

Chapter III

The New Economic Policy: Progress and Prospects

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I. INTRODUCTION

The progress of the New Economic Policy (NEP), especially during the difficult recession years, was creditable. During the period 1981-85, not only was there sound economic growth but it was also growth with greater equity, with an increase in economic opportunities for all Malaysians. The average income of Malaysians improved, the incidence of poverty declined, and the restructuring of the pattern of employment and ownership of wealth progressed satisfactorily. In addition, the size of the Bumiputera Commercial and Industrial Community increased and they increasingly participated in various economic activities. Rapid growth of public services, especially in education, health, and the supply of water and electricity, had increasingly widened their coverage and accessibility, especially for those in the rural areas. This resulted not only in improved quality of life of Malaysians but also increased their life expectancy.

While a great deal had been achieved under the NEP over the last five years, much remains to be done for the remaining years of the Outline Perspective Plan (OPP), 1971-90. Greater efforts will, therefore, be required to ensure continuing progress towards achieving the objectives of the NEP, especially in view of the difficult times that are anticipated. While the targets of the NEP may not largely be met, nevertheless, by the end of the decade, further progress will have been made in reducing the glaring and serious economic imbalances which plagued the country at the beginning of the NEP.

II. ERADICATION OF POVERTY

Concepts and measurements

Poverty is an emotive as well as an elusive term. Improper usage of this term and a lack of appreciation of its meaning will give a distorted perception of the real situation on the standard of living of a country. The common perception of

poverty encompasses visions of severe malnutrition, extreme deprivation of the basic necessities of life such as food, shelter, and clothing, famines, widespread starvation, and the degradation of human dignity when individuals are forced to survive through begging. Poverty can be defined satisfactorily only in terms relative to the society or country in which it is found. There is no single definition of poverty which can be applied to all countries and at all times, independent of the social structure and level of development. There are, however, countries with a poverty problem but of a considerably different nature, ranging from the poverty prevailing in developed countries to that prevailing in the more economically successful developing countries, with relatively higher incomes and standard of living. In these countries, although the term poverty is often used, the nature and degree of severity is quite different from those unfortunate countries which are afflicted with recurrent starvation and famines. Poverty, therefore, describes and covers a broad spectrum of socio-economic conditions and because of this, the term poverty will have to be given close and careful attention by each country separately.

Various concepts of poverty have been put forward. The two broad concepts of poverty normally used are absolute poverty, which is a subsistence concept, and relative poverty, which is an inequality concept. The absolute poverty concept has had wide acceptance as it seeks to describe poverty as the lack of income needed to acquire minimum necessities of life. The most widely used absolute measure is the incidence of poverty, which is the proportion of the population or households whose level of living falls below some poverty line. The poverty line income is that level of income at which the average household consumes a nutritionally adequate diet, usually defined in terms of calories. It can also include other items of expenditure to maintain a decent standard of living according to the prevailing norm. Another common measure is the occurrence of poverty, which is defined as the number of poor households in a particular locality, either state or district, over the total number of poor households.

The shortcomings, or weaknesses, of using a poverty line income are well known. The poverty line measure does not consider how far the households are below the poverty line and, thus, conceals the severity of poverty. It also ignores the important problem of distribution of food and other amenities within the household. Being an income-based approach, it does not capture the true welfare or standard of living of an individual or household.

The notion of relative poverty is a hybrid one as it captures some aspects of both absolute poverty and income inequality. There are also problems as to how relative poverty should be measured. A group is defined as poor relative to the others in the society. The relative poverty measures, as with the absolute poverty measures, have certain limitations. Using the average income of the bottom 40 per

cent of the population to measure relative poverty, economic growth is thought to lower relative poverty and to raise social welfare when the average income of the poorest 40 per cent is increasing. Another relative poverty measurement is to estimate the proportion of households or individuals with incomes, for example, less than half of the median income. This measurement is more a measure of income inequality than a poverty measure. One shortcoming of this measurement is that if the income of every individual were to increase by the same percentage, the extent of poverty, so measured, would be unaffected by it.

In Malaysia, the number of poor households and the incidence of poverty have been measured on the basis of a poverty line income. Poverty has been defined and measured on the basis of the prevailing standard of living in the country which is in accordance with Malaysian conditions and cannot really be compared with other countries. Poverty has been conceptualized in terms of the ability of an average Malaysian household to consume sufficient goods and services. The poverty line income is defined as an income sufficient to purchase a minimum food basket to maintain a household in good nutritional health and the conventional needs in respect of clothing and footwear, rent, fuel and power, transport and communications, health, education, and recreation. It includes more than just food. It is, therefore, defined relative to the standard of living prevailing in Malaysia which is well above that prevailing in some other countries.

There is a need to distinguish between two concepts of income normally used. While one is defined in terms of cash income only, the other more comprehensive concept takes into account the imputed values for own produce consumed at home and owner-occupied housing. The income-based approach to measuring poverty, as mentioned earlier, however, does not capture the true welfare or the standard of living of the households. In order to reflect more accurately the standard of living of households, the estimates of income should account for the full value of public services enjoyed by households, either free or at subsidized rates. Public services include health, education, transport and utilities, and the various subsidies granted by the Government. Failure to include the value of public services enjoyed by poor households in their income will lead to an overestimation of the level of poverty in the country. These qualifications must be borne in mind when conclusions are to be made on the nature and severity of poverty in the country.

There are various factors associated with poverty, some of which are beyond the control of the individuals. These include the various disabilities which prevent the individuals from earning a livelihood. Natural calamities, such as floods and diseases, which affect crops are also beyond the control of the farmers and the Government. External economic factors, such as recessions which reduce the prices of commodities, are to a large extent also beyond the control of households who are dependent entirely, or substantially, for their livelihood on these commodities. In addition, there are the numerous socio-economic conditions

which affect the income earning capability of households and these include the large family size of the low-income households, the limitations of the smallness of farm holdings, and the lack of inputs for raising production such as fertilizers, modern farm practices, and proper drainage and irrigation.

Attitudes as well as cultural and social factors also have an influence on the livelihood of the individuals. Where the motivation towards hard work is weak, where social and cultural factors inhibit the adoption of modern practices, for example, the underutilization of land to its full potentials, and where the motivation to change and respond to new opportunities is lacking, there will be less progress and households with these values and attitudes will continue to remain backward. There are, therefore, limits to what the Government can do to uplift the socio-economic conditions of the low-income groups. The major factors associated with poverty clearly indicate the necessity for both the Government and individuals to jointly overcome the many barriers towards economic progress.

Alleviating poverty — review of progress, 1970-85

In assessing and evaluating the incidence of poverty in the country, a number of sources of statistics and other relevant information are utilized. It has always been the approach, whenever possible, to revise the estimates of the incidence of poverty when more accurate statistics and other information are made available. Whatever the statistical sources, however, there are always certain shortcomings, but some sources are more reliable than others.

Statistics on income are necessary for estimating the incidence of poverty and they can be derived from two sources - direct and indirect. Direct estimates are derived from systematic statistical surveys or censuses and the statistics are derived on the basis of households. Surveys are conducted according to the standards of sampling techniques and other statistical procedures and practices. Careful checks and validation are part of the procedures of statistical surveys and censuses to ensure that the information, as far as possible, is accurate. Indirect estimates of income, on the other hand, are derived from a number of sources such as relevant studies, partial surveys, and statistics on yields and prices derived from various agencies. The incidences of poverty in the five year development plans and their reviews have relied largely on the indirect estimates of income and other statistics.

In the preparation of the Fifth Plan, a reassessment of the poverty situation was made with the availability of more reliable and up-to-date data. The recent completion of a relatively large sample survey on income by the Department of Statistics, the Household Income Survey (HIS), 1984, for Malaysia, provides an important source of statistics on income and other statistics necessary for the estimation of poverty incidence. With the availability of the HIS 1984, it is now possible to review the past estimates of poverty incidence for 1980 and 1983. It is

also possible to make comparisons with the incidence of poverty for 1970 and 1976 derived from the Department of Statistics, Post Enumeration Survey (PES), 1970 and the Agricultural Census, 1977.

The reassessment of the progress in alleviating poverty reveals a number of important features which require some attention. Limitations of the data, however, do not allow a detailed analysis of the progress in alleviating poverty of some of the major poverty target groups and in making precise comparisons between 1970 with 1976 and 1984. In Table 3-1 and Chart 3-1 are shown the revised estimates of poverty for 1976 and 1984, while the incidence of poverty for the states are summarized in Table 3-2. The tables indicate the following findings. First, the incidences of poverty which have been derived from the direct estimates of income from the household surveys are lower than the level derived from the indirect estimates of income and other statistics. The poverty estimates, as shown in the various development plans and their mid-term reviews, have, therefore, been on the high side. Second, the direct estimates of poverty show that, in Peninsular Malaysia, the incidence of poverty declined quite substantially during the period 1970-84 from 49.3 per cent in 1970 to 39.6 per cent in 1976 and further to 18.4 per cent in 1984. Third, the incidence of poverty for all major target groups, with the exception of coconut smallholders for the period 1970-76, declined throughout the period 1970-84. Fourth, rural and urban poverty also recorded a downward trend. The incidence of poverty in the rural areas declined from 58.7 per cent in 1970 to 47.8 per cent in 1976 and further to 24.7 per cent in 1984, while the incidence of urban poverty declined from 21.3 per cent in 1970 to 17.9 per cent in 1976 and 8.2 per cent in 1984. Fifth, all states, including Sabah and Sarawak, also experienced a decline in the incidence of poverty.

In making comparisons between the previous estimates of poverty incidence, as reported in the previous five year development plans and their mid-term reviews, an appreciation of the limitations of the indirect estimates must be borne in mind. Generally, the indirect approach to estimating poverty uses a number of concepts which are not consistent from one source to another, particularly on the concept of income. Many of the indirect sources of statistics are based on surveys which are derived on a partial basis, that is, they do not cover the whole country. The statistics from indirect sources are also not up-to-date. Statistics on income from the census and surveys, that is, the direct sources, on the other hand, have been derived on a national basis. A comprehensive income approach was adopted in the census and surveys, which takes into account not only the amount of wages and salaries received by households but also of income derived from self-employment, ownership of property, including rent, interests, and dividends, and net transfers received, which include scholarships and pensions. The value of owner-occupied houses, subsidized rents, and own consumption of goods and commodities produced by households were also taken into account by the census and surveys. Although there are the usual errors, the income and estimates of poverty derived from census and surveys are more accurate and reliable.

TABLE 3-1
PENINSULAR MALAYSIA: INCIDENCE OF POVERTY¹ BY RURAL-URBAN STRATA,
1970, 1976, AND 1984

Stratum	1970 ²			1976 ³			1984 ⁴		
	Total households ('000)	Total poor households ('000)	Incidence of poverty (%)	Total households ('000)	Total poor households ('000)	Incidence of poverty (%)	Total households ('000)	Total poor households ('000)	Incidence of poverty (%)
Rural ⁵	1,203.4	705.9	58.7	1,400.8	669.6	47.8	1,629.4	402.0	24.7
Rubber smallholders	350.0	226.4	64.7	126.7	73.8	58.2	155.2	67.3	43.4
Padi farmers	140.0	123.4	88.1	187.9	150.9	80.3	116.6	67.3	57.7
Estate workers ⁶	148.4	59.4	40.0	-	-	-	81.3	16.0	19.7
Fishermen	38.4	28.1	73.2	28.0	17.6	62.7	34.3	9.5	27.7
Coconut smallholders	32.0	16.9	52.8	19.3	12.4	64.0	14.2	6.6	46.9
Other agriculture ⁷	144.1	128.2	89.0	528.4	275.4	52.1	464.2	158.8	34.2
Other industries ⁸	350.5	123.5	35.2	510.5	139.5	27.3	763.6	76.5	10.0
Urban	402.6	85.9	21.3	530.6	94.9	17.9	991.7	81.3	8.2
Agriculture	-	-	-	24.8	10.0	40.2	37.5	8.9	23.8
Mining	5.4	1.8	33.3	4.5	0.5	10.1	7.8	0.3	3.4
Manufacturing	84.0	19.7	23.5	55.3	9.5	17.1	132.3	11.3	8.5
Construction	19.5	5.9	30.2	34.7	6.1	17.7	86.6	5.3	6.1
Transport and utilities	42.4	13.1	30.9	53.2	9.1	17.1	73.9	2.7	3.6
Trade and services	251.3	45.4	18.1	242.0	33.7	13.9	472.7	21.9	4.6
Activities not adequately defined	-	-	-	116.1	26.0	22.4	180.9	30.9	17.1
Total	1,606.0	791.8	49.3	1,931.4	764.4	39.6	2,621.1	483.3	18.4

Sources: Department of Statistics, *Post Enumeration Survey (PES) of the Population Census, 1970, Agricultural Census, 1977, and Household Income Survey, 1984*.

Notes: ¹ The incidence of poverty for 1970 was based on the *per capita* poverty line income, while those for 1976 and 1984 on the respective gross poverty line incomes.

² PES is a sample survey covering 25,000 households in Peninsular Malaysia.

³ The Agricultural Census, 1977 (for reference year 1976) covered 188,000 households in Malaysia.

⁴ The Household Income Survey, 1984 is a sample survey covering 60,250 households in Malaysia.

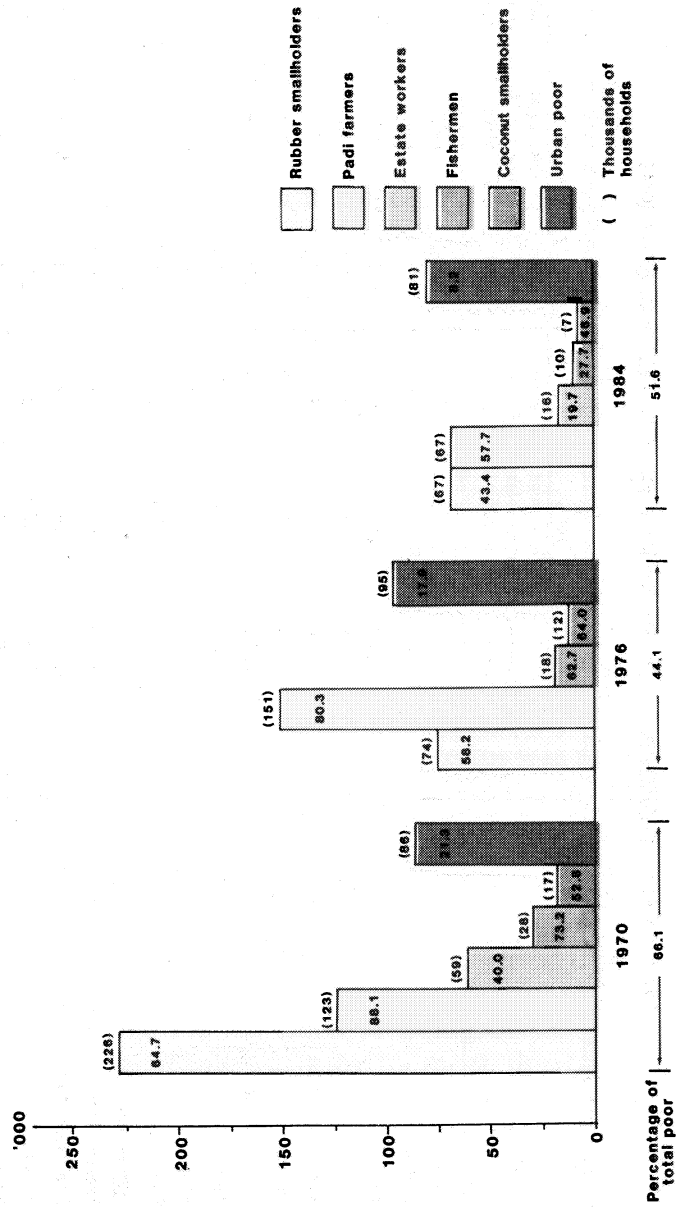
⁵ Households have been redefined on the basis of the industry and occupation of the head of household.

⁶ Statistics on estate workers for 1970 were derived from indirect sources and, therefore, not comparable with 1984. The PES did not make any distinction between estate workers and labourers on smallholdings. The Agricultural Census, 1977 did not cover estates, and, therefore, estimates on estate workers are not available for 1976.

⁷ Includes other agricultural farmers such as oil palm smallholders, pepper smallholders, pineapple and tobacco farmers, and livestock and poultry farmers.

⁸ Includes households engaged in mining, manufacturing, construction, transport and utilities, and trade and services sectors.

CHART 3 - 1
PENINSULAR MALAYSIA: NUMBER OF HOUSEHOLDS AND INCIDENCE OF POVERTY
BY MAJOR TARGET GROUP, 1970, 1976, AND 1984
 (%)



Note: Data on estate workers for 1976 cannot be obtained because the Agricultural census, 1977 did not cover estate workers.

TABLE 3-2
MALAYSIA: INCIDENCE OF POVERTY BY STATE, 1976 AND 1984

State	1976		1984	
	Total households ('000)	Incidence of poverty (%)	Total households ('000)	Incidence of poverty (%)
Johor	268.1	77.8	365.8	44.5
Kedah	216.3	131.9	253.9	93.0
Kelantan	167.8	112.7	206.7	81.0
Melaka	85.8	27.8	95.1	15.1
Negeri Sembilan	106.0	35.0	132.8	17.3
Pahang	115.4	44.9	190.9	30.0
Pulau Pinang	150.1	48.6	204.2	27.4
Perak	340.7	146.4	400.2	81.1
Perlis	29.7	17.8	40.1	13.5
Selangor	211.4	48.3	359.2	31.0
Terengganu	100.6	60.7	129.9	37.6
Federal Territory of Kuala Lumpur	139.4	12.5	242.1	11.8
Peninsular Malaysia	1,931.4	764.4	2,621.1	483.3
Sabah ¹	163.9	95.5	229.8	76.0
Sarawak	205.1	115.9	282.2	90.1

Sources: Department of Statistics, *Agricultural Census, 1977 and Household Income Survey, 1984*.

Note: ¹ Includes Federal Territory of Labuan.

Estimates of the incidence of poverty derived from the indirect statistical sources are broadly consistent with those derived from the census and household surveys for the period of the 1970s. There is a difference, however, in the trend and incidence of poverty derived from the direct sources and estimates derived from indirect sources for the early part of the 1980s. In the Mid-Term Review of the Fourth Malaysia Plan (MTR), it was estimated that the incidence of poverty was about 30 per cent for 1983, an estimate which was derived from a number of indirect sources of statistics and other information. In 1984, as has been shown in Table 3-1, the incidence of poverty derived from the HIS 1984 was about 18 per cent.

There are two main reasons for the differences in the estimates of poverty for the two proximate years. First, as has been mentioned in the previous paragraphs, the indirect estimates substantially underassessed the income of the major target groups in the early part of the 1980s. Statistics on income of these target groups, due to lack of data, were obtained from studies and partial surveys which were not carried out on a national basis and, therefore, were not truly representative. Second, the indirect estimates also did not take into account the full impact of the various Government programmes. Due to the difficulty in accounting for the full impact of the subsidies and other services provided by the Government on the income of the low-income groups, the estimates of the income of households, therefore, had been underestimated. It should also be noted that the incidences of poverty for 1970, 1976, and 1984 were estimated on the basis of the relevant poverty line incomes for the specific years. These were adjusted to reflect changes in the cost of living as reflected by the Consumer Price Indices.

It was estimated, on the basis of the data obtained from the HIS 1984, that the incidence of poverty in 1984 was about 18 per cent. No direct estimate of the overall incidence of poverty and by major target groups was available for 1985. It would appear, however, that with the recession and the decline in the prices of the major primary commodities in 1985, the income of major rural poverty target groups would be adversely affected. The adverse effects of the downturn in the economy on the major poverty groups, however, would be much greater had it not been for the benefits enjoyed by the poverty target groups from subsidies and services provided by the Government. During the period 1981-85, substantial investments were made by the Government to increase the productivity of farmers and fishermen and improve the standard of living of the people through the provision of public services and facilities to meet the basic needs such as education, health and sanitation, water, electricity, and roads.

Rubber smallholders. The incidence of poverty among rubber smallholders declined from 58.2 per cent in 1976 to 43.4 per cent in 1984. The productivity of rubber smallholdings increased slightly during the period 1981-84. Output per hectare of 964 kilogrammes in 1980 increased slightly to 974 kilogrammes per hectare by 1984 due to the adoption of high-yielding rubber clones, improvements in agro-management practices, and the implementation of the rubber replanting programme.

A total of 92,600 hectares, or about 62 per cent of the Fourth Plan target for replanting, was replanted with high-yielding rubber during the period 1981-85, benefitting 77,000 smallholders. The Government, through the Rubber Industry Smallholders Development Authority (RISDA), continued to provide subsistence credit during the immaturity period as part of the efforts to encourage further the replanting of old rubber smallholdings. In addition, assistance in the form of insecticides, fertilizers, and cover crops were provided.

Padi farmers. The incidence of poverty among *padi* farmers was estimated to decline from 80.3 per cent in 1976 to 57.7 per cent in 1984. The Government implemented several drainage and irrigation projects for both single and double cropping of *padi* to increase productivity, resulting in meeting two-thirds of domestic requirements for rice by 1985. During the period 1981-85, some 274 irrigation projects were implemented to provide new or improved facilities for the single-cropping of *padi* on 22,800 hectares and the double-cropping of *padi* on 92,100 hectares. Drainage facilities were also provided for *padi* farming covering 85,000 hectares of land. Apart from providing drainage and irrigation facilities, fertilizer subsidies amounting to \$430 million were also provided to increase productivity of *padi* holdings as well as to lessen the financial burden of *padi* farmers. On average, about 314,600 farmers benefitted from this scheme annually.

The average yield of *padi* in Peninsular Malaysia was estimated at 3.0 tonnes per hectare in 1984. In certain areas such as Muda, Kedah, however, the average yield of *padi* was 3.2 tonnes per hectare. The average annual net income from *padi* cultivation in Peninsular Malaysia in 1984 was estimated at \$1,780, of which about 69 per cent or \$1,230 was the price subsidy given by the Government. *Padi* income among regions varied. In Kemasin-Semerak, Kelantan, for example, the income was \$1,160 in 1984 compared with \$4,100 in Muda, Kedah, and \$5,070 in Sekinchan, Selangor.

Estate workers. The incidence of poverty among estate workers was estimated at 19.7 per cent in 1984. The average monthly income of estate workers, as indicated by the HIS 1984, was \$632. The estate workers continued to enjoy the facilities and amenities provided by the estates and this contributed to the improvement in the socio-economic position of estate workers.

Fishermen. Fishermen continued to benefit from the various programmes undertaken by both the Department of Fisheries and the Fisheries Development Authority of Malaysia (LKIM). The Boat Ownership Scheme provided fishermen with the opportunity to acquire larger and better boats through hire-purchase to enable deep sea fishing. During the period 1981-85, a total of 765 boats was provided under this Scheme, benefitting about 1,000 fishermen. Under the Boat Upgrading Scheme, fishermen were able to upgrade their boats with modern fishing equipment to increase productivity. Modern equipment, such as radio telephones and fish finders, were provided and a total of 1,600 fishermen

benefitted from the Scheme. Aquaculture projects were also encouraged as a means of supplementing income for the fishermen. About 740 fishermen were involved in these projects which provided an additional income ranging from about \$200 to \$600 per month per household.

Coconut smallholders. Efforts made by the Government to replant and rehabilitate coconut smallholdings with a view to increasing productivity and income continued to benefit coconut smallholders. Under the Coconut Smallholders' Development Project, a total of 4,060 coconut smallholders replanted, while another 11,160 rehabilitated their holdings since the Project started in 1979. In line with the objective of the National Agricultural Policy to de-emphasize the monocropping of coconuts, 51.1 per cent of the holdings were interplanted with remunerative crops such as cocoa, coffee, fruit trees, and cash crops under the Project. Another 48.9 per cent of the holdings, however, were replanted and rehabilitated only with coconuts, and these were mostly in the east coast of Peninsular Malaysia where bris soil does not permit interplanting with the other crops.

Urban poor. The incidence of poverty in the urban sector was estimated to decline from 17.9 per cent in 1976 to 8.2 per cent in 1984. The increasing number of employment opportunities in the urban sector, as a result of the growth of secondary and tertiary sectors, especially in manufacturing, construction, and trade and services sectors, benefitted the low-income groups. A total of 500,000 jobs was created during the period 1981-85 in the secondary and tertiary sectors in Peninsular Malaysia, at an annual growth rate of 3.6 per cent. In making comparisons of poverty levels between the urban and rural areas, some attention should be given to the differences in the living conditions. There are differences in the level of prices and in the cost of living between the urban and rural areas. It is estimated that there is a difference of about 10 to 12 per cent in the Comparative Consumer Price Index between the urban and rural areas, that is, the cost of living is higher in the urban than in the rural areas. Living space is also relatively more limited in the urban than in the rural areas and urban areas tend to be more congested.

Residents of New Villages. About 1.8 million people lived in New Villages in 1985. A majority of the residents of these New Villages were engaged in agriculture-based activities, while the others undertook trading or business activities. A recent survey on New Village households conducted in 1983 showed that 37 per cent of these households had an average cash income exceeding \$400 per month, while another 38 per cent earned an income of between \$200 to \$400 per month.

Other agriculture. The socio-economic position of other agricultural farmers who comprised tobacco growers, mixed farmers, vegetable and fruit farmers, pepper smallholders, pineapple smallholders, and livestock and poultry farmers

continued to improve. Several agricultural programmes and projects were implemented during the period 1981-85 which benefitted these farmers. One of the major programmes implemented was the Integrated Agricultural Development Projects (IADPs). The IADPs provided the necessary agricultural infrastructure, inputs, and services to the farmers in an integrated manner, thereby increasing their productivity and income. Other types of assistance extended to the farmers included extension, processing and marketing facilities, credit assistance, and other support services. The provision of various subsidies for the development of short-term crops under the Agricultural Inputs and Diversification Programme (AIDP) was progressively reduced during the period, in line with the recent strategy of reducing subsidies to the farmers.

During the period 1981-85, a total of 51,800 hectares was cultivated with tobacco, while another 2,100 hectares were brought under the cultivation of fruits using new and high quality clones. Based on the grower-curer system of cultivating tobacco in Alor Ketitir, Terengganu which was implemented in 1982, the average income of tobacco grower-cum-curer operating 1.6 hectares was \$31,900 per year or \$2,660 per month. The income potential from the cultivation of tobacco based on this model, therefore, was found to be high. Assistance was also provided to pineapple smallholders to replant pineapple, either as a sole crop or intercropped with coconuts. At the same time, a total of 48,600 heads of cattle was also given to supplement the income of 35,700 farmers.

Orang Asli. The Government continued to provide more facilities and services to *Orang Asli* to bring them further into the mainstream of economic development. A number of projects were implemented to benefit *Orang Asli*. About 5,570 hectares were newplanted and rehabilitated with rubber, oil palm, fruits, coconuts, tea, and pepper during the period 1981-85. Another 1,000 hectares were developed with short-term crops such as bananas, pineapples, and papayas under the *Bumi Hijau* project. The rearing of fish and livestock was encouraged to supplement the income of *Orang Asli*. They were also encouraged to participate in business and small industrial activities, and for this purpose, 11 co-operative shops and 22 rattan processing centres were set up. A comprehensive programme involving five regrouping projects was implemented for about 23,000 *Orang Asli* residents along the Central Range of Peninsular Malaysia. Under this programme, 13,600 hectares of land were distributed, while another 2,000 hectares were planted with rubber and 1,300 hectares with fruits. In addition, a total of 270 units of houses was constructed.

Poverty eradication in Sabah¹ and Sarawak

The overall poverty situation in Sabah and Sarawak in 1976 and 1984 is shown in Table 3-2. The incidence of poverty in Sabah declined from 58.3 per cent in 1976 to 33.1 per cent in 1984, while in Sarawak, it declined from 56.5 per cent to 31.9 per

¹ Including the Federal Territory of Labuan.

cent during the same period. The incidence of poverty in urban and rural areas in Sabah and Sarawak also declined. The improvement in the poverty situation in Sabah and Sarawak was due to the relatively higher rates of growth of the economies of these states. The rate of growth of GDP in Sabah and Sarawak were 7.3 per cent and 6.2 per cent per annum, respectively, during the period 1976-84.

Basic needs and the quality of life

Basic needs are defined to include two elements. First, they include certain minimum requirements of a household for consumption, namely, adequate food, shelter, and clothing as well as certain household equipment and furniture. Second, they include essential services provided by and for the community at large such as safe drinking water, sanitation, public transport, and health and educational facilities. Poverty measurements, such as the incidence of poverty, do not really capture fully the standard of living of the various socio-economic groups. In order to have a better and more balanced appreciation of the standard of living of households, the poverty measurements should be supplemented by other basic needs indicators. Broad basic needs or quality of life indicators, as shown in Table 3-3, indicated continuing progress in the standard of living of Malaysians.

Health services continued to be expanded in Malaysia with emphasis given to the integrated approach of promotive, preventive, curative, and rehabilitative aspects. Additional facilities were provided and existing facilities upgraded to increase the coverage, especially to rural areas. In very remote areas, accessibility to health services was provided through mobile clinics. The improvement in the state of health of the people is reflected in the longer life expectancy and declining mortality rates. Life expectancy at birth in Peninsular Malaysia increased from 66.7 years in 1980 to 67.6 years in 1984 for males and from 71.6 years to 72.7 years for females. The infant mortality rate declined from 24.0 per thousand live births in 1980 to 17.5 per thousand in 1984. The incidence of the major communicable diseases also declined over the years.

With regard to education, substantial investments were made to provide greater access to education for all the people, especially those in the low-income groups and in the rural areas. More educational facilities were provided with the opening up of additional primary and secondary schools. Additional residential science schools were established, while facilities for science education in these areas were expanded to improve the access of children in the rural areas to science education. The quality of teachers was also upgraded to improve the quality and level of education of students.

It is also important to appreciate the economic significance of complementarities or linkages of the public services, for example, among nutrition, health, and education. Without adequate nutrition, resistance to diseases will be lower and this will lead to ill-health, the lack of capacity to work, and subsequent loss of earnings. In the case of malnutrition, not all of the low-income groups suffer from

TABLE 3-3

**MALAYSIA: PROVISION OF SELECTED PUBLIC SERVICES AND
QUALITY OF LIFE INDICATORS,
1980, 1985, AND 1990**

<i>Indicators</i>	<i>1980</i>	<i>1985</i>	<i>1990</i>
<i>Health¹</i>			
Health centre-rural population ratio			
Peninsular Malaysia	1:21,800	1:19,600	1:19,600
Sabah	1:10,600	1:11,500	1:13,600
Sarawak	1:215,400	1:132,800	1:136,800
Rural clinic-rural population ratio			
Peninsular Malaysia	1:4,000	1:3,700	1:3,800
Sabah ²	1:3,300	1:4,100	1:4,405
Sarawak ²	1:21,900	1:16,100	1:12,600
Dentist-population ratio	1:18,475	1:15,333	1:12,442
Doctor-population ratio	1:3,912	1:3,215	1:2,500
Beds per thousand population	1.7	1.7	1.6
Life expectancy at birth ³ (years)			
Male	66.7	67.6 ⁴	n.a.
Female	71.6	72.7 ⁴	n.a.
Neonatal mortality rate ³ (per 1,000)	14.8	11.5 ⁴	n.a.
Infant mortality rate ³ (per 1,000)	24.0	17.5 ⁴	n.a.
Toddler mortality rate ³ (per 1,000)	2.0	1.5 ⁴	n.a.
Crude death rate ³ (per 1,000)	5.5	5.3 ⁴	n.a.
<i>Education</i>			
Number of classrooms in primary schools	44,994	50,400	55,200
Enrolment in primary schools	2,008,587	2,191,676	2,434,407
Number of classrooms in secondary schools	17,437	22,500	25,500
Enrolment in secondary schools	1,089,438	1,298,085	1,527,504
Literacy rate ⁵ (%)	72.0	n.a.	n.a.
<i>Housing</i>			
Number of public low-cost houses built (unit)	-	71,300 ⁶	45,800 ⁷
<i>Utilities</i>			
Coverage of rural population supplied with potable and piped water (%)	42.9	57.6	72.8
Coverage of rural population supplied with electricity (%)	48.0	68.2	76.6
Coverage of rural population with sanitary latrines (%)	48.3	68.8	90.0

Sources: Department of Statistics, Ministry of Health, Ministry of Education, Ministry of Housing and Local Government, Ministry of Energy, Telecommunications and Posts, and Ministry of Works.

Notes:

- ¹ All ratios are based on the number of projects approved for the periods 1981-85 and 1986-90.
 - ² In Sabah and Sarawak, the ratios take into account the coverage of the rural dispensaries, village group subcentres, and maternity clinics.
 - ³ For Peninsular Malaysia only.
 - ⁴ For 1984.
 - ⁵ The rate for 1980 was obtained from the Population Census, 1980. Data for 1985 and 1990 are not yet available.
 - ⁶ For the period 1981-85.
 - ⁷ For the period 1986-90.
- n.a. Not available.

such deficiencies. High-income households are also known to suffer from malnutrition. Social and cultural factors can also influence the amount of food intake and the nutritional status of members of the households. The distribution of food within the households, for example, can affect the food intake of members of the households. On the other hand, improved nutrition and health enable people, especially children, to benefit more from education. Similarly, education influences health status. Knowledge of hygienic practices and proper nutrition improves health. Better educated mothers, in particular, will have more healthy children. Education that raises productivity will increase resources available for meeting basic needs and improving health status.

Nutrition, health, and education programmes, when provided separately, has a lesser effect than an integrated effort. The Government has, therefore, provided, wherever possible, these services together in order to maximize their beneficial complementarities. At the same time, it is also important for the households to respond and make full use of the available services to improve their quality of life. The mere provision of these services will be wasted if households do not utilize them to the full.

Programmes to meet the basic needs of the low-income households continued to be implemented during the period 1981-85. Most of the fishing villages in Peninsular Malaysia were provided with basic amenities. The Fishermen Household Census, conducted together by the Ministry of Agriculture, the Department of Fisheries, and LKIM in 1982, revealed that, on the average, 70 per cent of the fishing households in major fishing districts had electricity, either supplied by the National Electricity Board (NEB) or the private sector. About 90 per cent of the households in Kota Bharu, Kelantan, and Pekan, Pahang, for example, were supplied with electricity. In some fishing districts, however, such as in Kota Tinggi, Johor and Langkawi, Kedah, about 35 per cent of households had electricity supply. The percentage of fishing households with piped water was found to be relatively small, about 41 per cent of households in Peninsular Malaysia. It was smaller in the east coast of Peninsular Malaysia. The coverage in the west coast of Peninsular Malaysia, on the other hand, was much wider, with 78 per cent of the households in Pulau Pinang, 75 per cent in Kuala Kedah, and 73 per cent in Kuala Muda having piped water.

Social amenities and facilities continued to be provided in the estates. According to the Ministry of Labour², about 72 to 95 per cent of all categories of estate workers were living in accommodation provided free by the estate management in 1983. Available evidence also indicated that more than 95 per cent of the estate workers, with the exception of tea estates, were supplied with free electric light in their quarters in 1983, while almost all estate workers were supplied with free

² Ministry of Labour, *Labour Indicators Peninsular Malaysia, 1983* (December, 1984)

pipled water. With regard to medical facilities, about 40 to 50 per cent of the workers in rubber and oil palm estates received free medical facilities, either from estate hospitals or from nearby rural clinics. At the same time, more than 80 per cent of the workers also received free medical facilities from visiting doctors. Only 46 to 55 per cent of the rubber, oil palm, coconut, and tea estates were provided with primary education facilities.

The low-income groups in the urban areas benefitted from social amenities and facilities provided by the Government. Evidence on four large urban centres of Johor Bahru, Kota Bharu, Kuala Lumpur, and Pulau Pinang showed that in 1984 the low-income groups in these four areas had access to public services. About 82 percent of these households had some form of electricity supply, either from NEB or private generators and 55 per cent of households reported having piped water direct to their houses or access to a stand-pipe. In terms of sewerage facilities, however, about 21 per cent of the households had flush toilet facilities.

The New Village residents benefitted from the implementation of programmes and projects aimed at improving their quality of life. The provision of physical and social infrastructure, such as electricity and water supplies, roads, schools, health centres, recreation facilities, and community halls, expanded during the period 1981-85. Of the residents of New Villages, 93 per cent were supplied with electricity, while 87 per cent were supplied with piped water by 1983. About 77 per cent of the New Villages had community halls, while 92 per cent of them were provided with primary schools.

Orang Asli also benefitted from the provision of public services. During the period 1981-85, 330 units of houses, three blocks of flats consisting of 57 units of houses, one school, four dining halls, five school hostels, and five clinics were built. Potable water was supplied to 600 houses, while electricity supply was given to 640 houses.

Prospects, 1986-90

The OPP, which was formulated in the early 1970s, has targetted that the incidence of poverty in Peninsular Malaysia is to be reduced to 16.7 per cent by the year 1990. By 1984, the available evidence has indicated that the incidence of poverty was about 18 per cent. Although it would be difficult to make precise estimates of the level of poverty by 1990, it would appear that the OPP target of about 17 per cent by 1990 is within reach.

The expected reduction in the incidence of poverty by 1990 will be due to the increases in production and productivity and, hence, incomes, arising from the implementation of the new strategies for poverty alleviation, that is, group farming and rural urbanization, and the creation of employment opportunities. Under the system of co-operative or group farming, small uneconomic farm holdings will be consolidated and managed on an estate basis to reap economies of large-scale production. During the period 1986-90, a number of group farming

projects will be undertaken. The Federal Land Consolidation and Rehabilitation Authority (FELCRA) will undertake the development of 110,000 hectares of idle non-*padi* land under its *in situ* programme, while about 51,000 hectares of idle *padi* land will also be developed on a group basis under the Ministry of Agriculture and planted with *padi*, cocoa, coconuts, and other crops. About 43,500 hectares will be developed by RISDA as mini-states. Other group farming projects include the planting of cocoa by the Terengganu Tengah Regional Development Authority (KETENGAH), tobacco by the National Tobacco Board (LTN), and other miscellaneous crops by the Farmers' Organization Authority (FOA). An increase in the production of the various crops is envisaged during the period and this will lead to an increase in the income of farmers.

Emphasis will continue to be placed on the rural urbanization strategy. Scattered villages will be amalgamated to form organized settlements to enable the provision of better facilities and services, thus, further raising the standard of living of the rural households. During the period 1986-90, the Kedah Regional Development Authority (KEDA), for example, will upgrade five townships and seven rural growth centres which will help stimulate urban-based activities, thus, providing off-farm employment opportunities to the low-income households in the rural areas.

Apart from the strategies of group farming and rural urbanization, the Government will also continue to resettle landless households or those with small uneconomic farm holdings on land development schemes. About 175,500 hectares of new land will be opened up by the Federal Land Development Authority (FELDA) and another 101,200 hectares by the State Government agencies and the regional development authorities. A total of 38,700 families is expected to benefit from the programme.

The Government will also continue to implement programmes to improve the quality of life of the people, especially the low-income households. The Government, whenever feasible, will undertake to provide and make accessible services and facilities to meet the basic needs of the people, especially those in the remote and outlying areas, to upgrade and improve their standard of living. The strategy of regrouping of scattered villages to form organized settlements will continue to be implemented to facilitate the provision of these services and facilities. Educational facilities will continue to be expanded with the establishment of more primary and secondary schools, thus, increasing the number of classrooms in primary and secondary schools to 55,200 units and 25,500 units, respectively, by 1990. Health services will also be improved and expanded with the setting up of 76 additional rural health centres and subcentres and 322 rural clinics. By 1990, it is forecast that there will be a further reduction in the mortality rates. The Government will also continue to provide more housing facilities, especially to the low-income households, and during the period 1986-90, about 45,800 public low-cost houses will be built. In addition, the expanded low-cost

housing programme of the private sector will benefit the low-income households. The coverage of water supply and electricity will be further expanded to the rural areas. The coverage of rural areas supplied with potable and piped water will increase from 58 per cent in 1985 to 73 per cent in 1990, while that with electricity from 68 per cent to 77 per cent.

III. RESTRUCTURING OF SOCIETY

The general thrust in implementing the strategies and programmes for restructuring of Malaysian society, under the NEP, was laid down in the OPP. The objectives of restructuring are to reduce income imbalances among the major ethnic groups and between the urban and rural areas; to restructure the employment pattern at all levels and categories; and to restructure the pattern of ownership and control in the corporate sector. The targets are that by 1990 the employment pattern will reflect at all levels the ethnic composition of the population and that Malaysians will own and control 70 per cent of the equity capital, with Bumiputera at least 30 per cent and foreign interests, 30 per cent. The NEP also seeks to create a viable Bumiputera Commercial and Industrial Community through its participation in modern commercial and industrial ventures.

Significant progress was made towards the restructuring targets since the implementation of the NEP. The current review of the performance of the restructuring of society during the period 1981-85 broadly indicates that further progress had been made although at a slower rate than that experienced in the first decade of the NEP. Overall, although the achievements of Bumiputera fell short of the targets, the foundation for further growth by Bumiputera community had been laid.

Progress, 1981-85

The estimates on the progress in the restructuring of society, as presented in the MTR, have been revised. The revisions took into account the latest macro-economic position of the economy, especially on the growth of corporate investment and employment as well as results from relevant surveys. It is also desirable that the progress made on the restructuring of society be seen in a wider perspective. This is mainly because the conventional method of presenting the progress and the excessive attention on the restructuring of the ownership of share capital have not given an accurate picture to Malaysians on the progress that has been made on other aspects of restructuring. Economic growth has opened up opportunities for all Malaysians to engage in economic

activities, not only through the corporate sector, that is, through private and public limited companies, but also through the non-corporate sector and small-scale businesses.

Income imbalances. The income imbalances among the ethnic groups and between the urban and rural areas were still wide and continued to be of major concern. The MTR summarized the broad trends in the growth in income for Peninsular Malaysia and for the major ethnic groups during the first decade of the NEP. More recent estimates on income imbalances are based on results from the HIS 1984.

All ethnic groups experienced increases in incomes during the period 1979-84, as shown in Table 3-4. In real terms, Bumiputera mean household income increased by about 30 per cent over the period compared with 20 per cent for the Chinese and 9 per cent for the Indian. Income imbalances between Bumiputera and non-Bumiputera improved slightly. In 1979, Bumiputera mean household income was 52 per cent of the Chinese mean income, but by 1984 it increased to 57 per cent. Bumiputera mean income increased from 65 per cent of the Indian mean income in 1979 to 78 per cent in 1984. Rural-urban income differences widened slightly, with rural to urban mean income showing a decrease from 56 per cent to 53 per cent over the period.

TABLE 3-4
PENINSULAR MALAYSIA: HOUSEHOLD INCOME BY ETHNIC GROUP,
1979 AND 1984
(\$ per month)

<i>Ethnic group</i>		<i>Constant 1970 prices</i>			<i>Current prices</i>		
		<i>1979</i>	<i>1984</i>	<i>Average annual growth rate, 1980-84 (%)</i>	<i>1979</i>	<i>1984</i>	<i>Average annual growth rate, 1980-84 (%)</i>
Bumiputera	mean	296	384	5.3	492	852	11.6
	median	197	262	5.9	237	581	19.6
Chinese	mean	565	678	3.7	938	1,502	9.8
	median	373	462	4.4	620	1,024	10.6
Indian	mean	455	494	1.7	756	1,094	7.7
	median	314	347	2.0	521	770	8.1
All ethnic groups	mean	417	494	3.4	693	1,095	9.6
	median	263	326	4.4	493	723	8.0
Urban	mean	587	695	3.4	975	1,541	9.6
	median	361	463	5.1	600	1,027	11.3
Rural	mean	331	372	2.4	550	824	8.4
	median	222	269	3.9	369	596	10.1

Sources: Department of Statistics, *Labour Force/Household Income Survey, 1980* and *Household Income Survey, 1984*.

Even within broad income groups, evidence showed the prevalence of ethnic income imbalances. On the basis of income shares, the top 20 per cent of the urban Bumiputera households in 1979 earned about \$2,200 a month compared with \$2,710 by the Chinese and \$2,690 by the Indian. It was estimated that in 1984, the respective figures were \$3,280 for Bumiputera, \$4,440 for the Chinese, and \$3,560 for the Indian. In 1979, the bottom 40 per cent of the urban Bumiputera households earned about \$250 a month compared with \$333 for the Chinese and \$296 for the Indian. In 1984, estimates showed that they earned \$438 a month compared with \$587 for the Chinese and \$513 for the Indian. Overall, the estimates suggested that income imbalances in Peninsular Malaysia remained wide. On the basis of the Gini coefficient³, however, between 1970 and 1984, the ratio had narrowed from 0.513 to 0.480, indicating an improvement in overall income inequality.

Restructuring of employment. Employment growth in the modern sectors continued to be the key factor in the strategy for restructuring the employment pattern to reflect, at all levels and categories, the ethnic composition of the total population. The employed covers the employer, employee, own account worker, and unpaid family worker. With the overall economic growth of 5.8 per cent per annum during the period 1981-85, total employment, as shown in Table 3-5 and Table 3-6, increased at an average annual rate of 2.6 per cent. Over the Fourth Plan period, Bumiputera employment increased at 2.6 per cent annually, while that of Chinese and Indian, each rose at 2.5 per cent. The resulting unemployment for Bumiputera in 1985 was highest at 8.7 per cent. The overall pattern of employment for each ethnic group did not change significantly during the period. The overall share of Bumiputera employment was 56.7 per cent, Chinese employment 33.4 per cent, and Indian employment 9.1 per cent.

Although the employment share of Bumiputera in agriculture remained at about the same level during the period, a greater number of them were found in the more productive activities of the sector. A significant portion of Bumiputera employment was generated by new land development and rehabilitation activities undertaken by FELDA, FELCRA, RISDA, and regional development authorities. Bumiputera also benefitted from new agricultural activities which were promoted through programmes such as IADPs. In the other sectors, especially in the modern industrial sector, the pattern of Bumiputera employment also improved.

In terms of category of occupations, Table 3-6 shows that the number of Bumiputera in the professional and technical group increased from about 155,000 in 1980 to 194,000 in 1985. This number, however, included a substantial number of nurses

³ Gini coefficient represents a ratio that indicates the extent of inequality and it ranges from 0 to 1, with 0 indicating perfect equality and 1 representing perfect inequality.

and teachers. Available data indicated that in 1985, there were about 111,300 Bumiputera and 61,300 non-Bumiputera teachers and nurses. Excluding the number of teachers and nurses, the proportion of Bumiputera in the professional and technical category in 1985 was about 45 per cent, while the proportion of the non-Bumiputera was 55 per cent. Taking only the professional degree holders, however, the share of Bumiputera was estimated to reach about 32 per cent. The distribution of occupation in the other categories indicated that although the share of Bumiputera had increased over the years, a substantial number of them were employed in lower paid jobs.

The share of Bumiputera in the higher earning professional and technical group was still low and did not reflect their share in the total population. The Chinese and the Indians, however, were overrepresented in a number of higher earning occupations. Table 3-7 shows the latest available information on the number of professionals registered with eight selected professional bodies. By 1984, the share of Bumiputera in all the eight professional groups was about 21 per cent, the Chinese 62 per cent, and the Indians 15 per cent. The respective figures for 1980 were about 15 per cent, 64 per cent, and 17 per cent. Although Bumiputera accounted for a relatively higher proportion of the registered surveyors, veterinary surgeons, and engineers, they were still underrepresented in these occupations. The Chinese accounted for a very substantial proportion of the registered architects, accountants, and engineers, while the Indians were overrepresented in the law, medical, and veterinary professions.

The process of employment restructuring calls for greater efforts to produce sufficient supply of qualified graduates and skilled manpower. The expansion of the education and training programmes resulted in increasing enrolment of all ethnic groups in the tertiary education during the period 1981-85. In 1980, there was a total of 76,600 students enrolled in various courses at certificate, diploma, and degree levels, both in local and overseas institutions. Of the total, Bumiputera students comprised about 45 per cent, Chinese students 45 per cent, Indian students 9 per cent, and Others 1 per cent. At the degree level, Bumiputera students constituted about 45 per cent, while at the diploma level, their share was 59 per cent. In 1985, the total local and overseas enrolment was estimated to reach about 136,300 students, with Bumiputera students comprising about 52 per cent, the Chinese 39 per cent, and the Indian 9 per cent. At the degree level, the share of Bumiputera was about 49 per cent, while at the diploma level, their proportion was 66 per cent. Bumiputera graduates from local institutions of higher education in eight selected professional courses, such as engineering, architecture, and accountancy, both at diploma and degree levels, increased from about 1,200 or 64 per cent of the total in 1980 to 2,400 or 77 per cent in 1984. At the degree level, however, their proportion was about 47 per cent in 1980 and 68 per cent in 1984 compared with 53 per cent and 32 per cent, respectively, for the non-Bumiputera. At the diploma level, Bumiputera constituted about 73 per cent in 1980 and 81 per cent in 1984.

TABLE 3-5

MALAYSIA: EMPLOYMENT BY SECTOR AND ETHNIC GROUP, 1980 AND 1985
('000)

Sector	1980				1985					
	Bumiputera	Chinese	Indian	Others	Total	Bumiputera	Chinese	Indian	Others	Total
Agriculture, forestry, livestock, and fishing (%)	1,396.9 (73.1)	313.4 (16.4)	185.3 (9.7)	15.3 (0.8)	1,910.9 (100.0)	1,428.8 (73.2)	318.3 (16.3)	188.5 (9.6)	17.6 (0.9)	1,953.2 (100.0)
Mining and quarrying (%)	27.2 (33.9)	43.8 (54.7)	8.5 (10.6)	0.6 (0.8)	80.1 (100.0)	21.3 (35.2)	32.5 (53.7)	6.0 (9.9)	0.7 (1.2)	60.5 (100.0)
Manufacturing (%)	308.8 (40.9)	380.8 (50.4)	60.7 (8.0)	4.8 (0.6)	755.1 (100.0)	352.7 (42.6)	394.1 (47.6)	75.4 (9.1)	5.8 (0.7)	828.0 (100.0)
Construction (%)	105.6 (39.1)	144.3 (53.4)	17.3 (6.4)	3.0 (1.1)	270.2 (100.0)	147.7 (39.0)	206.4 (54.5)	20.8 (5.5)	3.8 (1.0)	378.7 (100.0)
Electricity, gas, and water (%)	20.8 (67.1)	3.0 (9.7)	7.0 (22.6)	0.2 (0.6)	31.0 (100.0)	27.1 (67.9)	3.5 (8.8)	9.1 (22.8)	0.2 (0.5)	39.9 (100.0)
Transport, storage, and communication (%)	110.2 (52.6)	73.3 (35.0)	24.9 (11.9)	1.1 (0.5)	209.5 (100.0)	147.3 (55.6)	88.5 (33.4)	28.3 (10.7)	0.8 (0.3)	264.9 (100.0)
Wholesale and retail trade, hotels and restaurants (%)	249.5 (36.9)	373.9 (55.3)	50.1 (7.4)	2.7 (0.4)	676.2 (100.0)	323.3 (38.2)	460.4 (54.4)	60.1 (7.1)	2.5 (0.3)	846.3 (100.0)
Finance, insurance, real estate, and business services (%)	28.9 (36.9)	43.3 (55.3)	5.8 (7.4)	0.3 (0.4)	78.3 (100.0)	38.8 (38.2)	55.0 (54.1)	7.4 (7.3)	0.4 (0.4)	101.6 (100.0)
Government services (%)	389.2 (59.1)	195.8 (29.7)	64.2 (9.8)	9.0 (1.4)	658.2 (100.0)	506.0 (61.7)	221.6 (27.1)	81.8 (10.0)	10.1 (1.2)	819.5 (100.0)
Other services (%)	87.9 (59.6)	42.3 (28.7)	15.3 (10.4)	1.9 (1.3)	147.4 (100.0)	108.7 (61.8)	46.3 (26.3)	18.8 (10.7)	2.1 (1.2)	175.9 (100.0)
Total employed (%)	2,725.0 (56.6)	1,613.9 (33.5)	439.1 (9.1)	38.9 (0.8)	4,816.9 (100.0)	3,101.7 (56.7)	1,826.6 (33.4)	496.2 (9.1)	44.0 (0.8)	5,468.5 (100.0)

Labour force	2,921.3	1,679.4	468.1	40.1	5,108.9	3,397.3	1,931.9	541.6	46.3	5,917.1
(%)	(57.2)	(32.9)	(9.1)	(0.8)	(100.0)	(57.4)	(32.6)	(9.2)	(0.8)	(100.0)
Unemployment	196.3	65.5	29.0	1.2	292.0	295.6	105.3	45.4	2.3	448.6
(%)	(67.2)	(22.4)	(10.0)	(0.4)	(100.0)	(65.9)	(23.5)	(10.1)	(0.5)	(100.0)
Unemployment rate (%)	6.7	3.9	6.2	3.0	5.7	8.7	5.5	8.4	5.0	7.6

Sources: Department of Statistics, *Labour Force Survey, 1980 and Population and Housing Census, 1980.*

TABLE 3-6
MALAYSIA: EMPLOYMENT BY OCCUPATION AND ETHNIC GROUP,
1980 AND 1985
('000)

Occupational group ¹	1980					1985				
	Bumiputera	%	Chinese	%	Indian	%	Others	%	Total	%
Professional and technical ²	154.9	53.7	97.5	33.8	29.7	10.3	6.0	2.1	288.1	100.0
Teachers and nurses	77.2	60.8	39.2	30.9	9.8	7.7	0.8	0.6	127.0	100.0
Administrative and managerial ³	14.7	28.6	32.7	63.6	2.5	4.9	1.4	2.7	51.4	100.0
Clerical ⁴	183.4	52.3	133.1	37.9	31.2	8.9	3.1	0.9	350.9	100.0
Sales ⁵	146.4	31.1	292.2	62.0	31.5	6.7	1.1	0.2	471.1	100.0
Service ⁶	231.6	55.4	139.8	33.4	41.8	10.0	5.1	1.2	418.2	100.0
Agricultural ⁷	1,369.8	73.5	315.6	16.9	163.9	8.8	15.1	0.8	1,864.4	100.0
Production ⁸	624.2	45.5	603.0	43.9	138.5	10.1	7.1	0.5	1,372.8	100.0
Total	2,725.0	56.6	1,613.9	33.5	439.1	9.1	38.9	0.8	4,816.9	100.0
Professional and technical	193.9	54.4	115.5	32.4	39.8	11.1	7.5	2.1	356.7	100.0
Teachers and nurses	111.3	64.5	49.5	28.7	10.9	6.3	0.9	0.5	172.6	100.0
Administrative and managerial	17.5	28.2	40.9	66.0	3.1	5.0	0.5	0.8	62.0	100.0
Clerical	224.7	54.0	152.9	36.8	36.1	8.7	2.1	0.5	415.8	100.0
Sales	216.3	37.9	324.1	56.8	30.0	5.2	0.5	0.1	570.9	100.0
Service	305.2	57.9	164.4	31.2	51.1	9.7	6.3	1.2	527.0	100.0
Agricultural	1,402.6	73.5	327.2	17.2	158.6	8.3	19.0	1.0	1,907.4	100.0
Production	741.5	45.5	701.6	43.1	177.5	10.9	8.1	0.5	1,628.7	100.0
Total	3,101.7	56.7	1,826.6	33.4	496.2	9.1	44.0	0.8	5,468.5	100.0

Notes:

- ¹ Classification of the occupations is based on the Dictionary of Occupational Classification, 1980, Ministry of Labour.
- ² Includes professions such as architects, accountants, auditors, engineers, doctors, dentists, veterinary surgeons, surveyors, lawyers, and also teachers and nurses. For Bumiputera, a substantial proportion of those employed in this occupational group was made up of teachers and nurses. These two groups were estimated to account for about 77,200 or 60.8 per cent of their total in 1980 and 111,300 or 64.5 per cent in 1985.
- ³ Includes legislative officials, Government administrators, and managers.
- ⁴ Includes clerical supervisors, Government executive officials, typists, book-keepers, cashiers, telephone operators, and telegraph operators.
- ⁵ Includes managers (wholesale and retail trade), sales supervisors and buyers, technical salesmen, commercial travellers, and manufacturers' agents.
- ⁶ Includes managers of catering and lodging services, working proprietors, housekeeping and related service supervisors, cooks, and related workers.
- ⁷ Includes plantation managers and supervisors, planters and farmers, agricultural and animal husbandry workers, forestry workers, fishermen, hunters, and related workers.
- ⁸ Includes production supervisors and general foremen, miners, quarrymen, well drillers, motor-vehicle drivers, and related workers.

TABLE 3-7
MALAYSIA: MEMBERSHIP OF REGISTERED PROFESSIONALS
BY ETHNIC GROUP, 1980 AND 1984

Profession	1980				1984				Average annual growth rate, 1981-84 (%)						
	Bumi-putera	Chinese	Indian	Others	Total	Bumi-putera	Chinese	Indian	Others	Total	Bumi-putera	Chinese	Indian	Others	Total
Architects (%)	57 (10.7)	461 (86.5)	7 (1.3)	8 (1.5)	533 (100.0)	103 (15.6)	539 (81.9)	7 (1.1)	9 (1.4)	658 (100.0)	15.9	4.0	-	3.0	5.4
Accountants (%)	120 (7.4)	1,261 (77.9)	116 (7.2)	122 (7.5)	1,619 (100.0)	286 (8.9)	2,678 (82.8)	195 (6.0)	75 (2.3)	3,234 (100.0)	24.2	20.7	13.9	-11.5	18.9
Engineers (%)	1,533 (18.5)	5,904 (71.3)	526 (6.3)	321 (3.9)	8,284 (100.0)	3,500 (25.2)	9,294 (67.0)	752 (5.4)	335 (2.4)	13,881 (100.0)	22.9	12.0	9.3	1.1	13.8
Dentists ¹ (%)	117 (10.3)	744 (65.7)	241 (21.3)	30 (2.7)	1,132 (100.0)	194 (20.3)	444 (46.4)	286 (29.9)	33 (3.4)	957 (100.0)	13.5	-12.1	4.4	2.4	-4.1
Doctors (%)	341 (9.7)	1,534 (43.7)	1,467 (41.7)	172 (4.9)	3,514 (100.0)	753 (16.7)	1,881 (41.8)	1,745 (38.7)	126 (2.8)	4,505 (100.0)	21.9	5.2	4.4	-7.5	6.4
Veterinary surgeons (%)	63 (17.8)	98 (27.8)	164 (46.5)	28 (7.9)	353 (100.0)	128 (26.3)	123 (25.3)	198 (40.8)	37 (7.6)	486 (100.0)	19.4	5.8	4.8	7.2	8.3
Surveyors (%)	130 (31.2)	245 (58.7)	30 (7.2)	12 (2.9)	417 (100.0)	237 (35.8)	369 (55.7)	39 (5.9)	17 (2.6)	662 (100.0)	16.2	10.8	6.8	9.1	12.2
Lawyers ² (%)	173 (14.8)	565 (48.5)	412 (35.4)	15 (1.3)	1,165 (100.0)	272 (16.0)	826 (48.7)	557 (32.8)	43 (2.5)	1,698 (100.0)	12.0	10.0	7.8	30.1	9.9
Total (%)	2,534 (14.9)	10,812 (63.5)	2,963 (17.4)	708 (4.2)	17,017 (100.0)	5,473 (21.0)	16,154 (61.9)	3,779 (14.5)	675 (2.6)	26,081 (100.0)	21.2	10.6	6.3	-1.2	11.3

Sources: Professional associations and institutions, covering both the public and private sectors.

Notes:

¹ Data for 1984 refers to Dentists I only. The total for 1984 is less than 1980 due to the exclusion of Dentists II category. In 1980, both categories (Dentists I and Dentists II) are included. Dentists I are professional dental surgeons, while Dentists II are registered but not considered as professionals.

² Cover private sector in Peninsular Malaysia only.

Restructuring of ownership of limited companies. The position of the ownership of share capital in limited companies and the estimates on the ownership of share capital have been derived from a number of sources. The main sources of statistics are from the Department of Statistics, Ownership Survey of Limited Companies, the Registrar of Companies, and relevant information from various trust agencies. In arriving at the estimates for 1985 and 1990, for example, a careful assessment of the past trends in the growth of the ownership of share capital by the major ownership groups, as revealed by these statistical sources, was undertaken. Various factors, such as the overall growth of the economy and by sector, growth of private investment, the inflow of foreign capital into the economy, the restructuring programmes of limited companies, and the likely impact of Government policies on private investment, were taken into account in the computation of the estimates of the ownership of share capital by each major ownership group. Statistical analyses on the relationship between the growth of GDP and share capital of limited companies in the country were also conducted to supplement the analyses on the ownership of share capital.

While the figures on the ownership of share capital by each group for 1985 and 1990 are estimates, these estimates are based on the examination of the available up-to-date evidence. A continuous review of the position of the ownership of share capital of limited companies by each group has, and will, continue to be undertaken. The availability of more up-to-date data, as and when there are made available, will be used to reexamine and, where necessary, revise the estimates which have been made in the Fifth Plan. Revisions to the estimates on the ownership of share capital have also been made in previous development plans and their mid-term reviews.

Despite the slowdown in the economy, the corporate sector continued to show satisfactory growth in the restructuring of equity ownership. In the restructuring of ownership of share capital, the corporate sector covers public and private limited companies registered under the Companies Act, 1965 and the Malaysian branches of companies incorporated abroad. The estimates on the ownership of share capital, at par value, as shown in Table 3-8 and Chart 3-2, indicated that the equity stock of the limited companies more than doubled from about \$32,000 million in 1980 to \$76,000 million in 1985. Ownership by Malaysian residents was estimated to have increased from 57 per cent in 1980 to 74 per cent of the total paid-up capital in 1985. The share of Bumiputera in 1985 was estimated at about 18 per cent. Ownership by Bumiputera individuals grew at a fast rate of 32 per cent per annum and it was estimated that by mid-1980s, they accounted for more than the share of trust agencies in the total equity stock held by Bumiputera. This development was largely due to the contribution made by private Bumiputera enterprises as well as the National Unit Trust Scheme (ASN) of the National Equity Corporation (PNB).

TABLE 3-8

**MALAYSIA: OWNERSHIP OF SHARE CAPITAL (AT PAR VALUE) OF
LIMITED COMPANIES¹, 1980 AND 1985**
(\$ million)

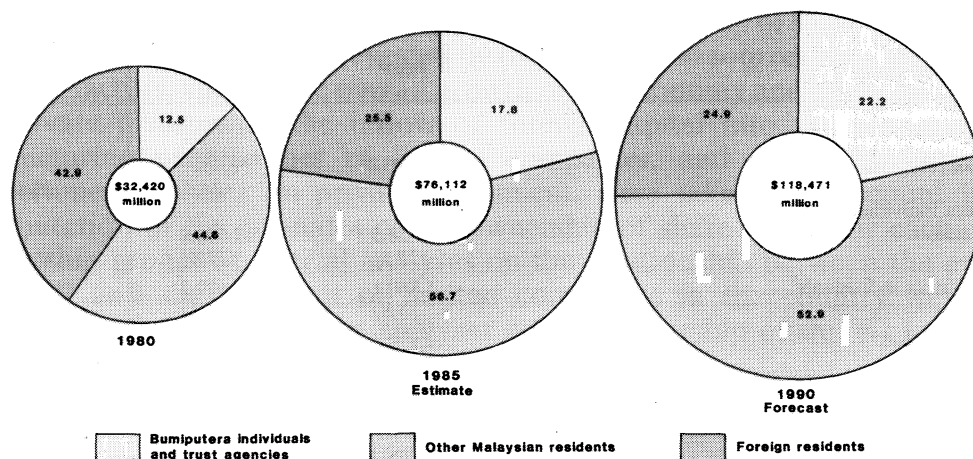
<i>Ownership group</i>	<i>1980²</i>	<i>1985</i>	<i>Average annual growth rate, 1981-85 (%)</i>
Malaysian residents (%)	18,493.4 (57.1)	56,701.5 (74.5)	25.1
Bumiputera individuals and trust agencies (%)	4,050.5 (12.5)	13,546.9 (17.8)	27.3
Bumiputera individuals ³ (%)	1,880.1 (5.8)	7,679.2 (10.1)	32.5
Trust agencies ⁴ (%)	2,170.4 (6.7)	5,867.7 (7.7)	22.0
Other Malaysian residents ⁵ (%)	14,442.9 (44.6)	43,154.6 (56.7)	24.5
Foreign residents (%)	13,927.0 (42.9)	19,410.5 (25.5)	6.9
Share in Malaysian companies (%)	7,791.2 (24.0)	11,255.9 (14.8)	7.6
Net assets of local branches ⁶ (%)	6,135.8 (18.9)	8,154.6 (10.7)	5.9
Total ⁷ (%)	32,420.4 (100.0)	76,112.0 (100.0)	18.6

Sources: Department of Statistics, *The Ownership Survey of Limited Companies, 1971-82*, records from the Registrar of Companies, 1983-85, and data from various trust agencies.

Notes:

- ¹ The classification of ownership of share capital (at par value) as adopted by the Ownership Survey of Limited Companies was based on the residential address of the shareholders and not by citizenship. Residents are persons, companies, or institutions that live in or are located in Peninsular Malaysia, Sabah, and Sarawak. The definition, therefore, also includes foreign citizens residing in Malaysia.
- ² Figures for 1980 are based on the Ownership Survey of Limited Companies, 1980.
- ³ Include institutions channelling funds of individual Bumiputera such as the Muslim Pilgrim Saving and Management Authority (LUTH), MARA Unit Trust Scheme, co-operatives, and ASN Scheme.
- ⁴ Shares held through institutions classified as trust agencies such as The National Equity Corporation (PNB), National Corporation (PERNAS), The Council of Trust for Indigenous People (MARA), state economic development corporations (SEDCs), Development Bank of Malaysia (BPMB), Urban Development Authority (UDA), *Bank Bumiputera Malaysia Berhad*, *Kompleks Kewangan Malaysia Berhad* (KKMB), and Food Industries of Malaysia (FIMA). It also includes the amount of equity owned by Government through other agencies and companies which have been identified under the Transfer Scheme of Government Equity to Bumiputera.
- ⁵ Include shares held by nominees and locally controlled companies (LCC). LCC records the total value of share capital of limited companies whose ownership could not be disaggregated further and assigned beyond the second level of ownership, to specific ethnic groups. Nominee shareholding was estimated to account for 5.7 per cent of the total corporate shares in 1985 or about \$4,400 million. Share held under the LCC amounted to about \$8,100 million or 10.7 per cent of the total share capital of limited companies in 1985.
- ⁶ This refers to the difference between the total assets in Malaysia and total liabilities in Malaysia of the companies incorporated abroad. This approach had to be used for Malaysian branches of companies incorporated abroad as the criterion on equity share capital could not be applied to these companies.
- ⁷ Excludes Government holdings other than through trust agencies.

CHART 3-2
**MALAYSIA: OWNERSHIP OF SHARE CAPITAL (AT PAR VALUE) OF LIMITED COMPANIES,
 1980, 1985, AND 1990**
 (%)



The Other Malaysian residents further increased their share from about 45 per cent of the total equity in 1980 to 57 per cent in 1985. In absolute terms, their share increased from about \$14,400 million to \$43,000 million over the period. The share of foreign interests declined from about 43 per cent in 1980 to 26 per cent in 1985, but their size of shareholdings increased by about 40 per cent. The restructuring of foreign-owned companies and the growth of Malaysian companies, especially Other Malaysian residents, contributed to the progressive decline in the share of foreign interests in the limited companies.

The estimates for 1985 have been made on the basis of the available evidence and approach mentioned in the earlier part of this Chapter as the results from the Ownership Survey of Limited Companies for 1983-85 are not yet available. The results of the Ownership Survey of Limited Companies for 1980 and 1982 showed that about \$16,500 million of share capital was generated between 1980-82. The growth of share capital per year for Bumiputera interests, Other Malaysians and foreign residents amounted to about \$1,800 million, \$4,950 million and \$1,500 million respectively, over the two-year period 1981-82. Over the three-year period 1983-85, it was estimated that the increase in capital was about \$27,270 million. The net growth per year for Bumiputera interests, Other Malaysians and foreign interests amounted to about \$2,000 million, \$6,280 million and \$810 million respectively. On the basis of the actual results from the Survey, the estimates of share capital for

1985, especially for the Other Malaysians, therefore, do not appear to be excessively optimistic. Between 1980-82, Other Malaysians actually accounted for about 60 per cent of the net increase in share capital, while over the period 1983-85 they were estimated to have accounted for about 69 per cent of the total increase in share capital.

A breakdown of the ownership of share capital by the major ethnic groups for 1982 is shown in Table 3-9. The statistics were derived from the latest Department of Statistics, Ownership Survey of Limited Companies, 1982. Bumiputera interests accounted for 15.5 per cent of the total equity. Among the Other Malaysian residents, the Chinese accounted for the largest shareholding and their share reached about one third of the total share capital of limited companies. Indians accounted for about 1 per cent and Others 1.6 per cent. A breakdown of the nominee companies and locally controlled companies by the major ethnic groups is not possible. Together, these two groups accounted for 13.8 per cent of the total share capital of limited companies.

TABLE 3-9
MALAYSIA: OWNERSHIP OF SHARE CAPITAL (AT PAR VALUE)
OF LIMITED COMPANIES, ¹ 1982

<i>Ownership group</i>	<i>\$ million</i>	<i>%</i>
Malaysian residents	31,903.5	(65.3)
Bumiputera individuals and trust agencies	7,597.3	(15.6)
Bumiputera individuals ²	3,636.1	(7.5)
Trust agencies	3,961.2	(8.1)
Other Malaysian residents	24,306.2	(49.7)
Chinese	16,345.5	(33.4)
Indian	423.7	(0.9)
Others	772.9	(1.6)
Nominee companies	2,443.2	(5.0)
Locally-controlled companies ³	4,320.9	(8.8)
Foreign residents	16,970.3	(34.7)
Share in Malaysian companies	10,319.1	(21.1)
Net assets of local branches ⁴	6,651.2	(13.6)
Total ⁵	48,873.8	(100.0)

Source: Department of Statistics, *The Ownership Survey of Limited Companies, 1982*.

Notes:

¹ The classification of ownership of share capital (at par value) as adopted by the Ownership Survey of Limited Companies was based on the residential address of the shareholders and not by citizenship. Residents are persons, companies, or institutions that live in or are located in Peninsular Malaysia, Sabah, and Sarawak. The definition, therefore, also includes foreign citizens residing in Malaysia.

² Include institutions channelling funds of individual Bumiputera such as the Muslim Pilgrim Saving and Management Authority (LUTH), MARA Unit Scheme, and co-operatives.

³ LCC records the total value of share capital of limited companies whose ownership could not be disaggregated further and assigned, beyond the second level of ownership, to specific ethnic groups.

⁴ This refers to the difference between the total assets in Malaysia and total liabilities in Malaysia of the companies incorporated abroad. This approach had to be used for Malaysian branches of companies incorporated abroad as the criterion on equity share capital could not be applied to these companies.

⁵ Excludes Government holdings other than through trust agencies.

The overall level of ownership of limited companies, as shown in Table 3-9, however, does not fully reflect the real extent of ownership and control in limited companies by the major ethnic groups. The broad statistics on Bumiputera ownership of share capital of limited companies will need to be supplemented by information on the ownership of some large companies in the major sectors which have been identified, and of the ownership interests of specific trust agencies. The purchase of shares, for example, in a number of banks, plantations, and mining companies contributed to the growth of Bumiputera ownership of share capital in limited companies. In the domestic banking sector, Bumiputera interests, including the trust agencies, owned and controlled more than 50 per cent of the equity in nine banks and between 30 to 50 per cent in six banks. In finance companies and merchant banks, they held more than 50 per cent of the equity in 19 finance companies and 10 merchant banks. In terms of the overall equity share in domestic banking and finance companies, the share of Bumiputera interests, including trust agencies, increased from 60 per cent in 1980 to 69 per cent, as of June, 1985.

In the plantation sector, Bumiputera owned and controlled several major companies such as Harrisons Malaysian Plantations Berhad, *Kumpulan Guthrie Sendirian Berhad*, and United Plantations Berhad. The hectareage owned by these companies together with those owned by several other agencies, such as the state economic development corporations (SEDCs) and the Muslim Pilgrim Saving and Management Authority (LUTH), constituted about 32 per cent of the total hectareage in the corporate sector in 1984. In the mining sector, Bumiputera interests through PNB had by 1981 a majority control in Malaysia Mining Corporation (MMC). MMC also had interests and control in 11 other quoted tin mining companies which were listed in the Kuala Lumpur Stock Exchange.

Bumiputera also participated in the management of the companies in which they had interests. In the case of companies in which PNB had interests, the management participation was effected not only at the executive and managerial levels but also at the policy making level. PNB had also appointed nominee directors, mainly from the private sector, to represent its interests in the various boards of directors of the companies in which it had ownership interests. Management participation by Bumiputera in trust agencies and companies with Government interests, such as the National Corporation (PERNAS), Development Bank of Malaysia (BPMB), and *Kompleks Kewangan Malaysia Berhad* (KKMB), was mainly effected through staff career development and training.

PNB, the leading trust agency, made a substantial contribution towards increasing Bumiputera participation and management in the corporate sector. Its main function is to evaluate, select, and purchase a sound portfolio of shares in companies with growth potential. The shares are to be held in trust for subsequent transfer to individual Bumiputera through the ASN Scheme. These shares were acquired through purchases in the stock market and from institutions, allocation

of shares through company restructuring from the Ministry of Trade and Industry, and the Transfer Scheme of Government Equity to Bumiputera. The interests of PNB in 159 companies, of which 103 were quoted companies, amounted to a cost of \$6,163 million, as of December, 1985. The distribution of the interests of PNB by sector is shown in Table 3-10.

The ASN Scheme was successful in transferring the potential wealth of Bumiputera, which was held in trust by the Government through trust agencies, to a wide section of Bumiputera community. By the end of December, 1985, the Scheme attracted a total of two million Bumiputera unit trust holders or 43 per cent of the total eligible, who invested a net amount of about \$1,900 million. About 1.7 million or 85 per cent of the total unit trust holders invested in 500 units and below, comprising mainly farmers, low wage earners, labourers, and housewives. A total amount of \$935.5 million in bonus and dividend payments was issued to the members of the Scheme, as of December, 1985.

The efforts of the Foreign Investment Committee (FIC) in regulating the acquisition, mergers, and takeovers of companies, in line with the NEP, also contributed towards increased Bumiputera shareholding. Between 1981 and 1985, the FIC approved proposals submitted by 1,721 companies. The approvals that were given to these proposals, together with the conditions imposed on Bumiputera equity, contributed to a higher shareholding by Bumiputera enterprises and institutions.

Creation of a Bumiputera Commercial and Industrial Community. The period 1981-85 witnessed a relatively slower pace in the efforts to further increase Bumiputera participation in the commercial and industrial activities, including those in the non-corporate sector. The Government enterprises experienced a cutback in the financial provisions for supporting the various programmes aimed at assisting Bumiputera entrepreneurs. On the part of Bumiputera entrepreneurs and enterprises, the limited opportunities in securing Government assistance and businesses meant that they had to look and compete for opportunities in the private sector.

The ownership and participation of Bumiputera in the non-corporate activities of the economy, especially in the small-scale commercial and services sectors through proprietorships and partnerships, showed some progress. Bumiputera ownership and participation in these areas provide an important foundation for the efforts to encourage Bumiputera entrepreneurship and equip them with the necessary skills in commercial ventures. The data, as shown in Table 3-11, indicates that Bumiputera businesses made significant headway in increasing their ownership and participation in the small-scale non-corporate commercial and services sectors during the period 1971-81. In the wholesale and retail trade, for example, the number of establishments owned by Bumiputera increased by 10 times over the period, while their turnover increased by almost 40 times. In the

services sectors, such as transport, tourist and travel as well as professional services, Bumiputera also made satisfactory progress. In the transport sector, in particular, their ownership and participation increased much faster and in a number of services, exceeded those belonging to the non-Bumiputera.

In the small-scale businesses, the ownership and participation of Bumiputera were still relatively low. There were, therefore, substantial opportunities for increasing their ownership and participation in the small-scale businesses. The challenges before them were not only the limited stocks of ownership, management, and business resources that they had to begin with but also the learning process that they needed to undergo as they proceeded to fulfill the targets of restructuring.

Although with less financial resources at their disposal, Government agencies, especially the trust agencies, continued to assist Bumiputera enterprises and entrepreneurs in various areas. A number of administrative measures were also implemented to further assist Bumiputera businesses. Table 3-12 summarizes selected key indicators of the performance of Bumiputera enterprises and entrepreneurs in relation to specific Government programmes and types of assistance. These indicators show that, despite a more difficult business and commercial environment, Bumiputera entrepreneurs achieved significant progress over the recent years. Under the credit assistance programme, as at the end of 1985, a total of about \$17,000 million or 28 per cent of all the loans outstanding in commercial banks and finance companies was extended to Bumiputera. This was facilitated by the issuance of the guidelines on lending to priority sectors.

While Bumiputera had made progress in a number of commercial and industrial areas, they tended to overconcentrate in a few specific areas such as in the provision of security services, restaurants, construction, and motor vehicle distributorships. These areas were relatively saturated with Bumiputera participation. There was, therefore, insufficient diversity of Bumiputera investment and participation in the commercial and industrial sectors.

With regard to management and business training programmes, the Government introduced two training schemes in 1983. The Special Overseas Training Scheme for Bumiputera, aimed mainly at giving international exposure in managerial skills to Bumiputera entrepreneurs, benefitted a total of 800 participants. The other scheme, which provided business skills training to the Government employees in groups C and D, was designed to encourage them to take up small business ventures. A total of 323 Government personnel in these groups participated in the training programme, of whom 108 had left the Government to set up their own businesses.

TABLE 3-10

**MALAYSIA: NATIONAL EQUITY CORPORATION (PNB) GROUP SHAREHOLDINGS
BY SECTOR, AS AT DECEMBER, 1985**

Sector	Quoted companies ¹						Unquoted companies ²					
	Local companies			Foreign companies			Local companies			Foreign companies		
	Number of companies	Investment cost (\$ mil)	Market value (\$ mil)	Number of companies	Investment cost (\$ mil)	Market value (\$ mil)	Number of companies	Investment cost (\$ mil)	Market value (\$ mil)	Number of companies	Investment cost (\$ mil)	Market value (\$ mil)
Manufacturing	62	523.0	425.1	1	174.3	113.3	41	291.2	-	2	253.1	-
Finance ³	5	1,435.5	1,200.5	-	-	-	6	249.4	-	-	-	-
Property ⁴	13	458.9	404.3	-	-	-	4	101.5	-	-	-	-
Plantation ⁵	14	1,122.9	1,179.3	-	-	-	3	1,230.9	-	-	-	-
Mining	8	322.4	198.9	-	-	-	-	-	-	-	-	-
Total	102	3,862.7	3,498.1	1	174.3	113.3	54	1,873.0	-	2	253.1	-

Source: National Equity Corporation, December 1985.

Notes:

- ¹ Refer to the companies listed in the stock exchanges of Kuala Lumpur, Singapore, and London.
- ² Refer to the companies not listed in the stock exchanges of Kuala Lumpur, Singapore, and London.
- ³ Includes investment sector.
- ⁴ Includes hotel.
- ⁵ Includes rubber and oil palm industries.

TABLE 3-11

MALAYSIA: OWNERSHIP IN COMMERCIAL AND SELECTED SERVICES INDUSTRIES BY ETHNIC GROUP, 1971 AND 1981¹

Sector	1971					1981				
	Bumiputera ²	Chinese	Indian	Foreign ³	Total ⁴	Bumiputera ²	Chinese	Indian	Foreign ³	Total ⁴
Wholesale ⁵										
Number of establishments (%)	168 (2.5)	5,239 (78.5)	264 (12.0)	798 (4.0)	6,673 (100.0)	1,620 (8.2)	16,090 (81.8)	521 (2.6)	1,031 (5.2)	19,663 (100.0)
Turnover (\$ million) (%)	47.0 (0.8)	4,079.5 (66.2)	152.5 (2.5)	1,576.9 (25.6)	6,160.9 (100.0)	1,778.3 (5.3)	18,684.4 (55.5)	1,115.8 (3.3)	10,004.4 (29.7)	33,653.8 (100.0)
Retail ⁵										
Number of establishments (%)	3,311 (13.0)	18,957 (74.6)	2,142 (8.4)	573 (2.3)	25,421 (100.0)	32,800 (34.2)	55,417 (57.7)	5,877 (6.1)	709 (0.7)	95,993 (100.0)
Turnover (\$ million) (%)	50.8 (3.0)	1,394.0 (81.2)	125.1 (7.3)	102.3 (6.0)	1,717.5 (100.0)	1,531.5 (11.5)	9,910.2 (74.6)	653.5 (4.9)	323.7 (2.4)	13,277.1 (100.0)
Road transport operators ⁶										
Number of establishments (%)	69 (17.8)	237 (61.2)	16 (4.1)	12 (3.1)	387 (100.0)	6,057 (62.5)	2,978 (30.7)	263 (2.7)	8 (0.1)	9,696 (100.0)
Revenue (\$ million) (%)	30.4 (17.3)	107.1 (60.9)	6.5 (3.7)	7.8 (4.4)	176.0 (100.0)	455.0 (42.2)	401.8 (37.2)	20.7 (1.9)	3.6 (0.3)	1,078.8 (100.0)
Shipping companies										
Number of establishments (%)	-	1 (11.1)	-	4 (44.4)	9 (100.0)	17 (7.5)	174 (76.3)	-	2 (0.9)	228 (100.0)
Revenue (\$ million) (%)	-	0.4 (1.5)	-	4.0 (15.4)	25.9 (100.0)	54.1 (6.6)	125.7 (15.4)	-	13.1 (1.6)	815.3 (100.0)
Tourist and travel agencies										
Number of establishments (%)	20 (19.2)	48 (46.1)	6 (5.8)	16 (15.4)	104 (100.0)	155 (26.8)	304 (52.5)	33 (5.7)	15 (2.6)	579 (100.0)
Revenue (\$ million) (%)	1.5 (20.8)	3.4 (47.2)	0.1 (1.4)	1.5 (20.8)	7.2 (100.0)	23.4 (26.4)	40.1 (45.2)	1.9 (2.1)	7.1 (8.0)	88.7 (100.0)
Hotels and other lodging places ⁷										
Number of establishments (%)	14 (1.6)	817 (94.8)	1 (0.1)	8 (0.9)	862 (100.0)	46 (5.0)	769 (83.5)	3 (0.3)	5 (0.5)	921 (100.0)
Revenue (\$ million) (%)	4.0 (3.6)	75.3 (68.5)	0.3 (0.3)	n.a.	109.9 (100.0)	47.9 (8.6)	191.1 (34.3)	1.1 (0.2)	8.4 (1.5)	557.8 (100.0)

TABLE 3-12

MALAYSIA: SELECTED INDICATORS OF PARTICIPATION IN COMMERCE AND INDUSTRY, 1981 AND 1985

Indicator ¹	1981			1985		
	Bumiputera	%	Non-Bumiputera	Bumiputera	%	Non-Bumiputera
Value of credit assistance ² (\$ million)						
BPMB	150.0	100.0	-	68.4	100.0	-
MIDF	57.2	29.7	135.1	13.2	16.2	68.1
MARA	90.0	100.0	-	46.8	100.0	-
Commercial banks and finance companies	6,324.9	21.0	23,782.5	17,266.3	28.2	44,032.6
Participants in entrepreneurial training ³						
NPC	4,940	99.6	15	2,901	99.6	11
PWD	222	100.0	-	398	100.0	-
BPMB	134	100.0	-	343	100.0	-
BBMB	-	-	-	1,109	100.0	-
MARA	14,614	100.0	-	15,000	100.0	-
<i>Pernas Edar</i>	1,447	100.0	-	1,000	100.0	-
Value of work contract ⁴ (\$ million)						
PWD	280.9	51.0	269.4	198.5	33.0	405.1
DID	113.4	35.8	203.5	33.7	50.7	32.7
FELDA	109.1	27.4	289.7	405.3	77.4	118.5
RISDA	158.4	75.0	51.4	7.8	99.1	0.1
UDA	93.7	97.8	2.1	27.3	84.0	5.2
KETENGAH	14.8	92.5	1.2	3.4	19.4	14.1
Telecommunications Department	43.4	27.9	111.9	284.6	99.9	0.1
DARA	6.7	27.9	17.3	6.5	97.0	0.2
KEJORA	6.8	34.9	12.6	4.7	96.0	0.2
KESEDAR	4.6	19.4	19.1	32.1	91.7	2.9
NEB	12.7	22.8	43.1	21.2	90.3	2.3
Value of supplies contract ⁵ (\$ million)	417.6	22.9	1,405.2	751.5	42.2	1,027.5
Number of road transport licence	3,428	50.2	3,396	2,718	63.9	1,532
Number of new housing developer licences	74	29.6	176	79	30.0	184
Number of logging licences ⁶	678	66.1	348	332	73.5	120

Number of printing licences	195	15.1	1,099	84.9	182	16.2	943	83.8
Number of private agency licences	52	52.0	48	48.0	84	54.9	69	45.1
Number of approved permits ⁷	372	21.7	1,346	78.3	1,406	31.0	3,132	69.0
Number of export licences ⁷	n.a.	n.a.	n.a.	n.a.	82	1.2	6,557	98.8
Number of import licences ⁷	n.a.	n.a.	n.a.	n.a.	675	7.9	7,903	92.1
Number of advisory service ⁷	12,117	100.0	-	-	6,915	100.0	-	-
Number of registered businesses ⁸	78,961	24.9	237,602	75.1	154,215	30.5	351,661	69.5
Number of distributors registered with Ministry of Trade and Industry ⁹	2,239	20.7	8,592	79.3	2,622	15.0	14,860	85.0

Sources:

The Council of Trust for Indigenous People (MARA), Development Bank of Malaysia (DBM), Malaysian Industrial Development Finance (MIDF), Central Bank of Malaysia (BNM), National Productivity Centre (NPC), *Bank Bumiputera Malaysia Berhad* (BBMB), *Pernas Edar*, Public Works Department (PWD), Drainage and Irrigation Department (DID), Federal Land Development Authority (FELDA), Rubber Industry Smallholders Development Authority (RISDA), National Electricity Board (NEB), Telecommunications Department, Urban Development Authority (UDA), Pahang Tenggara Regional Development Authority (DARA), South Kelanian Regional Development Authority (KESEDAR), Terengganu Tengah Regional Development Authority (KETE-NGAH), Johore Tenggara Regional Development Authority (KEJORA), Road Transport Licensing Board, Ministry of Housing and Local Government, Department of Forestry, Ministry of Home Affairs, Ministry of Trade and Industry, and Ministry of Finance.

Notes:

- 1 The indicators on training scheme provided by PWD and on work contracts by PWD, DID, NEB as well as indicators on transport licences, housing developer licences, logging licences, and registered businesses refer to Peninsular Malaysia. The rest refer to the whole of Malaysia.
- 2 The values of credit approved by MARA for 1985 were estimates. For the commercial banks and finance companies, the values were the accumulated amounts.
- 3 The number of participants in 1985 for MARA and *Pernas Edar* were estimates.
- 4 For 1981, the value of contracts awarded did not include \$3.1 million awarded by the Telecommunications Department to Malaysian and foreign joint-venture companies and \$87.6 million awarded by the National Electricity Board to foreign companies. For 1985, the value did not include \$1,390 million which was awarded by PWD to Bumiputera and non-Bumiputera joint-venture companies which were scheduled to be completed in 1987. It did not also include \$33 million and \$25 million awarded in 1984 by PWD to Bumiputera and non-Bumiputera joint-venture companies and foreign companies, respectively, and \$124 million awarded by NEB to foreign companies. For the non-Bumiputera, in both years, the values also include the contracts awarded to joint-venture companies between Bumiputera and non-Bumiputera. The values of contracts awarded for 1985 by DID, excluded the values for Kelantan, Pahang, and Johor. For the Telecommunications Department, the values were estimates. For KESEDAR and NEB, the values refer to 1984.
- 5 For the non-Bumiputera in both years, the values also included the contracts awarded to joint-venture companies between Bumiputera and non-Bumiputera, and between Malaysians and foreigners, as well as to foreign companies.
- 6 Figures for 1985 were only for the period until June 30.
- 7 Figures for 1985 refer to 1984. For the number of Approved Permits, the totals for non-Bumiputera in 1981 and 1984 included 40 and 293, respectively, issued to joint-venture companies, co-operatives, and public enterprises.
- 8 Figures for 1981 refer to 1980.
- 9 Figures for 1985 refer to 1984.

n.a. Not available.

Prospects, 1986-90

The current expectations for the Fifth Plan period are that the economy will be entering a more difficult phase. The targetted growth of 5.0 per cent per annum calls for greater efforts on both the public and private sectors to accelerate economic activities. While the Government will continue to plan and implement various strategies and programmes to accelerate the pace of the restructuring of society, it is evident that increasing efforts and contribution will have to come from the private sector.

Income imbalances. On the basis of recent trends, it would appear that during the period 1986-90, the income gap among the major ethnic groups and between the urban and rural areas will continue to be narrowed. The Government, on its part, will continue to maintain an environment which will encourage maximum growth across sectors and activities. Only with sufficient growth can opportunities be created which will benefit all segments, particularly the lower income groups, in the society. New income earning opportunities will have to be sought out and emphasized in the years to come. Malaysians will need to avoid overconcentrating in similar ventures where further investment will not produce high returns. Increasing employment opportunities will still be a key element in reducing imbalances, as wages and salaries form a substantial part of total income.

Restructuring of employment. The estimates for the ethnic pattern of employment by 1990 are shown in Table 3-13 and Table 3-14. In terms of broad sectoral breakdown, by 1990 the share of Bumiputera in total employment is estimated at 56.4 per cent, while that of the Chinese and the Indians at 33.8 per cent and 9 per cent, respectively. By 1990, Bumiputera are expected to account, on the average, for about 57 per cent of the total employed in the following occupational categories, namely, professional and technical workers, clerical workers, and service workers.

The share of Bumiputera in the administrative and managerial category is estimated to reach about 28 per cent, representing the lowest share compared with their share in the other categories. The share of the Chinese in the same category is estimated to be the highest, while that of the Indians, the lowest. It is expected that the employment imbalances in the highly paid professional job categories will continue to persist.

On the basis of the current rate of registration of professionals in the eight selected high-earning professions, it is estimated that by 1990, Bumiputera will account for about one quarter of all the registered professionals. The task ahead in continuing to correct this imbalance is important, and it calls not only for more efforts on the part of the Government but also on the part of the private sector to design more definite programmes for the training and intake of its professional

TABLE 3-13
MALAYSIA: EMPLOYMENT BY SECTOR AND ETHNIC GROUP,
1985 AND 1990
('000)

Sector	1985				1990					
	Bumiputera	Chinese	Indian	Others	Total	Bumiputera	Chinese	Indian	Others	Total
Agriculture, forestry, livestock, and fishing (%)	1,428.8 (73.2)	318.3 (16.3)	188.5 (9.6)	17.6 (0.9)	1,953.2 (100.0)	1,462.1 (73.0)	326.4 (16.3)	195.7 (9.8)	18.0 (0.9)	2,002.2 (100.0)
Mining and quarrying (%)	21.3 (35.2)	32.5 (53.7)	6.0 (9.9)	0.7 (1.2)	60.5 (100.0)	15.6 (38.5)	20.8 (51.4)	3.4 (8.4)	0.7 (1.7)	40.5 (100.0)
Manufacturing (%)	352.7 (42.6)	394.1 (47.6)	75.4 (9.1)	5.8 (0.7)	828.0 (100.0)	409.4 (43.5)	432.0 (45.9)	92.2 (9.8)	7.5 (0.8)	941.1 (100.0)
Construction (%)	147.7 (39.0)	206.4 (54.5)	20.8 (5.5)	3.8 (1.0)	378.7 (100.0)	184.9 (38.8)	262.7 (55.1)	24.8 (5.2)	4.3 (0.9)	476.7 (100.0)
Electricity, gas, and water (%)	27.1 (67.9)	3.5 (8.8)	9.1 (22.8)	0.2 (0.5)	39.9 (100.0)	31.3 (68.0)	4.0 (8.7)	9.2 (20.0)	1.5 (3.3)	46.0 (100.0)
Transport, storage, and communications (%)	147.3 (55.6)	88.5 (33.4)	28.3 (10.7)	0.8 (0.3)	264.9 (100.0)	187.6 (57.4)	106.2 (32.5)	32.4 (9.9)	0.7 (0.2)	326.9 (100.0)
Wholesale and retail trade, hotels and restaurants (%)	323.3 (38.2)	460.4 (54.4)	60.1 (7.1)	2.5 (0.3)	846.3 (100.0)	406.3 (38.9)	562.9 (53.9)	72.1 (6.9)	3.1 (0.3)	1,044.4 (100.0)
Finance, insurance, real estate and business services %	38.8 (38.2)	55.0 (54.1)	7.4 (7.3)	0.4 (0.4)	101.6 (100.0)	47.5 (39.3)	64.5 (53.4)	8.5 (7.0)	0.4 (0.3)	120.9 (100.0)
Government services (%)	506.0 (61.7)	221.6 (27.1)	81.8 (10.0)	10.1 (1.2)	819.5 (100.0)	571.2 (62.9)	235.0 (25.9)	91.5 (10.1)	10.6 (1.1)	908.3 (100.0)
Other services (%)	108.7 (61.8)	46.3 (26.3)	18.8 (10.7)	2.1 (1.2)	175.9 (100.0)	130.1 (62.9)	52.0 (23.2)	22.4 (10.8)	2.2 (1.1)	206.7 (100.0)
Total employed (%)	3,101.7 (56.7)	1,826.6 (33.4)	496.2 (9.1)	44.0 (0.8)	5,468.5 (100.0)	3,446.0 (56.4)	2,066.5 (33.8)	552.2 (9.0)	49.0 (0.8)	6,113.7 (100.0)
Labour force (%)	3,397.3 (57.4)	1,931.9 (32.6)	541.6 (9.2)	46.3 (0.8)	5,917.1 (100.0)	3,913.0 (57.6)	2,218.0 (32.6)	615.3 (9.0)	51.6 (0.8)	6,797.9 (100.0)
Unemployment (%)	295.6 (65.9)	105.3 (23.5)	45.4 (10.1)	2.3 (0.5)	448.6 (100.0)	467.0 (68.3)	151.5 (22.1)	63.1 (9.2)	2.6 (0.4)	684.2 (100.0)
Unemployment rate (%)	8.7	5.5	8.4	5.0	7.6	11.9	6.8	10.3	5.0	10.1

TABLE 3-14

MALAYSIA: EMPLOYMENT BY OCCUPATION AND ETHNIC GROUP,
1985 AND 1990
('000)

Occupational group ¹	1985					1990				
	Bumiputera	%	Chinese	%	Indian	%	Others	%	Total	%
Professional and technical ²	193.9	54.4	115.5	32.4	39.8	11.1	7.5	2.1	356.7	100.0
Teacher and nurses	111.3	64.5	49.5	28.7	10.9	6.3	0.9	0.5	172.6	100.0
Administrative and managerial ³	17.5	28.2	40.9	66.0	3.1	5.0	0.5	0.8	62.0	100.0
Clerical ⁴	224.7	54.0	152.9	36.8	36.1	8.7	2.1	0.5	415.8	100.0
Sales ⁵	216.3	37.9	324.1	56.8	30.0	5.2	0.5	0.1	570.9	100.0
Service ⁶	305.2	57.9	164.4	31.2	51.1	9.7	6.3	1.2	527.0	100.0
Agricultural ⁷	1,402.6	73.5	327.2	17.2	158.6	8.3	19.0	1.0	1,907.4	100.0
Production ⁸	741.5	45.5	701.6	43.1	177.5	10.9	8.1	0.5	1,628.7	100.0
Total	3,101.7	56.7	1,826.6	33.4	496.2	9.1	44.0	0.8	5,468.5	100.0
Professional and technical	225.5	55.6	124.2	30.6	48.2	11.9	7.7	1.9	405.6	100.0
Administrative and managerial	20.4	27.6	49.7	67.2	3.6	4.9	0.2	0.3	73.9	100.0
Clerical	256.5	54.4	173.2	36.7	40.0	8.5	1.9	0.4	471.6	100.0
Sales	281.7	41.3	368.7	54.0	31.2	4.6	0.8	0.1	682.4	100.0
Service	367.9	58.9	188.8	30.2	61.0	9.8	7.0	1.1	624.7	100.0
Agricultural	1,433.6	73.3	348.5	17.8	154.0	7.9	19.8	1.0	1,955.9	100.0
Production	860.4	45.3	813.4	42.8	214.2	11.3	11.6	0.6	1,899.6	100.0
Total	3,446.0	56.4	2,066.5	33.8	552.2	9.0	49.0	0.8	6,113.7	100.0

Notes: As in Table 3-6.

staff. Towards this end, the Government will improve its monitoring mechanisms for employment restructuring as well as hold more regular consultative sessions with various private sector representatives. In addition, the Government will consider undertaking a special survey among major companies in various sectors as a step in assessing the latest position in employment restructuring under the NEP.

Restructuring of ownership of limited companies. With the economy growing at 5.0 per cent per annum during the Plan period, it is anticipated that the corporate sector will grow at a slower pace when compared with the Fourth Plan period. The overall equity of limited companies is expected to grow at about 9 per cent per annum. Given the expected potential and capacity of the domestic private investors, the current expectation is that a substantial amount of equity financing will be generated by the foreign sector. The Government is encouraging a greater inflow of foreign equity capital into the country as the share of foreign interests has declined to below 30 per cent of the total share capital before 1990. In this regard, positive measures have been taken with a view to allowing higher levels of ownership and control by foreign companies investing in the manufacturing sector. The new ownership guidelines for foreign investment will provide more opportunities for foreign interests to hold majority equity, depending, among others, on the extent of the export content of manufactured products of the companies.

In view of the continuing limitation of the financial resources of the Government, private Bumiputera investors are expected to take up the brunt of ownership restructuring. The Government will, however, continue to provide the necessary support, mainly through various administrative measures, to encourage a more positive participation by Bumiputera companies in terms of ownership and management in limited companies. Efforts will also continue to be made to monitor the progress in dispersing the benefits of interests held by PNB to a wide section of Bumiputera community through the ASN Scheme. New strategies to attract additional Bumiputera to subscribe to the Scheme will also be implemented by PNB.

Current estimates, as shown in Table 3-15, based on the projected growth of the economy for the next five years, indicate that Malaysians will hold about 75 per cent of the total equity of about \$118,000 million in 1990. Given the trend of growth during the period 1981-85, Bumiputera share is expected to reach about 22 per cent or \$26,000 million, while the share of Other Malaysian residents is estimated at 53 per cent, with their total equity increasing to \$63,000 million in 1990. The share of foreign interests is expected to decline to about 25 per cent, but their amount of shareholdings will increase to \$29,000 million in 1990. This increase has taken into account the potential inflow investment in the country and, therefore, the foreign share capital in Malaysian companies is estimated to

TABLE 3-15
MALAYSIA: OWNERSHIP OF SHARE CAPITAL (AT PAR VALUE)
OF LIMITED COMPANIES¹, 1985 AND 1990
(\$ million)

<i>Ownership group</i>	<i>1985</i>	<i>1990</i>	<i>Average annual growth rate, 1986-90 (%)</i>
Malaysian residents (%)	56,701.5 (74.5)	89,005.0 (75.1)	9.4
Bumiputera individuals and trust agencies (%)	13,546.9 (17.8)	26,309.0 (22.2)	14.2
Bumiputera individuals ³ (%)	7,679.2 (10.1)	16,265.0 (13.7)	16.2
Trust agencies ⁴ (%)	5,867.7 (7.7)	10,044.0 (8.5)	11.3
Other Malaysian residents ⁵ (%)	43,154.6 (56.7)	62,696.0 (52.9)	7.8
Foreign residents (%)	19,410.5 (25.5)	29,466.0 (24.9)	8.7
Share in Malaysian companies (%)	11,255.9 (14.8)	19,562.0 (16.5)	11.7
Net assets of local branches ⁶ (%)	8,154.6 (10.7)	9,904.0 (8.4)	4.0
Total ⁷ (%)	76,112.0 (100.0)	118,471.0 (100.0)	9.3

Sources: As in Table 3-8.

Notes: As in Table 3-8.

increase to about 16 per cent of the total or as much as \$1,600 million per annum. The various measures that have been recently introduced to encourage the inflow of foreign investment are expected to further increase the opportunities for foreign investment in the economy. It is anticipated that without these measures, the foreign share would further reduce to below the estimated level of 25 per cent by 1990.

Creation of a Bumiputera Commercial and Industrial Community. Although the pace of Government programmes and assistance in recent years has affected the rate of progress towards the creation of a Bumiputera Commercial and Industrial Community, Bumiputera enterprises and entrepreneurs have, in general, developed a foundation for more initiative and for being more competitive. During the Plan period, the Government will review the effectiveness of various public sector programmes and assistance with a view towards directing more priority to areas that are critical to the overall achievements of Bumiputera entrepreneurs such as in management training and consultancy. In addition, the relevant agencies will also review the possibilities of providing more business opportunities to Bumiputera enterprises, especially in the award of works and supply contracts, and in the distribution and marketing of goods and services.

The Government will continue to emphasize the importance of individual initiatives, as against overdependence on Government assistance, as a prerequisite for long-term success. The assistance to be provided, however, will be given in a selective manner, while a more effective mechanism for monitoring the utilization of various kinds of assistance will be adopted. Towards this end, the role of trust agencies and other public enterprises will be reviewed to allow for more initiatives to come from the private entrepreneurs themselves. In line with the priority outlined in the privatization policy, private Bumiputera enterprises, which have the capacity and expertise comparable with other enterprises, will be encouraged to take over or acquire certain enterprises or services that have been under Government control and management.

Bumiputera also need to take up the increasing opportunities that will continue to be generated in small business ventures and other non-corporate activities. There will still be a wide scope for more participation by Bumiputera in businesses, including small service industries, during the Plan period. The Government, on its part, will continue to provide the necessary support, particularly in terms of consultancy, training, and credit facilities, in order to meet the restructuring objective of the NEP.

More attention must be given by Bumiputera entrepreneurs to factors that affect the quality of investment and also to the importance of business locations and marketability of goods and services. New investment opportunities must be sought out and they must be willing to incur the normal risks involved in venturing into new business areas. While adequate capital and technical know-how are important prerequisites for successful business ventures, good manage-

ment is of equal importance. Poor management has contributed to the failure of many Bumiputera enterprises, resulting in a waste of scarce resources. Bumiputera enterprises must invest in upgrading the level of their management skills if they are to survive in a competitive business world which is growing more and more complex and dynamic. Failure to do so would lead to stagnation. Restructuring of society for the coming years will also have to focus on new areas of growth rather than on an overconcentration on the existing areas of economic activities. Reducing further the economic imbalances will also have to depend on Bumiputera venturing into new commercial and industrial activities.

IV. LONG-TERM OUTLOOK

It is clear that while substantial progress had been made during the past fifteen years towards poverty eradication and restructuring of society, that is, the objectives of the NEP, the failure to achieve targetted growth in the economy during the period 1981-85 has resulted in a shortfall in expected achievement. As the objectives of the NEP are designed to facilitate achievement of national unity, and as such unity is crucial to the survival and wellbeing of the nation, it is imperative that efforts must continue to be made to eradicate poverty and restructure society.

The strategies and policies which will be required to do this will depend very much on the success or otherwise of the Fifth Plan to enhance the level of achievement of the NEP targets. Thereafter, new economic strategies, plans, and policies will be formulated in order to continue the effort to eradicate poverty; to correct imbalances wherever they exist; and to lead the nation as a whole towards economic progress and prosperity.

V. CONCLUSION

The progress made towards achieving the objectives of the NEP in the past five years was satisfactory despite the economic slowdown. The income of all Malaysians increased, the level of poverty declined, while progress was made in the restructuring of society. Greater accessibility to public services improved the standard of living of the people, especially those in the rural areas. Despite these achievements, there are still economic imbalances among ethnic groups and between the urban and rural areas, which need to be reduced further. Efforts to alleviate poverty and restructure society will need to be continued and sustained for the attainment of national unity.