

Education Sector Hotline

February 06, 2017

BUDGET 2017: REFORM, GROWTH AND INVESTMENT OPPORTUNITIES IN THE INDIAN EDUCATION SECTOR

Like every year, the Finance Minister of India tabled the union budget for the year 2017. Although a budget is mostly about financial planning, it also reveals the thought process and plans of the Government and hence has an importance of its own.

The increase in the budget outlay by 9.9% over the previous budget for education is a welcome step and was expected. What is refreshing is the progressive and liberalizing changes proposed by the Government that have the potential to revolutionize the Indian education system.

100% foreign direct investment is allowed in education under automatic route. However, investors, both financial and strategic are still wary of this sector. The major deterrent continues to be the archaic laws which have failed to keep pace with time, regulatory hurdles and bottlenecks at the administrative level. The focus of the Government to bring about reform in the manner and functioning of existing regulators, use of technology in education, digitization and encouragement of new-age, better quality, skill based learning which will help in overcoming these issues. In addition, the approach of 'education for employment', in turn, offers a sea of new opportunities for investors.

SOME KEY TAKEAWAYS FROM THE BUDGET ARE:

1. Proposed changes in the regulatory framework:

1. Reforming UGC

News that the Government plans to reform the University Grants Commission ("UGC"), a body responsible for regulating universities in India, has been doing the rounds for a while. The Government has affirmed this, for the first time, in a budget speech. Though the details are still awaited, this should give comfort to all stakeholders in higher education. Hopefully, the reforms will also keep the global community in mind and make it easier for reputed foreign universities to provide regulated courses in India.

2. Administrative and Academic autonomy:

While the current regulations leave very little room for autonomy, the present budget has promised to provide greater administrative and academic autonomy to good quality higher education institutions. This seems to be a step further from the 2016 budget, which proposed setting up of 20 World Class Universities of which 10 universities could be set up by private institutions. Draft Guidelines and Regulations for the establishment of World Class Universities were released in 2016 itself. These regulations proposed to extend greater autonomy to such world class institutions so as to enable them to provide quality education and infrastructure without being throttled by administrative and regulatory limitations. One is hopeful that the announcements made in Budget 2017, would result in relaxed norms for the overall running of these institutions, deciding the syllabi, foreign partnerships *et al.*

3. Accreditation Based Ranking:

Very few Indian universities and colleges are regarded to be at par with international standards. In an attempt to improve the quality of education and facilities at educational institutions, the Government is focusing on reforming the framework of accreditation based rankings. Since an overhaul of the institutions to match up to world class standards will require investment, technology up gradation, know-how and expertise in education services, this could open doors for investors, foreign educational institutions, domestic and foreign service providers in this sector.

4. Credit Based System:

The traditional studying pattern in India for students has been that students enroll in a course, study a set pattern of subjects and courses to obtain a degree or diploma after clearing an exam. The UGC and the Government have recognized that this system does not 'fit the bill' for all. To facilitate student mobility across institutions within and across countries and also enable potential employers to assess the performance of students, the UGC has released 'Guidelines on Adoption of Choice Based Credit System'.¹ This system gives students the flexibility to select different kinds of courses based on their interests. Given that credit based systems are popular in other countries and have their own benefits, the Government has emphasized that it will have a policy framework for such credit based programmes. Hopefully, this will incentivize institutions, both domestic and foreign, to offer variety of courses for the benefit of students in India.

5. National Testing Agency

A proposal has been made to establish a National Testing Agency as an autonomous and self-sustained

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premier testing organization which will conduct entrance examinations for admissions to higher education institutions. This will help bodies such as CBSE, AICTE and other premier institutions free their bandwidth from these administrative responsibilities and concentrate their focus on academics.

2. Use of Technology

1. Promoting Swayam

EdTech models, focused on e-learning, are gaining popularity amongst students worldwide for they not only provide access to good quality education, but are more accessible and affordable. The budget has highlighted the Government's interest in enhancing development of skills through its free online platform 'SWAYAM'² launched in 2016. The goal is to introduce over 350 new online degree, diploma, certification and other courses such as MOOCs on this platform. There are also plans that SWAYAM platform will be linked with DTH channels. DTH has a wide reach in our country straight upto rural level. While internet is penetrating, Indians are yet to 'cut the cord' and television is here to stay. Offering programmes through DTH will ensure reach to masses. Since offering education through online mode is still unregulated in India, there is a huge potential for to offer new programmes and services through this platform.

2. DigiGaon:

DigiGaon, an initiative to digitize villages, is proposed to be launched to provide tele-medicine, education and skill training through digital technology. This project is proposed to have far reaching impact on the overall quality of life as it will enable access to health care and education without the necessity of travel.

3. Reforms in the medical sector

The Government announced that it is committed to take steps reforming the regulatory framework of Medical Education and Practice in India. Plans to replace the Medical Council of India, a statutory body responsible for establishing and maintaining high standards of medical education and recognition of medical qualifications in India, with another regulator have already been unveiled by the Government by releasing 'The National Medical Commission Bill, 2016'.

Focusing on healthcare services, in addition to proposing additional number of medical colleges, the Government has recognized that there is a dearth of specialist doctors especially in the Secondary and Tertiary levels of health care. To that extent, it has been decided to take steps to create additional 5,000 Post Graduate seats per annum. Further, it is also proposed to roll out Diplomate of National Board ('DNB') courses in big District Hospitals; strengthen PG teaching in select ESI and Municipal Corporation Hospitals; and encourage reputed Private Hospitals to start DNB courses. The State Governments are to take steps to implement this mandate.

This initiative, especially of improving medical education through private hospitals, could attract FDI and FVCI into India for this sector.

4. Innovation Fund:

A proposal has been made to create an Innovation Fund for Secondary Education to encourage local innovation for ensuring universal access, gender parity and quality improvement. The focus of the fund will be on educationally backward blocks in the various districts in India.

ANALYSIS

The 2017 budget, has focused on regulatory reforms, use of technology and skill development in the education sector. These are forward thinking reforms and an urgent requirement for our people. The central and state governments should also consult the stakeholders for their inputs while executing these plans. The proposals, if implemented properly, will set the stage for a game changing way in which India educates.

– Pooja Kapadia, Aarushi Jain & Vivek Kathpalia

You can direct your queries or comments to the authors

¹ http://collegesat.du.ac.in/UGC_credit_Guidelines.pdf

² <https://swayam.gov.in>

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