

# GENERAL MANAGEMENT

## “GROWTH OF EDUCATION SECTOR IN INDIA WITH PUBLIC-PRIVATE PARTNERSHIP”

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### 1.0 INTRODUCTION

A public Private Partnership (PPP) can take many forms though it is generally defined as a contract where the private sector is given the right by the public sector to inter alia build, operate, manage and/or deliver a service for the general public - roads, hospitals, schools, etc. PPP combine the best of the public and private sector, while minimizing the shortcomings of either the exclusive public sector delivery of services or the “privatization” route. The intention is to develop a better infrastructure wherein the Government plays the role of a facilitator, setting the regulatory and legal frameworks in place whereas the private sector offers financial, technical and managerial support for such infrastructure projects.

### 1.1 BENEFITS OF PPP

The PPP have following benefits :

- a. Inflow of Private Investment
- b. Freeing up Government Resources
- c. Increase In Efficiency
- d. Sharing of Project Risks
- e. Assured Maintenance
- f. Better Viability
- g. Innovative Design & Construction Practices

## 1.2 ESSENTIAL COMPONENTS

The essential concept of PPP is mentioned below :

- a. Fixed Concession period
- b. Pre-determined user charges/tariff
- c. Pre-determined scope of work for the Concessionaire
- d. Pre-determined bidding parameters
- e. Premium/Revenue Sharing/Lease Rent
- f. All conditions, specifications
- g. Agreements frozen prior to inviting bids
- h. Land required for the project available
- i. The Implementing Agency

## 2.0 PUBLIC PRIVATE PARTNERSHIP IN EDUCATION IN INDIA

In response to the poor functioning of government run schools across many countries, in recent years there has been advocacy in favour of private public partnerships in education, i.e. publicly funded but privately produced/delivered education. Privately run charter schools are an example of PPP in US education. The main supposed advantage of PPPs is that they are a more flexible way of producing education, since the entity running the school, such as the private management of a school, has considerably more discretion about the running of the school and disciplining staff than is possible in public schools.

An extensive PPP system does operate in India at the junior, secondary and higher levels but not so much at the primary level. This is the system of government grant-in-aid to privately managed schools. Grants to aided schools account for a very substantial

proportion of the education budget, for example, about 70% of the higher and 80% of the secondary education budgets in Uttar Pradesh. PPPs are the main mode of delivery of secondary and higher education in much of India.

At the time India inherited this system from the British at independence in 1948, aided schools shared many of the features of the current US charter schools. For instance, charter schools in the US avoid government regulations and interference (e.g. they are not obligated to hire unionized teachers, have more autonomy than public schools in determining staff disciplinary policies, and must attract students to succeed otherwise they have to close down for budgetary reasons). Aided schools in India operated on quite a similar system: any recognized private school could apply for government grant-in-aid and, once it was granted aided status, it received a per student subsidy from the state government. Its teachers were paid out of school revenues and were thus accountable to fee-paying parents and to the school manager. They could be disciplined and hired/fired at the level of the school.

## 3. PRIMARY EDUCATION AND PUBLIC-PRIVATE PARTNERSHIPS

Education spending in India is about 4.1% of GDP, well below spending in most OECD member countries. While there has been considerable focus on building the school network over the last 5 years, significant gaps continue to hinder quality education across the country. The team summarizes the top three challenges in the education sector as :

- Inadequate basic physical infrastructure at primary and upper-primary schools, e.g., toilets, electricity, and drinking water;
- Teacher apathy, absenteeism, and poor quality of training; and lack of leadership and ineffective management at school level.

**NEXT STEPS**

MODELS	KEY FEATURES AND ISSUES
Management contracts for: Mentoring programs School management Teacher supply and training Information and communications technology training centers	Addresses quality of teaching and education provision issues. Relatively simple to procure and deliver. Allows the procurement of manageable contract sizes. Limited by supply and quality of teachers and support staff. Requires extensive stakeholder management with teachers and other unions. Affordability is a key consideration.
Build, lease and maintain school building	Addresses the need to build and maintain school to minimum national standards. Provides a construction-led solution. Affordability may need to be considered. Freed up the time of school staff to deal with education delivery and not with building management. Involves wider stakeholder management issues. Requires public sector procurement and contracting capacity.
Residential schools in rural areas	Addresses the need for schools in rural areas. Allows private sector to build residential school facilities with an option to mix government allocated areas with fee-paying private places. Allows for the use of a voucher-based scheme for the poor. Needs to consider financial viability and affordability

The education industry is looking at an increased public-private partnership (PPP) in educational and training initiatives for matching skill-set demands of the industry with the available talent. Education is among a few sectors that has been insulated from the impact of a global economic slowdown but faces a huge challenge of reducing the gap of educated yet unemployable talent.

“We would like to see more investment in PPP programmes to improve education quality at the bottom of the pyramid,” said Shantanu Prakash, Chief Executive Officer and Managing Director, Educomp Solutions Ltd, a leading private player in the sector. “We would also like to see companies get fiscal

incentives for investments made in education infrastructure projects.”

“Indian education and training sector has not received the attention it deserves,” said Ninad Karpe, chief executive officer and managing director, Aptech. “There is a crying need for immediate investments in vocational training while more funding in primary education is essential from a long term perspective”. The Confederation of Indian Industries has recommended that the government should strengthen initiatives to involve participation from foreign and private universities for technical education. The industry body has also said that there is a need to introduce interdisciplinary projects, upgrade existing

courses with industry requirement and introduce independent accreditation systems.

Owing to constrained investment, the education sector is unable to cope with growing market demand and global competition. Increased private investment is thus imperative to expand infrastructure and provide greater access to quality higher education in India. E&Y - FICCI report emphasizes that PPPs could be an effective mechanism for attracting much needed private sector investment in the Indian Higher education system without diluting the regulatory oversight of the Government and other regulators.

#### 4. GAPING RESOURCE GAP

The Government of India has allocated INR 850 billion for higher education in the 11th Five Year Plan. However, considering that the Planning Commission has identified a resource gap of INR 2.2 trillion, it is unlikely that the Government alone can address infrastructure needs in the higher education sector in the near future.

While public expenditure on education has increased, the percentage share of Gross Domestic Product (GDP) spent on higher education has come down from 0.77% in 1991 to 0.7% in 2008. Moreover, there is an unequal outlay of resources for Higher Educational Institutions across the Indian states.

#### 5. PARTNERSHIP MODELS IN EDUCATION

The report presents basic modes of partnerships that are possible between the government and the private sector. Partnerships are established for varied reasons including construction, financing, design and maintenance of public infrastructure. PPP in social sectors such as health and education are sometimes referred to as Public-Social Private Partnership (PSPP).

A number of PPP models can exist that range from simple management contracts to build, own, operate, transfer (BOOT) formats. BOOT is a public-private partnership (PPP) project model in which a private organization conducts a large development project under contract to a public-sector partner, such as a government agency. A BOOT project is often seen as a

way to develop a large public infrastructure project with private funding. These formats vary in the kind of benefits they yield. The report provides case studies of different types of PPP arrangements in education such as :

- Public-private financing of higher education
- Science/research parks
- University-owned companies

The report underscores certain challenges that can be expected while applying the PPP model to education. For instance, the high cost of such projects, relatively lower returns, and the current regulatory landscape makes it difficult to attract participants/bidders for education projects. Another challenge is the lack of familiarity with the PPP procurement process.

The report suggests measures that can be implemented to avoid these hurdles. The process of attracting bidders should be framed to minimize the bid costs with effective competition. Also, the university/college can be protected by way of monitoring the services offered by private players. Certain cases of successful PPP projects in the education sector from other countries have been cited as examples, such as :

- South bank Educational and Training Precinct Development involved the development of high standard facilities for the South bank Educational and Training Precinct
- Royal Northern College of Music in the UK which involved development of about 160 study rooms, staff and guest accommodation, car parking facility and a walkway.

#### 6. REGULATORY FRAMEWORK FOR PPP

An Higher Education Institute in India can be set up as a Trust, Society or as a Company registered under Section 25 of the Companies Act, 1956 (though the last is not recognised by the HRD Ministry). Several regulatory bodies regulate the functioning of higher education in India. These comprise the University Grants Commission (UGC), All India Council for

Technical Education (AICTE), Medical Council of India, etc.

- The higher education system suffers from several challenges that act as a hurdle in the growth of the PPP concept in India. These include the conditions imposed for setting up the educational institute as a not-for-profit entity; excessive regulations in the functioning of the higher education institutes (HEIs) and for the entry of foreign educational institutions into India.
- Despite these challenges, the PPP concept in the education sector needs to be explored. Since there are regulations with respect to being a not-for-profit entity, the infrastructure for educational institutions can be created through the PPP model.

#### 6.1 COMMON MISCONCEPTIONS ABOUT PPPS

- Public private partnerships are the same as privatization.
- By entering into a public private partnership, public sector loses control over the provision of services.
- Public private partnerships apply only to infrastructure projects.
- The principal reason for government entering into public private partnerships is to avoid debt.
- Public sector employee will lose under public private partnerships The cost of service will increase to pay for the private partner's profit.
- There are only two partners in a public private partnership.

#### 6.2 FUNDING AGENCIES

India has one of the largest populations of youth in the world. "Education for all," a foremost development goal for the country, is central to realizing the potential of these youth. Still, at least 8 to 10 million

children are out-of-school, and a dearth of resources limits educational quality across a vast public school system. A public-private alliance is drawing together educational innovators and technology leaders to improve the quality of teaching, motivate children to complete school, and ensure that skills of young persons meet the needs of India's emerging economy.

#### 6.3 NGOs

The basic idea of an education voucher<sup>15</sup> is that the government would fund students instead of schools and that the money would follow the student and get paid to whichever school that the child chooses to enroll in. In such a situation, even the poorest parents would be able to send their child to a private school if they felt that it was superior to the public school, but they would be just as free to send their child to the government school if they felt that it was the best option for their child. Thus, the claim is not that all private schools are superior to government schools. Rather, the aim is to think about ways of providing the poorest and most disadvantaged sections of society with the same set of choices faced by their better-off counterparts. This is exactly what a voucher or scholarship program would do.

### 7. CONCLUSION

Proponents of PPPs in education often claim cost-effectiveness, equity, superior performance and cost savings. To date, the record on impact is relatively scarce.

Worldwide attention to the issue is increasing and we are getting more results. While ideology continues to play a role in the various debates, the issue is becoming clearer given the recent increase in impact evaluation studies. While the evidence base is small, it is nevertheless growing. The current providers of education in India indicate that there has been a shift in the manner in which education is conceptualized. The market based approach has regarded parents and communities as purchasers of a commodity. The new models of education provision seem to regard strengthening of existing patterns of supply and demand as a sufficient basis for education. There is little attempt to address social inequities that might

skew the costs imposed on poor families. The ability to access an education system is limited by hierarchical social structures. The use of voice requires political legitimacy otherwise it reproduces and reifies existing differentiation. Current initiatives where there has been the entry of corporate or other non-state players might seem a more attractive solution to expanding the educational net but these are likely to come unstuck in the face of stark social inequities and there is need to recognize the pivotal role of the teacher in drawing on innovative pedagogy and curriculum to realize the social transformative function of education.

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