The Emerging Role of the Private Sector in Higher Education

Prof. V.C. Kulandai Swamy

1. Knowledge, a Renewable Resource

As we stand at the dawn of the 3rd millennium and review the achievements of the 20th century, it is not the breakthrough in nuclear science, the invention of the versatile tool the computer, the adventures in space, the advances in biology and the convergence of information and communication technologies that stand foremost. The most remarkable phenomenon is the emergence of knowledge as a resource–a resource that is renewable; that can compensate for the absence of other resources, and can be easily transported, stored and retrieved. Consequently, education, the source of knowledge, has come to occupy the centre stage as never before.

2. Higher Education, a Blooming Industry

With knowledge becoming a tangible means of creation of wealth, higher education, the contributor of knowledge has become a promising industry. Its inclusion as one of the services in the General Agreement on Trade in Services [GATS] is clearly a recognition of its industrial character. GATS consists of four modes of service:

i. Cross Border Supply
ii. Consumption Abroad
iii. Commercial Presence
iv. Presence of Natural Persons.

All the four modes of service had been in existence long before the advent of GATS. Cross Border Supply comprises distance education programmes that transcend national boundaries. Advanced countries have been having open universities that operate through study centers in more than one country abroad. As multinational corporations in industry, universities have formed consortiums to export education. Nine Universities–3 in Australia, 3 in USA and 3 in Western Europe–have formed a consortium under the caption Global University Alliance

[GUA][1] to pool their resources for export. Similarly Universitias 21 [U21] another consortium, consists of 19 members– 4 in Australia and New Zealand, 5 in U.S.A., 4 in East/South East Asia and 6 in Western Europe, the objective being exporting education through distance mode, mainly on-line. It is not only lessons but learning materials that have a flourishing market in developing countries.

A major source of income for the advanced countries through education is under the service mode, 'Consumption Abroad', which refers to students studying in countries other than their own. There are more than 1.8 million international students who pursue higher education globally abroad [UNESCO 2000]. About 45% of these students come from Asia with India, China, Korea, Japan and Malaysia identified as top 5 source countries. The 'IDP Education Australia' made a study of 'Global Student Mobility 2025' and based on detailed data collected form 130 source countries predicted that the international student strength will grow from 1.8 million in 2000 to 7.2 million in 2025. The USA has an international student strength of about 0.5 million and its earning in 2003 – 04 was $ 13.0 billion. We may compare this income with US $ 12.5 billion that India earned through software export in IT industry [2003 - 04] and US $ 22.0 billion that India received by way of remittance by all the Indians working abroad. The income of Australia in 1999 for about 200,000 foreign students studying was AU$ 4.2 billion amounting to 5.5% of its GDP. During the same year the earnings of U.K. from foreign students studying in U.K. universities accounted for 5.6% of its GDP[2]

In Singapore the Economic Committee led by the then Minister of State [Trade and Industry] BG Lee Hsien Loong recognized, as early as 1985-86, education for its revenue growth potential, net worth to the economy as well as its export earning potential. In the year 2000, education industry contributed S $ 3.0 billion to

[1] V.C. Kulandai Swamy: Education for the Knowledge Era: Ch.8. Epilogue, Kogan Page India Private Limited. New Delhi. 2002

[2] V.C. Kulandaiswamy: Reconstruction of Higher Education in India: University News, Vol.43 No.27, 4-10 July 2005.

the Singapore economy, which was 1.9% of its GDP. Though a tiny country, Singapore had in 2001, foreign student strength of 50000.[3]

Singapore has visualized that it possesses competitive advantages to become a global education hub. As part of its strategy to achieve this objective, it decided in 1998 to embark on a plan to attract at least 10 World Class Universities to establish a significant presence in Singapore within 10 years. As of 2001, eight renowned institutions have been attracted to Singapore. Each institution is a centre of excellence in education and research. They are as follows:

1. MIT (USA) will collaborate with Singapore's National University (NUS) and Nanyang Technological University to form Singapore – MIT Alliance [SMA].
2. Johns Hopkins (USA) has set up in 1998, Johns Hopkins Singapore: will collaborate with National University of Singapore [NUS] and National University Hospital [NUH].
3. Georgia Institute of Technology [USA] in collaboration with NUS, has set up 'The Logistics Institute-Asia Pacific in 1999.
4. The Wharton School of the University of Pennsylvania has set up the Wharton-Singapore Management University Research centre.
5. The University of Chicago Graduate School of Business has opened in 2000 a permanent campus in Singapore.
6. INSEAD [Paris] has made the largest investment in Singapore so far [2000].
7. Technische Universiteit Endhoven, the Netherlands has partnered NUS to set up the Design Technology Institute [DTI].
8. Technische Universitat Munchen [TUM] and NUS have come together to establish a joint Master's degree in Industrial Chemistry.

These Institutions represent what is termed as Commercial Presence in GATS. Singapore Government has prepared a policy paper entitled 'Developing Singapore's Education Industry.' The paper refers to education explicitly as an

[3]. Developing Singapore's Education Industry; an Unpublished Report, Government of Singapore, 2001.

industry and the objective is stated as increasing the annual income from 1.5.% of GDP to 3% - 5% of GDP.

A knowledge economy is emerging on the horizon in a big way. This development opens the doors for private enterprise and offers vast opportunities for its initiative, imagination and innovation.

3. Higher Education: a Non-merit Subject

We have adopted a policy of liberalization and globalization of our economy since early nineties of the last century and this demands higher competitiveness. There have been no tangible steps on our part to augment our competitiveness. On the other hand there have been in the last 10 years or more a discernible trend towards indiscriminate withdrawal of the State from the domain of higher education.

In a note on subsidies, prepared by the Department of Economic Affairs of the Ministry of Finance [1997], higher education has been classified as a non-merit subject on which Government subsidies could be reduced [according to the note] from 90% to the level of 25% over a period of 5 years. The argument of the authors of the note is that:

> "…. Benefits of subsidies accrue primarily to the recipients. A significant portion of subsidies in higher education is appropriated by the middle class and high income groups, because shortages of seats in this sector are cleared by quality based clearing in the shapes of entrance examination, interview, group discussion etc., where the poorer sections of the society are competed out."

It is the inference of many that the authors have been influenced by the thinking of the World Bank and its specialists. The World Bank generally has been against developing countries investing in higher education. The Bank strongly advocated attention to primary education.

The presumption that benefits of subsidies in higher education accrue primarily to the recipients is unsustainable. Higher education produces the leaders in every area of activity, be they researchers, academics, designers, builders, administrators and entrepreneurs. This talent cannot be borrowed nor bought or imported. We need not only literate persons but also learned persons and leaders

to guide the activities of the nation. Basic education for all is fundamental but the best of education of a few is a pre requisite for development. The World Bank itself has revised its earlier stand and advocated later, adequate manpower with higher education.

Though the 'Note on Subsidies' was termed a discussion paper, no discussion took place either among the members of the public or among the academics. However, the policy enunciated in the note has been quietly given effect to by the State Governments who really matter when it comes to establishing and maintaining institutions of higher learning. Though education is a concurrent subject and the Government of India have the responsibility for co-ordination and maintenance of standard of higher education, the Government of India have, at present, direct responsibility only for the maintenance of only a few central universities and institutes of national importance. The unceremonious and unannounced withdrawal of State Governments, amounts to abdication of state responsibility for a vital activity. This development does not augur well and its consequences are in the womb of the future. The immediate consequence is the advent of private sector which has witnessed a phenomenal growth in higher education.

4. Private Universities Bill 1995

The Government of India drafted in 1995, a Private Universities [Establishment and Regulation] Bill. This step was taken anticipating rightly, a significant role for private initiative in Higher Education. The Bill was introduced and adopted in the Rajya Sabha, but there were reservations among the members of the Lok Sabha. It was referred to a Parliamentary Committee which had one or two sittings, but was not pursued further. It is unfortunate that a good beginning made was not carried to its fruition. There has been and there is a mindset against private providers inspite of the increasing number of private institutions and the inevitability of private participation.

Again in 1999 the Ministry of Human Resource Development set up a six member Committee consisting of representatives from FICCI, NASSCOM, CII, Manipal Academy of Higher Education, B.M. Birla S & T Centre and Har-Anand

Publications Pvt. Ltd. The Committee made a number of useful suggestions for radically reforming the higher education system and encouraging, helping and regulating in a constructive way private domain of higher education, particularly technical education. The Committee also suggested the enactment of Private Universities Bill and amendments to UGC Act.[4]

These recommendations have not been acted upon; the status quo continues. Higher Education to-day is characterised by extreme rigidity and obsolescence at the structural level, adhocism, unplanned development, and gross inadequacy at the functional level. The dithering and delay on the part of the policy makers ultimately led to the private enterprise entering the field of higher education massively and in some cases in a haphazard way.

5. Private Participation: World Scene

Private participation in education is not a new phenomenon. The Gurukul System in India, or the Academy of Plato and the Lyceum of Aristotle in Athens were private institutions only. Industrial revolution made literacy a pre - requisite for development and education became a social service, a responsibility of the State. As increasing numbers completed primary school, demand increased for secondary education. All advanced countries and many developing countries attained universal primary education: advanced countries have accomplished universal secondary education and pressure built up for higher education in all these countries though the percentages may differ. Private institutions to meet the growing demands have become an integral part of higher education and they fall under three categories.

i. Private institutions subsidized by the Government.

ii. Private institutions supported by philanthropy – gifts, donations, contributions.

iii. Self-supporting private institutions – non-profit and for profit.

[4] New Initiatives in Higher Education: Report submitted to the Department of Education, MHRD, Govt. of India, April, 1999.

In Fig.1 is given the position of private institutions to meet the growing demands in a number of countries[5]. Advanced countries are moving towards mass higher education. Developing countries aim at substantial increase in the age group entering higher education. They are constrained to make use of self financing institutions to meet the growing needs.

Private institutions increased dramatically in many Asian and African countries from 1980's. This process started much earlier in Latin American countries. China is reported to have more than 800 private higher education institutions.[6] Dr. Gnanam[7] reports that there are more than one thousand *'min ban'* [people run] universities and China has nearly doubled the higher education institutions since 1999. The age group entering higher education in China was 2.0% in 1985; 5.0% in 1995 and now it is about 15.0%. The figure has been 7.0% in India for long. In Brazil 80% of the institutions in the higher education system are in the private sector. Indonesia has 57 Public Universities and 1200 Private Universities. Japan has 684 Universities of which 512 are in the private sector; in U.S.A there are about 2365 Universities of which 1750 are private[8]. In general it may be stated that the Governments need the complement of private institutions and the parents paying for the education of their wards in full, or in part has come to be accepted.

6. Higher Education in India: the Tamil Nadu Scene

Tamil Nadu is one of the states where self financing institutions have come up in a big way. It may not be representative of the average condition in India at the state level, but is certainly a forerunner of what is to come; it is only a matter of time. The state supports the Agricultural University and its constituent colleges; the same can be said of Veterinary and Animal Sciences University. It has a strong

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5 Higher Education in Developing Countries; Perils and Promises. The task force on Higher Education and Society, World Bank 2000.

6. Higher Education in Developing Countries: World Banks, 2001.

7 A Gnanam: Chairman, NAAC: Paper presented in the national conference on Hopes and Challenges in the Development of Higher Education under Globalisation, 11-13 January 2003, Chennai.

8 Information based on processing data from website: the figures are approximate

presence in medical education at the degree level. Private participation in medical education remains restricted because of the requirement of an attached hospital and resistance from students, supported tacitly by the doctors. In dental medicine and para medical services, Government presence is nominal as can be seen from Table 2 [Fig.3]. In Arts and Sciences, the private providers have overtaken the Government and the Government aided colleges in a short period. [Table 1: Fig.2]. The Government and Government aided colleges and the University Departments also run self financing programmes. In Engineering and Technology, private sector almost eclipses the Government institutions including the P.G. programmes like M.E., M.Tech., M.B.A and M.C.A and vocational programmes for craftsmen [Table 3: Fig-4]. The State boasts of human resources as its major attraction for IT., and manufacturing industries. The fact remains that the real contributors to this advantage are private providers. Against this background, the indiscriminate and unbridled criticism, bordering on condemnation, of the private providers, in general. is not fair.

The Government of Tamil Nadu appointed a High Power Committee in 1989 under the Chairmanship of Dr V.C. Kulandai Swamy to study the working of self-financing engineering colleges. The Committee in its repent recommended as follows:

> "Self-financing colleges exist in arts, science, law, medicine and engineering; one sees a trend in higher education where such of those students who do not quality for admission in aided colleges on merit, pay for their educational opportunities in unaided institutions. If in principle this is accepted, it may be desirable to bring about a comprehensive legislation governing all these institutions."

The Government have not acted on this recommendation.

Table 1 Arts, Science and B.Ed. Colleges: Tamil Nadu*

S. No.	Arts, Science and Education	Govt. & Govt. aided Institutions	Private Institutions including Deemed Universities	% Private
I	Arts and Science Colleges	193	251	56.55
II	B.Ed. Colleges	21	22	51.16

*Source: Policy Note, Higher Education Department , Govt. of Tamil Nadu 2005.

Table 2. Medical and Paramedical Progammes: Tamil Nadu*

S. No.	Medicine	Government Institutions	Private Institutions including Deemed Universities	% Private
I	Medical Colleges	14	8	36.36
II	Dental Colleges	1	15	93.75
III	Nursing B.Sc.	1	37	97.36
IV	Nursing Diploma	9	57	86.36
V	Physiotherapy	2	41	95.34
VI	Pharmacy	2	32	94.11

*Source: Ministry of Health and Family Welfare Government of India.

Table 3. Engineering, Technology*

S. No.	Engineering / Technology	Govt. and Govt. aided Institutions	Private Institutions including Deemed Universities	% Private
I	B.E./ B.Tech.	15	238	94.07
II	Diploma [Polytechnics]	58	159	73.27
III	M.E/M.Tech**	4	66	94.28
IV	M.B.A	14	135	90.68
V	M.C.A	15	199	92.99
VI	I.T.I [Industrial Training Institute]	57	615	91.51

* Source: Southern Regional Office of the All India Council for Technical Education.[AICTE]

** P.G. programmes in Engineering and Technology in Govt. colleges are self-financing; hence counted against self-financing.

7. Higher Education in India: National Scene

Participation of private entrepreneurs [Self-financing] started as early as the eighties of the last century. It has now a record of nearly a quarter century. Nevertheless, a premier institution like the UGC does not have statistical information about the number of Government, Govt. aided and self – financing colleges in the field of general education. Even the ATCTE gives only the total number of colleges and polytechnics. In the Indian environment, university degree is always preferred to a diploma or any similar awards: consequently the attraction for the private providers is for colleges rather than polytechnics as may be seen from Table 5. The following information in Tables 4 and 5 has been collected by the writer from various sources.

Table 4. Govt. and Self-financing institutions: India *

S. No.	Discipline	Govt. Institutions	Private including Deemed Universities	% Private
	I Medicine			
I	Medical Colleges	127	115	47.50
Ii	Dental Colleges	32	173	83.49
Iii	Nursing Colleges			
	B.Sc. Degree	22	327	93.69
	Diploma in Nursing	144	835	85.29

*** Source:** Ministry of Health and Family Welfare, Government of India

Table 5. Govt. and Self-financing institutions: India **

S. No.	Discipline	Govt. and Govt. aided institutions	Private including Deemed Universities	% Private
	II Engineering & Technology			
i	Engineering Colleges	189	1243	86.80
ii	Polytechnics	828	355	30.00

**** Source:** Collected from ISTE Annual Reports.

8. Epilogue

We have to view the future of higher education in India against the background of our resolve to become a developed nation by 2020. In the context of knowledge based economy, development depends substantially on educated manpower and our ability for innovation. Advanced countries have moved to the stage of mass higher education. According to the World Bank's World Development Indicators, 2001, the percentage of relevant age group in tertiary education was 62 for high income countries. In countries like the USA and Australia the figure stands at about 80%. India may have to move up from its present 7% or 8% to at least 25% by 2020, a threefold increase in 15 years. The State expenditure on higher education remains at 0.4% since the nineties and the outlook does not seem bright for any spectacular increase. Various factors have contributed to, youth in increased numbers knocking at the doors of universities in India and impressive numbers going abroad for higher studies.

The increased demand for opportunities for higher education and the inability of the State to provide them have opened the portals for private providers and the higher education scene has substantially changed in a short period. It is now well settled that private enterprise will partner the State and it is given to us to mould the process to ensure a symbiotic partnership.

One also witnesses in the atmosphere, certain sections of intellectuals and political leaders opposed in principle to self-financing institutions. When the Government are not able to meet the rapidly growing demands, when the aspirants are willing to pay the cost and when there are providers to meet the felt need, fulfilling the conditions that may be stipulated by the State and the University, there could possibly be no ideological barrier that would obstruct the transaction. There might be a few in this system, as in any other, who may be found guilty of abuse. It is not beyond the powers of human genius to ensure reasonable adherence to all norms provided the regulating authority is sincere and honest.

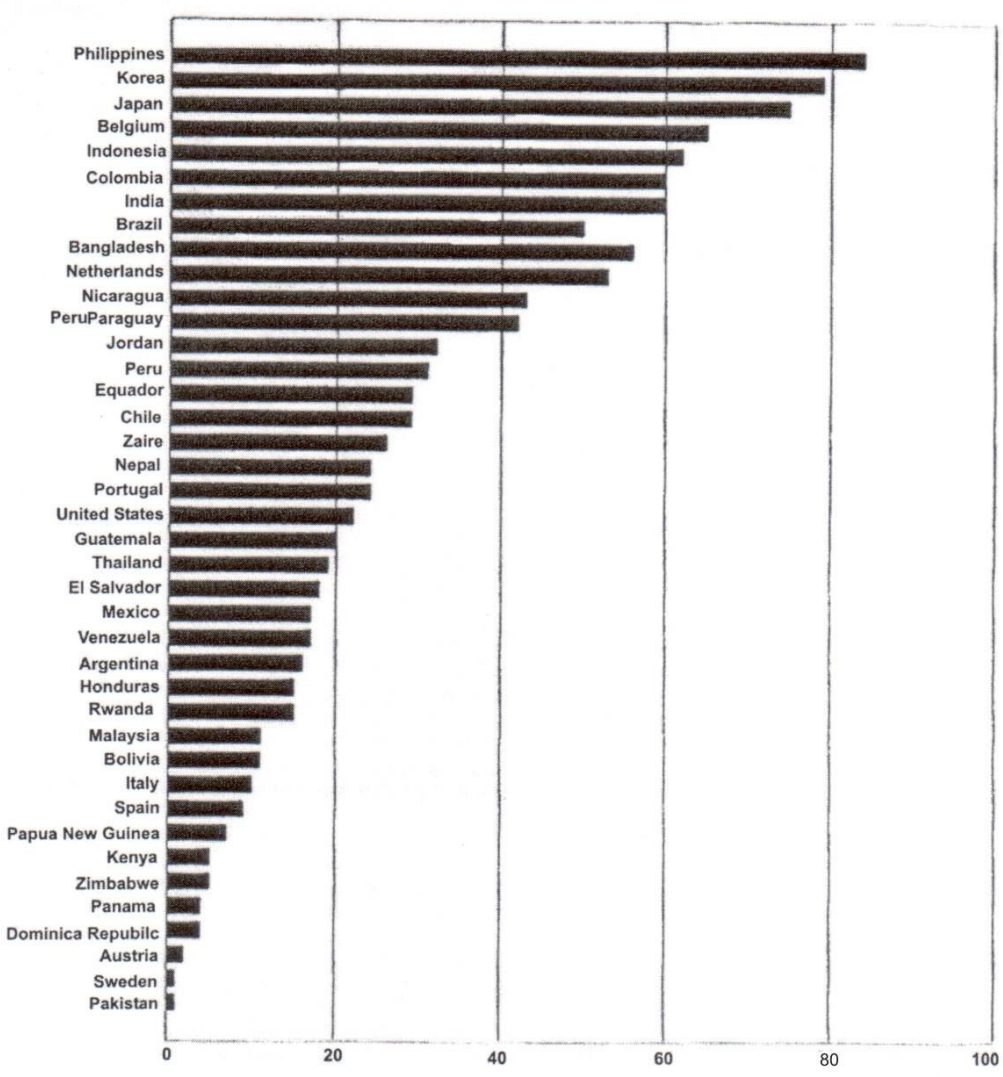
As we stand at the threshold of massive expansion of higher education and training, we realize that the aspirants in significant numbers would be first generation learners from families that are socially backward and economically

disadvantaged. The academically deserving among them have to be ensured access and opportunities for upward movement. This could be accomplished only if the Governments at the State and the Centre accept due responsibility, establish and maintain institutes of higher learning in adequate numbers.

It is to be realized that post-graduate education at levels of excellence and basic research at the frontiers of knowledge cannot be sustained in adequate measure by private providers who depend almost entirely on tuition and special fees. It will take a long time before we could witness private universities in the horizon with rich research tradition as in USA. The immediate responsibility is that of the State. We must devise at the national level a policy for the provision of higher education through colleges and universities, visualizing that the private sector would supplement and complement the efforts of the State, even massively, but on well defined lines. The Government must come forward to introduce, on a large scale, scholarships, research fellowships and bank loans.

A major desideratum in the field of higher education is academic leadership[9]. Like the Confederation of Indian Industry [CII], National Association for Software and Service Companies [NASCOM] and Federation of Indian Chamber of Commerce and Industry [FICCI], there must be for higher education a national body, say, National Academy of Higher Education [NAHE], comprising members from the academia, private providers, academic administrators and employers. This body may periodically evaluate the state of the art situation, visualize the future and advise the Government appropriately.

9. V.C. Kulanda Swamy: Higher Education in India: Ch.8, Academic Leadership – the Desideratum; Viva Books Private Limited, New Delhi, 2003.



Note: In Japan and few Western European countries that have a high proportion of enrolments in private institutions(for example, Belgium and the Netherlands), higher education continues to be almost entirely financed by the state which subsidizes both public and private higher education instituions. Source: World Bank, Higher Education, The Lessons of Experience 1994.

Fig.1. Percentage Share of Enrolment in Private Higher Education

Source: Higher Education in Developing Countries; Perils and Promise, World Bank 2000.

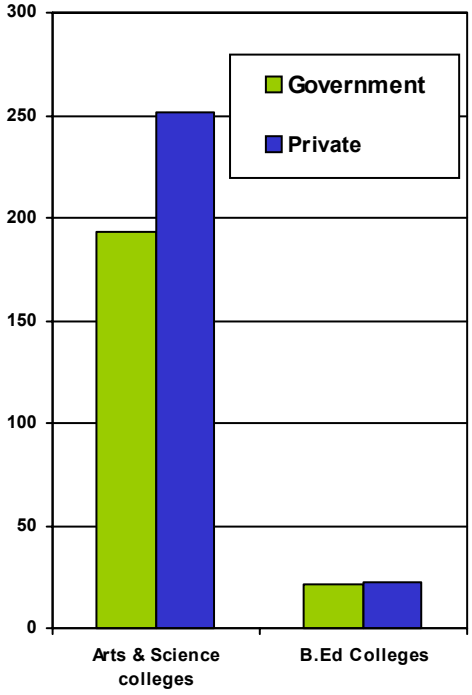
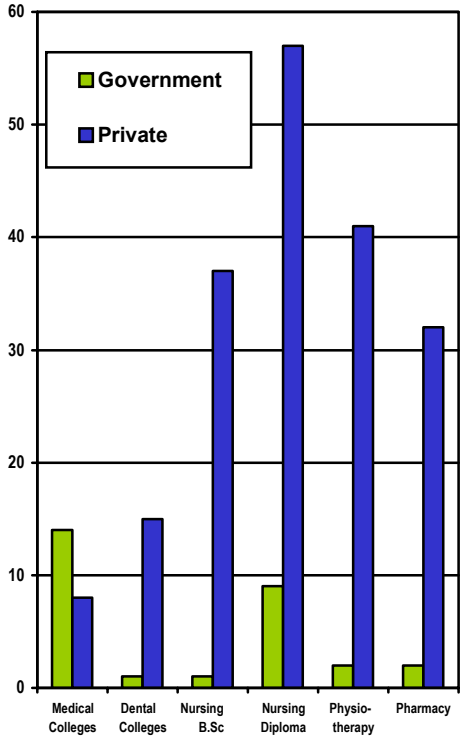


Fig. 2: Govt. and Private Institutions: Tamil Nadu



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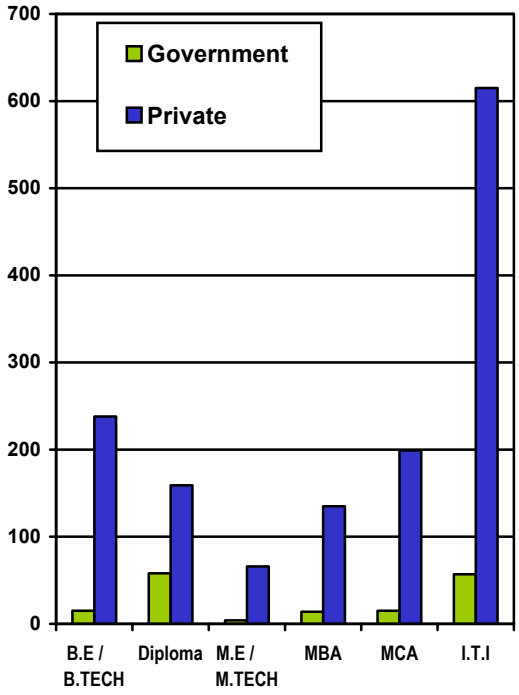

Fig. 4: Govt and Private Institutions: Tamil Nadu

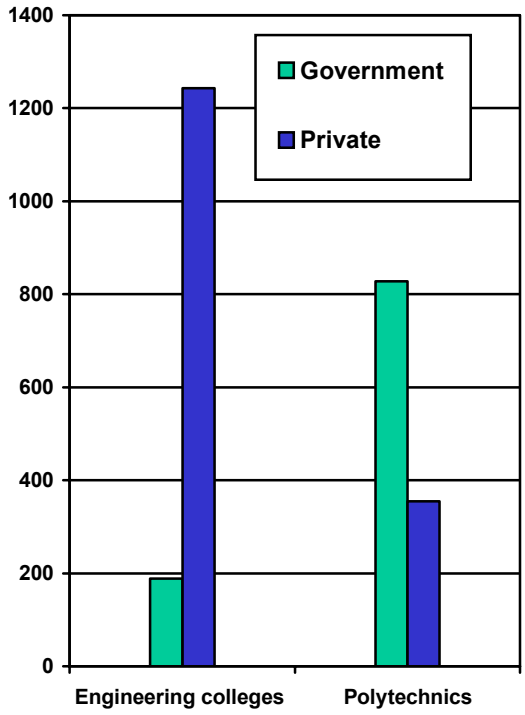

Fig.5: Govt. and Private Institutions: India

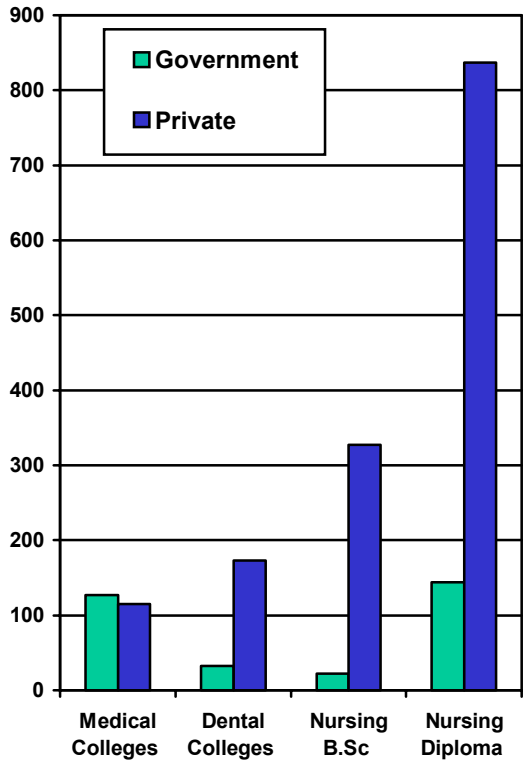

Fig.6: Govt. and Private Institutions: India