DETERMINANTS OF HOUSEHOLD DEBT IN MALAYSIA

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ABSTRACT

Household debt in Malaysia has been keep increasing from time to time. Hence, it attracts economist to figure out the reason why the level of household debt increasing. This study is conduct a preliminary investigation on the determinants of household debt in Malaysia and to investigate the most significant factors that influencing the household debt in Malaysia. A multiple regression model was constructed to determine the relationship between the independent variables which is gross domestic product, interest rate and housing price index. The method used is Ordinary Least Square Method (OLS) by using monthly time series data spanning from the year 2005 until 2017 and have 52 observations to achieve the objective of the household debt in Malaysia. This method reviews that gross domestic product, interest rate and housing price index are positive and highly significant at 1% level towards the household debt. The most significant variable that influence the household debt in Malaysia is the housing price index. All the independent variables follow the expected sign which is positive. Therefore, it is suggested for the government to control the household debt level in Malaysia and monitor the banks and financial institution in giving out loan to the people in Malaysia.