

## **To What Extend Do Households Practice Economizing Behavior To Cope With The Food Price Increase?**

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### **Introduction**

Malaysia is a developing country with the economic growth of around 7 to 8 percent yearly. The economic growth has brought about increase in per capita income and has reduced poverty rate from 16.5% (1990) to 5.1% (2004). However, recently Malaysians has experienced 40% increase in petrol and 63% in diesel prices. As a result, the food and many other goods and services prices were also increase.

Many have argued that increase in price will definitely affect the economic and financial well being of the households. It is likely that this situation will foster hunger and poverty. This could disrupt The Millennium Development Goals on hunger where the proportion of people experiencing hunger be halved between 1990 and 2015. As reported in MDG, almost two-thirds of the world undernourished live in Asia.

The positive relationship between income, education, health and productivity has long been verified. Even though the government has raised salary of the public sector officers in 2007, but the increase in oil price [hence other goods and services] outraged the increase in salary. What are the coping mechanisms practiced by the households? To what extend do households practice economizing behavior? How do differences in socio-economics affect their economizing behavior?

The objectives of the study are to determine economizing behavior practiced by the households, to determine levels of economizing behavior practiced by the households, and to determine socio economics factors associated with economizing behavior

### **Literature**

One of the coping mechanism undertaken by the low income households in Malaysia during the economic downturns was economizing behavior (Laily and Nurizan (2000). Consumption is very much affected by price (Magrabi et al., 1991; Chung and Myers, 1999), income (Magrabi et al., 1991; Mohd Ismail Noor, 2002; Wehler, 2003), taste and preference (Magrabi et al., 1991), availability of goods and services (Magrabi et al., 1991), location (Chung and Myers, 1999), cultures (Prescott, Young, O'Neill, & Yau, 2002; Rozin, 1996), life style (Mohd Ismail Noor, 2002), and managerial capacity (Wehler, 2003). Wehler (2003) refers food adequacy as resource-constrained food insufficiency. The USDA food adequacy indicator includes adequacy (quality) as well as sufficiency (quantity). Food security means people had access, at all times, to enough food for an active, healthy life for all household members (Nord, Andrews, and Carlson, 2001).

### **Methodology**

The study was conducted in Klang Valley comprises of Kuala Lumpur and Selangor. The study employed Stratified Random Sampling to select areas, districts, sub districts and housing estates. The data were collected via interview using questionnaire among 285 respondents from a two-parent household with children. The response rate was 71%. The instrument for economizing behavior was a 19-items scale, newly created with three of the items adapted from previous research. The Cronbach's Alpha Value for this instrument was 0.895.

### **Findings**

The respondents were in their middle age (mean age of 40 years old). The mean monthly income was RM4,400.00 which was higher than the average monthly national households income (RM3,652 in 2005). Most of the respondents stayed in linked house (57.1%), flat (18.5%) and condominium/apartment (13%). In terms of house ownership, more that two thirds of the respondents own a house (67.2%). Only 9% of the respondents have helper in the house.

In this study, factor analysis was carried out to identify the factors or latent variables represented by the variables. Extraction method used was Principal Component Analysis and the rotation method applied was Varimax with Kaiser Normalization. Data reduction technique of Exploratory Factor Analysis emerged 7 latent

variables to represent the variables studied. Findings revealed low level of economizing behavior practiced by the households and socio economic factors could not be associated with the economizing behavior.

Table 1  
Communalities

Economizing behavior variables	Rescaled	
	Initial	Extraction
1. Plant vegetable	1.000	.249
2. Reduce food away from home	1.000	.380
3. Reduce food quantity	1.000	.722
4. Bring food from home	1.000	.744
5. Cook one meal per day	1.000	.176
6. Buy during promotion	1.000	.670
7. Reduce frequency of eating	1.000	.621
8. Reduce spending for others/ friends	1.000	.662
9. Fasting	1.000	.746
10. Eat more vegetable and fruit	1.000	.434
11. Eat only when hungry	1.000	.749
12. Reduce food quality	1.000	.183
13. Change to cheaper brand	1.000	.518
14. Rear animals such as chicken	1.000	.070
15. Buy in bulk	1.000	.801
16. Buy food in season	1.000	.440
17. Budget for food	1.000	.655
18. Boycott food that price increase tremendously	1.000	.745
19. Report to relevant party	1.000	.561

Table 2  
Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	.383	9.484	9.484
2	.350	8.670	18.154
3	.352	8.729	26.883
4	.333	8.249	35.132
5	.338	8.367	43.499
6	.321	7.953	51.452
7	.260	6.443	57.894

Table 3  
Rotated Component Matrix: Rescaled Component

Factor (latent variable)	Loadings	Variable
$\xi_1$ Reduce quantity	$\lambda_3=.817$	X <sub>3</sub> : Reduce food quantity
	$\lambda_7=.754$	X <sub>7</sub> : Reduce frequency of eating
$\xi_2$ Consumer power	$\lambda_{18}=.774$	X <sub>18</sub> : Boycott food that price increase tremendously
	$\lambda_{19}=.680$	X <sub>19</sub> : Report to relevant party
$\xi_3$ Cut cost	$\lambda_8=.764$	X <sub>8</sub> : Reduce spending for others/ friends
	$\lambda_{11}=.742$	X <sub>11</sub> : Eat only when hungry
$\xi_4$ Self initiative	$\lambda_4=.883$	X <sub>4</sub> : Bring food from home
$\xi_5$ Information	$\lambda_6=.772$	X <sub>6</sub> : Buy during promotion
	$\lambda_{13}=.652$	X <sub>13</sub> : Change to cheaper brand
$\xi_6$ Market skills	$\lambda_{15}=.885$	X <sub>15</sub> : Buy in bulk
$\xi_7$ Internal strength	$\lambda_9=.805$	X <sub>9</sub> : Fasting

### Implications of the study

Low level of economizing behavior will definitely jeopardize the household economic and financial well-being due to the price increase. Since the households do not seriously practice economizing behavior, the government should look into the policies and programs to be implemented to counter the effects of price increase on the economic well-being of the households. Future research should look at the reasons for not practicing economizing behavior and consider the variables of food safety and security at the household level.

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