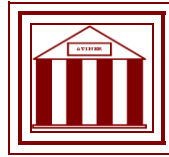


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**Public Private Partnership in Higher
Education in the Indian Context**

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Public Private Partnership in Higher Education in the Indian Context

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Abstract

Higher education sector in India is one of the largest in the world with over 621 universities, 32974 colleges and 11095 Stand alone institutions. Yet, the gross enrolment ratio (GER) in higher education in India is low being 19.4%. To better the GER we need a significant increase in the number of higher education institutions. Concurrent with the numerical expansion and providing for equity, sustainability and up-gradation of quality and excellence in all the institutions of higher education need to be ensured.

Policy makers have been challenged with achieving targets of quantitative expansion and qualitative excellence. While quantum jumps have been made in these directions, certain concerns need to be addressed. We believe that PPP will help in improving GER without compromising on Equity, Quality and Sustainability.

Several models of public private partnership are proposed to be tried on an experimental scale– (i) Build – Operate – Transfer model (ii) Basic infrastructure model (iii) Outsourcing model (iv)Equity or hybrid model (v) Reverse outsourcing model. Recognizing that a large capital expenditure is involved in setting up of a higher educational institution, a PPP may ease the financial burden on the Government in its mission of Expansion. We further propose that PPP may also be predominantly considered for Excellence through Collaborative Research projects and the establishment of University-Industry Innovation Clusters/Technology-Business Incubators.

Diversity in Indian society and economy may not make a single PPP model uniformly viable. Each of the proposed models may be implemented differently in different parts of the country depending upon types of diversity.

Key Words: Higher Education in India, Expansion and Diversification, Public-Private Partnership

Introduction

India has a longstanding tradition of education. Since ancient times, education in India was considered an important aspect of man's intellectual development. Education, then, was imparted at two levels - primary and higher education. Several urban centers of higher learning, akin to modern universities, flourished in cities such as Nalanda, Taxila and Benaras. They were world renowned and attracted foreign students especially from China and Central Asia. However, the traditional system had its limitations by way of restricted accessibility to education and the curriculum taught. The society was teaching its subjects in the exact and required skills as appropriate to the time.

When the modern system of education was introduced in pre independence India (1835)¹, it was largely based on the colonial legacy of the British. Since then, education remained the prerogative of the government. The decade post independence was characterized by India's first Prime Minister, Pandit Jawaharlal Nehru's strong socialist leanings. The guiding idea was to promote agriculture, industrialization and education through central planning. The decades of the '70s and '80s were marked by a socio-democratic policy which was characteristically protectionist. Unlike the preceding era, higher education was not an area of priority, and the state investments were not as impressive as the Nehruvian period. The decade of the '90s was the era of globalization and education could not escape from its impact. There was a shift from techno engineering and professional education to cater to the needs of the global service industry.

Indian Education System

India's education system is divided into different levels such as pre-primary level, primary level, elementary education, secondary education, and higher education. The Indian government lays emphasis on primary education up to the age of fourteen years, referred to as elementary education in India. Education has also been made free for children for 6 to 14 years of age or up to class VIII under the Right of Children to Free and Compulsory Education Act 2009. The government introduced the scheme for universalization of Education for all known as the *Sarva Shiksha Abhiyan* (SSA) which is one of the largest education initiatives in the world.

A significant feature of India's secondary school system is the emphasis on inclusion of the disadvantaged sections of the society. Professionals from established institutes are often called to support in vocational training. Another feature of India's secondary school system is its emphasis on profession based vocational training to help students attain skills for finding a vocation of his/her choosing. A significant new feature has been the extension of SSA to secondary education in the form of the *Rashtriya Madhyamik Shiksha Abhiyan*.

Following the completion of the secondary education, the students enroll for higher education at the tertiary level. Recently the government has

¹Introduced by the Wood's Despatch of 1835.

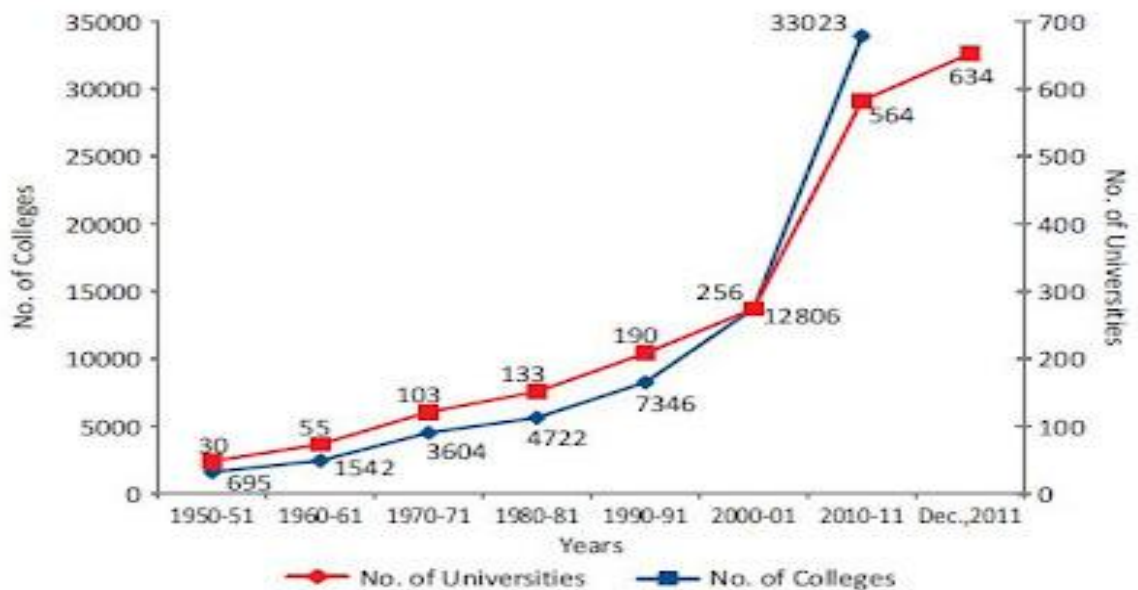
launched the *Rashtriya Uchchattar Shiksha Abhiyan* to develop higher education in India to meet global standards.

The main governing body at the tertiary level is the University Grants Commission (India), which enforces its standards, advises the government, and helps coordinate between the centre and the state.¹ Accreditation for higher learning is overseen by 12 autonomous institutions established by the University Grants Commission.²

Higher Education in India

Higher education in India has recorded impressive growth since Independence. Today, India's higher education system is the third largest in the world, next to the United States and China.³ Much of the progress in education, especially in higher education and scientific research, has been credited to various public institutions. Education in India is provided by the public sector as well as the private sector, with control and funding coming from three levels: central, state, and local. The private education market in India was 5% and in terms of value was estimated to be worth US\$40 billion in 2008 but had increased to US\$68–70 billion by 2012.⁴ The market size for higher education is projected to expand in next 10 years up-to \$115 bn. Needless to accentuate; the expansion of such size would require intense capital investment.⁵

Figure 1. *Growth of Higher Education Institutions*



Source : MHRD / UGC

¹India 2009: A Reference Annual (53rd edition), 237

²Higher Education, National Informatics Centre, Government of India

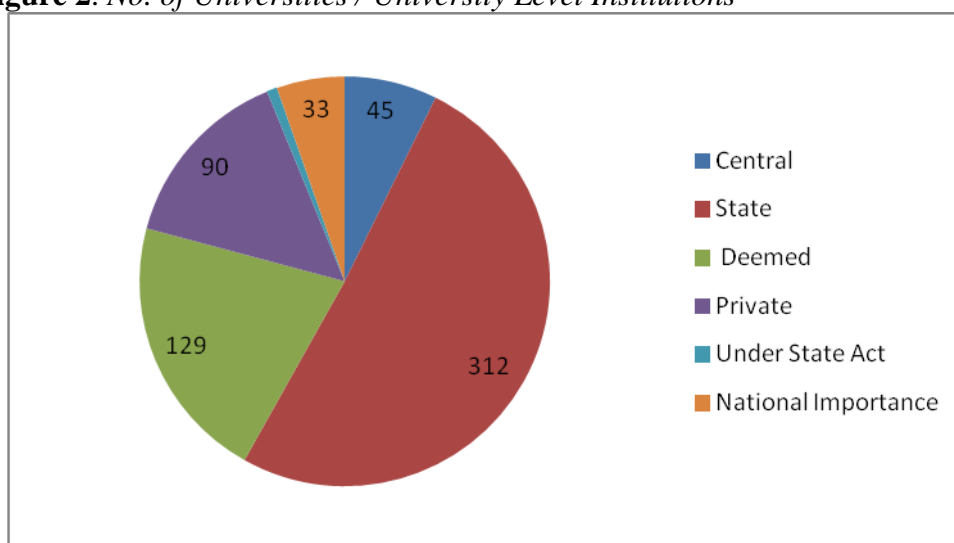
³World Bank, *Country Summary of Higher Education- India*, 2006, Page 1

⁴Federation of Indian Chambers of Commerce and Industries, Sector Profile- Education, 2011

⁵Ibid.

The number of Universities/University-level institutions has increased 18 times from 27 in 1950 to 504 in 2009 to more than 600 in 2012.¹ The sector boasts of 45 Central universities, 312 State universities, 173 State Private universities, 129 Deemed universities, 33 Institutions of National Importance (established under Acts of Parliament) and five Institutions (established under various State legislations).² Although this number appears high, it is still not enough to meet the needs of students. In 2007, the Knowledge Commission headed by Sam Pitroda had recommended the establishment of 1500 Universities that would enable India to attain a gross enrolment ratio of at least 15 percent by 2015.³ This was an estimated growth rate of the GER which today has reached 19.4 per cent.

Figure 2. *No. of Universities / University Level Institutions*



The number of colleges has also registered manifold increase with just 578 in 1950 growing to be more than 30,000 in 2011.⁴ Indian higher education system has further expanded at a fast pace by adding nearly 20,000 colleges and more than 8 million students in a decade from 2000-01 to 2010-11.⁵ The distribution of the existing Colleges shows that 59% are private unaided, 14.2 are private aided and 26.8 are Government Colleges.

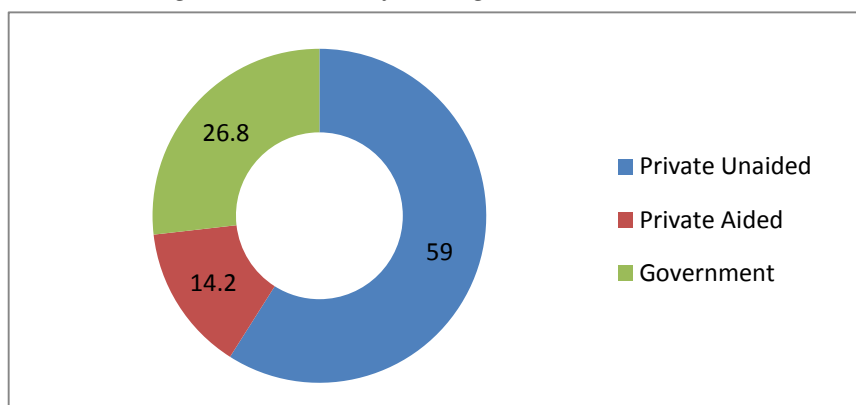
¹The University Grants Commission report, *Higher Education in India at a glance*, 2012, Page 3

²University Grants Commission

³Report of National Knowledge Commission, *Compilation of Recommendations*, 2007, p. 21

⁴The University Grants Commission report, *Higher Education in India at a glance*, op. cit.

⁵Ernst and Young- FICCI Report, *Making the Indian Higher Education System Future Ready*, FICCI Higher Education Summit, 2009; Page 4

Figure 3. Percentage distribution of Colleges

Challenges Faced by Higher Education

Imparting education has been generally perceived in India as the responsibility of the government. Constitutionally, higher education is the shared responsibility of both the Centre and the States. The coordination and determination of standards in institutions is the constitutional obligation of the Central Government. Public initiatives played a dominant and controlling role in the early phase of modern education in independent India. 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. Most of the Universities were public institutions with powers to regulate academic activities on their campuses and in their areas of jurisdiction through the affiliating system. But, lack of financial and managerial capacity often impeded the government's ability with regard to national education system.

Another problem was the rotation of power both in the centre and in the states. Till now the central government has been spending around 4.0 per cent of the GDP in education and is expected to increase it to 6.0 per cent. In the 11th five year plan (2007 – 2012), the Government of India allocated around INR 850 billion for higher education and in the 12th Five Year Plan has increased the proposed investment in education up-to INR 1,84,7.4 billion, which is much higher than that of the 11th Five Year Plan. The Planning Commission of India, recognizing that even that much amount of funds for education sector would not suffice the growing need for higher education; has identified the resource gap of about INR 2.2 trillion in higher education sector.¹ The general opinion of makers of education policy² is that this resource gap

¹FICCI, Inputs on Key Strategy Challenges for the 12th Five Year Plan, Page 122

²Consolidated working group report of the Department of Higher Education for XII Five Year Plan, *Higher Education, Technical Education and Private Sector Participation Including PPP*

can be met using public-private partnerships because the socio-political structure of India does not allow for commercialization of education. One of the reasons for the favorable view of public-private partnerships is also due to their enormous success in the basic infrastructure sector especially in road-building and railways.

The Government of India is aware of the plight of higher education sector and has been trying to bring reforms. The Government has launched *Rashtriya Uchchattar Shiksha Abhiyan* to provide strategic funding to State higher and technical institutions. A total of 316 state public universities and 13,024 colleges will be covered under it. A number of legislative measures have also been initiated. However, they are yet to be turned into laws. 15 bills are still awaiting discussion and approval in the Parliament. One of the most talked about bill is Foreign Universities Bill, which is supposed to facilitate entry of foreign universities to establish campuses in India.

The Prime Minister Dr. Manmohan Singh in 2005 had forecast that the 21st Century will be the “knowledge century”. Further, this notion has been explicated succinctly: ‘The whole idea of building a knowledge society is the idea of empowering young men and women through education and ensuring that all our delivery systems are built on the premise of the latest knowledge.’

The current education system has many issues of concern at present like financing and management including access, equity and relevance. These issues are important for the country as it is now engaged in the use of higher education as a powerful tool to build knowledge based information society of 21st century. The Prime Minister, Mr. Singh affirmed thus: ‘the time has come to create a second wave of institution building and of excellence in the field of education, research and capability building so that we are better prepared for the 21st century’.

Over the last two decades, India has remarkably transformed its higher education landscape. It has created widespread access to low-cost high-quality university education for students of all levels. With well-planned expansion and a student-centric learning-driven model of education, India has not only bettered its enrolment numbers but has dramatically enhanced its learning outcomes. There is no doubt that the government cannot alone handle the investment required in the higher education sector looking at the growing demand for it and the number of students entering, thus, posing question both on quality and quantity.

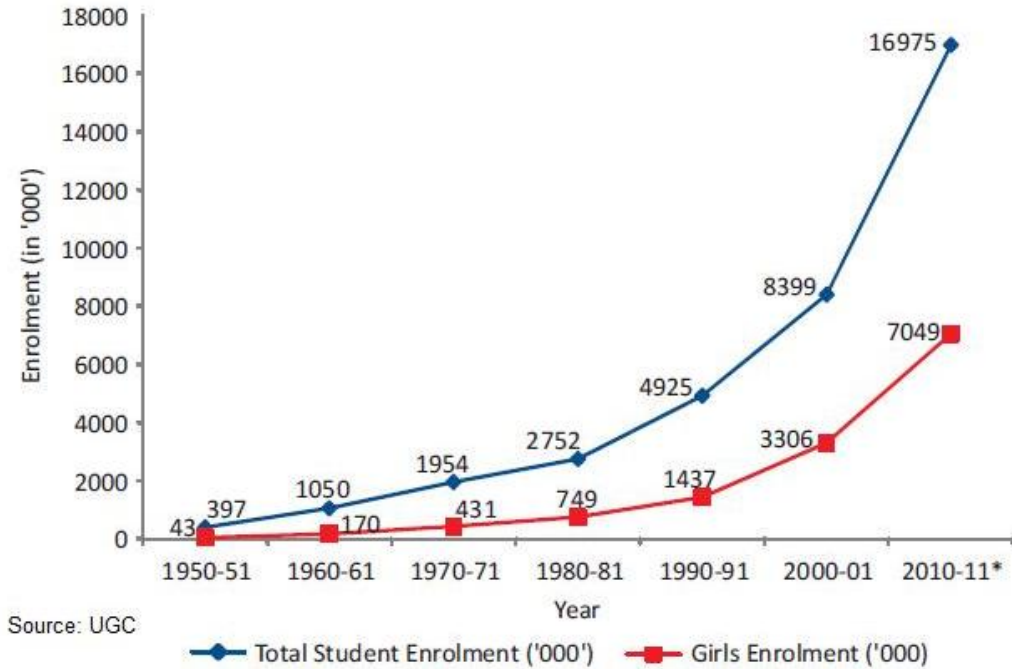
In India, the access to higher education is measured in terms of Gross Enrollment Ratio (GER). The number of students in higher education in India has increased each year, a 3.4-fold increase from around 4.9 million in 1990-1991 to around 16 million in 2010-2011.¹ In 2013-14, the total enrolment in higher education in India has been estimated to be 28.56 million with 15.87 million boys and 12.69 million girls. Girls constitute 44.4% of the total

in Higher Education - Dept. of Higher Education, Ministry of Human Resource Development, 2011

¹Ernst and Young- FICCI Report, op.cit., p. 6

enrolment. Gross Enrolment Ratio (GER) in Higher education in India is 19.4¹, which is calculated for 18-23 years of age group.

Figure 4. *Growth of Students Enrolment ('000') in Higher Education*



In the next few decades, India is speculated to have the world's largest set of young people. The correlation between higher education and nation building has been established. The working age population can be an asset only if their potential employability is sound.

However, the proportion of the population in the age group between 18 and 24 that enrolls in higher education is in the range of seven per cent—a meager figure which is only one half of the average for Asia. This paucity is only compounded with a corresponding shortfall in quality of higher education. There is a huge mismatch between what is being taught in schools, colleges and universities and the knowledge, skills and behavior businesses and organizations are looking for, in new recruits. It is widely acclaimed now that the class room education does not teach the actual required skill sets either for life as it is perceived now or add value to the humanity at large.

Even students felt that their education lacked relevance to the jobs they were hoping to apply for in the future which reinforces the missing element "linking education to careers". Thus, we infer that if the higher education system in India is to benefit the economy it has to be revamped systematically so it can reach as wide a base as possible without watering down the merit.

¹All India Survey on Higher Education, 2010-2011, Government of India, Ministry of Human Resource Development, Department of Higher Education, New Delhi, 2013.

Public Private Partnership

One of the approaches to make internationalization of Indian higher education effective is to develop a coherent and comprehensive policy which aims at infusing excellence, bringing institutional diversity and aids in capacity building. The public funding is not in a position to take up the challenging task of expansion and diversification of the higher education system in the country to meet the continuously growing demands. At present there is little option other than bringing in private initiatives in a massive way to meet the various challenges. Private players will usher in better funding, efficiency in management and possibly enhanced quality of education. But, regulatory mechanisms must be put in place to monitor and control their activities with the objectives of ensuring quality and social accountability. Higher education is a public good and cannot be left to the market forces to control. At the same time the present archaic administrative practice need a thorough reform. A healthy Public/ Private partnership can do much in this regard by way of exchanging good practices. Hence, a PPP will draw the best of a government controlled system and private players and can become a major player in Higher Education in India.

In general, the term public-private partnership refers to forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of a public infrastructure or the provision of a public service.¹ The University Grants Commission set up an expert committee to look for the possibilities of public-private partnerships in higher education in India and come up with models which could be utilized to improve access and quality of the higher educational institutions. The report submitted by the committee highlights that public-private partnerships in higher and technical education would bring benefits of saving resources and time; improve efficiency of the system; improve performance and promote autonomy which will ensure high quality in higher education.²

PPP Models

The following models of PPP have been proposed to achieve the desired goal.

Build – Operate- Transfer (BOT) Model

In this case, the government will delegate to the private sector to design and build wholly or partially, an HEI or a part thereof and to operate this institution for a pre-decided period. During this period the private sector is responsible to raise the finance for the functioning of the institution. At the end of the period, the institution will be transferred to the government. Thus

¹European Commission's Green Paper, *On Public-Private Partnerships and Community Law on Public Contracts and Concessions*, Brussels 30 April, 2004, COM(2004) 327

²The University Grants Commission Expert Committee's *Report on Public Private Partnerships in Higher Education*, March 2011

without involving private players it would be difficult for the government alone to fill the gap between the demand and supply of institutions of higher education and provide quality education. But, at the same time it is also to be seen that only those private players should be allowed to bring up educational institutions who will give priority to providing quality education. The top 6 States in terms of highest number of colleges in India are Uttar Pradesh, Andhra Pradesh, Maharashtra, Karnataka, Rajasthan and Tamil Nadu. Thus, the BOT model may be considered for the other states. This model has seen success in the infrastructure sector such as power, railways and roads in India.

Basic Infrastructure Model

The private sector invests in infrastructure and the government runs the operations and management of the institution in turn, making annualized payments to the private investors. Approximately 68.7% of Indian population is rural but 54.3 % colleges are located there. There is thus a gap between the two which can be bridged by this model. Of the 650 districts in India, 60% (374) are educationally backward districts, 14 districts with no college, 32 of them have only one college, 81 with less than 10 colleges.¹ All these colleges have deficiencies in human resources and infrastructure. These colleges have been graded low in quality by the National assessment and Accreditation agency.

This model can contribute towards the building of the basic infrastructure such as libraries, computer centers, sports facilities, well equipped seminar rooms. In areas where these facilities exist but are low, they can be brought at parity with the high quality ones or those in urban or developed regions. It will also address the issue of equity in education.

Through this model, the government provides an incentive to the private sector to reach out to the educational needs of rural India while the private sector can fulfill its corporate social responsibility. It could operate in states such as Bihar, Assam and Jharkhand where educational facilities are poor.

Outsourcing

The private sector invests in infrastructure and runs the operations and management of the institution and the responsibility of the government is to pay the private investor for the specified services. This model may be considered in the establishment of research centers which can develop into centers of excellence with quality. Private sector can contribute in the establishment of incubation parks where high quality academic research can be fruitfully and effectively put to use by the allied industry. It has been observed that Indian universities do not appear in the list of top 200 universities in the world due to low ranking in the fields of research, globalization, employment after graduation, and employers' evaluation of graduates.

¹All India Survey on Higher Education, 2010-2011, Government of India, Ministry of Human Resource Development, Department of Higher Education, New Delhi, 2013.

This model may be successful in industrial belts where the presence of educational institutions does not match the industrial presence. The industry belonging to a specific discipline or related disciplines can be encouraged to establish state of the art research centers to develop the necessary specialized man power. The automobile industry is a case in point. Incubation parks and research centers will cater to the employment needs of the industry. In states like Gujarat which has a large industrial belt and an equally large private sector, this model may be able to function effectively.

Equity or Hybrid

Investment in infrastructure is shared between government and private sector while operation and management is vested with the private sector. This model can help in addressing the disparities in the geographical distribution of Universities or Colleges. The private sector will show willingness to invest only when the government is an equal partner in such an investment. The private sector can complement and supplement the efforts of the government in broadening access, growth of inclusive education and promoting excellence. The government can take advantage of the expertise and skills of the private sector in the implementation of the curriculum, while the industry will benefit by absorbing the suitably trained employees. The industry like service industry can be encouraged to be partners with educational institutions directly for the development of human resources dedicated to their interests. This could happen in the areas of creating infrastructure, faculty sharing and direct support with funds.

Reverse Outsourcing

Government invests in infrastructure and the private sector takes the responsibility of operation and management. This model will serve much the same purpose as the equity or hybrid model without the financial liability on the private sector. It will work effectively in areas not capable of attracting private funds and will be supported sufficiently well from public funds as this is essential for the balanced intellectual growth of the society. Further, the industry partner can help in designing courses with relevance to the future and developing the necessary man power to deliver them which can be a challenging task. Industry professionals in different areas can come together to develop proactive strategies for higher education to meet the future demands.

Drawbacks of PPPs

It may be pointed out that the government and the private sector both may have different incentives to participate in the higher education market.¹ The socialist structure of India's government propels it to achieve the Constitutional ideals including social inclusion, access and quality assurance in the higher

¹Sreekanth, Yagnamurthy, *Dynamics of Public and Private Sector Participation in Education*, International Journal of Educational Studies, 3 (2) 2011

educational institution; whereas the private sector wants to participate in the education market for profit or is driven by philanthropic interest.

Each of the suggested models may have certain disadvantages in its effective implementation. In the case of the BOT model, the private partner may be unwilling to relinquish its control over the institution towards the development of which it has made a significant contribution.

Under the Basic Infrastructure Model the private sector may not want to make such an intensive capital investment in higher education. If it were to invest all that money, it may want to profitably invest it somewhere else. Considering the fact that the private sector was driven by philanthropic interests and possessed that much capital, it may want to open its own institution without participating with the government and be controlled by bureaucratic mechanisms.¹

Under the outsourcing model if the whole operations and management part is not given to the same private entity, it may lead to the problem of co-ordination.

It is argued that the private sector is constantly searching for opportunities to make profit; allowing higher education institutions to run for-profit would encourage them further to make investment in this sector. There are apprehensions that these institutions would involve in excessive profit making and would involve in malpractices.²

Critics of the PPP models point out that there are too many regulating bodies for education and each body has its own regulations for a particular kind of education with the University Grants Commission having a separate set of regulations for all higher educational institutes.³ This may deter the private players from taking a proactive stand in establishment of HEIs.

Conclusion

In conclusion it may be said that the Indian higher education market is moving towards de facto privatization and commercialization.⁴ In the light of this, PPP could be an effective mechanism for attracting much needed private sector investment into the Indian HE system without diluting the regulatory oversight of the government and other regulators. PPP involve the government and the private players to work hand in hand for providing public infrastructure and other services, while jointly sharing the risks, rewards investments and responsibility associated with the activity. Partnerships are established for various reasons including construction, financing, design and maintenance of public infrastructure and augmentation of research.

¹Sudanshu Neema, A Case Against Public Private Partnerships in Higher Education in India, 2012, p. 6.

²Ibid., p. 7.

³Ibid., p. 12.

⁴Kapur, Devesh and Mehta, Pratap, *Indian Higher Education Reform- From Half-Baked Socialism to Half-Baked Capitalism*, July 2007

Thus Public Private Partnership will help in achieving two objectives (1) to promote improvements in the financing and provision of services from both the public and private sectors but not to increase the role of one over the other and (2) to improve existing services provided by both sectors with an emphasis directed on system efficiency, effectiveness, quality, equity and accountability. Therefore, PPPs involve the public and private sectors working together to achieve important educational, social and economic objectives. The PPPs should be encouraged as India is a vast country. We have to convince private players to invest in higher education but should also see that it is not being done to just make money and should have good control and monitoring for establishment of a quality higher education institution so that the fee remains equal to that in government run institution.”

But, at the same time it is also to be seen that only those private players should be allowed to set up higher educational institutions who will give priority to providing quality education rather than coming up with single point agenda of making money and opening shops.

The main rationale for developing public private partnerships (PPP's) in education is to maximize the potential for expanding equitable access to schooling and to improving education outcomes, especially for marginalized groups. Following a PPP model especially when it comes to higher education can bring multiple benefits.

PPP's, when implemented correctly, can increase efficiency and choice as well as expand access to education services. Education has been the passport to opportunity and prosperity - It has enabled individuals, whether in developing or developed countries, to become academics, entrepreneurs, and business and government leaders. And by working together, both private and public sectors can help achieve this goal.

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