**MEDIA RELEASE**

# KRI’s new report investigates the culture and practice of financial capitalism and its impact on households

**16 May 2024, Kuala Lumpur** — Indebtedness is a well-recognized global phenomenon, and Malaysia is no exception. Malaysian household debt currently stands at 84. 2% of GDP. KRI’s latest report, *The Financialisation of our Lives: Values and Trade-offs*, explores how the existing financial ecosystem creates false incentives for households to go into greater indebtedness. This means cultivating a false sense of ‘affordability’ in procuring goods and services by masking the implications of going into debt by individuals and their families.

**In the last three decades, finance has grown beyond its traditional role as a provider of capital for the productive economy to an industry of its own, playing an increasingly central role in the daily activities of economies, institutions, and households.**KRI’s publication advocates for a more fundamental understanding of the financialization process that will continue transforming our economy. This is important because, as has been demonstrated in other parts of the world, the process of financial capitalism, left to its trajectory, will negatively

impact workers and households.

**The shift towards a financialized economy has affected income distribution and inequality.** The financial sector's growth has disproportionately benefited those with financial assets and skills, widening the income gap between different population segments. Those with limited access to financial resources or the knowledge to navigate complex financial products may be left behind. The upward trend of household sector loans reflects consumer confidence and willingness to leverage financial resources to meet basic/essential and aspirational consumption.

However, this upward trend, coupled with the analysis that demonstrated only the Top 30% of households are spending on aspirational goods and services, is worrying. Affluent households will always capture a significant share of credit in the era of financialization. The expansion of credit allows them to invest or meet short-term financial needs at a low cost. Meanwhile, a policy expanding debt to middle- and low-income households carries the heaviest debt burdens. **The significance of the financialization process is not only the institutional changes it creates but also the behaviour and value system it encourages.** The cultural and social discourses within this transformation are that of risk-taking and instantaneous self-gratification.

The ‘investing subject’ is the autonomous individual who insures himself against life cycle risks through financial literacy and self-discipline. However, the literature and this report demonstrate that ordinary people have become vulnerable to financial risk and do not possess the financial literacy to make informed decisions. Indeed, financial literacy is of utmost importance in the age of financial capitalism.

The three items covered in this report, BNPL (Buy Now, Pay Later), housing, and student debt, were contextualized within the institutional arrangement -finance intermediaries, firms, and the state. This is because improvements are needed at the institutional level to develop more equitable and just economic outcomes for the public. Each chapter detailed policy solutions that leverage the role of the state to intervene with strict regulations and laws. Some even detailed the changes that need to be made to the entire ecosystem or institutional arrangements that appear to support growing financialization at the back of disadvantaging the least economically able households.w

This publication was authored by KRI researchers Dr Suraya Ismail, Nithiyananthan Muthusamy, Shereen Hazirah Hishamudin, Dr Mohd Amirul Rafiq Abu Rahim, Theebalakshmi Kunasekaran, and Gregory Ho Wai Son.

The full report titled “The Financialization of our Lives: Values and Trade-offs” can be downloaded at [www.krinstitute.org.](http://www.krinstitute.org/)

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* Carrying out rigorous, impartial research and analysis that is founded on facts and data
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* Being an advocate of its research findings and policy recommendations

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