The growth drivers and risks economics essay

Economics

Introduction

In India, education is the key to the task of nation-building. It is also a well-accepted fact that providing the right knowledge and skills to the youth can ensure the overall national progress and economic growth. The Indian education system recognizes the role of education in instilling the values of secularism, egalitarianism, respect for democratic traditions and civil liberties and quest for justice. The Indian education system is one of the largest in the world. The education sector is divided into two main segments; the core segment comprises of schools and higher education, while the non-core comprises of coaching classes, pre-schools and vocational trainings. The role of Universal Elementary Education (UEE) for strengthening the social fabric of democracy through provision of equal opportunities to all has been accepted since the inception of our Republic. India initiated a wide range of programmes for achieving the goal of UEE through several schematic and programme interventions, such as Operation Black Board, District Primary Education Programme etc. While primary education is a basic enabling factor for participation and freedom, for trading a life with dignity and overcoming basic deprivation, secondary education and vocational training is the gateway for prosperity, for transforming the economy and establishing social justice in any country.

Review of Literature

Usage of ICT for Information Administration in Higher education Institutions – Dr. R. Krishnaveni and J. Meenakumari" A good higher education system is required for overall prosperity of a nation. A tremendous growth in the higher education sector had made the administration of higher education

institutions complex. Many researches reveal that the integration of ICT helps to reduce the complexity and enhance the overall administration of higher education. This study has been undertaken to identify the various functional areas to which ICT is deployed for information administration in higher education institutions and to find the current extent of usage of ICT in all these functional areas pertaining to Information administration. The various factors that contribute to these functional areas were identified. A theoretical model was derived and validated." NATIONAL POLICY ON ICT IN EDUCATION - Sharad Sinha" Advances in information technology and communications are transforming the world economy and presenting new challenges to all countries. The challenge for developing nations is to compete effectively in an emerging information-based economy. Decision makers have debated for some time whether it is reasonable to invest money in technology for the educational system in countries with large segments of the population living in extreme poverty, rather than use the same money to improve living conditions of those in need. Taking into account human capital theory, the only way to reach a long-term solution for the economic problems of a country’s population is to raise the educational level to promote economic growth. Competitiveness in international markets, automation of industrial and commercial processes and even the use of technology in agriculture, require technology skills in the workforce. For all these reasons, the introduction of information and communication technology in education in developing countries like India cannot wait until a country has reached some predetermined state of economic and educational development. ICT policies and strategies have to do with education and all other areas of activity that impact on quality of life. They can be integrated

into sectoral as well as broad national policies and strategies; for example countries may commit to introducing ICTs into schools in order to expand educational opportunities and increase the supply of ICT-literate graduates; they may extend internet access to rural clinics to improve the delivery of health services."

Research Methodology

Research can be carried out quantitatively or qualitatively. Quantitative research deals with numbers and attempts to use statistical methods to prove hypotheses or analyse particular phenomenon. Qualitative research is descriptive and inferential. Qualitative studies are defined as those that " use words to describe situations or circumstances surrounding a phenomenon, while quantitative studies use numbers usually in the form of counts or measurements to attempt to give precision to a set of observations". This dissertation is qualitative in nature. This method is deemed more appropriate as the thesis aims to investigate the subject matter in depth, from the perspectives of those involved. This study is a cross-sectional research, as it provides " a snapshot of a situation in time" as opposed to a longitudinal study, which is carried out over a period of time. Qualitative studies usually focus on exploration of a new area or formulation of theories on particular phenomena. However, they can also be devised to test or confirm an existing theory. There are numerous methods to carry out qualitative research. Some notable approaches include experiments, case studies, surveys, discussions and simulation. This dissertation proposes the use of research reports, primary data and publicly available information to " provide a multidimensional picture of the situation". This is the most

appropriate method for the purpose of this study as it enables one to " identify detailed interactive processes which may be crucial, but which are transparent to large-scale survey". Education sector is not a widely covered sector in India by the research houses because of the paucity of publicly listed firms in this field. Hence primary date also acts as an important parameter for this research study.

Industry Overview

Market Overview

1. Play School/ Pre School

The concept of preschool education has emerged as one of the most lucrative segments of the Indian education market. Preschool education generally refers to the organized and well-structured pre-primary education programs for toddlers, particularly in the age group of 1. 5-3 years.
Indian Pre-school education market is set to reach USD 1 billion mark by 2012 against USD 750 million at present. This market is set to become the largest in the world. In India, the pre-school segment was worth USD 750 million in 2011 and was expected to reach USD 1 billion by 2012.

2. K-12

K12, the largest segment ($20bn) within Indian Education Sector (IES), is expected to grow to $30bn by 2012 (14% CAGR) on the back of world’s largest school-aged population and price discovery. While dominated by standalone schools and chains confined to charitable, political and religious individuals/ groups, corporate activity is catching up in this annuity business free from recessionary pressure. Though regulations mandate K12 to be ‘

not-for-profit’ structures run by only Trusts/Societies, 2-tier structures (a trust and a managing entity) are being adopted to unlock the surplus as lease rentals, management fee, etc (an age-old practice followed by standalone schools). Going forward, we believe serious players intent on gaining scale and credibility should help dispel investor concerns on under-reporting of cash. The space will realize its full potential the day favourable regulations fall into place. We find ‘ commercial’ K12 chains like Educomp Solutions (11 operational schools, 150 planned by FY12), Zee Learn (23 operational, 100 by FY11), GEMS (6 schools under a management contract) and Kangaroo Kids (6 operational schools) as interesting plays in this space.

3. Higher Education

Higher education, especially technical education, has been attracting large private investment since 2005. Private opportunity in technical education is US$7bn in 2012 and is set to grow to US$12bn by 2015. General (non-technical) higher education offers private education opportunity of US$1. 5bn in 2012 and this is set to grow to an estimated US$2bn by 2015. Legislative measures to strengthen accreditation, guard against malpractices and set up an academic depository are likely to help the stronger incumbents. Eminent foreign education providers are unlikely to make a large entry in the segment as long as the non-profit tag remains attached to formal education. This should also contain competition and further help the incumbents.

4. ICT

The government, with the aim of improving computer literacy in public schools, is opting for public private partnerships (PPP) to source IT infrastructure and training. We expect the nascent $90m ICT (Information &

Communication Technology) market to grow 10x by 2015 (penetration below 11% of public schools). Though the scale of opportunity is large, it is a low-margin business with high upfront investment (Rs200, 000-300, 000 per lab) and a long receivables cycle (150-200 days). The contracts are awarded to players on L1 bidding basis, which implies no product differentiation and hence commoditization. While Educomp Solutions, Everonn Systems, NIIT and Compucom are the largest players, a host of regional players are also active in the space.

5. Vocational Studies

The imperative for students/ employees to draw on skill sets to effectively compete in a dynamic business environment has given birth to vocational training – a parallel $1. 5bn education system. Also, the increasing relevance of services sector in the Indian economy calls for enhanced technical/ soft skill sets. Corporates (across industries) too are gleaning from their global counterparts the culture of continuous up gradation in skill sets of employees at all levels. While the factors suggest rapid growth (25% 3-year CAGR) as new training areas (retail, aviation, hospitality, management, English language/ soft skills trainings, etc) emerge, the space remains highly fragmented. Also, nonsticky nature of corporate trainings implies low revenue visibility, thereby hampering scale. At this stage, only a few players like NIIT and Aptech (leaders in IT trainings) have managed to accumulate mass. Others players with the potential to ‘ scale’ include VETA (English training) and ICA (financials trainings).

Growth Drivers & Risks

1. Pre School

Growth Drivers

The preschool market has, over the last 5-6 years, seen a shift towards organized players. KidZee has set up 623 preschools in just five years since inception and plans to add another 1, 000 preschools over the next two years. There are 11 major preschool chains in India including KidZee, Euro Kids, Bachpan, Apple Kids, Shemrock, Kangaroo Kids, Podar Jumbo Kids, Tree House, Mother’s Pride, DRS Kids and Sunshine, and around 10 smaller players. Organized players have largely scaled up using the franchisee routeHighly underpenetrated market; 1 out of every 100 preschool-aged children enrolled (~1, 700 schools catering to 200, 000 students).

Risks/ Challenges

1. Any preschool, however strong the brand may be, ideally has a customer pull within a 2km radius due to safety and comfort reasons. 2. Also, the segment caters only to customers who can afford annual fees of Rs20, 000-45, 000, which further limits the scope of the market. 3. The awareness level still being low and the unorganized market providing ‘ the same’ care but at a much lower price, it remains a threat. 4. The preschool market is non-regulated and hence entails no regulatory barriers for new entrants. Given the relatively low investment required, competition is intensifying in this segment.

Analysis

Despite the increasing share of organized segment (currently 17% of the total market), the preschool market remains highly fragmented and regional in nature. Though the shift is clearly evident, the largest player (Kid Zee) holds only 7% share of the total market

2. K-12 Segment

Growth Drivers

At 361m, India has the largest population globally in the K12 age group (5. 5x USA’s K12 population). Despite a mere 37% of the K12 age group net enrolled on school rosters, private spends on K12 schools stand at an astounding $20bn – which makes the segment the largest within IES. Pay ability of education-hungry Indians is also indicated by the growing preference for private schools – 40% of students enrolled in the K12 system attend private schools, which are just 7% of total schools in the country. With public schools unlikely to become efficient in the near future, we expect the shift to continue.

Risks/ Challenges

Public policy at the state level is now focussed on controlling the fee structure in private schools. Such public policy stances are unlikely to induce large private investment in the sector, especially from serious educational enterprises

Economics of running a school

Analysis

Within the private K12 space, the last decade has seen a gradual shift from private aided to private unaided (i. e. costlier) schools. This clearly indicates that more and more parents now prefer to spend substantially higher amounts in their quest for better quality of education for their children.

3. Higher Education

Growth Drivers

Strong opportunity in technical education

The total spend in this segment is around US$9bn per year for general (non-technical) higher education and US$10bn per year for technical/ professional education. Within this, opportunities for private education providers for general higher education are around US$1. 5bn and around US$7bn for technical/professional education.

Indians' penchant for degrees

The Higher Education (HE) space is bestowed with high potential volumes. The increasing ability of people and also intent to pay in return for securing a ' good career', and hence a ' good future', has led to a $6. 5bn private spend – primarily on career-focused courses (more than 80% of the estimated spends on engineering courses). Interestingly, even though India has more than 1, 600 engineering colleges (1, 200 of these are private), most of the colleges have seats which are ' sold' at as high as 5x the regular fee. High capitation fee – currently deemed illegal – and black marketing of ' NRI

Quota’ seats are estimated to account for $1. 5bn-2bn of additional spend in the space.

Distance Education – an alternate mode

India’s low GER renders a greater need for a higher number of conventional institutions as also an alternative mode of HEIs such as ODL (Open and Distance Learning) institutes. One way to improve GERs is to allow foreign universities to set up shop in India. FDI in education, including higher education, has been allowed under the automatic route without any sectorial cap since 2000; yet there is ambiguity around the space and degrees awarded by foreign universities are not recognized by the UGC or AICTE. This further underscores the need for alternative forms of learning.

Supplementing the brick-and-mortar educational institutes, Distance Education can be considered an effective and low-cost alternative to on-campus HEIs. The DEC (Distance Education Council), set up under a clause within IGNOU (Indira Gandhi National Open University), has till date extended approval to more than 130 institutions to offer distance education. Also, the ODL model does not impose any limits on the number of students in terms of infrastructure.

Risks/ Challenges

1. India’s GER of16% was much below the world average of 27%, as well as that of other emerging countries such as China (26%) and Brazil (36%) in 20102. Faculty shortage— 40% and 35% shortage of faculty in state and central universities, respectively3. Accredited institutions— 62% of universities and 90% of colleges being average or below average in 2010 on the basis of their NAAC accreditation4. Low citation impact— India’s relative

citation impact being half the world average5. There is wide disparity in the GER of higher education across states and the GAR* in urban and rural areas, and gender-and community-wise► Inter-state disparity — 47. 9% in Delhi vs9% in Assam► Urban-rural divide — 30% in urban areas vs11. 1% in rural areas► Differences across communities —14. 8% for OBCs, 11. 6% for SCs, 7. 7% for STs and 9. 6% for Muslims► Gender disparity —15. 2% for females vs19% for males

Analysis

4. ICT

Growth Drivers

Public schools proactively adopting technology

The government is taking concrete steps to improve the quality of public education system. The efforts are in earnest as is shown by the Centre’s increased allocation of spend towards education in the 11th Plan period ($68bn; 6X higher than in the 10th Plan period). ICT is being implemented in schools through the PPP route. To date, various states have auctioned ICT contracts to private suppliers for ~100, 000 schools (indicating a market size of $90m).

ICT Bid Mechanism

It is a 3 stage mechanism

Risks/ Challenges

Even though the segment offers high growth potential, the following issues make the business less attractive for players: 1. L1 contracts imply lower margins and commoditization: The contracts follow an L1 bidding process,

which leaves no room for product differentiation. Also, increasing competition would exert further pressure on margins. 2. Long receivables cycle: The contract terms typically stipulate payment release on quarterly basis. However, payments invariably take longer than a quarter to be released, which means a longer receivables cycle. While the payment-release cycle time by state governments has become shorter of late, receivable days are still high at 150-200 days. 3. High Capex per lab per school: ICT contracts are structured in a way that companies have to provide the entire infrastructure at the beginning of the contract period. Given the asset-heavy nature of the business (investment of ~Rs300, 000 per lab per school), some players have decided to shift their focus from ICT to other opportunities in the space.

Economics of the business

On a normative basis, an ICT contract generates ~13% RoCE, which improves with pure services contracts and extensions of existing hardware contracts into service contracts. Further, some contracts have additional software and services, which bring in higher revenues and better RoCE. Value of ContractRs 10, 00, 000Period of Contract5 yearsAverage Revenue per labRs 2, 00, 000EBITRs 40, 000EBIT Margin20%Investment Per Lab20%ROCE13%Source: MHRD Website

Analysis

Unlike most segments of the Indian Education Sector, dynamics of the small but high-growth ICT segment allows players to scale up. Yet, the L1 (lowest) bidding process followed for contracts and a long receivables cycle imply low RoCE of ~13%, and thus limited value creation capability. On the positive

side, the government has changed the bidding process from exclusively L1 to a mix of L1 and T1 (technical bidding). Further, with the Centre bearing ~70% of the cost on ICT, payment cycles too have improved.

5. Vocational Courses

Growth Drivers

Risks/ Challenges

Analysis

Government Policy Implementations and Regulations

1. Pre Schools

With the aim of providing integrated services for the holistic development of all children from the prenatal period to six years, the government has proposed a National Early Childhood Care and Education (ECCE) Policy that lays down the way forward for a comprehensive approach towards ensuring a sound foundation for every child. India has 158. 7 million children in the 0-6 age group as per the 2011 Census. Broadly, the policy focuses on re-structuring the Integrated Child Development Services (ICDS) scheme and integrating early childhood education with the Right to Education Act to ensure a smooth transition into formal schooling. All service providers will have to be registered with the State governments to ensure quality of services provided. Early childhood is acknowledged as the most crucial period in a person’s life, when the rate of development is very high and foundations are laid for cumulative lifelong learning and human development. There is growing scientific evidence that the development of the brain in the early years is a pathway that affects physical and mental

health, learning and behaviour throughout the life cycle. Despite the existence of multiple service provisions, there is no reliable data available about the actual number of children attending the existing ECCE provisions and their break-up as per the delivery of services. Of the 158. 7 million children in the below-six-years category, about 75. 7 million children — 48 per cent — are reported to be covered under the ICDS scheme. Broad estimations indicate that a significant number is also covered by the private sector, besides some limited coverage by the NGO sector, for which there is no data available. The quality of non-formal preschool or early childhood care and education imparted through these multiple channels is uneven, and varies from a minimalist approach to a mushrooming of accelerated academic programmes. This is largely an outcome of an inadequate understanding of the concept of ECCE, its philosophy and its importance among all stakeholders. This — coupled with inadequate institutional capacity in the system and an absence of standards, regulatory norms and mechanisms as well as a lack of understanding of the basic premise of ECCE — has aggravated the problem, observes the draft policy put out by the Ministry of Women and Child Development Ministry. This ECCE policy will cover all early childhood care and education programmes and related services in public, private and voluntary sectors in all settings across regions. These services include anganwadis (AWC), crèches, play schools, preschools, nursery schools, kindergartens, preparatory schools, balwadis, and home-based care. The policy seeks to universalise the provision of ECCE for all children, mainly through the ICDS scheme in the public sector and other service provisions across systems. The Anganwadi Centre would be repositioned as a " vibrant child-friendly Early Childhood Development

Centre" with adequate infrastructure and resources for ensuring a continuum of the ECCE in a life-cycle approach and child-related outcomes. Conversion of AWCs into AWCs-cum-crèches with a planned early stimulation component and interactive environment for children below 3 years will be piloted. Young children with different abilities would be reached out to. Service-delivery models will be experimented for family, community, and NGOs.

To standardise the quality of ECCE available to children, basic quality standards and specifications will be laid down valid across public, private and voluntary sectors. A Regulatory Framework for the ECCE to ensure basic quality inputs and outcomes, across all service providers undertaking such services, will be progressively evolved at the national level and implemented by States in the next five years. A developmentally appropriate National Curriculum Framework for the ECCE will be developed. It will promote play-based, experiential and child-friendly provision for early education and all-round development. COMMITTEETo sustain the multi-sectorial and inter-agency collaboration, a thematic ECCE Committee with experts will be formed under the ICDS Mission Steering Group initially and later formed as a National ECCE Council, with corresponding councils at the State level, and later at the district level. The council will be the apex body to guide and oversee the implementation of the policy as well as keep

ECCE programmes consistent with the National ECCE Policy.

2. K-12

3. Higher Education

Higher Education and Research Bill, 2011

The Bill aims to consolidate multiple regulations and improve transparency by the creation of a single super regulator, the National Commission for Higher Education and Research, in the place of existing regulators such as the UGC and AICTE. Key features:► Specifying norms and standards, and requirements for academic quality► Authorizing institutions to confer awards► Advising Central/state governmentsExpected outcome:► Simplification of regulatory environment and enablement of stability of policy► Promotion of autonomy and innovation in higher education

The National Academic Depository Bill, 2011

The Bill seeks to establish a national database of academic awards in electronic format through an identified and registered depository. Kew features:► Mandatory for every academic institution to lodge academic awards with the depository► Academic institutions, students and employers to have online access to national databaseExpected outcome:► Would ensure confidentiality, authenticity, online verification and easy retrieval of information

The National Accreditation Regulatory Authority for Higher Educational Institutions Bill, 2010

The National Accreditation Regulatory Authority for Higher Educational Institutions Bill aims to make 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 to come under the purview of the Bill. Expected outcome:► The Compulsory accreditation would establish uniform standards and norms across institutions and thereby enhance the quality of higher education in the country

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The Educational Tribunal Bill, 2010

The Educational Tribunal Bill aims to expedite and enable more effective litigation involving students, teachers, employees and the management of institutions. Key features:► Establishment of education tribunals (ETs) at the national (National Education Tribunal, NET) and state levels (State Education Tribunal, SET)► Establishment of ETs with jurisdiction over matters of affiliation with universities, in relation to unfair practices, the service matters of teachers or employees and disputes of institutions with regulators. Expected outcome:► Ease for settlement of disputes in a sector that suffers from complex and multiple laws► Students’ grievances not specifically covered in the Bill

Foreign Educational Institutions Bill, 2010

The Foreign Education Institutions Bill aims to regulate 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 campuses as well as collaborations of FEIs with Indian institutes► Prior track record of 20 years in home country required with a minimum corpus of INR500 millionExpected outcome:► Mechanism to ensure that only reputed institutes operate in India► Significant quality improvement due to increase in competition as well as partnerships and collaborations

4. ICT

Centrally Sponsored Scheme of Information & Communication Technology (ICT) in Schools

The Information and Communication Technology (ICT) in Schools Scheme was launched in December, 2004 to provide opportunities to secondary stage students to mainly build their capacity on ICT skills and make them learn through computer aided learning process. The Scheme is a major catalyst to bridge the digital divide amongst students of various socio economic and other geographical barriers. The Scheme provides support to States/UTs to establish computer labs on sustainable basis. It also aims to set up smart schools in Kendriya Vidyalayas and Navodaya Vidyalayas which are pace setting institutions of the Government of India to act as " Technology Demonstrators" and to lead in propagating ICT skills among students of neighbourhood schools. Based on the experience gained so far, the Scheme was revised, in July 2010.

Components of the scheme

The scheme has essentially four components:-

I. The first one is the partnership with State Government and Union Territories Administrations for providing computer aided education to Secondary and Higher Secondary Government and Government aided schools. II. The second is the establishment of smart schools, which shall be technology demonstrators. III. The third component is teacher related interventions, such as provision for engagement of an exclusive teacher, capacity enhancement of all teachers in ICT and a scheme for national ICT award as a means of motivation. IV. Fourth one relates to the development of a e-content, mainly through Central Institute of Education Technologies (CIET), six State Institutes of Education Technologies (SIETs) and 5 Regional Institutes of Education (RIEs), as also through outsourcing.

The highlights of the revised scheme are:-

a. The non-recurring expenditure for school has been revised from Rs. 6. 7 lakh to Rs. 6. 4 lakh whereas annual recurring expenditure has been revised from 1. 34 lakh to Rs. 2. 70 lakh. The recurring cost will be provided for a period of 5 years from the year of sanction. b. The objective of the Scheme is to cover all Government and government aided secondary and higher secondary schools by giving priority for early coverage of schools in educationally backward blocks and in areas having concentration of SC/ST/minority/weaker section. c. Under the revised scheme, there is a provision of a suitably qualified full time computer teacher in each secondary and higher secondary school. In case of higher secondary school having computer related subjects as elective, there would be need for a post

graduate in computers teacher. d. There are provisions for in-service (induction and refresher) training for all teachers in secondary and higher secondary schools to enable them to impart ICT enabled teaching. e. 150 smart schools would be sent up by State Government and UTs at the district level using a grant of Rs. 25 lakh for a schools and a recurring grant of Rs. 2. 5 lakh per year. This would enable provision of at least 40 computers in each such school. f. There is a provision to strengthen SIETs to contribute to e-content development. g. Management, monitoring and evaluation will be strengthened. h. Convergence with the existing programme would be essential especially in teacher training and ensuring reliable power supply and internet connectivity. i. The scheme includes National Award for teachers using ICT in schools in the teaching learning process. j. The sharing pattern will be 75. 25 between the Centre and the State except for the north eastern States including Sikkim where the ration would on 90. 10.

Coverage

The scheme currently covers both Government and Government aided Secondary and Higher Secondary Schools. Financial assistance is provided for procurement of computers and peripherals, educational software, training of teachers, development of e-contents, Internet connectivity & set up of smart schools.

ICT Policy

A Committee has been constituted to draft a Policy on the usage of ICT in Schools Education. A draft policy has been prepared which is in the final stage. The draft policy aims at using ICT for preparing youth to compete

globally and participate creatively in the establishment, sustenance and growth of a knowledge society.

Porter’s Five Forces Analysis of Indian Education Sector

Although it is probably one of the most widely used frameworks for industry analysis, Porter’s Five Forces is still rarely any less relevant today and thus the need for the rather lengthy discussion. Each of the five forces will be applied to the specifics of the higher education industry. http://3. bp. blogspot. com/-xrPDbpucJM8/TvFOzqkBXvI/AAAAAAAAG-A/M0HAijH8j7k/s1600/Porter5. jpg

The threat of the entry of new competitors

Public universities and colleges are usually very large organizations with extensive administrative operations, pervasive facilities and grounds, invaluable brands and an alumni base that can have a legacy well over a hundred years old. These characteristics, the capital and endowments required to support these long-term assets, including land grant entitlements, almost per se define large economies of scale, which certainly represent formidable barriers to entry. Federal and state governments also regulate the establishment of publicly supported schools based on policy needs and budget constraints. One of the greatest barriers to entry into specific areas of higher education is the requirements and restrictions imposed by accrediting associations.

The intensity of competitive rivalry

The Indian higher education industry includes approximately 4000 degree granting colleges and universities. The adjacent pie chart illustrates the industry breakdown by sector. Although, higher education may appear fragmented with over 4000 competing entities, the industry is actually quite concentrated due to over 50 percent of the approximately 17. 7 million students being enrolled in only 400 of these colleges or universities. As demand for Indian higher education escalates, state supported universities and community colleges will most likely cap enrolments with the for profit sector quickly responding to the increased demand with a corresponding increase in supply. The for-profit segment is much more flexible, agile to market conditions, and eager to accept change than the traditional state supported universities, essentially due to its governance structure.

The bargaining power of customers (buyers)

With roughly 17. 5 million currently enrolled students in higher education institutions in the India, without any specific target groups representing a majority market share, buyers are fragmented and diffused across the market. This buyer characteristic limits the effective power any one specific student may have in terms of negotiating tuition rates, admission requirements and other amenities. In today’s information age, the contents of an undergraduate record of course descriptions is only a mouse click away. School search and evaluation data is a frictionless, symmetrical and essentially free process. Of course, this not was always the case. Twenty years ago, a high school student had to patiently wait weeks to receive a university record by mail to assist with college evaluations. It is axiomatic

that the more information a buyer has, the more balanced the transaction or exchange will be. A growing market diminishes buyer power relative to a market with an average growth rate and along that same argument; the more distributed buyers are over a given geographic location, the less power they accrue.

The bargaining power of suppliers

The degrees of supplier concentration and supplier importance, in respect to the higher education industry are essentially the same side of the economic coin. If there are few suppliers to an industry and these suppliers sell an essential component or service to the industry, then supplier power will be high relative to other industries. Suppliers have a huge bargaining power due to the lack of good quality institutions. But the sector is also hugely regulated as it does not allow setting up of " for-profit" schools and colleges.

Threat of Product or Service Substitution

At first, one may think that the options or alternatives related to earning a college degree or obtaining additional higher education would be constrained by location, level of income or possibly cultural influences. Although possibly true 20 years ago, these limitations to higher education are significantly less relevant today. At present, the variety of educational " products" is extensive and continues to increase as influenced by the exponential advances in information technology. Classic economic theory classifies information technology as product compliment, because the existence of the product or service augments the features and benefits of an incumbent’s product offering. Switching costs between products and services are a concrete aspect of the abstract concept of product substitution. The threat of

substitutes is medium in the industry based on the segment of the market which we are looking at. Threat of substitutes for good quality institutions is low as quality cannot be compromised. For institutions which are in this field to make quick money the threat of substitutes is high.

Present Private Players

Recent Developments

Budget 2013-2014HRD Ministry gets Rs 65, 867 crore. Finance Minister P Chidambaram has presented the Union Budget for the year 2013-14. Some of the key points in the education section are as follows: 1. 4, 727 crore for medical education, training and research2. Rs 13215 crore for mid-day meal programme. 3. Rs 41, 561 crore for SC plan and Rs 24, 598 crore for tribal plan. 4. Target of skilling 50 million people in the 12th Plan period, including 9 million in 2013-14. 5. An increase of 25. 6 per cent over RE of the current year for investments in Rashtriya Madhyamik 6. Shiksha Abhiyan (RMSA). 6. 5, 284 crore allocated to Ministries/Departments in 2013-14 for scholarships to Students belonging to SC, ST, OBC, Minorities and girl children. 7. An allocation of 160 crore to the corpus of the Maulana Azad Education Foundation to raise its corpus to 1, 500 crore during 12th Plan period. The Right to Education Act is firmly in place, says Chidambaram, while announcing Rs. 27, 250 crore to Sarva Shikhsa Abhiyaan. The Human Resources Development ministry meanwhile gets Rs. 65, 867 crore, a rise of 17% from revised estimates. A government committed to the creation of Nalanda University as a centre of Educational excellence. Chidambaram announces additional fund allocation of Rs 200 crore to the Women and Child

Development Ministry. He says women 'belonging to the most vulnerable groups must be able to live with self-esteem and dignity'.