

# FROM COLONIAL POLITICAL ECONOMY TO MALAYSIA MADANI: TRACING THE EVOLUTION OF HUMAN-CENTERED DEVELOPMENT THROUGH THE THOUGHT OF UNGKU AZIZ

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**Abstract:** *The article examines the intellectual framework of Ungku Aziz in the development of Malaysia's story from colonial times to the present day under the leadership of the MADANI administration under Anwar Ibrahim. It claims that Malaysia's economic development is a gradual shift from a growth-oriented political economy to a more human-oriented developmental approach. In the colonial era, economic systems were mainly geared towards external capitalist interests, leading to socio-economic disparities and rural poverty. Since independence, the successive governments from PM1 to PM10 have adopted different national development policies such as the New Economic Policy (NEP), National Development Policy (NDP), Vision 2020, the Shared Prosperity Vision and the MADANI framework, which are all different approaches of the government towards development and social well-being. This study uses a qualitative archival approach to examine policy documents, Malaysia Plans (RMK), speeches, institutional reports and selected writings of Ungku Aziz, to trace the historical development of development thought in Malaysia. The article focuses on the fact that Ungku Aziz's thoughts on poverty eradication, distributive justice, cooperative economics and human dignity were prescient of the current Human-Centered Development (HCD) discourse. The study finds that the development discourse in Malaysia is becoming more human-centered, especially in the recent policy discourses linked to the MADANI framework.*

**Keywords:** Human-Centered Development; Ungku Aziz; MADANI Economy; Malaysian Development; Political Economy

## 1. Introduction

The notion of development has changed significantly over the last few decades. Historically, development models saw development as synonymous with economic growth, industrialization, capital accumulation and increased per capita income. These were inspired by modernization theory and neoclassical economics, which assumed that as the economy continued to grow, social welfare would eventually be achieved through the trickle-down effect. Today, however, development scholarship has started to question this, suggesting that development should be assessed not only by its overall economic performance, but by its ability

to improve human wellbeing, increase human capacities, decrease structural inequalities, and to promote social inclusion (Alkire & Foster, 2021; United Nations Development Programme (UNDP), 2025). In this paradigm change, Human-Centered Development (HCD) is one of the most prominent, making people, not markets or production, the starting point and the goal of development.

This shift to multidimensional views of development is also supported by recent empirical research. For instance, Bernardo et al. (2025) find that improvements in Sustainable Development Goals (SDGs), in poverty reduction, health, equality, employment, governance, and environmental sustainability, are better related to subjective well-being than to economic growth. Their results confirm a growing view that development policies should take the economic, social, institutional and environmental aspects together, not only the growth of GDP as the primary indicator of a nation's progress. Similarly, recent studies suggest that technological innovation and financial inclusion is only effective in eradicating poverty when integrated into a wider human development approach that involves enhancing institutional capacity and social welfare (Alnasser Mohammed et al., 2025).

Malaysia is a case in point of the intellectual development of this kind. The developmental experience of the country over the past decades shows a gradual shift from a colonial political economy with extractive institutions to an increasingly people-centered and inclusive development model. During the British colonial rule, economic activities were mostly conducted for the imperial commercial interest in rubber, tin and other primary commodities production for export. These activities produced significant incomes and outputs, but also had the effect of strengthening ethnic fragmentation, regional inequalities, unequal property rights and rural poverty. The institutional structure established during the colonial era broke up Malay land holdings and played an important role in the perpetuation of inequalities between the rural populations (Jomo, 2015) as reported in his study of Ungku Aziz's work on colonial land policies. These structural legacies continued to influence the socio-economic issues in Malaysia up to the post-independence period.

These inborn inequalities were acknowledged and since independence, the function of development planning has been to include redistributive goals of economic growth. The New Economic Policy (NEP) of 1971 marked a sea change in the thinking of the Malaysian development process, for the first time making poverty eradication and socio-economic restructuring a part of the national economic transformation process. In essence, the various national development frameworks, such as the National Development Policy (NDP), National Vision Policy (NVP), Vision 2020, Shared Prosperity Vision 2030 and the recent MADANI Economic Framework, represent a gradual shift in the concept of development from macro-economic expansion to equity, resilience, sustainability and social wellbeing. This has been a game-changer in a different perspective that inclusive development is not only economic growth anymore, it is also now defined as inclusive opportunities, trust in institutions and quality of life improvement.

The socio-economic development of Malaysia in recent years is an example of its success and complexity of this developmental transition. In 2025, the national economy grew by 5.2 per cent (GDP RM2.03 trillion; GNI per capita RM57,200) according to the Department of Statistics Malaysia (DOSM, 2026). Private consumption continued to be the primary source of growth and manufacturing and services combined accounted for over four-fifths of total national output. Official figures meanwhile reveal that indicators of human development are improving. The Multidimensional Poverty Index (MPI) decreased in 2024 from 0.0037 in 2022 and experienced a 66.2 per cent reduction over the two years. Progress in education, healthcare and housing and living conditions. The Multidimensional Poverty Index (MPI) recorded a 66.2

per cent reduction over two years to 0.0025 in 2024, reflecting progress in education, healthcare accessibility, housing, and living standards. The changes indicate that Malaysian development policy has been moving towards a multidimensional understanding of poverty, incorporating more than household income.

However, there is still a lot of work to do. The issue of persistent income inequalities, the uneven distribution of income, increases in living costs, demographic ageing, labour market vulnerabilities, and differential access to quality education remain prominent in policy discussions. Previous studies conducted in Malaysia also noted that poverty cannot be defined only in terms of lack of income. Mohamed and Said (2013), based on nationally representative data, show that persistent poverty is strongly linked to a range of household features, education level and spatial disadvantages, as well as to employment opportunities, rather than to income. Multidimensional and structural determinants persist in keeping vulnerable households in poverty despite economic improvements, they conclude. In contrast, Mokhtar and Mustafa (2015) contend that many poverty alleviation programmes are not effective as they do not sufficiently define poverty and tend to focus on micro-level income interventions, with little consideration for the broader institutional, social and human aspects of poverty. These studies all support the position that sustainable development needs to be based on a structural shift away from only an economic development approach to human well-being.

The concerns were best summarised by the Royal Professor Ungku Abdul Aziz Ungku Abdul Hamid in Malaysia's intellectual history. Widely acknowledged as Malaysia's leading economist, public intellectual and social reformer, Ungku Aziz was always questioning the dominant growth-centered paradigms of development, and focusing on the structural causes of poverty, especially among the fishermen, smallholders and other marginalized groups, and among the rural Malays. His deep commitment to the cause of human dignity and social justice in economic development was evident in his extensive scholarship on rural indebtedness, educational inequality, cooperative movements, agricultural development and distributive justice. Rasiah et al. (2015) refer to Ungku Aziz as one of the main thinkers behind Malaysia's developmental thinking, having exerted profound influence on the nation's policy discussions over the past few decades. Likewise, Bunyamin et al. (2024) describe him as a truly special Malaysian public intellectual, whose thoughts always span across multiple disciplines, blending economics with education, culture, ethics and nation-building into a unified developmental philosophy.

It is interesting to note that many of Ungku Aziz' ideas preempted principles which are central to Human-Centered Development scholarship. He repeatedly said that development should be measured by its ability to enhance the quality of life, broaden educational access, enhance local community powers, improve cooperative institutions, and preserve the dignity of ordinary people, well before the development of the Human Development Index (HDI) and capability-based approaches. His reflections on education later also highlighted that education should produce responsible, ethical and socially conscious citizens instead of merely producing technically skilled workers for economic growth (Ungku Aziz, 2017). It is a holistic vision that is in line with the current discussion on wellbeing economics, inclusive development and sustainable human development.

With the launch of the MADANI framework by Prime Minister Anwar Ibrahim, the country has now entered an important contemporary stage of its developmental trajectory. Unlike the previous policy paradigms that mainly focused on industrialization and macro-economic growth, the MADANI framework embeds values-based governance, compassion, sustainability, respect, trust, innovation and shared prosperity into the national development discourse. Many of these ideas are intellectually coherent with ideas enunciated by Ungku Aziz

several decades ago, albeit in a different political and historical context. MADANI framework may thus be considered as an institutionalization of a tradition of human-centered development which has existed longer in the indigenous intellectual history of Malaysia, rather than a new development paradigm.

In this context, this article explores the intellectual journey of Ungku Aziz through the lenses of the development discourse in Malaysia from the colonial political economy to the present-day MADANI political economy. In particular, the study examines the successive Malaysian governments' evolving notions of development from the growth-based to the human and social justice, distributive equity, and institutional inclusion-based. The article uses qualitative archival analysis of Malaysia Plans, government policy documents, parliamentary debates, institutional reports and the selected writings of Ungku Aziz to suggest that the development path followed by Malaysia not only bears witness to shifting policy priorities, but also the continued relevance of indigenous development thinking. This study contributes to the growing understanding of how locally based intellectual traditions continue to influence the current development policy in Malaysia by situating Ungku Aziz in the larger debates on Human-Centered Development, postcolonial political economy and the Global South.

## **1.1 Research Gap and Contribution**

Previous scholarship has examined Ungku Aziz from several important perspectives including rural poverty, cooperative economics, education, agricultural development, distributive justice and Malaysian development thought. Studies on Malaysia's development have been conducted on the bases of political economy, institutional development and inequality and public policy approaches. There is, however, little research that connects the three strands and situates Ungku Aziz in the bigger historical shift in the thinking of development in Malaysia from colonial political economy to the current Malaysian Development Agenda (MADANI).

This research study aims to fill this void in three ways. Firstly, it provides an intellectual-historical context by not only placing Ungku Aziz as an economist who was interested in poverty and rural development, but also as an indigenous Malaysian development thinker whose thinking anticipated many of the principles associated with today's Human-Centered Development (HCD), including principles of human dignity, increasing capabilities, social justice, community participation, and multidimensional poverty. Second, the study provides a policy historical analysis in terms of the development priorities of the various Malaysian governments from the colonial period to inclusive development and the Shared Prosperity Vision, and now the MADANI framework. Thirdly, the study builds a theoretical linkage between the indigenous Malaysian development thought with Human-Centered Development and maqasid oriented approaches to human wellbeing and social justice.

It is not, therefore, about the novelty of the study in asserting that Ungku Aziz played a direct role in the subsequent policies of development in Malaysia. Instead, it points to a continuance and convergence of ideas and concepts in his developmental philosophy and principles which later gained significance in the Malaysian and international development discourse. The study makes a significant contribution to the existing literature on indigenous development knowledge and postcolonial political economy by providing an illustration of human-centered development in Malaysia that goes beyond the Western traditions of development theory.

## **2. Literature Review and Theoretical Framework**

### **2.1 From Growth-Centered Development to Human-Centered Development**

Development has changed significantly in the last few decades. Early theories of development, especially modernization theory, equated development with economic growth, industrialization, technological development and capital accumulation (Rostow, 1960). In this context, Gross Domestic Product (GDP), industrial production and income per capita became the main indicators for measuring national development. Economic growth was supposed to bring prosperity that would trickle down to the broader society.

Later research, however, began to question the notion that growth necessarily leads to social wellbeing. Despite impressive economic growth in many developing countries, there were fundamental questions regarding the effectiveness of growth-based development models, in the context of persistent poverty, inequality, exclusion and environmental degradation (Stiglitz et al., 2024). For example, Ravallion (2020) demonstrates that economic growth does not necessarily have to be accompanied by persistent ethnic and structural inequalities, particularly in postcolonial societies such as Malaysia. Likewise, Zulkarnain and Isahaque (2013) state that development policies should be evaluated not only by the overall growth measures but also by their effects on income distribution and poverty reduction.

These criticisms gave rise to the concept of Human-Centered Development (HCD) that emphasizes people rather than production in the development process. HCD is defined as development in terms of the expansion of substantive freedoms and capabilities, which enable people to live the lives they value (Sen, 1999). Human wellbeing is not just about income; it is about education, health, social participation, dignity, security and environmental sustainability. Recent multidimensional poverty scholarship is also consistent with this view. Poverty is not only a lack of income but also a lack of multiple capabilities (Alkire and Foster, 2021). The Multidimensional Poverty Index (MPI) is used in modern settings in Malaysia, where small income increases can result in multiple deprivations in education, housing, health, employment, and social participation (Zailani et al., 2025a; Zailani et al., 2025b). These results indicate that economic growth is not a sufficient indicator of development. The 2025 Human Development Report also underscores the increasing inequalities linked to technological change, artificial intelligence, climate risks and unequal opportunities (UNDP, 2025). In this context, development discourse in the modern era has increasingly called for multidimensional and human-centered approaches that combine economic development with wellbeing, social justice, sustainability and human dignity (Fioramonti et al., 2022).

In this larger theoretical shift, Malaysia is a significant case study of the shift in development priorities from growth-oriented goals to more inclusive and human-centered development frameworks.

### **2.2 Colonial Political Economy and the Roots of Developmental Inequality in Malaysia**

The current developmental issues in Malaysia are very much embedded in the colonial political economy. British colonial rule structured Malaya's economy around the export of tin and rubber and connected it to the global capitalist market, creating uneven patterns of development (Acemoglu & Robinson, 2019).

Colonial economic institutions created a dualistic economy with ethnic occupational segregation, spatial inequality, and unequal access to economic opportunities. The export

industries were heavily invested and supported with infrastructure, and the rural population continued to rely on low-productivity agriculture. As Jomo and Wee (2023) note, many of the inequalities of today can be linked to these historical arrangements that have focused wealth, capital and opportunities in certain sectors and communities.

These inequalities became more apparent after independence. Although the economy grew in the post-independence era, poverty was still confined to the rural population and to the poor. Ethnic and regional differences were significant aspects of Malaysia's development even after the end of colonialism, as Ravallion (2020) has suggested.

These conditions show an important difference between growth and development. Economic growth was achieved under both colonial and postcolonial rule, but development results were uneven as significant portions of society were deprived of education, productive resources and social mobility. This separation was later to be the core of Ungku Aziz's intellectual work.

### **2.3 Ungku Aziz and the Intellectual Foundations of Human-Centered Development**

Royal Professor Ungku Aziz is considered a monumental figure in the developmental economic thought among Malaysian scholars. Ungku Aziz has a strong advocate of the concept of development as measured by the improvement of human wellbeing, a concept that was not new to him but was only to be adopted by the international community through the United Nations Development Programme (UNDP).

His research on rural poverty, fishermen's indebtedness, agricultural development, education and cooperatives emphasized the structural aspects of poverty (Ungku Aziz, 1958; Ungku Aziz, 1964; Ungku Aziz, 1970). He contended that poverty was not just a matter of income, but a result of unequal institutional arrangements, lack of access to productive resources, educational disadvantages, and limited economic opportunities.

Ungku Aziz's developmental philosophy focused on people-centered economic transformation, not growth for growth's sake, as Borhanuddin (2015) points out. He was always linked to economic policy and social justice, dignity and community empowerment. Moreover, Borhanuddin (2018) shows how the Sarong Index was an early attempt to develop indigenous measures of wellbeing and poverty that were more reflective of local realities than externally imposed measures.

These views prefigure some aspects of modern Human-Centered Development. Ungku Aziz saw education to expand capabilities, not only for the labour market. Second, he understood poverty as being multi-faceted and structural. Third, he encouraged the establishment of cooperative institutions as tools of community participation and empowerment. Fourth, he highlighted ethical issues in economic policy and said that development should be for human dignity.

Ungku Aziz is now increasingly recognized as a pioneer of the current human-centred development theory (Shamsudin & Hamid, 2024; Suhaimi & Johari, 2026) in the context of indigenous Malaysia. His ideas are also highly convergent with the *maqasid al-shariah*-based approaches to development that emphasize human welfare (*maslahah*), social justice and capability enhancement (Ahmad & Zulkifli, 2021; Mohammad & Hassan, 2025).

Community participation literature supports the relevance of Ungku Aziz's thought. Rahman et al. (2022) show that meaningful involvement of local communities in developmental processes can greatly improve sustainable development outcomes. The findings are in keeping with Ungku Aziz's long-time advocacy of cooperative economics and grassroots empowerment.

## **2.4 Indigenous Development Thought, Maqasid Shariah and Human Flourishing**

The connection between Ungku Aziz's developmental philosophy and current Human-Centered Development can also be analyzed from the point of view of Islamic Development Philosophy. While Ungku Aziz's writings cannot be retroactively identified as a formal maqasid Shariah approach without explicit textual support, there are a number of features in Ungku Aziz's developmental philosophy that can be seen to have conceptual similarity with the maqasid approach to human wellbeing, social justice and public welfare.

The concept of Maqasid Shariah serves as a normative framework that considers economic activity to be evaluated based on its contribution to human welfare, justice, dignity and protection and enhancement of basic human interests. In this view, economic development is more than just the growth of income, production or material wealth. Development should also promote human flourishing, social stability, equitable opportunities and alleviation of deprivation.

This attitude is especially applicable to Ungku Aziz's approach to poverty. His interest in rural indebtedness, educational disadvantages and inequity in access to productive resources and in the institutional causes of poverty indicates that he had a conception of deprivation that transcended income. His focus on cooperative and community involvement also highlights the importance of economic empowerment and community ownership in development.

The conceptual similarity can thus be stated in three interrelated ways. Capability enhancement refers to the concern for building people's capacity to engage in economic and social life meaningfully, the first. Second, distributive justice aligns with the need not to create or sustain structural exclusion as a result of economic advancement. Third, human dignity is related to the wider normative goal of making sure economic institutions benefit people, not people being used as means of production.

MADANI can then be placed in a wider Malaysian intellectual movement that has been shifting from the definition of development in terms of wellbeing and justice to one of inclusion, ethical governance and sustainability. The present study views MADANI not as a completely new paradigm, but rather as a contemporary policy formulation that shows many conceptual overlaps with the previous indigenous development thinking, such as the developmental philosophy of Ungku Aziz.

This should be interpreted as a resonance rather than a causal relationship between Ungku Aziz, Human-Centered Development and maqasid-oriented development and MADANI. The distinction is significant because it enables the study to acknowledge indigenous intellectual precursors while avoiding the exaggeration of documentation of direct policy influence.

## **2.5 The Contemporary Human-Centered Development Framework (MADANI)**

The MADANI framework put forward by Prime Minister Anwar Ibrahim is the next phase in Malaysia's development. MADANI was officially launched in 2023 to achieve a balance between economic competitiveness and social justice, ethical governance, sustainability and human wellbeing. Unlike the previous developmental models, which often focused on economic growth as the main goal, MADANI puts human dignity and societal well-being at the heart of governance. The framework is structured around six core values: Sustainability, Prosperity, Innovation, Respect, Trust and Compassion (Ministry of Finance Malaysia, 2024).

Recent economic indicators reflect progress and ongoing developmental challenges. In 2025, the economy grew by around 5.1-5.2 per cent, and nominal GDP reached RM2 trillion, with GNI per capita reaching RM57,000 (DOSM, 2026). However, multidimensional poverty,

regional disparities, educational inequalities, food security issues, and cost-of-living issues are still significant policy challenges (Rahman et al., 2022; Zailani et al., 2025a).

Importantly, MADANI recognizes that growth is not development. Instead, economic growth needs to be translated into improved capacities, greater equity, social protection, quality education, environmental sustainability and human dignity. This orientation is similar to Human-Centered Development scholarship and is part of the global trend towards wellbeing-centered development (Fioramonti et al., 2022; Stiglitz et al., 2024).

Conceptually, many of the principles that are part of MADANI echo themes that were expressed decades ago by Ungku Aziz. Both frameworks focus on poverty eradication, educational advancement, social justice, community participation and ethical governance. Thus, MADANI can be seen as a current policy framework rather than just a continuation of a longer Malaysian intellectual tradition of human-centered development.

## **2.6 Conceptual Framework**

The conceptual framework developed in this study conceptualises Malaysian development as a historically evolving process shaped by structural conditions, indigenous intellectual responses, changing development paradigms and contemporary policy frameworks. Rather than assuming a direct causal relationship between these elements, the framework identifies intellectual continuity and conceptual convergence across historical periods.

The framework begins with the colonial political economy, which established patterns of extraction, economic segmentation, unequal access to productive resources and spatial disparities. These structural conditions formed part of the context within which post-independence development policies emerged.

The post-independence developmental state subsequently sought to address these structural conditions through economic growth, redistribution, industrialisation, human capital development and social policy. Within this broader historical process, Ungku Aziz's developmental philosophy provides an important indigenous intellectual perspective centred on poverty eradication, distributive justice, education, cooperative economics, community empowerment and human dignity.

These ideas demonstrate significant conceptual convergence with Human-Centered Development, particularly its emphasis on human capabilities, wellbeing, participation, social inclusion and dignity. The study further identifies conceptual affinity between these principles and maqasid-oriented approaches to development, particularly the concern with *maslahah*, justice and human flourishing.

MADANI represents the contemporary policy framework within which these themes are articulated through the values of sustainability, prosperity, innovation, respect, trust and compassion. The framework therefore positions MADANI not as a direct institutional continuation of Ungku Aziz's thought, but as a contemporary development framework that shares important normative and conceptual concerns with earlier indigenous Malaysian development thinking.

The conceptual framework consequently proposes the following relationship:

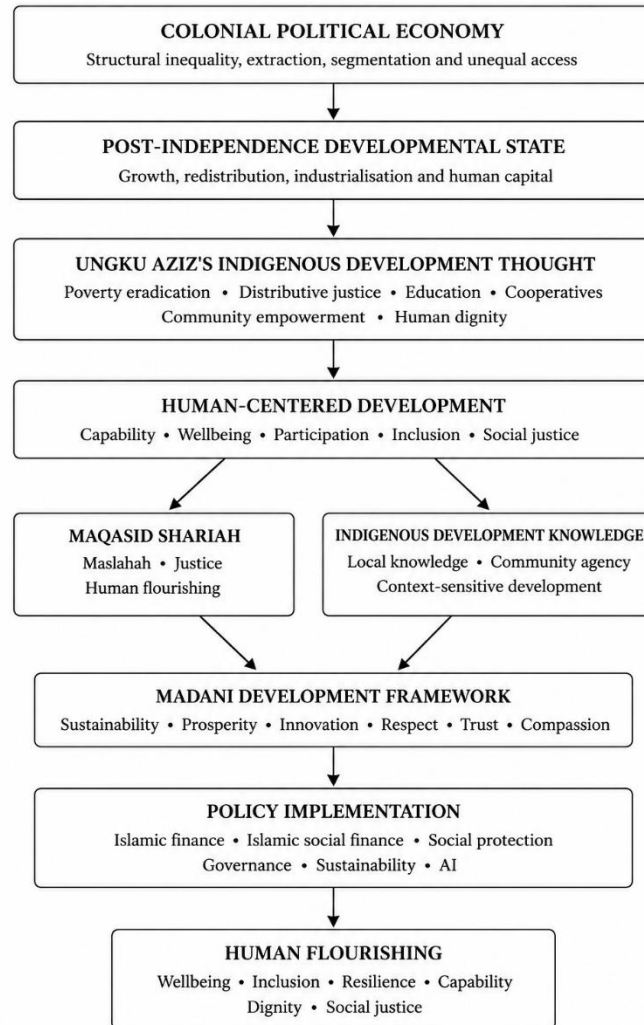


Diagram 1. Conceptual framework

The framework also recognises a feedback relationship between policy implementation and human flourishing. Development outcomes should continuously inform policy revision and institutional learning. This reflects the human-centered principle that development should be understood as an ongoing process of expanding human capabilities rather than as a fixed state measured solely through economic output.

### 3. Methodology

This study employs a qualitative historical-archival research design to examine the evolution of Malaysian development thought from the colonial period to the contemporary MADANI administration. A qualitative historical approach is appropriate because the study seeks to reconstruct changes in development ideas, policy priorities and intellectual discourse across different historical periods rather than to establish statistical or causal relationships (Creswell & Poth, 2018).

The documentary corpus consists of primary and secondary sources selected according to their relevance to the development discourse under investigation. Primary sources include Malaysia Plans, national development policy documents, parliamentary records, official

government reports, selected speeches by Malaysian Prime Ministers and selected writings of Royal Professor Ungku Aziz. Secondary sources include peer-reviewed journal articles, books, policy analyses and reports from international organisations including the OECD, World Bank and UNDP.

Document selection was guided by three criteria: first, the document had to contain substantive discussion of national development, poverty, distribution, education, social welfare, economic participation, governance or related development objectives; second, the document had to be sufficiently relevant to the historical period and administration being examined; and third, the document had to contribute directly to the reconstruction of either Malaysian development policy or Ungku Aziz's developmental philosophy.

The primary unit of analysis was the development discourse contained within each document rather than the document. The analysis proceeded through three stages. First, major national development policies and plans were identified and categorised according to their dominant development objectives, including economic growth, poverty eradication, redistribution, industrialisation, human capital, inclusion, sustainability and wellbeing. Second, selected writings of Ungku Aziz were examined thematically and coded according to recurring concepts, including poverty alleviation, distributive justice, cooperative economics, education, social mobility, community empowerment and human dignity. Third, these themes were compared with the stated objectives and priorities of successive Malaysian development policies.

The analysis employed a thematic-historical coding framework. First-order themes derived from the documentary materials were subsequently organised into broader analytical categories associated with Human-Centered Development. These included human wellbeing, capability enhancement, social justice, participation, inclusion, institutional responsibility and sustainability. The study then examined areas of convergence, divergence and continuity between Ungku Aziz's developmental thought and successive national development frameworks.

Triangulation was undertaken by comparing evidence across different documentary categories, including policy documents, Malaysia Plans, official reports, speeches, Ungku Aziz's writings and secondary scholarly literature. This approach increases the credibility of the interpretation by reducing reliance on any single documentary source.

The study does not claim direct causal influence between Ungku Aziz's ideas and subsequent policy frameworks unless such influence can be established through documentary evidence. Instead, the analysis identifies intellectual resonance, thematic continuity and conceptual convergence across different historical periods. The purpose is therefore to reconstruct the evolution of Malaysian development thought and assess the continuing relevance of Ungku Aziz's developmental philosophy within contemporary Human-Centered Development and MADANI discourse.

Table 1. Documentary Coding Framework

| No | Documentary Theme | Analytical Concept            | Human-Centered Development Dimension |
|----|-------------------|-------------------------------|--------------------------------------|
| 1  | Poverty           | Deprivation and vulnerability | Human wellbeing                      |
| 2  | Education         | Capability formation          | Human capability                     |
| 3  | Redistribution    | Equity and justice            | Social justice                       |
| 4  | Cooperatives      | Participation and empowerment | Human agency                         |
| 5  | Rural development | Spatial inclusion             | Inclusive development                |

|   |                 |                                        |                         |
|---|-----------------|----------------------------------------|-------------------------|
| 6 | Social mobility | Opportunity enhancement                | Capability expansion    |
| 7 | Human dignity   | Ethical development                    | Human flourishing       |
| 8 | Governance      | Trust and institutional responsibility | Institutional wellbeing |
| 9 | Sustainability  | Intergenerational welfare              | Sustainable development |

## 4. Findings and Discussion

### 4.1 Colonial Political Economy: Growth Without Development

The developmental trajectory of Malaysia must be analysed in the context of the colonial political economy that had formed the socioeconomic structures before independence. Malaya's economy was structured by the British colonial administration for the extraction and export of primary commodities, such as tin and rubber, for the benefit of the imperial economy. This model brought economic growth and connected Malaya to the global economy, but the gains were not evenly spread among ethnic groups, regions and classes (Jomo & Wee, 2023).

Colonial Malaya had economic growth but not development in the broader sense of the word, from a Human-Centered Development point of view. In recent years, development scholars have begun to differentiate between economic growth and human development, with the former being an increase in output and the latter being an improvement in human wellbeing, capabilities, opportunities, and social inclusion (UNDP, 2025; Stiglitz et al., 2024). The colonial economy created wealth but did not improve the skills of significant portions of the indigenous population, especially the rural Malays who were still confined to low-productivity agricultural activities.

These structural inequalities later became key issues in Ungku Aziz's scholarship. His study of rural poverty showed that poverty was not only a result of low income but also a result of the institutional structures that limit access to education, productive assets and economic opportunities. In this respect, Ungku Aziz foreshadowed current multi-dimensional conceptions of poverty that are now incorporated into Human-Centered Development approaches.

The colonial experience thus shows how different the concepts of economic growth and human-centered development are. The growth of export production brought economic value to Malaya, and linked it to the international market, but this growth was unevenly distributed through the institutional framework. Human-centered development as the core issue was thus not the very existence of economic growth, but the institutional framework in which growth was created and shared. This was significant in Ungku Aziz's subsequent study of rural poor, indebtedness, and access to productive resources.

### 4.2 PM1 (Tunku Abdul Rahman, 1957-1970): Nation Building and the Limits of Growth-Centred Development

After independence, Tunku Abdul Rahman's government focused on political stability, nation building and economic growth. The development planning was centered on infrastructure development, agricultural modernization and public investment for the purpose of accelerating economic growth. Malaysia experienced a period of steady economic performance and enhanced public service delivery during this time.

However, the economic growth was not enough to solve the structural inequalities left behind by colonialism. Poverty was still prevalent in rural areas, especially among the agricultural and fisheries Malay population, and income inequalities continued to exist between ethnic and geographic groups. Modern studies indicate that the lack of a broad-based redistributive mechanism to tackle structural exclusion limited development outcomes during this period (Jomo & Wee, 2023).

It was during this time that Ungku Aziz's pioneering research on fishermen's indebtedness and rural poverty came out and challenged the prevailing belief that growth would eventually eradicate deprivation. He pointed to the gap between growth and development, suggesting that poverty was because of more fundamental institutional and social factors, and that policy-based solutions were needed.

Tunku Abdul Rahman era thus marked a critical but unfinished shift away from colonial economic systems to one of development. Adhering to development via growth, economic consolidation, agricultural modernization and infrastructure development, the continuing existence of rural poverty and structural inequality in the countryside highlighted the limitations of a growth-oriented approach. Central to Ungku Aziz's challenge was that economic participation was unequal, even though access to education, productive assets and institutional support was not equally distributed. The period therefore serves as a reminder of the need to ensure that the disadvantaged groups have the capacities needed to capitalize on the economic opportunities created at the national level.

#### **4.3 PM2 (Tun Abdul Razak 1970-1976): The NEP and Human-Centered State Formation**

A significant development event in Malaysia's development history was the implementation of the New Economic Policy (NEP) in 1971. The NEP departed from the earlier NEP, which had the objective of economic growth and made poverty alleviation and social restructuring national objectives.

What makes the NEP so important is that it acknowledges that growth that is not equitable will undermine national unity and sustainable development. The NEP in many ways was the first institutionalized effort in Malaysia to put economic policy at the service of the people. This policy was about poverty alleviation, education, and greater participation in economic activities, reflecting the principles later called Human-Centered Development (Alkire & Foster, 2021).

The priorities were consistent with Ungku Aziz's longstanding efforts in favor of distributive justice, educational mobility and community empowerment. It is not surprising, therefore, that NEP can be seen as the first policy framework that introduced some of the ideas of Ungku Aziz's developmental philosophy into the national practice.

The NEP represented a significant transformation because it explicitly recognized that economic development could not be separated from questions of poverty, distribution and social structure. Nevertheless, the experience of the NEP also demonstrates that redistributive policy alone does not automatically produce human-centered development. The effectiveness of redistribution depends on institutional quality, productive participation, educational mobility and the ability of disadvantaged groups to develop sustainable economic capabilities. In this respect, the deeper relevance of Ungku Aziz's thought lies not simply in redistribution, but in his emphasis on enabling people and communities to become active participants in development.

#### **4.4 PM3-PM4: Industrialization, Modernization and the Developmental State**

The administrations of Tun Hussein Onn and Tun Dr Mahathir Mohamad hastened Malaysia's shift towards industrialization and export-oriented development. The rapid structural transformation and the ongoing economic growth of Malaysia were driven by policies, such as the Look East Policy, the privatization programmes and Vision 2020. This was a period of great accomplishment. The national poverty rate fell from around 49.3 per cent in 1970 to less than 6 per cent in the early 2000s, educational levels rose substantially and a large middle class developed (DOSM, 2025). These advances have shown that economic growth can be a force for good human development if it is supported by investment in education, infrastructure and public services.

But critics say that the development of this period was still largely shaped by productivism ideas that equated national development with industrial competitiveness and GDP growth (Fioramonti et al., 2022). Growth was not enough unless it was equitably shared or communities were meaningfully involved in the growth process, from Ungku Aziz's point of view.

The industrialization period highlights an important dichotomy in the development of Malaysia. On the other hand, rapid economic transformation brought employment, infrastructure, education and rising living standards. However, the developmental model continued to be strongly productivist, with the success of the nation often being measured by its industrial competitiveness, investment and economic growth. Rather, from the perspective of Ungku Aziz and Human-Centered Development, the central question is not about the positive or negative impact of industrialization but whether the advantages of structural change have been translated into the development of capabilities at the grassroots, social mobility, and in meaningful participation. Growth was a precondition of development, but no more.

#### **4.5. PM5–PM8: Inclusive Development and Shared Prosperity**

Inclusivity, human capital, innovation and social protection were gaining more prominence in the administrations of Tun Abdullah Ahmad Badawi, Dato' Sri Najib Razak, Tun Dr Mahathir Mohamad (second tenure) and Tan Sri Muhyiddin Yassin.

The emphasis of development discourse shifted from growth to more general concerns of quality of life and well-being. This change was part of a larger development of development studies, which started to doubt the validity of GDP as an indicator of development and to demand more comprehensive measures that also encompass social, environmental and health aspects (Stiglitz et al., 2024).

Before MADANI, perhaps the most obvious expression of this change was the Shared Prosperity Vision 2030. The framework emphasized the importance of promoting equitable wealth distribution, inclusive participation and the reduction of socioeconomic disparities, all of which are closely related to Ungku Aziz's developmental philosophy.

Inclusive development frameworks signified a gradual expansion of the definition of development. But the fact that inequality has not been eliminated, and regional inequalities and vulnerabilities remain, makes it clear that unless there is a corresponding change in practice, such a discursive shift is not an indicator of substantive inclusion. A human-centred approach needs to be not only focused on vulnerable groups being identified in policies, but on vulnerable groups gaining access to policies as well as increased agency, capabilities and

access to productive opportunities. The other is apt to support Ungku Aziz's focus on institutional and structural determinants of poverty.

#### **4.6 PM9 (Muhyiddin Yasin) during Pandemic Recovery and Social Security**

The COVID-19 pandemic revealed gaps in labour markets, health care and social protection. This led to a reorientation of development priorities to resilience, human security and social wellbeing.

The pandemic has shown that economic growth is not enough to ensure societal resilience. There was a positive correlation between the capacity to respond to crises and the strength of the healthcare system, social protection networks, and institutional trust in countries. This strengthened the current Human-Centered Development arguments that human wellbeing is both the means and the end of development (UNDP, 2025).

The pandemic underscored the enduring significance of Ungku Aziz's focus on social welfare, community solidarity, and the role of the state in protecting vulnerable groups for Malaysia.

The pandemic thus revealed a structural constraint to models of development dependent on overall economic measures. Resilience is not just about a country's economic ability; it's also about health systems, social protection, institutional trust, and community networks. The experience reinforced the human-centered approach of measuring development by the capacity of institutions to safeguard human well-being in times of systemic disruptions. In this particular regard, the pandemic context was a very modern one and Ungku Aziz's focus on vulnerable communities, social welfare and collective resilience continues to be relevant.

#### **4.7 PM10 (Anwar Ibrahim) dedication to MADANI and HCD**

The MADANI framework is the most explicit expression of Human-Centered Development in the current policy discourse in Malaysia. MADANI aims to redefine development in the spirit of Sustainability, Prosperity, Innovation, Respect, Trust and Compassion, to move away from the narrow focus of economic growth.

In 2025, the economy grew by around 5.1–5.2 per cent, nominal GDP was above RM2 trillion and GNI per capita was above RM57,000 (DOSM, 2026). However, the importance of MADANI is not limited to the performance of macroeconomics. Policy agendas are shifting increasingly to progressive wages, social protection overhaul, educational quality, health-care access, affordable housing, and environmental sustainability.

This is quite a change from the last time. Growth may lead to an increase in national income but development is the increase in human capabilities and opportunities which leads to an increase in national income. This distinction is implicit in the MADANI framework, which puts human dignity, social justice and inclusive prosperity at the heart of policy discourse.

Many of these priorities are along similar lines as those Ungku Aziz has been pushing all along. All his emphasis on poverty alleviation, educational upliftment, community engagement and ethics economics are in tune with the ongoing MADANI discourses.

#### **4.8 Critical Tensions and Implementation Challenges of MADANI**

While MADANI marks a more explicit turn towards humanity in the development discourse, it does not automatically imply successful implementation of the norms. When considering a policy framework on a broader value like 'sustainability', 'prosperity', 'innovation', 'respect',

‘trust’ and ‘compassion’, it is particularly important to differentiate policy discourse from policy outcomes.

The first issue is that of the relationship between economic growth and distributive results. Households’ wellbeing is not always increasing proportionally to the strength of the economy. Even in the midst of overall economic growth, cost-of-living issues, income inequality, and housing affordability and labour-market insecurities can remain. MADANI continues to grapple with the challenge of turning economic growth into an actual increase in the capability and quality of life for people.

The second challenge is related to institutional implementation. Policy statements are not enough for human-centered development. Relying on good public institutions, administrative capacities, accountability, transparency and coordination between government organs. In MADANI the value of trust and compassion is thus required to be translated into measurable institutional practices and outcomes.

Third, there exists the possibility of a conflict between policy design and meaningful community engagement. To truly be human-centric, communities must be seen not only as recipients of government programmes but as stakeholders in problem identification, intervention design and evaluation. This is especially true for rural areas and groups and families in multidimensional poverty.

Fourth, fiscal pressures might prevent the state from raising social protection, enhancing public services, advancing sustainability and ensuring fiscal sustainability. It is thus a challenge to design socially desirable policy instruments which are also financially and institutionally viable.

Finally, Malaysia still has several persistent structural issues such as regional inequality, educational inequality, labour-market vulnerability, demographic ageing, environmental pressures, and inequalities in access to economic opportunities. The difficulties illustrate that the shift towards human-centred development is incomplete. MADANI should thus not be interpreted as the end of Malaysia’s developmental transformation, but as a continuous institutional process which must be executed to achieve the desired results of better human wellbeing, which will entail accountability and measurable outcomes.

#### **4.9 Synthesis: From Growth to Human Flourishing**

The results reveal that the developmental trajectory of Malaysia is not limited to the economic policies at all. Instead, it’s a step-by-step progression of the idea of development.

The focus has shifted from growth based on production to a more overarching concern with human wellbeing, social mobility, distributive justice and dignity, across the various governments. This change is in line with the world’s shift from GDP-driven development to Human-Centered Development (UNDP, 2025). The evidence also indicates that Ungku Aziz had foreseen many of these developments decades before they were taken into the global development discourse. His scholarship always maintained that growth is not development and that the true measure of progress must be in terms of human welfare and social justice.

Ungku Aziz is therefore not just an economist, but a basic Malaysian theorist of Human-Centered Development whose intellectual legacy offers an indigenous link between the NEP, Shared Prosperity Vision 2030 and the current MADANI framework.

## 5. Discussion and Conclusion

The results of this study reveal that Malaysia's developmental path has shifted dramatically from a colonial growth-oriented political economy to a more human-centered notion of development. Economic growth has always been a policy goal of successive governments, but the definition of development has changed significantly over time.

A historical examination shows that the Malaysian development policy slowly evolved from production, industrialization and macroeconomic performance to include other goals such as poverty eradication, social mobility, distributive justice, human wellbeing and inclusive prosperity. This development trend is part of a wider paradigm shift in development thinking, in which the improvement of people's quality of life is used as a measure of national development, in addition to economic measures.

Politically, the British colonial administration set up institutional structures that focused on resource extraction and export-oriented production and created structural inequalities that persisted beyond independence. The socioeconomic differences that existed in Malaysia after independence were the result of colonial land policies, unequal access to productive resources, and ethnically differentiated economic functions, which persisted throughout the country's development process (Jomo, 2015). Recent empirical evidence shows that while absolute poverty has been significantly reduced, regional and ethnic inequalities are still significant factors in the dynamics of poverty in Malaysia, suggesting that historical structural inequalities are still relevant to current development outcomes (Rongen et al., 2024). In this context, the New Economic Policy (NEP) of 1971 marked a significant shift from the colonial development paradigm, as it explicitly made poverty alleviation and social transformation central goals of the nation. The NEP thus represented the start of a gradual shift in Malaysia's development paradigm from growth to a more socially embedded and inclusive development.

The results also show that the Malaysian government has increasingly introduced human-centered elements in the national development planning process over the years, with the extent of the emphasis depending on the political and economic climate at the time. The industrialization period saw a great deal of economic growth which led to significant advances in education, health, infrastructure and living standards. However, the evidence also indicates that continued economic growth was not enough to eradicate structural inequalities or ensure equitable access to development opportunities. The same is true for Malaysia, as recent mixed-methods studies have shown that strong macroeconomic growth does not necessarily correspond to a commensurate rise in human wellbeing, especially for socially and economically disadvantaged groups who feel insecure about their labour market prospects, who live in disadvantaged regions, and who do not have access to good-quality public services (Asadullah et al., 2025). This discovery is consistent with the main premise of Human-Centered Development theory that development is to be measured by the capacity, freedom and opportunity of individuals, not just by the overall economic performance (Alkire & Foster, 2021; UNDP, 2025). Similarly, Jalil et al. (2023) state that the ultimate goal of economic development is to improve social and economic well-being and lived experiences, not just the national income.

In this overall developmental progression, the intellectual output of the Royal Professor Ungku Abdul Aziz stands out. Long before the international institutionalization of the Human Development theory by the United Nations Development Programme, Ungku Aziz had been consistently saying that development should be measured by its ability to enhance human welfare, increase educational opportunities, reduce poverty and improve social justice. His groundbreaking research on rural poverty, indebtedness of fishermen, and institutional

inequality questioned the conventional economic views, which held that poverty was a result of low household incomes. This multi-faceted view of poverty has been confirmed by contemporary scholarship. Mohamed and Said (2013) found that education, household characteristics, and spatial disadvantages are significant factors of persistent poverty in Malaysia, while income is not. Recently, Zailani et al. (2025) demonstrated that multidimensional poverty measures offer a better picture of deprivation in vulnerable communities than traditional income-based measures. The results are consistent with Ungku Aziz's long-held view that poverty should be viewed in terms of multiple aspects of human wellbeing, opportunity and social participation.

The results thus confirm the hypothesis that Ungku Aziz's developmental philosophy was anticipatory of several principles which later came to form the core of contemporary Human-Centered Development scholarship. His focus on educational mobility is like capability approaches to development, and his support of cooperative institutions is a reflection of the current debate on participation, empowerment, financial inclusion and inclusive economic governance. Empirical evidence from ASEAN over the past few years also shows that financial inclusion plays a significant role in poverty reduction by providing access to productive resources, enhancing household resilience and providing access to economic opportunities for disadvantaged groups (Nguyen et al., 2025). Likewise, studies on Islamic banking and Islamic financial technology emphasize the potential of socially responsible financial institutions to play a significant role in poverty reduction efforts, particularly when combined with other initiatives aimed at human development (Alnasser Mohammed et al., 2025). The evidence from ASEAN also shows that innovative Islamic financial instruments, such as sukuk financing, can contribute to economic growth and poverty reduction provided they are linked to poverty reduction and inclusive development goals (Yusuf et al., 2025). Together, these studies confirm Ungku Aziz's long-held belief that economic institutions should serve to promote human wellbeing, and not just to increase economic production.

One of the major findings of this study is the continuity of ideas between Ungku Aziz's developmental philosophy and the MADANI framework that was brought in by the Prime Minister Anwar Ibrahim. The principles of governance and national development as highlighted in the official MADANI discourse, are sustainability, prosperity, innovation, respect, trust, and compassion. While developed in a modern context of digital transformation, technological disruption, climate change and growing uncertainty in the world, these principles show significant overlap with themes that have been consistently put forward by Ungku Aziz throughout his academic career. Both views make human dignity, educational progress, fair opportunity, institutional integrity, and social inclusion key goals of national development, not by-products of economic growth. The continuity is indicative of the fact that MADANI is not a one-off policy innovation but rather a new institutional manifestation of a longer indigenous tradition of Malaysian development thinking.

Hence, this study contends that MADANI is the latest iteration of Malaysia's human-centered development agenda in its history. The shift from NEP to successive national development frameworks to MADANI is not a radical departure from previous development paradigms, but one that is a gradual institutionalization of principles that Ungku Aziz had expressed decades before the international recognition of Human-Centered Development. The historical continuity highlights the continuity of indigenous intellectual traditions in the development of today's public policies and reflects the danger of reading the concept of Human-Centered Development from a Western perspective.

In theory, this article contributes to the development literature, as it places Ungku Aziz as a significant intellectual link between the post-colonial developmental experience of

Malaysia and the current Human-Centered Development theory. Previous scholarship on Malaysia has tended to examine its development from the economic, institutional, or political angles, but comparatively little has been done to examine the indigenous intellectual underpinnings that shaped this development. This study shows that many of the contemporary concepts that are linked to inclusive development, multidimensional poverty, capability enhancement and social justice have their roots in Malaysian intellectual history, as traced through the ideas of Ungku Aziz and successive national development policies. The results are thus not only relevant to Malaysian development studies but also to the wider discussion on indigenous development knowledge and postcolonial political economy in the Global South.

The policy implications are also important. Looking forward, capability development, quality education, productive employment, equity in opportunities, financial inclusion, community empowerment and effective social protection can be considered some of the key pillars of future development strategies as Malaysia strives to be a high-income, resilient and socially inclusive country. Recent studies show that policies that promote productive welfare and microfinance programmes and inclusive entrepreneurship programmes are more effective in reducing poverty sustainably when they build the long-term human capabilities of the beneficiaries of those policies, rather than simply provide short-term income transfers (Isa, 2020; Ridzuan et al., 2020). Likewise, inclusive financial systems and socially oriented economic institutions have been shown to enhance the resilience of vulnerable communities and to have a positive impact on the long-term development of such communities (Nguyen et al., 2025; Alnasser Mohammed et al., 2025). Economic growth, therefore, is a prerequisite for national development, but is not enough to guarantee sustainable human wellbeing. What makes Ungku Aziz timeless is that he had to take into account the effect of development not only on production, investment or income, but on people's lives. In particular, in the era of technological transformation, population growth, environmental risk and rising socioeconomic disparities.

## **5.1 Islamic Economic and Social Finance Implications**

The human-centric focus embodied in Ungku Aziz's development philosophy is significant for Islamic economic thought, Islamic social finance, and beyond. Islamic economics is not only about wealth creation but also about justice, social welfare, ethical behavior and the movement of economic resources. In this light, the economic institutions must play a role in promoting *maslahah* and avoid all forms of deprivation and exclusion that can restrain human dignity.

The three main pillars of Ungku Aziz's poverty eradication, cooperative economics, and education and community empowerment offer a useful conceptual framework for modern Islamic social finance. *Zakat*, *waqf*, *qard hasan*, Islamic microfinance and socially oriented *sukuk* should not only be seen as financial instruments, but as instruments which increase the capacity and economic agency of disadvantaged groups.

From this viewpoint, Islamic finance should not focus on ensuring that financial transactions are Shariah compliant but on the developmental outcomes of these transactions. The pertinent question then is not just about whether a financial product is formally Shariah compliant, but whether it can make a meaningful contribution to poverty reduction, productive inclusion, social resilience and human wellbeing.

Islamic social finance can complement the human-centred development agenda by linking the financial resources with long-term capability formation. *Zakat* can be used to offer short-term social assistance, and *waqf* can be used to fund education, healthcare and community facilities. Islamic microfinance can help mobilize small volumes of money for

productive activities, and socially oriented sukuk can mobilize larger volumes of money for development projects. However, these instruments work best when combined with good governance, transparency and institutional capacity and the right targeting.

From the perspective of the *maqasid* Shariah, the emphasis on judging development based on results is further strengthened. Assessment of development should therefore be considered based on a combination of material wellbeing, social justice, capability enhancement, dignity, institutional integrity and sustainability. This offers an Islamic normative approach that can be used alongside but is conceptually different from contemporary Human-Centered Development approaches.

## **5.2 Implications for Governance, Sustainability and Artificial Intelligence**

This study has implications not just for poverty reduction and Islamic finance but for a human-centered development trajectory. It also provides a framework for thinking about governance, sustainability and technological transformation. If the development's ultimate standard of evaluation is its contribution to human wellbeing, then technological and institutional innovations should also be evaluated by their implications for human capabilities, inclusion and dignity.

This approach is also applicable in governance, where the importance of institutional trust, transparency, accountability and meaningful participation are reinforced. These values of trust and respect therefore can be read as institutional needs in MADANI. To achieve human-centered governance, public institutions must be responsive to citizens, transparent in decision-making and accountable for developmental outcomes.

The term sustainability should also be considered in a multi-dimensional way. The economic sustainability is inseparable from social and environmental sustainability. The economic growth coupled by environmental degradation, social exclusion or inter-generational inequality would not be consistent with a truly human development-oriented approach.

Artificial Intelligence adds a new layer to the discussion. AI has the potential to improve productivity, public service delivery, financial inclusion, education and access to information. Technology, however, can also generate new forms of inequality, such as unequal access to digital resources, displacement from the labour market, algorithmic discrimination and technological power. Hence, from the Human-Centered Development perspective, the evaluation of AI should not be only based on its efficiency and productivity but on its ability of it to broaden the capabilities of humans and to be equitably accessible to all.

For Islamic Finance, it is relevant for the growth of Islamic Financial Services and Financial Technology (FinTech). AI and financial technology could contribute to the enhancement of access to Islamic financial services, better risk assessment, and better provision of zakat and waqf. However, robust governance and oversight systems are needed to safeguard privacy, promote fairness, and prevent discrimination and loss of public trust.

The bigger message is that technology must be secondary to human flourishing. In this regard, the human-centred developmental philosophy of Ungku Aziz, in conjunction with the *maqasid* approach and MADANI values, offers a normative framework to assess new technologies based on their social and developmental implications. In conclusion, Malaysia is undergoing a developmental process which is characterized by the progressive and perceptible transformation of its political economy from economic extraction and growth to a more human-centered developmental paradigm. This historical development is most clear and visible today in the form of the MADANI framework. This study adopts a qualitative approach, analysing the development policies, institutional reform, and the intellectual heritage of Ungku Aziz, and

reveals development principles that are now linked to Human-Centered Development, including multidimensional poverty reduction, capabilities enhancement, inclusive governance, and human dignity, which were voiced by Ungku Aziz several decades before they entered the international development discourse. His intellectual contribution is thus important for his indigenous perspective on the developmental trajectory of Malaysia and a blueprint for an equitable, inclusive and sustainable development for the next few decades.

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