THE DETERMINANTS OF HOUSEHOLD CONSUMPTION IN MALAYSIA

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Abstract***:*** *This research attempts to study the determinants of household consumption expenditure in Malaysia using an annual data for 30 years from 1981 to 2021. In order to achieve this, independent variables like household income, government expenditure, inflation rate, interest rate, and education while household consumption as dependent variable are chosen as guideline. Then, this research attempts to identify the existence of long-run relationship between the independent variables with household consumption expenditure in Malaysia. Based on Dynamic Ordinary Least Square (DOLS) framework, tests like correlation, unit root test and cointegration test are conducted to get meaningful results. Household income, government expenditure, inflation, and education are proven to have short-run relationship with household income. However, the most significant independent variable cannot be determined due to no detection of co-integration. Finally, the outcome of the research suggests the model of the study has no long run relationship.*

Keywords***:*** *Consumption, Household Consumption, Household Income, Government Expenditure, Inflation Rate, Education*

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Introduction

The level of economic development of a country is directly correlated with household consumption. According to the Organization for Economic Co-operation and Development (OECD), household consumption is the total amount spent by a household on goods and services. A country's wealth, stability, and level of development of its economic system as a whole can all be measured by looking at the household consumption in that country. This is because household consumption encompasses all kinds of individual purchases made to fulfill everyday needs, whether they are purchased domestically or internationally. For instance, household consumption could include buying food, clothing, renting a home, paying for electricity and transportation, and spending money on health.

Additionally, household consumption plays a significant role in accounting for income and estimating aggregate demand as a short-term predictor of economic success. This household consumption is significant for the business sector as well because a company's performance improves with the amount of money its customers spend with it. This makes it obvious why the majority of investors and companies are very interested in the numbers and trends of consumer spending. Consumer expenditure numbers are constantly monitored by investors and corporations when making forecasts.

Malaysia Consumption Expenditure and Economic Growth

According to Kim (2017) economic growth and household consumption expenditure are closely correlated. In essence, economic growth raises standards of living. While according to Roser (2013) economic growth is an increase in the quantity and quality of the economic goods and services that a society produces and consumes. The household consumption can reflect how much money the country's households spend on goods and services, which contribute to gross domestic product (GDP) growth. Faster GDP growth will increase the size of the economy overall and improves budgetary conditions. Among the economic activities that help in economic growth are such as consumption, production, and the exchange of goods and services.
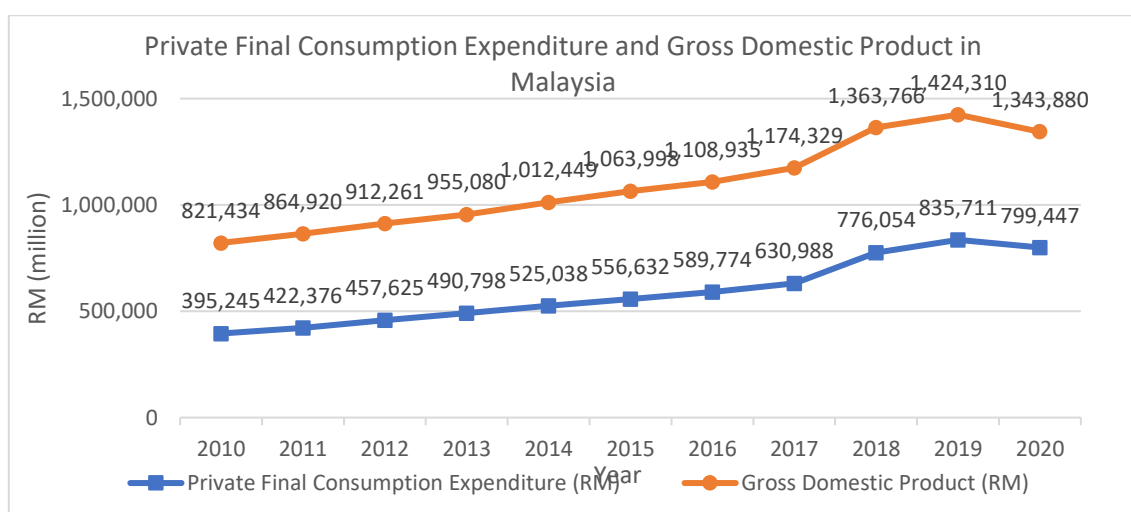

Figure 1: Private Final Consumption Expenditure and Gross Domestic Product in Malaysia

Source: Department of Statistic Malaysia (DOSM)

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Furthermore, based on Figure 1, it shows the data of private final consumption expenditure and gross domestic product in Malaysia for the period of time 2010 to 2020. As depicted, private final consumption expenditure and gross domestic product have similar trend. Although private final consumption expenditure and GDP had been increasing steadily over the previous nine years from 2010 to 2019, there is a decline in 2020. Private final household consumption increased from RM395,245 million in 2010 to RM422,376 million in 2011, an increase of RM27,131 million. This increase continued until 2019, where the amount increased to RM457,625 million, RM490,798 million, RM525,038 million, RM556,632, RM589,774, and 630,988 million in 2012 until 2017 respectively. A drastic increase occurs in 2018, where it increases by RM145,066 million from the previous year. Next, in 2019, private final consumption expenditure reached its highest point at RM835,711 million. Moreover, GDP also uprising trend at RM821,434 million, RM864,920 million, RM912,261 million, RM955,080 million, RM1,012,449 million, RM1,063,998 million, RM1,108,935 million and RM174,329 million, RM1,363,766 million and RM1,424,310 million in 2010 until 2019.

Private final consumption expenditure and GDP in Malaysia in 2019 have reached the highest point in the last ten years. According to Bank Negara Malaysia (2019), private consumption accounts for almost 60 percent of Malaysia's GDP. In its annual report, the central bank stated that the expansion in private consumption was driven by positive economic market conditions and specific government initiatives in a moderate inflation environment. This continued increase can be attributed to government assistance to household consumers, which allows them to spend. For example, in 2019, key government measures such as minimum wage increases and cash transfers such as Bantuan Sara Hidup benefited low-income households' spending (Bank Negara Malaysia, 2019).

However, after having a very stable increase throughout nine years, private final consumption spending and GDP in Malaysia in 2020 have decreased for the first time by RM36,264 million (RM799,447) for private final consumption expenditure and RM80,430 million (RM1,343,880 million) for GDP after several years of consistent growth. This is due to COVID-19 epidemic that swept the globe at the end of 2019. Because of the outbreak, movement control orders were implemented, preventing people from moving around and performing their daily duties. The outbreak of COVID-19 also causes unemployment, which may also be the cause of this drop. The unemployment rate rises, causing household expenses to fall. At the time, households are in desperate need of funds and have very limited spending power because roughly half of the total allocation is not used quickly or directly by them, and roughly half of that is used from private sector sources, such as the Employees' Provident Fund (EPF).

Problem Statement
Consumption plays a big role in driving the economic growth. This is because it is as much as important as savings, where savings are needed for the long-term growth, consumption are for the short-term. In Malaysia, private consumption alone drives almost 60 percent out of economic output which is measured by GDP (Department of Statistics Malaysia, (DOSM)). Therefore, not only it is an important economic indicator but also a main component of a country's GDP. Economy is an unpredicted world, having its own cycle, making all countries in the world vulnerable to threat and challenges. This also makes household prone to factors that affect their consumption. Inflation is a major issue on household consumption as it has a crucial effect on a country's economy. It has been soaring across most of the world's economies due to impact of Covid-19 and Ukraine-Russia war. Every country strives for price stability and economic progress and it affects household consumption. (Sulekha et al., 2019). As inflation

raises the cost of living, the price of goods, and the availability of good jobs, this leads to lower income levels and, ultimately, lower consumption expenditure. As a result, this circumstance has a direct impact on the income and spending power of households (Olusola et al., 2022).

In addition, the increase of poverty population in Malaysia is also an issue even before the COVID-19 pandemic. According to DOSM, Malaysia has 639.8 thousand poor households in 2020, compared to 405.4 thousand in 2019. Additionally, the prevalence of absolute poverty rose from 5.6 percent in 2018 to 8.4 percent in 2019. This increase in the poverty rate affects the consumption of individual households. This is due to the fact that when each household has a different level of wealth, the consumption in the household varies according to that person's ability. The recent pandemic worsens the existing state of economy and has a significant impact on household income. The obvious impact would be on the B40 income group, but the top two income group were also affected with a lot of households from M40 being pushed to B40 and T20 to M40. A lot of businesses were badly hit and forced to close down leading to increase in unemployment. A series of lockdown even though was necessary affects the ability and willingness of household to spend, impacting the economic growth inevitably.

Having said that, this research is conducted to study the determinants of household consumption expenditure in Malaysia using an annual data for 30 years from 1981 to 2021. In order to achieve this, independent variables like household income, government expenditure, inflation rate, interest rate, and education while household consumption as dependent variable are chosen as guideline. Then, this research attempts to identify the existence of long-run relationship between the independent variables with household consumption expenditure in Malaysia.

Literature Review

Hone and Marisennayya (2019) defines household consumption as how much to consume or save. This is a microeconomic question because it concerns the individual economic units. In 1936, the General Hypothesis of Employment, Interest, and Money by John Maynard Keynes was the first to establish the Marginal Propensity to Consume theory (MPC) According to this theory, he believed that up to 90 percent of any rise in current income would immediately convert into an increase in consumption expenditure. The function, according to Keynes, might be used to monitor and foresee total aggregate consumption spending (Jahan et al., 2014). In performing a study to establish if factors that have relationship with household consumption, five independent variables are chosen; household income, government expenditure, inflation rate, interest rate and education.

Household Income

The combined income of all working-age individuals residing together, irrespective of their relationship, defines household income. This metric is valuable for assessing the standard of economic living and plays a crucial role in shaping the circular flow of income within the economy. Studying income data at the household level facilitates the exploration of how patterns of income distribution are intertwined with the establishment and evolution of societies Besustringue et al., 2023). In a previous study on the determinants of household consumption expenditure in Ethiopia by Enbeyle et al. (2020), the household income was found to be positive and significantly affecting consumption. This indicates higher household income, indicating higher consumption capacity and higher opportunity for success. This result can be supported by a study from Ekong and Effiong (2020) in West Africa that focuses on Nigeria and Ghana for the period 1999–2018, in which it shows that in the short-run relationship, there is a positive and significant effect of income on household consumption. Moreover, in Malaysia, the study

by Mohd Bakri et al. (2017) from 1970 to 2014 resulted that household income has a positive and significant relationship with household consumption expenditure. In addition, the next researcher Sekantsi (2016) who conducted a study on determinants of real private consumption expenditure in Lesotho from 1982 to 2013 finds evidence of positive and significant long-run relationship between income and private consumption.

Government Expenditure

The term "government expenditure" describes the money that the government spends on purchasing commodities and offering services including defence, healthcare, social security, education, and transportation (Mohsen, 2022). Keynesian's theory contends that because consumer spending is the primary driver of aggregate demand, increases in government spending will have a multiplier effect on consumer spending. Increased government spending, according to Keynesians, should increase "effective demand." Effective demands theory explains the amounts people desire to trade in a particular market after accounting for the possibility that some of their trades on other markets may be restricted (Green, 1980). Many studies have been conducted to learn more about the relationship between government spending and household consumption. Sugiarto and Wibowo (2020) has conducted a study regarding this topic in Indonesia from 2010 to 2019. He found that government spending has a positive and significant impact on household consumption for short run relationship. On the contrary, government expenditure has a negative significant effect on household consumption in Ghana from 1967 until 2018 using ADRL model (Fosu and Twumasi, 2021). Additionally, study by Ifeakachukwu et al. (2013) in Nigeria between 1981 and 2010 yielded a different result for short run relationship. In the case of public spending, its significant negative result on private consumption spending between public spending and private consumption expenditure in Nigeria. In addition, Keho (2019) found an insignificant relationship between government expenditure and household consumption. This study uses time period data from 1970 to 2016 in West African countries. Nonetheless, the next researcher who conducted a study in Bangladesh for the period of 1973 to 2007, has discovered that the long run coefficient on government consumption and household consumption is statistically insignificant (Mahmud, 2012).

Inflation Rate

Inflation is defined as "a consistent rise in the general price level of a wide range of products and services in a country over a lengthy period of time." The saying "inflation is too much money chasing too few products" sums up how closely money has always been related to inflation (Umaru, 2012). The most straightforward explanation for inflation is that it reduces consumer confidence while increasing savings. Due to inflation, the manner in which income is distributed across households can also alter, which will have an impact on consumer behavior (Casadio, 2010). Household consumption will also be impacted by this condition. A finding in Nigeria from1981 to 2020 using the Autoregressive Distributed Lag Model (ARDL) revealed that, inflation has a negative significant effect on household consumption (Abba and Abdullahi, 2024). In addition, according to Olusola et al., (2022) in Ghana using annual time series from 1990 to 2020, the empirical results show a negative and significant relationship in the long-run consumption function. A similar result is found by Sugiarto and Wibowo (2020) who studied the relationship between inflation rate and household consumption in Indonesia from 2010 to 2019. However, a different result is shown in a study conducted in Ghana by Bonsu and Muzindutsi (2017). The study that collects data from 1961 to 2013 shows that both short-run and long run relationship between inflation and household consumption expenditure shows a positive and significant result. However, Keho (2019) who conducted a study in Cote d'Ivoire

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for the period of study 1970 to 2016, shows that short-run consumption functions are insignificant while the relationship between inflation and household consumption for long-run is negative and significant.

Education

Education is important because a good education can help people obtain a higher-paying job, which can improve one's quality of life. In research of the determinants of household consumption expenditure by Enbeyle et al. (2020), he found that education improves households' capability to use resources wisely and that the locative effect of education improves households' capacity to get analyses and evaluate data. Household heads with higher education levels were more likely to find employment. In other words, a household's possibility of having money to spend is increased when the head of the household has a higher degree of education since they are more likely to find better employment. His finding based on Ethiopia from 2005 to 2006, the relationship between education and household consumption is found to be insignificant in the short run result. In contrast, Naurin and Pourpourides (2023) postulated that increase in education spending will have a positive significant impact on household consumption based on panel data analysis on various 40 countries. Also, Gounder (2012) who conducted a study on the determinants of household consumption and poverty in Fiji postulated that the results of the relationship obtained between education and household consumption is positive and significant in the short term. He clarified that household welfare will improve as education levels rise. In comparison to study by Keipi et al., (2017) from 1985 to 2012 in Finland about the persisting link between physical recreation spending and education, this research confirmed an opposite result on short-run test where education and household consumption have a negative and significant relationship.

Research Design and Methodology

Data Collection

Secondary quantitative data are used to collect information on the determinants of household consumption expenditure in Malaysia. The independent and dependent variables were observed on an annual basis from 1991 to 2020, forming the sample for this study. Furthermore, each variable is derived from a variety of sources, including the World Bank, the Department of Statistics Malaysia (DOSM), Bank Negara Malaysia (BNM), and journals relevant to the research topic. As in this study, there will be a proxy and measuring unit for each variable identified. The proxies for household consumption, household income, government expenditure, inflation and education are private final consumption expenditure, gross domestic product per capita, government expenditure, consumer price index and employed by highest certificate obtained respectively. Meanwhile, the unit measurement used are Ringgit Malaysia, Ringgit Malaysia, percent, index and number of persons in the same order.

In addition, the hypothesis are as follows:

H_1 : *There is a no significant relationship between household income and household consumption.*

H_2 : *There is no insignificant relationship between government expenditure and household consumption.*

H_3 : *There is no significant relationship between inflation rate and household consumption.*

H_4 : *There is no significant relationship between education and household consumption.*

Methodology

The method used in this analysis is Dynamic Ordinary Least Squares (DOLS), which was performed using Eviews12 software. There are five tests used in this study; correlation test, unit root test, cointegration test, long run estimates, and Granger causality test. These tests vary from one another in that each has a unique range of applications and interests. Additionally, each test's interpretation will be covered in this section. All of the data sources for the variables used in this study will be generated using a model known as the general model. A general model is intended to predict any cost without referencing any particular product family, written as follows:

$$Y_t = \alpha_o + \beta_1 X_{1t} + \beta_2 X_{2t} + \ldots\ldots\ldots\ldots + \beta_n X_{n\,t} + \varepsilon_t$$

Meanwhile, the model of the study is as follows:

$$In\mathrm{PFCE}_t = \alpha + \beta_1 In\mathrm{GDP}_t + \beta_2 In\mathrm{GE}_t + \beta_3 In\mathrm{INF}_t + \beta_4 In\mathrm{EDU}_t + \varepsilon_t$$

where PFCE is private final consumption expenditure, GDP is gross domestic product, GE is government expenditure, INF is inflation, EDU is education, β_1, β_2, β_3, β_4 are coefficient, ε is error and t is time.

Results and Findings

Correlation Test

The strength and type of links between various variables can be examined using methods of correlation and regression. Correlation analysis is used to determine the nature of relationships between two different variables, and the correlation test has been used for this study, as shown in table 1.

Table 1: Correlation Test

	LHC	LGDP	GE	CPI	LEDU
LHC	1.000000	0.243688*	0.419377*	0.379800*	-0.663195*
LGDP	0.243688*	1.000000	-0.524857*	0.652183*	-0.726968*
GE	0.419377*	-0.524857*	1.000000	0.006047	0.073922*
CPI	0.3798008*	0.652183*	0.006047	1.000000	-0.518969*
LEDU	-0.663195*	-0.726968*	0.073922*	-0.518969*	1.000000

*Notes: The asterisks * imply significance at 5%*

Based on table 1, no strong correlation between independent variables is detected due to less than 0.8 value. Weak correlations are recorded between government expenditure and education (0.0739); and inflation and government expenditure (0.0060); which are all less than 0.5. Furthermore, moderate correlation can be seen from household income and government expenditure at -0.5249; household income and inflation at 0.6522; household income and education at 0.7270 and inflation and education at 0.5190. Thus, there is no multicollinearity problem detected.

Unit Root Test

In this study, significance values were set at 1 percent, 5 percent, and 10 percent. If the result from Augmented-Dickey Fuller (ADF) and Phillip-Perron (PP) is less than 1 percent, 5 percent, or 10 percent, it indicates that the variable is significant. The test that has a unit root means it

will not be rejected. All the variables are tested at level, first difference, and second difference, with trend and intercept in the equation.

Table 2: Unit Root Test

Series	Level		First Difference		Second Difference	
	ADF	PP	ADF	PP	ADF	PP
LHC	-1.1023	-1.0019	-5.4782***	-5.4632***	-	-
LGDP	-1.9416	-2.0443	-6.1140***	-6.1123***	-	-
GE	-2.4669	-7.5343	-6.8682***	-2.3478*	-	-
CPI	-1.3306	-1.6035	-5.2478***	-5.2471***	-	-
LEDU	1.3472	1.3191	-2.6062	-2.6184	-6.5710***	-6.5319***

Notes: The asterisks ***, **, and * imply significance at the 1%, 5%, and 10% levels, respectively.

The outcome of unit root test for the level, first and second difference for both ADF and PP tests are shown in table 2. When significance threshold is set at 1 percent, 5 percent and 10 percent all variables are discovered to be not significant at level for both ADF and PP with trend and intercept. The size of each variable is shown to be bigger than its level of significance. For ADF, all variables in the first difference are found to be significant at 1 percent at the values of -5.4782 for household consumption, -6.1140 for household income, -6.8682 for government expenditure, and -5.2478 for inflation with the exception of education insignificant at -2.6063. Meanwhile for PP test, household consumption, household income and inflation are significant at 1 percent; with the value of -5.4632, -6.1123, and -5.2471 respectively, except for education insignificant at -2.6184. However, for government expenditure, it is significant at 10 percent, at the value of -2.3478. Furthermore, education is further run at second difference for both ADF and PP and found to be significant at 1 percent with value of -6.5710 and -6.5319 respectively. Therefore, for all variables the null hypothesis is rejected signifying that no unit root is detected from the variables.

Cointegration Test
To ascertain if there is or is not a long-term relationship between independent variables, one sort of test is the cointegration test.

Table 3: Long-run Estimation

Cointegration Test - Hansen Parameter Instability
Equation: UNTITLED
Series: LHC LGDP GE CPI LEDU
Null hypothesis: Series are cointegrated
Cointegrating equation deterministics: CHAC score variance

Lc statistic	Stochastic Trends (m)	Deterministic Trends (k)	Excluded Trends (p2)	Prob.*
0.183237	4	0	0	>0.2

*Hansen (1992b) Lc(m2=4, k=0) p-values, where m2=m-p2 is the number of stochastic trends in the asymptotic distribution

Based on table 3, the Lc statistics value is 0.183237 which is smaller than the probability value 0.2. This indicates that there is no long run relationship found for the model of this study. Hence, the null hypothesis is rejected, which means there is a cointegration detected. Therefore, the

existence of long-term equilibrium between household consumption and its determinants is none.

Long-Run Estimation

After performing the cointegration test, the outcome of the long-run estimation is obtained. This test will determine whether the independent variable is perceptible over the long term. The outcomes of the study are shown in Table 4 below for the long run. However, due to the previous test showing no evidence of long-run equilibrium, this study will skip the step of long run estimation and proceed to find short-run relationship, if any.

Table 4: Cointegration Test

Dependent Variable: LHC
Method: Dynamic Least Squares (DOLS)
Sample (adjusted): 1985 2019
Included observations: 35 after adjustment
Cointegration equation deterministic: C
Fixed leads and lags specification (lead=2, lag=2)
HAC standard errors & covariance (Bartlett kernel, Newey-West fixed bandwidth = 4.0000)

Variable	Coefficient	Std Error	t-Statistic	Prob.
LGDP	-0.093408	0.033519	-2.786720	0.0192
GE	0.019472	0.007501	2.595937	0.0267
CPI	-5.04E-09	6.58E-09	-0.766173	0.4613
LEDU	-0.203619	0.066647	-3.055194	0.0121
C	7.957848	1.230851	6.465322	0.0001
R-squared	0.957503	Mean dependent var		3.882409
Adjusted R-squared	0.855509	S.D. dependent var		0.088377
S.E. of regression	0.033594	Sum squared resid		0.011286

Notes: The asterisks ***, **, and * imply significance at the 1%, 5%, and 10% levels, respectively

Nevertheless, the results in table 4 show that the adjusted R-squared is 0.85, indicating that 85 percent of the dependent variable; household consumption is explained by the chosen independent variables, while the other 15 percent is explained by other unknown factors. The model of the study is re-written as follows:

$$In\text{PFCE}_t = 7.957848 - 0.093408In\text{GDP}_t + 0.019472In\text{GE}_t - 5.04In\text{INF}_t - 0.203619In\text{EDU}_t + \varepsilon_t$$
$$\quad (-2.7867) \quad\quad (2.5959) \quad\quad (-0.7661) \quad\quad (-3.0551)$$

Granger Causality Tests

A Granger causality test is employed to identify any short-term relationship between the independent and dependent variables.

Table 5: Granger Causality Test

Pairwise Granger Causality Tests
Sample: 1981 2021
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
LGDP does not Granger Cause LHC	39	5.30469	0.0099
LHC does not Granger Cause LGDP		0.21610	0.8068
GE does not Granger Cause LHC	39	1.62906	0.2110
LHC does not Granger Cause GE		1.05117	0.3606
CPI does not Granger Cause LHC	39	3.23190	0.0519

LHC does not Granger Cause CPI		1.60970	0.2148
LEDU does not Granger Cause LHC	38	3.01894	0.0625
LHC does not Granger Cause LEDU		0.64384	0.5317

As shown in table 5, three independent variables are found to be significant in explaining household consumption. Household income is significant at 1 percent with p-value of 0.0099. Therefore, the null hypothesis for household income is rejected. Next, inflation is significant at 10 percent with p-value of 0.0519. Therefore, the null hypothesis for household income is rejected. Finally, education is also significant at 10 percent with p-value of 0.0625. Therefore, the null hypothesis for education is rejected. Consequently, this leads to the confirmation of short-run relationship existence for these three independent variables. Household income, inflation and education, indeed have short-run relationship with household consumption. On the other hand, government expenditure result is found to be insignificant with the p-value of 0.2110. Thus, the test fails to reject null hypothesis, indicating government expenditure has no short-run relationship with household consumption.

Discussion
According to the outcome of this research, household income has a significant relationship with household consumption in the short-run. This outcome is consistent with the findings by past researchers such as Enbeyle et al. (2020), Ekong & Effiong (2020) and Mohd Bakri et al. (2017). These researchers reached the same conclusion that increase in household incomes will typically result in higher household expenditures. According to Mohd Bakri et al. (2017), due to the dependency of household consumption on income, changes in household consumption are primarily influenced by changes in income. Consumption will rise in households when income rises steadily. The opposite is also true, where a reduction in income results in a substantial decline in household consumption. Simply, someone with more income or money will also has the ability to spend more on goods and services, hence resulting in more consumption.

Then, household consumption in Malaysia is insignificantly influenced by government expenditure. This result can be supported by previous study by Keho (2019). Despite of spending made by government, it was not particularly focused to household consumption in general, only to selected group, hence no impact can be seen. Moreover, the intended spending did not help in stimulating consumption because it might not be sufficient to have any effect at all and the attitude from the consumers that have little or no concern in their spending behavior.

Next, the results also show that inflation significantly affects household consumption in the short run. Based on the previous study made by Bonsu and Muzindutsi (2017) high inflation leads to household to spend more due to rising in prices and despite of getting less product or services. When inflation occurs, all the prices of goods and services whether they are food, transport, or electricity will increase. Due to this, households need more money to buy certain things or the predicament of rising prices everywhere causes household to control their spending and refrain them from buying something that deems not essential to them.

The final independent variable in the analysis, education, is likewise found to have a significant impact on household expenditure in Malaysia. This result can be supported by study conducted by Keipi et al., (2017). A negative and significant relationship is revealed by this study. This is due to the fact that education affects how individuals view things and the level of discretion they exercise when making purchases, since educated people are more cautious while doing so

and double-check all the facts at their disposal before coming to a conclusion. Therefore, a person's level of discretion will be higher as more educated the person is. However, Naurin & Pourpourides (2023) and Gounder (2012) who also found consistent finding with this study said that higher education leads to higher consumption. A higher education gives someone the opportunity to get quality jobs with decent pay that allow them to spend more money, as well as the possibility to get over the challenges of elementary education that prevent them from spending.

Conclusion

To summarize, the purpose of this research paper is to study the determinants of household consumption in Malaysia by selecting household income, government expenditure, inflation, and education as independent variables. This study used time series and annual data from 1981 to 2021. The World Bank and the Department of Statistics Malaysia (DOSM) provided the data for this study. This study was successful in achieving its objectives where household income, government expenditure, inflation, and education are proven to have short-run relationship with household income. However, the most significant independent variable cannot be determined due to no detection of co-integration. Finally, this study suggests the model of the study has no long run relationship.

Recommendation

Given the significance of household income for household consumption, any decline in household income will have an impact on consumption. Consequently, to maintain household consumption stability or to boost household consumption, households could enhance their monthly income by engaging in a number of various activities that can provide extra revenue. Other recommendations include the government developing and implementing policies to increase household income. However, to improve the purchasing power among household, increase in income alone would not be successful if the government fails to control prices. In addition, despite any educational background, instilling a high level of awareness and encouraging households to have emergency funds is crucial. This is because in a turmoil economy, this fund can be used, thus minimizing the impact on consumption even when the price of goods and services cannot be controlled. Following that, it is recommended that future researchers select few countries in Asia and conduct a panel data study. Other variables should also be considered as this would provide a different viewpoint on the elements that affect household consumption.

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