FACTORS THAT INFLUENCES TO THE HOUSEHOLD DEBT

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ABSTRACT

Today, we can see that there are increasing aggressively in the amount of household debt in many countries. The increasing in the amount of the household debt maybe due to the external factors that happen in the economy such as inflation or maybe due to the lower cost of borrowing that have been imposed by the financial institution to stimulate consumer to obtain loan. The purpose of these study is to find out what is the factors that play major rule in increasing for the household debt. In conducting this study, the researcher has used inflation, interest rate and also GDP as dependent variable. Meanwhile for the independent variable is amount of loan from the year 2005 until 2009 by divide it to the quarterly. The countries that have been selected are Malaysia, Taiwan and Singapore. The data that have been collected is panel data. STATA software has been used to regress all the data to get the result. In this research, the researcher has found that interest rate and also inflation play a major role for the household debt. Both of the variable show significant result with interest rate have negative relationship, meanwhile for the inflation has positive relationship. This result shows that people are concern about the cost of borrowing and also the increasing in price for goods and services. Referring to the previous study that has been conducted by the previous researcher, it also have similarities with the result that have been gathered in this study. Most of the result show that increasing in the debt due to the decreasing in the cost of borrowing and also the inflation that happened in the economy.