

**UNIVERSITI TEKNOLOGI MARA**

**FORMULATING FRAMEWORK FOR  
SUBJECTIVE POVERTY INDEX**

**AZHANA BINTI OTHMAN**

Thesis submitted in fulfilment  
of the requirements for the degree of  
**Doctor of Philosophy in Business Management**  
**(Economics)**

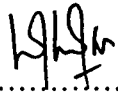
**Faculty of Business and Management**

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## AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

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Name of Student : Azhana bt Othman  
Student I.D. No. : 2011884074  
Programme : Doctor of Philosophy in Business Management  
(Economics) - BM990  
Faculty : Business & Management  
Thesis Title : Formulating Framework for Subjective Poverty Index  
Signature of Student :  .....

Date : 8 January 2019

## ABSTRACT

Subjective poverty is an individual assessment of their own poverty status. The poor have their own understanding and interpretation of their socio-economic situation. Poverty could be analyzed in a more comprehensive and better dimension by combining objective and subjective measures. Thus, Malaysia as one of the emerging economies also should compile objective and subjective measures on poverty. The Millennium Development Goals Report (MDGR, 2015) designates that Malaysia had successfully eliminated objective poverty. However, poverty continues to exist. In *zakat* context, the number of applicants continuously increases. There are three objectives of the study. Firstly, to determine the characteristics of subjective poor. Secondly to propose subjective poverty index (SPI) as an alternative poverty measurement and lastly, to compare poverty in multifaceted poverty measures. The empirical analysis was based on 507 *zakat* applicants of poor and needy in Melaka. The data was analysed using qualitative and quantitative methods in four phases of analysis. In phase 1, comprise the Participatory Poverty Assessment (PPA). The perception of individuals for the poverty, the relationship of this perception with the subjective poverty and the socio-demographic factors were analysed. In phase 2, a quantitative survey was administered to analyse the characteristics of the subjective poverty and developing the indicators. Results of logistic regression showed the possible determinants are ability to get work, level of education, status of employment, health status, other source income resource, moral support and financial stress. Next, in phase 3, this selected weighted socioeconomic indicators were proposed as Subjective Poverty Index (SPI). Lastly, in phase 4, multifaceted poverty measures were conducted as comparative studies on poverty incidence. This study confirmed that more people appear to feel poor using subjective measure. The analysis gives important clues that adding SPI in *zakat* institutions' poverty measurement could better enhance the process of identifying and selecting eligible *asnaf*.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

Poverty has a diverse and dynamic concept henceforth it is, referred as a multifaceted phenomenon. Different societies have different perceptions of poverty. Thus, it is important to understand this multifaceted poverty, because it will lead to different strategies for more efficient intervention schemes intended at poverty reduction. Poverty measurement based on objective indicator such as official poverty lines is often used to orient and prioritize policy actions. However, such 'standard' poverty measures based on household consumption or income aggregates have several shortcomings. This objective indicator does little to inform policy makers about public preferences. Policy makers have to distinguish between 'wants' and 'needs'. Needs are not observable as such, but their satisfaction materialises in the length and happiness of peoples' lives. This final output criterion requires assessment of subjective indicators. Hence, this study attempts to explore the determinants and measurement of subjective poverty specifically in Malaysia.

This chapter provides overview on research outline of the study. The chapter constitute of background to the study and the problem statement in order to present the basis of the study. Moreover, the chapter also discussed the research objectives and research questions, scope of study, definition of terms as well as significance of the study.

### 1.2 Background of Study

Poverty can be measured based on consumption (directly) or based on income (indirectly). In direct measurement concept, poverty is understood as the relative deprivation or visible poverty that relates with low consumption. While, in indirect measure, poverty is relating to low income where the poverty line income is utilized. If a household falls below a specific threshold, the household is classified as poor. Since 1980s, the direct poverty measurement that is the poor living conditions added up the