TOTAL FACTOR PRODUCTIVITY AND PERFORMANCE OF RESOURCE-BASED INDUSTRY IN MALAYSIA

BY

ROZILEE BIN ASID

EGA 99031

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Abstracts

The development of Resource Based Industries (RBIs) in Malaysia since it was first launched in 1984 has seen as turning point of the industry to gain momentum in line with the corresponding industrial policy. By using the two inputs Cobb-Douglas model specifically growth accounting model, this study tries to estimate the total factor productivity (TFP) growth for the periods of 1981-1997 in collaboration to review its development and resilient performance. Using the 3-digit-level industrial classification, it was found that six (out of 14) of the RBIs show a positive gain of TFP growth. In broad categories (5-digit-level classification), 30 industries (out of 61) were identified and classified with high, medium and low positive growth. Although the industry (RBIs) is classified as ‘sunset industry’ since the former industrial policy concentrated and sound favourable to its counter part (Non-RBIs especially for electronic and electrical appliances) but for one reason the industry still contributes positively in terms of labour absorption, value added increment and capital accumulation (compared to Non-RBIs). Since the industry is not competitive (export performance) in world markets due to uncertainty (in price especially for wood and wood products and rubber products) and competition (study empirical finding), it is hoped that the Second Industrial Master Plan or IMP2 (1996-2005) would inject a new direction for the expansion and development of this industry.
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