



## MALAYSIAN PRIORITIES FOR ECONOMIC DEVELOPMENT AND FINANCIAL RESOURCES MANAGEMENT

Rakhmatullaeva Dilnoza Azimjon qizi,  
Student of Tashkent Institute of Finance, Tashkent, UZB

Tashmukhamedova Dildora Askarbekovna,  
Associate Professor of Tashkent Institute of Finance, Tashkent, UZB

### Abstract

This scientific article examines the economy in general and by its individual subsystems and the history of the development of the Malaysian economy. The advantages of the country's economic and financial system have been studied and determined. Socio-economic indicators are analyzed. The benefits and experiences in the field of economics and the financial system of Malaysia are formulated and conclusions are drawn.

**Keywords:** economy of Malaysia, Asian tiger, Islamic finance, budget system of Malaysia, Treasury of Malaysia, Government of Malaysia, tourism.

### INTRODUCTION

As you know, the economy is an economy that needs to be extracted, create the means of subsistence and maintain the conditions of existence necessary for people, the main tasks of which are mainly considered to be the search for the most effective ways of farming, as well as to identify the best mechanisms for using resources with unlimited human needs in conditions of their limitations. The economic sphere of society is decisive, determining the course of all processes taking place in society.

Like all countries, the main goal of the functioning of the state economy of Malaysia is also to create an efficient and competitive economic system.

### BODY

Malaysia is located in Southeast Asia. The territory of the state consists of two parts: the peninsular (Malay Peninsula) and the eastern (northern part of the island of Kalimantan), which are separated by the South China Sea. The area of Malaysia is 329,847 km<sup>2</sup> (65th place in the world). Population of Malaysia is 33,641,920 (for 2023). About 60% of the population is Muslim. [1]



Malaysia is called the "Japan" of the Islamic world. Malaysia's economy is the third largest in Southeast Asia and the 38th largest economy in the world. The gross domestic product is \$308.8 billion (2019) and is growing by 5.5 percent annually. 79% of its exports are manufactured products, and unemployment is 3.6%.

11.3% of the population over the age of fifteen is illiterate, and this number is decreasing year by year. 97.3% of women aged 15-24 can read and write, which means that Malaysian new mothers are "educated mothers".

Malaysia was a colony of several states until 1957. Half of the state's population, which had almost no natural resources after independence, was poor. Part of the population lived by agriculture, and part by hunting.

The government spends 28% of its annual expenditure on education. Out of every thousand Malaysians, 397 use the Internet. Out of every million people, 299 are engaged in scientific work (Takrut tanmiyya al-basharia, 2006).

Malaysia did not achieve economic growth until 1980. When Mahathir Muhammad became prime minister in 1981, the country turned towards development. First of all, focusing on education, namely the preschool institution was reformed.

By 1996, every school had a computer. In 1999, 90 per cent of schools were connected to the Internet. Talented students began to be taught in separate classes.

The Malaysian government spared no expense on education. In 1996, \$2.9 billion was spent on quality education. This accounted for 21.7 per cent of the Government's annual expenditure.

By 2000, that figure had reached 3.7 billion.

These funds were spent on the construction of a school and laboratory, the provision of scholarships to students, educational institutions cooperate with commercial companies, manufacturing factories signed contracts with graduate students of higher educational institutions (Muhammad Sharif Bashir "Positio'u islam online").

There were more than 15,000 production facilities in the country. Their total value was \$220 billion, of which 54% came from foreign companies and 46% from local governments and private companies.

This production had a significant impact on the Malaysian people. The domestic industry developed, the number of specialists in this field increased, more than 5,000 foreign companies were invested. In turn, the government has



also created an enabling environment by preventing the looting of their property. [2]

The official coronation ceremony of the country's new king, Abdullah Riayatuddin al-Mustafa Billah, took place in the Malaysian capital Kuala Lumpur. The new king was sworn in by Malaysian Prime Minister Mahathir Mohammed.

"I assure you, Highness, the government will not be left with the results achieved," he said. Abdullah Riayatuddin al-Mustafa Billah was sworn in as king on January 31, 2019. In Malaysia, the king performs mainly symbolic functions. He approves the laws passed by parliament, the appointment of the prime minister and the composition of the Supreme Court, and is the commander-in-chief of the Armed Forces. The King is elected by the Council of Rulers for a term of five years. [3]

In the 2022 Muslim travel global index Mastercard-Crescent Rating (GMTI), Malaysia has maintained its status as a leading tourist destination among Muslims.

Turkey, Saudi Arabia and Indonesia took joint second places. GMTI tracks the overall performance of the Muslim tourism market. It should be noted that Malaysia has launched this index - since 2015 it has been ranked first.

According to the Minister of Tourism, Culture and Arts of Malaysia, Datuk Seri Nancy Shukri, it is a great honor for her country to once again be recognized as the best destination for Muslims.

"We remain friendly to Muslims and stand for hospitality on a local and global scale," he said in his speech. [4]

A slight increase in GDP at PPP at the end of 2021 allowed Malaysia to maintain 30th place in the ranking of World Bank countries for this indicator. Malaysia is ahead of countries such as Bangladesh (27th place), Argentina (28th place), the Philippines (29th place). Malaysia is ahead of countries such as South Africa (31st place), Colombia (32nd place), UAE (33rd place) in the ranking. Historically, the highest place in the ranking for Malaysia is 28th, which it reached in 2016. [5]

The Global Islamic Economy Indicator ranked Malaysia at the top of 81 countries thanks to the prosperity of the Islamic financial market and halal products and services.

Malaysia has overtaken Saudi Arabia in the highest rates of halal food, Islamic finance, Muslim-oriented travel, media and leisure.



The state of Southeast Asia also entered the top ten for pharmaceuticals, modest fashion and cosmetics. Malaysia has performed particularly well in the field of Islamic finance, ranking 1st for 9 consecutive years, benefiting from a 20% increase in the value of funds under Islamic law. [6]

The financial system of Malaysia is represented by three main segments: 1) banks; 2) non-bank credit and financial institutions; 3) financial markets. The Malaysian financial system also includes other institutions, such as the bond market and the Islamic debt securities market.

The Ministry of Finance is a ministry of the Government of Malaysia that is responsible for public expenditure and revenue collection. The Ministry's role is to formulate economic policy and prepare the federal budget for Malaysia. The Ministry of Finance also oversees financial legislation and regulation. Every year in October, the Minister of Finance presents the federal budget of Malaysia to Parliament.

According to a report by the Malaysian International Center for Islamic Finance in collaboration with the Islamic Corporation for the Development of the Private Sector, entitled "Islamic Finance in Asia: To New Heights", Islamic financial assets in Asia amounted to USD 528.7 billion as of the end of 2017. or 26% of the world's Islamic financial assets.

The region is the largest market for sukuk (Islamic bonds) and Islamic savings at the end of 2017 and has a 60.7% share in the global sukuk industry and a 42.8% share in Islamic assets under management.

In the previous year, Asia accounted for 52.5% of the global volume, and the largest deal by volume was the \$3 billion volume issued in Indonesia.

In the banking sector, Malaysia received \$204.4 billion. U.S. dollar. With Islamic banking assets priced in U.S. dollars, it was the third-largest bank after Iran and Saudi Arabia.

Other areas necessary for the existence and development of the Islamic financial environment in Malaysia have also been developed, including legal, accounting services, technology and rating companies, and this contributes to the growth of the Islamic finance sector both domestically and internationally.

According to the report, Islamic finance goes a long way in improving financial inclusion in Muslim-majority countries.

Although in other regions of Asia there are also ample opportunities for the development of Islamic finance. But this area faces a number of challenges.



These include the lack of a full-fledged regulatory framework, the lack of specialists in Islamic finance.

Representatives of the private sector, various stakeholders, including bodies coordinating the Islamic financial industry, should be active in developing this area.

The banking system of Malaysia consists of: 1) the Central Bank (Bank Negara Malaysia); 2) banks (commercial banks - 24 with the exception of Islamic banks, of which 13 are foreign, financial companies, merchant banks and Islamic banks); 3) groups of other banking institutions (discount houses and representative offices of foreign banks). It is the largest component of the financial system, accounting for about 67% of all assets.

The Central Bank of Malaysia was established on 26 January 1959 under the Central Bank of Malaysia Ordinance 1958, two years after the country gained independence. The main functions of the Bank include: regulation of foreign exchange transactions, storage of foreign exchange reserves of the country, ensuring monetary stability in the country and creating a reliable financial structure. [7]

In Malaysia, in 1983, the world's first Islamic Banking Act (Islamic Banking Act 1983) was adopted, which established the rules for the functioning of Islamic financial institutions. The first Islamic bank was Bank Islam Malaysia Berhad, established in 1983, and Bank Muallamat Malaysia Berhad was established in 1999. Currently, there are 18 Islamic banks operating in Malaysia. [8]

Malaysia's main insurance and pension funds include the Employees Provident Fund, the Social Security Organization, the Armed Forces Fund and the Teachers Provident Funds.

Consider the budget system of Malaysia. To begin with, let's define the concept of "federal budget" - this is a large state financial plan for the fiscal year, which has the force of law after its approval by the Parliament of Malaysia and signing by the Yang di-Pertuan Agong. Based on the study of the federal budgets of Malaysia, it became known that they:

- submitted annually by the Government of Malaysia to determine the proposed government revenues and expenditures and to forecast economic conditions for the coming year, as well as fiscal policy for the coming years;
- include estimates of government revenues and expenditures;
- may provide for new policy initiatives;





- Usually published in October, before the start of the fiscal year. All states in Malaysia also submit budgets, usually issued after the federal one. The budget process in Malaysia is as follows:

1. The budget is announced in the Dewan Rakyat (House of Representatives) by the Minister of Finance.
2. The House of Representatives then votes on the budget. The Prime Minister must have the support of a majority in the Dewan Rakyat (House of Representatives) and in any case must be able to ensure that there is no absolute majority against the government. As far as the budget is concerned, it requires that if the House of Representatives fails to pass a government budget, even for one ringgit, the government must either resign so that another government can be appointed, or seek the dissolution of parliament so that a new general election can be held to reaffirm or reject the government.

The budgeting process is complex and begins in the working ranks of the federal government. Each year, the various departments and agencies that make up the Government submit so-called "Basic Estimates" to the Secretariat of the Treasury Board. These documents define the planned expenditures of each department and agency, linking these proposed expenditures to programs, goals, and ultimately to the priorities of the current ruling government. The secretariat of the Treasury Board consolidates these budget estimates and prepares the initial proposed budget. Based on this, the Cabinet of Ministers and the Prime Minister's Department adjust the budget based on a number of economic, social and political factors. In reality, decisions are usually made with the primary purpose of re-election and therefore often include benefits for key regions and lobby groups. [1]

At the moment, the Prime Minister and Minister of Finance of Malaysia is Anwar Ibrahim. Based on the review of Malaysia's budgets and the examination of the Prime Minister's meeting on budgetary matters for this year, it became known:

- Malaysia is seeking to accelerate the implementation of priority projects, while optimizing the introduction of changes to the budget for 2023 against the backdrop of rising sovereign debt levels. The government will pay special attention to expanding the country's participation in new technologies and the green economy, stimulating small and medium-sized enterprises while maintaining financial discipline.



- Currently, debt and liabilities have reached about 1.5 trillion Malaysian ringgit (\$458 billion), the budget deficit in 2022 will be about 5.8% of gross domestic product.
- It is predicted that the financial situation this year will not be comfortable, because the maximum debt service is already approaching a level that exceeds what the country can handle. But it is expected that the new cabinet of ministers will maintain balanced budget items. At the same time, Economy Minister Rafizi Ramli said that the government is unlikely to make "radical changes" to this year's growth forecast. But all this can be caused on the basis of strong efforts to develop and improve this system of the country.
- Anwar Ibrahim is set to present the revised 2023 budget to parliament on February 24 amid ongoing domestic price pressures and growing risks to the global economy. The previous government presented a tighter budget for 2023 in October in an effort to reduce the budget deficit.

According to the Central Bank's forecasts, Malaysia's economic growth will slow to 4-5% in 2023, compared to more than 7% last year.

Based on the analysis of the economic system of developed countries, in particular, Malaysia, it can be determined that economic growth is possible only where private property is stimulated, the government invests in education and forms professional workers. A centrally planned economy leads to stagnation. The abundance of natural resources is also not the key to progress. Take, for example, individual countries. Their well-being mainly depends on the export of natural resources and their prices on the world market. However, when the price falls, for example, for oil, growth immediately slows down or stops altogether. In this regard, it is appropriate to turn to the experience of Malaysia, which in 1957, ceasing to be a colony of Great Britain, in a short time turned from an agrarian country into an industrial one.

During the period of colonialism, Malaysia mainly grew agricultural products. Having achieved independence, the country embarked on accelerated reforms. Within a few decades, it freed itself from the label of a "third world state", having received the name "Asian tiger". Malaysia has huge reserves of natural resources, in particular, oil and gas. Prime Minister Mahathir Mohammed, a reformer, launched the Malaysian Plan. For the development of production, the organization of national corporations based on high technologies was



determined. The state acted not as a controlling structure, but as an equal partner.

Economic reforms and measures to develop the education system soon bore fruit. Between 1988 and 1997, Malaysia grew by 10 per cent. It was one of the highest results in Asia. For a quarter of a century, the standard of living of the population has increased 20 times. The country began to export high-quality products in the field of electronics and information and communication technologies. As part of Malaysia's GDP, which 30-40 years ago relied only on agriculture, the share of the industrial sector and services has reached 90 percent. In terms of its economic indicators, the state has risen to third place in the region.

Malaysia's foreign policy is multi-vector. Friendly relations with close neighboring countries are a priority here. At the same time, in relations with major players in geopolitics - the United States, Japan, China, Russia, the countries of the European Union - Malaysia primarily relies on national interests.

Investments are the blood vessels of the economy. To establish friendly relations with business in Malaysia, the state progressively followed the path of increasing the income of entrepreneurs. Thanks to the attention of the state and the preferences provided, domestic and foreign investors have begun to create a processing industry. In a short period of time, unemployment decreased, and the share of industry in the economy became greater than the share of agriculture.

At that time, due to tax breaks, the government began to lose money. However, as a result of the growth of incomes of the population, its purchasing power began to grow, which led to the development of wholesale and retail trade enterprises that paid large taxes to the budget. Thus, income lost due to tax benefits was reimbursed. It's time to support domestic enterprises and industries. The state has made significant investments in the domestic economy. As a result, Malaysia's GDP per capita has risen sharply. With the increase in demand for food products, clothing and real estate, state revenues began to increase. This contributed to the growth of imports and an increase in tax revenues.

The government abandoned the import tax and began to receive significant income due to the growth of trade volumes. Also, development plans drawn up





for a certain period of time gave the government the opportunity to consistently develop other areas in the future.

In Malaysia, education has been identified as a public policy priority from the outset. Expenditure on education accounted for up to 25 per cent of the national budget. As a result, the business was provided with highly qualified employees. After the complete elimination of unemployment, the only way to further improve the welfare of the population was to increase wages. That is why special emphasis was placed on the high-tech sector and other industries where high added value is formed. To do this, they began to train highly qualified personnel, in order to obtain a higher salary, people began to perform more complex work.

The Minister of Entrepreneurship and Development of Malaysia, Rizwan Yusuf, said that the project of the flying car is ready and that its first sample will be created in 2019. This is reported by Anadolu Agency. The minister said that Malaysia has the necessary technology to create a flying car. "With this project, we want to create an environment that encourages people to adopt new technologies. Malaysia has manufacturing capabilities in areas such as aviation, unmanned aerial vehicles and household vehicles. We want to be the people who produce," Rizwan Yusuf said. It is said that the creation of a sample of a flying car cost \$ 245,000. [9]

The school curriculum of Malaysia is aimed at the comprehensive development of children intellectually, spiritually, emotionally and physically, which is reflected in the national philosophy of education. Islamic education or moral education is compulsory for all students in grades 1-5. Attention is paid to the improvement of Islamic and moral education with great emphasis on strengthening the ties of unity between students. [10]

## CONCLUSION

Main uses and experiences:

- Malaysia pays great attention to the education and moral education of its people.
- Malaysia has always strived for development while preserving its spiritual values.
- Malaysia does not support a centrally planned economy, but private property.
- Malaysia has free market relations.



- Malaysia adheres to the motto: "Develop with your neighbors".
- It is profitable to invest in Malaysia.
- Malaysia always strives for new technologies and to be the "center" of production.
- Malaysia also draws attention to the development of Islamic finance.
- And there's a lot more to learn from Malaysia.

Thus, it can be concluded that Malaysia is among the newly industrialized countries in terms of key economic indicators and the country's financial system includes a diverse range of institutions that are designed to meet the needs of the Malaysian economy. Malaysia is known to everyone: some as a popular resort, others as the largest center of the electronics industry in Southeast Asia.

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