

EDITOR'S INTRODUCTION

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This special issue of *Kajian Malaysia* is titled "Sustainable Economic Development: Policies and Strategies" with central attention to the cases of Malaysia. This special issue consists of 12 refereed papers, all of which were originally presented at the USM-AUT International Conference 2012, jointly organised by Universiti Sains Malaysia and Auckland University of Technology from 17–18 November 2012, held at the Bayview Beach Resort, Pulau Pinang, Malaysia. The conference benefited from the support of the Japan Foundation Kuala Lumpur (JFKL), Brawijaya University, Malang, Indonesia, Scientific Academic Publishing and Emerald Publishing. The conference objectives are to provide an interdisciplinary forum on the policies and strategies related to sustainable economic development for academics and practitioners; to propose multidisciplinary strategies for economic, socio-political, cultural and institutional changes to achieve sustainable economic development; to discuss the practical challenges faced in promoting sustainable economic development; and to provide a platform to share ideas, experiences and research results about all aspects related to sustainable economic development.

The conference theme, "Sustainable Economic Development: Policies and Strategies", is most timely and relevant, as it addresses the concern of balancing traditional economic development with non-economic dimensions. Traditional economic development focuses predominantly on economic growth and productivity, while non-economic dimensions include the environment, society and culture. As more and more economies around the world de-regulate, liberalise and integrate into the global economy, the changes necessitated by the forces of globalisation towards our society, community and environment are unprecedented and irreversible. As we look around us, the negative portrayal of globalisation to some extent is manifested in the following forms: deteriorating quality of lives, industrial pollution, climate change, environmental degradation, negative effects of urbanisation, poverty, alarming rates of unemployment, growing inequality and widening disparity between the rich and poor in both developing and developed countries. Indeed, globalisation, industrialisation and post-modernism have transformed and impacted the global and local production and consumption processes, and reshaped international division of labour among and within the developed and developing countries. These changes have influenced the way limited resources are allocated and used by societies.

Globalisation has questioned the future role of the government and non-governmental organisations in making more rational decisions and informed policies towards sustainable development. The resources of the nation need to be effectively distributed to ensure inclusiveness, to balance the disparity among the rich and the poor, and, most importantly, to sustain the development of the nation without deteriorating the environment further.

The Millennium Development Goal (MDG) has outlined eight international development goals from eradicating poverty to sustaining the environment. In a way, countries are pressured to achieve the state goals. Although the progress in achieving these MDGs is not uniform across countries, there has been considerable effort to empower communities, especially the vulnerable and underprivileged population.

All papers in this special issue are empirical in nature, looking at the issues of sustainable economic development in Malaysia from various perspectives such as economic development, human behaviour, society, environment, business and finance. Interestingly, readers are able to understand each issue being discussed in a more practical manner because empirical analyses were conducted using actual data, either from a survey or published data. While it is important to understand the theoretical foundation in shaping a sustainable economy, it is also vital to analyse whether the theories support or contradict what is actually happening in Malaysia. Only through thorough investigation of actual phenomena in a society and economy will everyone, especially the policy makers, know the next vital steps to be taken or adopted.

ECONOMIC GROWTH AND DEVELOPMENT

Environmental degradation has not only been known to reduce standards of living but is also thought to have caused migrations, in pursuit of better living environments. Wilson Ow Chee Seong, Baharom Abdul Hamid and Muzafar Shah Habibullah investigate the link between migration and environmental degradation in their paper titled *Intertemporal Changes of the Influence of Environmental Degradation on Migration: The Case between Malaysia and Asia-Pacific Countries*. The study sheds important light on the issues of migration either into or out of Malaysia. Malaysia is seen as a good country destination for many immigrants from developing countries who see Malaysia as an alternative for better living. It was reported that foreign workers dominate almost 25% of Malaysia's labour force. At the same time, Malaysians are also leaving for other countries to seek opportunities for better living, with more than 700,000 Malaysians working abroad. Among the many destinations for emigration are Singapore, Australia and Canada. Although income has always been quoted to be the main reason for migration, it is also interesting to investigate if environmental degradation is also a motivating factor for the

migration. If it is, then much needs to be done to ensure that the environment is well taken care of, not only to tackle the issue of migration but also to enhance the standard of living for the people.

A cross-sectional analysis was estimated over a period of 10 years between 1990 and 2000. The study concludes that migration (immigration and emigration) is highly influenced by geographic proximity, price differentials and environmental degradation per se. Nevertheless, this situation could not remain as the status quo. Environmental degradation could easily influence migration if the level of environmental degradation is not manageable or not maintained at a certain level.

Our next paper, titled *Time Series Analysis of the Impact of Consumption and Energy Use on Environmental Degradation: Evidence from Malaysia*, by Ratneswary V. Rasiah et al., used time series data over the period of 1971 to 2008 to analyse the relationship between environmental degradation, consumption and energy use. The understanding of the relationship among these three variables is vital to ascertain whether the current consumption patterns in Malaysia can be sustained without causing damage to the environment and the current energy source. The study applies the multivariate Johansen-Juselius cointegration method to analyse the long run and short run relationships among the variables. As expected, the study finds a positive relationship between environmental degradation and consumption, and a quite surprising negative relationship between environmental degradation and energy use. The negative relationship found between energy use and environmental degradation is related to the improved energy efficiency in Malaysia. The findings of this study suggest that policy makers need to use a more affirmative action in enforcing green technology and green consumption to remedy the existing effects of consumption on environmental degradation. Additionally, continuous efforts and support for the use of efficient energy must be channelled, encouraged and promoted.

Senadjki Abdelhak et al., in their paper titled *The Role of Institutions in Alleviating the Vulnerability of Farmers to Poverty in Malaysia: A Longitudinal Study*, investigate the vulnerability of farmers in Kelantan and Terengganu to poverty. Specifically, the paper assesses the roles of institutions in addressing the issues of vulnerability among farmers. Malaysia has been successful in its effort to reduce poverty from more than 50% in the 1970s to less than 10%. Currently, we are concerned with sustaining the low poverty rates and achieving a zero poverty rate by the year 2020. One important aspect that needs attention is an individual's vulnerability to poverty – whether the poor will continue to be poor or the marginal poor and the non-poor will fall into the poverty trap. Policies should be diverted to reduce one's vulnerability to poverty. By adopting a measurement named Vulnerability as Expected Poverty, the paper calculates farmers' level of vulnerability and investigates this vulnerability to various institutional supports. The institutional support measures the facilities, programs and aid that farmers receive from various non-governmental organisations

(NGOs) and government agencies. The study concludes that assistance provided by these institutions has more or less assisted in reducing farmers' vulnerability to poverty. Nevertheless, it was also reported that the programs or assistance are rather limited and that some farmers have limited access to them, which may imply that vulnerability to poverty could be reduced through receiving proper aid from institutions, at the right time and the right amount.

The final paper under this section is *Provident Fund for the Informal Sector: A Case Study of the Informal Sector Workers in Kuala Lumpur, Malaysia* by Saidatulakmal Mohd. The New Economic Model calls for inclusiveness in all policy and development agendas to ensure that the well-being of every Malaysian is well taken care of with every step of the nation's transformation. As such, the government has taken all possible actions to protect individuals under a comprehensive social protection program. The Employee Provident Fund (EPF)'s 1Malaysia Retirement Program was introduced to protect and safeguard the income of the informal sector workers upon retirement. However, participation to the program has been marginal, with less than 10% of people participating in the scheme in the year 2013. This paper assesses the acceptance of informal sector workers in Kuala Lumpur towards voluntary contribution to the EPF's 1Malaysia Retirement Program. The perception of informal sector workers on the role of old age protection and provident funds is determined, and the factors influencing the individual's willingness to contribute to the fund are also investigated. This assessment is important to determine a sustainable mechanism in ensuring continuous contribution to the EPF's 1Malaysia Retirement Program for adequate financing of retirement expenses. This study indicates that many informal sector workers realise the importance of the old age protection program and the need to contribute to such funds. The study also specifies that the contribution amount to the fund is vital in influencing an individual's willingness to contribute to the fund. Although there is a positive correlation between contribution amount and willingness to contribute to the fund, the contribution amount needs to be set at an affordable level given the income instability of the informal sector.

SUSTAINABLE FINANCE

Sustainable economic development is not only about environment degradation or improving the well-being of the poor, but it is also about how sustainable finance could be part of the sustainable economic development issue. Four papers are included in this section to shed some light on sustainable finance and economic development.

Inflation may reduce purchasing power and the real interest rate and diminish the value of savings. Although inflation is historically low in Malaysia, investors worry that flat wages and low interest rates could lead to inflation in the future. Therefore, many investors invest in gold to hedge against the potential

risk of inflation. Mohd Fahmi Ghazali, Hooi Hooi Lean and Zakaria Bahari study the role of gold quoted in domestic currency as an inflation hedge in Malaysia. The monthly data of domestic gold, Kijang Emas, is used for the analysis. It is the official gold bullion coin of Malaysia. Titled *Is Gold a Good Hedge Against Inflation? Empirical Evidence in Malaysia*, this article concludes that Kijang Emas is not a good hedge against inflation in Malaysia. Gold is not an excellent store of value in the short-run as this precious metal cannot retain its sustainable purchasing power.

In the paper titled *Malaysian Stock Price and Macroeconomic Variables: Autoregressive Distributed Lag (ARDL) Bounds Test* by Ricky Chee Jiun Chia and Shiok Ye Lim, the Malaysian stock market is examined on selected macroeconomic variables, namely industrial production, inflation, money supplies, interest rates and exchange rates. They find the presence of a long-run relationship between share prices and economic activity. The Malaysian share prices are influenced positively by money supply and interest rates and negatively by inflation. Moreover, real stock returns are Granger caused by real money growth and real interest rates. Exchange rates have explanatory power over stock returns. The authors also claim that monetary policy aimed at stabilising inflation can generate a positive effect on the stock market.

Economic theory assumes that resources in an economy are fixed and that the production possibility frontier could be extended with an improvement in technology. Although it is also assumed that firms experience zero profit in the long run, the sustainability of a firm in an industry lies on sales growth, as well as innovation in ensuring that a competitive product exists in the market. In fact, in this globalisation era, innovation is the key to sustaining the competitiveness of a product in the market. As such, Malaysia has embarked on efforts to protect innovation through intellectual property rights as well as intellectual capital. The step toward this effort started with the introduction of the Knowledge-Based Economy Master Plan launched in the year 2002. Efficient management of a firm's intellectual capital is important for the firm's performance in addition to sustaining its growth in this globalisation era.

Another article, titled *Intellectual Capital Efficiency and Its Determinants* by Qian Long Kweh, Yee Chuann Chan and Irene Wei Kiong Ting investigates the efficiency of intellectual capital for 25 Malaysian publicly listed software companies. By adopting the data envelopment analysis (DEA) model, the authors analyse data gathered from annual reports of the 25 companies. The results presented reveal the overall situation of Malaysian firms' attitudes towards intellectual capital. The study found that software companies have greater value-added efficiency of human capital (HCE) compared to the value-added efficiency of structural capital (SCE) and value-added efficiency of capital employed (CEE). It was found that most companies achieve efficiency on the scale front but lack efficiency on the technical front. It was further reported that the majority of companies are underutilising their intellectual capital to some extent. A two-stage

procedure involving DEA reports a positive relationship between sales growth and intellectual capital efficiency. This implies that a higher sales growth leads to better management of intellectual capital. Hence, a sustained sales growth is achievable through good innovation, which in return is achievable through efficient management of intellectual capital.

Hooi Hooi Lean discusses the *Preferences on Investing in Malaysian Stocks and Futures Markets*. It is observed that spot is preferred to futures at the downside risk, whereas futures are preferred to spot at the upside profits. The empirical results from a stochastic dominance approach show that spot dominates futures for risk averters, whereas futures dominate spot for risk seekers. The efficiency of a market can be inferred as effective information transmission. Financial derivatives including futures can increase stock market efficiency, which means that effective information transmission is important. The study supports the efficiency of both markets in Malaysia. In addition, several positive measures imposed by the government play a large role in stabilising the economy and sustaining financial markets.

SOCIETY AND BUSINESS

Sustainable economic development not only focuses on the issues of environment but also on other social issues such as human capital and work opportunities. Steps in ensuring economic sustainability start by including the well-being of the people, especially the unfortunate groups and the young.

An interesting paper by Tan Fee Yean, Johanim Johari and Annis Fadilla Mohd Sukery titled *The Influence of Attitude, Subjective Norms and Perceived Behavioural Control on Intention to Return to Work: A Case of SOCSO's Insured Employees* investigates factors that motivate employees to return to work after a prolonged illness caused by work-related injuries or other types of illnesses. The understanding of these factors is crucial to ensure a more sustainable work force in addition to ensuring an individual's commitment to work rather than relying on welfare services. Employees who are insured under the Social Security Organization (SOCSO) are eligible for social insurance aid in terms of cash or in-kind to assist them with income losses due to work-related injuries. The "Return to Work" program launched by SOCSO guides and helps employees and employers with disability management. The program assists both employers and employees in ensuring that employees return to employment and continue to receive benefits while on medical leave. Prolonged leave from employment is a great loss to employers, employees and the nation, involving loss of profit, skills and output. Hence, the study provides insight into what could be emphasised in encouraging employment after prolonged illness. The study was based on 160 questionnaires distributed to SOCSO's insured employees all over Malaysia. Most importantly, the study concludes that employees' attitudes and social

pressures (family, friends, colleagues and employers) are highly related to the employees' intentions to work after prolonged sickness. Any policy with the aim of ensuring a high rate of return to work after prolonged sickness has to focus on the employees themselves. The roles of therapists, counsellors and also employers are not to be underestimated in instilling positive views of work to these employees.

The success of the program, since its introduction in 2007, has also relied highly on good case management, i.e., the involvement of excellent and motivated professionals or case managers in motivating the employees. Another effort that has assisted the "Return to Work" program is the RM20 daily allowance given to employees undergoing physical and vocational rehabilitation and not eligible to receive cash benefits under the Invalidity Pension Scheme or Employment Injury Insurance Scheme. The cash allowance motivates and encourages employees to attend physical vocational rehabilitation with the aim of returning to work quickly and safely.

Apart from concentrating on the workers, Malaysia puts high emphasis on the development of human capital. Malaysia has identified entrepreneurship as one of the alternatives for solving unemployment issues, especially among graduates. The first step to instil the passion for entrepreneurship among graduates is the introduction of entrepreneurship education to university students. Entrepreneurship education at higher institutions not only aims to train students on how to be involved with business activities but also on how to produce innovative, creative and competitive entrepreneurs. These entrepreneurs shall contribute towards a high quality, competitive and skilled human resource that will lead Malaysia to achieve its development goals.

The paper titled *Personal Attributes, Family Influences, Entrepreneurship Education and Entrepreneurship Inclination among University Students* by Mazlina Mustapha and Maitilee Selvaraju provides insight into the inclination of students towards entrepreneurship. Questionnaires were distributed to almost 600 students in three public universities in Klang Valley. The questionnaires attempt to investigate the driving factors that influence university students' intentions to become involved in entrepreneurship. Among the identified factors influencing students' intentions in entrepreneurship are personal characteristics (personal skills, attributes and ability and personal independent learning approach), family influences, entrepreneurial curriculum and the role of the university. While it could be said that personal characteristics and family influences are variables beyond the reach of policy makers in reaching out to students' interest in entrepreneurship, entrepreneurial curriculum and universities' roles are not. The findings indicate that a majority of students agree that their interest towards entrepreneurship increased after attending an entrepreneurship course by their university. Hence, it is the role of the university in ensuring the availability of an interesting entrepreneurship course. The paper suggests a further study that involves following the graduates after graduation to identify

who is actually involving themselves in entrepreneurship after leaving the university.

While a great emphasis has been given to the role of the government in shaping the future of the society, the end responsibility lies with the society itself. It is well known that human behaviours are the main cause of many environmental issues that the world is facing now. It has been reported that human actions through the use of non-environmentally friendly products, in addition to the excessive emission of pollution from vehicles or factories, have led to the deterioration of the environment and the earth. Awareness of preserving and conserving the environment has led to many campaigns, incentives and encouragements to use and adopt more environmentally friendly products and technologies in daily activities. Interestingly, the next two papers in this special issue investigate the potential roles of investors and consumers in investing and purchasing environmentally friendly products to conserve the environment.

Boey Huey Ming, Gerald Goh Guan Gan and Suganthi Ramasamy, in their paper titled *The Role of Concern for the Environment and Perceived Consumer Effectiveness on Investor's Willingness to Invest in Environmentally-Friendly Firms*, provide insight into investment decisions of investors. Although it is known that entry into business activities is highly driven by profit motives, this paper sheds light on a different view on the possibility of investors investing in environmentally friendly firms based on the investors' perceived consumer effectiveness. Perceived consumer effectiveness measures the investors' perception of consumers' concern for the environment. Findings reported in the study are based on a pilot study of 80 respondents. Importantly, the findings state that perceived consumer effectiveness influences investors' willingness to invest in environmentally friendly firms.

The final paper in this special issue, *Green Products Pricing and Malaysian Consumers' Willingness to Pay* by Jeen Wei Ong et al., analyses consumer consumption behaviours in three categories of green products, specifically shampoos, light bulbs and air conditioners. These three items are common daily use products that have green products as substitutes. Green products are often highly priced, hindering consumers from purchasing and consuming them. Based on findings from 304 respondents in Melaka, consumers are found to generally be willing to pay a premium price for green products compared to normal products. This is a good indicator to show that consumers are aware that there is a price involved in conserving the environment. Nevertheless, the price quoted by the consumers is less than the current market price. As concluded by the authors, adjustment of the prices of these green products to meet the demanded price of consumers could eventually lead to significant boosts in sales. Inevitably, the use of the products could help in conserving the environment. The current policy on rebates to consumers for the purchase of green electrical products could be extended to other products. Some

form of rebates or assistance could also be rendered to producers to adopt greener technologies, produce more green products and set desirable market prices for the green products.

CONCLUSION

Sustainable economic development is achievable through the overlapping dimensions on the issues of sustainability and economic development. The balance between conventional economic development and well-being for the current and future generations is important. Including the welfare of future generations involves the preservation of natural resources, energy, reduction of emissions, resilience of ecosystems, etc., through appropriate production and consumption patterns. Attaining a balance between preserving natural systems, given their absolute limits and further progress in terms of economic development, is a challenge. This special issue covers almost all important aspects related to sustainable economic development. The 12 papers offer different points of view from the perspective of economics, finance, society and business on sustainable economic development. It is hoped that the empirical approaches and findings from these articles could bring to light further thoughts on sustainable economic development in Malaysia.