SOCIAL DEVELOPMENT INITIATIVE TOWARD ENHANCEMENT OF BUMIPUTERA VALUE IN ISKANDAR MALAYSIA

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ABSTRACT

Malaysia has been defined as a plural society, characterised by distinct racial communities, each having its own space and activities. Most literature implies that there is still a gap between races in terms of economic equity and property ownership. Despite the initiative by the government namely the New Economic Policy (NEP) introduced in 1971, to eradicate poverty and to achieve 30 percent of Bumiputera equity in all economic sectors, the performance of the Bumiputeras are not as encouraging. A more recent initiative is the launching of the Economic Transformation Programme (ETP) to support the Vision 2020 aspiration to become a high income economic nation by 2020. Iskandar Malaysia (IM), a new development corridor in the southern part of Peninsular Malaysia has been identified as one of the catalysts for GDP growth through high-impact developments. The Comprehensive Development Plan (CDP), a blueprint of the area has outlined various development strategies in line with the vision of IM as a sustainable conurbation of international standing. Since then, the city-region has experienced a high rate development through several public–private urban renewal and new urban/suburban projects. This paper examines the strategic policies on social development generally, in particular, the development strategy that will result in the increase in the value of Bumiputera land as well as other benefits.

Keywords: Iskandar Malaysia, Comprehensive Development Plan (CDP), Social Development Strategies, Bumiputera.

Introduction

It is widely acknowledged that the structural transformation of the Malaysian economy had taken place in a very rapid and extensive manner, from being a basically agricultural economy and a primary producer to an increasingly industrialized nation with a large and expanding manufacturing base and service sector (Abdul Rahman, 1996). Various plans and policies following the NEP, including the National Development Plan (1991 to 2000), the National Vision Policy (2001 to 2010) have been introduced to turn Malaysia into a developed, high-income nation, with balanced growth, witnessing the Malay and Bumiputra communities on par with other communities with the advent of a developed nation status in 2020. The structural transformation brought forth by the NEP and various other initiatives has a tremendous impact on the standard of living especially among the Bumiputra. For example, the Bumiputra monthly average household income had gone up from RM172 in the 1970’s to RM4,457 in 2012 or almost 2,500 percent in 42 years. The Bumiputra poverty rate had also gone down from 64.8 percent in the 1970s to 2.2 percent in 2012. The Bumiputra corporate company equity rate had increased from only 2.4 percent in the 1970’s to 23.5 percent in 2011. It is highly persuasive that the NEP as a preliminary measure had been successful in tackling the gap between the communities in the effort to develop the socio-economy of the Bumiputra community.
However, it should be noted that there still exists the disparity in income between the ethnic groups. For example, in 2011, the average monthly income of the Chinese was higher than Bumiputra by a ratio of 1:43. In the context of corporate company equity ownership, a target of at least 30 percent has yet to be achieved as the current control is only 10 percent. This is further compounded by the fact that the involvement of the Bumiputra communities in entrepreneurship activities is still insignificant and the majority is at the small and micro levels.

More recently, the government introduced the Government Transformation Programme and Economic Transformation Programme (ETP) to form a national economic development ecosystem which is strong and resilient. The ETP focuses on the development of 12 national key economic areas outlining development priorities and includes boosting property development. In this framework, Iskandar Malaysia (IM) has been identified as one of the catalyst for GDP growth through high-impact developments. Having the economic and locational advantages due to its proximity to Singapore and the space to grow, IM was identified as one of five future economic corridors in the country. With an investment of RM 43 billion, through public–private urban renewal and new urban/suburban projects, the city-region has experienced spatially diffused, low-density sprawl into pre-existing rural land covering an area of over 2217 square km.

The Khazanah Nasional was tasked to formulate a Comprehensive Development Plan underpinning relevant strategies to boost the physical and economic development of the region. The vision for IM is to be the hub of a dynamic growth corridor of an international standing based on a projected population growth from 1.3 to 3 million by 2025. Three main themes were identified as the foundation i.e. nation building, growth and value creation as well as equitable and fair distribution among stakeholders. This paper examines the CDP particularly on the Strategic Social Development Trust (SSDT) and how the outcomes of the strategies come to terms with the overall thrust of the development plan particularly the socio-economic consequences of IM’s aggressive pursuit of its globalization agendas (Rizzo & Khan, 2006). Against this background, the paper will next, discuss the socio-economic characteristics of Malaysia in particular the Malay performance. This is followed by a review of the CDP focusing on the social aspect of the development strategy. The last section discusses the implication of Social Development Initiatives towards the Malay community.

The Malaysian Environment

Malaysia is unique in the sense that it has successfully transformed itself into a country that capitalizes on its multiracial harmony (Norhashim & Aziz, 2005). Such uniqueness can be attributed to more than 400 years of colonial rule since 1511, starting with the Portuguese and followed by others, including the Dutch, British and Japanese. However, British colonization is arguably a significant contributory factor in shaping the present Malaysian social, political and economic climate (Siwar & Hasan, 2002). During the post-colonial time, any policies related to development were highly influenced by the British. The British pre-independence segregation policy in identifying the three main ethnic groups along economic sectors has resulted in economic disparities between the Malay community and the Chinese. There were distinct racial communities where the class structure defines the capitalist mode of production based on spaces and activities (Abraham, 1997; Kim, 1998; Kumar & Siddique 2008). The culmination of this situation was the racial riots in 1969, which led to the formulation of the NEP. This policy was aimed at addressing and redressing Malay economic backwardness (Razali, 1999). A study conducted in 1977 revealed that the ownership and control of Malaysian companies was primarily by individuals or families of Chinese and European descent (Lim, 1981). The NEP became the fundamental basis of Malaysian economic and social development planning for more than two decades until it was replaced by the New Development Policy (NDP) in 1990. This new policy was, in many ways, an extension of the NEP and was aimed at achieving a more united and just society through more balanced development. It also meant putting the Malays at the top of the agenda (Razali, 1999). The policies that were put in place to achieve the NEP objectives had brought about diverse
implications. Nevertheless the main idea is to distribute wealth of the nation ‘equally’ across racial boundaries, without sacrificing the value of each respective ethnic. Since the introduction in 1970, the gap between the Bumiputeras and the non-Bumiputera has not change much in many sectors especially in employment and it still lagging behind others ethnic figure.

Iskandar Malaysia

Iskandar Malaysia lies at the heart of South East Asia at the southern tip of Peninsular Malaysia and within minutes from Singapore. It is strategically located at the major cross roads of East-West trade routes of fast growing countries like China and India. From a regional perspective, the development of Iskandar will lend a greater competitive edge to the region and will benefit significantly from the air and sea linkages within Asia-Pacific countries. IM has also been considered to have a wider impact in relation to the zones of influence of the global cities of Kuala Lumpur and Singapore (Rizzo & Khan, 2013). Iskandar Malaysia covers an area of about 2216.3 km2 which is about three times the size of Singapore and two times the size of Hong Kong Island. It is made up of areas under Majlis Bandaraya Johor Bahru (MBJB), Majlis Perbandaran Johor Bahru Tengah (MPJBT), Majlis Perbandaran Kulai (MPK), Pihak Berkuasa Tempatan Pasir Gudang (MBTPG) and part of Majlis Daerah Pontian (MDP).

Iskandar Malaysia ranked as the second most important conurbation in Malaysia is envisioned to rival other city regions of East Asia such as Hong Kong and Singapore (FTCPD, 2005).

In the last decade, the region has been experiencing rapid expansion, with a total population of 2,374,778 (2010) (Department of Statistics Malaysia, 2010). Along ethnic lines, Bumiputera account for 44 percent of the population, followed by Chinese (41.5 percent), Indian (9.1 percent) and other ethnic minorities (5.4 percent). The Bumiputeras’ average annual population growth rate is 2 percent while that of other races is about 1.5 per cent (UNDP, 2005). Additionally, the UNDP estimates that the rapid increase in foreign migrants, both legal and illegal, has accounted for a rise of 1 to 7 per cent of total population over the past four decades. About 93 percent of SJER population of 1.35 million lives in urban areas. The rest numbering about 100,000 live in rural areas consisting mainly of traditional Malay kampungs, Felda schemes, new villages, Orang Asli settlements and estates. The Poverty Line (PLJ) for the Johor State, is set at RM634 while the hardcore poverty, is set at RM384 (Ninth Malaysia Plan). The majority about 96 percent of the rural poor households are Bumiputera. The overall poverty rate for Johor state was 2.0 percent in 2004 (Ninth Malaysia Plan) while the overall poverty rate for SJER is estimated at 0.42 percent.

The urban poverty level of the Johor State was 0.8 percent in 2002 (Malaysian Quality of Life Report) which was well below the Malaysian average of 2.0 percent. For IM, the urban poverty rate is estimated at less than 0.1 percent. This is very low considering that the majority, 92.6 percent of SJER population are urban population. The rural population made up 7.4 percent of the total IM population. According to the CDP, the rural poverty rate is 5.6 percent for traditional villages and 1.4 percent for Felda schemes. Based on the proportion of Felda households which is about 15.0 percent of the rural population and the proportion of villages households which represent most of the remaining 85.0 percent, the overall weighted rural poverty rate for SJER is estimated at 4.7 percent. Although the rate is still pretty much lower than the Malaysian average of 11.9 percent for rural poverty, nonetheless, the impact is greatly felt because of its proximity to the more prosperous immediate neighbourhoods.

In terms of property ownership, 15.7 percent of the whole assessed properties (in terms of number) in MBJB, MPJBT, MPK and MDP are owned by the Bumiputera; 35.5 percent by the Chinese; 3.6 percent by the Indians; 13.6 percent by developers and the remaining 31.7 percent by other business entities and institutions and others. The Bumiputeras own 28.6 percent of the total assessed properties in MBJB; 11.9 percent in MPJBT; 7.1 percent in MPK and 11.7 percent in part of MDP. The total value of the assessed properties stands at RM67 billion. Out of this, the Bumiputeras owned 11 percent of the total property value, while the Chinese hold a much larger share at 31 percent. The total property value per head for the Bumiputeras is the lowest at RM18, 684 as compared to the
Chinese (RM59,527), the Indians (RM24246) and others (RM23,087). This shows that the value per capita for the Chinese is more than three times larger than that of the Bumiputeras (Figure 1).

![Figure 1: Property value per head (in RM) of various racial groups in IM, 2006](image)

Source: Khazanah Nasional (2006)

The Bumiputera participation in commerce and industries in IM is also low. Based on the total 27,910 commercial establishments in the whole Johor Bahru district in 2003 only 17 percent are owned by Malay. The Chinese proportion was far higher at 77 percent whilst the Indians owned 3 percent. The Bumiputera industrial establishments in Johor Bahru district in 2003 was also low, totaling 12.0 percent of 6,642 establishments. The Chinese and Indian shares were higher at 64.1 percent and 19.3 percent respectively. The Bumiputera participation is mainly in SMEs. From the total 1,102 registered SMEs in the whole state of Johor, 24.2 percent are owned by Bumiputeras. However, in terms of capitalised value, the Bumiputera’s overall share is only about 11.6 percent (Figure 2).

<table>
<thead>
<tr>
<th>Ownership</th>
<th>E&amp;E</th>
<th>Logistics</th>
<th>SMEs</th>
<th>Chemical (Plastic)</th>
<th>Food</th>
</tr>
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<tbody>
<tr>
<td>Bumiputera</td>
<td>10.86</td>
<td>29.80</td>
<td>11.57</td>
<td>5.80</td>
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</tr>
<tr>
<td>Non-Bumiputera</td>
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<td>45.16</td>
<td>76.00</td>
<td>49.18</td>
</tr>
<tr>
<td>Government/Public Institution</td>
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<td>2.66</td>
<td>0.72</td>
<td>0.00</td>
<td>2.42</td>
</tr>
<tr>
<td>State Owned</td>
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<td>0.00</td>
<td>10.70</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Foreign</td>
<td>60.80</td>
<td>20.06</td>
<td>31.85</td>
<td>18.20</td>
<td>31.05</td>
</tr>
</tbody>
</table>

![Figure 2: Equity ownership of industries in IM, 2006 (weighted in percentage)](image)

Source: Khazanah Nasional (2006)
Iskandar Malaysia Development Strategy

**IM Physical Development Strategies**

The global movement, the unique trajectory of urban development and the rapidly changing urban situation have opened an arena for the developing countries such as Malaysia to undertake a rather advanced regional approach in the development of IM which considers JB, the wider metropolitan area and its interrelation to Singapore (Rizzo & Glasson, 2012). From a physical planning perspective, the IM is defined as a geographic area in the southern part of Johor that will benefit from the economic opportunities that will be promoted within the region. A physical development interpretation of the IM vision of a ‘strong, sustainable conurbation of international standing’ is read as a commitment to create a sustainable conurbation which has taken into consideration the needs of all its stakeholders and subsequently enhance the quality of its community’s life without compromising the ecology of the environment. It also commits to creating a liveable and attractive environment for residents, businesses and visitors.

The PDS will be based on the potential of the area as well as the challenges faced by SJER in becoming a world class sustainable conurbation. These in turn generate the following five ‘pillars’:

- Positioning in the international rim.
- Establishing hard and soft infrastructure enablers.
- Investment in catalyst projects; establishing a strong institutional framework and the creation of a strong regulatory authority, and ensuring socio-economic equity and buy-in from the local population.
- Promote key economic initiatives that will become focal points for growth within the region.
- Plan and develop SJER as one integrated global node consisting of Johor, Singapore and Indonesia.
- Enhance accessibility and provide alternative modes of public transport.

Ten key PDS were identified and they were expected to complement both the social and the economic development strategies. The PDS are summarized as below:

- Ensure a balanced development by reaffirming distribution and enhancing efficiency through focused developments in certain corridors and nodes.
- Protect and conserve natural, historic and open space resources to improve the quality of life.
- Focus development in areas where existing and adequate infrastructure exists, build further enabling infrastructure.
- Promote in-fill and redevelopment in existing communities/brown field sites.

The Iskandar Vision largely revolved around physical development schematized into five flagship zones within SJER (Figure 3):

a) Johor Bahru (JB) City Centre, the core of the SJER conurbation, to develop as the financial centre for the region.

b) Nusajaya, a green zone to the west of JB, to be converted to residential, light-industry, and tertiary uses.

c) Western Gate and Development, to strengthen the rapidly growing area around the Port of Tanjung Pelepas (PTP).

d) Eastern Gate Development, to strengthen and redevelop the brown field area around Pasir Gudang Port and its heavy industries.
e) Senai–Skudai, two cities located to the north of JB, to sustain the need of the region for quaternary infrastructure (universities, airports etc.).

In the initial stage of the master plan, investments will be concentrated in three flagship zones (JB, Nusajaya and Pasir Gudang) which form the Special Economic Corridor located along the Straits of Johor.

Strategic Social Development Thrust

In keeping with the holistic approach in planning for the development of IM, various initiatives to address social issues under the implementation framework have been formulated as part of the CDP. Some of the strategies are generic in nature and others are for the attainment of specific social objective.

a) Enhance coordination and cohesion of all government and non-government agencies involved in social development.

As noted there are numerous government and non-government agencies that are involved directly, at different level of effectiveness, in social development. It is therefore proposed that a Social Development and Lifestyle Unit be formed within IM. In particular, the Social Development and Lifestyle Unit of SJA will work in a coordinated fashion with existing Federal and State agencies, including non-governmental or semi-governmental agencies or entities such as Yayasan Pelajaran Johor and Yayasan Warisan Johor. The unit will look to not duplicate but complement where existing agencies are functioning well and to play a catalytic role where gaps currently exist.
b) Build social capital as the basis for social cohesion and integration.

Social capital in the form of ‘trust, loyalty and reciprocity’ is vital for healthy social development since it is the basis upon which social cohesion and integration can be built. This in turn forms the basis for building national social and economic strength. The biggest challenge for Malaysia and SJER is to build trust and loyalties across racial boundaries in particular between the Bumiputera and non-Bumiputera communities. The main strategy to build trust and loyalties is to enhance contact, integration and networking in all aspects of social and economic activities.

c) Enhance ability of individual Bumiputera and privately owned Bumiputera companies especially SMEs to acquire landed properties and enhance their property portfolio by leveraging and participating in the capital gain.

A long standing programme by the government is to assist Bumiputera individuals and companies to own landed properties. Among the measures taken are, establishment of a Bumiputera quota on the sale of newly developed properties, discount on the sale price and liberal financial arrangement. Beside it is to assist the Bumiputera owners to acquire more properties through leveraging on the capital gain, especially in a situation of rapid appreciation in property values as is expected within SJER with the projected inflow of capital and rapid pace of development.

d) Adopt and implement a regional and physical development strategy that will result in the increase in the value of Bumiputera land and also bring other benefits. The location of new major growth centres shall take into account the location of major Bumiputera settlements. Hence, a major growth centre in the north of IM such as in Kulai/Senai area will greatly help Malay land owners (Malay Reserve Land) and settlers in the FELDA areas to the north within and outside IM.

Figure 4: Spatial Strategy – Senai-Kulai Growth Centre  
Source: Khazanah Nasional (2006)
e) Promote more mutual funds to spread benefit of the increase in property and rental values to Bumiputera and to take out the allocated new property units not taken up by Bumiputeras.

f) Use of institutionally managed trust funds can be effectively mobilised to acquire large properties within IM for the benefit of Bumiputera unit holders. Trust companies and other agencies can also be mobilised to purchase the allocated Bumiputera lots in new development schemes not taken up and hold them in trust until such time that individual Bumiputeras can take them up.

g) Enhance and upgrade education and training programme at all level of skills and with the cluster associations identify critical skill categories for IM development. The various existing training organisations dedicated to Bumiputeras and also those that are opened to all races including incubator centres, must upgrade and expand their programmes to allow broader participation within IM.

h) Enhance cluster linkages among major public and private sector corporations and research institutions with Bumiputera companies especially SMEs. It can be able to generate and drive innovations within itself and among those that are vertically and horizontally integrated with it, including the SMEs. The initiative also be able to generate innovations and transmit them to Bumiputera or Bumi – non Bumi joint venture companies within the cluster.

Figure 5: Spatial strategy – bringing maximum development impact to Malay land and population – PTP Growth Pole
Source: Khazanah Nasional (2006)
Implications of Social Development Initiatives

This research focuses on the implementation of social development initiatives in order to examine the manifestation of the strategies toward the enhancement of Malay values in Iskandar Malaysia. The distribution household income of each ethnic in Iskandar Malaysia will be observe and it is compared to each location in term of urbanized and non-urbanize context.

Since 2003, the trend of ethnic distribution according to local authority remains unchanged until 2010 whereby it still dominated by the Bumiputeras except for MPJBT where the Chinese dominated with 47.6 percent and 38 percent by the Malays (Figure 6a and 6b). Over the years, any increase in overall population still did not contribute to significant effect towards Bumiputera population in each local authority area especially in MPJB and MPJBT. The economic growth and development in each area is dependent on the total population that lives there. An increase in population will increase the total productive labour skill needed for development and it will increase the demand for new infrastructures such as housing.

![Figure 6a: Ethnic composition in SJER](source: Department of Statistic Malaysia 2013)
After several years of social initiative implementation inside IM, the impression of non-Bumiputera dominating especially income distribution is still very obvious. It shows that the Chinese income in 2012 for urbanized area is around RM 6000 compared to 2009 that is around RM 5000. Although there is evidence of increased income among the Malays, the increase is exponential on the Chinese. For the Malay urban the income in 2012 is RM 5300 an addition of RM 900 from 2009. These trends are closely related to rate of urbanization as indicated in MPJBT where the Chinese are the prominent population (Figure 8). In MPJBT the Chinese are largely involved in commercial sector that generate greater income compared to the Malay who are mostly in management and services sector.

Even in local authority areas which is predominantly rural like MPKU, surprisingly, no differences were indicate in local authorities which are mostly non-urbanize such as MPKU, the Chinese dominating a higher income compare to Malays although most of the areas are occupied by...
Bumiputeras. This result may be explained by the fact that most of this Malays are located in Felda settlements and small rural villages; most of them are working at the plantation and the income that they received is relatively low. The study shows that there is an increasing in come from RM 2400 to RM 3000 per month from 2009 to 2012. However, compare to the Chinese whose increased income is lower than the Malays, the overall level of income is much higher that is from RM 3300 to RM 3800 per month. These findings are rather disappointing because it show that the initiatives to decrease the gap between the races are still unsuccessful. However, these results need to be interpreted cautiously because all the initiatives are still ongoing.

Figure 8: Built Up area according to local Authority
Source: Johor Bahru Local Plan 2020

Conclusion

The discussion has stressed the need to examine IM development in a balanced manner particularly in light of the social development in the plural society such as Malaysia. The Malaysia’s history on ethnic tension has shown that the government needs to ensure the wealth of the nation is distributed equally across racial boundaries. Since independent, Bumiputera as the dominant population are still falling behind in term of income and property ownership to other races. Although the NEP was introduced in 1970, the success rate is still low. The launching of ETP is another agenda in transforming the whole NEP into a new dimension. It hopes to reduce even more the gap between the Bumiputra and other races so equality can be achieved. Iskandar Malaysia has been identified to be a sustainable conurbation of international standing and targeted to be one of the catalysts that will support the Vision 2020 aspiration to become a high income economic nation by 2020. Several social initiatives had been created to fulfill the vision. However after seven years, the gap between the ethnic is still there and as usual the Malays are still falling behind especially to the Chinese.
Reference


