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## Why We Need An Aid Aggregator

**W**ith competition to bag that perfect job, and the substantial pay that comes with it on a rise, Indian higher education is witnessing a boom. This demand has resulted in the growth of the Indian private education sector.

This growth, coupled with inadequate public funding (only 1.9 percent of India's GDP—lowest among nations with a GDP greater than \$500 billion—goes to higher education), has resulted in cost of education skyrocketing. A student is now one of the most important sources for revenue for a higher education institution. In some cases, where institutions strive to provide high-quality facilities, this demand (for fee) is justified. But, in several more, it is not.

Due to substantial central and state governments' support, students have been able to pursue higher education in public universities at a nominal fee. However, the same cannot be said of the private or autonomous institutions, where the cost is higher. Engineering courses, for example, in private institutions cost around seven times more, when compared to a state-owned university. In the cases of specialised courses (fashion designing), the top colleges charge a tuition fee of INR20,000 to INR57,500 per semester. Add to it other expenses such as lodging, examination and infrastructure fee, and the amount doubles. While some are able to absorb this cost without getting into debt, a majority are left with little option other than to turn to lending institutions. In India, the number of options for financing of higher education from external sources is limited. The most prominent of them is educational loans. The concept

of scholarships (company sponsored or individual donations), or college aid (aid to research and teaching assistants) is not wide spread—as a result its impact is minimal.

Top institutes such as Indian Institutes of Management, Indian Institutes of Technology though, have been pro-active in this regard. They help a financially-weak student by offering income-based fee waivers and need-based scholarships. Such initiatives, however, are few.

### Centre's Push

To ensure that prospective students are in a position to pay fee, the Centre has tried to persuade public sector banks to offer loans. Because of the comparatively higher risk, private banks have been more circumspect about the same. The government, on its part, has proposed a National Education Finance Corporation. The corporation aims to provide education loans at lower interest rates and longer repayment period.

However, only 9 percent of students, with a majority of them belonging to the middle-income families, seek loans. Aspirants from low-income families still find it difficult to access credit, because of their inability to provide adequate collateral security.

Despite the fact that education loans have made it simpler for aspirants to gain access to higher education, students carry the burden of debt soon after they graduate. At a macro-level, with higher education available to one and all, the lack of surety of matching pay cheque, results in the debt getting multiplied.

The alternative—and a better one—is scholarships. Many leading organisations such as BPCL, Infosys, L&T, OP and Jindal Group (to name a few) have been running scholarships in specific areas. These are based on a student's merit and past performance. While some are open to students from a range of colleges, most are run in partnerships with specific ones. As of now, education loans remains a student's first option after self-financing.

### Why And How?

One of the main reasons for such a situation is the lack of initiatives taken by stakeholders (government, regulatory bodies, education institutions and corporates) to promote scholarships.

Higher education institutes should play a prominent role in taking up this responsibility and finance students and, in the process, build an ecosystem where scholarships are the preferred means of financing.

More than just a service, this will help institutions differentiate themselves from the rest of the pack—in terms of positioning itself as a student-friendly institute.

The scholarship may be raised from foundations, organisations, and high net worth individuals, who find it difficult to channelise their contributions because of lack of any intermediary.

Marketed and executed properly, advantages of such an initiative could be multiple. It could help institutes establish early relationships with high school students and help them remain competitive by attracting quality students. Also, with corporate organisations participating, the private sector aid coming to the campuses would increase.

However, focusing on administration of scholarships would mean misutilisation of the insti-



### STRAIGHT FACTS:

Scholarship America collates and disburses scholarships to needy and deserving students and saves institutions the hassle of managing the logistics

tutes' bandwidth and also a stark deviation from their focus area.

A *scholarship aggregator*—similar to Scholarship America, which is the US's largest independent not-for-profit scholarship and educational-support organisation—which collates and disburses scholarships to those needy and deserving, is what we require in India.

In a situation, in which we have an aggregator and the option to outsource the administration of the scholarship programmes, institutions can reap benefits without facing the hassles that come with such a programme.

### Inside Scholarship America

Founded in 1958, Scholarship America is the largest non-profit, private sector scholarship and educational support organisation in the country. Supported by communities, companies and non-profit foundations, the organisation has disbursed more than \$2.4 billion to about 1.7 million students since its founding.

The structural strength of the financing mechanism for higher education in USA has been able to ensure access to easy financing of higher education. However, nearly 50 percent of the college graduates have student loans, with an average student loan debt of \$10,000.

With the average cost of college increasing at double the rate of inflation, education in public schools costs an average of \$13,000 per year, and \$28,000 in private schools. Lack of financial resources is also the leading reason why students drop out of college. Over 30 percent of students leave after their first year. Almost 50 percent never graduate. In total, about \$700 billion is currently

owed by the US population in student loans.

Through initiatives like “Dollars for Scholars” and “Scholarship Management Services”, Scholarship America has been reducing the burden of student loan debt. While the former initiative is a community-driven programme, the latter involves mobilising capital from the corporate world to those students who need support.

### Programme Details

*Dollars for Scholars:* The initiative is a community driven programme, with more than 1,200 locally based, volunteer-driven chapters, covering 4,000 communities across USA.

Scholarships are raised from families, foundations and organisations; which are then distributed to the local students via a “Collegiate Partners Programme”. Collegiate Partners are post secondary institutions that support Scholarship America and the “Dollars for Scholars” programmes.

The scholarships are used to meet any need that a student faces. Secondary usage includes using the money to reduce self-help portion of the financial aid package.

*Scholarship Management Services (SMS):* The initiative involves the administration of education

## 1.9%

Of India's GDP is dedicated to higher education in India, one of the lowest percentages among most developing nations

assistance programmes, in form of loans, scholarships and tuition assistance; on behalf of individuals, foundations and corporations. Currently, the SMS administers more than 1,100 scholarship and educational assistance programmes, distributing over \$1 billion to more than 1 million students.

### Conclusion

Scholarship America, thus, acts as a nodal point, that brings together institutes, aspirants and donors. Institutes are able to attract quality students, while aspirants are given access to debt-free financing options. Donors are given a platform to do their bit for the community.

The education sector in India is currently seeing a boom; the demand for higher education is going up. More and more institutes are being established. The time is right to build a conducive environment for students where they do not have to take up the burden of debt, or give up on education, because of the lack of access to financing sources. ■■■

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