Datuk Abdul Karim, there are many reasons for the situation occurs but there is no serious study of the matter has yet been done. (Credit Card Debt and You: Under-30s Under Siege, Malay Mail Insight, 2009)[2]. Therefore, researchers found the great base to conduct this study.

3. Methods & Material

A cluster sampling survey was conducted among bank officer, ages between 21 until 30 years old in Sungai Petani, Kedah. The questionnaires were distributed through convenience sampling which is among bank officer and the respondents were asked whether they hold any credit card before the questionnaire was given (Zafar U. Ahmed & et al., 2010)[1]. 100 respondents were selected as the sample size for this research. The data was analyzed using Statistical Package for the Social Science (SPSS) in getting descriptive statistic and correlation.

4. Results & Discussion

4.1. Profile of Respondents

The number of respondents based on gender indicates that male respondent dominant the survey which recorded 54 respondent or 54% and the rest was female respondent (46 respondents or 46% from the total number of 100 respondents). Talking about age of the respondents , age between 24 until 26 years old was the majority which represent 51% of total respondent, follow by age of 27 until 30 years old (37%) and finally age category between 21 until 23 years old (12 %). Next was regarding marital status of the respondents. Majority of respondents selected in this research was single which equal to 62 respondents (62%), followed by married which equal to 37 respondents (37%) and lastly divorce which only 1 respondent (1%). When asked about the number of credit card owned by respondents, majority of them (79%) holding one (1) card while the rest, which is 21%, having more than two (2) credit cards.

4.2. Result of Findings

H1: There is significant relationship between knowledge about credit card and bankruptcy and bankruptcy due to credit card debts.

Table 2: The relationship between Knowledge about Credit Card and Bankruptcy Due to Credit Card Debts

		Bankruptcy Due to Credit Card Debts	Knowledge about credit card and bankruptcy
Bankruptcy Due to Credit Card Debts	Pearson Correlation	1.000	-.287**
	Sig. (2-tailed)		.004
	N	100.000	100

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the above table 2, a bivariate correlation was undertaken between knowledge about credit card and bankruptcy and bankruptcy due to credit card debts. Based on the result obtain, there are significant relationship between knowledge about credit card and bankruptcy and bankruptcy due to credit card debts, $p < 0.05$ ($p = 0.004$) and $r = -.287$. However, there is negative relationship which means that when knowledge about credit card and bankruptcy decrease, the bankruptcy due to credit card debt increase. In other words, lack of knowledge about credit card and bankruptcy, increase the bankruptcy among people aged below 30. Thus, the hypothesis is accepted as there is negative relationship between knowledge about credit card and bankruptcy and the bankruptcy due to credit card debt.

H2: There is significant relationship between lifestyles and bankruptcy due to credit card debts.

Table 3: The relationship between Lifestyles and Bankruptcy Due to Credit Card Debts

		Bankruptcy Due to Credit Card Debts	Lifestyles
Bankruptcy Due to Credit Card Debts	Pearson Correlation	1.000	.059
	Sig. (2-tailed)		.560
	N	100.000	100

Based on the table 3, results of the correlation indicate there is no significant relationship between lifestyles and bankruptcy due to credit card debts with the value of $p > 0.05$ ($p = .560$) and $r = 0.059$. Therefore, the hypothesis is rejected as there is no relationship between lifestyles and bankruptcy due to credit card debts.

5. Conclusion

There is significant relationship between knowledge about credit card and bankruptcy and bankruptcy due to credit card debts. The hypothesis which is knowledge about credit card is a factor that lead to bankruptcy due to credit card debts was not rejected due to the significant negative relationship between knowledge about credit card and bankruptcy and bankruptcy due to credit card debts. The significant level were $p < 0.05$ while the finding showed that $p = .004$.

It means that knowledge about credit card contribute to the bankruptcy due to credit card debts among people aged below 30. Research done by Compton and Pfau (2004)[3] stated that not knowing the credit card nature can lead them to debts (as cited in Alex Wang, 2009). Even though the disclosure of the credit card always hides by the card issuer, the card holder must ask as their right to know the nature of the credit card.

There is no significant relationship between lifestyles and bankruptcy due to credit card debts. The hypothesis which is lifestyle is a factor that contributed to bankruptcy due to credit card debts was rejected

due to there is no significant relationship between both variables. The significant level were $p > 0.05$ while the finding showed that $p = 0.560$.

It means that lifestyle did not contribute to the bankruptcy due to credit card debts. Based on the finding, the result was contradicted from the past research which was done outside Malaysia (Park and Burns, 2005 and Caroline Toupin and Helene Gagnon, 2010) [5][6]. The differences might be caused by different culture and lifestyle of the respondents. The finding also showed that, the respondents were lack of the knowledge about credit card and bankruptcy. Most of the respondents did not know the nature of their credit card and they did not know how they can be declared as bankruptcy when they use credit card.

From the findings, most of the respondents did not know and aware about the credit card's interest, the limit and late payment charges when they using credit card. Besides, they also did not know the credit balance and the maximum debts amount which can caused them to be declared as bankruptcy. Other than that, the result also shows that most of respondents did not paid their credit cards in full. This is one of the behaviors that can lead to bankruptcy as it can increase the amount of debts from time to time until they settle the debts in full.

6. Recommendation

As the bankruptcy due to credit card debts has increase especially among people aged below 30, serious effort should be taken to curb this issue. Thus, researcher has come out with several recommendation or suggestion regarding this issue. Firstly, it is recommended to encourage people aged below 30's to use the debit card rather than credit card in order to reduce the debt and bankruptcy among them. Debit card will debit money directly from the owner account which prevents one's to spend more than his or her ability. Whereas, credit card allow the card holder to borrow money from the issuing bank and there will be interest charges from the credit card company on the purchases that had been made. Thus, the higher debts can increase the chances to be declared as bankruptcy among credit card holder. Therefore, using debit card is the wise action when making the purchases since it will only allow the card holder to spend within their limit.

Other steps that can be considered is to increase the knowledge about credit card and bankruptcy among people aged below 30's. Providing the credit education to the people aged below 30 as well as public can help them in managing their money wisely and use the credit correctly to avoid debts. It can be done through financial seminar, talk from professional person or forum. The credit education can help one's to manage their financial, debt and set up a better planning for the future and it should begin as early as possible.

Then, it is recommended for the government or any non government organization (NGO) to aggressively come out and implements the campaign in order to create the awareness regarding the credit card debts. For example, in the campaign should encourage public as well as people below 30's to bring their cash or use debit card rather than use the credit cards when buying things. By doing so, the public and people aged below 30's can think twice before purchase any product or service. Through this kind of campaign, it can increase the awareness regarding the credit card debts implication and the advantages and disadvantages of having the credit card.

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