



Fresh Faces Young Voices

What's your status? Danial Rahman

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Why it's vital to pay back student loans

Besides pushing graduates to repay their debts, PTPTN also encourages parents to save for their children's education.

"I WAS at the immigration counter in KLIA2. The immigration officer looked me in the eye and said: 'I'm sorry, you cannot leave the country. You have been blacklisted'.

"My whole world came crumbling down. I had been planning this overseas vacation with my family for a long time. Now, everything is ruined.

"Thank you PTPTN."

The above is a story (which went viral on Facebook) of an individual who had been blacklisted by the Immigration Department for not paying his National Higher Education Fund Corporation, more fondly known by its Malay acronym "PTPTN", loan.

It is one that can easily be found on social media. There are many like it, especially on Facebook.

These stories tend to have a similar story line. They usually begin with an individual being stopped from going abroad because they had been blacklisted.

The crux of the story is how all this is very "sudden", unknown to the individual. The story usually ends with PTPTN being blamed for its heavy-handedness or lack of empathy.

The irony is that most of these individuals have the funds to go abroad for a holiday, a spiritual trip, or other matters.

While there are genuine cases of people being unaware for genuine reasons, often times the plea of innocence is in reality an alternative-fact for ignorance, which is sometimes wilful.

PTPTN began giving education loans in 1997.

This was a time in Malaysia's higher education landscape when there was a boom in demand for entry into higher education institutions, both public and private.

The plan was simple. The Government would assist students to access higher levels of education. Upon graduation, they would secure jobs and repay their loans. The loan repayment would be used to fund subsequent generations of Malaysians.

This created an incentive for the Government to ensure the employability of its graduates, and the Government would stand to benefit from a more educated citizenry. What could go wrong, right?

As of Dec 31, 2016, PTPTN has disbursed some RM48.5bil to 2.6 million students (on average, about 200,000 new students receive PTPTN loans annually). PTPTN requires about RM5bil a year to operate.

However, out of RM18.8bil in loans due, about RM8.1bil hasn't been paid back.

Of 1.9 million borrowers who have completed their studies, about 1.2 million have fully repaid their loans, or are repaying their loans consistently, or are repaying but not quite consistently (at least that last group has made an effort!).

At this point, I must emphasise that individuals who have paid their loans should be commended and praised.

Often times we tend to overlook this good aspect of Malaysians. Kudos to them.

Unfortunately, there are some 670,000 individuals with about RM4.8bil in overdue loans whom PTPTN has never heard a peep from since graduation.

The consequence of this has been that PTPTN has had to reduce the amount of funding it can loan to individuals.

This has caused concern and difficulties to many.

In June 2015, PTPTN, through a government mandate, started listing PTPTN borrowers in the Central Credit Reference Information System or CCRIS.

To many Malaysians, CCRIS is a dirty word because it has led to an influx of people being blacklisted. Contrary to popular belief, CCRIS is not a blacklisting system.

Rather, it functions as a reference point aiming to promote greater financial and credit management. (Go to PTPTN's website for a very helpful FAQ on this).

PTPTN has often appeared in the media to say that the listing isn't meant "to punish borrowers".

While this decision has not been popular, evidence suggests that it

has led to more people paying back their PTPTN loans.

In 2016, PTPTN targeted a recollection about of RM2bil. They were able to collect RM3.4bil.

Between 2015 and 2016, the amount was RM4.87bil. That's a huge chunk considering PTPTN's total collection to date is about RM10bil – so we're talking almost 50% in just two years.

For whatever reason, Malaysians seem to react to the stick rather than the carrot.

While some have accused PTPTN of being "Ah Long", they are far from it. They also work hard to raise awareness and to ease the repayment process.

PTPTN has over 70 branches across the nation, they are working with 10 banks (and Pos Malaysia), enable auto debits and salary deductions, have live Facebook consultations (and a commendable social media presence), allow loans to be converted to *ujrah* (Islamic facility), and have a dedicated Careline, among others.

Some borrowers who haven't paid for over 15 years (and would have completed their loan repayments had they done so) are allowed to reschedule and restructure based on their abilities up to the age of 60.

Okay, perhaps we can call them the "nice" Ah Long.

Moving ahead, PTPTN has

launched a savings scheme known as the National Education Savings Scheme or SSPN-i.

(Fun fact: I sang the official SSPN-i song as part of my school choir at the SSPN-i launch many, many years ago.)

In 2016, Malaysians had saved RM544.5mil with SSPN-i. A few weeks ago, PTPTN announced a 4% dividend for SSPN-i (not bad at all). Parents can also open a SSPN-i account when their children are as young as one day old, and SSPN-i deposits are given tax exemptions.

Encouraging and enculturing savings was the missing piece in the puzzle.

Beyond just the basic responsibility to repay one's debt, PTPTN loan repayments are about ensuring that the next generation of students have an opportunity to further their studies.

PTPTN's current loan repayment efforts will go a long way towards ensuring its sustainability. While some steps taken by PTPTN today are seen as a necessary evil, maybe one day this will no longer be the case when Malaysians take pride in repaying their loans, and see it as contributing to nation building.

Danial Rahman has education close to his heart and welcomes feedback at danialrahman0330@gmail.com. He gives credit and heartfelt thanks to PTPTN and Mastura Mohd Khalid, Deputy CEO, for assisting with this piece. The views expressed here are entirely the writer's own.