THE EFFECT OF PRODUCTION OF SELECTED AGRICULTURE PRODUCTS AND MONEY SUPPLY ON GDP OF AGRICULTURE SECTOR IN MALAYSIA

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BY

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ABSTRACT

Agriculture sector plays the vital role in Malaysian economic because of the contribution of agriculture during the early stages of the national economic growth until now. The purpose of this paper is to examine the effects of the selected agriculture sector (palm oil, rubber, rice and saw logs) in the agriculture sector and to examine the impact of money supply across employment and productivity of labour and capital in agriculture sector. This paper uses the secondary data from year 1981 until 2010 from the Department of Statistics Malaysia, Malaysia Productivity Corporation (MPC) and Asian Development Bank (ADB). By using Johansen-Julies Cointegration model, the results showed there is long run relationship between dependent variable and independent variables. But, in Granger Causality model, result showed there is no relationship between money supply and productivity variables. While, this paper also conducts other tests such as Autocorrelation, Ramsey RESET and Histogram Normality Test.

Keyword: Agriculture Sector, Money Supply, Johansen-Julies Cointegration, Granger Causality.

Kata kunci: Sektor Pertanian, Bekalan Wang, Johansen-Julies Cointegration, Granger Causality.
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ADB</td>
<td>Bank Pembangunan Asia</td>
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<td>ADF</td>
<td>Augmented Dickey-Fuller</td>
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<td>AIC</td>
<td>Akaike Information Criterion</td>
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<td>FTZ</td>
<td>Free Trade Zone Area</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IMD</td>
<td>International Institute for Management Development</td>
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<td>KDNK</td>
<td>Keluaran Dalam Negara Kasar</td>
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<td>MPC</td>
<td>Malaysia Productivity Corporation</td>
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<td>MPC</td>
<td>Perbadanan Produktiviti Malaysia</td>
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CHAPTER 1

INTRODUCTION

1.1 Introduction

Malaysia is well known as a beautiful country and rich with traditional culture in Asia and by economic development Malaysia is categorized as a developing country. Malaysia’s competitiveness ranking surged into the top ten in the world as Asian countries took the first two spots after financial turmoil and an economic crisis by 20th May, 2010. According to latest IMD World Competitiveness Yearbook 2010, Malaysia’s competitiveness ranking rose to 10th from 18th a year earlier, as the country benefited from strong demand from Asia as well as implementation of efficient government policies, especially government policies. On the other hand, Malaysia is now ranked in the 5th place as most competitive country in Asia Pacific because of high scores in business and government efficiency.

Recently, the Malaysian economy recorded 10.1 percent growth in the first quarter of year 2010, which was the highest quarterly growth in a decade. The Malaysian currency ringgit is Asia’s best performing currency for year 2010, as foreign money has poured into domestic capital markets due to a combination of strong economic growth and rising interest rates. The ringgit has appreciated by about 6 percent
The contents of the thesis is for internal user only
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