



## HIGHER EDUCATION AND MARKET FORCES IN INDIA

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### *Abstract*

*The Indian higher education sector is faced with the daunting challenge of ensuring inclusive and quality education to all in an emerging regime of constrained budgetary allocation for higher education, particularly by state governments, coupled with increasing private sector participation. Further, even though increasing globalization and market forces has opened up opportunities in the higher education space, it has also compounded the severity of these challenges. Overcoming these challenges is also critical to ensure that India attains a sharper*

*delicately the government has to intervene in the market to reconcile the two conflicting issues — education for masses and education for profit. Hence, considering the role of education in nation-building, framing an appropriate higher education policy is critical to balance the public good concept with the private good concept of higher education.*

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### INTRODUCTION

India has successfully created one of the biggest higher education systems in the world. At the time of Independence of India, there were only 20 Universities and 500 Colleges in the country with 2.1 lakhs students in higher education. The numbers now have increased to 25 times in the case of the Universities, 62 times in the case of Colleges and the students enrolment has gone up to 69 times in the formal system of higher education in comparison to the figures at the time of independence. Quality of many top institutions is recognized to be comparable to the best in the world. However, Indian education system faces problems and issues that originate from disparities and developmental models adopted. Higher education is becoming a marketing commodity. It is a multi-billion dollar business. This shift from education as a social good to

marketable commodity is against the Indian culture, and sufferers in these changes will be poor and disadvantaged people of India.

The competition will essentially be for offering quality education recognized at the international level and relevant to the local needs. The major issue is how to raise the quality and standards of Indian education and make it globally competitive, locally relevant and enable it to offer marketing paradigm appropriate for developing societies. To meet the challenges of the 21st century and to acquire a competitive edge, the higher education system has to transform to make it more socially relevant, information and technology oriented, diversified and of high quality. The skills and specialisation of graduates produced by our system should match the real needs of the productive sectors in the market place and the changing needs of our society.

As we enter the new millennium, the world economy is experiencing an unprecedented change. New developments in science and technology, competition, media revolution and internationalisation are revolutionising the education sector. We are witnessing paradigm shift in higher education, from 'national' to 'global education,' from 'state controlled' to an 'open market economy,' from 'general education' to an 'educational system driven by market forces'. These changes in form of market forces make new demands and pose fresh challenges to our established education systems and practices.

The impact of market forces on the development of India's higher education system has risen substantially since the country began opening up its economy in 1991. Indian higher education is confronted by a dilemma. Many individuals argue that the application of market forces to higher education is inappropriate because higher education is a "public good". While there are others who says that university education is a "non-merit good", not necessary for everybody, and that it is best left to the market forces. The present paper is an effort to throw some light on the issues relating to market forces in higher education in India to come out of the dilemma. The paper discusses the positive and negative impact of market forces on higher education and gives some recommendations to achieve the objective of higher education for all.

## **1.2 OBJECTIVES AND METHODOLOGY OF THE STUDY**

The objectives of the study are:

1. To discuss the impact of market forces on higher education.
2. To give some recommendations to achieve the goal of higher education.

In order to fulfill these objectives the study has used articles from newspapers, research papers from journals, and besides these secondary sources, primary sources has also been used. In order to gain some insights over the issue, open- ended questions were asked to ten respondents based on convenience sampling. The questions were designed keeping in view the objectives of the study. The respondents were selected purely on basis of convenience and judgement.

### **1.3 IMPACT OF MARKET FORCES ON HIGHER EDUCATION**

The impact of market forces on the development of India's higher education system has risen substantially since the country began opening up its economy in 1991. The growth of the private sector that has resulted from these reforms greatly expanded demand for education in such areas as management, engineering, medicine, and computers, and raised questions regarding access, equity, quality, and regulation in higher education. Historically, the higher education system has operated in a heavily regulated and benign market, with only limited pressures for competition, efficiency and innovation. But after the policy of liberalization, the scene changed. A few things are now clear: market forces are entering higher education, their entry is unstoppable, and, increasingly, institutions are being forced to behave as competitors.

Under the impact of powerful forces, the Indian system of higher education is becoming significantly more competitive. New forces are reshaping the system—a rapid growth of for-profit degree granting colleges and institutions; an explosion of virtual courses available from traditional non-profit, for-profit, and completely new institutions; demographic pressures encouraging more and different students to attend higher education; the impact of digital technology on teaching and learning; and an emerging trend toward the globalization of higher education. The system is moving toward one dominated more by market forces, less by regulation. What is emerging is a new form of competition. As the system becomes more structured by market forces, it is likely to be more responsive to the needs of society, more concerned with access, efficiency and quality. Enrolment pressure, rising unit costs of higher education, and competing pressures on public finances have encouraged growth of the private

sector in filling gaps in India. Declining public sector expenditures, poor facilities, and a lack of capacity also build a strong case for a greater role for the private sector. Moreover, the public sector higher education system displays a lack of flexibility in supply response for meeting the rapidly-changing needs of a fast-growing Indian economy.

But there are the two sides of a coin. Although the market forces in higher education would make it more competitive. These new competitive pressures bring both opportunity and danger. As market forces come to play a larger role, they may also create a system that undercuts or diminishes key attributes of the system important to society, such as concern for the less advantaged, the introduction of students to the role of citizenship, and open debate of critical issues in society. A higher education system left to market forces, without a thoughtful plan, could result in limited access for low-income students, decrease in the quality of offerings as institutions focus more on profitability and less on delivering a high-quality product, intrusion of market interests into the areas of research and scholarship.

When higher education is left to the market forces, it results in 'elitisation' of a basic need; it puts higher education firmly out of reach of the millions of under-privileged of our country who dream of going to the university one day. It firmly makes higher education a "commercial commodity" that is available only to those who can afford the price which, going by today's rate of a seat in a professional college, could be anywhere between Rs 2 lakh to Rs 30 lakh. What will be the ramifications of this commercialisation of higher education in the name of privatisation? For one, education will deepen the class divide between the already fragmented society of ours. Money becomes merit in this scheme of things since only the rich and the better-off will be able to access higher education. The state-subsidised higher education in the past had helped at least a small percentage of the rural, underprivileged, backward youth in getting a university degree. If higher education becomes an expensive commodity, yet another door will be shut on the under-privileged of our country.

Being blamed for all its ills, it is often argued that the total deregulation of higher education in India would serve the public interest best. This argument is based on the simple principle of economics that if the market regulates institutions more efficiently and effectively than the state,

then the task of regulation should be left to the market. The manner in which clearing of demand and supply takes place in higher education suggests that leaving higher education to market forces may not be most viable option. As market for education have unique features.

*A higher education system left to market forces, without a thoughtful plan, could result in:*

- Limited access for low-income students, or students who are not “easy to educate,” and therefore require a higher investment of resources and funding and are less likely to return profit.
- A two-tiered system, with traditional, high-quality institutions reserved for the elite class and all other institutions serving the “nontraditional” or disadvantaged students.
- A decrease in the quality of offerings as institutions focus more on profitability and less on delivering a high-quality product, which is often quite expensive.
- Loss of those experiences and processes by which higher education stimulates the life of the mind and introduces students to the role of engaged, thoughtful citizen.
- Intrusion of market interests into the areas of research and scholarship.
- Closure of institutions, programs or disciplines that serve society well, satisfy a unique need, and provide students with real choice, but are expensive to run and are often cross-subsidized.

Education cannot be left to market forces alone because of all the negative impacts, which have been discussed so far. The principle of economics does not apply in education as it is the market with unique features. It is the imperfect market with information asymmetries and it is diverse market so no uniform price.

#### **1.4 RECOMMENDATIONS OR SUGGESTIONS**

On the basis of discussion over impact of market forces on higher education, the study provides following recommendations:

- We have still not achieved the recommendation of Kothari Commission i.e. to spend 6% of GDP on education. Education is the driving force for the development of the nation so

we need to invest atleast 6% of GDP as recommended in this driving force to achieve the pace of development. But the government spending on education is 3.85% in 2009-2010.

- Though the changing structure and delivery of higher education and increasing use of technology are creating a competitive market for higher education, the total reliance on market forces alone in higher education is not the most feasible option. While the market forces are being increasingly used the world over to coordinate and steer the higher education systems, yet their limitations are also becoming clearer. Rising inequities, increasing exploitation of gullible students, deteriorating standards and skewed growth necessitate government intervention. The limitations of market forces in higher education need to be understood and a regulatory system developed to overcome these limitations.
- If we recognize the role and need for private sector engagement in education, can it not work in partnership with the public sector? Let us not forget that some of the world's greatest universities are in the private and public sector, such as Stanford, MIT, University of California Berkeley and Cambridge.
- The govt. may provide scholarships and subsidize the education for needy students. Govt. may also offer tax concession for setting up campuses of higher education in areas where GER is very less.
- The government is required to undertake some policy initiatives to make the higher education more accessible and quality oriented. Some of the recent policy initiatives have been taken by government in this regard. These are encouraging the entry of private sector setting up of a regulatory authority (NCHER), quality assurance mechanism, promotion of PPP (Public Private Partnership) in new ventures, infusing competition in publicly funded institutions. There is requirement for more such steps which are required to be taken for framing an appropriate policy for higher education.
- The critical issue for higher education therefore is not the dispute between advocates of complete deregulation and advocates of a protected status for universities, but rather the debate regarding what type and degree of government regulations will maximize the social benefits of higher education systems increasingly subject to market forces.

## 1.5 CONCLUSION

Market forces are extremely powerful. While there are dangers inherent in their presence, there is also the opportunity to put them to use. Via thoughtful policy alternatives, the higher education system can channel the power of market forces for the benefit of society. In light of the current, unprecedented opportunity before us to capitalize on the new competition and market forces that have entered higher education, it is worthwhile to think about an ideal vision for the higher education system. We need to craft a vision of a higher education system that offers opportunity for all individuals wishing to gain access to postsecondary learning. The challenge for policymakers is to think about what society wants from higher education and how the power of market forces can move the system toward those goals, and then to design policies that will create an effective and thoughtful market-oriented system of higher education. The task is not to choose between market forces or regulation, but to combine and balance the two. Considering the role of education in nation-building, framing an appropriate higher education policy is critical to balance the public good concept with the private good concept of higher education. The task is not to choose between market forces or regulation, but to combine and balance the two. Education is such a sector, mere compliance with the regulatory norms is not good enough. And therefore what is needed is genuineness and sincerity when it comes to the delivery of education to the society, be it public or private.

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