

ISAS Insights

No. 31 – Date: 16 May 2008

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Higher Education in India – Ducking the Answers

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Introduction

In 2005, the World Bank published a report on India and the knowledge economy.¹ The thrust of the World Bank report was on education's role as a fundamental enabler of the knowledge economy and the knowledge economy's requirement of a new set of skills and competencies. In a simple sense, a country's per capita national income is nothing but a measure of the average productivity of its citizens.² With ageing populations in developed countries, and even in countries like Russia and China, there has been talk of India's demographic dividend.³ That the demographic dividend argument works, is known. For East Asia, several studies suggest that between 25 to 40 percent of the East Asian miracle was due to the demographic dividend.⁴ Other than East Asia, it has worked in Japan in the 1950s, China in the 1980s and Ireland in the 1980s and the 1990s.

Several factors explain the demographic dividend.⁵ First, there is the obvious increase in working-age populations, with a reduction in dependency ratios, and the direct impact of a larger quantity of labour input. To take but one dramatic number, between 2001 and 2026, India's total population is estimated to increase by 371 million and 83 percent of the increase

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¹ *India and the Knowledge Economy, Leveraging Strengths and Opportunities*, Carl Dahlman and Anuja Utz, World Bank, Washington, 2005.

² Per capita national income is national income divided by population. More accurately, national income divided by the working-age population is a measure of average level of labour productivity.

³ "India: On the Growth Turnpike," Vijay Kelkar, 2004 K.R. Narayanan Oration, Australian National University, reprinted in Raghendra Jha edited, *The First Ten K.R. Narayanan Orations*, ANU Press, 2006; *Can India grow without Bharata?*, Shankar Acharya, Academic Foundation, 2007; "The Indian Model," Gurcharan Das, *Foreign Affairs*, July/August 2006; *India rising; a medium term perspective*, Deutsche Bank Research, May 2005; "Growing Old the Hard Way: China, Russia, India," Nicholas Eberstadt, *Policy Review*, Hoover Institution, April/May 2006; and "Dreaming with BRICs: The Path to 2050," Dominic Wilson and Roopa Purushothaman, *Global Economics Paper No. 99*, Goldman Sachs, October 2003, are some instances.

⁴ See, David E. Bloom, David Canning and Jaypee Sevilla, "Economic Growth and the Demographic Transition," *NBER Working Paper 8685*, December 2001.

⁵ The empirical and theoretical literature is reviewed in *World Economic Outlook, The Global Demographic Transition*, IMF, September 2004.

will occur in the age-group of 15-59 years.⁶ Second, the quality of the labour input can increase and this is reflected in what economists call total factor productivity (TFP) growth, measured after netting out the contribution of increased labour and capital inputs.⁷ Third, when dependency ratios decline, savings rates increase, leading to increases in investment rates and higher rates of gross domestic product (GDP) growth. Fourth, if the decline in dependency ratios is at the lower end of the age spectrum as a result of fertility declines, female work participation rates increase.

However, there is no automaticity about a demographic dividend leading to sustained high growth rates. Among other things, one requires an improvement in health and education indicators, with a shortage in required skills already being felt. Nor should one forget the regional dimension, since high absolute and relative growths in population will happen in states like Assam, Bihar, Delhi,⁸ Haryana, Madhya Pradesh, Rajasthan and Uttar Pradesh.⁹ While the *National Human Development Report*¹⁰ is now dated, it brings out these regional differences. When the education system has to adjust to tap the demographic dividend and opportunities thrown up by the knowledge economy, one must have in mind Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Uttar Pradesh, Rajasthan, Uttar Pradesh and Orissa and India's 150-odd backward districts.¹¹

The Education Report Card

In December 2006, the Planning Commission produced the Approach Paper to the 11th Five Year Plan (2007-12).¹² This has a sub-title on faster and more inclusive growth. The introductory chapter of this document states, "It is important to recognise that better health and education are the necessary pre-conditions for sustained long-term growth". There can be no quarrel with this generic statement.

Further down the chapter we have, "A key element of 11th Plan strategy should be to provide essential education and health services to those large parts of our population who are still excluded from these. Education is the critical factor that empowers participation in the growth process but our performance has been less than satisfactory, both overall and in bridging gender and other divides. Overall literacy is still less than 70 percent and rural female literacy less than 50 percent with corresponding rates even lower among the marginalised groups and minorities. While the *Sarva Shiksha Abhiyan* has expanded primary

⁶ *Population Projections for India and States 2001-2026, Report of the Technical Group on Population Projections Constituted by the National Commission on Population, Office of the Registrar General and Census Commissioner, May 2006.*

⁷ Some skepticism of TFP estimation is warranted. However, one study that contrasted India and China in two sub-periods, 1989-1995 and 1995-2003, is worth mentioning, since it found that the labour contribution to India's growth was driven more by quantity than quality. See, Dale Jorgenson and Vu Khunog, "Information Technology and the World Economy," *Scandinavian Journal of Economics*, Vol. 107, No. 4, 2005.

⁸ For Delhi, this is primarily because of in-migration.

⁹ See, *India Labour Report, A Ranking of Indian States by their Labour Ecosystem*, TeamLease and Indicus Analytics, 2006.

¹⁰ *National Human Development Report 2001*, Planning Commission, Government of India, March 2002.

¹¹ Of India's 600 districts, 100 are truly backward, by any criterion. The National Food for Work Programme had a list of 150 backward districts and the Rashtriya Sama Vikas Yojana (RSVY) increased the number to 167. The National Rural Employment Guarantee Act (NREGA) initially identified 200 backward districts, but has now been extended to all rural areas.

¹² *Towards Faster and More Inclusive Growth, An Approach to the 11th Five Year Plan*, Planning Commission, Government of India, December 2006, http://planningcommission.nic.in/plans/planrel/app11_16jan.pdf

school enrolment, it is far from providing quality education. Looking ahead, we cannot be satisfied with only universal primary education; we must move towards universal secondary education too as quickly as possible.” This is also almost generic, though question marks can be raised about success indicators like increased primary school enrolment and the degree to which *Sarva Shiksha Abhiyan* can alone obtain the credit.¹³ Still further down the chapter, we have extensions of this argument, “While both education and curative health services are available for those who can afford to pay, quality service is beyond the reach of the common people. Other privately provided services are of highly variable quality. In this situation, access to essential services can only be through public financing. In most cases, this means public provision or partnership with non-profit and civil society organisations. A major institutional challenge is that even where service providers exist, the quality of delivery is poor and those responsible for delivering the services cannot be held accountable. Unless such accountability is established and cutting edge service providers trained, it will be difficult to ensure significant improvement in delivery even if large resources are made available.”

Although this statement is about education at a very general level, some additional points have now been flagged. First, there is a question of access to the relatively poor. Second, flowing from the first argument, a case has been made for public financing, which is then equated with public provisioning, without making the jump from the one to the other at all clear. Third, an implicit argument has been made about regulation. Fourth, another implicit argument has been made about lack of accountability in public expenditure.

Let’s go back to the afore-mentioned World Bank report on India and the knowledge economy. This sets out the main issues, as perceived by the Bank, in strengthening India’s education system. Paraphrased, these issues are – (a) improving efficiency in use of public resources; (b) making the education system responsive to market needs; (c) ensuring that access doesn’t mean the crowding out of the relatively poor; (d) ensuring quality, relevance and practical skills; (e) in higher education, shifting the focus of the government from administrative management to regulation; and (f) relaxing entry barriers and accreditation systems for private players, including foreign ones. In its chapter¹⁴ on strategic initiatives for inclusive development, the Approach Paper divides the education discussion into five segments – elementary education, secondary education, technical/vocational education and skill development, higher/technical education and adult literacy. Since education is a continuum and access to higher education is a function of access to school (elementary and secondary) education, such water-tight compartmentalisation doesn’t always make sense. However, if the expression “higher education” is used, most people would interpret it as technical/vocational education and higher/technical education, probably the latter. Once one has pinned down the expression, one should ask how the World Bank’s six issues should be addressed for this sector.

If we interpret higher education as higher/technical education, to the exclusion of technical/vocational education and skill development, this is what the Approach Paper tells us. “India has a well-developed and comprehensive higher education system which has served us well thus far but is now inadequate. The extent of access it provides is limited. Only about 10 percent of the relevant age group go to universities whereas in many developing countries, the figure is between 20 and 25 percent. There is an overwhelming

¹³ As opposed to the mid-day meal scheme.

¹⁴ Chapter 4.

need to undertake major expansion to increase access to higher education. The system also suffers from a serious problem of quality. While some of our institutions of higher education have the potential to become comparable with the best in the world, the average standard is much lower. High quality institutions are finding it difficult to get quality faculty given the enormous increase in private sector opportunities for the skills most in demand.”

These are not points that are being flagged for the first time. For instance, in 2002, the S. P. Gupta Special Group¹⁵ constituted by the Planning Commission stated, “It should be noted, however, that on the average the skilled labour force at present is hardly around 6-8 percent of the total, compared to more than 60 percent in most of the developed and emerging developing countries.” In 2001, the Montek Singh Ahluwalia Task Force¹⁶, again constituted by the Planning Commission, stated, “Only five percent of the Indian labour force in this age category¹⁷ has vocational skills whereas the percentage in industrial countries is much higher, varying between 60 percent and 80 percent, except for Italy, which is 44 percent. The percentage for Korea, which has recently been categorised as an industrialised country, is exceptionally high at 96 percent. The developing countries listed have percentages which are significantly lower than the developed countries but they are still much higher than India, for example, Mexico at 28 percent and Peru at 17 percent. Differences in definition may make inter-country comparison somewhat unreliable but the level in India is clearly far too low.” However, both these quotes have more to do with vocational education.

On higher education proper, the present regulatory and control structure is a maze. Although the Ministry of Human Resource Development is involved, directly or indirectly, there are multiple layers. First, there are 20 central universities, funded by the centre and, therefore, under direct central control.¹⁸ Second, there are 109 deemed universities under the University Grants Commission (UGC) Act, five institutions established under state legislation and 13 institutes of national importance established under central legislation. Till 1976-77, higher education was in the State List of the Seventh Schedule. The 1976-77 amendment moved it to the Concurrent List. Third, in addition to central universities and deemed universities, there therefore exist 222 state universities and colleges,¹⁹ with the coordination function supposed to be exercised by UGC and the Central Advisory Board of Education. There are 18,064 colleges, including 1,902 women’s colleges. Fourth, some universities are affiliating, others are unitary. Some are single campus, others are multi-campus.²⁰ Fifth, several forms of professional education are regulated by statutory councils like All India Council for Technical Education (AICTE), Distance Education Council, Indian Council for Agriculture Research, Bar Council of India, National Council for Teacher Education, Rehabilitation Council of India, Medical Council of India, Pharmacy Council of India, Indian Nursing Council, Dentist Council of India, Central Council of Homeopathy and Central Council of Indian Medicine. This creates multiplicity and confusion, the artificial distinction between diplomas and degrees in the same subject and for the same duration being a case in point.

¹⁵ *Report of the Special Group on Targeting Ten Million Employment Opportunities per year over the Tenth Plan Period*, Planning Commission, May 2002, http://planningcommission.nic.in/aboutus/committee/tsk_sg10m.pdf

¹⁶ *Report of the Task Force on Employment Opportunities*, Planning Commission, July 2001, http://planningcommission.nic.in/aboutus/taskforce/tk_empopp.pdf

¹⁷ 20-24 age-group.

¹⁸ These figures are from the Ministry of Human Resource Development’s *Annual Report for 2006-07*, <http://www.education.nic.in/AR/AR0607-en.pdf>

¹⁹ 138 colleges are now autonomous.

²⁰ This problem also renders cross-country figures on higher education institutes somewhat misleading.

On the base that existed at the time of independence, the numbers, including those on student enrollment and number of teachers, represent an impressive increase. But a few uncomfortable questions need to be asked. How many of these institutes of higher education are of requisite quality? Even if one ignores international rankings of universities and colleges,²¹ which can be subjective and, therefore, exhibit different rankings across different surveys, why is it that most of India's universities and colleges have excess and underutilised capacity while only a few have excess demand? Why is it that a large number of Indian students head abroad, and not just to the United States? Incidentally, this exit option is only available to the relatively richer segments of society. Why has there been a decline in the number of overseas students who come to India to study? Through the World Trade Organization, there are no commitments right now in higher education. However, eventually, higher education is bound to be opened up. Are Indian institutes equipped to handle that eventual challenge and have the supply-side changes occurred? Why are legitimate and better foreign universities not allowed to operate in India while lesser known ones function through a grey area in the law? Why are Indian institutions of higher education more interested in setting up shop overseas (the Middle East, Southeast Asia and even China) than in India?

The Policy Dead End

One looks to the Planning Commission to provide answers to these uncomfortable questions and address policy issues. Yet, if one reads the Approach Paper, all that one finds is concern over regional divides. The clichéd answer is that more colleges and universities must be set up, presumably through public resources. There must be reservation of seats for deprived segments (identified through collective identities like caste instead of individual identities like class) in institutions of higher education. This is in line with the standard prescription that public expenditure on education, including higher education, must be increased, a point that is also made by the National Common Minimum Programme (NCMP). The NCMP states that public expenditure on education must be increased to six percent of GDP, a target that was originally articulated in the National Policy on Education (1986). Since half of this is to be spent on primary and secondary education, the remainder will be spent on other forms of education, including higher education.²²

Before elaborating on these points, let us turn to the National Knowledge Commission (NKC), which elaborates on policy issues much more cogently than the Planning Commission does. The NKC prepared a note on higher education.²³ Part of this note is devoted to a description of the present malaise, which it is unnecessary to reiterate. On the philosophy behind concrete policy changes, we have, "We recognise that a meaningful reform of the higher education system, with a long-term perspective is both complex and difficult. Yet, it is imperative. And we would suggest the following building blocks in this endeavour. First, it is essential to reform existing public universities and undergraduate colleges. Second, it is necessary to overhaul the entire regulatory structure governing higher education. Third, every possible source of financing investment in higher education needs to be explored. Fourth, it is important to think about pro-active strategies for enhancement of quality in higher education. Fifth, the time has come to create new institutions in the form of national universities that would become role models as centres of academic excellence. Sixth,

²¹ Rarely do institutions other than the IITs and some business schools perform well in such cross-country rankings.

²² Public expenditure on higher education is around 0.7 percent of GDP now.

²³ *Note on Higher Education*, National Knowledge Commission, 29th November 2006, <http://www.knowledgecommission.gov.in/downloads/recommendations/HigherEducationNote.pdf>

the higher education system must be so designed that it provides access to marginalised and excluded groups.” Amplifying further, there are recommendations about the number and size of universities (1,500 by 2015), curriculum, examinations, research, faculty, finances,²⁴ infrastructure, governance, the system of affiliation of colleges, regulation, incentives and access.

Of these, the section on regulation also deserves a quote, “There is a clear need to establish an Independent Regulatory Authority for Higher Education (IRAHE). Such a regulatory authority is both necessary and desirable. It is necessary for two important reasons. First, in India, it requires an Act of Legislature of Parliament to set up a university. The deemed university route is much too difficult for new institutions. Entry through legislation alone, as at present, is a formidable barrier. The consequence is a steady increase in the average size of existing universities with a steady deterioration in their quality. The absence of competition only compounds problems. Second, as we seek to expand the higher education system, entry norms will be needed for private institutions and public-private partnerships....The present regulatory system in higher education is flawed in many respects. The barriers to entry are too high. The system of authorising entry is cumbersome. And there are extensive rules after entry, as the UGC seeks to regulate almost every aspect of an institution from fees to curriculum. The system is also based on patently irrational principles....In higher education, regulators perform five functions: (1) Entry: licence to grant degrees; (2) Accreditation: quality benchmarking; (3) Disbursement of public funds; (4) Access: fees or affirmative action; and (5) Licence: to practice profession. India is perhaps the only country in the world where regulation in four of the five functions is carried out by one entity, that is, the UGC. The purpose of creating an IRAHE is to separate these functions.”

To this, let’s add a quote on financing of higher education, “There is no system of higher education in the world that is not based upon significant public outlays. And government financing will remain the cornerstone of any strategy to improve our system of higher education. The present support for higher education, at 0.7 percent of GDP, is simply not adequate. In fact, over the past decade, in real terms, there has been a significant decline in the resources allocated for higher education, in the aggregate as also per student. In an ideal world, government support for higher education should be at least 1.5 percent, if not two percent of GDP, from a total of six percent of GDP for education... The time has come to rethink, as we have no choice but to rationalise fees. It is for universities to decide the level of fees but, as a norm, fees should meet at least 20 percent of the total expenditure in universities.... In three professions – engineering, medicine and management – there has been a *de facto* privatisation of education so that two-thirds to three-fourths of the seats are in private institutions. But private investment in university education, where more than 70 percent of our students study, is almost negligible. It is essential to stimulate private investment in higher education as a means of extending educational opportunities. We must recognise that, even with the best will in the world, government financing cannot be enough to support the massive expansion in opportunities for higher education on a scale that is now essential.”

Barring one area, these quotes raise the fundamental policy questions. The only area where the NKC ducks is on the question of allowing profit-making institutions of higher education. Let’s restate the issues differently. First, contrary to what is sometimes felt, education, and

²⁴ “In general, about 75 percent of maintenance expenditure is on salaries and pensions. Of the remaining 25 percent, at least 15 percent is absorbed by pre-emptive claims such as rents, electricity, telephones and examinations.”

certainly higher education, is not a public good.²⁵ Second, the message of the post-1991 reforms has been on ensuring competition and entry as drivers for better quality and choice. If that has worked for other areas, why should higher education be different? The present regulatory system is not one designed for regulation, but for licensing and control, a phenomenon that has been discarded everywhere else. There is already *de facto* privatisation, not just in the three areas mentioned by the NKC but elsewhere too. Third, there is no reason why higher user charges should not be imposed, with actual user charges today typically lower for higher education than for school education. Fourth, cross-country evidence does not suggest that privatisation leads to crowding out of the relatively poor, since systems of scholarships and loans do exist. However, to the extent that such crowding out is a problem, no one argues against government financing through scholarships and loans. The argument is against the present inefficient system of public expenditure through salaries and pensions, so that colleges and universities do not face hard budget constraints that would have compelled them to reform. Public subsidies are perfectly in harmony with principles of choice, provided the subsidies are targeted towards those who actually need them, that is, students. It is because there is lack of clarity on these policies that courts have often stepped in, interpreting the law as it stands today, rather than creating it.²⁶ Whichever way one looks at it, higher education reform must begin with a complete revamping and replacement of the Department of Higher Education in the Ministry of Human Resource and Development, the UGC and AICTE.

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²⁵ In terms of the classic definition of a public good used by economists.

²⁶ For a brief review of this court intervention, see Devesh Kapur and Pratap Bhanu Mehta, “Higher Education”, in *The Oxford Companion to Economics in India*, edited by Kaushik Basu, Oxford University Press, 2007. Also see, “Higher Education: Regulation and Control”, Bibek Debroy, in the same volume.