Insight of Anti-Corruption Initiatives in Malaysia

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Abstract
This study provides an overview of corruption in Malaysia. In 2014, the President of World Bank, Jim Young Kim, released a shocking statement which described corruption as dangerous activities than terrorism to the humanity as it is able to siphon off an estimated of $1 trillion from developing countries through bribery, money laundering, tax evasions, extortion and other financial crimes (CBC News, 2014). Apart from that, in Malaysia, the cost that Malaysia has to bear due to the corruption activities is as much as RM 10 billion per year, or 1 to 2 percent of gross domestic product annually (GTP 1.0, Fighting Corruption). These adverse effects have diverted government attention towards searching for effective measures to curb corruption thus resulted in a variety of anti-corruption initiatives in Malaysia.

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1. Introduction
Corruption is a threat for all countries around the world. It is an old phenomenon of human history where almost all centuries experienced discussion about the topic (Dreher and Herzfeld, 2005). In Malaysia, the fight against corruption has become one of the primary focuses among country leaders. According to Tan Sri Abu Kassim Mohamed, Director of Malaysian Anti-Corruption Commission (MACC) in Utusan Malaysia (2013), the efforts to fight corruption have been going on since the reign of the first Malaysian Prime Minister, Tunku Abdul Rahman Al-Haj. During his reign, Tunku Abdul Rahman has stressed the importance for Malaysian to eliminate the three unhealthy elements in ensuring sustainable development of the country and one of the elements was corruption.

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Corruption is the misuse of power by public officer for private gains (Reso-Ackerman 1999 and Manion 2004). In Malaysia, we use the word “gratification” instead of “corruption”. According to Anti-Corruption Act 1997, “gratification” can be defined as:

“(a) money, donations, gift, loan, free, reward, valuable security, property or interest in property being property of any, description whether movable or immovable, financial benefits or any other similar advantages; (b) any office, dignity, employment, contract of employment or services and agreement to give employment or render services in any capacity; (c) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part; (d) any valuable consideration of any kind, any discount, commission, rebate, bonus, deduction or percentage; (e) any forbearance to demand any money or money’s worth or valuable thing; (f) any other services or favor of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted and including the exercise or the forbearance from the exercise of any right or any official power or duty; and (g) any offer, undertaking or promise, whether conditional or unconditional of any gratification within the meaning of any of the preceding paragraphs (a) to (f).”

In other words, gratification is an act of giving or receiving any gratification or reward in the form of cash for performing a task in relation to his or her job description. Corruption does not only take the form of cash but it can also be in the form of gift in-kind, discount offers, votes, services (including sex), job position or placement, loan and any other forms of payment and purchases (MACC website). Based on the Malaysian Anti-Corruption Commission Act (MACC Act) 2009, there are four main categories of gratification activities: (1) accepting or requesting gratification (bribes) (section 16 & 17 (a) of MACC Act 2009); (2) giving or offering gratification (bribes) (section 17 (b) of MACC Act 2009); (3) intending to deceive (false claims) (section 18 of MACC Act 2009) and (4) offering office or position for gratification (bribe) (section 23 of MACC Act 2009). Studies over years have shown that corruption undermined the economic development of a country which led to the efforts in identifying the effective initiatives to fight corruption by country leaders, and Malaysia is no exception to it.

2. Effects of Corruption

The adverse effects of corruption on countries’ economic development are widely acknowledged in the literature. Dreher and Herzfeld (2005) showed that whether by using formal or empirical approaches, corruption undermines investors, reduces the productivity of public expenditures, distorts the allocation of resources and thus lowers the economic growth of countries.

Economic growth

Among the first empirical cross-country analyses on the adverse effects of corruption towards economic development was by Mauro (1995) that focuses on the gross domestic product (GDP) per capita growth. In order to measure corruption, Mauro employs the corruption index provided by the Business International (BI). The result of his study showed the more corrupt countries experience, it would significantly lowered the GDP. Similar result also obtained by Mauro (1996), Brunetti (1997), Poirson (1998), Campos, Lien and Pradhan (1999) Li, Xu and Zou (2000), Wei (2000) Mo (2001), and Abed and Davoodi (2002).

However, these adverse effects are not always confirmed because there is no evident showing any direct relationship between corruption and economic development when other relevant factors are being controlled (Pellegrini & Gerlagh, 2004). Despite that, there are evidence showing an indirect relationship of corruption on economic development through several medium such as investment, schooling, trade policies and political stability. This is proven by Hodge et al. (2011) where corruption affects economic development through various medium, such as investment in physical capital, human capital and political instability.

Investment

According to Mauro (1995) more corrupted countries will have lower investment rates. This result is also
confirmed by the bulk of literature such as Mauro (1996), Brunetti, Kisunoko and Weder (1998), Lien and Pradhan (1999), Mo (2001), and Lamsdroff (2003). Interestingly, the authors also found that a high level of corruption could deter not only on gross investment but also on both private investment as well as foreign direct investment (FDI). According to Wei (2000a, 2000b) corruption acts as a tax deterring FDI, where an increase in the corruption index by one point has the same effect as a 7.5 percent increase of tax rate, which would significantly reduce the FDI inflows.

**International Trade**

In a cross analysis by Lambsdroff (1998) the exporters from less corrupt countries would face disadvantages in import countries with a high corruption level. In the study, Lambsdroff used the market share of the 19 largest exporting countries in 86 import markets as dependent variable. The corruption index of the importing countries is negative and statistically significant, thus increased the market share of the exporter, in the case of Belgium, France, Italy and South Korea. For exporters that choose to deal with corrupt countries, they obtained low market share, such as Netherland and Sweden.

**Government Revenues and Expenditure**

Research has shown that corruption lower the quality of public infrastructure and biases in government expenditures. Tanzi and Davoodi (2002a) analyzed the issue of public infrastructure. The study used a panel of 68 countries over the period 1980-1999, where they found evidence that supports corruption lowers the quality of roads and increase the number of electricity interruptions. Additionally, the author found a significant negative impact of corruption on public revenues. Similar results are obtained by Tanzi and Davoodi (2002b) and Friedman et al. (2000) focusing on the share of tax revenue in GDP. For the expenditure side, Mauro (1998) found clear evidence that corruption resulted in the lower government expenditures on education. On the other hand, corruption tends to increase military spending significantly (Gupta, De Mello and Sharan, 2001).

Based on the effects of corruption highlighted above, both government and international agencies have diverted their attentions towards searching for the effective measures to curb corruption (Siddique, 2010). If corruption is successfully monitored in a country, it would lead to huge opportunity for the country to grow as there will be a greater inflow of foreign investment, high per capita income growth, higher literacy rate, and increase in business growth which leads to strong economic growth of country (Kaufmann et al, 2010).

**3. Initiatives to Curb Corruption in Malaysia**

Government efforts to curb corruption in Malaysia was first started through legal measures during the reign of the British colonial through the introduction of number of provisions. For example, the Penal Code 1871, the Strait Settlement Ordinance No. 41 of 1937, Federated Malay States Enactment No. 23 of 1938 and Johore Enactment No. 14 of 1940 (Marican, 1967).

According to Siddique (2010) Malaysia has an elaborate set of institutional framework to deal with corruption. There are numerous institutions established by the government with the aim to build and strengthen the anti-corruption infrastructure, namely the Anti-Corruption Agency (ACA) in 1967, the Public Complaints Bureau (PCB), Auditor General’s Office, Public Accounts Committee, Police, Attorney General’s Office, Customs and Malaysian Administration Modernization and Management Planning Unit (MAMPU). In addition, there are variety of other measures implemented by the government to inculcate positive values thereby support government’s anti-corruption goals such as Leadership by Example (1983), Name Tags (1985), Clean, Efficient and Trustworthy Government (1989) and Excellent Work Culture (1989). However, these strategies have failed to give significant impacts on corruption. The measures introduced are clearly visible but their effectiveness is far less evident. The ineffectiveness of anti-corruption strategies are due to (1) poor implementation and subsequent consolidation; (2) low political will to fight corruption; (3) deficiencies of the existing institutions; and (4) defects of the country’s political systems, cultures and institutions.
The author explained that instead of strengthening the existing institutions and enhancing the capacity to act as effective watchdog agencies, Malaysian government has often taken the path of establishing new institutions and strategies. The leadership in Malaysia appears to be efficient in importing new models with all their institutional wrappings and jargons but poor in effective implementation and their subsequent consolidation. This is confirmed with numerous public sector reforms in Malaysian public sector. Additionally, Malaysian country leaders are either unable or unwilling to tackle political corruption showing the political will to fight corruption is low. Such failures coupled with deficiencies of the existing institutions and defects in the country’s political system, cultures and institutions have undermined the government’s anti-corruption drives to the large extent. Similar result is obtained by Siddique (2011).

However, according to study conducted by Yusoff, Murniati and Greyzillius (2012), the ineffectiveness of government initiatives to curb corruption are mainly due to the (1) inability to address the root cause of corruption; (2) redundancies and duplications; and (3) low public support towards government efforts. According to a survey conducted by Australian Institute of Criminology (AIC), the successful factors of anti-corruption initiatives and strategies in fighting corruption are because the initiatives and strategies are able to address the causes of corruption and consider the political and socio economic environment in which corruption flourishes. The author support the result produced by Siddique (2010, 2011) that Malaysia has elaborate frameworks and strategies but those frameworks and strategies do not effectively tackle corruption because they do not address the root cause of corruption in Malaysia. The root cause of corruption in Malaysia is mainly due to the defects in the country’s political systems, cultures and institutions (Siddique 2010, 2011).

It is said to be a norm in Malaysia that whenever a new Minister takes over, they establish new plans for reform and new agencies to implement and coordinate those reform. However, sometimes the new plan comes without proper assessment of the status and performance of the previous one. For example, the establishment of National Bureaus Investigation (NBI) that replaced the Anti-Corruption Agency (ACA) due to the weaknesses that ACA had. However, NBI is abolished by new Prime Minister due to the same weaknesses it holds. Another example is between Malaysian Institute of Integrity (IIM) and NKRA Corruption Coordination and Monitoring Division, where they have been tasked with coordinating the implementation of government initiatives to combat corruption. It is unclear on how these two entities should carry out their duties without overlapping each other.
While the government is searching for a more effective anti-corruption framework, the author also indicated the importance for the government to not forget about the power of public perception. One must remember that perception does not arise out of thin air. This is proven by Malaysia’s score in Corruption Perception Index (CPI) that urge the government not only to face the task to curb corruption but also need to convince businesses and the public at large that corruption is being addressed in a serious manner as current situation shows low support of public towards government seriousness in tackling corruption, despite the many and varied attempts to do so (Global Corruption Barometer, 2014). Figure 3 and 4 below present the chronology on the introduction of legal measures as part of the initiatives to curb corruption and the establishment of anti-corruption agency in Malaysia as to date.
4. Malaysia Performance in Corruption Perception Index

Corruption Perception Index was first published in German newsmagazine named “Der Spiegel” on 10 July 1995. At that time, the corruption index was simply provided as background information to the journalist due to the disapproval of Transparency International Board in publishing Corruption Perception Index. Once the first article on Corruption Perception Index is being published, there are inquiries by both national and international media about the ownership of the index. During that time, Transparency International was given a choice to choose either to distance themselves from the index or embrace it. Five days after the first article appeared about Corruption Perception Index, Transparency International conducted a formal press release claiming their ownership over the index. After the press release, international media in countries like Australia, Brazil, Indonesia, Philippines and Taiwan published the story about the Corruption Perception Index while media in other countries (United Kingdom and United State of America) ignored it. However, not long after that, the main media in those countries, which firstly ignored the Corruption Perception Index, started to publish a story about Corruption Perception Index (Galtung, 2005).

The positive impact of Corruption Perception Index was that CPI has been credited as a factor that made the issues related to corruption as something valuable in the eyes of the world. Before 1995, coverage in media about corruption was nearly impossible but after the publication of Corruption Perception Index this matter was no longer impossible anymore (Florini 1998).

Even though in the first year Corruption Perception Index received positive feedbacks from the walks of floor but in its second year of 1996, Corruption Perception Index led to a political upset. Pakistan, for example, was ranked second to the last that year, after Nigeria. This finding was reported broadly by local media in Pakistan. The Prime Minister of Pakistan at that time was Benazir Bhutto, who was confronted with the bad results in the parliament where she said that ‘hers was the most honest administration in Pakistan’s history’. Later, the President of Pakistan removed Benazir Bhutto from the office. Since that, Benazir Bhutto lost her re-election bid tarnished by corruption charges against her and her husband. Besides Pakistan, the former Prime Minister of Malaysia, Tun Dato...
Sri’ Dr. Mahathir Mohamed criticized heavily on the result produced by Transparency International claiming who are these people to determine how Malaysian should live (The Strait Times, 5 June 1996).

As Corruption Perception Index resulted in political upset in certain countries, the Index continues to play important roles in other aspects. Since the first publication of Corruption Perception Index in 1995, the corruption index has been cited in thousands of newspaper’s articles almost on a daily basis. Corruption Perception Index has contributed towards the formations of global movement and awareness about corruption. Ko (2010) states that Corruption Perception Index has played an important role in generating awareness about corruption. This can be seen through the trend of the number of searchers on Corruption Perception Index in Google between 2004 and 2007. In the weeks in which Corruption Perception Index is publicized, we can see there are most vigilant search activities of each year. Although this only indicates the trend of Google users, it clearly shows that Corruption Perception Index invokes significant attention towards corruption. Galtung (2005) said that Corruption Perception Index encouraged a race to the top of the index both at the international stage and regional stage. At the international stage, race is started when the Prime Minister of South Korea aims to make Korea among the top 15 countries in the index within the five years, while at the regional stage, the race was between Hong Kong and Singapore; Kenya and Uganda; and between Hungary and the Czech Republic.

Next, Corruption Perception Index provides broader country coverage in the index as compared to any single corruption indicators. Thus, with the broader data coverage, Corruption Perception Index made it possible to assist the large-N and cross national studies on corruption (Lancaster and Montinola, 2000). For example, Triesman (2000) conducted a study on the causes of corruption with the focus on the cross national studies. In this study, Triesman used three annual indexes of Corruption Perception Index from 1996 to 1999, to explain the connection between the causes of corruption as has been identified in the theories with corruption level in the countries under his studies. Amongst the causes being tested by Triesman were legal system, colonial tradition, exposure to democracy, economic development, salaries of public officers, political instability, ethnic group and openness to trade. Wei (2000), on the other hand studied the consequences of corruption by using Corruption Perception Index and other corruption index (Barometer Index and Global Competitiveness Report) to analyze the consequences of corruption to a country. The result shows that corruption provide negative impacts toward nation’s domestic investment, foreign direct investment, financial market performance, economic growth and the size and composition of government expenditure.

Table 1: Malaysia’s Corruption Perception Index (CPI) for the past sixteen years from 1995 until 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
<th>Rank</th>
<th>No of Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>5.28</td>
<td>23</td>
<td>41</td>
</tr>
<tr>
<td>1996</td>
<td>5.32</td>
<td>26</td>
<td>54</td>
</tr>
<tr>
<td>1997</td>
<td>5.01</td>
<td>32</td>
<td>52</td>
</tr>
<tr>
<td>1998</td>
<td>5.3</td>
<td>29</td>
<td>85</td>
</tr>
<tr>
<td>1999</td>
<td>5.1</td>
<td>32</td>
<td>99</td>
</tr>
<tr>
<td>2000</td>
<td>4.8</td>
<td>36</td>
<td>90</td>
</tr>
<tr>
<td>2001</td>
<td>5.0</td>
<td>36</td>
<td>91</td>
</tr>
<tr>
<td>2002</td>
<td>4.9</td>
<td>33</td>
<td>102</td>
</tr>
<tr>
<td>2003</td>
<td>5.2</td>
<td>37</td>
<td>133</td>
</tr>
<tr>
<td>2004</td>
<td>5.0</td>
<td>39</td>
<td>146</td>
</tr>
<tr>
<td>2005</td>
<td>5.1</td>
<td>39</td>
<td>159</td>
</tr>
</tbody>
</table>
Table 1 shows how corrupt is Malaysian public sector being perceived. A country is scored on a scale between “0” (highly corrupt) to “10” (clean), and then ranked according to the score they obtained. In 1995, Malaysia scored 5.28 out of 10 and ranked at 23 out of 41 countries included in the index. On the second year of CPI, Malaysia managed to improve its score slightly (from 5.28 to 5.32) and ranked at 26 out of 54 countries included in the index. Unfortunately, the situation is not in favour for Malaysia as its score started to continuously decline from year to year until 2011. The CPI result for 2011 was the worst record for Malaysia as it managed to score 4.3 out of 10 and ranked at 60 out of 183 countries included in the index.

As the index shows how corrupt is a country’s public sector is perceived to be, the government efforts to curb corruption seem ineffective because the corruption level in Malaysia still remain at the high level. Even though CPI has been criticized for its validity (Galtung, 2005), but it is important for country like Malaysia from its competitors (Siddique 2010; 2011). This is supported by Yusoff, Murniatti and Greyzillius (2012) where the perception does not arise out of the thin air.

5. Conclusion

Since 2011 is the worst record for Malaysia in CPI, the government has started to develop and implement new initiatives to effectively curb corruption in Malaysia. But despite these numerous initiatives and strategies, we are still confronting the same problems as there is less evidence on the effectiveness of anti-corruption initiatives. The questions on why and where the flaws are need to be addressed immediately. Failure to answer such questions would result in similar result as mentioned previously. Such failure would lead to greater loss of government resources, as those resources could be used to produce more productive goods or services to the public. As described by the President of World Bank, Jim Young Kim, every dollar that a corrupt official or a corrupt business person puts in their pockets is a dollar stolen from public who needs better health care, education and other infrastructures. In addition, in recent years, Malaysian government aimed to enhance Malaysia's position to stage the 30th in 2020. The aim was made due to the fear that corruption may affect the inflow of foreign direct investment. This investment is one of the crucial factors that would resulted in the increased economic growth of Malaysia and thus achieve Malaysia’s vision, to be one of the developed and high income countries by year 2020. If the current situation is similar to what described in the previous studies, it is questionable that the aim and vision could be achieved by Malaysia by the year of 2020.

References