



Course correction

Here is an interesting statistic: in 2011, the National Sample Survey Organisation survey showed that household spending on education in the decade to 2009 had surged by 162% in rural areas and 148% in urban areas, compared with just 70% increase in food expenditure! That just goes to show that sustenance is not the only big concern for India's billion-plus population — it is equally hungry for education. And that India's literacy rate stands at 74% currently against 12% at the time of Independence just proves that pursuit of knowledge has been, and will continue to be, an integral part of Indian households' dreams — and their budgets.

Although between FY04 and FY11, public spend on education at 19% has grown faster than GDP (which expanded at 15.3%), the education sector's report card still makes for poor reading. Only 12.4% of students currently study beyond the school level. Besides, according to the District Information System for Education, 29% of elementary schools do not have *pucca* buildings, while over 49% schools lack boundary walls. So it's not surprising that everyone is looking to the private sector for solutions. In 2011, private spending on education was estimated to be over \$60 billion across all segments (schooling, higher education, vocational and ancillary) and is expected to touch \$115 billion by 2018.

But it's difficult to convince investors of the India growth story in education, since education is still a not-for-profit business, especially when it comes to the Kindergarten to Grade 12 (K-12) category, which is the largest part of the market. That leaves preschools, higher education institutes, vocation, tutorials and test prep segments open to private investment. With operating margin levels of 30% plus and IRRs ranging from 20% to 30%, this segment has already seen marquee entrepreneurs making their mark on the back of funding from private equity (PE) players. However, the fact that less than \$900 million worth of PE investments have been made in the sector and that over 225 B-schools and 52 engineering colleges have shut shop in two years just shows the dearth of genuine entrepreneurs with scalable models.

So, what is needed is a coherent policy that lauds entrepreneurship and marries it with the greater objective of imparting education. A tough task indeed.

Mahalakshmi

N MAHALAKSHMI