

FRAMEWORK FOR ECONOMIC PERFORMANCE OF RURAL AREAS IN MALAYSIA: A TERRITORIAL APPROACH

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ABSTRACT

Rural, poor and marginalized community often face many challenges in achieving economic equality and attaining socio-economic sustainability, especially among rural communities who have limited sources of income. Although it involves complex issues, it cannot be disregarded. Rural areas and its communities are important aspects of a country's political and economic stability. In countries with emerging and developing economies such as Malaysia, rural populations constitute the majority of citizens. They are generally poorer and more disadvantaged than their urban counterparts. The study determines the factors for the differences in economic performance of the rural areas in Malaysia. The study also provides the framework to revitalize rural areas and the methods to use this framework that measure rural economic performance. Several methods were used to collect the information from rural communities using in-depth interview and structured survey. These two methods are important for this research in order to understand how the rural areas and its communities faced situation of growth or decline. By using this framework, the analysis of differentiation of economic performance provides understanding on how variation of factor influencing economic performance in rural areas and direct measures should be implemented in solving issues of rural decline.

Keywords: Rural, Economic, Performance, Community

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1. Introduction

A growing body of literature has contributed to a lively debate in the driving uneven spatial development in most rural areas in developing countries today. The earlier debates gained from perspectives of the OECD's (1996) which work on 'territorial indicators of rural development and employment', that demonstrated in the variability of rural economic performance even within similar types of rural areas, and proposed a set of 'territorial dynamics', or factors, that might underlie those differences. Terluin (2003) insisted that many of these factors can be classified as

either exogenous or endogenous or else mixed exogenous and endogenous, whereby the interplay of local and external forces is crucial to sustaining growth.

Terluin (2003) and Agarwal et al. (2009) also described that mixed exogenous and endogenous development approaches, community-led development theories and development based upon the exploitation of social and cultural capital related strongly to economic development and, given the availability of sufficient labour and capital, to a high capacity of local actors and strong internal and external networks. This

paper identifies the factors for the differences in economic performance within the rural areas based on the reviewed on five categories of economy capitals related to rural areas. Besides that, this paper provides a framework for economic performance of rural areas which incorporates the variation of factors according to five categories of economy capitals.

2. Literature Review

More than 46 percent of the world's live in rural areas and a majority of rural areas in the 21st century faced variation of issues and problems which leading towards cycle of rural decline and the major effects will be faced by its communities (World Bank, 2015). According to OECD (2006), Yu (2009), Heimann (2010), Phillipson et al. (2011) and Salborn (2015) rural areas faced overwhelming issues and problems in breaking the cycle of rural decline. The issues and problems related to the decline of rural areas which are:

- i. Limited capital investment for rural economic growth by government, private and individual
- ii. Lacking of 'Hard Infrastructure' development
- iii. Issue of use of land and abandoned land
- iv. Limited job opportunities
- v. Income inequality
- vi. Lacking interest on agricultural activities by young generations
- vii. Out-migration from rural to urban areas

Recent literature shows some evidence that the image of rural areas in most part of the world especially in Europe as being the scene of losses of population and jobs, largely associated with the idea of a rapid decline of employment in a supposedly dominant agricultural sector, needs re-adjustment (Bollman and Bryden, 1997; Terluin and Post, 2000). Comparative analyses of socio-economic indicators in rural regions in the 1980s and early 1990s show that the decline in agriculture is paralleled by a growing diversity of employment in the manufacturing and services sectors (Heimann, 2010).

Although in some rural regions non-agricultural employment growth could not compensate the loss of agricultural jobs, it appeared, however, that there were also quite a number of rural regions which outperformed employment growth in the urban

regions. In a rural region, agriculture is usually the dominating economic sector especially rural region in ASEAN countries. Agriculture is a labour intensive economic sector with the potential to create jobs, and which plays a key role in food security. The contribution of rural regions and the agriculture sector are important for economic growth, food production and security, social cohesion and political stability (Meyer, 2014). Terluin (2003) explained that the major determinants of the different in economic performance in rural regions are territorial dynamics, population dynamics and globalization process. The interplay between global, local and national factors is not provide sufficient and comprehensive understanding on factors affecting the economic performance of rural regions either growth or decline.

Several findings by scholars broadly agree with other studies of rural economic performance in Europe (Bryden and Hart, 2004); Canada (Tiepoh and Reimer, 2004) and Australia (Woodhouse, 2006), all of which emphasise in some way the importance of a combination of local resources (including social, cultural and environmental endowments) and external forces, and the interrelationships between them, in explaining differential levels of performance. Bryden and Hart (2004) work, for example, emphasised the importance of institutional effectiveness, entrepreneurship and human resources in explaining differential performance across eight regions in Europe. In addition, the most successful areas were often characterised by the commercialisation of local resources through effective utilisation of local culture and a high degree of institutional autonomy, thus emphasising the importance of territorial, as opposed to sectoral, approaches to economic development.

Rural economic growth and development can be achieved if government interventions are to address rural issues and problems. It has playing important role in facilitating the development, improved access to basic services, access to national rural assets and in correcting market failures and distortions to domestic markets in order to revitalize rural economic development (Netshitenzhe, 2011 and Sibisi, 2009). Deeper discussions on this issue of rural economic had established to highlight their research on this matter as Terluin (2003) explained that population dynamics, territorial dynamics and globalization process are the

major factors of the economic performance differences between rural areas.

The existence of various well-established body of literature on differential economic performance had come to a specific research into this issue in rural areas began in the late 1980s. The research on the factors of economic performance in rural areas around the world has evolved from investigations of single issues, to analyses of multiple issues particularly of the five categories of capital - economic, human, social, cultural and environmental (Agarwal et al. 2009). The relevance literature studies on rural economic development which influencing by the factors of

economic performance in rural areas either it's performance are growth or decline as describe in Table 1. Based on the relevance literature studies which are related to the theories or factors of rural economic performance, most of the scholars have used the factor of capital indicators (economic, social, cultural, human and environmental) to identify and justify about the theories and factors of economic performance of rural areas. Agarwal et al. (2009) suggested that this approach proved to be useful for rural areas to measure its economic performance in order explaining the differences of economic performance factors in rural region around the world especially in the developed and developing countries.

Table 1 Related Studies on Rural Economic Development which Influencing the Economic Performance of Rural Areas

Years / Author	Factors for rural economic performance	Spatial Level
Terluin (2003)	The relevance of theories/factors in explaining the differences of economic performance of rural region in Europe.	Region
Gardner (2003)	The sources of rural growth and rural household incomes (i) macroeconomic and political stability; (ii) institutional incentives; (iii) competitive input-output markets; (iv) productivity-technology, and (v) real income growth in the non-agricultural economy.	Village & Household
Courtney and Moseley (2008)	The factors of local economic performance in rural region of England based on 5 dimensions of factors (social capital, economic capital, environmental capital, cultural capital & human capital).	Region & Village
Agarwal et al. (2009)	The determinants of economic performance of 149 English rural Local Authority Districts using wide range of indicators representing economic, human, cultural and environmental capital as well 'soft' factors.	Village
Klok (2011)	An assessment of rural tourism development in Ukraine that characterized by classification of the main factors (internal and external) which influencing the development of rural based on 4 different factors (environmental, economic, regulatory and socio-cultural)	Region
Sánchez-Zamora et al. (2014)	The review of factors that determined the effect of a wide range of territorial variables (economic, human, natural, and social capital) that define economic performance which drive successful territorial dynamics (STD) in rural areas.	Region & Village
Straka and Tuzova (2016)	The review of the factors and indicators for development of rural areas in condition of the Czech Republic using 4 variation indicators (economic, social, cultural or environmental factors).	Village & Household

3. Methodology

This case study follows the framework for economic performance of rural areas based on identification variation of factors influencing economic performance, in which data is collected in the field, the questionnaire form through in-depth interview and observation survey are the primary data collection instruments. Meanwhile, the sampling method is purposive where the survey involved the head of households, and both quantitative and qualitative research methods are used to capture views on differentiations in economic

performance of rural areas. This paper explained the research on variation of factors in economic performance of rural areas which is not associated with the macro scale of study but it concerned with large-scale population data whereby it involves every family who lived in traditional villages in rural areas.

Two type of research instrument was used which are the questionnaire and observation. The questionnaire form is the main research tool to collect data and information of rural households and perception of five capitals involved in this research that covered the endogenous and exogenous factor which influence the

economic performance of rural areas through field survey. The implementation of structured questionnaire through the method of in-depth interview which able understand the process of transformation process of change interacts over time (dynamic process). Meanwhile, observation form is used to gather data of surrounding the selected village in terms of the physical aspect of development that relates to the five capitals which influenced the economic performance of the villages and its households. Table 2 shows the method of study in analyzing the economic performance of rural areas which includes the type of analysis, level and methods of study and the variables used in the analysis.

The level of spatial scale involved in explaining economic performance of rural areas is the village level studies. This spatial level will be analyzed based on

analysis to measure differences in economic performance. This analysis must follow exactly to the method of the study. Most importantly, to use this framework for economic performance of rural areas based on the identification of factors in five categories of economy capitals (Economic, Social, Human, Cultural and Environmental), it must be translated to the instrument of research like questionnaire and observation. Likert-scale for the questionnaire is the most appropriate techniques to measure each of the elements or measurement in these five economy capitals. This analysis provides relevance information about the differences in economic performance of rural areas and socioeconomic differentiation of its households where it measures the framework for revitalizing rural areas based on factors of rural economic performance using descriptive data analysis (Mean).

Table 2 Method of Study for Analysis in the Economic Performance of Rural Areas

Type of Analysis	Level of Study	Methods of Study	Variable
Factors for differences in economic performance within the rural areas	Village level studies	<ul style="list-style-type: none"> The data used for this analysis are collected from the household's survey of a village through in-depth interview. The village observation in term of physical aspects through field survey. 	Quantitative-The data needed for this analysis covered the following variables: Economic capital; Social capital; Environmental capital; Human capital and; Cultural capital which collected in every family inside the village.

4. Framework for Economic Performance of Rural Areas

In recent years, theoretical debates have evolved to embrace new forms of development trajectories in the face of a restructured and globalized economy. As Lowe et al., (1995) described that mixed exogenous and endogenous approaches stress the interplay between local and external forces in the development process, the nature and extent of which is often largely determined by unique territorial contexts. It is clarified that mixed endogenous and exogenous approach also known as territorial innovation model is the appropriate measurement of economic performance that involved interplay both internal and external factors (Terluin, 2003; Agarwal et al. 2009).

Therefore, this framework for economic performance of the rural areas that incorporates the variation of factors based on mixed exogenous (internal factor) and endogenous (external factor) approaches was designed to emphasize relationships between all contributory factors within, and between, the five categories of economy capital. The framework set out in Table 3 was used to guide the research which indicates the variation factors of economic performance in rural Malaysia. Therefore, in the context of village level, the measurement of all five economy capitals is based on framework for economic performance of rural areas involving Economic (5 factor, 9 indicator); Social (3 factor, 8 indicator); Human (4 factor, 8 indicator); Cultural (4 factor, 7 indicator); and Environmental (4 factor, 9 indicator).

Table 3 Framework for Identification of Factors in Economic Performance in Rural Malaysia

Capital	Factors (Village Level)	Indicator (Measurement)
Economic	Occupations and Income	Increase income every year
		Stable in occupation
		Able to support a family well
		Able to get an additional source of income
	People Employed in Households	Good job and a balanced salary by family members
	Remittance from Families	Money transfer by family members really helps family life
	Assistance from Government and Private Agencies	Financial and welfare assistance by the government
Business/agricultural/fishery assistance by the government or private sector help to increase income		
Asset and Property Ownership	The cultivated land can generate considerable yields	
Social	Trust and Norms	Trust in neighbors
	Membership and Participation in Community	Involved in social organizations such as the Village Community Management Council (MPKK) /mosque committee/youth/women's organization
		Engaging in community activities and gotong royong
	Collective Action and Neighbourhood Connection	Good contacts to facilitate a process in obtaining financial capital
		A good relationship with community leaders (Village Head)
		A good relationship with the Wakil Rakyat
A close relationship with successful entrepreneurs		
Human	Health	Good level of health
		Able to do hard work
	Education	Have a perfect formal education
	Skill	Follow training and skills
		Skills inherited by previous generations
		Skills are shared with the younger generation
		New skills by younger generation shared to an older generation
Confidence and Leadership	Like to be a leader in an organization	
Cultural	Attitudes	Good attitude and personality by surrounding community
	Religious	Regularly to the synagogue to fulfill my duty as a believer
		Praying and put fate and help from God
	Cultural and Way of Life	Exercise regularly (walking, jogging, sports)
		Local cultural activities involvement
Religious activities involvement		
Resilience	Financial assistance to relatives/neighbors/villagers	
Environmental	Natural Environment	Attractive natural resource in the village
		Well maintained of natural resources in the village
		No natural disasters such as floods and storms occur
		Frequently visited by visitors/tourists
	Soil Fertility and Environmental Quality	No pollution problems such as water, air and others
		Good soil fertility level in the village
	Accessibility to Facilities	Good basic infrastructure like electricity/water/road
Public transport services and village are linked		
Location	Easy to get the goods and services in town/city center	

5. Conclusion

The framework described above serve to reinforce the view that the drivers of economic performance are largely underpinned by a complex interplay of internal and external forces based on five categories of economy capitals (economic, social, human,

cultural and environmental) which incorporates the variation of factors for rural economic performance in Malaysia. This paper also highlighted a deeper insight in the relationships among the main factors of five categories of economy capitals in economic development of rural areas. Significantly, this framework for economic performance of rural areas was used as a comprehensive approach to measure it

performance and address rural issues and challenges. Thus, this framework is very relevance in measuring the economic performance of rural areas and can be applied as important tools to solve identified issues happen inside the village and come out with direct measures to solve it.

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