**UNIVERSITI PUTRA MALAYSIA**

**MEASURING THE SERVICE QUALITY OF SELANGOR AREA FARMERS' ORGANISATIONS**

**MOHAMMED RIZAL BIN ABD. HALID**

**FP 2007 22**

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By

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**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfilment of the Requirements for the Degree of Master of Science**

**July 2007**

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**Chairman: Professor Md. Ariff bin Hussien, PhD**

**Faculty      : Agriculture**

Agriculture sector is the third engine of growth for the Malaysian economy. The government has recognized agriculture sector as a valuable prospect that must be explored. Within the Ministry of Agriculture and Agro-based Industry, the agriculture sector has been restructured in particular to improve its service quality. The objective of this study is to examine the effectiveness of the services provided by the Selangor Area Farmers' Organisations (AFOs) under the Farmers Organisation Authority (FOA) of the Ministry of Agriculture and Agro-based Industry to their members.

Farmers, under the Farmers' Organisations of the FOA have certain expectations about the services they received. These expectations are beliefs about the upcoming services, which when compared with the perceived actual service delivered will influence the level of satisfaction of farmers and the judgment of AFOs and FOA's overall service quality.

The most popular measure of service quality, the SERVQUAL was used in this study to evaluate the quality of service provided in terms of what farmers expect and what they actually received. The SERVQUAL consists of five dimensions of service quality namely tangibles, reliability, responsiveness, assurance and empathy. A pair of 22-item likert scale questions were used in this study to measure the levels of expectation and perception of farmers.

An analysis covering 104 farmers of Selangor area farmers' associations were selected as respondents. Frequency counts and percentages were used to analyse the demographic traits of the respondents. Gap Analysis was used to identify the differences between farmers' expectations and perceptions. Factor analysis was used to determine the underlying patterns of the statements made in the 22-items of the SERVQUAL instrument and a logistic regression analysis was conducted to further examine the relationship among those underlying patterns.

This study revealed that there was an overall service quality gap between expectations and perceptions of -0.6306. The responsiveness dimension represented the lowest score (-0.6899) on the SERVQUAL scale, followed by tangibles (-0.6779), reliability (-

0.6500), assurance (-0.5697) and empathy (-0.5654). Results of the factor analysis show that three factors had eigenvalue greater than 1.0. These three factors were work ethics (11.812), customer care (1.036) and appearance (1.008). Results of the logistic regression analysis show the odds ratio of those three factors reveals that when holding all other independent variables constant, for each one-point increase on the five-point work ethics, customer care and appearance scale, there is a 7.880, 7.909 and 6.382 times more likely that members of the Selangor Area Farmers' Organisation will be satisfied with the quality of services provided respectively.

Results from the gap analysis can provide important information for the FOA to plan and develop more programs for improving the quality of services delivered by the FO's to the farmers. With such programs, it would help to improve service quality of AFOs so that the gap between expectations and perceptions among the farmers can be narrowed. Meanwhile, results obtained in the factor analysis and logistic regression provided an extra data and information to the Area Farmers' Organisations in Selangor by revealing the unseen factors that could be useful to them. The analysis founded that, factors such as work ethics, customer care and appearance are significant to service quality. FOA should applied these factors as an indicator to enhance the service quality.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains

**MENGUKUR TAHAP KUALITI PERKHIDMATAN PERTUBUHAN PELADANG KAWASAN DI SELANGOR**

Oleh

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Di Malaysia, sektor pertanian menjadi sumber pendapatan yang ketiga kepada pertumbuhan ekonomi negara. Sektor pertanian juga telah dikenal pasti oleh kerajaan sebagai prospek yang berharga dan perlu dititikberatkan. Justeru itu, kualiti perkhidmatan sektor pertanian telah distruktur semula di bawah tanggung jawab Kementerian Pertanian dan Industri Asas Tani. Objektif kajian ini ialah untuk menilai, keberkesanan kualiti perkhidmatan Pertubuhan Peladang Kawasan (PPK) di Selangor di bawah Lembaga Pertubuhan Perladang (LPP) Kementerian Pertanian dan Sumber Asas Tani kepada ahli-ahli pertubuhan peladang bernaung di bawahnya.

Para petani yang menjadi ahli pertubuhan peladang mempunyai jangkaan tersendiri semasa menerima perkhidmatan daripada Lembaga Pertubuhan Peladang. Disini, jangkaan adalah bermaksud sesuatu kepercayaan mengenai perkara yang akan diterima ketika ingin mendapatkan sesuatu perkhidmatan. Jangkaan ini pula akan dibandingkan dengan persepsi petani semasa menerima perkhidmatan yang sebenar ketika disampaikan oleh PPK dan LPP. Perbandingan ini dilakukan untuk mengenal pasti tahap kepuasan para petani dan kualiti perkhidmatan keseluruhan PPK di Selangor dan LPP itu sendiri.

SERVQUAL, satu kaedah yang popular untuk mengukur kualiti perkhidmatan telah digunakan dalam kajian ini untuk mengukur kualiti perkhidmatan dalam aspek jangkaan para petani dan penerimaan sebenar perkhidmatan. SERVQUAL ini terdiri daripada lima dimensi perkhidmatan berkualiti iaitu, ketaraan, kebolehpercayaan, jaminan, empati dan tangungjawab. Di dalam kajian ini, 22-item pasangan soalan telah digunakan dalam borang soal-selidik untuk bahagian jangkaan dan sebahagian lagi menyatakan persepsi para petani.

Sebanyak 104 ahli persatuan peladang di sekitar Selangor telah dipilih sebagai reaponden. Ciri – ciri demografi responden dianalisa dengan menggunakan kiraan frekuansi dan peratusan. Manakala bagi mengenalpasti perbezaan antara persepsi dan jangkaan para petani kaedah analisis jurang telah digunakan. Analisis faktor pula digunakan bagi menilai corak penilaian ke atas 22-item kenyataan SERVQUAL dan analisis regressi logistik telah diaplikasi bagi mempelajari dengan lebih mendalam mengenai hubungkait anatara corak penilaian yang didapati.

Kajian ini telah menunjukkan bahawa jurang purata bagi keseluruhan perkhidmatan berkualiti di antara jangkaan dan persepsi adalah -0.6306. Dimensi tanggungjawab mencatatkan skor (-0.6899) yang terendah pada skala SERVQUAL. Ini diikuti pula oleh dimensi ciri ketaraan (-0.6779), kebolehpercayaan (-0.6500), jaminan (-0.5697) dan akhir sekali dimensi empati (-0.5654). Keputusan bagi analisis faktor pula telah menemui tiga faktor baru yang mempunyai kiraan eigenvalue yang melebihi daripada 1.0. Faktor- faktor ini telah dinamakan iaitu etika kerja (11.812), perhatian terhadap pelanggan (1.036) dan penampilan (1.008). Keputusan bagi analisis regressi logistik pula mendapati ratio perubahan kepuasan kualiti perkhidmatan oleh ahli-ahli pertubuhan peladang kawasan di Selangor adalah 7.880, 7.909 dan 6.382 kali lebih bagi setiap kenaikan satu aras pada pemboleh ubah etika kerja, perhatian terhadap pelanggan dan penampilan yang berskala lima-aras apabila dianggap nilai pemboleh ubah- pemboleh ubah merdeka yang lain adalah sekata.

Hasil daripada keputusan analisis jurang, dapat menyediakan maklumat penting kepada LPP untuk merancang dan membina lebih banyak lagi progam yang dapat memperbaiki tahap perkhidmatan yang diberikan kepada petani-petani oleh pertubuhan-pertubuhan peladang dibawah naungannya. Dengan adanya program berkenaan kualiti perkhidmatan PPK dan LPP dapat ditingkatkan. Secara tidak langsung jurang antara jangkaan dan persepsi para petani dapat dikurangkan. Sementara itu keputusan daripada analisis faktor dan analisis regressi logistik menyediakan maklumat dan data tambahan dengan mendedahkan faktor-faktor yang mungkin terlepas pandang tetapi berguna kepada Pertubuhan Peladang Kawasan di Selangor. Analisis-analisis ini telah menemui faktor-faktor seperti etika kerja, perhatian terhadap pelanggan dan penampilan adalah penting

terhadap kuali perkhidmatan. Faktor-faktor ini perlulah dijadikan sebagai indikator oleh

LPP bagi untuk menambahbaikan kualiti perkhidmatannya.

# ACKNOWLEDGEMENTS

Thank u Allah, god to whom i owe my life, health and strength without his power none of this would be possible.

On this oppurtinity I also would like to express my appreaciation and thanks to my supervisor, Professor Dr. Md. Ariff Bin Hussien and my commitee members Associate Professor Dr. Zainal Abidin bin Mohamed and Dr. Amin Mahir bin Abdullah for their valuable guidance, comments, advices and dedication.

I would like to express  my deepest affection to my beloved family and the one whom I love from deep of my heart, because they are my source of inspiration and strength. May hapiness be with us forever.

My gratitude is due also to my friends, Nalini, Along, Ayen, Sue, Abdullah, Golnaz, Majid and others whom I am greatly indebted. Their help, encouragement and moral support are very much appreciated in making this study a sucess.

Finally,  I would like thanks to all the staffs in Department of Agribusiness and Information System for their kindness and helpfulness to me throughout my study in UPM.

I certify that an Examination Committee has met on 06<sup>th</sup> July 2007 to conduct the final examination of Mohammed Rizal Bin Abd Halid on his Master of Science thesis entitled " Measuring The Service Quality of Selangor Area Farmers' Organisations" in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the degree of Master of Science.

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This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfilment of the requirement for the degree of Master of Science. The members of the Supervisory Committee were as follows:

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Date: 15 November 2007

# DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.

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**MOHAMMED RIZAL BIN ABD HALID**

Date: 23 October 2007

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| | |
|---|---|
| AFTA | ASEAN Free Trade Area |
| AFO | Area Farmers Organisation |
| BPM | Agriculture Bank of Malaysia |
| CEPT | Common Effective Preferential Tariff |
| DOA | Department of Agriculture |
| DOF | Department of Fisheries |
| DOS | Department of Statistic |
| DVS | Department of Veterinary Services |
| EPU | Economic Planning Unit |
| FAMA | Federal Agriculture Marketing Authority |
| FOs | Farmer Organisations |
| FOA | Farmers' Organisation Authority |
| IADPs | Integrated Agricultural Development Projects |
| KADA | Kemubu Agricultural Development Association |
| LKIM | Fisheries Development Authority of Malaysia |
| MADA | Muda Agricultural Development Association |
| MARDI | Malaysian Agricultural Research Development Institute |
| MOF | Ministry of Finance |
| NAFAS | National Farmers Association |
| NAP | National Agriculture Policy |
| NEP | New Economic Policy |
| PMUs | Project Management Units |

SFO          State Farmers Organsation

WTO          World Trade Organization

# CHAPTER 1

## INTRODUCTION

## 1.1    Overview of Malaysian Agriculture Sector

The agricultural sector was the major provider for the Malaysian economy for three decades since independence and was the driving force behind the economic growth of the country.  The contribution of this sector was used to finance the development of the country, which progressively led to the transformation of the economy towards industrialisation. Rapid development in the industrial sector during the last two decades had led to a decline in the sector's relative contribution to national income, export earnings, employment and investments (Johan, 2003).

Even as Malaysia moves towards becoming a highly globalised K-economy, the agricultural sector remains a significant sector of the economy. The implementation of three National Agricultural Policies (NAP1, NAP2 and NAP3) since 1984 had shown that the sector has achieved a growth rate of 3.2 per cent per annum for the previous 1985-1995 periods (NAP3, executive summary 1998-2010).

During the economic and financial crisis in July, 1997 agriculture was the saviour of the Malaysia economy. Its contribution to GDP in terms of absolute value increased slightly, from RM 17.1 billion in 1995 to RM 18.2 billion in 2000 (at 1987 prices). ($8^{th}$ Malaysia Plan). Johan (2003) stated that, the agriculture sector continues to be important as a source of income and livelihood to a majority of the rural population. This sector also

will continue to be an important sector for the government programs in poverty alleviation in particular, for the hard-core poverty in the agricultural sector. These programs will be implemented especially on paddy farmers, coconut and rubber smallholders, fishermen and other agricultural workers. Finally, the agricultural sector will continue to contribute to national income, employment, export earnings, government revenue and thereby to sustainable development of Malaysian economic.

Recently, the government has identified the agricultural sector as the third engine of economic growth behind the manufacturing sector and services sector (Table 1.1). As such it is considered as a key or strategic sector in the economy, to enhance economic development of the nation. It is the aim of the government that the agricultural sector be transformed from a sector that is associated with the rural population and poverty into a modern and commercially viable sector of high returns (Economic report, 2004/2005).

To achieve the above objective, agricultural projects and programs should be undertaken on a more commercial basis with greater private sector participation, utilizing modern methods and management (Said, 2000). Certain projects such as Agro- based food production, fisheries, vegetables, tropical fruits and floriculture have been identified as having great potentials for the export market. (Table 1.2).

**Table 1.1: Production according to sector, 1980-2005 (% of GDP)**

| Sector | Year | | | | | |
|---|---|---|---|---|---|---|
| | **1980** | **1990** | **2000** | **2003** | **2004(p)** | **2005(f)** |
| Services | 43.1 | 46.8 | 53.9 | 57.6 | 57.4 | 57.8 |
| Manufacturing | 45 | 24.6 | 31.9 | 30.8 | 31.6 | 31.5 |
| Agriculture | 21 | 16.3 | 8.9 | 8.7 | 8.5 | 8.4 |
| Mining | 12.1 | 9.4 | 7.3 | 7.2 | 7 | 7 |
| Construction | 2.7 | 3.5 | 3.3 | 3.2 | 2.9 | 2.8 |

Excludes import duties and bank service charge     (p) Preliminary (f)
Forecast
Sources: EPU, DOS