

THE MAJORITY-MINORITY SITUATION IN MALAYSIA

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The population of Malaysia, according to the estimate in 1970, was composed of 55% Malays and other indigenous people (better known as "Bumiputras"), 34.4% Chinese, 9.1% Indians, and 1.5% Others.* The composition of the population is summarized in the following table:

**Distribution of Population by Location and Race
in Peninsular Malaysia, 1970**

| Location | Malays | Chinese | Indians | Others |
|-----------|-----------|-----------|---------|--------|
| Urban | 694,935 | 1,491,871 | 324,223 | 28,858 |
| (% urban) | 27.4 | 58.7 | 12.8 | 1.1 |
| Rural | 3,976,939 | 1,639,449 | 612,118 | 41,164 |
| (% rural) | 63.4 | 26.1 | 9.8 | 0.7 |

* (Source: *Mid-Term Review of The Second Malaysia Plan 1971-1975* (Malaysia: The Government Press, 1973), p. 25.

Although the Bumiputras formed the majority of the population, they were, as a whole, economically disadvantaged. The majority of them (58.7%) were staying in rural areas where they engaged in traditional agriculture and fishing activities. The Bumiputras held a very small portion of the capitals in Malaysian economy. Table 1 and 2 in the Appendix summarize the capital holdings of various races in Peninsular Malaysia in 1970.

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From the tables (see Appendix), there is a clear dominance of foreign interests in the ownership and control of the Malaysian economy which in 1970 accounted for about 61% of the total share capital of all limited companies. Among Malaysians, the Chinese held about 22.5% of the total share capital, while the Bumiputras held 1.9%, the Indians 1.0%, and the other locally controlled companies held about 13%.

In terms of fixed assets in the corporate industrial sector, foreign ownership for the total fixed assets was 57.2%, while the Chinese owned about 26.2%, Bumiputras and Indians together owned only 1.0%. In the corporate sector of modern agriculture, foreign ownership of total planted acreage was 70.8% of the total, while the acreage under Chinese ownership was 25.9%. Foreign ownership of the non-corporate portion of modern agriculture was only 5.6% of the total planted acreage. Bumiputras accounted for 47.1% of the total, the Chinese ownership was 32.8% and Indians 10.1%. However, the average of Bumiputras landholdings was small, i.e., about 3.3 acres, as compared to the national average of some 6.6 acres. About 42% of the Bumiputra smallholdings were below three acres with another 46% ranging from three to ten acres. The Chinese holdings, on the other hand, were much bigger.

The Bumiputras were also disadvantaged in term of educational opportunities. It has been the policy of the British Colonial Government to provide only the minimum education for the natives under the pretext of preserving their customs and religions. The Malays who settled mostly in rural areas were provided with vernacular education at the primary level. Good quality schools were built in big towns and the medium of instruction was English. The Malays were handicapped because they could not proceed to higher level of education through the language medium used in the primary schools. Those who wished to proceed to secondary education had to go to "Removed Class" where they had to master the language of instruction, i.e., English, within one year before they could enter the main stream of instruction. Thus, they had lost one year in the process of preparation. Due to discontinuity between the school and home environment and the inability of some of the parents to bear the costs of their children's education,

not many of those who came from the vernacular school succeeded in finishing school. The wastage was great. Those who were successful, together with their colleagues from urban areas, occupied top posts in government as well as in private sectors.

With Independence in 1957 the vernacular schools were converted into National Schools and extended to the National Secondary School level. Since most of the children in rural areas were educated in National Primary Schools, it was natural for them to continue their education in National Secondary Schools. Most of these schools were ill-equipped and staffed with less qualified teachers. Due to the poor preparation of the science subjects in the secondary schools, students found it more attractive to follow courses other than sciences both at the secondary and university levels. Students from the National Secondary schools were further handicapped in their effort to get university education. Their choices of subjects were not only limited by the preparation of their education at the pre-university level but by the medium of instruction in the university courses. Although English was a compulsory subject at primary and secondary levels, the students could not master the language to enable them to follow courses and to read textbooks in English at the University level.

In 1970, Bumiputras formed 39.7% of the total number of students enrolled in degree courses in Malaysian universities. However, only 12% of them were pursuing courses in science and technology. Although the percentage has increased to 52.7% in 1973, the percentage of Bumiputras enrolled in science and technological courses was still only 19%. The percentage of Bumiputras in science and technological courses at the University of Malaya, as shown in the latest report (see Table 3 and 4 in the Appendix) was far from reflecting the racial composition in the country.

The lack of opportunity in education has created severe imbalances in employment in the various sectors of the economy as well as within particular industries. Bumiputras were concentrated in agricultural sector, particularly in low productivity agricultural activities, while non-Bumiputras were predominantly in non-agricultural activities, particularly in commerce and industry. Furthermore, within each sector, Bumiputras were heavily concentrated in the lower occupational

level of job hierarchy, especially in the unskilled and semi-skilled categories. In the manufacturing sector, only 7% of the professional and managerial group were Bumiputras as compared to 68% Chinese, 4% Indians and 18% foreigners mainly on short term assignments in the newer industries. About 46% of Bumiputra employment in this sector was unskilled compared with 26% and 34% for the Chinese and Indians, respectively. The pattern was similar in the mining and construction industries.

Although about 60% of the Malay professionals as enumerated in the Survey of Profession in 1971 were employed in the Government services, most of them occupied the lower ranks. In 1970 the percentage of Division I Malay officers was only 28.53% out of the total of 3,741 posts. The percentages of Division Malay officers in various Government departments were as follows:

| | |
|------------------------|-------|
| Medicine | 6.4% |
| Dentistry | 11.7% |
| Chemistry (medical) | 16.9% |
| Accountancy | 11.8% |
| Veterinary | 28.1% |
| Agriculture | 16.3% |
| Mechanical engineering | 16.3% |
| Civil engineering | 9.4% |
| Electrical engineering | 16.4% |
| Soil technology | 4.8% |
| Oceanography | 10.0% |
| Internal revenue | 5.5% |
| Statistics | 4.8% |
| Meteorology | 0.0% |
| Chemistry | 0.0% |
| Official assignee | 0.0% |
| Public trustee | 00.0% |

The economic situations of the Bumiputras were clearly reflected in the distribution of household income as compared to other races in the country (Table 5 and 6 in the Appendix). The mean monthly

income of Malay households in 1970 was \$179, while that of Chinese and Indian households was \$187 and \$310 respectively. Malay households accounted for nearly 85% of all households in the income range below \$100 in Peninsular Malaysia. The share of Chinese and Indian households in this income range was 9.6% and 4.9%, respectively. In contrast, in the middle income range of \$400 to \$699, Chinese households predominate with nearly 56% of the total. Malay households constituted over 31% and Indian households about 12% in this income range.

The racial income differences were also reflected in the concentration of households among income group as shown in Table 6 in the Appendix. Malay households were concentrated in the less than \$100 per month income group. On the other hand, Chinese households were more evenly distributed, although the largest number approximately 38%, were in the \$200 to \$400 income group. As for the Indians, their largest concentration was in the \$100 to \$200 income group, with about 41% falling within this group.

The Creation of the New Economic Policy

The brief description of the economic situations in Malaysia has shown the condition of economic imbalance between the races in the country. This situation, if perpetuated, will create an unhealthy and disharmonious condition in the country where dissatisfactions will lead to violence and disunity. The Malaysian Government has realized this situation and it is one of the objectives of the Second Malaysia Plan to create an economic balance between the races. It was stated in the Second Malaysia Plan that:

The policies and programmes of the Second Malaysia Plan are designed to restructure Malaysian society in order to correct the imbalance in income distribution, employment and ownership and control of wealth outlined above. The Government aims to create in time the kind of economic balance most conducive to the development of a just and harmonious Malaysia nation . . .

Economic balance, in a growing and dynamic economy, refers to the equitable and legitimate sharing of the reward and

responsibilities of economic development. The principal reward of economic development — the growth income generated by national economy — must be equitably distributed. Balance here means that those members of the Malaysian society who have benefited relatively little from past development must now be assured ample opportunities to gain a fairer share of the increased goods and services that development brings. It means that those who now live in poverty, particularly in the Traditional Rural Sector and in the Traditional Urban Sector of the economy must be equipped with training and resources needed to improve their economic position.

Balance also refers to racial shares in management and ownership and in employment in the various sectors of the economy. At present, non-Malays and foreigners dominate the manufacturing and commercial sectors . . . these two sectors, especially the former, will be major growing points over the next decade. The Government has set a target that within a period of 20 years, Malays and other indigenous people will manage and own at least 30% of the total commercial and industrial activities in all categories and scales of operation. The Government has also stipulated that the employment pattern at all levels and in all sectors, particularly the Modern Rural and Modern Urban Sectors, must reflect the racial composition of the population. The Second Malaysia Plan, therefore, includes policies designed to ensure that rapid strides are made in the inter-sectoral movements of Malays and non-Malays from subsistence activities in low income sectors to active participation in high-income sectors. It also includes programmes for the modernization of activities in which Malays and other indigenous people are now predominant, especially padi and rubber farming and fishing. ("Second Malaysia Plan 1971-1975," Malaysia: Government Press, 1971, pp. 41-42.)

The Implementation of the New Economic Policy

The Government's New Economic Policy has been translated into several lines of actions. The major elements in the strategy to achieve economic balance include modernization of economic activities in the

rural areas; measures to bring about a balanced employment pattern in line with the multi-racial composition of the population; providing opportunities in education and training; urbanization and the creation of a Bumiputra commercial and industrial community.

Great efforts have been concentrated on the cultivation of rice which is the staple food of Malaysians and the major produce from rural areas. The Ministry of Agriculture has developed and improved irrigation systems in rice producing areas. Farmers were encouraged to carry out double cropping and they were provided with good quality seeds and fertilizers at subsidized price. The price of rice was controlled by the Government through the National Rice Board. In this way, farmers were guaranteed a reasonable income from their produce and the consumers were guaranteed a reasonable price in the market. In order to minimize the manipulation of the middlemen, other produces were also purchased and marketed by Federal Agricultural Marketing Authority, another Government authorized body.

Recently the Government has established a new board, RISDA, which took care of the replanting of rubber in small holdings and the marketing of their produce. In the same way the fishermen's interest was protected through the MAJUIKAN, a Government subsidized board which provided the facilities for fishermen.

The Government also encouraged the formation of Farmers' Organizations in rural areas. Through these organizations the Government could channel its assistance in the form of advice on land utilizations and provision of good quality seeds and fertilizers. Through the organizations, also, members could collectively market their produce.

In order to achieve a more balanced employment pattern in line with the multi-racial composition of the population, the Government has instituted that in all the newly formed manufacturing companies the employment of workers should reflect the composition of the population. Industrial sites were built in rural area in order to provide more employment for the rural people.

Several agencies such as MARA, PERNAS, UDA, SEDCs have been established in order to spearhead the Government's efforts in providing a Bumiputra commercial and industrial community. MARA or Bumiputra Trust Board was established for the purpose of providing

the Bumiputras with loans, commercial and industrial premises, and to provide training for professionals in business and industrial fields through its Institute of Technology. PERNAS, a government subsidized company, was formed in order to carry out business in insurances, construction, trading, properties, engineering, and securities. The State Economic Development Corporations were also established, one in every state in Malaysia, in order to encourage the participation of Bumiputras in several commercial and industrial projects. Through the Urban Development Authority, the Bumiputras were given opportunity to participate in business. UDA provided Bumiputras with business premises in urban areas.

Loans for business and industries were also provided by Malaysian Industrial Development Finance to all Malaysians. Besides that, small businessmen could get loan from commercial banks through the Credit Guarantee Corporation under the sponsorship of the National Bank. In the effort to bring about racial balance in the ownership of share capital, the Government stipulated that a portion of the total share capital of approved manufacturing projects in the private sector be reserved for the Bumiputras. Landless people from rural areas were encouraged to settle in the Federal Land Development Scheme under the Federal Land Development Authority where each family was given ten acres of rubber land to work on.

Imbalance in employment could be corrected through providing an equal opportunity in education between the Bumiputras and other races in the country. The Ministry of Education and higher institutions have made several steps towards achieving this objective. In 1969 the National University was established as the highest level of the National Education System. In the other universities the use of the National Language was progressively implemented, which facilitated the Bumiputras who attended the National Schools to obtain higher education. Furthermore, the lack of facilities in the rural schools was given considerations in the admission exercises in Universities. Pre-university courses in science and technological subjects were provided for students from rural areas in order to compensate for the lack of facilities they have suffered. However, the number of students who were given this opportunity was still small.

Facilities for rural schools were being improved and under the new service arrangement teachers were transferable to wherever they were directed. Thus, under the new arrangement, the rural schools would have some opportunity of having better qualified teachers. Several boarding schools were also built in order to accommodate children with high potentialities who came from rural schools.

Thus, through the two-pronged attack on the problems, i.e., economic and education, the disadvantaged situations of the Bumiputras could be corrected and a harmonious and united nation could be maintained.

Appendix

Table I

Ownership of Share Capital of Limited Companies, by Race and Sector, Peninsular Malaysia, 1970

| | Malay (\$000) | (%) | Chinese (\$000) | (%) | Indian (\$000) | (%) | Foreign (\$000) | (%) | Totals ¹ (\$000) |
|--|------------------|------------|--------------------|-------------|-------------------|------------|--------------------|-------------|--------------------------------|
| Agriculture, forestry and fisheries | 13,724 | 0.9 | 177,438 | 22.4 | 16,191 | 0.1 | 1,079,714 | 75.3 | 1,432,400 |
| Mining and quarrying | 3,876 | 0.7 | 91,557 | 16.8 | 2,488 | 0.4 | 393,910 | 72.4 | 543,497 |
| Manufacturing | 33,650 | 2.5 | 296,363 | 22.0 | 8,880 | 0.7 | 804,282 | 59.6 | 1,348,245 |
| Construction | 1,258 | 2.2 | 30,855 | 52.8 | 447 | 0.8 | 19,937 | 24.1 | 58,419 |
| Transport and communications | 10,875 | 13.3 | 35,498 | 43.4 | 1,903 | 2.3 | 9,845 | 12.0 | 81,887 |
| Commerce | 4,715 | 0.8 | 184,461 | 30.4 | 4,711 | 0.7 | 384,549 | 63.5 | 605,164 |
| Banking and insurance | 21,164 | 3.3 | 155,581 | 24.3 | 4,434 | 0.6 | 332,790 | 52.2 | 636,850 |
| Others | 13,349 | 2.3 | 220,330 | 37.8 | 13,348 | 2.3 | 182,862 | 31.4 | 582,516 |
| Total | 102,611 | 1.9 | 1,191,083 | 22.5 | 52,402 | 1.0 | 3,207,889 | 60.7 | 5,288,978 |

¹The total includes share capital ownership by Federal and State Governments and Statutory Bodies and other Malaysian residents (individuals and Nominee and locally controlled companies), amounting to about \$734 million. In this Table, the racial shares in each sector exclude these two groups.

Table 2
Ownership of Assets in Modern Agriculture and Industry,
Peninsular Malaysia, 1970

| | Modern agriculture ¹ | | (planted acreage) | | Industry ² (fixed assets) | | Non-corporate | | Corporate sector | | sector | |
|-------------------------|---------------------------------|-------|-------------------|-------|--------------------------------------|-------|---------------|-------|------------------|-------|-----------|-------|
| | (000 acres) | (%) | (000 acres) | (%) | (million) | (%) | (million) | (%) | (million) | (%) | (million) | (%) |
| Malaysians | 515.0 | 29.2 | 697.6 | 94.1 | 559.7 | 42.8 | 167.2 | 97.6 | 167.2 | 97.6 | 167.2 | 97.6 |
| Malay | 5.0 | 0.3 | 349.3 | 47.1 | 11.2 | 0.9 | 3.9 | 2.3 | 3.9 | 2.3 | 3.9 | 2.3 |
| Chinese | 457.0 | 25.9 | 243.3 | 32.8 | 342.3 | 26.2 | 158.0 | 92.2 | 158.0 | 92.2 | 158.0 | 92.2 |
| Indian | 4.9 | 0.3 | 74.8 | 10.1 | 1.5 | 0.1 | 3.9 | 2.3 | 3.9 | 2.3 | 3.9 | 2.3 |
| Others | 48.1 | 2.7 | 13.2 | 1.8 | 187.2 | 14.3 | 1.4 | 0.8 | 1.4 | 0.8 | 1.4 | 0.8 |
| Government ³ | | | 17.0 | 2.3 | 17.5 | 1.3 | | | | | | |
| Non-Malaysians | 1,249.6 | 70.8 | 44.0 | 5.9 | 747.3 | 57.2 | 4.1 | 2.4 | 4.1 | 2.4 | 4.1 | 2.4 |
| Total | 1,764.6 | 100.0 | 741.6 | 100.0 | 1,307.0 | 100.0 | 171.3 | 100.0 | 171.3 | 100.0 | 171.3 | 100.0 |
| % of Total | | 70.4 | | 29.6 | | 87.4 | | 12.6 | | 12.6 | | 12.6 |

¹ Modern agriculture covers state acreage under rubber, oil palm, coconut and tea. FELDA is included in this category — under the non-corporate sector. Ownership is in terms of total planted acreage.

² The industry sector covers manufacturing, construction and mining. Ownership is in terms of fixed assets. Total excludes unallocatable assets amounting to \$25.2 million.

³ Government ownership of 17,000 acres in modern agriculture is included in the non-corporate sector, while its ownership of \$17.5 million of fixed assets in industry is included in the corporate sector.

Table 3

**Enrollment of Students in Various Faculties According
to Races, University of Malaya. 1971 – 1972.**

| Faculties | Malays | Chinese | Indians | Others |
|-------------------------------|---------------|----------------|----------------|---------------|
| Arts | 2,481 | 723 | 324 | 50 |
| Economics & Administration | 590 | 674 | 188 | 18 |
| Education | 185 | 266 | 67 | 6 |
| Engineering | 29 | 448 | 19 | 4 |
| Agriculture | 149 | 203 | 30 | 1 |
| Medicine | 157 | 409 | 78 | 10 |
| Sciences | 147 | 1,169 | 108 | 13 |
| Total | 3,738 | 3,892 | 813 | 102 |
| Percentage | 43.73% | 45.55% | 9.53% | 1.19% |

Source: *Annual Report 1971-1972* (Kuala Lumpur: University of Malaya, 1973).

Table 4

**Percentage of Students in Various Faculties According
to Race, University of Malaya, 1971-1972.**

| Faculties | Malays | Chinese | Indians | Others |
|-------------------------------|---------------|----------------|----------------|---------------|
| Arts | 69.33 | 20.21 | 9.06 | 1.40 |
| Economics & Administration | 40.15 | 45.85 | 12.78 | 1.22 |
| Education | 35.31 | 50.77 | 12.78 | 1.14 |
| Pre-Engineering | 6.12 | 89.52 | 3.94 | 0.44 |
| Engineering | 2.33 | 90.69 | 2.33 | 4.65 |
| Agriculture | 38.98 | 53.01 | 7.83 | 0.28 |
| Medicine | 24.01 | 62.53 | 11.92 | 1.54 |
| Sciences | 10.24 | 81.43 | 7.44 | 0.21 |

Source: *Annual Report 1971-1972* (Kuala Lumpur: University of Malaya, 1973).

Table 5

**Distribution of Households by Income, Peninsular
Malaysia, 1970.**

| Income Range (Per month) | Malay % | Chinese % | Indian % | Others % |
|------------------------------------|------------|--------------|-------------|-------------|
| \$ 1 – 99 | 84.5 | 9.6 | 4.9 | 1.0 |
| \$ 100 – 199 | 60.8 | 24.9 | 14.0 | 0.3 |
| \$ 200 – 399 | 40.3 | 46.0 | 13.5 | 0.2 |
| \$ 400 – 699 | 31.6 | 55.7 | 12.1 | 0.6 |
| \$ 700 – 1499 | 23.2 | 61.4 | 12.5 | 2.9 |
| \$ 1500 – 2999 | 14.0 | 62.1 | 13.6 | 10.3 |
| \$ 3000 and above | 12.1 | 52.0 | 17.3 | 18.6 |
| Mean household income per month | \$178.7 | \$387.4 | \$310.4 | \$950.5 |

Source: *Mid-Term Review of the Second Malaysia Plan 1971-1975* (Malaysia: Government Press, 1973), p.4.

Table 6

**Percentage Distribution of Households by Income and Race
Peninsular Malaysia, 1970.**

| Income Range (Per month) | Malay | Chinese | Indian | Others |
|-----------------------------|-------------|-------------|-------------|------------|
| \$ 1 – 99 | 22.9 | 2.6 | 1.3 | 0.2 |
| \$ 100 – 199 | 19.1 | 7.8 | 4.4 | 0.1 |
| \$ 200 – 399 | 10.4 | 11.9 | 3.5 | 0.1 |
| \$ 400 – 699 | 3.0 | 5.3 | 1.2 | 0.1 |
| \$ 700 – 1,499 | 1.1 | 2.9 | 0.6 | 0.1 |
| \$ 1,500 – 2,999 | 0.2 | 0.7 | 0.1 | 0.1 |
| \$ 3,000 and above | —† | 0.1 | 0.1 | 0.1 |
| Total | 56.7 | 31.3 | 11.2 | 0.8 |

Source: *Mid-Term Review of the Second Malaysia Plan 1971-1975* (Malaysia: Government Press, 1973), p.3.