

Education in India: an update

India has one of the largest education systems in the world. The Indian education system is divided into two major segments: core and non-core businesses. The core group consists of schools and higher education, while the non-core business focuses on segments such as pre-schools, vocational training and coaching classes. According to the report 'Emerging Opportunities for Private and Foreign Participants in Higher Education' released by PricewaterhouseCoopers (PwC), the education sector in India is one of the thrust areas for investments as the entire education system is undergoing a process of overhaul.

The education sector, with an estimated size of US\$ 25 billion, entails three goals of expansion, inclusion and quality, to be accepted as one of the best on international canvas. According to the report, the government has set a target to achieve 21 per cent of gross enrolment ratio (GER) by the end of the Twelfth five year plan (2012-2017).

Consulting firm Technopak is more bullish about the growth of the sector and estimates that private education sector itself would grow to US\$ 70 billion by 2013 and US\$ 115 billion by 2018. Technopak sees enrollments in K-12 growing to 351 million, requiring an additional 34 million seats by 2018. This equals US\$ 80 billion at US\$ 2400 a seat.

SECTOR FACTS

- FDI inflows in the education sector during the period April 2000 to September 2011 stood at US\$ 448.97 million, according to the Department of Industrial Policy and Promotion (DIPP)
- According to the 2011 census, the total literacy rate in India is 74.04 per cent. The female literacy rate is 65.46 per cent and male literacy rate is 82.14 per cent
- The country has 544 university level institutions, which includes 261 state universities, 73 state private universities, 42 central universities, 130 deemed universities, 33 institutions of national importance and five institutions established under various state legislations, according to the Ministry of Human Resource Development (HRD) Annual Report 2010-11
- The country has around 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).

Investment Opportunities

Private equity investment in education has reached US\$ 190 million in 2010 from US\$ 22 million in 2005, an increase of more than eight times, according to Keki Mistry, Vice Chairman and Chief Executive Officer, HDFC. Investments in the Kindergarten to class XII segment is expected to grow to US\$ 33 billion by next year from the current US\$ 20 billion, said Mistry.

According to a report 'Education in India: Securing the demographic dividend,' published by Grant Thornton, the primary and secondary education, or Kindergarten-12th grade (K12) sector is expected to reach US\$ 50 billion in 2015 from US\$ 24.5 billion in 2008, growing at an estimated Compound Annual Growth Rate (CAGR) of 14 per cent.

Further, according to the report '40 million by 2020: Preparing for a new paradigm in Indian Higher Education' released by Ernst & Young, the higher education sector in India is expected to witness a growth of 18.0 per cent CAGR till 2020. At present, the sector witnesses spends of more than INR 46,200 crore (US\$ 10.4 billion), which is estimated to grow at an average rate of more than 18.0 per cent to over INR 232,500 crore (US\$ 52.5 billion) in 10 years.

The vocational segment has emerged as a US\$ 2.6 billion market that is expected to grow rapidly into one worth US\$ 3.6 billion by 2012, growing by a CAGR of 25 per cent, according to a report 'Education in India: Securing the demographic dividend,' published by Grant Thornton.

India needs 1.2 million more teachers under the Right to Education Campaign, according to Mr. Kapil Sibal, Union Minister for Human Resource and Development. He also added that with 546 million people under 25 years of age, there is huge potential in 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 per cent to 30 per cent in the country, India will need 800 more universities and another 35,000 colleges, according to Mr Sibal.

The country's fast-growing education sector holds a potential to attract a US\$ 100 billion investment over the next five years driven by demand for skilled professionals and need for infrastructure development, according to experts, such as KPMG.

As per a report released by research firm RNCOS, the annual student enrolments for higher education are expected to grow at a CAGR of nearly 8.7 per cent during

2010-11 to 2012-13 and will require huge investments for developing the infrastructure. The report states that sky rocketing economic growth will require huge number of engineers and management graduates which mandate infrastructural development to address the demand. Entry of foreign universities would not only intensify the competition, but also provide an international platform to the Indian students where they can achieve quality learning.

Investment Policy Updates

The Medical Council of India (MCI), a state body that regulates the medical education sector and registers doctors, has allowed hospital chains such as Fortis Healthcare, Max Healthcare and Apollo Hospitals to set up medical colleges. The Centre has also said that medical education would remain separate from general education and would not come under the jurisdiction of the National Council for Higher Education and Research (NCHER).

Some of the education-related bills introduced in the Parliament by the government are:

- The National Accreditation Regulatory Authority for Higher Educational Institutions Bill, 2010 postulates that every higher educational institution and every programme conducted by it should require accreditation in the manner provided in the proposed legislation
- The Educational Tribunals Bill, 2010 provides for the establishment of the State Educational Tribunals and the National Education Tribunal. The National Education Tribunal would exercise power and authority over any dispute between a higher educational institution and any appropriate statutory regulatory body and all other matters pertaining to higher education
- The Prohibition of Unfair Practices in the Technical Educational Institutions, Medical Educational Institutions and Universities Bill, 2010 bars accepting admission fee and other charges other than those declared by the institution in the prospectus
- The Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010 in order to allow foreign universities to operate in the country

The government allows 100 per cent FDI in the education sector. Finance Minister, Mr Pranab Mukherjee, has said that the proposed allocation for education under the Eleventh Five-Year Plan will be US\$ 65.21 billion, taking the share of education in total planned expenditure from 7.7 per cent to 20 per cent.

To accomplish massive expansion and up gradation of the education infrastructure of schools, universities and institutes imparting vocational training, government

plans to mark up its expenditure on education from around 10 per cent to 19 per cent. A bill in the Parliament has also been introduced to open up the education sector for Foreign Universities, said Indian Ambassador to the US Meera Shankar. The Central Universities Act was promulgated in January 2009 for conversion of three state universities into central universities. It also brought new central universities in 12 states.

The National Mission on Education through Information and Communication Technology (NMEICT) aims to leverage the potential of ICT in providing high-quality, personalized and interactive knowledge modules over the internet in any-time, any-where mode. To do so, a computing device that was low in cost but rich in features, was seen as an imperative. The low cost tablet PC 'Aakash' launched by Government will bring down the digital divide to a good extent.

Further, the Union Cabinet has approved the merger of two Government schemes - National Mission on Education through Information and Communication Technology (NMEICT) and National Knowledge Network (NKN). The former was run by the Human Resource Development Ministry and the latter was under the Department of Information Technology, Ministry of Communications and IT. Under NKN, the aim was to connect 1,500 educational institutions with high speed data communication network (www.oifc.com, 28-11-11).