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# Insights



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## RECTOR'S MESSAGE



A heartiest congratulation is extended to the Faculty of Business and Management, Universiti Teknologi MARA Cawangan Kedah, Kampus Sungai Petani, on the publication of the seventh volume of FBM Insights.

This most recent volume of FBM Insights covers 25 emerging issues related to microcredit, micromanagement, marketing, consumer behaviour, social media, disability, dark tourism, and food security. This compilation demonstrates UiTM Cawangan Kedah's commitment to disseminate business-related information and relevant content to a wider audience.

I believe that this bulletin is an apt platform for members of the Faculty of Business and Management to produce more academic materials which can benefit the faculty members themselves and also other people at large. Such an initiative is indeed laudable since as academicians, writing to share information is definitely crucial to our personal and professional development.

Again, I would like to congratulate the Faculty of Business and Management and all individuals involved in the publication of FBM Insights volume 7. May FBM Insights continue to grow from strength to strength in the future.

Sincerely,

Prof. Dr. Roshima Haji Said  
Rector  
Universiti Teknologi MARA (UiTM)  
Cawangan Kedah

## FROM THE DESK OF THE HEAD OF FACULTY



Assalamualaikum w.b.t

Welcome to the 7th Edition of FBM Insights 2023. This edition presents 25 articles by the academics of Faculty of Business and Management UiTM Kedah Campus. The topics involved a broad range of business and management knowledge, including matters relating to Covid 19, entrepreneurship, microfinance, and gold investing. Congratulations to all authors for your endless support and valuable contribution to the newsletter.

FBM Insights was created in the year 2020 with the aspiration to inculcate the scholarly writing culture among FBM UiTM Kedah's lecturers. Thank you to the Almighty, this bulletin still receives a positive response for each of its editions. It is our hope this continues and that FBM Insights will one day progress to another level.

Publish or perish, one phrase that all academics must embrace. The importance of academic publication is evident when it is included in several of the university's Key Performance Index (KPI). We need to strive to produce scholarly work. I hope FBM Insights can become a small steppingstone for all FBM academics of UiTM Kedah, in our efforts to improve our publications numbers.

Congratulations again to all authors. Heartiest congratulations to the bulletin's editorial board who worked hard in making FBM Insights what it is today. I wish everyone the best and keep up the excellent work.

Dr. Yanti Aspha Ameira Mustapha  
FBM Insights Advisor

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# **CORRUPTION PERCEPTION INDEX: INVESTOR AND MALAYSIA**

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## **INTRODUCTION**

In this subtle and complex environment, fighting corruption, promoting transparency, and strengthening the country are critical to avoid further conflict and maintain peace in a new paradigm of globalization. As international businesspeople, they will face more complex tasks as compared to doing domestically. They should obey the laws not only of their home country but also the laws of the host countries in which it operates. Both home country and host country laws can effectively affect how international firms conduct business. One of the important parts of any business decision is to assess the political environment in which a firm operates. Many firms will be assessing the political climate in their home country conveniently. But assessing the political climates in other countries is more challenging and problematic. Ricky and Michael (2020) mentioned that political risk is any changes in the political environment that may adversely affect the value of a firm's business activities. Thus, any activity which has the potential to harm a business's performance will be considered a risk to the business's growth.

Corruption is one of the political environment actors which has a significant effect on business performance. To measure whether the country is corrupt, it can derive and read from the Transparency International Corruption Perception Index (CPI), which is used as a proxy for assessing the level of government corruption for each economy (World Economics, 2021). The index is based on a scale of 0 to 100, where 0 is absolute corruption, and 100 is no perception of government corruption. In other words, CPI is also an important indicator of a country's economic stability and growth potential, and whether it can attract more investors.

## **MALAYSIA CORRUPTION PERCEPTION INDEX**

Normally, any firm contemplating entering a new market needs to acquire basic knowledge and information about the country. Due to that, Malaysia needs to be aware of and control its political and economic structure in welcoming foreign investors to invest their business in our country. Transparency International Malaysia mentioned that Malaysia had slipped one point in the global Corruption Perception Index (CPI) score from 48 points in 2021 which ranks the country 62, to 47 points out of 180 countries. It is not a good sign for economic development as Malaysia is moving in the wrong direction. This means Malaysia digressed from its path of being the country with the highest integrity, and made no progress in reforming the Malaysia Anti-Corruption Commission recommendations in 2015. Furthermore, Malaysia has dropped six points in the last three years, which is statistically significant. Supported by Martin (2023) Malaysia is heading on the wrong path in fighting corruption, supporting human rights, and democracy in the public sector. Figure 1 below shows Malaysia as one of the underlying countries that largely declined over the period of 2018 to 2022 (Transparency International, 2022).

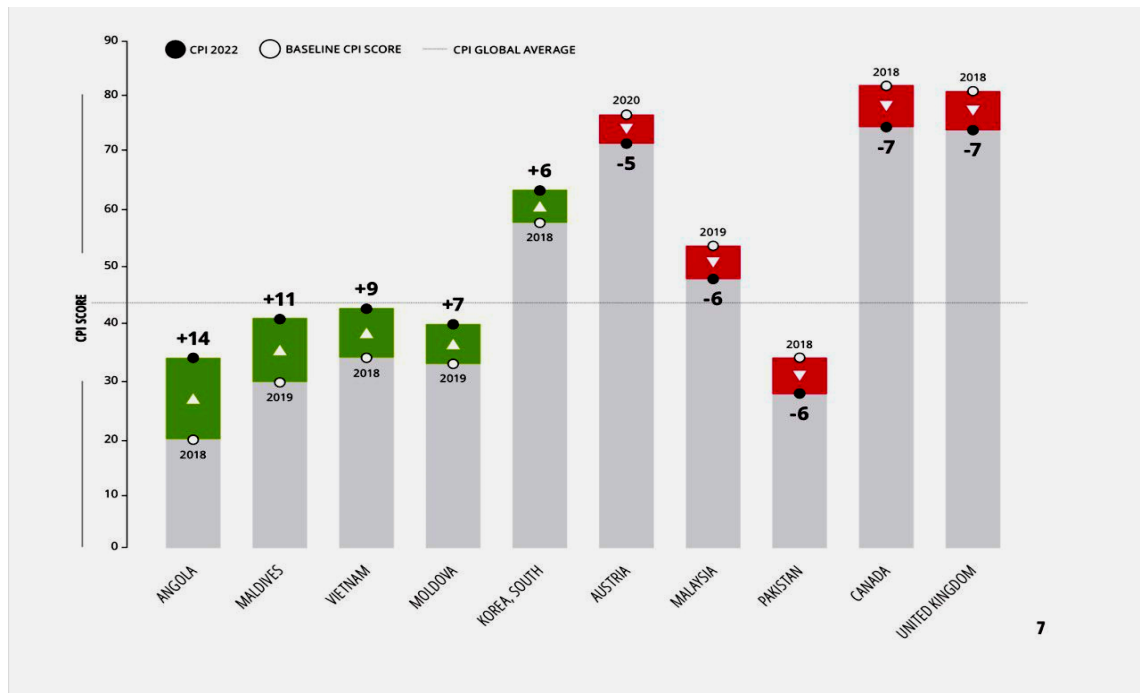


Figure 1: “Global Corruption Perception Index (CPI) across countries over the period 2018 to 2022”

In comparison to our small but powerful neighbor, Singapore was ranked 5th, with 85 points, making it the only Asian country listed in the top 10 of the CPI ranking. However, Global Finance magazine (Simon, 2023) stated by Thomazios that neighboring rival Singapore had notched new cost-of-living highs. Therefore, Malaysia is highly likely to build a new regional center due to the early signs of increased foreign direct investment. We expect things to improve indirectly as we see greater political stability over 2023.

On another spectrum, Malaysia is unable to progress at a fast pace because of the weak government, corruption, and abuse of power (Adha, 2023). Thus, these problems need to be addressed to undertake proactive action to ensure Malaysia can recover from its injuries. If not, the political risks may damage the relationship between foreign investors and the government. This is because most multinational corporations (MNCs) will monitor the countries where they operate their business. In line with the statement of the 10th Malaysian Prime Minister, which has focused on practicing good governance, transparency, integrity, and accountability in his government; this will lead to a good signal to be a better Malaysia (Rizalman, 2023). Currently, Pacific leaders have renewed focus on anti-corruption efforts, but in Asia, they have focused on economic recovery at the expense of other priorities (Transparency International, 2022). By focusing on economic recovery from the effect of Covid-19, Malaysia has promised to change. This situation was proven by the progress made in early 2023 by Prime Minister Anwar bin Ibrahim’s incoming administration in critical economic and political reform areas that will send a clear signal to investors looking away from China (Simon, 2023).

The winds of change can blow some fresh opportunities for Malaysia to soar high in Asia. The result of the fast decision to swipe in a better direction will help Malaysia gain more trust from foreign investors.

## RECOMMENDATIONS AND CONCLUSION

Improving Malaysia’s Corruption Perception Index (CPI) will indirectly attract more foreign investment. Thus, the government should take action such as improve public sector governance by introducing measures like performance management systems, independent oversight and whistleblower protection. In addition, the government also should increase transparency and accountability in the public sector, which includes making public sector information more accessible to the public and ensuring that public officials are held accountable for their actions.



Moreover, enhancing public sector integrity (codes of conduct and anti-corruption training) also will lead to the improvement of Malaysian CPI.

Last but not least, the greater and longer-lived a firm's investment in this challenging environment, the broader its risk assessment should be. International businesses operating in foreign environments are subject to political risk. Hence, to protect themselves (investors) from changes in the political environment, they should continually monitor the political situations in the countries they invest in. Therefore, Malaysia should be careful in managing political risk.

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