

**THE RELATIONSHIPS BETWEEN
AGRICULTURAL, MANUFACTURING AND SERVICES
SECTORS WITH POVERTY RATE
IN MALAYSIA**

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“In the name of Allah the Most Gracious, the Most Merciful”

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ABSTRACT

This project paper is to identify the relationship between growth of three sectors in Malaysia, namely agriculture, manufacturing and services sectors and the incidence of poverty. These three independent variables are the main sectors that contribute to the nation's growth. The dependent variable is incidence of poverty rate and their independent variable are the output produced by the three sectors as proxy to growth in the country. The study focuses on the annual data collected from 1975 until 2005. This research used the Statistical Package for Social Science (SPSS) by using the method of Multiple Linear Regression Analysis to find out the relationship between dependent variable and independent variables. From the findings, it is concluded that growth attributed by agriculture sector has a positive relationship with incidence of poverty, whereas for service sector and manufacturing sector, they have negative relationships with the incidence of poverty. Based on the T-statistic values, only the outputs from services and agriculture have significant relationships with the dependent variable, while the manufacturing sector does not have a significant relationship with the incidence of poverty in Malaysia.

CHAPTER 1

1.0 INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Poverty is a status of a household that is measured by comparing the household income with the Poverty Line Income (PLI). PLI is the minimum monthly household income which enables a household, on the average, to enjoy enough food and make various expenditures and also to maintain certain quality of life based on existing norms.

Malaysia formulated its first PLI in 1977 and since then changes have been undertaken to revise it periodically to account for changes in prices and consumption pattern. Peninsular Malaysia, Sabah and Sarawak each have different PLI levels in each region due to different price level in each region. Table 1.1 (a) shows the changes in PLI levels in 1990 compared to 1997.