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Financial Solace: Malaysian Credit Counselling and Debt Management Agency Responses to COVID-19 Challenges

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Abstract

This study evaluates the measures undertaken by the Credit Counselling and Debt Management Agency (AKPK) to assist those financially distressed due to their inability to meet their financial commitments amidst the COVID-19 pandemic. Adopting secondary analysis of qualitative data, relevant secondary data, including journal articles, annual reports, and newspaper articles, were analyzed. The study finds that measures adopted by AKPK in response to the COVID-19 pandemic include reinforcing the workforce, enhancing IT infrastructures, deploying digital platforms, using various media channels, introducing online apps, online portals, online webinars, online learning modules, and online payment facility for all debt management participants. AKPK is also entrusted with handling small and medium enterprises (SMEs) under the Small Debt Resolution Scheme. A dedicated SME Helpdesk is established to facilitate the process. AKPK's continual support to provide financial aid is reflected in its collaborative effort with the banking industry under the Financial Management and Resilience Program and the Financial Resilience Support Program. However, the government should seriously consider strengthening personal data protection laws because of AKPK's significant reliance on digital platforms. Similarly, appropriate government bodies must take quick action to address the digital divide issue and promote inclusion to reduce disparity in terms of access to online services offered by AKPK. Also, since certain individuals or SMEs with credit facilities with entities not regulated by Bank Negara Malaysia are deprived of this incentive, relevant regulators should undertake actions to provide a similar facility. This study is significant in that it provides lessons to be learned by other credit counseling and debt management agencies in adopting effective measures to enable them to adapt to the new normal.

Keywords:

COVID-19 Pandemic;

Credit Counseling and Debt Management Agency;

Debt Management Plan;

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1- Introduction

The massive COVID-19 outbreaks in Malaysia have gravely threatened the economy and financial markets as a whole [1]. Many people, including businessmen, were completely caught off guard by how events unfolded in this unprecedented event. The crisis alarmed the world economy and created serious consequences because various businesses faced massive losses due to declining activities [2]. Simultaneously, many employment contracts were suspended [3]. As regards the position in Malaysia, Cheng pointed out a similar trend, whereby he asserted that one of the adverse fallouts of COVID-19 is the increased unemployment rate due to the forced closure of small and medium-sized businesses [4]. The Malaysian Economic Research Institute estimated that 2.4 million Malaysians lost their jobs due to the enormous COVID-19 calamities [5]. A survey by the Department of Statistics Malaysia in April 2020 revealed more convincing data, where more than two in three companies in Malaysia were reported as having zero revenue during

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the Movement Control Order (MCO) period. Many firms will have to retrench or give unpaid leave to their employees, as more than one in two (54.3%) companies can survive for only one to two months if they provide full/half-paid leave to their staff [6]. The loss of income for businesses, especially SMEs, translated to higher unemployment rates. Data from the Statistics Department revealed the severity of MCO on jobs, whereby the unemployment rate in March 2020 jumped to 3.9%, the highest recorded in 10 years [7]. The unemployment rate jumped again to 5.3% in May 2020, the highest ever in the last 30 years. It improved in June 2020 to 4.9%, but this figure remains the highest in three decades.

Concerning this alarming situation, the ability of Malaysians to repay the debt, especially those unemployed or under the B40 category, is questionable [8]. Moreover, households in the B40 category that are economically disadvantaged may face greater difficulty keeping up with their debt repayments [9]. This condition is exacerbated by the fact that, at the end of 2019, the overall household debt-to-gross domestic product (GDP) ratio increased by 82.7%, despite slower GDP growth, and was still higher than regional peers [10]. Unfortunately, this challenging situation will put many Malaysians and companies, especially SMEs, at risk of becoming overindebted and bankrupt. Undoubtedly, loss of income has long been recognized as one of the key drivers of overindebtedness, even before the pandemic [11, 12]. Overindebtedness will lead to another social ramification, namely the rise of mental health issues in society. Across countries, the mental health of unemployed people and those experiencing financial insecurity was worse than that of the general population. This trend predates the pandemic but sometimes seems to accelerate [13]. In the post-COVID-19 era, a consultant psychiatrist cautioned about the emergence of a hidden mental illness "pandemic", due to the anxiety and depression brought on by the economic impacts induced by the pandemic [14].

Given the preceding discussion, the role of AKPK in easing the financial hardship of individuals and SMEs amidst the pandemic is critical. Threefold fundamental services, namely financial education, financial counseling, and debt management plan (DMP), unquestionably help the repayment of the debt, thereby preventing the risks of mental health among individuals and bankruptcy among SMEs. Its success story in providing finance to those burdened with indebtedness was proven before the COVID-19 pandemic hit the country. For example, in 2018, DMP assisted 3,906 Malaysians in settling their debts, including the full settlement of 31,754 credit/loan facilities. The DMP in consumer behavior survey positively affirmed that DMP is effective and succeeded in changing the clients' financial behavior [15]. As of April 2022, AKPK had managed to resolve 41,000 debt cases through its DMP, with an outstanding settlement of RM2 billion [16].

Several past studies investigated AKPK from different viewpoints. Bueh & Lokman examined the factors influencing the effectiveness of the AKPK DMP [17]. Azmi et al. conducted a comparative study on DMP in Malaysia, the United Kingdom, and Singapore [18]. Also, Yusoff et al. conceptually analyzed DMP by the AKPK and Shariah perspectives on debt, DMP, and debt recovery [19]. The literature enlightened the role of AKPK, with a particular emphasis on DMP. Nevertheless, the studies are confined to the situation before the country was hit by COVID-19. The myriad studies also discussed the impact of COVID-19 on the socio-economic activities in Malaysia, such as the impact of COVID-19 on the tourism industry of Malaysia [20], small businesses in the tourism and hospitality industries [21], business resilience in Malaysia: insights from Kelantan [22], and unemployment in Sabah [23]. Past literature also narrated Malaysia's experience in fighting the pandemic, particularly the key success factors in managing the health impact from January to August 2020 [24], the unprecedented Malaysian experience in responding to the COVID-19 pandemic compared to two Asian countries (Singapore and Taiwan), and the implications of COVID-19 on social well-being [25].

None of the previous studies have assessed the mechanisms adopted by AKPK in performing its critical functions while facing unprecedented challenges. Hence, this study closes the gap in the existing literature by evaluating the approaches embraced by AKPK to assist those unable to repay their financial commitments during the COVID-19 pandemic, particularly because of a loss of job or business closure. This critical review of secondary data is submitted as an original research paper to shed some light on the agency's effectiveness in responding to unprecedented situations brought about by COVID-19. Future research may be conducted to empirically assess the effectiveness of the mechanisms employed by AKPK in coping with the pandemic challenges as the nation's leading financial management agency.

2- Literature Review

2-1- Debt and Health

Access to credit can be quite advantageous for individuals and enterprises, ranging from access to capital to start a small business to an increased ability to work through financial emergencies [26]. The credit implications, on the other hand, are not uniformly favorable. Excessive debt has a wide range of negative implications, including health problems. Literature indicates a negative relationship between debt and individuals' mental and physical health [27]. Individuals with no underlying mental condition but financial or debt struggles will trigger symptoms, such as depression and anxiety, three times more likely than those without a debt [14]. Evidence suggests that debt, financial difficulties, and problems with mortgage payments, for instance, contribute to mental health problems. The more people are in debt, the more likely they are to have cumulative mental problems [28].

Numerous previous studies have proven that money, finance, and debt are the most common reasons for anxiety [29] and are often correlated with the emergence or deterioration of mental health conditions. Approximately half of the people (45%) in troubled debt (self-identified as "seriously behind" on payments for a variety of bills and credit commitments like energy bills, rent or mortgage payments, and credit arrangements, such as credit cards, catalog shopping, or personal loans) have a mental health problem [30]. Individuals with debt problems are twice as likely to think about suicide as those not in financial distress [31].

Concerning the COVID-19 pandemic, a study examined both the negative and unexpectedly helpful effects that the pandemic had on mental health in the Malaysian population. Not only focusing on the negative impact of the pandemic, including an upsurge in anxiety disorders, it also postulates that improvements could be achieved in compliance and supervision of medication, strengthening of family support, and reduction in substance-related psychiatric disorders [32].

2-2- COVID-19 and Financial Impacts

COVID-19, a novel pneumonia disease originating in Wuhan, was confirmed by the World Health Organization on January 12, 2020, before becoming an outbreak in all countries [1]. The effect of COVID-19 was catastrophic for the world economy. According to the Organization for Economic Cooperation and Development, the pandemic contributed to social distress worldwide and substantial economic damage [13]. While lockdowns and movement control orders were geared toward reducing the spread of the virus, they came at the cost of severe economic impacts [33]. Literature suggests that the rapid spread of the virus impacted financial markets and that quarantine regulation, lockouts, and travel restrictions dramatically disrupted business operations in different sectors, affecting the income of individuals and causing economic turmoil in the region [1].

The COVID-19 economic devastation led to socio-economic misery and widespread unemployment [25]. Due to the financial pressure of COVID-19, numerous businesses in Malaysia granted employees unpaid leave, reducing the number of their workforce, cutting wages, or even closing down [32]. For instance, Genting Malaysia cut 15% of its workforce [34]. Social Security Organizations and the Employment Insurance System reported that job losses increased by 42% in Malaysia in the first quarter of 2020 [35]. Life-altering events, mainly resulting from job loss and unemployment, enormously lead to unmanageable debts and financial difficulty [36–39]. Unemployment undoubtedly triggers over-indebtedness, a direct consequence of the income shock that follows job loss [40]. Over-indebtedness negatively affects individuals and high levels of household debt, creates vulnerabilities for the economy, and negatively affects financial stability [41].

The Malaysian government launched several plans to assist Malaysians in weathering the pandemic. To ease the worry about loan repayments, the government introduced a financial relief in the form of the automatic moratorium for all loan/financing repayments/payments, principal, and interest (except for credit card balances) for individuals and small and medium-sized entrepreneurs borrowers/customers for six months from 1 April 2020 [42]. This aid was under the PRIHATIN Rakyat Economic Stimulus Package (PRIHATIN), unveiled on March 27, 2020 [33]. The Money and Mental Well-Being Survey by AKPK in 2020 during the pandemic revealed that 95% of those who took this moratorium agreed that the moratorium given was very helpful, while 78% agreed that their financial management was getting better [43].

The loan moratorium was reintroduced under PEMERKASA Plus, a massive RM40 billion financial relief package launched on May 31, 2021, to assist Malaysians who were negatively impacted and address the economic impact of the full MCO, which began on June 1, 2021 [39]. The B40 group and people affected by the loss of jobs will be given the option to obtain an automatic moratorium approval for three months or a reduction in repayment in installments of 50% for six months on loans. This assistance extends to micro as well as SMEs. It is essentially an extension of the ongoing targeted financial assistance that most banks in Malaysia are already offering.

A loan moratorium was also incorporated under PEMULIH, an RM150 billion aid package announced by the government on 28 June 2021 to assist people, businesses, and those vaccinated under phase 1 of the National Recovery Plan (NRP) in the fight against Covid-19 [40, 44, 45]. All individuals, irrespective of their household income classification and micro-enterprises and SMEs severely affected by the pandemic, are entitled to apply for the six-month repayment moratorium under the PEMULIH package [46]. Those given a three-month repayment moratorium under PEMERKASA Plus can apply for a repayment moratorium under PEMULIH once the former expires.

Past studies examined the impact of COVID-19 on Malaysia from various perspectives. The impact of COVID-19 on the tourism industry of Malaysia was briefly scrutinized by Foo et al. [20]. The study concluded that this outbreak hugely and adversely impacted Malaysia’s tourism industry, as tourists worldwide canceled bookings and delayed travel plans to Malaysia due to worries about the virus. In addition, the number of tourists declined due to travel restrictions and bans by the government. It briefly enumerated the economic stimulus package provided by the government to assist the tourism industry in sustaining itself throughout this challenging period. Discussion on AKPK’s initiatives to aid the tourism industry was absent. Abhari et al. examined the impact of COVID-19 on small businesses in the tourism and hospitality industry, including food and beverages (F&B) industries in Malaysia during and after the enforcement of

MCO and Conditional Movement Control Order (CMCO) [21]. This paper serves as a scholarly platform for further in-depth studies on various resilience solutions for small businesses. The study, however, did not delve into the efforts of AKPK in providing financial relief to the affected SMEs. Khalid succinctly elaborated on Malaysia's experience fighting the pandemic, particularly the key success factors in managing the health impact from January to August 2020 [24]. However, the author posits that while the country managed the health crisis relatively well, the handling of the economy is rather poor, with the economic impact being much worse than what was experienced during the 1997–1998 Asian financial crisis and the 2008–2009 global financial crisis. The study explained the government interventions to assist Malaysians in weathering the pandemic, including cash assistance, loan moratorium, exemptions on housing and business premise rentals, the introduction of the wage subsidy program, employment retention program, electricity bill discounts, and zero-interest loan packages for SMEs. Nevertheless, measures adopted by AKPK to assist Malaysians to survive amidst the financial difficulty created by COVID-19 were not explored.

Yong & Sia provided insights into the unprecedented Malaysian experience in responding to the COVID-19 pandemic compared to two Asian countries, Singapore and Taiwan [25]. It also explored the implications of COVID-19 on social well-being. Finally, with recommendations, the authors conducted a Political, Economic, Social, and Technological (PEST) analysis. As for economic analysis, with regards to wage subsidy 2.0, the researchers suggested that the government should provide training or upskilling programs for the unemployed instead of a mere short-term solution. In respect of easing residents' financial burden, the study recommended that the economic package introduced by the government should cover everyone in society, from corporates to individuals.

2-3- Credit Counselling Service

Historically, the modern credit counseling industry can be traced back to the late 1940s in the United States [47]. In Canada, its origin goes back to the 1960s [48]. The growth of this industry is strongly attributed to the increased number of people who are heavily in debt and have no realistic possibility of repaying what they owe. As time evolves, the non-profit model operates alongside profit-oriented credit counseling organizations worldwide. Irrespective of the model, the primary services of credit counseling agencies are to provide debt reduction services and financial education to debtors. They assist consumers who have problems with managing their personal finances and need help paying down their debts and improving their credit rating [49].

In Malaysia, the Central Bank of Malaysia (Bank Negara Malaysia) (BNM), through the Financial Sector Blueprint 2011-2020, aims to provide consumers with sufficient financial information to make an informed decision about their financial lifestyles [50]. AKPK was established to carry on this noble objective of protecting the welfare of consumers through its three basic programs, including DMP, financial counseling, and financial education, aimed at enhancing consumer financial efficiency [19]. Studies have shown that it is vital to understand the effects of debt on humans, as research finds that individuals can be affected physically and mentally by their debts [27].

A past study examined the factors affecting the effectiveness of AKPK in Selangor, Malaysia [17]. This study used a quantitative approach via a questionnaire survey for data collection. Promotional activities, program contents, public attitudes, and stigma are the predictors of the effectiveness of the AKPK program. The finding of this study reveals that promotional activities, public attitudes, and program contents play a very significant role in ensuring the effectiveness of the AKPK program. The finding provides empirical evidence that AKPK may improve its role in helping young working adults deal with household indebtedness and indirectly help the government improve the economy of the country. Magli et al. conducted a study to determine the mediation effect of payment behavior in the influence of financial technology (FinTech) usage on financial well-being among 2,125 respondents from B40 households in Malaysia [9]. The finding revealed that payment behavior is confirmed to mediate the influence of FinTech usage on the financial well-being of B40 households. However, although FinTech usage facilitates payment, B40 households would not achieve better financial well-being without prudent payment behavior. The study suggests that policymakers to establish more awareness programs to educate the B40 group on good financial practices, including savings, cash flow planning, and debt management, especially during high FinTech usage. Indirectly, the study emphasizes the important role of AKPK's financial education though the researcher made no direct discussion.

2-4- Debt Management Plan

The key component of credit counseling agencies' services is DMP, also called "debt consolidation [47]. DMP is a voluntary repayment plan that can be an alternative to bankruptcy [51]. The common feature of DMP is that the facilitator or counselor will help the debtor negotiate the repayment structure [52]. The counselors play an active role in developing a DMP in consultation with the creditors involved [18]. The intention is to help lower the debtors' total loan repayment installments to a manageable level of their net monthly income to regain sufficient cash flows to meet daily expenses [18]. DMP offers a reciprocal outcome to both customers and creditors [53]. This contention is genuine because customers can escape the intimidation of debt collection agencies or legal action while enjoying a reasonably low-interest rate and a lower monthly commitment [54]. The successful implementation of DMP will prevent the debtors from being subject to bankruptcy proceedings and financial distress due to over-indebtedness.

DMP is also a prominent feature of financial assistance to consumers who face financial problems established in other countries [55]. For example, Credit Counselling Singapore is a non-governmental, non-profit, and community-based setup in Asia [56]. In the United Kingdom, Financial Conduct Authority is responsible for overseeing debt management and credit counseling [57]. Citizens Advice, a consumer advocacy organization, also provides free debt counseling to individuals who need it [58]. The National Foundation for Credit Counselling, an agency regulated by the Federal Trade Commission, offers such services in the United States [59]. In South Africa, debt management is under the purview of the National Credit Regulator [60].

In Malaysia, DMP provided by AKPK is restricted to the financial consumers of financial institutions regulated by BNM, particularly banking institutions and cooperatives [55]. A couple of previous studies investigated DMP established by AKPK. The first study explored the concept of debt management from a Shariah perspective and examined whether the AKPK DMP aligns with Shariah principles [19]. It was found that DMP complies with Shariah principles except for the issue of a mixture of debt arising from conventional and Islamic banking, which requires further scrutiny. The study also suggested that DMP should be extended to unsecured financings, such as credit card and personal financing. Another study offers a rigorous qualitative analysis of DMP and a comparative analysis with the United Kingdom and Singapore [18]. The study reveals that the role of DMP is significant in providing an out-of-court pre-rehabilitation scheme in Malaysia. DMP helps debtors who face difficulty in settling their debts by offering a restructuring of the debts. If the debtors successfully enrolled, the creditors are bound by the moratorium period not to take any action or proceedings during the debtors' enrolment in DMP. These pre-pandemic studies extend valuable understandings of DMP operated by AKPK.

2-5- Conclusion

To conclude, the preceding literature review reveals paucity in the existing literature, which extensively elaborates on how AKPK adapts and adopts measures in exercising its instrumental functions to help the public, particularly those grappling with intense debt commitments during the pandemic. Although some studies analyze factors influencing the effectiveness of AKPK and scrutinize the DMP held by the said agency, the discussion is restricted to the timeframe prior to the COVID-19 outbreak. While several literatures offer helpful insights on studies related to COVID-19 issues in Malaysia, none examined the role of AKPK in providing financial aid to individuals and SMEs suffering from financial hardship resulting from this unprecedented calamity. Hence, this study aims to close the gap in the current literature by evaluating the approaches adopted by AKPK to assist those unable to repay their financial commitment during the COVID-19 pandemic, particularly because of loss of job or business closure.

3- Research Methodology

The study employed qualitative research methodology using secondary data analysis to evaluate the role of AKPK as an agency responsible for providing financial education, financial counseling, and DMP before and during the COVID-19 pandemic. The research method reflects how the researcher collects, analyses, and interprets the data in the study [61]. The source to use depends on the research focus [62]. The summary of the process flow is depicted in Figure 1.

Figure 1. Research Flowchart

The overall process of this qualitative research is further described in the following.

3-1- Literature Review

According to Jesson et al., a literature review is important to understand what has already been researched on this topic, how it has been researched, and what the key issues are [63]. Thus, this study began with a critical review of relevant literature on the relationship between debt and health, the impact of COVID-19 on the financial impact in Malaysia, credit counseling services, and DMP. Past studies on AKPK were also reviewed to acquire relevant insight into this agency's work and establish the gap in the existing literature.

3-2- Data Collection

Secondary data were collected through online search and database resources, such as Emerald Insight Springer, ScienceDirect, and HeinOnline. Besides that, Google Scholar was also a significant search engine that resorted to finding relevant papers and literature. Since this research is on the impact of the COVID-19 pandemic, updated information, especially on the measures adopted by the government and AKPK in providing financial relief, was acquired from online newspaper articles. The BNM and AKPK annual reports, especially in 2018, 2019, 2020, and 2021 were also gathered to obtain necessary information on AKPK responses facing COVID-19 challenges. Guidelines on Product Transparency and Disclosure and Guidelines for Responsible Financing issued by BNM were also referred to since the role of AKPK is being described therein.

3-3- Data Analysis

This study adopted content analysis whereby relevant secondary data were meticulously analyzed. Qualitative content analysis refers to a structured method to analyze qualitative data. It provides opportunities to examine explicit and descriptive content, resulting in categories, latent content, and interpretive content, resulting in themes [64, 65]. The secondary data were analyzed to generate information on the role of AKPK and how it operated before the pandemic, the running of AKPK during the pandemic, especially the measures adopted in response to COVID-19 challenges and the issues that may impede its effectiveness in delivering its services. The analysis result is depicted in the following sub-sections.

4- AKPK: Pre-Pandemic Setting

AKPK is the brainchild of BNM, established in 2006 [55]. The main objectives of the setup are to assist personal money management by providing advice and assistance, proactively offering preventive measures to new or distressed borrowers, facilitating debt repayments, and significantly minimizing incidences of default [15]. The primary mission of the agency is to empower the community, individuals, or SMEs to be financially literate via its three central functions, including financial education, financial counseling, and DMP. As the leading financial management agency, AKPK's vision is to be trusted in financial wellness, contributing to Malaysia's national social and economic growth. The AKPK empowerment of community program is implemented by building the society's capability to attain and retain sustainable peace of mind and providing services tailored to individual needs. All services offered by AKPK are free of charge via its 11 branches and 18 counseling offices nationwide [43].

4-1- Financial Education

According to AKPK Annual Report 2018, to fulfill its financial education mandate, AKPK offers programs, resources, and advice on money management and responsible credit usage [15]. In addition, it provides modules that address particular financial requirements at four phases of life, including tertiary education, entering the workforce, raising a family, and retirement. Before the establishment of the Financial Education Department in 2011, AKPK's financial education services began with a financial management awareness campaign run by the Corporate Communications Department. In addition to reaching out to a broad audience, AKPK sought to achieve a more concentrated and targeted appeal. In order to accomplish this, AKPK worked in conjunction with a variety of partners, including NGOs, governmental organizations, higher education institutions, and private institutions. The learning modules were designed specifically to meet the needs of the various stakeholders. AKPK delivered its financial education programs to almost 787,000 adult consumers in 2019. As of December 2019, cumulatively, AKPK reached out to over 5.0 million adult consumers. In the same year, numerous informative and promotional contents were posted on both traditional and digital media resulting in total outreach of 31.1 million [66].

4-2- Financial Counseling

In assisting people to stop overspending and reach their financial goals, AKPK offers one-on-one counseling and advice on handling personal finances prudently. The covered topics include budgeting, money management, and credit-related concerns. Getting aid through financial counseling will enable individuals to make the best financial decisions, regardless of how simple or complicated their financial situation may be. AKPK Annual Report 2019 revealed that since its launch in 2006 till the end of December 2019, AKPK provided financial counseling to approximately 1.0 million Malaysians on various financial difficulties, including managing loans and credit card debts, streamlining cash flow, saving money, and investing [66]. In 2019 alone, the total number of credit counseling cases conducted was 117,000 cases, an increase of 3.6% from the recorded number in 2018. AKPK financial counseling is charge-free, and the session is held privately. The service is open to all public members who can visit the nearest AKPK branch to speak to dedicated counselors and seek guidance. AKPK collaborated with both government and non-government agencies as well as credit providers and companies to offer its services to their employees and clients (borrowers) at their premises. They include the Ministry of Education, Ministry of Health, Malaysian Royal Police, Malayan Banking Berhad, Telekom Malaysia Berhad, AirAsia, and Columbia Asia Hospital.

4-3- Debt Management Plan

AKPK and DMP are inextricably linked. The ultimate objective of DMP is to guarantee that peace of mind is achievable when looking at the benefits of this program. The aim is to help debtors reduce their overall loan repayment installments to a tolerable percentage of their net monthly income so that they may reclaim sufficient cash flow to fulfill their daily obligations [18]. By enrolling in a DMP, debt repayment is adjusted to the debtor's available cash flow, giving them a second chance to move on with their lives without worrying about their debts [18]. Since the DMP binds the creditors, a declaration of bankruptcy may be prevented.

In summary, DMP helps to restructure cash flow, postpone bankruptcy proceedings, allow reasonable repayment periods according to the latest cash flow and ensure no harassment from debt collectors. It is pertinent to note that individual debtors who wish to enter a DMP with the AKPK must fulfill prescribed conditions. As of 2017, the requirements are [55]:

- The debts are owed to financial service providers regulated by BNM.
- The debtor must have a positive net disposable income after paying all expenses.
- The total debt exposure does not exceed RM2 million.
- The applicant is not adjudged bankrupt.

However, AKPK gradually extends its services to consumers who borrow from non-bank financial institutions, such as credit cooperatives, National Higher Education Fund Corporation, Tekun Nasional Berhad, and several cooperatives based on individual arrangements [67]. This service expansion began in 2014 to provide comprehensive and inclusive solutions for borrowers. In line with that, AKPK was appointed as a nominee of the Voluntary Arrangement Schemes in 2017 under the Insolvency Act 1967 [15]. The scheme is a pre-bankruptcy rescue mechanism to help individuals with the opportunity to restructure and/or reschedule their debt before they are declared bankrupt.

There are two categories of approval for DMP: blanket approval and approval with consent from the bank [18]. The summary of this approval is described in Table 1.

Table 1. Two Matrixes of DMP's Approval

Subject	Matrix I-Creditor's Blanket Approval	Matrix II-Require Creditor's Approval
Type of Facility and Tenure	Restructuring or rescheduling of unsecured loans where repayment, inclusive of proposed interest, is within ten years.	Restructuring or rescheduling of secured loans (housing loans and hire-purchase) and unsecured loans that do not fall under Matrix 1.
Restructure/Reschedule Monthly Payment	Instalments to cover at least proposed interest and can be stepped up during repayment tenure-minimum of 1% of total unsecured loan exposure or RM30, whichever is lower per credit provider.	Instalments to cover at interest at least. Other criteria: amount and months in arrear, the value of the property, cost and date of auction.
Waiver Consideration	Waiver of interest-in-suspense and penalty interest, late payment charges, where applicable. No waiver on loan principal and other charges.	Waiver of interest-in-suspense and penalty interest, late paymen1t charges, principal (for deserving cases) where applicable. For housing loan, waiver is subject to: i) Value of property charged to credit provider; ii) Applicant's net worth.
Payment Mode	Option to pay the instalments either via AKPK or directly to credit providers.	Option to pay the instalments either via AKPK or directly to credit providers.

The indispensable role of AKPK in aiding financial consumers is highlighted in the BNM Guidelines on Product Transparency and Disclosure and Guidelines for Responsible Financing. The financial service providers must inform their customers of the services of AKPK by inserting the note below in the product disclosure sheet and reminder notices sent to customers:

English version:

Agensi Kaunseling dan Pengurusan Kredit was established by Bank Negara Malaysia to provide free services on money management, credit counseling, financial education, and debt management for individuals.

Malay version:

Agensi Kaunseling dan Pengurusan Kredit telah ditubuhkan oleh Bank Negara Malaysia untuk menyediakan perkhidmatan pengurusan kewangan, kaunseling kredit, pendidikan kewangan dan penstrukturan semula pinjaman secara percuma kepada individu.

In 2017, AKPK published the profile of its DMP participants. A total of 73% of the DMP are from B40 groups, 64% live in urban areas such as Kuala Lumpur and Johor Bahru, 40% are between the age of 30 and 40 years old, 64% works in the private sector, and 93% have unsecured debts consisting of credit cards and personal loans [68]. The statistics also revealed the top reasons for accumulative debt excess in Malaysia. The main reasons are poor financial planning (43%), unexpected shocks such as loss of employment or death of a breadwinner (18%), limited savings (185%), lifestyle spending (7%), and financial scams (4%) [68].

Despite unprecedented circumstances, AKPK continues to provide superior financial counseling, DMP, and financial education services. The pandemic allowed AKPK to guide and increase the public's financial resilience to weather the storm that is wreaking havoc on the finances of many Malaysian households and SMEs. The steps taken by AKPK in response to the COVID-19 pandemic, which enable it to carry out its tasks efficiently, are discussed in the subsequent part.

5- AKPK Facing the Pandemic Era

Despite struggling with unprecedented challenges, AKPK strives to provide its core services to help borrowers go through a painless process for the deferment of their loan repayments and other assistance to alleviate their financial burden. Regarding financial counseling, the months of April 2020 (1,440 cases) and May 2020 (1,488 cases) saw the lowest number of cases (1,488 cases). When the government eased the MCO's requirements, the monthly average cases rose close to the pre-COVID-19 level (15,000 cases). In November and December 2020, the number of cases declined to an average of 9,000 as the public became concerned about the sharp rise in COVID-19 cases. Despite this, the total number of financial counseling cases increased by 12% (2019: 20.7%), from 1,031,404 in 2019 to 1,155,042 in December 2020 [43].

As for the DMP, the total approved DMP for 2020 (29,758 cases) was down 38.7% from the previous year's figures (48,581 cases). At the end of December 2020, 324,380 approved DMP cases were up 10.1% from the prior year (294,622 cases). DMP approvals were also influenced by post-moratorium relief packages and targeted repayment assistance programs offered by credit providers to customers who had lost their employment or had a drop in income due to the pandemic [43]. Figures 2 and 3 demonstrate the number of financial counseling and DMP applications in 2020, respectively.

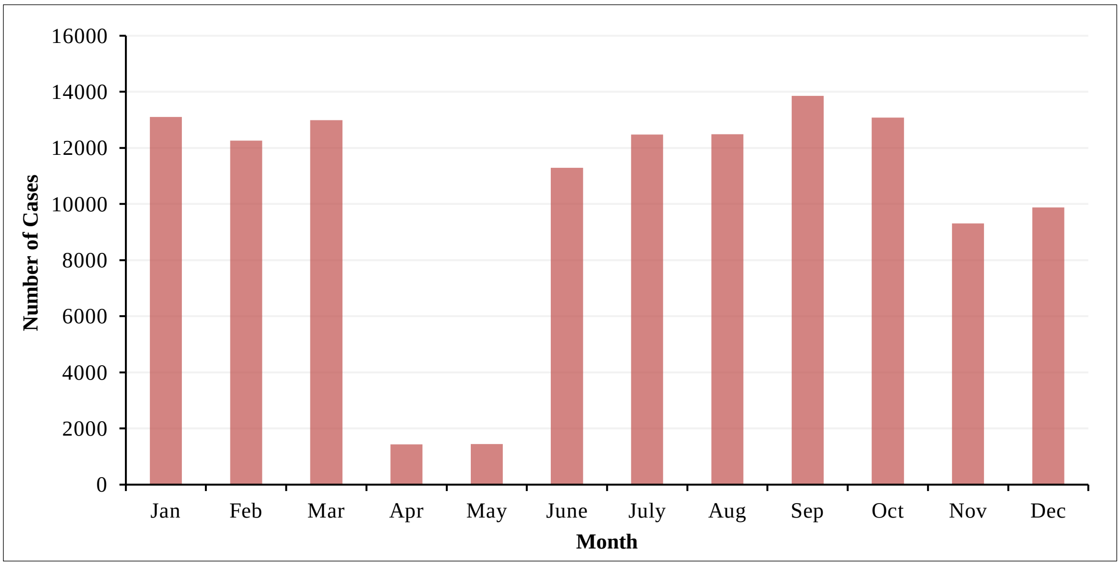

Figure 2. The Number of Financial Advisory Applications in 2020 (AKPK)

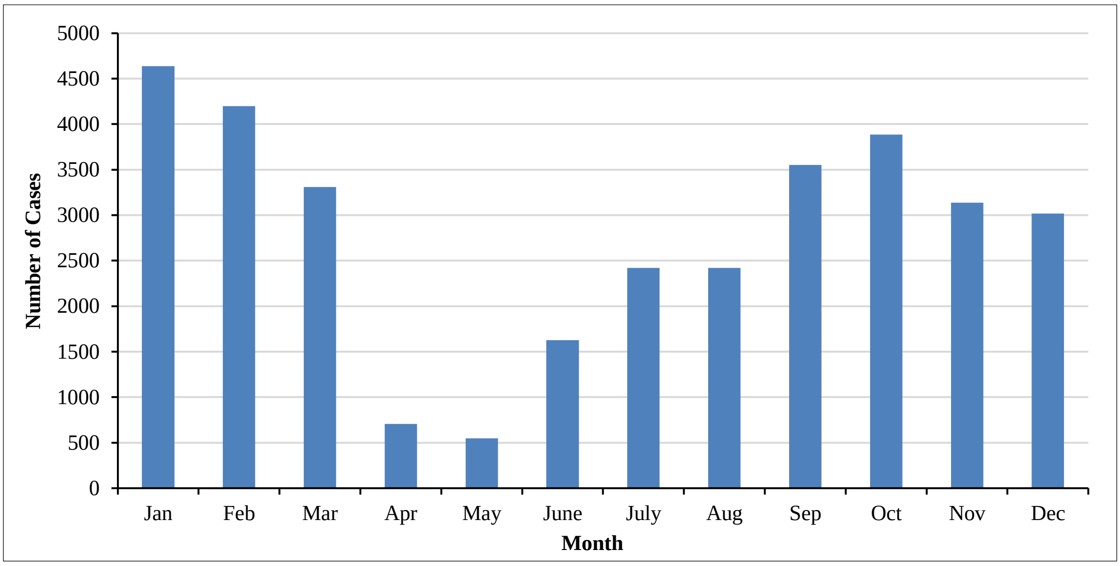

Figure 3. The Number of DMP Applications in 2020 (AKPK)

Concerning financial education, AKPK reached 1,391,943 adult consumers with its financial education programs, accounting for 82% of the target of 1,700,000 for 2020. Year over year, the financial education outreach in 2020 was 176% more than the financial education outreach in 2019 (786,926 adult consumers). AKPK reached out to 6,803,096 adult customers, a 26% increase over 2019 (5,411,153 adult consumers). AKPK financial education programs went online due to MCO. In 2020, AKPK hosted 208 webinars, reaching a total of 73,715 people. Government agencies (59), commercial firms (94), institutes of higher learning (40), NGOs (12), and others (3) were among the sectors that sought AKPK webinars [43].

6- Measures Adopted by AKPK in Response to COVID-19

6-1- Reinforcing Manpower

Considering the rising unemployment and business closure cases, individuals and businesses grappled with meeting their financial commitments. Anticipating a spike in inquiries and requests for financial assistance, primarily during the initial phase of MCO when the automatic moratorium expired in October 2020, AKPK increased the size of its workforce across the board to ensure seamless engagements and processing of customer requests [43]. AKPK recognized that this was a critical time for them to be accessible and responsive. During the early stage of MCO, AKPK logged 14,000 calls daily, mainly to seek clarification on financial issues such as loan moratoriums, debt repayment, and facility restructuring [69]. As of September 2020, the agency was getting about 1,100 walk-in enquiries daily [70]. Thus, reinforcing the workforce is crucial to enable swift responses and effective services.

6-2- Extension of Scope of Customers to Small Medium Enterprises

During the pandemic, AKPK's role was expanded to serve the backbone of the nation's economy, particularly SMEs, when the Small Debt Resolution Scheme was transferred from BNM to AKPK [32]. For this scheme, the definition of SMEs is as illustrated in Table 2.

Table 2. Definition of Small Medium Enterprises (SMECorp Malaysia)

Category	Small Enterprise	Medium Enterprise
Manufacturing	Sales turnover from RM300,000 to less than RM15 million OR employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR employees from 75 to not exceeding 200
Services and Other Sectors	Sales turnover from RM300,000 to less than RM3 million OR employees from 5 to less than 30	Sales turnover from RM3 mil to not exceeding RM20 mil OR employees from 30 to not exceeding 75

With this new mandate, AKPK is entrusted to assist SMEs beginning 1 September 2020 [43]. The SDRS is an additional avenue for SMEs to obtain assistance and advice on debt restructuring and rescheduling, complementing the efforts of the banking industry to provide relief to distressed SMEs. AKPK's financial education and financial counseling are likewise offered to SMEs. Under a targeted communication strategy, AKPK reached out to more than 60 thousand SMEs by distributing financial education materials through various SME associations/business chambers. Concerning financial counseling, a total of 1,500 SMEs also sought the services throughout 2021.

AKPK accomplishes this by facilitating amicable and cooperative debt repayment arrangements between SMEs and banks, typically through the restructuring and rescheduling existing loans. This way, it is possible to avoid legal action. Applicants must meet some criteria to be considered eligible [71]. First, the SMEs must obtain funding/loan/financing from participating financial institutions, which include all commercial banks, Islamic banks, and prescribed development financial institutions. Second, the owners or shareholders of SMEs must not be bankrupt. Next, the company was not wound up. Fourth, SMEs are not under receivership or judicial management. Lastly, suppose the company discontinued operations, it is still eligible to get the service provided by AKPK if it has alternative sources of money to meet its debt service commitments, for example, from other businesses or other income of the shareholders or directors.

6-3- Small and Medium Enterprise Help Desk

In line with the new mandate, AKPK introduced the SME Helpdesk, which aims to provide swift and dedicated assistance in favor of SMEs. The SME Helpdesk offers advice and arranges repayment help for SMEs with their banks [72]. These services were designed to assist affected SMEs in obtaining financial support for repayments throughout the challenging period and beyond. The appointed advisers will not only provide free repayment assistance advice. However, they will also aid SMEs in submitting repayment assistance requests to their banks, especially those in financial distress and missed payments for more than 90 days [43].

6-4- Leveraging Technology and Media for Business Continuity

The government's enforcement of MCO introduced a new standard for company operations. Concerning this, AKPK was not exempted. According to AKPK's Annual Report 2020, customers were catered to online platforms, advisory services were conducted via telephone, and financial education programs were conducted via webinars while personnel worked from home. AKPK could operate without severe disruptions due to secure remote access to its IT systems and the flexibility of diverting incoming calls from customers to staff's mobile phones. Besides human capital, IT infrastructure received much attention to accommodate the growing company's needs. Improvements to systems, such as faster processing times and online apps with a more user-friendly interface and more efficient remote operations, resulted in a positive customer experience throughout the financial counseling and debt settlement process [43].

AKPK has developed several user-friendly and simple-to-use portals to provide consumers with access to its services during the enforcement of MCO. Consumers seeking financial assistance can simply go to the portal *'ask.akpk.org.my.'* An online portal, *'customer.akpk.org.my,'* was set up for the DMP, while existing DMP members can use *'edmp.akpk.org.my.'* Additionally, public members can fill out a specific online form with their details so that AKPK staff can contact them later. Additionally, to ensure the safety of the customers, AKPK introduced an online payment facility to all DMP participants in 2021. This added facility allows customers to conveniently service their monthly debt repayment from the comfort of their homes [73]. More than 30 financial institutions collaborated with AKPK under this initiative [43].

The website of AKPK is another important platform for disseminating vital information, keeping up-to-date news, and serving as a primary reference for its services. For example, an explanation of the Repayment Assistance Program, guidelines, and frequently asked questions are available on the company's website for customers' quick reference. The agency stepped up its financial messaging across various media platforms, focusing on informing the public about the importance of rebuilding their financial resilience. In keeping with contemporary trends, AKPK uses social media sites such as Facebook, Twitter, Instagram, and YouTube to reach out to the public. As previously discussed, online webinars and online financial education courses were implemented to enable it to perform its primary duty of imparting financial education, information, and awareness to the general community [43]. It is pertinent to highlight that AKPK's online learning modules were well-received by government organizations and higher education institutions. For example, 17 active online modules are available to the general public and specialized target groups. The most popular online module was 'Hemah Bicara Hemat Belanja' *(Virtuous Talk, Prudent Spending),* which had over 500,000 learners, followed by 'Rumahku' *(MyHome)*, had over 160,000 learners. This reinforced AKPK's opinion that, in the future, webinars and online learning will be the preferred way of instruction [43]. Also, by deploying a digital platform, AKPK's SME Education Team successfully organized the "Bijak Wang, Bijak Niaga" *(Smart Money, Smart Business)* program throughout 2021, which successfully garnered over 800 participants throughout the country. Many business owners participated in the agency's virtual learning courses throughout 2021 [73].

In light of the COVID-19 pandemic's effects, AKPK believes system and process improvement is required to ensure ongoing organizational agility and performance. AKPK successfully launched a "Digital Transformation Roadmap" (DTR) project, its first digital initiative, at the beginning of 2021 after pooling its resources to develop its digital transformation strategy [73]. The DTR's focused solutions were thoughtfully created from the customer experience viewpoint to solve certain pain spots and enhance the overall experience throughout the customer journey. The agency undertook several supplementary projects to enhance the internal network access and authentication process and regularly verify that the IT infrastructure was well-protected against cyber-attacks throughout 2021. Additionally, the IT team put much effort into ensuring that the agency's business continuity plans and disaster recovery system could withstand any circumstances.

6-5- Financial Management and Resilience Program (URUS)

Given the uneven recovery across businesses and industries and the disproportionate impact of income shocks on more vulnerable households, AKPK and the banking sector jointly developed and launched the Financial Management and Resilience Program (URUS), a structured program designed to help the most vulnerable B50 bank customers transition from current repayment assistance to more comprehensive financial and debt management support [74]. This is a temporary repayment assistance program for B50 individuals who require additional support before they can resume normal repayments of their loans/financing with the banks. To qualify for URUS, the applicant must fulfill the following requirements [75]:

- Household income of up to RM5,880;
- Loss of employment or at least a 50% reduction in income;
- Loan/financing still performing (not in arrears exceeding 90 days) as of the date of URUS application;
- Loan/Financing is under a repayment/payment assistance program existing repayment assistance program (e.g., Targeted Repayment Assistance, PEMERKASA Plus, PEMULIH, bank's own rescheduling and restructuring, etc.) as of 30 September 2021.

Under URUS, AKPK provides holistic support beyond debt management through a personalized financial plan (PFP) [73]. The plan includes an interest/profit waiver for three (3) months, deferred payments, and other options such as reduced installments in line with the individual's affordability. PFP also comes with financial counseling support and education of up to 24 months to build the customers' financial resilience. Financial management plans developed for customers under URUS consider all their debt obligations across financial institutions. Customers under URUS will also receive periodic check-ins by AKPK counselors to understand their latest financial condition and review their repayment/payment plans. This step is intended to help customers manage their overall financing costs. To further support affected households beyond financial management, URUS offers development support, such as referrals to the Social Synergy Network (SSN). The SSN is a network of agencies designed to offer to learn of new skills for income supplementation and other development support, such as:

- Employment opportunities;
- Financial aids;
- Digital training and business platforms;
- Business funding/financing;
- Upskilling and reskilling training;
- Emotional advisory support.

Some participating agencies within SSN include government and non-government agencies such as PERKESO, MDEC, TEKUN, and GIATMARA.

6-6- Financial Resilience Support Program (FIRST)

For individuals and SMEs affected by COVID-19 but do not qualify for URUS, they can apply for Financial Resilience Support Program (FIRST) [74] . It is an assistance scheme by AKPK that includes features such as reduced installments, extended financing tenures, and financial resilience support programs. It complements the existing restructuring schemes by the banks.

7- Analysis

The previous discussion describes measures adopted by AKPK to accomplish its duty as a one-stop rehabilitation center for households and SMEs alike to improve the lives and livelihoods of Malaysians facing the pandemic. AKPK fully supported the government's efforts to help Malaysians unable to repay the debt resulting from the COVID-19 pandemic through its threefold functions. The government has introduced some measures, including automatic loan moratoriums and targeted repayment assistance such as PEMERKASA PLUS and PEMULIH, recognizing the hardship some members of society faced to accomplish their financial commitments. The government also revised the Insolvency Act 1967 with the Insolvency (Amendment) Act 2020, which takes effect on 22 October 2020. As a result, the creditor's minimum threshold for filing a bankruptcy petition has been raised from RM50,000 to RM100,000. In this case, even if consumers are behind on their payments, bankruptcy is not an option if the amount of debt is less than RM100,000. To a certain extent, this initiative positively decreased the number of registered bankrupts in the years 2020 and 2021, as depicted in Figure 4.

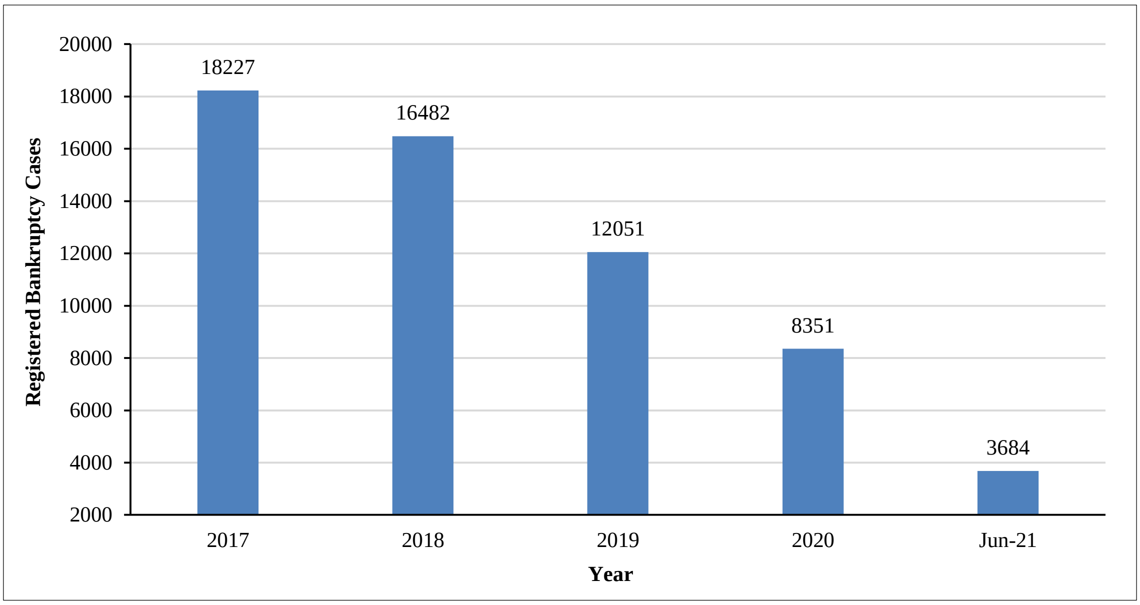

Figure 4. The Total Number of Registered Bankruptcy Cases in Malaysia According to Year from 2017 to June 2021 (Malaysian Department of Insolvency)

The previous discussion proves that irrespective of a pandemic, AKPK's primary services of providing financial education, financial counseling, and debt management were uninterrupted and continued to be offered through the adoption of unconventional ways. Predicting an increase in the number of Malaysians seeking financial aid, steps were taken to strengthen its workforce. Additionally, its leadership foresees the need to bolster human resources capacity and capability and the IT infrastructure and digital platforms, other than using various media channels, predominantly social media, to ensure accessibility. AKPK invested in providing secured remote access to IT and the ability to divert incoming calls to staff's mobile phones. AKPK also introduced online apps, portals, webinars, learning modules, and payment facilities for all DMP participants. AKPK maximized the use of its website and social media platforms to reach the wider public safely. It also continues to collaborate with diverse agencies, which ensures more efficacy since the program can be tailored to the specific needs of the targeted audience.

Arguably, bringing SMEs within the AKPK's jurisdiction is a worthwhile step. SMEs played an essential role in promoting Malaysia's economic transition by creating jobs and revenue [76–78]. According to the Small and Medium Enterprises Association, roughly 82% of SMEs anticipated a deficit in 2020 [79]. A study conducted by the Malaysian Department of Statistics in April 2020 found that more than two-thirds of Malaysian companies reported no income during the MCO period, and many companies will be forced to lay off staff or give them unpaid leave as a result [6], Businesses, particularly SMEs, suffered severe income losses, resulting in significant unemployment rates. The dreadful impact of MCO on jobs is proven by data from the Malaysian Department of Statistics, which exposed that the jobless rate in March 2020 soared to 3.9%, the highest level in 10 years [6]. The figure worsened in May 2020, whereby the jobless rate rose to 5.3%, the highest point in the last 30 years. As a result, the strategy dedicated to supporting SMEs needs urgent attention. The transfer of SDRS from BNM to AKPK acknowledges AKPS's ability to perform the mandate. Accordingly, an SME Helpdesk was set up. AKPS's dedication to assisting individuals and SMEs is reflected in its collaboration with the banking industry to create URUS and FIRST. Figure 5 summarily shows measures adopted by AKPK to adapt to COVID-19 challenges in 2020 and 2021.

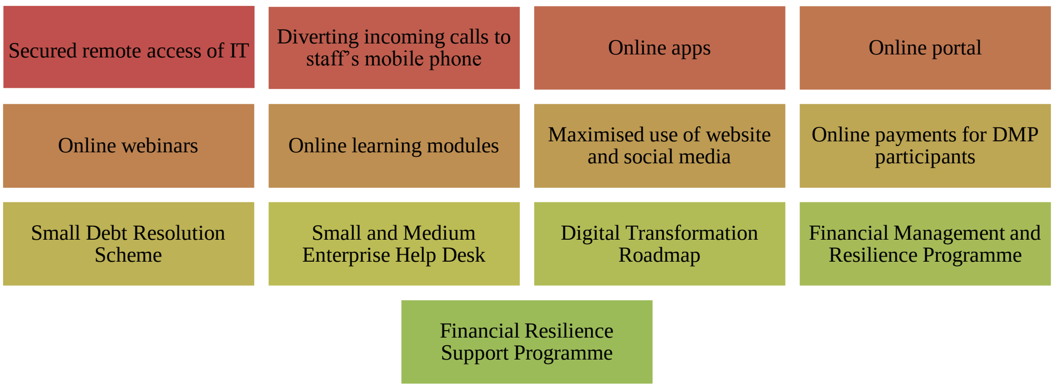

Figure 5. Measures Adopted by AKPK in Response to COVID-19 Challenges in 2020 and 2021

Nevertheless, it is postulated that several issues may hinder its effectiveness in championing financial management for Malaysians. Firstly, leveraging technology and social media is a remarkable effort to reach a wider audience. However, a strong reliance on online data may pose the risk of a data breach. Although the Personal Data Protection Act 2010 (PDPA) was designed to be a pioneer in protecting personal data, it only safeguards against the improper use of personal data for commercial purposes. It is worth noting that the PDPA does not mention online privacy, including geolocation and cookies. Worse, if personal data is processed outside Malaysia, the PDPA is not applicable. It is submitted that the government should prioritize strengthening the existing data privacy laws to protect the AKPK's customers against data exploitation. The government should also consider enacting further protection measures, building on the experiences of other countries in this area. Europe, for example, places a high value on privacy, as seen by the European Union's adoption of the General Data Protection Regulation (GDPR) in May of this year. The GDPR, which replaces the 20-year-old Data Protection Directive, creates more rigorous standards governing how businesses acquire and store data and imposes stiff fines on those who break them [80].

Another factor limiting excellent coverage is the digital gap between urban and rural communities regarding internet connection. According to the Department of Statistics, Malaysia's Communications and Multimedia Commission could not narrow the gap between underserved areas and other parts of Malaysia despite an increase in household internet penetration from 87% in 2018 to 90.1% in 2019 [81]. In this aspect, the relevant government body must make a concerted effort to close the digital divide while ensuring meaningful internet connectivity for increased digital inclusion [82].

Next, SDRS and SME Helpdesk are confined to SMEs that acquire credit facilities from BNM-regulated financial institutions, excluding credit providers such as community credit, cooperatives, and other non-bank entities. Like financial aid to SMEs, DMP exclusively favors consumers who enter into financing transactions with commercial banks, Islamic banks, and prescribed development financial institutions. Thus, consumers dealing with non-bank credit providers are deprived of the advantage of enrolling in a DMP, which will relieve financial hardship and particularly the risk of bankruptcy. Considering the massive demand for these sources of credit as an alternative to credit provided by banks, especially among those with a fragile financial background, it is unfortunate that similar privileges are not available for this category of consumers [83]. Moreover, personal financing, also offered by non-bank credit providers, has become a critical factor in bankruptcy in Malaysia, as demonstrated in Figure 6.

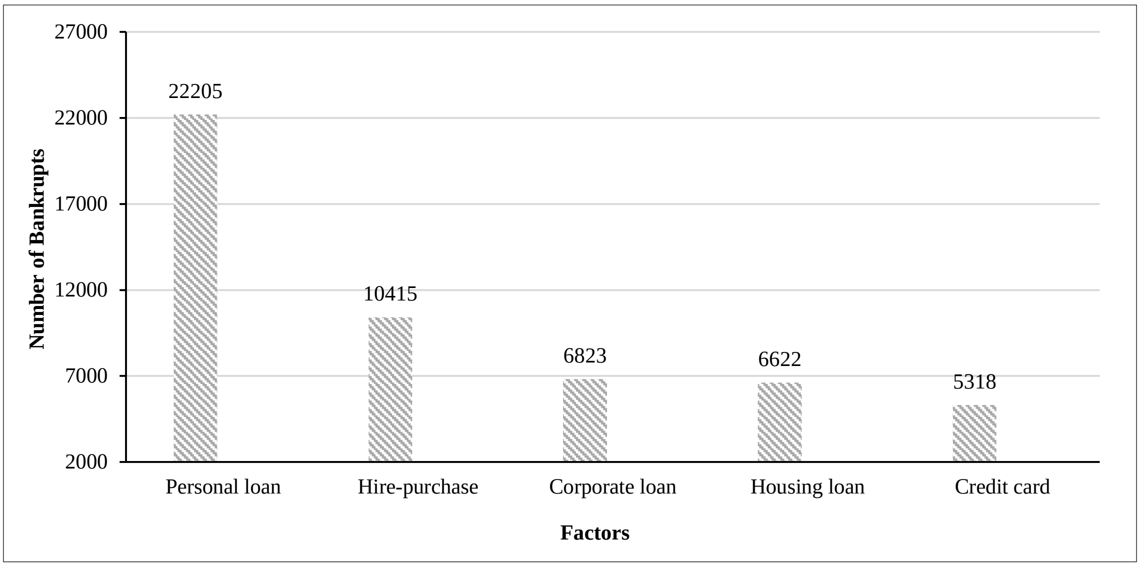

Figure 6. The Key Factors of Bankruptcy in Malaysia from 2017 - June 2021 (Malaysian Department of Insolvency)

Although AKPK has established itself as a pioneer in debt management since the agency is the breakthrough of BNM, extending its reach to other ministries' jurisdictions may pose some challenges. Credit community businesses are regulated by the Ministry of Housing and Local Government, whereas cooperatives are under the purview of the Cooperative Commission. It is submitted that to tackle the issue, two options may be considered: first, expanding AKPK's jurisdiction to include non-bank institutions; or second, having the respective regulators establish their own individual versions of credit counseling and debt management agencies. In the case of the second option, relevant regulators are free to establish and regulate their credit counseling and debt management agencies to assist customers dealing with non-bank credit providers. While this phase ensures autonomy, its establishment may take longer because some fundamental concerns must be addressed first to ensure effective functioning and long-term viability. Human resources, governance, operating procedures, IT infrastructure, and funding are just a few aspects that need to be managed.

8- Conclusion

COVID-19 brought unprecedented challenges globally in many aspects. Apart from health, one of the most severely hit sectors was financial. Due to the pandemic, many lost their jobs or continued with reduced pay. Their diminished ability to sustain themselves certainly impacted their financial predicament, including their ability to make payments, which eventually reduced their quality of life. In this regard, the role of credit counseling and debt management agencies is pivotal, in addition to the incentives and packages announced by the government and financial institutions. In the spirit of helping people in their time of need, AKPK endeavored to assist unfortunate borrowers. They went through a trouble-free process for the postponement of their loan repayments and other necessary assistance to relieve their financial burden. AKPK has established a constructive reputation as a prominent organization that provides financial education, counseling, and DMP services to make the community, households, and SMEs more financially resilient. It continues to persevere for the betterment of society. It adapts to the new norms and adopts feasible measures to support government initiatives and maintain its core services. Based on the above discussion, ensuring an adequate and capable workforce, harnessing digital platforms for sustainable business operations, and collaborating with relevant agencies are three key measures that support AKPK in remaining steadfast in executing its functions amidst the COVID-19 challenges. However, the government should seriously consider strengthening personal data protection laws because of AKPK's significant reliance on digital platforms.

Similarly, appropriate government bodies must take fast action to address the digital divide issue and inclusion to reduce disparity in terms of access to online services offered by AKPK. Also, since certain individuals or SMEs with credit facilities with entities not regulated by BNM are deprived of this incentive, relevant regulators should undertake actions to provide a similar facility. The success of AKPK in delivering customized solutions to assist borrowers in withstanding and recovering rapidly from financial shocks while sustaining peace of mind can serve as a valuable case study for other countries. Future research may be conducted to empirically assess the effectiveness of the mechanisms adopted and adapted by AKPK in coping with the pandemic challenges as the nation's leading financial management agency.

9- Declarations

9-1- Author Contributions

Conceptualisation, I.I.; methodology, I.I.; formal analysis, I.I.; resources, I.I., N.N.H.A., N.A.R., and M.M.; writing—original draft preparation, I.I.; writing—review and editing, I.I., N.N.H.A., N.A.R., and M.M.; project administration, N.N.H.A.; funding acquisition, I.I., N.N.H.A., N.A.R., and M.M. All authors have read and agreed to the published version of the manuscript.

9-2- Data Availability Statement

Data sharing is not applicable to this article.

9-3- Funding

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9-4- Institutional Review Board Statement

Not applicable.

9-5- Informed Consent Statement

Not applicable.

9-6- Conflicts of Interest

The authors declare that there is no conflict of interests regarding the publication of this manuscript. In addition, the ethical issues, including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, and redundancies have been completely observed by the authors.

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