

FACTORS THAT INFLUENCE HAPPINESS AMONG SABAHANS

SHEE SIEW YIAP

**PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH**

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY**

UNIVERSITY MALAYSIA SABAH

2019



UMS
UNIVERSITI MALAYSIA SABAH

UNIVERSITI MALAYSIA SABAH

BORANG PENGESAHAN STATUS TESIS

JUDUL: FACTORS THAT INFLUENCES HAPPINESS AMONG SABAHANS

IZAZAH: MASTER OF ECONOMICS (FINANCIAL ECONOMICS)

Saya **SHEE SIEW YIAP**, Sesi **2015-2019**, mengaku membenarkan tesis Sarjana ini disimpan di Perpustakaan Universiti Malaysia Sabah dengan syarat-syarat kegunaan seperti berikut:-

1. Tesis ini adalah hak milik Universiti Malaysia Sabah.
2. Perpustakaan Universiti Malaysia Sabah dibenarkan membuat salinan untuk tujuan pengajian sahaja.
3. Perpustakaan dibenarkan membuat salinan tesis ini sebagai bahan pertukaran antara institusi pengajian tinggi.
4. Sila tandakan (/):

☐

SULIT

(Mengandungi maklumat yang berdarjah keselamatan atau kepentingan Malaysia seperti yang termaktub di AKTA RAHSIA RASMI 1972)

☐

TERHAD

(Mengandungi maklumat TERHAD yang telah ditentukan oleh organisasi/badan di mana penyelidikan dijalankan)

☒

TIDAK TERHAD



SHEE SIEW YIAP
MB1511240T

PERPUSKAWAN
UNIVERSITI MALAYSIA SABAH

Disahkan Oleh
NORAZLYNNE MOHD. JOHAN @ JACQUELINE
PUSTAKAWAN
UNIVERSITI MALAYSIA SABAH

(Tandatangan Pustakawan)

Tarikh: 25 April 2019



(Assoc. Prof. Dr. Caroline Geetha
A/P B. Arokiadasan)

Penyelia



UMS
UNIVERSITI MALAYSIA SABAH

DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

4th April 2019



SHEE SIEW YIAP
MB1511240T

PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH

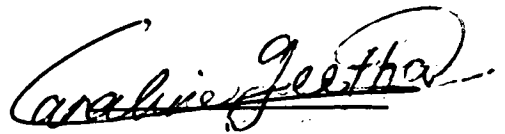
CERTIFICATION

NAME : SHEE SIEW YIAP
MATRIC NO : MB1511240T
TITLE : FACTORS THAT INFLUENCE HAPPINESS AMONG
SABAHANS
DEGREE : MASTER OF ECONOMICS
(FINANCIAL ECONOMICS)
VIVA DATE : 23rd January 2019

CERTIFIED BY

Signature

Supervisor



Assoc. Prof. Dr. Caroline Geetha A/P B. Arokiadasan

ACKNOWLEDGEMENT

First of all, I would like to express appreciation to those who have assisted me towards the completion of this thesis, either mentally or physically. During the process of doing this thesis, I have met a lot of challenges and obstacles, which enhanced my knowledge and allowed me to gain experience. Without their support, I believe that the completion of this thesis would have been immeasurably more difficult.

In addition, I would like to express the deepest appreciation to my supervisor, Dr. Caroline Geetha Arokiadasan, a lecturer of Financial Economics, Faculty of Business, Economics, and Accountancy, University Malaysia Sabah who gave me a lot of advices to complete this thesis. Her encouragement and faith in me throughout have been extremely helpful. She was willing to spend her time to answer my questions and she was positive and gave generously her vast knowledge.

Moreover, I would like to acknowledge all the respondents that participated in this study for their honest and cooperative response to all the questions solicited in this thesis.

Lastly, I owe a deep sense of gratitude to the contributor of my questionnaires that were used to study how happiness and well-being are influenced by the conditions of our lives and communities. The survey form was a project of The Happiness Initiative with consultation from the Personality and Well-Being Laboratory at San Francisco State University. With that survey form, I managed to study how happiness and well-being are influenced by the circumstances of live and society in Malaysia.

Thank you.

"Strive for Excellence"

SHEE SIEW YIAP
4th APRIL 2019

ABSTRACT

The ultimate goal in economics of happiness was to improve the living conditions of people in their everyday life. Thus, this study attempted to identify the factors that influences happiness among Sabahans. The dependent variable was happiness among Sabahans. It was measured by using 5 point likert scale where family relationship, financial situation, work, community and friends, health and public policy were the independent variables. The study used convenient sampling to gather 387 respondents. The instrument of study was questionnaire which was adapted and modified. The reliability of the questionnaires was tested through a pilot test involving 50 respondents before distributed to 387 respondents. The analysis began with a factor analysis to determine the validity of the questions. This was followed by a descriptive analysis that described the profile of the respondents as well as the central tendency measurement (mean, minimum and maximum value and standard deviation) on the response. The Partial Least Square estimation method was used to further analyze the data. The study conducted a Confirmatory Factor Analysis (CFA) to assess the reliability of the model used. In addition, the Structural Model Evaluation confirmed the significance of the hypothesis. The result revealed that family relationship, community and friends, work and financial situation influences happiness among Sabahans unlike health and public policy. Among the significant variables, family relationship was found to be the most significant.

Keyword: economic of happiness, happiness, family relationship, financial situation, work, community and friends, health, public policy

ABSTRAK

FAKTOR-FAKTOR YANG MENPENGARUHI KEGEMBIRAAN PENDUDUK SABAH

Matlamat utama ekonomi kegembiraan adalah untuk meningkatkan kegembiraan dan kesejahteraan kehidupan manusia. Oleh itu, kajian ini ingin mengenal pasti faktor-faktor yang mempengaruhi kegembiraan penduduk Sabah. Pemboleh ubah bebas bagi kajian ini adalah kegembiraan penduduk Sabah yang diukur melalui skala likert 5 mata manakala pemboleh ubah terikat adalah hubungan kekeluargaan, situasi kewangan, pekerjaan, masyarakat dan rakan-rakan, kesihatan, dan dasar awam. Kajian ini menggunakan persampelan konvenien untuk mengumpul 387 responden. Instrumen pengajian ini adalah soal selidik yang disesuaikan dan diubah suai. Kebolehpercayaan soal selidik diuji melalui ujian perintis yang melibatkan 50 responden sebelum diedarkan kepada 387 responden. Analisis bermula dengan Analisis Faktor untuk menentukan kesahihan soalan. Ini diikuti dengan analisis deskriptif yang menggambarkan profil responden serta pengukuran kecenderungan memusat (min, nilai minimum dan maksimum dan sisihan piawai) terhadap keputusan soal selidik. Kaedah Kuasa Dua Terkecil Separa (PLS) digunakan untuk menganalisis data lebih lanjut. Kajian ini telah menjalankan Analisis Faktor Pengesahan (CFA) untuk menilai kebolehpercayaan model yang digunakan. Di samping itu, Pemodelan Persamaan Berstruktur (SEM) mengesahkan kebenaran hipotesis. Keputusan kajian ini menunjukkan bahawa hubungan kekeluargaan, masyarakat dan rakan-rakan, pekerjaan dan situasi kewangan mempengaruhi kegembiraan penduduk Sabah tidak seperti kesihatan dan dasar awam. Antara pemboleh ubah yang signifikan, hubungan keluarga didapati paling signifikan.

Kata kunci: ekonomi kegembiraan, kegembiraan, hubungan kekeluargaan, situasi kewangan, pekerjaan, masyarakat dan rakan-rakan, kesihatan, dasar awam

TABLE OF CONTENTS

	Page
TITLE	i
DECLARATION	ii
CERTIFICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
<i>ABSTRAK</i>	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	ix
LIST OF GRAPHS	xi
LIST OF APPENDICES	xii

CHAPTER 1: INTRODUCTION

1.1 Introduction	1
1.2 Problem Statement	3
1.3 Research Question	6
1.4 Research Objective	6
1.5 Scope of Study	7
1.6 Significant of study	9
1.7 Organization of study	10

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction	11
2.2 Measuring happiness in economics	11
2.3 Theory of happiness	12
2.4 Factors that influences happiness	
2.4.1 Socioeconomic factor	14
2.4.2 Public policy	14
2.4.3 Economic factors and social factors	16
2.4 Research Gap	21



CHAPTER 3: METHODOLOGY	
3.1 Introduction	24
3.2 Research Framework	24
3.2.1 Definition of variables	
3.2.1.1 Dependent variables	
3.2.1.1.1 Happiness	26
3.2.1.2 Independent variables	
3.2.1.2.1 Family relationship	27
3.2.1.2.2 Financial situation	27
3.2.1.2.3 Work	27
3.2.1.2.4 Community and friends	28
3.2.1.2.5 Health	28
3.2.1.2.6 Public policy	28
3.2.2 Hypothesis of the study	29
3.3 Sample Design	30
3.4 Instrument and Measurement	34
3.5 Pilot test	36
3.6 Data Analysis Procedure Used	38
 CHAPTER 4: DATA ANALYSIS AND FINDINGS	
4.1 Introduction	40
4.2 Descriptive statistic method	
4.2.1 Profile of the respondents	41
4.2.2 Descriptive statistics of the latent constructs	43
4.3 Reflective Measurement Models Evaluation	44
4.4 Structural Model Evaluation	49
 CHAPTER 5: DISCUSSION AND CONCLUSION	
5.1 Introduction	55
5.2 Conclusion	55
5.3 Limitation of study	58
 REFERENCES	59
 APPENDICES	64

LIST OF TABLES

	Page
Table 1.1: The five governmental divisions of Sabah	8
Table 3.1: The population of Sabah	30
Table 3.2: Sample size for each cluster in Sabah	33
Table 3.3: The KMO and Bartlett's test	36
Table 3.4: The result of communalities	64
Table 3.5: The Pattern Matrix	65
Table 3.6: Results of Reliability statistics	37
Table 3.7: Item-total statistics	66
Table 4.1: profile of the respondents	41
Table 4.2: Descriptive statistics	43
Table 4.3: Frequency distribution of happiness	68
Table 4.4: Frequency distribution of family relationship	68
Table 4.5: Frequency distribution of financial situation	69
Table 4.6: Frequency distribution of work	69
Table 4.7: Frequency distribution of community and friends	70
Table 4.8: Frequency distribution of health	70
Table 4.9: Frequency distribution of public policy	71
Table 4.10: Loadings, Average Variance Extracted (AVE) and Composite Reliability (CR) Extracted	45
Table 4.10 (a): Loadings, Average Variance Extracted (AVE) and Composite Reliability (CR) Extracted	72
Table 4.11: Discriminant Validity of Measurement Model	47
Table 4.12: The Measurement model	48
Table 4.13: The significance testing results of the structural model path coefficients (direct relationship)	49

Table 4.14: Hypothesized Relationship among the Constructs (structural scale) 52

Table 4.15: Coefficient of the Determination (R2) 53

Table 4.16: Effect size of the Latent Variables 54

Table 4.17: Construct Cross validated Redundancy 54

LIST OF GRAPHS

	Page
Graph 1: Histogram of happiness	73
Graph 2: Histogram of family relationship	73
Graph 3: Histogram of financial situation	74
Graph 4: Histogram of work	74
Graph 5: Histogram of community and friends	75
Graph 6: Histogram of health	75
Graph 7: Histogram of public policy	76



LIST OF APPENDICES

	Page
Appendix A: Table and Data Findings	65
Appendix B: Graphs and Questionnaires	73

CHAPTER 1

INTRODUCTION

1.1 Background of study

The term "economics" comes from the Ancient Greek that means household management. It explains how human allocated resources that are limited to fulfill unlimited human wants. Unlimited human wants can create dissatisfaction or unhappiness but if human are able to manage the resources well, it can create happiness or satisfaction. The ultimate goal of economics is to improve the living conditions of people in their everyday life. When living conditions improve quality of life will increase leading to happiness.

There are many ways to measure quality of life. Van Praag and Carbonell (2011) claim that GDP (Gross Domestic Product) cannot be used to measure happiness. GDP measures the output produced in a year. The more output produced, the higher the productivity leads to higher level of income earned. Unfortunately, GDP has its limitation. It fails to take into account the health, environment and social factors which are seem as more important. Due to its limitations, using macroeconomic variables to measure happiness was restricted. Macroeconomic variables are more for forecasting and should be used to determine the stability of a nation. Thus, a suggestion was made to overcome the limitations where both economic as well as social factors be used to measure happiness. The indicator was called Gross National Happiness (GNH). GNH includes both economic and social factors to maintain a balance in his or her life. This is supported by the study conducted by Sachs (2012). To obtain a balance in life, other factors like social support, personal freedom, effectiveness of public policy, safety, spirituality, mental well-being, family relationship, work environment, health, community and friends should be included to determine the quality of life that influences happiness. In short, happiness should complement income (GDP).

Moreover, of late, there has come into life a branch of happiness economics and it is this field that will be our concern. Actually, not only economists are interested in quantifications of happiness but also researchers in other discipline



like psychology, health and sociology too. According to Graham (2005), happiness economics can be described as quantitative and theoretical study, positive and negative affect, well-being, quality of life, life satisfaction and related concepts, typically combining economics with other fields such as psychology and sociology. A study of happiness comes under behavioral economics. Behavioral economics study the effects of psychological, social, cognitive and emotional factors on the economic decisions of individuals and institutions and the consequences for market price, returns, resource allocation and productivity. It covers psychology, neuroscience and microeconomic theory. Happiness economics comes under behavioral economics that represent one new direction that combines utility and welfare. In the 20th century, it was impossible to measure happiness empirically. Van Praag and Carbonell (2011) claim that with growing number of research in the body of economics, happiness is quantifiable. It is not a replacement for income but it expresses preference. Therefore, income (GDP) cannot be used as a proxy for happiness instead it involves choices for preference made by individuals. This is strongly supported by Veenhoven (1993) that it is now possible to approximate individual utility in a satisfactory way by using representative surveys with the help of single question or several questions which can be used as an indication of individual evaluation of their life satisfaction or happiness. The scores reflects a person's judgement to what extent their general quality of life is judged in an appreciative way. The measurement is also found to be consistent and reliable.

National governments realized the importance of happiness studies and began to formulate happiness policies to improve the quality of life. The Kingdom of Bhutan introduce the concept of 'Gross National Happiness' to replace 'Gross National Product' by valuing happiness. Many other countries also undertook effort to start measuring the happiness and well-being of their nation. According to Selin and Davey (2012), it is very important for non-Western countries to start studying happiness as these countries were undergoing economic and social transformation.

Similarly in 1999, Malaysia first introduced the Malaysian Quality of Life Index (MQLI) which was constructed using 14 components covering both economic and social perspectives such as communications, education, income and distribution, transport, working life, culture, environment, family, governance, health, housing, leisure, public safety and social participation. In 2013, the Economic Planning Unit replaced the MQLI with the Malaysian Well-being Index

(MWI) to measure the well-being of the society. It reflected that the qualitative components of human, social and environment started to receive great attention from the government of Malaysia. It was found that economic indicators matter only in so far as they make people happier (Oswald, 1997).

According to Easterlin (2004), the formation on the theory of happiness only using the economic factors should be revisited and modified. The theory that was modified included the element of social which formed a comprehensive theory of happiness in the field of behavioral economics. As the economy grows, individual by pass the non monetary domain like health, family life, work commitment and environment and community. They spend more time on monetary issues like financial situation and government policy and do not have enough time in handling non monetary issues. Monetary issues are affective components but non-monetary issues are broad cognitive component. Velazco (2006) claims that life satisfaction that can lead to well being and happiness can arise from the broad cognitive components. Thus, family relationship, community, work, health were included to represent non-monetary cognitive components meanwhile financial situation and government were included to represent monetary base affective components.

1.2 Problem statement

In Malaysia, people are provided with basic need such as food, shelter and comfort. It is harmonious country with no war. Survival is not an issue. On average Malaysia has an annual economic growth rate between 3 to 4 percent annually. With the New Transformation Economics programme, it is believed to convert Malaysia into a high income country by 2020. This is due to the impression that when income increases, happiness will also increase. But after looking into the World Happiness Report 2016. It was not the case. Macroeconomic indicators have its limitations. World Happiness Report 2016 reported that Malaysia is currently experiencing a decline in happiness from 2010 to 2014 which makes our country fall from the 56th place to the 61st place out of 158 countries.

Besides that, Malaysian Well-being Report 2013 reported that Malaysia's real GDP increase at an average rate of 4.8 percent per annum whereas the well-being of the society has only enhanced at an average of 1.9 percent per annum from 2000 to 2012. This is due to the impression that when income increases, happiness will also increase. But after looking into the World Happiness Report

2016, it was not the case macroeconomic indicators have its limitations. Helliwell, Layard and Sachs (2016) claims that this is due to our nations rapid development that focus on material well being instead of social well being. This progress has lead to imbalance in both material and social life. The researchers also claim that material well being does not guarantee happiness.

Sachs (2012) claims that a nation needs strength of social support, personal freedom and absence in corruption to be happy. This is supported by the report from Global Corruption Barometer (2013). The report revealed that households in Malaysia were not happy because of the perceive lack of accountability by the government. This is because public policy is aimed to resolved public problem not to create social unrest (Kilpatrick, 2000).

Moreover, as Malaysia enters into the arena of globalization they are more exposed to economic and social stress. This is because it can create single markets controlled by the transnational companies. These companies will influence the government, dictate economic policy and change people's view about the nation. In other words, the citizen could not share these economic successes because these are confined to only minor groups of people. It can also force social unrest in the country, low wages and neglect the ecosystem. Globalization also encourages discrimination between rich and poor that eventually causes crime to increase. Malaysia Crime and Safety Report (2015) showed an increasing number of crime and assault in Malaysia.

Furthermore, according to Norberg-Hodge (2010), younger have become too materialistic, they have trouble in sustaining relationship which causes stress and unhappiness. Eventually, it has led to depression and mental illness. This is confirmed by the national survey conducted by Ng Chong Guan (2014) that shows 8 to 12 percent of Malaysian citizen in Malaysia has depression. In addition, World Health Organisation (WHO) 2017 reported that the suicide rate among the Malaysian is 5.8:100,000 which indicated that the prevalence of suicides in Malaysia is becoming more and more critical with roughly 50 people committing suicide monthly. It believes that the number of people committing suicides will still increase in the future if there is no action taken by the authorities. Hence, it is utmost important to undertake investigation on the factors of happiness in Malaysia to build up a happy society.

Most of the studies on happiness were conducted in Malaysia as a whole. Malaysia is divided into West Malaysia and East Malaysia. The level of development, culture, ethnicity as well as biodiversity differs between the west and the east. Geographically the east and west are also separated by the South China Sea. Sabah and Sarawak are located at the east of Malaysia. It consists of many islands that disperses the population from the mainland. Sabah has the second largest poverty rate, with its own tradition, culture and biodiversity. Moreover, based on the statistics report of household income and basic amenities survey 2016 which conducted by The Department of Statistics, Malaysia, reported that Sabah's household median income increased from RM3,745 in 2014 to RM4,110 in 2016. However, the report also revealed that Sabah has the most critical income inequality or income gap compared to other states in Malaysia. From 2014 to 2016, the Gini Coefficient of Sabah increased from 0.387 to 0.402. It showed that Sabah had the highest Gini Coefficient in Malaysia despite the national figure averagely declined from 0.401 to 0.399 in 2016 (Key Statistics on Household Income and Expenditure in Malaysia, 2016). It indicated inequality in Sabah actually became worse from 2014 to 2016. In addition, the quality of life that could influence happiness decreased over the years after government implemented austerity policy that abolished subsidies on basic necessities and implemented regressive tax like Government Services Tax, which in turn caused Sabahans to suffer due to high cost of living.

Furthermore, the statistic report also indicated among the states in Malaysia Sabah has the highest housing unafford ability index and unemployment rate (5.4%) in 2016. According to the latest wage report which was carried out by MIDF Research (2017), it reported that Sabah had the lowest median wage in Malaysia which was RM1,240 compared to the national average median wage of RM1,703. In short, Sabah was experiencing economic growth but with very high unemployment rates and low wages across the board, coupled with increasing inequality (Key statistics on Household Income and Expenditure, 2016). Several measures were taken to by the government to upgrade the infrastructure, develop cottage industries, built affordable houses and so to increase the standard of living among the Sabahans which can increase their happiness level. However, doubt arises whether Sabahans were happy with the government policies introduced by the government to sustain their economic well-being or their richness in their

tradition and culture, family relationship, health, community and friends and working environment that influences their happiness.

In addition, the mental health performance in Sabah creates an alarming need for a study to be conducted to determine the happiness in Sabah. Mental health issues in Sabah are the most prevalent compared to other states nationwide, making up to 42.9% of the national figures. According to Sabah psychiatry services statistics, 30,675 outpatient cases were recorded in 2016, alongside 1,373 inpatient cases (Institute for Public Health, 2016).

Therefore, the need to identify the factors that can influence the happiness in Sabah is much needed.

1.3 Research question

Several research questions have been developed based on the problem statement. By answering the research questions below, the objectives of this study would be fulfilled. The overall research question of their study is as follows:

“What are the factors that influence the happiness among Sabahans?”

The specific research questions of this study were as follows:

- a) Does family and relationship influence happiness among Sabahans?
- b) Does financial situation influence happiness among Sabahans?
- c) Does work influence happiness among Sabahans?
- d) Does community and friends influence happiness among Sabahans?
- e) Does health influence happiness among Sabahans?
- f) Does public policy influence happiness among Sabahans?

1.4 Objective of study

The overall objective of this study was to identify the factors that influence happiness in Sabah. The specific objectives were as follows:

- a) To examine whether family relationship influence happiness among Sabahans.
- b) To investigate whether financial situation influence happiness among Sabahans.
- c) To determine whether work influence happiness among Sabahans.
- d) To determine whether community and friends influence happiness among Sabahans.
- e) To investigate whether health influence happiness among Sabahans.
- f) To determine whether government influence happiness among Sabahans.

1.5 Scope of study

This research aims to analyze the factors that influence the happiness among Sabahans. According to Sabah State Government (2016), Sabah's population is made up 33 indigenous groups and the Chinese comprise the main non-indigenous group of the population. Besides that, the economy activities in Sabah were mainly based on agriculture, forestry, manufacturing and petroleum. Aside from that, the tertiary sector such as tourism and services were growing vastly, and it was rapidly becoming the main source of income in Sabah. However, petroleum, palm oil and cocoa are still the three of the most exported commodities from the state. Department of Statistics Malaysia (2014) reported that Sabah GDP shared by services (40.9%), agriculture (25.3%), mining & quarrying (21.8%), manufacturing (8.6%), and construction (3.1%).

Before 2000, Sabah's GDP became the third highest after Selangor and Kuala Lumpur because of its rapid development on primary sector (Sabah State Government, 2016). However, by 2000, Sabah started to become the poorest state compared to those secondary sector producer states because dependent solely on natural resources as its main source of income. Thus, to increase Sabah's GDP, Sabah Development Corridor (SDC) was established in 2008 to develop its infrastructures to eradicate poverty. Recently, Sabah experienced a slower growth due to disappointing performance on the oil and gas sector but its GDP still contributed 6.5 percent to the national economic followed by Selangor (22.4%), WP Kuala Lumpur (15.1%), Sarawak (10.1%), and Johor (9.3%). The reason Sabah was chosen in this study because it appeared to be one of the states that still preserve its own tradition, cultures, and commodities in Malaysia. However, federal government continues to promote globalization in Sabah to boost its GDP by bringing in a lot of big corporate companies that aim to maximize profit as a sign of globalization. Nevertheless, the GDP of Sabah is increasing but does it mean the happiness among the Sabahans was increasing too.

The focus to increase the monetary indicators has left the non-monetary matters untouched in Sabah. Moreover, most of study conducted in Malaysia involves overall brief but does not distinguish East and West of Malaysia. Sabah is located at the island of Borneo on the East. It is geographically distinguished in terms of its geographical, cultural and traditional values. Sabah is located in Malaysia's Eastern most part which is separated from the Malaysian Peninsula

states and it is also known as the second largest state in Malaysia. Sabah consists of five governmental divisions, which were in turn divided into twenty-five districts as shown below:

Table 1.1 shows the five governmental divisions of Sabah

Division Name	Districts
West Coast Division	Kota Belud, Kota Kinabalu, Papar, Penampang, Putatan, Ranau, Tuaran
Interior Division	Beaufort, Nabawan, Keningau, Kuala Penyu, Sipitang, Tambunan, Tenom
Kudat Division	Kota Marudu, Kudat, Pitas
Sandakan Division	Beluran, Kinabatangan, Sandakan, Tongod
Tawau Division	Kunak, LahadDatu, Semporna, Tawau

Source: General Books Land Capability Classification (2010)

Convenient sampling method was used to gather the respondents from each division. The study began with the descriptive analysis to discuss the profile of the respondents followed by the descriptive values (mean, median and standard deviation) on the response of the respondents. There were two main steps to carry out the data analysis. The first is the analysis of the measurement model to determine the validity and the reliability of the items constructed. Next, is the structural model assessment on the relationship between happiness and family relationship, financial situation, work, community and friends, health and public policy.

The study uses happiness as its dependent variable. The independent variables chosen in this study are family relationship, financial situation, work, community and friends, health and public policy. Questionnaire adopted and modified from Happiness Alliance was used as an instrument tool. A five point Likert Scale was used to measure the response of the respondent. 5 refers to strongly agree, 4 as agree, 3 refers to neither agree nor disagree, 2 as disagree and 1 as strongly disagree. Around 500 questionnaires were distributed only 387 was returned representing 77 percent of the total questionnaire distributed.

1.6 Significance of Study

This study can contribute theoretically and practically. Theoretically, the findings can contribute to the body of knowledge. This is because most of the study only looks into affective domain covered usually by the monetary factors (financial situation and government policy), but in this study the model was revisited and modified where cognitive domain covered by non-monetary factors like family relationship, work, community and health were included.

Practically, it is important to know that how happiness and well-being are influenced by the circumstances of lives and societies. A low happiness score does not necessarily mean people are unhappy but could mean there is an imbalance in their life and indicate people may need to pay more attention to that particular aspect of their personal wellbeing.

Aside from deepening peoples understanding of happiness, it is very useful for government of Malaysia to increase happiness of citizen by identifying factors that influence happiness over time.

Moreover, by knowing what are the factors that influence happiness among Sabahans, many unsolved critical issues can be address and resolve by the authorities. Our current economic system that propagate "more is better" and using GDP that confined strictly material as yardstick for living standards, does not guarantee happiness. It is very important for us to know that economic prosperity alone is not enough to improve our nation's happiness, peoples have lost their way by focusing on profit maximization at any cost and cause detriment on other aspects. Hence, non monetary factors such as family relationship, work, health, community and government allows us to turn economic success into economics of happiness. Happiness economics represent one new direction that combines utility and welfare and it could lead to balance in both social and material life.

Eventually, the government can implement policies to help who are not happy and look at the areas where people lack sufficiency. By doing this, it can reduce the effects of social comparison which results in a rat race approach to gain income, which would lead to reduce in happiness. Policies that only aim to raise economic growth may not be very effective and give fairly little value. Government should highly value happiness and implement the effective policies to improve the happiness of the nation in Malaysia.

1.7 Organization of study

Chapter 1 of this study provided an introduction, problem statement, research question, research objectives, scope of study, and the significance of this study. Besides that, Chapter 2 discussed the literature review which included theory of happiness and the empirical evidence on the economic happiness. Moreover, Chapter 3 presented about the methodology of this study. Chapter 4 provided the analysis of the data and findings. At last, Chapter 5 provided conclusion from this study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

What makes people happy in life? This is an important question in the field of economic research. Many researchers have put great effort in measuring the relationship of happiness with economic well being or welfare, known as dismal science. They were scholars who identified four important factors, income, employment, social capital and health as the determinant for happiness using the Life Satisfaction Approach. This approach focus on the economic variables.

As mentioned above, it clearly indicates economics of happiness has emerged as one of the most thriving areas in the current economics research. In addition according to Econ Lit (2012), the title and abstract that use the term economic of happiness or well being has increased in volume from 3 in (1986 to 1990) to 146 in 2011. Google Scholar lists more than 20,000 papers in 2011 that include the term economics of happiness anywhere in its text. This chapter is organized with into 3 broad issues. First, the literature review on the measurement and the relationship of happiness research to welfare economics. Second, the factors that can influence happiness in economics. Third, discussed previous approaches as well as appropriate approaches to valuated the factors that influence happiness in economics.

2.2 Measuring happiness in economic

According to Diener, Ed, (2000), happiness is a subjective matter that measures the well being of an individual or a community, even a nation. Researchers have used single or multi item survey questions to measure one's satisfaction. The emotional aspects are measured based on moment to moment affect. In psychology, information on individual's actual experience in real time in the natural environment was conducted. But recently, a new approach was developed combining economics and psychology known as Day Reconstruction Method (DRM). Respondents will be asked to reflect what they felt the episodes they went through



REFERENCES

- Al-Naggar, R.A., Al-Jashamy, K.A., Low, W.Y., Isa, Z.M., Alsaror, M.I., & Al-Naggar, A.A. (2010). *Perceptions and opinion of happiness among university students in a Malaysian university*. ASEAN Journal of Psychiatry. 11(2):198-205.
- Ang, C.S., & Abu Talib, M. (2011). *An investigation of materialism and undergraduates' life satisfaction*. World Applied Sciences Journal. 15(8): 1127-1135.
- Aristotle. (ca 330 BC). *Nicomachean Ethics: Translated by W. D. Ross*. Book I. <http://classics.mit.edu/Aristotle/nicomachaen.html>.
- Bremner, R. H. (2011). *Theories of Happiness: On the Origins of Happiness and Our Contemporary Conception*. USA: Milwaukee, Wisconsin.
- Bruno, S. F. and Alois, S. (2002). *The Economics of Happiness*. World Economics. 3(1):1-15.
- Boo, M.C., Yen, S.H., and Lim, H.E. (2016). *A Note on Happiness and Life Satisfaction i in Malaysia*. Malaysian Journal of Economic Studies. 53(2): 261-277.
- Busch, M. (2008). *Adam Smith and Consumerism's Role in Happiness: Modern Society Re-examined*. Major Themes in Economics, Spring.
- Campante, F. and Drott, D.Y. (2014). *Does Religion Affect Economic Growth and Happiness?*. Harvard Kennedy School and National Bureau of Economic Research.
- Cheah, Y.K., & Tang, C.F. (2013). *The social-demographic determinants of self-rated happiness: The case of Penang, Malaysia*. Hitotsubashi Journal of Economics. 54(1): 1-16.
- Chin, W. W. (1998). *The partial least squares approach to structural equation modeling*. In: G.A. Marcoulides (eds). *Modern Methods for Business Research*, pp. 295–358. NJ: Lawrence Erlbaum Associates, Mahwah.
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences*. NJ; Erlbaum, Hillsdale.
- Colin, A. (2008). *Happiness and economics: a Buddhist perspective*. Henley Business School University of Reading, UK.
- Diener, Ed. (2000). *Subjective well-being: The science of happiness and a proposal for a national index*. American Psychologist. 55(1):34-43.

- Department of Statistics Malaysia. (2015). *Press Release: GDP by State, 2010-2014*. Retrieved 30 May 2016. The Office of Chief Statistician Malaysia.
- Department of Statistics Malaysia. (2010). *Preliminary Count Report*. Retrieved 8 June 2016. Population and Housing Census of Malaysia.
- Department of Statistics Malaysia. (2017). *Report of Household Income and Basic Amenities Survey 2016*.
- Di Tella, R., MacCulloch, R. and Oswald, A. (2003). *The Macroeconomics of Happiness*. *Review of Economics and Statistics*. 85(4): 809-827.
- Easterlin, R.A. (2004). *The Economics of Happiness*. Daedalus, Spring. 133(2):26-33.
- Easterlin, R.A. and OnnichaSawangfa. (2007). *Happiness and Domain Satisfaction: Theory and Evidence*. IZA Discussion Paper No. 2584, Bonn.
- FornellandLarcker.(1981). *Evaluating Structural Equation Models with Unobservable Variables and Measurement Error*. *Journal of Marketing Research*. 48:39-50.
- Fornell, C. and Cha, J. (1994). Partial least squares. In R.P. Bagozzi (eds). *Advanced methods in marketing research*, pp. 52-78. Cambridge: Blackwell.
- General Books LLC. (2010). *Divisions of Malaysia: Divisions of Sabah, Divisions of Sarawak, Limbang District, Limbang Division, Kuching Division, Bintulu Division*. General BooksLLC.
- Global Corruption Barometer. (2013). *Transparency International*. Retrieved 30 May2016.
- Guillen-Royo, M. and Velazco, J. (2006). *Exploring the relationship between happiness, objective and subjective wellbeing: evidence from rural Thailand*. WeD Working Paper 16 Bath: Wellbeing in Developing Countries (WeD) Research Group.
- Graham, C. (2005). *The Economics of Happiness*. *Economic Studies Program*, The Brookings Institution.
- Hair, J. F., Anderson, R. E., Tatham, R. L. and Black, W. C. (1998). *Multivariate Data Analysis with Readings*. 5th ed. NJ: Prentice Hall, Englewood Cliffs.
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., and Latham, R. L. (2006). *Multivariate data analysis*. 6th ed. NJ: Prentice-Hall, Upper Saddle River.
- Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2010). *Multivariate Data Analysis*. 7th ed. Upper Saddle River. New Jersey: Prentice Hall.

- Michael, J. (2006). *Racial Inequality in Wealth and the Racial Disparity in Marital Happiness*. Master of Arts. University of Cincinnati.
- MIDF Research. (2017). *Economic review: 2016 Salaries and Wages*. MIDF Amanah Investment Bank Berhad.
- Ng, C.G. (2014). *A Review of Depression Research in Malaysia*. Medical Journal Malaysia. 69:42-45.
- Norberg-Hodge, H. (2010). *The Economics of Happiness*. International Society for Ecology & Culture (ISEC).
- Nunnally, J. C. (1978). *Psychometric theory*. 2nded. New York: McGraw-Hill.
- Oishi, S. Graham, J. Kesebir, S. and Galinha, C. (2013). *Concepts of happiness across time and cultures*. USA: Department of Psychology, University of Virginia, Charlottesville.
- Oswald, A.J. (1997). *Happiness and Economic Performance*. University of Warwick, England.
- Royal Government of Bhutan. (2012). *The Report of the High-Level Meeting on Wellbeing and Happiness: Defining a New Economic Paradigm*. New York: The Permanent Mission of the Kingdom of Bhutan to the United Nations. Thimphu: Office of the Prime Minister.
- Royo, M. G., & Velazco, J. (2006). *Exploring the relationship between happiness, objective and subjective well-being: Evidence from rural Thailand (WeD 16)*. Bath, United Kingdom: ESRC Research Group on Wellbeing in Developing Countries
- Sabah State Government. (2016). *About Sabah*. Retrieve 30 May 2016. <https://www.sabah.gov.my/main/en-GB/Home/About>.
- Sachs, J. (2012). *World Happiness Report*. Earth Institute, Columbia University.
- Selin, H., & Davey, G. (Eds.) (2012). *Happiness across culture: View of happiness and quality of life in non-Western cultures*. New York: Springer.
- Sekaran, U. 2003. *Research Methods for Business*. 4th edition. Hoboken, NJ: John Wiley & Sons.
- Sekulova, F. (2013). *On the Economic of Happiness and Climate Change*. Doctoral thesis. Universitat Autònoma de Barcelona, Spain.
- Seligman, M. E. P. and Royzman, E.B. (2003). *The Three Traditional Theories*. University of Pennsylvania.

- Stone, M. (1974). *Cross-validators choice and assessment of statistical predictions*. J. Roy. Statist. Soc. Ser. B. 36:111–147.
- Suikkanen, J. (2011). *An improved whole life satisfaction theory of happiness*. International Journal of Wellbeing, 1(1):149-166.
- Sujarwoto. (2013). *Essays on decentralisation, public services and well-being in Indonesia*. A thesis submitted to the University of Manchester for the degree of Doctor of Philosophy in the Faculty of Humanities.
- Teh, Cheryl. (2014). *Wellbeing and Its Determinants: Case of Malaysia*. Taylor's University.
- Van Praag, B.M.S. and Carbonell, A. (2011). *Happiness Economics: A New Road to Measuring and Comparing Happiness*. Foundations and Trends in Microeconomics. 6(1): 1-97.
- Veenhoven, R. (1993). *Happiness in Nations: Subjective Appreciation of Life in 56 Nations. 1946–1992*. Erasmus University Press: Rotterdam.
- Veenhoven, R. (2006). *Tenets, implications and tenability of three theories*. Paper presented at conference on 'New Directions in the Study of Happiness: United States and International Perspectives', University of Notre Dame, USA.
- Veenhoven, R. (2012). *Social Development and Happiness in Nations*. Working Paper 2012-3. International Institute of Social Studies (ISS).
- World Health Organization. (2015). *Suicide mortality rate (per 100 000 population), by WHO region*. <http://www.who.int/gho>. Retrieved 2 January 2017.
- World Value Survey. (2010-2014). *Official Data File, v.20140428*. World Value Survey Association. ASEP/JDS, Madrid. www.worldvaluesurvey.com. Retrieved 30 May 2016.