

## CHAPTER IX

# Poverty Eradication and Racial Economic Balance

### I. INTRODUCTION

483. Current socio-economic imbalances among income and racial groups and regions in the country are wide. The New Economic Policy (NEP) sets out not merely to ameliorate their consequences but to remove root causes. The goal is that within a generation the foundations of a just social and economic system would have been laid transcending racial lines.

484. In the attainment of this goal, nothing short of intense, sustained and patient effort will do. This is mandatory for, together with national security and integrity, the long-run destiny of individual Malaysians and the nation itself depends fundamentally on economic development with social justice.

485. With the inauguration of the NEP in 1970, the commitment of the nation to these objectives took strong and explicit form. This Chapter reviews the state of the imbalances as they existed at the commencement of the SMP; evaluates the progress which has been attained and the problems encountered in dealing with them; and sets out the targets for the TMP together with their policy and programme content. The two prongs of the NEP are dealt with *in seriatim* hereunder.

### II. STATISTICAL BASE OF POVERTY ESTIMATES

486. Comprehensive information on household income is available only for Peninsular Malaysia. The quantitative estimates hereunder of the poverty problem, therefore, pertain only to conditions in Peninsular Malaysia. Estimates in respect of Sabah and Sarawak will be presented later on the basis of a major survey to be initiated in the latter part of 1976.

487. The basic source of information on the major dimensions of poverty in Peninsular Malaysia in 1970 was the Post-Enumeration Survey (PES)<sup>1</sup> of the 1970 Population Census conducted by the Department of Statistics. This was further supplemented by socio-economic surveys on specific poverty groups undertaken by a number of Departments in the Government including the Ministries of Agriculture, Labour and Manpower and Housing and Village Development. Even then, major information gaps still exist in some cases because of limitations of coverage. Accordingly, the estimates of poverty incidence and the number of households involved cannot be taken as precise estimates of the dimensions of the problem. Complemented, however, with other information, the indicative estimates obtained provided broad orders of magnitude sufficient for the formulation of general poverty redressal policies and the implementation of measures to raise the productivity and incomes of those groups.

488. Data constraints were far more severe in the case of Sabah and Sarawak and did not permit even broad estimates to be attempted, although more general information clearly indicates the existence of a high incidence of poverty in the two States. In the continuing endeavour to assemble all information necessary for the effective design and implementation of poverty redressal programmes, a *National Agricultural Census* will be carried out in 1977. This will be further supplemented by continuing work on socio-economic indicators as well as detailed, localized socio-economic surveys in both the rural and urban areas of the country.

### III. INCIDENCE OF POVERTY, 1970

489. The fact of poverty is self-evident and is seen in deficiencies in absolute standards of living in terms of caloric intake and nutrition levels, clothing, sanitation, health, education and other socio-economic variables. As these deficiencies are reflected to a large extent in income levels, poverty in the country has been measured by comparing absolute levels of household income with the income required for minimum subsistence or what may be termed a *poverty line income*. This income takes account of minimum nutritional and other non-food requirements of each household to sustain a decent standard of living. This definition, however, does not take account of the significant contributions made by services and facilities provided by the Government to the real income of the household.

490. The PES of the 1970 Population Census contains the most comprehensive information so far on incomes in the country. It reveals, as shown in Table 9-1, that as much as 49.3% of all households in Peninsular Malaysia received incomes less than the poverty line in 1970. Out of a population of

<sup>1</sup> The Survey covered a nationally representative sample of about 25,000 households in Peninsular Malaysia and obtained income information (both cash and in kind) for all members of the households covered.

TABLE 9-1

## PENINSULAR MALAYSIA: NUMBER OF POOR HOUSEHOLDS, 1970

	<i>Total</i>			<i>Rural</i>			<i>Urban</i>		
	<i>Total households (000)</i>	<i>Total poor households (000)</i>	<i>Poverty (%)<sup>2</sup></i>	<i>Total households (000)</i>	<i>Total poor households (000)</i>	<i>Poverty (%)<sup>2</sup></i>	<i>Total households (000)</i>	<i>Total poor households (000)</i>	<i>Poverty (%)<sup>2</sup></i>
Agriculture.. ..	852.9	582.4	68.3	816.2	560.2	68.6	36.7	22.2	60.5
Mining .. ..	32.4	11.1	34.3	27.0	9.3	34.4	5.4	1.8	33.3
Manufacturing ..	150.2	48.5	32.3	66.2	28.8	43.5	84.0	19.7	23.4
Construction ..	35.0	12.8	36.6	15.5	6.9	44.5	19.5	5.9	30.2
Utilities .. ..	12.8	4.7	36.7	5.6	2.3	41.1	7.2	2.4	33.3
Commerce .. ..	162.3	49.2	30.3	74.1	30.8	41.6	88.2	18.4	20.9
Transport .. ..	61.3	22.4	36.5	26.1	11.7	44.8	35.2	10.7	30.4
Services .. ..	299.1	60.7	20.3	136.0	33.7	24.8	163.1	27.0	16.6
<b>TOTAL ..</b>	<b>1,606.0</b>	<b>791.8</b>	<b>49.3</b>	<b>1,166.7</b>	<b>683.7</b>	<b>58.6</b>	<b>439.3</b>	<b>108.1</b>	<b>24.6</b>

<sup>2</sup> (%) refers to the percentage of poor households in the total.

1.6 million households, therefore, some 792,000 were poor. The bulk of these was in the rural areas with rural households numbering 684,000 (86% of all households in poverty) and urban households amounting to 108,000 (14%).

491. Some 74% of the poor earned their livelihood from agriculture and the processing of agricultural products—the majority of whom were small farmers and agricultural labourers (including estate workers). Those located in the rural areas but employed outside agriculture were mainly small traders and artisans and constituted 16% of all the poor and 18% of the rural poor. Thus, the incidence of poverty was the highest in agriculture (68%) with all other sectors in the economy showing much lower incidences ranging between 20% to 40%. While all groups in poverty will receive the close attention of the Government, it is clear that poverty redressal programmes must give emphasis to improving the income opportunities and social amenities for those in agriculture in the rural areas.

492. By occupational characteristics, a predominant part of the poor earned their livelihood from self-employment rather than wage employment. In agriculture itself, farmers on own-account appeared to have a higher incidence of poverty than farm workers as shown in Table 9-2. As such, the poverty redressal efforts of the Government will continue to stress the improvement of productivity in existing occupations as well as the expansion of employment opportunities to reduce underemployment.

TABLE 9-2

**PENINSULAR MALAYSIA: INCIDENCE OF POVERTY BY  
CHARACTERISTICS OF HEADS OF HOUSEHOLDS<sup>3</sup>, 1970**

<i>Occupation</i>	<i>Total</i>	<i>Rural</i>	<i>Urban</i>
Farmers ... ..	76.4	77.0	57.3
Farm workers ... ..	63.8	64.7	47.9
Production ... ..	36.0	42.5	27.8
Sales ... ..	30.5	41.1	19.6
Services ... ..	27.0	30.5	23.6
Professional/technical ... ..	10.6	14.6	6.0
Administrative/managerial ... ..	9.5	15.4	2.4
Clerical ... ..	10.7	14.2	8.5
All occupations ... ..	49.3	58.6	24.6
<i>Education</i>			
None ... ..	62.3	69.4	37.0
Some primary ... ..	53.7	60.9	32.5
Completed primary ... ..	47.7	54.6	26.3
Lower secondary (Forms 1-3) ... ..	19.0	25.5	12.4
Some upper secondary ... ..	7.6	8.7	6.4
Completed school certificate or higher ... ..	3.3	4.1	2.8
All education levels ... ..	49.3	58.6	24.6

<sup>3</sup> The percentages for each characteristic refer to varying numbers of households in the sample for which information on sector or occupation or education was available.

493. A key element in the attack on poverty will be to enlarge the access of the poor to productive assets, essential production inputs, training, credit, processing and marketing facilities and basic social services. The problems of limited land on which the poor operate will be examined in Section IV below. Table 9-2 reflects the relative lack of education among the poor and points to the vital role of education in the alleviation of poverty. It is seen that the incidence of poverty declines continuously with additional education from 50% to 60% for those with no schooling or incomplete primary education to about 19% for those with lower secondary education and about 3% for those who have completed upper secondary education.

#### IV. POVERTY GROUPS

494. The incidence, characteristics and causes of poverty vary widely among different socio-economic groups in the country. While the incidence of poverty among different sectoral groups in urban areas is fairly low, it differs widely in the rural areas as shown in Table 9-3.

495. In 1970, the two largest groups in poverty in the rural areas were rubber smallholders, who accounted for 226,000 households or 29% of the total in poverty and padi cultivators who made up 123,000 households or 16%. Three smaller groups were estate workers (about 60,000), fishermen (28,000) and coconut smallholders (17,000). The remainder of the rural poor

TABLE 9-3

**PENINSULAR MALAYSIA: NUMBER OF POOR HOUSEHOLDS<sup>4</sup>  
BY SECTOR, 1970-80**

	1970			1975			1980					
	Total household-holds (000)	Incidence of poverty (%) <sup>5</sup>	Percentage among poor	Total household-holds (000)	Incidence of poverty (%) <sup>5</sup>	Percentage among poor	Total household-holds (000)	Incidence of poverty (%) <sup>5</sup>	Percentage among poor			
<b>AGRICULTURE</b>												
Rubber smallholders .. .. .	350.0	226.4	64.7	28.6	396.3	233.8	59.0	28.0	423.4	169.4	40.0	22.0
Oil palm smallholders .. .. .	6.6	2.0	30.3	0.3	9.9	0.9	9.1	0.1	24.5	2.0	8.2	0.3
Coconut smallholders .. .. .	32.0	16.9	52.8	2.1	34.4	17.5	50.9	2.1	34.0	16.0	47.1	2.1
Padi farmers .. .. .	140.0	123.4	88.1	15.6	148.5	114.3	77.0	13.7	150.1	109.6	73.0	14.2
Other agriculture .. .. .	137.5	126.2	91.8	16.0	157.4	124.1	78.8	14.9	171.5	110.3	64.3	14.4
Fishermen .. .. .	38.4	28.1	73.2	3.5	41.6	26.2	63.0	3.1	42.5	22.1	52.0	2.9
Estate workers .. .. .	148.4	59.4	40.1	7.5	127.0	59.7	47.0	7.1	111.5	42.4	38.0	5.5
Agricultural total .. .. .	852.9	582.4	68.3	73.6	915.1	576.5	63.0	69.0	957.5	471.8	49.3	61.4
<b>NON-AGRICULTURE</b>												
Mining .. .. .	32.4	11.1	34.3	1.4	31.8	10.1	31.8	1.2	32.4	9.6	29.6	1.3
Manufacturing .. .. .	150.2	48.5	32.3	6.1	206.9	59.6	28.8	7.1	299.3	75.2	25.1	9.8
Construction .. .. .	35.0	12.8	36.6	1.6	44.0	13.4	30.5	1.6	56.0	14.5	25.9	1.9
Utilities .. .. .	12.8	4.7	36.7	0.6	16.4	4.8	29.3	0.6	20.5	4.8	23.4	0.6
Commerce .. .. .	162.3	49.2	30.3	6.2	209.4	55.6	26.6	6.7	265.1	60.9	23.0	7.9
Transport .. .. .	61.3	22.4	36.5	2.8	91.7	24.2	26.4	2.9	115.9	29.5	25.5	3.8
Services .. .. .	299.1	60.7	20.3	7.7	386.1	90.9	23.5	10.9	523.8	102.0	19.5	13.3
Non-agricultural total .. .. .	753.1	209.4	27.8	26.4	986.4	258.6	26.2	31.0	1,313.0	296.5	22.6	38.6
<b>TOTAL</b> .. .. .	<b>1,606.0</b>	<b>791.8</b>	<b>49.3</b>	<b>100.0</b>	<b>1,901.5</b>	<b>835.1</b>	<b>43.9</b>	<b>100.0</b>	<b>2,270.5</b>	<b>768.3</b>	<b>33.8</b>	<b>100.0</b>

<sup>4</sup> Two target groups namely, residents of New Villages and agricultural labourers are included among these households, especially in other agriculture, rubber and padi.

<sup>5</sup> (%) refers to the percentage of poor households in the total.

were engaged in mixed agriculture (126,000), manufacturing industry and services (124,000). Straddling the various sectors of the rural economy are New Village residents and agricultural labourers (excluding estate workers)—about 85,000 and 115,000 households respectively were poor. The *Orang Asli* are another poverty group numbering about 53,000 people.

496. The highest incidences of poverty were registered by agricultural labourers (92%) and padi cultivators (88%). While the incidence of poverty among fishermen was also high (73%), it was particularly marked on the East Coast of Peninsular Malaysia (95%) compared to the West Coast (50%). The relative incidence of poverty was somewhat more moderate among rubber smallholders (65%), coconut smallholders (53%) and New Village residents (58%). At the lower end of the scale were estate workers (40%) and oil palm smallholders (30%).

#### **Rubber smallholders**

497. Smallholder rubber, by far the most important form of agriculture in Peninsular Malaysia, occupied about 2.7 million acres in 1970. This acreage was cultivated by some 350,000 smallholders, mainly the Malays but also including the Chinese and Indians. The average annual yield was about 670 lbs. per acre<sup>6</sup> compared with about 1,020 lbs. per acre for estates. While the average-sized holding was seven acres, land holdings with less than five and ten acres constituted as much as 45% and 90% respectively of the total.

498. Taking account of income from sources other than rubber, the overall incidence of poverty of 65% in this sector was made up of 41% for owners with high-yielding material and 59% for those with low-yielding material, with the largest number concentrated in Johor, Kelantan, Trengganu and Perak. Apart from low yields, inadequate-sized holdings was a major factor accounting for poverty in the sector. About 50% of all holdings were smaller than 4-5 acres in size—the acreage of a high yielding holding needed for a family to rise above the poverty line.

#### **Padi farmers**

499. *Padi*, the second most important smallholder crop, covered 940,000 acres involving 300,000 farmers. About 140,000 of these specialized in padi cultivation in the sense that three-fourths or more of their farm acreage was in padi. The incidence of poverty was a high 88% due to the small size of holdings, prevalence of tenancy, lack of drainage and irrigation facilities particularly for double-cropping and low yields. About 55% of all holdings were less than three acres; 80% were less than five acres. In comparison, an owner-operated double-cropped holding of about, three to four acres is needed if a poverty line income is to be earned. Taking

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<sup>6</sup> Excludes the Federal Land Development Authority (FELDA) schemes.

account of other sources of income, the incidence of poverty was an estimated 70% for double-crop owners; 84% for double-crop tenants; 94% for single-crop owners; and 99% for single-crop tenants. The bulk of these households was in Kedah, Perlis, Perak, Kelantan and Trengganu.

#### **Coconut smallholders**

500. Out of an estimated total of 70,000-80,000 coconut smallholders, about 32,000 devoted more than three-quarters of their acreage to coconut cultivation. In respect of the latter, about 45% of the holdings were less than 6.5 acres and 80% less than 15 acres. While the overall incidence of poverty was 53% as of 1970, the percentage of poor households was lowest in Selangor and Perak (where a large number of holdings were interplanted with cocoa), somewhat higher in Johor and highest in Kelantan. The largest number of poor coconut smallholders was located in Johor and Kelantan.

#### **Fishermen**

501. Households for which fishing provided the principal source of livelihood were about equally divided between the West and East Coasts of Peninsular Malaysia, and, in total, numbered about 38,000 in 1970. Whereas households in the East Coast are mainly Malays, two-thirds on the West Coast are Chinese. An estimated 28,000 households were below the poverty line—19,000 on the East Coast and 9,000 on the West Coast. In comparison to the overall poverty incidence of 73%, a high rate of 95% characterized the situation on the East Coast with the West Coast registering a lower degree of poverty. With off-shore and trawler fishing fairly well advanced on the West Coast, fish output has been rising steadily in contrast to the East Coast where the catch has stagnated since 1968. A further factor affecting income generation is the monsoons. Fishing on the East Coast must be largely suspended between November and January while fishing grounds on the West Coast are relatively sheltered and permit year-round fishing.

#### **Estate workers**

502. There were about 250,000 estate workers in 150,000 households in 1970—45% of whom were Indian, 32% Malay and 22% Chinese. About 60% of these workers earned monthly cash incomes of \$100-\$120, excluding housing and fringe benefits, with 20% earning less than this and the remaining 20%, more. The wage agreements between the National Union of Plantation Workers and the Malayan Agricultural Producers Association covered only about one-half of all estate workers.

503. The percentage of households in poverty in this category was an estimated 40%. These were mainly single wage-earner families (in comparison with the typical household which had 1.7 workers) or two

low-wage workers in large families. They were largely families of Indian workers on rubber estates who had lost their jobs or were underemployed in view of declining acreage and increases in labour productivity for the sector as a whole.

#### **Residents of New Villages**

504. On the basis of the 1970 Population Census, there were about 465 New Villages with a total population of just over one million in 146,000 households. Almost entirely Chinese, about 60% of the villages containing three-quarters of the entire population of New Village residents were located in Perak, Selangor and Johor. These villages may be classified into three categories: urbanized villages or those located near urban areas; readily accessible villages; and small remote villages.

505. The incidence of poverty for the group was an estimated 58% but varied significantly between the three categories. About one-half of those employed in the first two categories were employed as contract labourers in nearby estates or were self-employed in market gardening, padi, rubber and livestock. The remainder had businesses of their own or found wage employment in nearby towns. Households earning a monthly cash income of \$200 or less made up about 50%-60% of those in the first two categories. In contrast, those earning below \$200 a month constituted almost 80% of the population in the third category. Predominantly agricultural, a major problem continues to be the small size of land holding per family and insecurity of tenure.

#### **Agricultural labourers**

506. Apart from estate workers, there is a large class of agricultural labourers who obtain wage employment in the larger rubber and coconut smallholdings and find seasonal employment in padi and mixed agriculture. Adequate information on these groups is lacking. *Prima facie* evidence indicates that while many rent or own small pieces of land, the size of holdings is too small to help generate income levels sufficient to yield a poverty line income. The incidence of poverty is thus estimated to have been high, probably of the order of 90% or more. The present requirement for employers to provide basic amenities for estate labour does not cover this group.

#### **Urban groups in poverty**

507. There were 439,000 households in urban areas in 1970 according to the 1970 Population Census. At least 108,000 households (25%) were estimated to have been in absolute poverty considering urban-rural differentials in the cost of living. Against this, it must be noted that services and facilities provided by the Government are more readily available in the urban compared to the rural areas.



508. With an average-sized urban household of 5.8 members compared to 5.4 in the rural areas, unemployment of individual household members in the labour force was a major reason for poverty in the urban areas. This is in contrast to the rural areas where underemployment is a major contributory factor to low household income, although urban underemployment is an increasingly serious problem in the services sector.

509. The urban poor were found across the range of secondary and tertiary activities in both the formal and informal sectors of the economy. Their ranks continue to increase with migrants from the rural areas who now form a sizeable part of the urban poor. In terms of the sectoral distribution of poor urban households, the largest number was located in the services sector (26,000), followed by manufacturing (18,000) and trade (17,000).

510. As in the case of the rural poor, households in poverty in the urban areas, in particular in squatter settlements, have insufficient access to basic services necessary for an adequate quality of life, including potable water, electricity and sanitation and lack security of tenure. In the Federal Territory itself, it is estimated that there are some 39,000 squatter families or more than one-quarter the total population in the area—45% of whom are Malays, 45% Chinese and 10% Indians. A large portion of the poor also do not have adequate housing and infrastructure services especially good sanitation while the present public transport system severely restricts the access of the poor to employment opportunities.

#### **Poverty in Sabah and Sarawak**

511. Evaluation of the quantitative dimensions of poverty in Sabah and Sarawak is hampered by lack of statistical information. *Prima facie* evidence suggests, however, that while the absolute number of households in poverty in these two States is much less than in Peninsular Malaysia, the incidence of poverty is much higher. This is due in the main to the significantly larger proportion of the population in agriculture which is characterized by lower yields than those found in Peninsular Malaysia.

512. In Sabah and Sarawak, about 59% and 57% respectively of the total labour force were employed in agriculture (including forestry, hunting and fishing). The indigenous communities were concentrated in agriculture. Of all indigenous labour, 60% and 78% respectively were in agriculture. They formed 80% and 90% respectively of total agricultural employment in the two States. In Sabah, an estimated 80% of the agricultural labour force were smallholder farmers with some 60% of the total being padi growers. In Sarawak, most of the labour force in agriculture were engaged as subsistence padi smallholders.

513. The following comparative yield figures indicate the extent of poverty in the two States among padi cultivators relative to the position in Peninsular Malaysia.

TABLE 9-4

## PADI YIELD PER ACRE, 1972

(in gantang)<sup>7</sup>

			<i>Peninsular Malaysia</i>		<i>Sabah</i>		<i>Sarawak</i>
Wet padi	...	...	687	...	390	...	412
Dry padi	...	...	302	...	161	...	174

<sup>7</sup> 1 gantang of padi = 1.65 kilos.

514. A very large part of padi production in Sarawak and to a lesser extent in Sabah is hill (or dry) padi grown as a subsistence crop by shifting cultivators. In 1971-72, hill padi accounted for about 59% and 25% respectively of the total acreage devoted to padi cultivation in Sarawak and Sabah. Even under the best of circumstances, hill padi yields are much lower than wet padi. This differential has further widened in the recent past with population pressure and the diminishing availability of new accessible land causing the fallow period for land under shifting cultivation to be reduced. The incidence of poverty among padi cultivators, particularly the indigenous people engaged in shifting cultivation, clearly continues to be high.

515. Rubber is the next most important agricultural smallholder crop in Sabah and is generally grown in mixed farms with padi and other subsistence crops. About 20% of the agricultural population were engaged in rubber production in 1970 of whom 70% comprised the indigenous people. Rubber production is much less important in Sarawak. In both States, production varies from year-to-year according to price levels and yields are significantly lower than in Peninsular Malaysia (600 and 330 lbs./acre in Sabah and Sarawak respectively compared to about 670 lbs./acre in Peninsular Malaysia on smallholdings in 1970). Again, the evidence shows that the incidence of poverty is much higher than in Peninsular Malaysia.

516. While the timber and more recently copper and petroleum industries in Sabah and Sarawak are significant sources of economic activity, they accounted for only 6% and 3% respectively of the labour force in 1970. The dualistic nature of the economies of the two States accounts for the substantial income disparity between the indigenous community and the rest of the population. Although statistics on the distribution of income are not available for the two States, the degree of inequality is certainly much higher than in Peninsular Malaysia.

517. A fundamental requirement in poverty redressal in both these States is the reduction of the incidence of poverty among shifting cultivators. Together with new land development providing for permanent settlement, the attractiveness of which appears somewhat limited thus far in view of the strong cultural and social roots of shifting cultivators, efforts will be stepped up to improve the productivity of shifting cultivators through extension services, input supplies and diversification of cropping patterns.

518. The urban poor in the two States comprised mainly wage earners in the services and transport sectors. Self-employment in the traditional sectors, especially in petty trading, in the urban areas is another major occupation for the urban poor. In Sabah, the problem of urban poverty has been exacerbated by the recent influx of Filipinos. In Sarawak, a Family Budget Survey in 1967/68 reported that about 51% of urban families were drawing incomes below \$300 per month with average monthly *per capita* income amounting to about \$48. A major requirement for improving their socio-economic position is to increase their productivity and widen their access to basic amenities.

#### **V. PROGRESS, 1971-75 AND TARGETS, 1976-80**

519. Accelerated economic growth has an important role to play in poverty eradication as the benefits of an expanding economy spread to the poor. By itself, however, economic growth can significantly improve the economic position of the poor only if it concomitantly provides them with access to and benefits from productive assets, training and basic services. The poverty redressal policies and programmes of the Government embodied in the NEP therefore aim at ensuring that such access is provided in the shortest time possible, on the basis of the resources generated by economic growth, so that the poor in all groups and regions of the country have the opportunities to more fully participate in and benefit from the process of economic growth.

520. As such, the rural poverty redressal strategies of the Government will continue to emphasize the provision of land, water, credit, extension services, processing and marketing facilities to the rural poor. In the process, a widening of their sources of income will also be encouraged through the promotion of mixed farming. To the extent that basic social services are inadequate or unavailable in the rural areas, their provision will also be given priority in order that progressive improvements may be made in the quality of rural life. The urban poverty redressal strategies of the Government necessarily take a different form in view of the greater linkages which exist between the traditional and modern sectors of the urban economy. Thus, the urban poor can be expected to benefit more directly from the process of economic growth. It will be the task of Government policy to more fully develop the potential of these linkages, apart from ensuring that the urban poor have ready access to basic services including housing and transportation.

#### **Redressal of rural poverty**

521. The principal elements of the Government's strategy for the redressal of rural poverty under the SMP comprised the acceleration of agricultural development on existing traditional smallholder farms; and the opening up, development and settlement of new land not only to provide employment for new entrants into the labour force but also for those with

inadequate-sized holdings thus helping to alleviate underemployment in the traditional smallholder sector. Each of these two broad objectives accounted for about one-half of total public development expenditure for agriculture during 1971-75. Over one million acres were opened up during the period. The predominant contribution was that of FELDA with about 412,000 acres or 41% of the total acreage developed. FELDA was able to resettle some 13,800 families during 1971-75. The private sector accounted for 14% of all land developed.

522. Programmes geared to improve existing smallholder agriculture covered some 864,000 acres or 10% of Malaysia's agricultural land during the SMP period. They included programmes for the replanting of rubber, pineapple, coconuts and pepper on 590,000 acres; crop diversification over 275,000 acres; and the completion of the Muda, Kemubu and other drainage and irrigation schemes which raised padi production in Peninsular Malaysia by some 25% between 1970 and 1975. New land development together with productivity improvements on existing agricultural holdings enabled smallholder agricultural production to increase by 6.6% per annum during 1971-75.

523. The programmes under the TMP will provide an even sharper focus to the needs of the rural poor in all poverty groups in Peninsular Malaysia, Sabah and Sarawak. Out of the total allocation of \$4.74 billion for the agricultural sector, 42.4% will be allocated for land development and 57.6% for the improvement of existing agriculture and the provision of related services. Together with 260,000 acres of new land targeted for private sector development, through joint-ventures with State agencies, the total area to be opened up for agricultural development is one million acres, of which FELDA will account for 35% and the State land development agencies of Sabah and Sarawak for 14%. The settlement target during the Plan period is 60,000 families taking into account the new land opened during the period of the SMP.

524. The target acreage for *in situ* development programmes is 1.7 million acres or double that under the SMP. The thrust of these programmes will be to increase their direct social and economic impact on the poor. To this end, the concept and practice of *integrated rural development* will be stressed under which land improvement, irrigation, infrastructure expansion, processing, marketing, the supply of credit and essential farm inputs like improved seed and fertilizer and the provision of basic social services including health and education will be developed as package programmes designed to provide broad-based improvements in the standard of living of the rural poor. The aim will be to introduce improvements at a progressive pace at moderate cost per beneficiary in order to cover a wide cross-section of the rural poor.

525. The co-operative movement will play an important role in mobilizing capital as well as getting the people organized for the common objective of improving their socio-economic position. Government efforts will be directed

towards amalgamating small co-operatives into stronger and more viable economic units not only to enhance their capacity to actively participate in the economic development of the country but also to enable Government assistance to be channelled in an integrated manner.

526. As a form of business organization, the movement enables participation even by small investors. By the end of the SMP period, the movement covered a membership of one million and mobilized capital amounting to about \$300 million. Apart from farming and fishing, it has now ventured into various economic activities such as insurance, housing, land development, credit and banking, transport and consumer supply. Under the strategy of amalgamation, Government efforts during the TMP will be directed towards generating greater accumulation of capital especially among the farmers and fishermen through their respective co-operatives.

527. Important as *in situ* agricultural development is for alleviating rural poverty, the extent of the problem requires the accelerated creation of alternative and higher income opportunities. In this regard, the development of new land areas for agriculture and settlement has a crucial role to play by providing employment opportunities and enabling the excess labour in depressed areas to move from traditional into modern agricultural activities. Therefore, the Government through FELDA will continue to give major attention to new land development. The potential impact of this programme will be more fully exploited by making innovations which reduce costs, extend its coverage to a larger number of settlers and encourage a greater degree of flexibility and self-reliance on the part of settlers.

528. Initial analysis of the changes which have been brought about in the incidence of poverty by major rural groups in Peninsular Malaysia during 1971-75, as well as the prospects for 1976-80, indicate that the proportion of rural households in poverty has fallen since 1970 and can be expected to fall further by 1980 as shown in Table 9-3. The factors contributing to these changes may be classified into four categories: the impact of Government programmes in expanding the productive base of the poverty group concerned through, for example, new land development, replanting and rehabilitation and drainage and irrigation; the income effects of rising yields brought about by improvements in farm practices; the impact of changes in the relative prices of commodities produced and inputs used; and the effect of rural price trends on the cost of living. While such an evaluation has been practicable for rubber smallholders, padi cultivators, coconut smallholders, fishermen and estate workers, only qualitative inferences were possible in the case of New Village residents and agricultural labourers because of the lack of information on the sectoral and occupational distribution of these latter groups.

#### **Rubber smallholders**

529. The replanting of existing rubber land with more productive material will continue to receive priority in the alleviation of poverty among rubber smallholders throughout the country. Under the SMP, a total of 412,000

acres were replanted. The target under the TMP is 450,000 acres with far greater attention being given to the needs of those smallholders whose size of holdings is below that required to lift them out of poverty. To this end, programmes for the rehabilitation and consolidation of inadequate-sized holdings combined with the settlement of underemployed smallholders in new public land development schemes will be stressed.

530. The improvement of crop husbandry and tapping techniques as well as the expansion of processing facilities and marketing outlets through Smallholder Development Centres and the Malaysian Rubber Development Corporation (MARDEC) will continue to be pursued. The allocation of development expenditure for these purposes will be \$141.5 million or more than double the allocation under the SMP.

531. These efforts in combination with yield gains generated by a more productive age-structure of trees on smallholder planted acreage raised the real output of poor households by 31% during the five-year period. While these gains were associated with favourable rubber prices in 1973 and the first half of 1974, the overall gain was not as significant for the five-year period as a whole in the light of falling rubber prices in 1975 as well as the rise of input costs and rural consumer prices throughout the period. On the whole, the incidence of poverty fell from 65% in 1970 to 59% in 1975 although the number in poverty increased by some 7,400 due to increases in the absolute number of households in the rubber sector.

532. As acreages replanted and newplanted during 1971-75 come into production and as smallholders benefit from improvements in farm practices, processing and marketing, production will increase by 5.9% per annum during 1976-80. With favourable price trends forecast for the period in respect of rubber itself as well as farm inputs and consumer needs, the prospects are good for significant reductions in both the incidence of poverty and in the absolute number of poor rubber smallholder households by 1980.

#### **Padi cultivators**

533. The welfare of padi cultivators is considered to have improved during 1971-75. The area covered by irrigation facilities which has been planted with off-season padi expanded from 326,000 acres in 1970 to 527,000 acres in 1975—raising the proportion of double-croppers among padi households from two-fifths to over two-thirds.

534. Equally important was the favourable effect of increases in the Government purchase price of padi on the incomes of padi cultivators. The increase in the purchase price of 75% between 1970 and 1975 more than compensated for the increased costs of inputs and essential household budget needs. As a result, the incidence of poverty in the padi sector in Peninsular Malaysia dropped by 11 percentage points in 1975 from a high of 88% in 1970 while the number of households in poverty was reduced by over 9,000.

535. More modest improvements may however only be possible in the period of the TMP involving further reductions in the incidence of poverty but there will be some increase in the absolute number of poor households. In view of the continuing seriousness in the extent of poverty in the group, the Government will closely monitor price developments with a view to bringing about such changes in the domestic price of rice as may be necessary to protect the income position of padi cultivators without, however, serious adverse effects on the cost of living of the poor in other groups in society.

536. At the same time, all further opportunities, although limited, for the introduction of irrigation facilities for double-cropping will be exploited; off-season cropping on present single-cropped padi areas which contain the poorest among the poor in padi cultivation will be actively promoted; and yields which hitherto have shown only modest increases will be improved through wider dissemination of higher yielding varieties, greater availability and more effective use of fertilizers, pest control, improved drainage and water distribution, farm mechanization and better drying, milling and storage facilities. Even with maximum implementation of all such measures, there will remain a sizeable number of poor farmers whose welfare could only be improved through measures designed to increase the size of their holdings. To this end, the settlement of excess labour from poor padi areas on new public land development schemes will be encouraged to enable redistribution and consolidation of existing holdings. A socio-economic survey to assess the feasibility of land redistribution and consolidation is currently underway in the Kemubu area.

#### **Coconut smallholders**

537. The reduction in the incidence of poverty among coconut smallholders during 1971-75 was largely the result of the replanting and rehabilitation of old coconut stands and their inter-cropping with cocoa, mainly in Selangor and Perak; and pineapples and coffee mainly in Perak and Johor. Inter-cropping with cocoa shows considerable promise for more than doubling income per acre. Under the TMP, such inter-cropping will be actively promoted wherever possible in combination with the introduction of new higher yielding hybrids and the rearing of livestock. The most serious challenge will be the development of suitable inter-crops for Kelantan which contains the highest incidence of poverty and where soil conditions do not permit the cultivation of presently known remunerative supplementary crops.

#### **Fishermen**

538. The major reduction in the incidence of poverty among fishermen took place on the West Coast of Peninsular Malaysia where boat mechanization, off-shore fishing and commercial operations advanced. In consequence, the percentage of poor households fell from 50% in 1970 to 32% in 1975 in contrast with the East Coast of Peninsular Malaysia, Sabah and Sarawak where progress was only marginal. On the East Coast of Peninsular Malaysia, the incidence of poverty remained at a high level of 90%. As such, the major part of Government's efforts for the fishing industry will be directed towards

these regions during the TMP. Government programmes aimed at upgrading the productivity of traditional inshore fishermen will receive greater emphasis through the subsidized distribution of boats, engines, nets and gear and the provision of credit and improved marketing. There are limits, however, to income increases from such improvements in productivity in the West Coast as inshore areas are fished more intensively. While commercial off-shore fishing will offer higher income opportunities to some, a significant number will need to be encouraged and assisted to branch out into alternative occupations, in particular, settlement on new public land development schemes. The Rasau-Kerteh FELDA scheme in Trengganu is one such scheme. Vocational training for youth in this group will be provided to prepare them for employment in more productive occupations.

#### **Estate workers**

539. The incidence of poverty among estate workers is estimated to have increased during 1971-75. With a predominant number of these workers employed on rubber estates, the rise in the incidence of poverty was due to the slower growth of rubber prices to which wages are tied (1.8% per annum) relative to significant rises in the consumer price index (7.3% per annum) as well as retrenchment arising from the conversion of rubber estates into oil palm. The prospects for a reduction in the incidence of poverty among these households between 1975 and 1980 are, however, good in light of the more favourable price trends which are expected during the next five years.

540. It was previously noted that households in poverty in this sector appear to be mainly those which are one-earner households in comparison with the average of 1.7 earners per family. Such underemployment of labour, evidently most pronounced among Indian households, will be alleviated through the accommodation of some part of this excess labour on new public land development schemes and the extension of vocational training opportunities for youth in these families to prepare them for more effective participation in agriculture and industry. The co-operative movement will also be given encouragement to enable savings to be pooled and entrepreneurship developed.

541. Particular attention will be paid to the provision of educational facilities, housing and basic amenities for estate workers. While employers have a responsibility to provide some of these facilities such as housing, water, lighting and medical care, their standards warrant further improvement, particularly in the smaller estates. The Government will pay increasing attention to ensuring that employers improve these facilities. Efforts will also be made to extend basic public facilities of health, piped water, electricity and transport to these estates. A Revolving Fund with an initial \$10 million has been established to finance a home ownership scheme among workers. A number of plantation managements have set aside land to construct houses for their workers using the facilities of the Revolving Fund. These measures together will make for significant improvements to the quality of life of estate families.



### **Residents of New Villages**

542. While quantitative estimates are not available, qualitative inferences are possible as to broad trends in the incidence of poverty during the last five years and the prospects for 1976-80. Residents of New Villages engaged in non-agricultural activities or self-employment in market gardening, padi, rubber and livestock can be expected to have enjoyed moderate increases of income in consonance with the growth of output and incomes in these sectors of the economy. However, those in wage employment as contract labourers in nearby estates and smallholdings are not likely to have experienced much improvement. On the whole, the prognosis is one of moderate progress in socio-economic conditions among households in New Villages. More sizeable improvements, however, can be expected for the next five years in the light of more favourable conditions envisaged for sectors in which New Village residents are employed.

543. A major effort to be undertaken by the Government in the TMP will be the development and modernization of existing New Villages on a multi-racial basis. The existing facilities for agriculture and industry, particularly small-scale industrial enterprises, as well as basic services will be extended and strengthened. The lack of land and security of tenure—the principal constraints to the advancement of New Village residents at present—will need to be overcome. It will involve expanded alienation of unencumbered land—an effort which is already underway in Perak—as well as opportunities for movement of excess labour into labour-short areas including new public land development schemes.

544. A second major problem is the low level of educational attainment of a significant number of youth in New Villages. They will be encouraged to avail themselves of the increasing opportunities being provided by the Government for vocational training including the apprenticeship of youth in industry in co-operation with the private sector.

### **Agricultural labourers**

545. As for New Village residents, quantitative estimation of changes in the incidence of poverty since 1970 among agricultural labourers is also not possible. On the basis of qualitative evidence, however, only limited improvement in economic conditions, if any, is likely to have been experienced by agricultural labourers (other than estate workers). While those engaged in padi cultivation and mixed agriculture could have benefitted from some increases in income, the conditions of those earning a livelihood as contract tappers on rubber smallholdings could have worsened.

546. While there will continue to be a need for agricultural labour, the economic future of households in this group hinges on maintaining the availability of hired labour at a level relative to demand which permits the earning of reasonable wages. To this end, a faster rate of absorption of agricultural labour into public land development schemes is necessary, giving

those who remain the opportunity to benefit from increases in the demand for agricultural labour on the larger smallholdings as productivity and production expand. Improvement in the living conditions of these households through the provision of basic public utilities will receive the attention of the Government.

#### **Orang Asli**

547. As a community, the *Orang Asli* comprise several tribal groups with a total population of about 53,000. The vast majority of them are engaged in traditional subsistence activity: shifting cultivation, hunting, fishing and the gathering of forest produce. Increasing numbers are, however, adapting to smallholder cultivation of rubber and wet padi in permanent plots while others are being employed as agricultural and forest labour. A small number are employed among the clerical and field staff of the *Jabatan Orang Asli*. The vast majority in the traditional agricultural sector are below the poverty line.

548. Government policies for the *Orang Asli* will continue to be directed towards integrating them into the mainstream of the economy. The major programmes seek to extend education and training facilities, improve health services and encourage settlement on land development schemes in reserves specially designed to accommodate the traditional way of life of the *Orang Asli*. Apart from the cultivation of rubber and coconuts, the schemes include the cultivation of short-term subsistence crops such as tapioca, bananas, vegetables and fruits as well as provide access to forested areas for hunting and the gathering of forest produce.

549. In summary, there was a moderate reduction in the incidence of poverty among agricultural households during the SMP from about 70% in 1970 to just over 60% in 1975. Most target groups experienced declines in conformity with that for the entire rural economy, although padi farmers and fishermen on the West Coast of Peninsular Malaysia experienced above average improvements while the positions of fishermen on the East Coast and estate workers appear to have worsened.

550. With the realization of Government's poverty redressal efforts initiated during 1971-75 and the projects to be implemented during the TMP, the prospects are good for further significant reductions in the incidence of poverty during the next five years. The prospects of more favourable trends in the international prices of primary commodities coupled with the expected slowdown of domestic inflation could be helpful in this regard. The incidence of poverty among padi farmers, including the shifting cultivators of Peninsular Malaysia, Sabah and Sarawak, as well as fishermen on the East Coast of Peninsular Malaysia, Sabah and Sarawak will, however, continue to be high and will thus command the special attention of the Government.

### Redressal of urban poverty

551. The problems of urban poverty are closely linked with those of the rural poor insofar as rapid growth of the urban population is exacerbated by inflows of excess labour from the rural areas in search of better employment. To the extent that new land development helps in absorbing excess rural labour as well as increases in the rural labour force, existing population pressure in the urban areas will be ameliorated. There are limits, however, to this process even in a land-rich country like Malaysia if agricultural holdings are to be expanded adequately to permit productivity to increase and thus incomes and welfare to improve to a meaningful extent. Further, it is Government's policy to promote migration to new growth centres in the interest of increasing the share of the Malays and other indigenous people in secondary and tertiary industry. Such migration will therefore continue to be a factor which has to be taken into account in the planning of urban development.

552. As such, a basic prerequisite to the redressal of urban poverty is the expansion of *productive* urban-based employment at a sufficiently rapid rate to absorb both the increasing population of the urban areas as well as the flow of the rural population into urban areas. While the number of urban families whose heads of households are unemployed is at present relatively low, the enlargement of employment opportunities for other members in the family within the labour force is essential if more poor households are to be lifted out of poverty. Equally important is the need to increase the quality of employment through reductions in underemployment which again requires that the demand for labour be progressively expanded.

553. Although historically the growth of the economy and employment was significant, it was not sufficient to produce a meaningful enough impact upon the alleviation of urban poverty. While the incidence of poverty declined in most sectors, the absolute number of non-agricultural households in poverty expanded by 23% reflecting the upsurge in the size of the urban population during the 1971-75 period. Even the expanded targets of economic growth and employment of the TMP will not be sufficient to prevent increases in the number of poor urban households during the period. The problems and prospects of these groups in society warrant concerted action.

554. The central features of Government's urban poverty redressal strategy will comprise the implementation of policies which enlarge the scope of employment for the poor and improve their access to basic public services including housing, water supply and sewerage, transportation and family planning. In the endeavour to stimulate the growth of employment and improve its quality, the provision of *tariff protection* and *fiscal* incentives will stress, *inter alia*, the development of efficient labour intensive enterprises so as to increase the direct and indirect employment absorption capacities of the industrial and construction sectors. In particular, the development of small-scale enterprises and petty trading (hawking) will be assisted with

credit, technical expertise and extension services. Not only do they tend to be relatively labour intensive, they also have significant scope for improvement of productivity through the upgrading of skills. In addition, they provide a valuable training ground for the participation of the rural labour force in urban industry and thus offer substantial scope for the creation of a more widely-based Malay commercial and industrial community. The specific measures to be taken for the purpose are described in Chapter XVII.

555. While such employment-oriented strategies will help in the alleviation of urban poverty in the short-term, their full effects will take time to mature. Programmes which benefit more directly the urban poor will therefore be required. Public policy in this regard will focus on expanding the availability and delivery of basic services to the poor at a cost which is within their means thus enhancing their quality of life apart from increasing labour productivity.

556. The programmes for the purpose fall into two groups. The first covers programmes specifically geared to alleviate the most pressing deficiencies in living conditions. To this end, about 100,000 units of low-cost housing within the means of urban households earning less than \$200 per month will be developed; several Sites and Services projects will be implemented in the fringes of urban centres. These schemes will provide new sites and services for industrial, commercial, agricultural and residential purposes with house construction involving the use of the labour of future residents themselves.

557. The second category of programmes covers those whose target population extends beyond that of the poor. With such programmes, the object will be to ensure that an adequate portion of the benefits therefrom reach the poor and have a positive impact on their living conditions. For example, the Kuala Lumpur Urban Transport Project with its emphasis on high-density public bus transport and high-occupancy private car usage has been designed to ensure that a substantial portion of the benefits of the investment would go to low income groups who depend on such transport rather than to high income private car users. Indeed, the project itself will lead to the first Sites and Services scheme under the TMP in the endeavour to ensure that the poor who would otherwise have been dislocated by road construction within the project are strategically placed to benefit from the general development of the area.

## RACIAL ECONOMIC BALANCE

### VI. RACIAL ECONOMIC DISPARITIES, 1970

558. Progress in the eradication of poverty itself will contribute substantially towards the achievement of greater economic balance among the various races in the country. The problem of poverty being concentrated in the rural areas among the Malays and other indigenous people, its redressal will progressively narrow current income imbalances between them and other Malaysians.

559. Necessary as such progress is to the rectification of existing economic imbalances, it will not, however, be sufficient in the endeavour to restructure Malaysian society so that the current identification of race with economic function may be eventually eliminated. Thus, the second prong of the NEP has as its thrust not merely the progressive reduction of income imbalances but also the restructuring of employment and ownership patterns such that within a generation all racial groups in the nation will participate in and benefit from the process of development in more approximate accordance with their representation in the population.

560. Current disparities in all these dimensions remain wide. As for the eradication of poverty, their progressive reduction will call for sustained and patient effort not merely from the Government but also from all racial groups that constitute the Malaysian people. A brief overview of the disparities at the outset of the SMP is in order.

561. One measure of the difference in income levels between racial groups in the country in 1970 is afforded by a comparison of mean household incomes in Peninsular Malaysia as shown in Table 9-5. It is seen that in comparison with a mean monthly household income of \$264 for the country as a whole, the average varies from a low of \$172 for the Malays to levels above the national average of \$304 for the Indians, \$394 for the Chinese and \$813 for other groups in the country. Reflecting differences in the incidence of poverty by race, Table 9-6 shows that of a total of 900,000 Malay households, 65% were poor. Of a total of 525,000 Chinese households, 26% were poor and among the 160,000 Indian households, 39% were poor. Taking all poor households together, the Malay accounted for 74% of the total, followed by the Chinese, 17% Indian, 8% and Others about 1%.

562. The fairly high incidence of poverty among Other households, despite the fact that the mean income for the group as a whole was the highest, illustrates the wide inequality of income distribution within the group.

TABLE 9-5

PENINSULAR MALAYSIA: MEAN HOUSEHOLD INCOMES, 1970

<i>Groups</i>					<i>Mean household income (\$ per month)</i>
Malay	..	..	..	..	172
Chinese	..	..	..	..	394
Indian	..	..	..	..	304
Others	..	..	..	..	813
<hr/>					
Rural average	..	..	..	..	200
Urban average	..	..	..	..	428
All households	..	..	..	..	264

TABLE 9-6

## PENINSULAR MALAYSIA: HOUSEHOLDS IN POVERTY BY RACE, 1970

	<i>All households (000)</i>	<i>Poor households (000)</i>	<i>Poverty incidence (%)</i>	<i>Percentage of total poor households</i>
Malay .. .. .	901.5	584.2	64.8	73.8
Chinese .. .. .	525.2	136.3	26.0	17.2
Indian .. .. .	160.5	62.9	39.2	7.9
Others .. .. .	18.8	8.4	44.8	1.1
<b>TOTAL .. .. .</b>	<b>1,606.0</b>	<b>791.8</b>	<b>49.3</b>	<b>100.0</b>
All rural .. .. .	1,166.7	683.7	58.6	86.3
All urban .. .. .	439.3	108.1	24.6	13.7

The distributions within other racial groups were much less skewed. Within each community, however, the incidence of poverty was considerably higher for rural than for urban households with the rural-urban differential being particularly large for the Malays.

563. A large part of the above differences in income levels between community groups is to be found in the distribution of their employment in the various sectors of the economy. As indicated in Table 8-2 of Chapter VIII, the Malays were concentrated in agriculture. Value added per worker in agriculture was the lowest among all sectors amounting to only \$1,914 or 40% of value added per worker in the secondary and tertiary sectors in which other community groups predominated. The Malays were even more under-represented in the relatively higher paid jobs in occupational categories such as professional and technical, administrative and managerial and clerical workers. They were mainly employed in lower income occupations within most of the sectors as shown in Table 9-7. Information on the educational attainments of the major community groups indicates the scope of education and training programmes for improving the socio-economic position of the Malays and other indigenous people.

564. A second set of factors accounting for differences in the extent of participation of the various communities in the economic life of the country is the wide inequality in the ownership and control of the existing stock of assets (including land, fixed assets and financial capital). The most up-to-date information available for Peninsular Malaysia, though not complete, indicates the extent of these disparities as shown in Table 9-8 on the ownership by racial composition of land in the modern agricultural sector; fixed assets and turnover values in a number of industries in the secondary and tertiary sectors; and the representation of the different communities in the professional services.

TABLE 9-7

PENINSULAR MALAYSIA: EMPLOYMENT BY OCCUPATION  
AND RACE, 1970

	Primary sectors <sup>8</sup>					Secondary sectors <sup>9</sup>				
	Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
Professional and technical workers (%)	1,869 55.9	816 24.4	563 16.9	94 2.8	3,342 100.0	2,609 26.0	5,413 53.9	1,577 15.7	449 4.4	10,048 100.0
Administrative and managerial workers (%)	283 19.8	1,006 70.2	115 8.0	28 2.0	1,432 100.0	1,887 14.7	9,709 75.6	829 6.4	420 3.3	12,845 100.0
Clerical workers (%)	2,531 31.0	2,936 36.0	2,644 32.4	49 0.6	8,160 100.0	14,141 32.1	21,910 49.8	7,324 16.7	625 1.4	44,000 100.0
Sales workers (%)	86 19.2	327 72.8	35 7.8	1 0.2	449 100.0	677 8.7	6,269 80.5	784 10.1	55 0.7	7,785 100.0
Agricultural workers (%)	923,580 68.9	279,480 20.8	126,267 9.4	11,710 0.9	1,341,037 100.0	1,423 45.9	1,130 36.5	521 16.8	26 0.8	3,100 100.0
Production workers (%)	9,348 43.7	6,979 32.6	5,017 23.5	43 0.2	21,387 100.0	96,283 30.5	196,165 62.0	22,985 7.3	761 0.2	316,194 100.0
Service and other workers (%)	13,404 44.4	9,355 31.0	7,359 24.4	75 0.2	30,193 100.0	56,138 33.3	94,464 53.9	17,622 10.4	604 0.4	168,828 100.0
TOTAL (%)	951,101 67.6	300,899 21.4	142,000 10.1	12,000 0.9	1,406,000 100.0	173,158 30.8	335,060 59.5	51,642 9.2	2,940 0.5	562,800 100.0

<sup>8</sup> Agriculture.<sup>9</sup> Mining, manufacturing, construction, utilities, transport and communications.

TABLE 9-7—(cont.)

PENINSULAR MALAYSIA: EMPLOYMENT BY OCCUPATION  
AND RACE, 1970

	Tertiary sector <sup>10</sup>					All sectors				
Professional and technical workers (%)	56,673 48.7	42,647 36.7	14,373 12.4	2,522 2.2	116,215 100.0	61,151 47.2	48,876 37.7	16,513 12.7	3,065 2.4	129,605 100.0
Administrative and managerial workers (%)	2,929 34.5	4,248 50.1	755 8.9	550 6.5	8,482 100.0	5,099 22.4	14,963 65.7	1,699 7.5	998 4.4	22,759 100.0
Clerical workers (%)	30,087 34.3	46,510 52.9	10,113 11.5	1,150 1.3	87,860 100.0	46,759 33.4	71,356 51.0	20,081 14.3	1,824 1.3	140,020 100.0
Sales workers (%)	74,638 24.2	198,036 64.3	34,038 11.1	1,094 0.4	367,806 100.0	75,401 23.9	204,632 64.7	34,857 11.0	1,150 0.4	316,040 100.0
Agricultural workers (%)	12,970 63.7	2,661 13.1	4,684 23.0	38 0.2	20,353 100.0	937,973 68.7	283,271 20.8	131,472 9.6	11,774 0.9	1,364,490 100.0
Production workers (%)	6,418 30.8	11,549 55.4	2,780 13.3	102 0.5	20,849 100.0	112,049 31.3	214,693 59.9	30,782 8.6	906 0.2	358,430 100.0
Service and other workers (%)	128,682 48.9	92,651 35.2	37,158 14.1	4,844 1.8	263,335 100.0	198,224 42.9	196,470 42.5	62,139 13.4	5,523 1.2	462,356 100.0
TOTAL (%)	312,397 37.9	398,302 48.3	103,901 12.6	10,300 1.2	824,900 100.0	1,436,656 51.4	1,034,261 37.0	297,543 10.7	25,240 0.9	2,793,700 100.0

<sup>10</sup> Trade, commerce, public administration and other services.



TABLE 9-8

**PENINSULAR MALAYSIA: OWNERSHIP AND PARTICIPATION<sup>11</sup>  
IN KEY SECTORS, 1972/73**  
(percentage share in each sector)

Sector	Malay	Chinese	Indian	Others <sup>12</sup>	Foreign
<i>Modern agriculture</i> <sup>13</sup> (planted acreage, 1973)					
Rubber and oil palm .. .. .	21.0	26.3	2.6	7.9	42.2
Coconut and tea .. .. .	0	19.9	10.8	0.4	68.9
<i>Industry</i> (value of fixed assets, 1972)					
Mining .. .. .	0.7	35.2	0.1	9.5	54.5
Manufacturing .. .. .	6.9	32.5	0.8	14.0	45.8
Construction .. .. .	2.4	85.6	1.4	3.8	6.8
<i>Trade</i> (turnover value, 1972)					
Wholesale .. .. .	0.8	55.0	2.7	0.6	40.9
Retail .. .. .	3.6	75.6	6.5	0.2	14.1
<i>Transport</i> (value of fixed assets, 1972)					
Taxi .. .. .	40.6	39.7	18.0	1.7	0
Bus .. .. .	18.0	54.3	1.6	16.5	9.6
Haulage .. .. .	15.3	70.6	5.2	5.8	3.1
<i>Professional establishments</i> <sup>14</sup> (annual revenue, 1973)					
.. .. .	5.3	51.0	11.4	18.4	13.9

<sup>11</sup> In corporate and non-corporate sectors. Establishments are categorized on the basis of majority ownership. Government ownership is added to the Malay category as most of it is held in trust by public enterprises and agencies. In rubber and oil palm, Government ownership, excluding FELDA, is 0.9% and manufacturing, 5.0%.

<sup>12</sup> Includes other Malaysians as well as establishments where no particular group owns more than 50% of the assets.

<sup>13</sup> Includes FELDA which had a planted acreage of 526,900 in 1973 of which 96.2% was classified as Malay-owned and the balance as non-Malay, with Chinese holding 2.1% and Indians 1.6%.

<sup>14</sup> Private establishments only. It includes doctors, dentists, lawyers, accountants, architects, engineers, surveyors and veterinary surgeons.

565. While non-Malaysians accounted for almost one-half of the ownership of planted acreage in modern agriculture and fixed assets in the industrial sector, the Chinese owned the larger part among Malaysian interests despite, in the case of agriculture, the significant contributions of the Government including FELDA in expanding land ownership among the Malays and other indigenous people. Although Malaysian ownership was more than one-half the total in most of the sectors shown in the Table above, Malay ownership was dominant only in taxi transport. As for the professional services, the Chinese were also the majority followed by Others, non-Malaysians, the Indians and the Malays in that order.

566. Imbalances were even more pronounced in the ownership of equity capital in the corporate sector of the economy. As shown in Table 9-9, the share of foreign interests was 63.3%; Malays and Malay interests only 2.4%; and other Malaysians 34.3% as of 1970 in Peninsular Malaysia. It must be emphasized that foreign ownership is marked only in the corporate sector and not in the economy as a whole. The corporate sector, as a whole, is estimated to have accounted for about 30% of total GDP.

TABLE 9-9

**PENINSULAR MALAYSIA: OWNERSHIP OF SHARE CAPITAL IN  
LIMITED COMPANIES, 1970-75**

	1970 <sup>15</sup>		1971 <sup>15</sup>		1972 <sup>15</sup>		1973 <sup>15</sup>		1974 <sup>16</sup>		1975 <sup>16</sup>		Average annual growth rate (%) 1971-75
	\$ million <sup>17</sup>	(%)	\$ million	(%)	\$ million	(%)	\$ million	(%)	\$ million	(%)	\$ million	(%)	
Malays and Malay interests	125.6	2.4	210.1	3.5	286.0	4.2	436.6	5.3	628.4	6.7	768.1	7.8	43.6
Malays <sup>18</sup>	84.4	1.6	114.5	1.9	131.1	1.9	173.8	2.1	207.4	2.2	227.1	2.3	21.9
Malay interests <sup>19</sup>	41.2	0.8	95.6	1.6	154.9	2.3	262.8	3.2	421.0	4.5	541.0	5.5	67.4
Other Malaysians	1,826.5	34.3	2,104.7	35.8	2,418.3	35.7	3,035.8	36.6	3,451.4	37.1	3,687.3	37.3	15.1
Chinese	1,450.5	27.2	1,693.7	28.8	1,935.4	28.6	2,308.9	27.8	2,626.4	28.2	2,755.9	27.9	13.7
Indians	55.9	1.1	71.7	1.2	73.3	1.1	97.4	1.2	111.3	1.2	119.2	1.2	16.3
All Others <sup>20</sup>	320.1	6.0	339.3	5.8	407.6	6.0	629.5	7.6	713.7	7.7	812.2	8.2	20.5
Foreign <sup>21</sup>	3,377.1	63.3	3,573.1	60.7	4,059.0	60.0	4,813.0	58.1	5,233.3	56.2	5,434.7	54.9	10.0
Total private sector <sup>22</sup>	5,329.2	100.0	5,887.9	100.0	6,763.3	100.0	8,285.4	100.0	9,313.0	100.0	9,890.1	100.0	13.2

<sup>15</sup> Actual.<sup>16</sup> Estimated.<sup>17</sup> Totals for 1970 differ from those presented in the SMP and its Mid-Term Review because of the reclassification of trust agencies as Malay interests and reallocation of most of the shares previously categorized as "held by other companies" to the shareholders of these "other companies".<sup>18</sup> Includes institutions channelling private Malay funds such as Amanah Saham MARA and Lembaga Urusan dan Tabung Haji.<sup>19</sup> Shares considered to be held in trust by agencies such as MARA (excluding Amanah Saham) PERNAS, UDA, SEDCS, Bank Bumiputra and Bank Pembangunan.<sup>20</sup> Includes nominee companies and third-company minority holdings.<sup>21</sup> Non-residents. Shares held by individuals and net assets, in 1970 prices, of branches of companies incorporated abroad.<sup>22</sup> Excludes the Government and its agencies except the trust agencies.

567. The overall aim of Government's strategies for the restructuring of society is the progressive attainment of balanced participation by all communities in the socio-economic life of the nation by eliminating the present identification of race with economic function. Apart from the role of poverty redressal itself in expanding opportunities for the poor, the bulk of whom are Malays and other indigenous people, the restructuring of society will be undertaken through the implementation of a wide spectrum of policies and programmes geared to ensure that all racial groups are able to find employment, secure a physical presence and acquire ownership and control in the various sectors of the economy in proportions which are consonant with the requirements of the NEP—a fundamental requirement for social justice.

568. As the Malays and other indigenous people are particularly disadvantaged at present in this regard, special policies and programmes would continue to be implemented for them. To this end, the creation of a commercial and industrial community among the Malays and other indigenous people is a vital requirement.

569. Important as are the specific measures to be taken to restructure employment and the ownership of capital, it is to be emphasized at the same time that they are but one in a wide range of policies and programmes for greater socio-economic balance in the country. As such, it is vital that they should be implemented in a manner which contributes optimally to the aims of the NEP taking into account the inter-dependence of the various policies and programmes being undertaken for the purpose. In this connection, continued rapid economic growth is a critical requirement if opportunities and resources are to be generated on a scale sufficient to bring about progressive attainment of the goals of poverty eradication and the restructuring of society. *Thus, it is important that in the implementation of the specific measures for employment and ownership restructuring, the investment climate and the prospects for overall economic growth should be strengthened for the underlying objective remains that of fair distribution through rapid economic growth so that no one will be deprived of his rights, privileges, income, job or opportunities.*

570. As explained previously, the benefits of the programmes designed to correct imbalances and restructure society within the time frame of the NEP would initially generate benefits and opportunities for other Malaysians as well. As they are at present better endowed with the necessary skills, capital and expertise, their full involvement and participation in all the programmes of the TMP can be expected. This participation is consistent with the strategy to mobilize the full potential of the local private sector to complement the efforts of the Government to achieve the objectives of the NEP.

571. In addition to benefitting from the increased pace of economic activity, there is wide scope and potential for local investors as well as foreign interests to participate in joint-ventures with the Malays and other indigenous people. Such joint-ventures will open up investment opportunities for all, as well as accelerate the integration of the Malays and other indigenous people into the mainstream of modern economic activity.

#### **VII. PROGRESS IN RESTRUCTURING, 1971-75 AND PROSPECTS, 1976-80**

572. In the light of the above, the restructuring objectives of the NEP seek to:

- (i) increase the productivity and enhance the quality of life of the rural poor through rural modernization;
- (ii) reduce, in progressive steps and through overall economic growth, current imbalances in employment so that the proportion of the various races in the major sectors of the economy would reflect the racial composition of the population by 1990;
- (iii) increase progressively and through overall growth of the economy, the share of Malaysians in the ownership of productive capital in the economy including corporate stock and in particular that of the Malays and other indigenous people who currently account for a share which is particularly low in comparison with their representation in the population; and
- (iv) ensure the creation of a commercial and industrial community among the Malays and other indigenous people in all categories and at all levels of operation in order that within one generation they will be full partners in the economic life of the nation.

573. The progress, prospects and policies in regard to the first objective above were discussed in Section V of this Chapter. The progress, prospects and policies with respect to the remaining objectives are covered hereunder, the details of which are provided in the particular chapters concerned in this Plan.

#### **Restructuring of employment**

574. With employment having grown by 3.5% per annum in Peninsular Malaysia or by 523,000 jobs for the period 1971-75, significant scope was created for restructuring the racial composition of employment. In the event, Malay employment expanded by 4.0% per annum; Chinese, 3.1%; and Indians, 2.8% as shown in Table 9-10 below. This, in turn, raised the share of Malay employment in manufacturing, construction, mining and trade from 25.3% in 1970 to 32% in 1975, while its share in agriculture remained at about the 1970 level. Although Chinese employment rose in absolute terms in these sectors, its share in percentage terms declined in all sectors except in services. The share of Indian employment rose in agriculture, mining and manufacturing but fell sharply in the utilities sector.

TABLE 9-10

PENINSULAR MALAYSIA: EMPLOYMENT BY SECTOR AND RACE,  
1970-75

Sector	Malay			Chinese			Indian			Others			Total		
	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)
Agriculture, forestry and fishing	951.1	1,032.6	1.7	300.9	317.6	1.1	142.0	170.3	3.7	12.0	13.8	2.8	1,406.0	1,534.3	1.8
Mining .. .. .	21.1	27.7	5.6	56.3	47.6	-3.3	7.2	8.0	2.1	0.7	0.4	-10.6	85.3	83.7	-0.4
Manufacturing .. .. .	76.3	120.1	9.5	172.6	217.3	4.7	14.0	24.3	11.7	1.0	1.1	1.9	263.9	362.8	6.6
Construction .. .. .	16.8	28.1	10.8	55.9	58.6	0.9	4.7	10.2	16.8	0.2	0.5	20.1	77.6	97.4	4.7
Utilities .. .. .	8.0	13.1	10.4	3.0	3.0	0	5.4	5.1	-1.1	0.2	0.2	0	16.6	21.4	5.2
Transport, storage and com- munications	50.9	76.0	8.4	47.3	60.4	5.0	20.4	23.5	2.9	0.8	1.1	6.6	119.4	161.0	6.2
Commerce .. .. .	82.5	145.2	12.0	229.1	281.8	4.2	37.5	32.3	-2.9	1.8	0.5	-22.6	350.9	459.8	5.6
Services .. .. .	229.9	302.0	5.6	169.2	217.8	5.2	66.4	68.0	0.5	8.5	9.0	1.1	474.0	596.8	4.7
TOTAL .. .. .	1,436.6	1,744.8	4.0	1,034.3	1,204.1	3.1	297.6	341.7	2.8	25.2	26.6	1.1	2,793.7	3,317.2	3.5

575. Taking account of labour force growth within each community, the unemployment rate is estimated to have fallen significantly from 8.1% in 1970 to 6.9% in 1975 for the Malays. However, in absolute terms, the number of unemployed among the Malays increased marginally from 126,400 to 128,300. The unemployment rate among the Chinese increased slightly from 7.0% in 1970 to 7.2% in 1975 with the absolute number unemployed increasing from 77,300 to 93,800. Among the Indians, the unemployment rate rose from 11.0% in 1970 to 12.2% in 1975 or from 36,800 to 47,300. It is to be noted that these estimates are only for open unemployment. Underemployment continues to be high especially in agriculture and is thus concentrated among the Malays and other indigenous people in Peninsular Malaysia, Sabah and Sarawak.

576. On the assumption that these trends continue during the next five years, the share of Malay employment in the dynamic and modern sectors of the economy will improve further. However, the share of the Chinese in agricultural activity will continue to remain substantially below the levels required if racial balance in all major sectors of the economy is to be attained by 1990. In the case of the Indians, the fundamental need would be to promote overall expansion, in absolute terms, of opportunities for employment so that by 1990 unemployment within the community would be in reasonable balance with that of other communities.

577. Corrective action will be taken to steer the growth of employment for each of the communities in such ways that the long-term objective of racial balance in employment in approximate consonance with the racial composition of the population is achieved by 1990. To this end, public policy will be guided by the following priorities.

578. Expansion of the current shares of employment of the Malays and other indigenous people in mining, manufacturing, construction and commerce from about 32% in 1975 to 50% in 1990 will require that emphasis continue to be given to the *education and training* of the community in the sciences, technology and business management. This is particularly evident when it is noted that employment of the Malays and other indigenous people is mainly concentrated at the lower levels of the occupational hierarchy. The programmes and projects for the purpose are discussed in detail in Chapter XXII.

579. Together, with these basic efforts to prepare the Malays and other indigenous people for productive participation in industry and commerce, the labour market services of the Government will continue to be operated in ways which promote their absorption into the modern sectors of the economy while investment incentives will continue to be granted on condition that the enterprises benefitting from these concessions reflect Government policy in the racial composition of their work force. Pragmatism, however, will underlie the implementation of Government's

policies in this regard. In cases where there is evidence that the participation of the Malays and other indigenous people in the degree required is not immediately feasible, the requirements of policy will be relaxed subject to fuller participation being provided for at the earliest possible opportunity.

580. As the employment of the Malays and other indigenous people in the secondary and tertiary sectors of the economy advances, it will become increasingly necessary for the Federal Government, in conjunction with the State Governments, to make available more adequate opportunities for other Malaysians, in particular the Chinese, to participate in productive agriculture. With their demonstrated interest and enterprise, especially in horticulture, there is significant scope indeed not only for the development of high-value agriculture but also the creation within the countryside of a society whose racial composition reflects that of Malaysia as a whole.

581. To this end, efforts will be made in the selection of settlers for public land development schemes, including FELDA projects, to provide for greater representation of other Malaysian households in poverty. It will be the aim of the Government to allocate an increasing number of places in such schemes for settlement by poor households among other Malaysians. It should go some way in alleviating poverty among other Malaysians households who account for about 26% of the estimated number of poor families in Peninsular Malaysia. As an effort towards this end, the feasibility of developing farm enterprise schemes will be considered in the course of the TMP. This is intended as an innovation in land development strategy to facilitate greater absorption of the population in agricultural development. Characterized by a greater measure of self-help in their development, maintenance and management and allowing for a greater variety of cropping patterns in accordance with the aptitudes and preferences of settlers, they should appeal to the poor of all racial groups who would prefer a lesser measure of central direction than is now characteristic of public land development schemes.

582. Finally, more purposeful attention will need to be given to the problem of Indian unemployment which now stands at a high 12.2% of the labour force. Apart from the expanded provision of places in tertiary educational institutions for Indian youth, especially those in the estate sector, efforts will be made to enlarge the scope for Indian employment within the public sector. Trends indicate that without such an effort, the share of Indian employment in percentage terms in the services sector where the public services now account for about 13% of all jobs, is likely to fall sizeably below the level targetted for 1990.

#### **Restructuring of ownership**

583. As the implementation of Government policies and programmes for the redressal of poverty and the creation of a commercial and industrial community among the Malays and other indigenous people gathers momentum, current imbalances in the ownership of productive assets in the

economy will narrow. Notwithstanding this, special efforts will continue to be made to restructure the ownership of share capital in the corporate sector in view of its strategic role in the economy.

584. Statistical information on the ownership of share capital in the corporate sector by race for the period 1970-73 and estimates for the years 1974-75 indicate reasonable improvement over the 1970 pattern. It is estimated that the value of equity stock held by Malay individuals and interests increased by 43.6% per annum. As a proportion of all equity capital, the share of the Malays and Malay interests expanded from 2.4% in 1970 to 7.8% in 1975—no mean achievement but still short of the target of 9% for 1975. It is to be noted that this improvement is largely due to the increases in the share capital held by public sector agencies which can be said to be holding these shares in trust for the Malays and other indigenous people. The value of share capital held by other Malaysians increased by 15.1% per annum with their share in the total rising from 34.3% in 1970 to 37.3% in 1975. The holdings of foreign interests also grew by 10% per annum, although in proportion to the total, they fell from 63.3% in 1970 to 54.9% in 1975. With accelerated economic growth and continued Government effort and support, the prospects are favourable for further structural change in ownership patterns in accordance with the targets of the NEP.

585. Under the SMP, the Government introduced special measures aimed at accelerating the participation of the Malays and other indigenous people in the ownership of share capital. Apart from the creation of special agencies to spearhead their participation in commerce and industry, the measures taken included, *inter alia*, the more effective mobilization of their savings through institutions such as the unit trusts as well as the provision of greater opportunities for them to acquire new shares by requiring companies enjoying special incentives, or those seeking to restructure their ownership, to reserve at least 30% of their equity capital for the Malays and other indigenous people. While there are indications that the savings of the Malays and other indigenous people have risen, the increases have not been sufficient in relation to the amount of shares reserved for them. In the light of this, the Government is setting up, under the TMP, a *Bumiputra Investment Fund* to selectively acquire the reserved shares in enterprises with high growth potential for subsequent sale to Malays and other indigenous people. An allocation of \$200 million has been provided for this purpose under the TMP.

586. The contributions of Government agencies, specially set up to spearhead the creation of a Malay commercial and industrial community, were substantial in raising the share of the Malays in equity ownership. Through their programmes, projects and subsidiary enterprises under the SMP, the *Majlis Amanah Rakyat* (MARA), *Perbadanan Nasional* (PERNAS), *Urban Development Authority* (UDA), *Bank Bumiputra*, *Bank Pembangunan* and the *State Economic Development Corporations* (SEDCs) created and



acquired corporate stock amounting to \$541 million to be held in trust for the Malays and other indigenous people until they are in a position to acquire them from their own savings. While the large allocations for these agencies under the TMP will enable progress to be sustained, further allocations will be provided in the course of the Plan period should the agencies concerned demonstrate enhanced capacity for the implementation of an expanded effort.

587. The Foreign Investment Committee (FIC) was established within the Government in 1974 *inter alia* to ensure that in the formation of new corporations and the restructuring of existing ones constructive progress is achieved in meeting the targets of the NEP. A substantial part of the progress reported above is as much a reflection of the close co-operation extended to Government by private enterprises, both local and foreign, and the high sense of social responsibility which they continue to display, as it is to the painstaking and patient work of the FIC in a most difficult area. The fact that much uncertainty and apprehension existed nevertheless over the objectives and implementation of the Government's restructuring policies was to be expected given the significant change that they implied in the role of the Government *vis-a-vis* decision-making in the private sector.

588. Taking account of these apprehensions, the Government has reviewed in-depth its policies in this regard and confirms the following as *basic principles* which will underlie implementation of the targets of the NEP for restructuring the ownership of equity capital in the corporate sector:

- (i) Present imbalances in the ownership of equity stock in individual enterprises will be corrected mainly through growth. Disinvestment of existing stock will not be compulsorily enforced for the purpose of executing the restructuring objectives of the Government.
- (ii) Growth, however, will not be interpreted only in terms of equity expansion as growth may occur not merely by way of stock expansion. A mutually acceptable measurement will be developed in consultation with the private sector.
- (iii) As the racial pattern of ownership sought by the NEP in 1990 is a global target, it will not necessarily be applied at the level of individual enterprises in the economy. While the Government will seek different degrees of majority Malaysian control in different industries, it continues to be prepared to allow foreign majority control for enterprises in sectors like manufacturing where foreign technology, management expertise and capital are required for the accelerated growth of the industry concerned.
- (iv) The ownership targets of the NEP for 1990 are in general to be achieved by steady progress in the intervening period except in the case of a number of specified industries (including the extractive and resource-based industries) for which immediate conformance will be required.

589. The above are basic principles—the spirit of which will also be observed in the implementation of the universe of policies and programmes coming under the second prong of the N.E.P. There can be no question but that the effort to restructure society in all its socio-economic dimensions will be sustained. In the process, however, the Government stands ready to take such action as may be necessary to ensure that no particular group, local or foreign, will experience any loss or feel any sense of deprivation.

**Creating a commercial and industrial community among the Malays and other indigenous people**

590. The Government seeks the creation of a commercial and industrial community among the Malays and other indigenous people in order to enable them to become full partners in the economic life of the nation. The target for the purpose is that by 1990, they should be able to own and manage at least 30% of the country's commercial and industrial sectors in all categories and scales of operation. Important as this quantified capitalization target is for planning purposes, it must be kept in perspective. Far more significant will be the systematic development of those facilities which promote their entrepreneurial participation in commerce and industry. The mutually supportive programmes for the purpose may be classified into four categories: (i) the extension of credit facilities especially for small enterprises; (ii) the provision of training and technical assistance; (iii) the implementation of administrative measures designed to induce entrepreneurs among the Malays and other indigenous people to participate in the commercial and industrial sector; and (iv) the establishment and expansion of special Government agencies to spearhead the effort in creating a commercial and industrial community among them.

591. *Credit assistance* Significant progress was made under the SMP by Government agencies as well as commercial banks and finance companies in increasing the supply of credit to enterprises belonging to the Malays and other indigenous people. In addition to the activities of existing Government and Government-supported agencies like MARA, the Malaysian Industrial Development Finance Bhd. (MIDF), Malaysian Industrial Estates Sdn. Bhd. (MIEL) and *Bank Bumiputra*, new institutions were set up for the purpose including UDA, the Credit Guarantee Corporation (CGC) and *Bank Pembangunan*.

592. During the period, MARA extended a total of 27,700 loans amounting to \$163 million including guarantees compared with about \$70 million for the period 1951-70. With such expansion of its operations, it is becoming increasingly important for its loan management capacity to be constantly upgraded. MIDF approved almost \$70 million out of a total issued amount of about \$417 million for business enterprises of the Malays and other indigenous people. Though originally intended primarily to promote industrial development through the provision of medium and long-term credit for manufacturing industries, MIDF has set up a special *Bumiputra Assistance Unit* to enable it to assist in the development of small and

medium-sized enterprises owned by the Malays and other indigenous people. Through MIEL, a wholly-owned subsidiary of MIDF, their access to the acquirement of factory buildings has also been facilitated through loan assistance on soft terms. UDA provided some \$15 million to Malay entrepreneurs through its direct financing window. In addition, its equity and management participation package enables its joint-venture Malay partners to buy over, at cost, UDA's equity in the venture after it has proved to be viable and successful.

593. An important complementary role was played by the *commercial banking system*, under the initiative of *Bank Negara Malaysia*, which accorded priority in the granting of credit facilities to the Malays and other indigenous people. As a proportion of total bank credit to the private sector, credit outstanding to the Malay and other indigenous community increased from 3.4% at the end of 1970 to 12.2% at the end of 1975. More than 30% of the total increase in commercial bank lending to the private sector was made available to them in 1974 and 1975 compared to 9% in 1970-73.

594. As a special effort, the Government set up its own commercial bank, *Bank Bumiputra*, to provide the Malays and other indigenous people greater access to commercial credit. Out of a total amount of over \$980 million in loans outstanding with *Bank Bumiputra* at the end of 1975, some 30% was for the Malays and other indigenous people and 14% for joint-ventures between Malays and other Malaysians. With its 42 branches spread throughout the country, the Bank has become an important instrument in the creation of a commercial and industrial community among the Malays and other indigenous people.

595. Another important institution is the CGC, established in 1973, whose credit guarantee scheme covers loans and advances extended by the commercial banks to small enterprises to finance operational and capital requirements. While the maximum limit of loans under the scheme is \$100,000 per loan, it was raised to \$200,000 in May 1975 for Malay and other indigenous businessmen. By the end of 1975, loans given to them numbered over 25,000 or 72% of the total number of loans registered with the Corporation and accounted for 42% of the total amount of loans approved.

596. Under the TMP, the commercial banking system will be encouraged to further extend the scope of its recent endeavours. In this regard, the establishment by all commercial banks of special units to deal solely with loans to the Malay and other indigenous community and small borrowers augurs well for the future. The operations of Government agencies themselves will continue to expand while the steps being taken to integrate credit on the one hand with technical assistance and consultancy on the other will help assure that financial assistance is put to efficient and productive use. In this connection, the CGC's integrated credit scheme introduced in Kelantan in 1975 in conjunction with MARA and the National Productivity Centre (NPC) will be gradually extended to all States in the country under the TMP.

597. *Training and technical assistance* The principal arms of the Government in the extension of training and technical assistance include the NPC, MARA, *Institusi Teknologi MARA* (ITM), MIDF, MIDF Industrial Consultants Sdn. Bhd. (MIDFIC), the Federal Industrial Development Authority (FIDA) and *Bank Negara Malaysia*. Designed to expose potential entrepreneurs to the complexities of the business environment and develop business skills, the NPC provides among its other programmes, short courses in the technical and management aspects of business and in entrepreneurial development apart from the provision of subsidized industrial consultancies; MARA assists small businessmen by way of consultancy services, feasibility studies, training courses and advice in the formation and management of business ventures; ITM, in conjunction with the private sector, helps prepare university graduates for executive positions through its *Programme for Executive Development* introduced in 1973; while *Bank Negara Malaysia* through its special training programme offers similar assistance in the field of banking; MIDF, through its wholly-owned subsidiary, MIDFIC, offers a wide range of consultancy services from market research to financial management with special emphasis on the requirements of the enterprises of the Malays and other indigenous people and FIDA assists with feasibility studies and information on sources of advice with respect to technical matters, finance and international market contacts.

598. In the extension of this range of services under the TMP, new initiatives will also be developed. An important new project is the establishment of the *Entrepreneurial Development Centre* within the ITM. The production of trainers, extension workers and field consultants will contribute greatly to alleviating existing skill shortages which inhibit expansion of the training and technical assistance programmes of the Government.

599. *Administrative measures* The implementation of administrative measures to help businessmen among the Malays and other indigenous people to participate in the modern sector of the economy will continue under the TMP. They take the form of price preferences in favour of Malay and other indigenous suppliers ranging from 2%-10% for supplies of goods and services of up to \$5 million in value and the reservation of at least 30% of the value of all works contracted out by the Public Works Department (PWD)—the largest contract-issuing Department of the Government—for Malays and other indigenous contractors. This includes specified quotas in the award of transport operating licences and the reservation of specific percentages of trading areas and licences for them.

600. Assisted by the above measures, the number of Malay works contractors registered with the PWD increased from 2,064 in 1972 to 4,331 by December, 1975, an increase of about 110% over the four years. More significant is the fact that over the same period, the number of Malay contractors in classes A to C increased three-fold from a mere 47 in 1972 to 142 in 1975. In the road haulage industry, the share of the Malays in the

total number of general haulage or "A" licences issued increased from 10% in 1970 to 54% in 1975 or from 249 to 3,234. The Malay share in taxi and hire-car licences remained at around 60% during the SMP period.

601. *Government participation in the private sector on behalf of the Malays and other indigenous people* The role of MARA, PERNAS, UDA and the SEDCs in economic development and the extension of credit, training and technical assistance has already been referred to. Apart from these functions, the above agencies have the important task of establishing industrial and commercial enterprises in joint-venture with or in trust for Malay and other indigenous entrepreneurs especially in industries where Malaysians, particularly the Malays and other indigenous people are under-represented.

602. The share capital in the enterprises created and held in trust by these agencies will be sold to the Malays and other indigenous people as they accumulate savings and as these enterprises show sustained profitability. Except for small enterprises, divestment will be carried out in stages to ensure continuity of sound management so as to protect the interests of the new shareholders. It may be necessary therefore for the Government to retain a majority holding at least for the initial period. In addition the Government will also ensure that in the process, a broad-based distribution is achieved.

603. Under the SMP, MARA invested a total of almost \$54 million *inter alia* in manufacturing enterprises (including textiles, leather wear and wood products); and about \$24 million in trading and transport enterprises (including bus and lorry transport, tourist transportation, motor repairing and spare parts, tyre retreading and boat construction and repair). In addition, MARA launched a major project—the *Kompleks Kewangan Malaysia Bhd.*—for the purpose of mobilizing the savings of the Malays and other indigenous people for investment in corporate stock. A holding company with a paid-up capital of \$48 million, *Kompleks Kewangan* now encompasses eight subsidiaries with a total paid-up capital of about \$40 million, including the MARA Unit Trust which has a paid-up capital of \$20 million. Many of these subsidiaries are joint-ventures with established foreign firms with interests in merchant banking, foreign exchange and share trading and investment management.

604. PERNAS also is a holding company which was formed in 1969 with a paid-up capital of \$11.25 million. With the conversion of the Government's interest-free loan into equity in 1974, the holding company's total paid-up capital now stands at \$116.25 million and its authorized capital is \$500 million compared to the original \$50 million.

605. PERNAS now controls eight major wholly-owned subsidiaries in engineering, construction, mining, properties, securities, insurance, trading and commerce. The total paid-up capital of these subsidiaries now stands at over \$100 million compared with about \$16 million in 1971. These operating

subsidiaries have, in turn, spawned their own subsidiaries or associated companies—most of which are joint-ventures with foreign private enterprises—or brought into existing concerns involving equity investment of almost \$380 million. In consequence, PERNAS has extended its reach into even wider fields of activity encompassing cement production, electronics and other electrical machinery manufacture, palm oil, hotel development, rubber products and shipbuilding among others. Moving dynamically in search of promising opportunities, PERNAS has contributed significantly to the objectives of enlarging the ownership and employment as well as the experience of the Malays and other indigenous people in commerce and industry.

606. Formed in 1971, an important objective of UDA is to widen the access of the Malays and other indigenous people to the ownership of urban property in order to facilitate their productive participation in urban-based commerce. Thus, apart from the promotion of overall urban development and renewal, UDA's activities have included the acquirement, through lease or purchase, as well as the construction of shop facilities and business properties—in some cases in joint-venture with the private sector: the sale or lease of such properties on easy terms to the Malays and other indigenous people; and the extension of financial assistance to Malay traders for renovation and development of existing premises and purchase of equipment. Though initially concentrated in Kuala Lumpur, UDA's activities have gradually been extended to other urban centres including Petaling Jaya, Kota Bharu, Penang, Kuantan, Tampoi and Johor Bahru.

607. The SEDCs constitute the principal arms of the State Governments in the promotion of economic development generally as well as greater participation by the Malays and other indigenous people in commerce and industry. Funded jointly by the Federal Government and the State Governments concerned, the activities of the SEDCs have encompassed the establishment and management of industrial estates and Free Trade Zones; the establishment of agricultural, industrial, commercial and construction enterprises through wholly-owned subsidiaries or in joint-venture with the private sector; the resuscitation of ailing industries owned by the Malays and other indigenous people; and the construction of business premises, shopping complexes and residential housing units.

608. As of the end of 1975, the SEDCs were associated in varying degrees of involvement with over 220 commercial and industrial ventures. These included domestic resource-based industries (rubber, wood, and food products and sugar refining); labour intensive industries (textiles, electronic components and motor assembly); and industries with high potential for vertical integration with existing industries (carbon black, concrete products and cement). In the commercial field a number of SEDCs have established wholesale distribution chains, assisted in the marketing and distribution of essential commodities like rice and fish and promoted the development of hotel and tourist enterprises. In Sabah and Sarawak, in addition to the role

played by MARA and the SEDCs, institutions such as the Sabah Foundation, the Borneo Development Corporation and the land development agencies made significant contributions towards increasing the share of the *Bumiputra* community in the modern sector of the economy.

609. Together, these public corporations have played a pioneering role in preparing the ground for progressively wider involvement and participation of the Malays and other indigenous people in commerce and industry. To be sure, the commercial performance of the enterprises that have been started, as of a number of the public corporations themselves, has been mixed. This is only to be expected given the difficult entrepreneurial role they have had to discharge and the objectives of social policy they have had to meet.

610. The funds to be allocated to the above public corporations, including *Bank Pembangunan* and the *Bumiputra Investment Fund*, amount to over \$1.4 billion or 85% larger than that expended during 1971-75. While such funding should enable the momentum of progress initiated under the SMP to be sustained, the object of public policy will be to ensure that in the utilization of these resources, an even more significant impact upon the objective of increasing the participation of the Malays and other indigenous people in the modern sector will be achieved given the experience of the past five years. To this end, role rationalization among enterprises, the expansion of capacity and productive efficiency as well as competitiveness will be emphasized. At the same time, steps will also be taken to ensure that public enterprises do not venture into industries in direct competition with Malays and other indigenous people or where prospects for their participation are promising.

#### VIII. CONCLUSION

611. The attack on poverty and racial economic imbalance has been squarely joined. The record of the SMP is one of significant advance in several important aspects of basic social concern. The efforts toward redressing rural as well as urban poverty are bearing fruit. The beginnings of a restructured society in the socio-economic arena are already evident. Above all, a far wider social consciousness exists today of the efforts that must be made if the battle for social justice is to be won.

612. But much more remains to be done especially as expectations will continue to rise. The fact that the incidence of poverty has declined is little solace to the thousands who remain poor. That the Malays and other indigenous people are obtaining far greater opportunities than they received before for earning decent incomes, sharing in the commercial and industrial life of the nation, living in better conditions and benefitting from education does not detract from the fact that the community is still far behind other Malaysians in most social and economic categories. Striking as the gains have been, they are certainly no cause for complacency for a Government committed to the conviction that absolute poverty and inequality of opportunity for socio-economic advancement are untenable in a country as rich in natural and human resources as Malaysia is.

613. The range of policies and programmes indicated in this Chapter manifests the magnitude of the effort that will continue to be made by the Government for the eradication of poverty and the restructuring of society. However, Government effort alone will not be enough if sustained progress is to be achieved. The role of the elected representatives of the people and individual Government officials in formulating and implementing programmes to meet the objectives of the NEP will be critical. Integrity, efficiency and professionalism are fundamental requirements on their part. A positive role by the private sector is also critically important. Accounting for about one-half of the total investment to be undertaken under the TMP, a higher degree of sensitivity to the dictates of social policy will be necessary if the private sector is to effectively complement the efforts of the Government. Every effort will be made to ensure that the investment climate conduces towards active participation by the private sector in the development process. Above all, the participation of the people will be integral to the success of the Plan. Productive use by them of the opportunities, services and facilities to be provided by the TMP is paramount.