

## 2019 Islamicity Index Malaysia

The 2019 Islamicity Indices show Malaysia has improved its overall rank from the 47<sup>th</sup> in 2018 to number 45 in 2019 but it still second amongst Muslim-majority countries behind the United Arab Emirates. Whilst its economic performance remained stable the country continues to face political crisis due to a change in power during the March 2018 election in which the opposition party had a historical first-time win. It proved to be such a momentous moment, that the chair where opposition leader, Tun Dr Mahathir Mohamed (“TMM”) made the announcement is cordoned off and showcased as a display to this day. TMM became the country’s Prime Minister again (he previously was Prime Minister from July 1981 to October 2003) and he appointed for the first time a woman Deputy Prime Minister, Dr Wan Azizah Wan Ismail. 2019 saw the 93 years old TMM trying to uncover the extent of mismanagement of the previous ruling party and almost immediately a political witch-hunt ensued with almost 11 former ministers or government institution leaders charged for corruption. The most important case was that of former Prime Minister Najib Razak who was charged with embezzling state funds amounting to over USD 1 billion dollars.

The regime change also led to a change in leadership in governmental institutions and government linked companies. 33% of the country’s corporations are state owned<sup>1</sup> and several new political appointees were made to these companies. The central bank governor was also replaced. Malaysia seemed to make a number of new policy changes, Wan Ismail who was also the Women and Community Development Minister, introduced the country’s national strategic plan to address child marriage. Unfortunately, the inexperienced and first time in office opposition party struggled to implement coherent policies and often backpedaled on reformative actions. The Education Minister was heavily criticized for introducing changes that were deemed too radical by the majority. He eventually resigned the next year. Internal dissent was also starting to brew internally within the party led by TMM. The end of 2019 saw a number of highly publicized political issues and infighting amongst its senior leadership.

The apex of the Islamicity Index is the assessment of whether countries adopt effective institutions that are just, socially responsive and economically progressive. Among the four dimensions in the indices, Malaysia scored the lowest in its Human and Political Rights and Democracy Index. The index results are very close to reality, weak governance and continuous political tussle show Malaysia has yet to make a turnaround and improve its conditions in the context of Islamic governance and Islamic stewardship.

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<sup>1</sup> MSCI Research 2020: *Corporate Governance in ASEAN*

## SCORES AND RANKS

The Islamicity Indices are made up of five indices, namely, the Economic (EI), Legal and Governance (LGI), Human and Political Rights (HPRI), International Relations (IRI) and the cumulative Overall (OI). These indices serve as an indication of the degree of compliance with Islamic teachings as reflected in the Islamic landscape of a community. It provides the compass and the basis for establishing effective institutions, restoring hope, achieving sustainable development and for strengthening global order. This section evaluates the performance of Malaysia along all five Islamicity Indices, starting with the overall score.

Malaysia's overall scores remain at 6.02 from 2018, however, its rank improved two spots from 47 in 2018 to 45 in 2019 and is second highest amongst Muslim majority countries behind the United Arab Emirates. The 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> best performing Muslim countries are held by Albania, Qatar and Oman (Table 1a). When comparing its overall three years rank, we see its position has not improved to what it was in 2017 (Table 1b).

TABLE 1a: OVERALL ISLAMICITY INDEX TOP 5 MUSLIM COUNTRIES 2019-2018

	Worldwide	Rank 2019	Worldwide	Rank 2018
UAE	44	1	45	1
MALAYSIA	45	2	47	3
ALBANIA	46	3	46	2
QATAR	51	4	48	4
OMAN	57	5	61	5

TABLE 1b: OVERALL ISLAMICITY INDEX 2017 - 2019

COUNTRY	RANK 2019	RANK 2018	RANK 2017	SCORE 2019	SCORE 2018	SCORE 2017
MALAYSIA	45	47	43	6.02	6.02	6.22

In the Economic Islamicity Index, its rank has slightly improved from the 31<sup>st</sup> position in 2018 to 30 in 2019 with a score improvement from 6.99 to 7.18. It scored and ranked highest in 2017.

TABLE 2: ECONOMIC ISLAMICITY INDEX

	RANK 2019	RANK 2018	RANK 2017	SCORE 2019	SCORE 2018	SCORE 2017
<b>MALAYSIA</b>	30	31	24	7.17	6.99	7.45

Despite challenging external environment, Malaysia held a stable economic performance. Its economic growth was 4.5 in 2019 notwithstanding declining global oil prices and moderating wage growth<sup>2</sup>. The turnover of the Goods and Services Tax continued to boost private consumption. Although its household debt slightly reduced from 82.0% to 81.9 % of GDP, it remains high compared to other countries within ASEAN with the lower income group cited as most vulnerable<sup>3</sup>.

There is also a disparity in household incomes between the 14 Malaysian states. Kuala Lumpur’s GDP per person is similar to Korea’s, however other states in the East Coast region such as Kelantan is closer to Indonesia and Sri Lanka<sup>4</sup>. The lower income group’s income growth also trails behind the middle income to higher groups<sup>5</sup> affecting their ability to meet the rising cost of living. Consequently, this group often turn to borrowing as temporary relief measure to compensate for the inadequate income. The World Bank reports<sup>6</sup> the following:

*“More than 40 percent of borrowers with monthly household incomes less than RM3,000 spend more than 40% of their income on debt repayment”*

It further adds that borrowing is geared towards supporting consumption such as motor vehicle purchases rather than longer-term investments to build wealth. Within the economy, these structural issues will continue to exacerbate thus there is a need for policy measures to promote collective and sustainable economic growth especially amongst the most vulnerable in the society.

In the Legal and Governance Islamicity Index, Malaysia’s appears to have improved its standing from its 49 rank in 2017 and 2018 to the 44<sup>th</sup> position in 2019 with a score of 6.71. However,

<sup>2</sup> IMF 2020 Malaysia Country Report

<sup>3</sup> Ibid

<sup>4</sup> Khazanah Research Institute: [www.kriinstitute.org](http://www.kriinstitute.org) Inequality

<sup>5</sup> World Bank Economic Monitor: Making Ends Meet Malaysia 2020

<sup>6</sup> Ibid

it is worth noting that within the sub-dimension Government governance and government effectiveness, Malaysia rank quite poorly at the 88<sup>th</sup> rank. Government effectiveness is an area we observe the country would need to focus on rebuilding in the next few years, given the political changes that has been taking place.

TABLE 3: LEGAL & GOVERNANCE ISLAMICITY INDEX

	RANK 2019	RANK 2018	RANK 2017	SCORE 2019	SCORE 2018	SCORE 2017
<b>MALAYSIA</b>	44	49	49	6.71	6.39	6.22

Malaysia’s performance in the Human and Political Rights Islamicity Index continue to be its worst when compared to other dimensions of the index. In 2017 it had a ranking of 71 and a score of 5.00 and in 2018 the score decreased and it fell in rank to 79. The rank position regained slightly in 2019 to 76 however the score is at its lowest since 2017.

TABLE 4: HUMAN & POLITICAL RIGHTS ISLAMICITY INDEX

	RANK 2019	RANK 2018	RANK 2017	SCORE 2019	SCORE 2018	SCORE 2017
<b>MALAYSIA</b>	76	79	71	4.58	4.66	5.00

This index measures human development, civil and political rights and social wellbeing. It is aggregated along eight areas of human development: social capital, personal freedom, civil and political rights, women’s rights, access to education, access to healthcare and level of democratic values.

Within these proxies, Malaysia scored particularly low in the personal freedom index. Although notable efforts were made to create reform and empower youths, such as lowering the voting age and abolishing restrictions on protest marches, the government also backpedaled on a number of substantial matters relating to human rights reform. For example, early in the year there was a backtrack on a decision to accede to the Rome Statute of the International Criminal Court (“ICC”), a law that would affect the ICC as a court of last resort in the event national authorities are unable or unwilling to deliver credible justice for any grave international crimes under the ICC’s jurisdiction. In February 2019, the ministry of foreign affairs had cited its

commitment to the statue however the Prime Minister announced Malaysia’s withdrawal in April 2019 after political criticism from the opposition parties and the state royalties despite several organisations such as the Malaysian Bar expressing deep concerns at the government’s decision.

One of the reasons cited for the U-turn was that the law would undermine the dignity of Malay Rulers, and that it could threaten the nation’s sovereignty. A leaked report claimed that a number of academicians had submitted to the Conference of Rulers warning them that the King may be prosecuted by the ICC as the supreme commander of the country’s armed forces<sup>7</sup>. According to the ICC, one of the objectives towards Malaysia’s accession to the Rome Statue was to bring justice to the Rohingya refugees at the ICC. The backtrack has greatly impacted work of the civil society and activists pushing towards human rights accountability in Asia.

Malaysia’s low rank in the human rights dimension indicate significant reform is required in order to preserve social justice for all members of the society according to the tenets of Islam.

In the International Relations Islamicity Index, although it maintained its rank at number 51, Malaysia’s score has declined from 6.05 in 2018 to 5.90 in 2019. Comparatively its performance in 2017 indicate a higher rank. Malaysia continue to align itself with China and Japan through a “Look East” policy and the Prime Minister is a known advocate for an East Asian identity. He is vocal on the Israel-Palestine conflict and at a UN address in September 2019, he slammed the veto power of the five UN permanent members and singled out Israel as the origin of terrorism. Geographically, Malaysia could connect with other Muslim-majority countries, however, no particular focus has been made to advance and foster closer cooperation amongst the countries, aside from the country’s involvement in the OIC’s initiatives. The allegations of Saudi involvement with former Prime Minister Najib Razak in the 1Malaysia Development Berhad (1MDB) corruption scandal raised concern on whether relations between the countries will be tainted however, the bilateral relationship remain an important one given the country’s dependence on Saudi Arabia for their Haj quota. Due to the change in government, it is premature to assess the impact of the country’s position on foreign policy, except to rely on TMM’s previous indications during his time in office back in the 80s.

TABLE 5: INTERNATIONAL RELATIONS ISLAMICITY INDEX

	RANK 2019	RANK 2018	RANK 2017	SCORE 2019	SCORE 2018	SCORE 2017
<b>MALAYSIA</b>	51	51	48	5.90	6.05	5.82

<sup>7</sup> Channel News Asia: [www.channelnewsasia.com](http://www.channelnewsasia.com) *Malaysia withdrew from Rome Statue for fear of coup d’etat: Minister*

## Political and Socio-Economic Update 2020

This report, strived to depict the country's efforts in establishing effective institutions and assessed whether its governance reflected Islamic rulings and teachings. It covered the assessment year 2019 and was matched to the results of the underlying metrics that formed the index within the same period. However, at the time this report was written, there were significant political and socio-economic changes taking place resulting in significant impact to the policy and actions outlined above. The first is that the country's economy is suffering from the coronavirus outbreak and in February 2020, at the start of the pandemic crisis in the country, the Prime Minister TMM unexpectedly resigned after his political allies sought to form a new coalition in a bid to block the succession of the leader-in-waiting Anwar Ibrahim. (The coalition between TMM and Anwar included a pre-election agreement that Anwar, would eventually take over from TMM.)

The country's new Prime Minister Tan Sri Muhyiddin Yassin was formerly from TMM's political party and a disagreement about Anwar's accession had led the former to stage a coup and form allies that would allow him to undertake the Prime Minister position. Yassin and his leadership are made up of former political leaders under Prime Minister Najib Razak's party. The political upheaval caused yet again, roll back of policies and deconstruction to the plans the previous administration tried to institute. The severity of its impact as well as the effect of the economic losses due to the virus remain to be seen. There are, however, early warning indicators, one of the government's recovery measure is to ease restrictions against withdrawing from the employee's provident fund. The majority of the withdrawals are those from the lower income group, and some members have already exhausted their entire retirement fund. Whilst the virus seems somewhat contained with lower than 10 daily new cases, the number of cumulative cases is 9,274 with 125 deaths. Compared to its neighbor, Singapore, Malaysia has implemented a number of effective measures to ensure the number of cases remain under 10,000. (Singapore cumulative cases is at 56,099)

Efforts to ensure the economy gets on track again requires a cohesive and clear plan. It will require a strong Islamic leadership to wither the storm, and only time will tell whether the new Prime Minister can deliver.