

# Poverty and Inequality in Malaysia's Evolving Economy

## Abstract

This paper examines the evolution of poverty and inequality in Malaysia, highlighting the significant progress made in reducing absolute poverty from around 50 percent in the 1970s to 6.2 percent in 2022. Despite these achievements, relative poverty and income inequality remain persistent challenges, particularly among certain demographic groups and regions. The study explores the historical context of ethnic disparities, the impact of globalization, and the rise of the knowledge economy as key factors influencing inequality trends. It also discusses the multifaceted approaches adopted by Malaysia, including targeted investments in education, healthcare, and infrastructure, as well as the implementation of the Multidimensional Poverty Index (MPI) to provide a more comprehensive understanding of deprivation. The paper emphasizes the need for ongoing evaluation and adjustment of policies to address both horizontal and vertical inequalities effectively. By focusing on inclusive growth strategies, equitable asset distribution, and targeted interventions, Malaysia can work towards a more equitable and prosperous future for all its citizens.

## Introduction

Malaysia is a Southeast Asian country located on the Malay Peninsula and the island of Borneo. Situated between the Indian Ocean and the South China Sea, it shares land borders with Thailand, Indonesia, and Brunei. The country's strategic position has historically made it a crossroads for trade and cultural exchange. Malaysia's population of approximately 32 million is characterized by its remarkable ethnic diversity. The three main ethnic groups are the Malays, who make up about 50% of the population, Chinese (23%), and Indians (7%). The remaining 20% consists of indigenous groups, particularly in East Malaysia (Sabah and Sarawak), and other minority communities (Table 1). This diverse demographic composition is a result of Malaysia's rich historical background. The region has been influenced by various civilizations, including Hindu-Buddhist kingdoms, Islamic sultanates, and European colonial powers. The arrival of Chinese and Indian immigrants during the British colonial era further contributed to the country's multicultural landscape.

Table 1: Number of households by ethnic group of head of household and strata, Malaysia, 1995-2022

	1995	1997	1999	2002	2004	2007	2009	2012	2014	2016	2019	2022
MALAYSIA	3,778.1	3,879.0	3,875.2	3,743.5	5,458.0	5,777.0	6,024.6	6,384.5	6,676.8	6,947.7	7,276.7	7,909.2
KUMPULAN ETNIK/ ETHNIC GROUP												
Bumiputera	2,287.4	2,363.7	2,341.9	2,282.4	3,462.6	3,640.5	3,911.9	4,240.9	4,398.3	4,482.4	4,733.9	5,253.1
Cina/ Chinese	1,119.2	1,166.7	1,166.9	1,148.9	1,514.1	1,606.3	1,617.5	1,624.2	1,668.2	1,760.0	1,885.5	2,024.6
India/ Indians	295.5	285.3	297.8	294.0	451.4	497.7	466.9	492.7	588.0	616.8	595.2	605.5
Lain-lain/ Others	76.0	63.2	68.6	18.2	29.8	32.4	28.3	26.7	22.3	88.4	62.2	26.0
STRATA												
Bandar/ Urban	2,077.1	2,117.3	2,109.1	2,496.9	3,605.2	3,908.8	4,128.8	4,603.8	5,136.6	5,451.3	5,806.7	6,156.1
Luar bandar/ Rural	1,701.1	1,761.6	1,766.1	1,246.5	1,852.8	1,868.2	1,895.8	1,780.6	1,540.2	1,496.3	1,470.0	1,753.1

Source: DOSM Household Income Survey, 2022

Malaysia's history has shaped its current socio-political structure. The country gained independence from British rule in 1957, and in 1963, the Federation of Malaysia was formed, uniting Malaya, Singapore (which later separated in 1965), Sabah, and Sarawak. This historical context has influenced Malaysia's unique system of governance, which balances the interests of its diverse communities while promoting national unity.

Malaysia has experienced remarkable economic growth and development since the 1960s, with a significant decline in poverty rates from around 50 percent to 6.2 percent in 2022 (DOSM, n.d.). The

country has been particularly successful in reducing extreme poverty, having essentially eradicated it in recent years (Mamun et al., 2019). Despite the remarkable economic growth and development, pockets of poverty and inequality continue to exist, especially in urban slums, remote areas with limited accessibility, and among certain groups such as female-headed households and informal sector workers (Mamun et al., 2019). In 2022, approximately two-thirds of Malaysians earned below the income level required for a high-income economy (World Bank, 2024). While efforts to reduce disparities are essential to ensure that the most vulnerable segments of the population benefit from growth and development, it is equally important to address the challenges faced by other socioeconomic groups to meet broader societal needs.

Inequality in Malaysia has followed an upward and downward trend over the past several decades, with the poverty rate dropping from 50 percent to less than 1 percent (Mamun et al., 2019). However, pockets of poverty and inequality persist, particularly among certain demographic groups and regions. Income inequality has followed a non-linear trend, with a Kuznets inverted-U pattern observed from 1957/58 to 1990, after which inequality began rising again (Ismail, 2000; Ragayah, 2008). Multiple factors have influenced these inequality trends, including education initiatives, equity ownership policies, rural-urban disparities, globalization impacts, export-oriented industrialization and the rise of the knowledge economy (Melikhova & Čížek, 2014; Kwon, 2016). The interplay between horizontal inequalities (disparities between ethnic groups) and vertical inequalities (income disparities within groups) further complicates the landscape (Langer et al., 2012; Ravallion, 2019). These challenges have significant consequences, undermining social cohesion, limit economic mobility, and perpetuate cycles of disadvantage that are difficult to break.

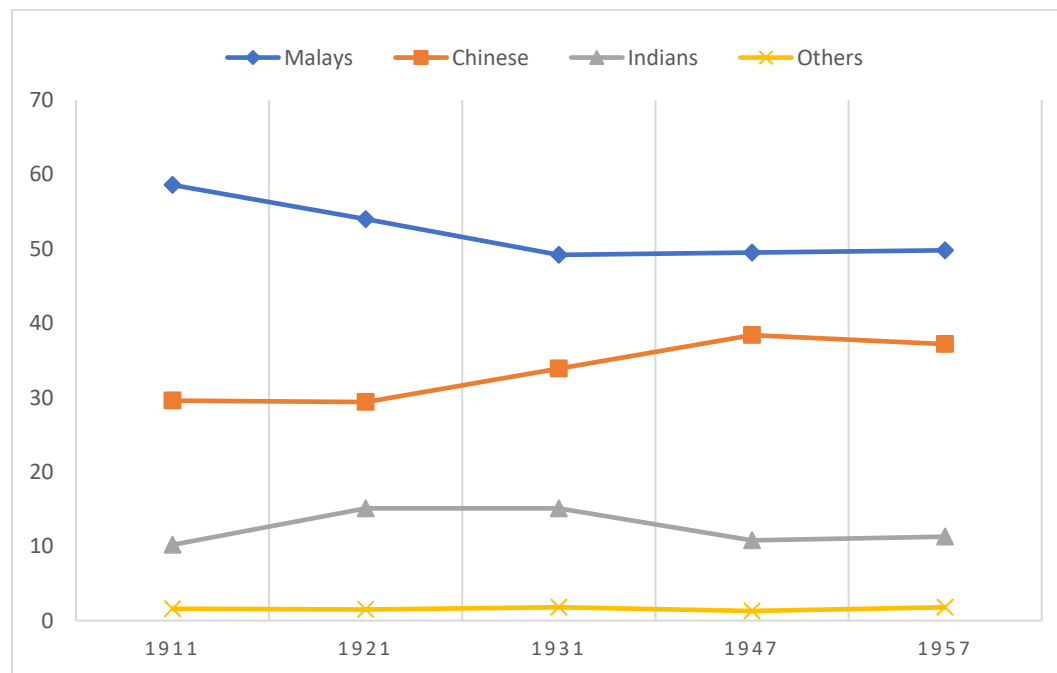
Malaysia has taken big steps to address this by addressing poverty and inequality using a multifaceted approach. Insights from development experts like Jeffrey Sachs emphasize the need for targeted investments in agriculture, health, education, infrastructure, and governance (Kari et al., 2017), while Donella Meadows advocated systems thinking approaches to analyse the complex interplay of social and economic factors perpetuating inequality. The evolution of poverty measurement moving beyond a narrow income-based definition to a more comprehensive multidimensional framework is timely to meet the complexity of the challenges surrounding poverty and inequality in the country. The introduction of the Multidimensional Poverty Index in 2002 marked a significant shift in measuring poverty by incorporating factors like education, health, and living standards that aligned with global trends for a more nuanced understanding of deprivation. However, the effectiveness of this multidimensional approach in addressing the complex and interconnected drivers of poverty and inequality in Malaysia requires closer examination. While the shift in measurement methods is a step in the right direction, its real-world impact on reducing poverty and inequality remains an area that merits further critical analysis and evaluation. The Malaysian government has implemented various policies and programs to address poverty and inequality, including affirmative action initiatives, rural development projects, and investments in education and healthcare. While these efforts have yielded some positive results, more comprehensive and targeted strategies may be needed to reduce inequality and promote sustainable development for all Malaysians. This chapter delves into the challenges and intricate dynamics of inequality in Malaysia, analysing its historical economic and social disparities, the methods used to measure them, and the policy strategies implemented to tackle these issues.

## **Malaysia's Historical Economic and Social Inequality**

Malaysia's journey toward addressing poverty and inequality has been intricate, shaped by a combination of economic growth, social policies, and affirmative action initiatives. During the British colonial period, from 1786 to 1957, the demographics of Malaya underwent significant changes due to the influx of immigrants from China and India, who were brought in to support the expansion of the tin mining and rubber plantation sectors. This migration dramatically altered the demographic landscape, leading to a notable increase in the non-Malay population—a group that had previously been virtually

non-existent. By the time of Malaysia's independence in 1957, non-Malays had become a significant portion of the population, reshaping the nation's social, political, and economic dynamics (Khalid, 2014). As depicted in Figure 1, the substantial rise in Chinese immigration between 1921 and 1957 played a crucial role in transforming Malaya into the plural society we see today. This demographic shift was a pivotal factor in reshaping the country's evolving social structure, power relations, and economic development, with long-lasting implications for the nation's path to development and the management of its diverse population.

Figure 1: Percentage of Racial Composition: Federation of Malaya 1911-1957



Source: Khalid (2014) *The Colours of Inequality* (adapted from Victor Purcell, 1965).

The British colonial administration failed to effectively assimilate the Chinese, Indians, and other migrants, resulting in a system of segregation and distinct communities. Immigrants were subject to separate regulations, which allowed them to maintain their original customs, cultures, and beliefs. This lack of integration was evident in the clear divisions in where different ethnic groups lived. The Chinese were primarily concentrated in the more developed west coast states, which were at the heart of the country's economic activities, while the Malays were predominantly located in the less developed east coast regions. In terms of labour roles, the Malays were largely engaged in agriculture, such as paddy farming, fishing, and small-scale rubber cultivation. Meanwhile, the Chinese played a key role in commerce, trade, and tin mining, while the Indians were primarily employed in rubber estates. This division of labour and geographic segregation reinforced the social and economic boundaries between the ethnic groups, shaping the social dynamics that persisted well into Malaysia's post-independence period (Khalid, 2014).

Tin was a highly profitable industry, with the Chinese emerging as the dominant producers, controlling 78 percent of Malaya's tin production, far outpacing Malay miners due to their superior machinery and technology. While tin mines were largely monopolized by the British, the Chinese owned about one-third of the mines, while Malay ownership, largely held by the Sultans, was minimal (Khalid, 2014). The Malays were primarily concentrated in the low-yield agricultural sector, further deepening the economic divide. The significant Chinese ownership of tin mines reflected not only their control over a large share of the country's wealth but also highlighted the growing wealth disparity between the ethnic

groups. This concentration of wealth in the hands of the Chinese reinforced the economic imbalance and exacerbated the ethnic divide in Malaya.

The wealth disparity between Malays and non-Malays was evident in both land ownership and education. Land policies during the colonial era primarily benefited the British, with Europeans owning more than 43% of the land in the states, while Malays controlled 27%, and the Chinese and Indians collectively held 23% (Abraham, 1997). Education, too, was shaped by geographic and social factors, with schools largely concentrated in urban areas. English-medium, Chinese-medium, and Malay-medium schools were mostly located in towns, benefiting the Chinese, Indians, and the sons of Malay nobility. By 1938, 80% of students attending English-medium schools were Chinese (Khalid, 2014, as cited in Snodgrass, 1980). In contrast, Malays were significantly less educated at all levels, contributing to a widening gap in economic and social opportunities between the ethnic groups. This educational disparity further deepened the divide, reinforcing the economic and social inequalities that persisted across Malaysia's diverse population.

By the time the British left following Malaysia's independence, the primary beneficiaries of the modern economy were a small group of wealthy Chinese business owners, while the Malays remained the poorest and most economically disadvantaged group, despite the constitutional privileges afforded to them. Over time, these disparities fuelled social tensions between the ethnic groups. While the Chinese dominated the economic sphere, the Malays retained control over the political landscape (Khalid, 2014). However, Willmott (1965) argued Chinese in Malaysia have taken a more active role in the political scene compared to the Chinese immigrants elsewhere in Southeast Asia, owing to their strong alliance with the British colonial administration during periods of local resistance and warfare. This imbalance created a complex dynamic where economic power was concentrated in the hands of one ethnic group, while political power remained with another, deepening the divisions within Malaysian society. Racial tensions reached a breaking point after the 1969 general election, which resulted in violent clashes between ethnic groups (the Malays and the Chinese). In response, the government declared a state of emergency, suspended Parliament, and established the National Operations Council to restore order and stability. This period marked a pivotal moment in Malaysia's history, highlighting the fragility of its ethnic relations and the urgent need for policies that could bridge the deepening divides.

The New Economic Policy (NEP), introduced in the wake of the 1969 racial riots, was a significant initiative designed to address the stark economic disparities between Malaysia's ethnic groups. Through strategies such as preferential access to education, business opportunities, and civil service employment for the Bumiputera community, the NEP aimed to reduce poverty and elevate the economic status of the Malays. However, the implementation of the NEP led to unintended consequences. Over time, the policy became deeply entrenched, fostering cronyism, elite capture, and rent-seeking behaviours, which ultimately perpetuated inequality within the Bumiputera community itself (Khalid, 2014). Moreover, the NEP's focus on ethnic-based affirmative action inadvertently deepened the racial divide, creating an ethicised welfare system that favoured specific groups while marginalizing others.

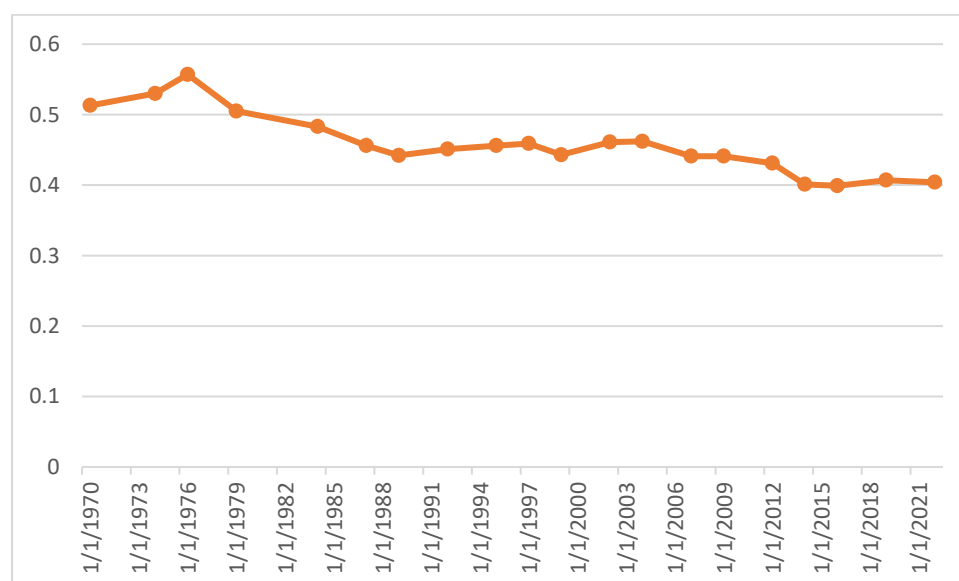
The complexities of Malaysia's economic inequality and race relations continue to shape the country's socio-economic landscape today, with income and wealth distribution being influenced by these historical policies. While the NEP may have succeeded in reducing poverty among the Bumiputera, it has also contributed to a system of inequality that remains a critical concern, as both class and ethnic identity play significant roles in the distribution of wealth and opportunities.

## **Theoretical Considerations**

Malaysia's remarkable progress in reducing poverty over the past few decades from 50 percent to less than 1 percent is a testament to the success of its development efforts (Mamun et al., 2019). However, despite this impressive achievement, pockets of poverty and inequality remain, particularly among

certain demographic groups and geographic regions. Income inequality in Malaysia has shown fluctuating trends, following a Kuznets inverted-U pattern from 1957/58 to 1990. However, since the 1990s, income inequality has started to rise again, indicating the need for further policy interventions (Ismail, 2000). Kuznets hypothesis suggests that income inequality can appear multiple times as new high-productivity industries emerge (Ikemoto & Uehara, 2000). In Malaysia's case, the Gini ratio peaked at 0.557 in 1976 and then declined steadily, reaching 0.442 in 1990, after which inequality began to rise again (DOSM, 2022; Ragayah, 2008).

Figure 2: Gini Coefficient for Malaysia from 1970-2022



Source: DOSM Household Income Survey Report, 2022

Several factors contributed to the initial decrease in inequality, including the promotion of export-oriented industrialization, education and training initiatives, and policies aimed at restructuring equity ownership and asset accumulation (Ragayah, 2008). These measures were part of the New Economic Policy implemented by the Malaysian government, which had a significant impact on reducing income inequality from the late 1970s (Shari, 2000). As the economy matures and industrialization spreads, more people gain access to these benefits, and inequality begins to decrease (Melikhova & Čížek, 2014). Improved access to education enhances workforce skills and promotes a fairer income distribution. However, this impact is multifaceted, as disparities in access to quality education can further perpetuate inequality (Ismail, 2000). Investments in education will not effectively reduce inequality if children from poorer families receive lower quality education compared to those from wealthier families. This disparity leads to lower productivity and reduced earnings for the less advantaged children (World Bank, 2024).

The rise of the knowledge economy and the service-knowledge transition may have exacerbated this trend, as observed in other countries (Kwon, 2016). Specifically, with the increasing reliance on digital technologies, workers who lack access to digital infrastructure or the necessary skills are at risk of being left behind, thereby deepening the inequality gap (World Bank, 2024). Moreover, disparities in income growth between rural and urban areas, the impact of uncertain global environment, the shift in policy towards liberalization, deregulation, and privatization since the late 1980s, shifting regional trade patterns and the rapidly aging population further contribute to the persistence of inequality (World Bank, 2024; Shari, 2000). The shift towards a more domestic-oriented economy, as seen in Thailand, could also be a contributing factor to inequality in Malaysia's case (Ikemoto & Uehara, 2000). This transition

often involves prioritizing internal consumption and production over international trade, which can have varying impacts on different segments of the population. This shift might disproportionately benefit urban areas and established industries, potentially widening the gap between urban and rural populations, as well as between skilled and unskilled workers. This situation might exacerbate existing inequalities by concentrating wealth and resources among those already in advantageous positions within the domestic market. This suggests that while the Kuznets curve may provide a general framework, it is essential to consider country-specific factors and policy interventions to understand and address the complexities of income inequality.

Langer, Stewart, and Venugopal (2012) delve into the implications of horizontal and vertical inequalities, providing a comprehensive analysis of how these disparities impact societies. Horizontal inequalities refer to disparities between different groups within a society, often based on factors such as ethnicity, religion, gender, or region. While vertical inequalities refer to disparities between individuals or households based on their income, wealth, or other socio-economic indicators (Ismail, 2000; Ravallion, 2019). These concepts have significant implications for understanding and addressing poverty and inequality in Malaysia. It is worth noting that often horizontal inequalities intersect and exacerbate vertical inequalities, creating complex dynamics within societies. Historically, the Bumiputera population faced significant economic disadvantages compared to other ethnic groups, notably the Chinese and Indian communities. This horizontal inequality, rooted in ethnicity, has interacted with vertical inequalities (income and wealth disparities) to create a complex scenario (Ravallion, 2019).

Jeffrey Sachs, in his 2005 book "The End of Poverty", outlines a multi-faceted approach to addressing global poverty. He emphasizes investments in key areas such as agriculture, health, education, infrastructure, and governance. Sachs stresses the importance of addressing specific barriers to development, which can be applied to Malaysia's remaining pockets of poverty (Kari et al., 2017). Investing in education and infrastructure in underserved regions, particularly in Sabah and Sarawak where poverty rates are higher, aligns with Sachs' emphasis on addressing regional disparities (Kari et al., 2017). Examining income inequality trends in Malaysia, which have seen a resurgence since the 1990s (Ismail, 2000), underscores the need for effective policies to ensure equitable distribution of economic gains. This aligns with Sachs' focus on governance as a crucial factor in poverty reduction. Sachs' emphasis on "clinical economics", diagnosing specific development challenges and tailoring interventions accordingly (Foster & Shorrocks, 1988) can be applied to the complex interplay of ethnic inequality and poverty in Malaysia (Ravallion, 2019; Saari et al., 2015).

Donella Meadows' work, particularly *Limits to Growth* and *Thinking in Systems*, offers crucial insights into the complex interplay of social and environmental systems. Her systems thinking approach provides a valuable lens for analysing how various factors interact to create and perpetuate these issues. Relating Meadows' systems perspective to Malaysia, several points emerge. For example, subsidies, while intended to alleviate poverty, may create market distortions or become unsustainable in the long run (Kari et al., 2017). Subsidies if not targeted effectively, for instance the fuel subsidy program to make fuel affordable for all in Malaysia, are disproportionately enjoyed by wealthier individuals and larger companies. This unequal distribution of benefits can widen the gap between rich and poor, as wealthier individuals and larger companies save more on fuel costs, while lower-income households see relatively smaller savings.

The insights from Langer, Stewart, and Venugopal, combined with the perspectives of Sachs and Meadows, offer a nuanced understanding of the challenges Malaysia faces in addressing poverty and inequality and the importance of targeted interventions in education, infrastructure, and governance to address these inequalities effectively.

## Poverty in Malaysia

Malaysia's progress in poverty reduction has been remarkable, with the absolute poverty rate dropping from 49.3 percent in 1970 to 5.6 percent in 2019 (Table 2). This achievement reflects the country's economic growth and targeted poverty alleviation efforts. However, the COVID-19 pandemic has reversed some of these gains, causing the absolute poverty rate to increase to 6.2 percent in 2022. When examining ethnic groups, the Bumiputera community has consistently shown higher poverty rates compared to Chinese and Indians. In 1970, the poverty rate for Bumiputera was 64.8 percent, which decreased to 7.9 percent in 2022. The Chinese community's poverty rate dropped from 26.0 percent in 1970 to 1.9 percent in 2022, while the Indian community saw a reduction from 39.2 percent to 5.4 percent over the same period. The "Others" category shows significant fluctuations, with a peak of 22.8 percent in 1989 and a rate of 6.5 percent in 2022. The data also highlights the urban-rural divide, with rural areas experiencing higher poverty rates than urban areas. In 1970, the poverty rate in rural areas was 58.7 percent, compared to 21.3 percent in urban areas. By 2022, these rates had decreased to 12.0 percent for rural areas and 4.5 percent for urban areas, indicating progress but also persistent disparities. There are notable differences in absolute poverty rates between states. For instance, states like Kelantan and Sabah have consistently higher poverty rates. In 2022, Kelantan's absolute poverty rate is at 13.2 percent while Sabah's absolute poverty rate was the highest at 19.7% in 2022. In contrast, states like Selangor and Kuala Lumpur have lower absolute poverty rates, with Selangor at 1.5 percent and Kuala Lumpur at 1.4 percent in 2022. This setback highlights the vulnerability of certain segments of the population to economic shocks and the need for robust social safety nets.

Table 2: Incidence of absolute poverty by ethnic group of head of household, strata and state, Malaysia, 1995-2022

	1970 <sup>[1]</sup>	1976	1979	1984	1987	1989 <sup>[2]</sup>	1992	1995	1997	1999 <sup>[3]</sup>	2002	2004	2007	2009	2012	2014	2016	2019 <sup>[4]</sup>	2022 <sup>[5]</sup>
<b>MALAYSIA</b>	49.3	37.7	37.4	20.7	19.4	16.5	12.4	8.7	6.1	7.5	5.1	5.7	3.6	3.8	1.7	0.6	0.4	5.6	6.2
<b>KUMPULAN ETNIK/ ETHNIC GROUP</b>																			
<b>Bumiputera</b>	64.8	46.4	49.2	28.7	26.6	23.0	17.5	12.2	9.0	10.2	7.3	8.3	5.3	5.3	2.2	0.8	0.5	7.2	7.9
<b>Cina/ Chinese</b>	26.0	17.4	16.5	7.8	7.0	5.4	3.2	2.1	1.1	2.6	1.5	0.6	0.6	0.6	0.3	0.1	0.1	1.4	1.9
<b>India/ Indians</b>	39.2	27.3	19.8	10.1	9.6	7.6	4.5	2.6	1.3	1.9	2.9	2.6	2.5	1.8	0.6	0.1	4.8	5.4	5.4
<b>Lain-lain/ Others</b>	44.8	33.8	28.9	18.8	20.3	22.8	21.7	22.5	13.0	21.7	14.3	6.9	10.1	6.7	1.5	0.9	1.5	13.5	6.5
<b>STRATA</b>																			
<b>Bandar/ Urban</b>	21.3	15.4	17.5	8.5	8.5	7.1	4.7	3.6	2.1	3.4	2.0	2.5	1.9	1.7	1.0	0.3	0.2	3.8	4.5
<b>Luar bandar/ Rural</b>	58.7	45.7	45.8	27.3	24.8	21.1	21.2	14.9	10.9	12.4	11.4	11.9	7.1	8.4	3.4	1.6	1.0	12.4	12.0
<b>NEGERI/ STATE</b>																			
Johor	45.7	29.0	18.2	12.2	11.1	10.1	5.6	3.1	1.6	2.5	1.8	2.0	1.5	1.3	0.9	0.0	0.0	3.9	4.6
Kedah	63.2	61.0	53.8	36.6	31.3	30.0	21.2	12.2	11.5	13.5	10.7	7.0	3.1	5.3	1.7	0.3	0.2	8.8	9.0
Kelantan	76.1	67.1	55.0	39.2	31.6	29.9	29.5	22.9	19.5	18.7	12.4	10.6	7.2	4.8	2.7	0.9	0.4	12.4	13.2
Melaka	44.9	32.4	20.4	15.8	11.7	12.4	8.5	5.3	3.6	5.7	2.7	1.8	1.8	0.5	0.1	0.1	0.0	3.9	4.2
Negeri Sembilan	44.8	33.0	26.3	13.0	21.5	9.5	8.1	4.9	4.5	2.5	2.2	1.4	1.3	0.7	0.5	0.4	0.2	4.3	4.4
Pahang	43.2	38.9	26.9	15.7	12.3	10.2	6.9	6.8	4.1	5.5	3.8	4.0	1.7	2.1	1.3	0.7	0.2	4.3	6.3
Pulau Pinang	43.7	32.4	19.7	13.4	12.9	8.9	4.0	4.0	1.6	2.7	1.4	0.3	1.4	1.2	0.6	0.3	0.1	1.9	2.0
Perak	48.6	43.0	30.5	20.3	19.9	19.3	10.2	9.1	4.5	9.5	7.9	4.9	3.4	3.5	1.5	0.7	0.2	7.3	7.5
Perlis	73.9	59.8	63.1	33.7	29.1	17.2	19.8	11.8	10.6	13.3	10.1	6.3	6.8	6.0	1.9	0.2	0.1	3.9	4.0
Selangor	29.2	22.9	14.5	8.6	8.9	7.8	4.3	2.2	1.3	2.0	1.1	1.0	0.7	0.7	0.4	0.2	0.0	1.2	1.5
Terengganu	68.9	60.3	53.1	28.9	36.1	31.2	25.6	23.4	17.3	14.9	10.7	15.4	6.4	4.0	1.7	0.6	0.4	6.1	6.2
Sabah	n.a	58.3	40.7	33.1	35.3	29.7	27.8	22.6	22.1	20.1	16.0	24.2	16.4	19.7	8.1	4.0	2.9	19.5	19.7
Sarawak	n.a	56.5	47.8	31.9	24.7	21.0	19.2	10.0	7.5	6.7	5.8	7.5	4.2	5.3	2.4	0.9	0.6	9.0	10.8
W.P. Kuala Lumpur <sup>[5]</sup>	n.a	n.a	n.a	4.9	5.2	3.8	1.7	0.5	0.1	2.3	0.5	1.5	1.5	0.7	0.8	0.1	0.0	0.2	1.4
W.P. Labuan <sup>[6]</sup>	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	2.7	4.2	4.3	1.1	1.1	0.0	3.1	2.5
W.P. Putrajaya <sup>[7]</sup>	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	0.0	0.0	0.0	0.0	0.0	0.4	0.1

Source: DOSM Household Income Survey, 2022

While absolute poverty has decreased significantly, relative poverty remains a persistent challenge in Malaysia. Table 3 provides an overview of relative poverty rate in Malaysia that has fluctuated over the years, starting at 19.5 percent in 1995 and slightly decreasing to 16.6 percent in 2022. The median household income has steadily increased from RM1,377 in 1995 to RM6,338 in 2022, with the half-median income also rising correspondingly. When examining ethnic groups, the Bumiputera community consistently shows higher relative poverty rates compared to Chinese and Indians, with rates of 18.6 percent for Bumiputera, 12 percent for Chinese, and 13.7 percent for Indians in 2022. The "Others" category shows significant fluctuations, peaking at 30.9 percent in 2016 and remaining high at 30.6 percent in 2022. The urban-rural divide is still apparent, with rural areas experiencing higher



poverty rates than urban areas. In 2022, the relative poverty rate in rural areas was 33.3 percent, compared to 11.9 percent in urban areas. Notably, states in East Malaysia, such as Sabah and Sarawak, have consistently higher poverty rates, with Sabah at 14.5 percent and Sarawak at 16.2 percent in 2022. In contrast, states in Peninsular Malaysia, like Selangor and Kuala Lumpur have lower poverty rates, with Selangor at 14.2 percent and Kuala Lumpur at 12.7 percent in 2022. Overall, the table underscores the persistent issue of relative poverty in Malaysia, with significant disparities across ethnic groups, regions, and states.

Table 3: Incidence of relative poverty by ethnic group of head of household, strata and state, Malaysia, 1995-2022

	1995	1997	1999	2002	2004	2007	2009	2012	2014	2016	2019	2022 (%)
<b>MALAYSIA</b>	19.5	19.7	19.0	20.0	19.9	17.4	19.3	19.2	15.6	15.9	16.9	16.6
Penengah/ Median (RM)	1,377	1,724	1,704	2,049	2,211	2,552	2,841	3,626	4,585	5,228	5,873	6,338
1/2 Penengah/ Median (RM)	689	862	852	1,025	1,106	1,276	1,421	1,813	2,293	2,614	2,937	3,169
<b>KUMPULAN ETNIK/ ETHNIC GROUP</b>												
Bumiputera	18.9	18.3	18.1	19.0	18.6	15.7	18.8	18.5	15.3	18.2	18.8	18.6
Cina/ Chinese	17.6	18.2	18.9	19.7	18.7	18.2	18.1	17.4	14.3	10.3	12.3	12.1
India/ Indians	14.5	15.4	14.3	15.6	16.1	14.8	16.6	17.8	13.7	12.0	15.4	13.7
Lain-lain/ Others	11.1	11.8	9.5	18.2	16.5	14.8	10.3	18.6	18.6	30.9	27.9	30.6
<b>STRATA</b>												
Bandar/ Urban	18.2	18.1	18.0	18.5	18.2	17.7	17.9	17.9	13.7	11.1	12.8	11.9
Luar bandar/ Rural	17.4	17.6	17.0	16.1	14.9	12.7	13.1	15.1	14.4	33.0	33.2	33.3
<b>NEGERI/ STATE</b>												
Johor	16.1	15.8	15.6	16.1	15.3	14.2	17.2	16.1	10.2	13.5	15.3	15.9
Kedah	16.3	18.7	19.1	18.5	15.7	11.8	16.0	16.5	12.1	15.9	10.9	11.9
Kelantan	20.8	17.8	16.7	15.4	12.1	10.2	11.4	14.3	12.4	12.1	9.9	12.2
Melaka	15.8	15.7	17.2	16.1	16.3	16.5	14.8	15.4	8.8	10.7	17.0	13.2
Negeri Sembilan	15.1	15.6	17.1	18.1	16.8	15.3	12.7	15.5	13.0	15.5	11.6	13.3
Pahang	13.8	10.3	9.0	12.8	14.0	9.4	12.0	12.7	12.1	8.2	6.0	7.7
Pulau Pinang	18.4	16.5	16.6	20.3	15.8	15.2	15.4	16.5	12.4	6.6	13.2	15.3
Perak	16.5	15.4	15.7	17.6	18.4	14.3	13.3	18.6	16.0	14.1	11.3	13.5
Perlis	13.1	15.1	15.7	19.5	15.8	18.9	17.0	19.2	10.1	12.0	12.0	12.6
Selangor	19.4	20.2	19.0	17.3	17.8	16.0	16.2	15.6	11.1	10.7	15.3	14.2
Terengganu	18.7	19.8	18.7	15.8	16.1	13.3	12.1	20.5	13.7	10.2	8.2	6.9
Sabah	19.6	19.7	16.3	21.1	21.2	15.8	19.5	18.6	16.3	17.6	14.7	14.5
Sarawak	17.9	16.8	16.2	18.0	15.1	13.6	16.4	19.6	17.1	16.8	15.2	16.2
W.P. Kuala Lumpur	17.3	18.8	17.4	18.2	18.7	17.8	16.8	12.3	13.3	13.8	10.6	12.7
W.P. Labuan <sup>[2]</sup>	n.a	n.a	21.6	21.6	14.1	15.3	17.9	17.6	14.1	11.6	12.9	7.0
W.P. Putrajaya <sup>[3]</sup>	n.a	n.a	n.a	n.a	n.a	16.6	11.1	4.9	7.9	6.8	12.1	11.4

Source: DOSM Household Income Survey, 2022

## Poverty Measurement in Malaysia: A Critique

The definition and measurement of poverty in Malaysia have been subject to ongoing debate and scrutiny. Historically, Malaysia's approach to poverty measurement was based primarily on income. The official poverty line income (PLI) was established to define absolute poverty, which was essentially the minimum income required to meet basic needs such as food, shelter, and clothing.

Prior to the early 2000s, the country's official poverty line has been criticized for being too narrow, focusing solely on income and failing to capture the multidimensional nature of poverty. This approach has been challenged by researchers who argue that a more comprehensive assessment of poverty is needed to accurately reflect the lived experiences of the poor. This narrow definition has been a subject of critique, as it may underestimate the true extent of poverty and overlook the complex challenges faced by the poor, such as limited access to education, healthcare, housing and other essential services (Asim & Pasha, 2022). As a response to these limitations, researchers have advocated for a more comprehensive, multidimensional approach to measuring poverty in Malaysia (Rahman et al., 2021).



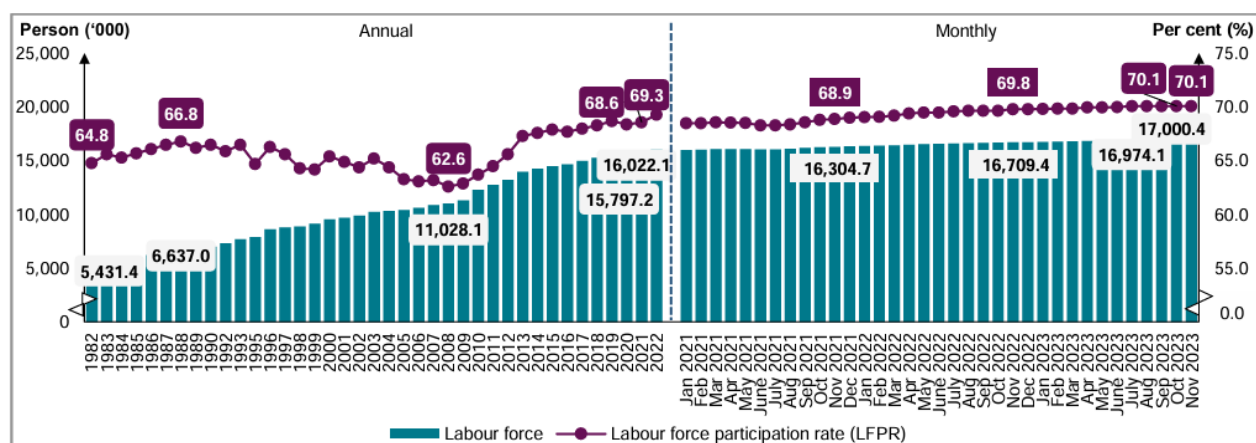
The shift towards the Multidimensional Poverty Index (MPI) represents a significant step forward in Malaysia's efforts to address the complex and multifaceted nature of poverty and inequality. This new framework moves beyond a narrow focus on income to consider a broader range of factors that contribute to deprivation, such as access to basic services, living standards, and social exclusion, in addition to income. The introduction of the MPI in 2002 was a key milestone in this transition, as it enabled policymakers to better understand the economic disparities across regions, ethnic groups, and urban-rural divides. By incorporating indicators like household expenditure, educational attainment, housing conditions, access to clean water and sanitation, and healthcare services, this index provides a more comprehensive and nuanced picture of poverty and deprivation. This is particularly relevant for a country like Malaysia, where specific groups and regions may face distinct challenges beyond income (Zulkifli et al., 2021). For example, in rural areas, access to healthcare might be significantly lower compared to urban centres, leading to higher rates of preventable diseases (Noh et al., 2022; Ariff and Teng, 2002). Similarly, indigenous communities often face unique educational barriers such as a lack of access to trained teachers and inadequate funding that are not captured by income-based measures alone (Nordin et al., 2020).

However, the challenges and effectiveness of this multidimensional approach in addressing poverty and inequality warrants further critical analysis. One of the major challenges is to determine the appropriate weights for each dimension and setting deprivation thresholds that can be subjective and may influence the results (Rahman et al., 2021). For instance, deciding how much weight to give to education versus healthcare can significantly impact the identification of poverty levels. This subjectivity can lead to debates about the fairness and accuracy of the MPI, highlighting the need for a transparent and inclusive process in determining these parameters. While the MPI can establish parameters to address poverty and inequality, this does not guarantee effectiveness, as the real-world impact of these policies on reducing disparities and enhancing the well-being of the most vulnerable populations remains an area that warrants deeper examination. For example, policies such as the Bumiputera empowerment agenda had a tangible impact on reducing disparities among the Bumiputera community through initiatives such as equity ownership programs and scholarships to uplift their socio-economic well-being. While these policies have contributed to greater economic inclusion for the Bumiputera, critics argue that an over-reliance on affirmative action may hinder their ability to compete in a merit-based economy, while simultaneously marginalizing non-Bumiputera communities (Lee, 2022). Although the shift towards a more comprehensive measurement of poverty and inequality is a positive step, the real-world impact of these policies on narrowing disparities and improving the well-being of the most vulnerable populations remains an area that requires deeper scrutiny.

### ***Real Wage and Salaried Share in Total Employment and Unemployment Rates***

Department of Statistics Malaysia reported the unemployment rate in November 2023 was approximately 3.3 percent which is notably lower than the global average of 5.1% (ILO, n.d.). As of 2023, the number of labour force continued to grow, reaching approximately 17 million persons, representing about 70 percent of the working-age population (Figure 3). The participation of male labour force was 10.40 million persons, while the female labour force was 6.60 million persons. This highlights a persistent gender gap in the workforce, with participation rates of 82.9 percent for males and 56.4 percent for female. This disparity underscores ongoing challenges in achieving gender equality in the labour market.

Figure 3: Employed persons and employment-to-population ratio, January 2019 - November 2023



Source: DOSM Labour Force Report, 2023

According to data from the Department of Statistics Malaysia, the number of employed persons consists of wage and salaried workers. This category includes individuals with explicit or implicit employment contracts who receive regular remuneration, not directly dependent on a company's revenue. This statistic highlights the structure of the Malaysian labour market, indicating that most workers are employed in stable, salaried positions rather than being self-employed or working without formal agreements. The remaining workforce comprises employers (3.5%), self-employed workers (18.2%), and unpaid family workers (3%). Poor households tend to earn less in the labour market because they are more likely to be own-account workers, engage in informal employment, and occupy lower-skilled positions. Approximately 80% of workers in the lowest income decile are part of the informal market, which is associated not only with lower wages but also with fewer or no benefits and limited protection against economic shocks (World Bank, 2025). This situation underscores the vulnerability of these workers and highlights the need for policies that enhance job security, provide social protection, and improve access to formal employment opportunities.

Malaysia's labour force is predominantly employed in the services sector, which accounts for 57.7% of employment. Key areas within this sector include information and communication, food and beverage services, and transportation and storage activities (DOSM, 2023). The Manufacturing, Construction, and Mining and Quarrying sectors have seen an increase in the number of employed persons as of November 2023. Conversely, the Agriculture sector experienced a decline in employment during the same period. This trend highlights the significant role of wage and salaried positions, particularly within the services sector. This underscores the significant role of wage and salaried positions, particularly within the services sector. However, a more critical analysis is necessary to fully understand the implications of this labour market structure. The high proportion of wage and salaried workers may mask underlying issues such as job quality, job security, and equitable access to economic opportunities. Additionally, the prevalence of self-employment and unpaid family labour suggests a need to strengthen social protection systems and support for entrepreneurship and small businesses, which are essential for addressing poverty and inequality in Malaysia.

The unemployment rate in Malaysia fell to 3.3%, returning to pre-pandemic levels (DOSM, 2023). Of the total unemployed population, 79.9% (454.5 thousand persons) were actively seeking employment, indicating a significant portion of the unemployed are ready and available for work. Meanwhile, the number of inactively unemployed individuals, those who believe no jobs are available, increased by 0.8%, reaching 114.7 thousand persons. This data highlights the ongoing challenges in the labour market, where a substantial number of people are actively looking for jobs but still face difficulties in securing employment. The rise in the inactively unemployed suggests that some individuals have difficulties in finding job opportunities, which can be attributed to various factors such as economic

conditions, skills mismatch, and regional disparities (Jamaludin, Said, Ismail and Mohamed Nor, 2021). The type of skills and declining skills premiums in recent years, coupled with weak growth in high-skill job creation are contributing factors to inequality. The mismatch between what students learn and the skills that employers are seeking has led to high and rising rates of skills related under employment.

### ***Income Inequality in Malaysia: A Multifaceted Challenge***

Malaysia's struggle with income inequality presents a complex socioeconomic landscape that has far-reaching implications for the nation's development and social cohesion. Several key factors contribute to the persistence of income inequality in Malaysia. Economic crises have historically played a significant role in exacerbating disparities, often disproportionately affecting lower-income groups. The nature of economic growth in the country has also been a critical determinant, with questions arising about the inclusivity of development strategies and their ability to generate equitable outcomes across different segments of society.

Asset distribution emerges as another crucial factor in shaping income inequality. The concentration of wealth and productive assets in the hands of a small portion of the population can lead to a self-perpetuating cycle of inequality, where those with greater resources have more opportunities to accumulate wealth, while those with fewer assets struggle to improve their economic standing. This can lead to significant disparities in access to physical and financial capital (World Bank, 2025).

While the access to education has improved in Malaysia, the quality of education remains uneven. Poorer children often attend lower-quality schools, leading to lower educational attainment and reduced earning potential (World Bank, 2025; Othman and Muijjs, 2012).

Malaysia's labour market is characterized by sectoral disparities and skill mismatches that contribute to the country's inequality gap. A study by Saari, Dietzenbacher and Los (2014) found that employment in high-value-added sectors, such as technology and finance, is limited, and many workers are concentrated in low-paying jobs in agriculture and low-value-added services. Additionally, a report by the Economic Planning Unit highlighted a significant mismatch between the skills provided by the education system and those demanded by the labour market, emphasizing the need to enhance vocational training and better align educational curricula with industry needs. These labour market inequities limit economic mobility and reinforce income disparities across different segments of the Malaysian population (World Bank, 2025).

Vulnerability to economic shocks and climate risks disproportionately affects poorer households in Malaysia. Low-income households are more susceptible to job losses, health crises, and environmental changes, which can exacerbate poverty and inequality. For instance, the COVID-19 pandemic has been a significant economic shock for Malaysia, disproportionately affecting poorer households. The pandemic led to widespread job losses, particularly in sectors such as tourism, retail, and informal employment, where many low-income individuals work. Despite government stimulus packages, these measures were insufficient to protect the most vulnerable groups. The result was a surge in poverty and inequality, with more than 234,000 Malaysian households falling below the national poverty line (Cheng, 2022).

Malaysia's tax system, while progressive, has room for improvement in terms of reducing inequality. The World Bank (2025) has highlighted that Malaysia's public revenues lag behind those of upper middle-income and high-income countries, limiting the country's ability to spend on social programs. Currently, Malaysia does not tax capital incomes, which contributes to inequality as wealthier individuals often derive significant income from capital gains. Introducing a capital gains tax could help address this imbalance and generate additional revenue for social spending. Moreover, various government's subsidies and financial assistance should target those who need it most.

### ***Income Share Disparities and Economic Implications***

A hallmark of high-income inequality is the disproportionately small share of total income received by the poor. This imbalance not only reflects the current state of inequality but also has significant implications for future economic development. Significant disparities exist between different ethnic groups, with a notable gap between Bumiputera and non-Bumiputera households. Table 4 provides a detailed overview of the median monthly household gross income in Malaysia from 1974 to 2022, segmented by household group, ethnic group, and strata (urban and rural). The data highlights significant changes in income levels over nearly five decades, reflecting economic growth and shifts in the labour market. The median income for Bumiputera households increased from RM495 in 1974 to RM14,232 in 2022 for the top 20 percent, from RM200 to RM6,978 for the middle 40 percent, and from RM82 to RM3,273 for the bottom 40 percent. This growth reflects improvements in economic opportunities for the Bumiputera community, although disparities with other ethnic groups persist. Chinese households saw their median income rise from RM1,058 in 1974 to RM20,143 in 2022 for the top 20 percent, from RM408 to RM9,879 for the middle 40 percent, and from RM186 to RM4,132 for the bottom 40 percent. The Chinese community consistently reports higher median incomes compared to other ethnic groups. Indian households experienced an increase in median income from RM833 in 1974 to RM16,078 in 2022 for the top 20 percent, from RM329 to RM7,983 for the middle 40 percent, and from RM160 to RM3,666 for the bottom 40 percent. While there has been growth, the income levels for Indian households are generally lower than those of Chinese households. This ethnic component adds layers of complexity to the issue, intertwining economic disparities with social and political considerations. Despite the narrowing of the income gap between Bumiputera and other ethnic groups in Malaysia over the last two decades, the average income of the Bumiputera population, who make up the majority, remains lower than that of Chinese and Indian Malaysians. When economic growth primarily benefits the upper echelons of society, it becomes increasingly challenging to lift the poorest segments out of poverty, even in periods of overall economic expansion.

Table 4: Median of monthly household gross income of household group by ethnic of head of household and strata, Malaysia 1970-2022

	1974 <sup>(1)</sup>	1976	1979	1984	1987	1989 <sup>(2)</sup>	1992	1995	1997	1999	2002	2004	2007	2009	2012	2014	2016	2019	2022
	(RM)																		
	<b>Tertinggi 20% / Top 20%</b>																		
<b>MALAYSIA</b>	722	936	1,426	2,265	2,228	2,368	3,200	4,127	5,792	4,957	6,120	6,536	7,539	8,009	9,796	11,610	13,148	15,031	15,867
<b>KUMPULAN ETNIK/ ETHNIC GROUP</b>																			
Bumiputera	495	650	984	1,682	1,726	1,854	2,560	3,210	4,057	3,923	4,806	5,496	6,215	7,227	8,816	10,301	11,819	13,299	14,232
Cina/ Chinese	1,058	1,369	2,052	3,123	2,959	3,183	4,403	6,827	5,000	8,487	8,292	8,580	9,587	9,766	12,099	14,442	16,392	18,876	20,143
India/ Indians	833	1,053	1,490	2,147	2,127	2,305	2,954	4,300	6,343	5,051	5,973	6,878	7,359	7,980	10,139	11,920	13,272	15,799	16,078
Lain-lain/ Others	3,500	4,214	3,663	5,000	7,743	1,861	2,209	2,247	3,339	2,604	4,602	3,900	6,738	7,656	7,878	10,430	9,584	11,441	11,746
<b>STRATA</b>																			
Bandar/ Urban	1,186	1,436	2,154	3,201	2,968	3,208	4,065	5,423	8,447	7,374	7,061	7,703	8,439	9,067	10,912	12,717	14,185	16,060	17,209
Luar bandar/ Rural	548	716	1,068	1,672	1,756	1,892	1,994	2,578	3,289	3,363	3,379	3,748	4,481	5,076	5,912	7,108	8,125	9,439	9,640
	<b>Pertengahan 40% / Middle 40%</b>																		
<b>MALAYSIA</b>	280	349	536	881	897	989	1,321	1,694	2,150	2,117	2,536	2,731	3,288	3,497	4,372	5,465	6,275	7,093	7,694
<b>KUMPULAN ETNIK/ ETHNIC GROUP</b>																			
Bumiputera	200	254	413	704	740	814	1,080	1,391	1,709	1,724	2,085	2,306	2,729	3,138	3,947	5,020	5,763	6,533	6,978
Cina/ Chinese	408	483	811	1,297	1,289	1,423	1,899	2,448	3,190	3,036	3,617	3,782	4,239	4,376	5,652	6,834	7,878	8,988	9,879
India/ Indians	329	398	604	935	946	1,066	1,414	1,873	2,481	2,382	2,728	2,973	3,278	3,475	4,396	5,426	6,465	7,136	7,983
Lain-lain/ Others	530	925	900	2,316	1,314	828	993	1,102	1,355	1,165	1,832	1,865	2,344	2,613	3,293	5,297	4,294	4,988	5,126
<b>STRATA</b>																			
Bandar/ Urban	425	519	812	1,292	1,244	1,372	1,755	2,242	2,863	2,738	3,132	3,380	3,816	4,147	5,108	6,105	6,973	7,830	8,698
Luar bandar/ Rural	234	285	442	724	764	847	928	1,194	1,499	1,510	1,556	1,682	2,033	2,213	2,883	3,601	4,040	4,538	4,796
	<b>Terendah 40% / Bottom 40%</b>																		
<b>MALAYSIA</b>	106	117	198	362	380	433	561	694	873	874	1,025	1,104	1,416	1,440	1,852	2,629	3,000	3,166	3,440
<b>KUMPULAN ETNIK/ ETHNIC GROUP</b>																			
Bumiputera	82	84	161	293	322	363	466	583	734	749	873	965	1,224	1,305	1,703	2,422	2,756	3,017	3,273
Cina/ Chinese	186	209	345	568	581	653	854	1,073	1,355	1,287	1,481	1,610	1,808	1,907	2,557	3,290	3,559	3,733	4,132
India/ Indians	160	180	282	463	476	548	692	882	1,163	1,115	1,278	1,357	1,548	1,539	1,982	2,827	3,251	3,323	3,666
Lain-lain/ Others	95	95	297	345	337	402	474	553	672	645	792	805	1,085	1,192	1,421	2,294	2,149	2,572	2,673
<b>STRATA</b>																			
Bandar/ Urban	179	213	344	541	549	611	777	962	1,208	1,174	1,345	1,453	1,667	1,816	2,263	3,095	3,367	3,571	3,988
Luar bandar/ Rural	92	96	168	303	333	380	422	531	664	680	706	796	1,059	1,080	1,343	1,797	2,012	2,417	2,483

Source: DOSM Household Income Survey, 2022

A closer examination reveals that income disparities within each ethnic group are far more significant, accounting for 87% of the total income inequality in the country in 2022. The World Bank's 2025 report extensively discusses the implications of the economic differences within ethnic groups and locations are can hinder overall economic growth by limiting the purchasing power of a large segment of the population and reducing social mobility. This disparity can lead to a cycle of poverty where certain groups and regions are unable to access the same opportunities for education, employment, and economic advancement as others. The World Bank report emphasizes that addressing these internal disparities is crucial for sustainable development. Inequality within ethnic groups and regions can exacerbate social tensions and undermine the cohesion necessary for a stable society. For instance, regions with higher poverty rates may experience slower economic growth due to lower levels of investment and consumption. This, in turn, can lead to a lack of infrastructure development and public services, further entrenching poverty. Moreover, high inequality can stifle innovation and productivity. When a large portion of the population is unable to access quality education and healthcare, their potential contributions to the economy are diminished. This not only affects individual livelihoods but also hampers the overall economic progress of the country.

These findings suggest that addressing intra-group and intra-regional inequalities may be crucial in tackling the persistent challenge of income inequality in Malaysia. Addressing economic disparities within ethnic groups and locations is essential for fostering long-term economic growth and social stability. By focusing on inclusive policies and equitable resource distribution, countries can create a more resilient and prosperous society. The severity of Malaysia's income inequality becomes particularly apparent when viewed in a regional context. In 1999, Malaysia held the dubious distinction of having the highest income disparity in the Asia Pacific region. The average income differences between state and ethnic groups together explain 20 percent of total income inequality. This statistic underscores the magnitude of the challenge facing policymakers and highlights the need for targeted interventions to address this issue.

## **Addressing Poverty and Inequality through Innovative Policies: A Review of the Malaysian Experience**

Malaysia has undertaken various initiatives to tackle poverty, including targeted social assistance programs, small-scale entrepreneurship development, and investments in education and infrastructure. These efforts have yielded some successes, such as a significant reduction in extreme poverty levels. However, the persistence of pockets of poverty, particularly in rural areas and among certain demographic groups, suggests a need for more comprehensive and innovative approaches.

One promising area to improve is the quality of education and skill development to encourage upward mobility. Policies need to stress the importance of investments in early childhood education and healthcare, as early interventions are more cost-effective and have long-term benefits. This also requires rethinking the financing model for higher education, as the high cost of tertiary education serves as a barrier to upward income mobility among children of low-income parents (World Bank, 2023).

Strengthening Malaysia's social protection system through strategic spending priorities could be a powerful tool to directly address inequality. This includes bolstering social safety net programs that provide social insurance, subsidies, loans, and other financial assistance to support the country's poorest and most vulnerable populations. Initiatives like Social Security Organisation Schemes (SOCSSO), Amanah Ikhtiar Malaysia and Tekun have the potential to make a meaningful impact by directly targeting the needs of low-income households (Mansor et.al., 2014). However, to maximize the effectiveness of these social protection efforts, it is crucial to improve the targeting of social assistance to ensure benefits reach the individuals and families who need them most. Consolidating and streamlining social protection programs could also enhance administrative efficiency and reduce fragmentation, allowing resources to be deployed more effectively (World Bank, 2025).

The development and strengthening of micro-enterprises and small businesses can play a crucial role in providing livelihood opportunities and economic prospects for the poor. Targeted development programs that enhance the entrepreneurial competencies and business acumen of low-income households can empower these communities to build sustainable livelihoods, strengthen their resilience, and unlock greater economic mobility. Additionally, there is a growing recognition of the urgent need to address the deep-rooted structural inequalities in access to quality education and healthcare services. Investing in these fundamental areas is crucial to break the cycle of intergenerational poverty and promote more inclusive and equitable development across Malaysia. Holistic strategies that combine support for entrepreneurship and small businesses with investments in human capital development can pave the way for more inclusive economic growth and a more just and prosperous society (Govindaraju, 2021; Al Mamun et.al., 2019).

Examining government policies on food and nutrition, and their impact on the broader population is crucial. Among the critical elasticities that can be investigated are the relationships between agricultural measures, including the introduction of IR4.0 technologies and infrastructure, and their influence on food security. Additionally, the connection between export-oriented industrialization, real wages, and poverty incidence deserves close examination. Understanding these complex dynamics can provide valuable insights for policymakers seeking to address issues of inequality, food access, and sustainable development across Malaysia (Thangiah et.al., 2020).

Future efforts to reduce inequality in Malaysia will likely need to focus on inclusive growth strategies, equitable asset distribution, and targeted interventions to address ethnic-based economic disparities. As Malaysia continues to develop and aspire to high-income status, addressing income inequality remains a critical challenge. Success in this area will not only contribute to more equitable economic growth but also enhance social cohesion and political stability, paving the way for a more prosperous and harmonious future for all Malaysians.

## Conclusion

Malaysia's journey towards addressing poverty and inequality has been marked by significant achievements and persistent challenges. The country's economic growth and targeted policies have successfully reduced absolute poverty rates from around 50 percent in the 1970s to 6.2 percent in 2022. However, relative poverty and income inequality remain pressing issues, particularly among certain demographic groups and regions. The historical context of ethnic disparities, the impact of globalization, and the rise of the knowledge economy have all contributed to the complex landscape of inequality in Malaysia. Efforts to address these challenges must continue to evolve, focusing on inclusive growth strategies, equitable asset distribution, and targeted interventions. The shift towards a multidimensional approach to poverty measurement, incorporating factors such as education, health, and living standards, is a positive step. However, the effectiveness of these measures in reducing real-world disparities requires ongoing evaluation and adjustment. Future policies should prioritize investments in education, healthcare, and infrastructure, particularly in underserved regions, to ensure that all Malaysians have the opportunity to benefit from economic growth. Strengthening social protection systems and supporting small businesses and entrepreneurship can also play a crucial role in promoting economic mobility and reducing inequality. By addressing both horizontal and vertical inequalities, Malaysia can work towards a more equitable and prosperous future for all its citizens.

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