# CONNECTION BETWEEN PROMOTING ECONOMIC GROWTH AND REDUCING POVERTY IN URBAN AREA OF NORTHERN CORRIDOR ECONOMIC REGION

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#### **Abstract:**

Probably great levels of urbanization and a great occurrence of suburban poverty are two different characteristics of several developing nations. In present years, urban poverty in Malaysia has been regarded as a growing apparent occurrence because effects of urbanization. This research is a basic research using quantitative approach and surveys through a questionnaire to gather data within a single point in time or cross-sectional. The research objective is to determine the effect of promoting economic growth on reducing poverty. The collection of data in the year 2016 involved 434 respondents who agreed to answer the questionnaires. Findings shows that through correlation analysis majority of the respondents agreed on promoting economic growth influence reducing poverty, the better promoting economic growth the better reducing poverty and conversely. The Null hypothesis rejected, interpreted that promoting economic growth connected with reducing poverty.

**Key words:** Promoting Economic Growth, Reducing Poverty, Urban, Urbanization & Agglomeration **Introduction:** 

Probably great levels of urbanization and a great occurrence of suburban poverty are two different characteristics of several developing nations there is lack of knowledge on the influences of the first element toward the second. Via an instrumental indicator assessment propose that this influence is causation in characteristic and is generally referable to the positive spreading of urbanization on the suburban economy instead of to the motion of the suburban poor to urban regions <sup>[1]</sup>. The significance of poverty decrease in economical and societal advancement has increased a lot of concern in the previous decade. This has yielded in an amount of researches being completed to examine the association among poverty decrease and other economical indicators. These researches purpose to observe economy indicators that create high positive effect on poverty decrease. The great number of these researches took place throughout generally Latin America and Asian nations, finding Africa very lack coverage nevertheless the great poverty rate in Africa is undergoing. There is common agreement in these researches that economy development, between other indicators, is essential for the decrease of poverty <sup>[2]</sup>.

Economical strategies in all country exert to achieve a fundamental macroeconomic target that is poverty decrease. The fundamental macroeconomic strategies of all country are targeted at attaining every or several of the following: maintained and unchangeable economical development, decrease of disparity, complete occupation stability, price equilibrium, equality of distribution in payment stability and exchange level equilibrium. These targets perform supplementary instead of contradictory functions. The whole aim of the strategies is to enhance the welfare of the people on a consistent fundamental. Financial growth is regarded an important determinants in the economical development of a nation. A good operating financial arrangement that activates saving, distributes resources and alleviates hazard management provides to economic development by advocating capital aggregation, rising investing effectiveness, produces occupation chances, rises output/earning and lessens poverty, every matters being equality [3]. Several respondents stated that poverty is connected with a deficiency of earning. However, respondents probably possess sufficient rice to nourish family and respondents are poor if a respondent does not possess cash to fulfil everyday needs. Furthermore, residents also differentiate starve from poverty. If respondents does not possess sufficient rice to nourish family, respondents suffer starve. Respondents regard as poor if respondents generate sufficient rice however possess no cash to purchase vegetables and meat [4].

Economical development is the most influential tool for decrease poverty and raising the quality of living in developing nations. Cross-nation study and nation case researches contribute strong proof that fast and maintained development is important to producing rapids advancement over the Millennium Development Goals and not merely the first target of getting the worldwide portion of human life on lower than \$1 a day. Development possibly produce righteous circular of affluence and chance. Powerful development and occupation chances enhance initiatives for parents to invest in children's academic by enrolment to school. This probably cause to the formation of a powerful and increasing group of entrepreneurs that should produce tension for enhanced governance. Powerful economical development moreover progress people growth, which, in turn,

encourages economical development. However, following dissimilar situations, identical levels of development possibly create very distinct impacts on poverty, the occupation outlooks of the poor and wider variables of people growth. The magnitude to which development decreases poverty relies on the level to which the poor engage in the development process and share in it continues concerning the speed and trend of development thing for decreasing poverty. A successful policy of poverty decrease must create at its fundamental evaluates to encourage fast and maintained economical development. The question for strategy is to integrate developmentstimulating strategies with strategies that enable the poor to engage completely in the chances created and facilitate to that development. This encompasses strategies to create labour markets operate stronger, prevent gender disparities and growth financial inclusion. The positive connection among development and poverty decrease is obvious. The effect of the spread of earning on this connection especially, whether greater disparity decreases the decline in poverty produced by development is not obvious. Economical development produces occupation chances therefore greater need for worker, the major asset of the poor. Subsequently, growing occupation has been important in generating greater development. Powerful development in the worldwide economy throughout the last 10 years implies that the majority of the globe's working-age inhabitant is recently possessing occupation. Economical development is not merely connected with decreasing poverty. There is also obvious proof for a positive connection among economic development and wider assesses of people growth [5].

The poverty decrease is especially unsatisfying presumption the assessments made from the household surveys that numerous households are rather nearly the poverty limit. There are various causes of fast development has not lead this to take place. The first is that the increase in household consuming has not been equitably shared. If reviewing the contribution of development to decreasing absolute poverty, it looks natural to assess disparity also on an absolute fundamental, and this focuses the reality that the poorest gain profits fewer in absolute context. The spread of the absolute earns was away from neutral. The vital of dealing with per capita statistics, in perspective of the fast inhabitant development; however interest requires to be paid to the possible importance of shifts in household size and expenditure arrangement for poverty assessment, with a reexamination of the equality scales. Disparity should not be observed merely in comparative context; there are great causes if examining the effect of distributional shift on poverty decrease for dealing as a neutral shift that every consuming has enhanced by the similar absolute total; on this fundamental, disparity in Tanzania has evolved considerably, and higher poverty decrease could have been fulfilled if the absolute growth in real earning had been more equally distribute. Presumption the restrictions in the meaning of overall consuming, and the dissimilar measures of price inflation, there is a case for minimizing the measure of consuming poverty and reviewing rather a portfolio of extreme poverty variables that represent particular types of consuming, particularly nourishment variables, dwelling and households, and aspect that represent expenditure on Medicare and academic [6].

There are recently great rates of child poverty in the United Kingdom, and for the first time in nearly two decades child poverty has initiated to increase in absolute context. Child poverty is connected with a broad rate of Medicare-harming effects, negative academic impacts as well as unfavourable long-period social and psychological impacts. The poor Medicare connected with poverty restricts children's ability and growth, causing to poor Medicare and living opportunities in adulthood [7]. Research has examined empirically the effect of economic development on poverty decrease in Nigeria applying ordinary least squared procedure. The research indicates that, even though not significant, enhance in economic development, national earning development level, export of goods and services development level, decrease in real concern level do have impact in decreasing poverty level. Particularly, the manufacturing sector, industrial sector, service sector and gross capital creating look to have effect in decreasing poverty however the contributions of research are not merely insignificant however also incorrectly indicated. Subsequently, there are several suitable opportunities for enhancement on the contributions of these indicators to the decrease of poverty. Nevertheless, the unfortunate condition of the economy needs important interest both from state at every stage and every stakeholder that are participants inside the economy. In reality, if the suggestions proposition in this research is enforced by the policy makers, the economical trouble named poverty expected not merely be decreased however also eliminated [8].

Poverty decrease policies classified as two groups namely poverty reduction targets to assist the poor deal with poverty and the more challenging poverty reduction targets to minimize poverty completely. In each case, growth entities are growing engaged to understanding the fundamental aspects of rural poverty and to dealing the obstacles that remain human poor, for instance unequal connectivity to resources. This consequently demands growth representatives to be more importance of policies in intervening and the real effect on disadvantaged groups [9]. A good operating labour market is an important component for developing a good investing-condition and possibly performs an important function in encouraging development and poverty decrease. To the degree that rigidness occurs, whether caused by deficiency or poor rates of skills or a limiting regulatory model, it possibly conversely affect on occupation formation particularly by small and medium enterprises which are the major engine of occupation formation in Pakistan. Accomplishing a great level of economic development is an important favour-situation for decreasing jobless and poverty in Pakistan, even

though as our assessment indicates it probably not in itself proves to be an enough one. Poverty rates could be considerably decreased and occupation chances formed via higher freedom and utilize of resources at the local rate founded on a local growth strategic model <sup>[10]</sup>.

Malaysia is a multiple ethnic religious nation with an inhabitant of 28.5 million, it is attributed by primarily three ethnic groups-Malay and native human, Chinese and Indians. The Malaysian economy has shown an occasional development however ambitious external determinants. However its poverty decreases success, there exist a weak group of human in the nation recording poverty for several geographical and societal causes. Interpreting poverty theoretically is easily as contradicted to operational interpretation. Poverty is regarded as a uniting of numerous elements that surpasses the reasoning on deficiency of earning and not limited to a single-faceted occurrence. The phrase poverty related to dissimilar unfavourable social and psychological consequences including domestic aggression, offense, regarded insufficiency of social investing and issues in enlargement of human capital, unequal service delivery and weak political engagement. Enhanced capacity building was rose and novel strategies were adopted for the purpose of deal with the weak or known lowest million of societal. The sectors were granted great primacy related developing agricultural sector, enforcing small medium enterprises, increasing well-being of student, enforcing pre-school academic, rising literacy and numeracy, generating quality school, raising home ownership, enlarging community Medicare amenities, improving social safety earnings, rising retirement strategy, and microfinance [11].

In present years, urban poverty in Malaysia has been regarded as a growing apparent occurrence because effects of urbanization. The earlier researches on poverty decrease in Malaysia concentrated on the patterns and numerous aspects of poverty in Malaysia throughout the past several decades. Examinations contrasted poverty in rural and urban regions of the states in the nation. Nevertheless, there is deficiency of study on urban poverty, especially evaluating the effects of increasing urbanization and distinguishing the weak human in urban regions of the nation. Research on the impacts of fast urbanization and urban weak group in the nation indicates that the level of poverty in urban regions accompanied a decreasing pattern throughout the past several decades. Occurrence of poverty remain occurs in the urban regions of the nation. The earning disparity in rural and urban regions is showed to be significantly great via the rate of household earning has risen in both classes. Fast economical growth in Malaysia generated in great speed of urbanization throughout the past several decades. The rate of urbanization in the nation was 34.2 percent in the year 1980 and achieved to 71 percent in the year 2010. The inhabitant migration from rural to urban regions and the natural inhabitant development in urban regions also facilitated to the rapid of urbanization. The portion of urban inhabitant was 27 percent of overall inhabitant in the year 1970 which rose to 71 percent in the year 2010. Inordinate urban development causes to increasing economic and social costs for instance rentals, transport, dwelling, land and space, addictions, offense and social issues. It also leads rising urban diseconomies for instance environmental degradation, contamination, crowding, diseases, slum, jobless and occurrence of poverty [12].

Malaysia has made various declarations of its desires to fulfil developed nation status by the year 2020. While these desires are praiseworthy, there are various problems that need to be addressed earlier the country connects the rates of developed nations. Difficult areas of poverty remain to escape recent strategy assesses and resolutions and recent shapes of poverty are rising which prevent Malaysia's efforts to turn into a first worldwide county by the year 2020 achieving developed nation status. Close interest demands to be paid to earning distribution as growth through poverty decrease is damaged except there are enhancements in earning distribution among poverty decrease attempts. Poverty reduction efforts in the forthcoming have to be properly and completely planned and aimed so that the poor possibly turn into a main contributor to the growth process. The type of dynamism that is needed to move the poor away of the stagnation of poverty needs recent methods integrating numerous stakeholders involving private sector as operators and society as guardian to rights of the poor. This method is relied upon forming a dynamic society between the poor marked with the intention to incorporate with the modern sector and turn into important participants in the worldwide economy and raise the value chain. Official data implies Malaysia's persistent oppose poverty as a main aspect in its success report. The evidence is obvious if a comparison produced on the growth throughout four decades. Malaysia has significantly enhanced earning creating completely reducing poverty based to official measures of poverty. An examination of percentage dispersion of households by earning strata, the year 1970 to 2014, indicates a significant decrease in earning strata. Those income lower than RM500 from 89.3 percent in the 1970s to those income lower than RM1500 to 5.7 percent in the year 2014 and for urban from 77.2 percent to 3.6 percent as well as rural from 94.1 percent to 12.9 percent in the same term. Poverty is a multidimensional social issue therefore totally extreme poverty is intertwined. It goes exceed the situation of not having sufficient earning and other means to fulfil fundamental demands, having greater material and cultural reasons. It is affected by geographical determinants for instance location namely place and space, climate and natural resources. People groups in separated situations for instance in agricultural or rural, landlocked or hinterland regions distant from main markets could be weak to intergenerational poverty [13].

Malaysia, a developing nation in Asia, is playing comparatively well in comparison to different developing nations. In the year 2000 and 2012, the average GDP development level of Malaysia was 1.18

percent, achieving an whole-time great of 5.9 percent in September 2009 and a record of -7.6 percent in March 2009 because the worldwide economical recession. In the first quarter of the year 2012, the Malaysian economy rose by 4.7 percent as compared to 5.2 percent in the earlier quarter. On the supplying angle, every sectors of the economy recorded positive development with the services and manufacturing sectors continuing the main factor. On the needs angle, the strong private end usage and gross fixed capital creation caused to economic development. Malaysia, a mid- earning nation, has changed itself during the1970s from a generator of unprocessed materials into a rising multi-sector economy. Since the year 1993, the service sector facilitates nearly 50 percent to the Malaysian GDP, which recommends that the Malaysian economy is presently generally reliant on knowledge centred activities instead of being reliant upon unprocessed materials output. Therefore prove equips more help to the statement that human capital performs a vital function in Malaysian economical development [14].

The recent world recession propels Malaysia to assess its strategy on trade, something that is of vital because it is a small open economy. There is no question that Malaysia's economic growth in the past two decades has been influenced by exports. Malaysia's development has been most reliant on trade and the influx of foreign direct investment (FDI). The present recession obviously brings interest to the reality that Malaysia relies on international trade, particularly concerning need evolving from these nations. The demand for a review of Malaysia's trade policy in the years to derive is more forcing today than earlier. However it is enticing to argue that Malaysia is excessively reliant on developed economies as locations for its exports and sources of FDI, it is difficult to recommend ways Malaysia could apply a distinct policy to repel its economy. The dependent on external markets has to be considered in producing strategy suggestions [15].

The greatest hazard determinant is the ever-slowdown world economy. The growth of goods prices is also indefinite, however if oil prices have grow moderately. Malaysia is extensively dependent on multinationals and direct investing from outside, and even though the nation has frequently attempted to form added value and rise the technological substance of exports, these attempts have had restricted success <sup>[16]</sup>. The trend of development is a vital problem in deciding the effect of development in poverty decrease and earning disparity. The manufacturing development, which has been the major source of development of the economy, has facilitated significantly in decreasing poverty occurrence in Malaysia. Poverty and earning disparity are severe problems that remain occur in Malaysia. Every increase in poverty and earning disparity certainly influenced economic development. There are numerous large attempts undertaken by the state of Malaysia to reduce poverty and to decrease the disparity of earning disparity that take place during 1970s. The occurrence of poverty and earning disparity is greater in rural regions compared to urban regions

Current discourse of the assessment of poverty at old age brings interest to the restrictions of recently major methods. Assessing the occurrence of poverty at old age is a vital first phase for understanding, however assessment alone does not describe the reasons of poverty. Malaysian elderly are life longer which grows the percentage of the overall inhabitant. Considering the normal retirement age as nearly 55 years, there is an important demand to develop a sufficient arrangement that covers enough saving if they start retired. Old-age financial safety has turn into an important concentrate of strategy concern and study attempts in South-East Asia, involving Malaysia. In developed nations the combining of powerful social safety arrangements, well-developed capital markets, and small households facilitate to greater life standards for the elderly. Because of demographic, social and economical shifts, there is a demand for an efficient arrangement in earning access for the elderly. Dependent on conventional methods of family assist grouped with individual savings probably not decreases poverty at old age. To avoid such a scenario, action demands to be taken to ascertain that every employee is covered by an arrangement that provides a least guaranteed earning via periodical payments [18].

#### **Materials and Methods:**

This study utilized quantitative approach aims at explaining the effect of promoting economic growth on poverty reduction. This research is a basic research uses surveys through a questionnaire to gather data within a single point in time or cross-sectional. The collection of data in the year 2016 involved 434 respondents who agreed to answer questionnaires by self-administered and filled by researcher. Studies were conducted in Ipoh, Perak (Kinta); Georgetown, Penang; and Sungai Petani, Kedah. The research objective is to determine the effect of promoting economic growth on reducing poverty. Research question is why promoting economic growth effects reducing poverty? The independent variable is promoting economic growth and dependent variable is reducing poverty. The sampling of the study was a stratified sampling based on race involving Malay, Chinese and India as a probability sampling. In addition, other ethics groups were also respondents of the study consisting of foreigners such as Indonesian, people of Bangladesh and people of Pakistan although the number of these categories is small. The Null hypothesis is H<sub>0</sub>: There is no significant relationship among the promoting economic growth and reducing poverty. Figure 1 shows the relationship between independent variable and dependent variable. The questions of promoting economic growth involved the city's role in promoting economic growth; the city exists because of the economic agglomeration in production that does not exist in rural areas; existing local economic agglomeration such as industries agglomeration within the city; and the urbanization economic agglomeration shows the overall size of the city. The questions of reducing poverty involved cities play a role in reducing poverty; personal earning enhancement takes place in the city; quality of life improvement takes place in the city; and sixty percent of Gross Domestic Product (GDP) or earning is generated by urban areas. Data analysis involved correlation, Ordinal regression as well as scatter plot to answer the research objective, research question and hypothesis. Reliability for promoting economic growth variable is 0.78 and reducing poverty variable is 0.79. The Cronbach Alpha values for the two variables interpreted as acceptable [19].

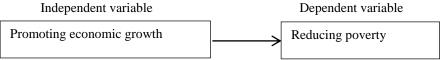


Figure 1: Effects of social capital on student achievement

#### **Results & Discussion:**

Figure 2 demonstrate the non-associated variables between promoting economic growth and reducing poverty. The scatter plot identified that there is no associations between the variables  $^{[20]}$ . The value of Spearman correlation coefficient between promoting economic growth and reducing poverty is r=0.689 (n=434), indicates positive, linear relationship of moderate strength. Promoting economic growth increases lead to reducing poverty increases and reducing poverty increases lead to promoting economic growth increases. Strong correlations have low p-values due to the probability that variable have no association is very low. Correlations are typically regarded statistically significant if the p-value is lower than 0.05. The p- value of 0.000 is less than the acceptable alpha level of 0.01, meaning the correlation is a statistically significant between promoting economic growth and reducing poverty  $^{[21]}$ . This rejects the Null hypothesis. The coefficient of determination is the square of the correlation coefficient ( $^{2}$ ) = 0.689 $^{2}$  = 0.475 suggests 47.5 percent of the variability in reducing poverty is explained by promoting economic growth  $^{[22]}$ .

Regression techniques analysis for Likert scale includes Ordered Logistic Regression and Multinominal Logistic Regression  $^{[23]}$ . In this research, Ordinal Regression utilized for data analysis to represent the relationship. In the case processing summary, indicate the amount and percentage of cases in all stage of respondents answer indicator. Model fitting information gives the 2-log likelihood for the intercept-only and final models; the 2-log likelihood possibly, utilized in comparisons of nested models. In the parameter estimates indicate the coefficients, standard errors, the Wald test and connected p-values (significance), and 95 percent confidence interval of the coefficients. The thresholds are implying at the upper of the parameter estimates result and signify where the latent indicator is reduce to produce the three groups that examined in data. This latent indicator is continuous  $^{[24]}$ . The statistically significant Chi-square statistic 371.634 (df = 8), p = 0.000 (p<0.01) indicates that the final model gives a significant improvement over the baseline intercept-only model. This tells that the model gives better predictions than if guessed centred on the marginal probabilities for the outcome category  $^{[25]}$ .

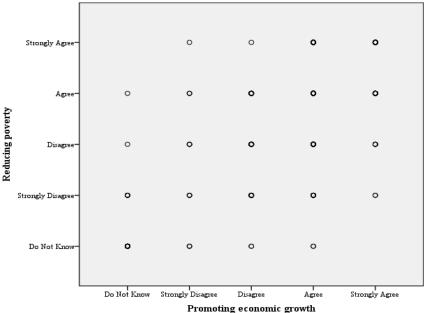


Figure 2: Scatter plot demonstrate the relationship of promoting economic growth and reducing poverty Pearson chi-square statistic for the model and chi-square statistic is based on the deviance. These statistics are aimed to test possibility the examined data are constant with the fitted model. The Null hypothesis represent that the fit is good. The p-value is big (p > 0.05) (significant value for Pearson chi-square is 0.980 and

deviance chi-square is 0.956), do not reject this hypothesis. The data and the model predictions are identical and that have a good model  $^{[25]}$ . Parameter estimates shows that promoting economic growth influence reducing poverty (p = 0.000, p < 0.01). Since the estimated p < 0.01, the Null hypothesis is rejected  $^{[26]}$ . The Pseudo R² values Nagelkerke = 6.1 percent indicates that promoting economic growth explains a relatively moderate proportion of the variation between reducing poverty. This would expect because there are numerous economic agglomeration in production, local economy agglomeration in industry and urbanization economy agglomeration that impact on reducing poverty, many of which expected much more vital determinants of reducing poverty than any simple connection with promoting economic growth. The moderate R² indicates that a model consisting only promoting economic growth is probably to be a moderate predictor of the outcome for any particular reducing poverty  $^{[25]}$ . Nagelkerke R² is an adjusted version of the Cox and Snell R-square that adjusts the scale of the statistics to cover the full range from 0 to 1. McFadden's R² is another version, centred on the log-likelihood essences for the intercept-only model and the full estimated model  $^{[27]}$ .

The finding similar to previous study namely by Thang and Baharuddin [28] indicated economical development in Malaysia and accomplishments of the Malaysian ruler in present years signify the decrease of poverty levels between the human. Nevertheless, it does not imply that poverty is no more around and every people are life poverty relieve. It is vital to acknowledge the fact that numerous human are remain below the poverty living. Thus while numerous Malaysians are begin to benefit economical development, people need concern for the poor that are continue at doorsteps due to decreasing and ultimately reducing poverty is a social responsibility for every peoples [28]. The Malaysian encounters in dealing poverty are likely distinctive. However, the wide characteristics and fundamental principles as well as policies undertaken are likely appropriate to other developing nations. Malaysia took place numerous important strategies that attribute successfully developing areas for instance [29]:

- ✓ Investing in the environment namely soils, land, and water. Malaysia one of the major players of the Asian Green Revolution that started approximately early four decades before. Agricultural output increased significantly by applying modern and enhanced technologies, suggested inputs and rural facilities investing.
- ✓ The considerable publicity for Malaysia undertaken nearly three decades before throughout the shifting from rural farming and main goods-centered output to manufacturing and services particularly urbancentered manufacturing.
- ✓ Social investing that Malaysia adopted high community investing in community Medicare, academic, nourishment, maternal life, family planning, roads, energy, telecommunications, harbour services, and other regions.

The implementation of the Malaysian framework completely in all other developing nation probably not generate the identical outcomes therefore, it is very significance for developing nations to measure relative advantages and should specify basic growth strategies and plans adapted to abilities and demands, thus could take the appropriate framework. The economical development and the occurrence of poverty in Malaysia throughout the duration the year 1970-2000 consists the major socioeconomic features of Malaysia, evaluation of poverty and instruments of decreasing poverty occurrence. It also concerned with macroeconomic strategy of Malaysian 1970-2000 duration indicating in detail in the New Economic Policy (NEP) (1970-1990) and the New Development Policy (NDP) (1990-2000) as well as policies and programs. The interface between the distinct sets of examines assists in drawing the shifts in the poverty occurrence over the past three decades, with modifications made the NEP and NDP. Obviously Malaysia had a remarkable record pertaining macroeconomic strategy and poverty decrease. Nevertheless, to stimulate this condition to fulfil the forthcoming questions, it is requisite for the nation to plan for capacity building attempts to concentrate on planning a related study and improving the performance of the institutional strategy [29].

# **Conclusions:**

Findings shows that through correlation analysis majority of the respondents agreed on promoting economic growth influence reducing poverty, the better promoting economic growth the better reducing poverty and conversely. The Null hypothesis rejected, interpreted that promoting economic growth connected with reducing poverty. Through Ordinal Regression signifies the model gives better predictions than if guessed centred on the marginal probabilities for the outcome category. The Pearson chi-square statistic for the model shows that do not reject the Null hypothesis that the fit is good. The data and the model predictions are similar and that have a good model. Parameter estimates shows that promoting economic growth affected reducing poverty. The Pseudo R<sup>2</sup> values Nagelkerke signifies that promoting economic growth explains a relatively moderate proportion of the variation among reducing poverty. There are numerous economic agglomerations in production, local economy agglomeration in industry and urbanization economy agglomeration that effect on reducing poverty, many of which expected much more important predictors of reducing poverty than any simple association with promoting economic growth. Implication of the research probably apply an opinion by Amendah, Buigut and Mohamed [30] pertaining decreased food price inflation in urban regions, rising properly paying occupation chances for the urban poor are probably to decrease the usage of negative solving policies by

supplying urban residents with stable and credible source of earning. The activities probably constitute subtracting or decreasing taxes on important food items generally utilized by the poor possibly assist.

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