

# Addressing the trilemma of higher education

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THERE is little disagreement that India needs to do much more in higher education – expand overall numbers, enhance access, and improve quality. But this consensus becomes much more contentious when it comes to addressing the fundamental trilemma: how to reconcile scale (or size), costs and quality. Notwithstanding intention and rhetoric, the policy-maker only has autonomy to choose two of the three goals. Choose any of the two and the third gets automatically fixed: if you want to keep a check on costs and improve quality then you cannot expand coverage rapidly; if, on the other hand, you want to expand coverage and control costs then quality will suffer. And if you want to expand coverage and improve quality, costs will balloon leading to the prosaic but critical question: who pays? While all governments face this trilemma, it is more acute in India's case because of the rapid expansion in coverage and

the existing low quality of higher education in the country.

While for the most part the UPA government appeared to have been somnolent in the last year, the HRD ministry was a veritable beehive of activity – whether measured by travels, meetings, announcements, introduction of legislative bills, and even controversy. At least at the level of intent, the HRD ministry has not been as expressly politically partisan as was the case under Murli Manohar Joshi in the NDA government and Arjun Singh in UPA-I. It is clearly attempting to address the trilemma of higher education. But what has it attempted to do and how well is it succeeding?

Four factors are driving the rapid expansion of Indian higher education. The first is simply demographic. With more than 30% of the population below the age of 15 and more than five million people entering the 15-24 age group annually, the

demographic momentum alone is huge. Second, this demographic education bulge will be more prepared for higher education. The explosive growth of primary education, partly boosted by Sarva Shiksha Abhiyan and partly by private education, has been moving downstream to the secondary level.

The Rashtriya Madhyamik Shiksha Abhiyan, launched in March 2009 with a commitment of Rs 20,000 crore during the 11th Plan, will create greater opportunities at the secondary education level, and together with private schools result in a substantial increase in India's secondary school cohort. Third, the sheer growth of the Indian economy is sharply raising the demand for people with knowledge and skills. And finally, demand for higher education is being driven by major changes in the aspirations of the Indian population.

The supply response is taking place at different levels. The first is rapid expansion of private colleges, largely affiliated with state level universities, especially in professional education. The second is the efforts of the central government to expand the supply of national level higher education institutions. Two bills introduced in Parliament in 2010 – The Institutes of Technology Bill, and The National Institutes of Technology (Amendment) Bill – sought to increase the supply of institutes of national importance. The former added eight new IITs (plus IT-BHU to be converted to an IIT) while the latter added five new Indian Institutes of Science Education and Research (IISER) as institutions of national importance.

The central government also introduced a scheme to set up model colleges in 374 educationally backward districts, whose Gross Enrolment Ratio for higher education was

less than the national average. The central government would bear 1/3rd of the capital investment (or 1/2 in respect of special category states). However, at the end of 2010, most states had not sent in a single proposal.

Another legislation to address the supply shortages was The Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010. Currently foreign universities collaborate with Indian partners through various mechanisms but are not allowed to directly offer their own degree programmes in India. By one estimate, at the beginning of 2010, around 140 Indian institutions and 156 foreign education providers were engaged in 225 academic collaborations. The highest number of collaborations was in management and business administration (about a quarter), followed by engineering (22%) and hotel management (20%). The foreign collaborations are largely with non-affiliated private institutions, concentrated in Maharashtra and Delhi, followed by Tamil Nadu, with the providers largely from the UK and US.<sup>1</sup>

The bill has generated heated debate, much of it *sui generis*. High costs and therefore fees alone would ensure that foreign providers would only occupy niche markets. Those who are convinced that it would limit access and lead to commercialization seem to forget that when Indians go abroad to study, it is also an access issue but somehow that's deemed to be fine. And as for commercialization, it is hard to think of how foreign institutions would do worse than what thousands of private Indian institutions are brazenly doing. The bill lacks clarity on the degree of autonomy the

1. Kalpana Pathak, 'It's "Destination India" For Top Global Schools', *Business Standard*, 25 February 2010.

foreign institutions would enjoy and how that would differ from what private Indian institutions are subject to. The more they are exempt from the plethora of laws their Indian counterparts are subject to, the more uneven the playing field. But if they get little autonomy, the less inclined they will be to enter India, rendering the entire effort moot.

The Foreign Universities Bill should be understood not only in the context of Indian students going abroad – and spending billions of dollars there – but also the tendency of Indian philanthropy to give munificent contributions to universities abroad (such as the Tatas' \$50 million donation to Harvard Business School, Anand Mahindra's \$10 million gift to the Harvard Humanities Centre, perhaps on the principle that the richest university in the world was not rich enough). While there has been an increase in Indian corporate philanthropy for higher education (notable examples include the Azim Premji University and the Shiv Nadar University), it is still minor, both because of the weak culture of philanthropy and a government regulatory system that does little to encourage it.

While there has been a huge influx of private higher education institutions, few impart skills and training of any quality. The supply of higher quality skills and training by private providers is occurring not within private colleges but rather within firms. For Indian IT services, training is a crucial element as they hire graduates and engineers fresh out of college in large numbers; almost two-thirds of who require training. The average training costs of a new recruit is about Rs 1.5 lakh, spread over three to four months. A Nasscom-Evalueserve analysis shows that, on average, IT-ITeS companies spend \$1.2 billion on train-

ing with the top five Tier-1 vendors spending nearly \$450 million (around Rs 2,080 crore) to train around 130,000 engineers hired in 2008-09. India's largest IT services like TCS and Infosys have set up campuses investing more than any single investment by the Indian government in an institution of higher learning.

According to media reports, a study prepared by the National University of Educational Planning and Administration (NUEPA) suggests that if the government's target of increasing the enrolment rate from the current 14% to 30% by 2020 (or from 2.06 crore to an estimated 4.15 crore students), with about one-third in technical and professional education and the rest in general higher education were to be realized, it would have to invest around five lakh crore rupees – about five times current expenditures. This assumes that just 20% of the expansion in technical education and 50% in general higher education would be in the government sector while the remaining 80% in technical education and 50% in general education would be done by private players.

Clearly the bulk of the expansion will be done through private initiatives, which means that students will have to self-finance. This trend had been foreseen a decade earlier when bank loans for education started being made available and a New Education Loan Scheme was formulated. In 2004-05, a set of more liberal rules gave such loans a further boost, making it possible to borrow up to Rs 10 lakh for domestic education and Rs 20 lakh for studying in foreign colleges.

From barely a few hundred crore at the beginning of the decade, the educational loan portfolio shot up to about Rs 40,000 crore in 2010 and about two million accounts (average loan size was two lakh rupees). Accord-

ing to RBI estimates, the education loan portfolio of banks is growing at around five times the rate of growth of the economy, and is projected to be around Rs 140,000 crore by the 2015.<sup>2</sup> This massive increase has been accompanied by mounting non-performing assets (NPAs) in education loans which have risen steadily (above 2% of the educational loan portfolio, as on 31 March 2010). About two-fifths of the NPAs in education loans are in the four southern states, which have the highest number of private colleges and universities, mostly offering professional courses. Banks cannot ask for any collateral for loans up to four lakh rupees, which is where the problem seems to be growing. This has led banks to approach the government, seeking protection in the form of a credit guarantee fund of Rs 2,500 crore.

Several factors have led to the explosion in education loans. On the demand side there has been a sharp increase in the cost of higher education, both due to the expansion of private higher education institutions but also increases in costs of elite public sector institutions (like the IIMs). Second, on the supply side, banks see education loans as a growth sector with good returns and a relative safe bet. Initially, banks only provided funds for overseas education. Then they began funding students studying in reputed Indian institutions. Gradually they expanded to funding students attending second-tier institutions and slowly even lower quality colleges, as competition increased. Most recently, they have tied up directly with institutes to have a guaranteed clientele.

As with many aspects of higher education, decisions by courts are

2. Dr. K.C. Chakrabarty, Dy. Governor, RBI, 'GenNext Banking: Issues and Perspectives', 11 December 2009.

adding further complications. In a curious decision, the Madras High Court ruled that nationalized banks cannot deny education loans to students obtaining less marks on the grounds that since the government has prescribed only 35% for admission to SC/ST students, the bank could not insist on higher cut-off (in this case 45%) for the loan as a higher marks cut-off for loans would defeat the very purpose of the educational loan.

The UPA's Common Minimum Programme in 2004 and the Congress manifesto in 2009 had promised an interest subsidy scheme, which was put into place after the coalition returned to power. Under the scheme the government would pay the interest on education loans for professional courses during the course of study along with a moratorium period for families with annual income less than Rs 4.5 lakh. But the education loan interest subsidy programme failed to take off with virtually no reimbursement claim from the member scheduled banks. This has led to the HRD ministry asking state governments to share with the Centre the financial burden of starting a new agency – the proposed National Education Finance Corporation (NEFC) – that will offer soft loans to new education institutions and students. The NEFC will primarily refinance the banks which give education related loans, guaranteeing 75% of the defaults for loans made to weaker sections, 50% of the defaults on loans between Rs 4.5-12.00 lakh, while there would be no guarantee on loans above Rs 12 lakh.<sup>3</sup>

There is much to commend in this proposal but unless the education institution itself does not bear a fraction of the loan default, this could well

3. Minutes of the State Education Ministers Conference held on 18 June 2010.

become a transfer of public resources to politically well-connected people who run most of these 'diploma mills'.

Much of the year's legislative activity focused on attempts to improve the quality of Indian higher education through better regulation. These included the Prohibition of Unfair Practices in Technical Education Bill, Medical Education and Universities Bill, Education Tribunals Bill, the National Accreditation Regulatory Authority Bill, and National Academy Depository Bill, 2010. Some of these bills were held up after criticism from Congress members of the standing committee that the reforms were being rushed without proper consultations with relevant stakeholders like states and educational institutions. But it is likely that they will pass in the near future.

Presently, higher educational institutions are accredited by the National Assessment and Accreditation Council and the National Board of Accreditation, autonomous bodies set up by the University Grants Commission (UGC) and the All India Council of Technical Education (AICTE), respectively. Accreditation is voluntary with about one-fifth of the colleges and less than one-third of all universities being accredited. An important driver in the decision to separate the National Board of Accreditation from the AICTE was to meet the requirements of the Washington Accord, an international agreement for recognizing engineering degrees of signatory countries which requires the accreditation body to be separated from the agency giving approval to engineering institutions.

The proposed National Accreditation Regulatory Authority for Higher Educational Institutions would register and monitor accreditation agencies, which would be non-profit

government organizations controlled by the central or state government, and would make accreditation of all institutions and programmes mandatory, based on a specified procedure and fees.

Another bill – the Prohibition of Unfair Practices in Technical Educational Institutions, Medical Educational Institutions and University Bill, 2010 – aims to protect the interests of students by checking malpractices in technical and medical educational institutions. It specifies guidelines under which these unfair practices such as charging capitation fees, demanding donations, publishing false advertisements, questionable admission processes, and so on, could be treated as civil or criminal offences. The bill makes it mandatory for every institution to maintain records of the selection process and publish a prospectus at least 60 days prior to admission with information about fees, conditions of eligibility, process of admission and details of faculty. As with many other aspects of regulation in India, the intentions are strong but enforcement is another matter.

The National Academic Depository Bill, 2010 is a creative attempt to put into place an institutional mechanism for secure storage, authenticated access, on-line verification and efficient retrieval while ensuring confidentiality, for degrees. Its function will be akin to the creation of National Securities Depository Limited (NSDL) in 1996 which created a national infrastructure handling most of the securities held and settled in de-materialised form in the Indian capital market and eliminating the many headaches with the prior paper-based settlement of trades.

Similarly NADA should hopefully reduce current problems with degrees getting lost. The depository

would enter into an agreement with all higher education institutions so that all their degrees will be given to the depository in demat forms which would keep them on record. The idea is that each student would have an identification number (over time through the UID) so that when s/he graduates it will be part of the dematted award/certificate/degree which s/he receives. If s/he has taken a loan, that can also be imprinted on the dematted certificate so that the employer would know if the student has an outstanding loan.

However, the key policy concern during the year was clearly the reform of the regulatory structure of higher education whose failures have been amply demonstrated. Senior officials of AICTE (including its chairman) were suspended by the government in this connection after corruption cases were registered against them by the CBI for clearing ill-equipped private engineering institutes in return for bribes. The arrest of the chairman of the Medical Council of India (MCI) on charges of massive corruption involving crores of rupees eventually led to the subsequent dissolution of its executive council, the top decision-making body, through a presidential ordinance and a new bill to create a new regulator. The chairman of the National Council for Teacher Education (NCTE), the central body that monitors teachers' education and BED courses was indicted for clearing private institutes lacking basic facilities.

But perhaps the most damage has been caused by the failure of the principal regulator, the UGC. Take the case of deemed universities. Out of 130 deemed universities in the country, more than 60 have come up in the past five years. A government committee set up in 2009 (chaired by Prof. P.N. Tandon) to review the func-

tioning and academic standards of the institutions found 44 institutions unfit for the status and another 44 deficient on several counts, including 13 public universities and 31 private. The latter included two deemed universities run by Tripura Governor D. Y. Patil's family, another run by the family of Congress MP Datta Meghe, and one run by Maharashtra minister Patangrao Kadam's family.

Unsurprisingly, nearly half of these had links to politicians linked to constituent parties of the UPA government. However the UGC, which had granted them the status in the first place, decided to keep these cases 'in abeyance', which means that the institutions will keep the deemed tag by default. As for the 44 institutions found unfit by the review panel, they obtained a stay order from the Supreme Court, whose own role in adding to the mess in Indian higher education is not inconsiderable.

The policy response of the government – and the most controversial of the legislation introduced by the government – was based on the recommendations of the Task Force on National Commission for Higher Education and Research (in turn drawing on the work of Yash Pal Committee). While several of its main recommendations were laudable – the restoration of academic freedom and institutional autonomy of universities and institutions of higher learning; reversing trends of fragmented and compartmentalized approach to knowledge; and encouraging research through a network of research centres within and outside government – its approach on regulation has drawn much controversy. Arguing that a multiplicity of regulators to regulate different sectors of higher education have caused problems, not only for universities but also in the manage-

ment and coordination of education as a whole, the task force recommended one apex body at the national level (perhaps extending to medical and agricultural education as well), a National Commission for Higher Education and Research (NCHER).

The defence for the NCHER is that it would be a policy planning and goal-setting body rather than a regulatory body and function through sectoral committees for different sectors of education. It would have a General Council, representing states and other concerned stakeholders and will give inputs for policy planning. In principle, the new structure would separate the regulatory functions, service functions and resource (financial) allocation functions relating to universities with the first (regulatory) function devolved to universities.

There are many questions about the bill that are unclear. Would the role of a proposed council be limited to policy-making – and would it be binding? While the AICTE accreditation functions would be handed to an accrediting authority under the National Accreditation Act, what role would the UGC play? Perhaps the most worrisome aspect of the Bill is that it does not really address why the weaknesses in the multiple existing regulators would not be repeated in the new institution. And if there is confidence that the design of the NCHER would ensure regulatory integrity, why not replicate the design in existing regulators? Would it not be better to diversify risk rather than concentrate it, especially because higher education itself is so diverse?

Indeed the inability to regulate at the college/university level means that the onus of regulation should shift from an input-based model to an output-based one. The creation of an all-India Bar examination conducted by

the Bar Council of India is a laudable step in this direction, the first time that a profession in India (other than the exams of ICAI and ICWAI) has shifted to an output-based model of quality control. By creating a check for eligibility rather than expertise, it emphasizes that students who graduate from law schools must possess a certain degree of legal knowledge and hence it should result in the long-term improvement of law schools throughout India. Of course, much will depend on the design and passing grade for this exam, but at least it is a first attempt to create a common set of standards across the country in this profession.<sup>4</sup>

An equally important, if not fundamental, weakness of the regulatory reforms is the absence of any serious attempt to grapple with the internal governance weaknesses of universities. The alacrity with which the ruling NCP-Congress alliance in Maharashtra endorsed the Shiv Sena's stand that Rohinton Mistry's book (*Such A Long Journey*) should be removed in the middle of the term, at the behest of aspiring politician Aditya Thackeray, speaks volumes of the governance afflictions of state level universities. That the Vice Chancellor issued a notification of the ban almost instantaneously is not surprising. His appointment itself was highly questionable given an embarrassingly weak academic record, but he appeared to have the one unassailable qualification: alleged proximity to the head of the NCP. The Congress party which trumpets its liberal, secular image made sure that these attributes were well-hidden and the regulatory authorities in Delhi, especially the UGC, determinedly stuck to the adage that

4. Madhav Khosla, 'Testing India's Lawyers', *India in Transition*, 16 August 2010.

discretion is the better part of valour, taking no action.

To take another example. A recent vigilance probe of Rayalaseema University found that it handed out 2,660 PhD degrees in two years and earned three crore rupees. The ‘doctorate shop’ awarded PhDs in fields not even taught at the university.<sup>5</sup> Apparently the 23 universities in A.P. have given nearly 38,000 PhD admissions since 2008, of which almost 12,000 have received a PhD. Almost half of these universities came up after 2004, when Y.S. Rajasekhara Reddy came to power. They were given Rs 2.5 crore each in the first year and allocated Rs 4.5 crore a year later, but fiscal bankruptcy resulting from egregious fiscal populism meant the funds did not come through. Like police stations in Indian that use bribe money to pay for police expenses, funds from imaginative MPhil and PhD programmes are being used ‘towards payment of salaries, building hostels, library and also compound wall of the new university campus.’

Clearly, both internal and external governance checks on universities are not working. A key feature of the institutional design of all central universities is to have the President of India as Visitor and for state universities, the Governor of the state concerned (first enshrined in the Model Act Committee of the Government of India, 1964). The Visitor’s role was meant to exercise the powers of enquiring into the affairs of the university but used in exceptional cases. In the case of central universities, the

President of India as their Visitor is meant to act on the advice of the Union Cabinet, implying that ‘in all decisions taken by the Visitor, the government at the Centre plays the crucial role.’<sup>6</sup> In addition, the Board of Governors of central higher education institutions comprises ex-officio a host of Secretaries, Chairman UGC and so on, but not alumni.

There are several problems with this governance model. First, the sheer expansion of the system has meant that ex-officio status simply leads to more attention span deficits. Indeed, if they actually attend all the governing council meetings of the many institutions that they are supposed to supervise, they would have little time for anything else. There is almost a pathological compulsion to genuflect to high level government functionaries without regard to their suitability, the extremely pressing time constraints faced by people holding those positions, or even possible conflicts of interest.

The President of India has many functions, many of them ceremonial. Asking her to be the Visitor for a couple of universities is one thing. But when 14 new central universities are created and she is their ex-officio Visitor, suddenly it’s a different ball game. Quite obviously these functions will then get effectively delegated to lower level bureaucrats, undermining the autonomy of the university from the bureaucracy. Second, it is hardly a state secret that the quality of politicians who now find their way as Governors or even as Presidents is long way from when these policies were put into place nearly half-century ago.

*Quis custodiet ipsos custodiet* or ‘Who guards the guardians?’ And in that question the governance problems of Indian higher education, and indeed the country itself, are self-evident.

5. G.S. Radhakrishnan, ‘Doctorate “Shop” Tag on Andhra Varsity’, *The Telegraph*, 30 November 2010.

6. Report of the UGC Committee ‘Towards New Educational Management’, 1990. See the discussion on ‘Visitor, Chancellor, Vice-chancellor and other Officers.’