

Local Government Expenditure and Earnings: Economic Development and Projects in the State of Penang

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Abstract

Purpose: The purpose of this paper is to explain the role and significance of local government, or local authority, in Malaysia, specifically in the state of Penang. It highlights that local government's primary responsibility is to provide essential services and facilities to the local community within its administrative jurisdiction and plays a critical role in the state's economic development. Additionally, it discusses the implications of political turmoil surrounding jurisdiction on economic growth.

Design/methodology/approach: The study uses secondary sources from published materials, government reports, or other publicly available sources, rather than collecting new data through interviews, surveys, or other primary research methods.

Findings: The findings indicate that both the state and federal governments should introduce new urban and monetary policies to create a framework for positive interaction between the economy, municipalities, and people to ensure the success of Penang's economic development.

Research limitations/implications: The income and expenditure of local governments in Penang are critical to the state's economic development, suggesting that local governments have a significant impact on the economic well-being of the region they serve. This highlights the critical role that local government has in supporting the overall economic development of the country.

Practical implication: Political turmoil can have negative consequences for the economy and the income of the people in Penang, as has been the case in other developing countries that have experienced political instability. Therefore, it is essential to maintain political stability to ensure the effective functioning of local governments.

Originality/value: This paper provides valuable insights into the development of Penang State and the political turmoil between Federal and State governments that have impacted economic growth.

Keywords: Federal Government, State Government, Local Government, Local Authority, Jurisdiction, Political Revolution.

1. Introduction

The administrative system in Malaysia is considered unique due to the division of jurisdiction into different levels; where the federal government, state government, and local government where each level has different jurisdictional boundaries. Among these three administrative systems, local government is the most important administrative body at the local level to provide services closest to the needs of the local population. The local government, also known as a local authority, is the last and most important unit in the administrative structure of government in Malaysia after the federal and state governments. This local government is a medium between the government and the people's government, whose role is much more to provide services and ensure that every policy is carried out fairly at all levels of society. The local government is fully responsible for delivering services and providing essential facilities to the local people in its administrative area. The existence of local government is a facilitator to the federal and state governments because the roles and responsibilities held are perfect for the country's development. Apart from that also, the main task of local authorities is to ensure the well-being and sustainability of the community by carrying out the task of planning, implementing, controlling planning well, and providing services sincerely and reasonably. Therefore, in performing the required services, the local government in Malaysia has the primary source of authority which is to use the Local Government Act 1976 (Act 171) as an official guide to ensure that each action does not exceed the limits set in this act. Every local government in Malaysia adopts Act 171, known as the Local Authority (PBT), whose fundamental roles and duties of PBT in Malaysia have been outlined in this act (MBSP, 2021). Penang is one of the thirteen states in Malaysia located north of the peninsular (Setiausaha Kerajaan Negeri Pulau Pinang, 2021). The Chief Minister of Penang is the head of the executive body of the Penang state government led by the Pakatan Harapan (PH) government.

This study discusses the expenditure and income of local governments that contribute to economic development and projects in the state of Penang. The Penang state government is a high-income state government and contributes to productivity generation with the help of local authorities known as the Penang City Council (MBPP) and the Seberang Perai City Council (MBSP). The state of Penang is also called 'Pearl Island' and is one of the major pulses of the country's manufacturing industry which has attracted various international investments, making Penang among the significant contributors to the country's foreign direct investment (FDI). Penang State will be as spearhead high-tech industries in the country, leveraging on the fourth Industrial Revolution (IR4.0) development. In addition, through the primary Economic Growth Activity (ECA) outlined in the vision of mutual prosperity 2030 (WKB), the state of Penang will be the leading state in preserving the logistics hub in the country by the position and facilities available in the state. These targets and determinations have built a strong foundation that further encourages economic development from various sectors in Penang. The Penang State Government is a high-income state government and contributes productivity generation to the Federal Government. In 2020, Penang state exports amounted to RM312.4 billion, up 10.0% year-on-year, accounting for 31.8% of Malaysia's total exports. 60% of Penang's exports were electronic appliances (E&E) products, Imports of RM188 billion, 5.7% higher than the same period last year, accounted for 23.6% of Malaysia's total imports (Penang Institute, 2020). Apart from that, this study will also discuss the political turmoil involving the jurisdiction and the implications that affect economic growth in the state of Penang. Therefore, this study can answer the question: How does political instability affect economic growth in the state of Penang? An unstable government in a political system can result in chaos, fights, riots, and situations that lead to political unrest and uneven development. Political upheavals are a matter of a common crisis, and this is inevitable in a government or administration.

Unstable politics will be detrimental to the economy as well as the income of the people, as it happens in other developing countries. This situation has taken place in the state of Penang in some issues, including the seawall project to develop three artificial islands under the Penang South Reclamation (PSR) (Buletin, 2021), Issues related to the sale of state Government land to strengthen the state's economy of Penang (Dermawan, 2021), and issues related to the cancellation of Loan Guarantee for Penang LRT projects by Federal Government (Athirah, 2020). Now that the state of Penang is ruled by the leaders of a different political ideology from the federal government, a drastic political upheaval has taken place between the two different political parties and has had a destructive impact on economic development in Penang. The issue clearly shows that political upheavals are still in place in Penang. This study will also discuss the policies and recommendations for economic development in Penang, namely upgrading the Penang ferry service, High-speed data and broadband in Penang, Expansion of the Penang international airport, Introduce Penang as an eco-town in Malaysia, and lastly Penang bridge expansion. The study's main objective is to determine the financial management and expenditure for the State of Penang, covering the development sector and economic empowerment actions. Penang remains one of the six (6) essential contributors to the national economy apart from the states of Selangor, the Federal Territory of Kuala Lumpur, Sarawak, Johor, and Sabah. These six states have contributed 72.3% to Malaysia's Gross Domestic Product (GDP).

However, the international trade conflict also affected the Penang economy when it recorded a value and value-added RM94.7 billion, a modest growth of 3.8% in 2019 compared to 5.1% in 2018. Penang has been governed by DAP (Pakatan Harapan - Opposition Party in Malaysia) since 2008, but surprisingly, Penang remains one of the significant contributors to the country's economy. Despite facing several issues and challenges such as favoritism (denial of rights) and lack of federal government support, the Penang Government has proactively devised measures to empower the economy. As mentioned, the state government is very concerned about developments related to transportation and technology. High-tech transportation and communication systems will be an attraction to foreign investors. This study has reviewed three conclusions; first of all, Penang is rich in income which involves the manufacturing and services industries and contributes to the national economy. Communication and transportation networks contribute significantly to the state's economic development. Transportation upgrade plans involving the construction of submarine tunnels, LRT construction, and airport expansion are measures to improve the state's economy and provide many employment opportunities. Although the Penang state government often faces political constraints, it has been well-governed and continues to move forward compared to several other states. Furthermore, every planning requires strong support from all parties regarding financial assistance and cooperation. The state government needs to think of other alternatives in gaining the support of the people and even assistance (financial and administrative) from the federal government. "Without political stability, there can be no economic prosperity." From the research, the state and federal governments should implement urban policy and monetary policy as a new strategy to see the success of Penang as creating an ecology where the economy, municipalities, and the people interact with each other. This revolutionary economic framework combines catalyst financing, strategic partnerships, institutional and regulatory transformation, and performance measurement. It has hoped that this effort will be an example to the other local governments in other cities in Malaysia in the future.

2. Literature Review

Political unrest gives a detailed meaning that there is chaos in the political field that can lead to the dissolution of the country's administrative organization. Ethnic unrest, separatist groups, religion, and economic crises are significant causes of political instability in a country. An inefficient administration in dealing with and managing this issue can pose a threat to neighbouring countries. In this issue, Malaysia, as a developing country but politically and economically unstable, also affects its nearest countries such as Thailand, the Philippines, and Indonesia (Mohd Firdaus Shahri & Mohd Iqbal Huda, 2020). The issue of cancellation of the seawall project to develop three artificial islands under the Penang Southern Reclamation (PSR), issues related to the sale of state government land to strengthen the Penang state economy, and issues related to the cancellation of the Penang LRT project Loan Guarantee by the Federal Government are one example. Relevant in this issue of turmoil. The Penang state government is now showing dissatisfaction with the Federal government on the issue of the budget that has been withdrawn for infrastructure construction projects in Penang. Indirectly, the political turmoil between the Penang state government and the federal government will hurt the development of the state government (Syajaratulhuda Mohd Rosli, 2021).

2.1 Economic development

Economic development is a significant entity in increasing people's income and living standards. However, economic development alone is not necessarily able to guarantee that the results are enjoyed equitably by all levels of the people. Therefore, the balance between the population's economic, social, and political development needs to be given serious attention to determine the country's development. According to (Todaro & Smith, 2003), the success of the country's economic development is shown by three central values, namely the development of the community's ability to meet basic needs (sustenance), the increase in the community's sense of self-esteem as a human being, and the increase in the community's freedom to choose (freedom from slavery) which is human rights. Therefore, economic development can be understood as an activity carried out by a country in a planned manner to improve its people's standard of living and economy. The country's economy will worsen if the country's political situation is seen as unstable by investors. Political stability refers to a political system in which multiple powerful parties rule a country for an extended period without significant political turmoil. Political stability determines the factors that determine economic growth, such as investment (foreign direct investment (FDI), stock market capitalization, private investment), technology equipped with FDI, and a skilled workforce that migrates to politically stable countries. So political stability indirectly determines economic growth (Muhammad, 2008).

2.2 Democracy

Democracy is a system in which the people govern themselves, form a government with equal rights for all, and maintain the people's sovereignty. According to (Moten A, 2009), the political system in Malaysia is semi-democratic. Therefore, the principles of democracy are limited by considering the context of local political culture and having a relationship with race. The concept of participatory democracy assumes that citizen participation is an essential quality of democracy. The power of citizens is exercised as they participate (Henberger, 2001). According to (Habermas, 1996), participatory democracy encourages the more active participation of the public in the decision-making process.

2.3 Theory

Referring to the new political passage in Malaysia (Loh, 2005), several factors can create solid political stability, namely consociationalism, developmentalism, and participatory democracy. Consociationalism theory will be elaborated in this study as it focuses on the existence of political and economic stability in a state as it prioritizes the distribution of economic and political resources. The theory of developmentalism will use in the study as the theory align with rapid economic development. This theory proves that the sharing of power exploited by leaders can give satisfaction to the masses, which consists of various races, and this situation is considered a solution to the problem of social pluralism and racial competition.

2.4 Public perceptions towards political unrest

The public's perception of political unrest in Malaysia depends on several factors, including unsystematic and correct governance, a political culture of revenge, and public support (Choy, 2013). Governance is meant to be through control interventions against corruption and leadership factors of politicians who cannot create a satisfactory political system for all citizens. The political culture in Malaysia, which consists of various races governing the country, such as the Malays, Chinese, and Indians in politics, should play a role in conveying and giving their views and solutions to the problems faced by Malaysians. Nevertheless, the racial conflict in politics has influenced people's minds on racial discrimination and ultimately created an unstable political situation. A safe environment factor is considered a stable political system because the people always support a peaceful country to avoid war and chaos in the country (Choy, 2013).

2.5 Asymmetric conflict

The unrest still going on until now is caused by the epicenter that exists, because of policies and approaches with hidden goals by the government, causing the unrest to become more serious. The policy implemented by the government does not care about the rights and interests of the people of the southern region and only benefits the government. This upheaval is classified as an asymmetric conflict because the government has the power to rule and enforce all policies that benefit them only. In contrast, the residents can only express their dissatisfaction through attacks (Yaacob, 2011).

3. Method

The use of secondary sources in qualitative research has been widely discussed in the literature. This study use published sources: these include books, newspapers, magazines, and academic journals. Government reports: Government agencies produce a vast amount of reports on various topics, such as economic indicators, social welfare, and environmental issues. These reports are a useful source of data for researchers as they contain valuable information and statistics. According to Creswell and Creswell (2018), secondary sources are a valuable source of data for researchers because they offer historical and contextual information that can provide insight into the topic being studied. Additionally, they suggest that secondary sources can provide a baseline for future research and serve as a means of triangulation to validate primary data. Furthermore, government reports and official records are considered reliable sources of secondary data for research. For example, in a study on the impacts of climate change on agriculture, researchers used official records from the World Bank to obtain data on the number of people affected by climate change (Fisher, Langford, & Cocklin, 2017). Additionally, academic books and journal articles are commonly used in qualitative research as they provide in-depth analysis and theoretical frameworks that can help contextualize research findings (Marshall & Rossman, 2016). In recent years, the use of electronic media as a source of

secondary data has become increasingly common. Social media platforms, for instance, have been used in studies that analyze public opinion on various topics (Takhteyev, Gruzd, & Wellman, 2015). Furthermore, online news sources and research reports can provide up-to-date information that may not be available in traditional print sources. The use of secondary sources in qualitative research offers a variety of advantages, including reliability, cost-effectiveness, and historical context. Researchers can draw on a range of sources, including government reports, academic books and journals, electronic media, and official records to obtain data that is both reliable and credible. However, it is important to acknowledge the limitations of secondary data, such as potential bias and incomplete data sets, and to triangulate findings with primary data sources whenever possible.

4. Findings

Table 1: Federal Allocation to Penang State from year 2018 until 2021

Federal Allocations	2018	2019	2020	2021
1. Capitation Grant	24,697,320.00	24,884,280.00	25,064,400.00	25,236,540.00
2. 10% Service Tax Payment	15,260,077.00	10,655,653.00	5,152,586.71	8,183,162.43
3. Grant for Additional Revenue	11,714,155.00	11,725,253.00	11,755,764.00	-
4. Grant to Maintain and Manage Budget for respective departments (JKM, JPV, JPS, JPBD, MSN)	32,947,152.00	29,562,002.10	30,336,772.28	31,492,607.18
5. Tourism Allocation	-	10,984,390.00	10,065,021.00	3,298,111.40
6. Grant TAHAPEconomics Development, Infrastructure & Welfare	13,516,000.00	15,966,000.00	15,966,000.00	16,310,300.00
Total	98,134,704.00	103,777,578.10	98,340,543.99	84,520,721.01

Sources: Penang State Treasury Department (2021)

The Pakatan Harapan federal government in 2018 has contributed several alternatives to the state of Penang that also involve allocations for the tourism sector. The purpose of this new allocation is to help the state of Penang to maintain standards in infrastructure maintenance and invest in tourism development. Referring to the Malaysia 2021 envoy article, Penang Chief Minister Chow Kon Yeow has demanded fairer treatment in terms of allocations from Putrajaya where he said Penang only received 1.3% of the total RM75.6 billion allocations for development. Based on Penang's contribution to the Gross Domestic Product (GDP) over the past three years, which is between 6.7% and 6.9%, the state should receive an allocation of RM5.2 billion in Budget 2022. According to the Chief Minister of Penang "The allocation given by the Federal Government is unfair considering that the Penang State Government needs more infrastructure projects to enable the state to continue to play its role as an industrial state and contribute to the country's income in the form of exports, GDP. The Chief Minister of

Penang has also voiced his dissatisfaction for not being given treatment commensurate with the role and contribution of the Penang State Government and he has asked the Ministry of International Trade and Industry (MITI) and the Ministry of Finance to study the role of the Penang State Government (Ismail, 2021). This is because in reference to Malaysia investment performance 2021, Penang is in first place when compared to Kedah, the Federal Territory, Selangor and Sarawak as investments in the top five states. Apart from that, Penang was also able to create 105,012 job opportunities throughout the state and was able to carry out 4,564 new projects. Foreign investment in the state is as much as RM 208.6 Billion and as well as domestic investment as much as RM 97.9 Billion (Wooi, 2020). This situation shows that, the political unrest between the Penang State Government and the Federal Government is still going on which affects Economic Development and projects in the state of Penang. Among the strategies exploited by the Penang state government in encouraging investment and increasing productivity to drive economic growth and strengthen and improve the quality of life of the people are as follows.

4.1 Economic Empowerment of Penang State Government

The trend of retrenchment following the spread of Covid-19, especially in the services sector, including services hospitality, wholesale trade, retail sales, tourism, and real estate, contributed significantly to this increase in the unemployment rate. The state government has approved the Penang people's aid package (Penang Lawan Covid-19) through three phases to address the recession and regenerate the economy. Phase 1, with an allocation of RM75 million, begins a week after implementing the PKP. Phase 2.0 will begin in May 2020 with an allocation of RM76 million. Concerned with the people's grievances, Phase 2.1, with an additional RM4.5 million, was approved in August 2020, bringing the Penang People's Aid Package (*Penang Lawan COVID-19*) to RM155.5 million (Yeow, 2021).

4.2 Encourage investment and increase productivity as drivers of economic growth

The services and manufacturing sectors are the mainstays of Penang's economy, in line with the focus outlined in the state structure Plan 2030. Furthermore, the state government will also increase cooperation with MIDA to organize more investment-focused missions with developed and developing countries such as Japan, China, India, South Korea, and the middle east. Investment areas such as tourism, electrical and electronics manufacturing, medical, tourism, and agriculture will be emphasized to enhance Penang's competitiveness. At the same time to attract more investors, the state government is constantly striving to improve all investment procedures and conditions to provide a more efficient, flexible, and vibrant business environment (Yeow, 2021). Penang also strengthens the industrial potential for small and medium industries, which have long played an essential role in the economic development of Penang. In addition, Penang enables agricultural productivity, continues its sustainability, and boosts the tourism and heritage industry (Jabatan Kewangan Negeri Pulau Pinang, 2020).

4.3 Develop Digital Infrastructure and Digital Community Towards Sustainable Resilience

The state government of Penang has provided RM31.98 million for 2021 to continue road and bridge construction and upgrading projects throughout the State of Penang. A great road system symbolizes the development progress of a place (Yeow, 2021). They also develop an innovative international state by digitizing city services with intelligent technology. To ensure the availability of 5G broadband throughout Penang, the state government and all

telecommunication service providers have formulated a Penang State Connectivity Master Plan (PCMP) in line with the National Fiber Optic and Connectivity Plan (NFCP).

4.4 Strengthen and Improve the People's Quality of Life

Through the Penang agenda 2030, A Family-Focused Green and Smart State that inspires the nation, under the thrust of Increase liability to enhance the quality of life, which aims to improve the quality of life of the people, has achieved the target of providing comfortable and adequate housing for the B40 and M40 (Penang Green Agenda 2030). This core focuses on addressing the capabilities and diversity of housing, enhancing public safety and hygiene, improving welfare and care systems, and diversifying recreational, sports, artistic and cultural facilities (Yeow, 2021).

4.5 Empower, Roles, Talent, and Human Capital

Government's efforts in state development policy. The Penang Skills Development Center (PSDC) actively conducts various programs and training to train human resources in various skill areas, including the precision machining technology program, Engineering, and manufacturing technology. Following the Covid-19 pandemic, human capital development involves restructuring employment with the goal of economic recovery to strengthen the socio-economic level and improve people's living standards. Regarding dignifying the role of family institutions and women, the state government unanimously approved the Penang Safe Family Policy to combat domestic violence more comprehensively (Buletin Mutiara, 2020).

5. Discussion

Penang Local Government has used several strategies to increase productivity to strengthen the economy. The strategies are economic empowerment and encouraging investment in Penang to increase the potential of growth, developing digital infrastructure and digital communities towards sustainable resilience, strengthening and improving people's quality of life, and ultimately empowerment, role, talent, of human capital. However, based on the review the researcher found out that political turmoil could have negative consequences for the economy and the income of the people in Penang, as has been the case in other developing countries that have experienced political instability. It is important to note that political instability can have significant impacts on economic growth and development, as well as on the well-being of people living in the affected region. Therefore, it is crucial to find ways to address and resolve political conflicts in a peaceful and constructive manner to minimize the negative effects on the economy and people's livelihoods. Based on review this political turmoil has happened in Penang on several issues as elaborate below.

5.1 Issues and Implications affecting Penang's economic growth

An unstable state government in the political system can lead to commotion, fights, riots, and conditions, leading to political upheavals and uneven development. Political upheavals are turbidity between different political parties and may result in irrelevance in the state government. Economic development is an entity that is very important to developing the income and standard of living of the community. Nevertheless, economic development alone is not necessary to ensure that the community fairly shares the results in a country. The balance between economic, social, and political development should be taken seriously to determine the country's development. Development is a social change process covering all social, cultural,

economic, industrial, and so on. This study will discuss the extent to which the political upheaval of the federal government and the state government has profoundly impacted economic development in the state of Penang. The following are the issues that have taken place between the federal government and the state government affecting the economic development and projects in the state of Penang (Sinnappan, 2021; Wong & Bunnell, 2021). Developmentalism theory is exploited in this study as the theory has a relationship with a sharp economic development that refers to the increased comfort of the people's daily lives. This developmentalism theory proves that the power-sharing exploited by leaders can satisfy the masses of various races, and this condition is considered a solution to society's problems and racial competition. However, what happens here are political leaders using their power to gain personal gains and to cure situations where there is no democratic system. This act can be seen in the political upheavals that occur among the federal and state governments affecting economic development in Penang and inconveniencing the people's lives in the state (Kim, 2018; Mahmud, 2020)

5.2 The issue of the seawall project to develop three artificial islands under the Penang South Reclamation (PSR).

One of the issues faced by the Penang State Government in response to Penang State's intention to construct three manufactured islands off the southern border of the island, and local fishers have filed an official protest with the federal government. As many as 15,000 people will live on each of the three artificial islands created by the project, producing 4,500 acres (1,821 hectares) of land on three artificial islands. According to the Penang state government, it would generate 300,000 employment over the next 30 years and ensure Penang's better future (Khan, 2021). In this issue, the new plan to expand the seawall project faced various obstacles where the other stakeholders were not interested in the project due to the clear transparency due to the political conditions. The Ministry of Agriculture and Food Industry (MAFI) has requested the Department of Environment (DOE) to reject the Environmental Management Plan (EMP) for the Sea Told Project in the southern waters of the state (PSR). Deputy minister II of the ministry, Datuk Che Abdullah Mat Nawawi, said the matter was among the roles and tasks that he could take to the adverse effects of the PSR project, especially on the production of national fish (Ismail, 2021). On June 13, 2021, Penang Chief Minister gave Penang a media statement on the issue of fisheries resources at the South Penang project site (PSR) that the state government disagrees with the views of the YB Deputy Minister that the PSR Project will bring 'catastrophe' to fishermen. He has also informed that without PSR, the fishers' community will remain with their existing conditions without enjoying any change. Penang will lose the opportunity to develop the economic sector and create jobs for the people and future generations (Bulletin, 2021).

In the PSR project, the Penang state government has promised that the government will offer consolation money to nearby fishers and provide new boats and engines to encourage them to continue fishing. The state government will continue to be committed to ensuring that fishing activities do not stop by providing four jetty facilities in Permatang Tepi Laut, Sungai Batu, Teluk Kumbar, and Gertak Sanggul. The construction of this jetty has a tremendous impact on the fishers to go out fishing even when the sea water recedes. Apart from that, the state government also provides fishers empowerment programs such as business and employment opportunities providing skills training such as aquaculture training. Children of fishers are no exception. The state government will also provide educational opportunities for young fishers and their children, free tuition assistance for children of fishers who are still in school, and educational scholarships for eligible fishers (Maulud, 2021). The above situation gives a clear picture of the characteristics of the theory of socialism based on collective

ownership of production and distribution methods. It aims to eliminate social class differences among fishers who make a living every day at sea by distributing wealth equally among fishers.

The cancellation of the seawall project to develop three artificial islands under the Penang South Reclamation (PSR) has a massive implication for the state of Penang in experiencing a substantial economic impact in the long term. As an industrial state, Penang needs to provide land to attract new foreign investors in the future, and in the absence of industrial sites such as Green Tech Park for the development of future high-tech industries, Penang will lose the opportunity to attract billion worth of billions of mortgages. This implication will affect the reputation of Penang as an investment destination and state economic growth in the future. Other implications for Penang are the loss of employment, business, and income to the people and local companies waiting for the opportunity (Mohamad, 2021).

5.3 Issues related to the sale of state Government land to strengthen the state economy of Penang.

Referring to the Bernama newspaper on November 19, 2016, Umno party chief Datuk Seri Dr. Hilmi Yahaya has called on the Penang state government to stop selling state land to developers. He said that during the Barisan Nasional government governing the state, the state government had over 2,000 hectares of land, but now it is almost sold to developers to develop various projects. Datuk Seri Dr. Hilmi Yahaya criticized that the action of selling land by the Penang state government did not directly protect the interests of the people who would be burdened when development projects were sold at prices beyond the people's means. (Bernama, 2016). Lim Guan Eng has responded to criticism about the sale of state land by commenting that his administration has sold land but earned more income for the sale than in the early nineties until 2008, the BN-led state government sold a total of 3,661 acres, while the government led by the expectation from 2008 only sold 106.1 acres. Former Penang Chief Minister also defended land sales worth RM156 million for a high-value investment of RM2 billion to build Malaysia's largest private hospital as an "Economic-Changer game." This RM2 billion investment is an economic converter that will help establish Penang as a medical city, and it will create a total of 2,000 high-value job opportunities and attract talent in the field of medicine in the state (Malaysiakini, 2017).

The implications of the Federal Government's obstruction of selling land have caused Penang State to be unable to accelerate development through the private sector, have difficulty bringing investors, and be incapable of creating high-quality, sustainable development. This failure will lead to slow economic growth and tarnish the opportunity to become the number one chosen state for investment. Meanwhile, the profit from the land sale will be used for the developed industrial park, which will attract international such as Multinational Corporations (MNCs), Limited Liabilities (LLCs), and Small and Medium Enterprises (SMEs) to open business and invest in Penang State (Zainudin, 2021). The high investment will benefit people in Penang.

5.4 Cancellation of Loan Guarantee for Penang LRT projects by Federal Government.

Referring to Malaysiakini's article dated November 28, 2020, Steven Sim, a member of the Bukit Mertajam MP in Penang, has condemned the federal government's decision not to provide loan guarantees to the Penang government to finance the Penang Light Rail Transit (LRT) project which is a form of political vendetta (Athirah, 2020). He announced that the cancellation of the project's financing had disappointed the state government and the people of Penang, as the relevant project was so important to the state's economic development (Sinnappan, 2021). The Penang state government has criticized the federal government for the move, as the Federal Government financed the project in Kuching under the 12th Malaysia

Plan of RM6 billion, although Penang became the second highest tax contributor to the country. Penang Chief Minister Chow Kon Yeow in the press have informed the press conference in response to the issue of cancellation of loan guarantees to finance the Penang LRT Project, to continue to gain the federal government's confidence to give priority to the financing of the LRT Project and the services to be commensurate to Penang. Penang State is a natural playing an essential role by winning the aspects of foreign direct investment (FDI) of the country's manufacturing sector to create thousands of job opportunities not only for the people of the state but also for northern Peninsular Malaysia.

Implications of the cancellation of loan guarantees to finance the Penang LRT project will also provide the economic and social aspects in the state of Penang. The LRT service is an excellent public transport for the future of Penang, which is moving towards a developed and international state. In addition, as an industrial state, Penang accepted the impact in terms of economic growth and experienced an increase in population density and the number of vehicles. Measurement to solve traffic congestion issues should be prioritized to avoid the problem worsening in the future. Therefore, the LRT development project is a time that can provide more economic and employment opportunities to the people in the state (Yusoff, 2020).

6. Conclusion

The study's main objective is to determine the financial management and expenditure for the State of Penang, covering the development sector and economic empowerment actions. In 2019, Penang remained one of the six (6) essential contributors to the national economy apart from the states of Selangor, the Federal Territory of Kuala Lumpur, Sarawak, Johor, and Sabah. These six states have contributed 72.3% to Malaysia's Gross Domestic Product (GDP). However, the international trade conflict also affected the Penang economy when it recorded a value-added of only RM94.7 billion, a modest growth of 3.8% in 2019 compared to 5.1% in 2018 (Yeow, 2021). Penang State has been led by DAP (Pakatan Harapan - Opposition Party in Malaysia) since 2008, but surprisingly, Penang remains one of the significant contributors to the country's economy. Despite facing several issues and challenges such as favoritism (denial of rights) and lack of federal government support, the Penang Government has proactively devised measures to empower the economy. As mentioned, the state government is very concerned about developments related to transportation and technology. High-tech transportation and communication systems will be an attraction to foreign investors. This study has reviewed two conclusions; first of all, Penang is rich in income which involves the manufacturing and services industries and contributes to the national economy. Communication and transportation networks contribute significantly to the state's economic development. Transportation upgrade plans involving the construction of submarine tunnels, LRT construction, and airport expansion are measures to improve the state's economy and provide employment opportunities (Yusoff, 2020).

There are a few recommendations to develop more development in the Penang economy, which include developing all around the Penang state. The first proposal to boost the Penang economy is upgrading the Penang ferry service, connecting Sultan Abdul Halim Ferry Port from Butterworth to the Raja Tun Uda Ferry Terminal at Weld Quay in George Town. The ferry service currently available somehow does not fulfill public utility requirements. Previously, the Penang ferry provider has lost money and capital gain for the previous ten years, and nothing has been attempted to modernize the infrastructures. The Malaysian federal government is proposing and should take out operational and upgrading responsibilities. This initiative is critical to developing the Northern Transportation Hub, which would integrate roadways, railways, and maritime traffic (Sekaran, 2021).

Connectivity is the core of expertise segments in all businesses nowadays, including e-commerce activities (Sawehli, 2020). The connectivity across the boundaries is vital to implementing Penang entrepreneurs' fly highly and more flying colour. Penang businesses can progress up the ladder of success using expertise, inventiveness, and modern technology. Besides that, Penang's infrastructure projects have already been chosen among the first to be updated by more incredible digital infrastructure as part of Malaysia's high-speed broadband (HSBB) initiative. According to Chang, 2018, the availability of an internationally competitive and dependable greater network connection is necessary to achieve the ultimate operations in one country. To increase virtual connectivity, Penang entrepreneurs should install the recommended 5G high-speed data, which will be expanded to embrace the entire megacity.

The Penang International Airport (PIA) upgrade and expansion need to be done. According to Idris, 2021, new technology development via trade activities on national competitiveness will impact import-export. The expansion of Penang international airport will bring more benefits to import-export and traders in Penang. The physical extension accommodates more passengers, a substantial revamp to optimize the existing atmosphere, and excellent infrastructure, providing multilevel car parking spaces, better protection, and upgraded retail stores. In addition, the intense advertising strategies of the various bodies are forecasted to raise the volume of national and international travelers. Modernizing existing airline cargo terminals is necessary, which would be a plan for another expansion phase. Rapid industrialization, exploration and development, and the benefits of improved air connections can make the Penang International Airport a key entrance for the geographical area. Second, the state is successfully governed and is in a class of its own. Despite often facing political constraints, it has been well-governed and has permanently moved forward compared to some other states. Furthermore, finally, every plan needs strong support from all parties regarding financial assistance and cooperation. The state government needs to think of other alternatives in gaining the support of the people and even assistance (financial and administrative) from the federal government. In my opinion, the state and federal governments should implement urban and monetary policy as a new strategy to perceive Penang's success as creating an ecology in which the economy, municipalities, and people interact mutually. This revolutionary economic framework combines catalytic funding, strategic partnerships, institutional and regulatory transformation, and performance measurement. Urban planning is the best method to overcome the urban crisis (Ponzini, 2016). Meanwhile, research suggests that involving community participation is essential for achieving sustainable urban planning (Bolay & Rabinovich, 2021; Loures et al., 2020). The policy framework is designed to promote an interconnected and industrialized nation that is mindful of global, local, and national needs. It aims to foster sustainable development by focusing on high-value industries and providing equal employment opportunities across different regions (Kurian et al., 2022; United Nations, 2019). These recommendations can help improve the financial management and expenditure for the State of Penang, promote economic development, and address the challenges faced by the state. In conclusion "A goal without a plan is just wishful thinking" (Yeow, 2021).

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