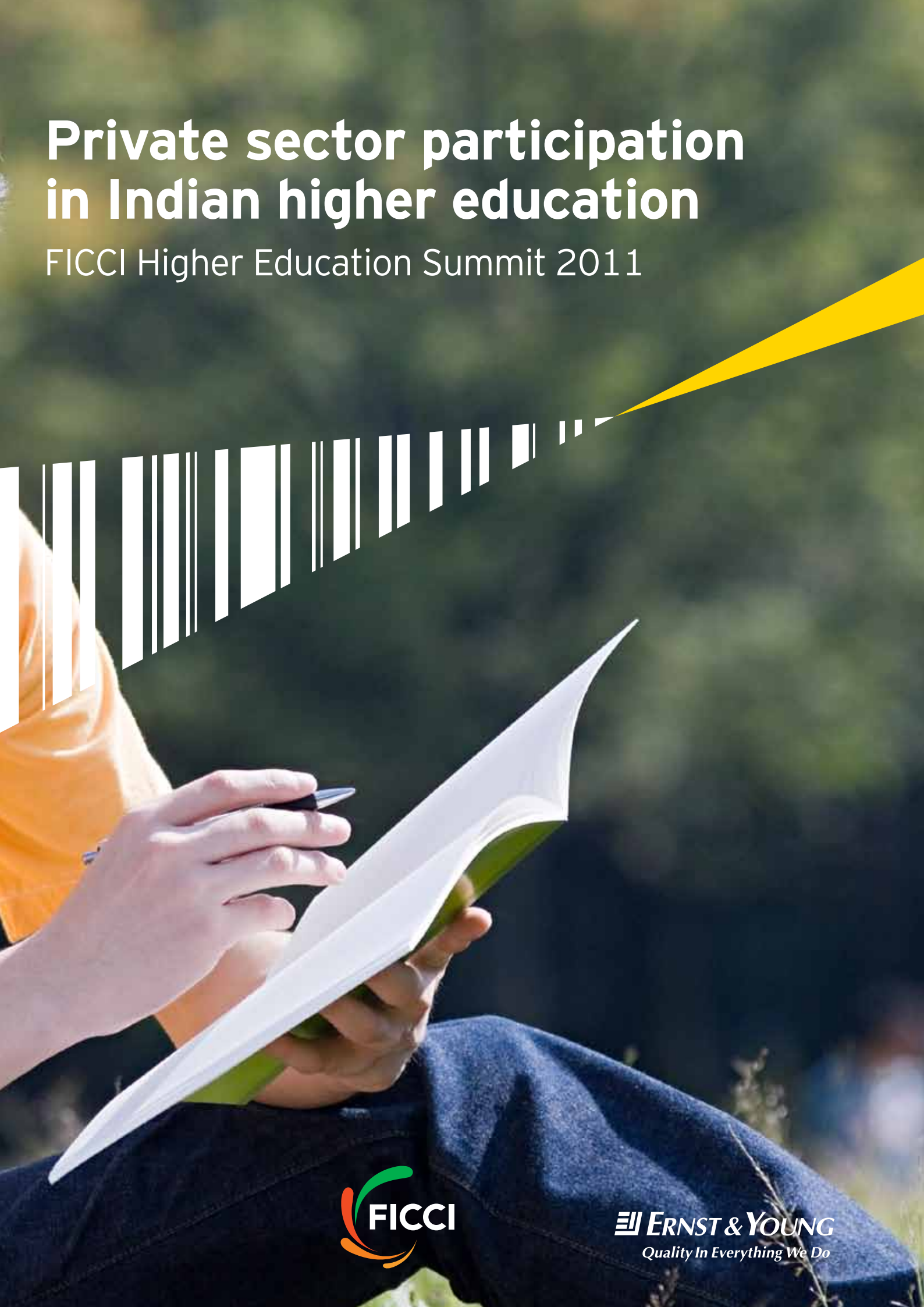
Private sector participation in Indian higher education

FICCI Higher Education Summit 2011



FICCI

Ernst & Young
Quality In Everything We Do

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Foreword



Prof M Anandakrishnan

Chairman
FICCI Higher Education Committee

Dear Readers,

The unprecedented growth in Higher Education during the past two decades has to a large extent been due to the participation of private sector. This is particularly true in some of the large states of India and also in much of the professional disciplines. Their presence in the Higher Education sector is manifesting in many different forms of colleges and universities. Their investment in Higher Education has considerably supplemented the Public investments and helped to enhance the enrollment capacity in selected disciplines as well as employment potential. In the long run it is anticipated that the proportion of private institutions in Higher Education will be much larger than at present.

Nevertheless, it is seen that the preferred options of high ranking students seeking higher educational opportunities are by and large not towards the private institutions with some notable exceptions. This raises a vital question as to what are the initiatives that will contribute to the sustainable, credible and robust growth of private higher education sector. There are several misgivings about their quality, fee structure, governance models and so on.

Time is ripe to look for models of Educational Social Responsibility that would lead to greater inclusiveness and affordability of higher education to the disadvantaged. Such issues need to be addressed in a frank manner so that proactive measures can be taken by the private sector itself instead of creating situations for regulatory controls by the governments.

FICCI Higher Education Summit 2011 has chosen its theme on Private Sector Participation in Higher Education to provide ample opportunity to evolve a rational approach to attracting the right kind of private enterprises. Their role could go beyond contribution to higher enrolment capacity and engaging primarily in teaching functions. To understand the current higher education landscape and assess the scope for future opportunities, this publication by Ernst & Young will indeed serve as a valuable reference guide. The FICCI Higher Education Committee complements them for this highly professional and attractive contribution.

Warm regards,

Prof M Anandakrishnan
Chairman-FICCI Higher Education Committee &
Chairman, Board of Governors, IIT Kanpur

Foreword



Amitabh Jhingan

Partner and Education Sector Leader
Ernst & Young

Dear Readers,

The Indian higher education system has emerged as one of the largest in the world, with 14.6 million students enrolled in more than 31,000 institutions. However, it continues to suffer from three fundamental challenges—access, equity, and quality—as evidenced by the relatively low gross enrollment ratio (GER), wide geographical, community and gender disparity, and unemployability of graduates. The government has therefore set a target of achieving 30% GER by 2020 and is in the process of streamlining the regulatory framework to make higher education more accessible and to improve the quality of education delivery.

While the public sector has historically dominated the higher education landscape, the role of the private sector has increased significantly over the last decade, with majority students currently enrolled in private institutions. Moreover, the private sector can be credited with the establishment of some globally-renowned institutions that have established state-of-the-art infrastructure and impart world-class education. Going forward, the role of the private sector can be expected to assume greater significance in establishing quality higher education institutions.

In this report, we have revisited the role of the private sector in Indian higher education, delineated key options for private sector players to establish and grow in the higher education space, and recommended steps that the Government could take to further encourage the participation of good quality private sector players in strengthening Indian higher education.

In conclusion, while the private sector has played a key role in aiding the GER increase from 10% in 2000 to 13.8% in 2010, this role can be expected to increase further over the next decade considering the 30% GER target set by the government. To enable greater private sector participation, the government would need to simplify the current regulatory framework and facilitate the creation of a strong higher education ecosystem.

Warm Regards,

Amitabh Jhingan
Partner
Education Sector Leader
Ernst & Young



Executive summary

Executive summary

The Indian higher education system has exhibited impressive growth over the last decade to become one of the world's largest systems of higher education. The number of institutions has grown at a CAGR of 11% while student enrollment has grown at a CAGR of 6%. Geographically, the Central region has experienced the highest increase in number of institutions, while the Southern region has exhibited the highest increase in student enrollment. The Gross Enrollment Ratio (GER) currently stands at about 13.8%, with West India having the highest GER of 25.7%.

While these positive trends augur well for the industry, the GER in India continues to significantly trail its global peers and the world average, threatening the sustained high growth of the Indian economic engine. The government has therefore set a target of 30% GER by 2020, which seems difficult to achieve at the current pace of development. Moreover, the Indian higher education system faces the challenges of ensuring equity and quality. The private higher education sector in countries such as the Unites States, Japan, and Malaysia has been instrumental in tackling these challenges. In India too, the private sector could play a key role in dealing with these issues through innovative models supported by an enabling regulatory framework and environment.

Hitherto, the private sector has played an important role in the growth of the higher education sector, especially in professional disciplines such as engineering and management. High potential demand for higher education and insufficient government spend on capacity creation are expected to result in a substantial infrastructure and investment deficit. In this backdrop, the role of the private sector has assumed increased significance with immense opportunity for private sector players.

We have identified various options for private education providers to enter and grow in the vibrant higher education space. We have also outlined the key drivers, trends, and regulatory considerations associated with these options.

Establishing and growing in Indian higher education: key options for private players

Forms of presence	Courses	Modes of growth	Value addition and communication
▸ Universities ▸ Colleges ▸ Services	▸ General courses ▸ Professional courses	▸ Opening new campuses ▸ Distance education	▸ Collaborations ▸ Marketing and brand building

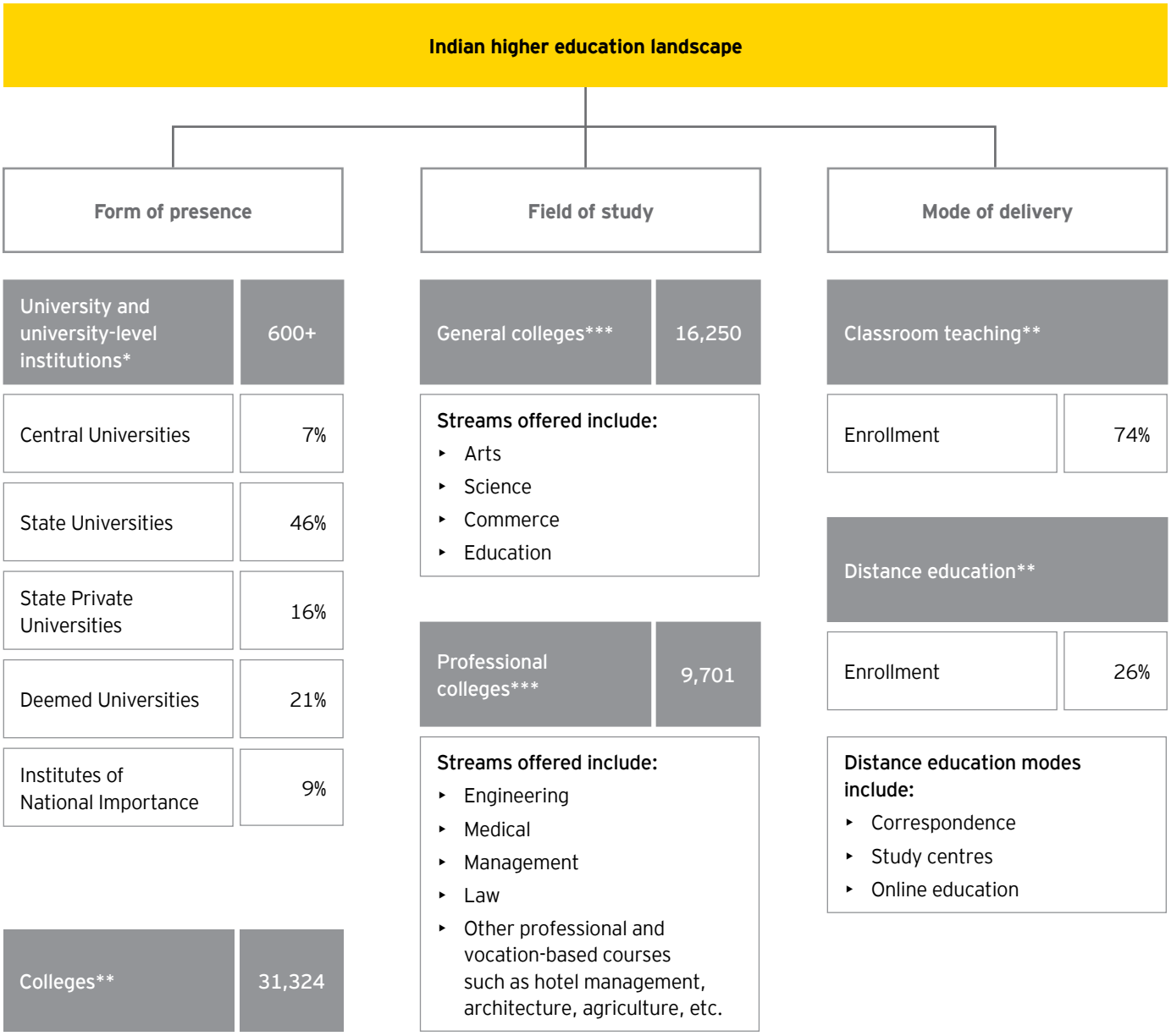
We have profiled some leading private sector players across two categories—new entrants and market leaders—to understand the models, strategies, and propositions adopted by them. The analysis reveals that a strong focus on delivering a consistently high quality of education and a deep collaborative network with industry and foreign education providers are considered fundamental to success. For existing players, opening multiple campuses seems to be the preferred route for expansion. Recruitment of quality faculty and a complex regulatory framework are some of the key challenges faced by players.

To enable greater private sector participation in higher education, the Government should consider simplifying the regulatory framework by rationalising the number of regulators and providing more operational autonomy to private institutions, while keeping a check on quality and transparency. Allowing institutions to operate on a for-profit basis could be considered for boosting private investment. Moreover, measures to deal with structural challenges such as shortage of quality faculty and lack of adequate physical infrastructure should be expedited.



Overview of the Indian higher education sector

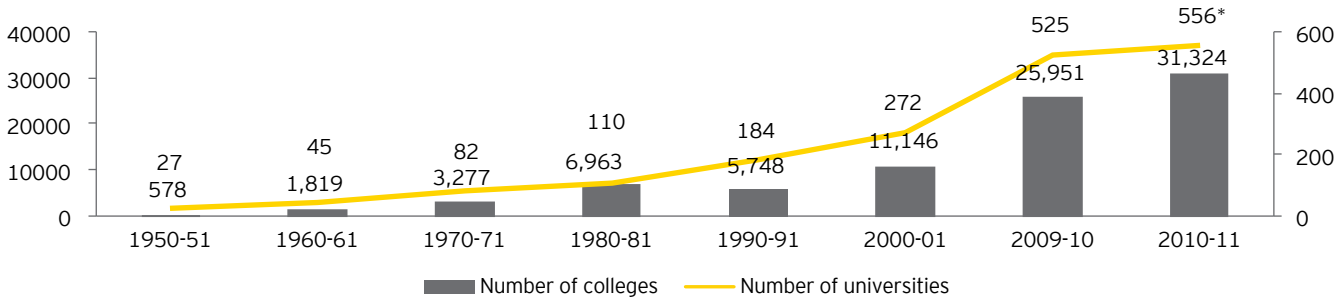
The Indian higher education system comprises over 31,000 institutions



*Latest data available; **2010-11; *** 2009-10
Sources: UGC; MHRD Annual Report 2009-10. 2010-11; Turkish Online Journal of Distance Education Volume 3: A comparative study on current trends in Distance Education in Canada and India 2002; Planning commission XIth Five Year Plan; Mid Term Appraisal Eleventh Five Year Plan; Eleventh Five Year Plan Volume II

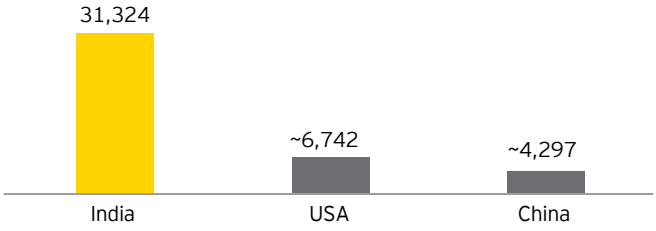
There has been a significant increase in the number of institutions and enrollment over the last few years

Over the last decade, the number of universities in the country has grown at a CAGR of 7.5% as against the 4.7% growth observed from 1951-2001. The number of colleges has grown at a CAGR of 11% in the period 2001-2011 as against 6.1% in the period 1951-2001. More than 5,000 colleges have been added in the last one year alone.



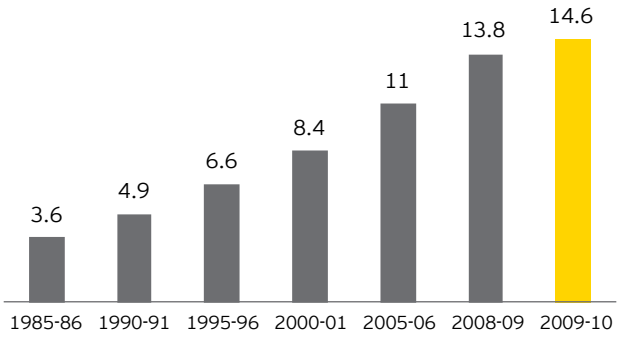
Number of colleges and universities

India has the largest higher education system in the world with respect to the number of institutions



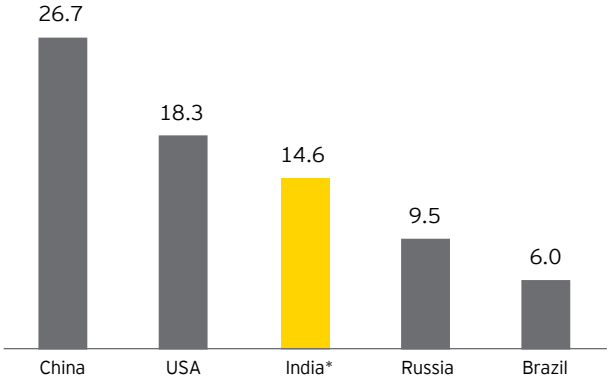
Number of institutions (2011 data for India; latest data available for USA and China)

Higher education enrollment has grown at a healthy pace, with 3.6 million students being added over the last four years



Student enrollment in higher education (million)

India's higher education system is the world's third largest with respect to student enrollment, next only to China and the USA (2008; * for 2010)



Comparison with other countries (million)

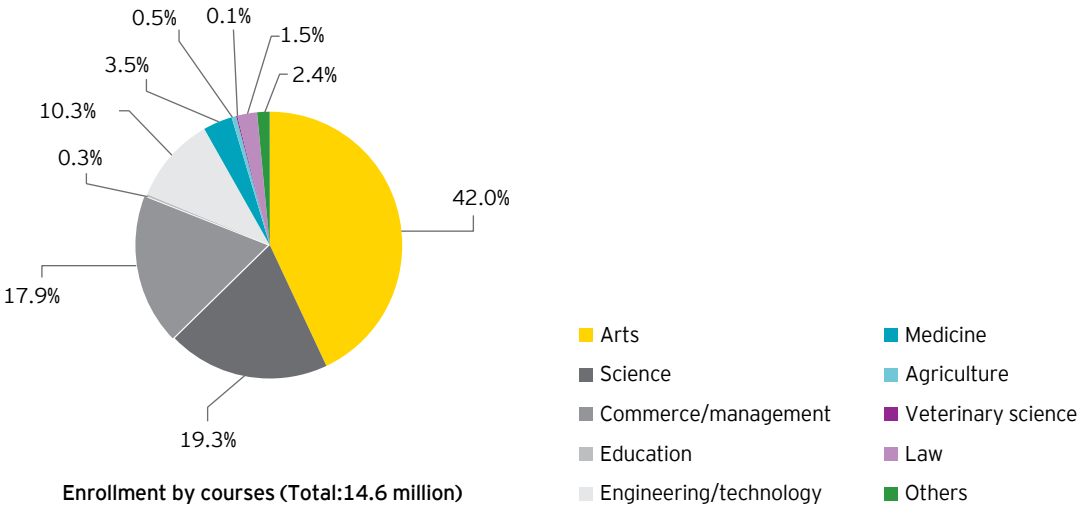
* As on February 2011

Sources: UGC; UNESCO Global Education Digest 2010, MHRD Annual Report 2009-10; US Department of Education: National Center of Education Statistics; Ministry of Education of the People's Republic of China

General courses account for majority of enrollment; 85% of students are enrolled at the undergraduate level

Course-wise enrollment

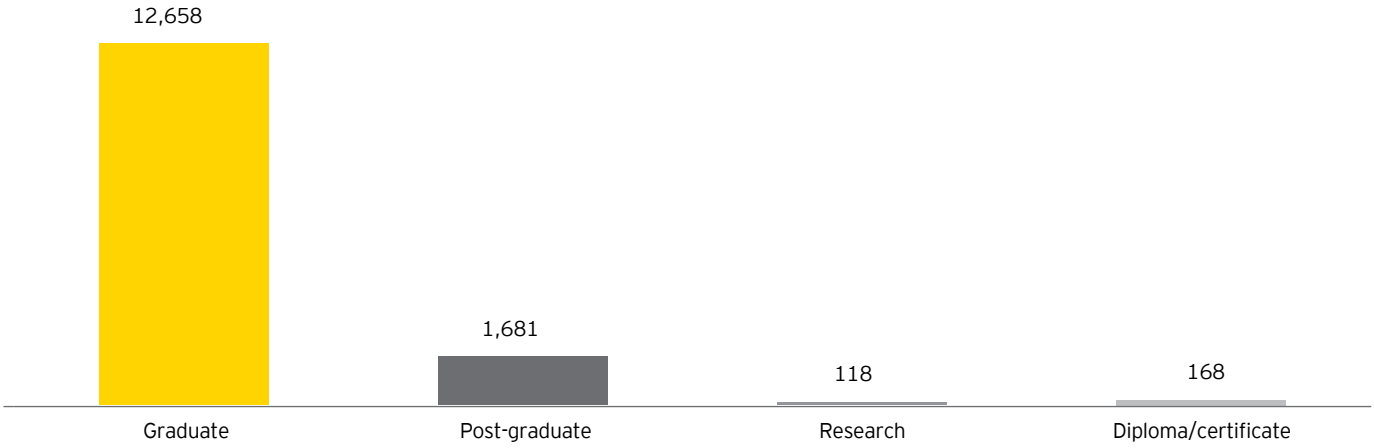
Enrollment in Arts and Science courses account for more than 60% of the total enrollment in higher education



Enrollment by courses (Total:14.6 million)

Level-wise enrollment

Undergraduate students account for 85% of the total enrollment in higher education



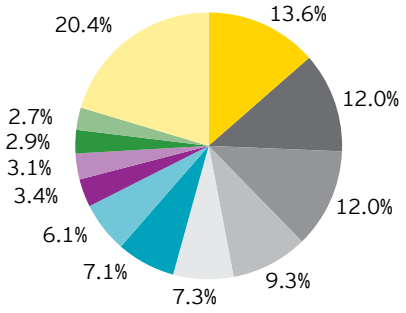
Enrollment by level (in '000s)

Sources: UGC

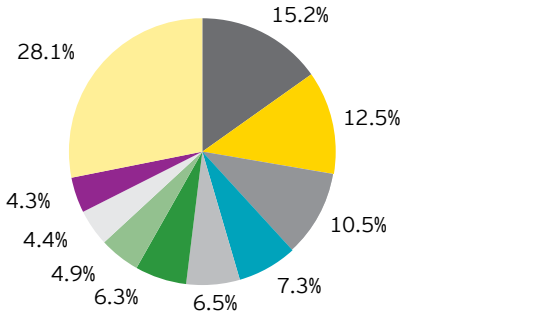
In terms of geography, Central India has exhibited the highest growth in institutions while enrollment growth has been the highest in South India

State-wise number of institutions and enrollment

Just three states—Maharashtra, Uttar Pradesh, and Andhra Pradesh—account for ~38% of the number of institutes and enrollment



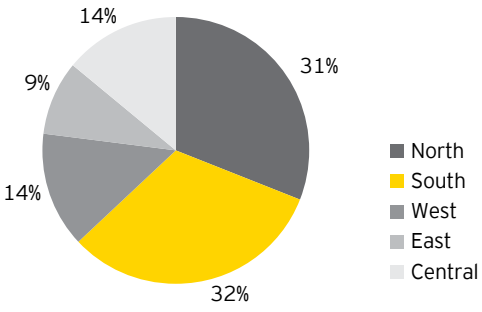
Percentage share of institutes by state: 31,324



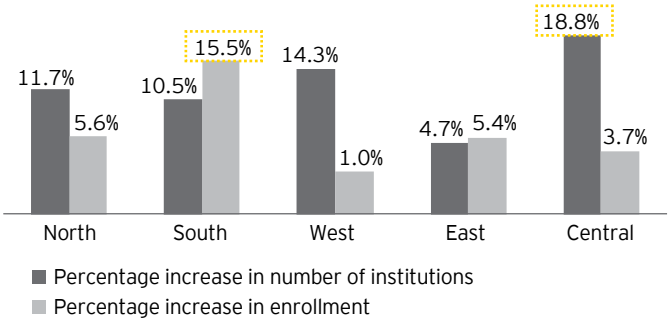
Percentage share in enrollment by state: 14.6 million

Region-wise number of institutions and enrollment

- Currently, North India has 9,834 institutions (31%), South has 9,970 (32%), West has 4,307 (14%), East has 2,946 (9%) and Central has 4,261 institutions (14%)
- Central India recorded the highest growth in number of institutions, an18.7% yoy growth. However, enrollment over the same period increased by only 3.7%
- While South India added about 800 colleges from 2009 to 2010 (10.5% yoy growth), enrollment increased by 15.5%, the highest amongst the regions



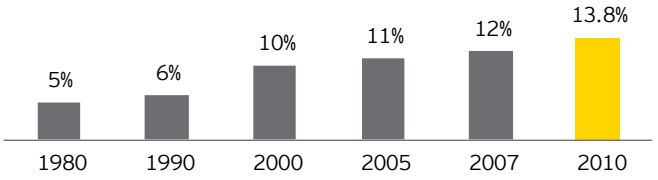
Percentage share of institutes by region 2010-11: 31,324



Percentage increase in institutions and enrollment from 2009 to 2010

Source UGC; MHRD 2008-09 : Statistics of Higher and Technical Education; UGC Report January 2011: Higher Education in India: Strategies and Schemes during Eleventh Plan Period (2007-12) for Universities and Colleges

The Gross Enrollment Ratio (GER) has increased to 13.8%, with West India witnessing the highest increase over the last five years



Gross Enrollment Ratio (GER) in higher education

- The GER currently stands at 13.8%, up from 11% in 2005
- The GER has increased over the last decade at a CAGR of 3.3%

Table 1: State-wise GER

State	GER (2004-05)	GER (2009-10)	State	GER (2004-05)	GER (2009-10)
North			East		
Bihar	5.7	8.5	Mizoram	11	23.8
Uttar Pradesh	9.1	10.6	Sikkim	11.4	22.5
Uttaranchal	15.1	14.1	Orissa	8.9	9.3
Haryana	10.5	18.8	West Bengal	7.8	12.1
Jammu and Kashmir	7.2	16.3	Tripura	6.3	10.8
Delhi	33.2	31.9	Meghalaya	13.7	16.2
Punjab	11	10.2	Arunachal Pradesh	6.6	13.5
Rajasthan	7.1	9.1	Assam	6.7	8.3
Himachal Pradesh	13.9	18	Manipur	12.4	13
South			Nagaland	9.4	13.1
Tamil Nadu	14	17.6	Jharkhand	8.1	10.4
Karnataka	12.4	13.6	Central		
Kerala	9.9	12.3	Madhya Pradesh	10.9	11.3
Andhra Pradesh	12.9	17	Chhattisgarh	8.5	11.8
West			Gujarat	11.2	13.9
Maharashtra	12	25.9			
Goa	11.6	16.7			

- Maharashtra, Mizoram, Sikkim, and Jammu & Kashmir have witnessed significant increases in GER over 2005-10

Table 2: Region-wise trend in GER

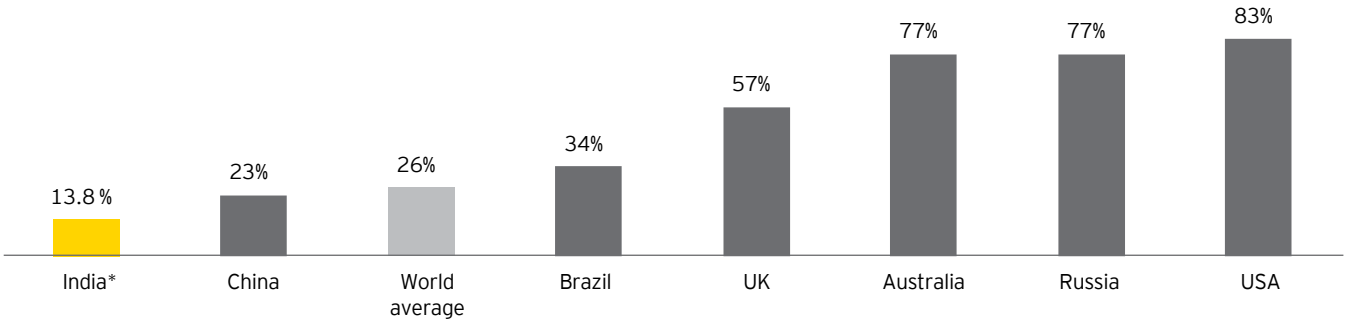
Region	GER (2009-10)	GER Increase (2005 to 2010)
North	11	29%
South	15.6	23.5%
West	25.7	114%
East	10.6	36%
Central	12.3	17%

- West India has the highest GER at 26%, more the double the GER in 2004-05
- The eastern region has witnessed a 36% growth in GER over 2005-10, driven by the high growth in some of the north-east states such as Sikkim and Mizoram

Source: UNESCO Global Economic Digest 2010 ; UGC Report 2008: Higher Education in India: Issues Related to Expansion, Exclusiveness, Quality and Finance; MHRD 2008-09 : Statistics of Higher and Technical Education

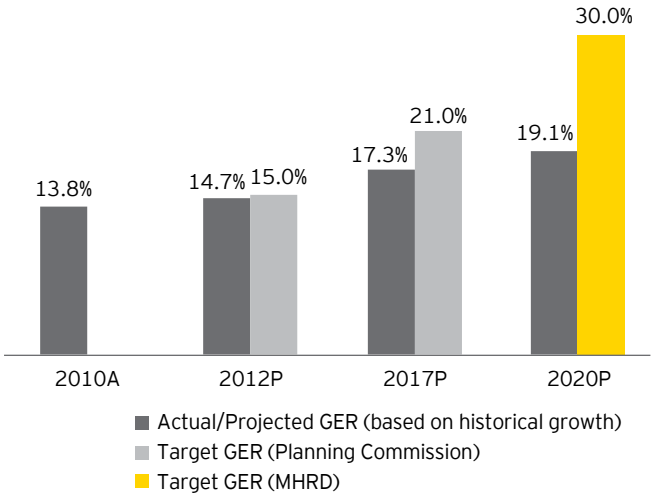
However, the GER significantly lags global peers; moreover, the projected GER is substantially lower than Government targets

India has a long way to go when compared with global peers like China and Brazil and also when compared to the world average



India's GER vis-à-vis global peers (2008, * for 2010)

India's performance on GER is expected to fall short of targets unless the CAGR is more than doubled from the current 3.3% to 8%

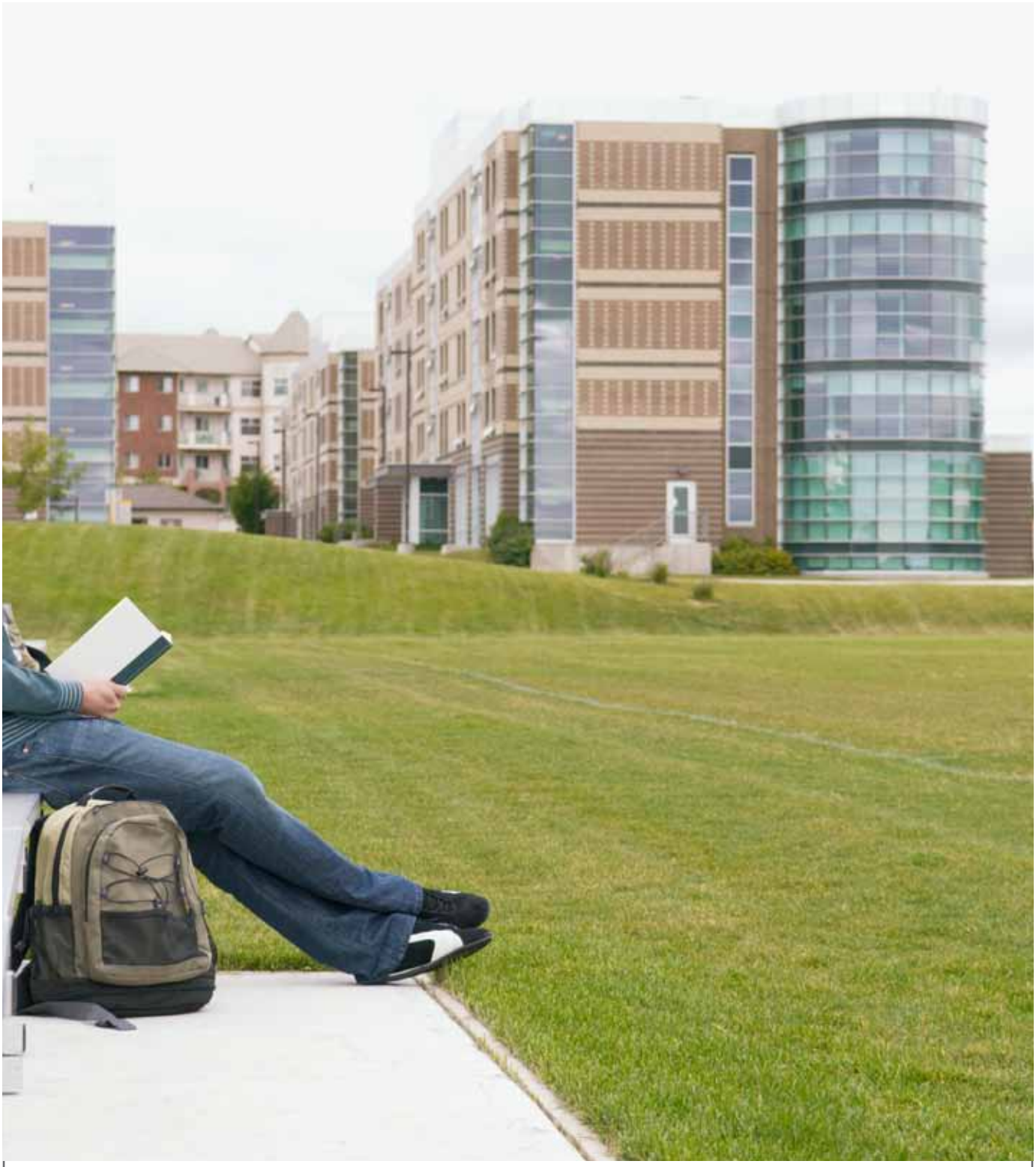


Actual/Projected GER and Target GER

- The Planning Commission has set a target of achieving a GER of 15% by 2011-12 (end of the 11th 5-year Plan) and 21% by 2016-17 (end of 12th 5-year Plan)
- The Ministry of Human Resource Development has set a target of achieving 30% GER by 2020
- However, at the current growth rate (3.3% over 2000-10), the GER is projected to fall short of all the targets
- To achieve the 30% target GER by 2020, the CAGR needs to be pushed up from the current 3.3% to 8%

Sources: UNESCO Global Education Digest 2010, 2009; Eleventh Five Year Plan 2007-12, Volume II Social Sector

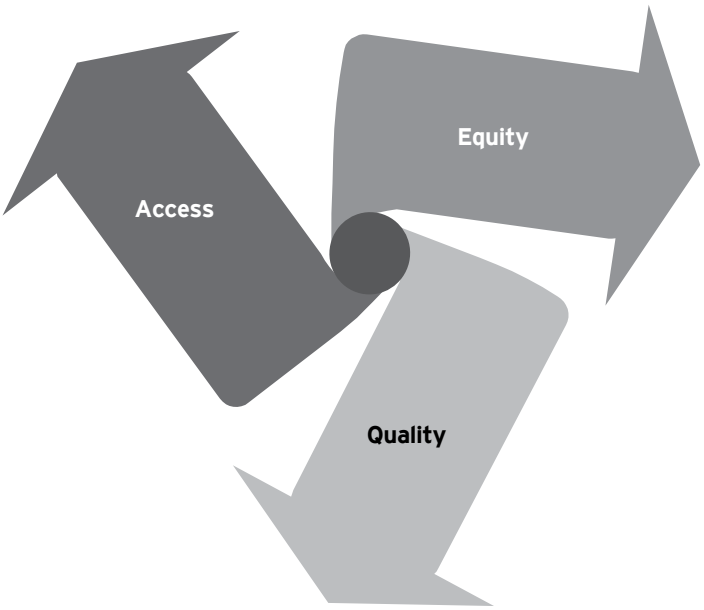




Private sector participation: current role and way forward

The Indian higher education system is plagued by three fundamental challenges: Access, Equity, and Quality

- With a GER of 13.8% and enrollment of 14.6 million, access to higher education in India is currently restricted to a limited population



There is wide disparity in Higher Education GERs across states, urban and rural areas, gender, and communities. Examples:

- **Inter-state disparity:** 31.9% in Delhi vs. 8.3% in Assam
- **Urban-rural divide:** 23.8% in urban areas vs. 7.5% in rural areas
- **Differences across communities:** 6.6% for SCs, 6.5% for STs, 8.7% for OBCs, and 17.2% for others
- **Gender disparity:** 10.6% for female vs.14.4% for male

- **Faculty shortage:** 45% of the positions for professors, 51% positions for readers, and 53% positions for lecturers were vacant in Indian universities in 2007-08
- **Deficient physical infrastructure:** 48% of universities and 69% of colleges have infrastructure deficiencies
- **Poor academic standards:** The system is plagued with outdated curricula and ill-equipped libraries (average 9 books per student vs. 53 in IIT Bombay)
- **Unaccredited institutions:** As of March 2011, only 161 universities and 4,371 colleges had been accredited by NAAC

Source: UGC: Higher Education India 2008; 11the Five Year Plan Volume II 2004-05; National Assessment and Accreditation Council Annual Report; NAAC Website

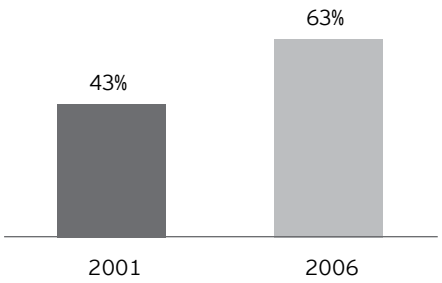
Globally, the private sector has played a key role in addressing these challenges

	Private Sector Participation	Government Enablers	Impact
USA ▸ GER: 71% in 1999; 83% in 2008 ▸ Enrollment: 13.2 million in 1999; 18.25 million in 2008	▸ 2,823 private institutions (more than 40% share) enrolling 5.6 million students (28% share) in 2009 ▸ The role of the private sector has been spurred by the emergence of for-profit institutions, whose share in enrollment increased from 3% in 2000 to 8% in 2008	▸ The US Higher Education system allows the set up of for-profit institutions, which has enabled such institutions to raise equity capital through PE funds and public markets ▸ In 1972, reauthorization of the Higher Education Act increased the student aid available to for-profit institutions	▸ **Equity:** E.g. 59% students enrolled in public institutions are white vs. 40% in for-profit private institutions ▸ **Access:** Online education by for-profit players has helped improve educational access for military personnel, with for-profit institutions enrolling 12% of all military undergraduates ▸ **Quality:** Increased competition resulting from the emergence of for-profit institutions has driven up the overall quality of higher education
Japan ▸ GER: 45% in 1999 and 58% in 2008 ▸ Enrollment: 3.98 million in 1999; 3.94 million in 2008	▸ As of 2009, private institutions accounted for 73% of the 2.8 million enrollment in Japan's universities ▸ The private sector also accounted for 77% of the 773 universities in the same year	▸ The Standards for Establishment of Universities was deregulated in 1991, easing the setting up of private universities ▸ The Government subsidises operating cost of select private universities ▸ Introduced a certified, periodic evaluation system in 2002, ensuring standardisation of quality	▸ **Access:** The Japanese higher education system is largely privatized with the private sector enrolling almost three-quarters of the total number of university students ▸ **Quality:** Competitive resource allocation for public research and development grants incentivises private institutions to improve quality
Malaysia ▸ GER: 23% in 1999 and 32% in 2008 ▸ Enrollment: 473,357 in 1999; 805,000 in 2008	▸ The comprehensive Private Higher Educational Institutions Act in 1996 spurred private sector growth in the sector ▸ Currently, there are ~450 private institutions including 49 universities and university colleges, and 400+ colleges. They account for 54% of total enrollment	▸ Tax benefits and exemptions on education materials, investments in technical and vocational institutions, etc., by the private sector ▸ The Government put in place frameworks to ensure a certain quality in private higher education (E.g. Malaysian Qualification Framework) based on internationally-accepted best practices	▸ **Access:** Private sector participation has helped bridge the demand-supply gap for higher education in Malaysia. ▸ Currently, private institutions account for more than half the total enrollment (estimated at more than 450,000 students), about 10 times the 47,200 seats in the 172 private institutions in 1993

Source: UNESCO Global Education Digest 2010; Education and Training: BMO Capital Markets U.S.; Peking University Education review: Financial trends in Higher Education United States; Center for College Affordability and Productivity: For-profit education in the United States-A Primer Forum on Public Policy: "Privatization of Higher Education in Malaysia" ; New York Times; Times Higher Education

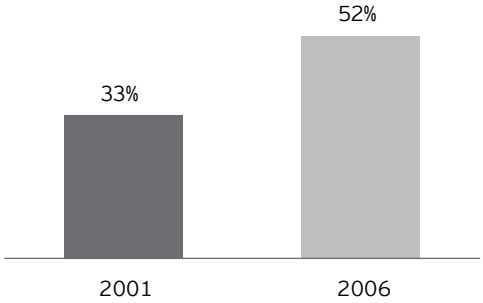
In India, the private sector has till now been instrumental in increasing penetration and enrollment, especially in professional disciplines

The share of unaided private institutions in the higher education sector has increased considerably over the last few years.



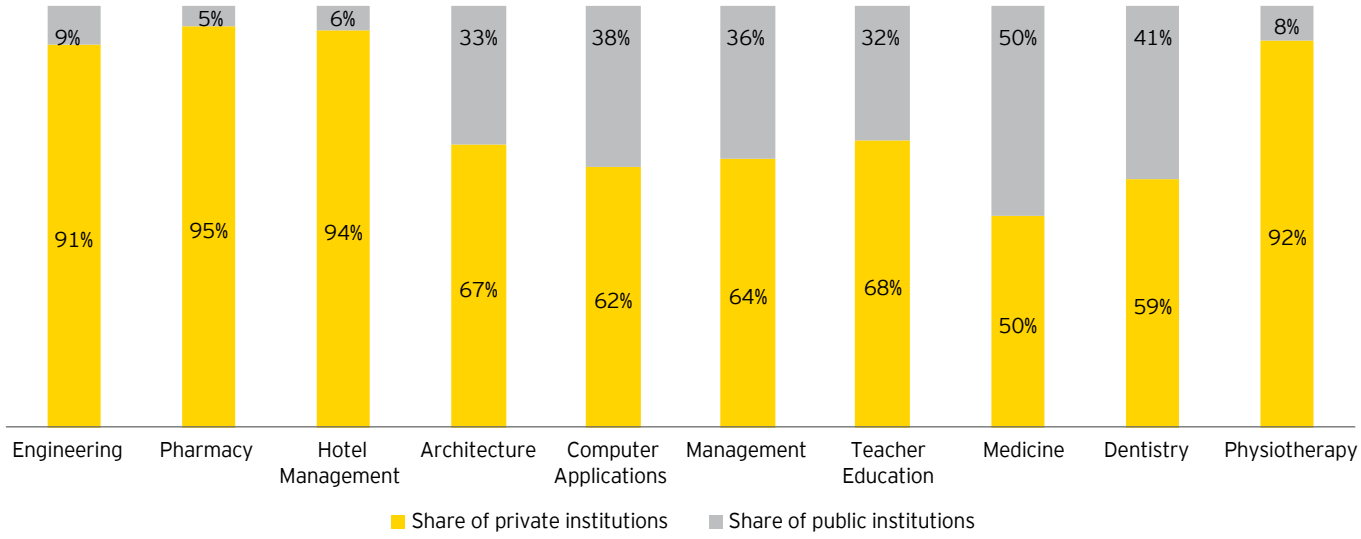
Unaided private higher education institutions as a percentage of total institutions

There has also been a rapid growth in the percentage of students enrolled in unaided private higher education institutions.



Enrollment in unaided private higher education institutions as a percentage of total enrollment

Majority of institutions offering programmes in professional disciplines such as engineering, pharmacy, and hotel management have been established by the private sector. As of 2006-07, private sector participation ranged from 50% to 95% of the total number of institutions for various professional courses.



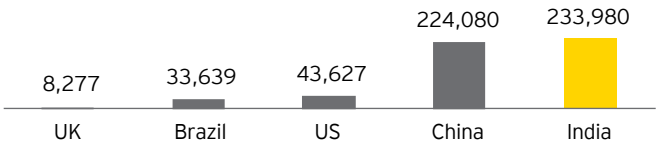
Share of public and private institutions in select professional courses

Source: AICTE and other professional councils, Analysis based on Indian Higher education, Envisioning the Future 2009

Going forward, the role of the private sector can be expected to assume greater significance driven by the high potential demand for higher education...

1. High potential demand for higher education

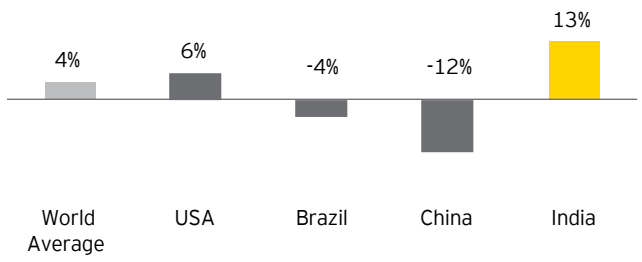
The largest target market in the world



Population aged 15-24 years (in '000s)
(2011 or latest data available)

- India has the largest target market in the world, with a population of 234 million in the age group of 15-24 years

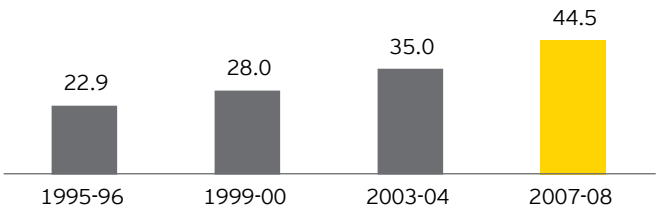
Growing target market



Growth of population aged 18-24 years:
Global comparison (2005-2020)

- Not only does India have the largest target market in the world, but also the fastest growing market, resulting in a "demographic dividend" for higher education players
- India's youth population aged 18-24 years is expected to increase by 13% over 2005-2020 vs. the world average of 4%
- Brazil and China, on the other hand, are expected to witness a decline of 4% and 12% respectively

Growing number of students enrolled in higher secondary schooling



Number of students enrolled in Higher Secondary
Classes (in millions)

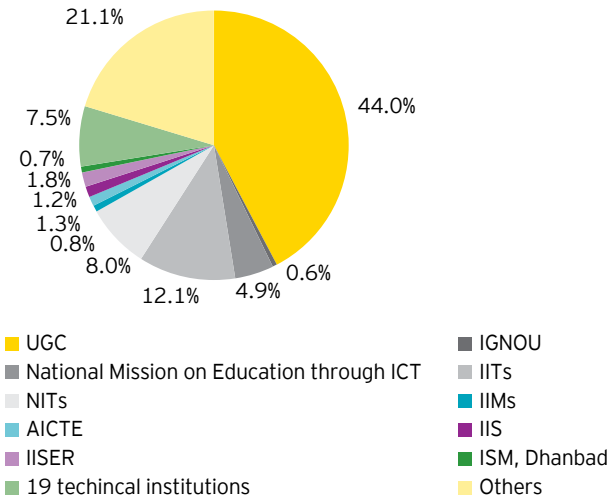
- The number of students enrolled in Classes 9-12, which is an indicator of potential demand for higher education, has increased at a CAGR of 5.7% over 1996-2008, in line with the growth in higher education enrollment
- Moreover, with the implementation of the RTE Act, there is expected to be a significant increase in enrollment at the primary and middle school levels which will result in an increase in eligible population for higher education over the long term

Source: US Census Bureau: International Programs; OECD 2008 Higher Education to 2030, Volume 1: Demography; Population Projections for India and States 2001-2026, Report of the Technical Group on population projections constituted by the National Commission on population May 2006; Selected Education Statistics, 2005-06, MHRD; Selected Education Statistics, 2007-08, MHRD

...and the insufficient spend by the government on capacity creation

2. Insufficient government spend on capacity creation

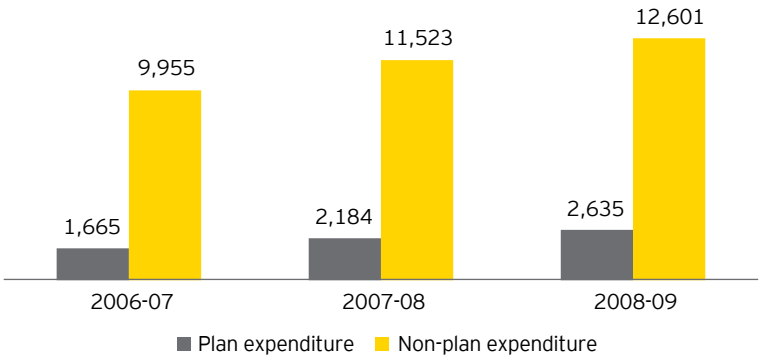
Focus of the central government on centres of excellence



Breakdown of budgeted expenditure on higher education (2010-11): INR16,690 crore

- 44% of Central Government spend on higher education is allocated to the UGC, which, in turn, assists colleges mainly in the form of grants for their maintenance and development
- Centres of excellence including IITs, NITs, and IIMs accounted for nearly 20% of the budgeted expenditure, most of which is directed towards the maintenance of existing institutions
- Other major expenditure heads include National Mission in Education through ICT and the Development of Languages

High non-plan expenditure by state governments



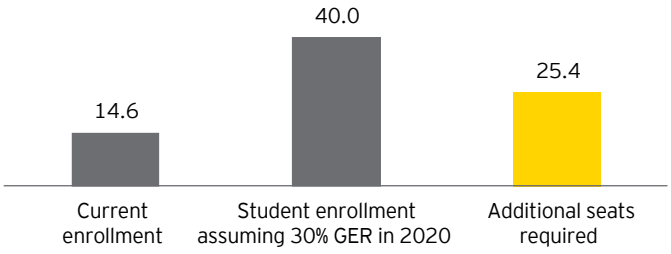
State plan and non-plan expenditure (INR crore)

- Consequently, state governments have not traditionally focused on capacity creation
- Plan expenditure by state governments accounted for only 14-17% of total expenditure in the last few years
- Non-plan expenditure, which accounts for bulk of expenditure, is directed towards the maintenance and administration of existing institutions

Source: Analysis of Budgeted Expenditure on Education (various years); UGC Annual Report 2008-09.

The consequent widening of the demand-supply gap will result in an infrastructure and investment deficit, creating entry and growth opportunities for private sector players

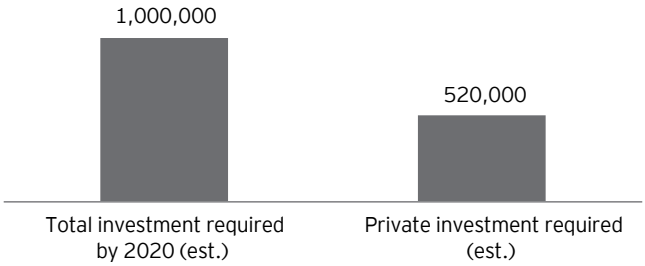
Insufficient infrastructure to meet the growing demand



Additional capacity required (in million)

- If India is to meet its 30% GER target by 2020, about 40 million students would be enrolled in the higher education system in 2020
- Currently, 14.6 million students are enrolled in the higher education sector
- Therefore, an additional capacity of about 25 million seats would be required over the next decade to cater to the increased demand

Investment deficit: The private sector has a key role to play in creating capacity

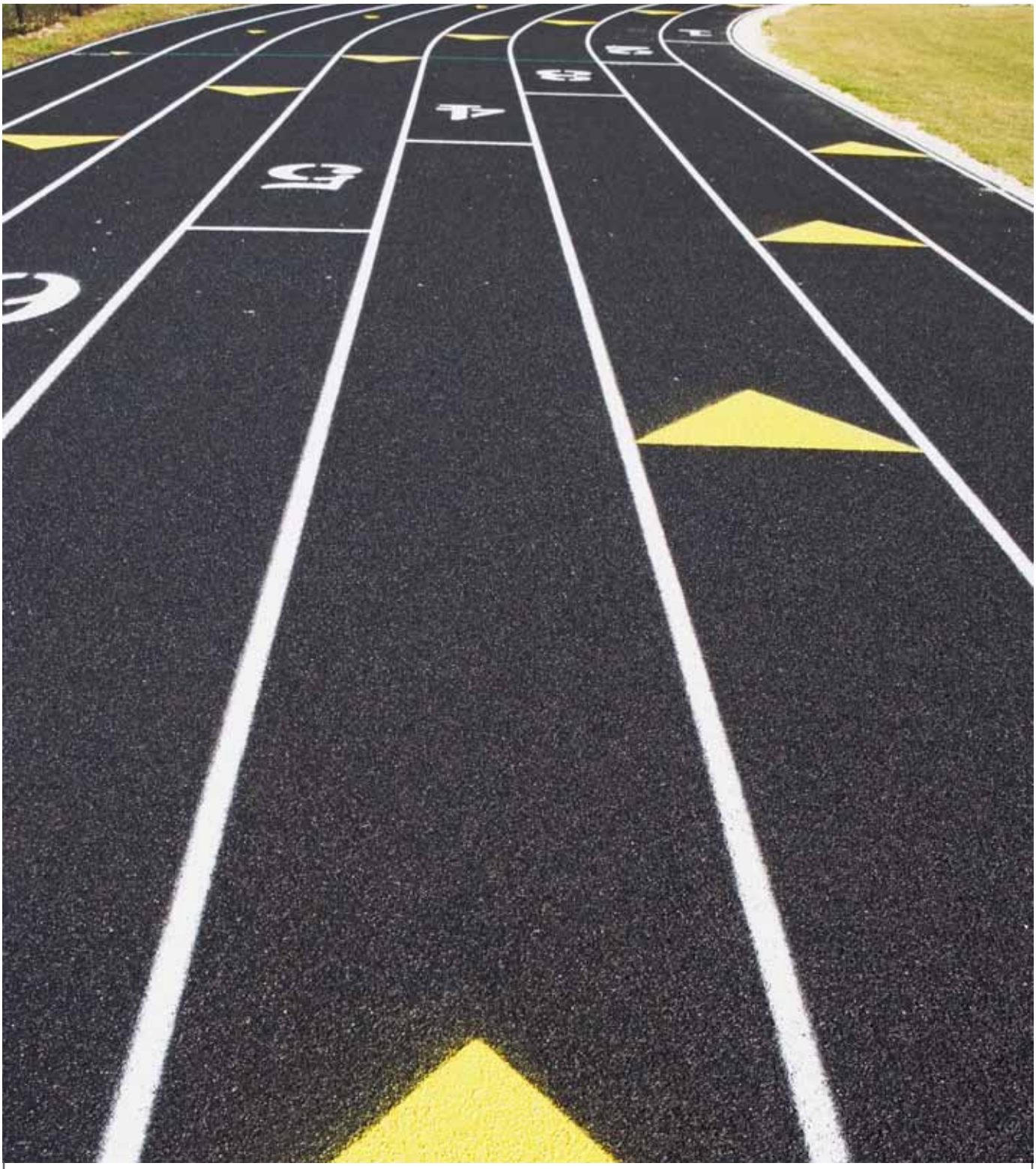


Investment required for capacity creation (in INR crore)

- As per EY estimates, an investment of INR1 million crore will be required to create the additional capacity of 25 million seats, averaging INR0.4 million per seat
- Assuming that the private sector would continue to account for 52% of total enrollment (as in 2006), investment required by private players works out to INR0.52 million crore i.e. an average of INR50,000 crore per year

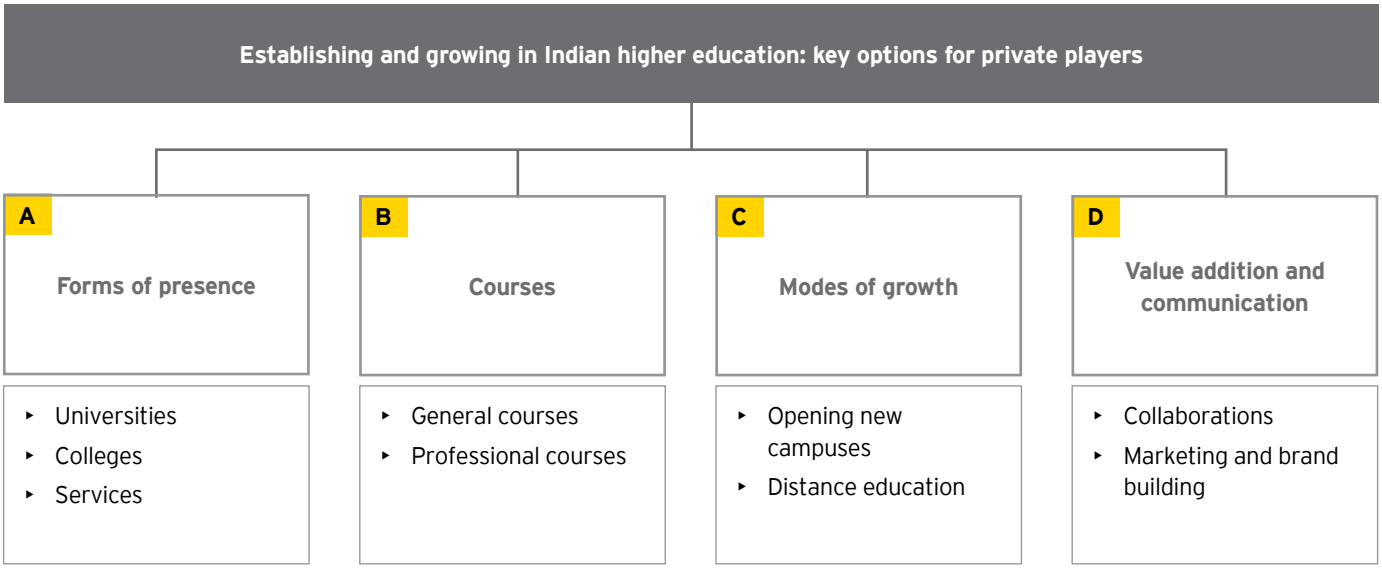
Source: Analysis of Budgeted Expenditure on Education (2006-09); Population Projections for India and States 2001-2026, Report of the Technical Group on population projections constituted by the National Commission on Population May 2006



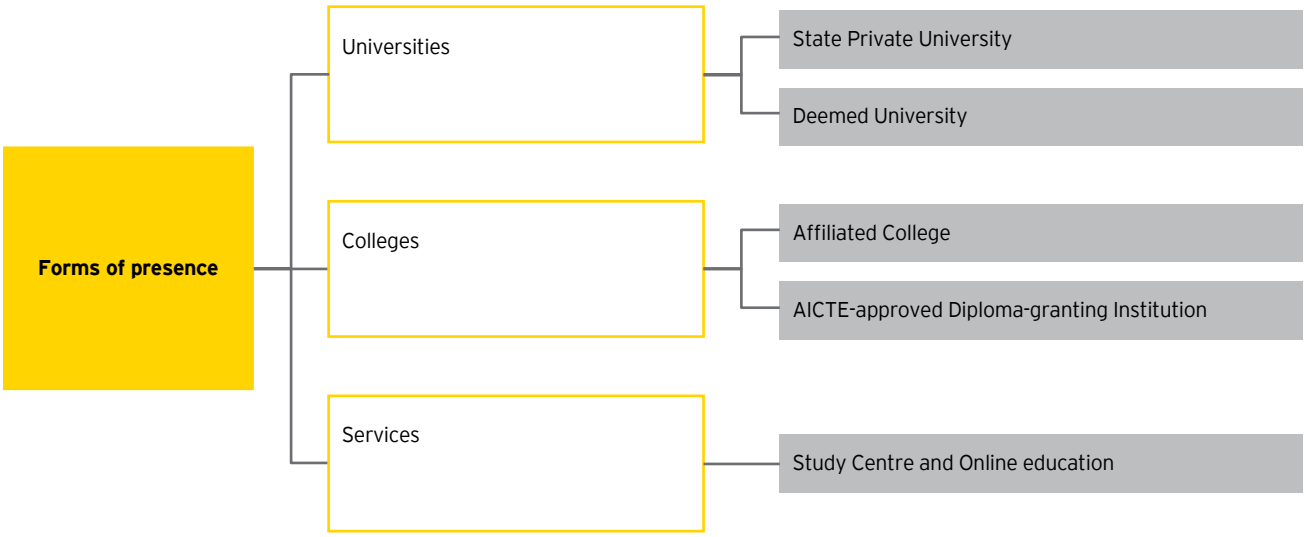


Establishing and growing in Indian higher education: key options for private players

Private players have some key options while evaluating entry and growth opportunities in Indian higher education



A. Forms of presence





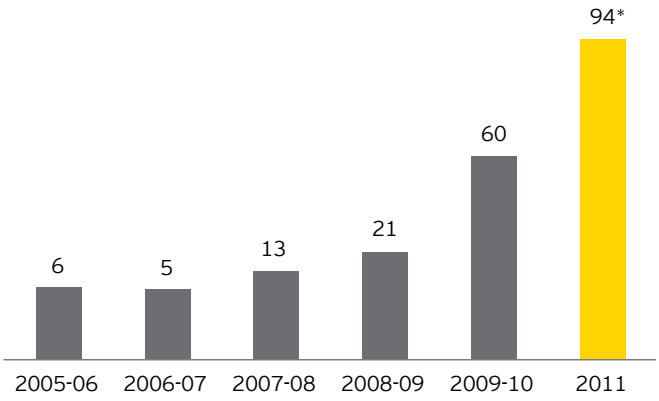
Universities
State Private University (SPU)

A State Private University (SPU) refers to a University established by the private sector under an Act passed by the Legislative Assembly of the State in which the SPU is situated

E.g. Azim Premji University (Karnataka), Amity University (Uttar Pradesh), NIIT University (Rajasthan)

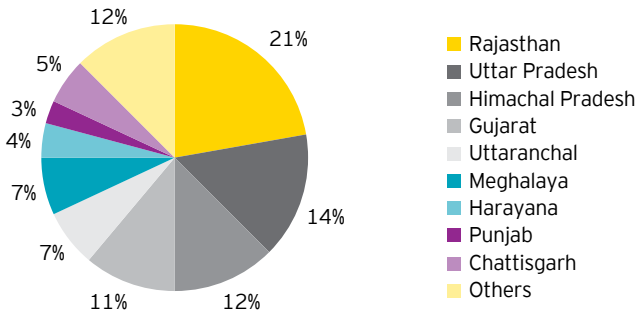
Overview

Growth in SPUs



In the last five years, the number of SPUs has increased more than fifteen-fold

State-wise distribution of SPUs (2010-11)



While there are SPUs in 18 states, the top 5 states– Rajasthan, UP, Himachal Pradesh, Gujarat and Meghalaya– account for 65% of the total

Drivers and key regulations

Drivers for establishing an SPU

- SPUs enjoy considerable academic, administrative, and financial autonomy; control and governance is largely vested with the sponsoring body of the SPU
- SPUs have the ability to award degrees
- These institutions are subject to lesser regulatory constraints as they are governed by the Act under which they are formed
- Several states have put in place favourable acts allowing the establishment and operation of SPUs

Regulatory considerations for establishing an SPU

- SPUs are established and operated through an Act of legislature of their respective states
- Some states have enacted general legislation for the establishment and operation of SPUs (E.g. Haryana Private Universities Act, 2006). Other states pass specific legislations for formation of SPUs
- SPU Acts comprehensively regulate SPUs including eligibility criteria, land and infrastructure requirements (E.g. Min 10 acres within municipal limits in Haryana), endowment fund, etc.

State Private Universities are a relatively recent phenomena with 88 SPUs (94% of the total) being set up in the last 5 years alone

*Latest data available
Source: UGC; MHRD; Haryana Private Universities Act, 2006

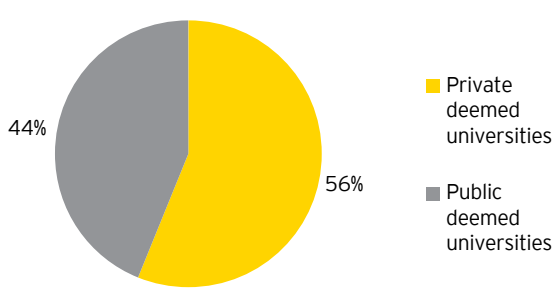
Universities
Deemed University

A Deemed University is an institution that has been awarded "deemed" status by the MHRD given that it has acquired the characteristics of a university as demonstrated by the diversity of its programmes, quality of research, and proven contributions to innovation and teaching

E.g. Indian Institute of Foreign Trade, BITS Pilani, Thapar Institute of Engineering and Technology

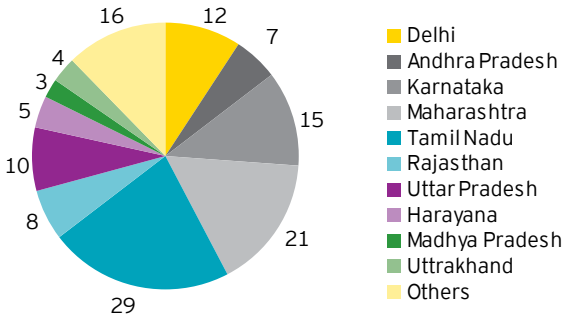
Overview

Public-private split of Deemed Universities



There are 130 Deemed Universities in the country of which 73 are in the private sector

State-wise distribution of Deemed Universities (2010-11)



Tamil Nadu, Maharashtra and Karnataka account for more than half the Deemed Universities in India

Drivers and key regulations

Drivers for establishing a Deemed University

- Deemed Universities have degree-granting power
- They also enjoy operational flexibility in relation to curriculum design, conducting examinations, and assessment
- Scalable: Deemed Universities can scale by setting up off-campus centres in India and off-shore campuses overseas on meeting certain conditions
- An existing college can secure Deemed University status upon meeting prescribed criteria

Regulatory considerations for establishing a Deemed University

- An institution applying for deemed status should have been in operation for at least 15 years (except where applying for the 'de novo' category) and should satisfy several other criteria
- Deemed Universities are declared "deemed" and are regulated as per the UGC [Institutions Deemed to be Universities] Regulations, 2010, which is a comprehensive regulatory framework covering the establishment and operation of such universities including eligibility criteria, infrastructure, funding, etc.

While there are several private Deemed Universities in India, the Government has become more stringent on granting new approvals and is also reviewing the deemed status of existing institutions

Source: UGC Website

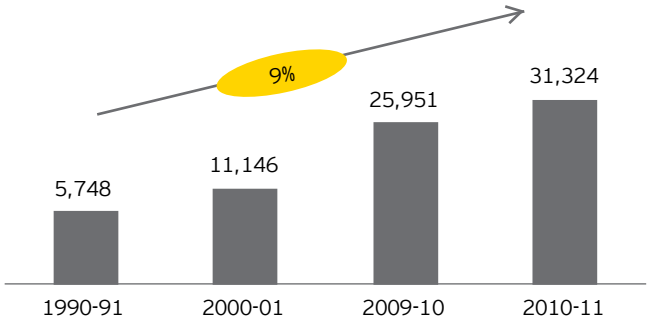
Colleges
Affiliated College

Affiliated colleges refer to institutions which operate programmes leading to the award of degrees/diplomas in India; they are affiliated to degree-granting universities in the jurisdiction where they are located

E.g. St. Stephen's College, Shri Ram College of Commerce

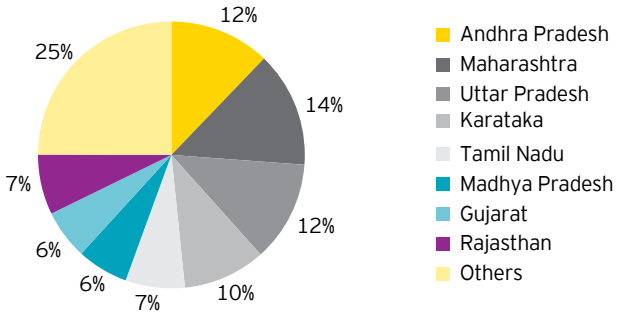
Overview

Growth in colleges



The growth rate in affiliated colleges has increased from 7% in 1991-2001 to 11% in 2001-2011. 374 of the colleges had been granted autonomous status as of April 2011

State-wise distribution of colleges (2010-11)



Maharashtra, Andhra Pradesh, Uttar Pradesh and Karnataka account for almost half the total number of affiliated colleges in the country

Drivers and key regulations

Drivers for establishing an affiliated college

- Given the typical scale of affiliated colleges, setting up one requires lower investment than setting up a university
- Lower regulatory entry barriers as colleges do not require cumbersome legal processes or Government notifications
- It is a favourable form of presence for new entrants in higher education as they can leverage the established systems and processes of the affiliating university

Regulatory considerations for establishing an affiliated college

- Affiliated colleges are *inter alia* subject to the following regulatory framework:
  - The UGC Act 1956, and UGC Regulations;
  - UGC [Affiliation of Colleges by Universities] Regulations, 2009;
  - Norms and standards of the affiliating University
- They may also be subject to regulations by Professional Councils (such as AICTE) depending on the course offered
- Min corpus of INR1.5-3.5 million needs to be maintained, depending on the nature of programme

The number of colleges in India has increased at a relatively fast pace given that establishing them entails lesser operational hassle and investment

Source: MHRD Annual Report for various years

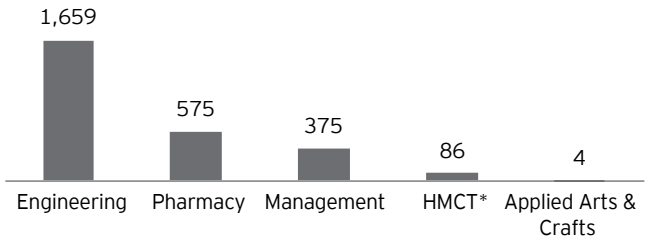
Colleges
AICTE-approved Diploma-granting Institution

AICTE-approved diploma-granting institutions are institutions approved by the AICTE for offering diploma programmes in various technical fields such as engineering, pharmacy and management

E.g. Management Development Institute, S.P. Jain Institute of Management and Research

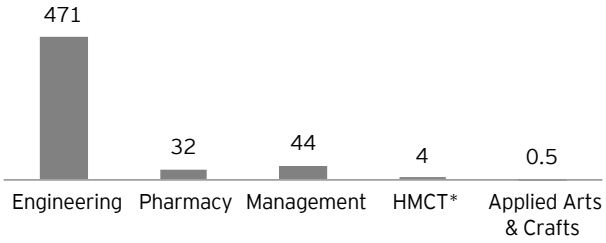
Overview

Split of AICTE approved Diploma-granting institutions by stream



There were 2,699 diploma-granting institutions approved by AICTE as of June 2009. Engineering accounts for more than 60% of these institutions

Intake capacity of AICTE-approved Diploma-granting institutions (in '000s)



The total intake capacity of AICTE-approved diploma-granting institutions stood at ~552,000 as of June 2009

Drivers and key regulations

Drivers for establishing an AICTE-approved Diploma-granting institution

- Increasing demand for technical education both from the student-side as well as industry
- Such institutions are in high demand as they offer shorter term, industry-recognised programmes
- Lesser regulatory interface: Need to deal with a single regulatory body (AICTE) as they do not grant degrees

Regulatory considerations for establishing an AICTE approved Diploma-granting institution

- AICTE approves the setting up of Technical Education Institutions in the country
- AICTE regulates a host of issues relating to the set up and operations of such institutions including land and infrastructure requirements (E.g. 0.5 to 1 acre for management programmes), extension of approval, increase in intake, faculty requirements (E.g. Faculty-student ratio of 1:15 for management programmes), etc.

AICTE-approved Diploma-granting institutions have become an increasingly preferred mode of entering the higher education space given the increasing demand for technical education

* Hotel Management and Catering Technology
Source: AICTE Website

Services
Study Centre and Online education

A study centre generally refers to a centre established and maintained for the purpose of advising, counseling or for rendering any other assistance required by students in the context of distance education

Online education involves usage of technology for delivering lectures and content

Overview			
Player	**Delivery model**	**University Collaborations**	**Course Offerings**
Manipal Universal Learning	725+ Learning Centres in 310 towns	Sikkim Manipal University	Offers 40 programmes across 10 disciplines
Centum Learning	170 Learning Centres	Annamalai University, IGNOU, Delhi University, National University of Singapore, Coventary University	BBA, MBA, Diploma courses in Retail, Telecom, etc.
UEI Global	16 campuses in 12 cities	Osmania University, Pondicherry University, The Hotel School the Hague (HTH), Association of Business Executives (London)	BBA, MBA, Hotel Management, Aviation, Retail, English and Personality Development
University18	Online	Karnataka State Open University, Uttrakhand Open University, IIM Shillong, Don Bosco University	UG, PG and certificate programmes in IT and business management
Universal Training Solution	Online	MIT School of Distance Education, Assam Down Town University, University of Hertfordshire, University of Fredericton, Annamalai University	Indian as well as global programmes in disciplines like Management, IT, Art and Design, and Engineering

Drivers and key regulations

Drivers for setting up Study Centres/Online education

- Independent study centre chains such as Centum and UEI Global have gained scale using the study centre model by providing services to multiple universities for offering degree/diploma courses through their centres across the country
- Demand for online education can be expected to rise as broadband and PC penetration increases
- Study centres generally operate on a for-profit basis as they provide non-core services to universities

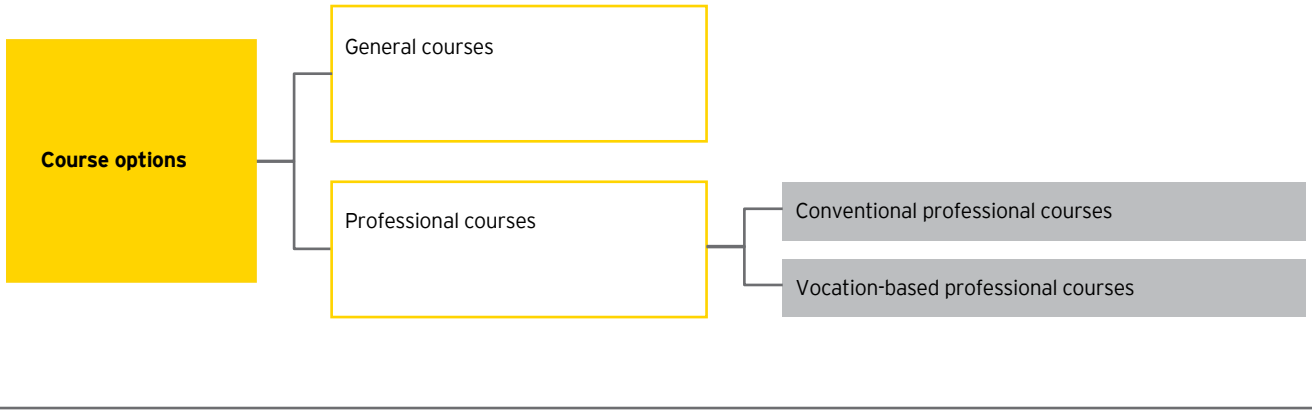
Regulatory considerations for setting up Study Centres/Online education

- Study centres offering mainstream higher education programmes are covered by DEC guidelines
- The guidelines prescribe the scope of operations of study centres, a case in point being that franchising of study centres is not permitted
- The procedural aspects of establishment of study centres are contained in the Handbook on Recognition of Open and Distance Learning Institutions

The services model is relatively nascent; however, several private players are exploring this route given the limited regulatory restrictions

Source: Institute websites; New Policy on Distance Learning in Higher Education, 2009

B. Courses

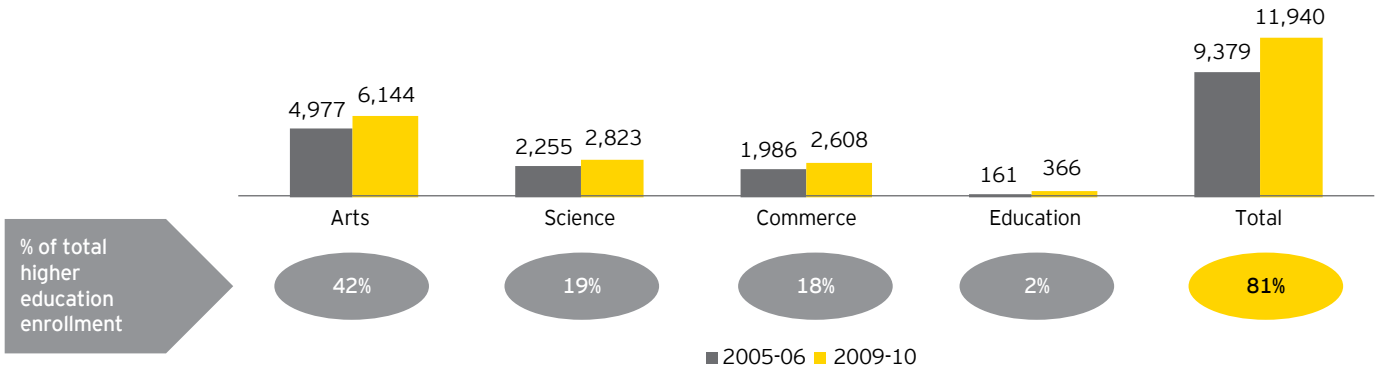

Course options
General courses
Professional courses
Conventional professional courses
Vocation-based professional courses



General courses

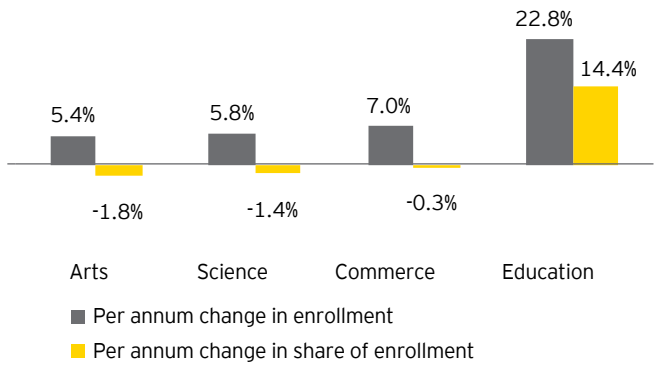
General courses such as Arts and Science impart generalised skills with less focus on employability within a particular function or industry

Enrollment in General courses (in '000s)



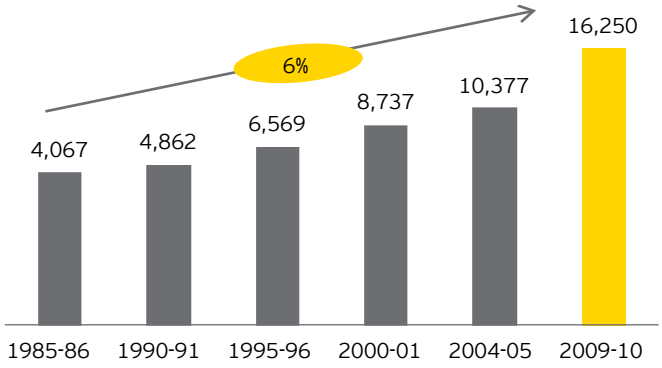
General courses account for more than four-fifths of total student enrollment, with Arts and Sciences courses accounting for 61% of total enrollment.

Growth and change in share of enrollment (2006-2010)



While enrollment in general courses has increased in absolute terms, its share of total higher education enrollment has decreased over the years

Number of colleges offering General courses



The number of colleges offering general courses has grown at a 6% CAGR over the last 24 years

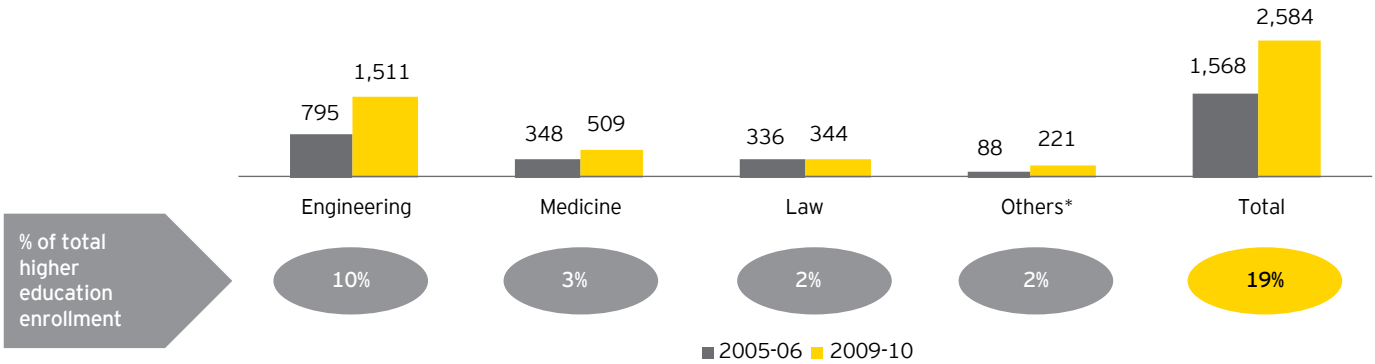
While enrollment in general courses accounts for the lion's share of higher education enrollment, it is growing at a slow pace and losing share to professional courses

Note: Commerce includes Management; however, those numbers are negligible compared to Commerce
Source: UGC data, UGC Annual Report 2005

Professional courses
Conventional

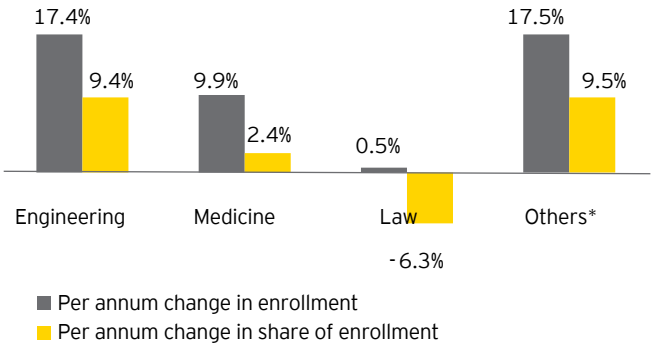
Professional courses focus on imparting skills and competencies leading to employment in specific industries/functions

Enrollment in Professional courses (in '000s)



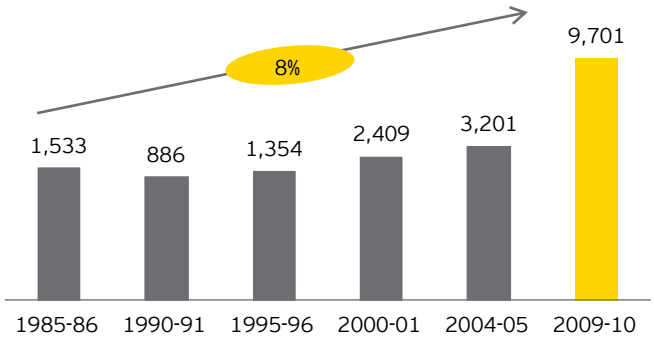
Professional courses account for 19% of total higher education enrollment. Engineering is the most popular professional stream in India, accounting for about 10% of total higher education enrollment

Growth and change in share of enrollment (2006-2010)



Enrollment in Professional courses has grown significantly in absolute terms and as a share of total higher education enrollment

Number of colleges offering Professional courses



The number of colleges offering Professional courses has grown at an 8% CAGR over the last 24 years, witnessing particularly high growth in the last decade

Enrollment in professional courses has grown at a CAGR of about 13% over the last four years, more than double the rate for general courses, resulting in a significant growth in the number of institutions offering such courses

* Others includes Agriculture and Vet Science
Source: UGC data, UGC Annual Report 2005

Professional courses
Vocation-based

Vocational or job oriented courses include degree/diploma programmes in industry-specific and functional-specific areas such as Hospitality, Retail, Aviation, Media, BFSI, Marketing, Sales, Customer Service, etc.

Overview

The demand for vocation based professional courses has increased in the recent years leading to many private players introducing such courses in their portfolio. Amity University, for example, offers 39 vocation-based courses while Manipal offers more than 20 such courses.

	Manipal	Amity	Symbiosis	ICFAI	Annamalai
IT	✓	✓	✓	✓	✓
BFSI	✓	✓	✓	✓	✓
Retail		✓		✓	✓
Aviation	✓			✓	
Hopitality	✓	✓		✓	✓
Media	✓	✓	✓	✓	✓
Functional*		✓	✓	✓	✓

Drivers and key regulations

Drivers for offering vocation-based courses

- Increasing demand for vocation-based employment-oriented courses in a country where "employable" talent is scarce
- Traditionally offered as vocational programmes, streams such as Aviation, Hospitality and Retail have become increasingly popular over the years and entered the mainstream higher education space

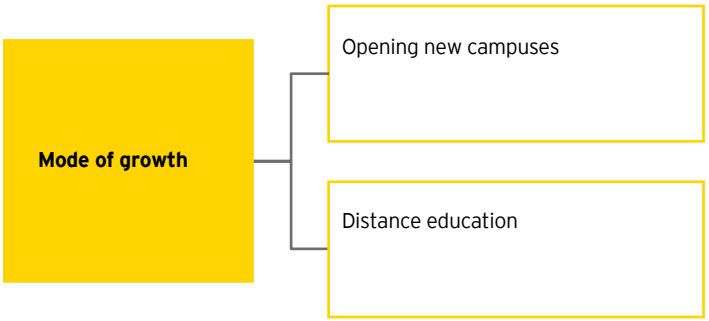
Regulatory considerations for offering vocation-based courses

- Depending on the nature of the course, approvals could be required from UGC or other Professional councils such as AICTE, Indian Nursing Council, Council of Architecture, etc, for offering vocation-based courses

Given the scarcity of "employable" talent in the country, the popularity of vocation-based degree/diploma programmes has increased over the years, with leading higher education players introducing such courses in their portfolio

* Functional refers to Sales, Marketing, Accountancy, etc.
Source: Institute websites

C. Modes of growth





Opening new campuses

Domestic or overseas expansion can be undertaken by existing universities through the establishment of off-campus centres in India or off-shore centres overseas

Overview

Several higher education players have leveraged their capabilities and reputation to open multiple campuses in India and abroad in order to capture the growing demand for higher education

Player	Campuses in India	Locations	Campuses abroad	Locations
Manipal Education Group	5	Manipal, Mangalore, Bangalore, Goa, Sikkim	4	Malaysia, Nepal, UAE, Antigua
Amity	4	Noida, Delhi, Gurgaon, Jaipur	3	Singapore, London, San Francisco
BITS Pilani	3	Pilani, Hyderabad, Goa	1	Dubai
SP Jain Institute of Management and Research	1	Mumbai	3	Dubai, Singapore, Sydney

Drivers and key regulations

Drivers for establishing new campuses

- There is a substantial shortage of capacity in the higher education space in India
- An established institute can capitalise on the brand and reputation that it has built over the years to scale up by opening off-campus centres in the country
- Overseas expansion gives players the opportunity to enhance scale and diversify their risk by tapping international markets as also the increasing number of Indian students going to study abroad

Regulatory considerations for establishing new campuses

- Private universities are generally permitted to establish off-campus centres, subject to complying with applicable norms including period of operation
- SPUs can, however, establish off-campus centres only within their state of establishment
- The UGC has formulated guidelines for recognition of programmes offered by Indian universities abroad through various modes including offshore campus, twinning programmes, partnerships, and study centres

Given the shortage of quality higher education capacity in the country and in several international markets, established players are leveraging their capabilities and reputation to open multiple campuses

Source: Institute Websites

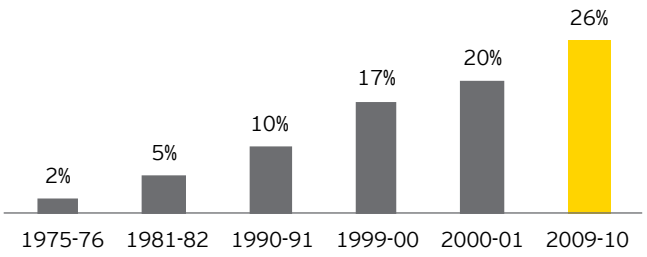
Distance education

Distance education implies imparting education through off-campus means be it through correspondence material, technology (VSAT, Internet, etc.) or through distance contact programmes

Sikkim Manipal University and Symbiosis are examples of large private players in distance education

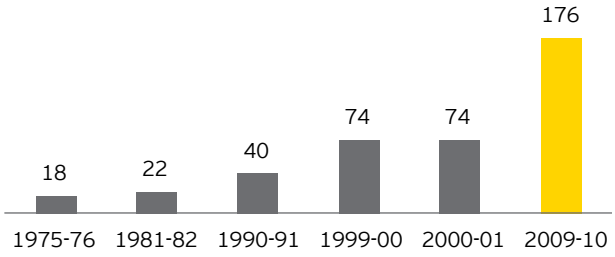
Overview

Enrollment in distance education as a percentage of total enrollment



Demand for distance education has rapidly increased, with distance education enrollment now accounting for more than a quarter of total higher education enrollment

Number of institutions offering distance education



The number of institutions approved for providing distance education programmes has increased significantly from 74 in 1999-2000 to 176 in 2009-10

Drivers and key regulations

Drivers for distance education

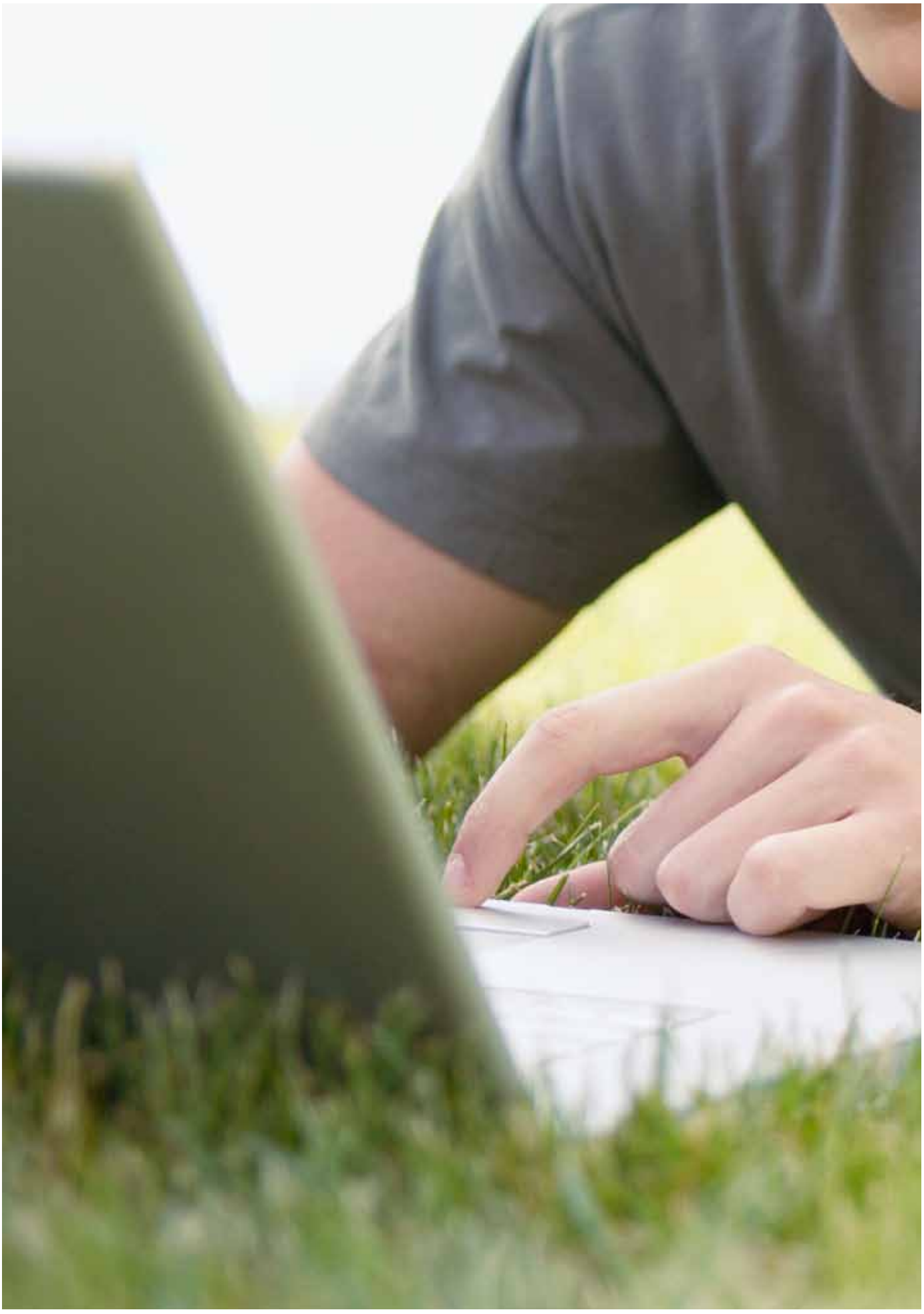
- Ability to rapidly scale and reach out to multiple customer segments such as those living in inaccessible parts of the country, those that are immobile, and those who cannot afford more costly face-to-face education
- Existing content, faculty and brand can be leveraged to offer distance learning programmes
- Low investment required vis-à-vis the potential reach

Regulatory considerations for distance education

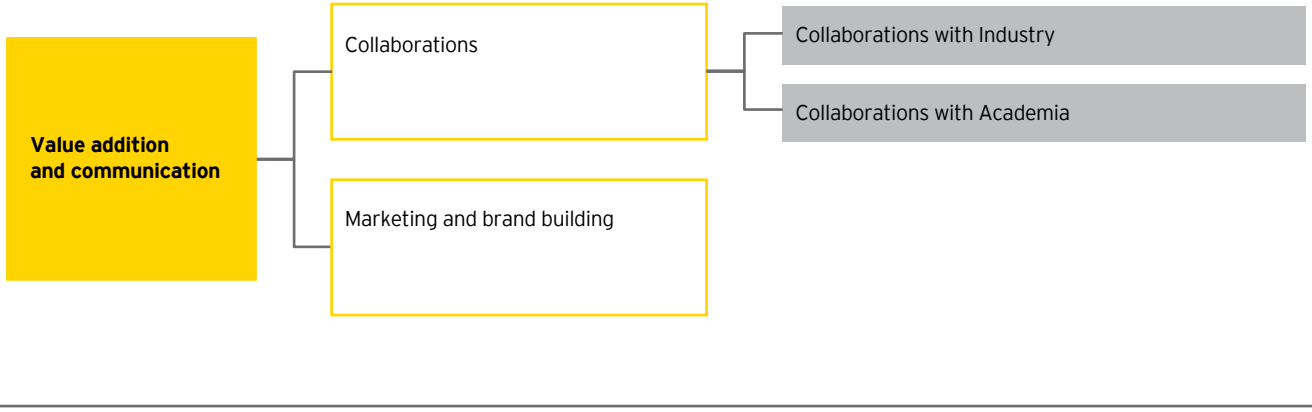
- Distance education in India is regulated by the Distance Education Council (DEC), established under the IGNOU Act, 1985
- DEC guidelines for the establishment and operation of Open and Distance Learning Institutions in India include programmes offered, minimum staff requirements, delivery system, infrastructure, etc
- Multiple models exist for operating distance education programmes in India including through study centres and online programmes

Distance education has gained significant traction over the years with more than 100 distance education institutions added over the last decade; it now accounts for over a quarter of total enrollment

Source: Report to the Nation 2006-09; MHRD Annual Report 2009-10; Turkish Online Journal of Distance Education Volume 3: A comparative study on current trends in Distance Education in Canada and India 2002



D. Value addition and communication





Collaborations
Industry

Academic institutions collaborate with industry in several areas such as Research & Development, curriculum design, and placements and internships

Overview
While only the best public institutions in the country have deep collaborations with industry, a broad base of private higher education institutions is engaging in such collaborations to make education more industry-relevant and enhance employability of students. Select examples are given in the table below.

MDI Gurgaon	BITS Pilani	Manipal Education	Thapar University
Training, Consulting and Research	Provision of continuing education and industry internships for students	Training and Research	9 collaborations in fields such as training, curriculum design and research
Maruti Suzuki	Biocon	ICICI	IBM India Limited
Power Grid Corporation	Mahindra & Mahindra	Bharti	Infosys
L'Oreal Group	Tata Motors	Bank of Baroda	Intel Technology
Hero Honda Motors	Idea Cellular	National Stock Exchange	KRBL

Drivers and key regulations

Drivers for industry collaborations

- Helps produce industry-ready talent
- Placement linkages bolster the value proposition of the institute and help attract potential students
- Collaborating on content development helps institutes develop a more relevant and practical curriculum and pedagogy
- Collaboration with industry spurs innovation driven by sponsored research

Regulatory considerations for industry collaborations

- Collaborations between industry and academia are typically undertaken for R&D purposes and are therefore not regulated at the Central Government level by education regulators, unless they involve the conduct of educational programmes leading to the conferment of regulated awards
- Partnerships for R&D activities are, in certain cases, eligible for prescribed income tax benefits, subject to compliance with prescribed conditions

Several educational groups are collaborating with MNCs and leading Indian companies to bolster their value proposition and develop alternate revenue streams such as research and consulting

Source: Institute Websites

Collaborations
Academia

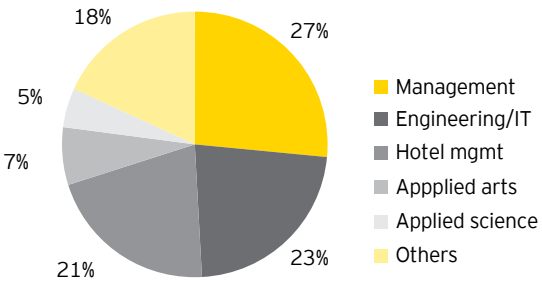
Collaborations between Indian HEIs and academia, especially foreign institutions, are becoming increasingly popular. They collaborate in several areas including joint R&D, twinning programmes, resource sharing, and student exchange

Overview

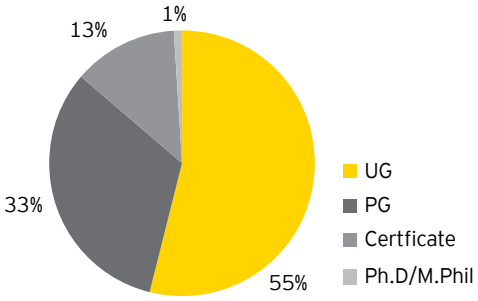
There are 161 foreign education providers and 143 Indian institutes which have entered collaborations to offer 641 programmes at various levels and across disciplines

Type of Indian Institute	Type of foreign institute
Private: 83%	Private: 34%
Public: 14%	Public: 57%
Others: 3%	Others: 9%

Discipline-wise distribution



Level-wise distribution



Private sector players in India have taken the lead in collaborating with foreign institutions, primarily public institutions. Almost half the number of collaborations are in the Management and Engineering disciplines with the undergraduate level accounting for a majority of the collaborations.

Drivers and key regulations

Drivers for collaborating with academia

- Allows institutes to tap Indian students interested in an international education but who prefer staying in India
- Helps the player create a brand in India and abroad
- Enhances value proposition through faculty and student exchanges
- Helps improve content and pedagogy through access to world-class faculty and practices

Regulatory considerations for collaborating with academia

- AICTE regulates collaboration and partnerships between Indian and Foreign Institutions in the field of Technical Education, Research and Training, and spells out the conditions and procedure for approval of such arrangements
- For example, a student admitted in a twinning programmes should spend at least one semester in the Foreign Institution and the Degree awarded by the Foreign Institution should be in the parent country

Domestic institutions are increasingly partnering with foreign institutions, especially in professional fields such as engineering and management, to enhance their reputation and value proposition

Source: UKIERI

Marketing and Brand Building

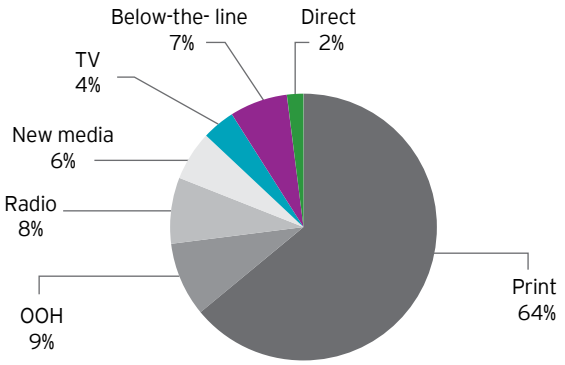
Promotion and brand building include the advertising of institutes, programmes, events, etc., through print and electronic media

Overview

Print advertising budgets of select HEIs

Player	2008-09 (INR mn)
A leading private university in West India	128.50
One of the largest private universities with a strong distance education focus	332.78
One of the fastest growing universities in North India	104.57
An engineering-focused university in South India	299.36
A niche private university in West India	86.4

Typical marketing mix of a university



Higher education institutions are spending significant amounts on marketing and brand building, with more than 60% of it typically spent on print media. This is reflected in the fact that the education sector is the largest spender on print advertising in the country

Spend on new media is increasing

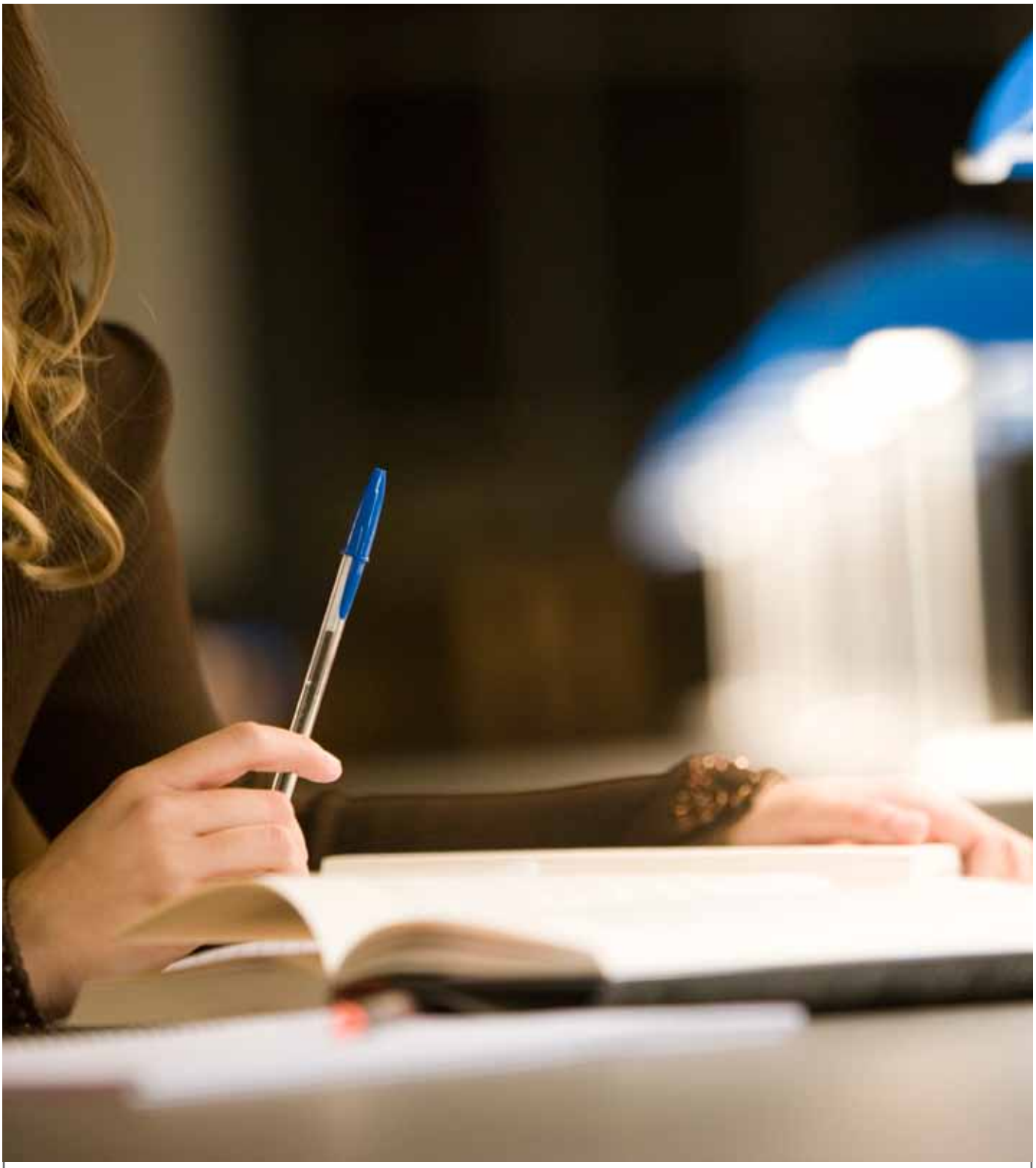
- Players are now leveraging new media to market innovatively and connect with their target audience in a more focused manner
- For example, as per the Internet and Mobile Association of India, online spend by education players is estimated to have increased to INR530 million in FY11 from INR410 million in FY10
- Amity University is the top globally-ranked education brand on Facebook

Common communication themes used

- Players have multiple marketing objectives – from promoting a campus to a specific programmes to an event – requiring specific strategies and messaging
- Size of the player and ranking by third parties are common communication themes for players
- Accreditation and endorsement through testimonials by academicians and industrialists are also popular communication themes

As competition intensifies, brand communication is becoming increasingly important to break through the clutter in the marketplace; new media is increasingly being leveraged for more targeted and cost-effective marketing

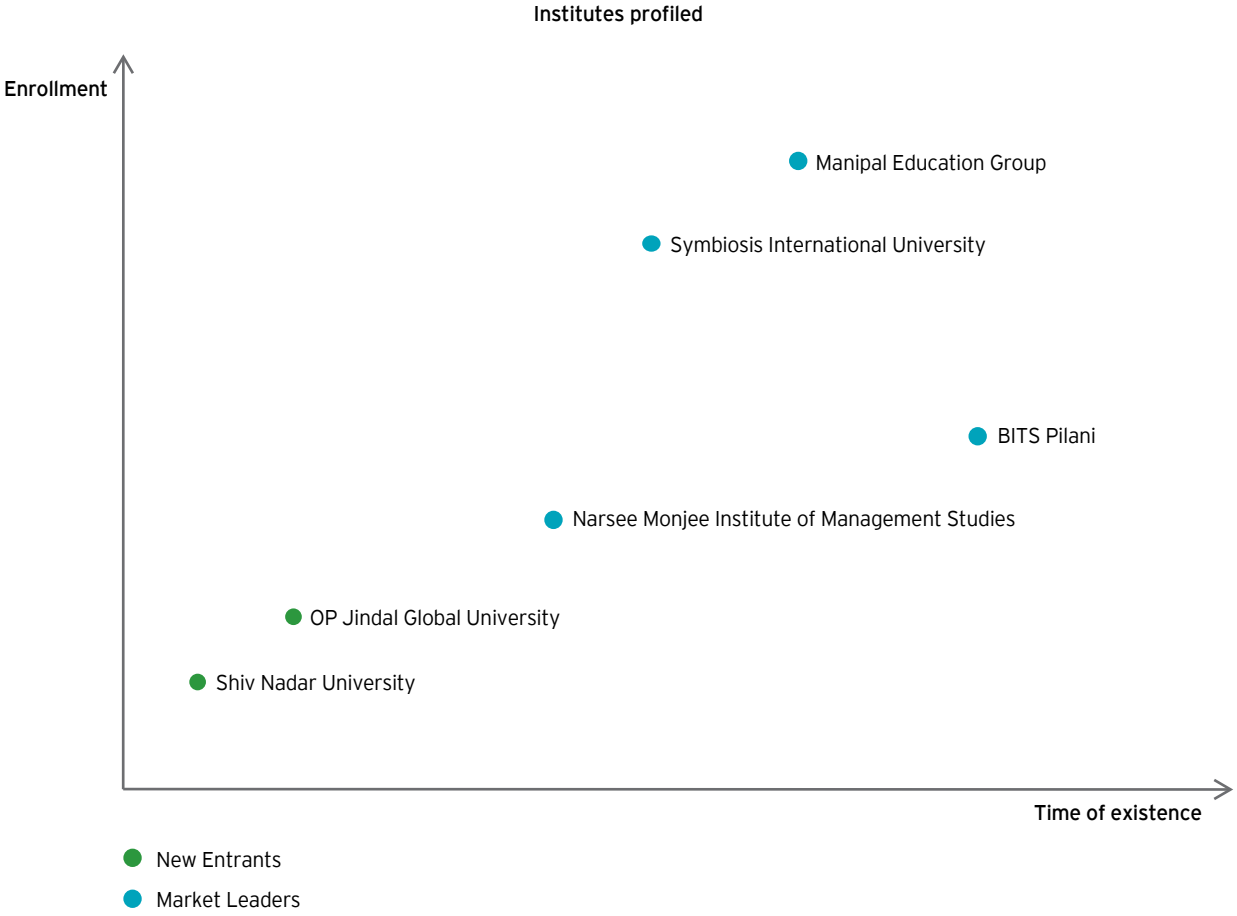
Source: Internet and Mobile Association of India; Secondary research



Experience of private players: case studies

Private sector players have used innovative models and strategies for establishing and growing in the higher education space

- We have analyzed entry and growth strategies of leading players across two categories: New Entrants and Market Leaders
  - New entrants: Players that have commenced operations within the last 2 years
  - Market leaders: Well-established higher education players that have been in existence for several decades
- We conducted interviews with the leadership of 6 players (given below) in these 2 categories to understand their current state, entry and growth strategies employed by them, their value proposition and their key success drivers and plans



Case study
Shiv Nadar University (SNU)

Key facts	**Form of presence:** State Private University **Year of establishment:** 2011 **Size of campus:** 286 acres **Location:** Greater Noida, Uttar Pradesh
Institution vision	To establish Shiv Nadar University (SNU) as a globally recognized, research-led, multi and inter-disciplinary institution

Key entry parameters

Target audience and positioning	Scale and capacity	Course offerings (current and planned)
▸ SNU is targeting the highest quality students having strong academic and extra-curricular backgrounds ▸ It aims to be a viable alternative for Indian students planning to study abroad as well as for students from the Middle east, Africa, and South East Asia	▸ SNU has enrolled 300 students in the first year of operation (2011-12) and plans to scale up to 8,500 students over the next 8-10 years	▸ SNU is planning 8 schools – Engineering, Natural Sciences, Social Sciences and Humanities, Business Management, Education, Communication, Fine Arts, and Law ▸ It has launched the first session with the School of Engineering

Value proposition and value addition initiatives

Value proposition	Collaborations	Marketing and brand building
▸ Inter and multi-disciplinary allowing students to choose from a variety of electives across schools ▸ Four year programmes, giving the student time to explore his/her interests ▸ Strong emphasis on global education, research and practical training through exchange programmes and internships	▸ SNU has collaborated with Carnegie Mellon University for the engineering programme ▸ It plans to collaborate with corporates for industry-sponsored research ▸ It also plans to build a collaborative network with institutions in India and abroad	▸ SNU launched an innovative marketing campaign for the first year, primarily stressing its inter and multi-disciplinary aspects ▸ It has also managed to attract high quality faculty from India and abroad basis its strong research commitment

Future plans	SNU plans to develop the current campus as a flagship institution with research centres in proximate cities such as Delhi

Case study
O.P. Jindal Global University (JGU)

Key facts	**Form of presence:** State Private University **Year of establishment:** 2009 **Size of campus:** 75 acres **Location:** Sonepat, Haryana
Institution vision	The vision is to impart globalized education with a view to producing world-class professionals, scholars, business leaders and academics in various disciplines

Key entry parameters

Target audience and positioning	Scale and capacity	Course offerings (current and planned)
▸ JGU focuses on students with a global orientation ▸ It has been successful in attracting students from 25 states in India as well as diplomats and NRIs	▸ Capacity: 2,500 students ▸ Starting with 100 students in 2009-10, it currently has 600 students enrolled for the 2011-12 session ▸ It plans to add about 500 students every year, reaching full capacity by the sixth year of operations	▸ JGU offers courses in 4 disciplines: Law, Business, International Affairs, and Government and Public Policy (first incoming batch in 2012) ▸ The university launched with the law school with one school being added in every subsequent year

Value proposition and value addition initiatives

Value proposition	Collaborations	Marketing and brand building
▸ Global orientation in terms of students, faculty, and curriculum ▸ Inter-disciplinary: Students can select electives for multiple schools ▸ High quality teaching: More than 50% faculty from abroad, student teacher ratio of 12:1 ▸ Research focus: Planning to set up 40 research centres	▸ JGU has collaborations with prestigious foreign universities including Yale, Harvard, and Cambridge in areas such as research, conferences and exchange programmes ▸ It collaborates with industry for visiting faculty, conferences and placements	▸ Events: Seminars and talks by JGU faculty in undergraduate institutions on the need for quality higher education, focus on research and emphasis of global orientation ▸ JGU strongly positions the reputation of its faculty

Future plans	JGU plans to consolidate and further expand the four schools with a focus on furthering its research agenda

Case study
Manipal Education Group

Key facts	**Forms of presence:** Deemed University; State Private University; international campuses **Year of establishment:** 1953 **Number of campuses:** 9 (Manipal, Mangalore, Bangalore, Goa, Sikkim, Malaysia, Nepal, UAE and Antigua) **Scale:** Caters to over 1,20,000 students across its campus and distance education programmes; has an alumni base of 3,00,000 from more than 52 countries **Courses:** Over 300 courses offered across 14 professional streams
Institution vision	Excellence in education to establish the finest educational institutions worldwide and be the preferred choice for students, industry and faculty.

Value proposition and value addition initiatives

Value proposition	Collaborations	Marketing and brand building
▸ The Manipal Education Group has maintained a high degree of academic rigour and excellence across its institutions ▸ It offers locally-relevant education in its international campuses	▸ Viewing collaborations as fundamental to excellence, Manipal has entered multiple collaborations with industry and academia ▸ It has a strong collaborative network with companies like Intel and Phillips as well as with foreign universities such as Edinburgh Napier University	▸ Brand communication is considered critical ▸ Extensively uses the online medium for marketing to keep the costs low

Growth drivers and key success factors

Growth drivers	Critical Success Factors
▸ Manipal leveraged its brand and content to grow aggressively through distance education ▸ The group has entered international markets and related businesses through acquisitions and collaborations, enabling it to cut down on lead time	▸ Innovation in course offerings and pedagogy has enabled it to improve the quality of education delivered ▸ A highly scalable and robust technology platform for distance education delivery, assessment, and support ▸ Local partnerships in international locations

Future plans	Manipal Group plans to establish 5 new universities in India and further expand its presence in countries such as Malaysia, USA and Dubai.

Case study
BITS Pilani

Key facts	**Forms of presence:** Deemed University; International campus **Year of establishment:** 1929 **Number of campuses:** 4 (Pilani, Hyderabad, Goa, Dubai) **Scale:** Enrollment has expanded threefold in the last decade from about 3,500 students in 2000 to more than 10,500 students at present **Courses:** Undergraduate, Postgraduate and Ph.D. programmes in disciplines such as engineering, science, humanities and management
Institution vision	To transform into a research-focused academic institution with strong industry and foreign academia linkages

Value proposition and value addition initiatives

Value proposition	Collaborations	Marketing and brand building
▸ Provides a high standard of education at all levels with quality faculty engaged in both teaching and research ▸ Has been a pioneer in course design and pedagogy including the use of the semester system, credits system and grading system (as opposed to marks)	▸ The deep collaboration with MIT and Ford Foundation in the 1960's helped shape its view on collaborations ▸ Has more than 50 collaborations with FEIs and intends to further strengthen the network ▸ Strong industry linkages – Work-integrated learning programme, Practice School Programmes	▸ Branding for BITS is largely based on meaningful industry relationships, the quality of its research publications and the success of its alumni ▸ Quality teaching and research are considered essential for the sustenance of the brand ▸ Advertising is largely limited to faculty and student recruitment

Growth drivers and key success factors

Growth drivers	Critical Success Factors
▸ Huge demand-supply gap for quality education in India ▸ As the pioneer in industry-integrated programmes, BITS has gained significant traction in that area	▸ High quality faculty that is engaged in locally-relevant research ▸ Significant proportion of the faculty has international exposure in the form of research and/or training ▸ Strong association with the alumni base

Future plans	BITS plans to aggressively expand its post graduate and PhD programmes in the years to come in line with its research-orientation

Case study
Narsee Monjee Institute of Management Studies (NMIMS)

Key facts	**Form of presence:** Granted Deemed University status in 2003 **Year of establishment:** 1981 **Number of campuses:** 3 (Mumbai, Bengaluru, Shirpur) **Scale:** About 10,000 students, primarily in the management and engineering disciplines **Courses:** 8 schools in professional and general disciplines such as management, engineering, architecture, pharmacy, science, commerce, economics, and distance learning
Institution vision	To define 21st century technological, management and organisational research and educate with a view to impact global developments and develop a cadre of employable individuals

Value proposition and value addition initiatives

Value proposition	Collaborations	Marketing and brand building
▸ NMIMS has a market driven approach to designing courses. For instance, it pioneered the PGDM programmes in advertising and rural marketing as early as 1994 in response to changing industry needs ▸ The institute has innovative MBA programmes in disciplines such as technology and pharmacy	▸ NMIMS has collaborations with several schools in USA, Europe and Australia for joint research, faculty, and student exchange ▸ It has collaborations with players from various industries in the areas of faculty research, executive programmes and skill development. E.g. BSE, Trade Associations, etc.	▸ Brand is believed to be built on the strength of word-of-mouth; the institute considers its students and faculty as its biggest brand ambassadors

Growth drivers and key success factors

Growth drivers	Critical Success Factors
▸ Strong brand in business management ▸ Growing market need for business and commerce students ▸ Going forward, the distance education school would enable the institute to gain scale and widen its reach	▸ First-mover: Pioneered the PGDM programme in Mumbai; pioneer in domain MBAs ▸ Technology-driven: With a significant technology budget, NMIMS has leveraged ICT for learning and administration

Future plans	NMIMS is establishing two new campuses in Hyderabad and Chandigarh. It also plans to expand its continuing education portfolio, set up a school for law and public policy, and establish a skill development centre in six identified industries

Case study
Symbiosis International University (SIU)

Key facts	**Form of presence:** Granted Deemed University status in 2002 **Year of establishment:** 1971 **Number of campuses:** 4 currently (Pune, Nasik, Bangalore, Noida) **Scale:** Has about 30,000 students enrolled across its campuses including 3,000 foreign students **Courses:** 25 institutions across 7 faculties (Management, Law, Engineering, Computer Science, Health Science, Media, and Humanities)
Institution vision	To make Symbiosis International University the preferred destination for all who aspire to excel

Value proposition and value addition initiatives

Value proposition	Collaborations	Marketing and brand building
▸ Research and innovation focus: SIU has three research clusters; it has also started an innovation centre called Spring Board. The course curriculum includes a compulsory credit programme in entrepreneurship and innovation ▸ Internationalisation: Study abroad programmes, faculty exchange, international students, etc	▸ SIU has collaborations with about 25 FEIs in the USA and Europe, primarily for student and faculty exchange and research projects ▸ It has industry collaborations for curriculum development, corporate education and visiting faculty; moreover, SIU leadership is represented in various industry and government bodies	▸ SIU considers its students to be its brand ambassadors ▸ It does not spend a significant amount on traditional marketing

Growth drivers and key success factors

Growth drivers	Critical Success Factors
▸ The Deemed University status granted to Symbiosis in 2002 gave a huge impetus to the university's growth ▸ Widening demand-supply gap for quality education: The number of students appearing for SNAP is significantly greater than the number of seats available	▸ Delivering a consistently high standard of education has enabled SIU to recruit students and faculty, and has also induced invitations from various states for establishing campuses

Future plans	SIU plans to start 2 campuses in Hyderabad and Ahmedabad; it also has plans to develop an integrated medical school and commence executive development programmes for corporates overseas

Key takeaways for potential entrants

Key decision points for establishment of institutions	
Form of presence	▸ Players looking to attain scale have adopted the university route to establish themselves in the segment given that universities enjoy a high degree of autonomy and flexibility ▸ State Private University is the preferred form of presence
Target audience and desired scale	▸ Universities are aspiring to position themselves as institutions of international stature to attract students not only from across the country but also from neighboring countries and other emerging markets ▸ The capacities of single-campus universities range from 2,500 to 25,000 depending on the positioning of the university and the land area available
Course offerings	▸ Players are focusing on professional disciplines such as engineering, management, and law given the increasing demand for such programmes both from the student-side as well as industry ▸ At the same time, institutions are striving to be more multi- and inter-disciplinary, offering students the choice of opting for electives from across faculties to foster holistic learning and to prepare them for the dynamic job market
Location	▸ Institutions prefer to locate in or near big cities given the access to a large customer base and faculty, and access to industry ▸ Location is also a function of the regulatory environment as not all states allow the setting up of State Private Universities

Value proposition and challenges	
Value proposition and communication	▸ Reputed higher education players in India aspire to be world-class in all aspects of their functioning: students, faculty, infrastructure, and curriculum. They have a strong research focus and offer inter and multi-disciplinary courses ▸ In line with their global aspirations and mindset, they have entered collaborations with prestigious international institutions; they also have deep industry linkages to ensure that students are "industry-ready" on graduation ▸ While advertising is considered important at the time of establishment, institutions believe that over time word-of-mouth is the most potent form of brand building
Challenges in setting up	▸ Recruitment of quality faculty has been the biggest challenge for higher education institutions in India. Players are therefore scouting for talent outside the country and employing visiting faculty from industry ▸ Other challenges include a stifling regulatory environment and funding constraints

Key takeaways for existing higher education players

Growth modes and drivers	
Modes adopted for scaling up	▸ **Multiple campuses** – The more established higher education players such as BITS and Manipal have scaled up by starting additional campuses after establishing the reputation of their flagship campuses ▸ **International expansion** – They have also expanded internationally, especially to cater to the growing demand for quality higher education in emerging markets as well as to cater to the Indian diaspora ▸ **Distance education** – Established players have forayed into distance education; Sikkim Manipal University, for instance, is the leading private player in the space
Growth drivers and critical success factors	▸ The demand-supply gap for quality higher education has created significant growth opportunities for established private institutions that offer high standards of excellence ▸ A reputation for quality, a consistently strong track records, and a well-known brand are the key drivers of growth ▸ Manipal, specifically, has adopted the inorganic route to foray abroad, enabling it to cut down lead time and be more locally relevant, while harnessing its expertise in medical education
Future plans	▸ Several well-established players have announced plans to further expand their presence in India and abroad through more campuses ▸ Players with a management focus are looking at expanding their continuing education portfolio as corporates increase outsourced training spends across the world ▸ Some others, who are relatively new in the segment, plan to consolidate their position in the industry and focus on enhancing quality of their flagship campuses

Value proposition and challenges	
Value proposition and communication	▸ Reputed private players have positioned themselves as centres of excellence, stressing a high degree of academic rigour ▸ They view collaborations with industry and academia as fundamental to success and imperative to stay relevant and up-to-date ▸ While the marketing efforts of market leaders are largely limited to student and faculty recruitment, the relatively newer players market extensively through multiple media. Faculty reputation, industry relationships, and placements are considered powerful positioning themes
Challenges in scaling up	▸ Recruitment and retention of quality faculty are considered the biggest impediments to scaling up ▸ The complex and inflexible regulatory framework for private higher education and capital constraints are considered some of the other challenges



Agenda for the government to promote private sector participation

The Government has already expressed its intent to improve quality and transparency in the higher education system by introducing several bills (1/2)

National Council for Higher Education and Research Bill, 2010

Overview: The NCHER Bill has the objective of consolidating multiple regulations and improving transparency by creation of a single super regulator over existing regulators such as UGC and AICTE.

Key features:

- Specifying norms and standards and requirements for academic quality
- Authorizing institutions to confer awards
- Advising Central/State governments

Impact analysis:

- Would simplify regulatory environment and allow for stability of policy.
- Political consensus to pass the bill will be a key challenge

Foreign Educational Institutions Bill, 2010

Overview: The Foreign Education Institutions Bill has the objective of regulating the entry and operation of foreign institutes in India. The bill is a key legislation to encourage private sector participation in India given the absence of any regulatory framework for FEIs.

Key features:

- Regulation of own campuses as well as the collaborations of FEIs with Indian institutes.
- Prior track record of 20 years in home country required with a minimum corpus of INR 500 million.
- Detailed process of prior approval and application of UGC/AICTE regulation for institution in India.

Impact analysis:

- Mechanism to ensure that only reputed institutes operate in India.
- Could help reduce outward mobility of student traffic to foreign countries.
- Significant quality improvement due to competition as well as partnerships and collaborations.

The Educational Tribunal Bill, 2010

Overview: The Educational Tribunal Bill aims at expediting and making more effective litigations involving students, teachers, employees and managements of institutions.

Key features:

- Establishment of Education Tribunals at national (National Education Tribunal: NET) and state level (State Education Tribunal, SET)
- ETs with jurisdiction over matters of affiliation with a university, matters relating to unfair practices, service matters of teachers/employees and disputes of institutions with regulators.

Impact analysis:

- Ease for settlement of disputes in a sector that suffers from complex and multiple laws.
- Students grievances not specifically covered under the bill.

Source: The National Council for Higher Education and Research Bill 2010; Foreign Educational Institutions Bill, 2010; The Educational Tribunal Bill, 2010;

The Government has already expressed its intent to improve quality and transparency in the higher education system by introducing several bills (2/2)

The National Accreditation Regulatory Authority for Higher Educational Institutions Bill, 2010
Overview: The National Accreditation Regulatory Authority for Higher Educational Institutions Bill aims at making the accreditation and rating of all higher education institutions mandatory in India. **Key features:** ▸ Establishment of National Accreditation Regulatory Authority for accrediting and rating all higher education institutes in the country. ▸ Central and State universities, deemed universities, colleges and polytechnics under the purview of the bill. **Impact analysis:** ▸ The compulsory accreditation would establish unifying standards and norms across institutions and thus enhance quality of higher education in the country.

Prohibition of Unfair Practices in Technical, Medical Educational Institutions and Universities Bill, 2010
Overview: The bill aims at prohibiting unfair practices undertaken by higher educational institutes. **Kew features:** ▸ Prohibits payment of fee and other charges other than the those declared in prospectus. ▸ Prohibits capitation fee directly or indirectly and acceptance of any fee without receipt. ▸ Provision for refund of fee in case of withdrawal from institute. **Impact analysis:** ▸ The bill would help in making the operations of colleges and universities more transparent and simplifying processes for students.

Source: The National Accreditation Regulatory Authority for Higher Educational Institutions Bill, 2010; Prohibition of Unfair Practices in Technical, Medical Educational Institutions and Universities Bill, 2010

However, the regulatory environment still curtails private sector participation

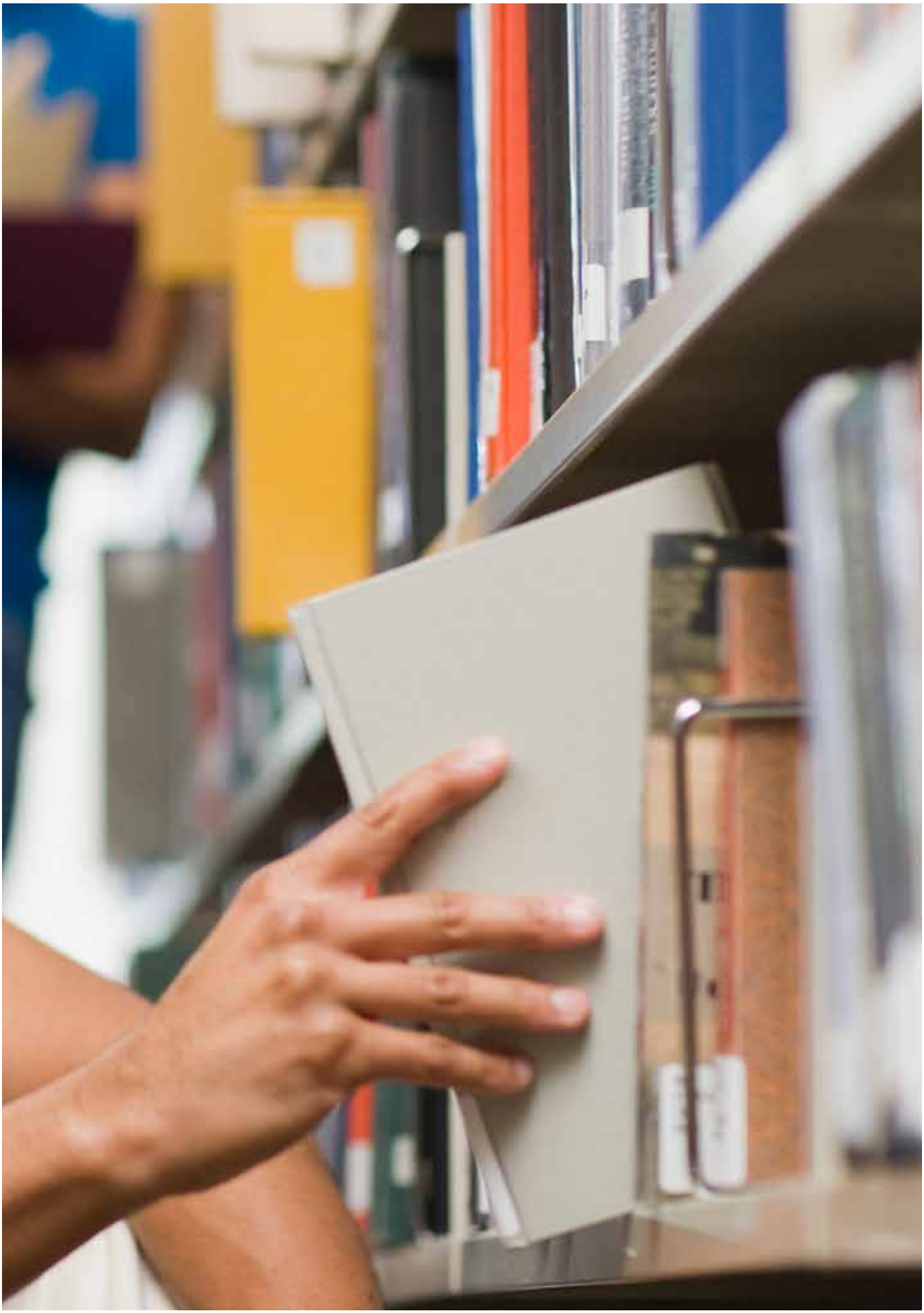
Challenge	Description
Complex and multiple regulations	▸ The Indian higher education system is stifled by a plethora of regulators and regulations. While the UGC is the principal regulatory body for higher education, numerous other bodies at the central (such as the AICTE, the Medical Council and the Bar Council) and state levels coexist in the regulatory framework. Multiplicity of regulators result in complex regulations and overlapping mandates ▸ Provisions of Acts defining responsibilities of the governing councils often ignore the context of the overall regulatory system and roles of other bodies. This has rendered the sector over-regulated but under-governed
Input-based regulations curtail operational flexibility	▸ The higher education system is characterised by a plethora of regulations that have been established to ensure minimum input norms and standards, thus adversely affecting operational autonomy of institutions ▸ Restrictions have been placed on various aspects such as the establishment of institutions, infrastructure and faculty requirements, curriculum design, intake capacities, collaborations, etc. For instance, it is mandatory for a management institute to have computer labs even though most students use laptops in these institutes
Barriers to foreign university participation	▸ The current regulations lack a comprehensive policy framework for foreign players to establish and operate institutes in the country ▸ While the Foreign Educational Institutions Bill was first tabled as early as 2007, it has yet not been passed ▸ The regulatory uncertainty has had the consequence of limiting activity by globally renowned universities in the Indian higher education sector despite increasing outward mobility of Indian students seeking foreign education
Not-for-profit status	▸ The current regulatory framework allows for higher educational institutions to operate only as "not-for-profit" entities. The restriction on running for-profit institutes implies that institutions can be established only in three forms: trusts, societies and Section 25 companies ▸ Internationally, many countries have permitted institutes to be operated on a for-profit model supplemented with a robust regulatory framework, thus boosting private investment in higher education while keeping a check on transparency and quality

Source: CABE Committee 2005: Report on Autonomy of Higher Education Institutions; FICCI Recommendations on the Regulatory Framework for Technical Education, 29 February 2008, Higher education in India: Need for change 2006; The National Council for Higher Education and Research Bill 2010; Foreign Educational Institutions Bill, 2010; Indian Express,

The government should consider some potential measures for enabling greater private sector participation in setting up high quality institutions

Potential government measure	Description
Simplify regulations by reducing input-based constraints	▸ Currently, higher education regulation in India is input-based. For example, players need to ensure a minimum amount of land, infrastructure, corpus, faculty, etc. At the same time, the focus is on inspection-based approvals which is characterised by subjectivity in decision-making ▸ The Government should consider following the example of several other countries and introduce output-based regulation by measuring outcomes such as knowledge, placements, etc. ▸ This will give players the flexibility to design their programmes, pedagogy, and assessment methodologies
Introduce student-side financing to ensure a level-playing field	▸ Independent, high quality private institutions find it a challenge to sustain their operations financially as also invest in creating additional capacity since the Government subsidises only public centres of excellence such as the IITs and NITs ▸ Therefore a student spends significantly higher amounts in attaining a private education, resulting in an unfair advantage to public institutions ▸ The Government should therefore consider giving students the option of picking the institute of their choice through student-side subsidies instead of institute-side funding/ grants
Encourage geographical spread of private universities	▸ Currently, State Private Universities are concentrated in a handful of states—the top 5 states account for about 65% of such universities—given that they have put in place enabling regulatory environments and provide government support ▸ The Central Government should work with other State Governments to encourage private players to set up universities in those states as well ▸ The Government should also focus on passing the **Universities for Innovation Bill** which will enable private players willing to invest significant amounts to setup Innovation Universities
Allow for-profit education along with suitable safeguards	▸ For-profit higher education has played a significant role in several countries including the US, Japan, and Malaysia ▸ The Indian Government should consider allowing for-profit education while putting in place a regulatory framework to ensure that for-profit players impart a certain standard of education ▸ This will enable greater private capital inflow for setting up new capacity and therefore assist in achieving the Government's GER targets ▸ This will also encourage transparency and entry of quality players while disincentivising those who use illegitimate means of extracting profit

Source: Interviews with higher education players



Glossary

AICTE	All India Council for Technical Education
BBA	Bachelor of Business Administration
BCA	Bachelor of Computer Application
BFSI	Banking and financial services
BITS	Birla Institute of Technology and Sciences
CAGR	Compounded Annual Growth Rate
CBSE	Central Board of Secondary Education
DE	Distance Education
DEC	Distance Education
FDI	Foreign Direct Investment
FEI	Foreign Education Institutes
FEP	Foreign Education Providers
FICCI	Federation of Indian Chamber of Commerce and industry
FY	Financial Year
GDP	Gross Domestic Product
GER	Gross Enrollment Ratio
HEI	Higher Education Institute
HMCT	Hotel Management and Catering Technology
ICFAI	The Institute of Chartered Financial Analysts of India
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IGNOU	Indira Gandhi National Open University
IIM	Indian Institute of Management
IIS	Indian Institute of Science
IISER	Indian Institute of Science Education and Research
IIT	Indian Institute of Technology
INR	Indian National Rupee
ISB	Indian School of Business

IT	Information Technology
ITI	Industrial training Institute
ISM	Indian School of Mines
JGU	O.P. Jindal Global University
LC	Learning Centres
MBA	Masters of Business Administration
MDI	Management Development Institute
MHRD	Ministry of Human Resource and Development
MIT	Massachusetts Institute of Technology
NAAC	National Assessment and Accreditation Council
NCHER	National Council for Higher Education and Research
NET	National Education Tribunal
NIIT	National Institute for information Technology
NIT	National Institute of Technology
NMIMS	Narsee Monjee Institute of Management Studies
NRI	Non Resident Indian
OBC	Other Backward Classes
OOH	Out-of –home
PG	Postgraduate
R&D	Research and Development
SET	State National Education Tribunal
SIU	Symbiosis International University
SNU	Shiv Nadar University
UGC	University Grants Commission
UKIERI	UK-India Education and Research Initiative
UP	Uttar Pradesh
VIT	Vellore Institute of Technology
YOY	Year-on-year

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About FICCI

Established in 1927, FICCI is the largest and oldest apex business organization in India. A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. FICCI has direct membership from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 83,000 companies from regional chambers of commerce. It works closely with the government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sector specific consensus building and networking.

Partnerships with 77 countries across the world to carry forward our initiatives in inclusive development, which encompass health, education, livelihood, governance, skill development, etc. FICCI serves as the first port of call for Indian industry and the international business community.

In keeping with its main objective, FICCI works across a range of industry sectors and has a FICCI-Higher Education Network (FICCI-HEN) and Committee on Higher Education to take this industry forward. For more information please log on to http://www.ficci-hen.com

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The Ernst & Young Strategic Consulting Group in Education has successfully completed numerous assignments over the last few years, covering all aspects of the Indian education sector. The firm's clients include government bodies, reputed Indian and international educational institutes, industry bodies, private equity funds as well as corporate houses interested in entering the education space.

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We provide end-to-end solutions to suit the requirements of clients from all segments of the industry. The following is a snapshot of our services:

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