

DEFUSING THE PTPTN TIME BOMB

By Ganeshwaran Kana

The National Higher Education Fund Corp. (PTPTN) provides cheap student loans to help the poor get through tertiary education. But it is also a ticking time bomb hidden in plain sight. Unpaid loans are rising every year, and the lack of a solid revenue-generating model keeps PTPTN reliant on government grants. To prevent PTPTN from collapsing, a strong political will is needed to implement tough measures, including punishing errant borrowers.

PTPTN'S unpaid loans by borrowers now stands at RM6 billion, a RM1 billion increase from 2021. As for its revenue, government grants alone contributed about 72% of the topline in 2021. More worryingly, however, is the fact that PTPTN is RM41 billion in debt as of end-June 2023, which the government fully guarantees. The debt amount has ballooned by over 270% since the RM11 billion in 2008.

At RM41 billion, this is the fourth largest government guarantee, only below Danainfra Nasional Bhd. (RM82.9 billion), Prasarana Malaysia Bhd. (RM42.9 billion) and Public Sector Housing Financing Board or LPPSA (RM42 billion). PTPTN provides unsecured student loans that are not backed by any collateral. Up until December 2023, the agency disbursed study loans totalling RM71.32 billion. This means it solely relies on the borrowers' commitment to repay debts. Its financial sustainability relies on the timely repayment of loans. The problem is: many don't pay.



Datuk Seri Zambray Abd Kadir

Higher Education Minister Datuk Seri Zambray Abd Kadir said 430,000 borrowers have never made any repayments to PTPTN. A total of 3.48 million students have taken loans from PTPTN. Some may argue that the non-payment problem is caused by graduates' low salaries. While there is some validity to that, it is not an excuse to entirely avoid repayments.

After all, there is an option for borrowers to reschedule and restructure their loans, allowing them to pay a lower amount



TABUNG Pendidikan

monthly based on their capability. In fact, beginning in June this year, PTPTN started a campaign for borrowers with arrears to restructure their loans with just a minimum payment of RM300. Following this, they are then required to set up salary deductions or direct debits for repayment aimed at achieving zero arrears. The campaign will end this month.

Despite this privilege, errant PTPTN borrowers – many of whom have established careers – are not holding up their end of the bargain. It is, therefore, not surprising that PTPTN is planning to take legal action against the defaulters. The details are still being finalised.

That said, majority of PTPTN borrowers either paid off their loans or continue servicing the monthly payments, although not consistently by some. This group represents 80% of the borrowers, based on PTPTN'S 2021 annual report. Not only that, the value of repayments has also increased. For instance, PTPTN saw a repayment of RM2.91 billion in 2023, about 5.2% higher than 2022.



Datuk Abu Tariq Jamaluddin

One of the factors that led to the increase in repayment is the discount provided for full or partial settlement. For example, for loans settled between October 14, 2023, and March 31, 2024, PTPTN gave out discounts of 10% to 15%. While this encourages repayments, it also comes at a cost to PTPTN.

Not only will the agency forgo its “profit” meant to offset administrative costs, the discount may also eat into the principal loan amount. This is certainly not healthy for an entity like PTPTN which faces rising debt and unpaid loans. PTPTN needs to put a stop to such discounts, given that the student loans are already provided at a cheap cost. Borrowers are expected to commit to their loan repayment, even without discounts.

More importantly, the government must begin mandatory deductions for PTPTN loan instalments as soon as possible. The mandatory deductions will kickstart once a borrower's salary exceeds a certain threshold, for example RM2,500. In October 2023, Prime Minister Dato' Seri Anwar Ibrahim said the government was considering making repayment of PTPTN loan a compulsory monthly deduction through the Income Contingent Loan (ICL) programme. Nearly a year has

passed, however, the programme is yet to be implemented.

It is worth recalling that in 2018, the ICL was proposed under the then Pakatan Harapan government. However, the proposal received quite a backlash. Anwar himself raised concerns on the proposed implementation, including on the plan to deduct 8% to 15% from salaries above RM4,000.

The ICL ought to be introduced, but the rate of deduction need not be so high. Also, deductions must be geographically sensitive. The government should study whether it is fair for someone working in Kuala Lumpur to be subjected to the same deduction as someone working in Kota Bharu, even if they earn the same salary. The differing cost of living in the two cities must be considered.



Datuk Seri Norliza Abdul Rahim

Mandatory deductions can be easily implemented through the Inland Revenue Board (IRB). It is noteworthy that IRB chief executive officer Datuk Abu Tariq Jamaluddin currently sits on PTPTN'S board of directors. In the past, there has been hesitance among governments to take firm action on errant PTPTN borrowers, largely because young graduates form a significant voter base.

PTPTN'S chairperson has typically been a political appointee. The current chairperson Datuk Seri Norliza Abdul Rahim is from Wanita Umno, and the position was previously held by former Kuala Nerus Umno Chief Apli Yusoff and Bersatu supreme council member Datuk Wan Saiful Wan Jan.

It's crucial that PTPTN is able to sustain financially without posing a big risk to the government's fiscal position. For this to happen, tough long-term measures must be instituted, even if they are unpopular. That said, the measures must also try to accommodate financially vulnerable borrowers. ■

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Source:
The Star
28.9.2024



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