

Eradicating Rural and Urban Poverty

Poverty in Malaysia is measured by the Poverty Line Index (PLI). A household is considered poor if its income falls below that line. The Poverty Line Index (PLI) for Malaysia was introduced in June 1977 using the 1973 Household Expenditure Survey (HES). It was based on the minimum requirements of a household for food, clothing and footwear, and other non-food items such as rent, fuel and power. For the food component, the minimum expenditure was based on a daily requirement of 9,910 calories for a family of five comprising an adult male, an adult female and three children of either sex within 1-3, 4-6, 7-9 years of age. The minimum requirements for clothing and footwear were based on standards set by the Department of Social Welfare for the requirements of inmates in welfare homes. The other non-food items were based on the level of expenditure of the lower income households as reported in the HES.

The incidence of poverty and hardcore poor in Malaysia has dramatically declined from 1970 to 2002. Over the period, poverty incidence has dropped from 52.4 per cent to 5.1 per cent, a reduction of about 47.3 per cent in 30 years. The number of poor households decreased from 1.6 million in 1970 to about 574,000 in 1990 and 267,000 in 2002. Poverty incidence in the rural areas has also been on the down trend from 60 per cent in 1970 to 11.4 per cent in 2002. Urban poverty is relatively lower, falling from 22.3 per cent in 1970 to 2 per cent in 2002.

The decline in poverty incidence was significantly contributed by high and sustained economic growth during the period, which averaged 6-7 per cent annually. This factor provided ample opportunities for job and business creation for the population. The poor have benefited from changes in the sources of household income. This includes an increasing portion of non-farm income and remittance from family members working in urban centres and industrial areas.

Another factor that contributed to the declining incidence of poverty is the poverty eradication programme, which has been the major objective of the government since the commencement of the New Economic Policy (NEP) in 1971. During the period of the NEP from 1971 to 1990, there was a major focus on reduction in poverty and income disparities between ethnic groups, particularly by elevating the position of the Bumiputera. The assault on the poverty has taken the forms of specific programmes for poverty reduction, directed to specific target groups such as padi farmers, rubber smallholders, coconut smallholders, fishermen, estate workers, agricultural labourers and indigenous groups.

At the end of the NEP era, the government has switched to the National Development Policy (NDP). Under the NDP the government has established a special Development Programme for the Hardcore Poor (PPRT), which incorporates a package of economic, social, housing and provision of basic amenities.

The government has also recognised the importance of the role of non-governmental organisations (NGOs) in the overall policy framework to eradicate poverty. In particular, it has supported the microfinance activities of Amanah Ikhtiar Malaysia (AIM) as an integral part of its poverty programmes. AIM, modelled on the Grameen Bank of Bangladesh, is the first NGO aimed at poverty alleviation in the country. The establishment of AIM was for the sole purpose of assisting hard-core poor households to lift themselves out of poverty regardless of gender, race or political affiliation.

Poverty alleviation strategies and programmes in Malaysia have been acclaimed as a success by United Nation Development Programme (UNDP) in its report on 'Malaysia: Achieving The Millennium Development Goals: Success and Challenges'. Although the incidence of poverty has been reduced, many problems and challenges still exist especially in the urban area. New forms of poverty, which include single female headed households, the rural elderly, unskilled workers and migrant workers, have also emerged in the country as a result of rapid economic growth and the

development process itself. All indications are that, the eradication of poverty will continue to be one of the main items in the national agenda to ensure that the poor are not to be left behind.

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