

# The Political and Social Nature of Malaysia in the Light of the Federal System

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## Abstract

The diverse nature of Malaysian society has had a profound influence on the country, with its rich tapestry of ethnicities, religions, languages, and nationalities. Malaysia has made significant strides in establishing institutions that foster power sharing and encourage positive collaboration, thanks to its democratic political system. This is evident in the three branches of government and the allocation of power between the federal and local levels. The measures highlight the state's ability to adapt and incorporate diverse strategies to foster inclusivity within its society. This system's dedication to democratic practices and the protection of individual and group rights clearly demonstrates its effectiveness. Malaysia has fully embraced the federal system of governance, allowing for a fair distribution of wealth at both the federal and local levels. This has greatly benefited the country's political and social framework, showcasing the positive impact of this system.

**Keywords:** Diverse Society, Power Sharing, Democratic Political System, Federal System of Governance, Inclusivity.

## Introduction

Malaysia is a country known for its incredible diversity, which is evident in its society through a wide range of ethnic, religious, and linguistic groups. The wide range of backgrounds and experiences has greatly influenced individuals and communities across the nation. As a response, Malaysia's political system has embraced a governance model that aims to cater to the requirements of its incredibly diverse population. This system promotes the equitable distribution of wealth and responsibilities across various levels of governance, while also striving to ensure the representation of all segments of Malaysian society. Throughout the upcoming

discussions, we will delve into the social and political aspects of Malaysia, analysing the impact of the federal system on its governance.

The significance of this research lies in the distinct Malaysian experience, which sets it apart from other Eastern countries and highlights remarkable accomplishments in terms of transformative change. The Malaysian experience is a fascinating and varied one, marked by a harmonious fusion of various elements that have nurtured stability and balance within Malaysian society. This research holds great significance for current academic work as it aims to analyse the various layers of Malaysia's federal structure and how it embraces diversity. In today's rapidly changing world, understanding the dynamics of a successful federalism system is crucial for leaders, academics, and practitioners. With nations grappling with issues of multiculturalism, globalisation, and heightened political conflict, this knowledge becomes even more significant.

Malaysia's rich cultural, religious, and linguistic diversity is truly remarkable. Researchers have found it to be a captivating area of study, with potential insights that could benefit other multicultural nations seeking stability. In addition, this study adds to the ongoing discussion on the system of federalism, decentralisation, and power distribution, focusing on regional integration and national unity. This research enhances the comprehension of Malaysia's federal system and provides concrete recommendations for enhancing governance, addressing socio-economic inequality, fostering social inclusivity and unity, thereby contributing to the field of diversity management, federal systems, and political science.

This research aims to achieve two main objectives. Firstly, it seeks to comprehend the demographic makeup of Malaysia's population and the social divisions that arise from different ethnicities. Secondly, it aims to analyse the political system and its institutions, along with the federal system's influence on effectively managing diversity in Malaysia. In addition, the study seeks to evaluate how Malaysia's experience can be a valuable model for other nations.

The issue of diversity management in the Malaysian context poses a complex research problem due to the country's rich cultural, linguistic, and religious diversity (Liaw et al., 2020). However, despite the country's impressive economic growth and stable political situation, the challenges of social integration, economic inequalities, and political conflicts persist without resolution (Ostwald & Chew, 2021). In considering the federal system's aim to accommodate ethnic and regional differences, it is important to acknowledge the limitations it has in addressing past injustices and current challenges faced by marginalised groups (Ratnam & Pillai, 2022). The unequal distribution of resources, power, and opportunities creates a barrier for certain individuals, leading to feelings of resentment and disillusionment among segments of the population (Rodan, 2022). Furthermore, the politicisation of ethnicity and religion poses a significant threat to the social fabric of Malaysians. Furthermore, it is evident that ethnic minority groups in Malaysia face discrimination and unequal treatment, as their rights are not well respected and their visibility is quite low (Francis-Granger, 2023).

The research endeavours to address a series of inquiries stemming from the intricate dynamics within Malaysian society, encompassing the following:

1. To what extent has the political system effectively established an institutional framework that accommodates the diversity and historical heritage of Malaysia?
2. How proficient has the political system been in managing diversity within the framework of the federal system?

In this context, the research problem is formulated within the framework of the following research question:

- How to enhance the federal structure for the better management of diversity, application of justice, and development?

### **Specifically, the Study Aims to Investigate the Following Pressing Issues**

- What can be done to the federal system of the country to redress the colonialism, socio-economic and political marginalization?
- What strategies of intervention and resourcing can be employed to empower

organizations and people to provide effective representation and relevant contribution for the minority?

Consequently, the issue of the federal system's ineffective functioning due to the neglect of specific ethnic and regional groups in the country has emerged thus this study seeks to answer that:

- How to improve its performance in relation to the needs and expectations of various communities at the federal level?

#### **And lastly**

- What can be done to change the existing federal structure in the country so that it can adopt more pluralism, people participation and democratic system of handling diversities for better unity in the country?

This study seeks to contribute to the scientific and theoretical understanding of Malaysia as a society, with a focus on the development of a just, equitable, and peaceful society.

### **Literature Review**

History, geographical position, and cultural exchange have all contributed to the transformation of Malaysia into a diverse and multicultural nation ([Abdullah et al., 2021](#)). Due to its unique geography, the country boasts a diverse history, influenced by a fusion of indigenous cultures, the descendants of Chinese and Indian traders, and European colonisers ([Talwar, 2022](#)). It has thus developed into a diverse and inclusive society, with a rich mix of Malays, Chinese, Indians, and indigenous peoples. This vibrant community is home to numerous languages and ethnic groups ([Mi, 2021](#); [Muhamad et al., 2023](#)). However, the presence of various factors such as historical colonialism, economic differences, and political stability has had a significant impact on shaping social relations and the cohesion of society ([Abdullah et al., 2021](#)). The federalism system of government in Malaysia has played a crucial role in managing diversity. It aims to strike a balance between unity and regionalism, while also promoting national unity in the face of perceived differences. Additionally,

it acknowledges and embraces the country's multiculturalism (Noh & Yashaiya, 2022; Schaper, 2020).

This study seeks to examine the impact of the Malaysian federal system on social integration, political stability, and economic growth. It also aims to propose strategies to enhance the federal system and promote the formation of a cohesive and integrated society.

The adaptation of the federal system has been of significant importance for Malaysians, as it aims to create an institutional structure that aligns with the social realities, traditions, and diversities of the country and its heritage. Ratnam and Pillai (2022) suggest that the colonial era adopted Malaysia's federal structure to address the diverse nature of the multi-ethnic society. This system has facilitated political unity while also supporting the decentralisation of power, allowing for the potential secession of different regions (Ngu, 2023). Similarly, Wan Husin et al. (2023) assert that the federal system has played a crucial role in preventing sectarian violence among Malaysia's diverse ethnic, linguistic, and religious groups, as observed in other countries with similar diversity. Furthermore, Loh (2020) and Yusof, Kalirajan and Mohamad (2022) have highlighted the significance of vertical structures in promoting decentralised government, which plays a crucial role in addressing imbalances and driving regional growth and development in different states. This has led to a decentralised authority in the implementation of policies that align with the demographic and economic base of local governments. As a result, it has played a role in stabilising the nation's economy.

In addition, Jou and Ooi (2022) provide a theoretical rationale for the hypothesis, suggesting that federal systems are particularly beneficial in societies that are divided. They argue that such systems promote power sharing and provide minority groups with a stake to protect. In Malaysia, the implementation of federalism has resulted in the inclusion of minority groups in the political process, leading to enhanced social integration and a decrease in ethno-political conflicts

(Shamsul, 2023). In a study conducted by Wan Husin et al. (2023), they also supported this perspective by highlighting how Malaysia's federal structure has fostered inter-ethnic accommodation and power sharing at both the Federal and state levels. The research suggests that the Malaysian political system has effectively developed an institutional structure that reflects the social realities, historical heritage, and diversity of Malaysian society. This achievement has been made possible by the implementation of the federal system, which has cultivated a sense of stability within the nation.

### **Research Methodology**

The research methodology employed in this study is qualitative, involving a comprehensive examination and analysis of the historical and analytical aspects of federal state formation in Malaysia. The primary sources of data collection involved in the study are secondary sources. These include historical records, constitutional records, academic articles and literature, and other relevant sources. These sources have been utilised to identify the pre-colonial independent Malaysian kingdoms, as well as the development of the current federal system in Malaysia. This evolution spans from the era of British colonisation to the present phase of globalisation.

In terms of methodology, the study focuses on analysing secondary data sources such as the Malayan Union Agreement and the Malaysian Constitution. This allows for an examination of the legal and administrative aspects of Malaysian federalism. Additionally, the research delves into the analysis of the assigned and performed roles and responsibilities of federal, state, and local institutions as outlined in the constitution, particularly in the context of decision-making processes. To provide a more in-depth understanding of the Malaysian federalism, this research examines the historical background of the Malaysian federal system, its rationale, and the impact of this system on the distribution of financial resources and power. The comprehensive methodology employed enables a thorough understanding of the

Malaysian federal system and its effectiveness in addressing the country's diversity and historical context.

## Findings

### Malaysian Society

This section seeks to clarify the demographic makeup of the population in Malaysia and the key factors that contribute to its diversity.

### Population Demographics

To fully understand the demographic composition, it is crucial to comprehend the characteristics of the population and the wide range of diversity present in society.

#### A) Nature of the Population

As of February 13, 2024, the population of Malaysia is 34,533,752 individuals, with a growth rate of 1.06% and a population density of 106. The urban population makes up 78.9% of the total, and Malaysia is ranked 45th globally in terms of growth rate ([Worldometer, 2024a](#)). In the western region, the population is mainly concentrated in its western part, which is a significant commercial area. Contrastingly, in eastern Malaysia, the population is more densely packed in the coastal areas, gradually thinning out as you move into the mountainous regions ([Al-Hayari, 2021](#)).

#### B) Economic Disparity

The population of indigenous people in Malaysia primarily comprises Malays. Their way of life revolves around a straightforward economy that depends on agriculture in their fields. Malays may face challenges in terms of access to capital and acquiring the necessary skills for trade and professions. They have satisfied their needs by relying on agriculture for basic necessities of life. Contrastingly, individuals from China and India have migrated from their home countries in pursuit of improved opportunities. Based on the British economic strategy, Malays were

expected to shift away from economically unproductive rice cultivation and instead focus on agriculture that offers commercial commodities like rubber cultivation and mining. However, it was discovered that the number of Malays was limited and inadequate. As part of their efforts, the British encouraged people from South India to relocate to the Malay Peninsula for agricultural work, while individuals from the southern region of China migrated to the area to work in tin mines.

Another reason for not relying on Malays was the British perception that Malays would be less inclined to shift away from their traditional agricultural practices and might not demonstrate the same level of diligence in other types of work. They were also deeply rooted in their hometowns and perceived as less productive employees who might be more likely to quit their jobs, unlike the Chinese and Indians. Furthermore, Malays have a strong inclination towards government jobs, which has limited their financial prospects. The current state of this community is dire, with nearly half of the population living in poverty ([Worldometer, 2024b](#)). As a response to historical errors made by the British and the declining social conditions of this community during independence, Malaysia has implemented a federal system.

### **Social Diversity**

Racial diversity is a significant aspect of Malaysia's cultural landscape. The racial diversity has played a crucial role in shaping the current society in Malaysia, with the historical aspect being of utmost importance. The British had a significant impact on the demographic makeup of Malaysia by introducing Chinese and Indian workers during the growth of the tin and rubber industries. Obstacles were established to separate them from the indigenous population in order to avoid any ethnic or religious conflicts, leading to social disparities and cultural seclusion. Consequently, every community upheld its traditions and preserved its unique culture ([Dhillon, 2009](#)).

The Indigenous population (Bumiputera) forms the majority in the country, making up 65.1% of the population. They communicate in the Malay language and



are categorised into three distinct groups: Malays, Orang Asli, and other Bumiputera (Kziz & Belqasim, 2019).

The Malays, who represent the majority within the Bumiputera, embrace Islam, which is the state religion. The Malay ethnicity has influenced the political and civil life in the country, as well as economic and educational privileges (Al-Kassabah, 2021). The origin of these ethnic groups can be traced back to the Malacca Kingdom in the 15th century, which is the foundation of modern Malaysia. After the collapse of the kingdom, the Malay heritage spread to the Malay states in the peninsula, eventually leading to the formation of the Federation of Malaya, led by the Malays in the United Malays National Organization (UMNO) (Goh et al., 2009).

Orang Asli, which translates to "original people" in Malay, comprise approximately 5% of Malaysian society. This group is categorised into three segments: Negrito Semang, Senoi, and Proto-Malay. The Proto-Malay is further divided into eighteen tribes. They speak languages that are part of the Mon-Khmer family and participate in activities such as hunting, fishing, agriculture, and trade. During the early 1970s, their business operations grew to encompass the cultivation of rubber, palm oil, and various fruits (Goh, 2018).

Various communities such as Kadazan, Murut, and Bajau, among others, are also part of the Bumiputera groups. Around 11% of the total population was represented by their population in the 2016 census (Al-Kassabah, 2021). The indigenous Bumiputera population has faced significant challenges, including poverty, underdevelopment, and hardship, while other dominant ethnic groups have exerted considerable control over the economy. The Bumiputera have embraced a traditional and conservative way of life. Former Malaysian Prime Minister Mahathir Mohamad highlighted several factors contributing to their underdevelopment. These include the impact of racial isolation on genetic factors, cultural misunderstandings

surrounding Islam, and the hindrance of cooperation among different ethnic groups due to racial segregation (Kziz & Belqasim, 2019).

### **C) Non-native Population**

The Non-Native Population Can Be Divided Into:

#### **Chinese**

They are the second largest community in Malaysia, following the Malays. They arrived in Malaya seeking refuge from the challenging economic conditions and frequent natural calamities in China. They are fluent in Mandarin and live in the central region of the Malay Peninsula, particularly in Kuala Lumpur. There has been a notable rise in their numbers, making up 26% of the population. They excel in the field of economics and possess an impressive capacity to adjust to the challenges they face. They maintain robust internal connections, clandestine groups, and affiliations that safeguard their interests. They have made significant contributions to the development of Malaysia, especially in the fields of banking, insurance, and tin mining.

#### **Indians**

The community ranks third in terms of population, comprising 7% of the total. The majority of individuals adhere to Hinduism, although there are also non-Hindu religions, including Christianity and various smaller groups. They engage in various sectors including medicine, education, and agriculture, with a particular focus on rubber cultivation. A significant number of individuals are employed in administrative roles, often as proprietors of small businesses. Their habitat is primarily the western coastal areas of the Malay Peninsula, although they can also be found in smaller numbers in the eastern states. Their language is Tamil, which is derived from the Tamil Nadu state in southern India. The community perceives itself as economically and politically disadvantaged, with the Malays holding political power and the Chinese enjoying economic dominance.

## D) Linguistic Diversity

Malaysia is a country with diverse cultures, races, and languages. The official language is Bahasa Malaysia, also known as Bahasa Melayu, as stated in the Malaysian constitution. English is also used as a second language. Other languages spoken in Malaysia include Mandarin by the Chinese community, Tamil by the Indians, and other languages such as Cantonese and Hokkien.

Table 1: The Racial and Linguistic Divisions in Malaysia.

Their Percentage	The Constitutional Status of The Language	The Basic Languages that Belong to the three Groups	Ethnic Groups
65.1%	Which is the official language in addition to English	Malay	Bumiputera Indigenous population
26%	Unofficial	Mandarin	Malaysian Chinese
7%	Unofficial	Tamil	Malaysian Indians
Very small numbers			In addition to other groups

## E) Religious Diversity

The Malaysian social composition includes various religions, with the most prominent ones being

### Islam

Muslims form the largest religious community in Malaysia, accounting for 60.4% of the population. The majority of Muslims are indigenous Malays, who are the largest and most homogeneous group. Islam spread in the Malay lands in the 14th century, following the Sufi school of thought. Muslims consider the Malay rulers as "God's representatives on Earth" according to their theocratic view, and

they hold the religious scholars and the descendants of the Prophet Muhammad (known as "Sayyids") in high regard, granting them a status equivalent to royalty.

### **Buddhism**

Buddhists are the second largest religious group in Malaysia, with the majority being Chinese. They make up 19.8% of the population.

### **Christians**

Christianity represents 9.2% of the population, with the majority being Chinese, as well as Indians.

### **Hindus**

The majority of Hindus in Malaysia are of Indian origin, accounting for 6.3% of the population.

### **Confucianism and Taoism**

These are traditional Chinese religions, representing approximately 2.6% of the Malaysian population.

Table 2: Illustrates the Religions in Malaysia and Their Percentage in the Society.

<b>Their Percentage in Society</b>	<b>Religion</b>
60.4%	Muslims
19.8%	Buddhists
9.2%	Christians
6.3%	Hindus
2.6%	Confucianism and Taoism
1.7%	Non-religious and unknown religions

The table is prepared by the researcher based on the sources mentioned: [Al-Hayari \(2021\)](#) and "Malaysia Without History".

### **Factors of Diversity**

No country is devoid of diversity; it exists in all societies but to varying degrees.

Some societies have low homogeneity, while others have moderate or high homogeneity. Diversity is present in all societies, and there are several factors behind this diversity:

### **Internal Factors**

The entry of the eastern states of Malaysia (Sabah and Sarawak) into the federation brought a new dimension to diversity due to the presence of a large number of ethnic groups and multiple languages. Sarawak state alone has around 40 ethnic identities, in addition to linguistic diversity (Malay, English, Mandarin, and various Chinese dialects). The state of Sabah includes approximately 32 ethnic groups, some of whom speak the native languages (Malay and Mandarin) and also speak Hakka, Cantonese, and English (Gill, 2013).

### **External Factors**

External factors have contributed to diversity in Malaysia through colonization and migration. In the early 20th century, economic and social changes occurred that had an impact on the social fabric of Malaysia. The development of tin mines and rubber plantations played a significant role. Rubber became an important export commodity that dominated the economy of the Malay Peninsula to the extent that its price determined the economic condition of the country. This led the British to rely on Indian labor despite the presence of Malays. The same applies to tin mines, which required a large workforce, prompting the British to rely on Chinese labour. As a result, continuous migration to Malaya took place, reshaping the social fabric of Malaysia. Although most Chinese immigrants came from southern China, they spoke different dialects to the extent that they couldn't understand each other's language, which further contributed to diversity. On the contrary, most Indians spoke Tamil (Mauzy & Milne, 2002).

Malaysia is home to various races and minority groups such as Punjabis, Sindhis, and Gujaratis. After gaining independence in 1957, Malaysia inherited a diverse society where linguistic, religious, and cultural differences were a natural basis for national

integration ([Constitution of Malaysia, 1957](#)). However, these communities did not attempt to come together and form solidarity among themselves. Instead, they maintained separate and isolated entities. They existed as separate worlds in terms of work and residence, lacking interaction and integration. This complete separation created cultural isolation and a social gap between them. The British administration encouraged this social management system by providing separate spaces for immigrant communities and keeping them away from the indigenous population. They did not establish public schools that could contribute to the convergence of these communities. Therefore, these entities became completely isolated from each other despite being geographically adjacent ([Gill, 2013](#)).

### **The Factor of Ethnic Consciousness**

This Has Been Enhanced by other Factors Among the Groups in Malaysia, Including:

#### **Political Factors**

The Malays insist on the issue of being the rightful owners of the land, considering other ethnic groups as foreigners on their land. Therefore, all aspects of the country should be Malay, as the official language is Malay and the religion of the state is the religion of the Malays, regardless of the constitution that contains many privileges for the landowners. Even the leadership of the ruling coalition, UMNO (United Malays National Organization), which has controlled the country's politics since independence until 2018, is in the hands of the largest representative of Malay interests. However, the Malays did not have a large economic share; they only had a dominant role in politics. In the 1969 elections, the election results led to a political imbalance, which created fear among the Malays of losing their most important gain, which is political leadership. UMNO lost many of its seats in the elections, and the Chinese and Indian opposition supporters in Kuala Lumpur provocatively celebrated their significant political gains. This created a state of sectarian tension, resulting in the death of 196 people and the injury of 439 others from both sides in the same year ([Wain, 2009](#)).

## Economic Factors

Malays suffer from severe poverty compared to the Chinese and Indians, especially after the Chinese dominated all aspects of the country's economy. After Malaysia adopted the free market economy, Malays found themselves unable to make any progress compared to the economic growth achieved by the Chinese. This increased the hatred and resentment among Malays, as they felt marginalized despite being the landowners, which led to the outbreak of racial incidents in 1969. The Chinese control 33.4% of Malaysia's economy compared to the Malays who only control 2.4%, while the Indians' share is 0.9%, which is a small percentage that made Malays only focus on the Chinese. As for the poverty rate among the Malaysian groups, it reached 65% among Malays, compared to 26% among the Chinese and 39% among the Indians. The average monthly income for these groups was \$172 for Malay families, compared to \$306 for Indian families (nearly double that of Malays), and \$394 for Chinese families, which is the highest share among the groups. This prompted successive governments to rectify their economic policies to improve the deteriorating Malay economic reality (Al-Mousawi, 2016).

## The Formation of the Federal State in Malaysia

To understand the structure of the Malaysian federation, it is necessary to understand the federal and political structure of the state.

## The Origin of the Federal Union

Malaysia went through several stages before the formation of the federation. It was previously composed of several independent kingdoms, some of which were under Portuguese influence, while the Netherlands took control of many other kingdoms. This was followed by British colonization until Malaysia gained independence in 1957. Britain worked on completing the project of the future of Malaya according to the production of a plan called the "Malay Union," which excluded Singapore and attempted to simplify the prevailing forms of governance according to democratic frameworks. This plan was not

voluntarily proposed, but Britain attempted to pass it forcibly. The Malays rejected it because it limited the powers of the rulers, as the Malay community considers the rulers to have symbolic value. The project was rejected, and this plan was withdrawn and replaced with the “Malayan Union Agreement” in 1948, which also excluded Singapore. The agreement was signed, appointing a British high commissioner and establishing a federal legislative council and granting state governments some authorities. The Malaysian constitution was drafted in 1955, transferring the responsibility of state administration to elected representatives of the people. After the first elections were held and won by the Alliance (UMNO, Malaysian Chinese Association, and Malaysian Indian Congress) led by Tunku Abdul Rahman, who became the Prime Minister, there were discussions and conferences that led to the official independence of Malaysia on August 31, 1957.

A committee was formed to study the opinions of the people of Sabah and Sarawak regarding their accession to the Malaysian federation in January 1962. After the approval of their legislative authorities, the formation of the federation was officially announced on September 16, 1963, which officially included all the states on the Malay Peninsula and the states of Sabah and Sarawak, as well as Singapore, which later separated in 1965. The current federation is not the first federation for Malaysia. The first federation was formed in 1896 with four states, followed by the federation in 1948 with nine states. The current Malaysian federal federation consists of thirteen states and three territories.



Figure 3: A Map Of Malaysia And Its Most Prominent States And Cities.  
Adopted from: (Ali, 2019)



## **The Structure of the Federation**

The Malaysian Federation is Divided Into three Levels:

### **Federal Level**

Malaysia consists of 11 federal states, and two special constitutional states (Sabah and Sarawak) with extensive powers compared to other states. Moreover, there are three federal territories (Putrajaya, Labuan, and Pakistan, which includes Kuala Lumpur).

### **State and Local Level**

The division of local councils in Malaysia is governed by Law No. 171, which categorizes them into two main sections: rural district councils and urban centres. These are further divided into city councils, municipal councils, and district councils. These councils fall under the authority and supervision of the respective states. The administrative division in the federal structure is based on three levels: federal level, state level, and local level. These levels operate under the authority of the federal government, led by the Prime Minister, who is responsible for coordinating between executive bodies, ministries, agencies, and departments.

## **The Political Structure of the Federation**

The Malaysian federal system places great importance on institutional aspects, as it believes in building modern systems that meet the aspirations of individuals and groups. The federal state is a democratic, rational, and institutionalized state. Therefore, the Malaysian system adopts a separation of powers through a set of institutions, which include:

### **The Constitution**

The Malaysian Constitution was the result of a conference held in London a year before its declaration in 1955. Its purpose was to establish a basis for racial understanding in the country and streamline governance. The draft was prepared by

a committee consisting of an English judge and one member each from Britain, Australia, India, and Pakistan (Reid Commission). The Constitution came into effect in August 1957. It adopted the British model and chose a parliamentary system. However, the state in Malaysia is a federal state, not unitary like the British case. It drew authority from the US Constitution in empowering the judiciary to invalidate any law passed by the legislative authority. This Constitution provided guarantees for the rights of Malays by emphasizing that their language is the official language.

The Constitution consists of 183 articles classified into five parts. The first part deals with rights, state division, religious matters, and federal law. The second part includes the fundamental provisions for Malays. The third part addresses national identity. The fourth part focuses on the federation and its powers. The fifth part covers matters related to states and sub-organizations, the jurisdiction of legislative and executive authorities in the states, and the relationship between the states and the federation.

Table 4: The Members of the House of Representatives in the States and Federal Territories in Malaysia.

Federal Territories	Number of Members	Federal Territories	Johor	State
11	Perak	20	Pakistan includes (Kuala Lumpur)	1
1	Kedah	15	Labuan	2
1	Kelantan	14	Putrajaya	3
	Malacca	6		4
	Negeri Sembilan	8		5
	Pahang	14		6
	Penang	13		7
	Perak	24		8
	Perlis	3		9
	Sabah	25		10
	Sarawak	31		11
	Selangor	22		12
	Terengganu	8		13

The table is prepared by the researcher based on the Malaysian Constitution, Article 46, paragraph 2.

### The Judicial Institution

The judicial institution consists of the High Courts, one of which is in the Malay

states and the other in the states of Sabah and Sarawak. It also includes lower courts, the Court of Appeal, and the Federal Court, which resolves conflicts between parliamentary laws, legislative bodies, and disputes between the states or between the federation and its states.

## **B - Local Institutions**

They include:

### **The Executive Authority**

#### **First, the Governor**

The Governor is appointed according to two criteria: the first is the hereditary criterion, which involves selecting from the nine Sultans, and the second criterion is appointment by the State Governor, as in the case of the states of Malacca, Penang, Sabah, and Sarawak, where the State Governor appoints the Governor of the state. The Governor acts in accordance with the vision of the State Governor after consulting with the Prime Minister. The State Governor appoints the State Executive Council and appoints the Chief Minister of the state to be the head of this council. The Governor of the state has the right to change any constitutional decree according to what he deems appropriate. The Governor appoints the State Executive Council and acts on the advice of the Governor, except in cases exempted by the Federal and State Constitutions. The Governor summons the assembly from time to time and has the right to postpone or dissolve its sessions. The Governor presents an annual statement on the expenditures and revenues of the legislative assembly.

#### **Secondly, the Executive Council**

The Council is appointed by the Governor, and one member of the local legislative assembly is chosen as the Chief Minister to lead the Council. Based on the advice of the Chief Minister, the Council appoints its members, provided that their number is not less than four and not more than ten individuals. The Council is collectively responsible to the assembly, and no member is allowed to engage in any

work, trade, or be associated with a department for which they are responsible (([Constitution of Malaysia, 1957](#)), Article 71, paragraph 2).

### **Local Legislative Authority**

It consists of the Governor and the legislative assembly, which is composed of a group of candidates determined according to the State Legislative Assembly Act. Any person who is at least 21 years old and meets the residency and eligibility requirements can be nominated for membership. The term of membership is five years. The Governor summons the assembly to convene and has the right to dissolve it if necessary. The assembly selects one of its members as its President and exercises the power to enact and legislate laws, in addition to the annual financial statement (refer to paragraphs 3-14) (([Constitution of Malaysia, 1957](#)), Article 71, paragraphs 3-14).

Second Demand: Federalism as a method for wealth sharing in Malaysia.

The federal system has achieved positive results in managing diversity in many federal countries. Therefore, Malaysia has adopted it as a form of governance that meets the needs of individuals and achieves a general satisfaction among communities. To clarify this system, it is necessary to understand the motivations behind its adoption and its ability to achieve fair distribution of wealth and responsibilities, as well as its impact on achieving social and political stability in the country through the following paragraphs:

### **Firstly, the Motivations Behind Adopting Federalism**

The Malaysian case of federalism is unique in that it adopted a federal system based on existing ethnicities, without dividing its units along ethnic lines. The uneven and random distribution of populations in communities often results in the dispersion of a single community across multiple areas, although there are exceptions. The adoption of federalism was intended to serve the interests of communities, rather than to create geographical or ethnic divisions. The Malaysian federal system is characterised by the inclusion of the Malay states, which are governed by individual Sultans, regardless of the

historical background of the peninsula. The division is further reinforced by colonization through recognizing those states as independent entities, which solidified their sense of independence. In the 1930s, the British attempted to centralize administration, but it was met with opposition from the Malay rulers. The British proposed the establishment of the Malayan Union (MU), which had a democratic character that abolished the Malay states and protected the individual rights of all communities, but it was rejected by the aristocrats without the rulers' approval, which led to the formation of the United Malays National Organization (UMNO) and the Federation of Malaya Agreement in 1948, indicating the continuation of the spirit of the past and its repercussions (Wah, 2014).

Federalism has given the Malaysian system enough flexibility to deal with the communities that make up Malaysian society in its flexible approach and multiple solutions.

Secondly, the division of powers and wealth constitutionally between the federation and the states:

The Malaysian constitution, in Schedule 9 of the legislative lists, specifies the lists of functions for both the federation and the states, as well as the concurrent lists, as follows:

### **Federal Functions**

The constitution, in the mentioned articles (74-77), outlines the federal authority's functions, which include foreign affairs, defence of the federation, internal security of the federation, foreign trade, industry, navigation and transport, communications, water and canals, finance and taxation, as well as education, health, social welfare, roads and bridges, nationalization, public works, and energy ((Constitution of Malaysia, 1957), Schedule 9, Articles 74-77).

### **State Functions**

The constitution emphasizes the state functions, which include religious and social matters and anything that is essential for the benefit of the state. These functions

include Islamic legislation, land and property matters, agriculture and forestry, state works, non-federal water supplies, local development, Malay community affairs, and local government ([Hussein, 2019](#)).

### **Concurrent Functions**

The constitution assigns the concurrent list with tasks such as social security, public health, urban planning, environmental conservation, public parks and reserves, wildlife, and social welfare. These functions are shared between the federation and the states. Other matters beyond the three lists fall under the jurisdiction of the states, indicating that the original jurisdiction belongs to the states ([Wah, 2014](#)).

The financial relationship and the mechanism for wealth distribution in the federation:

The financial relationship in the Malaysian federation takes a centralized form in the economic transactions between the federation and the states. This is evident through several indicators, including the division of revenue and taxes. The federal government is allocated income tax, property and capital taxes, international trade taxes, and production and consumption taxes. The state government has authority over taxes related to natural resources, such as land revenue, mines, and forests, except for petroleum and gas under the Petroleum Development Act (PDA) of 1974, which grants the federal government all rights to petroleum resources within the state's territories. The central government is responsible for redistributing wealth in the federation, collecting tax revenues and other income from all parts of the federation according to the provisions set by the constitution, and then distributing them in the form of financial transfers, in the form of grants and loans. The Malaysian constitution, in articles (96-111), specifies the allocation of grants and loans to the states to meet their needs. Notable grants include the head tax grant, road maintenance grant, and other grants provided by Parliament for various reasons, as stated in Article 109, according to the conditions specified by the law (([Constitution of Malaysia, 1957](#)), Schedule 7, Article 109).

Thirdly: The Role of Federalism in Providing Social and Political Stability in Malaysia.

### **Federal Suitability for Diverse Communities**

It became evident that the federal option is a rational approach and a fundamental requirement imposed on Malaysia after independence. This was through the British reliance on the principle of shared governance with the sultans in the regions of Malaysia, allowing for the preservation of their traditional interests within the framework of the new Malaysia. Despite the dominance of the indigenous Malays in Malaysia, it cannot be denied that there are other groups sharing the land, resources, and politics with them, creating a Malaysian society that is religiously, linguistically, and ethnically diverse through three prominent groups in Malaysian society, whose connections delve deep into history ([Al-Idrisi, 2018](#)). Coexistence among these groups, as dictated by historical imposition and colonialism, despite their cultural, religious, and racial differences, necessitates a system that accommodates diversity – this system being federalism.

### **Union Centrality in Malaysian Federalism**

Malaysia possesses a federal structure that points to significant decentralization within this system. However, in practical terms, the independence of local levels is limited regardless of other federal systems. It has been influenced by Asian federal cultures that typically undermine the powers of local levels, eroding many of their powers while strengthening executive authority at the expense of other powers, reinforcing the dominance of the ruling coalition over the opposition (Barisan Nasional) ([Ostwald, 2017](#)).

The Dichotomy between Parliamentary Democracy and Preserving the Monarchy and Rulership

Malaysia combines a parliamentary system with constitutional monarchy, as the constitution states that Malaysia is a parliamentary state. The constitution also

affirms Malaysia's constitutional monarchy, as the form of governance in Malaysia did not originate post-independence but instead witnessed a revival of the previous royal system of the Malay Kingdom. During the colonial era, royal authority also held constitutional power. Today, the monarchy differs from the past in terms of duties, possessing cultural, social, religious, political influence, and at times, exercising economic roles as well (Milner, 2012).

### **Conclusion**

In conclusion, the Malaysian federal system has achieved a qualitative leap in managing diversity as a flexible system with mechanisms and tools to deal with highly diverse communities. This system has been able to achieve gains in the presence of racial, religious, national, and linguistic diversity in Malaysia. It also accurately dealt with the existing complexities in society by addressing the historical consequences inherited by Malaysia due to its diversity, and through its multi-level institutions, it was able to achieve the desired stability amidst significant social interactions, leading to a state of social and political acceptance and satisfaction. Therefore, the federal system in Malaysia is the ideal system for achieving a balance between historical, religious, social heritage, transitioning towards democracy, and protecting the rights of individuals and groups.

The study has reached a number of conclusions regarding the social and political structure and the federal impact in Malaysia, which are as follows:

Firstly, the institutional system in Malaysia effectively manages the country's diversity.

Secondly, the Malaysian federal system excelled in dealing with diversity in Malaysian society as it possesses the mechanisms and means to address this type of system.

Thirdly, the adoption of the federal system allowed for a balance between historical consequences and the initiation of the democratic transition process, while also preserving the gains of governance.

Fourthly, Malaysia implemented a centralised approach to ensure the unity of the state and its territories.



Fifthly, the federal system achieved independence and unity by adopting a centralised approach to maintain state unity while granting local units freedom and independence within the federation.

### **Practical Implications**

The implications of this study are policy relevant for those who formulate and implement federal policies, such as politicians, bureaucrats as well as other scholars who work in the comparative study of federal systems such as poly-ethnic societies and nations. According to findings of this research, which explain how the federal structures allow for the central power on one hand and state sovereignty on the other, this research offers a plan that other countries can apply in order to ensure stability and unity in the face of diversity but at the same time respecting state's identity as well as the sovereign rights. That is why the research into the fine work of Malaysia's financial mechanisms, processes, and balancing of wealth, or fiscal federalism provides a research-based guide to economic policy in federations ([World Bank, 2021](#)). Also, more information relating to the King's function, the Council of Rulers, and the Cabinet as parts of Malaysia's federal structure will be useful to other nations with monarchic systems of governance to develop effective frameworks that integrate both modern and traditional principles of democracy ([Nurozi, 2022](#)).

### **Theoretical Implications**

In terms of theoretical contribution, this study expands the literature on federalism in Malaysia is proposed as a rather specific model of federal governance that reflects the country's cultural and historical peculiarities. This study especially defies the conventional thinking of federal structures based on ethnic or geographical compartments by demonstrating the occurrence of a non-ethnic, geographical fragmentation that is harmoniously accommodating diversity. Besides, the study establishes that historical antecedents and colonialism to explain the existing federal systems, thus proposing that path dependency and institutional heritage form critical components of appreciating

federal state development and operation (Noh & Yashaiya, 2023; Sumarto, 2020). This study contributes to the understanding of fiscal federalism by examining how Malaysia's central economic policies and wealth distribution mechanisms can promote equity and stability in the financial system. It also provides a theoretical framework for investigating the nature of financial structure in federations.

### **Limitations of the Study**

To conclude, it is important to recognise a number of limitations in the study. Firstly, the study primarily relies on historical and secondary data, which may limit its ability to fully address the emerging challenges within the Malaysian federal system. The provided approach is based on solid historical data and previous research. However, it may not fully capture the current nature of primary data. Furthermore, the study examines the institutional framework and governance structures in Malaysia. These factors provide insight into the governance environment, although they may not encompass all socio-political structures and informal powers identified by Abdullah (2021) and Velinka (2022). Furthermore, the research primarily emphasises the top bureaucratic strategies of power and wealth distribution, rather than delving into the specific implementation of these issues and their impact at a local level. This may lead to an overemphasis on the effectiveness of the system and a failure to acknowledge or understand the disparities and dissatisfaction present in different regions. In addition, the unique cultural and historical aspects of Malaysian society, along with its colonial history and the distinct role of the monarchy, prevent us from making broad generalisations about other federal states that have different historical and cultural backgrounds.

### **Future Research Directions**

There are several research limitations that can be identified in the context of this work regarding Malaysia's federal system. These limitations are significant for enhancing our understanding of the processes and phenomena related to federalism

and regional integration. An important area of research that should be prioritised in future studies is the utilisation of primary data obtained through field studies, surveys, and interviews. These methods allow for gathering more pertinent information about the functionality of the Federation by engaging with key stakeholders such as government officials, local leaders, and the general public.

Additional comparative analysis with other federal systems, particularly those in diverse and post-colonial countries, would provide a broader perspective on the unique and shared challenges faced by federations. For instance, when an actor is deciding which policy to adopt, they can consider various factors such as their current actions, the previous outcome, or the anticipated next move by the other party (Noh & Yashaiya, 2022). In order to further advance research in this field, it is imperative to place greater emphasis on the impact of economic policies and fiscal federalism. Specifically, this entails examining how the financial structure and distribution of funds influence the development and equity of specific regions. Nevertheless, it is imperative to analyse the informal institutions and social networks that govern in order to gain a more comprehensive understanding of the distribution of power in Malaysia.

Future researchers are advised to analyse the federal system and consider how changes in the global economy, technological innovation, and climate change may impact it. These factors may necessitate adjustments to the system and policies governing the federal system (Chi et al., 2021; Fekete et al., 2021; Rockman, 2024). Lastly, the use of prospective research, which analyses changes in Malaysia's federal system over time would be useful in demonstrating the ability of federal systems to adapt to a changing society and hence, be useful in offering long term analysis of the evolution of federal systems.

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