UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF OVER-INDEBTEDNESS FROM A BORROWER'S PERSPECTIVE AMONG YOUNG DEBT MANAGEMENT PROGRAM (DMP) CLIENTS IN MALAYSIA

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Over-indebtedness has become a major concern throughout the world, yet there is limited research on the phenomenon especially from the standpoint of the borrower which has been identified as the source of the problem. As such, this study aims to investigate the determinants of over-indebtedness as well as to test the mediation effect of materialism towards over-indebtedness. Using the Social Cognitive Theory and Life Cycle Hypothesis as the underpinning theories, this study developed a research framework based on the integration of external (lending institutions practice), personal (materialism and self-efficacy) and behavioural factors (money management skills), along with the mediating effect of materialism towards over-indebtedness in the research model. The stratified random sampling method is used to obtain data from AKPK's Debt Management Program (DMP) participants. A total of 404 usable questionnaires are collected using the online survey method and analysed using Partial Least Square SEM (PLS-SEM). From the analysis, seven out of the ten hypotheses are supported while all the three hypotheses relating to self-efficacy are not supported. In particular, materialism, lending institutions practice and money management skills are found to have a significant effect on over-indebtedness; on the other hand, self-efficacy is found to be insignificant. Moreover, lending institutions practice and money management skills have a significant relationship with materialism while self-efficacy demonstrated otherwise. This study also found that materialism mediated the relationship between lending institutions practice and money management skills with over-indebtedness, but it did not mediate the relationship between self-efficacy and over-indebtedness. The findings support the life cycle hypothesis, which states that people have more debt when they are young, and that individual behavioural outcomes are influenced by internal, behavioural, and personal factors as indicated by the Social Cognitive Theory. This study's findings provide a substantial contribution towards addressing knowledge gaps in the existing literature. Furthermore, the findings are helpful in promoting the efforts of AKPK and other government agencies in alleviating Malaysia's over-indebtedness problem. It is hoped that the findings of this study could serve as a guideline for lending institutions in identifying the debt level of their prospective borrowers during the loan evaluation process, and hence prevent future defaults as well as reduce the over-indebtedness problem in this country.

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