

# **MALAYSIA: MEMBERS OF PARLIAMENT AND THE BUDGET PLAN**

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## **Abstract**

The ruling political party has rights in drafting and implementing economic policies, including the budget policy. In Malaysia, the budget policy is associated with long or medium term economic development plans that are drafted, comprising current thinking of economic policies and additional measures that would be introduced and related to major economic events such as the impact of the global economic crises. The budget also includes economic policies that run according to the ruling party's manifesto. Even though the budget is the ruling government's privilege, the government's financial plan, spending, taxation and borrowing are subject to law, acts, rules and procedures. The ruling government cannot simply utilize economic resources for its political interests. This paper argues that there is a solid link between the ruling political party and the preparation of the budget policy. This paper has found that the Members of Parliament influence the outlining of the annual budget.

*Keywords: Political Institutions, Elections, Members of Parliament, Budget Policy, Malaysia*

## **Introduction**

Since independence in August 1957, the law makers and bureaucrats in Malaysia have greatly emphasized the annual budget in order to achieve macroeconomic stability as well as to produce high and sustainable economic growth. The budget is a comprehensive economic plan because it involves not only government financial plans for the following year but also incorporates the objectives or aims of medium or long-term economic development plans. However, there are provisions to some changes of the policy such as an economic crisis that would need immediate attention. These emergences of new policies in the budget are supposed to enhance and strengthen future economic development. The economic

policies that are drafted including budget and development plans are the ruling government's privilege.

The issue of the relationship between political parties and the budgetary policy in Malaysia is critical. In drafting the budget policy, elected Members of Parliament or policy-makers of the ruling government will offer ideas, suggestions or proposals to the executive council or the Cabinet. The budget is regarded as one of the political tools for the ruling party to remain in power and continue ruling the country. The budgetary policy designed every year by the ruling government indirectly gains further support strengthens the presence of the political party in the country. This is to ensure that the ruling party will be re-elected into office in the coming general election. Due to the limited economic resources however, it is not possible for the yearly budget to satisfy the demands of all quarters of the people. Therefore there will always be issues that surface and are voiced out by certain groups of people in terms of the allocation and distribution of the public's money. There is also a conflict of interest between the ruling government and the opposition, which creates political uneasiness and disintegration amongst political parties and the government.

### **Politics and the Budgetary Policy**

There are substantial studies that have been made in respect to the relationship between the budget policy and the policy makers. Goyal (2010) described the relationship as a mechanism of collective choices. A collective choice necessitates the use of power by the ruling government (executive) and the state to resolve conflicts of interest within economic matters. Even though there is sometimes a conflict of interest between the executives and the state, the executives usually manage to empower the state (M Agus, 2002). The state will indirectly allow the executive to draft an economic plan to manipulate the country's economic resources for political agendas and interests. There could be some segments of the population or sectors which are left out or do not receive significant attention from the government. The political process could use the resources best suited for its political goals, namely to move the state towards tax exemptions to favour certain groups whilst using the audits to harass political opponents (Taliercio, 2004). We could say that the budget is an annual plan for the ruling government to achieve its goals by exploiting economic resources (Fjeldstad, and Tungodden, 2003) while they, i.e the politicians of the ruling government, will know the true objectives and targets of the annual budget (Goyal, 2010). Wildavsky (1986) stated that the interaction between political institutions and budgetary policies and its success or failures depend on the political institution to recognize the objectives of the budget. It is the responsibility of the ruling government and the state to execute or implement the budget of the country in a fair and equitable manner.

There are empirical evidences which show the influence of political institutions on the country's budgetary process. Poterba (1994) and Poterba and Hagen (1999) drew the conclusion that in most countries political institutions do affect the budgetary process. They also described that the public budgeting process is associated to the single most powerful players of the state government, i.e the strongest political party in the government (Wildavsky, 1986 and Beyle, 1996). A strong political party will be able to substantially influence the budgetary process from the beginning to the end of the process. Moreover, the powerful player will be willing to use its veto power for budget approval in the parliament or at the lower house (Dobell and Ulrich, 2002:6-7). Although the major player or major political party has a solid grip over tax revenue collection and management, the political stakes are high if there is maladministration or laxity in the use of the resources (Taliencio, 2004).

The program of budgeting is obviously related to political party policies or motives, and not so much to partisan politics (Wildavsky, 1986). As mentioned by Wildavsky (1986), "the thrust of program budgeting makes it an integral part of system politics." The politics of the budgeting process is widely related to the political system of the ruling government (Wildavsky, 1986). A failed budgetary process is related to the failure of the political institution or politicians to draft a progressive budget (Adolph, Breuning and Koski, 2007). Wildavsky (1986) also stated that the budget policy is one of the social orders where moral norms regulate interactions between people and politicians. Meerman (1979:20) suggested the state as an institution of creating and enforcing rules in conjunction with other forces resulting in a certain income and distribution of wealth. He also argued that the capability or the lack of a government to govern income and expenditure are influenced by their cultures. Simply, it means that the relationship between revenue and expenditure varies according to political thought (Cusack, 1999). Norton and Elson (2002) stated that the budget process should be closely linked to policy and planning processes; all of which should be under the effective direction of a legitimate and democratic government. Wildavsky (1986) argued that a politician invariably performs an informal system of analysis, inventing policies for the purpose of achieving his objectives by satisfying others or at least receiving maximum agreement from all sides. According to Wildavsky (1986: 468), "A budget...may be illustrated as a series of goals with price tags attached. Since funds are bounded and have to be alienated in one way or another, the budget turns out to be an instrument for making choices among alternative outflows. While the choices are organized so as to reach the desired goals, a budget is possible to be addressed as a plan." Therefore, the budget is an expenditure plan. The use of the revenues collected from taxes are restricted in accordance to rules and procedures, inevitably turning into a mechanism in making choices within the optional expenditures.

The budget is actually the plan on how a ruling party utilizes its economic resources. The main resources are the tax revenues. The government expenditure depends on the amount of tax revenues collected. Therefore, the taxation policy is a crucial element in the government's budgeting. In short, we could argue that the annual budget plan is a policy of taxing, a method of tax revenues collection, and the allocation of the revenues for government administration and economic development. There are three types of budget tools namely a balanced budget, deficit budget and surplus budget. A balanced budget is defined as the total expenditure equal to total revenues collected in that particular year. However, if the expenditure is more than that of revenues received, then the budget is a deficit budget whereas the budget is considered a surplus budget if the total revenue is much more than the expenditure. The government deals with a deficit budget by raising funds via sales of bonds, by issuing new currency or by simply printing more money.

The relationship between the political system and economic performance has been an attractive topic of research for political economists as well as political scientists. There have been studies on the influence of the majority and minority ruled governments on economic results such as studies by Alesina and Perroti (1995). There have also been studies on the influence of elections on the evolution of macroeconomic policies, i.e fiscal and monetary policies by Alesina, Roubini and Cohen (1997), and Grilli, Masciandaru and Tabellini (1991). It should be noted that the effectiveness of the lawmakers' roles in managing the economy has no direct answer but has a definite correlation with the majority of representations held by the ruling party in the parliament as in the case of Malaysia. As a majority in the Parliament, the ruling party has great influence on economic matters and the implementation of such economic policies.

The budgetary policy is one of the most important tools to political institutions or the ruling government to gain further support from the people or to strengthen their political presence in the country. The national budgetary process is like a system where the aspirations of the electorates or voters are translated into programs such as building public goods and public value in which the ruling government believes would satisfy the voters. In Malaysia the electorates cast their vote and select the politicians or representatives every five years through the general election. The election is not a mere vote because the elected person represents the people's voice in the parliament or state legislature assembly which delivers their concerns on development at their respective constituencies.

### **Drafting Annual Budgets in Malaysia**

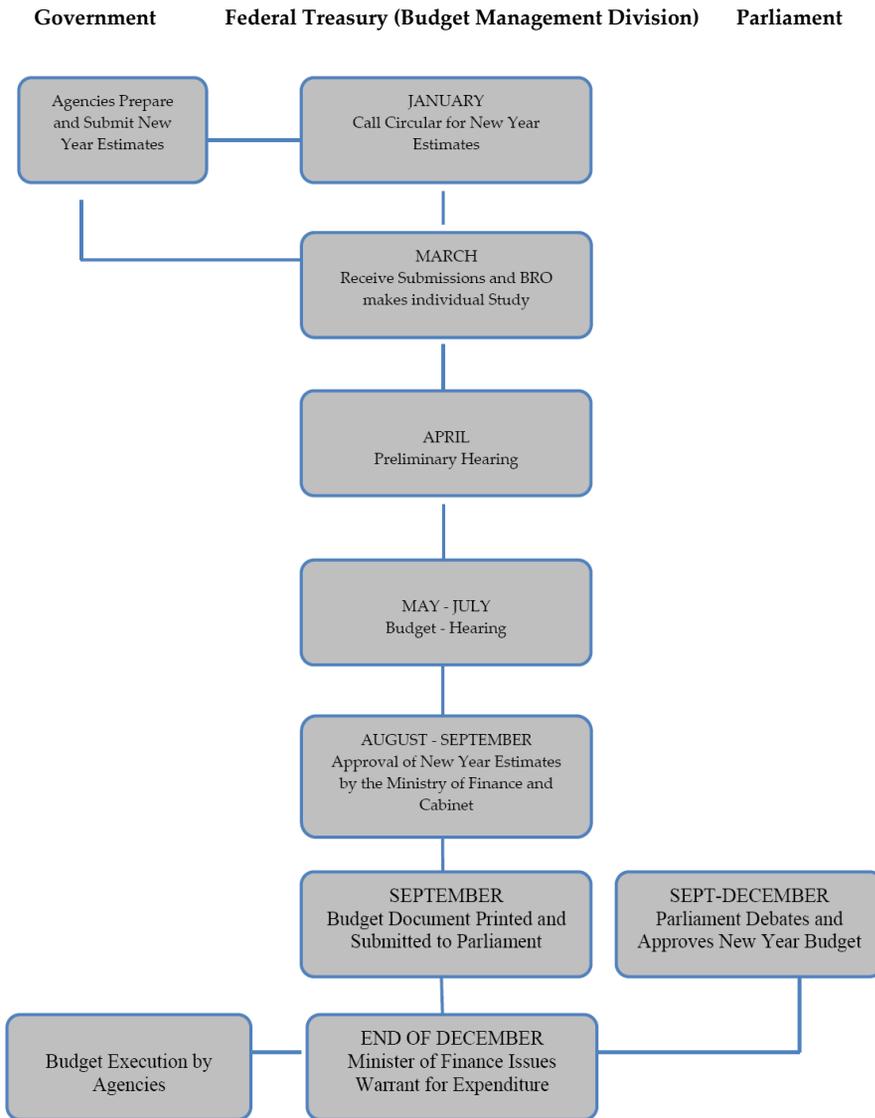
Each country has their own set of rules and procedures in the use of public money; therefore there may be significant variations in the budgeting process across

different countries. The legal system in the country also plays an important role in budgetary policies. In Malaysia, the budgetary policy is governed by the Federal Constitution in which the constitution has specifically spelled out a set of rules pertaining to financial provisions. Specific requirements concerning the control and management of public finance as well as the financial and accounting procedures are provided under the 1957 Financial Procedure Act. The procedures and practices of accounting and reporting are governed by a set of rules. Among the regulations governing the accounting procedures for the government are the Federal Constitution (Revised 1972), Financial Procedures Act, 1957 (Revised 1972) and Audit Act 1957 (Revised 1972). These Acts provide limited and general provisions on financial, budgeting, accounting and auditing aspects of the government. Furthermore, the Treasury issues instructions and circulars on guidelines and requirements concerning accounting procedures. Malaysia's legal system does not stifle change as it has a higher, built-in flexibility. Even though there are rules and laws which govern the federal government's budget, the Executive, Cabinet or ruling government has strong control over financial resources. The distribution of financial resources is indirect. We believe it is skewed towards political objectives rather than the needs or demands of the people regardless of race or political thought. From the political standpoint, it is therefore vital to see if the content of the budgetary allocation is biased to certain groups and sectors that are closely linked to the ruling government's interests.

The budget formulation motion includes budget requests, budget examinations, budget recommendations, and budget approvals. Initially, agencies from different sectors will prepare their written suggestions for the coming year's budget. By January of the year, "a call circular" is issued to all ministries and related agencies for the New Year Budget Estimates for the preparation of the coming year's budget (Figure 1). The Ministry of Finance (MOF) or Treasury will then receive the fiscal suggestions by March. It is then followed by a preliminary hearing by April of that year and later followed by the Budget hearing between May and July. Once the New Year Estimates are approved by the Ministry of Finance and the Cabinet, the budget reading is carried out between the months of August to September. Upon agreement of the Cabinet, the budget document will be printed and tabled to the parliament in September. This budget document will then pass through the Lower House of Parliament from September to December for debates and approval. Members of Parliament are usually given sufficient amount of time to debate the spending proposals. In certain circumstances, they are even given opportunities to amend necessary government priorities and spending plans with full access to ministers and the bureaucrats who will provide further details on the budget proposals. After every subject matter on the budget has been received and approved by the Lower House (*Dewan Rakyat*) and the Senate (*Dewan Negara*), the Minister of Finance will then proceed to issue a

Warrant of the Expenditure for the various government agencies to execute the budget.

**Figure 1: Malaysia: Flow Chart of Budget Formulation Process**



The Executive or the Cabinet and the law makers of the Lower House of Parliament are the ultimate arbitrators of policy matters. The MOF is the main centre of drafting, implementing and executing the budget plan. Before the budget

is formed, the MOF will seek input from various groups such as members of parliament of the ruling government, business associations, ministries and non-governmental organizations (NGOs). In general, every ministry will have to prepare their budget plan and submit it to the MOF. Every year the Finance Minister, senior officers (civil servants) of the ministry and corporate leaders will convene a Budget Dialogue to discuss the possible policies that should be introduced, or to extend current policies in the coming year's budget. While most of the opinions and recommendations derive from leaders of the corporate sector, the MOF has the ultimate power in deciding whether the suggested policies should be adopted or not.

The Ministry of International Trade and Industry (MITI) likewise also holds annual dialogues with the private sector focusing on industrial policies. Other than these two activities, various governmental ministries form committees and task forces hold discussions with the private sector on matters related to the budget or any economic policies that should be included in the coming year's budget. In doing so they also require input from various groups related to the ministries' function. Input from the different ministries, government agencies and departments are submitted to the Cabinet for due consideration in the form of a Cabinet paper. The adoption of proposals or views are decided by the Cabinet; in the event that the Cabinet is unable to make a decision, the ministry concerned may have to reevaluate the views before resubmitting it to the Cabinet. Such a practice has been in place since Independence. Even though different ministries and agencies are the major contributors of the policies, the government also requires input from NGOs to voice out their needs. The non-political organizations' involvement is important as political participation alone may not produce results for a workable budget that would be equitable and non-discriminatory. The dynamic and complex interaction shows how the power play of various groups either through a formal or informal channel influences the formation of a budget.

The national budget's success relies on the economic reactions the budget is able to garner among various economic agents and social sectors. The budget should be unbiased to various groups of people, races and the corporate sector. There should be no distortion in the budget or favouring of certain groups that are closely linked to the ruling government. There should not be a heavy leaning towards the economic sector while other sectors such as welfare are left out. This is to ensure that the budget will be ascertained with adequate resources, guaranteeing, maintaining and enhancing the economic and social welfare of the people. Therefore, the policy makers or MPs have to ensure that the budget plan will drive economic growth and development for the well-being of the people. The budget is a comprehensive economic plan or an economic blue print, and in drafting the plan, a bargaining process is involved. Every ministry and

government agency will bargain for public funds in the coming year. There will be *politiking* in drafting the budget plan. The politics of the budgeting process is essentially linked to the distribution of power within the process. During the budget's formation and implementation process, a disparate power relationship will emerge, which gives rise to the exclusion or immediacy in the course of decision making.

### **Members of Parliament: The Role and Contribution to Budget Plan**

The main intention of this paper is to study the relationship between political institutions (legislatures or law makers) and the budgetary policy. Specifically, the main objective of this study is to examine the involvement or influence of the members of parliament (MPs) or legislature (non-executive) in the budgeting process, including the input provided to the MOF in the process of preparing the budget. To investigate this issue, this study comprised a survey conducted with respondents who are members of parliament or the legislature. The time series data of the subject matter however, was impossible to obtain. Therefore primary data is the only source that sheds light on this subject matter. It was not an easy task to conduct this survey and meet the MPs. Based on the pilot survey, which was conducted during the second term of the 12<sup>th</sup> parliament session in November 2009, the response to this survey was very poor.

The survey consisted of 17 questions in which the questions were divided into four sections. The aim of the survey was to determine the behavior and responsibilities of the law-makers (or members of parliament) in the budgetary process. This study covered Members of Parliament (MPs) from the ruling government, Barisan Nasional, and the Opposition. A total of 164 members of parliament (excluding front benchers) qualified for this survey. This study however, only covered MPs of the back benchers and opposition. Executives such as the Prime Minister, Deputy Prime Minister, Ministers, Deputy Ministers and Political Secretaries or those in the Cabinet were not involved in this study. Since it was hard to get the cooperation from the MPs, we had to condense the sample size. From 164 MPs, only 30 were selected. 18 of the 30 MPs were members of the ruling party, 10 from the opposition and 2 were independent members (Table 1). We selected 30 MPs based on our beliefs that they were more approachable for surveys and interviews. However, from the sample size, we only managed to collect 16 of the 30 questionnaires, or equivalent to 56.7 percent of the total sample size. The survey and interviews were conducted during the third term of the 12<sup>th</sup> Parliament Session in March 2010. The major constraints and shortcomings of this study was the number of MPs who were willing to cooperate with us by filling up questions in the survey booklet. We remain unsure about the reasons why 134 MPs were unwilling to cooperate with us on this study.

**Table 1: Members of Parliament in 2010 and Samples**

	Front Bench*	Back Bench**/MPs	Back Bench**/MPs (sample size)
<i>Ruling Party/Coalition</i>	58	79	18
<i>Opposition parties</i>	0	82	10
<i>Independent</i>	0	3	2
<i>Total</i>	58	164	30

Note: \* *Front Bench* comprises of Ministers and Deputy Ministers. They are main members or core persons of the ruling political party and the main members are involved in making decisions for the the country.

\*\**Back Bench* are Members of Parliaments. The members of Back Bench from the Ruling Government have been known as the *Barisan Nasional Backbenchers Council (BNBBC)* since 2009. Previously it was called *Barisan Nasional Backbenchers Club*..

### *Role (objectives) as a Member of Parliament*

**Table 2: Objectives as a Member of Parliament**

Subject/Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
(1) <i>Ambition/interest as an MP</i>	0	0	5	3	8
(2) <i>Contribution to the national economic development.</i>	0	0	0	0	16
(3) <i>Quick response to the demands from voters at the respective constituency.</i>	0	1	8	6	1
(4) <i>Related to task no '3', is there any freedom to execute decision or to fulfill the voters demand</i>	1	6	6	2	1

16 Members of Parliament (MPs) responded to this survey. All of them strongly agreed that their role in the parliament had contributed to the national economic development. 11 of 16 respondents stated that they become MPs as it was their ambition and interest. 5 respondents reserved the question, i.e stayed neutral in answering the question. In respect to the question of giving a quick response to the demands of voters at their respective constituencies, 8 MPs adopted a neutral stance while 7 MPs stated that they were quick in responding to their voters' demands. Only one MP was less favourable to providing a good response to his voters' demands. On the question of freedom in executing decisions in fulfilling the voters' demands, majority of the MPs seemed to have freedom to offer a quick response but they could not offer the decision exclusively. In other words, the MPs needed to consult their superiors before delivering a response to their voters'

demands. Only 3 MPs seemed to have their own freedom in delivering judgments or decisions. These MPs were from the opposition party.

**Reward for Serving Constituency**

**Table 3: Rewards: Monetary and incentives that are given or received in return for servicing Constituency**

Subject/Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
(1) Satisfied with the salary and allowances given.	2	7	2	3	2
(2) The government is providing adequate facilities in carrying out duties at respective constituency regardless of political thought.	0	8	4	2	2
(3) Incentive and facilities received correspond to the effectiveness and efficiency of MP servicing at respective constituency.	0	2	2	4	8

Under the subject of rewards of serving the constituency, there were three main questions posed to the respondents. The questions were whether the MPs were satisfied with the salaries and allowances received from the federal government; whether the federal government or ruling party provided adequate facilities including allocation for the administration expenses and development for MP duties; and whether the ruling government offered incentives or extra facilities to MPs serving effectively and efficiently in their respective constituencies. The survey showed only 5 respondents who were satisfied with the salaries and allowances as an MP. (A note: basic salary and allowances included other fringe benefits received by MPs monthly but this survey was unable to provide details of it in this paper). Based on this survey we could say that the salary and allowances received by the MPs were not sufficient and did not commensurate with the jobs. Monetary rewards seemed to play an important role in attracting people to join the political party and become an MP (or legislature at the state assembly). On the question of adequate facilities provided by the government for MPs servicing their respective constituencies, 8 MPs disagreed that the government had provided adequate facilities for them to provide services at their constituencies. Only 4 respondents agreed that the government had provided enough facilities for them to carry out their duties at their constituencies. On the question of incentives, 12 MPs agreed that the federal government or the ruling government offered or provided further incentives in terms of allocation or upgrading existing facilities or building new facilities if they serviced respective constituencies effectively and efficiently. Only two respondents did not agree to this statement.

**MPs Involvement in the Budgetary Process and Focus on Social Economic Development**

**Table 4: Involvement in the budgetary process**

Question/Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
(1) MPs (backbenchers) are invited (directly or indirectly) in drafting the budget	0	1	4	5	6
(2) Social economic agenda should be the main principle in drafting the budget.	0	0	0	4	12
(3) The ability and success of MPs in demanding people's welfare to be included in the budget.	0	2	6	8	0
(4) Does the federal government (the Cabinet) underline and stress the welfare of the people in the budget.	0	5	1	5	5
(5) Federal government's priority in drafting the budget for private sector development rather than socio-economic development.	0	0	2	4	10

Under this sub-heading--the involvement of the MPS in the budgetary process by stressing on social economic development in drafting the budget--there were 5 questions posed to the respondents. The first question was whether the MPs or the backbenchers were invited by the federal government, i.e Ministry of Finance, to help prepare the budget in the form of providing ideas, suggestions, policies and other matters related to the country's economic development. Only one person disagreed while 11 MPs agreed that the MOF had invited them to provide suggestions or to get involved in various committees that were established by the ministry for the preparation of the budget. On the question of whether the social economic agenda was the main principle in drafting the budget, all MPs agreed that the federal government should have stressed significant attention to socio-economic development. The third question as stated in the above table asked whether MPs were able to demand from the federal government to include matters related to the people's welfare such as reducing the financial burden by reducing individual income tax, increasing tax rebates, reducing excise or sales taxes on consumer products, providing affordable houses or cheaper loans in providing houses to low and middle-income groups, offering affordable education costs particularly at the primary, secondary and university level.

Effective MPs are those who are able to influence and demand the federal government or the ruling political party (government) to fulfill their voters' requests or demands. The main task of the MP is to serve their respective constituency effectively and efficiently regardless of race, religion and income group. If the particular MP does not do his job well, then the constituency which

he or she represents would be left out in terms of economic progress and social development. This survey tried to explore this issue. The results of these questions implicitly reflected if the elected person such as the legislator at the Lower House really looked after their constituency. In this survey the measurement of the matter was subjective and not easily quantified as to what extent the legislatures were able to listen and forward their demands from the voters in their respective constituencies to the Lower House. If the legislators were successful in demanding his or her voters' requests, we assumed that the legislator (MP) was doing his or her job well in servicing their constituency. The third question was the ability and success of the MPs in demanding the government to fulfill their voters' requests. Only 8 MPs stated that they were able to influence the ruling government or MOF to meet the demands from voters of their respective constituencies. 6 MPs stayed neutral and 2 MPs disagreed, which meant that they were unable to do their job well in servicing the people or their voters.

One of the critical issues in formulating the budget was the extent of the ruling government's concern about the welfare of the people or social economic development of the country. The question posed to the respondents was whether the federal government (or Cabinet) put great emphasis or included the welfare of the people (*rakyat*) in the budget. Welfare remains a subjective matter and is difficult to be quantified. There are policies which may influence the welfare of people in the form of reducing costs of living (increasing people purchasing power) such as providing free education or reducing education fees of children, reducing medical bills, increasing development of public goods, providing affordable housing and reducing taxation rates such as income tax, excise duties, sales tax and services tax. 10 MPs agreed that the federal or ruling government was very much concerned about the people's welfare and highlighted the matter in the budget. To ensure that the government was actually emphasizing or thinking of the people's welfare in drafting the budget, a follow up question was posed to the respondents: what the federal government's priority in drafting the budget was, and whether focus was on the development of the private sector development or the social economic development instead. 14 MPs stated that the yearly budget drafted and executed by the government was more concerned and focused on the development of the private sector rather than social economic development. The results indicated that the social economic development seemed to be a secondary matter to the ruling government.

### ***MP views on Political system and the budgetary (process) policy***

The previous sub-section on political institution and the budget briefly described the political or electoral system of Malaysia. Related to this subject, this survey was interested to know the types of political systems which has existed in Malaysia

since 1957 that has promoted good macroeconomic management and economic development through its budget policies. Should the current political system be maintained or transformed into another kind of political system to make or produce a good budgetary policy for the country. There were five questions constructed under this sub-section. Question 1 asked if the existing political system was effective in drafting and executing the budget plan. Only one MP did not agree and 11 MPs agreed that the current political system was effective in drafting and executing the budget. In other words, this meant that the MPs agreed that the current system should be preserved.

**Table 5: Political System, Drafting and Implementing Budget Policy**

Question/Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
(1) The existing political system is effective in drafting and executing the budget plan.	0	1	4	5	6
(2) The current structure of the budgetary formulation process is able to develop a good budget for the country.	1	1	6	6	2
(3) The schedule or timing of budgetary formulation process needs to be reviewed.	0	0	1	5	10
(4) The ruling political party (the ruling government) influences the national budget policy.	0	0	0	3	13
(5) The total seats of political parties (the ruling government and opposition) at the Lower House of Parliament determine approval of the budget.	2	6	3	1	4

Question 2 concerned the current structure of the budgetary formulation process, and whether it was able to develop a good budget for the country as depicted in Figure 1. 2 MPs did not agree while 8 MPs agreed that the process should be maintained. Another relevant issue which was the timing and duration of the budgetary formulation process. Since early 2000, the duration of the process of budget formulation has been shortened. This was due to the Minister of Finance's decision to change the tabling of the budget at the Dewan Rakyat from November to September. The duration for budget preparation was cut from 11 months to 9 months. We believe the rationale of the budget being tabled in September was to give members of the Dewan Rakyat enough time to debate the budget before it could be executed and implemented by late December of the year. All economic

policies and disbursements of the allocation would be implemented in December for the coming year. The execution and implementation of the budget would no longer begin in January of the New Year, as practiced before year 2000. Based on this survey, 15 MPs agreed that the timing of budget formulation should be reviewed. The time frame or duration for preparing the budget should be longer i.e. at least 10 months. The current process, which takes about 9 months, seems to be tiring some quarters or groups of people involved in the budget preparation including (some) MPs (backbenchers) of the ruling government.

As mentioned earlier in this paper, the budget plan and policies are strongly influenced by the ruling government since BN has a majority at the Dewan Rakyat. The following and the fourth question which was posed to the respondents was whether the ruling political party (the ruling government) substantially influenced the national budget policy. All MPs agreed that BN has solid power in drafting the national budget. Subsequently, the fifth question was whether the total seats of political parties (the ruling government and opposition) at the Dewan Rakyat determined the approval of the budget. Regarding this question, 5 MPs agreed and 6 did not agree. The results have two implications. Whether the Dewan Rakyat approves it or not, the ruling government (Barisan Nasional), i.e. the Cabinet will directly veto any disagreements. BN is able to do that because they have gained more than two thirds majority in the parliament. All MPs of BN will support any decisions made by their "boss". Since independence, all budgets that are tabled by the ruling government, BN, have gone through without any objections at the Dewan Rakyat.

One would notice that the lawmakers are fully aware of their role and responsibility with respect to national economic and social development. Related to the budgetary formulation process, the majority of the Members of Parliament agreed that the federal government should review the period of budgetary formulation. Furthermore the time frame for MPs to debate the budget should be longer so that the budget will be better planned to cover all economic and social sectors. As mentioned, currently MPs only have about 2 months to debate the budget and by December, economic plans in the budget will be implemented for the new fiscal year. Members of Parliament agree that the ruling or federal government should provide better incentives and facilities for them to carry out their service efficiently and effectively at their respective constituencies. In short, this survey concludes that the political institution in Malaysia, i.e the ruling political party, carries significant influence on the budgetary process.

## **Conclusion**

The budgetary process varies from country to country. The variation depends on the political and economic environment, legislative and constitutional factors and

capability of the ruling government. There are countries with parliamentary systems that have included strong budgetary process committees in which it has the authority to make recommendations to alter the budget proposal when needed. The budget is an important tool to shape the way forward for the economy and welfare of the people. The budget is a reflection of the government's economic objectives and policies. It also includes the government's policies on investment, international trade and employment, thus making a huge impact on the national income. The budgetary process is the single and most important political tool that the ruling government can use to check and counter the strength and advancement of the opposition parties. The budgetary policy is an important tool for the ruling government to gain support or further support from the people or the electorates. The ruling political party (government) has the power in drafting and implementing the budget. The power in drafting any economic and social policies is an advantage to any political party in the government or majority in the parliamentary system. In Malaysia, the budget is tabled by the ruling government and is approved without any significant objection from the Lower House and the Senate House.

Malaysian MPs are trying to forward the people's needs or demands from their electorates into the budget. Furthermore, the MPs from the ruling political party particularly try to integrate what has been offered or promised during the past general elections (Amer, 2008; Zaini etl, 2007). Even though promises which were made by the ruling political party, Barisan Nasional, before the general election are not offered in the budget, since BN has a high majority in the parliament, the budget will eventually be approved. MPs believe in their role and responsibilities to their electorates and therefore the budget must reflect the electorates' precedence because the main criteria of economic progression should depend on the people's welfare. Before any general election, the ruling government will purposely increase public allocation to gain support from the people. The MPs of the opposition notice this and know that the ruling political party use extraordinary allocations for the above mentioned purpose, but are unable to gain control over the matter. Moreover they do not have any power in objecting these issues. Most of the legislatures approached were very much concerned about the formulation of the budgetary process, particularly regarding subjects related to economic and social (welfare of people) policies that were offered in the budget. They were concerned and felt uneasiness towards some of the government's policies because they wished to see their government improve its performance in terms of its delivery and contribution towards nation building rather than focusing on certain groups of people that were closely associated to the ruling political party. The MPs do not deny that the presence of these economic development policies have only benefitted certain groups of people.

## Endnotes

<sup>1</sup>This paper does not have any intention to discuss in depth the NEP and Malaysia Development Plans. The main focus of this paper is to examine the link between the ruling government (political party) and the budgetary policy (and process).

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