

LINKING FUNDING AND QUALITY TO IMPROVE HIGHER EDUCATION IN INDIA



Against a backdrop of rapid enrollment growth, declining education quality, and increasing financial pressure, India's key policy document for economic development through 2017—the 12th Five-Year Plan—has recommended that the country's higher education institutions be granted more autonomy over curriculum, staffing, and programs offered. RAND researchers developed a course of action to help India implement policies and reforms that link education quality to funding in a way that will hold the country's newly autonomous institutions accountable for their performance, encourage greater innovation, and contribute to national goals.

India's higher education system is one of world's largest, enrolling nearly 22 million students in more than 46,000 institutions. The system's rapid and recent expansion has increased concerns about declining quality, however. Reinforcing these concerns are poor infrastructure, underprepared faculty, unwieldy institutional governance, and other obstacles to innovation and improvement. Funding has been a continuing challenge, with public investment unable to keep up with expanding enrollment numbers and an inefficient process for allocating funds across the system.

India's key policy document for economic development through 2017, the 12th Five-Year Plan, suggests that the country's higher education institutions should be granted more autonomy over curriculum, staffing, and programs offered. In return, these institutions would be more accountable for their performance and subsequent funding levels. This recommendation reflects a worldwide trend: By creating policies that explicitly link quality and funding, other countries are encouraging their institutions to pursue innovative strategies to improve quality. But transitioning India's higher education system to a decentralized model

will require substantial shifts in the way the system is governed and funded.

From "Command and Control" to "Steer and Evaluate"

India's national government currently plays a "command and control" role in the higher education system. Under government oversight, the largest state universities set the curricula, determine course offerings, administer exams, and grant degrees, while smaller affiliated colleges teach students according to these standards and requirements. The 12th Five-Year Plan proposes a "steer and evaluate" role for the government that allows a greater degree of self-regulation—and enforces higher levels of accountability—across the system's institutions. As in other countries, these reforms could include approaches that link quality measures to funding rates, grants for innovation and improvement in teaching and research, and requirements that institutions meet minimal accreditation and quality standards before they can receive public funding. Many countries also publish data on student outcomes to encourage students to spend tuition money on high-quality institutions.

To help identify how such policies could support higher education quality improvement in India, RAND researchers reviewed documents and policies from countries that are similar in terms of size, governance structure, or higher education system quality. The study revealed a connection between successful autonomous institutions and measures of quality that are closely aligned with national goals for higher education. However, simply establishing policies linking quality and funding is not sufficient to ensure a high-quality education system. A range of other supports, such as developing a pool of well-qualified faculty and strengthening quality assurance bodies, are needed for these policies to succeed. Furthermore, improvement measures should be applied to both public and private institutions, and they should be transparent and accessible to all stakeholders to encourage quality-based decisionmaking. Consequently, additional resources will be needed to support these stakeholders as they transition to their new governance roles.



A Course of Action for India's Higher Education System

Taking into account lessons from similar countries and the unique challenges facing education reform efforts in India, the research team developed a course of action to guide India's higher education system toward the "steer and evaluate" model proposed by the 12th Five-Year Plan.

- **Continue to develop and implement a robust accreditation system.**

In January 2013, India's University Grants Commission, the primary national regulator of higher education, made accreditation mandatory for the institutions it regulates. However, the international literature suggests that voluntary accreditation with ties to incentives is more effective in driving institutional buy-in and compliance.

- **Develop, implement, and publicize a quantitative system** to measure the quality of higher education institutions and establish policies for continuous quality improvement. India should begin the process of developing and implementing a system to collect and report data on institutional quality that can be used to gauge their progress toward national goals.

- **Gradually phase in methods to link funding** to quality measures. Starting small and gradually phasing in more concrete links between funding and quality will be important to ensuring a successful transition for India's higher education system. The experiences of other countries suggest that new policies will take time to implement. As capacity develops over time, and as more data are collected, the system can begin implementing performance-based funding mechanisms or performance contracts.

- **Continue efforts to develop and implement a student financial aid system,** and gradually tie eligibility to accreditation and quality measures. In addition

to providing access to education for students in need, student loan systems can play a valuable role in linking funding to quality by tying an institution's eligibility to receive student loan funds to quality standards. Widely disseminating data on institutional quality will help students and their families make informed choices in selecting a school.

- **Continue efforts to expand funding for competitive grants** to individual researchers. Peer-reviewed research grants have been introduced in India in response to the 12th Five-Year Plan's call to strengthen the nation's research capacity. They can also be used to create a vibrant environment for research innovation and teaching strategy development.

- **Develop a system to provide competitive grants** to states, institutions, and academic departments to spur innovation and achieve specific national and state goals. Competitive grants provide opportunities to direct funding to specific goals and respond to changes over time or varying needs across regions.

- **Provide funding to states and institutions to build capacity** for self-governance under the new "steer and evaluate" model. Some countries have developed explicit technical assistance programs to help institutions and states change their governance structures. Others have had success with academic audits, whereby institutions are coached by government officials through the planning and budgeting process.



Conclusion

India's higher education system is in transition. Instituting policies that explicitly link funding to quality will help guide and incentivize the country's newly autonomous institutions as they collectively pursue national objectives and improve overall education quality. But it will be important for India to approach these reforms carefully to ensure their success over the long term.

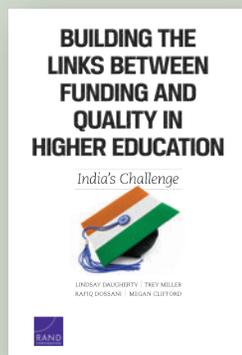
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