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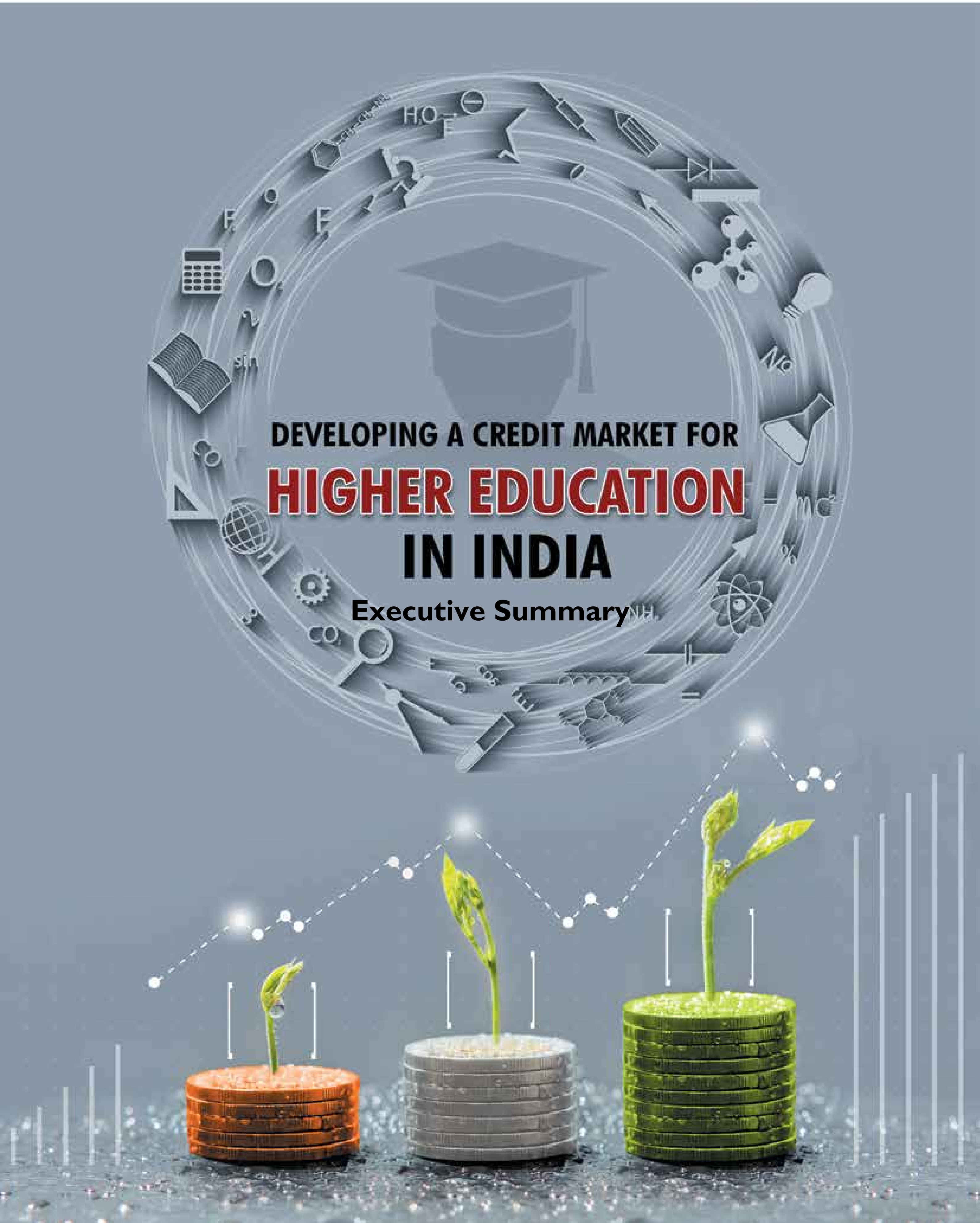
DEVELOPING A CREDIT MARKET FOR HIGHER EDUCATION IN INDIA

Executive Summary



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FOREWORD

A strong, self-sustainable and knowledge intensive global economy can only be built on the foundations of Quality manpower. Incidentally, international comparisons show that India is lagging far behind on almost all the parameters of human resource development, namely average years of schooling of working population, gross enrolment ratios, learning outcomes, research and innovation activities and overall per capita expenditure on education.

The role of public sector in developing Education is consistently declining due to constraints on funding and indifference to quality beyond a few islands of excellence. The Governments' financial support is also limited to one-third of the total expenditure on higher education, which mainly goes to the Central and state universities. Since the government has not been able to keep pace with the demand for higher education, self-financing universities and colleges have considerably augmented opportunities for higher education and research. Of all the higher education institutions, over eighty percent are managed by the private sector, which enroll over sixty percent students. The target of increasing the gross enrolment ratio to 30% by 2020 will therefore heavily depend on the proliferation and strength of private universities leveraging market capital to promote high quality education and which prepares the current and future generations of Indians for the highly competitive global economy.

A qualitative improvement towards internal and external efficiency of higher education institutions would need to attract and retain competent faculty, raise teaching standards, encourage cutting edge research and nurture talent. These require massive investment and national effort to mobilize required financial resources from diverse sources towards meeting the rising costs of education, training and research.

The massive expansion in enrolment and the incapacity of the government to fund such an expansion requires new and innovative ways to finance higher education in the country. Without adequate legal and financial empowerment of HEIs, particularly the institutions under private management which have credible record of contributing to the development of higher education and research, it may be difficult to realize the goal of quality human capital formation.

Education remains one of the most stringently regulated sectors of the economy. There are separate entities and layers of rules and norms for setting up a higher education institution, system of affiliation, academic processes, curriculum, admission and so on. This is ostensibly to retain the sanctity and prohibit entry of entities interested in profiteering. However, there are enough loopholes in the current structure that allow rampant profiteering to take place. It is indeed ironical that all the regulations have not really managed to keep out players who view education merely as a business with potential high returns.

The need of the hour is to make every possible effort to attract serious players with institutional funding who can enter the education sector and build transparent and high-quality institutions. The present structure dissuades serious entrepreneurs from putting their equity into this sector and restricts the flow of capital in the sector. The current restrictions create unhealthy moats leading to consistent decline in education standards and failure to get global recognition for the system. A significant externality is the huge number of students (and capital) which go abroad every year in search of quality education.

The YES Global Institute is proud to champion the cause of developing a functional credit market for the education sector in India. The availability of fungible capital for credible private sector entities is critical for affecting a qualitative improvement in higher education and facilitating disruptive education models for the new age economy.

Towards this objective, the research study puts forth granular focus on the structural changes required in the higher education ecosystem and the ways and means to build a functional credit market for the sector. We are especially pleased to solicit and receive inputs from eminent academicians and policy makers on the issues listed around creating an enabling ecosystem for higher education in the country.

Sincerely,

Rana Kapoor

Managing Director & CEO YES BANK

Chairman YES Global Institute

PREFACE

India's higher education system has expanded rapidly, driven by the dramatic increase in gross enrolment ratio from less than 10% in 2000 to 25.5% in 2014-15. However, along the way we have not been able to undertake qualitative and futuristic transformation in our higher education domain. Some symptomatic indicators which highlight the structural challenges include the absence of Indian institutions in global rankings, low research output, very low employability of graduates and increasing attractiveness of a foreign degree. Quality or the lack of it has clearly emerged as the foremost challenge to our higher education ecosystem as other key metrics of access and equity have been addressed to some extent.

Lack of adequate resources has been identified as the major impediment for raising quality of relevant education in both the public and private set-ups. Self-financing institutions are moreover expected to function on 'not-for-profit' basis, which hardly allow for generating surpluses that may be utilised for expanding their activities and/or to invest in research activities. Education system, in general, is facing a daunting challenge of improving quality of relevant education, which calls for strategic interventions that would create conditions to help build India into a modern, prosperous and progressive economy and society.

The study looks at various structural issues in the higher education system at a granular level starting with the expectations from the higher education ecosystem in an evolving knowledge economy; the case for augmenting additional resources; and understanding the financing of various types of HEIs. The process of marketization and the causes for market failures in the higher education ecosystem are presented in detail. The study proposes a new financial ecosystem with a slew of proposed initiatives for enabling infusion of greater resource into HEIs. These are spread across the planes of fiscal and tax incentives in terms of new financial instruments and integrated financing agencies; pilots on demand side financing; and allowing easier access to long term funds from the capital market to the education sector.

To implement the new financial ecosystem, some functional changes are also suggested which include reforms in the areas of accreditation of HEIs; recruitment process of students; review of the education loans policy; promoting sharing of resources between industry and academia; and review of the statutory and legal status of higher education including the 'not-for-profit' status of the sector. Income contingent education loan policy has been prescribed as an alternative to correct the inefficient social and commercial aspects of the current education loan product.

We are also pleased to share the perspectives of eminent educationists and academicians who presented their papers and perspectives on a wide variety of aspects of the higher education ecosystem at the stakeholder convening organized by the Institute. Overall, the report presents an integrated empirical, applied and experiential approach to address the challenge of 'quality' in our higher education system.

Preeti Sinha
Senior President YES BANK
& Glocal Convenor YES Global Institute

Introduction: Higher Education and Development

Higher education is critical for socioeconomic advancement and an important driver of individual economic mobility. A well-educated workforce is vital for accelerating economic growth. Industry and business organisations require a highly skilled workforce to meet the demands of today's increasingly competitive global economy. Most higher education institutions (HEIs) are producing graduates that the job market no longer requires. Interface between institutions and industry for sharing knowledge, technology and financial resources is almost negligible.

Improving quality and fostering excellence in our institutions of higher education is a major challenge that must be collectively addressed by all the stakeholders- the government, institutions and the students. This in turn will allow for reaping the benefits of the much touted demographic dividend.

International comparisons show that India is lagging far behind on almost all the parameters of human resource development, namely average years of schooling of working population, gross enrolment ratios, research and innovation activities and overall per capita expenditure on education and health care.

In order to improve internal and external efficiency, the institutions are required to attract and retain competent faculty, raise teaching standards, encourage cutting edge research and nurture talent. But, this requires massive investment into quality of education, which depends on the national efforts to mobilize required financial resources from diverse sources for meeting the rising costs of education, training and research.

In spite of oft-repeated commitments made by the successive union governments for allocation of six percent of GDP for education, the total expenditure has hovered around three to four percent. The corresponding share for higher education is around one percent of GDP, which is inadequate for empowering over 30 million post-secondary youth pursuing higher education in various universities and colleges.

As post secondary education has become increasingly important for realizing individual and societal aspirations, there have also been growing concerns about the cost and affordability of higher education.

Higher education is provided through a complex public-private partnership, with different types and levels of institutions offering a wide range of teaching, research and extension services. While the vast majority of the students are enrolled in colleges and universities that are supported by the government, private not-for-profit institutions are growing the most rapidly. Universities and colleges under private management have recorded unprecedented quantitative expansion while the initiatives taken for enhancing quality of education have been grossly inadequate.

The central and the state governments have been supporting higher education by providing full or partial grants, allowing establishment of self-financing universities and colleges, providing free and subsidised education through scholarships on merit-cum-means basis, including fiscal concessions for donations to institutions and extending subsidised student loans.

> In this backdrop, we at the **YES Global Institute**, have made a humble beginning to investigate into the sources and methods of funding **Quality Higher Education** with a view to identify the areas and forms in which additional funds could be attracted for **investment** into higher education.

To meet the shortage of **funds for the development of higher education** and research, the fiscal policy has been modified from time to time to explore alternative means of financing HEIs. These include:

- **Cost recovery of education** together with education loan facility,
- Levy of education cess for augmenting **budgetary resources** and
- Incentivizing **donations** for **encouraging educational** activities.

In spite of these initiatives, HEIs suffer from shortages of funds for improving quality of relevant education, training and research. While the public and private participation has largely succeeded in promoting quantitative expansion of higher education, quality of education has been relegated to lower importance. For quality enhancement, additional funds from non-conventional sources have to be found. Issues concerning the policy of educational loans, cost recovery approaches and levy of user charges require an objective assessment for reorientation of relevant policies.

We need to examine why HEIs should not be encouraged to raise long-term concessional finance for infrastructure development since activities of HEIs are critical for ensuring overall productivity of resources and competiveness of economy.

The policy on funding of higher education and research should therefore focus on the following:

- Diverse sources of funds, including concessional loans that may be availed of by the students on merit-cum-means basis as well as by the institutions that are well governed.
- Institutions should be able to access funds at lenient terms for promoting quality programs. The institutions should be able to levy user charges from the beneficiary students and employers of their graduates.
- The idea of **'for-profit'** model of institutions in select areas of HE programs may also be considered to attract private investment in education with adequate provisions for prohibition of unethical practices

These measures shall pave the way for promoting world-class universities that alone can ensure India's competiveness in the globalised economy and overall sustainable development.

In this backdrop, this report discusses the current state of higher education and its ability to respond to the challenges facing the competitive knowledge economy, the success of which is closely linked to performance and accountability of HEIs. An attempt is made to undertake a thorough overview of the market for higher education and a more detailed discussion and analysis of the financial support system.

This report is presented in two parts:

Part I	Part II
Part - I explores and discusses a wide range of issues affecting the HEIs. Financial constraints due to competing claims of priority sectors like universalisation of primary education will have to be relaxed through a deliberate policy decision. Accordingly, in this part of the report, suggestions are made to improve funding of HEIs to turn them into the world-class institutions to enable them to effectively respond to the challenge of the globalised knowledge economy.	Part-II includes the select papers presented by eminent educationists, academics and policy planners at the convening hosted by the YES Global Institute on "Developing a Credit Market for Higher Education" on August 4, 2016.

Executive Summary

Globalisation and the evolution of knowledge based economies have led to dramatic changes in the characteristics and functions of HEIs everywhere as higher education is seen in direct correlation in achieving global competitiveness. The minimum competence threshold for being able to function in the economy is moving upward. Therefore, it is becoming increasingly difficult for a person to perform in the knowledge economy if s/he does not have the necessary skills and entrepreneurial capacity.

In line with this trend, higher education has recorded unprecedented expansion due to the realisation among people that higher education is critical for realizing socioeconomic aspirations. This aspiration is partly fulfilled by the emergence of a large number of self-financing private colleges and universities.

Globally, governments have committed colossal investments to expand higher education to nurture professionals with high levels of innovation and creativity.

> In India however, in spite of oft-repeated **commitments** made by the successive union governments for allocation of six percent of **GDP for education**, the total expenditure has hovered around three to four percent.

The corresponding share for higher education around one percent of GDP which is grossly inadequate for empowering 30 million post-secondary youth pursuing higher education in various universities and colleges.

In order to improve internal and external efficiency, the institutions are required to

1) Attract and retain competent faculty,
2) Raise teaching standards,
3) Encourage cutting edge research and nurture talent.

But, this requires massive investment into quality of education, which depends on the national efforts to mobilize required financial resources from diverse sources for meeting the rising costs of education, training and research.

To make the complex mix of public and private sector institutions deliver on the promise of quality education, a lot of deregulation and resources are needed. This reforms process however has been grossly inadequate. Most HEIs, for instance, continue to suffer from deficiencies in resources, financial as well as physical while the pressure of enrolments has continuously been rising

Recognizing the fact that expansion without quality improvement serves little purpose, the policy planners will have to give over-riding emphasis on quality and relevance of higher education programs. Financial constraints as confronted by HEIs hardly allow them to cope with the challenge of enhancing quality of teaching, research and consultancy services.

Market Failures in Education

From an economic standpoint, significant positive externalities accrue to beneficiaries from post-secondary education, mainly undergraduate level technical and professional, the costs of which should be fully or partly borne by the students on the grounds of economic equity, efficiency and social justice.

On this reckoning, public and private partnerships in education, requiring in part funding by the beneficiary groups and the government, has been deliberately encouraged to improve accountability of education system. But this mixed system suffers, everywhere, from ‘market failures’, which is attributable to the lack of:

i) Transparency and effective competition in management and financing of educational institutions; and,

ii) Institutional accountability in assuring acceptable level of quality of education and training, which in effect may not guarantee the future jobs and earning prospects.

Eventually, this leads to credit market failure and, at times, lack of collateral for banks perpetuate the problems of funding through education loans.

There are elements of the higher education system which are linked to aspects of market forces. The market forces should lead to greater competition and higher quality, while the costs of services are driven down. And, as a result, we get better quality of education and well-qualified graduates for a lesser amount of resources spent on them. The YES Global Institute has proposed a series of steps to address the market failures so that a functional credit market for education can be created.

This includes the following:

I. **'Infrastructure' Status to Education, Skill and Health:** Education and skills should be added to the list of "Infrastructure Status"

II. **Public Private Partnership (PPP) Model Template for education sector:** going by the experience of roads, the government needs to create a template for PPP in education. In spite of its many failings, PPP in India's infrastructure sector grew multifold after a standard template for PPP was evolved after extensive discussions with the private sector.

III. **Universities and Higher Education Institutions:** Allowing and encouraging Universities to alternative sources of funding through endowment funds, short and long term funding and allowing flexibility to Universities in exploring various investment avenues.

IV. **Skills and Vocational Education**

Demand side financing: the existing schemes on skills financing should be supplemented by demand side financing instruments like skill vouchers. Among the myriad skill development schemes, demand side financing in the form of skills vouchers shall enable the freedom of choice to the end consumer to choose between both the provider and the kind of skilling. The youth shall have the choice to select from a large pool of accredited public and private sector skilling centres.

- The ecosystem can be further improved by allowing CSR funds to buy and donate skills vouchers
- **Centralised Fund for Skill Development:** A new entity for centralised fund mobilisation vis., "Education & Skill Development Finance Corporation (ESDFC)", could be created for catering to the capital expenses of educational and skill development institutes. This shall act as an umbrella body with a number of functions including formulating an eligibility criteria for educational and skill development institutes etc.; formulate parameters to decide on which projects are to be funded and; which kinds of capital expenses are to be funded including funding of operating expenses if any.

Centralized Fund for Education & Skill Development a.k.a Education & Skill Development Finance Corporation (ESDFC)

Statutory Status

Should be given status of Financial Institution (FI) under section 2(72) of the Companies Act 2013 enabling it to access funds at attractive rates

Reason for Mobilization

Catering to the capital expenses of educational and skill development institutes vis., "Education & Skill Development Finance Corporation (ESDFC)"

Legal Structure

Structure & operating mechanism can be similar to Power Finance Corporation (PFC), which mobilizes funds for state electricity boards

Funding

- To be capitalized by the Govt.
- To be given the right to borrow from market.

Functions

Formulate Eligibility Criteria for:

i. Educational Institutes

ii. Skill Development Institutes

Formulate parameters on:

i. Identifying Projects for funding for either Capital or Operating expense or both

Direct Lending
Provide long term 'senior' and subordinate debt through participation in lending consortium

Provide Refinance
Provide refinance to Banks and eligible institutions against their education loan lending portfolio

Takeout Finance
Provide Takeout Finance aimed at addressing the asset liability mismatch & exposure constraints faced by banks by taking out loan from the books of the banks.

Credit Enhancement
Provide credit guarantee to enhance the ratings of the education bond issue, enabling channelization of long term funds from investors like insurance companies and pension funds under its Credit Enhancement Scheme.

Alternative Funding through Tax Free Bonds

To meet the huge amounts of funds, this proposed entity, ESDFC can potentially get budget allocation every year to issue Tax Free Bonds.

V. Refinance Company for Skill Development

a. **Challenges faced by Ministry of Skill Development:** Relatively limited budget compared to the funds required to scale up skill development on a national level in a short span of time; reluctance on the part of lenders to extend skill loans; scaling up of skill development can be delayed due to lack of funds

b. **Challenges faced by Lenders:** Small ticket size (loan amount) of Skill Loan, primarily rural spread of students, making it logistically quite challenging. Parents from relatively lower income bracket; Uncertainty about future income; Transaction costs of small ticket loans; Challenges in recovery process; Cost of recovery process in case of NPAs.

c. Credit Guarantee Funds can cover only 75%. Also, on default, the proposed credit guarantee trustee company would only give 75% of 75% sanctioned amount. That means on default, the lender can get only around 55% of the principle back. Remaining 25% can come only after the entire recovery process. Therefore, lenders would see much higher risk and much higher exposure of capital, when the perceived risk of skill loan is much higher.

d. **Challenges faced by students and parents:** Reluctance by the lenders would result in long delays and time consuming processing period for students

Refinance Company for Skill Development

STAKEHOLDERS

Student/Parent

Apply for a skill loan from the lender

Recovery Process of Refinance Companies

Lender

- Lend to students with minimal paperwork as per Skills Ministry mandate
- Every eligible students can get a skill loan

Refinance Company

- They buy 100% of the skill loan book from lenders.
- Issue Bonds/Debentures against the skill pool

Government

- Provides credit guarantee to refinance companies
- Risks covered in collaborating with multilateral agencies

Investors in Refinance Company

- Refinance Companies like: MUDRA Bank
- Multilateral Agencies like IFC, ADB
- Government

Investors of Bonds Issued by Refinance Company

- Pension Funds, Insurance Companies etc.

Refinance Company will need to have a dedicated recovery department which will be responsible to collect and recover the Skill Loan from the students.

The following Risk Mitigants against the NPAs of Skill Loan can be considered:

- Reporting of Defaults of Skill Loans to CIBIL
- Linking the defaults via Aadhaar of the student
- Employers of defaulters of Skill Loans to be under legal obligation to deduct the repayment amount from the salaries of the people who have defaulted
- Defaults can be deemed as Tax Default where the Income Tax department mechanism can be activated

Proposed Solution: Skill Loan Refinance Company

Stakeholders:	
Student and Parent	They can apply for skill loan from the lender.
Lender	As per the Skill Development Ministry's program, they lend to students for skill development with minimal paperwork. Every eligible student can get the skill loan
Refinance Company	Refinance company buys 100% of the Skill Loan book from the lenders. Refinance Company issues bonds/debentures against that pool.
Sovereign Guarantee to Refinance Company	Ministry of Skill Development issues Credit Guarantees to Refinance Company against any credit losses. Ministry of Skill Development can have the choice of covering these risks with multilateral agencies such as Asian Development Bank (ADB) and/or International Finance Corporation (IFC), or other similar entities. Globally these multilateral agencies have many such programs operational.
Investors in Refinance Company	Investors in Bonds issued by Refinance Company can be Pension Funds, Insurance Companies etc. when Skill Loan gets included in the Pattern of Investment approved by IRDAI.
Investors of Bonds Issued by Refinance Company	Investors in Bonds issued by Refinance Company can be Pension Funds, Insurance Companies etc. when Skill Loan gets included in the Pattern of Investment approved by IRDAI.

Recovery process of Refinance Company:
Refinance Company will need to have a dedicated recovery department which will be responsible to collect and recover the Skill Loan from the students. The following risk mitigants against the NPAs of Skill Loan can be considered:

- Reporting of defaults of Skill Loans to CIBIL (centralised repository of borrowers who default on their loans)
- Linking the defaults via Adhaar of the student
- Employers of defaulters of Skill Loans can be under legal obligation to deduct the repayment amount from the salaries of the people who have defaulted on their Skill Loans
- Defaults can be deemed as Tax Default where the Income Tax department mechanism can be activated for recoveries.

Enhancing the sources of education financing:

Priority Sector Lending Certificates: Education related financial instruments, debt certificates etc. need to be included in the list for Priority Sector Lending Certificate in which banks, which fall short of their priority sector lending obligations, can fulfil their targets by purchasing priority sector lending certificates (PSLCs) issued by educational institutes, non-banking finance companies (NBFCs) and co-operatives etc. Lending Certificate can be issued be entities which qualify for Priority Sector

VI. Education to be included in allowed "Pattern of Investment" by IRDA, PFRDA etc.

a. Insurance Regulatory and Development Authority of India (IRDAI) to include "Education" in the "allowed pattern of investment" for insurance companies.

b. A separate sectoral cap requirements for Education sector to be mandated to foster fund flow to the education sector, where minimum percentage of investment in the sector can be specified by IRDA to Pension Funds to promote education. That would mean LIC, Insurance Companies, etc. investing certain % of their portfolio in education bonds etc.

c. IRDAI should include education related investment and financial instruments as allowed investment categories for insurance companies to invest in.

VII. PFRDA (Pension Fund Regulatory and Development Authority) to allow investment in Education Sector to Pension Funds:

a. PFRDA should include education related investment in its investment guidelines for pension funds.

b. Minimum percentage of investment in education sector can be specified by PFRDA to Pension Funds to promote education.

c. Education Bonds: EPFO, LIC, Insurance Companies, Provident Fund, NPS etc. must allocate certain percentage of their portfolio into education bonds

VIII. Creation of IEA (Individual Education Account):

Similar to IRA (Individual Retirement Account) of US we should have an account for education. Following can be its features

- o Tax Deduction on depositing of amount
- o Withdrawal to be used only for the purpose of education of account holder
- o Withdrawal for any other purpose to be taxed in the year of withdrawal
- o Structure similar to PPF can be used for Administration, Investing, etc

IX. Tax Incentives to Students and Parents

a. **Increase in Deduction under Section 80E:** Currently only deduction of interest is allowed under Section 80E of the Income Tax Act. Deduction of Principal Loan Repayment should also be allowed as a deduction under section 80E as is currently permitted for home loan repayments u/s 80C of the Income Tax Act.

b. **Deduction under Section 80C:** Currently only deduction of tuition fees is allowed under Section 80C. Deduction of expenses other than tuition fees relating to education should also be allowed as a deduction under section 80C

Structural Changes to affect a Functional Credit Ecosystem:

1. HEFA: In the Union Budget 2016-17, the establishment of a Higher Education Financing Agency (HEFA) was announced with a laudable objective of providing financial wherewithal for development of infrastructure in the select public and private universities, and to leverage funds from the government and the market, including philanthropic donors. An institute will be eligible for a credit limit of 5 times the annual inflow of the student fee. The institute can draw interest-free funds against an approved capital or research project and repay the amount over 5-10 years through the escrowed student fee and the expected stimulation of economic activity. Since institutions would get funds without any interest liability, it may be possible to build infrastructure for quality teaching and research, the costs of which could be recovered from the improved economic and income generations. More importantly, HEFA's main objective is to provide funding support for cutting-edge research in HEIs, which in turn may attract and retain competent faculty for carrying out teaching, research and consultancy services. The establishment of HEFA augurs well for the development of HEIs. It needs to be operationalised without any further delay as nearly a year has already lapsed since it was announced.

2. Recruitment Reform: In order to attract additional funds from financial institution, including corporate endowment and scholarships, it may be necessary for the institutions to admit students for various courses on the basis of national admission test, such as, National Eligibility cum Entrance Test (NEET). A merit based admission policy would not only contribute to quality enhancement but also go a long way in eliminating scourge of corruption in education sector, particularly the practice of accepting 'capitation fees' by the management of private institutions.

3. Accreaditation and Quality Enhancement: The government must expedite the process of accreditation of institutions, as only 255/826 HEIs are accredited in 2016. Of these 141/255 HEIs are accredited in grade 'A' by the National Assessment and Accreditation Council. It is accredited institutions, which are expected to attract resources from different sources, including self-financed students who seek value for money. The role of the regulatory bodies in enforcing the prescribed norms and standards is equally important. These measures are critical for ensuring cost-effectiveness of education loans.

4. Review Education Loans Policy: The evidences indicate that the education loans policy caters mainly to the students enrolled in private institutions that offer jobs and market oriented courses. The loan size, and associated means-tested interest subsidy benefits the students from a cross section of the society. In effect, thus, the mixed mode of funding education- direct government's institutional support and the cost recovery through students loan policy, are suited to the requirements of students from different income groups.

And, the NPA on account of education loan is estimated to be 6-7 percent, which can be substantially reduced through effective financial management. It is suggested therefore that income contingent loan policy may be adopted, which is an improved version of the policy in vogue.

Income contingent loans policy, which is designed with two purposes in mind: for those who wish to avoid up-front payments, they ensure that education can remain free during the period of study; and, entire amount of loans should be fully income contingent, rather than mortgage based. Enhancing existing students' loans arrangements allows them to do so from the higher earnings they gain throughout their working life by virtue of having been to HEI.

It is important therefore that the Central Government may constitute an expert committee to: i) review the implementation of students' loan policy so as to remove its pitfalls, mainly non-recovery of loans to contain NPA within tolerable limits; and, ii) suggest the ways and measures for adoption of income contingent loan policy, which has significant potential to equalize opportunities for pursuing higher education and to overcome the vagaries of employment market.

Promote Sharing of Resources: With a view to mobilise additional resources, sharing facilities and improving quality of higher education and research, it may be necessary to promote cooperation between institutions and the industry. The government must do the needful in this regard. Specifically, the industrial and educational sectors need to function in close collaboration, which may require them to evolve mechanisms to facilitate and encourage linkages between them. In this context, industry should be involved in the decision-making process at all stages of educational development. This would not only guarantee a high level of industrial involvement in education but would also ensure the quality of relevant educational and training programmes, as required by industry. In this context, the Central and state governments, must work towards creating and facilitating alliances for research, and linking university departments with research institutions and industry to accelerate the process of knowledge development.

Industry and HEIs can benefit mutually from the sharing of such facilities as labs, libraries, and workshops, and from an associated exchange of staff. Moreover, the fiscal incentives, mainly tax concession under Corporate Tax, for educational funding need to be extensively reviewed and revised so that industry and business organisations can suitably respond to the financial needs of institutions.

A significant proportion of educational services, mainly technical and professional programmes, have considerable economic and commercial value in their potential to enhance industrial productivity. Industry and business look at these programmes from a commercial perspective, and are, therefore, willing to pay a reasonable price – provided, of course, that the costs and financial aspects of education are transparent. It is necessary, therefore, to design a suitable and transparent pricing policy for different types and levels of education.

Institutions can also re-orient their programmes such that the training needs of companies, especially those in their local region, could be effectively provided for. In fact, to be able to attract adequate funds from industry and business organisations, educational institutions must improve their performance and credibility by offering the educational and training programmes required to improve productivity in their region. These programmes have direct benefits for the local community in that they are an important part of socio-economic development.

Review 'not-for-profit' tag to all education: Finally, the private sector institutions, which are allowed to operate on 'not-for-profit' basis, are generating huge revenues without caring for the quality concerns. As the large segment of higher education is considered economic investment, rather than social service, the educational entrepreneurs and other investors may be allowed to invest in education 'for-profit' so as to attract additional funds for quality education. Unfair practices, if any, should be prohibited through appropriate legal and administrative handles. An opportunity should thus be created to encourage domestic and foreign investments in educational infrastructure of high standard so that out-migration of over three lakh students and out-flow of huge funds to other countries could be arrested. And, in the process, competition among HEIs may be intensified for improving performance and accountability. India may take due advantage of the experiences of the countries, which have already moved towards 'for-profit' technical and professional higher education, which offers huge opportunities for learning, earning and economic development.

Profile of Authors

Prof. Ansari is Visiting Fellow at the YES Global Institute.

An Economist and Education Specialist, he has made significant contributions to the growth of knowledge, particularly in the areas of human resources development, higher education and research. In his current role, he assists the Institute as a guide and advisor to its research initiatives in the area of Education and Skills.

Immediately before this assignment, he was member of the University Grants Commission (UGC) wherein he was responsible for designing and implementing policies for promotion of higher education and research, mainly through the mechanisms of funding and quality assurance. Prof. Ansari was a Centre appointed Interlocutor on J&K (2010-11) for holding talks and engaging all the sections of the society in the process of a sustained dialogue for a peaceful resolution of the Kashmir issue. The Interlocutors' Report provides a framework for an uninterruptible dialogue process.

He has been the first batch Information Commissioner of the Central Information Commission (2005-2010), under the Right to Information Act 2005. Through his decision notices, over ten thousands, he paved way for promoting openness in functioning of the government departments and allowed citizens' access to the records pertaining to decisions making processes as well as implementation of various development projects. Recently, he prepared a Report (with AN Tiwari) on "Transparency Audit: Towards an Open and Accountable Government", 2015.

He has held senior positions at a number of institutions including Professor & Director of Distance Education Council, IGNOU; Senior Economist, FICCI; Director of Research Division, Association of Indian Universities; Fellow, NUEPA; and Consultant (whole-time), Planning Commission of India (1981-84).

He has also contributed as Member of international teams for accomplishment of Education Sector Reform Project, Government of Mauritius, supported by the World Bank; Bihar Education Project, UNICEF; and ADB's Technical Assistance Project on Human Resource Development in Micronesia.

Prof. Ansari has contributed over 200 research papers/articles in professional journals/books and is also the author of books/monographs (21). He has participated in over 300 TV/Radio programs on various subjects specific to his expertise, including issues concerning Kashmir Imbroglio, implementation of RTI Act and Educational Reforms. He holds a Ph.D. degree in Economics (of Education), PG Diploma in Public Finance; M.A. Economics from the Universities of Buckingham and Aligarh.

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Previously, he has worked as the nodal person for a leading industry body looking after the healthcare and health insurance sector involving multiple Government projects, thought leadership and extensive stakeholder outreach in the respective sectors. He is a regular contributor of papers and thought pieces on the education and healthcare sectors. He is an MBA Finance (Gold Medalist) from IBS Gurgaon.

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Ms. Ghosh has a Masters Degree in Economics from Jawaharlal Nehru University and B.Sc (Hons.) in Economics from University of Calcutta. Her interests include economic analysis, forecasting models on stock markets, investment scenario, GDP growth and studying the current economic situation from the perspective of corporation investment strategies.

YES Global Institute, the practicing 'think tank' at YES BANK, has been instituted to create shared growth through innovative development models, stakeholder engagement and policy advocacy. YES Global Institute, through its well defined knowledge verticals, is driving highest quality research and policy recommendations in key areas of Innovation and Culture, Sustaining Livelihoods, Policy Development and Sustainability for India's development. As one of India's new age think-tanks, the Institute creates platforms to bring together new technologies, global best practices, business models and innovative approaches which can be applied to fast-track India on a double-digit GDP growth path.