

## Poverty Eradication: Government Policies and Challenges to Eradicate Urban Poverty in Malaysia

*Pembasmian Kemiskinan: Polisi Kerajaan dan Cabaran untuk Membasmi Kemiskinan Bandar di Malaysia*

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### **Abstract**

*Malaysia is moving forward to become an industrialized and developed nation by the year 2020. In line with this transformation, it faces challenges related to phenomena of urban environment. The migration of people from rural areas and international immigrants give a strain on the economy as well as the society. The government continues to implement appropriate strategies and programs by providing a variety of needs such as food, clothing, water, education and accesses to services such as health facilities and public transport since the 1970s. Although the programs succeeded in reducing the poverty rate from 21.3 percent in 1970 to 1.0 percent in 2012, there are still many things to be considered in order to overcome the new urban poverty phenomenon.*

**Keywords** *poverty, eradication, urban, Malaysia*

### **Abstrak**

*Malaysia meletakkan harapan yang sangat tinggi untuk menjadi sebuah negara maju pada tahun 2020. Seiring dengan itu, Malaysia berhadapan dengan cabaran yang berkaitan dengan fenomena persekitaran bandar. Penghijrahan penduduk luar bandar dan pendatang asing ke bandar telah meninggalkan kesan ke atas ekonomi, masyarakat dan persekitaran bandar. Kerajaan terus mengimplementasi strategi dan program yang sesuai dengan menyediakan pelbagai keperluan seperti makanan, pakaian, air, pendidikan dan akses-akses seperti kemudahan kesihatan dan pengangkutan awam sejak dari tahun 1970-an lagi. Meskipun rancangan ini telah berjaya mengurangkan kadar kemiskinan daripada 21.3 peratus pada tahun 1970 kepada 1.0 peratus pada tahun 2012, namun masih lagi banyak perkara yang perlu di ambil kira untuk membasmi kemiskinan bandar.*

**Kata kunci** *pembasmian kemiskinan di Malaysia, kemiskinan bandar, dasar, strategi dan program*

### **Introduction**

Cities in Malaysia experienced rapid economic and social transformation over the past few decades as the country is moving forward to become an industrialized nation by the year 2020. Malaysia increased its efforts in further urbanization from 1957 to 1969 and moved towards export industrialization from 1970 (Sendut, 1962, 1965; Yeoh and Hirschman, 1980) and experience a large numbers of migration from rural dwellers as well as immigrants to the urban area involving from 8.2 million in 1960 to 30 million in 2014. All these factors contributed to the increase number of urban poverty and put great pressure to the urban environment. Malaysia experience an economic crisis in 1997 affecting the urban poor and migrant workers from 6.8 percent in 1998 to 8.1 percent in 1999 with the approximate number of 393,900 poor households during the Asian financial crisis since 1997 (Nair, 2005). Out of that, 2.6 per cent to 3.9 per cent (8,000 - 19,000) poor households between

1996 and 1998 were retrenched workers from the manufacturing and construction industry (Mok, Gan and Sanyal, 2007).

The increasing numbers of urban poverty represents the city of Kuala Lumpur, Penang, Kota Bharu and Johor Bahru. The presence of poverty in the urban areas transcends ethnicity and the main causes of urban poverty were low level of education, lack of job opportunities, large family size, and lack of access to social facilities. Other contribution factors of poverty are low-income (EPU, 2014), the number of children under 15 years of age (Mok et al., 2007), male and female adults above the age of 65 years, households run by females (EPU, 2014) and the lack of entrepreneurial oriented training programs (Dora, 2011).

### **Plan, Policies and Strategies to Eradicate Poverty**

Government initiates policies, strategies and programs to eradicate the incidence of poverty in Malaysia. All these approaches have proven to be successful with the decline of the incidence of poverty from 49.3 percent in 1970 to 1.7 percent in 2012 (Table 1).

**Table 1** Incidence of Poverty by Ethnicity, Strata and State, Malaysia, 1970-2012

	1970	1976	1979	1984	1987	1989	1992	1995	1997	1999	2002	2004	2007	2009	2012
<b>Malaysia</b>	<b>49.3</b>	<b>37.7</b>	<b>37.4</b>	<b>20.7</b>	<b>19.4</b>	<b>16.5</b>	<b>12.4</b>	<b>8.7</b>	<b>6.1</b>	<b>8.5</b>	<b>6.0</b>	<b>5.7</b>	<b>3.6</b>	<b>3.8</b>	<b>1.7</b>
<b>Etnik</b>															
Bumiputera	64.8	46.4	49.2	28.7	26.6	23.0	17.5	12.2	9.0	12.3	9.0	8.3	5.1	5.3	2.2
Cina	26.0	17.4	16.5	17.8	7.0	5.4	3.2	2.1	1.1	1.2	1.0	0.6	0.6	0.6	0.3
India	39.2	27.3	19.8	10.1	9.6	7.6	4.5	2.6	1.3	3.4	2.7	2.9	2.5	2.5	1.8
Lain-lain	44.8	33.8	28.9	18.8	20.3	22.6	21.7	22.5	13.0	25.5	8.5	6.9	9.8	6.7	1.5
<b>Srata</b>															
Bandar	21.3	15.4	17.5	8.5	8.5	7.1	4.7	3.6	2.1	3.3	2.3	2.5	2.0	1.7	1.0
Luar Bandar	58.7	45.7	45.8	27.3	24.8	21.1	21.2	14.9	10.9	14.8	13.5	11.9	7.1	8.4	3.4
<b>Negeri</b>															
Johor	45.7	29.0	18.2	12.2	11.1	9.8	5.6	3.1	1.6	3.1	2.5	2.0	1.5	1.3	0.9
Kedah	63.2	61.0	53.8	36.6	31.3	29.9	21.2	12.2	11.5	14.2	9.7	7.0	3.1	5.3	1.7
Kelantan	76.1	67.1	55	39.2	31.6	29.6	29.5	22.9	19.2	25.2	17.8	10.6	7.2	4.8	2.7
Melaka	44.9	32.4	20.4	15.8	11.7	12.4	8.5	5.3	3.5	2.9	1.8	1.8	1.8	0.5	0.1
Negeri Sembilan	44.8	33.0	26.3	13	21.5	9.1	8.1	4.9	4.7	4.1	2.6	1.4	1.3	0.7	0.5
Pahang	43.2	38.9	26.9	15.7	12.3	10.0	6.9	6.8	4.4	9.8	9.4	4.0	1.7	2.1	1.3
Pulau Pinang	43.7	32.4	19.7	13.4	12.9	8.7	4.0	4	1.7	0.7	1.2	0.3	1.4	1.2	0.6
Perak	48.6	43.0	30.5	20.3	19.9	19.2	10.2	9.1	4.5	6.8	6.2	4.9	3.4	3.5	1.5
Perlis	73.9	59.8	63.1	33.7	29.1	17.4	19.8	11.8	10.7	13.6	8.9	6.3	7	6	1.9
Selangor	29.2	22.9	14.5	8.6	8.9	7.6	4.3	2.2	1.3	1.9	1.1	1.0	0.7	0.7	0.4
Terengganu	68.9	60.3	53.1	28.9	36.1	31.3	25.6	23.4	17.3	22.7	14.9	15.4	6.5	4	1.7
Sabah & W. P. Labuan	n.a	58.3	40.7	33.1	35.3	29.7	27.8	22.6	16.5	23.4	16.0	23.0	16	19.2	7.8
Sarawak		56.5	47.8	31.9	24.7	21.0	19.2	10	7.3	10.9	11.3	7.5	4.2	5.3	2.4
W.P Kuala Lumpur		n.a		4.9	5.2	3.7	1.7	0.5	0.1	0.4	0.5	1.5	1.5	0.7	0.8
W.P Putrajaya				n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	-	-

Malaysian Government concentrates much concern on eradication the incidence of rural poverty rather than urban poverty since 1950s. Moreover, the percentage of urban poverty also experienced tremendous decrease from 21.3 percent in 1970 to 1.0 percent in 2012 as shown in Table 1.

The effort of the government could be seen through the implementation of both Malaya and Malaysian plan. During the first draft plan of Malaya 1950 to 1955, \$250,000 were allocated to build houses or institution for vagrants in 5 different states involving Kelantan, Johor, Kedah, Selangor and Perak (EPU, 2014), while a total of \$75,000 were allocated for school welfare services through dental examinations and family difficulties to school children in Kuala Lumpur and Penang. The improvement of the educational system leads to the decline of unemployment rates from 155,000 to 190,000 from 1962 to 1967 respectively (EPU, 2014b), in which later resulted an increase in income, higher productivity and better living conditions in the urban environment.

During the Second Malaysia Plan from 1971 to 1975 a total of 12,200 units of low-cost houses were constructed to ensure the well-being of the urban poor. Of these, 6,700 families living in squatters were placed in flats and other accommodations. New polyclinics, dental clinics, outpatient clinics and maternity clinics were constructed to extend the existing healthcare services of the urban poor. The mini-bus and commuter train services were also introduced as a means of transportation to assist the urban poor. Malaysia's New Economic Policy (NEP) was announced in 1970 as a tool to overcome the political crisis of May 1969. The purpose was to eradicate poverty and to restructure society. Since then, poverty in Malaysia has decreased tremendously. The poverty eradication strategy continues under the new development plan and that was the National Development Plan in 1990 to 2000. The implementation of the government strategies significantly saw the decline number of poor household from 49.3 per cent in 1970 to 16.5 per cent in 1990 and continue to fall at 6.8 and rose again at 7.5 percent in 1999 (Anand, 1983) due to the Asian financial crisis but the poverty incidence was further reduced to 1.7 per cent in 2012.

Question might arise on how poverty is measured. The incidence of poverty in Malaysia was measured by using the Poverty Line Incomes (PLI) (EPU, 2001) which was set at RM425 in 1995 for households in Semenanjung Malaysia, Sabah RM601 and RM516 for Sarawak. In 1997, the PLI was set at RM460 (Semenanjung Malaysia), RM633 (Sabah) and RM543 (Sarawak), while in 1998 it was RM493 (Semenanjung Malaysia), RM667 (Sabah) and RM572 (Sarawak). In 1990, the PLI, however was increased to RM510 (Semenanjung Malaysia), RM685 (Sabah) and RM584 (Sarawak). The latest PLI further has increased to RM760 (Semenanjung Malaysia), RM 1,050 for Sabah and Labuan and RM910 (Sarawak). PLI change from time to time based on the differences in standards of living, economic conditions, customs and practice of a country.

The measures undertaken by the government during the plan period proved to be successful as the proportion of lower income households with a monthly wages of lesser than RM1,500 declined from 54.4 percent in 1995 to 43.8 percent in 1999. Dramatic change can be seen towards the Middle income households earning between RM1,500 and RM3,500 increased from 32.3 per cent in 1995 to 37 per cent in 1999. The mean monthly gross household income for all races; mainly the Bumiputera, Chinese and the Indians also recorded an increase with an average growth of RM1,984 per annum (Bumiputera) and RM3,456 (Chinese), while 2,702 (Indians). This resulted in an increase in the mean income of the bottom 40 per cent of households to RM865 in 1999 (EPU, 2014a).

In the Eight Malaysia Plan however, more emphasis was given to increasing the effectiveness of Bumiputera ownership and participation in the corporate sector. This type ownership enables the Malays to obtain high-income occupations. It also strengthens the development of the Bumiputera Commercial and Industrial Community (BCIC) that was institutionalized during the Seventh Malaysia Plan. Distribution strategies of wealth was focused on obtaining 30 per cent of Bumiputera equity ownership by 2010, as outlined in the Third Outline Perspective Plan (OPP3) 2001 - 2010 (Economic Planning Unit, 2014). According to the Outline Perspective Plan II (OPP II), 1991-2000, Indigenous or Bumiputera ownership of share capital, which was 2.4% in 1970, had increased to only 20.3% in 1990 (Seventh

Malaysia Plan, 1996). The NDP however, is more specific in providing emphasis for the creation of Bumiputera Commercial and Industrial Community (BCIC) which promotes and encourage involvement in business and commercial sector. Initiative program like Integrated Development for Urban Communities, *Pusat RAHMAT*, *Projek HARAPAN* and *Skim Khas Ibu Tunggal*, *Program Orang Kurang Upaya* are also continued by the local authorities to address pockets of poverty among households in urban centers and surrounding areas.

### **Amanah Ikhtiar Malaysia (AIM): An NGO Approach to Poverty Eradication**

The establishment of *Amanah Ikhtiar Malaysia (AIM)* in 1986 with the support of the Malaysian Economic Development Foundation (YPEIM), the Asian and Pacific Development Centre (APDC) and the state government of Selangor aimed to eradicate the hardcore poverty through the provision of benevolent loans. This is one of the most successful methods to eradicate the incident of poverty in Malaysia. Under AIM, 22,800 poor families were given micro-credit financing from an interest-free loan allocated by the government. The credit delivery system proved to be highly successful. However, there are signs showing that the AIM is slowly joining the government, in specific the PPRU under the Ministry Of Rural and Regional Development (KKLW); due to the fact that its main source of funding is from the government and agencies under the purview of the government (Nair, 2005).

### **Other Challenges in Eradicating Urban Poverty**

There are many factors that should be taken into consideration to eliminate the incident of poverty in Malaysia particularly the urban poverty. Since urban poverty becomes popular due to the impact of globalization and industrialization, government should give prior attention towards this matter. According to Nair (2005), poverty in Malaysia is highly political, with ethnic and religious consequences. This is because policies, programs and projects have to be accessible to all and not race based. Therefore, a new operational framework has been recommended such as programs, delivery institutions and agencies need to be remodeled while their frontline workers are trained to move away from the race based biases on service provisions. Furthermore, there is no comprehensive data from the grassroots level to capture the information of the poor. Since the incident of poverty is not as wide as what was experienced in 1970s, the methodology should be more focus and in depth towards those affected by it. Moreover, the inaccuracy in the Poverty Line Income (PLI) should also be given prior attention to identify the poor household. Economic Planning Unit (2014) states that the PLI as wages which is enough to obtain the basic necessities of life such as food, clothing and footwear, and other non-food items such as rent, fuel and power, furniture and household equipment, medical care and health, transport and communication, recreation, education and cultural services. Food requirements were set at 9,910 calories for a family of five. An individual or family is thus considered as poor if the monthly wages falls below this line.

Ragayah (2007) argues that PLI method to measure poverty is inappropriate to measure people from a standard that is below the minimum necessary for physical efficiency. Poverty is considered as insensitive to economic development, if the inequality of income fails to improve. The only way to reduce poverty would be to reduce inequality. The PLI should change in line with the changes that occur with time and the average standard of living.

### **Recommendations**

- i. The policies, programs and projects have to be accessible to all and not race based when dealing with eradication urban poverty. This is because the poor households in urban areas originated from the rural areas and not only composed of Bumiputera but also a large number of non-indigenous population.

- ii. Data should be placed in a centralized software system that benefit the central government (ministries), NGO and private sectors to get comprehensive information about the poor households and not only rely upon *e-kasih*.
- iii. Information on poor households should be precise and not to adjust them in a means to complete them in time. The project must be handled by experts who are well trained.
- iv. Non-Governmental Organizations (NGOs) and related societies should also work closely with the government to achieve a common goal of eradicating poverty to achieve the mission to become a developed country in the year 2020.

## Conclusion

Malaysia has managed to overcome poverty through a number of strategies and programs that have been implemented since 1970s. Although the incidence of poverty is not as severe as what was experienced in the 1970s, this issue still needs to be addressed as they begin to appear in a completely different context. Malaysia should implement a comprehensive solution to overcome the problem of poor income groups in line with the mission to become a developed nation in the year 2020. The poor should be equipped with better infrastructures in accordance with their needs and necessities. In conclusion, the continuous comprehensive development of poverty programs, combined with Malaysia's rapid economic growth, helped to reduce poverty and improve the quality of life of all Malaysians.

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