



**Current Trends in
PRIVATE HIGHER EDUCATION IN ASIA**



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Caveats

- Intra-regional, inter-country variations
 - Stylized facts
 - Weak database
 - Blurred distinction between public and private
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Public Policies towards Private Education

- Public policies are in a confusing state
 - Policies out of compulsion
 - Policies out of conviction
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Public Policies



Support Strong public
Anti-Private

Un/De/Regulate Private

Pro-Private
Laissez-faireism
Public-Private
Partnerships



Stylized Fact # 1

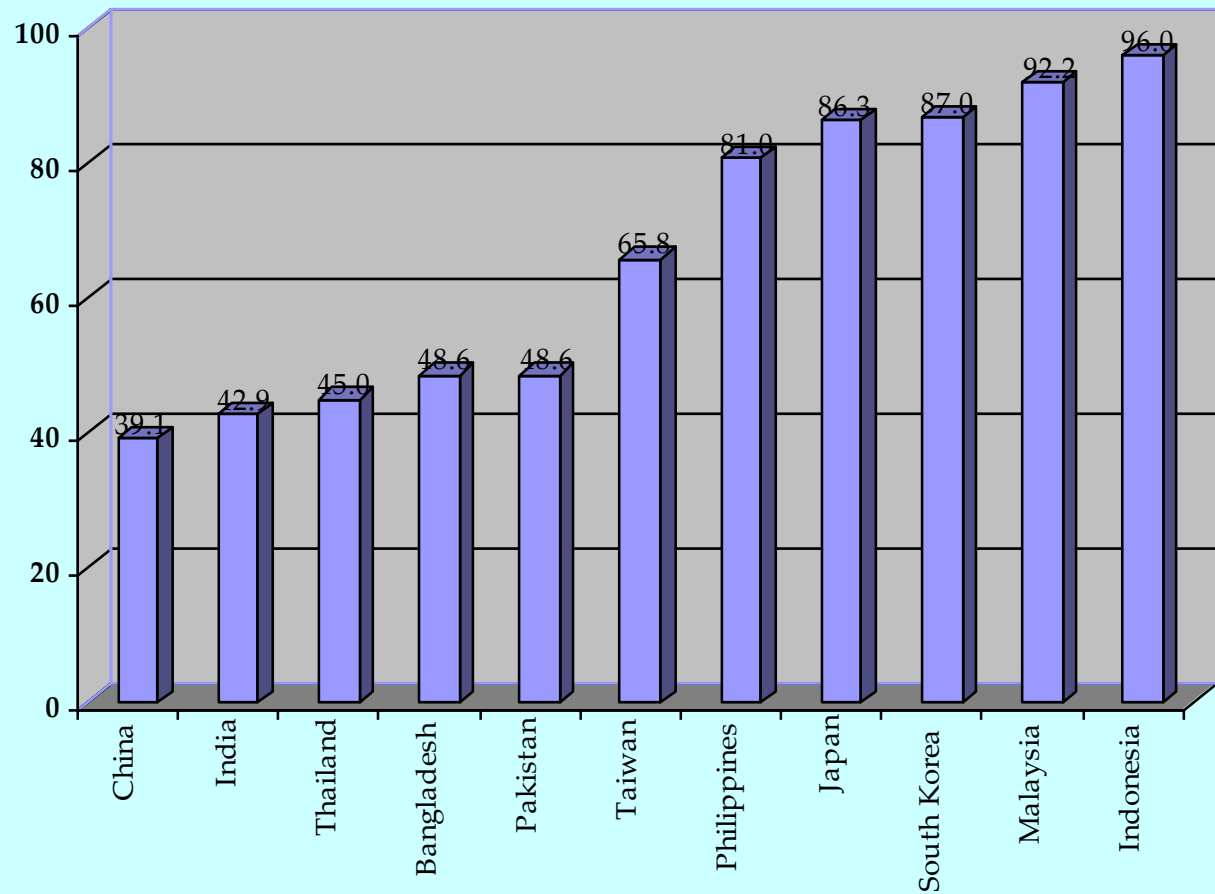
- ❑ Rapid growth in private education
 - ❑ Diminution in public size
 - ❑ Crowding out
 - ❑ Abdication of responsibility by the State
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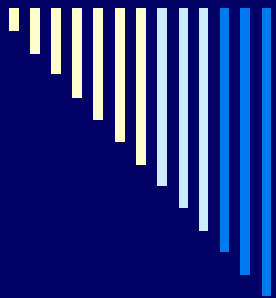


Current Types of Privatisation

- Setting up of private institutions
 - State funded private institutions
 - Philanthropic private institutions
 - *profit-making* private institutions
 - Privatisation of Public institutions
 - Financial privatisation
 - Increase in fees/cost recovery
 - Introduction of self financing courses
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Private Higher Education Institutions in Asia (2000-6)





Yet another form

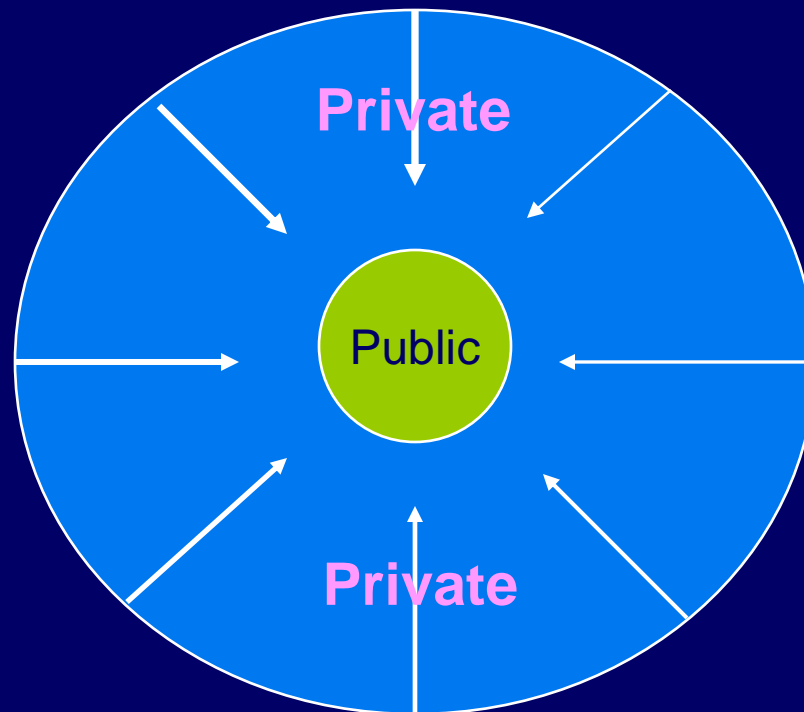
- Growth of unrecognised/fake institutions offering fake degrees, cheating the public
 - Unrecognised (*unrecognizable*) institutions
- No information on the number of such institutions



Developing countries surpass developed countries

- Education in developing countries is more privatised than in many advanced countries.
- % Students in private institutions
 - US 24.0
 - Germany 3.7
 - OECD mean 11.4
 - Philippines 68.1
 - Indonesia 66.5
 - Malaysia 23.0

Over-crowding of the Public Sector by Private Sector



- *Will the Gresham's Law operate ?*



Growth in private sector is due to

□ Domestic conditions

- Excess demand, not much differentiated demand
- Lack of resources
- Strong Market forces
- Weak government mechanisms
- Absence of clear policies

□ International environment

- Neo-liberal and adjustment policies
 - WTO/GATS
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Stylized Fact # 2

- A significant shift from Philanthropy to profits in private education
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Philanthropy to Profits

↓ Decline in Philanthropy

- Decline in private contributions to public institutions
 - Virtual halt of State-aided private sector
 - ↑ Rapid growth in Self-financing private sector
 - 'Charitable' private institutions also tend to become profit-oriented commercial institutions.
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Decline in Philanthropy

- Change in attitudes in societies
 - In favour of personal economic gains
 - Social acceptance of 'profit' in education discourses
 - Legal acceptance of for-profit institutions
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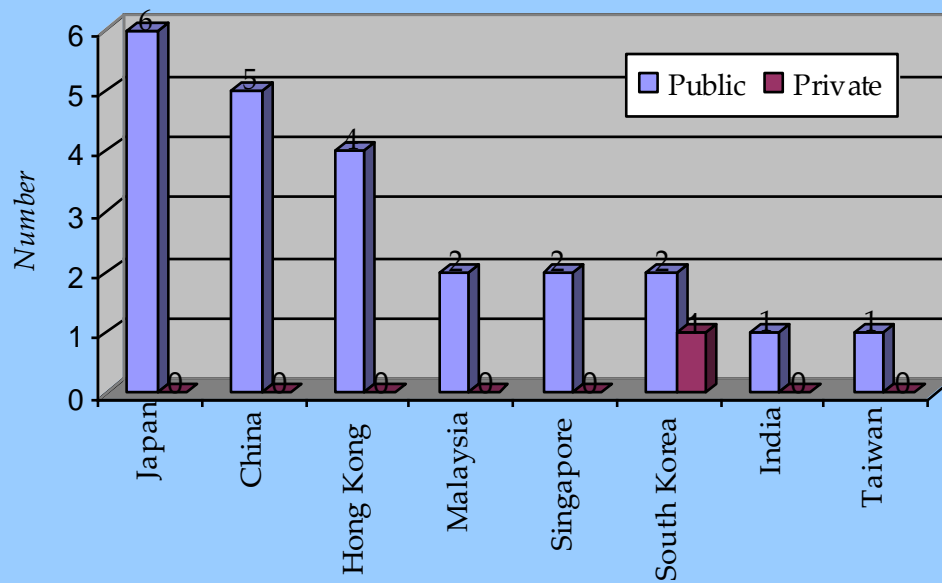
Stylized Fact # 3

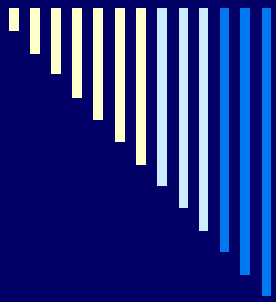
□ All that glitters is not gold

Quality of private institutions is questionable

- High Student-Faculty ratios
 - Low Quality Teachers
 - Inadequate infrastructure
 - Small institutions
 - Cheap/Marketable Academic disciplines
 - Absence of research
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Number of Ranked Universities in World University Rankings (*THES 2004*)





Small Private Higher Education Institutions !

	Universities	<i>% of</i> Enrolment (university)
□ Thailand	45	13
□ Malaysia	92	23
□ China, Indonesia:	≈ 'community colleges'	



Stylized Fact # 4

- ❑ Private institutions in Asian developing countries exclusively rely on student fees, as **the only** source of funds
 - ❑ Private sector's own contribution is negligible.
 - ❑ Free-ships/Scholarships are limited
 - ❑ No generation of resources from other sources
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Levels of Fees in India

- Fees (Absolute Amounts)
 - Private > Public
 - Fees in Private /Public Institutions
 - India (50-80) :: Developed Countries (3-8)
 - Fees/cost Ratio (*Cost Recovery Rate*)
 - Private (100%) :: Public (20%)
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Cost Recovery Rates (Fees) in Private Higher Education

USA

25%

Japan

59%

South Korea

82%

Philippines

85%

INDIA

100% / more



Private education in Developing Countries ≠ Western countries

West

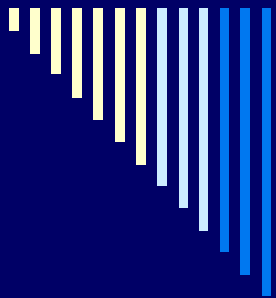
- ❑ Philanthropy
- ❑ Educational
- ❑ Quality
- ❑ Diversity

Developing Countries

- ❑ Declining public investment
- ❑ Profit motive

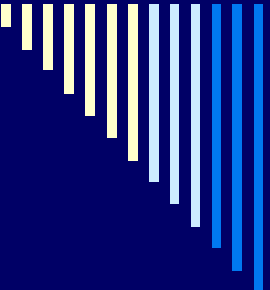
In all countries: a gradual shift from philanthropy to profits

The Asian model is not the best model for developing countries (*Lawrence Summers*)



Stylized Fact # 5

- Economies with predominant private higher education systems have not necessarily developed much
 - Educationally
 - Economically, Socially/politically
- The other way is true.
- Exceptions are very few (Japan and Korea)



Private Enrolments & GER in Higher Education

	<i>% Private</i>	<i>GER</i>
Philippines	68	28
Indonesia	67	17
India	31	10
Malaysia	23	32
Thailand	13	43



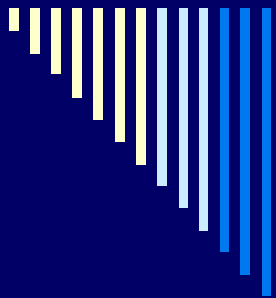
Privatisation: What is at stake?

- ❑ Equity: Social, economic, Regional
 - ❑ Quality – growth of substandard programmes
 - ❑ Public Pauperization and Private enrichment
 - ❑ Crowding-out the public sector
 - ❑ Public good nature of higher education
 - ❑ Balanced Development of Higher Education
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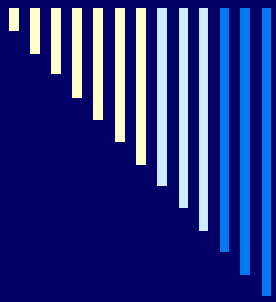
Why Public Education is Important?

- Public good
 - Externalities – produces externalities
 - Merit Good
 - Experience Good
 - Equality of opportunity
 - Multiple objectives/outputs
 - Imperfections in capital markets
 - Asymmetric/imperfect information
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Choice ?

- Government failures to be preferred to market failures !
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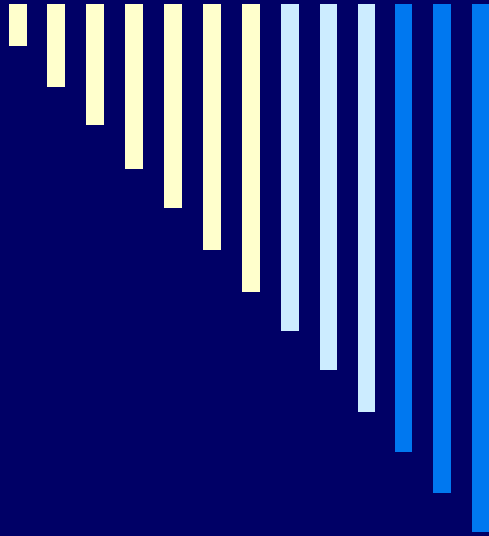


**Public education is the
foundation of the prosperity of
the nation...**

Antonio Garcia Cubes

Mexico: Its Trade, Industries and Resources (1893).





Thank you