EDUCATION SECTOR REPORT

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Breaking Business Barriers
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1. Introduction to Sector

Education has been the mainstay of major global economies of the world. Seen as the major focus area towards uplifting people from poverty and sustenance; countries have been investing significant portion of their revenue to support education - from primary to higher education. This follows a varied pattern across countries and developing countries like India has significantly less allocation for education, especially higher education.

Indian education sector's market size in FY12 was estimated to be Rs. 341,180 Crore. The overall Indian education sector's market size is expected to increase to Rs. 602,410 Crores by FY16 due to expected strong demand for quality education. (IBEF, 2015).The private education sector is estimated at USD 115 billion) Foreign Direct Investment (FDI) in the sector was increased from USD0.04 billion to USD0.26 billion in FY14. (MHRD,2015)

In India, there are about 1.4 million schools and over 36,000 higher education institutes (IBEF, 2012). India has the largest number of higher education institutions in the world in terms of volume. However, access to Higher Education is limi ted to just 10 percent of the student population (Abusaleh Shariff,Amit Sharma; 2014). As per the US-India Policy Institute Report, 2014, in the age group 22-35 years, over 15 percent in the northern region and 13 percent in the southern region have access to higher education. This adds to the fact that only 4.5 percent of India's population is a graduate or above (Census, 2011). Social Science has the highest Enrolment of students hovering around 20 percent, while most number of PhD enrolment goes to Engineering and Technology (AISHE, 2014-15). A constant growing number of students added to the sector each year, provides an opportunity for private entrepreneurs to invest in this sector. There are 43 central universities, 312 state universities, 183 private universities and 115 deemed universities in India as listed by the University Grants Commission (UGC), the apex regulatory body for higher education.

In India, 8-10 million jobs need to be created every year over the next decade to absorb the expected growth in the labour force.India has a labour pool of about 429 million that is likely to grow by around 12 million every year, according to the Economic Survey 2013-

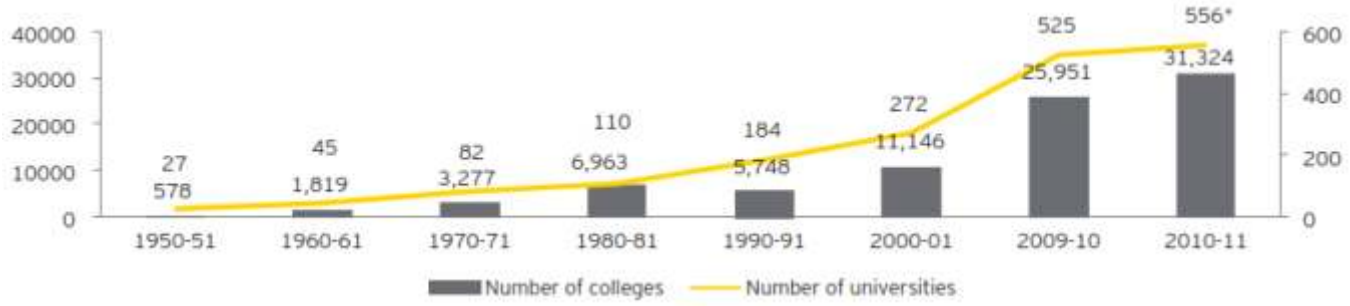
14. Here, the education and training of this workforce will be a key challenge for the country, which spends less than 4percent of its gross domestic product on education.

India's demographic advantage of having a large number of youth populations between the ages of 18 - 23 is not effectively used as the Gross Enrolment Ratio for Higher Education, stands as low as 18.8 percent (data.gov.in, 2015).When compared to China (26 percent) and Brazil (36 percent); India has a lot of unmet demand for Higher Education (British Council India, 2014). For achieving growth in the education sector, availability of funds is an important factor. Additionally, growth in educational technology and appropriate human resources are also significant drivers of growth of the education sector in India.

1.1. The education supply gap

In India, there are about 1.4 million schools and over 36,000 higher education institutes. Yet most students travel abroad to other institutions in search of better quality education. This provides an opportunity for private entrepreneurs to invest in this sector.
Additionally, there is shortage of employable manpower in various industry segments. In order to meet this existing and emergent demand, there is huge need of investments in the Indian education sector posing a high potential for private players to explore the untapped market.

Graph 1: Enrollment with reference to number of institutions

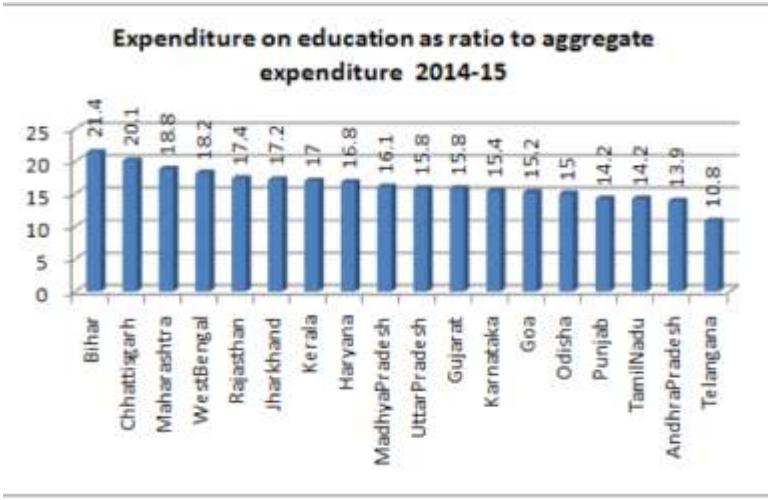


Source: Reserve Bank of India 2014 - 15

1.2. Spendingand Investments

Investments to the education sector have been largely through the Government. While some states like Maharasthra has more open policy towards attracting investment; Kerala has largely relied on public expenditure. What is interesting is more public expenditure has not translated into better educational systems. The southern states show a trend where a healthy mix of private institutions and public schools/higher educational institutions has assisted in providing better educational systems. The Central scheme for primary education, Sarva Siksha Abhyan has been still continued across states, thought there has been significant cuts in the allocation. The allocation for the department of school education and literacy saw a decrease of 9.79 per cent over 2014-15. The government has set aside Rs42,219.5 crore for the department for 2015-16, as compared to Rs46,805 crore last year. (Indian Union Budget, 2016-17)

Figure 1: Expenditure on Education as ratio to aggregate expenditure 2014 - 2015



Source: Reserve Bank of India 2014 - 15

Table 1: State wise Budget Allocation to the Education sector

State	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (RE)	2012-13 (BE)
Andhra Pradesh	10.8	9.0	9.0	10.0	12.5	14.0	13.6
Bihar	19.7	17.6	18.5	18.1	16.3	16.6	19.5
Chhattisgarh	12.9	13.5	14.4	15.6	18.6	19.0	17.8
Goa	13.7	12.3	13.3	14.1	15.4	16.6	15.4
Gujarat	12.7	13.4	11.7	13.8	15.9	16.1	13.4
Haryana	11.9	12.9	15.0	16.3	17.3	16.6	18.3
Jharkhand	15.2	15.1	18.6	15.4	15.8	17.0	17.0
Karnataka	13.1	14.4	16.1	14.0	15.6	15.5	14.8
Kerala	17.1	15.9	16.7	16.8	17.0	17.6	17.0
Madhya Pradesh	12.4	11.1	12.8	13.0	14.2	13.3	14.8
Maharashtra	16.4	17.2	17.0	19.1	20.8	19.9	19.8
Odisha	12.8	14.3	16.9	18.2	18.3	16.9	15.7
Punjab	8.9	10.3	11.3	12.2	11.7	15.6	14.2
Rajasthan	15.6	14.6	17.9	19.0	19.1	18.0	18.5
All States	**14.0**	**13.8**	**14.3**	**15.3**	**16.6**	**16.6**	**16.5**

Source: Reserve Bank of India (RBI)

Interestingly, there has been an increase in spending on Higher Education. The government allocated Rs 26,855 crore to the department of higher education under the human resource development (HRD) ministry compared to Rs 23,700 crore in 2014-15, registering an increase of 13.31 per cent compared to 2015-16 which is at 12.9 per cent. A point to be understood is that majority of the allocation has been into the institutes of excellence, The Indian Institute of Technology (IITs) and the Indian Institute of Management (IIMs) which host the brightest minds in India. Calls for increasing academic fees have not been implemented owing to pressures from the political class when autonomy has been granted. Expansion of existing IITs, IIMs or addition of newer of such institutions has not been carried out to the fullest possible extent. Parallel to this process is the growth of strong institutions at the private sector like Ashoka University, Shiv Nadar University, Azim Premji University, Indian School of Business which have got themselves noted for providing excellent education. The way forward will be a mix of public and private institutions in a healthy competitive atmosphere. The oncoming foreign institutions will lend further quality and access to education to the aspiring students of India.

1.3. The Market for Education

With 546 million people under 25 years of age, there is potential for India in the education sector that needs to be tapped. By 2020, to increase the percentage of students going for higher education from the present 12.4percent to 30percent in the country, India will need 800 more universities and another 35,000 colleges, according to the ministry. MHRD also estimates, India's education sector needs investment worth USD150 billion in the next 10 years. The number of schools with IB (International Baccalaureate) has witnessed a nearly ten-fold increase during the last ten years (NUEPA,2014). There have been around 320 International schools offering education in India in a world market having a potential growth of USD 60 Billion by 2020. (ICEF,2013). The estimated number of international schools will expand to 11,331 while the number of students will increase to 6.2 million and the number of staff to 529,000

The proportion of population in India, in the relevant age group, that enters the world of higher education is about 7 per cent (NKC, 2014). In the last decade there have been dramatic changes in the arena of higher education with more openings up of more engineering colleges and medical colleges especially in South India. Moreover, the economic growth and market improvements helped more students to go abroad to look for their higher education requirements facilitated by the technological growth.

1.3.1. Students Abroad

International education has become big business, with perhaps 3 million students studying outside their own countries, and billions of pounds, euros and dollars being generated from tuition, living expenses, branch campuses, franchises and much else. No one knows how many branch campuses exist, but estimates are in the hundreds, almost all in developing or middle-income countries (Forbes, 2015). India is the leader in sending its students overseas for international educational exchange, with over 123,000 students studying outside the country in 2006. More than 76,000 of them have chosen the United States as their academic destination. With 10 times more college campuses than any other country in the world, the United States easily lends itself to the burgeoning international student population, which brought over $13 billion to the U.S. in 2006. While the U.K. may be a closer option, many Indian students have started to move for studies in the U.S., Australia and New Zealand. The visa restrictions compounded by the higher cost have

attributed to the changing trend. The number of Indian first-year enrolments at UK universities fell by 10 per cent, from 11,270 to 10,125.(Times Higher Education, 2016). There need to be a serious effort to addressing this decreasing trend was noted and discussionsundertaken by the UK authorities towards improving the scenario. UK has lot to offer for Indian students and strategic investments in India also need to improved through a more open regulatory environment.

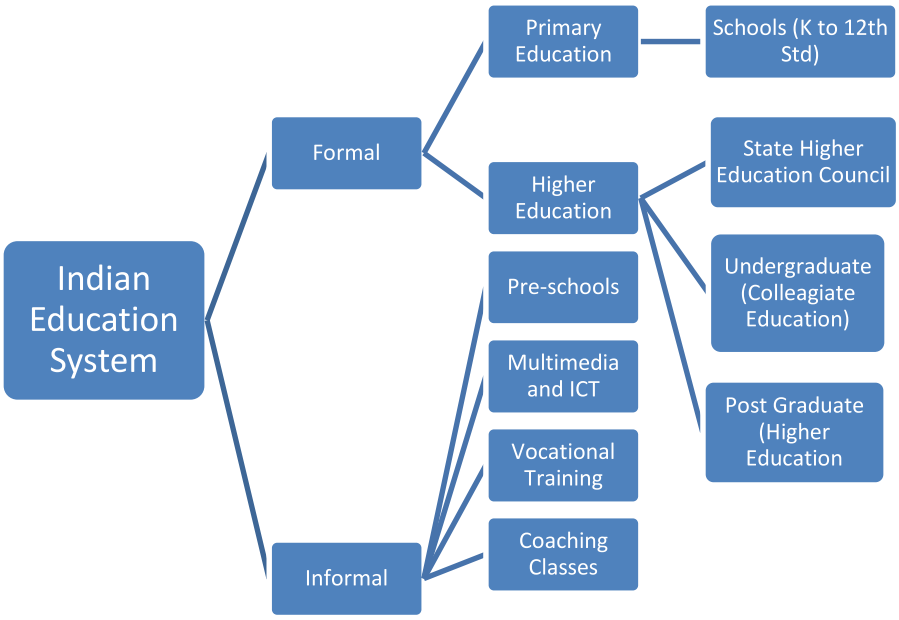
In order to meet this existing and emergent demand, there is huge need of investments in the Indian education sector posing a high potential for private players to explore the untapped market. The higher education sector in India is expected to witness a growth of 18percent per annum until 2020 (Ravi Mahajan, 2016).The private education sector is estimated at USD115 billion. Foreign Direct Investment (FDI) in the sector was increased from USD0.04 billion to USD0.26 billion in FY14 (MHRD, 2015).The number of privately funded institutions for higher education increased from approximately 43 per cent in 2000-01 to approximately 64 per cent in 2005- 06. Gross enrolment in these institutions increased during the same period from approximately 33 per cent to 52 per cent during the same period (Prakash, 2009, 3254).

The gist of the issues lies in that the Indian education sector is embedded in a restrictive regulatory environment. Although private participation is allowed in the education sector at all levels, these institutions have to function on a not-for-profit basis. This disincentivizes the private players from investing in this sector. As a result, in spite of high potential, there is low investment and low quality of education prevailing in this sector

This report aims to explain the current regulatory framework of higher education in India and highlight areas that require important policy amendments in order to encourage greater private participation and easing regulatory barriers.

2. Structure of Education in India

Figure 2: Type and number of Educational Institutions in India



Kindergarten to Plus 2: The term K-12 stands for kindergarten plus 12 years of schooling. Children enter kindergarten at age 3 and after spending two years in kindergarten, continue on to 12 years of schooling before he/she is ready for higher education. Primary Education starts from Class 1 or Level 1 till Class 12 or level 12 across the country. Through schemes like Sarva Siksha Abhiyan (SSA) government spends more than 90 percent of the on public education into primary education till 12 level education. In addition to government-run public schools, private investment in the education sector is seen traditionally in the form of not-for-profit trusts that operate private educational institutes.

Higher Education: The higher education institutions provide undergraduate, graduate and vocational level university education. India has 79 Centrally-funded institutions, which includes 15 Indian Institutes of Technology (IITs), 11 Indian Institutes of Management (IIMs) and 30 National Institutes of Technology (NITs).

Formal and non-formal education: The formal education system in India broadly comprises the K-12 and HEI level education, which falls under the purview of the Ministry of Human Resource Development (MHRD).

The non-formal education segment includes pre-schools, coaching classes, multimedia/IT to schools and colleges, vocational training and the books market. (Invest India, 2015)

The below table shows the number of higher education institutions in various categories.

Table 2: Higher Education in India

Type of Educational Institution	Number
University level institutions	544
State universities	261
State private universities	73
Central Universities	42
Deemed Universities	130
Institutions of national importance	33
Institutions established under various state legislations	5

Source: MHRD Annual Report 2014-15

With 546 million people under 25 years of age, there is potential for India in the education sector that needs to be tapped. By 2020, to increase the percentage of students going for higher education from the present 12.4 percent to 30 percent in the country, India will need 800 more universities and another 35,000 colleges, according to the ministry. MHRD also estimates, India's education sector needs investment worth USD150 billion in the next 10 years.

Total enrolment in higher education has been estimated to be 27.5 million with 15.5 million boys and 12 million girls. Girls constitute 44percent of the total enrolment. Gross Enrolment Ratio (GER)in higher education in India is 18.8percent. GERfor men is 20.8 and for women are 17.9 These figures generated by the Annual Survey of Higher Education (AISHE, 2015) indicate an increasing number of young people who continue in the education system instead of dropping out. The higher education sector, owing to its potential, holds very promising prospects. These present an ample opportunity for private and foreign sector players looking to invest in education sector and establish universities and institutions in India. The government has set an aggressive target to raise GER in higher education from the current level to 30percent by 2020 (Economic Times, January 2016).

3. Regulatory Framework

India's tightly controlled regulatory structure is considered to be the primary reason for shortage of quality education institutions. Being in the "Concurrent list", education is being governed by both Central and State government with huge variations amongst the state regulations. Some of the key bodies regulating education in India are:

Schools and Higher education institutions have to be set up as a Trust or Society, on a non-profit basis, with returns ploughed back into the institution. Trusts are required to spend 85 per cent of income streams from endowments in the same financial year.

The University Grants Commission (UGC) and the All India Council of Technical Education (AICTE) have wide powers to regulate the sector: the UGC for universities and colleges teaching general subjects, and the AICTE for technical education. Beside the AICTE, there are 14 other statutory professional councils that regulate courses related to areas in medicine, law and nursing.

The NAAC and the National Board of Accreditation (NBA) are autonomous bodies set up by UGC and AICTE, respectively that accredit institutions.

As can be seen from Figure 1; the Department of Primary Education regulates schools, government and aided. Private schools need to get NOC's from the Department to operate as per the relevant rules. For eg: Kerala Education Rules (KER, 1959); The Tamil Nadu Education Rules (1892) and Tamil Nadu Recognised Private Schools Regulation Act 1973 for private schools; the Karnataka Education Act (KEA, 1983). Table 1 provides a glimpse of the major stakeholders in the Education system comprising of Primary, Higher Secondary, Collegiate, University and Technical Education in India. With the Ministry of Human Resource and Development (MHRD) at the helm for executing various schemes of the government and managing controls over various bodies; the government has wide powers in the Education system of India.

Table 3: Stakeholders in Education Sector in India

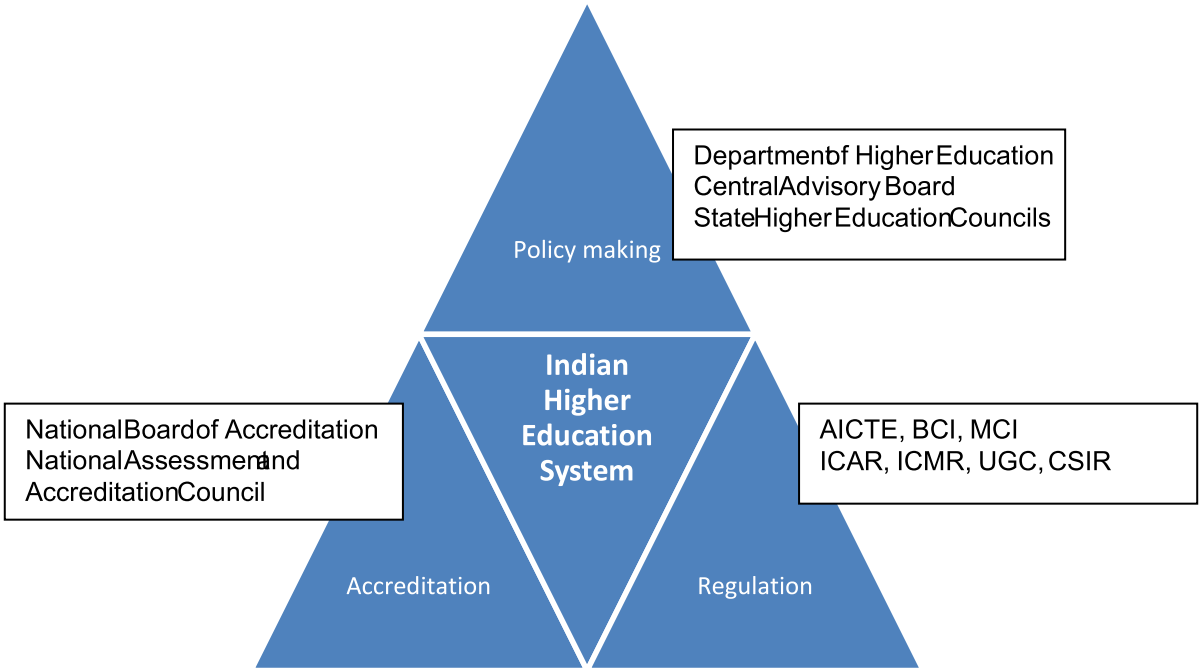
SCHOOLING	o **Ministry of Human Resource Development - MHRD** x Formulating the National Policy on Education and to ensure that it is implemented in letter and spirit x Planned development, including expanding access and improving quality of the educational institutions throughout the country, including in the regions where people do not have easy access to education. x Paying special attention to disadvantaged groups like the poor, females and the minorities x Provide financial help in the form of scholarships, loan subsidy, etc to deserving students from deprived sections of the society. x Encouraging international cooperation in the field of education, including working closely with the UNESCO and foreign governments as well as Universities, to enhance the educational opportunities in the country.	o **Central Board of Secondary Education (CBSE)** x Prescribes conditions of examinations and conduct public examinations at the end of class X and XII. x Grants qualifying certificates to successful candidates of the affiliated schools. x Prescribes and updates the courses of instructions for examinations. x Affiliates institutions for the purpose of examination and raise the academic standards of the country.
	o National Council of Educational Research and Training (NCERT) x To monitor the administration of NIE/ Regional colleges of Education. x To undertake aid, promote and co-ordinate research in all branches of education for improving school – education x To organize pre-service and in-service education programmes for teachers. x To prepare and publish study material for students and related teacher's	

	handbooks. / x To search talented students for the award of scholarship in science, Technology and social sciences. x To undertake functions assigned by the Ministry of education (Now HRD) for improving school –education. x To promote, organize and foster research in all fields of education. x To disseminate knowledge of improved educational techniques and practices; and x To conduct special studies, surveys and investigations.	
HIGHEREDUCATION	**o University Grants Commission(UGC) under Ministry of Human Resource Development - MHRD** • Promoting and coordinating university education. • Determining and maintaining standards of teaching, examination and research in universities. • Framing regulations on minimum standards of education. • Monitoring developments in the field of collegiate and university education; disbursing grants to universities and colleges. • Serving as a vital link between the Union and state governments and institutions of higher learning. • Advising the Central and State governments on the measures necessary for improvement of university education.	**o All India Council of Technical Education (AICTE)** x To ensure that the design oriented teaching is given more importance in the institutes. x To ensure that the students are given more exposure to the industrial and manufacturing process. x To ensure that the courses in the technical colleges include new technology in the syllabus. x To make the students all set for the professional world.

	o Statutory Councils x Medical Council of India (MCI) x Bar Council of India (BCI) x National Council of Teacher Education (NCTE)	**O Vocational Education and Skill Development** x National Council for Vocational Training (NCVT) x National Skill Development Corporation (NSDC)

The Figure gives a cursory view of the Higher Education system in India where government has instituted bodies to do policy making, regulation and accreditation. Some of the bodies exist at the state level since Education is in the concurrent list. States have a larger role to play in Primary education given the fact that they are entrusted to implement many of the Central schemes. The Higher Education has an interplay of Central Institutions especially UGC who sets the rule of the game while the state exercises control over the governance of Universities and Colleges under it.

Figure 3: Regulatory system of Higher Education



The Department of Collegiate Education and the Department of Higher Education regulates the Higher Education sectors in the states. The approval of colleges are done through the Collegiate Education which is processed and forwarded to the Higher Education Department who will be provide the final order and notification allowing or disallowing the setting up of educational institution in the state. In addition to this; at the state level; Higher Education Councils are floated to advise the state government on matters related to Higher Education and liasing with Central government and its institutions. The state of Tamil Nadu has setup the Tamil Nadu State Council for Higher Education (TANSCHE) in 1992, Karnataka has Karnataka State Higher Education Council (KSHEC, 2010) and Kerala State Higher Education Council (KSHEC, 2007).

Apart from the clearances from these institutions; the edupreneur/entity need to get multiple licenses for utilities, land, taxes etc. The District Educational Officer has major powers to sanction setting up of schools in the states. The report furbished by the DEO after inspection will be sent to the state department for final approval. Private schools need to get sanctions from the Central Board of Secondary Education (CBSE) and Indian Certificate of Secondary Education (ICSE) & Indian School Certificate (ISC) for following their respective curriculum frameworks.

Colleges need to get affiliations from the state universities and need to follow the process set as per the State Universities Act for the same. Private Universities are allowed to operate in the states of Karnataka (6) and Tamil Nadu (37) except Kerala (0) where discussions have been mooted by the Kerala Higher Education Council (KSHEC,2015) to allow private universities. Kerala has recently setup Kerala Technical University (KTU) to regulate and provide uniformity for Engineering Colleges in the state.

4. Key Sectoral Policies and Legislations

Government has been running different programmes for enabling education from primary to higher and technical education. The Constitutional right for free and basic education led to the enactment of Right to Education Act (RTE, 2009) has paved way for changes in the structure of primary schooling in the country. The state has been thereby providing financial support for institutions to run in the country. The Sarva Siksha Abhiyan (SSA) from primary education; the Rashtriya Madhyamik Shiksha Abhiyan (RMSA) which is largely an extension of the SSA to secondary education and the Rashtriya Uchchattar Shiksha Abhiyan (RUSA) which has been meant to provide strategic funding for State Higher Education and technical institutions . In addition to these, special schemes for Vocational Training, Specially Disabled People etc have been floated as part of the state's welfarist measure.

Over the years, private players have started playing a major role in education from K-12 to Higher Education and Technical Education. Private entities could run and operate educational institutions on a 'non-profit basis' in the lines of various judgments of the Supreme Court (*T.M.A Pai v. State of Karnataka,* 2002, *J P Unnikrishnan vs. State of Andhra Pradesh,* 1993 etc). The government has allowed 100 percent FDI in the higher education sector. However, various challenges at the operational and regulatory front have affected the flow of investments into the sector inspite of the huge market in India.

Key policy initiatives in the education sector in the recent times include the bills that are either tabled or suggested; These include:

O **Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010;** the Bill sought to regulate the entry and operation of foreign educational institutions seeking to impart higher education.

- Every foreign educational institution intending to operate in India has to be notified as a foreign educational provider by the central government on the recommendation of the Registrar (Secretary of the University Grants Commission).
- Foreign educational providers have to maintain a corpus fund of a minimum of Rs 50 crore. Upto 75 percent of any income generated from the corpus fund shall be utilized for developing its institution in India and rest should be put back in the fund.

- The central government may exempt any institution, on the advice of the Advisory Board, from conforming to the requirements of the Bill except the penalty provision and the ban on revenue repatriation.

The Bills largely focus on accountability through traditional regulatory approaches, by establishing new regulatory bodies, mandatory accreditation, dispute resolution, and penalising unfair practices including capitation fees.

o **The National Commissionfor Human Resourcesfor Health (NCHRH) Bill, 2011**; the Bill sought to establish a mechanism to determine and regulate the standard of health education in the country. The Parliamentary Committee rejected this National Commission for Human Resourcesin Health Bill.

o **The National Accreditation Regulatory Authority for Higher Educational Institutions Bill, 2010**; this Bill sought to make it mandatory for every higher educational institution (other than institutions engaged in agricultural education) to be accredited by an independent accreditation agency. The current Ministry is trying to revive the discussion on this bill which an uniform process in the country. Currently, the Universities are relying on third party agencies and foreign entities for accreditation and benchmarking quality standards.

o **The Educational Tribunals Bill, 2010**; was aimed to establish Educational Tribunals at the national and state levels to expedite adjudication of disputes in the education sector. These included disputes involving teachers and other employees of higher education and other stakeholders such as students, universities (including foreign education providers) and statutory regulatory authorities. However, the Bill got Lapsed and the disputes (especially on service matters) end up piling in courts.

o **The Prohibition of Unfair Practices in Technical Educational Institutions, Medical Educational Institutions and Universities Bill, 2010**; , this Bill sought to check malpractices in technical and medical educational institutions. It specified guidelines under which these unfair practices such as charging capitation fees, demanding donations, questionable admission processes etc could be treated as civil or criminal offences. This Bill also got Lapsed and has not been revived.

o **Universities for Research and Innovation Bill, 2012; t**he Bill which sought to allow the central government to set up Universities for Research and Innovation got lapsed. The universities were deemed to be institutions of national importance. As per the Bill the central government may declare any existing public funded university to be a university for research and innovation after an expert committee (formed by the central government) has assessed it.

o **National Academic Depository Bill, 2011**; the Bill sought to establish a national database of academic awards in electronic format, which could be verified and authenticated. The Bill makes it mandatory for every academic institution (college, university, and boards that award Class X and XII certificates) to lodge every academic award with the depository which will develop as a database. Efforts have been underway to revive the Bill and discussions are initiated at the Ministry level.

In addition to these there have been some initiatives towards polishing skill development and improving the status of education in India.

o With an objective to contribute about 30 percent to the overall target of skilling and up skilling of 500 million persons in India by 2022, the Government of India had set up National Skill Development Corporation (NSDC) in 2008. This has been done through a public-private partnership by encouraging private sector initiatives in skill development programmes and providing viability gap funding.

o The National Knowledge Commission (NKC) was an innovative initiative by the government. Setup in 2005 it was meant to be an advisory body of think tank nature to assist the Prime Minister of India, with the objective of transforming India into a knowledge society. NKC has submitted around 300 recommendations on 27 focus areas. These recommendations encompass reforming the education sector, upgrading research labs and formulating intellectual property legislation. The NKC however has not been active in its functions.

NKC has been assisting states to develop framework for action. A National Knowledge Network (NKN) is in the stage of development meant to link various research and academic institutes, encourage research and innovation. An outlay of Rs 5990 Crores has been allotted for the achieving its objectives in the next 10 years.

4.1 Private participation in Education

The 2011 Planning Commission Report "Report of the Working Group on Private Sector participation including PPP in School Education" has advocated the need for PPP in education sector. On this lines; recommendations on corporate entities sharing resources were laid out. The human resource development (HRD) ministry, encouraged companies in joining the public-private partnership (PPP) project to open 2,500 schools over the next five years. This was for the first time a strong move taken by the government, which has repeatedly said that the public sector on its own will not be able to boost the country's education sector.

Some of them includes:

- Private entities will procure the land, design, develop, operate and manage the schools. The government will offer a 25 percent infrastructure grant and the recurring cost of education for students sponsored by it.
- Under the Right to Education Act, at least 25 percent of a school's students can belong to underprivileged families and are entitled to free education. The government will pay for their schooling.
- A corporate entity would be eligible for one school for every Rs 25 crore net worth subject to interest bearing deposit of Rs 50 lakh each for up to three schools and Rs 25 lakh per school thereafter.
- An education firm already running at least one Central Board of Secondary Education (CBSE) school—from which at least two consecutive batches have graduated from class X—can qualify for three schools under the PPP project.
- A company can qualify for three schools if it has run educational institutes for five years and can deposit Rs 25 lakh for each school (Livemint, 2014).

4.2 Foreign Institutional mechanism

Public expenditure alone on education is not adequate. The private sector is required to contribute more to keep up with the growth in the education sector. There has been an increasing trend of private investment, but limited to domestic investment.

Foreign direct investment (FDI) of up to 100 per cent is allowed under the automatic route in the Education Sector since 2002. However, the sector has not benefitted from such investments due to prevailing regulations that require the entity setting up the school or college or a deemed university to be of no profit nature.The automatic route is however not available for foreign investment into a trust or a society. Any surplus funds generated in the process of running formal schools/ colleges has to be reinvested into the same school and no dividends can be distributed.

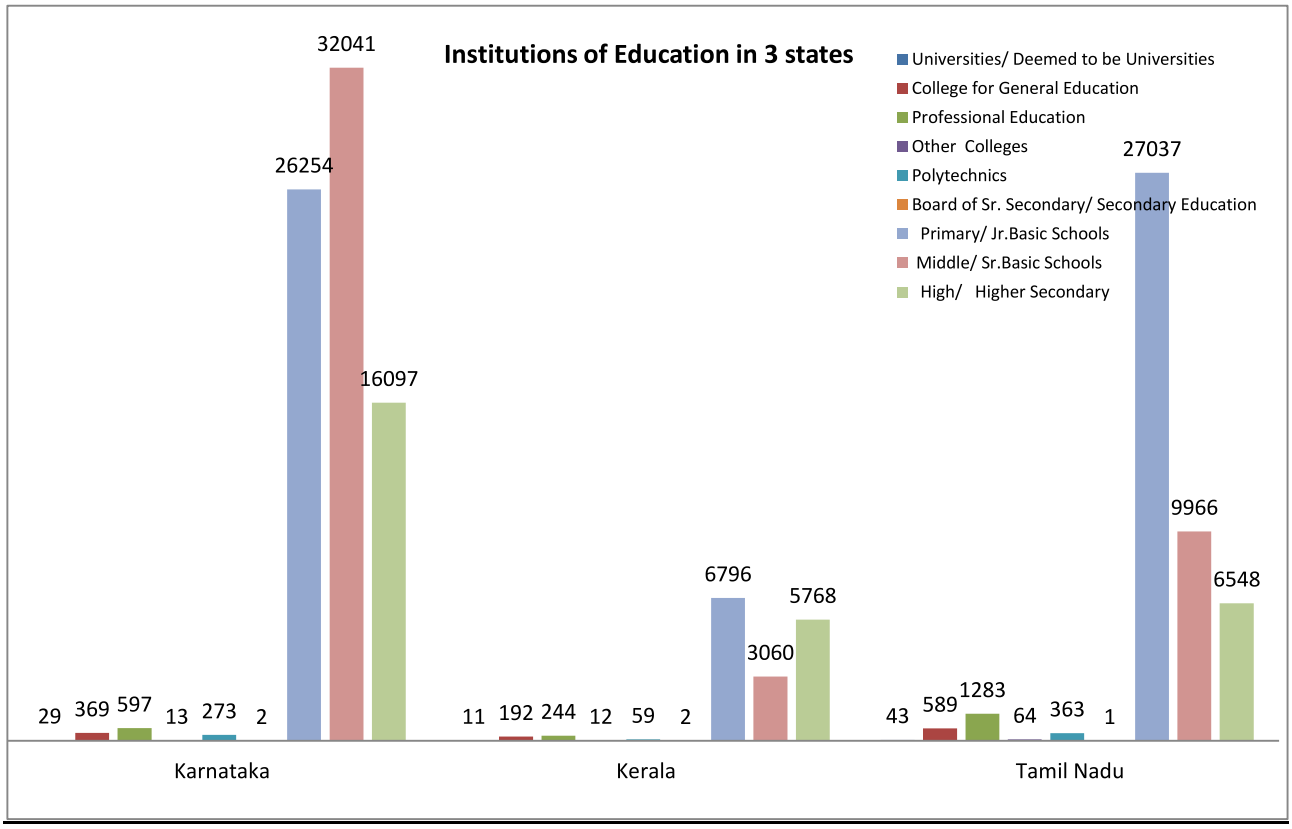
The FDI Policy of April 1, 2010 has provided the terms for foreign investment. If a company which is providing infrastructure services to the trusts/societies have foreign investment, the criteria (for eg: minimum capitalisation norms, minimum buildup area, lock-in period, etc.) need to be set out clearly.

Currently, foreign institutions are not allowed directly to operate in India though through various modes with tieups with Indian universities they can grant degrees and diplomas in collaboration. UGC has proposed Rules wherein foreign universities could set up campus in India and issue foreign degrees. This has not got the regulatory nod till now. In February 2016 10 states and Union Territories wrote to the Ministry of HRD for allowing foreign Universities to setup shop in India. The matter has been left under consideration by the Ministry. Under the proposed Rules, Foreign Educational Institutions (FEIs) can set up campuses in India once the FEIs have been declared as Foreign Education Providers (FEPs) by the UGC. The degrees awarded by these universities will be treated as foreign degrees. The entry and operation of foreign universities/institutions imparting technical education in India is regulated by the All India Council for Technical Education Regulations for Entry and Operations of Foreign Universities in India Imparting Technical Education, 2005 (Foreign Universities Regulations). These regulations apply to foreign universities/institutions providing technical education in India and even facilitate collaborations between Indian and foreign universities /institutions. Foreign Educational Institutions Regulation of Entry and Operations, (Maintenance of Quality and Prevention of Commercialization) Bill 2010 also framed rules regarding the management of such foreign universities. Since, a decision has not been made on this; the state of affairs will continue.

5 The Three State Scenario

The Education sectors in the three project areas of Kerala, Karnataka and Tamil Nadu have had a history of good institutional structures especially at the primary level. Kerala stands out for its high literacy rate with Tamil Nadu catching up through its huge public investments. Karnataka have performed better in the Higher Education scenario thanks to the booming Bangalore with Tamil Nadu leading in number of institutions . In this section, an analysis has been done to understand the potentials which the states offer. The graph below developed based on the Department of Economics and Statistics data available in three states visualizes the scenario across the three states from K-12 and Higher Education. The comparative plotted graph provides interesting insights on how the states perform in the sector. It also gives an idea on the patterns of investment.

Graph 2: Number of various Educational Institutions in Kerala, Karnataka and Tamil Nadu



5.1 Kerala

The state of Kerala boasts of a strong primary level education but has not been able to tap the Higher education market owing to different reasons. The reluctance of opening up the sector for private players has had a detrimental impact on the prospects of students of Kerala who travel to other states to pursue higher education.

A look at the primary education scenario shows that Aided schools which are funded by the government but managed by private players dominate the sector. As per 2013-14 figures, out of 12, 626 schools in Kerala, 7, 147 are in the aided sector and 860 are purely private funded.

Table 4: Student enrollment in Kerala in 2013-14

Number of students (2013-14)			
Government	**Aided**	**Unaided**	**Total**
1172867	2308468	366732	3848067

Source: Department of Education, 2013-14

The state is now witnessing an increasing trend of enrolment in private schools (under CBSE/ICSE Board) in addition to the International Schools providing global tutorials.

Table 5: Student enrollment in Private Schools in Kerala in 2013-14

Number of students in Private Schools (2013-14)				
CBSE	**ICSE**	**Kendriya Vidyalaya**	**Jawahar Navodaya**	**Total**
654075	76360	47358	6726	784519

Source: Department of Education, 2013-14

Table 6: Technical Institutions under Directorate of Technical Education 2009-2013

Year	Govt. (Arts and Science)	Private (Arts & Science)	Govt. (Engineering and Voc.)	Unaided (Engineering and Voc.)	Aided (Engineering and Voc.)
2009-10	39	150	52		9
2010-11	40	150	52		9
2011-12	40	150	52		9
2012-13	41	150	52	141	9
2013-14	48	151	-	-	-

Source: Directorate of Education, 2013-14

The Higher Education sector had witnessed a spurt in private and unaided engineering colleges in the years 2012-13 thanks to a liberal policy. The number of new government colleges has been slowly progressing with government still exercising controls over fees structure and others things related as per the directions of various Committees.

5.2 Tamil Nadu

The state of Tamil Nadu has one of the highest numbers of educational institutions in the country. As per Directorate of School Education (2013-14); there are 37797 nursery & primary schools and middle schools registered wherein 1, 54,121 teachers are employed. The number of schools is substantial in the public sector owing to the high support and investment doled out by the Government of Tamil Nadu. There are 35, 21,370 students enrolled in High School and 12, 94,635 in Higher Secondary Schools.

Table 7: Higher Education Institutions in Tamil Nadu in 2013-14

Type of Institution	*No. of Insti-tutions*	*Total*
Government Colleges	74	**56921**
University Constituent Colleges	37	**8803**
Aided Colleges	139	**113725**
Self - Financing Colleges	443	**174560**
TOTAL	**693**	**354009**

Source: Statistical Handbook of Tamil Nadu, 2014

As on 2013-14; 67 Universities offer Under Graduate and Post Graduate courses. Tamil Nadu has been able to attract many private investments into Higher Education over the years. Anna University has one of the most number of affiliated colleges in India. This can be largely linked to the Government rule of affiliation citing that all colleges (excluding Self-financing) need to affiliated to Anna University.

Table 8: Engineering and Technical Education Institutions in Tamil Nadu

Engineering Colleges and Polytechnics		*Boys Total*	*Girls Total*	*SC/ST Total*	
Engineering Colleges:-					
1.	Govt. & Govt. Aided Engg.	3468	2373	5841	**11682**
2.	Self-financing Engg. Colleges	111728	58285	170013	**340026**
3.	Anna University (Constituent	3386	3015	6401	**12802**
	Total				**364510**

Source: Statistical Handbook of Tamil Nadu, 2014

5.3 Karnataka

The higher education sector in Karnataka follows the pattern of Private University College and General Degree College. Substantial number of students pursues higher forms of education in Karnataka.

Table 9: Higher Education Institutions in Karnataka in 2013-14

Private University College				**General Degree College**		
Govt	Private aided	Private unaided	**Total**	Govt	Private	**Total**
340765	119163	486530	946458	288771	231590	520361

Source: Department of Economics and Statistics of Karnataka, 2014

The state of Karnataka has good number of medical college institutions and the existing demand is high that it requires increase in the vacant seats. As per the 2013-14 figures of the Directorate of Ayush; the state has 70 private medical institutions and 6 government run wherein 13054 and 1202 students respectively are enrolled.

Table 10: Medical Education Institutions in Karnataka in 2013-14

Medical College				
Indian system Medical colg Govt	Indian system Medical college Private (aided+unaided)	Allopathy	Dental	**Total**
1202	13054	4973	2083	**21312**

Source: Department of Economics and Statistics of Karnataka, 2014

Private colleges play a major role in providing higher education in the stream of Engineering in the state as other states. The total number of students in Engineering Colleges also includes substantial number of students from outside the state especially from Kerala. The city of Bangalore has the highest number of private and aided Engineering Colleges (82) with 33,213 students pursuing education.

Table 11: Engineering Education Institutions in Karnataka in 2013-14

Engineering		
Government	Private(aided+unaided)	**Total**
3169	73164	**76333**

Source: Directorate of Education, 2014

Interestingly, the District of Dakshina Kannada has higher literacy levels compared to Urban Bangalore while it has lesser number of schools (1130) over Bangalore (3462). The teacher-pupil ratio is far better in rural Karnataka than Urban Bangalore standing at 36:1 (DISE,2013-14). The High School Student Teacher Ratio overall stands at 23:1 compared to the Primary School Student Teacher Ratio of 27:1

6 Key Sectoral Issues

6.1 Setting up of Institution:

Setting up of an education institution is a complex process. In case of setting up a university, it needs to be legislated into existence, by Parliament or state legislature. Since Parliament does not have an enabling legislation, no private university has been established at the central level. At the state level, all states do not have their respective enabling legislation for setting a private university. The private university is required to approach the State Government and submit an application in accordance to the norms of the state private university Act or any other guideline issued by the state.

After the completion of the application process, a bill is to be established that the university is introduced in the legislative assembly. Once the bill is passed and receives the governor's ascent, the private university gets a legal existence subject to compliance of several other conditions that may be required. After establishment, the university starts accepting applications for enrolment and begins offering courses. Currently, Kerala does not allow Private Universities while a host of barriers exist in other states.

In case of setting up a college, it needs to be affiliated to an existing state University. Private Universities are not allowed to affili ate colleges. This has been an entry barrier for many private colleges who find the process of affiliation cumbersome.

Entry barriers to setting up new colleges have resulted in a complex affiliated college system within universities, where colleges are affiliated to existing public universities. In order to establish a College, there must be adequate land on which the campus may be made and necessary infrastructural facilities provided. No college/ university can come into existence without a proper campus. What is necessary is actual establishment of institutions having all the infrastructural facilities and qualified teachers to teach.

While UGCallowed deemed universities to have off-campus student centres (India Today, Feb 2016); The Supreme Court is set to go for final hearing of universities challenging the order of UGC notifying that study centres can be establish only within their territorial jurisdiction., The cost of setting up Universities have been relatively high because of the multitude of departments and state level regulations governing land, infrastructure and security. This means that the barriers to entry for a private institution to set up a national institution with multiple campusesare formidable.

There are several regulatory norms in running an institution . Opening a private institution

in India is a demanding process with a massive amount of paperwork involved. Indian Government has implemented various acts to safeguard basic amenities, sanitation, and safety of the students. As per those acts, it is mandatory for all private institutions to procure a set of licenses and documents. Failing to get any of those licenses, the school may face a threat of closure from the State Government. For eg: **Bio diversity clearance,** Bio diversity clearance is required in hilly areas if educational institutions are set up close by to such areas. Biodiversity certification offers planning authorities a streamlined biodiversity assessment process for areas marked for development at the strategic planning stage. The process identifies areas of high conservation value at a landscape scale. This helps to identify and protect such land from construction. However, this approval takes over 4 weeks to obtain. Another license is the **Building stability approval.** The Department of town and country planning (DTCP) and other similar departments in other states demands for DTCP Approval/ Building stability certificate for old/ existing buildings. This certificate is required only for new buildings as it not priorly approved. This approval is not available for buildings that are over 20 years old. This policy has been creating issues for institutions in this domain.

6.2 Regulatory body for schools/medical/ technical and arts/science colleges:

There exists multiple regulatory bodies at the state and central level overlooking the education sector. There can be just one regulatory body assessing and ranking/ grading all the institutions. Multiple regulatory bodies have different set of rules and regulations and this causes confusion. Therefore, there can be one uniform regulating body for all the institutions as this would help in clearing overlapping regulations and confusions in procedures.

6.3 Resource Sharing:

Resource sharing is the concept of multiple different institutions or different branches of a particular institution sharing the same library, placement cells, labs etc. That way the minimum land required for setting up institutions will reduce, cutting costs for the entrepreneur. However such resource sharing rarely exists between institutions. Either access to libraries have been limited to students of the same university or the process of getting approvals is cumbersome which has stifled research activities

6.4 Land requirement and Cost:

High land requirement of 3-5 acres varying from urban to rural areas is required for operating educational institution . The State Rules have varying requirements depending on the geographical location. The government should be able to provide and allocate land for institutional purposes. There are some land areas, which are dry and not fit for agriculture. The govt. can automatically convert these to industrial land instead of having individual entrepreneurs go through the process of getting the land converted, which is a tedious process. Consent certificate from neighborhood schools have been found to be unwanted given the demand for more schools.

High land requirement (3-5 acres) even for every additional campus which is very highly priced; High land cost and construction costs. High land prices and hoarding of land reserved for educational purposes for resale.

6.5 Approval Costsby AICTE:

AICTEcharges a large sum in the name of an approval fee. This has impacted the financials of educational institutions eyeing for recognition. With state specific regulatory authorities coming into picture; the norms need to be eased for the benefit of the sectoral players.

6.6 Approval for new Institutions and new courses/modules

Approval of new colleges has been under the whims and fancies of institutions like BCI, AICTE, CBSEetc. An open, transparent and accountable system need to be place for approvals. Deemed approvals have been in existence in many states which have been favouring against educational establishments and students who have enrolled. Clarity of the process and transparency need to be brought into these systems.

For approval for new course/ module of an existing institution; the process has been highly cumbersome. Academic Autonomy over curriculum has not been provided to affiliated colleges. Getting clearance from the Governing Body or the Academic Council of the Universities has been highly cumbersome. There have been instances where curriculum approval took more than 10 years. The entire procedure is repeated for the addition of every new course/ module introduced.

6.7 No of licenses

Over 30 licenses/ NOCsare required. Each takes 2-4 weeks. This often leads to corruption. They are to be separately obtained from multiple departments in order to apply to set up a

new institution. Documentation is one of the crucial tasks when you are opening an institution.

6.8 Operational cost

Even before beginning the admission process, one needs to have a complete building structure, appoint staff, power, water supply etc. This leads to high operational costs even before the institutions begin to operate.

6.9 Endowment fund:

Colleges are required to deposit a large fund with the state govt. in the future event of dissolution. High upfront cost in the initial years and High capital requirement to meet land norms, endowment fund and other such requirements have made it difficult for genuine players to enter the sector. This is further aggravated by restrictions on the source of funding –only a Society or Trust or Section 25 company can be a sponsoring body, i.e., for-profit organisations cannot finance such ventures.

6.10 Accreditation:

Limiting the accreditation powers to a few bodies is leading to delay at the cost of the institution and the students who seek quality education. Most of the bodies do not have the capacity to process numerous applications thereby resulting in large backlogs in accreditation , especially since technology has not been adopted. Quality Standards have not been emphasized or not uniform. Government initiative towards developing standards is not a right step given the complexities and the neutrality involved in the process.

6.11 Not - for - profit motive:

Not-for-profit definition for education discourages the private sector's entry into this sector which do not need government support or exemptions. In the not for profit structure, 85percent of the revenue needs to be reinvested in the sector. This removes the incentive to set up given the high operational cost especially for technical courses. Limited investments, endowments and opportunities to raise capital have affected new institutions to come up. The legal structure is very rigid for non-profits at one side while institutions tend to flout the laws.

6.12 Political Involvement and Cronyism:

High involvement of politicians in higher education industry with no willingness to change the existing structure has caused significant damage to the sector. High level of Cronyism has been reported in the education sector especially in Higher Education which has affected new investments and efficient players. In a study report conducted by CPPR (Rahul Kumar, Dhanuraj, 2014); it was found that out of the 21 (twenty one) universities in Uttar Pradesh, 7 (seven) of them had active politicians on the board which shows the problems in the process.

6.13 Exit Policy

The Exit process has been found to be too difficult given the nature of the sector. In almost all cases, the government steps to intervene in situations where the Trust or entity is not able to manage or run the institution. The entity need to give notice to the state government at least six months to a year in advance and is required to operate until the last batch of students have completed their courses.

However, states such as Tamil Nadu and Andhra Pradesh do not have the necessary legislation or an exit policy in place.

In the case of affiliated colleges, the individual institutions have the follow the norms of the specific state universities.

7 Recommendations

7.1 Allow Private Universities:

Private universities should be given the provision to set up shops with a due legislative process at the state level especially in Kerala. The concerned legislatures should proactively pass the bill allowing private universities to establish. This is specifically applicable to state of Kerala where the discussions are still on the anvil for all owing private universities.

Similarly, suitable amendments and reforms need to be put in place to allow foreign universities to start Universities in India. This will help in mitigating the current scenario where students end up going abroad.

7.2 Easing Affliation Process:

Private colleges should be allowed to affiliate not only with public universities but also with private universities. This relaxes the rules of the state and the college should adhere to the rules of individual private universities. This also helps in speeding up the process of approval as not all colleges will have to wait for a public university affiliation.

Further relaxation should be there in the norms for affiliation prescribed by various state level universities. The documentation a nd delay needs to be tackled through a more transparent and accountable process.

7.3 Building Stability Approval Certificate:

The certificate of Building Stability is mostly unwarranted. They can be demanded only for newly constructed buildings as they are not priorly approved. Municipal Building Rules shall be amended at all states to facilitate this. Since, old buildings are already approved at the time of construction and do not require a stability approval certificate at for a stipulated longer period. This could avoid annual inspections and harassment. When the certificate is issued, it shall have validity of at least 5 years.

7.4 Uniform Regulatory body for Education:

A uniform body can be brought into place overlooking the entire education sector. A single sector regulator at the central level can be brought into place to assess the quality, ranking and grading of all the new institutions.

Institutions can also be rated based on their perfo rmance on an annual basis. This would help in maintain the quality of institutions that are being brought into existence.

Institutions like UGC, AICTE etc shall be restructured and int egrated to the single

regulator. The introduction of a credible industry regulator such as TRAI (Telecom Regulatory Authority of India) for telecom, IRDAI (Insurance Regulatory and Development Authority of India) for insurance; could be a step in the right direction. Similar to College Navigator in US, setting-up of a high standard national database may further improve the transparency and assist students for taking informed decisions. This also helps in speeding up the process of approval as not all colleges will have to wait for a public university affiliation.

7.5 Land Availability for Educational institutions to be tackled:

There are some land areas, which are dry and not fit for agriculture. The govt. shall assist the eduprenuer/entity to convert these to commercial land instead of having them go through the process of getting the land conversion, which is a tedious process. Land area requirement, especially in urban areas should be reduced; as this would encourage more players to set up institutions. Flexibility in land ownership will also be an effective reform to bring about Schools/ colleges that can be set up on rental land.

7.6 Integration of Licences:

Single window system needs to be in place which integrates all the required government services to set up an institution. High investments can be routed through t he Investment bodies and the single window process in place already. For eg: KSIDC in Kerala; KSIIDC in Karnataka and Tamil Nadu Export Promotion and Industrial Guidance Bureau.

7.7 Autonomy to be provided:

Autonomy and independence shall be provided in letter and spirit. This should include autonomy in financial management, curriculum management and exam management. States like Kerala and Tamil Nadu where Autonomy has been discussed; need to open up to providing autonomy status which will enable colleges to innovate and raise the standards. The policy followed for aided colleges need to be restructured and should be incentive-based on performance. Parameters could be developed to identify, rate and improve institutions including schools and colleges. UGC restrictions on salaries have impeded colleges from attracting good talent. Since most of the college and Universities have to bank on UGC grants; institutions are constrained. The delayed payments and uniform process has thwarted efficient educational institutions. Ideally, as the case with other industries, autonomy would bring Competition among institutions that would decide the tuition fees and foster a culture of quality. Private capital is required to expand the sector and the market forces will ensure supply and support.

The taxes on profits from educational institutions can be used for further development in the sector, such as research grants or scholarship programs for underprivileged students. Voucher system in schools shall support the desired and the needy students like scholarships and endowments in higher education.

7.8 Reduce endowment amount:

Large endownment funds, along with building construction costs, approval costs etc. rise the overall operating cost. This is a very expensive affair and proves as a disincentive to set up an institution. Endownment fee can be reduced (varies from state to state).

7.9 Revisit Not-profit status:

Not for profit tag has limited the potential for growth. Technical institutions have high capital costs which cannot depend on endowments and funds. Opening up and commercializing the sector would attract large sums of investment into the sector both from domestic private and foreign investors. This would also help in increasing competition in the sector.

Apart from USA, China has allowed for For-Profit education and as per report of The Parthenon Group enrolments in higher education has grown at a rate of 15 percent against 7 percent in India. Similarly 3/4ths of Brazil students in post-secondary are enrolled at private institutions offering a decent education and taking out the burden of the government.

The Social objectives in this sector are not aligned with market incentives. At present, private investors are confined under regulations of not-for-profit model. The crony-capitalist model is under major influence of politicians and businessmen with untaxed money.

The existing cronyism of this pseudo-not-for-profit system makes the sector as an unviable and safe option for many educationists and entrepreneurs who wish to build genuine educational institutions.

7.10 Ease of Exit process:

An exit policy should be in place at the central level. Each entrepreneur should be aware of the process. Comprehensive checklists are to be provided by the government for the all required documents

8 Conclusion

The Education Sectoral analysis of India with focus on the three states has a common line of thought - the need to open up the sector. Inspite of the huge demand for quality and efficient educational service, India lacks in producing enough to support the aspirations of the students of India. The need of the hour is to ease the process of setting up and operating educational institutions, right from Kindergarten to Higher Education and Technical education. While Primary Education has witnessed major public investments; the Higher Education has brought in private investments, with strings attached. The state of the three southern States has highlighted the need for strong institutional mechanisms with a judicious and competitive mix of public and private sector. Private sector contribution has been significant in these states and has the potential to transform the educational sector in India- in terms of access and quality. The regulatory framework is currently redundant with rules which make it difficult for innovation and ideation. While autonomy has been mooted by the government, an effective framework and transfer of authority is still distant. Doing business in Education has been considered as bad word, which has limited choices for students. Allowing access to private entities and foreign players will boost competition in the sector which has few centres of excellence. CPPR believes that the recommendations mooted will assist in reforming and improving the sector for the benefit of the masses.

ANNEXURE

1. Karnataka Higher Education Scenario

Type	Number
Private University	6
Total in India	170
Deemed Universities	15
Total in India	117
Govt. Universities	25

2. Tamil Nadu Education Scenario

Type	Number	Type	Number
Deemed Universities	29	**Schools**	51777
Total in India	117	**Technical Colleges**	576
Private Universities	0	**Medical Colleges**	37
Total in India	170	**Arts/ Science Colleges**	420
Govt. Universities	13		

3. Kerala Higher Education Scenario

Type	Number
Deemed Universities	2
Total in India	117
Private Universities	0
Total in India	170
Govt. Universities	13

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