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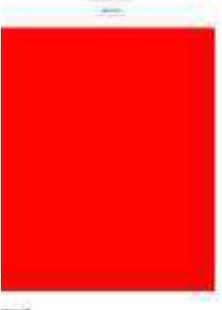
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CREDIT is becoming widely available in Singapore, with a plethora of products offered from traditional unsecured credit cards to alternative lines such as Buy Now Pay Later (BNPL).

Yet credit is something of a double-edged sword. It helps those with cash flow issues and rewards good repayment behaviour with better interest rates for loans. It's also an easy way to rack up crushing debt with long-term consequences for future financial decisions such as buying a home. [>>>](#)





difficult for the lower-income groups who run micro businesses to expand their business or solve cash flow problems. Therefore, financial inclusion is an issue that needs to be addressed," she said.

SUTD's Tan argues that the point isn't whether the segment should or should not be given credit, but rather if credit is commensurate with the customers' creditworthiness.

Here, digital banks could help with their tech tools. "For instance, they can use data analytics to better monitor the credit usage patterns to identify potential customers who are showing signs of irresponsible credit usage, or design their app interfaces in a way that presents credit-related information in easy-to-understand ways," he said.

Neutrality of credit

As a tool, credit is neither good nor bad, says Tan Huey Min, general manager at Credit Counseling Singapore (CCS).

"It has its function to allow us to buy and enjoy the item before we have the full sum of money to purchase it," said Tan.

There are guidelines governing some of the more easily available products. Unsecured credit cards have an annual salary requirement of S\$30,000, and financial institutions can only allow customers to owe 12 times their monthly salary in unsecured credit. This limit has come down since 2015 when it was 24 times.

It is careless use of credit ending up in unpaid debt that lands consumers in trouble.

The numbers from CCS show an increasing percentage of under-30-year-olds seeking help over the years, from 11.9 per cent of clients in 2019 to 16.3 per cent in 2022. But in absolute numbers, the number of clients under 30 years old has actually fallen, from 388 in 2019 to 257 in 2022.

Responsible use of credit does help in the long run by building up a person's credit history, as data coupled with models can predict to a high degree of certainty whether a person is a good or bad borrower.

While the amount of credit from BNPL players increased about four times, from S\$114 million to S\$440 million from 2021 to 2022, SIT's Jutasompakorn notes that BNPL is only a drop in the ocean.

"BNPL remains a small part of consumer unsecured loans," she said. "BNPL quantum in 2021 was only 1 per cent of credit card and debit card payments, and in 2022, it was 0.5 per cent."

There are some who have eschewed credit for debit cards, such as Jane P. Hearing horror stories of others landing in debt has made the 31-year-old avoid credit cards.

"Not having access to a credit card also makes me consciously save towards my goals and question if I really need that purchase, trip or subscription ... I'm a 'late bloomer' to finance, still learning about how I can make my money work for me," she said.

Starting young

Learning how to budget and deal with credit are not subjects or topics that are normally taught in schools. Currently, there are a number of courses and workshops provided by ex-



Among those entering the workforce, graduates with different family and education backgrounds may also have less social experience and different levels of financial literacy. PHOTO: REUTERS



SIT's Pearpilai Jutasompakorn (above) believes that a hands-on course – such as a simulation game at the university level focused on risky credit behaviour – can be effective for improving financial literacy.

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Late payments on unsecured credit cards are on the rise in the 21-29 year old demographic, shows data from Credit Bureau Singapore. PHOTO: BT FILE

ternal parties such as CCS, The Institute of Financial Literacy and MoneySense, an initiative by the Monetary Authority of Singapore and the Ministry of Manpower.

Citing the MoneySense Council's 2017 Financial Planning Attitudes Survey, about one in four polled needed help with their money habits, says SIT's Jutasompakorn.

"This group of participants were more likely to use credit for big-ticket items and less likely to save, have a budget, or track their spending," she said.

Among those entering the workforce, graduates with different family and education backgrounds may also have less social experience and different levels of financial literacy.

More can and should be done to improve

awareness as newer forms of credit become available. These can change generational perceptions towards debt, says SUTD's Tan.

SIT's Jutasompakorn believes that a hands-on course – such as a simulation game at the university level focused on risky credit behaviour – can be effective, as well as a course focusing on topics such as time value of money/ compounded interest, budgeting, and debit/credit card management.

Tan adds that the younger generation may be viewing credit as a tool to enhance their lifestyle rather than a financial obligation that needs to be settled eventually, so a nuanced approach may be needed.

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