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## **Transformation in Malaysia's Welfare System: A Study of Developing Countries**

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**Abstract:** This article uses two different theoretical perspectives which are the welfare systems in the developing world, and institutional change dynamics to better understand the transition of Malaysia's welfare system. Based on these theories in the Malaysian situation, it suggests that the welfare system of the country has been proved to have matured and changed. Over the course of economic growth, globalization and socio-productivist policies, this system has significantly transformed three times. Recent legal changes have added layers of complexity in which the government has embedded formal social programs onto long-standing informal welfare networks. This layering has produced complex results, with tensions between informal and formal welfare institutions that can be mutually undermining. The Malaysian case study contributes to our understanding of the characteristics and transformation of welfare regimes in developing countries in the sense that it fills a gap in the literature.

**Keywords:** Developing countries, Social policy, Safety nets, Welfare systems

### **Introduction**

Over the last three decades there evolutionary traits and of welfare models in the developing world have received increasing interest. Gough et al. (2004) provide an expansive, continent-wide cartograph that highlights the heterogeneity of welfare regimes in Africa, Asia and Latin America. These areas face unparalleled socio-economic and political challenges that influence the evolution and adaptation of welfare policy, rapid industrialisation, poverty, and demographic change. Due to the diverse welfare responses and fast-paced economic growth in the region, Asia has attracted an immense volume of research (Mok & Hudson 2014). This is even truer in the case of South East Asia (SEA) & East Asia (EA). It is broadly agreed upon by several scholars (Gough 2004a; Holliday 2000; Mok & Hudson 2014; Powell & Kim 2014) that Welfare systems in SEA and EA do not lend themselves well to the rather simple typology of mainstream Western welfare models pioneered by Esping-Andersen (1990). Instead, they have forged distinctive approaches that reflect a hybrid of principles, development objectives, and responses to global trends. Additionally, these welfare arrangements have undergone significant change moving from protection-oriented devices toward enablers of economic productivity, inclusive growth and social protection.

What exact approach to these changes is still the subject of heated debate, especially with many developing country continuing to improve their welfare system (Sumarto, 2017). Consequently, there is a burgeoning and diverse literature classifying welfare regimes in these regions as productivist, developmental, redistributive, inclusive, or protective (Holliday, 2000; Kwan, 2005; Lin & Wong, 2013; Kuhner, 2015). At the same time, developing countries have increasingly combined growth-oriented welfare policies with redistributive elements to address poverty and social exclusion and to strengthen resilience against global economic changes while also responding to the challenges of population ageing. According to this evolving landscape, welfare systems in developing countries are 'flourishing' and adapting to the needs of the people in ways which diverge from Western welfare systems. Hassan et al. Productivist welfare model is the model for Malaysia, Thailand, the Philippines and Indonesia (2017). In this context, "welfare" is often just shorthand for "state handouts," or

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money donated to charity. Such a paternalistic welfare state does not exist in these nations, with state involvement being limited compared to western systems.

In this paper, we explore the evolution and characteristics of Malaysia's welfare regime, emphasizing the extent to which it has evolved through processes of institutional displacement and layering. Malaysia is a high-profile developing country out of which to study social policy, delivering good population data and a large, but progressive polity, non-malleable in convention, functioning with ASEAN and moreover in the World Bank context, in an exceptionally imposing social technology arena. The Malaysian economy expanded tremendously and the welfare system has gone through considerable changes — particularly for the period in the early 2000s (and well into today) during which Mahathir was prime minister. The study begins by conducting a theoretical review of the literature regarding welfare regimes in developing countries, their distinctiveness, and structural changes undergone by these regimes. It then provides an overview of Malaysia, discussing several important economic and political reforms, the interplay between informal welfare arrangements and formal social security programs, and the various phases of its welfare state transition. In addition, the article evaluates the impacts of institutional displacement and layering, highlighting the manner in which these processes have influenced the architecture and effectiveness of welfare in Malaysia. It offers valuable insight into the details and strategies for implementing effective welfare systems, even in rapidly changing and diverse economies.

### **Bandura's Social Cognitive Theory**

Bandura's Social Cognitive Theory (1986) suggests that people learn through first-hand experience, by social imitation and from other sources. The process of learning is influenced by whether individuals think outcomes are rewarded or punished, thus affecting their motivation and their preparedness to perform in particular situations. A person's belief in his or her own capability to do well in particular settings is major force in shaping the choices they make. When a situation appears difficult, people often may choose not to participate; on the other hand, if one sees oneself as able for an enterprise then one will steer clear of endeavors that seem certain to end in failure. Yet, Bandura points out that sturdy self-efficacy by itself cannot be equated with action unless there are adequate incentives to promote changes in behavior.

In addition, welfare strategies can benefit from Bandura's theory, which explains how people might react to incentives and disincentives. Welfare initiatives that offer concrete benefits or incentives, like financial aid, medical services, or job support, which can bolster constructive actions and promote engagement. However, even if people feel capable, they may be less likely to participate in or benefit from social programs if they lack substantial incentives or if entry is difficult. Therefore, welfare policies must not only enhance individuals' self-efficacy through the provision of accessible resources and information but also guarantee that incentives are sufficiently robust to encourage change (Bandura, 1986; Zimmerman, 2000; Schwarzer & Warner, 2013).

### **Welfare System Changes in Developing Countries**

Based on the work of Esping-Andersen (1990) on welfare systems in the book entitled *The Three Worlds of Welfare Capitalism*, which divides welfare state models into three categories: Liberal; Conservative, Social Democrat types (Figure 1). In this perspective, the term “welfare system” refers to the multiple institutional arrangements, policies and practices that shape social welfare outcomes and inequalities in cultural and national contexts (Gough, 2004b). However, Esping-Andersen's classification has been criticized for its inability to categorize the specific welfare state arrangements of developing countries (Gough, 2004b; Holliday, 2000; Mitchell, 1991). In addition, academics argue that the welfare systems of developing countries should be studied in the context of their particular conditions (Wood & Gough, 2006).

One of the key steps in adjusting welfare ideals to developing countries is the introduction of the “welfare mix” by Gough (2004b). This concept includes the interactions on providing welfare of the state, private sector, households and community. Gough's framework extends the traditional welfare triangle of state, market, and family to also include community, recognizing its vital role in maintaining sustainability in livelihoods. Such an adjustment in the welfare mix aligns more closely with the conditions of emerging economies (Croissant 2004). Although widespread among contemporary welfare research, these typologies are often inductively devised, relying on statistical data that may not be commensurate with specific scientific questions, thus leading to biased findings (Kaufmann, 2013). The comparative analysis of formal type requires the identification of the commonalities and contextual significance (Haupt & Kocka, 1996). Academic abbreviations, like “EU states” or “OECD states”, may simplify statistical comparisons, but can sometimes mask the diversity of welfare systems

(Kaufmann, 2013). Welfare regimes vary greatly in the extent to which the state acts as a central or dominant actor; social democratic states such as those in Scandinavia, for instance, focus on equality of high standards as opposed to only providing for the bare minimum. According to Esping-Andersen (1990) and Andreß and Heien (2001), individuals in such regimes exhibit universal benefits but are less dependent on the market.

In emerging economies, formal state interventions are usually accompanied by informal support networks. In the case of Malaysia and contexts like it, this dual reliance can be synergistic and/or present tensions. According to Hassan et al. (2017), formal welfare policies may exclude the importance of the informal systems and therefore even marginalize informal systems in their local contexts. Outcomes such as these are critical to emphasising the importance of a strategic approach to better coordinate state and community efforts to effectively realise the potential for a welfare mix to promote sustainable livelihoods. Using frameworks such as Gough's in such contexts, scholars and policymakers would be able to tailor welfare models that respond both to universal principles and localized needs.

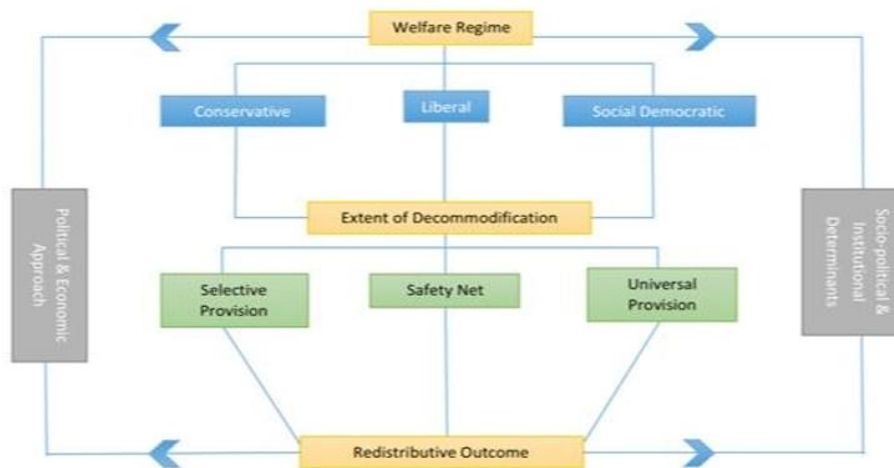


Figure 1. Esping Andersen's (1990) typology of formal regimes of welfare

The study by Gough et al. (2004) in *Insecurity and Welfare Regimes in Asia, Africa, and Latin America* is an important work proposing that models of informal security and insecurity can be identified (Duncan, 2008). As state and market provision is limited, informal security systems rely heavily on family and community networks to meet individuals' needs (Wood & Gough 2006). On the other side, insecurity systems are expressed in areas of intense socio-economic struggle, where political instability and a weak economy have eroded formal and informal support structures (Bevan 2004).

Formally, the informal security model features two subtypes which is liberal-informal vs. productivism systems. The liberal-informal model prevalent in Latin America is distinguished by little government involvement but strong community and family support (Barrientos 2004). Meanwhile, the productivism model that remains a dominant force in at least South East and East Asia places economic growth above social policy. In this regard, government spending often emphasizes health and education instead of social protection in order to support industrialization (Holliday 2000; Gough 2004b; Croissant 2004).

On the other hand, some scholars argue that the welfare regimes of Southeast Asia and East Asia go beyond the boundaries of the productivist paradigm (Sumarto, 2017). They also align with developmental, redistributive, inclusive, and protective welfare types (Kwon, 2005; Lin & Wong 2013; Kuhner, 2015). Developmental welfare states, e.g., create preconditions for growth through targeted social policies (Kwon 2005). The redistributive model stresses the alleviation of income disparity through state interventions (Lin & Wong, 2013). Inclusive models emphasise universal social programs geared towards social inclusion (Kwon, 2005; Lin and Wong 2013) while protective models stress the significance of initiatives geared towards employment and income security (Kuhner, 2015).

### Changes in Welfare and Political Systems

New political and welfare regimes may gradually take back that space (Béland and Powell 2016; Ellison 2006). Philosophy studies (Ellison, 2006; Gough, 2004b; Rose et al., 2006; Young, 1982) delineate the mechanisms by

which one system transforms to another. These are often driven by internal contradictions within the core system which leads to a failings and calls for major reform (Young, 1982). These inconsistencies become significantly exaggerated under pressure of globalisation (chgl 6) which in turn increases the demand for reform (Ellison, 2006). Old systems decline, which is accompanied by a period of transition that eventually results in a new system (Rose et al., 2006). Such transitions can take decades and are often correlated with rapid changes, revolutions, or turmoil in wider society (Gough, 2004b). Systems don't survive without political support from people. ENG If individuals are to support a system that aligns with their political preferences (Rose et al. 2006). We can find four types of institutional adjustments that could be involved in changes in these systems: drift, conversion, layering, and displacement (Mahoney & Thelen, 2010). These four models of change (some variation of which is employed by a multitude of authors (e.g., Béland & Powell, 2016; Mahoney & Thelen, 2010; Pierson, 2004; Streeck & Thelen, 2005) address the transformation of formal institutions. Displacement means to demolish the old and build the new. Layering creates a new institution on top of or beside an existing institution. Drift refers to the change in impact caused by environmental changes on prevailing institutions. Conversion involves the more intentional recycling of preexisting institutions to serve new purposes (Mahoney & Thelen, 2010, pp. 14–15).

Furthermore, related to both comparative politics and the social science of public policy, policymakers often opt for gradual, incremental institutional reforms over sweeping change models because supplanting established political institutions is challenging (Pierson, 2004). Another reason for this aspiration is due to the opposition from established interest groups (Béland & Powell, 2016), as evidenced by the tendency of status quo advocates to protect the existing institutions while eschewing compliance with new institutions rules (Mahoney and Thelen 2010). Instead of supplanting existing institutions, layering allows for gradual change via amendments, alterations, or additions (Mahoney and Thelen 2010; Streeck and Thelen 2005). In addition to deltaic alterations, layering allows for differential growth, where emerging institutions can grow parallel or even times last with the existing framework (Streeck & Thelen, 2005, p. 31). A Groundbreaking Study of Systemic Change Wilensky (1975) The Welfare State and Equality Wilensky argues that economic growth and population indicators are the most important factors in the development of social policy. He suggests government social security spending usually align with economic growth rates. On the other hand, other researchers (Yeates, 2002; Deacon, 2007; Kaasch, 2013) argue that global external influences heavily determine the path of social policy.

In addition, while welfare systems in developing countries are often more easily transformed than in European nations, this is for entirely different reasons based on divergent histories of social policy development. In this sense, industrialization dawned on European countries well after the British Industrial Revolution starting in 1760, which, in combination with working-class mobilization, and political alliances led to the emergence of social policies solidly anchored in social rights (Esping-Andersen 1990). In contrast, third world countries, particularly those in Southeast Asia and East Asia, began their social policy initiatives in the 1960s when their economic growth was booming. However, only a small amount of money was spent on these social programs (Croissant, 2004), whose main goal was to promote economic development (Gough, 2004a; Holliday, 2000; Hort & Kuhnle, 2000). Thus, the various social policies that ensued from this were vulnerable and at risk from the Asian economic crisis, and were otherwise scheduled for change (Gough 2004a; Holliday, 2000; Mok & Hudson, 2014).

### **Three Phases of Welfare and Political System in Malaysia**

Malaysia has experienced numerous types of relationships between economic, social, and political in the development of its welfare system and political context following independence in 1957. Over the last sixty years, Malaysia has experienced changing phases of welfare provision, reflecting global economic currents, elements of domestic politics, and the evolving nature of the public needs. Phase one highlighted nation-building and economic development, where the state-managed social programs to lift the poor and to build national unity (Hatta & Ali, 2013; Jafar et al., 2018) This was followed by a neoliberal and market-oriented era from the late 1970s to the early 2000s, emphasizing less government, more economic liberalisation (Jomo, 2017; Wylde & Wylde, 2017). Since the early 2000s, a hybrid welfare regime has developed, balancing market solutions with selected targeted social policies to address rising inequalities and societal problems (Jomo, 2017). The stages shaped Malaysia's social welfare system and political trajectory from UMNO supremacy to an increasing political challenge and reform movements (Dettman & Gomez, 2020). Hence, understanding these stages give important insights into Malaysia's approach towards integrating economic growth, social welfare and political stability in a rapidly changing global environment.

### **Phase 1: Early post-Independence (1957 to 1969)**

The first phase, from independence up until the 1970s, focused on nation-building and economic growth. Welfare policies designed to combat poverty and inequality, especially socio-economic inequality among the various ethnic and other communities. In this era, the government took a lead role in the economy, including establishing large-scale welfare programs, culminating in the founding of the Employees Provident Fund (EPF) in 1958 to guarantee retirement savings for formal sector workers (Hatta & Ali, 2013). Similarly, the public housing projects and crucial healthcare services catered to the demands of an expanding population, resulting in social growth and equilibrium. Events in the political arena were dominated by a strong patronage system, leading the United Malays National Organization (UMNO) to consolidate its power through networks of alliances and clientelism (Jomo, 2003, 2017). This political method guaranteed clerical and systemic continuity, allowing for implementation of state-led welfare and economic policies. The results were a combination of both good and bad from this method. Social welfare programmes played a positive role in alleviation of poverty and improving social justice, laying the basis for continued socio-economic growth. Infrastructure building created jobs and increased economic participation.

On the downside, the reliance on patronage and clientelism led to inefficiencies and favored certain groups, which sometimes undermined meritocracy and promoted corruption (Jomo, 2003). Although the New Economic Policy (NEP), introduced in 1971, aimed to address socio-economic disparities, it was also criticized for ethnic-based preferential policies that could deepen societal divides (Lee, 2021). Additionally, the limited scope of welfare programs meant that comprehensive social protection covering broader aspects like health and education was not fully realized. Many informal sector workers were left without adequate support, highlighting the need for more inclusive welfare policies (Rasiah, 1995). This initial phase, while essential for economic and social stability, also set the stage for challenges that would emerge in subsequent decades.

### **Phase 2: The New Economic Policy Era (1970 to 1990)**

During the late 1970s and in response to world-wide trends of economic liberalization, Malaysia's welfare system underwent a major transformation, manifesting itself in the market-oriented policies adopted by the government. It represented the departure from the state-led development of the decades before, wherein the state apparatus had been significantly responsible for welfare provision and the market mechanisms were more centralized and controlled by the state. Its aim was to integrate Malaysia more fully into the global economy, to increase both domestic and foreign investment, and to promote overall growth (Jomo, 2003). Core elements of this phase were the privatization of public services and reforms that curbed state spending on welfare programs. As a result, the social safety net scattered, with informal workers and low-income groups exposed to heightened vulnerability with little government support (Rasiah, 1998).

On the political front, UMNO retained its power through the Barisan Nasional coalition, employing a mix of patronage networks and centralised power to hold onto it (Gomez, 2016). However, during this time dissatisfaction with the way that a government was being ran rose, mainly concerning the centralization of power and corruption. The utility of political influence, along with public concerns relative to lack of transparency and political accountability, grew louder, and gradually eroded trust in the ruling coalition (Weiss, 2000; Weiss, 2015; Gomez, 2016). This decade also generated important advantages, including robust economic expansion, a more diverse, competitive economy. These developments helped create jobs, attracted foreign investment, and accelerated Malaysia integration into the world economy, which in turn, further stimulated rapid industrialization and urbanization, and was buttressed by strong rates of GDP growth (Jomo, 2003, 2017).

The disadvantages, however, were really major. The retreat from comprehensive welfare provision exacerbated inequality and left vulnerable populations without adequate social protections (Rasiah, 1998). The prioritization of market-based mechanisms over social welfare deepened disparities, as the benefits were largely confined to those with access to formal employment and economic opportunities. Thus, such discrepancies also underlined the necessity for policies that balance economic expansion with equal distribution of welfare (Rasiah, 2016).

### **Phase 3: Sustainable Growth and Global Integration (1991 to 2020)**

The third phase of social policy evolution in Malaysia was more integrated in nature, broadly combining neoliberal economic principles with specific social welfare programs. This phase has centred on the development of the developed nation status for Malaysia through a policy of economic development, social

equality and technological advancement. For Malaysia, the neoliberal phase of welfare system that emerge since the early 2000s is a national mode that combine a hybrid strategy that attempt to reconcile neoliberal economic practices with renewed interest in social welfare. This combination realized that previous policies with a market orientation in the lead increased inequality and did not care well for many disadvantaged groups. Therefore, initiatives such as the 1Malaysia programs were initiated to provide targeted assistance to the bottom 40 percent of households and address pressing socio-economic disparities (Ahmad & Idid, 2016). These ranged from direct cash transfers, subsidization, and social programs directed to improve health, education, and basic needs for disenfranchised peoples (Jomo, 2016).

The hybrid approach is beneficial, especially when it comes to inclusivity, which promotes social stability. Malaysia capitalised on the need for the government to play a role in welfare services and minimised disruptions in economic activity that could have negative externalities, particularly for vulnerable communities and by so doing, fostered social cohesiveness (Hung, 2014). Targeted welfare policies also offered means of addressing the emergent push back from growing dissatisfaction triggered by income disparities, supporting unrepresented subpopulations. However, the period also brought its challenges. Economic constraints have made it more difficult to maintain these welfare programs. In its attempt to maintain or revive some social welfare measures, the government was often limited by resource constraints or ineffective bureaucratic functioning (Hassan et al., 2017).

In addition, political competition increased over this period, with UMNO and Barisan Nasional coming under pressure from rival parties and civil society groups calling for greater civil society groups pressure for increased accountability and fairer policy (Welsh, 2018) This peaked with the 2018 general election which in Malaysian history is a watershed election marked by UMNO losing power for the first time in over sixty years signalling the emergence of an increasingly open and transparent political and social climate (and a new era of accountability and reform — Case, 2019). As Welsh (2022) stated, UMNO is Frankly a living, breathing political; albeit a pensive creature. The party is undergoing profound changes, even if its ethnonationalist roots endure. Therefore, these changes are positioned in the intersections of its relative inability to adapt to Malaysia changing socio-political context and its ongoing challenges in overcoming internal crises and rebuilding public trust.

## **Analysis of Formal and Informal Welfare Institutions**

### **Formal Welfare Institutions**

The developments of formal welfare institutions in Malaysia have been well documented, particularly during the last few decades when the government has put significant efforts into filling gaps of social protection and supporting vulnerable populations. One major example of this type of initiative is the *MySalam* program, which was started in 2019. It is a public-private collaboration, providing basic critical illness insurance for free to eligible recipients in the B40 group (group of the bottom 40% income earners). The focus is on providing financial assistance for inpatient admissions and accessing medical benefits where there are serious health conditions. It will help low-income families to lessen its burden and make sure that health emergencies will not lead to a long-term economic crisis (Rapi et al., 2022; Bakar et al., 2024).

Similarly, *PeKa* B40 scheme focuses more on increasing accessibility to healthcare services for low-income Malaysians by providing financial assistance in the form of medical check-up subsidies, diagnostic test subsidies, cost assistance for medical devices, and transportation allowances (Mat Zuki et al., 2022). The project rolled out by the Ministry of Health (MOH) aims to address the health needs of low-income communities focusing mainly on non-communicable diseases (NCDs). The 12th Malaysia Plan (12MP) of the Prime Minister of Malaysia (2021) emphasized addressing non-communicable diseases as one of the national key priorities (27 September 2021) . This commitment is further elaborated upon in the second theme, fourth chapter of the plan, which highlights necessary health issues such as cancer, diabetes mellitus and mental health for the next five years (Economic Planning Unit, 2021). The *PeKa* B40 program is a health-financing protective intervention program aimed at promoting health equity and enhancing health care facilities' accessibility in the B40 community (ProtectHealth, 2019a).

The initiative also consider non-communicable diseases that must be identified and treated early on, with the understanding that low-income populations are more vulnerable to disease that may go untreated for anything from economic to social reasons. The National Health Policy 2002 (as cited in Ghazali et al., 2022) aims to reduce health inequities and improve population health by targeting specific health measures. States in Malaysia

that house the majority of the B40 group are those that have the highest second income earners such as Sabah, Sarawak, Kelantan and also Kedah especially in the rural areas. Efforts have been made to address economic inequalities among Malaysian citizens since the introduction of the first New Economic Policy (NEP). For example, the *PeKa* B40, which is the Health Care Scheme for the B40 group. Table 1 shows the classification groups of different levels of income in Malaysia which based on household income. Thus, this taxonomy has segmented households into three main slices: T20 (top 20% of income earners), M40 (middle 40%), and B40 (bottom 40%). The groups themselves are further split into sub-deciles to allow for closer analysis of income dispersion, highlighting variation between different economic strata.

Additionally, the design and implementation of these programs serve as a case study for better understanding how Malaysia is combining its formal welfare initiatives with existing health and social support systems. Working with private insurers, care delivery institutions, and community organizations helps optimize outreach and ensures that services respond to the needs of the highest risk populations (Mat Zuki et al., 2022; Bakar et al., 2024). This approach expands the realm of governmental support and, at the same time, encourages private sector engagement in social welfare, which is necessary to improve resource allocation and operational efficiency. These are positive advancements, but challenges still exist. The focus on targeted coverage rather than universal access also suggests that some vulnerable populations, particularly those in the informal sector or without proper documentation will continue to be excluded from formal welfare benefits.

In addition, issues related to awareness of the program, access in rural or disadvantaged areas, and the adequacy of the financial incentive continue to be the main barriers to realizing the full potential benefits of these programs (Mat Zuki et al., 2022). As a result, Malaysia has been exploring options to complement the reach of formal welfare programs through combined approaches that integrates community-based and informal support systems with formal programs. The goal of this methodological integration is to build a more robust and inclusive social protection system, capable of meeting the complex and varied needs of its population, especially in the context of economic challenges and demographic changes such as an aging society (Gough & Wood, 2006; Kaufmann, 2013).

Table 1. The classification of different income groups in Malaysia

Group	Share (%)	Income (RM/USD)	Income (RM/USD)	(RM/USD)
T20	30.7	RM19,781 (USD4,704.72)	RM24,293 (USD5,777.86)	RM15,040 and above (USD3,579.50 and above)
T2	16.1	RM12,586 (USD2,993.46)	RM12,720 (USD3,025.33)	RM10,961 – 15,039 (USD2,606.97 – 3,576.88)
M40	12.3	RM9,695 (USD2,305.86)	RM9,730 (USD2,314.19)	RM8,700 – 10,959 (USD2,069.21 – 2,606.49)
M4	9.9	RM7,826 (USD1,861.34)	RM7,841 (USD1,864.91)	RM7,110 – 8,699 (USD1,691.05 – 2,068.97)
B40	8.2	RM6,471 (USD1,539.07)	RM6,477 (USD1,540.49)	RM5,880 – 7,099 (USD1,398.50 – 1,688.43)
M2	6.8	RM5,336 (USD1,269.12)	RM5,346 (USD1,271.50)	RM4,850 – 5,879 (USD1,153.53 – 1,398.26)
B4	5.6	RM4,387 (USD1,043.41)	RM4,395 (USD1,045.31)	RM3,970 – 4,849 (USD944.23 – 1,153.29)
B3	4.5	RM3,556 (USD845.76)	RM3,561 (USD846.95)	RM3,170 – 3,969 (USD757.35 – 943.99)
B2	3.5	RM2,786 (USD662.62)	RM2,803 (USD666.67)	RM2,501 – 3,169 (USD594.84 – 753.72)
B1	2.4	RM1,929 (USD458.79)	RM1,849 (USD439.77)	< RM2,500 (< USD594.60)

### Informal Welfare Arrangements

In Malaysia, informal welfare provision typically takes the form of community-based arrangements, which are crucial for helping vulnerable groups manage social risks. An example of this arrangement, deeply embedded in

cultural traditions, is *gotong-royong*, a Javanese term meaning “mutual cooperation” (Bowen, 1986). Historically associated with the ancient Mataram Empire (8th–10th centuries) and the Majapahit Kingdom (1293–1500) (Kartodirdjo, 1987), *gotong-royong* represents collective action, moral duty, and mutual reciprocity (Koentjaraningrat, 1974; Seavoy, 1977). In Malaysia, comparable practices are observable in both rural and urban communities, where localized forms of mutual assistance showcase a fusion of cultural heritage and contemporary social dynamics.

Activities like *gotong-royong* emphasize the significance of teamwork and community assistance, as people come together to help one another with different tasks, thus enhancing social bonds and reinforcing support networks. Informal saving groups, such as *kutu*, provide financial security by allowing members to consistently contribute funds and take turns accessing a larger sum. These practices offer financial support and foster trust and interdependence within the community (Gough, 2004). The context of these informal systems is linked to Malaysia’s pre-colonial and colonial periods, when formal state welfare mechanisms were either lacking or limited. Under these conditions, the community played a vital role in meeting essential needs, especially in rural areas where governmental assistance was scarce. The feeling of collective accountability continued into the post-independence period, improving formal welfare programs and adapting to modern challenges (Wood & Gough, 2006).

On the contrary, non-governmental organizations and religious groups contribute to informal welfare by offering services such as food distribution, educational programs, and emergency support. Their role is particularly crucial in engaging with individuals who might not access government support due to administrative or eligibility barriers (Nasir, 2021). These entities are often flexible and focused on community, allowing them to address specific local needs that formal systems may overlook.

### **Tensions and Complications**

Initially, the complexity leads to tension and competition between the two systems in both the responsibilities and tasks along with inevitable overlapping domains of operations set into motion through the interactions between these formal and informal welfare institutions. Formal welfare systems — based on state provision of healthcare or income support — aim to provide broad and uniform resources while informal systems — grounded in community practice and social norms — normally operate with more flexibility and locality. Such duality will lead to coordination problems and inefficiencies, particularly in situations where the informal networks enclosing welfare are ignored or even sidestepped from above by the state-run top-down mechanism (Gough, 2004; Wood & Gough, 2006). In Malaysia, the role of religious and community play an important role in the provision of social support, particularly to the lower income group who may not be able to access formal welfare systems in full. As you probably know, expanding or creating PC in the face of existing informal networks can create just a major turmoil. State projects are given priority (Jomo, 2003) and funding for community initiatives might be overlooked or not easily accessible. Such may lead to competition for beneficiaries and resources between the formal organisations and NGOs thus creating duplication or gaps in the services.

One particularly illustrative case study of these tensions are community faith-based organizations that provide informal welfare support. These organizations may lose influence or struggle to function as state programs expand, especially if there is no collaborative spirit or shared mission (Kaufmann, 2013). The net outcome may be a fragmented welfare landscape in which recipients miss out on the optimal package of support as a result of competing priorities or logics between formal and informal spheres. Synergies that combine organised outreach with the responsiveness of informal social welfare systems must be nurtured to build an integrated social support system. This integration provides for comprehensive coverage, reduces duplication of services and makes best use of community resources thereby enhancing service delivery. Studies show that features of frameworks support this balance such as cross-sectoral collaboration and inclusive policy-making processes (Gough, 2004; Wood & Gough, 2006; Kaufmann, 2013).

### **Contributions to the Literature**

This study addresses the current gaps in the literature on welfare systems of developing nations, with a particular focus on Southeast Asia. Western welfare typologies such as Esping-Andersen’s *Three Worlds of Welfare Capitalism* have traditionally been more common in current research, but often without the in-depth analysis of their applicability to a non-Western context. In addition, there seems to be little detailed exploration

on how specific historical, cultural, and political factors shape the development of welfare regimes in countries like Malaysia. Additionally, this helps to advance a substantive insight into welfare regimes in developing nations (Gough, 2004; Wood & Gough, 2006). This is done both by mapping policy trajectories from nation-building through neoliberalism and hybrid models, and also by examining the interplay between formal and informal welfare institutions.

It advances and contextualizes existing theories, particularly the welfare mix, by demonstrating specific patterns of state, market, family, and community factors in the Malaysian welfare model. Moreover, it contributes to the analysis of mixed welfare regimes, exploring the interplay of informal and community-based welfare practices with formal government initiatives (Croissant, 2004). Furthermore, it critiques and advances existing theories of the welfare state by analysing Malaysia's transition from a productivist to an informal-liberal and then an informal-inclusive welfare model; demonstrating the role of external economic pressures and internal socio-political dynamics on welfare development (Hatta & Ali, 2013). The results have important implications for policymakers in developing countries.

Therefore, this research then identifies the strengths and weaknesses of the evolution of welfare in Malaysia and suggests that formalised welfare policy need to take into account today's community-based structures of welfare in order to provide an optimal balance between coverage and efficiency. The lessons of the hybrid welfare approach in Malaysia can thus offer other developing nations guidance in devising market-friendly policies that are consistent with social goals, interweave indigenous cultural traditions, and adequately respond to the demands of the vulnerable populations. This research highlights how to balance formal and informal welfare systems, and provides important guidance on how social protection networks can be strengthened, without endangering traditional community support systems (Kaufmann, 2013).

## **Conclusions**

Malaysia's welfare system has undergone dramatic alterations since achieving independence, reflecting the nation's financial and political progressions. This analysis investigates this development, examining its historical foundations, major modifications, and prevailing environment. The discussion is grounded in theoretical frameworks, applying Bandura's Social Cognitive Theory to shed light on personal behavior and motivation, alongside Esping-Andersen's welfare regime typology, offering a comparative lens for analyzing various welfare designs. The examination situates Malaysia's welfare system inside the more comprehensive framework of developing countries, emphasizing the unique difficulties encountered by these nations.

This analysis also inspects the evolution of Malaysia's economic and political reforms, outlining their growth from the period of independence to the present era. The incorporated welfare plan in the third stage merged market-driven policies with targeted social aid, looking to harmonize economic advancement and social justice. Nonetheless, barriers like rising living expenses, disparities in income, and political division continued to highlight the intricacies of maintaining welfare and political stability within an evolving socio-economic landscape. Comprehending these three phases—nation-building through state-led welfare, NEP-driven affirmative action, and market liberalization with blended welfare—provides a thorough outlook on Malaysia's continuous efforts to synchronize economic growth, social welfare, and political administration throughout the years. The main discoveries highlight that although formal welfare programs in Malaysia have adapted to economic and political shifts, informal welfare networks continue to be crucial, especially for marginalized groups. As Malaysia navigates its evolving economic and social landscape, ongoing initiatives are crucial to enhance its social safety net and address emerging challenges, such as an aging population and the effects of globalization. By capitalizing on its established framework and responding to evolving conditions, Malaysia can further improve its welfare system and foster social equity for all its citizens.

In conclusion, this analysis emphasizes the intricate nature of welfare system evolution in a non-Western setting and its interplay with political, social, and economic aspects. Malaysia's experience shows that although market-driven policies can boost economic growth, they may also worsen social inequalities if not complemented by robust social protection strategies. The interconnectedness of formal and informal welfare structures highlights the importance of creating inclusive policies that acknowledge the significance of community-based systems in conjunction with formal welfare mechanisms. The implications of these findings suggest a pathway for policymakers to design social welfare programs that are both culturally relevant and sustainable. Consequently, subsequent studies might concentrate on a comparative examination between Malaysia and other developing countries in Southeast Asia to investigate the presence of analogous trends in the development of welfare systems. Additional research might explore the enduring effects of informal welfare systems on social unity and

economic resilience, especially in areas where state capacity is constrained. Furthermore, exploring how technology and digital platforms can connect formal and informal welfare initiatives may offer valuable perspectives on updating social protection frameworks to more effectively cater to varied populations.

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\* The author declares that the scientific ethical and legal responsibility of this article published in EPESS Journal belongs to the author.

## **Conflict of Interest**

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