

# From Wallets to Well-Being: Unveiling the Impact of Escalating Living Costs on Mental Health among Parents in Malaysia

Muhammad Amiruddin Azizi<sup>1</sup>, Shahrizal Mohd Safri<sup>2</sup>,  
Muhammad Syafiq Mohd Salleh<sup>3</sup>

Faculty of Business, UNITAR International University<sup>1,2,3</sup>

Email: amiruddin.salleh@unitar.my, shahrizal.safri@unitar.my, msyafiq.pt@unitar.my

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## Abstract

The financial well-being of individuals and families is seriously threatened by the rising cost of living in Malaysia, which is primarily caused by changes in tax regulations and the hike in the Overnight Policy Rate (OPR). Based on an extensive examination of the housing affordability index, which is impacted by interest rates and the money supply, the research highlights the difficult conditions that Malaysians must endure. The situation has worsened further due to the OPR increase from 2.75% in March 2023 to 3% in January 2024, which makes housing less affordable and necessitates higher monthly instalment payments. The report also clarifies the effects of economic shifts on a global scale by attributing the increase in interest rates to the surge in the cost of food and other essentials. Individuals are under more financial stress because of these costs rising due in part to the COVID-19 pandemic and political unrest. Two important questions are raised by the research: first, is there a relationship between housing costs rising and people's emotional and general well-being, and second, is there a similar relationship when it comes to necessities? The study looks closely at these issues to understand the intricate relationships that exist between mental health and economic variables. This study is important because it can help Malaysian policymakers create policies that reduce financial stress and improve people's quality of life in general. Additionally, it adds to the global conversation about economic difficulties by considering the wider effects of political unrest and pandemics on people's quality of life and families. In conclusion, this study sheds light on the crucial relationship between shifting economic conditions and mental health, especially considering Malaysia's rising cost of living. By revealing these links, the research hopes to further the conversation about addressing global economic challenges and offer useful information to decision-makers Purpose of the paper – The study aims to explore the complex relationship between growing housing and basic need costs and how they affect Malaysians' emotional and psychological health in modern society. The study focuses on two main research goals: first, it investigates the effects of rising housing

costs on people's emotional and mental health; second, it looks into the impact of rising costs for basic necessities on people's emotional and mental health. Methodology/approach – The study used quantitative approach of primary data by distributes questionnaires to respondents who are a parent that aged from 20 years-old until more than 60 years-old in Malaysia. Findings – This study found that escalating costs of housing and basic necessities create significant financial stress for parents and negative emotional well-being for parents leading to a heightened level of stress about their ability to provide for their families. Implication – This study contributes to Malaysian policymakers create policies that reduce financial stress and improve people's quality of life in general. Additionally, it adds to the global conversation about economic difficulties by considering the wider effects of political unrest and pandemics on people's quality of life and families. Originality/ value of paper – The originality of this research is asserted by novelty of the study and limited source of information on relationship between housing costs rising and necessities towards people's emotional and general well-being.

**Keywords:** Escalating Costs of Housing, Escalating Costs of Basic Necessities, Emotional Well-Being, Economic Stress

### **Introduction**

In today's world, where money matters deeply impact our lives, understanding the connection between rising expenses and our mental well-being is crucial. Malaysia is currently facing challenges with the cost of living due to various factors. One notable concern is the increase in the Overnight Policy Rate (OPR) by the central bank. The policy interest rate (OPR) set by Bank Negara Malaysia affects a variety of bank rates, including deposit and lending rates. These rates provide you with details on the cost of the loan or the deposit returns (Bank Negara Malaysia, 2023). This move affects interest rates, making loans and borrowings more expensive for individuals and businesses. Additionally, changes in tax policies may impact disposable income, affecting how much money people must cover their daily expenses.

Rising living costs, including higher prices for housing, food, and other necessities, have put a strain on Malaysians. The combination of increased OPR and changes in tax regulations can create financial stress for individuals and families. This study aims to uncover how the predicted independent variables such as rising in housing and necessities expenses will impact our emotional and psychological health in modern society.

The cost of housing that is affordable is largely determined by the money supply and interest rates (Nasir, Yusof & Mazlan, 2022). According to the Central Bank of Malaysia, a house is considered affordable if its cost does not exceed 30% of an individual's gross income. However, the price-to income ratio in 2020 is 4.7 which is within the range (4.1-5.0: seriously unaffordable). The OPR hike from 2.75% in March 2023 to 3% in January 2024 made the situation worse. This is since the monthly payment will rise along with the OPR. According to a report published in Malaysia Now by Azzman (2023), a 0.25% increase in the Overnight Policy Rate (OPR) on an RM500,000 home loan with a 30- year duration will result in an RM71 increase in monthly instalment payments.

Individuals from diverse backgrounds and ages do not limit their understanding of "necessities" to the fundamental material requirements of subsistence food, clothing, housing, and fuel (Gordon et al.,2001). The rise in interest rates has also had an impact on the

cost of necessities. In his report published in The Malaysian Reserve, S. Birruntha (2023) stated that prices have skyrocketed for almost all food items and general goods worldwide in recent years due to food security protectionism measures implemented by producers in response to political instability and the coronavirus pandemic.

### **Research Questions**

1. Is there any influence between the escalating cost of housing towards emotional and well-being of a person?
2. Is there any influence between the escalating cost of necessities towards emotional and well-being of a person?

### **Research Objectives**

1. To study the impact of escalating cost of housing on the emotional and well-being of a person.
2. To study the impact of escalating cost of necessities on the emotional and well-being of a person.

### **Literature Review**

The existing literature on the impact of escalating living costs on mental health, particularly among parents, provides valuable insights into the complex interplay between economic factors and psychological well-being. This section reviews key theoretical frameworks, empirical studies, and relevant concepts that contribute to understanding the relationship between financial strain and mental health outcomes.

### **Theoretical Framework**

#### *1. Social Determinants of Health (SDH) Model*

The Social Determinants of Health (SDH) model, as proposed by Marmot (2005), establishes a foundation for understanding how social, economic, and environmental factors shape individuals' health outcomes. In the context of escalating living costs, the SDH model emphasizes the significance of living conditions, income, and social status in influencing mental well-being. This theoretical framework provides a holistic perspective on the multifaceted connections between economic challenges and mental health,

#### *2. Economic Stress and Family Functioning*

Conger and Elder's (1994), theory of economic stress and family functioning sheds light on how economic pressures can permeate family dynamics, affecting the emotional well-being of parents. This theoretical perspective highlights the reciprocal relationship between economic stressors and family functioning, emphasizing the potential for economic hardship to contribute to increased psychological distress among parents.

#### *3. Family Stress Model*

The Family Stress Model, proposed by Conger et al (2010), introduces the concept of financial strain as a mediator between socio-economic factors and mental health outcomes. This model posits that economic difficulties, encompassing aspects of income, debt, and economic pressure, create a pathway through which mental health is impacted. Exploring this model contributes to a deeper understanding of the mechanisms through which economic challenges affect overall well-being.

*Empirical Studies*

A study conducted by Smith et al (2018), revealed a significant correlation between financial stressors and increased symptoms of anxiety and depression among parents. This empirical evidence supports the hypothesis that economic stress can detrimentally impact mental health, reinforcing the need to examine the specific context of parental experiences.

Jones and Martinez (2020), explored the impact of rising living costs on parental stress levels, emphasizing the strain experienced by parents as the cost-of-living increases. Their findings suggest a reciprocal relationship, indicating that as the cost of living rises, parents experience heightened stress, leading to strained family relationships.

Green and Williams (2017), investigated the role of social support networks in mitigating the negative effects of financial difficulties among parents. Their research highlighted the importance of strong social support in buffering the impact of economic stressors on psychological well-being, underscoring the potential protective role of social connections

The concept of housing affordability, as defined by the Central Bank of Malaysia, becomes crucial in understanding the impact of escalating living costs on mental health. The rise in the Overnight Policy Rate (OPR) and its effect on housing costs contribute to financial strain, making housing less affordable for individuals and families.

Financial strain, encompassing factors such as income levels, housing costs, and unexpected expenses, serves as a key variable in examining the relationship between economic challenges and mental health. Conger and Elder's (1994) theory and the Family Stress Model (Conger et al., 2010) highlight the role of financial strain as a mediator in this relationship.

The concept of social support, involving emotional, instrumental, and informational assistance from one's social network, emerges as a potential buffer against the negative effects of financial strain on mental health. Cohen and Wills' (1985) social support theory provides a framework for understanding how familial, peer, and community support systems contribute to mitigating the impact of financial strain. Table 1 below is a summary of key findings in literature.

Table 1

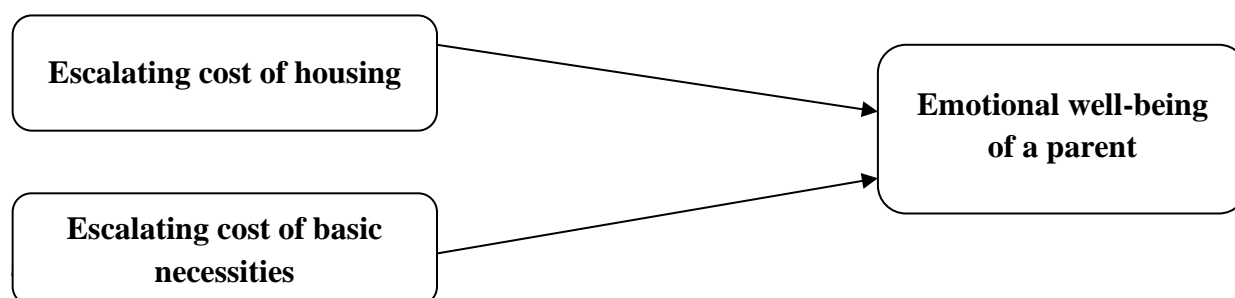
*Summary of key Findings in Literature*

<b>Key Variables</b>	<b>Relationship with Escalating Living Costs</b>	<b>Impact on Parents' Mental Health</b>	<b>Citations</b>
<b>Stress Level</b>	Significant and negative impact	Escalating living costs increase financial stress, making it hard for parents to provide for their families, thus leading to increased stress levels.	Sharma (2023)
<b>Anxiety</b>	Significant impact	Anxiety triggered by financial worries results in symptoms such as pounding heartbeat, sweating, shaking, and panic attacks.	Robinson & Smith (2024)
<b>Depression</b>	Negative and significant relationship	Financial strain leads to feelings of hopelessness, helplessness, and a greater risk of depression. Parents in debt are more prone to depression.	Robinson & Smith (2024)
<b>Sleep Pattern</b>	Significant impact	Financial concerns disrupt sleep, causing insomnia and headaches, which worsens parents' ability to cope with stress.	Som (2024)
<b>Financial Stressors</b>	Significant correlation between financial stressors and increased symptoms of anxiety and depression among parents.	Economic stress negatively impacts mental health, leading to heightened anxiety and depression symptoms in parents.	Smith et al. (2018)
<b>Rising Living Costs</b>	Rising living costs increases parental stress, leading to strained family relationships.	Heightened stress levels due to the inability to afford necessities, worsening family dynamics and overall well-being.	Jones and Martinez (2020)
<b>Social Support Networks</b>	Strong social support can mitigate the negative effects of financial difficulties on parents.	Social connections buffer against psychological distress, improving parents' mental health amid financial difficulties.	Green and Williams (2017)
<b>Housing Affordability</b>	The rise in the Overnight Policy Rate (OPR) impacts housing affordability,	Difficulty in affording housing increases financial pressure, leading to	Central Bank of Malaysia

	contributing to financial strain.	heightened stress and anxiety for parents.	
<b>Financial Strain (Income, Housing, Expenses)</b>	Financial strain, including low income, housing costs, and unexpected expenses, serves as a key mediator between economic challenges and mental health.	Financial strain amplifies the negative impact of economic stress, worsening anxiety and depression symptoms among parents.	Conger & Elder (1994); Conger et al. (2010)
<b>Social Support (Emotional, Instrumental, Informational)</b>	Social support acts as a buffer against the negative effects of financial strain.	Family, peers, and community support help reduce stress and improve psychological resilience in parents facing financial challenges.	Cohen & Wills (1985)

**Research Framework**

The research framework will be used to put the actions made throughout the investigation into practice. Typically, researchers use it as a guide to help them narrow down the scope of their study (Akanbi et al., 2015).



The research goal covered in this study is represented by the sketch of a research framework that has been developed. The relationship between dependent and independent variables is demonstrated, with the rising cost of housing and basic necessities as the primary causes of changes in parents' emotional well-being

**Methodology**

There are three methods that are being used in this study to discover the answers and resolutions in order to fulfil the goals of this research. The first method used is the quantitative study, this method has been done by giving out a questionnaire to respondents who are a parent that aged from 20 years old until more than 60 years old in Malaysia. Researchers use quantitative methods to observe situations or events that affect people. Quantitative research produces objective data that can be clearly communicated through statistics and numbers. We do this in a systematic scientific way so the studies can be replicated by someone else. (Traci Williams, 2021) Respondents can rest assured because their data and information is well protected and remain confidential. The second method used is a descriptive study, where this method is used to understand the characteristics of the respondents in a certain situation and does not involve manipulating independent variables. In addition, descriptive study methods offer ideas for further research and let the researcher

to thoroughly examine the factors that could influence the parent mental well-being due to the rising cost of living. The third method used in this study is cross-sectional study. A cross-sectional study is a type of research design in which you collect data from many different individuals at a single point in time. In cross-sectional research, you observe variables without influencing them. (Lauren Thomas, 2020) The questionnaire is distributed to a specific group of respondents which is parenthood within a few days to collect the data and information.

**Findings**

The following findings are based on the research accomplished during the project. a survey of unveiling the impact of rising living cost among parents in Malaysia. Three methods of analysis were used to analyze normality analysis, reliability analysis and correlation analysis.

*Normality Analysis*

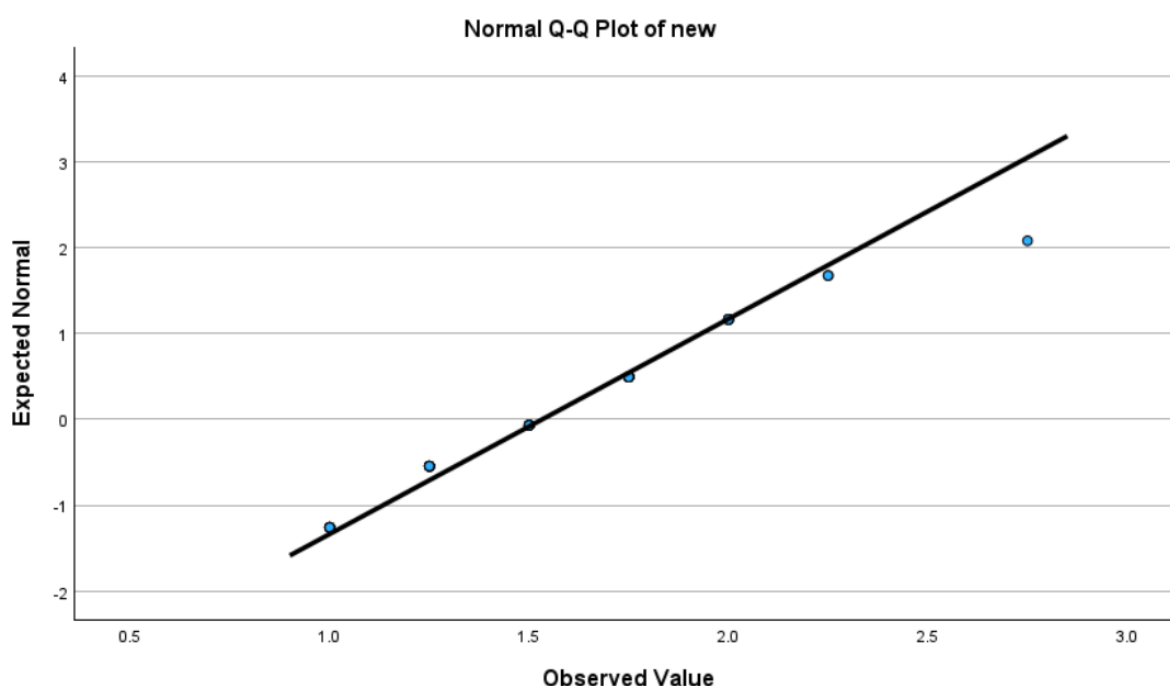


Figure 2.0: Normality Analysis

Figure 2.0's results indicate that the data points are nearly aligned with the diagonal line. This result demonstrates that the data sample had a normal distribution.

Table 2.0

*Reliability Analysis*

**Reliability Analysis**

Reliability Analysis	Cronbach's Alpha	No. of Items
Emotional well-being of a parent	0.5	2
Escalating cost of basic necessities	0.6	2

Based on the reliability analysis, it shows that the Cronbach's Alpha value for dependent and independent variables of emotional well-being of a parent and escalating cost of basic necessities are 0.5 and 0.6 which means the reliability is minimally acceptable.

Table 3.0

*Correlation Analysis*

## Correlation Analysis

	Emotional well-being of a parent
Pearson Correlation	0.41
Sig. (2-tailed)	(t:3.303)> (t*: 2.009)
N	56

Table 2.0 above shows results of correlation analysis. This analysis was used to show the significant relationship between dependent variables and independent variables. When the t value is greater than the critical value (t\*), it shows that the relationship is statistically significant. Therefore, based on the table above, the relationship between rising living costs and emotional well-being of a parent is statistically significant.

**Discussion**

This study explains the relationship between stress level, anxiety and depression, and sleep pattern from the perspective of people which are among parents. Firstly, it is proven from the analysis above that escalating living cost had a significant and negative impact on stress level and parents' mental health. Escalating living costs create significant financial stress for parents leading to a heightened level of stress about their ability to provide for their families. This finding is in line with Alok Sharma (2023), that constant financial strain can lead to heightened stress levels and adversely affect mental health. The pressure to make ends meet, pay for necessities such as housing, food, healthcare, and provide for their children's needs can be overwhelming. Next, parental anxiety and depression also play a big role in affecting parents' mental health. The result revealed a negative impact and significant relationship between escalating living costs and parental depression. Money can be a safety net; without it, you may feel vulnerable and anxious. All the worrying about unpaid bills or loss income can trigger anxiety symptoms such as pounding heartbeat, sweating, shaking or even panic attack (Robinson & Smith, 2024). Living under the cloud of money problems can leave anyone feeling down, hopeless, and struggling to concentrate on making decisions (Robinson & Smith, 2024). According to a study at the University of Nottingham in the UK, people who struggle with debt are more than twice as likely to suffer from depression. Many parents may feel increasingly helpless and hopeless about their financial situation leading to a sense of powerless and contributing to feeling of hopeless which is common symptoms of depression. Furthermore, it also shows that parental sleep patterns have an impact toward escalating living costs. The outcome has shown that it has a significant impact on escalating living costs. Those affected may lose sleep and have headaches thinking about ways to resolve their issues (Som, 2024). According to Dr. Alex Dimitriu, constant worry can make us less happy, and certainly sleep more poorly at night. In a nutshell, stress level, anxiety and depression, and sleep pattern has a significant impact of escalating living costs on Mental Health among parents.

The study's findings underscore the profound relationship between escalating living costs and parents' mental health. The analysis revealed that heightened stress, anxiety, and depression—exacerbated by financial challenges—directly impact parental well-being. Furthermore, disrupted sleep patterns, fueled by persistent financial concerns, were identified as a key contributor to deteriorating mental health.



**Significance and Relevance:** This study provides valuable insights into how economic pressures influence the psychological well-being of parents, demonstrating the cascading effect of financial stress on mental health. It highlights the urgent need for policies addressing rising living costs, especially those targeting parents, in order to mitigate the adverse mental health outcomes associated with financial strain.

**Theoretical and Contextual Contributions:** From a theoretical perspective, this research enriches the existing literature by integrating multiple psychological factors (stress, anxiety, depression, and sleep patterns) within the context of financial hardship. Contextually, it emphasizes the unique challenges faced by parents in managing the dual burdens of providing for their families and maintaining their mental well-being in an increasingly expensive world. By outlining these key areas of impact, the study provides a strong foundation for future research aimed at supporting parental mental health in financially challenging times.

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