



THE FACTORS THAT INFLUENCE HOUSEHOLD DEBT
IN MALAYSIA

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2015140943

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE
BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS
(FINANCE)

FACULTY OF BUSINESS AND MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
TERENGGANU CAMPUS

JUNE 2018

ACKNOWLEDGEMENT

Alhamdulillah, I am grateful to Allah for the strengths and His blessing in completing this research.

First and foremost, I offer my sincerest gratitude to my supervisor, Ms. Nur Azwani binti Mohamad Azmin, who has supported me throughout my thesis with her patience and knowledge. Without her assistance and dedicated involvement in every step throughout the process, this paper would have never been accomplished. I am greatly indebted to her for supervising me.

Moreover, I would also thank to my second examiner, Puan Zuraida binti Mohamad for her comments on my work before the final submission. Her advice and willingness is very valuable for me in doing this report.

Last but not least, I am grateful to all of those with whom I have had the pleasure to work during this report. Nobody has been more important to me in the pursuit of this project than the members of my family. I would like to thank my parents, my friends, course mates, which always give me supports and helps.

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ABSTRACT

The level of household debt in Malaysia may in turn cause another financial crisis as it is at worrying stage. Therefore, the aims of this study is to identify the relationship between household debt and its determinants as well as to determine the most significant factors that affect the household debt via time series technique. The mode of empirical investigation is Ordinary Least Square Method with the multiple regressions which are applied to monthly time series data spanning from 2012 to 2016 for four variables such as Interest Rate, Inflation, Unemployment Rate and Consumption. Data collected from Eikon Thomson Reuters and Monthly Statistical Bulletin. The study implies that interest rate, unemployment rate and consumption are positive and significantly related with household debt whereas the result illustrates an insignificant yet positive relationship between inflation and household debt. As a conclusion, these findings bear important implications for Malaysian policymakers.

Keywords: Household Debt (HD), Interest Rate (IR), Inflation (INF), Unemployment Rate (UR) and Consumption (CONS).