

## **Make In India and Challenges Before Higher Education Policy**

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**ABSTRACT:** India is in throes of reviving its high growth trajectory through Make-in-India campaign. The thrust is to realize National Manufacturing Policy (NMP), bolster Public Private Partnership (PPP), and improve inflow of Foreign Direct Investment (FDI). Higher education policy has therefore become a critical link in this campaign as it would upscale Human Development Index (HDI) and improve employment opportunity of around 10 million additional workforce who seek jobs every year. This paper takes an overview of the policy so far, recommendation of high power committees to improve private industry participation and foreign collaboration and strongly advocates the need to increase government's commitment towards allocation to education, increase thrust on research and development, Improve Total Factor Productivity (TFP) and to abdicate the ideological slug fest in order to realize the immense potential that a high global connect provides.

**KEYWORDS:** NMP, PPP, FDI, HDI, TFP

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### **I. INTRODUCTION**

There is a distinctive buzz about PM Modi's new campaign for Make-in-India. The thrust is to increase share of manufacturing from the current level of 15% of GDP to 25% and create additional employment opportunity of 10 million per year. This has led a few cynics to observe that **"there is a lot of sizzle but where is the steak?"**. Columnists like Swaminathan Iyer are of the view that Make-in-India is only an outcome and not a policy, while the RBI Governor Rajan is of the view that the government is putting too much of thrust on export led growth and should give primacy to **"Make for India"**. Discerning writers like Debasis Basu, however, feel that what is germane to the debate is the **"cost of doing business"** in India for which **quality of human resources and cost of capital would be critical**.

The quality of human resources will depend on the education policy of a country, allocational commitment and synergy between the industry and academia. India has been inordinately late in introducing compulsory education at the primary level unlike many Emerging Market Economies (EMEs) like South Korea and China who have become manufacturing giants. Besides higher education which is key to better employment opportunities has been caught up in an ideological slugfest of Market Economics vs. Merit Goods to be provided by the government. In this background this paper attempts to take

- Higher education policy, recommendation of committees during the last decade
- Impact of public private initiatives on access and excellence
- Make-in-India policy and the linkage required to bolster quality of human resources

### **II. HIGHER EDUCATION POLICY, RECOMMENDATION OF COMMITTEES DURING THE LAST DECADE**

From Kothari Commission to the National Policy on Education (1966 to 1992) the thrust has been to bolster science and technology and research, foster integration amongst the states and union and provide equal access to all section of the society by taking special measures and encouraging open distance learning. The recommendations can be summed up as under

**Table 1: Summary of Recommendations for Higher Education**

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| <ul style="list-style-type: none"><li>• Kothari Commission (1966): Improve productivity; Treat science as a basic component in education and Improve research in S&amp;T</li><li>• NPE (1986): Greater role in reinforcing integrative character of research and advanced study and international aspects of Education and Cultural development</li><li>• NPE (1992): Facilitate Inter Regional mobility by providing equal access to every Indian. In R&amp;D, S&amp;T special measures to establish network arrangement between different institutions in the country to pool their resources.</li></ul> |
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*Source: Higher Education-1: From Kothari Commission to Pitroda Commission by Pawan Agarwal - Economic and Political Weekly February 17, 2007*

During the last decade three important committees have addressed the issue of private sector participation and the modicum for achieving better global connectivity and quality improvement in the higher education sector.

**Ambani Birla Report (2000) :** Ambani-Birla envisioned creation of a knowledge based society, which will induce competitiveness while fostering cooperation. The report championed the principle of use-pay policy supported by loan schemes and financial grants for economically backward section. It strongly recommends legislation for new private universities in the field of science and technology, management and finance area. The report pitched for foreign direct investment while limiting into Science, Technology and Research. Moreover excessive regulations was sought to be dispensed with while emphasizing that the government should play the role of a facilitator.

**Knowledge Commission (2009) :** Some of the striking features of the Knowledge Commission are to spur growth of private and foreign universities and reduce role of the state. The commission recommends expansion of the number of universities to 1500 in the country, and establishment of 50 national universities by government or by private sponsoring bodies to be set up by Society or Trust or through Section 25 of Companies Act. The commission strongly recommends reduced role of the UGC and instead purposed establishment of an independent regulatory authority for higher education (IRAHE) and an addition 1.5% of GDP to be allocated for higher education.

**Narayan Murthy Report (2012) :** It proposes enhancing research focused-through dedicated funding for research sponsored doctoral programs, setting up centre of excellences in the form of technology parks, developing new knowledge clusters & up-gradation of 75 top of the class universities, with investment ranging from Rs.175 to Rs.200 crore per university. The committee has recommended creation of 20 world class universities with investment of Rs.500crore per university and the targeted outcome is the creation of 20 new national knowledge clusters through the public private partnership. The estimated investment for the 5 year plan is of Rs.40000 crore with government corporate partnership and creation of a council for industry and higher education collaboration as a nodal agency.

### III. IMPACT OF PUBLIC & PRIVATE INITIATIVES ON ACCESS AND EXCELLENCE

**Impact on GER :** The private sector has entered into the university space in a significant way since 2001 contributing significantly to the Gross Enrolment Ratio (GER). The following graphs will bring out the impact since 2005-2006.

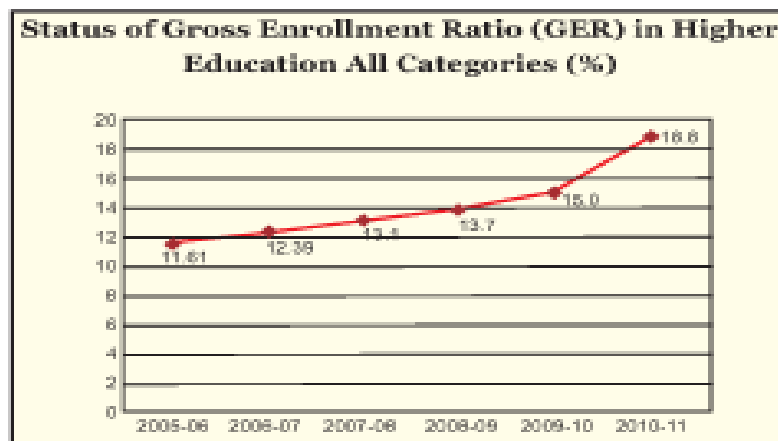


Figure 1: Status of Gross Enrollment Ratio (GER) in Higher Education all Categories

Source: Selected Educational Statistics-2005-06; Statistics of Higher and Technical Education -2006-07, 2007-08, 2008 09 (Provisional) & 2009-10 (Provisional), All Indian Survey on Higher Education-2010-11 (Provisional)

It would be seen from the above that as against GER of 11.5%, in 2005-06, India has achieved 17% in higher education and is pitching for 25% by 2017. Also thanks to RTE Act 2002, there is near universal education in the primary segment cutting across rural/urban divide.

**Impact on Quality:** However, the quality of education; both in primary and higher education remains at a very low ebb. In case of primary education the basic deficiency is in terms of basic infrastructure, teacher absenteeism and poor quality. Similarly in case of higher education the problem is largely in quality of teaching and near absence of proper research in most of the state and private sector universities. The following table brings out a comparative picture in terms of research, patents and industry collaboration.

**Table 2: Global Competitive Index**

Country	Quality of Research Institutions	Industry Collaboration	PCT Patents Granted (Million)
USA	5.8	5.6	137.9
South Korea	4.9	4.7	161.1
China	4.2	4.4	6.5
India	4.4	3.8	1.2

It would be seen from the above that we are significantly lagging behind countries like South Korea which has been investing significantly in research and development and has become a major global manufacturing hub for automotives, electronics and ship building.

#### IV. MAKE IN INDIA POLICY, MANUFACTURING & LINKAGE REQUIRED TO BOLSTER QUALITY OF HUMAN RESOURCES

PM Modi's main concern is with the manufacturing sector which accounts for 14-16% of GDP with 85% of employment in unorganized sector, with a 'missing middle'. This is unlike manufacturing hubs in Korea, China, Germany and Japan where 50% of the firms are large with benefit of economy of scale and 20% are SEMs. **Value addition in global value chain for India was only 1% in 2009 as against 9% by China and Germany.** National manufacturing Zone (NMZ) 2011 policy is limping big time in the absence of Centre State synergy, tardy land acquisition and long drawn environmental clearance. **Subir Gokran has rightly observed that increase in Incremental Capital Output Ratio (ICOR) from 3.1% (2005-2006) to 5.9% (2012-2013) is largely attributable to supply constraints like power-coal imbalance and in ordinate project delays.** For Improving a Country's Manufacturing Capability the quality of workforce would be critical. Prof. Solow, a Nobel Laureate, in his seminal paper had brought out the importance of factor productivity. His equation  $Q=A * K^{\Delta} L^{\beta}$  where Q is the production function, A is the level of technology and scale, K & L are factors of production  $\Delta$  &  $\beta$  are factor efficiency has demonstrated how US has become the premier technological hegemon after the second world war. A case in point is the phenomenal growth in China from 1979 as would be evident from the following table. Almost 50% of the GDP growth is attributable to total factor productivity growth.

**Table 3: Sources of Growth in China**

Parameter	1953-1978	1979-1994
Output Growth	5.8	9.3
Capital Input Growth	6.2	7.7
Labour Input Growth	2.5	2.7
TFP Growth	1.1	3.9
Contribution of Production	18.0	41.6

Source: A.P. Thirlwall - Economics of Development-Theory and Evidence

Besides the cost of capital in India is inordinately high compared to compare to the developed countries as the following table would demonstrate.

**Table 4: Cost of Capital: Global Comparison**

Country	10 years Govt. Bond	Inflation (CPI)
USA	+2.16	+1.7
Japan	+0.41	+2.7
Euro Area	+0.68	0.5
Brazil	12.5	6.3
Russia	12.44	7.6
India	7.91	7.3
China	3.67	2.1

Source: The Economist- 13<sup>th</sup> December, 2014

## V. POLICY OPTIONS

Keeping in view of the above it is strongly recommended that the following policy options must be factored in the promised new educational policy next year if India wants to take full advantage of manufacturing in India instead of depending on imports on a massive scale.

(a) **Allocation** : Dr. Kothari had recommended way back in 1964 that the government should spend atleast 6% of its Gross Domestic Product on education. However in over 45 years we have been able to achieve around half its target. The Knowledge Commission under Sam Pitroda (2009) recommended an increase of atleast 1.5% of GDP for higher education. Colclough and Lewin (1993) in a seminal study have worked out a methodology for calculating investment requirement to finance universal primary education in India. Their study shows that around 3.1% of GDP needs to be allocated to universalize primary education as against around 1.5% earmarked by government. In this connection a global comparison reveals that the allocation we make towards education is abysmally low reflecting in our poor HDI, GER & Mean Year of Schooling.

**Table 5: GER, HDI & Public Expenditure % on Education**

Country	GNI	HDI	GER	Mean Year of Schooling	Public Expenditure as % of GDP
USA	52308	0.914	95%	12.6	5.6
UK	35002	0.892	61%	12.3	5.6
Germany	43409	0.91	57%	12.9	5.1
Japan	36747	0.89	60%	11.3	5.6
France	36629	0.88	51%	11.1	3.8
Russia	22617	0.778	75%	11.7	5.9
Korea	30345	0.89	100%	11.8	4.1
China	4477	0.79	35%	7.5	3.7
India	5150	0.586	23%	4.4	3.3

Source: HDR -2014

(b) **Regulatory Mechanism** : The Yashpal Committee (2009) has strongly recommended establishment of an autonomous overarching National Commission for Higher Education and Research for prescribing standards of academic quality and defining policies for advancement of knowledge in higher educational institutions. There is a near unanimity in view that existing regulatory control by UGC, created under Act of 1956 is not lending itself to quality improvement flexibility in charging fees, offering reasonable remuneration to teachers & finalization of curriculum of either public or private universities. There is a dissonance in the approach of the UGC and Knowledge Commission. While the UGC is pitching for greater inclusivity and improving GER, the Knowledge Commission aims at exclusivity and augment a framework for encouraging private players and foreign collaboration.

(c) **Public Private Partnership (PPP)** : Infrastructure has been highlighted as the thrust area for development and employment generation as it is the key link between the primary, secondary and tertiary sector. The Deepak Parekh Committee (2007) had recommended that infrastructure funding/GDP should be increased from 5% to 9% and PPP model is most suitable for fund generation. In economic infrastructure India has witnessed significant growth in civil aviation, power projects, container terminals through special purpose vehicle (SPV) and variability gap funding. Several key initiatives like setting up of India Infrastructure Finance Company 2006, India Infrastructure Project Development Fund 2008 and Infrastructure Debt Fund 2012 with equity of 2 billion dollar have been taken. The 12<sup>th</sup> plan has set up a target of spending nearly 1 trillion dollar with 50:50 public private partnerships. Sadly in India PPP in social infrastructure is not getting the requisite attention of the planners as it deserves. It would worthwhile to draw experience of other countries like Sweden, Germany, Singapore & China where the PPP model has worked wonders. Germany, public commitment to take most risks has encouraged many small private enterprises to participate in the PPP model. Such models have important lessons for India. The key component is political will.

(d) **Ideological Debates** : Sunil Khilani writes that India's history has shown three broad possibilities of dealing with diversity; a theoretically untidy, improvising pluralist approach or a nearly purifying exclusion. It has given the present generation the responsibility to choose between the two options. The Bhagwati and Panagariya Model of market economics wants abdication of asphyxiating control of UGC and increasing role for the private sector they want complete privatization of universities to take advantage of India's demographic dividend, autonomy to the universities in the matters of finalization of curriculum, charging of fees and recruitment of faculty. Neo Left Model of Amartya Sen wants the government to be the prime movers to improve to human capability. RSS Model in contradistinction the BJP's ideological mentor RSS is highlighting

the importance of getting back to our classical roots and the primacy of our ancient texts like Bhagbat Gita and use of Sanskrit as a major lingua-franca. It's for the present generation to decide what they would like to build out of the wreckage of Babri Masjid.

(e) **Creating a Global Classroom** : Prof. Philip G. Altbach has observed that internationalization of higher is at the fore front of academic thinking globally. It is important for gaining employment in a global economy. India host around 30,000 students compared to 2lakh Indians who studies abroad. US host 8 lakh, Jan and China 1lakh international students. Higher education internalization has to a priority in much of the world and India needs to join the race.

## VI. CONCLUSION

Democracy thrives on in an open liberal environment and responsible dissent is the essence of democracy. The recent ideological debates as brought out above are emblematic of the plurality of choices that we confront. However India needs to move on and the Make India campaign and the enormous surge of interest PM Modi has generated globally must foster industry academic interface, collaboration with reputed foreign universities to bring in new ideas apart from facilitating ease of doing business. Higher education must be treated as a merit good and the asphyxiating control of the regulatory agencies like UGC and AICTE must give way to regulatory bodies like TRAI as strongly recommended by Prof. Yashpal. **As John Maynard Keynes observes "The difficulty lies not in introducing new ideas but in replacing old ones"**. Hopefully the new education policy will abdicate obscurantism and be in sync with PM's commitment to Make India the super power of Asia through his deft Make-in-India movement.

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