

## **The innovation and productivity nexus in Malaysian manufacturing firms**

### **ABSTRACT**

The study uses the Economic Census Data of 2011 to investigate the innovation-productivity nexus at firm level of Malaysia manufacturing firms. The nexus of innovation and the other determinants of productivity were examined through the augmented Cobb-Douglas production function and the outcomes were as expected. The major findings of the study confirmed that innovation plays a significant role in enhancing productivity in the manufacturing sector. Other than innovation, capital intensity, labour quality, foreign direct investment, and export are among the factors that contribute to higher productivity.

**Keyword:** Firm level data; Innovation; Exports; Productivity; Malaysia; Manufacturing industry; Capital intensity; Labour quality; Foreign direct investment; FDI