

Privatization and Commercialization of Higher Education: Implementation for Governance

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Abstract: *Higher education has emerged as a crucial driver of socio-economic development. However, increasing pressures of financing, massification of enrolments, and internationalization have led to privatization and commercialization. This paper examines their implications for governance, analyzing policies, funding mechanisms, institutional autonomy, and accountability. Secondary data and literature review show that privatization improves efficiency and resource mobilization, while commercialization risks equity and academic freedom. Effective governance frameworks are essential to balance market forces with public good objectives.*

Keywords: Higher Education, Privatization, Commercialization, Governance, Policy, Equity, Quality.

I. INTRODUCTION

1.1 Background of the Study

Higher education has historically been regarded as a public good, ensuring knowledge creation, nation-building, and human capital formation. In recent decades, however, pressures of globalization, declining state support, and growing demands for skills have shifted the financing and provision of higher education toward privatization and commercialization.

Privatization refers to the transfer of ownership, management, or provision of education services from the public sector to private actors. Commercialization, in contrast, implies the treatment of higher education as a commodity subject to market forces, profit motives, and competition. Both trends have altered the landscape of higher education, raising concerns about quality, affordability, and governance.

1.2 Problem Statement

While privatization can bring in efficiency, resources, and innovation, excessive commercialization risks transforming education into a market-driven service, undermining its social purpose.

Governance becomes critical in balancing private participation with regulatory oversight, quality assurance, and equitable access. The central research problem is to examine how privatization and commercialization affect governance mechanisms in higher education.

1.3 Significance of the Study

The study is significant as it bridges the gap between policy debates and governance practices in higher education. It contributes to understanding how governments can regulate private players while ensuring that the social mission of education is not lost to commercial motives.

II. LITERATURE REVIEW

Privatization and commercialization have become defining trends in higher education, significantly reshaping governance structures and decision-making processes. While these reforms are often promoted for efficiency and financial sustainability, they raise persistent concerns regarding equity, transparency, and academic autonomy.

Study 1: McClure (2024) — New Public Management and Privatization in U.S. Higher Education McClure (2024) investigates the U.S. higher education sector by constructing four indicators of privatization: tuition dependence,



auxiliary revenues, outsourcing, and performance-based funding. The findings suggest that privatized institutions are able to reduce costs; however, this comes at the expense of shared governance. Decision-making increasingly shifts away from collegial academic bodies toward executive leadership and boards of trustees. Although cost efficiency improves, such reforms risk diminishing faculty participation and accountability mechanisms. McClure recommends strengthening governance frameworks through transparent financial dashboards, institutional risk registers, and codified faculty involvement in decisions linked to new revenue streams.

Study 2: Khan (2024) — Forms and Patterns of Privatization in India

Khan (2024), in contrast, focuses on the Indian higher education system, where privatization has primarily expanded through self-financing programs and private universities. While these reforms have increased access to higher education, they have simultaneously generated issues of affordability, quality disparity, and regulatory insufficiency. The study emphasizes the importance of independent regulators, robust accreditation mechanisms, and fiduciary standards for governing boards. Without such safeguards, commercialization risks prioritizing profit motives over educational quality and equity.

In comparison, McClure illustrates how privatization reshapes governance from within established institutions in a developed system, whereas Khan highlights the governance challenges of managing a rapidly expanding mixed public–private sector in an emerging economy. Both studies converge on the point that market-driven reforms can enhance efficiency but may undermine inclusivity and academic freedom if governance systems are not adapted. Effective implementation therefore requires a balanced governance model that integrates financial sustainability with transparency, accountability, and the protection of higher education’s public mission.

III. RESEARCH METHODOLOGY

The study adopts a qualitative and descriptive approach, relying on secondary sources including scholarly journals, government reports, and policy documents. A comparative framework is used to analyze global and Indian experiences. No primary survey was conducted; instead, conceptual analysis was employed to understand governance mechanisms in privatized higher education.

The key research objectives are:

- To assess the impact of privatization and commercialization on higher education governance.
- To identify challenges in balancing market efficiency with public accountability.
- To propose recommendations for effective governance frameworks.

IV. DATA ANALYSIS AND INTERPRETATION

To understand the impact of privatization and commercialization on higher education governance, secondary data from AISHE (All India Survey on Higher Education, 2021–22), World Bank reports, and OECD databases were analyzed.

4.1 Growth of Private Higher Education in India

Table 1: Share of Public and Private Institutions in Indian Higher Education (2021–22)

Type of Institution	Number of Universities	% Share
Central Universities	54	3%
State Public Universities	459	27%
Deemed Universities (Govt)	50	3%
Private Universities	430	25%
Colleges (Private)	25,000+	65%

Source: AISHE 2022

Interpretation: Private universities and colleges now constitute over 60% of total higher education institutions in India, indicating the scale of privatization.



4.2 Enrolment Trends

Table 2: Gross Enrolment Ratio (GER) in Higher Education (India, 2015–2021)

Year	GER (%)	Male GER (%)	Female GER (%)
2015	24.3	25.4	23.2
2018	26.3	27.3	25.4
2021	27.3	26.7	27.9

Source: AISHE Reports

Interpretation: GER has improved over time, with female participation surpassing males in 2021. However, much of this increase comes from private enrolments, often at higher tuition costs.

4.3 Cost of Higher Education

Table 3: Average Annual Tuition Fees in Professional Programs (INR, 2021)

Program	Public Universities	Private Universities
Engineering (B.Tech)	30,000 – 50,000	1,00,000 – 2,50,000
MBA/Management	50,000 – 80,000	2,00,000 – 7,00,000
Medicine (MBBS)	40,000 – 75,000	5,00,000 – 15,00,000

Source: AIU & MHRD Surveys, 2021

Interpretation: Private institutions charge 5–15 times higher tuition fees compared to public universities, which directly impacts equity and access.

4.4 Global Perspective

According to OECD (2020), the private share of tertiary education enrolments is:

- India: ~60%
- Brazil: 75%
- USA: 35%
- Japan: 80%

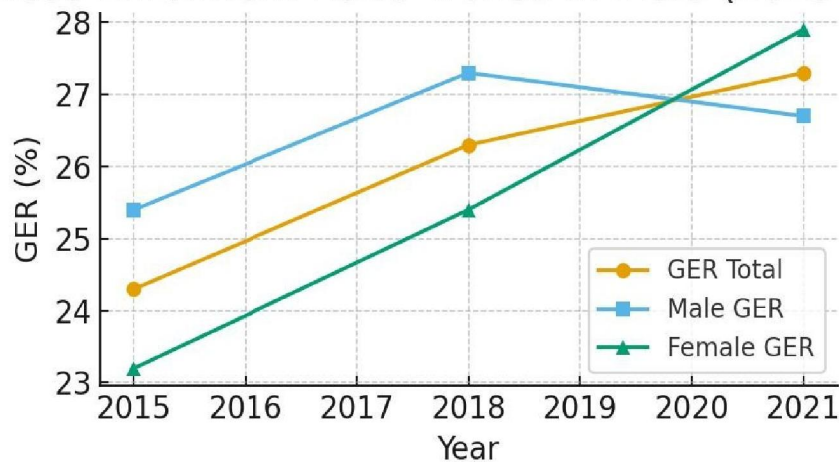
Interpretation: India is among the countries with highest reliance on private providers, raising governance challenges in maintaining academic quality and affordability.

4.5 Key Findings from Data Analysis

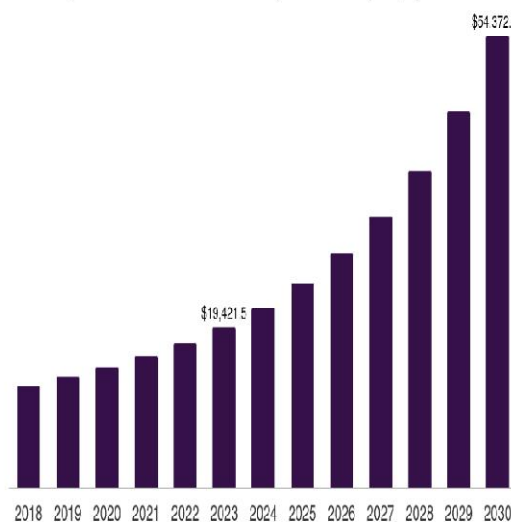
1. Privatization has significantly increased access, as seen in GER growth.
2. However, high private fees limit opportunities for disadvantaged groups.
3. Governance gaps (weak regulation, fee control, quality monitoring) have allowed commercialization practices like capitation fees to spread.
4. Equity remains a major concern despite overall enrolment growth.



Gross Enrolment Ratio Trends in India (2015-2021)



India higher education market size, 2018-2030 (US\$M)



<https://www.grandviewresearch.com/industry-analysis/higher-education-market/india>

V. RESULT AND DISCUSSION

The analysis of secondary data reveals several key patterns in the privatization and commercialization of higher education, particularly within the Indian context:

5.1 Expansion of Access

Privatization has significantly expanded access to higher education. As seen in the Gross Enrolment Ratio (GER), enrolments have steadily increased, and by 2021, female GER surpassed that of males. This reflects positive inclusivity, though much of this expansion has been driven by private providers.



5.2 Cost and Equity Concerns

Private tuition fees remain 5–15 times higher than those in public universities, particularly in professional courses like engineering, management, and medicine. This restricts opportunities for students from disadvantaged socio-economic backgrounds. Scholarships and financial aid exist but remain insufficient to address equity gaps.

5.3 Quality and Governance Challenges

Governance gaps persist in areas such as:

- **Fee Regulation:** Many private universities operate with limited oversight on fee structures, leading to practices like capitation fees.
- **Accreditation and Quality Assurance:** Weak enforcement of accreditation standards allows institutions with poor infrastructure and faculty to function.
- **Transparency:** Lack of accountability in admissions and financial management undermines trust in private institutions.

5.4 Positive Contributions of Privatization

Despite concerns, private institutions have mobilized significant resources, introduced innovative pedagogy, and fostered stronger industry linkages. Many have international collaborations and modern infrastructure that public universities struggle to match.

5.5 Governance as a Balancing Force

The discussion highlights that governance must act as a balancing mechanism. Effective governance should:

- Enforce strong accreditation and quality standards.
- Regulate fees while mandating need-based scholarships.
- Encourage public–private partnerships for infrastructure and research.
- Promote autonomy for institutions but ensure accountability through periodic reviews.

In summary: Privatization has expanded access and resources but has simultaneously created challenges of affordability, quality, and governance. Without robust regulatory frameworks, commercialization risks turning education into a profit-driven enterprise rather than a public good.

VI. CONCLUSION AND RECOMMENDATIONS

The privatization and commercialization of higher education present both opportunities and challenges. While they expand access and mobilize resources, they risk undermining equity, quality, and academic integrity. Governance is the key to balancing these forces.

Recommendations:

- Establish independent and transparent accreditation bodies.
- Introduce fee regulation and mandatory scholarships for disadvantaged groups.
- Promote public–private partnerships with clear accountability.
- Strengthen research funding in both public and private universities.
- Develop governance frameworks that integrate autonomy with responsibility.

A governance system that carefully balances private participation with public good objectives is essential to ensure that higher education remains a tool of social progress rather than a mere commercial enterprise.

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