# UNIVERSITI TEKNOLOGI MARA

# FACTORS AFFECTING HOUSEHOLD DEBT IN MALAYSIA

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# ABSTRACT

The research aims to determine the relationship of independent variables towards household debt in Malaysia andto analyze the impact of independent variables on household debt in Malaysiaand to determine the mostsignificant factor that affects the household debt.Household debt in Malaysia surprisingly increasing every year. Besides that, the economic condition also shows the unstable performance of the Malaysian economy. The study focuses on analyzing the debt offered to the consumer. The study used 35 years period from 1984 to 2018. Other than that, three independent variables are determined to be included in this study, such as Gross Domestic Product (GDP), Unemployment Rate (UNEM), and Inflation Rate (INF). The relationship of variables and household debt tested using Descriptive Analysis, Augmented Dickey Fully (ADF) Unit Root Test, Philips-Perron (PP) Unit Root Test, Normality Test, and Regression Analysis. Secondary data from reliable sources will be gathered.Based on multiple Regression Model Test, the results show that the Gross Domestic Product (GDP) is the mostsignificant variable, followed by Unemployment Rate (UNEM), and Inflation Rate (INF). Gross Domestic Product (GDP) and unemployment Rate (UNEM) show positive relationships with household debt, which indicates that the rise of these independent variables determines the rise of household debt. However, the Inflation Rate (INF) is found to have adverse effects on the rise of household debt. The data are taken from Databank, Knoema, Bloomberg, UiTM Server as well as Bank Negara Malaysia.Besides, findings of this study supported that the household uses the debt as a substitute for income to finance the rising consumption because of a higher living cost. The findings of this study show some figure to alarmed the policy makers on the debt level and help to show the real national struggles. The findings will also help economists in decision making by knowing the effects of macroeconomic factors on household debt in Malaysia. Recommendations on future research are on how to expend more knowledge and reliable result such as use different data structure, research on other countries and add more macroeconomic variables.

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