

Is economic growth sufficient for poverty alleviation? Empirical evidence from Malaysia

Abstract

Malaysia's success story has been highlighted by the remarkable social transformation and poverty reduction accompanying rapid economic growth. Some three decades ago, more than half of the population was poor, the number of illiterates was high, and the average person could only hope to live until the age of 48. The proportion of poor people is currently down to 5.6 percent, 90 percent of adults are literate, and life expectancy is up to 68 years. Although Malaysia's population has increased from approximately 10 million in the 1960s to about 28 million in 2010, the number of poor people has dropped significantly during this period. This paper attempts to determine the empirical relationship and importance of growth for poverty reduction in Malaysia. The results show that growth explains much, but not all, about the evolution of poverty. Economic growth is necessary but not sufficient for poverty reduction, especially if the objective is rapid and sustained poverty reduction. This study proposes that if a policy's objective is focused on poverty alleviation, poverty reduction as well as economic growth should be simultaneously taken into account as the final target.