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**EXPLORING THE CHANGES IN HOUSEHOLD
EXPENSES ON INDIVIDUAL FINANCIAL DISTRESS
IN MALAYSIA: A QUALITATIVE STUDY**

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MASTER OF ISLAMIC FINANCE AND BANKING

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By

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**Thesis submitted to
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and Banking**



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Abstract

In recent decades, Malaysia has witnessed significant economic growth and development. However, this progress has been accompanied by rising living costs, particularly in urban centres, placing increasing pressure on household budgets. This thesis investigates the impact of rising household expenses on the financial distress experienced by individuals and families residing in urban areas of Malaysia. Using in-depth interviews, the research explores the challenges and coping strategies of both urban and rural residents dealing with financial strain. It highlights the different ways individuals and families manage these challenges, and the potential consequences of their strategies. The study finds that rising household expenses greatly impact financial distress, with low-income urban families being the most affected. Middle-income households use budgeting strategies to cope, while upper-income groups face fewer disruptions. Financial distress extends beyond just material hardship, contributing to psychological stress and strained social relationships. Common coping mechanisms include growing food, cutting discretionary spending, and relying on community support. The findings stress the need for targeted policies like subsidies and financial education to help vulnerable groups manage financial distress and build resilience.

Keywords: Household Expenses, Financial Distress, Consumer Price Index, Rising Cost of Living, Financial Planning.

Abstrak

Dalam beberapa dekad kebelakangan ini, Malaysia menyaksikan pertumbuhan ekonomi yang ketara. Namun, kemajuan ini disertai dengan peningkatan kos sara hidup, terutamanya di pusat bandar, sekaligus meningkatkan tekanan terhadap bajet isi rumah. Tesis ini menyiasat kesan peningkatan perbelanjaan isi rumah terhadap tekanan kewangan yang dialami oleh individu dan keluarga yang tinggal di kawasan bandar di Malaysia. Menggunakan kaedah temubual mendalam, penyelidikan ini meneroka cabaran dan strategi pengendalian yang dihadapi oleh penduduk bandar dan luar bandar dalam menangani tekanan kewangan. Ia menyoroti cara individu dan keluarga menguruskan cabaran ini dan kemungkinan akibat strategi mereka. Kajian ini mendapati bahawa peningkatan perbelanjaan isi rumah memberi kesan besar terhadap tekanan kewangan, dengan keluarga berpendapatan rendah di kawasan bandar paling terjejas. Isi rumah berpendapatan sederhana menggunakan strategi penganggaran untuk mengatasi tekanan kewangan, manakala kumpulan berpendapatan tinggi menghadapi gangguan yang lebih sedikit. Tekanan kewangan didapati melampaui kesusahan material, menyumbang kepada tekanan psikologi dan hubungan sosial yang tegang. Mekanisme pengendalian biasa termasuk bercucuk tanam, mengurangkan perbelanjaan tidak penting, dan bergantung kepada sokongan komuniti. Penemuan ini menekankan keperluan untuk dasar seperti subsidi dan pendidikan kewangan untuk membantu kumpulan yang terdedah menguruskan tekanan kewangan dan membina ketahanan.

Kata kunci: Perbelanjaan isi rumah, Tekanan kewangan, Indeks Harga Konsumer, Peningkatan Kos Hidup, Perancangan Kewangan.

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CHAPTER ONE

INTRODUCTION

1.1 Chapter Overview

The impact of changing household expenses on individual financial distress in Malaysia is a critical issue that has garnered increasing attention in recent years Goh, N. (2023). As the cost of living continues to rise, individuals and families are faced with the challenge of managing their financial to meet their basic needs and avoid financial distress (Hamid, F S., Loke, Y J., & Chin, P N, 2023). This qualitative study aims to explore the factors that contribute to the financial distress of individuals in Malaysia, with a focus on the impact of changing household expenses.

A nationwide survey (Survey dataset of Malaysian perception on rising cost of living, 2020) revealed that a significant majority (82.3%) of Malaysians believe the cost of living has increased. This survey was prevalent across both urban and rural populations, indicating a widespread concern. this trend is further corroborated by reports from the World Bank, which highlight the high degree of unaffordability among low-income and middle-income households in Malaysia (Hamid et al, 2023). This suggests that the rising cost of living is not only a concern for the lower-income segment but also for the middle-class, who are struggling to maintain their standard of living. The strain of rising expenses is particularly evident in urban areas of Malaysia, where individuals and families often face higher costs for housing, transportation, and essential goods and services (Schuetz, 2018). This financial pressure is compounded

by the fact that household savings in Malaysia are generally lower compared to more developed nations, leaving many individuals with limited financial cushions to absorb the impact of rising costs (Goh, 2023). As a result, understanding the factors that contribute to financial distress within the context of Malaysia's unique economic landscape is crucial.

Research on financial well-being and financial distress in Malaysia provides crucial insights into the factors that contribute to these challenges. For instance, studies have underscored the significance of financial knowledge, locus of control, and financial behaviour in influencing the financial well-being of young adults. Additionally, research has examined the determinants of financial resilience, noting that low-income and seasonal income earners are particularly vulnerable to financial distress (Loke, 2015). Furthermore, the impact of financial stress on households in the bottom 40 percent (B40) income group has been explored, emphasizing the need for policymakers to address the social implications of financial distress.

1.2 Background

The changing household expenses in Malaysia, particularly the rising cost of living, have had a significant impact on individual financial distress. The World Bank has reported a high degree of unaffordability among low-income and middle-income households in the country, suggesting that the financial strain is not limited to the lower-income segment.

Studies have explored the factors that contribute to financial well-being and financial distress in Malaysia, highlighting the importance of financial knowledge, locus of control, and financial behaviour (Loke, 2015). Additionally, research has examined the determinants of financial resilience, noting that low-income and seasonal income earners are particularly vulnerable to financial distress (Hamid et al, 2023). These findings provide valuable insights into the complex interplay between household expenses, individual characteristics, and financial outcomes.

The impact of changing household expenses on individual financial distress in Malaysia is a critical issue that has gained increasing attention in recent years. A nationwide survey revealed that a significant majority of Malaysians believe the cost of living has increased, a sentiment that was prevalent across both urban and rural populations (Sabri, 2022). This trend is further corroborated by reports from the World Bank, which highlight the high degree of unaffordability among low-income and middle-income households in Malaysia.

This financial pressure is compounded by the fact that household savings in Malaysia are generally lower compared to more developed nations, leaving many individuals with limited financial cushions to absorb the impact of rising costs. As a result, understanding the factors that contribute to financial distress within the context of Malaysia's unique economic landscape is crucial. Existing literature on financial well-being and financial distress in Malaysia provides valuable insights into the factors that contribute to this issue. Studies have highlighted the importance of financial knowledge, locus of control, and financial behaviour in determining the financial well-

being of young adults. Moreover, research has found that individuals with low incomes and those with seasonal or irregular employment are particularly vulnerable to financial distress, as they often lack the financial resilience to withstand the impact of rising household expenses (Hamid, 2023; Loke, 2015).

1.3 Problem Statement

The rising cost of living in Malaysia poses significant challenges for individuals and families, leading to increased financial distress. Specifically, Malaysians are grappling with escalating food prices, increasingly unaffordable housing, rising transportation costs, and growing expenses for education and healthcare. Report from AKPK in 2023 has shown that financial stress among Malaysian working adults increased by 35% during the 2020 pandemic. It is evident that the most vulnerable group recorded the least amount of savings, and it is reported that 41% of Malaysian working adults' mental health has been affected by financial stress.

These pressures are compounded by the fact that household savings in Malaysia are generally lower compared to more developed nations, leaving many individuals with limited financial cushions to absorb the impact of rising costs (Mahmood, J., Rajaram, N., & Guinto R, 2022). While existing research provides valuable data on financial well-being and resilience in Malaysia, it often lacks a nuanced understanding of how these changing household expenses are experienced and managed on the ground. There is a distinct need for qualitative research that delves into the lived experiences of

diverse Malaysian households, exploring the coping mechanisms and strategies they employ to navigate these financial challenges.

This study aims to address this gap by conducting a qualitative investigation into the impact of changing household expenses on individual financial distress in Malaysia. By delving into the personal narratives and perspectives of those affected, this study aims to provide a nuanced and in-depth understanding of the issue. This research will not only shed light on the experiences of those most affected but also identify groups disproportionately burdened by rising costs. By exploring the coping strategies employed by individuals and families, this study will generate insights to inform the development of targeted interventions, support programs, and policy recommendations. Ultimately, this research aims to contribute to the development of effective strategies to alleviate financial distress and promote financial resilience among Malaysians.

1.4 Research Objectives

The primary objective of this research is to study the impact of changing in household expenses on individual financial distress in Malaysia. Specifically, the study aims to achieve the following objectives:

1. Examine the Impact of Rising Prices of Basic Food Items on Household Expenses.

2. Analyse how these changes affect the budgetary allocations of Malaysian households.

By focusing on these goals, this study hopes to offer useful details on the relationship between changing household spending on individual financial distress in Malaysia. The results will improve academic knowledge of the relationships between household expenses and financial performance, assist policymakers in developing regulations and policies to revealing the ways in which prevailing economic conditions contribute to individual financial distress. Also, it will identify a significant correlation between the increase in prices of basic food items and a discernible shift in household expenditure patterns.

1.5 Research Questions



Based on the objectives stated, the following research questions can be formulated for this stud

- a) How do increasing prices of basic food items affect the patterns and dynamics of household expenditures in Malaysia?
- b) In what ways do changes in household expenses due to increased food prices affect the budgetary allocations of Malaysian households?

These research questions encompass the main aspects of the study, including understanding the relationship between household expenses on individual financial distress in Malaysia, identifying influencing factors, examining risk management strategies, evaluating implications, and exploring policy implications. They provide a comprehensive framework for investigating the impact of changing household expenses on individual financial distress and addressing the research objectives.

1.6 Significance of Research

This research holds significant importance and provides valuable contributions to various stakeholders in the financial sector, policymakers, and the academic community. The following are the key areas where the study's significance lies:

a) Policy Implication:

Policymakers can be classified as a key stakeholder group, as the insights gathered from this study can inform the development of targeted interventions and policies aimed at alleviating financial distress among individuals and households in Malaysia (Lusardi, 2008). By understanding the specific challenges faced by Malaysians due to changing household expenses, policymakers can design more effective and tailored solutions to address the issue.

b) Individual and Household Consumer:

The research findings can also benefit individual consumers and households by providing a deeper understanding of the factors that contribute to financial distress. This knowledge can empower Malaysians to make more informed decisions about household budgeting, savings, and financial management strategies (Mansor, 2022; Loke, 2015; Hamid et al, 2023).

c) Economic Implication:

By identifying factors contributing to financial distress and proposing strategies for mitigation, the research contributes to enhancing the overall economic resilience of the nation. This is particularly important in light of the ongoing economic challenges posed by global events, such as the COVID-19 pandemic.

d) Financial Implication:

The study's insights can also inform the strategic decisions and product offerings of financial institutions, enabling them to develop more tailored and relevant services to support individuals and households in managing their financial well-being (Yarrow, 2024).

e) Academic Implication:

From an academic perspective, this research adds to the growing body of literature on household financial management, particularly in the context of an emerging economy like Malaysia. The qualitative approach adopted in this study provides a rich and nuanced understanding of the issue, complementing the existing quantitative research in the field.

f) Social Implication:

The research findings can also contribute to the broader discourse on social equity and inclusion, as financial distress often disproportionately affects vulnerable and marginalized populations. Understanding the impact of changing household expenses on individual financial distress can inform policies and initiatives aimed at promoting financial inclusion and reducing socioeconomic disparities (Aiyar, 2023).

In summary, this research holds significant value for policymakers, individual consumers, financial institutions, and the academic community, as it delves into the critical issue of the impact of changing household expenses on individual financial distress in Malaysia.

1.7 Scope of the Study

This qualitative study investigates the impact of changing household expenses on individual financial distress in Malaysia, focusing specifically on urban areas. The study will encompass individuals and families across all income levels, providing a comprehensive perspective on how rising costs affect diverse segments of the urban population.

The research will cover a time frame of the past five years as mentioned by Department Of Statistic Malaysia, capturing the experiences of individuals and families navigating the recent surge in living expenses. The primary focus will be on understanding the lived experiences of those facing financial distress, exploring:

1.7.1. Perceptions and Impacts:

How individuals and families perceive and are affected by changes in the cost of essential goods and services, including basic food items.

1.7.2. Emotional and Social Impacts:

The emotional, social, and psychological consequences of financial distress on individuals and families within the urban Malaysian context.

1.7.3. Coping Mechanisms:

The strategies and mechanisms employed by individuals and families to cope with financial strain, including adjustments to spending habits, seeking additional income sources, relying on social support networks, and accessing government assistance programs.

While the study primarily centers on understanding lived experiences, it will also touch upon the policy implications of the findings. This may involve identifying potential gaps in existing social safety nets and suggesting areas for policy interventions to mitigate financial distress among urban households in Malaysia.

1.8 Key definition of terms

In navigating the intricate landscape of household finances and individual financial distress within the Malaysian context, it is important to establish a shared understanding of key terms. Clarity in terminology not only enhances the precision of discourse but also lays the foundation for a comprehensive exploration of the research framework (Yarrow, 2024). The following key definitions provide clear insights into the essential concepts that constitute the backbone of this thesis.

1.8.1. Financial Distress:

Financial distress refers to the state of an individual or household experiencing significant financial strain or difficulties, resulting in an inability to meet financial

obligations, maintain a desired standard of living, or achieve financial stability (Huff, 2024).

1.8.2. Household Expenses:

Household expenses encompass the various costs incurred by an individual or family for the essential and discretionary expenditures necessary for daily living, such as housing, food, utilities, transportation, healthcare, and other necessary goods and services (Vasseur, 2019).

1.8.3. Changing Household Expenses:

The changing household expenses refer to the dynamic and fluctuating nature of the costs incurred by individuals and families, particularly in response to external factors such as inflation, changes in the prices of basic commodities, and shifts in the economic landscape (Kaplan & Schulhofer-Wohl, 2017).

1.8.4. Basic Food Items:

Basic food items refer to the essential and staple food products that are crucial for sustaining daily nutritional needs, such as rice, flour, cooking oil, meat, and dairy products (Sowunmi, 2020).

1.8.5. Individual Financial Resilience:

Individual financial resilience represents the capacity of an individual or household to withstand and recover from financial shocks or adversities, enabling them to maintain financial stability and well-being (Hamid et al, 2023).

1.8.6. Financial Planning:

Financial planning involves the process of developing and implementing strategies to manage an individual's or household's financial resources, including budgeting, saving, investing, and debt management, to achieve their financial goals and ensure long-term financial security (Li & Zhang, 2023).

These key definitions provide clarity and specificity to the terminology used throughout the thesis, ensuring a shared understanding of crucial concepts within the context of the research.

1.9 Chapter Organization

This research paper is structured into five chapters. The first chapter, Introduction, provides an overview of the research, including the background, problem statement, research objectives, research questions, significance, scope, and definitions of key terms. It establishes the context and rationale for studying the impact of changing household expenses on individual financial distress in Malaysia.

The second chapter, Literature Review, examines relevant studies on financial well-being, financial distress, and household expenses. It highlights gaps in existing research and presents the theoretical framework for understanding the relationship between household expenses and financial distress within the Malaysian context.

The third chapter, Research Methodology, explains the research design and methods employed in this study. It details the participant selection, sampling techniques, data collection procedures, data analysis strategies, and ethical considerations.

The fourth chapter, Findings and Analysis, presents the results of the study, including participants' experiences and the key themes identified through data analysis. This chapter explores the rising household expenses on financial distress and discusses the coping mechanisms used by individuals and families.

The final chapter, Conclusion and Recommendations, summarizes the key findings, discusses the implications for policymakers, financial institutions, and academics, and provides recommendations to alleviate financial distress. It also addresses the study's limitations and suggests directions for future research.

This chapter organization ensures a coherent and systematic presentation of the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter Overview

This chapter provides a comprehensive review of the existing literature on the impact of changing household expenses on individual financial distress, with a specific focus on urban Malaysia. It examines the broader economic context in Malaysia, delving into the trends in household expenses, particularly for essential goods and services like food, housing, transportation, education, and healthcare.

The review will be structured around the following key themes:



2.2 Economic Context and Trends in Household Expenses in Malaysia

Understanding the impact of changing household expenses on financial distress requires a thorough examination of the broader economic context in Malaysia. This section analyzes the macroeconomic factors influencing household expenses, particularly in urban areas, and presents statistical data on the rising costs of living over the past five years.

2.2.1 Macroeconomic Factors and Household Expenses

Malaysia has experienced significant economic growth in recent decades, transitioning from a predominantly agricultural economy to a more diversified one driven by manufacturing, services, and technology. However, this growth has been accompanied by rising income inequality and inflationary pressures, impacting household expenses across income levels (The World Bank in Malaysia, 2024) (Hamid et al, 2023).

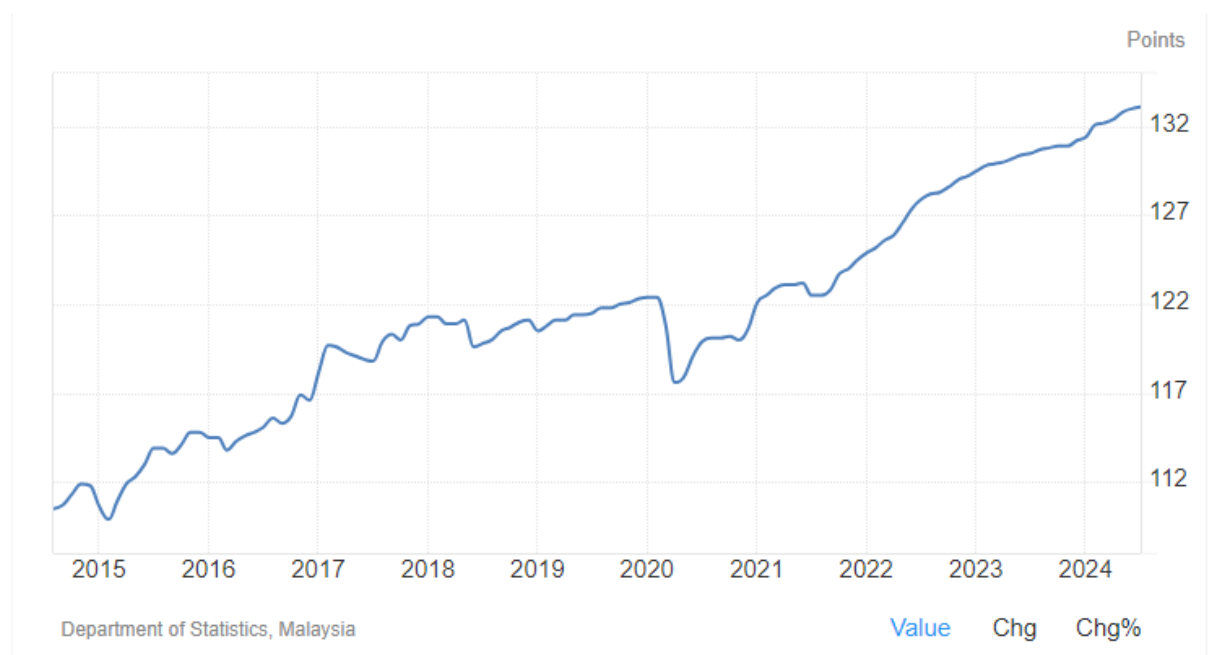
According to World Bank data, Malaysia's inflation rate averaged 2.1% between 2015 and 2019, with a significant spike in 2018 reaching 3.7%. This inflationary trend has been driven by a combination of factors, including the implementation of the Goods and Services Tax in 2015, fluctuations in global commodity prices, and the gradual removal of subsidies for essential goods and services (Hamid et al, 2023). The rising cost of living has disproportionately affected the lower and middle-income households, as they allocate a larger proportion of their income to essential expenditures like food, housing, and transportation.

According to World Bank reports, there is a high degree of unaffordability among the low-income and middle-income households in Malaysia, with a significant portion of their income being allocated to essential expenditures.

a) Inflation:

Malaysia's inflation rate, as measured by the Consumer Price Index, has shown an upward trend in recent years. While the overall inflation rate has remained relatively moderate, certain essential goods and services, such as food and housing, have experienced more pronounced price increases. This is evident from the data presented in Table 1, which shows the rising consumer price index in Malaysia from 2015 to 2024 (Malaysia Consumer price index, 1960-2022, 2023). Consumer Price Index CPI in Malaysia increased to 133.10 in July from 133.00 points in June of 2024. Consumer Price Index CPI in Malaysia averaged 76.49 points from 1972 until 2024, reaching an all-time high of 133.10 points in July of 2024 and a record low of 24.30 points in January of 1972. source: Department of Statistics, Malaysia (Solaymani, 2022) (Ruslan & Mokhtar, 2020).

Table 1: Consumer Price Index in Malaysia



Related	Last	Previous	Unit	Reference
Consumer Price Index CPI	133.10	133.00	points	Jul 2024
Core Inflation Rate	1.90	1.90	percent	Jul 2024
CPI Housing Utilities	129.30	129.30	points	Jul 2024
CPI Transportation	122.10	121.90	points	Jul 2024
Export Prices	150.20	151.20	points	Jul 2024
Food Inflation	1.60	2.00	percent	Jul 2024
GDP Deflator	114.00	115.00	points	Dec 2023
Import Prices	130.40	130.00	points	Jul 2024
Inflation Rate YoY	2.00	2.00	percent	Jul 2024
Inflation Rate MoM	0.10	0.20	percent	Jul 2024
Producer Prices	119.80	120.00	points	Jul 2024
PPI YoY	1.30	1.60	percent	Jul 2024

Malaysia Consumer Price Index (CPI)							
In Malaysia, the Consumer Price Index or CPI measures changes in the prices paid by consumers for a basket of goods and services.							
Actual	Previous	Highest	Lowest	Dates	Unit	Frequency	
133.10	133.00	133.10	24.30	1972 - 2024	points	Monthly	2010=100, NSA

b) Income Inequality:

Despite overall economic growth, income inequality remains a persistent challenge in Malaysia. The gap between the rich and the poor has widened, with urban areas experiencing a higher concentration of wealth (Wu, 2024). This disparity in income levels translates to significant differences in purchasing power and vulnerability to rising household expenses.

According to the Household Income and Basic Amenities Survey conducted by the Department of Statistics Malaysia, the Gini coefficient, a measure of income inequality, stood at 0.407 in 2019, indicating a moderate level of income inequality in the country. However, some research suggests that income inequality may be more severe in urban areas, where the affluent and the poor live in close proximity, exacerbating the visibility of wealth disparities. This urban income inequality can heighten the sense of financial insecurity and deprivation experienced by lower-income households, as they struggle to keep up with the rising costs of living in cities (Schuetz, 2018).

Relevance to the Research Question, the macroeconomic factors, such as rising inflation and income inequality, have a direct impact on household expenses in Malaysia, particularly in urban areas. These economic trends contribute to the financial distress experienced by individuals and households, as they grapple with the increasing costs of essential goods and services.

c) Government Policies:

Government policies play a crucial role in influencing household expenses. While Malaysia has implemented various social safety net programs and subsidies to alleviate the cost of living, their effectiveness in mitigating the impact of rising expenses on vulnerable households remains a subject of debate (Khan, 2018).

In 2014, the Malaysian government introduced the 1Malaysia People's Aid (BR1M) program, providing direct cash assistance to low-income households to help them cope with the rising cost of living. However, studies have shown that the program's impact on reducing financial distress has been limited, particularly among the urban poor who face unique challenges in urban centres (Freeman, 2013). Furthermore, the gradual removal of subsidies for essential goods and services, such as fuel and electricity, has placed an additional burden on households, particularly those with limited financial resources. A study found that the removal of subsidies has led to higher prices for essential goods, exacerbating the financial challenges faced by low-income households in Malaysia (Sulaiman, 2022).

Relevance to the Research Question, the government's policies and initiatives aimed at addressing the rising cost of living have had mixed results in mitigating the financial distress experienced by individuals and households in Malaysia. Moreover, the government has also implemented the Goods and Services Tax in 2015, which has been criticized for its regressive nature, as it disproportionately affects low-income households who allocate a larger share of their income to essential expenditures. The implementation of the Goods and Services Tax in 2015 has been a point of contention, with concerns raised about its disproportionate impact on lower-income households. Analysts have argued that the regressive nature of the GST, which applies a uniform tax rate across different income groups, has further strained the financial resources of the B40 (bottom 40%) income group. (Ling, 2016). Additionally, the COVID-19 pandemic has amplified the financial challenges faced by many Malaysians, as job losses, reduced incomes, and disruptions to economic activities have further strained household budgets (Samad, 2020).

The Malaysian government has also undertaken efforts to gradually increase the minimum wage, with the aim of providing a higher standard of living for low-income households. These policies, while well-intentioned, have faced challenges in effectively addressing the complex and multifaceted nature of financial distress experienced by individuals and households (Goh, 2023).

In summary, the analysis of macroeconomic factors, income inequality, and government policies highlights the significant impact of rising household expenses on individual financial distress in Malaysia, particularly in urban areas.

2.2.2 Trends in Urban Household Expenses

Urban areas in Malaysia, characterized by higher population density and living costs, have witnessed more pronounced increases in household expenses. Data from the Department of Statistics Malaysia reveals an upward trend in the cost of essential goods and services in major cities over the past five years:

a) Food

Food prices, particularly for fresh produce, meat, and seafood, have seen a steady increase in recent years. This trend has been driven by a confluence of factors, including global supply chain disruptions, increased transportation costs, and shifting dietary patterns among the population. For instance, the COVID-19 pandemic has led to supply chain challenges, with disruptions in production and distribution networks

causing shortages and price fluctuations for various food items. Additionally, the rising costs of fuel and logistics have had a direct impact on the prices consumers pay for fresh produce, meat, and seafood. Furthermore, changing dietary preferences among Malaysians, with a greater emphasis on healthier and more diverse food choices, have contributed to increased demand for certain food categories, exerting upward pressure on prices (Ghani, 2022; Department of Statistics Malaysia, 2023).

b) Housing

The cost of rent, utilities, and maintenance for urban dwellings in Malaysia has risen significantly, outpacing income growth for many households. Housing affordability has become a major concern, particularly in urban areas, where the rising property prices and rental costs have far exceeded the pace of income growth. This trend has made it increasingly challenging for low- and middle-income households to secure affordable and suitable living arrangements, leading to a growing disparity between housing costs and the ability of many individuals and families to meet these expenses. The widening gap between housing costs and income levels has placed a substantial financial burden on urban households, exacerbating the overall cost of living and contributing to the prevalence of financial distress among urban Malaysians. (Soon & Tan, 2019). This trend is particularly acute in major cities like Kuala Lumpur and Penang.

c) Transportation:

The cost of transportation, including fuel prices and public transportation fares, has also increased, significantly impacting the commuting expenses of urban households in Malaysia. Rising fuel costs and higher public transportation fares have placed an additional financial burden on individuals and families who rely on these modes of transportation to access employment, healthcare, education, and other essential services. This trend has been particularly challenging for low-income urban households, whose budgets are already strained by the increasing costs of other essential goods and services. The increasing cost of transportation has compounded the financial pressures faced by urban Malaysians, further exacerbating the issue of financial distress in these communities (Mansor, 2022).

d) Education:

The cost of education, both public and private, has been steadily rising, placing a significant financial burden on families with school-going children. This trend has made it increasingly challenging for households, particularly those with limited financial resources, to afford quality education for their children. The increasing costs of tuition fees, textbooks, school supplies, and other educational expenses have placed a considerable strain on family budgets, often requiring parents to make difficult trade-offs between educational investment and other essential household expenditures (Gerrard & Roberts, 2006).

e) Healthcare:

While Malaysia's public healthcare system provides subsidized medical services, the out-of-pocket expenses for accessing these services and purchasing necessary medications have been steadily increasing over time. This trend has raised significant concerns about the overall affordability and accessibility of healthcare, particularly for low-income and vulnerable populations in urban areas. The rising costs of medical consultations, diagnostic tests, and prescription drugs have placed an additional financial burden on individuals and families, compromising their ability to seek timely and adequate healthcare. This challenge is compounded by the fact that the pace of increase in healthcare costs has outpaced the growth in incomes for many urban households, further exacerbating the issue of healthcare affordability and financial distress among the population (Siqueira-Filha, 2021).

These trends in rising household expenses, coupled with the broader economic context, highlight the financial pressures faced by urban households in Malaysia. The following sections will delve deeper into the concept of financial distress, its impacts, and the factors contributing to its prevalence.

2.3 Financial Distress and Its Impacts

Financial distress can be defined as a state of financial hardship or difficulty experienced by individuals or households, characterized by an inability to meet their financial obligations, and maintain a satisfactory standard of living (Hamid et al, 2023). This can manifest in various ways, including the inability to pay bills on time, reliance on high-interest loans or borrowing from informal sources, depletion of savings, and a general sense of financial insecurity and anxiety.

The rising cost of living in urban Malaysia has exacerbated the issue of financial distress among households, particularly those with lower incomes or limited financial resources. The high household debt levels in Malaysia, which reached 93.4% of the Gross National Product in 2020, further underscores the financial vulnerabilities faced by many Malaysians, especially those living in urban areas. This high level of household debt indicates that many individuals and families are struggling to make ends meet, relying on borrowed funds to sustain their standard of living (Hamid et al, 2023).

The consequences of financial distress can be far-reaching, affecting an individual's or household's overall well-being and quality of life. Studies have shown that financial distress can lead to various negative outcomes, such as increased stress and mental health issues (Hassan, 2022), deterioration of physical health (Sabri, 2022), reduced access to healthcare, and a diminished sense of financial security and overall life satisfaction. These adverse effects can have a profound impact on the individual's or

household's overall well-being, creating a vicious cycle of financial insecurity and poor health outcomes. (Davaatseren, 2024). Moreover, financial distress can also have broader societal implications, as it can contribute to the perpetuation of income inequality, social stratification, and the exacerbation of existing disparities within urban communities.

Furthermore, financial distress can have ripple effects on other aspects of an individual's or household's life, such as education, social relationships, and long-term financial stability. The inability to afford essential expenses, such as healthcare, education, and housing, can have a significant impact on the well-being and prospects of individuals and families, perpetuating a cycle of financial vulnerability and distress. This can lead to a lack of educational opportunities, strained social connections, and a diminished ability to build long-term financial security, further exacerbating the challenges faced by those experiencing financial distress (Ettman, 2023).

2.4 Understanding Financial Distress

Financial distress can be understood as a multifaceted phenomenon, driven by a complex interplay of factors, including individual characteristics, household dynamics, and broader socioeconomic conditions. It is a state of financial hardship or difficulty experienced by individuals or households, marked by an inability to meet financial obligations, and maintain a satisfactory standard of living. This complex issue is influenced by a range of factors, such as income levels, employment status, household composition, access to financial services, and the overall cost of living in

the surrounding environment. The factors contributing to financial distress operate at various levels, from the individual and household level to the broader societal and economic context, creating a web of interconnected challenges that can compromise an individual's or family's financial well-being (Mohamad, 2023).

Some of the key factors that contribute to financial distress among urban households in Malaysia include:

- a) Households with low- or stagnant-income levels are more vulnerable to financial distress.

These households have limited financial resources and buffer, making them less equipped to handle unexpected expenses, such as medical bills, car repairs, or sudden increases in the cost of living. Without adequate savings or access to affordable credit, even minor financial shocks can disrupt their ability to meet essential expenses and maintain a satisfactory standard of living. The lack of financial flexibility and resilience places low-income and stagnant-income households in a precarious position, where they are more susceptible to falling into a cycle of financial distress and hardship (Sabri, 2022) (Lajuni, 2018).

- b) High levels of household debt in Malaysia, particularly among urban populations, can be a significant driver of financial distress.

The high levels of household debt, which reached 93.4% of the Gross National Product in 2020, indicate that many individuals and families are struggling to make ends meet

and are relying on borrowed funds to sustain their standard of living. This heavy reliance on debt can compromise their ability to manage their overall financial obligations, as they devote a significant portion of their income towards loan repayments. This financial burden can lead to increased stress, limited financial flexibility, and a diminished capacity to cope with unexpected expenses or financial shocks, further exacerbating the issue of financial distress among urban households in Malaysia (Hamid et al, 2023).

c) Insufficient financial literacy and money management skills.

Limited financial knowledge and the inability to effectively manage personal finances can exacerbate financial distress among urban households in Malaysia. Without a strong understanding of budgeting, saving, and investment strategies, individuals may make suboptimal financial decisions, fail to plan for unexpected expenses, and struggle to maintain financial stability. This lack of financial management expertise can lead to poor spending habits, reliance on high-interest debt, and an inability to build financial resilience, further contributing to the cycle of financial distress experienced by many urban households in the country (Lusardi, 2008).

d) Lack of access to affordable financial services.

The limited availability of affordable financial services, such as savings accounts, insurance, and credit, can significantly hinder the ability of urban households to build financial resilience and cope with financial shocks. Without access to these essential financial tools, many urban households in Malaysia are unable to save for emergencies, protect themselves against unexpected expenses, or access credit to smooth out

temporary financial difficulties. This lack of financial inclusion and accessibility can exacerbate the challenges faced by these households, rendering them more vulnerable to financial distress and limiting their capacity to weather financial storms (Banting, 2023).

- e) Unexpected life events or emergencies can significantly disrupt household finances and contribute to financial distress.

Major life events, such as job loss, illness, or family emergencies, can place a heavy financial burden on individuals and families, particularly those with limited financial safety nets or access to adequate support systems. These unexpected occurrences can lead to a sudden loss of income, increased medical expenses, or the need to divert funds towards emergency situations, leaving households vulnerable and struggling to meet their financial obligations. Without sufficient financial reserves or access to resources that can help cushion the impact of these events, many urban households in Malaysia can find themselves plunged into a state of financial distress, unable to maintain their standard of living and potentially facing long-term consequences for their financial well-being. The interplay of these factors, along with broader economic and social conditions, creates a complex landscape that shapes the financial experiences and challenges faced by urban households in Malaysia (Mansor, 2022).

- f) The rising cost of living, characterized by the increasing prices of essential goods and services such as housing, education, and healthcare, can significantly strain household finances and contribute to financial distress.

These escalating costs place a heavy burden on individuals and families, often leading to an inability to maintain a comfortable standard of living. As the prices of necessities continue to rise, households may find it increasingly challenging to allocate their limited financial resources to meet all their essential needs, leading to difficult trade-offs and compromises that can compromise their overall well-being and financial stability (Szalonka, 2021).

Understanding the multifaceted nature of financial distress among urban households in Malaysia is crucial in developing effective strategies and policies to address this pressing issue. Given the complex interplay of factors, such as rising costs, income levels, debt, financial literacy, and access to resources, a comprehensive approach is needed to effectively support individuals and families facing financial challenges in the urban areas of the country. By acknowledging the diverse experiences and challenges faced by this population, policymakers and stakeholders can design more targeted and impactful interventions to alleviate financial distress and promote long-term financial stability and well-being.

2.5 Coping Mechanisms and Strategies

Urban households in Malaysia facing financial distress may adopt various coping mechanisms and strategies to manage their financial challenges. These can include reducing expenses, such as cutting back on discretionary spending, optimizing utility usage, and finding more affordable housing options; increasing income streams, such as taking on additional part-time work, seeking out freelance opportunities, or

exploring entrepreneurial ventures; seeking financial assistance from family members or community support networks, such as borrowing money or receiving monetary gifts; and accessing government or non-governmental support services, such as social welfare programs, debt counselling, or financial literacy workshops (Harris, 2013). However, the effectiveness and sustainability of these strategies may vary, and some may even exacerbate the financial burden in the long run. For example, households may turn to high-interest loans or informal borrowing from unlicensed lenders to meet immediate needs, which can further contribute to their financial distress and lead to a cycle of debt (Lusardi, 2011).

Additionally, the ability to employ these coping mechanisms may be influenced by various factors, such as household composition, access to social networks, cultural norms, and the availability of support services within the local community (Amit, 2020). By understanding the diverse coping strategies employed by financially distressed urban households in Malaysia, policymakers and service providers can develop more effective and tailored interventions to support these individuals and families. The examination of these coping mechanisms and strategies can provide valuable insights into the resilience and adaptability of financially distressed urban households in Malaysia.

2.6. Gaps in Existing Research and Policy Implications

Despite the growing awareness of financial distress among urban households in Malaysia, there remain significant gaps in the existing research and policy responses.

One key area of concern is the limited understanding of the long-term consequences of financial distress on the overall well-being and quality of life of individuals and families. While some studies have explored the links between financial distress, health, and quality of life, there is a need for more in-depth, longitudinal research to fully capture the cascading effects of financial challenges on various aspects of an individual's or household's life (Hamid et al, 2023; Loke, 2015).

Another crucial gap is the lack of comprehensive, integrated support systems that address the multifaceted nature of financial distress. While there are various government and non-governmental initiatives aimed at improving financial literacy, providing debt counselling, or offering social welfare assistance, these efforts are often fragmented and may not adequately address the diverse needs and circumstances of financially distressed urban households.

Moreover, there is a need to explore the role of community-based and localized interventions in supporting financially distressed urban households. Given the heterogeneity of urban communities, tailored approaches that leverage local knowledge, resources, and social networks may prove more effective in addressing the unique challenges faced by different population segments. To address these gaps, policymakers and researchers should consider the following:

First, there is a need for more comprehensive, longitudinal studies that examine the long-term impact of financial distress on the overall well-being and quality of life of urban households in Malaysia. These studies should also explore the intergenerational

and societal implications of financial distress, as the consequences can have far-reaching effects on the economic and social fabric of communities.

Second, there is a need for the development of integrated, multi-agency support systems that provide a holistic approach to addressing financial distress. Such systems should incorporate financial education, debt management, social welfare assistance, and mental health support, among other services, to address the diverse needs of financially distressed urban households.

Third, policymakers should explore the potential of community-based and localized interventions that leverage the unique strengths, resources, and social networks within urban communities. By engaging with local stakeholders, such as community organizations, religious groups, and grassroots initiatives, these interventions can be more responsive to the specific needs and cultural contexts of financially distressed urban households.

By critically examining the existing literature, this chapter will establish a solid theoretical foundation for understanding the complex interplay of factors contributing to financial distress in the context of rising household expenses in urban Malaysia. It will also highlight the need for the present study, which aims to provide a nuanced and in-depth understanding of this issue through the lens of lived experiences.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

This study utilizes a qualitative research design, which is particularly well-suited for exploring the multifaceted nature of financial distress among urban households in Malaysia due to changing household expenses. Qualitative inquiry enables an in-depth examination of participants' lived experiences, perceptions, and subjective responses, providing rich contextual data that may be overlooked in quantitative approaches. This methodological approach allows for a nuanced exploration of the emotional, psychological, and social dimensions of financial pressures faced by individuals and families, facilitating a comprehensive understanding of the intricate dynamics of financial distress in the unique Malaysian sociocultural context (Hamid et al, 2023). By employing qualitative methods, the study aims to capture the complex, personal, and context-specific experiences of those grappling with the challenges posed by rising household costs, ultimately contributing to a more holistic understanding of this critical issue.

3.2 Participants

3.2.1 Sampling Strategy

To capture a diverse and representative sample, a purposive sampling strategy will be employed in this study. This approach will ensure the inclusion of individuals who possess relevant insights and experiences pertaining to the phenomenon of financial distress due to changing household expenses. The sample will be purposefully selected to encompass a range of socioeconomic backgrounds, including low-income, middle-income, and individuals from the top 20% income group. This diverse representation will enable the study to gain a more comprehensive understanding of the varied experiences and perspectives related to financial distress (Hassan, 2023). Furthermore, the sample will be selected to ensure a balanced representation across different demographic characteristics, such as age, gender, and geographic location within the urban areas of Malaysia. By adopting this purposive sampling approach, the study aims to gain a holistic and nuanced understanding of the challenges and coping strategies employed by financially distressed urban households in the Malaysian context.

3.2.2 Sample Size

The study anticipates recruiting approximately 5 to 10 participants, which is deemed sufficient to achieve data saturation—a point at which no new significant themes or insights emerge from the interviews. This relatively modest sample size allows for an adequate representation of diverse perspectives and experiences among the target population, while maintaining a manageable volume of data for in-depth qualitative analysis (Hennink & Kaiser, 2021). The selection criteria will prioritize the inclusion

of individuals who have direct personal experience with the challenges posed by rising household expenses, ensuring that the research findings are grounded in the authentic lived experiences of those grappling with financial distress in the urban Malaysian context. By focusing on participants who have firsthand knowledge of the phenomenon under study, the research aims to yield rich and nuanced insights that can inform a deeper understanding of the complex factors contributing to financial hardship in the face of changing household costs.

3.3 Data Collection

3.3.1 Interview Procedure

Semi-structured interviews will serve as the primary method of data collection for this study, as they facilitate a conversational yet focused dialogue between the researcher and participants. Each interview will be carefully designed to last between 45 and 90 minutes, allowing ample time for participants to elaborate on their experiences, thoughts, and perspectives in depth. Conducting the interviews in a comfortable and private setting is essential to fostering an environment that is conducive to open and honest communication (McGrath, 2018). This approach not only enhances the quality and richness of the data collected, but also respects the participants' need for confidentiality and security, thereby creating a safe space for them to share their personal narratives freely. The open-ended and flexible nature of semi-structured interviews enables the researcher to delve deeper into the participants' experiences, explore emerging themes, and gain a nuanced understanding of the complex factors contributing to financial distress in the urban Malaysian context (Ramli, 2022).

3.3.2 Interview Guide

An interview guide will be meticulously developed based on insights gleaned from existing literature and preliminary research findings. The guide will encompass several key topics that align with the research objectives, including:

- a) Perceptions of Rising Household Expenses.

Participants will be prompted to articulate their views on the increasing costs of living and how these changes have affected their financial situations.

- b) Areas of Financial Distress.

The discussion will delve into specific aspects of financial stress, such as housing costs, transportation expenses, and the affordability of essential goods and services.

- c) Coping Strategies.

Participants will be encouraged to share the strategies they employ to manage financial pressures, including budgeting practices, reliance on credit, and support from family or community networks.

d) Role of Financial Knowledge.

The interviews will explore how participants perceive their financial literacy and its impact on their ability to navigate economic challenges.

e) Impact on Well-Being.

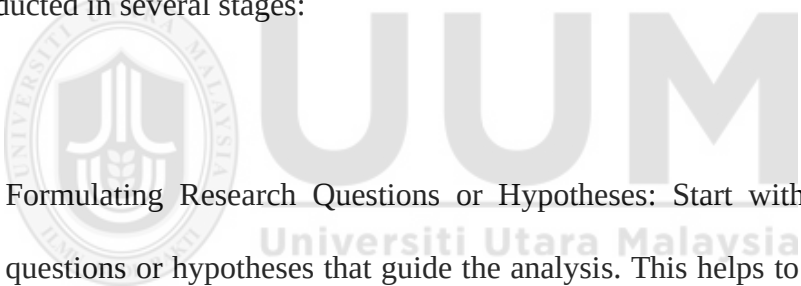
Finally, the study will investigate the broader implications of financial distress on participants' mental well-being and family dynamics.

3.3.3 Data Recording

To ensure the accuracy and fidelity of the data collected, all interviews will be audio-recorded with the explicit consent and permission of the participants. Following the completion of each interview, the recordings will be meticulously transcribed verbatim to facilitate a comprehensive and rigorous analysis of the participants' narratives and perspectives. Additionally, the researcher will maintain detailed field notes to document not only the verbal responses provided by the interviewees, but also any non-verbal cues, emotional expressions, and contextual information that may enrich the overall understanding of the participants' personal experiences and circumstances. This multi-pronged approach to data collection and documentation will enable the researcher to capture the nuances and complexities inherent in the participants' accounts, thereby enhancing the depth and richness of the qualitative data gathered for this study (Noyek, 2022).

3.4 Data Analysis

The data will be analyzed using content analysis, a widely recognized method for identifying, analyzing, and reporting patterns within qualitative data. Content analysis involves systematically coding and categorizing textual information to identify patterns, themes, or biases. The goal is to transform qualitative data into a quantitative form to analyze trends, patterns, and relationships. This method helps researchers make inferences about the messages within the text, and often involves analyzing the frequency and context of certain words, phrases, or themes.. The analysis process will be conducted in several stages:

- 
- a) **Formulating Research Questions or Hypotheses:** Start with clear research questions or hypotheses that guide the analysis. This helps to focus the study and define the scope of the analysis.
 - b) **Selecting the Content to be Analyzed:** Determine what material will be examined, such as interview transcripts, open-ended survey responses, media articles, or social media posts.
 - c) **Defining Coding Categories:** Develop categories or themes to code the text. These categories should be directly related to the research questions or hypotheses.

- d) Coding the Content: Systematically apply the coding categories to the text. This can be done manually or using qualitative data analysis software. Each unit of analysis (word, sentence, paragraph) is assigned to one or more categories.
- e) Analyzing the Data: Quantify the coded data to identify patterns, frequencies, and relationships. This involves looking at how often certain categories appear and examining the context in which they occur.
- f) Interpreting the Results: Draw conclusions from the patterns and relationships identified during the analysis. This step involves making inferences about the underlying meaning of the content and how it relates to the research questions.
- g) Reporting the Findings: Present the results of the analysis in a clear and structured manner. This typically includes a description of the coding process, the main findings, and their implications.

3.5 Ethical Considerations

Ethical considerations are paramount in qualitative research, particularly when dealing with sensitive topics such as financial distress. Ethical approval will be sought from the relevant institutional review board prior to commencing the study (Lyons & Kass-Hanna, 2021). Key ethical considerations include:

a) Informed Consent.

Participants will be provided with comprehensive information about the study's purpose, procedures, potential risks, and their rights as participants. Informed consent will be obtained in writing before participation.

b) Confidentiality.

To protect participants' privacy, all identifying information will be anonymized. Pseudonyms will be assigned to each participant, and data will be securely stored to prevent unauthorized access.

c) Right to Withdraw.

Participants will be informed of their right to withdraw from the study at any stage without any negative consequences. This ethical safeguard respects participants' autonomy and agency in the research process.

3.6 Interview Questions

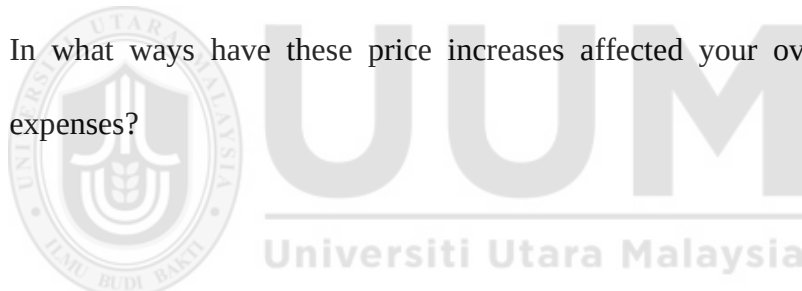
Section 1: Demographic Information

- 1) Can you provide some background information about yourself, such as your age, occupation, income level, and household size?

Section 2: Impact of Rising Prices on Household Expenses

- 2) How have you noticed the prices of basic food items changing in recent years?
Can you give specific examples?

- 3) In what ways have these price increases affected your overall household expenses?



Section 3: Impact on budgetary allocations of the household

- 4) Can you describe any changes you've made to your spending habits or budget in response to rising food prices?
- 5) Have you had to prioritize certain expenses over others due to rising food costs? If so, which expenses have been deprioritized?

- 6) How do you typically decide what to buy when facing higher prices for basic necessities? Do you consider alternatives?
- 7) Can you share any strategies or methods you've adopted to cope with the rising costs of essential commodities?
- 8) How do you perceive the current economic conditions in Malaysia, including inflation and global trends? How do these conditions impact your financial situation?
- 9) Have you noticed any changes in your financial distress related to the broader economic environment? Can you elaborate on these changes?
- 10) In your opinion, how does your income level influence your experience of financial distress amid changing economic conditions?
- 11) Do you think that individuals from different income groups experience financial distress differently? If so, how?
- 12) Can you describe any specific incidents or experiences that highlight how economic conditions have affected your financial well-being?

Section 4: Closing Thoughts

13) What advice would you give to other individuals facing similar financial challenges in today's economic climate?

14) Is there anything else you would like to share regarding your experiences with household expenses and financial distress?

3.7 Limitations

While this qualitative study aims to yield valuable insights into the factors contributing to financial distress in Malaysia, several limitations should be acknowledged. The in-depth, exploratory nature of the research means that the findings may not be easily generalizable to the broader population, as the experiences captured are specific to the selected participants (Mahdzan, 2023). Furthermore, the reliance on self-reported data may introduce biases, such as social desirability bias, where participants may present their experiences in a manner they perceive as more acceptable or favorable (Hullman, 2022). Despite these limitations, the rich qualitative data generated through the semi-structured interviews will contribute significantly to the deeper understanding of financial distress in the urban Malaysian context and can inform the development of future research studies as well as policy interventions aimed at addressing the complex challenges faced by individuals and households experiencing financial hardship (Ramli, 2022).

CHAPTER FOUR

FINDINGS

This chapter presents the responses of six participants from varying income levels and living areas in Malaysia. Each participant provides insights into their experiences with changing household expenses and financial distress. This table below will illustrate the basic information for the six participants.

Participant	Level of Income	Employment Sector	Area of Living
Participant 1	RM 1,000 – RM 1,500	Farmer	Rural – Negeri Sembilan
Participant 2	RM 1,500 – RM 2,000	Cleaner	Urban – Kuala Lumpur
Participant 3	RM 4,000 – RM 4,500	Teacher	Rural – Negeri Sembilan
Participant 4	RM 6,500 – RM 7,000	Marketing Manager	Urban – Kuala Lumpur
Participant 5	RM 10,000 – RM 15,000	Businessman	Rural - Sarawak
Participant 6	RM 20,000 – RM 25,000	Corporate Executive	Urban – Kuala Lumpur

4.1 Participant 1: Low-Income Group in Rural Area

1. Background Information:

“I am a 35-year-old farmer living in a small rural village in Negeri Sembilan. My household consists of my wife and three children, and we rely on a modest income of about RM1,500 a month from farming. It is a struggle to make ends meet, especially since I am the sole breadwinner.”

2. Perception of Price Changes:

“Over the past few years, I have observed a worrying trend in the prices of basic food items. For instance, rice, which is a staple for us, has increased from RM2.50 to RM3.20 per kilogram. This might not seem like much in absolute terms, but for a family like mine, it adds up quickly. We used to be able to afford certain fruits and vegetables, but now they feel like luxuries.”

3. Impact on Household Expenses:

“These price hikes have dramatically affected our household expenses. We now spend a significantly larger portion of our limited budget on food. What used to be RM300 for groceries has turned into RM400 or more, which leaves little room for other necessities, like school supplies for my children. I often find myself stressed about how to allocate funds to cover everything.”

4. Changes in Spending Habits:

“To cope with these rising costs, we’ve had to adapt our spending habits significantly. We’ve started growing more vegetables in our backyard, which helps, but it requires time and effort. We also buy in bulk whenever possible, particularly staples like rice and flour. However, with limited storage, this is not always feasible.”

5. Prioritization of Expenses:

“Food is our top priority now. We’ve had to deprioritize things like clothing and household items. The kids understand that going out to eat or buying new clothes is not possible right now. Instead, we focus on ensuring they have enough nutritious food, even if it means they miss out on treats.”

6. Decision-Making on Purchases:

“When I go to the market, I always compare prices. I tend to buy what’s in season or on sale to make the most of our budget. For instance, if tomatoes are cheaper one week, I’ll buy a larger quantity and can them for later use. I’ve become more resourceful, but it’s frustrating to constantly have to make these calculations.”

7. Coping Strategies:

“We’ve reduced our consumption of meat, which is now a luxury we can rarely afford. Instead, we rely on legumes and grains that are more cost-effective. I also try to stretch

meals by making soups and stews, so we can use fewer ingredients but still have hearty meals.”

8. Perception of Economic Conditions:

“The economic conditions feel oppressive. I hear other villagers express the same frustration; everyone seems to be struggling. The government speaks about economic growth, but it feels distant from our reality. It’s hard to be optimistic when every month feels like a financial battle.”

9. Financial Distress Experiences:

“I often experience anxiety over unexpected expenses. A few months ago, my youngest child fell ill, and the medical expenses were overwhelming. I had to borrow money from a neighbor, which added to my stress. This kind of financial strain is constant; it feels like a heavy weight on my shoulders.”

10. Income Level Influence:

“Being in the low-income group leaves us very little room for error. Any increase in prices impacts us significantly. I’ve seen wealthier families in the village who can still afford to buy what they want without worrying, while we’re counting every ringgit.”

11. Variations in Financial Distress:

“Absolutely, families in higher income brackets seem to navigate these challenges with much more ease. They can absorb price increases without it drastically altering their lifestyle, which isn’t the case for us.”

12. Specific Experiences:

“Last year, we faced a drought that severely affected our crop yields. Coupled with rising prices in the market, it left us in a dire situation. We had to rely on loans to get by, and now we are still struggling to pay them back.”

13. Advice to Others:

“My advice to others in similar situations is to cultivate whatever they can at home. Every bit helps. Community support is vital, and sharing resources can alleviate some burdens.”

14. Additional Thoughts:

“I believe the government could implement better support systems for farmers and low-income families, such as subsidies for essential goods. We need more sustainable solutions that recognize our struggles.”

4.1.1 Finding for Participant 1

The interview with Participant 1, a low-income farmer from a rural area, revealed that rising costs of basic food items like rice have severely impacted their household budget, leaving little room for necessities like clothing and school supplies. To cope, they rely on backyard gardening and bulk purchasing, although storage constraints pose challenges. Financial stress is a constant due to unforeseen expenses like medical emergencies, highlighting the limited financial resilience of low-income rural households.

4.2 Participant 2: Low-Income Group in Urban Area

1. Background Information:

“I’m a 28-year-old single mother living in a low-cost apartment in Kuala Lumpur. I work as a cleaner and earn about RM2,000 a month. Managing my finances is a daily challenge, especially as I try to provide for my two children.”

2. Perception of Price Changes:

“The prices of basic food items have increased significantly. For example, I used to buy a bag of rice for RM25, and now it’s around RM32. The rise in vegetable prices has been particularly noticeable, with prices going up nearly 30% in the last year alone.”

3. Impact on Household Expenses:

“These increases have forced me to tighten my budget drastically. I find myself skipping meals sometimes just so my children can have enough to eat. The stress of managing our limited resources is constant, and it weighs heavily on my mind.”

4. Changes in Spending Habits:

“I’ve started shopping at local markets instead of supermarkets, where prices are generally more reasonable. I also try to buy in bulk when I can, though my budget rarely allows for it. I have become adept at finding the best deals, even if it means traveling further to save a few ringgits.”

5. Prioritization of Expenses:

“Food is now my primary concern. I have cut out almost all entertainment expenses and focus solely on necessities. I used to occasionally treat myself to a meal out, but now it feels like an extravagance I can’t afford.”

6. Decision-Making on Purchases:

“When shopping, I carefully consider every item I place in my cart. If prices for fruits or vegetables are too high, I simply skip them and look for cheaper options. I often rely on cheap carbs like instant noodles, which isn’t ideal for my health, but it fills us up.”

7. Coping Strategies:

“I’ve been utilizing community programs for food assistance whenever possible. These resources have helped me avoid going hungry, but I still feel a sense of shame in relying on them. Cooking in larger batches helps me save time and reduces the temptation to order takeout, which is too costly.”

8. Perception of Economic Conditions:

“The economy feels unstable to me. I’m always worried about job security, especially in my line of work. With prices rising and salaries stagnant, I can’t shake the feeling that I’m walking a financial tightrope.”

9. Financial Distress Experiences:

“Last month, my washing machine broke down, and I didn’t have the funds to fix it. I had to borrow money from a friend, which added more stress to my already tight financial situation. It’s these kinds of unexpected expenses that push me closer to the edge.”

10. Income Level Influence:

“My income greatly limits my options. I see friends with higher-paying jobs who can buy what they need without a second thought. They have savings and financial cushions that I can only dream of.”

11. Variations in Financial Distress:

“Yes, friends who earn more certainly have different stress levels. They can handle price increases without it affecting their essential needs, while I must constantly juggle.”

12. Specific Experiences:

“There was a time when vegetable prices skyrocketed due to a supply issue, and I had to choose between buying food or paying the rent. It was a nightmare situation that left me in tears.”

13. Advice to Others:

“My advice would be to always look for discounts and local community support. It can make a difference when times are tough. Don’t hesitate to ask for help; it’s crucial.”

14. Additional Thoughts:

“More government assistance is needed for low-income families, especially regarding food security. It’s frustrating to see policies that don’t seem to consider our daily struggles.”

4.2.1 Finding for Participant 2

Participant 2, a low-income single mother in an urban area, shared those significant increases in food prices and vegetables have forced her to skip meals to prioritize her

children's needs. She cuts entertainment expenses and shops at local markets to save costs, while also relying on community food programs. Her financial tightrope and reliance on borrowing for emergencies underscore the extreme financial strain faced by low-income urban families.

4.3 Participant 3: Middle-Income Group in Rural Area

1. Background Information:

"I am a 40-year-old school teacher residing in a small town in Negeri Sembilan. My family includes my spouse and two children, and our monthly household income is about RM4,500. While we're relatively stable, the increasing cost of living has become a concern."

2. Perception of Price Changes:

"I've noticed a significant uptick in the prices of essential food items. For example, the cost of chicken has nearly doubled in the last couple of years, and even basic vegetables seem more expensive at the market."

3. Impact on Household Expenses:

"While we can still afford our basic needs, I find we're increasingly cautious about discretionary spending. We used to dine out occasionally, but now those outings are rare and only happen on special occasions."

4. Changes in Spending Habits:

“To cope with rising prices, we have started meal planning more carefully to minimize waste. I now pay close attention to sales and try to stock up on non-perishable items when they’re discounted.”

5. Prioritization of Expenses:

“We’ve had to deprioritize entertainment and family outings. While we used to take a family trip each year, we’re now considering alternatives like local parks for day trips instead of expensive outings.”

6. Decision-Making on Purchases:

“When shopping, I evaluate what we truly need versus what we might want. I’m becoming more selective about brands and focus on value for money, often choosing local products over imported ones when the price difference is significant.”

7. Coping Strategies:

“We’ve also started to grow our own vegetables at home, which not only reduces costs but also ensures we have fresh produce available. This has become a family activity and has been a positive change for us.”

8. Perception of Economic Conditions:

“While I am aware of the economic challenges, I feel somewhat insulated from the worst impacts due to my stable job. However, I see many of my friends and colleagues struggling, which is concerning.”

9. Financial Distress Experiences:

“I’ve not experienced financial distress directly, but I am always aware of the precariousness of our situation. A sudden job loss or major expense could change everything for us.”

10. Income Level Influence:

“Being in the middle-income group gives us some flexibility, but we still feel the pressure of rising costs. It’s a balancing act to maintain our lifestyle while adjusting to new financial realities.”

11. Variations in Financial Distress:

“There’s a noticeable difference in how families cope depending on their income levels. Those with lower incomes seem to be more significantly impacted, often having to choose between basic necessities.”

12. Specific Experiences:

“I’ve witnessed friends lose their jobs and struggle to find new employment. This has been a wake-up call for me, emphasizing how quickly things can change.”

13. Advice to Others:

“For families facing similar pressures, I’d suggest looking into community gardening initiatives or local food co-ops. There’s strength in community support, and it helps to share resources and knowledge.”

14. Additional Thoughts:

“I think the government needs to consider policies that support local farmers and stabilize food prices. It’s essential for the well-being of families across all income levels.”

4.3.1 Finding for Participant 3

Participant 3, a middle-income schoolteacher in a rural area, noted sharp increases in food prices, leading their family to deprioritize entertainment and adopt cost-free alternatives like local park visits. Coping mechanisms include meal planning, bulk purchases, and growing vegetables at home to reduce costs. Although financially stable due to a steady job, the participant remains concerned about unforeseen financial shocks, showing how middle-income rural households balance adaptation and vulnerability.

4.4 Participant 4: Middle-Income Group in Urban Area

1. Background Information:

“I’m a 38-year-old marketing manager living in a suburb of Kuala Lumpur. My family consists of my spouse and one child, and our household income is approximately RM7,000 per month. While we are comfortable, the rising cost of living is a significant concern.”

2. Perception of Price Changes:

“I have definitely noticed a rise in the prices of everyday items, particularly groceries. It’s frustrating to see prices fluctuate, especially for fresh produce. Just last month, I noticed that the cost of my usual vegetable purchases went up by 20%.”

3. Impact on Household Expenses:

“We have had to adjust our budget to account for these price increases. While we still eat out occasionally, it’s now something we plan for rather than a spontaneous outing. My wife and I have discussed tightening our budget for entertainment and travel.”

4. Changes in Spending Habits:

“To mitigate the financial pressure, we’ve become more deliberate about our shopping. We’ve started to create shopping lists and plan meals around what’s on sale, which has helped keep our expenses in check.”

5. Prioritization of Expenses:

“Our priority remains on providing healthy food for our child, so while we’ve reduced entertainment spending, we haven’t compromised on nutrition. We aim for a balanced diet, even if it sometimes means sacrificing other areas.”

6. Decision-Making on Purchases:

“I often compare prices between different supermarkets and opt for promotions. I also look for local markets where prices tend to be lower, but I have to balance this with convenience, as I have a busy work schedule.”

7. Coping Strategies:

“We’ve started to buy in bulk for non-perishable items, which can help mitigate future price increases. Additionally, we’ve implemented a stricter savings plan to prepare for unexpected expenses.”

8. Perception of Economic Conditions:

“The economic climate is concerning, particularly regarding inflation rates and job security. While I have a stable job now, I can’t help but worry about the future and what might happen if the situation worsens.”

9. Financial Distress Experiences:

“I have not faced significant financial distress personally, but I have friends who have lost their jobs and have struggled to find new ones. Their experiences serve as a reminder of how fragile financial stability can be.”

10. Income Level Influence:

“Being in the middle-income bracket allows for some flexibility, but it’s not without its challenges. I can absorb some price increases, but I still have to be mindful of our spending.”

11. Variations in Financial Distress:

“There’s a clear disparity in how families experience financial distress based on income. Those in lower-income brackets are certainly feeling the brunt of rising costs, while we have some cushion to navigate these challenges.”

12. Specific Experiences:

“A close friend of mine recently faced a medical emergency that drained their savings. It has made me more conscious of the need to save for unforeseen circumstances.”

13. Advice to Others:

“For families looking to cope with rising costs, I’d recommend budgeting strictly and using community resources when available. There’s strength in sharing experiences and finding collective solutions.”

14. Additional Thoughts:

“I believe more government support for middle-income families is crucial. Initiatives that stabilize prices or provide financial literacy programs could make a significant difference.”

4.4.1 Finding for Participant 4

The interview with Participant 4, a middle-income marketing manager in an urban area, highlighted the impact of rising grocery prices on household expenses. The family has shifted to planned dining-out activities and reduced discretionary spending on travel and entertainment, prioritizing healthy nutrition for their child. Strategies like using shopping lists, price comparisons, and bulk purchases have been implemented, demonstrating deliberate budgeting to navigate rising costs while maintaining financial security.

4.5 Participant 5: Top-Income Group in Rural Area

1. Background Information:

“I am a 50-year-old businessman residing in a rural area of Sarawak. My family includes my spouse and two adult children, and we enjoy a household income of around RM15,000 a month from my business ventures.”

2. Perception of Price Changes:

“I’ve certainly noticed the rising costs of food and other essentials. It’s concerning, especially regarding the availability of quality produce. However, our financial situation allows us to manage these increases without significant stress.”

3. Impact on Household Expenses:

“While prices have risen, it hasn’t drastically altered our overall budget. We maintain a relatively stable spending pattern, though we are more cautious about luxury items and non-essentials. I’ve had to rethink how I allocate resources for family outings.”

4. Changes in Spending Habits:

“I haven’t made significant changes to my spending habits. We continue to buy organic and premium products, prioritizing quality over cost. However, I do make it a point to keep an eye on pricing to ensure we’re getting value.”

5. Prioritization of Expenses:

“Quality is paramount in our household. We prioritize healthy, organic food for our family, even if it means paying a premium. We’ve reduced spending on entertainment but haven’t compromised on our food choices.”

6. Decision-Making on Purchases:

“I often shop at specialty stores or directly from farmers, ensuring that I support local producers. This approach allows us to get fresher products while also being conscious of the community’s welfare.”

7. Coping Strategies:

“I tend to stock up on non-perishables when prices are favorable, which helps us avoid future price shocks. I also invest in community initiatives that promote sustainable farming, which I believe is critical for long-term food security.”

8. Perception of Economic Conditions:

“Despite some concerns about the economy, my business has remained stable. I recognize that many families face challenges that we don’t, and I feel a responsibility to support local initiatives that can help.”

9. Financial Distress Experiences:

“I haven’t personally faced financial distress, but I’m aware of employees and friends who struggle. It’s a stark reminder that economic conditions impact everyone differently.”

10. Income Level Influence:

“Being in a higher income bracket gives us more flexibility and security, but it also comes with an obligation to help those in need. I often feel it’s my responsibility to contribute to community welfare.”

11. Variations in Financial Distress:

“Without a doubt, lower-income families are feeling the pressure much more acutely than we are. It’s essential to understand this disparity and work towards solutions that uplift those in need.”

12. Specific Experiences:

“I’ve witnessed the impact of rising costs on my employees, many of whom struggle to support their families. This has motivated me to advocate for better wages and benefits within my business.”

13. Advice to Others:

“I encourage families to focus on quality and value rather than just price. Supporting local producers can make a difference and being part of community initiatives can provide additional resources.”

14. Additional Thoughts:

“I believe the government should take more action to stabilize prices for essential goods, particularly for those who are most vulnerable. Supporting local agriculture is key to ensuring food security.”

4.5.1 Finding for Participant 5

Participant 5, a high-income businessman in a rural area, shared that while rising food prices are noticeable, they have minimal impact due to his financial stability. The family continues to prioritize quality and sustainability in their purchases, with little change in spending habits. They also support local farmers and stockpile non-perishables when prices are favorable, demonstrating resilience while contributing to community welfare.

4.6 Participant 6: Top-Income Group in Urban Area

1. Background Information:

“I am a 45-year-old corporate executive living in a high-rise apartment in Kuala Lumpur. My household income is around RM25,000 per month. My wife and I prioritize maintaining a comfortable lifestyle for ourselves and our two children.”

2. Perception of Price Changes:

“I’ve observed that prices for food, particularly imported goods, have risen. However, it hasn’t severely impacted our lifestyle, as we have the means to adjust our spending if necessary.”

3. Impact on Household Expenses:

“While it’s frustrating to see price increases, our overall budget hasn’t shifted dramatically. We’ve opted to remain flexible and adapt our spending, ensuring we still prioritize quality in our food choices.”

4. Changes in Spending Habits:

“I haven’t significantly altered my spending habits, but I do choose where I shop more carefully. Specialty stores and organic markets are preferred, even if they come with a higher price tag.”

5. Prioritization of Expenses:

“Quality and sustainability in our food choices are paramount, so we continue to invest in organic products. Dining out remains a part of our lifestyle, although we’re mindful of how often we indulge.”

6. Decision-Making on Purchases:

“When purchasing groceries, I often consider ethical sourcing and sustainability. I prefer to support brands that align with our values, even if it means paying more.”

7. Coping Strategies:

“I tend to stock up on items when they’re on sale, particularly non-perishables. Additionally, I make it a point to educate my children about budgeting and responsible spending to prepare them for the future.”

8. Perception of Economic Conditions:

“While I feel secure in my position, I’m aware of the economic pressures on others. It’s concerning to see friends and colleagues struggle, and I often reflect on how fortunate we are.”

9. Financial Distress Experiences:

“I haven’t faced financial distress myself, but I’ve seen it in my circle. It’s a sobering reminder that stability is not guaranteed, and it can be lost in an instant.”

10. Income Level Influence:

“Our higher income provides us with a cushion that allows us to navigate these challenges more comfortably. I recognize that not everyone is in a similar position, and I feel it’s important to give back.”

11. Variations in Financial Distress:

“Without a doubt, families in lower-income brackets bear the brunt of rising costs. It’s crucial that we, as a society, work to bridge this gap and support those in need.”

12. Specific Experiences:

“I’ve seen colleagues lose their jobs during economic downturns and struggle to find new ones. Their experiences serve as a stark reminder of the volatility that can accompany financial success.”

13. Advice to Others:

“I would advise families to prioritize education around financial literacy. Understanding budgeting and savings can make a significant difference, regardless of income level.”

14. Additional Thoughts:

“Government policies should be more attuned to the realities of rising costs. Programs aimed at supporting low-income families and stabilizing prices for essential goods are necessary to ensure everyone can thrive.”

4.6.1 Finding for Participant 6

Participant 6, a high-income corporate executive in an urban area, reported minimal disruption from rising food prices due to their flexible financial situation. The family focuses on quality and sustainability in their purchases, continues to dine out occasionally, and uses sales opportunities to stockpile essentials. The participant also emphasized the need for government policies to address rising costs, reflecting social awareness despite their financial stability.

4.7 Summary

These interviews demonstrate the diverse impacts of rising household expenses across income groups. They validate the study’s objectives by showing how low- and middle-income households face significant financial distress, adopt various coping mechanisms, and adjust their spending priorities. They also highlight the limited financial impact on high-income families while emphasizing their role in community welfare and advocacy for inclusive policies.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

This chapter synthesizes the findings from the previous chapters, offering a comprehensive analysis of the perceptions and experiences of different income groups regarding the rising costs of living in Malaysia. The narratives of participants illuminate not only the immediate impacts on household finances but also broader implications for social equity, economic policy, and community resilience. By delving deeper into these themes, we can better understand the multifaceted challenges faced by families across the socioeconomic spectrum.

5.1 The Impact of Economic Stratification

The interviews conducted with participants from varying income brackets—lower-income, middle-income, and upper-income—underscore the stark disparities in how families experience financial pressures. Lower-income participants expressed acute distress and a sense of urgency when discussing their financial situations. For instance, Participant 1, a farmer from a rural area, described a precarious existence where even minor price increases significantly impacted his family's ability to afford basic necessities. The increase in rice prices from RM2.50 to RM3.20 per kilogram may seem nominal in a broader economic context, but for a family surviving on a monthly income of RM1,500, this translates to difficult choices regarding nutrition and overall health. This experience is echoed by Participant 2, a single mother in Kuala Lumpur, who reported skipping meals to ensure her children had enough to eat.

In contrast, higher-income participants articulated a more measured response to rising costs. For instance, Participants 5 and 6, both from the top-income group, acknowledged the rising costs of food but emphasized that their financial situation allowed them to manage these increases without significant stress. Their narratives reveal that while they are aware of the inflationary pressures, their capacity to absorb such changes without altering their lifestyle starkly contrasts with the experiences of their lower-income counterparts. This disparity highlights the notion that economic stratification not only influences material well-being but also shapes the lived experiences, coping strategies, and psychological states of families across income groups.



5.2 Budgeting and Financial Strategies

Across the different income groups, common themes emerged regarding budgeting and financial management strategies. Middle-income participants, such as Participant 4, illustrated a proactive approach to managing expenses by emphasizing careful meal planning and the use of shopping lists to mitigate the effects of rising prices. This reflects a broader trend wherein families are increasingly compelled to engage in deliberate financial planning, a skill that has become critical in the context of rising inflation and economic uncertainty. Participants reported adopting strategies like bulk purchasing and seasonal shopping to stretch their limited resources further.

In contrast, lower-income families often reported limited options for financial manoeuvring, frequently relying on community resources and support systems to cope with economic challenges. For instance, Participant 2 highlighted her reliance on local food assistance programs, which, while helpful, came with feelings of shame and vulnerability. This indicates a pressing need for targeted financial literacy programs aimed at enhancing budgeting skills among lower-income groups, equipping them with the tools necessary to navigate their financial landscapes more effectively.

The experiences of upper-income participants revealed a tendency to prioritize quality and sustainability over cost. Participants 5 and 6 emphasized their commitment to purchasing organic and locally sourced products, demonstrating an awareness of their purchasing power's influence on the market. This behavioural pattern may influence broader consumer trends, as wealthier families advocate for ethical consumption practices, potentially leading to shifts in supply chains and market dynamics.

5.3 Community and Social Responsibility

The narratives of higher-income participants also revealed a strong sense of social responsibility. Participant 5 emphasized the importance of supporting local producers and community initiatives, reflecting an emerging recognition of the interconnectedness of economic well-being within communities. As higher-income individuals navigate their purchasing decisions, their actions can either exacerbate or alleviate economic disparities. Their willingness to invest in local agriculture and

sustainable practices contributes not only to their personal well-being but also to the broader health of their communities.

Moreover, the experiences of middle-income participants, who articulated concerns about their financial security despite having a relatively stable income, highlight a broader anxiety regarding economic stability. The fear of job loss or unexpected expenses loomed large in their narratives, signalling that even those with a degree of financial comfort are not insulated from the implications of rising living costs. This anxiety underscores the need for fostering community solidarity and support networks that can enhance collective resilience in the face of economic challenges.

5.4 Policy Implications

The findings of this study underscore the urgent need for policymakers to consider the diverse experiences of different income groups when developing economic strategies. Initiatives aimed at stabilizing prices for essential goods, particularly for lower-income families, are crucial. The stories shared by participants indicate that small fluctuations in prices can have outsized impacts on their ability to provide for their families. Furthermore, enhancing access to financial literacy programs can empower individuals across income brackets to make informed financial decisions, ultimately fostering economic resilience.

Additionally, government support for community-driven initiatives, such as local markets and sustainable agriculture, could mitigate the impact of rising costs while promoting food security. As highlighted by Participants 5 and 6, investing in local food systems not only supports economic stability but also strengthens community ties. Policymakers must also address the structural factors that contribute to economic disparities, ensuring that support systems are inclusive and equitable.

5.5 Conclusion

This study explored the impact of rising household expenses on individual financial distress in Malaysia, focusing on diverse income groups in urban and rural areas. The findings reveal significant differences in how these groups experience and respond to economic challenges. Higher-income households demonstrated financial flexibility, maintaining their quality of life and using long-term strategies such as bulk purchasing and supporting sustainable practices. In contrast, lower-income families, particularly in urban areas, faced severe financial insecurity, making difficult trade-offs like skipping meals or borrowing money to cover basic needs. Middle-income households displayed adaptability by cutting discretionary spending, focusing on essentials like education and nutrition, and adopting disciplined budgeting practices.

These findings validate the study's objectives by showing how rising costs, particularly for food and other essentials, disproportionately affect lower-income households while middle-income families also face increasing financial pressure. The participants' coping mechanisms, such as growing food, meal planning, and utilizing community

resources, varied significantly depending on income levels. While higher-income households adopted proactive measures with little disruption, lower-income families relied on reactive strategies that often proved insufficient, highlighting the economic disparities within Malaysian society.

The study underscores the crucial role of community support and government intervention in addressing financial distress. Policies such as subsidies for essential goods, tax relief for middle-income families, and expanded financial literacy programs are necessary to mitigate the challenges posed by rising living costs. Community initiatives, including food assistance programs and skill-building opportunities, play a vital role in providing immediate relief and fostering resilience, particularly in rural and low-income urban areas. Financial institutions can contribute by offering tailored products like affordable micro-loans and savings schemes to help families build financial resilience.

This research also reveals the profound mental health implications of financial stress, especially among lower-income households. Integrating mental health support with financial assistance programs is essential for addressing the holistic needs of these populations. Counseling services, stress management workshops, and proactive interventions can help mitigate the emotional toll of financial challenges.

From an academic perspective, this study contributes to the literature on financial distress in emerging economies by providing qualitative insights into the lived experiences of affected individuals. Future research could explore the long-term

effects of financial distress on mental health, social mobility, and intergenerational poverty. Comparative studies across countries could further inform policies and strategies to address these challenges.

In conclusion, this study highlights the diverse challenges faced by different income groups in Malaysia and emphasizes the need for targeted interventions to promote economic resilience and equity. By addressing the unique needs of each group, stakeholders—including governments, communities, financial institutions, and individuals—can work collaboratively to create a more inclusive and sustainable society. Proactive measures that integrate financial support, mental health resources, and community-driven solutions are vital for ensuring that no one is left behind in the pursuit of stability and prosperity. As Malaysia navigates rising costs and economic uncertainty, these findings serve as a call to action to build a future where economic growth benefits all citizens equitably.

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