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REFRAMING RURAL POVERTY ALLEVIATION IN SABAH: VILLAGE-LEVEL COOPERATION AS THE MISSING LINK IN POLICY AND PRACTICE

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Abstract: *Rural poverty remains a persistent challenge in Sabah, Malaysia, despite decades of government and non-governmental interventions. While national policies have successfully reduced poverty rates across Malaysia, Sabah continues to experience significantly higher rural poverty. This paper argues that a critical, yet often overlooked, factor is the lack of structured cooperation both within and between villages. Drawing on Morton Deutsch's Theory of Cooperation and Competition, the study examines how the dimensions of substitutability, inducibility, and cathexis can be applied to evaluate and forecast village-level cooperation as a determinant of sustainable rural development. Comparative examples from Korea's Saemaul Undong, Thailand's One Tambon One Product (OTOP) program, and Vietnam's New Rural Development Program illustrate that when cooperation is intentionally cultivated, communities achieve more sustainable and self-reinforcing economic and social outcomes. By integrating Deutsch's theoretical framework into rural development planning, policymakers can identify villages with high cooperative potential, design interventions to strengthen interdependence, and ultimately create more resilient pathways for poverty alleviation. The study highlights the importance of treating cooperation as both a measurable variable and a strategic asset, offering a novel approach to enhancing the effectiveness of rural development initiatives in Sabah.*

Keywords: *Rural Poverty, Village Cooperation, Social Interdependence, Community Development*

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Introduction

Rural poverty continues to be one of Malaysia's most enduring development challenges, particularly in the state of Sabah. Despite decades of government and non-governmental initiatives, large disparities remain between rural and urban areas. The Malaysian government's long-term plans, from the New Economic Policy (NEP) in 1971 to the Twelfth Malaysia Plan (2021–2025), have aimed to uplift rural livelihoods through agricultural modernization, infrastructure, and targeted financial assistance (Economic Planning Unit, 2021). These strategies have contributed to a significant reduction in Malaysia's national poverty rate from well above 50% in the early post-independence decades to around 5-6% in recent years. However, Sabah's poverty incidence remains substantially higher than the national average, with official statistics reporting about 17.7% in 2024, underscoring persistent regional disparities (Department of Statistics Malaysia, 2025). Sabah, located in the northern region of Borneo, remains one of Malaysia's most economically disadvantaged states despite decades of targeted interventions. While Malaysia's overall poverty rate fell below 9% by 2020, Sabah's rate has remained persistently high, ranging from 19% to 25% depending on the district (Department of Statistics Malaysia, 2023). The state's rural population, comprising approximately 70% of total inhabitants, faces multidimensional poverty encompassing low household income, poor infrastructure, limited market access, and low educational attainment (Economic Planning Unit, 2021).

Studies by Jomo (2021) and Rahman & Awang (2022) highlight that much of this inequality stems from Sabah's structural and geographic constraints: isolated terrain, high transportation costs, and dependence on primary industries such as palm oil, rubber, and small-scale farming. These factors make rural economic diversification difficult, reinforcing vulnerability to market shocks and environmental degradation. However, beyond these material and geographic barriers, an often-overlooked aspect of Sabah's poverty is the weakness of local cooperative structures, both within and between villages. This situation raises a critical question: Why have these sustained efforts not produced sufficient results in Sabah's rural communities? While past studies highlight the importance of macroeconomic policy, infrastructure, and education (Jomo, 2021; Shamsul, 2022), a growing body of evidence suggests that a lack of social cooperation within and between villages may explain the persistence of rural poverty. Many development initiatives have been implemented for rural communities rather than with them, limiting their capacity for self-organization and local problem-solving. Consequently, once external support ends, projects often lose momentum because the social infrastructure of cooperation was never developed (Hussin, 2008; Md Shah, Hussin & Idris, 2023; Saikim et al., 2025).

The discussion in this article stems from a review of past literature on community cooperation and community-based approaches to poverty alleviation. Three case studies, namely Saemaul Undong in South Korea, alongside community development experiences in Thailand and Vietnam serve as preliminary benchmarks for understanding how community engagement, collective action, and institutional support enhance local capacity and reduce poverty. These countries were selected based on their established track records in mobilising communities, strengthening local organisations, fostering institutional-community partnerships, and elevating household economic capacities. Although their socioeconomic and institutional frameworks differ from those of Sabah, their experiences offer valuable comparative insights to evaluate the adaptability of community-based models to the reality of rural poverty in the state. Additionally, Morton Deutsch's Theory of Cooperation serves as the analytical framework to examine how interdependent relationships among individuals and groups influence the attainment of shared goals. Morton Deutsch (1946, 1962) posits that cooperation emerges when

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individuals or groups perceive their goals as positively interdependent, that is one's success depends on another's success. He identifies three psychological and social conditions necessary for sustainable cooperation: substitutability (the ability of individuals to act on each other's behalf), inducibility (willingness to be influenced for mutual benefit), and cathexis (emotional investment in shared goals). When these conditions exist, communities can achieve trust, joint decision-making, and mutual accountability that are essential elements for long-term poverty alleviation. In the context of poverty eradication in Sabah, this framework facilitates an inquiry not only into individual participation, but also into the dynamics of cooperation among households, communities, local leaders, and implementing agencies. Consequently, this study evaluates whether village-level collaboration functions as a mechanism to bolster poverty eradication programs, particularly through resource sharing, collective problem-solving, economic opportunity expansion, and long-term program sustainability.

Applying Morton Deutsch's Cooperation Theory to Evaluate and Forecast Village-Level Cooperation

Morton Deutsch's Theory of Cooperation and Competition (1949; 1973) provides a robust conceptual lens for analysing the social structures that underpin collective action in rural communities. Although originally developed within social psychology, the theory has been widely applied in areas such as education, organizational behaviour, and conflict resolution (Johnson & Johnson, 2005). Its application to rural development evaluation, particularly in understanding why some villages succeed in sustaining joint projects while others fail, remains relatively underexplored. Deutsch postulated that the way in which individuals' goals are related determines the pattern of interaction and outcomes (Deutsch, 1973):

- *Positive interdependence* (cooperative goals): one's success facilitates others' success.
- *Negative interdependence* (competitive goals): one's success hinders others' success.
- *No interdependence* (individualistic goals): outcomes are independent of others.

Applied to a rural village context, this means that when villagers perceive their livelihoods, market access, and community welfare as interlinked, cooperation becomes self-reinforcing; when they perceive them as independent or competitive, fragmentation follows. The structural and psychological orientation of a community, not just economic incentives, thus determines the sustainability of rural development programs. Deutsch's theory provides three operational constructs: substitutability, inducibility, and cathexis that can be used to evaluate and forecast the level and sustainability of cooperation within a village system:

a. Substitutability:

The degree to which members can replace or assist one another in achieving shared goals (Deutsch, 1973, p. 40). In rural development, high substitutability exists when households share labour, tools, or infrastructure (e.g., joint harvesting, communal transportation, shared irrigation systems). Villages scoring high in substitutability are likely to sustain cooperation even under external shocks.

b. Inducibility:

The openness of members to be influenced by others for shared benefit (Deutsch, 1973, p. 45). In rural settings, it relates to willingness to adopt new practices introduced by peers or extension agents. Villages with high inducibility show greater adaptability, innovation diffusion, and long-term cohesion.

c. Cathexis:

Emotional investment in group activities and shared goals (Deutsch, 1973, p. 51). In villages, this can be assessed through levels of trust, pride, and affective identification with communal projects. Strong cathexis predicts sustained commitment and reduces the risk of project abandonment after external funding ends. Together, these constructs form a diagnostic matrix for understanding why some villages display sustained cooperation while others experience collective inertia. And operationalizing these constructs requires measurable indicators as follow: (Deutsch, 1949; Azima et al. 2018; Johnson & Johnson, 2005, World Bank, 2007).

Table 1: Deutsch's Three Operational Constructs in Cooperation

Construct	Empirical Indicator	Measurement Approach
Substitutability	Frequency of joint farming/labour-sharing; proportion of shared assets	Household surveys; cooperative records
Inducibility	Participation in cooperative decisio-making; responsiveness to extension advice	Meeting attendance; behavioural observation
Cathexis	Trust index; emotional attachment to community projects	Perception surveys; focus group narratives

Resource: Deutch, 1973

Integrating Deutsch's theory into rural development analysis offers several important advantages. First, it shifts the evaluation of development initiatives from purely output-based indicators to relationship-based metrics, enabling a deeper assessment of whether social interdependence within and between communities supports long-term sustainability (Morton Deutsch; BMC Medical Education, 2020). Second, it helps identify strategic intervention entry points by highlighting specific areas for capacity building, collaboration, and collective action among community members (Gutierrez & Pena-Lopez, 2020). Third, the framework enhances the ability to forecast the sustainability of cooperation by predicting which development interventions are more likely to endure beyond external or donor support (BenYishay & Mobarak, 2017). Finally, it strengthens community-driven development models by complementing participatory rural appraisal (PRA) with deeper structural and psychological analysis, thereby providing a more holistic understanding of rural development dynamics (Tran & Nguyen, 2025).

Through this lens, development can be reframed from a purely material-input model to one emphasizing relational interdependence, positioning cooperation as both the means and the measure of sustainable poverty reduction. Deutsch's constructs, enabling policymakers to forecast which communities are structurally ready for cooperative scaling and which require foundational social capital interventions. This approach allows for targeted, relationship-driven development strategies that enhance the likelihood of enduring, self-sustaining outcomes in rural communities.

Methodology

This article employs a qualitative document analysis approach, using previous studies as the primary source of evidence for the discussion. Following Bowen (2009), document analysis is used to provide context, build a knowledge base, identify recurring themes, compare experiences across cases, and support the development of an analytical argument through the systematic selection, evaluation, interpretation, and synthesis of information contained in existing documents. Relevant journal articles, research reports, policy documents, and other

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scholarly publications were identified through academic databases and online scholarly search engines using keywords related to cooperation, community-based poverty alleviation, rural poverty, collective action, and poverty reduction. Documents were selected based on their relevance to the research focus, analytical value, and contribution to understanding community participation and cooperation in poverty alleviation. Particular attention was given to three examples of successful cooperation and community-based poverty eradication initiatives in South Korea, Thailand, and Vietnam, which were examined alongside previous studies on poverty and poverty alleviation efforts in Malaysia, with particular emphasis on Sabah. These international cases were selected because they provide established examples of community mobilisation, collective action, local institutional involvement, and community-based development within Asian socio-economic settings, thereby offering relevant comparative insights for Sabah. The selected documents were evaluated in terms of their relevance, credibility, contextual applicability, and consistency of findings across sources. The analytical framework was derived from Morton Deutsch's Theory of Cooperation and Competition, particularly the concepts of positive interdependence, shared goals, trust, communication, and coordinated action (Deutsch, 1949, 2006). These concepts were used to organise and interpret the documentary evidence and to assess how community-level cooperation may contribute to the effectiveness and sustainability of poverty alleviation initiatives in Sabah.

Why Cooperation Matters in Rural Poverty Alleviation?

The significance of cooperation in rural development is not merely theoretical; it has been empirically demonstrated across Asia. A striking example is the Republic of Korea's Saemaul Undong (New Village Movement), launched in 1971 under President Park Chung-hee's administration. The program's guiding principles of self-help *(jaju*), diligence (*geunmyeon*), and cooperation (*hyeopdong*) were operationalized through village-based collective planning and action. Each community received identical seed resources, mainly cement and steel, and was encouraged to design and implement projects cooperatively (Park, 2009). Over time, communities that demonstrated stronger internal cooperation achieved significantly greater improvements in income, infrastructure, and quality of life. Kim, Kim, and Lee (2019) reported in World Development that rural household incomes tripled between 1970 and 1979, while absolute poverty declined from 27.9% to below 10% by 1983. Importantly, these changes were not simply the product of material investment; they resulted from what Deutsch (1961) would describe as positive interdependence where villagers' goals were linked through mutual success. Kwon (2010) further described Saemaul Undong as an early model of community-driven development, emphasizing that "horizontal cooperation among villagers created self-reinforcing cycles of social trust and economic growth" (Kwon, 2010).

The World Bank's Rural Development Review (2009) and OECD (2010) country case study both underscore that Saemaul Undong succeeded because it combined government facilitation with community ownership that created peer-based accountability and mutual inducement. In other words, cooperation was not just encouraged; it was institutionalized as a social norm and a development mechanism. Comparable success stories have been documented in Southeast Asia. Thailand's OTOP programme, introduced in 2001, empowered rural communities to collaborate in product innovation, marketing, and quality improvement. By 2010, more than 36% of rural households reported increased income due to collective participation in OTOP cooperatives (Natsuda et al., 2012). Similarly, Vietnam's National Target Programme on New Rural Development (NTP-NRD) launched in 2010 relied heavily on inter-village cooperation to manage communal infrastructure and agricultural resources, achieving measurable declines in rural poverty (Nguyen & Tran, 2018). These examples demonstrate that cooperation itself

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functions as an economic asset. Where communities design and implement projects cooperatively and collaborate in product innovation, marketing, and quality improvement, development outcomes are more sustainable and inclusive. Conversely, when development remains externally driven or fragmented, progress tends to dissipate once external funding ends. Applying these insights to rural Sabah, this study argues that cooperative dynamics as described by Deutsch's dimensions of substitutability, inducibility, and cathexis can serve as diagnostic tools to assess local readiness for community-based poverty alleviation. Strengthening these cooperative capacities could enable Sabah's rural villages to become self-sustaining actors in development rather than passive recipients of aid.

Rural Poverty in Sabah, Malaysia: Government Efforts, Private Initiatives, and the Missing Cooperative Dimension

Government Policies and Their Achievements

Since the 1970s, successive Malaysian governments have introduced ambitious national and state-level poverty alleviation programs. Under the New Economic Policy (NEP) (1971-1990), the federal government prioritized land development and resettlement schemes such as the Federal Land Development Authority (FELDA) and Federal Land Consolidation and Rehabilitation Authority (FELCRA). These programs succeeded in increasing agricultural output and providing land ownership opportunities for many smallholders. The implementation of the NEP marked a significant milestone in Malaysia's poverty eradication efforts, including in rural areas, where poverty rates declined substantially from 49.3% in 1970 to 12.4% over two decades of implementation (Department of Statistic Malaysia, 2023). In Sabah, complementary projects such as the Sabah Land Development Board (SLDB) and Rural Growth Centres (RGC) sought to replicate these outcomes (Economic Planning Unit, 1986). Although Sabah continues to record the highest poverty rate in Malaysia, it is undeniable that the state has also experienced a gradual decline in poverty levels, as shown in Table 2.

Table 2: Poverty Rates in Malaysia and Sabah (1970-Recent)

Year	Malaysia (National Poverty Rate, %)	Sabah (Overall Poverty Rate, %)	Sabah (Rural Poverty Rate, %)
1970	>50.0*	>60.0*	n.a.
1980	37.0*	45.0*	55.0*
1990	16.5*	34.0*	40.0*
2000	8.5*	25.0*	33.8*
2010	3.8 **	19.7 **	28.0 **
2020	8.4 **	25.5 **	36.0 **
2024	5.1 **	17.7 **	n.a.

Source: DSOM (2025); World Bank (2023); Rahman & Rusly (2025)

Notes

* Estimated values based on historical poverty studies, Malaysia Plans, and secondary literature; consistent state-level rural poverty series were not officially published for early decades.

** Official figures reported by the Department of Statistics Malaysia (DOSM) based on Household Income and Expenditure Surveys (HIES).

"n.a." indicates that official rural poverty rates for Sabah were not disaggregated in 1970 and 2024.

Malaysia's commitment to improving the standard of living of its people and reducing poverty is also reflected in its five-year national development plans. The two most recent long-term development plans, namely the Eleventh Malaysia Plan (2016–2020) and the Twelfth Malaysia

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Plan (2021–2025), placed greater emphasis on rural infrastructure development, including roads, electricity, water supply, and digital connectivity, as essential foundations for poverty reduction (Economic Planning Unit, 2021). According to government reports, these investments have improved rural accessibility, 93% of Sabah's rural population now has electricity, and 85% has access to treated water (Economic Planning Unit, 2021). In addition, the Agropolitan Project (2008-present) and Mini Estate Project for Native Customary Land have sought to link rural smallholders to commercial value chains. However, despite these notable achievements, the persistence of poverty suggests that top-down strategies alone have not built self-sustaining local economies. Many programmes have relied heavily on government funding, lacked effective mechanisms for community participation, and failed to foster inter-village cooperation, which is crucial for the long-term success and sustainability of community-based projects. As Rahim and Siwar (2019) note, "local beneficiaries often perceive these projects as government-owned rather than community-owned," leading to weak long-term engagement once subsidies end.

Private and NGO Interventions

Education, microfinance, and environmental sustainability are widely recognised as key factors in alleviating poverty in rural Sabah, Malaysia as they are under Multi-dimensional Poverty Index (MPI). Education plays a crucial role in improving human capital by enhancing skills, employment opportunities, and long-term socio-economic mobility among rural populations, thereby helping to break the cycle of poverty (Syed Annuar & Md Noordin, 2025). In addition, microfinance initiatives, including microcredit and savings schemes, have been shown to support low-income households by increasing access to financial resources, encouraging small-scale entrepreneurship, and strengthening household resilience in rural Sabah (Wahab, Bunyau, & Islam, 2017) Environmental sustainability also contributes to poverty reduction, as the sustainable management of natural resources and conservation-based activities, such as eco-tourism, can generate income while protecting rural livelihoods and ecosystems (Wasudawan & Ab-Rahim, 2019). Overall, existing studies suggest that integrated development strategies combining education, financial inclusion, and environmental sustainability are essential for effective poverty alleviation in rural Sabah.

Beyond state-led programs, numerous NGOs and private organizations have contributed to poverty alleviation in Sabah. Initiatives such as PACOS Trust, Forever Sabah, and HUMANA Child Aid Society address rural poverty through interventions aligned with the MPI, particularly in the dimensions of education, health, living standards, and livelihood sustainability. By focusing on community empowerment, alternative education, environmental stewardship, and access to basic services, these NGOs mitigate multidimensional deprivations that persist beyond income poverty in rural and interior areas of Sabah. The PACOS Trust, for example, has worked with over 30 indigenous communities in Penampang and Ranau districts, encouraging collective land management and women's cooperatives (PACOS Trust Annual Report, 2020). Similarly, Forever Sabah's Community Forestry Program promotes cooperative resource management among indigenous groups to protect forest ecosystems while generating income through eco-tourism and community forestry (Forever Sabah, 2021, pp. 18–20). While these civil initiatives have demonstrated the effectiveness of community engagement, they remain localized and fragmented. Most operate independently, without systemic coordination or policy integration with federal or state agencies. Wong & Ghazali (2020) argue that "the absence of horizontal linkages between community groups limits scaling-up potential." In this sense, inter-village cooperation, where knowledge, resources, and strategies are shared across communities, is an unexploited resource in rural development.

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The Missing Link: Intra and Inter-Village Cooperation

The persistence of poverty in rural Sabah despite extensive investment suggests that the social dimension of cooperation has been systematically undervalued. Government initiatives have primarily addressed physical and financial capital, while social capital (the trust, norms, and networks enabling collective action) remains underdeveloped (Putnam, 1993). Drawing from Deutsch's framework, the limited impact of these programs can be understood as a failure to generate positive interdependence. Villagers often do not perceive that their success is linked with that of their neighbors; instead, individual households compete for limited state aid or subsidies (Nawi, Ismail, & Zakaria, 2012). The lack of substitutability (shared roles and mutual aid), inducibility (openness to influence), and cathexis (emotional commitment to communal goals) results in fragmented development efforts. By contrast, in contexts such as Korea's Saemaul Undong, village cooperation created self-sustaining development because community members shared ownership of projects and outcomes. In Sabah, similar cooperation mechanisms are largely absent. As Majid (2022) demonstrate, villages with established cooperatives or community associations report higher household income and stronger resilience to economic shocks. However, such cases remain exceptional rather than systemic. Therefore, proposes that a reorientation of rural development policy toward fostering inter and intra village cooperation is the one of essentials.

Discussion and Policy Implications

As mentioned above, despite decades of rural development initiatives, Sabah continues to record some of the highest poverty rates in Malaysia. Government programs and non-governmental organization (NGO) efforts have contributed measurable improvements in infrastructure, literacy, and health. However, many of these initiatives operate through vertical, externally driven structures that focus primarily on individual beneficiaries rather than fostering collective, village-level cooperation (Lyndon et al., 2018; Majid et al., 2020). This top-down orientation often overlooks the social mechanisms that underpin sustained community development. Comparative experiences from other countries suggest that cooperation itself can function as a valuable development resource when institutionally nurtured. Programs such as Korea's Saemaul Undong and Thailand's Village Fund initiative demonstrate that when villagers collectively plan, implement, and benefit from projects, outcomes become more resilient and self-sustaining. In Sabah, however, cooperation is frequently assumed rather than empirically assessed or cultivated. Existing development evaluations tend to emphasize inputs, such as funding and training, or outputs, such as income or infrastructure, while largely neglecting the quality of interpersonal interdependence that determines whether such outcomes endure over time.

Applying Morton Deutsch's framework provides a practical and systematic approach to addressing this gap. Villages can be assessed through Deutch's theory to evaluate the levels of substitutability, inducibility, and cathexis among residents. Such assessments can identify communities that are ready for collective economic initiatives, such as cooperative enterprises or joint marketing programs, as well as those that require preliminary trust-building and social capital development. Integrating these cooperation-based indicators into government community profiling systems would enable more targeted and effective interventions. Understanding cooperation as a structural condition highlights its centrality in ensuring that rural development is self-sustaining. When villagers perceive their well-being as mutually interdependent, they are more likely to maintain shared infrastructure, transfer knowledge, and participate in joint entrepreneurial activities. In contrast, projects designed for individual beneficiaries without fostering shared goals often lose momentum once external support ends,

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resulting in fragmented and unsustained outcomes. To address these challenges, development policy should shift from supply-driven approaches toward relationship-driven models. Priorities should include mapping community cooperation networks, creating inter-village partnership platforms to manage shared resources, and establishing participatory monitoring frameworks that involve villagers in evaluating their own cooperation progress. Such approaches are consistent with the MADANI Framework, which emphasizes inclusive development, social responsibility, community empowerment, and shared prosperity, as well as with global sustainable development goals that prioritize social cohesion, inclusive growth, and equitable rural development (Government of Malaysia, 2023).

In conclusion, Deutsch's cooperation theory offers both an interpretive lens and a predictive tool for rural transformation. By assessing substitutability, inducibility, and cathexis within villages, policymakers and practitioners can identify which communities are structurally prepared for collective development and design interventions that strengthen social capital. Recognizing cooperation as both a means and an outcome of development may provide a critical pathway toward sustainable poverty alleviation in Sabah.

Conclusion and Recommendations

Despite substantial investment in rural development, poverty in Sabah remains persistent. One of key reason for this is the neglect of cooperation as a measurable and strategic factor in development planning. Morton Deutsch's theoretical constructs (substitutability, inducibility, and cathexis) provide a framework to understand cooperation not just as a social value, but as an evaluative and predictive variable that can shape the success of community initiatives. Substitutability reflects the structural resilience of communities, indicating the extent to which members can support or replace one another in achieving shared goals. Inducibility captures the flexibility of communities to adopt innovations and respond to influence for mutual benefit. Cathexis measures emotional investment and cohesion, which sustain cooperation over time.
By applying these constructs, policymakers and researchers can gain insight into the social dynamics that underpin successful rural development. Practical policy implications include integrating cooperation indicators into village profiling systems, fostering shared ownership of resources, encouraging peer learning platforms, and building emotional solidarity among community members. Inter-village networks can also be established to coordinate shared resource management and collective projects, reinforcing cooperation across broader geographic areas. Monitoring and evaluation systems should move beyond purely output-based measures to assess relational and social dimensions, while participatory education and leadership development can cultivate local leaders as catalysts for cooperative development.

Future research could operationalize these ideas quantitatively, for example through a Village Cooperation Index, and conduct comparative studies to explore how cultural and geographic differences affect interdependence. When approached qualitatively, the study emphasizes understanding the lived experiences, social norms, and relational dynamics that underpin cooperation in rural Sabah. Instead of focusing on numerical indicators, researchers can explore how substitutability, inducibility, and cathexis manifest in daily village life, for example, through narratives of mutual aid, communal decision-making, and emotional commitment to collective goals. Longitudinal studies could validate the predictive power of Deutsch's framework in sustaining cooperative initiatives over time. Ultimately, sustainable poverty alleviation in Sabah may depend less on external aid and more on strengthening internal cooperative dynamics. Recognizing cooperation as a strategic asset allows it to be measured,

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cultivated, and institutionalized, offering a pathway for rural development that transforms aspiration into enduring community progress.

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