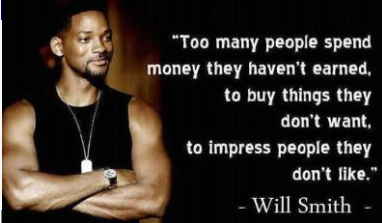




BUSINESS NEWS



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WHAT ARE THE CHALLENGES OF PRIVATE EDUCATIONAL ORGANIZATIONS ...



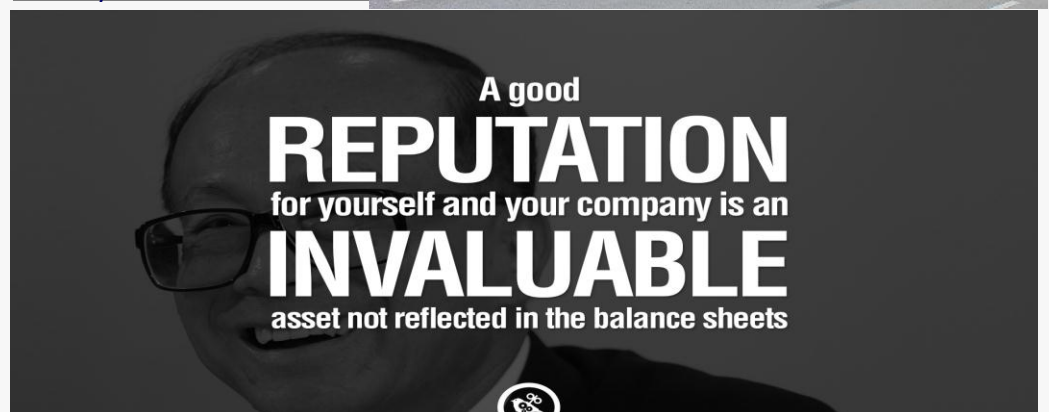
By: Prashun Kumar Choudhury
Head of Accelerator

Prashun is the Head Of Accelerator of SKB group of companies. His primary expertise lies in heading New Projects and Designing Systems for various Industries that require an Accelerator system to boost their business and company. Currently he is making headway in the Education Industry.

THE SITUATION...

A comprehensive write up about the Challenges faced by the Education Industry today. Especially the booming Technical Sector which is seeing a severe deficit with the reduction of student aids.

A recent meeting with a client prompted me to write this article... I hope my answers here would at least answer some of the industry concerns.



SURVIVING THE CURRENT ECONOMIC CHALLENGES FOR THE PRIVATE EDUCATIONAL ORGANIZATIONS...

QUESTION:

I am in the education industry for the past 15 years and specializing in Training and Technical Colleges in Malaysia. Its true there is huge potential in this industry. Unfortunately, the current economic situation and the allocation of PTPK (Skills Development Fund Corporation) doesn't justify and help us to grow our business with the student intakes.

*Imagine, there are 450,000 students who completes SPM every year. On an average, 80,000 students join Training and Technical Private Colleges in Malaysia. Now, most of them are the B40 category and obviously student funding is crucial. But, the allocation for PTPK which is only **RM 125 Million for 2018**, most of the colleges can't sustain and these students are left out from completing their studies.*

Please tell me what can be done to overcome this issue. Because, not only our revenue keeps decreasing but we can't expand either. To top it all, financial institutions are also not favouring our industry currently.

Hope to Hear from you soon.

*Regards,
K. Robert*

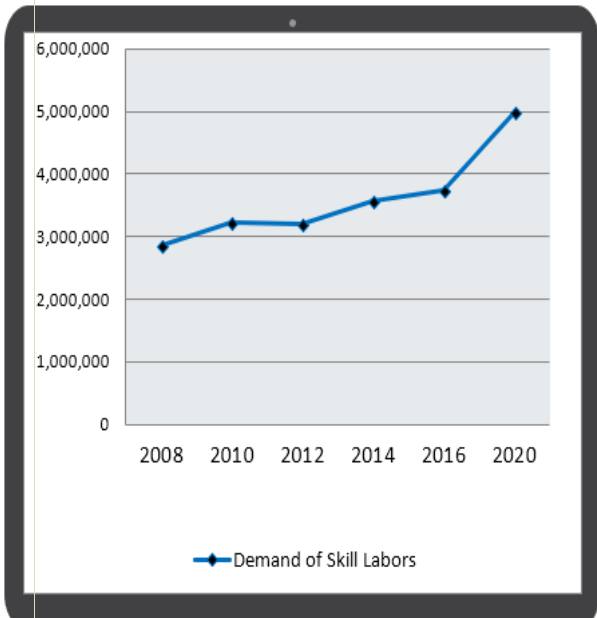
Dear Mr Robert,

Thank you for your email, I sense so much frustration in one paragraph that I can imagine how difficult it must be for you to juggle everything at this challenging environment.

Let me start by explaining why you as an individual, and your industry as a whole is going through this ordeal. In order to expand your private training and technical colleges you need more funds. This is a major point of concern as most financial institutions **DO NOT ALWAYS FAVOUR** educational institutions currently.

It doesn't matter how good your reputation is with the financial institutions or that you are financially in a strong position to obtain funds for your capital expenditure. Financial institutions will weigh the risk and as well as other inherent factors when they conduct an analysis on your industry. Usually even if you are successful, the working capital is obtained with great difficulty through high collateral placement, probably a higher rate of interest and various other obligatory procedures that need to be met.

With the steep decline in government and private funding for the institutions, colleges are now turning to private business enterprises for Investment funding. A mere handful of financial institutions do provide loans, but the options are quite limited as there has been a lot of Non-Performing Loans (NPL) in this industry in the past, therefore they are more cautious.



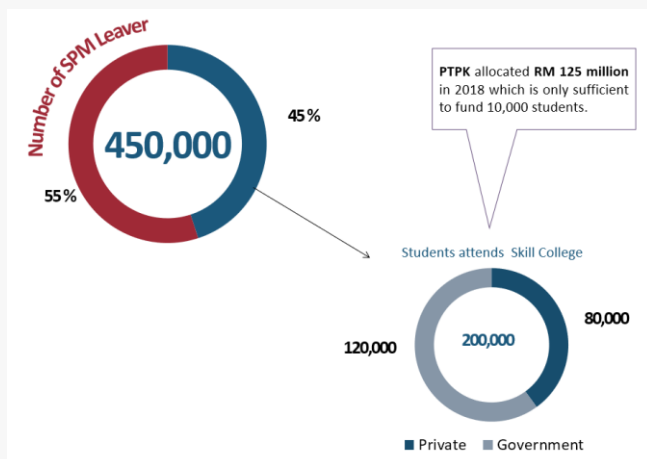
Moving forward to the next part of your question—you are having a problem with student intakes due to the funding allocation from PTPK which solely funds students within the B40 category.

Allow me to just run through briefly and explain what the government would want your industry to focus on. I believe, with the rapid developments in the industry and job scenario, there has been an overwhelming increase in the need for skilled and specialised employees.

Along with the structured, theoretical education programmes conducted in schools and colleges, there comes the requirement for intensive training programmes that prepare one for the actual job and the various real-life situations that may arise. Some of these situations involve various skill based industries which would enable the personnel to get involved in companies with their relevant technical knowledge.

Since 2008 there has been a rapid growth and the government is expecting around **5 Million Skilled Labours by 2020**. This is not impossible, but the cash flow problems the training and technical colleges are facing is causing stagnancy. Despite the acute need for training colleges and trained workers, there has been a steady rate of decline in the number of students who complete a training course.

The chief cause of such deterioration has been the lack of funds and financial support. For example, with the PTPK allocating only about RM125 Million for 2018, it could approximately cover half the educational expense of about 10,000 students on an average. Withdrawal of students from training colleges is largely due to the unavailability of sufficient financial assistance.



Now let me explain to you on the repercussion that you and your fellow peers in the same industry be facing.

- 1) The moment you have a drop, in student intake, you can't fulfil the intake per semester/year. This would affect the number of classes for a course.
- 2) This process affects your cash flow and capital expenditure per year because you need to retrench your staffs and lecturers.
- 3) As I mentioned earlier, financial institutions do not favour the education industry, thus getting a working capital or any sort of loans becomes a challenge.
- 4) The growth of the business can't be justified because when you start downsizing the classes and lecturers, if at some point of time you have the surge in a semester or year, you will never be able to cope, and you will eventually lose to your competitors.

This whole negative flow is thus influenced by the key point, which is sufficient funds. Unfortunately, your business is highly relying on PTPK funding and other relevant sources such as Human Resource Development Fund (HRDF) and Employees Provident Fund (EPF).

The rise in the cost of funding an education is sometimes not compensated by employment opportunities that offer a lucrative salary package. As a result, students and graduates are living in student loan debts.

Moreover, the completion rates are not at par with the enrolment rates. This in turn, creates a lack of qualified and capable professionals in the market. The constant stress regarding such financial decisions has more demerits of affecting academics, health and family lives.

Rather than concentrating on the course they are pursuing, students may need to do odd jobs and work extremely hard to pay off debts. With a greater part of the student population depending largely on loans, it is diminishing the willingness to pursue higher education or to enrol into premier training institutions.



**“At SKB, we create
VALUE
where previously
none existed”**

Believe it or not, you are not the first one to actually complain and throw your frustration to us.

Fortunately, at SKB, we have created a system that could change the entire landscape of the education industry in Malaysia. Let me share with you the structure we have come up with and see if this could be a system that you could never resist.

Let me explain to you on how we at SKB will be managing this to ensure that your business flow doesn't get disrupted.

1) The first we would do is to secure you are working capital. You may ask me ***“why working capital? My business is doing fine, and we have the cash flow, but we are having issues with student intake as that's where they don't have the funds to join.”***

The reason for this working capital is to ensure your entire year capital expenditure (CAPEX) is taken care of. For example, if your CAPEX is RM 3 Million per year, the SKB group will help secure you the said amount depending on your revenue and profit/loss with our financial institutions as working capital. You would lessen your worries about overheads even in case your student intake is low.

2) When you stop the bleeding with Working Capital, you can focus better on the next step, i.e to fully market your courses to the potential students out there. Now you will be asking me ***“Yes, Marketing can be done as we have a strong marketing team and there are about 80,000 students that we can tap into. But how do we sustain this? It comes back to education funding”***

We at SKB came up with an “Alternative Financing Options” with our financial institutions and other Financing Partners termed as **“Student Financial Aid Program”**.

We understand that the current predicament of the college is to maintain the new intakes by creating new funding schemes that would be utilized to undertake the loss of any other student education loan from the government or other agencies.

I believe this would solve your problem for student education financing. This is an entirely different system which has never been created before and The SKB group with our expertise in the field of Business and Finance for the past 20 years tapped into this with our panel of Financial Partners.

3) Once we see a growth in the student intake and business, The SKB Group can advise and facilitate to obtain funding from financial institutions for the purchase of New properties rather than renting, renovation, equipping the entire colleges with relevant machineries and equipment's that would help in certain courses. The whole idea is to ensure that the colleges are known as the "State of the art facilities, or World Class College" rather than the normal "Pusat Bertauliah and Vocational Colleges".

To carry out this exercise, we will need to stop the bleeding at each stage. This would entirely solve the problems you are facing currently and not to worry about funding if its done through the SKB Group.

In short, we would design and structure a system for the colleges to facilitate on student financing, obtaining working capital and other relevant services that is deemed necessary to increase the business revenue. Please feel free to call me at any time should you need any further assistance on this matter.

Till then please have a Profitable Week Ahead!

Prashun Kumar Choudhury
Head of Accelerator
The SKB Group of Companies