

K- 12 Education: “Young India + Increasing education spend + Literacy growth = Growing K-12 Market”

The Indian Education sector (IES) has witnessed rampant growth especially since the last decade led by a mix of macro-economic & demographic factors such as strong economic growth, greater proportion of youth comprising the Indian populace, growing Private Final Consumption Expenditure (PFCE) on education etc. Of the said growth, the contribution of K-12 & Higher education segment has remained the highest. Going forward, CARE Research expects the growth momentum in the K-12 educational space to continue owing to the following factors:

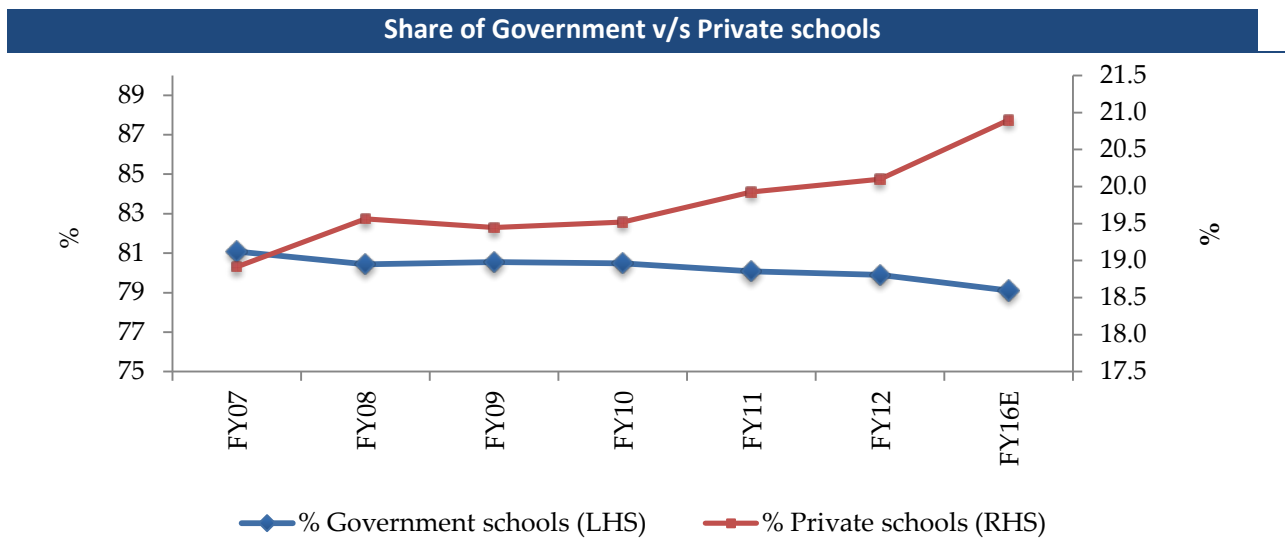
- Population in the age group 5-19 years (K-12 target population age) comprising approximately 30% of the Indian population represents huge target market both in the immediate as well as long run
- Growing proportion of country’s middle class population implying higher propensity to spend on child’s education. The per capita public expenditure on secondary education has increased from Rs.315 in FY08 to Rs.784 in FY12
- Lower enrolment rates especially at the upper primary level as compared to other developed nations of the world (with enrolment rates > 90%) owing to the drop-out rate post the primary education remaining high especially in rural India
- Increase in expenditure outlay during the XIIth plan period earmarked by the Government of India (GoI) for the Primary & Secondary education
- Greater role of private entrepreneurs / institutes in the K-12 educational space through Public-Private Partnership

In view of the above-mentioned factors together with the GoI’s vision to universalize K-12 education in the country, the XIIth plan envisages the following for the growth of Primary & Secondary education:

- Integration of pre-school education with primary schooling for the overall development of child right from the early stage
- Strive to achieve Gross Enrolment Ratio (GER) > 90% at the secondary level and 65% in the higher secondary level by FY17; much in line with the global trends
- Reduction in drop-out rates to < 25% by FY17
- Promoting the use of technology in education through the introduction of Information & Communication Technology (ICT) in schools
- Focus on teacher training so as to familiarise them with real- life classroom situation
- Implementation of common school curriculum & syllabus across all the schools in the country especially for studies relating to science, maths & english

Owing to the huge target population and the vastness of the country, the spread of K-12 institutes within the nation together with the achievement of above mentioned reforms in the education system represents a humongous task for the GoI thereby necessitating the entry of private players in the K- 12 space. Of late, the GoI has welcomed the entry of private players for the development of school infrastructure, teacher training etc. Correspondingly, CARE Research expects the private schools in the country to grow from 2.7 lakh during FY12 to 3.2 lakh during FY16 at a CAGR of 4% implying an addition of 0.47 lakh schools during the said period. Of the same, the number of private unaided schools is expected to rise from 2.0 lakh during FY12 to 2.4 lakh during FY16 at a CAGR of 4.9%. Uptill FY16, the private unaided schools are expected to comprise 76.6% of the total private schools in the country with addition of 43,000 schools during the period FY12-16. CARE Research expects the number of private aided schools to increase from 0.71 lakh during FY12 to 0.75 lakh during FY16 at a CAGR of 1.2%. The private aided schools are expected to comprise 23.4% of the total private schools in the country during FY16 with an addition of 4,000 schools during the period FY12-16.

CARE Research expects the addition of private schools (both aided & unaided) to grow at a faster pace as compared to the government schools. In view of the same, CARE Research believes that the government schools though would undoubtedly continue to account for the major proportion of the total schools in the country, however, the share of the government schools would decline to 79.1% of the total schools in India by FY16 from 79.9% during FY12.



Source: DISE and CARE Research estimates

However, CARE Research expects the private entrepreneurs / institutes venturing in to the K-12 segment to be faced issues such as:

- GoI’s regulation of establishment of K- 12 institutes for ‘not-for-profit’ motive thereby requiring such private institutes to channelize profits through other companies operating as service providers to the K- 12 institute
- Land acquisition norms leading to considerable time as well as cost over-run
- Requirement of multiple licenses from varying authorities at the State-level in the absence of a single-window clearance system.

Overall in the K-12 educational segment, CARE Research expects the target population in the age group of 4-18 years to account for approximately 27.9% of the total Indian population by FY16. In addition, the increase in spending (public + private) on K- 12 education together with the growing number of establishments of K-12 institutions across the country is expected to provide a further thrust to the K-12 education market in India. Correspondingly, CARE Research expects the market size of K-12 education in India to increase from Rs.1.32 lakh crore during FY12 to Rs.2.34 lakh crore during FY16 at a CAGR of 15.3% during the said period.

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