

Spending Behavior and Coping Strategies of The Low Income Group in Kedah, Malay

Siti Hadijah Che Mat ^{1*}, Wan Roshidah Fadzim ¹, Mukaramah Harun ¹ and Norzita Jamil ¹

¹School of Economic Finance and Banking
Universiti Utara Malaysia
Kedah, Malaysia

Abstract. This study was conducted to examine and understand the behavior of low income households (B40) which are defined as households with income below RM3800. The data was collected from face to face interview based on structured questionnaire to cover 124 head of household (respondents) randomly selected in the Kubang Pasu district. The results show that most respondents spend their income on food items. Household heads are mostly employed in the agriculture, forestry & fisheries sector (27%) and most of them have an income lower than RM2000. The respondents also stated that they do side jobs and have to be frugal to cope with the rising cost of living. Nearly all (92.7%) of household heads received government assistance, particularly BR1M and a majority found that the assistance received was at a moderate level of satisfaction. There are many suggestions given by the household to overcome the rising cost of living such as eliminating the Goods and Services Tax (GST), increasing the amount of government assistance and controlling the prices of goods and fuel.

1 Introduction

Cost of living is divided into two main categories, namely daily cost of living and seasonal cost of living (Shaharudin Idrus, 2016). Daily cost of living is the day-to-day costs incurred such as the cost of purchasing groceries, and monthly fixed costs such as hire purchase installment, housing loan installment, utilities, telephones and others. Meanwhile, seasonal cost of living is the cost incurred during certain seasons such as costs incurred during festive seasons, wedding ceremonies, or at the beginning of the school year. Such costs provide additional burden to low-income individuals (Shaharudin Idrus, 2016).

Generally, there are various factors that can cause rising cost of living. One of the factors is when the increase in income is not in line with the increase in the prices of goods (Nuradilla Noorazam, 2016). Changes in taste and technology also contribute to the rising cost of living. A good that was once considered a luxury item becomes a necessity with the

* hadijah@uum.edu.my

change of time and technology. We have to admit that certain goods have become a necessity (Zulkifly Omar, 2016). A research led by Prof. Datuk Redzuan Othman involving 4468 respondents throughout Malaysia found that 82 per cent of the respondents agreed that the GST introduced in April 2015 has resulted in rising cost of living and they rejected the implementation of the GST (Sinar Harian, 2017)

Although the average monthly household income in the urban increased by 5.8 per cent per annum from RM6,833 to RM7,671 during 2014 to 2016 and average monthly household income in rural areas increased by 6.5 per cent per annum from RM3,831 (2014) to RM4, 359 (2016) (Jabatan Perangkaan Malaysia 2017), but the government is still carrying out various initiatives to help the low-income group. For example, the government has implemented the minimum wage law, 1 Malaysia People's Aid (BR1M), eRezeki Program, Digital Ability Program and others. It is hoped that these assistance can help ease the burden and increase the income of the low income group.

In the context of poverty in Malaysia, poverty is defined by a financial perspective or income perspective (Norzita, Siti Hadijah, 2014). In Malaysia, poverty rate has significantly reduced from 52.4 per cent in 1970 to 17.1 per cent in 1990 and further reduced to 3.8 per cent in 2009. Now poverty rate is about 1.7 (Jabatan Perangkaan Malaysia, 2012). Although report has shown that poverty is declining and the well-being of the people in the country is improving, the issue of rising cost of living is still widely discussed and much effort has been made by the government to help the people who are believed to be burdened by today's rising cost of living. Hence, the objective of this article is to describe the spending behavior of low-income households and the methods used by these households to cope with the rising cost of living.

2 Research Methodology

The data used in this study were collected using a survey on 124 households from the lowest 40 percent income group in the income hierarchy (B40) in the Kubang Pasu District in Kedah. The data collection process was conducted in February and March 2017 through face-to-face interviews with the respondents. Respondents in this study is head of household but if the respondent are not at home and if the household can answer on behalf the respondent the interview can go on. Household here refers to a family consisting of parents and children (married or unmarried) who share a common kitchen and in which the income of any member is used to support the family as a whole.

The interviews were conducted using a questionnaire form. The questionnaire form has eight sections where each section in the questionnaire aims to collect information about the respondent such as on the demographic profile, spending patterns, asset ownership and others. The data were then analyzed descriptively and presented in tables to facilitate understanding.

2.1 Data and Study Sample

This study focused on the area around Mukim Temin and Mukim Keplu in the Kubang Pasu District. The technique of purposive sampling was used to select the respondents. Heads of households (HH) with a monthly income of RM3800 and below were included in

the sample. The enumerators went from house to house in the villages located in the two sub-districts looking at the condition of the houses before approaching the households. The respondents were chosen based on whether the head of the household has a monthly income of less than RM3800. Interviews were then conducted with the respondents who fulfilled this criterion..

3 Findings

The following are the initial information obtained on the background of the heads of household. A total of 104 respondents or the head of household (83.9%) were male and the remaining 20 respondents (16.1 %) were women.

3.1 Demographic Information of Respondents

In terms of the age of the head of household, a majority were in the age group of between 31 to 70 years, representing 110 respondents (88 %). Most of them were married (76.6%), while 20.2 percent were widows or widowers, and 3.2 percent were divorced..

Table 1: Age of Head of Household

Age of HH	Frequency	Percentage
20-30	4	3.2 %
31-40	17	13.7%
41-50	32	25.8%
51-60	41	33.1%
61-70	20	16.1%
71>	10	8.1%
Total	124	100.0%

In terms of education level, very few respondents or 11 respondents (8.87%) have received higher education, or at the STPM level and above.

Table 2: Education Level of Head of Household

Education Level	Frequency	Percentage
No certificate	7	5.6%
UPSR or Std 5	8	6.5%
LCE/PMR/SRP	36	29.0%
SPM	62	50.0%
STPM/HSC	3	2.4%
Diploma	5	4.0%
Bachelor's Degree	1	0.8%
Master's Degree	2	1.6%
Total	124	100.0%

In addition to information on the age, gender, marital status and education level of the head of household, the study also shows the main types of occupation of the head of household. The study found that most of the HH worked in the agriculture, forestry or fishery sectors, or 33 respondents (26.6%). A majority of the residents in the Kubang Pasu District are involved in activities such as rubber tapping or paddy farming. The head of household were also involved in the services sector, involving 32 respondents (25.8%). They worked as teachers, business owners, tailors and others. About 12.1% of the total respondents worked in the transport and storage sector. A majority of respondents working in this sector worked as lorry drivers.

Table 3: Job Sector of Head of Household

Job Sector	Number of Household	Percentage
Agriculture, forestry & fishery	33	26.6%
Manufacturing	6	4.8%
Electricity supply, gas and air conditioning	2	1.6%
Water supply, sewerage, waste management & restoration activity	1	0.8%
Construction	7	5.6%
Wholesale & retail trade	2	1.6%
Transportation & storage	15	12.1%
Dining outlets/restaurant	3	2.4%
Services	32	25.8%
Unemployed/retired	23	18.5%
Total	124	100.0%

3.2 Financial Assistance and Satisfaction Level towards Assistance

Almost all respondents (92.7%) received financial assistance either from the government such as BR1M (1 Malaysia People's Aid), Social Welfare Department, SOCSO, alms (zakat) remittances (from others such as those received from working children). The remaining 7.3 percent of the respondents did not receive any financial assistance. The reason the respondents did not receive financial assistance is because they have Suruhanjaya Syarikat Malaysia (SSM) certificates. Some of them did not apply for financial aid as they felt that the process of financial aid application is troublesome as they need to fill out forms. A number of respondents said they were embarrassed to apply for financial assistance provided by the government.

When asked about the level of satisfaction with the assistance received, out of the 115 respondents receiving financial assistance, 56.5 percent of them agreed that the amount of assistance received was at a moderate level of satisfaction. The meaning of moderate in this context is the respondents felt that the amount of assistance received is sometimes sufficient and sometimes inadequate to cover their expenditure. Another 23 respondents (20%) stated that the amount of assistance received is sufficient, 16 respondents (13.9%) felt that the amount is inadequate and 9 percent felt is is very inadequate.

The majority of respondents who said the amount of financial assistance is insufficient suggested that the value of BR1M or other financial assistance is increased. That amount is insufficient due to rising prices of goods. However, 2 respondents (1.7%) stated that the financial aid received is very adequate.

Table 4: Satisfaction Levels towards Assistance Receive

Satisfaction	Frequency	Percentage
Very inadequate	9	7.8%
Inadequate	16	13.9%
Moderately adequate	65	56.5%
Adequate	23	20.0%
Very adequate	2	1.7%
Total	115	100.0%

3.3 The relationship between Employment and Income of Head of Household

Table 5 shows the sector of employment and income earned by the respondents or head of household. Most respondents (26.61%) worked in the agriculture, forestry and fishery sector and most of them have a monthly income of below RM2000. About 25 percent of the respondents worked in the services sector, most of whom earned less than RM2000 per month. Overall, for the average respondents, no matter in what sector they worked in, the amount of monthly income received is low which is below RM2000.

Table 5: Job Sector and Income

Job Sector	Below 1000	1001-2000	2001-3000	Above 3000	Total
Agriculture, Forestry & Fisheries	19(15.32)	11(8.87%)	3(2.42%)	0(0%)	33(26.61%)
Manufacturing	3(2.42%)	2(1.61%)	10(8.1%)	0(0%)	6(4.84%)
Electricity supply, gas, steam & air conditioning	2(1.61%)	0(0%)	0(0%)	0(0%)	2(1.61%)
Water supply, sewerage, waste management & restoration activity	1(0.81%)	0(0%)	0(0%)	0(0%)	1(0.81%)
Construction	5(4.03%)	2(1.61%)	0(0%)	0(0%)	7(5.65%)
Wholesale	1(0.81%)	1(0.81%)	0(0%)	0(0%)	2(1.61%)
Transportation & Storage	8(6.45%)	4(3.23%)	2(1.61%)	1(0.81%)	15(12.10%)
Dining/outlets/restaurant	2(1.61%)	1(0.81%)	0(0%)	0(0%)	3(2.42%)
Services	18(14.52)	9(7.26%)	5(4.03%)	0(0%)	32(25.81%)
Unemployed/retired	15(12.10)	6(4.84%)	1(0.81%)	1(0.81%)	23(18.55%)
Total	74(59.68)	36(29.03)	12(9.68%)	2(1.61%)	124(100%)

Table 6: Monthly Income of Household

Household Income (RM)	Frequency	Percentage
0<1000	44	35.5%
11001-2000	55	44.4%
22001-3000	18	14.5%
33001 >	7	5.6%
Total	124	100.0%

Table 6 shows the total household income comprising HH's main income, side income such as rental of houses, income from side jobs and government assistance such as BR1M, alms (zakat) and others. Household income also includes income earned by all members of the household including spouse, children, and grandchildren living under the same roof.

Based on the analysis, as shown in Table 6, 44.4 percent of the households have a total monthly income of between RM1001-RM2000. This represents 55 out of a total of 124 households. This is followed by 44 households (35.5%) that have a total monthly income of below RM1000.

3.4 Spending Behavior

The study also analyzed the respondents' spending patterns. Four main items were selected to analyze the respondents' spending behavior patterns namely expenditures on food, utilities, transport and education. Even though information on other expenditure items were also asked from the respondents, most respondents were unable to provide any answer while some did not have any answer for the items. These expenditure items include insurance, medical expenses and housing costs.

Almost all respondents did not buy any personal insurance policies or education insurance for their children. The reason is they no longer have any children in school and they also did not know about the importance of such policies. Most respondents only went to the government's health clinics where no charge is imposed on consultation and treatment. It is convenient for them to go to the government's health clinics and 1 Malaysia clinics near their homes. A majority of the respondents also lived in their own house or village house which does not cost them any rental.

Table 7: Expenditure Behavior

Type of Expenditure	Frequency	Percentage
Food	104	83.9%
Utilities	4	3.2%
Transportation	14	11.3%
Education	2	1.6%
Total	124	100.0%

Table 7 shows the behavior of the respondents in terms of allocating their income for expenditures. From the total 124 respondents, 104 respondents allocated the bulk of their income on food. The main expenditures were on rice, fish, milk, chicken and cooking oil. Livestock products such as fish (was regularly eaten by respondent) and chicken are important foods are crucial nutritional content of the tribal diets and are thus considered important component in dietary. while 14 respondents (11.3%) spent most of their income for transportation, 3.2% spent most of their income for utility expenditures i.e. electricity bill, water bill and Astro bill (for those respondents who subscribed to ASTRO) and the remaining 1.6% allocated the bulk of their monthly income for educational expenses.

3.5 Methods of Coping with Rising Cost of Living

The respondents were also asked about what they do to cope with the rising cost of living and their suggestion to reduce their cost of living. These questions are open-ended questions where the respondents can freely express any thoughts and suggestions according to their own common practice.

However, 60 respondents (48.4%) did not provide any response in this section. Among those who did not provide any answer, it is most probable that they thought there was no way or method they could do to overcome the rising cost of living. Perhaps they were also not involved directly in spending. For example, couples whose children are no longer staying at home would not suffer much from rising prices. For some, their children even brought cooked food and cooking provisions when they visited their parents.

As shown in Table 8, there are six suggestions given by the respondents to cope with the rising cost of living. A total of 20 respondents (31.25%) stated that they would be thrifty to cope with the rising cost of living. They also compare prices before making any purchases. By changes in purchasing behaviour was found to be a predominant form of coping strategy: it can be regarded as an ‘income enhancer’ strategy, in that it involves controlling the purchase of unnecessary goods and thus increasing the amount of money available for purchasing food. A large portion of their income was spent mostly on food items, followed by some spending transport and utilities (see Table 7). They thrifty also on some spending like on clothes and other necessary items. Parent try to avoid to purchase of clothes for their self, most of the respondent said they just bought for their children only. In many instances younger children in the family were asked to wear used clothing handed down by older brothers and sisters, simply to avoid spending on new items. Whenever purchases were necessary there was a preference for buying less expensive clothes for all the children once a year normally during celebrate hari raya. They also take a traditional medicines not because they have no access to modern health services but they more belief in their traditional medication. They also go to government clinic or general hospital rether than private clinic or private hospital.

In addition, 21.88 percent of the respondents have side jobs. They felt that having more than one job could increase their income so that there is sufficient income to cover monthly expenses. (Siti Hadijah, Mukaramah, Zalina and Zakiyah, 2017) found that a single mothers feel that an easy way to get financial resources is by participating in business activities or entrepreneurial activities. The study found that the income from entrepreneurial activity earned by single mothers succeed in bringing them out of poverty line without the need to rely on non-entrepreneurial income and non-work income. The study indicates that by participating in entrepreneurial activities, the poverty rate is only 12 percent compared to 76 percent if they are not involved in entrepreneurial activities. In addition, the results also show that the income from entrepreneurial activities is successful in shortening the length of time to break out of poverty for the single mothers. Doing side job such as getting non farm income among farmers also can increase income for the farmers (Siti Hadijah, Nor Aznin and Ahmad Zafarullah, 2012, Siti Hadijah and Roslan (2010). Other respondents worked overtime (9.38%) while others only spend according to needs (15.63%).

Table 8: Methods to Handle Rising Cost of Living Problem

Action by House Hold	Frequency	Percentage
Being Thrifty	20	31.25%
Do Side Job	14	21.88%
Spend According to Needs	10	15.63%
Grow Own Food	7	10.94%
Work Overtime	6	9.38%
Reduce Utility Consumption	7	10.94%
Total	64	100.0%

Note: Only considers the first suggestion by each respondent who answered this question

This study also asked for the suggestions or opinions of the HH about the methods or ways to reduce the burden of cost of living. The respondents were also asked about their main suggestion about what could be done to help reduce the rising cost of living. As shown in Table 9, the study found that 38 respondents (30.65%) suggested that the Goods and Services Tax (GST) is eliminated. This means that even though are living in the rural area and most of them are elderly, they are aware about current issues such as the GST being the cause of rising prices and rising cost of living.

This is followed by the suggestion to control the prices of goods and fuel. Controlling prices is important so that sellers cannot arbitrarily increase prices. Most respondents found that there is a huge difference in the price of goods at sundry shops and at supermarkets. However, most of them did not have the ability to shop at these supermarkets due to distance and transport factors. A total of 26 respondents (20.97%) felt that controlling prices can curb the rise in cost of living.

A number of respondents also proposed that government aids such as BR1M are increased. 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 (Shazida Jan, Norehan, Siti Hadijah, Abu Sufian, Jamal and Hussin, 2018). They believed that an increase in the amount of BR1M would be able to lessen the effect of rising cost of living. They also felt that the amount of BR1M is too small compared to their daily expenses. A case study of rural poor in Kedah by Kalthum, Rohana and Norehan (2016) concluded that the livelihoods strategies adopted by the households could be translated into opportunities for the poor households to improve their socio-economic status if the members receive proper provision of trainings and capitals.

Table 9: Suggestions to Cope with the Rising Cost of Living

Suggestions by Respondents	Frequency	Percentage
Eliminate GST	38	30.65%
Raise Rubber and Paddy Prices	7	5.65%
Control Goods and Fuel Prices	26	20.97%
Higher Government Aids	24	19.35%
Raise the Minimum Wage	10	8.06%
Control the Entry of Foreign Workers	8	6.46%
Increase Employment Opportunity	11	8.87%
Total	124	100.0%

Note: Only considers the first suggestion by each respondent

Besides that, the respondents believed that additional employment opportunities in the labor market facilitate the employment of young people, which then provides opportunities for the children to help with their family's finances. Study by Aznita, Nur Fatihah, Norehan, Selamah, Hussin and Sabri (2018) concluded that technology or R&D significantly determine job creation. Thus, R&D policy can contribute a positive effect on job creation in the Malaysian manufacturing sector. Moreover, 6.46 percent of the respondents felt that by controlling the influx of foreign immigrants would lead to increased domestic employment opportunities especially in the manufacturing sector. This would have a positive effect, as the locals would be more likely to secure a job. Malaysia might reduce its dependency on foreign worker by identifying the occupational interest of rural youth. A survey on rural young labour suggests several attraction factors that can possibly increase local youth participation in plantation sector includes improvement of working environment, job status, facility and benefit in plantation field (Norehan, Siti Aznor and Mohamad Amizi, 2016) .

4 Conclusion

Most respondents allocate a huge portion of their income for food expenditure. This is followed by transportation, utilities, and education. To cope with the rising cost of living, various ways have been practised such as doing side jobs to earn additional income.

The respondents also suggested several ways to reduce the cost of living such as eliminating the GST. They claimed that the implementation of the GST has led to the rise in the prices of goods in the market and this has caused their daily expenditure to rise, particularly for food. In addition, they also argued that if the amount of financial assistance from the government could be increased, this would reduce their burden. In conclusion, this study found that due to pressing cost of living problem, the lower income group would face difficulties and would have to bear a higher burden than ever before.

The results of the study indicate that the main cause of the B40's low income is low rubber prices faced by the respondents. Most of those interviewed were farmers and they claimed that rubber price is too low (RM 1.60/kg) at the time the data was collected (in September 2017) causing their income to be much lower compared to other farmers.

Some of them have had to reduce their daily expenditure to ensure that their money lasts for a month. In addition, they also need to be thrifty and work in more than one job to ensure sufficient monthly income. Increased food prices have caused a rise in their spending. The findings reveal that financial aid can help ease their burden, especially for the HH with many dependents. However, the satisfaction level associated with the assistance is only at a moderate level.

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