

'Adopt fair market price'

By [S. Birruntha](#) - October 25, 2024 @ 8:30am



The frequent use of income categories like B40, M40 and T20 no longer reflect the true complexities of Malaysia's economic landscape, said Prof Tan Sri Dr Noor Azlan Ghazali, director of the Malaysian Inclusive Development and Advancement Institute (MINDA-UKM).
NSTP/AIZUDDIN SAAD

BANGI: The frequent use of income categories like B40, M40 and T20 no longer reflect the true complexities of Malaysia's economic landscape, said Prof Tan Sri Dr Noor Azlan Ghazali, director of the Malaysian Inclusive Development and Advancement Institute (MINDA-UKM).

Noor Azlan also raised concerns about the introduction of T15 as a policy benchmark in the 2025 Budget, warning that it could be problematic if not properly defined.

He emphasised the stark regional income disparities, pointing out that while an income of RM7,759 might qualify someone as part of the T15 in Kelantan, the same amount would be insufficient to sustain a similar lifestyle in Kuala Lumpur, where living costs are much higher.

He urged policymakers to consider such variations when designing economic assistance programmes.

"For instance, income levels that are considered part of the T15 group in one region may not reflect the same standard of living in another.

"Furthermore, the Department of Statistics Malaysia currently does not provided sufficient data to align with the T15 framework, making it difficult to develop targeted and fair policies," he said at a special press conference on the 2025 Budget here today.

Noor Azlan also said while the B40, or bottom 40 per cent income group, has become widely adopted, its usage in Malaysia has caused some confusion, particularly when comparing wealthier and developing nations.

He noted that the concept of B40 is used globally, but applying it rigidly in Malaysia does not always capture the full picture of economic inequality.

As such, Noor Azlan said the government needs to assist the poor and ensure that the price of RON95 petrol reflects a fair market price when implementing targeted subsidies for petrol.

In the effort to rationalise the RON95 petrol subsidy, he feels more comfortable and inclined to have the fuel sold at a fair market price.

He described the classification according to income groups as relative in nature to ensure that those eligible for the subsidy are accurately identified.

Moreover, the economist is concerned that the use of income classification will lead to branding that could have negative connotations for certain income groups.

"I believe that income classification could lead to emotional interpretations, while household income can be relative when considering factors such as dependents and location. If income classification is used as a policy variable and if not handled carefully, it could result in mistakes regarding targeting.

"My inclination as an economist is to help the poor and not disrupt prices. Prices must reflect a fair market," he added.

Commenting on the appropriate mechanism for targeting the RON95 petrol subsidy, Noor Azlan suggested that the subsidy should be targeted according to the type of vehicle rather than based on household or individual classifications.

He said the use of petrol is personal and not a public utility shared collectively, such as hospitals and education facilities.

Noor Azlan noted that vehicles in Malaysia are registered with the Road Transport Department (JPJ), making them easier to monitor.

During the presentation of the 2025 Budget, Prime Minister Datuk Seri Anwar Ibrahim announced plans to implement the targeting of the RON95 petrol subsidy in mid-2025.

However, Anwar, who is also the Minister of Finance, emphasised that financial support for subsidies will continue for 85 per cent of the population.

The savings from the targeting of the RON95 petrol subsidy will be used for the welfare of the majority of the people.