

BEING POOR OR FEELING POOR: MULTIFACETED POVERTY AMONG LOW INCOME HOUSEHOLDS (B40) IN MALAYSIA

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Abstract: *The Eleventh Malaysia Plan 2016-2020 provides a unique consideration towards further improving the individuals' economy particularly in raising the Income Generation Potential of the B40 households while guaranteeing the capital economy keeps on thriving. Numerous initiatives have been taken to promote the economic involvement of urban families, as well as the quality of life for rural households, including income-generating activities, the development of human capital, and microenterprise assistance programs. The present study investigated the multifaceted nature of poverty by focusing on objective and subjective poverty incidence among the low-income households in the context of zakat candidates. The data were gathered from a review of zakat candidates under the categories of poor and needy in the "State Islamic Religious Council (SIRC) of Melaka", one of the states in Malaysia. The findings demonstrated that more individuals seem to feel poor than are categorized as such utilizing purely income-based actions.*

Keywords: *low income, multifaceted poverty, objective poverty, subjective poverty, zakat.*

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1. INTRODUCTION

In order to eradicate poverty in the country, the Malaysian government has run various policies for the time frame of 1970 to 2010. Their strategies involve these policies: New Economic Policy (1971-1990), New Development Policy (1991-2000), National Vision Policy (2001-2010) and the National Transformation Policy (2011-2020).

At the same time, the government also implements The Malaysia Plan, often known as Malaysia's Five-Year Plan, is an extensive explanation of the government's development objectives and plans. The 2nd until 5th Malaysia Plans were implemented during the New Economic Policy, while the 6th until 7th Malaysia Plans were under the National Development Policy while the 8th and 9th Malaysia Plans were under the National Vision Policy. In the 10th and 11th Malaysia Plan, the focus is on the National Transformation.

The Eleventh Malaysia Plan (2016-2020) is the last leg in the progress of acknowledging the Vision 2020. There are six creative approaches to deal with accelerating Malaysia's development that will in general sense enhance the direction of the nation's development. Uplifting B40 families is one

strategy for creating a middle-class society. There are now 2.7 million B40 families, and these households have an average monthly pay of RM2,537. The B40 households should not pass up the opportunities that come with national achievement as Malaysia continues to develop. All Malaysians will pay a social price if the B40 households are allowed to continue living in their current financial circumstances because it reduces the number of skilled workers needed to produce the nation's output, feeds urban inequality, and restricts the ability of urban and rural areas to develop. The Government will put policies into action to increase wealth ownership and salaries for B40 households, manage the rising cost of living, and strengthen delivery mechanisms for helping B40 households.

In the Household Income and Basic Amenities (HIS/BA) survey conducted by the Department of Statistics' (DOSM) in the year 2016, Malaysians are sorted into three different income groups: Top 20% (T20), Middle 40% (M40), and Bottom 40% (B40). The names, B40, M40, and T20, represents the nation's populace of Bottom 40%, Middle 40%, and Top 20% respectively.

As of late, in light of the 2019's Household Income and Basic Facilities Survey, the B40, M40 and T20 household groups can be further separated into 10 categories. The B40 can be separated into B1, B2, B3 and B4; M40 to M1, M2, M3 and M4 while T20 to T1 and T2. The B40 category in 2019 contained about 2.91 million households, the M40 includes 2.91 million families and about 1.46 million families are in the T20 category. For the B40 category, those procuring underneath RM2,500 can be set in class B1, RM2,501 to RM3,169 in B2, RM3,170 to RM3,969 in B3; while those earning between RM3,970 to RM4,849 is under B4 (BH Online, 10 August 2020).

2. PROBLEM STATEMENT

Many civilizations have varied views of poverty, which is a complex problem. So, it is crucial to comprehend the complex nature of poverty since doing so will help develop new tactics for more effective intervention programs aimed at reducing it.

The objective-types of absolute and relative poverty methods predominate in most current research on poverty in Malaysia. In the actual practice, zakat institutions in Malaysia also utilize the complete processes such as Poverty Line Income (PLI) and *haddul kifayah* to govern the deprived households. Both methods use income as the variable to determine whether the individual or household is poor or non-poor. PLI is set by the Economic Planning Unit (EPU) of the Prime Minister's Department whereas each zakat institution determines their *haddul kifayah* respectively. The questions arise when the official data from Economy Planning Unit (EPU) states the decline number of the poor in the overall poverty rate, but zakat authorities have experienced the increase in zakat application especially from the poor and needy. Each year, the zakat distribution for the poor and needy kept on increasing. Nair (2000) said that economists believed that the existing method of assessing poverty, which relies on monetary indicators or an objective approach, is unable to capture the full scope of the problem. Subjective data provide a way to widen the knowledge base that has historically been utilized to evaluate wellbeing and measure poverty (Ravallion, 2012). As a result, this study also intends to offer some insight on some of the metrics used to assess the traits of the poor based on subjective poverty.

3. METHODOLOGY

Past studies on multifaceted nature of poverty have featured a variety of techniques to gauge poverty, for example, In their 2013 study, Dartanto and Otsubo used five indicators of poverty to describe the level of poverty in Indonesia. These indicators included absolute measures (calorie intake and expenditure poverty), relative measures, and subjective measures (subjective well-being (SWB) and subjective poverty), among others. In another study, Jansen, Mujuta and Yu (2013) used the approaches of absolute income poverty, relative income poverty, subjective income poverty, subjective poverty, and subjective well-being to determine poverty in South Africa.

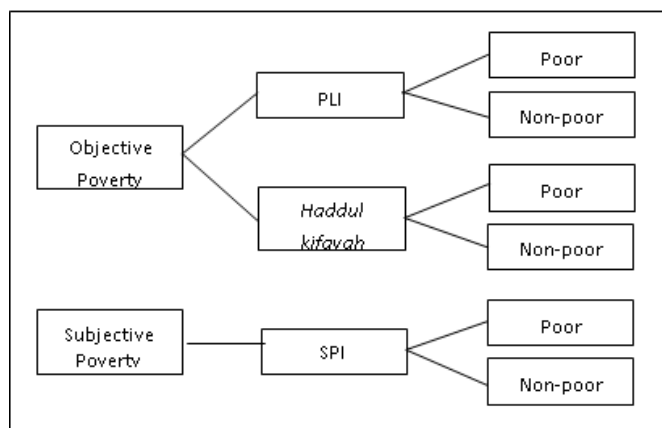


Fig. 1. Multifaceted poverty measurements

Two concepts for measuring poverty are examined in this study. The first is comprised of Haddul Kifayah and Poverty Line Income (PLI), while the second is the Subjective Poverty Index, which is an objective measure of poverty (SPI) (Othman, 2018). The primary reason for utilizing these two concepts is to analyse the objective and subjective poverty measurement in deciding the categories of poor and non-poor. The measures used include:

3.1 Poverty Line Income (PLI)

The Economic Planning Unit (EPU) of the Prime Minister's Department creates the official poverty line. Malaysia has been measuring and tracking the incidence of absolute poverty since the 1970s using the PLI and headcount method. This technique was first used in 1977 and was based on the minimal needs of a "model" five-person household for both food and non-food goods from the 1973 Household Spending Survey.

According to its definition, the PLI serves as a cutoff point for identifying those who are poor and those who are not. When a respondent's income is above the PLI, they are deemed non-poor, and when it is below the PLI, they are deemed poor. The PLI used in this study is based on 2016's PLI, that is RM980 per month. Recently, on the 10th of July 2020, the government announced the new PLI as RM2,208 per month.

3.2 Haddul kifayah

The appropriate zakat institution determines haddul kifayah by evaluating the degree of necessity required for a household to meet its daily necessities. The evaluation covers six areas: food, clothes, medical, education, transportation, and shelter. Although the Department of Awqaf, Zakat, and Hajj (JAWHAR) (2007) listed the primary factors in assessing haddul kifayah, zakat institutions are responsible for deciding the specifics of each factor. The calculation of haddul kifayah takes into account a variety of factors, including the size of the household and the ages of its members. The following computation is used to establish the household's categorization (whether they are poor or not):

$$\text{Total Income} - \text{Total Expenditure on necessities of a household} = \text{Excess income}$$

The applicant is deemed to be an *asnaf fakir* if he or she does not get any halal income or if the amount of money received does not cover at least half of their basic necessities each day (the needy). If the applicant's property or income surpasses 50% but is insufficient to provide their basic requirements and those of their dependents while staying under the kifayah limit, he or she is considered as *asnaf miskin* (the poor).

Table 1. Example of Calculation for Eligibility of *Asnaf* Fakir (the needy)


Household income	Total (RM)	Need	Remarks
Applicant	500.00	800.00	Domestic Worker
Spouse	None		
Income of children/family living together			
Contribution from children living together			
Other income JKM/SOCSO/etc.		270.00	
Total	500.00	1,070.00	
Expenditure/Dependency			
Utility Bills	50.00	50.00	
Schooling	200.00	200.00	4 children schooling
Residency	250.00	250.00	Rent a house
Medical/Fees	300.00	NA	Wife has chronic illnesses
Household Expenditure	400.00	400.00	
Total	1,200.00	900.00	
Balance	- 700.00	170.00	

Source: MAIM (2013)

From the example, this individual lacks RM700 to fulfil his daily expenditure every month. Furthermore, his Income does not cover at least half of a person's daily need and their reliance. Therefore, he is categorized as *asnaf fakir* (the needy).

Table 2. Example of calculation for eligibility of *Asnaf* miskin (the poor)

HOUSEHOLD INCOME	TOTAL (RM)	REMARKS
Applicant	500.00	Domestic worker
Spouse	None	
Income from children/family living together		
Contribution from children living together		
Other income JKM/SOCSO/etc.	100.00	Extra income
	400.00	
Total	1,000.00	
Expenditure/Dependency		
Utility Bills	50.00	
Schooling	200.00	4 children schooling
Residency	250.00	Rent a house
Medical/Fees	300.00	Wife has chronic illnesses



Household Expenditure	400.00
Total	1,200.00
Balance	- 200.00

Source: MAIM (2013)

Referring to the example, this household is categorized as *asnaf miskin* because they have property or income that is greater than 50% but does not exceed the kifayah limit for the individual's basic necessities and those of any dependents. His income is RM1,000 per month but his household expenditure is RM1,200 per month. This household has a shortage of RM200 monthly.

4. SUBJECTIVE POVERTY INDEX (SPI)

The subjective poverty is measured through the Subjective Poverty Index (SPI) as proposed by Othman (2018). There are seven dimensions as shown in Table 3. The dimensions and corresponding indicators are shown in columns (a) and (b), and the weighting of each dimension is shown in column (c). A family would receive a score of "1" for every indication in which it is deficient, while a score of "0" indicates that it is able to meet the requirements of each indicator or variable. The weightage of each indication is then multiplied by the score—whether it is a score of 1 or a score of 0—assigned, and the score for each indicator is then displayed in the score column. The total score, or TWI, is eventually calculated by adding the scores of all indicators. The score for each home is given, and it ranges from 0 to 100. To establish whether the household is poor, in need of assistance, or not poor, the TWI would next be compared with the cut-off marks.

Table 3. Computation of SPI

Dimensions	Indicators	Weightage	Score (0-not deprived, 1-deprived)
(a)	(b)	(c)	(d)
Ability to work	Able to work but inactive	4.77	
	Able to work but not able to get suitable work	4.77	
	Working but odd income	4.77	
Level of education	Lower level of education	14.3	
Status of employment	Not working and no income	7.15	
	Working but insufficient income	7.15	
Health status	Unable to work due to poor health	14.3	
Other source of income	Spouse not working	3.58	
	Spouse working but insufficient income	3.58	
	Children (adult) not working	3.58	
	Children (adult) working but income insufficient	3.58	
Moral support	No family members supporting financial expenses	14.3	
Financial stress	Inability to pay house rent	7.15	
	Inability to pay loans	7.15	
		TWI	

The intensity of subjective poverty deprivation score is between 0 to 100. In the event that the

household score is under 20, they are unimportant to subjective poverty. On the off chance that the household score is somewhere in the range of 20 and 50, they are moderate subjective poverty deprived. In the event that the household unit score is greater than 50 but less than 75, they are great subjective poverty deprived and if the household score is greater than 75, they are exceptionally high subjective poverty deprived. In this study, the score below 50 is now regarded as non-poor, whereas the score beyond 50 is regarded as bad.

The empirical analysis was based of 507 *zakat* applications of poor and needy held in Melaka, also categorized as the B40 households. The survey conducted in 2016 involved all the three districts in the state of Melaka: Melaka Tengah, Alor Gajah and Jasin. Logistic Regression analyses were conducted to identify the characteristics of the poor using the following approaches: (1) Poverty Line Income (PLI), (2) *Haddul kifayah* and (3) Subjective Poverty Index (SPI).

5. ANALYSIS AND FINDINGS

Table 4. Number of Poor and Non-Poor based on the three poverty measurements

Measure	Status	Frequency	Percent
PLI	.00 (non-poor)	247	48.7
	1.00 (poor)	260	51.3
<i>Haddul Kiffayah</i>	.00 (non-poor)	159	31.4
	1.00 (poor)	348	68.6
SPI	.00 (non-poor)	121	23.9
	1.00 (poor)	386	76.1

Table 4 shows a cross-tabulation of 507 families classed as poor or not in accordance with each of the three measures of poverty (Othman, 2018). It is shown that under the objective poverty measurement based on the PLI, 48.7% (247) of households are characterized as non-poor, while 51.3% (260) are categorized as poor. Based on the *Haddul kifayah* measurement, 31.4% (159) are categorized as non-poor and 68.5% (348) as poor. Meanwhile, under the SPI, only 23.9% (121) of households are stated as non-poor while 76.1% as poor.

Using the Melaka PLI, which is RM960, is the first step. Because of this, a household is classified poor if its income is less than RM 960, and non-poor if it is more than RM 960.


Secondly, using the *Haddul kifayah*. The *zakat* application is measured either accepted or rejected by the *zakat* institutions. When their applications are accepted, they are considered as poor. On the other hand, if their applications are rejected, they are considered as non-poor.

Thirdly, using the proposed SPI, there are 121 respondents (23.9%) who recognized themselves as non-poor while the other 386 respondents (76.1%) evaluated themselves as poor. Each household's subjective poverty score is calculated using a weighted total of the number of deprivations, and each person's subjective poverty score ranges from 0 to 100.

Table 5 shows a comparison of 507 homes classed as poor or not poor according to each of the three operationalized definitions of poverty.

Table 5. Table Cross Tabulation Among Each Poverty Indicator

Poverty Measures		PLI		SPI		<i>Haddul kifayah</i>	
		Non-Poor	Poor	Non-Poor	Poor	Non-Poor	Poor
PLI	Non-Poor	247					
	Poor		260				
			51.3				



SPI	Non-	84	37	121		
	Poor	69.4	30.6	23.9		
	Poor	123	263		386	
		31.9	68.1		76.1	
Haddul Kifayah	Non-	70	89	44	115	159
	Poor	13.8	17.5	36.4	29.8	31.4
	Poor	137	211	77	271	348
		27	41.7	63.6	70.2	68.5

Note: The top row of each cell lists the number of homes that fall under each group. The values in the second row represent the proportion of sample households overall.

According to the PLI, 51.3% of households are classified as poor, while 48.7% of families are non-poor. Just 23.9% of households in the SPI are classified as non-poor, while 76.1% are considered to be poor. In the Haddul Kifayah, 68.5% of people are classified as poor and 31.4% as non-poor. Whereas 30.6% of PLI poor families reported being non-poor on the subjective poverty measure, 31.9% of PLI poor households reported being subjectively poor. According to this data, some households who are not considered to be poor by an objective standard may yet experience subjective poverty. Similarly, some households who are poor according to an objective criteria might not consider themselves to be poor according to the subjective metre.

6. CONCLUSION

Poverty is a multifaceted in nature and it possesses a complex concept. Poverty is normally measured using objective measures including the absolute and relative measures. Be that as it may, it can likewise be estimated utilizing subjective measures. A widespread view argues that to successfully address poverty, it needs to incorporate not only in monetary terms, but also in its entire aspects.

In this study, the discussion analysed poverty using both objective and subjective measures by restricting the analysis to PLI, *Haddul Kifayah* and SPI. The study was able to explain poverty using the subjective poverty approach. The proposed Subjective Poverty Index (SPI) is an initial effort to explain poverty in the perspective of the poor. A different poverty measurement would produce a different analytical result that, in turn, calls for a different set of policy interventions. These findings pointed to the needs of tailor-made strategies for the society in order to cope with multifaceted poverty. Thus, effective poverty reduction measures should integrate the view of the poor. In enhancing the zakat distribution context, there are two challenges faced by the *zakat* institutions; firstly, to determine the level of minimum standard of living for the poor and needy and secondly, to identify the poor and needy who do not come and ask for zakat. Wagle (2007) showed that the application of the subjective poverty measurements appears to be more comprehensive in term of measuring the satisfaction with income and perceived adequacy of dwelling. Thus, subjective poverty measures are capable to capture a realistic picture of poverty. However, social policy makers need both objective and subjective indicators. For some purposes, objective indicators are best suited, while for other uses subjective indicators are preferable. Assessments of overall life satisfaction is particularly needed to assess comprehensively policy success and to distinguish needs from wants. When zakat institutions use an index as a means of measurement, they will be using it for the first time to take into account subjective poverty. SPI offers a fresh approach to micro-level poverty measurement. Thus, it is strongly advised that a thorough analysis of the zakat institutions in Malaysia be done in order to develop the SPI.

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