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GENERATING INCOME THROUGH PUBLIC CONTRIBUTION IN MALAYSIAN PUBLIC UNIVERSITIES FOR SELF-SUFFICIENCY

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Abstract

Financial Sustainability is listed as Shift five in the Malaysia Education Blueprint 2015-2020. This to ensure the self-sufficiency of the public universities in Malaysia and reduce the dependency on Government. In 2016, the Ministry of Education, has launched the University Transformation Programme Purple Book to guide the Public Universities to engage on income generating initiatives. This book also provides suggestions on income generation activities that can consider to diversify the sources of income. The purpose of this study is to assess on the income generation activities through public contributions, implemented by Public Universities for self-efficiency. Activities suggested on public contributions activities such as university endowment, sustainable waqf, and philanthropic income and fundraising, are adapted and transformed to questionnaire. Questionnaire was distributed to the top management of Public Universities with regard to implementation of these activities. Interesting result was revealed where endowment activities are the most agreeable approach implemented by public universities. Whereas, sustainable waqf earned the lowest agreement. There is also an indication that some Public Universities are really work on all activities that have been suggested. Thus, this study suggested that further study on income generation activities is needed by separating the universities according to the age of establishment, to assess on the most effective income generating activities.

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1. Introduction

Malaysia is well poised to be the preferred destination for top notch universities in this region. This is seen as an important pillar in realising the country's aspiration to become a "high-income knowledge-based economy". As far as Public Universities (PUs) is concern, this plan was part of National Higher Education Strategic Plan (NHESP) 2007-2020. The initiatives were intended to promote Malaysian PUs programmes to be equal with international standards, especially of those in first world nations such as Americans, British, Japanese and Canadians (Tibek et al., 2014).

Various plans were initiated by the Ministry of Education (MOE) to ensure the PUs can embrace change and brilliantly confront the challenge existed at international education market. As of 2018, all the 20 PUs in Malaysia were bestowed autonomy status. This status allows for more prominent self-governance and responsibility. There is a legal structure to empower PUs and to supplant the University Council with the Board of Director (BOD). Four universities which are Universiti Putra Malaysia, Universiti Teknologi Malaysia, Universiti Kebangsaan Malaysia and Universiti Malaya are promoted as Research Universiti. Whereas, Universiti Sains Malaysia (USM) was crowned with the coveted Apex University title.

As a prerequisite to survive in this aggressive scenario, PUs shall have in place hefty long term and specific policies. Kettunen (2008), Rolfe (2001), Strehl et al. (2007) highlighted that it is very important for universities to have a strong financial plan. Accordingly, a strong financial plan is relied upon to trigger long term operations of the universities. This is important for human capital nourishment, and enhancements of university's "structures, outcomes, operations and processes".

Therefore, the PUs should place emphasis on expanding strategies to increase income flow in accordance with the MOE's vision. This is among the main objectives of NHESP to empower PUs and become self-funding from avenues within the coffers. PUs need to find multiple sources of income and initiate creative ways to capitalise their resources. Perhaps, through the multiple income generating initiatives, the universities can be self-sufficient and more importantly, have excesses for reinvestment and regeneration (León, 2001). This is the reason for PUs to allow some degree of independence by the government to manage their finance.

Currently, the major sources of funding for PUs are generated through the core activities which are the students' fee, rental or lease of assets, services rendered to others, interest gained from fixed deposit placements, and research and development projects. PUs are also forced to explore other sources which include from public contributions such as endowment and waqf. In fact, public contributions is very important for university development. There are many world famous universities such as universities of Oxford and Cambridge in the UK and the universities of Harvard and Yale in the USA, are established through the contributions (Mahamood & Ab Rahman, 2015). This study is designed to assess on how PUs in Malaysia implemented activities to attract public contributions in order for them to achieve self-sufficiency.

2. Problem Statement

Wan Saiful (2017) highlighted that universities in Malaysia need to be financially viable in order to excel in research and academic. This will allow them to face educational global challenges and improve

their international standing. Therefore, there is a need for the Government and the PUs to find a neutral ground and balance between having in place control mechanism on the PUs and giving full autonomy to the PUs to make them self-sufficient.

Currently, PUs cannot depend on single sources of funding anymore to remain afloat. This will affect their ability to become the world class university. Such is the trend globally, as Governments continue to tighten budgets and reduce spending on universities. Universities need to find their own sources to fill the gap in their income. This can be either through their operation, or public contributions. Universities need to find creative ways remain viable. Rozmus and Cyran (2012) illustrated that Universities of Cambridge and Oxford created variety of avenues to generate income. Instead of students' fees, they generate income from services provided to external parties and commercialisation of intellectual property. In top of that, they also earned government grant, and benefaction and donations. The endowment received are reinvested and gain further income to be used by the universities.

In 2016, the MOE has launched the University Transformation Plan Purple Book (UniTP PB) which serves as a guide to navigate activities related to university income generation. By virtue of this book, the Government has significantly cut funding of public universities by 19.23% in 2017. This is to encourage and further cultivate the income generation activities of universities. The UniTP PB activities on income generation can be categorised into two, (i) through university operations such as academic and research programmes, asset monetisation, financial management activities and corporate alliances, and (ii) through public contributions such as university endowment, sustainable waqf and fundraising initiatives. This study is concentrated on generating income through public contributions.

For university endowment, to the best knowledge during conducting this study, there is no civil law that governs endowments activities. Western academic institutions viewed endowments as an integral part of the universities operational system and the size of the endowment funds are used to measure the universities' well-being. According to U.S. News & World Report, in 2017, Harvard University has the biggest endowment size of \$37,096,474,000, followed by Yale University with endowment size of \$27,216,639,000, Stanford University with endowment size of \$24,784,943,000, Princeton University with endowment size of \$23,353,200,000 and Massachusetts Institute of Technology with the endowment size of \$14,832,483,000.

Back to the local scenario, by virtue of Section 39 (1), Part IV, First Schedule of AUKU, PUs are allowed to accept endowment. Section 40 (1) provided that the endowment to be used and managed in accordance with endower's wish and be well accounted for. Endowments fund can either created by PUs or received by the PUs in various forms such as money, financial instruments in term of securities, shares or bonds, moveable assets and fixed assets. There are many intentions behind the endowment such as to ensure the financial health of specific departments or the universities as a whole, establish chairs, professorships, scholarships for students, fellowships or to ease the financially underprivileged students (Acharya & Dimson, 2007).

Developing sustainable waqf (SW) is another income generating initiative suggested in UniTP PB. Waqf has played as major role in establishment of many universities around the world. Al-Azhar University in Egypt is the best example on how university benefited from waqf. Accordingly, waqf is different from other type of funds because the properties or money given cannot be revoked by the giver and it is perpetual

in nature to ensure the sustainability of the assets (Mohsin, 2013). However, it can be reinvested as being permitted by the governing bodies and the giver, and the benefits gain shall be given back to society (Mohsin, 2013). This allow the waqf fund to be extended to other social purposes such as supporting financial aids to the underprivileged, educational aids, agricultural and horticultural, veterinary aids and other humanitarian needs (Mahamood & Ab Rahman, 2015). Similar to endowment, PUs are allowed to receive and manage waqf under Section 39 (1) and Section 40 (1), Part IV, First Schedule of AUKU.

UniTP PB also mentioned about Philanthropic Income and Fundraising (PI&F) initiatives as among the sources of university income. Philanthropic and fundraising income are funds that are received for a charitable cause. The non-profit organisations are normally used the funds from PI&F to finance their activities. Philanthropy generally refers to the act of an individual or an organisation, giving or doing something for humanitarian causes to improve the welfare of other people. It can be for those underprivileged, under duress or suffering from natural catastrophes. Some PUs received philanthropic funds from individuals or organisations, with the intention of among others, to financing the education, to provide food and accommodation for bright but underprivileged students. Whereas, fundraising is the act of creating of an event or a platform or avenue to seek individuals or organizations to contribute money to fund for any purposes.

This study is concentrated on how the PUs implemented activities being as suggested in UniTP PB to attract public contributions in order to attain self-sufficiency. This research will look at three activities suggested in the UniTP PB, which are university endowment, developing sustainable waqf, and philanthropic income and fundraising activities. The PUs are expected to implement these activities to allow income to flow to university in order for them to achieve self-sufficiency.

3. Research Questions

This study is to assess on how PUs in Malaysia implemented activities suggested in UniTP PB in order to achieve self-sufficiency. These activities were aim to attract public to contribute to the universities. Therefore, this study is seek to answer:

What are the activities suggested in the UniTP PB that have been implemented by the Malaysian PUs?

4. Purpose of the Study

The Government has provides the necessary tools and guidelines to assist the PUs in transformation journey. Although, there was an increase of budget allocation for PUs by 14% from RM12.13 billion in 2017 to RM13.89 billion for 2018, this is still not enough. To date, the Government is funding almost 90% of PUs operational expenditure. The PU still need to cover the 10% gap in their operational income. Through UniTP PB, suggestions on income generating initiatives and activities has been highlighted. The purpose of this study is to reveal the following:

- i. Whether the PUs had implemented the suggested activities on generating income through public contributions as stated in the UniTP PB; and
- ii. The implementation level of suggested activities by the PUs.

5. Research Methods

This is a descriptive study. It will be the first investigation to provide an understanding with regards to the income generating activities by PUs through public contribution. The unit of analysis in this study is the PU. The data was gathered from the questionnaires given to the selected respondents, which will represent the PU. Since the respondents need to have a clear understanding about university direction, only the respondents at top management level are selected as respondents. Therefore purposive sampling is the most suitable method for this study.

There are 20 PUs in Malaysia and they are getting yearly grants from the Government. This study used UKM structure to determine the total number of respondents. In the top management chart of UKM, there are one Vice Chancellor (VC), four Deputy Vice Chancellors (DVCs), one University Treasury (UT) and three University Deputy Treasury (UDTs). Therefore, the total number of respondents in one university shall be around eight. For 20 PUs, the total respondents will be 160. For each university, there will be a representative from MOF in the BOD and selected officers from the Policy Division in MOE. It is expected that the number of MOF and MOE representatives in the PUs is around 40. Based on this estimation, number of population from the top management of PUs, include the representatives from MOF and MOE are around 200.

Based on Krejcie and Morgan (1970), for the total population of 200 respondents, the most appropriate sample should be around 132 respondents. However, realising the challenges in obtaining response from the top management that have very tight and eventful schedules, only 105 questionnaires are given out to respondents. The questionnaire distributed equally among the top management, comprised of 20 VCs, 20 DVCs, 20 UTs, 20 UDTs, 20 MOF representatives in the BOD and 5 officers from MOE. The questionnaire was designed based on activities suggested in the UniTP PB. The likert scale was used as measurement ranging from 1 as strongly disagreed to 5 as strongly agreed.

Pre-testing was carried out on a small sample of respondents from the target population. It is intended to reduce errors and ensure the questions are valid, reliable and can be understood (Grimm, 2010). Pre-testing of this study was conducted on eight (8) officers at the MOF and two (2) officers at the MOE, ranging from the grade of M41 to M48. Feedbacks from the pre-testing were used to make necessary modification and improvements before they were distributed to the respondents. This study used online survey via Google Forms to collect the data. A period of 9 weeks was used to collect the data and the questionnaire is a self-administered question.

This study used descriptive analysis to analyse the result. It shall provide an understanding of respondents' characteristic and the variables being studied (Sekaran & Bougie, 2013). Descriptive analysis shows a simple quantitative summary of the data collected that helps the study to understand the data. SPSS is used to calculate data and find the statistical result such as mean and standard deviation, and also agreement of activities conducted.

6. Findings

Due to the position of respondents as the top management of PUs, to obtain responses from them is very challenging. This is due to their tight schedules. After few times reminder were sent through email

and WhatsApp, a total number of 30 responses were obtained. This represent 28.6% of respondent rate. Encouragingly, 33.3% of the respondents are the VC of PUs. Accordingly, this sample size is adequate to conduct a valid study (Roscoe, 1975). The summary of respondent/university profile is tabulates as in Table 01.

Table 01. Summary of Respondent/University Profile

			Freq.	%				Freq.	%	
Position of Respondent in the Public Universities/ Organization			Public Universities/ Organization The Respondents Represent							
Vice Counselor	10	33.3	U. Malaya	3	10					
Deputy Vice Counselor	1	3.3	U. Sains Malaysia	1	3.3					
University Treasury	9	30	U. Kebangsaan Malaysia	2	6.7					
University Deputy Treasury	2	6.7	U. Putra Malaysia	2	6.7					
Representative of MOF	6	20	U. Teknologi Malaysia	3	10					
Representative of MOE	2	6.7	U. Teknologi Mara	1	3.3					
			U. Malaysia Sabah	2	6.7					
Category of University			U. Utara Malaysia	1	3.3					
Research University	11	36.7	U. Malaysia Sarawak	1	3.3					
Comprehensive University	7	23.3	U. Perguruan Sultan Idris	1	3.3					
Focused University	10	33.3	U. Malaysia Perlis	1	3.3					
Others (MOE)	2	6.7	U. Malaysia Terengganu	1	3.3					
			U. Teknikal Malaysia Melaka	2	6.7					
Year of Establishment			U. Malaysia Pahang	1	3.3					
Before 1980	12	40	U. Pertahanan National Malaysia	1	3.3					
Between 1981 - 1990	1	3.3	Representative of MOE	2	6.7					
Between 1991 - 2000	8	26.7	U. Sultan Zainal Abidin	3	10					
After 2001	7	23.3	U. Malaysia Kelantan	2	6.7					
General (MOE)	2	6.7								
Number of Students										
Less than 10,000	3	10								
Between 10,001 - 20,000	13	43.3								
More than 20,001	14	46.7								

The UniTP PB has suggests three income generating activities that the PUs can undertake in order to assist then in achieving self-sufficiency. Figure 01 and Table 02 shows university activities to enhance income through the university endowment. The result reveals that activities to increase endowment understanding, foster good relationship with the contributors and encourage giving and creative asking scored the highest agreement with 80% among the respondents. Indeed, other initiatives suggested in the UniTP PB also gained significant agreement among the respondents. This result indicates that the PUs are really work to gain benefits from endowment as a new alternative source of income.

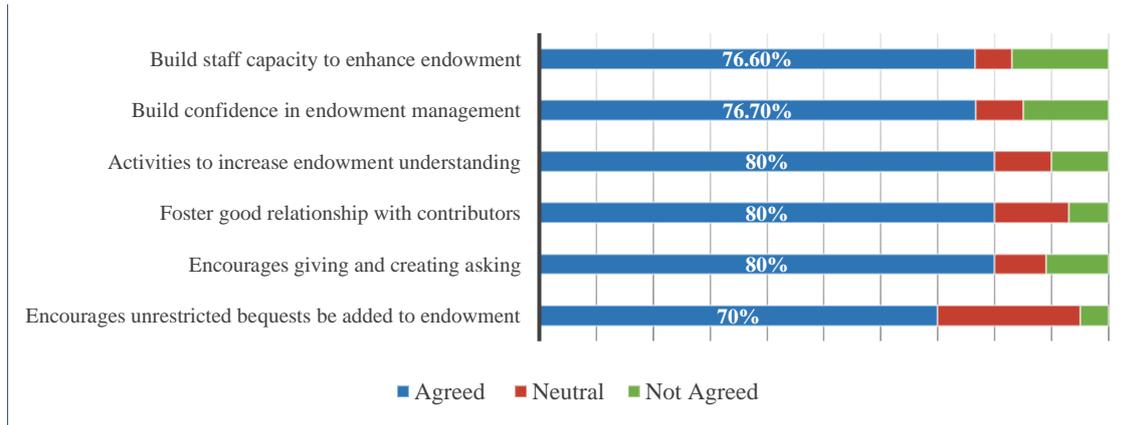


Figure 01. Enhancing University Income through University Endowment (UE) Activities

Table 02. Mean and SD of Enhancing University Income through University Endowment (UE) Activities

	Mean	SD
Build staff capacity to enhance endowment	3.800	1.157
Build confidence in endowment management	3.800	1.095
Activities to increase endowment understanding	3.833	1.020
Foster good relationship with contributors	4.000	1.050
Encourages giving and creating asking	3.900	1.062
Encourages unrestricted bequests be added to endowment	3.800	1.031

Activities to enhance income through sustainable waqf is shown in Figure 02 and Table 03. An interesting result shows that the highest activity agreed to be implemented by respondents is capitalising on the IP for waqf, with 66.7%. This means that internal resources are still used to gain the benefit of waqf. However, overall agreement is very low. The other activities are even lower, with all being below average agreeable. Even though all PUs are required to set up waqf funds to allow contributions to come in, the result clearly reveals that it is not popular. This has been mentioned by Hussein et al. (2016) that waqf for higher education is relatively new and unlike school level or religious education, waqf is presumed optional to higher education. In fact, PUs preferred to use internal sources to attract waqf's contribution, such as capitalising their IP.

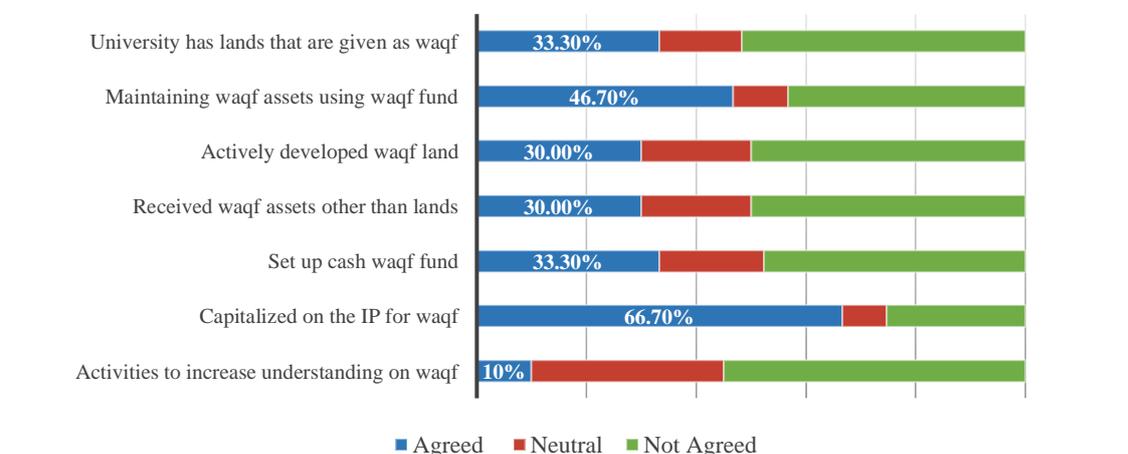


Figure 02. Enhancing University Income through Sustainable Waqf Activities

Table 03. Mean and SD of Enhancing University Income through Sustainable Waqf Activities

	Mean	SD
University has lands that are given as waqf	2.733	1.617
Maintaining waqf assets using waqf fund	2.867	1.525
Actively developed waqf land	2.567	1.478
Received waqf assets other than lands	2.767	1.478
Set up cash waqf fund	3.900	1.296
Capitalized on the IP for waqf	2.233	1.040
Activities to increase understanding on waqf	3.233	1.382

Based on the finding in Figure 03 and Table 04, for the activities taken to enhance income through philanthropic and fundraising, promotion activities gain highest agreement among the respondents which are 73.3% for philanthropy and 70% for fundraising. Other initiatives are mostly averagely agreed. On the fundraising models suggested in the UniTP PB, less than average score are earned. In fact, Major Gift Model scored a very low agreement with only 16.6%. In summary, for philanthropic income & fundraising initiatives, public universities are mainly concentrated promotion activities. This initiative is unpopular, especially on crowd funding. The PUs also not fully leverage their sources, such as the top management, staffs and alumni, to mobilise more funding.

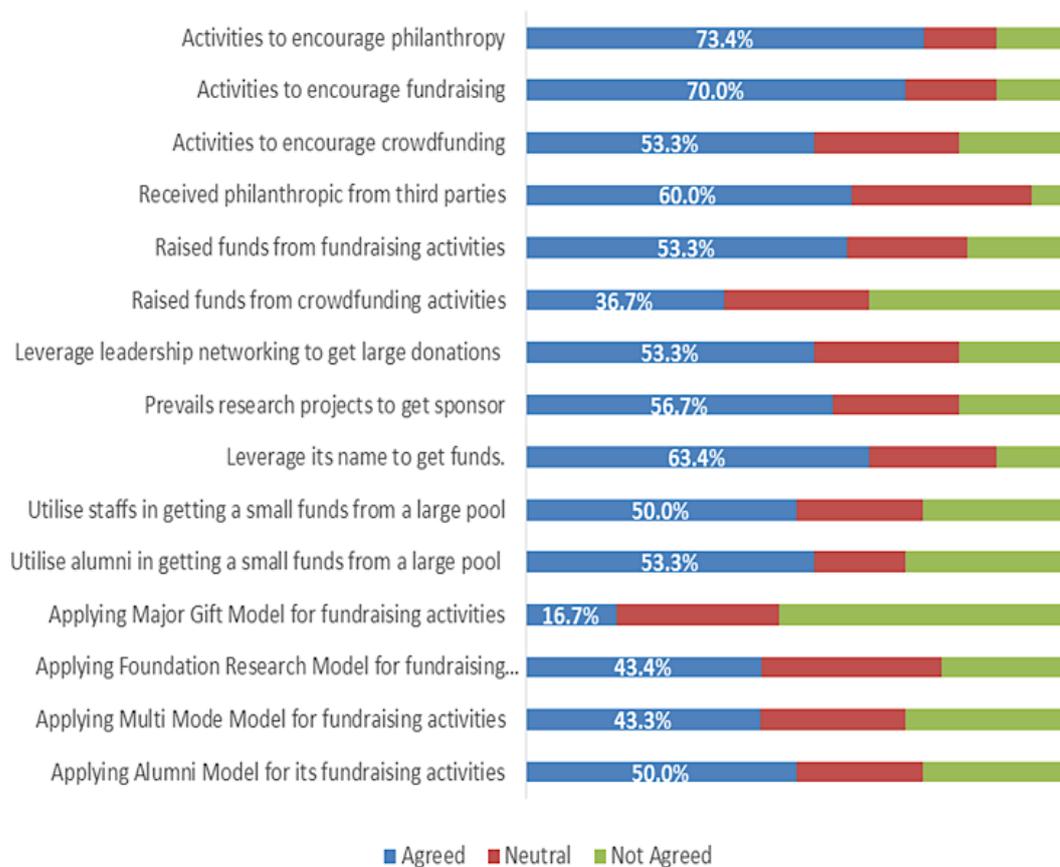


Figure 03. Enhancing University Income through Philanthropic Income & Fundraising Activities

Table 04. Mean and SD of Enhancing University Income through Philanthropic Income & Fundraising Activities

	Mean	SD
Activities to encourage philanthropy	3.900	1.094
Activities to encourage fundraising	3.800	1.243
Activities to encourage crowdfunding	3.433	1.305
Received philanthropic from third parties	3.733	.9803
Raised funds from fundraising activities	3.733	1.311
Raised funds from crowdfunding activities	2.867	1.252
leverage leadership networking to get large donations	3.467	1.252
Prevails research projects to get sponsor	3.433	1.194
Leverage its name to get funds	3.567	1.223
Utilise staffs in getting a small funds from a large pool	3.300	1.393
Utilise alumni in getting a small funds from a large pool	3.233	1.357
Applying Major Gift Model for fundraising activities	2.433	1.194
Applying Foundation Research Model for fundraising ...	3.200	1.215
Applying Multi Mode Model for fundraising activities	3.167	1.289
Applying Alumni Model for its fundraising activities	3.300	1.393

7. Conclusion

The PUs should take initiatives to increase their efforts to meet the targets set for them by engaging in income generating activities recommended in UniTP PB. As the size of public funds are getting smaller, they need to actively find ways to diversify their source of income and reduce their dependency on the Government. Compare to generating income through operation, major advantage of getting income through public contribution is a very low cost of operation and almost no risk. Although it is quite hard to convince the public, continuous efforts are needed to show how this contributions will be given back and benefited society and nation.

From the three initiatives on public contributions, it is clearly showed that generating income through endowment activities are the most popular approaches done by the PUs. Some researcher quotes endowment is similar to waqf (Dahlan et al., 2014), and Aziz et al. (2013) as they share many similar principles and attributes. However, actually there are some differences, such as in the trusteeship power perpetuity requirement and vesting authority (Mahamood & Ab Rahman, 2015). The differences might be seen as disadvantages of having waqf, although it is nothing different. This might make the PUs are concentrated more on the endowment activities, rather than waqf activities as being described in UniTP PB.

Another important finding to highlight is the large standard deviation found for all activities suggested in the UniTP PB. This indicates that some universities, they are very committed to the suggested activities, while others might not so. Some of the universities already matured, have been established for more than 50 years, while some are still young, established for less than 20 years. For the matured universities, they have good reputation, respectable human capital, strong alumni network and already gained public confidence. They have privileged to enter the public and attract contributions. They have experienced and committed to explore all the activities being suggested in UniTP PB. Compare to the young universities, they might be still looking for the right approach. Therefore, this study would suggest to

separate the PUs by the age of establishment, and studying on their income generating activities. This might help the young universities, or other as well, to concentrate on the right activities.

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