

## An efficiency analysis of the Malaysian economic sectors: Policy or institution implications

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### Abstract

**Aim:** The study analyzed the economic efficacy of different industries that produce a country's GDP. These industries were also studied because of their significant economic impact on the country.

**Methodology:** The research utilized Data Envelopment Analysis to compare and contrast two strategies for gauging the efficacy of administrative and planning processes: the CCR and the BCC. The analysis revealed problems and implications for policy and institutions in the Malaysian economy.

**Findings:** The analysis conclusively established this when it revealed the sectors were providing insufficient outputs to the national economy. These industries are crucial to the country's output. Still, they are also affected by external factors such as those occurring in the rest of the world, and the current development crisis in Malaysia has only worsened matters. The focus then shifts to economic policies and institutions' ability to withstand outside interferences.

**Implications/Novel Contribution:** The study's rejection of the null hypothesis raised questions about the sectors' respective allocations of resources. Allocations had remained flat over the 20 years from 2000-2019, resulting in inefficiencies in policy implementation and the inability of institutions to fulfill their intended function. Research in Development Economics and Economic Policy.

**Keywords:** Economic policy, Economic sectors, Sector employment, Economic efficiency, Data envelopment Analysis, Sector efficiency

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### INTRODUCTION

The economic life of a nation is typically comprised of several interrelated industries. Primary, secondary, and tertiary are the three that are commonly accepted. The economic premise comprises five different economic activities, two of which are quaternary and quinary in nature.

The quantitative and qualitative outcomes of an economy's significant and insignificant patterns are the product of the direct and indirect activities that make up an economy's makeup (Santhirasekaram & Amirthalingam, 2010). In a nutshell, every single detail has been accounted for.

The agricultural and mining industries are the primary contributors to national income. That includes both primary ingredients and staple foods. Agricultural, mining, forestry, grazing, hunting and gathering, fishing, and quarrying are the primary economic activities. Materials processing and raw material packaging are also included in this category. Producing manufactured or finished goods from raw materials obtained from the primary sector of the economy (Hussin, 2013).

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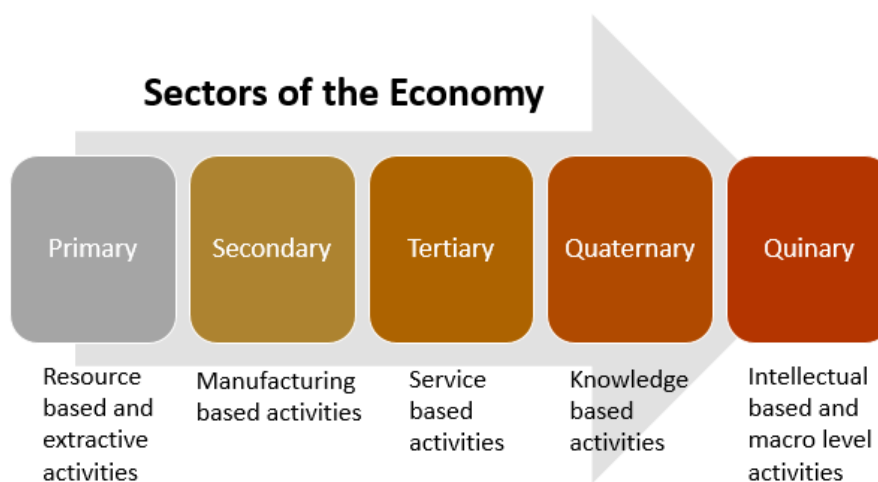


Figure 1. Sectors of the economy

The secondary sector includes manufacturing (small, medium, and high), processing, and building operations. Fabrication, packaging, metalworking, smelting, automobile assembly production, textile assembly production, chemical engineering industries, electronics and aerospace manufacturing, petroleum, gas, and other energy utilities, beverage breweries and bottlers, infrastructure construction, and shipbuilding are all examples of activities typically associated with the secondary economic sector.

Most people get jobs in the service industry, part of the tertiary sector. It is now the primary driver of the economic sector and source of national wealth. This sector sells the goods manufactured in the secondary sector to consumers and businesses. The retail, wholesale, transportation, distribution, lodging, dining, administrative, media, tourism, financial, medical, legal, and digital processing industries are part of the service sector (Hussin, 2013). Quaternary and Quinary sectors are the fourth and fifth economic sectors, respectively, intertwined with the tertiary sector. The government, cultural institutions, libraries, scientific research, educational institutions, and the information technology industry are all part of the quaternary sector, also known as the Knowledge Economy, which is often associated with technological innovations.

Intellectual service industries are a primary force behind technological innovation and user expectations for adaptation. The potential for both short- and long-term economic growth is profoundly affected. This sector is a key factor in the feasibility of future investments. The quinary sector of the economy consists of the highest-level decision-makers in society and business, such as CEOs, politicians, scientists, academics, NGOs, healthcare advisors, cultural preservationists, and journalists. The police and fire departments are also part of the quinary sector responsible for public safety. As part of the quinary sector, domestic work is also classified. Caregiving and housework, for example, are not easily quantified in terms of money, but they contribute to the economy because they replace paid services (Schafraan, McDonald, Lopez Morales, Akyelken, & Acuto, 2018).

Five distinct economic sectors and their associated activities make up the Malaysian economy, but only three are considered here. The Clark-Fisher model (Figure 2) best explains the transitional changes in an economy over time, as argued, mentioned, suggested, and emphasized by Ruttan (1965), Kenessey (1987), Yocarini (2003), where the economy evolves either naturally or forcibly due to goeconomic and geopolitical changes. Malaysia's economy has grown significantly since it became independent in 1957.

These changes were facilitated and caused by internal economic transitions, and also by foreign investments boosted by the changes in economic policies.

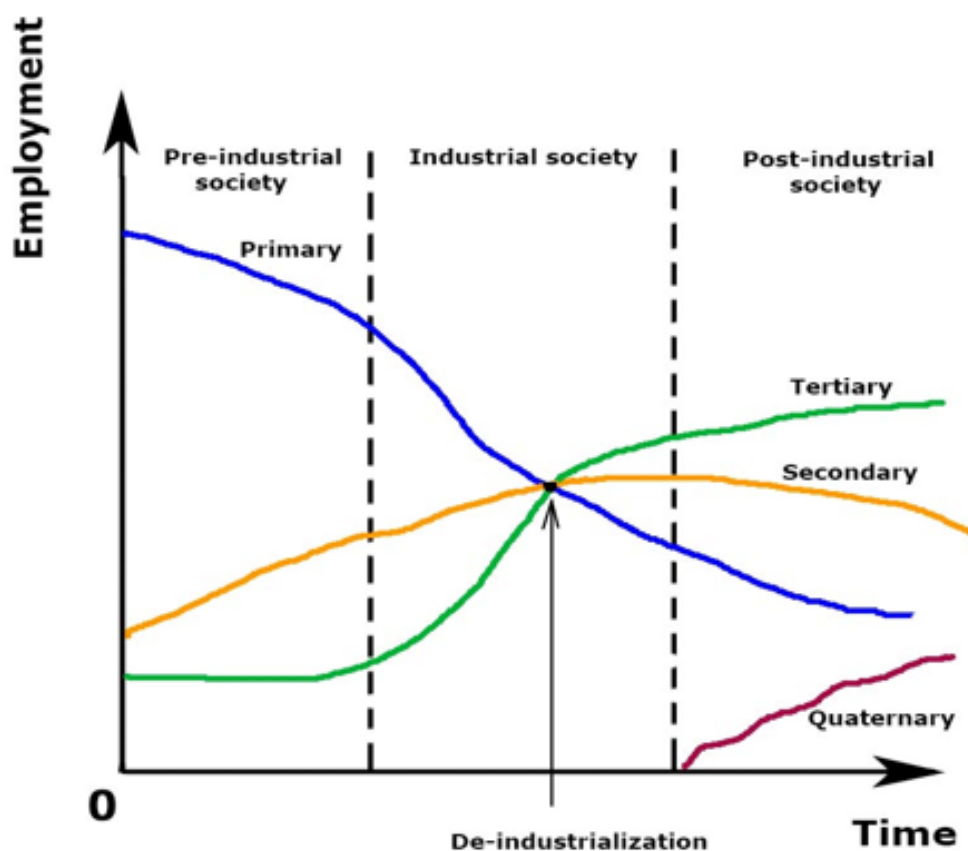


Figure 2. Clark fisher model

The model sheds light on how fluctuating employment rates impact the economy. Investments move from one sector to another as the workforce constantly evolves, citing Mukherjee. The model shows and explains how increased sector per employee is the first step in a transformation's construction and how workers move from low-productivity to high-productivity sectors. Employment mobility and instability are closely linked to technological progress. This straightforward model illustrates how various sectors of the economic progress through distinct phases as a nation develops. With the advent of new circumstances, the efficacy of different economic sectors as (weighted) contributors to national GDP comes into question.

## LITERATURE REVIEW

### Sector Employment and Economic Efficiency

Efficiency is the measure of the ability to avoid waste. With resources being scarce, marginal utility comes into question if a country can produce enough from its limited resources and to maximize it (Kilic, Ceyhan, & Alkan, 2009). If a country is unable to provide maximum use of its resources, then economic unevenness ensues. It is also a fact that nations are not endowed equally, this being from natural resources, government ability, and to human capital. From a mathematical perspective, efficiency is a measure of the extent to which input is well used for an intended task or function (output) (Vassiliev, Luzzi, Flückiger, & Ramirez, 2006). Efficiency comprises of the capability of a specific function or application of effort to produce a specific or desired outcome with the minimum quantity of waste, expense, unnecessary effort, or in maximizing usage. Efficiency refers to very different inputs and outputs in different fields and industries. In economics, there are two schools of thought on economic efficiency.

One, respectively emphasizes the distortions created by governments and are reduced by decreasing government involvement, and the other, the distortions created by markets and are reduced by increasing government

involvement (Cunningham, 2011). These are at times complementary and competing government assistance aids in the growth and progress but at the same time government assistance stifles innovation and competition, therefore adversely disruptive. Markets are the same as well. Fundamental market forces of the likes of price, employment, and rates can be analyzed to determine the comparative improvements and progresses made towards economic efficiencies from any one point in time to another. The volume of waste during the production of goods and services can also be considered if the present allocation of resources is ideal regarding consumer demand.

There are many considerations and contributing factors when it comes to the judgement of efficiency in the economy, and because it is relative and subjective at the same time, what is deemed to be efficient for one country may or may not be for another, hence, comparing two or more countries efficiency with each other would not be proper nor just. To obtain a taste and a clearer dimension of efficiency, a quick snapshot of the Clark-Fisher model for Malaysia would establish the changes in the economic sectors with respect to the employment percentage. Labour represents the human factor in producing goods and services of the economy (Ismail & Yuliyusman, 2014). Having sufficient workforce with the appropriate skills helps the supply side to meet and propagate increasing demands. Economic efficiency is impacted when there is a movement or migration of labor force from one sector to the other.

This would then leave the impacted sector to tend, produce, and sustain with limited resource, hence causing a hit to the sectors GDP contribution. This model does not provide nor explain the reasoning for efficiency, but it illustrates the changes in the sectors over time and therefore, from the Clark-Fisher model, estimation, movement, and projection of the Malaysian economy can be deduced to further assess and study the details of the various economic sectors changes and its efficiency impacting Malaysia. Figure 3 illustrates.

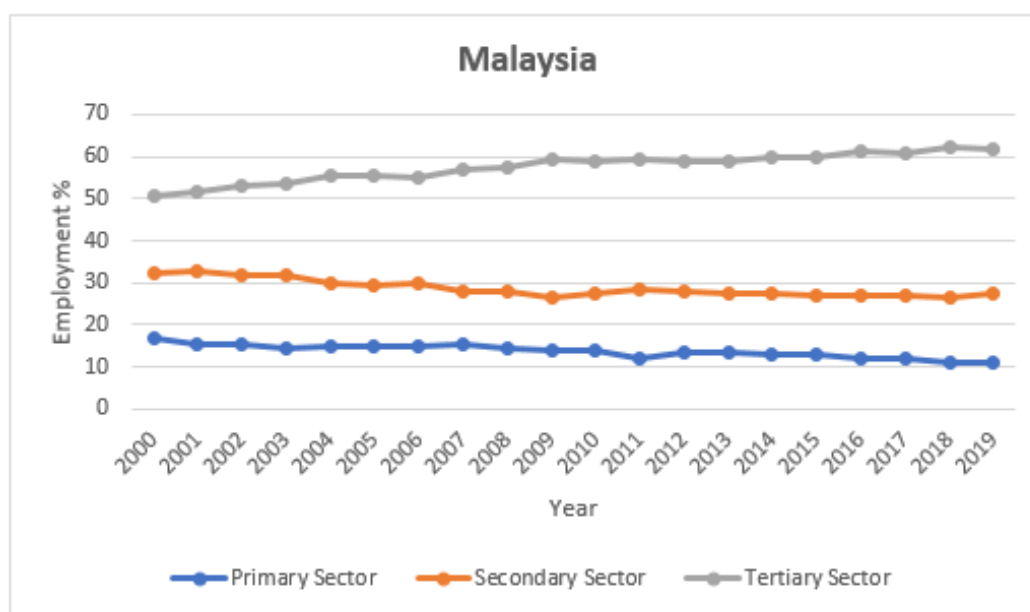


Figure 3. Malaysias clark-fisher model

The chart shows that over the time of two decades, the economic sectors remain its importance. Malaysia did not experience a de-industrialization, and the three sectors deemed to be a major contributor towards GDP. It is also fascinating to observe that as the years extend out into the new decade, the primary and the secondary sector flattens out in employment percentage. This could only suggest that there have not been drastic movements of workforce from both the sectors. However, it must be noted (Ismail & Yuliyusman, 2014) that there are foreign labor forces who are also employed in both these sectors contributes towards GDP. With tertiary sector leading employment growth in Malaysia, it somehow can be observed that the increment of it is slow in pace. It can be hypothetically assumed that from the point of 2010, there has been small employment migrations from the primary sector and the secondary sector to the tertiary sector. And this impacts sectors output (Najib, Nordin, Ahnuar, &

Sukor, 2019).

This can only be certain when the assumed hypothetical observation of labor force movement be observed together with the year-on-year percentage changes in GDP that causes an impact towards economic efficiency. With regards to the sector employments impact to GDP, Figures 4, 5, 6 illustrates.

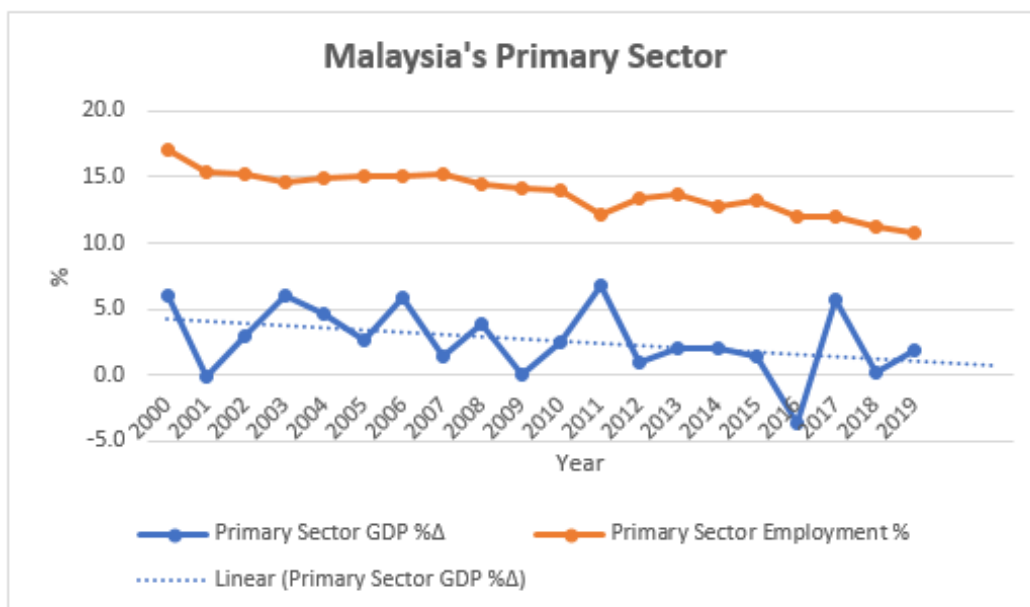


Figure 4. Malaysia's primary sector employment to GDP impact

As employment percentage declined, GDP experienced a downward trendline. This cannot be taken at a certainty because over the two decades there have been many incidents (external and internal) that affected the primary sector, which in turn affected the sectors efficiency.

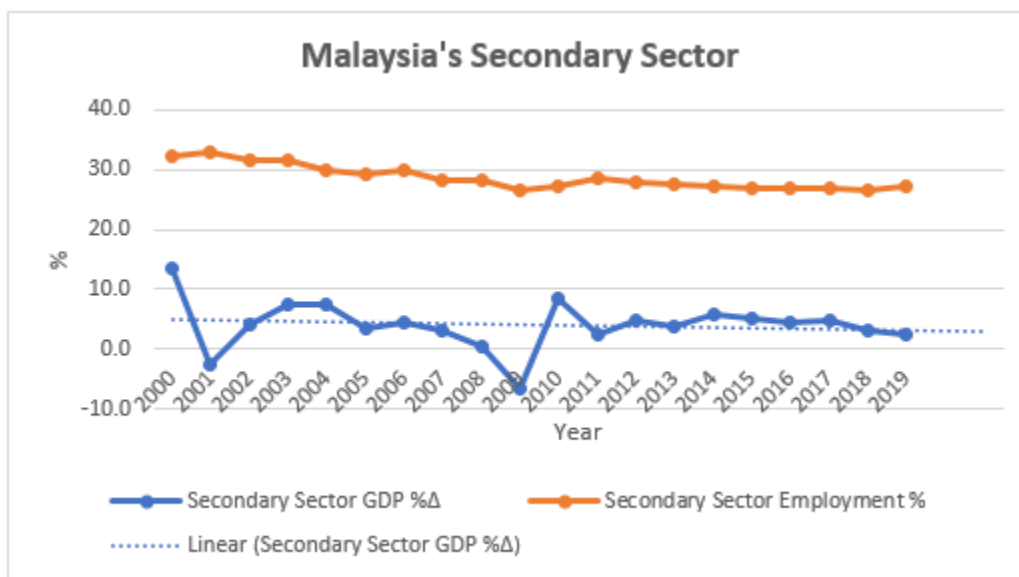


Figure 5. Malaysia's secondary sector employment to GDP impact

As employment staggered in small percentages, GDP experienced a faint negative slanted trendline. Movements in employment is not a central cause of the GDP changing because over the two decades there have

been many incidents (external and internal) that affected the secondary sector, which in turn affected the sectors efficiency.

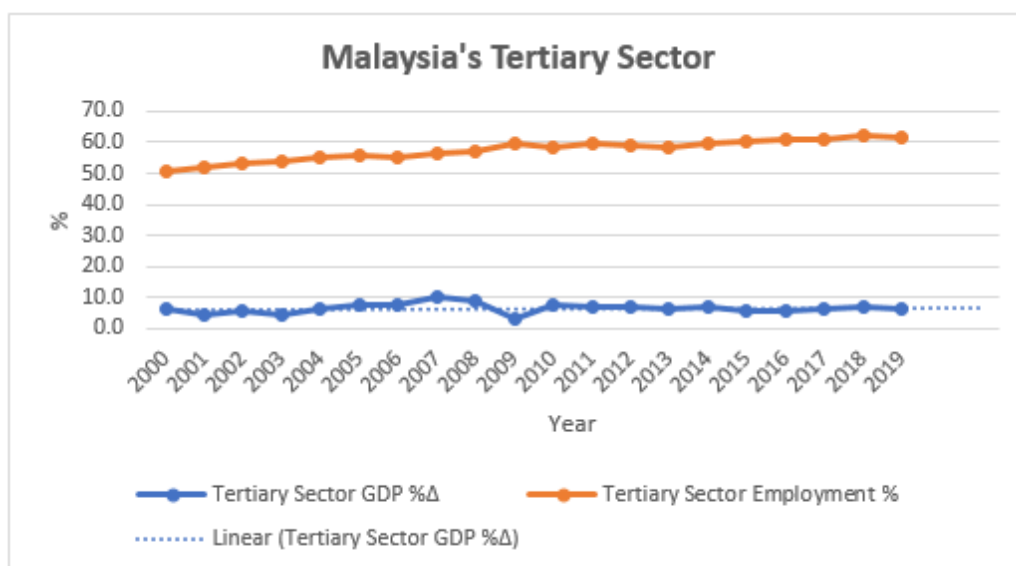


Figure 6. Malaysia's tertiary sector employment to GDP impact

As the sector increases steadily in its employment percentage, GDP seemed to have flattened. Post 2010 showed that as employment in the tertiary sector grew, contribution to GDP remained the same throughout the last decade. This is rather worrying because, as more and more Malaysians join the tertiary workforce, there is no significant improvement in GDP contribution. It is a possible observation to note that the tertiary sector may have saturated to a point of inefficiency. Could this be true? The tertiary GDP percentage is observed to be uniformed unlike the other two there were very erratic. To assess the economic sectors of Malaysia, the following hypothesis is tested.

**H0:** If the economic sectors of Malaysia are efficient, then no policy nor institutional changes are required to alleviate the national economy.

**H1:** If the economic sectors of Malaysia are not efficient, then policy and institutional changes are required to alleviate the national economy.

## METHODOLOGY

### Data Envelopment Analysis

To assess the efficiencies of the economic sectors, this study employs Data Envelopment Analysis (DEA). Efficiency utilization of scarce resources is a major concern for decision making and policy change, and because it has important implications on the survival of the Malaysian economy on its long-term effects (positive or negative), the economic sectors must constantly calibrate the manner they have been harvesting and utilizing scarce resources. Employment is one of such scarce resource (Balan, 2020). The inability to achieve efficiency is a result from having the lack of the needed technology, poor quality of inputs, incapable to meet the scale of production, uneven or unjust allocation of resources, and weak managerial and administrative abilities. Efficiency can be increased by minimizing inputs or by maximizing outputs, or a combination of both.

DEA is a non-parametric technique used in the estimation of production functions and has been used extensively to estimate measures of technical efficiency in a range of economic analysis (V. C. Kumar, 2012). The process operation of DEA estimates that the maximum potential output for a (given) set of inputs has primarily been used in the estimation of efficiency. The crucial construct/form of a DEA model are the envelopment surface and the efficient projection path to the envelopment surface. The projection path to the envelope surface is determined by the model whether it is an output-oriented or input-oriented model. The choice of input models or output models

depends upon the production process characterizing the sector, i.e., minimize the use of inputs to produce a level of output or maximize the level of output by the input levels (Cooper, Seiford, & Zhu, 2011).

Data Envelopment Analysis is a model that is concerned with the evaluation of the economic performance of Malaysian sectors inputs and outputs. In recent years, several DEA applications have appeared in the regional economics assessments interest. The underlying DEA logic is that for any given or to be tested entity for efficiency, known as a Decision-Making Unit (DMU), can produce  $y$  amount of output by utilizing  $x$  amount of input. If a DMU can produce the favourable and desired result, then other similar nature DMUs in a controlled environment condition can do and produce the same outcome as well (Ali, Er, Ahmad, Lyndon, & Ahmad, 2013). When a DMU fails to produce the needed outcome, it is said to be inefficient. DEA combines all efficient DMUs to create and form a composite DMU, (DMUC) that is produced by inputs and outputs that were learnt from all the other efficient DMUs. If Super DMUC outperforms any DMUs, then that DMU is considered as inefficient. The application of the DEA model involved 3 process. The first is to define and select the DMUs to be analysed. The DMUs selected must have the same kinds of inputs and outputs.

The second stage is to determine the type of input and output variables. The third stage is the application of the DEA model and analysis. This 3-stage process was recommended and suggested by (Golany & Roll, 1989). There are 2 DEA models that needs to be determined for the analysis; Return to Scale (Constant (CCR, Cooper, Charnes, and Rhodes) or Variable (BCC, Banker, Charnes, and Cooper)) or orientation. Deciding on the orientation of the DEA model would depend on the purpose of the analysis. Most decision-making process have 2 characteristics: administrative and policy. An input minimization model addresses the administration aspect of the problem and an output maximization model addresses the policy aspect of the problem. The inputs in a policy related studies are largely based on taxpayers funding and financing and this involves equity and equality on the matter.

The weakest spot on the DEA analysis is the variable selection as it can be difficult, convoluted, controversial and wrongfully specified. Golany and Roll (1989) recommends that everything should be first factored in and then an elimination process be used to only include the relevant ones. The easiest way to select variables are through bias judgements with help from relevant field experts. The right way of unbiased method to select variables for DEA is through factor analysis, regression, or correlation analysis. Through factor loading, inputs and outputs can be determined with the potential multicollinearity among inputs and among outputs (Golany & Roll, 1989).

### **Economic Sector Assessment**

Sector economic activities that generate products and services for the purpose of contributing towards national growth and development makes up the list of the national account. Year-on-year, the national account reflects the strength and progress made by the various economic sectors that gives impetus towards the Malaysias economic stability (Hussin, 2013). The proportion of contribution made towards Malaysias GDP - measured in percentage to show yearly progress or in monetary value showing weighted significance of the sector, is an indicator of the importance the sectors play towards Malaysias nation building. Extracting the sectors data, a 20-year average of the GDP contribution by sector for Malaysia is represented in Figure 7.

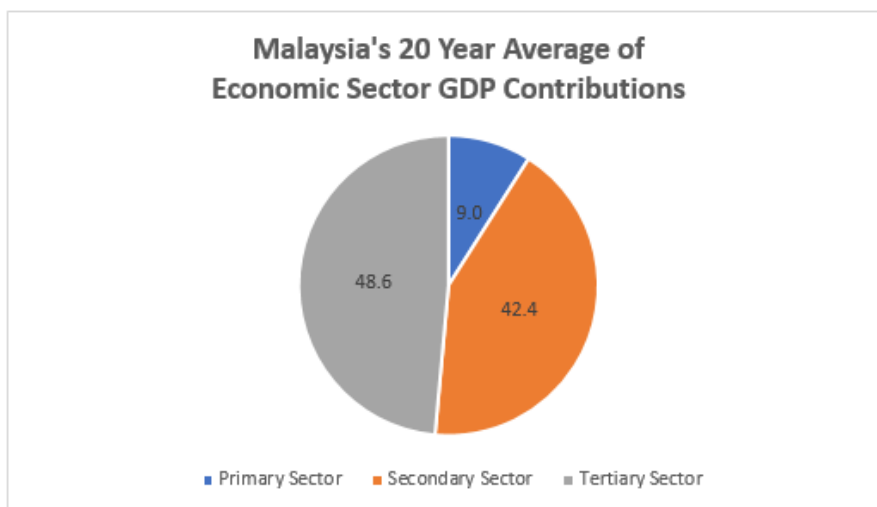


Figure 7. Malaysia's average GDP contribution by sector ( Source: Malaysia's ADB 2020 Economic Outlook )

Although the Malaysian economy is doing well, but it cannot go unmentioned that the percentage importance and the weight that each sector carries is rather uneven. Malaysia was developed on the grounds of the primary sector has seem to shrink in its contribution towards nation economic growth. Over the 20-year period, a 9% significance of the primary sector seems daunting when Malaysian is one of the largest producers of oil palm in the world. But relying on a single commodity that fluctuates to the rhythm of globalization puts the primary sector in a position of somewhat uncertain. The primary sector contributes a sizeable GDP value to the nation but over the past years it had lack the anticipation to create a worthy value in its supply and value chain. The primary sector productivity is an important source of national income, but factors of productivity and institution caused the decline in the sectors role.

The secondary sector plays an important role and a significant contributor. The sector is primarily made of many small-medium manufacturing enterprises that holds the Malaysian economy since the early 1980s. The large-scaled manufacturing of semiconductors, electronics, energy, and automation has sustained the employment sector with low to semi-high technology assembly productions. The overall value chain that the secondary sector generate is rather small but collectively it provides 42% towards the Malaysian GDP. On the construction side of the secondary sector, the value it provides on the chain are still assembly orientated. It sustains provides employment for foreign workforce who then contribute their efforts towards Malaysia's development, and at the same time stimulates the professional tertiary sector. But it is also to note that many of the infrastructure constructions that takes place are financed by investments outside of the country, only capital formation, implementation, revenue generation (post construction), and employment creation that gets captured into the GDP.

Like in many other developing countries, the backbone of the economy that seems to perpetually grow is the tertiary sector. For Malaysia, about half of the economy's output comes from services based intangible productions. Although the tertiary sector holds half of the Malaysian economy, but its annual GDP growth for the last 10 years is hovering under 10%. From the 3rd Industrial Master Plan (IMP3) 2006-2020, the incentives and initiatives towards the tertiary sector especially in tourism was targeted to record a growth rate of 7.5% and a total GDP contribution of 59.7% by the end of the plan. Along the roadmap period of the IMP3, there had been unfortunate events, but the black swan of 2020 has amputated and handicapped major portions of the tertiary sector activities and had affected the country from achieving the set-out goals. Recovering would then further cause the projected annual tertiary GDP to stagger. The question of efficiency remains even if 2020 was removed from the tertiary sectors economic equation because the growth rate for 2019 stood at 6.1% as compared to 2018s 6.9% and 2017s 6.4%.



## RESULTS AND DISCUSSION

The economic sectors of Malaysia were assessed independently. This assessment is key to determine the efficiencies of the sectors for policy implications (implementations) that could turn the national economy around. The efficiencies of each economic sector were estimated using the input and output orientation of both the CCR and BCC DEA models. The assessment also includes an Additive Model to provide an alternative approach for estimating the returns to scale (nonparametric regression). The envelopment surface will vary subject to the scale assumptions that underpins the model. A two scale assumptions are generally employed: Constant Returns to Scale (CRS), and Variable Returns to Scale (VRS). VRS encompasses both increasing and decreasing returns to scale. The former reflects on the fact that outputs will change by the same proportion as inputs are changed. VRS reflects on the fact that production technology may demonstrate increasing, constant, and decreasing returns to scale. For this assessment on the economic sector efficiency, the efficiency function includes both CCR and BCC models with consideration of both input and output-oriented approach with an additive. This was done to compare the best outcome to the approached used in assessing the various economic sectors of Malaysia.

To measure the relative performance of the individual economic sectors, the assessment uses three types of efficiencies: Overall Technical Efficiency (OTE), Pure Technical Efficiency (PTE), and Scale Efficiency (SE). The CCR model defines the relative efficiency for any DMU as a weighted sum of outputs divided by a weighted sum of inputs where all efficiency scores are restricted to lay between zero and one (S. Kumar & Gulati, 2008). An efficiency score that is less than one for a sector would mean that it is operating below the frontier. The efficiency score reflects the radial distance from the estimated production frontier to the DMU under consideration. In case of output maximization DEA modelling, the weighted sum of inputs is constrained to be 1 to maximize the weighted sum of outputs, while in input minimization DEA modelling, the weighted sum of outputs is constrained to be 1 to minimize weighted sum of inputs.

The BCC model measures the Pure Technical Efficiency (PTE), i.e., conversion of inputs into outputs. The CCR model measures the OTE while the BCC model measures the PTE (also known as managerial efficiency). If an economic sector scores a value of 1 in both the CCR and BCC, it is said that it operates at the Most Productive Scale Size, MPSS. The Scale Efficiency (SE) of a sector is measured by dividing the OTE from PTE. Should in any case that an economic sectors PTE is equal to 1 and its OTE is less than 1, it implies that the sector is able to convert efficiently its inputs into output, and vice-versa (S. Kumar & Gulati, 2008). It is to note that inefficiencies can be caused by the size of the sector to its corresponding outputs, lack of the needed operational support, and disadvantageous conditions under which it operates that effects the OTE, PTE, and SE.

Two sets of assessment were carried out: one, the efficiencies of the sectors towards national output and, two, the efficiencies of the sectors as a national contributor. Data used was the 2015 constant market price data obtained for the ADB Economic Outlook 2020. Results of both efficiency assessment as follow.

Table 1: Sectorial data at 2015 constant market price

MYR million (- cpi)	2000	2001	2002	2003	2004
GDP	350948	353159	370725	395060	420452
Primary Sector	67220	66614	68813	73518	76455
Secondary Sector	132539	128933	133696	145398	156870
Tertiary Sector	162494	169320	178451	187222	198568
MYR million (- cpi)	2005	2006	2007	2008	2009
GDP	527380	553219	597700	604774	626232
Primary Sector	113536	114520	118491	114448	115774
Secondary Sector	174575	184712	194652	190282	186578
Tertiary Sector	233088	248520	278741	292930	316933
MYR million (- cpi)	2010	2011	2012	2013	2014
GDP	808127	837502	897117	934928	980658
Primary Sector	169878	168414	173233	175194	177985
Secondary Sector	238944	247432	266472	277007	292362
Tertiary Sector	391759	413277	447576	472373	499036
MYR million (- cpi)	2015	2016	2017	2018	2019
GDP	1152225	1203620	1249591	1349551	1411115
Primary Sector	196386	195179	197277	200822	201513
Secondary Sector	342132	359152	373307	403510	418026
Tertiary Sector	599317	633624	661631	729359	775869

The data envelopment application was classified into Input Oriented (IO) and Output Oriented (OO). OO model minimize the inputs for a desired level of output to be achieved and OO model maximize the outputs while input is kept at constant level. Both IO and OO model seeks to maximize the outputs and minimize the inputs, and thus maximize the efficiency. IO model closely focuses on operational and managerial issues whereas OO model is associated with planning and strategy.

### Sector Efficiency towards National Output

This assessment uses both input oriented and output-oriented DEA models for measuring the economic sectors efficiency of Malaysia. The outcome of the Sector Efficiency towards national output results is displayed here:

The analysis produced showed that the sectors had undergone various levels of efficiencies towards national output. Over the 20-year time frame, many incidents (domestically and internationally) that had shaped and caused the sectors to react accordingly. The sectors became more robust after the 2008 financial crisis. It did not impact Malaysia a whole lot but because it was a global hit, exports were impacted. It must be noted that the significant change in the sectors occurred from 2010 onwards. For the agriculture sector, the efficiency of the sector contributing towards GDP steadily grew from 60% efficiency to almost full efficiency. This is very encouraging to see even though the sector is the smallest contributor to the national GDP. Manufacturing has been very steady, and this reflects the 42% average GDP contribution it has made. The service sector employs the largest pool of resources and is able to maximize output efficiencies for the last 10 years. The input orientated model is to be questioned as it looked sluggish and struggling to contribute as national component.

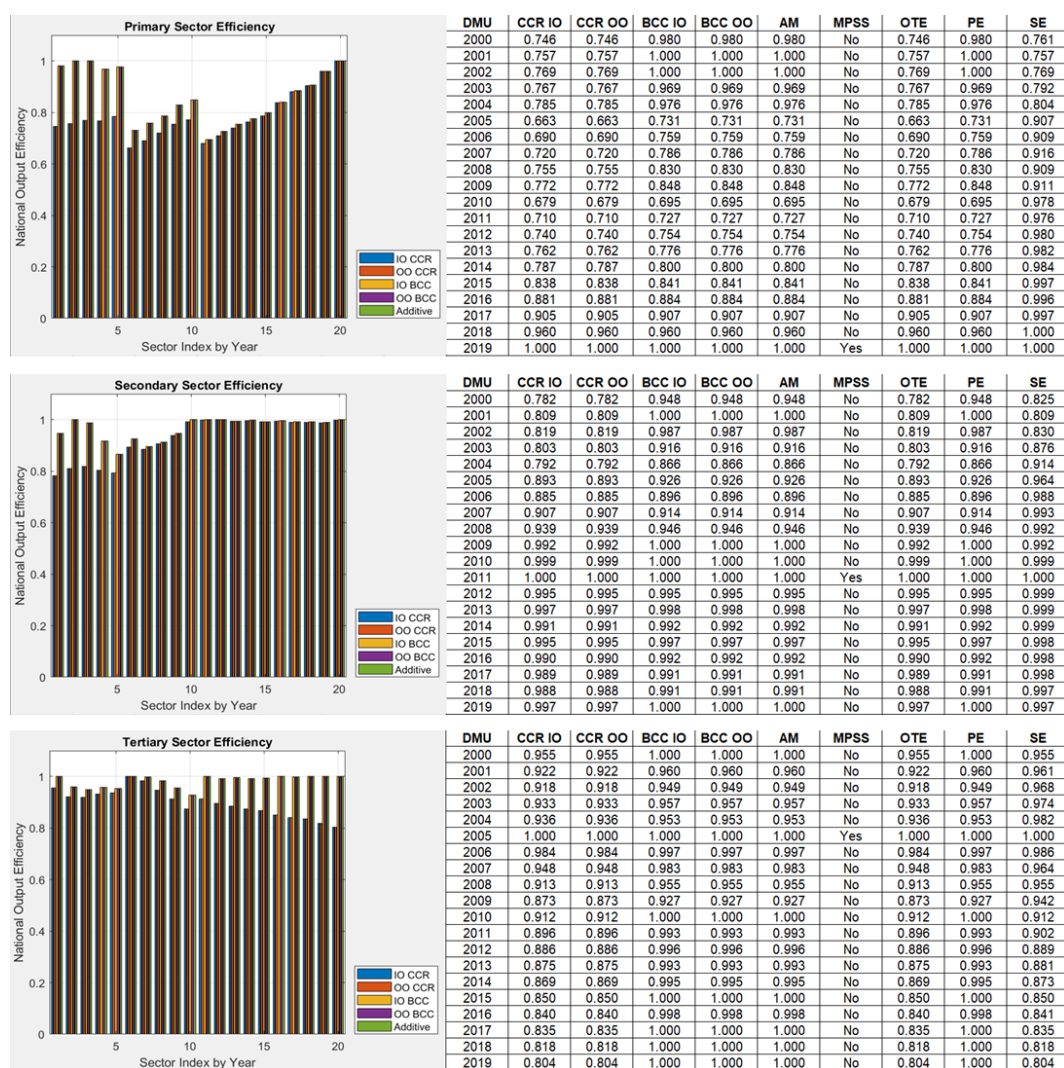


Figure 8. Malaysia's sector efficiency towards GDP

### Sector Efficiency as a National Contributor

Towards contributing to the national output, the three sectors, as seen in the results generated, has clearly indicated of its contribution efficiencies. For the economic sectors to be seen as national contributors, a big factor is in exports. Exports helps in generating income to the country. When the economic sectors sell more than it buys, the contributions are reflected in the national income. National income is a factor of GDP together with the flow of money to and from foreign countries. Next, the Sector Efficiency as a national contributor assessment was carried out to root an understanding of the economic sectors performance as a national contributor for Malaysia.

A similar process was carried out to justify the selected inputs and outputs and the results are tabulated, respectively. The data used for this portion of the assessment was corroborated from the World Bank databank, ADB 2020 Economic Outlook for Malaysia, the Department of Statistics of Malaysia, and Malaysia External Trade Development Corporation. The reason for this corroboration was to ensure that the data used for this analysis did not present any bias or to be in favour for any of the respective reports and institutions.

Export data that were absent or that had predisposition outliers were removed.

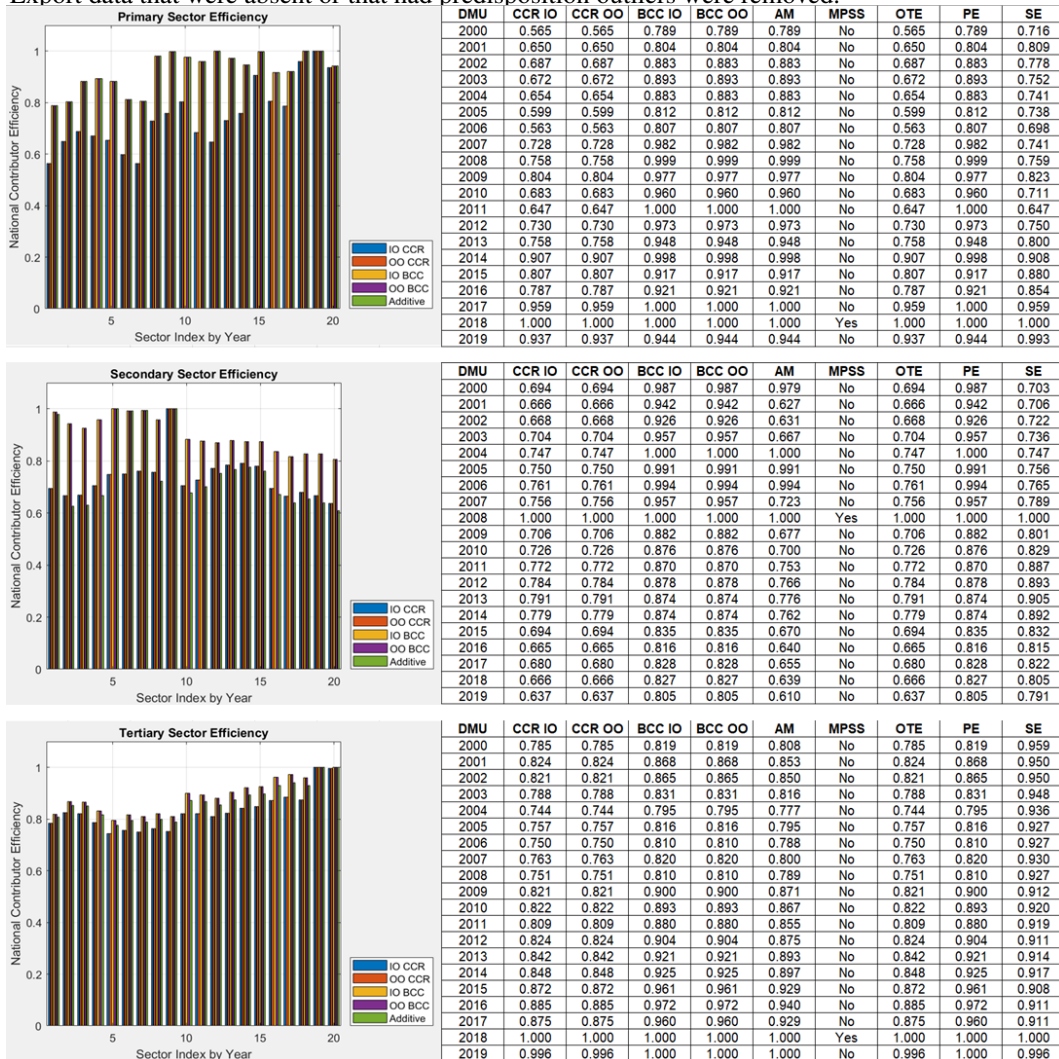


Figure 9. Malaysia's sector efficiency as a national component

The generated results are evidently clear that neither of the sectors are performing efficiently to be a national contributor, hence, contributing towards national output is undermined of the sectors potential. With the use of both CCR (input) and BCC (output) DEA oriented models in the assessment, it can be deduced that the three sectors have issues and challenges pertaining to administrative and policy to maximize the outputs, minimize the inputs, and thus maximize the efficiency. This is a clear indication of operational and managerial issues together with policy planning and strategy challenges.

### Policy and/or Institutional Implications

By rejecting the null hypothesis, raises questions on the efficacies of the economic policies and the economic institutions particularly on the supply-side. Supply-side policies and institutions are enacted and established in the attempt to increase productivity capacity to stimulate growth in the economy (Aktan, 1989). The success of the supply-side shifts the aggregate supply to the right to then enable higher economic growth in the long run. There are two forms that the supply-side policy takes, the first is the free-market supply-side policies that involves policies to increase competitiveness and free-market efficiency of the likes of privatisation, deregulation, and lower tax rates (Ireland, 1994). Second, is the form of government intervention to overcome market failure where the government will spend more on transport, education, and communication (Minford & Meenagh, 2020).

For the case of Malaysia, the government has done both forms of the supply-side policy, but the sectors efficiencies remain the same. A matter that needs to be relooked is at the national budget allocation to the economy. Figure 10 shows that the allocation made to the economy (budget wise) remains stagnant. Where is the priority? Although the allocation made to the economy encompasses all economic activities, nevertheless, with small allocations in an incredibly competitive global commodity market, inefficiencies prevail. For policies to function well, it needs the support of proper budget allocations. But it would also be worthwhile in future studies to venture deeper to understand the nature of such allocation.

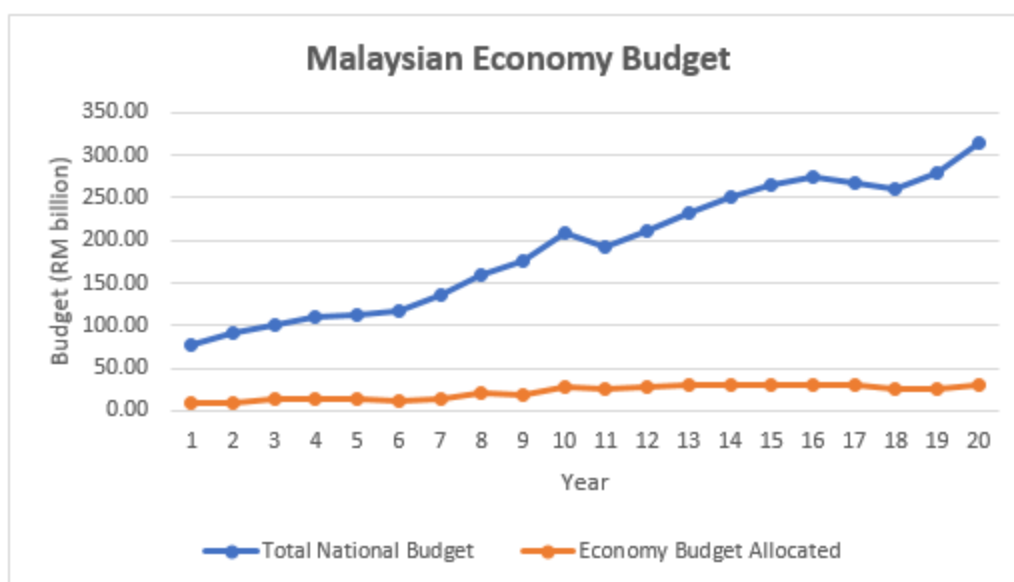


Figure 10. Malaysias sector efficiency as a national component ( Source: Treasury Malaysia)

When budgetary gaps are not narrowed and budgetary priorities are not emphasized according to the countrys economic growth needs, then the foundation of institutions are rattled (Todorova et al., 2019). The Malaysian economic institutions have had its share of malpractices and unsystematic implementations of economic projects. Over the years, it has improved with erecting good governance, integrity, and accountability. The judiciary arm of the country has played its role to ensure upright character of the institutions to be more responsible with taxpayers contributions and to be more robust in the execution of its decisions for the countrys wellbeing. Although to date, there are still issues to resolve pertaining to economic institutional reforms, the immediate operationability of these institutions are still the driving force of the economic with subpar rollouts.

These institutions are heavily politized and have fallen into the traps and tunes of the political will and agenda of the ruling party. The policies created, debated in Parliament, and enacted are the ones that established these functioning institutions. No doubt, that these institutions have indeed helped the economic sectors to flourish and aided in the development of the country, are now the very reason that the economic sectors are sluggish. In all fairness, Malaysia as a developing nation which depends a lot on exports performs to the tune of global shocks and prices; therefore, the role of these institutions and the policies are to safeguard the sectors and the country from being the victim of these external forces. Based on Figure 10, institutions too cannot be mobilized efficiently when the budgetary allocations do not facilitate the growth agenda.

## CONCLUSION

The conundrum between policy and institution are intertwined. It cannot be separated as it is the outer and inner wheel of motion that propels the countrys economy. The performance of the economic sectors is bounded and hindered by many other considerable factors. For the moment, the policies and institutions are operating within the limitations and scope of the Malaysias potential. It is undermining the growth prospects that could resolve many

other economic issues that the country is facing. As long as the economic ceiling is not shattered, growth potentials will remain stifled and economic sectors will remain inefficient. It must be made known that this study has opened newer frontiers of research pertaining to budget allocation, institutional performance, policy restructuring, and economic efficiencies beyond exports and GDP. Heading towards 2030, Malaysia cannot utilize the economic instruments of the past in hopes of an upsurge of growth prospects.

### **Implications of Study**

A readjustment of the economic pie needs a relook in the distribution of resources. It is also to wonder that as these sectors provides employment, it also retains inefficiencies mainly for the tertiary sector. This study concludes to the fact that the national economy relies on national economic sectors, and when these sectors are not properly administered and managed and strategically planned for implementation, it is then exposed to inefficiencies on multiple levels. It is a consorted effort to find resolutions that would curb inefficiencies issues. From the DEA analysis, there were periods that these sectors were performing at the point of efficiency. The nature of the country also causes these inefficiencies to linger, but in order to be efficient it must be resilient, and resiliency stamps from policy and institutional implications.

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