Chapter 3

Poverty Redressal, Restructuring of Society and Income Distribution



3

POVERTY REDRESSAL, RESTRUCTURING OF SOCIETY AND INCOME DISTRIBUTION

I. INTRODUCTION

3.01 The Sixth Malaysia Plan marked the launching of the National Development Policy (NDP) as the successor to the New Economic Policy (NEP) in achieving the ultimate goal of national unity. The NDP, while retaining the major features of the NEP, incorporated several new dimensions to increase its effectiveness in bringing about balanced development. These new dimensions emphasized the eradication of hardcore poverty, the reduction of relative poverty, increased Bumiputera employment in the professions and corporate management as well as an acceleration in the growth of an active Bumiputera Commercial and Industrial Community (BCIC). The NDP also stressed on a bigger role for the private sector in restructuring programmes and focused on the importance of human resource development as a fundamental requirement for achieving the objectives of growth and distribution.

3.02 The changes in emphasis and the widespread opportunities generated by the rapid growth of the economy enabled considerable progress to be made in meeting distributional objectives. The incidences of hardcore poverty and general poverty were further reduced during the Sixth Plan period. Bumiputera employment in a broad range of registered professions increased at a faster rate than that of other ethnic groups, while the proportion of Bumiputera managers in the corporate sector reached a significant level. In the effort to create an active BCIC capable of competing in a sustained fashion in strategic industries and sectors of the economy, several new entrepreneurial development programmes were introduced. At the same time, the mean household income of Malaysians increased markedly, with the increase being broad-based and benefitting all ethnic and income groups as well as urban and rural dwellers.

3.03 During the Seventh Plan period, the existing programmes on poverty reduction and restructuring of society will be further expanded and strengthened in order to increase their effectiveness in meeting distributional targets and objectives, including raising the productivity and income of target groups and improving the pattern of income distribution. In particular, the Program Pembangunan Rakyat Termiskin (PPRT) and other programmes affecting the poor will place a greater emphasis on income-generating projects and target at pockets of poverty as well as groups and states with high incidences of poverty or hardcore poverty. Programmes to restructure society will continue to focus on increasing the proportions of Bumiputera professionals and corporate managers and increasing the pace of creating the BCIC. Towards this end, the Government will continue to give due emphasis to the education and training of the Bumiputera, expand the coverage of BCIC programmes and increase Bumiputera capacity to create new wealth as well as to manage and own businesses. At the same time, the corporate sector is expected to complement Government's efforts in the education and training of Bumiputera and other Malaysians as well as participate actively in BCIC programmes.

II. PROGRESS, 1991-95

3.04 Further progress was made in bringing about equitable growth in Malaysia during the Sixth Plan period. This was largely the result of rapid economic growth as well as deliberate Government policy aimed at actively involving the poor, disadvantaged groups and the Bumiputera in the process of development. Poverty was reduced significantly and further progress was achieved in meeting restructuring objectives. However, despite the marked increase in mean household income of Malaysians, income inequality between groups widened slightly.

Poverty Redressal

3.05 During the Sixth Plan period, the focus of anti-poverty programmes was directed at the hardcore poor. At the same time, programmes for the eradication of poverty in general continued to be implemented. The Government played the leading role in these efforts by giving priority to income-generating projects, providing improved infrastructure and amenities, and implementing programmes to inculcate positive values among the poor. Welfare assistance was also provided to hardcore-poor households. The rapid expansion of the economy facilitated these efforts, while non-governmental organizations (NGOs) and the private sector complemented them by implementing their own programmes for the poor and hardcore poor.

- 3.06 General Poverty. The incidence of poverty among Malaysians was reduced from 16.5 per cent in 1990 to 8.9 per cent in 1995, as shown in Table 3-1. In line with this, the number of poor households decreased from 574,500 to 370,200. If non-citizens are included, the overall incidence of poverty will be 17.1 per cent in 1990 and 9.6 per cent in 1995. The non-citizens constitute about 7.0 per cent and 11 per cent of the total poor in 1990 and 1995, respectively.
- 3.07 The progress in poverty eradication was made possible by the growth of the economy which increased employment opportunities for all, including the poor, and the implementation of various Government programmes and projects aimed at rural and agricultural households. In the rural areas, the poor benefitted from various Government projects such as the Integrated Agricultural Development Projects (IADPs), the provision of agriculture infrastructure, replanting schemes, land consolidation and rehabilitation, and support services. These programmes led, *inter alia*, to greater mechanization and better agronomic practices which resulted in an increase of productivity of agricultural labour by about 6.1 per cent per annum during the Plan period. Higher productivity, coupled with better prices for most agricultural commodities during the period, increased rural household income. In addition, the increased income from off-farm and non-farm activities, arising from greater employment opportunities, helped to reduce the level of poverty.
- 3.08 In the rural areas, the incidence of poverty among Malaysians decreased from 21.1 per cent in 1990 to 15.3 per cent in 1995, while the number of poor households was reduced by about 42 per cent from 492,500 to 285,600. However, in urban areas, while the incidence of poverty also decreased from 7.1 per cent to 3.7 per cent, the number of poor households increased slightly from about 82,000 to 84,600. The increase in the number of the urban poor was primarily due to the redefinition of urban areas in 1991. Poor households in the built-up areas, about 6.0 per cent of the total poor and previously defined as rural, were classified as urban and consequently became part of the urban poor.
- 3.09 Hardcore Poverty. Efforts to eradicate hardcore poverty during the Plan period was spearheaded by the PPRT which was expanded and implemented in a more coordinated manner to achieve greater effectiveness. The PPRT, which was introduced in 1989 to deal specifically with hardcore-poor households, was designed to meet the varying needs of different subgroups among the hardcore poor. It encompassed income-generating projects and the inculcation of positive values, such as self-reliance and hard work, as well as the provision of direct welfare assistance. About 16,740 hardcore-poor households benefitted from income-

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Dicidence of Poverty (%) 17.1 7.5 21.8 9.6 4.1 16.1 6.0 2.4 11.0	Total Households	(000.)	3,486.6	1,149.3	2,337.3	4,140.6	2,270.3	1,870.3	4,607.2	2,732.6	1,874.6
Incidence of Poverty (%) 17.1 2.5 21.8 9.6 4.1 16.1 6.0 2.4 11.0 Number of Poverty (%) (%) (9.94 89.1 530.3 417.2 95.9 321.3 294.4 69.6 224.8 Incidence of Hardcore Poverty (%) (%) 4.0 1.4 5.2 2.2 0.9 3.7 0.5 0.1 1.0 Incidence of Hardcore Poverty (%) 4.0 1.4 1.1 16.3 126.8 9.3.5 20.5 73.0 3.7 0.5 0.1 1.0 Total Households (**** ODO) 3.614.6 1.182.7 2.431.9 4.347.8 2.357.0 1.990.8 4.906.5 2.863.1 2.043.4 Anotes: *** Poverty estimate for 1995 is based on the following poverty line incomes: RM425 per month for a household size of 4.8 in Sarawak. ** Figures for 1995 are based on the preliminary data of the Household income Survey, 1995. Except for 1990, urban areas are defined as gazeted areas and adjacent built-up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, built-up areas are classified as rund. ** Hardcore poverty is estimated using half the poverty line income. ** Includes non-citizens.	Overall										
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Incidence of Hardcore Poverty ⁴ (%) 4.0 1.4 5.2 2.2 0.9 3.7 0.5 0.1 1.0 Number of Hardcore-Poor Households ('000) 143.1 16.3 15.8 93.5 20.5 73.0 24.5 3.4 21.1 Total Households ('000) 3.614.6 1,182.7 2,431.9 4,347.8 2,357.0 1,990.8 4,906.5 2,863.1 2,043.4 Nates: * Refers to 1989. * Poverty estimation for 1995 is based on the following poverty line incomes: RM425 per month for a household size of 4.6 in Peninsular Malaysia, RM601 per month for a household size of 4.9 in Sabah and RM516 per month for a household size of 4.8 in Sarawak. * Figures for 1990, urban areas are defined as gazeted areas and adjacent built-up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, built-up areas are classified as rural. * Hardcore poverty is estimated using half the poverty line income.	Number of Poor Households	(000.)	619.4	1.68	530.3	417.2	95.9	321.3	294.4	9'69	224.8
Number of Hardcore-Poor Households ('000) 3,614.6 1,182.7 2,431.9 4,347.8 2,357.0 1,990.8 4,906.5 2,863.1 2,043.4 Total Households ('000) 3,614.6 1,182.7 2,431.9 4,347.8 2,357.0 1,990.8 4,906.5 2,863.1 2,043.4 Notes: Refers to 1989. Poverty estimation for 1995 is based on the following povertry line incomes: RM425 per month for a household size of 4.6 in Peninsular Malaysia, RM601 per month for a household size of 4.9 in Sarawak. Pigues for 1995 are based on the preliminary data of the Household Income Survey, 1995. Except for 1990, urban areas are defined as gazetted areas and adjacent built-up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, built-thank thank the povertry line income.	Incidence of Hardcore Poverty*	(%)	4.0	1.4	5.2	2.2	0.0	3.7	0.5	0.1	1.0
Total Households ('000) 3,614.6 1,182.7 2,431.9 4,347.8 2,337.0 1,990.8 4,906.5 2,863.1 2,043.4 Notes: * Refers to 1999. * Poverty estimation for 1995 is based on the following poverty line incomes: RM425 per month for a household size of 4.6 in Peninsular Malaysia, RM601 per month for a household size of 4.9 in Sabah and RM516 per month for a household lincome Survey, 1995. * Except for 1990, urban areas are defined as gazetted areas and adjacent built-up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, built-up areas are classified as rural. * Hardcore poverty is estimated using half the poverty line income.	Number of Hardcore-Poor Households	(000.)	143.1	16.3	126.8	93.5	20.5	73.0	24.5	3,4	21.1
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* Poverty estimation for 1995 is based on the following poverty line incomes: RM425 per month for a household size of 4.6 in Peninsular Malaysia, RM601 per month for a household size of 4.8 in Sarawak. * Figures for 1995 are based on the preliminary data of the Household Income Survey, 1995. BEXCEPT for 1990, urban areas are defined as gazetted areas and adjacent built-up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, built-up areas are classified as rural. Hardcore poverty is estimated using half the poverty line income.	Nates:										
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generating projects, 39,060 participated in the attitudinal change programme and 37,200 received direct welfare assistance, with some households receiving more than one type of assistance.

- 3.10 The Government launched the Amanah Saham Bumiputera (ASB)-PPRT loan scheme in 1992 which enabled each hardcore-poor household to obtain a RM5,000 interest-free loan to participate in the ASB Scheme. This was aimed at increasing the income of hardcore-poor households. By the end of 1995, a total of RM75.7 million in the form of dividends and bonuses was paid out to the hardcore poor who participated in the Scheme.
- In addition to the PPRT, the implementation of various programmes by NGOs, in particular Amanah Ikhtiar Malaysia (AIM) and the state-based Yayasan Basmi Kemiskinan (YBK), with the support of private companies, complemented the Government's efforts in reducing hardcore poverty. During the Plan period, AIM provided interest-free loans worth RM77.1 million to about 36,200 poor and hardcore-poor households to enable them to venture into poultry and livestock rearing and small-scale businesses such as retailing of groceries, and the servicing and repairing of vehicles. Most of these ventures were successful, as reflected in the increased household income of the participants and the loan repayment rate of almost 100 per cent. YBK programmes focused on skill training with guaranteed employment, educational assistance and better housing. The private sector provided support to NGO programmes through financial contributions and skill training.
- 3.12 As a result of the implementation of the PPRT as well as other poverty reduction programmes, the incidence of hardcore poverty among Malaysians decreased from 3.9 per cent in 1990 to 2.1 per cent in 1995. The number of hardcore-poor households was reduced from 137,100 to 88,400. If non-citizens are included, the overall incidence of hardcore poverty will be 4.0 per cent in 1990 and 2.2 per cent in 1995. The non-citizens constitute about 4.0 per cent and 6.0 per cent of the total hardcore poor in 1990 and 1995, respectively.
- 3.13 The incidence of hardcore poverty in both urban and rural areas decreased during the Plan period. However, while the number of rural hardcore-poor households was reduced from 121,600 in 1990 to 69,200 in 1995, the number of urban hardcore-poor households increased from 15,500 to 19,200 during the same period. This situation was primarily due to the redefinition of urban areas which resulted in hardcore-poor households in the built-up areas adjoining urban

centres, previously considered as rural, being classified as urban. If the 1990 urban definition is maintained, the number of hardcore-poor households will decrease during the period.

- Access to Basic Amenities. Apart from implementing programmes geared towards increasing the income of hardcore-poor and poor households, the Government also implemented programmes that improved their quality of life. Towards this end, steps were taken to extend the coverage of basic amenities and services, particularly to rural areas where the majority of poor households lived. As a result of these programmes, about 88 per cent of the urban and 72 per cent of rural poor households in Malaysia had access to electricity by the end of the Plan period. In addition, 92 per cent of the urban poor and 65 per cent of the rural poor households had access to safe drinking water. In terms of accessibility to health facilities, about 88 per cent of the poor in urban areas and 77 per cent in the rural areas were within nine kilometres of either a Government or private clinic. Rural areas were also served by mobile dental teams and dispensaries, village health teams and the flying doctor service to remote and outlying areas.
- 3.15 Considerable progress was also made in providing educational facilities to poor households. By 1995, about 94 per cent of rural poor households and almost all the urban poor were within nine kilometres of a primary school, while about 60 per cent in rural and 96 per cent in urban areas were within the same distance of a secondary school. In addition, various kinds of educational assistance such as scholarships and free textbooks, food and accomodation, and uniforms were provided to students in poor households.

Bumiputera Commercial and Industrial Community

3.16 During the Plan period, a carefully selected range of programmes was implemented with the purpose of laying the foundation for achieving the NDP objective of creating competitive and resilient, small- and medium-scale Bumiputera enterprises in strategic sectors. Towards this end, the programmes imposed stringent entry standards for participation and placed a stronger emphasis on the quality of Bumiputera entrepreneurs to be nurtured rather than merely increasing their numbers. To increase its impact, each programme was packaged to include several types of assistance, such as formal training and hands-on experience, marketing channels, provision of business premises, technical advice and financial assistance. At the same time, the Government and the private sector continued to provide one-off or unpackaged assistance to the Bumiputera business community.

- 3.17 Efforts to create the BCIC were also strengthened through the implementation of the resolutions of the Third Bumiputera Economic Congress, held in 1992. This included the introduction of the Bumiputera Joint-Venture Scheme by a consortium of commercial banks to finance the establishment of genuine joint-ventures between Bumiputera and non-Bumiputera entrepreneurs. Other resolutions, such as the addition of subjects on business ethics in training courses and the strengthening of the science and technology base of Bumiputera entrepreneurs, were incorporated into existing or new programmes.
- 3.18 With the implementation of the BCIC programmes, aspiring Bumiputera entrepreneurs were given the opportunity to gain a foothold in strategic business activities and industries. Following the successful experience of the PROTON vendor scheme introduced in 1988, the vendor development programme was expanded during the Plan period with 51 big companies, including multinationals, being appointed as anchor companies. As a result, 112 Bumiputera companies were appointed as vendors, particularly in the electrical and electronic, plastics, telecommunications and furniture industries. In 1993, the programme was expanded to include Government companies and, in line with this, 62 Bumiputera vendors were appointed by PETRONAS, *Tenaga Nasional Berhad* and *Telekom Malaysia* to produce petroleum, energy and telecommunications-related products, respectively.
- 3.19 Under the franchise development programme, which started in 1992, a total of 56 Bumiputera entrepreneurs became franchisees in businesses such as printing, fast food, film processing, motel management, motor vehicle repair and tyre services. At the same time, the umbrella-concept marketing arrangement, spearheaded by Guthrie Furniture and Besta Distributors to serve domestic as well as international markets, was further improved in terms of product quality. In addition, under the venture capital scheme of *Perbadanan Usahawan Nasional Berhad* (PUNB), 280 Bumiputera entrepreneurs, participated in the manufacture of plastic- and petrochemical-based products, engineering and automotive components, as well as service-related activities such as telecommunications and information technology.
- 3.20 To help strengthen the technology base of Bumiputera companies and entrepreneurs, the Malaysian Technology Development Corporation (MTDC) took the initiative to commercialize the findings of Bumiputera researchers by setting up eight joint-venture companies with them. This enabled the researchers to be active partners in the production and commercialization of, *inter alia*, a new type of poultry vaccine and typhoid test kits as well as the provision of

services for animal-genetic improvement. Under the *Program Kontraktor Binaan Bumiputera Berwibawa* which was introduced in 1993, 236 Bumiputera contractors were able to upgrade their management and technical capabilities through work contracts awarded by public agencies and private companies. A total of 1,221 work contracts worth RM3.6 billion involving the construction and maintenance of buildings and infrastructure was successfully implemented by them.

- 3.21 During the Plan period, a special rural entrepreneur development programme was implemented to promote entrepreneurship among rural dwellers. Under the programme, more than 700 rural entrepreneurs received a range of assistance comprising the provision of light machinery, technical advice, training and marketing to enable them to be involved in the production of food, furniture, apparel and other products. As a result, they were able to market their products nationwide. Processed food, which was a major product of rural industries, generated total sales amounting to RM8.6 million. In addition, 630 units of business premises were provided by Regional Development Authorities to rural entrepreneurs.
- 3.22 In general, the BCIC programmes, although only introduced recently, enabled Bumiputera entrepreneurs to participate in strategic small-and mediumscale enterprises (SMEs) in the manufacturing, construction and modern services sectors. These programmes managed to gain the support of Government-owned companies and more importantly that of privatized entities and privately-owned manufacturing companies to act as anchor companies. They also succeeded in gaining the support of financial institutions to provide financial assistance to Bumiputera SMEs. Even though the contribution of these companies and institutions was still minimal, it was nevertheless critical in enabling the various BCIC programmes to be launched. Reflecting the new emphasis on quality in BCIC programmes, anchor companies, financial institutions as well as ministries and departments playing the role of lead agencies imposed more stringent criteria in the selection of participants and established quality standards for the products and services of programme participants. In line with this, positive business attitudes, values and ethics were incorporated into the training and development programmes of Bumiputera entrepreneurs.
- 3.23 To lay a strong foundation for the development of future Bumiputera entrepreneurs, the Government, in collaboration with several private corporations, expanded the coverage of entrepreneurial culture programmes such as the Young Entrepreneur Programme, *Tunas Bistari* and *Kelab Teknologi Bumiputera* which benefitted about 21,700 Bumiputera students in 189 schools during the Plan

period. The Government also improved the curriculum of youth training institutes to inculcate entrepreneurial traits. In 1993, one of the seven youth training institutes was designated as the National Youth Entrepreneurial Institute specializing in the training of youths to become entrepreneurs.

3.24 In addition to the participation of Bumiputera entrepreneurs in SMEs through the packaged BCIC programmes, the Sixth Plan period also witnessed an increasing number of capable Bumiputera entrepreneurs managing and participating in large projects and businesses. Drawing upon the experience they acquired during the NEP period, these entrepreneurs were able to tap the opportunities provided by the privatization programmes, Government contracts and the general expansion of the economy. As a result, Bumiputera entrepreneurs became owners or major partners in a wide variety of strategic businesses such as commercial aviation, the manufacture of telecommunications equipment, the provision of telecommunications services, the manufacture of motor vehicles, and the construction of highways and new townships.

Employment Restructuring

- 3.25 During the Plan period, the broad thrust of employment restructuring strategies continued to be directed at achieving the target of having an employment pattern that reflected the ethnic composition of the population. The emphasis was on increasing Bumiputera employment in key professional occupations and in managerial positions in the corporate sector. A comprehensive education and training programme to increase the supply of Bumiputera professionals, a major strategy under the NEP, continued to be implemented. With regard to Bumiputera employment in the corporate sector, the restructuring was largely left to the dynamics of the labour market, although Government-owned companies and privatized projects were required to employ qualified Bumiputera. At the same time, the restructuring of employment in sectors where non-Bumiputera were under-represented continued to be given consideration.
- 3.26 As a result, the sectoral distribution of Bumiputera employment shifted such that by the end of the Plan period, for the first time, the proportion of the Bumiputera employed in the agriculture sector was overtaken by those employed in the manufacturing sector. In 1990, the proportion of Bumiputera employment was 33.4 per cent and 17.5 per cent in the agriculture and manufacturing sectors, respectively, as shown in *Table 3-2*. However, the pattern was reversed in 1995, with 25 per cent of Bumiputera employment being in the manufacturing sector and 21.4 per cent in the agriculture sector. The patterns of employment of the

TABLE

EMPLOYMENT BY SECTOR AND ETHNIC

(,0

					1990'									
Sector	Bumiputera	%	Chinese	%	Indians	%	Others ²	%	Total	%	Bumiputer	a %	Chinese	
Agriculture, Forestry, Livestock														
& Fishing	1,179.9	33.4	251.6	11.6	131.9	23.1	174.6	42.9	1,738.0	26.0	887.2	21.4	175.7	
%	67.9		14.5		7.6		10.0		100.0		62.1		12.3	
Mining &								0.4	** ^	6.2				
Quarrying	19.2	0.6	12.1	0.6	3.4	0.6	2.3	0.6	37.0	0.6	23.8 58.4	0.6	8.5 20.9	
%	51.9		32.7		9.2		6.2		100.0		20.4		20.9	
Manufacturing	619.1	17.5	505.0	23.2	146.9	25.7	62.0	15.2	1,333.0	19.9	1,038.0	25.0	634.0	
%	46.4		37.9		11.0		4.7		100.0		50.6		30.9	
Construction	148.0	4.2	217.8	10.0	24.5	4.3	33.7	8.3	424.0	6.3	252.5	6.1	281.6	
%	34.9	7.4	51.4	70.0	5.8	4.,,	7.9	0.5	100.0	0.0	38.3	0.1	42.7	
Electricity, Gas														
& Water	33.0	0.9	4.7	0.2	8.0	1.4	1.3	0.3	47.0	0.7	51.1	1.2	6.5	
%	70.2		10.0		17.0		2.8		100.0		73.9		9,4	
Transport,														
Storage & Communications	148.0	4,2	92.9	4.3	45.1	7.9	16.0	3.9	302.0	4.5	210.6	5.1	118.2	
%	49.0		30.8		14.9		5.3		100.0		53.3		29.9	
Wholesale & Retail Trade, Hotels & Restaurants	420.2	11.9	652.2	30.0	82.7	14.5	62.9	15.5	1,218.0	18.2	488.6	11.8	674.5	
%	34.5		53.5	20.0	6.8		5.2		100.0		36.8		50.8	
Finance, Insurance, Real Estate & Business Services	106.2	3.0	120.7	5.5	25.5	4.5	5.6	1.4	258.0	3.9	171.5	4.1	160.9	
%	41.1	J.V	46.8	0.0	9,9	7.0	2.2	***	100.0		45.3	2	42.5	
	,				,,,									
Other Services	859.8	24.3	318.0	14.6	102.6	18.0	48.6	11.9	1,329.0	19.9	1.021.6	24.7	339.5	
%	64.7	•	23.9		7.7	• • • •	3.7	••••	100.0		65.3		21.7	
Total														
Employed		100.0	2,175.0	100.0	570.6	100.0	407.0	100.0	6,686.0	100.0		100.0	2,399.4	I
%	52.9		32.5		8.5		6.1		100.0		52.4		30.3	
Labour Force	3,751.0		2,276,9		600.1		414.2		7,042.2		4,319.6		2,431.5	
%	53.3		32.3		8.5		5,9		100.0		53.1		29.9	
Unemployment	217.6		101.9		29.5		7.2		356.2		174,7		32.1	
%	61.1		28.6		8.3		2.0		100.0	,	77.8		14.3	
Unemployment														
Rate %	5.8		4.5		4.9		1.7		5.1		4.0		1.3	

Notes.

Figures have been revised owing to reclassification of non-citizens under the category of "Others". Non-citizens were previously included under Bumiputera, Chinese and Indians.

³ Includes non-citizens

³ Includes public, private and community services.

3-2 GROUP, 1990, 1995 AND 2000 00)

	19	95								2000)				
Indians	9.	Others ²	%	Total	%	Bumiputera	%	Chinese	%	Indians	%	Others ²	%	Total	%
92.9 6.5	14.0	272.9 19.1	38.5	1,428.7 100.0	18.0	730,4 61.5	14.8	136.6 11.5	5.1	72,5 6.1	9.8	248.2 20.9	33.2	1,187.7 100.0	13.1
4.7 11.5	0.7	3.7 9.1	0.5	40.7 100.0	0.5	27.9 62.6	0.6	7,4 16.6	0.3	4.7 10.6	0.6	4.5 10.2	0.6	44.5 100.0	0.5
242.1 11.8	36.5	137.5 6.7	19.4	2,051.6 100.0	25.9	1,431.0 54.7	29.0	735.2 28.1	27.7	306.1 11.7	41.2	144.0 5.5	19.3	2,616.3 100.0	28.9
33.0 5.0	5.0	92.3 14.0	13.0	659.4 100.0	8,3	348.3 41.2	7.1	331.4 39.2	12.5	39.8 4.7	5.3	125.9 14.9	16.9	845.4 100.0	9,3
7.8 11.3	1.2	3.7 5.4	0.5	69.1 100.0	0.9	64.1 76.3	1.3	7.6 9.0	0.3	8.0 9.5	1.1	4.3 5.2	0.6	84.0 100.0	0.9
48.2 72.2	7.3	18.2 4.6	2.6	395.2 100.0	3.0	290.0 57.2	5.9	147.5 29.1	5.6	50.2 9.9	6.8	19.2 3.8	2.6	506.9 100.0	5.6
85.0 6.4	12.8	79.7 6.0	11.3	1,327.8 100.0	76.8	587.8 40.0	11.9	712.8 48.5	26.9	86.7 5.9	11.7	82.3 5.6	11.0	1,469.6 100.0	16.2
36.3 9.6	5.5	9.8 2.6	1.4	378.5 100.0	4.8	241.9 50.5	4.9	183.0 38.2	6.9	43.6 9.7	5.9	10.5 2.2	1.4	479.0 100.0	5.3
112.6 7.2	17.0	90.7 5.8	12.8	1.564.4 100.0	19.8	1,206.1 65.8	24.5	388.5 21.2	14.7	130.4 7.1	17.6	107.8 5.9	14.4	1,832.8 100.0	20.2
62.6 8.4	100.0	708.5 8.9	100.0	7,915.4 100.0	100.0	4,927.5 54.3	100.0	2,650.0 29.2	100.0	742.0 8.2	100.0	746.7 8.3	100.0	9,066.2 100.0	100.0
577.2 8.3		711.7 8.7		8,140.0 100.0		5,125.8 55.0		2,691.0 28.8		760.2 8.2		750.1 8.0		9,327.1 100.0	
14.6 6.5		3.2 1.4		224.6 100.0		198.3 76.0		41.0 15.7		18.2 7.0		3.4 1.3		260.9 100.0	
2.2		0,5		2.8		3.9		1.5		2.4		0.5		2.8	

Chinese and Indians also changed along similar lines. There was a reduction in the proportion of each in the agriculture sector and an increase in the manufacturing sector.

- 3.27 In line with the sectoral shifts in the employment pattern of each ethnic group, there were also changes in the relative proportions of ethnic representation in each economic sector. The share of Bumiputera employment in the agriculture sector decreased from 67.9 per cent in 1990 to 62.1 per cent in 1995, while Bumiputera representation in the manufacturing sector increased from 46.4 per cent to 50.6 per cent during the same period. The proportions of Indians and Others employed in the manufacturing sector also increased from 11 per cent and 4.7 per cent, respectively, in 1990 to 11.8 per cent and 6.7 per cent in 1995. However, the Chinese proportion in the sector decreased from 37.9 per cent to 30.9 per cent, although their absolute number increased from 505,000 to 634,000. The decrease in the proportion of the Chinese in the manufacturing sector was due to the more rapid increase in the number of other ethnic groups employed in the sector. There was also a marked increase in the proportion and number of Others, which includes foreign workers, employed in the agriculture sector. Although this increase reflected the growing dependence of the agriculture sector on foreign workers, it also indicated that the considerable shift of Bumiputera workers from agriculture to manufacturing, services and other sectors had been compensated to some extent by foreign workers and, thereby, prevented serious disruption to agricultural production.
- Employment restructuring at the occupational level during the Plan period reflected the changes in the ethnic distribution of sectoral employment. The proportion of the Bumiputera employed as agricultural workers decreased between 1990 and 1995, while their proportions in all other occupational categories increased, as shown in *Table 3-3*. In particular, their proportion of the professional and technical category increased from 10 per cent in 1990 to 12.7 per cent in 1995, while for administrators and managers, the increase was from 1.3 per cent to 1.9 per cent. Similarly, within the professional and technical category, the share of the Bumiputera increased further from 60.5 per cent to 64.3 per cent during the period. The increase was more pronounced in the administrative and managerial category in which the share of the Bumiputera increased from about 29 per cent to 36.1 per cent over the same period.
- 3.29 In line with the changes in the proportion of the Bumiputera in broad occupational categories, the proportion of the Bumiputera in selected professional occupations also increased, as shown in *Table 3-4*. The increase was made

possible by generally faster growth in the number of new Bumiputera entrants into these occupations, largely as a result of the Government's education and training programme. Despite this, Bumiputera professionals remained underrepresented in key professions such as accountants, architects and doctors.

- As an indication of the Government's efforts to increase the supply 3.30 of the Bumiputera in the professional and technical category of occupations, the number of Bumiputera students in local universities pursuing economics and management courses at the degree level increased from 7,188 or 16.6 per cent of the total number of students in local universities in 1990 to 12,700 or 20.5 per cent in 1995. The number of non-Bumiputera students pursuing the same courses also increased from 3,623 or 8.4 per cent to 6,320 or 10.2 per cent during the period. In technical-type courses, the number of Bumiputera students increased from 3,835 in 1990 to 5,500 in 1995, while that of non-Bumiputera students also increased from 2,264 to 3,300 during the period. In addition, out of a total of 50,600 Malaysian students abroad in 1995, about 20,000 or 39.5 per cent were Government-sponsored students. Of this, about 87.8 per cent were Bumiputera students, almost all of whom were pursuing degree level courses in subjects such as science, engineering, medicine, economics, business and management.
- With regard to Bumiputera employment at the managerial level in the corporate sector, a study in 1995 of the situation in 290 Kuala Lumpur Stock Exchange (KLSE) companies and 845 of their subsidiaries showed that about 38 per cent of managers and executives were Bumiputera. This proportion was common to both Bumiputera- and non-Bumiputera-controlled companies, indicating that both types of companies had a broadly similar employment policy. However, in other categories of corporate positions or occupations such as directors, professionals, technicians and general workers, the proportion of Bumiputera was generally lower than that of non-Bumiputera.

Ownership and Control of the Corporate Sector

3.32 Ownership. During the Plan period, equity restructuring remained an important part of distributional strategies. Greater emphasis was, however, given to the expansion of the capacity of the Bumiputera to generate income and create wealth. In line with this, the practice of allocating a portion of new issues of corporate equity to Bumiputera investors was continued. In addition, an increasing number of Bumiputera investors and entrepreneurs were provided with opportunities to manage and expand their investments and businesses,

 T_{ABI}

EMPLOYMENT BY OCCUPATION ANI

					1990'									
Occupation	Bumipute	ra %	Chinesi	%	Indian	s %	Others	94	Total	%	Bumiputera	%	Chinese	
n e														
Professional & Technical ³	354.8	10.0	170.5	7.8	44.9	7.9	16.1	4.0	586.4	8.8	524.3	12.7	213.6	
%	60.5		29.1		7.7		2.7		100.0		64.3		26.2	
Teachers & Nurses	152.0	4.3	54.6	2.5	14.2	2.5	1.0	0.2	221.8	3.3	203.0	4,9	57.6	
%	68.5		24.6		6.4		0.5		100.0		72.3		20.5	
Administrative & Managerial	47.1	1.3	101.9	4.7	6.5	1.1	8.3	2.0	163.8	2.4	77.1	1.9	116.9	
%	28.7		62.2		4.0		5.1		100.0		36.1		54.7	
Clerical Workers	341.8	9.7	252.3	11.6	56.0	9.8	2.5	0.6	652.6	9.8	457.3	11.0	275.0	1
%	52.4		38.6		8.6		0.4		100.0		57.2		34.4	
Sale Workers	229.8	6.5	449.3	20.7	52.6	9.2	37.2	9.1	768.9	11.5	323.8	7.8	464.2	,
%	29.9		58.4		6.8		4.9		100.0		36.2		51.9	
Service Workers	449.6	12.7	208.4	9.6	73.4	12.9	46.2	11.4	777.6	11.6	571.2	13.8	223.8	
%	57.8		26.8		9.5		5,9		100.0		58.2		22.8	
Agriculture Workers	1,305.6	37.0	261.8	12.0	138.3	24.2	185.0	45.5	1,890.7	28.3	1,049.3	25.3	214.0	
%	69.1		13.8		7.3		9.8		100.0		63.1		12.9	
Production Workers	804.6	22.8	730.8	33.6	198.9	34,9	111.7	27.4	1,846.0	27.6	1,141.9	27.5	892.1	3
%	43.6		39.6		10.8		6.0		100.0		44.8		35.0	
Total	3,533.3	100.0	2,175.0	100.0	570.6	100.0	407.0	100.0	6,686.0	100.0	4,144.9	100.0	2,399.6	10
%	52.9		32.5		8.5		6.1		100.0		52.4		30.3	

Notes:

As in Table 3-2.

² As in Table 3-2,

Refers to the standard definition as provided in the Dictionary of Occupational Classification which includes not only the fully professional and technically qualified workers but also the sub-professional categories such as draughtsmen, Jaboratory assistants as well as teachers and nurses.

3-3 ETHNIC GROUP, 1990, 1995 AND 2000 00)

			1995							200	00				
rdian)	4	Others	- S	Total	%	Bumiputera	%	Chinese	%	Indians	%	Others ²	%	Total	%
									0.0	***					
59.5	9.0	17.9	2.5	815.3	10.3	729.6	14.8	263.3	9.9	79.0	10.6	25.2	3.4	1,097.1	12.1
7.3		2.2		100.0		66.5		24.0		7.2		2.3		100.0	
18.5	2.8	1.6	0.2	280.7	3.5	268.9	5.5	61.6	2.3	24.1	3.2	2.0	0.3	356.6	3.9
6.6		0.6		100.0		75.4		17.3		6.8		0.5		100.0	
10.9	1.6	8.8	1.3	213.7	2.7	122.4	2.5	138.7	5.3	17.1	2.3	11.9	1.6	290.1	3.2
5.1		4.1		100.0		42.2		47.8		5.9		4.1		100.0	
61.6	9.3	5.6	0.8	799.5	10.1 -	580.8	11.8	280.1	10.6	62.6	8.5	10.3	1.4	933.8	10.3
7.7		0.7		100.0		62.2		30.0		6.7		1.1		100.0	
58.1	8.8	48.3	6.8	894.4	11.3	469.2	9.5	469.2	17.7	62.5	8.4	41.7	5.5	1,042.6	11.5
6.5		5.4		100.0		45.0		45.0		6.0		4.0		100.0	
85.4	12.9	101.1	14.3	981.5	12.4	721.6	14.6	236.2	8.9	92.4	12.5	119.3	16.0	1,169.5	12.9
8.7		10.3		100.0		61.7		20.2		7.9		10.2		100.0	
24.6	18.8	274.3	38.7	1,662.2	21.0	918.9	18.7	172.5	6.5	114.5	15.4	281.0	37.6	1,486.9	16.4
7.5		16.5		100.0		61.8		11.6		7.7		18.9		100.0	
62.5	39.6	252.3	35.6	2,548.8	32.2	1,385.0	28.1	1,090.0	41.1	313.9	42.3	257.3	34.5	3,046.2	33.6
10.3		9.9		100.0		45.5		35.8		10.3		8.4		100.0	
62.6	100.0	708.3	100.0	7,915.4	100.0	4,927.5	100.0	2,650.0	100.0	742.0	100.0	746.7	100.0	9,066.2	100.0
8.4		8.9		100.0		54.4		29.2		8.2		8.2		100.0	

		REC	1990		KOFESS	GISTERED PROFESSIONALS' BY ETHNIC GROUP, 1990 AND 1995	BY EI	HNIC G	ROUP	A 0901,	IND 19	LYYS Average Annual Growth Rate (%), 1991-95	Growth Rat	e (%), 199	7.95
Profession	Bumi- putera	Chinese	Indians	Others	Total	Bumi- putera	Chinese	Indians	Others	Total	Bumi. putera	Chinese	Indians	Others	Total
Accountants	627	4,524	346	77	5,574 100.0	1,422	6,655	692 7.9	75	8.844 100.0	871	8.0	671	-0.5	9.7
Architects	231	728	12	8.0	979	368	24.57.05.7.05.7.05.7.05.7.05.7.05.7.05.7.	22	3	1,334	8.6	23	10.8	-17.8	70
Dentists %	24.3	847	396	21	0.007	577 30.9	854	677	29 7.5	1.869	7.3	0.2	9.0	29	2.3
Doctors %	1,951	2,430	2,410	216	7.00 <i>1</i>	3,212	3,086	3,069	¥2.	9097	10.5	0.4	5.0	2.2	8
Engineers R	7,018	11,741 58.2	533	342	20,166	10,415	15,091	1,416	427 1.5	27,349	82	5.1	5.9	4.5	6.3
Lawyers R	22.3	1.575	836 26.5	33	3,153	1,731	2.589	1,591	\$27	5,976 100.0	19.7	10.5	19.7	11.9	13.6
Surveyors	573 44.7	636	3.7	26 2.0	1,283	1,309	1,235	86 3.2	79 2.9	2,709	18.0	14.2	12.4	54.0	101
Veterinary Surgeons 9	242 35.9	23.7	250 37.0	az	675	310	183	259 33.5	20 2.6	172	2.5	2.7	0.7	-2.8	2.7
Total R	11,753	22,641 55.9	5,363	750	40,507	19,24	30,636	7,542	939	58,461	10.5	6.2	1.7	4.6	7.6

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

Nore: 'Figures in the table cover eight selected professional occupations.

particularly through the privatization and BCIC programmes. At the same time, small Bumiputera investors were given the opportunity to own corporate equity indirectly through their participation as unit holders in unit trust funds particularly the *Amanah Saham Bumiputera* (ASB), *Amanah Saham Nasional* (ASN) and state unit trust funds. By the end of the Plan period, there were about 6.2 million Bumiputera investors in ASB, ASN and other unit trust funds with an investment worth about RM25.7 billion. About 650,000 non-Bumiputera investors also benefitted from the establishment of unit trust funds by investing about RM6.3 billion in them.

- 3.33 As a result, total Bumiputera ownership of corporate equity at par value increased at an average rate of 12.1 per cent per annum during the Plan period to reach an estimated RM37 billion, or 20.6 per cent of total equity in 1995, as shown in *Table 3-5* and *Chart 3-1*. This was largely due to the 16.8 per cent average annual growth in the ownership of corporate equity by Bumiputera individuals and institutions. The growth resulted in their share increasing by more than double from RM15.3 billion in 1990 to RM33.3 billion in 1995. It also compensated for the decline in the share of trust agencies in corporate equity as a result of the privatization and the sale of a portion of the holdings of trust agencies to Bumiputera individuals and institutions. The rapid growth in the amount of equity held by Bumiputera individuals and institutions enabled them to increase their share of corporate equity from 14.2 per cent to 18.6 per cent during the period, indicating the ability of the Bumiputera community, particularly individuals and institutions, to hold on and add to their wealth.
- 3.34 The amount of Bumiputera corporate equity in 1995 would have been higher, however, had the Bumiputera retained the equity allocated to them by the Government. As an indication of this, a study on 135 companies listed on the KLSE during the Plan period showed that there was a net divestment of Bumiputera shares worth RM500 million at par value or about 6.0 per cent of the total allocated shares to them. Had this amount been retained, the total Bumiputera corporate equity would have reached RM37.5 billion or 20.8 per cent of the total corporate equity in 1995. At the same time, fixed assets such as land and business premises, worth about RM1.2 billion at market value, were also divested by the Bumiputera.
- 3.35 Although the growth of Bumiputera corporate equity ownership exceeded the overall rate of 10.7 per cent and total equity owned by the Bumiputera community in 1995 was more than 77 per cent higher than that in 1990, they were still inadequate to bring about a substantial increase in the Bumiputera

TABLE 3-5

OWNERSHIP OF SHARE CAPITAL (AT PAR VALUE) OF LIMITED COMPANIES¹, 1990 AND 1995

(RM million)

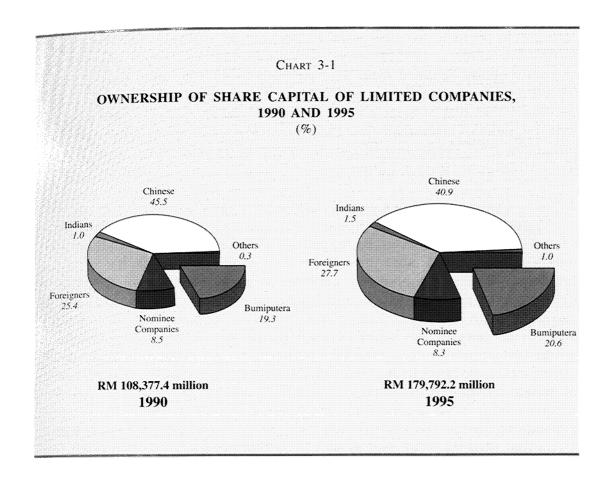
Ownership Group	1990	%	1995	%	Average Annual Growth Rate (%) 1991-95
Bumiputera	20,877.5	19.3	36,981.2	20.6	12.1
Bumiputera Individuals & Institutions ²	15,322.0	14.2	33,353.2	18.6	16.8
Trust Agencies ³	5,555.5	5.1	3,628.0	2.0	-8.2
Non-Bumiputera	50,754.0	46.8	78,026.9	43.4	9.0
Chinese	49,296.5	45.5	73,552.7	40.9	8.3
Indians	1,068.0	1.0	2,723.1	1.5	20.6
Others	389.5	0.3	1,751.1	1.0	35.1
Foreigners	27,525.5	25.4	49,792.7	27.7	12.6
Nominee Companies	9,220.4	8.5	14,991.4	8.3	10.2
Total	108,377.4	100.0	179,792.2	100.0	10.7

Notes:

¹ Excludes shares held by Federal, State and Local Governments.

² Consists of RM25,100 million owned by Bumiputera as direct investors and RM8,200 million as investment through institutions channelling Bumiputera funds such as the Amanah Saham Nasional and Amanah Saham Bumiputera Schemes, Lembaga Tabung Haji and Lembaga Tabung Angkatan Tentera in 1995.

³ Refers to shares held through trust agencies such as Permodalan Nasional Berhad, Perbadanan Nasional Berhad and State Economic Development Corporations.



share of corporate equity. This was primarily due to the rapid growth in the acquisition of corporate equity particularly by foreigners. The increase in foreign ownership of 12.6 per cent annually over the Plan period was faster than the growth of 12.1 per cent and 9.0 per cent for the Bumiputera and non-Bumiputera, respectively. This was consistent with the relaxation to regulations pertaining to corporate ownership introduced in recent years to attract foreign direct investment and the accompanying expertise and technology so as to upgrade the skill and quality of the Malaysian labour force as well as to accelerate growth, particularly of the manufacturing sector. As a result, the share of corporate equity held by foreigners increased from 25.4 per cent in 1990 to 27.7 per cent in 1995.

Non-Bumiputera ownership of corporate equity increased from RM50.8 billion in 1990 to about RM78.0 billion in 1995, largely as a result of the increase in the amount of corporate equity held by the Chinese. Chinese ownership of corporate equity grew at an average annual rate of 8.3 per cent during the Plan period. This enabled the Chinese to increase the amount of corporate

equity held by them by more than 49 per cent from RM49.3 billion in 1990 to RM73.6 billion in 1995. However, in spite of this, the Chinese share of total corporate equity declined from 45.5 per cent to 40.9 per cent over the same period because the annual growth in the amount of equity acquired by them was lower than that of other groups. In contrast the amount of corporate equity held by Indians more than doubled from RM1.1 billion in 1990 to RM2.7 billion, in 1995, while that of Others increased by more than four-fold from RM0.4 billion to RM1.8 billion.

- 3.37 Control. In addition to the increasing Bumiputera ownership of corporate equity during the Plan period, progress was also made in increasing Bumiputera control of the corporate sector. By the end of 1995, companies in which Bumiputera individuals controlled more than 50 per cent of the paid-up capital accounted for about 19 per cent of active companies registered with the Registrar of Companies, compared with about 17 per cent in 1990.
- 3.38 In spite of the small increase in the overall share of Bumiputera-controlled companies during the Plan period, they were able to consolidate and improve their position in the dynamic sectors of the economy. The proportion of Bumiputera-controlled companies in the manufacturing sector increased from 9.2 per cent in 1990 to an estimated 13 per cent in 1995. Their share in other dynamic sectors also increased, from 15.1 per cent to 21 per cent in the finance sector and from 14.5 per cent to 16 per cent in the wholesale and retail trade sector. In sectors where the proportion of Bumiputera-controlled companies decreased, the reduction was small. In the construction sector, it declined from 27.8 per cent in 1990 to an estimated 26 per cent in 1995, while in the transportation sector, the decline was from 32.7 to an estimated 31 per cent during the same period. The share of Bumiputera-controlled companies in the agriculture sector also decreased from 19.1 per cent in 1990 to an estimated 16.5 per cent in 1995.
- 3.39 The active Bumiputera participation in the modern sectors of the economy was also evident from their ownership and control of public companies listed on the KLSE. Data from the KLSE show that in 1995, 61 public listed companies or 13 per cent of total companies listed on the KLSE were Bumiputera-controlled on the basis of their ownership of more than 50 per cent of each company's equity. The Bumiputera also owned 35 to 50 per cent of the equity in 47 companies or about 10 per cent of public listed companies in 1995. The amount of paid-up capital of the 108 companies was about RM15.4 billion or 23 per cent of the total paid-up capital. In term of sectoral participation, 35 companies were in manufacturing, 25 were in trading and services while 15 were in the financial sector.

Income Distribution

- 3.40 In line with the increase in the national income per capita, all households, irrespective of ethnic origin, stratum or income group, registered positive growth in income during the Plan period. The mean monthly gross household income increased from RM1,167 in 1990 to RM2,007 in 1995 with an average growth rate of 9.5 per cent per annum, as shown in *Table 3-6*. In addition, there was an increasing number of households moving into higher income classes during the period. In line with this, there was a decline in the proportion of households earning less than RM1,000 per month from 61 per cent in 1990 to 36 per cent in 1995. The percentage of households earning between RM1,000 and RM3,000 per month, which can be regarded as the middle income group, increased from 33 per cent to 47 per cent during the same period.
- The household income of all ethnic groups increased during the Plan period. This was made possible by the greater employment opportunities which enabled all Malaysians, irrespective of ethnic group, to be gainfully employed. Bumiputera mean household income grew at an average rate of 9.3 per cent per annum from RM940 per month in 1990 to RM1,600 in 1995, while Chinese mean monthly income increased from RM1,631 to RM2,895 over the period, as shown in Chart 3-2. Due to the slightly slower growth of Bumiputera household income compared with the 10 per cent recorded by the Chinese, the income imbalance between the Bumiputera and Chinese widened accordingly, as indicated by a slight increase in the Bumiputera-Chinese income disparity ratio from 1:1.74 in 1990 to 1:1.81 in 1995. The increasing income imbalance between the Bumiputera and Chinese was largely due to the differential in the growth of income in the top 20 per cent and bottom 40 per cent of households. Within the middle 40 per cent of households, however, both the Bumiputera and Chinese recorded almost similar rates of growth of household income. With regard to the income imbalance between the Bumiputera and Indians, owing to a higher growth rate of 10.1 per cent recorded by the Indians, the income disparity ratio also increased from 1:1.29 to 1:1.35 during the same period.
- Rural household income grew by 5.3 per cent per annum from RM951 per month in 1990 to RM1,300 in 1995. The growth rate was higher than the rate of 2.5 per cent achieved during 1985-90 period. However, it was slower than the rate of 8.2 per cent registered by urban households during the Plan period. Consequently, the income disparity ratio between rural and urban households also widened from 1:1.7 in 1990 to 1:2.0 in 1995. The lower growth rate of rural household income was partly attributed to the redefinition of urban areas in 1991, which now included built-up areas adjoining urban centres, previously considered as rural. To some extent, this affected the growth of rural household income, as households in built-up areas had a relatively higher income.

TABLE 3-6

MEAN MONTHLY GROSS HOUSEHOLD INCOME BY ETHNIC GROUP, 1990¹ AND 1995²

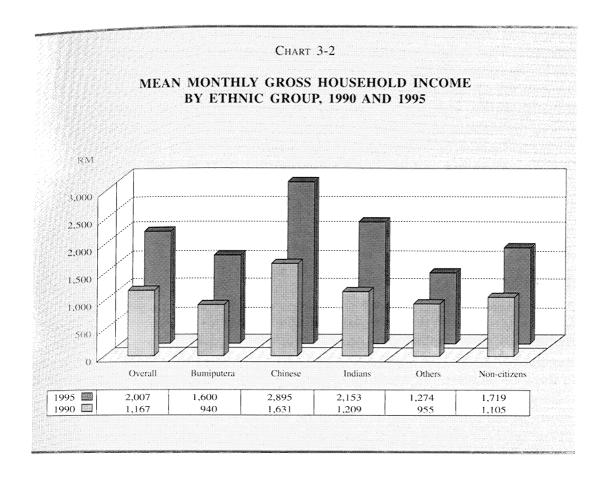
Ethnic		urrent : (RM)	Average Annual Growth Rate,		onstant ices (RM)	Average Annual Growth Rate,
Group	1990	1995	(%) 1990-95	1990	1995	(%) 1990-95
Malaysia	1,167	2,007	9.5	1,167	1,617	5.6
Citizens	1,169	2,020	9.5	1,169	1,628	5.7
Bumiputera	940	1,600	9.3	940	1,289	5.4
Chinese	1,631	2,895	10.0	1,631	2.333	6.1
Indians	1,209	2,153	10.1	1,209	1,735	6.2
Others	955	1,274	4.9	955	1,027	1.2
Non-citizens	1,105	1,719	7.6	1,105	1,385	3.8
Urban ³	1,617	2,596	8.2	1,617	2,092	4.4
Citizens	1,606	2,593	8.3	1,606	2,090	4.5
Bumiputera	1,332	2,162	8.4	1,332	1,730	4.5
Chinese	1,864	3,152	9.1	1,864	2,522	5.2
Indians	1,518	2,438	8.2	1,518	1,951	4.3
Others	1,375	1,592	2.5	1,375	1,274	-1.3
Non-citizens	2,006	2,686	5.0	2,006	2,149	1.2
Rural	951	1,300	5.3	951	1,040	1.5
Citizens	957	1,319	5.5	957	1,055	1.6
Bumiputera	828	1,180	6.1	828	944	2.2
Chinese	1,377	2,019	6.6	1,377	1,616	2.7
Indians	990	1,497	7.1	990	1,198	3.2
Others	843	1,064	4.0	843	851	0.2
Non-citizens	783	985	3.9	783	788	0.1

Notes:

Refers to 1989.

² Figures for 1995 are based on the preliminary data of the Household Income Survey, 1995.

Except for 1990, urban areas are defined as gazetted areas and adjacent built-up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, built-up areas are classified as rural.



- 3.43 The mean income of the bottom 40 per cent of households increased from RM420 per month in 1990 to RM672 in 1995, registering a growth rate of 8.1 per cent per annum. The rate was higher than the rate of 3.9 per cent attained during the 1985-90 period. However, the rate was slower compared with the top 20 per cent and middle 40 per cent of households, which grew at 10 per cent and 9.2 per cent, respectively, during the Plan period. The different rates of growth resulted in a slight increase in overall income inequality, as reflected by the increase in the Gini coefficient from 0.446 in 1990 to 0.464 in 1995.
- 3.44 The widening income inequality in the country was brought about mainly by the difference in the rates of growth of the rural and urban economies. Almost all modern and urban-based sectors of the economy registered double-digit growth rates with manufacturing growing at 13.3 per cent per annum. Due to its rapid growth, the manufacturing sector generated about 59 per cent of net employment creation during the period. In addition, the demand for both

skilled and unskilled production workers, mainly in the manufacturing sector, grew at 6.7 per cent per annum. On the other hand, the agriculture sector, which was the mainstay of the rural economy, grew at only 2.0 per cent per annum. Demand for agricultural workers declined owing to the slower growth in output of the agriculture sector as well as the movement of workers to more remunerative jobs in the manufacturing and services sectors. In line with these developments, the mean income of households in the manufacturing and services sectors in 1995 was RM2,264 and RM2,462 per month, respectively, compared with only RM1,060 for those in the agriculture sector. Consequently, the income imbalance widened between agriculture and non-agriculture households, which contributed towards increasing income inequality in the country.

III. PROSPECTS, 1996-2000

3.45 In line with the NDP, distributional strategies in the Seventh Plan will continue to give emphasis to the eradication of hardcore poverty and to focus on employment and the rapid development of an active BCIC as a more effective strategy to increase the meaningful participation of Bumiputera in the modern sectors of the economy. To achieve the objectives of growth and distribution, efforts in the Seventh Plan will focus on human resource development and the private sector is expected to be increasingly involved in restructuring programmes.

Poverty Redressal

- 3.46 During the Seventh Plan period, the thrust of poverty eradication will be directed at reducing the incidence of poverty among Malaysians to 5.5 per cent by the year 2000. However, if non-citizens are included, the overall incidence of poverty is expected to be 6.0 per cent and this is lower than the target of an incidence of 7.2 per cent estimated by OPP2. At the same time, hardcore poverty will be practically eradicated by lowering its incidence to about 0.5 per cent. The rapid growth of the economy, especially in the non-agriculture sectors, will provide the opportunity for the poor to further increase their income and move out of poverty. In addition, education and skill training will enable the poor to be employed in the more productive and remunerative sectors of the economy.
- 3.47 The PPRT and other anti-poverty programmes will be targeted towards eradicating poverty in areas and among groups with high incidences of poverty. Priority will be given to the poorest states and districts as well as the *Orang*

Asli community and the urban poor. While attention will continue to be given to direct welfare assistance, attitudinal change and the provision of basic amenities, poverty eradication programmes will place primary emphasis on income-generating projects. This is because they represent the best means for getting the poor out of poverty while giving them at the same time a sense of self-worth. The income-generating projects, among others, include cash crop cultivation, livestock rearing, aquaculture, petty trading and cottage industries. Poverty eradication efforts directed at the poorest districts and the Orang Asli community will be intensified through an integrated, multi-sectoral and village-focused approach involving all categories of PPRT projects. These projects are expected to benefit not only the hardcore poor but also the whole community. As part of these efforts, the allocation for upgrading or rebuilding the houses of the hardcore poor, particularly in the rural areas, will be increased from RM3,000 to RM5,000 per house. For the urban poor, priority will be given to income-generating projects as well as the provision of adequate basic amenities, including lowcost housing. To implement projects under the PPRT, an allocation of RM522 million will be provided for the Seventh Plan, with the biggest amount allocated for income-generating projects. In addition, the poor will benefit from various budget allocations for agriculture, basic infrastucture, education, health and other social development.

- 3.48 To maximize the impact of the ASB-PPRT scheme, its repayment schedule will be reviewed with the aim of introducing a grace period before the start of the repayment of the ASB loan. This will enable the hardcore poor to receive the full amount of dividends and bonuses during the grace period, thus contributing towards further increasing their household income.
- 3.49 To complement the efforts of the Government in poverty eradication, NGOs and the private sector are expected to expand their activities in assisting the poor during the Plan period. Recognizing the effectiveness of *Amanah Ikhtiar Malaysia* in providing loans to the hardcore poor and the shortage of its capital fund, the Government will provide it with an interest-free loan of RM200 million. The loan will enable *Amanah Ikhtiar Malaysia* to expand its lending activities to cover another 57,930 hardcore poor during the Plan period. Private sector firms are also expected to increase their involvement in poverty eradication by collaborating with various state-based *Yayasan Basmi Kemiskinan* in conducting skill training and providing financial contributions to the poor.

Bumiputera Commercial and Industrial Community

3.50 The packaged programmes to develop a viable, competitive and resilient BCIC, particularly in SMEs, will be further expanded during the Seventh Plan period. With this expansion, a larger number of Bumiputera entrepreneurs are

expected to benefit from the increased opportunities generated. More large corporations, including multinationals, are expected to participate in vendor development programmes as anchor companies and provide opportunities for about 250 Bumiputera vendors. In addition, the franchise development programme will be expanded to include the franchising of more Malaysian products and services and to create another 1,200 franchisees. Similarly, PUNB's venture capital programme will be enlarged and is expected to create another 440 entrepreneurs. Other programmes such as *Program Kontraktor Binaan Bumiputera Berwibawa*, the umbrella-concept marketing arrangement and the commercialization of research findings of Bumiputera researchers will be geared towards promoting greater participation of Bumiputera entrepreneurs.

- 3.51 At the same time, the Government will also continue to assist the entry of Bumiputera entrepreneurs into the business sector by providing them or by encouraging the private sector to provide them with the one-off types of assistance. The assistance will be provided by various lead agencies, public enterprises and trust agencies in the form of training, research and development and technical support, credit and business infrastructure facilities and product promotion.
- 3.52 During the Plan period, Bumiputera entrepreneurs will be encouraged to participate in strategic industries such as aerospace, automotive, machinery and engineering, and petrochemicals. In this regard, a group of Bumiputera entrepreneurs will be identified and developed systematically, through existing programmes, to spearhead the growth of these industries. Efforts will be intensified to increase the number of potential Bumiputera entrepreneurs who will be able to participate in these industries. Emphasis will be given to training and the upgrading of their technical knowledge and management capabilities as well as creating a sense of mission among them. To achieve this end, the Ministry of Entrepreneur Development, PUNB and trust agencies such as Majlis Amanah Rakyat (MARA) and State Economic Development Coporations (SEDCs) will further intensify and accelerate their efforts to develop Bumiputera entrepreneurs. At the same time, successful Bumiputera entrepreneurs and companies will be encouraged to venture into large scale operations and market their products internationally, as well as to diversify and expand their operation and investment abroad. Their involvement will able to create and broaden market opportunities for other Bumiputera SMEs.
- 3.53 Genuine joint-ventures among Bumiputera, non-Bumiputera and foreign entrepreneurs and investors are expected to increase in number during the Plan period with the various chambers of commerce taking the lead in establishing

and promoting these joint-ventures. The Government will encourage their formation in order to expedite the development of Bumiputera entrepreneurship. The jointventures are expected to serve as a medium for the transfer of technical and managerial know-how to Bumiputera partners and provide opportunities for their direct involvement in new industries and projects. In addition, they will contribute towards employment restructuring through the employment of qualified Bumiputera manpower as managers and professionals. The Government will continue to give due consideration to genuine joint-ventures or consortiums when awarding privatization projects and Government contracts. In relation to this, the Bumiputera Joint-Venture Scheme, a financing facility with an initial fund amounting to RM280 million, which was launched by the consortium of banks in 1995, is expected to be utilized by Bumiputera entrepreneurs to acquire equity and finance projects in partnership with non-Bumiputera. At the same time, the member banks of the consortium are also expected to review the Scheme periodically to ensure its effectiveness, including the adequacy of the fund.

- 3.54 The private sector will be expected to play a more active role in nurturing and developing Bumiputera entrepreneurs to ensure the success of BCIC programmes. In this respect, the chambers of commerce and trade associations are expected to persuade their members to participate fully in BCIC programmes. In addition, together with the Malaysian Business Council, they are encouraged to propose new programmes that can effectively help to create competitive and resilient Bumiputera entrepreneurs.
- 3.55 To complement Federal Government efforts, State Governments will be expected to initiate and expand Bumiputera entrepreneurial development programmes in their respective states during the Plan period. This will be done by mobilizing state-based organizations and resources such as SEDCs and their subsidiaries as well as the *Baitulmal*. In addition, the cooperative movement will play a more active role in the development of Bumiputera entrepreneurs by broadening their activities to include participation in business and economic projects.
- 3.56 On the supply side, measures will be taken to increase the number of Bumiputera entrepreneurs. In line with this, public and private training institutions involved in entrepreneurial development are expected to increase their intakes to about 100,000 during the period. These institutions will revise and upgrade their curriculum and place a greater emphasis on practical training. In addition, the Young Entrepreneurs Programme and other programmes which aim at

enculturizing school children to business practices are expected to increase their coverage and effectiveness through private sector involvement in terms of consultancy service and financial assistance. The *Rakan Wira Mahir-Wira Usaha* programme is expected to expose more youths to entrepreneurial culture and business practices.

3.57 To ensure a more coordinated and effective implementation of programmes towards the creation of the BCIC, steps will be taken by relevant ministries and agencies to draw up detailed plans based on the guidelines provided by the national action plan prepared during the Sixth Plan period. In addition, a comprehensive monitoring and coordinating system and data bank of Bumiputera entrepreneurs and businesses will be developed to ensure effective monitoring of these programmes and for planning purposes. Towards this end, the Ministry of Entrepreneur Development will establish the central monitoring and coordinating system to ensure the success of the BCIC Action Plan. This will be carried out mainly through the Entrepreneur Development Council, the Federal-State Entrepreneur Development Liaison Committee and the Entrepreneur Development Coordination Committee.

Employment Restructuring

- 3.58 During the Plan period, efforts will continue to be taken to restructure the employment pattern in various sectors and occupations to reflect the ethnic composition of the population. Attention will be directed at increasing the number and proportion of Bumiputera professionals and managers in the corporate sector through education and training. In the provision of education and training, the Government will continue to play the leading role, while the private sector will be encouraged to play an increasingly larger role. At the same time, non-Bumiputera participation in the sectors in which they are under-represented will be taken into account.
- 3.59 To increase the supply of the Bumiputera in professional and technical occupations, the Government will take steps to increase the number of Bumiputera students in the science and technical streams in schools, as well as in professional and technical streams in the universities. This will be done through the introduction of more effective teaching methods, better educational facilities including residential schools as well as the continued provision of financial support to deserving and qualified Bumiputera students. At the same time, existing institutions of higher

learning will be expanded to provide more opportunities for qualified Bumiputera students to enrol in science, engineering and technical courses as well as in subjects on business, finance, accounting and information technology. The expansion of skill-training institutions as well as the establishment of new institutions offering advanced-level courses will provide more opportunities for Bumiputera students to pursue engineering and technology-related courses.

3.60 To complement Government efforts, large business corporations, including those owned by the Government, and privatized entities are expected to play a bigger role in education and training the Bumiputera to enhance their skills and level of entrepreneurship. This will be undertaken through the provision of more scholarships for Bumiputera students to pursue courses in professional, business management and other specialized fields. The private sector, particularly non-Bumiputera companies, are expected to employ more qualified Bumiputera personnel, especially in managerial and supervisory positions. Comprehensive training programmes will be formulated by them to upgrade the skill and competency of their Bumiputera employees.

Ownership and Control of the Corporate Sector

- 3.61 During the Plan period, continued focus will be given to developing meaningful Bumiputera participation in the corporate sector. Towards this end, priority will be given towards strengthening the capacities of the Bumiputera with appropriate business and financial management skills to effectively manage, operate and own businesses. At the same time, efforts will continue to be made to increase Bumiputera corporate equity ownership with the aim of achieving the target of at least 30 per cent Bumiputera ownership.
- 3.62 Privatization will continue to be used as a vehicle for greater Bumiputera participation in the corporate sector. In this respect, the requirement of at least 30 per cent Bumiputera equity participation in all privatized projects will continue to be applied. In cases in which there are capable Bumiputera available, they will be given the opportunity to acquire majority or 100 per cent ownership and control of the entities being privatized. In the privatization of trust agencies and their companies, steps will be taken to transfer their ownership and control to capable Bumiputera entrepreneurs especially through the Management Buy Out (MBO) mechanism. Measures will also be taken to ensure that these agencies and companies continue to be Bumiputera-owned and controlled.

- 3.63 In order to accelerate the development of a viable BCIC, privatized entities will be required to develop appropriate programmes to support the growth of Bumiputera entrepreneurs. Towards this end, privatization agreements for major privatized projects will incorporate BCIC programmes such as vendor development and sub-contracting. At the same time, the privatized entities will also be required to provide more opportunities to the Bumiputera in terms of training, employment and transfer of technology.
- 3.64 During the Plan period, Bumiputera individuals are expected to play a major role in accelerating Bumiputera ownership, control and participation in the corporate sector. In support of this, Bumiputera institutions and trust agencies, such as PNB and SEDCs, will be geared towards acquiring effective ownership and creating more wealth in areas where they have advantages in terms of expertise, resources and markets, thereby generating more opportunities for Bumiputera individuals to participate in related activities. For the same reason, they will also be encouraged to further expand their activities and explore new markets through business ventures abroad, preferably through joint-ventures and smart partnerships.
- 3.65 The achievement of at least 30 per cent Bumiputera equity ownership will require a substantial amount of Bumiputera capital. Efforts will, therefore, be geared towards increasing and mobilizing Bumiputera savings more effectively through institutions such as ASB, ASN, state unit trust schemes, *Lembaga Tabung Haji* and *Yayasan Pembangunan Ekonomi Islam Malaysia*. In this regard, Bumiputera unit trust schemes, a mechanism for mobilizing Bumiputera savings and increasing Bumiputera ownership of corporate equity, will be streamlined and monitored closely to ensure that resources belonging to Bumiputera are mobilized and invested effectively. In addition, cooperatives which hold Bumiputera savings will be encouraged to participate directly in the corporate sector.
- 3.66 With regard to Islamic-based resources, steps will be taken to upgrade and coordinate the development of *wakaf* land and *Baitulmal* funds with a view to increasing further Bumiputera participation in the corporate sector. The *Baitulmal* will be encouraged to play an increasing role in economic activities to help in the creation of the BCIC, particularly in developing the *wakaf* land into estates, business premises and residential areas. This will be done through joint-ventures and sub-contracting with Bumiputera entrepreneurs and in collaboration with Islamic authorities in all states and other Bumiputera agencies and institutions such as SEDCs and *Lembaga Tabung Haji*.

Income Distribution

- 3.67 As the economy is expected to maintain high economic growth, the household income of all Malaysians, irrespective of ethnic and income group, will continue to increase during the Plan period. The middle income group is expected to increase in size and achieve more rapid growth in household income. Efforts will be taken in the Plan period to address increasing income disparities among ethnic and income groups as well as between the urban and rural strata. In this regard, more emphasis will be given towards improving the income of the bottom 40 per cent of households as well as rural households. Steps will also be taken to ensure that the effects of widening income disparities will be minimized.
- 3.68 Special attention will be given to ensure greater effectiveness in the implementation of distributional strategies and programmes. The public and private sectors will provide opportunities and support to the lower-income group, particularly the poor and hardcore poor, to participate and benefit from the rapid growth of the economy. In this regard, a key strategy will be the provision of better education and training to improve their employment prospects.
- 3.69 The Government will actively pursue the objective of achieving a zero inflation rate for essential goods and services, such as basic foodstuff, public transportation and rental in order to reduce the disparity in real incomes between the lower and higher-income groups. The Government will also continue to widen the coverage and improve the quality of education, health and other public services, and to ensure minimal charges for such services to the lower-income group. For the benefit of the low-income group, the Government will continue to implement the public low-cost housing programme as well as introduce a low medium-cost housing programme to cater for the demand for such houses during the Plan period.

IV. CONCLUSION

3.70 Considerable progress was achieved in reducing poverty and restructuring society during the Sixth Plan period. The private sector and NGOs played a supportive role in assisting the Government to implement distributional strategies which included enhancing Bumiputera participation in the corporate sector and increasing household incomes of the lower income groups. In spite of these achievements, however, higher economic growth was accompanied by a slight increase in income inequality. During the Seventh Plan period, the Government will take measures to address income disparities and ensure the effectiveness of distributional and related strategies.