Factors That Affect the Indebtedness of Urban Households - A Study in the Klang Valley Malaysia

Norlaila Abu Bakar*, Akwa bin Mahzan, Norain Mod Asri, Norlida Hanim Mohd Salleh, Azrina Abdullah Al-Hadi, Norshamliza Chamburi
Faculty of Economics and Management, National, University of Malaysia
*Corresponding email: norlaila@ukm.edu.my

Abstract: This research uses exploratory factor analysis to identify the reliability on household debt. 332 respondents participated in this research to understand their knowledge on household debt concept and the reason they indebtness. In this context, household debt is defined as repayment to creditors regardless of the source of the loan owed. The concept of household debt is so broad based on the type of debt incurred by the respondents and its impact on the expenditure of household needs. Therefore, this research also measured the level of financial behavior, indebtedness, awareness of indebtedness and understanding of financial digitization among respondents. The purpose was to identify that respondents were inclined toward household debt (pro-debt) or vice versa. This study found that household debt has emerged as a pressing issue among Malaysians, particularly in the densely populated Klang Valley. Many residents here acquire debt primarily to cover essential living expenses and contend with the urban area's high cost of living.

Keywords: Household indebtness, Consumption, Indebtness, Financial literacy, Financial digitalization

INTRODUCTION

It is well known that the Coronavirus outbreak or known as COVID-19 spread at the end of 2019 and was detected in Wuhan, China. On March 11, 2020, the World Health Organization (WHO), declared the pandemic a pandemic after it spread globally involving most countries around the world (Cucinotta & Vanelli, 2020). The pandemic crisis has also hit Malaysia and has had a huge impact on the country's political, economic, social, health and education systems. To curb the continued aggressive spread of the pandemic among the people, the Malaysian government has declared the Movement Control Order (MCO) as a measure to break the chain of the COVID-19 pandemic which began on 18 March 2020 until now. One of the impacts carried out by the government is in terms of the financial well-being faced by Malaysians. This financial well-being includes elements of financial adequacy and security of an individual or family in protecting economic risks such as unemployment, chronic diseases, bankruptcy, poverty and post-retirement financial problems (Ab Rahman et al., 2020). This also translates into individual attitudes towards money management among households to measure the financial well-being and economic well-being of the local community (Fan & Babiarz, 2019). In terms of financial well-being, we will delve deeper into household debt among borrowers before and during the COVID-19 outbreak. Indirectly, we can see if this borrower is in debt due to fulfilling a need or desire such as buying luxury furniture.

According to a report from Bank Negara Malaysia (BNM), the household debt-to-GDP ratio increased above the previous high of 86.9% in 2015 to 87.5% in June 2020, mainly due to a sharp contraction in nominal GDP in the second quarter.

Malaysia's household debt to GDP is among the highest in Asia and has exceeded the debt of some high-income countries, including the United States and Japan. Household leverage levels increased the highest among borrowers earning less than RM5,000 per month in the first half of 2020. This is due to the increasingly uncertain income outlook and limited liquidity buffers for borrowers earning less than RM3,000. It is noted that this high household debt leverage was mainly due to the increase in borrowing for home purchases at the beginning of the year and in June after the reintroduction of the Home Ownership Campaign (HOC).

Furthermore, there is a link between household debt and bankruptcy status among the youth. A study by the Association for Consumer Education and Research, Malaysia (ERA Consumer Malaysia) and the Consumer Research and Resource Centre (CRRC) targeting young workers aged from 18 to 35 years around the central region of peninsular Malaysia (Selangor, Kuala Lumpur and Putrajaya) was conducted in 2012. The study showed that approximately 47% of young workers have serious debt, i.e. more than 30% of their monthly salary is used to pay off debts. Through the study, it was also found that 37% of young workers admitted that they spend more than they can afford. This is one of the main causes that can cause young individuals to face problems in managing their finances. The Malaysian Department of Insolvency reported that a total of 95,109 Malaysians were recorded as bankrupt from 2014 to December 2018. This proves that most of these people have low financial knowledge and fall into debt beyond their control.

However, it should be noted that an increase in household debt can have both positive and negative effects on an economy (Abidin et al., 2013). Increasing household debt in increasing consumer purchasing power allows for increased economic growth and subsequently alleviates the country's economic crisis. However, rising household debt can lead to a downturn in economic conditions and this has happened in some developed countries in continental Europe such as Greece and even in the United States in 2008 (Garriga et al., 2017; Hiilamo, 2021).

Past studies have revealed a concerning rise in household debt levels in Malaysia and other developed countries (Nizar & Karim, 2016). This trend is influenced by various factors, including economic conditions, demographic characteristics, and financial literacy (Alidaniah et al., 2015; Azman et al., 2017; Davis & Mantler, 2004; Lusardi et al., 2011; Yusof et al., 2015). High levels of household debt can have adverse consequences, such as reduced financial well-being, family problems, mental health issues, and constrained consumption and investment (Liu et al., 2020; Sweet et al., 2013; Yunchao et al., 2020a, 2020b). To address this issue, policymakers and financial institutions can implement strategies such as financial education, responsible lending practices, debt counseling services, and targeted financial support (Amonhaemanon & Isaramalai, 2020).

Household debt has emerged as a pressing issue in many countries, including Malaysia. This phenomenon, characterized by increasing levels of household indebtedness, has far-reaching implications for individual financial well-being, macroeconomic stability, and societal development (Meng et al., 2013; Nieto, 2007). A comprehensive understanding of the factors contributing to household debt, its impact on various socioeconomic groups, and the potential policy interventions to mitigate its adverse effects is crucial.

This article aims to investigate the factors driving household debt in Malaysia, with a specific focus on the Klang Valley, one of the country's most economically active regions. The central question of the study is to what extent these factors influence the debt tendencies of urban households in this area, and whether the high levels of indebtedness suggest a growing acceptance of debt among the population. By analyzing the attitudes of households towards debt and the factors that contribute to high levels of indebtedness, we aim to gain deeper insights into the underlying causes of Malaysia's household debt crisis. Using Exploratory Factor Analysis (EFA), this study will examine the various determinants of debt propensity and assess how these factors influence household financial behavior in a post-pandemic context. The findings of this study will provide valuable information for policymakers and financial institutions to design more effective interventions, promote financial literacy, and mitigate the adverse effects of excessive household debt.

METHODS

Research Design

This study employed a snowball sampling technique. This method used to reach a set number of respondents. This concept is defined as when a respondent shares or invites other individuals who meet the criteria to answer a questionnaire to participate in a research study (Berg, 2006). The concept of virtual snowball sampling is the same as the traditional concept and uses social media platforms to reach a target group and population (Dusek et al., 2015; Sledzieski et al., 2023). Therefore, due to the time and movement constraints by the researchers during the Movement Control Order period and most areas of the Klang Valley have been tightened under movement (EMCO), this technique is very suitable to be used to collect key data sources from among respondents. This question platform uses a questionnaire form from Google Form and is disseminated to all social media platforms to collect data from a set of 332 respondents in the Klang Valley area.

The entry criteria for participation included being a Malaysian aged 18 years and above, having internet access, and providing consent to participate. Given the restrictions during the Movement Control Order (MCO) period, the virtual snowball sampling method was used, where initial respondents invited others meeting the criteria to participate via social media platforms. The study used a Google Form questionnaire, distributed through various social media channels. The questionnaire had five parts, addressing the following areas:

- Part A: Demographic information (age, ethnicity, gender, household status, education level, marital status, residential status, and vehicle ownership).
- Part B: Financial sources (employment type, primary income source, EPF withdrawals during the MCO).
- Part C: Financial attitudes (household expenditure, debt priorities).
- Part D: Understanding of debt and its impacts.
- Part E: Awareness of financial digitalization (e-wallets, banking apps).

Data and Measurement

The data was collected through a Google Form questionnaire, which allowed participants to provide their responses to the five sections mentioned above. The measurement of certain responses was based on a 4-point Likert scale. Researchers used a 4-likert scale to achieve the reliability of answers from respondents and reduce the uncertainty of answers from respondents (Joshi et al., 2015). The stages of measuring the Likert scale value are as follows; 1- Strongly Disagree, 2-Disagree, 3-Agree and 4-Strongly Agree. This scale was used to gauge the level of understanding and views on various topics, ensuring more definitive responses from participants. The Likert scale aimed to improve the reliability of answers and reduce ambiguity.

Data Analysis

Exploratory Factor Analysis (EFA) was used in the study to analyze the data and look at how the variables that were measured related to one another. Finding the fundamental factors that characterize the order and structure of the measurable variables is the goal of EFA (Watkins, 2018). Like all investigative reports, the EFA report should explain the study's methodology, provide the findings with enough precision, coherence, and clarity to bolster their validity, and provide evidence for the study's conclusions. EFA was used to find underlying components or factors that explained the responses' patterns. The outcomes were anticipated to provide insight into the data's structure and support in the organization of the variables into logical groups or factors. The EFA also ensured the reliability of the Likert scale items and helped validate the study's findings by identifying the main factors influencing the respondents' financial behaviors, attitudes, and awareness.

RESULTS AND DISCUSSION

This result of empirical results will be broken down into several parts to identify the authenticity of the answers and the data collected on the factors influencing the debt bias of urban households-study in the Klang Valley. Table 1 shows the background information of the respondents. A total of 332 respondents living in the Klang Valley were involved in the success of this research study. The highest age group participating was the age group of 18-30 years old with 148 respondents (44.6%) and the lowest age group was 61 years and above with only 6 respondents (1.8%). Most of the respondents were Malays (90.1%), Chinese (3.3%), Indians (3.0%), Sabah Bumiputras (1.2%), Sarawak Bumiputras (1.2%) and other races (1.2%). Male gender dominated the study with 176 respondents (53%) while female only 156 respondents (47%). For marital status, the most married respondents were 190 respondents (57.2%) and the lowest was widow/widower status with 14 respondents (4.2%).

Next, Table 2 shows other information on the respondents in terms of the respondent's household status, the number of households including the respondent, education level, home status, vehicle ownership, salary range and the respondent's main source of income. The lowest level of education participating in this survey was respondents who did not have any formal education with only 2 respondents

(0.6%) while respondents with a bachelor's degree recorded the highest with 192 respondents (57.8%). The highest number of households including respondents was the number of households with 4 people (72 respondents (22.4%)) while the lowest was the number of households with 9 people in the household (only 3 respondents (0.9%). The highest employment status in this study was the respondents from the private sector with 203 respondents (61.1%) and the lowest was the housewives who only consisted of 3 respondents (0.9%). A total of 159 respondents (47.9%) participated in the survey, while the spouses of heads of households and members of households as well as heads of households and spouses only recorded 71 (21.4%) and 102 (30.7%) respectively.

Table 1. Respondents' Backgrounds

	Category	Number	%		Category	Number	%
A1	**Age**			A2	**Ethnicity**		
	18-30	148	44.6		Malay	299	90.1
	31-40	99	29.8		China	11	3.3
	41-50	53	16		India	10	3
	51-60	26	7.8		Bumiputra Sabah	4	1.2
	61 and above	6	1.8		Bumiputra Sarawak	4	1.2
					Others	4	1.2
	Total	332				332	
A3	**Gender**			A4	**Marital Status**		
	Male	176	53		Single	128	38.6
	Female	156	47		Married	190	57.2
					Widowed	14	4.2
	Total	332				332	

Source: Authors own (2023)

Respondents who rented were recorded the highest in the study findings with 143 respondents (43.1%) and the lowest were respondents who occupied their partner's house (1.2%). As for vehicle ownership status, it was found that respondents owed for vehicles where the highest was to make bank installments (56%) and the lowest was to make shop installments (4.2%). The highest salary range of respondents was the first class B40 category (RM2500 and below) with 98 respondents (29.5%) while the lowest was the fourth class M40 group (2.7%). The respondents with the highest monthly salary participated in the survey with 276 respondents (83.1%) and the lowest income transfer (0.3%).

To determine the priority of household expenditure among the respondents, the researcher referred to the expenditure group provided by the System of National Account, United Nations; Framework for Statistics on the Distribution of Household Income, Consumption and Wealth (2013), Organisation for Economic Co-operation and Development, and Classification of Individual Consumption According to Purpose (COICOP), United Nations which is also used by the Department of Statistics Malaysia (2020) to classify major household expenditures, There are 12 household expenditures that are stated namely 1) Non-alcoholic food

and beverages, 2) Alcoholic beverages and tobacco, 3) Clothing and footwear, 4) Housing, water, electricity, gas and other fuels, 5) Household decoration, hardware and maintenance, 6) Health, 7) Transportation, 8) Communication 9) Recreational and cultural services, 10) Education, 11) Restaurants and hotels, and 12) Miscellaneous goods and services. Respondents are required to choose five priority expenditure groups and state the percentage of expenditure from income.

Table 2. Other Information on Respondents

	Category	Number	%		Category	Number	%
A5	Education			**A6**	Household Member		
	None	2	0.6		1	19	5.9
	Senior High School	18	5.4		2	46	14.3
	Diploma	52	15.7		3	58	18
	Bachelor's degree	192	57.8		4	72	22.4
	Master	57	17.2		5	52	16.1
	PhD	4	1.2		6	39	12.1
	Professional Certificate	3	0.9		7	15	4.7
	Soft-skill Certificate	4	1.2		8	8	2.5
					9	3	0.9
					10 and above	10	3.1
	Total	332				332	
A7	Occupation			**A8**	Household status		
	Government Officer	63	19		Head of the family	159	47.9
	Private Employee	203	61.1		Spouse	71	21.4
	Business Owner	36	10.8		Member	-	-
	Pention	4	1.2		Others	102	30.7
	Student	6	1.8				
	Unemployment	6	1.8				
	Housewife	3	0.9				
	Total	332				332	
A9	Status of the House			**A10**	Status of Vehicles		
	Owned	118	35.5		Bank Installment	186	56
	Family House	54	16.3		Dealer Installment	14	4.2
	Rented	143	43.1		Owned	100	30.1
	Couple	4	1.2		None	32	9.6
	In Laws	13	3.9				
	Total	332				332	
A11	Range of Salary			**A12**	Source of Income		
	< RM2,500	98	29.5		Monthly	276	83.1
	RM2,501 – RM3,169	47	14.2		Daily Salary	23	6.9
	RM3,170 – RM3,969	38	11.4		Saving and Investment	5	1.5
	RM3,970 – RM4,849	39	11.7		Income Transfer	1	0.3
	RM4,850 – RM5,879	36	10.8		Pension	5	1.5
	RM5,880 – RM7,099	19	5.7		Others	22	6.6
	RM7,110 – RM8,699	13	3.9				

RM8,700 – RM10,959	9	2.7		
RM10,960 – RM15,039	19	5.7		
>RM15,040	14	4.2		
Total	**332**		**332**	

Source: Authors own (2023)

According shown in Table 3, the top five for respondents were housing, water, electricity, gas and other fuels (88.3%), food and non-alcoholic beverages (87.7%), communication (66.0%), health (63.9%), and various goods and services. The findings of this study are in line with the results of the Household Expenditure Survey Report by the Department of Statistics Malaysia (2020) and the unique increase in expenditure on health, communication and housing, water, electricity, gas and other fuels due to the implementation of the Movement Control Order and the pandemic situation that is still raging, especially in the Klang Valley area. The highest percentage of expenditure from income was spent above 60% of the source of income (112 respondents (33.7%) and the second highest was the expenditure group of 51%-60% (60 respondents (18.1%). The lowest expenditure group is the bottom 10% of 13 respondents (3.9%) and 11-20% of only 20 respondents (6.0%).

Table 3. Household Expenditure Groups and Expenditure as a Percentage of Income

	Number of Yes	%
Group of Household Expenditure		
Food and non-alcoholic beverages	291	87.7
Alcoholic beverages and tobacco	8	2.4
Clothing and footwear	40	12.3
Housing, water, electricity, gas and other fuels	293	88.3
Decoration, hardware and household maintenance	66	19.9
Health	212	63.9
Transport	192	57.2
Communication	219	66
Recreational and cultural services	12	3.6
Education	148	44.6
Restaurant and Hotel	23	6.9
Miscellaneous goods and services	149	44.9
Spending Percentage Group (%)		
Below 10	13	3.9
11-20	20	6
21-30	26	7.8
31-40	57	17.2
41-50	44	13.3
51-60	60	18.1
More than 60	112	33.7

Source: Authors own (2023)

The researcher found that among the 332 respondents, 302 respondents had household debt dependents and chose the source of loans and the purpose of debt among the respondents. Respondents can choose more than one source of

borrowing and the purpose of the debt. According to the findings of the study (Table 4), the highest source of loans is from conventional banks (52.4%) and the lowest is loans from cooperatives (2.7%). The reasons for respondents with high debt were vehicles (50.9%) and residential houses (45.2%). This is in line with a previous study by Hodari et al. (2014) stating that the purchase of vehicles to facilitate their daily activities and the purchase of houses are used as real estate assets.

Table 4. Sources of Loans and Purpose of Debt

Source of Loans	Number of Yes	Percentage (%)	Purpose of Debt	Number of Yes	Percentage (%)
Bank Islam	103	31	Residential	150	45.2
Conventional Banks	174	52.4	Vehicles	169	50.9
Financial Lending Agencies	99	29.8	Personal Loans	83	25
Employers	13	3.9	Crediit cards	80	24.1
Money Lenders	17	5.1	Education	106	31.9
Cooperatives	9	2.7	Business	22	6.6
Family	46	13.9	Health	24	7.2
Others	25	7.5	Others	18	5.4

Source: Authors own (2023)

Based on the findings of the study, the highest monthly income percentage deduction group to pay creditors was 21%-30% with 64 respondents (19.3%) and the percentage group with the same frequency was 11%-20% and 51%-60% with 61 respondents (18.4%) respectively. Uniquely, most respondents did not cut back on spending on basic necessities, but cut spending on holidays (70.2%), and eating out (63.9%) (Table 5). This is true during the MCO period implemented throughout Malaysia, there were changes in the rules for eating out and the closure of the tourism sector. Furthermore, respondents control expenses in the event of a sudden change in income.

Table 5. Percentage Deduction of Monthly Income to Pay Debt and Impact of Expenses

Perentage Deduction Monthly Revenue (%)	Frequency	%	Deduction Expense	Frequency	%
None	18	5.4	Kitchen items	70	21.1
10 and below	43	13	Utility bill	76	26.6
11-20	61	18.4	Vehicles	86	25.9
21-30	64	19.3	Hygiene	122	36.7
31-40	53	16	Medical	94	28.3
41-50	32	9.6	Holiday	233	70.2
51-60	61	18.4	Eating out	212	63.9
			Children's education	69	20.8

Source: Authors own (2023)

The researcher also studied the trend of e-wallet and online banking app usage among respondents in the Klang Valley Region to identify the purpose of use. Based on the findings of the study, a total of 279 respondents (84%) used *e-wallets* and 312 respondents (94%) used online banking applications. Respondents can choose more than one for the use of *e-wallets* and online banking apps. Based on respondents' choices (table 6), the Touch N Go application is the main choice for users for e-wallet applications (72.3%). This is in line with the findings of a study conducted by the Financial Education Network (2020) on consumers' top choices regarding e-wallets. The top choice of bank application among respondents was Maybank (72.9%). The purpose of using online banking applications is to transfer money to other bank accounts (86.7%) and pay utility bills (86.1%). This is in line with the findings of a study by PwC (2019) which stated that they want to reduce the waiting time to make money transfers and bill payments.

Table 6. Popularity of E-Wallet and Banking Apps

E-wallet	User	%	Bank Apps	User	%
Touch N Go	240	72.3	Maybank	242	72.9
Boost 55	55	16.6	CIMBClicks	170	51.2
Uechat Pay	5	1.5	RHB	41	12.3
GrabPay	144	43.4	Islamic Banks	73	22
MAE (Maybank)	124	37.3	Others	52	15.7
BigPay	33	9.9			
AliPay	4	1.2			
CIMB Pay	52	15.7			
Others	47	14.2			

Purpose of using banking apps	%
Utility bill payments	86.1
Money transfer to another bank account	86.7
Household debt payments	68.4
Deduction of debit payments for entertainment use	39.8
Saving PDF documents of financial transactions	32.8
Short- and long-term financial savings planning	50.6
Others such as online shopping payments	9.6

Source: Authors own (2023)

Next, the study will use the factor analysis (EFA) method to test financial behaviour, debt intention, level of debt awareness and financial digitalisation understanding among the respondents. For the first item, the researchers found that the highest load factor was related to the statement 'I am optimistic that I will be able to pay my loan amount the following month, even if my current month's bill has been overdue for one month or more' (0.959) followed by 'I have no problems with household loans' (0.957) and 'I have to make a cut in household expenses and the willingness to pay off existing debts' (0.953). The overall variance percentage was high at 85.709% and this shows that all of these items describe the variables of the respondents' financial behaviour factors. To determine reliability, use Alpha Cronbach values to validate the following statements. The level of Cronbach's Alpha value is high at 0.988 where the rule of thumb is that it should exceed the value of 0.7 (Cronbach, L. J., 1970). The overall average mean is 2.3 i.e. the majority of

respondents chose the answer 'Disagree-2'. This is because respondents are taking cautious steps to control expenses and financial pressures in the future (Table 7).

Table 7. Summary of Load Factors, Variances explained, Reliability and Average Mean on Respondents' Financial Behaviour

Factors and Items for Financial Conduct	Factor Charge	Varians Described	Alpha Cronbach	Min Average
		85.709	.988	2.3
I am optimistic that I will be able to pay off my loan amount the following month, even if my current month's bill has been overdue for one month or more	.959			2.33
I have no problem with debt loans for households	.957			2.48
I had to make cuts in household expenses and the will to pay off the existing debts	.953			2.33
My finances are quite stable despite being in debt	.950			2.51
I have a high monthly commitment to complete	.945			2.60
I tend to spend according to my wants rather than my needs	.933			2.01
I often have financial problems paying utility bills (electricity, water, phone, internet) when I am in debt	.933			1.79
Shopping for luxury goods is no problem for me	.931			1.73
I am willing to take out any additional loans if given the opportunity	.930			1.76
Even though I am experiencing financial instability, I would like to take out an additional debt loan if given the opportunity	.917			1.69
I owe a debt for a good/product for my will	.909			1.64
I don't dare to add to my existing debt because of financial constraints	.904			2.86
My finances are sufficient to cover my monthly expenses and dependents	.897			2.72
I can afford to pay my monthly debt consistently	.882			2.96
I don't have any financial problems to pay utility bills (electricity/water/internet)	.881			2.96

Source: Authors own (2023)

Researchers found that the high load factors were the statement 'My intention to owe is to meet the basic needs of the household (e.g. food)' (0.955), being in debt is a basic need to continue living in urban areas (0.948), and 'My household debt

does not affect other expenses' (0.944). The percentage of variance described is also very high at 83.176% and the reliability level of Alpha Cronbach's value is also high at 0.976. However, the mean mean was low at 2.26 and the dominant answer was 'Disagree-2' (table 8). However, this is in line with the findings of previous studies that the attitude of households in the Klang Valley area has been formed naturally due to the value of holdings since childhood (Azman et al., 2013). According to past studies, they are in debt to finance necessities such as buying a house and a vehicle. They also have an external locus of control that prevents them from owning more debt because they are not confident in the level of ability to repay the debt loan (Azman et al., 2013). Their consciousness is shaped by the value of holding instilled from childhood and the result of their own experience of using debt.

Table 8. Summary of Load Factors, Variances Explained, Reliability and Average Mean on Respondents' Intention to Owe

Factors and Items for Intention to Debt	Factor Charge	Varians Described	Alpha Cronbach	Min Average
		83.176	0.976	2.26
My intention in debt is to meet the basic needs of the household (example: food)	.955			2.52
Being in debt is a basic necessity to continue living in urban areas	.948			1.49
My household debt does not affect other expenses	.944			2.48
My purpose in debt does not affect my self-esteem and religious values	.926			2.6
The reason I owe money is due to extenuating factors (e.g. buying a car for family and work needs)	.923			2.7
Taking on debt can improve my quality of life	.922			1.70
With debt, I can get things that other people own	.920			1.67
I believe that taking on debt can strengthen my social status among my neighbours and friends	.878			1.52
My intention in debt is to fulfill the luxurious needs of the household (e.g. luxury/holiday furniture)	.864			1.48
The concept of debt for each individual is different	.831			3.29

Source: Authors own (2023)

For the level of debt awareness, the highest load factors were 'Debt problems can have a negative impact on the mental health of debtors' (0.955), 'The level of awareness about the concept of debt is different for each individual' (0.952) and 'I will not take any loans if there is no urgent need' (0.948). The explained variance is also very high at 85.342% and the reliability level of the Alpha Cronbach value is 0.984. The average mean for this factor is also high at 3.46. This shows that the level of debt awareness for respondents is high (Table 9).

Table 9. Summary of Load Factors, Variances explained, Reliability and Average Mean on Respondents' Level of Debt Awareness

Factors and Items for Level of Debt Awareness	Factor Charge	Varians Described	Alpha Cronbach	Min Average
		85.342	0.984	3.46
Debt problems can have a negative impact on the debtor's mental health	.955			3.35
The level of awareness about the concept of debt for each individual is different	.952			3.47
I will not take any loan if there is no urgent need	.948			3.49
I will think about the negative effects (e.g. loss of source of income to pay off bank debts) before taking out any loans	.944			3.49
I will compare interest rates and monthly payments before taking out any loan financing	.940			3.38
I will think about the positive effects (example: home ownership) when I go into debt	.932			3.34
High debt can negatively impact my expenses	.923			3.55
I was educated from a young age that debt would have a bad impact on my life	.918			3.27
Government should organise targeted programmes for families on debt impact awareness	.916			3.6
The government should curb the rising cost of living so that there is no serious debt among the people	.904			3.59
Serious indebtedness problems can lead to bankruptcy	.904			3.59
I am sensitive to the level of household debt I am experiencing	.845			3.35

Source: Authors own (2023)

On the factors of understanding financial digitalisation (Table 10), the high load factors were the statements 'e-wallet applications are very easy to use for all groups' (0.961), this highlights the accessibility of e-wallets for various user. 'Using e-wallets provides savings to consumers compared to using cash' (0.958), indicating that users perceive e-wallets as a more cost-effective alternative to traditional cash transactions. 'Online banking offers financial products that are suitable for me (e.g. investment and education savings)' (0.955), suggesting that online banking platforms are seen as providing personalized and relevant financial services. These findings suggest a high level of consumer acceptance and understanding of financial digitalization, particularly in terms of convenience, cost savings, and tailored financial products.

Table 10. Summary of Load Factors, Variances Explained, Reliability and Average Mean on Respondents' Understanding of Financial Digitalisation

Factors and Items for Understanding Financial Digitalization	Factor Charge	Varians Described	Alpha Cronbach	Min Average
		88.565	0.977	2.97
The e-wallet application is very easy to use for all groups	.961			2.89
Using e-wallets saves consumers compared to using cash	.958			2.99
Online banking offers financial products that are suitable for me (e.g. investment and education savings)	.955			2.89
The bank app helped me to set up my financial management	.952			3.02
I think it's safe to use the 'e-wallet' application	.939			3.08
I am confident that my personal data is safe when using bank apps on mobile phones	.918			2.77
E-wallet apps have benefits to users such as reward points and discounts	.901			3.08

Source: Authors own (2023)

As illustrated in Table 10, the percentage of variance explained is also high at 88.565% and the reliability level of the Alpha Cronbach value is 0.977. Nevertheless, the overall average mean value is 2.97. The level of financial digitalisation and consumption understanding is more dominant among the youth (RinggitPlus, 2020), reflecting their greater engagement with digital financial tools. However, it is worth noting that, despite the increasing adoption of online banking, Malaysians remain cautious about sharing their personal data online, with a significant portion of the population hesitant to use digital banking services due to privacy concerns (PwC, 2019). This indicates that while there is strong understanding and usage of digital financial tools, issues related to data security continue to influence user behavior.

CONCLUSION

Household debt has become dominant among Malaysians, especially in the Klang Valley area. Most respondents in the Klang Valley area bear household debt to meet basic needs and the high cost of living in urban areas. The source of the loan they obtained was to survive in the Klang Valley area. Based on the findings of the study, we can see that the respondents' financial behaviour did not cause them to become pro-debt, in fact the respondents knew between needs and wants. Respondents also have debt awareness even though the majority of respondents have household debts incurred. Therefore, they have set limits on their debts, especially during the pandemic season which can result in changes in their household income. To reduce the financial stress caused by debt, the government should provide appropriate policies to help these groups. The government should restrict the growth of unlicensed money lending agencies that use the name of Community Credit. This is

so because there are cases of creditors raising interest rates to make unreasonable profits. Apart from that, the government should extend the moratorium without increasing the payment period to borrowers from banks.

The Ministry of Housing and Local Government in particular should build low- and medium-cost houses based on household income levels. This is because property values are increasing and are not in line with the minimum income of Malaysians. The government should also lower the OPR rate to increase the cash flow of the country's people's expenditure. Lower interest rates on hire purchase loans, personal and credit cards can reduce the burden on the people. Therefore, the policy implications should be renewed so that the people do not get involved in serious financial stress due to debt. However, there are obstacles to carrying out this research in more depth. The researcher cannot put the 332 respondents in the Klang Valley area representative of all given the actual population of 8 million people. Furthermore, the age group of 51 years and above is less likely to participate in this questionnaire as these questionnaires are online. Therefore, researchers lack information and views on household debt in this age group.

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