

**THE ECONOMIC IMPLICATION OF PRIVATE HIGHER EDUCATION IN
MALAYSIA**

**BY:
NGOO YEE TING
(EGA 99007)**

**SUBMITTED TO THE FACULTY OF ECONOMIC AND ADMINISTRATION,
UNIVERSITY OF MALAYA IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE DEGREE OF MASTER OF ECONOMICS
FEBRUARY 2001**

Perpustakaan Universiti Malaya



A510947907

Acknowledgement

I would like to express my sincere gratitude to my supervisor of study, Dr. Cassey Lee Hong Kim for his patient guidance and beneficial advice throughout the period of this study

I would also like to express my thankfulness to Miss Sumitha Ganesharatnam from Inti College, Dr. Tan Toh Wah from Sunway College and Mr. Khoo Eng Sing from Kolej Damansara Utama for their time consumed and information gathered during interview. Not forgetting too, all the staffs of Ministry of Education, Ministry of Human Resource and Development and University of Malaya Library for their cooperation and feedback. Without their help, this research paper would not be completed.

My appreciation to my parents and family members for their constant support, aid and understanding during the months required to complete this study.

Last but not least, I would also like to express my appreciation to all my friends who directly or indirectly help me in completing this study.

Thank you.

Abstract

This study attempts to examine the economic impacts of private higher education in Malaysia.

It begins with a review on the background and development of private higher education, which has become one of the most important industries in the world. Chapter two reviews the literature on private higher education and its impact. Chapter three deals with the evolution of the private higher education in Peninsular Malaysia from the 1960's to the present day. This chapter contains a detailed study on the growth and development of the private higher education in Malaysia. Besides that, it also discussed about the demand from the market and the factors for the growth of private higher education in Malaysia.

The emphasis of this study is on the impact of private education to the economy. This study looks into the economic benefits of private higher education such as the contribution of workforce especially in the science and technology field, giving a better picture of the job market for the students graduated from private higher institutions and analyse the inflow and outflow of the foreign exchange on making higher education as an import, export commodity as well as the cost saved from studying abroad, besides making Malaysia an hub for excellent education.

The conclusion will be made in chapter six.

Table of Contents

Content	Page
Title Page	i
Acknowledgement	ii
Abstract	iii
Table of Contents	iv
List of Tables	vii
List of Figures	ix
List of Boxes	ix
Chapter 1: Introduction	1
1.1 Objectives	2
1.2 Sources of Data	3
1.3 Methodology	3
Chapter 2: Literature Review	4
2.1 Definition of Higher Education	4
2.2 Definition of Privatisation	5
2.3 Role of Private Higher Education	5
i) The mass private sector	6
ii) The parallel public and private sector	7
iii) The peripheral sector	8
2.4 Role of Private Higher education in Malaysia	11
2.5 Private Higher Education in Malaysia	12
2.6 Education as Consumption and Investment Activities	13
2.7 Cost of Higher Education	14
2.8 Benefits of Higher Education	15
2.9 The Criteria of Social Choice in Education	16
2.10 The Merits of Private Sector Participation in Higher Education	18
2.11 Private Higher Education: The Philippines as a Prototype	20

Chapter 3: Evolution of Private Higher Education	22
3.1 Development of Private Higher Education	22
3.2 Types of private Higher Education Institutions	30
3.3 Demand of Private Higher Education	31
3.3.1 Demand	31
3.3.2 Estimating Excess demand for Higher Education	36
3.3.3 Supply	39
3.4 Factors for the Emergence of Private Higher Education	40
3.4.1 The Limited Number of Places	41
3.4.2 Courses Not of Their Interest	42
3.4.3 Role of the Parents	43
3.4.4 Expensive Overseas Education	43
3.4.5 Government Policy -Supplying National Workforce	44
3.4.6 Forgone Income	45
3.5 Conclusion	47
Chapter 4: Courses/ Programmes Offered by the Private Higher Institution	48
4.1 Internal Programme	51
4.2 Overseas or Local Bachelor Degree Programme	51
4.2.1 Credit Transfer Degree Programme	52
4.2.2 Twinning Degree Programme	54
4.2.3 Advanced Standing Programme	57
4.2.4 Distance Learning Programme	58
4.2.5 Branch Campuses	59
4.2.6 External Degree Programme	60
4.3 External Professional Examinations	61
4.4 Open/ Virtual Learning Universities	63
4.5 Private Local Universities	64
4.6 Local University Franchise Programme	65
4.7 Conclusion	66

Chapter 5: Economic Implication	71
5.1 Employment and Manpower	71
5.1.1 Student Enrollment and Output of Students of Science and Technology	72
5.1.2 Job Market	78
5.2 Inflow and Outflow of Foreign Exchange	83
5.2.1 Saved Cost	84
5.2.2 Centre for Education Excellence	88
5.3 Conclusion	92
Chapter 6: Conclusion	94
Bibliography	99

List of Tables		Page
Table 3.1	Estimates of Total Numbers of Student at the Tertiary Level, 1985-1995	25
Table 3.2	Listed Corporation and Its College	26
Table 3.3	Enrolment Rate in Government and Government-Assisted Educational Institutions by Level of Education in Malaysia, 1994-1998	34
Table 3.4	SPM Examination 1995- Analysis of the Grade	38
Table 3.5	Enrolment in Government and Government-Assisted Educational Institutions by Level of Education in Malaysia, 1996-1998	38
Table 3.6	Intake of the Public Malaysian Universities 1996-1998	39
Table 3.7	Student Enrolment in Public Universities, 1965-1999	42
Table 3.8	Minimum Basic Monthly Salary for Employees Recruited Without Working Experience	46
Table 4.1	Private Colleges Programmes	50
Table 4.2	Courses Offered Under Internal Programme	51
Table 4.3	Branch Campuses	59
Table 4.4	Franchised Colleges with Local Public University	66
Table 4.5	Comparative Costs among the Programme	68
Table 5.1	Student Enrolment in Local Public Institutions, 1990-2000	73
Table 5.2	Enrolment and Output for First Degree Courses from Local Public Education Institution, 1990-2000	73
Table 5.3	Enrolment in First Degree Courses at Private Education Institutions, 1999	76

Table 5.4	Gross Domestic Product by Industry of Origin, 1995-2000	79
Table 5.5	Malaysia: Vacancies Reported to the Manpower Department by Sector, 1994-1998	80
Table 5.6	Malaysia: Employment by Sector, 1995-2000	81
Table 5.7	Comparison of Education Cost between Australia, United States, United Kingdom and Malaysia	85
Table 5.8	Cost of Living Expenses in United States, Australia, United Kingdom and New Zealand	87

List of Figures		Page
Figure 1	Role of Private Higher Education	11
Figure 2	Demand for Private Higher Education in Malaysia	36
Figure 3	Flow of Twinning Programme	55

List of Boxes		Page
Box 3.1	Statutory Limitation on Private Provision of Higher Education under the Universities and University Colleges Act 1971	23
Box 4.1	Private Higher Education Institutions (PHEI) Act 1996, part V of the Act	49
Box 4.2	Education part VII of the PHEI Act	52