

Malaysia

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I. A Brief Description of Malaysia's Higher Education System

Higher education in Malaysia consists of three sectors – degree-granting institutions, diploma-granting institutions and skill development centres, which offer technical and vocational certification. There are both public and private institutions within each sector.

The 20 public universities have the authority to award degrees from the bachelor to doctorate levels. Polytechnics award technical and vocational diplomas and advanced diplomas. Community colleges award technical and vocational certifications¹. The governance of public universities comes under the purview of the Malaysian Ministry of Education. The Universities and University Colleges Act of 1971 empowers the Minister for Education to appoint the vice chancellors of public universities, even when those institutions have been corporatised in some ways.

Since the deregulation of higher education in the mid-1990s, there has been a large increase in and expansion of **private universities** and **university colleges**, from none in 1995 to 38 private universities and 22 private university colleges in 2015. These are concentrated in the Klang Valley, the metropolitan area around the federal capital, Kuala Lumpur. Foreign universities such as Monash University, Curtin University and Swinburne University from Australia, and Nottingham University from the United Kingdom, have set up branch campuses in Malaysia. Additionally, there are about 1,000 **skills development centres**, two-thirds of which are private institutions. The government's regulatory control over private institutions is defined by the Private Higher Education Institution Act of 1996. Private universities can only be established at the invitation of the Minister for Education.

Table 1. Official 2014 Malaysian government statistics on higher education institutions (except skills development centres)

Type of institution	No. of such institutions	Enrolment
Public universities	20	560,000
Private universities	70	485,000
Private university colleges	34	
Private colleges	410	
Community colleges (public)	91	22,000
Polytechnics (public)	33	90,000

Source: Ministry of Education Malaysia, 2015.

The gross enrolment ratio of the 17-23 age cohort has increased steadily from six percent in 1985 to 36 percent in 2009. The total number of tertiary students has more than doubled from 600,000 in 2001 to 1.3 million in 2010. Out of this total, 58 percent were enrolled in the public higher education institutes, 35 percent were enrolled in the private ones, and 7 percent were studying abroad².

¹ Lee, Molly. 2015. "Higher Education in Malaysia." Unpublished paper.

² Weiss, Meredith L and Bridget Welsh. 2014. *Routledge Handbook of Contemporary Malaysia*.

The Higher Education Department within the Ministry of Education coordinates and monitors the activities of public and private universities and colleges. This department existed as a separate Ministry of Higher Education, from 2004 to 2013.

Major contemporary issues

In line with the Malaysian government's vision of shaping the country as an "international education hub" through the expansion of private education services, EduCity Iskandar Malaysia was initiated in the special economic zone in the state of Johor. It comprises universities – including branch campuses of foreign universities such as Newcastle University, the University of Reading and the University of Southampton – other higher education institutes, as well as research and development centres within one complex.

Because of the government's large investments in higher education, alongside the trends in corporatisation in some aspects of administration, issues of government involvement and university autonomy have arisen. Yet in other aspects, the current system is considered restrictive from the viewpoint of the university, insofar as faculty members are still civil servants in line with public service statutes, with highly fixed salaries (restricting the universities from offering competitive compensation packages to draw the most qualified faculty); vice chancellors (as mentioned earlier) are appointed by the Ministry.

Issues of access to higher education continue to cause contention among the various ethnic groups in Malaysia. Racial quotas were eliminated in 2002, with access to public universities to be based on merit instead. However, there have been contentions that the native Malays – the *bumiputera* – continue to benefit from affirmative action because they are admitted to public universities through a matriculation/pre-university programme, while the non-*bumiputera* (Malaysian Chinese and Malaysian Indians) can only access it through the Sijil Tinggi Persekolahan Malaysia (STPM) examination. This has led to a situation whereby graduates from public institutions are typically *bumiputera* who are more comfortable using the Malay language and who eventually work in the public sector, while graduates from private institutions are typically non-*bumiputera* who are more comfortable using the English language and who eventually work in the private sector. This ethnic divide has been described as "problematic" (Lee, 2015).

II. The Financing of Higher Education

From 2004 to 2014, the Malaysian government increased its total expenditure on higher education by 13% per annum, from RM 4.3 billion to RM 15.1 billion. This increase was driven by a 6% increase in student enrolment and a 7% rise in per student costs. As a percentage of the national budget, higher education spending by the Ministry has remained stable at about 5% or above per year.

According to the Malaysian Ministry of Education, the per student cost of delivering higher education to students enrolled in the Malaysian public higher education system is about RM 20,700 annually, a figure which includes the institutions' operating costs, capital expenditure, as well as the Ministry's expenditure. The average operating cost per student for public universities, specifically, is estimated to be around RM 18,000 per student. Naturally, the operating cost per student differs across public universities, depending on the size of the university, the programmes it offers, its location, as well as the productivity and efficiency of its operations. For example, some non-research universities incur higher operating costs per

student than the five Malaysian Research Universities (MRUs), which have a higher proportion of postgraduate and doctoral students.

The current system incorporates a hidden blanket subsidy for every student of around RM 16,000 to cover operating expenditure of public universities. This subsidy is delivered through block grants to institutions, and the total amount does not vary significantly from year to year.

Trends in tuitions fees

Increases in tuition fees at the public universities have been relatively minimal over the years, and they remain highly subsidised by the government. However, tuition fees at private universities – which are attended predominantly by non-*bumiputera* students – have risen by about 10 to 12% over the past few years, by some estimates. This supersedes Malaysia’s official inflation rate of fewer than 3% in recent years.

Table 2. Malaysia Higher Education Expenses Borne by Parents and Students, First Degree, Academic Year 2015-16 - Instructional expenses for one academic year

[National currency Malaysian ringgit (RM) converted to \$US by 2011 ICP Purchasing Power Parity Estimate at US\$1 = RM 1.46]

NB. Fees given as for Malaysian citizens

	Public		Private	
	Low cost Polytechnics ³	High cost ⁴ Public universities (business/social science degrees)	Medium cost ⁵ Foreign branch campuses (arts/social science degrees)	High cost ⁶ Private medical school (undergraduate)
Tuition fees	RM 400 (US\$ 274)	RM 7,000 (US\$ 4,795)	RM 35,690 (US\$ 24,445)	RM 91,000 (US\$ 62,329)
Other fees	RM 500	RM 100	RM 100	RM 1,600
Books, etc	RM 200	RM 400	RM 600	RM 1,000
Subtotal	RM 1,100	RM 7,500	RM 36,390	RM 93,600
Lodging	RM 120	RM 2,050	RM 600	RM 5,000
Food	RM 2,500	RM 5,000	RM 5,000	RM 5,000
Transport	RM 600	RM 600	RM 600	RM 600
Other personal	RM 2,000	RM 5,000	RM 5,000	RM 8,000
Subtotal	RM 5,220	RM 12,650	RM 11,200	RM 18,600
TOTAL	RM 6,320 (US\$ 4,329)	RM 20,150 (US\$ 13,801)	RM 47,590 (US\$ 32,596)	RM 112,200 (US\$ 76,849)

³ "Entry Requirements for Polytechnics". 2016. <http://www.etawau.com/edu/KolejPublic/Polytechnics.htm>.

⁴ Taking local fees for an economics degree at the University of Malaya

"Everyday Expenses and Cost". 2016. <http://www.universitymalaysia.net/everyday-expenses-and-cost/>.

⁵ Taking local fees for an arts/social science degree at the University of Nottingham Malaysia Campus

"Undergraduate Tuition Fees for 2016-2017". 2016. *The University Of Nottingham - Malaysia Campus*. <http://www.nottingham.edu.my/Study/Undergraduate-courses/Tuition-fees.aspx>.

⁶ Taking local fees for a medicine undergraduate degree at the International Medical University "Fee Structure". 2016. <http://www.imu.edu.my/imu/admissions/fee-structure/#option002>.

III. Financial Assistance

PTPTN – the major national student loan programme

The government established the National Higher Education Fund Corporation (PTPTN, as abbreviated in Malay) in 1997. It is a sub-group of the Ministry of Higher Education that disburses direct grants, allocations and student loans to public higher education institutions, as well as subsidises loans for students attending expensive private institutions. Government grants fund more than 90% of the expenditure of public higher education institutions, while 48% of students of private higher education institutions benefit from PTPTN student loans. Beyond direct government grants, the total value of student loans granted by PTPTN has more than doubled since 2001, to RM 5.5 billion worth of loans in 2013 alone. From its inception to October 2014, PTPTN has provided a total of RM 49.4 billion worth of loans to more than 2.1 million students of higher education (Ministry of Education Malaysia, 2015).

Loan terms

According to the government, the PTPTN has a 100% approval rate for loan requests from students. Malaysian citizens not more than 45 years of age who have a place at accredited institutions, and who have a remaining study period of not less than one year, may apply. The amount of loan made available to them is contingent on their parents' income: -

- Full amount – parents' income is less than RM 4,000 per month
- Partial/Half amount – parents' income between RM 4,000 to RM 5,000 per month
- Tuition Fees only – parents' income more than RM 5,000 per month

There are, however, loan amount caps especially for more costly private degree programmes. These are set on a case by case basis for each institution. For the MBBS medical degree at the International Medical University in Kuala Lumpur, for instance, there is a loan amount cap of RM 30,000 per year (whereas the full chargeable tuition fees for one academic year total RM 91,000).

Repayment is required 6 months after a student's graduation date. The interest rate is 1.00% per annum. The repayment period varies from 5 to 20 years, depending on the size of the loan. PTPTN rewards graduates who have completed their bachelor's degree studies with first class honours.

PTPTN applies penalties to borrowers who fail to repay their loans on time by blacklisting them and prohibiting them from renewing their passports and travelling abroad. In practice, however, it appears that these measures are neither fully implemented nor effective⁷⁸.

Towards improving repayment compliance

Repayment compliance has been low, and the Treasury has cut its budget transfers to PTPTN in recent years. This has caused the agency to borrow at very high interest rates. Repayment rates have improved, but 34% of borrowers still defaulted in 2013, while 51% of the outstanding loan balance remains in default.

⁷ "Anjung". 2016. *PTPTN*. <http://www.ptptn.gov.my/web/guest/anjung>.

⁸ "PTPTN Loan". 2016. *Afterschool*. <http://afterschool.my/ptptn-loan-a-complete-guide/>.

The 2015-2025 Blueprint for Higher Education by the Malaysian government announces ambitious measures to enhance the performance and sustainability of PTPTN, most notably the following:

- **Shifting towards a needs-based approach**, whereby there will be additional support targeted at students from low-income backgrounds;
- **Improving repayment rate of loans**, by strengthening enforcement for those who can afford to repay and to provide incentives for early settlement. Some policy ideas mooted in this regard include providing incentives for lump sum or early settlement for loans; collecting payments directly via salaries or the tax system; listing defaulters on credit systems for severe non-repayment (more than 3 years), involving the Central Credit Reference Information System (CCRIS), which will affect the availability of credit for these borrowers; and pursuing more onerous enforcement actions for particularly “hardcore” defaulters who are able to repay but do not (this includes international travel restrictions or legal remedies).
- **Introducing income-contingent loans for all students**, whereby students only pay in proportion to the financial benefit (i.e. salaries) they have received. Those who get less financial benefit from higher education pay less, while those with higher income will pay more. Those graduates with very low income will pay nothing. No graduate will face demands for loan repayments that they cannot afford to make.

The formulation and implementation of more concrete policy measure have not yet been articulated by the Ministry of Education at the current time.

Note on Islamic finance and higher education (2015)

Malaysia is a global leader and pioneer in modern Islamic financing. *Waqf* funds, which are instruments of wealth creation and distribution akin to endowment funds, have been set up by some public universities in Malaysia. The Malaysian Ministry of Education’s 2015-25 Blueprint for Higher Education cited its expanded use as an alternative to government funding for universities, and as a means of improving the financial sustainability of universities. But as of 2015, no student loan programme adheres to such Islamic principles, since that would require the establishment of an Islamic *waqf* bank for the purpose.

Feasibility studies among policymakers and the finance industry are ongoing⁹.

The author wishes to thank Molly Lee in particular, for her insights. Nevertheless the usual disclaimer applies.

⁹ Ministry of Education. 2015. *Malaysia Education Blueprint 2015-2025*. Putrajaya: Kementerian Pendidikan Malaysia.