

Private education for public good

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THE National Board of Revenue during the just concluded student movement explained that the tuition fees are inclusive of VAT. The VAT was imposed on private university tuition fees with an aim to expand the scope of revenue collection.

This overlooks the fact that many of the private educational institutions in the country have been established to contribute to the development of the education sector and not as for-profit commercial entities. Education is essentially a public good which generates enormous social gains. When an individual receives education, they receive knowledge and skills and an ability to think critically. The benefit of education does not remain limited to the private productivity gains. Having educated individuals of the society creates a positive externality to the society which results in overall social productivity. This provides the core rationale for public investment in education, which has been cherished as a public policy principle in almost all countries of the world.

In many countries like Bangladesh, where, due to fiscal constraints, public investment for education competes with other pressing social expenditures, private provision of education has been explored as an option. Private education there is considered an essential means to achieve public education goals. Such private provision of public good is an economically justified policy tool, not only in education, but also in other sectors to advance public policy goals. The government's noble goal to

turn Bangladesh into a developed country by 2041 would require the country to have skilled human capital and an educated citizenry. Countries which have achieved rapid growth are those which have provided quality education as the backbone for long term development. Hundreds of thousands of new aspirants who seek university education cannot be accommodated in public universities because of their severe capacity constraints. Where can these prospective students turn to and how will the government equip them with the knowledge and skills needed for national development? With no public funding and space in public universities, where the government provides more than 90 percent of education costs in the form of subsidies, a large number of these students have to spend money to gain education at either private universities or abroad. Shouldn't the government facilitate education of these young citizens who will be the leaders and drivers of the nation's enterprises and development efforts in the future?

Why create a dichotomy between private and public education? Private provision of education is only filling the void created by the absence of much needed public education infrastructure and plays an equally important role in achieving the goals of the country's human capital development. Thus, imposing a tax on the provision of education is a bad public policy.

The imposition of tax raises the cost of education and reduces the funding available to private institutions which is needed for investment in quality leaders, scholarships, laboratories, classrooms and other infrastructural facilities. While a



segment of the student population enjoy affordable, almost-free education, the other segment who are no less a vital part of the nation's human resource, face a discriminatory tax on education in addition to the private cost of education. In developed countries, where private provision of education is widely prevalent (such as USA) or where high tuition in public universities is

changed to recover public university cost (such as UK), government backed subsidised education loans are available for students. The subsidies given to these government backed loan operations are part of the fiscal expenditure for public education. In Bangladesh, we have developed private provision of university education, but we have not developed mechanisms to facilitate

funding for the infrastructural cost of universities or students' tuition costs. It has been essentially relegated to the whims of market forces, ignoring the huge social gains that originate in the process of education. If one considers how Bangladesh is benefiting through private education institutes, such as English medium schools and universities, one may look into how graduates are performing in the real world. For example, while there has not been any formal study on the relative performance of graduates from public and private universities in Bangladesh, anecdotal evidences suggest private university graduates are performing very well in the private sector and many of them have risen to corporate leadership. This is in sharp contrast to public perception, which data might support, that public universities usually attract superior quality students who outperform private university students in the real world. In the arena of post graduate qualifications abroad, private university students have gone on to earn research degrees in many of the world's leading universities in the form of Master's and Ph.D. degrees. Private universities have created space for many high caliber public university graduates and provided them an intellectual space for research and scholarship. Universities have channeled hundreds of crores of taka into infrastructural facilities with private money. The returns to these investments is not a story of private gain from public investment, rather it is a story of private and public gains from private money. If the government believes that

members of the Board of Trustees are making huge amounts of money through private universities, then it should ensure compliance of personal income tax laws and not penalise students who would eventually bear the burden of tax in the form of raised tuition fees or reduced quality, scholarships and facilities. Moreover, if funds are available in private universities which could be paid in the form of VAT, then the government will be well-advised to introduce policy innovations which will ensure that the extra money is channelised in quality enhancement and infrastructural investment of private universities. In addition, the government should explore mechanisms to finance the huge infrastructural costs of establishing quality education institutions, for their academic, administrative and residential infrastructure, through government backed low cost financing and public private partnerships, particularly in areas outside Dhaka. A sprawling university campus and its supporting infrastructure accommodating the faculty, staff and students will add much vibrancy to the local economy. As quality education provides the only sustainable and proven pathway to personal and social development, the government should ensure through regulatory mechanisms that no private profiteering enterprise in the name of education deals in certificate business and defies the noble goal of education.

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