

Debt Ridden Behaviour and Coping Skill from an Islamic Spectrum

¹O. Khatijah, ¹S. Sapora, ¹A.G. Zulkiple and ²Kamaruzaman Jusoff

¹Faculty of Leadership and Management, Universiti Sains Islam Malaysia,
71800, Bandar Baru Nilai, Negeri Sembilan, Malaysia

²Department of Forest Production, Faculty of Forestry, Universiti Putra Malaysia,
43400 UPM Serdang, Selangor, Malaysia

Abstract: This study was conducted to analyze the relationship between debt-ridden life style (financial stress) and coping skills. A total of 150 respondents from Klang Valley in Malaysia were randomly chosen from government servants and private sectors employees. A questionnaire survey was conducted by post and SPSS was used to analyze the data. Besides the t-test was used to analyze other data, the relationships between two variables were observed through Pearson correlation test. The descriptive analysis was used to explain the differences and similarities among the respondent of this study. Significant overview of the financial burden and its impact on human life from Islamic perspective being enhanced as a reminder to the Muslim believer, that Islam indicates the debt ridden lifestyle should be avoided as postulate in Al-Quran and Al-Hadeeth and in accordance to the *Maqasid-Al-Shariah* underlined by Islam.

Key words: Debt-ridden life style • Financial Stress • Coping Skills • Islamic Perspective

INTRODUCTION

In Malaysia, Asian countries, African Countries, European Countries, including the super power countries United State of America and United Kingdom, in fact the entire world are facing the problem of debt-ridden especially the population group of generation Y (birth on 1980s onwards) which ages on their late twenties to late thirties by now. The classification of debt-ridden can be defined as anyone who borrowed a significant amount of money but unable to pay back the debt because of the lacking of financial ability. Combinations of spending more than income, bad personal financial planning and bad investments can quickly lead to an enormous amount of debt. Macmillan Dictionary defines debt-ridden as, "in serious financial trouble as a result of owing very large amounts of money." As reported by Justin T. Rush [1], United States is a perfect example of a debt-ridden country. With current debt amounting \$13 trillion and growing more, the United States' debt is due to a number of reasons. One of the main reasons for this negative financial situation is spending more than what can earn. For instance, in 2009, US government receipts were \$1.51 trillion while its government expenditures had reached \$3.5 trillion. A composite of wars in the Middle East, the

increasing rate of inflation and unstable credit lender in US real estate market led to a situation where the United States has become one of the debt-ridden countries [1]. Hence this also could happened to individual if there is no proper plan in spending and spending extravagantly without prudent budgeting over their priorities and needs comparing the luxuries or unnecessary.

In Malaysia, Malaysia's Credit Counselling and Debt Management Agency (AKPK) corporate affairs and communication head, Devinder Singh stated that 15% of more than 39,600 people enrolled in its debt management program are below the age of thirty. This statement is said in respond to a report from Insolvency Department that 50% of credit card holders who had been declared bankrupt were those below the age of thirty. This fallacy into bankruptcy impacted negatively to the individual career, future financial planning and family members. The most worrying part, individuals will trap themselves with the clause under Bankruptcy Act 1967, that bankruptcy action could be initiated against those owing as low as RM30,000 to any lender [1]. Thus, this financial burden indirectly imparts financial stress not only to those individuals involved but to the other family members too. Once the individuals being declared bankrupt, they will be blacklisted by the CTOS

(*Convergent Technologies Operating System*, also known variously as CTOS, BTOS and STARSYS; is a modular, message passing, multiprocess-based operating system which provide detail identification of individual credit worthiness) and CCRIS (All information regarding to credit facilities taken by individual reported to the Credit Bureau is housed in a computerized database system known as the *Central Credit Reference Information System*) where they will be prohibited to take or being part of under-going process to taking any loans or involve directly with any process with the lender, be it the banking institutions or any other financial institutions. Whenever they need to apply any loan for the basic necessities such as applying the housing loan or a car loan for the facilities of other family members (wife and children or parents), their application will be rejected where this condition, indirectly reinstate the financial stress that they being facing.

According to Kamil [2] debt has many negative implications on the society and therefore should not be encouraged. An observation towards Islamic Maqasid As-Syariah (the objectives of Islamic law) pointed out that one of the main aims is protection of the family unit and societal well-being. With debt financing, man is encouraged to live beyond his means (with loans and credit cards facilities) and thus this has detrimental effects on the society in short and to the overall economic cycle in a long run. A man is forced to work hard in order to pay off his debts and live in a financial constraint in fulfilling other basic needs since the limited capacity behold him from spending even to other most important necessities. Clearly this is against the objectives of the Syariah. The basis for this argumentation from Islamic Law is that any loan that is based on conventional banking system involved in 'riba/interest', thus its impact adversely towards Muslim lifestyle as it heavily imposed the interest fee (by a lender to a borrower) for the use of that particular borrowed money. Due to this, the interest/'riba' indisputably prohibited in the Qur'an as Allah stated: "*Allah will destroy Riba(usury) and will give increase for Sadaqat(deeds of charity, alms, etc.) And Allah likes not the disbelievers, sinners*" [3].

An excerpt from a book issued by Islamic Religious Department of Selangor [4] stated that there are five reasons why people intentionally or unintentionally taking debts. It is to fulfill the desire and need of having something unaffordable, even by the means of debt. It can be an influenced by friends or neighbors to be in debt, just because of pride and showing off to having something initially unaffordable. It also can be blinded by

greediness and selfishness just to please oneself. At the same time influenced by conveniences of banks and other financial institutions to serve the loans drive individuals to have a bigger debt. And Impatience of having something quickly which can be bought provided taking debts makes those people living in a very heavy debts. In affiliation to this scenario, Hansen [5] stated that debt takes more from individual than just money. It imposed all sort of difficulties whenever debt becomes an overburden and a pressing issue that could not be settled. It is easy to think of debt simply in terms of bills to be paid, but in actual fact, most people are indebted in many ways. Four major debt effects which led to miserable life and full of financial stress as such loss of freedom, loss of cash flow, loss of time and loss of opportunities.

No doubt, heavy life style activities that lead to consumer credit tends to contribute to high amount of stress. Rice [6], define stress as physical, mental or emotional strain or tension caused by environmental, situational or personal pressure and demands. Ciccarelli and Mayer [7] stated that stress is the term used to describe the physical, emotional, cognitive and behavioral response to events that are appraised as threatening or challenging. Whilst the occurrence of financial stress is a widespread affair, at the same time anxiety over money can negatively affect health in several ways. This requires good coping skills and a smart financial management. Many researches have linked the relationship between consumer credits to stress. In this relation, an appropriate coping strategy is needed to solve debt-ridden stressful life.

Coping strategy is the process of managing external and internal stressful experience facing by individuals. It is a complex and multidimensional process that is sensitive to both the individual and other party involved in dealings either directly or indirectly in that particular matter. A number of studies identified coping as a behavior which endowed with protective mechanism that function in three ways. It is an attempt to eliminate or modify the situation that is giving rise to the problem. It is also an action to control the meaning of the experience in manner that neutralizes the problematic characters of the situation. And it is an attempt to keep the emotional consequences of the situation manageable. According to Folkman and Moskowitz [8], the most significant protections against the effects of depression is the coping skills that focus on behavior, where it refers to the way individual might think, feel and do to reduce the effects of depression they are facing. There are four main categories in coping skills which included

problem-focused coping that directly addresses the source of the depression. The next is emotion-focused coping that attempts to reduce the emotional reactions. Whilst meaning- focused coping used to help individual make sense of the situation. Lastly social-focused coping which seeks help from people who are closer to that individual. Important to note here that all categories of coping skills are useful if implemented at the right time. However, it is important to have a wide repertoire of coping skills and know which one is appropriate to use and when. Folkman and Moskowitz [8].

From the Islamic point of view, accruing debt is a serious matter and should not be undertaken except in cases of real necessity. Importantly, it is incumbent upon lenders in providing finance as a responsibility and not to overburden borrowers. It is worth emphasizing that incurring debt to fund luxury and extravagance is contrary to core Islamic values that condemn excess and waste. The Qur'an staunchly condemning and prohibiting extravagance and prodigality as stated: "...eat and drink but waste not by extravagance, certainly He (Allah) likes not *Al-Musrifun* (those who waste by extravagance)" [9]. ... But spend not wastefully (your wealth) in the manner of a spendthrift. Verily, spendthrifts are brothers of the *Shayatin* (devils) and the *Shaitan* is ever ungrateful to his Lord" [10].

This research is conducted specifically to look on the relationship of debt ridden behaviour (financial stress) and coping skills and how does it impact towards individual life style. In parallel to this, an examination towards the role of coping skills as a mediator between debt-ridden life style and financial activities is initiate. Hence, an overview of debt ridden life style and financial stress from Islamic spectrum is based on Al-Quran, Al-Hadeeth and the opinion of Muslim Scholars. This research initially taken place from the problem of massive and uncontrollable usage of credit cards or other loans facilities by consumers which increased tremendously over the years. A lender is not responsible on whom they are offering their card to and most frequently it happened to those who got less creditworthiness in paying. Hefty spending using credit card has been a reason to many debt-ridden cases. Most people do not know the competitive reaction of financial prudence. It affects life style in a sense that individual will face high debt level regardless of gender, marital status, income level and the employment sector. Hence to overcome this debt-ridden landscape is not an easy task and it will take a longer time than expected. Thus, coping skills especially from Islamic perspective is enhanced in order for individuals to cope with this scenarios.

MATERIALS AND METHODS

This study purportedly conducted to analyze debt-ridden behavior and financial difficulties facing by individuals in relation to the modern life style in dynamic economic development surrounded by high technology devices, which become part of necessities to the modern generation. Since modern life style require better taste and expensive living gadgets adding with many credit card and loan facilities by the financial institutions, willingly or not, younger generation and adult trapped themselves into this debt-ridden zone. This difficult situation certainly needs a specific analysis in creating high debt awareness attitude among the public. In this scenario, the initiative to inculcate the culture of careful, miser and wise spending habit is such an appropriate approach, so that the public are well educated about financing and its implications. On the other hand, this financial awareness and education will certainly help the public to deal carefully with all sorts of loan and credit facilities for their better future financial planning and retirement days. Notwithstanding, individuals should realized the fact that they had to be aware of their own credit worthiness before tie themselves in debt with any financial institutions. The term finance here also brings the meaning of money management or application of money by an individual or an individual's financial affair [11]. Financial is an essential to all individuals since all kind of transactions in life nowadays require the use of money besides there are needed to fulfil other psychological needs.

A survey is used as main procedure to examine the relationship between debt-ridden lifestyle and financial stress. The sampling for this research involved around 150 respondents from Kelang Valley area in Malaysia. The subjects were randomly chosen from government servants and private sectors employees. Data collection was conducted through questionnaires distributions and SPSS is used to analyze the data. The relationships between two variables being observed through Pearson correlation test. While the t-test being used to analyze other statistical data. The descriptive analysis is used to explain the differences and similarity among the respondent of this study. The subjects were chosen randomly from different category of people which differs in gender, family background, education level, income level and profession. The research focuses on the life style in relation to the level of debt they are having and in a case if there is an existence of financial stress, how individual coping with it is identified. The questionnaire used had been divided into three (3) parts.

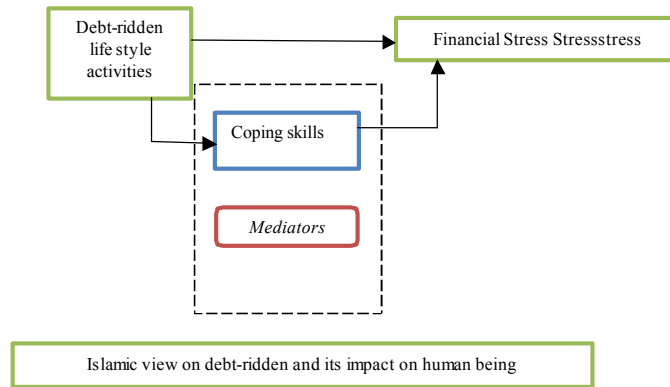


Fig. 1: The Relationship between Debt-Ridden Life Style, Financial Stress and Coping Skills as Mediators (Khatijah *et al.*, 2012)

Part A: Demographic Information of respondent; Part B: Debt-riden and Financial Strain Scale - This inventory is used to measure the level of individual debt-riden and financial strain. It consists of twelve (12) items and Likert Scale from 1 (never) to 5 (almost always) is used to measure individuals financial strain; Part C: Coping Skills - This inventory is used to measure the coping skill of individuals against the debt-riden that they are facing. It consists of fourteen (14) items describing the skills to deal with debt. Likert Scale from 1 (never) to 5 (almost always) is used to measure the level of their coping skills. Thus, from the above issues discussed on the debt-riden in relation to financial stress and coping skills as mediators, together therefore delineation of Islamic view-points of debt-riden and its impact on human being are highlighted in this study as shown in Figure 1.

RESULTS AND DISCUSSION

From the survey conducted and the result regressed from SPSS version 16, it shows the demographic results of the subjects in Table 1.

Table 1 shows the frequency of respondent according to age. There is only one respondent age less than 20 years (0.7%), 71 subjects of age 21-30 years (47.3%), 56 subjects of age 31-40 years (37.3%), 15 subjects of age 41-50 years (10%) and 7 subjects of age more than 51 years old (4.7%) who participated in the survey.

Table 2 shows the frequencies of respondent according to their gender which 85 (56.7%) respondents are male and the other 65 (43.3%) are female respondent.

Table 3 shows the frequency on respondents' education level. It shows that 1 subject (0.7%) received no formal education and another one up to UPSR level,

5 subjects (3.3%) studied up to PMR level, 61 subjects (40.7%) hold SPM certificate, 57 subjects (38%) hold STPM/Diploma, 22 subjects (14.7%) hold Degrees and 3 subjects (2%) have Masters. It indicates that respondents come from various education level and background of studies.

In Table 4, the results yielded a low relationship between two variables, $r = .306$, $n = 150$, $p > 0.05$. Thus, it is an evidenced that there is a moderate low correlation between debt-riden life style and debt coping skills, with an increase in the former resulting in a decrease in the latter. Therefore, the hypothesis of this research is accepted because the study shows that there is no positive relationship between debt-riden with coping skills.

Simultaneously, one –way ANOVA analysis was employed to determine whether there is a significant difference among marital status in religious personality and debt coping skills. The finding shows that there is no significant difference among marital status ($f_{2, 149} = 1.896$, $p > 0.05$) and debt coping skills ($f_{2, 149} = .883$, $p > 0.05$). And in another one-way ANOVA analysis its finding shows that there is no significant difference in their level of income ($f_{2, 149} = 3.54$, $p > 0.05$) and debt coping skills ($f_{2, 149} = 6.78$, $p > 0.05$).

Based on the above findings the researcher concludes that debt-riden behavior (financial stress) does not correlate with their coping skills strategies as illustrated in Table 4. It clearly shows that there are low relationships between debt-riden and coping skills. Hence, this research proves that the awareness of individuals towards their debt behavior are still low compared to the frequency of their debt taken. All the same towards their educated awareness of how these behaviour impacted negatively to their healthy life style and healthy financial situation. They do not have the

Table 1: The Age of Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 20 years	1	.7	.7	.7
	21 - 30 years	71	47.3	47.3	48.0
	31 - 40 years	56	37.3	37.3	85.3
	41 - 50 years	15	10.0	10.0	95.3
	More than 51 years	7	4.7	4.7	100.0
	Total	150	100.0	100.0	

Table 2: The Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	85	56.7	56.7	56.7
	Female	65	43.3	43.3	100.0
	Total	150	100.0	100.0	

Table 3: The Education Level of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non	1	.7	.7	.7
	UPSR	1	.7	.7	1.3
	PMR	5	3.3	3.3	4.7
	SPM	61	40.7	40.7	45.3
	STPM/DIPLOMA	57	38.0	38.0	83.3
	Degree	22	14.7	14.7	98.0
	Master	3	2.0	2.0	100.0
		Total	150	100.0	100.0

Table 4: Pearson Correlation between Debt-ridden Life Style and Debt Coping Skills

Variable (n=150)	Coping Skills	
Debt-Ridden	r	.306
[P > 0.5]	p	.000

strategy or exact skills in coping the stressful life of debt-ridden and this makes their life miserable. The awareness in coping with debt-ridden behaviour is still not seriously developed, alas there is a need for the government institution to delve into this issue as to help citizens able to better plan their financial affairs and lessen the burden of stress caused by debt.

In relation to the spending habit, the male respondent and female respondent with family are expected to be more careful towards any debt taken, but the survey exhibits that there were no differences in their debt-consuming behavior after all. Thus this survey provides a strong finding that when come toward making debt either through the usage of credit card and other loan facilities, people are not so careful in calculating their financial balance and healthiness. The main focus is just they can have what they want at that particular time. Similarly, another conclusion that can be raised here is that whenever come to spending most individuals never thought about how to cope with the stressful feeling of having heavy debt burden and do not having enough money to pay afterwards. This implies that modern life style

with full of technology devices really encourage individuals be it single or family, to spending excessively even though beyond their economic earnings.

In parallel to this condition, individuals should increase their knowledge in coping with financial stress of debt-ridden. Coping strategies have often been classified into two broad categories: problem and emotion-focused strategies. Problem-focused strategies employed behavioral activities, such as action and planning, while emotion-focused strategies involved expressing emotion and altering expectations. In this notion, struggling to cope with debts can be one of the most difficult and personal matters individuals may have encountered with. It is very easy to say not to overspend and to live to the means but, the fact is, what is easy for some people is not always easy for others. Slipping into an ever spiraling debt is not always noticeable or avoided. Basically it can happen to anyone regardless of their income or assets. Therefore, this study implies that debt has many negative implications on our society and therefore should not be encouraged. The negative implication of debt such as stress, attitude changes, bankrupt, broken family and others should be dealt with suitable coping skills like good financial management, financial counseling and practicing a moderate lifestyle. A person living without a proper financial plan that gauges income versus expenditures is on the road to debt and financial troubles.

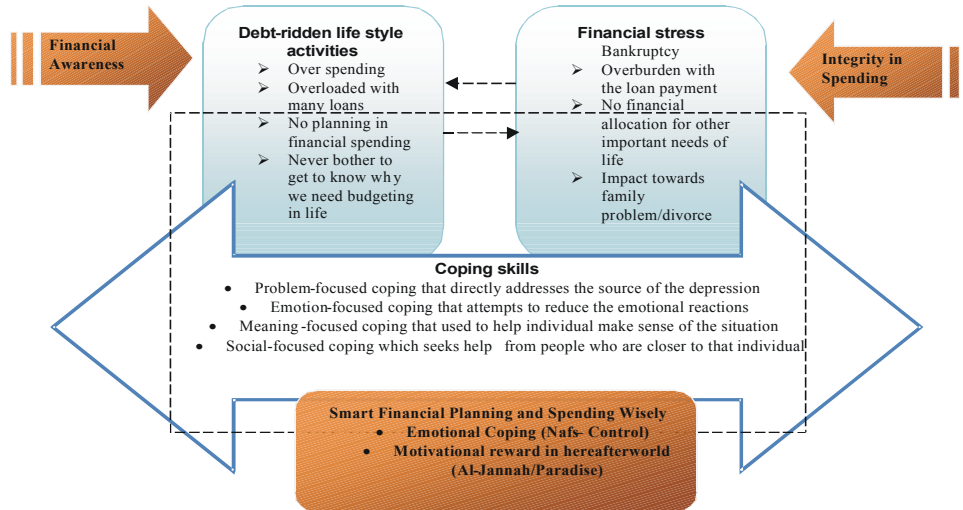


Fig. 2: Model on Avoidance of Debt-Ridden and Financial Stress. (Khatijah, Sapora and Zulkiple, 2012)

Khan and Mould [12] said in ‘Islam and Debt’, Islam discourages heavy debt as much as possible, indeed it is something that is considered to have a serious and direct effect on a Muslim’s belief or conviction because it can lead to harmful consequences. The Prophet Muhammad (peace be upon him) used to regularly supplicate “Allah, I seek refuge with You from sin and heavy debt”. When someone remarked, “how often you seek refuge from heavy debt”, he replied, “when a man gets into debt, he speaks and tells lies and he makes a promise and breaks it” (reported by Bukhari and Muslim). The Prophet Muhammad (Peace be upon him) also said, “Whoever dies free from three things; arrogance, cheating and debt: will enter Paradise” (reported by Tirmidhi) and “The soul of a believer is held hostage by his debt in his grave until it is paid off” (reported by Tirmidhi).

From the research findings and discussions, Figure 2 below, depicted that there is negative relationship between debt-ridden behaviors (financial stress) and coping skills and how the insertion of Islamic understanding and Maqasid As-syariah practised it would guides Muslim to spending wisely, not wastage throughout their lifely affairs.

CONCLUSION

Based on the above discussions and findings, researcher concludes that to live in millennium era is financially challenging to all individuals. With the increasing ‘needs’ and ‘wants’ and ever increasing inflation rate and higher costs of living, it put almost impossible for an individual to avoid being debt-ridden.

However, the increasing trends of debt-ridden supposed to be avoided since it adversely contributed to healthy financial living and impacted negatively towards family institutions. Most people are still not aware to educate themselves in financial planning and debt awareness. Though, from the survey held, the respondent gender and education level are varies, in addition with the variation on their income level and positions plus with the differences in the age range, does not give any implications that they having differences in coping with the financial strain. Thus higher education and better jobs does not indicate that individuals coping well with debt ridden problem hence this proves that debt ridden and financial strain really need to be educate to the overall public notwithstanding their status or income earn. Indirectly this scenario give impressions that nowadays without giving proper consideration, people are taking debt much beyond their repayment capacity just to fulfill their ‘wants’. There are no careful steps taken in identifying the credit worthy level before individuals taking loan/debt. These indicate the excessive attitude towards consuming without giving careful considerations towards debt payment afterwards is commonly practiced by individuals.

REFERENCES

1. (<http://thestar.com.my/news/story.asp?sec=national&file=/2010/7/19/nation/6690491>) [Accessed on 9th March 2012].
2. Kamil, N. and M. Kamil, 2007. Islamic banking and finance slides, Malaysia: International Islamic University Malaysia, pp: 5-9.

3. Qur'an, 2:276. www.dar-us-salam.com/TheNobleQuran/index.html [Accessed on 8th May 2012].
4. ----- Budaya Berhutang: Amalan dan Akibatnya (Indebted Behavior: Practices and Its Impact), Jabatan Hal Ehwal Islam, Selangor (Islamic Religious Department of Selangor), pp: 27-30.
5. Hansen, J., 2004. Good Debt, Bad Debt; Knowing the Difference Can Save Your Financial Life. (<http://www.enotalone.com/money/6433.html>). [Accessed on 15th March 2012].
6. Rice, F.P., 1995. Human Development. A Life Span Approach. Prentice Hall, Inc. USA, pp: 89-90.
7. Ciccarelli, S.K. and G.E. Meyer, 2006. Psychology, New Jersey, United States, pp: 156.
8. Folkman, S. and J.T. Moskowitz, 2004. Stress, positive emotion and coping, American Psychological Society, 9(4): 115-118.
9. Qur'an, 7:31. www.dar-us-salam.com/TheNobleQuran/index.html [Accessed on 8th May 2012].
10. Qur'an, 17:26-27. www.dar-us-salam.com/TheNobleQuran/index.html [Accessed on 8th May 2012].
11. Gove, P.B., 1969. The Merriam-Webster Editorial Staff Webstre's Third New International Dictionary of the English Language Unabridged. Massachusetts: G and C Merriam Company, pp: 43.
12. Khan, A. and H. Mould 2008. Islam and Debt. United Kingdom: Islamic Relief Worldwide, pp: 151.