



الجامعة الإسلامية العالمية ماليزيا
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
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**DISTRIBUTE POLICIES FROM NEP TO NDP: POTENTIAL
CONTRIBUTION OF THE VOLUNTARY SECTOR TO
COMPLEMENT NDP FOR THE
BUMIPUTERA COMMUNITY**

BY

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This is certify that Bro./Sis PATMAWATI BTE HJ. IBRAHIM
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DISTRIBUTIVE PRACTICES FROM NEP TO NRP: POTENTIAL
CONTRIBUTION AND RESPONSIBILITIES OF THE VOLUNTARY
SECTOR TO COMPLEMENT NRP FOR THE BUMIPUTERA
COMMUNITY

under my supervision. The relevant comments made on the paper during its presentation have been incorporated in the present version of the paper to my full satisfaction.

I have pleasure in recommending that the graduate committee may approve the paper in partial fulfilment of the requirements for the degree of Master of Economics.

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ABSTRACT

This paper attempts to look at how the Bumiputera Muslim can benefit from NDP to uplift themselves. The paper first highlights the objectives, programmes, and strategies of NDP in the context of Bumiputera's achievement after the completion of the NEP period. It is found that the Bumiputera economically are still lacking behind the other ethnic groups in Malaysia. In this study, relevant NDP strategies on how the Bumiputera can uplift themselves are highlighted and analysed in terms of their effectiveness. It is asserted that available Islamic economic institutions have not been recognised let alone be utilised in the strategy formulations of the NDP. These can be included to complement if not to rationalise existing strategies via distributional and human resource programmes.

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**DISTRIBUTIVE POLICIES FROM NEP TO NDP : POTENTIAL
CONTRIBUTION AND POSSIBILITIES OF THE VOLUNTARY SECTOR TO
COMPLEMENT NDP FOR THE BUMIPUTERA COMMUNITY**

SECTION ONE : INTRODUCTION

New Development Policy (NDP) is a policy planned for the development programmes that are to be carried out in Malaysia in post 1990 period. There is no time limit specified for this policy, but the evaluation of the policy will be done in the year 2000. NDP which is considered as a successor to the NEP is built upon the achievements during OPP1. NDP still maintains the basic strategies of NEP which are poverty eradication and restructuring of economy and society. The difference between NDP and NEP lies only in the shift of emphasis. The additional dimensions that are found in NDP but not in NEP are :¹

- a. Shift the focus of anti-poverty strategy towards eradication of hardcore poverty² while at the same

¹ 'The Second Outline Perspective Plan 1991-2000', National Printing Department, Kuala Lumpur, 1991, p.4.

² Hardcore poverty is defined as those households receiving income less than half of the poverty line and whose living conditions are extremely low. In Malaysia, the poverty line is \$370/-, therefore the hardcore poverty line is \$175/-.

time reducing relative poverty.

- b. Focus on employment and rapid development of an active Bumiputera Commercial and Industrial Community (BCIC), as a more effective strategy to increase the meaningful participation of the Bumiputera in the modern sector of the economy.
- c. Rely more on the private sector to be involved in the restructuring objective by creating greater opportunities for its growth ; and
- d. Focus on human resource development (HRD) as a fundamental requirement for achieving the objective of growth and distribution.

New Development Policy is to be implemented in the Second Outline Perspective Plan (OPP2) covering the period of 1991-2000. The major objective is to attain a balanced development in order to eventually establish a more united and just society. This objective is made clear by the government's doctrine of vision 2020, which is yet known as the global objective of NDP. This vision aims to carry out the following nine strategic challenges :³

³ Mohd. Sheriff b. Mohd. Kassim, "Vision 2020 : Its linkages with the Sixth Malaysia Plan and the Second Outline Perspective Plan", paper presented at the national seminar on 'Towards a developed and industrial society : understanding the concept, implication and challenges of vision 2020', held in Genting Highland, 5th - 7th Dec. 1991.

- First : Establishing a united Malaysian Nation made up of one Bangsa Malaysia.
- Second : Creating a psychologically liberated, secure and developed Malaysian society.
- Third : Fostering and developing a mature democratic society.
- Fourth : Establishing a fully moral and ethical society.
- Fifth : Establishing a mature, liberal and tolerant society.
- Sixth : Establishing a scientific and progressive society.
- Seventh : Establishing a fully caring society.
- Eight : Ensuring an economically just society, in which there is a fair and equitable distribution of wealth of the nation.
- Ninth : Establishing a prosperous society with an economy that is fully competitive, dynamic, robust and resilient.

NDP is to be implemented based on the principle of growth with equity. It is also targetted to achieve the objective of national unity, national integration, rapid economic growth, progressive society, modern industrial economy and environmental protection. Thus, the broad based objectives of vision 2020, OPP2 and NDP can be composed together as building up a progressive, prosperous and a united nation. The ultimate goal is the national unity.

In attaining the above mentioned objectives, various policies and strategies are formulated to be carried out under NDP. These policies and strategies are framed out in the new dimension of NDP, and can be grouped into two major strategies of distributional objectives and human resource development. Under distributional objectives strategy, focus are given for poverty eradication, restructuring of society and regional development. Within a framework of OPP2, NDP will carry out a structural transformation towards becoming a modern industrialised society. It means more contribution to GDP and growth rate of the industrial sector compared to agricultural sector as shown in table 1.

NDP, which replaced the NEP, is aiming towards further expanding the achievement of NEP and also to back up the objectives which were not achieved under the NEP period. Therefore, it entertains any programmes which work for the achievement of those objectives which do not deviate from the national and universal objectives. NDP's goals statement as envisaged by vision 2020 are very general in nature. This situation allows everybody to participate and work for the attainment of the objectives and get the benefits from them.

This paper attempts to look at how the Bumiputera Muslim can benefit from NDP to uplift themselves. It is

TABLE 1

MALAYSIA : PLANNING TARGETS GROWTH RATE FOR
THE OPP2 PERIOD

	Target	Achieved	Target
	OPP1	OPP1	OPP2
	(% p.a.)	(% p.a.)	(% p.a.)
1. GDP (real)	8.0	6.7	7.0
2. Unemployment	3.6	6.0	4.0
3. Poverty incidence	-	17.1	7.2
4. Investment			
4.1 Public	10.1	10.0	-0.4
4.2 Private	8.5	9.4	8.0
5. Sectoral growth			
5.1 Manufacturing	12.2	10.3	10.5
5.2 Agric. & forestry	5.4	4.4	3.2
5.3 Mining	3.8	4.9	1.5
5.4 Construction	8.3	6.4	7.0
5.5 Services	8.5	7.6	4.5

Source : OPP2

shown in table 2 that since 1970, Bumiputera performed more than 50% of the total population of Malaysia. This study is carried out due to the fact that, the Bumiputera qua Muslim community is still far behind the other ethnic groups. The eradication of poverty, which was the first objective of NEP has reduced from 49.3% in 1970 to 17.1% in 1990. Of this performance, the Bumiputera community experienced the worst, whereby 23.8% of them were clutched in the poverty trap after the completion of NEP as shown in table 3. Bumiputera community is dominant in the rural areas and characterized by the agricultural sector as the major source of income. Unfortunately, during the NEP period, this sector had performed the worst with average growth rate of only 4.4% per year. This sector also contributed the least (28.1%) in the structure of production share to GDP in 1990. Thus, it contributed to the high poverty level of the Bumiputera community.

A number of researchers and organizations have established that rural poverty in this country is caused by the exploitation of the farmers by middlemen, fluctuation in the prices of commodities, inadequate factor of production, i.e. land, labour and capital, low socio-economic characteristics of the poor, imbalance rural/urban growth and rapid industrialization, and the political system. Government efforts to increase incomes of rural households

TABLE 2

MALAYSIA : MID YEAR POPULATION BY ETHNIC GROUP

('000)

ETHNIC GROUP	30/6/70 ⁽¹⁾	30/6/80	30/6/86	30/6/89
a. Malay (2)	4671.9	8097.8	9745.7	10670.7
	53.0%	58.8%	60.5%	61.4%
b. Chinese	3131.3	4419.3	4945.2	5201.6
	35.5%	32.2%	30.7%	29.9%
c. Indian	936.3	1172.7	1334.2	1413.4
	10.6%	8.5%	8.3%	8.2%
d. Others	70.0	74.5	84.5	91.2
	0.8%	0.5%	0.5%	0.5%
TOTAL	8,809.5	13,764.4	16,109.6	17,376.9

Sources : Yearbook of statistics, 1984, 1989.

General Report of the population censuses, vol.1, p.17,
Department of Statistics, Malaysia.

(1) Peninsular Malaysia only.

(2) Includes Malays, other indigenous groups and also a small
number of Indians and others in Sabah and Sarawak.

TABLE 3

**MALAYSIA : POVERTY ERADICATION TARGETS
AND ACHIEVEMENT 1990**

	1970 ^a	1976	target	Achieved
	(%)	(%)	1990	1990
Incidence of poverty (%)	49.3	42.4	16.7*	17.1
Bumiputera	65.0	56.4	-	23.8
Chinese	30.0	19.2	-	5.5
Indians	39.0	28.5	-	8.0
Muslims	44.0	44.6	-	12.9

Source : GPPS

* Peninsular Malaysia only

Thus far have been through providing better agricultural infrastructure / facilities, namely through the irrigation system, agriculture extension work and research and development inputs ; better marketing infrastructure for farm producers; agricultural subsidies; relocation of poor families to land development schemes; integrated agricultural development; and agriculture land integration or mini estates.⁴

The prevalence of poverty in Malaysia is also associated with the level of underdevelopment of the states in the country. The states which are less developed and characterized by its small scale mode of production, mainly traditional agricultural and fishing industries, tend to register a higher incidence of poverty when compared to their more industrialized counterparts.⁵ This can be seen from Tables 4.1, 4.2 and 4.3 which indicate regional imbalances by looking at share to GDP, monthly household income and poverty incidence at the states level as indicators. From the tables, it is found that Perlis, Kedah, Kelantan, Trengganu and Sabah are considered as less developed with compared to the other states.

⁴ Salleh Ismail, "Political Economy of Poverty Eradication in Malaysia", Issues and Challenges for National Development, Faculty of Economics, Universiti Malaya, 1990, p. 192.

⁵ Ibid, pp. 190-191.

TABLE 4.1

MALAYSIA : STATE GDP PERCAPITA AS A PROPORTION
OF NATIONAL AVERAGE

	1970	Target 1990	achieved 1990
Johor	0.91	0.99	0.91
Kedah	0.67	0.78	0.59
Perak	0.47	0.68	0.40
Malaka	0.80	0.92	0.82
Negeri Sembilan	0.99	1.08	0.87
Pahang	0.98	1.28	0.75
Perak	0.99	0.88	0.76
Perlis	-	-	0.68
Pulau Pinang	0.99	1.12	1.12
Sabah	1.19	0.99	1.02
Sarawak	0.89	0.87	0.88
Selangor	1.63	1.37	1.49
Terengganu	0.60	0.99	1.62
Wilayah Persekutuan	-	-	1.73

Source : DPP2 report

TABLE 4.2

MALAYSIA : MEAN MONTHLY HOUSEHOLD INCOME

(current prices)

	1976	Achieved 1990	
		(estimates)	
Malaysia	505	1,254	
Johor	513	1,220	
Kedah	308	860	
Kelantan	269	726	
Malaka	568	1,190	
Negeri Sembilan	505	1,162	
Pahang	477	1,092	
Perak	436	1,067	
Perlis	338	852	
Pulau Pinang	589	1,375	
Selangor	513	1,358	
Sarawak	426	1,199	
Selangor	735	1,790	
Terengganu	339	905	
Wilayah Persekutuan	1,058	2,102	

Source : OPP2 report

TABLE 4.3**MALAYSIA : INCIDENCE OF POVERTY (%)**

	1976	Achieved 1990	
1 Johor	29.0	10.1	1
1 Kedah	61.0	30.0	1
1 Kelantan	67.1	29.9	1
1 Melaka	32.4	12.4	1
1 Negeri Sembilan	33.0	9.5	1
1 Pahang	38.9	10.3	1
1 Pulau Pinang	32.4	8.9	1
1 Perak	43.0	19.3	1
1 Perlis	59.8	17.2	1
1 Sabah	58.3	34.3	1
1 Sarawak	56.5	21.0	1
1 Selangor	22.9	7.8	1
1 Terengganu	60.3	31.2	1
1 Wilayah Persekutuan	9.0	3.8	1

Source : DPP2 report

The second objective of NEP was to restructure the society so as to eliminate the identification of race with economic function. This objective was meant to be achieved through restructuring of employment pattern, ownership of share capital and development of ECIC. This objective did not fully achieved under the NEP period mainly due to the resistance from surrounding the Bumiputera themselves.⁴

With the above background, we are interested to know how NDP through its various programmes and strategies can improve their situations. We also would like to suggest some Islamic economic tools which are applicable to assist NDP in improving the Bumiputera's condition, especially in terms of poverty reduction and ECIC creation..

This paper is divided into five sections. The first section explains on NDP's objectives, programmes and strategies in general. This section also introduces the objective of the study and why such a study is necessary. The second section enumerates the performance of the Bumiputera in terms of the NEP's intended goals and targets. The third section explains the NDP's programmes and strategies and how the Bumiputera can benefit from such

⁴The performance of the Bumiputera under NEP period will be explained further in the second part of this paper.

programmes to improve themselves. The fourth section gives some suggestions of Islamic economic tools that are applicable to assist NDP's strategies to uplift the Bumiputera's condition in poverty reduction and BCIC creation. This section also provides some suggestions for human resource development programmes in order to enhance a better muslim personality. The conclusion and recommendations are found in section five.

SECTION TWO : BUMIPUTERA AFTER THE NEW ECONOMICS POLICY

(NEP)

NEP was introduced in 1970 with a general objective of attaining national unity and fostering nation building through the two-pronged strategy of eradicating poverty and restructuring society in order to eliminate the identification of race through economic function. This part will look at the performance of the Bumiputera in the frame of NEP's intended goals during the NEP period of 1970- 1990. The evaluations are done based on the poverty level, mean monthly household income, employment pattern, ownership of fixed capital and BCIC creation.

1. POVERTY ERADICATION

Analysing the first objective of eradicating poverty irrespective of race, the targets and the achievements of NEP are shown in table 3. As shown in the table, the overall incidence of poverty in Malaysia has reduced significantly from 49.3% in 1970 to 17.1% in 1990, slightly higher than the target achievement of 16.7% . In terms of ethnic group, Bumiputera formed the majority of the poor, accounting for 74% of all poor households in Peninsular

Malaysia in 1970.⁷ The incidence of poverty among the Bumiputera was also the highest at 65% compared with 26% for the Chinese and 39% for the Indian in 1970. In 1990, although the overall poverty incidence has improved, the poverty rank according to ethnic group is still maintained. The incidence of poverty among the Bumiputera is still the highest with 23.8% with compared to Chinese 5.5% and 8% for Indians. Since Bumiputera is the largest ethnic group in Malaysia, and 23.8% of them are clutched in the poverty trap, it implies that the Bumiputera still forming the majority of the poor after the NEP programme.

2. INCOME LEVEL

The above situation is proven by looking at the income level enjoyed by the households, an indicator of poverty incidence, as shown in table 5. From the mean monthly income received by the households from 1970 - 1990, the Bumiputera received the least. In 1970, where the overall mean monthly income for the households was \$264/-, the Bumiputera received only \$172/- compared to the other ethnic groups which enjoyed more than \$300/-. This situation remain in 1990, where the overall mean households income was

⁷ The Second Outline Perspective Plan 1991-2000, op. cit. p.32.

TABLE 5

MALAYSIA : MEAN MONTHLY HOUSEHOLD INCOME
BY RACES (IN CURRENT PRICES)

	1970*		1970		1990	
	\$	\$	as ratio	\$	as ratio	
			of mean		of mean	
			income		income	
Overall	264	505	1.0 %	1167	1.0 %	
Bumiputera	172	339	0.7 %	928	0.8 %	
Chinese	394	795	1.6 %	1631	1.4 %	
Indians*	304	537	1.1 %	1201	1.0 %	
Others*	813	975	2.0 %	3292	2.8 %	

Source : DRPO

* Peninsular Malaysia only.