THE EFFECTS OF TELECOMMUNICATION TECHNOLOGY AND LEADERSHIP QUALITY ON PRIVATE CONSUMPTION SPENDING IN MALAYSIA

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THE EFFECTS OF TELECOMMUNICATION TECHNOLOGY AND LEADERSHIP QUALITY ON PRIVATE CONSUMPTION SPENDING IN MALAYSIA

by

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LIST OF ABBREVIATIONS

1MDB	1Malaysia Development Berhad
A.C	Aggregate Consumption
ADF	Augmented Dickey-Fuller unit root test
AIC	Akaike Information Criterion
AIH	Absolute Income Hypothesis
ARCH	Autoregressive Conditional Heteroskedasticity
ARDL	Autoregressive Distribution Lag
BNM	Bank Negara Malaysia
CAT	Competent, Accountable and Transparent
CE	Cointegrated equation
CGE	Computable General Equilibrium
CPI	Consumer Price Index
DNB	Digital Nasional Berhad
DOI	Diffusion of Innovation Theory
DOLS	Dynamic Ordinary Least Square
DSGE	Dynamic Stochastic General Equilibrium
ETR	Endogenous Treatment Regression
FDI	Foreign Direct Investment
FELCRA	Federal Land Consolidation and Rehabilitation Authority
FELDA	Federal Land Development Authority
FMOLS	Fully Modified Ordinary Least Square
GDP	Gross Domestic Product
GETS	General-to-Specific test
GLC	Government-linked Company
GST	Goods and Service Tax
ICT	Telecommunication Technology
IMF	International Monetary Fund
ISA	Internal Security Act
ITU	International Telecommunication Union
IV	Instrumental Variable
JARING	Joint Academic Research and Integrated Network
JENDELA	National Digital Network Plan
JPPH	Malaysia's Valuation and Property Service Department
KDNK	Keluaran Dalam Negara Kasar
KPSS	Kwiatkowski–Phillips–Schmidt–Shin unit root test
LCH	Life-Cycle Hypothesis
LM	Lagrange Multiplier
LR	Likelihood Ratio
MACC	Malaysian Anti-Corruption Commission
MARA	Majlis Amanah Rakyat
MCMC	Malaysian Communication and Multimedia Commission
MCO	Movement Control Order
MHPI	Malaysian Housing Price Index
MIDA	Malaysian Industrial Development Authority
MIMOS	Malaysian Institute of Microelectronic Systems
MNCC	Malaysian National Computer Confederation

MOF	Ministry of Finance
MOH	Ministry of Health
MPC	Marginal Propensity of Consumption
MSC	Multimedia Super Corridor
MSC- STATUS	Multimedia Super Corridor Operating Status
NBI	National Broadband Initiative
NEM	New Economic Model
NEP	New Economic Policy
OLS	Ordinary Least Square
P.C	Private Consumption
PCA	Principal Component Analysis
PDI	Private Disposable Income
PEMULIH	National People’s Well-Being and Economy Recovery Package
PENJANA	Short-term Economy Recovery Plan
PERNAS	National Corporation
PIH	Permanent Income Hypothesis
PMG	Pooled-Mean-Group approach
PP	Phillip-Perron unit root test
PRIHATIN	Prihatin Rakyat Economic Stimulus Package
QL	Quality of National Leadership
R	Interest Rate
RIH	Relative Income Hypothesis
RM	Ringgit Malaysia
SARS	Severe Acute Respiratory Syndrome
SME	Small and Medium Enterprises
TAM	Technology Acceptance Model
UECM	Unrestricted Error-Correction Model
UNESCO	United Nations Educational, Scientific and Cultural Organization
UQR	Unconditional Quantile Regression
VAR	Vector Autoregression
VECM	Vector Error-Correction Model
W	Wealth
WGI	Worldwide Governance Indicators
INT	Percentage of Internet Users
FIX.T	Fixed-Telephone Subscriptions
MOB.T	Mobile-Cellular Telephone Subscriptions

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KESAN TEKNOLOGI TELEKOMUNIKASI DAN KUALITI KEPIMPINAN TERHADAP PERBELANJAAN PENGGUNAAN SWASTA DI MALAYSIA

ABSTRAK

Perbelanjaan penggunaan swasta memainkan peranan yang penting dalam menjana pertumbuhan ekonomi Malaysia kerana ia merangkumi lebih daripada 60 peratus pendapatan negara. Justeru, penelitian terhadap pemangkin ekonomi domestik ini adalah penting, khususnya dalam keadaan perbelanjaan penggunaan yang berubah serta dipengaruhi oleh wabak COVID-19. Berbeza dengan karya lepas perbelanjaan penggunaan swasta, kajian ini ingin mengkaji kesan faktor-faktor bukan ekonomi, khususnya teknologi telekomunikasi dan kualiti kepimpinan negara terhadap perbelanjaan penggunaan swasta di Malaysia dari 1990:Q1 hingga 2020:Q4. Pelbagai pendekatan ekonometrik siri masa, seperti ujian punca unit selaan struktur (m-break), ujian-ujian kointegrasi, dan penganggar Punca Kuasa Terkecil Dinamik (DOLS) telah digunakan untuk mencapai objektif-objektif kajian ini. Kajian ini mendapati bahawa semua pembolehubah yang diguna pakai dalam kajian ini adalah berintegrasi pada darjah satu, I(1). Tambahan pula, hasil penemuan kedua-dua ujian kointegrasi Johansen dan ujian kointegrasi batasan mendapati bahawa perbelanjaan penggunaan swasta, teknologi telekomunikasi, kualiti kepimpinan negara, dan penentu-penentu yang lain dalam modelnya adalah berkointegasi. Selanjutnya, keputusan penganggaran DOLS menyarankan bahawa teknologi telekomunikasi dan kualiti kepimpinan negara mempunyai kesan positif langsung terhadap perbelanjaan penggunaan swasta jangka panjang di Malaysia. Di samping itu, hasil dapatan kajian turut menunjukkan bahawa teknologi telekomunikasi dan kualiti kepimpinan negara

mempunyai kesan penyederhana terhadap hubungan antara pendapatan bolehguna dengan perbelanjaan penggunaan swasta di Malaysia. Namun demikian, penemuan kajian ini turut mendapati kesan teknologi telekomunikasi terhadap perbelanjaan penggunaan swasta adalah bersandarkan kepada darjah kualiti kepimpinan negara. Berdasarkan hasil-hasil kajian tersebut, kajian ini boleh merumuskan bahawa teknologi telekomunikasi dan kualiti kepimpinan negara memainkan peranan yang amat penting sama ada secara langsung atau tidak langsung dalam mempengaruhi perbelanjaan penggunaan swasta jangka panjang di Malaysia.

THE EFFECTS OF TELECOMMUNICATION TECHNOLOGY AND LEADERSHIP QUALITY ON PRIVATE CONSUMPTION SPENDING IN MALAYSIA

ABSTRACT

Private consumption is one of the major players in generating Malaysia's economic growth as it constitutes over 60 per cent of national income. As such, comprehending this primary domestic growth engine is crucial, particularly in light of the evolving landscape affected by COVID-19 and shifting consumption behaviours. In contrast to the previous literature on private consumption, this study delves into non-economic factors, specifically examining the impact of telecommunication technology and national leadership quality on private consumption in Malaysia from 1990:Q1 to 2020:Q4. A set of advanced time series econometric methods, namely m-break unit root tests, cointegration tests, and the Dynamic Ordinary Least Squares (DOLS) estimator, are used to achieve the research objectives of the present study. Generally, our study found that all the variables under review are integrated of order one, I(1). In addition, both Johansen's test for cointegration and the bounds testing approach to cointegration consistently revealed that private consumption, telecommunication technology, national leadership quality, and other factors in the model are cointegrated. Furthermore, the estimated results of DOLS estimator suggest that telecommunication technology and national leadership exert a significant direct positive impact on the long-run private consumption in Malaysia. Apart from that, our estimated results indicate that telecommunication technology and national leadership quality both significantly moderate the effect of disposable income on private consumption in Malaysia. However, our findings show that the effect of

telecommunication technology on private consumption is contingent upon the degree of national leadership quality. With reference to the highlighted findings, our study affirms both telecommunication technology and the quality of national leadership have significant direct and indirect positive impacts on long-run private consumption in Malaysia.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Malaysia is a Southeast Asian country that gained independence from British colonial rule on 31st August 1957. It is a federation of eleven states and two regions, divided into West Malaysia (or Peninsular Malaysia) and East Malaysia comprising the regions of Sabah and Sarawak on the island of Borneo. Malaysia is noted for its culturally diverse multi-ethnic population of approximately 33 million citizens compromising of the Malay, Chinese, Indian, and aboriginal descent.

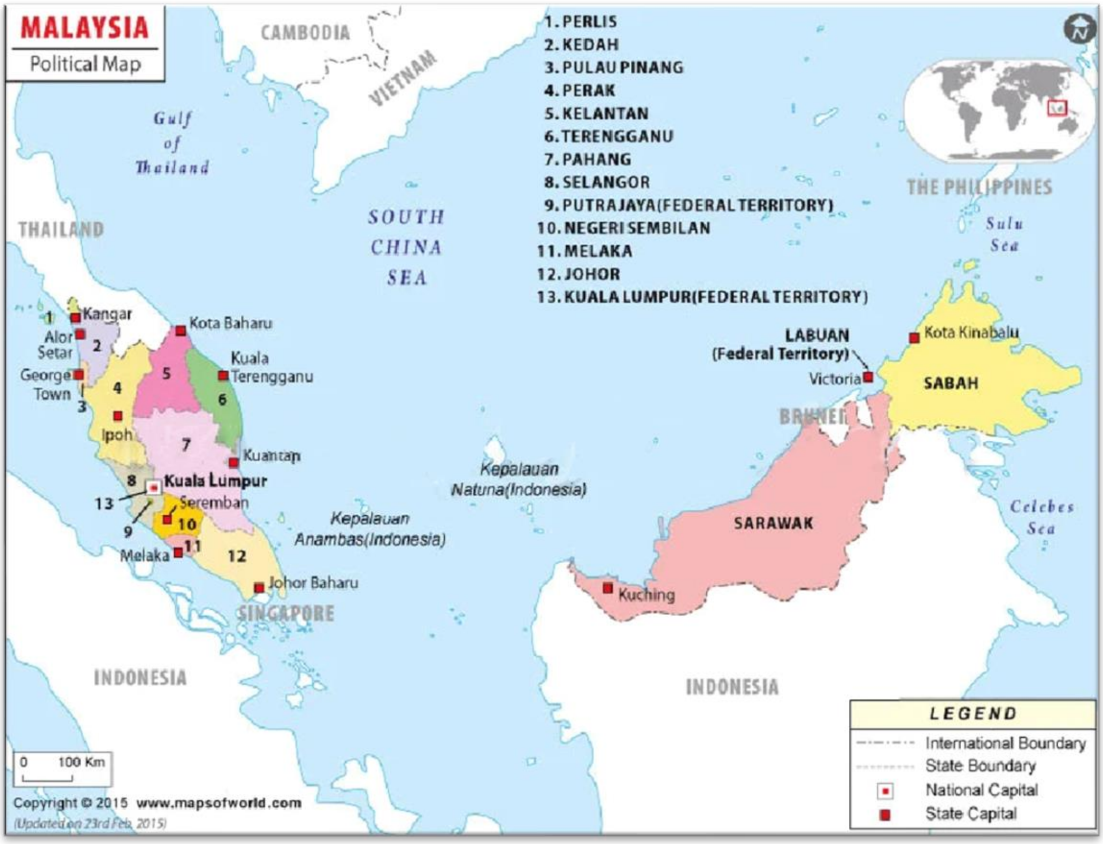

Figure 1.1 Malaysia Political Map.

Source: Mapsofworld. www.mapsofworld.com, 2023

Malaysia has experienced 63 years of dramatic shifts and changes in its economic profile since its independence. Early in the 1960s, the economy of Malaysia transitioned from an agrarian model to an import substitution model on the back of manufacturing. However, the positive impacts brought by this defensive industrialisation strategy (import substitution) were limited, as it did not provide sufficient growth momentum to propel the country's development in terms of both GDP growth and per capita income to a more advanced level. Consequently, a switch in the development strategy was implemented, and Malaysia was fortunate to be a key beneficiary of the paradigmatic shift in global manufacturing trends when multinational entities began relocating their labour-intensive industries to investment friendly, infrastructure ready, and low-cost labour rich locations. This paradigmatic shift engendered a dramatic transformation in Malaysia's growth trajectory as the country began to attract substantial capital inflows via Foreign Direct Investments (FDI). The net effects of these transformations were the rebirth of Malaysia as a flourishing export-oriented economy with buoyant manufacturing and trading sectors augmented by a nascent service sector centered on tourism and bed-rocked by commodity exporting agricultural and natural resource sectors. However, this explosion of seemingly rampant growth on the back of strong GDP and per capita income growth was brought to a juddering halt by the Asian Financial Crisis of 1997/1998, the aftermath of which resulted in a slower influx of FDI and consequently, anaemic GDP growth (Ariff and Abubakar, 1999). Cognizant of the fact that a critical engine of economic growth had lost its momentum and that an over-reliance on foreign trade could not viably sustain long-term economic growth, the government recalibrated its export- oriented approach by promoting domestic drivers and consumption soon emerged as the main engine of economic growth (Bank Negara

Malaysia, 2012). Gradually, the trajectory of the Malaysian economy became closely entwined with the robustness of local consumption.

In the context of macroeconomics, consumption is broadly defined as the aggregate expenditure on goods and services. Consumption is essentially bulwarked by government expenditure and private sector spending. Government spending, which is expended on physical infrastructure such as roads, railways, public facilities, etc., the provision of services such as health and education, expenditure on defence outlays, and funding of economic activity related to development is known as public consumption. On the other hand, expenditures by the private sector are defined as private consumption, noteworthy is that private consumption serve as an indicator in reflecting the standard of living and is one of the most prominent component that contributes to the nation's prosperity.

Figure 1.2 illustrates that the absolute value of private consumption as well as its portion over the GDP in Malaysia. Over the past 30 years, household consumption has surged from RM61687 million, year 1990 to RM861.758 million, year 2020. Not surprisingly, household consumption contributes significantly to Malaysia's GDP. As presented in Figure 1.2, the ratio of private consumption over the country's GDP has increased gradually and constituting more than 60 per cent of Malaysia's GDP in 2020. Thus, it is not exaggerating to mentioned that the private consumption is the key to the nation's economic development. As illustrated in the scatterplot diagram between Malaysia's GDP and private consumption (Figure 1.3), the linear and positive association between GDP and private spending is apparent, indicating that private consumption is a significant factor in Malaysia's economic growth.

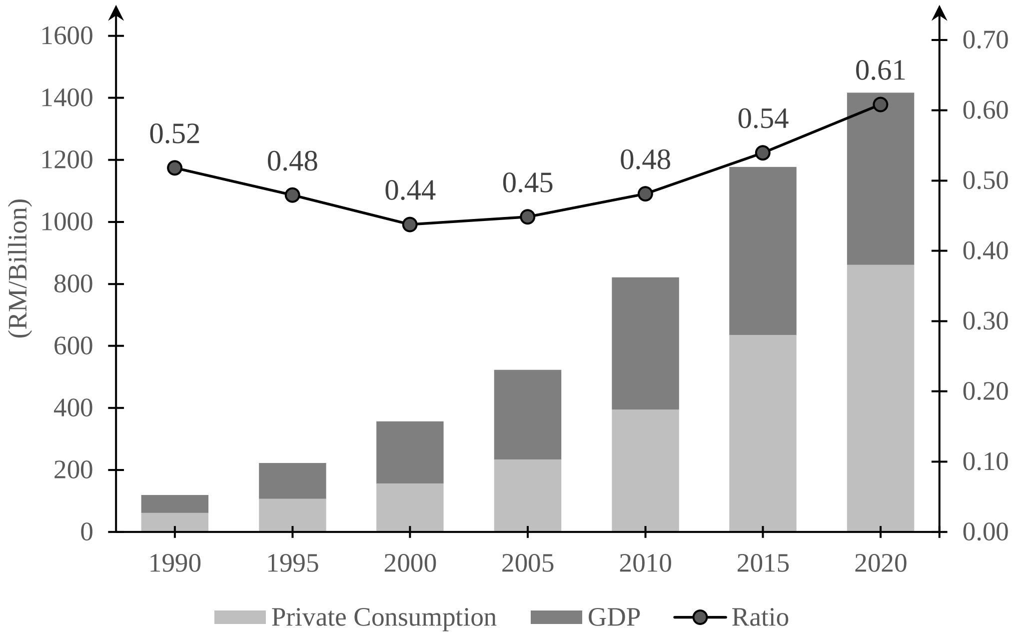

Figure 1.2 Private Consumption over Gross Domestic Product (GDP) in Malaysia, 1990–2020.

Source: Monthly Highlights and Statistics, Bank Negara Malaysia, 2022.

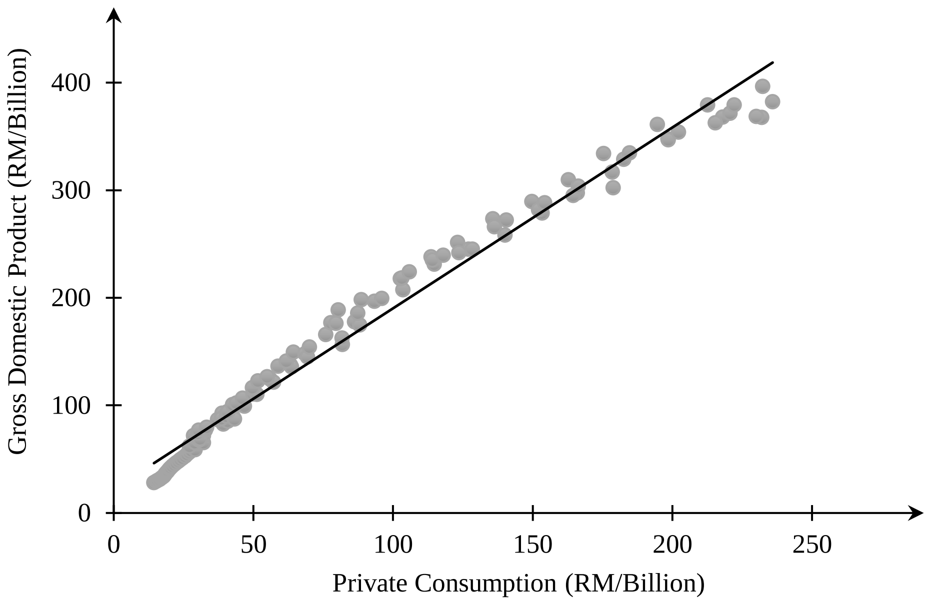

Figure 1.3 Scatterplot between GDP and Private Consumption.

Source: Monthly Highlights and Statistics, Bank Negara Malaysia, 2022.

Although the private consumption has served as the key of Malaysia's economic growth in the past and showing an increasing trend in raw term; however, the increasing rate of private expenditure is diminishing in the past five years. In layman's terms, the private consumption in Malaysia is increasing at a decreasing rate, showing that the growing momentum of personal spending in Malaysia is gradually decreasing. As presented in Figure 1.4, the growth of private consumption in Malaysia has showed a declining trend in the past five years and declined by approximately 5 per cent or RM 42400 million in 2020, which was the worst-performing year over the past which mainly caused by the outbreak of pandemic COVID-19 in year 2020 that lead to business shutdowns, increase of unemployment as well as dwindle of disposable income.

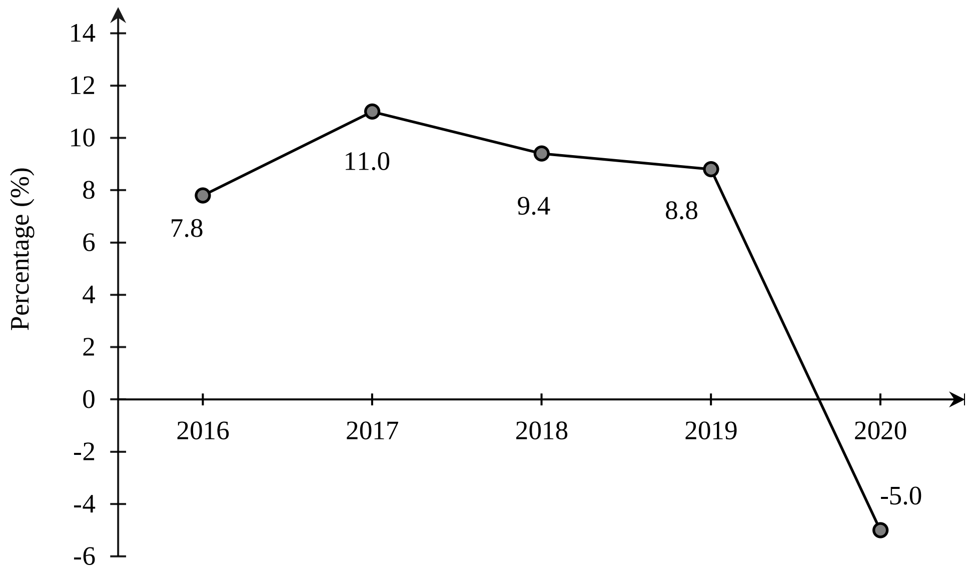

Figure 1.4 Private Consumption Growth in Malaysia, 2016–2020.

Source: Monthly Highlights and Statistics, Bank Negara Malaysia, 2022.

The private spending segment attracted a lot of attention as it reflects household living standards and the quality of life. However, the spending behaviour is contingent upon surrounding socio-economic environments and the policies enacted by government. Due to the fact that private consumption is a crucial component for Malaysia’s economy, the government has permanently attached great attention to the development of private sectors; the degree of emphasis and determination can be seen in the blueprint for the New Economic Model (NEM) by the sixth prime minister of Malaysia in 2010. The new economic blueprint emphasised the importance of the private sector in flourishing the economic growth of the county and was determined to enhance the private sector's development further by developing more productivity and highly educated human capital in supporting the growth of the private sector. Moreover, under the new economic model, Malaysia government also encourage the formation of small- and medium enterprise by removing the bureaucratic red tape, easing new business formation as well as providing tax incentives.

Furthermore, the emphasis of the Malaysia government on private consumption can be seen from the immediate actions taken by the Malaysia government when the economics of Malaysia received a brutal hit in year 2020 due to the the flare-up of the COVID-19 pandemic. The outbreak of pandemic has adversely affect the revenue of the business and household’s income caused the private spending decline dramatically. To curb with the challenges and maintain economic activities during the pandemic period, various stimulation packages has introduced to stimulate household expenditures. For instance, government launched the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) to provide immediate financial assistant to the Malaysian in order to sustain household’s spending during the pandemic period. Nonetheless, to speed up the recovery of economy, Malaysia government initiated the Short-term Economy Recovery Plan (PENJANA) and the National People’s Well-Being and Economy Recovery Package (PEMULIH) that intended to increase the consumer’s sentiment by solving the unemployment issue as well as providing financial assistance and tax exemption that will further increase the disposable income of household, energise private consumption and ultimately accelerate the recovery of economy.

According to the United Nations guidelines, household expenditures on goods and services may be categorised into twelve primary categories. Household priority demands substantially shape household expenditure. Essentially, basic necessities and utilities take the lion's share of private spending. For instance, housing, water, electricity, gas & other fuels, as well as food & non-alcoholic beverages, constituted 23.6 per cent and 17.3 per cent of private spending, respectively, to retain their position as the main components of private consumption in 2019 (Figure 1.5). In contrast, the restaurant & hotels component recorded the highest gain (0.5 percentage points) among all spending groups, reaching 13.9 per cent to nudge the transport expenses category (13.5 per cent) into fourth place. The miscellaneous & services category, with nearly an 8 per cent share of private consumption, ranked fifth, followed by the furniture, household equipment & routine household maintenance (4.4 per cent); health (2.1 per cent); and education (1.5 per cent). Finally, clothing & footwear (3.3 per cent) and alcoholic beverages & tobacco (2.3 per cent), occupied the final two slots.

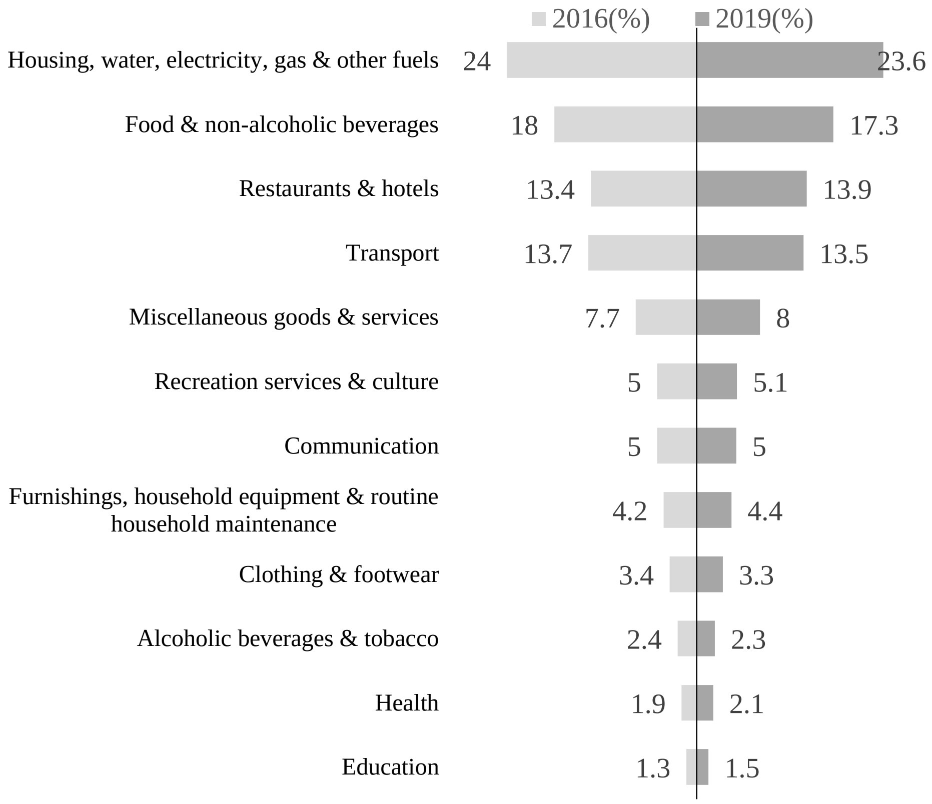

Figure 1.5 Private Consumption by Categories, 2019.

Source: Household Expenditure Survey Report, Department of Statistic Malaysia, 2019.

1.1.1 The Development of Telecommunication Technology in Malaysia

The International Telecommunication Union (ITU) defines telecommunication technology as the technologies or systems that transmit information over long distances through wired or wireless, such as mobile networks, internet, fiber-optic networks, cloud computing, etc. The emergence and widespread of the internet started to replace the traditional channels in the methods of purchasing, selling, paying, and daily activities causing human life to become inseparable from telecommunication technologies. In light of this, every country in the world has made substantial efforts in developing the telecommunication technology sector to cope with the changing environment.

The development of ICT in Malaysia has called a start in the early 1970s to 1980s accompanied by the country's economic transition process from an agricultural to an industrialisation-oriented economy. In this sense, the Malaysia government has forked out colossal investment in encouraging the usage of technology for economic activities. The establishment of the Malaysian National Computer Confederation (MNCC), formerly known as the Malaysian Computer Society, which focuses on nurturing an information-rich society in Malaysia by developing and promoting the strategic use of telecommunication technologies is a remarkable development in this era. Additionally, in the 1980s, the Malaysia government enacted measures like tax exemption, reducing barriers to entry to attract foreign direct investment (FDI) in the telecommunication technology industry, particularly in software development and electronics production, paved the groundwork for the contemporary expansion of Malaysia's telecommunication technology industry.

Malaysia has launched numerous developments with the previously built foundation and successfully ushered in an explosion in the telecommunication technology industry in the 1990s–2000s. During this period, Malaysia has increased the construction of telecommunication technology facilities and equipment to transform the country's economy to a more advanced and technological-based level. Undoubtedly, the most representative and flagship telecommunication development in Malaysia must be the establishment of the Multimedia Super Corridor (MSC). The MSC was officially established in 1996 and aimed to accelerate the realisation of Malaysia's “Vision 2020” plan to transform Malaysia from a developing country to an advanced country in the year 2020 by adopting the framework of a knowledge-based society. The establishment of the MSC attracts investors through various preferential policies and the most noteworthy is the "Multimedia Super Corridor Operating Status" (MSC-STATUS). The companies that drive in MSC and obtained the MSC-STATUS will enjoy numerous financial and non-financial conveniences such as tax exemption, equity ownership, priority in bidding on major infrastructure projects, and intellectual property protection. Preceded by the establishment of the MSC, Malaysia has successfully captivated massive numbers of FDI and world technology giants to operate in Malaysia, such as DELL, IBM, INTEL and etc.

Followed by the government's vigorous expansion and construction of telecommunication technology infrastructures as well as the introduction of the 3G network, Malaysia's telecommunication industry has ushered in an unprecedented explosion. Telecommunication companies have sprung up everywhere, and according to the statistic provided by Malaysian Communications and Multimedia Commission (MCMC), the mobile penetration rate has increased by approximately 21 percentage points from 0.48 per cent in the year 1990 to 22.08 per cent in the year 2000 as demonstrated in Figure 1.6.

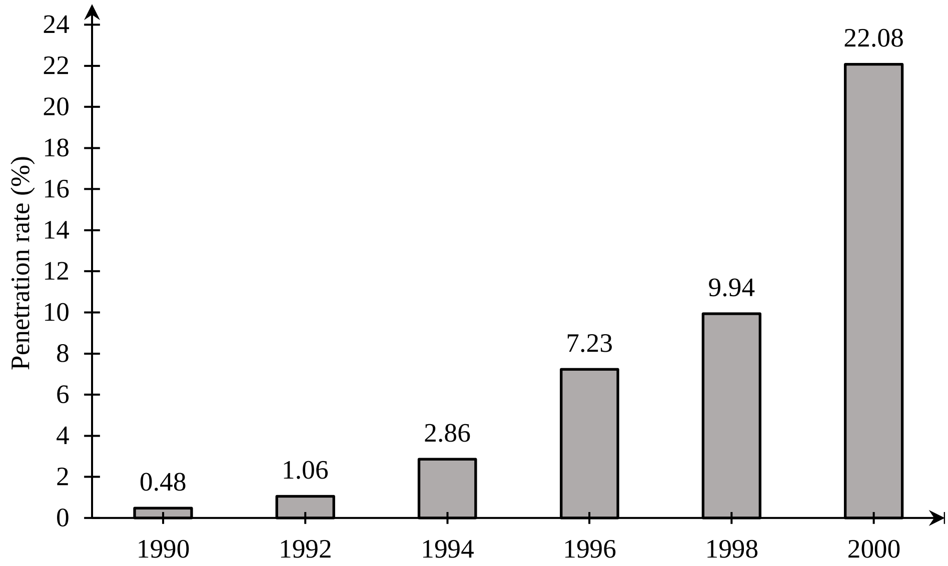

Figure 1.6 Mobile Penetration Rate, 1990–2000.

Source: Communications and Multimedia: Pocket Book of Statistics, (MCMC), 2022.

In addition, the foundation of the Joint Academic Research and Integrated Network (JARING) in 1992 by the Malaysian Institute of Microelectronic Systems (MIMOS) has been instrumental in promoting the advancement of the telecommunication technology sector by introducing and providing high-speed internet to the Malaysian, noteworthy to point out, JARING is the pioneer internet access service provider in Malaysia. Although the internet service was first made available in Malaysia in the early 1990s; however, the usage of the internet in Malaysia remains low and only adopted by government organisation and university researchers. The internet service only started to become more recognisable among Malaysians when JARING installed their internet node in sixteenth cities of the nation making their services available within most of the regions in the year 1994 (Ramadass and Osman, 2013). Not surprisingly, the internet penetration rate started to increase since the year 1994 and blew up to 21.38 per cent in the year 2020 as illustrated in Figure 1.7.

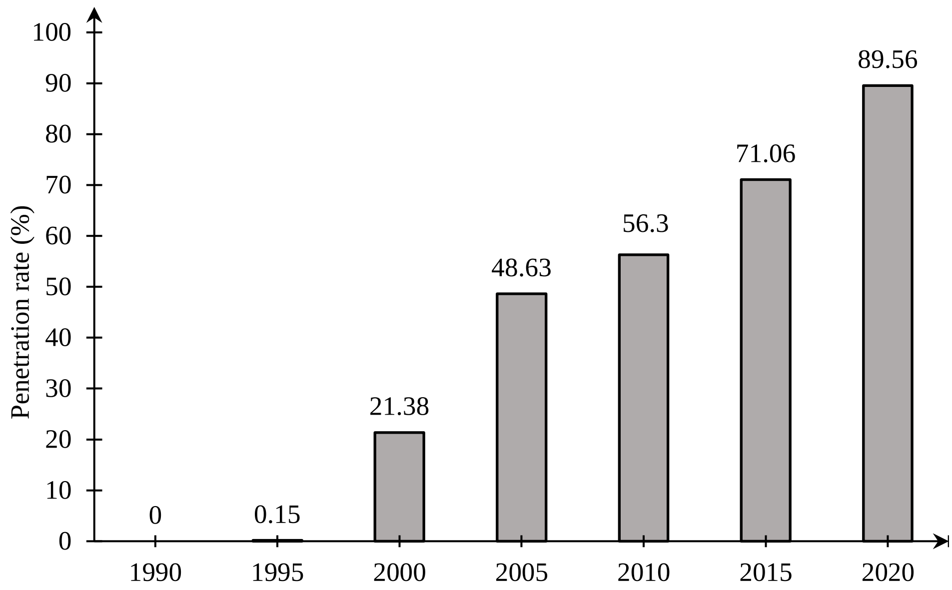

Figure 1.7 Internet Penetration Rate, 1990–2000.

Source: Communications and Multimedia: Pocket Book of Statistics, (MCMC), 2022.

Malaysia's telecommunications technology infrastructure has been well-developed after decades of development. With the turn of the millennium, Malaysia shifted its priority from constructing facilities and hardware to enhancing the original groundwork. For example, Malaysia launched the National Broadband Implementation Strategy or better known as the National Broadband Initiative (NBI) with the intention of strengthening information access and internet usage to cope with the trend of digitalisation. Further with the government's attempts and advocacy, it is evident that Malaysia's network usage is expanding at a perceptible rate each year. Nowadays, network utilisation in Malaysia is as high as 80 per cent as presented in Figure 1.7. Meanwhile, the Malaysian government has spared efforts to encourage the growth of the digitalised economy environment in Malaysia; for instance, through the establishment of the Digital Malaysia program. Under the Digital Malaysia program, Malaysia intended to promote national innovation and entrepreneurship in the telecommunication technology sector; in this sense, numerous policies such as tax incentives, and subsidiaries have been issued to support new start-ups, small and medium enterprises (SMEs) in the industry. Besides, several mobile apps were introduced to the public in promoting the usage of online platforms, specifically the eBerkat which helps SMEs to market their products, and the eUsahawan which provides a training scheme to new entrepreneurs in managing and expanding their business. These efforts have stimulated the development of a vibrant entrepreneurial environment in Malaysia's telecommunications technology sector, giving rise to several strong digital enterprises such as Grab, Shopee, Lazada, PGMall, iPay88, etc.

Eventually, in conjunction with the Fourth Industrial Revolution, the tremendous importance of telecommunication technologies has been increasingly apparent and noticeable. In recent years, internet-based project such as online shopping platforms has ushered in unprecedented market demand and recognition. Moreover, the outbreak of the COVID-19 pandemic has accelerated the digitalisation process leading telecommunication technologies and internet services to become increasingly inseparable from humans daily and now Malaysian are more likely to rely upon digital channels. As pinpointed by Yendamuri and Keswakaroon (2020), which focuses on the regional digital economy and e-commerce situation; showing that Malaysia appears to be the regional king of e-shopping among the ASEAN-6 countries,[1] proving that the rapid advancement of telecommunication technologies has

[1] ASEAN-6 countries comprised Malaysia, Indonesia, Vietnam, Thailand, Singapore and The Philippines.

brought a shift in the consumption behaviour of Malaysians. By the year 2021, approximately 84 per cent of the overall population of Malaysia are digital consumers, which is greater than the ASEAN-6 countries' average digital population of 78 per cent (see Figure 1.8).

Nonetheless, anticipating the possibility of 5G technology would herald the next industrial revolution and drastically transform the future economy due to its superfast speeds and capacity to accommodate millions of devices, Malaysia has taken substantial steps in implementing and embracing 5G technology. Consequently, the Malaysia government proposed a creative approach in delivering the 5G service to the public. Instead of auctioning the 5G spectrum, the government opted to establish the Digital Nasional Berhad (DNB), a Special Purpose Vehicle under the Ministry of Finance (MOF), acting as a single wholesale 5G network service in Malaysia. In light of this, the DNB will retain the 5G spectrum, concentrate on constructing the 5G infrastructures, and supply the 5G network as a wholesaler to local telecommunications operators, who serve as retailers to provide network service to the public. According to the MCMC, a centralised institution will aid in a more effective and efficient allocation of resources because the DNB will construct the necessary 5G infrastructure and share it with other telecommunications firms. As a result, the private company could retain a great deal of investment in building its own 5G infrastructure and would be able to redirect it to other essential areas, such as marketing and distributing the 5G networks to the consumers and keeping its sights on minimising the technology disparity between the rural and the urban regions by broadening 4G service and fibre-connections in the underserved areas, as outlined under the National Digital Network plan (JENDELA).

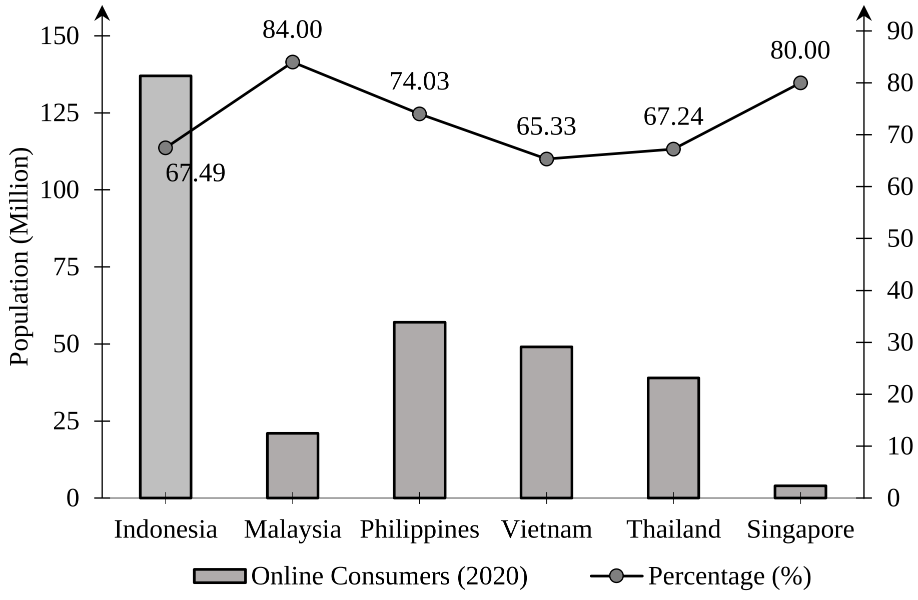

Figure 1.8 Percentage of Online Consumers over Population of ASEAN-6 Countries, 2020.

Source: SYNC Southeast Asia research 2020, META and Brain & Co., 2020.

To surmise, the Malaysian government has devoted considerable resources in expand and develop the nation's telecommunications technology industry. Believing that with Malaysia's dedication, it would realise the ambition of the digital economy blueprint and turn itself into a regional powerhouse in the digital economy.

1.1.2 National Leadership in Malaysia

The growth of a nation is inextricably linked to the national leaders, for better or for worse, because the national leaders are the key decision-makers for political and economic activities that will greatly impact the nation. As such, effective leaders are the backbones for prudent public policies that support the development of a preferential environment that will ultimately foster the economic progress of the country. In this section, we will go through the iconic national leaders of Malaysia to better understand their contribution to accelerating the growth and advancement of Malaysia.

Tunku Abdul Rahman, serving as the first Prime Minister of Malaysia from 1957 to 1970, is greatly known for his contribution to securing the independence of supervision of Malaysia and being honoured as the Father of Independence. In order to encourage both local and foreign investment he established the Malaysian Industrial Development Authority (MIDA) and the Investment Incentive Act 1968 which strive to promote industrialisation in Malaysia by providing an exemption on import duties and investment tax (Sivalingam, 1994; Ibrahim, 2022) to attract domestic and foreign investment in the manufacturing and service sector. Nonetheless, Tunku Abdul Rahman also notices that infrastructures are essential in fostering economic growth and invested heavily in building airports and highways to improve connectivity. Although during his tenure, the newly formed government did not bring many significant changes and development, but the initiatives taken by Tunku Abdul Rahman have sowed the seeds for the rapid economic progress of Malaysia in the coming future.

Tun Abdul Razak, the second Prime Minister of Malaysia has persisted in the footsteps of his predecessor to build a more developed country. As a consequence of the escalating racial disputes in the year 1969, which posed a threat to the nation’s unity and political stability, Tun Abdul Razak’s first objective upon taking the office was to resolve the internal instability and emphasise social harmony. To this end, he introduced the national concept that fosters cohesion among Malaysian – the Rukun Negara. In addition, he advocated for the New Economic Policy (NEP) which sought to eliminate poverty by creating more job opportunities and destined to restructure society by severing the nexus between ethnicity and economic role. As an outcome, Malaysia’s poverty rate fell dramatically as compared to the neighbouring nations such as Thailand and Indonesia as well as experiencing rapid economic growth in the 1970s (Jomo, 2005). Moreover, to address the disparity between the rural and urban, Tun Abdul Razak also encourage rural development during his reign. He has established several government institutions such as the Federal Land Development Authority (FELDA), the Federal Land Consolidation and Rehabilitation Authority (FELCRA), the National Corporation (PERNAS), Majlis Amanah Rakyat (MARA), etc, that aim to facilitate the construction of infrastructure in rural and uplift the living standard of the rural community and yet he was dignified as the Father of Development. Furthermore, Tun Abdul Razak’s contributions to Malaysia were not limited to his time as the prime minister. Much earlier, as the Minister of Education in the year 1952 during the era of the Federation of Malaya, he laid the groundwork for Malaysia’s educational progress. His drafting of the ‘Razak Book’ aided in the advancement of the education system in Malaysia, resulting in the formation of Malay, English, Chinese, and Tamil primary schools (UNESCO, 1973). Thereafter, he embraced the Education Act of 1961, which mandated secondary education for all Malaysians regardless of race. Regrettably, due to his untimely passing from illness, Tun Abdul Razak was only in office for six years before being succeeded by Tun Hussien Onn.

Tun Hussien Onn, the third Prime Minister of Malaysia was renowned as the Father of Unity. Along his premiership, he attached significant attention and emphasis on national unity and community cohesiveness. As the trusted aide of Tun Abdul Razak who was contributory in the establishment of the NEP, he possessed a keen understanding the significance of the NEP in facilitating the growth of the economy as well as promoting a stable and harmonious society in Malaysia. Therefore, he maintains his predecessor's initiatives in promoting social equality, eliminating ethnic barriers, and opting to nurture an environment that is full of peace and love which is crucial in attracting investors for expansionary of the nation's economy. Tun Hussien Onn's achievements in consociating Malaysian and improving the nation's cohesion are obvious, notwithstanding his limited tenure as the prime minister.

In 1981, Tun Dr. Mahathir Mohammad has become the fourth Prime Minister of Malaysia. It is worth mentioning that Tun Dr. Mahathir is also the only leader in the history of Malaysia who has served as the prime minister twice from 1981 to 2003 (as the fourth prime minister) and from 2018 to 2020, (the seventh prime minister). This 97-year-old elder has spent most of his life fighting for the country and is one of the most controversial political leaders in Malaysia. During his time in the office, he has been encouraging the modernisation of the country in facilitating Malaysia's economic growth and committed to Vision 2020 (Wawasan 2020), which is determined to transform Malaysia into a well-developed country with a high standard of living. To achieve this ambition, Tun Dr. Mahathir initiates the 'Look East Policy' to strengthen the collaboration between Malaysia and eastern nations such as Japan and South Korea. Inspired by the eastward policy, Malaysia promotes the formation of an industrial alliance with these countries to encourage technology and knowledge transfer across the nations has led to the born of numerous joint ventures between Malaysia, Japan, and South Korea. One of the most notable strategic alliances must be the establishment of the first national automobile of Malaysia, the Proton Holding Berhad, the partnership of Malaysian automobile manufacturer and Mitsubishi Motors. Furthermore, the ‘Look East Policy’ has successfully attracted investors to develop electronic research centres and manufacturing plants in Malaysia, which further contribute to the creation of job opportunities and the enhancement of Malaysia's manufacturing industry. Moreover, Tun Dr. Mahathir believes that science and technology will be at the forefront of the following period and has pioneered a lot of advancements in Malaysia in the realm of science and technology. The most well-known initiative was the establishment of MSC as a special economic zone situated in Selangor's south-central region attempting to assist Malaysia in expanding its telecommunication technology industry which is well discussed in the preceding section. Thereafter, under the leadership of Tun Dr. Mahathir, Malaysia experienced a period of rapid prosperity and became one of the "Asian Four Tigers" nations. Malaysia’s annual economic growth rate has increased significantly from 7.4 per cent in the year 1980 and achieved the historical peak of more than 9 per cent growth in the late 1980s as demonstrated in Figure 1.9. Undeniably, Tun Dr. Mahathir has made impulsive contributions to the development of Malaysia; however, he was criticised by the public and was suppressed by the public as a dictatorial and power-abusing leader due to his notorious use of the Internal Security Act (ISA) and the ‘Operation Lalang’ in 1987 (Fritz and Flaherty, 2002). Moreover, Tun Dr. Mahathir is frequently alleged of cronyism and corruption in which he exploited his political clout to enable his family and cronies to reap huge profits from government income and projects. It is obvious that Mahathir led Malaysia along the path of modernisation and established the groundwork for Malaysia's growth in the 1980s and 1990s, earning him the appellation of ‘Father of Modernisation’.

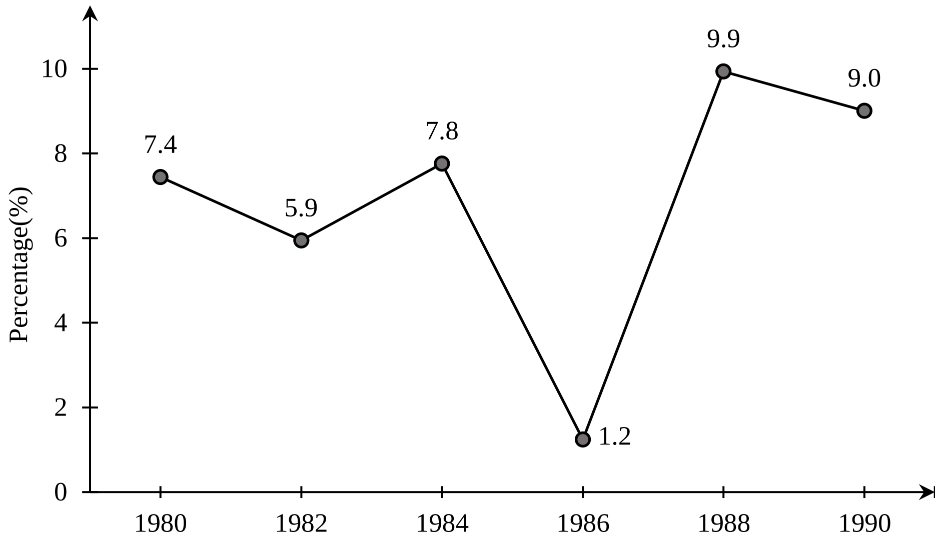

Figure 1.9 Annual GDP Growth of Malaysia, 1980–1990.

Source: World Development Indicators (WDI), World Bank, 2022.

Tun Abdullah bin Ahmad Badawi or familiarly known as Tun Abdullah Badawi was devoted in constructing a transparent government during his service as the fifth Prime Minister of Malaysia (2003–2009). During his time, he instituted the Malaysian Anti-Corruption Commission (MACC), an independent government organisation tasked with investigating and prosecuting corruption cases that involve public officials and private sectors in order to create a free corruption Malaysia. Particularly, he understood that combating corruption entails nurturing a sense of integrity, thus he vigorously promoted the qualities of honesty through education and awareness campaigns. Despite this, Tun Abdullah Badawi is passionate about combating corruption and improving the transparency of public administration in

Malaysia but unfortunately, his efforts did not bring many significant results. According to the statistic of the control of corruption index[2] presented in Figure 1.10, Malaysia's score drops from 67.2 to 55.5, further indicating that the problem of corruption in Malaysia worsened during Tun Abdullah Badawi's premiership. On the other hand, his attempts to cultivate Malaysia's human resources are praiseworthy. He comprehended the importance of human capital to achieve sustained economic growth and stressed that education is the cornerstone of human capital development. Hence, he adopted various education-related policies to offer Malaysians international-quality education and training to nurture more highly-trained and knowledgeable workforces.

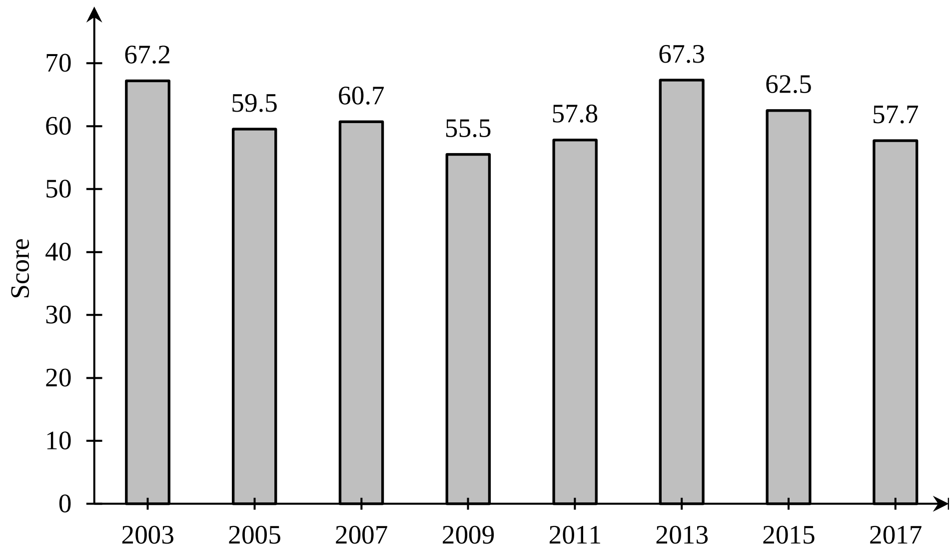

Figure 1.10 Control of Corruption Index of Malaysia, 2003–2017.
Source: Worldwide Governance Indicators (WDI), World Bank, 2022.

Mohammad Najib bin Tun Haji Abdul Razak or well-known as Najib Razak, started serving as the sixth Prime Minister of Malaysia since the year 2009 to the year

[2] The control of corruption index measures the extent to which public officials vote against their best interest and engage in corrupt activities for personal gain. The index is measured as percentile ranks, stretched from 0 to 100, corresponding to the lowest and greatest rank.

2018 had played a vital role in Malaysia’s success. During his leadership, he was renowned for his effort in sustaining the country’s economic growth at an average of 5 per cent as demonstrated in Figure 1.11. Moreover, his implementation of the NEM which sought to convert Malaysia into a high-income nation has played a significant contribution in developing a sustainable long-term growth economy by heavily attaching concentration to increasing productivity. The NEM targeted refocus the key drivers of growth from quantity to quality by increasing productivity by cultivating highly-skilled workforces through human development investment (Schellekens, 2010). Nonetheless, under the NEM, Malaysia government also strengthen the involvement of the private sector in accelerating the country’s economy. In view of this, the government has decided to minimise government interventions in business operations, revealing all commercial operations, including the government-linked companies (GLCs) to the same rule in an effort to promote innovation and competitiveness of all enterprises in Malaysia. Yet, NEM also attempts to streamline the regulatory processes, reduce bureaucracy, further enhanced transparency and accountability in order to create a favourable business environment that attracts domestic and international investment which will then boost employment opportunities and ultimately stimulates consumption and economic growth. Besides Najib’s contribution to the economy, he also emphasised national unity and peace among Malaysia's diverse ethnic groups. He presented the ‘One Malaysia’ (Satu Malaysia) viewpoint that underlined the significance of variety and inclusiveness in fostering mutual understanding and establishing a prosperous community. However, Najib's legacy and contributions were overshadowed by the enormous 1MDB corruption scandal involving embezzling billions of dollars of public funds, leading the corruption problem in Malaysia to get worst during his tenure (Figure 1.10).

Eventually, he was ousted and faced criminal charges following his defeat in the 2018 general election, becoming Malaysia's first prime minister to be jailed for corruption in the year 2022.

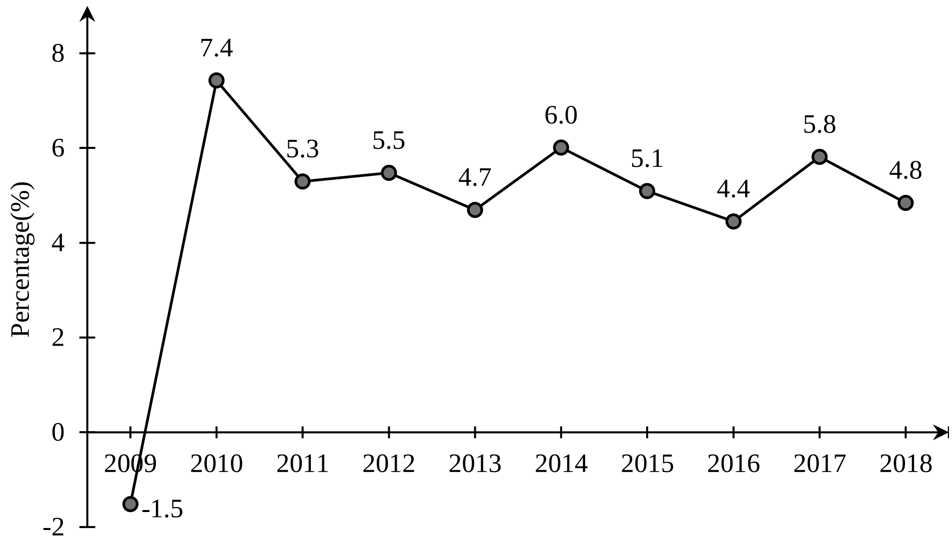

Figure 1.11 Annual GDP Growth of Malaysia, 2009–2018.

Source: World Development Indicators (WDI), World Bank, 2022.

Following Najib Razak’s resignation, Malaysia had appointed a few succeed such as the seventh, Tun Dr. Mahathir Mohammad (2018–2020) discussed earlier, the eighth, Tan Sri Dato’ Haji Mahiaddin bin Muhammad Yasin or commonly known as Muhyiddin (2020–2021), and the ninth, Dato’ Sri Ismail Sabri bin Yaakob (2021–2022). Unfortunately, due to their abbreviated terms in office, they were unable to establish a commendable track record for the country’s development, but they played a vital role in combatting the COVID-19 pandemic through the implementation of decisive movement control order (MCO), launching relief funds and economic recovery programmes such as PRIHATIN, PENJANA, and PEMULIH, has steadied the economy of Malaysia and given a hand to the populace to overcome the tough times.

In conclusion, every prime minister in Malaysia has made important contributions in supporting the advancement of Malaysia, further demonstrating that leaders possess a considerable influence on the nation in every aspect. Good leaders with effective policies will more likely to bring positive influence on the country, while poor leaders would inevitably cause people to lose trust in the national leaders, resulting in deterioration of economic and social stability.