

K C Chakrabarty: Indian education system – issues and challenges

Address by Dr K C Chakrabarty, Deputy Governor of the Reserve Bank of India, at the JRE School of Management, Greater Noida, 5 August 2011.

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“Plants are shaped by cultivation and humans by education”

Mr. Shantanu Prakash, Chairman and CEO, Educomp Solutions Ltd., Mr. Harpreet Singh, President, JRE Group of Institutions, Prof. Stephen Rawlinson, Academic President, JRE Group of Institutions, Mr. Siddharth Mukherjee, Director of Corporate Relations, Prof. Pankaj Gupta, Director, School of Management, Dr. Ramesh Agarwal, Director, JRE Group of Institutions, members of the print and electronic media, students of the pioneer batch of MBA Programme and their parents, distinguished invitees, ladies and gentlemen.

It is my pleasure to inaugurate the campus of JRE Group of Institutions, in particular the opening of JRE School of Management, which is an outcome of an academic partnership between Educomp Solutions Limited and Raffles Education Corporation Limited. I also take this opportunity to congratulate all those associated with this venture and warmly congratulate the students of the first batch (2011–13) of the JRE School of Management.

Need and importance of education

Education, as you are aware, is vital to the human resources development and empowerment in the stages of growth of a nation. In any education system, higher education encompassing Management, Engineering, Medicines etc., plays a major role in imparting knowledge, values, and developing skills and, in the process, increase the growth and productivity of the nation. While the Government is committed to providing primary education and certain facilities/subsidies for higher education, given the higher cost involved in the establishment of higher education institutes, we are witnessing the entry of private sector to run educational institutions.

On the need for education, I wish to quote our Father of the Nation, Mahatma Gandhi, who once said that education not only moulds the new generation, but reflects a society's fundamental assumptions about itself and the individuals which compose it. The famous philosopher Einstein while discussing the need for education has projected the following fundamentals:

- a. To educate the individual as a free individual; to understand and use critical thinking skills.
- b. To educate the individual as a part of society – virtually all our knowledge, our clothes, our food is produced by others in our society, thus, we owe Society and have responsibility to contribute back to Society.
- c. Through education, knowledge must continually be renewed by ceaseless effort, if it is not to be lost. It resembles a statute of marble which stands in the desert and is continually threatened with burial by the shifting sand. The hands of service must ever be at work, in order that the marble continue to lastingly shine in the sun.

While discussing the importance of education, I must state that schools have become the most important means of transforming wealth of knowledge and skills from one generation to another. However, the role of institutions becomes more challenging in the modern world

with innovations and technological developments. Investment in education and educational institutions should be viewed as an investment for economic prosperity.

In India, there are about 26,478 institutions providing higher education and accounting for the largest number in the world. In comparison, according to a report¹, in 2010, the U.S. had only 6,706 higher education schools and China had 4,000. It is important that given the large number of schools of higher learning in India, we must target to bring more students under the system. Investment in human capital, lifelong learning and quality education help in the development of society and nation.

Demographic contour

According to the National Commission on Population, it is expected that the age profile of population of India will experience changes in the coming years. By 2016, approximately 50 per cent of the total population will be in the age group of 15–25 years. It is projected that a vast population would enter the working age group in the next 15 years, leading to increase in productive activities and also savings rate as witnessed in Japan in the 1950s and China 1980s. In other words, there would be a tremendous rise in the number of employable work force in the job market which would demand commensurate investment in education. In the literature, Demographic Dividend refers to population “lump” in the working age group of 15–60 which can be described as a major advantage for pushing the economic growth. It suggests that the major challenge before India is how this advantageous demographic profile can be harnessed to reflect in the macro-economic parameters of the country.

Given the demographic profile advantage, the average Indian will be only 29 years old in 2020 as compared with 37 years for China and the U.S., 45 years for West Europe and 48 years for Japan.² The global demographic profile, in future, would, therefore, lead to shortage of productive workforce globally but India will experience a surplus. We need to realize that this advantage for us will not be automatically transformed into higher economic growth. Strategic interventions and foresight in terms of encouraging investments in education and skills development by policy makers are needed to reap maximum benefits of demographic dividend.

Issues and challenges

Expenditure on education

In terms of expenditure incurred on education, particularly on higher education, during the year 2010–11, the government spent around Rs.15, 440 crore which is about 85 per cent of the revised budget estimates for the year. The recent 66th round of NSSO survey reveals that between 1999 and 2009, spending on education in general jumped by 378 per cent in rural areas and 345 per cent in urban areas of the country. The survey further reveals that spending on children’s education underlines sharp increase – 63 per cent for rural and 73 per cent for urban families. However, if we measure the expenses on education as a percentage to GDP, India lags behind some developed/ developing nations (Table 1). We recognize that the gap in investments in education in India can perhaps be filled by private sector playing a crucial role.

¹ Ernst & Young – EDGE 2011 Report

² C P Chandrasekhar and Jayati Ghosh, “The Hindu Business Line” , 2006

Table 1:
Expenditure on education

Country	Spending on education as a % of GDP	Country	Spending on education as a % of GDP
Switzerland	5.8	South Africa	5.3
U.S.	5.7	Thailand	5.2
France	5.6	Chile	4.2
U.K.	5.3	Brazil	4.2
Malaysia	8.1	India	4.1
Mexico	5.3	Russia	3.8

Note: Government education expenditure as a percentage of GDP (2000–2002).

Source: United Nations Human Development Programme.

Gross enrolment pattern

At present, in India, there are about 1.86 crore students enrolled in various streams of higher education including Business Management.³ Despite the large number of students studying in various streams, we have not seen any major shift in the productivity as skills and talents are deficient to support economic activities and, hence, there is a serious concern on employability of these educated persons. The gross enrolment ratio (GER) for higher education in India was 12 per cent in 2010. However, the enrolment level varies across states. We also need to recognize that our enrolment level is far below several other countries. For example, according to a Report, GER is 23 per cent for China, 34 per cent for Brazil, 57 per cent for U.K., 77 per cent for both Australia and Russia and 83 per cent for the U.S (Annex 1). In this context, the attempt of Government authorities to increase the number of students by 2020 so as to reach GER of 30 per cent becomes a big challenge. No doubt, the launch of new institutes like JRE School of Management can play a catalyst role in addressing the challenge of increasing GER in India. As a positive step, for the remaining duration of Eleventh Five Year Plan, the Government has taken initiatives to incentivise States for setting up/expansion of existing educational institutions, establishment of 8 universities, expansion of colleges to achieve a target of 1 lakh students enrolment and schemes for setting up model colleges in regions which are below national average of GER.

Capacity utilisation

Another challenge to be addressed in strengthening the Indian education system is to improve the capacity utilization. For example, a recent study⁴ on capacity utilization in India for higher education indicates that the capacity utilization in case of MBA is about 57 per cent in Maharashtra and 72 per cent in Haryana (Annex 2). In case of certain states, there are a lot of unfilled seats in institutions. On the one hand, we need to improve our GER, and on the other, we need to ensure that institutions/ colleges/schools created for providing higher education fully utilize the capacity created.

³ Statistics of Higher Technical Education, 2008–09

⁴ Ernst & Young – EDGE 2011 Report

Infrastructure facilities

One of the factors why the capacity utilization is low in upcoming/new institutions/colleges (both in private and public sectors) is their inability to provide necessary physical infrastructure to run the institutions. The infrastructure facilities desirable to rank the institutions of better quality include real estate, state of the art class rooms, library, hostels, furniture, sports facilities, transport, commercial buildings, etc. We need to ensure apolitical private sector participation in the establishment of colleges for providing quality physical infrastructure.

PPP model

The Government is making efforts to improve the education system in terms of various parameters like GER, quality, investments, infrastructure, etc. But we need to recognize the constraints for the Government to make a big turnaround with huge investments in education. I believe that private sector has started playing a distinctive role in improving the education system in India. In this context, it is useful to explore the possibility of public private partnership (PPP) model in education. This is not only going to reduce the burden of the Government in incurring high cost of providing basic infrastructure facilities but also lead to construction of state of the art buildings, labs, libraries, hostels etc. Besides, the collaborative efforts between universities/colleges and corporates would help in organizing joint research and development, students getting exposure to industrial activities in terms of internships, corporate training during vacations and issuing of certificates by corporates for attending internship/training etc. and, thus, facilitating in image building and branding of institutions and making the students more job-worthy.

Student-teacher ratio

Another challenge for improving the Indian education system is to improve the student-teacher ratio. In India, this ratio is very high as compared to certain comparable countries in the world. For example, while in developed countries this ratio stands at 11.4, in case of India, it is as high as 22.0. It is even low in CIS (10.9), Western Asia (15.3), and Latin America (16.6) (Annex 3). This brings the necessity to recruit quality teachers and strengthen the teachers required to handle classes. I also feel that like in developed countries where students are given part-time teaching assignments, we can also explore such possibilities in technical/higher education to handle lower level classes. It is also expected to help the students in meeting their education expenses partially.

Accreditation and branding – quality standards

In order to improve the skills and talent of our large populace, there is a need for raising the quality and standards of our education system. It is well-known that many of our professionals (engineers/doctors/management professionals) remain unemployed despite lot of opportunities being open in the globalised world. One of the major factors is the lack of quality education resulting in qualified but not employable category. We need to introduce/activate the mechanism for rating and ranking universities/colleges. At present, there is no compulsion for institutions/colleges to get accreditation in India. Government has already mooted a proposal to introduce accreditation. We, therefore, require standard rating agencies to give accreditation to universities/colleges/schools. In a recent ranking of Business Schools by Financial Times at global level, in the top fifteen, only two of the Indian premier Business Schools appeared at rank no. 11 and 13 for the year 2011. Most of the top ranking business schools were from the U.S. In this ranking, even China was ahead of India. In the same reporting, in respect of value for money of these two Schools, it is observed that it is not that high when compared with some of the best U.S. Schools. However, a positive development is that these high ranked Indian Schools possess faculties with doctoral qualifications and of global standards who can deliver quality education to the students. In

the world ranking of universities by Quacquarelli Symonds in 2010, out of 200 world renowned universities, only one Indian educational institution appears in the list, while 53 institutions are in the U.S. According to Webometrics ranking for 2011, while no Indian university appears in the list, there are 99 U.S. universities included. This essentially shows that we need to develop Centre for excellence of global standards. Given the increasing role of private sector in the recent years in the development of higher education standards, we need more such institutions that meet certain global rating standards to come up in those areas where low GER prevails. I understand that the JRE School of Management has been established in collaboration with the largest private education group in Asia-Pacific and, hence, striving for quality education of global standards would be its principal aim.

Students studying abroad

As mentioned in the beginning of my address, India has the largest number of higher education institutions. Despite that, we find the number of students interested in pursuing higher studies abroad is on the rise. In the year 2006, according to a Wikipedia report, 1.23 lakh students opted for higher education abroad, of which about 76,000 chose the U.S. as their destination, followed by U.K., Canada and Australia. However, in 2010–11, about 1.03 lakh students got admission to study in the U.S. In regard to Australia also, the number is on the rise. During 2004 to 2009, the number of students joining different courses rose from 30,000 to 97,000. Likewise, in the other sought after destination of U.K. for higher education, students studying abroad doubled between 1999 and 2009. In 2009, about 19,205 students were studying in U.K. Various factors encourage Indian students to seek admission abroad by taking loans from financial institutions including (a) quality of education, (b) increasing prosperity and aspirations and (c) social prestige and also exposure and experiences gained. We have to recognize these short-comings while building our educational institutions for reversal of trend.

Role of RBI and commercial banks

Now, I would like to dwell upon the role played by Reserve Bank of India (RBI) and the banking system in India in strengthening education system. Realizing the importance of education for the economic development and the overall living standards, the RBI is involved in formulating progressive and proactive policy guidelines for lending to education by the banking system.

- The RBI, in view of the importance of education and the need to bring more students under the category of “education loans”, has classified such loans and advances granted to individuals for educational purposes up to Rs. 10 lakh for studies in India and Rs. 20 lakh for studies abroad, under “priority sector”.
- In June 2004, the scope of definition of “infrastructure lending” was expanded to include construction of educational institutions. Accordingly, schools and colleges can now avail bank finance for improving their infrastructure. The available figures (covering about 63 per cent of banks under the category of “infrastructure”), indicate the share of outstanding loans to educational institutions in the total infrastructure lending of commercial banks was 1.5 per cent for end-March 2011.
- RBI has been liberalizing foreign exchange rules for acquiring education from institutions abroad. A student can draw foreign exchange equivalent to USD 10,000 under private visit quota at the time of going abroad. The limit of USD 30,000 for education abroad on declaration basis was enhanced to USD 1,00,000 since July 17, 2003. In addition, a student can also draw foreign exchange equivalent to USD 2,00,000 for education purposes under liberalized remittance scheme before leaving the country i.e. before he/she gains the status of non-resident. Students can

avail loan from a bank abroad for study purposes on the basis of counter guarantee given by an Indian Bank under approval route.

- With a view to facilitate banks, the Indian Banks' Association has brought out a model scheme for educational loan in the year 2001 which was again revised in January 2010 and got circulated to all member banks for implementation. This would facilitate economically weaker sections of the society to avail educational loans from scheduled banks with modified easier norms. In recent years, there has been a remarkable spurt in the disbursal of educational loans by commercial banks. The educational loans outstanding amounted to Rs.27,709 crore as at end March 2009 which increased to up to Rs.42,808 crore as at end-March 2011 Table 2).

Table 2:

Educational loan of scheduled commercial banks

Particulars	Mar-09	Mar-10	Mar-11
Amount outstanding (in Rs Crore)	27709.5	36359.7	42808.1
No of accounts (in Lakh)	16.3	19.7	22.8

- We have nominated a nodal officer at the Central office of the RBI for the purpose of all educational loan issues/grievances.
- Apart from policy formulation, as an institution also, RBI undertakes activities to educate students relating to central banking, banking and financial system. Illustratively, to educate young scholars, a scheme has been introduced in which every year RBI selects a good number of scholars from different region of the country. In addition, RBI has set up research and training institution for banking technology.

Way forward

Innovations required

The challenge of educating millions of young people implies that we need to scale up our educational efforts multi-fold despite having the largest number of higher education institutes in the world. Mr Shantanu Prakash has established one more institute today but we need to create many more such centres. Scaling up is not possible unless the students become successful, create value in the society and contribute back to their alma-mater or, better still, start new institutes of global standards themselves.

The curriculum of some of the colleges/universities is more or less obsolete and do not equip students with the necessary skills or impart latest knowledge. If a student passes out of a chosen course, he or she should be employable as a work force. Unfortunately, given the phenomenal share of lack of technical knowledge in the courses of education, students are found wanting in the desired skills and technical soundness. To address this issue, we may think of strengthening the vocational streams in schools/colleges. I urge the universities/schools/colleges to regularly revisit their curriculum by involving experts from different fields so that the curriculum can lead to knowledge development. Further, why can we not use the available infrastructure more intensely? For instance, why cannot a second stream of courses, say vocational, be run in the evening/night so that the available /created infrastructure is better utilized.

Teachers are the most important factors for any innovative society because teachers' knowledge and skills not only enhance quality and efficacy of education, but also improve the potential for research and innovation. Given the higher level of GER to be achieved by 2020,

a large number of teachers would be required to educate the growing young population. Maybe, students could be used as teachers, especially good students coming from lower income groups so that they can be partly be compensated. Further, barring some leading schools/universities/autonomous educational institutions, many of the teachers of colleges/universities need to hone their skills/talent. There is a need to encourage teachers to participate by presenting research papers in seminars/workshops/conferences and receive periodic trainings for updation of knowledge/skills. It is equally important that a feedback mechanism from students is introduced in universities/colleges to assess and evaluate teachers' role in the institutional developmental process.

Quality of education

Given that we need to compete globally in the 21st century, our education system should adopt certain benchmarking techniques for improving instruction models and administrative procedures in universities/colleges to move forward. I suggest that we need a thorough study and evaluation of models implemented elsewhere and work out strategies to adopt such models in our system. Benchmarking in my opinion would provide benefits to our education system in terms of reengineering, setting right objectives, etc.

The country is showing consistency in economic growth pattern, leading the world in terms of information and technology, modernization various economic activities and pushing for higher share of industries and services sectors of the economy but there is one area which needs reform is "education system". While it is true that some investments are taking place in the country's higher education system, we are yet to establish world class research facilities, recruiting profound academicians in universities/colleges/research institutions, etc. to sustain and forge lead in economic development. It is important to understand that countries like China, Singapore, South Korea, etc. are moving fast in investing in education system. Therefore, it is imperative that our educational institutions are equipped with the desired quality and standards which are essentials for transforming the younger workforce into productive ones. Needless to reiterate that in the higher education system focus on use of technology for effective learning by students also need to be encouraged to have cutting edge over our competitors in the globalised world.

Making education affordable

In India, if education has to reach all deserving students, it should be made affordable. The fee structure in Government owned/sponsored institutions is inexpensive in India. However, in some private sector institutions, which have the freedom to prescribe fee structure and despite broad guidelines from certain state governments, fees are beyond the capacity of poor and deserving students. Ideally, the fee structure should vary for such economically weaker students. I would urge the educators to keep in mind that education should not become prohibitively expensive and ensure that no deserving candidate is denied admission just for the fact that he or she does not possess the necessary financial resources.

Ethics in education

In my opinion, the most important objective of any educational institution is to equip the students with ethical values besides imparting knowledge and skills. Today, I find that this basic human quality is slowly eroding. Illustratively, while the RBI as well as Government of India is formulating progressive policies to ensure funds do not pose a major problem for education, I observe some disturbing trend in respect of repayment of loans by students. It may be noted if the loans are not repaid after it falls due, the non-performing assets of banks will increase and in the process, banks are likely to be skeptical in sanctioning educational loans. It is, therefore, important that the repayment schedules are adhered to by those students who have taken loans. It is understood that to encourage banks to give educational loans to all deserving students, the Government is looking into the issue of setting up of a

system of insuring educational loans. To reduce default of education loans, I strongly feel that the School Alumni Association of students can become active in inculcating ethics and values among students. They can provide the required synergies and linkages in addressing challenges relating to non-payment of outstanding education loans.

In the same coin, as education has to be made affordable to all deserving and poor students, there is a strong need for educational institutions not to over-commercialize education but to uphold ethics in the business of education as well. It is not anyone's case that the business has to be run unprofitably but the business must be carried out with ethical values for sustenance of educational institutions. Over exploitation should be avoided. Profit cannot be the sole motive for undertaking this business. It must be driven by an unflinching commitment to society which in turn will benefit the business in the long run.

Conclusion

To sum up, we need to recognize that the knowledge, skills and productivity of our growing young and dynamic work force forms the backbone of our economy. To reap the benefits of such a young work force, we need to implement the reforms in the education system and also bring forth new factors of production, namely knowledge, skills and technology which have the ability to unleash the productive frontiers of the economy in the most efficient and dynamic way. Besides, taking a leaf from the western hemisphere, India should try to become "knowledge economy" to promote inclusive growth. I, therefore, would like underline three major areas to be focused to ensure that our education system is sustainable and meets global standards:

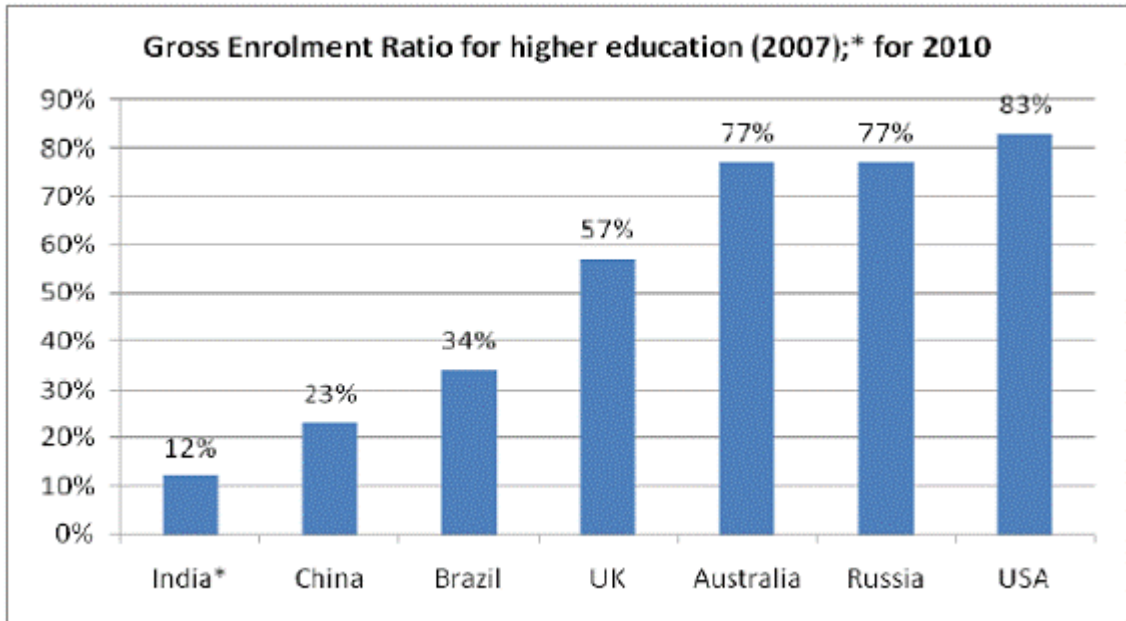
- i. Quality of Education – in terms of infrastructure, teachers, accreditation, etc.
- ii. Affordability of Education – ensuring poor and deserving students are not denied education.
- iii. Ethics in Education – avoiding over-commercialization of education system.

Let me take this opportunity to again wish JRE Group of Institutions in establishing JRE School of Management which I am sure will play an important role in the 21st century in the Indian education system by providing world class education at an affordable cost to the young students and achieve success in all frontiers of educational activities.

Thank you.

Annex 1

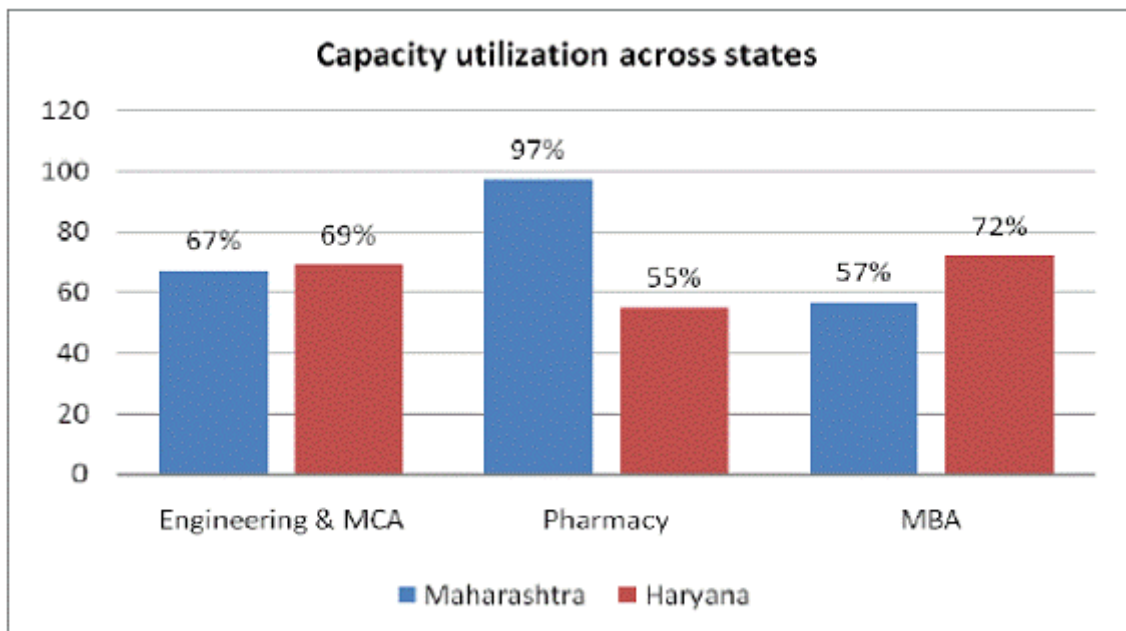
Gross enrolment ratio (GER) for higher education



Source: chinaeducenter.com, UNESCO Global Education Digest 2009; EY Analysis

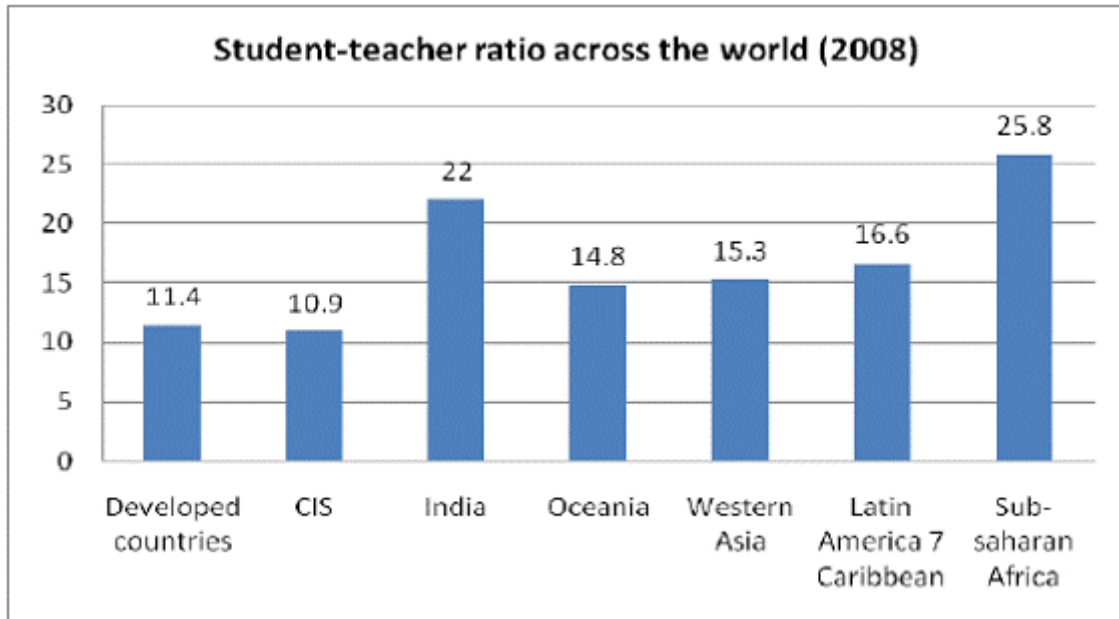
Annex 2

Capacity utilization



Source: Maharashtra DTE, AITCE; EY Analysis

Annex 3
Student-teacher ratio (2008)



Source: "Higher Education in India", UGC Report, 2008; UNESCO Institute for Statistics 2010; EY Analysis