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ISSUES AND OBSTACLES IN THE DEVELOPMENT OF MALAY RESERVE LAND

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Abstract

Malay Reserve Land (MRL) is an heirloom belonging to the Malays to be protected, preserved, and developed in line with the aspirations of sustainable development. However, it has been found that land under the Malay Reserve Land (MRL) category is still lagging in the development stream although it has the potential to be developed in tandem with other Non-Malay Reserve Land. This research paper aims to establish the issues and obstacles in developing the Malay Reserve Land eventually to formulate a strategy for development of the land in future. Focus Group Discussions (FGDs) were held involving experts from various backgrounds namely academics, government officers, industry players and non-governmental organizations (NGOs). Issues and the respective obstacles mainly elicited from the FGDs are in the areas of data, information and research, legislation, development, and financial.

Keywords: Development, Malay Reserve Land (MRL), Focus Group Discussions (FGDs)

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INTRODUCTION

In Malaysia, it can be seen that the demand for land is increasing from time to time for development purposes. There have been regular occurrences in the past whereby decision for land development was initiated by the government especially if it is recognised that development of certain land not necessarily idle or under-developed, is essential in fulfilling certain urban planning policies of the government (Nik Jaafar, 2009). However, it has been found that land under the Malay Reserve Land (MRL) category is still lagging in the development stream although it has the potential to be developed in tandem with other non-Malay land (Ali, 1999).

The MRL has begun since its enactment of the Malay Reservation Enactment in 1913. MRL is a very valuable heritage of the Malays. It is one example of a category of land ownership reserved for the Malays only. The efforts of the government in helping to develop the MRL should be praised, but it is dependent on the potential and condition of a Malay reserve land such as size, location, and may have overlapping claims on the land (Abdul Aziz, 2017). The development of MRL can improve rural livelihoods, living environment and narrows the life quality gaps between those living in urban and rural areas (Abdul Rashid et al., 2021).

In order to achieve the high potential of Malay Reserve Land (MRL) for development, strategic development is very important to guide the development and efficiently fulfil the objectives of the government, developers and land owners. However, some strategic development provisions tend to be static and fail to consider the consequences of the changing economic demand for development (Sivam, 2002).

According to Odongo and Datche (2015), strategic development if well implemented in the organisation is effective towards growth and can be instrumental in helping it to remain profitable, attain a competitive edge (Olusanya and Oluwasanya, 2014) and face challenges in a highly competitive and rapidly changing business environment (Al-Turki, 2011). The implementation of strategic development is thus crucial to unlock the potential for development of MRL.

Nevertheless, integral to the strategic development of the MRL is the identification of the issues and obstacles in developing the land. This will help the developers to enhance the opportunities in developing the MRL with the valuable information serving as a benchmark to strategise the development planning and eventually to produce a holistic and comprehensive strategic development framework.

This research paper thus aims to establish the issues and obstacles in developing the MRL with a view to formulate a strategy for development of the land in future.

LITERATURE REVIEW

A number of issues and obstacles in developing the MRL highlighted by previous work are as follows:

Availability of Data and Information

Lack of data and information on the successful developments on MRL is one of the issues that have prolonged the ignorance and led to negative mind-set of the society about the status of MRL (Md. Ariffin, 2015).

There are data and information pertinent to MRL that have not been recorded, updated, and reported by relevant authorities or parties for the benefits of the society especially for Malays and Bumiputera. If the data and information are made available and statistically analysed by a dedicated party, it can help others to plan for a strategic and sustainable development of the MRL (Ali, 2008).

Legal Matters

The legal obstacles in the development of MRL, can be inferred from previous researchers who argued that the restriction by legislation under Article 89 of the Federal Constitution involving the sale, mortgage, transfer, leasing and other transactions from Malays to non-Malays are issues that affect the potential of developing MRL (Shamsuddin, 2001).

Hussin and Abdul Rashid (2014) stated that although the provisions of the law relating to MRL prevent the sale, lease, mortgage, transfer or any other business on the land to non-Malays, the Ruler in Council is empowered to give possession of state land including in Malay Reservation to any agency or company as required.

The MRL status which mainly in certain areas are predominantly in agricultural land use category may hinder its development. The small size of the land and the low market price caused the landlord to have low negotiation power to determine the landlord's interest in the land. In addition, any forms of development that will be held on MRL can only be sold or transacted only among the Malays. Thus, the market will be limited to the Malays only. This has led to the real estate market being limited and consequently the prices offered low (Abdullah and Omar, 2012). These are issues that need to be addressed and taken into account in order to develop strategically the MRL.

Land Values and Development

The value of MRL is directly linked to the potential land development activity in view of accessibility, provision of infrastructures and potential demand and its marketability (Omar and Raji, 2015). Land owners also need to act creatively in ensuring MRL does not back down and can increase the economic position of the Bumiputera through strategic development of the land development (Samsudin

et al., 2021). The developer must have the edge when deciding to go ahead with the development proposal in lieu of the underlying constraints on the MRL.

In addition, the normal consideration by developers of “choosing the right location, building the right property types, for the right buyers and at the right price” still applies in the case of development on MRL (Md. Ariffin, 2015).

The issue of perceived MRL value has the potential for generating optimistic value (Omar, 2017) causing the MRL to decline slightly in terms of development (Abdul Aziz, 2017). Notwithstanding the constraints in value, MRL has good potential for development when it comes to location, land, size, and availability to generate the marketability of land in the future (Omar and Raji, 2015).

Land Ownership Structure

The issue of overlapping ownership of MRL is an obstacle that has long been a challenge in its development. According to Omar (2015), when the land is owned by more than one owner, the potential of developing the land is low.

Previous studies have found that overlapping ownership is one of the factors that inhibits MRL development. Much of this form of shareholding comes from land inheritance mechanisms. According to Siwar (1976), theoretically this status of ownership is a form of land fragmentation that affects the efficiency of land use in the long run. The studies by Hanif et al. (2015) and Maidin (2013) found that the development of MRL was hindered as a result of shared ownership status and legal restrictions on land dealings. This is not only happening in rural areas but it is more alarming for MRL in urban areas (Md Ariffin, 2013).

Most MRL overlapping ownership situations occur as a result of the process of inheritance or land alienation. Jusoh et al. (2013) found that the process of dividing the land had led to the fragmentation of individual land lots making them no longer economical to be developed. Land ownership status is an important factor in land development efforts (Md. Ariffin, 2013). This is because the sole ownership of land will facilitate its development activities (Omar, 2015). In situations where land ownership overlaps, it requires more than one decision maker (Md. Ariffin, 2015). Often misunderstandings and lack of co-operations among co-owners will hinder any development activities to be undertaken.

Finance

Issues related to the problem of obtaining finance from banks and financial institutions often undermine efforts to develop the MRL especially in multiple ownership situations. Most MRL owners stated that they failed to develop their land for example into housing due to failure to obtain loans from banks and financial institutions (Md. Ariffin, 2015). This is because the multiple ownership status makes it difficult to get an agreement on the project to be implemented and there is no guarantee of the validity of the agreement being created. As a financial

institution, the financiers often avoid giving the loan due to the risk of unsecured loan repayment (Termizi and Ismail, 2018).

There are also MRL owners in certain areas who are able to obtain financing from financial institutions but the low value of the land has led to smaller loans being approved. The amount of the loan could not cover the cost of developing the land and as a result the proposed project could not continue. This has led to an adverse impact on the landlord where the loan cannot be settled and the development project being abandoned (Termizi and Ismail, 2018).

Financial obstacles also exist where the cost of redevelopment of such properties on MRL which are sometimes small and oddly shaped is often higher than the cost of equivalently-sized properties outside the urban core. The lending practices also contribute to the difficulties in obtaining funding for redevelopment. This financial barrier impacts the economics of decision-making that hinder redevelopment of particularly vacant and abandoned lands in the urban areas (Hanif et al, 2015).

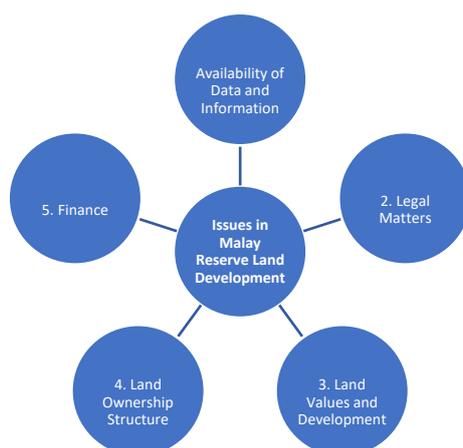


Figure 1: Obstacles Arises in Malay Reserve Land Development

Source: Researcher, 2020

Figure 1 summarises the main headings of obstacles in developing the MRL from the literature review.

METHODOLOGY

The research commenced with secondary data collection from the literature review, which led to an in-depth understanding of the issues associated with the obstacles in the development of MRL in Malaysia. Focus Group Discussions (FGDs) were conducted involving experts in the field of MRL in Malaysia to identify real issues and obstacles based on the expert opinions and experiences of

the experts. A non-probabilistic purposive sampling technique was used to identify the prospective respondents for this research (Samsudin et.al, 2021).

Thirty (30) experts were selected for the FGDs comprising academics, government officers, industry players, and members from the Non-Governmental Organizations (NGOs). Their roles were to provide expert inputs on the issues and challenges faced in developing the Malay Reserve Land in Malaysia (refer Table 1). The experts were divided into different groups comprising of four (4) categories of areas of investigation namely research and information, legislation, development and financial aspects. The FGDs were managed and handled by moderators to ensure the discussions do not deviate from the context given. The broad components of the methodology are depicted in Figure 2. Content analysis on the FGDs was conducted to elicit key points that are used as variables and findings in this research.

Table 1: Respondents Involved in Focus Group Discussion

Background Respondent	Number of Respondent
Academician [Lecturer]	8
Government Officers [Land Office]	10
Industry Player [Banking Sector]	2
Industry Player [Lawyer Firm]	2
Industry Player [Bumiputera Developer]	4
NGO's [Majlis Perundingan Melayu]	4

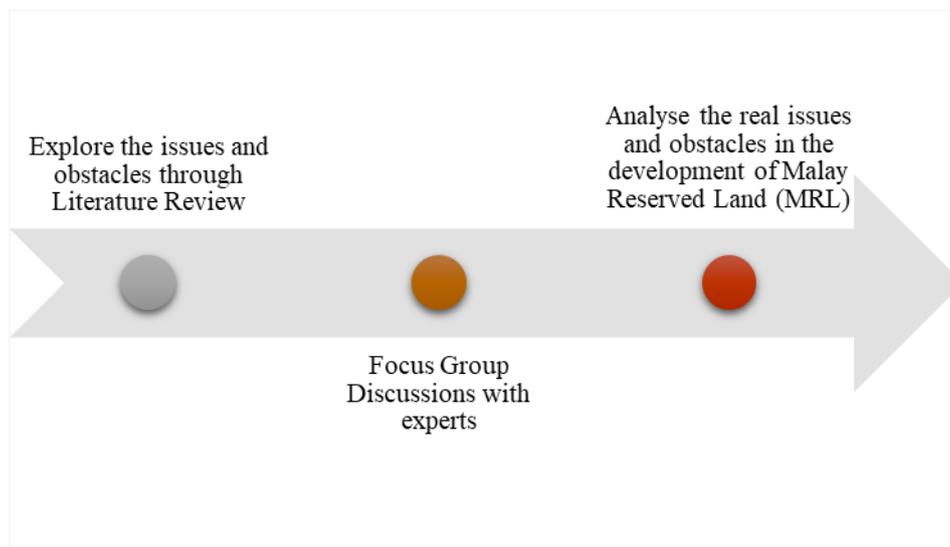


Figure 2: Research Methodology Process

FINDINGS FROM THE FOCUS GROUP DISCUSSIONS (FGDs)

The Focus Group Discussions (FGDs) have further elaborated the issues related to the four (4) categories of obstacles namely data, information and research, legislation, development and financial. The main salient findings from the discussions are as follows:

Data, Information and Research

Lack of structured data, information and crucial research on MRL is something that needs to be addressed in the future. Therefore, the responsible parties need to update the data and information making them more transparent, especially on the total land area of MRL. With a more accurate and comprehensive data and information, research can then be undertaken to gauge the strategic potentials of developing the land in various parts of the country. Furthermore, concerted efforts can then be conducted to formulate strategies to ensure that fifty percent (50%) ownership of the Malays on land is achieved and sustained. Relevant strategies can also be put in place to ensure that the acquired MRL for development purposes are replaced with the same size and market value. It was highlighted in the discussions that organisations for example the land office that have better data and information database, have managed to implement land replacement immediately after the acquisition of the land to prevent the decline of MRL ownership and development.

Legislation

Issues related to the development of MRL are focused on the legislative barriers such as restrictions in land dealing, collateral, and multi-level ownerships. It was emphasised in the discussions that the government should review some aspects of the existing legislation related to land ownership and consider putting a limit on the ownership of each plot of land to facilitate enhancement of value and development of the land. Efforts towards reconciling the differences of the different enactments in different states should be seriously considered with a view to form a consolidated legislation to add value to the MRL.

Provisions related to ownership of land to the Malays should be preserved and efforts to replace the land that were acquired for development purposes should always be the main spirit of any statutory regulations and Malay Reserve Land Enactments.

Development

It was highlighted in the discussions that the potential marketability and development of MRL should be in tandem with the non-Malay reserve land. The development of MRL should be seen as an effort to provide sustainable economic development for the Bumiputera emphasising on the inclusivity of the

development in tandem with the Bumiputera Agenda, efforts to optimize the value and use of the MRL as one of the primary mechanisms to strengthen Bumiputeras' involvement in real estate and their participation in the economy.

It was highlighted that despite the MRL having great potential for future development, its development has been left behind from the current development. The MRL has always been and continues to be an important aspect to the Malaysian land development. It was highlighted that the land value for MRL is less than four times the value of non-Malay Reserve Land. Currently, most of MRL is either left idle or underutilised. Compared with its neighbours, MRL is considered as lagging behind its neighbours' economic development although it has the potential to be developed.

The FGDs have stressed that the MRL which is located far inland, has also led to challenges in developing them in terms of their suitability and risks. A strategic land development framework for MRL is thus crucial to strategically plan and develop the land with proper study and analysis of their development potential in different strategic locations. It was also reemphasised that the MRL has development constraints and restrictions, therefore developers need strategic development plan in developing MRL to create the highest and best use in future development. Typically, quite a substantial proportion of MRL are located further inland. This is because most of the vast and fertile land has been owned by plantation and livestock operators since the colonial times. Therefore, it is not surprising that MRL located in the rural areas are less attractive to developers to develop whereas for areas close to the major urban locations such as the city centre have better potentials to be acquired by the government through the Land Acquisition Act, 1960.

The marketability of the MRL, restriction of MRL possession, MRL replacement, lack of maintenance and multiple ownerships which have contributed to the difficulty in developing MRL were also discussed in-depth.

The small size of the land and the low market value caused the landlord to have low negotiation power to determine the landlord's interest in the land. In addition, any form of development that will be held on MRL can only be sold or transacted only among the Malays only. Thus, the market will be limited leading to lower market value.

Financial

One of the issues that has arisen is that there is no holistic financial model to facilitate the real estate development process for MRL in Malaysia.

Most property owners and developers found government initiatives or cooperative bodies helpful in providing a start-up fund for them to develop the MRL comprehensively. Nevertheless, in some situations support from the commercial banks are not always forthcoming due to restrictions of ownership and consequently affecting the marketability of the land.

In summary, the findings from the study are illustrated in Table 2.

Table 2: Outputs from Focus Group Discussions (FGDs)

Malay Reserve Land (MRL)	Obstacles	Issues
	Data, Information and Research	<ul style="list-style-type: none"> • Actual size of individual plots of MRL • Rightful replacement of MRL based on size and value • Enhancement of value of MRL
Legislation	<ul style="list-style-type: none"> • Lack of uniformity of the Enactments between different states • Enforcement of MRL on replacement by law • Statutory control and limitation 	
Development	<ul style="list-style-type: none"> • Development is not competitive • Suitable location • Undervalue of MRL 	
Financial	<ul style="list-style-type: none"> • No holistic financial model • No initial fund for the development • No support from financial institutions 	

Table 2 shows the overall results of the FGDs that can provide useful insights into the formulation of some strategy to resolve the issues and obstacles in developing the MRL. Eventually, they can be integral in the formulation of a strategy for development of the MRL in the future.

CONCLUSION

In conclusion, this study has explored holistically and collectively the main issues and obstacles in developing MRL from the perspective of the previous work as well as the views of experts and stakeholders in the MRL. There are four (4) main issues and obstacles in the development of MRL in Malaysia, namely the lack of data and information, development issues, legal aspects and also financial aspects that need to be holistically and comprehensively considered in the strategic development of the land. The findings are useful as a basis in the formulation of a strategic development plan of the MRL in tandem with other non-Malay Reserve Land. This research will be able to contribute to strengthen the Twelfth Malaysia Plan (RMK-12) to ensure a more inclusive and meaningful development of MRL within the overall context of national development, in line with the formation of a prosperous society.

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