

## ZAKAT MODEL IN PTPTN FINANCING SCHEME – A CONCEPTUAL STUDY

Masyitah Abdul Rahman<sup>a</sup>, Anwar Allah Pitchay<sup>b\*</sup>, Zubir Azhar<sup>c</sup>  
Mohamad Isa Abd Jalil<sup>d</sup>

<sup>a,b,c</sup>Universiti Sains Malaysia

<sup>d</sup>Universiti Malaysia Sabah

(RECEIVED – MAY 7, 2023; REVISED –JUNE 16, 2023; ACCEPTED –JULY 8, 2023)

### ABSTRACT

*This paper proposes a viable alternative model for the PTPTN funding system, termed the Holistic and Prosperous Education Model (HOPE) model, to reduce and waive the PTPTN loan payments for Asnaf students with Zakat funds. This is to achieve the goal of poverty eradication, as more than half a million borrowers have never paid off even a single cent of their student loan (PTPTN) and almost 97% of them are from the B40 student group. Debt can have serious consequences for individuals and their families, so it is important to explore options for debt relief. As this paper focuses on the conceptual development of the HOPE model, it employs a qualitative content-analysis methodology and this study examines existing studies on the potential of Zakat as an essential form of assistance in the education sector to construct the HOPE model as a funding model. This approach can help to address the growing problem of student debt, particularly B40 students who rely on loans to finance their education. By deducting the tuition fees and accommodation fees financed by the PTPTN loan, the Zakat fund can help reduce the financial burden on students and their families, allowing them to focus on their studies and achieve their educational goals. Overall, this new approach to zakat distribution has the potential to create a more sustainable and impactful form of charitable giving, one that can help to address pressing social issues such as poverty, inequality, and access to education.*

*Keywords: Educational debt, Financial aids, Islamic finance, Zakat and PTPTN*

### ABSTRAK

*Kertas kerja ini mengutarakan model alternatif yang berdaya maju untuk sistem pembiayaan PTPTN, yang dinamakan model Pendidikan Holistik & Kesejahteraan (HOPE), untuk mengurangkan dan mengetepikan bayaran pinjaman PTPTN untuk pelajar Asnaf dengan dana Zakat. Hal ini sejajar dengan tujuan pembasmian kemiskinan, kerana lebih setengah juta peminjam tidak pernah melunaskan walau satu sen pun pinjaman pelajar (PTPTN) mereka dan hampir 97% daripadanya adalah populasi mahasiswa B40. Natiyah berhutang boleh membawa kesan buruk kepada individu dan keluarga mereka. Oleh itu, penting untuk meneliti alternatif pelepasan hutang. Oleh kerana kertas kerja ini memberi tumpuan kepada pembangunan konsep model HOPE, ia menggunakan metodologi analisis kandungan kualitatif dan kajian ini mengkaji kajian sedia ada tentang potensi Zakat sebagai bentuk bantuan penting dalam sektor pendidikan untuk membina model HOPE sebagai model pembiayaan. Pendekatan ini*

\*Corresponding author; Anwar Allah Pitchay, PhD, Associate Professor at the School of Management, Universiti Sains Malaysia, Penang, Malaysia. Email: [anwarap@usm.my](mailto:anwarap@usm.my)

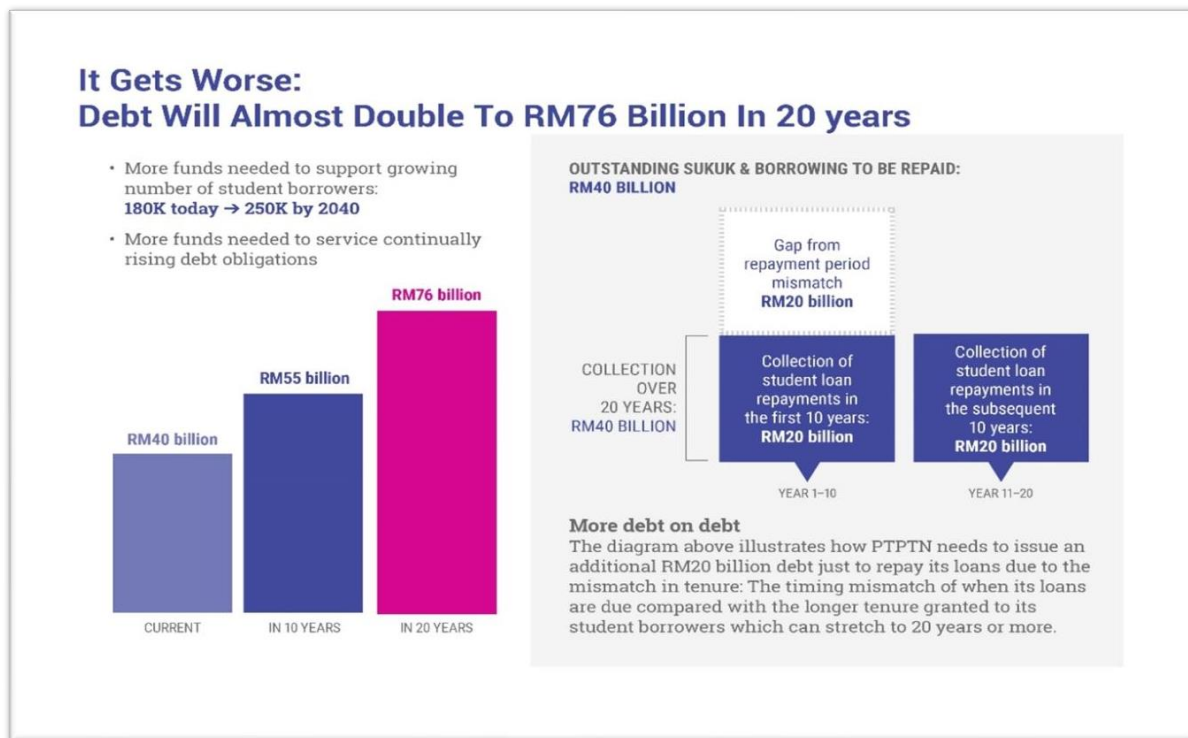
*dapat membantu menangani masalah hutang siswa yang semakin meningkat, terutama di kalangan siswa B40 yang bergantung kepada pinjaman untuk membiayai pendidikan mereka. Dengan menolak yuran pengajian dan yuran penginapan yang dibiayai oleh pinjaman PTPTN, tabungan Zakat dapat membantu mengurangkan beban kewangan pelajar dan keluarga, membolehkan mereka menumpukan perhatian kepada pelajaran dan mencapai matlamat pendidikan. Secara keseluruhannya, pendekatan baharu terhadap pengagihan zakat ini berpotensi untuk mewujudkan bentuk pemberian amal yang lebih mampan dan memberi impak, yang dapat membantu untuk menangani isu sosial yang mendesak seperti kemiskinan, ketidaksetaraan dan akses kepada Pendidikan.*

*Kata kunci: Hutang pendidikan, Bantuan kewangan, Kewangan Islam, Zakat dan PTPTN*

## **1. Introduction**

Student loans have become an important part of the global higher education landscape in tandem with an increased demand for tertiary education. Student loans increase access to higher education for students from poorer backgrounds by enabling them to pay for university/college education. Typically, loan repayments are deferred until students are financially capable (i.e. when they graduate and enter the workforce). As of 2008, 70 countries have government-funded student loan schemes. Among the 70 countries, Malaysia figures prominently as one that distributes loans to students and suffers from a low repayment rate (Ong Kian-Ming *et al.* 2016). Over the past 25 years, the Perbadanan Tabung Pendidikan Nasional (PTPTN) has played a vital role in the democratization of education in Malaysia, providing low-cost funding for higher education in the form of a debt model that aims to give all parties an equal opportunity and to support Malaysian students further in tertiary education, especially for those from B40 households. In total, more than three million students have benefited from PTPTN loans since its inception, with the total fund disbursed amounting to more than RM 56 million. On average 55 per cent of the borrowers are from the B40 group, but because the amount of loans allocated to this group is the highest, they receive 60 cents of the disbursement (Saiful & Jan, 2018). This means that by far, the biggest beneficiary of PTPTN loans is borrowers from the lower-income segment.

However, two unintended and major problems have become increasingly clear since PTPTN's inception of PTPTN. The first problem is high student debt, which seems to have burdened the B40 households. According to the data, PTPTN's study revealed that almost 97% of defaulters are from B40 households facing financial problems. The same survey found that 74% of loan defaulters had no stable income or earned below RM 2,000 after graduation compared to 52% of borrowers (Saiful & Jan 2018). Therefore, the issue of delinquent borrowers as "shameless" or "irresponsible individuals are not entirely accurate. Without a good income, it is difficult to force repayment. Another problem is the low repayment rate, those walking the corridors of power should be aware that if repayment policies are not addressed now, PTPTN will collapse, and the consequences could be even more severe than the collapse of 1 Malaysia Development Bhd (1MDB). PTPTN has accumulated a massive debt amounting to RM 40 billion in principle plus RM 13 billion in interest, guaranteed by the Malaysian government. If this trend continues, the amount owed to outside parties will increase from RM40 billion to RM 76 billion within 20 years. As shown in Figure 1, PTPTN was forced to borrow substantially from banks, financial institutions, and institutional investors at high-interest rates to continue lending. It is now RM40 billion in debt. Simultaneously, the total number of students needing these loans is also increasing. Today, 180,000 students need PTPTN loans. According to the enrolment growth projected in the Higher Education Blueprint, an expected 250, 000 students will apply for the higher education funding by 2040.



Source: Wan Saiful Wan Jan, Malaysia's Student Loan Company: (Tackling the PTPTN Time Bomb, ISEAS-Yusof Ishak Institute)

**Figure 1: Trends of Low Repayment and Increasing Financial Obligation**

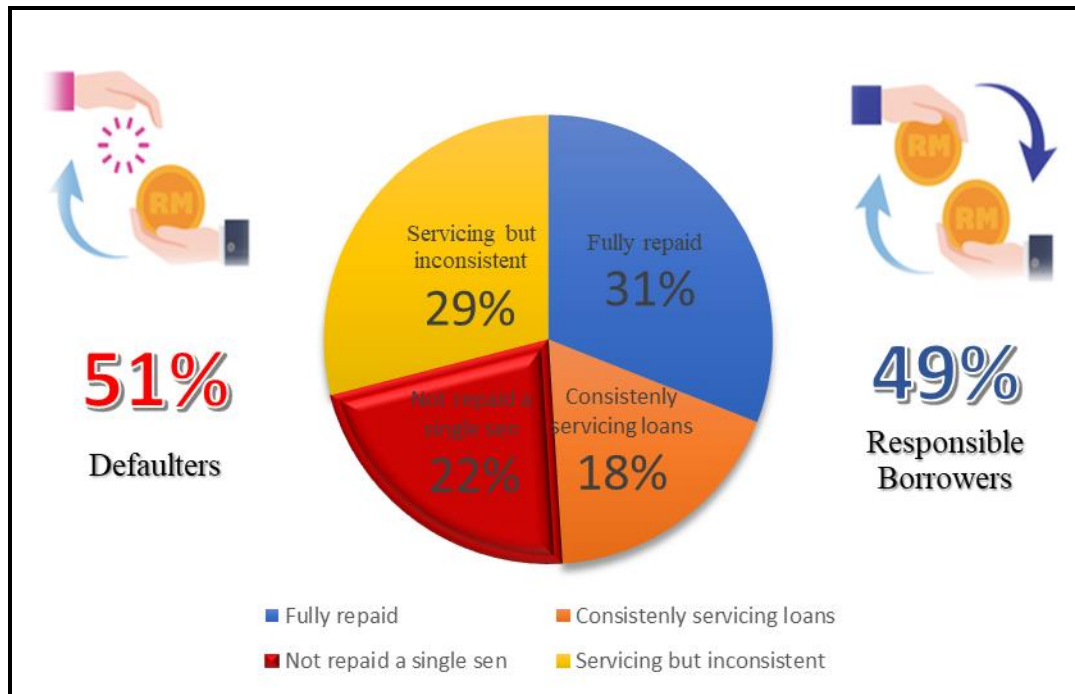
Yet as stated above, these low repayment rates have exerted significant financial pressure on PTPTN. It is not good news at all for the PTPTN, In recent collections only about 49 per cent of borrowers are deemed to be responsible and even then, only 31% per cent of them have completed their payments and 29 per cent have been paying inconsistently while 22 per cent have never paid a single cent.<sup>1</sup> As stated in Figure 1.5:

The poor repayment records and mounting financial obligation could eventually rob future generations of having access to PTPTN loans. Based on the foregoing discussion, it is apparent that the promise of social mobility through higher education is less secure. Given that students who graduated from tertiary education still generate median wages.

Therefore, the need to reform higher education financing must be acknowledged by policymakers. The existing model is based on full debt contributing to various issues. The issues of default risk, health risk, the burden to the student, career planning, national debt, and institutional debt (PTPTN). Arguably, the culture of being in debt is highly discouraging in Islam. It is considered to have a severe and indirect effect on a Muslim's belief or conviction, for it can lead to harmful consequences. Consequently, the weight of student debt gained considerable attention in our study; the injection of Zakat funds into education financial assistance will lessen the burden of student debt, which will significantly influence the education system. The current project intends to propose a new model, Holistic and Prosperous Education (HOPE), which integrates the Islamic Social Funds such as Waqf and Zakat into the instrument of PTPTN product instrument development, which will address the debt issue among the

<sup>1</sup> The report mentioned by the Ministry of higher education Datuk Seri Dr Noraini Ahmad at the Parliamentary Response, as of end-September 2021

borrower and reduce the financial problem faced by PTPTN.



Source: Parliamentary reply by Higher Education Minister (Nov 24, 2021)  
Figure 2: Collection and Defaulters of PTPTN Borrowers

The objective of this paper is to offer a viable alternative model for the PTPTN funding system, termed the Holistic and Prosperous Education (HOPE), which is expected to contribute to reducing the burden of student debt loans, especially for Asnaf students. This research is guided by two main research questions namely: (i) What is the practicability and validity of the proposed HOPE model? And (ii) How can the HOPE model be adopted and integrated with Zakat? We claim several contributions that are generalized from this study. Firstly, this study could have an enormous impact on reducing educational debt via using innovative Islamic social funds, such as the integration of Zakat into the PTPTN. The most important impact would be on the PTPTN funding system and B40 students since this HOPE model is expected to provide half a scholarship to needy students not to be based on the merits or performances of the students. This mechanism will lessen the debt burden as well as reduce the issues of high default rates faced by PTPTN.

## 2. Literature Review

### 2.1 Financial Aids

Financial aid has been deeply rooted since the opening of educational institutions. Past literature in the field of charitable giving in higher education has found that donations to educational institutions from a wide range of donors cover many university costs. For instance, in the fiscal year 2005 at Harvard, only 21 per cent of the total university income came from students' tuition fees, whereas 48 per cent came from donors (Gottfried & Johnson, 2006). These charity donations are used to offset tuition costs, lessen the financial burden on the government, provide access to higher education for underprivileged populations, support research, and enhance the quality of education in general (Mitchell & Lizotte,

2014). As noted by Hemelt and Marcotte (2011) charitable contribution has played a prominent role in funding higher education, especially in hard times of fiscal austerity and credit crunch followed by the global financial crisis, competition for limited scholarships, and the increment of tuition fees. Thus, giving to higher education provides improved economic opportunity and strengthens the public civic and economic fabric.

An empirical study on zakat distribution to Asnaf Fisabilillah in higher education institution, a case of University Teknologi Malaysia, the study indicates asnafs' perception towards the zakat units, Islamic centre, UTM, overall based on results, this study concludes that respondents strongly agree that zakat fund eases the burden among students in pursuing their studies and based on data the highest mean score recorded on the zakat assisting students where respondents strongly agree that zakat unit, UTM as the management centre should continue assisting students financial problem (Muhamad *et al.* 2018). Thus, zakat management must maintain professionalism and help the students to continue their studies and graduate on time without any financial problems. A more petite body of research focuses specifically on the donation-based crowdfunding model as a new funding opportunity for higher education students due to the rapidly rising costs of higher education, limitations in government funding, and high student loan default rates. Son-Turan, (2016) proposed a model of crowdfunding donated by alums; the aim is to address the higher education finance problem in Turkey. The model is known as the A-CDSF Model; (The Alumni crowdfunded student debt fund), which facilitated a new form of digital financing, 'crowdfunding.' Contribution from alumni through the crowdfunding platform. Students' performance as tracking features to alums to add or upgrade their scholarships. Studies believe the potential of this model is to change the livelihood of the unprivileged student and encourage more alumni to participate and make a change in somebody else's life.

Following with the growth in university enrolment has been sustained by increased student loan Aid. Student loans seem like a solution to finding new sources of financing apart from scholarships or grants. Furthermore, this innovative form of financing education helps to reduce students' burden, especially students from low-income families who do not receive any financial support at the same time, this eagerness them to finish their studies in due time. Indeed, the loan system has opened the campus gates to millions of students to pursue higher education. However, it traps many graduates in debt (Fuller, 2014).

According to a 2018, *Agensi Kaunselling dan Pengurusan Kredit* (AKPK) report, student debt is the second most common debt among youth aged 20-29 in Malaysia. Hidden Voice': Graduates' Perspectives on the student loan system in England by Callender and Gayardon (2021), explains graduate's views on the student loan system. Graduates who experienced tuition fees and interest rates are too high feel the repayment period is never-ending and describe emotional and psychological disturbance from their debt. Therefore, the view of graduates is essential for building evidence-based, sustainable, and fair funding policies in the future to reform the loan system; one objective that should be considered is to reduce the burden of student debt for graduates. Ooi (2021) has done a similar study on students' perspectives related to the student loan burden in Malaysia. A survey has been done on student debt, most students argued that the youth generation should not get into debt to attain higher education, and even bigger said the poor should receive free education. 59% of the students said student loans contributed to financial stress, while 57% said the loans restricted them from owning a house. Therefore, the study suggests that the government should get rid of asking B40 families to rely on student loans and consider direct educational subsidies. Direct subsidies not only depend on government and taxpayers; corporations, private foundations, and high-net-income individuals could also be part of the contribution and supplement these direct subsidies.

## 2.2 Impact of Education Financial Debt

The rise to prominence of educational debt in the form of loans drove young debtors into the early stages of the great recession. These situations draw attention to recent graduates struggling to make payments, deciding to remain at home with their parents, and postponing marriage. Several reports have documented the impact of debt burden among graduates. As cited by Bricker and Thompson (2016), families with student loans in 2007 have higher levels of financial distress than families without such loans. This study has examined the data in the 2007-2009 Survey of Consumer Finances (SCF) panel to examine the correlation between student loans and household financial distress. The preliminary results of the 2007-2009 SCF panel show that households with student loan debt in 2007 were more likely to face financial distress in 2009. These findings suggest that a better-used grant, in place of a loan, would reduce some measures of financial distress during recessionary periods.

According to Baum and O'Malley (2003), the National Loan Survey (NASLS) report that about 17 per cent of students agree that student loans significantly changed their career plans, up from 11% in 1987. In addition, they perceive the benefits of loans by choosing high-paying jobs when they graduate from college and forgo their dream jobs. This investment is paid off causes, logically; college graduates will receive higher pay compared to high-school graduates. A study conducted by Rothstein and Rouse (2011), also supported that indebtedness is a reason, students most probably choose high-salary jobs rather than low-paid jobs related to public services sectors. This study demonstrates the effect of debt on income using an experimental research design, involving 8,641 students from highly selected universities. America has gradually implemented "the No-Loan policy" to reduce student burdens, and this financial aid is only for qualified students. Using this unique condition, the researcher could draw results that are more accurate by comparing students with financial aid from the 'No-Loan policy for students with loans, using a difference-in-differences (DID) analysis. As a result, students with larger debt tend to take higher-paid jobs immediately after graduating.

Although most studies emphasise that holding educational debt delays the transition to adulthood in terms of marriage, homeownership, and career choice, there is evidence that debt is associated with adverse psychological health. For example, when someone saddled with debt are most probably felt anxious or nervous and could not stay asleep. As cited Huang (2015) examines having education loan debt affects physical and mental health during emerging adulthood. Using data from the Panel Study of Income Dynamics, the study draws a positive correlation between psychological health and education loans. Although debt has not shown an immediate impact on self-rated health status then, in the future, it might affect students whenever they felt challenged to make repayment of their debt. Thus, the condition might substantially increase anxiety levels and drown them in depression. To make this finding more significant, the authors focus on three health conditions-self-rated health status, depression, and anxiety scale. The author provides evidence that student loans have significantly adverse effects on psychological health and emotional problems, leading to less positive mental health scales like less happiness and dissatisfaction in life. In other words, debt is a happiness killer. None of us can be thrilled if we are saddled with debt. A similar study has been done previously against student loans' impact on students' mental health (Ross *et al.*, 2006). These studies have been carried out through an email survey involving all the medical undergraduate students at the University of Aberdeen between May and June 2004. Respond from this survey pointed out there is no direct relationship found between debt and stress level; the author argued that medical students have been through more studies-related stresses than personal stresses. Moreover, some of these students were highlighted under the GHQ-12 as having mental health problems. However, a subgroup of the students (37.7%) said that their worry about money affected their studies performances and emotions. Thus, undeniable financial worries would be one of the factors of mental health difficulties. The study needs further research to identify the exact relationship between financial worries, psychological health, and student performance.

### 2.3 Zakat on Education

Zakat education is one of the most forms of assistance to the poor and needy as education is one the essential methods or tickets that can be improving the quality of life and pull them out of the clutches of poverty (Rahman & Anwar, 2014). This is to ensure that Shariah's objectives in safeguarding the ummah's welfare are achieved. Research on zakat mainly focuses on the efficiency of the collection and distribution of zakat in Malaysia(Wahab Norazlina Abd. & Rahman Abdul Rahim Abdul, (2013); Ismail and Masturah, (2014); N. Abdullah, (2018); Mohd Jaapar and Kamarulzaman, (2020). As a result, the collection and distribution of zakat is growing every year. Meanwhile, Zakat institutions in Malaysia have allocated a large amount of funds to asnaf students. The allocation amount is different according to that year and depends on the Zakat application. Zakat will only assist those students who are successful applicants in the application by filling out a specific application form (Nazri et al., 2012).

In their 2017 study, Mohd Zaini Abu Bakar and Mohd Roslan Mohd Nor evaluate the success of Malaysia's Zakat Education Fund (ZEF), which aims to give financially struggling students the opportunity to pursue their education. The ZEF has helped to lessen the financial burden of education and enhance access to school for students from low-income households, according to the authors, who determined that it has had a goodeffect on the education of disadvantaged kids. In contrast, Siti Nurjanah (2019) investigates how zakat helps Indonesia, a country with a sizable Muslim population, promote education. According to the author, zakat has the potential to close the education gap in Indonesia by helping underprivileged students financially and raising the standard of instruction in madrasas (Islamic schools). The study also discovered that by giving girls greater possibilities, zakat can support gender equality in schooling.

Researchers Shirin Akter and Rasheda Khanam (2018) look at why people pay zakat for education in Bangladesh. The researchers discovered that donations are driven by social responsibility, religious duty, and the desire to help underprivileged kids with their education. According to the survey, donors prefer to give zakat to educational institutions rather than specific students because they think this will have a bigger social impact. In their 2016 study, Shahid and Amir Mahmood look at how zakat helps Pakistan, a Muslim-majority developing nation, promote education. The authors contend that by aiding underprivileged students financially and raising the standard of instruction in madrasas, zakat could significantly contribute to closing Pakistan's education gap. The survey also revealed that Pakistan's zakat system faces several issues, such as a lack of accountability and transparency. In their 2016 article, Olawale Ibrahim and Fathima Binti Abdul Halim examine how zakat helps in Nigeria, a nation with a sizable Muslim population, promote education. The authors contend that by helping underprivileged students financially and raising the standard of instruction in Islamic schools, zakat can close the education gap in Nigeria. The survey also discovered that there are several issueswith the zakat system in Nigeria, including a lack of accountability and transparency.

Overall, the literature suggests that zakat can play an important role in promoting education in Muslim communities. However, the zakat system in many countries faces challenges such as a lack of transparency and accountability, which can limit its effectiveness. Therefore, zakat institutions need to address thesechallenges and ensure that zakat is used effectively to promote education and benefit society.

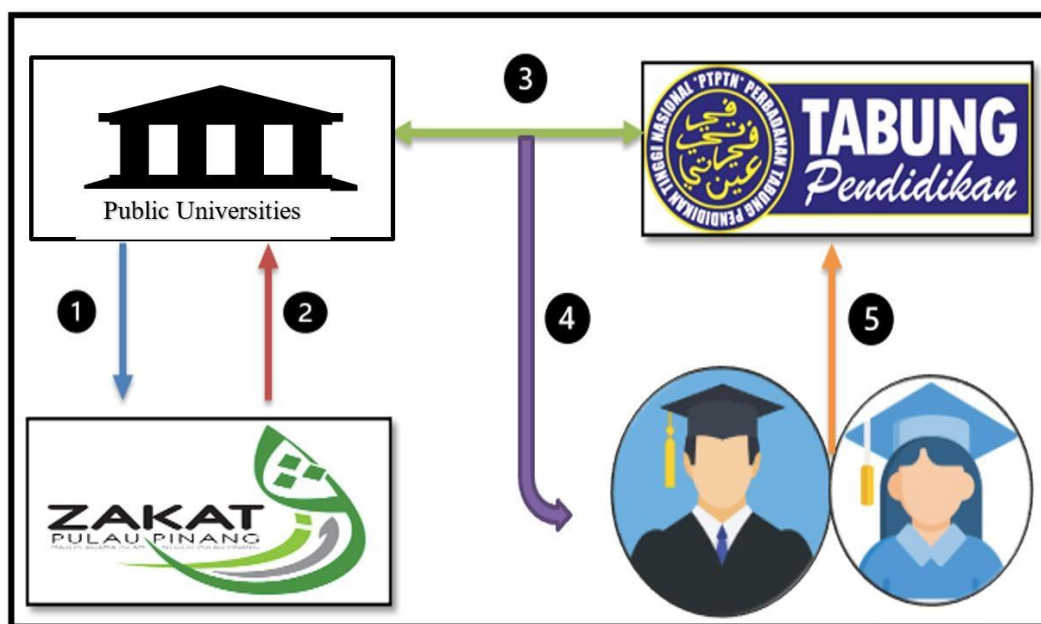
### 3. Research Method

This is a conceptual paper for the development of the Holistic and Prosperous Education model. It is purely qualitative, using content analysis. It comprehensively reviews the literature related to financial aid in higher education, the impact of educational debt on graduates and the existing model that is not sustainable when looking forward to a system that allows graduates to get a degree and is financially manageable.



#### 4. Proposed Model

Considering what has been discussed in the preceding sections, the authors propose a particular model termed Holistic and Prosperous Education. The main stakeholders of the HOPE model are the PTPTN institution, Government, Zakat institutions, Universities, and Students. The proposed HOPE model is expected to provide half scholarship or full scholarship to low-income households by using zakat funds. Integrating the HOPE model and PTPTN will change the nature of the PTPTN product instrument into a hybrid instrument (donation PLUS debt instrument) and donation instrument, which is no longer a complete debt model instrument. This means the student owed the PTPTN will get a lesser amount of borrowing and at the same time also be supported by Zakat fund for his/her higher education cost. Furthermore, the proposed model is expected to be an open one, actively involving both IPTA and IPTS students. The formal structure and the modus operandi of the HOPE model are illustrated with the aid of a diagram (Figure 3) below.



Source: (Authors' illustration)

Figure 3: Proposed Holistic and Prosperous Education Model (HOPE)

The diagram is followed by an accompanying explanation of the functional relationships and processes within the model.

- i. Zakat Centre in each University is the official Nazhir (agent) appointed by Zakat institutions to handle the collection and management of the Zakat fund in the university. The Zakat fund's significant contribution comes from the source of the automatic salary deduction of university staff. Then, the total collection of Zakat funds will be transferred to Zakat institutions as agreed in the agreement between the Zakat unit and Zakat Centre.
- ii. The main function of Zakat Pulau Pinang (ZPP) is to outline the reimbursement rate for the Zakat unit/ department in the university, the estimated reimbursement rate for the potential model is 87.5% ( $7/8 \times 100$  or 7 Asnaf Groups)<sup>2</sup> by considering there are more

<sup>2</sup> At the moment, ZPP returned 50% ( $4/8 \times 100$  or 4 Asnaf Groups) and the HOPE model proposed 87.5%



- than four 4 Asnaf existed and need to be benefited.
- iii. The assigned Zakat unit as a Nazhir and PTPTN: will identify the students<sup>4</sup> who are eligible to get higher education<sup>3</sup> fund assistance under the HOPE model.
  - iv. Zakat unit in the university and PTPTN will disburse the fund according to the ratio or percentage agreed by both.
  - v.
    - a. The students will only pay back the portion of funds from the PTPTN upon graduation.
    - b. The student from the Zakat recipient family will be fully funded by Zakat available with the University.

## 5. Significance of the Study

The Holistic and Prosperous Education (HOPE) model is indeed a comprehensive socio-economic and harmonious model that aims to connect and unify various stakeholders with different backgrounds towards a common goal of providing high-quality education to all students, particularly those from low-income backgrounds. This model recognizes the importance of collaboration and partnership among different stakeholders, including zakat institutions, the government, PTPTN institutions, and students themselves, to achieve a sustainable and long-lasting impact on the education sector.

### 5.1 Impact on Zakat Institution

The proposed HOPE model will create a significant impact on the productivity of the Zakat fund. Some recent studies in the context of a modern Muslim country such as Malaysia revealed many shortcomings of the Zakat institution, especially in terms of distribution and bureaucracy problems. Numerous researchers have commented on the issues of inefficient zakat distribution (Wahab & Rahim Abdul Rahman (2011), Ismail and Masturah (2014), Mohd Jaapar and Kamarulzaman (2020). As the result shows a lower efficiency in distribution than collection where the distribution is not an intended effort in a zakat organization, it detects inconsistency or misappropriation of the funds. Thus, it will lead to the zakat payer's lack of trust in the zakat institution. On the other hand, bureaucracy problems would slow down the applications. Students are required to make an application every year even though their application has already been approved when they were in their first years. They must go all over again through the documentation process as presented in the early application and must wait quite a while to receive the fund.

Zakat without productive implementation would not serve its designated goal of poverty alleviation. Therefore, the proposed HOPE model intended to use zakat funds to help pay for tuition fees and accommodation fees that are financed by PTPTN loans. The Zakat would be distributed by directly deducting them from the borrower's loan accounts, which would reduce the amount of debt that they owe. This approach would provide much-needed financial relief for low-income students who are struggling to pay for their education and would help to ensure that they have access to higher education opportunities. It is worth noting that the use of Zakat funds to support education is consistent with Islamic principles, which emphasise the importance of aiding those in need. The HOPE model has the potential to be an effective means of distributing zakat funds in Malaysia. By addressing the issue of student loan debt, it can help to promote greater social mobility and reduce poverty among low-income individuals and families.

---

( $7/8 \times 100$  or 7 Asnaf Groups).

<sup>4</sup> The students here refer to students who are coming from Zakat recipients' families (priority) and B40s (second priority).

### **5.2 Impact on PTPTN institution**

The integration of zakat into the PTPTN funding system is a commendable effort to address the issue of indebtedness among young Malaysians. Zakat is a form of Islamic charity that is obligatory for Muslims who meet certain criteria. It is primarily intended to help the poor and needy, and it can be used to support a wide range of social welfare initiatives. The use of a hybrid model that combines debt instruments and donation is a smart move to the PTPTN rather than a full debt-based model. This model can help reduce the burden of debt on students while still providing them with the financial support they need to pursue higher education. By incorporating zakat into this model, PTPTN is also able to tap into a new source of funding that can be used to support students who are in need. Furthermore, the proposed HOPE model can also help promote a sense of community and social responsibility among Malaysians. By donating zakat to PTPTN, individuals and organizations can contribute to the education of future generations and help reduce the burden of debt on young Malaysians. In conclusion, the integration of zakat into the PTPTN funding system is noble to address the issue of indebtedness among young Malaysians. The Hybrid model that combines debt instruments and donation instruments can provide a sustainable source of funding for PTPTN while promoting social responsibility and community engagement.

### **5.3 Impact on Students**

The proposed HOPE model is expected to play a significant role in addressing indebtedness issues among young people that are burdened with PTPTN loans. According to the report "Tackling the PTPTN Time Bomb", published by Wan Saiful Wan Jan in 2019, approximately 97% of B40 borrowers are burdened by student loans and unable to repay the loans on time and are forced to default on their obligations. One of the primary reasons why borrowers default on their PTPTN loans is debtors are too poor. Many students take out loans to cover their tuition fees but are unable to repay the loan after graduation due to low salaries and difficulty finding jobs in their field and sadly it could take their entire life to make the payment. It is also important to note that debt can have serious consequences for individuals and their families, including mental health problems, financial stress, career opportunities, legal action, and even homelessness. The burden of student loan debt leaves students financially insecure and facing serious financial difficulties after graduation. Hence, the implementation of the HOPE model could help alleviate this problem by reducing or waiving the payment of loans for B40 students by using Zakat funds. The implementation of the HOPE model could improve the credit profiles of these borrowers and reduce the level of their indebtedness, thereby enabling them to successfully pursue their careers without experiencing any financial constraints.

### **5.4 Impact on Economic**

This Proposed model provides a lot of benefits to society, the economy, and the environment. It is expected to reduce the amount of PTPTN debt guaranteed by the government, approximately 40 billion with an interest rate of 13 billion. Hence, this new practice indicated integrating zakat into PTPTN as an alternative source to assist needy students to reduce their loan burden and empower the socio-economic well-being of B40 students. This will not only benefit the students but also open new alternative sources of funds to PTPTN instead of depending on repayment collection. Just imagine, once the Proposed HOPE model is materialized, B40 students only must pay half of their loan the other half will be zakat sponsorship. The unique approach could become an eye-opener for donors to pay zakat at zakat institutions as they can see underprivileged students enjoy the benefits from their contribution. It will also have a positive impact on education and encourage more students to pursue higher education to develop high-quality human capital.

## 6. Conclusion

The proposed HOPE model is a bold strategy that has the potential to alleviate the burden of student debt for many students, particularly, those from low-income backgrounds. The model represents an innovative approach to make the student loan less burden, more considerate, and manageable. The integration of zakat into the financial assistance system for PTPTN is a crucial aspect of this model, which aim to provide relief to B40 students who are more likely to default on their loan and provide some relief to the PTPTN from managing a large number of defaulters. The proposed model suggests using the Zakat fund to directly subsidize the tuition and accommodation fees of Asnaf who have taken out PTPTN loans. This could be done by directly cutting the borrower's account, with half of the amount financed by PTPTN and the other half funded by the Zakat fund. This approach can help reduce the burden of debt on B40 students and make education more affordable and accessible. Moreover, this approach is expected to be more impactful than direct cash or a one-off payment of Zakat distribution. By combining the expertise of PTPTN and Zakat institutions, the model can provide various benefits to the community, including poverty reduction and improved living standards. However, it is important to note that the implementation of such a model would require careful consideration of various factors, such as the eligibility criteria for Asnaf and the management of the Zakat fund to ensure that it is being used effectively and efficiently. It would require the collaboration and cooperation of various stakeholders, including PTPTN, zakat institutions, and the government. Overall, the HOPE model is expected to generate massive socio-economic benefits for all stakeholders involved. It represents a critical step towards making education financial assistance more equitable, sustainable, and impactful.

## References

- Abdullah, N. (2018). Preface. In *Communications in Computer and Information Science* (Vol. 886, Issue August 2017). Springer Singapore.
- Baum, S., & O'Malley, M. (2003). College on credit: how borrowers perceive their education debt. *Journal of Student Financial Aid*, 33(3), 7–19.
- Bricker, J., & Thompson, J. (2016). Does Education Loan Debt Influence Household Financial Distress? An Assessment Using the 2007–2009 Survey of Consumer Finances Panel. *Contemporary Economic Policy*, 34(4), 660–677.
- Callender, C., & Gayardon, A. de. (2021). *Hidden Voices: Graduates' Perspectives on the Student Loan System in England- HEPI Report 145*.
- Fuller, M. B. (2014). A history of financial aid to students. *Journal of Student Financial Aid*, 44(1), 42–68.
- Gottfried, M. A., & Johnson, E. L. (2006). Solicitation and Donation: An Econometric Evaluation of Alumni Generosity in Higher Education. *International Journal of Educational Advancement*, 6(4), 268–281.
- Hemelt, S. W., & Marcotte, D. E. (2011). The impact of tuition increases on enrollment at public colleges and universities. *Educational Evaluation and Policy Analysis*, 33(4), 435–457.
- Huang, Y. (2015). *Education Loan Debt and Health of Young Adults\**. September, 1–34.
- Ismail, A., & Masturah, M. (2014). The Efficiency of Zakat Collection and Distribution: Evidence from Two-Stage Analysis. *Journal of Economic Cooperation and Development*, 35(4), 133–170.
- Mitchell, K., & Lizotte, C. (2014). The grassroots and the gift: Moral authority, American philanthropy, and activism in education. *Foucault Studies*, 18, 66–89.
- Mohd Jaapar, A., & Kamarulzaman, N. H. (2020). The Efficiency of Zakat Collection and Zakat Distribution of Islamic Religious Council Perak (MAIPK), Malaysia. *International Conference of Zakat, 2005*, 107–118.
- Muhamad, N. H. N., Sahid, M. F. M., Kamaruddin, M. K., & Karim, K. A. (2018). Zakat Distribution to Fi Sabilillah Asnaf in Higher Education Institutions: Universiti Teknologi Malaysia Experience. *International Journal of Academic Research in Business and Social Sciences*, 8(9), 138–149. <https://doi.org/10.6007/ijarbss/v8-i9/4580>

- Nazri, F. A. A., Rahman, R. A., & Omar, N. (2012). Zakat and Poverty Alleviation: Roles of Zakat Institutions in Malaysia. *International Journal of Arts and Commerce*, 1(7), 61–72.
- Rahman, A. A., & Anwar, S. M. (2014). Dana Zakat Dalam Pendidikan Asnaf dan Sumbangannya Terhadap Ekonomi Malaysia. *Prosiding Perkem Ke-9*, 9, 208–215.
- Ross, S., Cleland, J., & Macleod, M. J. (2006). Stress, debt, and undergraduate medical student performance. *Medical Education*, 40(6), 584–589.
- Rothstein, J., & Rouse, C. E. (2011). Constrained after college: Student loans and early career. *Journal of Public Economics*, 1–37.
- Saiful, W., & Jan, W. (2018). *Malaysia's Student Loan Company: Tackling the PTPTN Time Bomb Executive Summary*.
- Wahab, N. A., & Rahim Abdul Rahman, A. (2011). A framework to analyse the efficiency and governance of zakat institutions. *Journal of Islamic Accounting and Business Research*, 2(1), 43–62.
- Wahab Norazlina Abd., & Rahman Abdul Rahim Abdul. (2013). Determinants of Efficiency of Zakat Institutions in Malaysia: A non-parametric Approach. *Asian Journal of Business and Accounting*, 6(2), 33–64.