

Consumption-Savings Pattern of Low Income Households towards a Sustainable Livelihood – A Gender Perspective

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Abstract

A report by Khazanah Research Institute on the State of Households in 2015 revealed that majority of Malaysian households owned items such as cars, motorcycles, refrigerators, televisions, mobile phones, satellite TVs and internet subscriptions and that most low-income households acquired these items and services on credit. The report further concluded that this trend was also accompanied by low personal savings. While strong income growth has in turn, helped alleviate poverty and added to the legions of the middle-income, incidentally, this has fuelled consumption; with households increasingly use debt for spending. Interestingly, low-income households do not only have low personal savings due to high consumption, but low personal savings due to high consumption of assets (productive and non productive) that act as buffers against any unanticipated events such as loss of job or income. By using a structured questionnaire on 300 low-income households, the objectives of the study are (i) to examine the consumption-savings pattern of low-income households and (ii) to assess the consumption-savings pattern between genders. Low-income households are identified as households earning MYR 3,600 per month. Data gathered on personal savings include cash savings, savings for pilgrimage, gold, kut (rotational savings scheme), community death benefits, land and property.

Keywords: Sustainable livelihood, gender, savings, expenditure.

1. Introduction

According to the Department of Statistics Malaysia 2014, the poverty incidence was 0.6 percent, which we can conclude that Malaysia is already towards zero poverty. This is based on the poverty line index (PLI) which is RM 985, and we doubt this because poverty was measured based on household monthly income only, not considering the expenditures and savings (Falkingham and Namzie 2001). However, previous literatures mentioned that low income households' savings are not that high. The main reason for this is because of the low income received by this group is not even enough for them to pay for their daily consumption which will lead them to dis-save instead of save (Crossley, Emmerson and Leicester, 2012; Manturuk, Dorrance and Riley, 2012; Grinstein-Weiss, Zhan and Sherraden, 2006). For these low income households, generating income alone is challenging. Greinstein-Weiss, Zhan and Sherraden (2006) highlighted that the burden become higher when it is combined with circumstances typically associated with unstable market such as fewer benefits and limited chances for job promotion.

However, studies had found that these low income households do save. Most of the low income household save under mattresses, in informal groups, or in livestock (Karlan, Ratan and Zinman, 2014). Other than that, these low income households are highly creative in building strategy to help their children overcome their poor living conditions. The government assistance are used optimally (Orthner, Jones-Sanpei and Williamson, 2004). However, this informal savings is just enough in the short term.

Savings in financial institutions were encouraged to the low income households. Efforts had been made to encourage more low income households; especially those living in the rural area, to save in financial institutions. Informal savings can lead to many problems such as trust problems, natural disaster, and security problems (Orthner, Jones-Sanpei and Williamson, 2004). However, the access to the financial institutions is one of the most basic problems faced by low income households. Studies also show that lack of financial education had been the main reasons for the low income households to not save in the financial institutions (Manturuk, Dorrance and Riley, 2012).

Meanwhile, when we look at gender perspectives, females have always been in disadvantaged position compared to the males. Wage discrimination has always been an issue either in Malaysia or other countries as well. Employers tend to assume that female employees are weak and could not do much work compared to male employees. Moreover, female employees will give birth and they will take long holidays for confinement. These reasons cause them to receive lower wages than the male employees. Female head of households with low income will encounter difficulties of shortage of money as they need to support their household members. Traditionally, females are often engaged in family or domestic activities that lead them to not be actively involved in decision making. Hence, creating female's vulnerability in society and labour markets. This is confirmed by Bruegel (1979) who stated that employers tend to assume that the involvement in professional activities among the females is secondary, while the role in the family is primary. The perception of not being able to work like male workers as elaborated by Glick, Wilkand Perreault (1995) is one of the common reasons for the employers to not hire female workers or pay them less than the male workers. With such reason, females always get lower income even when they are in high position (Oakley 2000). Department of Statistics Malaysia (2015) mentioned that mean income for the females has increased from RM 1,992 in 2013 to RM 2,148 in 2014, but still lower compared to males' and the wage gap became wider from 4.5 percent in 2013 to 5.8 percent in 2014.

Working mothers either married or single mothers are at disadvantage due to discrimination by employers where they make wage penalty for motherhood as elaborated by Budig and England (2001). Both authors also mentioned that this situation happens because of lower productivity among the mothers as they use their time and energy for childrearing, which according to Moghadam (2005), mothers carry a "double day burden". Single mothers and mothers who are the head of household are the groups who are affected most in that situation. This explains why females receive lower wages compared to males, especially when they are married. Crittenden (2001) and Waldfogel (1997) confirmed that the earnings for mothers fall once they have children.

Females who are economically dependent on their partners will increase power imbalances in the household (England, 1997) and therefore, they will be at disadvantage when their partners leave, die, become disabled or in some situation, because of domestic violence cases, the females (wives) leave the household (Bergmann 1995; McCrate 1987). This is because when these situations happen, females who are dependent on their counterparts will become the head of household and start to find a job to support their lives and their children's. However, the jobs they take usually do not pay enough to support their families as mentioned by Edin and Lein (1997), Blank (1995) and Smith (1984).

Single mothers face many constraints especially when they lose their male counterparts at young age. This is supported by Klasen, Lechtenfeld and Povel (2015) where widow headed household tend to have less productive assets and savings. They will not depend on savings and will start to find a job and work regardless of the low wage to support their families. Despite that, it is still a huge burden to them to play the role as head of household to support other family members, unlike old widowers as mentioned by previous

authors, who are less likely to have pension income and are economically dependent on their children.

2. Methodology

This study was conducted through a survey of 300 households in Northern region of Malaysia (Perlis, Kedah, Penang and North Perak). They are low-income households, which are identified as households earning less than MYR 3,600 per month. The questionnaire contained information on the household's demographic, income, expenditure and savings profile. Expenditures that were taken into account were groceries, education, leisure, utility, raw material and belongings. In terms of savings, both formal and informal savings were included. Formal savings refers to savings in banks, financial institutions and registered cooperatives which includes savings in *Tabung Haji*, *Amanah Saham Nasional Berhad* (ASNB) and insurance. On the other hand, informal savings refers to savings which have an historic presence of unknown antiquity in the region (Rutherford, 1999) such as savings in term of cash (under the pillow), productive assets and unproductive assets and *kut*.

3. Results & Discussions

Based on the descriptive analysis, it is found that all four states in the Northern region have more male head of households than female. Kedah has the highest percentage of male head of household (35.88%) followed by Penang, North Perak and Perlis, while for female head of household, Penang has the highest percentage (7.64%), followed by Kedah, North Perak and Perlis. Malay is the largest ethnic group of head of household in the Northern region. The highest percentage of Malay head of household is Kedah (30.56%) followed by Penang (15.28%), North Perak (10.63%) and Perlis (4.98%). However, Penang has the highest percentage of Chinese head of household (14.62%), followed by Kedah, North Perak and Perlis, with percentage of 5.65, 2.66 and 0.66 percent respectively. In addition, Penang also has the highest percentage of Indian head of household (4.32%), followed by Kedah (2.99%), and North Perak (2.66%). In contrast, Kedah has the highest percentage of other types of ethnicity of head of household (3.32%) followed by North Perak (1%) and Penang (0.66%) respectively. Based on this survey, Perlis has no Indian and other types of ethnicity as head of household.

Kedah has the highest percentage of head of household regardless of marital status. There is no head of household in Perlis who is divorced and no head of household who is separated in both Perlis and North Perak. The percentage of divorced and separated head of household in Penang are the same, which is 0.66 percent, and same goes with the percentage of divorced head of household in North Perak and separated head of household in Kedah, which is 0.33 percent. Meanwhile, divorced head of household in Kedah has the same percentage of 1.99 with widowed head of household in North Perak. Penang has the highest widowed head of household (4.65%) followed by Kedah (3.99%).

Table 1 shows that none of the head of household in Perlis has high education, which are STPM/diploma, degree or other types of education such as skills certificate. None of the head of household in Kedah has degree or other types of education, and they have lowest percentage of having non formal and primary education, which is 0.33 percent. In Penang, 1.66 percent and 1 percent of the head of household has degree and other types of education respectively. Besides that, there are 4.32% of head of household in Penang who has STPM/diploma, which is the highest, followed by Kedah (1.33%). The majority of the head of household in the Northern region of Malaysia has secondary education, which are 4.98, 27.57, 18.94 and 12.29 percent for Perlis, Kedah, Penang and North Perak respectively.

All four states in the Northern region of Malaysia have higher percentage of head of households who conduct activity that generate income than those who do not. Kedah has the

highest percentage for head of household who conduct activities that generate income (39.53%), followed by Penang (31.89%) and North Perak (14.62%) and Perlis (4.98%) respectively.

Table 1: Descriptive analysis of head of households in the Northern region of Malaysia in 2016 (%)

		Perlis	Kedah	Penang	Perak
GENDER	Male	4.65	35.88	27.24	14.62
	Female	1.00	6.64	7.64	2.33
ETHNICITY	Malay	4.98	30.56	15.28	10.63
	Chinese	0.66	5.65	14.62	2.66
	Indian	0.00	2.99	4.32	2.66
	Others	0.00	3.32	0.66	1.00
MARITAL STATUS	Never married	1.00	6.31	4.32	1.99
	Married	3.32	29.90	24.58	12.62
	Divorced	0.00	1.99	0.66	0.33
	Widowed	1.33	3.99	4.65	1.99
	Separated	0.00	0.33	0.66	0.00
EDUCATION	Non formal	0.33	3.32	2.99	1.99
	Primary	0.33	10.30	6.98	1.66
	PMR/LCE/SPMV/SPM				
	/MCE	4.98	27.57	18.94	12.29
	STPM/Diploma	0.00	1.33	4.32	0.33
	Degree	0.00	0.00	0.66	0.33
GENERATE INCOME ACTIVITY	Others	0.00	0.00	1.00	0.33
	No	0.66	2.99	2.66	2.33
	Yes	4.98	39.53	31.89	14.62

Based on Table 2, the results show that low income households have higher expenditure on the groceries, properties and also education. The pattern is consistent for Perlis, Kedah, Penang and Perak. Studies have shown that the low income households spend a lot of their money on food (Schanzenbach, et. al, 2016). The second highest expenditure is expenditure on property. Property classified in the questionnaire refers to the monthly spending for properties such as cars, motorcycles or houses. The trend shows that not only houses, but cars and motorcycles are one of the important purchases by the households (Schanzenbach, et. al, 2016). However, the comparison between the states shows that Kedah has the lowest expenditure on property. This is significantly different from other states. One of the main reasons that can be concluded is that most of our respondent has their own houses or houses from their parents. The third highest expenditure is on education. Although Malaysian government offers free education, the spending for pocket money is also included in this study. The results show that for these low income households, giving their children pocket money to schools is one of their highest expenditure.

Most of the low income households save in *Tabung Haji*, ASNB and Banks. The combination of these three categories shows that low income households save in the financial institutions. Most studies in the European Region show that most of the low income households do not save in the financial Institutions due to lack of knowledge and education on financial institutions and also the low accessibility to financial institutions (Manturuk, Dorrance and Riley, 2012).

Table 2: Mean household size and expenditures (RM) of households in the Northern region of Malaysia in 2016

	Perlis	Kedah	Penang	Perak
Household size	3.65	4.34	4.51	4.78
Groceries	360.00	405.70	403.52	393.14
Utilities	56.43	80.51	135.52	126.75
Properties	366.00	232.23	393.04	429.88
Medical	12.40	112.49	100.69	64.38
Education	96.78	227.57	175.22	202.38
Entertainment	77.75	67.11	100.50	80.46
Leisure	68.00	115.24	108.13	129.21
Agriculture	0.00	102.66	73.57	254.00
Renovation	8,000.00	3,587.50	4,465.52	1,550.00
Raw materials	1,524.75	1,492.63	575.15	1,756.42

Table 3: Mean savings (RM) of households in the Northern region of Malaysia in 2016

	Perlis	Kedah	Penang	Perak
Tabung Haji	50.00	112.50	107.91	176.67
ASNB	50.00	132.00	109.08	213.33
Bank	20.00	540.00	242.86	550.00
Cash savings	63.33	147.82	146.60	238.64
Kut	30.00	141.67	106.00	100.00
Gold	2,500.00	2,277.38	6,359.68	14,408.47
Community death benefit	158.89	50.26	136.30	159.31
Excess or lack (Observations)	-106.67 (12)	-116.75 (83)	-210.78(90)	-120 (36)

Low income households also save in terms of cash savings. Cash saving refers to money that is being saved in terms of cash for usage during emergency. It is usually termed as saving money “under the pillow”. Savings in term of cash is one of the most popular savings for the low income households. Low income households choose this kind of savings because the accessibility to money is easier (Greinstein-weiss, Zhan and Sherraden, 2006). *Kut* and Community Death Benefit are also one of the top choice of informal savings for the low income households. In Malaysia, the Community Death Benefit is also known as *Khairat Kematian*. This type of savings is only applicable to the Muslim community in Malaysia. However, savings in terms of kut is not only applicable in Malaysia. It is one of the popular type of savings in other countries too (Brune, et. al, 2011; Karlan, Ratan and Zinman, 2014; Ksoll, et. al, 2015). The other name for kut is Loan Savings Associations. However, in the Northern Region of Malaysia, the trends show that most of the low income households prefer to save using financial institutions. However, the use of the informal types of savings is also applicable.

Male head of household has higher mean household size, which is 4.5 compared to female head of household, which is 3.9. In fact, male head of household has higher mean expenditures compared to female head of household, except for utilities where the mean expenditure by the female head is RM 133, while for male head is RM 100.64. However, the expenditures between gender differ slightly only, except for education, agriculture and raw materials.

Table 4: Mean household size and expenditures (RM) of households (among gender of head of household) in the Northern region of Malaysia in 2016

	Male	Female
Household size	4.50	3.90
Groceries	404.80	380.94
Utilities	100.64	133.00
Properties	339.77	292.04
Medical	101.36	73.29
Education	205.00	122.60
Entertainment	86.14	77.82
Leisure	113.45	86.08
Agriculture	149.93	27.67
Renovation	3,735.85	3,614.29
Raw materials	767.05	2,542.14

The gap of RM 82.40 in mean expenditure on education may be due to the household size. Male head of household has higher mean household size, which means they must have more children in the household compared to female head of household. Therefore, higher number of children in the households will result in more expenditure on education (Castles 1989). Household headed by female has lower expenditure on agriculture compared to male. This is because, mostly male-headed household tend to have higher income in agriculture sector (Meng 1998). In contrast, household headed by the female has higher expenditure on raw materials compared to the male. Female is more likely to generate income by conducting small businesses such as selling food at stalls and sewing (Getz and Carlsen 2000), which explains why they spend more on raw materials.

Table 5: Mean savings (RM) of households (among gender of head of household) in the Northern region of Malaysia in 2016

	Male	Female
Tabung Haji	101.13	175.00
ASNB	141.50	102.50
Bank	380.00	150.00
Cash savings	153.67	215.63
Kut	146.00	97.50
Gold	6,248.75	4,302.31
Community death benefit	130.59	35.43
Excess or lack (Observations)	-143.92 (181)	-205.25 (40)

Table 5 shows that male head of household has higher mean savings compared to female headed households, except for *Tabung Haji* (pilgrimage) and cash savings. This can be concluded that male headed household has better savings than the female's (Hayhoe et al. 2000). However, female headed household has higher mean cash savings, which proves that female head of household prefers to save in terms of cash more than in ASNB, bank, *kut* (rotational saving scheme) and gold. This is to the extent that they save mainly for basic needs (Hayhoe et al. 2000). Besides that, they also do not prefer to contribute much to community death benefit. In terms of excess or deficit of monthly income, female headed

household has higher mean amount of shortage in monthly income, which means that they usually have higher amount of shortages in monthly amount.

Overall, males spend and save more in most of the types of expenditures and savings compared to females. This can be related with the mean income of male head of household, which is RM 2,084 while the mean income female head of household is RM 1,723. The higher the income, the more the households spend and save.

4. Conclusion & Implications

The low income households do save. Although the amount of savings of these low income households may not seem high, they save in many forms. These low income households do not only save in terms of cash, but they also save in terms of assets; productive assets or non-productive assets. The expenditure of the low income households is more on necessity goods. The main expenditure is food which is the most basic necessity. In terms of gender perspectives, both male and female headed households spend and save. In addition, male headed household spend more, but save more too compared to female headed households. This can be concluded that male headed households is better in sustaining life compared to female headed households due to constraints that were discussed earlier.

Female headed households can sustain their lives like the male headed if several policies are adopted. With reference to the income of household of both genders, it can be concluded that the higher the income, the more the households spend and save. Therefore, the female's income, specifically the head of household must be revised so that there is no income gap between both genders.

Women empowerment in the economy must also be implemented, especially in labour force. Few recommendations can be made, such as including more female in the labour force. In addition, the quota for female in professional sectors must also be increased as this may help female especially the head of household to sustain their lives.

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