

Determinants of Urban Poverty in Petaling Jaya, Selangor

Muhammad Syafiq Bin Mahadzir^{1,a}, Nor Zuriati Amani Binti Ab Rani^{2,b},
Haslina Che Yaacob^{3,c}, Suraya Binti Husin^{4,d}, Nor Sabrina Binti Zahari^{5,e}

^{1,2,3,4}Faculty of Business and Management, UiTM Cawangan Kelantan

^asyafiqmahadzir@gmail.com, ^bnorzuriati@kelantan.uitm.edu.my, ^cnacheyaacob@gmail.com,
^dsurayahusin@kelantan.uitm.edu.my, ^esabrina207@kelantan.uitm.edu.my ,

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Abstract. Urban poverty, which is distinct from rural poverty due to demographic, economic and political aspects is still slightly in Selangor. This study have examined the determinants of urban poverty in Petaling Jaya, a part of a large-size city of Selangor. Although the incidence of poverty is decreasing in Selangor, there is still concerns about the urban poverty since the cost of living is rising. In addition, Selangor has raised its poverty income threshold from RM700 to RM1500 in 2015 [1] and the aftermath is worrying as it is estimated that about 30% of Selangor's population will be classified as poor. The previous Asian financial crisis in 1997 had resulted in unemployment mainly in the manufacturing and construction will affect Selangor in terms of income as it has the biggest contributions in the sectors. This study was obtained using primary data consist of 100 households that live in urban area of Petaling Jaya, Selangor. The data analysed using Statistical Package for the Social Sciences software version 23.0(SPSS 23.0). This study is in line with the plan in Eleventh Malaysia Plan (RMK-11) which is to increase the average household income of the Bottom 40(B40) group. Results of data found that an education level of household and age of household have significant relationship with household income while there is no significant relationship between household size and household income. It is recommended to have more variety of ways to attract more people to engage in higher education as a strategy for poverty reduction in urban area.

Introduction

Malaysia had successfully reduced the incidence of urban poverty decreases from 21.3 to 0.3 percent between 1970 and 2014 [2]. However, increasing cost of living in the urban area is still affecting the rate of poverty. The acceleration of urbanization has been accompanied by increase of urban poverty together with crowding, uneven distribution of development benefits and change in the ecology of urban environments.

The previous Asian financial crisis in 1997, had resulted in inflation, job loss and rise of food prices which affect the urban poor and migrant workers. Between 1997 and 1999, the national incidence of poverty increased from 6.8 percent to 8.1 percent and in 1999 the number of poor households increase to 393,000 [3] The number of retrenched workers increased from 8,000 to 19,000 between 1996 and 1997 and resulting the unemployment rate to increase between 1996 and 1998, from 2.6 percent to 3.9 percent. Female workers, foreign workers and the urban poor are the most affected since they have the biggest contribution of labour force in the manufacturing and construction as the workers is the most retrenched. [3]. In the country as a whole, income share of the bottom 40 percent fell from 14.5 to 13.5 percent [4]

YAB Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak, Prime Minister of Malaysia, stated Malaysia's achievement of eradicating absolute poverty in previous RMKs by reporting the decrease in poverty incidence from 49.3 percent to 0.6 percent between 1970 and 2014. Furthermore, in the first strategy of RMK 11, which is inclusivity, he stated there will always be vulnerable groups even though how well-developed the countries are by comparing to USA and Japan. The strategy is to focus on improving the average household income in the B40 group from RM2500 a month to RM5000 a month in 2020 [2]. In Selangor, the incidence of poverty rate decreased from 29.2 to 0.2 percent between 1970 and 2014 [2]. Although the poverty rate is decreasing, there is still poverty problem in Selangor. In 2015, Selangor has raised its poverty income threshold from RM700 to RM1500 which is more than the national level to be in line with the high cost of living in the state. The aftermath of the revision is worrying as it is estimated about 30 percent of Selangor's five million residents will be classified as poor [1]. According to Department of Statistics Malaysia in 2016, 93.3 percent of its population is living in urban areas and Selangor have the highest share of percentage compared with other states in services, manufacturing and construction sector.

The aim of this study is to determine the factors that influence the household income and also to determine the relationship between education level, household size and age of household on household income in Petaling Jaya, Selangor.

Literature Review

Urban Poverty. Urban poverty is usually defined in two ways as an absolute standard based on a minimum amount of income needed to sustain a healthy and minimally comfortable life, and as a relative standard that is set based on average the standard of living in a nation [5]. Difficulties are often faced in measuring poverty because of its complexion. It can be looked not just on low income, but is also on social and financial capital. Quantitative, money-metric measures are often used in measuring poverty which refers to income or consumption to assess whether a household can afford to purchase a basic basket of goods at a given point in time [6]. According to Poverty Manual [7] it explains that the level of income or expenditure can be used as a function of variables such as education level and household size. Smeeding and Weinberg [8] in defining household income, cash earnings such as wages and salaries is one of the components to define household income as it is most familiar to income analysts and can be easily measured by household surveys.

Household Size. Tuyen et al. [9] explains the empirical evidence proving that the size and composition of households are closely related with household income. He further explains that the household size and dependency ratio are found to reduce household income per capita. Aniceto C. Orbeta, Jr. [10] founded the strong relationship between family size and poverty incidence and vulnerability to poverty. It shows that larger family size can increase poverty incidence, gap and severity. This association is also shown to be enduring over 25 years for which family income and expenditure data is available. It has also shown that larger family size is associated with higher vulnerability to poverty. David Francois Meyer [11] founded the positive relationship between household size and poverty. He concluded that the higher or the larger the number of household size, the higher the level of poverty. A. Obi [12] in his study reveals that the overall household size is 3.9 while the poor and non-poor household size average is 4.8 and 2.9 respectively. These results are confirming World Bank's results from the 1995 paper entitled, 'Key Indicators of Poverty in South Africa'. The paper revealed that large households with many dependants are much more likely to be poor in South Africa. The relationship between poverty and household size can either be positive or negative, depending on the level of modernisation in the country [13]. In less developed countries, where agriculture is the powerhouse of the economy, larger households tend to have less poverty. Nevertheless, in modernised countries, where there is limited access to subsistence farming, larger households tend to experience poverty.

Household's Education Level. Educational level refers to the highest level of schooling that a person has reached. Education level in Malaysia consists of primary education, secondary education, post-secondary education and higher education. Primary education is the course of study which is planned to be completed for six years but can be completed in five to seven years. It consists of national schools and national type school. Secondary education consists of lower and upper secondary education which is available at academic schools, technical and vocational schools or religious national schools. Post-secondary education is for individuals who have completed lower and upper secondary education but not higher education and higher education such as certificate, diploma, first degree and higher degree qualifications (at academic and professional fields) can be obtained in universities (public or private). Anyanwu [14] explains that the level of education is an important determinant of poverty. In 2010, there is high proportion of those with little or no education that contributes to Nigerian poverty. For instance, those with no education are more prone to poverty than those with at least primary education. Among those with no education, their proportion in terms of poverty was 75.32 per cent. For those with post-secondary (tertiary) education, their proportion was 56.46 per cent. According to Valerien O. Pede [15], education also contributes significantly to household income. Educated farmers are more likely to adopt new varieties and new farming technologies, which help increase their productivity and income. Also, being more educated offers opportunities for farmers to diversify and have other sources of income such as off-farm activities in Philippines. According to T. Achia [16], the result in his study shows that the groups with the highest poverty cases have no education while those with the higher education have lower cases of poverty. The result showed that in Kenya, the level of education of household head is inversely related with incidences of poverty both in rural and urban areas. Okojie, Christiana E. E. [17], the higher the educational attainment of the head, the higher household welfare and the less the likelihood of the household falling into poverty. This was confirmed by joint F-tests of the education categories; education was however not significant in 1980 when the level of poverty was low.

Age of Household. It can be defined as the age of the person who runs the household and it can be age of the male-headed or the female headed. According to Jorge Garza-Rodriguez [18] age of the head is statistically significant in explaining poverty, although the effect is not very strong, an increase of one year in the age of the head decreases the odds of being poor by only 3.4 percent. I. Maloma [19] explains that the age of the head of the household is inversely related to poverty status and statistically significant at the ten per cent level of significance. This implies that as the age of the head of the household increases, the probability of the household being categorised as poor diminishes. According by a study conducted by T.J. Sekhampu [20] Results suggest that an increase in the age of the household head is negatively related to the probability of being a poor household. The coefficient for age (B= -.047) is negative and significant at the 1%. Dorah Dubihlela [21] states that the age of the household head were significant predictors of poverty in the female-headed households in Bophelong. The determinant is in line with findings by Twerefou et al. [22] who asset the main determinants of poverty to be household size and the household head age. Khalid and Ukhtah [23] found that the probability of female-

headed households to be poor is seen to decline with the rise in the age of the household head. Contrary to the above, Baulch and McCulloch [24] found that the age of the head of the household has no significant effect on the poverty status.

Methodology

The population comprised of 38,000 residents in Seksyen 6, Petaling Jaya, Selangor. Sample size for this research consist of 100 households that live in urban area of Petaling Jaya, Selangor. This study used single cross-sectional research design since the study used questionnaire in order to collect the information and the data was obtained only once. The Statistical Package for Social Science version 23.0 (SPSS 23.0) was used to analyse the data collected. The multiple linear regression model that been used in this study is as follows:

$$Y = \beta_1 + \beta_2 \text{AGE} + \beta_3 \text{EDU} + \beta_4 \text{HHS} + \hat{\epsilon}$$

Where:

| | |
|------------------|-----------------------------------|
| Y | : Household Income (RM) |
| β_1 | : Constant |
| AGE | : Age of household (years) |
| EDU | : Educational level (low to high) |
| HHS | : Household Size (person) |
| $\hat{\epsilon}$ | : Random error term |

Results and Discussion

Demographic Profile. Most of the respondent are male with 73% while female with 27%. The majority of the respondent are from the age of 18 to 27 which represent 45% of the respondents, followed by the range of age from 28 to 37 years' old which is 24%. For the age of 48 to 57, it represents 19% of the result and followed by the range of age from 38 to 47 that consists 9% of the respondents. The lowest range of age is 58 and above which consists only 3% of the respondents.

Most of the respondents are married which represent 51% of the total respondents and followed by single with 44%. The percentage of marital status for divorced is 3% and widowed by 2%. For religion, religion status in Islam with 55% of the respondent, Christian with 21%, Buddhism with 14% and Hindu with 10%.

The majority of the respondents are Malay with 51%, Chinese with 29% and Indian with 20%. For household size, 39% of the respondents have the size of household with the range from 3 to 5, the household size is 1 person which is 28%, household size ranging from 6 to 8 persons with 19% of the respondents and 14% of the respondents have the size of household of 2 persons. For educational level, the majority of the respondents have secondary education with 44% of the respondents followed by respondents which received the education of Diploma/Degree/Masters/PhD with 33% of the respondents. There is an even percentage of 9% for respondents that have no education and primary education. The lowest is STPM/A-level/Foundation with 5% of the respondent.

Regression Analysis. The general form of the multiple regression model is as stated below:

$$Y = -0.424 + 0.473\text{AGE} - 0.50 \text{HHS} + 0.756 \text{EDU} + \hat{\epsilon}$$

Where:

| | |
|------------------|---------------------|
| Y | : Household Income |
| β_1 | : Constant |
| AGE | : Age of household |
| HHS | : Household Size |
| EDU | : Education Level |
| $\hat{\epsilon}$ | : Random Error Term |

1. Age of household (+ 0.473)

From table 1, the coefficient value for family business background is 0.473. It means for every 1% change in age of household head (independent variable) will change household income (dependent variable) by 47.3% among people in the area of Petaling Jaya, Selangor.

Age of household head shows the positive relationship between household income. It means for every increase in independent variable which is age of household head, will increase the dependent variable that is household income. The determinant is in line with findings by Twerefou et al. [22] who asset the main determinants of poverty to be the household head age.

2. Household size (- 0.050)

Based on table 1, the coefficient value for household size is -0.050. It means that for every 1% change in independent variable that is household size, will change the dependent variable, household income by 5.0% among people in the area of Petaling Jaya, Selangor.

For the household size, it shows the negative relationship between household income. It means that for every 1% increase in education background (independent variable), will decrease the household income (dependent variable) by 5.0%. This is consistent with the economic theory where according to Maloma [19] as age of the household head increases, the probability of household categorised as poor is lower.

3. Education level (+ 0.756)

In table 1, the coefficient value for education level is 0.756. It means for every 1% change in education level (independent variable) will change household income (dependent variable) by 75.6% among people in the area of Petaling Jaya, Selangor.

Education level shows the positive relationship between household income. It means for every increase in independent variable which is education level, will increase the dependent variable that is household income. This is in line with the findings of Anyanwu [14] which explains that the level of education is an important determinant of poverty.

Table 1 Result of Coefficient Analysis

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | -.424 | .161 | | -2.641 | .010 |
| AGE | .473 | .049 | .403 | 9.627 | .000 |
| HHS | -.050 | .046 | -.038 | -1.093 | .277 |
| EDU | .756 | .047 | .658 | 15.928 | .000 |

Conclusion

As a conclusion, this research has been done in order to study the factors that contribute the impact on household income which are age of household, education level and household size. An age of the household shows that it has the significant relationship between household income. This research is consistent with analysis by I. Maloma [19] that explains that the age of the head of the household is inversely related to poverty status. This implies that as the age of the head of the household increases, the probability of the household being categorised as poor diminishes. The education level shows that it has the significant relationship between household income. It is consistent with the analysis made by Anyanwu [14] that explains that the level of education is an important determinant of poverty. There is high proportion of those with little or no education that contributes to Nigerian poverty. For instance, those with no education are more prone to poverty than those with at least primary education. While the findings show that household size is not significant between household income. This is totally opposite with the study by Tuyen et al. [9] that explains the empirical evidence proving that the size and composition of households are closely related with household income. The research also explains that the household size is found to reduce household income per capita.

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