

**FISCAL OPERATIONS AND MANAGEMENT IN MALAYSIA:
AN ANALYTICAL STUDY**

The Master Project submitted to the Graduate School in partial
fulfillment of the requirements for the degree Master of Science
(Management) Universiti Utara Malaysia

By

Nordin bin Mehat

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Sekolah Siswazah
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ABSTRACT

This project paper is a fresh study made to provide a comprehensive analytical review of fiscal behavior and management of Federal Government of Malaysia during post New Economic Policy era. The composition and growth trend of revenue system has been examined together with size and pattern of government spending for the period 1971 – 1998. The nexus between government deficits and public debt has been searched. The study suggests that fiscal operation and budgetary components have prudently managed in achieving its goals towards strong economic fundamental with macrobalancing.

ABSTRAK

Projek ini adalah satu kajian analisis yang komprehensif mengenai ciri-ciri fiskal dan pengurusan kewangan Kerajaan Malaysia dalam era Polisi Dasar Ekonomi Baru. Kaedah kajian secara analisis dibuat kepada komposisi sistem hasil iaitu cukai dan juga cara serta bentuk perbelanjaan kerajaan bagi menguruskan pendapatan dan perbelanjaannya dalam tempoh 1971 - 1998. Kajian juga dijaikan mengenai kaitan di antara defisit dan pinjaman awam. Dalam kajian ini disarankan cadangan kaedah operasi fiskal dan komponen belanjawan yang diurus secara berhemat boleh mencapai matlamat kearah asas makroekonomi yang kukuh.

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LIST OF ABBREVIATIONS

AR	-	Agriculture and Rural Development
CIT	-	Corporate Tax
CT	-	Total Tax
DD	-	Domestic Debt
DE	-	Development Expenditure
DS	-	Debt Service
DT	-	Direct Tax
ED	-	Education Expenditure
ED	-	External Debt
ED	-	Excise Tax
EPF	-	Employee Provident Fund
ESD	-	Economic Services Development Expenditure
ESO	-	Economic Services Operating Expenditure
FD	-	Overall Surplus/Deficit
GD	-	Government Deficit
GDP	-	Gross Domestic Product
GE	-	Total Government Spending
GNP	-	Gross National Product
HE	-	Health/Medical Expenditure
IDT	-	Indirect Tax
IRI	-	Interest and Returns on Investment

IT	-	Personal Income Tax
LP	-	Licenses and Permits Tax
MD	-	Import Tax
NTR	-	Non-Tax Revenue
OE	-	Operating Expenditure
OT	-	Others Tax
PD	-	Public Debt
PG	-	Pensions and Gratuities
PIT	-	Petroleum Tax
PR	-	Petroleum Royalties
R	-	Current Revenue
RS	-	Revenue Surplus/Deficit
SSD	-	Social Services Development Expenditure
SSO	-	Social Services Operating Expenditure
ST	-	Sales Tax
SVT	-	Service Tax
TE	-	Total Expenditure
TP	-	Transfer Payment
TR	-	Total Revenue
TTR	-	Total tax Revenue
XD	-	Export Tax
Y2K	-	Year 2000

CHAPTER ONE

INTRODUCTION AND PROBLEM STATEMENT

1.1 Introductory

Following the "Keynesian Revolution" in economic thinking which favored increasing role of the state in a market economy for managed capitalism; the concept of budgetary policy and fiscal management received a new vista in modern times. With the changing role and responsibilities of the government in developing economy such as Malaysia, fiscal policy assumes a unique significance. For, it is a right wing of macroeconomic policy in moulding and managing the country's economy in the pursuit of realization of predetermined national socio-economic goals.

In a broad sense, fiscal policy comprises deliberate changes in the size, form and timing of taxation, government expenditure and public debt operations to influence economic activity. Fiscal or budgetary management is based on fiscal policy. Fiscal management

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