



## Higher Education in India: An Overview and Opportunities for Foreign Participation

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### **ABSTRACT**

This paper provides an overview of the Indian higher education system, with a special focus on the current status and possibilities of foreign participation in the sector. **Section I** presents a brief introduction to higher education in India today. **Section II** discusses important systemic challenges in the sector, specifically problems of insufficient access, disparities between social groups and regions, and quality control. These problems stem from the lack of public investment and a flawed regulatory structure. The most noticeable result of these deficiencies has been the rapid and unregulated growth of private provision. **Section III** focuses on the prospects for foreign education providers in India. It maps the existing government view of foreign and private participation and argues that the regulatory framework, by imposing high costs on institutions, tends to drive out legitimate actors and attract those interested in short-term gains. It also attempts to show that there has been an increasing discussion within government circles on the role foreign institutions could play, and that this signals a growing public debate that can be successfully leveraged by potential foreign entrants. Strategies for doing so are touched upon. **Section IV** discusses the Canadian experience and offers recommendations for Canadian actors. It emphasizes the importance of having the correct perspective on the future of higher education in a rapidly globalizing world, and describes possible ways in which Canadian actors can set the stage for meaningful collaboration with Indian institutions. **Section V** concludes by briefly arguing that in the final analysis, foreign participation hinges on the regulatory system's ability to successfully balance two conflicting objectives – building a world-class educational system, and ensuring that education remains a charitable activity that embodies national values and priorities.

### **I. Introduction**

India currently has the world's largest number of higher education institutions, and the third-largest student population<sup>1</sup>. Most recent estimates place the number of institutions at about 18,000 and the number of students at more than 11 million<sup>2</sup>. Behind these numbers are six decades of phenomenal growth, initially fuelled by public investment but lately attributable to a greater extent to the unabated growth of the private sector. Since 1990, the number of institutions has been growing at an annual rate of 6%, yet this has not kept pace with the demand for higher education. More importantly, growth of good quality institutions has been

negligible. As a result, Indian higher education has often been characterized as a sea of mediocrity containing only a few islands of excellence. Equity is an additional concern. Socially and economically disadvantaged groups are under-represented in the system and their educational attainments tend to be below average.

The key problems of access, equity and quality are but symptoms of a deeper malaise. There are two primary constraints affecting the system today – the decline of public investment in higher education, and the existence of a flawed, overly rigid and ineffective regulatory framework. These problems have steered higher education into previously uncharted waters, namely privatization and foreign participation. These developments have been spurred also by changes in the global trade regime and the education sectors of other nations. In this sense, India's education system is at a crossroads. It is yet unclear whether the government can successfully manage the system, thereby making the most of India's much vaunted demographic and educational advantages. As for nations interested in penetrating the Indian education market, this is the time to carefully observe developments in the legal and regulatory regimes, particularly with reference to emerging ideological differences on the issue of foreign participation in higher education.

## **II. Systemic Challenges in Higher Education**

### **Access**

In 2001, about 35% of India's population was aged 14 or under<sup>3</sup>. Based on the current burgeoning demand for basic education and a 20% gross graduation ratio at the upper secondary level<sup>4</sup>, the projected 'demographic dividend' is poised to put considerable pressure on the higher education system in the coming years. Although estimates vary, the Gross Enrolment Ratio (GER) in higher education has been estimated at somewhere between 7% and 11%<sup>5</sup>. While this makes India better off than many South Asian and Sub-Saharan African countries, it does not compare favourably with countries such as Egypt (35%), Turkey (31%), Brazil (24%), Iran (24%), China (20%), South Africa (15%), and of course Canada (62%), the United States (83%) and the Republic of Korea (91%)<sup>6</sup>. The data both globally and within India suggest that a high per capita income is positively correlated with a high GER.<sup>7</sup> While the direction of causality cannot be conclusively established in this study, it is sufficient to note that the evidence supports theories that emphasize the importance of human capital to long-term economic growth, and the need to channel the benefits of economic growth into investments in human capital. Thus one of the primary objectives of the system at the moment is to expand access to higher education in order to meet growing demand. However, it is important to note that expanding access is not equivalent to expanding supply. A broader conception of 'access' is required, one that emphasizes inter alia the need for expanding the supply of *good quality* institutions. Of course, this measure alone will not necessarily ensure that higher education reaches every person that desires it.

## **Equity**

There are three main axes of disparity that exist in the domain of higher education in India – gender, caste, and region. All three become important when considering a strategy to expand access. The enrolment of women in higher education is traditionally measured by the Gender Parity Index (GPI), which is a ratio of female GER to male GER. The 2005 GPI, compiled from Census and University Grants Commission (UGC) data, was estimated at 0.75<sup>8</sup>. When compared to a relevant-age population ratio of 0.91 (i.e. female population aged 18-24 as a ratio of male population aged 18-24), it appears that women are significantly under-represented in higher education. It is especially pertinent that the GPI throughout school (grades 1 to 12) is 0.91<sup>9</sup>. This suggests a tendency for women to drop out of the education system after grade 12, possibly due to various social pressures.

Inequalities of caste (and tribe) are also significant. Constitutionally designated disadvantaged groups - Scheduled Castes (SC) and Scheduled Tribes (ST) - are under-represented, and consistently under-perform relative to their peers. Compared to the overall GER of the country (7%-11%), the GER for SCs is 6.7% and for STs 4.9%<sup>10</sup>. Although various government schemes exist to subsidize the education of students from these groups, few efforts have been made to systematically look at student achievement in order to determine the effectiveness of these schemes. Nonetheless, the issue of under-representation remains important. In this context, it is worth noting overlapping disadvantages. For instance, while the overall GPI for India stands at 0.75, the GPI among SC students is 0.64, and among ST students 0.55<sup>11</sup>. Thus women in these disadvantaged categories are considerably less likely to participate in the higher education system than women in general.

Lastly, regional inequalities in higher education highlight the uneven nature of growth in the sector over the last few years. Approximately 58% of all higher education institutions are located in six states – Uttar Pradesh, Andhra Pradesh, Maharashtra, Karnataka, Madhya Pradesh and Tamil Nadu – which are also among the ten most populated states of India<sup>12</sup>. This geographic concentration reflects the considerable growth of institutions in South and West India relative to other regions. Variation also exists in terms of enrolment, with the GER across states and union territories ranging from 26% in Chandigarh to 4% in Arunachal Pradesh. Similarly, in the case of gender parity, states and union territories such as Goa, Chandigarh, Kerala, Delhi, Punjab and Pondicherry are all relatively more favourable to women, whereas women are most disadvantaged in the states of Bihar, Arunachal Pradesh, Jharkhand, Orissa and Rajasthan<sup>13</sup>. All of the above, and other regional data within India, suggest significant imbalances in the capacity and sophistication of systems for higher education between the South and West on the one hand, and the North, East and North-East on the other.

## **Quality**

Quality is a critical factor in the assessment of a higher education system. It can be measured externally according to pre-defined institutional parameters, or by simply looking at the educational and job market outcomes of an institution's graduates. Institutional

assessments are carried out by two accreditation agencies in India – the National Assessment and Accreditation Council (NAAC) and the National Board of Accreditation (NBA). The former, an affiliate of the University Grants Commission (UGC), deals with colleges offering general education; the latter, an affiliate of the All India Council for Technical Education (AICTE), deals with professional and technical colleges. Below is a brief analysis of data from the NAAC<sup>14</sup>.

Although the NAAC covers not more than 3500 colleges (roughly one-fifth of India's colleges), its grading system provides a useful insight into quality across the country. A simplified scale encompassing two former grading systems (in use from 1998-2002 and 2002-2007) shows that as of 2006-2007, only 28% of NAAC accredited colleges had received an above average grade while 47% got a below average grade, and 25% were rated . The grading system employs a holistic set of measurement tools that evaluate most important aspects of an institution. It is of some concern that most colleges are not assessed above the average grade

Another indicator of quality is the academic performance of the students of a college. In this regard, the UGC collects data on the number of students passing their final exams in graduate and post-graduate courses in all the colleges it recognizes<sup>15</sup>. The data for 2002 are alarming. For instance, amongst all the students appearing for final examinations in Commerce, only 56% passed. Similarly, only 49% passed in Computer Science/Applications, 61% in Science and 61% in Management<sup>16</sup>. Performance was relatively better in Engineering (79%), Medicine (75%), Nursing (97%) and Education (89.5%). Overall for 2002, only 63% of the students taking final exams in all disciplines passed. These figures bear out the adage that quantity does not necessarily imply quality.

If exam results are not entirely convincing, we might look at the labour market performance of graduates. Although not much information is publicly available, a small dataset on recent engineering graduates from a handful of Indian states was published by the Institute for Applied Manpower Research (IAMR) in 2005<sup>17</sup>. The survey shows that, surprisingly, states such as Kerala, Uttar Pradesh and West Bengal are attractive job markets for degree-holders in the major sub-disciplines of Engineering<sup>18</sup>, whereas states with a proliferation of engineering colleges like Andhra Pradesh, Karnataka and Tamil Nadu have relatively lower rates of employment for students with the same qualifications. Prima facie, this suggests that a regulatory environment that promotes the large scale expansion of colleges is less effective (or discerning) in keeping out low quality institutions, thus leading to the production of a large number of relatively non-employable graduates. The data also show that diploma holders in Engineering are much less likely to succeed in the job market than degree holders. This is particularly relevant given that in 2003, 60% of Engineering graduates were diploma holders<sup>19</sup>.

### ***Public Investment***

The problems of access, equity and quality stem in part from a lack of public funding for higher education. Public institutions without adequate funds to hire good faculty, offer scholarships to disadvantaged groups and expand enrolment, are finding it harder to meet

growing demand. It took the politics of caste to give an impetus to public spending in the 11<sup>th</sup> Plan. The government injected a substantial amount into higher education, not to improve quality but to increase the number of minority places, allowing for the implementation of the government's own quota for Other Backward Castes (OBCs) in Central Universities and institutions<sup>20</sup>. Despite this recent politically motivated action, the State continues to gradually withdraw from higher education.

The government currently spends about 3.7% of GDP on education<sup>21</sup>. While this is higher than countries such as Indonesia, Cameroon, Gambia, it is lower than Brazil, Mexico, Iran, Botswana, Uganda and other developing nations, let alone most of the developed economies of Europe and North America<sup>22</sup>. In India, higher education has received less public support than lower levels. In 2005-2006, university and technical education only accounted for about 15% of total spending on education by central and state governments<sup>23</sup>. Between 1990-1991 and 2004-2005, the share of GDP spent on higher education fell from 0.77% to 0.66%, whereas the share dedicated to primary education rose from 1.78% to 1.89%<sup>24</sup>. When calculated per student, this amounts to a 28% real term decline between 1990-1991 and 2002-2003.<sup>25</sup> All these data show that government (at Center and State levels) is not investing enough in higher education, and that over the last two decades, spending levels have been falling. Moreover, the funds poured into the system every year cover mostly non-program expenses, most of which are salaries. In 2004-2005, capital expenditure accounted for only 1.84% of total education expenditure by State Education Departments<sup>26</sup>. With funds drying up from the Center, there is little money to finance the growth and development of higher education in the states.

### **Privatization**

As a result of the government's gradual withdrawal from higher education, the private sector has begun to play an increasingly important role. In less than a decade, it has filled the space recently vacated by the public sector and transformed the education landscape – particularly professional and technical education. Indeed in one short year, between 2003-2004 and 2004-2005, the total number of institutions in the system shot up by 12%<sup>27</sup>. Given the lack of public investment, it is safe to assume that most of these were private institutions. UGC data on recognized colleges show that 20% of the country's 17,000 colleges are privately owned and funded, while 37% of the colleges are privately owned but receive some form of aid from the government. Levels of privatization vary across major states, ranging from 63% of colleges being private and unaided in Andhra Pradesh, to 9.3% in Haryana<sup>28</sup>. Private providers have been eager to step into areas for which there is verifiable market demand, thus justifying the higher fees charged to students who expect higher incomes upon graduation. Students, on the other hand, are increasingly enrolling in professional courses that make them more competitive in the labour market, and they are willing to pay higher fees for this. Supply from the private sector appears to be meeting the rising demand in the face of declining public investment.

Below the surface, the situation is more complex. Private providers, in the interest of maximizing profit, have every incentive to 'minimize costs' by compromising on the quality of the education provided. Although the better known private players (e.g. Amity, NIIT,

Aptech) are careful to protect their reputation, the majority of private colleges and universities are not known for their scrupulous academic standards. The relatively poorer education delivered by the private sector is reflected in the growing scarcity of employable graduates in the technical and professional fields, a fact highlighted by the NASSCOM-McKinsey study of 2005<sup>29</sup>. Related to the possible compromise of academic standards is the issue of unfair trade practices. Private providers have used the tight supply of higher education to maximize income through unorthodox means such as the imposition of 'capitation fees', misrepresentation of courses and corruption in admissions practices. Methods such as these ultimately harm the interests of students. From time to time, the government and the judiciary have taken steps to regulate these practices, but government regulation and judicial intervention are often muddled, overly complex and counter-productive.

### ***The Regulatory Framework***

The State has a clear role to play in higher education. India's intervention in this regard has been less than ideal. The most fundamental flaw lies in the institutional architecture of the UGC itself. It is the sole authority on almost all regulatory matters in the university system, including access (fees and admissions), finance (funds disbursement), quality (accreditation via the NAAC) and entry into the market (the conferral of degree-granting powers). In essence, the UGC is a super-regulator. Instead of a regulatory framework that provides incentives to promote academic excellence, the UGC is a discretionary and highly centralized structure that discourages academic innovation, promotes standardization over standards<sup>30</sup>, and is not responsive to the dynamics of academia in the various disciplines.

This form of regulation imposes significant costs on the system, exacerbating existing constraints on public investment. For instance, the requirement that every university, at central or state level, can only be set up through specific legislation not only presents a significant barrier to entry but also raises the public cost of establishing a new university<sup>31</sup>. The judiciary has also contributed to the muddle of policies and regulations currently in existence. Often brought into the picture when the legislature or executive has abdicated its responsibilities, the judiciary's rulings have sent mixed signals to stakeholders. In a series of judgments from 1992 to 2005, the Supreme Court vacillated on the issue of autonomy in fee setting and admissions for private and minority-run institutions, once reversing a previous ruling and in another instance, having to issue a new judgment to clarify its position<sup>32</sup>. During this period, the Court seems to have abandoned previous suspicions regarding the financing of education and private providers. Yet on issues of access (especially caste-based quotas) and minority rights, the Court has remained ambivalent, possibly due to the political sensitivities involved<sup>33</sup>. On the whole, there has been little clarity from the Supreme Court on its views pertaining to access, equity and privatization in this domain.

The result has been the *de facto* privatization of higher education. While the Courts and regulatory agencies have been reluctant to acknowledge the importance of private investment as a supplement to public funds, the market has ignored them and continued growing. Regulators have been caught off-guard, failing to grasp the full import of this new

dynamic or to develop the needed management tools. Meanwhile, system insiders who understand the possibilities of private investment have used it to their advantage. It has been argued that political parties of all stripes have permitted privatization because they recognize the potential of private funding as an effective (and costless) way to alleviate the current “fiscal exhaustion” of public budgets, to accommodate the new quota regime, or to act as a new (and more abundant) source of patronage<sup>34</sup>. Ultimately, the UGC and AICTE will need to develop a coherent body of regulation for the private sector that recognizes its growing role in the financing of higher education but also holds it accountable to standards of academic excellence and equitable access. Until then, institutions and students will continue to bear the brunt of an uneasy relationship between the public and the private sector.

### **III. Foreign Participation**

Regulation of foreign education providers has evolved in similar ways to the regulation of private providers. Despite overt distrust at the outset, regulators have gradually given their approval to some institutions, but have imposed conditions. This section outlines the regulatory landscape for foreign participants and briefly discusses the current situation before outlining strategies open to would-be entrants in the market.

#### ***The Regulatory Landscape for Foreign Participation***

In the new millennium, two simultaneous processes have shaped the regulatory landscape facing interested foreign parties – first, the rapid privatization of higher education, and second, the growing importance of the international trade regime under the World Trade Organization (WTO) and the General Agreement on Trade in Services (GATS). Following the lead of other nations that have moved quickly to safeguard their domestic education systems<sup>35</sup>, Indian legislators and policymakers recognized the need for national legislation and policies governing foreign entry into the domestic arena. However, the government’s response has been hasty and heavy-handed. Rather than making an ally of the market, regulation has created significant barriers to the entry and operations of potential private and foreign providers of higher education.

A host of regulations, policy documents and pending or withdrawn legislation provides insights on current thinking among policymakers and legislators grappling with the issue of foreign participation. The most important and relevant regulations are (for summary details see Appendix):

1. UGC (Establishment and Maintenance of Standards in Private Universities) Regulations 2003 – *currently active*.
2. AICTE Regulations for Entry and Operation of Foreign Universities / Institutions Imparting Technical Education in India, 2005 – *currently active*.
3. The Private Universities (Establishment and Regulation) Bill 1995 – *withdrawn from Parliament in the 2007 Monsoon Session*<sup>36</sup>.
4. The Private Professional Educational Institutions (Regulation of Admission and Fixation of Fee) Bill 2005 – *pending (status unknown)*.

5. The Foreign Educational Institutions (Regulation of Entry and Operation, Maintenance of Quality and Prevention of Commercialisation) Bill 2007 – *yet to be introduced in Parliament.*

These regulations taken as a whole reflect the distrust and fear of private (and foreign) enterprise that permeate India's educational bureaucracy. Private/foreign institutions are typically required to clear numerous administrative hurdles before being granted approval. For instance, the AICTE has a mandatory application procedure for foreign institutions that requires submissions to pass from the AICTE to an ad hoc Standing Committee, then an ad hoc Expert Committee, then a Sub-Committee of the Expert Committee, and then back to the AICTE before final approval is granted. Applicants must also provide a security deposit of an amount not specified in the regulations. Aside from erecting barriers to entry, regulators and legislators have also sought to control almost every detail of an institution's operations on Indian soil. Each of the three Bills mentioned above have proposed to control the admission and fee-setting procedures of private/foreign institutions, in some cases going so far as to regulate appointments, scholarships and the distribution of seats between faculties. The Indian judiciary, normally a voice of reason on the competence of state administration, has yet to express an opinion on the issue (see Section II for the judiciary's views on private participation). The prospect seems rather bleak for foreign providers aspiring to enter the Indian market in the near future.

***Current Status of Foreign Participation***

The current regulatory framework has generated perverse outcomes. Because of underlying suspicions of private and foreign providers, the government puts forth complex and demanding regulations, imposing costs that legitimate foreign organizations are unwilling to bear, but that illegitimate foreign providers accept because they can recover the costs by exploiting students. Typically, these institutions make minimal capital investments in India, indeed sometimes none at all. They charge students high fees for qualifications that the institution may not be accredited to grant in its home country. Such practices only confirm the suspicions of regulators, thus perpetuating the notion that foreign providers indulge in unseemly practices. While this is true for many, the situation is actually the result of the current regulatory framework rather than the inherent quality of foreign education providers.

As of 2005, there were 131 foreign education providers in India, serving "a few thousand" privately funded students. Although the Government of India permits 100% Foreign Direct Investment (FDI) in higher education, foreign providers mostly tend to "twin" with an Indian institution and offer technical programs allowing students to complete their studies in India and in the country of the foreign provider. Some also grant Indian institutions the right to deliver their courses. Fees are high in all cases<sup>37</sup>. Both twinning and program-based arrangements adopt the low-investment, high-return model of foreign involvement described earlier. This suggests the current channels open to foreign participation are less than optimal for legitimate foreign entrants and the Indian education system in general.

### ***Increasing Dissonance in the Public Debate***

One could conclude that the prospects for foreign participation in Indian higher education are extremely bleak. But in a constantly shifting landscape where divergent ideologies clash, interested foreign players can take comfort in the incoherent outlook and approach taken by Indian regulators. Despite three separate attempts, the Parliament has been unable to adopt a unified strategy towards privatization or foreign participation in higher education. Moreover, the Indian judiciary has taken thirteen years and five judgments, yet it has not produced a clear direction on private institutions.

There is incoherence within and among the various agencies of government involved in this file. For instance, in 2005 the government was preparing a Bill to regulate private and foreign professional education providers when the Supreme Court decided (in the *Inamdar* case) to grant private colleges autonomy in admissions and fee setting, within reasonable limits<sup>38</sup>. Although this led to mothballing the Bill, the political outcry against the Court's decision immediately drew a different government response. With unprecedented support from all political parties, it amended the Constitution via the Central Educational Institutions (Reservation in Admission) Act, 2006, to mandate minimum quotas for SC/ST and Other Backward Castes (OBCs) in higher education institutions. This is a reminder that in India, it is most often politics rather than policy that gets results, in higher education as in other areas. It should come as no surprise that the current Foreign Educational Institutions Bill, due to be introduced in Parliament last year, has been withheld because members of the ruling coalition cannot reach consensus. While the parties of the Left have criticized it for not being strong enough, there have also been differences within the Cabinet between the Minister of Human Resource Development and the Minister of Commerce regarding the desirability of setting minimum quotas for minorities in foreign institutions<sup>39</sup>.

The growing dissonance within government on the issue of foreign institutions is also reflected in two important policy documents – the recommendations of the National Knowledge Commission (NKC) on higher education, and the 2006 Consultation Paper on Higher Education and GATS released by the Department of Commerce (DoC). Based on the objectives of “expansion, excellence and inclusion”, the NKC has, among other things, emphasized the importance of diversifying funding sources for higher education through higher user fees, efficient use of resources, and private investment. Keeping in mind the objective of quality, it has recommended that the government “formulate appropriate policies for the entry of foreign institutions into India, (...) while ensuring a level playing field for foreign and domestic institutions within the country<sup>40</sup>.”

The DoC is more encouraging about foreign participation. Given the national goals of expanding capacity and access in the system, it argues for “a mechanism whereby private and foreign investment in higher education can be encouraged subject to high quality standards and efficient regulation<sup>41</sup>.” This position is based on lack of public funds for India's current needs, and the economic gains of retaining at home students who can afford to pay high fees and can study abroad. The NKC's recommendations have met considerable resistance from the MHRD and UGC. Similarly, the DoC and MHRD have

taken opposite sides in the debate. Needless to say, both the NKC and DoC are uniformly reviled by Left-leaning political parties, academic institutions and media.

On the surface, there appears to be growing discord over foreign presence in India's higher education sector. Indeed, this represents a welcome new phenomenon, namely public debate on the issue. The government is no longer unified behind the same anti-foreign ideology. The current debate within government and civil society indicates a new willingness to talk about foreign investment in higher education, a virtual taboo topic in India where education was considered a non-commercial enterprise of strategic importance to the country's interests and identity. For foreign institutions, governments and interest groups, this public debate presents an unprecedented opportunity to promote their cause and be heard by an increasingly attentive audience.

### ***Opportunities and Strategies for Foreign Providers***

At the outset, aspiring entrants need a reminder that there is little to be gained from a short-term perspective. The opportunities that exist within the present regulatory framework are limited, and limiting. In order to expand their scope, foreign enterprises need to engage in the long-term process of building relationships across a broad spectrum of policymakers, academics, administrators and even students. This approach underpins the following three suggested strategies.

First, foreign institutions, their representatives and other interest groups need to identify the constituencies that are sympathetic to their cause within the existing regulatory framework, be it the NKC, the DoC or any other agency. A greater level of interaction with these agencies is likely to be rewarding in the longer term. It is also important to lobby the 'establishment', i.e. MHRD, UGC, AICTE and other professional councils, in order to press for greater flexibility and to keep abreast of regulatory and legislative developments.

Second, foreign governments need to be convinced of the usefulness of the international trade regime as a platform for promoting foreign involvement in Indian education. Countries such as the US, the UK, Australia and Canada need to leverage their alumni networks in India, as well as their potential clientele among India's student population. While some countries have already submitted proposals in higher education under GATS, India has not made any commitments on this front. At this time, many sub-sectors within the Indian education system are not prepared for competition from international players. Therefore lobbying through the WTO is likely to take longer than any other approach.

Third, in anticipation of the Foreign Educational Institutions Bill to be enacted over the next two years, many foreign institutions have chosen to develop substantive partnerships with Indian institutions going beyond existing models of collaboration, or to prepare for involvement based on stand-alone commercial presence<sup>42</sup>. It is important for such institutions to avoid the temptations of short-term gain in favour of a long-term perspective. In all likelihood, foreign actors will get the approvals they seek as India is further integrated into the global economy.

#### **IV. Perspective on Canada**

Canada has traditionally lagged behind its competitors in exporting education to India, especially in the area of student enrolments in Canadian institutions. In 2004, Indian students accounted for only 4% of foreign students in Canada. The top five destinations for Indian students going abroad appeared to be the United States, Australia, the United Kingdom, Germany and New Zealand<sup>43</sup>. Investigating the reasons behind these preferences is beyond the scope of this study, but its findings show Canada has much progress to make. However, there are enticing opportunities in the commercial arena, where Canada could leapfrog over the competition given the right mix of vision and strategy.

##### ***Getting the Vision Right***

Vision is critical along three dimensions. First, in understanding the long-term objectives and underlying value structures of the Indian education system; second, in realizing that change in this system does not occur overnight but slowly and in a piecemeal fashion; and third, most importantly, in comprehending the institutional implications of international education in a globalizing world. Canadian strategy with regard to higher education in India has so far suffered from a lack of vision, not in the least because there is no definitive 'Canadian' strategy to speak of. Although there are various initiatives launched by provincial governments and non-governmental organizations, there is no sign of a cohesive national strategy – an approach that has proven so successful for Australia and the United States.

However, a clear national strategy may be less important than ensuring the country's various actors have the right vision guiding their efforts in this arena. In this regard, Canadian institutions have been less successful than their competitors. Their involvement reveals a short-term outlook, and often institutional linkages are prized only for student recruitment. As recently as 2007, the University of Waterloo's approximately fifteen collaborations with Indian institutions, primarily based on student and faculty exchanges, were hailed in a report in the Canadian media as a sign of strengthening trade links between Ontario and India<sup>44</sup>. This narrow focus betrays a limited view of the possibilities of educational collaboration between the two countries.

A broader view, going beyond student enrolment, twinning programs and program-based collaborations, would consider commercial presence a realistic possibility and institutions would work towards it. It would be based on the realization that in the future, the best educational institutions in the world will be those that can develop international brand recognition, with commercial presence in multiple locations, and international networks of students, professors and professionals. This does not herald the era of the 'multi-national university', but it shows that scale will increasingly become important for sustainability as domestic players seek to expand their operations abroad. In such a scenario, where territorial distinctions are gradually blurred, there would be sufficient incentives for institutional development in local settings, with foreign involvement characterized by high investment and high returns.

## ***Setting the Stage for Meaningful Collaboration***

It is this kind of a long-term view that, if adopted now, can give Canadian institutions a competitive advantage in this field. However, as noted earlier, change in the Indian system happens slowly and incrementally. While working towards a commercial presence in India, Canadian institutions and interest groups can develop short term approaches to realize their vision.

At the very outset, they must learn to distinguish between the functional and ideological barriers to foreign participation in India. The former operate at the institutional level, whereas the latter operate at the policy and regulatory level. Functional barriers include the lack of reliable market intelligence, good quality partners, trained faculty, or even capable students. These barriers can be addressed by collaborative efforts (similar to some current Canadian initiatives) that involve student and faculty exchanges and general capacity building. However, what makes the problem of foreign participation intractable from a Canadian perspective is the ideological basis of the regulatory framework, particularly the inherent suspicion of private or foreign capital, and the belief that education ought to be a non-commercial activity. While such fundamental values are hard to change exogenously, they can be altered by fostering greater internal debate within government and among the educated classes who can in turn lobby for policy change. Unfortunately, there is little else that Canadian entities can do.

At the same time, it is important to step up the level of institutional activity and build close inter-personal and inter-institutional relationships which can in turn pave the way for meaningful future collaborations. At the personal level, connections between students (and faculty) become particularly relevant when one considers that today's Indian students going abroad might well be tomorrow's leading decision-makers in government, the private sector and civil society. At the institutional level, it is mutually beneficial for Canadian institutions to support capacity development in Indian institutions. Indian standards would improve while Canadian organizations would expand (and perhaps diversify) options beyond the traditional circle of IITs, IIMs, and national centers of excellence. By helping to build capacity in second-tier Indian schools, Canadian institutions can develop strong partners for the future and create new markets for educational services instead of jostling for space in the near-saturated top tier institutional market.

Despite a high demand, numerous existing foreign collaborations with top-tier Indian institutions have not progressed beyond the signing of memorandums of understanding. This highlights the importance of *meaningful* collaboration. New initiatives that move closer to the goal of commercial presence can serve as prototypes for future models of such collaboration, and Canadian institutions can have a hand in developing them. In this sense, the University of Waterloo's initial plan to establish a centre for actuarial sciences in India is a step in the right direction<sup>45</sup>. Similar Canadian initiatives are under development or already active, but they are as yet uncoordinated and do not adhere to any particular standard of collaboration. Therefore, there is scope for a Canadian national agency to play a coordinating but not necessarily leadership role in this domain. It is important to build the required databases, map the terrain, consult the right individuals, and develop a nuanced

outlook on a system that is as vast as it is complex. It is equally necessary to create voluntary standards and guidelines regarding collaborations involving significant investment from Canadian institutions. Future Canadian participants in India's higher education system need to have timely and accurate information and advice during their initial attempts.

A combination of policy-level efforts and institutional measures could allow Canadian actors to enter the fray, solidly anchored by a relatively broad vision of higher education in the context of India's integration into the global economy.

## V. Concluding Remarks

Foreign participation in Indian higher education hinges on the ability of the domestic regulatory system to successfully balance two conflicting objectives – building a world-class educational system, and ensuring that education remains a charitable activity that embodies national values and priorities. While the latter might seem rather anachronistic against the backdrop of the modern education system, it is nonetheless a valid concern that must be taken into account. Fostering the 'right' kind of foreign participation will depend on understanding that the tension between these two objectives is not a zero-sum game. Regulators need to realize that it is possible to have aggregate gains that promote both objectives without giving up much beyond a degree of control over the system, which in its current state is highly controlled and inflexible. On the part of foreign institutions, it is prudent to be sensitive to local conditions and to respect domestic objectives for education. Above all, foreign actors need to accept a degree of control over their institutional autonomy in order to benefit from longer-term involvement. Lastly, it is by no means asserted here that foreign or private investment is a panacea for the ills of the current system. However, it can certainly contribute to a sector currently in dire need of improvement.

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<sup>1</sup> Agarwal, Pawan. 'Higher Education in India: The Need for Change'. *ICRIER Working Paper No. 180*, June 2006.

<sup>2</sup> Provisional estimates from University Grants Commission, *UGC Annual Report 2005-2006*.

<sup>3</sup> Census of India, Tables C2 and C14, 2001.

<sup>4</sup> UNESCO Institute for Statistics, *Global Education Digest 2007*, UNESCO, 2007.

<sup>5</sup> 7% from *National Knowledge Commission: Compilation of Recommendations on Education*, 2007; 8% calculated by author using *Population Projections for India and the States 1996-2016* (Registrar General, Ministry of Home Affairs, Govt. of India) and *UGC Annual Report 2005-06*; 10% from *National Level Educational Statistics at a Glance (2004-05)*, MHRD; 11% from Agarwal (2006).

<sup>6</sup> UNESCO (2007).

<sup>7</sup> For a graphical representation of the relationship between per capita domestic product and GER across Indian states, see Agarwal (2006), p.12.

<sup>8</sup> The MHRD estimate for the same year is 0.71. See Ministry of Human Resource Development, *Selected Educational Statistics 2004-2005*, MHRD, 2007, p.71.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid., Census of India, 2001.

<sup>13</sup> Census of India, 2001; *Population Projections for India and States 1996-2016*, Registrar General, Ministry of Home Affairs, Govt. of India; *UGC Annual Report 2005-06*, UGC, 2007.

<sup>14</sup> The relevant data of similar nature were not available from the NBA.

<sup>15</sup> University Grants Commission, *University Development in India, Basic Facts and Figures, Examination Results - 2002*, UGC.

<sup>16</sup> The figure for Computer Science/Applications is heavily skewed due to the presence of Tamil Nadu, with an exceptionally high number of students appearing for the final exam (68% of all students appearing in this discipline) and exceptionally low number of students passing (33.6%). In the absence of Tamil Nadu, the countrywide percentage of students passing in this discipline jumps up to 82%.

<sup>17</sup> Institute for Applied Manpower Research, *IAMR Manpower Profile 2005*.

<sup>18</sup> Specifically Chemical, Civil, Computer Science, Electronic/Communications, Electrical and Mechanical Engineering.

<sup>19</sup> IAMR (2005).

<sup>20</sup> The increase amounted to a 34% rise in the Central Government's education budget for 2007-08. See Vijender Sharma, 'Indian Higher Education: Commodification and Foreign Direct Investment', *The Marxist*, Vol. XXIII, No. 2, April to June, 2007, p.11.

<sup>21</sup> MHRD, *Statement indicating the Public Expenditure on Education* ([www.education.nic.in/planbudget/GDP51-06.pdf](http://www.education.nic.in/planbudget/GDP51-06.pdf))

<sup>22</sup> UNESCO (2007), Statistical Table 13.

<sup>23</sup> MHRD, *Analysis of Budgeted Expenditure on Education 2003-04 to 2005-06*, MHRD Dept. of Higher Education (Planning and Monitoring Unit), New Delhi, 2006.

<sup>24</sup> MHRD, *Selected Educational Statistics 2005-2005*, MHRD, 2007, Table 35.

<sup>25</sup> Data compiled from *Analysis of Budget Expenditure on Education*.

<sup>26</sup> MHRD (2006).

<sup>27</sup> MHRD (2007).

<sup>28</sup> University Grants Commission, *UGC Directory of Colleges 2003-04*. 19.4% of colleges in the entire dataset were uncategorized due to unavailability of information.

<sup>29</sup> *NASSCOM-McKinsey Report 2005: Extending India's Leadership of the Global IT and BPO Industries*, McKinsey.

<sup>30</sup> Mehta, Pratap Bhanu, 'Critiquing the Regulatory Regime', *Indian Express*, 15 July, 2005.

<sup>31</sup> Mehta, Pratap Bhanu, 'Regulating Higher Education', *Indian Express*, 14 July, 2005.

<sup>32</sup> 1992: *St. Stephen's vs. University of Delhi*; 1993: *Unni Krishnan v. Andhra Pradesh*; 2002: *TMA Pai Foundation vs State of Karnataka* (reversed *Unni Krishnan*); 2003: *Islamic Academy of Education vs State of Karnataka* (for clarification of *TMA Pai*); 2005: *P.A. Inamdar & Ors. vs. State of Maharashtra & Ors.*

<sup>33</sup> Kapur, Devesh and Mehta, Pratap Bhanu, 'Indian Higher Education Reform: From Half-Baked Socialism to Half-Baked Capitalism', *CID Working Paper No. 108*, Harvard University, Sep 2004.

<sup>34</sup> *Ibid.*

<sup>35</sup> See McBurnie, Grant and Ziguras, Christopher. 'The Regulation of Transnational Higher Education in Southeast Asia: Case Studies of Hong Kong, Malaysia and Australia', *Higher Education*, Vol.42, July 2001.

<sup>36</sup> PRS Legislative Research, *Parliament Session Wrap, Monsoon Session: Aug 10 to Sep 10, 2007*. The reason was that the subject of the Bill was a State Subject under the Seventh Schedule of the Constitution.

<sup>37</sup> Agarwal (2006).

<sup>38</sup> Mukul, Akshaya, 'UPA claims credit for law still in the works, PMO non-committal', *The Times of India*, May 24, 2007. The bill in question was The Private Professional Educational Institutions (Regulation of Admission and Fixation of Fee) Bill 2005.

<sup>39</sup> IANS, Staff Writer, 'Arjun Singh may agree to FDI in education after all', March 30, 2008, accessed at <http://www.indiaenews.com/business/20080330/107535.htm>.

<sup>40</sup> National Knowledge Commission (2007).

<sup>41</sup> Dept. of Commerce, *Higher Education in India and GATS: An Opportunity*, Trade Policy Division, Department of Commerce, Government of India, 2006.

<sup>42</sup> Trivedi, Divya, 'Foreign educational institutions waiting for foray into India', *The Hindu*, Jan 23, 2008.

<sup>43</sup> Atlas of Student Mobility ([www.atlas.iienetwork.org](http://www.atlas.iienetwork.org)), a website of the Institute of International Education; accessed on April 10, 2008.

<sup>44</sup> Perkins, Tara. 'Canada tries education in scramble to catch up', *The Star*, March 08, 2007.

<sup>45</sup> *Ibid.*