THE CONTRIBUTIONS OF INTERNATIONAL STUDENTS IN UNIVERSITY TO THE MALAYSIAN ECONOMY

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ABSTRACT

In Malaysia, 18,242 international students have been recorded in 2001, and in less than ten years, it has grown to 86,919 in total, registering 16 percent growth per annum. In 2020, Malaysia targeted to become the education hub of Asia with a target of 200,000 international students. This should change Malaysia position from sending to a receiving country as chosen destination for study. Therefore, this paper aims to discuss the contribution of international students in university to Malaysian economy. Focus is precisely made on earning and income for the tourism sector. The increased number of international students has contributed to the country gross domestic product (GDP) and gross national income. During the study also, international students will travel around and their families and relatives also often travel to the country where the student is studying to help them settle in, and also upon their graduation. These contribute to the growth of tourism sector in term of income to people and flow of income. Due to these contributions gain by the country, the government should ensure the stability of the country in term of political, social, economy and technology in order to instill goodwill and reputation of the country education sector and finally achieve the aim of vision 2020.

Keywords: International students, economics, earning, tourism

1. Introduction

The education system in Malaysia is divided into preschool, primary, secondary, post-secondary and tertiary education. There are two ministries that involve in education that are Ministry of Education for preschool, primary, secondary education and post-secondary education and Ministry of Higher Education (MOHE) for tertiary education. In order to achieve the goal of 200,000 international students’ studies at tertiary level in Malaysia, lots of efforts have been done by MOHE to increase the quality of this sector.

As a knowledge-based economy (Abdul Jabbar Abdullah, 2013) country, education is recognized as the driver of economic growth of the country aside from land, labor and physical capital. The knowledge accumulated through education, will contribute to Malaysian economic growth (Hui Boon Tan et. al, 2006). Today, Malaysia is considered to be one of the developing countries that are successful in its efforts to internationalize its higher education to become a center of educational excellence in the region. Malaysia through MOHE has developed into an emerging entrant for international students, based on its National Strategic Plan of Higher Education (NHES). Whereby, one of the aims is an average of 10% increase in enrolment of international students especially in private higher international institution. Until today, several changes and reforms have taken place in...
various aspects of higher education in Malaysia to achieve the plan in promoting Malaysia higher education to the world.

The flows of international students continue to increase and grow and it has changed Malaysia’s position in the global world from a sending to a receiving country. Malaysia currently houses for more than 100,000 international students from more than 100 countries in the beginning of 2014 (The Sun Daily, 29 January 2015). Many students choose to study in Malaysia because they recognize Malaysia as an ideal gateway to develop their Asian network and relationship. In addition is to learn from Malaysia’s great diversity, rapid economic development and people living in peace and harmony. International students have much larger economic paths other than tuition fees and accommodation.

Previously in 1995, Malaysia lost US$800 million in currency outflow, constituting nearly 12 percent of Malaysia’s current account deficit for the cost of Malaysian students who were studying abroad (Anantha Raj, 2010). Due to this, part of the solution was to increase the capacity of public universities. Government also saw local private institution as the key means of reducing the currency outflow and in the long term, transform Malaysia into a net exporter of tertiary education. According to UNESCO, Malaysia has captured a 2 per cent market share of international students and currently, Malaysia is the world’s 11th most preferred study destination. The US Newsweek magazine listed Malaysia as the eighth best nation in the education category among the upper middle-income countries in its The World’s Best Countries survey 2010 (MATRADE, 2015).

2. History of Higher Education Institutions (HEIs) in Malaysia

The history of HEIs in Malaysia is considered relatively short compared to the neighbor’s countries such as Thailand, the Philippines and Indonesia. Malaysia’s public higher education system can trace its roots back to British colonial times, with colleges being set up as early as 1905 with the merger of King Edward VII College of medicine and Raffles College in 1949 provided the foundation for establishing of University Malaya. Over the past few decades, it have been witnessed the increase of both public and private universities in Malaysia where today there are more than 20 public universities and more than 40 private universities (as on April 2015) in Malaysia. The evolution of higher education in Malaysia can be broadly divided into four main phases as in Table 1.

Table 1: Typology of Phases in Malaysian Higher Education.

<table>
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<tr>
<th>Phase</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
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<tr>
<td>Education for Elite Affirmative Action</td>
<td>Education As And For Business</td>
<td>Education For Global Competition</td>
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Adapt from: Anantha Raj A. Arokiasamy, 2010

From the year 2000 up to the present is a period where a number of dramatic changes in the character and functions of higher education in Malaysia exist (Raj A. A. & Nagappan K., 2012). These changes are due to globalization and the development of knowledge-based economy worldwide and associated with the liberalization of education in Malaysia. Due to this, the higher education system is designed to ensure that the HEIs will have the capacity to develop a reputation which encompasses dynamism, competitiveness, ability to anticipate future challenges and keeping pace with globalization. MOHE has done continuous efforts in order to enhance the HEI’s ability to carry
out their functions and responsibilities in a more transparent and effective manner in order to create an excellent higher education system. In order to ensure the smooth progress of the higher institution, The MOHE was established in 2004 and being responsible for determining the policies and direction of higher education in Malaysia. The MOHE was headed by the Minister of Higher Education. Under MOHE, Department of Higher Education was established and this department responsible for the management of both public and private institutes of higher education institutions and also responsible for the management of Malaysian Student Department around the world. Due to this, it lead to a steady increase in the number of international students enrolled.

Knowing the importance of higher education and its contribution to the economy in achieving Vision 2020, the National Higher Education Strategic Plan (NHESP) was formulated with the vision to transform higher education within the context of establishing Malaysia as hub of higher education excellence in Southeast Asia region. This transformation is the foundation towards attaining merit and sustainability for the higher education system beyond 2020. The Government also set up education promotion offices in host countries including China, Vietnam, Indonesia and Dubai for the purpose of promoting Malaysian Education overseas (StudyMalaysia.com, April 2011)

3. International students in Malaysia

According to UNESCO, Malaysia is the 12th most popular education destination for international students (StudyMalaysia.com, August 2015). The Malaysian government is committed to make the country a hub for a world-class education and welcome any foreign students who wish to pursue courses of study here. The Malaysian Government has made it convenient for foreigners with the genuine intention of studying in Malaysia to obtain a student pass and visa, a requirement by the country’s Immigration Department.

In term of applying to enter Malaysia as a student, the prospective students need to apply directly to the institutions they are considering. A simple browsing to the entry requirement of international students of a few universities in Malaysia shows that most of them only require a specific academic qualification like pass O level or its equivalent with few credits in certain subjects, English requirement like IELTS score of 6.0 or TOEFL paper base score 550 or equivalent and normally English Placement Test (EPT) will be conducted to assess the applicant’s level of English proficiency (www. moe.gov.my).

The flow of international students will continue to increase and grow worldwide in the foreseeable future. In Malaysia, there is tremendous growth in the number of international students studying in the public and private HEIs. It is recorded that 18,242 international students in 2001, and in less than ten years, it has grown to 86,919 international students, with about 16 percent growth per annum (Malaysia Higher Education Statistics, 2011). Figure 1 shows the enrollment of international students at Public Higher Education Institution (PuHEI) and Private Higher Education Institutions (PriHEI) for a period of nine years (MOHE website). It shows drastic increment of enrolment of international students to Malaysia (Chong Pui Yee, 2014).
Having international students in universities will give lots of benefits to local students and the country. As English is not the main language of communication in most countries including Malaysia, so by having international students English will be used as the medium of communication and this will beneficial in honing the student’s communication and language skills. Having international students in Malaysia also will increasing cultural awareness by local people as Malaysia will appreciate more the local culture (Colleen Ward, 2001). Other than that, enrolment of international students in universities will make local students and academic staffs meet international students from different countries and make friends with them that have varied ethnicities and this give the students and staffs an opportunity to forge international connections so that when the international students get back to their country, they can continue to nurture the relationships and incorporate them in their current job. This will give them and the university an added advantage over others because of the connections the students and university made outside. Invitation as speaker for academic staff, research collaboration can be done together with the international students through the network that being developed previously.

Due to this, Malaysia needs to enhance its capability to compete internationally. International students contribute to a country’s economy both directly and indirectly. Direct contributions to a country’s economy are primarily through tuition fees and living costs, and secondly through the travel and tourism they engage in while studying. Indirect contributions occur when visiting friends and relatives (VFR) travel from overseas to visit the student.

Basically, international students introduce fresh money through the introduction of foreign exchange which, in turn, leads to the creation of new employment opportunities and jobs, travel and tourism benefits, related services and products and others.

Figure 1: International Student Enrolment at Private and Public Higher Education Institutions from 2002 to 2010. (Source: http://worldconferences.net)
4. Earning

Living standards in most countries have risen over the last millennium due to developments in education and become one of the factors that affect demand for higher education is the household income level and the costs incurred by a family when it takes the decision to invest in education (Philip G. Altbach Jane Knight, 2007). However, there are generally accepted social and economic factors affecting household demand for education such as the parents’ education, the geographical location of the place of residence, the size and composition of the family, the occupation of the primary earner and the family’s own consideration of its social status. On the other hand, there are some external factors that might also affect the decision to study abroad such as political and economic conditions of the targeted country or region, geographical location of the targeted institution, student fees, scholarship opportunities, medium of instruction and the accreditation of the diploma that is received from these institutions.

Many countries recruit international students to earn profits by charging high fees while international students spend significant amounts of money in the host countries. For Malaysian, higher education export is a major source of foreign exchange earnings and currently the 11th largest exporter of higher education. From 2003 to 2013 the enrolment of international students increased to 72.25% (486,074) in private higher education institutions and 27.75% (186,765) in public higher education institutions. The increased number of international students has contributed RM1.3billion (Ministry of Higher Education undated, 2007) annually to the country gross domestic product (GDP) and in 2007 it has contributed RM27billion to the gross national income. It is estimated that each international students spends an average of RM 30,000 or US$10,000 on tuition fees and living expenses per year. This gives great contribution to Malaysian economy and has made this dimension as one of the priority for Malaysian government and become one of the twelve National Key Economic areas. Hence, great emphasis has been placed on international students by MOHE (Chong Pui Yee, 2014).

The more tangible benefit of international students is the income generation for the institution. Approximate RM 30,000/international student income generated every year and the major contributor to this income comes from the tuition fees of international students. Referring to this estimated value; Malaysia is expected to draw an annual income of RM 60 billion or US$20 billion by 2020 when the total number of international students is targeted to be 200,000.

When number of international students enrolment increase in Malaysia, universities need more skills employees especially lecturer and administration staffs and this give opportunities to the local people to be employed. This situation contributes to increases in employment. From Figure 3, it shows that the unemployment rate in Malaysia from 2008 to 2015 in the rage of (www.epu.gov.my). This is a good indicator as the unemployment rate is at the range of 3 where it indicate that most of the people are being employed in Malaysia, and higher education is one of the sector that contribute to this scenario.
The future of Malaysia’s economic development depends largely on the manufacturing and services sectors. As these two sectors are more information, skilled and knowledge based.

5. Future Tourism

A young person travelling for educational purposes has been practiced by many countries. Now in the 21st century, this phenomenon is a multi-billion dollar industry with millions of young people travelling outside of their home country to study. These international students not only contribute to a country’s economy by tuition fees and living costs but also through their travel behavior. For example, in New Zealand for the year 2009, international students travel on a regular basis and, while they travel, they spend between NZ$397.81 to NZ$688.77 per holiday on accommodation and meals (Kate Payne, 2009). Likewise, in South Australia, the 2015-16 State Budget (www.tourism.sa.gov.au) include a major funding package of almost $50 million over four years to...
drive the economy and jobs creation in tourism and international education industries.

This situation also can be seen in Malaysia. As the number of international student increase, it contributes to the growth of tourism sector in Malaysia. During semester break or weekend, international student will travel to chill out, relax and have fun and also to participate in sightseeing. Families and relatives of international students also often travel to the country where the student is studying to help them settle in, and also upon their graduation. Weaver’s (2004) study of Australian international students found that 78 percent of his sample reported at least one visit by friends or family during their time of study. This also contributes to inflow of money to the country.

From Malaysian perspective, if every single international student travels only one time per year and spent RM300 for 2 days per trip on accommodation and meals, this will contribute RM32million to the tourism sector in 2013. As the number of international students’ enrolment in university increase, it also increases the income for tourism sector in Malaysia from RM2millions in 2002 to RM18 million in 2010. Multiplier effect also can be seen in employment sector as it increases the number of travel agency and number of employee needed. As on April 2015, there are 4647 travel agency that registered under Ministry of Tourism and Culture Malaysia. If each travel agency need 10 employees to run the business, it offer job to 46,470 people in Malaysia. If each employee’s wages is RM1200, it contributes to RM55, 764,000 million incomes to local people and contributes to the growth of the economy of the country.

6. Conclusion and Future Recommendation

Malaysia become one of the destination for international students to further their study as they recognize Malaysia as an perfect entry to develop network as well as to learn about Malaysia’s culture and economic development. By having international students in the HEIs, it contribute to higher earning for Malaysia, and also generation of income for tourism sectors.

Due to the benefits gain, Malaysia needs to be competitive in terms of price, quality, and ease of access and work-study opportunities to sustain competitive in the education sector in the Asian region. Lots of efforts have been done by Malaysia in attracting international students to study in the country. Some of the efforts are prioritization of Malaysia’s higher education quality towards world-class standards, establishment of co-operation with reputable and very established institutions overseas, set-up of new world-class foreign institution branch campuses in Malaysia and increased participation and contribution in various international education development initiatives.

The HEIs also have to come up with lots of facilities for the student and in the long run, they can sustain the student and this student can become the marketing agent for the universities. By the effort done, it hopes that the aim to become the world’s sixth-biggest education exporting country by 2020 with a target of 200,000 international students can be achieve.
References


