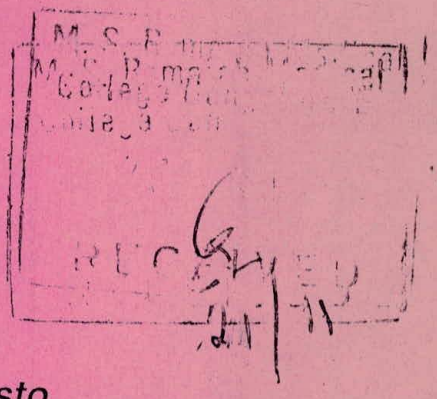
# THE PRIVATISATION AND PRICING OF PROFESSIONAL EDUCATION

## With Special Reference to Medical Education



*G.G. Christo*

Centre for Policy Research
Dharma Marg, Chanakyapuri
New Delhi 110021

October 1996

# THE PRIVATISATION AND PRICING OF PROFESSIONAL EDUCATION

## With Special Reference to Medical Education



*G.G. Christo*

Centre for Policy Research
Dharma Marg, Chanakyapuri
New Delhi 110021

October 1996

## QUOTES

The transition of a society from backwardness to advance is accompanied by the change of education from a consumption luxury to a productive investment.

*- CD Deshmukh*

If you think education is expensive, try illiteracy

*- Derek Bok*

The private sector should be involved and indeed encouraged to augment the much needed resources in the field of education, thereby making as much progress in achieving the constitutional goals in this respect.

*- Constitution Bench of the Supreme Court of India*

# THE PRIVATISATION AND PRICING OF PROFESSIONAL EDUCATION

## With Special Reference to Medical Education

## Table of Contents

## FOREWORD

The university system in India is unable to cope with the scale of demands made on it. Colleges are overcrowded, faculty and facilities are inadequate and government grants do not cover budgetary deficits. Six per cent of the GDP is being proposed to be allocated to education in the Ninth Plan, compared to 3.71 per cent in the Eighth Plan. But a major portion of the increase is earmarked for primary education. For universities the resource crunch will continue, and indeed is likely to grow.

In this era of privatisation and larger role for the people themselves, it is important to consider the potential contribution of the private sector in higher education. The introduction of the Private Universities Bill in the Rajya Sabha in August 1995 is a step in the right direction.

This study examines several aspects of the privatisation of professional education and offers certain strategies to ensure the economic viability of private colleges, preserving at the same time, the social responsibilities and quality of educational institutions.

On 9 August 1996, the Supreme Court handed down a judgement which called upon the Central and State governments and statutory councils to come up with a scheme to regulate admissions and fees in private professional colleges. In the light of this development, this study assumes added significance. It is our hope that it will help more focussed and informed debate on the issue leading to appropriate policy action.

September 12, 1996
**Centre for Policy Research**
**New Delhi 110021**

**Dr VA Pai Panandiker**
***Director***

## 1. INTRODUCTION

The Unni Krishnan judgement delivered by the Supreme Court on February 4, 1993 has come to be known as the "Capitation fees case". It was a landmark judgement because it represented the first comprehensive attempt by any branch of government to address the controversial facets of private professional colleges. But this judgement served a wider purpose by bringing into focus the larger picture of private professional education. After the exhaustive decryment of the unsavory practices of capitation fee colleges, in which politicians, academicians and the media all lent their shrill voices, there has since been a more sedate dialogue on the benefits of privatisation and other economic aspects of higher education.

The University Grants Commission, the Association of Indian Universities and the central and state governments have delivered pronouncements of concept and policy changes that mark a distinct departure from the traditional attitude of state-provided higher education. Evidence of this new thinking is the introduction of the Private Universities Bill in the Rajya Sabha, changes in the fee structure at the Indian Institutes of Technology and the introduction of NRI quotas in government medical colleges.

These developments are not only reflective of hard realities, such as the resource crunch facing the universities but also of a new demeanour of open-mindedness. The Supreme Court had as its narrow objective the regulation of capitation fee colleges but unwittingly achieved setting in motion the bandwagon of pragmatism in professional education.

## 2. THE CASE FOR PRIVATISATION

Even in this era of privatisation as a national policy there is still resistance to the privatisation of higher education. Since education in India originated from religious orders and the gurukul and gurushishya relationships, any form of compensation, other than nominal, is even today looked upon as mercenary. "Education has never been commerce in this country. Making it one is opposed to the ethos, tradition and sensibilities of this nation"[1] While costing is a well-accepted exercise in industry and agriculture, pricing of education has been alien to our culture. Of course, these contentions are not trotted out when it comes to medical care, arguably the most sacrosanct priority of the social sector. When one is sick there is a rush for the best private nursing home.

The other argument proffered is that it is the government's responsibility to provide higher education. But the constitutional right to education is only upto the age of 14. Education beyond that, as underscored in the Unni Krishnan judgement must be within the capacity of the government.

The public has a right to demand free, universal primary education. But we find that urban parents are quite prepared to pay capitation fees (in the guise of development fees, building fees etc.) for admission of their children to elementary or high schools. Because of the craze for English-medium education, profit-minded entrepreneurs set up school sheds on backlots with convent sounding names and do good business. But when it comes to nominal fee increases in college, students go on strike.

This patent hypocrisy is also demonstrated by the flourishing of tutorial colleges and coaching academies where substantial fees are collected for unregulated academic programmes. The phenomenon of parallel colleges is unique to our country. Fees are cheerfully paid for driving schools and computer institutes but when it comes to formal education there is fierce resistance to reasonable fees.

But apart from constitutional rights and public expectations of state - provided higher education there are other issues that recommend an expanded role for the private sector in higher education.

## 2.1 Optimal utilization of government resources

Six percent of the GDP has been allotted to education for the Ninth Plan compared to 3.7% for the Eighth Plan. For "Education for All by 2000" to be remotely approached further resources must be provided for primary education. Forty-four percent of primary schools do not have pukka buildings and 32.7% do not have blackboards.[2]

"Educational backwardness in India goes side by side with social and economic backwardness and some of the significant indicators of development such as infant mortality rate, fertility rate etc. are correlated to education".[3] The returns of education to society in terms of development are more pronounced from primary and secondary education than it is for tertiary education in which the prime beneficiary is the individual.

About 15% of the education budget goes on tertiary education though only 6% of all students are in colleges and universities. Added to this is the unacceptable phenomenon of receding revenues from fees. The education of college students is being increasingly subsidized. In 1987-88 colleges fees accounted for only 1.68% of the cost of higher education having diminished from 15% in the 1950s. The Punnayya Committee (1992-93) set up by the UGC recommended that tuition, admission, examination, hostel and other fees be raised with immediate effect and that the universities generate 15-25% of their recurring expenditure but the report is only gathering dust.[4]

Who are the beneficiaries of this largesse? A survey by the UGC in 1981 revealed that 70% of university students were from the top 20% of income earners.[5] Since indirect taxation is paid mainly by the poor, "university education is acting as a conduit for transferring resources from the poor to the rich", according to Malcolm Adisheshiah.[6]

## 2.2 Efficiency and innovation

According to public perception, private education is more efficient but thi perception has not been well documented by investigative study in India. Some educationists have supported the view that corporate sector education provides better quality at lower cost.[7] Unaided or partially aided private colleges must charge higher fees and to remain competitive have to be quality-conscious. Since they are not handicapped by slow-moving bureaucratic machinery and have the ability for quick decision-making to absorb new information and technology, they are able to keep abreast of market requirements. Private institutions tend to network more efficiently and innovatively with national and international organizations.

In a recent survey of medical colleges, five private institutions were ranked in the top 20 of the nation though the overall ratio of private to government medical institutions is small.[8] Also among medical colleges having similar facilities and standards the private ones are run more economically.[9]

It is necessary to encourage a new breed of educational entrepreneurs to contribute to the development of higher education if they provide good education and admit on merit. There is a lack of realism in the UGC Act (clause 2c of section 12) which calls for appropriate steps to ensure that no student secures admission to a course of study by reason of economic power and thereby prevents a more meritorious candidate from securing admission.

The Constitution bench of the Supreme Court observed, "The private sector should be involved and indeed encouraged to augment the much needed resources in the field of education, thereby making as much progress in achieving the Constitutional goals in this respect".[1]

## 3. THE INITIATIVES OF THE SUPREME COURT

The long arm of judicial activism in the 1990s extended to professional education with the Supreme Court mandating regulations that normally lie in the preserve of government, statutory bodies and college administrations. The court deemed it fit to prescribe schemes that encompassed admissions, fee structures, quotas for SC/STs and NRIs, loan schemes and institutional subsidies.

Given the lethargy of the statutory councils, the undisguised nexus between state governments and capitation fee colleges and the ensuing erosion of standards and ethics, there was widespread commendation of the Supreme Court's intervention by parents, academicians, the media and the general public. The court had certain limitations: firstly, inadequate inputs from the UGC, MCI, AICTE and government, especially in regards to the cost of education, and secondly, inadequate time because of the impending opening of colleges. In spite of deficiencies in the judgements, the groundwork for the regulation of private professional colleges was firmly laid.

A brief analysis of the major judgements are presented. More detailed accounts can be found elsewhere.[10-17]

### 3.1 The Mohini Jain Case (1992)

For the first time, the Supreme Court gave a directive principle the status of a fundamental right. The right to education is only a directive principle. Article 45 of the Constitution states that the government shall provide free and compulsory primary education to all children upto the age of 14 years. The two-judge bench went a step further and averred that there is a right to all levels of education and that this was concomitant with the right to life guaranteed by Article 21 and the dignity of the individual as expressed in the preamble of the constitution. As capitation fees result in poor students being denied admission, such fees infract Article 14 which guarantees equality of opportunity.

The judgement was a severe blow to the privatisation of education and brought to the fore difficulties in the definition of capitation fees and as costs of education in private institutions had to be met by student fees, the future of private colleges were left in doubt.

But a dilemma was now faced by the state since the implication was clear that even higher education had to be provided to all citizens and each person could perhaps demand a professional course of his choice. No mention in the judgement was made of Article 41 which provides that the state shall make effective provision for securing the right to education within the limits of its economic capacity and development. Since the state at present is not economically or developmentally capable, the state could recognise/approve private institutions to impart higher education. Therefore the judges should have clearly defined the role of private professional education and set out a framework for their fees and admissions. For if private colleges must charge the same fees as government colleges, then one could also demand that private hospitals must charge the same fees as government hospitals.

## 3.2 **The Unni Krishnan Case (1993)**

The judgement in the Mohini Jain case brought sharply into focus the issue of capitation fee colleges but raised practical problems and left grey areas. Under threat of "decapitation" the managements of some of these colleges brought writ petitions before the Supreme Court. These were collectively disposed of by a five-judge constitution bench in what has come to be known as the "capitation fees case". The main features of the Unni Krishnan judgement were:

a. The right to education upto the age of 14 was affirmed. Beyond that the state has only a limited responsibility.

b. The role of private institutions in imparting higher education was granted and also the necessity to charge fees from their students to meet the cost

of running their institutions. This provision tacitly approved the concept of self-financing colleges.

c. A scheme for the admission and fees for students in three categories: 50% free seats and 50% payment seats (later amended to include 10% NRI). In each category candidates were to be admitted on merit inter se.

The Unni Krishnan judgement made notable departures from the Mohini Jain case. On the whole it was found to be implementable and the existence of private colleges were ensured for the time being. But it raised several new thorny issues.

3.2.1 Legitimising self-financed education was a progressive move. However in its anxiety to maintain a notion of social justice, a scheme of free and payment seats was evolved so that a rich student would not "steal a march over a poor meritorious student on account of his economic capacity". In this scheme the payment student would not only pay for his own seat but also finance the cost of a "free seat" classmate. When one considers the constitution bench's earlier statement that higher education is not a fundamental right, it seems unreasonable to compel a citizen to pay for the education of another.

3.2.2 The scheme faltered in imposing the same fee structure for all colleges irrespective of the variation in operating costs from college to college. A medical college with excellent facilities, a full-time faculty and having its own multispecialty teaching hospital will have higher operating costs than one with meagre facilities, honorary faculty and which uses a government hospital for clinical teaching. For the latter category the fees prescribed by the court was an undeserved bonus while good colleges could not meet their recurring expenditures and were forced to prune faculty, library facilities etc and to raise patient fees.

3.2.3 The judgement also floundered in its implementation. The inefficiency and corruption of the state governments exposed and compounded the weaknesses

of the scheme. There was large scale bribery for allotment of seats and choice of college. There have been repeated delays and errors in the filling of seats. In the two years since the scheme came into force almost 5000 seats have remained unfilled in Karnataka.

3.2.4 The statutory bodies were assigned the task of formulating a coordinated national policy on admissions and fees. Work has hardly begun on this task resulting in confusion over actual costs of professional education and whether capital costs are to be included while computing student fee structures.

3.2.5 No provision for a student loan scheme was conceived. Some meritorious students who obtained payment seats were unable to join because of economic constraints.

3.2.6 No mention was made regarding the applicability of the judgement to minority educational institutions.

### 3.3 The TMA Pai Foundation case (1995)

Because of some of the unresolved issues of the Unni Krishnan case a two-judge bench issued interim orders with the following notable features:

a. The scheme of fees was modified. Noting that "contrary to the intention of the scheme, boys from well-to-do families were taking free seats, leaving the payment seats to students from the rural areas and backward communities" the court reduced the disparity in the fees of free and payment students and ordered the dispensation of low interest loans to both categories of students. A differential fee structure for medical colleges was made depending on whether they had their own teaching hospital or used government hospitals. The quota for NRI students was raised to 15%. Overall the fees revenues for the colleges were raised.

b. All free seats were reserved for domiciled students from that state.

c. A subsidy of Rs 5000 per student per year was granted to all medical colleges in India to be paid by the central government.

In its haste to issue the modified scheme in time for the new academic year the court unwittingly strayed into previously unentered territory. These inadvertent excursions have important implications and far-reaching consequences.

3.3.1 The concept of self-financed education based on cost that was admirably espoused by the Unni Krishnan bench received a setback on two counts. Firstly the order to the nationalised banks to dispense low interest loans is a subsidy paid for by the exchequer and taxpayer. Secondly the grant to be paid to the private colleges by the central government had imposed an inexplicable burden on the state. These measures will cost the taxpayer Rs 20 crores in the first year of the scheme for medical and dental colleges alone and when in full stream will cost the exchequer more than Rs 100 crores a year.

3.3.2 Government largesse in the scheme has been extended to all colleges including 14 unrecognized private medical colleges and 26 unrecognized dental colleges. Should substandard colleges receive the same financial approbation as good institutions?

Considering the importance of the issues, the gravity of their implications and the short time frame, the Supreme Court has done a magnificent job in bringing together the constitutional, legal, administrative, academic and financial aspects and ramifications of a complex subject. Not only that it has entered strongly into the implementation modalities.

The loose ends of partially unresolved matters were now to be tied up by the state governments and statutory bodies.

## 4. THE COST OF MEDICAL EDUCATION

It was only upon the directive of the Supreme Court that the statutory bodies took up the costing of professional education. The Medical Council of India commissioned AF Ferguson & Co. to undertake the exercise.

The cost of medical education is compounded by the expense of operating a teaching hospital which is essential for the training of medical students. However, some private medical colleges utilize government hospitals and their medical staff and therefore have little or no expense on those accounts while most of the better private medical colleges run their own multispecialty teaching hospital which adds appreciably to the cost of medical education. However it is important to point out that hospitals themselves have a social responsibility to serve poor patients, especially if they are to be used as "teaching cases". But they are also to be run in a financially competent manner. Therefore it is not justifiable for the entire cost of running the hospital to be included in the computation of the cost of medical education.[18]

### 4.1 The Ferguson Study

Ferguson added 30% of the hospital cost to the medical college cost in accordance with the norms laid down by the MCI. For the study six private medical colleges were selected and categorized as A, B or C according to the quality of facilities, faculty, academic programme and hospital services. (Table 1)

**Table 1** **Criteria for categorisation of medical colleges**

| | |
|---|---|
| 1. | Levels of academic programmes: UG, PG, higher specialities |
| 2. | Physical facilities and quality of maintenance |
| 3. | Academic standards |
| 4. | Full time faculty and remuneration |
| 5. | Hospital facilities |
| 6. | Research activities |

The six institutions were categorised (Table 2) with A representing the highest level. The apex court has recognised that the cost of education may vary, even within the same faculty from institution to institution. The facilities provided, equipment, infrastructure, standard and quality of education obtaining may vary.

**Table 2** **Categorisation of selected private medical colleges**

| College | Category |
|---|---|
| Christian Medical College, Vellore | A |
| Kasturba Medical College, Manipal | A |
| Dayanand Medical College, Ludhiana | B |
| Sri Ramchandra Medical College, Madras | B |
| Pramukhswami Medical College, Karamsad | C |
| JSS Medical College, Mysore | C |

Colleges in category C had government hospitals made available to them for teaching, therefore the yearly cost per student for the MBBS is less as reflected in Table 3. The hospital expenditure is also included.

**Table 3** **Cost of MBBS training by category**

| Category | Full Course *Rs in lakhs* | Per year (1994-95) *Rs in lakhs* |
|---|---|---|
| A | 14.25 | 3.20 |
| B | 10.00 | 2.20 |
| C | 8.50 | 1.20 |

For medical colleges which have their own teaching hospitals (Category A & B) the level of hospital income will affect the overall cost of medical education. If the hospital income is substantial and the student intake is small e.g. CMC Vellore, the entire MBBS course may cost no more than Rs 2.3 lakhs but if hospital income is nominal and the student intake is large e.g. KMC Manipal the cost for the MBBS course works out to Rs 9.35 lakhs. If the MCI norm of including 30% of the hospital cost is applied the cost at KMC Manipal is reduced to Rs 6.24 lakhs.

## 4.2 An alternative scheme for the categorization of medical colleges

Categorizing medical colleges could be accomplished by considering: student admissions, academic programmes, teaching hospital facilities and financial aspects. Based on these criteria, medical institutions can be grouped into four categories: A, B, C, & D. This scheme is more comprehensive than the Ferguson study and includes both government and private medical colleges[19].

### 4.2.1 Student admissions

The modus of selection, the composition of the applicant pool and the ability to attract foreign students are the prime components of the admission process. For the premier medical colleges having their own entrance examinations at multiple centres is a necessity because of the thousands of hopefuls who wish to enter a prestigious institution. Admissions to these institutions are generally on an all-India basis, but there are some reserved seats: for SC/STs in the government medical college and for minority students in the church-operated and other minority institutions.

A substantial number of foreign students apply to the self-financing private institutions. A few are admitted to central government institutions on government scholarships. Because of their economic capacity foreign students seek admission to the best medical colleges.

On the basis of the character of student admissions medical colleges can be grouped as in Table 4.

**Table 4** **Categorization of medical colleges by student admissions**

| Entrance exam | Applicant pool | Foreign student applicants |
|---|---|---|
| A. Own entrance exam | all-India | many foreign students |
| B. Govt. entrance exam | partly all-India | few foreign students |
| C. Govt. entrance exam | state | no foreign students |
| D. Govt. entrance exam | state | no foreign students |

### 4.2.2 Academic programmes

The range of courses, extent of research activity and the quality of support facilities varies considerably among medical colleges. Category A colleges will have higher speciality training such as DM and MCh and degree courses in paramedical disciplines. Commitment to research is manifested in specialised research labs and substantial publications. Support facilities for academics and research are well developed. Table 5.

**Table 5 Categorization of medical colleges by academic programmes**

| Levels of courses | | Research | Support facilities |
|---|---|---|---|
| A. | Undergraduate | research labs | library: computerized services |
| | Postgraduate | PhD programmes | literature search |
| | higher speciality | external grants | international journals<br>back volumes |
| | allied health | substantial publications<br>conferences | medical education department<br>diagnostic labs<br>International affiliations |
| B. | undergraduate | departmental | library: some international journals |
| | postgraduate | some publications<br>some grants | medical education department<br>diagnostic labs |
| C. | undergraduate | minimal research<br>and publications | library: minimal facilities |
| D. | undergraduate | minimal research<br>and publications | library: minimal facilities |

### 4.2.3 Teaching hospital

To a large extent, the quality of a medical college is determined by the quality of the clinical teaching facilities. The best private medical colleges operate their own highly specialized tertiary care hospitals. In addition to the main specialities, these hospitals will have sophisticated care units for cancer, burns, fertility etc. Diagnostic services and patient amenities are also highly developed. Based on the facilities of the teaching hospitals, medical colleges can be grouped as in Table 6.

**Table 6** **Categorization of medical colleges by hospital facilities**

| Level of clinical Special centres services | Diagnostics | Patient amenities | |
|---|---|---|---|
| A. tertiary multispeciality | cancer, burns transplant, prosthetics | CT, MRI, cardiac cath, endoscopy labs: clinical biochemistry, virology | private wards health insurance dietary section |
| B. multispeciality | none | ultrasound specialized x'ray | private wards |
| C. few specialities | none | standard x'ray and labs | semi-private wards |
| D. general | none | minimal x'ray and labs | no private wards |

### 4.2.4 Financial aspects

Three important variables contribute substantially to the balance sheet of medical colleges (Table 7). Firstly whether a college is self-financed or receives government grants. The church-operated colleges draw on grants from the sponsoring churches. Most of the other private colleges are tuition driven.

The second factor is faculty compensation. Private colleges which operate their own hospital generally have full time faculty on UGC scale salaries who are not permitted private practice. Some of the central government institutions are in this category. For these colleges, the salary expenditure is high. Some private colleges utilize government hospitals for clinical teaching. For these institutions and the state government medical colleges, the salary burden is much lower since the faculty are either on state government pay scales or draw an honorarium and are permitted private practice.

The third variable is the ownership of the teaching hospitals. Private teaching hospitals have more facilities than government hospitals. At the same time they cannot charge high fees as this will lead to a fall in patient numbers and reduce the quality of clinical teaching. So the combination of costly facilities and low revenues from patients add a considerable financial burden to these medical colleges.

**Table 7** **Categorization of medical colleges by financial aspects**

| | Financing | Faculty salary | Hospital ownership | Annual cost per student |
|---|---|---|---|---|
| A. | Self-financing no govt. subsidy | full time UGC scales | private | Rs. 2.25 lakhs |
| B. | Self-financing no govt. subsidy | full time UGC scales | mostly private | Rs. 1.75 lakhs |
| C. | Subsidized | honorary state govt. scales | mostly govt. | Rs. 1.25-1.50 lakhs |
| D. | Subsidized | honorary state govt. scales | government | Rs. 0.75-1.00 lakhs |

### 4.2.5 Other criteria

In addition to the four key areas already outlined, certain other criteria could be evaluated for the categorization of medical colleges into the four groups.

a. The mission, goals and objectives of an institution are a useful yardstick to evaluate its functioning.

b. Continuing academic development such as new courses, innovative methodology of teaching, faculty development, research initiatives, collaborative programmes with universities abroad, consultancies and organization of scientific conferences must be given weightage.

c. Management information systems : the development of administrative, financial, academic, medical, clinical and research databases is indispensable to bringing efficiency of operations to optimal levels.

d. Cost: efficiency indicators such as percentage of total budget for academic purposes, proportion of budget for administrative and salary costs, expenditure on student amenities, allocations for research should be given consideration.

## 4.3 Strategies to reduce the cost of medical education and the fees

For private colleges which receive no government grants, recovery of the cost is essential. In the USA, tuition fees are about four times higher in private universities compared to state universities.[20] The annual cost of a medical education is high and the fees worked out on the basis of cost would be out of reach even for most middle class families.

### 4.3.1 Increase patient fees

In order to reduce the financial burden of the teaching hospital, fees for patient services can be raised. This however will result in a decreased number of patients so that there may not be adequate patient material for clinical teaching. Poor patients tend to go to large teaching hospitals providing adequate cases for teaching. Paying patients are less willing to be examined and treated by undergraduate and postgraduate trainees. So it is not feasible to raise patient fees beyond a point and a large proportion of beds in a teaching hospital must remain free or heavily subsidised.

### 4.3.2 Admission of foreign students and NRIs

There are many positive aspects to the admission of foreign students and children of NRIs. These are elaborated upon in the next section. An important benefit is the subsidy of the education of Indian students by their foreign/NRI classmates who pay higher fees. Differential fee structures for out-of-state and foreign students are used at most universities in the USA and UK.

Prior to the Unni Krishnan judgement private medical colleges were permitted to admit upto 50% foreign students. For foreign students the advantages were low cost, high quality education and the fact that degrees from several Indian medical colleges are recognized in the UK, USA and other countries. This scenario changed drastically with the Supreme Court fixing the ceiling on NRI/foreign students at 10%. This had the effect of reduced revenues for private medical colleges and hence increased cost of education for Indian students.

Kasturba Medical College, Manipal has been successful in attracting foreign students over the last thirty years. They have estimated the variable subsidy obtainable by Indian students depending on the percentage of foreign/NRI students admitted. (Table 8).[21]

**Table 8** **Subsidy of medical education by foreign/NRI students at Manipal ***

*Cost per student per year = Rs 1.39 lakhs*

*Cost per student for full course = Rs 6.24 lakhs*

| Plan | Category of student | No. of students | Fees-full course (4½ yrs) | Fees-per year |
|---|---|---|---|---|
| A | Foreign/NRI | 10% | $ 50,000 | $ 11,111 |
| | Indian | 90% | Rs 5.18 lakhs | Rs 1.15 lakhs |
| B | Foreign/NRI | 15% | $ 50,000 | $ 11,111 |
| | Indian | 85% | Rs 4.50 lakhs | Rs 1.00 lakh |
| C | Foreign/NRI | 25% | $ 50,000 | $ 11,111 |
| | Indian | 75% | Rs 2.93 lakhs | Rs 0.65 lakh |
| D | Foreign/NRI | 30% | $ 50,000 | $ 11,111 |
| | Indian | 70% | Rs 2.03 lakhs | Rs 0.45 lakh |

* fees for foreign students as per Supreme Court scheme which has permitted a 15% quota for NRI/foreign students (Plan B in table)

The objection is often heard that foreign students deprive deserving Indian students of seats. But if foreign students are not admitted, the fees would be prohibitively high and only rich families could send their children to private medical colleges. With foreign student subsidy, medical education can be accessible to lower income groups. A scheme for the financing of fees is discussed in a subsequent section.

## 5. THE ADMISSION OF FOREIGN STUDENTS IN INDIAN UNIVERSITIES

India was once considered the land of knowledge and enlightenment. In ancient times scholars from all over Asia and Europe used to flock to Taxila, Nalanda and other Indian centres of learning. Apart from arts, culture and religion, these scholars came to study medicine, law and martial sciences.

But despite having a vastly expanded university system and a historical advantage, modern India has failed to provide international or even regional leadership in higher education. From the surrounding countries of Asia and Africa only students who cannot afford to go to the West or Australia come to India.

### 5.1 The example of other countries

With 209 universities, 8200 colleges, 2.5 lakh teachers and 46 lakh students, the Indian higher education system is the second largest in the world. However in terms of attracting foreign students, India lags behind many smaller countries.

The United States is by far the most successful country in attracting foreign students. But other countries such as Australia, Canada and the UK aggressively market their universities abroad through education counselling services and recruitment fairs with the active cooperation of their diplomatic missions abroad. In India by comparison the number of foreign students is minuscule. (Table 9)[22]

Table 9 **University enrolment in selected countries***

| Country | No. of universities | No. of students (lakhs) | No. of foreign students | % of foreign students |
|---|---|---|---|---|
| USA | 3542 | 77.51 | 4,38,000 | 5.65 |
| UK | 97 | 8.23 | 85,000 | 10.3 |
| Australia | 36 | 5.75 | 52,540 | 9.1 |
| Canada | 64 | 5.69 | 37,478 | 6.6 |
| India | 209 | 46.11 | 13,866 | 0.3 |

* Figures for 1992 except India (1993) and USA (1991)

The major efflux of students is from developing countries to English-speaking developed countries. Within this, the major movement of students is from the developing Commonwealth countries to the UK, Australia, Canada and the USA. Foreign students are expected to pay full fees and in the UK and Australia, pay up to double the fees charged of local students. Students from the poorer countries of Africa and Asia seek higher education in countries like India, where fees and living expenses are cheap and there is generally no fee differential for foreign students.

## 5.2 The advantages of India

Studying in India offers several advantages to foreign students, especially those from developing countries. Fees and living expenses are much less than in the Western countries and Australia. The cultural environment and lifestyle in India is similar to that of most third world countries. India is considered a safe, conservative society.

The medium of instruction is English which many Asian and African students wish to master. Training, especially technical education received in India is relevant to developing countries.

Finally, parents and sponsoring governments are assured that students studying in India will return home - unlike many students who go to developed countries.

## 5.3 Economic and other benefits

Perhaps the most important benefit of foreign students is revenue. The economic implications are substantial. In 1992, the USA earned $6.1 billion, Australia $A 1.3 billion and the UK £ 1.5 billion from foreign students. Tuition fees accounted for 30-40 percent of these revenues and academic-related costs and living expenses for the rest.

India should capitalise on these advantages, market Indian universities abroad and facilitate the entry of foreign students. The former chairman of the UGC, Prof Ram Reddy, estimated that at least a lakh of foreign students can be attracted to India, provided the best institutes are properly marketed.[23]

With this number as the basis for calculations, the annual earnings to the country can be estimated (Table 10).[22]

In the Eighth Plan, the outlay for higher education was Rs 1,560 crore. This entire amount can be raised from foreign student revenues. Rs 1,500-2,000 crore annually in foreign exchange earnings is the equivalent of a major export industry. One study has estimated that if 10% of students in Indian universities and professional students were foreign the annual earnings would be Rs 9100 crores per annum.[24]

**Table 10** **Projected number of foreign students and earnings**

| | Indian students* | Foreign students | Annual spending per student | Total (Rs in crore) |
|---|---|---|---|---|
| Arts, science | 27,69,381 | 40,000 | 1,00,000 | 400 |
| Commerce, management | 10,09,832 | 30,000 | 2,00,000 | 600 |
| Law | 2,44,388 | 10,000 | 2,00,000 | 200 |
| Engineering | 2,25,944 | 15,000 | 3,00,000 | 450 |
| Medicine | 1,56,777 | 3,000 | 6,00,000 | 180 |
| Agriculture | 48,908 | 2,000 | 1,00,000 | 20 |
| Total | 44,55,230 | 1,00,000 | | 1850 |

* 1992 enrolment

The revenues from foreign students can be used to ease the financial crunch faced by Indian universities, improve academic facilities and subsidize the cost of Indian students.

Apart from the economic advantages, India would gain in global and regional influence and goodwill and become a major provider of higher education. Many Asian and African countries, especially the smaller ones have poorly developed university systems and would look to Indian universities for the higher education of their youth.

At the same time Indian students will not be deprived if 10% supernumerary seats for foreign students are created in universities and professional colleges. An extra ten percent of students will not unduly strain the existing infrastructure.

## 5.4 Export of higher education

Professional education in India has proven to be accessible and affordable for foreign students, especially for those from Malaysia, Middle East, and South Africa. In these countries higher education training facilities are limited and certain ethnic groups are favoured for admission to universities. Many NRI families abroad, especially those from English-speaking industrialized countries are also keen to send their children to study in the motherland and hopefully to become accultured to their Indian roots in the process.

In the last two decades the number of foreign students seeking admission to medical colleges in India has increased progressively and private institutions have been quick to skim this market. Government medical colleges have decided not to lag behind. On October 12, 1995, the Union Minister for Health announced a plan to introduce seat quotas for NRI students in state-run medical colleges. Tamilnadu was the first state to implement the scheme and created an additional 105 MBBS seats for NRIs for the 1995-96 academic year. Ten students joined in the first year paying fees ranging from $65,000 to $95,000, the higher fees being charged for the Madras city colleges.

The students were admitted on merit through an entrance examination conducted by Anna University. The scheme envisages the utilization of NRI fees for improving the facilities of medical colleges and teaching hospitals. When the programme is in full stream the annual earnings will be approximately Rs 30 crores. This year the Tamilnadu government will upgrade student amenities, add CD-ROM services for the Madras Medical College library and buy medical and surgical equipment for the cardiology and neurology departments. The Central Council of Health Departments, an apex body of health policy makers from all the states has endorsed the Tamilnadu scheme.[25]

The IITs and IIMs are also considering schemes to admit NRIs/foreign students who will pay higher fees in foreign exchange. These schemes are based on recommendations in the Eighth Five-Year Plan document.[26]

## 6. THE FINANCING OF STUDENT FEES

"The National Colloquium on Right to Education as a Fundamental Right" held in 1992 and sponsored by the UGC and the Association of Indian Universities had recommended that "Higher education, especially technical and professional education must pay for itself. Private gain from this kind of education is more pronounced than public good. The beneficiaries should therefore bear the full cost worked out on critical evaluation of the relevant qualitatively acceptable and cost-effective institutions."[27]

In fact, in a significant judgement in May 1995, the apex court allowed the Kerala government to set up self-financing colleges with 100% paid seats, making a significant departure from the Unni Krishnan scheme. An expert committee had recommended a 35-50 per cent hike in the country's premier institutes of technology, the six IITs.[28]

Apparently there is a groundswell of opinion that within the broad spectrum of higher education, professional and technical education should be self-financing. When students pay for their education, they will also demand better academic facilities and standards.

Even in countries like Great Britain where there is heavy subsidy of higher education, tuition fees have doubled since 1990-91, correspondingly reducing direct government funding. "The change is intended to improve the performance of the institutions, by making their funding depend upon their ability to attract students in competition with one another" [29] New systems of student loans have been introduced which are repayable when the earnings of the graduate reach a level of 85% of the national average wage and with a repayment period of 5 - 10 years.

To enable equality of opportunity, the most feasible option is to make educational loans available to all students. Students should pay on admission and annually a minimum amount, say 25% of the fees and the remaining 75% can be in the form of a

soft loan repayable in instalments after graduation. The interest rates may vary, being higher for professional courses, such as medicine and engineering in which future careers are more lucrative.

Free seats with nominal fees should be reserved only for the constitutionally permissible classes and for the poorest of the poor. Even for these students there should be some recompense to society. The fees and loan, or the free seat, could be amortized by a bond to work in government service. There are 3,593 vacancies in primary health centres (PHCs). These could be staffed through this scheme. In the USA, federal loans can be reduced or repaid if the medical graduates work in PSAs (physician shortage areas) or on Indian reservations.

**Education Development Bank**

To encourage entrepreneurship and enterprise in different fields the government has set up lending institutions such as IDBI, ICICI and NABARD. Similar lending agencies for the development of professional manpower should also be established.

To set up the required corpus fund the central/state governments may divert some of the present subsidies being given to professional institutions. In any case the institutions will receive enhanced revenues from tuition fees. After four to five years loan repayments will begin and within 20 - 25 years the bank will have a revolving fund.

The loan amount advanced to each student may be determined on the basis of the family's economic capacity. Up to 75% of tuition fees, books, board and lodging may be loaned. The interest rate should be low, say 4 - 6% and may vary depending on the discipline being studied. Repayment should begin after the graduate starts working. For professionals with a slow career graph e.g. doctors the repayment period may be stretched out for which simple interest may be changed. Students should have the option of repaying or reducing their loans through government service if appropriate opportunities are available.

Such loan schemes may attract the criticism that massive defaults may occur. Hence the collection system should be efficient and free from political interference. The loan recipients may be required to take secondary insurance in favour of the loan agency. A national indexing system to monitor the geographic and employment status of graduates may be utilized. To increase the efficiency of repayments, factoring agents or collection agencies can be considered.

## 7. THE SOCIAL DIMENSION

For India to move towards an egalitarian society, ensuring equality of opportunity to obtain an education is an important priority. At the time of Independence the founders of the nation made two solemn promises which are enshrined in the constitution. Firstly the right to education up to the age of 14 and secondly the guaranteed entry of underprivileged castes and tribes into all levels of education.

It is a matter of national shame that the first promise of free and compulsory primary education has remained largely unfulfilled. Half a century after Independence barely half of India's population is illiterate and by the year 2000 there will be 300 million illiterates in India (approximately 34 percent of the world's illiterates).[30] This failure of national education policy has assumed staggering proportions. Even minimum programmes such as Operation Blackboard have yielded scanty results.

The reservation of seats for SC/STs in higher education has been only a partial redressal of social inequities. To fill the quotas substandard students are perforce admitted. Another criticism is that among SC/STs it is the wealthy, influential, city-bred students (creamy layer) who bag the reserved seats, especially those in professional colleges. Studies need to be conducted to examine the benefits of these quotas for backward classes.

All the same, the National Policy on Education (NPE) like its predecessor reports continues to loftily highlight "Education for Equality". In the implementation of such reports and constitutional mandates quotas for SC/STs continue to be allotted. Certain states e.g. Tamilnadu have enhanced these quotas up to 69% and Karnataka attempted to increase educational quotas upto 72%. No concerted effort has been made by central and state governments to legislate preferences within these quotas for women or for rural students nor has any attempt been made to allot reserved seats only to poor SC/STs.

Therefore it would seem important to address social inequalities in educational opportunity not only between forward and backward classes but also among SC/STs, women and minority groups. The best way to accomplish this is to focus on socioeconomic status and favour the economically disadvantaged. Within the quotas, there should be priority for rural students, women and the poor. Minority institutions also should observe these preferences.

In the case of higher education, merit must also be considered. One cannot consider access to higher education to be a fundamental right. The intellectual standards of universities and professional colleges must be protected and the misperceived connection between a university degree and employment potential (and social status) should not be sustained. LM Singhvi refers to a "meritocratic - democratic" access to higher education.[31] Therefore within the quotas, certain minimum academic standards must be maintained. This is especially important for admission to professional courses.

One must then face the arguments that there may not be sufficient numbers of adequately meritorious backward students or because of their longstanding backwardness and lack of intellectual exposure, many intrinsically or potentially bright students do not make the grade. The government should set up coaching schools to prepare these students for the various entrance examinations. Screened and selected students may require coaching for a year or two before they are ready to enter professional institutions.

Having put forward the concept that professional education must be self-financing, a method must be found for poor students to pay their fees. Easily available loans with manageable payback terms in the answer.

Extremely poor students who may have difficulty with repaying loans may be given the opportunity to amortize their loans by government service e.g. working in Primary Health Centres.

## 8. REGULATION OF PRIVATE PROFESSIONAL EDUCATION

Most private professional colleges are affiliated to public universities which exert academic control. The facilities and quality of faculty are determined by the statutory councils and the admissions and fee structures are presently regulated by the state governments by diktat of the Supreme Court. Some of the private medical and engineering colleges are deemed universities. While they are bound by the minimum standards laid down by the statutory councils, they are outside the compass of the Supreme Court schemes and thereby not under state government control.

For both categories of private institutions, there need to be appropriate mechanisms to ensure quality of education, admissions on merit and a rational fee structure.

### 8.1 Admissions on merit open to all

An egalitarian society will strive for equality of educational opportunity in which the best and the brightest can hope to study at a college of their choice, be it public or private.

Admissions to private institutions should be through a merit evaluation, whether by entrance examination or otherwise. A typical rank list will contain a few who can pay for the entire cost of their education, many who can pay partially and a few who will find difficulty in paying anything at all. Loans should be available for any student who requires them.

Students who are exceptionally bright may get admission to a mediocre government medical college where only nominal fees are paid but if loans are available he/she may choose to study at a top-notch private medical college. His/her options are not limited to studying at a government college. Equality of opportunity for the brightest students to study at the best public and private universities is thus achieved.

At present each deemed university conducts its own entrance examination and there are occasional suspicions of irregularities. A common entrance test (such as the Medical College Admission Test in the USA) should be the basis of admissions for the professional colleges. The quota for foreign/NRI students can be determined by an expert committee.

## 8.2 The fees structure

For the Manipal Academy of Higher Education, a deemed university with faculties of medicine, dentistry and nursing, the fees structure is decided by an Expert Committee constituted in consultation with the UGC and chaired by a retired chief justice. The committee includes two former vice chancellors. The fees for each ensuing year is based on the anticipated recurring expenditure and capital costs for that year. There are no free seats, only payment seats for which the fees are close to the average of the fees for the free and payment seats of the Supreme Court Scheme. The quota and fees for foreign/NRI students is determined at the same meeting as it has a bearing on the total fees revenue.

For all the deemed universities a similar Expert Committee could be set up in each discipline. Within each discipline the committee could recommend variations in the fee structures based on a rational categorization of medical colleges.

## 8.3 Quality of education

Private professional colleges are expected to meet the norms of the statutory councils in regards to facilities, faculty and academic programmes. It would perhaps also be assumed that these institutions would strive for higher levels of excellence as they need to attract high-fees paying students. It would be additionally useful to have a system of ranking professional colleges as was recently done by the National Medical Journal of India.[8]

## 8.4 The statutory councils

The Unni Krishnan bench spelled out in clear detail the roles and tasks of the statutory bodies.[1] To quote:

"It would be appropriate if the UGC frames regulations under section 12 A(3) of the UGC Act regulating the fees, which the affiliated colleges, operating on no-grant-in-aid basis are entitled to charge. The Council for Technical Education may also consider the advisability of issuing directions under section 10 of the AICTE Act regulating the fees that may be changed in private unaided institutions imparting technical education. The Indian Medical Council and the Central Government may also consider the advisability of such regulation as a condition for grant of permission to new medical colleges under section 10-A and to impose such a condition on existing colleges under section 10 C. The several authorities mentioned above shall decide whether a private educational institution is entitled to charge only that fee as is required to run the college or whether the capital cost involved in establishing a college can also be passed on to the students and if so, in what manner. Keeping in view the need, the interest of the general public and of the nation, a policy decision may be taken. UGC, IMC, AICTE should work together to evolve uniform criteria. It would be more appropriate if the Central Government and the several authorities (UGC, IMC and AICTE) coordinate their efforts and evolve broadly uniform criteria in this behalf. Until the Central Government, UGC, IMC and AICTE issue orders/regulations in this behalf, the committee referred to above, shall be operative. In other words the working and orders of the committee shall be subject to the orders/regulations issued by the Central Government, UGC, IMC or AICTE, as the case may be".

Before the Unni Krishnan judgement the statutory councils had turned a deaf ear and a blind eye to the growing menace of certain capitation fee colleges. The Karnataka and Maharashtra state governments were merrily granting permission to establish medical and dental colleges, often to cabinet ministers and MLAs. The Maharashtra government

even usurped the authority of granting university affiliation to these colleges. The Andhra Pradesh Government sanctioned 12 medical and 8 dental colleges in one fell swoop in 1992. An amendment to the Medical Council of India Act stipulating prior permission of the MCI before a medical college could be started had been proposed in 1986 but ineffectively followed up. It was only in 1993 when the Supreme Court forced the hand of the government that the Central Government came out with an ordinance regulating the establishment of new medical colleges.

In the wake of the Unni Krishnan judgement the statutory councils bestirred themselves but the main activity was organizing symposia and publishing topical articles in their journals. Some half-baked studies were done on the cost of education. These august but ineffectual bodies hardly fulfilled the tasks enjoined by the apex court and which their respective acts empowered them to perform. With the default of the statutory bodies, the state governments have implemented the Supreme Court schemes. The Central Government is perhaps absolved - after all it requires inputs from the expert bodies which are autonomous organizations.

On August 9, 1996 an exasperated Supreme Court instructed the central government to take "immediate steps" to convene a meeting of the statutory councils to formulate a proper fee structure for private professional colleges. Expressing "distress at the inaction of the authorities" a deadline of three months has been fixed.

The tasks before the statutory councils are:

a. Compilation of data on the cost of education in private and government institutions
b. Policy-making regarding the components of cost of education
c. Formulation of fee structures
d. Regulations to ensure and monitor conformity with the fees regulations

e. Regulations for admission of students on merit

f. Categorization of professional institutions on the basis of academic programmes, facilities, research etc.

For the private sector to contribute responsibly and successfully to professional education it is imperative that the statutory councils formulate appropriate policies and regulations. It is hoped that this process will soon begin.

## 9. SUMMARY OF RECOMMENDATIONS

9.1 The role of the private sector in professional education should be delineated through research and discussion at appropriate fora.

9.2 A policy encouraging private initiative in higher education should be formulated by government and the statutory bodies.

9.3 The proper role of each statutory body must be formulated within its respective act (amendments to be made if necessary) and implemented accordingly.

9.4 Research on the cost of education in government and private professional colleges should be carried out to obtain relevant data.

9.5 The cost of professional education should be primarily borne by the students with few scholarship seats. Subsidy is to be provided by admission of foreign students.

9.6 A policy for the admission of foreign students should be formulated by the government and statutory bodies.

9.7 Government medical and engineering colleges should be largely financially self-sufficient. They may also charge fees based on cost and also admit foreign students.

9.8 An Education Development Bank should be set up to provide educational loans.

9.9 Admissions to professional colleges must be made on merit on the basis of a national admission test or suitable alternative method.

9.10 An Expert Committee for each professional discipline should be set up to decide the admission policies and fees structure of the deemed universities offering professional courses.

## ACKNOWLEDGEMENTS

I offer my thanks and appreciation to:

1. To the Centre for Policy Research for providing the ideal environment for writing a paper.

2. To the Times of India whose Fellowship Award enabled the research and publication of some the work in this monograph.

3. To numerous experts whose thoughts provided guidance: Prof Anand Sarup, Prof Amrik Singh, Dr Chitra Naik, Dr Ramdas Pai, Dr Pai Panandiker, Prof M S Valiathan, Prof Andre Beteille, Prof K Balakrishnan, Mr M V Kamath, Prof Samiran Nundy, Prof Molly Thomas, Prof A Mascarenhas, Prof S K Pandya, Prof Upendra Baxi, Prof M V Pylee, Mr Eric Gonsalves, Dr Vaidyanath Ayyar, Mr Ved Marwah, Mr BG Verghese, Mr LP Singh, Mr MPM Kutty, Mr John Stanley and others.

4. To the Manipal Education and Medical Group for providing funding and leave.

5. To Ms Anita Wanchoo for her fine secretarial assistance.

## REFERENCES


1. Supreme Court of India. In writ petition (c) No. 607 of 1992. Extracts from the judgement (majority) of B.P. Jeevan Reddy.

2. Fifth All-India Educational Survey. National Council for Educational Research and Training, New Delhi, 1992 p 116, 145.

3. Development of Education: 1988-1990. National Report of India. National Institute of Education Planning and Administration. Department of Education, Ministry of Human Resource Development, New Delhi, 1990, pp 50-51.

4. UGC Funding of Institutions of Higher Education. Report of Justice Dr. K Punnayya Committee - 1992-93. University Grants Commission, New Delhi, 1993.

5. Development of Higher Education in India: A Policy Framework. University Grants Commission, New Delhi, 1978.

6. Malcolm S. Adiseshiah, Role of Society, Particularly the Private Sector in University Education, University News Vol 30, Oct 19, 1992 pp 10-13.

7. Dutt R. Aspects of Privatisation of Education. Journal of Higher Education Vol 16 pp. 211-237, 1993.

8. Arora M. et al. Which are the Best Undergraduate Medical Colleges in India? National Medical Journal of India, Vol 9: 135-140, 1996.

9. Unpublished study (personal communication), Manipal Academy of Higher Education. Presented to Justice Boppanna Committee.

10. C R Mitra. Educational Implications of a Supreme Court Judgement. Journal of Higher Education, Vol 16:116-118, 1992.

11. M V Pylee. The Supreme Court Decision: A Utopian Exercise. Journal of Higher Education Vol 16: 94-95, 1992.

12. V M Dandekar. Supreme Court Judgement in Miss Mohini vs the State of Karnataka. Journal of Higher Education. Vol 16: 102-103, 1992.

13. G D Sharma. Right to Education: Court Succeeded Where Academia Failed. University News. Vol 30, Oct 5, 1992, p 9-10.

14. J N Kapur. Higher Education: A Fundamental Right. University News Vol 31, Mar 22, 1993 p 1-3.

15. S K Agrawala. The Right to Education et al- The Judgement in Unni Krishnan's Case. Journal of Higher Education Vol 16: 195-209, 1993.

16. G G Christo. Medical Colleges: Rationalising the Fee Structure. The Times of India, Aug 8, 1995 (editorial page).

17. G G Christo. An Aberrant Judgement. The Economic Times. Nov 6, 1995.

18. A F Ferguson. Report on Cost of Medical Education. Medical Council of India, 1994.

19. G G Christo, P L N G Rao. The Categorization of Medical Colleges. University News, Vol 34, Jan 8, 1996, p 7-9,12.

20. D W Breneman, C E Finn. Public Policy and Private Higher Education. The Brookings Institution, Washington DC, USA, 1978.

21. M S Valiathan. Higher Education - Financial Aspects. Paper presented at the Association of Indian Universities Annual Conference, Manipal, 1995.

22. G G Christo. Colleges as Export Houses. Economic Times, July 5, 1995.

23. G Ram Reddy. Convocation address. University of Agricultural Sciences, Bangalore, 1994.

24. P J Lavakare, S K Gulhati and M S Sukhija. Exporting Indian Higher Education: Opportunities and Challenges. Presented at AIU conference, Pune. Nov 11-13, 1994.

25. R K Radhakrishnan. 10 NRIs Join Medical Colleges. The Hindu, Jan 15,1996 p 6.

26. University and Higher Education. Eighth Five-Year Plan, 1992, pp 294-302.

27. Report on National Colloquium on Right to Education as a Fundamental Right. Journal of Higher Education Vol 16: 81-89, 1992.

28. Self-financed Studies (edit). The Times of India, Dec 21, 1995.

29. J Statham et al. The Education Fact File. 2nd ed. Hodder and Stoughton London, 1991, p 118.

30. World Education Report 1995. UNESCO Publishing, Paris. 1995.

31. LM Singhvi. The Index of Civilization. University News, Vol 33, Sep 4, 1995.