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## A Socio-Economic Perspective of B40 Household Budgets in Malaysia

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**Abstract:** This paper explores the main determinants of the socio-economic characteristics in Malaysian households in terms of budget and income. Generally, the amount of expenditures depends on the changes in household budgets; thus, income and wealth are the primary determinants of household budgets and consequently consumption patterns. In the wake of Covid-19, Malaysia's economy has been highly impacted and people were unable to run businesses or any economic activities except for those classified as essential services such as hospitality, medical, foods and beverages, and retailing. As such, these have impacted the people with lower income earnings, especially the Bottom 40, which is classified as those with household income median of RM3,000. The B40s spend their income mainly on life necessities whereby a higher saving rate would be an assurance for higher future consumption. In view of this, the government must play its role in helping the B40s fulfill their necessities through significant policies such as increasing the amount of Bantuan Sara Hidup (BSH), providing an old-age pension, and addressing poverty problems among B40s as well as drafting a long-term plan to mitigate these problems.

**Keywords:** Bottom 40 (B40), demographic, socio-economic, consumption, purchasing power

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### INTRODUCTION

Malaysia is an upper-middle-income country situated in South East Asia, which is a constitutional monarchy with a parliamentary elected federal government. Comprising 11 states in the Malay Peninsula and 2 states (Sabah and Sarawak) on the island of Borneo, Malaysia consists of 13 states altogether. While Malays form the predominant ethnic with Chinese and Indians as the other groups, Islam is also the official religion in Malaysia and it is practised by approximately 60 percent of the country's population. In 2019, the labour force participation rate in this country was 68.9% with a 3.3% unemployment rate (Malaysia Labour Force, 2019), whereas the Gross National Income amounted to USD 10,590 and the poverty headcount ratio at national poverty lines was at 0.4 in 2018 compared to 3.8 in 2008 (World Bank, 2020). Although the elderly population aged 65 and above makes up to 6.82% in Malaysia, this country also comprises a relatively young population below the age of 15 years old with 23.10% (DOSM, 2020). Meanwhile, Malaysians are grouped into three household income classes: Bottom 40% (B40) with a monthly household income of RM6,501 and below, Middle 40% (M40) with RM6,502 to RM16,087, and Top 20% (T20) with RM16,088 and above (DOSM, 2017).

Fundamentally, the Malaysian government is focused on enhancing the welfare of the B40 group, which represents 40% of the Malaysian population. A previous study has discussed the impact of economic policy on the B40 group, particularly among certain groups of people like rubber smallholders (Aripin et al., 2020). Additionally, the welfare of the B40 group can be observed as the social safety nets programmes are mostly targeting the B40 group. For example, Bantuan Rakyat 1 Malaysia (BRIM), which were introduced in 2014, has benefited the B40 group through one-off cash assistance to increase their purchasing power. Other privileges were also offered such as Klinik 1 Malaysia, Kedai Rakyat 1 Malaysia, and Kedai Kain 1 Malaysia, which were introduced by former Prime Minister Datuk Seri Najib Razak. Subsequently, the new government continued with further assistance through a new assistance policy such as MySalam, which benefits the B40 and M40 groups with free medical insurance. In general, such economic issues significantly influence the tax burden among the middle-income tax payers in Malaysia (Hamid et al., 2020). In another study, it was also claimed as social economic living can be improved by a proper Zakat distribution among of needy people, (Noor, Nik Mohd Rashid, and Mastuki 2011). Later, the present government, Perikatan Nasional, has kindly introduced social compensation to the B40s and M40s including those affected from the Restricted Movement Order (RMO) due to Covid-19. In

fact, the Malaysian government has always given more priority to the B40s' welfare in many economic decisions to reduce the economic impact on the B40 group. For example, Bantuan Rakyat 1 Malaysia (BRIM) was introduced to increase the purchasing power of those affected from the implementation of the Goods and Services Tax (GST) in 2015, especially the B40 group.

The objective of the present study is to reflect the socio-economic perspective of B40 household conditions in Malaysia within the context of household budgets. This study also aims to investigate the sufficiency of government grants or government assistance in assisting B40 consumption by looking into the budget status within Malaysian households. As this study deems income a significant determinant of the quality of life of households, this study will empirically analyse how household lifestyles influence the flow of the household income.

The different ways of budget planning will be covered in the current study. This study will also define the financial arrangements relative to the socio-economic characteristics of B40 households, such as household income, household expenditure, educational background, and government grants or government assistance.

According to Sheykhi (2010), a household is described as a single person or a group of people who hold only a single address or primary residence and who either share living accommodation or one meal a day. For a sociological review, households may be classified into two:

- a. Based on the number, sizes, families, and family structure in the household, and
- b. Based on the age and sex structure that decide the number of children, adults, and pensioners in the household at times.

In Malaysia, households are grouped into three income classes: Bottom 40% (B40) with a monthly household income of RM6,501 and below, Middle 40% (M40) with RM6,502 to RM16,087, and Top 20% (T20) with RM16,088 and above (Department of Statistics Malaysia, 2017). Additionally, in any society, saving is deemed an essential part of deciding the socio-economic status of a household that often impacts household behaviour significantly. In view of this matter, this paper will review the main determinants of the socio-economic status of households in the state of Selangor possibly from the perspective of Malaysia in general. This study will also discuss the impact of budgets on the quality of life in Malaysia, alongside examining the relevant perspectives advocated by various scholars. Lastly, the results from the collected data will be analysed and presented.

In a literal sense, thousands of budgetary investigations have explored how money is spent by the people from various income levels, and the overall qualitative trends of behavior have been remarkably consistent. As such, this study will identify how the Bottom 40 (B40) household group spends their incomes on life necessities with an emphasis that the shifts in household budgets depend on the standard and quantity of expenditures. While income is a primary driver of household savings, people's motivations to engage in saving and investment activities, however, rely on socio-cultural norms as well as their values in a given society.

### **Theoretical Perspectives**

As income and resources are the principal determinants of household expenditure and consequent consumption in this study, most studies, on the other hand, have used per capita income as the relevant wealth variable. However, the level of per capita income is hypothesised to positively influence the socio-economic status of households by increasing saving rates and improve future consumption policies. In this sense, the B40s are more likely to be at the social minimum level with the current consumption.

Wealth in the theoretical models of intertemporal optimization is typically a primary determinant of the economy. While permanent income can be perceived as the source of total wealth income, a broader concept of wealth remains the assets traded for current consumption that significantly influences the socio-economic status of households, for example, in the course of which the lifestyle and ways of the households would be affected.

### **B40 Households in Malaysia**

In Malaysia, households are divided into three income groups of Top 20% (T20), Middle 40%, and Bottom 40% (B40) based on the Department of Statistics Malaysia (DOSM, 2016). Over the years, the income level of each group has increased due to economic growth. For example, in 2016, the median incomes of T20, M40, and B40 had increased with M40 obtaining the highest growth with 6.9% per annum and followed by B40 (6.6%) and T20 (6.2%). Additionally, the household income of the B40s (Bottom 40%) ranges between RM 3,000 and RM 6,275 and most of these households constitute single earners, while 52% of the household heads do not have a known education background. According to Gonçalves, Araújo, Benevenuto, & Cha (2013), the economic mobility of B40 households as well as their ability to ensure higher pay jobs and revenue opportunities are restricted due to poor education, low skill levels, and in certain cases, living in remote areas.

Further, it has been reported that the increase in living costs has mostly affected the B40 group (Che Sulaiman, Sanusi, & Muhamad, 2020), alongside the introduction of the Goods and Services Tax (GST) or the Sales and Service Tax (SST), which has caused them to spend conservatively. As such, the government has been attentive to this issue and provided initiatives to increase the living standards of the B40 group. As can be seen in most government budgets, the B40s would be highlighted by the government for assistance over their living. Besides, the government always aims for this group's equality regardless of their gender, ethnicity, socio-economic status, and geographic location. For example, the 11<sup>th</sup> Malaysia Plan echoes the New Economy Model (NEM) with a focus to increase the income and wealth of B40 households by encouraging their income growth (Talib, 2016).

Meanwhile, the private sectors have taken initiatives through CSR arms (Corporate Social Responsibility) or private informal SSN (Social Safety Net).

## **METHODOLOGY**

The methodology practiced in the present study is a combination of theoretical and empirical techniques. The first step was taken by reviewing prior literature in reference to the theories and relevant findings by various researchers to clarify the issues more thoroughly.

Next, a total of 233 B40 respondents were randomly chosen in this study, and the designed questionnaires were administered to them. Upon completion, the data collected from the respondents were analysed and the findings were interpreted and reported accordingly.

### **Satisfaction of Needs**

The needs of households in modern times are endless. To satisfy such needs and have a better quality of life, the economic community has engaged in making available resources for household consumption. Figuratively, soils are cultivated, cattle are reared, irons are converted into engines, fibres are turned into clothes, the connecting services of transport and markets are organised, and a variety things are done to supply goods and services for the use for households who can pay for them (Pople & Quinney, 2002).

All of these activities, aimed at fulfilling household needs or, in particular, human needs, have resulted in the production of various types of consumer goods and services. As such, in order to be able to utilise them all, there should be enough budget and resources within the households so as not to be dominated by deprivation, socio-economic problems, and low quality of life in various forms. Thus, households need to raise the means to pay for these productions in the present circumstances. To earn our living, all socio-economic infrastructures must be set adequately.

Industrialization and technological changes have highly influenced households in various living aspects. The overall industrial effect on households is usually linked with its two-way occupational structure. On the one hand, the particular occupation of an individual in the industry determines many immediate aspects of household living, for example, the amount of income the household will live on and the amount of "living" that it can buy. While the occupation decides the amount of time a job-holder spends at home whether during the night or during the day, the employment may, however, cause stress and pressure that can be transmitted to household life. Furthermore, professional experience develops the behaviors and beliefs that can subtly penetrate household relationships in many ways (Schneider & Reichers, 1983).

On the other hand, an occupation that determines class and status position tends to indirectly influence households. Indeed, class and status groups are deemed sub-cultures in many societies with indigenous habits, values, attitudes, and consumption manners. This further defines other structural and functional features of households in terms of belonging to a specific class or status group. For instance, the socio-economic condition of a household will be determined by the number of dependents, the position of breadwinners, and the household's vulnerability to crises. So far as nutrition is concerned, 'household nutrition' can be viewed as a combination of both incomes (e.g. food purchasing power) and time (e.g. food production, processing, preparing, and storage). In low-income countries, household work is time-consuming and calls for changes in tasks, such as fuel and water-carrying that significantly contribute to the time available for other household work like food production. Notwithstanding, the increase in food production will not ensure the increase in consumption without any increase in the purchasing power, for example, real income. Moreover, the number of dependents may also influence the purchasing power of foods or food security. For instance, an income under the poverty level and households with more than five members are more likely to result in food insecurity (Mohd Nor, Sulaiman, Mohd Shariff, & Ibrahim, 2017). Thus, government assistance programmes should focus more on household numbers to reduce the risk of food insecurity.

Health gradient is an important metric for measuring households globally and nationally. People in wealthier countries have lower disease rates and they tend to live longer than the people in developing countries; besides, even within countries, the wealthy also tends to live longer than the poor. In fact, average life expectancy increases as countries become wealthier and this phenomenon is not confined to the bottom end of the income or wealth distribution. Indeed, the trend of enhanced health and longevity for relatively wealthy people is apparent in the whole distribution of income relative to the health issue gradient.

The relationship between income and health has been analysed historically with extremely comprehensive literature. In a study by Mckeown (2004) and Fogel (2004), it was argued that longevity increase in the 19th century is due to higher wages instead of advancements in medicine or public health. Meanwhile, Preston (1975) and Macunovich (1998) in their early studies had also presented historical and cross-country evidence on shifts in the health production function.

In light of this discussion, it is asserted that the socio-economic status of households and the quality of life are highly dependent on income. Hence, at the micro-economic level, the researchers have applied the B40 data to document a descriptive analysis between the income and consumption of the B40 group in Malaysia.

### **A Survey on Malaysia's B40**

The survey instrument collects the information of B40 households to identify the income and expenditure of the B40 group in Malaysia as well as the sufficiency of government grants such as BSH and BPN in covering their consumption. The survey addresses some questions pertaining to household income, household expenditure, food expenditure, medical expenditure, insurance expenditure, travelling expenditure, education, clothing, transport, and the number of dependents.

The survey was conducted by collecting the data through a random sampling technique in selected locations in Selangor as a representative of the B40 population in Malaysia. This research is essential for a better understanding of how the consumption and access to goods and services are affected by income levels whilst investigating how government assistance such as Bantuan Sara Hidup (BSH) or Bantuan Prihatin Nasional (BPN) suffices to cover the shortage of income.

#### Data Assessment

Overall, 233 households in the state of Selangor have been surveyed using administered questionnaires to the respondents, which include about 17 questions that are directly or indirectly related to household budgets for further data assessment relative to this study.

Based on the demographic findings, 58.8 percent of the respondents are male, whereas 41.2 percent of them are female. Out of 233 households, 45.5 percent of the households constitute the age group of 18-29 years old, 30-39 years old with 19.7 percent, 40-49 years old with 21 percent, 50-59 years old with 10.3 percent, and 60 years old and above with 3.4 percent. In terms of the number of households, it was found that single-person households constitute 29.4 percent, two-person households with 9.1 percent, three-person households with 18.6 percent, four-person households with 17.3 percent, five-person households with 9.1 percent, six-person households with 4.8 percent, seven-person households with 3.9 percent, eight-person households with 0.4 percent, nine-person households with 3.4 percent, and finally more than ten-person households with 3.9 percent. Apparently, their budgets become tighter as the households become larger.

In today's world, education is deemed influential to the economic condition of a household. As such, an employer is willing to pay more in line with the higher educational requirement because individuals with a higher education level tend to be more worthy of the job market. Based on the survey results, 40.5 percent of the respondents dominantly have SPM/STPM qualifications and 28.2 percent of them have a diploma, while 18.2 percent, 7.3 percent, and 1.8 percent of the respondents have a bachelor's degree, master's degree, and professional certificate respectively. Meanwhile, informal education constitutes 4.1 percent of the respondents. In terms of individual income, out of 231 respondents, 80.1 percent of them earn less than RM3,000, with 16.5 percent earning between RM3,001-RM6,000, 3 percent earning between RM6,000-RM9,000, and 0.4 percent earning between RM9,001-RM12,000. Meanwhile, the household income of the 231 respondents is dominated by those with a household income of RM4,000 and below with 60 percent, followed by RM4,001-RM6,000 with 14.3 percent, RM6,001-RM9,000 with 13.6 percent, RM9,001-RM12,000 with 5.7 percent, and RM12,000 and more with 6.4 percent. Based on their respective experiences, the higher household income will lead to an increase in consumptions.

Another set of data indicates the monthly expenditure of households for clothing, education, transportation, medical, and foods as well as rental and house installments. Based on the household income data, 74.3 percent of the household income entails less than RM6,000, which is classified as B40. This indicates that they have lower purchasing power compared to the other income classes of RM6,001 and above. Besides, the level of education also influences the level of income by which the higher the education level, the higher the earnings. Correspondingly, this increases the purchasing power and useable income. As can be seen in the survey results, more than 60 percent of the respondents had spent on clothing, educational, transportation, and medical costs for less than RM500. Meanwhile, 55.5 percent of the respondents have a higher education with a diploma, degree, master's degree, and also a professional certificate. As such, they are able to spend more because their household income and purchasing power are higher.

**Table 1: Classification of Households by Clothing Costs, Educational Costs, Transportation Costs, and Medical Costs/Insurance.**

Particular	Clothing Costs (%)	Educational Costs (%)	Transportation Costs (%)	Medical Costs/Insurance (%)
RM100	24.6	26.1	37.4	43.0
RM200	22.3	26.1	23.2	31.1
RM300	16.0	20.9	21.9	13.2
RM400	1.7	8.7	3.9	4.6
RM500	14.3	7.8	2.6	3.3
RM600	5.1	2.6	4.5	-
RM700	1.1	0.9	0.6	4.0
RM800	1.7	-	0.6	-
RM900	2.9	3.5	-	-
RM1,000	8.6	2.6	5.2	-

More than RM1,000	1.7	0.9	-	0.7
Total (%)	100	100	100	100

**Table 2: presents the findings for Food Expenses;**

Particular	Food Expenses (%)
RM100-RM300	20.1
RM400-RM600	27.9
RM700-RM900	16.9
RM1,000-RM1,200	15.5
RM1,300-RM1,500	11.0
RM1,600-RM1,800	0.5
RM1,900-RM2,100	3.7
RM2,200-RM2,400	0.9
RM2,500-RM2,700	0.5
RM2,800-RM3,000	0.9
More than RM3,000	2.3
Total (%)	100

**Table 3: presents the findings for Rental/House Installment and Utility Bills Expenses.**

Particular	Rental/House Installment (%)	Utility Bills (%)
None	20.5	-
Less than RM100	-	15.5
RM100-RM200	12.4	44.5
RM300-RM400	19.9	23.5
RM500-RM600	17.4	10.0
RM700-RM800	12.4	3.0
RM900-RM1,000	6.8	-
RM1,000-RM1,200	4.3	0.5
RM1,300-RM1,500	3.7	0.5
RM1,600-RM2,000	1.2	-
RM2,100-RM2,500	0.6	2.5
RM3,100-RM4,000	0.6	-
Total (%)	100	100

**Table 4: Recipients of Government Grants**

	Frequency	Percentage (%)
Received	77	33
Not Received	156	67
<b>Total</b>	<b>233</b>	<b>100.00</b>

Table 4 shows the composition of the respondents' recipients of a government grant (BSH) or any social safety nets programmes. Out of the 233 respondents, 77 of them have only received BSH with 33%, while the remaining 156 respondents did not receive any assistance with 67%. The reason for the low number of recipients for government grants or social safety nets programmes is that the government restricts BSH only to those who are eligible. For example, individuals with a household income of less than RM3,000 will receive RM1,200, while those earning from RM3,001 to RM4,000 will receive RM900. Besides, single-households including the age group of 40 to 59 years old and those with an income of less than RM2,000 will only receive RM450. Evidently, the restriction is tighter and the majority of single-households reportedly earn less than RM2,000; in turn, this may cause some pressure due to the higher cost of living in a big city. Back in 2016, the median of B40 households was RM3,000, which is categorised under the poverty rate. Hence, to reduce social insecurity of consumption or purchasing power, the government must assist the B40 group, especially the individuals who earn less than RM3,000.

## CONCLUSION

Income and saving are essential in the socio-economic quality of households. This study has drawn a clear picture of household incomes and household budgets with relevant analysis. While families spend their money under the influence of purchasing power and useable income, this study has proven that the level of education may also

influence the level of income in the sense that employers tend to pay those with a higher education level more greatly, thus increasing these individuals' purchasing power and useable income. This paper concludes that B40 households spend their incomes mainly on life necessities; however, higher saving rates would assure higher future consumptions, whereas minimum savings are contrariwise. Thus, the government needs to play its role in helping the B40s fulfill their necessities through significant policies such as by increasing the BSH amount and providing an old-age pension. The government must also address poverty problems among the B40s alongside drafting a long-term plan to mitigate these problems.

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