THE IMPACT OF SOCIAL REPRODUCTION, SOCIAL CLASS AND PRICE ON HOUSEHOLD DEBT IN DEVELOPING COUNTRIES

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THE IMPACT OF SOCIAL REPRODUCTION, SOCIAL CLASS AND PRICE ON HOUSEHOLD DEBT IN DEVELOPING COUNTRIES

by

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LIST OF ABBREVIATIONS

ADF	Augmented Dickey-Fuller
AIC	Akaike Information Criterion
ARDL	Autoregressive Distributed Lag
BNM	Bank Negara Malaysia
CC	Conspicuous Consumption
CUSUM	Cumulative Sum
CUSUMSQ	Cumulative Sum of Square
ECM	Error Correction Model
GDD	Global Debt Database
GDP	Gross Domestic Production
GFC	Global Financial Crisis
HCPI	Headline Consumer Price Index
HHD	Household Debt
IB50	Bottom 50% Income Class
IMF	International Monetary Fund
IP90	Top 10% Income Class
IP99	Top 1% Income Class
LCM	Life Cycle Model
MFIs	Microfinance Institutions
OECD	Organisation for Economic Co-Operation and Development
PIH	Permanent Income Hypothesis
PP	Phillip-Perron
PRC	Price
RIH	Relative Income Hypothesis
SBC	Schwarz Bayesian Criterion

SC	Social Class
SFIs	Specialized Financial Institutions
SR	Social Reproduction
US	United States
UTCC	University of the Thai Chamber of Commerce
VAR	Vector Autoregressive
WB50	Bottom 50% Wealth Class
WID	World Inequality Database
WP90	Top 10% Wealth Class
WP99	Top 1% Wealth Class

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KESAN PEMBIAKAN SOSIAL, KELAS SOSIAL DAN HARGA KE ATAS HUTANG ISI RUMAH DI NEGARA-NEGARA MEMBANGUN

ABSTRAK

Hutang isi rumah ialah alat untuk merangsang pertumbuhan ekonomi, meningkatkan kewangan, membasmi kemiskinan, dan mengurangkan jurang pengagihan pendapatan. Walau bagaimanapun, dengan liberalisasi pasaran kewangan, hutang mula meningkat dengan stabil. Arah aliran ini mempercepatkan dan membawa kepada krisis kewangan global pada tahun 2008. Pakar dan organisasi antarabangsa telah memerhatikan peningkatan mendadak dalam tahap hutang isi rumah di negara membangun, menandakan bahawa hutang isi rumah di negara ini telah mencapai tahap optimum yang boleh menghalang pertumbuhan ekonomi masa depan. Memandangkan perubahan dalam landskap ekonomi dan pada masa yang sama penjimatan, isi rumah terdorong untuk menggunakan kredit untuk melicinkan atau mengekalkan penggunaan mereka. Oleh itu, kajian ini bertujuan untuk menyiasat faktor penentu hutang isi rumah dengan mengkaji pembiakan sosial, kelas sosial dan harga dengan menggunakan data tahunan dari negara membangun menggunakan analisis model Auto Regresif Lat Tertabur *(ARDL).* Penemuan tesis mengesahkan bahawa pembiakan sosial memberi impak positif ke atas hutang bagi majoriti negara membangun; sementara itu dapatan kajian kelas sosial mendapati bahawa kelas sosial tinggi menunjukkan kesan positif dan signifikan ke atas hutang; manakala kelas sosial rendah menunjukkan kesan negatif dan signifikan ke atas keberhutangan bagi kebanyakan negara. Tambahan pula, kajian ini juga mengesahkan bahawa harga memberi kesan positif terhadap hutang isi rumah di kebanyakan negara. Bagi mengurangkan hutang isi rumah dengan berkesan di negara membangun, pendekatan dasar komprehensif yang mengutamakan

peningkatan pembiakan sosial, menyelesaikan ketidakseimbangan kelas sosial dan mengawal kestabilan harga diperlukan. Pertama, kerajaan harus menilai semula dan meningkatkan sokongan yang disasarkan dalam sektor sosial-ekonomi untuk mengurangkan pergantungan pembiakan sosial isi rumah kepada hutang. Di samping itu, dasar percukaian progresif boleh menghalang isi rumah berpendapatan tinggi daripada menanggung hutang yang berlebihan. Tambahan pula, menggalakkan pencukaian mewah boleh mengurangkan pengumpulan hutang dalam kalangan isi rumah kaya. Bagi golongan berpendapatan-kekayaan rendah, garis panduan pemberian pinjaman harus disemak untuk menambah baik akses dan menggalakkan peminjaman yang produktif. Kenaikan harga yang membawa kepada keberhutangan boleh dikurangkan dengan menggalakkan persaingan dalam sektor utama yang mengurangkan kos dan meningkatkan pilihan pengguna. Menyediakan bantuan yang disasarkan untuk komponen perbelanjaan yang semakin meningkat boleh mengurangkan beban kewangan kepada kumpulan yang terdedah.

THE IMPACT OF SOCIAL REPRODUCTION, SOCIAL CLASS AND PRICE ON HOUSEHOLD DEBT IN DEVELOPING COUNTRIES

ABSTRACT

Household debt is a tool to stimulate economic growth, enhance financialization, eradicate poverty, and reduce income distribution gaps. However, with the liberalization of financial markets, debt started to rise steadily. This trend accelerated and lead to global financial crisis of 2008. Experts and international organizations have observed a dramatic increase in household debt levels in the developing countries, signalling that household debt in these countries has already reached the optimum level that can hinder future economic growth. Given the changes in the economic landscape and simultaneously the austerity, households are tempted to use credit to smooth or maintain their consumption. Hence, this study aims to investigate the factors determining household debt by examining social reproduction, social class and price by utilized annual data from developing countries using the Autoregressive Distributed Lag (ARDL) estimation. Thesis finding confirms that social reproduction impact positively on debt for majority developing countries; meanwhile social class results revealed that high social classes show positive and significant impact on debt; while low social class show adverse and significant impact on indebtedness for majority of the countries. Furthermore, the study also confirmed that price is positively impact household debt in majority of countries. To effectively reduce household debt in developing countries, a comprehensive policy approach that prioritizes improving social reproduction, resolving social class imbalances, and regulating price stability is required. First, governments should reevaluate and increase targeted support in social-economic sectors to reduce households' social reproduction

dependency on debt. In addition, progressive taxation policies can deter high-income-wealth households from taking on excessive debt. Furthermore, promoting the luxury taxation can mitigate the accumulation of debt among affluent households. As for the low-income-wealth class, lending regulations should be revised to improve access and encourage productive borrowing. Price increases that lead to indebtedness can be mitigated by encouraging competition in key sectors that reduce costs and increase consumer choices. Providing targeted assistance for growing expenses components can lessen the financial burden on vulnerable groups.

CHAPTER 1

INTRODUCTION

1.1 Overview

Household debt is a catalyst for consumption and investment, stimulating economic growth (Cohen, 2007; Thiel, 2001). Debt is money borrowed from banks or other non-financial institutions to be repaid later as secured and unsecured debt. Hence, as the economy grows rapidly, with significant increases in income and employment, households are more willing to borrow and, as a result, are more willing to incur debt. In addition, not only are households optimistic, but also financial institutions that provide loans. Thus, borrowers and lenders enthusiastically share the interaction between supply and demand (Kolios, 2020; Magri et al., 2022).

Financialization that improved credit access led to increased consumer spending, which boosted demand, business investment, and aggregate economic activity (Valckx et al., 2017). Thus, many developed economies have strong consumer cultures encouraging spending and consumption. As a result, a key implication is that advanced economies now rely more on household debt management than in the past (Johnston et al., 2021), with approximately 55 per cent of adults in major advanced economies financially literate (Klapper et al., 2015a). Therefore, household debt is crucial to the economy.

The ideal environment for household debt at the individual level includes several critical variables that encourage sustainable and manageable debt levels while increasing individual happiness and well-being (Hiilamo, 2020; Yunchao et al., 2020; Kaur et al., 2023). A thorough understanding of financial well-being is critical because it significantly impacts how households manage their finances and make spending decisions (Yunchao et al., 2020). Furthermore, the type and amount of debt are essential; for example, effectively managing non-mortgage debt can significantly enhance mental well-being, emphasizing the significance of managing such loans to avoid negative psychological consequences (Hiilamo, 2020). In addition, financial education and socialization are critical in developing sound financial practices required for financial satisfaction and stability (Kaur et al., 2023).

Feminist studies have traditionally focused on social reproduction to understand capitalist development and how it prospers due to the unequal gender, social, and racial division of labour and the maintenance of a domestic economy (Guérin et al., 2021). Thus, unequal access will force households to accept loans to survive the capitalist economy. Credit facilities help households balance consumption when income, wealth, and savings are insufficient. Consumption ensures human survival and reproduction by providing food, health care, education, and housing. Thus, social reproduction matters in the home credit facility. Household debt is related to social reproduction as it has become a key element of household social reproduction in most parts of the world due to household efforts to make ends meet or to ensure their subjective well-being (Saiag, 2020).

Inequality and economic development are inversely related (Kuznets, 1955). As society transitions from an agrarian to an industrial economy, industrialists concentrate wealth, increasing social class disparity. Social class gaps narrow as the economy grows and industrialization helps more people. The Kuznets Curve theory may explain increase social class inequalities with increased in household debt (Kuznets, 1955). However, a deeper knowledge of the model suggests household debt reduction (Galor & Moav, 2004; Jordà et al., 2016; Kuznets, 1955) . In the initial phase, when inequality rises, entrepreneurs and capitalists drive economic expansion. This stage often increases job chances and income for the working classes (bottom and middle), which helps lower household debt (Dobson & Ramlogan, 2009; Kwon, 2016). In addition, increased income inequality may encourage people to upgrade their education and abilities to compete for higher-paying employment. This could raise household incomes and reduce debt over time. Later, in the Kuznets Curve, economic growth helps society as social class differences narrow. Improved social services, better safety nets, and greater job possibilities can reduce household debt (Datta, 2023) through diffusion.

Changes in the prices of goods and services over time can significantly impact household debt. Inflation is one of the most important aspects of price dynamics, and moderate inflation has potential benefits. Due to inflation, households with long-term, fixed-interest debt, such as mortgages, find their debt less burdensome over time (Adam & Zhu, 2016). Deflation lowers interest rates, which benefits households with adjustable-rate debt by lowering debt servicing costs (Auclert & Rognlie, 2017). Wealth deflation also benefits households. For instance, if asset prices decrease, households might use more of their income to pay down debt, increasing their financial health (Eggertsson & Krugman, 2012).

Household financial planning is improved by price knowledge. Price changes may inspire households to examine their money, helping them budget and make smart credit decisions (Brunnermeier & Julliard, 2008). Inflation-aware households may choose fixed-rate loans to avoid rising interest rates (J. Y. Campbell & Cocco, 2007). However, the prospect of deflation may drive people to aggressively repay their debt since the actual worth of debt increases with time (Eggertsson & Krugman, 2012).

1.2 Background of Economies

Over the last three decades, household debt has been on a steady rise in most countries worldwide. This long-term trend, noted by numerous experts and international organizations, has seen a dramatic increase in household debt levels in both developed and developing countries (Mian et al., 2017; Lombardi et al., 2022; World Bank, 2022), with some developing nations experiencing double-digit growth over the last three decades. Figure 1.1 compares total household credit (% of GDP) from 2008 to 2021 for G20 countries, advanced economies and emerging market economies.

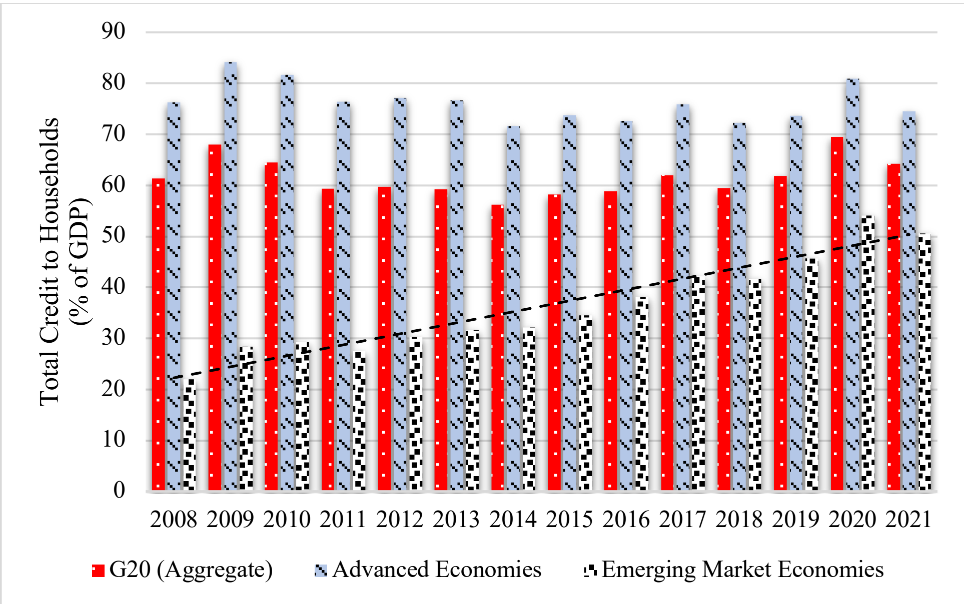

Figure 1.1 Comparison of Total Credit to Household (% of GDP)

Source: Author's compilation using data taken from Bank for International Settlements (2021)

Note: **G20:** Argentina, Australia, Brazil, Canada, China, the Euro area, India, Indonesia, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Türkiye, the United Kingdom and the United States. **Advanced economies:** Australia, Canada, Denmark, the euro area, Japan, New Zealand, Norway, Sweden. **Emerging market economies:** Argentina, Brazil, Chile, China, Colombia, Czechia, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Poland, Russia, Saudi Arabia, Singapore, South Africa, Thailand and Türkiye.

Total household credit in the G20 countries exceeds 50% of GDP, while in advanced economies, household debt is more than 70% of GDP. Even though household debt in emerging market economies is less than 60% of GDP, the trend is encouraging. Higher household borrowing improves economic efficiency and increases macroeconomic stability. In addition to borrowing to smooth consumption fluctuations, households invest in financial (e.g. stocks and bonds) and non-financial assets (e.g. housing and education). Through financial intermediaries, increased borrowing by those households with access to better investment opportunities can be an essential source of economic growth. In the long run, higher household borrowing today may also be associated with higher future GDP growth (Lombardi et al., 2022).

Figure 1.2 shows ten developing countries' household debt (% of GDP). It shows an increasing pattern with Thailand and Malaysia posed among the highest total credit to households compared to other developing countries in Panel 1. India has shown a significant increase in household debt from 2000 until 2010. Meanwhile, Panel 2 shows the household debt trend from 2011 until 2021, with most countries still facing an upward trend but in a moderate manner. However, Thailand and Malaysia still face increasing trends, with 91.00% and 73.10%, respectively, closer to the household debt trend in developed countries.

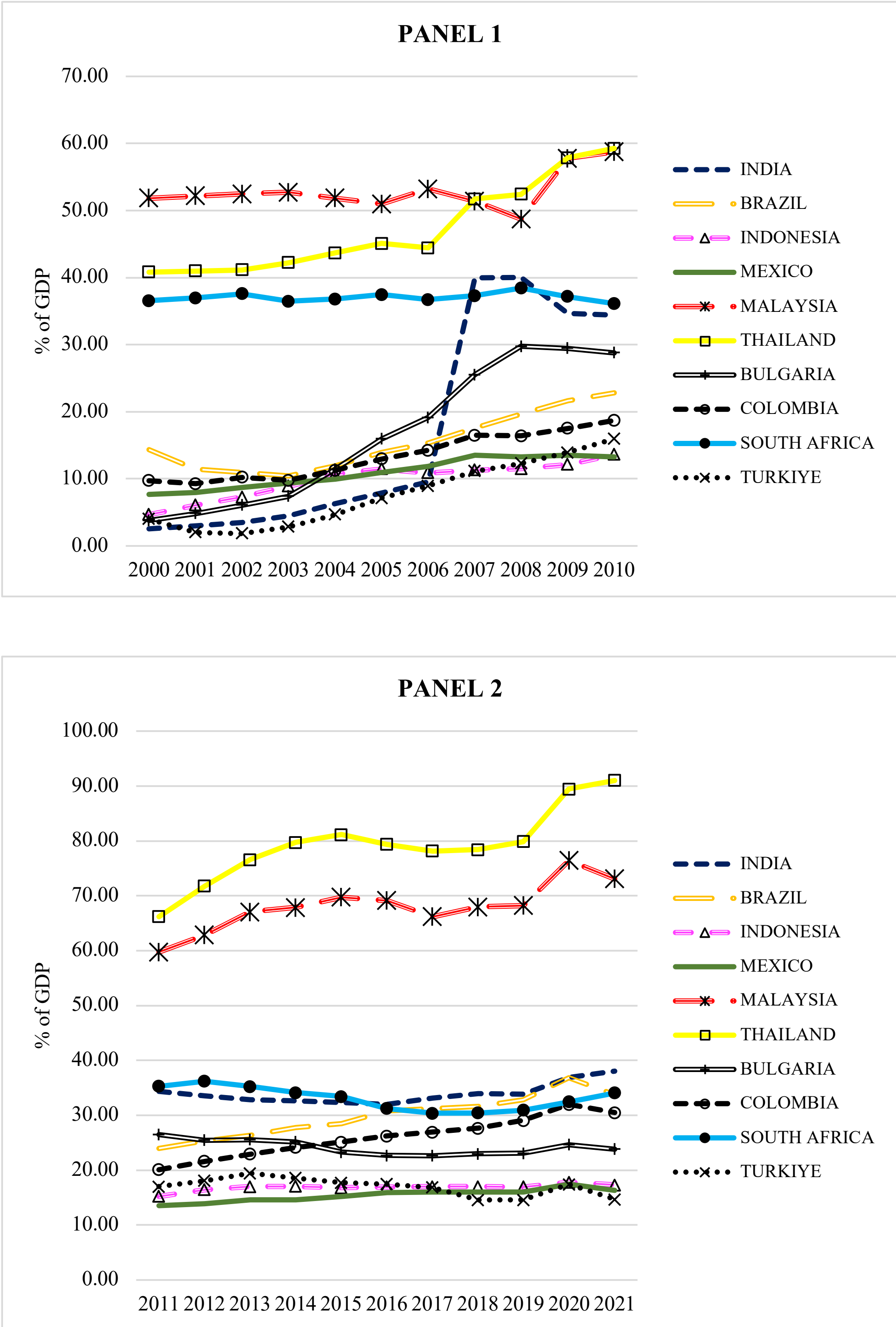

Figure 1.2 Household Debt (% of GDP) in the Selected Developing Countries

Source: International Monetary Fund (2021)

Mortgage loans and consumer loans, such as auto and personal loans (IMF, 2022) are the main causes of high household debt in Thailand (Garrido et al., 2020). Debt was mainly incurred from daily expenses, credit cards, and residential and vehicle purchases (FSSIA Thailand Research, 2022). Loans for purchasing residential property and vehicles were the key drivers of household debt growth in Malaysia. This was in line with government policies that encouraged home and vehicle purchases as economic activities resumed and Malaysia transitioned towards endemicity, a crucial economic phase (BNM, 2022).

Central banks influence interest rates, impacting borrowing costs and household spending decisions. When central banks increase or decrease interest rates, it can affect individuals' borrowing costs, impacting their willingness to invest and spend. Interest rates in selected developing countries such as India, Indonesia, Malaysia and Thailand generally fell from 2011 until 2021 (Euromonitor International, 2023a). However, around 2022, interest rates in most developing countries show an increasing trend. For example, Brazil experienced a low interest rate of 2.00 per cent in 2020 and an increase to 13.75 per cent in 2022. Furthermore, Turkey saw a significant increase to 24 per cent in 2018 and then dropped to 9 per cent in 2022, but the rate is still the highest compared to other developing countries such as India, Indonesia, Mexico, Malaysia, Thailand, Bulgaria, South Africa, Colombia (Euromonitor International, 2023).

Individuals' indebtedness should make them feel happy, and their well-being should increase since they have the opportunity to spend, maintain and enhance their standard of living or smooth their consumption by using credit facilities. Despite that, there is a a trend that show as debt increases, household happiness decreasing within the develop countries. Figure 1.3 shows the relationship between household debt (%

of GDP) and happiness scores across six develop countries (Denmark, Finland, Iceland, Netherlands, Norway and Sweden) from the year 2015 to 2022. Each triangle in the Figure 1.3 represents a specific country-year observation, pairing a country's average happiness score with its household debt level for that year. The Figure 1.3 reveals a clear negative trend: higher household debt is generally associated with lower reported happiness, suggesting that as the relative burden of debt increases within these economies, measures of individual well-being tend to decline. Hence, the visual evidence underscores the argument that rising household indebtedness may adversely affect subjective well-being, even in affluent nations.

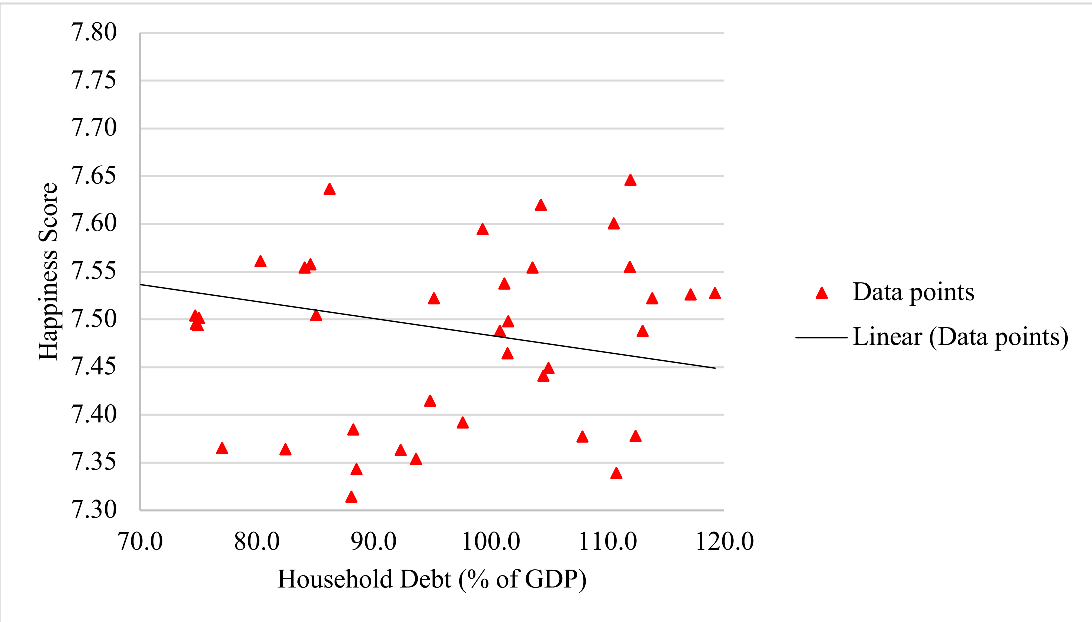

Figure 1.3 Relationship of Household Debt-Happiness

Source: Author's compilation using data taken from World Happiness Report (2023) and Euromonitor International (2022)

In addition to the global relevance of household debt, localized issues in the selected developing countries further justify this study. For instance, countries like Malaysia and Thailand have seen household debt levels approaching those of developed economies, driven by factors such as rising housing costs, vehicle financing, and daily consumption needs (Euromonitor International, 2023b, 2023c; FSSIA

Thailand Research, 2022; Loke, 2016; Malaysian Department of Insolvency, 2024) .

In Brazil and South Africa, debt is increasingly used to manage economic shocks and inflation, while in Turkiye and Colombia, sharp interest rate fluctuations have intensified household financial vulnerability (Birdal et al., 2023; Cao-Alvira et al., 2021; Goy & Ayres, 2017; Mutsonziwa & Fanta, 2019). These countries also face persistent income inequality, urbanization pressure, and limited social support systems, which make households more dependent on credit to meet essential needs. These local dynamics reflect the broader structural challenges explored in this thesis and underscore the urgency of investigating the drivers of household debt in a developing-country context.

1.2.1 Social Reproduction and Household Expenditures

Social reproduction refers to maintaining and reproducing social structures, including the family, education, and healthcare systems (A. Shah & Lerche, 2020; Weiss, 2021). Hence, household expenditures towards social reproduction are important to smooth this process. By using consumer expenditures as a proxy for social reproduction dimensions (Charron-Chénier, 2018) towards food, health care, education, housing and energy, Figure 1.4 illustrates the relationship between consumer expenditures and household debt across ten developing countries (India, Brazil, Indonesia, Malaysia, Thailand, Türkiye, South Africa, Bulgaria, Colombia, and Mexico) using aggregated data spanning from 2000 until 2021.

Each dotted point in the scatter plot represents a specific country-year observation, plotting consumer expenditures (used here as a proxy for social reproduction dimensions such as food, healthcare, education, housing, and energy) on the X-axis against household debt (USD billions) on the Y-axis. The red dashed trend line highlights a clear positive association, indicating that as households spend more on essential goods and services, their levels of debt also tend to rise. This supports the argument that the costs of social reproduction, while vital for maintaining societal structures, are increasingly met through access to credit facilities, which in turn elevates household indebtedness. In other words, preliminary investigation shows that the cost of social reproduction positively affects household debt. Meaning by granting access to credit facilities, households can get necessities.

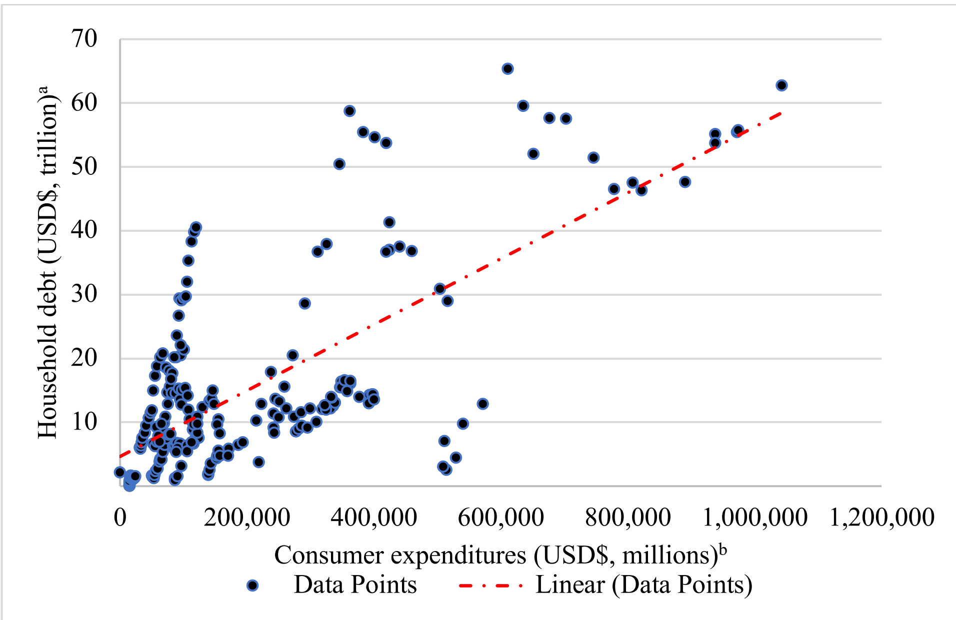

Figure 1.4 Consumer Expenditures and Household Debt

Source: Author's compilation using data taken from a. International Monetary Fund (2021); b. Euromonitor International (2021)

Figure 1.5 depicts the relationship between social reproduction (measured by consumer spending on necessities) and birth rates in Indonesia, Thailand, Brazil, South Africa, and Turkey from 2018 to 2023. Each yellow dot represents a specific data point for a country in a particular year**,** pairing its level of spending on social reproduction (in USD millions) with its birth rate. So the dots capture not just countries, but country year observations.

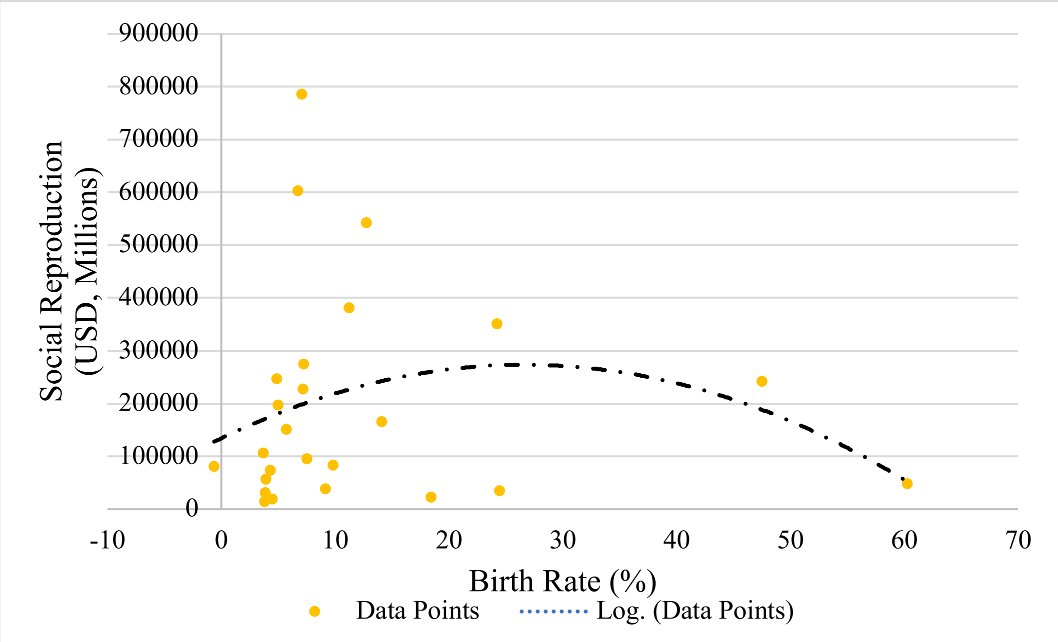

Figure 1.5 Social Reproduction and Birth Rate

Source: Author's compilation using data taken from Euromonitor Database (2023)

The black dashed curve is a logarithmic trend line, which summarizes the overall pattern in the data: it suggests that social reproduction spending tends to increase with birth rates up to a point and then flattens or declines. This indicates that while higher birth rates are initially associated with greater spending on essentials like health, education, housing, and food, beyond certain levels of birth rate, spending does not keep rising proportionately. This figure thus helps visualize how demographic trends relate to investments in social reproduction in these countries over the study period. More specifically, as birth rates rise above approximately 20%, social reproduction values become more scattered and show a slight downward trend, signaling that increasing birth rates may dilute the per capita impact of these expenditures, potentially straining resources.

1.2.2 Social Classes and Household Consumptions

Philosophers have developed the concept of social class, which is a hierarchical social categorization system in society (Bourdieu, 1987; Marx & Fernbach, 1981; Weber, 2018). Marx considered class differentiation the determining factor behind social, economic and political inequality (Marx, 2015) which he argues that social classes are defined by their relationship to the means of production. It divides society into the bourgeoisie, which owns the means of production (such as factories, land and capital), and the proletariat, which sells its labour power for wages (Marx & Fernbach, 1981). Meanwhile, Weber (2018) had a complex view of social stratification which recognizes class as referred to market or economic status, status to prestige and honour, and party to positions of power within organizations (Turner et al., 1991; Weber, 2018).

In addition, Bourdieu (1987) further extends the understanding of social class by introducing the concept of cultural capital, which refers to non-economic resources such as education and cultural knowledge that can affect social mobility. According to Bourdieu, different classes have different levels of social, economic and cultural capital, and these can significantly affect an individual's position within society (Bourdieu, 1987; Gilleard, 2020). However, social class have been criticized for their role in perpetuating inequality and constraining social mobility. Still, they also serve as an important framework for understanding a society's social and economic divisions, leading to inequality. Hence the thesis views social classes as a type of inequality that can the explain gaps between income and wealth classes.

Figure 1.6 shows the distribution of global income and wealth for different percentiles of the world's population in 2021. It is divided into four groups: the bottom 50% (the poorest half of the world's population) and the middle 40% (those between the 50th and 90th percentile), the top 10% (the richest 10%) and the top 1% (the richest 1%).

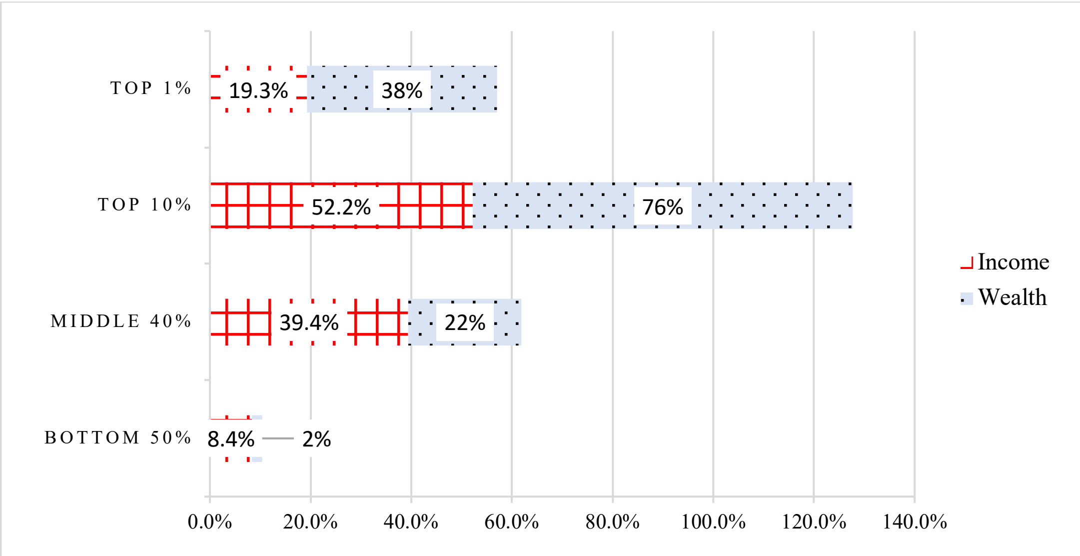

Figure 1.6 Global Income and Wealth by Groups

Source: Author's compilation using data taken from World Inequality Database (2023)

There is an unequal distribution of income and wealth at the global level. The top 10% earn more than half of all income and own more than three-quarters of all wealth. The gaps are even more dramatic for the top 1%, who own almost twice as much wealth as the bottom 90% combined and earn almost 20% of total income. Even though half of all people are in the bottom 50 per cent, they only get 8.4 per cent of the world's income and even less of the world's wealth approximately around 2 per cent.

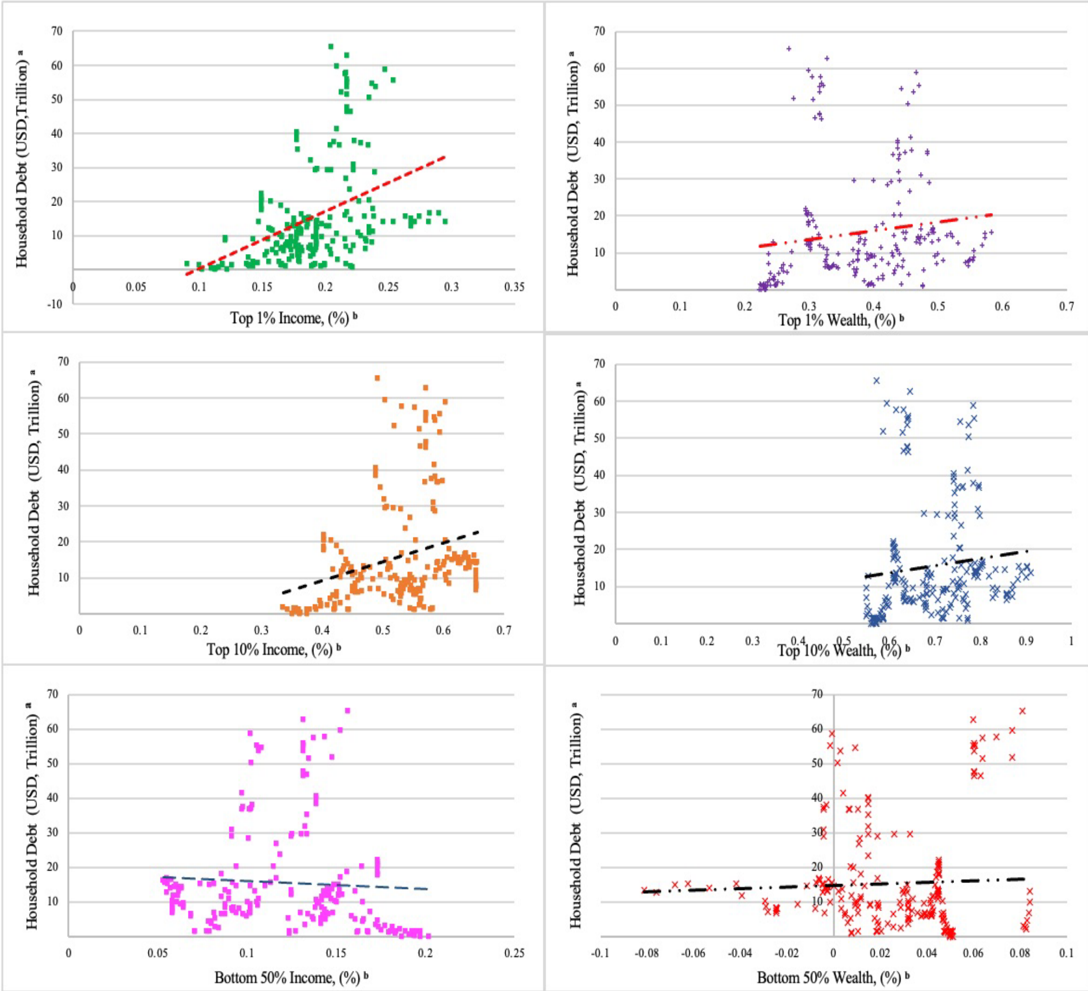

Figure 1.7 Income-Wealth Classes and Household Debt.
Source: Author's compilation using data taken from (a). International Monetary Fund (2021); (b). World Inequality Database (2023)

Meanwhile, using ten selected developing countries, Figure 1.7 shows the relationship between income and wealth classes towards household debt. The top 10% and 1% income classes positively affect household debt in these countries. However, the bottom 50% of income group debt is slightly decreasing. Likewise, it also shows that debt is stable and positive for each wealth classes.

1.2.3 Price Impact on Household Debt

Price dynamics is the fluctuation or movement of prices over time. These fluctuations are influenced by factors such as supply and demand dynamics, inflation, changes in input costs, technological changes and even changes in consumer preferences. As a result, there is a close relationship between price, household spending and household debt. A fall in prices can reduce the financial burden on households and potentially reduce the need for credit. Understanding these relationships is crucial in personal financial planning and formulating macroeconomic policies. An increase in the average inflation rate of around 20 per cent per year in 2022 indicates a current inflation trend (Ha et al., 2021).

Possible explanations could be the economic consequences of the COVID-19 pandemic and the war between Ukraine and Russia disrupting the supply chain on a global scale (Guan et al., 2023). Therefore, an increase in the inflation rate might signal that household purchasing power is decreasing; hence, the tendency to use credit facilities is high to compensate for the cost of living. Figure 1.10 shows the relationship of different necessity prices towards household indebtedness in the ten developing countries (India, Brazil, Indonesia, Malaysia, Mexico, Thailand, Colombia, Bulgaria, Turkey and South Africa). These prices show a positive relationship towards household debt in these countries from 2000 until 2021.

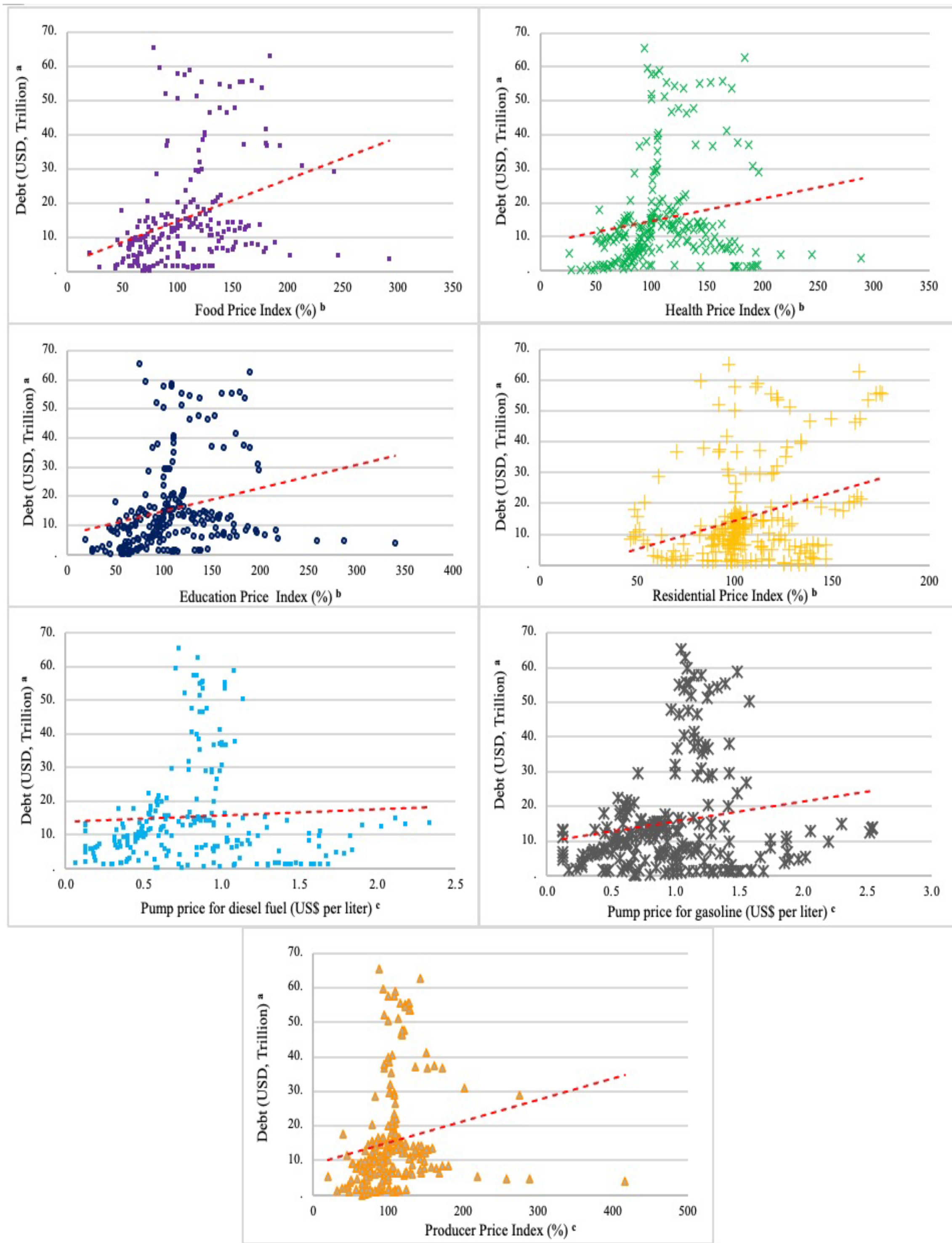

Figure 1.8 Prices and Household Debt (in trillion USD)

Source: Author's compilation using data taken from a. International Monetary Fund (2022); b. Euromonitor International Database (2022); c. World Bank (2022)

Changes in prices, especially for basic needs like food, healthcare, education, electricity, and housing, have a big effect on how much debt a household has. Due to global inflation, problems with the supply chain, and higher production costs, these basic needs have become much more expensive in many developing countries. Household typically utilize borrowing to make ends meet when prices rise faster than their income. Figure 1.8 makes this issue quite evident. It demonstrates that as the prices of necessities go up, so does debt in ten emerging nations. By looking at a wider range of price indices, this study gives a fuller picture of how the cost of living, not only housing prices, adds to rising debt loads. This makes it important to look at price (PRC) as a structural driver in the context of how people borrow money.

1.3 Problem Statement

The rise in household debt in developing countries poses significant threats to financial stability, economic growth, and individual well-being. Although household debt initially stimulates economic activity through increased investment and consumption, it can lead to long-term problems, particularly when borrowing costs rise during economic downturns and austerity periods. Therefore, this study aims to examine how social reproduction, social class, and price dynamics influence household debt in developing countries.

Household debt significantly impacts various sectors of the economy and social welfare. After the global financial crisis of 2008–2009, stakeholders have become increasingly concerned about household debt dynamics due to its disruptive potential (Mian & Sufi, 2015; Park et al., 2022). International organizations have warned that excessive household debt can harm long-term economic growth and financial stability (Gita Gopinath, 2023; Zabai, 2017), especially when households face rising interest rates and reduced purchasing power. Thus, households struggling to manage increased borrowing costs may fail to service their debts, damaging broader economic stability.

Furthermore, excessive household debt has a negative impact on long-term economic performance when debt-to-GDP ratios approach certain thresholds, such as 80% (Alter et al., 2018; Lombardi et al.,2022). Figure 1.2 demonstrates that household debt in several emerging nations is trending in this direction. At the individual level, Figure 1.3 indicates that rising debt significantly reduces happiness and well-being, contributing to financial stress, anxiety, and adverse health outcomes. Additionally, the social stigma and unfavorable social comparisons associated with debt further diminish personal welfare (Duesenberry, 1949; Moorhouse et al., 2023).

Social reproduction refers to the activities, social relationships, and institutions necessary to reproduce life today and future generations (Roberts & Zulfiqar, 2019). It includes the processes of subsistence, education, training and nurturing necessary to reproduce the labour force. Furthermore, processes of social reproduction reproduce not only life itself but also the social institutions that make it “worth living” (Calkin, 2015). Whilst stagnant wages and escalating costs, households turn to varied credit forms, due to the privatization of social reproduction elements (Roberts, 2013).

Several past studies had discuss about how human needs for social reproduction are transformed into unmet financial needs (Roberts, 2016; Montgomerie & Tepe-Belfrage, 2017) and this leads to households to do borrowing. The "financialization of daily life" increases dependence on assets and debt for survival and exposure to the risks of such dependence (Adkins, 2019). As growing numbers of household have been drawn into using credit to finance the very basics of social reproduction and debt has become “the new normal” (Roberts 2013; Montgomerie et al. 2017). As a result, household debt is rising, economic and social distress is increasing, and households have been encouraged to become financially literate and responsible for their own welfare while facing a growing debt burden to be repaid from wages (Loomis, 2018).

There is evidence that household expenditures on social reproduction are facilitated by debt, as shown in Figure 1.4. High expenditures on social reproduction facilitated by credit facilities can impact social problems such as a decline in the birth rate due to an increase in the cost of living, as experienced by several developed countries and a similar pattern experienced by developing countries, as depicted in Figure 1.5. Therefore, understanding the impact of social reproduction on debt is critical for policymakers in designing successful social-economic policies to reduce household financial burdens. Hence this leads to the first research question, *what is the effect of social reproduction towards household indebtedness?*

The relationship between income classes and household debt has been extensively studied, primarily in developed countries (Iacoviello, 2008; Berisha & Meszaros, 2017; Fasianos et al., 2017; Berisha et al., 2018; Papadopoulos, 2019; Wood, 2020). These studies have demonstrated that the socioeconomic prospects of these regions are considerably influenced by social class. The unequal distribution of economic resources can result in a variety of social and economic issues, including enhanced social tensions, increased poverty, and reduced social mobility (Wilkinson & Pickett, 2011; Piketty, 2014; Milanovic, 2016).

Social class is closely associated with income distribution and economic vulnerability, as indicated by prior research. Debt is frequently employed by the higher social classes to preserve their status, while the lower classes employ it to emulate the upper classes and achieve upward mobility (Frank, 2013; González-López, 2023). In developing countries, there is a positive correlation between household indebtedness and social class (as indicated by income and wealth categories, as illustrated in Figure 1.7). Urgent investigation is necessary for this phenomenon, as it has the potential to exacerbate social inequality and push lower social classes into debt, which is detrimental to economic stability. This is due to the fact that various social classes may experience varying socio-economic opportunities.

Furthermore, there is a necessity for a more comprehensive comprehension of the ways in which households' access to credit facilities is influenced by their unequal income and wealth distribution. It is presumed that households with greater affluence have greater access to credit (Fischer & Huerta, 2015; Vidyarani & Maheshkumar, 2022). However, empirical evidence on this topic is scarce, particularly in the context of developing countries. It is imperative to investigate the impact of social class on indebtedness in these countries, given their distinctive economic environments (Romão & Barradas, 2020). *Thus, the second research question is: What is the impact of social class on household debt in developing countries?*

A few factors contribute to increasing prices in the ten selected developing countries related to necessity, as shown in Figure 1.8. The first factor is the rising cost of living for essential goods (food, health care, education, energy, and housing) due to inflation (Romei & Smith, 2023), apart from the spillover effect of rising oil prices (Munroe, 2010). The second factor is rising production costs (Shaloo Shrivastava, 2021). In addition to increasing food prices due to the war in Ukraine, energy and food prices elevate daily data on staple goods, such as the wholesale price of breakfast ingredients, providing an up-to-date indicator of the pressures consumers face (Romei & Smith, 2023). Energy prices are estimated to remain 46% higher than average 2023 relative to January 2022 projections (World Economic Forum, 2023). While energy prices have eased in recent months, it remains high.

Furthermore, rapid urbanization in developing countries, has led to soaring housing prices, leading to household mortgage loans. While cost-of-living increases faster than income growth, households may resort to credit facilities to meet their needs, thus increasing household debt. Most previous studies investigate house price impact towards household indebtedness (Barrett et al., 2016; Dumitrescu et al., 2022a; Hubert, 2021; Muellbauer, 2020; Turk, 2015); ergo, they have overlooked the broader dynamic of prices. *Might there be different outcomes if this study investigates the impact of different types of prices towards household debt?*

Hence, in summary this thesis investigates three key structural variables that may explain household borrowing behavior in this context: social reproduction, social class, and price. Social reproduction represents the financial burden households face to meet essential needs many of which were formerly supported by public institutions. Social class is used to understand how debt usage differs across income and wealth groups, as well as the inequalities that shape credit access and financial resilience. Price captures the effect of rising costs of basic necessities, which push many families to rely on debt simply to maintain their standard of living.

1.4 Research Questions

As discussed, the primary research question in this study is *"What is the impact of social reproduction, social class and price towards household indebtedness?"*. Specifically, this study has the following sub-questions as below:

i) How do social reproduction affect household debt in developing countries?

ii) What is the role of social class on household debt in developing countries?

iii) How do price affect household indebtedness in developing countries?

1.5 Research Objectives

This study examines the effect of social reproduction, social class, and price on household debt in developing countries. Based on this general objective, this study will have the following objectives:

i) To investigate the impact of social reproduction towards household debt in developing countries.

ii) To examine the impact of social class on household debt in developing countries.

iii) To investigate the impact of price on household debt in developing countries.

1.6 Scope of Study

This thesis examines the impact of social reproduction, social class, and pricing on household indebtedness across ten chosen developing countries: India, Brazil, Mexico, Indonesia, Malaysia, Thailand, Bulgaria, Colombia, Turkey, and South Africa, as defined by the International Monetary Fund (Duttagupta & Pazarbasioglu, 2021; IMF,2022b).

The selection of those countries is based on two considerations. First, all the countries listed are considered emerging economies (IMF, 2022b). As discussed in the previous section, emerging economies have shown an increasing trend in household debt, with some countries showing a closer trend to developed countries, for example, Thailand and Malaysia. These selected countries are in the process of becoming more advanced nations through rapid economic growth. Besides that, these developing countries have similar characteristics, such as high social inequality, rapid urbanization, and a growing number of middle-class citizens. Hence, studying these countries provides an opportunity to understand the dynamic of debt in economies that are in transition.

Second, using 2000–2021 data, key events will show how household debt, and all independent variables affect household indebtedness in developing nations. Within this period, there is evidence of vast financialization. The historical evolution of indebtedness evidence for these countries is summarized in **APPENDIX A.**