

## **Chapter 6 Summary and Conclusion**

### **6.1 Introduction**

The purpose of this study is to apply the input output technique using output and employment both forward and backward linkages to find the “key sectors” that are highly interdependent with other industries in the economy. This study also examines the employment generation capacities of the various sectors in the economy. This study also analyses the impact of intersectoral interdependence with particular reference to the telecommunication and construction sectors. The study was conducted on the 1990 updated input-output table prepared by Yap (1998). The overall objective of this study is to empirically determine the structural interdependence in Malaysia’s economy.

### **6.2 Main Findings on The Pattern of Linkages**

From the empirical results in Chapter Four, we can conclude that in general, light and heavy manufacture industries are relatively important in term of the output backward linkages. The results also support the view that the manufacturing sectors have high a degree of interdependence in terms of backward linkages with the rest of economy. Only one manufacturing industry namely, manufactured Oil and Fats showed both high backward and high forward linkage effects. Conversely, most of the primary products exhibited high output forward linkages compared to other manufacturing industries. Therefore, primary products are the crucial as intermediates for other sectors. The results also support the view that primary products which usually hold high forward linkages with the rest of economy.

The empirical results on employment generation showed that Other Agriculture, None Metallic products, Wholesale and Trade, Hotel and Restaurant, Rubber products, Metallic and Chemical provide high employment absorption. The main reason why some of the manufacturing industries have not been absorbing labor at a satisfactory rate is their adoption of relatively capital-intensive techniques of production. With the rapid growth of capital accumulations, the number of workers absorbed remains small in these manufacturing industries. Thus, the study implies the technology adopted is important in terms of long-run labour capabilities.

### **6.3 The Determination of Key Sectors**

The primary finding of the study on key sector with regard to output and employment generation is that the Other Agriculture sector appears to be the “key sector” in both classes of linkage. Therefore, we can conclude that the Other Agriculture sector is the leading sector in stimulating output expansion and generating high employment absorption.

In terms of backward linkages alone for output and employment generation other sectors which are important include Food processing, Rubber products, Hotel and restaurant, Petroleum products, None metallic and Metallic. In terms of forward linkage, only one sector can be considered the “key sector” for both output and employment forward linkages namely, the chemical sector. This sector provides higher output and higher labor absorption. The relatively low emphasis currently placed on the Chemical sector should be examined in the light of the important linkages it holds with the rest of the economy.

#### **6.4 Impact Of Investment In Telecommunication**

Based on the empirical results of the impact of investment in Telecommunication, we can conclude that beside Transportation and communication, other sectors also experience increases in production. Other sectors, like Personal services, Motor vehicle sector, Hotel and restaurant, Business services and Petroleum products show a greater increase in production following increased investment in telecommunication for the year of 2000. Therefore, these sectors are closely associated with advancement in the telecommunication sector.

However, sectors such as Other agriculture, Oil palm estate, Forestry and some light industries like manufactured Food and Beverage have rather low changes in production. Therefore, these sectors are not greatly affected by investment in telecommunication.

#### **6.5 Impact Of Investment In SPRINT Highway**

This analysis revealed that the economic injection from construction of the highway by developers stimulated production levels of all sectors. Besides the construction sector, other sectors such as None metallic products, Metallic products, Wood products and Chemical products also responded with significant increases in output levels. This situation is largely due to the strong demand for raw material used in the construction of the highway. Most products demanded are major construction-related materials. Sectors like Fishing, Beverages and tobacco, Textiles and wearing

apparel indicate rather low changes in output level implying that these sectors are hardly influenced the construction of highways.

Hence, the analysis of intersectoral relationships in Malaysia's economy in an attempt to elucidate the critical industrial links leads to the following conclusion: Primary remain critical as intermediates to most other sectors. On the other hand, light and heavy manufacturing industries play an important role as the users of raw materials and other production output. The driving force of employment creation and absorption are mostly derived from the primary, light and non tradable sectors.

Results also indicate that the development of heavy and chemical industries, with the implementation of the heavy industrial policy, has lead to a shift from labor-intensive industries such as agriculture and light manufacturing to technology and capital intensive industries. The results also suggest that domestic foundations are still fragile. This is because the level of technology has not changed very much, remaining limited, as before, to the traditional sectors of agriculture and light manufacture sectors.

## **6.6 Recommendation for Future Research**

This study could be extended to examine patterns of structural change several periods by using the 1970, 1983, 1987 and 1990 updated input output tables.

The study can also be extended to evaluate the impact of structural changes owing to import substitution, technological changes. The study could also be

extended to analysis the patterns and changes of the foreign trades from comparative view.

It has been observed that all the transactions in the input-output tables involves transaction in goods and services required for current production. Less consideration has been given to interindustry transaction in capital goods. Perhaps a study could be carried out to include demand for more capital goods that required in order to add to the stock of existing capital equipment.