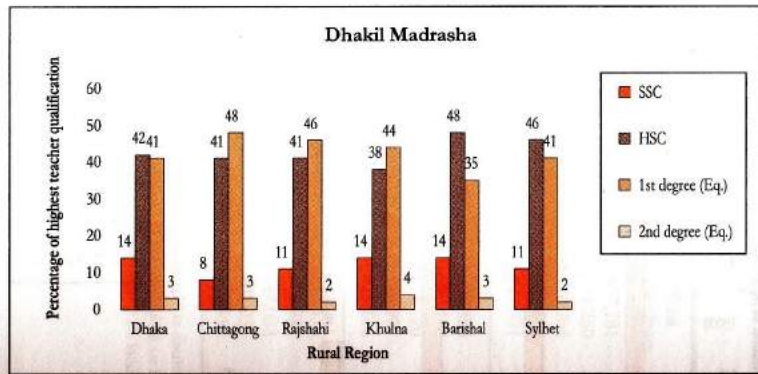
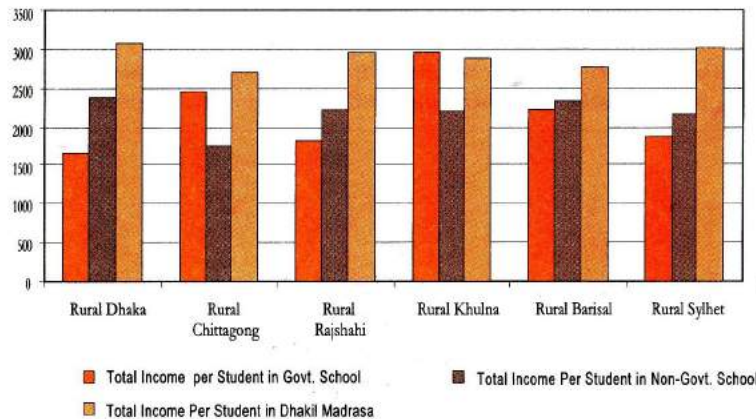


Appendix Figure 4.3A
Bangladesh Dakhil Madrashas - Distribution of Teachers
By Their Highest Qualifications and Rural Regions, 2003



Appendix Figure 4.4A
Bangladesh Non-government Secondary Schools: Annual Income
Per Pupil by Rural Income/Pupil Regions, 2003



PRIVATE UNIVERSITIES IN BANGLADESH: SUSTAINABLE INNOVATIONS OR PROMISING FLICKERS

5.1 MAJOR ISSUES OF BANGLADESH PRIVATE UNIVERSITY EDUCATION

For more than a decade, Bangladesh has received a lot of attention from the concerned people, both at home and abroad, for its rather spectacular growth of private universities. From the very inception in 1971, a State avowedly known for its wholesale dependence on public universities, as centers of excellence and learning, made a radical departure in 1992 by allowing private universities to operate in this particular level, so long "restricted" for the public providers.

The chapter is on the performance of private university subsector of Bangladesh. It tries to analyse the contemporary issues of quality, relevance, financial sustainability and growth of the private universities in the country. The analysis is by no means an exhaustive one; due to the limitations of data and resources, it is presented as a preliminary analysis. The intention is to inform the policymakers and the practitioners. Ultimately, this is an effort to contribute to the discourse of public-private provisioning in higher education.

The chapter is mainly based on secondary data generated by State agencies [(e.g. University Grants Commission (UGC) of Bangladesh and Bangladesh Bureau of Educational Information and Statistics (BANBEIS)]. Some structured primary data are also used supplied by a number of private universities of the country. Impressionistic ideas gleaned by the authors and personal interviews of the private university administrators have been used in this chapter. This unstructured information is quite helpful in developing insights with regard to the subsector.

Before taking up the specific context of Bangladesh Private University subsector, it will be helpful to enumerate a number of relevant analytical issues:

- (i) The importance of having an indicative medium/long-term plan for manpower development (skilled, semi-skilled personnel such as engineers, doctors, teachers, and technicians) for the economy is not fully lost.¹ A market-oriented developing economy should keep in view the critical manpower requirements in order to develop a few key (or 'thrust') sectors. These sectors are decided by the country's planners, policymakers, entrepreneurs and other stakeholders on the basis of an economy's comparative advantage, resource configuration; both static and dynamic considerations factor into the planners/policymakers broad estimation of critical manpower requirements. These medium to long-term projections of manpower requirement (of mainly skilled and semi-skilled personnel) have definite implications for tertiary education subsector of the country.

To achieve a rate of growth of gross domestic product (GDP) of 7 to 8 per cent per year, the tertiary (or higher) education subsector must supply a critical minimum of engineers (civil, mechanical, chemical and engineering), management personnel (e.g. Bachelors/Masters' in management for banking, financing and/or manufacturing institutions), other professionals (for example, medical practitioners), teachers (at the secondary and college/university levels), and civil servants. The relative price-ratios (wage-salary structure) in the job-market ultimately lead the market to a supply-demand equilibrium; the oft-quoted cobweb way of arriving at a market-based solution may be costly in terms of time required for such adjustments. Hence, there is an urgent need for an indicative plan (with a time-horizon of 10-15 years) for the manpower requirements of the economy. The private university subsector has an important role to play in developing a long-term manpower plan for the critical skills required for the economy. Since the private sector actors are the users/absorbers of these skills, they are better placed (*vis-à-vis* the public sector administrators/practitioners) to implement the manpower plan by founding and sustaining the tertiary educational institutions.

- (ii) Towards the close of the twentieth century, different multilateral agencies such as World Bank, Asian Development Bank (ADB) have significantly changed their view to tertiary level education in the specific context of developing countries. It is recognised that while trying to move out from a vicious cycle of poverty to a virtuous cycle of sustained/accelerated growth a critical mass of skilled manpower is required within the geographical boundary of a country. Both creative and critical abilities² (= knowledge + skills) change the whole work environment for the better

and lead the economy steadily towards a higher-performing one. Thus, the higher education subsector has to generate continually a stream of graduates for knowledge based modern economy.³

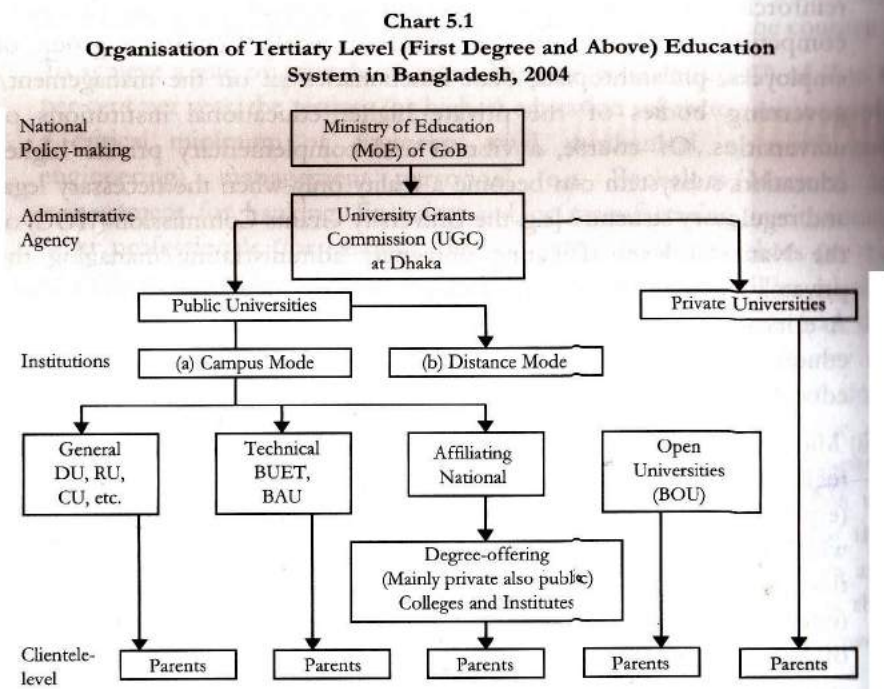
In the new epoch of market-oriented development paradigm, State-interventionist attempts in general may be more regulatory and indirect than has been the case previously. The World Bank Task Force (2000)⁴ delineates major features of a desirable higher education system for the developing countries in a changing and globalised circumstance. It is apparent that a privately managed higher education subsystem in a developing country enriches the subsector by bringing in and/or reinforcing the elements of stratified/diversified structure, flexibility, competition and links to the world of work. Because a group of employers, philanthropists, State-functionaries sit on the management/governing bodies of the private higher educational institutions or universities. Of course, a vibrant and complementary private higher education subsystem can become a reality only when the necessary legal and regulatory structure [e.g. the University Grants Commission (UGC) or the National level affiliating university administrating/managing the privately run degree-awarding colleges and institutes] function efficiently. A critical minimum role of the State is necessary to ensure quality of education, transparency and accountability of the private organised higher education providers.

- (iii) Michael Gibbons' seminal treatise⁵ on higher education in the 21st century makes a number of prognostic conclusions on the basis of worldwide (especially in the western capitalist countries) technological development which took place in the second half of the last century. Gibbons asserts that in the era of knowledge based economic growth, more globalised (inter country) dependency for services and commodities, the production of knowledge and its use/consumption will not be in the same (physical) space. His rough estimate shows that about 90 per cent of the global knowledge, in the form of research and development [R&D] generated in a particular seat of higher education, is being absorbed elsewhere (outside of the geographical boundary of the country/economy); it is mainly due to the revolutionary development of the electronic communication system. He emphasises the role of knowledge-workers, that is, new crops of workers consisting of problem identifiers, problem solvers and problem brokers. In this shift from knowledge production to knowledge configuration (with a problem-solving attitude in view), the higher

education subsector of any developing country has to reorient its priorities and focus. In this reorientation, the private universities of a developing country can play an important role. The flexibility, innovativeness and other dynamic aspects of the private universities elect them to play this catalytic as well as sustained role.

5.1.2 Organisation of Higher Education Subsector in Bangladesh

Chart 5.1 presents a graphic picture showing how the tertiary level education in Bangladesh is organised. As anywhere in the world, the Ministry



Abbreviations

BAU	=	Bangladesh Agricultural University
BOU	=	Bangladesh Open University
BUET	=	Bangladesh University of Engineering and Technology
CU	=	Chittagong University
DU	=	Dhaka University
JNU	=	Jahangirnagar University
RU	=	Rajshahi University

of Education (MoE) is the apex policy-making body in the country, and the University Grants Commission (UGC) is the main administrative agency headed by a Chairperson (with some members) to regulate and coordinate plans and programmes of different public and private universities. The public universities enroll the overwhelming number of students in a particular year. There are three types of public universities: (a) National (affiliating) university, a campus-mode type, all the degree-awarding (both First and Second degrees) colleges numbering around 1,075 dispersed throughout the country are administered by this university; (b) Campus-based residential universities, both general and technical types, enrolling about 125,000 students in a year; and (c) Distance-mode type, for example Bangladesh Open University (BOU), enrolling about 100,000 students in a year.

On the right hand side of chart 5.1 one can see the private university stream of tertiary education in the country. It is clear from the chart whether an institution offering a degree, first degree or beyond, which belongs to the public or private (non-profit) sector, has to be accountable ultimately to UGC. Formally, UGC defines a number of administrative, financial and other parameters to these universities, both public and private. The universities have autonomy (by the Parliamentary Acts) to work within the UGC-given parameters. Quality assurance and equivalency and similar other aspects are supposed to be taken care of by UGC. How far UGC has been able to do it and/or can do it is a question remains to be answered.

5.1.3 Felt-need for Private Universities in Bangladesh

In Bangladesh, the idea to allow different non-profit philanthropic organisations to establish full-fledged universities was first mooted in the first half of 1981 (USTC 2000) by the highest level State functionaries. Due to socio-political upheavals in the 1980s, it took almost a decade to concretise the thoughts by the actors (both State-functionaries and potential entrepreneurs) in terms of a parliamentary act in 1992. Historically, the role of the non-State sector in the tertiary level education (mainly First degree i.e. BA, B.Com, BSc) of the country has been important. By one estimate in 2001-02 (BBS 2003), out of total student-population of about 2,150,000, roughly 58 per cent was enrolled in the non-State degree-level colleges. Thus, a higher proportionate role/share of the private (mainly philanthropic) sector was already there in the mediocre degree-awarding sphere. Every year the higher secondary education subsystem (consisting of grades 11 and 12) churns out roughly 250,000 graduates by the HSC (public) examinations

(BBS 2003). Since the public universities, mainly general type plus technical type [for example, Bangladesh Agriculture University (BAU) and Bangladesh University of Engineering and Technology (BUET)], can enroll each year around 20,000 new entrants of these HSC graduates (only eight per cent of the total passed), an overwhelming number of potentially deserving students have to go without getting a place in the quality-education-serving institutions under public ownership and management. Thus, there was an appreciation on the part of different stakeholders—the State-functionaries, the parents, the employers/philanthropic entrepreneurs, and the donors—to actively consider the option of founding universities under private but (non-profit) management and ownership. The latest State published (BANBEIS) data of 2002 for campus-based university enrollment represent a good indicator of the development of private universities in Bangladesh; the share of private universities (numbering 41 in 2002) has gone up to 27 per cent of the total students (which came to 130,000) of all campus based universities. Thus, the enrolment share of the private university subsector in the country signifies that the subsector has traversed a long way after its inception in 1992 with passage of parliamentary law titled Private University Act of 1992.

5.1.3.1 Policy Shift towards Private Higher Education

Post-Liberation Socio-political Turmoil, Student and Teacher Activism

Bangladesh (the then East Pakistan after the partition of the South Asian Subcontinent in 1947) inherited a rich heritage of public universities in 1971. At the time of Liberation (December 16, 1971), the country possessed six public universities, namely Dhaka University (established by the British in 1921 and developed following the Oxbridge model), Rajshahi University (established in the early 1950s), Chittagong and Jahangirnagar Universities respectively (established in the second half of the 1960s) in the general category. In addition, Bangladesh (the then East Pakistan) University of Engineering and Technology or BUET and Bangladesh (the then East Pakistan) Agricultural University or BAU, the two technical universities – were developed in the first half of the 1960s. The conclusion of short-lived, bloody and intensive Liberation War generated two different types of situations: (i) a rising expectation (demand) for education in general and higher education in particular; and (ii) chaotic socio-political circumstances in the country/society, with their reflections in terms of violence, heightened student activism and instability in teaching- learning process in the campuses of public universities (mainly in the general universities). When contrasted

with the Pakistani period (1947-71), the populist political regime in 1972 enacted more politically-oriented university rules/regulations; the Dhaka University Order 1973 gave so much socio-political powers to the teachers, the students and also to other stakeholders (such as the graduates, university non-teaching staff members, parents, lay-public, politicians and so on) that different academic and administrative entities/committees/posts became functions of socio-political allegiance than of professional skill or performance. Accountability and quality assurance of higher education have been the ultimate casualty of the so-called democratic practices of electing "Senate" (the highest policy-making body), "Syndicate" (the Executive Body headed by the Vice-chancellor), the Vice-chancellor, Faculty Deans and other committees such as Academic Council and Finance Committee. The Dhaka University Order 1973 was replicated for other general universities of Rajshahi, Chittagong and Jahangirnagar.

The increased politicisation of university administration showed up in terms of adverse and lasting impact on teacher selection and promotion. A recent report of the UGC was analysed by one of the authors in another context (Haque 2001). It showed the extent of rank inflation among faculty members and grade inflation of graduates. The proportion of professors has been rising since the early 1980s as a result of restructuring rules devised by universities to appoint teachers at higher ranks from internal candidates. By 1999, the share of professors exceeded 42 per cent of all teaching posts and that of lecturers accounted for 20 per cent only. Research and publications have been made not as part of scholastic activities in universities. This also affected quality of teaching in classrooms as junior teachers take most of the classes with limited knowledge on the subjects taught. Young teachers in general are also not exposed to modern pedagogies used in advanced countries.

Re-orientation of the Economy/Society

Bangladesh started much earlier in the second half of the 1970s to move away from the dominance of the State-sector when compared with other South Asian neighbours such as India, Pakistan, Sri Lanka and Nepal. In the 1980s privatisation of state-owned enterprises (SoEs) and lowering of import barriers increased competitive pressure on the local enterprises. Multinationals were increasingly getting interested to set up operations given the fiscal and commercial incentives offered by the State. It gave impetus to demand for market-oriented courses, such as BBA, English, computer

science and engineering and ICT. To meet the newly created demand for higher education, the public system was neither ready nor it had any motivation to do so. The State did not plan for setting up of new universities in the public sector with this new orientation. On the other hand, political pressure on existing physical capacities resulted in enrolment of students in subjects most of which might have lost their practical relevance.

The outward and market-oriented policy from the second half of the 1970s had its implications for out-migrations of both students and teachers. Due to session-jam (a three-year Honours degree course took extra two to three years to complete), higher opportunity costs and lower quality university education, students were leaving for Indian educational institutions or those who could manage financial assistance (due to merit) or private fund would leave for studying in the western capitalist countries such as USA, Canada, UK and Australia. It is reported that on an average in a year about 50,000–60,000 Bangladeshi students study in different colleges, universities and institutes in India. Similarly, a significant number of the teachers of public universities mainly belonging to disciplines of engineering, natural sciences, economics, and business did not return to the country from the western countries after completing their study leaves. These bright and promising teachers were demanding both better teaching-learning environments in the campus on the one hand and better material and non-material incentives on the other; unfortunately, the State/society could not ensure both these conditions. Hence, the brain drains of pupils and teachers belonging to the higher education subsector.

Actual Shift and Rules for Private Universities

Due to the socio-political problem in the optimal functioning/performance of the public universities, the government in 1980 (see USSTC 2000) was contemplating to encourage social thinkers/ potential organisers to found private (mainly non-profit) universities. The military coup in May 1981 stalled the dialogue between the government and the potential entrepreneurs of private universities in the beginning of the decade. Towards the later part of 1992 the Parliament passed the Private University Act of 1992 (PRUA) and the door was opened for a new system of higher education in Bangladesh. On November 5, 1992, the government approved the establishment of North South University (NSU) and it was granted the Charter to offer degree level courses. The Private University Act (PRUA), 1992 stipulated five major conditions to set up a private university. These conditions were:

- (i) Deposit of Tk.10 million as security money in interest-bearing government bonds.
- (ii) Start with a minimum of two faculties.
- (iii) Having started in a rented premise, the university must move to its own campus by the end of fifth year. It should own a land area of five acres.
- (iv) Programmes and courses to be offered must be approved by the UGC before students are admitted.
- (v) Five per cent of enrolled students are to be granted free studentship to allow poor but meritorious students to study in the university.

The Seventh Parliament (July 1996 - July 2001) during the Awami League regime amended the PRUA (1992) in 1998. It raised the amount of deposit money to Tk.50 million and teacher's salary scales and fees from students were to be made public. The latest BANBEIS-data (2003) puts the estimate for the total number of operational (UGC-approved) private universities at 41 (see BANBEIS 2003). From the UGC records updated up to April 2005, it appears that the total number of functional private universities stands at 53. Of these, 42-45 universities are located in and around the capital city of Dhaka; other 3-4 are in Chittagong and the remaining in Sylhet, Comilla, Khulna and Bogra.

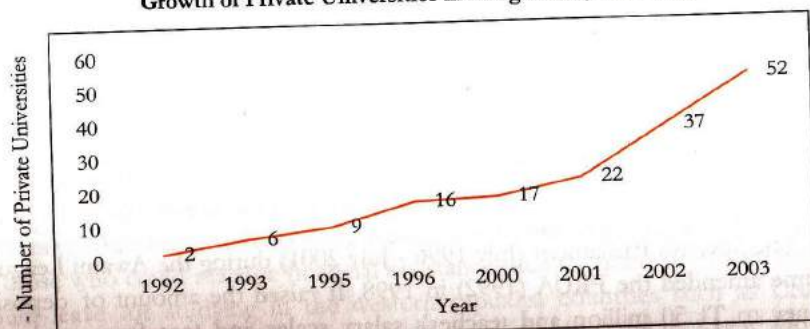
5.2 GROWTH OF PRIVATE UNIVERSITIES AND SOME INDICATORS OF PERFORMANCE

5.2.1 Growth of Private Universities, 1992-2003

The first private university, namely the North South University (NSU) was approved by the Government of Bangladesh (GoB) on November 05, 1992. The then political government of Bangladesh Nationalist Party (1991-96) had a more favourable stance towards the private university subsector. Figure 5.1 shows that during the period 1992-96, 16 private universities (mostly in the metropolitan Dhaka and only two in Chittagong) came on stream. The following period of Awami League government (1996-2001) was not favourably disposed to the concept of private university. It is reflected in the empirical data i.e. only another four private universities were added during the period. Again, with the assumption of power by the BNP dominated four-party alliance government in October 2001, the private university subsector got a significant fillip. The official UGC figure shows (see Figure 5.1) that the total number of private universities has gone up to 52; there has been an

addition of 30 private universities in the period, that is, on an average 9-10 universities are added each year.

Figure 5.1
Growth of Private Universities in Bangladesh, 1992-2003



Sources: Personal Communications with Director (Research) of UGC, Dhaka, on April 25, 2005 and UGC, Annual Report 2001 - 2003, Dhaka, 2004.

5.2.2 Courses on Offer, Evolution with Time and Market Demand

Box 5.1 gives some idea on the subjects/courses on offer as on December 2003.

Box 5.1
Bangladesh Private Universities: Courses on Offer, 2003

A. More Frequent
Undergraduate Courses
■ BBA
■ Computer Science
■ Computer Science & Engineering
■ Computer Science & Informatics
■ English Language & Literature
Post-graduate Courses
■ MBA
B. Growing Less Frequent
Undergraduate Courses
■ Civil Engineering
■ Architecture
■ Electrical and Electronics Engineering
■ Law (LLB)
Post-graduate Courses
■ Development Studies
■ Economics
■ Medicine
■ Others (e.g. Islamic Studies, Bangla, History)

Source: Based on brochures/Annual Reports of different private universities, 2004.

An inspection of the data shows that the predominance of business management, computer science and informatics remain, as was originally observed in the first half of the 1990s. The importance of English language and literature cannot be underestimated in an open economy like Bangladesh. The new disciplines/courses offered are in the fields of civil engineering, architecture, electrical engineering and electronics, law, and development studies. It seems that some private universities have consolidated their positions and/or some new entrants are venturing into risky and capital-intensive disciplines such as civil and electrical engineering, architecture and so on.

Another reason for some diversification in the course- subjects is not difficult to surmise; the job market has been experiencing an over supply of business management graduates. Hence, the adjustment policy by the suppliers i.e. the private universities was a natural response.

5.2.3 Teaching Staff, Teacher-Student Ratios and Teaching Learning Situation

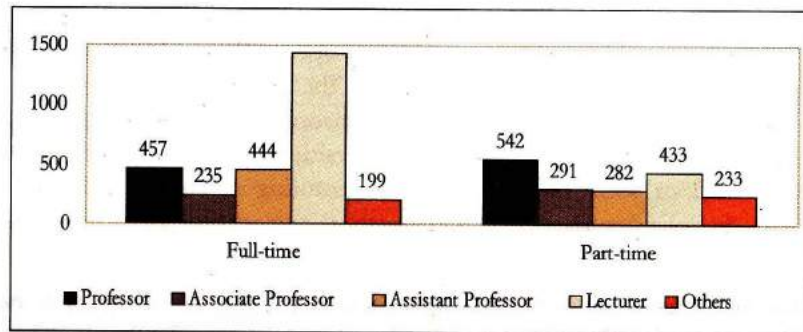
Both teachers and students have grown at phenomenal rates in the period 1997-2003 (see Table 5.1). The simple annual rates of growth are 100.1 per cent for students and 49.3 per cent for teachers. The teacher-student ratio hovers around 1:10 in the period 1997-2003.

Table 5.1
Bangladesh: Number of Private Universities, Total Enrolment, Teacher-Student Ratios, 1997-2003

Year	No. of Private Universities	No. of Students	No. of Teachers	Teacher-Student Ratio
1997	16	5668	636	1:9
1998	16	8718	914	1:9
1999	16	13340	1214	1:11
2000	19	32791	1608	1:20
2001	22	27245	2205	1:12
2002	41	34432	2948	1:12
2003	52	46080	4543	1:10

Source: BANBEIS, Bangladesh Education Statistics 2003, December 2003, Dhaka.

Figure 5.2
Number of Teachers in Private Universities of Bangladesh, 2003



Sources: BANBEIS, Bangladesh Education Statistics - 2003. November 2003, Dhaka.

Figure 5.2 shows that out of about 4,000 teaching staff-members, roughly 60 per cent are full-time faculty; therefore, a significant number are part-timers – very likely they are from public universities in and around the city where the private universities are located. Another important aspect is revealed by the figure is that the majority of the faculty are younger professionals, lecturers comprise 56 per cent of the total full-time teachers. Among the part-time teaching staff, the Professor category, the most senior faculty, dominates. Looking at the pattern from the concerned private university management, it seems that this faculty-configuration of full-timers and part-timers and different hierarchical positions make some financial and management senses.

The teaching-learning transactions in about 16-20 private universities are rated to be satisfactory.⁶ The teacher-student ratio (around 1:10) is favourable; good physical facilities, computer (internet) access and close academic supervision—all these indicators attract these private universities. Both the faculty and the students are academically oriented—a highly distinctive feature when compared with the politically charged-situation in any public (mainly general) university. Unlike the public universities, these universities do not suffer from session-jam; the courses and their assessments are completed according to the academic calendar and on time. But, it should be noted that the majority (about 66 per cent) of the total private universities do not meet the critical minimum requirements of physical and human resources (for example faculty, their mix).

5.3 GRADUATES FROM THE PRIVATE UNIVERSITIES AND THE WORLD OF WORK

One of the major reasons behind founding private universities in Bangladesh (like any other developing country) was to see a more interactive relationship between the subsector and the world of work (whether wage-

Table 5.2
Financial Statements of North South University (NSU), Financial Year
(FY) 1998-2000

Balance Sheet	Year			Yearly Average	per cent of Total expenditure
	2000	1999	1998		
A. Fixed Assets (net)	71.0	57.0	43.4		
	(23)				
B. Current assets	378.1	261.6	194.6		
C. Current liabilities	142.2	97.1	77.6		
D. Net Current assets	236.9	164.5	116.0		
	(77)				
Total	307.8	221.3	193.6		
Per cent increase over previous year (per cent)	(39.0)	(14.0)			
E. Financed by					
N.S.U. Foundation	84.3	64.8	50.8		
	(26)				
The Ford Foundation (Books)	0.4	0.4	0.4		
Accumulated Depreciation	35.9	26.3	20.0		
	(12)				
Students activity reserve	14.7	10.6	8.2		
	(8)				
Accumulated surplus	172.4	119.1	80.9		
	(54)				
F. Total Funds	307.8	221.3	160.3		
Income expenditure statement					
Income					
Fees from students and interest	174.1	135.6	112.4	140.7	(100)
Expenditure					
Faculty payroll	43.9	38.2	36.1	39.4	(28)
Staff payroll	13.3	10.0	7.9	10.4	(7)
Financial aid to students	6.7	4.8	3.6	5.0	(4)
Depreciation and written off	11.4	7.4	7.3	8.5	
Others	41.7	36.6	27.9	35.4	
Total expenses	117.0	97.0	82.8	98.9	(70)
G. Excess of income over expenses	57.1	38.6	29.6	41.8	(30)
Add back depreciation & Amortisation	11.4	7.4	7.3		
H. Cash flow	68.5	46.0	36.9	50.5	(36)
Per cent increase over previous year	49.0	25.0			

Notes: 1. US\$1= Tk. 57.5 (approximately) in January 2002.
2. Parentheses show per cent of the total.

based and/or self-employment). The age-old public universities (built in the 1920s to 1960s, spanning about a half century) fully subsidised by the State budget have always been inflexible and never responded effectively to the evolving market demands of skilled manpower. Therefore, a major performance- indicator of any private university is the marketability of its graduates: how far the graduates from any university are being absorbed productively in the job market and/or self-employment.

Bangladesh State-level agencies such as BANBEIS, BBS and UGC do not publish any comprehensive and regular data on the placement of graduates from the private universities (even placement data on public universities). From two leading private universities—North South University (NSU) and Independent University of Bangladesh (IUB)—the following pattern is obtained.

- (i) In recent years (2000-2001), about 66 per cent of the graduates were absorbed in the salaried jobs. Another 12 per cent were involved in self-employed activities.⁷
- (ii) The graduates entering the job market were mainly in the private sector; the private firms varied from real sectors (manufacturing such as textiles/garments, agro-based, engineering works⁷) to financing /banking institutions and other service sectors such as educational institutions, shipping, software, multinational/multilateral agency, etc.
- (iii) Average income levels of the graduates were significantly above the income levels of their counterparts from the public universities, the lone exception being the graduates from IBA of Dhaka University.

5.4 FINANCIAL ASPECTS -ACCESS TO INFORMATION, FUNDING-SOURCES, AND TUITION FEES

This section is based on two case studies⁸ of the North South University (NSU), Dhaka and the University of Science and Technology, Chittagong (USTC). It has been prepared based on the data collected from the selected universities for three years. It should be mentioned that private institutions and NGOs in Bangladesh are reluctant to share their financial information with outsiders. Accounts of private universities are required to be audited by a firm of Chartered Accountants and copies of such accounts are to be submitted to UGC. Private universities of the country know that it is mere a formality as nobody in the UGC would raise any question. Because the relevant personnel of UGC are not authorised to do so and may also not be

capable of doing so. When approached for financial reports for the purpose of this study, the first response was as usual a no in both the universities. Because of close personal contacts with the VCs, the researchers were supplied with the required financial and related data.

Funding

Both the universities started with initial statutory deposits of Tk.10 million in a bank account and some smaller amount as working capital perhaps not exceeding Tk.3 million. It is noted that cash flowed in heavily from student's fees right from the start, given the excess demand for higher education. In 1998 total net assets of North South University reached Tk.193.6 million. The value of net assets grew by about 14 per cent and 39 per cent in 1999 and 2000 respectively. In 1998 it earned a cash flow income (net income + depreciation and written off) of Tk. 36.9 million. The cash flow income grew by about 25 per cent and 49 per cent in 1999 and 2000 respectively. Average earning over three years was Tk.140.7 million, of which 28 per cent was paid for faculty salaries, 7 per cent for staff and 4 per cent for financial aid to students. Cash flow surplus over the same period was 36 per cent.

It should be mentioned that there is a dual structure of administration in private universities and it is accompanied by maintaining separate accounts for the sponsors. North South University Foundation prepares its own financial statements, as shown in Table 5.3. The university charges a development fee from each student and that amount is transferred to the Foundation account and the money is invested in banks with high interest. In 1998 total net assets of the foundation amounted to Tk.118.3 million. The value of net assets grew by around 32 per cent and 29 per cent in 1999 and 2000 respectively. Total income of the Foundation in 1998 was Tk.33.6 million and it grew by 28 per cent and 26 per cent in the following two years. Three-yearly average income was Tk.43.6 million, 13 per cent of yearly income was spent and the rest 87 per cent was saved and credited to accumulated surplus account. Combined surplus was Tk.79.5 million and total income was Tk.184.3 million, resulting in 43 per cent (= 79.5 million divided by 184.3 million) saving or net income margin.

So fees from students and interest earned on bank deposits are the main sources of financing at North South University. It is building assets out of the surplus income including buying real estates and constructing buildings on them. It is buying foreign books and journals and building a strong

computer centre. However, actual amounts for these items were not available.

This shows high profitability of operations of North South University. It may be noted that the Foundation pays for honorarium to members of the sponsors for attending meetings and also financial aid to students. However, it has not yet established any fund for faculty development. It has so far obtained reasonably good quality faculty from public universities and expatriate Bangladeshis. This factor will be critical for future growth of the university and maintaining its quality in education.

In the case of USTC, its assets amounted to Tk.232.5 million in 1998. The value of assets grew by 26 per cent and 21 per cent in 1999 and 2000

Table 5.3
Financial Statements of North South University Foundation, 1998-2000

Balance Sheet	(In million Taka)			
	Year	Yearly Average	per cent of Total expenditure	
	2000	1999	1998	
A. Fixed Assets (net)	1.9	2.2	0.2	
B. Current Assets	199.0	153.6	118.1	
C. Current Liabilities	0.2	0.3	0.0	
D. Net Current Assets	198.8	153.4	118.1	
Total	200.7	155.6	118.3	
E. Financed by				
Endowment fund	11.3	11.3	11.3	
Accumulated surplus	189.4	144.3	107.0	
Total fund	200.7	155.6	118.3	
F. Income and expenditure statement				
Annual Development fee from Students	51.5	40.9	31.6	
Interest earned	(95.0)	2.6	2.0	
	(5)			
Total income	54.1	43.1	33.6	43.6
Per cent change (yearly)	(26.0)	(0.8)		
Expenditures				
Payroll	1.3	1.0	0.6	
Honorarium to members	1.4	0.6	0.3	
Financial aid to students	2.8	2.0	1.3	
Depreciation & written off	0.7	0.7	0.05	
Others	2.8	1.4	0.65	
Total expenses	9.0	5.7	2.9	5.9 (13)
G. Excess income over Expenses	45.1	37.4	30.7	37.7 (87)
H. Cash flow earnings	45.8	38.1	30.7	
	(20.0)	(24)		

Note: Parentheses show per cent of the total.

respectively. Its cash flow earning in 1998 was Tk.24.1 million. The cash flow earning grew by 7 per cent and 8 per cent respectively in 1999 and 2000. On average, USTC spent 51 per cent of its income and saved 49 per cent. However, the breakdown for expenses into some standard accounting categories was not available in the statement. It is located in Chittagong in the southeastern tip of Bangladesh. Supply of both quality students and teachers is limited there. Most of the good students from the area come to Dhaka for higher education. It is a commercial city with the largest seaport. USTC is charging fees similar to North South University. However, it is paying much lower to faculty and staff from that area. The founder of USTC is a renowned physician and he established a medical college in the

Table 5.4
USTC Financial Statements, Financial Year (FY) 1998-2000

Balance Sheet	(In million Taka)			
	Year	Yearly Average	per cent of Total expenditure	
	2000	1999	1998	
A. Fixed Assets (net)	85.8	76.8	69.7	
	(24)			
B. Current Assets	281.6	244.4	197.7	
C. Current Liabilities	14	28.7	34.8	
D. Net Current Assets	267.6	215.7	162.9	
	(76)			
Total Assets	353.4	292.5	232.5	
Per cent increase over previous year	(21)	(26)		
Balance Sheet	(In million Taka)			
	Year	Yearly Average	per cent of Total expenditure	
	1999	1998	1997	
E. Financed by				
Capital development & other funds	302.2	239.5	181.4	
	(86)			
Accumulated surplus	51.2	53.0	51.1	
	(14)			
Total funds	353.4	292.5	232.5	
F. Income and expenditure statement				
Fees from students and interest	51.7	46.7	40.3	46.2
Expenses (details not given)	27.5	24.3	18.8	23.5 (51)
G. Excess income over expenses	24.2	22.4	21.5	22.7 (49)
Add back depreciation & amortisation	3.8	3.5	2.6	
H. Cash flow	28.0	25.9	24.1	26.0 (56)
Per cent increase over previous year	(8)	(7)		

Note: Parentheses show per cent of the total.

private sector under affiliation from Chittagong University before the establishment of USTC.

The sponsor of USTC is Jana Sheba Foundation established by renowned physician Professor of Medicine Dr. Nurul Islam. Earlier, it started a medical college in 1989 and got some prime real estate from the Chittagong City Corporation at a nominal cost. In 1999 the foundation had net assets of Tk.292.5 million. The value of net asset grew by 28 per cent

Table 5.5
Financial Statement of Jana Sheba Foundation (of USTC), 1999-2001

	(In million Taka)			Yearly Average	per cent of Total expenditure
	Year				
	2001	2000	1999		
A. Balance Sheet					
Fixed assets	18.1	7.1	0.8		
Current assets	293.2	286.6	228.5		
Current liabilities	0	0	0		
Net Current assets	293.2	286.6	228.5		
Total assets	311.3	293.7	229.3		
	(6)	(28)			
Financed by	311.3	293.7	229.3		
B. Income and Expenditure Statement					
Interest and dividend received	9.6	12.5	16.6	12.9	
Expenses (details not given)	3.14	0.5	0.05	1.2	(10)
Surplus transferred to general fund	6.6	11.9	16.6	11.7	(90)

Note: Parentheses show per cent of the total.

and 6 per cent respectively over the next two years. Three-yearly average income was Tk.12.9 million, of which 10 per cent was spent for operation and 90 per cent was saved and transferred to the Foundation. On a combined basis average yearly income was Tk.46.2 million and average expense was Tk. 23.5 million over the 3-year period. This resulted in net surplus of Tk.22.7 million and 58 per cent of income. This proves the earlier point that USTC was spending relatively lower proportion of its earnings for students compared with North South University. USTC has been building its own campus from the very outset. Besides the organisation obtained real estate from the City Corporation, it has received a grant from a Japanese foundation and built a four-storied library and computer building. It may be mentioned that the medical college of USTC admits 20 to 30 foreign students a year mostly from Nepal and collect higher fees and development charges from them. USTC has also built

dormitories for students. It is much better prepared in terms of physical facilities. However, as noted above, because of absolute shortages in trained faculty, it is not in a position to get the supply of students in business and computer sciences in that corner of the country. There is a public university in Chittagong (Chittagong University) which also suffers from such shortages of qualified teachers in those subjects.

USTC is more profitable than North South University. USTC's surplus averaged 58 per cent and that of North South University averaged 43 per cent per year. Net assets of both the universities are invested mostly in interest-earning certificates of deposits with banks. It is being used for building campuses mainly. This pattern of financing fixed assets out of income from current students may be questionable. Current students are paying more heavily for future students in terms of building of physical assets only. This has a trade off in terms of students' quality in private universities. Now that these two universities have been well established they can plan for getting better quality students by reducing fees and raising development finance from banks and donors, including the State, that is, government of Bangladesh (GoB). One of the priorities must lie in using a sizeable amount of the current asset kept in terms of liquid or near cash

Table 5.6
Tuition Fees by Programmes, North South University (NSU), Dhaka and University of Science and Technology, Chittagong (USTC), 2000

(1) Sl.No	(2) Programme	(1) NSU				(2) USTC
		[3] Registration Fee (Tk.)	[4] Credits	[5] Fee per Credits(Tk.)	[6] Other Charges(Tk.)	
						[7=3+4*5+6] Total (Tk.)
1	MBA	10,000	60	5,000	2,000	3,12,000
2	BBA	10,000	125	3,575	2,000	4,58,875
3	Computer Science (BSc)	10,000	135	3,575	2,000	4,94,625
4	BS in Economics	10,000	125	3,575	2,000	4,58,875
5	MS in Economics	3,000	30	3,700	2,000	1,16,000
6	English	10,000	124	3,575	2,000	4,55,300
7	BSc in Environmental Science	10,000	125	3,575	2,000	4,58,875
8	MBBS	--	--	--	--	6,50,000
9	Bachelor in Pharmacy	--	--	--	--	2,50,000

Sources: NSU Catalogue 2000, Dhaka and personal communications with Deputy Director, USTC, Dhaka Office, November 27, 2001.

Note: 1. -- means not applicable.
2. 1 US\$ = Taka 57.5.

items for the purpose of faculty development (training and higher education) at home and abroad.

Tuition Fees

A student has to spend as tuition fees a sum of Taka 312,000 (=US\$ 5474) for an MBA degree in NSU to Taka 494,625 (=US\$8678) for a BSc (Computer Science) in the same university (see Table 5.6) In USTC, a student has to spend a sum of Taka 650,000 (=US\$ 11403) to obtain an MBBS degree.

5.5 SUSTAINABLE PRIVATE UNIVERSITY SUBSECTOR, LESSONS LEARNED, AND THE WAY FORWARD

5.5.1 Private Universities - Large Number Not Optimally Performing, Some Sustainable

It may be said that the private university subsector in Bangladesh has come here to stay; it is a positive development in the field of tertiary education in the country. The empirical data and anecdotal evidence presented in this chapter correspond with the recently concluded UGC-led assessment of all the private universities of Bangladesh. Out of the total private Universities (52) in 2003, roughly eight Universities (NSU, IUC, IUB, EWU, AMA International University, and BRAC University) are performing highly satisfactorily; another 10 private universities are also performing well and of acceptable standard (in terms of teaching-learning, teachers, student intake and market acceptability of their graduates). But a large number, that is, about two-third of these institutions (numbering 36) do not satisfy the critical minimum indicators of performance. These under-performing institutions lack goodwill and may not enroll enough students. But the State (Ministry of Education/UGC) and its relevant agencies have definite role to help (by giving advice, guidance and oversight) these nascent private universities to develop and safeguard the interests of students/parents.⁹ The students should not be deceived by the fraudulent profit-makers/entrepreneurs working in the private university subsector. The major lessons learned from the development of private universities subsector in Bangladesh are summarised below. The following matrix also lists the way forward corresponding to the particular challenge faced by the subsector.

5.5.2 Lessons Learnt and Way Forward

Issues	Lessons Learned	Policy Suggestions
1. Quality assurance	<p>There is a growing feeling that excepting a few the private universities in general do not give value for the money (i.e. the high tuition fee and related costs). Taking advantage of the liberal policy of the State and absence of adequately developed oversight mechanism, some individuals/groups of people are not delivering the services they are supposed to render to their clients (such as students, parents and so on)</p> <p>The present (defacto) rule of the Ministry of Education (GoB) to allow the market (demand and supply) forces to decide sustainability of a particular institution (department/faculty)/ university does not seem to take into cognizance the woes of so many students/parents who pay exorbitantly high tuition fees only to find that the teaching-learning is not up to the required standard. And the degree does not fetch much value in the market.</p>	<p>The State has to form some sort of "accreditation council". Those private universities which will satisfy certain critical minimum requirements of inputs, processes and outputs will be given accreditation by the proposed council.</p>
2. Quality teachers	<p>It has been observed that the private universities employ in- optimal number of full-time senior faculty (Associate Professors and Professors) to keep their recurrent budget low; the present practice of getting the bulk of the teaching done by the younger (less trained and educated) faculty has a significantly negative effect on the overall educational/ learning environment.</p>	<p>This particular issue calls for a two-part approach: (a) asking the oversight agency (at the moment, UGC) to enforce the optimal faculty-mix (between senior and junior members) on the private universities; and (b) encouraging the private universities (with in - optimal faculty-mix) to go for optimal (more balanced in favour of senior members) full-time faculty; some financial support in terms of low-interest-bearing bank loans may be given to the deserving (according to some performance indicators) private institutions for bridging their trying financial</p>

Issues	Lessons Learned	Policy Suggestions
3. Quality intake	In general, the private universities are not being able to enroll the best HSC graduates due to high tuition fees charged by them. Some institutions (NSU, IUB, and EWU etc.) religiously follow the mandatory (5 per cent rule) principle as enunciated in the act (PRUA) of 1992. The potential of tapping the best HSC graduates going to public institutions (for example, Dhaka university, BUET, Dhaka Medical College and so on) remains unutilised.	(medium term) period. A project of faculty training at home and abroad may be taken with donor funding to encourage collaboration between private universities at home and abroad for doctoral programmes. For a larger quality intake, some private universities (namely EWU) have taken up a number of innovative schemes. Private philanthropies are being requested to support the tuition fees and related cost of less well off but meritorious HSC-graduates. Some sort of twinning between the fellowship-giving philanthropist/families and award-receiving students, has brought in a number of welcome developments, enlarging the quality-intake and sense of accountability by all i.e. the awardees, the donors and the institutions. These types of financial innovation need to be well documented, publicised and get some fiscal incentives (for example, tax-exemptions) by the State.
4. Financing, Management and Governance	There are potentially (imaginative) good organisers of private universities who need some financial support from the banking system/State. Any educational institution takes minimally 4-5 years to show concrete results in terms of outputs. Existing rules based on PRUA (1992) do not adequately define the responsibilities/obligations of major actors such as the Governing Board/Trustees/Founders, the syndicate, the academic council, the CEO/Vice-Chancellor and the Administration in general. The tensions and misunderstandings among the actors have to be reduced by defining the optimal roles of each entity/stakeholder group.	For defining the roles/responsibilities/powers of different actors (e.g. Founders, CEO, Syndicate, and Academic Council), UGC/MoE should take the lead in developing a set of statutes which will apply to all private universities; individual universities will have their own (suited to each one's specific needs) rules/regulations within the parameters given by the State-agencies. Some financial support (low interest rate bearing loans) may be given to deserving (based on some performance indicators of inputs and teaching-learning processes) universities. The loans should allow the promising institutions to build physical and human resource related capacities; such attempts will underwrite the risk-taking initiatives of the private universities.

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Endnotes

- ¹ See Psacharopoulos, George and Woodhall, M., *Education for Development - An Analysis for Investment Choices*, Oxford University Press. (September 1985). London, (Chapter - 4).
- ² See World Bank, *Higher Education in Developing Countries - Peril and Promise*, Washington D.C. 2000. The report states about 80 per cent of the world population belong to the developing countries which include whole of Africa and Latin America, much of Asia (excepting Japan and Singapore) and overwhelming part of the former Soviet Union. By some estimates, the report asserts that "Human Capital" in the United States is now estimated to be at least three times more important than physical capital.
- ³ Bloom Benjamin S (eds.), *Taxonomy of Educational Objectives*, Longman, London, 1979, especially pp. 32-43.
- ⁴ Gibbons, Michael, *Higher Education Relevance in the 21st Century*, HD Net/Education, World Bank, 1998, Washington D.C, USA.
- ⁵ See World Bank (2000), op.cit, pp.50-58. The report enumerates an interrelated set of nine characteristics of a viable and growing higher education sub sector in a typical developing country. They are: (1)- stratified structure (catering the needs for both excellence and mass education), (ii) stable and adequate long-term funding (mainly public funding but also private-philanthropic ones for higher educational institutions so that they are in a position to take up strategic plan, ensure consistent instructions and productive work environment), (iii) competition (among institutions and faculties), (iv) flexibility (such as adapt fields of study, curricula to changes in demand/labour-market), (v) well-defined standards (should be consistent with world standards in a globalised context), (vi) immunity from political manipulation, (vii) well-defined links to other sectors, (viii) supportive legal and regulatory structure, and (ix) utilisation of system-wide resources.
- ⁶ See *The Daily Star* (Dhaka), October 14, 2004, a committee headed by the Chairman, UGC of Bangladesh assessed how far the existing 54 private universities in the country satisfy the critical minimum requirements (the ground-rules) set by the UGC. The paper quoting the UGC chairman reported that about one-third of these universities satisfy the requirements.
- ⁷ See IUB, Dhaka, 'A Tracer study on the placement of IUB graduates', Career, January, 2004. Dhaka.
- ⁸ The reasons for selection of the case-studies are three fold. Firstly, these two private universities started functioning immediately after the enactment of the Private University Law of 1992. Secondly, the two differ in terms of their specialisations i.e. main courses/degrees they offer. NSU specialises in business, economics, computer science and environment-related degrees while USTC specialises in medical science related degrees. Thirdly, these two pioneering private universities have proved to be financially viable. They are completing almost 15 years of their existence and visible signs show that these institutions are expanding. Their degrees/graduates are being recognised both at home and abroad. Data for the case studies are collected from the official records of the institutions. Secondary data from the State agencies such as BBS and BANBEIS have been utilised.
- ⁹ See *The Daily Star*, Dhaka, October 14, 2004.