

Poverty Reduction: A Continuous Social Responsibility in Malaysia

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Abstract

Poverty is both a social and an economic problem. Eradicating poverty from society is everyone's dream but the reality is it is still around even in economically developed countries. Governments have responsibilities to eradicate the poverty or, at least reduce poverty rates. In fact, poverty reduction is everyone's social responsibility. This paper defines poverty and discusses poverty incidences and poverty reduction issues in South East Asia and particularly Malaysia. This is significant because Malaysia is shifting towards an industrialized economy and starting to enjoy economic growth but there are still many people who are under the poverty line.

This paper highlights that poverty reduction is not entirely the responsibility of the government of the day, but more importantly it is the social responsibility of all citizens. The government and private sectors with the support of every individual must go hand in hand to fight against poverty so that all citizens enjoy the benefit of economic growth in Malaysia.

Introduction

According to Carlton G. Davis (1977), "the word poverty has assumed a multiplicity of meanings at different times and places. Moreover, the term now has different meanings for different persons even within the same academic discipline." For Marshall (1998), poverty is "a state in which resources, usually materials but sometimes cultural, are lacking. It is common to distinguish between absolute and relative definitions of poverty. Poverty defined in absolute terms refers to a state in which the individual lacks the resources necessary for subsistence. Relative definitions, frequently favored by sociologists, refer to the individual's or group's lack of resources when compared with that of other members of the society...in other words their relative standard of living."

The causes of poverty are sometimes pointed to areas where business establishments are not successful and the poor depend on assistance from governments and agencies.

James R. Kluegel (1992) said that "poverty is the involuntary outcome of political powerlessness combined with unemployment due to decisions made by business owners." This statement has two dimensions that cause the poor to remain poor: powerlessness to cause their own good, and unemployment due to business decisions which rarely favor the poor over the rich.

For Dixon (1990), defining rural poverty in reference to land holding or per capita annual income can provide only a very partial view of rural poverty. For him, the characteristics of the rural poor include landlessness, too little land, large families, malnutrition, ill-health, lack of education, high infant mortality, low life expectancy, low incomes, irregular incomes, weak bargaining positions, isolation owing to poor communication and a preoccupation with survival and indebtedness.

According to Mahmood H. Khan (2000), the poor in rural areas are dependent largely on agriculture, fishing, forestry and related small scale industries and services. He also classified the rural poor into two: cultivators and non-cultivators. The cultivators include small landowners, share cropping tenants, and owners cum tenants while non-cultivators are laborers and employees, village artisans, and herders. Since the small landowners and holders are not able to cultivate their land, they tend to migrate to give their services to others. Those who cultivate their land cannot compete in the market which eventually forces them out of agricultural services. If landowners are facing hardship, it is worse for landless rural people. Landlessness is a major cause of rural poverty. Unskilled workers are also hard hit by rural poverty while landless workers are even more vulnerable than small landowners.

Rural poverty in Southeast Asia

South-East Asia has done remarkably well in both economic growth and poverty reduction. The sub region's economic growth rate during the past 25 years averaged about 5% per year, while the corresponding figures for Asia and the world were about 3.9% and 2.6% respectively. Historically, growth has accompanied rapid poverty reduction,

especially in Indonesia, Malaysia, Thailand and Vietnam. As is the case in other developing regions of the world, nearly three fourths of the poor in South-East Asia live in rural areas. A large majority of them are dependent on agriculture. Agricultural development and rural development are thus keys to achieving broad-based, inclusive growth (*Rural poverty in South-East Asia: trends, issues and challenges*).

The incidence of poverty in Southeast Asia differs from one country to another based on data available for 1997 to 2002. Many developments have been taking place in the region, but according to the data, Laos and Cambodia have the highest poverty incidence at 38.6% in 1997 and 35.9% in 1999. Malaysia and Thailand have the lowest poverty incidence percentage at 7.5% in 1999 and 9.8% in 2002. All countries indicated that rural poverty incidence is much higher than urban poverty incidence. Data also shows that the contribution of rural poverty to total poverty incidence is very high, ranging from 69.3% to 93.8% (ADB, 2004. <http://www.unescap.org/pdd/publications/RuralPoverty/ChIII.pdf>). This data shows that rural poverty is still a major rural development issue in Southeast Asia.

Rural poverty in Malaysia

Remarkable progress has been achieved in poverty eradication in Malaysia. In the early 1970's almost half of households were classified as poor while in 1997 the incidence of poverty had significantly declined to 6.1%. However, the crisis brought a slight upward swing at 8.1% in 1998. Efforts by the Malaysian government to counter the effects of the crisis bore positive results when the incidence of poverty was reduced to 7.5% in 1999. By 2005, the incidence of poverty was targeted to reduce further to 0.5% (Abdul Rahman Hasan and Sa'idah Hashim, 2001).

Malaysia's effort was highly appreciated by international leaders such as Mrs. Hillary Clinton, U.S.A. Secretary of State, who said "What you have done is exactly what we hope for in the broader region. You are creating good jobs and raising incomes and uplifting people out of poverty, people who are now finally having the chance to fulfill their own dream" (Sira Habibu, 2010). The presentation of Poobalan (2008) on the success of the 9th Malaysia Plan facts and statistics shows the state of poverty incidence in Malaysia in three

areas: the success of 9MP in its first two years; measures to increase privileged people's participation; and focus of the 9MP in its remaining years.

Poverty reduction issues in Southeast Asia

Three issues significantly affect rural poverty in Southeast Asia: globalization, biotechnology and environmental degradation. These controversial issues have to be investigated for rural poverty reduction.

If the rural poor consist mostly of subsistence farmers, then they are, by character, insulated from the risks associated with globalization such as structural transformation, volatility of prices and contagion of crisis effects. However, this also implies that they do not share in the benefits of globalization. While the increased openness to trade also increases rural poverty, the impact on rural households is, in general, negative and gets worse among the poorest. Another major problem confronting the poor is the degradation of the environment. Not only are physical disasters increasing, but renewable and non-renewable resources that form the natural capital of the poor are at stake. Because the poor have few possibilities for substituting natural resources with other assets, the degradation of these resources could lead to irreversible, vicious circles of poverty and environmental destruction. Biotechnology can potentially address these problems. As history demonstrates, science and technology, when applied wisely, can be an effective tool for eradicating poverty. In the environmental sector, biotechnology may slow the depletion of resources by introducing varieties that make efficient use of a scarce resource, for example rice varieties that require less water. Biotechnology can be used in the agricultural sector to improve animal and crop disease resistance (*Rural poverty in South-East Asia: trends, issues and challenges*).

Poverty reduction issues in Malaysia

Since 1971, the Malaysian government has paid considerable attention and effort to reduce poverty with its introduction of NEP which eventually brings the country into the Vision 2020 by which the country is expected to be a high income nation in the world.

In the Malaysian context, there are three concepts pertaining to poverty: absolute poverty, absolute hardcore poverty and relative poverty. Absolute poverty is defined as

a condition in which the gross monthly income of a household is insufficient to purchase the minimum necessities of life. Absolute hardcore poverty is defined as a condition in which the gross monthly income of a household is less than half the poverty line. With regard to relative poverty, the conceptualization that has been used in Malaysia is linked to the notion of income disparity between groups. Thus, a group whose mean income is less than another has been defined as being in relative poverty. Under that definition, it is possible to define a group (e.g., rural dwellers) as being in relative poverty to another group (e.g., urban dwellers).

The ultimate objective as stated in the NEP was to totally eradicate poverty. The Malaysian government adopted effective strategies which are evident in the level of poverty incidence reduced in Malaysian society. These strategies were: (a) the landless and those with uneconomical holdings were resettled in new land development schemes, where they could work, and eventually own, the rubber and oil palm plantations operating under the schemes; (b) the *in-situ* development of existing agricultural land through rehabilitation and consolidation of the land, replacement of old commercial crops with new higher-yielding clones and the introduction of better planting techniques; (c) integrating agricultural and rural development with downstream processing of farm products and generally encouraging village industries and rural entrepreneurship in order to provide an additional source of income; (d) double-cropping or off-season cropping, intercropping and mixed farming on the same plots of land to supplement main crop incomes; (e) the establishment of farmers' markets in urban centers to enable farmers to sell their products directly instead of through middlemen, thus enabling them to earn better prices; (f) incorporating, in most agricultural and rural development projects, a course of training and education not only on topics pertaining to farming but also on subjects related to work attitudes and values in order to motivate participants to be better, more productive farmers; (g) a system of industrial and vocational training for rural manpower, including youth, as well as credit facilities and related support, to enable them to find employment in non-farm occupations or start their own businesses in rural areas and urban centers (Abu Bakar, Mohd. Arif B, "Poverty

Reduction in Malaysia, 1971-1995: Some Lessons").

Implications and Challenges in Rural Development

The East-Asian financial crisis revealed that while rapid and sustained growth is possible and can even lead to significant reduction in poverty, this is by no means ensured. Thomas and others (2000) discussed the lessons learned from the 1990s regarding development: (1) investments in people need to be concerned with the quality and distribution of those investments; (2) while it supports social development if it is broad-based, rapid growth can hurt environmental sustainability in the absence of appropriate actions; (3) while market openness and competition continue to provide benefits, the financial risks must be managed with attention to country-specific factors, and (4) good governance and institutional change should be given priority and not postponed to later stages of reforms.

The recommendation, therefore, is for planners to adopt a multi-dimensional approach to development and national welfare. The key to rural development is to keep in mind that it is not only income growth that matters to national welfare. Effective rural development should contain the following elements: *provision of basic services*: the priority should be to improve the quality of human capital in rural areas; *empowerment of the poor*: tackling the social dimension of poverty means improving the self-confidence of the poor, and this requires breaking the chains of dependence that exist: landlord-tenant, lender-borrower, and patron-client; *facilitate access to markets*: an empowered rural sector can be a significant market player. However, empowerment is a process that is perfected by practice. Extra efforts are needed to familiarize the poor with the legal environments governing property and contracts. The poor must be aware of their rights and of legal recourse, if the need arises. Access to information is crucial at this stage; *improve social security*: as the rural poor participate more in the market system, they also become more exposed to its vagaries but the frequency and intensity of market shocks may increase with globalization (*Rural poverty in South-East Asia: trends, issues and challenges*).

Conclusion: Poverty reduction is a continuous social responsibility of all Malaysians

As Malaysia is on its way to becoming a high income and developed nation by 2020, there are two main issues to overcome. They are, as pointed out by Cecilia Kok (STARBIZWEEK on October 9, 2010), unequal wealth distribution and stumbling blocks. Kok pointed out that 'the gap between the rich and poor in the country remains wide, even though the overall poverty rates have been reduced significantly over the years'. Kok also highlighted the fact that the government acknowledges this point in the New Economic Model Part 1; inequality remains a real challenge for the Malaysian economy. According to Kok, there are also stumbling blocks the government must overcome to reach its vision 2020. There are people who still live below the poverty line, especially in rural areas. Around 4% of all Malaysians and more than 7% of rural Malaysians are still living below the poverty line. The bottom 40% of households earns less than RM 1,500 per month. Kok also quoted the statement of Tan Sri Ramon Navaratnam, Chairman of ASLI Center of Public Policy Studies, that 'having 40% of the country's households in the low-income category is definitely a stumbling block to becoming a high income, industrialized nation'.

The economic growth in Malaysia and achievements of the Malaysian government in recent years indicate the decline of poverty rates among the people. However, it does not mean that poverty is no longer around and all citizens are living poverty free. It is important to appreciate the reality that many people are still under the poverty line. Thus while many Malaysians are starting to enjoy their economic growth, they must care for the poor who are still at their doorsteps because reducing and eventually eradicating poverty is a social responsibility for all citizens.

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