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APPLIED RESEARCH PROJECT (ADS555)

A STUDY ON PERCEPTION OF RURAL FOLKS TOWARDS FUEL'S
SUBSIDY RATIONALIZATION: CASE STUDY OF KG.MENENGAH
PIMPING, MEMBAKUT

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ABSTRACT

In the developing nation, subsidies are one of the important things to be implemented. This is to help their citizens and the industries in the country itself to survive in daily life and compete worldwide. In the case of our country, Malaysia subsidies are one of the biggest parts in annual budgets. It's aimed to reduce the burden of the citizen and stabilize the imbalance of price in the market especially the price of fuel in this country. Recently, the Government of Malaysia has took a several steps in handling the price of fuel including by reduced the amount of subsidy for RON95, RON97, and Diesel and also by changed the system of fuel price which was currently our government has using Managed Float System that replaced the Automatic Pricing Mechanism. This was due to perceptions and suggestion voiced out by the political parties, representatives and discontentment of the citizens who dependent on the fuel subsidy given by government which was believed they were the parties who feel more burdened due to the increment of the price. This indirectly will cause the cost of the goods and others facilities and basic needs were increased. So, the objectives of this concept paper were to study the perceptions of rural folks upon fuel's subsidy rationaliozation and to examine the factors taht associated the rural folk's perceptions towards fuel's subsidy rationalization. For this concept paper, the researchers were focusing on the rural area which was Kg. Menengah Pimping, Membakut. Hence, a set of 201 questionnaires were distributed in the area mentioned before as to collect the related data.

CHAPTER ONE

INTRODUCTION OF STUDY

1.1 Introduction

Subsidies can be defined as sum amounts of money allocate to pay to the producers or retailers of a given product by the Government, in order to lower the retail price in the market. It was a form of assistance for a given industry or part of society (Unit Perancang Ekonomi Dan Majlis Tindakan Ekonomi Negara Jabatan Perdana Menteri, 31 JULY 2005). Apart from that, as according to the Oxford Online Dictionary, subsidies were where a sum of money granted from public funds to help an industry or business keeps the price of a commodity or service low.

Whereas, according to National Accounts Statistics (NACC), subsidies can be defined as a current unreturned payment that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the services which they produce, sell or import. They were receivable by resident producers or importers in the country itself.

Move on to the effect of subsidies towards the country. In the context of energy subsidies, it was believed that subsidies will reduce prices of fossil fuels below levels that would prevail in an undistorted market, thus leading to higher levels of consumption than would occur in their absence (INTAN, n.d.). This means the price of the commodity does not reflect its actual cost. However, these risks the