

# Free tertiary education for Malaysians?

THEEDGE MALAYSIA May 14, 2012

**A**lthough the sit-in protesters at Dataran Merdeka are gone, I do not think the debate on abolishing the National Higher Education Fund Corp (PTPTN) has gone away with them. For this reason, I fully support Azam Aris' call for more debate on the topic (see Issues 906 and 907).

Financing tertiary education is a hot-button issue not only in Malaysia but the world over. Students are protesting rising tuition fees as they fear higher education will become unaffordable or that they will be burdened by huge loans. Last year, the UK experienced a second bout of protests when subsidies on fees were reduced and students had to pay higher tuition fees.

The PTPTN issue had been brewing in the background in Malaysia for quite some time and erupted when the issue became politicised and there was a proposal to write off the loans.

Before we continue the debate, let's examine the statistics:

- Since its introduction in 1997, PTPTN has approved loans totalling RM43.6 billion to 1.9 million students. Of the amount, RM28.7 billion has already been disbursed and the remainder will be given out by 2014.
- The number of students receiving loans has risen from 27,000 in 1999 to 230,000 today. Two-thirds of the borrowers are students at public universities (IPTA). Although the number of borrowers at private higher educational institutions (IPTS) is only one-third of the total, their borrowing represents about half the amount because of



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the higher fees charged by IPTS.

Should free tertiary education be a right for Malaysians? Some say Malaysia can afford it because it has abundant resources such as petroleum and palm oil. On the other side of the divide, there is the opinion that giving unlimited free education is the height of irresponsibility and a massive misallocation of resources.

Those calling for the abolition of PTPTN say it is possible because 19 other countries provide free tertiary education.

In a 2011 study by the Higher Education Strategy Associates of Canada, covering 40 countries that account for over 90% of global enrolment, almost all countries charge for tertiary education, albeit in various forms, and very few give "totally free" education. Only eight (Argentina, Brazil, Finland, Germany, Iran, Mexico, Sweden and Saudi Arabia) have either zero or nominal tuition fees. In Australia, students may either pay fees upfront and get a 20% discount or they may defer them by means of an interest-free government loan, which is repaid on an income-contingent basis.

Let's put aside emotion and analyse the need and direction of tertiary education in Malaysia. The issues involved are complex and multi-faceted.

We all agree that Malaysia's future will depend on how well we develop our human capital and that access to quality education is paramount. As a country with a young population, the number of students seeking tertiary education will continue to rise and more places will have to be provided. We experienced this constraint once before, in the mid-

1990s, and that is why private higher education was promoted to fill this need. If the responsibility lies only with the public sector, we would not be able to do it and the costs would be very high.

The expansion of both public and private higher educational institutions has increased the access rate. For students who are 24 or younger, the access rate has risen from less than 15% in the early 1990s to 45% now and should reach 50% by 2020. This was achieved partly through the financing provided by PTPTN.

The cost of tertiary education will therefore rise and we are faced with the question of how to allocate resources for this. As the saying goes, "there is no such thing as free lunch". Somebody will have to pay. If the public sector provides full funding, the taxpayers will ultimately carry this burden.

The choice will also affect the allocation of funds to other parts of the education system, such as primary and secondary education, which is the foundation for developing and nurturing human capital. If more financial resources go towards tertiary education, there will be less for other purposes such as health services and transport.

Another issue for consideration is the scope of financial assistance — should it cover just tuition fees or include living expenses? In Germany, a student's parents have to make an advance payment for his accommodation and living expenses.

Interest rates of the PTPTN scheme are subsidised. PTPTN borrows from the market and pays interest of about 5%. When it passes the funds onto the stu-

CONTINUES ON PAGE 67

## PTPTN's criteria must be more rigorous

### FROM PAGE 63

dents, it only makes a 1% “service charge” (earlier, the charge was 3%).

Today’s rationale for tertiary education is a long way from the 18th century idea that education is for self-fulfilment. Instead, it should be about creating employment and meeting the needs of the nation and the market.

I fear that if tertiary education is entirely funded by the public sector, there will be little incentive or discipline for meeting those national needs. Universities will continue to produce graduates who cannot find employment. Instead, universities should introduce new courses that are geared to future demands, including technical education. Technical courses are more expensive to run and industries should be asked to help.

An important aspect of the debate on writing off PTPTN loans is its impact on IPTS. These constitute about half the higher education sector and have an important role to play in the provision of education. They are

able to respond faster to market needs and some are cost-efficient. In many countries, private universities offer very high-quality education and produce top graduates.

However, in Malaysia, there are concerns about the viability of the IPTS if the PTPTN scheme is abolished. According to the chairman of PTPTN, of the 600 IPTS, as many as 434 are heavily dependent on PTPTN as the majority of their students are sponsored by it. Loans from PTPTN should be for financing students’ education, not for filling the coffers of the IPTS.

After considering these factors, it is clear that Malaysia should not have free tertiary education. Nevertheless, the present PTPTN scheme could be reviewed to improve it.

If affordability is the main worry, the solution is not a universal free-for-all education. The current PTPTN policy is that a student from a household with a monthly income of less than RM4,000 can get a loan that covers all costs, fees and living expenses. Those from a household with monthly income of

RM4,000 to RM5,000 get half a loan and those from wealthier households can only borrow for tuition fees.

I believe PTPTN’s criteria must be more rigorous. If the students’ families can afford it, they should not be eligible for any loan. Also, per capita income should be the criterion, not total household income.

Access to education is closely linked to the concept of equity, to ensure that students from not-so-well-to-do backgrounds are given equal access. If good students come from poor families, they should be given scholarships, not loans.

The present PTPTN facility, which converts loans to scholarships for students who obtain First Class honours, should be tightened. For fairness and transparency, there should be an additional mechanism to standardise the levels of excellence awarded by the various higher educational intuitions.

Finally, a key consideration is the financial sustainability of the scheme. PTPTN operations, including disbursement, data

management and upkeeping, and loans collection, must be in tip-top shape. Other issues for discussion include the amount to be given and the rate of interest/administrative charges if any.

Ultimately, the most important reason for not having a free tertiary education is behavioural. As a nation, we should not perpetuate the handout or subsidy mentality — the mentality of free everything. The minimum monthly repayable amount for PTPTN loans is RM50. And if we do not have the discipline to pay such a small amount for an asset (education) that we require to uplift our lives, then it is unfortunate.

This idea has been around for a long time and was best expressed by Thomas Paine, who lived in the 18th century: “What we obtain too cheap, we esteem too lightly; it is dearness only that gives everything its value.” ■

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