

conditions and funding formulae that offer almost insuperable barriers to lower-ranked institutions emulating the higher ranked, while offering no alternative models for them to focus on. Our elite institutions continue to rank well in international comparisons and cast a rosy glow over the system as a whole, but we have given too little attention to where our nonelite institutions stand and what steps we should be taking to differentiate their mission.

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No government has been able to pay fully for the transition from elite to mass and from mass to near universal higher education, so that for quality not to fall institutions are going to have to generate an increasing amount of resource either from students or from other private sources. In Britain the historic inhibitions about doing this are far less than in continental Europe but much greater than in the United States. There exists therefore the opportunity for British universities to enhance their position by entrepreneurial activities, and by further diversifying their funding base, and it is evident that many are doing so to considerable effect, though certainly not yet on anything like the scale one can find in the United States. But the growth of private universities in Germany and the Iberian peninsula suggests that the dam is breaking in European countries. The British mixed-economy university, part state and part privately funded, remains the sanest model if the components can be got right. But, if we continue to fund universities so poorly, those not perceived to be in the successful elite will find it increasingly difficult to be other than solely dependent on state funding and student fees, which will lock them into an absolute strait-jacket of state control. The effect will be to widen the gap between the most and the least successful universities; this in the longer term is bound to weaken the system as a whole. ■

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The Impact of the Economic Crisis on Higher Education in Malaysia

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After almost a decade of stunning economic growth, the Malaysian miracle may have turned out to be a mirage. The economic crisis, which started out in mid-1997 as a currency crisis in Thailand, spread quickly to other neighboring countries like Malaysia and Indonesia. Even the stronger East Asian economies of South Korea, Singapore, and Hong Kong were caught in the economic turmoil. In Malaysia, the ringgit depreciated, the stock market plunged, and the real estate market collapsed. This economic crisis hit the middle class earlier and more severely than it did lower-income groups, wiping out a substantial portion of its wealth and, in many cases, people's savings for their children's education.

Since the Malaysian ringgit depreciated from RM2.50 per U.S. dollar to RM3.80 per dollar (as pegged by the Malaysian government), many middle-class parents are finding it more difficult to send their children to study overseas. Because of the currency crisis, about 2,000 students have already had to return from overseas to continue their studies in local universities. Since then, the number of Malaysian students going abroad to further their studies has dropped sharply as even the Malaysian government has reduced the number of *bumiputra* scholars sent overseas. An Australian newspaper, for example, reported an 80 percent decrease in student visa applications from Malaysia between May 1997 and May 1998. In 1997, 18,000 Malaysians studied in the United Kingdom, making up the largest foreign student population there. But in 1998, the figure dropped to between 12,000 and 14,000, with the onset of Malaysia's economic slowdown.

The effects of the economic slowdown and a national campaign to significantly increase the proportion of the population pursuing higher education (part of the government's "Vision 2020" plan) have swelled enrollments at public institutions of higher learning. The number of annual student intakes in eight of the public universities is expected to rise from 45,000 in 1997 to 84,000 in 1999. This jump in enrollments is bound to cause acute financial strain at each of the universities, especially in the face of drastic government budget cuts. In 1998, the government implemented a series of stringent austerity measures, which included an immediate cutback 10 percent on operating and development expenditure. One of the immediate ef-

fects felt at all public universities is a total freeze on funds for buying library books and for traveling to overseas conferences. Even subscriptions to academic journals were slashed by 60 percent.

In 1998, five public universities were corporatized with respect to their management and system of governance. However, because of the economic downturn, the new remuneration scheme for the academic staff was not implemented; thus faculty members did not receive a promised pay raise. With corporatization, the public universities are expected to adopt quasi-business approaches to increase administrative efficiencies and to generate their own income. Several public universities have increased fees for graduate programs fourfold, although none have increased fees at the undergraduate level. To cope with increased student enrollments, many public universities have franchised their matriculation programs to private colleges off-campus, a move that has sparked some controversy. There were charges that planning was being neglected and that the universities and private colleges were out to make profits at the expense of students, with critics citing high fees and inadequate facilities and premises.

As for private colleges, many of them have reported a 20 to 30 percent drop in enrollments especially in the foreign-linked programs that require students to spend a year or two in a foreign university before being awarded a foreign degree. The most hard-hit programs are those linked with British universities because of the high foreign exchange rate of the sterling pound. To overcome this problem, some private colleges and their foreign-linked partners have quickly innovated a "3+0" program, which allows students to complete their foreign degree program locally without having to spend time on the foreign campus. Today there are 17 private colleges offering the "3+0" programs, most linked with Australian and British universities. These programs are selling like hotcakes because a student can save between RM10,000 to RM50,000 in fees by doing the entire degree program locally.

However, these private colleges face stiff competition from foreign universities that have started their own branch campuses in Malaysia. In the last two years, three foreign universities—Monash University and Curtin University in Australia and Nottingham University in the United Kingdom—have set up branch campuses in the country and more are expected.

The number of local private universities has also grown, from 0 in 1995 to 6 in 1999. Three of these universities are actually run by government corporations such as Petronas, Telekom, and Tenaga, and are under pressure from by the government to expand admissions—especially to accommodate students returning from overseas because of the currency crisis. For example, the University Telekom increased admissions from 300 in 1997 to more than 1,000 students the following year, leading to many complaints

about cramped facilities on campus. University Telekom has started franchising its degree programs to private colleges even before passing the test of producing its first graduating class. The economic crisis seems to have created a boom for the private education industry in Malaysia.

A significant trend is the increased popularity of other modes of delivery for higher education, including distance and on-line learning. Most of the public universities have their own distance-education programs, which attract a large number of working adults who want to further their education or those who have been retrenched because of the economic slowdown. The country's first virtual university, UNITAR, established in 1998, offers all its programs by means of modern telecommunication technologies.

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Another positive spin-off from the economic crisis is a sharp increase in the number of foreign students studying in Malaysia. In 1998, 11,733 foreign students were studying in 12 institutions of higher learning, compared to 5,635 in 1996. They come from countries such as Indonesia, China, Singapore, Thailand, and Korea, because obtaining a Western degree is much cheaper in Malaysia than in the West. Last year, there were 3,893 Indonesian students in the country—many ethnic Chinese who came after the racial riots in Jakarta following Suharto's downfall.

The vast expansion of higher education during economic hard times raises the issue of quality. The dilemma faced by all public institutions of higher learning is absorbing increased student enrollments at a time of budget cuts. The situation will entail spreading resources thinly over a greater number of students, which will definitely affect the quality of the outputs. *Asiaweek* magazine's yearly poll on the top universities in Asia shows the relatively low status of Malaysian public universities. Last year, the country's top-ranked university, University Malaya, fell from number 11 to 33, while International Islamic University, Malaysia, came in last, 65th out of all the universities surveyed. Last year also saw increased political activism among university undergraduate students. Some students were disciplined for taking part in the pro-*reformasi* movement that was started by Anwar Ibrahim after he was sacked as deputy prime minister. ■