

# **INTI INTERNATIONAL UNIVERSITY**

## **MASTER OF BUSINESS ADMINISTRATION**

**Compulsive buying: an exploration of money attitudes  
among Malaysian consumers**

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## **Abstract**

Money is a vital element of modern living and plays an important role in stimulating people and influences their buying decisions. Different individuals possess different goals (e.g. enjoying life, acquiring power) besides accumulating wealth, and these goals will eventually lead to different dimensions of money attitudes which can be the motivators of compulsive buying. Indeed, most individuals regardless of their age, gender or social status can be expected to be the victim of impulsive buying. In Malaysia, this topic has been under-researched and the general idea of money attitudes was primarily focused on the western context. Thus, this study aims to investigate the relationship between money attitudes and compulsive purchase tendency in the Malaysian context. Based on the literature reviewed, a theoretical framework was developed and the researcher conducted a convenience sampling of data whereby 102 respondents were surveyed using questionnaires. The data was analysed using the Statistical Package for Social Science (SPSS) version 20.0 and Partial Least Square (PLS) method. The results showed that individual's money dimension of power/prestige and quality has an effect on their compulsive buying behaviour. Specifically, the individual money attitudes dimensions' impact on compulsive buying behaviour was strengthened in an indirect manner rather than direct. Thus, this research provides useful information to marketers and policy makers which will help them to better understand consumers' spending behaviour.

**Keywords** – Money Attitudes, Compulsive Buying, Power and Prestige, Quality, Anxiety

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Ong Li Yin

April 2013

## Declaration

I hereby declare that this research project is of my own effort except for the information that has been used from various authors that have been cited accordingly and ethically.

15<sup>th</sup> April 2013

Ong Li Yin

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## **Chapter 1**

### **Introduction**

This chapter encompasses an overview of the research background and problem statement in Section 1.1 and Section 1.2 respectively. The research questions and research objectives as well as significance and limitations of study are covered in Section 1.3 to Section 1.6. In Section 1.7, the scope of study was presented and lastly the entire outline of this study is shown in Section 1.8.

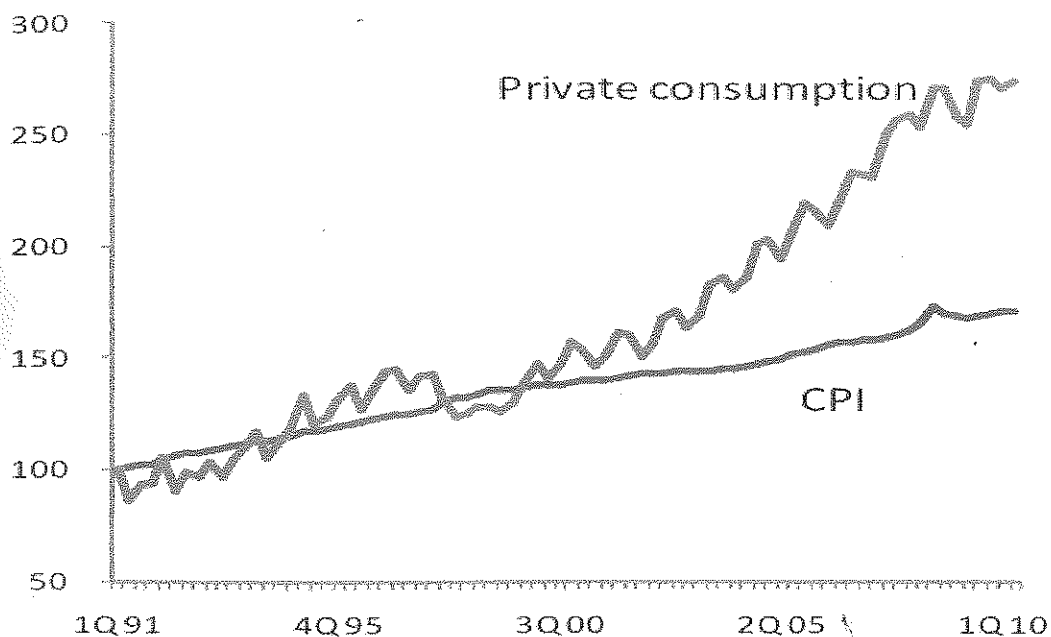
#### **1.1 Background**

Malaysia's economy is expanding and the government is trying their best to upgrade the citizen's quality of life. In the last few decades, Malaysia has undergone rapid growth in industrialization as well as economic transformation. Thus, Malaysia is considered as one of the world's fastest developing countries as consumer spending can be an important component of the Malaysian economy. Consumer spending, also called consumer consumption or expenditure, is the amount of money that households spend on goods and services in order to satisfy their needs. Recent evidence (Trading Economics, 2012) showed from 2005 until 2012, Malaysia consumer spending has attained an average of 77,514.48 MYR Million and reaching an all-time high of 99,812 MYR Million in August of 2012.

In addition, the Department of Statistics showed that the Malaysia's Consumer Price Index (CPI) for January to October 2012 has increased by 1.7% to 104.8 as compared with similar period in 2011. The statistic indicates that the purchase power of consumer is decreasing due to the escalating product prices in Malaysia. Anyway, consumer spending habits were not significantly altered and do not seem to be affected by the rising product price. An earlier research

done by economists from Malaysian Rating Corp Bhd (MARC) found that Malaysians continue to spend excessively although the prices of services and goods are relatively high.

**Figure 1.1 Private consumption vs. consumer price index (1991 = 100)**

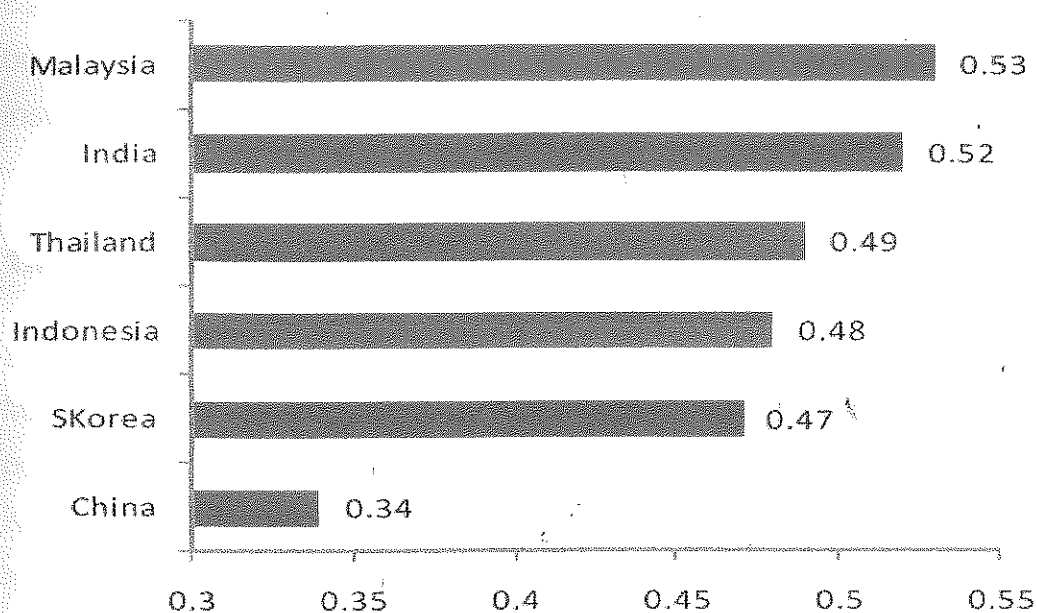


Sources: CEIC & MARC Economic Research, 2010

Referring to Figure 1.1, the private consumption pace has been increasing significantly and exceeded the increase in the consumer price index (CPI) since the early of 2000. This means consumer spending habit have been reasonably inelastic in the past few years and the rising price don't seem to affect some consumers because based on a poll that was conducted by TV3 through Buletin Utama on 5 May 2008, 64% viewers agrees that Malaysian like to waste money and spend extravagantly. Furthermore, an analyst reports done by Affin Investment Bank showed that Malaysian consumers have relatively robust spending power which predicted to grow by 6.5%, underpinning Malaysia's gross domestic product (GDP) growth forecast of 5% in 2013 ( The Star, 2013).

In addition, the study predicted Malaysia's marginal propensity to consume (MPC) is about 0.53. This means a Malaysian consumer will spend on average 53 cents or more with every ringgit increase in disposable income as compared with India's MPC at 0.52, Thailand's at 0.49, Indonesia's at 0.48, South Korea's at 0.47 and China's at 0.34. This suggests that Malaysians have the tendency to spend more as compared to other Asian countries consumers, if we refer to Figure 1.2 which shows the CPI comparison of various Asian countries. *Same*

**Figure 1.2 Marginal Propensity to Consume (MPC)**



Source: MARC Economic Research, 2010

Thus, Malaysia can be considered as positioned at the consumption vanguard in which culture of the consumer is its progeny. According to Haron, Palm and Yahaya (2005), Malaysian consumers are practicing consumption-oriented lifestyles. Most of the consumers keenly desire, quest, consume and manifest goods for the sake of non-utilitarian motives, for instance, envy provocation, pleasure seeking and status (Belk 1988). Such kinds of consumer culture can be the most influential forces to shape the individual and society (Roberts and

Sepulveda, 1999). Hence, the aspiration to be the consumer culture member seems to become almost universal (Droge and Mackoy 1995).

According to Goldberg and Lewis (1978), money is considered a prominent factor and powerful behavior motivator. Whereas changing of money attitudes are an important facilitator that led to broadening of the consumer culture. Besides that, Li et al. (2009) found that consumer's money attitudes would indeed unswervingly influence their buying pattern, for instance the products they would like to purchase and the amount of money that they willing to pay, probably lead to uncontrollable buying behavior that is generally recognized as compulsive buying. In Malaysia, most of the consumers tend to have repetitive buying behavior which will eventually cause various adverse consequences, for instance shopping addiction as well as inordinate debt (Zafar, et al., 2010).

## **1.2 Problem Statement**

Shopping activities and excessive spending phenomenon is confronting Malaysia. A survey study done by ACNielsen (2006) reported that Malaysia was positioned at the fourth place among the world's highest for shopping after Hong Kong, Thailand and Singapore. Besides, the surveys also confirmed that the majority of the shopaholics are in Asia in which 34 per cents of Malaysians were testified to shop at least once a month. Earlier research (Eccles, 2002) has found that majority of the consumers tend to perceived shopping as an acceptable social activity and used to be the main response to any negative feelings and events. However, when spending and shopping used to be a monotonous way to deal with life exigencies, it will eventually cause changes from temporary managing approach to long-term addictions. Thus, the activity that was primarily meant to uphold certain controls in their lives has turned around to control them to eventually lead them to indebtedness and bankruptcies. Therefore, compulsive buying can be known as the dark side of shopping. O'Guinn and Faber (1989) defined compulsive buying as repetitive and continuous purchasing which was the primary response to undesirable

feelings. There are four diagnostic standards suggested by McElroy et al. (1994) when trying to identify compulsive buying:

1. Often obsessed with impulses and desires to spend which are uncontrollable and intrusive;
2. Money often spent on unnecessary items;
3. Purchases often led to feelings of guilt, shame and anxiety;
4. Time that is spent on spending and shopping does impede the family, work and normal functionality.

Money is a vital element in modern lives (Wernimont and Fitzpatrick, 1972). Regularly, money has been often studied in the field of organizational and industrial psychology related to the impact of rewards on human behaviour in term of monetary motivation. People's perception of reward systems, work-related tasks, and their intrinsic and extrinsic motivational patterns on work might be influenced by their money attitudes (Furnham et al., 1994; Tang, 1993). Therefore, understanding people's money attitudes can hence help an organization to design compensation packages for workers and may also contribute significantly in providing and improving knowledge to practitioners and researchers on the area of organizational and industrial psychology. It also helps researchers understand attitudes towards money as a construct of multidimensional and association of individual's diverse money symbolic (Medina, et al., 1996). As explained earlier, Li, et al. (2009) found that consumer's money attitudes would unswervingly influence their buying pattern, for instance the products they would like to purchase and the amount of money that they willing to pay, This will probably lead to excessive and uncontrollable buying behaviour that is generally known as compulsive buying. However, there is a surprisingly paucity of psychological research to investigate individual's money perception influence on the extent they engage in compulsive buying.

As highlighted earlier, Malaysian spending habits were not significant altered and do not seem to be affected by the rising product prices although there was an increase in the Consumer Price Index (CPI) in 2012. There was a pool that

was carried out by Buletin Utama that recorded statistics which showed that 64% audiences stand the point that Malaysia tend to spend extravagantly. Thus, Malaysian consumers are vulnerable and easily drawn to excessive buying. Yet, there is paucity of research in the context of Malaysian context about it.

In addition, there are significant number of researches have been done to investigate the implication of people towards money in the Western context (e.g., Belk and Wallendorf, 1990; Tang, 1992). However, research that focuses on Asian context is limited. Thus, this paper primarily aims to fill this void by investigating people's money attitudes in Asian context, namely Malaysia. Besides, the relationship between consumer's money attitude and compulsive buying behaviour has not been fully explored especially in the Malaysian context.

Based on the insights, the researcher discovered the essential framework to investigate phenomena of Malaysian compulsive buying behaviour. The reasons to focusing on this study area are twofold. Firstly, the researcher attempts to contribute to the existing money literature by investigating the roles of attitudes towards money play in compulsive buying among Malaysian consumers. Specifically, it is to examine which money attitude dimension contribute to a better understanding on compulsive buying. Secondly, the researcher tends to deliberate the implication of the finding for both marketers and policy makers. The findings of this research enable marketers to appreciate the dynamic of consumer buying behavior hence to be more ethical when promoting products and boosting their sales that might create additive or compulsive buying behavior. From the policy maker's perspective, the finding will provide orientation and direction from which to articulate policy in order to combat consumer's excessive buying.

### **1.3 Research Questions**

This study aims to investigate the consumer's different money attitudes dimensions in relation to the extent they engage in compulsive buying. Thus,