



How Costly are Political Parties?
Exploring Political Expenses and
Implications for Democracy

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Executive Summary

In Malaysia and numerous other electoral democracies, the costs of running a political party and a campaign for a parliamentary seat appear increasingly prohibitive. There are growing concerns that rising costs create steep barriers to entry, entrench incumbent political parties, and deter participation by underrepresented demographics like women, youth, ethnic minorities, persons with disabilities, and low-income households. The extent to which financial resources give established political parties a competitive electoral and operating advantage is attracting increasing research interest as information opacity prevents ready answers.

Efforts to account for the cost of electoral campaigns have been the primary focus of inquiry thus far, owing to their close association with democratic access. In Malaysia, several studies have documented funds spent during a single general election, especially focusing on the governing coalition Barisan Nasional (BN) during its electoral peak when spending amounted to millions of *Ringgit*. While these estimates provide a useful indication of the scale of campaign expenditure, they capture only one dimension of political costs. The rising individual cost of running for office and barriers to entry for underrepresented groups, including women, have also been reported in recent policy reports by Westminster Foundation for Democracy (WFD), highlighting that candidate-level expenses have effectively doubled over the years.

What has received comparatively little attention is the ordinary cost of politics outside of election campaigns. Costs incurred during and outside of election campaigns are not mutually exclusive, with finance going towards the political establishment and solidification of influence with constituents across the electoral cycle ultimately supporting electoral success. Political parties and politicians in both government and opposition engage in continuous operations beyond election cycles. These activities include maintaining constituency offices, supporting staff, community engagement, and allocating funds to sustain voter and party support. The scale of these costs is essentially unknown due to the limited transparency surrounding political finances.

This paper addresses this gap by asking: what is the cost of politics from the perspective of political parties as organisations? It draws on 18 Key Informant Interviews (KIIs) with individuals from a range of Malaysian political parties as well as experts in political finance and adopts a qualitative exploratory design.

The findings show that political finance in Malaysia is large in scale. Annual expenditure for maintaining headquarters ranges from RM600,000 to RM1.2 million for established parties and between RM30,000 to RM240,000 for new entrants. Spending intensifies during election periods, with an average daily spending of RM60,000 to RM70,000 depending on the electoral constituency and candidates contested. To support these expenses, parties rely on diverse and often informal funding streams with particular reliance on individual and corporate donations. Established political parties tend to operate in a centralised national funding structure that channels some resources to

states and branches, while new entrant parties depend on more localised fundraising which dilutes central financial governing authority. Financial governance arrangements within political parties grant significant discretion to central, state and division leaders over the use and distribution of funds. While some parties have maintained financial oversight, its transparency remains weak.

The mechanisms through which financial resources are sourced, spent, and governed have important implications for internal party dynamics and broader democratic processes. An incumbent advantage is apparent, as established political parties are better able to absorb the rising costs of political activity and access more diversified funding sources. The persistent opacity of political financing, where resources may flow through both formal and informal party channels, reduces transparency and complicates efforts at effective governance and oversight both within and outside political parties. These dynamics reinforce the importance of financial capital within political competition, risks entrenching existing hierarchies within parties, and limits the broader participation of underrepresented groups in elections and policymaking.

This study is a first step in unravelling the mystery that is the cost of political operations, with its policy recommendations intended to be indicative rather than prescriptive. The report highlights opportunities to improve financial transparency, voter education and public awareness, the regulation of political donations and party expenditure, and the need for public financing. This builds upon and reiterates IDEAS' longstanding advocacy efforts to enact a comprehensive political financing law that levels the playing field for democratic competition.

1 Introduction

“If money go before, all ways do lie open”

— William Shakespeare, *The Merry Wives of Windsor*

Healthy democracies require free and fair competition between those who seek to become representatives of the people. Central to this is the role of political parties, the collective organisations that “combine functions of control and representation, presenting candidates, and platforms and channelling citizens’ preferences and interests toward the policy process” (Weiss, 2020). However, as Julia Cagé (2020) argues, “providing for democracies comes with a price” and with rising financial need there are greater opportunities for money to exert influence.

The threat of financial influence to healthy democracy has been rising in parallel with the costs of politics. Modern parliamentarians and electors face much steeper costs than their predecessors, having to contend with the information age and its burgeoning media platforms, knowledge at one’s fingertips, and decision-making that is many times more complex. Politicians and political parties need ever greater resources to stay visible and informed.

The financing and operations of political parties are of increasing consequence against the backdrop of rising costs. Parties are not only ideological collectives and vehicles for electoral competition; they are enduring and increasingly corporatised organisations that require continuous financial resources to operate and remain politically relevant. They collect, pool and channel funds according to collective party and individual member needs, though the scale and organisation of such operations is poorly understood.

Evidence is emerging on political operational costs and their financing, but critical gaps remain. Westminster Foundation for Democracy (WFD) reports estimate that the personal expenditure required for aspirants from newer parties to run for office in Malaysia ranges from approximately RM40,000 to over RM1 million, depending on the constituency. These figures are based on findings following Malaysia’s 15th General Election. The fragmented and complex array of funding sources has been associated with incumbent party dominance in Malaysian politics (Sachsenröder, 2018). Less well understood are the costs and funding of the day-to-day operations of political parties. What the costs are, how these costs are covered, how financial decisions are governed, and what influence those who provide finance have on party and policy decisions are equally critical to understanding the interaction of politics and finance beyond the electoral cycle.

2 Research Background, Question and Methodology

A growing body of scholarship recognises that the cost of developing and maintaining political influence extends beyond campaign-related expenditures. Costs during and outside of election campaigns are not mutually exclusive, with finance throughout the election cycle going towards the establishment and solidification of influence with voters. Routine organisational costs associated with staffing, policy development and voter engagement are incurred throughout the political cycle. Focusing solely on campaign related expenditures risks missing the full influence of costs and finance on politics.

To date, the evidence base in Malaysia remains concentrated on the increasing electoral costs. Reports by the WFD (2025) suggest that the cost of contesting a parliamentary seat in Malaysia varies depending on incumbency status and electoral context. A newcomer candidate may require approximately RM68,000 to win a parliamentary seat. However, in a re-election campaign, defending seats as the incumbent can involve an escalation in reported expenditures. Kedah Chief Minister, Dato' Seri Haji Muhammad Sanusi Md Nor, from Parti Islam Se-Malaysia (PAS), estimates at least RM1 million per parliamentary seat will be needed to contest the upcoming election (GE16) (Malay Mail, 2025).

Less recognised are the ongoing costs of political participation borne by individual politicians, and, by extension, for political parties. These costs appear to be increasing, raising concerns about who is able to enter and remain in politics. The types of expenditure tend to follow similar patterns across different country contexts. Individuals must equip and staff electorate offices plus meet costs including for communications, travel, advertising, and constituency engagement. Political parties face these costs for individual members plus equivalent expenses for running headquarters, branch offices, and coordinated activities.

In Southeast Asia, including Malaysia, a clientele-political culture is worryingly embedded, adding significantly to ongoing political costs. Politicians are expected to be fully involved in the personal lives of voters, including offering gifts in accordance with social custom (Sachsenröder, 2018). The practice, referred to as '*Kahwin, Bersalin, Sakit, Mati*' or KBSM (weddings, births, sickness, death), is central for political party figures to remain active and politically relevant at the grassroots level and appears to be a significant driver of individual and party financial costs (Weiss, 2016). For example, weddings entail a cash gift or *duit salam/sumbangan* of RM20 to RM100 for an ordinary MP and up to RM200 for a cabinet member (Weiss, 2020).

In Malaysia, some political expenses are partially supported through public resources, particularly Constituency Development Fund (CDF) allocations. CDFs provide fixed amounts of government funding to federal Members of Parliament (MPs) and state assembly representatives (ADUNs) to cover constituency expenses (Sri Murniati et al., 2021). One of the CDF spending categories is for routine operations, with estimates suggesting that basic office operations alone may amount to approximately RM156,000

annually (WFD, 2025). However, CDF allocations are distributed unevenly, are subject to limited tracking, and are not calibrated to expenditure needs (Firdaus Aloysius & Sachdev, 2025).

In the absence of sufficient public financing and with few regulatory constraints on private financing, politicians have strong incentives to mobilise private capital to cover their costs and achieve financial advantage over their electoral opponents. While some pursue funds individually, increasing financial demands have raised the importance of political parties for their fundraising and distribution scale advantages and their brand value. Political parties, especially established parties with a history or present position in government, have more fundraising avenues available to them.

Facing seemingly increasing and substantial expenses, political parties rely on a diverse range of funding sources. Membership fees and individual donations remain the financial bedrock. The rise of digital platforms has introduced new ways to source such donations, with small-donor contributions via crowdfunding, democratising access to political finance. Less democratically and openly, political parties increasingly operate as businesses to generate funding. Parties may run or be affiliated with commercial or government enterprises, with income, wealth, and influence generated for both the party and associates (Shamsul, 1997). An often blurred distinction between state and party spending confers a structural advantage for incumbents (Weiss, 2020).

The growth and diversification of party fundraising has not been accompanied by an increase in transparency and accountable governance, with opaque financial influence a growing concern. Political office, especially as a member of the governing party, bestows power and privilege that is coveted by wealthy individuals and organisations; both directly in joining politics and indirectly in exerting influence over politicians. Undeclared financial arrangements can help political operators cement power and threaten fair elections and public-interest policymaking, as those with money tilt the ledger in their favour.

The compounding effects of rising costs, unequal access to finance and governance weakness further impede the political entry and advancement of underrepresented groups. Further, internal party advancement has become tied to success in securing resources or making substantial personal investment (WFD, 2025). Finance is influencing recruitment strategies, candidate selection, and internal hierarchies, and in turn the politicians and the policies that result.

Despite these increasingly important intersections, the organisation and internal political economy of political parties in Malaysia remains insufficiently understood. Evidence remains largely anecdotal, particularly around party expenditures. The financial transparency of political parties in Malaysia remains inadequate, particularly donor disclosure, limited access to audit reports, opaque membership fees and subsidies and weak oversight mechanisms (Zuan & Endut, 2026). There is a need to deepen empirical evidence on the internal financial structures of political parties, including how funds are

raised, managed, and distributed, as well as the broader pervasiveness of money politics in Malaysia.

Both a symptom and potential driver of limited understanding is that regulatory frameworks governing political finance remain lax. Campaign spending limits under the Election Offences Act 1954 only apply during the official campaign period (from nomination to polling day), limiting spending to RM200,000 for parliamentary candidates and RM100,000 for state assembly candidates. Section 23 of the Act also stipulates a requirement for electoral candidates or their agents to submit a statement of their election returns to the Election Commission. Equivalent requirements do not exist for ongoing party expenses or accounts. As registered societies, political parties submit annual audited accounts, however the absence of strict reporting requirements results in these often being highly vague (Transparency International, 2010; Ufen, 2015). Political finance reforms have been long discussed, but as they are still not in place, political parties are not obliged to disclose sources of donations, membership fees, or audited accounts.

Within parties and in the wider context of electoral democracies, party finance is a structural shaper of organisational capacity, power relations, and political competition. Differences in access to assets, donor networks, salary deductions, volunteer labour, and workaround financing mechanisms create asymmetries in how individuals and parties sustain themselves and compete. These asymmetries are further reinforced by incumbency, organisational depth, and access to state-linked resources.

Without a stronger local evidence base grounded in how parties actually function, political finance reforms risk incomplete solutions or treating symptoms without addressing deeper governance and competition concerns. In particular, it is difficult to address concerns with political finance without first identifying its scale, its management by parties, and its sourcing from and control by affiliated individuals, companies, or other networks.

This paper therefore addresses a missing dimension by examining how political parties in Malaysia raise, manage, distribute, and spend money as organisations, and how these financial arrangements shape competition, barriers to entry and the inclusiveness of political participation.

The paper asks:

- What costs do parties incur to maintain and build the party across electoral cycles?
- How do parties distribute and govern funds?
- What are the implications for democratic competition and accountability, particularly in terms of barriers to entry for women and youth in internal competition for candidacy?

For the purpose of this study, costs are defined broadly. Formal costs are identified as overheads and operations across the full electoral cycle. Informal costs include but are not limited to gifts and services provided to constituents.

The study draws on 18 semi-structured interviews conducted between December 2025 and March 2026 with persons possessing direct experience or relevant insights into political parties. Of these, 16 KIIs are from political parties while the remaining 2 are subject matter experts in political finance. Ten participants are from 'established' political parties including PKR, UMNO, DAP and PAS and 6 are from 'new entrant' political parties such as MUDA, STAR, BERSATU and PSM (the terms 'established' and 'new entrant' political parties are defined in Table 1 below). Three are Members of Parliament (MPs) and there are two State Assemblypersons (ADUNs), one former minister, one former MP, three former political officers, three constituency branch leaders, one political party vice president, one veteran party member and one youth branch party member. As only one interviewee is from Sabah, the study may not adequately capture party finance dynamics in East Malaysia (refer to Appendix 1 for more information on the interviewees).

For the purpose of this study, political parties have been classified into two categories with the following attributes:

Table 1: Typologies of interviewed political parties

Types	Attributes	Political parties interviewed
Established	<ul style="list-style-type: none"> Party has been established for more than 10 years More than 1 million members Has been in government at the Federal or State level 	<ul style="list-style-type: none"> United Malays National Organisation (UMNO) Parti Islam Se-Malaysia (PAS) Parti Keadilan Rakyat (PKR) Democratic Action Party (DAP)
New Entrant	<ul style="list-style-type: none"> Party has been established for less than 10 years Less than 1 million members Has no or limited experience of being in government at the Federal or State level 	<ul style="list-style-type: none"> Parti Pribumi Bersatu Malaysia (BERSATU) Ikatan Demokratik Malaysia (MUDA) Parti Solidariti Tanah Airku (STAR) Parti Sosialis Malaysia (PSM)

The interviewees were asked about party financing mechanisms, including how funds are raised, governed and distributed. Interview participation was voluntary and no financial incentives were offered or given. All interviews and transcripts were anonymised to protect identities and no identifiers are retained in published outputs.

The following sections present the findings from the interviews, highlighting the political funding landscape in Malaysia: the different sources of funding, how funding is allocated and distributed, and how funds are governed within the political parties.

3 The Scale and Sources of Political Finance

3.1 Expenditures and Drivers of Cost

The cost of maintaining and operating a political party is large and increasing according to participants. Expenditures expectedly rise during election periods but ongoing costs are far from trivial.

Expenditures can be categorised into two broad categories:

- 1) Formal costs are those necessary to sustain party infrastructure, including rent, utilities, and other overheads, and staff remuneration.
- 2) Informal costs are those associated with political party activities such as events, annual general meetings (AGM) and congresses. This category also includes often undeclared practices associated with electoral mobilisation (such as voter 'incentives' and polling analytics).

Formal expenditure constitutes the largest share of day-to-day political party spending. The largest expense is operating dedicated party headquarters, with the scale varying with party maturity. For established political parties, annual expenditure on maintaining headquarters ranges from RM600,000 to RM1.2 million. For new entrants, costs typically range from RM30,000 to RM240,000 (see Table 2).

Political parties also have state and branch or division offices that require funding. Such offices remain central to party organisations, serving as units that sustain grassroots presence and enable localised outreach with constituents (Weiss, 2020). Established or national parties may have 222 branch offices (one per parliamentary constituency) that require ongoing financial support, often as a strategic investment that allows political parties to expand and concentrate influence before the next election. The cost of running these offices at the minimum is at RM1,000 on a monthly basis (see Table 2). Staff remuneration ranges between RM1,000 for part timers and up to RM3,000 for full-timers. However, an interviewee claimed that *"most of us operate without getting any pay."*

Interviewees highlight hikes in rental prices and salary increments as drivers behind rising formal costs. Unlike established parties that own their headquarters and branch premises, new entrants often have to build their organisational presence from scratch.

"If you talk about rental, probably you fix about 3 years of rental. After 3 years, the landlord will increase the rent. And the salary of staff. You have an annual increment. You've got statutory payment. The cost has increased over the years."

As a result, new entrants are being more selective in the allocation of their resources, opting for fewer branch offices given the costs.

One cost driver that has grown steeply in recent years is investment in media and communications. For established parties, running a dedicated media team involves a substantial cost. These teams can include photographers, videographers and social media personnel managing the political party online presence and image. Spending in this area also depends on the political cycle, with greater outlays in the lead-up to an election year. While some parties might rely on organic social media engagement, others have turned more strategic. This includes curated content backed by market research and running a podcast show with the rental costs and honoraria fees that come with it. As one interviewee shared:

"We talk about social media campaigns. It's not free. For example, social media analytics. So, to get the grasp of what are the issues we discuss on social media. The sentiment on social media. Then, you have to do analytics."

With the advent of digital campaigning, the WFD report in Malaysia findings suggest that electoral expenditure has increased and legislated spending limits fail to account for the more rampant online campaigning.

Political parties may also pay to amplify certain messages. This may include engaging social media influencers for commissioned content, with a reported payment ranging from RM500 – RM2,500 (Firdaus Aloysius & Tapsell, 2025). Alternatively, political parties have also developed a network of 'ideological messengers' within their structure to extend their reach online.

Table 2: The Range of Costs Borne By Political Parties

Cost Category	Sub Cost Category	New Entrant	Established	
		Cost Range (Min-Max)	Cost Range (Min-Max)	
Formal Costs	Ongoing	Headquarters Operations (per annum)	RM30,000 – RM240,000	RM600,000 – RM1.2 million
		Branch Office Rental (per month)	RM1,200 – RM2,500	RM1,000 – RM1,200
		Staff Remuneration (per person)	RM1,000 – RM1,500	RM1,700 – RM3,000
	Elections	Overall Party Election Expenses	RM1 million	RM10 million – RM5 billion
		Candidate Expenses (MP) (per person)	RM80,000 – RM1.8 million	RM100,000 – RM2 million
		Candidate Expenses (ADUN) (per person)	RM47,000 – RM120,000	RM100,000 – RM200,000
		War Rooms/Pusat Daerah Mengundi	RM5,000 – RM10,000	NA
		PACA (Polling Agent & Counting Agent) (per person)	RM50	RM200
		Flags & Posters/PA System	RM20,000 – RM50,000	RM1,000 – RM100,000
		Voter Mobilisation Efforts (per person)	RM50	NA
	Internal Party Dynamics	Cabang Supporters Goodwill expenses	NA	RM10,000 – RM20,000
	Constituency Development Fund (CDF)	Constituency Welfare/ School Support	NA	For welfare: >RM1 million to RM2.5 million Schools: Estimated RM1.5 million

Informal Costs	Political Party Programmes	AGMs, Congress	RM2,000 – RM200,000	RM50,000 – RM2 million
		Political Party Ceremonies/ Programmes	RM20,000 – RM50,000	RM500 – RM50,000
		Capacity Building (per annum)	RM500,000 – RM800,000	NA
	Internal Party Election	Internal Election Overall Expenses	NA	RM200,000 – RM11 million
		Voter Incentives	RM30 – RM10,000	RM1000 per delegate
		Cabang Support	NA	RM15,000
		Exco Position Expenses	NA	RM15,000 – RM500,000
		Makan-Makan with Supporters	NA	RM300 – RM4,000
	Electoral Mobilisation	Research Analytics	RM160,000	NA

Source: Authors compiled from interviewees.

Note: NA: Information not disclosed.

Electoral campaign expenses represent the largest mobilisation of resources across the short 14-day campaign period. While WFD reports have primarily identified costs borne by individual candidates, interview findings provide further insights into the scale and sheer force of financial power during elections. As one interviewee described it: “when the election arrives in five years’ time, it is not *pilihanraya* (election season), it is *hari raya* (Eid ul Fitr)”. The expenditures during this period are substantial with a daily spending range from RM60,000 to RM70,000. “For the next two weeks of campaigning, it could easily be RM600,000-700,000.” The amount varies depending on whether the seats contested are at the federal or state level, with top political party operatives such as the president incurring more spending.

The interview evidence implies election spending well in excess of statutory limits (currently RM200,000 per candidate under the Election Offences Act 1954). However, these can be supplemented through political party support, with one established party

claiming that they financed RM500,000 for one candidate. One form of support is paying or subsidising a candidate's nomination deposit, approximately RM10,000 per parliamentary seat and RM5,000 for a state assembly seat (Electoral Commission, 2026). When multiplied across seats being contested, the costs to a new entrant party with a modest footprint can multiply quickly, with one party indicating a RM1 million total.

Despite digital campaigns gaining a stronghold in electoral competition, the presence of political party flags and billboards remains a strategic component of Malaysian elections. These visible markers continue to signal and amplify an electoral candidate's visibility and presence, especially in rural constituencies.

"And so it's very important for us to sell our logo. Otherwise people wouldn't know who to vote for. So that means we need to have buntings, billboards, banners. Money plays a huge role in increasing visibility. If I am not visible, then the likelihood [of winning] would definitely deplete a lot more."

Campaigning in rural areas tends to be more resource intensive. In rural areas, where internet connectivity is poor, political parties rely more on traditional campaign methods. Political programmes are evidently intensified in rural constituencies within the months leading up to election or during the campaign period with all resources concentrated into these activities. Established parties set up war rooms or Pusat Daerah Mengundi (PDM), referred to as *Pondok Panas* to manage ground operations. While the costs for these setups are not well-documented, one new entrant estimated the cost of each PDM to range between RM5,000 and RM10,000. Given the wider network of such centres for established parties, the total amount may be substantially higher. These centres also serve to signal an active party presence, helping to establish or expand their foothold within the constituency. Volunteers and supporters are often mobilised through these centres, with party-branded t-shirts and basic provisions such as food provided to sustain participation.

Elections generate a number of new roles within parties. These include candidate officers, responsible for accompanying and coordinating the candidates, Polling Agents or Counting Agents (PACA) (who are typically trained and given allowance to run their responsibilities during the poll counting day), and an IT or digital brigade and "call centre" for voter outreach (associated with certain established parties). In established parties, these personnel receive formal training, briefing and refreshments, which adds to the overall cost of campaigning.

However, this professionalisation of roles in grassroots mobilisation varies between established parties. For example, some established parties rely heavily on volunteer-based mobilisation, drawing on the support of members and their grassroots followers. As one interviewee noted:

“That’s the reality. Our members when it comes to election, even the supporters will chase to offer their energy or assistance according to their ability. 70% of the [party] is moved by volunteers.”

In this case, strong on-the-ground support can help reduce the cost of election campaigning by replacing paid labour with volunteers. However, this also points to the broader internal party dynamics within some established parties, where financial mobilisation appears to be taking greater prominence. This sometimes comes at the expense of member commitment and sustained grassroots mobilisation.

Financial resources may be channeled into a wide range of activities, at times blurring the boundaries between formal campaigning and more contentious practices. The examples highlighted below illustrate how deeply embedded the patron-client relationships within Malaysia’s politics are. These dynamics are not confined to the election period alone but are also reflected within internal party processes. Events such as annual general meetings (AGMs), congresses, and other party gatherings may involve expectations of extravagance and grandeur, with ‘VIP treatment’ contributing to the informal cost structure of political parties. Such practices, add to the overall financial burden of party operations.

Interviewees indicated that the costs of party gatherings, meetings and congresses are generally expected to be covered by the political party. These include smaller-scale official meetings where meals are paid for by the political parties or politicians. Larger scale events such as AGMs could cost hundreds of thousands of Ringgit with *“rental of a venue sometimes could cost up to RM64,000.”* For new entrants, the cost can be burdensome. A party that recently amended its constitution to require at least 100 attendees per AGM has incurred steeply expanded costs. As one interviewee explained:

“RM2,000 is the lowest. This is for the basic hall rental. If we include the caterer, it is between RM2,000 and RM6,000. But if the leader wanted bigger halls, for example, in the hotel, it would be RM200,000. For hall rental alone is RM60,000. The costing is based on the “perwakilan” (delegate) from each district.”

The practice of *tabur-tabur* (or distribution of welfare, gifts or constituency services) has been normalised as part of outreach and political engagement. The broader VIP culture that Weiss (2020) mentioned involves political figures cementing their presence as future candidates but under expectations to make monetary or in-kind contributions. These expenses are borne by the political parties and also politicians. Examples include donations for schools and associations; *ang pao* (money packets) when attending weddings and funerals; or providing in-kind gifts such as giving dates during the month of Ramadan and during natural disasters. These have become embedded costs for political parties. While these may be justified as constituency services, an interviewee suggested that these are part of a full cycle election campaign strategy, reeling in voters earlier on:

“Two years before an election or one year before an election, we will spend heavily. I would say one year before the election, spending is heavy in terms of welfare—there is a lot of distribution (tabur-tabur). Especially in constituency areas and targeted areas. If we have already targeted a certain area to contest, one year before, we start grassroots work. And about six months before, there will already be an office and a command centre.”

These cash transfers and in-kind contributions have become so commonplace that they are expected by some voters. As one interviewee noted, certain communities may come to anticipate electoral periods as opportunities for gain, describing how *“people look forward to these elections because it’s a source of income at the time... and the most intense forms of politics often occur at the local level.”* In addition to direct financial provision, other forms of support may include subsidising transportation costs such as purchasing flight tickets or arranging travel to facilitate voter turnout, especially in rural constituencies.

“For transportation, in Sabah, they live in rural areas. So you have to get voters out. On the day itself, mobilisation of voters is very important. You need to transport them out. You have to pay the government, the car, the number, the boat. That’s the cost.”

The costs of operating political parties increase but expenditure can become more efficient with party maturity. Established parties typically incur higher absolute costs due to their extensive organisational reach and larger number of branches and divisions compared to newer entrants. However, longevity in the political arena also provides established parties with an advantage in managing these costs. Over time, they are able to reduce expenditure through bulk purchasing or reliance on extensive volunteer networks.

Increasingly complex and costly politics creates a barrier to entry to new entrants, which is compounded by challenges in sourcing funding as the next section describes.

3.2 Sources of Funding

Fundraising success is the lifeblood of any modern political party and Malaysia is no different. Money in the party coffers bestows political competition advantages, and how money circulates within the party determines who is able to compete for political and party leadership positions.

Reflecting the criticality of funding, it is unsurprising that all interviewees described a diversity of funding channels for political parties. The sources identified include internal party funding (monetary and in-kind services derived from within the political party), external funding (monetary and in-kind services that are provided from individuals or entities outside of the political party) and state-linked funding (monetary and in-kind

services that are gained from access to state institutions both in federal and state level). Table 3 summarises these sources:

Table 3: Different sources of funding in political parties

Sources	Monetary	In-kind	Political Parties
Internal	<ol style="list-style-type: none"> 1) Annual party memberships 2) Salary deductions from office holders (MPs/ADUNs/Ministers periodically apportioning a percentage of their salary to their political party/ Former elected reps giving a portion of their pension allowance to their political party) 3) Party leader supporting an internal party candidate that aligns with their faction 4) Assets (rent returns, sales of assets) 	Volunteer labour	Established and new entrant
External	<ol style="list-style-type: none"> 1) Donations (individual business contact, corporate support) 2) Fundraising through events or crowdfunding 	<ol style="list-style-type: none"> 1) Volunteer labour 2) Venue rental, sponsorships 	Established and new entrant
State-linked funding	1) Government-linked corporations (GLCs)	—	Established
	2) Non-governmental organisations (NGOs) receiving grants from government agencies	—	Established and new entrant

Source: Authors compiled from interviews.

Established parties have access to all three sources of funding to differing extents. These channels often coexist in a structured and institutionalised fundraising system that gives these parties a steady stream of income. Established parties are able to draw on more diverse, stable and routinised streams of financing due to their access to political power and budgetary resources. In particular, an established party, due to decades of political dominance, has accumulated wealth through corporations, real estate ownership and equity assets (Gomez, 2018).

Internal funding

The most fundamental and institutionalised internal source funding is membership fees. Across political parties, there are two different types of membership fees, most commonly ordinary and lifetime membership fees. The annual ordinary party member fees are small sums. They range from RM1 (UMNO) to RM5 (MUDA) and RM10 (DAP). The range for lifetime membership is RM100 (UMNO, PAS), to RM200 (DAP), RM300 (PKR) and RM500 (MUDA) (Chai, 2024). An interviewee suggests despite the small fee it encompasses a substantial portion of party funding:

"If we have 1 million members, each one of them pays RM5, we will be able to collect RM5 million. In my area as well, I have 5,000 members, if each member pays RM5, I have RM250,000."

For established parties, this could help significantly given their longstanding presence in politics. However, a new entrant party suggested that *"membership fees for the time being it's not really that significant."*

There is an expectation on states and divisions of political parties to search for sources of funding on their own.

"Because let's say, this one division wanted to organise a programme, then you send an application. So they will consider the application case-to-case basis measure. Who to send? You send it to the Bendahari (Treasurer). And Treasurer normally will ask approval from the President, the party President. That's it. But the usual practice, bahagian-bahagian (divisions) usually don't ask for money. Because they know it's their responsibility as the division head to find money for your division. So they won't come to the centre. Unless, for example, if the Pusat, the headquarters, wanted to allocate a certain amount of money to the division to cover the operation cost."

The onus is on the *Ketua Bahagian* or Division Chief to find the sources of income. With state and division offices being encouraged to find their own sources of funding, this suggests that the flow of funding can enter into the political party at all levels. As a consequence, in designing a robust political financing reform, policymakers must be cognisant of money flowing into parties through multiple entry points.

Political parties are also reliant on other internal sources of income, especially salary deductions from office holders. Mandatory or semi-mandatory salary deductions from office holders and former elected representatives are commonplace (all established parties except one). These contributions range from 10% to 25% of their earnings, depending on the position and level of office. In one established party, members are encouraged to contribute to their *Infaq Istiqamah* (monthly donation to the party) initiative.

Although individual candidates win elections and bear the responsibilities of office, they owe their electoral success to organisational assistance including finance. Successful candidates from established parties win under the party flag, creating implicit debts to the party that must be repaid. A member of a new entrant party sums it up:

"It's because of the image, because of the work being done. It's a collective thing. When I won, it's not because of me. It's because of the whole party, and also because at that time we were part of the opposition coalition, and people wanted a change. So in that way, what you get as MP shouldn't be, like, yours. So you've got to get that culture. You get that position, and that position also means income. It is not yours. You're holding it in trust for the party because the party put you there."

With the amount of money that has been invested on candidates, a portion of the resources earned by elected leaders is often redistributed back to the political parties. In certain parties, both established and new entrants, there is a form of imposed contribution mechanism. For example, a monthly sum of RM4,000 from all MPs. Contributions might also extend to pension income, with one interviewee noting that around 5% of pensions is channelled back to the party.

Contributions may also vary according to organisational level. In one political party, an ADUN for instance contributes approximately RM600 to the state-level branch and MPs contribute RM3,000 to the central branch. One new entrant party, however, adopted redistributive rules, setting a cap of personal income that elected representatives are allowed to retain, limiting it to twice of the median income (approximately RM10,000). The remaining earnings were redirected into party funds.

The *Infaq* system in one party prioritises continuous contributions from members and their redistribution under a specified formula. As described by an interviewee, members complete a registration form specifying their level of commitment, allowing the central party to monitor contribution patterns across constituencies. The system also includes incentive mechanisms, such as areas with higher participation receiving additional support or recognition.

Established political parties may also generate income through assets, including rental returns and the sale or the use of property holdings. Established examples include long-standing party headquarters. A significant proportion of these assets include buildings, some of which serve a dual function as headquarters and income-generating properties. For new entrants and established parties, their divisions and their branches, acquiring property assets is aspirational – with fundraising efforts aimed at collecting enough to establish their own. As previously mentioned, rent represents a significant expenditure for new entrants, thus property ownership might reduce the operating costs and also open up a new income stream.

A more contentious dimension of financing involves party-linked business entities. In many cases, senior members or those in the Central Committee of political parties are individuals with extensive business acumen, experience, and networks. Interviewees and anecdotal evidence suggest that these linkages may extend to ownership or shareholding of businesses, including media companies and government-linked entities. Even new entrants parties with former members from established parties are populated by well-connected individuals within the business and political arena. These connections facilitate alternative sources of funding via small cooperatives or larger party-affiliated enterprises but muddy the political finance waters.

External funding

Supporting a political party does not require membership or explicit connections, with a significant proportion of funding flowing into political parties coming from external funding, particularly donations. This category includes funding from outside of the party organisations, including individual donors, corporations, and business networks. Donations and donor connections are widely used by political parties for their day-to-day operations. Interviewees also suggest that these donations are more frequent and available during election periods.

Individual donors that provide funding to political parties may include grassroots supporters who contribute out of ideological alignment with the causes of the political party. Their contributions can take both monetary and in-kind forms and are often relied upon for party activities. For example, donors may underwrite specific needs such as venues, stage set-ups, or logistical arrangements for events like congresses and AGMs. However, this segment of donors may consist of individuals linked to business or investment networks, and rather than contributing from their business accounts, choose to contribute as individuals. This suggests an intersection between political financing and private economic interests that raises broader questions about donor influence.

Corporate-linked contributions represent significant yet opaque financing mechanisms for political parties. Interviewees suggested that a segment of donors consists of business elites and corporate actors who maintain close ties with senior figures or “warlords” within political parties. These relationships often facilitate access to large and timely financial contributions that could rise up to millions of Ringgit, particularly during election periods. A recurring pattern described by interviewees is the practice of ‘hedging’, where corporate donors distribute financial support across multiple political parties rather than waging a bet on a single contender. This allows corporate donors to maintain relationships with whichever party ultimately forms the government, noting the recent history of fluid coalition-building rather than single party dominance. These contributions may also be channelled through indirect means, such as purchasing tickets to fundraising events or sponsoring party

activities, providing opportunities for direct access to political leaders. This funding source naturally favours the incumbent or imminent successor parties with access to policy power.

"If it's a pie, and they give to maybe (Coalition A) of the pie and they give to (Coalition B) 30% of the pie. And then (a new entrant party) will get like maybe 5% of the pie... because how politics is so dynamic now a lot of business people put their bets."

Opposition parties face additional constraints on access to resources that are a thinly-veiled weaponisation of governing power to suppress political competition. These include restricted or unequal allocation of CDF (government members routinely receive more) or the freezing of party accounts on charges. One new entrant party shared that:

"If you are in opposition, almost 90% is crowdfunding. When in opposition, we don't receive government funding, so we try to collect money here and there."

Opposition parties are often compelled to diversify their fundraising strategies, particularly in situations where access to formal funding channels is restricted. One new entrant party, for example, tends to rely more heavily on public appeals through social media platforms. These efforts often rally the youth grassroots following, leveraging the visibility of their prominent leaders.

Established parties are more likely to utilise a broader mix of fundraising strategies. These include high level dinners that provide access to senior party leaders exclusively for business elites, and smaller scale branch initiatives to finance location-specific organisational needs. For an established political party, fundraising practice incorporates *infaq* and *sumbangan asnaf* (donations designated for welfare purpose). The party, however, places a stronger emphasis on sustained member contributions as a core funding strategy.

Across parties, informal methods of donation persist. For instance, the widely recognised use of "tin Milo", where cash donations are collected with recycled containers being passed around reflects a form of decentralised, grassroots fundraising. Some interviewees alluded to cash transfers that are given in a black plastic bag left behind on lamp posts or given by hand to avoid being tracked or audited.

State-Linked Funding

Prevailing and historical time in office bestows structural advantages on political parties through access to state-linked funding. While not always formally codified, interviewees pointed to the existence of linkages between political parties and state-linked resources. These often opaque relationships raise questions about how such connections are formed and maintained, and how it shapes party financing. But the concentration of a small group of political elites appears to facilitate closer proximity of political parties to indirect financial advantages, whether through access to resources,

networks or opportunities that support party activities, further reinforcing incumbency advantages.

“When a party controls a state government, they also have access to the GLC ecosystem. And when they control the GLC ecosystem, they use the GLC ecosystem to practice what we broadly term as money politics.”

These dynamics of money politics, as an interviewee pointed out, may also extend into patterns of political appointments within state-linked entities. Interviewees pointed to instances where party figures such as division heads are appointed to the boards of public institutions, including universities, or to roles within various state-affiliated bodies. Such appointments blur the boundaries between party and state. When party members hold influential positions, these may facilitate access to state resources or networks that can indirectly or directly support party activities:

“[Political party] will indeed use the departments. For example, what can agriculture do? What can FAMA (Federal Agricultural Marketing Authority) do? How many RISDA (Rubber Industry Smallholders Development Authority) participants are there in this constituency? How many RELA (Malaysia Volunteer Corps Department) in this election in this constituency? How many fishermen? How many? All agencies have to propose programmes throughout the election period. The minister and the politician will use the agency’s platform. One that I remember happened to be in the fasting month, there were buka puasa (breaking fast) events every day.”

Another channel through which political donations may operate is via corporate social responsibility (CSR) initiatives, particularly among companies engaged in government public procurement. In this context, CSR activities may operate as indirect and less transparent mechanisms for cultivating political ties, obscuring the boundary between philanthropic engagement and political financing. Such CSR activities may be strategically aligned with political actors or constituencies, serving as an indirect mechanism of support.

“(Ministry A) expects them to spend a certain amount of money on CSR. This is a public mandate. If they win any government contract, they must spend on CSR. So, what ministers and ADUN and MPs. Usually, they will ask for donations from these companies. Most of these contractors will usually conduct their CSR programmes in the constituency of the minister or deputy minister or ADUN affiliated, or ADUN and MP affiliated with the minister. But they also spend, spread the risk, so called.”

Another mechanism highlighted by interviewees involves the establishment of affiliated organisations, such as non-governmental organisations (NGOs), associations, or foundations linked to party branches or divisions. These entities, often registered with the Registrar of Societies Malaysia (ROS), can serve as additional channels through which resources are mobilised and managed. While foundations or *Yayasans* typically require substantial initial capital of RM1 million, NGOs and associations are comparatively easier

to set up, making them more accessible instruments for local-level organisations. These affiliated entities sometimes function as intermediaries for channeling funds into political or community-based activities including to programmes at the constituency level. Both established and new entrant political parties appear to utilise this regulatory gap by channeling public funds through NGOs to finance party-related activities.

Interviewees suggested that such arrangements can overlap with the use of public allocations in two ways. The first is via CDF, where specific categories of spending may be directed towards community initiatives administered through these organisations. Existing studies have noted how the structure of CDF allocations can create opportunities for varied forms of implementation at both the federal and state levels (Sri Murniati et al., 2021; Firdaus Aloysius & Sachdev, 2026). Within the same vein, there are identified party-run capacity building training and development programmes to empower their ideologies among the youth wings.

“Each MP will get a few million worth of development funds. They also get a certain amount of NGO funds and then they are free to give to NGOs a certain amount for activities. So an NGO will have to submit a proposal, they give the money, NGO submits a report, and that’s it. So this is the backdoor channel of how political parties aligned with the MP get funds.”

The second channel involves direct applications to government agencies, particularly through the Implementation Coordination Unit (ICU) under the Prime Minister’s Department or other ministries that administer community and welfare-related grants. One interviewee explained: *“Funds come through connections in ministries... we apply as youth associations, any kind of association really... usually, they use associations and apply for funds from ICU or ministry allocations.”*

Formally, these funds are justified as supporting welfare or community programmes; however, in practice, they are often used to sustain political mobilisation, party programmes, and engagement with both party members and constituents. As noted by an interviewee, *“An MP holds a Raya gathering and wants to get RM200,000. Where do they get it from? They just apply through an NGO, basically using the NGO as a cover.”*

Some interviewees alluded to less formalised practices within these arrangements, including the possibility of informal deductions or discretionary control over funds when seeking ministry approvals, such as where a small cut is taken by the officers or by staff in ministries. However, there was no direct evidence provided, but they point to the perceived risks related to transparency and financial governance. Even if one channel is blocked, there is always political will to find another source of funding.

“Sometimes we use proxies because we cannot be fixed on any platform as we don’t know which platform will be targeted by the government. So that’s why we really expanded our network. We use proxy, we use NGO, we use company. If an NGO or company is targeted, the account will be freezed [sic]. We’ve faced many such cases, which is why we keep expanding affiliations.”

Party financing is not derived from a single pathway but instead consists of multiple interconnected sources that political parties can tap into. Established parties with long-standing dominance and sustained incumbency often hold significant advantages in this regard. Their position enables access to extensive networks among corporate elites, as well as familiarity with informal or less transparent channels of resource mobilisation, including state-linked funding streams. These arrangements continue to blur the boundaries between party financing and government resources, raising broader questions about the separation between political office and administrative authority. For instance, the distinction between a politician acting in an official capacity (e.g. as a minister or elected representative) and the use of their political influence to drive the interests of specific individuals or groups within their constituency, in ways that may involve informal or undisclosed exchanges.

The involvement of many different actors result in an accounting challenge for those seeking to count costs. In turn, policymakers seeking to regulate them. A potentially large share of political costs are met directly by affiliated or sponsoring entities, with the funds never entering formal party accounts. As a result, attempts to measure costs at the party organisations level is almost certainly incomplete, as would be regulation that targets party expenses exclusively.

The capacity to raise funds is closely tied to who submits the request, their position within party hierarchies, and the perceived likelihood of electoral success. The following section therefore turns to how these funding flows are managed internally, examining how money circulates within political parties and how these dynamics shape internal politics, and ultimately who is nominated as the party’s election candidates.

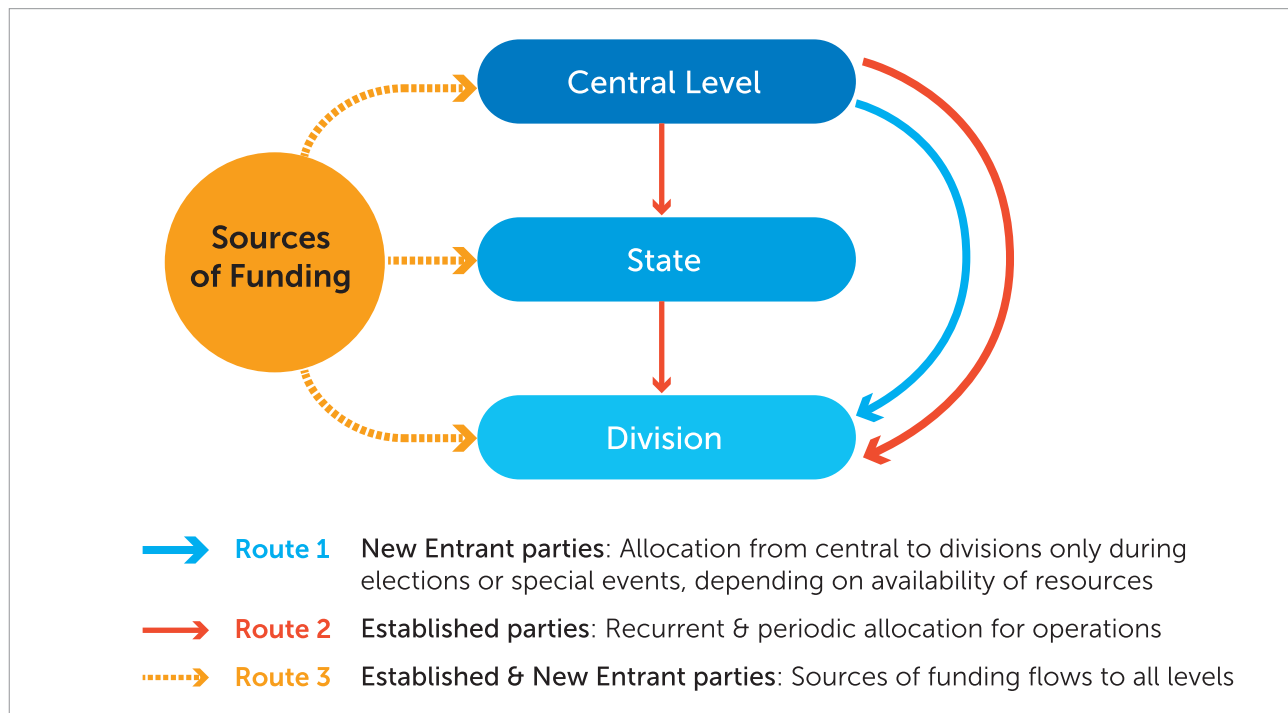
4 Resource Distribution And Financial Governance Within Political Parties

4.1 Understanding Political Parties' Resource Distribution

The distribution of resources within political parties is not uniform. Most parties operate across three main levels: the central operations, the state, and the division. Funds are distributed between these levels, usually from the centre downwards. Distribution may be undertaken by party actors or individuals operating within any of these tiers.

For established parties in particular, there is a frequent and recurrent allocation of funding from the centre to the state and the division, including outside of election season. The nature of this recurrent distribution is typically operational, the purpose of the allocation focusing on sustaining the daily costs of the offices and centres at the state and division level (see Figure 1). Disbursements cover mostly overhead costs such as office rental, staff pay and utilities bill. For example, one interviewee mentioned that an established party allocates about RM10,000 per month to the division specifically for the operational costs of its offices. A different interviewee claims that for another established party, the annual operational costs of running the headquarters is estimated to be between RM600,000 to RM1 million.

Figure 1: Non-Exhaustive Compilation of Financial Distribution in Political Parties



Source: Authors compiled from interviews.

On the other hand, the new entrant political parties' state and division levels do not receive frequent or recurrent allocations from the central. Interviewees mentioned that their state and division are expected to be financially independent, with little to no expectation of receiving funding from the central outside of elections and special events.

Established political parties have a significantly greater amount of funding that flows from the central to the state and division during elections and for special programmes such as welfare and political awareness raising. In one established party, the central gives RM250,000 to RM300,000 to the division during election campaigns (see Figure 1).

New entrant political parties' practices are more ad hoc or reliant on requests from the division and state as well as availability of resources. Some of the new entrants' central headquarters bear some cost of the state and division during election periods or at the very least, centralise the procurement of election paraphernalia or materials such as banners and party flags to minimise cost. For some parties during elections, the central will help to buy party flags or banners in bulk to leverage economies of scale. While for other new entrant parties, the division or candidates cannot expect funding to flow from the central even during election period. The periodic nature of the flow of money (or lack thereof) from the central to the state and division hinges on availability of resources. If there are excess resources at the central, there would be periodic allocation to the state and division. If there is none, the flow simply does not happen.

Several parties attempt to use distribution formulas and resource distribution in different settings. In the previous section, it is highlighted that an established political party has a practice of collecting *Infaq*. The *Infaq*, according to our interviewee, is distributed by the central at a certain percentage to the state and the division. For another established political party, during state elections, our interviewee claims that there is a formula that determines how much funding a division receives from the central based on the number of voters that are in the DUN constituency. Neither was willing to disclose the exact calculation.

Suggestions of formulaic distribution by parties stands in contradiction with several interviewees that mention distribution is significantly related to political connectedness. Proximity of the Division Chief to the President or other positions of power within the party is said to ease the flow of money to certain divisions. It points to the hybrid nature of the internal allocation of funding of political parties: on the one hand, it can be discretionary, depending heavily on the personal relationship between Division Chief and the President, on the other, it can also be formulaic, with attempts at formalising and regularising some allocation. The fact that some of the allocation hinges on proximity to power suggests at least some patron-clientelistic funding.

“Mostly during elections, yes. At other times, it depends on the full discretion of the leadership. For most parties, the state chairman is appointed by the president or equivalent most of the time.”

The following section examines how decisions over the allocation and use of political funds are made, revealing the concentration of financial control within party structures and its influence on internal governance and political competition.

4.2 Governance of Political Parties’ Finance

The financial governance within the political parties system is considered as layered. Formal structures coexist with informal practices and overlapping axes of control. Parties typically maintain centralised decision-making bodies (central committees) yet there are instances of decentralised decision-making processes.

Parties typically maintain centralised decision-making bodies—such as central committees (e.g. Majlis Pimpinan Pusat) that are formally responsible for approving expenditure. However, in practice, interviewees suggest that financial control is often concentrated within an inner circle of political elites or the “warlords”. These inner circles are referred to as “political bureaus” or top leadership groups. This inner circle generally includes the president, deputy, vice, division leader, treasurer, information chief and division secretary. Through this, it exercises a disproportionate influence of how funds are allocated. Despite formal meetings becoming an avenue in which expenditure decisions are nominally endorsed, interviewees suggest decision-making functions are procedural rather than substantive:

“Sometimes, I think party meetings are just to fulfil formal requirements. But in reality, there are meetings after meetings. Internally, there is some internal politics. So yes, the Majlis Pimpinan Pusat decides how money should be spent. But some people in the party have more lobbying power. Usually, the “warlords” are the ones who decide where the money goes.”

These financial decisions are, according to interviewees, subject to internal auditing. AGMs at different political party levels serve as key platforms for financial disclosure internally where the treasurer present summaries of income and expenditure. Some of the details include sources of donations, programme spending and remaining balance. However, the extent and depth of disclosure may vary across party levels.

Parties are also required to submit audited financial reports to the Registrar of Societies Malaysia (ROS), with non-compliance carrying the risk of sanctions, including the suspension of party branches. However, despite these formal oversight mechanisms, the fragmented nature of financial flows combined with multiple entry points through which funds are raised and distributed limits the extent to which such audits can fully capture and govern all political financing activities.

However, interviewees suggested that some politically relevant funds may not fully enter formal party accounts. Instead, such resources may be raised by individuals, retained prior to transfer, routed through intermediaries, or expended via affiliated or informal channels. Given that party divisions and state-level branches are often permitted to conduct their own fundraising activities, portions of these funds may be held outside official party accounts. For example, in personal accounts particularly of division leaders. These transactions remain unrecorded if they do not pass through treasurers, complicating financial oversight.

“Of course he received it. He just didn’t report it, didn’t record it. Mostly the recorded transactions are those that go directly to the treasurer.”

The governance of political finance becomes particularly fragmented during the election period where rapid and flexible spending is necessary. Interviewees emphasised that the vast majority of campaign-related expenditures rely heavily on cash-based transactions. Such practices may be operationally efficient and partially permitted within existing regulations, yet they introduce significant discretion in how funds are handled and transactions reported.

“Party machinery work is usually cash. 95% is cash. We paid for election expenses in the form of cash. We don’t use cheques. Even paying for suppliers, we used cash.”

Financial governance and control is often dispersed between funds that are governed by the party and those managed by individuals, factions or affiliated actors. While party level structures may oversee and audit expenditures, the operational reality enables significant autonomy for those directly handling funds. In this, financial reporting, spending and oversight does not provide a full picture, limiting the extent to which formal governance mechanisms fully capture these activities.

These governance arrangements have implications for internal party dynamics and access to political participation. Positions within party leadership bodies especially at the central committee level or the leaders at branch levels are highly sought after for the greater control over financial resources and financial authority. Holding these positions unlocks influence over fundraising networks and the allocation of party funds. This elucidates why internal party elections are frequently described as highly competitive, with candidates that are able to fundraise or have solid financial backing emerging as victors of internal party elections.

In established parties, interviewees suggest that those who secure leadership positions often possess substantial backing; an advantage that not only helps secure internal party positions but gives them an added edge in elections. Individuals who are able to mobilise financial resources through personal wealth or networks tend to secure more opportunities to contest in elections.

“But usually, I would say nowadays, from my experience as a candidate, people will bet on the candidate with a lot of money. Unless you are a very strong figure with a huge following, people will be okay. But sometimes, a weird thing is that certain candidates have more manpower, because he/she is a child of a ‘dato’. Hence, their net worth is higher. That affects the internal party dynamics.”

From a political party perspective, fielding candidates who are able to supplement financing of their own campaigns or contribute to party resources can reduce the financial burden on the party, especially with the high electoral costs. Financial stability, in addition to other criteria, is also a precursor that if successful, the candidate will be able to manage constituency-level responsibilities post election.

“Candidates who are financially stable and don’t have any financial problems on a day-to-day basis or family obligations. If the candidate wins the election, it won’t interfere with their finances – especially in terms of providing for their children, spouses or parents.”

The distribution of resources within political parties reveals distinct patterns between established and new entrant parties. Established parties tend to provide financial support to their state and divisional structures, whereas new entrants rely more heavily on decentralised fundraising mechanisms. Although parties maintain formal systems of financial oversight, including auditing requirements, actual financial decision-making often appears to be concentrated within a small inner circle of senior leaders or “warlords.”

In sum, with multiple organisational layers within parties being permitted to conduct fundraising independently, financial transparency becomes more complicated. Some funds given to individuals or other organisational layers may remain unrecorded, with financial tracking largely dependent on treasurers and formal reporting channels. Financial power appears to be concentrated among a limited group of actors, reinforcing the influence of inner leadership networks. This concentration shapes internal party competition, making intra-party selection processes increasingly contingent on access to financial backing and influential connections. This influences the candidate selection for electoral contests, with significant implications for internal party dynamics and the inclusiveness of democratic participation.

5 Implications for Healthy Democratic Functioning

The findings above highlight the costs and key drivers of their rise for political parties in Malaysia, across both established and new entrant parties. Increasing operational and electoral demands create sustained financial pressure through electoral cycles, forcing parties to turn to multiple funding streams. Internal and external sources of funding are unevenly accessible by political parties of differing maturity. State-linked funding is also influential and very much skewed towards incumbent parties. The distribution of these resources is dependent on the party structures and practice. Fundraising activities may occur across national, state and divisional levels, with the control and authority often concentrated within leadership positions at each level. Parties adopt varying models of distribution, with some relying on formula-based redistribution to fix allocations across organisational tiers and others with decision-making on finances residing with the top leadership.

The rising cost of political participation risks undermining healthy democratic function by reshaping how parties organise, fund themselves and select candidates. As the financial demands of political activity grow, parties are compelled to prioritise and expand their fundraising strategies, often drawing on incumbent advantages and entrenched networks. In turn, access to these funding channels is consequently concentrated among a small group of party leaders and well-connected actors, endowing them with disproportionate influence over internal party decision making including candidate selection. This, at times, fosters potentially problematic relationships between political parties and external funders.

Higher costs create a competitive advantage for incumbents. The ability of established parties to absorb and manage these costs reinforces their entrenched incumbency and limits opportunities for new entrant parties to compete on equal footing. Established parties draw on existing donor networks and are able to reduce recurring operational costs such as rents through ownership of assets. New entrant parties, and by extension candidates fielded from these parties, face significantly higher barriers to entry as the financial threshold for mounting a viable campaign continues to increase. This imbalance skews electoral competition as it narrows the pool of candidates able to contest, limiting inclusive political representation. Over time, this repeats a vicious cycle in which financial capacity becomes an increasingly decisive factor in determining electoral success.

Competitive barriers are more acute in rural electorates where logistical costs are higher and reliance on traditional, grassroots campaigning methods raises barriers to entry. The financial demands of reaching dispersed electorates through travel and sustained local engagement are greater than in urban seats. Established parties are often better equipped to tackle the challenges of competing in these geographical variations through accumulated experience and infrastructure. This further amplifies existing inequalities between experienced incumbents and candidates fielded by new entrant parties, making it more difficult for new or less financially secure candidates to compete effectively.

Within this context, the electoral landscape in rural seats reinforces broader patterns of “power is where the money is,” or becomes a key determinant of political viability that sustains incumbency dominance.

Spending limits are not effectively enforced, with political parties routinely exceeding legal candidate spending limits. Ineffective spending limits do not help neutralise financial advantages in electoral competition. As a result, established political parties, often more well-resourced, retain a structural advantage by supplementing candidate expenditures through additional support mechanisms such as paying their deposit or providing the network of grassroots volunteers. These advantages are less evident in new entrant political parties, and ultimately the candidates that are fielded would have to be financially stable or have a higher chance of winning the seats. Despite the regulatory goal of levelling the playing field, the formal rules fail to equalise underlying inequalities in political finance. Further, the absence of a comprehensive disclosure campaign for party level spending during the election period obscures the true scale of electoral expenditure.

One particularly important driver of rising electoral costs is the use of voter incentives, which contradicts the principles of free and fair democratic competition. Such practices raise the financial barriers to entry for less well-resourced candidates and blur the line between public service and political patronage, a reciprocal expectation where monetary or in-kind support is linked to political loyalty. Maintaining such practices also requires continuous financial resources, adding to the cost of politics and incentivising parties to secure sustained funding streams. It reinforces a system in which financial capacity becomes integral to maintaining political legitimacy and grassroots support, privileging actors who often meet these expectations. A priority for getting costs down would be to tackle this area.

Dependence on certain types of fundraising can introduce channels of influence that extend beyond legitimate political financing. When parties rely heavily on particular donors, this may translate into undue influence that can percolate into policy decisions. This creates a risk that fundraising imperatives would alter political behaviour and decision-making, rather than being guided by genuine public interest consideration. As the boundaries between financial support and political influence become increasingly faint, transparency and accountability are weakened to the detriment of public policy.

Incumbents are mobilising state resources (i.e. taxpayers money) for political ends, undermining electoral competition. When state-linked resources, public funds or political appointments are leveraged for partisan advantage, the distinction between government functions and campaigning becomes less obvious. This allows incumbents to benefit from both the visibility and reach of state resources under the guise of public service delivery. Not only does this distort the playing field in elections, it also erodes public trust in state institutions as resources intended for collective welfare are perceived to be used for partisan gain.

The distribution of CDF is politicised and also unequal, while also being far too little to cover costs. Opposition parties face structural disadvantages, particularly due to limited or unequal access to CDF, which are often controlled by the ruling government. This may also skew voter expectations and behaviour, where the distribution of state resources is tied to political dominance rather than an equitable support for all elected representatives. As a result, resource allocation becomes associated with incumbency power and may ultimately become a determining precursor of voter decisions at the ballot box.

The sources and structure of political financing has pervasive effects on electoral competitiveness, access to power, and the integrity of policymaking. Unequal access to external and state-linked funding entrenches incumbency advantages, limiting the competitiveness of opposition and new entrant parties. As it currently stands, the donors and sources of financing to political parties remain largely undisclosed, creating significant opacity within the political financing landscape. Interviewees suggest that some contributions may originate from foreign actors, although such claims are difficult to verify. This lack of transparency makes it challenging to assess the extent of undue influence, particularly in relation to policy decisions and the allocation of public procurement contracts. As a result, the distinction between governing and politicking becomes increasingly ambiguous, with public resources potentially reinforcing partisan interests. The blurred boundaries between political parties, funders, and public policy become more pronounced following the growing reliance on high-net-worth individuals and corporate actors as sources of political finance. This may enhance the access of these private actors to policymakers and policy processes, increasing the potential for lobbying influence and raising concerns about the extent to which public policy remains insulated from concentrated interests.

The governance and financial distribution within political parties is governed by both centralised and decentralised systems. Some parties adopt formula-based redistribution mechanisms, others rely on fixed allocations from central leadership to state or divisional branches. Despite these variations, financial decision-making frequently lies within leadership positions on each layer. At the same time, individuals occupying higher positions within party hierarchies are not only better poised to access and mobilise financial resources but are likely considered to be more winnable candidates. These networks of branch hierarchies are often dominated by older, well-connected men raising funds and deciding the candidates to be fielded. Within this structure, less affluent members, women and youth face structural disadvantages to candidacy and career progression, as they typically have less access to the networks through which money and political endorsements are circulated. Merit and diversity, in this context, risk being deprioritised in favour of financially advantageous or financially backed candidates.

6 Recommendations and Conclusion

The findings demonstrate that the cost of politics in Malaysia is both substantial and rising. Drivers include the increasing organisational scale and sophistication, and growing expectations from voters. Incumbency provides a significant financial advantage, as established parties are better positioned to access diverse and stable sources of financing. New entrants often rely on more innovative fundraising approaches and grassroots mobilisation. The broader landscape of political finance in Malaysia however is characterised by a high degree of opacity. The lack of transparency in funding sources, coupled with informal and state-linked financial practices, obscures the true flow of money within the system and raises concerns about accountability and influence.

In response to these practices and the implications for the democratic competition, this paper proposes a multi-level reform, addressing reforms at the individual, party, and institutional levels.

1. The findings of this study reinforce the urgent need for a comprehensive Political Financing Act that consolidates and modernises Malaysia's fragmented regulatory framework. Such legislation should include provisions on banning or restricting certain categories of donors, imposing donation caps, strengthening transparency and public disclosure requirements, and introducing mechanisms for public funding. As outlined by the All-Party Parliamentary Group on Political Financing (2023), the overarching objective is to reduce the influence of money in politics by regulating how political funds are raised, disclosed, limited, and monitored. With the heavy cost of politics identified in this paper, the introduction of public mechanisms could function as a great equaliser allowing new entrants a more level playing field and reduced reliance on private donors.
2. A complementary reform to improve the fairness and adequacy of public financing, Constituency Development Funds (CDFs) need to be depoliticised, better targeted and backed by robust monitoring mechanisms. At present, CDFs can create uneven footing for electoral representatives, particularly through unequal access that limits opposition participation and through the potential diversion of funds to party-linked NGOs. The allocation of CDFs for purposes such as constituent welfare and local projects also generates a form of dependency between voters and elected representatives, tying continued material assistance to political support, shifting voter expectations. The transition however will be a time-consuming and complex process and in the interim, the administration of CDF should be reformed to ensure equitable access and transparent criteria for allocation. Funding mechanisms should be standardised with clear rules-based distribution from discretionary control by ruling parties at both federal and state levels.

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3. Amending the Election Offences Act 1954 by updating candidate spending limits, recognising party-level campaign expenditures and requiring audited financial returns. Spending limits has been long criticised by CSOs for being too strict to capture contemporary campaign practice, resulting in higher non-compliance. Without such reforms, political finance regulation will continue to be undermined by the ability of parties to circumvent candidate-based limits through indirect expenditures such as party-based subsidies or in-kind provisions.
 4. Addressing entrenched voter incentives that contribute to rising cost of politics requires public education and civic awareness initiatives. These may include voter education to recalibrate expectations of political representations. These should foster greater public understanding that the role elected representatives play as legislators and that vote-buying, donor dependency, and personalised political giving ultimately weaken democratic accountability. It is an area in which civil society organisations, researchers, media actors, educational institutions, and reform-minded political leaders all have a role to play. For example, the Electoral Commission to educate the public on electoral offences and provide an avenue for citizens to directly report these offences during the 14-day campaign period as a start.
 5. Strengthening financial transparency and internal governance within political parties is necessary. At present, financial transparency among political parties in Malaysia remains weak. This lack of transparency reduces accountability and leaves room for opaque financial practices to fester. To address this, transparent internal reporting mechanisms should be introduced to ensure that party members at different levels have access to basic information on income and expenditure. Improved disclosure would not only strengthen trust within parties but also enhance broader public confidence in the political system. Financial capital should not be a leading influence on decisions over candidate selection. Without adequate safeguards, financial power can become concentrated and may disproportionately reinforce the authority of senior leadership structures.

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Appendix

Appendix 1: List of Interviewees

Code	Gender	Political Affiliation	Background
Political Operative 1	Female	MUDA	Former Political Officer
Political Operative 2	Male	PKR	Former Political Officer
Political Operative 3	Male	PKR	Veteran Party Member
Political Operative 4	Male	UMNO	Youth Party Member
Political Operative 5	Male	BERSATU	Former Political Officer
Political Operative 6	Male	PAS	Constituency Branch Leader
Political Operative 7	Female	STAR	Political Party Executive Committee
Political Operative 8	Male	UMNO	Constituency Branch Leader
Political operative 9	Male	UMNO	Constituency Branch Leader
Political Operative 10	Male	UMNO	Former Minister
Politician 1	Male	PKR	Member of Parliament
Politician 2	Male	BERSATU	Member of Parliament
Politician 3	Male	PAS	State Assemblyman
Politician 4	Male	DAP	Member of Parliament
Politician 5	Male	PSM	Senior party leader
Politician 6	Female	MUDA	Senior party leader
Expert 1	Male	-	Academician
Expert 2	Male	-	Academician



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