

Chapter 3:

Major Factors for the Blossoming of Private Higher Education in Malaysia

There are many factors, which contributing to the development of private higher education (PHE) in Malaysia. This chapter will be divided into six main components. They are, the role of private sector, foreign universities and colleges, the role of government sector in Malaysia, rapid economic growth, rapid growth of information technology (IT), human resources needs, and demand and supply for education. All these components are among the major factors, which have contributed to the blossoming of PHE in Malaysia over the last three decades.

3.1 The Role of Private Sector, Foreign Universities and Colleges

In the 1970s, the implementation of government policies in the education sector drastically reduced the chances of a large portion of school leavers from attaining tertiary education. Most students, at that time, had difficulty getting into government sixth form classes or into public universities in Malaysia. There was, of course, a portion of students who could afford to pay for the hefty cost to studying overseas. However, a large portion was left with no choice but to pursue in the limited professional courses in the country.

In the early 1980s, many developed nations had withdrawn grants to overseas students, who therefore had to pay full fees. The withdrawal of grants to overseas students took place first in the United Kingdom, which at that time was under the prime minister of Margaret Thatcher. Later, Australia, New Zealand, and Canada followed suit and required overseas students to pay full fees. A large portion of overseas students was affected by this move. This situation promoted the emergence of a form of strategic partnership between local colleges and foreign universities whereby the universities would allow Malaysian colleges to teach the first year locally. Students who wanted to go to overseas took advantage of doing first year studies locally before leaving Malaysia for the final two or three years in foreign universities.

The 1980s “twinning program” idea evolved, and contributed to the current private college structures. These colleges would advertise the 1+2 programme, meaning, take the first year locally, and then go overseas for the final two years. Later some universities allowed 1 ½ + 1 ½ year programme, meaning, the first one and a half years studies to be completed in Malaysia, and then go overseas for another one and a half years. Over the years, local colleges offered 2+1 programmes and now, we have 3+0 programmes, meaning full local studies but degree awarded by foreign universities. In early part of 1990s, we had 289 private colleges of different sizes. Today, however, we have more than 600 private colleges, offering more than 1,000 courses in Malaysia.

3.2 The Role of Government Sector

Malaysian government has made several education reforms over the last three decades. However, the reforms made throughout year 1990s were most outstanding ones. Government's efforts to decrease foreign exchange outflow, the democratization of higher education and the corporatisation of public universities are among the aspects will be discussed under this section. This discussion will show that the government's role has contributed towards various changes in education system today especially in private higher education (PHE) sector in Malaysia.

3.2.1 Government's Efforts to Decrease Foreign Exchange Outflow

This PHE industry grew because of the Malaysian government urging people to stop the outflow of currency amounting to over a billion ringgit a year. Since the late 1960, the number of Malaysian students studying abroad has been on the increase, as many qualified candidates could not gain admission into local public universities. At the same time, the Malaysian government too has been sponsoring tens of thousands of selected students or scholarship holders in universities and colleges abroad, especially in United Kingdom, United States of America, Canada, Australia and New Zealand. According to an estimate in 1995, over 50 600 Malaysian students were studying abroad and about 40% of them were sponsored by the government. In 1996, more than 600 000 students

were recorded studying abroad. These figures are certainly much higher now. For instance, research findings by Curtin's Business School show that Australian students believe students from Asian countries enrich their education, improve its quality, contribute to international understanding and help build bridges for Australian business.¹

In the case of Malaysian students in Australia, it can be seen in Chart 3.1 (refer page 43). The numbers are expected to increase despite efforts to introduce 3+0 programs as well as more twinning programs and increasing intake by local universities and also by franchising their programs to private colleges. This is because of the widespread belief in better prospects for those educated abroad. Local employers who prefer hiring foreign graduates further support such beliefs. On the other hand, parents often send their children abroad to enable them to obtain better exposure and independence. These have definitely increased the number of students studying abroad. All these means that there has been a substantial outflow of currency in foreign exchange, which constitutes a significant deficit in the nation's balance of payment. The government, therefore, views the expansion of higher education locally as a means of reducing foreign exchange outflow.

¹ *Education Quarterly*, "A Summary of the Key Points Made by Education Minister", Issue No. 6, September/October, 1999, p. 28.

Several remarkable developments have taken place in the education system. Since the government's aims are to reduce foreign exchange outflow and at the same time, to promote inflow of foreign students, the government has embarked on a mission to promote Malaysia as a regional education hub.

In line with the above mission, the Ministry of education has successfully pushed through six pieces of legislation to position Malaysia towards achieving that goal. These are as follows:

- 1) The Education Act 1996
- 2) National Council on Higher Education Institutions Act 1996
- 3) Private Higher Educational Institutions Act 1996
- 4) National Accreditation Board Act 1996
- 5) Universities and University College (Amendment) Act 1996
- 6) National Higher Education Fund Board Act 1997

These acts have facilitated a more market-centred education system. These acts will also bring some changes to our private higher educational institutions (PHEI), enabling them to offer wider range of courses, different options and approaches to learning, better management, new teaching methods and an overall increase in productivity and standards.

Two main measures were taken by the government to promote local students to study locally in order to decrease outflow and also to earn foreign currency by attracting foreign students. First, more local public and private universities were established, such as University Tenaga Nasional (UNITEN) and University Multimedia (MMU) formerly known as University Telekom.

Secondly, foreign universities are being encouraged to set up offshore branches in Malaysia. In line with that, one of the latest developments in the arena of Malaysian private higher education was the setting up of a Monash University Sunway branch campus. This was made possible by the Private Educational Institutions Act 1996, which gives permission for foreign universities to set up branch campuses in Malaysia. With this same legislation, it is anticipated that in the near future, some private colleges will be allowed to develop into full-fledged degree-awarding universities. Another recent development where twenty two private colleges are given the permission to run their twinning programs locally without requiring their students to study in partner foreign universities for the final year or two years as previously mandated.

The Malaysian government also intends to promote the development of a vibrant local education industry at the international level. This can be made possible by extending higher education opportunities and facilities

to students from other countries, especially those within the ASEAN and the Asia Pacific region. As mentioned earlier, this approach is anticipated to not only reduce foreign exchange outflow, but will also generate income for the nation with an influx of foreign students.

More importantly, with establishment of branch campuses and locally conducted foreign degree programs, private higher education sector can be turned into an education superstore of sorts, capable of offering a wide range of courses and programs to students in the region at a much lower cost than foreign universities. These efforts have proven worthwhile. Intake of foreign students from China, Korea and neighbouring countries have been increasing in the late 90's as reported by several private institutions such as Stamford College, Inti College, Help Institute and Sunway College. In 1990, the number of foreign students pursuing higher education in Malaysia was 963 only compared to 2,336 of them in 1995 (refer Table 3.1, page 44). According to the estimate of the Ministry of Education, this figure is expected to multiply by tenfold by the year 2005.

The dynamic relationship between the government, private sector and foreign academic partners are paving ways to build a world class system to ensure Malaysia is recognized as a regional education hub and center for educational excellence especially through the establishment of private higher education (PHE) in Malaysia.

3.2.2 The Democratization of Higher Education

The main concern in recent years is how to reform higher education to effectively accomplish the government's goal and the citizenry's aspirations. In terms of overall policy for higher education in the 1990s, at least three trends have been discernible so far. One of it is the move towards the democratization of higher education to further expand access.

Until 1969, there was only one university in the whole country, the University of Malaya. Today, there are 11 public universities, 5 private universities including a virtual university, and about 600 private colleges, which run twinning programs with foreign universities. The democratization of higher education to cater to the masses rather than only the elite is reflected by the establishment of distance learning programs in almost all the public universities beginning in 1995. A private virtual university (UNITAR) was even set up recently to offer distance-learning programs via the Internet technologies. Most of the distance-learning programs are offered to working adults including non-degree, college-trained teachers, who wish to upgrade themselves professionally. Distance learning has become increasingly popular over the past few years, allowing working people to study without giving up their jobs and financial security. Rapid developments in the country also create a need and demand for "just-in-time learning", a concept currently under the

purview of all universities and colleges offering distance-learning programs.

Other than expanding to increase the intake of students on campus and off campus via distance learning in the last few years, public universities have further increased access to higher education recently by franchising their programs to private colleges. This trend towards closer cooperation with the private sector benefits all parties, especially students who cannot gain admission into local public universities. In this franchise programs, the universities provide the curriculum and quality control while the private colleges manage the program and deliver the instruction. Some public universities have also begun to offer external off-campus programs in partnership with private colleges, where universities provide the instructors to deliver instruction off campus. The facilities of the private colleges will be used to manage the program and provide support services to the students.

It clearly shows that the democratization of higher education has contributed to more involvement of private sector in education industry. In line with this, the private sector has utilized this golden opportunity to enhance the private higher education in Malaysia.

3.2.3 The Corporatisation of Public Universities

Today, higher education systems require professional management in order to fulfill their functions and meet the expectations of the different stakeholders. In line with this, the last few years has seen a push from the government for the introduction of more corporate style management practices in higher institutions. This reform is legislated by the amendments to the Universities and University Colleges Act 1996, which enable public universities to be corporatised.

Corporatisation is to empower public universities with greater autonomy so that they can manage and operate in a more dynamic and proactive manner, and to be more responsive to the changing times and needs. Corporatized universities will be allowed to borrow money, enter into business ventures, set up companies, and acquire and hold investment shares.² In the long run, if this program tends to turn up well, corporatization is expected to free the universities from the perceived cumbersome processes of the civil service, thereby improving the efficiency of university management for greater competition in a global economy.

All these shows that there are trends towards closer cooperation between private education and public education sector. In other words, this type of

² Molly N. N. Lee, *Corporatization and Privatization of Malaysian Higher Education*, School of Education, University of Science Malaysia, International Higher Education, 1998.

policy implementation considered allowing the private sector to enter the higher education market in a more regulated way. Therefore, it has proven that this policy implementation has encouraged the private higher education to move towards greater excellence in Malaysia.

3.3 Rapid Economic Growth

Rapid economic growth is certainly an important factor in growth of private higher education in Malaysia. In the first twenty-three years of independence (1957-70), the Malaysian economy grew at the rapid rate of 5.8%, and averaged at 7.8% between 1971-80 (Fourth Malaysia Plan, cited in Jomo 1990). For the period 1992-97, real GDP oscillated between 7.8% (1992) and 9.5% (1995)³. Since independence, the country used export earnings wisely to improve living standards by building infrastructure, schools, hospitals, universities and others. As incomes of families improved over time, the demand for higher education grew. The public sector alone could not cope with this rising demand. At the height of the economic boom of the 90s, Malaysia wanted to speed up the production of its knowledge workers in an attempt to sustain the high economic growth. In line with this, the Malaysian Parliament passed the Private Higher Educational Act (PHEIA) to allow the private sector to enter the higher education market in a big and more regulated way. With this golden opportunity, the business sector immediately rushed in to set up colleges offering tertiary programs that could be

³ Economic Report 1997-98.

completed in a shorter time after the SPM (school certificate). The Act also empowers the Minister of Education to approve or disapprove the setting up of private colleges and to invite selected companies to set up private universities.

Enrolment in the private colleges (now around 100, 000) gain momentum soon after the economy went into tailspin in July 1997 when the Malaysia Ringgit plummeted from RM2.5 to the US Dollar to RM4.2, before being rescued by the government through capital control. At this rate of exchange, many parents have recalled their children. At the same time, the Malaysian government has drastically reduced the number of students sent abroad, in favor of local universities. Three public universities, four private universities and hundreds of colleges that enter into twinning arrangements with foreign universities were founded during the present decade to meet the demand for higher education.

3.4 The Rapid Growth of Information Technology (IT)

The rapid growth of information technology (IT) globally during this decade has also spurred the growth of private higher education in Malaysia. Many private colleges were established with the primary purpose of imparting computer knowledge and skills which were and are still in high demand in the private sector. This euphoria gained further momentum when the Malaysian government announced the development of the Multimedia Super Corridor in Putrajaya where

IT companies from all over the world will be housed and given tax breaks to carry out IT business there. The seriousness of the government in IT can be seen clearly in the Seventh Malaysia Plan where a whole chapter was devoted to IT development. In another case, one government-linked private university, University Telekom, has even changed its name to "Multimedia University" to capitalize on its special area of focus.⁴

3.5 Human Resources Needs

To the government, higher education is vital in that it determines the quality and efficiency of a workforce required to realize Vision 2020. Therefore, education and human resource development have both constituted a big challenge for the government of Malaysia in the past few decades. With the rapid pace of development, many changes and challenges have arisen, especially in the human resource issue. Since the combined outputs from both Malaysian public and private institutions are insufficient, it will result in a shortage of manpower for various sectors, which mostly are economic contributor.⁵ In line with this, there is an urgent need to groom a productive and highly skilled labor force with strong work ethics and commitment to excellence. The rapid development towards industrialization in the last ten years with the increasing sophistication and high

⁴ Ahmad Mahdzan Ayob and Noran Fauziah Yaakob, "*The New Millennium: Business and Higher Education in the Asia-Pacific*", Paper presented at the ASAIHL Conference, Auckland Institute of Technology, New Zealand, 6-8 December 1999.

⁵ Manufacturing (the biggest single economic contributor) and construction sector.

technologies, coupled with a more competitive international trade environment, a long-term strategic approach is needed to draw up viable policies and strategies to meet the changing manpower and industrial demands in order to remain competitive.

Currently only about 10% of the workforce in Malaysia has had any form of college or university education. With the rapid expansion of the education industry, the government hopes to raise the figure to 25% by the year 2020. The need to intensify efforts to increase the supply of a highly educated manpower, especially in the disciplines of science and technology (S&T) has prompted the government to institute several policy measures.

In that case, other than directing efforts to expand and upgrade vocational and technical schools, expansion at the tertiary level has also been implemented to increase the output of S&T graduates. For instance, collaborations among government, higher education sector and IT industries within the MSC is fast becoming a common feature, to effectively develop new tools and solutions for the delivery of education to the masses through the innovative applications of multimedia and the Internet. In this respect, institutions of higher learning in Malaysia, both public and private, have begun to widen its course and program offerings, to create interdisciplinary and multidisciplinary hybrid programs to cater to learners' and employers' changing new demands.

The trends as mentioned above can be seen clearly when the Multimedia University been built recently by Telekom Malaysia in the MSC. In addition, the Malaysian University of Science and Technology (MUST) for graduate studies, a new private university in partnership with the renowned Massachusetts Institute of Technology, has just started its operation. Besides that, some other large corporations, which are technologically based companies (such as Petronas and Tenaga Nasional) have also involved in stabling a university in order to train their own engineers and technologists. In the past, they⁶ have been sending students overseas on their scholarships. With the devalued currency, it became too costly to continue the practice. This has pushed these corporations to venture into the tertiary education business to train their own engineers and others. All these are signs that launching students into viable 21st century careers, is a new trend of higher education in Malaysia that both the private sector and the government are committed to. At the same time, it has proven that issues on shortages of trained manpower and tight labour situations in the country have boost to the establishment of more Private Higher Education Institutions (PHEIs) in Malaysia.

3.6 Demand and Supply for Private Higher Education

The demand for private higher education (PHE) in Malaysia will continue to rise. This will be due to rising population of high school graduates, rising income of

⁶ University Teknologi Petronas, University Tenaga Nasional (UNITEN), Kolej IKRAM (formerly PWD's training outfit)

parents, and rising costs of providing public higher education. In other word, with a growing population base, educational provision becomes an important element. Over the same period, places for tertiary education have not increased much in local public institutions. Concern among students and parents have always been the limited opportunities for tertiary education in public institutions of higher learning. In 1992, the Ministry of Education observed that for every 100 qualified applicants, the country's local centers of higher learning could offer places for only 33 or 34 students.⁷ This means only one in three qualified candidates could have access to government sponsored local institutions of higher learning. The shortage of places in the local institutions of higher learning is quite acute. In 1993, there were 58, 267 STPM students while there were only 12, 000 undergraduate places (6, 069 were effective places reserved for STPM holders and the rest of places were offered to undergraduates from diploma and matriculation programs). In 1994, a total of 12, 479 places are recorded from the local universities for both STPM and diploma/matriculation students. In 1995, at least 27, 118 application made to Unit Pusat Universiti (UPU) but they were only 15, 964 places available.

Although the places available in local public universities as well as the number of public universities expected to increase, this increase seems to be insufficient to meet demand for tertiary education. Many go to alternatives provided by the private educational institutions and the multitude of foreign options. Since there are increasing demand for private higher education, the business sector in

⁷ Berita Harian, 4 November 1992.

Malaysia has become key players in delivering higher education. This sector's involvement complements the role of public universities in producing skilled manpower. Their participation in this arena reflects a changing socioeconomic and political development in the country.

On the supply side, due to the Malaysian government's move on encouraging the private sector to play a bigger role in producing education, the private higher education became a lucrative business in the market. In line with this, there are five major players involved in the arena of private higher education business. They are, the large corporations linked with the government, public listed companies, political parties of Barisan Nasional government, independent private college and local branches of foreign universities. They all entered this arena with various motives such as to earn normal profit or super-normal profit, as not-for-profit as to do charity work and so on.

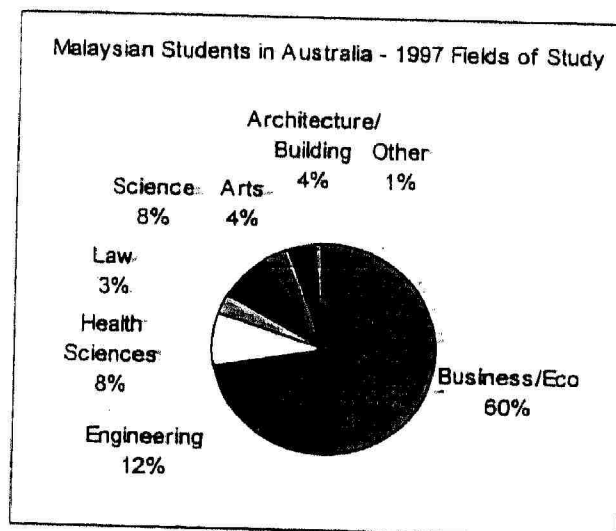
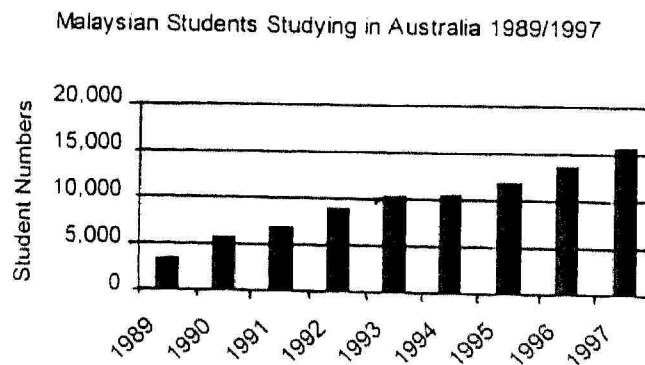
Whatever their motives are, all companies perhaps realize that there is a gap to be narrowed in the higher education market, where demand will exceed supply for many years to come. In addition, the local public universities have not been able to absorb all qualified applicants. Firstly, it is because of the limited number of places. Secondly, there is the quota system based on ethnic group. Whereas in private higher education, there is no such, or any quota even though it is a regulated industry in other ways.

Under the Private Higher Educational Act, private educational institutions would help the country facilitate the establishment of foreign universities of high standing, through attracting foreign students world wide to study here. It will also provide opportunities for Malaysian to obtain their degree locally.

As a conclusion, private higher education sector begin to play an important role in education sector since year 1970s. However, without all factors elaborated above, the private higher education wouldn't be as how it is today. In other words, this sector has achieved more than what was expected two decades ago although it had went through many challenges and obstacles. Achievements and challenges faced by private higher education sector will be discussed in more detail in the following chapter.

Chart 3.1:

Malaysian Students Studying in Australia, 1989/1997.



Source: *Education Quarterly*, "A Summary of the Key Points Made by Education Minister", Issue No. 6, September/October, 1999, p. 28.

Table 3.1:
Foreigners Studying in Malaysia, 1990-1995.

COUNTRY OF ORIGIN	1990	1993	1994	1995	KL	S'GOR	PENANG	S'WAK	OTHERS
Singapore	153	137	495	452	70	29	8	294	51
Indonesia	86	224	302	406	124	59	29	157	37
India	195	112	148	217	63	14	11	5	124
Japan	41	48	80	145	46	3	94		2
United Kingdom	37	60	149	106	50	7	19	2	28
Thailand	34	111	91	100	8	17	6	1	68
Taiwan	64	54	57	87	21	6	35	4	21
Brunei	64	98	124	82	38	14	3	8	19
Australia	43	48	41	59	37	8	7	3	4
USA	78	146	72	57	18	5	28		6
Pakistan	10	30	29	54	29	6	16		3
Korea	16	36	55	43	23	3	13		4
Bangladesh	10	27	18	43	27	8	3	1	4
Myanmar	6	8	23	25	20	2	3		
Libya		34	10	25	17	1	1		6
Philippines	14	23	34	24	10	4	3		7
CIS		44	2	23	17	6			
Maldives	4	10	24	22	11	11			
Germany	5	13	11	21	8	1	11		1
Nigeria	2	10	13	20	13		4	1	2
Cambodia			12	19	1	1			17
Iraq	4	32	12	17	14	2	1		
People's Rep. of China	8	9	5	17	17				
Somalia		5	7	16	8	8			
Sudan			30	15	8	7			
Algeria		3	21	15	15				
Sri Lanka	4	5	9	12	11				1
Canada	12	19	15	11	7		2		2
Jordan		8	13	10	5	2	3		
Hong Kong	5	10	7	10	4	6			
Yemen		3	19	9	4	5			
Uzbekistan			5	9	8				1
Netherlands		5	3	9	7				2
Tanzania		5	8	7	4	3			
Bosnia Herzegovina		8	81	6	6				
Iran	3	4	15	6	2	2			2
Turkey	1	6	13	6	5	1			
South Africa		17	7	6	3		3		
New Zealand	11	7	5	6	5		1		
France	3	3	4	6	5		1		
Switzerland		2	1	6	3		1		2
Albania		43	1	5	5				
Denmark	4	3	1	5	2		3		
Vietnam		11	1	5	3	2			
Afghanistan		4	10	4	4				
Papua New Guinea		2	20	3	3				
Egypt	1	2	7	3	2	1			
Uganda	2	4	7	3	1	2			
Ghana	2	3	5	3	3				
Others	41	58	108	76	32	15	9	10	10
Total	963	1,554	2,230	2,336	847	261	318	486	424

Source: The Malaysian Private Education Reference Guide, NAPIEI, 1997.