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IPPTN - IRPHE Special Series on Learning from the COVID-19 Pandemic

Higher Learning Institutions (HLIs) Finances Perspectives

The outbreak of coronavirus (COVID-19) in Malaysia started in late January 2020, and by the middle of March, the spread of the virus was reported to have affected every state in the country. Following the rise in daily cases recorded in the country, the Malaysian Government implemented the Movement Control Order (MCO) to control the outbreak. The MCO took effect between March 18th and March 31st, 2020, to help contain the spread of the virus via social distancing and restriction of interstate travel. During the MCO, most economic activities were shut down, including the higher education sector. Malaysia's borders were closed to international students until December 31st, 2020. Higher Learning Institutions (HLIs) were required to switch to remote teaching on digital platforms, and students were sent home. As the new case rate remained high, the MCO was further extended, with a gradual easing of restriction to the conditional MCO on May 1st and the recovery MCO phase in June of the same year. Most businesses were allowed to open during these phases, except for the HLIs. The campus was open only to students who required access to clinical work and workshops, laboratories, design studios, special equipment and who did not have access to the online facility to undergo online teaching and learning sessions. During this time, a RM305 billion economic stimulus package was announced to support Malaysians and businesses. The higher education sector has found itself in a financial crisis.

Malaysian Government's Responses to Higher Education on Coronavirus Outbreak

Malaysian COVID-19 relief fund was launched on March 11th, 2020, as palliatives to assist those affected to deal with the spread of COVID-19. The initiative was managed by the National Disaster Management Agency of Malaysia (NADMA), an agency under the Prime Minister's Department. As a responsibility, NADMA allocated RM12 billion in food aid for about 60,000 tertiary students who had to remain in their colleges following the MCO. Meanwhile, the Ministry of Higher Education (MoHE) provided various assistance under the #KPTPRIHATIN initiatives, including: Repatriation mission of 57,565 students stranded on campus to their hometowns during the MCO; Deferment of student loan repayments which benefited 1.5 million borrowers with a total deferment of repayment of RM1.3 billion; Data plan

to 320,396 B40 students and Device Assistance (Laptop) to 8,965 students in the lower-income group to access online learning, amounting to RM41.2 million. This assistance included the provision of RM50 cash assistance. A total of 76,163 new students enjoyed the benefits. The Government also committed to reducing specific university fees by at least 15 percent for the study of Semester 2 Session 2019/2020 and Semester 1 Session 2020/2021. Such benefits and assistance had not only eased the students' financial pressure but also the HLIs'. The Government's latest announcement stated that students (local and international) will be allowed to return to campus in phases starting from March 1st, 2021. The HLIs welcomed the decision and prepared an action plan to receive students in the 'new normal' situation. In addressing the 2021 challenge, MoHE has set forth six strategic goals: Strengthening the Education Digitalisation Agenda; Enhancing the Strategic Collaboration Network; Strengthening Graduate Marketability; Driving Community Welfare; Promoting Institutional Excellence and Raising the Spirit of #KPTPRIHATIN. Among the initiatives set out to support the plan are: Upgrading the Malaysian Research & Education Network Access Line from 500 MBPS to 10 GBPS – RM50 million to boost the education digitalisation agenda, the Career Advancement Program, and the Strategic Cooperation of Entrepreneurship Agenda to strengthen graduate employability and marketability.

Malaysian Higher Learning Institutions Responses to Coronavirus Outbreak: University Finances

As a result of the pandemic, the HLI's finances have been impacted. Institutions that rely on international students as their primary source of income suffered the most. HLIs fear for their survival as the restriction to enter the country will lead to a massive drop in international student enrolment, thus declining tuition fees. Public universities are likely to reconsider their annual budget given the Government's financial situation. Most HLIs experienced financial losses due to a shortfall in revenue caused by the dramatic decline in international student fees, the reduction in the hostel and student facilities fees due to students no longer being on campus, and the fact that students requested refunds. Public HLIs gave at least a 15 percent reduction in certain student fees and deferred or exempted specific student fees. The

prolonged university closure has also impacted the HLIs' other business income. During this period, most public HLIs provided discounts or waived rental payments on their tenants. As there is a lack of certainty in the number of students enrolling in classes and the potential for students to shift to other educational institutions, HLIs have had difficulty forecasting their revenue and planning their operation. HLIs are also faced with the challenge of securing research grants and planning to upgrade the university facilities during the pandemic. Many private colleges and universities in Malaysia are reported to be operating in deficit due to lack of funds since early April 2020. Some private HLIs feared of going into insolvency and the risk of closures. The HLIs have found themselves facing cash flow and debt problems.

Another challenge faced by most of the HLIs is the shifting to online learning and getting ready for the change. In supporting more immersive and efficient virtual academic learning platforms as the "new standard", technology using several applications needs to be utilised. Many HLIs found themselves unprepared to build an online learning infrastructure and acquire the necessary skills for online learning. Therefore, HLIs need to invest in the online learning requirements, which is not part of the current plan. Similarly, the HLIs need to allocate funds to support student and staff welfare and needs during the pandemic. Assistance such as moratorium on loans, financial assistance to COVID-19 positive cases, and special allowance for "COVID-19 Frontliners" were announced. Food Banks were set up, and food was given for free to students. The institutions also invested in providing data plans and computer devices to needy students to assist them in their online learning and their staff working from home.

In response to the challenges, most HLIs established their financial crisis team to develop strategies and response plans, review their annual budget, restructure debt obligations, restructure operations, implement cost-savings and tighten spending/budget cuts. Most HLIs shifted to philanthropy and established a COVID-19 FUND to get public support. The advent of COVID-19 pandemic, triggering a shutdown of movement almost globally, did not restrict HLIs from attracting international students through their student recruitment and marketing strategies. Some HLIs took steps to review their tuition fee structure and pricing strategies. They were also strategising on new collaborations and business ventures.

Concluding Thought

COVID-19 pandemic has a silver lining to Malaysian HLIs. While it causes a pause, it offers HLIs the opportunity to rethink their future and take necessary steps to achieve it. It is essential to reflect on the lessons learnt in 2020 in paving the way forward in 2021. MoHE has put forward six strategic focuses and initiatives in 2021 for Higher Education. While the pandemic has caught HLIs by surprise and unprepared to meet the challenges, it has created a massive disruption in its finances. Therefore, for the survival of the institutions and to improve its finances, University leaders need to search for new options or plans from various scenarios and

remain agile in the face of ongoing changes. It is time to rethink the institutions' future or a new business model to adapt to the recent and upcoming changes. HLIs in Malaysia need to consider expanding their revenue sources from the traditional revenue stream. They need to be more creative and strategic in student recruitment approach with sustainable pricing strategies. The pandemic is an opportunity for universities to develop online education further. HLIs need to invest in online teaching to attract student enrolment. HLIs are more prepared now than ever to embrace the disruption with innovation and much more resilient. Diversification of its education-based revenue stream is a must. Philanthropy must be called into action, perhaps on a different scale than before. Cost-savings strategies to address shortfalls through operational excellence and budget mitigation measures must be well executed. HLIs need to remain vigilant and set up a crisis management team responsible for developing responses and plans to assist the institutions. There is no doubt that the coronavirus pandemic has challenged the tertiary education industry with an unprecedented situation. Unprecedented challenges require unprecedented responses from all parties, including the government, the university community, and the general public.

Postscript:

On March 19th, 2020, the government declared a deferral policy of PTPTN loan repayment, which benefited 1.5 million borrowers with a total deferment of repayment of RM1.13 billion. While on July 15th, 2020, the fee reduction policy for public university students was announced. This discount in student activity fee, admin fee, and at least 15 percent of hostel fee are applicable for Semester 2 Session 2019/2020 and Semester 1 Session 2020/2021.

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Prepared by:
Rohayati Mohd Isa, IPPTN, USM