



# INDIAN HIGHER EDUCATION-ENVISIONING THE FUTURE

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## ABSTRACT

**India holds an important place in the global education industry. The country has more than 1.4 million schools with over 227 million students enrolled and more than 36,000 higher education institutes. India has one of the largest higher education systems in the world. However, there is still a lot of potential for further development in the education system. India has become the second largest market for e-learning after the US. The sector is currently pegged at US\$ 2-3 billion, and is expected to touch US\$ 40 billion by 2017. Moreover, the aim of the government to raise its current gross enrolment ratio to 30 per cent by 2020 will also boost the growth of the distance education in India. The paper focuses on the higher education sector in India which is opened to private as a part of liberalisation policy of government of India, Market size , curricular reforms and funding access , plan allocation for higher education and Government initiatives for higher education.**

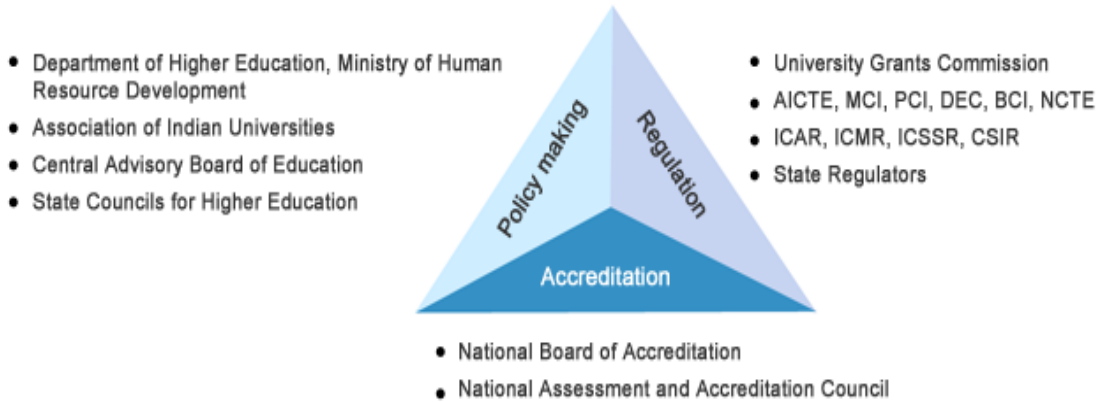
## INTRODUCTION

The recent ferment in higher education may be located within the context of changes in Political economy that gained a new coherence in the 1990s with what may be referred to as globalization and raised rather new challenges. They include the relevance of higher Education as the basis of new employment opportunities in an economy that was fast opening up to global

forces. First, the opening of the doors to self-financing colleges, somewhat ambiguously in the 1990s but with full force since 2000, initiated full fledged private participation in the sector whereas previously private participation had been publicly funded through the private aided colleges, which receive public funds but are managed by private establishments mostly of the nature of voluntary or charitable trusts.

Even prior to the advent of the self financing colleges, the scarcity of colleges was met to some extent by the parallel colleges, which catered to privately registered students (Nair and Ajit cited in Tilak 2001). Thus, there is a degree of awareness of an acute problem of access. The quality of higher education and issues of equity in Kerala too have come in for adverse comment. It is alleged that the rapid increase in colleges in the self financing segment portends a new low in quality of education and in this context, Vice Chairperson of the State Planning Board, Prabhat Patnaik is at pains to note that, “[unfortunately, even in the public education system, the quality has gone down greatly...” (Patnaik, The Hindu, April 15, 2008)}. Significantly, there has been no study of the private self financing segment of higher education which has been in existence since the 1990s. Thus, adverse comments regarding the quality of education they supply are derived from the putative motivations for entry into higher education i.e., profit making (see Tilak 2001, Patnaik, 2008).

## Regulatory Framework Of Higher Education In India



### METHODOLOGY

The methodology used for this study is exploratory in nature and is based on secondary information.

The study analyses the higher education sector in India, various aspects like funding, government Initiatives for higher education etc.

### REVIEW OF LITERATURE

This review focuses on literature that takes more holistic approach to examining self-financing education sector considering each aspect of higher education in relation to others. The review includes both academic and professional literature.

#### A Global Scenario for Higher Education Systems

All over the world, those who shape and fund higher education systems are engaged in a dramatic period of reform. Their interests have converted higher education into a priority sector within society, relevant for the productive sector and capable of leading the economic, social and human development of their respective societies. Identifying elements of a global higher education scenario might allow considering actions, which open up alternative visions of the future. Higher education systems could find other directions into which to evolve. Emphasizing even more the importance to contribute to human and social development, they might well opt for a collaborative approach rather than a competitive one. How do economists and historians explain long-term economic growth of nations, and their comparable competitive position? A consensus has emerged: one major factor is not just overall

rates of educational attainment, but the vibrancy and the maturity of their public and private higher education institutions.

As the first nation to pioneer the idea of mass higher education, the United States has essentially provided the proving ground for the simple idea that the talent, training, and creativity of its citizens is as important a factor for generating economic prosperity as a nation's natural resources, or its strategic geographic location, or its military, political, or cultural influence. So it is not a big leap to simply state that, in the modern world, the educational attainment of a population, and increasingly the growth in post secondary education access, are factors that, more than ever, will determine the fate of nations. This widely understood fact is causing a worldwide effort to reform and reshape higher education systems.

#### *Shaping the Higher Education Market*

What is emerging is a decidedly more consumer driven approach to enrolment management, but with various budget and structural limits, usually including, Establishment or expansion of an Open Access provider, usually relatively new institutions intended to bridge a common gap in most countries between secondary schooling and sometimes highly selective and elite university sectors.

Fostering greater Mission Differentiation among existing and future higher Education institutions, Market and government induced Mission Differentiation. Mission differentiation, along with the transfer/matriculation function, helps to rationalize the investment in highly selective public universities, that they are part

of a logical larger and coherent mass higher education system.

Providing significant institutional autonomy for public higher education institutions to manage academic and financial affairs, and to determine which ways to best interact with society and the private sector will likely prove a deciding factor in which nation-states build universities of the highest quality.

Allowing for a well regulated non-profit and a for-profit Private Sector. Nation's without quality non-profit and for-profit institution suggest they suffer from a lack of both flexibility and an understanding of the value of an array of higher education providers. On the other hand, nation-states that have a proliferation of for-profit higher education institutions generally indicate a lack of significant efforts to build their public mass higher education systems.

Supporting institutional and regional experimentation is also a vital component for nation-states. Particularly at highly selective public universities, there is a growing effort at some form of Affirmative Action, with the purpose of accounting for socio-economic and racial factors in admissions, and expanding the number of disadvantaged and minority students. Most nation-state efforts to build the vibrancy of their higher education systems will include a concerted role to enrol international Students and seek creative ways to retain the best and brightest in their own national economies after graduation.

### **Curricular Reform**

The academic and social abilities of students vary greatly. This requires different types of institutions and to avoid socio-economic tracking, some curricular link that can help them come in and out of a higher education system, depending on their maturation and their aspirations. In part of these reasons, one sees, Efforts at some form of Degree Compatibility. Different national, and even institutional, approaches to the time to degree, and the meaning of a degree, are giving way to some form of international standardization. The ability for students to Bank Credits. Degree compatibility and banking credits, along with mission differentiation, provide for Emerging schemes for a Transfer/Matriculation Function among different types of institutions (Typically a 2 year program to a 3 or 4 year university, but not exclusively).

### **Higher Education Funding and Access**

Creativity in the funding of higher education is extremely important and is, in fact, perhaps a determiner of the future vibrancy and efficiency of mass higher education systems, and all forms of postsecondary institutions.

Seeking a greater **Diversity of Funding Sources**, and not simply relying on government to provide the vast majority of funds, as in the initial era of building most mass higher education systems, is already widely understood as a major new development vital for most higher education institutions and in particular research universities.

Most nation states will or are pursuing a **Moderate Fee and High Financial Aid Model**, with the fundamental concept that tuition and various fees form a means for income redistribution and supporting lower income students and others from disadvantaged backgrounds. Most institutions will charge students and their families, represent between 10 to 30 percent (or higher) of an institution's total revenues. Discussion and analysis of the introduction of fees, or their expansion, should always be accompanied by their potential use to substantially defray costs for underprivileged students and other targeted populations.

Finally, a key component for pursuing a greater diversity of funding sources, and an infusion of funds for enrolment and program growth, are more liberal Tax Policies that benefit students and higher education Institutions. Individual and corporate tax credits for funding research activities and capital construction, and for endowments, will become increasingly a part of an expanded portfolio of funding sources for institutions.

### **Indian Higher Education Sector**

In India, activities of the education system have been mostly funded and directed by the state. Liberalisation of educational services under General Agreement on Trade and Services in the year 2005 has posed major challenges to the state supported educational institutions. Privatisation of education is oriented to profit and commodification of educational services (Sarkar Bose, 2005). Foreign educational institutions operating within purely commercial parameters are expanding their tentacles all over India. Cash controlled and privatised education by corporate driven globalisation has posed massive challenge to the managements, teachers and

students of higher educational institutions. 'Government subsidies in India: discussion paper' put forward in 1997 by the Ministry of Finance, Government of India (GOI) stated that secondary and higher education is 'non-merit good' for which government subsidies needed to be drastically reduced. In 2004, it declared all types of education except elementary education in India as 'Merit good'. The Indian corporate sector has lobbied for marketisation and liberalisation of education as an important part of global trade (Ambani and Kumarmangalam, 2000). During the last one and half decade, the international market for education in general and higher education in particular has experienced exponential growth within India (Sahni and Kale, 2004). Most of the reform measures recommended in higher education centre around two major propositions:

- Improving efficiency in the functioning of public institutions without allocating additional resources by increasing student staff ratio and teaching/administrative workload
- Measures to diversify the sources of funding or develop alternative arrangements to provide higher education by shifting the burden of cost from the public to private and household domains.

### Market Size

The education sector in India is poised to witness major growth in the years to come as India will have world's largest tertiary-age population and second largest graduate talent pipeline globally by the end of 2020. In FY 2015-16, the education market was worth about US\$ 100 billion and is expected to reach US\$ 116.4 billion in FY 2016-17. Currently, higher education contributes 59.7 per cent of the market size, school education 38.1 per cent, pre-school segment 1.6 per cent, and technology and multi-media the remaining 0.6 per cent.

Higher education system in India has undergone rapid expansion. Currently, India's higher education system is the largest in the world enrolling over 70 million students while in less than two decades, India has managed to create additional capacity for over 40 million students. At present, higher education sector witnesses spending of over Rs 46,200 crore (US\$ 6.93 billion), and it is expected to grow at an average annual rate of over 18 per cent to reach Rs

232,500 crore (US\$ 34.87 billion) in next 10 years.

### Investment

The total amount of Foreign Direct Investments (FDI) inflow into the education sector in India stood at US\$ 1,383.62 million from April 2000 to December 2016, according to data released by Department of Industrial Policy and Promotion (DIPP).

The education and training sector in India has witnessed some major investments and developments in the recent past. Some of them are:

KKR and Co Lp, the US-based private equity giant, plans to invest around Rs 700 crore (US\$ 105 million) in coaching firm Resonance Eduventures Limited, which will be used to buy back shares from existing investors and expand its presence to more geographies.

UAE-based Gamma Group, outlined plans of investing around Rs 3,000 crore (US\$ 450 million) in the infrastructure, health and education sectors of Kerala, which is expected to generate around 2,000 indirect and direct jobs in the state.

Welingkar Institute of Management Development and Research has signed two memorandum of understanding (MoUs) with Israeli universities, namely Hafia University of Israel and IDC Herzliya, which includes pledging cooperation in the fields of study of technology, agriculture, archaeology, biology, etc.

International Finance Corporation (IFC) has invested US\$ 15 million in education venture Byju's for a minority stake, which is expected to help the test-preparation platform to expand domestically and internationally.

Education technology companies in India raised around US\$ 323 million across 26 deals in 2016, as against US\$ 98 million raised through 23 deals in 2015##.

New York Life Insurance Company, the largest mutual life insurance company in the US, has invested Rs 121 crore (US\$ 18.15 million) in Max Ventures and Industries Ltd for a 22.51 per cent stake, which will be used by Max for investing in new focus areas of education and real estate.

Training and skills development firm NIIT has partnered with US-based edX to offer online courses from leading international universities including MIT and Berkeley to about 5 lakh people over the next three years.

Byju's, an education technology start-up, has raised US\$ 50 million from the Chan Zuckerberg Initiative, founded by Facebook founder Mark Zuckerberg, and existing investors Sequoia Capital, Sofina SA, Lightspeed Venture Partners and Times Internet Ltd.

India and Germany have signed an agreement on vocational education and skill development with a budget of US\$ 3.37 million, which will help create and improve cooperative workplace-based vocational training in India's industrial clusters.

Cisco Systems plans to invest US\$ 100 million in India over the next 2 years, will be used to fund early-stage and growth-stage companies in the country, open six new innovation labs, three centres of expertise and train around 250,000 students by 2020.

Neev Knowledge Management Pvt. Ltd, which offers online and classroom-based certification courses under the brand name EduPristine, has raised US\$ 10 million from Kaizen Management Advisors and DeVry Inc., which will be used to increase its course offerings, and increase its presence to 15 cities across the country.

US based multinational technology major Intel Corporation, has partnered with Extramarks Education, a digital learning solutions provider, to tap the US\$ 40 billion private school sector in India and thereby provide optimised learning solutions and extend computing technologies to students and schools in the country.

EdCast, a technology education start-up based in Silicon Valley, plans to invest up to US\$ 50 million in education based technology and tie-up with around 500 educational institutions to build digital content and curriculum for educational institutions in India.

Tata Trusts, part of the Tata Group, has entered in to a strategic partnership with web-based free learning portal, Khan Academy, and seeks to use technology to provide free education to anyone, anywhere in India.

Venture capital fund Acumen has invested in two Hyderabad-based education start-ups—Ignis Careers (US\$ 250,000) and SEED (US\$ 650,000)—working in the low-cost school education space.

### **Education financing - a major challenge**

Public expenditure on higher education as a share of GNP increased from 0.19% in 1950–51

to around 0.56% in 1990–91 (Tilak and Varghese, 1991). It needs to be noted that the expenditure on higher education as a share of GNP increased consistently until the 1980s. In fact, in the late '70s, India was spending almost 1% of GNP on higher education. This trend changed and its share reduced to 0.56% in 1990–91. From the mid-1980s onwards, especially after the National Policy on Education, the focus of discussions and priority in allocation shifted towards elementary education. The growing hunger for education has been accompanied by a decline in per capita public spending and, consequently, rapid privatisation, making it impossible to create a progressive and democratic education system. In 2002, hardly 7% of population in the age-group of 17–23 years is admitted in the higher educational institutions in India (Tenth Five Year Plan, 2002). The share of the central government in total education expenditure increased during the post-policy period, i.e., from the late 1980s. To attain the target of universalisation of elementary education, the share of education in GNP needs to be increased to 6% (Varghese, 2000).

Expenditure on higher education as a share of total recurring expenditure on education shows a declining trend (Varghese and Tilak, 1991). Higher education accounted for 20% of the recurring expenditure on education in the '50s which increased to 27% in 1971 and 29% in 1981. It declined to 18% in 1991. As of now, the share of recurring expenditure on higher education is lower than what was in the 1950s. During the 11th Five Year Plan (2002–2007) it has reduced to 7% of the total government expenditure on education (Tenth Five Year Plan, 2002). This reduced spending on higher education becomes more marked when one looks into allocation to higher education under successive plans.

*Some of the other major initiatives taken by the Government of India are:*

*The Union Budget 2017-18* has made the following provisions for the education sector:

- The Budget has pegged an outlay of Rs 79,685.95 crore (US\$ 11.952 billion) for the education sector for financial year 2017-18, up from Rs 72,394 crore (US\$ 10.859 billion) in 2016-17—a 9.9 per cent rise.
- The Government of India has allocated around Rs 17,000 crore (US\$ 2.55 billion) towards skilling, employment generation,

and providing livelihood to millions of youth, in order to boost the Skill India Mission.

- The Government of India and the World Bank have signed a US\$ 201.50 million International Development Association (IDA) credit agreement for the Third Technical Education Quality Improvement Programme (TEQIP III), aimed at improving the efficiency, quality and equity of engineering education across several focus states.
- Mr Radha Mohan Singh, Union Minister of Agriculture and Farmers Welfare, has announced that the Central Government will open at least one Krishi Vigyan Kendra in all districts of the country, which will provide advanced agriculture technical assistance to the farmers near their farms itself.
- The Ministry of Shipping has sanctioned Rs 10 crore (US\$ 1.5 million) as part of the first instalment to the Gujarat Maritime Board under the Sagarmala project, which will be used for capacity building and safety training of 20,000 workers involved in the ship recycling activities at Alanag- Sosiya recycling yard in Bhavnagar district in Gujarat.
- The Ministry of Skill Development and Entrepreneurship has launched the Pradhan Mantri Yuva Yojana, which will provide entrepreneurship education and training to over 700,000 students in 5 years through 3,050 institutes.
- The Cabinet Committee on Economic Affairs has approved opening of one Jawahar Navodaya Vidyalaya (JNV) in each of the 62 uncovered districts with an outlay of Rs 2,871 crore (US\$ 430.6 million), which is expected to benefit over 35,000 students in rural areas and provide direct permanent employment to 2,914 individuals.
- The Catalyst initiative by the Government of India and United States Agency for International Development (USAID) is expected to create awareness about digital payments across 60 million traders and merchants in the country.
- The Ministry of Labour and Employment will set up Model Career Centres (MCC) across the country. Out of the 950 employment exchanges in India, 100 would be developed as model centres with an investment of Rs 350 crore (US\$ 52.5 million). The Union Government also plans to set up 100 driver training institutes across India.
- Mr Ravi Shankar Prasad, Minister for Law and Justice and Information Technology, has stated that the Government of India will likely educate over 10 million people on e-payments in rural India, through the newly-launched Digi Dhan Abhiyan or digital financial literacy programme.
- The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved 'Pradhan Mantri Gramin Digital Saksharta Abhiyan' (PMGDISHA) to make 60 million rural households digitally literate. The outlay for this project is Rs 2,351.38 crore (US\$ 353.70 million) to usher in digital literacy in rural India by March, 2019.
- The Government of India has signed a financing agreement with The World Bank, for International Development Association (IDA) credit of US\$ 300 million, for the Madhya Pradesh Higher Education Quality Improvement Project, which aims to improve student outcomes, especially of disadvantaged groups in selected Higher Education Institutions (HEIs) and increase the effectiveness of the higher education system in Madhya Pradesh.
- Prime Minister Mr Narendra Modi launched the Skill India initiative – 'Kaushal Bharat, Kushal Bharat'. Under this initiative, the government has set itself a target of training 400 million citizens by 2022 that would enable them to find jobs. The initiatives launched include various programmes like: Pradhan Mantri Kaushal Vikas Yojana (PMKVY), National Policy for Skill Development and Entrepreneurship 2015, Skill Loan scheme, and the National Skill Development Mission.
- PMKVY is the flagship program under the Skill India Initiative and it includes incentivising skill training by providing financial rewards on completion of training to the participants. The Union Government plans to set up skill development centres across India with an investment of Rs 12,000 crore (US\$ 1.8 billion) to create job opportunities for 10 million individuals by



2020 under PMKVY, as per Mr Bandaru Dattatreya, Minister of Labour and Employment.

National Policy for Skill Development and Entrepreneurship 2015 is India's first integrated program to develop skill and promote entrepreneurship simultaneously. The Union Government plans to provide Rs 7,000 crore (US\$ 1.05 billion) to states to spend on skill development, and thereby accelerate the ambitious task of skilling 500 million Indians by 2022, and encourage creation of an ecosystem of entrepreneurs.

- Skill Loan Scheme is designed to disburse loans of Rs 5,000 (US\$ 75.3) to Rs 150,000 (US\$ 2,260) to 3.4 million Indians planning to develop their skills in the next five years.
- The National Skill Development Mission has created an elaborate skilling eco-system and imparted training to 7.6 million youth since its launch in 2015 and the government now plans to set up 1,500 Multi Skill Training Institutes across the country.

### Conclusion

Various government initiatives are being adopted to boost the growth of distance education market, besides focusing on new education techniques, such as E-learning and M-learning. Education sector has seen a host of reforms and improved financial outlays in recent years that could possibly transform the country into a knowledge haven. With human resource increasingly gaining significance in the overall development of the country, development of education infrastructure is expected to remain the key focus in the current decade. In this scenario, infrastructure investment in the education sector is likely to see a considerable increase in the current decade. Moreover, availability of English speaking tech-educated talent, democratic governance and a strong legal and intellectual property protection framework are enablers for world class product development, as per Mr Amit Phadnis, President-Engineering and Site

Leader for Cisco (India). The Government of India has taken several steps including opening of IIT's and IIM's in new locations as well as allocating educational grants for research scholars in most government institutions. Furthermore, with online modes of education being used by several educational organizations, the higher education sector in India is set for some major changes and developments in the years to come.

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