Bankruptcy threshold should also reflect uncertainty in global economy, says analyst

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Associate Professor Aimi Zulhazmi Abdul Rashid, UniKL Business School. - NSTP file pic

KUALA LUMPUR: The country's bankruptcy threshold should be increased to not only reflect the rise in the cost of living but also the uncertainty in the global economy, an economic analyst said.

Associate Professor Aimi Zulhazmi Abdul Rashid said the rise in the number of bankruptcy cases follows an incremental trend and was expected since there were segments in the society still trying to navigate their way out of the devastating economic impact brought on by Covid-19.

The rise of interest rates attributed to the increased overnight policy rate (OPR) recently and in the near future, he said, was expected to compound the situation and aggravate the hardship of the people, putting pressure on their household income on the back of rising inflationary rates.

"The government tried to cushion such impact by raising the minimum wage and the amount of subsidies. However, the depth of the economic crisis is worrying, especially with the rapid changes in the global economy.

"Therefore, the move by the government to increase the bankruptcy limit or threshold is welcome. The review should reflect the rise in the cost of living expenditures as well as the prices of houses and automotive," said Aimi Zulhazmi, who is an economic analyst at Universiti Kuala Lumpur's Business School.

He was asked to comment on the announcement by Prime Minister Datuk Seri Ismail Sabri Yaakob on Sunday that the government would be reviewing the country's bankruptcy threshold.

The Malaysian Department of Insolvency (MDI), in May this year, revealed that there were 287,411 people in the country who have been declared bankrupt up to March (2022).

The department also revealed that 18 people were declared bankrupt every day during the first five months of this year.

Apart from reviewing the bankruptcy threshold, Aimi Zulhazmi highlighted the need for the government to draw up a more aggressive plan to resolve the issue.

This, he said, could be done through comprehensively studying the reports and data at the Credit Counselling and Debt Management Agency (AKPK).

The devastating impact left behind by Covid-19 were felt all over the world and compelled many countries to quickly revamp their bankruptcy laws to reflect the ongoing issue enveloping their respective societies, he said.

"For example, recently, Australia, Belgium, Germany, Hungary, the Netherlands, Singapore are developed countries that are proactively protecting their businesses and investment climate. In addition, they introduced flexibility in their laws against a backdrop of rapid changes in technological advancement.

"Malaysia must learn quickly how the developed countries protect their societies from the devastating economic impact. It will help to position Malaysia into a destination that can attract foreign direct investments," he said.