

The Effectiveness of 1Malaysia People's Aid Program to the B40 Group in the Rising Cost of Living: An Exploratory Case Study in Rural District of Kedah

Shazida Jan Mohd Khan*

School of Economics, Finance and Banking, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia

Norehan Abdullah

School of Economics, Finance and Banking, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia

Siti Hadijah Che Mat

School of Economics, Finance and Banking, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia

Abu Sufian. Abu Bakar

School of Economics, Finance and Banking, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia

Jamal Ali

School of Economics, Finance and Banking, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia

Hussin Abdullah

School of Economics, Finance and Banking, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia

Abstract

Based on the consumer price index (CPI) issued by the Department of Statistics, prices of goods and services have generally increased by 29 percent in general over a period of 10 years, between 2005 and 2015. BR1M or 1Malaysia People's Aid program is devised by the Malaysian Government as the effort to ease the burden of lower income group in Malaysia. The program is devised to help the lower income group cushion the high cost of living in Malaysia. Hence this research study the implementation of BR1M by conducting an exploratory case study in a rural district in Kedah to gain input on the level of satisfaction and the self-sufficiency of the of BR1M recipient. Findings show that BR1M needs continuous improvement and revisiting the plan.

Keywords: BR1M; B40 cost of living; Satisfaction; Self-sufficiency; Malaysia.



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1. Introduction

Up to 2016 more than RM23.5 billion has been spent under the Malaysia National Key Result Area (NKRA) to mitigate the impact of rising prices on goods and rising cost of living for the people. The grant of 1Malaysia People's Aid (BR1M) is among the initiatives taken in the effort to reduce the burden of the Rakyat. Implemented in 2012, BR1M is a cash aid to household income below RM3000 with the objective to ease the burden due to the continuous increase in the cost of living. In general, the median household income in Malaysia has increased by 326 percent from 1992 (RM 1,077) to 2014 (RM 4,585). Compounded annual growth rate (CAGR) for this median income is 6.81 per cent. This value is higher than the inflation CAGR value (measured by the Consumer Price Index (CPI) value which is only around 2.65 percent over the same period. However, the cost of living remains a focus and is often a major topic in discussing the well-being of the people in Malaysia.

According to [Tan \(2016\)](#), the cost of living refers to the minimum budget to buy a bunch of goods and services to achieve a certain standard of living. Changes in spending patterns to meet changing living standards also affect the cost of living for households. Changes in living standards can result from changes in the status of household economic items from necessities to requirements. The cost of living had a varying impact on household income levels. A study from [Bank Negara Malaysia \(2013\)](#) found that low-income households or income group classified as B40¹ where the most vulnerable group to the cost of living. According to this report, the B40 household group is the riskiest group in dealing with the rising cost of living. Based on ([Bank Negara Malaysia](#)) data, from 2009 and 2014, the B40 household group is faced with a 10.1% increase in spending each year. Meanwhile, [Bank Negara Annual Report \(2015\)](#) states that the cost of living affects inflation and individual spending patterns. The B40 household group was found to have the same income as the total expenditure and the rising cost of living is due to the significant increase in the prices of goods, the slow growth in income and the pattern of household spending beyond income. Hence, any plan for the abolition of subsidies in various items in the future will have a huge impact on these groups.

¹ Malaysians are categorised into three different income groups: Top 20% (T20), Middle 40% (M40), and Bottom 40% (B40). Over the years, the bar for each group's income level has increased and this is one of the indicators of economic growth.

Based on this discussion, this study aims to look at the effectiveness of the BR1M program and whether it is capable of satisfying the needs of the B40s and do they attain self-sufficient. The 1Malaysia People's Aid (BR1M) gave direct cash assistance of RM500 to household groups of people where their income is less than RM3000. In addition, single people under the age of 30 and income not exceeding RM2000 are also eligible to apply for direct cash assistance of RM250. A student in tertiary education are also given a cash voucher of RM250. The program is considered a type of subsidies given by the government which can specifically reach the hand of the low-income families and they are free to spend the cash for anything that they like (Yunus). The advantages of the direct cash transfer policy are its exclusive impact on financial freedom. The study is conducted in the rural district of Kedah state of Malaysia as to explore the recipient of BR1M whose households earning lower than RM3000². From an economic point of view, BR1M tends to address short-term problem solving however study also imply that it is not productivity-driven (Haylen). The BR1M grant may not be considered as a fixed guarantee which would be a factor of the household income level as it depends on the financial capability of the government. Coupled with the various economic issues that hit the country have also affected the rising cost of living, BR1M cannot be regarded as a savior to the income earners. This research is an exploratory case study on BR1M recipient focusing among the B40 household group.

2. Literature Review

The cost of living is not a new issue in the field of economy and social well-being. Studies on this topic have begun since the early 1900s, discusses several factors that cause the rise in the cost of living, such as reduced production issues due to warfare, as well as some issues regarding producer ethics in pricing. At that time, debates on the cost of living mostly fluttered around the issue of prices on goods and services.

There are many studies that have proven the link between income and spending. A study by Jacobson *et al.* (2010) discussed two major components that directly affect expenditure for food is the household size and income. Hori and Shimizutani (2012) added by sharing their finding on how Japan adjust their expenses based on the expected change in income. The cost of living is also closely linked to the standard of living. Improvements in living standards will lead to increased cost of spending. Development of a country will lead to improved quality and standard of living, as well as boosting the prices of goods and the cost of living. As for Malaysia, the intention of becoming a high income nation has seen to have affected the cost of living. Any sudden increase in prices will delay changes in living standards as households can only buy goods based on their income. Improving living standards may lead to an increase in living costs, but rising prices arising from other factors will make life improvements difficult (Muller, 2002).

As for Malaysia, the cost of living is a vital issue in recent years. The government has proven their concern by emphasizing towards the welfare of the people through various initiatives. Studies found to have analysed the issue on cost of living Zulkarnain and Isahaque (2013) discusses challenges and recommendations for a sustainable poverty reduction in Malaysia. They found a significant difference between the price of goods and the income of the household, affected the ability of households to accommodate the rising prices of goods. Several factors affect the ability to spend such as a number of households, races, country of residence and education (Mok *et al.*). Others also discuss the differences in urbanisation may affect the spending pattern and urbanisation may cause the higher cost of living. A similar study can be found in Yahaya (1991) and (Siwar and Kasim, 1997). These studies concluded that the larger the cost of living compared with the growth in household income reduced household disposable income. As a result, households will be burdened with various forms of a financial burden. Meanwhile, most recent finding points that income growth has indeed surpassed inflation rate from year to year, however, the standard of living is increasing at a comparatively fast rate, as evidenced by high expenditure elasticities for several types of goods for B40s and M40s. This suggests that the standard of living or living styles are the dominant factor that contributes to the problems of increasing cost of living (Wahab *et al.*, 2018). Yet, most studies emphasizing on the relationship of income and spending, this study highlighted the effect on the recipient's satisfaction and their self-efficient after receiving BR1M. This study provides an exploratory case study on the effect of BR1M and how does the perception of the recipient in terms of recipient satisfaction and contribution of BR1m in improving their self-efficient. The finding will provide

3. Data and Analysis

The type of sampling used in this survey research was convenience sampling that attempts to obtain a sample of convenient elements of 199 respondents within the target group. Convenience sampling has been suggested as satisfactory for exploratory studies (Germain). All target respondents are those B40 household group concentrated in the Kubang Pasu district inclusive of Mukim Temin, Mukim Keplu, Mukim Hosba, Mukim Pering, Mukim Wang Tepus. Based on Table 1, the majorities of the respondents were Male (86.9%) and aged between 41 to 60 years (54.9%). All respondents selected are Malays Muslims community. Since the study chooses according to household 72 percent of the respondents were married, 17 percent single mothers, widows or widowers, while the remaining 10 percent were single. This shows that most respondents are representative of the household head's characteristic as needed and appropriate to the needs of this study. The finding also revealed that the education of the head of household is predominantly poorly educated or have little education where 46 percent have a secondary education

² BR1M is given to household consist on RM3000 and below. Retrieved from currency converter of 1 = MYR is RM4.198; RM3000 is equal to USD714.63. Source: https://www.maybank2u.com.my/mbb_info/m2u/M2UCurrencyConverter.do, dated September 7, 2018

background and 30 percent attended junior high school education. Only 11 respondents have attended higher level education.

Table-1. Demographic Variables (N= 199)

| Variables | | Frequency | % |
|----------------------|--|-----------|------|
| Gender | Male | 173 | 86.9 |
| | Female | 26 | 13.1 |
| Age | 0-30 | 19 | 9.5 |
| | 31-40 | 34 | 17 |
| | 41-50 | 53 | 26.6 |
| | 51-60 | 56 | 28.1 |
| | 61 and above | 37 | 18.8 |
| Marital Status | Not Married | 20 | 10.0 |
| | Married | 145 | 72.5 |
| | Single | 34 | 17.0 |
| Race | Malay | 199 | 100 |
| Religion | Islam | 199 | 100 |
| Level of Education | None | 12 | 6.1 |
| | <i>Sekolah Pondok</i> ³ | 1 | 0.5 |
| | Primary School | 15 | 7.7 |
| | Lower Secondary School | 59 | 30.1 |
| | Upper Secondary School (STPM)/ (STAM) ⁴ . | 7 | 3.6 |
| | Higher Institution | 11 | 5.6 |
| | | | |
| Number of Households | ≤1 | 26 | 13.0 |
| | 2 | 30 | 15.0 |
| | 3 | 33 | 16.5 |
| | 4 | 54 | 27.0 |
| | 5 | 31 | 15.5 |
| | >6 | 26 | 13.0 |

Table 2 shows the respondents' employment information and sources of income. Majority of the respondents were farmers (26%). The other major economic activity among respondents includes traders (8%), general labor (9%), self-employed (9%), factory workers (8%), government employees (7%), and private sector workers (9%). Household income per month is an important aspect of survival. This income is necessary for living expenses. Based on Table 2, 36.6 percent of respondents earn less than RM1000. They also provide some information on other sources of income which also helps to give some extra income to survive on their living expenses such as orchard rental and partly provided by their children.

Table-2. Information on Employment and Source of Income (N= 199)

| Variables | | Frequency | Per cent (%) |
|-------------------------------|------------------------|-----------|--------------|
| Occupation | Farmers | 52 | 26.4 |
| | Traders | 16 | 8.0 |
| | General labor | 19 | 9.5 |
| | Self-employed | 18 | 9.0 |
| | Factory workers | 16 | 8.0 |
| | Government employees | 14 | 7.0 |
| | Private sector workers | 18 | 9.0 |
| | Pensioner | 7 | 3.5 |
| | Others | 39 | 19.6 |
| Monthly Income | No fixed Income | 21 | 10.5 |
| | < RM1000 | 73 | 36.5 |
| | RM1001 - RM1500 | 42 | 21.0 |
| | RM1501 - RM2000 | 36 | 18.0 |
| | RM2001 - RM2500 | 16 | 8.0 |
| | RM2501 - RM3000 | 9 | 4.5 |
| | RM3001 - RM3500 | 1 | 0.5 |
| | RM3501 - RM4000 | 1 | 0.5 |
| Other sources of Income (n=8) | > RM4000 | 1 | 0.5 |
| | Land Lease | | |
| | House (rental) | | |
| | Orchard (rental) | | |
| | Family (own children) | | |

³ Islamic boarding schools

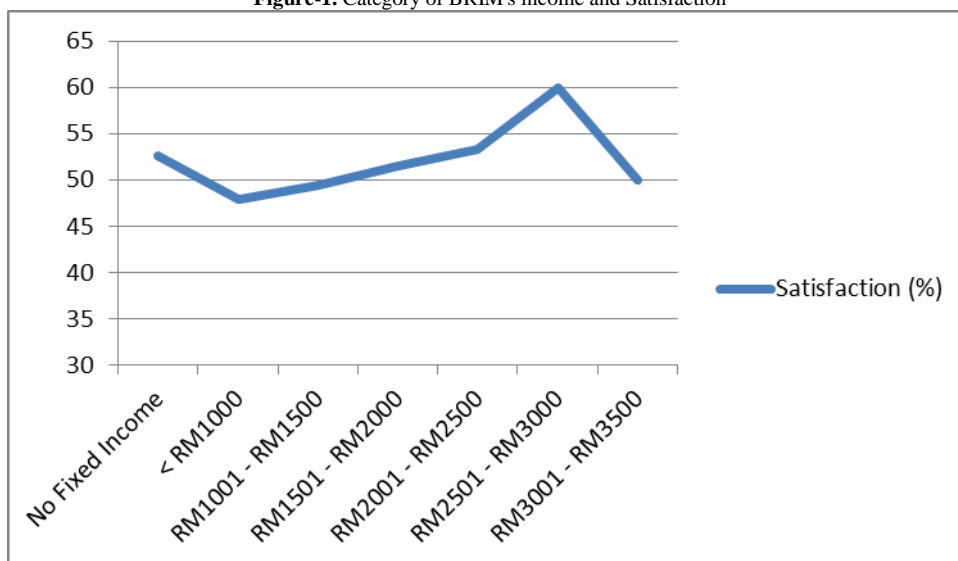
⁴ Malaysian Higher School Certificate (STPM); Malaysian Higher Islamic Religious Certificate(STAM)

3.1. B40 and Br1m

The study attempted to explore the satisfaction and self-sufficiency of a lower income group by using the selected rural area in Kedah. Many past researchers have used performance and outcome to evaluate the effectiveness of a government program. Performance may refer to the quality of a program and outcome referring to the operating efficiency and how well the program able to reach the people and benefited from the program.

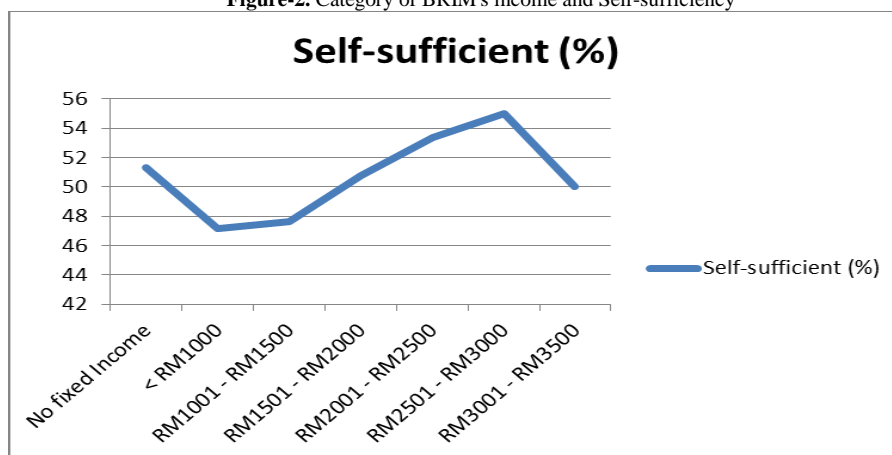
In Figure 1, BR1M proven to have satisfied those with no fixed income. Literally, BR1M has become their main source of income. Interestingly the highest satisfaction felt by higher income, RM2001 up RM3000. However, in this study, it is not possible to identify the type of work as the information provided by the respondents is rather limited. Type of job may have affected their reason for having higher satisfaction level. These income groups are assumed to have proper income either by having a fixed job or income from other resources. BR1M seems to have given and accepted as an additional cash aid on top of what they have received monthly. The finding suggests that B40 household group may be divided further according to income levels and considering their job background. A different mechanism may need to be introduced in order to classify further the group that much needed of cash aid and those may be helped through the in-kind program.

Figure-1. Category of BRIM's income and Satisfaction



The analysis further examines the level of self-sufficient, the true cost of meeting basic needs. Is BR1M able to fulfill their basic needs? Figure 2 shows the level of self-sufficient based on the category of total income of respondents. Similar results found where for those with no fixed income felt self-satisfied and BR1M seems to have impacted their living well. However, for those with lower income of RM1000 to RM1500, the amount give not able to provide self-satisfaction which similar to satisfaction level. What can be concluded they may need other in-kind to support their basic needs. Self-satisfaction is highest for income group RM2500 to RM3000. The finding may interpret BR1M as an additional income for this income group recipient. However, with the limitation facing during the data collection, the analysis unable to identify each respondent job prescription.

Figure-2. Category of BRIM's income and Self-sufficiency



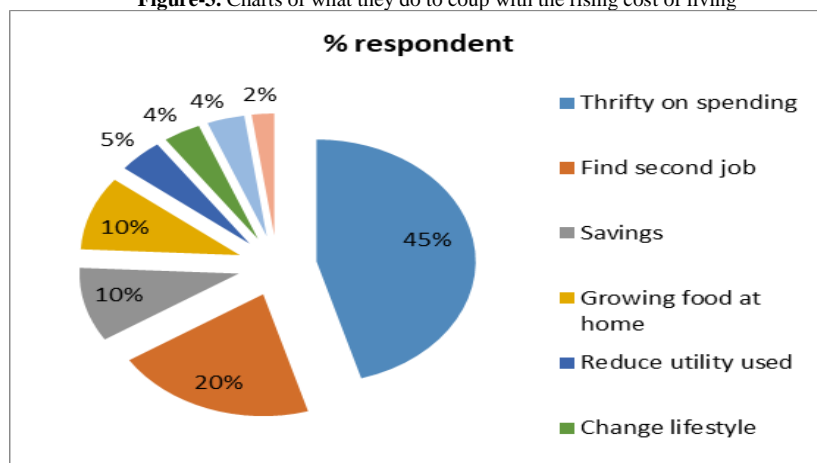
The finding concludes that BR1M does not lead to satisfaction nor provide enough self-sufficient of the people but in return create more dissatisfaction from the people to look deeper into the problem relating to rising cost of living. RM500 that given out by the Government is too little to make significant changes in daily living. It is hard for the people to appreciate on Government BR1M policy when money is handed over to the poor and make the announcement on rising price on daily necessity items.

3.2. Cost Of Living - Cost Improvement

Household’s main concern is the expenses to buy goods and services that are necessary to maintain a certain standard of living (Saari, 2016). The prices of many of these items tend to rise over time, which places upward pressure on the cost of living. This increase in the cost of living affects many people, especially for those with low income. These effects can be divided into two situations (1) what they do to coup with rising cost living? And (2) what are their hopes?

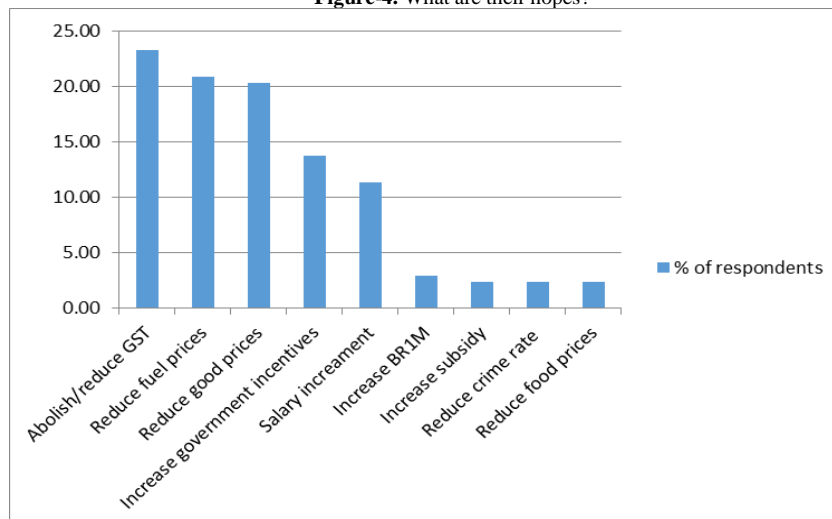
Majority of respondents who are affected by the rising cost of living agree being thrifty in spending is the best practice. Study show that as the cost of living increases the respondents tend to be conserved in their spending behavior. They only spend on the necessary items and are forced to sacrifice some daily or monthly routine simply for saving. Not only by conserving but the rising cost of living force the lower income group to work extra hours by having more than one job. The study found that 8.5 percent of respondents had more than one job. In addition, the respondents suggest that the government control and ease the price of petrol (11 %). Rising petrol prices will influence other oil derivatives like fertilizer and herbicides. These are things that are necessary to crop farming, meaning that with the increase occurring from such a granular level, these should affect the product pricing in the food and retail sectors.

Figure-3. Charts of what they do to coup with the rising cost of living



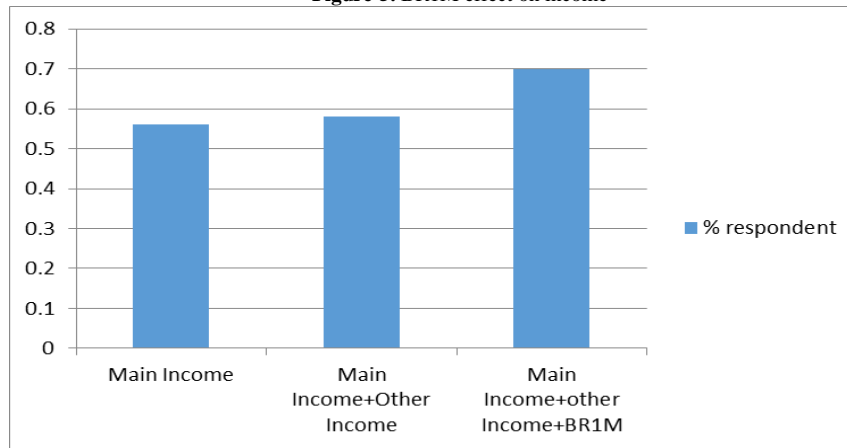
Consumer Price Index (CPI) also expected to be higher on climbing fuel prices and increased food inflation. They (12 %) also urged the government to reduce or eliminate GST⁵ and no less urgent for the government to monitor the rising the price of goods (10%). In conclusion, the rising cost of living has affected the living of B40 household group. They have tried to save money, make more work, grow crops with an intention to change their way of life yet much need in further initiatives to support and assist B40 communities with appropriate funds and knowledge to initiate innovations and creativities among them. These initiatives to raise households in the B40 income group to middle-class society must emphasis on providing skills and qualification and entrepreneurship. Figure 5 explained further by showing how BR1M affected the income. The results recognised BR1M as important cash aid and need for BR1M programs to be continued. However, to assure the success and fulfilling the means, more information is needed on the profile of the B40 community, demographic, economic and living conditions.

Figure-4. What are their hopes?



⁵ As September 1, 2018, GST is been replaced by SST.

Figure-5. BR1M effect on income



4. Conclusion

This paper aims to address the implementation of br1m by conducting an exploratory case study in a rural district in Kedah to gain input on the level of satisfaction and the self-sufficiency of the br1m recipient. The recently released 11th Malaysian plan (2016 – 2020) focus on addressing economic vulnerability while emphasizing Malaysia's agenda for uplifting its current b40 households (approximately 2.7 million citizens) to create a larger middle class. The b40 is earning less than RM940 per month and of which 20% is derived from transfers such as br1m (Tan, 2016). According to Zarina and Kamil (2012), government policies and the economic system determines the success or failure of the system to overcome the poverty rates in the society.

This study urges for further research on the success of br1m in transforming the living standard of the b40s household group. In the study, finding seems to address br1m as initiatives that give more impact to those in the income bracket less than RM1000 to RM2500. These groups felt the assistance need to be continued as br1m play a big role in proving extra income to sustain their living. However, for income, more than rm2500 br1m is considered an extra income on top of their monthly earning. The paper would suggest the government to study how to distribute br1m in more beneficial ways. The study also suggests the effort should be followed by providing entrepreneurial skills, financial management and in-kind transfer as this may allow the household upgrading their income level and wealth creation. More plans should be generated to engage the b40 households with micro-enterprises and in low-value traditional industries. In the long term, br1m may not be a productive way of giving support to the b40 household. To sum up, br1m programs must be strengthened given the strong headwinds in the global development and to implement this more information is needed on the profile of the b40 community, demographic, economic and living conditions.

Acknowledgment

The authors would like to acknowledge the contributions of all participants in completing this research under the niche research grant scheme of the ministry of education (s/o code: 13712)

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