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Stop the 'War' Against Enterprise

India has too many illiterates but too few entrepreneurs entering into the field of education. Why is this so? The answer is simple: the country is hostile territory for educational entrepreneurship. The government's 'war' against enterprise has ensured that only a select few enter the core education sector.

The reasons for this are not too difficult to find. The education sector is reserved for not-for profit (NFP) entities and this ensures adverse selection by blocking conscientious entrepreneurs who are unwilling to operate for-profit (FP) businesses under the guise of NFP as most currently do.

Economically also, certain government strategies drive away genuine entrepreneurs. The cap on revenues through price controls on fee and constant government sponsored inflation of expenses by obligating compliance with pay commission hikes, etc., are huge stumbling blocks. Another drawback is the fact that the government has confused funding with delivery. Public subsidies are available only for public entities unless the private sector is willing to cede control. Institutional funding, too, is unavailable: NFPS involve huge off-balance sheet settlements, rendering them out of bounds for institutional lenders and financiers. There are other issues, too.

The government's refusal to pass on a part of rising costs on to the consumers (students) has also hindered growth of quality education.

The current foreign investment regulations equate education with real estate. Indian banks are unclear if education is an industry or simply a part of the real estate sector. Ironically other real estate intensive sectors and relatively elitist offerings such as hospitality suffer from no such distortions.

There are four clear upsides of removing the regulatory cholesterol that impedes entrepreneurship in education:

- Private enterprise will improve both in terms of access and quality and India will build world-class institutions. Indian students will be spared humiliation at home (not seeing your name in the admission list despite being a good student) and abroad (racial prejudice, visa rejections, etc.).



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- Competition will eliminate regulatory arbitrageurs. A handful of current players, who are honest and competitive, will continue to prosper. Most importantly, the reforms will allow honest entrepreneurs to set up schools and colleges.

- Multiple price points and alternative models will emerge. Private enterprise will create offerings all along the price spectrum.

- Massive investments upwards of a few billion dollars will flow into both the core and ancillary education sector. Indian entrepreneurs will be better equipped to face competition from offshore offerings.

This demand for reform is not an appeal to do away with regulations—we need regulation especially because our courts are slow. But the principal threat to capitalism is not economic but political. Crony capitalism may ensure another KC Basin or Delhi's new airport, which leaks every time it rains.

We can argue endlessly, but we don't have 300 years to perfect a welfare state, like the western countries did. India's poor understand that education is the mantra behind their emancipation and they are not willing to wait. Some 175 strife-riddled districts in India are proof of their impatience. Are we waiting for more? ©