



UNIVERSITI TEKNOLOGI MARA

**FACTORS INFLUENCING BANKRUPTCY AMONG
DEBTORS IN MALAYSIA**

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ABSTRACT

The purpose of this study is to examine the relationship between bankruptcy and the factors that influence to bankruptcy (hire purchase, credit card, housing loan and unemployment) for over 9 years from 2007 to 2015. Data is collected mainly from Bank Negara Malaysia and Department of Insolvency to find bankruptcy rate and the factors that influence the bankruptcy among Malaysian consumers throughout the year 2007 to 2015 with quarterly data. The data collected will summary in the e-views. Multiple regression analysis is used to identify the relationship between the dependent and independent variables. Result from e-views revealed that all the factors predicted bankruptcy. Thus, all hypotheses were supported. The study also suggested the needed program in effort to avoid and reduce bankruptcy.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

According to The Bankruptcy Act, bankruptcy is legal status enforced by a court order on a person who is unable to settle a minimum debt of RM30 000 to their creditors. Bankruptcy in Malaysia is not a small issue because almost 60 person are declared bankrupt each days and most of it is among youngsters. About 37% of person who declared bankrupt are living beyond their means while another 43% of them used almost half of their income to pay debt.

Most of debtors in Malaysia are unable to manage well their finances, spending beyond their means and failure in business (Othman & Sabri, 2015). According to the Department of Insolvency, hire purchase is the highest factor that leads to bankruptcy.

Moreover, a Malaysian who declared bankrupt has to give up all assets and belongings (Hilmy, Mohd, & Fahami, 2013). A person who declared bankrupt may not travel oversea unless he or she obtains written permission from Director General of Insolvency or from a court order allows him or her to do so. That person also can only use their credit card up to RM 1 000 regardless of the limit in the credit card. Next, all of their banking account will be frozen unless they get permission from the Director General of Insolvency. Furthermore, a bankrupt person cannot set up or carry on any kind of business either business, partnership or any other business unless after obtaining Director General of Insolvency's permission.

As indicate by Credit Counselling Society of British Columbia, an individual with financial literacy are able to manage their financial wisely