

The Spatial Distribution of Poverty in Malaysia

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Introduction

Poverty eradication as well as improving income equality is one of the major concerns in Malaysia's development policy and planning. Generally speaking, the basic philosophy that underlies Malaysia's development policy and planning is that economic growth is not an end in itself but as a means to bring prosperity and better quality of life to all segments of society. In this regards, the principle of "growth with equity" has been central in all Malaysian development policies and efforts. This philosophy and development approach is initially incorporated in the New Economic Policy (1971-1990), and is continued in the National Development Policy (1991-2000) and the National Vision Policy (2001-2010). It is not surprising therefore to find that since 1970, the problems of poverty and distribution has been given special attention by the government, and anti-poverty and pro-active redistribution strategies can be found in each of Malaysia Five-Year Plans.

Thus it is not surprising to find that Malaysia has achieved a remarkable success in reducing poverty in the country. Nonetheless, even though Malaysia has managed to reduce poverty considerably, there are still several unresolved issues that should be aware of and be given serious attention. A closer examination of the record shows that poverty remains as a crucial problem in the rural areas and in certain states/regions. This raises the need to examine and highlight the spatial dimension of poverty and inequality in Malaysia. This paper examines the spatial aspect of poverty in Malaysia. The aim is to examine and highlight the extent of spatial distribution of poverty, i.e. poverty across rural and urban areas and across states (regions) in Malaysia. This paper is organized as follows. Section II briefly describes the data used in this study while Section III examines and discusses policies to reduce poverty and to overcome spatial differences in the level of development in Malaysia. Section IV discusses Malaysia's economic performance in terms of growth and the overall poverty reduction, followed by Section V which examines the spatial distribution of poverty, i.e. poverty in the rural and urban areas, as well as across the various states in Malaysia. Section VI concludes the paper.

The Data

The present study employs secondary data which is published and made available in the official government documents, i.e. the Malaysia Five Year Plans. The data is available for rural and urban as well as for the various states in Malaysia. With regards to poverty, the available poverty data from published government documents are mainly the head-count ratio or poverty incidence. The head-count ratio or poverty incidence is calculated as $H = m/N$, where m is the number of poor households and N is the total sample of households in the population. The household is considered as poor if their income is below the poverty line income, an income level which is regarded as the level of income necessary to sustain a minimum acceptable standard of living in Malaysia. Thus, those households whose income falls below the poverty line income will be considered as poor. For example, the poverty line income in Malaysia for 1990 to 2002 is shown in Table 1.

Table 1: Malaysia: Poverty Line Income, 1990-2002, (RM/month)

| | 1990 | 1995 | 1999 | 2002 |
|---------------------|------|------|------|------|
| Peninsular Malaysia | 370 | 425 | 510 | 529 |
| Sabah | 544 | 601 | 685 | 690 |
| Sarawak | 452 | 516 | 584 | 600 |

Source: Malaysia (1991, 1996, 2001, 2006)

Here we also examine inequality across areas – rural and urban as well as between states in Malaysia. Measure on inequality between the urban and rural areas is also available from the published government documents and is calculated by the ratio of rural mean household income to the urban mean household income. The calculated ratio is called the rural-urban disparity ratio, which shows the magnitude of differences in household income between the rural and urban households. The differences in income between states on the other hand are calculated by the ratio of the mean household income for each state to the national (Malaysian) mean household income. A state that has a ratio below the value of one shows that the mean household income of the state is below the national mean household income, which in turn implies that the state has a lower standard of living than the national level.

Policies and Strategies to Reduce Poverty and Spatial Disparities

After Malaysia achieved her independence in 1957, Malaysia inherited not only a multiracial society, but also a marked problem of poverty as well as spatial imbalances in the level of economic development between rural and urban areas, as well as between regions/states (Spinanger, 1986; Schatzl, 1988). Spatial disparities exist in Malaysia since the colonial period and indeed, it was perpetuated by the colonial policy of labor division. Economic growth and development have concentrated in particular areas of Peninsular Malaysia. The region, mainly along the west coast is inevitably at a more advanced staged of development than those in the north and along the eastern coast of the Peninsular Malaysia. The west coast region is more advanced economically since the region was well developed by the colonial British to exploit the raw materials - mainly tin ore and rubber - that are available in the west coast region for exports. It is not surprising therefore to find that most of the developed infrastructure - roads, railway and ports - were concentrated in the west coast of Peninsular Malaysia. Thus, the western states of Peninsular Malaysia such as Selangor, Negeri Sembilan, Perak and Pulau Pinang are relatively more developed and prosperous than other states in Malaysia. On the other hand, the north and eastern states of Peninsular Malaysia such as Terengganu, Kelantan, Kedah and Perlis, as well as Sabah and Sarawak are basically agricultural states and relatively underdeveloped. Besides, there are also differences in the level of development between Peninsular Malaysia and Sabah and Sarawak.

With regards to poverty eradication, the launching of the New Economic Policy 1971-1990 (NEP) in 1971 was the most significant policy change in the Malaysian history. Prior to 1970, the development policy was primarily a *laissez-faire* policy aimed at promoting growth with a strong emphasis on the export market and rural development. Although the economy grew very rapidly during 1957 to 1970 period, which was at an annual average of 6.0 per cent, distributional aspects were not given emphasis, resulting in socio-economic imbalances not only between regions/states, rural and urban areas, but also among the ethnic groups. The NEP emphasised the importance of achieving socioeconomic goals alongside pursuing economic growth objectives as a way of creating a nation with various ethnic and religious groups that lives in harmony and united. The overriding goal was national unity. To achieve this goal, two major strategies were adopted in the NEP: (i) to reduce absolute poverty irrespective of race through improving income levels and increasing employment opportunities for all Malaysians; and (ii) to restructure society to correct

economic imbalances so as to reduce and eventually eliminate the identification of race with economic function.

With regards to correcting spatial imbalances that existed between rural and urban areas and between regions/states in the country, various policies have also been formulated. The Third Malaysia Plan 1976-1980 for instance, stated:

“The regional development strategy under the NEP seeks to bring about closer integration among the States of Malaysia. This will be achieved through redressing economic and structural imbalances among the regions within the country. It will draw and build upon the strengths of each region for agricultural and industrial development particularly in the less developed States, to ensure regional development contributes towards the national goals for economic development. The underlying aim is equitable distribution not only of income but also of facilities for health, education, utilities, services, recreation, housing and most important of all, opportunities for social and economic advancement of the people in accordance with the goals of the NEP.”

Basically, the concept of spatial planning applied in Malaysia falls into two categories. These are a strategy of rural development and a strategy of industrial decentralisation (Spinanger, 1986; Schatzl, 1988). The Malaysian rural development strategies and thrusts form an integrated approach to create and generate employment opportunities in the rural sector, improving income and productivity of the rural workforce and eradicating poverty in order to improve the socio-economic status of the rural population. Since independence in 1957, the Malaysian government placed concerted efforts to develop the rural areas. Initially the policy focus was to reduce and eradicate rural poverty, provide physical infrastructure and social amenities, create employment opportunities and concentrate on agricultural development. The rural development programmes included various agriculture programmes, regional and land development schemes, provision of physical infrastructure and basic utilities, human development, rural industrialisation, regional growth centres, etc. These development strategies were implemented by various government agencies and coordinated by the Ministry of Rural Development.

In 1994, a comprehensive study was conducted to evaluate the rural development policy, strategies and programmes implemented since the introduction of the NEP in 1971. The recommendations of the study led to the formulation of the National Rural Development Philosophy and Strategy which was launched in 1995. These policies, strategies and programmes implemented under the new rural development policy and strategy were also known as the Second Rural Development Transformation (SRDT). The goal of the SRDT was to revitalise the rural sector and to make the rural areas more developed, attractive and profitable. The focus of SRDT was on human development while continuing to emphasize the development of physical infrastructure and basic social amenities in the rural areas as well as eradicating poverty.

The strategy for rural development basically falls into two categories - in-situ development and new land development. In-situ development involved state supported structural improvement in traditional agricultural areas. The aim was to increase production and improve productivity so as to increase farmer's income and hence contribute to fight against poverty. In-situ development efforts were concentrated in the densely populated areas of rice cultivation in the northwest (Muda project) and the northeast (Kemubu Project) of Peninsular Malaysia. The high priority accorded to rice cultivation particularly reflects the fact that in 1970, 88 percent of the rice farmers still lived below the poverty line and domestic production of rice, the basic foodstuff, met only part of national requirements. In-situ development was under the responsibility of the Ministry of Agriculture and regional public sector agencies, such as the Muda Agricultural Development Authority (MADA) and the Kemubu Agricultural Development Authority (KADA). Within an integrated development framework, they utilised a great number of instruments. Development measures range from irrigation and drainage, the introduction of high yielding varieties, mechanisation of agriculture, subsidised fertiliser prices, all of which were intended to enable double cropping, that is twice rice harvesting annually, to an improved marketing system and diversification of production, for example, by introducing poultry raising.

Another strategy for rural development was the new land development scheme. The large scale development of new land for agricultural purposes was intended to create employment in rural areas, accelerate diversification of agricultural exports and reduce regional disparities. The main body responsible for new land development was the Federal Land Development Authority (FELDA). In addition to land development (forest clearance, irrigation, drainage, soil improvement, planting) the task of FELDA also extended to construction of houses and villages, selection and

training of settlers, processing and marketing of agricultural produce, and so forth. By the end of 1981, FELDA had developed 0.6 million hectares of new land, of which 60 percent was planted with oil palms and a third with rubber. As a result of these development measures, Malaysia had once become the world's leading producer of palm oil, as well as tin and rubber. FELDA projects had provided settlement opportunities for 70,000 families (about 360,000 people), predominantly Malay. Household income of the settlers was markedly higher than the average income in the traditional agricultural areas.

Industrial decentralisation provided another strategy for achieving regional balanced. The main purpose of Malaysia's industrial policy was and is to accelerate the growth of, initially, import substituting industries, and later, export-oriented industries. The earliest evidence of a policy of industrial decentralisation dated from the end of the sixties and became more apparent after the introduction of the NEP in 1971. Special priority in industrial development was to be given to the location or growth centres in the east coast and in the northwest of Malaysia, as well as in Sabah and Sarawak, in the interest of achieving interregional decentralisation - industrial dispersal. Several towns in these areas were selected to be the growth center - Kota Bahru, Kuala Terengganu and Kuantan (Northeast); Alor Setar (Northwest); Taiping, Telok Intan, Muar, Batu Pahat (West Coast); Kota Kinabalu (Sabah), and Kucing (Sarawak). Metropolitan Centres such as Kuala Lumpur, Georgetown (Pulau Pinang), Johor Bahru, Ipoh and Melaka were to receive no assistance, as they were expected to generate their own economic growth dynamics. The growth centre concept also accorded low priority of assistance for other smaller towns which were considered as having little potential for industrial development.

Several instruments had been used to influence the locational behaviour of private enterprises. It ranged from infrastructural measures, particularly establishment of industrial estates and free trade zones, information services, and incentives (tax exemption), to compulsory instruments. The major institutions responsible for industrial decentralisation policy were Malaysian Industrial Development Authority (MIDA) at the federal level, and at the state level, State Economic Development Corporation (SEDC). These institutions provided potential investors with information relating to, for example, the services provided on the industrial estates or to the regionally differentiated incentives.

In the Eighth Malaysia Plan (2001-2005), greater emphasis was placed on ensuring balanced regional development in Malaysia by further diversifying the economic base of the less developed states and developing knowledge-based activities to generate more job opportunities and higher incomes. In addition, economic activities based on economic strength of the states were to be developed to ensure greater efficiency in resource utilisation, thereby contributing to the development of sustainable and resilient state economies. Inter-state cooperation and resource-sharing in joint projects were also encouraged to improve the quality of life in urban and rural areas. During the Eighth Malaysia Plan (2001-2005), the main thrusts for regional development were as follows: diversifying the economic structure of the less developed states; improving the quality of urban services; accelerating development in rural areas; and promoting Growth Triangles cooperation.

In the Ninth Malaysia Plan (2006-2010), achieving balanced regional development continues to be one of the key objectives of Malaysia's development. Measures will be taken to reduce disparities in development rural and urban areas as well as between regions and states. Emphasis is given to develop rural growth centers and urban cornubiations by income generating activities and improving the quality of life. Furthermore, in the Ninth Malaysia Plan (2006-2010), trade, investment and tourism will be increased in the ASEAN sub-regional growth triangles via ASEAN sub-regional and bilateral arrangements.

Poverty Incidence in Malaysia

In general, rapid economic growth is an important prerequisite for poverty eradication. In this respect Malaysia is very fortunate that in the last three decades or so, Malaysian economy has experienced a remarkably high economic growth and development. In 1960s, the economy grew at an annual average of 5.2 percent and the growth rate increased in 1970s to an average rate of 8.3 percent. In the 1980s Malaysian economic growth declined a little to an average of 6.0 percent. However, since the middle of 1980s up to before the financial crisis in 1997, i.e. for the span of about ten years, Malaysian economy had sustained annual growth rate of more than 8.0 percent. What is more interesting is that the rapid economic growth was accompanied by relatively low and stable prices as well as low unemployment rate. Besides, the economy also has been transformed from an agricultural-based to an industrial-based economy. The rapid growth of the economy is also reflected in rising per capita income and rising quality of life of Malaysians. Given the impressive growth of the Malaysian

economy, the question that is asked in this paper is whether the remarkable growth performance has been translated into the reduction of poverty, specifically between the rural and urban areas, as well as between states/regions in Malaysia.

Table 2 shows the overall poverty incidence (%) in Malaysia. It is clear that poverty incidence in Malaysia had significantly reduced from 52.4 percent in 1970 to 17.1 percent in 1990, and continued to reduce further to 6.1 percent in 1997. The number of poor households had declined significantly from 1,000,000 households in 1970 to 274,200 households in 1997. However, the East Asian financial crisis that started in July 1997 had affected negatively Malaysia's economic growth in 1998. As a result poverty incidence rose from 6.1 percent in 1997 to 7.5 percent in 1999, and the number of poor households increased from 274,200 households to 360,100 households. In 2004, with the recovery of the economy, poverty incidence fell to 5.7 percent, while the number of poor households declined to 311,300 households.

Table 2: Malaysia: Poverty Incidence (%), 1970-2004

| Year | Poverty Incidence | | Incidence of Extreme Poverty ² | |
|-------------------|-------------------|-------------------|---|-------------------|
| | (%) | No. of Households | (%) | No. of Households |
| 1970 | 52.4 | 1,000,000 | - | - |
| 1976 | 42.4 | 975,800 | - | - |
| 1984 | 20.7 | 649,400 | - | - |
| 1987 | 19.3 | - | - | - |
| 1990 | 17.1 | 574,500 | 3.9 | 137,100 |
| 1995 | 8.7 | 365,600 | 2.1 | 88,400 |
| 1997 | 6.1 | 274,200 | 1.4 | 62,400 |
| 1999 | 7.5 | 360,100 | 1.4 | 66,000 |
| 2002 | 5.1 | 267,900 | 0.5 | 52,900 |
| 2004 ¹ | 5.7 | 311,300 | 1.2 | 67,300 |

Note: ¹ Figures for 2004 is based on Economic Planning Unit's 2005 methodology, i.e. a revised version of calculating poverty. The increase in poverty incidence between 2002 and 2004 is partly due to this revision.

² In Malaysia, those households who have income half of the defined poverty line income or less is considered as extreme poor households.

Source: Malaysia 1976, 1991, 1996, 2001, 2006.

The incidence of extreme poverty also fell from 3.9 percent in 1990 to 1.4 percent in 1997. During the same period, the number of extreme poor households declined more than half, i.e. from 137,100 households to 62,400 households in 1997. In 1999, the incidence of extreme poverty remained at 1.4 percent as in 1997. Nonetheless, the number of extreme poor households had increased from 62,400 in 1997 to 66,000 in 1999 as a result of the financial crisis. In 2004, the incidence of extreme poverty fell to 1.2 percent with a total of 67,300 extreme poor households. Thus, it is worthy to note that the outstanding economic growth achieved in the past three decades has enabled Malaysia to significantly reduce the incidence of poverty. Indeed, with the achievement so far, it has been projected that absolute poverty in Malaysia will totally be wiped out by 2010 (Malaysia, 2006).

Notwithstanding the success of reducing poverty, the performance of Malaysia in terms of reducing spatial inequalities is somewhat less successful. Despite the various efforts attempted to reduce regional imbalances, the problem of spatial inequalities in the level of living of the people in the country remains. Poverty still remained a critical issue in the rural area and in certain states/regions. It seems that, the remarkable economic growth achieved in the past decades has not been able to be translated into a spatially balanced development. This will be examined in the succeeding section.

Spatial Aspects of Poverty

Rural and Urban Poverty

Despite the tremendous decline in the overall poverty incidence, additional investigation shows that poverty in Malaysia still remains as a rural phenomenon. Poverty incidence as well as the number of poor households in the rural areas is still significant compared to the urban areas. Between 1970 and 1997, the incidence of poverty in the rural areas decreased significantly from 60.0 percent to 11.9 percent (Table 3). However, it increased to 12.4 per cent in 1999 due to the financial crisis, but then declined to 11.9 in 2004 after the economy had recovered. While it is not to deny the fact that poverty in the rural areas had declined impressively, the fact is that the percentage is still considered relatively high, especially when the number of rural poor households is taken into account. In 2004, the number of rural poor households was considerably large, i.e. involving 219,700 households. About one fourth (53,200) of this total rural poor households were categorised as extreme poor households.

Table 3: Malaysia: Poverty Incidence and Number of Poor Households by Strata

| | 1970 | 1976 | 1984 | 1990 | 1995 | 1997 | 1999 | 2002 | 2004 |
|----------------------------------|------|---------|---------|---------|---------|---------|---------|---------|---------|
| Rural | | | | | | | | | |
| Incidence of Poverty (%) | 60.0 | 50.9 | 27.3 | 21.1 | 14.9 | 10.9 | 12.4 | 11.4 | 11.9 |
| No. of Poor Households | - | 864,100 | 556,400 | 492,500 | 281,800 | 221,800 | 271,000 | 198,300 | 219,700 |
| Incidence of Extreme Poverty (%) | - | - | 9.3 | 5.2 | 3.6 | 2.5 | 2.4 | 2.3 | 2.9 |
| No. of Extreme-Poor Households | - | - | - | 121,600 | 68,300 | 51,800 | 52,100 | 40,300 | 53,200 |
| Urban | | | | | | | | | |
| Incidence of Poverty (%) | 22.3 | 18.7 | 8.5 | 7.1 | 3.6 | 2.1 | 3.4 | 2.0 | 2.5 |
| No. of Poor Households | - | 111,800 | 93,000 | 82,000 | 83,800 | 52,400 | 89,100 | 69,600 | 91,600 |
| Incidence of Extreme Poverty (%) | - | - | 2.4 | 1.3 | 0.9 | 0.4 | 0.5 | 0.4 | 0.4 |
| No. of Extreme-Poor Households | - | - | - | 15,500 | 20,100 | 10,600 | 13,900 | 12,600 | 14,100 |

Source: Malaysia 1976, 1991, 1996, 2001, 2006.

In the urban areas, it is found that the incidence of poverty among the urban households had also declined significantly. In 1970, poverty incidence in the urban areas was 22.3 percent, but fell to only 2.1 percent in 1997. However, it increased slightly to 3.4 percent in 1999 due to the financial crisis, but then declined again to 2.5 in 2004. From 1976 to 2004, the number of poor households in the urban areas fell from 111,800 to 91,600 households. Besides, the incidence of extreme poverty in the urban areas also decreased from 2.4 percent in 1984 to just 0.4 percent in 2004. At the same time, the number of extreme poor households in the urban areas fell from 15,500 in 1990 to 14,100 in 2004.

It is worth to note that while poverty incidence fell significantly in both the rural and urban areas, concomitantly income inequality between the rural and urban households worsened, particularly after 1990. As Table 4 shows the rural-urban disparity ratio declined from 1:2.14 in 1970 to 1:1.70 in 1990, implying that household income inequality between the rural and urban areas had improved. However, income inequality between the rural and urban households had worsened from 1990 thereafter, except in 1999 due to the financial crisis that probably affected negatively more on the urban households than their rural counterparts.

Table 4: Rural - Urban Disparity Ratio in Peninsular Malaysia, 1957-1970

| Disparity Ratio | |
|-----------------|----------|
| 1957/58 | 1 : 1.80 |
| 1970 | 1 : 2.14 |
| 1980 | 1 : 1.77 |
| 1990 | 1 : 1.70 |
| 1993 | 1 : 1.75 |
| 1995 | 1 : 1.98 |
| 1997 | 1 : 2.04 |
| 1999 | 1 : 1.81 |
| 2004 | 1 : 2.11 |

Source: Malaysia 1976, 1991, 1996, 2001, 2006.

In 2004, income disparity between the rural and urban households widened, and almost slips back to its original position as in 1970. This implies that, after 1990, even though household income had grown in both the rural and urban areas, nonetheless household income seems to grow at a relatively higher rate in the urban areas than in the rural areas. As a matter of fact, in 2004 household income in the urban areas was more than double the household income in the rural areas. Thus, even though the question of poverty is more or less has been able to be tackled quite successfully in both rural and urban areas, the problem of inequality between the rural and urban areas remains to be resolved.

Given the incidence of poverty is still relatively higher in the rural areas, the efforts to reduce poverty further in the rural areas has to face a far greater challenges than before. The rapid process of rural-urban migration in the country, besides resulting in draining people out of the rural sector, has also resulted in the aging of the rural population. Generally speaking, the ages of those left in the rural areas are above fifty years old and this trend is on the increase. The aging rural population trend poses a difficult challenge to sustain the rural economy and also to increase productivity of the rural workforce. The challenges may probably be greater in the less developed states/regions, where the proportion of rural household is still high (such as the state of Kedah, Kelantan, Perlis and Pahang).

Regional Poverty and Inequality

Table 5 shows the distribution of poverty incidence in Malaysia by states/regions. It can be seen clearly that all states in Malaysia recorded a decline in the incidence of poverty. The states in the Central Region recorded a very low poverty incidence. On the contrary, the incidence of poverty is still considerably high for the states in the Eastern and Northern Region, particularly Terengganu, Kelantan, Kedah and Perlis. Poverty incidence in these states is found to be higher than the national level. The highest poverty incidence is recorded for Sabah, where in 2004 nearly one quarter of the population in Sabah was considered poor. While poverty incidence in Sarawak is noticeably less than in Sabah, it is still considered high as the poverty figures show that it is higher than the national level.

Table 5: Malaysia: Incidence of Poverty by State/Region

| State/Region | 1970 | 1976 | 1984 | 1987 | 1990 | 1995 | 1997 | 1999 | 2002 | 2004 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|------------|-------------|------------|
| Northern Region | | | | | | | | | | |
| Kedah | 64.5 | 61.0 | 36.6 | 31.3 | 30.0 | 12.2 | 11.5 | 13.5 | 10.7 | 7.0 |
| Perak | 48.6 | 32.4 | 20.3 | 19.9 | 8.9 | 9.1 | 4.5 | 9.5 | 7.9 | 4.9 |
| Perlis | n.a. | 43.0 | 33.7 | 29.1 | 19.3 | 11.8 | 10.7 | 13.3 | 10.1 | 6.3 |
| Pulau Pinang | 43.7 | 59.8 | 13.4 | 12.9 | 17.2 | 4.0 | 1.7 | 2.7 | 1.4 | 0.3 |
| Central Region | | | | | | | | | | |
| Melaka | 44.9 | 32.4 | 15.8 | 11.7 | 12.4 | 5.3 | 3.5 | 5.7 | 2.7 | 1.8 |
| Negeri Sembilan | 44.8 | 33.0 | 13.0 | 21.5 | 9.5 | 4.9 | 4.7 | 2.5 | 2.2 | 1.4 |
| Selangor | 29.2 | 22.9 | 8.6 | 8.9 | 7.8 | 2.2 | 1.3 | 2.0 | 1.1 | 1.0 |
| Federal Territory Kuala Lumpur | n.a. | 9.0 | 4.9 | 5.2 | 3.8 | 0.5 | 0.1 | 2.3 | 0.5 | 1.5 |
| Southern Region | | | | | | | | | | |
| Johor | 45.7 | 29.0 | 12.2 | 11.1 | 10.1 | 3.1 | 1.6 | 2.5 | 1.8 | 2.0 |
| Eastern Region | | | | | | | | | | |
| Kelantan | 76.1 | 67.1 | 39.2 | 31.6 | 29.9 | 22.9 | 19.2 | 18.7 | 12.4 | 10.6 |
| Pahang | 43.2 | 38.9 | 15.7 | 12.3 | 10.3 | 6.8 | 4.5 | 5.5 | 3.8 | 4.0 |
| Terengganu | 68.9 | 60.3 | 28.9 | 36.1 | 31.2 | 23.4 | 17.3 | 14.9 | 10.7 | 15.4 |
| Sabah | n.a. | 58.3 | 33.1 | 35.3 | 34.3 | 22.4 | 16.5 | 20.1 | 16.1 | 23.0 |
| Sarawak | n.a. | 56.5 | 31.9 | 24.7 | 21.0 | 10.0 | 7.3 | 6.7 | 5.8 | 7.5 |
| MALAYSIA | 52.4 | 42.4 | 20.7 | 19.3 | 17.1 | 8.7 | 6.1 | 7.5 | 5.1 | 5.7 |

Source: Malaysia 1976, 1991, 1996, 2001, 2006.

Throughout 1970 to 2004, there was almost no significant change in the position of the states/regions in terms of poverty incidence. In 2004, Sabah recorded the

highest incidence of poverty. In Peninsular Malaysia, Terengganu recorded the highest poverty incidence, followed by Kelantan, Kedah, and Perlis. This more or less represents the position of these states in terms of poverty incidence in the 1970s. What this evidence shows is that, while the overall incidence of poverty in Malaysia has declined impressively, nonetheless when its distribution is spatially examined, poverty incidence not only remains crucial in the rural areas as discussed earlier, but also remains as a critical issue in Sabah, Terengganu, Kelantan, Kedah, and Perlis and Sarawak. Furthermore, there seems to be no convergence of the average monthly household income in these states/regions with the average monthly household income at the national level.

Table 6 shows the ratio of the average monthly household income to the national average. Between 1976 and 2004, there was almost no change in the ratio for Kedah, Kelantan, Perlis, Terengganu and Sarawak. Sabah exhibited a declining ratio, implying that the mean monthly household income in this state was generally growing at a lesser rate than the national average.

Table 6: Malaysia: Ratio of Average Monthly Household Income to the National Average by States

| State/Region | 1976 | 1990 | 1995 | 2002 | 2004 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Northern Region | | | | | |
| Kedah | 0.61 | 0.64 | 0.64 | 0.65 | 0.65 |
| Perak | 0.86 | 0.83 | 0.71 | 0.71 | 0.68 |
| Perlis | 0.67 | 0.71 | 0.57 | 0.58 | 0.63 |
| Pulau Pinang | 1.17 | 1.14 | 1.10 | 1.27 | 1.09 |
| Central Region | | | | | |
| Melaka | 1.12 | 0.93 | 0.91 | 0.91 | 0.86 |
| Negeri Sembilan | 1.00 | 0.92 | 0.87 | 0.94 | 0.89 |
| Selangor | 1.46 | 1.42 | 1.57 | 1.50 | 1.59 |
| Federal Territory | 2.10 | 1.61 | 1.67 | 1.66 | 1.54 |
| Kuala Lumpur | | | | | |
| Southern Region | | | | | |
| Johor | 1.02 | 0.98 | 1.06 | 1.07 | 0.95 |
| Eastern Region | | | | | |
| Kelantan | 0.53 | 0.61 | 0.54 | 0.53 | 0.56 |
| Pahang | 0.94 | 0.82 | 0.71 | 0.60 | 0.74 |
| Terengganu | 0.67 | 0.65 | 0.55 | 0.65 | 0.61 |
| Sabah | 1.02 | 0.98 | 0.82 | 0.77 | 0.77 |
| Sarawak | 0.84 | 1.04 | 0.93 | 0.92 | 0.84 |
| MALAYSIA | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Source: Malaysia 1976, 1991, 1996, 2001, 2006.

The above observations tell us is that while poverty is still crucial in some states/regions, i.e. Terengganu, Kelantan, Kedah, Perlis, Sabah and Sarawak, income disparities between these states and the more developed states will remain the same, if not widening. Indeed, as shown in Table 7, these states rank among the lowest in terms of development index.

Table 7: Malaysia: Development Composite Index by State/Region, 2005

| State/Region | Economic Index | Social Index | Development Composite Index | Rank |
|------------------------|----------------|--------------|-----------------------------|------|
| Northern Region | | | | |
| Kedah | 95.5 | 100.2 | 97.8 | 9 |
| Perak | 99.7 | 101.2 | 100.4 | 7 |
| Perlis | 95.0 | 104.9 | 99.9 | 8 |
| Pulau Pinang | 109.0 | 102.4 | 105.7 | 2 |
| Central Region | | | | |
| Melaka | 106.4 | 102.1 | 104.2 | 3 |
| Negeri Sembilan | 101.8 | 102.9 | 102.3 | 5 |
| Selangor | 108.4 | 98.0 | 103.2 | 4 |
| Federal Territory | 114.4 | 104.8 | 109.6 | 1 |
| Kuala Lumpur | | | | |
| Southern Region | | | | |
| Johor | 102.9 | 98.1 | 100.5 | 6 |
| Eastern Region | | | | |
| Kelantan | 91.9 | 94.4 | 93.1 | 13 |
| Pahang | 96.3 | 99.0 | 97.6 | 10 |
| Terengganu | 91.5 | 100.8 | 96.2 | 12 |
| Sabah | 82.8 | 97.2 | 90.0 | 14 |
| Sarawak | 94.8 | 98.4 | 96.6 | 11 |
| MALAYSIA | 100.0 | 100.0 | 100.0 | |

Source: Malaysia 2006.

Conclusion

Malaysia has achieved remarkable success in terms of achieving rapid economic growth and reducing absolute poverty. The overall poverty incidence has declined significantly. Thus, it is not an exaggeration at all to say that Malaysia's achievement in eradicating absolute poverty is outstanding. Notwithstanding this success, there still remain some pertinent issues that need to be addressed. Closer examination of the record shows that the incidence of poverty remains a major issue in the rural areas, where the poverty incidence was still a double digit percentage in 2004.

Besides, poverty incidence in the Eastern and Northern Regions as well as in Sabah and Sarawak is still considerably high. In addition, income disparity between the rural and urban areas is generally on a widening trend since 1990s, suggesting that the distribution of the benefits of growth in Malaysia seems to be uneven between the rural and urban areas. Besides, even though there are policies to overcome spatial or regional development imbalances, it appears that spatial disparity in growth and development remains. In 2004, poverty remained crucial in Sabah, Terengganu, Kelantan, Kedah, Perlis, and Sarawak, as it was in the 1970s. Thus, overcoming this spatial poverty and inequality will continue to remain as one of the greatest challenges facing Malaysia.

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