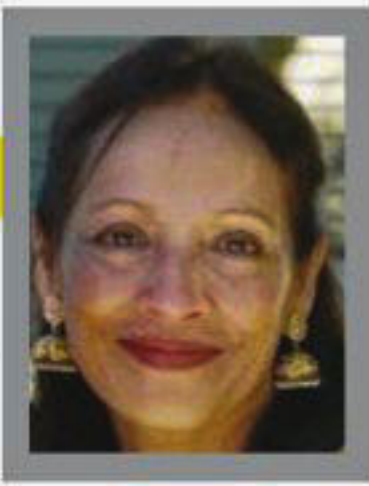


PENNY WISE

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The Debt Trap

We as consumers don't have the luxury of endless deficit spending, though many of us act as if we do. We tend to spend compulsively while ignoring the deteriorating condition of our finances that it leads to. We put off dealing with problems until some outside event — credit denied, legal action, harassing phone calls from debt collectors — forces a change. Having said that, personal loans can be our financial saviours in times of an emergency. With the quick processing that many lenders offer on Personal Loans, it is a rather popular financial product to choose.



Various banks make loans so attractive to us - before we know it, we have landed with an auto loan to purchase a car or a house loan to purchase a small apartment. All of us want to improve our standard of living and what could be better than having your own car or your own apartment? Sometimes we tend to forget our ability to re-pay!

Then there is huge marketing for credit cards... innumerable phone calls from sales people who will give such a rosy picture of all the things in the world you can purchase if you have this card or that card... Not only can you use these cards in your home country, but overseas too! There is certainly a degree of over marketing in the case of cards, as different banks are vying with each other to acquire more and more cardholders; and even your existing bank is pushing new branded or co-branded cards. Sometimes one is forced to accept new

cards from a bank not because there is any need for it but to maintain good public relations. Now digital marketing by the banks and the retail or dining outlets are regularly bombarding card holders with attractive offers for new fashion just out, a bargain meal at a 5-star hotel or air ticket for a new holiday destination, not to speak of numerous holiday packages touted regularly by the travel companies and airlines.

In short the consumer is on a daily basis exposed to numerous water-offers, mouth- and I know young



singles or couples are tempted to overspend and pay the minimum amount on the card bill each month thereby amassing a bigger and bigger debt mountain for which they have no definite plan for liquidation. Ultimately, when the crunch comes, the family savings have to be broken into or worse; personal loans from friends or relatives have to be taken. This is a demeaning act for any individual. Surely, we don't want to be known as the chronic borrower among our peer group.

Banks now have devised a new option to target cautious customers who do not utilize their credit limit. They have started marketing cash loans against unutilized card balance on installment re-payment at certain 'concessionary' interest rate.

The above are a list of some of the traps carefully laid by banks to augment their retails income. The only way for individuals to protect against the temptations is to have a steely resolve not to spend when something is not absolutely essential. Holidays and restaurant visits should also be planned with a concept of budget for 'entertainment' for the family or individual. Saying a firm but polite 'NO' to the card marketer is something we need to practice and use on a daily basis.

Photo: LS Archive/Sazzad Ibne Sayed

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