

CHAPTER FIVE: CONCLUSION

5.1. INTRODUCTION

This chapter will conclude the findings of this study by answering the two questions raised at the beginning of chapter one:

- a) What are the factors responsible for the differences in tuition fees of degree programs in the private higher education institute in Malaysia?
- b) What are the differences in the determinants of tuition fees in the different markets in the industry of higher education in Malaysia? The different markets investigated are the private colleges and the private universities.

This is followed by a discussion on the shortcomings of this study and future research in this area.

5.2. WHAT DETERMINE THE TUITION FEES

Different types of programs require different amount of investment and different cost of running. These are translated into different amount of tuition fee charged for different programs. Program such as engineering require higher cost of running and thus command higher fees. Programs that are cheaper to run such as programs related to business generally command lower fees. Among all the programs investigated the tuition fee of the art and design program is the highest. These programs are also the least offered in the market. Lack of supply may have caused the high fee. The second most expensive program after the art and design programs are the engineering programs. The cheapest among the lot are the programs related to information technology and business. Programs related to IT and business are also the most popularly offered by the PHEIs.

Their low fees may partly be due to their low cost of running and partly due to price-cutting among the PHEIs.

This study also discovers that, holding all things the same, students are willing to pay higher tuition fee to study in institute with higher status. The foreign branch campuses command the highest fee, followed by the local universities and lastly the private colleges. This indicates that the students are not merely interested in getting the credentials but they also consider the studying environment as an important factor when choosing where to enroll for their degree programs. This explains why many private colleges are applying for upgrading to university status. This is also an indicator for more universities, either local or foreign, to be set up in Malaysia.

The MSC status is another factor in determining the tuition fees of the degree programs investigated. Programs offered by PHEIs with MSC status command higher fees compare to programs offered by PHEIs without the status.

Comparing the foreign and the local credentials, the former fetch higher fees than the latter. Among the foreign credentials, the Australian degrees are more expensive than the British ones. As for credentials of the same country, credentials conferred by university of higher ranking would command higher fees.

5.3. THE DIFFERENCES IN TUITION FEE DETERMINANTS IN DIFFERENT MARKETS

The two markets investigated in this study are the private colleges and the private universities. This study discovered that the determinants of tuition fees differ in the two markets. Between the two markets, the private colleges are more competitive compared to the private universities with the number of private colleges offering degree programs triple the number of private universities. A number of factors significantly affect the fees of programs offered by the private colleges but not the private universities.

Due to stiff competition among the private colleges, the tuition fee of an IT program is not significantly different from a business program. This is an evidence of price cutting in this market as the IT and business programs are the most popularly offered. However among the private universities the IT programs are significantly higher priced than the business programs. In this less competitive market the higher cost of running the IT programs is translated into higher fees.

As for British and Australian credentials, the former command a higher fee among the private colleges. As for the local universities, only the two branch campuses offer foreign credentials. Holding all things the same, even though one of the branch campuses originated from Australia and the other from Britain, tuition fees for the two branch campuses are not significantly different.

Another difference in the determinant of tuition fee in the two markets is the age of the institute. Among the three generations of private colleges (with the oldest established fifty years ago and the

youngest established five years ago) there is no significant influence of age over the tuition fees. This means that some new entrants in the market are able to charge as high as the incumbents. This may be the result of higher investment involved in the establishment of the new colleges where most of them have heavy corporate backing. As such bigger building and better facility have enable them to charge tuition fees as high as the incumbents. All the local universities are fairly young with the oldest established only eight years ago and the youngest three years ago. In this young market, students are willing to pay a significantly higher tuition fee for a degree program offered by a university with longer history.

Among the private colleges, the achievement of ISO certification allows the colleges to charge a higher fee. However among the private universities investigated there is none with the ISO certification.

5.4. SHORTCOMINGS OF THIS STUDY AND DISCUSSION ON FUTURE RESEARCH

Owing to constraint on time and resources, this study has difficulty collecting sufficient data. This difficulty has resulted in several shortcomings in this study.

The hedonic model treats variety of products as alternative bundles of a number of characteristics. These characteristics should of course reflect measure of quality. These characteristics are also the determinants of the price of the products. In choosing the quality variables, knowledge of the particular industry is important. Besides this, choosing these variables depend also on the availability of the data. In the private higher education industry there are other variables besides

those specified in the model of this study that might have considerable influence on the tuition fee of various degree programs. Examples of these variables are the number of foreign teaching staff in the institute, the size of the library and the student enrollment. This study assumes that the omitted variables are highly correlated with the included variables. If the assumption is violated, omission of any influential variables can result in biased estimates of the parameters due to specification bias.

Hedonic hypothesis is that heterogeneous goods are aggregations of various characteristics. The implicit marginal prices for the individual characteristic can be calculated as derivatives of hedonic price equation with respect to levels or presence of the characteristics. However the relation between the price of the overall bundle and the level or presence of various characteristics need not be constant over time. The implicit price relation may change over time. The colleges can be viewed as offering programs that are combination of various characteristics and students can be viewed as demanding them. When the demand and supply curve of these characteristics shift, the implicit price relation between the tuition fee of the program and each of the characteristics that make up the program might change too. To give suggestion to the colleges as to which characteristic should be adopted in order to gain premium on the tuition fee, it is important that the implicit price relation be constant. Due to time constraint this study is unable to collect time series data to check if the relation is constant over time. Future research can include such data to check the stability of the parameter of the hedonic pricing equation of this study over time.

The data employed in this study is limited to the colleges in the Klang Valley. Even though majority of the colleges offering degree programs are in this region, data collected from other region can be used to ascertain the regional influence on tuition fee.

This study is the first of its kind in the area of private higher education pricing. Using the hedonic pricing model, this study has identified several factors that are influential in determining the tuition fee of a degree program offered by a private higher education institute in Malaysia. According to the hedonic pricing hypothesis, a program is made up of a bundle of these factors or characteristics. This study has also identified the implicit relation between the tuition fee and the individual characteristics. If the relation is constant over time the findings of this study should be able to provide guides to the colleges in their marketing strategies especially in the area of course design and pricing. With the implicit price relation the colleges can decide what characteristics to be adopted and what be abandoned to increase the fee the students are willing to pay. Adopting a characteristic that would earn a premium without increasing the fee would surely improve the student enrollment. The findings of this study can also be a guide to student and parents in their efforts of choosing a degree program from the different colleges subject to their budget constraint.