

Ideas and Issues in Education

Editor

P. Arjun Rao

Published in India
By **N. Mani Publishers**

© The moral rights of the author have been asserted
First published in India – 2009

No. of copies Printed: 100

©All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, without the prior permission in writing of the author, or as express permitted by law, or under terms agreed with the appropriate reprographics rights organisation. Enquiries concerning reproduction outside the scope of the above should be sent to the author at the address below.

You must not circulate this in any other binding or cover and you must impose this same condition on any acquirer.

Copies can be had from

Dr. P. Arjun Rao,

3-1-284 / 477,

Osmania University, Employees Colony,
Sheikhpeta, Hyderabad – 500 008.

Rs. 640

Higher Education: The Role of Private Universities In India

J. Mahender Reddy
K. S. Sujit

Introduction

Higher education of a good quality is critical for a nation to become globally competitive. In these days of knowledge revolution, it is not factor endowment but good quality higher education which determines the growth of a nation. The report of the task force on higher education and society (2000), which was convened by the World Bank and UNESCO says: "While the benefits of higher education are continuing to rise, the costs of being left behind are also growing ... higher education is no longer a luxury, it is essential to future national, social and economic development ... without improved human capital, countries will inevitably fall behind and experience intellectual and economic marginalization and isolation ... in the developed world education is a major political priority ... human capital in the US is now estimated to be at least three times more important than physical capital"¹. Thus, investment in education in the developed countries is identified as essential to give solid foundation for long-term economic growth.

Basically there are two approaches to the financing of higher education. They may be classified as American and European models. In the American model, higher education is funded by tuition and endowments, whereas in the European model, higher education is funded primarily by the government with tuition forming a very small percentage of the total revenue. The universities depend primarily on government funds. When universities depend on government funds, they may not be able to maintain their independence. "In Britain, over 30 years, universities have gone from being almost wholly autonomous, with state financed block grants handed out at arm's length, to becoming branch offices of a government ministry".²

Over the years, the American model appears to have been much more successful in imparting quality higher education. In American private universities, higher education is funded by tuition fee and endowments. Even in state universities the contribution of tuition is substantial. So higher education is neither cheap nor free. The American university model has been successful both in terms of quantity and quality. Enrollment rates are much higher in U.S. than in Europe. According to the European Commission, of the top 50 universities in the world all but 15 were American. Only Cambridge and Oxford made it into the top ten universities³. From other European Union Countries, no university ranked higher than 40.⁴

The success of the American model is due to the economic principle followed in the higher education sector, which is based on the principle of market mechanism. The principle says that students should pay the true marginal cost of their education, and colleges/universities must provide an education that meets the demands of the students at a price that consumers (students) are willing

¹T Ravi Kumar and Vijender Sharma, Downsizing Higher Education, *Economic and political Weekly* (February 15, 2003) pp. 603-607.

²The government in Britain is now moving towards the American model. They want to raise the tuition fee from £1125 to £3000. The students may be provided the facility to borrow the money through a government supported loans scheme. They are expected to pay the loan back once they start earning adequately, see *The Economist*, (January 24-30, 2004), Page 11. Australia also adopts the American model.

³This success is largely due to their structure of self-governing and self-financing colleges.

⁴"Who pays to study?" Special Report on Financing Universities, *The Economist* (January 24-30, 2004), Page 24.

increase elsewhere in the world. Of course, all these figures do not take the quality factor into consideration.

One of the most important things in higher education is quality. While India has the third largest scientific and technical manpower community in the world, its research output doesn't match this claim. If research output is to be measured by the number of scientific papers, then India has the 21st rank⁶

Table – 2: Gross Enrolment Ratio and Teachers Per Million Inhabitants

	Gross Enrollment Ratio		Teachers Per Million Inhabitants	
	1985	1997	1985	1987
North America	61.7	80.7	2980	3611
Asia/ Oceania	28.8	42.1	2162	3205
Europe	32.3	50.7	2042	2393
Arab States	11.5	14.9	653	730
Latin	15.7	19.4	1422	1603
America/Caribbean	06.0	07.2	436	434
India	12.5	17.4	964	1084
World				

Source: T Ravi Kumar and Vijender Sharma, "Downsizing Higher Education," *Economic and Political Weekly* (February 15, 2003), pp. 603-607.

But there is a big disparity in quality. India's finest scholars, about 5% are a match for the brightest in the world. These are products of top institutions like IISc, IIMs and IITs. But the remaining show absence of quality as judged by their publications and the number and quality of doctorates produced.⁷ This affects economic growth in the long run.

Expenditure on Higher Education

The fact that the resources of the state and central governments in India are under great strain is well known. The governments are engaged in a reform program by reducing fiscal and revenue deficits. Under these circumstances, there is every likelihood of gradual downsizing of budgets devoted for higher education. For example, the budgets of all the state universities in Andhra Pradesh have been almost frozen during the last specific years.

As a percentage of GDP, the share of higher education is declining since, 1990. This is clear from Table 3. The commitment of the Government of India is more for primary and secondary education. The financial squeeze that is applied to higher education in India raises questions of survival in the highly competitive knowledge-based society. With the increasing emphasis on school education, there will be expansion in the high school education. This will increase demand for higher education in the years to come. Table 4 presents some estimates based on a report submitted by Ambani and Birla (2000).⁸ They estimate the demand for higher education at 22

⁶ Urmi A Goswami, "Brain Drain: India No. 21 in Research Output", *Economic Times*, May 19, 2003.

⁷ The quality of a scientific study is measured by the number of citations. The general understanding is that the greater the number of citations, greater is the depth of the paper. India ranks 119 among 149 countries in term of citations per paper. See *Economic Times*, May 19, 2003.

⁸ Mukesh Ambani and Kumarmangalam Birla (2000): "A Policy Framework for Reforms in Education", report submitted to the Prime Minister's Council on Trade and Industry (<http://www.nic.in/pmcouncil/reports/education>).

government. It will have to survive based on the market. Consequently, there will be great pressure for an efficient way of using the resources. Survival may not be possible otherwise.

The opening up of higher education to private universities will help in the coexistence of both government and private universities. The increased demand for higher education in the years to come will be absorbed partly by private universities. As there is constant pressure for innovation,⁹ private universities may take the lead, and it may help some of the government universities to follow. The existence of private universities not only improves the quality of higher education but also provides social responsibility.¹⁰

However, there should be some regulation by the government in the operations of the universities to ensure proper functioning, quality, minimum procedures, etc., to avoid fly-by-night type operators who exploit the public.

The success of self-financing private universities can be attributed to the following factors:

1. There will be a healthy competition among several players, which is in the interest of the consumer, i.e., the students.
2. Innovations in the curriculum, which will benefit the student community.
3. The ratio of nonacademic to academic staff may be much less in private universities, as the emphasis is on results and not on procedures.
4. With adequate funds and facilities available, it may be possible for private universities to produce more research output and patents per rupee spent.
5. In private universities, there is a constant pressure on the part of teachers to publish and perform. There is a process of continuous evaluation of performance of teaching and non-teaching jobs. It reduces the role of bureaucracy and improves accountability. Teachers are accountable to the employer who could fire them. In government funded universities also, there is accountability, but it is more on paper than in practice.
6. There is a continuous effort to search for and hire competent faculty or make efforts to strengthen their existing faculty, and to build institutions to develop their own faculty.¹¹
7. It is easier to achieve the triangular partnership of academia, industry and government in private universities.

These are some factors favorable for the creation of private universities. But private universities are not a panacea for all the ills of higher education in India. Several measures have to be taken to overhaul the higher education system, including opening up of higher education for the entry of private sector.

The problem in India is that, while there are a large number of unemployed graduates and postgraduates, there is a shortage of workers who can acquire new skills and innovate. Therefore, "quality of higher education" becomes extremely important. But quality does not come cheap. There should be constant efforts to innovate the curriculum by incorporating the needs of industry

⁹ The ICFAI University has also started entrepreneurship development program, which aims at training MBA students to start their own company, which would also generate employment for many.

¹⁰ J. Tooley, *The Global Education Industry: Lessons from private education in developing countries* (UK: Institute of Economic Affairs, 2001).

¹¹ The ICFAI University is an excellent example of this. It has recently started a unique program called Management Teacher Program leading to PhD. It trains students to become good management teachers and researchers. This initiative has been taken to produce quality management teachers, who are in short supply.

References

1. Mukesh Ambani and Kumarmangalam Birla (2000): "A Policy Framework for Reforms in Education", Report Submitted to the Prime Minister Council on Trade and Industry (<http://www.nic.in/pmcouncil/reports/education>).
2. T Ravi Kumar and Vijender Sharma "Downsizing Higher Education", Economic and Political Weekly (February 15, 2003) Pp 603-607.
3. Government of India, Planning Commission, Tenth Five Year Plan (2002), Pp 53-65.
4. World Bank, Global Development Finance 2002: Financing the Poorest Countries, Washington DC.
5. The ICFAI University, "Private Universities in India" (2003).
6. Economic Times, "Brain Drain: India No. 21 in Research Output", (May 19, 2003) World Bank (2000).
7. Higher Education in Developing Countries Peril 2 Promise, (2000), World Bank.
8. "Pay or Decay, The University Crisis", The Economist, January 24-30, 2004.

* * *