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Research Article

Urbanization and Urban Poverty in Malaysia: Consequences and Vulnerability

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Abstract

In recent years, urban poverty in Malaysia has been considered as an increasingly visible phenomenon due to impacts of urbanization. This study aims to assess the trends in urban poverty and urbanization in Malaysia during 1970-2012. The study also examines consequences of rapid urbanization and urban vulnerable group in the country. The study used empirical data on urbanization, household income, poverty, population at rural and urban level. The data were obtained from Economic Planning Unit (EPU), Malaysia and Department of Statistics, Malaysia. The findings reveal that there was a downward trend in urban poverty incidences. Poverty rate in urban areas decreased from 25.5% in 1970 to 1% in 2012. However, average monthly income of urban households is much higher (almost twice) than that of rural families which indicates a high income inequality in urban and rural level. The country experienced cumulative growth of urbanization during the last few decades. Level of urbanization was 34.2% in 1980 and reached to 71% in 2010. The country also observed a boom in urban population that swelled from 27% of total population in 1970 to 71% in 2010. Significant increase of urban population in a short span of time creates various problems including high cost of living, crime, social problem, environmental deterioration, unemployment and poverty. Therefore, to tackle the problems, it is urgently required to identify the location of poor in city, differences between poor areas, effectiveness of specific programs as well as design and best practice of urban poverty reduction programs and policies.

Key words: Urban poverty, urbanization, income inequality, vulnerability, Malaysia

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Data Availability: All relevant data are within the paper and its supporting information files.

INTRODUCTION

Poverty alleviation is the main agenda of sustainable development in most developing countries around the world. However, poverty is a multidimensional phenomenon and covers many aspects of human and social behavior. Therefore, conceptualization and measurement of poverty is a challenging task due to its multi-dimensional nature. Poverty is mainly associated with lack of income and the individuals whose income level falls below the minimum level of human basic needs are considered as poor (World Bank, 2005). In Malaysia, poverty eradication has become an important agenda in the development policies during the last few decades. Poverty in Malaysia has been conceptualised as economic or income poverty and measured using a Poverty Line Income (PLI) to differentiate poor and non-poor households. The Malaysian government defines poverty as lack of monetary ability to procure basic needs, consisting of food and non-food components (such as health care, education, house rental, clothing, transportation and recreation) (EPU., 2002). The country determines the incidence of poverty by using its Poverty Line Income (PLI), whereby people earning less than the PLI are categorised as poor, while people earning less than half of the PLI are considered as hard-core poor (EPU., 2003). It can be mentioned that PLI does not measure the other dimensions of poverty (such as culture, mind, deprivation, etc.) as these dimensions are difficult to measure.

Malaysia has made great strides in eradicating poverty during the last few decades. The incidence of poverty has dropped from 52.4% in 1970s to 15% in 1990s and 5.5% in 2000 (Hasan and Hashim, 2001; Chukwukere and Baharuddin, 2012). The rate of poverty in the country has further decreased to 3.8% in 2009 (Muhammed and Haron, 2011). Recently, it was reported that only 1.7% of the Malaysian population is living below the overall poverty line (EPU., 2013). The overall hard-core poverty also reduced from 3.9% in 1990 (Malaysian Quality of Life) (EPU., 2002) to 1.0% in 2002 and 0.2% in 2012 (EPU., 2003, 2013). It suggests that Malaysia has achieved in advance one facet of the UN millennium development goals to eradicate extreme poverty and hunger (UNDP., 2005). However, though the Malaysian economy experienced a large reduction in the incidence of poverty during the last few decades, poverty continues to be a major development concern in the country (Othman and Kari, 2008; Nair, 2010). There still remain pockets of poverty in different states of the country. Particularly, the rate of poverty is still high in several states of the country (EPU., 2009). Moreover, the poverty gaps in rural-urban areas of the states still remain wide which is a challenge for the Malaysian economy (Ali and Ahmad, 2009).

The previous studies focused on the trends and various dimensions of poverty in Malaysia during the last few decades. Several studies compared poverty in rural and urban areas of the states in the country. However, there is lack of research on urban poverty, particularly assessing the impacts of growing urbanization and identifying the vulnerable people in urban areas of the country. This study aims to assess the trends in urban poverty and urbanization in Malaysia during 1970-2012. The study also examines the consequences of rapid urbanization and urban vulnerable group in the country. The study provides new insight about the problems of rapid pace of urbanization as well as vulnerable people in urban localities of the country.

MATERIALS AND METHODS

Data collection: The study collected empirical data on household income, overall poverty and urban and rural poverty in Malaysia between 1970-2012. The study also gathered cumulative data on urbanization, rural and urban population in the country during the last few decades. The data were obtained from the Economic Planning Unit (EPU), Malaysia and the Department of Statistics, Malaysia. To assess poverty status, the households were divided into two groups (viz., poor and hard-core poor) based on Poverty Line Income (PLI) defined by the Malaysian government. The PLI for a household is measured in combination of two components, i.e., food PLI and non-food PLI (Muhammed and Haron, 2011). In other words, PLI is measured based on the minimum requirements of household for food, clothing and footwear and other non-food items (rent, fuel and power) based on standards set by the Department of Social Welfare for the requirements of inmates in welfare homes (EPU., 2012). Incidence of poverty and hard-core poverty were determined as follows:

- **Incidence of poverty:** A household is considered poor if its income is less than PLI (i.e. food PLI plus non-food PLI). Therefore, the incidence of poverty can be measured as follows:

$$\text{Incidence of poverty} = \frac{\text{No. of poor households}}{\text{No. of population}} \times 100$$

- **Incidence of hard-core poverty:** A household is considered hard-core poor if its income is less than food PLI. Therefore, the incidence of hard-core poverty can be measured as follows:

$$\text{Incidence of hard-core poverty} = \frac{\text{No. of hard-core poor households}}{\text{No. of population}} \times 100$$

Data analysis: Trend analysis was conducted to investigate the trends of poverty incidence at rural, urban and national level in Malaysia between 1970 and 2012. Trend lines were also fitted to assess the movement in rural and urban household income as well as urbanization in the country during the last three decades. Moreover, summary descriptive statistics (viz., summation, mean, frequency and percentage) were applied to analyze population distribution in rural and urban areas during the last few decades. Data were organized in Microsoft Excel spreadsheets and processed and analyzed. Findings of the study were presented in tabular and graphical format.

RESULTS AND DISCUSSION

Trends in poverty incidence in Malaysia: Table 1 describes the incidence of poverty at rural, urban and national level in Malaysia from 1970-2012. The data shows that the rate of poverty is much higher in rural areas of the country. The highest incidence of rural poverty (58.5%) was observed in the year of 1970. After that the rate of poverty in rural areas of the country decreased gradually during the subsequent two decades. The lowest rate in rural poverty was observed in the year 2012 (3.4%). On the other hand, the rate of urban poverty was found to be substantially low as compared to rural poverty. The incidence of poverty in urban areas of the country was highest in the year 1970 (25.5%), followed by the year 1979 (17.5%).

Figure 1 shows the trends in poverty incidence in Malaysia during the last three decades. It was found that poverty incidence in rural areas followed a downward trend during 1970-1997. However, there was an increase in rural poverty from year 1999-2004. After that, the rate of poverty in rural areas followed a decreasing trend during the last decade. The analysis also shows that there was an overall downward trend in urban poverty during the last three decades. A similar pattern was observed in overall poverty incidence in the country. The findings suggest that the rate of poverty both in rural and urban areas followed a declining trend though there were ups and downs in poverty incidence in each stratum.

Income disparity in urban and rural area: Table 2 shows the cumulative data on average monthly household income in

Table 1: Incidence of rural, urban and overall poverty in Malaysia (1970-2012)

Year	Poverty incidence (%)		
	Rural	Urban	Overall
1970	58.5	25.5	49.3
1976	45.7	15.4	37.7
1979	45.8	17.5	37.4
1984	27.3	8.5	20.7
1987	24.8	8.5	19.4
1989	21.1	7.1	16.5
1992	21.2	4.7	12.4
1995	14.9	3.6	8.7
1997	10.9	2.1	6.1
1999	14.8	3.3	8.5
2002	13.5	2.3	6.0
2004	11.9	2.7	5.7
2007	7.1	2.0	3.6
2009	8.4	1.7	3.8
2012	3.4	1.0	1.7

Source: EPU (2012)

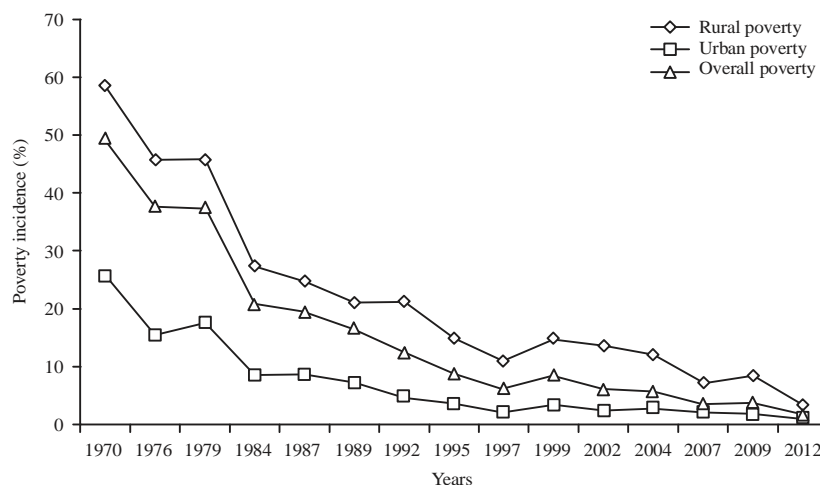


Fig. 1: Trends of poverty incidence in Malaysia (1970-2012)

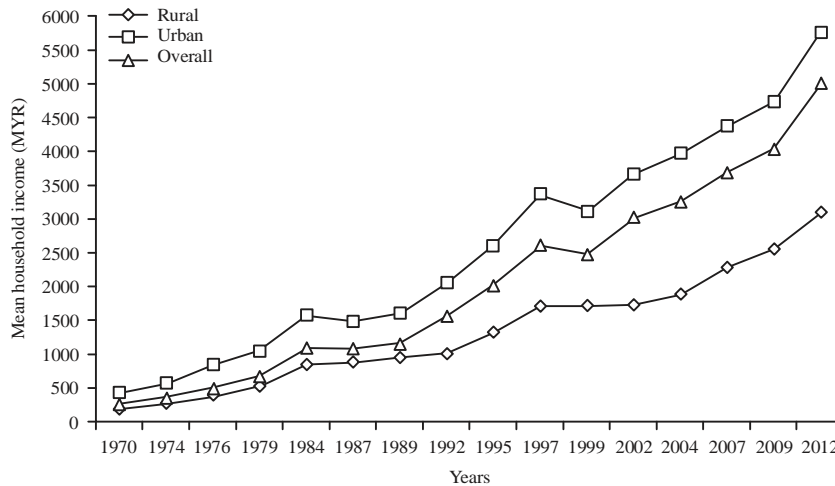


Fig. 2: Trends of household income in Malaysia (1970-2012)

Table 2: Income disparity in rural and urban area in Malaysia (1970-2012)

Year	Mean monthly gross household income (MYR)		
	Rural	Urban	Overall
1970	200	428	264
1974	269	570	362
1976	385	843	505
1979	523	1,045	678
1984	842	1,573	1,098
1987	881	1,488	1,083
1989	957	1,606	1,169
1992	1,009	2,050	1,563
1995	1,326	2,589	2,020
1997	1,704	3,357	2,606
1999	1,718	3,103	2,472
2002	1,729	3,652	3,011
2004	1,875	3,956	3,249
2007	2,283	4,356	3,686
2009	2,545	4,705	4,025
2012	3,080	5,742	5,000

MYR: Malaysian ringgit, Source: EPU (2012)

rural, urban and national level between 1970-2012. It can be seen that household monthly income in rural areas was substantially low in 1970s (on average, MYR 345 per month). On the other hand, the average monthly income of the urban households was below MYR 1,000 during the 1970s. However, the income disparity in rural and urban level is found to be high enough. The findings show that the average monthly income of the urban households is much higher (almost twice) than that of rural families. The probable reason is that most of rural households in the country are usually agricultural workers and small farmers, where agricultural activities usually represent their main source of income (Mat *et al.*, 2011). Matul (2005) revealed that 30% of the rural households do not have any permanent source of income

(wage employment, self-employment and agriculture) and nearly half of the households live on self-subsistence agriculture. The study also reported that the regularity of savings is prominent in urban areas where the income flows are more regular, usually on a monthly basis, while in rural areas they are much more seasonal.

Figure 2 depicts the trends in household average income in Malaysia between 1970-2012. The findings show that the average household income per month in rural areas was very low as compared to urban dwellers in 1970s. However, earnings of the rural households were increased gradually during the following two decades. Similarly, household earnings in the urban localities were found to be increased on a regular basis. The household income at national level also followed a rising trend after 1970s. The findings indicate that monthly household income both in rural and urban localities followed an upward trend during the last few decades. However, the income gaps in rural-urban areas of the country still remain wide.

Trends in urbanization: In recent years, urban poverty in Malaysia has been considered as an increasingly visible phenomenon due to the impacts of the urbanization. The Malaysian government defines an urban area as a gazetted area with its adjoining built-up areas, with a combined population of 10,000 or more; or a special development area that can be identified, with at least a population of 10,000 and at least 60% of the population (aged 15 years and above) are involved in non-agricultural activities (Department of Statistics Malaysia, 2009). The country observed high speed of urbanization during the last few decades (Fig. 3). The proportion of urbanization in Malaysia was 34.2% in 1980s.

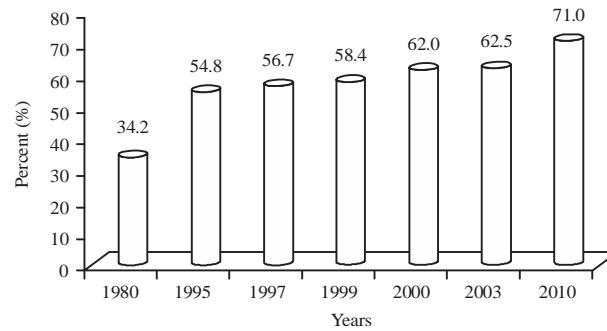


Fig. 3: Trend of urbanization in Malaysia (1980-2010), (Source: Department of Statistics Malaysia, 2011)

Table 3: Rural-urban distribution of population in Malaysia (1970-2010)

Year	Population distribution					
	Total population (million)	Rural		Urban		
		Population (million)	Total population (%)	Population (million)	Total population (%)	
1970	10.44	7.62	73	2.82	27	
1980	13.14	8.67	66	4.47	34	
1991	17.57	8.67	49	8.90	51	
2000	23.30	8.85	38	14.45	62	
2010	28.60	8.29	29	20.31	71	

Source: (Department of Statistics Malaysia, 2011)

After that it was increased regularly and reached to 71% in 2010. Rostam *et al.* (2010) revealed that the trend of urban growth has been on favour of the large cities in Malaysia. The study reported that the acceleration of urbanization in Malaysia during the last few decades has been characterized by the growth of metropolitan city. It was also reported that since the late 1980s, under intense pressure from global market economies, the country has liberalized its trade policies by allowing firms to locate their activities in and around Kuala Lumpur, the capital of the country. The level of urbanization is expected to reach about 75% by the year 2020 (Government of Malaysia, 2010).

Urban poverty in the country is also affected by the population migration from rural to urban areas as well as the natural population growth in urban areas. The country experienced cumulative increase of urban population during the last few decades (Table 3). The data show that the growth in urban population swelled from 27% in 1970 to 71% in 2010. The exponential increase in urban population contributed to the acceleration of urbanization in the country. The increased proportion of population in urban areas is expected to be continued and to reach about 75% by the year 2020 (Government of Malaysia, 2010). It was also forecasted that three quarter of the total population of Malaysia will be staying in urban areas by the year 2030 (Jaafar, 2004).

Consequences of rapid urbanization: Significant increase of urban population in a short span of time contributes to high speed of urban expansion which causes various problems for local government, especially in fulfilling the provision of services and infrastructures, creating job opportunities and providing houses for urban dwellers (Elhadary and Samat, 2012). Excessive urban growth leads to escalating economic and social costs, e.g., rentals, transport, housing, land and space, drugs, crime, social problems and so on (Siwar and Kasim, 1997). It also contributes to signify the problems such as inadequate amenities and shortage of housing which deteriorates the living standard of the urban population. Rapid urbanization causes increasing urban diseconomies, e.g., environmental deterioration, pollution, congestion, diseases, squatters, improper dumping of garbage and mismanagement in sanitation services (Mok *et al.*, 2007). Excessive urban growth imposes the burden of employment generation increases unemployment rate and consequently incidence of poverty. The acceleration of urbanization contributes to uneven distribution of development benefits between urban areas and urban-rural areas which creates some degree of regional imbalances. If the regional imbalances become wider, it affects negatively the national integration and unity (Rostam *et al.*, 2010).

Urban vulnerable group: Urban poverty is a dynamic condition of vulnerability due to rapid urbanization (Abd Aziz *et al.*, 2011). In other words, rapid pace of urbanization causes vulnerability among the urban dwellers. Yusoff (2013) identifies the vulnerable groups in urban areas of the country. The urban vulnerable groups are as follows:

- Low and moderate income people whose monthly income is, on average, MYR 2,334
- People with low educational level and engaged in low skill and less productive sector

- Handicapped
- Single parent
- Youth
- Orang asli
- Minority Sabah and Sarawak
- Estate workers
- Elderly

The study found that the number of urban vulnerable people is high in more developed states of the country such as Selangor, Johor, Perak, Sabah, Sarawak and Kedah. It was also reported that majority (63%) of urban vulnerable group are Bumiputera. A comparatively higher portion (66.1%) of household heads is above 40 years old.

CONCLUSION

The present study examines the status of urban poverty and level of urbanization in Malaysia from 1970-2012. The study also focuses on the consequences of rapid urbanization and urban vulnerable group in the country. The findings show that the rate of poverty in urban areas followed a declining trend during the last few decades. However, incidence of poverty still exists in the urban areas of the country. The income inequality in rural and urban areas is found to be significantly high though the level of household income has increased in both stratum. Rapid economic development in Malaysia resulted in high speed of urbanization during the last few decades. The level of urbanization in the country was 34.2% in 1980 and reached to 71% in 2010. The population migration from rural to urban areas as well as the natural population growth in urban areas also contributed to the acceleration of urbanization. The proportion of urban population was 27% of total population in 1970 which increased to 71% in 2010. Excessive urban growth leads to escalating economic and social costs, e.g., rentals, transport, housing, land and space, drugs, crime and social problems. It also causes increasing urban diseconomies, e.g., environmental deterioration, pollution, congestion, diseases, squatters, unemployment and incidence of poverty. Therefore, to tackle the problems, it is urgently required to identify the location of poor in city, differences between poor areas, effectiveness of specific programs as well as design and best practice of urban poverty reduction programs and policies.

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