

# The Role of Higher Education in Economic Development

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## Abstract

*“The Narendra Modi government is passionate about education, although it has been censured at times for trying to ‘Saffronise’ learning”*

The aim of the paper is to develop Indian economy growth and its impact of upcoming scenario. In the modern world education is becoming the most important resource for economic and social development of countries, improving well-being and individual development of citizens. Education in every sense is one of the fundamental factors of development. No country can achieve sustainable economic development without substantial investment in human capital. Education enriches people’s understanding of themselves and world. It improves the quality of their lives and leads to broad social benefits to individuals and society. Education raises people’s productivity and creativity and promotes entrepreneurship and technological advances. In addition it plays a very crucial role in securing economic and social progress and improving income distribution. Our higher education institutions serve and enrich society in many ways and their role in modern Ireland is multi-faceted

**Keywords:** Human Development, Economic Growth, Poverty, Labour Productivity, Education, Technology, Trade, Health

## 1. Introduction

India holds an important place in the global education industry. The country has more than 1.4 million schools with over 227 million students enrolled and more than 36,000 higher education institutes. India has one of the largest higher education systems in the world. However, there is still a lot of potential for further development in the education system.

The main purpose of this paper is to show the role of education in economic development and the effect of education on labour productivity, poverty, trade, technology, health, income distribution and family structure. Education provides a foundation for development, the ground work on which much of our economic and social well-being is built. It is the key to increasing economic efficiency and social consistency. By increasing the value and efficiency of their labor, it helps to raise the poor from poverty. It increases the overall productivity and intellectual flexibility of the labor force. It helps to ensure that a country is competitive in world markets now characterized by changing technologies and production methods.

### 1.1 The Importance of Education in Economic Development

- (a) Various government initiatives are being adopted to boost the growth of distance education market, besides focussing on new education techniques, such as E-learning and M-learning.
- (b) Education sector has seen a host of reforms and improved financial outlays in recent years that could possibly transform the country into a knowledge haven. With human resource increasingly gaining significance in the overall development of the country, development of education infrastructure is expected to remain the key focus in the current decade. In this scenario, infrastructure investment in the education sector is likely to see a considerable increase in the current decade. Moreover, availability of English speaking tech-educated talent, democratic governance and a strong legal and

intellectual property protection framework are enablers for world class product development, as per Mr. Amit Phadnis, President-Engineering and Site Leader for Cisco (India).

- (c) *The Government of India has taken several steps including opening of IIT’s and IIM’s in new locations as well as allocating educational grants for research scholars in most government institutions.* Furthermore, with online modes of education being used by several educational organizations, the higher education sector in India is set for some major changes and developments in the years to come.
- (d) Prior to the nineteenth century, systematic investment in human capital was not considered especially important in any country. Expenditures on schooling, on-the-job training, and other similar forms of investment were quite small. This began to change radically during this century with the application of science to the development of new goods and more efficient methods of production, first in Great Britain, and then gradually in other countries.
- (e) Many countries are now on the brink of a further increase in access to secondary and higher education and in effecting spectacular improvements in the quality of education offered at all levels. As increasing numbers of students complete their basic education, their demand for education at higher levels is similarly increasing. Educating girls and women is probably the single most effective investment a developing country can make, whether or not women work outside the home. It creates a multitude of positive remunerations for families including better family health and nutrition, improved birth spacing, lower infant and child mortality, and enhanced educational attainment of children.

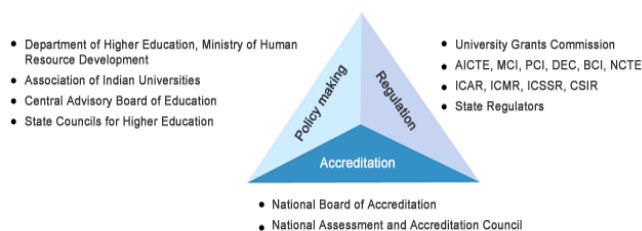
### Market Size

The education sector in India is poised to witness major growth in the years to come as India will have world’s largest

tertiary-age population and second largest graduate talent pipeline globally by the end of 2020. As of now the education market is worth US\$ 100 billion. Currently, higher education contributes 59.7 per cent of the market size, school education 38.1 per cent, pre-school segment 1.6 per cent, and technology and multi-media the remaining 0.6 per cent.

Higher education system in India has undergone rapid expansion. Currently, India's higher education system is the largest in the world enrolling over 70 million students while in less than two decades, India has managed to create additional capacity for over 40 million students. At present, higher education sector witnesses spending of over Rs 46,200 crore (US\$ 6.96 billion), and it is expected to grow at an average annual rate of over 18 per cent to reach Rs 232,500 crore (US\$ 35.03 billion) in next 10 years.

Regulatory Framework Of Higher Education In India



## 1.2 The Government of India Rule's in Promoting Education Policy

Even as education budgets have drawn mixed reactions, skill and formal learning have been intricately linked, and budgetary allocations suggest a strong shift towards higher education. New institutes of excellence have been announced, making development more regionally balanced with states such as Jammu and Kashmir, Bihar, Himachal Pradesh and Assam getting AIIMS, IITs and IIMs. "The government has done a few good things such as launching a programme that allows us to invite people from abroad at government's expense which has made it easy for universities to invite foreign faculty. A ranking system in India is being launched in which JNU is also participating and varsities are also going to adopt villages. But we have not seen much enhancement in budgetary allocation and resources continue to be a constraint," said Sudhir Kumar Sopory, vice-chancellor of Jawaharlal Nehru University. The Modi government has come under attack over its alleged tendency to centralize the education system.

"There seems to be a lack of policy in HRD. The tendency to centralize is detrimental. Autonomy is essential for universities. More is good and not less. The new Central Universities Act is a clear evidence of this centralization," said Mridula Mukherjee, professor of history at JNU.

"Look at the move to frame a new education policy. Government must understand that educational systems and policies evolve over a long period of time and cannot be tinkered with every change of government.

**1.3 India is promoting toward Higher Education in India:** According to the Federation of Indian Chambers of Commerce and Industry-Ernst & Young (FICCI-EY) report

on higher education in India, the year 2030 marks 20 years of accelerated educational reforms in the country. Despite remarkable strides of progress, India's higher education institutions are not yet the best in the world. Demographically, by 2030, India will be the youngest nation in the world and will be the largest contributor to the global workforce. To take advantage of the demographic dividend and to have effective investments in its human capital, India needs to have a futuristic and holistic approach in its educational planning.

**The FICCI vision 2030 envisages a three-tier system of higher education.**

**In tier 1, there will be the top 100 universities in the country focusing only on research. Government should provide generous grants on a competitive basis to facilitate quality researches in these universities.**

The next layer of universities would be teaching universities that facilitate latest models of teaching applying modern technology. The large number of the third layer universities includes ordinary universities and colleges to make education more inclusive. These colleges must be capable of reducing inequality in the access to education. They must be instrumental in facilitating the upward mobility of weaker sections and the under-privileged. The great networking possibilities in these colleges can empower the lesser privileged. Through these third type of institutions, the state should guarantee college education to all those who need it.

India's higher education sector is facing a real crisis of quality of teaching. It is time to enhance the value of teaching as a profession. It is desirable to have incubation centers for teachers. The state has to spend more for upgrading the quality of teaching. The caliber and strategies of university and college professors can greatly influence the capabilities and growth of the students at their disposal.

Higher education policy should focus on social change and social transformation. There is any number of examples in the history of the world to demonstrate that social philosophers amongst educationists initiated great movements that transformed the whole world. The new policy should look at the society in its totality ensuring the ethics of sustainability. Our colleges and universities should be capable of turning out globally competent graduates who can appreciate cultural differences. Education should provide them the capabilities for critical thinking and problem-solving in a globalised environment. In a recent book, *No Ordinary Disruption: The Four Global Forces Breaking All the Trends*, the directors of McKinsey Global Institute explain the trends reshaping the world and why leaders must adjust to a new reality.

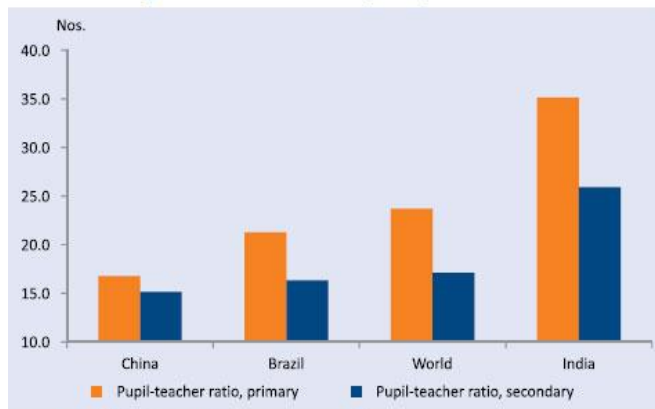
## 1.4 Higher Education System: Impact on Indian Economy

### 1. Education

In the recent past, India has made significant progress in the field of education. While literacy levels increased from 64.8% in 2001 to 73% in 2011, it is significantly below the world average of 84.3% as of 2010. Amongst the BRICS nations, literacy levels in China were 95.1% while Brazil attained 90.4%, South Africa 92.9% and Russia had around 100% literacy rates as per World Bank estimates of 2010. Further, the rise in literacy levels is not uniform in India. While the

male literacy rate is 80.9%, the female literacy rate is merely 64.7% according to Census 2011. A goal of the 12th Five Year Plan is to raise the overall literacy rate to over 80% and to reduce the gender gap in literacy to less than 10%. In order to improve the growth of the economy, the literacy rate must rise uniformly. According to UNDP report, 2014 estimates, India's adults mean years of schooling at 4.4 years is well below the other emerging market economies such as China (7.5 years) and Brazil (7.2 years). A matter of particular concern is the steep dropout rate after the elementary level

Chart 2.2: Pupil to Teacher Ratio (2011)



Source: World development indicator-2014, World Bank

As indicated by the 12th Five Year Plan, the four major priorities with respect to education are access, equity, quality and governance. The problem of access is no more primary enrollment, but ensuring that the dropout rate is minimal, increasing secondary enrollment and ensuring regular attendance. There is a drastic difference in the male and female enrollment rate. Moreover, in order to improve inter-generational mobility, the government must ensure that families below the poverty line are provided equal opportunities. While the gaps in average enrolments between disadvantaged groups and the general population have decreased, there is still a considerably large gap in learning levels with historically disadvantaged and economically weaker children having significantly lower learning outcomes. Therefore in the future equity is a major concern. While the primary enrollment in India has increased dramatically, the literacy rates have not risen significantly. This is because the quality of education has not been up to the mark.

Indicators of the quality of education are pupil to teacher ratio, physical space, textual materials, classroom processes, and academic support to the teachers, assessment procedures and community involvement. The pupil to teacher ratio in China stands at 16.8 while Brazil has a ratio of 21.3, significantly below that of India (35.2) as per WDI database 2014. Regular studies and analysis should be conducted in order to monitor the impact and quality of teaching.

The education system in India can be categorized into 1. Pre-primary education (Until age 6), 2. Primary education (Ages 6

– 11), 3. Secondary education (Ages 11 – 16), 4. Tertiary education (Ages 16 and beyond, includes university education), 5. Vocational education (training for specific trades), 6. Teacher education (Developing teaching skills) and 7. Adult education (Ages 18 and beyond developing skills, attitudes or values).

## 2. Pre-primary Education

The main purpose of pre-primary education is to prepare children physically, emotionally, socially and mentally for formal schooling and to prevent poor performance and early drop out. The Government of India had launched the Integrated Child Development Services (ICDS) scheme in 1975. The Department of Women and Child Development has been implementing the scheme which seeks to provide healthcare facilities, supplementary nutritional support and to improve children's communication and cognitive skills as a preparation for entry into primary school. The private sector also has a significant number of pre-primary institutions and with growing demand for pre-primary education in urban areas, the number of institutions is likely to go up. With a rising population and an increasing rate of young population, India is set to require a greater number of pre-primary institutions both in urban and rural areas.

## 3. Secondary Education

The government has initiated several schemes to encourage secondary education. However, the gross enrollment ratio (GER) of secondary school remains at 69% as of 2011, which is significantly below China (89%), Russia (95%) and South Africa (102%), according to World Development Indicator (WDI) report, 2014. As per the 12th Five Year Plan, the target is to raise the Gross Enrolment Ratio (GER) at the secondary level to over 90%.

The ongoing Centrally Sponsored Schemes for secondary education are as under

1. National Means-cum-Merit Scholarship Scheme
2. National Scheme for Incentive to Girls for Secondary Education
3. Rashtriya Madhyamik Shiksha Abhiyan (RMSA) for universalisation of access to and improvement of quality of education at secondary stage
4. Scheme for setting up of 6000 Model Schools at Block Level as benchmark of excellence
5. Scheme for construction and running of Girls Hostel for students of secondary and higher secondary schools.
6. Scheme of Inclusive Education for Disabled at Secondary Stage (IEDSS)
7. Vocationalisation of Secondary Education

Source: Department of School Education and Literacy, Ministry of Human Resource Development, Government of India

The government had launched the Rashtriya Madhyamik Shiksha Abhiyan (RMSA) scheme in FY10 in order to increase the enrollment ratio into secondary school. The scheme targets to achieve access to universal secondary education reduce gender, social and regional gaps and ensure good quality secondary education by the end of 12th Five Year Plan and by 2020 the scheme wishes to achieve universal retention. Under the Union Budget FY15, ₹ 49.7 bn has been allocated for Rashtriya Madhyamik Shiksha Abhiyan.

**Table 2.1: Achievements and targets of RMSA as of 31st March 2014**

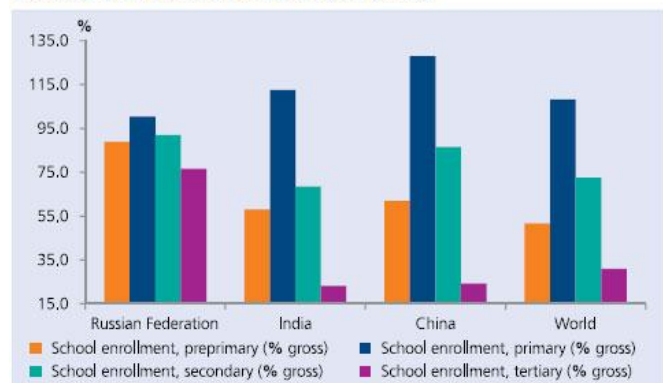
Sr. No	Target	Achievements
1	11,000 (approx.) new schools	10,503 new schools sanctioned
2	Strengthening of 44,000 existing schools	Strengthening of 35,540 existing schools have been approved
3	179,000 additional teachers	41,507 additional teachers have been approved
4	88,500 additional classrooms	51,767 additional classrooms have been approved
5	In-service training of all teachers every year	In-service training has been sanctioned

Source: Department of School Education and Literacy, Govt. of India.

The Information and Communication Technology in Schools (ICT) Scheme was launched in Dec 2004 to promote computer education. The scheme is expected to bring innovation in teaching learning process. National Scheme of Incentive to Girl Child for Secondary Education is launched with the objective to establish an enabling environment to reduce the drop-outs and to promote the enrolment of the girl child belonging mainly to SC/ST communities in secondary schools. National Means-cum-Merit Scholarship Scheme (NMMSS) was launched in May 2008 with the objective to award scholarships to meritorious students of economically weaker sections to arrest their drop out at class VIII and encourage them to continue the study at secondary stage. Other schemes include Financial Assistance for Appointment of Language Teachers, Vocationalisation of Secondary Education, and Inclusive Education for Disabled at Secondary Stage and Adolescence Education Program.

Tertiary education India has one of the largest higher education systems in the world, and has been witnessing healthy growth in its number of institutions and enrollment. There exist 723 Universities, 37,204 colleges and 11,356 diploma-level institutions according to the Economic Survey FY14. Gross Enrolment Ratio (GER) in higher education in India for 2012 is 25% while China has a GER of 27% and Russia of 76% in the same period according to WDI report, 2014. The Pupil-Teacher Ratio (PTR) in universities and colleges is 25.6 as per All India Survey on Higher Education released in 2013. It is evident that while states like Tamil Nadu have numerous Universities, the North Eastern regions lack good quality educational institutions. The government must strive to set up greater number of educational institutions in the North-East regions.

In the field of higher education, the Government proposes to set up Jai Prakash Narayan National Centre for Excellence in Humanities in Madhya Pradesh. Also, five more IITs in Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala will be set up, besides five IIMs in Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra.

**Chart 2.3: Gross enrollment ratio (GER)**

Source: World development indicator-2014, World Bank.

#### 4. Adult Education

Saakshar Bharat Mission (SBM) was launched in 2009 to further promote and strengthen “Adult Education”. According to a report by UNESCO, the youth and the adult literacy rate in India is likely to be 90.2% and 80.5%, respectively by 2015. This reflects that although the government is taking active steps in educating children at the primary and secondary level it also needs to educate adults in order to achieve the literacy targets set in the 12th Five Year Plan. India has lower adult literacy rates than youth literacy rates. Therefore, the government needs to ensure that it invests more in adult education in the future.

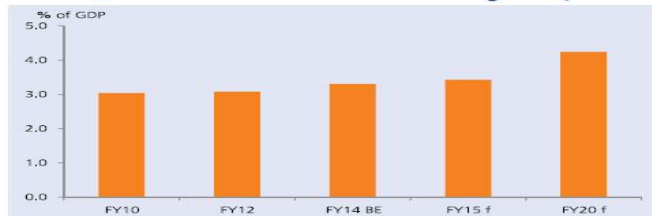
#### 5. Teacher Education

Competence of teachers and their motivation is crucial for improving the quality. At the national level, the National Council of Educational Research and Training prepares a host of modules for various teacher training courses and also undertakes specific programs for training of teachers and teacher educators and similarly at the state level in order to promote future growth, education and training of teachers is mandatory. The Central Government has started with best teacher awards, to encourage and facilitate efficient teachers and motivate youth to join the profession. With the Internet revolution, one can make videos of these talented teachers and show it to current as well as aspiring teachers, so that they can improve their teaching skills. Therefore the future of teacher education and training is online education. The Pandit Madam Mohan Malviya New Teachers Training Program is being launched for an initial sum of ₹ 5 bn.



India faces a huge challenge to fund its rapidly growing higher education sector. As per D&B's estimates, public expenditure in education is expected to increase to 4.2% of GDP by FY20, compared with 3.3% (BE) of GDP in FY14. In order to help India's education sector to develop more rapidly, private expenditure is set to increase during the current decade. The likely scenario in the future will be a lowering of current licensing and regulatory restrictions to ease the barriers of entry for private institutions. India's goals for the next several years could revolutionize the education sector and will help train individuals ready to enter the workforce. This influx of skilled workers in both the service and industrial sector is expected to contribute to the growing GDP.

Chart 2.4: Investment in education sector to gather pace



f: D&B forecasts  
Source: Planning Commission, DSB India, India Budget document

## 2. Summary

### Future Opportunities & Recommendations

The interview data and the extensive reforms in higher education in India reveal a system undergoing considerable transformation. There is a sense of urgency in policy makers, institution leaders and faculty to expand the system at a fast enough pace to meet the surge in demand, while increasing quality and ensuring equitable access. There is a great deal of caution about the way reforms will unfold; progress is likely to follow an unpredictable course. The federal government is enabling states and institutions more autonomy to drive through reforms, which is creating greater potential for international engagement. Indian institutions are seeking more international collaboration on their terms and which will address their challenges.

### 3. Strategic approach

- For the UK sector as a whole, establish a deeper, broader and more diverse engagement with India in higher education.
- The expansion and reform of higher education in India will be driven by the states. The increasing devolution of authority and budgets will probably mean that the significant opportunities for institutional partnering and large-scale, system-wide, multidimensional cooperation will emerge at state level. Some states will move faster than others: there will continue to be considerable variation in the ability and will of state governments to reform their higher education sectors. Therefore, strategic partnerships with Indian institutions will need to be highly selective; UK institutions would benefit from being aware of new state plans and their implications and opportunities. The central government in India will continue to be highly influential in a strategic and regulatory capacity Systemic reform and legislative environment.

### 4. Systemic reform and legislative environment

- There are opportunities for strategic engagement and capacity building in higher education leadership and management at the state level, in preparation for the implementation of the new regulatory system under the RUSA reform programme. Summary: Future opportunities & recommendations 37 © 2014 British Council. All rights reserved. 42 Re-imagine: India-UK cultural relations in the 21st century', British Council, 2013
- There are opportunities for India-UK collaboration at state and national levels on areas of systemic reform, including quality assurance, international credit recognition, and unified national qualifications framework. There may emerge opportunities for larger scale cooperation at state level, which may require consortia-style approaches

### 5. Institutional engagement

- There is a need to build stronger relationships and increase mutual understanding in higher education by increasing support and participation in platforms (conferences, workshops, seminars) which enable debate and dialogue between Indian and UK leaders and academics on issues affecting higher education.

*In summary, there is expanding scope and opportunity for the UK higher education sector to engage with India and keenness within the Indian sector to partner with the UK through a broader, more diverse relationship. However, Indian institutions are looking globally for partners and other countries and their institutions are perceived to be more responsive in areas such as inward mobility to India. While the UK is still positioned strongly to be a key partner in India's growth, it will need to increase its engagement if it is to play a significant part in the biggest opportunity for international higher education in the world in the coming decade.*

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