



A STUDY ON THE IMPACT ON THE INCREASE  
OF FUEL PRICES TOWARDS HOUSEHOLDS'  
EXPENDITURE ON PETROL CONSUMPTION  
FOR PRIVATE VEHICLE USAGE

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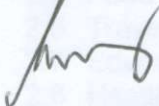
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Yours sincerely,



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**TABLE OF CONTENTS****PAGE**

<b>TITLE PAGE</b>	i
<b>DECLARATION OF WORK</b>	ii
<b>LETTER OF SUBMISSION</b>	iii
<b>ACKNOWLEDGE</b>	iv
<b>LIST OF TABLES</b>	vii
<b>LIST OF FIGURES</b>	viii
<b>LIST OF DEFINITION OF TERMS</b>	ix
<b>ABSTRACT</b>	x

**CHAPTERS**

<b>1. CHAPTER 1</b>	
<b>INTRODUCTION</b>	
1.0 Background of the Study	1
1.1 Organization's Background	2
1.1.1 Organization Chart	3
1.1.2 Mission	4
1.1.3 Vision	4
1.1.4 Functions	4
1.1.5 Clients Charter	4
1.1.6 Policy	5
1.2 Scope of Study	5
1.2.1 Area of Study	6
1.2.2 Study Location	6
1.2.3 Respondents	6
1.3 Problem Statement	7
1.4 Research Objectives	8
1.5 Significance of Study	8
1.5.1 To The Organization	8
1.5.2 To The University	9
1.5.3 To The Researcher	9
1.6 Research Questions	9
1.7 Limitations	10
1.7.1 Time Constraint	10
1.7.2 Lack of Co-operation	10
<b>2. CHAPTER TWO</b>	
<b>LITERATURE REVIEW</b>	
2.1 Introduction	11
2.2 What is Consumer Behavior?	11
2.3 How do the impact on the increase of fuel prices affect households' expenditures?	12
2.4 Durable goods	12
2.5 Food	13
2.6 Travel, Transportation and Tourism	13
2.7 Education	14
2.8 Health care	14
2.9 Entertainment and Leisure	15
2.10 Other services	15

3.	<b>CHAPTER THREE</b>	
	<b>RESEARCH METHODOLOGY AND DESIGN</b>	
	3.1 Description of Study Area	16
	3.2 Research Design	16
	3.3 Sample Size	16
	3.4 Sources of Data	17
	3.4.1 The Instrument for the Research	17
	3.4.2 The Fieldwork and Data Collection Method	17
	3.4.3 Primary Data	18
	3.4.4 Secondary Data	18
	3.5 The Data Analysis and Interpretation Method	18
4.	<b>CHAPTER FOUR</b>	
	<b>FINDINGS AND ANALYSIS</b>	
	4.1 Introduction	19
	4.2 Section A – Respondents' Background	20
	4.2.1 Gender	20
	4.2.2 Age Group	21
	4.2.3 Nationality	22
	4.2.4 Race	23
	4.2.5 Occupation	24
	4.2.6 Monthly Income	25
	4.2.7 Vehicle Ownership	26
	4.2.8 Distance from Residential Area to Workplace	27
	4.2.9 Working sectors	28
	4.2.10 Transport preferences	29
	4.3 Section B – Respondents' Analysis	30
	4.3.1 Fuel Tank Refilling Frequency	30
	4.3.2 Mode of Payment	31
	4.3.3 Monthly Aggregate Expenditure on fuel Before the Rise of Fuel Prices	32
	4.3.4 Monthly Aggregate Expenditure on fuel After the Rise of Fuel Prices	34
	4.3.5 Reaction towards the rise of fuel prices	35
	4.4 Section C – Comments & Recommendations	35
	4.4.1 Respondents' Comments	35
	4.4.2 Respondents' Recommendations	36
5.	<b>CHAPTER FIVE</b>	
	<b>CONCLUSIONS AND RECOMMENDATIONS</b>	
	5.1 Conclusion	37-38
	5.2 Recommendations	39
	5.2.1 Planning journey's route	39
	5.2.2 Car Pooling	39
	5.2.3 Reduce in Living Expenses	40
	5.2.4 Child Education on Savings	40
	<b>REFERENCES</b>	41
	<b>APPENDICES</b>	
	Appendix I – Cover Letter	42
	Appendix II – Questionnaire	43-45

## ABSTRACT

### INTRODUCTION

The purpose of this study is to find out on the impact on the increase of fuel prices towards households' expenditure on petrol consumption for private vehicle usage namely, before and after, the rising of fuel prices. It is widely accepted that fuel prices tend to lower the purchasing power of households. The households' expenditure will also be affected which will then caused them to have little choice and bear the higher prices of food, fuel and services. The study showed that the reaction of consumers towards the increase of fuel prices, the majority of the respondents felt the impact which is a burden to the lower income group. The people who used to spend more on entertainment will have to cut down on their entertainment budget.

The study also found that the price of fuel is increasing, consumers primary option are to use own car or car pooling to work. Public transport is still the second choice among respondents who participated in the research. This is because, people who own a car will try to cut down expenses to save more on fuel expenses. Through the recommendation by the respondents, it was suggested that the public transportation services both in urban and rural areas should be looked into seriously and need urgent attention. People who owned a car will surely consider to use public transport once the services of public transportation in our city, particularly in Sabah has been improved. It is very significant when now consumer have to spend RM30 as opposed to RM20 for the same amount of car fuel everyday.

According to Malaysia Today (2003), the government has taken steps to ease the burden of households by giving cash rebate to car owners of private vehicles of engine capacity up to 2,000 cc and pick-up trucks and jeeps of up to 2,500 cc amounting to RM625 per year.

Owners of private motorcycles of engine capacity of up to 250 cc will be paid a cash rebate of RM150 per year. For cars over 2000cc, the road tax will be reduced by RM200. This rebate will be given at the time when the owners renew their road tax in the form of money order at the post office starting July 1<sup>st</sup>, 2003.