

The business of higher education in Malaysia



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The present

Malaysia's higher education policy is aimed at developing a 'world-class' higher education system that would help transform its production-based economy into a knowledge-based economy to achieve 'developed nation' status by 2020. To this end, the public higher education institutions (HEIs) are being geared to increase the output of skilled manpower, particularly in science and technology (S&T). The private sector has been enlisted to help meet the burgeoning demand for higher education, which would be too costly for the Government alone to meet, even if the public HEIs had the capacity. To facilitate private sector participation, the Government relaxed the previously stringent control over higher education by liberalising the regulations governing the operation of private HEIs and passing the appropriate legislation to strengthen the necessary legal framework to support private education.

The promotion of the country as a centre of educational excellence and a regional hub for high-quality tertiary education is clearly intended to develop higher education for the international as well as the domestic market. Making higher education a business was a logical outcome of 'Malaysia Incorporated', launched in 1983, which projected the image of the country as a public-private corporation that would undertake business enterprises as part of national development. Under the 'Incorporated' concept, which stressed the essential public-private sector interdependence and the need for collaboration between them for national prosperity, the Government would set the policy framework and direction for the private sector in various activities. The 1990s witnessed the privatisation of key government organisations dealing with public utilities and services: water supply, electricity, telecommunications, postal, railways and highway construction. During the same period, public universities were corporatised, with the expectation that they would adopt appropriate business practices in their institutional management and become less dependent on government subsidies. To enable private HEIs to play a larger role, the Government passed the Private Higher Education Act 1996, which opened the door to the expansion of private higher education.¹

To support the higher education policy, the Eighth Malaysia Plan (8MP), 2001–2005, prioritised expanding the output of S&T graduates to help grow a knowledge-based economy and strengthen the country's competitiveness. To meet this objective, the 8MP devoted to the higher education sector RM 13.4 billion

or 35 per cent of the RM 37.9 billion allocated to education. The expansion of the existing public universities and establishment of new public institutions under the 8MP were expected to serve as a catalyst for similar private higher education sector expansion. The recently launched Ninth Malaysia Plan (9MP), 2006–2010, has a development budget allocation for higher education of RM 16.1 billion, or 40 per cent of the total RM 40.4 billion allocated to the education sector.²

The passage of the Private Higher Education Act 1996 was pivotal to the growth of private HEIs during the last decade. In the mid-1980s, there were fewer than 50 private HEIs. The number expanded rapidly during the 1990s, reaching 640 in 2000 but dropping to 559 in 2005.³ The number of public HEIs increased more than three-fold, from 22 in 2000 to 71 in 2005 (see Table 1).

Student numbers increased in step with the expansion of HEIs. Enrolments in public institutions are projected to double from about 313,400 in 2000 to 653,600 in 2010. In private institutions, enrolments are forecast to increase by 80 per cent from about 261,000 in 2000 to about 473,000 in 2010 (see Table 2). On the basis of these figures, public HEIs had an average of about 14,300 per institution in 2000, and about 5,500 in 2005, the reduction in 2005 reflecting the dispersion of students to the newly established institutions.

Of special interest is the fact that, in 2005, Malaysia had 50,380 foreign students, mainly from East Asia and the Pacific region, of whom about 82 per cent were in private HEIs.⁴ With Malaysian promotion offices in Beijing, Dubai, Ho Chi Minh City and Jakarta, the foreign student population is expected to reach 100,000 in 2010. The increasing numbers of foreign students in Malaysian HEIs would suggest that Malaysia is nearing its goal of making the country a regional hub for higher education, able to attract international students from Africa, the Middle East and Eastern Europe, as well as from Asia.

Factors influencing private higher education development

Malaysia's political stability since independence in 1957 and its open-market economy have provided a secure environment for investments in the country's economic and social development. In this case, a pro-higher education business policy has been the most important factor, as illustrated by the Private Higher

**Table 1 Tertiary institutions**

<i>Institution</i>		<i>2000</i>	<i>2005</i>
Public	University	11	11
	University College	0	6
	Polytechnic	11	20
	Community College	0	34
	Total	22	71
Private	University	5	11
	University College	0	11
	Branch Campus	3	5
	College	632	532
	Total	640	559
Total Public and Private		662	630

Source: Ninth Malaysia Plan, 2006–2010, Table 11-5, p. 244

Education Act 1996. Reinforcing government policy are the various measures to ensure the orderly development and provision of higher education and the maintenance of education quality through two key quality assurance agencies: *Lembaga Akreditasi Negara* (LAN), or 'National Accreditation Board', established in 1997, and the Malaysian Qualifications Agency (MQA), whose establishment was approved in December 2005.

Political stability and sound macro-economic policies have been the foundation of Malaysia's remarkable economic growth since independence. According to the World Bank's *World Development Report 1995*, Malaysia achieved one of the most rapid industrialisation rates in the world in the three-decade run-up to

the mid-1990s. The country's phenomenal economic growth laid the foundation for its remarkable development of education at all levels. The sustained investment over the last 50 years in primary and secondary education laid the groundwork for the spectacular expansion of tertiary education during the last ten years.

Economic growth with low inflation averaged 6.7 per cent per annum from 1971 to 1990, and nearly 9 per cent during the seven years up to 1997, the year of the East Asia financial crisis, during which the country suffered a severe but temporary setback. Per capita income (measured in terms of purchasing power parity) increased from US\$978 in 1970 to US\$10,318 in 2005.⁵

The universalisation of basic education gradually increased the output of secondary school graduates, building up the pressure on tertiary education. The coming together of several forces served to revolutionise access to and the provision of higher education. The policy of restructuring the economy to shift from production-based to knowledge-based required an increased output of skilled manpower. As the existing public higher education system was insufficiently equipped and staffed to meet the new skilled manpower demand, the Government turned to the private sector, which was more than ready to respond. The 1997 regional financial crisis had provided an unexpected stimulus to private higher education: the depreciated Malaysian *Ringgit* made it much more expensive for parents to send their children overseas for their tertiary education. The Government, too, had to curtail scholarships to overseas universities to save on foreign exchange. The on-going university academic 'twinning' programmes provided a perfect solution: parents and the Government could save money, and students studying in their own country could gain academic and professional qualifications conferred by prestigious universities in Europe, Australia and North America, while the local private HEIs could profit from the increasing demand for higher education. All this was made possible by the Government's commitment to the development of higher education, as evidenced by the huge investments in the sector under the 8MP and the 9MP. As a result of investments under Malaysia's earlier five-year plans, the higher education

Table 2 Enrolment in tertiary education institutions by level of study, 2000–2010

<i>Level of Study</i>	<i>Number of Students in Public and Private Institutions ('000)</i>									<i>Average Annual Growth Rate (%)</i>			
	<i>2000</i>			<i>2005</i>			<i>2010</i>			<i>2001-2005</i>		<i>2006-2010</i>	
	<i>Pub.</i>	<i>Priv.</i>	<i>Total</i>	<i>Pub.</i>	<i>Priv.</i>	<i>Total</i>	<i>Pub.</i>	<i>Priv.</i>	<i>Total</i>	<i>Pub.</i>	<i>Priv.</i>	<i>Pub.</i>	<i>Priv.</i>
Certificate	23.8	81.7	105.6	37.9	94.9	132.9	141.3	143.5	284.8	9.8	3.0	30.1	8.6
Diploma	91.4	117.1	208.4	98.9	131.4	230.4	285.7	188.7	474.4	1.6	2.3	23.6	7.5
1st Degree	170.8	59.9	230.7	212.3	110.6	322.9	293.6	134.5	428.2	4.4	13.0	6.7	4.0
Master's	24.0	2.2	26.2	34.4	4.2	38.6	111.5	5.8	117.3	7.5	14.1	26.5	6.5
Doctorate	3.4	0.1	3.5	6.7	0.1	6.9	21.4	0.3	21.7	15.0	1.4	26.0	14.0
Total	313.4	261.1	574.4	390.4	341.3	731.7	653.6	472.7	1,326.3	4.5	5.5	16.9	6.7

Source: Ninth Malaysia Plan, 2006–2010, Table 11-6, p. 245



sector has reached a high level of sophistication, with a wide range of institutions offering an astonishing choice of programmes and courses to suit every need.⁶

The leading players

While the corporatised public HEIs are widening their connections with industry, their business activities, if they can be characterised as such, are mainly in research or other contracted research and development (R&D) type of activities, or franchising some of their academic and training programmes to other local education institutions. Their full-time responsibility for operating their own institutional programmes would normally preclude them from engaging in the sort of for-profit programmes run by private HEIs. That they depend on government funding for the greater part of their capital and operating costs, and must observe government rules regarding staff salaries and student fees, are two major constraints on public HEIs engaging to any significant degree in any commercialisation of higher education. Considering the restrictions on the freedom of public HEIs to undertake the business of providing higher education for profit, the conclusion clearly is that the private HEIs offer real and practical scope for developing higher education as a business.

There is no easy way to identify the leading players in the field. Any attempt at objectivity would involve establishing 'criteria' that would themselves be controversial, as in the case of ranking universities. In the present context, a simple approach would be to group them by their government-determined institutional status: university or university college, which may be taken as the key indicator of their authority and influence and the respect they command. By this method, there are, according to a highly-regarded publication by a private company, 8 universities and 11 university colleges, listed by their popular English or *Bahasa Melayu* name (the latter with an informal English translation) and acronym:⁷

Universities

1. International Medical University (IMU)
2. Malaysia University of Science and Technology (MUST)
3. Multimedia University (MMU)
4. Open University Malaysia (OUM)
5. Universiti Kuala Lumpur (UniKL)
6. Universiti Tenaga Nasional (UNITEN; National Power University)
7. Universiti Tun Abdul Razak (UNITAR)
8. Universiti Tunku Abdul Rahman (UTAR)

University colleges

1. Asia Pacific University College of Technology and Innovation (UCTI) Asia Pacific Institute of Information Technology (APIIT)
2. Asian Institute of Medicine, Science and Technology (AIMST)
3. Binary University College

4. Cyberjaya University College of Medical Sciences
5. HELP University College
6. International University College of Technology Twintech (IUCTT)
7. Kolej Universiti Teknologi & Pengurusan Malaysia (KUTP; 'University College of Technology and Management')
8. Kuala Lumpur Infrastructure University College (KLIUC)
9. Limkokwing University College of Creative Technology (LUCT)
10. Sunway University College (SyUC)
11. University College Sedaya International (UCSI)

To the above list should be added Universiti Teknologi Petronas, owned by Petronas, the Malaysian national oil and gas corporation and the branch campuses of Monash University and Curtin University of Technology, both of Australia, and the University of Nottingham of the United Kingdom. The above 19 institutions represent less than 4 per cent of the total of 559 HEIs as of 2005, among which are many important players in their particular specialisation and geographic location serving the needs of particular communities.

The reason for the leading players being in the higher education business may be gauged from their patrons and financiers. According to Sirat, private HEIs could be grouped along five criteria based on their funding sources suggested by Admad and Noran.⁸ The first group comprises large government-linked commercial/industrial organisations, such as MMU, Universiti Teknologi Petronas and UNITEN. The second group comprises those established by large publicly-listed corporations, such as Sunway College of the Sungai Wang Group. The third group comprises those established by political parties of the incumbent *Barisan Nasional* Government, such as UTAR and UNITAR. The fourth group is the self-funded or independent private colleges, such as Binary University College. And the fifth group is made up of the Malaysian branches of foreign universities, such as Monash, Curtin and Nottingham.

It can be seen that the institutions listed above are represented in the five categories suggested by Ahmad and Noran. While all are for-profit HEIs, profit-making is not necessarily the over-riding motivation for all of them. Some, especially the large or even medium-sized corporations, have a mix of business and community service. As they see it, providing higher education brings prestige to the company and is good for the company's image; therefore, in the long run, good for company profits, even if the HEI, operated as a subsidiary under the group, does not make money in the early years of operation. In fact, in certain cases, losses incurred by the HEI could be eligible for the parent company to claim income tax relief. Clearly, the private sector views investments in higher education as having promising returns. The private sector is encouraged by the liberal business-friendly Government, with its broad, long-term perspective on developing high-level skilled S&T manpower for the emerging knowledge-based economy. The Government also has made clear its intention of making higher education an export industry. Neighbouring rapidly-developing countries such as Indonesia and Vietnam, as well as China and Africa, offer great potential sources of students seeking quality education with international credentials that would effectively be their passport to the world.



A significant proportion of the demand could come from Africa, the Middle East, India, China and Malaysia's neighbouring countries, mainly Indonesia and Vietnam. Thus, a unique opportunity has presented itself to Malaysian HEIs to capture at least a part of the education market share.

The future

With over 50,000 foreign students in Malaysian institutions in 2005, and expected to increase to 100,000 in 2010, it is reasonable to assume that the demand for quality higher education by foreign as well as local students will continue to rise through the next 10 to 20 years. This presents a unique opportunity for Malaysian HEIs to widen and deepen their market share and be part of the Government's strategy to make higher education an export industry. Opportunity, however, also brings with it implications and challenges, which may be summarised as follows:

- The biggest challenge is the need to maintain and improve the quality of higher education. The rapid expansion of private HEIs has sharply reduced availability of teaching staff with the highest qualifications. There is a chronic shortage of high-quality academic staff. Acknowledging the shortage in public institutions, the Government has allocated funds under the 9MP for staff development aimed at raising staff quality to the point where 60 per cent of the total academic staff will have doctorate degrees. The implication is clear: the sustainability of private HEIs would depend on their ability to maintain and raise staff quality, which suggests the need to put in place staff development programmes alongside their regular student programmes.⁹
- Initial unemployment of graduates, mostly from public HEIs, has been reported to be rising since the late 1990s. Certainly, graduate unemployment may be due to several factors, such as imbalances in supply and demand, disruptions in the export market or graduates' willingness to wait until they find the desired job. In this case, the apparent cause is evidently the mismatch between the education the graduates received and the skill requirements of industry. At the same time, the Multimedia Super Corridor (MSC) 2005 Impact Survey revealed a shortage of Information and Communications Technology (ICT)-related personnel in specialised areas, confirming the reality of a shortage of graduates with ICT skills, despite the output of over 31,000 ICT graduates from 48 MSC-status HEIs. (The Multimedia Super Corridor is a 600 square kilometer territory, stretching from the Kuala Lumpur city centre to the new Kuala Lumpur International Airport, equipped with the state-of-the-art information technology [IT] infrastructure to provide the catalyst for Malaysia's nationwide IT development. Enterprises and HEIs that meet certain criteria are accorded 'MSC status'.) In this context, the implication for private HEIs is that they need to be vigilant about the relevance of their curricula to ensure a close match between the needs of commerce and industry and their academic and training programmes.¹⁰ This could be achieved through a process of developing curricula collaboratively with appropriate industry representatives, and reinforced by a system of internship with industrial or commercial enterprises.

Malaysia's private tertiary education has achieved a high level of sophistication, as reflected in the wide range of institutions and the variety of academic and professional degree programmes they offer. Many HEIs have built up their reputation through the demonstration effect of their successful graduates, and have achieved effective branding of their programmes through collaboration with well-known foreign universities. As an example, about 30 universities in the United Kingdom and 20 in Australia award their degrees under their respective twinning programmes with Malaysian private HEIs. Other countries with universities in various degree-awarding arrangements with Malaysian institutions are Canada, France, Switzerland and the United States. The further expansion of higher education in Malaysia, with the emphasis on increasing the output of graduates in ICT and S&T, the scope for widening strategic partnerships with foreign universities would depend on the specific academic and professional programmes, what the foreign partners can offer, the programmes' conformity with the Government's quality assurance regulations, and the cost.

Endnotes

- 1 Malaysia (2001). *Education in Malaysia: A Journey to Excellence*. Ministry of Education, Educational Planning and Research Division, Kuala Lumpur, p. 139.
- 2 Malaysia (2006). *Ninth Malaysia Plan, 2006-2010*. Economic Planning Unit, Prime Minister's Department, Putrajaya, Selangor, Table 11-8, p. 260.
- 3 Malaysia (2006). *Ninth Malaysia Plan, 2006-2010*. Table 11-5, p. 244. An unofficial estimate suggests that the figure is based on the number of licences issued for the establishment of HEIs. The sharp drop in HEIs from 640 in 2000 to 559 in 2005 suggests that the difference represented the number of licences cancelled rather than the closing down of actual HEIs. About a third of the official number may not be actually operational HEIs. It is estimated that in 2005 there were nine 'large' HEIs with 5,000+ students and nine 'medium' institutions with 1,000-5,000 students. See *Education Quarterly*, 'Categorising Colleges' July 2005, p. 16.
- 4 Malaysia (2006), p. 246. An unofficial estimate suggests that in 2005 foreign students numbered about 41,000 from over 150 countries (*Education Quarterly*, July 2005, p. 38). There is some doubt that the target of 100,000 foreign students is achievable by 2010.
- 5 Malaysia (1996). *Seventh Malaysia Plan, 1996-2000*. Economic Planning Unit, Prime Minister's Department, Kuala Lumpur, pp. 4-5; Malaysia (2006), *Ninth Malaysia Plan*, p. 45.
- 6 Challenger Concept (2006a). *Education Guide Malaysia 10th Edition*. Challenger Concept (M) Sdn. Bhd., Petaling Jaya, Selangor, provides a comprehensive guide to public and private higher education in Malaysia.
- 7 Challenger Concept (2006a). Profile Section, Private Universities, p. 105, which includes an up-to-date profile of each of the institutions listed. Another way of identifying the major players is to take the 43 ordinary members of the Malaysian Association of Private Colleges and Universities or MAPCU (*Education Quarterly*, July 2005, p. 38). The ordinary members include the 8 universities and 11 university colleges listed.
- 8 Sirat, Morshidi (2006b). 'Malaysia', in UNESCO (2006), *Higher Education in South-East Asia*. UNESCO Asia and Pacific Regional Bureau for Education, Bangkok, Thailand, pp. 101-135; citing Ahmad, M.A. and F.Y. Noran (1999), 'Business of Higher Education in Malaysia: Development and prospects in the new millennium', retrieved 18 June 2004 from <http://www.mahdzan.com/papers/nzpaper99/>.
- 9 Malaysia (2006). *Ninth Malaysia Plan*, p. 257.
- 10 Malaysia (2006). *Ninth Malaysia Plan*, p. 139.



Biographical notes

Hon-Chan Chai, Ed.D. (Harvard, USA), M.A., B.A. Hons. (Adelaide, Australia), was Professor of Education at the University of Malaya from 1971 to 1981. Between 1978 and 1994, Hon-Chan worked for the World Bank as education specialist (taking secondment from the University of Malaya between 1978 and 1981), where he was responsible for the appraisal, supervision and evaluation of primary, secondary and higher education investment projects in East and South Asia, Eastern and Southern Africa, the Middle East and the Caribbean. Since 1995, he has been World Bank consultant on education projects in Bangladesh, China, Malaysia and Thailand. His current interests include second language acquisition and its implications for education and human resource development in developing countries.

Hon-Chan's publications include 'Policy, planning and management of distance education for teacher education' (with Hena G. Mukherjee, World Bank) in Robinson, B. and Letcham, C. (eds.), *Teacher Education through Open and Distance Learning*, London: Routledge and Falmer, 2003; *The Sustainability of Investment Projects in Education*, (with David Throsby, Macquarie University, Australia) World Bank, Operations Evaluation Department, 1990; *Education and nation-building in plural societies: the West Malaysia Experience*, Canberra: Australian National University Development Studies Centre, 1977; *Planning education for a plural society*, Paris: UNESCO, IIEP, 1971; *The Development of British Malaya, 1896-1909*, Kuala Lumpur: Oxford University Press, 1964, 1967.