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INVIGORATING INDIAN HIGHER EDUCATION: DO WE NEED TO INVOLVE THE PRIVATE SECTOR?

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ABSTRACT

Globalization and internationalization are trends that have brought about a new world order that is characterized by complexity, interconnectedness and diversity. These increasingly challenging contexts are entering a new phase of transformation that call upon an international dimension to higher education. To remain relevant in today's changing economies, institutions of higher education have a critical role to equip students with the relevant knowledge, skills, attitudes and competencies to be able to live and work in an international and multicultural society. But majority of the population in the country cannot afford higher education as their per capita income is very low. Neither the government nor the private sector alone can cater to the requirements of higher education. It is in this context; one should look at the scope, feasibility, inevitability and the usefulness of private investment in higher education. This research paper analyzes the role and importance of public–private partnerships in Indian higher education system, challenges in public–private partnership in education and some measures that the government can adopt to promote public–private partnership in education. This study is descriptive in nature and based fully on secondary data.

Keywords: Higher Education, Public Private Partnership

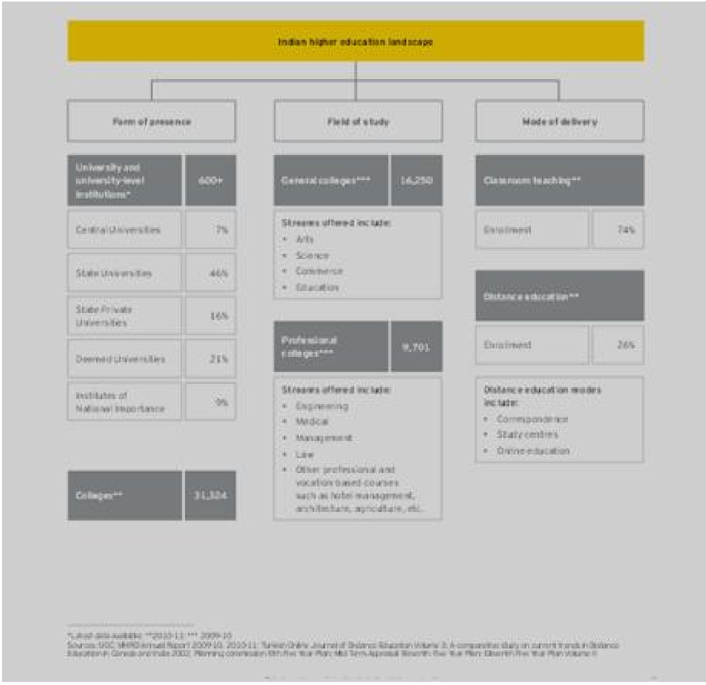
INTRODUCTION

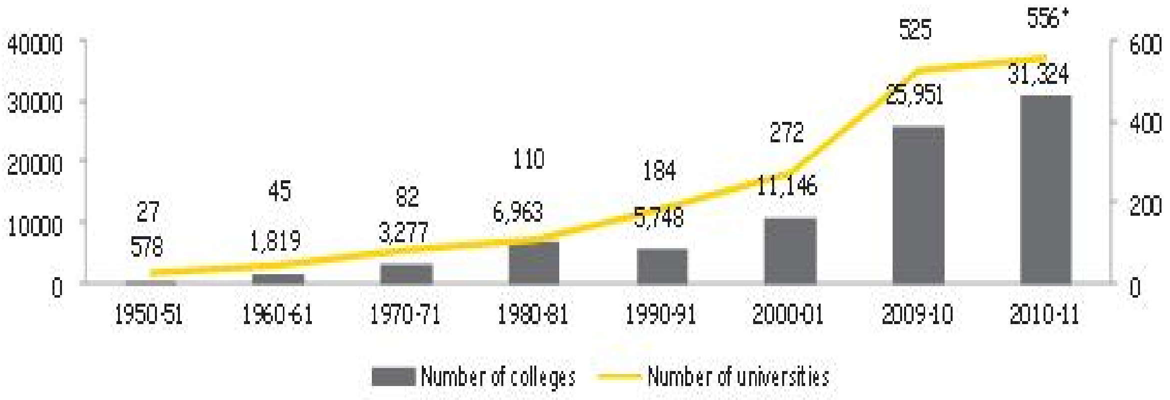
Since independence India's education sector has grown enormously and has expanded into the third largest higher education system in the world, after the United States of American and China It has grown from 30 universities and 695 colleges in 1950-51 to 634 universities and 33023 colleges in 2010-11.2Even with such rapid expansion the Gross Enrolment Ratio in higher education remains very low at about 12 percent; almost half of that of China's 21%, and lower than many developing countries. The number of student enrolling in higher educational institutions in India demonstrates an upward trend; from 3.6 million in 1985-864 to 16.9 million in 2010-11.5 unfortunately, the said expansion of the higher education system has failed to fulfil the need for quality higher education among the Indian youth, and also it did not keep pace with the growing demand.

Last two decades have witnessed a large increase in the enrolment ratio in the primary and secondary education, as the beneficiaries of this expansion finish school, they would demand quality higher education so as to improve their employment prospects. In the Indian higher education the availability of suitable number of quality institutions is very less, to give an example, only 1 student out of 150 aspirants gets a chance to enter the Indian Institutes of Management. The similar number subsists for other prestigious institutions as well.
Till the early 90's, most of the investment in the higher education sector came from the central and the state governments as there were too many restrictions on opening up of educational institutions and largely the provision of education remained in the hands of the state. Last decade has witnessed increasing participation of the private sector in higher and technical institution especially in the professional degree colleges, so much so that almost 64% of all professional educational institutions were private unaided institutions in 2006.

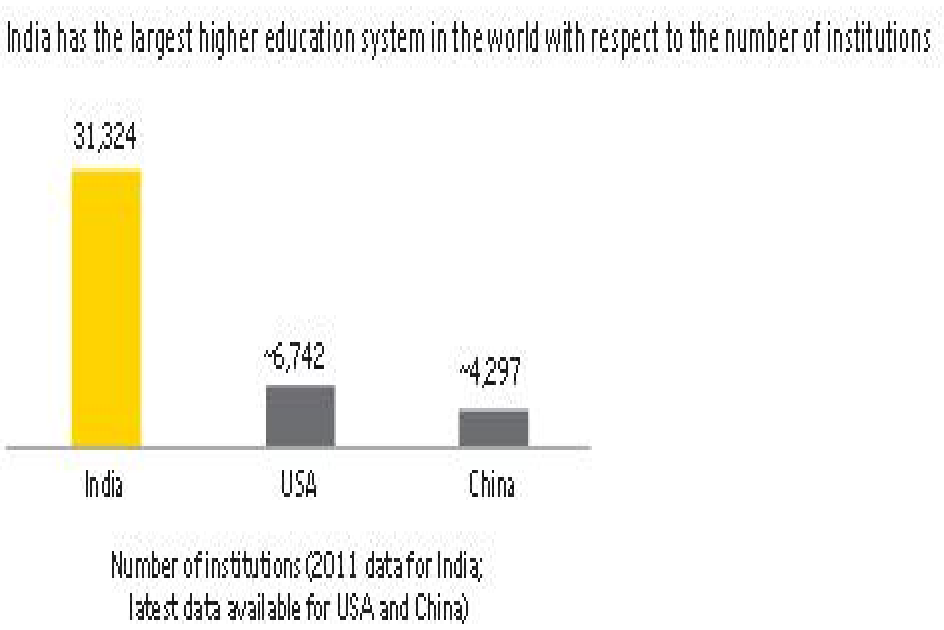
Overview of the Indian Higher Education Sector:

Over the last decade, the number of universities in the country has grown at a CAGR of 7.5% as against the 4.7% growth observed from 1951-2001. The number of colleges has grown at a CAGR of 11% in the period 2001-2011 as against 6.1% in the period 1951-2001. More than 5,000 colleges have been added in the last one year alone.

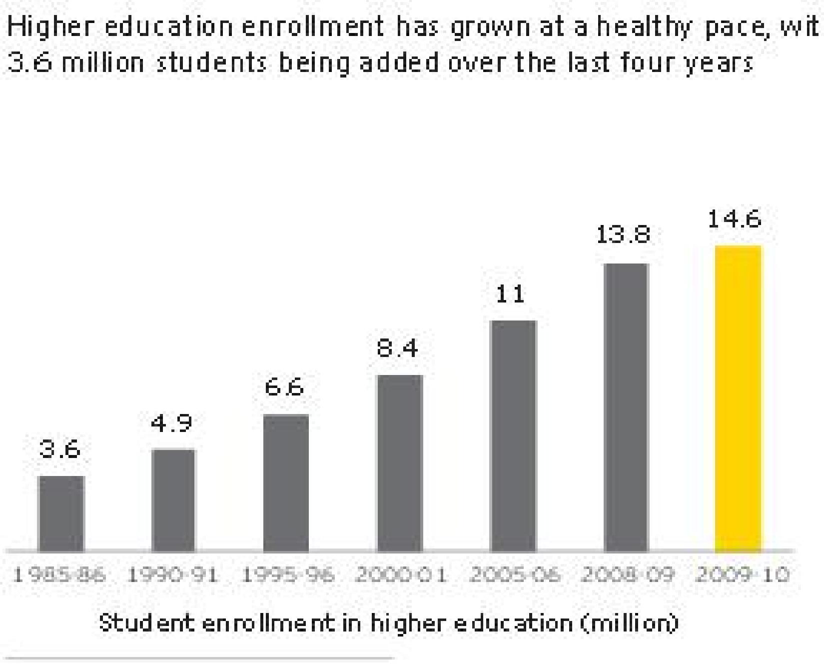


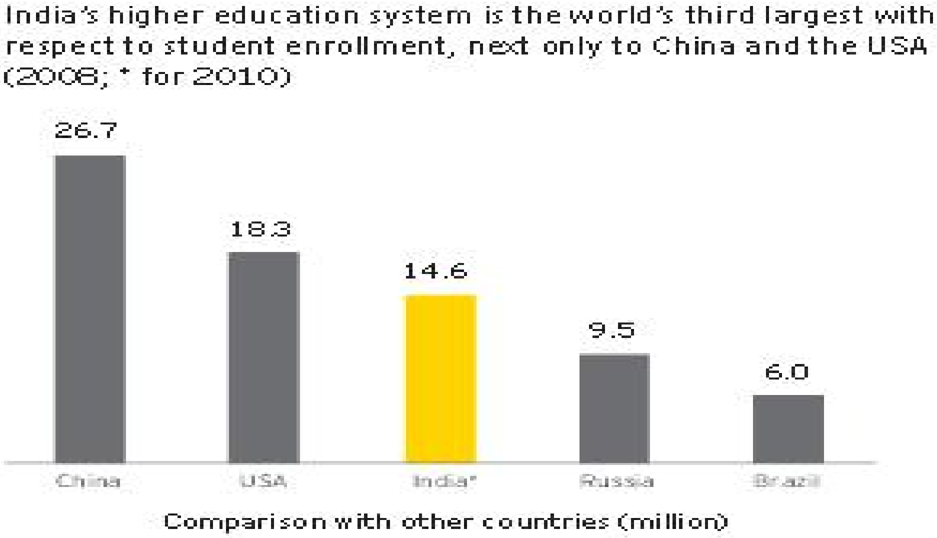


Number of colleges and universities



India has the largest higher education system in the world with respect to the number of institutions



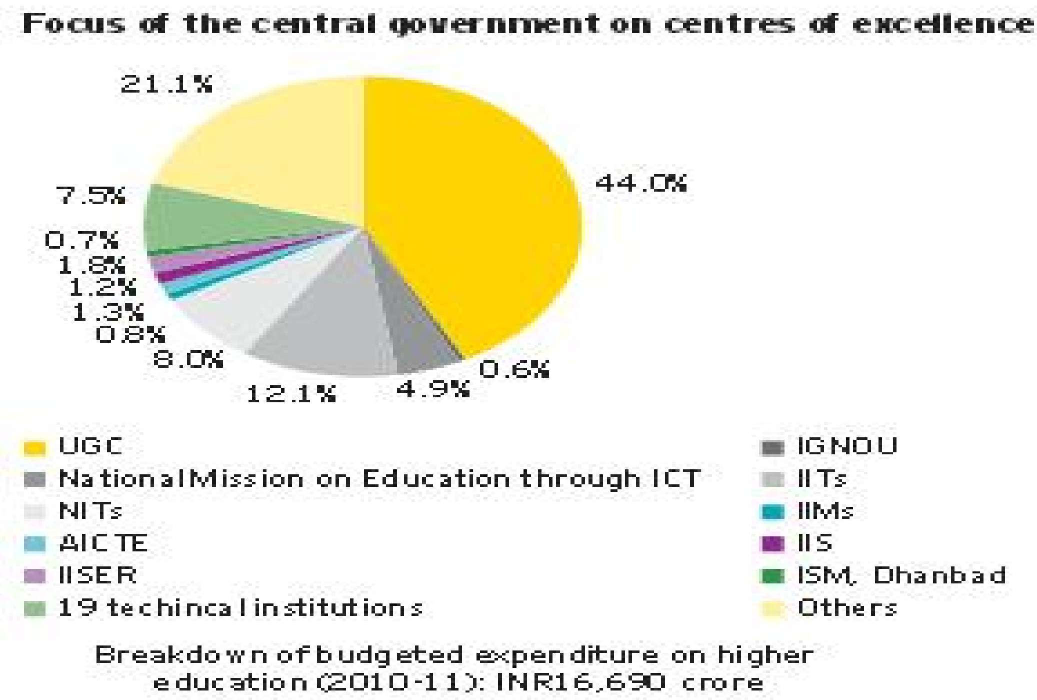


Drivers for higher education in India

1. High potential demand for higher education

- India has the largest target market in the world, with a population of 234 million in the age group of 15-24 years
- Not only does India have the largest target market in the world, but also the fastest growing market, resulting in a demographic dividend for higher education players.
- India's youth population aged 18-24 years is expected to increase by 13% over 2005-2020 vs. the world average of 4%
- Brazil and China, on the other hand, are expected to witness a decline of 4% and 12% respectively
- The number of students enrolled in Classes 9-12, which is an indicator of potential demand for higher education, has Increased at a CAGR of 5.7% over 1996-2008, in line with the growth in higher education enrolment
- With the implementation of the RTE Act, it is expected to be a significant increase in enrolment at the primary and middle school levels which will result in an increase in eligible population for higher education over the long term.

- **2. Insufficient govt. Spend on capacity creation**



- 44% of Central Government spend on higher education is allocated to the UGC, which, in turn, assists colleges mainly in the form of grants for their maintenance and development Centres of excellence including IITs, NITs, and IIMs accounted for nearly 20% of the budgeted expenditure, most of which is directed towards the maintenance of existing institutions
- Other major expenditure heads include National Mission in Education through ICT and the Development of Languages
- Traditionally, state governments have not focused on capacity creation
- Plan expenditure by state governments accounted for only 14-17% of total expenditure in the last few years
- Non-plan expenditure, which accounts for bulk of expenditure, is directed towards the maintenance and administration of existing institutions, Thus

  - ✓ The consequent widening of demand supply gap will result in an infrastructure and investment deficit creating entry and growth opportunity for private players.

  - ✓ If India is to meet its 30% GER target by 2020, about 40 million students would be enrolled in the higher education system in 2020.

- Therefore, an additional capacity of about 25 million seats would be required over the next decade to cater to the increased demand.
- As per an estimates, an investment of INR1 million crore will be required to create the additional capacity of 25 million seats, averaging INR0.4 million per seat.
- Assuming that the private sector would continue to account for 52% of total enrolment (as in 2006), investment required by private players works out to INR0.52 million crore i.e. an average of INR50, 000 crore per year.

Private providers are playing an increasingly important role in education

Private participation in education has increased dramatically over the last two decades across the world, serving all types of communities—from high-income to low income families.

The arguments in favour of public-private partnerships

Following are the positive outcomes of the private provision of public services:

- ***PPPs can create competition in the education market***.

  The private sector can compete for students with the public sector. In turn, the public sector has an incentive to react to this competition by increasing the quality of the education that it provides.
- ***PPP contracts can be more flexible than most public sector arrangements*.**

  Generally, the public sector has less autonomy in hiring teachers and organizing schools than the private sector does. Public-private contracts can be a better fit between the supply of and demand for education. Flexibility in teacher contracting is one of the primary motivations for PPPs.
- ***Governments can choose private providers in PPP contracts by means of an open bidding process in which the government defines specific requirements for the quality of education that it demands from the contractor***.

  The contracts often include measurable outcomes and clauses that specify the condition to deliver a certain quality of education, and the contractor with the best or lowest cost proposal is then chosen. This one characteristic of the contract alone can raise the quality of education.

- ***PPP contracts can achieve an increased level of risk-sharing between the government and the private sector.***

  This risk sharing is likely to increase efficiency in the delivery of services and, consequently, to induce the channelling of additional resources to the provision for education.

- **PPP can increase efficiency and Choice**

  When a PPP is implemented correctly, it can increase efficiency and choice and expand access to education services, particularly for households that tend to be poorly served by traditional delivery methods.

- **PPPs also allow governments to take advantage of the specialized skills Offered by certain private organizations**

  PPPs also allow governments to take advantage of the specialized skills Offered by certain private organizations and to overcome operating restrictions such as inflexible salary scales and work rules that may prevail in the public sector.

- **Government can include private sector for non academic activities**

  Governments can contract out to the private sector in a range of initiatives that can include everything from non academic activities such as food services and management contracts involving a few schools, to subsidizing the tuition at private schools for hundreds of thousands of students, to long-term, multimillion dollar infrastructure partnerships.

- **Advantages for policy makers**

  Another advantage is that for policymakers, contracting is a middle ground between government delivery and outright privatization and does not attract as much controversy and criticisms as privatization. Contracting can also enable governments to target initiatives towards particular groups in society or to achieve specific outcomes. In addition, it is a way to bring the private sector's skills and resources into the education sector (as is the case of capital investments for school construction under private finance initiatives) and to increase efficiency and innovation in the delivery of education. Contracting can do all of this while allowing governments to keep schools accountable.

So increasing the private sector's role in education can have several potential advantages over the traditional public delivery of education. Whether these benefits are actually realized depends greatly on how well designed the partnership between the public and private sector is, on the regulatory framework of the country, and on the capacity of the government to oversee and enforce its contracts and partnerships with the private sector.

The arguments against public-private partnerships

Following are the negative outcomes associated with the private provision of public services:

- PPPs will lead to the privatization of education and thus will reduce the government's control over a public service.
- Increasing the educational choices available to students and their families may increase socioeconomic segregation if better prepared students end up self selecting into high-quality schools, thus further improving their outcomes.
- PPPs will lead to poorer students being left behind in the deteriorating public schools that lose the support of more educated parents.
- PPPs may face resistance from certain stakeholders. For instance, teachers and other employees may see PPPs as a threat to their job stability, while teachers' and public sector unions may see them as a way of diminishing their influence over their members' terms and conditions of service.
- Policymakers need to take these points of view into account when designing their contracting initiatives. They should consult with stakeholders and share the contract documentation with them. It may also be useful for policymakers to recruit leading figures in the politics and business communities who understand the potential benefits of PPPs and can use their influence to help to overcome any resistance.

Challenges involved in PPP

1. Complex and multiple regulations

- While the UGC is the principal regulatory body for higher education, numerous other bodies at the central (such as the AICTE, the Medical Council and the Bar Council) and state levels coexist in the regulatory framework. Multiplicity of regulators result in complex regulations and overlapping mandates

- Provisions of act defining responsibilities of the governing council often ignore the context of the overall regulatory system and roles of other bodies. This has rendered the sector over-regulated but under-governed.

2. Input-based regulations curtail operational flexibility

- Established to ensure minimum input norms and standards, thus adversely affecting operational autonomy of institutions.

- Restrictions have been placed on various aspects such as the establishment of institutions, infrastructure and faculty requirements, curriculum design, intake capacities, collaborations, etc. For instance, it is mandatory for a management institute to have computer labs even though most students use laptops in these institutes.

3. Barriers to foreign university participation

- The current regulations lack a comprehensive policy framework for foreign players to establish and operate institutes in the country.

- The regulatory uncertainty has had the consequence of limiting activity by globally renowned universities in the Indian higher education sector despite increasing outward mobility of Indian students seeking foreign education

4. Not for profit Status

- The current regulatory framework allows for higher educational institutions to operate only as a “not for Profit” entities. The restrictions on running for profit institutes implies that institutions can be established only in three forms that is trusts, societies and section 25 companies.

- Internationally, many countries have permitted institutes to be operated on a for-profit model supplemented with a robust regulatory framework, thus boosting private investment in higher education while keeping a check on transparency and quality.

Figure 1 Financing and provision of services in public-private partnerships

		Provision: Private	Provision: Public
Finance	Private	• Private schools • Private universities • Home schooling • Tutoring	• User fees • Student loans
	Public	• Vouchers • Contract schools • Charter schools • Contracting out	• Public schools • Public universities

Source: Adapted from World Bank 2006.

Public-private partnerships are also being used to build school infrastructure. PPPs are a useful way to increase the funding available for constructing or upgrading school buildings and often yield better value for money than traditional public sector investments. In such partnerships, the government usually contracts a private company to build and/or maintain school buildings on a long-term basis, typically 25 to 30 years. In this type of PPP, the private sector supplier assumes responsibility for the risk inherent in the ownership and efficient operation of the project's facilities. Private education providers are also playing an increasingly important role in Delivering education to low-income families. They include a range of school operators including faith-based organizations, local communities, nongovernmental organizations (NGOs), and private for-profit and not-for-profit schools.

Alternative Measures that Government can take over Conventional Systems of Public Education

1. Simplify regulations by reducing input-based constraints

Currently, higher education regulation in India is input-based. For example, players need to ensure a minimum amount of land, infrastructure, corpus, faculty, etc. At the same time, the focus is on inspection-based approvals which is characterised by subjectivity in decision-making. The Government should consider following the example of several other countries and introduce output-based regulation by measuring outcomes such as knowledge, placements, etc. This will give the flexibility to players to design their programmes, pedagogy and assessment methodologies.

2. Introduce student-side financing to ensure a level playing field

Independent high quality private institutions find it a challenge to sustain their operations financially as also invest in creating additional capacity since the government subsidies only public centres of excellence such as the IITs and NITs. Therefore a student spends significantly higher amounts in attaining a private education, resulting in unfair advantage to public institutions. The Government should therefore consider giving students the option of picking the institute of their choice through student side subsidies instead institute side funding/grants.

3. Encourage geographical spread of private universities

Currently, State Private Universities are concentrated in a handful of states—the top 5 states account for about 65% of such universities—given that they have put in place enabling regulatory environments and provide government support. The Central Government should work with other State Governments to create enabling regulations that encourage private players to set up universities in those states as well. The Government should expedite the passage of the Innovation Universities Bill through which it should encourage high quality private players to invest significant amounts to set up Innovation Universities which are governed by conducive regulation and are independent of geographical constraints.

4. Allow for profit education along with suitable safeguards

For profit higher education has played a significant role in several countries including US, Japan, and Malaysia. The Indian government should consider allowing for profit education while putting in place a regulatory framework to ensure that for profit players impart a certain standard of education. This will enable greater private capital inflow for setting up new capacity and therefore assist in achieving the Government's GER targets .This will also encourage transparency and entry of quality players while disincentivising those who use illegitimate means of extracting profit.

CONCLUSION

The advantage of specialized PPP agencies is that they may concentrate expertise on education PPPs and centralize the management of contracts and fund transfers, thus promoting greater efficiencies in the interactions between public and private entities. Although governments remain the main financiers of education (at least of primary and secondary education),in many countries private agents deliver a sizable share of education A number of governments contract with the private sector to provide some of the services involved in producing education, such as teacher training, management, or curriculum design. Other government's contract with a private organization to manage and operate a public school, as is the case with charter and concession schools. Still other contracts require private organizations to provide education to a specific group of students by means of a subsidy, a contract, or a voucher. In the most common type of PPP, the government provides subsidies to existing private schools or to fund student places. The continuum of the extent to which countries are using PPPs ranges from those in which education is provided only by the public sector to those in which it is largely publicly funded and privately provided. The government must clearly create an enabling framework that includes:

- Defining the place of private providers in the national education strategy;
- Setting clear, objective, and streamlined criteria that the private sector must meet in order to establish and operate schools.
- Introducing school funding systems that integrate public and private schools and that are neutral, responsive, and targeted;
- Establishing an effective quality assurance system. Good design cannot ensure the success of a PPP in education as it must also be implemented effectively and efficiently.

To ensure this, governments should choose their private partners by means of a transparent, competitive, and multi-state selection process. Second, they should assign the roles of purchaser and provider of education services to different entities within the education administrative agencies. Third, they must ascertain that the private agency in question has sufficient capacity for the task at hand. Also, government education institutions must develop their own capacity, establish quality assurance mechanisms, develop appropriate performance measures for contractors, and devise incentives to achieve performance targets as well as sanctions for non performance.

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