Poverty Eradication: The Malaysia Way of Organizing Poor and Landless People

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Abstract

In Malaysia, numerous institutions (authority) have been introduced generally with the same objective, to reduce poverty by improve the living standard in rural areas. One important and most successful example of institution that helps in poverty eradication was the new land and resource development strategy under Federal Land Development Authority (FELDA). This strategy was proposed by the World Bank in 1954 and was also implemented in the First Malaya Plan (1956-1960). It is an instrument designed to develop idle land, to provide the landless and the under-employed with better income, and make those in the villages in the backward areas feel a part of the centre. This new land development strategy was seen to be more important than the in-situ rural development strategy because it encouraged the movement of large numbers of the rural poor and landless population to the areas in which the land development schemes operated. The new land development strategy was mainly involved in the commodity products for export (rubber and oil palm). This institution (FELDA), not only play a major role as a main contributors to the production of Malaysian export commodities (rubber and palm oil) but also had successfully raised the average net monthly income of FELDA settlers to a level above the poverty line. The Malaysian way of organizing poor and landless people in commercial agricultural production was recognised internationally as an ideal model to deal with rural poverty.

Keywords: Institution, development planning, poverty

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Introduction

A study by the World Bank showed that NIE countries which have rapid export growth and miracle record of economic growth have significantly reduced absolute poverty, improved human welfare and reduced the inequality of income distribution (World Bank, 1993; Ishak, 2000) In other words, the general relationship between economic growth and poverty reduction is clear: growth will decrease poverty (World Bank, 2001).

Alleviation in the process of structural change was the ultimate goal of national development policy under New Economic Policy (NEP) that has been exercised since 1971. This is because economic development during the 1950s and 1960s concentrated mainly on accelerating the maximum growth strategy of the economy through investment in infrastructure to promote maximum development of export commodities and import substitution industries. Although this strategy did serve to strengthen the economy considerably, it resulted in the unbalanced diffusion of economic activities and contributed to a marked economic activities differential between ethnic and geographical location. It did not deal adequately with the problem of social (ethnic) and economic imbalances faced by Malaysian society (Malaysia, 1991). Most of the indigenous Malay population, which remained in the agriculture sector mainly in rural areas or in the less developed regions in the east coast of Peninsular Malaysia, were largely bypassed by the new development (Reynolds, 1982).

The objectives of the NEP were to achieve national integration and unity and these were formulated within the context of a two-pronged objective (Malaysia, 1971):

1. To reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race; and

2. To accelerate the process of restructuring Malaysian society to correct economic imbalances so as to reduce and eventually eliminate the identification of race with economic function.

These objectives were to be achieved through rapid growth with equal distribution. It aimed to strike an optimum balance between the goals of economic growth. Ultimately to eliminate the social and economic inequalities and imbalances in the country, and promote and strengthen national integration by reducing the wide

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1 This is inherited from the colonial period, which caused dualism economics in Malaysia. This economic dualism was based on economic activity as well as ethnic and geographic linkages. Most of the Malays lived in low-income states, were involved in traditional agriculture sector and were less productive, while non-Malay (most of them, migrated to Malaysia in the early 1900s) lived in high-income states (colonial concentration states), were involved in non-agriculture sector or modern agriculture sector with high productivity. Studies on Regional Inequality and Development in Kenya (Bigten, 1980) also argue that dualistic economic development that exists in almost all African countries was due to foreign domination and exposure to colonisation during most of the past century. According to Myrdal, G. 1971 in The Challenge of World Poverty, Penguin Books. p.89 .... “As in most underdevelopment countries, we should not be surprised that the inegalitarian social and economic stratification from colonial times is preserved and that development moves in the direction of greater inequality “
disparities in economic development between states and between the urban and rural areas in the country. Manufacturing was seen as the engine of growth to spearhead the restructuring of economic activity and society.

Development Planning in Malaysia

Development planning in Malaya (or now Malaysia) started during British colonial rule. The development plans in Malaysia can be divided into three, based on length of years, namely long term development planning or the Perspective Plan with a timespan of between twenty to ten years (20 to 10), five-year development planning also known as intermediate term development planning, and yearly budget planning or short term development planning.

<table>
<thead>
<tr>
<th>Long-term Development Plan/ National Policy</th>
<th>Years</th>
<th>Five year Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft Development Plan, Malaya</td>
<td>1950-1955</td>
<td>First Malaysia Plan</td>
</tr>
<tr>
<td></td>
<td>1956-1960</td>
<td>Second Malaysia Plan</td>
</tr>
<tr>
<td></td>
<td>1961-1965</td>
<td>First Malaysia Plan</td>
</tr>
<tr>
<td></td>
<td>1966-1970</td>
<td></td>
</tr>
<tr>
<td>First Outline Perspective Plan</td>
<td>1971-1976</td>
<td>Second Malaysia Plan</td>
</tr>
<tr>
<td></td>
<td>1981-1985</td>
<td>Fourth Malaysia Plan</td>
</tr>
<tr>
<td></td>
<td>1986-1990</td>
<td>Fifth Malaysia Plan</td>
</tr>
<tr>
<td>Second Outline Perspective Plan</td>
<td>1991-1995</td>
<td>Sixth Malaysia Plan</td>
</tr>
<tr>
<td>Third Outline Perspective Plan</td>
<td>2001-2005</td>
<td>Eighth Malaysia Plan</td>
</tr>
</tbody>
</table>

Source: Asan, 2004: 68

The New Economic Policy (NEP) was introduced under the first long-term development plan and was also known as The First Outline Perspective Plan (OPP1) 1971-1990. The National Development Plan (NDP) was introduced under The Second Outline Perspective Plan (OPP2) 1991-2000 and finally The National Vision Policy (NVP) was introduced under The Third Outline Perspective Plan (OPP3) 2001-2010. Regional development plans were integrated into the national plan in the Outline Perspective Plan and every five years development plan.

Although the NEP ended in 1990, eradicating poverty and regional imbalance development remains an important goal of national development. The Second Outline Perspective Plan (OPP2, 1991-2000) was implemented within the framework

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2 According to Higgins, B. and Savoie D.J. 1997 in Regional Development Theories and Their Application. New Brunswick: Transaction Publication. p.347 .. "Among the forms that the good management has taken is the use of regional and urban plans as building blocks for construction of national economic development plans, from the Third Malaysia Plan onwards. Malaysia may have the most completely integrated regional and national plans in the world"
of the New Development Policy (NDP). The NDP will build upon the achievements during the OPPI to accelerate the process of eradicating poverty and restructuring society so as to correct social and economic imbalances within the context of a rapidly expanding economy. Enforcing development of the poorer states in order to improve their income and standards of living continues to be the main goal of rural development.

The main goals under NDP toward “growth and equal distribution” were: striking an optimum balance between the goals of economic growth and equity; ensuring a balanced development of the major sectors of the economy so as to increase their mutual complementariness to optimise growth; reducing and ultimately eliminating the social and economic inequalities and imbalances in the country to promote a fair and more equitable sharing of the benefits of economic growth by all Malaysians, and promoting and strengthening national integration by reducing the wide disparities in economic development between states and between the urban and rural areas in the country (Malaysia, 1991).

In the current long term perspective plan, The Third Outline Perspective Plan, 2001-2010, which was implemented within the framework of the National Vision Policy (NVP), the goal towards minimising regional disparities is one of the important key thrusts under this policy; promoting an equitable society by eradicating poverty and reducing imbalances among and within ethnic groups as well as regions (Malaysia, 2001).

Since the First Malaya Plan (1956) and subsequently under the New Economic Policy (NEP) (1971-1990) four important regional development strategies can be identified:

1. New land and resource development strategy,
2. In-situ rural development strategy,
3. Rural urbanization and creation of new growth centres strategy,
4. Industrial dispersal strategy.

The official goals regarding regional inequality in Malaysia can be identified as the following:

1. To increase economic opportunity as well as monthly income, decrease poverty and unemployment in the less developed areas through diversifying the economic base of the less-developed states to generate higher economic growth;
2. To move towards scattered new development and growth especially to less developed regions;
3. To exploit the natural resources, resettle and rehabilitate selected frontier areas;
4. To revive and strengthen agricultural and industrial development in the less developed regions as well as urbanize and industrialize rural and agricultural areas;
5. To emphasise new growth centres in the less developed states (or at the agricultural development scheme) which will be integrated into the overall

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3 Sub-region (between ASEAN countries) cooperation was added as one more regional strategy under the National Development Policy (NDP) (1991-2000).
national regional development and urban network system, and at the same
time reduce excessive rural-to-urban migration, especially movement from
depressed peripheral areas to the already congested core region.

To boost up the efficiency of these regional development strategies, numerous
institutions (authority) have been introduced. Each institution focus on selective
target group, generally with the same objectify, to reduce poverty by improve the
living standard in rural areas.

On the government sides, these instructions were under federal or state government4.
Two important institutions directly under Prime Minister’s Department are Federal
Land Development Authority (FELDA) and Penang Regional Development
Authority (PERDA)

Federal Land Development Authority (FELDA) was introduced with specific aim to
develop the rural area. The main objectives of this scheme are to overcome the
landless and unemployment problem as well as to increase rural income. While, Penang Regional Development Authority (PERDA) was brought in to improve
quality of life in the rural area in Penang State mainly through hosing and
infrastructure programme.

There are 5 institutions under Ministry of Agriculture and Agro-Based Industry,
namely Farmers’ Organization Authority of Malaysia (LPP) focus on smallholders,
was introduces to increase productivity as well as income; Federal Agricultural
Marketing Authority (FAMA) also focus on smallholders with specific aim to create
and increase network between farmer and consumer through marketing process;
Fisheries Department Authority of Malaysia (LKIM) focus on fishermen, to increase
income among the fishermen and to expand and develop fishery industry in Malaysia
and finally Kemubu Agricultural Development Authority (KADA) and Muda
Agricultural Development Authority focus on paddy-field farmer, was involved in
the modernization of the paddy plantation sector at the northern and eastern part of
Peninsular Malaysia.

Meanwhile, there are tree institutions under Ministry of Entrepreneur and
Cooperative Development. Council of Trust for the Bumiputera (MARA) was set up
to encourage, guide, train and assist Bumiputera to enable them to participate
actively and progressively in small and medium scale commercial and industrial
enterprises.

While Credit Guarantee Corporation (CGC) was established with the objective to
assist Small and Medium Scale Enterprises (SMEs) without or with inadequate
collateral to access credit facilities from financial institutions. In addition, Yayasan
Tekun Nasional (TEKUN) was introduced to redevelop and enhance business capital
to existing Malay entrepreneur and to generate business network among them.

Under Ministry of Rural and Regional Development the government has introduced a
number of regional development authorities (RDA) namely Development Authority
of South East Johor (KEJORA), Development Authority of South Kelantan

4 Besides that, State Economic Development Corporation (SEDC) was set up at state level but still answerable to the Ministry of Entrepreneur and Cooperative Development.
(KESEDAR), Development Authority of Central Terengganu (KETENGAH), and Kedah Regional Development Authority (KEDA). RDA emphasise more on the development of new land areas, or redevelop and increase the productivity of already existing agricultural areas.

Under Ministry of Rural and Regional Development also, government has introduced Rubber Industry Small Holders Development Authority (RISDA) aimed toward increasing productivity among rubber smallholders through the provision of subsidies, replanting of rubber trees, the improvement of processing facilities and marketing. Meanwhile, Federal Land Consolidation and Rehabilitation Authority (FELCRA) focuses on the consolidation and rehabilitation of land in existing agricultural areas, involving the improvement of agricultural holdings through the adoption of modern agricultural practices and the provision of basic infrastructure facilities and support services.

Non-Governmental Organizations (NGOs) are working closely with the government in the poverty alleviation programmes. Various national-based, state-based, religion-based and gender-based NGOs provide small business loans, industrial training, job opportunities, educational support for children and better housing programmes. Since 1987, Amanah Ikhtiar Malaysia (AIM), an NGO, provides micro-credit financing to about 69,000 poor families with interest-free loans. An amount of RM300 million has been allocated by the government for this reason (according to Distribution Section, Economic Planning Unit, 2002). In addition for the women, Islamic Economic Development Foundation (YAPIM) also provides small business loans especially to single parent.

In Malaysia, most successful example of institution that helps in poverty eradication is Federal Land Development Authority (FELDA) which was under new land and resource development strategy. According to Fold, N. 2000 in Oiling the Palms: Restructuring of Settlements Schemes in Malaysia and the New International Trade Regulation. Word Development, Vol.28 (3): p.473:

“The rate of development of the resettlement program has been impressive and the FELDA program is considered as one of the most successful example of settlement schemes in developing countries in terms of economics viability and political stability. The Malaysian way of organizing poor and landless people in commercial agricultural production has been stressed by many observers as an ideal model to deal with rural poverty”...

Federal Land Development Authority (FELDA) was formed under the Land Development Ordinance, with the specific aim to develop the rural area. The main objectives of this scheme are to overcome the landless and unemployment problem as well as to increase rural income and to improve the living standard in rural areas. This is because In most developing countries, the poverty rate was high in the agricultural sector especially among the small holder (Willissoon, 1991). The development of these land schemes, which mainly consisted of organized oil palm and rubber smallholding, marked the beginning of the key role played by palm oil in the export diversification and poverty alleviation programs of Malaysia (Arif &
Tengku 2001). FELDA also was the largest single producer and exporter of palm oil in Malaysia (Pletcher, 1990).

FELDA is primarily engaged in opening new lands and developing its settlement housing area (so-called FELDA village) with basic infrastructure facilities. Most of the FELDA schemes are located in the eastern (Pahang) and southern (Johor) part of Peninsular Malaysia where substantial land resources for new land development are available.

**The Effectiveness of Institutions in Poverty Eradication: Land Settlement Scheme**

In many developing countries, since the early 1950s and 1960s, land settlement schemes have been adopted as one of the important tools that can form part of a rural development strategy to improve income and its distribution as well as living standards through efficient utilization of substantial land resources. This was profoundly influenced by colonial development. Such schemes brought about significant (and often radical) changes in rural-urban linkages and in the distribution of population from pre-colonial settlement patterns and trends. They also played a major role in defining which regions are linked to the monetary economy (producing for domestic consumption or for export) and which remain largely outside the monetary economy with a large proportion of their population deriving their living from growing subsistence crops or cattle raising (Asan & Mahani, 2007).

State organized land settlement in South-East Asia was first attempted in 1909 by the Dutch in Indonesia, and in 1939 in Philippines (Tengku, 1971). In Malaysia, Federal Land Development Authority or FELDA, established in 1956, is one of the instruments of change. It is an instrument designed to develop idle land, to provide the landless and the under-employed with better income, and make those in the villages in the backwoods feel a part of the centre (Wikkramatileke, 1962).

Land settlement or colonization schemes have been adopted in many countries, often at enormous cost. Although they have the common aim of raising the income and living standards of the rural landless, land settlement schemes nevertheless appear to differ in their approaches and aims. Issues of population redistribution and efficient utilization of waste land are predominant in Indonesia and Sri Lanka (Arndt, 1988); in Malaysia, the United Republic of Tanzania, and Brazil, settlements of various kinds have been regarded as a prerequisite to the overall development strategy of the country (Tengku, 1988; Henriques, 1988). There have also been instances where extensive land settlement programmes have been adopted in place of more radical agrarian reform measures such as in Iran (Amid, 1990), Egypt (Radwan, 1986), Peru (Alberts, 1983) and Thailand (Scholz, 1988).

In 1954, the World Bank, as part of its mission, suggested that the Malay States give due attention to land development to enhance agricultural production. Before the country’s first general election, an International Bank for Reconstruction and Development (World Bank) mission had been invited to inquire into Malayan (and Singaporean) economic conditions and prospects. Its Report set out the pattern of development that was subsequently formulated into the planning strategy of the
newly elected Alliance government (Rudner, 1983). In 1963, again a mission from the International Bank for Reconstruction and Development reviewed the Malaysian Government’s plans for furthering land settlement. A technical assistance grant was subsequently made available to underwrite a detailed feasibility survey (Wikkramatileke, 1972).

A special Task Force was established which emphasized the importance of planning and coordination of land development to ensure balanced economic and social development. This task force was also aware of the problems of imbalance between existing land owners and the impediments to land development plans that were carried out. Eventually, the Federal Land Development Authority or FELDA was established on 1 July 1956 under the 1956 Land Development Ordinance, with the special task of developing the rural sector (Tengku & Lee Bon Thong, 1988). It was administered by a board that was directly responsible to the Ministry of Land and Cooperative Development. FELDA became the world’s largest plantation company in 1981 with an estimated expenditure of RM 538 million compared to only RM 3.2 million in 1958 (FELDA, 1958).

The main aim for the establishment of FELDA was to develop the rural areas into potentially successful agricultural areas. At the same time, FELDA also functioned as the resettlement area for the poor who did not own land in the rural areas and also provided basic amenities. Besides, the FELDA Scheme had the capacity to overcome the problem of ‘sleeping land owners’ and the problem of small-sized farms (Malaysia, 1991). Between 1957 and 1970 the rural population grew at the same rate as the urban population, about 2.6 per cent per year. About 8% of all inter-state migration has been a direct consequence of FELDA resettlement, and additional amount was undoubtedly a result of spin-off economic effect induced by FELDA schemes (Simmons 1979: 97), two-thirds of FELDA settler had move from elsewhere within the state (Baydar et.al., 1990; MacAndrews & Yamamoto 1976).

In principle, land development schemes have the following objectives (Tengku et al. 1992): addressing social and economic imbalances, creating job opportunities, developing land, enhancing land production capability, increasing national income, restructuring the population concentrated in one area and dividing land amongst the landless.

Settlers selected by FELDA came from different backgrounds. The age of selected settlers ranged from 18 – 35 years. For the ex-army and police personnel, the maximum age limit was 45 years. Selected settlers must be married and have children so as to include a lower age group within one FELDA community. In the early stage of development, FELDA settlements contain few old people and almost no non-family households (Chan 1983). The settlers chosen also differed in terms of occupation, education and skills (Sulong, 1985). Majority of the settlers had low education levels i.e. having completed secondary or primary schooling only (Sulong 1985:154). Although the Malay ethnic group was the major participant, FELDA also gave the opportunity to all ethnic groups (except in Malay reserve lands where 100% of the settlers were Malay) (Ness, 1967) to participate. However, the FELDA scheme did not attract other ethnic groups, particularly the Chinese. According to Wikkramatilake (1963: 335).
Both Malays and Chinese were entitled to recruitment, but the Chinese preferred not to enter into the project since they considered the monthly subsistence allowance or wage of RM75 offered unrewarding: they could make more from market gardening or petty trade.

Because of that, most of the beneficiaries of the FELDA schemes are Malays (Nagata 1974).5

The Settler Village

Much of the transformation that has taken place over the rural landscape in Malay concentration areas represents change either from derelict rubber to private replantings of highly improved stock on hitherto occupied group, or from scrub and scrub jungle to new private plantings around already settled lands, or finally the replacement of largely virgin or near climax high forest by massive acreages of rubber with brand new government-supervised settlement centres (Wikramatillekk, 1965).

A vast land area is necessary for land development schemes. Selected areas normally are located in the interior. The FELDA Village is located in the centre of such land schemes. Settlers live within three miles from their plantation. The FELDA Village is planned for 400 – 600 settlers. By estimating that each family has six children, therefore, one FELDA Village will have 2,400 to 3,600 people. In Malaysia, such a population limit exceeds the lowest age limit by 2,000 people to enable the provision of basic amenities like maternity clinics, schools, police station, fire department, post office, public library, cinema, hall, water and electricity supply, roads and economical small business centres (Sulong, 1985; Tengku et al., 1977).

The houses of settlers are of the same design, measuring 20 x 28 feet (6 x 8.5 metres) which a floor size of 450 sq. feet (51 sq. metres). Each house has one bedroom, a living area, dining area and kitchen. The bathroom and toilet are built behind the house. Local wood is used for construction of the houses at a cost of RM2,100 (as in 1976) i.e. less than RM5 for each square feet, being the lowest housing cost in Malaysia. These houses are designed such that renovation is easy and can be rebuilt when the need arises, i.e. when the settler is earning a higher income. Land Settlers who were accepted into land schemes will be provided with an average dwelling, a piece of land behind the house for planting of fruit trees, vegetables and rearing poultry and an area of ten acres of agricultural land for farming (Sulong, 1985).

The size of the farm lots has varied according to when the scheme was started and according to the type of crop recommended. In the pre-1960 rubber schemes, each settler was given 6 acres of rubber land, an additional 2 acres of rice land, and 2 acres for orchards. In 1960 the rubber land increase to 7 acres and in 1961 increase to 8 acres. In 1970s each settler was given 10 acres. This is because under normal

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5 According to Jomo, 1991:474 ..... “the number of non-Malay applicants to FELDA schemes has declined significantly since the early 1960s. This decline is, in turn, now cited as evidence of non-Malay disinterest in greater participation in rural agricultural sector”.
conditions, an 8-acre farm planted with rubber is considered economically viable (Tengku, 1971). Although each settler receives a specific piece of land, most farming is done collectively, as part of a corporate enterprise (Simmons, 1979). On the new FELDA schemes it is common once again for malaria because it is located in the fringe of jungle, house and land are schemes are sprayed every six month (Meade, 1976).

The settlers have to repay the government for all that has been given to them together with interest at the rate of 6.25 per cent per annum. They were expected to obtain ownership of the land (and house) after a period of 10 years and 15 years respectively for those in the palm oil and rubber schemes, depends on the prices of the crops (Tengku, 1971). The cost of opening up land to settle one family was high. The average development cost to settle one family in the FELDA Scheme increased from RM27,750 in 1974/75 to almost RM 50,000 in the early 1980’s. The FELDA authorities paid all infrastructures costs as well as management and administrative costs this including clearing the land, construction of house, providing fertilizer and tools, and family maintenance in the initial period (Simmons, 1979). The developer had only to repay the actual land cost, planting, house lot and house (Mohd Shukri, 1992).

Three kinds of industrial land usage are planned in the FELDA Village. The first and second is for light industries and services located in the centre and near shopping centers. The Handicraft Centre produces craftwork and cottage industry products. The industrial centres are planned for workshops and light industries. The third kind is for rubber and oil palm factories in FELDA Villages with high population. It is located outside the village to reduce sound, water and air pollution as well as traffic congestion in the villages. Through the opening up of new settlements with modern facilities and infrastructure, FELDA not only played the role as a modernizing agent but also as an urbanizing agent (Asan, 2002).

The typical FELDA schemes covers between 4,500 and 5,500 acres where about 400 families (approximately 2,400 persons). About 10 per cent of the land used for the village (FELDA village), 80 per cent for crops and the remainder is kept unplanted (swamps, hill areas) (Simmons 1979). The FELDA settlement concept enabled it to provide better urban services and facilities when compared to the individual traditional village unit. From the total 10 per cent of the land used for the FELDA village, 53 per cent was living area, 8.8 per cent for township, 4.4 per cent for recreation, 5.9 per cent for industry, 7.4 per cent for education, 9.4 per cent for roads, 1.8 per cent for utilities, 1.2 per cent for cemetery and 7.2 per cent for other uses (Sulong, 1985).

According to FELDA, until November 2005, out of 104,946 settlers placed in 278 program areas, 77,287 (74.9%) settlers have completed their repayment leaving about 25,869 (25.1%) settlers still outstanding. The settlers are split between palm program areas (79,921 - 72.6%) and rubber program areas (28,235 - 27.4%). Since 1st January 1990, the Federal Government decided to stop the intake of settlers for FELDA programs (http://www.felda.net.my).
Settler Monthly Income

The economic age of rubber trees is 30 years whilst for palm oil, it is 20 years. As the life span of these trees increases, the yield lessens. The plantation must be replaced with new trees to sustain the income of settlers (Figure 3.5). As a result, FELDA imposes a condition on every settler in the Oil Palm schemes to make a monthly contribution of RM33.40 (per-acres, for 10 acres land, settler will receive about RM334) to the Replanting Fund, which will be used for replanting purposes. As for the rubber scheme, the settlers could apply for a grant for replanting purposes. For replanting, half of the agricultural land is cleared as new land, whilst the other half is maintained so that the settlers still can get an income, although at a decreasing level. When the new trees can yield, only then is the second half of the land cleared and replanted (Sulong, 1985).

For a palm oil plantation, which had not yet produced yield, the income of the settlers was around RM 107 a month; for trees of five to nine years, the income was around RM 435 a month and for trees from nine to 14 years, the income decreased to RM 426 a month (Blair & Nache, 1978).

The size of land of a family provided the pioneer and his family members sufficient income initially and was able to further increase the income in the long run so that the income continued to increase compared to job opportunities in other places (Tengku et al., 1992).

The monthly net income for FELDA settlers between 1976 and 1981, on average was RM 426 for rubber plantation land and RM 679 for oil palm. Even so, for the period 1980 till 1983, the poverty rate in the rural areas was still high. The rate increased by 9.2 percent from 45.7 percent in the agricultural sector in 1980 to 54.9 percent in 1983 (Zulkifli, 1988). The poverty rate among rubber smallholders decreased from 42.7 percent in 1984 to 40.0 percent in 1987 (Malaysia, 1991).

According to one evaluation, after remaining seven or eight years in a FELDA oil palm development area, a poor family will enjoy an income twice that obtained in their former village (Mohd Shukri, 1992). Those venturing into rubber schemes will enjoy an increase in income of about 70 percent (Mariam, 1980).

In original areas, at least 89.4 percent of settlers obtained a monthly income of less than RM200 a month. After participating in the FELDA scheme, this decreased to 25 percent. Generally, almost all settlers received almost thrice their income from that obtained in their original place. The highest income group in the scheme was those who received at least ten times the income compared to what they obtained prior to participating in the scheme. The monthly net income of settlers in rubber schemes increased from RM483 in 1990 to RM712 in. The average monthly net income was recorded as RM1,316 in year 2000 (FELDA, 2001).

The development strategy of FELDA land schemes was a government tool to tackle the problem of poverty. A large portion of the land development funds under the Five Year Plans after independence were channeled to FELDA and efforts to eradicate poverty rested heavily on FELDA. FELDA settlers were often regarded as the ‘golden child’ of the government (Mohd Shukri, 1992).
The main source of income for the settlers is through their field crops, which in turn is dependent on the output and commodity price. When replanting occurs, the settlers depend on subsistence loans which are given in advance by FELDA. As such, other sources of income are vital to reduce the economic burden of the settlers. In order to help the settlers procure additional sources of income, other than total dependence on crops, settlers are provided assistance to succeed in other industrial activities which they have an interest in. Non-farming income activities are encouraged with the following objectives: to create a new breed of entrepreneurs among the settlers/family members; to develop entrepreneurship among existing settlers so that they are capable of contributing further to other community members; and to encourage economic development under the Plan.

Since the 1970s, the government has set up a minimum income guarantee policy with the aim of ensuring settlers do not earn below the poverty level. In 1979, the government set this income level at RM 350 a month and from 2000, this amount has been increased to RM 600 monthly. This means that if settlers receive an income below this minimum level, no deductions will be made on their income. The government has also decided that if the income of the settlers is below the minimum level because of a drop in commodity prices, FELDA will bear the differential through the provision of price subsidies. Currently, settlers who carry out re-planting are paid a subsistence allowance of RM 75 per acre. Every pioneer who has 10 acres of land will receive a subsistence allowance of RM 750 monthly for a period of 36 months. After this period, settlers will be paid an advance of between RM800 – RM1,000 monthly, which is done from the fourth year onwards until the oil palm trees can begin to produce a yield i.e. in the twelfth year (Mohamad, 2007).

Currently, 8 June this year, the government announced the increase in rate of subsistence allowance and income advance for the oil palm settlers as follows; RM50 for the first year, RM 100 for the second year and RM150 for the third year, whereas the advance was increased from between RM100 up to RM300 commencing from the fourth year up to yielding year. With this new rate, settlers would receive a subsistence allowance of RM800, RM850 and RM900 in the first, second and third years respectively. From the fourth year onwards, settlers would receive an income advance of RM1,000 up to the sixth year, RM1,200 from the seventh to ninth year and RM1,300 from the tenth to twelfth year. For settlers involved with rubber re-planting, this new subsistence aid was given for a period of 72 months or for the first six years. From the seventh year, rubber trees start yielding and considered as providing returns. As such, no income advance is provided. During the re-planting period, settlers have free time and have the opportunity to increase their income via other economic activities. FELDA provides free services and no management costs are imposed on them. The income of the settlers is stable and at a high level. The gross average income is RM1,806 for oil palm and RM3,136 for rubber (Mohamad 2007).
From 2004, annually, the settlers enjoy a maximum productivity incentive payment of RM1,500.00, *Hari Raya* contribution of RM350, RM10,000 assistance to buy homes, home renovation of RM40,000 and several other amenities (Mohamad 2007).

Meanwhile, the FELDA management was supportive of settlers who wished to sharpen their skills and interest especially in the business and industrial sectors. Every FELDA land scheme had reserve land for the settlers and their children to carry out various activities like agriculture, breeding, SMI industries etc. The FELDA management also provided financial assistance like the Social Development Fund and Social Fund for those who were interested in being involved in the stated activities (Sulong, 1985).
Conclusion

Institution that helps in poverty eradication was the new land and resource development strategy under FELDA. It is an instrument designed to develop idle land, to provide the landless and the under-employed with better income, and make those in the villages in the backward areas feel a part of the centre. This institution (FELDA) has resettled people comprising mainly under-utilized workers or landless and poor people. FELDA, not only as a main contributors to the production of Malaysian export commodities (rubber and palm oil) but also had successfully raised the average net monthly income of FELDA settlers to a level above the poverty line. The Malaysian way of organizing poor and landless people in commercial agricultural production was the ideal model to deal with rural poverty. The rate of development of the resettlement program has been impressive and the FELDA program is considered as one of the most successful examples of settlement schemes in developing countries in commercial agricultural production as an ideal model to deal with rural poverty.

There are many reasons why the government might wish to colonize and develop a sparsely populated, underdeveloped area: increased agricultural output, considerations of national security, the provision of land for landless or displaced people and the relief of population pressures in overcrowded areas. The colonization of new areas is not, then, so much an end in itself then as a means of achieving certain other goals.

Reducing poverty and providing improved standards of living for the poorest society (the landless, those with inadequate holdings of land, refugees, drought victims and so on) is advanced as one of the objectives of most land settlement programmes. It is thought both that the settlements will provide migrants with better incomes and that the concentration of people into settlements will make it easier to provide social services such as housing, health and education.

The FELDA settlers had many opportunities to indulge in side jobs as they had short working days. Many settlers involved themselves in agriculture, business, small industry, construction, etc. These projects helped to diversify income, fill in free time and created job opportunities for the younger generation.

Some of the industrial activities launched include the One Region One Industry Project (SAWARI) and AGRO-SMI. These programmes are carried out through the following initiatives: FELDA Entrepreneur Incentive Scheme, Rural Farming Activities Assistance Scheme and Pioneer Home Expansion Scheme. As the same time, through the establishment of the Malaysian FELDA Youth Council, FELDA continues to conduct programmes to enhance youth prosperity through training and courses. Settlers’ leadership is spearheaded through the establishment of the Development Planning Committee and the Women’s Association Movement. These institutions undergo a democratic selection process which is conducted in an affable and conducive manner.

The development objectives of the FELDAJAYA project are to expand the potential of the FELDA plans which have been developed on-mass towards the creation of a town centre. It is estimated that through the opening of new towns, the settlers and
the second generation will have the opportunity to be involved in business and become resilient entrepreneurs with the capacity to succeed. This will also alleviate the migration of the second generation to the urban areas and encourage them to contribute towards developmental planning. Opportunities to purchase homes as well as business and industrial opportunities can be availed to the capable settlers and the second generation in FELDAJAYA new townships throughout the country.

References


FELDA Homepage http://www.felda.net.my


