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

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SUBMITTED TO THE FACULTY OF ECONOMICS AND ADMINISTRATION, UNIVERSITY OF MALAYA IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF ECONOMICS

OCTOBER 2001

Acknowledgement

I would like to express my gratitude to Associate Professor Dr. Idris Jajri for his valuable advice and guidance throughout the preparation of this research paper. To my family, especially my mother, Pn. Lasah bte Ag. Basar and father Mr. Asid bin Asin, and also my brothers and sisters, a very special mention, not only for their patience, encouragement and attention during the period of my study but also for every aspect of my life.

To Djuliana Jamaludin, thank you for your support and to Mohd. Safri Saiman, Irwaan Iskandar Abrahim and Yusnieza Syarmila Yusoff thanks for your help during our study sessions and all friends, thank you for your cooperation, which gave me strength and encouragement during the completion of this research. Thank you, May Allah bless you all.

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-Douglass 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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