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NEW INSTITUTIONAL THEORY TO ASSESS CORRUPTION IN MALAYSIA'S CIVIL SERVICE

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ABSTRACT

Corruption remains a central concern in bureaucratic and political research. Traditionally, scholarship has focused predominantly on corruption's economic and legal dimensions. This study asks how cultural norms interact with institutional frameworks to sustain or resist corruption in Malaysia's civil service. It proceeds from two core propositions: first, that institutions actively shape cultural attitudes towards corruption; and second, that pre-existing cultural norms influence how institutions tolerate or reject corrupt practices. While new institutional theory (NIT) has been extensively applied in global corruption studies, its application in the Malaysian context, particularly to understand how culture sustains corruption within the civil service, remains limited. This study addresses this gap by analysing qualitative data from sixteen in-depth interviews with public officials and policy experts. Findings reveal that corruption in Malaysia often transcends simple rule-breaking, instead it becomes embedded in cultural logics of reciprocity, survival, and social obligation. This study highlights one of the first systematic applications of NIT to Malaysia's civil service by positioning cultural norms as co-productive with formal institutions to bridge the gap between predominantly legal-economic explanations and culturally grounded interpretations. This study posits that recognising the dual influence of formal and informal institutions is essential for designing reforms that are not only legally robust but also culturally resonant.

Keywords: Cultural norms, corruption, informal institutions, Malaysian civil service, new institutional theory

INTRODUCTION

Malaysia's civil service was shaped during British colonial administration, which established a racially stratified bureaucracy that privileged certain ethnic groups in administrative roles. After independence in 1957, the civil service became embedded within a patronage-based political economy in which access to state contracts, licences, and appointments was increasingly mediated by ethnic loyalty and party affiliation (Gomez and Jomo 1999; Gomez 2024). This historical backdrop is significant because it produced a civil service whose formal architecture of integrity – codified through Public Service Department (Jabatan Perkhidmatan Awam) circulars, induction training, disciplinary frameworks, and the MACC Act 2009 – coexists with deeply entrenched informal norms of hierarchy, ethnic solidarity, and reciprocal obligation. Malaysia's collectivist cultural orientation and the hierarchical structure of its bureaucracy (Hofstede 2001; Ho 2002) together create a context in which social appropriateness frequently competes with, and sometimes overrides, formal rules. It is within this sociocultural and institutional context that this study applies the New Institutional Theory (NIT) to examine how cultural norms sustain corruption. The central problem this study addresses is the persistence of corruption in Malaysia's civil service despite successive legal reforms and enforcement efforts. Existing approaches through rational-choice and legal-procedural frameworks, while valuable, insufficiently account for the culturally embedded logics that normalise corrupt practices within bureaucratic life.

Corruption remains one of the most concerning challenges in governance research. Although extensive reforms have sought to combat it through regulatory tightening and institutional oversight, corruption continues to endure within bureaucratic systems worldwide (Pillay and Kluvers 2014; Zimelis 2020). Conventional approaches, particularly rational-choice and legal-procedural models, treat corruption primarily as a problem of incentives, weak enforcement, or principal-agent failure. However, these frameworks struggle to explain why corruption persists even where formal enforcement mechanisms are strengthened. This limitation points to a deeper theoretical gap which is an insufficient attention to the informal cultural norms that shape how rules are interpreted, negotiated, and enacted in everyday bureaucratic life. In this study, Malaysia provides a compelling context for examining this puzzle.

Transparency International's (2023) Corruption Perceptions Index illustrates the global stagnation of governance transparency between 2013 and 2023, with Malaysia offering a striking example. Despite repeated reforms, including the National Anti-Corruption Plan (2019–2023), cases of civil service corruption continue to rise. Data from the Malaysian Anti-Corruption Commission (MACC) reveal prosecutions climbing from 323 in 2022 to 437 in 2023 and 570 in 2024 (MACC 2025). This trajectory challenges the prevailing assumption that strengthening formal enforcement mechanisms alone can resolve systemic corruption. This study foregrounds cultural norms as informal institutions and employs NIT to examine how these norms interact with formal institutional frameworks to sustain or resist corruption in Malaysia's civil service.

Conventional scholarship tends to define corruption as the "abuse of entrusted power for private gain" (Pozsgai-Alvarez 2020: 435; Transparency International 2023). While analytically useful, such definitions obscure the cultural and relational dynamics that normalise corruption in everyday administrative life. Within Malaysia's bureaucracy, corrupt practices are sometimes legitimised through cultural logics of reciprocity, survival, and communal obligation. These dynamics expose a paradox: while formal laws condemn corruption, informal practices may sustain it as part of social life. Consequently, corruption cannot be viewed solely as an outcome of individual moral failure or inadequate enforcement. A fresh perspective posits that corruption emerges from social routines that ossify into habitual behaviours, ultimately becoming sustained as culture. Evidence suggests that corruption is a consequence of deep-seated cultural norms reinforced by longstanding social-institutional arrangements. Past studies (Quah 2018; Jones 2022; Gomez 2024) indicate that corrupt practices are sustained by a triad of factors: bureaucratic structures, social expectations, and informal networks. From routine gift-giving in offices (Azmi and Zainudin 2021; Jones 2022) to political patronage networks (Gomez et al. 2018), practices that deviate from formal rules are often transmitted through cultural understandings that render them socially acceptable. This transmission created a paradox between legal standards and accepted everyday interactions.

Within Malaysia's civil service, corruption manifests across four broadly recognised forms. Transactional corruption involves direct exchanges such as bribery and gift-giving as quid pro quo arrangements. Administrative and procurement corruption includes selective contract awards, abuse of discretionary power, and tender irregularities, representing the category most frequently prosecuted by the MACC (MACC 2025). Political-patronage corruption refers to the allocation of appointments, contracts, and resources based on loyalty rather than merit. Finally, relational corruption encompasses softer forms, including informal favour economies, selective enforcement, and tolerance of peers' misconduct, these are less visible but embedded in everyday bureaucratic life. This study focuses primarily on relational and administrative corruption as these are most directly shaped by the cultural norms under analysis; however, all four forms are contextually relevant to the Malaysian civil service and are addressed where the data warrants.

In contrast to rational-choice models that assume individuals make decisions based on cold calculation of personal gain and reduce corruption to calculated individual cost-benefit analysis, NIT offers a more interpretive and sociologically grounded perspective. NIT emphasises how formal structures and informal cultural norms jointly shape behaviour. By attending to the "logic of appropriateness" alongside the "logic of consequences" (March and Olsen 1989: 23), NIT allows for a deeper analysis of how actions are legitimised not only by rules and sanctions but also by cultural expectations of what is considered appropriate. This accommodates the complex ways in which formal legislative rules are mediated, resisted, or enacted through informal cultural institutions.

Through analysis of qualitative insights derived from interviews with sixteen public officials, this study demonstrates how corruption in Malaysia is not merely an isolated act of deviance but a socially constructed practice that is normalised within bureaucratic routines. From this viewpoint, corruption is a patterned practice that can be reproduced through invisible mechanisms of cultural reinforcement within institutions. This marks one of the first systematic applications of NIT to Malaysia's civil service, thereby bridging the gap between predominantly legalistic approaches and culturally grounded explanations. In doing so, this study contributes not only to understanding corruption in Malaysia but also to global debates on how cultural logics sustain institutional resilience in the face of formal reforms.

LITERATURE REVIEW

While much scholarly attention has been given to legislative effectiveness (Norziaton and Mohd Sabri 2022; Siddiquee and Zafarullah 2022) and organisational ethics (Malik et al. 2019), corruption in Malaysia's bureaucracy appears resistant to change (Quah 2022). The recurrence of public procurement scandals, such as project tender cartels and public disillusionment with the bureaucracy, suggest that existing explanations may not adequately capture deeper mechanisms that may sustain corrupt practices. Subsequently, three key gaps emerge within the Malaysian literature:

1. Limited engagement with emotional and relational pressures shaping behaviour.
2. Insufficient attention to the civil service's embedded position within political-economic networks.
3. The tendency to overlook informal interpersonal obligations structuring administrative conduct.

One overlooked dimension concerns emotional labour and relational pressures influencing ethical decision-making among civil servants. Despite procedural safeguards provided under the Whistleblowing Protection Act 2009, whistleblower participation remains low (MACC 2025). Mainstream corruption research (Gomez et al. 2018; Azmi and Zainudin 2021; Fernandez 2024) has largely adopted rational-legal assumptions that portray public officers either as opportunists who exploit regulatory loopholes or passive victims of weak enforcement systems. While useful, such framing overlooks hidden mechanisms of conformity that operate beyond the reach of legal deterrents which may undermine ethical decision-making. Recent studies (Kuah et al. 2021; Jones 2022) suggest that emotional and relational burdens shape behaviour within public institutions.

Emotional labour refers to the management of feelings to fulfil social or professional expectations. Such expectations are rarely codified but are crucial to ensure social survival and cohesion, especially in collectivist nations like Malaysia. Yet, the emotional dynamics that underpin ethical choices are largely underexplored in Malaysian anti-corruption literature (Ghazali et al. 2014). Conventional anti-corruption policies are guided by generalised legal principles assumed to apply universally. However, daily social interactions may go beyond strict professionalism. Emotions strongly influence ethical choices as Malaysian civil servants face implicit expectations to maintain workplace harmony and conform to departmental habits (Jones 2022). This suggests unseen conflicts between personal integrity and collective cohesion, which may lead them to act in ways that prioritise social harmony over formal compliance.

In addition, relational pressures operate alongside emotional demands as expectations for general social survival. They create dynamic social pressures that compel individuals to prioritise group loyalty and reputation over institutional integrity. Hofstede (2001) observed that collectivist nations adhere to relational pressures largely due to a cultural emphasis on maintaining social harmony and protecting relationships. As a result, actions that challenge group cohesion, like whistleblowing, may be interpreted as violations of communal trust. Consequently, there may be social de-emphasis on the importance of official codes of conduct, despite robust formal structures and mechanisms. This explains why legal protections alone may be insufficient to foster ethical behaviour and address ethical issues. These dynamics demonstrate that corruption cannot be fully understood through legal deterrence frameworks. Instead, the persistence of unethical practices highlights the need for NIT, which accounts for the cultural logics of appropriateness that guide decision-making.

Another underexplored dimension concerns the position of Malaysia's civil service within broader political-economic arrangements. Contemporary research (Malik et al. 2019; Norziaton and Mohd Sabri 2022) tends to frame corruption primarily as a procedural issue amenable to organisational reform. Historically, however, the civil service has operated not in isolation, but as an enabling mechanism within party patronage systems (Gomez and Jomo 1999; Gomez 2024), state-linked business arrangements (Gomez 2005), and inter-ethnic resource allocations systems (Khoo 2005; Lee 2023). Overlooking the civil service's structural position within the state's political economy may lead to corruption being treated narrowly as an ethical deviation and under-investigating its role as a political-economic instrument. Subsequently, this may underestimate the efficacy of institutional reforms and misdiagnose systemic behaviour as individual moral failure.

Moreover, few studies explore how everyday bureaucratic practices facilitate resource circulation. For instance, contracts, permits, and appointments are not merely administrative outputs, they are also instruments of political advantage (Siddiquee and Zafarullah 2022; Gomez 2024). Mid to high-ranking civil servants are often co-opted into informal distribution systems, blurring the line between administrative neutrality and partisan loyalty. This complicity may be facilitated through discretionary powers: broad administrative leeway allows civil servants to apply rules selectively. For instance, officers involved in tender approvals or procurement oversight exercise considerable interpretive autonomy in their engagement with clienteles (Mohd Yusuf et al. 2024). These circumstances can be mobilised selectively to benefit political patrons or business allies. In this light, what may appear as bureaucratic misconduct can instead be read as informal obligations embedded in unspoken expectations of political reciprocity. This dynamic resonates with what Parenti (2010: 186) identifies as "money politics" in his examination of how financial exchanges become institutionalised within political systems, to the point that they are accepted as forms of appreciation, patronage, or civic reciprocity rather than recognised as bribery. Parenti's account illustrates how economic and political elites routinely normalise such exchanges as legitimate acts of gratitude or political support, thereby insulating them from legal scrutiny. This comparative framing is instructive for the Malaysian context: just as Parenti documents vote-buying and preferential contract allocation being normalised within political systems. These insights reveal corruption as structurally embedded, not merely the result of weak enforcement or individual moral failure. This underscores the value of NIT in analysing how institutional roles, norms, and expectations can be culturally and politically co-produced.

A further underexplored dimension concerns informal hierarchies and interpersonal obligations shaping administrative behaviour. Although formal hierarchies are delineated through organisational ranks, Woo (2015) and Jones (2022) conceptualised that real authority may reside in complex webs of personal loyalty, seniority, and unwritten norms. These networks foster what van der Veer (2026: 81) terms "social debt economies" which refer to informal systems based on the exchange of favours. From this perspective, favours, access, and opportunities are exchanged based on longstanding relational obligations. For example, officers may feel indebted to their superiors, not just because of formal mentorship, but also due to past personal favours or long-standing relational investments. In such contexts, non-compliance with informal expectations may be interpreted as insubordination or betrayal. These dynamics are reinforced by ethnically coded notions such as *budi* (moral debt) and *balas jasa* (repaying favour), which may bind individuals into cycles of reciprocal obligation.

Additionally, informal interpersonal structures generate pressures that shape decisions as strongly as formal codes. Contrary to contemporary assumptions that formal rules guide decision-making, informal structures, such as emotional conformity, structural co-dependence, and symbolic reciprocity, create conformity through social indebtedness. This social indebtedness can be construed as constituting hidden moral economies: informal systems governed by norms of obligation may influence decision-making processes and override formal procedures. Ho (2002) similarly contends that the moral vocabularies justifying unethical acts are often treated as anecdotal rather than central to understanding bureaucratic behaviour. Over-reliance on procedural anti-corruption models may overlook these informal pressures and underestimate how relational obligations influence frontline administrative decision-making. These interpersonal obligations highlight how corruption is legitimised through cultural reciprocity and symbolic expectations. NIT provides a framework to make sense of these hidden dynamics, showing how informal cultural institutions can subvert or even neutralise formal safeguards.

Taken together, these gaps demonstrate that corruption in Malaysia's civil service cannot be fully explained by legal or rationalist paradigms. Emotional labour, political-economic complicity, and interpersonal obligations reveal deeper institutional dynamics sustaining corruption beyond incentives, deterrence, or procedures. Research in advanced countries (Barr and Serra 2010; Pillay and Kluvers 2014; Zimelis 2020) utilised NIT as a framework that leverages social interactions to make sense of complex institutional dynamics. Through this lens, corruption is understood not only as a legal violation but also as a product of emotional, symbolic, and relational infrastructures of social dynamics. Instead of leveraging linear rationality where hypocrisy and opportunist behaviour explained civil servants' deviant conduct, NIT allows analysis of how different institutional scripts are activated in different contexts. For example, formal professional settings may be overestimated as a useful tool to structure civil servants' behaviour when in reality civil servants are more inclined to invoke culture as rationale for their actions. As such, NIT illuminates the role of social interaction in shaping institutional behaviour. Therefore, applying NIT to Malaysia offers a theoretical bridge that shifts analysis from procedural legality to the cultural and relational infrastructures that sustain corruption.

THEORETICAL FRAMEWORK AND METHODS

New Institutional Theory

NIT provides a useful framework for analysing how individuals respond to dynamic interactions between formal and informal institutional arrangements. Unlike traditional institutionalism which largely emphasises formal structures such as legal and administrative procedures, NIT expands analysis to include informal institutions such as cultural norms, social values, traditions, and expectations. From this perspective, institutions are not merely legal or bureaucratic constraints (Powell and DiMaggio 1991), but also socially embedded systems that shape values, identities, and patterns of action. These unwritten and socially constructed informal elements subtly influence decisions and interactions within institutional settings.

Within the civil service, NIT helps explain complex governance environments that may validate corruption despite legal and regulatory safeguards. Contrary to rational-choice models that emphasise individual cost-benefit calculations, such as principal-agent theory (which frames corruption as a conflict between an authority and their subordinates), and rigid legal applications that emphasise structures, such as good governance theory, NIT underscores the importance of institutional structures and shared social meanings in guiding actions and behaviours. North (1990) and Ostrom (2007) posited that both formal and informal institutions jointly structure institutional behaviour. While formal institutions establish the boundaries of acceptable conduct through rules and sanctions, they are often insufficient to curb corrupt behaviours as individuals do not solely operate according to legal-rational calculations. Subsequently, NIT emphasises that behaviour is also shaped by informal institutions, such as shared cultural beliefs about appropriateness within a particular social interaction and shifting expectations in dynamic social environments.

The duality of institutions creates a paradox whereby formal anti-corruption mechanisms may be undermined by informal institutions. Barr and Serra (2010) demonstrated that formal and informal institutional pressures may lead organisations to adopt particular structures or behaviours not necessarily because they are effective, but because they align with prevailing social expectations. From this perspective, corruption may result from weak enforcement and general tolerance of deviant practices within institutional settings. Socially constructed practices can justify and reinforce corrupt acts through repetition, gradually aligning behaviour with dominant social assumptions. Over time, such practices become embedded as cultural rules, where bureaucratic pressures normalise unethical behaviour as routine. For instance, patronage-based appointments may not be perceived as corruption but as culturally accepted strategies for navigating institutional systems. In this way, informal institutions enable the social continuity of corrupt acts, transforming them into subconsciously accepted routines despite formal legal restrictions.

Within Malaysian civil service, the tension between formal rules and informal cultural expectations reflects the confluence of multiple institutional forces. Studies by Quah (2018) and Gomez (2024) highlight that legal reforms have not significantly reduced corruption. This suggests a vague understanding of institutional performance, pointing to the hidden influence of institutional habits. For example, deference to authority and hierarchy supports a system of loyalty and social obligations which, overtime, becomes a social routine (informal institutions) that can subsequently weaken laws and regulatory enforcement (formal institutions). Accordingly, this study adopts NIT to examine how culture interacts with formal institutions to create an environment within professional settings in which corrupt practices may be tolerated and facilitated through everyday institutional life. This proposed theoretical framing supports Alatas' ([1968] 2015) motion that corruption is not only evidence of legal or managerial failure, but is also a navigation of hidden cultural norms and symbolic systems. Crucially, this study represents one of the earliest systematic applications of NIT to the Malaysian civil service, offering a novel contribution that bridges global institutional theory with the specific cultural dynamics of Malaysia.

Research Method

This study employs a qualitative research approach suited to the exploratory nature of this study and its objective of generating context-sensitive insights into how cultural norms interact with institutional practices within Malaysia's civil service. Primary data were collected through semi-structured interviews, which enabled this study to capture nuanced perspectives on corruption-related experiences and interpretations among civil servants. A purposive sampling technique was utilised to identify suitable informants based on rank, years of service, and professional exposure to corruption-related issues. The analysis draws on interviews with officers from law enforcement agencies as well as federal and state administrative divisions.

The interviews were conducted between September and October 2024, using both face-to-face and secure online platforms depending on informant availability. Each session lasted between 60 to 90 minutes and was carried out primarily in Bahasa Malaysia, with English used where appropriate. All interviews were audio-recorded with consent and subsequently transcribed for analysis. The transcribed interviews decoded expressions such as local idioms to reflect the meaning of the phrases used. To safeguard confidentiality, identifying details have been generalised and informants are referred according to their professional experience. Data collection continued until thematic saturation was reached. By the 14th interview, no substantially new themes were emerging, and two additional interviews confirmed redundancy. This indicates that the dataset was sufficient to capture the range of perspectives relevant to the research questions.

The interview transcripts were analysed using Braun and Clarke's (2006) reflexive thematic analysis, following a six-phase iterative process to ensure a rigorous and systematic approach. The first phase involved familiarisation with the data through repeated reading and re-reading of the transcribed interviews while making initial analytical notes and observations. This phase was crucial for immersion in the data and forming early ideas. The second phase involved generating initial codes. A systematic coding was conducted across the entire dataset. Codes are the basic segments of raw data that appear meaningful. For example, a segment where an informant discusses "feeling pressured to accept gifts to maintain harmony" was coded as “obligation to repay favours”. Another segment on “following a superior to bypass a rule” was coded as “deference to authority”. Coding was conducted using NVivo 14 (Lumivero 2023, Colorado, United States), a qualitative data analysis software. The third phase involved searching for themes. The initial codes were collated into potential overarching themes. This involved examining how different codes could combine to form a broader pattern. For instance, the codes “fear of social exclusion” and “obligation to repay favours” were grouped under the candidate theme “the primacy of social appropriateness over formal rules”.

The next phase involved reviewing themes. This phase involved a two-level check. First, the researchers reviewed whether the coded data extracts formed a coherent pattern within each candidate theme. Second, the entire thematic map was reviewed to ensure that the themes accurately reflected the meaning of the dataset and were distinct from each other. Some themes were merged, split, or discarded at this stage. The fifth phase was defining and naming themes. Each theme was refined with clear and concise headings that captured an analysis of what each theme concerned, how it answered the research question and its significance. The final phase involved producing the report. In this phase, vivid compelling extract examples were selected from the raw data and embedded within the report. This provided a finalised discussion for this study.

In addition to interview data, this study incorporated secondary sources to ensure robust triangulation and contextual depth. A purposive sampling strategy guided the selection of documents, focusing on materials directly relevant to corruption in Malaysia’s civil service. These included:

1. Government documents such as internal circulars issued by the Public Service Department between 2010 and 2024, MACC annual audit reports (2015–2024), and official statistics released through the Malaysia Government Open Data Portal.
2. Legislative and policy documents, including the Whistleblowing Protection Act (2009), National Anti-Corruption Strategy (2024–2028), and parliamentary committee reports on governance and integrity.
3. Academic sources, such as peer-reviewed journal articles and scholarly books on Malaysian bureaucracy and corruption studies published between 2000 and 2024.
4. Credible media reports that provided contextual detail on high-profile procurement and administrative scandals.

To ensure reliability, only official and peer-reviewed sources were used, and documents were cross-checked against multiple outlets where possible.

The analysis of secondary data followed a directed content analysis approach, where coding was informed by themes derived from NIT and refined through patterns emerging from the interview data. This method allowed this study to trace how formal institutional prescriptions (e.g., laws, circulars, and audit frameworks) were interpreted, adapted, or contradicted by informal norms and cultural expectations within the civil service. By integrating primary and secondary sources, this study situates everyday bureaucratic practices within a broader institutional and historical context.

This study employed methodological triangulation to enhance credibility. Firstly, primary interview data were systematically compared with secondary sources. Then, patterns identified in interviews were cross-checked against documentary evidence to assess their consistency, while secondary data also helped contextualise participants’ experiences within broader institutional frameworks. The use of directed content analysis guided by NIT, allowed themes from the interviews to shape the coding of secondary documents, thereby ensuring analytical coherence. This triangulated approach not only strengthened validity but also minimised the risk of relying on single-source interpretations.

This study received ethical clearance prior to data collection. All data were analysed qualitatively using a directed thematic analysis approach informed by NIT. While themes emerged inductively from the interview transcripts, the coding framework was theoretically anchored to NIT's core concepts: formal and informal institutions, the logic of appropriateness and path dependency to ensure that findings directly addressed the research question of how cultural norms sustain or resist corruption in institutional settings. This meant that each theme was not only identified as a recurring pattern in the data but also assessed for its analytical function: specifically, whether and how it demonstrates that cultural norms constitute, enable, or legitimate corruption rather than merely co-existing alongside it. The final three themes illustrate how formal and informal institutions interact, how cultural appropriateness logic overrides legal deterrence and how path-dependent institutional culture reproduces corrupt practices across time. These themes are therefore both empirically grounded and theoretically accountable to the NIT framework and this study's argument.

RESULTS AND DISCUSSION

This study addresses a gap in public administration scholarship on corruption by applying NIT to move beyond predominantly legalistic explanations. Cultural norms are conceptualised here as informal institutions shaping what civil servants perceive as appropriate conduct. This includes practices that formally constitute corruption, such as gift-giving to superiors, selective contract allocation along ethnic or kinship lines, and deference to authority to maintain relational harmony, which may nevertheless be interpreted within socially valued frameworks of reciprocity, loyalty, and communal solidarity. Three categories of culturally embedded norms are identified: (1) relational norms (reciprocity, *budi* and *balas jasa*) that create cycles of social indebtedness; (2) hierarchical norms (deference to seniority, *abang-kakak* [brother-sister] dynamics) that suppress whistleblowing and dissent; and (3) communal solidarity norms (ethnic loyalty and group conformity) that may reframe patronage as culturally legitimate.

Findings demonstrate that corruption in Malaysia is sustained through a dynamic interplay between formal rules and informal culturally-rooted norms. Corrupt practices are often not perceived as deviant but become normalised as behaviours aligned with what is considered socially appropriate conduct. The following themes were derived from analysis of interviews with officials across enforcement, administrative, and policy sectors.

Formal and Informal Institutions

Formal institutions are designed to standardise professionalism through codified rules and procedures. At the international level, frameworks such as the United Nations Convention against Corruption (UNCAC) promote integrity based on principles of impartiality, neutrality, and accountability (Transparency International 2023). These are operationalised through transparent bureaucratic procedures, including open data initiatives and rule of law mechanisms. A mid-rank federal administrator affirmed that civil servants are bound by professional norms: "Any civil servant in any department or agency is indeed bound by the norms of being a civil servant. We cannot escape from the matters I mentioned earlier, which include trust, integrity, responsibility, and so on" (I-2).

This sentiment was echoed across interviews. Several other informants highlighted that both probationary and appointed officials are required to undergo structured induction and integrity training programmes, during which professional standards and ethical obligations are systematically instilled. These programmes are reinforced by the National Anti-Corruption Strategy (2024–2028), which outlines specific integrity targets for the public sector, and by Public Service Department circulars that bind all civil servants to codes of professional conduct regardless of rank (Public Service Department 2025). At the enforcement level, the MACC administers corruption awareness programmes and integrity certification requirements across agencies. Together, these mechanisms demonstrate the formal architecture of ethics governance within which civil servants operate. Yet the inadequacy of this architecture is evidenced by escalating prosecution trends: MACC data recorded 323 civil service prosecutions in 2022, rising to 437 in 2023 and 570 in 2024 (MACC 2025). Procurement-related offences and abuse of discretionary power were among the most frequently prosecuted categories, suggesting that even well-resourced formal mechanisms remain insufficient without corresponding engagement with informal cultural norms. As such, professional standards taught during induction may not translate into practice once officers enter operational environments.

This formal structure exists in constant tension with informal institutions (unwritten social rules, norms, and routines) that govern actual behaviour. Although UNCAC provides a global benchmark for transparent governance, the Malaysian civil service continues to display tensions between these ideals and entrenched local cultural practices. For instance, while the Public Service Department issues circulars to reinforce accountability and neutrality, their effectiveness may be weakened by informal expectations of loyalty and reciprocity operating alongside formal codes. In Malaysia, informal institutions reflect interactions and shared understandings of social cohesion across diverse ethnic groups (Alatas [1968] 2015). This perspective was subconsciously leveraged as the core tenet assisting social coordination within a mixed ethnic landscape like Malaysia. A senior police officer described how these informal expectations become normalised within operational settings, consistent with NIT's logic of appropriateness:

> There are many norms that exist in my department. For example, positive and negative norms in terms of work and in terms of entertainment. This has become practice because of the assignment's requirements, a norm in some officers' lives. For example, going to that place, we must drink alcohol. This thing has become routine. (I-5)

The interviews further capture the distinction between formal and informal lived realities. The formal lived reality is observed through the official transcript, while the informal lived reality is seen through the hidden transcript. The official transcript is embodied by senior management and policy architects, their narratives provide insight into the intended design, strategic rationale, and espoused values of the institution. In stark contrast, the hidden transcript resides with field-level implementers who possess the tacit knowledge of how things are actually done. One informant described this tension succinctly: "They normally think; If the boss says it is okay, then it is not corruption. Maybe he knows the policy better. We just follow" (I-12).

Agencies with high levels of public interaction face particularly complex pressures. Although codified circulars as formal mechanisms exist to guide conduct, civil servants are subconsciously required to equally navigate affiliation with various cultural norms across different settings due to Malaysia's plural social landscape. Informant testimonies suggested that within these spaces, agencies fulfil tasks where some routines exert unseen emotional labour and relational pressures that may influence how certain behaviours are tolerated and gradually internalised, making them appear routine. This observation aligns with NIT's core proposition that behaviour is shaped through the interaction between formal and informal institutions (North 2005; Scott 2008). Malaysian civil servants are therefore structured not only by legal rules but also by cultural expectations (Alatas [1968] 2015; Jones 2022; Quah 2022), where social appropriateness may take precedence over consequence-based reasoning. The findings highlight a duality in which formal and informal institutions interact to shape behaviour that may enable and sustain corrupt practices. This duality helps explain why reforms based solely on formal rules remain insufficient.

Logic of Consequences versus Logic of Appropriateness

Malaysia's anti-corruption policies largely reflect a logic of consequences, assuming that behaviour is guided by rational calculations of costs and benefits. Integrity pledges, disciplinary frameworks, penalties, and oversight mechanisms exemplify this consequentialist orientation (Fernandez 2024). These measures reflect the belief that deterrence will curb misconduct by increasing the risks associated with corrupt behaviour.

Yet, field evidence indicates that decision-making within the civil service is frequently shaped instead by the logic of appropriateness rooted in social cohesion and group expectations. From a rationalist perspective, the perceived obligation to adhere to prevailing social expectations and norms is largely viewed as rule-bending (Barr and Serra 2010). However, cultural norms and expectations are influential in defining what is considered proper in a given social situation within the logic of appropriateness (March and Olsen 1989). A senior police officer illustrated this conflict through enforcement practice:

> From the aspect of norms, it is difficult, quite challenging because we are facing the general public, we can't stop that thing from happening, even if we can stop, they still want to ask for help. For them, it's just help, not bribery, but from the perspective of corruption, it is bribery. For example, we want to summon them, but they offer us something. We don't take it, but out of empathy, we give less summons, even though we could give two, three, five summonses because of many offenses. (I-5)

Here, formal rules (summons procedures) are reinterpreted through cultural logics of empathy, harmony, and social obligation. This finding suggests that some civil servants do not act solely based on legal deterrents, instead, social appropriateness may simultaneously guide their behaviour through social expectations and individual perception of what one ought to do in a given situation. In some settings, civil servants are expected to cooperate with the general public in a committed effort to build a positive perception of institutional legitimacy towards the government owing to Malaysian cultural emphasis on social harmony. Thus, rule-bending as an act of social conformity may be applied. This challenges formal ethical boundaries that confer legitimacy on practices deemed inappropriate by law and may unintentionally normalise corrupt practices as socially acceptable within prevailing cultural norms.

An important analytical boundary must be drawn between acts of corruption and culturally accepted practices of appreciation. This study draws on two criteria for this distinction. The first is conditionality: whether an act of appreciation is linked, explicitly or implicitly, to the expectation of a favourable administrative outcome such as contract award, leniency in enforcement, or preferential treatment. The second is formality: whether the act violates codified gift-giving regulations under Malaysian civil service rules or the MACC Act 2009, which prohibits the receipt of any gratification by public servants in connection with their duties. Under these criteria, collegial practices such as sharing food at a potluck, offering drinks to colleagues, or sponsoring a departmental gathering, when absent of any transactional expectation or regulatory prohibition, fall outside the scope of corruption. However, the cultural logic examined in this study is precisely what renders these boundaries permeable in practice. One informant observed how civil servants frame borderline exchanges in ways that blur the line between cultural appreciation and corruption: "It's done openly so everyone can see… It's more about us accepting it as a gift for our success… for the assistance we've provided to the community" (I-9).

Other informants confirmed that ethically questionable behaviour, such as gift-giving or favour exchanges, were framed as cultural expressions of respect, gratitude, or friendship whereby an individual feels obliged to express social indebtedness. This illustrates how the logic of appropriateness can reclassify acts that formal law would define as corrupt. This ambiguity is therefore a core analytical finding, not merely a definitional problem.

These obligations reflect informal institutions that coexist with and sometimes subvert formal rules. In some contexts, however, appropriateness can work positively. Informants reported that socially reinforced ethical training assisted civil servants to quickly adapt to new practices. This process aligns with NIT, where informal institutions co-exist with formal procedures to achieve a desired outcome. In this situation, ethically-oriented action, such as professionalism (formal institutions) can be positively adapted as a form of social appropriateness matching informal institutional dynamics through repetitive training and ethical behaviour narratives.

Alternatively, the inverse is also true. A documented MACC case illustrates this duality. A university administrator approved procurement contracts for a sibling's company without proper tendering, exploiting procedural loopholes for financial gain. A consequentialist logic frames this as rational opportunism for economic benefit. This case exemplified the logic of consequences wherein corruption occurs due to benefits gained from procedural loopholes (Fernandez 2024; Mohd Yusuf et al. 2024) and rational calculation of basic economic self-interest. However, an NIT lens reveals that misuse of discretionary power was also driven by expectations of kinship loyalty and social obligation. This shows how the logic of cultural appropriateness can be invoked to justify corrupt acts that are formally illegal.

Emotional labour and relational pressures reveal a civil service where ethics constitute a battleground. An individual's willpower is their internal fortress; however, it is a finite resource capable of being exhausted by the constant siege of external power struggles and pressure as described by one informant: "If your entire peer in that department is on the take, if you do not take, you might be in trouble…you might be eventually forced to also take" (I-2).

This testimony encapsulates the dual logic. The logic of consequences tests one's willpower, for example, fear of punishment; while the logic of appropriateness is the power struggle that an individual is trying to navigate, such as fear of ostracism.

Additionally, this finding supported explanations as to why corrupt acts may be driven by factors beyond legal and economic reasons. Similar reports by the MACC highlight procurement irregularities, abuse of discretionary powers, and systemic mismanagement as a subsequent interaction to simplify rigid bureaucratic procedures and navigate informal expectation of social coherence. Two informants captured this dynamic from the ground level:

> One reason is to make work convenient, and another is because they want to cover the cost of living…this can become a problem when mixed with the tendency to seize power. (I-13)

> People are not afraid of corruption; they are afraid of being caught and losing face. The shame is heavier than the punishment. (I-9)

This moves beyond abstract logics to the on-the-ground rationalisations. It shows that appropriateness is not just about culture, but also about personal convenience, financial pressure, and a specific type of shame (losing face) that is more powerful than formal punishment. This deepens the logic of appropriateness from a social concept to a psycho-social one. This pattern resonates with Lipsky's (2010) account of street-level bureaucrats, who exercise substantial discretion in frontline service delivery. In Malaysia, such discretion can be channelled towards navigating cultural obligations as much as enforcing formal law. This creates opportunities for misuse of powers to fulfil needs, producing outcomes that blur the line between legality and appropriateness.

Overall, this theme underscores that civil servants' behaviour is shaped by a dual logic: deterrence and sanctions (logic of consequences) coexist with cultural norms and expectations (logic of appropriateness). This duality explains why reforms based solely on punitive measures often fail, as they overlook the informal cultural pressures that make corruption appear socially acceptable.

Institutional Culture as Path-Dependent and Resistant to Change

The resilience of these informal institutions may be explained by their path-dependent nature. Informal institutions were resilient due to a longstanding and deeply embedded logic of appropriateness which became resistant to change and turn into culture. Changing social routines become challenging when culture lingers in daily habits. External governance standards primarily based on Western models of accountability and transparency may struggle to resonate culturally, especially when they appear to conflict with longstanding local moral values such as social duty, loyalty, and respect (Wang 1997). These values, while not inherently corrupt, may be mobilised to justify certain practices aimed at preserving group harmony.

This disjuncture between formal expectations and cultural values produces what may be termed as symbolic institutional culture. Institutional culture refers to institutions that leverage symbolic practices such as routine obedience to seniority and fear of authority. For better or worse, these symbolic practices depended upon cultural norms and shared Asian values to maintain their relevance, such as ritualistic deference to authority, to preserve existing hierarchies. One federal administrator captured this gap between formal training and operational reality: "During the induction they taught us integrity. But in the real office, it can be different... I have heard that some officers may face challenges if you question seniors... we just keep silent" (I-2).

An enforcement officer recounted how peer pressure draws junior officers into corrupt practices:

> I got cases where in the whole police station the whole group wanted to take and I ask one of the two cadets... "Why you get involved?" They say "If I don't get involved and be part of the member, I'll be like an albino". (I-10)

These performative aspects subconsciously signal unquestioning adherence to informal cultural norms and construct withstanding cultural norms where conformity is justified as part of a routine for social coherence. Informants described an institutional culture in which conformity was enforced through symbolic practices. But for many informants, these symbolic practices carried both protective and coercive dimensions. A junior federal administrator described how these symbolic rituals provided positive enhancements:

> There are practices of deference to hierarchy. But in my experience, it is positive. We refer our seniors as *abang* [older brother] and *kakak* [older sister]. They instilled positive environment in the workplace. This is because, when we set out to fulfil tasks such as dealing with contractors and private companies, there is always a risk where they may try to harm, threaten, or coerce us to follow their ways. They may use any type of unscrupulous means, such as falsely accusing us of corruption to remove us from our post if we refuse to comply with them. With *abang* and *kakak*, there is a sense of group protection that deflects these fears. (I-3)

By contrast, a former senior government executive, highlighted its coercive dimension:

> There is pressure; if you don't comply, you won't get promoted, or you might be transferred, or your resistance could be mentally taxing. The other thing is that you have to take power so that you feel comfortable and can easily get favours. I think this is only human. (I-7)

This contradiction suggests that informal cultural routines can both restrict and enable corruption. These practices are not reflected through policy adherence but through a social adherence to deeply embedded logic of appropriateness where habit, ritual, and social expectation of maintaining cultural practices are prioritised. From a positive perspective, social framing may assist in improving social cohesion, building trust, and enhancing positive work routines and environment. But from a negative perspective, social framing may render the deterrent effect of formal sanctions ineffective due to overriding concerns, such as loyalty and obligation, that may set symbolic legal sanctions. Other informants share the same sentiment, noting that compliance may prioritise cultural expectations in some situations. This finding confirms NIT's preposition that formal and informal institutions are practiced simultaneously, often in tension.

One informant further contextualised this, noting that corruption can be driven by the desire to meet social standards promoted through social media:

> In my opinion, an individual who is willing to set aside integrity by engaging in corruption does so because they want to keep up with the times. We are currently living in a world filled with technology, every day, we use Instagram, TikTok, Facebook, and so on. Sometimes, individuals will observe others' lifestyles there. Today they go eat at a fancy restaurant, then suddenly next month they have a new car, go on vacations, and so on. In my view, this indirectly forms a sense of envy and dissatisfaction for what others have which indirectly leads the individual to take the easy path that involves sacrificing their integrity by engaging in corruption. As we all know, taking bribes is easy. Leak project information and so on, it's easy money for someone to make. (I-2)

This finding aligns with the motion of reproducing patterns over time, such as the fear of missing out or perceiving silence as loyalty, driven by a need to conform with social standards. This generates self-reinforcing mechanisms that may give precedence to social pressures. As such, path dependency is not only rooted in tradition, but also evolves with modern pressures whereby social media fuels conformity to new standards of status and lifestyle.

One MACC case archive illustrated path dependency as an ingrained ideology sustaining ethnic narratives. This case illustrates how cultural logics intersect with corruption. A politician and a former Tabung Haji Chairman were prosecuted for attainment of contracts worth over RM100 million under the initiative of ethnic ties and reinforcing loyalty-based networks over merit.

Scholars noted that initiatives based on loyalty represent a path dependent choice made to stabilise social dynamics (Shamsul 1997; Ho 2002; Lee 2023). The Malaysian government introduced the New Economic Policy (NEP) in 1971, following the ethnic violence of 1969. Generally, NEP's objectives aimed to eradicate poverty irrespective of ethnicity and to restructure Malaysian society to eliminate the identification of race with economic function. However, its implementation sought to elevate the socioeconomic position of the Bumiputera (indigenous Malay and other indigenous) community through affirmative measures across education, employment, and the awarding of government contracts and licences. Although the NEP was superseded by subsequent national development plans after the 1990's, its policy legacies, including preferential treatment based on ethnic identity and state-directed redistribution through political networks, have persisted informally into the present. From this perspective, NEP is characterised as culturally-oriented as its implementation became intertwined with ethnic solidarity narratives and communal obligation, creating informal institutional pathways that outlasted the formal policy framework.

While culturally-oriented policies like the NEP aim to promote equity, their implementation is often mediated by informal networks that leverage ethnic narratives as interpersonal obligations that determine access to government contracts on the basis of loyalty rather than merit. This reflects a cultural logic reinforced by cognitive justifications (shared mental models) as well as conformity to social and professional expectations. Such examples illustrate that corruption in Malaysia's civil service cannot be reduced to weak enforcement or procedural loopholes. Instead, it reflects hidden cultural rationalities like loyalty, reciprocity, and social harmony, that confer social legitimacy upon corrupt practices. Through path dependency, civil servants may act to preserve relational harmony, hierarchical respect, and reciprocal obligation, owing to shared beliefs on intergenerational and socially reinforced cultural norms (Shamsul 1997; Lim 2002; Woo 2018). This shows how ethnic narratives and loyalty-based networks sustain patronage, demonstrating that corruption can be justified through path-dependent appeals to cultural solidarity.

From an NIT perspective, some bureaucratic contexts may often privilege the logic of appropriateness (cultural expectations and relational harmony) over the logic of consequences (formal deterrence), even when such actions contradict professional expectations. Corruption persists not merely due to weak laws, but because of a complex interplay between formal institutions and informal institutions sustaining systemic misconduct. The latter often overwhelm consequentialist deterrents by framing actions in terms of relational harmony and social survival. Therefore, reform strategies must look beyond legal enforcement alone by engaging and reshaping the underlying cultural rationales to address the systemic nature of unethical conduct in lived practice.

Importantly, these insights suggest that institutional change and reform should not aim to erase cultural values but to re-channel them. Practices of respect and solidarity, as symbolised through *abang-kakak* relations, could be institutionalised as structured mentorship, peer-support systems, or ethics-based leadership training. Loyalty can be reframed as collective accountability rather than blind deference. Leadership modelling can shift symbolic practices from hierarchical obedience towards shared responsibility. By sufficiently addressing and embedding these cultural practices within integrity-building initiatives, the civil service could leverage positive cultural norms to reinforce professional ethics. Without such reform, formal safeguards may continue to be overshadowed by the imperatives of social survival.

Beyond Malaysia, this finding contributes to global debates on institutional resilience and path dependency by showing how Asian values of loyalty, reciprocity, and respect embed informal cultural institutions so deeply that they can outlast and overwhelm formal reforms. This highlights the need to expand NIT debates to account for how cultural norms in collectivist societies shape institutional persistence in ways insufficiently explained by Western models.

CONCLUSION

While prevailing scholarship on corruption in Malaysia has predominantly relied on rational-choice or legal-procedural frameworks, this study offers a novel theoretical lens by applying NIT. Rather than framing corruption merely as a legal issue or principal-agent problem, this study reinterprets it as an institutional legitimacy problem. This perspective helps explain the paradox of lingering corruption in public administration despite strong legal frameworks. The findings demonstrate that informal institutions of culture, ritual, and social debt can influence and subvert formal anti-corruption institutions from within. This constitutes a significant theoretical contribution that advances debates in public administration and corruption studies in the Southeast Asian context.

Through the NIT lens, corruption in Malaysia's civil service emerges as a dynamic interplay between formal regulations and informal cultural norms. This study suggests a contradictory landscape in which formal structures exist to regulate integrity, but bureaucrats lived reality is shaped more by interpersonal obligations, perceptions of appropriateness, and path-dependent routines of deference and loyalty. This duality underscores that long-term anti-corruption strategies must treat formal and informal institutions as co-productive forces. Accordingly, anti-corruption strategies should move beyond regulatory enforcement and engage with cultural systems that guide everyday behaviour.

Institutional change and integrity reforms should emphasise transforming the invisible rules that influence habitual routines through gradual and cultural-specific approaches that cultivate sustainable ethical behaviour across institutions. This study recommends a shift in policy implementation from regulating behaviour through formal compliance-based audits to reshaping cultural environments where behaviour is learned, justified, and reproduced. One strategy is to introduce institutional diagnostics, such as cultural audits, to assess how integrity values are embedded in symbolic practices and group dynamics. For instance, the positive *abang-kakak* dynamic identified in this study can be reframed as a reform resource. This relational model can be formalised into a mentorship system where senior officers guide juniors in ethical decision-making while modelling integrity in daily practice. Such a shift would redirect hierarchical deference towards collective accountability instead of silence and complicity.

Additionally, training should shift from rule-based instruction that emphasises legal administrative codes, as these may be insufficient in contexts where loyalty and social cohesion outweigh legal rationality. Instead, training should engage with cultural critique of institutional habits that address the moral tensions civil servants face, such as balancing respect for superiors with professional accountability or navigating pressures to conform with cultural expectations.

Furthermore, this study demonstrates that culture is not homogeneous. Cultures within departments vary in their settings based on historical establishments, leadership, and interpretations of professionalism. Instead of top-down directives, this study proposes reforms co-created with civil servants to reflect lived realities. Reflective dialogues and peer mentorship initiatives would allow staff to critically examine and challenge cultural norms on what is considered appropriate and honourable conduct. This approach complements regulation by engaging the moral imagination of civil servants, targeting not only the legal-rational aspect, but also shared values, assumptions, and beliefs. By reframing respect, loyalty, and solidarity as ethical resources, reforms can harness cultural norms for integrity rather than allow them to serve as justifications for misconduct.

This study also highlights the need to strengthen whistleblower protections. The current Whistleblower Protection Act 2010 inadequately addresses the emotional risks and relational consequences whistleblowers may face within collectivist and hierarchical contexts. Interviews revealed that formal protections insufficiently address the sociocultural and institutional constraints faced by potential whistleblowers in environments where exposing wrongdoing is interpreted as disloyalty, betrayal, or disruption of group solidarity. A progressive revision should incorporate safeguards, including support and protection mechanisms against both formal sanctions and informal reprisals arising from fear of retaliation, career stagnation, or social exclusion. In this light, policies that normalise speaking up should be reframed as a morally courageous act that serves the broader public interest.

This study provides among the first empirical applications of NIT, demonstrating how cultural norms can subvert formal anti-corruption institutions in Malaysia. Beyond Malaysia, these findings contribute to global debates on corruption and institutional resilience. Through the systematic application of NIT, this study extends global theorisation on corruption by showing how Asian cultural logics of loyalty and reciprocity sustain institutional path dependence even in the presence of formal reforms. This insight extends NIT beyond its Western-centric applications by demonstrating how cultural appropriateness and relational expectations function as durable informal institutions.

Finally, several enhancements can be made to further strengthen research on NIT in public administration. It is recommended that future studies build on these qualitative findings by testing the prevalence of the identified themes through quantitative or mixed-method approaches. Future studies may also examine the applicability of NIT in other public administration contexts through national case studies or comparative research across agencies. In addition, comparative research across Southeast Asia, for example in Indonesia, the Philippines, and Thailand, could be undertaken to assess whether similar culturally rooted path dependencies shape corruption across different administrative systems. Such comparative inquiry would generate regional theoretical insights into how collectivist values interact with institutional reforms, thereby strengthening the global theorisation of corruption through NIT.

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COMPLIANCE WITH ETHICAL STANDARDS

This study received ethical clearance from the Research Ethics Committee of Universiti Teknologi MARA (UiTM) (approval reference: REC/09/2025 [PG/MR/530]) prior to data collection. All procedures adhered to UiTM's ethical guidelines for social science research. Participants were informed of this study's purpose and their right to withdraw, and informed consent was obtained prior to each interview. To safeguard confidentiality, interview transcripts, field notes, and documentary data were stored securely in encrypted password-protected digital files, accessible only to the research team.

CONFLICT OF INTEREST

The author declares that the study was carried out without any financial or commercial ties that might be interpreted as a potential conflict of interest.

NOTES

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