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Exploring Access and Equity in Malaysia's Private Higher Education

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Abstract

Private higher education institutions (PrHEIs) are utilized to complement public provision due to financial constraints faced in public provision. However, increasing private provision has raised interesting questions as to who gets educated in these PrHEIs. Is increasing private supply enlarging the circle of opportunity to reach those who might otherwise have been unable to enter university or college? In other words, has the explosion in private supply translated into greater inclusion or increased exclusion? This paper explores the access and equity issues in Malaysia's private higher education system. Malaysia is an interesting case study due to the significant presence of PrHEIs in the country and their contribution toward student enrolment. The findings show that the Malaysian government has provided considerable financial support for the development of PrHEIs, through the provision of incentives, subsidized loans, and scholarships. Quality assurance efforts further enhance the development of private provision, as student loans and scholarships are only provided for students on accredited programs. Therefore, PrHEIs have widened access and equity, with the help of government support. Despite this, Malaysia's model of providing access and equity through private provision may be unsustainable, due to the poor repayment record of student loans and the economic need to reduce the fiscal deficit of the government.

JEL Classification: H44, H52, I23

Contents

1. INTRODUCTION

Globally, there is increasing demand for higher education, especially from the youth population of developing countries, as it is viewed as an important pathway for greater social mobility (Devesh 2008). According to the World Trade Organization (WTO 2010), private returns from higher education are high for both developed and developing countries. In developing countries, the wage differential between a secondary school leaver and a university graduate is estimated to be as high as 200%. Besides the wage premium, rapidly changing technology in a globalized world is also demanding new and changing competencies that require life-long learning skills, for which mature students often have to go back to college for re-training and re-skilling.

On the supply side, education, including higher education, is considered by many as a public good and a citizen's basic right. The United Nations Educational, Scientific and Cultural Organization (UNESCO), for example, views education as a fundamental human right and essential for the exercise of all other human rights.[1] Unfortunately, the reality in many developing countries is that governments cannot afford to meet the increasing demand for higher education, leaving the excess demand to be met by private higher education institutions (PrHEIs). The increasing importance of private supply can be seen in the large number of countries in which more than 50% of student enrolment is in PrHEIs (Devesh 2008). These include both developing countries, such as Indonesia and the Philippines, and developed countries, such as Japan, Republic of Korea, and the United Kingdom.

The impact of private provision is hotly debated as these for-profit enterprises are often challenged on the quality and substance of the education they provide, quite apart from the philosophical debate on the public-good nature of higher education and the appropriateness of private provision.

Increasing private provision has raised interesting questions as to who gets educated in these PrHEIs. Is the increasing private supply enlarging the circle of opportunity to include those who might otherwise have been unable to enter university or college? In other words, has the explosion in private supply translated into greater inclusion or increased exclusion? Widened access promotes equity if the enhanced opportunities provide a fair chance for all (James 2007). "Equity groups" can, however, be defined in different ways; for example, the phrase may refer to those who have the ability to go to university and are unable to do so, or in terms of selection for university places based on merit. The access and equity issues are therefore interrelated as the pathways opened up by private provision will show what sort of access is provided, as well as the types of students that PrHEIs cater to, including their demographic characteristics (Levy 2008; Kinser 2009). The cost of access also provides further information as to the types of equity groups that are addressed by these alternative pathways.

The objectives of this paper are to explore how the growth of private higher education in Malaysia has affected access and equity in higher education in the country. Malaysia is an interesting case study, as private provision has been proactively supported by the government as a means of increasing access. Available secondary data are used for the analysis in this paper.

[1] Available: www.unesco.org/en/the-right-to-education (accessed 4 Nov 2010)

2. DEVELOPMENT OF PRIVATE HIGHER EDUCATION IN MALAYSIA

At the time of Independence in 1957, opportunities for higher education in Malaysia were limited, as there were no public universities in the country. PrHEIs, however, were already present as tutorial centers for transnational programs that were geared toward selected skills and professional qualifications. After Independence, PrHEIs in the country continued to grow, in response to market forces from within and without the country (Tham 2010). In particular, the shift from a government-led to a private sector-led strategy for development in the country in the mid-1980s led to domestic liberalization in manufacturing and service sectors, including education. Consequently, the government gave permission for twinning arrangements between local private educational establishments and international universities (Sivalingam undated).

The number of private providers has increased steadily. Based on Table 1, it can be seen that there are five types of PrHEIs currently operating in Malaysia. As of 2010, there are 45 with university status. Out of these, slightly fewer than half are private universities, while slightly more than half are university or private colleges that have been upgraded to the status of universities, based on criteria determined by the Ministry of Higher Education (MOHE). It should be noted that some of these university colleges have also been upgraded to full-fledged private universities, such as Limkokwing University.

Table 1: Number of Private Universities and Colleges, 2010

Category of Private Institutions	Number of Private Institutions
Private universities	21
University colleges	24
Foreign university branch campuses	5
Colleges	390
Total	440

Source: Higher Education Statistics retrieved from MOHE

Note: Available: http://jpt.mohe.gov.my/menudirektori.php

In addition, the government has also invited a few foreign universities to set up branch campuses in Malaysia. There are five operating in the country, namely, Monash University, Curtin University of Technology, and Swinburne University of Technology, from Australia, and Nottingham University from the United Kingdom. The latest addition in 2009 is the Medical Faculty of the University of Newcastle, which is operating in the Iskandar Corridor in Johor.

The bulk of private providers are, however, in the form of private colleges that do not confer degrees on their own but conduct transnational programs or locally established programs from public universities. Out of the 440 PrHEIs, only 200 are allowed to recruit international students, and permission is given only for specific programs within each institution (Tham and Kam 2007). As of 2010, the private sector has about 50% of total student enrolment in the country.

The large supply of private providers in a country of just 27 million people has increased access for citizens as well as for international students: especially from other developing countries, through cross border flows.

3. GOVERNMENT POLICIES AND REGULATIONS

3.1 Government Policies

Although no formal policy was laid out in the 1980s, private providers emerged to meet excess demand in the country, the extent of which is shown in Table 2.

Table 2: Applicants and Intake into Local Universities, academic sessions 1981–82/1991–92 (First Degree Only)

Year	Applicants	Intake	Accepted
1981/82	16,698	5,847	35.0
1982/83	19,522	6,127	31.4
1983/84	28,858	6,890	23.9
1984/85	32,168	7,192	22.4
1985/86	32,209	8,213	25.5
1986/87	28,755	9,289	33.6
1988/89	24,155	8,599	35.6
1989/90	23,331	8,757	37.5
1991/92	25,730	10,668	41.5

Source: Yee and Lim (1995) as cited in Tan and Santhiram (2009).

The greater role accorded to the private sector in the economic development of the country, after the first economic recession in 1985/86, also led to a more utilitarian stand on educational policy, whereby the private sector has been harnessed to meet the increasing demand for more qualified human capital due to Malaysia's industrialization. Moreover, there are also political reasons for widening access, as the New Economic Policy (NEP)[2] instituted in 1969 led to affirmative action for *Bumiputera* (or the Malays and other natives) enrolment in public universities. This deprived non-*Bumiputeras* of places in such institutions, resulting in their great discontentment with the government (Tan and Santhiram 2009). Widening access for non-*Bumiputeras* through private provision was therefore used as a means to address their grievances.

Subsequently Mahathir Mohamad, a former Prime Minister of Malaysia, introduced his Vision 2020 plan, which envisaged Malaysia achieving a developed economy and society by 2020. This required increasing access to higher education and consequently an increased role for private providers, leading to the envisioning of Malaysia as a regional hub for higher education. This vision would also help to reduce loss of funds associated with student outflows and concurrently increase export revenue through inflows of international students. In line with this vision, the Private Higher Education Institutional (PHEI) Act entered into force in 1996, allowing private providers to award degrees instead of conducting twinning and franchise programs alone. This Act was subsequently amended in 2003, to provide for the establishment and upgrade of private universities, university colleges and branch campuses in Malaysia (Morshidi 2006).

[2] The twin goals of the NEP are the eradication of poverty as well as the identification of race with the economic functions of the country. This led to an ethnic quota system that was imposed to advance the economic status of the *Bumiputeras,* by enhancing their educational mobility at the higher education level, which was then dominated by the non-*Bumiputeras*.

The vision of a higher education hub has been sustained over in the years since, as witnessed by its reiteration in the Seventh, Eighth and Ninth Malaysia Plans (7th MP: 1996–2000; 8th MP: 2001–2005; 9th MP: 2006–2010). More importantly, a separate Ministry of Higher Education was established in 2004 to raise standards in higher education by producing graduates that meet the human capital needs of the country, and making Malaysia a regional and international hub of educational excellence. Furthermore, the 9th MP set a target for the enrolment of international students in local higher education institutions at 100,000 by 2010 (Malaysia 2006). Similarly, in 2006, when the Third Industrial Master Plan was launched, education and training services were targeted as one of the eight new sources of growth for the economy. Obviously, this was tied to the hub vision, as the targeted number of international students in the 9th MP implies an additional source of export revenue. The hub vision was further reiterated in the National Higher Education Action Plan (NHEAP): 2007–2010 (NHEAP, 2007) launched in 2008 as a short-term blueprint that would lay the foundations of the National Education Strategic Plan (NESP). Higher education as a generator of export revenues is also set out in the New Economic Model and the Tenth Malaysia Plan (10th MP: 2011–2015), both launched in 2010.

In 2007, the launch of the NESP listed seven strategic thrusts, namely widening access and increasing equity, improving the quality of teaching and learning, enhancing research and innovation, strengthening higher education institutions, intensifying internationalization, inculcating life-long learning, and reinforcing the delivery systems of the Ministry of Higher Education (MOHE). In terms of access, the Plan acknowledged the significant role played by private higher education in providing opportunities for post-secondary tertiary education (MOHE 2007). The Plan projected enrolment at tertiary level for the 17–23 age cohort would increase from 29% in 2003 to 40% in 2010, and further to 50% by 2020. This is to enable the percentage of workforce with tertiary qualifications in the country to increase from 20% in 2005 to 27% in 2010, and further to 33% by 2020, thereby increasing the skill level of the workforce.

The objectives of the thrust on widening access and equity includes ensuring access for students from diverse backgrounds through the provision of various programs and financial assistance as well as through improvement in infrastructure and expansion of information and communication technology use. These goals clearly call for private providers to be partners in the process, as these institutions provide alternative pathways and admission approaches that complement the pathways of public universities in the country. Likewise, the goal of being an educational hub also requires the private sector to play an active role, especially in the recruitment of international students, since the majority of international students at the undergraduate level are studying at PrHEIs rather than public universities due to the 5% quota that is imposed on admission to the latter.

Thus at the policy level, PrHEIs are called to play an important complementary role for widening access and equity as well as in the development of the education hub that is desired by the government.

3.2 Regulations Overseeing the Private Higher Education Sector

The PHEI Act 1996 is the main legislation governing the establishment of PrHEIs in the country, including degree and non-degree granting institutions as well as branch campuses (Middlehurst and Woodfield 2004). It also allows the Minister of Education to grant permission to these institutions to conduct their programs in English. This is

an important difference from Public Higher Education Institutions (PuHEIs), as their programs are conducted in the national language, Bahasa Melayu. Furthermore, the Act does not limit foreign equity participation in the country. This implies 100% foreign equity may be approved, subject to approval from the Minister of Higher Education. The employment of expatriates to teach in PrHEIs is also covered in this Act.

Two other items of legislation that affect PrHEIs are the National Higher Education Funding Board Act 1997 and the Malaysian Qualifications Act 2007. The former establishes a higher education funding council that provides loans for students who have obtained a place in accredited programs, be it in PrHEIs or PuHEIs. The latter regulates the accreditation of all academic programs at all levels offered by both PrHEIs and PuHEIs.

In terms of governance, both PrHEIs and PuHEIs are regulated by MOHE while subsequently, the Malaysian Qualifications Agency (MQA) was established on 1 November 2007: a new entity, formed from the merger of the former National Accreditation Board and the Quality Assurance Division of the Ministry of Higher Education, it is responsible for quality assurance of higher education in both the public and the private sectors.

4. ACCESS AND EQUITY

4.1 Concepts and measurements

Although the term “access” is commonly used in association with development in higher education, it does not have a common definition. In fact, the definition of access has changed over history, and may vary across countries due to different social realities and agendas, even among developing countries. According to Clancy and Goastellec (2007), historically three different principles have been used to frame access policies, namely inherited merit; equality of rights; and equity, defined as equality of opportunity. Inherited merit is dependent on circumstances such as one’s social group at birth and became untenable over time as demographic, economic, political, and ideological pressures forced a reconsideration of the idea of access toward a more inclusive concept, which accommodated larger numbers, regardless of social origin. Hence inherited merit was replaced by equality of rights.

Subsequently, equality of opportunity became the accepted norm for defining access, as the nature of higher education is thought to privilege those with superior economic, social and cultural resources. Consequently, the notion of equality has to take into account differences in the opportunity structure, with merit redefined as the distance between the academic levels reached by students and the diverse handicaps that they face, be it in terms of personal characteristics, family, community or schooling experiences. The different social groups that are taken into account under equality of opportunity are usually based on an individual country’s social diversity. It may include those who are not academically able to gain admission into limited public institutions of higher learning, students from different socio-economic backgrounds and genders, as well as working and other non-traditional students (Levy 2008).

“Access” defined in terms of equality of opportunity has embedded within it notions of equity in a broad and inclusive sense. It embraces a sense of justice and fairness as it seeks to provide opportunities for under-represented groups in society, such as those of low socio-economic status, women and girls, ethnic and other minorities, people with disabilities and others denied previous opportunity to enter higher education (Silbeck 2000).

Measures of access and equity range from broad macro data on participation in higher education by different social groups, including entry measures, enrolment measures, and output measures, to cohort analysis based on the socioeconomic and educational background of parents (Clancy and Goastellec (2007). Another approach is to measure and analyze affordability issues, such as costs of tertiary education, living costs, and financial aid (Murakami and Blom 2008). Kinser (2009) measured it in terms of the types of institutions available and types of programs offered; the number of students and their demographic characteristics; as well as the revenues and expenses of higher education institutions, and the financing mechanisms for students. Thus, there are numerous ways of measuring access and equity, depending on the availability of data.

4.2 Outcomes in Malaysia

Although there are many different ways to measure access and equity, data constraints in Malaysia imply that many of these measures are not feasible. In particular, there are no published data on the socio-economic profile of students in higher education institutions.[3] Nor are there any data on the access provided for physically impaired students. Based on the availability of data, access and equity in Malaysian PrHEIs will be evaluated according to overall participation, the different pathways to education provided by the variety of programs available in the country, access by gender, costs of programs, government and non-government support in the form of loans and scholarships, as well as incentives provided for the development of PrHEIs.

4.2.1 Increasing participation

The PrHEIs shown in Table 1 provide for about half of the total enrolment of students in the country (Table 3). The other half is enrolled at public higher education institutions. This indicates the importance of PrHEIs′ contribution toward increased student participation in higher education in the country. The gross enrolment ratio in higher education has grown from a mere 2% in 1965 to 32% in 2005, and further to 38% in 2009, thereby surpassing the limit set by Trow for mass higher education and moving toward universal access (Trow 1973, cited in Altbach undated). It is also close to the 40% target set by the government for 2010.[4]

[3] Based on queries raised to the Ministry of Higher Education, this kind of data is not collected at the ministry level.

[4] In the 9th MP, the government targeted 40% of Malaysians aged 17–23 to receive higher education by 2010 (Malaysia 2006).

Table 3: Total Enrolment of Students in Public Higher Educational Institutions (PuHEIs) and Private Higher Educational Institutions (PrHEIs), 2002–2009

Year	PuHEIs	PrHEIs	Total
2002	281,839 (48.9%)	294,600 (51.1%)	576,439 (100%)
2003	294,359 (48.4%)	314,344 (51.6%)	608,703 (100%)
2004	293,978 (47.7%)	322,891 (52.3%)	616,869 (100%)
2005	307,121 (54.3%)	258,825 (45.7%)	565,946 (100%)
2006	331,025 (50.6%)	323,787 (49.4%)	654,812 (100%)
2007	382,997 (51.1%)	365,800 (48.9%)	748,797 (100%)
2008	419,334 (51.2%)	399,897 (48.8%)	819,231 (100%)
2009	437,420 (47.5%)	484,377 (52.5%)	921,797 (100%)

Source: Ministry of Higher Education

Note: Available at: http://www.mohe.gov.my/web_statistik/statistik_pdf_2009/03_BAB_1_MAKRO.pdf

4.2.2 Different pathways through different programs

The increase in participation is made possible as the five types of PrHEIs in the country provide a variety of alternative pathways to higher education in the country. According to Lee (2004), there are two different types of programs offered by PrHEIs in Malaysia, namely internal programs, and transnational programs, leading to qualifications awarded by external universities or bodies. Internal programs are home-grown programs, whereby students are conferred a certificate or diploma by the PrHEIs. Although these PrHEIs were not allowed to confer degrees in the earlier years of their development, this has subsequently changed with the enactment of the PHEI Act in 1996. Internal programs also include programs that are linked with local public universities.

On the other hand, transnational programs are programs that are linked with foreign universities, whereby the degree is awarded by the foreign university. There is a large variety of transnational programs available in the country, as shown in Table 4. These include external degree programs, split degree programs, and distance learning arrangements. External degree programs include “3+0” programs whereby the entire program is conducted locally in Malaysia. There are also professional programs with qualifications awarded by external bodies, in accountancy for instance. Split degree programs offer different twinning arrangements such as “2+1” or “2+2” programs whereby the students complete two years of the program in Malaysia and either one or two years at the overseas twinning university.

Table 4: Types of Transnational Programs Conducted by Private Higher Educational Institutions (PrHEIs) in Malaysia

Program	Description
Foreign University Degree Programs completed in Malaysia	PrHEIs are permitted by foreign university partner to conduct the entire degree program in Malaysia for the international university partner. Degree is awarded by the foreign university partner.
Foreign University's External Degree Program leading to degree qualifications	Students register as an "external student" with a foreign university and study through the tutorials conducted by the local private college. The syllabi, entry requirements, and examinations are determined by the foreign university. The degree awarded is no different from the degree awarded to the "internal" students.
Split Degree Programs	This allows the partial completion of the degree program in local private colleges but the final part has to be completed at the twinning partner overseas. Degree is awarded by the twinning partner overseas. There are several options: • Twinning degree option: The student attends part of the course locally and the balance at the twinning university; • United States degree transfer/credit degree transfer: The student collects sufficient credit through a local private college and then completes the remaining credits in the international university; • Advanced standing entry option: The courses offered by the local private colleges are validated and moderated with "advanced standing" entry status by a group of overseas universities for advanced entry into the final part of their degree programs.
Distance Learning Program Arrangement	This is similar to the external degree program with the students admitted directly into the university, with local private college providing the tuition classes and administrative support. Self study materials are provided and electronic media such as the Internet, video-conferencing, satellite, video cassettes, and audio-visual teaching aids are used for teaching; private colleges provide face-to-face meetings with tutors in a class room setting. Evaluation may include a local component, unlike the external degree programs.

Source: Challenger (2006)

These different programs provide alternative pathways for students as entry requirements are different as shown in Table 5. The different pathways also include life-long and distance-learning opportunities that are geared at providing a second chance for students who were not able to enter university immediately after high school. Students can have a choice of entering post-secondary education after they have finished their technical or upper-secondary education at 17 years of age, based on their post secondary qualifications such as Sijil Pelajaran Malaysia Vokesional (or the Malaysian Certificate of Vocational Education, SPMV), their Sijil Pelajaran Malaysia (or the Malaysian Certificate of Education, SPM) or their Sijil Tinggi Agama Malaysia (or the Malaysian Religious Certificate of Education, STAM). Entry into university would require a year or a year and a half of post-secondary education, after they have obtained their Sijil Tinggi Pelajaran Malaysia (or the Malaysian Certificate of Higher Education), or be based on a one year matriculation qualification, or two years of A-level or other foundation programs. The entry requirements into degree-level programs are the same for PuHEIs or PrHEIs.

Table 5: Summary of Entry Requirements by Level

Level	**Qualification**
Non-university (e.g., colleges)	Sijil Pelajaran Malaysia Vokesional (SPMV); Sijil Pelajaran Malaysia (SPM); Sijil Tinggi Agama Malaysia (STAM); and Matriculation.
University	Sijil Tinggi Pelajaran Malaysia (STPM) (Credits in at least 5 subjects: Bahasa Melayu, Mathematics and two other subjects); or equivalent such as A levels; and foundation programs

Source: Middlehurst and Woodfield (2004)

4.2.3 Improving gender imbalance in the public universities

Higher education in Malaysia is skewed toward female enrolment, as female students tend to perform better in schools than males, and the dropout rate for male students is higher at the secondary school level. In turn, the better academic performance of female students at the pre-university level has led to higher female enrolment in PuHEIs, where limited places are available due to the highly subsidized fees (see Table 6). However, the male-female ratio is higher in private higher education institutions. Furthermore, this ratio narrowed between 2007 to 2009, with the latest ratio close to equal for both university and non-university institutions, compared to that in PuHEIs.

Table 6: Gender Enrolment in Undergraduate Programs, 2007–2009

YEAR	Public Higher Education Institutions			Private Higher Education Institutions					
				University			Non-University		
	MALE (M)	FEMALE (F)	RATIO M/F	MALE (M)	FEMALE (F)	RATIO M/F	MALE (M)	FEMALE (F)	RATIO M/F
2007	94,337	153,544	0.614	57,830	64,248	0.900	8,609	10,012	0.860
2008	101,715	168,441	0.604	63,293	70,699	0.895	7,443	10,156	0.733
2009	102,119	169,893	0.601	87,621	88,954	0.985	10,679	11,506	0.928

Source: Ministry of Higher Education

4.2.4 Costs of programs

The different types of programs have different costs, even when they are in the same discipline. The range in the annual tuition fees charged for two popular programs in the country, namely the Bachelor of Business Administration and the Bachelor of Engineering, are shown in Table 7.[5]

Table 7: Annual Cost of Program of Undergraduate Business and Engineering Programs (RM)

		Cost per year (RM)	Cost per year (% of annual income)	Cost per year (RM)	Cost per year (% of annual income)
	A) Branch Campuses				
	Range	16,200–30,500	33.5–63.1	21,600–37,000	44.7–76.6
	B) Universities				
	Range	4,087–16,000	8.5–33.1	8,558–20,000	17.7–41.4
	C) University Colleges				
	Range	2,910–25,333	6.0–52.4	7,000–58,750	14.5–121.6
	D) Colleges				
	Range	6,940–27,105	14.4–56.1	11,000–26,551	22.8–55.0

Source: Author's computation based on conversations with Private Higher Educational Institutions

Overall, tuition fees of branch campuses are more expensive, as expected. Both types of degree program at branch campuses are more expensive compared with the same program conducted in other institutions of higher learning in Table 6. Private universities are among the least expensive for both programs, as some of these universities are not-for-profits such as Universiti Tunku Abdul Rahman, the Asian Institute of Medicine, Science and Technology University, and the Wawasan Open University, because they are supported by the respective education foundations of the political parties that established them. Open universities that offer opportunities for adult learners to pursue tertiary level qualifications while working have relatively low tuition fees, too. Private universities that are owned by government-linked companies in the telecommunication, energy, and oil and gas sectors also charge less, as they run home grown programs and are therefore not subject to high franchise charges. There are also state-owned universities within this category as well as universities that are established between the Malaysian and other governments such as those of the United Kingdom, France and Spain. As of 2010, there are only two former private college-universities that have been upgraded to university status, and they have higher tuition fees than the older private universities.

In contrast, the range in tuition fees conducted in university colleges and colleges is quite large, since most of these university colleges and colleges carry transnational courses that are expensive because awarding foreign universities charge substantial royalties on their programs (Lee 2001, cited in Middlehurst and Woodfield 2004). In

[5] It is important to note that tuition fees account for only a portion of the total cost of studying in Malaysia and living and travelling expenses are not included in this section, due to a lack of data on the total cost of living. The *Study in Malaysia Handbook* has estimated the living costs to vary between RM12,000 to RM20,000 per year per student (Challenger 2008). However, this appears to be overstated, based on conversations with students.

fact, some of these transnational programs can be more expensive than similar programs conducted by the branch campuses in Malaysia, due in part to differences in the cost of living in Malaysia as opposed to the United States or United Kingdom.

Given the wide range in tuition fees, it is important to assess the affordability of these programs. For that purpose, annual tuition fees are calculated as a percentage of the mean household income of Malaysia.[6] The affordability ranges from 34% to 77% of the annual mean household income for an undergraduate program in business and engineering in branch campuses, to as low as 6% for an undergraduate program in business that is conducted in university colleges. Given this extremely broad range in affordability, it is not necessarily true that private higher education in the country caters for affluent families only. In the next section, it can be seen that there is substantial government support to facilitate students of different economic backgrounds accessing higher education in the country via the private route.

4.2.5 Government support

There are two main student support mechanisms in the country, namely student loans and scholarships funded by the government. In the case of the former, the government in 1997 created the National Higher Education Fund Corporation (NHEFC) as a semi-autonomous body under the authority of the MOHE, for the purpose of offering subsidized loans to help students finance their higher education at PrHEIs (World Bank 2006). To ensure efficient loan financing, the NHEFC is tasked to administer, supervise, and collect loan settlement services. The main subsidy lies in the concessional annual interest rate of 3% for the repayment of these loans, which is calculated on the balance of the monthly balance. Moreover, students who obtained first class honors are exempted from their loan repayment. Overall the number of loans approved for the period 2000–2009 is more than one million (Table 8).

[6] In the 10th MP, the mean monthly household income was estimated at RM4,025 (Malaysia 2010).

Table 8: Total Number of Loans Approved by the National Higher Education Fund Corporation (NHEFC), 2000–2009

Year of Approval	Public Higher Education Institutions	Private Higher Education Institutions	Total
	Number of students		
2000	79,416	8,956	88,372
2001	82,754	26,263	109,017
2002	85,016	18,919	103,935
2003	87,482	26,775	114,257
2004	89,218	30,994	120,212
2005	98,656	45,662	144,318
2006	103,067	46,404	149,471
2007	94,936	65,628	160,564
2008	100,280	56,573	156,853
2009	116,725	76,454	193,179
Total for the period	**937,550 (70%)**	**402,628 (30%)**	**1,340,178 (100%)**

Source: NHEFC

Although this fund was initially established to provide financing assistance to PrHEIs, it was subsequently extended to PuHEIs. It can be seen that a smaller percentage of the total approved amount is allocated to the students in PrHEIs (30%) relative to PuHEIs (70%), despite the heavily subsidized tuition fees at the latter institutions.

The largest financier of NHEFC is the Employee Provident Fund (EPF) of the country (MOHE 2007). Since there is a difference between the loan rate imposed by the NHEFC and the rate offered by the EPF, the government has to subsidize the difference. The subsidies provided by the government for the period of the Ninth Malaysia Plan (9th MP: 2006–2010), the 10th MP, and the Eleventh Malaysia Plan (11th MP: 2016–2020) are shown in Table 9.

Table 9: National Higher Education Fund Corporation (NHEFC) Allocation and Government Subsidy for Student Loans

	9th Malaysia Plan (RM billion)	10th Malaysia Plan (RM billion)	11th Malaysia Plan (RM billion)
NHEFC Allocation for Higher Education	19.83	38.85	71.40
Government Subsidy	3.36	9.68	16.12

Source: Ministry of Higher Education (2007)

The provision of subsidized loans, however, does not imply that access has been widened to the economically underprivileged or those who come from poorer states,

as there are no family income conditions for eligibility or regional considerations in the allocation of these loans (World Bank 2006; private communication with NHEFC officer). The eligibility criteria are based on the family's net income: that is, the gross income minus provisions for each dependent in the family. Prior to 2010, students with parental net income of less than RM3,000 were eligible for the full loan, which covers both tuition as well as subsidence, while students with parental net income of between RM3,001 and RM5,000 were eligible for partial loans, covering fees and partial subsidence, while students with parental net income of more than RM5,000 were eligible to loans covering only their fees (The Star, 2010).[7] Loans are provided only for Malaysian citizens who have been accepted into full-time accredited programs in either PuHEIs and PrHEIs. Applicants must achieve a certain minimum standard at their year 11 examinations in Malaysia.[8] The amount approved ranges from RM8,500 to RM20,000 for science programs, and from RM8,000 to RM16,000 for arts programs.

The lack of a maximum income criteria for loans approved has resulted in some students from wealthy families accessing these loans, also as shown in Tables 10 and 11. First, there is a large range in the reported net parental income. Second, about 60–67% of the loans are approved for students in business programs, with reported net parental income that is below the mean. In the case of engineering programs, meanwhile, about 58–62% of loans are approved for reported parental income that is below the mean. Third, the reported net parental income of students in distance learning programs is much lower than that reported for students from other types of higher education institutions. It should be noted, however, that the verification procedure of parental net monthly income is not stringent, as students can ask their respective school authorities to verify the reported income.

[7] The net parental income for a full loan has been raised to RM4,000 as of 2010.

[8] The minimum standard is three credits at the Malaysian Certificate of Examination in year 11 or the Sijil Pelajaran Malaysia.

Table 10: Net Monthly Income of Parents of Students in Undergraduate Business Programs, 2009

Category of Private Institution	Range (RM)		Mean (RM)	Proportion (%)
	Minimum	Maximum		
Private Universities	0.00	17,000.00	1,114.61	62
University Colleges	0.00	27,833.00	1,180.81	62
International University Branch Campuses	0.00	36,688.00	1,715.10	62
Colleges	0.00	376,076.00	1,077.59	67
Distance-Learning	0.00	3,548.25	636.40	60

Source: National Higher Education Fund Corporation

Table 11: Net Monthly Income of Parents in Undergraduate Engineering Programs, 2009

Category of Private Institution	Range (RM)		Mean (RM)	Proportion (%)
	Minimum	Maximum		
Private Universities	0.00	37,081.00	1248.22	61
University Colleges	0.00	16,000.00	1,335.56	58
International University Branch Campuses	0.00	18,000.00	1,970.02	58
Colleges	0.00	9,888.25	1,126.88	62

Source: National Higher Education Fund Corporation

Besides the NHEFC, the government also provides annual scholarships for studies in local institutions of higher learning at both PuHEIs and PrHEIs via the Public Services Sponsorship Programs which is administered by the Public Services Department (PSD). Although the bulk of these scholarships are allocated to overseas studies, local scholarships are also provided (Foong 2008). Overseas scholarships grew from 1,249 in 2002 to 1,643 in 2003 before falling progressively to 1,300 in 2005, while the number of local scholarships awarded was kept at 500 each year throughout the same period. According to Foong, the main criteria used for PSD scholarships are: (a) academic performance (65% of the award decision), (b) interview performance (15%), (c) extra-curricular activities (10%), and (c) family background (10%). Although most of the local scholarships are awarded to PuHEIs, students studying at three private universities are also provided local scholarships by PSD. They are University Teknologi Petronas, Universiti Tenaga Nasional and Multimedia University of Malaysia. All three are private universities established by the respective government-linked companies in the petroleum, electricity and telecommunication sectors.

However, the bulk of the scholarships are awarded to public universities, with the percentage of the total scholarships awarded to PrHEIs amounting to only 4.5% in the period 2001–2009 (Table 12).

Table 12: Number and amount of Public Services Department scholarships awarded, 2001–2009

Year	Public Higher Education Institutions (No.)	Private Higher Education Institutions (No.)	Total (No.)	Amount (RM million)
2001	9,265	427	9,692	RM121.4
2002	6,854	412	7,266	RM108.1
2003	4,542	205	4,747	RM187.0
2004	4,328	96	4,424	RM176.1
2005	5,096	190	5,286	RM148.4
2006	5,634	119	5,753	RM144.7
2007	7,461	114	7,575	RM156.2
2008	9,854	146	10,000	RM323.7
2009	8,823	1,177	10,000	RM306.3
Overall	61,857	2,886	64,743	RM1,167.9

Source: Public Services Department

PrHEIs are also provided with various tax incentives to foster their development and growth. These include investment tax allowances, pioneer status with 100% tax exemption, duty free importation of multimedia equipment, tax exemption for export of higher education, double deduction for expenses incurred in export promotion, industrial building allowances, accelerated capital allowances, and deductions for training (see Appendixes 1 and 2).

At the same time, the government provides quality assurance, as student loans and scholarships are provided only for accredited programs. Students' interests are safeguarded with the imposition of quality assurance measures such as the provision of basic standards and quality that are developed by the MQA. These prudential regulations cannot be construed as barriers to entry, as they protect the interests of the consumer, be it local or international. In fact, the availability of quality assurance in the form of accreditation has enabled local private universities to sell their own homegrown programs to international students. For example, Multimedia University had a student population of 21,000 in 2007, of whom 3,800 were international (Tham and Kam 2007). Professional bodies such as for the legal, accountancy, and architectural professions also assist the government to monitor and guide the development of their respective professions, through joint technical accreditation committees.

4.2.6 Private Support

Non-governmental support comes mainly in the form of scholarships, as well as loans. The Malaysian Association of Private Colleges and Universities (MAPCU) in conjunction with a local daily newspaper,[9] provides scholarships for academically excellent students.[10] In principle, the economic status of the applicant, together with their extracurricular activities, and their attitudes towards learning, are also taken into consideration in assessing their applications. In practice, however, PrHEIs that are copartners of this program inevitably end up choosing students who excel academically, as they hope that this will enhance the quality of the their respective

[9] The current partner is the *Sun*, while the previous partner was the *New Straits Times*. The partnering newspaper so far does not contribute toward funding the scholarships, providing publicity instead.

[10] Private communication with MAPCU, 26 October and 4 November 2010.

institutions. Consequently, the uptake of the scholarships is around 50–60% each year, as academically excellent students may apply and receive multiple offers of scholarships. In 2007, a total of 50 scholarships were awarded by 8 participating institutions, with a total value of RM1.74 million. In 2010, 49 scholarships were awarded, amounting to a total value of RM1.5 million. These scholarships are essentially tuition waivers, and do not cover overall living expenses.[11]

Foong (2008) noted that low income students may also have recourse to loans or scholarships from various charity organizations and foundations. These foundations are established by wealthy Malaysians, and include the Lee Rubber Foundation, Kuok Foundation, Lee Loy Seng Foundation, Syed Kechik Foundation, Yayasan Albukahry, Malaysian Community and Education Fund, Harapan Nusantara Fund, Yu Cai Foundation, Yayasan Pok Rafeah, Yayasan Haji Zainuddin, and Hope Foundation. Unfortunately, there are no data on the extent to which these foundations have benefitted the needy in terms of increasing their access through the private higher education institutions. PrHEIs have also indicated that they are willing to help financially needy students who are recommended by community leaders, although this is an ad hoc effort.[12]

There are also corporate scholarships and loans, such as those from the Star Education Fund, the Nanyang Education Fund, the Sin Chew Education Fund, Astro Scholarship Awards, UEM Group Scholarships, Petronas Education Scholarships; and other regional and international scholarships. While the academically brilliant will be able to access these scholarships, it is doubtful if the average but financially needy student will be able to receive any of these scholarships, since academic excellence is the principal criteria used for selection.

5. CONCLUSION: LESSONS FOR OTHER DEVELOPING COUNTRIES

Malaysia's use of private supply to absorb excess demand has important lessons for other countries as the government plays a key role in the development of private higher education in the country, in terms of the provisions of a regulatory framework as well as quality assurance. Given the financial constraints encountered in most developing countries in terms of public provision, it is important to harness the private sector as a partner in the supply of higher education but this has to be done with care rather than leaving it to sheer market forces alone.

The significant increase in access is made possible through considerable government subsidies in the form of cheap student loans as well as scholarships. The government's commitment toward education, including higher education, can be seen in the share of education in total government development expenditure of around 20-25% from 1996 to 2010 (Foong 2008, based on the 7th MP to the 10th MP). Nelson (2008) noted that Malaysia has spent considerably more public funds, relative to total expenditure, on education than most other Southeast Asian nations, with the exception of Thailand, and more than the average of all upper-middle income countries. The provision of various fiscal incentives was also used to encourage the development of PrHEIs.[13] At the same time, quality assurance efforts by the government serves to preserve the integrity of the programs offered, especially since loans and scholarships are only provided for accredited programs.

[11] Private communication with MAPCU, 4 November 2010.

[12] Private communication with MAPCU, 26 October 2010.

[13] Private communication with MAPCU (4 November 2010) indicates that the larger members of this association are able to access the incentives when they apply.

Nevertheless, there are also cautionary lessons from the Malaysian experience that need to be taken into consideration when planning for financial support in other countries. First, it is crucial to ensure the sustainability of the financing support mechanism. As noted by the World Bank (2006), payment compliance is rather low, as only 25% of the total amount is recovered even if all graduates were to pay their loans according to schedule. The issue of sustainability is also raised in the National Higher Education Strategic Plan, whereby the government is urged to adopt best practices in the repayment scheme to ensure full loan recovery by 2015 and for the NHEFC to be financially independent by 2020. Second, it is equally critical to review the equity issue in the disbursement of loans and scholarships. Given the increasingly restrictive fiscal constraints on the government due to the fiscal deficit, there is an urgent need to consider a more stringent income criterion in the disbursements of both loans and scholarships. Finally, while the current efforts to assure the quality of the programs are commendable, the effectiveness of the monitoring mechanism is hindered by the small number of officers available to oversee the process relative to the large number of PrHEIs in the country. Moreover, while programs are accredited, that does not imply recognition, which would require international quality assurance agencies to recognize the accreditation efforts of MQA. While MQA is a member of several quality assurance networks, greater efforts have to be made to widen the recognition of MQA's accreditation exercises.

Nevertheless, the Malaysian case study shows that a successful partnership can be attained with the private sector, in the provision of higher education in a developing country.

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APPENDIX 1: TAX INCENTIVES FOR PRIVATE HIGHER EDUCATION INSTITUTIONS (PRHEIS)

ELIGIBILITY	TAX INCENTIVES	AGENCY
PrHEIs that provide technical or vocational courses and also science courses in selected fields: Biotechnology Medical and Health Sciences Molecular Biology Material Sciences and Technology Food Sciences and Technology Existing PrHEIs providing the above courses that undertake new investments to upgrade their training equipment or expand their training capacities also qualify for this incentive	Investment Tax Allowance of 100% for 10 years offset against 70% of statutory income for each year of assessment	Malaysian Industrial Development Authority
Multimedia faculties in institutions of higher learning: Tax incentives accorded to Multimedia Super Corridor status companies extended to multimedia faculties which provide courses in media, computer, information technology, telecommunications, communications and contents related to data, voice, graphics and images.	Pioneer Status with 100% tax exemption for a period of 10 years or Investment Tax Allowances of 100% for % years offset against 100% of statutory income for each year of assessment. Duty free import of multimedia equipment.	Multimedia Development Corporation
Companies involved in the export of educational services	i. Tax exemption on income equivalent to 50% of the value of the increased export of higher education ii. Double deduction for expenses incurred	Inland Revenue Board of Malaysia

	in the promotion of export of higher education	
Any person who owns buildings used for industrial, technical or vocational training approved by the Minister of Finance Any company who owns buildings used for a school or an educational institution approved by the Minister or Higher Education	Expenses incurred in constructing or purchasing the building are eligible for industrial Building Allowance 10% for 10 years	Inland Revenue Board of Malaysia
PrHEIs that are approved technical and vocational training institutions, private language centers	Exemption of Import Duty, sales tax and Excise Duty on all educational equipment including laboratory, workshop, studio and language laboratory equipment	Inland Revenue Board of Malaysia
Non-residents franchisors providing franchised education programs approved by the Ministry of Higher Education	Tax exemption on royalty income paid by educational institutions to non-residents franchisor	Inland Revenue Board of Malaysia
Incentive for lecturers providing accreditation of Franchised Education Programs	Fees from Malaysian Qualifications Authority by lecturers/experts who provide services in the validation, moderation or accreditation process to ensure franchised education programs are the same quality as those of franchisor institutions, are exempted from income tax	Inland Revenue Board of Malaysia www.hasil.gov.my
Companies that do not contribute to the Human Resource Development Fund (HRDF), but provide training for their employees	Companies that incur expenses for approved training of its employees are eligible for Double Deduction. The training should be at approved training institutions	Inland Revenue Board of Malaysia www.hasil.gov.my
Deduction for pre-employment training	Training expenses incurred before the commencement of business qualify for single deduction. The institution must prove that they will employ the trainees	Inland Revenue Board of Malaysia www.hasil.gov.my

Source: Ministry of Higher Education

APPENDIX 2: TAX INCENTIVES FOR CONTRIBUTORS TO THE EDUCATION SECTOR

ELIGIBILITY	TAX INCENTIVES	AGENCY
A company or an individual incurring expenditure in the provision of services, public amenities and contributions to a charity or community project pertaining to education approved by the Minister of Finance	Single deduction is given for the expenses incurred Provided no further deduction of the same amount be allowed under Sec 44(6) Investment Tax Allowances (ITA)	Malaysian Industrial Development Authority
Library: A company or an individual incurring expenditure in the : Provision of library facilities which are accessible to the public; Contributions to public libraries and libraries of school and institutions of higher education	Single deduction is given for the expenses incurred	Inland Revenue Board of Malaysia
Scholarship: A company incurring expenditure in the provision of scholarship to a student for a diploma or degree course or equivalent of a diploma or degree program undertaken at a recognized higher educational institution in Malaysia	Single deduction is given for the expenses incurred. Provided that student is following: i. full time education ii. has no means of his own; and iii. total monthly income of parents/guardian not exceed RM5,000	Inland Revenue Board of Malaysia
Research: A company or individual contributing in cash to an approved research institution	Double deduction for expenses incurred. Provided no deduction of the same amount be claimed under Sec 33, 34 and 34A ITA 1967.	Inland Revenue Board of Malaysia

ELIGIBILITY	TAX INCENTIVES	AGENCY
Research	Double deduction for expenses incurred.	Inland Revenue Board of Malaysia

Payment made for use of the services of: An approved research institute or approved research company approved by the Minister of Finance A research and development company or contract research and development company which is defined under section 2, Promotion of Investment Act 1986	Provided no deduction of the same amount be claimed under Sec 33, 34 and 34A ITA 1967.	

Source: Ministry of Higher Education, *World Economy Study* 5: 36–56.