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Factors that Lead Malaysians to File for Personal Bankruptcy

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Abstract

A formal legal statement that one cannot fully repay all of one's debts is required to declare bankruptcy. Since 2000, the number of personal bankruptcies that occur annually in Malaysia has been greater than 10,000. The COVID-19 outbreak that began in early 2020 had a significant negative impact on the economy and the healthcare system as if things were not already terrible enough. As a result, the primary objective of this study was to investigate the statistics covering the period from 1990 to 2020 to determine the factors that lead to personal bankruptcies in Malaysia. In addition, it examined whether or not there was a connection between individual bankruptcies in Malaysia and the country's lending rate, the percentage

of loans that were considered to be non-performing, and the unemployment rate. A multivariate regression model was utilized to determine the significance of the relationship between the dependent and independent variables. It was discovered that individual bankruptcies had a significant and inversely proportional relationship with credit and unemployment rates. On the other hand, there was a significant connection between personal bankruptcies and the presence of non-performing loans. Future researchers are strongly encouraged to gather data daily, quarterly, or monthly, incorporate more independent factors in the drivers of personal bankruptcy, and expand their investigations to other countries to obtain more accurate and credible conclusions.

Keywords: Personal Bankruptcy, Economic Crisis, Malaysia, Individual, Declare.

Introduction
In the event of financial insolvency, an individual or a business may seek protection from creditors through bankruptcy. The ancient Latin terms bancus (bench or table) and ruptus (break) are sometimes cited as the source of the modern English word bankruptcy (rupture or broken). In 1542, King Henry VIII enacted England's first statutory insolvency regulations. At the time, a bankrupt person was considered a criminal and may suffer punishments such as incarceration or death (BankruptcyData, 2021). It is a commonplace for the number of bankruptcies to rise in the modern era, particularly in developing nations. As a member of the Association of Southeast Asian Nations (ASEAN), and thus a developing country, Malaysia has struggled with the same issues for the previous two decades.

Bank Negara Malaysia (B.N.M.) reported in December 2020 that the debt-to-GDP ratio of Malaysian households had risen to 93.3% from 87.50% in June 2020. One expert has stated that RM1.17 trillion in household debt in Malaysia is still a cause for concern, despite the country's G.D.P. ratio falling to 89.6 percent in the first half of 2021 compared to 2020. (N.S.T., 2021). A report by Bank Negara titled "Indebted to Debt: An Assessment of Household Debt Levels and Financial Buffers" found that homeowners took on debt for purchases of both primary and secondary residences, automobiles, credit cards, personal loans, and securities. When examined more closely, it becomes clear that all debts are linked to insolvency.

The Malaysian Department of Insolvency (MDI) defines bankruptcy as a legal procedure whereby a debtor is declared bankrupt by a court decision based on a creditor's or debtor's petition (MDI, 2021). To declare a debtor bankrupt in Malaysia, a creditor (who wants the debtor to be declared bankrupt) or the debtor (who wants the creditor to make the debtor bankrupt) must each seek a court order (requesting the debtor himself to be declared bankrupt). All of the bankrupt person's property will be taken over by the Director-General of Insolvency (DGI), who will then sell or otherwise dispose of it to pay off creditors. For a simple breakdown of what happens throughout a personal bankruptcy case in Malaysia.

If a debtor cannot pay at least RM50,000.00 in debts, a High Court Adjudication Order can declare the debtor bankrupt following (MDI, 2020). The original threshold for bankruptcy under the Bankruptcy Act of 1967 was RM30,000.00. The Bankruptcy Act of 1967 was revised twice to set the minimum bankruptcy rate, first at RM50,000.00 in 2017 and then at RM100,000.00 in 2020, as part of the Interim Measures to Reduce Coronavirus Disease (COVID-19) Act 2019 [Act 829]. However, the RM100,000.00 figure was only approved through August 31, 2021.

There are severe consequences for being declared bankrupt. The DGI will take possession of the individual's assets and manage them on their behalf if they are subject to MDI. The individual's accounts will be frozen; the individual will be unable to make any purchases or withdrawals from the accounts except in cases approved by the DGI, and the individual will be prohibited from traveling internationally without the written permission of the DGI or a court order.

Individual bankruptcy cases in Malaysia were reported during the 35 years from 1985 to 2020. A rising trend culminated in 2014, with 22,351 reported incidents. After a national or regional economic downturn or shock, personal bankruptcies tend to increase, as shown by (Suzana et al., 2021). During the economic downturns that followed the Asian financial crisis of 1997–1998 and the global financial crisis of 2007–2008, the number of people declaring bankruptcy rose considerably. After 2014, however, the number of recorded cases gradually declined, and by 2020, when the 2020 COVID-19 pandemic prompted another economic crisis, only 8,351 instances had been documented. We anticipated this result because of planned adjustments to the required filing rate for bankruptcy in 2017 and 2020.

The number of individual bankruptcies in 2020 is 294,731, as MDI (2020) reported. Out of all the states in Malaysia, Selangor had the most cases (72,218), followed by Wilayah Persekutuan Kuala Lumpur (46,079) and Johor Bahru (40,818), and Perlis had the least (773). Furthermore, it was shown that the bankruptcy rate was higher among those who resided in high-income, high-density areas. The United States (US), the United Kingdom (UK), France, Germany, and Japan, all considered developed or wealthy countries, have some of the highest bankruptcy rates in the world (Dun & Bradstreet, 2020).

The Bank of Malaysia (BNM) established the Malaysian Department of Insolvency (MDI) and the Credit Counselling and Debt Management Agency to handle bankruptcy and insolvency matters, respectively (AKPK). MDI is tasked with carrying out bankruptcy processes under the Bankruptcy Act of 1967 with the highest honesty, justice, and competence to protect creditors' and debtors' interests and cushion the blow of incompetent financial management. By contrast, AKPK serves as a financial consultant, assisting locals (both individuals and enterprises) with financial stability via individualized financial education, counseling, and debt management services (Tan, 2017).

Research Background
The increasing number of bankruptcies has officials worried in recent years. More than ten thousand personal bankruptcies have been filed yearly in Malaysia since 2000. Since the COVID-19 epidemic broke out at the start of 2020, it has caused havoc on the economy and the healthcare system, making an already tenuous position much more so.

About 23 Malaysians were declared bankrupt daily in 2020, and about 60 were declared bankrupt daily in 2019, per MDI's annual report. Over the five years (from 2016 to 2020), 74,699 instances were documented, with Malays (57%) being the most affected, followed by Chinese (24.97%), Indians (10.34%), and others (7.65 percent). Table 1 shows that Malaysia's highest concentration of bankruptcies is among young individuals aged 25 to 44 (60.21%), with men making up 70.44 percent of the total compared to women's 29.55 percent.

Table 1

Bankruptcy cases by age from 2016 to 2020

AGE	YEAR					TOTAL	%
	2016	2017	2018	2019	2020		
< 25	91	80	139	54	21	385	0.52
25 - 34	5,183	6,785	4,135	2,603	1,741	18,451	24.70
35 - 44	6,601	6,241	5,958	4,574	3,150	26,524	35.51
45 - 54	4,967	4,628	4,022	3,087	2,211	18,915	25.32
> 55	2,536	2,354	2,106	1,707	1,204	9,907	13.26
Unknown	210	139	118	26	24	517	0.69
TOTAL	19,588	18,227	16,482	12,051	8,351	74,699	100.00

Source: Malaysian Department of Insolvency (MDI, 2020)

A survey by the World Bank Group in 2020 found that low-income Malaysians and millennials (a phrase for young adults of the 21st century) were increasingly reliant on bank loans and credit cards to fund their lifestyle choices, putting them at risk of bankruptcy. Increased debt among young Malaysian adults was also found to result from inadequate money management, as reported by (Azira et al., 2017). Chong et al (2020) report that many millennials take out additional loans to repay existing ones. The rising number of bankruptcies recorded year is evidence of this, as is the fact that many modern youth borrow considerably more than they can afford to pay back. Personal loans, hire purchase loans, business loans, mortgages, and credit card debt account for the vast majority of the total owed (Harian, 2021).

According to Table 2, the top five (5) bankruptcy categories involve loans and debt. According to Rahman et al (2020), behavioral factors contribute to indebtedness, demonstrating that Malaysians' financial management skills are lacking. Li et al (2020) found that a lack of financial literacy could result in excessive spending, irresponsible credit card use, and increased financial commitment, ultimately leaving people unable to settle their debts. Apart from these behavioral factors, other studies have demonstrated that some variables are beyond the control of individuals, such as unemployment, inflation, lending rates, interest rates, and fiscal and monetary policy orientations.

Table 2

Bankruptcy cases by category from 2016 to 2020

CATEGORY	YEAR					TOTAL	%
	2016	2017	2018	2019	2020		
Personal loan	6,133	5,496	4,636	5,706	4,457	26,428	35.38
Hire purchase loan	4,500	4,102	3,392	1,543	1,006	14,543	19.47
Housing loan	2,359	2,675	1,982	1,138	583	8,737	11.70
Business loan	1,989	1,679	1,424	1,846	1,223	8,161	10.93
Credit card debt	2,247	1,773	1,811	880	600	7,311	9.79
Others	414	383	1,770	425	91	3,083	4.13
Social guarantor	1,033	1,002	540	15	2	2,592	3.47
Corporate guarantor	628	806	626	221	114	2,395	3.21
Income tax debt	281	303	275	261	158	1,278	1.71
Education loan	4	8	26	16	12	66	0.09
EPF contribution	0	0	0	0	105	105	0.14
TOTAL	19,588	18,227	16,482	12,051	8,351	74,699	100.00

Source: Malaysian Department of Insolvency (MDI, 2020)

Therefore, this study aims to examine the relationship between unemployment and personal Bankruptcy in Malaysia; to analyze the relationship between lending interest rate and personal bankruptcy in Malaysia, and to evaluate the relationship between non-performing loans and personal bankruptcy in Malaysia.

Literature Review

The significance of the independent variables (unemployment, lending interest rate, and non-performing loan) in explaining individual bankruptcies was previously elucidated through empirical research. This research aims to ascertain if the variables mentioned above have any appreciable bearing on personal bankruptcies in Malaysia. This research will catalog the many methods, equations, and models used in the prior literature.

Personal Bankruptcy

Insolvency can be chosen or forced upon a person. When financial obligations exceed an individual's ability to repay, bankruptcy may result (Suzana et al., 2021). When a debtor faces the reality that they cannot repay their debts, voluntary bankruptcy is filed with the courts. Debt collectors file a petition for bankruptcy protection against an individual, known as involuntary bankruptcy (Irby, 2017).

According to research by Thomas et al (2010), bankruptcy rates are more significant than usual during recessions and are expected to rise as the crisis deepens. According to the study, the bankruptcy rate drops once a recession ends but stays much higher than average for a few quarters. They concluded that bankruptcies were a significant problem that hurt the country. Credit card debt, interest rates on loans, and the number of marriages ending in divorce were found to all play a role in how often people file for bankruptcy. According to Li and Ponticelli (2020), corporate debt in China has increased dramatically during the past decade. They found that stimulus programs from 2009–2010 favored bank loans for local government financing vehicles.

Personal insolvency has been the subject of substantial study in Malaysia. Credit card debt, home loans, guarantor commitments, and high-interest hire purchases are Malaysia's leading causes of insolvency (Azira et al., 2017). Vehicle hire-purchase agreements, in addition to personal and commercial loans, were among the leading causes of bankruptcy among Malaysians, according to research by (Mien and Said, 2018). In addition to unemployment and lending, and divorce rates, Tan (2017) found that stress from financial difficulties was a factor in bankruptcies. Non-performing loans were found to be correlated with GDP per capita by (Suzana et al., 2021).

Overspending and insolvency are consequences of financial illiteracy, as Chong et al. (2020) demonstrated. This suggests that debt levels are affected by individuals' capabilities in managing their finances. Young Malaysian adults' debt levels are highly influenced by their income and their ability to manage their finances, according to research by Azira et al. (2017). Similarly, Suzana et al (2021) discovered that being overly emotional or materialistic raises the probability that one may incur debt or become bankrupt.

Non-performing Loans

White (2007) claims that loan default is the leading cause of bankruptcy. Credit card debt, vehicle loans, mortgages, business loans, and home equity lines of credit were among the top five causes of bankruptcy from 2016 to 2020 (MDI, 2021). Bankruptcy is linked to having a high number of non-performing loans (NPL), according to research by (Nizar and Abdul Karim, 2016). Delgado and Saurina (2004) documented that the rapid expansion of credit is correlated with a rise in non-performing loans and, ultimately, personal bankruptcies. The current economic climate is mainly attributable to non-performing loans (NPLs). Across the globe, scientists and governments should work to reduce NPL (Choh et al., 2018).

It can be challenging to get a loan entirely repaid following the bankruptcy. In other words, the borrowed sum is not being used to pay off other obligations. When a borrower falls more than 90 days behind on payments or when payments are late but not expected to be made again, this is known as a non-performing loan (NPL) (Chavan and Gambacorta, 2016). Non-performing loans (NPLs) occur when a borrower fails to pay a creditor following the terms of a loan agreement (Mahiswaran and Wong, 2016). In other words, an NPL is already in default or on the verge of default. All defaulted debts must either be repaid in full or replaced with interest-only loans (Bloem and Freeman, 2005).

Since fluctuations in bankruptcies may be explained by factors like non-performing loans, unemployment, and the economy, the model employed here is exceptionally solid. Non-performing loans have been linked to both corporate and individual bankruptcy in Malaysia, as discovered by (Mahiswaran and Wong, 2016;; Suzana et al., 2021). Personal bankruptcies will increase in tandem with the number of non-performing loans. In this study, non-performing loans were a significant contributor to personal bankruptcies.

Unemployment Rate

Unemployed persons are those actively seeking jobs, as defined by (Suzana et al., 2021). The unemployment rate quantifies underutilization in the labor market. Despite their desire to work, many people now without jobs are unable to find employment (Choh et al., 2018). During the recessions of 1997–1998 and 2008–2009, the jobless rate rose sharply. Meanwhile, Gropp et al (1997) noted that economic conditions impacted bankruptcy.

In theory, failure to pay their bills after losing their job should lead to that person filing for bankruptcy protection (Tan, 2017). Financial hardships like job loss or layoffs often prompt people to declare bankruptcy. According to a study by Sullivan et al (2004), bankruptcy is exacerbated by job loss, unemployment, and pay cuts. Increasing unemployment is bad for everyone, as it can lead to financial problems like foreclosure (Hussainat et al., 2012).

Most research shows that increased joblessness correlates with a decrease in individual bankruptcies. When studying the causes of bankruptcy, the unemployment rate is always considered. According to Mahiswaran and Wong (2016), income and unemployment are factors in financial ruin. Employed people are less likely to declare bankruptcy. However, employment should statistically affect personal bankruptcies, according to research by Dick and Lehnert (2010), who looked at the US credit supply and rising bankruptcy rates from 1981 to 1999.

Lending Rate

One of the ways the central bank affects market liquidity is through the lending rate (Azira et al., 2018). Quarterly, the central bank adjusts the nominal rate, which is subsequently used to revise all lending rates (Blanchard and Johnson, 2013). When people borrow money from a bank, the bank charges them interest. This interest is one of the bank's main revenue streams (Moussa and Chedia, 2016).

According to research by Jappelli et al (2008) utilizing information from 11 European nations, insolvency rates are related to unemployment and interest rates. Consumer debt does rise in the face of significant economic shocks like recessions and interest rate spikes. Inflation, for instance, can increase the burden on large floating loan creditors by increasing market interest rates. In this circumstance, consumers will file for bankruptcy at a higher rate due to growing debt costs (Tan, 2017).

Interest rates are related to debt, according to other research. There was consensus among the research that individual debt levels would grow in the face of economic shocks or after significant interest rate hikes. When inflation rises, the cost of repaying a borrower's credit card balance, auto loan, or a personal loan will increase sharply. Consumer credit and debit may not rise in tandem with interest rate hikes (Ellis, 1998). It would be fascinating to see a substantial correlation between the loan rate and personal Bankruptcy in Malaysia, either positive or negative.

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Methodology

According to Sekaran (2005), gathering relevant data is crucial in the research design process. The term data collecting refers to the amassing of information for study or analysis; this information may come from either primary or secondary sources. Primary data are informational pieces gathered by the researcher and are directly related to the study's goals. It is a collection of data found in open databases. Due to time constraints and the higher credibility of secondary data, they were used in this study rather than primary data.

This research presents the correlation between potential causes of personal bankruptcy in Malaysia using time-series data and annual data collected over 35 years. In this study, yearly data served as the sample size for both the independent and dependent variables. Information was collected from the Malaysian Insolvency Department, the Central Bank of Malaysia, the World Bank, and the FRED Economy. Each data source and measurement unit is detailed in Table 3.

Table 3

Sources and Explanation of Data.

Variables	Unit	Explanation	Sources
Personal Bankruptcy	Individual	Number of personal bankruptcy case reported in Malaysia.	MDI, BNM
Non-Performing Loan	Percentage	NPL in Malaysia.	World Bank Data
Unemployment Rate	Percentage	Unemployment rate in Malaysia.	World Bank Data
Lending Rate	Percentage	Average lending rate offers by the commercial bank in Malaysia.	World Bank Data

The data were analyzed with e-Views 12 Student Version. The e-Views is an interactive econometric tool to perform empirical ordinary least squares analysis, data analysis, estimation, and forecasting. This technique can be used to diagnose econometric problems in an empirical model. The econometric problem will be solved, and the model will be regressed with no room for mistakes.

This research aimed to examine how Malaysia's high proportion of non-performing loans relates to the country's high unemployment rate, lending rate, and personal bankruptcies. The study gathers measures and analyses information by predetermined goals. During the study design phase, the researchers must make well-thought-out choices regarding the project's goals, research strategy, and schedule. Malaysia has experienced three (3) economic recessions or shocks, including the 1997-1998 Post-Asian Financial Crisis, the 2007-2008 Global Financial Crisis, and the COVID-19 Pandemic (MDI, 2020), all of which are closely related to bankruptcy cases in Malaysia, so data covering a period of 31 years (from 1990 to 2020) were collected.

Results and Discussion
Results
Normality, heteroscedasticity, multicollinearity, specification error, and serial correlation tests were performed initially on all variables. In addition, the descriptive analysis details each variable's ranges, averages, minimums, and maximums. Finally, the correlation analysis illustrated the interplay between the dependent and independent variables. The purpose of doing so was to identify the independent factor that had the most significant impact on the dependent. As a result, the study could answer the research questions that stemmed from the defined research aims, thanks to the analyses conducted. Personal bankruptcies, lending rates, NPLs, and unemployment rates were all covered in this study that looked from the years 1990 through 2020. EViews 12 was utilized for data analysis.

Table 4

Descriptive Analysis

	B	LR	NPL	UE
Mean	12745.16	6.844115	8.070542	3.415968
Median	12351.00	6.300833	5.700000	3.390000
Maximum	22351.00	12.13417	20.30000	4.550000
Minimum	4202.000	3.944208	1.468191	2.450000
Std. Dev.	5148.970	2.255815	6.327324	0.479160
Observation	31	31	31	31

Note: The dependent variable is personal bankruptcy (B), KLCI stock market return. The independent variables are Lending Rate (LR), non-performing loan (NPL), and unemployment rate (UE).

The values of the dependent and independent variables used to evaluate personal bankruptcies in Malaysia are displayed in Table 4 above. In the table, the independent variables have a mean value of 12745.16, a median value of 12351.00, a range of 22351.00 to 4202.00 for B, and a standard deviation of 5418.970 showing a moderate amount of dispersion. The lending rate (mean 6.844115, median 6.300833), non-performing loans, and the unemployment rate were measured (EU).

Oil prices can go as high as 12.13417 and as low as 3.944208, with a standard deviation of 2.255815. The mean and median values for the second independent variable, NPL, are 8.070542 and 0.700000. Moderate dispersion was seen in the range of 20.30000 to 1.468191 in the exchange rate, as indicated by an SD of 6.327324. The third independent variable (UE) had a substantial amount of dispersion, with a standard deviation (0.479160), a mean (3.415968), and median (3.390000) values. The range of possible UE values is from 4.550000 to 2.450000 (see the accompanying table for details).

Statistical Analysis
Compulsory Test
The Jarque-Bera p-value computed is 0.525375 or 52.54 percent. As the value is above the 5% significance threshold; hence, the error term is normally distributed. The Variance Inflation Factor (VIF) test was used here since the centered VIF determines multicollinearity. The VIF rule says that the value must be less than 5. The calculation indicates that the LR., NPL, and UE values are all less than 5, which means multicollinearity is not a problem, and the null hypothesis is not rejected.

The F-statistics p-value is 0.3013, above the 0.05 significant threshold; hence, the model is correctly specified. The Durbin-Watson statistical value is 1.982190, which is compatible with serial correlation. This test can be verified by consuming the autocorrelation test results performed under the Breusch-Godfrey Serial Correlation LM Test with a result adjacent to 2.

Correlation Analysis

Table 5

Results of the Correlation Analysis

Correlation t-Statistic Probability				
	B	LR	NPL	UE
B	1.000000 ----------- -----------			
LR	0.791488 7.093035 0.0000	1.000000 ----------- -----------		
NPL	0.601167 4.120428 0.0003	0.877155 10.00479 0.0000	1.000000 ----------- -----------	
UE	0.904412 11.61030 0.0000	0.942570 15.45663 0.0000	0.816649 7.750309 0.0000	1.000000 ----------- -----------

Table 5 shows the relationship between Personal Bankruptcy (B), Lending Rate (LR), Non-Performing Loan (NPL), and Unemployment Rate (UR). B correlates positively with LR, NPL, and UE. The p-values for LR, NPL, and UE are 0.0000 for all variables. So, the null hypothesis is rejected.

Multiple Linear Regression Model

$BANKRUPTCY = \beta_0 + \beta_1 LR + \beta_2 NPL + \beta_3 UER + \varepsilon$

Where,

BANKRUPTCY = Personal Bankruptcy

β_0 = constant

β_1 to β_3 = coefficient of variables

LR = Lending Rate

NPL= Non-Performing Loan

UE = Unemployment Rate

ε = error term

Table 6

Results of the Multiple Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.9395.60	4509.655	8.735835	0.0000
LR	-2053.672	301.5325	-6.810783	0.0000
NPL	111.1581	116.5373	0.953842	0.3486
UE	-3949.679	1159.058	-3.407663	0.0021
R-squared	0.766769	Durbin-Watson stat		1.089978
Adjust R-squared	0.740854			
F-statistic	29.58832			
Prob(F-statistic)	0.000000			

Table 6's equation reveals a negative association between two independent variables (LR and UE) and insolvency, whereas a positive relationship is revealed between NPL and insolvency. It shows a negative correlation between LR and bankruptcy, with a 1% increase in LR resulting in a -2053.67% increase in bankruptcy filings. Table 4.8 shows that non-performing loans (NPL) have a positive link with bankruptcies, with a 1% rise in NPL leading to a 111.16 percent increase in bankruptcies. Lastly, it illustrates a negative correlation between UE and insolvency; for every 1% increase in UE, insolvency will rise by -3949.679.

F-Statistic and T-Statistic
The p-value is 0.000000, and the F-value is 29.58832. All independent variables are significant in explaining personal bankruptcies with a p-value below the 5% significance level. These results suggest that the model is adequate.

Table 7
Results for the p-value T-Statistics

Independent Variable	P-Value	α	Decision	Conclusion
LR	0.0000	0.05	Reject H0	Significant relationship
NPL	0.3486	0.05	Accept H0	Insignificant relationship
UE	0.0021	0.05	Reject H0	Significant relationship

The T-statistic test's final value, selection, and conclusion are summarised in Table 7. By comparing the p-value to the threshold of.05., we assume there is no statistically significant connection between individual bankruptcies and the independent variable. This means the null hypothesis will be rejected if the p-value is larger than 0.05. The findings show that LR and UE are significantly associated with individual bankruptcies. The NPL is small, though, and does not affect the dependent variable.

One in three independent factors does not have a statistically significant link with the dependent variables, as shown in EViews 12. If the p-value is more than 5%, there is no correlation between non-performing loans and personal bankruptcy. However, bankruptcy does reduce lending rates and raise unemployment.

Conclusion
This study aimed to examine the correlation between individual bankruptcies and the interest rate on loans in Malaysia. This study aims to provide insight into to what extent previous assumptions were correct. Data from 1990 to 2020 were analyzed (30 years' worth) to determine the significance of all factors. Since the value is less than 5%, there is a substantial correlation between the loan rate and insolvency, and the results revealed that it was 0.0000. As shown below, more people will file for bankruptcy when interest rates rise. According to Chee et al (2015), a high consumer insolvency rate is associated with high unemployment and interest rates. This finding comes from the work of (Jappelli et al., 2008).

This research aims to examine the causes and consequences of defaulting loans and individual bankruptcies in Malaysia. The data showed a positive correlation between non-performing loans and individual bankruptcies, with a significance value of 0.3486, or above 5%. Therefore,

there is only a modest connection between individual bankruptcies and non-performing loans, which contradicts the findings of the studies above.

In conclusion, this research examined the causal relationship between joblessness and insolvency among Malaysian citizens. The correlation between unemployment and personal bankruptcy was statistically significant (p-value of 0.0021) but unexpectedly modest (p-value of 0.005). There was an inverse relationship between government efforts to increase economic growth and decrease unemployment over the study period, which is also in line with the findings by (Tan, 2017).

Since only annual statistics were obtained, it analyzed data from 1990–2020 (30 years). Researchers should take advantage of data collected regularly (daily, monthly, or quarterly). More people in the sample means a better possibility of getting a precise result. The results would be more trustworthy if the study used monthly or weekly data.

Results may vary by country. Because the data were collected only in Malaysia, the scope of this study was restricted to that country. Hopefully, future research will look into this issue in developing nations like the United States and China and more developed nations like Singapore, Indonesia, Thailand, and Brunei. It is also recommended to include the increasing rate at which data is collected, incorporate more factors for analysis, and expand the study's scope to other countries.

This study expands general understanding, hence it contributes to the body of knowledge. It's crucial to gain a deeper understanding of the behaviors that ultimately result in personal bankruptcies. The annual report from the Malaysian Department of Insolvency confirms that these elements play a role in the decision to file for bankruptcy protection. Hence, the consideration for unsecured debt such as credit card balances, personal loans, hire purchase obligations, mortgages, and company loans can be done for future research.

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