

Review Article

Bankruptcy among Graduates

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Article History

Received: 10.09.2021

Accepted: 20.09.2021

Published: 30.09.2021

Citations:

Johnson Mathelamuthu & Suppiah Retenam. (2021); Bankruptcy among Graduates. *Hmlyan Jr Eco Bus Mgn*; 2(5) 38-39.

DOI: 10.47310/Hjebm.2021.v02i05.006

Abstract: Many graduates in Malaysia are listed as bankruptcy due to credit card debts. They claim that having a number of credit cards reflect on their status of social economy and living standards. Without realizing many young graduates below 30 years old have fallen into bankruptcy. This study is conducted to identify the factors namely; lifestyle and lack of knowledge, which led the graduates into bankruptcy due to credit card debts.

Keywords: bankruptcy, graduates, lifestyle, credit cards.

INTRODUCTION

Credit cards were first being used in USA in the 20th century. In Malaysia credit cards were used in the mid of 1970s (Zafar *et al.*, 2010). Initially the credit cards were only issued and used by business owners and professionals due to the requirements that need to be fulfilled by the card holders. The fundamental requirement is to have a high income to have the credit cards. However, this requirement has changed along the time due to competitive business environment among the banks or credit cards issuing company. This led to a change in the requirement where now it is not necessary for an individual to have a high income to obtain a credit card. As a result, the number of cardholders in Malaysia increased to more than ten million in the year 2020 (Bank Negara Malaysia, 2020). Based on the proportion of the card holders 70% were graduates and 50% were bankrupt being unable to repay the credit card debts (Bank Negara Malaysia, 2020). Thus, it showed that there was an increase in the number of credit card holders among graduates and it led to bankruptcy over the years. The age group below 30 is the leading statistics in Malaysia in the list of bankruptcy due to credit card debts released by the Bank Negara Malaysia recently (Malay Mail Insight, 2020).

DISCUSSION

Based on the Department of Insolvency Malaysia, Table 1 below indicates the proportion of bankruptcy in Malaysia due to credit card debts below 30 years and majority are among the graduates.

Table 1: Proportion of Bankruptcy among Graduates in Malaysia

Year	Percentage (Below 30 Years)
2017	49.39%
2018	49.79%
2019	48.17%
2020	50.02%

Source: Bank Negara Malaysia (2020, cited in Malay Mail Insight, 30 June, 2020)

Table 1 above indicates the percentage of bankruptcy among the graduates below 30 years old from 2017 to 2020. More than 50% of the graduates were facing bankruptcy in the year 2020 compared to previous years which were below 50%. The above figures show the significance of this bankruptcy problem faced by the graduates due to credit card debts. Due to this problem a study was carried out to identify the usage of credit cards among the graduates and why they are unable to pay back the credit card debts. Toupin and Gagnon (2010) revealed that the lifestyle of the graduates plays a vital role for them to have a credit card. Having a modern and luxury lifestyle has made them spend excessively than their budgeted plan. Their existing commitments and add on commitments such as having a luxury house and car and also spending on shopping more than their monthly salary which they were depending on their credit cards to cover. However, this led to debts when they were unable to cover their credit card payment which was due and finally end up being bankrupt.

CONCLUSION

According to Toupin and Gagnon (2010), there is a significant relationship between lifestyle and bankruptcy among the graduates below 30 years old in Malaysia due to credit card debts. The lifestyle adopted by the graduates in Malaysia is also influenced by the culture and revealed that most of the graduates also did not know the interest payment will be charged on credit cards when there is a late payment and not paying back can lead to bankruptcy as well (Wang, 2009). Lifestyle is not only the major factor but lack of knowledge among the graduates is also a contributing factor to bankruptcy among the graduates in Malaysia.

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