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How Can India Improve Its Education System?

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ABSTRACT

India is ranked 62nd in the world according to the Multidimensional Poverty Index, with nearly 28% of the population below the poverty line[2]. Education is an essential service that must be provided to all for the country's overall development. Hence a flawless education system is of utmost importance. Especially during the pandemic, school closures have adversely affected the development of the Indian education system. In such circumstances, the government must step up and intervene to prevent further market failure. This paper focus on some solutions for improving the education system of India.

***Key words**: India, Education system, Improve*

INTRODUCTION

Destroying any nation does not require atom bombs or long-range missiles, but it only requires the lowering of the quality of education, which disrupts that nation's socio-economic and political development. Hence, one can easily comprehend the importance of quality education. In a country like India, where 41% of the population lives below the age of 18[1], the education system plays a vital role in developing future generations. A straightforward thought process regarding the best possible mix of the private and public sectors is essential to optimize our education system. In a mixed economy like that of India, it is necessary to clearly understand privatization and the government's role in moderating its growth.

ISSUE

As the education system in India is privatizing, with nearly 12 crore children enrolled in 4.5 lakh private schools, the role of the government in monitoring the industry must increase[3]. The fees of private schools in India are nearly 6 to 7 times higher than that of government schools[4], but still, the private schools cannot provide the basic facilities to keep up with the rest of the world.

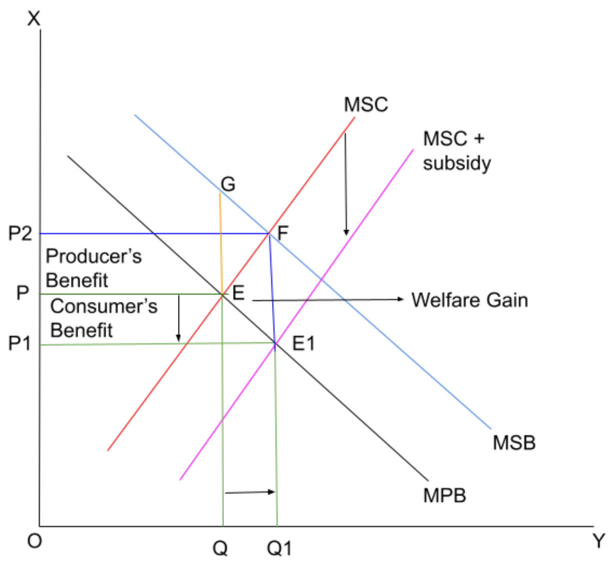
According to a survey conducted, the average scores of class 10 students in private schools were below 50%. Moreover, only 56% of the students between the age of 8 and 11 can read an introductory class 2 level paragraph[5]. On the other hand, about 25% of the teachers are absent in public schools, and out of those who attend, only 50% teach. This clearly shows how both the private and public sectors in education are a massive market failure. According to the Annual Status of Education Report (ASER) 2017, only 17 percent of Indians are capable of employment[6].

The main issue lies at the crux of the aims of any private firm, profitability.
According to government policy, the Indian education system should be a non-profit organization. This reduces the incentive of private firms to participate in the education system actively. Any private firm would not function without profitability. Due to the fee restriction, where the maximumfee any day school can charge per year is Rs.27,000, the ability of the private schools to invest inresearch and development of teachers and school facilities is negligible. According to the Ministry of Human Resource Development, 16,000 teachers in Jammu and Kashmir have the qualification of undergraduate. Especially during the pandemic, school closures have adversely affected the development of the Indian education system. In such circumstances, the government must step up and intervene to prevent further market failure.

SOLUTION:

1. **Subsidy:**

Firstly, the government must intervene and subsidize the education sector. A cash subsidy is a direct incentive to private businesses, which mainly produce merit goods, to stimulate an industry's growth. The subsidy will increase the consumption of merit goods that create positive externalities of consumption as more efficient cells are being used. Positive externalities of consumption mean that the social benefits of consuming the product are higher than the private benefit; hence it benefits the society (third party)[7]. As these goods are usually under-consumed, the government is stepping in to provide subsidies that may help firms overcome market failure.



The government's decision to provide subsidies to the firms would shift the supply curve (MSC) downwards/rightwards to MSC+subsidy. This shift occurs due to the cut in the cost of providing education, as the government now bears some burden (P2FE1P1). The MSC curve shift would result in the product's prices falling from P to P1. The price reduction would extend the demand of the commodity from Q to Q1 due to the law of demand, which states that the demand of a commodity is inversely related to the commodity's price, ceteris paribus. The reduction in prices and extension of demand would shift the equilibrium from E to E1. The new demand Q1 ensures

that the commodity is not under-consumed as it was before the government intervention. The cut in the cost of production increases the producer's benefit (P2FEP), and the reduction in prices subsequently increases the consumer's benefit (PEE1P1). The remaining triangle (EFE1) is the welfare gain or the benefit to the society. Government subsidy would also result in more investment in the research and development of teaching facilities provided by the schools as they could set minimum criteria or goals to get the subsidy benefits.
However, this comes with its drawbacks as well. A subsidy to the education sector might come with an opportunity cost. Opportunity cost is the cost of the best alternative foregone. India might lose some of its investment in developing infrastructure, improving defense or healthcare facilities, but I feel education is as crucial as these commodities; hence it should be subsidized. Moreover, a subsidy requires enough government funds, which comes from taxation imposed on the public. To make sure that other subsidies are not compromised, the government might decide to increase the taxes. This might result in a negative GDP growth rate due to the pressure on investment by firms and households. Increasing the taxes in the pandemic might not be feasible as well. Hence the government should reallocate its funds instead of increasing the taxes.

2. **Remove non-profitability clause:**

A for-profit model to incentivize the investments can be a boon if executed. The private investments will meet the industry demand and bring better access to education. Private capital is required to expand the sector, and the market forces will care for the rest of the things.

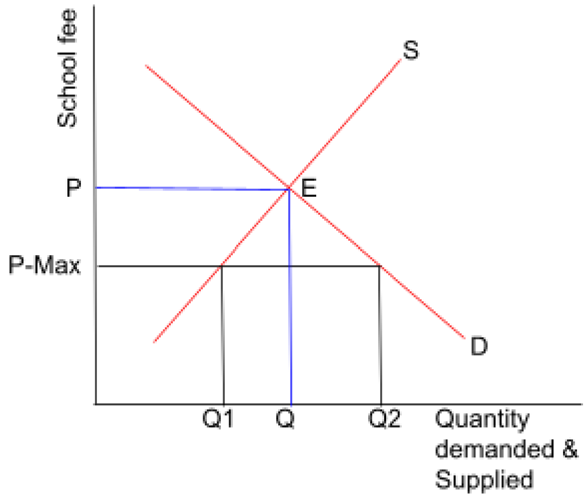
Competition among institutions would verify tuition fees and foster a culture of quality. For-profit does not guarantee excellence and efficiency. To maintain transparency and accountability, introducing a credible industry regulator such as TRAI (Telecom Regulatory Authority of India) for telecom, IRDAI (Insurance Regulatory and Development Authority of India) for insurance; could be beneficial[8]. This will also lower the unemployment rate as more people will get jobs due to the introduction of new sectors and the availability of these positions. The government would also benefit from the taxes on the profits made by the private schools, which can be used to boost up other necessary infrastructures such as high-tech industries, healthcare, and investment in research and development. However, there could be some disadvantages to this method as well. The government team placed to monitor the private education sector might come as an opportunity cost. It might not be easy to monitor each school and university by a few people.

Hence the industry regulator would require a large amount of capital and labor, which could have been put to use in other industries. As the regulator would be government-owned, the cost of factors of production would also be borne by the government, which might be high.

Moreover, it is not necessary to have a competitive market in each area of the country. It is a geographical restriction, and children will only access the school closest to them or in a radius of 5 kilometers. Hence, the market might get exploitative in certain areas due to the geographical immobility of children attending school. This would result in exploitation due to a lack of competition in the market.

3. Remove maximum prices

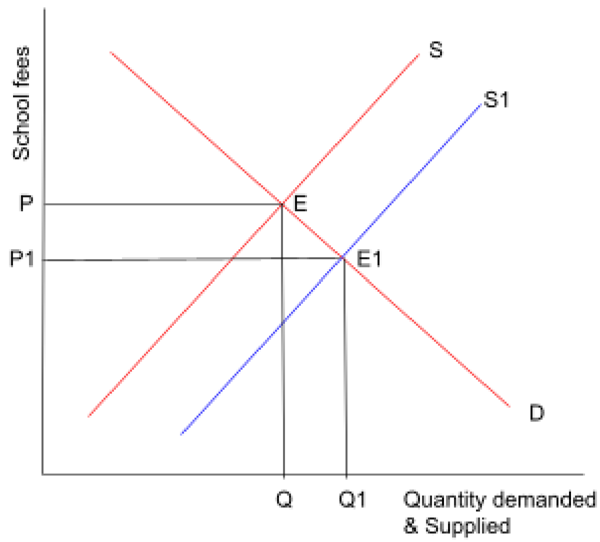
Many states in India have stepped in and placed fee controls on private schools. Gujarat, for example, caps the fee at Rs 1,250 per month for primary and Rs 2,300 for high schools. Tamil Nadu, Rajasthan, Punjab also have fee caps, and Uttar Pradesh and Delhi are considering one.[9] However, as stated before, this adds pressure on the private schools, which might lower the



quality of education or back out from the business.

As shown in the diagram above, P-max is placed below the equilibrium price, which results in the Demand(Q2) being higher than the supply(Q1). Hence, removing the maximum price from the education sector would allow the market prices to readjust and function at the equilibrium(E).

However, in this case, the prices rise to P, which might not be feasible by the low-income group. Hence, this has to be supplemented by subsidy provision, reduction in indirect taxes on the producers, and investment in research and development. This would shift the supply curve to the right while keeping the prices low due to an increase in competition in the market as new producers would enter the market.[10]



As shown in the diagram above, the increase in the supply from S to S1 would reduce P to P1 and increase the quantity consumed to Q1 to function at a new equilibrium E1. The lower prices and higher quantity would allow more people to access education at a lower price.

Conclusion:

India requires a strong and more organized education system to ensure equal opportunities and appropriate learning for all. Although the government is taking specific measures to improve the education system, the balance between the private and public sectors is of utmost importance. Both sectors must understand their roles and expectations so that the Indian education system can be improved. India requires privatization of the education industry and government monitoring to excel and develop in the field of education and create future leaders and professionals.

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