DETERMINANTS OF HOUSEHOLD DEBT IN MALAYSIA

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BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERISITI TEKNOLOGI MARA

KAMPUS BANDARAYA MELAKA

DECEMBER 2018

DETERMINANTS OF HOUSEHOLD DEBT IN MALAYSIA:

INFLATION RATE, INTEREST RATE, SAVING LEVEL AND UNEMPLOYMENT RATE

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Submitted in Partial Fulfilment of the

Requirement for the

Bachelor of Business Administration with Honours (Finance)

FACULTY OF BUSINESS MANAGEMENT

UNIVERISITI TEKNOLOGI MARA

MELAKA CAWANGAN

KAMPUS BANDARAYA MELAKA

DECEMBER 2018

<u>DECLARATION OF ORIGINAL WORK</u>

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERISITI TEKNOLOGI MARA

"DECLARATION OF ORIGINAL WORK"

We, Nur Ain Najwa Binti Zainal (IC Number: 950804-10-5182) and Nur Adilla Binti Omran (IC Number: 950621-14-5018).

Hereby, declare that

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.

- This project-paper is the result of my independent work and investigation, except where otherwise stated.

- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____   Date: _____

Signature: _____   Date: _____

LETTER OF SUBMISSION

Bachelor of Business Administration (Hons) Finance

Faculty Business Administration

Universiti Teknologi Mara Kampus Bandaraya Melaka

110 Off Jalan Hang Tuah

75300 Melaka

Dear Madam,

SUBMISSION OF PROJECT PAPER

DETERMINANTS OF HOUSEHOLD DEBT IN MALAYSIA

We were required to do a project paper on the above topic. I hereby submitted this report and I really hope that this work will fulfil the requirement for the Bachelor of Business Administration (Hons) Finance.

Thank you,

Yours sincerely,

……………………………

Nur Ain Najwa Binti Zainal

2016629638

Bachelor of Business Administration (Hons) Finance

……………………………

Nur Adilla Binti Omran

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Bachelor of Business Administration (Hons) Finance

ABSTRACT

The issue of household debt is at critical stages which need to overcome before it may cause into the financial crisis so that the fluctuation of the household debt level needs to be determined even there is show decreasing for 2016 to June 2018. This study is using the time series data to achieved the objective of this study is to identifying the macroeconomic variables relationship with household debt especially in Malaysia. This study is used the Multiple Linear Regression (MLR) model to see the relationship between the household debts with the macroeconomic variables which are inflation rate, interest rate, saving level and unemployment. The findings for this study shows that, interest rate are the most significant variable that could effect on the household debt level in Malaysia followed by saving level and unemployment level. Moreover, there are shows positive relationship for saving level and unemployment level towards household debt in Malaysia. This is show that the higher the saving level, the higher the level of household debt and the higher the unemployment rate, the higher the household debt in Malaysia. On the other hand, this study found that interest rate is a negative relationship with household debt in Malaysia while inflation rate is insignificantly related with dependent variable, household debt in Malaysia. All the data from this study are collected from Datastream which subscribed from UiTM and by looking at monthly basis from year January 2008 until June 2018 with 126 observations.