

# FBM

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# Insights



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## **FBM INSIGHTS**

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## RECTOR'S MESSAGE



Congratulations Faculty of Business and Management of Universiti Teknologi MARA Cawangan Kedah, Kampus Sungai Petani on the publication of the 6<sup>th</sup> Volume of FBM Insights!

I am very pleased to know that there are more than 40 authors and more emerging issues are being presented in this latest volume of FBM Insights. This portrays that UiTM Kedah Branch is actively involved in disseminating business related information and knowledge to the public.

I hope this bulletin can provide an opportunity for the Faculty of Business and Management staff to produce more academic materials and develop their skills in academic and creative writing. Furthermore, more initiatives should be launched to support this life-long process.

Again, well done to the Faculty of Business and Management and those who were involved directly and indirectly with the publishing of FBM Insights Vol.6. I wish FBM Insights all the best and continue to grow and move rapidly forward in the future.

**Prof. Dr. Roshima Haji Said**  
Rector  
Universiti Teknologi MARA (UiTM)  
Cawangan Kedah



السلام عليكم ورحمة الله وبركاته

Assalamualaikum warahmatullahi wabarakatuh

Welcome to the 6<sup>th</sup> Edition of FBM Insights 2022. This edition boasts 40 articles by the academics of Faculty of Business and Management UiTM Kedah Campus. The topics involved a broad range of business and management knowledge. Congratulations to all authors for your endless support and valuable contribution to the newsletter.

FBM Insights was mooted in 2020 and it came about with the intention to encourage and improve research writing activities among the lecturers of UiTM Kedah's Business and Management Faculty. As the editions progressed, the support from the academics has not faltered. I hope the support continues in editions to come.

I would like to congratulate the editors and the committee for the hard work and perseverance in managing the newsletter. All the best to everyone and thank you again.

**Dr. Yanti Aspha Ameira Mustapha**  
FBM Insights Advisor

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## TO LOAN OR NOT TO LOAN

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Malaysia has a population of about 32 million people, with a median age of 29.6 years in 2021. About 69.6 percent of the overall Malaysian population is currently dominated by the working group category, which includes those aged 15 to 64 (Department of Statistics Malaysia, 2021). The majority of the population comprises youth who are working and highly productive, keen to advance in their careers, and yearning to enjoy an affluent lifestyle. This opens up a wide range of opportunities for banks to market their credit facilities to these groups of people. However, along with the aforementioned data, 85.20 per cent of bankruptcy cases from 2017 to 2021 involved borrowers between the ages of 25 and 54. The age group is made up of the following percentages: 25.54 per cent for people in their 45th to 54th year, 36.42 per cent for people in their 35th to 44th year, and 23.24 per cent for people in their 25th to 32nd year (Malaysian Department of Insolvency, 2021).

Each loan application is expected to be approved by the management as proposed. All disbursement loan accounts are also anticipated to reach a fully paid status. By the end of the day, the banks get their principal money back together with profit or interest charged, and the customer gets financing to own the assets and goods. It is an ideal situation. But in the real world, sometimes unexpected things happen. Some of the loan life expectancies would end up at bankruptcy filing. Every credit facility carries a non-repayment risk. This risk jeopardises the bank's ability to generate income and could result in losses. If the customer failed to service the interest on the loan or failed to pay the financial commitment on time, the loan account would be in arrears status. The account may turn from a performing account to a non-performing account. At this stage, the monitoring and recovery department will do its part by doing the collection of the unpaid money from the customer. The overdue or delinquent loan account may return to performing status once the customer pays all the outstanding payments. If the customer has a permanent cash flow problem, this is when they request for rescheduling or restructuring of their credit facility, and the account would be turned back to performing. But if none of these steps is taken by the customer, the bank normally will proceed with the legal process, and if the outstanding loan amount reaches RM100,000, the bank can initiate the bankruptcy proceeding.

A bank credit facility may become necessary for someone to acquire assets, obtain financing, or live a pleasant life. It might be a hire purchase option because owning a car or a motorcycle is vital as a major means of transportation for Malaysians. It might be a housing loan because everyone wants to live in their own comfortable home, especially those with families, or it could be credit cards since this facility would be quite useful if cash is scarce. The sum required to file for bankruptcy appears to be huge, but if the customer has multiple loan accounts, with the accumulated interest compounding continuously, the amount of RM100,000 is easily reached. Thus, the justification for repayment of the loan application is critical for credit facility approval. The loan applicant must provide definitive evidence to the bank that they have sufficient resources to meet the requirements of the new loan as well as their existing liabilities. The monthly salary slip and the letter of employment would be sufficient evidence to verify the loan applicant's source

of income for consumer loans such as hire purchases, housing loans, personal loans, and credit cards.

The bank requires confirmation of the individual's gross and net income in order to establish the individual's ability to repay, as any individual with a significant financial commitment would be disadvantaged if the base funding rate increased. Any rise in the base funding rate will raise monthly commitments and diminish disposable income. For those who place a strong value on owning things, this circumstance might provide a challenge. Azma et al. (2019) claim that individuals with high levels of materialism also tend to have high levels of propensity for debt. A person's habits are hard to break, and a lack of disposable income could lead them to take out additional loans to fulfill their desires. An individual with an excess loan could easily encounter a crisis of non-repayment, which opens up a path to legal proceedings and ends up in bankruptcy filing.

The bank follows strict guidelines and requirements when recommending and approving a loan application. In order to minimise the risk to a certain extent and safeguard the bank's and the public's interests, the bank officer will process the application after obtaining the pertinent documentation, using an internal evaluation system (including credit scoring and credit rating), and conducting credit checks with the appropriate parties and databases. It is the customer's responsibility to repay the loan granted by all means. Occasionally when a consumer has difficulty repaying a debt, they prefer not to visit the bank and meet with the bank officer. It makes sense always to discuss how to manage the loan account and request suggestions or assistance from the bank if there is a problem with loan repayment.

In simple terms, a bankruptcy case will not arise if there is no loan. Both fully paid status and bankruptcy status begin with a loan application. It is us, the customers/borrowers, that determine our future as a good paymaster or not. Loan or not to loan? Ask yourself and do as you please but always do the things that are within your ability and capability.

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