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An Exploration of Private Sector Financing of Higher Education in the Philippines and Its Policy Implications for India

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ABSTRACT. The private higher education sector of the Philippines is proportionally one of the largest in the world. It is the only system where proprietary institutions also assume importance along with the sectarian not-for-profit institutions, and their behaviour appears parallel, which works on the rules of the market. The private higher education sector of the Philippines has a long history, which can be traced from the Spanish regime. It grew largely in the post independence period in the absence of resources of the state for higher education along with any precise policy. The private sector received further impetus through the growing private demand. A closer look at the functioning of these institutions reveals that they heavily rely upon tuition revenues, predominantly upon a student client that is by no means healthy. The private higher education institutions have failed to trap other private resources. These institutions also have a wide disparity in terms of quality, from lowest to the highest. Although there exists the private and state scholarships, but the equity issue still appears to be unattended in true sense, and are affected by quality of institutions, location, tuition fees and economic background. In spite of these demerits the transition rate between secondary and higher education in Philippines remains exceptionally high, along with the participation ratio, which is comparable to a developed nation. It is the

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presence of this private sector that has made the higher education accessible in terms of increased participation, in absence of state resources. The present study in context of the Philippine private higher education tries looks at the history, distinguishing characteristics, and examines the issues of equity, efficiency and quality in order to bring out some policy implications for the emerging private higher education system of India.

Keywords: Higher education, financing, educational policy.

Introduction

Today majority of the governments in developing countries are under great pressure to restrain public spending on higher education. The structural adjustment programs favoured by the IMF and World Bank emphasize for reduction in public expenditure, largely because of budget deficits and external debts. It is these state of affairs that has prompted many countries to search for alternative sources other than the public treasury. In context of higher education, advocacy of private financing has become increasingly common, while the measures for effective cost recovery and private investment too have emerged as an accepted tool. But there are already few selected developing countries where the role of private sector financing in higher education has been strong since decades. One of them and foremost among these is the Philippines where the private higher education has been an important and accepted part since pre-independence.

The higher education in Philippines is distinctive in many aspects, and among all its features, the characteristic of private sector is the most interesting to know about. The Philippines, with its hybrid institutional structure, offers a living example of the private profit making, a private non-profit making, and a public sector, which is an important segment of the Philippine educational system (Sinco, 1959).

The Philippines' university system has been developed upon the United States' model, despite the country's vastly different cultural, political and economic setting (Smolicz, 2002). 'The American tradition of higher education which was enculturated in the Philippines carried with it as one of its main features an openness to private initiative and to an alternative system of education which complements rather than competes with the state system of public education. This was in keeping with the United States adherence to civil liberties, while maintaining the strict separation of Church and State and non-support of any Church related organisations by state funds' (Gonzalez, 1989).

Among its other features, the Philippine continues to have one of the shortest pre-entry systems[1] of the education in the world, resulting in younger and less educated students in the system when compared to other countries in Asia. The transition rate between secondary and higher education is about 90 percent, being exceptionally high, owing to the strong demand for higher education among parents for their children. The gross enrolment ratio/participation ratio[2] is about 23 percent. Along with this, the system remains unique in the world for high share of students enrolled in private institutions. The enrolment in the private sector institutions is about 66% and 44% in public sector institutions.

The higher education in the Philippines is so overwhelmingly private that it is conventionally discussed in terms of more meaningful subdivisions of proprietary, sectarian, and non-profit[3].

The present study in context of Philippine private financed and managed higher education sector, tries to look at the prominent features of Philippine Private higher education, history of private sector, and examine the issues of equity, efficiency and quality in order to bring out some policy implications for emerging private higher education system in India.

Private Institutions- Broad Distinguishing Characteristics

The private sector of Philippines is proportionally the largest of any major country like U.K. and U.S.A.. Nearly 81 percent of the institutions[4] are privately owned and managed without subsidies by the government, and 66 percent of all students are enrolled in private higher education institutions[5] . Private institutions account for the bulk of the enrolments in law and jurisprudence (90 Percent), maritime education (90 Percent), medical and allied (89 percent), information technology related discipline

[1] Just 10 years of schooling system in Philippines makes student eligible for college education instead of 12 years as in most of the countries in the world. This means that the average age of students entering college is 16 years.

[2] Percentage of pre-baccalaureate and baccalaureate students over the schooling age population of 16-21 years old. The gross enrolment ratio for four year bachelor's degree (enrolments in years 1-4 as a percent of age group 16-19) is about 35 percent.

[3] Religious groups or orders run the sectarian institutions. In the Catholic sector there are many institutions managed by Jesuits, Dominicans, Recollects, Augustinians, Oblates, and other religious orders. In comparison, there are fewer institutions run by various protestant missions, but they are in significant numbers considering that protestant constitute less than ten percent of the population.

The proprietary (also known as non-sectarian) institutions are organized as stock or non-stock corporations. Some of them are family enterprise. A few of the stock corporations have been converted to non-stock.

[4] About 66 percent are non sectarian and 22 percent are sectarian.

[5]Among the 67 percent of students enrolled in private sector, 47 percent are in non-sectarian and 20 percent are in sectarian.

(81 percent) and business administration and related (80 percent). It clearly reflects that higher education in the Philippines is determined largely by market forces and the dominant private higher education institutions are there in response to student demand for different programs (Tan, 1995). Expansion in enrolments has been facilitated deliberately since decades by relaxation of policies with regard to private sector, allowing private institutions to accommodate growing numbers of students.

The trend, however, shows a decline in the share of private education in terms of total enrolments, as public sector has grown.

Share of Private Higher Education (% Total)

	1955	1965	1975	1985	1995	2000	2002	2004
Institutions	93	94	83	72	79	83	88	81
Students	96	89	86	85	75	70	67	66

It is also the only the private sector in which proprietary institutions assume importance along with the usual non-profit forms of organisation.

One of the most basic features of mass private higher education in Philippines during its period of development till date is an extreme reliance upon tuition revenues, even though they depend predominantly upon a student client that is by no means healthy. Dependence on revenues from tuition and other fees ranges from a high of 97 percent to 82 percent. The income generated from auxiliary services, private endowments, corporate sector and other institution related operations do not contribute significantly to total income.

Personal services including salaries and wages are the largest component of recurring costs, and it ranges from 41 to 84 percent across various institutions. The maintenance and operating costs (inclusive of general and administrative overhead expenses) range between 11 to 46 percent.

For the majority of the private institutions getting better means getting bigger. New divisions, infrastructure improvements, and additional faculty must be financed through increased tuition revenues and in the long run this can only be brought about through enrolment growth. Institutions of course differ in their capacities to exploit opportunities for expansion (Geiger, 1986).

The private institutions are concentrated and dispersed. There are large clusters of private institutions in the cities. Those in urban centres have been the most potential due to the proximity of both potential students and

graduate employment opportunities in the modern sector of the economy. The distribution profile of tertiary institutions in the Philippines, however, is still founded on commercial bases (Balmores, 1990). This characteristic has led to pronounced urban concentration of private institutions like in Metro Manila, Central Luzon, Southern Tagalog and Western Visayas .

The remarkable access to higher education achieved has nevertheless has its negative aspects. The private institutions also have a wide diversity of standards of education, from the very lowest to highest. While just selected of the private institutions in private sector are comparable to the best of the state offered (University of Philippines), the bulk of the additional student places are of too inferior quality. And here are found the elite institutions for the most affluent and socially prominent segments of the community, these institutions comprise of the best quality imparting institutions of the system.

Historical Development of Private Higher Education in Philippines

The historical base of higher education in Philippines is traceable in proper form since Spanish regime (1517 – 1833). The educational policies initiated by the Spanish kings were carried out by the religious orders that came to the Philippines[6]. The missionary zeal of the religious orders was not confined to parochial schools. It extended to the secondary schools, colleges and universities.

Higher education during the Spanish regime was represented by the *University of Santo Tomas (UST)*, called "the royal and pontifical university[7]". For over two centuries the UST remained the source of training manpower for the service of the church as native clergy, bishops and parish priests. It also professionally trained lawyers, judges, doctors, nurses and many other professionals (Bazaco, 1939).

With the inception of the American regime (1898-1946) a radically different school system was set up. The Americans transplanted their own kind of education system in Philippines (new Asian colony) because of their non-familiarity to Philippine socio-economic and cultural problems. The university of the Philippines[8] was founded in 1908 to provide training for leadership in the evolving young democracy (Arthur, 1978). English was adopted as the medium of instruction and communication at all levels of education (Isidro and Ramos, 1973). Americans teachers were brought to

[6] The Christianization of the Philippines was the principal goal of Spanish colonial policy. This policy was enunciated by Philip II (1517-1598) and existed even during the regime of Ferdinand VII (1784-1833).

[7] This sort of university status was due to the permission from both King Philip IV and Pope Paul V. It was the only institution authorized to confer degrees in the country during the Spanish regime.

[8] The model for the UP came from American State Universities.

teach to Filipinos. American history, geography and literature became major curricular offerings.

On one hand, the government was evolving the public school system, and on other hand Filipino leaders and educators[9] realized the need to establish private institutions, in order to provide an education distinctively Filipino in orientation.

The lifting of clerical control over education at a time when the educational horizons of Filipinos were rapidly widening, led to diverse public initiatives in founding institutions. Almost all of these ventures began as elementary or secondary schools and subsequently developed into colleges or universities. Along with the public institutions set up by Americans, private individuals, with an objective to preserve the Filipino culture, established many private Filipino centres of learning[10](Hayden, 1942). In order to attain a general standard of efficiency in all private schools and colleges of Philippines, different laws were made for its recognition and supervision[11] (Isidro and Cruz, 1951).

The government directed its efforts to the supervision and regulation of private institutions. A noted American educator, Paul Monroe, came over to survey Philippine institutions, a quarter century after its implantation by the Americans[12]. As a consequence of Monroe commission's adverse findings, government took decisive steps to improve conditions in private institutions (Monroe, 1925). With the approval of the constitution of the commonwealth in 1935, a more clear-cut policy concerning the relations between the government and the private schools and colleges came. The constitution specifically provided that all educational institutions should be subject to regulation and supervision by the state, with the establishment of the Office of Private Education, headed by a Director.

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[9] The great Filipino leaders and educators include Mariano F.Jhocson, Leon Ma Guerrero, Ignacio Villamor, Felipe Calderon, Alejandro, Jose Albert, Enrique Mendiola, Arsenio Herrera, Maximo Paterno, Dr.Trinidad H.Pardo de Tavera, Father Magsalin and M.Zaragoza.

[10] Colegio Filipino 1900 (National University, 1921) Colegio Escolar in 1907 (University, 1930), the Institute de Manila (University, 1921) Institute of Accountancy 1928 (Far Eastern University, 1934), Mapua Institute of Technology 1925. Some of the established institutions were owned and controlled by one individual or family.

Private initiatives were also made by Americans with the establishment of two universities; Silliman University 1901 (University, 1935), Central Philippine University 1905 (University, 1953)

[11] In 1917, Act No. 2706, known as 'Private School Law' was passed which recognised the private institutions. In 1932, Commonwealth Act No. 180 laid emphasis for regulation and regulation of private schools/institutions for the efficiency objective, see *Philippine Atlas* 1975.

[12] The Monroe Commission's main task was to study public institutions but it devoted a chapter of its report to the private education institutions too.

In 1941, with the outbreak of the World War II and for more than three years of the Japanese occupation of the country, the government used the educational institutions as an instrument to propagate the Japanese doctrine of a Great East Asia Co-Prosperity Sphere. As such there was no attempt by the Japanese government to foster the growth of educational institutions. Instead, they wrecked the town and cities, including educational establishments. They stampeded into schools, colleges and universities as soon as hostilities ended on September 2, 1945.

Thus, both physically and morally, the nation was prostrate after the Japanese regime. To rebuild the economy and restore educational institutions, Filipinos sought and received United States assistance[13] (Isidro and Ramos, 1973). The contribution of Filipino private educators too began, in establishing private universities and colleges[14]. Later many private higher education institutions were also organised both under the auspices of the religious orders and of the Filipino lay corporations[15].

The simultaneous feature in the post independence period i.e., increased private demand for higher education and scarce resources of the government led to the self momentum of the higher education sector towards private sector. The economic reconstruction remained the priority rather than considering the education sector as a part of its new order. Without any deliberate attempt the higher education started falling in the hands of private sector and it began taking its shape with private resources.

Given its relatively long history, private higher education in the Philippines has served as a de facto model for Indonesia and Thailand and will, most likely do so in future, for Burma, Laos, Cambodia, and Vietnam (Postiglione and Mak, 1997).

Equity

There is ample evidence that some groups like socially or economically or both in developing countries have better access to higher education than

[13] For rehabilitation of the country, Filipinos had to amend their constitution to give Americans equal rights with themselves to exploit the natural resources of the country until 1974.

[14] In 1946, Dalupan organised the Philippine College of Commerce and Business Administration (now University of East), the Southwestern University in Cebu by Dr. Matias Anzar, The University of Mindanao, in Davao City by Dr. Guillermo Torres. In 1947, Dr. Leoncio B.Monzon established Manuel L.Quezon University, the University of Iloilo by Fernando Lopez. In 1948, Fernando Bautista founded Baguio Tech (now University of Baguio). In 1949, The University of Nueva Caceres by Jaime Hernandez, and Foundation University in Dumaguete City by Vicente G. Sinco.

[15] The inability of the government to comply with the Constitutional commitment to education, gave way to partnership between private sector and government in the area of education, with more contribution from private sector in higher education.

others, but the factors determining access vary across countries or within regions of a country. In case of Philippines, one can find considerable differences in higher education participation of individuals classified by economic background, sex, and urban and rural areas. The economic background has been a major factor influencing the access and it makes necessary to understand the economic aspects while considering the equity issue.

The Family Income and Expenditure Survey (FIES) of 1997 round clearly reflected that richest 3 percent of the families possessed as much income as the lower 50 percent of families on the income scale. The 2000 FIES suggest that the incidence of poverty actually rose slightly (World Bank, 2002). In addition, there were no reductions in the percentage of population living on less than US$1 per day (2-13 percent) or in the percentage living on less than US$2 per day (between 45 and 46 percent) between 1997 and 2000[16]. Although the 2003 FIES shows little improvement with regard to the poverty incidence magnitude, but the overall scenario still remains of concern. The opportunities for economic development will naturally be asymmetrical and skewed to those who have access to education, which is a function of means.

In a country like Philippines, where private enrolments and full cost pricing predominate, the distribution of income may impinge further on the allocation of resources in education. This is true when capital markets for human capital borrowing are highly imperfect. The distributive consequences too are of substantial interest. Although many studies noted that a blend of mixed, and private systems tend to imply that the higher income subsidizes the lower groups; where publicly financed schools are superior in quality and more expensive; it is very likely that here the poor actually subsidize rich (West, 1965 ; Bowman, Millot and Schiefelbein, 1984).

A study (Hauptam and Cao, 2001) in the area of student financial aid in Philippines, covering scholarships, grants and loans – indicate that the 'non-poor' have both better access to and higher completion rates from higher education programs than those classified as 'poor'. It is this unfortunate feature that makes the objective of equity further weak.

The paradox of gender equity in Philippines is that the enrolment of females in total enrolment is much higher than males in terms of relevant age

[16] This means that many near poor remain vulnerable to slipping into poverty with only a modest reduction in their income. The official poverty estimates, using income-based poverty lines that are substantially higher than the needs-based poverty lines, indicate somewhat larger increase in poverty incidence, from 36.8 of the population in 1997 to 40.0 percent in 2000. The 2003 FIES shows little improvement with regard to the magnitude of poverty incidence.

cohort. The problem is sustaining the male students, who have high drop out in the system.

The current higher education system of Philippines, both public and private, adopt an entrance program to measure the academic proficiency for the immediate post secondary education admission, whose outcome too is generally skewed in favour of the affluent (Ravalo, 2002). This skewed result can be attributed to the better primary and secondary school education among affluent, which in the later stage of post secondary higher education entrance, get them better equipped, for the academic rigors of getting into better institution and degree completion too.

The imperfect market forces expectedly has resulted in greater inequality as manifested in the inequitable access to education, in the structure of program offerings and quality of institutions and in distribution of enrolment of graduates. The great majority of poor families are able to afford and demand inexpensive education (Valisno, 2000). These are poor quality programs and that with low returns too. The politicians[17] have also added misery to poor by increasing the access for poor to many low quality State Universities and Colleges (SUCs). Although these SUCs have increased access but because of low quality the objective of access in true sense remains unachieved. Another aspect of SUCs is that although SUCs have a higher proportion of poor students than private institutions, but the benefits of low tuition fees widely accrue to non-poor.

The higher education, especially the private higher education is expensive, but a wide range of prices exists. Some of the best institutions in private sector charge more than $8000 while some of the state run institutions charge less than $500. A study (Haas, 1998) revealed that when compared with public sector tuition, on average it costs even seven times more in non-exclusive private institutions and 21 times as much in exclusive private higher education institutions. The situation in post 2000 period has not changed drastically.

To access credit market to finance higher education studies is difficult. There are no effective student loan programs in commercial sector, although a few have been introduced at the level of institutions since last one decade (Maglen and Manasan, 1998). The investment in 'pre-need' savings plan that can pay out like annuity during the period of higher education studies have grown very fast.

In addition to the provision of low tuition at State Universities and Colleges, which continues to represent the primary source of public support

[17] The congressmen for their vote gains in their region, without adequate information, have created superfluous and inefficient SUCs.

for Philippine higher education, the government extends a wide range of financial support through a number of programs, most of which are administered by Commission on Higher Education (CHED) in the form of scholarships, grants and student loans; which also gets extended at the level of private institutions. According to the Office of Student Services in CHED, the government financed 36,441 students in the year 2001-2002. Some of the major programs under this are; (a) State Scholarship Program, (b) National Integration Study Grant, (c) Selected Ethnic Group Educational Assistance Program, (d) Private Education Student Financial Assistance, (e) Study Now Pay Later Plan, and (f) Special Study Grant Program for Congressional Districts. Manasan (2001) in his study observed that 70 percent of higher education scholarships were awarded to non-poor, although the requirements for government student aid clearly state that recipients should be needy. This clearly reveals that unfortunately there has been no systematic evaluation of the various student loan programs of the government.

Several private institutions too have their own scheme to increase the access and equity. The financial assistance to students provided by private higher education institutions are much more than government provision. The approaches adopted by few private institutions include socialized tuition structure[18], grant of tuition fees from 25 % to 100%, fees waive, stipend for living expenses, books etc. Some of the private institutions also extend the partial scholarship to grantees of government scholarships to compensate for the difference between the tuition and fees charged by private institutions, and the government scholarship received. Some institutions also have tuition deferred payment plan and a loan program.

Although majority of the private schools extend scholarships to more than 5 percent of their enrolees[19], and spend more than 5 percent of their income, a close look reflects that it does not serve the purpose of equity and access on a larger scale among different sections of the society and different regions. But few private sectarian institutions are making appreciable efforts to increase access and equity[20]. Private corporate foundations and other private donors also contribute to support the higher education in Philippines.

One can conclude that issue of equity and access in the Philippines are affected by quality of institutions, geographical location, high tuition and

[18] The students are segmented according to their financial capacity to pay institutional fees.

[19] The private HEIs are required by law to provide entrance scholarships to 5 percent of those entering the institution. The legislation also requires that every increase in tuition at private HEIs, 70 percent be spent for faculty development (including salaries) and 20 percent for capital or improvements. *See Hauptman 2001*.

[20] Selected institutions are planning to increase the number of scholarships and access on the basis of geographical criteria and school background too.

other fees, disparity in social class, varied educational background, survival rates, and other factors.

Efficiency

The term efficiency describes the relationship between inputs and outputs. While analysing the education, both 'internal and external efficiency'[21] must be taken into account. Various studies on effect of education on economic growth have revealed that countries with a better educated population have higher economic growth rates and more equitable distribution of income; and at micro level, the individuals with more education tend to enjoy higher income[22], better health, mobility and so on (Psacharopoulos, 1984; Hicks, 1980; Cochrane, 1979).

The benefits of higher education investments derive largely from skill formation[23]. So the investments in higher education must respond to the economy's demand for workers by level and type of education. But in case of Philippines[24], the failure of the state in framing an effective precise policy for higher education along with the slow industrial development, the private sector follow the programs offering policy influenced by the foreign labour market for immigrants[25].

It is imperative to know the cost and benefits of acquiring the skills in context of varied endowments of education/training. And for this the rate of returns has been a crucial tool[26]. The other method, namely manpower planning and forecasting method is not considered here because of the reiterated strong doubts its accuracy and reliability reflected in various studies (Snodgrass and Sen, 1979; Jolly and Colclough, 1972; Ahamad and

[21] The internal efficiency of education refers to the relationship between inputs and outputs within the educational institution, and is measured in terms of internal institutional objectives. The external efficiency of education refers to level of attainment of social objectives, measured in terms of balance between social costs and benefits, or the level to which it fulfils manpower and employment needs.
An important aspect of efficiency i.e. the results of professional board examination has been discussed under aspects of quality because of overlapping.

[22] The underlying assumption is that more educated individuals are more productive.

[23] Investments should produce skills that have economic value beyond intrinsic merit, and the quantity in which it is produced it is also important. *See Tan & Mingat 1992*

[24] The immigration from Philippines has been highest as per ILO. Nearly 10 percent of the population are abroad.

[25] The demand for nursing in U.S. has been more so the nursing courses are offered by most of the private universities and colleges with relatively high fees (in comparison with other courses). Even many doctors are pursuing nursing courses.

[26] For evaluation of investment from society's objectives viewpoint, social rate of returns are considered. For evaluating the benefits captured by individuals', the private rate of return is considered.

Blaug, 1973), also largely due to non availability of such manpower forecasted data of Philippines in near past decade.

The Philippine higher educational system is characterized by high attendance rates around 37%, implying that unlike other developing countries, there is widespread private interest in educational investments. This feature reflects a rate of return that is more akin to advanced countries than those of its counter parts. The Philippine rate of return has always exhibited an uncommon behaviour; inspite of categorised as a developing country its rate of return is more comparable to that of a more developed country[27], a phenomenon in an educational system with high enrolment rate (Psacharopoulos and Patrinos, 2002). The rate of returns estimates in general have been relatively stable during the last few years, though have mostly increased over the eight year period and fallen for the last five years. The private and social rates of return have been around 12 percent and 11 percent respectively.

Different studies that have utilized varied data sets and cost estimates conclude with the result through out the years, confirming the low estimates of return to higher education for the Philippines[28] (Paqueo and Tan, 1989; Orbeta, 2001).

While considering the efficiency issues it is also necessary to look at the cost related and nature of student flow related issues. The unit cost in private institutions differs too much from public institutions. The cost per student in private institutions is almost one-third of public institutions. The reasons for this difference is that majority of the private institutions concentrate on low cost professional programs, the enrolments in private institutions are very large, lack of research activities and over utilization of teaching personnel. Inspite of all these features one can definitely conclude that private institutions are cost effective in real sense.

The 'survival rate and graduation rate'[29] reflect a faded picture. The current survival rate is around 67 percent and graduation rate is about 47 percent. It means that completion rate is low. On the other hand, the drop out is another issue, which appears to be severe in private institutions. One reason for the difference undoubtedly is economic, i.e. the higher burden of

[27] There is also an argument that higher education estimates are understated since survey estimates do not take into account individuals who work abroad and earn relatively more, and who are also likely to decide to undertake further education, which extends them an opportunity to work abroad. *See Alonzo 1995*.

[28] It is also observed in case of other levels of education, i.e., elementary education and secondary education.

[29] The survival rate is the proportion of 1st year enrolees who were able to reach the fourth year of studies. The graduation rate is the percentage of the 1st year baccalaureate enrolees who were able to graduate. *See CHED 2003*.

full-cost pricing in private higher education institutions through tuition. The transition rate from secondary level to higher education, which is around 90 percent, is also one of the causes of low completion rates. The high drop out and low completion rates mean that the cost per graduate is skewed (Johanson, 1999). This reflects the wastage in higher education while considering the direct cost and opportunity costs[30].

The enrolment data of private higher education institutions shows that the flow has been towards the traditional courses such as commerce, teacher education, nursing, information technology and engineering. It still continues to be dominated by professional orientation. Enrolments in laboratory based scientific fields still remains very low[31]. But available data indicate that the type and quality of higher education graduates do not match the manpower requirements of an industrializing economy (CHED, 2001). There is a mismatch between degrees and employment.

Unemployment rate is around 11 percent and in case of educated unemployment the situation is alarming. The Philippine labour force data shows that those with higher levels of education have higher unemployment rates. The graduates from accredited and prestigious institutions[32] experience higher rates of employment and incomes. Overall employment picture shows that graduates of the private institutions are far better than those from public institutions (Arcelo, 2001).

Quality

The performance of higher education institutions is a growing concern. The pressure for quality assurance poses a major challenge for Philippines higher education as in case of many developing countries including India. The problem of quality becomes specially pressing in higher education where the government has allowed the private sector to dominate; thus, the government finds itself in the paradoxical position of trying to set up and enforce standards in an area which it is itself unwilling or unstable to enter (Lopez, 1977).

Available literature on quality of higher education in Philippines have dealt with issues ranging from professional examination results to internal aspects of inputs i.e. accreditation, students intake, basic infrastructure, qualifications of teaching faculty etc.

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[30] The foregone cost (opportunity costs) and age shows positive relationship, i.e. opportunity costs become greater as the student gets older.

[31] It is largely because of being expensive and less interest being shown by students while considering the job market. The market mechanism law would not encourage this phenomenon in terms of profit motive.

[32] These are University of Philippines, and other sectarian institutions (Ateneo De Manila, De La Salle University & University of Santa Thomas).

Accreditation is voluntary in Philippines and has a positive effect on the quality of higher education in terms of its effectiveness in stimulating institutional improvement. A coordinating and umbrella organisation, the Federation of Accrediting Agencies of the Philippines (FAAP) was established in 1977 with the three agencies accrediting private associations[33] as members. The accreditation is more focussed for the programs and not for the institution as whole. The criteria possibly differ from agency to agency as might the application, but the scope of the review based on the areas covered by the standards of each agency is almost identical (Phelps, 2001). The accreditation process consists of self-study by the institution followed by an on-site review by a team of accreditors. The accreditation is divided into four levels. Level I refers to programs/institutions which have undergone a preliminary survey visit and are certified by FAAP as capable of attaining accredited status with in two years. Level II refers to programs /institutions which have been granted initial accreditation. Level III refers to programs/institutions which have been re-accredited and have met additional criteria set by the FAAP for this level. Level IV refers to the programs/institutions which have attained the distinguished prestige comparable to international universities.

Currently the number of accredited programs in private tertiary education at level I are 153 - covering 80 institutions, 498 programs at level II covering 155 institutions, and 163 programs at level III covering 47 institutions. While considering the accredited graduate programs, 25 programs are at level I covering 14 institutions, and 81 programs at level II covering 28 institutions. Only two universities have been declared at level IV. If we analyse these figures in terms of the number of private institutions and the number of programs being offered by these private institutions, the situation cannot be thought as appreciable.

Accreditation has been recognised by CHED as one of the important strategies for the improvement of higher education and CHED policy encourages institutions to seek accreditation by providing in the form of grants for Centers of Excellence and Centers of Development, and extending more independent functioning through autonomy and deregulation. But unfortunately, the incentives being provided to accreditation have not been very attractive and do not commensurate the amount of resources needed in undergoing the accreditation process. The accreditation has not been fostered

[33] These organisations are: (1) Philippine Accrediting Association of Schools, Universities and Colleges (PAASUC) for Catholic institutions; (2) Philippine Association of Colleges and Universities Commission on Accreditation (PACU-COA) for non-sectarian institutions and (3) Association of Christian Schools and Colleges – Accrediting Agency, Inc. (ACSC-AAI) for other religious institutions.

as it should have been in presence of large scale private sector with reference to quality recognition.

One of the widely accepted measures of quality in the Philippines has been the performance of individuals in the Professional Board Examinations (PBE) conducted by the Professional Regulation Commission (PRC)[34]. The annual national average passing rate in PBE since 1995 until 2003 has been between 41 to 49 percent. Another striking feature is the extreme variation in the results, from as low as 10 percent (average) in customs administration to about 70 percent in medicine. Although the University of Philippines-Diliman tops the list of high performing institutions, there are many more high performing private institutions[35] than government owned institutions (Asuzano and Thomsan, 2001). But the result of the private non-sectarian institutions shows the poorest results among the graduates on the professional board examination.

The inputs are also an important indicator of quality and these include student intake, faculty qualification and instructional facilities including library holdings.

The type of student intake also determines the output of the quality. The best students prefer to go to the most selective and reputed private institutions and public institutions (especially the UP system). The non-sectarian is rather more open, and selects more students with relatively less tuition than the other prestigious private institutions. In order to have more students for achieving the market based profit objective, a trade off between the quality and students flow exists. Even today one can definitely conclude that prestige and financial conditions has strong and consistent relationship with the overall program quality, as observed in the previous studies (Astin and Solmon, 1981).

The faculty educational qualification is also considered to be an important aspect of quality. The data on faculty educational qualification reveal that there is much disparity among the faculty across regions[36]. The faculty in Metro Manila institutions are holding higher degrees. The low salaries and higher workload in majority of the private institutions do not make it attractive for them to acquire advanced degrees. The excess workload has resulted in less research output. Inspite of this many reputed

[34] The PRC was created in 1973 as the government agency mandated to ensure the quality and competence of professionals serving the country. The commission covers 42 professions.

[35] Theses institutions are – University of Santo Thomas, St. Louis University, Silliman University, Mapua Institute of Technology, Ateneo de Davao University, De La Salle University-Manila and Ateneo de Manila University.

[36] For details on faculty educational qualifications across regions and institutions see *CHED Higher Education Statistical Bulletin, 2003.*

private sectarian institutions and few non-sectarian are moving towards substantial improvement in faculty qualifications.

The instructional facilities are also an important indicator that influences the output quality. The library acquisitions are one of the major features of this. It is observed that majority of the private institutions are in deplorable conditions in terms of library facilities along with low utilization rates of books. The positive aspect with regard to instructional facilities is that internet access is being widely available across majority of the institutions, which can help in overcoming the poor endowment of libraries partially.

The quality is an aspect, which needs to be focussed through a proper strategic framework. The role of CHED in this respect shall remain vital as being the only agency that can partially influence the system.

Lessons learned for Indian Higher Education System

At present, India has about 304 Universities, including 62 Deemed Universities[37], 11 open Universities, and 15,000 colleges, incorporating approximately 10 million students and 0.5 million teachers. It is this feature that labels it with the second largest higher education system in the world. The overall expansion over the period of time has been significant, even student enrolment growing at 5 percent annually over the past two decades. In spite of all this increase in enrolment, only 7.2 percent of the population in age group 17 to 23 constitute the participating group.

While analysing the enrolment scenario, it can be observed that 45.07 percent of the students are in Arts stream, 19.88 percent in Science, 17.99 percent in Commerce and Management, 7.50 percent in Engineering, 1.43 Percent in Education, 3.25 percent in Medicine, 3.23 in Law and 1.64 percent in others[38] (UGC, 2002).

The private sector in Indian education characterises a different magnitude of degree in terms of funding assistance[39]. If one does not

[37] Under section 3 of UGC Act (2000), deemed universities are required to possess viability and a management capable contributing to university ideas and traditions.

[38] Includes agriculture and veterinary along with other programs.

[39] The private institutions consist of private aided and private unaided. Private aided are those that receive regular funding for their recurring expenses including salaries of the employees from the state. Many have received funding for capital expenditure and many are getting this assistance in current scenario too. Private unaided do not receive any grant from state and they consist of both private unaided (unrecognised) and private unaided (recognised). See *Tilak* 2003.

This paper reflects on private unaided as 'Private' in its discourse and for all arguments related to private higher education institutions in India.

consider the aided character, then one may arrive at an unacceptable, conclusion of stating India with a big private sector in higher education.

India has a long history of private institutions but in a scattered manner, subsequently getting attached to state[40]. The pre-independence period, or that between 1892 and 1947, has been termed as 'Golden Age of Indian Philanthropy' (Sundar, 2000). The 'non-state funding resources'[41] have been important in the growth of Indian higher education in its initial stages of development. With growth, the scenario has changed. Reliance on state for resources has almost doubled, i.e., from 49 percent in the beginning of fifth decade to about 84 percent in the beginning of the last decade of 20th century. On the other hand, the contribution of non-state funding resources has declined drastically.

The 1990s saw a major turn in the history of contemporary higher education in India. The decade was one of turmoil, with an important development being the sustained efforts towards privatisation of higher education. The structural adjustment policies, which envisaged macro economic stabilization and adjustment, led to reduction in public expenditures and the introduction of cost recovery measures, accompanied by the policy measures toward the 'direct privatisation of higher education' (Tilak, 2001). The new economic reforms and the policy of government is currently encouraging augmentation of resources, exacerbating cost recovery on a larger scale. The fear expressed by many economist/educationalist that with the privatisation, the justification for government funding[42] would be hit hard, is a statement which can be termed as too early. The public sector system, which has been built over a long period of time, will not fall down suddenly. The role of the government in funding shall remain. There has already been large-scale investment by the government, so the fear that private investment alone in higher education would be socially sub-optimal does substantiate in case of India[43]. Although many committees (UGC 1997, 1999 & 2000) and reports (Srivatava and Sen, 1997; Ambani and Birla,

[40] Aligarh Muslim University, Banaras Hindu University, Jamia Millia are some of those institutions which have been built founded with the philanthropy of enduring trusts and foundations. Now these are federal universities with complete dependence on federal government for funding.

[41] Philanthropy, tuition, other fees, community contribution, donations etc.

[42] The three arguments are: (a) higher education investments generate external benefits important for economic development, (b) private investment alone in higher education would be socially sub-optimal and, (c) the issue of equity and access in context of disadvantaged groups. *See George Psacharopoulos 1987*.

[43] The argument of sub-optimal investment in higher education by private sector could be justified only for newly independent or natural calamities or war effected nations like Afghanis than or Iraq.

2001) have called for cost recovery and reforms, but the road to it is still imprecise.

On the other side, the interventions by the Supreme Court from time to time and its contradictory judgements have only added to the prevailing confusion[44] (Gupta, 2004).

Although many private institutions across states/provinces have come up, the floor towards privatisation still remains indecisive in terms of policy framework, in spite of the interest of the government. No precise policy seems to have been implemented to encourage, regulate and monitor the private higher education system.

The private higher education sector in India will take place on a larger scale in the coming years, in absence of sufficient resources to even sustain the present system, although the expansion of the present public sector system remains a far dream. The government has to clearly define the relationship between private higher education institutions and the state.

The government has to acknowledge the need to assist in attracting private investment into higher education and recognise the objective for private sectors to generate financial returns on investments, as has been done in Philippines, but incorporating the profit seeking sectarian institution under tax regime. In order to meet the rising private demand for higher education, the need for sustainable private investment, will not take place in absence of some guarantee of operational autonomy to respond to market demands and a fair return to compensate for opportunity costs and market risks.

The growth of private higher education would lead to increase in the number of students who would pay for their own education, thus providing incentives for the government to redirect its saved significant proportion for those in need. The presence of higher quality private institutions would increase the participation of higher income groups in private, fee paying education, thus reducing the subsidy by the non-users (lower incomes) to the users (higher incomes).

The expansion of private higher education will require increased government responsibility, especially in providing legislative and policy

[44] In Unni Krishnan vs the state of Andhra Pradesh (1993), the Supreme Court Banned the Capitation Fee Act, 1988. Instead, it allowed a number of 'paid seats' to be established in consultation with the concerned state governments. However, in T.M.A. Pai vs State of Karnataka (2002), the Supreme Court reversed its earlier Unni Krishnan stand and gave a green signal to financially independent private and minority interests to establish higher education colleges of their choice. The Supreme Court judgement of August 2003, it has again taken a tough stand against capitation fees and profiteering by the private professional colleges. *See Asha Gupta 2004.*

frameworks for the establishment and operation of private higher education institutions, quality assurance, monitoring and accreditation. The role played by CHED in Philippines could be replicated with necessary modifications. The development of faculty has been linked with the tuition increase in Philippines is a model of replication for the future private sector of Indian higher education system. This increase in tuition also takes place in consultation with students' forum, parents, alumni, faculty and other organisations. It leads to general unanimous agreement.

For increasing information access and choice to students, the quality level of the private institutions should be published and brought to the notice of general public. The same should be done for public institutions to provide an equal playing ground level across various types of institutions. In order to do so, rather than just one accredit ting agency NAAC, more agencies should be formed which could accredit ate the individual programme rather than just the whole institution. The accreditation should be made mandatory instead of being volunteer. Since the Indian system is very large, the University Grants commission cannot monitor all the private institutions. The UGC can frame clear cut policy and ask the different states to institute a separate agency for the purpose as per the guidelines of the UGC .

While considering the issue of equity, a fixed percentage of seats can be subsidized with regard to tuition and other fees along with some living allowance for students from disadvantaged socio-economic background[45], and it should be noted that it should not alter the quality balance of inputs drastically which may lead to wastage or discrimination. Even government could partially add to this by extending assistance for this objective.

The private sector would focus more on professional orientation, giving more access to students for such programmes, and fulfilling the private demand, which is closely linked with the labour market.

With the growth of private sector government can also slowly think about normative financing because currently in the public sector university system, of the total expenditure a major share goes to the salaries. To effectively maximize the scarce resources, it has been suggested that perhaps higher education funds should be allocated on the basis of priority degree programs, thus transforming budget allocation from being input to output based[46].

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[45] Rather than following the policy of quota system, the policy of subsidized provision should be extended to deserving students only as the case exists in Philippines.

[46] The output financing methodology will be normative i.e. based on norms or standards. It will be driven mainly by financed student places allocated by the government. For discussion on Philippine see *Preddey and Nuqui 2001.*

The growing financial constraints on educational investments combined with strong private demand for higher education are likely to induct reforms in public universities in terms of considering the possibility of increasing the share of financial support provided by individuals and their families rather than subsidising the whole students, and also recognising the future role of private sector in the policy frame of the government.

Conclusion

The roots of private higher education in the Philippines can be traced back to the Spanish regime, and the real growth since the American Regime. The private higher education model in the Philippines has been developed upon the American model. These privately owned and managed institutions comprise of almost 88 percent of the total and exist without government subsidies. There exists a systematic relationship between quality and institutional profit within the private profit-seeking sector. This view has its genesis from the Marxist belief as inherent feature, enlightening exploitation of students which gives rise to abnormal profits to selected institutions.

The profit has its stems even in the *so called* not-for-profit educational institutions, which also seeks the tax benefits of foundation status. The major sources of income for the private sector have been tuition and other fees. They have not been able to mobilize other private resources for the ends of higher education. The university industry linkage is very weak with regard to this.

The degree of diversity in private higher education in Philippines is very high; mainly because of their skewed capacity level to extend quality education, thus translating into unequal opportunities. The best private institutions are on a larger scale serving the elite society.

The Philippine government addresses the issue of equity through schemes of scholarships, low tuition fees in the SUCs, and by setting up SUCs in remote areas. The private sector too addresses access and equity issue through scholarships, socialized tuition, deferred payments and loan programs. But the problem of providing equal opportunities still remains unresolved.

The growth and existence of private institutions in the Philippines is largely because of high level of family commitment to educate their children i.e. a contribution that is much ahead of earnings. This makes the Philippine society exceptionally and positively different.

Theoretically, private higher education institutions are covered by the policies and standards set by the Commission on Higher Education in terms

of course offerings, curriculum, and administration and faculty academic qualifications, among others, but in spite of quality differences across private institutions, the CHED has not been effective in curtailing the growth of sub-standard inefficient institutions. Unfortunately, even the accreditation remains volunteer for individual institutions.

An insight into the negative features of private higher education system throws light on quality disparity, inequality, overloaded faculties, lack of research etc. But this system has its own very strong successes. The private education institutions have been able to fulfil the private demand for higher education, in absence of the capacity of the state to do so. It is these institutions that have made higher education accessible. The existence of high number of private institutions and high enrolment in private sector has been able to greatly save the public resources. The professional orientation based programmes have been more effective than the general courses. It is these private institutions that have proved to be successful in providing education in accordance with international job opportunities. The alumni contribution has increased in the recent years in selected private institutions. Some institutions have been able to bring the resources of private philanthropy. Another positive aspect of selected private institutions is their true contribution to generate equity though their own extensive financial support for the poor students.

On the other hand, the Indian higher education is facing financial crisis. The government is not in a position to even sustain the present system, although expansion remains a dream. Because of growing private demand and in absence of sufficient resources, the role of private sector has to be recognised by the government in its policy while including the profit as an objective of their entrance and existence. It is here where many positive features of the private higher education of the Philippines can be effective in replicating owing to its long experience.

To conclude the private higher education institutions in the Philippines have a long history of their presence and have provided a crucial avenue of access to higher education for people from all walks of life. It is very much influenced by the market. Their role will increase with the shrinking public funds. These institutions are independent and autonomous, while also being subject to external control. Currently, the major challenges of the private higher education in the Philippines include finding sufficient resources to facilitate expanding demand for quality assurance in presence of declining enrolments, and increasing pressure for better higher education in accordance with the rapidly developing information and knowledge society.

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