

**SERVICES DEVELOPMENT IN MALAYSIA:  
REPOSITIONING EDUCATION AND HEALTH  
AS ALTERNATE SOURCES OF GROWTH**

**Vijayakumari Kanapathy  
ISIS Malaysia**

# **FOCUS OF THE PAPER**

- **Role of services in the Malaysian economy**
- **Tertiary education and its export potential**
- **Healthcare industry and its export potential**

# **SERVICES AS THE ENGINE OF GROWTH**

- **Loss of comparative advantage in labour-intensive manufacturing**
- **Manufacturing has reached optimum share – 30%**
- **Services sector development integral to further development of manufacturing**
- **High reliance on import of intermediate services**
- **Expansion of growth potential of services**
- **Liberalisation and increasing competition under GATS**

# **SERVICES CONTRIBUTION TO THE ECONOMY**

## **Share in GDP**

	<u><b>Agriculture</b></u>	<u><b>Manufacturing</b></u>	<u><b>Services</b></u>
<b>1980</b>	<b>33.0</b>	<b>19.6</b>	<b>44.7</b>
<b>1990</b>	<b>28.5</b>	<b>26.9</b>	<b>46.1</b>
<b>2000</b>	<b>16.0</b>	<b>32.3</b>	<b>57.0</b>
<b>2002</b>	<b>14.8</b>	<b>28.5</b>	<b>56.6</b>

# **SERVICES CONTRIBUTION TO THE ECONOMY**

## **Share in Employment**

	<b><u>Agriculture</u></b>	<b><u>Manufacturing</u></b>	<b><u>Services</u></b>
<b>1980</b>	<b>38.5</b>	<b>15.5</b>	<b>46.0</b>
<b>1990</b>	<b>26.6</b>	<b>19.9</b>	<b>53.5</b>
<b>2000</b>	<b>15.6</b>	<b>27.6</b>	<b>56.8</b>
<b>2002</b>	<b>14.6</b>	<b>27.1</b>	<b>58.2</b>

## **Sectoral Linkages of Services Sector**

	<b><u>1983</u></b>	<b><u>1991</u></b>
<b>Intermediate Demand</b>	<b>27.3</b>	<b>31.0</b>
<b>Private Consumption</b>	<b>20.3</b>	<b>21.5</b>
<b>Government Consumption</b>	<b>18.8</b>	<b>16.1</b>
<b>Capital Formation</b>	<b>23.0</b>	<b>15.0</b>
<b>Exports</b>	<b>7.1</b>	<b>11.3</b>

# **POLICIES ON SERVICES DEVELOPMENT**

## **Three Phases in the Development of the Services Sector**

- **Services sector as the “non-productive” sector  
1950s to mid-1980s**
- **Liberalisation and deregulation : Mid-1990s to  
2000**
- **Focus on services as the engine of growth - Post  
2000 Phase/GATS**

# **TRADE IN SERVICES**

- **Malaysia is a net importer of services**
- **Huge and growing deficit in services trade**
- **Export of services as a share of total exports – only 15%**
- **Measures recently introduced to export and import substitute services have had some positive impact**
  - **Tourism promotion**
  - **Expansion of supply in shipping, insurance, finance, education, health**

# **EDUCATIONAL SERVICES**

- **Liberalisation and deregulation of the education and training market since the late 1980s**
  - **to increase domestic supply**
  - **export promotion of tertiary education**
- **Heavy investment by the public sector in education and training**
- **Fiscal incentives granted to private educational institutions**

# DEVELOPMENT OF TERTIARY EDUCATION

- Unprecedented growth of tertiary educational institutions

	<u>Public</u>	<u>Private</u>
<u>Number of Institutions</u>		
1995	12	280
2001	16	704
<u>Student Enrolment</u>		
1997	107,865	143,803
2001	192,511	270,904

# **QUALITY OF EDUCATIONAL SERVICES**

- **Governed by the National Accreditation Board**
- **Local institutions of higher learning have tied up with foreign universities**
  - **Programme is delivered in Malaysia**  
**but degree is awarded by foreign university**
- **Academic staff to student ratio is 1:18 in 2001 – comparable to major exporters of education**
- **Development of higher education monitored by the newly established Higher Education Dept.**

# **EXPORT OF EDUCATIONAL SERVICES**

- **In 2001, 18,245 foreign students were enrolled in tertiary educational institutions**
- **Foreign students constitute about 3 per cent of total tertiary enrollment, but numbers grew rapidly recently**
- **From 1997 to 2000 numbers from 3,400 to 4,770 at public institutions and from 2,444 to 15,003 at private institutions**
- **Foreign exchange earnings in 2001 RM325 million**

# **EXPORT MARKET**

- **Majority of students from China and Southeast Asia**
- **Growing number from South Asia, Africa, and Middle East**
- **Major courses pursued: Business studies, IT, and engineering**

# **STRENGTHS, WEAKNESSES, & SCOPE**

- **Quality education at competitive prices**
- **Low cost of living**
- **Medium of instruction is English**
- **Ability to obtain foreign degrees in Malaysia**
- **Asian and Islamic cultural heritage**
- **Private institutions over-regulated**
- **Immigration procedures need to be relaxed and simplified**

# **STRENGTHS, WEAKNESSES, & SCOPE**

- **Need to build upon existing competitive advantage**
- **Need for a more integrated approach to promote and market Malaysia as a center of excellence in higher education**
- **Need to revamp existing policy and institutional framework for the industry to meet market demand**
- **Need to tie up with top-notch universities**

# **HEALTHCARE SERVICES**

- **Healthcare industry revamped in the 1990s**  
**shift in focus from disease to wellness**
  - **Health promotion and prevention programmes**
  - **Restructuring of public hospitals**
  - **Setting up of sub-speciality centres**
  - **Use of IT and multimedia technology**
  - **Introduction of National Healthcare Financing**
  - **National Quality Assurance Programme implemented**

# **GROWTH IN HEALTHCARE FACILITIES**

- **Proliferation of private hospitals:  
224 private hospitals and 121 public hospitals**
- **Number of public hospital beds grew from 32,500 in 1985 to 34,536 in 2001, while private hospital beds rose from 1,171 in 1980 to 9,949 in 2001**
- **But large research hospitals are all public**

# **GROWTH IN HEALTHCARE PERSONNEL**

- **In 2000 the total number of doctors was 15,619, with 54% in public hospitals**
- **Vast disparity between the public and private sectors in the ratio of doctors to hospital beds**
- **Severe shortage of doctors and other medical professionals**

# HEALTHCARE COSTS

- **Public expenditure in 2002 was RM6.0 billion, of which RM4.8 was operating expenditure**
- **Healthcare costs have risen significantly**
  - **Increase in prices of drugs**
  - **High import content – 70%**
  - **Increase in prices by 30% since 1998 following ringgit depreciation**

# **EXPORT OF HEALTHCARE SERVICES**

- **Promotion of health tourism began in 1998**
- **Foreign patient admissions numbered 14,747 in 2001 – growing at around 27% p.a.**
- **Indonesians accounted for about 50%**
- **Majority chose Malaysia based on referrals**

# ISSUES AND CONCERNS

- **Need to look into the maintenance and renewal of older infrastructure**
  - **Need for new approaches to financing and managing renewal**
- **Greater concern for environmental impact of infrastructure development would demand putting more stringent requirements on providers and managers.**

# **STRENGTHS, WEAKNESSES, & SCOPE**

- **Competitive pricing**
- **High quality of services**
- **Cultural similarities**
- **Proximity to large markets**
- **Need to address the severe shortage of healthcare professionals**
- **Need to undertake more concerted and integrated promotion and marketing**

## **STRENGTHS, WEAKNESSES, & SCOPE**

- **Improve immigration procedures**
- **Liberalise and coordinate advertisement of healthcare facilities**