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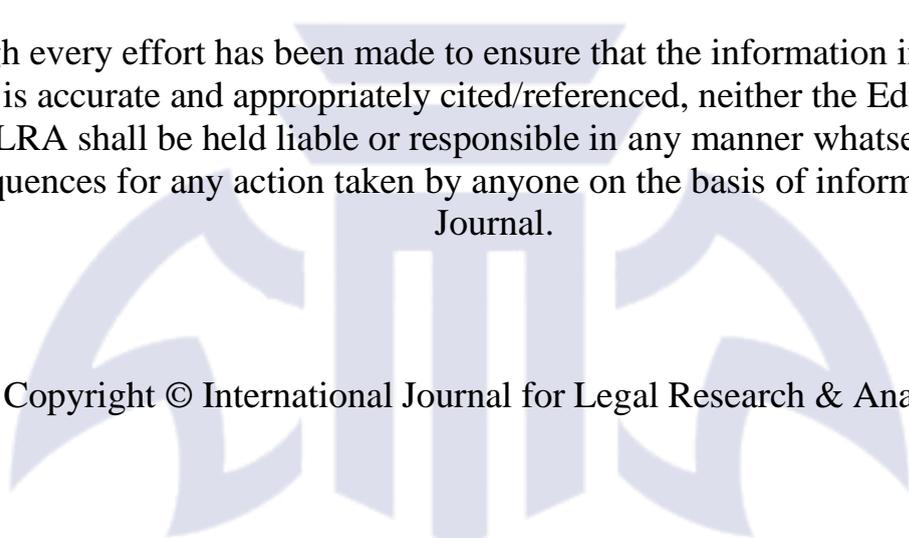
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PRIVATELY FUNDED HIGHER EDUCATION: ISSUES AND POLICY PRESCRIPTIONS

Authored By-Niraj Kumar Seth

*“Education is the most powerful weapon which you can use to change the world”
-Nelson Mandela*

Abstract

The essay attempts to explore key issues in higher education being funded by private or corporate sector and suggest policy measures for the two most important ones. The author believes that privatization is a reality in Indian higher education sector, as nearly 78% of colleges and 39% of universities are privately managed, which cannot be undone. A better strategy is to be prepared for the inevitable, by devising policies that aim to harness private funding in the right direction. Regulations on standards, infrastructure, quality, equity, affordability and accessibility should be devised and strongly implemented. Government should play the role of a facilitator and not the gatekeeper.

Keywords: Education, Policy, Corporate, Privatization, University

Introduction

India is well placed to reap its huge demographic dividend in the form of a bulge in its workforce in its youth. We need to be prepared to capitalize this once in a lifetime opportunity for any nation. Higher education shall play the most significant role in this endeavor, as India needs highly skilled workforce, ready for the most disruptive 21st century technologies. However, according to the 2018-19 AISHE report, Gross Enrollment Ratio('GER') in higher education in India was merely 26.3% for 18-23 years of age group in 2019. The figure for Scheduled castes and scheduled tribes was 23% and 17.2% respectively, below the national average.¹ GER in developed countries is around 50-80%. The National Education Policy('NEP') 2020 targets at 50% GER with access, quality, equity, affordability and accountability as its pillars to address poor literacy rates and high dropouts. India's public expenditure on education was only 3.4% of GDP in 2020, while it's around 5-6% in developed countries.² Also, India spends a meagre 0.7% of its GDP as investment in research and development('R&D) as compared to 4.3% of GDP by Israel.³ NEP 2020 aims to increase public expenditure on education and R&D to 6% and 2% of GDP respectively.⁴ Sustainable Development Goals('SDG') 4 of the United Nations to which India too has signed requires countries to ensure equal access for all to affordable and quality technical, vocational and tertiary education, including universities by 2030.⁵ Therefore, there is an urgent need for India to create capacity and improve quality, accessibility and affordability in higher education, otherwise the demographic dividend would become a demographic burden. India needs to increase its spending on higher education and utilize all possible means possible to that end, including the untapped financial resources with private and corporate sector.

¹ All India Survey on Higher Education 2018-19, Department of Higher Education, Ministry of Human Resource Development (2019). See: https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/AISHE%20Final%20Report%202018-19.pdf.

² Government expenditure on education, Data, World Bank. See: <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>.

³ Budget wish list: Allot at least 2% of GDP to R&D, Financial Express, Feb 1, 2021.

⁴ National Education Policy 2020, Ministry of Human Resource Development, Government of India. See: https://www.education.gov.in/sites/upload_files/mhrd/files/NEP_Final_English_0.pdf.

⁵ The 17 Goals, Department of Economic and Social Affairs Sustainable Development, United Nations. See: <https://sdgs.un.org/goals>.

Arguments In Support Of Private/Corporate Funding In Higher Education

Critics say that government's record in provisioning of higher education has been dismal and that there is a huge gap between demand and supply. They allege that government has abdicated its responsibility to provide tertiary education to all those who desire and deserve and therefore there is a need to rope in corporate funding into higher education sector. Private sector participation, they believe, shall increase the possibilities for individual choices in the type and quality of higher education and improve its accessibility to the masses. They claim that 'education services' falls under the definition of 'Service' as laid down under Article 3 of General Agreement on Trade in Services ('GATS') under the aegis of World Trade Organization ('WTO') and therefore education is now a tradable service like banking or insurance.⁶ Educationist believe that the focus of the government should be primarily on school education, so as to ensure no child is out of school. Since higher education involves imparting of skills and close engagement with industry, private sector should be allowed to complement public effort in a big way. Such private initiatives in higher education have made the US and the UK the higher education magnet of the world, drawing the best and brightest from all around the world. Some critics believe accessibility is more important than affordability and quality in higher education. Costs and quality, they say, can be taken care of later, as higher education becomes near universal with public-private partnership. Private financing has the potential to bring down financial burden of government and fiscal deficit and tap the hitherto untapped Corporate Social Responsibilities ('CSR') funds of large corporate. Association of industry with academics shall also make education more job-ready to meet the demands of industry. This shall also give impetus to vocational education and skill training.

Key Issues In Private/Corporate Funding In Higher Education (400)

Privatization is not the remedy for all illnesses that plague the higher education sector of India. They too have their own flaws and set of challenges. The objective is not to deter private participation in higher education but to recognize key issues and design adequate policies to address them. It's alleged that academic freedom is not part of the culture of private HEIs, as they are mostly financed by businessmen, who are dependent on government to protect their business interest. This makes faculty members more vulnerable, as academics depend on policies of donors.

⁶ The General Agreement on Trade in Services (GATS): objectives, coverage and disciplines, World Trade Organization. See: https://www.wto.org/english/tratop_e/serv_e/gatsqa_e.htm.

Rampant malpractices in the form of illegal charges to allocate seats from management quotas and collection of high capitation fees by private run medical HEIs are the most serious issues. Private HEIs are obsessed with marks and academic results and pay less attention on sports, all round development and most importantly, R&D. As experience of the US and Korea tell us, likely cost of private education is much higher than public education. The most important reason for this cost differential may have to do with profit objective of private HEIs. They work like business enterprises, aiming to make money through provisioning of higher education, which is regarded as a ‘public good’, even today by public HEIs. Academic content and management of institutions are totally in hands of business communities. Students, teachers and other employees often complain of exploitation in the form of unexplained fees components, meagre salaries to teachers, poor service conditions, misrepresentation in prospectus, etc. Often low cost HEIs with poor infrastructure turn out to be fly-by-night operators, leaving students stranded. The IIPM case is the perfect example of such fraudulent private educational initiatives, based on false promises and high promotional spending.⁷ Even today the defrauded students are seeking justice against IIPM and its owners who robbed them of lakhs in the name of ‘higher education’. Moreover, elite private HEIs are unaffordable and create sharp class, caste and gender divide in the education system. Not just private HEIs exacerbate inequalities in society but also lack diversity, in terms of gender, economic strata, and academic streams. Most of these private HEIs start with inadequate infrastructure and with availability of space per students and other facilities far lower than public HEIs. Teacher-pupil ratio in private HEIs is also higher than public HEIs and most often they employ retired, part time and under qualified teachers, who end up getting underpaid.

Recommendations - Addressing Inequity And Lack Of Diversity

The two most serious issues related to private funding of higher education institutions are firstly, lack of diversity and equitable access and secondly, poor infrastructure and capacity. Issues relating inequity has four dimension - gender, geographical, ethnic and economic. Lack of diversity is mainly due to admission based strictly on test scores, which is advantageous for students who can afford private tuitions and come from educated families. Another aspect of diversity is related to absence of private HEIs in liberal arts and science education. One policy solution could be mandating the private HEIs to admit a percentage (say 25%) of students from disadvantaged groups

⁷ Ananya Bhardwaj, [Police register cheating case against IIPM dean Arindam Chaudhuri](#), Hindustan Times, May 12, 2015.

from their neighborhood for free or concessional education, in line with similar mandate by Right to Education Act, 2009 for private schools. Secondly, CSR funding of large corporates should be harnessed to provide economic support and scholarships to students as an incentive for private HEIs to admit more girl students and students from poor economic strata. CSR funding could also be utilized for setting up private HEIs in remote and backward regions to address geographical equity issues. Hostel facilities or sponsored accommodation could also be one solution. Thirdly, Non-governmental organizations ('NGO') should be roped in to set up liberal arts and science colleges in towns and villages. Local industries too should be encouraged to participate in such endeavors through tax incentives. Fourthly, private HEIs should be mandated to constitute an 'Equity and Diversity committee' to recommend measures to improve equity and diversity in the HEI. Fifthly, open universities should be set up and distance learning programs should be encouraged to provide quality education, accessible at least cost to all. Private HEIs should be provided financial support in the form of interest subvention and concessional loans to absorb such technologies that reduce costs related to physical infrastructure. A combination of online and offline mode of imparting instructions can achieve both the objectives, namely, cost reduction and improved access to students from remote regions, girls and those from economically disadvantaged sections. However, extant digital divide must be addressed for this to work effectively.

Recommendations - Addressing Poor Infrastructure And Capacity

The second key issue is related to poor infrastructure and capacity, which is mainly due to inadequate financial capacity of private HEIs. Policies aimed at bringing more corporate funding, both in the form of new HEIs as well as up-gradation of existing HEIs should be adopted. Firstly, Schedule 7 of companies Act, 2013 allows companies to spend their CSR funding on education and it should be harnessed to add capacity and infrastructure to existing HEIs.⁸ Secondly, Social audits should mandatorily be carried out to assess the adequacy of infrastructure and also the pay and service conditions of teachers. Thirdly, graduate tax could be one of the ways to raise funds and sustain the recurring infrastructure needs of private HEIs. Alumni should be encouraged to contribute financially. Thirdly, special education zones should be built, as recommended by the NEP 2020, where corporatized entities can set up their own HEIs with least government intervention and world class infrastructure. Students too shall be facilitated with scholarships and

⁸ Schedule 7, Companies Act, 2013, Ministry of Corporate Affairs. See: <http://ebook.mca.gov.in/Actpagedisplay.aspx?PAGENAME=17923>.

concessional education loans for this to be effective. Fourthly, possibilities of foreign collaboration and 100% Foreign Direct Investment('FDI') should be explored to bring in foreign funds in higher education in India. Fifthly, regulations should be framed to ensure that all private HEIs operate with adequate physical infrastructure such as labs, libraries, hostels, etc. and that teachers are paid regularly and decently. Teacher-pupil ratio should also be kept low and HEIs must have infrastructure to harness digital technology in education. Sixthly, establishment of a national database of academic qualifications in electronic form shall be extremely beneficial to HEIs, teachers and students alike. Teachers form the core of infrastructure in higher education and must be paid adequately.

Conclusion

Neither complete privatization nor absolute government control is a solution. We need to learn from experience of developed countries and most of them have a mix of public and private HEIs. Private participation is a reality now, as 77.8% colleges and 385 out of 993 universities in India are privately managed.⁹ Hence, a middle path, which encourages private participation under strong regulatory supervision by government seems to be the most plausible solution.

⁹ All India Survey on Higher Education 2018-19, Department of Higher Education, Ministry of Human Resource Development (2019). See: https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/AISHE%20Final%20Report%202018-19.pdf.

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