THE IMPORTANCE OF AGRICULTURE TO MALAYSIA GROSS
DOMESTIC PRODUCT : EMPLOYMENT, EXPORT AND
GDP OF AGRICULTURE

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Abstract

This paper aims to give information on how important the agricultural sector to the Malaysia economy. There are many factors that are contributing to our Malaysian GDP but since independence, we rely on agricultural activities in export and employment itself. So in the past, present and the future, agricultural sector could play a bigger role in saving our countries economy, and other country as well. The number from agricultural sector that has contributed for our GDP falls since the 1980's, but that doesn't mean that agricultural sector should be ignored.

Agricultural sector is one of the important industries in the world. For Malaysia, it is the backbone of the economies, besides its contribution to our GDP; it gives employment opportunities as well. A simple regression such as Ordinary Least Square (OLS) should show the connection between GDP, and the three variables that is, Employment from Agriculture, Export from Agriculture and Agriculture contribution to GDP itself. When using this method (Ordinary Least Squares), it is important that the independent variables are separately being regress with the dependent variables as this will gives significant result for both of the data as production from agriculture is affecting export and production of agriculture also will determine the number of labour, but it is impossible to determine that the number of employment in agriculture will affect the number of export in agriculture.

Most agriculture activity is focused on rural areas, where vast lands are required to increase more agriculture production. And to that, agriculture plays an important role to reduce poverty and develop rural areas.

Introduction

Economy of Malaysia from time to time is increasing over the past few years. It grew slow, but still we made a progress. Since the dawn of history, before and after independence, our natural resources are many, we do import as well as export, and man kind has already utilized resources to a full scale. As for example, land is the most valuable resources, we can do almost anything to land. If there a space, there will be activities, and there will be economic activities. As for the usage of land, it consists of many things. One of them is agricultural activities. There are some several reasons why agricultural sector plays an important role to our economy and it as well slightly contributed our GDP. First of all, it is the backbone of our economy for a very long time. At independence it has contributed 39.3 per cent to our GDP, and it has generated about 58.3 per cent of the total employment and about 50 per cent to export earnings.

However, soon after independence, those figures went down, because of the economy diversification that government induce (such as manufacturing industries) in the 1980's that it has contributed about 22.9 per cent to the total of GDP, 39.7 per cent to employment of agriculture and less than 25 per cent to export earnings. In other words, the agriculture sector has declined for the past several years, but still, they are contributing to our GDP.

Other than that, the function of our agriculture sector is to increase our food production. We can do export more if we produce more thus it increase our GDP in export. It also helps to increase in employment of agriculture and then increase their standard of living by giving development to the rural areas. It also helps to reduce imbalance in urban-rural development especially in the less developed states.