



# Press Release

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**Robert Lytle**  
Partner  
Head of Education Center  
of Excellence  
The Parthenon Group, USA

## Affordability a Critical Issue in Indian Higher Education

The Parthenon Group releases report on challenges and solutions

[The Parthenon Group Press Release March 10, 2011](#)  
**FOR IMMEDIATE RELEASE**

**Mumbai, 10 March 2011** – The Parthenon Group released a report, “Financing Indian Higher Education,” today. Mr. Kapil Sibal, Honourable Union Minister for Human Resource Development, released the report at the EDGE Conference 2011 in the presence of Dr. Shashi Tharoor, Member of Parliament, Lok Sabha. Also present were Mr. Robert Lytle, Partner and Head, Education Center of Excellence, and Mr. Karan Khemka, Partner and Mumbai Office Head, of The Parthenon Group.

The report was presented by Robert Lytle as part of the “Funding Education in the Emerging Market” session held at the conference. Other eminent speakers such as Mr. Raja Parthasarathy, Senior Managing Director, IDFC Private Equity Company Limited, and Dr. Arundhati Tuli Banerjee, Director, Global Initiatives, Director, MIT-India Program, were a part of the discussion, which was moderated by Mr. V Sivaramakrishnan, President – Education Services, Manipal Education.

In its second report for the EDGE Conference, The Parthenon Group examines the current state of student financing in higher education in India. It outlines successful case studies from countries such as the United States, where an extensive student financing system combined with the emergence of the private higher education sector have helped close the tertiary enrollment gap in low-income demographics. Given the lower government appropriations (a 0.3% of GDP as of 2009 by India vis-à-vis 1.7% by the United States), Indian institutions fund a large portion of their operations from tuition fees. While in the United States tuition represents only 5% of top quintile households’ income, 11% is spent by Indian families. What makes a student’s case in the country even more compelling is that Indian students fund almost 57% of tuition fees through family funds, savings or job-related income. This clearly implies that a lot of low-income students have to forgo higher education.

Commenting on the release of the report, Robert Lytle, Partner and Head, Education Center of Excellence said: “India’s ability to sustain its economic growth in the future will be governed by its ability to grow its tertiary enrolment ratio in order to create an educated and employable workforce. Constraints for growth include a gap in higher education supply as well as students’ inability to finance their education. Competition for publicly-funded seats is fierce which makes it prohibitive for a large portion of lower-income families to enroll in a post-secondary institution.”

As a solution, the report recommends that capital-efficient higher education will help boost the country’s tertiary enrolment ratio. In order to be able to afford private higher education, students need to have access to financing and a successful student loan system is critical.

*[continued on page 2]*



**Karan Khemka**  
Partner  
Mumbai Office Head  
The Parthenon Group, India

## Page 2

There are significant issues with the current student financing system in the country. 93% of Indian students do not take educational loans. Some of the reasons cited in the report are lack of awareness, complexity of application process and unfavorable loan terms. “The lack of standardization norms makes the loan application process complex, long and difficult.” says Karan Khemka, Partner and Mumbai Office Head of The Parthenon Group.

Elaborating on the proposition of the report for improving India’s student financing system, Robert Lytle says, “The government, banks and educational institutions play a crucial role in providing students the means to access funds for tertiary education. While Unique Identity (UID) numbers would facilitate tracking individual information, the government needs to also infuse a competitive market for lenders by facilitating the flow of private capital in the country. Regulation of loan criteria is also necessary to eliminate discrimination.”

“Banks and educational institutions need to work together to streamline the loan application process and align it with the school application process. A two-way channel of communication needs to be set up between the bank and educational institution. This will enable accurate and enhanced flow of student information to the bank and at the same time, institutions will be able to inform students about the benefits and drawbacks of loans.” says Karan Khemka.

## About The Parthenon Group

The Parthenon Group is a leading advisory firm focused on strategy consulting, with offices in Boston, London, Mumbai, and San Francisco. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services built on long-term client relationships, a willingness to share risk, an entrepreneurial spirit and customized insights. Parthenon is also the only strategic advisory firm in the world to have a dedicated education practice. The Education Center of Excellence is a leading advisor to the global education industry, with clients across diverse sectors that include publishing, primary and secondary education, higher education, consumer education, vocational education and corporate training. Since 2001, Parthenon has completed more than 400 education projects with private and public sector organizations – including universities, foundations, school systems and for-profit companies – in over 25 countries across the globe.

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