

Income distribution and poverty in malaysia economics essay



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1.0 CHAPTER 1

Health and education is the two important components of human capital. This becomes the most important needs to Malaysian people because health and education have a strong relationship between the income distribution and the level of poverty in Malaysia. Besides that, the health status and educational level are use in measured the level of income and the level of poverty in a country.

Problem Statement

The specific problem statement of this study is shown below:

There is a strong relationship between health status and education level on the income distribution and poverty in Malaysia.

There is a gap of the income distribution between the educated and healthy people with the low-income and unhealthy people in Malaysia.

Income inequality and poverty is not satisfactory in Malaysia.

Research Objective

To identify the relationship of health and education on income level and poverty in Malaysia.

To determine whether education level gives impact on income level and poverty in Malaysia.

To identify the factors of poverty in Malaysia.

Scope and limitation of the study

This study was focus on identifying and investigates whether health and education affect the income level and poverty in Malaysia. To examine and determine this relationship, it is important to measure the significant of each of the variables related to this study. Other than that, this study will cover and use the data from 2005 until 2009 in Malaysian country. The data areas are the real per capita gross domestic product (GDP), public spending on expenditure (percent of GDP), total enrolment in primary school and life expectancy of birth. The data are obtained from Department of statistics Malaysia and World Development Indicators (World Bank).

significance of the problem

This paper is important to the economic development in Malaysia as this study will help the government to identify and determine the important area that need to be improved in order to reduce income inequality and solve poverty. Other than that, this paper also can help the Malaysian communities to improve themselves by showing them the important of higher education level which is the important factors contribute to higher income level.

Chapter outline

In chapter 1, we will discuss about the introduction of this study. We will know a little bit about the important of health and education. After conducting this study, we will determine the problem and after that we can develop the objectives of this study. Lastly, we can determine the scope and limitation while conducting this study.

Chapter 2 discuss about the relevant literature review. We explained the variable in this chapter which are the health, educational level, income inequalities and poverty. The conceptual framework also included to explain the relationship between the independent variables and dependent variables.

Chapter 3 explain about the data and methodology. This refers to the data used, the population and sampling methods that was very important to this study. From the data that we find, we can analyze the data and make a hypothesis. After that we can test the data.

2. 0 CHAPTER 2

2. 1 Introduction

As we looking at the present condition in our country, we can see that there is a strong relationship between the health and education level with Malaysian communities' income distribution and poverty. This can be simplified as, there is a gap between the income distribution of the educated and healthy people with the poor and unhealthy people in Malaysia. This problem caused by some factors or variables that contribute to the income inequalities and poverty. Because of that, the government and the communities itself should identify and determine any areas that should be improved and find some suggestion to solve or reduce this problem. So that, we clearly see that the best way to reduce and improve this situation is to improve the health and education status in Malaysia as this is the common factors in determining the income level and poverty level in one place. After do some reading and find some literature review related to this situation, this

study presents the investigation of the effect of the two important components in human needs which are the health and education on the income distribution and poverty in Malaysia.

2. 0 Theoretical Framework

Health Status

Education level

DEPENDENT VARIABLE

-Income inequality

-Poverty

Level of Savings

2. 3 Literature Review

There is an effect of health and education on income distributions and poverty in many areas in this world. This can be explained through some relevant literature review. Other than health and education level, the level of savings also categorized as the main factors affecting the income distribution and poverty.

The problem of the income inequality and poverty is affected by health and education has investigated. According to Bakhtiari and Meisami (2009), the level of education, level of income, savings and health status can affect the income inequality and poverty. The higher educated people have more opportunities to earn more money or income. Other than that, the more literate people tend to have high awareness with their health and seeking

medical when they ill. The finding of this paper is boosting the health and education status in Islamic countries will reduce the income inequality and poverty in Islamic countries. This paper also stated that Practical implications show that this empirical examination can help the Islamic countries government to identify any areas that should be improved in order to reduce the income inequality and alleviate poverty. Furthermore, this strategies help government to identify areas that should be improved upon in order to reduce income inequality and reduce poverty line.

To explain the facts that there are some important determinants of poverty and income distribution in developing countries, Dao M. Q (2007), use a sample of 40 developing countries in the world, it was found that some of the population below the poverty line is linearly depends on the human capital such as health, nutrition, and formal education. All of this is the components of improvements in the development of one country. This means that this human capital reduce income inequalities and poverty. After that, they also use 35 developing countries to measure and it was found that income inequality linearly affected by the same explanatory variables but other than that, the infant mortality rate and the primary school completion rate also affect poverty and income level.

Bastos et. al (2010), Research has been done to the children in Portugal to investigate the profile of income-poor children and the results obtained states that 25 percent of them are at risk of poverty. They are from the low income families and this will influence the culture on their eating habits. This contributes to the facts that the people from the lower socio-economic groups do not eat healthily. Mackereth C. J et. al also do some research on <https://assignbuster.com/income-distribution-and-poverty-in-malaysia-economics-essay/>

the culture of eating for the low income families and it also found the same results as Bastos et. al where they are not eat healthily and eating whatever available in front rather than cooking the healthy food. It is because they don't have enough resources and lack of time.

The relationship between socioeconomic deprivation and health status also has been identified by Drakopoulos S. A et. al (2010). The result shows that the socioeconomic deprivation of child has negative effects on our health especially on our working stage. Our psychological health will decrease slowly because of this deprivation.

Another results found from Habibov N. N (2010) regarding the low-income transitional countries and this also prove that health status and education level can influence the self-perceived social stratification in the multi-country like Armenia, Azerbaijan, and Georgia. It is stated that the most affordable variables in increasing the income level of the low-income transitional countries are health status and education because this is the factors of growing the effectiveness of one country and improve the level of low-income people.

In his research, Adjaye, J. A (2004), examine whether the income inequality affect health. The relationship between these two variables has become the major problem in our daily life nowadays. The result shows that the people that have low-income profiles are more likely to fall sick because they don't have enough resources to pay for the treatment and medicine. Other than that, it also found that the people from rich family can live longer than the

poor family people. This can be simply stated that the higher income level we have the higher level of health we are.

To prove that educational can improve the peoples income inequality, Ning, G (2010) do some investigation in China. It was found that, expand more in educational will help us to reduce the phenomena of income inequality.

Other than that, one of the ways to solve the problem of poverty is to do more investment in education because this will gives high return in future.

Lanaskoroniskis, M. et. al (2009) found in their investigation that Reflection of higher education will contribute to the high competitiveness of a country. Competitiveness refers to the skill people, goods and services we have, or ideas can be accepted locally and international. On the other words, higher education becomes the most important areas that contribute to increase competitiveness.

The common factors that contribute to the poverty can be explained through the paper of Wang, X. et al (2009) where they found that the poverty line in China are due to the lack of education that automatically causing the unemployment that will make them cannot gain enough resources to buy food. That's why China government conduct some surveys to investigate this problem and they also found that the profile of the low-income people is unhealthy because of the lack of consumption of nutritional food in their country.

Education is the human's resource to apply job and opportunities in one country. This is because education is the main source of a company,

manager and employers to measure their level of income. Education is a <https://assignbuster.com/income-distribution-and-poverty-in-malaysia-economics-essay/>

human capital investment that gives a long-term sustainable development for them. In Benjamin, S. J et. al (2011), it was found that household income is use to measure the Malaysian people ability to enter at any higher education institution. Lack of the resources will contribute to the lack of knowledgement. Besides that the parents will face the possibility to pay the high fees for their children. This is because before this they don't take more attention on their level of education. They cannot apply a good job and after that their income is not enough to support the needs of education for their children.

3. 0 CHAPTER 3

3. 1 The data and methodology that we used in this study is unit root test and the Ordinary least squares (OLS) to represent the effects of health and education on income distribution and poverty. Besides that this will shows whether there is a relationship between the dependent variables and independent variables.

3. 2 Data, population and sampling methods.

In this paper, the data was covering the time series data from year 2005 to 2009 that is 5 years. For the population, this paper focuses on the people of 14 states in Malaysia.