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"Define T20 before cutting subsidies"

PROPER EXECUTION WITH COMPLETE DATA

'DEFINE T20 BEFORE CUTTING SUBSIDIES'

Experts urge govt to study net disposable income to avoid burdening people with high cost

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Complete data on income groups is important to understand the targeted groups in need of subsidies. FILE PIC

THE government must ensure that its "house is in order" first by spelling out the definition of income categories before removing subsidies for the T20 category. Economists said failure to do so could cause more people, together with the so-called T20, to shoulder a heavier financial burden, amid the rising cost of living.

Universiti Kuala Lumpur Business School Associate Professor Dr Aimi Zulhazmi Abdul Rashid said although removing subsidies for the T20 was an effective way of reducing the government's financial burden, the decision should be supported by robust data on income groups.

"At present, the data the government has is incomplete. They cannot make good and sound decisions with improper data.

"The much-touted *Pangkalan Data Utama* (Padu) as the central database hub, which is slated to be fully up and running by January 2024, must be developed and properly executed before cutting off the T20 from subsidies," he said.

Aimi Zulhazmi said the data was important to understand the groups in need of subsidies and also towards helping the government execute its programmes properly.

He said the government's priority should be on reclassifying all income categories from B40 to M40 and T20.

He said gross household income wasn't an accurate reflection of financial means as this could be different in where people live and how many dependents and commitments they have.

He said a RM12,000 monthly family income with five school-going children in the Klang Valley could not be considered on the same level as a family living in Kangar, Perlis, where the cost of living was much lower.

"We need to look closely beyond gross income and instead, look at available net disposable income after mandatory monthly expenditures, such as housing, transportation, food, clothes and others," he said.

Prime Minister Datuk Seri Anwar Ibrahim, on Monday, had reiterated his call for removal of subsidies for high-income earners. He said the National Economic Action Council, in a recent study, found that at least 40 per cent of government subsidies were benefiting the T20 group.

He said while subsidies such as for Tabung Haji and electricity tariffs had been discontinued for the group, the government was now looking at other items such as diesel.

According to the Department of Statistics Malaysia, T20 represents top-tier households whose monthly income is higher than RM10,959. They are further classified into two sub-groups, which are T1 and T2.

T1 represents households with an average income of RM12,586 while T2 represents households with an average income of RM24,293.

Universiti Sains Islam Malaysia Faculty of Economics and Muamalat lecturer Associate Profes-

sor Dr Nuradli Rizwan Shah Mohd Dali believed that the government's aggressive push towards the removal of subsidies for the T20 was to reduce expenditure in response to the global economic situation.

However, he said that the government had to strike a fine balance between the removal of subsidies and reducing its expenditures, as doing the former too hastily could lead to adverse consequences.

"It is understood that the government is mulling scrapping subsidies for the high-income group in order to reduce its spending. However, it should be mindful of the impact and must be ready with solutions."

Nuradli said that the government should also look into ways to improve revenue by empowering the export-import sectors, as well as ensuring that existing subsidies were not prone to leakages.

"They can also reduce or do away with any one-off subsidies and instead, lean towards programmes that allow those in the low-income group to bolster their own economy.

"We should look into teaching them how to fish instead of giving them the fish," Nuradli said.

He also echoed Aimi's call for a thorough revision of the household income categories to better reflect the economic situation.

"The government must look into reclassifying the current definition of household income from the current method of gross income, to per capita income.

"By using a per capita income categorisation method, it will take into consideration the number of financial dependents under each income earner," he said.



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