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## Higher education space to witness an overhaul: CRISIL *Over one-third seats vacant in engineering colleges and B-schools*

CRISIL Research, India's largest independent and integrated research house, anticipates a shakeout in the higher education space in India on account of declining occupancy levels. Occupancy levels are under pressure as the number of seats on offer has increased significantly and several colleges have not been able to equip students to meet the requirements of corporate India. Low occupancy has impacted the ability of several lower-rung colleges to sustain operations and, as a result, CRISIL Research foresees a number of colleges closing down or changing hands over the next few years.

Despite low penetration of higher education in India and healthy demand for skilled manpower, colleges are struggling to fill seats. As per CRISIL Research estimates, the average occupancy rate declined in 2011-12 to around 67 per cent for engineering colleges and to about 65 per cent for business schools (B-schools). Our analysis indicates a wide variation in occupancy rates across various states and grades. For example, engineering colleges in Andhra Pradesh (AP) and Uttar Pradesh (UP) had an average occupancy of around 60 per cent and 40 per cent, respectively, which is much lower than the pan-India average. Tier-4 B-schools, estimated to account for around 36 per cent of the total seats, had an average occupancy of only around 50 per cent.

Occupancy levels are under pressure due to the significant increase in the number of seats across colleges, shortage of skilled faculty, absence of industry link-ups, increasing awareness amongst students about the quality of education imparted by colleges. **According to Ajay Srinivasan, Head – Industry Research, CRISIL Research, “Low occupancy rates are making it difficult for many lower-rung colleges to sustain operations. As a result, we expect a number of colleges to face closure or change in ownership over the next few years.”**

The number of seats offered by AICTE-approved B-schools has increased almost fourfold to 3.52 lakhs in 2011-12 from 0.94 lakhs in 2006-07, while that for engineering colleges has zoomed to 14.85 lakhs from 5.50 lakhs during the same period. Moreover, there is also a significant concentration of supply, with AP, UP, Tamil Nadu, Maharashtra, Karnataka and Madhya Pradesh together accounting for close to 65 per cent of the engineering seats on offer.

Quality of education is another major concern, as an overwhelming percentage of students passing out from lower-rung engineering colleges and B-schools lack skill sets needed to start working, after graduating, without extensive training. A number of corporates have actually started in-house courses to train students for the exact job roles.

In fact, CRISIL's education grading programme for B-schools is aimed at bridging the gap between existing education quality and corporate expectations. **Says Akash Deep Jyoti, Head, CRISIL Ratings, “There is an urgent need for education institutes to re-establish their quality paradigm with the corporate sector. Our grading centrally factors corporate feedback, apart from it being based on parameters that are most relevant to the corporate sector viz industry interaction, entrepreneurship, practical exposure.”**

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