



**UUM**  
Universiti Utara Malaysia



Pusat Pengujian, Pengukuran & Penilaian  
*Center for Testing, Measurement & Appraisal (CeTMA)*

Universiti Utara Malaysia

# **TOWARDS THE TRANSFORMATION OF HIGHER EDUCATION FUNDING IN MALAYSIA: ISSUES AND CHALLENGES**



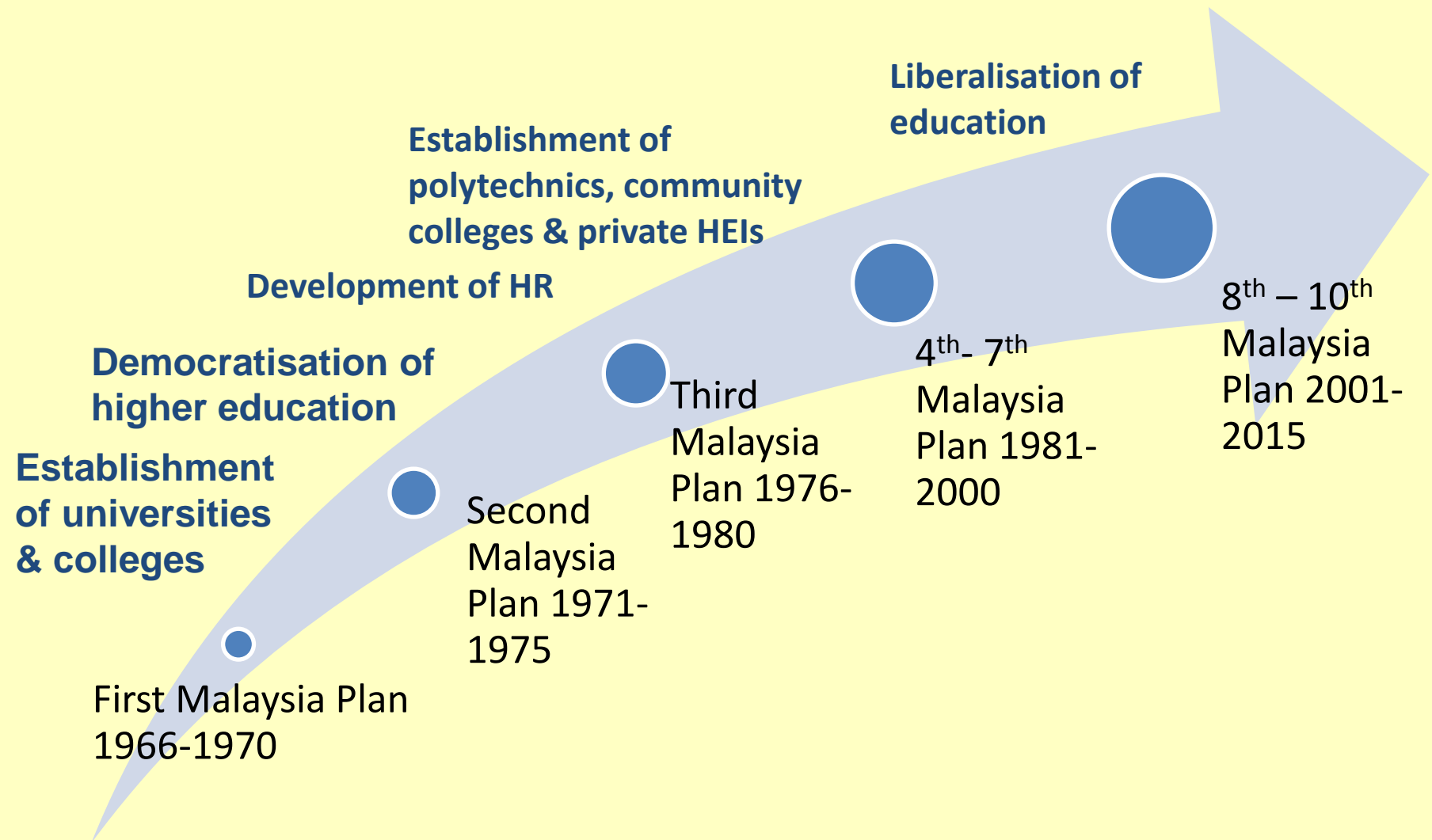
The Eminent Management University

# Researchers

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# Malaysian Higher Education

## The Development of Higher Education in Malaysia



# The Development of Higher Education in Malaysia

Type of Higher Education Institutions	No.
Public Universities	20
Polytechnics	32
Community College	91
Private University/University College	66
Foreign Branch Campuses	7
Private Colleges	420
<b>TOTAL</b>	<b>636</b>

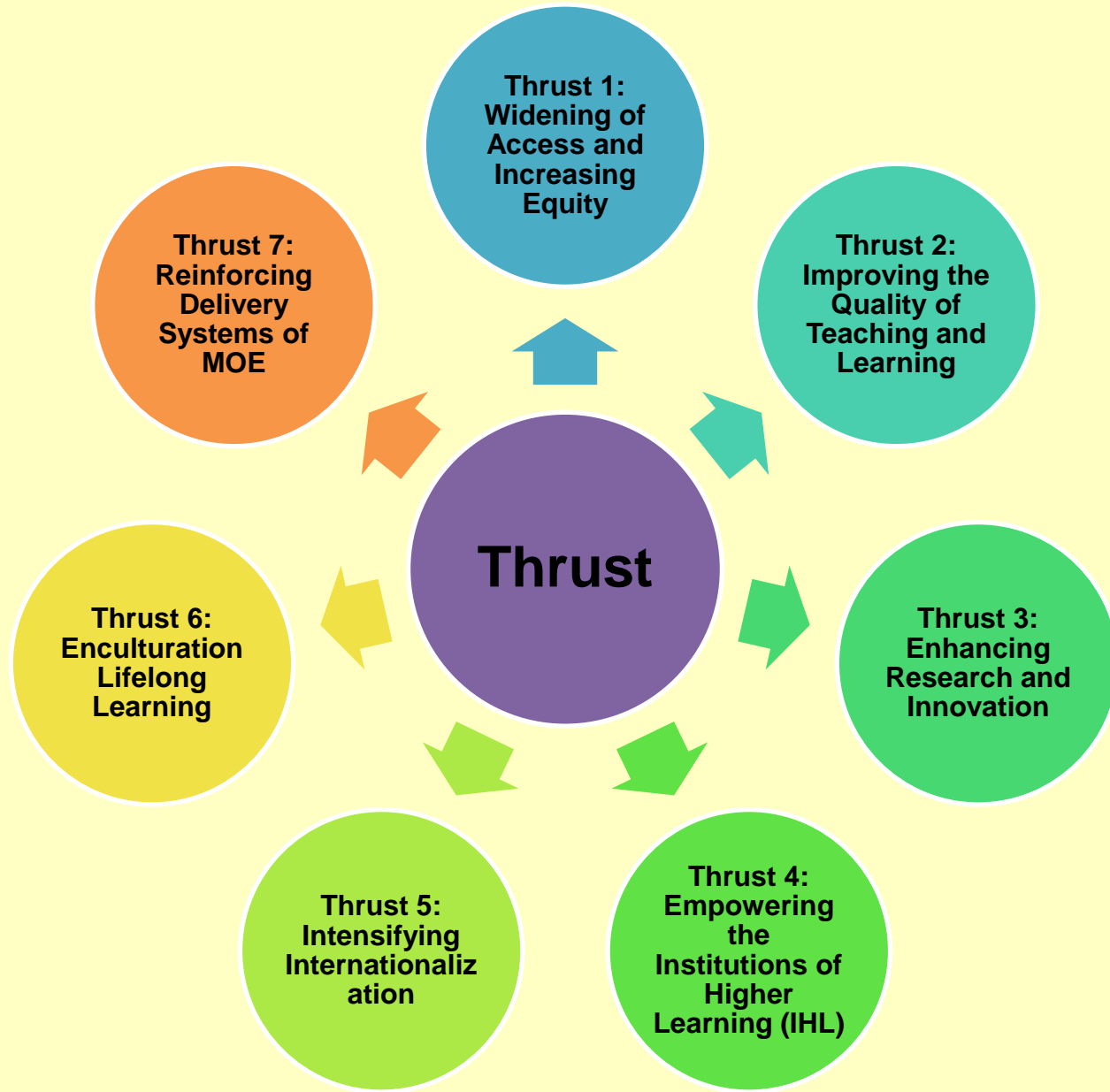


Source: MoE, 2014

YEAR	Total enrolment of student in HEIs
2002	576,006
2003	608,173
2004	616,430
2005	565,400
2006	654,482
2007	730,576
2008	805,179
2009	903,693
2010	979,705
2011	1,187,395

Source: MoHE, 2012

# National Higher Education Strategic Plan



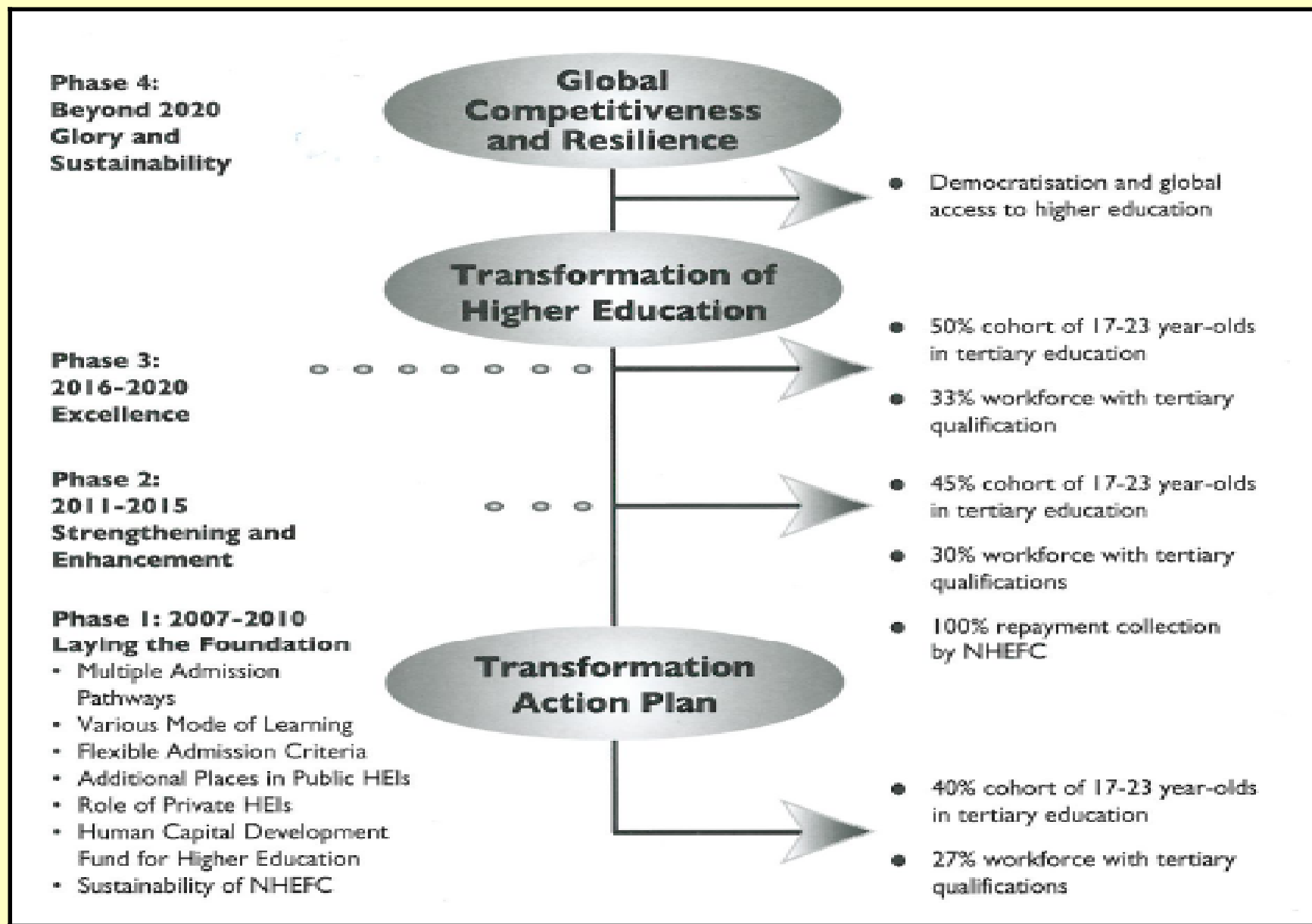
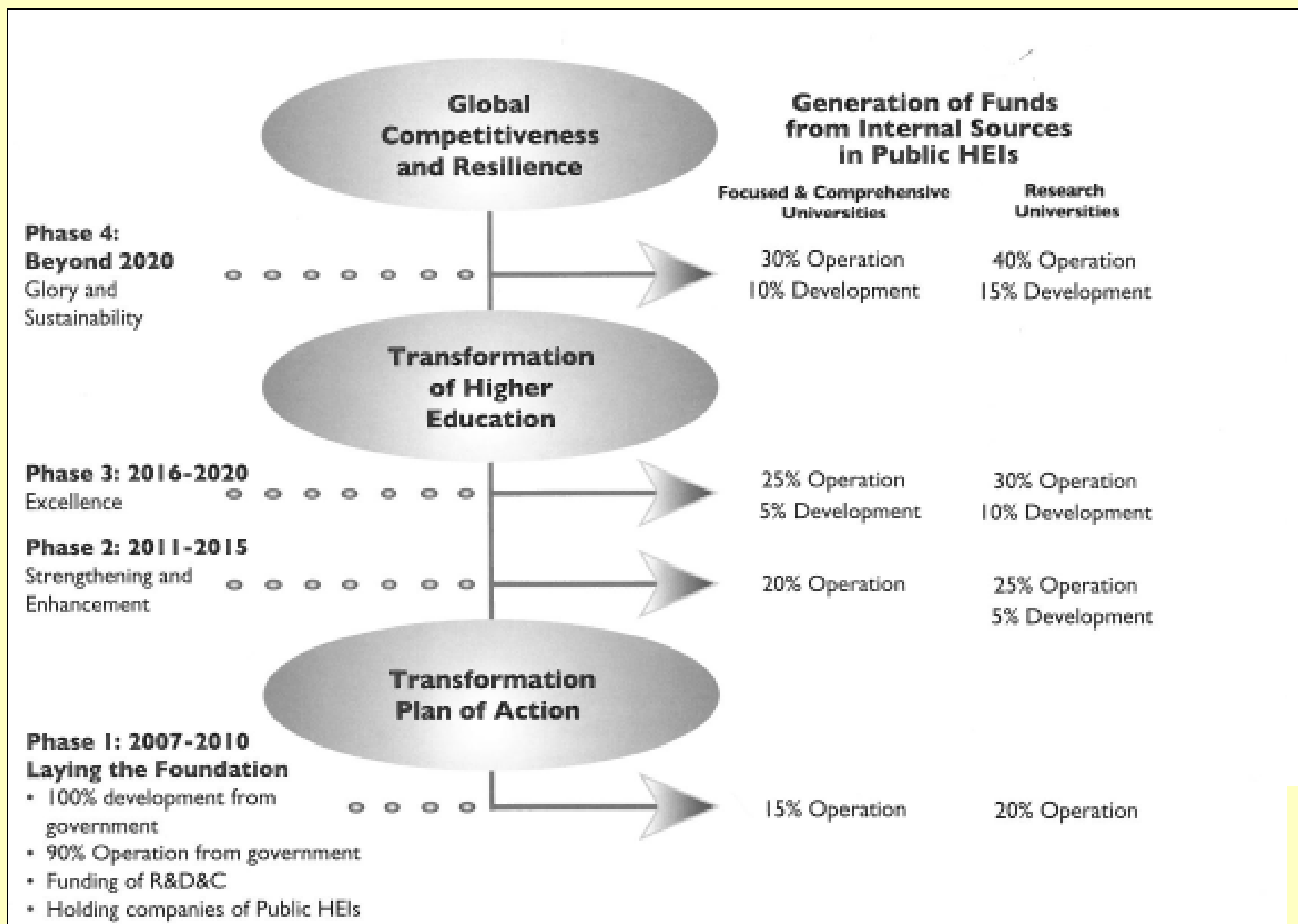
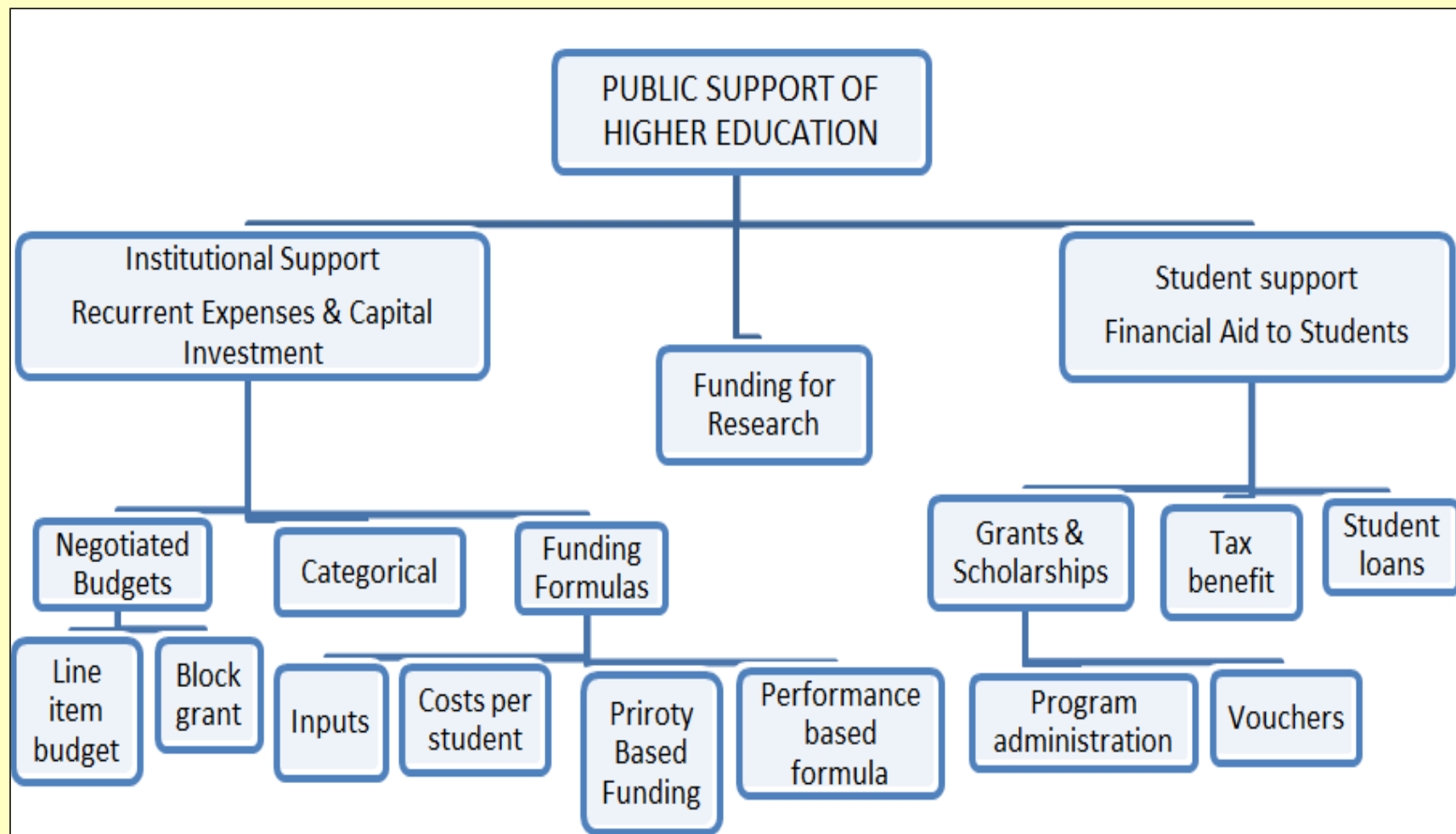


Figure 3.3: Access and Equity.

Source: PSPTN (2007)

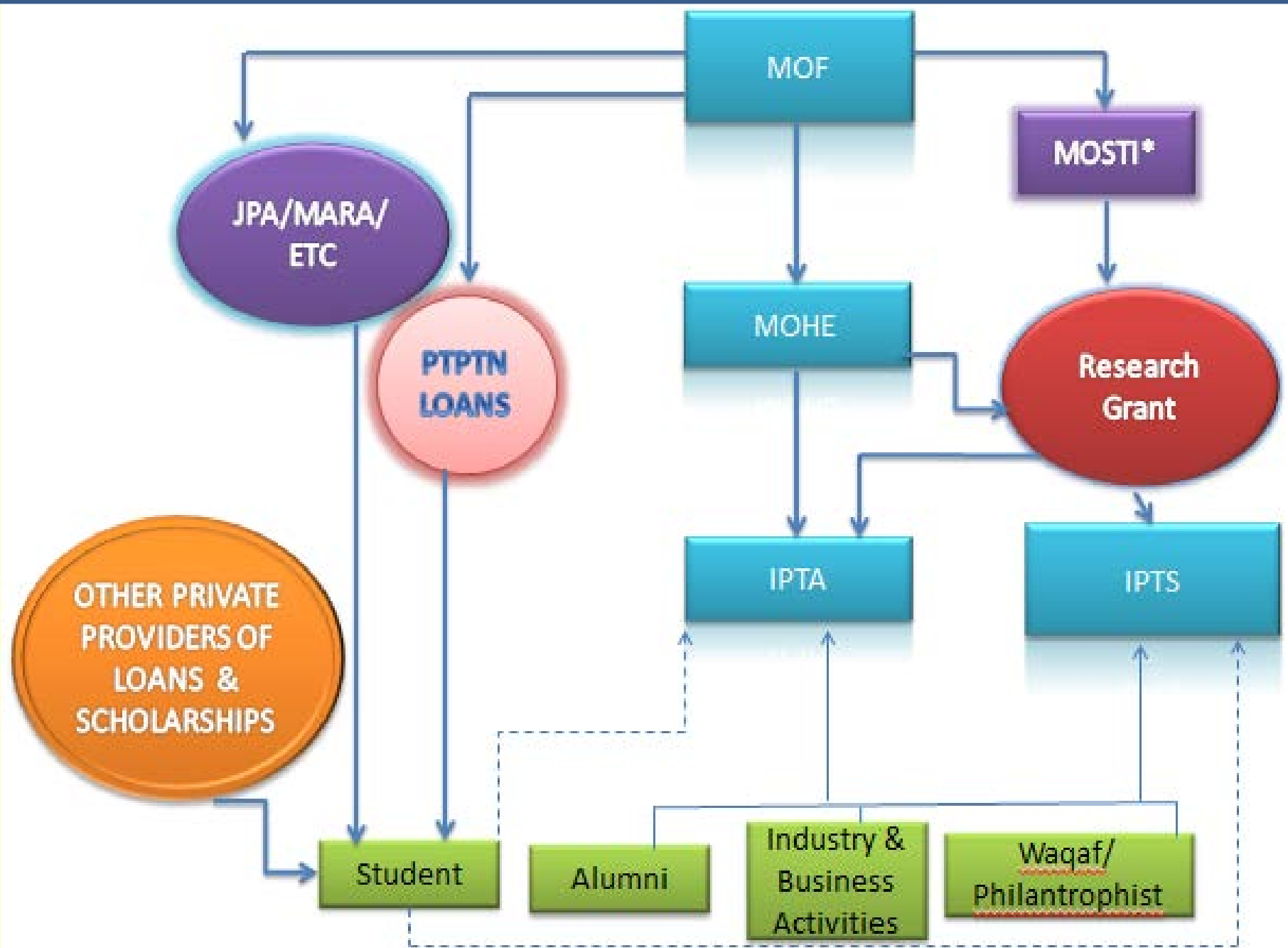


# Allocation mechanism for the public support for higher education



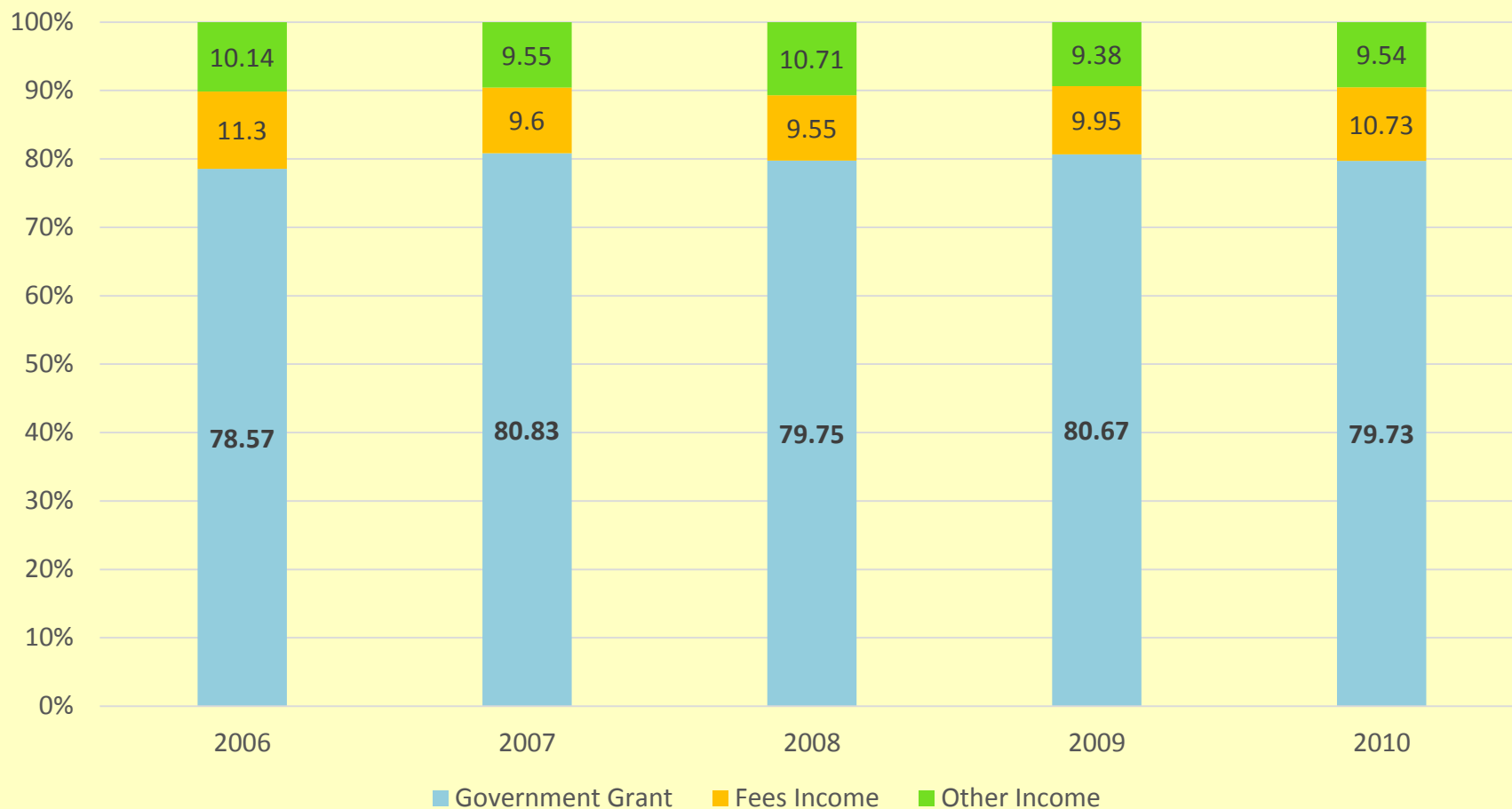
Source : Adapted from Salmi & Hauptman (2006)



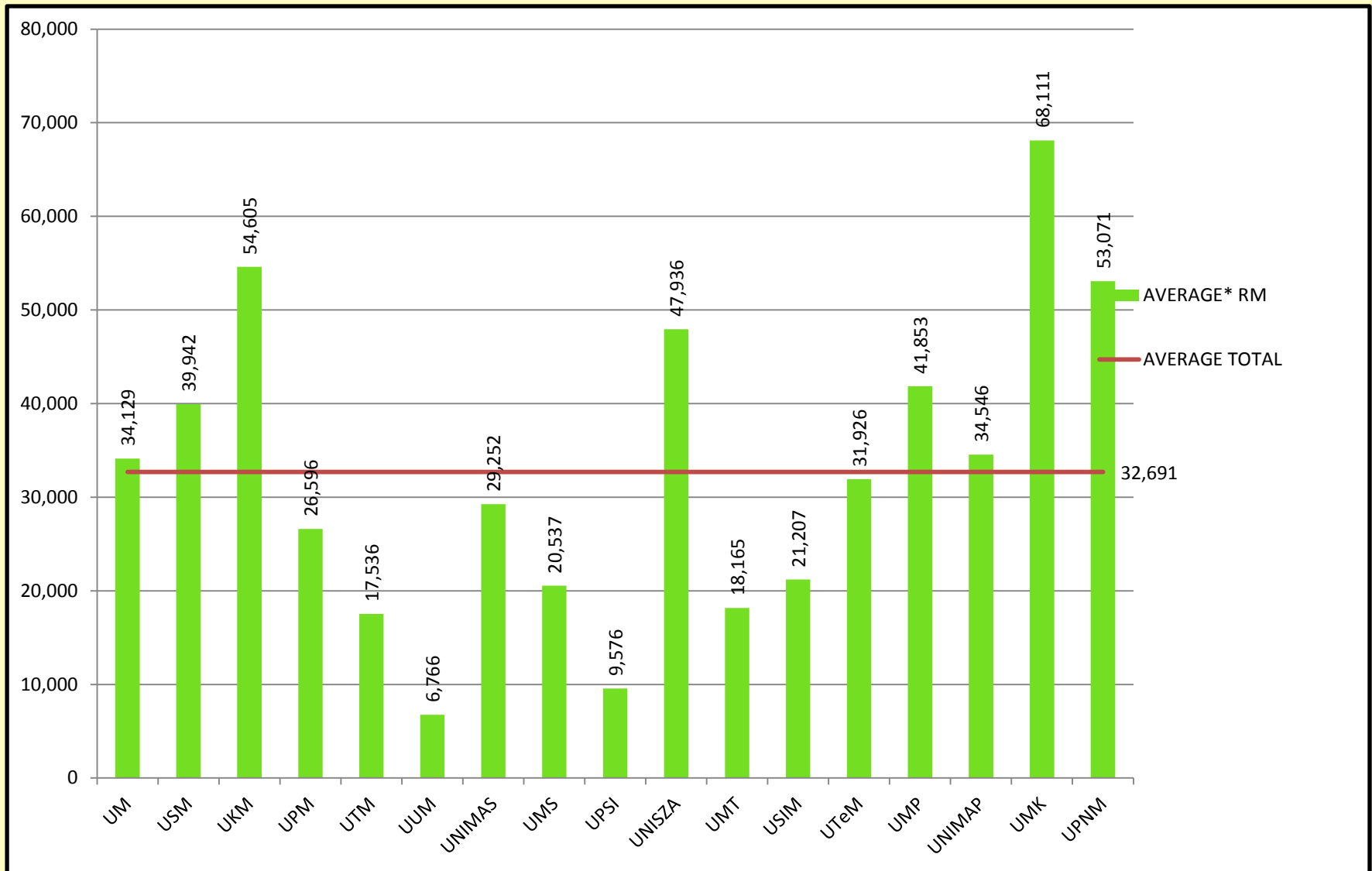


# Funding for Institutions

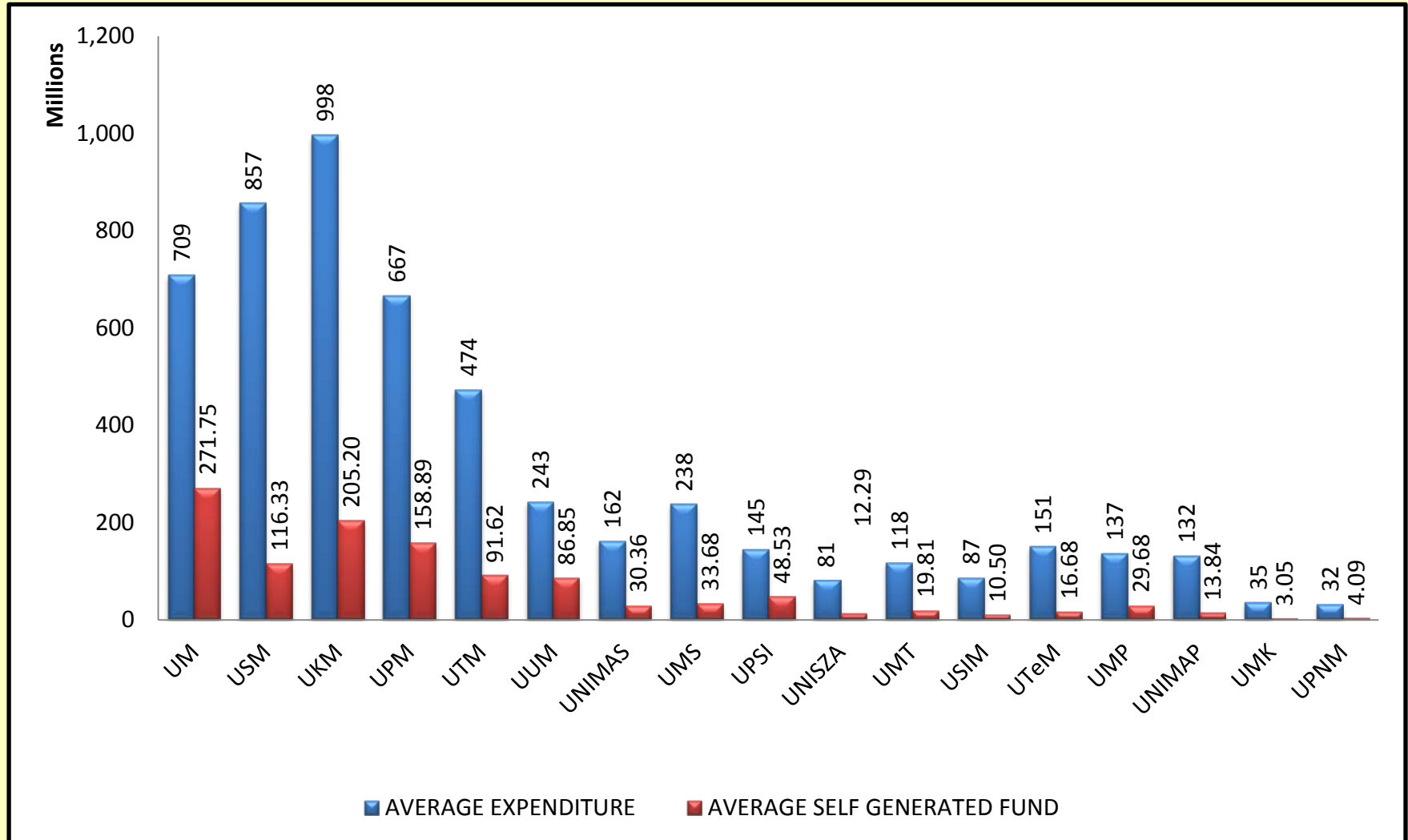
# Funding for Institutions: Composition (%) of Source of Revenue (Public Universities) 2006-2010



# Average Operating Grants per Student at Constant Value



# The extent of public universities reliance on government grants - Gap between annual expenditure and self-generated income



# Findings

- Funding and resource allocation mechanisms in Malaysia still depend mainly on the traditional approach, based on negotiation between public universities and the government as well as being based upon historical trends.
- The findings are supported by pooled regression analysis, where the previous year expenditure influences the amount of government operating grants received by universities.
- Nevertheless, there is some evidence of formula funding which is based on input criteria.

# Findings

- The amount of government operating grants per student varied significantly according to the characteristics of any given university, such as its status, discipline and year of establishment.
- Interestingly, *ceteris paribus*, Science and Technology (S&T) universities received significantly lower per student grant than Art and Humanities (A&H) universities- implies that the fund allocated to universities seems not to reflect the cost per student (intuitively, cost per student for S&T should be higher when compared to A&H).

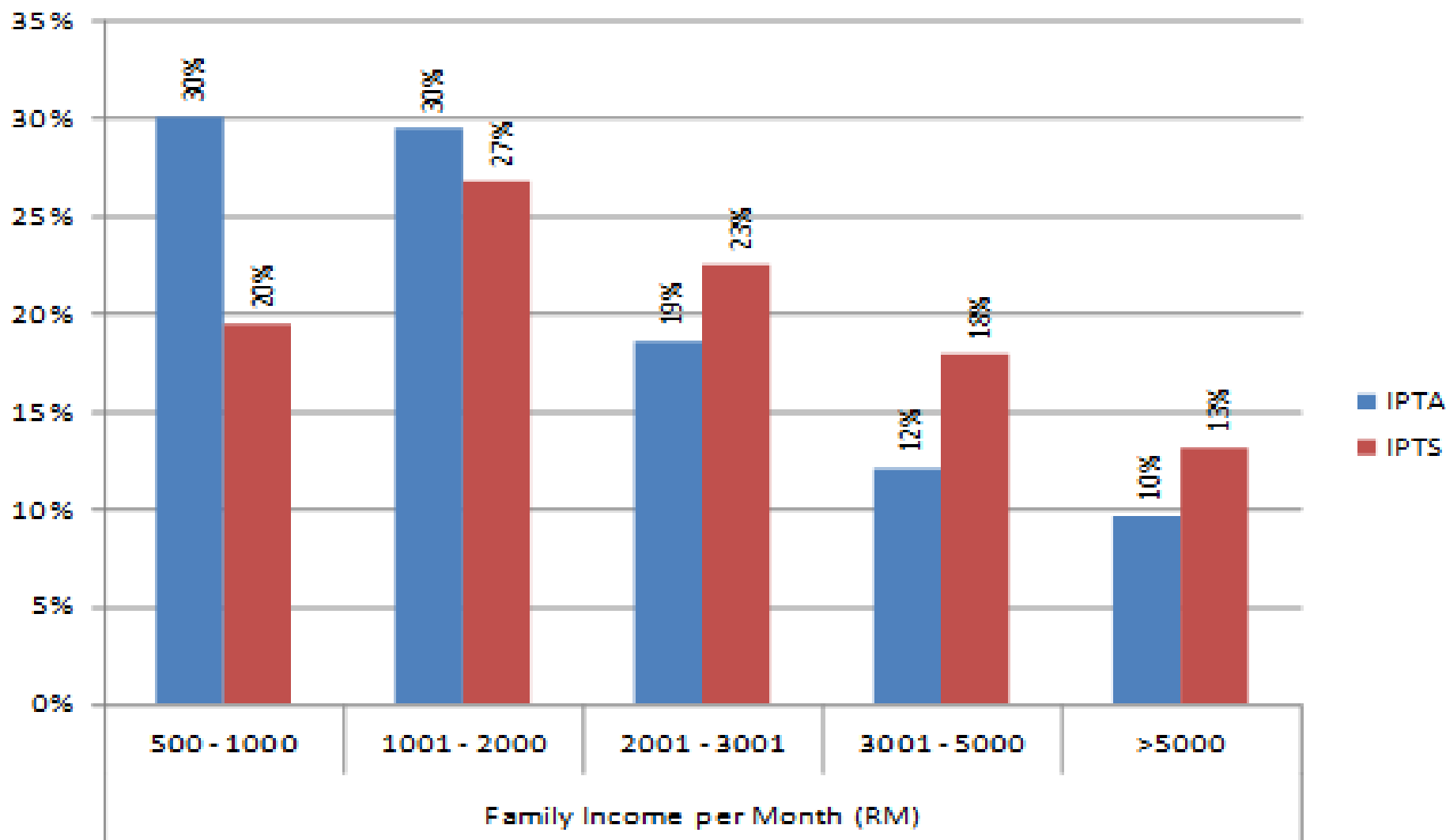
# Findings

- Government operating grants (after adjusting for inflation) have been growing at an average rate of 9% across all universities, showing the continuous commitment of the government to funding public higher education despite unhealthy economic conditions worldwide.
- Self-generated funds, which are made up of fees income and other income, can support on average only 20% of public university operating expenditure. The result also shows that other income (self-generated minus fees) decreased at the rate of 0.39%, bringing into question the ability of universities to be financially independent within the near future if the fee structure is not revised.



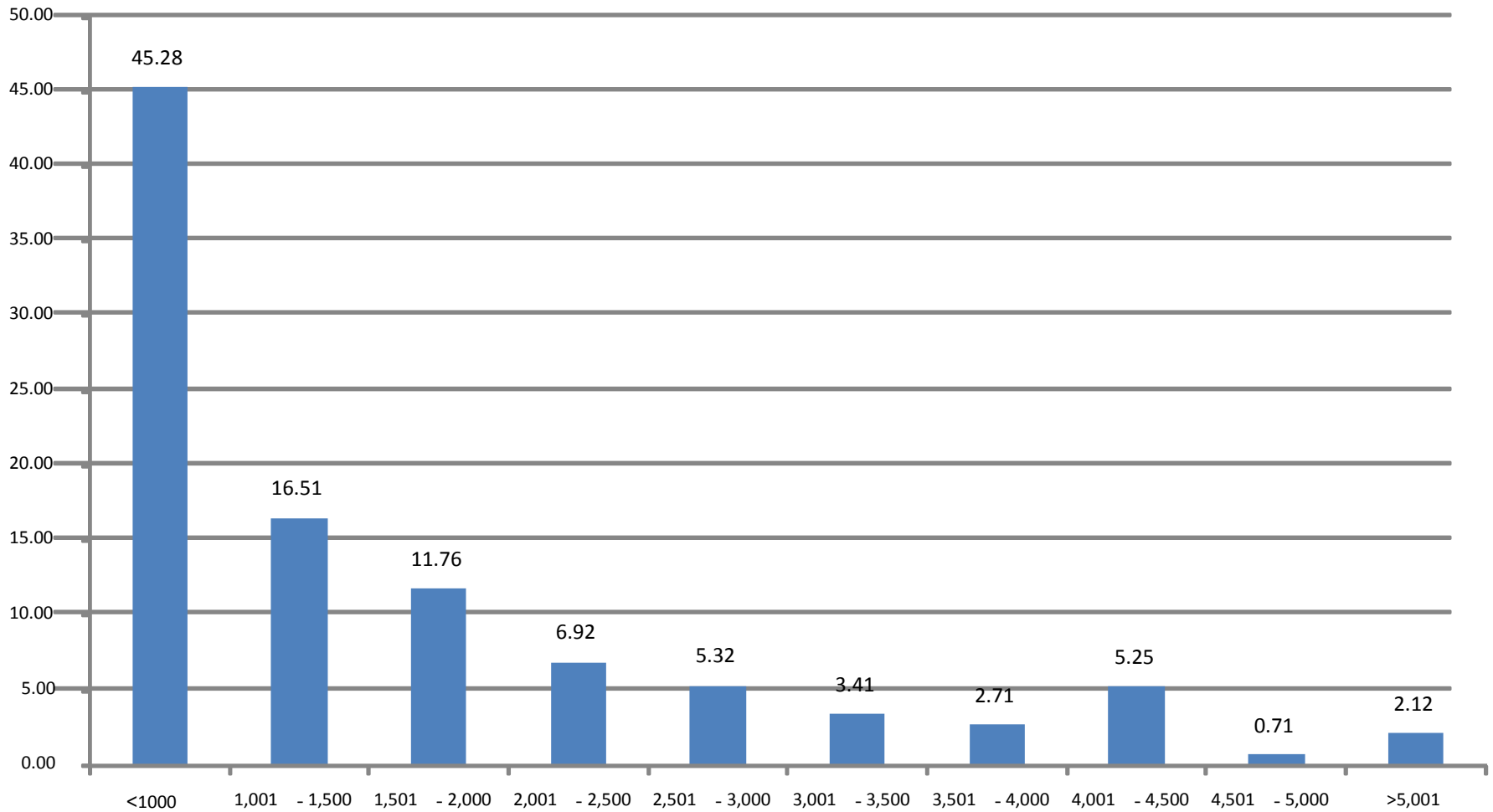
# **Financial Support for Students (PTPTN)**

# Distribution of Students in IPTA and IPTS Based on Parental Income (Tracer Study 2010)

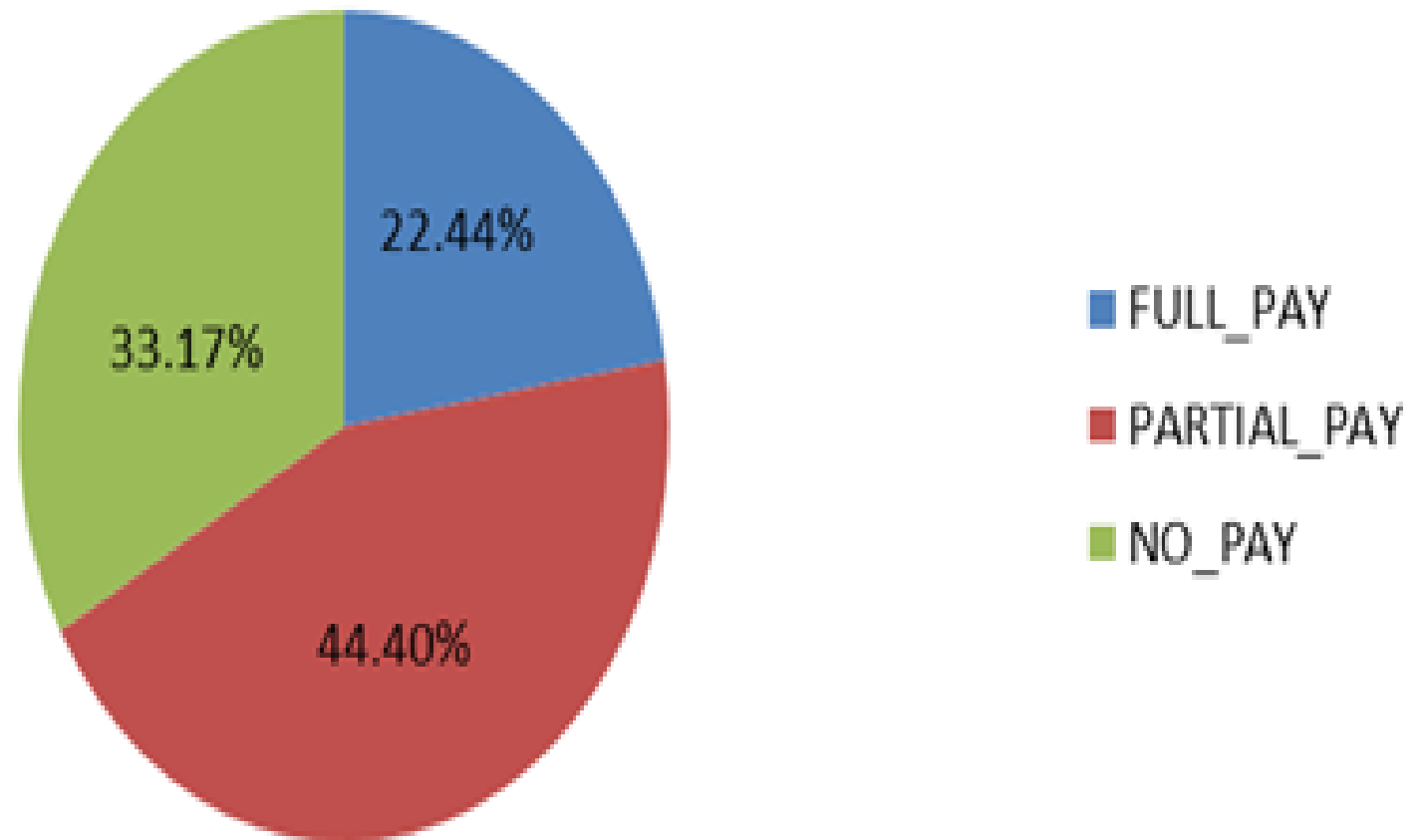


# Distribution of Borrowers by Parental Income (PTPTN)

% of Parental Income

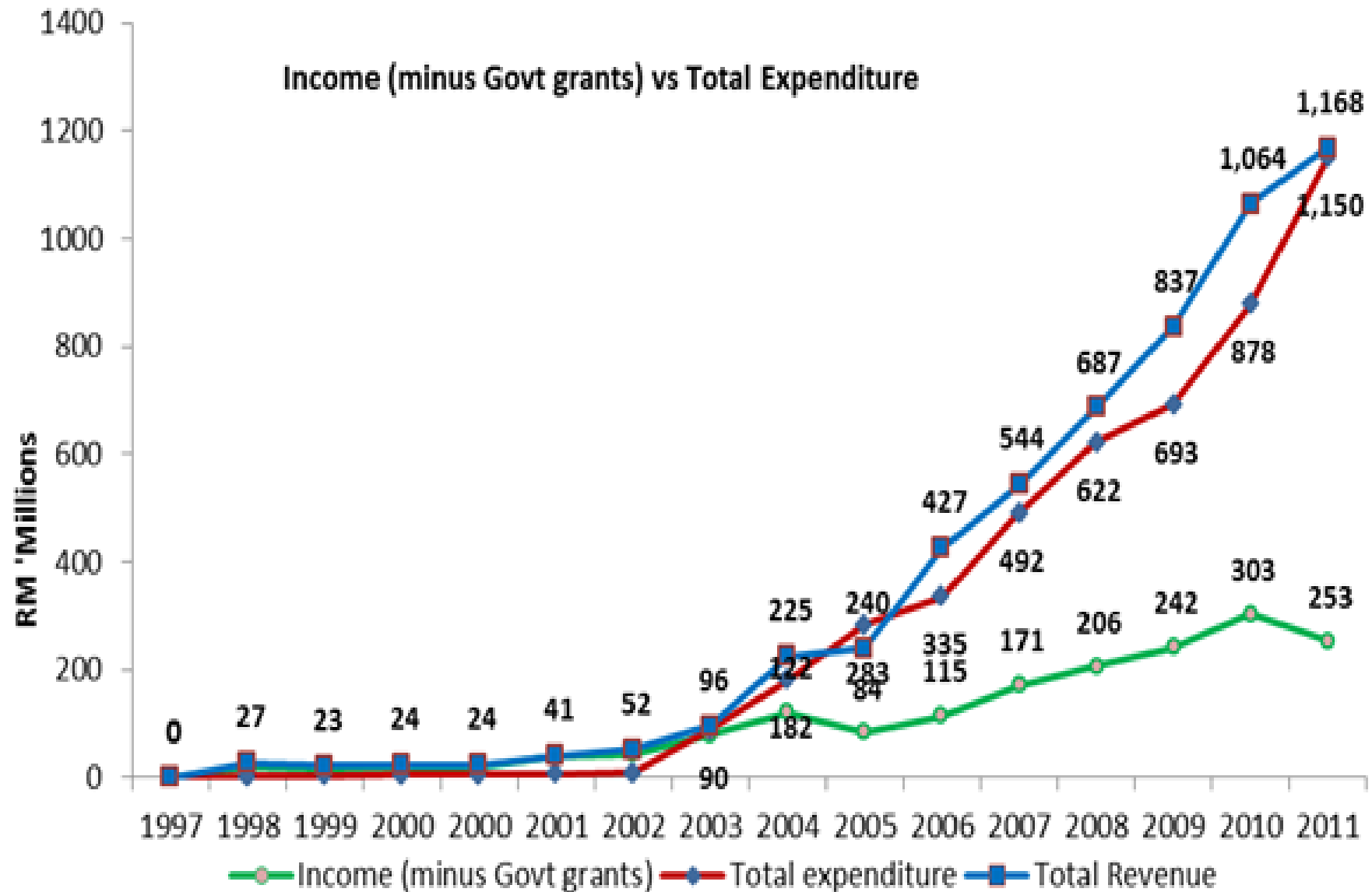


# DEFAULT STATUS



# Sustainability

Income (minus Govt grants) vs Total Expenditure



# Findings

- In terms of equity, PTPTN loans have given significant benefit to students from poor and middle income backgrounds.
- loan eligibility shows that around 90% of borrowers have full loans which cover their tuition fees and living expenses, thus PTPTN has achieved its objective of promoting accessibility and equity in higher education.

# Findings

- The data also shows that in terms of the amount of loans disbursed, IPTS has benefitted more compared with IPTA due to the high fees charged in IPTS.
- In terms of sustainability the quantity of loans disbursed by PTPTN to students is increasing steadily, despite the duties of heavy debt incurred, both in the principal repayments and in the servicing of interest.
- Level of income dictates the ability to repay, in addition to the overall repayment burden. The higher the repayment burden, the higher will be the possibility of default.

# **The Way Forward**



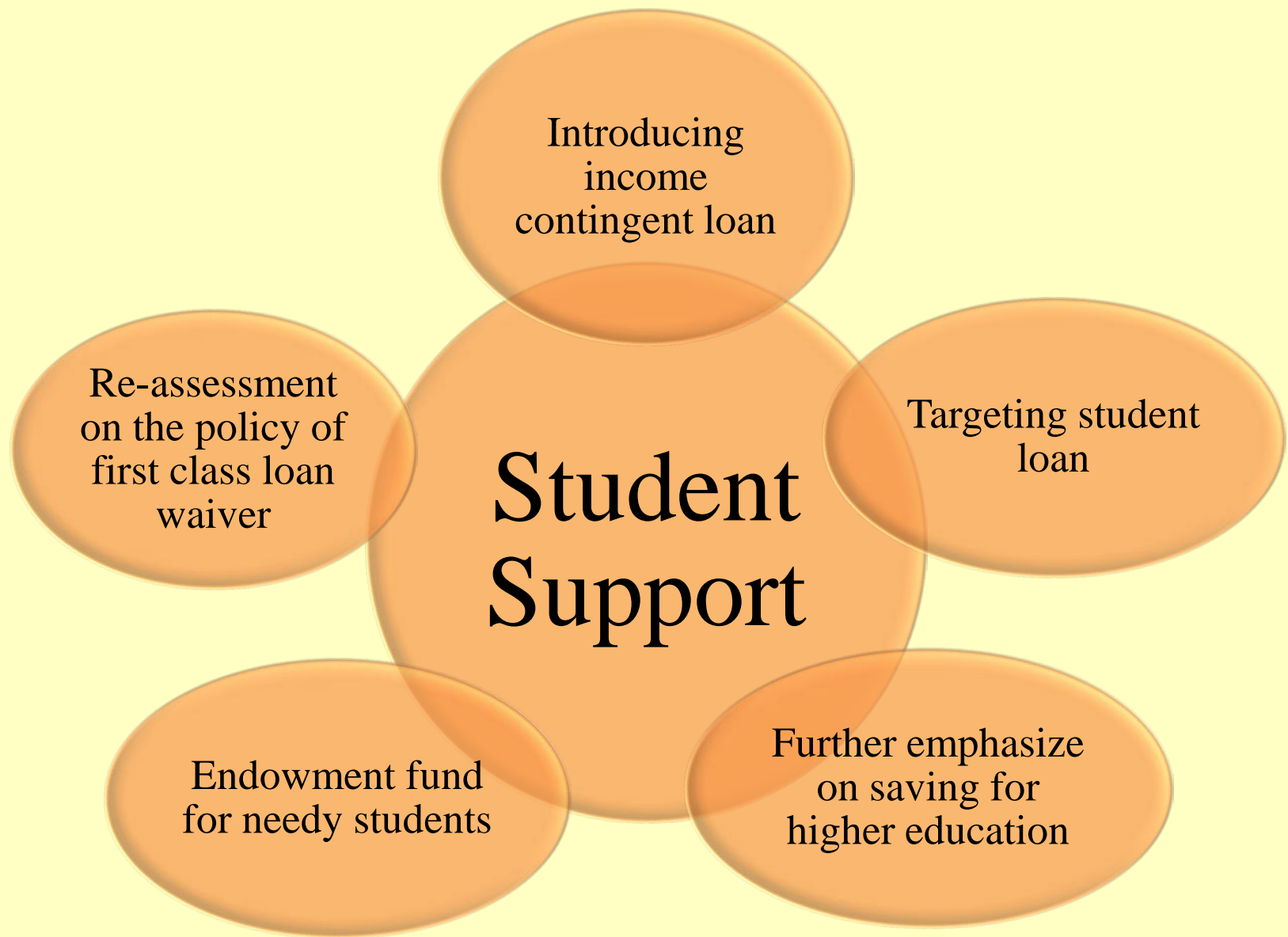
# Innovative Allocation Mechanism

Country	Historically negotiated budget	Formula funding	Voucher-based allocation	Performance-based contracts
High-income countries				
Japan				●
Singapore		●		●
Hong Kong SAR (China)		●		
Republic of Korea		●		●
Middle-income countries				
Malaysia	●	●		
Thailand	●	●		
China	●	●		
Indonesia	●			
Philippines	●			
Low-income countries				
Vietnam	●			
Lao PDR (National University of Lao)	●			
Cambodia	●			

Source: Salmi (2013)

No	Activities	Government	Research grant	Students	Alumni	Waqaf	Industry
1	Major source of funding						
	- teaching	x					
	- research	x	x				x
	- general allocation	x					
2	Tuition fees						
	- Degree program			x			
	- Postgraduate program			x			
	- International Students			x			
	- Industry-university graduate program			x			x
3	Business activities						
	- Consulting	x	x				x
	- Commercialization	x	x				x
	- Paten		x				x
	- Rental						x
	- Training						x
4	Donations				x	x	x

Federal Government	Student	Business activities	Industry/ Private	Donation
50 - 60 per cent	10 - 15 per cent	10 per cent	5 - 10 per cent	5 per cent
Government Funding	Income Generating			



THANK YOU

