

## INTEGRATED RURAL DEVELOPMENT: A CATALYST TO RURAL ECONOMY IN SIK, KEDAH, MALAYSIA

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**Abstract:** *This study examines the potential effects of an integrated economy on 34 traditional villages that went through "Integrated Rural Development" (IRD) in the District of Sik, Kedah, Malaysia. To enhance the rural economy and the villagers' quality of life, the IRD has fostered a continuous intervention and partnership process with external parties, including government organizations. These villages evaluated agriculture, livestock, small-and-medium entrepreneurs (SME) industries, and rural tourism as integrated economic sectors. The methods involved in this study are SWOT Analysis and GAP Analysis. Besides, to determine the best practice framework, this study uses Creativity Index Analysis (C.I) to assess how different economies have affected the idea of IRD. A rural area with a 1.0 creativity index value has the potential for economic integration. The majority of the 191 respondents from this area, 98.2% of respondents agreed that the IRD project can have a positive impact on their village from various aspects. The development framework suggests that within five years of implementation to guarantee the impact of the IRD project.*

**Keywords:** *Integrated Rural Development, Rural Communities, Rural Economy*

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## Introduction

Rural settlements in Malaysia can be described as communities with a total population of less than 10,000 people, where the majority of residents are engaged in agricultural activities as their primary economic pursuit. Traditional villages can be categorized into fishing villages situated along the coast and agricultural-based villages where the majority of villagers are involved in agriculture and related economic activities. These villages have evolved naturally over time and often lack well-defined boundaries. They are typically dispersed along major transportation networks and rivers.

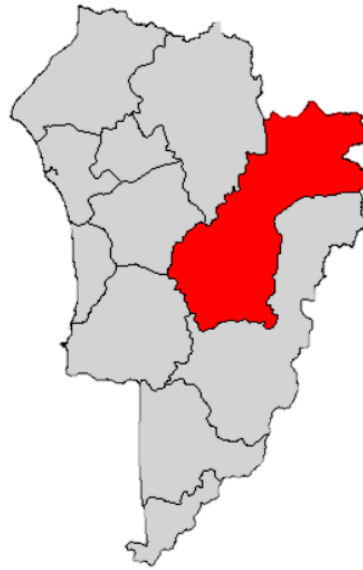
This paper aims to investigate the potential impacts of implementing Integrated Rural Development (IRD) on the rural economy of traditional villages in Sik, Kedah, Malaysia. The IRD project was initiated by the Ministry of Rural and Regional Development and aligns with the national policy's vision to enhance the rural economy.

Integrated rural development refers to a series of interconnected agricultural and non-agricultural activities aimed at achieving specific objectives that improve the overall rural system. IRD endeavors to enhance productivity, income levels, infrastructure, and social development in rural areas. It is founded on principles of indigenous development, community involvement, and decentralized governance (Tony Gore, 2006).

A crucial aspect of IRD is striking a balance between economic, social, and environmental objectives. This approach is consistent with the World Bank's definition of integrated rural development projects, which aim to sustainably raise the living standards and output of a significant proportion of the rural poor in a given region (Baltimore, 1975).

The IRD concept examined in this study involves a continuous process that includes the participation of external stakeholders and is rooted in the aspirations of the local population. Its goal is to enhance the quality of life for the target group and preserve local values through localized distribution and redistribution. The study focuses on at least five economic activity components, namely agriculture, livestock, small-and-medium industries, and tourism.

A total of 34 villages were selected in the Teloi district of Sik, Kedah, Malaysia (Figure 1) for the IRD projects, with the locations chosen by KEDA. These villages are situated in remote areas, posing accessibility challenges. However, the abundant natural resources and existing economic activities in these villages present opportunities for expanding economic endeavors in the study area. Moreover, many of the areas have not been extensively developed, making them well-suited for IRD implementations.



**Figure 1: Location of Study Area**

To assess the impacts of the Integrated Rural Development (IRD) in these villages, the following analytical techniques were employed: (1) SWOT analysis, which identified the Strengths, Weaknesses, Opportunities, and Threats, (2) gap analysis, which determined the current achievements and existing economic activities in relation to the proposed project, and (3) Creativity Index (C.I) analysis, which evaluated the implementation of the new project based on the principle of achieving the best value for money.

Approximately 80% of the land in the study area remains undeveloped and, therefore, was taken into consideration by the ministry for IRD implementation. Appropriate measures and incentives must be carefully selected, taking into account the unique characteristics of the district. Furthermore, the integrated operation necessitates effective horizontal coordination at a regional level (Lembaga Kemajuan Wilayah Kedah, KEDA). For this purpose, multisectoral-oriented planning, control, and administration units with extensive competencies in the concerned region need to be established beforehand.

### **Literature Review**

There are three points that will be discussed in the literature review regarding a catalyst to the rural economy in Sik, Kedah, Malaysia through Integrated Rural Development (IRD).

#### **Definition of Integrated Rural Development**

Integrated Rural Development (IRD) constitutes a multifaceted approach aimed at fostering sustainable progress in rural areas by intertwining agricultural and non-agricultural initiatives. According to Tony Gore (2006), IRD is envisioned as a holistic strategy that transcends the conventional focus on agricultural sectors, recognizing the interconnectedness of economic, social, and environmental facets. The goal is to uplift rural communities by strategically combining diverse activities to improve overall living standards and economic output.

In alignment with contemporary perspectives, Dasgupta et al.'s meta-analysis (2020) sheds light on the evolving economic impact of IRD programs. This modern lens emphasizes the need for nuanced assessments, taking into account the dynamic nature of rural economies and the intricate interplay of various development factors. Uphoff's insights (1996) remain pertinent,

underscoring the significance of decentralized governance and community involvement in shaping the direction of IRD initiatives. The participatory nature of IRD ensures that local aspirations are central to the development process, fostering a sense of ownership and sustainability.

As highlighted by Heinrich Böhm's work (2008), IRD is not a one-size-fits-all solution; rather, it acknowledges the challenges and opportunities specific to each rural context. This dynamic approach recognizes the constraints posed by geographical remoteness and emphasizes the need for tailored strategies. In essence, the contemporary definition of Integrated Rural Development encapsulates a holistic, participatory, and adaptable strategy that addresses the diverse and evolving needs of rural communities.

### **Definition of Rural Economy**

Rural Economy, as elucidated through the lens of this research, refers to the complex web of economic activities and structures that define the financial landscape of rural areas. A foundational aspect of rural economies, as emphasized by Lipton and Longhurst (1989), is their reliance on agriculture as a primary economic pursuit. This characteristic holds true for Sik, Kedah, Malaysia, where the rural economy is intricately woven with agricultural practices, shaping the livelihoods of local residents. Becker and Le's work (2010) further reinforces this notion by underscoring the importance of farming activities and related industries in influencing the economic dynamics of rural regions, emphasizing the agricultural backbone of the rural economy.

However, in the contemporary landscape, the definition of Rural Economy has evolved beyond a singular focus on agriculture. Shucksmith's perspective (2000) acknowledges the diversification of income sources in rural areas, including the incorporation of small-and-medium entrepreneurs (SME) industries and rural tourism. This broader understanding aligns with the findings of the current research, where the rural economy in Sik, Kedah, involves integrated economic sectors beyond traditional farming. The multifaceted nature of rural economies, as highlighted by Shucksmith, encapsulates the diverse economic activities that contribute to the financial fabric of rural communities.

Moreover, the concept of Rural Economy encompasses not only quantitative aspects but also qualitative dimensions related to the well-being and overall quality of life of rural residents. Chambers and Conway's (1992) "livelihoods approach" provides a conceptual framework that recognizes the interconnectedness of economic, social, and environmental factors in rural settings. This holistic perspective resonates with the overarching goals of Integrated Rural Development (IRD), as discussed by Tony Gore (2006), which seeks to enhance not only economic productivity but also the overall quality of life for rural communities. In the context of Sik, Kedah, the definition of Rural Economy, therefore, extends beyond mere financial transactions to incorporate the holistic well-being of the local populace, embodying the intricate and evolving nature of rural economic landscapes.

### **Definition of Rural Communities**

Rural communities, as illuminated by this research, represent interconnected social entities residing in non-urban areas characterized by lower population density and distinct socio-economic structures. In the context of Sik, Kedah, Malaysia, the definition aligns with Lipton and Longhurst's (1989) characterization of rural areas as regions where agriculture is a primary economic pursuit. The fabric of rural communities is tightly woven with the practices and

traditions associated with agriculture, shaping the collective identity and way of life for residents. This foundational characteristic is reinforced by Becker and Le's (2010) emphasis on the pivotal role of farming activities and related industries in defining the economic and social dynamics of rural regions, underscoring agriculture as a cornerstone of rural communities.

In a contemporary context, the definition of rural communities has evolved beyond traditional agrarian aspects. Shucksmith's insights (2000) recognize the diversification of economic activities, including the incorporation of small-and-medium entrepreneurs (SME) industries and rural tourism. This broader perspective resonates with the findings of the current research, where rural communities in Sik, Kedah, engage in integrated economic sectors beyond agriculture. The interconnectedness of economic activities and the shared experiences within these communities contribute to a nuanced understanding of rural life.

Furthermore, the concept of rural communities extends beyond geographical boundaries, encapsulating social relationships and shared aspirations. Chambers and Conway's (1992) "livelihoods approach" introduces a comprehensive lens that considers the interconnectedness of economic, social, and environmental dimensions in rural settings. This conceptual framework aligns with the holistic goals of Integrated Rural Development (IRD), as discussed by Tony Gore (2006), where the improvement of overall quality of life is a central objective. In Sik, Kedah, the definition of rural communities transcends mere demographics, encompassing the collective well-being, social capital, and the unique cultural fabric that binds residents together in their non-urban environment.

### **Methodology**

The proposed projects in the villages were evaluated using Creativity Index (CI) analysis. Before conducting these analyses, interviews were conducted with entrepreneurs and villagers at the project sites they were involved in.

The data collected from the site visit interviews were organized into a SWOT matrix. SWOT analysis is a widely accepted tool in strategic planning due to its simplicity and practicality. It assesses four elements: "strengths," "weaknesses," "opportunities," and "threats." Apart from its main purpose of constructing the development plan, the SWOT analysis was also inductively used in the reasoning components of the plan.

Another tool employed to provide a descriptive context for the development plan was gap analysis. Gap analysis conceptually compares current practices against benchmarks to identify gaps or weaknesses in existing practices and propose potential solutions for the targeted projects, empowering the development plan.

For numerical evaluation in this study, CI analysis was employed to assess the targeted projects. CI was introduced in the Eleventh Malaysia Plan as a project selection tool by the Economic Planning Unit of the Prime Minister's Department of Malaysia. This analysis estimated the impact of the proposed projects within a specific period relative to their development and operation costs. A high CI value indicates a significant impact on the monetary value compared to the budget. In this study, the targeted projects were evaluated in terms of providing the best value for money, which led to their prioritization.

CI was used as a tool to measure the ability of projects to deliver high-impact value to the people at a low cost to the government. Projects with higher foreseeable impact were considered

feasible as they produced a substantial positive impact on the people while minimizing the burden on the government's expenses.

## Results and Discussion

### SWOT Analysis

The 34 villages involved in this study can be described as remote rural areas with natural rainforests in their surroundings. The villagers primarily engage in traditional agricultural activities such as raising cows and cultivating paddy fields, while also witnessing a growing interest in their ecotourism attractions.

As noted by Arshad and Shamsudin (1997), the local economy faces challenges with low productivity, limited basic infrastructure, and market imperfections, largely due to a lack of accessibility (Table 1). KEDA's commitment to implementing the IRD aims to harness the villages' quality and potential while addressing these difficulties. Consequently, the villagers are expected to reap the benefits brought about by the development plan.

**Table 1: SWOT Analysis Findings**

SWOT	Findings
Strength	<ul style="list-style-type: none"> <li>• The entrepreneurs have extensive experience in the field of agriculture.</li> <li>• The entrepreneurs have suitable sites and land areas for cultivation.</li> <li>• There is market demand for coffee beans from both small and large entrepreneurs, such as restaurants and Nestle.</li> <li>• The entrepreneurs have extensive experience in animal husbandry.</li> <li>• They receive guidance and veterinary services from the Department of Veterinary Services.</li> <li>• The entrepreneurs operate their businesses on their own land.</li> <li>• The location of their shops is strategic and easily accessible to the public.</li> </ul>
Weakness	<ul style="list-style-type: none"> <li>• The transportation road to the plantation is not well-paved.</li> <li>• Difficulty in obtaining high-quality seeds.</li> <li>• Challenges in marketing the produce.</li> <li>• Inadequate and outdated processing equipment compared to external entrepreneurs.</li> <li>• Insufficient food sources (grazing fields &amp; napier grass).</li> <li>• Lack of sufficient labor to assist in the operations.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Entrepreneurs can enhance their skills through courses offered by relevant agencies.</li> <li>• Assistance in fertilizers from the Department of Agriculture.</li> <li>• Entrepreneurs have specialized expertise in specific skills.</li> <li>• High market demand will create job opportunities for the villagers.</li> </ul>
Threat	<ul style="list-style-type: none"> <li>• Threats of diseases, weather, floods, and wildlife.</li> <li>• Threats of pests and wild animals.</li> <li>• High and increasing food costs.</li> </ul>



### **GAP Analysis**

Gap Analysis involves comparing actual performance with potential or desired performance. If an individual or organization fails to utilize available resources effectively or underinvests in terms of capital or technology, they may produce or implement a project or business below its rightful potential.

The immediate discussion on gap analysis for this study is divided into five sectors. For agriculture, the gap identified is facing stiff competition, uncertain selling prices, limited market access restricted to the local population, and lacking experience in plant management and care. Additionally, the shortage of capital to follow high-intensity fertilization regimes and other development and maintenance activities, as well as difficulties in hiring labor, are among the identified gaps. This can be solved by setting prices according to commodity prices, expanding vegetable cultivation plots by increasing productivity, expanding the market for vegetable crops beyond the village area, and providing courses and training to enable participants to receive guidance on plant management and care.

The livestock project targeted cattle and goat farming. The gap identified requires high capital for food costs, a market limited to the village population only, and a shortage of capital to finance facility improvements for the barn. These shortcomings require increase napier planting to reduce livestock feed costs, expand the market by increasing the number of livestock, and provide incentive assistance in the form of perimeter fencing installation and barn upgrades.

The targeted project for small and medium industries focused on the development of food SMEs and non-food SMEs. A gap was identified in terms of entrepreneurs' lack of equipment and facilities to expand their businesses, insufficient workforce leads to slow and limited business operations, and difficulty in sourcing raw materials for food production.

### **Creativity Index (CI) Analysis**

The government employs the Creativity Index analysis as a tool to assess the feasibility of planned projects. Emphasizing the principle of "best value for money," the CI evaluates the value of the impact, considering the benefits received by people in comparison to the total cost of project development and operation over a specified period. The costs considered in the CI encompass both development and operating expenses.

To gauge the impact, various parameters are taken into account, including income, cost of living, convenience, comfort, health, peace and safety, harmony, recreation, and the sustainability of the environment. As of the report's writing, the main measured impact directly affecting the villagers is summarized as increased sales revenue, cost reduction and savings, and revenue generation.

The CI calculation involves dividing the total impact by the total cost of the project. The CI value signifies the return in terms of value generated for each currency unit spent on a particular project.

For agriculture, the project output is a technical course on vegetable fertigation cultivation. The total impact for this project is RM2,636,576.00, while the total cost is RM195,000.00. Therefore, the CI value for this project is 13.52 with the implementation of a five-year project.

With an RM50,000.00 cost to send participants on the livestock courses in the first year, the sales market may reach RM551,000.00 with a CI value of 11.02, and this amount will be sustained until the fifth year of implementation.

The CI analysis for small and medium industries shows that the development of SME complexes and economic activity centers may reach the value of 20.12. The project's overall impact amounts to RM10,058,850.00, with a total cost of RM500,000.00.

### **Proposed Implementation Method**

The proposed implementation methods provided below can serve as a reference for the implementation of the project to ensure the main objectives are achieved. The implementation methods suggested in this report are tailored to meet the project's specific requirements, based on the existing implementation methods proposed by relevant agencies. The project implementers, comprising agencies and village leadership, must ensure that the project is carried out according to the 5-year plan and adheres to the stipulations in the proposed implementation methods to ensure income generation.

For the fertigation component in agriculture, the proposed implementation method involves selecting niche crops, specifically vegetable cultivation using fertigation techniques. This method allows for optimal land use in the village area. In the 3rd and 4th years, the project aims to expand the activities of 30 existing participants with an allocation of RM10,000 per participant, covering a complete set of fertigation equipment for 500 bags on a 1/4 acre of land. The eligibility and incentive amount for each participant will be determined by the village leadership and implementing agencies based on the size and suitability of the participants' land. The existing agricultural areas can also serve as training grounds for village residents interested in starting fertigation cultivation, providing them with knowledge of best plant management practices.

The proposed implementation method for the chili fertigation project allocates a total of RM300,000 for the new individual fertigation chili cultivation project. Participants for this niche crop project will be selected by the agency and village leadership based on their actual capacity. The project will be conducted on the participants' 1/4-acre land, and each participant will receive a complete set of fertigation equipment consisting of 500 bags, subject to the size of their land. The implementing agency must provide the best platform for village residents to apply for this incentive. The cultivation methods and best agricultural practices must adhere to the proposed implementation method provided by the relevant agency. The proposed allocation of land for new participants in group settings on KEDA-owned land is 12-18 acres in Charok Tualang and 3 acres in Charok Padang, subject to development framework provisions.

For the livestock component, the proposed implementation method for the livestock incentive allocates a total of RM250,000 to improve the economic ecosystem for the livestock component in the first and second years. This incentive aims to help farmers increase their income by adding value to existing activities. Existing livestock activities have the potential to be enhanced with assistance such as food input, barn repairs, or providing breeding livestock along with advisory services. The implementing agency and village leadership provide a flow chart of the application process, and potential recipients must submit applications to the agency according to the available method. Among the livestock identified for assistance are goats, sheep, and cattle. The construction method for livestock pens or enclosures must adhere to the proposed implementation method provided by the agency.



As for the proposed implementation method for planting napier grass as livestock feed input, a total of RM50,000 is allocated to ensure an adequate and sustainable supply of feed for livestock in this project area. This incentive also helps enhance the existing livestock ecosystem in the village area. The plants will be cultivated on the participants' land or any area provided by the village leadership. The allocation for napier grass cultivation includes the supply of plant seeds, land preparation, sprinkler irrigation, and a chopper machine or any other necessary requirements. The proposed method for land use and planting must adhere to the existing implementation method provided by the relevant agency.

For the SMEs and Entrepreneurship component, the proposed implementation method is the development of SMEs and entrepreneurial activities. To enhance entrepreneurial activities and SMEs in the PROSPEK TELOI area, a total of RM1,000,000 is allocated in the 1st, 2nd, 3rd, and 4th years, providing assistance in the form of goods, equipment, premises modifications, or product marketing services not exceeding RM10,000 per participant, as well as the construction of an Economic Activity Center. The proposed location for the Economic Activity Center is in Kampung Sungai Namek, Merbau Kudung. Village residents engaged in various business activities or SMEs have the opportunity to increase their income with this incentive. The implementing agency and village leadership must identify existing economic activities that can be developed to enhance participants' income. Village residents must submit applications to the agency according to the provided application method. The amount of incentive received depends on the approval of the application by the agency and village leadership.

### **Conclusion**

Based on the analysis, it was evident that the IRD project had a positive impact on the Traditional Village KEDA area across various factors. The SWOT analysis revealed that the study areas possessed strengths and potentials that could facilitate the success of the IRD. Additionally, the CI value for all the projects exceeded 1.0, indicating their positive impact. Furthermore, the GAP analysis indicated that all identified gaps could be addressed effectively. The success of the IRD project was also attributed to the excellent networking and collaboration between multiple agencies. KEDA played a crucial role in monitoring the project's progress. Moreover, active participation from the villagers was vital for the project's implementation, with 98.2% of the villagers expressing agreement that the implemented projects contributed significantly to the program's overall success. However, it is essential for all projects to adhere to the guidelines proposed by the relevant agencies to ensure their effectiveness. Thus, some recommendations can be made for future study. Future researchers are advised to complement the quantitative findings with an in-depth qualitative inquiry into the dynamics of community participation and engagement. Conduct ethnographic studies, interviews, or participatory observations to explore the nuances of how villagers perceive and interact with the IRD projects. Understanding the socio-cultural aspects, community empowerment, and the factors influencing active participation will provide a more comprehensive understanding of the human dimension in rural development, contributing to the design of more tailored and effective interventions.

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