
The Advent of Edupreneurs in India, Is Education Finally a Recognized Business?

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Abstract

Businessmen, entrepreneurs and investors have swarmed the education sector in the past few months suggesting that education has become an even better business than it was before. So, why are we educationists so surprised? Actually we aren't. We are only a bit amused, or maybe even confused. Because so much of entrepreneurial and investment activities are happening in a sector where profit making is either barred (schools and college education) or is looked down upon. In reality, most institutions do make profits, but they aren't allowed to say so. The paper brings out the rather uniquely exciting phase that the education business in India is entering into.

The paper will focus on two important aspects of higher education, one is to understand what makes the entrepreneurs to invest in edupreneurship and other aspect is whether government will allow the higher educational institutions to make profit.

Keywords

Edupreneurship, National sample survey, Rural spending and Hallowed halls.

EDUPRENEURS – THE NEW CHANGE AGENTS

The share of education in most household budgets has risen substantially in recent years. That's not only because Indians are getting better educated, but also because education is becoming more and more expensive.

The interplay of demography, prosperity, technology and changing structure of the economy (the services sector, which is most knowledge-intensive, is growing the fastest) points to an even bigger boom in the education business in future. The government's concern is valid on the point whether or not the pursuit of profit makes education barons forget the objective of improving quality and access of education.

Experts feel that profit is being and will continue to be made whether the government allows it or not. It's better to recognise it, so that the focus can then be solely on quality and access. This paper will take you through the stories of education czars, opinions of experts and all the action unfolding on the policy front.

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ENCOURAGING EDUPRENEURS

Edupreneurs are educational entrepreneurs who are in big demand to infuse a revolution in the education sector. With large size of population, India should unleash ample number of edupreneurs to achieve social goals at a faster pace. If India stands tall today in the global economy, it is because of the software industry, telecom revolution and BPOs. If these three areas are rated as the major contributors for the success of Indian economy and society, edupreneurs could be the foundation stone for nation's solid growth in the coming days.

Education as a business started long ago in the country. Now the only good work the government needs to do is to declare education as a social industry that will facilitate edupreneurs to borrow money from banks or raise the required investment from the market for qualitative educational institutions. Apart from that, the government should decentralize, deregulate and depoliticize the education system.

The recent round of National Sample Survey says that there is a 250 per cent growth in rural spending on education in the past 20 years. The shooting demand for quality education catalyses the growth of unrecognized private schools in remote villages and urban areas. On the other hand, the government stopped opening new colleges and educational institutions except some primary schools to achieve universal primary education through the Sarva Shiksha Abhiyan. In this critical situation, the involvement of edupreneurs is a must.

Currently, India exports nearly one lakh students abroad for higher education. But it imports only 30,000 students from foreign countries. Most of these students come through Indian Council of Cultural Relations (ICCR) scholarships. As a result, India loses net outlook of students nearly Rs 45,000 crore every year. By encouraging edupreneurs to take-off, India can increase its foreign exchange from education immensely. Of course, to realise this dream, it needs to provide high-quality education and infrastructural facilities. If the finance ministry and bank officials take this untapped area seriously, it can generate huge amounts of money in the future. The success stories of Australia, Singapore, New Zealand, the United States and the United Kingdom can be an inspiration for India.

The profit-word often rises unbidden in the hallowed halls of education. But now many are beginning to shed their inhibitions about it.

- value of private education is \$40 billion
- projected to grow at the compounded rate of 16%
- \$64 billion is the projected value by 2013

They shun the word fearing it like "he-who-must-not-be-named," the Dark Lord Voldemort, whose presence permeates every Harry Potter book. Like "you-know-who," profit-its motive and existence – is seldom uttered by those who own and operate the educational institutions. "Surplus", yes! But the laws governing core education simply do not allow or recognise the term profit.

Paradoxically, the government wants to involve entrepreneurs only if they agree to leave the term outside the door. Yet, education tycoons are created in the private sector. An exclusive Technopak study for Business Today suggests that the Manipal Academy for Higher Education rakes in revenues of Rs 814 crore, Amity Rs 600 crore, the Delhi Public School Society Rs 400 crore and Indian Institute of Planning & Management Rs 200 crore. Of course, none of them would be caught dead uttering the word profit.

The K-12 (KG to Class XII) and higher education sectors are governed by Byzantine laws that allow to registered as not for-profit trusts societies to own and run institutions. In the mix, entrepreneurs have been well enterprising! For instance, GEMS Education has a transparent three-company set up where one company owns the trusts, another owns the properties on which the schools sit and a third offers the school management and educational aids etc.

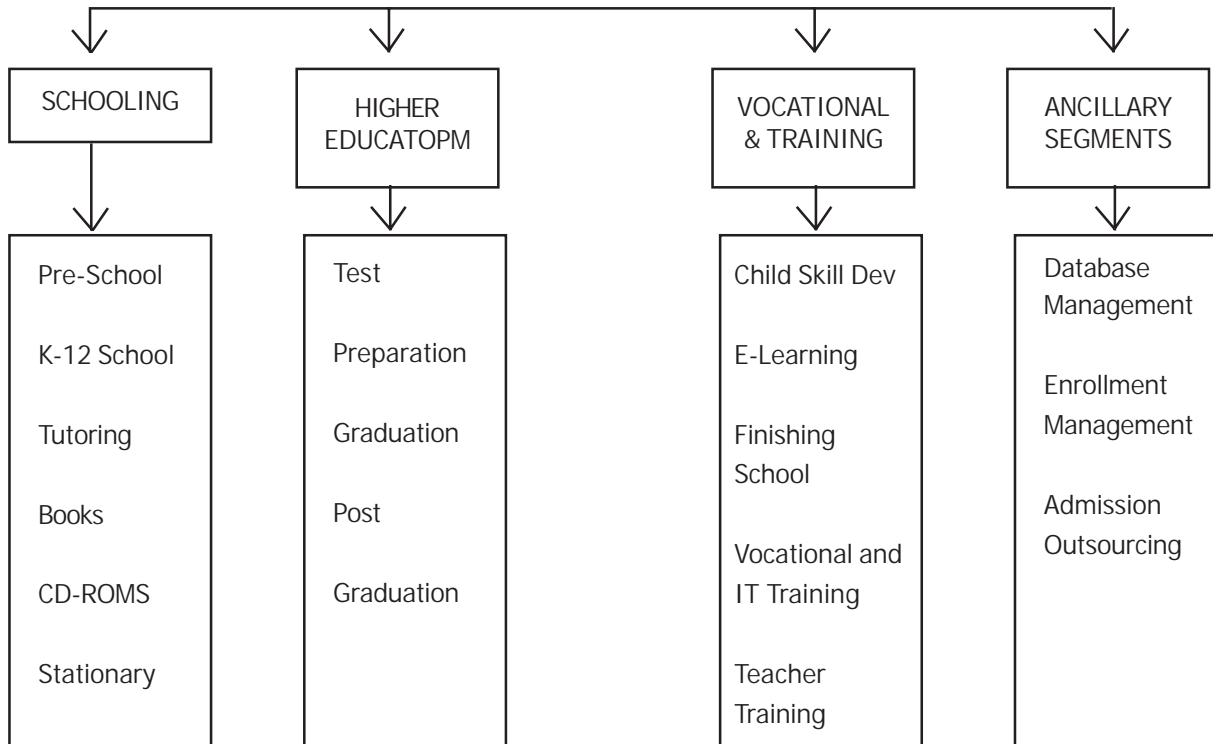
"We have three business models in India of which one is where we run our own schools. In this, our unit that has set up the trust is in charge of the school and this hires the land and the management skills and education aids from our other two companies," says Ajey Kumar, Country Head, and GEMS Education.

Indeed, earlier *this* year, the government conferred the nation's highest civilian honour, the Padma Shri, on Sunny Varkey, Founder & Chairman of GEMS

Education, in recognition of his "outstanding contribution to education and social service". Even as the government gets lost in doubletalk, those in the

business have spread across sectors and opened up new frontiers: an IT training shop plans a university, a higher education specialist is getting into K-12.

THE OPPORTUNITIES



Source : Technopak

HIGHER EDUCATION

Going, going, gone are the days of distinguished greyheads as chancellors and deans with scholarly tomes to their credit, and far-removed from monetary concerns. As the private sector and big bucks crowd the higher education sector, your typical dean today could be a guy in an Armani suit who looks more like a gym frequenting investment banker than an austere educationist.

HIGHER EDUCATION

MARKET SIZE

Private Professional College	\$7 billion
Engineering	\$5.85 billion
Medical	\$473 million
MBA	\$731 million

Source: Technopak. CLSA. FICCI Report

REGULATION

- The central government has exclusive legislative powers for co-ordinating and determining standards in institutions.
- Apex bodies such as the University Grants Commission (UGC), the Medical Council of India and others determine standards of education.
- These are indirectly controlled by the Ministry of Higher Education and funded by the state governments.
- State governments are responsible for the establishment of state universities and colleges and have the power to approve the establishment of private universities through State Acts.

OPPORTUNITIES

- According to the National Knowledge Commission, there's a requirement for at least 1,500 universities.
- Indians spend \$4 billion a year on higher education abroad.
- This represents a possible market if good quality institutes are set up in India.

RECENT DEVELOPMENTS

- NIIT, HCL and Career Launcher plan to start universities.
- RIL, Vedanta, Ashoka Buildcon too have proposed universities.
- Govt. likely to scrap 'deemed' university and grant regular university status.
- Entry of foreign universities in India to be eased.

And if you thought a university campus means grey buildings, unkempt gardens and stuffy canteens with raucous students ganging up over cups of tea and *pakoras* check out the 60-acre sprawl of Amity University at Noida on the border of Delhi. High security gates open into a world of shopping malls (okay, there's just one) with cafes, bookstores and a L'Oreal

saloon, and high-end sports facilities. Oh, nearly forgot to mention the superbly laid-out lecture rooms.

Keeping a watchful eye over all this is uniformed private guards with German Shepherds on leashes. And at the core, presiding over an empire said to be worth Rs 600 crore, is Ashok K. Chauhan, Founder President, Amity, who runs this as a "philanthropic venture". "We are dependent on bank loans and plough back earnings into the upkeep and growth of the infrastructure and welfare of our students." he says.

Giant Strides Amity University	
Established	In 1991
Started as	A school (Amity School) in Saket, Delhi
Revenue	Rs. 600 Crore
Footprint	Noida, Lucknow, Jaipur, Chandigarh, Pune, Mumbai, Hyderabad, Chennai, Bangalore, Kolkata, London and Singapore
Fee	Rs. 2.4 lakh or Rs. 10 lakh (for full time programmes)
Expansion plans	To be present in all Indian States
Students strength	60,000
Student-Teacher Ratio	15:01

Down south is 69-year-old G. Viswanathan. Chancellor, VIT University, who is changing tack to keep pace with the time. His campus has over 1,000 international students. "We have even set up a special Chinese kitchen with a Chinese chef and ingredients imported from China," he says.

Welcome to the Great Indian Education Show, featuring the country's transformation from the no-frills world of *gurukuls* to that of air-conditioned campuses ruled by the new-age tycoons. Forget what education should look like or who is providing it. Focus on the menu.

Steady Growth VIT University	
Established	In 1984
Started as	A self-financing engineering and science college through trust
Revenue	Rs. 500 crore (estimated)
Footprint	Vellore
Fee	Rs. 30,000 to 1.55 lakh (excluding hostel fees)
Expansion plans	To open a university in Chennai
Students strength	15000
Student-Teacher Ratio	17:01

In a candid chat with Ashok Mittal, the Chancellor of Lovely Professional University which was granted university status by the Punjab government in 2005, recalls the bias he had to deal with. "When our case to get university status was being debated in the Punjab Assembly, a member actually commented that if sweet-makers began setting up universities, who will make the sweets?" Mittal, who belongs to the family that runs the famous Lovely Sweets House in Jalandhar and also has auto dealerships, is not offended: "If that were the case, no one can progress. Can only IAS officer's son be an IAS?" he asks.

From Mittal's roots arise the tale behind that Lovely name for his university. "We registered first in 1999 under the banner of International Institute of Management. But our advertisements in the papers led to a poor response. A month down the line, in our ads, we mentioned that the institute was promoted by Lovely Croup of Companies. Within three hours, our seats were full. People in Phagwara and Jalandhar know us and trust our name. So, we re-registered as LPU," he says.

And surely, time has afforded an opportunity to Mittal to answer his critics. "Earlier, we were affiliated to Guru Nanak Dev University, Amritsar. For our law courses, we would get only the second-rung students after the university took the first best 200 students. This year, the last batch of students, who are passing

out from our law colleges under the old affiliation system, have outperformed the Guru Nanak Dev students," he says. His students have walked away with the gold, silver and bronze trophies for achievement. "We got the second-best (students), but they outperformed the achievers. Thanks to our investment in faculty and the facilities that we offer," he says.

Control Mindset

Among many areas of debate around education reform is the question of mindset. As Kaushik Basu noted in his dissent note to the Yash Pal Committee's recommendations on reforming higher education in India: "Our main aim must be to nurture excellence instead of spending a disproportionate amount of energy trying to curb the lack of it."

The current regulatory system surrounding higher education is hugely flawed. Not only does it make entry prohibitive, it also thwarts excellence. A FICCI report notes that universities are turning into exam conducting bodies mostly content with collecting fees from colleges that are affiliated with it. The deemed university system has also spluttered, affecting players and students alike.

ICFAI was seeking a deemed university status in Andhra Pradesh but it was granted only for its MBA programme and not for its B.Tech programme. It had to shut down its B.Tech College in Hyderabad and Bangalore and students had to shift to Dehradun or Tripura where it has the university status. N.J. Yasuswy, Founder member, ICFAI, sees no wrong motive on the part of the institution, but apparently a victim of the regulatory environment. To what extent ICFAI is effective in addressing concerns remains to be seen. "We have a strong placement team that is now reaching out individually to companies," he says.

High Fliers ICFAI	
Established	In 1984
Started as	Institute of Chartered Financial Analysts of India with 700 distance education students
Revenue	Rs. 700 crore (estimated)
Footprint	Spread across the country. For B-School has 16 campuses

Fee	Varies depending on the course. It offers MBA, B.Tech, Law and CFA programmes. For B-School, fee is Rs. 6 lakh to 9.5 lakh
Expansion plans	To open seven more private universities in the next three years
Students strength	On-campus around 7,000 and a further 5,000 each year for distance education programme
Student-Teacher Ratio	20:01

Global Dreams Manipal University	
Established	In 1953
Started as	Kasturba Medical College, Manipal
Revenue	Rs. 800 crore*
Footprint	India, Nepal, Malaysia, Dubai and Antigua
Fee	Rs. 2.5 lakh for MBA, Rs. 1.7 lakh for Hospitality Management and Rs. 1.65 lakh for Architecture
Expansion plans	India and developing countries
Students strength	18,000+
Student-Teacher Ratio	8:01

*Manipal Universal Learning

In 2005, the government had another go at addressing the problems of the crumbling education system. PM Manmohan Singh pushed for a second wave of institution building and excellence in education, research and capability building. The outcome was the National Knowledge Commission, which then came up with the startling finding that philanthropic contributions in higher education have fallen from more than 12 per cent of the total expenditure on the system in 1950 to less than 3 per cent in the '90s. Why has this happened? Someone had decided that if a university finds a donor, it should be penalised through a matching cut in the grant in aid from the government.

Ramdas M. Pai Chairman, Manipal Education and Medical Group, and President & Chancellor, Manipal University, says the current maze of regulations helps only the dubious players. "On paper, there is regulation. But in implementation, its corruption that rules. As a result, good institutions like ours are suffering. What we need are transparent regulations," he says.

Some reputable colleges have even decided to ignore the paperwork and focus on offering the best education. For example, SRM does not have the much-sought after and required stamp of the All India Council of Technical Education for its engineering college.

T.R. Pachamuthu, Founder Chancellor, SRM, claims that his infrastructure and faculty are big draws for students. "Once we are a university, we should be trusted by the government bodies, instead of having to waste our time hosting committees. Parents and students know of our placement opportunities," he says.

Sitting at the sprawling Symbiosis campus at Pune's Senapati Bapat Road, S.B. Majumdar, President and Founder Director, Symbiosis, says: "US President Barack Obama has proposed a \$12-billion investment over the next decade in community colleges. India has just made a beginning. We want to be a major player in empowering rural youths." This is just a small area that is currently top of his mind even as he manages 34 institutes with over 45,000 students from about 60 countries.

So, where is the money to sustain the growth plans? Narayanan Ramaswamy, Executive Director and Head (Education Advisory), KPMG, feels that despite the stringent regulations surrounding higher education, there are many legitimate ways to make profit from it. "Fact is that close to 75 per cent of the colleges are privately run (self-financing, etc.) and they make money through peripheral services such as canteen, sports facilities, convention centres and the like." Here the college either outsources these to a contractor for a fee, or charges for providing these services. They also earn extra by letting out their facilities or stadium land.

It is not uncommon to also find players benefiting from within their education model through various ways. Some institutions take pains to recruit top-notch faculty and encourage their staff to be involved with research and consultancy work.

"We have already filed for 121 patents in different areas," says Chauhan. The twining arrangements of colleges with foreign universities help these institutions earn a fee that does not come under the ambit of any regulation here. So, it's not surprising to see the rush towards collaborations.

THE FUTURE?

The race to set up better, bigger colleges is also putting competitive pressure on private colleges, just as education experts feel it should, and create a more efficient system. "Today, it is a buyers' market. This year, 30,000 seats are vacant with 20,000 in management quota (in colleges affiliated to Anna University in Tamil Nadu). We can, therefore, only charge a reasonable fee as we have to actively market our facilities," says Pachamuthu.

After all, engineering colleges are coming up in other parts of the country and why would a student come down south unless there is a very strong USP? Andhra Pradesh has the highest number of engineering colleges in the south and is encountering the problem of excess capacity: "We are advising the universities to start more M.Tech and Ph.D programmes," says K.C. Reddy, Chairman, Andhra Pradesh State Council for Higher Education.

CONCLUSION

In a nutshell, the ability of edupreneurs to create sustainable change depends on the following key factors:

- **Ability to get the right people on board.** Traditionally, in a majority of the cases, teaching has not been a profession of choice. Only by attracting broad-minded and high-quality people to the profession will be able to reach out to a large number of students.
- **Ability to change the attitudes of those involved in the system.** Resistance to change is inevitable. Edupreneurs must be able to effectively advocate the need for change and help create an environment conducive for innovation.
- **Ability to create financially viable models.** Unless an edupreneur is able to get the right kind of financial funding whether through self-generation or external help, sustainability of the 'good work' will be difficult.

The education sector is witnessing successful incorporation of management practices in order to bring about education reform. The magnitude of change achieved so far is extremely small. However, the scope that lies ahead in this challenging field is vast. Some private players have already smelt an opportunity. Others are slowly following suit.

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