

# Private Sector Participation in the Indian Higher Education System

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**Abstract:** India's higher education system is the third largest in the world, next to the United States and China. Higher education enrolments in India reached 15 million this year. This is just four million short of US enrolments, but corresponds to a gross enrolment ratio of only 14 per cent compared with 82 per cent in the US. With its significantly bigger population of young people, India would eventually have the largest higher education enrolment in the world. With an ambitious target of taking India's gross enrolment ratio (GER) from the existing 14 per cent to 30 per cent by the year 2020, the government has woken up to the shortage of higher education institutions.

The participation of private players in higher education has grown dramatically, beginning in the 1980s with a big spurt after India's 1990s economic liberalization. Growth has been particularly notable in professional programmes like management, engineering and medicine. Rising demand for post secondary education, lack of government investment in the sector and the deteriorating quality of many public universities has led to an increase in private players in Indian higher education. The National Knowledge Commission set up by the government talks about the need for additional 1,500 universities and about 35,000 to 40,000 colleges to be set up. This will require significant contribution by private sector and foreign universities. This paper attempts to:

1. Project the huge growth potential of this sector.
2. Analyse the strengths, weaknesses, opportunities and threats to the private sector.
3. Understand the major policy restrictions and challenges involved.

The Planning Commission in its approach paper to 12th Five Year Plan had suggested that the current "not-for-profit" approach in the education sector should be re-examined in a pragmatic manner so as to ensure quality without losing focus on equity—we believe that the Government should seriously consider this suggestion to attract private/foreign investment in this sector. This paper provides an overview of the higher education sector in terms of sub-segments, market size and latest trends, regulatory framework, sectoral challenges and present/future opportunities for investment. Data for the aforesaid study has been collected from secondary sources.

## 1. INTRODUCTION

*'Our progress as a nation can be no swifter than our progress in education.*

*The human mind is our fundamental resource'.*

—John. F. Kennedy

As early as 2,000 years ago, India had the intellectual resources to inspire the world thinkers, writers, teachers and

literature. Scholars from far and wide, including the far-east and China, with Fahien and Huen Tsang being two prominent names, got attracted to the famous ancient universities of India such as Nalanda and Takshashila. Chanakya's 'Arthashastra' preceded both Machiavelli and Adam Smith by several centuries. India invented the priceless 'Zero' and provided a firm foundation for the IT revolution, in addition to giving meaning to mathematics. India's 'Chaturanga' became the strategy game of the world. The value of 'pi' and the astronomical contributions revealed the Indian genius. Yoga, an ancient Indian invention, provided the magic formula for a healthy life in a stressful modern world.

Backed by such an intellectual pedigree of a long past, India can explore its opportunities in higher education confidently. Currently, USA is holding the distinction of being the global hub of higher education. Its reputed institutions in technology, management, medicine and other fields have safeguarded its undisputed position for a long time now.

Education is vital for India's competitiveness and economic growth, but also for social stability. The disparity between rich and poor is growing, and expectations on the part of young people and their parents are high. Geographical differences are vast, compounded by social divisions and inequalities in education provision.

## 2. CURRENT STATE OF INDIAN HIGHER EDUCATION SYSTEM

Higher education in India is undergoing considerable change. With over 600 million people in India under 25 years old, the system is under tremendous pressure to expand. India's young population has a huge appetite for education and, as the growth in the size of the middle classes escalates, millions are increasingly able to pay for it. By 2020, India will have the largest tertiary-age population in the world and will have the second largest graduate talent pipeline globally. Let me give you some figures to set the context. The total population between the ages of 15 and 24 in India is 234 million. If India is to meet its 30 percent GER target by 2020, about 40 million students would be enrolled in the higher education system in 2020. Currently, around 18.5 million students are enrolled in

the higher education sector. The problem is that as increasing numbers come out of the high school system, we just don't have the capacity to absorb them into the college system. There is a massive mismatch in the supply-demand, of proportions that have never been seen anywhere or anytime in the world before.

Despite significant progress over the last ten years, Indian higher education is faced with four broad challenges:

**The supply-demand gap:** India has a low rate of enrolment in higher education, at only 18%, compared with 26% in China and 36% in Brazil. There is enormous unmet demand for higher education. By 2020, the Indian government aims to achieve 30% gross enrolment, which will mean providing 40 million university places, an increase of 14 million in six years.

**The low quality of teaching and learning:** The system is beset by issues of quality in many of its institutions: a chronic shortage of faculty, poor quality teaching, outdated and rigid curricula and pedagogy, lack of accountability and quality assurance and separation of research and teaching.

**Constraints on research capacity and innovation:** With a very low level of PhD enrolment, India does not have enough high quality researchers; there are few opportunities for interdisciplinary and multidisciplinary working, lack of early stage research experience; a weak ecosystem for innovation, and low levels of industry engagement.

**Uneven growth and access to opportunity:** Socially, India remains highly divided; access to higher education is uneven with multidimensional inequalities in enrolment across population groups and geographies.

The three central pillars of the government's plans for education reflect these realities: expansion, equity and excellence. Over the next five years, every aspect of higher education is being reorganised and remodelled: funding, leadership and management, quality assurance, accountability, relationships with industry, international collaboration and the way teaching and research are conducted. Emphasis will be placed on strengthening existing institutions. In arguably the biggest reform in the governance and funding of state universities, an ambitious programme is underway to devolve authority and budgets for higher education from federal government to the state governments.

### 3. SIZE OF INDIAN HIGHER EDUCATION SECTOR.

| No. of Institutions/Enrolment        | Year (2010-11) |
|--------------------------------------|----------------|
| Universities                         | 523            |
| Colleges                             | 33023          |
| AICTE Technical Institutions         | 11809          |
| Distance Teaching Univ./Institutions | 200            |

|   |        |
|---|--------|
| Enrolment in Univ. & Colleges (in lakhs)    | 169.75 |
| Enrolment in Open Distance learning(lakhs)  | 37.45  |
| Enrolment in Post sec/ Post Grad. Diploma   | 18.56  |
| AICTE approved technical programs           | 10364  |
| Intake in AICTE approved technical programs | 26.15  |

Source: Annual Report (MHRD) 2011-12

### 12<sup>th</sup> Five year plan and scope for Public Private Partnership

The 12th Five Year Plan focuses on Expansion, inclusion and quality to achieve the national goals in education.

- During the 12th-Plan period, a target enrollment of 10 million additional seats equivalent to 3 million seats for each age cohort is aimed at in the higher education system. This would significantly increase the GER bringing it broadly in line with the global average
- There is unanimous agreement of the fact that the private sector needs to be involved to complement and supplement the efforts of the Government.

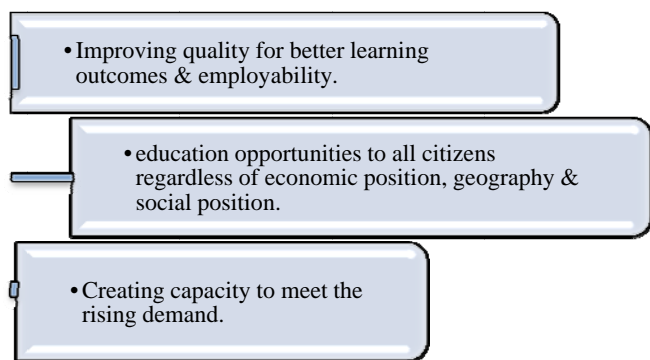
In the 12<sup>th</sup> plan, the Planning Commission's focus is on instilling "inclusive growth" in making headway. The plan is expected to be one that encourages the development of India's education sector through government spending.

\*Source: MHRD Annual Report 2011-2012; An approach to 12<sup>th</sup> Five Year Plan, October 2011; Netscribes; IDFC SSKI; Deolitte.

The emergence of India as a service-based, knowledge driven economy has put the spot light on human capital. The process of broadening access, making higher education inclusive, and promoting excellence initiated during the 11th Plan must be consolidated

and expanded further during the 12th Plan. On the whole, with new regulatory arrangements and focused action in key areas, particularly expansion and quality improvement, a robust higher education system must be built such that it would sustain rapid economic growth, promote international competitiveness; while at the same time meet the rising expectations of the young enterprising Indians.





The Three Pillars of the Twelfth Five Year Plan.

#### 4. REFORMS IN THE PIPELINE

In the last 3 years, the education sector has witnessed a number of bills addressing key industry issues such as opening the sector to foreign universities, over-arching regulator, tribunals and unfair trade practices, among others, being tabled in the parliament. Some of these bills have been revised and re-tabled in the parliament based on the recommendations of special committees constituted by the Government. Hopefully, we believe that these bills will be approved by the parliament based on consensus approach.

#### 5. CHALLENGES FACING GROWTH

##### Access and Equity

Ensuring equitable access to higher education is also a challenge with disparities seen across gender, regions and socio-economic groups.

- **Enrolment:** In terms of GER in higher education, India with a GER of about 15% lags behind to a great extent as compared to the developed world, as well as, other developing countries, as illustrated in the figure below. With the rising levels of enrolments in school education, the supply of higher education institutes is insufficient to meet the growing demand in the country.
- **Equity:** According to data for 2009-10, while the GER in higher education in India was 17.1 for males, it was only 12.7 for females. Additionally, while the overall GER for the population was 15%, the corresponding figures for SCs and STs were 11.1 and 10.3, respectively. There are regional variations too with Uttar Pradesh having a GER of 10.9 while Delhi has a GER of 47.9. These figures reflect some of the significant imbalances within the higher education system.

#### 6. QUALITY

There are various dimensions of quality in education, including content, mode of delivery, infrastructure and

facilities, employability, etc. Ensuring quality in higher education is amongst the foremost challenges being faced in India today, with few institutes having achieved global recognition for excellence.

- **Curriculum and Pedagogy:** A key concern cited by higher education institutes is the lack of autonomy with respect to framing course curriculum resulting in a course structure that is often outdated.
- **Infrastructure:** Higher education institutes run by the public sector suffer from poor physical facilities and infrastructure.
- **Faculty:** Faculty shortages and the inability of the state educational system to attract and retain well-qualified teachers have been posing challenges to quality education for many years. The quality of teaching is also often poor and there are constraints faced in training the faculty
- **Accreditation:** As per the data provided by the NAAC, as of June 2010, 'not even 25% of the total higher education institutions in the country were accredited. And among those accredited, only 30% of the universities and 45% of the colleges were found to be of quality to be ranked at 'A' level'
- **Industry Linkages:** There are insufficient levels of meaningful industry participation in aspects like curriculum development, research and faculty exchange programmes. Placement services in many universities are very limited resulting in a lack of co-ordination between employment seeking graduates and prospective employers who are looking for suitably qualified candidates
- **Employability:** The Indian education system on the whole is not aligned to the skill and manpower needs of the market. Skills shortage across sectors is accompanied by high levels of graduate unemployment, highlighting the need to include employment-linked modules in courses.
- **Research and Innovation:** There is inadequate focus on research in higher education institutes. The causes include insufficient resources and facilities, as well as, limited numbers of quality faculty to advise students. According to the data from 2009, enrolment for Ph.D. / M.Phil. constitutes only 0.48% of enrolment in higher education in India.

#### 7. MANAGEMENT AND GOVERNANCE

The regulatory environment governing higher education in India has been the subject of much debate. In particular, the envisioned role of the private sector needs to be clearly defined, especially in wake of the need for more financial resources in higher education. The higher education system also suffers from an over-centralized structure.

- **Regulatory environment:** The regulatory environment governing higher education in India is characterized by uncertainty and conflicts between multiple regulatory

authorities. The role of the private sector in higher education is essential, particularly in the context of a shortage of financial resources for this segment. Some of the key regulatory hurdles have been briefly explained below:

- Philanthropic nature
- FDI Anomaly
- Restrictions on fees and course curriculum
- Tax concerns
- Lack of clarity under Foreign Education Bill, 2010
- Financial resources
- Structure of higher education

**8. OPPORTUNITIES FOR PRIVATE SECTOR INVESTMENT PUBLIC EXPENDITURE NOT ENOUGH TO MEET THE BURGEONING REQUIREMENTS**

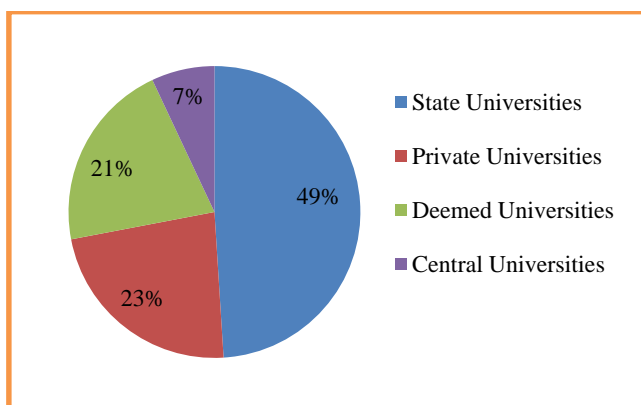
The Government of India has set itself an aggressive target of achieving 30% GER in Higher Education by 2020, which translates into doubling the GER in the next 8 years. As per recent estimates by NUEPA, in order to achieve this target an additional investment of Rs. 9.5 lakh crore (USD 190 billion), which includes capital expenditure and operating expenditure has to be made in the next 8 years. To give a perspective, the total allocation to the entire education sector under the 11th Five Year Plan (2007-12) was Rs. 2.7 lakh crore (USD 55 bn) out of which higher education’s share was only about 30%.

Therefore, given the limited support, which Government can provide to this sector in terms of investment, the private sector needs to play a much larger role.

**9. GROWING ROLE OF PRIVATE SECTOR**

The private sector’s role in the higher education sector has been growing at a rapid pace over the last decade and needs to further expand at an accelerated rate in order to achieve the GER target.

**Current Status.**



**10. SWOT ANALYSIS**

Despite the huge potential in the higher education sector, not everyone has been able to achieve success. The challenges/threats, which the private sector players face in India, are significant and therefore, approaching the market with a well thought-out strategy is advisable.

| Strengths  | Weaknesses  |
|--|---|
| <ul style="list-style-type: none"> <li>• Few globally renowned educational institutions.</li> <li>• Huge demand—estimated 150 million</li> <li>• Population in 18-23 age group.</li> <li>• Growing middle class with increasing income.</li> <li>• Growing economy with numerous employment opportunities.</li> <li>• Huge demand for Indian students abroad</li> </ul>            | <ul style="list-style-type: none"> <li>• Lack of infrastructure</li> <li>• Shortage of trained faculty to meet the increased demand</li> <li>• Highly complex and unclear regulatory framework at Central &amp; State level</li> <li>• Regional imbalances</li> <li>• “Not for profit” tag in formal education</li> </ul>           |
| Opportunities  | Threats   |
| <ul style="list-style-type: none"> <li>• Unsaturated demand for quality global education</li> <li>• Low GER of 15% in Higher education as compared to 84% in USA</li> <li>• Sharp decline in dependency ratio predicted in the next 30 years</li> <li>• India is expected to emerge as a Global hub in education in Asia Pacific region</li> <li>• Low focus on R&amp;D</li> </ul> | <ul style="list-style-type: none"> <li>• High time lag in introduction of reforms due to various reasons</li> <li>• Deterioration in quality of education specially in private sector due to lack of availability of trained faculty</li> <li>• Over regulation—Control over course curriculum, entrance tests, fees etc</li> </ul> |

**11. CONCLUSION**

While the government has introduced various bills in the Parliament, each of these seems to be stuck at various levels. Bills, such as National Commission for Higher Education and Research, National Accreditation Regulatory Authority for Higher Educational Institutions, and Foreign Educational Institutions, and the Foreign Education Providers Bills. If passed can bring much needed structural changes. There is an urgent need to debate these bills and ensure that they are passed. Most importantly, a change in mindset is required. Perhaps, time has come to remove the stigma associated with profits in the education sector so that legitimate private enterprises can have access to capital and set up world-class institutions that the country needs so badly. A lot of debate has taken place on ‘affiliation’, ‘accountability’, ‘autonomy’, and so on. Everyone seems to agree that a radical overhaul of the higher education system is much needed.

*“Progress is impossible without change, and those who cannot change their minds cannot change anything” - George Bernard Shaw.*

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