

Consumption Patterns of the Middle-income and
Low-income Consumers
(Consumer Research)

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SYNOPSIS

This graduation exercise is a case study of a comparison of the consumption patterns between the middle-income and low-income consumers in Bangsar. The aim of the study is to find out the differences in type of monthly expenditure and major durables owned by the low-income and middle-income consumers. In order to provide a clear and systematic picture, this study is arranged into various chapters.

Chapter One gives a general introduction of the objective and significance of the study. It also discusses the research methodology used and the problems encountered during the fieldwork.

Chapter Two presents the definition of some concepts and theories in an effort to relate the essential understanding of consumption patterns. It also presents the types of consumption behaviour.

Chapter Three deals with the factors to be considered in determining the type of consumption activities pursued. It also touches on various aspects of education, financial status, income allocation and material well-being of the consumers which affect the consumer consumption patterns.

Chapter Four gives a deeper understanding on the consumers' consumption patterns on food and monthly expenses. It illustrates and explains the factors influencing the consumer consumption patterns.

Chapter Five attempts to describe the demand for consumption of major durables. It describes and explains the relationship of the consumption patterns with income, budget, status and social standing of the consumers. In this an attempt is made to show how these factors causes the difference in consumption patterns. Hire purchase and credit installment are also discussed to illustrate how the consumers purchase their major durables and the consequences of using such method of purchase.

Finally, the conclusion analyses the findings and implication of the study. A review of the whole study is also presented. The chapter concludes with suggestion and recommendation put forth by the writer.

SIPNOSIS

Latihan Ilmiah ini merupakan satu kajian perbandingan corak penggunaan di antara pengguna berpendapatan rendah dan pengguna berpendapatan sederhana. Tujuan kajian ini ialah untuk mencari corak perbezaan dalam perbelanjaan bulanan dan pembelian "major durables" pengguna-pengguna berpendapatan rendah dan sederhana. Jadi, untuk memberi satu penggambaran yang lebih jelas serta sistematik, kajian ini dibahagikan kepada beberapa bab yang tertentu.

Bab Pertama memberi satu pengenalan umum mengenai objektif dan peralambangan kajian ini. Ia juga membincangkan metodologi kajian yang digunakan dan masalah-masalah yang dihadapi semasa fieldwork.

Bab Kedua mempersembahkan definisi beberapa konsep serta teori untuk memberi satu kefahaman yang lebih jelas mengenai corak penggunaan. Ia juga mempersembahkan jenis perlakuan penggunaan yang wujud dalam aktiviti penggunaan pengguna.

Bab Tiga menjelaskan faktor-faktor yang dianggap sebagai penentu jenis penggunaan barangan yang dikejar oleh pengguna-pengguna. Ia juga menyentuh beberapa aspek seperti pelajaran, kedudukan kewangan, pengagihkan pendapatan dan kedudukan sosial pengguna yang mungkin mempengaruhi corak penggunaan pengguna.

Bab Empat memberi satu kefahaman yang lebih mendalam mengenai corak penggunaan makanan dan perbelanjaan bulanan pengguna. Ia menerangkan serta menunjukkan faktor-faktor yang mempengaruhi corak

penggunaan pengguna.

Bab Lima cuba menjelaskan permintaan bagi "major durables". Ia menjelaskan lalu menerangkan perhubungan diantara corak penggunaan dengan pendapatan, belanjawan, status dan kedudukan sosial pengguna. Penjelasan perhubungan ini menunjukkan bagaimana faktor-faktor tersebut mengakibatkan perbezaan dalam corak penggunaan. Pembayaran ansuran dan pembayaran kredit juga dibincangkan untuk menunjukkan bagaimana pengguna membeli "major durables" mereka dan akibatnya dengan mengguna cara pembelian ini.

Akhirnya, Bab penutup menganalisis hasil kajian dan implikasi kajian ini. Satu review keseluruhan kajian ini juga dipersembahkan. Bab ini menutup dengan cadangan yang dihulurkan oleh penulis.

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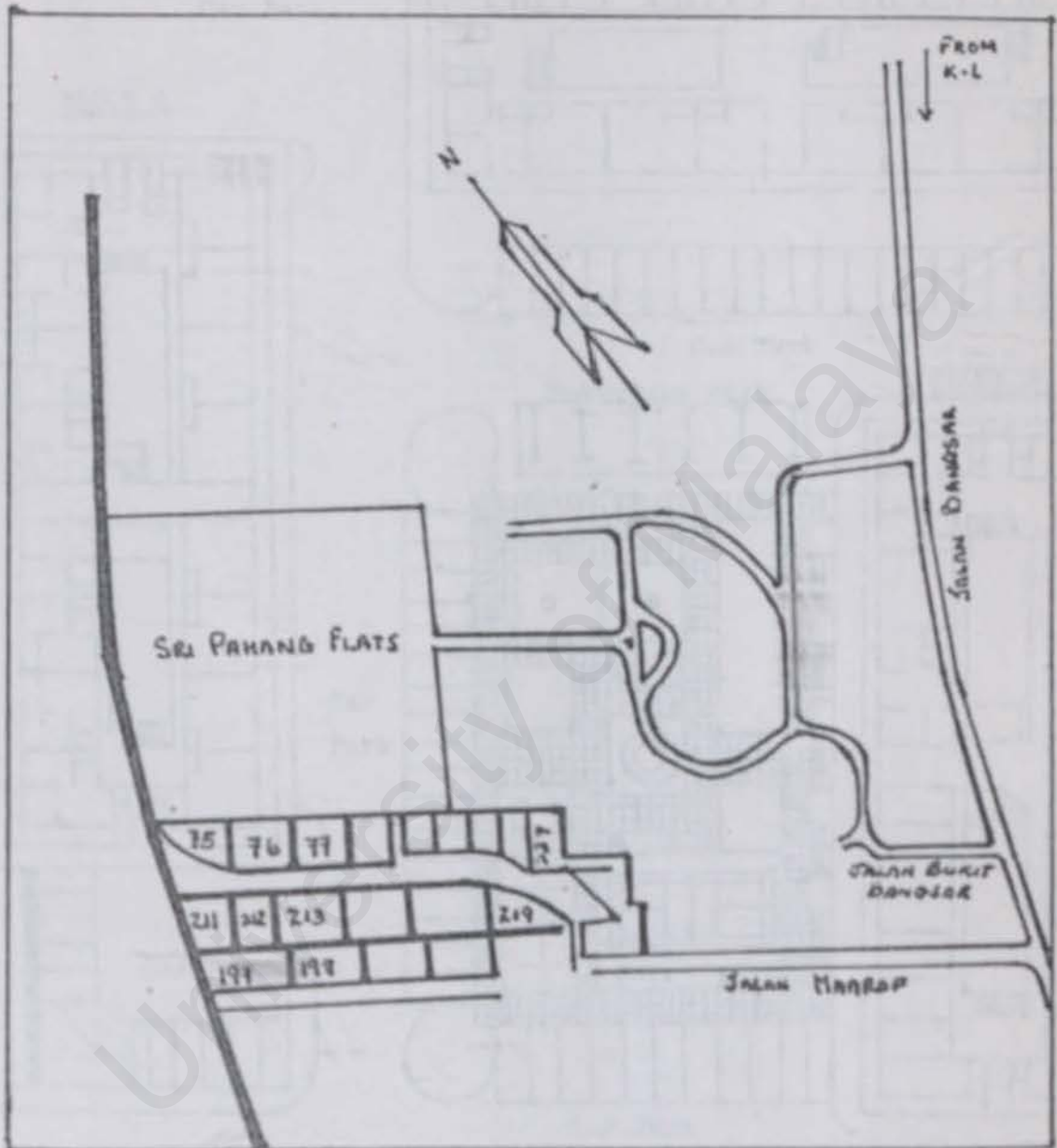
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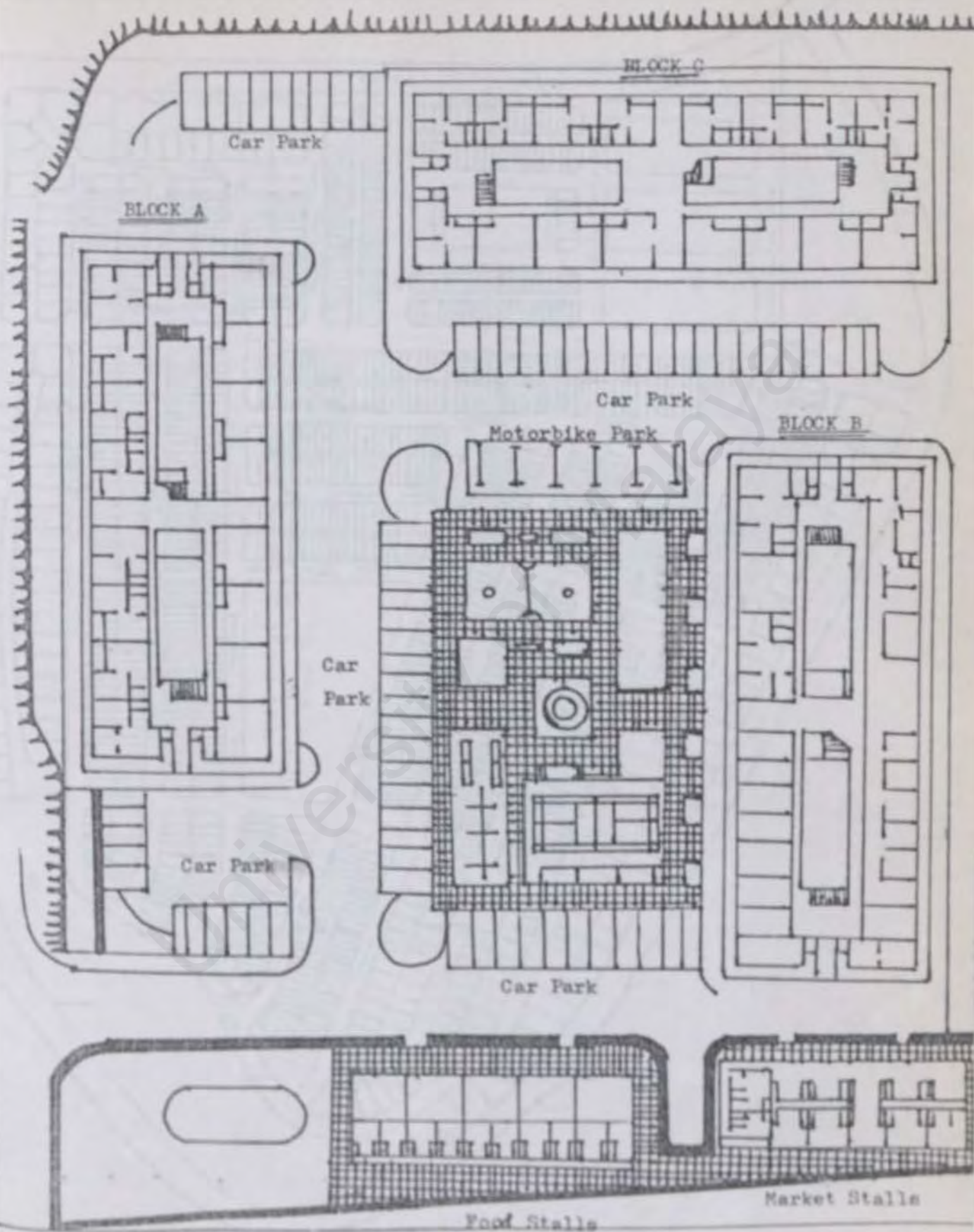
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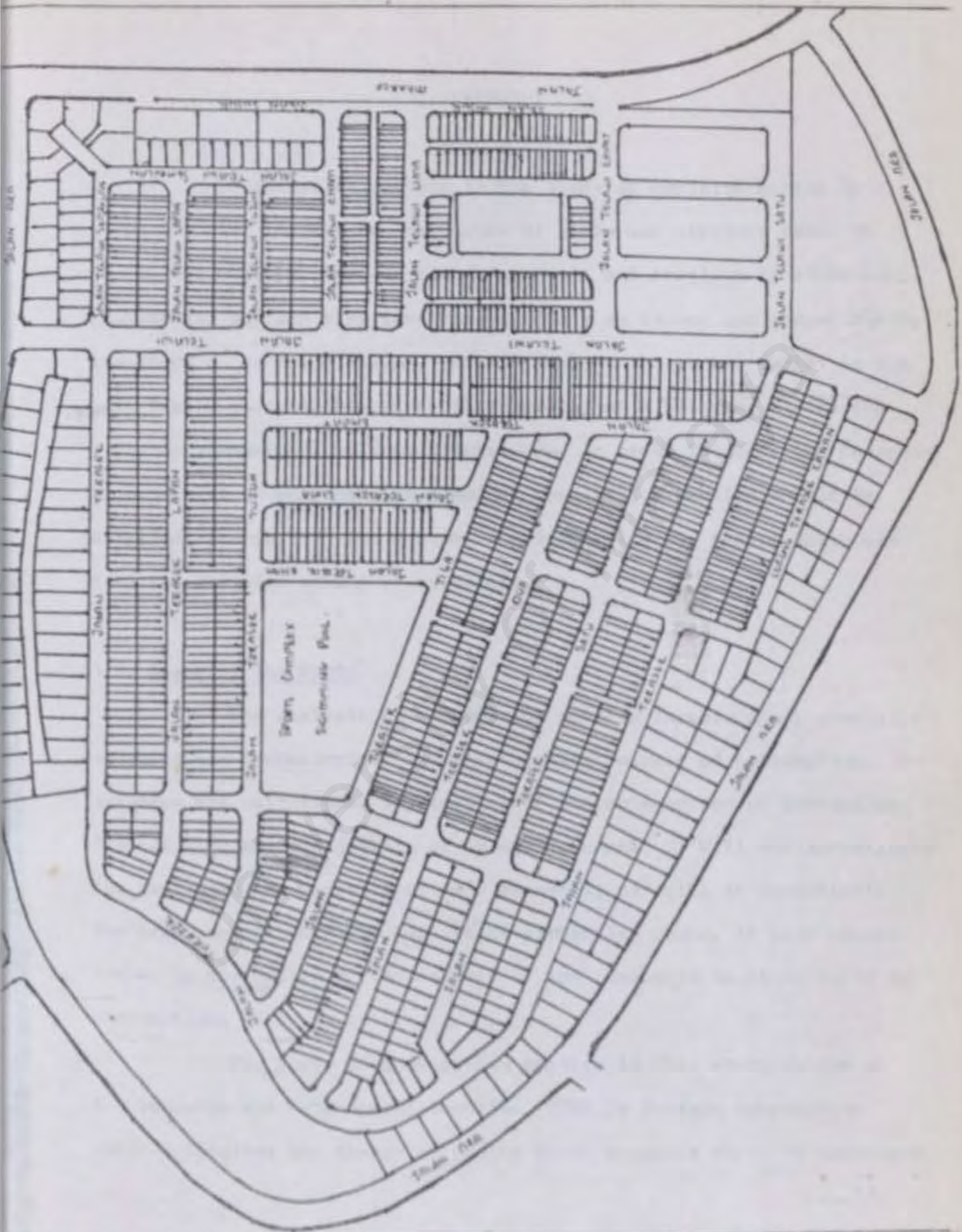
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CHAPTER I

INTRODUCTION

Consumption pattern is the study of decision making by consumers with respect to the choice of goods and services used. It covers the whole process of consuming goods and services by consumers. Consumption pattern also involves the study on income and budget beside the study on decision making. This is because income and budget is the main factor controlling the decision making of a consumer beside the individual behaviour of the consumer. So, in order to study the consumption pattern of consumers in consumer research, attention should be directed towards both the economics and behavioural factor which control the decision making of consumers.

1.1 Scope of the Study

The analysis on consumption pattern in this study generally excludes the technological and physiological aspect of consumption. It excludes the nutritional implication of the consumption of particular type of food and the quality of things consumed. It will not investigate the taste and the quantity of food consumed, nor will it investigate the brand or the physical feature of particular goods. It only concentrates on the design of choice made by the consumers in their field of consumption.

The scope of consumption pattern in this study relies on the economic and behavioural theories. This is because consumption pattern involves the theory of choice which suggests that the consequen

-ces of particular choices can be traced,described and analysed through the individual's behaviour and social-economic standing in society.

Two groups of consumers- the middle-income consumers and the low-income consumers are selected to illustrate the consumption patterns of consumers. The two groups are selected from an area to provide some element of control. Only one ethnic group of consumers will be choosen because different ethnic groups will give various variables which will complicate the analysis of this study.

Since this study is a¹ micro-study, it's scope is rather limited. The validity of this limited research may or may not be used as a generalization. However, it can provide an insight into the consumption patterns of two categories of consumers, and may further assist other studies on consumption patterns of consumers.

1.2 Objective of the study

The main objective of this study is to examine the consumption patterns of the middle-income and low-income consumers.

In the context of this study on consumption pattern, an examination will be carried out to determine the following factors which have its own implications for consumers consumption pattern:

- the characteristics of the families

- the education and income of the consumers
- the² consumption standards of the consumers

Special attention is also directed towards the consumption behaviour of the consumers such as :

- their³ consumption level
- the type of goods they buy
- the amount they spent an expenditures and goods

All these consumption behaviour of the consumers will determine their consumption patterns.

1.3 Location of study

The research was done in Bangsar. Bangsar was selected for two main reasons. First, Bangsar was of close proximity to the University. It was easier and more convenient to research and financially cheaper compared to any other location of similar characteristic. Second, because Bangsar is dramatically different (economically, socially, etc) compared to other locations where studies have been done, it provided an irresistible rare opportunity to bring the consumption patterns of the middle-income and low-income consumers into perspective. In Bangsar, the low-income and middle-income consumers share residential areas so that comparison of consumption patterns between consumers of various income classes can be made in the total socio-economic/market structure context.

Two places are chosen from Bangsar for the comparative test, they are :

- (a) Sri Pahang Flats, a low-income government sponsored flats
- (b) Bangsar Baru, a middle-income residential estate

Both of the places are approximately 400 meters away from each other in Bangsar.

1.3(a) Sri Pahang Flats

Sri Pahang Flats was built by Dewan Bandaraya in 1975 and was first occupied on 1st September, 1975. It is a low-cost flat which was specially designed for the low-income group. Occupancy is only open to families with a total monthly income below \$1500/-

It comprises of three main blocks- Block A, Block B and Block C, 14 units of shops, 10 food-stalls and 20 market-stalls units. (See Diagram 1.1 and Table 1.6 in Appendix 1)

There are 16 floors in each block and each floor consists of 16 dwelling units. Out of the 16 units, 8 units are double bedroom units with a rental charge of \$95 per month and the remaining 8 units are single bedroom units with a monthly rental of \$72. There are 264 dwelling units in Block A, 256 units in Block B and another 264 units in Block C. On the whole there are 784 dwelling units in the flats. (See Diagram 1.2 and Table 1.1 in Appendix 1)

A total of 12 units are taken up for official use. Two units are converted into prayer room in Block A. Three units on the ground floor of Block B are used as Clinic, Community Hall and Kindergarden. Six units are used for Rukun Tetangga base, Social Welfare Office, library, nursery and Police base. (See Table 1.5 in Appendix 1)

The Malay are the biggest ethnic group among the occupants. 64% of the occupants are Malay, 22% are Indians and 14% are Chinese. (See Table 1.4) There are 178 Malay families staying in Block A, 174 families in Block B and 178 families in Block C. The Malays are the biggest ethnic group in each block. (See Table 1.3 in Appendix 1)

1.3(b) Bangsar Baru

Bangsar Baru is a well-developed residential estate which lies between Lucky Garden and Bangsar Park. It is a middle class residential estate. It is shaped into a U-shape housing estate (See sketch) with the residential houses situated in the curve of the U and the shops and shopping arcade at the end of the U.

There are 1162 houses in that estate. 183 houses are double-storey houses with large compound. (See Photograph 3 in Appendix 2) The balance of 979 houses are double-storey terrace and single-storey terrace houses. These terrace houses have smaller compound. (See photograph 2&4). Houses in Bangsar Baru are very expensive as the current market price for a bungalow is between \$380,000- \$450,000, double-storey

house is between \$230,000 - \$350,000 and a single storey house is in the range of \$150,000 - \$200,000.

In within the square boundary of Jalan Telawi, Jalan Telawi Lima, Jalan Telawi Satu and Jalan Sumur, lies the central shopping area of the residential estate. There is a bank, mini-markets, fast-food stalls, clinics and offices within that area. There is also a night-market in the square every Friday. Fresh food and grocery, and household items are sold at the night market.

Bangsar Baru is also well-equipped with Sports facilities and Recreation Centre. There is a Swimming complex in the heart of the residential estate. This Sports and Recreation Centre is equipped with tennis courts, squash courts and badminton courts.

1.4 Methodology

Briefly, this section on methodology is divided into three parts- sample selection, survey design and the questionnaires.

1.4(a) Sample selection

The study unit here is the household defined as a group of people who live together with a common budget for food and other essentials of living. Only Chinese households are taken as sample unit as there are not much studies on the Chinese community in the Anthropology and Sociology Department of University of Malaya.

The study target is 100 households with 50 households in each category. 50 households are selected from Bangsar Baru and another 50 households from Sri Pahang Flats.

1.4(b) Sampling Technique

The sample frame is partitioned into two specially selected areas- Bangsar Baru and Sri Pahang Flats.

A two-stage stratified sampling technique is employed to select the households. At the first stage, Sri Pahang Flats is stratified into 3 blocks- Block A, Block B, Block C - with 16 floors in each floor. While Bangsar Baru is also stratified into 16 sections according to the roads in the residential estate.

In the second stage, a sample of all the Chinese households is selected from the stratified places. This was done through the census books of house-listing which was obtained from the Officer-in-charge in Sri Pahang Flats and the Secretary of Bangsar Baru Residents' Welfare Association. The census books provided the frame for the second stage of selection. Households are drawn from the census books and are renumbered, and a random sample of household is drawn from this enumeration.

This two-stage sampling procedure led to the ultimate selection for interview of the 100 respondents in Bangsar baru and Sri Pahang Flats.

.....8/-

1.4(c) Questionnaires

Three set of questionnaires are used. Set A is for the household respondent, Set B is for the sundry merchants and Set C is for the wet market merchants.

Questionnaire A consists of four main sections which are close-ended questions. Section One is on the information of household, Section Two deals with the household monthly expenditure, Section Three deals with the purchase of major durables, and Section Four is about the buying patterns of goods and services.

Questionnaire B and C consist of a list of goods sold by the merchants where the researcher is suppose to check up the prices of the goods.

1.5 Method of collecting data

To collect data, methods such as observation, interview and questionnaire are used. The interview method using questionnaire is used to obtain basic data regarding the background of the household like the size of the household, occupation of the household members, income and the expenditure of the household, and the most important is to find how they purchase their major durables, where they purchase them and the price of the durables. The interview method is based on schedule while observations is to determine the validity of the data obtained from the interview method using questionnaire.

1.5(a) Observation

This method is used to assist the researcher to obtain a picture regarding the way of life of the respondents. When the researcher visit the household, they are able to witness the condition and activities in the household. Together with the questionnaire and interview that is used, the researcher is able to determine whether the data obtained is true or false.

1.5(b) Interview with questionnaire

This method is carried out through the questionnaire where the answers are filled by the researcher personally in a face-to-face interview with the respondent. This interview is conducted with the household head and the wife is only interviewed when the household head is not available. This aim in using the questionnaire is to ease the process of collecting data systematically and when it comes to analysis it allows the researcher to perform coding systematically.

1.5(c) Schedule Interview

Through this method, the question used are based on a question draft which has been prepared. Through this method, the researcher gives a wide opportunity to the respondent to express their views and thoughts. This method stresses on the informal form and is different from those with questionnaires. This interview is used on the Officer-in-charge in Sri Pahang Flats and the Secretary of the Bangsar Baru Residents' Welfare Association who are responsible for the welfare of

the residents of the respective places.

1.6 Survey Problems

Throughout the study, the researcher faced several problems from various aspects of the study. First of all, accurate and true data are difficult to be obtained because respondents might feel embarrassed or inferior when questioned by the researcher who is considered as an outsider. When it comes to questions related to personal, income, debts and assets, the respondents either refuse to give any answers and even if they do, they will probably give false or vague answers.

Questionnaire are prepared, but a handful of the respondents from Sri Pahang Flats are illiterate and non-English speaking, thus they cannot answer the questionnaire personally. Moreover, respondents from Bangsar Baru are reluctant to read the questions, but prefer the researcher to read the questions to them. The researcher is therefore forced to guide the respondents in answering the questionnaire and this is time consuming.

Most respondents are busy at work or are too busy doing household chore, and this makes it difficult to obtain complete data. To obtain data, the researcher has to go again on some other day to obtain the data. This takes up a lot of the researcher's time and caused the research to be delayed.

Beside those mentioned above, there are some communication problems when the respondents who are non-English speaking speak dialect which is different from those of the researcher.

From the reference point, the researcher faced problems in obtaining sufficient reference about the area and the residents in the survey area. There are no books or references available on these areas. This problem is overcome by the assistance of the Officer-in-charge in Sri Pahang Flats and the Secretary of the Bangsar Baru Residents' Welfare Association who generously furnished the researcher with details and background of the respective places. They also gave the researcher the layout plan of the area and housing estates.

The shortness of time given to do the study has certain limitations on the scope of study. Only a limited scope is covered in the specified time.

Chapter Notes

1. A study where a particular area is chosen as the location of study.
2. Consumption standards are goals to be striven for, maintained or regained. It is a part of a larger set of standards pertaining to work, leisure, social relationships and living in general.
3. Consumption level is the height of consumption.

CHAPTER II

CONCEPTS AND THEORIES

In order to understand the present research on consumption patterns of the middle-income and low-income consumers, we should first identify who are the middle-income and low-income consumers.

2.1 Who are the low-income consumers?

The low-income consumers are identified according to their earning capacity. They are those with low earning capacity due to their low job opportunities and education. They do not have enough money to live luxuriously.

Some people who have higher income are also ^{but many} considered as low-income consumers because there may be special ^{reasons} circumstances such as large families or the need to care for aged parents which contribute to their low living condition. Hence, much depends on what a given amount of money will buy at any given time and the low-income consumers are the ones who do not have enough money or have poor purchasing capacity.

The low-income consumers in this study share characteristics like :

- (1) those who have low education in a time where a college degree is becoming increasingly necessary for obtaining a reasonable good job.

- (2) those who are unskilled or semi-skilled when many jobs of their type are disappearing.

The above characteristics show that the low-income consumers are actually the 'working poor' as they work in semi or unskilled jobs which pay low wages. They are also those who have been without jobs for a long time and those who get jobs only occasionally. In short, the low-income consumers are those whose income do not meet their reasonable needs due to certain circumstances.

2.2 Who are the middle-income consumers?

The middle-income consumers in this study is categorised according to their strong earnings capacity. They have strong potential income unit to generate an income stream that will meet the requirements of the individual's needs. They have reasonable and sufficient income or surplus money to live decently and comfortably. They are those who live in beautiful homes in well-respected neighbourhoods. They lived in comfortable homes with well-installed modern gadgets and well-furnished interiors. (relative to the shabby homes of the low-income consumers).

The middle-income consumers consist of those who have sound education or high education where their degree or professional qualifications enable them to secure reasonably good and well-paid jobs. They are usually professionals and skilled workers who have better opportunities in obtaining jobs that pay high wages, and with these, they have sufficient income to meet their reasonable needs.

2.3 Concepts and Theories

The variety of input variables that can influence consumer consumption patterns is astounding. This is because consumer consumption covers a wide aspect of consumer behaviour. According to¹ Kurt Lewin in his summary of variable categories influencing the individual, an individual is profoundly influenced by their internal psychological structure which includes processes such as attitude formation, motives, perception and learning, as well as the individual's subjective knowledge, values and beliefs. The external environment is also capable of influencing the individual's psychological condition and his behaviour. The present external environment such as physical, economic and social factors are important aspects that determine an individual's buying behaviour. Physical variables include distance to the stores, and available transportation. Economic variables include the individual's wealth, the cost of various products. Social variables comprise the individual's social class and social group influences.

So, the consumption patterns of the consumers will be considered under all these factors.

2.4 Economic Theory of Consumption

The economic variables that influence the consumers' behaviour can be explained through the economic theory of consumption. Under the light of economic consumption, the consumer can be studied within the aspect of micro-economic, macro-economic and home-economic which is concerned with the consumer and his problem.15/-

Since this study concentrates on the single household and its use of products and services, the economic theories like Engel Law, Giffern paradox and Law of demand and supply which is part of home economics will be dealt with in this context. However, more emphasis will be given to Engel Law, as it is an important theory in explaining the patterns of consumption.

2.4(a) Engel Law

Engel Law consists of two main laws which is calculated on the percentage of total income spent on different categories of consumption. This law describes the way in which the amount of goods purchased changes when money income changes, and relative prices of goods are held constant. So, amount of each commodity purchased changes when income changes.

According to the first law, the poorer a family, the greater the proportion of total spending goes for food purchases. Subsequently, the higher the income per family, a smaller proportion of total income are spent on food purchases. This shows that with other things being equal, the percentage of total expenditure devoted to food gives the best indication of the material well-being of a person.

The second law develops the concept that income are first devoted to the necessities of staying alive, and that luxury spending or savings occurs only at higher income level. So, the higher the

income earned, the more the person spend his income on luxury items or savings. Also extended in this law is a series of concepts which can be summarised as follows- Family expenditures will increase in all categories as income rises. While percentage spent on food declines as income increases. The percentage spent on housing and furniture tend to remain constant.

The consumption patterns of consumer relative to his income can be clearly seen in the Engel Curve. This curve illustrates a description of the manner in which the optimal consumption of a particular commodity changes as income changes while relative prices are held constant. (See Diagram 2.1 below)

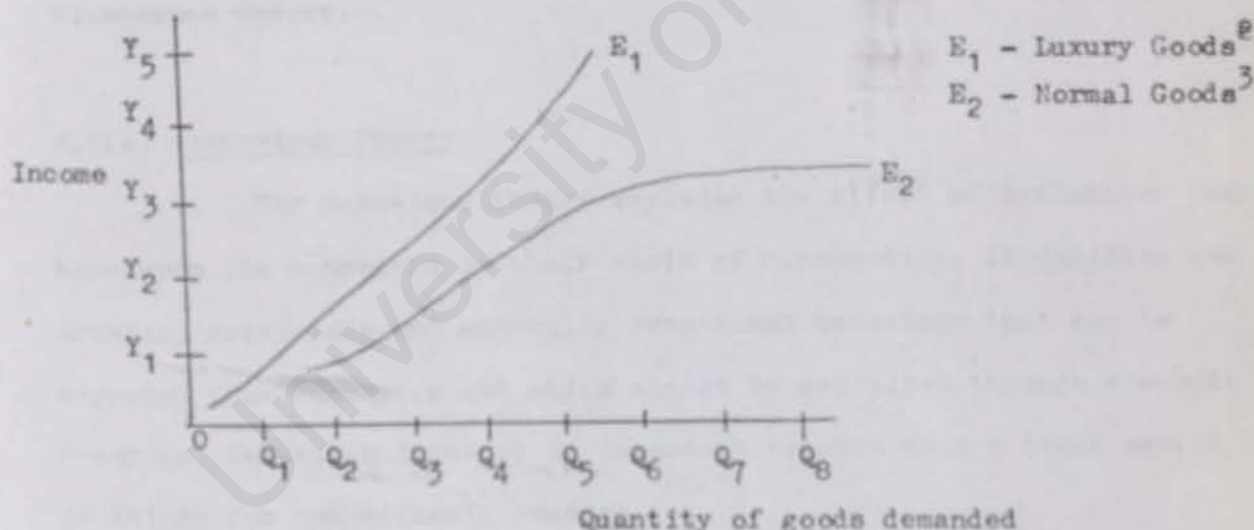


Diagram 2.1 - Engel Curve on luxury goods and normal goods

Source : Walter, N - Intermediate Microeconomics and it's application
(Illinois; Dryden Press, 1975) p-82

2.5 Behavioural Theory of Consumption

Economic theories cannot be used fully to illustrate the consumption patterns of consumers because the concept that the consumer is portrayed as rational at all times is not true, as in actual fact the consumer is also governed by social and psychological factors. The consumer's judgement is in fact clouded with a number of irrational influences (as explained by Kurt Lewis). Actually, the consumer sees what is around him very selectively and makes market decisions accordingly to his individual learning, attitude, motivation, personality and interpersonal influences besides economic influence. So, the consumer's consumption patterns can also be explained through Behaviour Theory, Social Psychological Theory, Achievement Motivation Theory and Cognitive Dissonance Theory.

2.5(a) Behaviour Theory

The behaviour theory explains the effect of influences they have upon the consumers in their world of consumption. It explains the erratic, capricious and generally irrational behaviour that can be expected from consumers and which cannot be explained through economic theories. Behavioural theory is important because many a times people do things for non-economic reasons.

2.5(b) Social Psychological Theory

A comprehensive interpretation of consumer consumption behaviour would be incomplete without consideration of the social

context within which consumer behaviour takes place. This theory hypothesized that the consumer as human being is a social animal whose behaviour was very much affected by peer groups, subculture and other references groups. In this context, the consumer is not motivated by rational needs, but by status consideration.

2.5(c). Achievement Motivation Theory

Another theory which is rather similar to the social psychological theory which influences and determines the buying behaviour of the consumers is the achievement motivation theory. It theories that people have this need to achieve and make others aware of their achievements. Thus, they tend to show their achievements and success through material possessions which are considered as symbols of wealth, status and success.

2.6 Environmental Influence

Beside the influence of economic and behavioral factors of consumption, environmental influences also determine the consumption patterns of the consumers. Culture, a pattern of behaviour practised in a form of environmental influence shapes the consumption patterns of an individual. A considerable portion of our daily activities is devoted to producing goods and services for others, purchasing for ourselves and deciding on the basis of numerous influences from people with whom we associate what we will wear, eat or dine, how we should entertain ourselves, and ^{how} much of our time and money we will spend on

various merchandise and decisions. Thus the consumer as an individual who is also part of his culture is profoundly influenced by the broad social environment in which he pursues his personal ends, lives his life and statisfies his needs.

Chapter Notes

1. Loudon,D.L - Consumer Behaviour: Concepts and Application
(New York; McGraw-Hill Book Co,1979) p.25
2. Luxury Goods are goods that provides comfort, convenience, enjoyment and status. It is usually referred as cars, electrical appliances,etc.
3. Normal Goods are basic necessities like food, water, etc. It is the usual regular necessities that everybody needs.

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CHAPTER III

ANALYSIS ON THE BACKGROUND OF THE

RESPONDENTS

A good starting place in the analysis of consumer consumption patterns is the background of the respondents. The background of the respondents influence their intentions and choices about products, brands and suppliers. It also determines how the respondents spend their money. The background of the respondents such as their income, education, occupation and age affect their decisions either as anticipated or unanticipated circumstances.

3.1 Age of household heads.

The age of household heads is used to determine the family life cycle. The family life cycle is an important variable in analysing the consumer consumption patterns as consumers purchase different goods in different stages of their lives.

Majority of the Sri Pahang Flats respondents are in the age range of 40-50 years. At this stage, the children of the family are well into adolescence or no longer dependent on the family. Thus, the family income may be spent solely on the household head and wife. Moreover, the children who are working will help to supplement the household expenses. This stage marks the period of greatest financial security and the household can afford to spend their money on luxury products like television, video recorder and so on. The total income

Age Range	Number of Persons
21 - 25	1
26 - 30	1
31 - 35	2
36 - 40	8
41 - 45	6
46 - 50	12
51 - 55	10
56 - 60	8
61 - 65	1
66 - 70	1
Total	50

Table 3.1 (a) - Sri Pahang Flats : Age range of heads of the families

Age Range	Number of Persons
25 - 30	6
31 - 35	6
36 - 40	17
41 - 45	8
46 - 50	7
51 - 55	2
56 - 60	3
61 - 65	1
Total	50

Table 3.1 (b) - Bangsar Baru : Age Range of heads of the families

which have increased allow the family to allocated money for home decoration, an automobile and new appliances.

The lower age range among the Bangsar Baru respondents show that most of their families are either at the expanding stage and contracting stage. 29 of the household heads who are aged between 25-40 years are either newlywed couples or expanding families. These people spend most of their money on furniture, appliances, housing and their children's education. The other 15 respondents who are aged between 41-50 years contracting families whose children are well into adolescence, and their consumption pattern reveal the heavy expenses of supporting teenagers. Some of them who are more financially stable will spend some money on luxury like home decoration or a second car or second television and video recorder set.

3.2 Family size of the respondents

Majority of the respondents interviewed are of average family size. The most common family size is the 4-5 member household. 66% from Bangsar Baru and 54% from Sri Pahang Flats are 4-5 member household (See Figure 3.1).

Sri Pahang Flats respondents have the biggest family size. 22% are households of 7-8 members. These households of 7-8 members are nuclear families. In comparison, a minority of Bangsar Baru respondents are household of 6 members. These households consist of extended

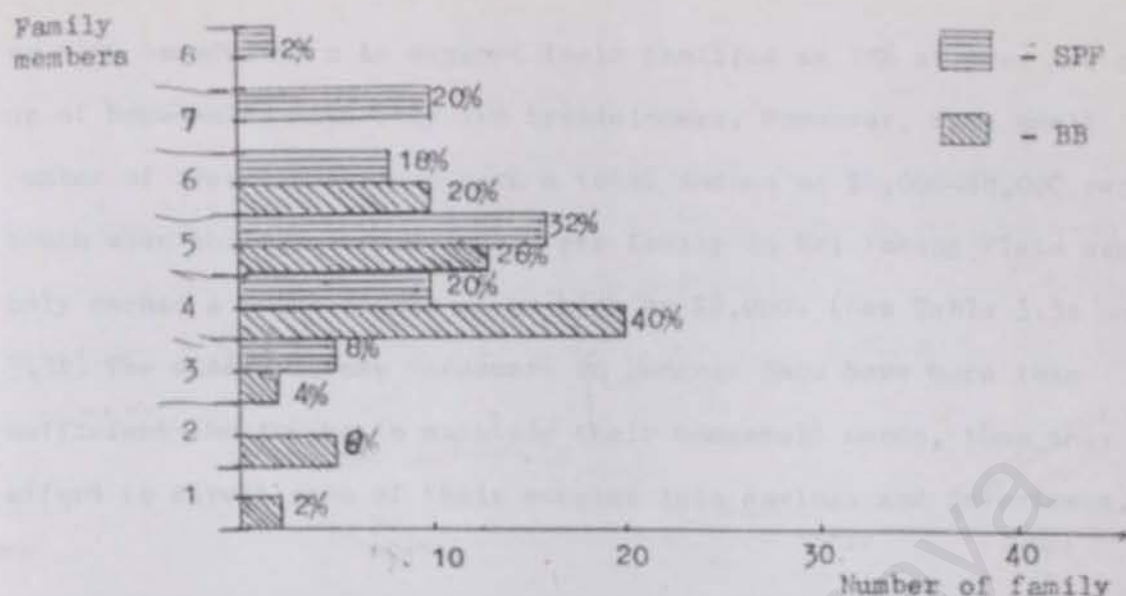


Figure 3.1 - Total Family Members per Family in SPF and BB

families. (See Table 3.1 above) The Table shows that the household heads in Sri Pahang Flats have more children than those in Bangsar Baru.

The respondents in Sri Pahang Flats need to have larger families as they need their children to help them to support their families. They rely on each family members to pull their resources together to meet their expenses, As a result they have the largest number of breadwinners per family. (See Table 3.2)

The Bangsar Baru respondents on the other hand can afford to keep their household small as their high income is sufficient to give them comfortable life. They do not depend on many family members to support their living needs or to give them security. Table 3.2 supports this fact that the middle-income respondents do not depend

on many breadwinners to support their families as 78% of them are made up of households with only 1-2 breadwinners. Moreover, this small number of breadwinners can earn a total income of \$2,000-\$8,000 per month when the five breadwinners per family in Sri Pahang Flats can only earned a total income of as high as \$2,000. (See Table 3.3a and 3.3b) The middle-income consumers in Bangsar Baru have more than sufficient the income to maintain their household needs, thus they can afford to direct some of their surplus into savings and investment.

The low-income respondents who have larger families have to spend a larger proportion of their income to support the needs of their members. In spite of the fact that they have more breadwinners in the family, it is found that their total income is just sufficient to meet their daily expenses. However, they can afford to purchase more electrical goods than those of them who have fewer breadwinners. This is because each of the breadwinners pull their resources together to purchase it for the comfort of the family.

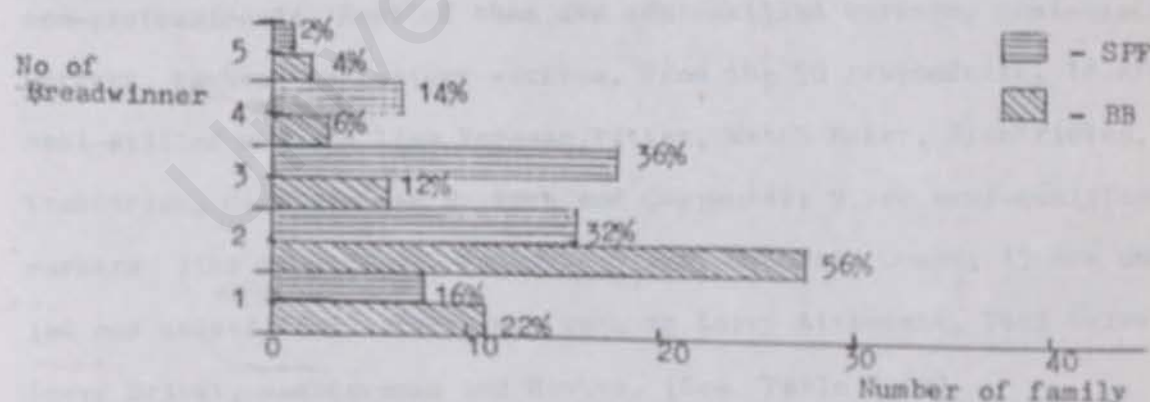


Figure 3.2 - Total Breadwinners per Family in SPF and BB

3.3 Occupation of the respondents

Occupation and education play an important role in forming the decision making of the respondents. Education and occupation of the respondents can form their values and perception of life, and also determine their purchasing power. As a result, it influence the consumer consumption pattern.

Household heads in Bangsar Baru are professionals, businessmen, graduates and skilled workers. (See Table 3.2b) Out of the 50 respondents, 19 are professionals like Engineer, Consultant, Lawyer, Accountant, Financial Controller, Architect, Evaluator and Chemist; 23 are in the business line; 4 are skill-workers. Most of the household heads are well-educated and English speaking. Even their family members are English speaking.

On the other hand, household heads in Sri Pahang Flats are non-professionals. Most of them are semi-skilled workers, semi-qualified workers, hawkers or factory workers. From the 50 respondents, 14 are semi-skilled workers like Foreman, Fitter, Watch Maker, Electrician, technician, Construction Workers and Carpenter; 9 are semi-qualified workers like Supervisor, Salesman, Clerk, Security Guard; 15 are unskilled and unqualified workers who work as Lorry Attendant, Taxi Driver, Lorry Driver, Washerwoman and Hawker. (See Table 3.2a)

It seemed that the low job held by the respondents are the results of their low education. The education which they received

Occupation	Number of Person
Fore man	4
Tailor	3
Fitter	1
Lorry Attendant	1
Pensioner	7
Taxi Driver	5
Watch Maker	2
Electrician	1
Hawker	6
Techician	1
Construction Worker	3
Carpenter	2
Junior Officer	1
Lorry Driver	2
Washer Woman	1
Clerk	1
Salesman	2
Civil Servant	3
Supervisor	2
Security Guard	1
Not Working	1
Total	50

Table 3.2 (a) - Sri Pahang Flats : Types of Occupation of Heads of Families.

controls their job, income and consumption pattern. Their low education makes them hold low jobs which pay very little, thus they have poor purchasing power. Their low education also makes them gullible consumers who are exploited by unscrupulous merchants. They are ignorant of their rights and always end up paying more for their merchandise, as they are always exploited.

.....27/-

Occupation	Number of Person
Businessman	2
Manager	7
Technician	1
Engineer	6
Consultant	2
Lawyer	3
Bank Officer	2
Bank Clerk	1
Director	1
Accountant	4
Executive	6
Remisier	1
Financial Controller	1
System Analyst	1
Architect	1
Tin Miner	1
Pensioner	1
Hospital Matron	1
Assistant Manager	1
Evaluator	1
Quality Controller	2
Chemist	1
Pilot	1
Administration Officer	2
Total	50

Table 3.2 (b) - Bangsar Baru : Types of occupation of Heads of Families

However, these do not occur among the middle-income consumers as this study shows that majority of them know their consumer's rights and laws. They admitted that they never hesitate to take action against unscrupulous merchants. So, by being able to take action against any

exploitation, they are protected from paying more for faulty goods or exorbitant priced goods.

Being educated or uneducated plays an important part in consumer consumption patterns. Education gives the educated consumer a better perception in perceiving what is good for them. The middle-income respondents who are educated are able to perceive into facts displayed in an advertisement and pay for goods according to its worth. However, the low-income consumers who are less educated usually get carried away by advertisements and are ignorant of the value of goods. Most of the time they purchase goods which catch their attention and at times end up buying something worthless. This is supported by the claims made by the low-income respondents who relate that they usually purchase goods according to advertisements that attracts them. Thus, the lack of sound education among the low-income consumers contributes to the reason why they pay more for their merchandise.

Information and knowledge also play an important role in consumption patterns. With information and knowledge, consumers are able to know the latest products in the market or where a sale will be held. And, the middle-income respondents being the more well-informed set know when a sale will be held and clutch a good bargain; so much so that they pay less for the merchandise that are bought at normal times. The low-income ^{respondents} who miss the sale will have to buy the goods at normal times where prices are much more higher. As a result they

pay more for the same kind of goods bought at sales.

3.4 Income of the respondents

Income here would mean total income of the family earned by all members in the family. In this context, income of the household is discussed in two sections-

- (a) the total income per family
- (b) the total breadwinners who contribute to the total family income.

Total household income in Bangsar Baru and Sri Pahang Flats are very contrasting. The highest category of income earned by Sri Pahang Flats respondents is the minimum income range of Bangsar Baru respondents. (See Table 3.3a & 3.3b) The income range in the places form a kind of income pattern where the low-income range in Sri Pahang Flats represent the lower end a slope, and the high income range in Bangsar Baru represent the upper part of the slope. So, when the slope represented by Sri Pahang Flats ends, the other begins. (See Diagram 3.1 below)

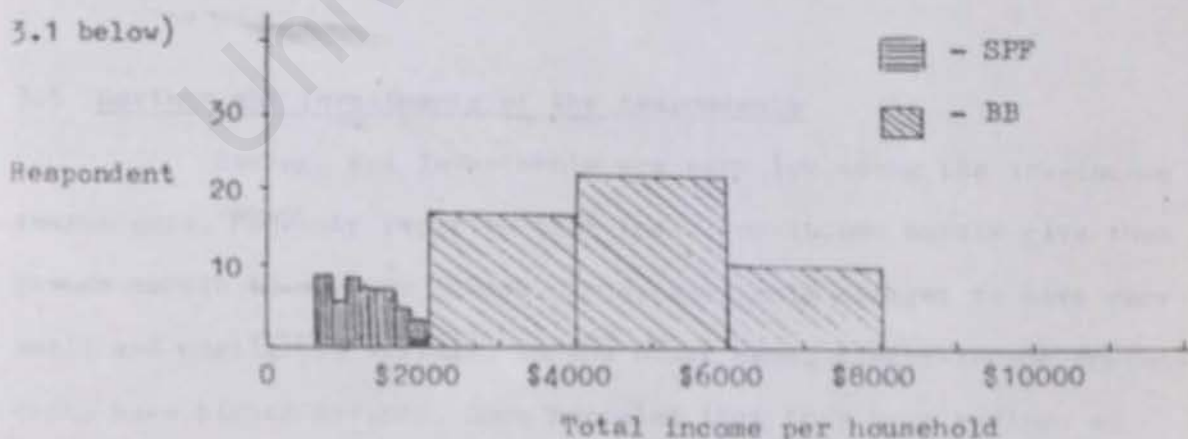


Diagram 3.1 - Combined income slope

.....30/-

In Sri Pahang Flats, 2% of the households with 3-5 breadwinners earned \$2000, which is the highest total income among the low-income respondents. While in Bangsar Baru, 6% with 2-3 breadwinners earned above \$12,000. (See Table 3.3a & 3.3b) In comparing the highest income earned in these two places, it is seen that the middle-income group have more cash liquidity and a higher standard of living. They have more to spare on expenditures and luxury goods than the low-income respondent as they have six times the purchasing power of the low-income respondents.

Table 3.3(b) shows that the total income per family increases gradually with the increasing number of breadwinners. Hence, the higher the total income per family does not imply that there are any excess money to spare. The income per capital among the low-income respondents is small compared to the income per capital of the middle-income respondent although their total income per family is high. This is because the high income per family is contributed by the large number of breadwinners.

3.5 Savings and Investments of the respondents

Savings and Investments are very low among the low-income respondents. Majority reported that their low-income hardly give them enough margin to save or invest. Thus, they only managed to have very small and negligible savings. On the other hand, middle-income respondents have higher savings. Some revealed that they have savings of

.....31/-

Income Per Family	Number of Breadwinner Per Family						Total
	1	2	3	4	5		
Below \$2,000	1 2%	-	-	-	-		1 2%
\$2,001 - \$4,000	7 14%	10 20%	-	-	1 2%		21 36%
\$4,001 - \$6,000	3 6%	13 26%	4 8%	2 4%	1 2%		23 46%
\$6,001 - \$8,000	-	3 6%	2 4%	-	-		5 10%
\$8,001 - \$10,000	-	-	-	-	-		-
\$10,001 - \$12,000	-	-	-	-	-		-
Above \$12,000	-	2 4%	1 2%	-	-		3 6%
Total	22%	56%	12%	6%	1 4%		100%
	11	28	6	3			

Table 3.3 (a) - Total income per family earned by the total
Breadwinners in Bangsar Baru

Income Per Family	Number of Breadwinners Per Family						Total
	1	2	3	4	5		
Below \$800	7 14%	2 4%	-	-	-	9	18%
\$801 - \$1,000	1 2%	3 6%	2 4%	-	-	6	12%
\$1,001 - \$1,200	-	6 12%	3 6%	-	-	9	18%
\$1,201 - \$1,400	-	3 6%	5 10%	-	-	8	16%
\$1,401 - \$1,600	-	2 4%	4 8%	2 4%	-	8	16%
\$1,601 - \$1,800	-	-	2 4%	4 8%	-	6	12%
\$1,801 - \$2,000	-	-	1 2%	2 4%	1 2%	4	8%
Total	16%	32%	36%	14%	2%	50	100%
	8	16	18	7	1		

Table 3.3 (b) - Total income per family earned by the total
breadwinners in Sri Pahang Flats

\$5,000 - \$10,000. Some even admitted that they also have investments in stocks and property. Thus, the middle-income respondents who have investments and better savings than the low-income respondent seem to conform to Engel Law. (which supports that a person's savings and investments increases together with the raise in income)

Chapter notes

1. The members of a conventional nuclear family go through a number of stages in the course of their lives known as the life cycle.
2. The family into which we are born is known as the consanguine family. The family formed by marriage is termed the conjugal family. The nuclear family is made up of a conjugal pair and their children.
3. The extended family consists of the nuclear family and their relatives.

CHAPTER IV

CONSUMPTION PATTERNS :

BASIC NECESSITIES

This chapter deals with the consumer consumption patterns for basic necessities. Basic necessities in this context cover food, utilities, transportation, rent and services used. In analysing and describing the consumer consumption on basic necessities, only the amount spent on basic necessities are accounted for. The quantity consumed is not considered at all as it is difficult to access the quantity used by each households.

4.1 Food

One of the largest expenditure in most budget is food. Purchase of food to be served at home is the largest item in the total personal consumption expenditure of an individual.

Determining the exact amount people spend on food is difficult because it depends on many factors. So, in this analysis of food consumption pattern, only amount spent on sundries, meat and vegetables are used to estimate the exact amount the respondents spend on food. Money spent on eating out are not included.

Table 4.1 shows that the low-income respondents pay a higher proportion of their income on food since their take-home income is small. Majority pay as high as 30% - 60% of their total income on food. The middle-income respondents pay very much less than the low-income

% Food/Total income	Bangsar Baru	% Food/Total Income	Sri Pahang Flats
2% - 6%	2	Below 30%	12
6.01% - 10%	19	30.01% - 40%	18
10.01% - 14%	15	40.01% - 50%	14
14.01% - 18%	8	50.01% - 60%	6
18.01% - 22%	4		
22.01% - 26%	2		

Table 4.1 - Percentage of income spent on food by respondents in
Bangsar Baru and Sri Pahang Flats

respondents. They pay only 2% - 26% of their income on food. The highest percentage of income paid by them seemed to be less than the lowest percentage of income paid by the low-income respondents. This consumption pattern conforms to the first law of Engel Law which states that the poorer the family, the greater the proportion of total spending goes for food purchases. This consumption pattern also shows that the middle-income who earned more have at least three times the purchasing power of the low-income consumers.

However, when the consumer consumption pattern on food is viewed in the light of total amount spent on food, it is seen that the middle-income respondents spend more money on food consumption. In Figure 4.1, it is seen that the middle-income respondents spend at least \$300 to \$1000 monthly on food. The amount spent on food increases with the family size, so the amount of \$300 spent by a small family of 1-2 members is considered rather high compared to the amount of \$300 which is spent among 3-4 members in Sri Pahang Flats. The middle-

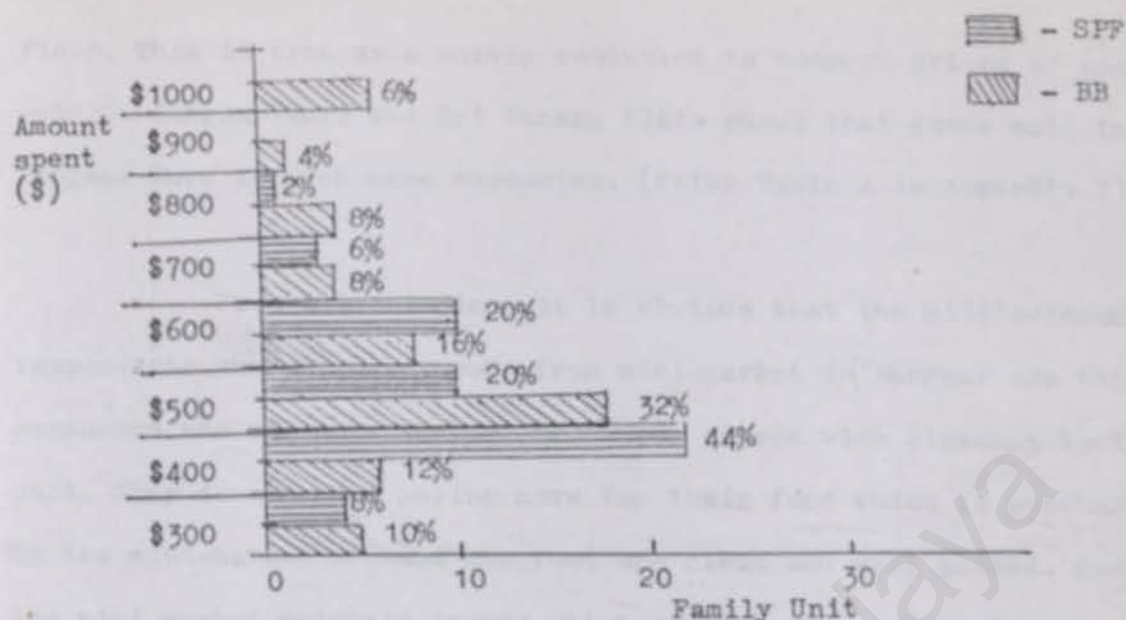


Figure 4.1 - Household monthly food expenses

income respondents spend more on food because they can afford to consume more and better quality food. Most of them relate that they are more incline to go for better quality food. So, the data and findings of this study support Engel Law. It confirms that as a person earns more he will spend more on food because he can afford to eat more and consume better quality food.

Another factor why the middle-income spend more on food is that majority of them prefer to purchase their food from mini-markets and wet markets in Bangsar. (See Table 4.6 in Appendix 1) Table 4.6 shows that 66% of Bangsar Baru respondents buy food from wet market in Lucky Garden while 90% buy food from mini-markets in Lucky Garden. In buying food in Lucky Garden in Bangsar, they have paid more because food sold there are much more expensive than food sold in Sri Pahang

Flats. This is true as a survey conducted to compare prices of goods sold in Bangsar Baru and Sri Pahang Flats shows that goods sold in Bangsar Baru is much more expensive. (Refer Table A in Appendix 1)

From this finding, it is obvious that the middle-income respondents who purchase goods from mini-market in Bangsar are those consumers who are more incline to favour stores with pleasant environment. They do not mind paying more for their food which is purchased in the mini-market because the food are clean and well packed. Moreover, the mini market maintain images which is more appropriate to their social status, so they prefer to shop there. They also prefer the mini-markets and market in Bangsar because the environment there is much more pleasant and cleaner than the traditional market in Kuala Lumpur.

Shopping in the mini-market will make the middle-income respondents pay more for their food in terms of service and facilities cost which is incurred in the prices of the goods. Where as the low-income respondents who usually shop in sundry shops are free from paying more for the services and facilities.

4.2 Utilities

Water, electricity and telephone are considered as utilities. The consumer consumption patterns on utilities will be analysed as individual utility like water, electricity and telephone in the following context.

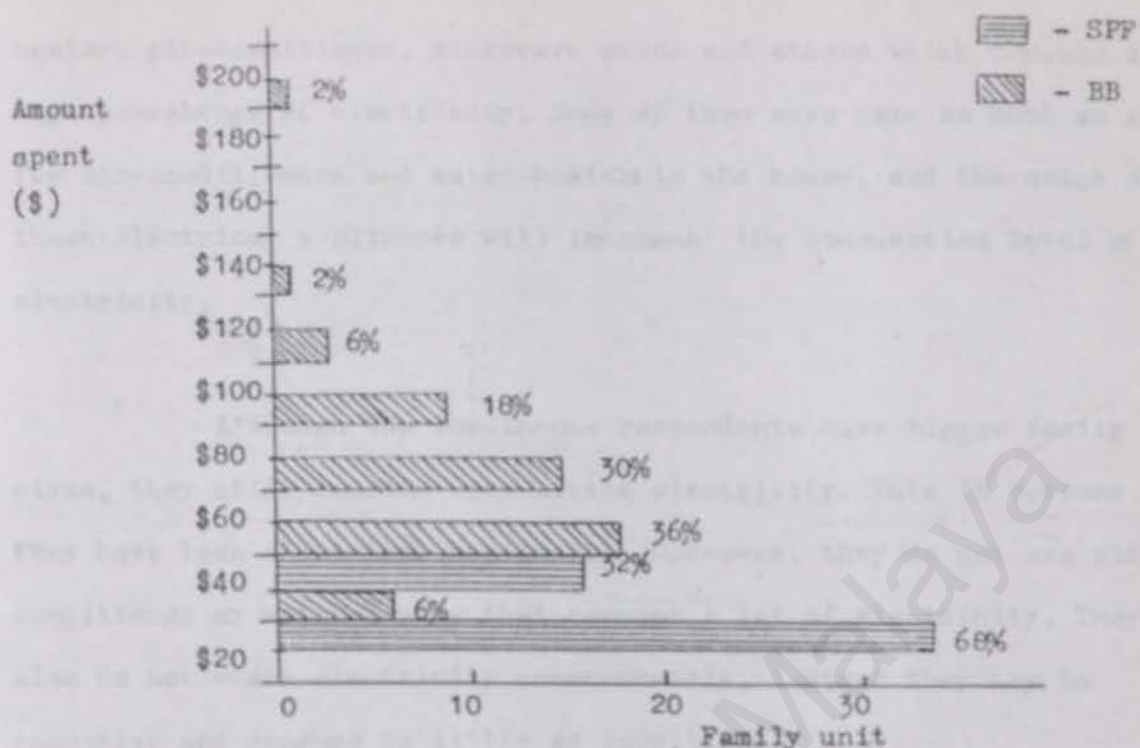


Figure 4.2 - Household monthly expenses on electricity

4.2(a) Electricity

Figure 4.2 above shows that the middle-income respondents spend more on electricity monthly. 94% spend \$60 - \$200 monthly on electricity consumption. The amount \$60 - \$200 is the highest amount spent by all the respondents in this study. The low-income respondents on the other hand spend below \$60 monthly on electricity. The highest amount spent by the low-income respondents seemed to be the lowest amount spent by the middle-income respondents. This means that majority of the middle-income respondents spend more on electricity consumption monthly than the low-income respondents.

The electricity consumption is high among the middle-income respondents because they own more electrical appliances like water-

heater, air-conditioner, microwave ovens and others which consume a high percentage of electricity. Some of them even have as much as a few air-conditioners and water-heaters in the house, and the usage of these electrical appliances will increase the consumption level of electricity.

Although the low-income respondents have bigger family sizes, they still consume very little electricity. This is because they have less electrical appliances. Moreover, they do not use air-conditioner or water heater that consume a lot of electricity. They also do not waste electricity unnecessarily, instead they try to economise and consume as little as possible.

In this high consumption of electricity among the middle-income respondents, it is found that their electricity expenses increase as the consumption level increases. This is because electricity charges will rise with the increase in consumption, for the more electricity one consumes the ¹rate of payment per unit will be higher.

4.2(b) Water Consumption

Figure 4.3 shows that the middle-income respondents with smaller families pay more for their water consumption. The low-income respondents are paying very much less than the middle-income respondents, 94% spend \$10 or less monthly on water consumption. The highest amount spent is only \$20. Where as the middle-income respondents on the average spend \$20-\$50 monthly on water consumption. On the average, they spend

39/-

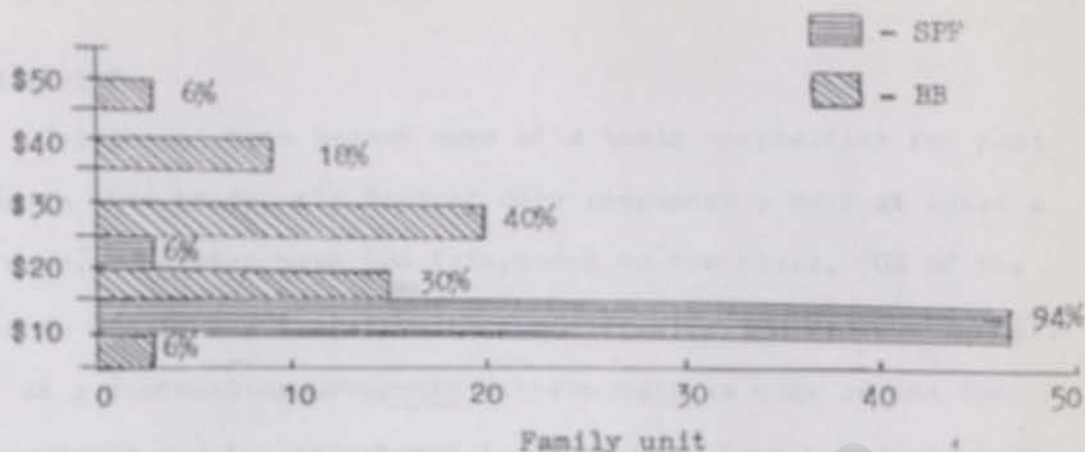


Figure 4.3 - Households monthly expenses on water consumption

double amount spent by the low-income respondents. A family of 3-7 members in Sri Pahang Flats spend only \$20 monthly on water consumption. However, a family of 3-6 members in Bangsar Baru spend \$20-\$50. This shows that the middle-income respondents with smaller families spend double the amount spent by the low-income respondents who have bigger families.

The middle-income respondents spend more on water consumption because they use water excessively. They use a large quantity of water to water the plants, wash their cars, clothes and house. Some even use bath-tubs which take up a lot of water. At times they waste water unnecessarily. The low-income consumers are less inclined to use water unnecessarily and their small limited flats do not allow them to grow a lot of plants. Thus no excessive water was used for watering plants. Moreover, their small flats do not need much water to keep it clean. It can be seen here that it is the life style and condition of living of the respondents which influence their consumption pattern on water.

4.2(c) Telephone

Telephones have become more of a basic necessities for most respondents in this study. All Bangsar Baru respondents have at least a telephone each. Some even have two telephones in the house. 70% of the respondents in Sri Pahang Flats own telephones while 30% did not install any. There is a contrasting ownership pattern here as none of the low-income respondents own two telephones in the house. Each household only has a telephone.

The middle-income respondents spend a lot on telephone consumption. Most of them pay as much as \$40-\$200 monthly. The amount of \$100-\$200 paid by the 30% from Bangsar Baru is the highest amount paid by the respondents in this study. The low-income respondents pay the lowest amount on telephone consumption. 44% of the 70% who own telephones pay only \$20 a month. This amount is the lowest charge on telephone as this amount is the basic telephone rental charged by Telecom.

On the average, the middle-income respondents pay as high as five times the amount paid by the low-income respondents. They have to pay more as most of them own two telephones in the house, and the rental for an extra extension phone is slightly higher than those of the normal rental of one telephone. They also pay more when they make trunk calls and long distance calls, and the high telephone expenses of \$100-\$200 monthly denote that they make such calls quite frequently. This high consumption on telephone also shows that they use the telephone as a luxurious form of communication to give them convenience and satisfaction.

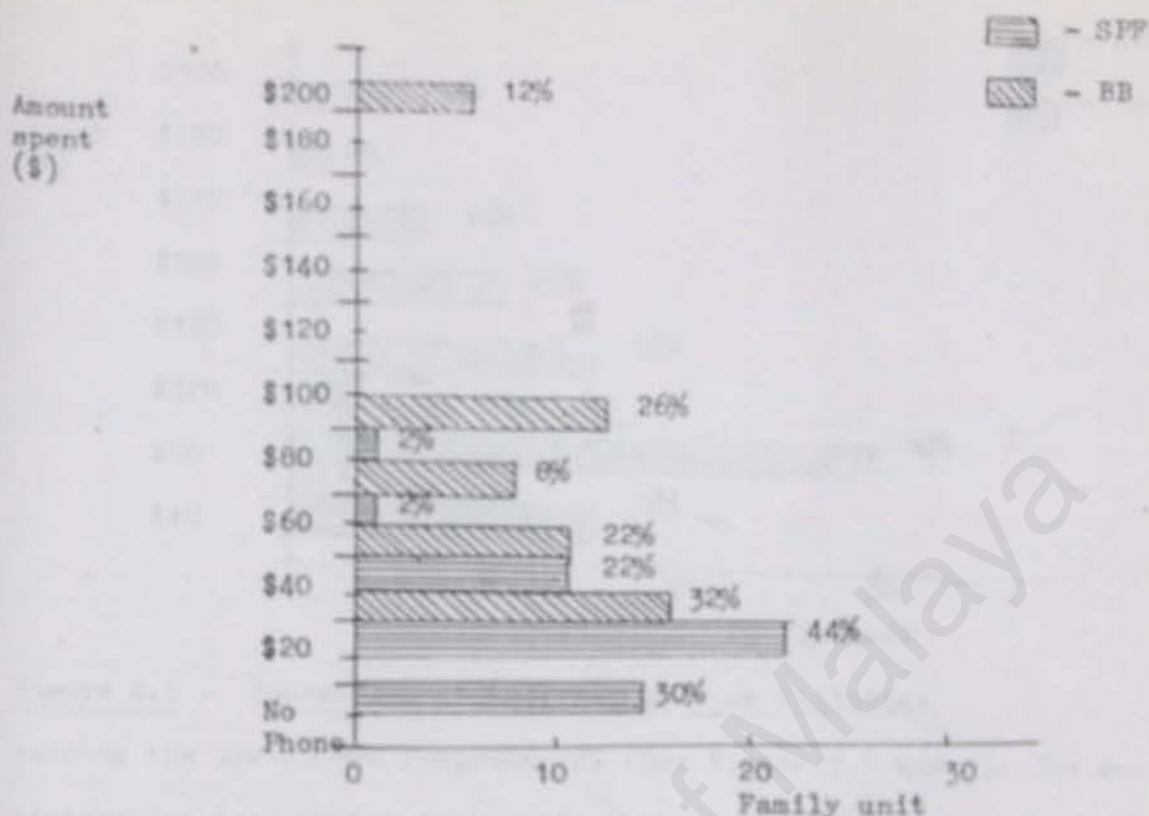


Figure 4.4 - Households monthly expenses on telephone

On the other hand, the low-income respondents who managed to keep their consumption as minimal as possible shows that they only use the telephone as an essential form of communication. They do not indulge in excessive usage of the telephone. Most of the time they try to use the phone when necessary and keep their conversation short and minimal within the 100 free calls of three minutes only.

4.2 Utilities

utilities on the whole (water, electricity and telephone) it was found that majority of the middle-income respondents spent more on utilities consumption. 80% of them spent \$160-\$320 monthly on utilities and this amount is higher than the highest amount of \$120

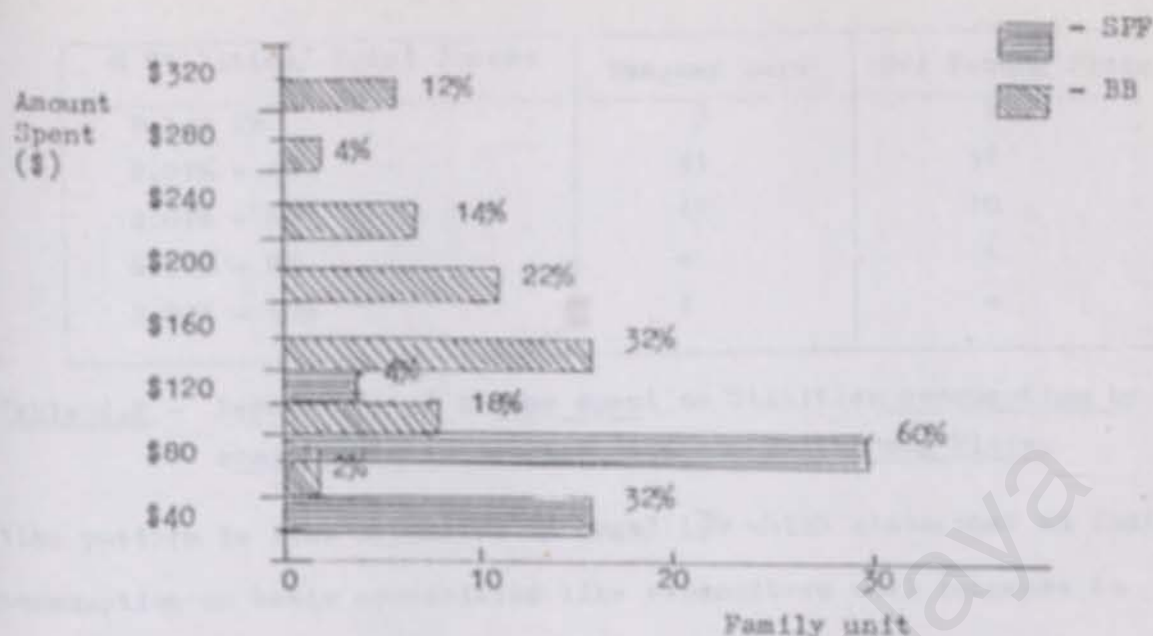


Figure 4.5 - Households monthly expenses on Utilities

paid by the low-income respondents. (See Figure 4.5 above). The most contrasting consumption pattern is that the highest amount spent by the low-income respondents is not even the lowest amount paid by the middle-income respondents.

Although the middle-income respondents spend more on utilities than the low-income respondents, but the payment of it relative to their income is almost the same as those paid by the low-income respondents. 31 households from Bangsar Baru and 32 households from Sri Pahang Flats spent 2%-4% of their total income on utilities. The percentage of income paid by the respondents in the two areas is rather similar and small in margin. This rather similar percentage of income paid for utilities by the respondents shows that consumer consumption pattern on utilities do not increase very much in proportion to the increase in income. This consump-

% Utilities/ Total Income	Bangsar Baru	Sri Pahang Flats
Below 2%	3	2
2.01% - 4%	31	32
4.01% - 6%	15	10
6.01% - 8%	-	6
8.01% - 10%	1	-

Table 4.2 - Percentage of income spent on Utilities consumption by respondents in Bangsar Baru and Sri Pahang Flats.

tion pattern is also supported by Engel Law which states that an individual's consumption on basic necessities like expenditure will increase to certain level and remain constant after a certain level.

4.3 Transportation

In this section on transportation the consumer consumption pattern will be analysed through the amount the respondents spend on their cars, motorbike, insurance, taxi fares and bus fares.

All respondents in Bangsar Baru have at least a car per household. 48% own at least a car, 44% own two cars, 6% own three cars and 2% own four cars. (See Table 4.1) In contrast, only 14% from Sri Pahang Flats own a car per household. Through this ownership of cars among the respondents, it is seen that respondents with more cars have to pay more for their transportation. They have to pay more for the high maintenance. Figure 4.5 shows that 80% of the middle-income respondents spend \$160 - \$320 monthly on transportation while the low-income respondents who own one car or motorbikes pay \$40 - \$120 monthly on transportation. The middle-income spend more on transportation because their cars

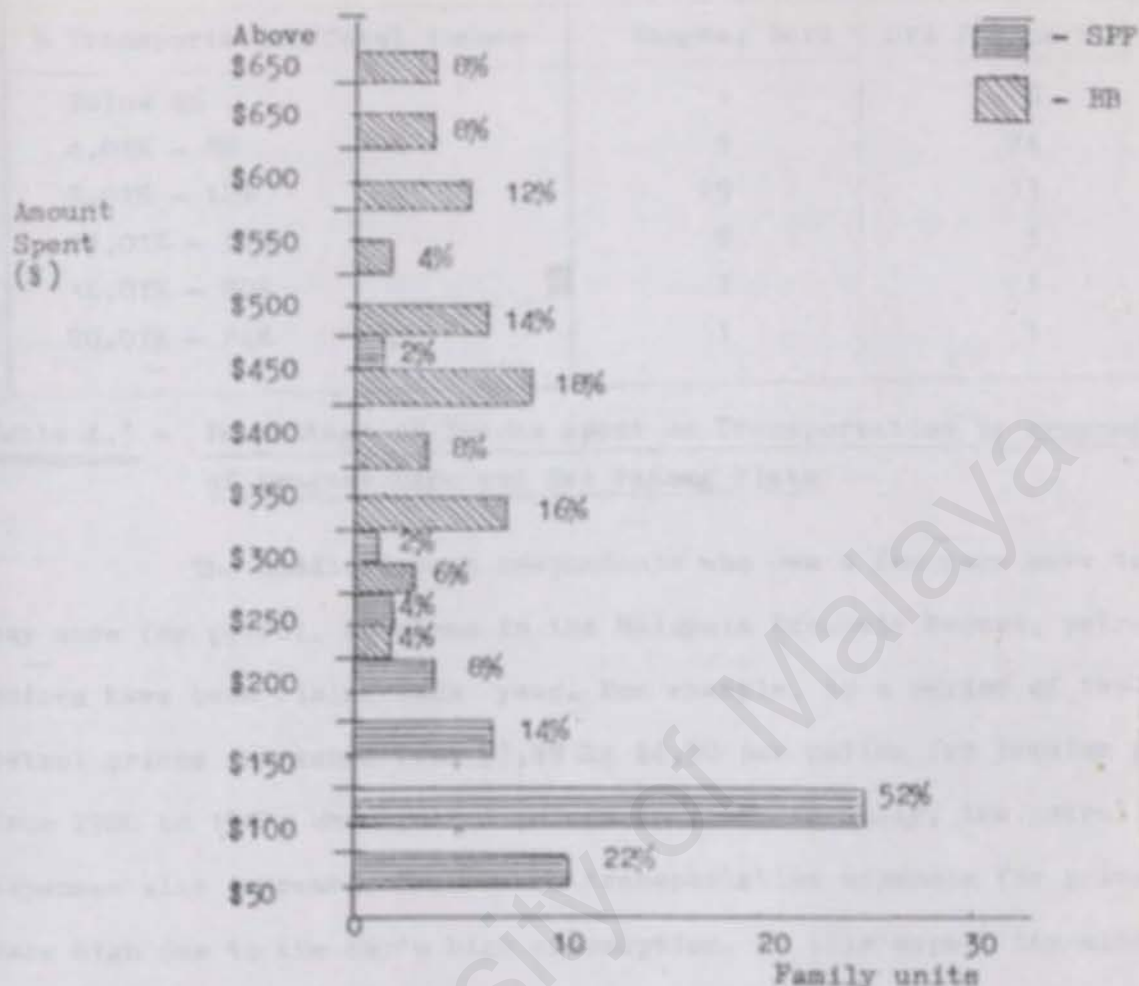


Figure 4.6 - Households expenses on Transportation

consume a lot of petrol and that their insurance and road tax is much higher than that of the motorbikes. Thus, they pay more for petrol, road tax, insurance and car services. Those with more cars have to pay even more. On the other hand, respondents in Sri Pahang Flats pay less for they rely on more on public transportation like buses and taxis. In addition, their motorbike consume very little petrol and the road tax and insurance is low. As for those low-income respondents who used cars, they pay less on transportation because majority of them own only one car.

% Transportation/Total income	Bangsar Baru	Sri Pahang Flats
Below 4%	1	6
4.01% - 8%	9	24
8.01% - 12%	29	13
12.01% - 16%	9	5
16.01% - 20%	1	1
20.01% - 24%	1	1

Table 4.3 - Percentage of Income spent on Transportation by respondents of Bangsar Baru and Sri Pahang Flats

The middle-income respondents who own a few cars have to pay more for petrol. As shown in the Malaysia Economic Report, petrol prices have been rising each year. For example, in a period of two years petrol prices increased from \$3.48 to \$4.90 per gallon for premium petrol from 1980 to 1982. When petrol prices increase annually, the petrol expenses also increase. This makes transportation expenses for private cars high due to the car's high consumption. In this aspect the middle-income pay more for petrol compared to the low-income respondents who uses motorbike.

Import duty on passenger cars which was increased by 10% from the last figure in 1984 shows that the middle-income respondents who tend to purchase new cars have to pay more than the low-income respondents who purchased secondhand cars. The middle-income respondents who like to purchase complete built-in passenger cars have to pay 90% to 100% on import duty as reported in the Economic Report in 1982/1984. This shows that the middle-income respondents who can afford to buy new cars or imported cars are actually paying more.

Beside paying more for petrol, the Bangsar Baru respondents who own big cars have to pay more for road transport fees for road tax increases according to the car engine capacity. The low-income respondents who either own small engine capacity car or a motorbike pay less for road transportation. In general, the findings show that the middle-income respondents who have more cars, imported cars and high engine capacity cars pay more for their transportation compared to the low-income respondents who own motorbikes, small engine capacity cars or Japanese made cars.

However, if the total transportation expenses are seen in proportion to the total income, it can be said that both parties are paying about the same proportion of their total income on transportation. (See Table 4.3)

4.4 Rent

In determining the monthly rent expenses of the respondents, it seemed obvious that the respondents in Sri Pahang Flats are the ones who have to pay rent as none of them own the flats since the flats are government flats. Whereas in Bangsar Baru, 94% of the respondents do not pay rent. This is because they own the houses they live in. Only 6% of them in Bangsar Baru rent houses, and they have to pay between \$1,000-\$1,500 a month for rent. The middle-income respondents who rent houses pay more for rent compared to those in Sri Pahang Flats who pay a nominal amount of \$72-\$95 a month.

% Rent/Total Income	Sri Pahang Flats
Below 6%	15
6.01% - 8%	20
8.01% - 10%	8
10.01% - 12%	6

Table 4.5 - Percentage of Income spent on Rent by respondents in Sri Pahang Flats

Figure 4.5 above shows that the low-income respondents pay 6% -12% of their total income on rent although the rent amounts to less than \$100 a month. However, the middle-income respondents who pay a total rent of \$1,000-\$1,500 a month do not pay such a high percentage of their income on rent as the low-income respondents. They pay a small percentage than 6%.

4.5 Entertainment

A large amount of money is spent on entertainment by the middle-income respondents compared to the low-income respondents. The average household in Bangsar Baru spent \$200 - \$350 a month on entertainment like video, sports, tennis, squash, swimming and so on. While the low-income respondents spent \$100 - \$200 a month on movies, video and etc. Here, it is seen that leisure activities and entertainment vary among the respondents of different class membership.

In terms of monetary figure, it is seen in Figure 4.7 that the middle-income respondents pay more for entertainment. Majority spent \$150 - \$400 a month while majority from Sri Pahang Flats spent \$50 - \$100 a month. However, in terms of proportionate income, the middle-income

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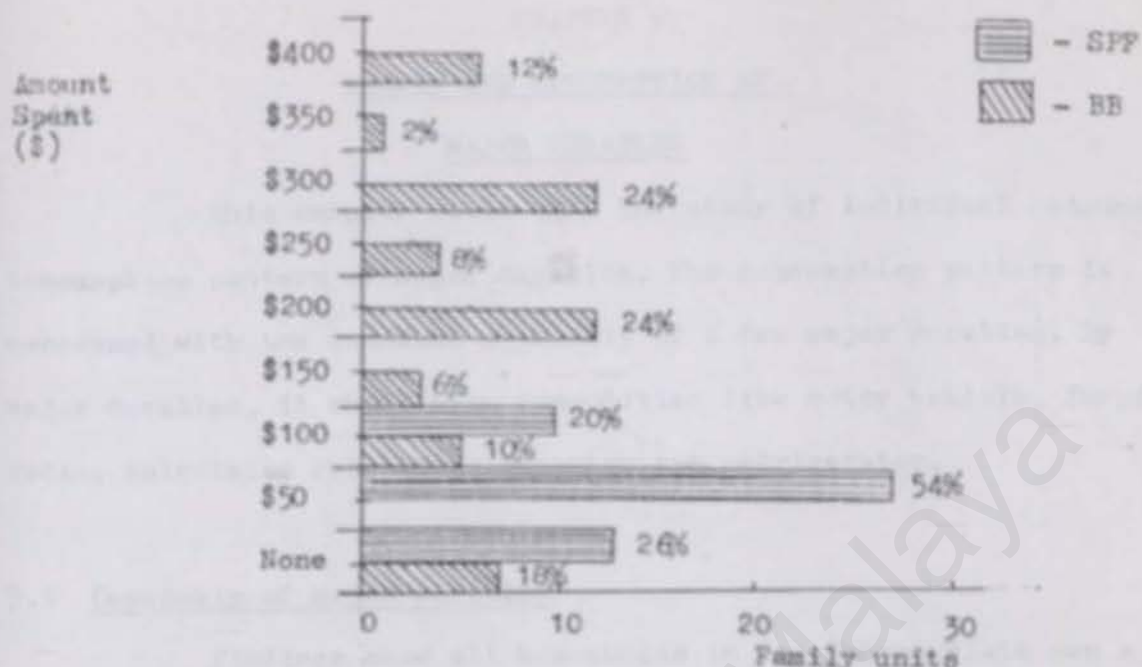


Figure 4.7 - Households monthly expenses on Entertainment.

respondents also pay more. Table 4.4 shows that they pay 8%-6% of their income on entertainment while majority in Sri Pahang Flats pay below 4%. In short, the middle-income group are the ones who spent more on entertainment and they are the ones who prefer to spend their leisure activities on sports and games beside video watching.

%Entertainment/Total Income	Bangsar Baru	Sri Pahang Flats.
Below 4%	14	18
4.01% - 6%	14	15
6.01% - 8%	9	3
8.01% - 10%	4	2
10.01% - 12%	1	-
12.01% - 14%	1	-
14.01% - 16%	1	-

Table 4.4 - Percentage of income spent on Entertainment by respondents in Bangsar Baru and Sri Pahang Flats.

CHAPTER V

DEMAND AND CONSUMPTION OF

MAJOR DURABLES

This chapter deals with the study of individual consumer consumption pattern of major durables. The consumption pattern is concerned with the consumer ownership of a few major durables. By major durables, it shall mean commodities like motor vehicle, furniture, radio, television set, video recorder and refrigerator.

5.1 Ownership of major durables

Findings show all households in Sri Pahang Flats own a television set and refrigerator. (See Table 5.1) Radio is also another commonly owned durable, 98% own a radio each. Video recorder is also another popular major durable among the low-income respondents. 78% own a set each, and this percentage of ownership is considered rather high.

About 58% of the respondents in Sri Pahang Flats own a motor vehicle. Out of the 58% who own motor vehicles, 44% own a motorbike. It seemed that motorbike is a very popular vehicle among the respondents. Cars are not popular as only 14% own cars. This low ownership of cars could be that cars are rather expensive and that it is beyond the means of most of the respondents to afford one.

The high ownership of television set and refrigerator among the low-income respondents show that such durables are more of a

Assets Owned	Sri Pahang Flats	Bangsar Baru	Number of Assets			
			1	2	3	4
Car	14%	100%	48%	44%	6%	2%
Motorbike	44%	4%	92%	8%		
Radio	96%	98%	98%			
Television	100%	100%	92%	8%		
Video Recorder	78%	100%	94%	6%		
Refrigerator	100%	98%	100%			
House	-	94%	94%			

Table 5.1 - Assets owned by the respondents

necessity than a luxury item. Refrigerator is the first priority of the respondents as most of them declared that the refrigerator is a basic household necessity.

On the other hand, ownership patterns of major durables in Bangsar Baru differ from those in Sri Pahang Flats. All the respondents own at least a car, television and a video set. Table 5.1 shows that 98% own at least a refrigerator and a video recorder. In actual fact, the figure for this ownership should be 100% instead of 98%. Data showed 98% because one of the respondent shares the video recorder set and refrigerator with other tenants, and these items were not counted for as durables purchased by the household head.

Majority of the respondents in Bangsar Baru live in their own house, only 6% are renting their present houses. The ownership pattern on motorbikes is the exact opposite of that in Sri Pahang Flats.

Only a small minority of 4% own motorbikes. On the contrary, majority own cars. All of the respondents own a car each, and some even have as much as 2-3 cars per household. Table 5.1 shows that 100% own cars. Out of this, 48% own a car per household, 44% own two cars, 6% own three cars and 2 % own four cars.

Vehicle ownership is very high in Bangsar Baru. The level of ownership is almost double the level in Sri Pahang Flats. However, there is not much difference in the level of ownership of other major durables. The difference is only very small and negligible. Based on this findings, it is evident that the standard of living of Sri Pahang Flats respondents is moderate and close to those of the middle-income respondents in Bangsar Baru.

5.2 Major Durables : Method of purchase

The method of purchase is important in determining the consumer consumption patterns on major durables. Hire-purchase and credit installment plan allow a consumer to buy more now and pay later. However, in the course of using hire-purchase and credit installment the consumer will have to pay more for the products in terms of high interest and prices. It is an expensive way to buy things as it always involve added charges. Beside that, consumer will not get a discount for the products and the goods will be priced higher than those bought through cash. So, in view of the pros and cons of purchasing through this method, we can now see how the consumers buy and also how much they can

Bangsar Baru Residents			Sri Pahang Plats Residents		
Assets	Installment	Cash	Assets	Installment	Cash
Car	82%	18%	Car	12%	2%
House	90%	4%	Motorbike	18%	26%
Television	-	100%	Television	22%	78%
Video set	-	100%	Video set	4%	74%
Refrigerator	-	100%	Refrigerator	8%	92%

Table 5.2 - Method of Payment for Assets

afford to buy, and what they can buy.

It is commonly believed that low-income groups are the ones who purchase goods through installment credit or hire-purchase because of their low liquidity. However, the findings of this study proved otherwise, as only a small percentage of the low-income respondents used this method of purchasing. Table 5.2 shows that only a minority used this method, 12% purchased cars through this method, 18% buy motorbikes through installment, 22% obtain their television sets by hire-purchase, 4% used hire-purchase to buy video recorder set, 8% purchased their refrigerator through the same method. Other than these people, the rest purchased goods through cash.

In contrast, none from Bangsar Baru buy through installment or hire-purchase plan. All of their electrical goods are bought through cash. Cars and houses are the only kind of major durables that are bought through installment. This is because most of them cannot afford to make

full payment on such expensive durables. Even if they can afford to pay, they refuse to do so because they are afraid they would be queried by the Income Tax Department. Thus, those who tried to evade income tax would buy their cars and houses through credit installment and hire-purchase. Beside that, some prefer to use credit installment or loan as they are eligible for government loan, company loan or credit facilities from the commercial banks or leasing firms.

From above, it is evident that credit installment and hire-purchase allow the low-income consumers to purchase expensive electrical goods and use them while paying for the installment or hire-purchase. This installment and hire-purchase plan help the low-income to increase their ownership of major durables, that is why in Table 5.1 it is seen that ownership of electrical goods are rather high among the low-income respondents.

Through this method of purchase both the middle-income and low-income respondents have to pay more for their goods. However, it is noted that the middle-income respondents pay more for their major durables. This is because the interest payment for the cars and houses bought by the middle-income respondents is very much higher than those of electrical goods bought by the low-income respondents.

5.3 Price patterns of major durables

Price patterns of major durables are also used in this chapter to determine the consumer consumption. Through the price

patterns, we can estimate the factors that influence the consumer consumption pattern, the kind of products they prefer and so on. Although the quality and quantity of the products are not discussed in depth, however the price of the products will determine the quality and quantity of the products concerned. This is to say, a product which is priced higher than other products of its kind is a product of a better quality and make. So with this in mind, the following context is set to deal with the price patterns of major durables bought by the low-income respondents and middle-income respondents.

5.4 Television

The data collected show that all households in Bangsar Baru and Sri Pahang Flats own at least a television each. (See Table 5.1) Television, thus becomes an essential item in a household rather than a necessity.

Most respondents in Sri Pahang Flats purchased television sets with prices ranging from \$1,000-\$2,000 and below. On the contrary, respondents in Bangsar Baru purchased television sets with prices ranging from \$2,400-\$3,000 (See Figure 5.1). The reason for this wide price range is that most Bangsar Baru respondents purchased their television sets when the prices were at their peak. Interview with the Bangsar Baru respondents revealed that most of them purchased their television sets when colour television was first introduced in Malaysia, and at that moment the prices of television sets were almost doubled the current prices. On the other hand, the Sri Pahang Flats respondents purchased their television sets at a lower price from \$1,000-\$2,000 when the

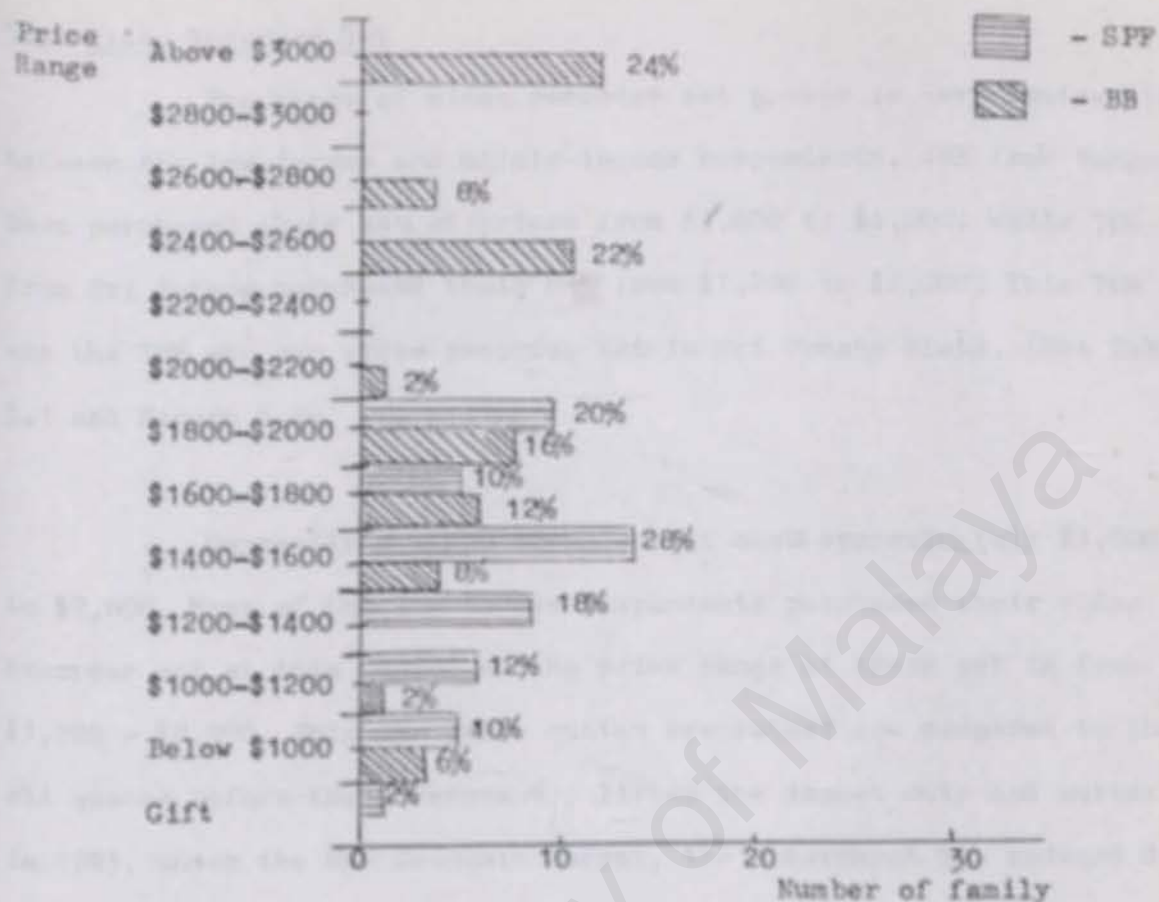


Figure 5.1 - Price Range of Television Set

import taxes on the item was lifted by the government. Another reason of being is that the middle-income respondents buy better quality sets with bigger television screens and make.

If we consider the timing of purchasing, it is obvious that the middle-income consumers pay more for the same kind of product which were purchased by the low-income consumers when the government uplifted the duty taxes. This timing of purchase also show that the middle-income consumers are more inclined to purchase simply for the new functional value of the colour television irrespective of the high price.

5.5 Video Recorder Set

The range of video recorder set prices is very contrasting between the low-income and middle-income respondents. 48% from Bangsar Baru purchased their sets at prices from \$2,000 to \$4,000. While 76% from Sri Pahang purchased their set from \$1,200 to \$2,000. This 76% are the 78% who own video recorder sets in Sri Pahang Flats. (See Table 5.1 and Figure 5.2)

Currently a video recorder set costs approximately \$1,000 to \$2,800. Most of the low-income respondents purchased their video recorder set at this period as the price range of their set is from \$1,200 - \$2,000. This new price quotes are rather low compared to the old quotes before the government lifted the import duty and surtax. In 1983, under the New Economic Budget, the government has reduced duty import on video recorder from 45% to 15%. Thus, the low-income respondents who bought their set around that period are paying 30% less for import duty.

In contrast, Figure 5.2 shows that the middle-income respondents buy their video recorder set at the price of \$2,000 to \$4,000 and above. This is to say that they go for better models and better quality video sets. However, after taking that into consideration it is still obvious that they are paying more for their set, as a better model and quality set does not cost twice as much as the current ones. Hence, the only explanation is that the high prices which they

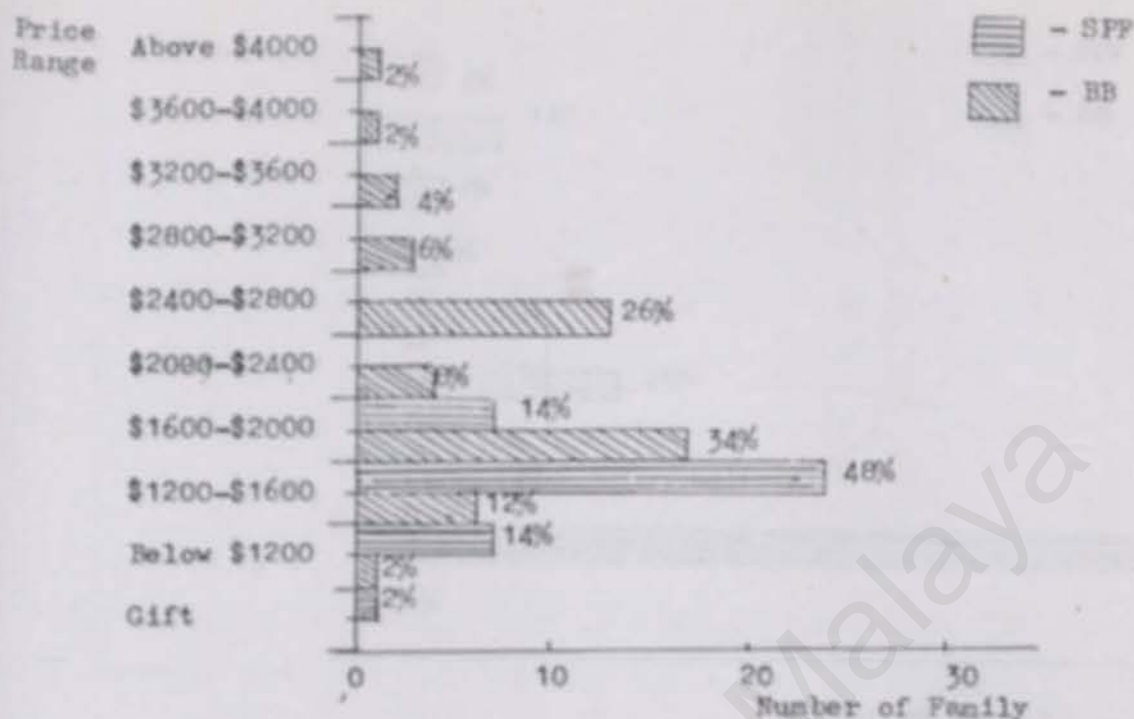


Figure 5.2 - Price Range of Video Recorder

pay for their set is due to the timing of purchase. That is, they purchased their sets when video recorder set was initially introduced to the Malaysian market. Thus, they are actually paying the 30% extra of import duty on the sets. At that moment, they are purchasing a much more expensive set and pay more for it in terms of import duty. Therefore, the middle-income respondents who goes for such luxury and prestigious entertainment (when video recorder was first introduced) pay more compared to the low-income respondents.

These findings show that middle-income respondents are more inclined to go for luxurious and prestigious products irrespective of the price of the products concerned.

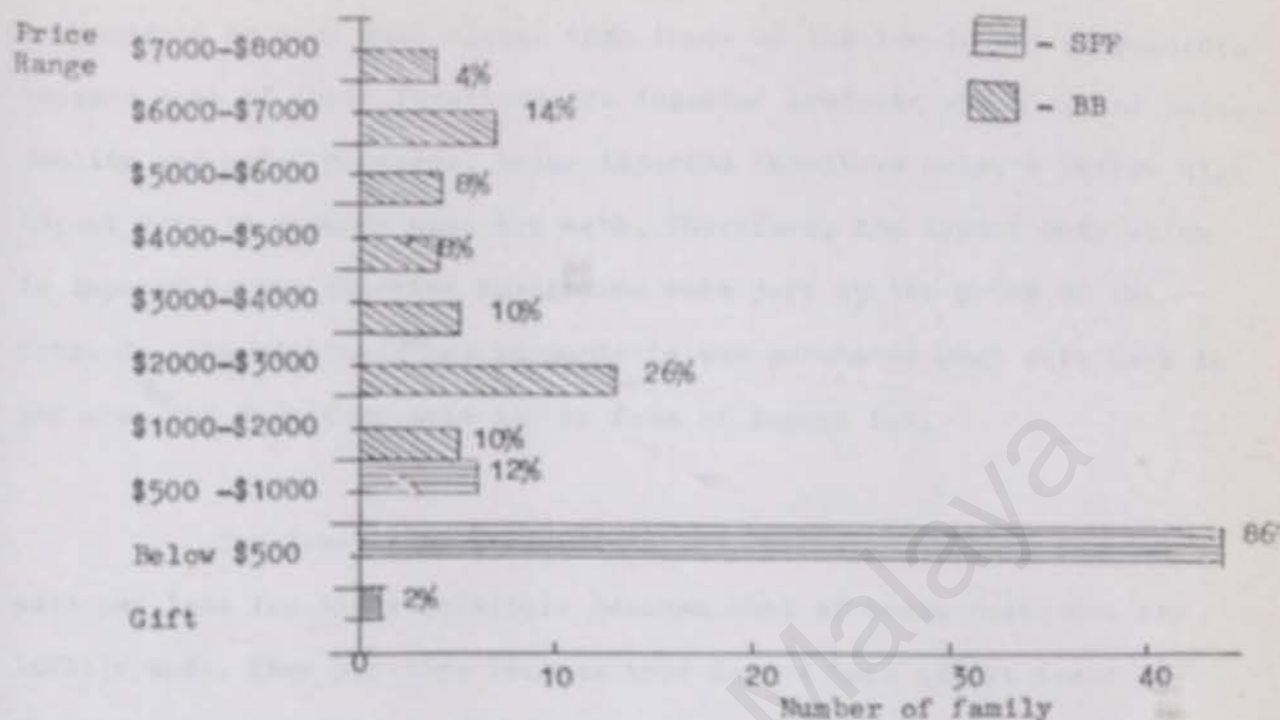


Figure 5.3 - Price Range of Furniture

5.6 Furniture

Figure 5.3 above reveals that the middle-income respondents are the ones who purchase expensive furniture, while the low-income respondents are more incline to purchase cheap and reasonably priced furniture. Most of the low-income respondents own furniture set below \$1,000 and the middle-income respondents possess furniture costing from \$1,000 - \$8,000. The middle-income respondents own furniture sets which are at least 8 times the value of the furniture sets own by the low-income respondents.

The value of the furniture set owned by the middle-income

respondents is very much higher than those of the low-income respondents because most of their furniture are imported products which are of better quality and made. Moreover, being imported furniture sets, a rather high import duty is imposed upon the sets. Therefore, the import duty which is imposed on the imported furnitures sets jets up the price of the sets. So, the middle-income respondents who purchased such sets have to pay more ^{for} the furniture sets in the form of import tax.

The low-income respondents who purchased cheaper furniture sets pay less for their furniture because most of their furniture are locally made. They pay less because they do not have import taxes on their furniture. Although the furniture of the low-income respondents are relatively cheaper than those of the middle-income respondents, it cannot be concluded that their furniture sets are of inferior quality. Their furniture sets are cheaper because they are locally made furniture sets, or that their sets are second-hand furniture.

The consumption pattern here is that the middle-income consumers are more inclined to go for imported furniture or luxurious furniture which command such a high price as shown in Figure 5.3. While the low-income respondents cannot afford to go for such expensive and luxurious furniture, instead they have to settle for the cheaper locally made furniture or used furniture.

5.7 Carpets

Majority of the respondents from Bangsar Baru own a carpet

per household. A total of 82% of them own carpets ranging from below \$200 - \$800. While the low-income respondents from Sri Pahang Flats pose to be the minority who own carpets. Out of the 50 households in the study, only 11 households own carpets. Their carpet prices range from below \$200 - \$600. (See Figure 5.4) It seemed that there is not much difference in price range of the carpets in both areas. The reason could be that the prices of carpets are rather fixed at certain range.

The only difference in the consumption pattern on carpets is that the respondents from these two areas purchased carpets of different make and different sizes which may result in this small difference in prices. However, it is seen that the price factor of the carpets is not good enough to show the consumption pattern on the purchase of carpets. So, together with the findings on price range of the

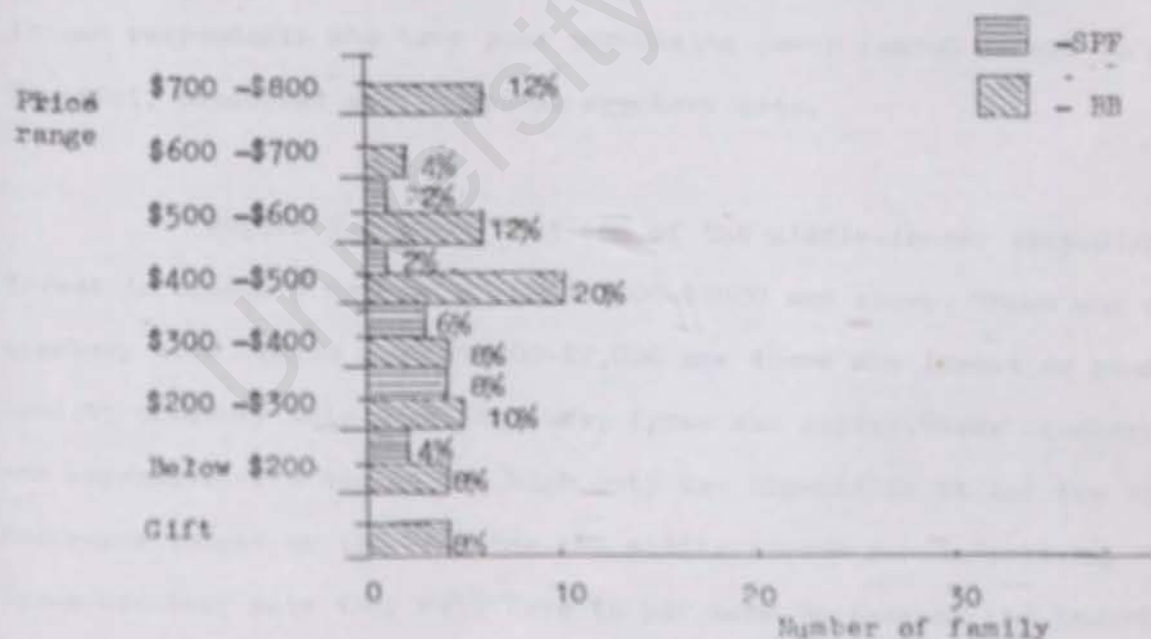


Figure 5.4 - Price Range of Carpets

carpets and observation made during the study, it can be said that the middle-income respondents in Bangsar Baru buy better quality carpets which is bigger in size and finer in texture compared to those bought by the low-income respondents.

5.8 Crockery Sets

When it comes to crockery sets it is obvious that the middle-income respondents are the ones who can afford to have better quality and imported sets. Majority of them own crockery sets like Noritake, Ansley and Pyrex which are high quality expensive sets. On the contrary, the low-income respondents purchased cheap local made or China made crockery sets. Some of them do not consider their cheap sets as crockery sets as when questioned about their crockery sets, a handful of them reported that they have none at all. This contrasting pattern shows that the low-income respondents who have poor purchasing power cannot afford to go for fanciful, beautiful and luxurious crockery sets.

Figure 5.5 shows that 60% of the middle-income respondents invest in crockery sets which cost \$200-\$2000 and above. Those who own crockery sets which cost \$1,400-\$2,000 are those who invest in good quality crockery sets like Noritake, Pyrex and Ansley. These crockery sets are expensive sets due to the high duty tax imposed on it and the high insurance bought on it. So, when the middle-income respondents buy these crockery sets they will have to pay more because of the insurance charges and duty tax which is calculated into the selling price of these sets.

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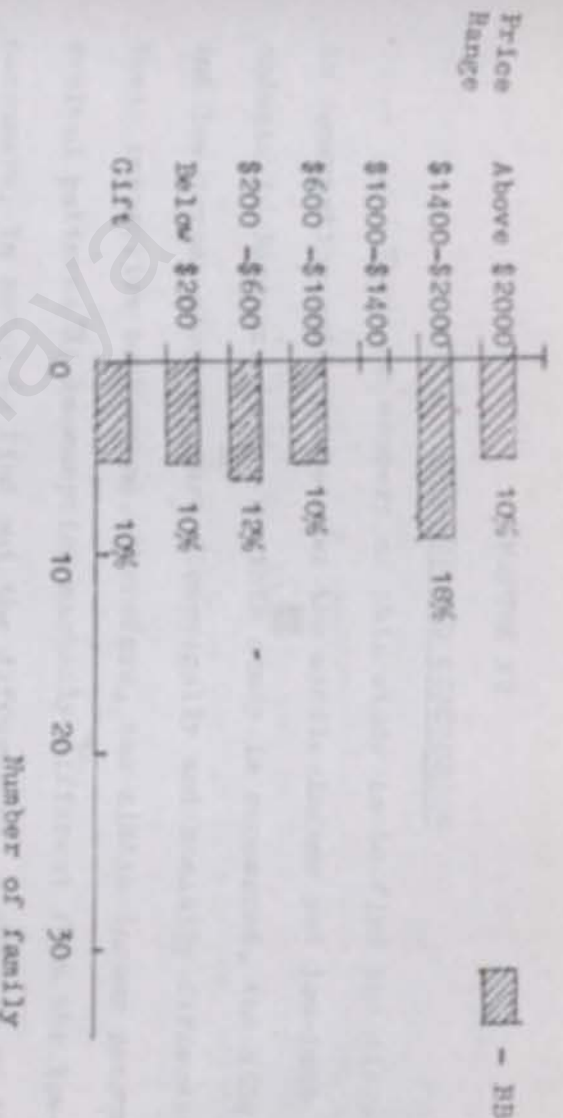


Figure 5.5—Price Range of Crockery Sets.

5.9 Conclusion

It is found that major durables are not purchased simply for their functional values, but also sometimes primarily for the social and psychological meanings they convey. Goods like carpets, furniture, crockery sets and cars are seldom chosen for utility purposes alone, but rather for the prestige or class that they confer upon their owners. Herein, we can see that the consumption patterns of major durables in this chapter show that the middle-income respondents buy expensive and imported major durables more for the image and association of achievement that go with it. The behavioural theory, social psychological theory and achievement motivation theory confirms this attitude of consumption found in this chapter.

Chapter Notes

1. Laporan Ekonomi 1983/84, Kementerian Kewangan Malaysia. (Kuala Lumpur: 1983, Jabatan Percekapan Negara)

CHAPTER VI

SUMMARY AND CONCLUSION

The main concern of this study is to find the differences in consumption patterns between the middle-income and low-income respondents in Bangsar. As far as this study is concerned, the middle-income and low-income consumers are economically and socially different in their respective background. Therefore, the middle-income consumers will evolved patterns of consumption markedly different from the low-income consumers. In order to find out the differences, a summary of the main conclusion from each chapter will be done. In addition, a general view and comments on consumer consumption pattern will be given.

6.1 Summary

In this study, several factors such as income, age, place of residence, education and background need to be considered to determine the use and behaviour of consumption. To a large extend, the total income received by a consumer will determine his consumption patterns. Education and occupation which define the consumer's social status in society are also important factors which will determine the consumer's choice and consumption. Findings revealed that the middle-income consumers are those with high income, sound education and respectable profession. Consequently, they are classified as those with high social status. On the contrary, the low-income consumers with low-income, low-education, and unskilled jobs are considered as those with low social status in society. And, it is found that these two categories of consumers will develop a totally different consumption pattern which is appropriate to their social status.

The findings on food consumption pattern in this study conform to Engel Law. It shows that the low-income families spend a large percentage of their income on food. They pay 30%-60% of their income on food, while the middle-income families with higher income spend as little as 2%-26% of their income on food. This contrasting percentage of income paid on food by the families shows that the middle-income consumers have at least three times the purchasing power of the low-income consumers.

In determining the amount of money the respondents spend on food consumption, it is found that the amount of money spend on food by the middle-income consumers is backed by Engel Law. The middle-income consumers increase their food consumption as they have higher income, whereas the low-income consumers who have low income did not increase their food consumption. The middle-income consumers can afford to increase both the quality and quantity of their food. Consequently, they spend a large amount of money on food. Majority of them spent as much as \$600-\$1,000 monthly on food consumption.

This study also revealed that a majority of the middle-income consumers preferred to shop in mini-markets and supermarkets. 66% buy from mini-markets. In the mini-markets and supermarkets, the middle-income consumers go for prepackaged and convenience products. As such, they have to pay more for their food which is purchased there. Moreover, they have to pay more because the food sold in Bangsar Baru is more expensive than food sold in Sri Pahang Flats (due to locality).

On the other hand, the low-income consumers appear to place more emphasis on fairly low-cost fresh staple items than on prepackaged or convenience products. They tend to shop in Sri Pahang Flats wet market and the Kuala Lumpur central market where food sold there are relatively cheaper. This contrasting difference in consumption pattern is due to the fact that the middle-income consumers buy from the mini-markets and supermarkets which is assumed to reflect their social status. The achievement motivation theory also explains this kind of behavioural consumption patterns among those who tend to show their social status in society.

Regarding utilities consumption, the middle-income consumers consume a large quantity of utilities. They consume a high quantity of electricity, water and telephone. It is their high life style and condition of living which constitute this high consumption of utilities. In the process of consuming more utilities, they middle-income consumers have to pay more in terms of amount. However, in payment relative to income, they seemed to be paying about the same percentage as the low-income consumers. This similarity in percentage of utilities consumption relative to income is due to the fact that a person's consumption on basic necessities can only rise with the increase of income to a certain level only, and after this certain level the consumption will remain constant. Engel Law on basic goods also explains this condition of consumption.

As far as transportation is concerned, the middle-income

consumers spend more. They spend more because majority of them own high engine capacity cars which have high petrol consumption. Moreover, the road tax and insurance payments for such cars are also high. As a result, they spend more than the low-income consumers who used motorbikes and public transport. Another factor which contributes to this high consumption of transportation is the high ownership of cars among the middle-income consumers. This is to say, the more cars a family have the higher is the household expenses on transportation.

In terms of entertainment consumption, it is found that the middle-income consumers pay more for their entertainment in terms of amount spent and in proportion to income. This consumption pattern on entertainment of the middle-income consumers differ from that of the low-income consumers as majority of them spend a lot of money on leisure activities like sports, games and recreation in private clubs. On the contrary, the low-income consumers spend a nominal amount of money on entertainment like video shows, movie shows and television shows.

It was surprising to find that a great number of the low-income consumers own almost all of the major durables owned by the middle-income consumers. The only difference in this ownership pattern is that the middle-income consumers have more major durables than the low-income consumers. This small difference of ownership of major durables among the middle-income and low-income consumers shows that the standard of living in Sri Pahang Flats is moderate and close to those of the middle-income consumers in Bangsar Baru.

The findings shows that a small minority of the low-income consumers buy through hire-purchase or installment. On the average, it is found that 13% of the low-income consumers bought their cars, motorbikes, televisions, video recorder sets and refrigerators through hire-purchase and installment credit. The rest of the low-income consumers purchased their major durables through cash. On the other hand, it is found that majority of the middle-income used installment credit, hire-purchase and credit loan to purchase major durables like cars and houses. All other major durables beside cars and houses are bought through cash.

It seemed that the middle-income consumers pay more for their purchases of televisions and video recorder sets. The middle-income consumers pay more in term of prices of the goods concerned as majority of them purchased their television sets and video recorder sets when such goods were first introduced into the Malaysian market and at that moment the prices of such goods were high. As such, the middle-income consumers who purchased their television sets and video recorder sets during that time have to pay more for the high import duty, surtax and sales tax imposed on the goods. However, the low-income consumers buy such goods when it is cheaper (when the government lift or reduce the import tax, surtax and sales tax imposed on such goods). Therefore, in this context it is obvious that the time of purchasing is the factor that cause the middle-income consumers to pay more for their goods in terms of prices.

High quality imported furnitures, carpets, crockery sets

and cars seemed to be the main major durables pursued by the middle-income consumers to boost their image or to reflect their good tastes, achievements and success in life. They purchased such expensive major durables not for utility value alone, but for the prestige or status which is associated with the owners. This kind of consumption conforms to the achievement motivation theory which explains that consumers go for expensive high quality products to reflect their status, self-image as well as their financial well-being. On the other hand, the low-income consumers buy major durables solely for the utility value. Cheap and locally made major durables or secondhand major durables are bought by them solely for utility value, and they do not purchased any expensive high quality major durables.

On the whole, it was found that three sets of conditions caused consumption patterns to differ among consumers. Needs and preference for various consumer products, the resources available and the cost of goods are conditions which influence the consumer consumption behaviour. Income of the consumers which give them different purchasing power is the main factor which controls the consumers' level of consumption. It determines the types of products the consumers can afford, the amount of money the consumers can spare on certain products and the capacity of the consumers in purchasing major durables. On the other hand, the cost of the products will determine the consumption pattern of the consumers according their purchasing capacities and values (such as prestige and class which is associated with expensive goods).

main factors that influence a large proportion of the consumer consumption decisions. This is because every consumer is categorized in society according to their social status and station of life, and they have to act or evaluate things in this dimension of their lives. Therefore, differences between the consumers social status or background caused a wide range of products usage patterns, preferences and needs of the consumers. The middle-income consumers who are in a higher station of life will evolved patterns of consumption markedly different from the low-income consumers. They are more inclined to go for luxurious, high quality products which confer prestige and class upon the owners.

In conclusion it is found that the consumption patterns of the consumers conform to both the Behavioural theories and economics theories. The consumers purchased goods for both the economical and psychological meanings which the goods convey. It have been noted that the middle-income consumers in particular, purchase major durables simply not for functional value, but sometimes primarily for the social and psychological meaning they convey. In addition, the middle-income consumers consume high level of consumption on utilities, transportation, and entertainments solely for the comfort, convenience and satisfaction that such items confer. As for the low-income consumers, it seemed that they purchased goods solely for utility value and not for social or psychological meaning of the goods.

6.2 Recommendations

On the basis of the findings in this study, three recommen-

dations are proposed. The first recommendation in the list is that we should look at the consumer consumption patterns in the context of the consumer social class in the future. It is useful to look this aspect as social class is still one of the main factors that influence the consumption patterns of an individual. Social class still remain as one of the widely influential source of our values and behaviour in society, thus it is a good area to investigate to give us a better perceptive of the consumer and his world of consumption.

The second recommendation is to further improve the field of consumer behaviour for public policy making. The government who are public policy makers can benefit from greater knowledge of consumer and his activities through the study on consumer behaviour and consumer consumption patterns. Through these studies, the government can decide what are the areas to be considered for future commercial growth or tax purposes.

This study on consumer consumption patterns would be helpful in conducting and analysing future consumer researches. The knowledge generated by studying the consumers can serve as data for research programs designed to improve decision making abilities of consumers regarding products and services. It can also provide some possibilities for market segmentation policies to be planned and implemented.

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