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Private higher education in Bangladesh

Mahmudul Alam
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Edited by N.V. Varghese

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Private institutions represent the fastest growing sector in higher education. They vary in terms of ownership and orientation. The growth and expansion of this sector shows the willingness of parents to pay for the education of their children on the one hand, and their success in responding to the aspirations of the people on the other hand. However, information on the operation of the private sector in higher education institutions is not easily available and not widely disseminated.

The International Institute for Educational Planning (IIEP) initiated a study with the objective of analyzing the trends and patterns in the organization of private higher education in selected countries. Three volumes have already been published. The present book is the fourth in the series of publications on this subject and is part of the IIEP project on the theme.

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List of abbreviations

AC	Administrative Committee
ADB	Asian Development Bank
AEU	Ahsanullah Engineering University
AL	Awami League
AMA-IUB	American International University of Bangladesh
BANBEIS	Bangladesh Bureau of Educational Information and Statistics
BAU	Bangladesh Agriculture University
BBA	Bachelor's (degree) in Business Administration
B.A.	Bachelor of Arts
B.Com	Bachelor of Communication
B.Sc.	Bachelor of Science
BBS	Bangladesh Bureau of Statistics
BIBA	Bangladesh Institute of Business Academy
BIDs	Bangladesh Institute of Development Studies
BIT	Bangladesh Institute of Technology
BNP	Bangladesh Nationalist Party
BOU	Bangladesh Open University
BRAC	Bangladesh Rural Advancement Committee
BUET	Bangladesh University of Engineering and Technology
CEO	Chief Executive Officer
CU	Chittagong University
DIU	Darul Ihasn University
DU	Dhaka University
EWU	East West University, Bangladesh
FC	Finance Committee
FFYP	Fifth Five Year Plan, 1997-2002
FPER	Foundation for Promotion of Education and Research
FYs	Financial years
GDP	Gross development product
GoB	Government of Bangladesh
GPA	Grade Point Average
HRD	Human Resources Division
HSC	Higher Secondary Certificate
IBA	Institute of Business Administration
ICT	Information and Communication Technology
IIUC	International Islamic University Chittagong
IPGMR	Institute of Postgraduate Medicine and Research

IPSA	Institute of Postgraduate Studies in Agriculture
IT	Information technology
IUB	Independent University of Bangladesh
IUBAT	International University of Business, Agriculture and Technology
IUC	Islamic University, Chittagong
JU	Jahangirnagar University
KU	Khulna University
LLB	Bachelor of Law
LUMS	Lahore University of Management Science
MBBS	Bachelor of Medicine and Bachelor of Surgery
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
NGO	Non-governmental organization
NSU	North South University
PRUA	The Private University Act
R&D	Research and development
RU	Rajshahi University
SoEs	State-owned enterprises
SUST	Sylhet University of Science and Technology
UGC	University Grants Commission
US\$1	Bangladesh currency equivalent Tk. 57 (approximately) in December 2001
USTC	University of Science and Technology, Chittagong
VC	Vice Chancellor
WB	World Bank

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Executive summary

Bangladesh, at the time of liberation in 1971, was dominated by public sector activities and state initiatives. Schools and universities, too, were public sector institutions. By the 1980s, the social demands for higher education increased and they could not be absorbed by the existing public institutions. Since the state could not fund the establishment of new institutions, it considered the option of non-state (private) universities. It took almost a decade to concretize the proposals in terms of a parliamentary act in 1992. In the same year, the government approved the establishment of the first private university in the country. As of 2003, there are 52 private universities in Bangladesh.

The present study analyzes the growth and expansion of the private sector in higher education, focusing on the policy changes, enrolment and financing. It analyzes the cases of two private universities with a view to provide insights into the managing and financing of private higher education institutions in the country.

Private universities offer a limited number of courses. Some of the common courses at the undergraduate level are courses in business administration, computer sciences, engineering, English language, etc. At the post-graduate level, courses in economics, medicine, etc., are offered in addition to the above-mentioned courses.

Enrolment in private universities has increased at a fast rate and, as of 2003, there are more than 45,000 students in the private sector. The number of teachers, too, is quite large. There are around 4,500 teachers in the private sector. Nearly 60 per cent of the teaching staff members are full-time faculty. Many of the part-time teachers are drawn from the public universities.

Fees from students continue to be the major source of income for private universities. Some of the private universities are not only self-financing, but also produces a surplus. The rate of profit at times is more than 40 per cent. The profits are, in general, reinvested by the university in interest-earning certificates of deposit with banks. It is mainly being used for building campuses.

A major attraction to the private universities was the job-oriented courses they offered. Based on the information from the universities selected for the study, it is found that their graduates get jobs faster and there are fewer unemployed private university graduates than from public universities, and also that their average salary levels are significantly above the salary levels of their counterparts from the public universities.

Private universities have adopted a two-tier administrative structure. At the top is the Board of Governors/Trustees of the sponsoring foundation. A Chairperson elected by the members of the Foundation/Trust heads this board. It takes policy decisions regarding development, long-term financing, and the overall management of the university. The second tier deals with the management of academic programmes and related affairs. The Vice Chancellor (VC) acts as the CEO for this level of activities in private universities.

The Private Universities Act provides for the commercial audit of accounts of these universities by a firm of chartered accountants.

All of the private universities started functioning in hired premises for classrooms and offices. They do not provide residential facilities to teachers and students, and leave the task of providing residences for students from outside the city with the students themselves. Full-time teachers are given sufficient housing allowances to rent houses in the city.

Private universities in Bangladesh, no doubt, have contributed to responding to the social demand for higher education by absorbing a good number of students who otherwise could not have received university degrees. The private universities are attracting a large number of students, while it seems that the reputation and teaching-learning process of the public universities are secularly on the decline, despite the fact that their worldwide reputation is higher than some of the private universities. There is a need to introduce quality control mechanisms in private universities. The state has to form some sort of 'accreditation council'. Those private universities that satisfy certain critical minimum requirements of inputs, processes and outputs will be given accreditation by the proposed council.

Preface

Universities in most countries were dependent on public funding for their growth and expansion. The economic crisis and the resulting financial squeeze, as well as the structural adjustment programmes of the 1980s, generally reduced the efficacy of the public sector to provide continued and adequate funding support for an expanding higher education sector. Countries adopted varying strategies to cope with the situation. One of the important strategies common to many countries was the encouragement and promotion of private universities. Many countries, where no legal provision for the operation of private higher education institutions existed, enacted laws in favour of establishing private universities/institutions.

Today, the private sector is the fastest growing segment in higher education within many countries. For example, in a short period of 5 to 10 years, there is a greater number of private higher education institutions than public ones in transition economies, making the private sector an important partner in the provision of higher education. The market-friendly reforms in the developing world are also creating a favourable condition for the growth and expansion of the private sector. Private institutions are established by philanthropic, religious, and private organizations and foundations, and by for-profit private agencies.

The private sector of higher education, which emerged in the 1990s, is self-financing and at times produces a profit. Its main source of income is student fees. Students are willing to pay for their education in private institutions since many of them offer market-friendly courses that almost guarantee them a job upon graduation. Their profitability depends on their savings made on expenditure. They save on salaries by employing a teaching staff on a part-time basis or by relying on teachers from the nearby public universities.

The International Institute for Educational Planning (IIEP) initiated a research project with the objective of analyzing the trends and patterns in the organization of private higher education. The present publication is the outcome of a study carried out in Bangladesh within the framework of the above-mentioned research project. The present study shows how, in a country such as Bangladesh, the private sector emerged and expanded. The author has elaborated on the proliferation of private higher education institutions and shows that their number exceeds that of the public universities. The private universities are very often linked with universities abroad, and they rely on student fees as the major source of income. Some of them attract a large number of students and have attained a fair degree of reputation.

I would like to thank my colleague at the IIEP, N.V. Varghese, for directing the research study on private higher education, and Mahmudul Alam and Shamsul Haque for carrying out the study on Bangladesh.

Mark Bray
Director, IIEP

1 Introduction

1.1 Higher education and economic development

Human capital plays a more important role in generating income and wealth in an economy/society than the traditional factors of production, e.g. land (natural resources), capital and machinery. For example, it is estimated that human capital in the United States is now at least three times more important than physical capital (World Bank, 2000). The knowledge, skills, and enterprise of the people are of crucial importance to facilitate and sustain economic development in a developing economy.

In the contemporary context of a globalized world, a typical developing country faces twin problems of low-income/low-saving investment and growth and the inequitable distribution of income.

The GDP-mix is also unfavourable. Real sectors such as manufacturing and agriculture comprise non-optimal shares of the total. In Bangladesh, the per capita GDP is around US\$306 (Bangladesh Bank: 2001) and the shares of manufacturing and agriculture (crops and fisheries) are 15 per cent and 19 per cent, respectively. About 42-45 per cent of households live below the absolute poverty line.

The moot question in a developing country such as Bangladesh is what socio-economic and political objectives the higher or tertiary education (first degree and above) sub-sector can achieve. It is increasingly felt by the social scientists/practitioners that a major force in this big challenging task to break out from the vicious cycle of poverty/stagnation is an educated stock of manpower. A critical mass of skilled manpower is required within the geographical boundary of the country to transform a developing economy/society.

The importance of having an indicative medium/long-term plan for manpower development (skilled, semi-skilled personnel, e.g. engineers, doctors, teachers, technicians) for the economy is not fully lost (Psacharopoulos, George and Woodhall, M., 1985). 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, policy-makers, entrepreneurs and other stakeholders on the basis of an economy's comparative advantage and resource-configuration; both static and dynamic considerable factors into the planners/policy-makers broad estimation of critical manpower requirements. These medium to long-term projections of manpower requirement (of mainly skilled and semi-skilled personnel) will have definite implications for the tertiary education sub-sector of the country. To achieve a rate of growth of gross domestic product (GDP) of seven to eight per annum, the tertiary (or higher) education sub-sector must supply a critical minimum of engineers (e.g. civil, mechanical, chemical engineers), management personnel (e.g. Bachelor's/Master's in management for banking, financing and/or manufacturing institutions), other professionals (e.g. medical practitioners), teachers (at the secondary and college/university levels), and civil servants. The relative price ratios (i.e. 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, the need for an indicative plan (with a time-horizon of 10-15 years) for the manpower requirements of the economy. The private university sub-sector 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.

Towards the close of the 20th century, different multilateral agencies, such as the World Bank and Asian Development Bank (ADB), significantly changed their view of tertiary level education in the specific context of developing countries. It is being recognized that, while trying to move 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 abilities (= knowledge + skills) change the whole work environment for the better and lead the economy steadily towards a high-performing one. Thus, the higher education sub-sector has to continually generate a stream of graduates for a knowledge-based modern economy (Bloom, 1979).

Michael Gibbons' seminal treatise (Gibbons, 1998) on higher education in the 21st century makes a number of prognostics on the basis of world-wide (especially in the western capitalist countries) technological development taking place in the second half of the 20th century. Gibbons asserts that, in the era of knowledge-based economic growth, more globalized (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/utilized elsewhere (outside of the geographical boundary of the country/economy), mainly due to the revolutionary development of the electronic communication system. He emphasizes the role of knowledge-workers, i.e. a new crop 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 sub-sector 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. Due to their flexibility, innovativeness and other dynamic aspects, the private universities tend to play a catalytic as well as a sustained role.

In the new epoch of a market-oriented development paradigm, state-interventionist attempts in general may be more regulatory and indirect than has been the case previously (Varghese, 1999, 2004). The World Bank Task Force (2000) delineates major features of a desirable higher education system for the developing countries in changing and globalized circumstances. The report enumerates an inter-related set of nine characteristics of a viable and growing higher education sub-sector in a typical developing country. They are: (i) stratified structure (i.e. catering the needs for both excellence and mass education); (ii) stable and adequate long-term funding (i.e. mainly public funding but also private-philanthropic funding for higher educational institutions so that they are in a position take up a strategic plan, ensure consistent instructions and a productive work environment); (iii) competition (among institutions and faculties); (iv) flexibility (e.g. adapt fields of study and curricula to changes in demand and the labour market); (v) well-defined standards (should be consistent with world standards in a globalized context); (vi) immunity from political manipulation; (vii) well-defined links to other sectors; (viii) supportive legal and regulatory structure; and (ix) system-wide resources.

It is apparent that a privately-managed higher education sub-system in a developing country enriches the sub-sector by bringing in and/or reinforcing the elements of a stratified/diversified structure, flexibility, competition and links to the world of work (because a group of employers, philanthropists, and state-functionaries sit on the management/government bodies). Of course, many developing

countries do not have a tradition of private higher education; therefore, a private higher education sub-system can become reality only when the necessary legal and regulatory structure (e.g. the University Grants Commission or the national-level affiliating university administering/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 privately-organized higher education providers.

1.2 Policy shift towards higher education in Bangladesh

Post-liberation socio-political turmoil, student and teacher activism

Bangladesh (the then East Pakistan after the partition of the South Asian sub-continent in 1947) inherited a rich heritage of public universities in 1971. At the time of liberation (16 December 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 Jahangir Nagar Universities respectively (established in the second half of the 1960s) in the general category, plus 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 – which were developed in the first half of 1960s. The conclusion of a short-lived, bloody and intense Liberation War generated two different types of situations: (i) a rising expectation (demand) for education in general and higher education in particular; (ii) chaotic socio-political circumstances in the country/society, with their reflections in terms of violence, heightened student activism and instability in the teaching-learning process on the campuses of public universities (mainly in the general universities). When contrasted with the Pakistani period (1947-1971), 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 to other stakeholders (e.g. 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 rather 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 the ‘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 the Academic Council and Finance Committee. The Dhaka University Order in 1973 was replicated for other general universities of Rajshahi, Chittagong and Jahangir Nagar.

The increased politicization of university administration showed up in terms of an adverse and lasting impact on teacher selection and promotion. A recent report of the UGC was analyzed by one of the authors in another context (Shamsul 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 not been made a part of scholastic activities in universities. This also affected the 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 pedagogy used in advanced countries.

Re-orientation of the economy/society

Bangladesh started much earlier – in the second half of 1970s – to move away from the dominance of the state-sector when compared with other South Asian neighbors such as India, Pakistan, Sri Lanka and Nepal. In the 1980s, the privatization of state-owned enterprises (SoEs) and the lowering of import barriers increased competitive pressure on the local enterprises. Multinationals were increasingly getting interested in setting up operations, given the fiscal and commercial incentives offered by the state. Demand was 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 had it any motivation. The state did not plan to set up new universities in the public sector with this new orientation. On the other hand, political pressure on existing places resulted in the enrolment of students in subjects many of which had 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 a session-jam (a three-year Honours degree course took an 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 funding would leave to study in the Western capitalist countries, e.g. USA, Canada, UK and Australia. It is reported that on average in a year, about 50-60,000 Bangladeshi students study in different colleges, universities and institutes in India. Similarly, a significant number of the professors of public universities (mainly belonging to the disciplines of engineering, natural sciences, economics, and business) did not return to the country from the Western countries after completing their study leave. These bright and promising teachers were demanding both better teaching-learning environments on the campus on the one hand, and better material and non-material incentives on the other; unfortunately the state/society could not ensure both of these conditions. Hence, the brain drain of pupils and teachers belonging to the higher education sub-sector.

1.3 Emergence of private universities in Bangladesh

Bangladesh was one of the few developing countries to consider the option of a non-state (private) university in the 1980s. The idea to allow different non-profit philanthropic organizations to establish fully-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 for the actors (both state functionaries and potential entrepreneurs) to make this concrete in terms of a parliamentary act in 1992.

Historically, the role of the non-state sector in tertiary level education (mainly first degree, i.e. B.A., B.Com, B.Sc.) has been important. By one estimate in 1997-1998 (BBS, 2001), out of a total student population of about 2,143,000, roughly 58 per cent was enrolled in the non-state degree-level colleges. Thus, a higher proportion role/share of the private (mainly philanthropic) sector was already there in the mediocre degree-awarding sphere. Every year the higher secondary education sub-system (consisting of grades XI and XII) churns out roughly 245,000 graduates by the HSC (public) exams (BBS, 2001). Since the public universities, mainly the general type, plus the technical type [e.g. Bangladesh Agriculture University (BAU) and Bangladesh University of Engineering and Technology (BUET)] can enrol each year only around 17,000 new entrants of these HSC graduates (only seven per cent of the total passed), an overwhelming number of potential deserving students have to go without getting a place in the quality institutions under public ownership and management. Thus, there was an appreciation on the part of different stakeholders, e.g. the state functionaries,

the parents, the employers/philanthropic entrepreneurs, and the donors, to actively consider the option of founding universities under private (non-profit) management and ownership.

Actual shift and rules for private universities

Due to the socio-political problem affecting the optimal functioning/performance of the public universities, in 1980 the government (see USTC, 2000) was contemplating to encourage social thinkers/potential organizers 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 at the beginning of the decade. Toward the latter 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 5 November 1992, the government approved the establishment of North South University (NSU) which was granted the Charter to offer degree-level courses. The Foundation for Promotion of Education and Research (FPER), the founder of North South University (NSU), was later renamed as the North South University Foundation, and Iftekherul Alam, a business leader, was the founding chairman of the foundation. Within a year or two, another four to five private new universities were set up. The Private University Act (PRUA) of 1992 stipulated five major conditions to set up a private university. They were:

- 1) a deposit of Tk.10.0 million as security money in interest-bearing government bonds;
- 2) to start with a minimum of two faculties;
- 3) having started in a rented premise, the university must move to its own campus by the end of the fifth year. It should own a land area of five acres;
- 4) programmes and courses to be offered must be approved by the UGC before students are admitted;
- 5) five per cent of enrolled students are to be granted free studentship to allow poor but meritorious students.

According to the original Act, i.e. PRUA of 1992, 16 private universities were established; 13 in and around Dhaka city, two in Chittagong and one in Comilla. 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. 50.0 million and the teachers' salary scales and fees from students were to be made public. The new (1996-2001) government under the changed rule has approved six new private universities during the last year of its rule. Out of these, Manarat, BRAC, Viqarunnessa and Bangladesh University have started functioning in Dhaka. The other two are yet to start operation in Sylhet, in the eastern division of Bangladesh.

After the enactment of the Private University Act (PRUA) of 1992, towards the end of the decade (in 1999), each year about 19 per cent of the total campus-based university enrolment (intake) concerns private universities. Alternatively speaking, an intake capacity of about 4,000 was generated in 16 private universities as compared to the intake capacity of roughly 17,000 in the public universities.

1.4 Objectives of the present study

This book examines the performance of the private university sub-sector of Bangladesh. We try to shed some light on the contemporary issues of quality, relevance, financial sustainability and growth of the sub-sector. Some empirical evidence on the performance of the sub-sector will be advanced here. On the basis of lessons learned, a number of medium and long-term policy suggestions will be forwarded. The paper is mainly based on secondary data generated by state agencies [e.g. University Grants Commission (UGC) of Bangladesh, Bangladesh Bureau of Educational Information

and Statistics (BANBEIS)]. We also utilize some structured primary data supplied to us by a number of private universities in the country. Impressionistic ideas (gleaned by the authors) and personal interviews of the private university administrators are quite helpful in developing insights with regard to the sub-sector.

The study analyzes the growth and expansion of the private sector in higher education. It provides an overview of policy changes in higher education and it shows that the shift in policy favoured the encouragement and establishment of private higher education institutions. However, the state-enacted laws and created a reliable regulation mechanism for the operation of the private universities. The book also closely analyzes the cases of two private universities with a view to providing insights into the management and financing of private higher education institutions.

2 Management of public and private universities in Bangladesh

2.1 Public higher education in the 1980s

Higher education in Bangladesh was imparted through public institutions until the 1990s. The universities and institutions were funded and managed by the government. Higher education institutions in Bangladesh include: degree-awarding colleges under an affiliating national university, general universities, specialized universities, medical colleges, BITS, IPGMR, IPSA, etc. The British Government in 1921 established DU to meet the demand for higher education of the Muslims of the region. Rajshahi University was established by the East Pakistan Government in 1954, seven years after independence in 1947. CU, BAU and JU were set up in the 1960s. These universities truly played a liberating influence leading to the War of Liberation and independence from Pakistani rulers in 1971. After independence from the British in 1947, the Ahsanullah Engineering University (AEU) was converted to BUET, and no university was set up by the Bangladesh Government in the decade of 1970s. KU and SUST were established in the public sector in the latter half of 1980s, and IPGMR was set up to conduct teaching and research and train teachers of medical colleges. Eight to ten medical colleges have been functioning since the 1960s and offering MBBS courses, and four BITS started functioning in the 1980s. Several degree colleges in public and private sectors were allowed to offer Honours and Master's courses during the 1980s, given the shortage of places for higher education. By that time, the population of the country had increased to 110 million, from 75 million in 1970.

The overall supply situation of higher education prior to the year 1990 can be characterized as slower expansion in the public sector as primary education was targeted as the main focus to increase the rate of literacy in the country. The system also became wasteful and non-responsive to the changing social and economic environment as explained below. At best 8,000 to 10,000 places were available for gross enrolment per year during the 1980s in the public system of higher education, whereas students coming out of the HSC levels were in the range of 50,000 to 60,000 per year depending on generally accepted criteria for admission in places of higher education.

The political situation in this country in the 1980s was not favourable to growth and expansion of higher education. The 1980s was also a period of autocratic rule in the country. Higher educational institutions remained closed several times for many months during this period due to clashes between students and government (political and law-enforcing) forces. This resulted in session jams ranging between three to five years. In other words, students enrolled for university degree programmes were forced to spend additional years to complete their studies since teaching could not take place and examinations could not be held. So effective capacity for enrolment was further reduced. Cost per student increased rapidly due to an extended period of graduation and also a lack of control over the employment of non-teaching staff and other administrative costs. Pay and benefits of the non-teaching staff was about the same for teachers in public universities. A recent report of the UGC (UGC, 2000) estimated per student expenses out of the revenue budget at Tk. 35,000 per year. Completing a four-year programme in seven years amounts to the almost doubling of charges on the government as well as on the parents. Needless to mention is the opportunity cost of the three extra years needed to look for a job.

Such a deteriorating situation encouraged students to study abroad. Given the cost considerations, education in India was made affordable to the parents. A rising trend of student migration to India and other countries became visible. Some 50-60,000 students were reportedly studying in India. In fact, some of the students returned from India with degrees two years ahead of their batch-mates.

The government encouraged multinationals to set up companies in Bangladesh which needed professional staff trained in business administration, English language, computer science and engineering, etc. To meet this demand, the state encouraged the establishment of private universities in Bangladesh.

Most damaging has been the deterioration in the quality of higher education, besides being expensive and largely redundant. A recent report of the UGC was analyzed by one of the authors in another context (Shamsul Haque, 2001). It showed the extent of rank inflation among faculty members and grade inflation of graduates. Rank inflation implies the promotion of a relatively larger number of university teachers as professors. Grade inflation implies the practice of awarding high scores. 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 proportion of professors exceeded 42 per cent of all ranks and that of lecturers accounted for only 20 per cent. Research and publications have not been made part of scholastic activities in universities. This has also affected the 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 not exposed to modern pedagogies used in advanced countries.

It must also be mentioned here that, overall, there was a strong sense of relative deprivation among university teachers because of pay and benefits comparative to civil servants in similar ranks. Further to note is that students' activism and faculty politics have been closely linked with national politics. The nexus has become stronger under the 1973 Order for Dhaka University (the premier general university) and other (general) public universities under which important academic positions and top administrative positions in universities are filled by elections among teachers. Accountability and quality assurance of higher education have been the ultimate casualties of the so-called democratic practices in universities.

All these created a condition for a role of the private sector in higher education in Bangladesh. It may be mentioned that the situation was not unique to Bangladesh. While the context may vary from country to country, the general condition was that of failure of the public system in higher education similar to the failure of SoEs in manufacturing and service industries. In South Asia, Pakistan was the first country to encourage private universities, and LUMS was set up in 1985 as a joint project of government and business houses. Sri Lanka followed Pakistan. Earlier India had recognized the need for supplying specialized skills and allowed the establishment of institutes to offer degree-level education in the private sector, although India is yet to allow universities in the private sector. Some African countries also launched private universities. We know that many famous universities in the USA are owned and managed by the private sector.

It may be mentioned that the deteriorating condition of higher education encouraged/compelled people to seek higher education privately from coaching centres and tutoring at home by teachers from universities and colleges. Many qualified teachers found private universities and institutes to be alternate sources of enhancing their incomes by teaching at more than one place. This is alleged to have affected the quality of their services in public universities, particularly in research. Funding for research in universities was very limited, not exceeding two to three per cent of the

annual budgets. This has been more due to the absolute shortage of qualified teachers in some selected subjects that have seen their demand rising rapidly. Many teachers went abroad during the latter part of the 1970s and earlier part of the 1980s for higher degrees and preferred to stay back during the autocratic regime. It is easy to surmise that job conditions are far better for highly qualified teachers and researchers in the developed countries, which has contributed to the systematic brain drain from developing countries such as Bangladesh.

2.2 Private higher education in Bangladesh: the beginning

The need for the private sector's (non-profit, philanthropic) role in higher education was appreciated by the Government of President Ziaur Raman in the 1980s (USTC, 2000). The Ziaur Raman Government started dialogue with the potential pioneering people who wanted to build private universities or centres of excellence for higher education in the private sector. Due to the socio-political problem in the optimal functioning/performance of the public universities, the government in 1980 (see USTC, 2000) was contemplating to encourage social thinkers / potential organizers to found private (mainly non-profit) universities. A military coup in May 1981 stalled the dialogue between the government and the potential entrepreneurs of private universities in the beginning of the decade. The President Ziaur Raman was killed by the coup in May 1981.

In 1988 and afterwards, individual initiatives were made to set up two medical colleges, one at Dhaka and another at Chittagong. Plans for establishing general universities in the private sector were made public by the sponsors of North South University at Dhaka in 1988-1989. The North South University project was a brainchild of Muslehuddin Ahmad, a former Secretary and Ambassador of GoB. He discussed the idea with a group of businessmen and intellectuals, and some of his family members working in the USA. They accepted the idea and the 30-member Foundation for Promotion of Education and Research (FPER) was formed in May 1990. FPER was registered as a non-profit organization under the Societies Act 1860. In December 1990, the autocratic rule of Ershad (1981-1990) was removed from power by a popular upsurge led by the main political parties and spearheaded by the All Party Students Action Committee. Elections for the national parliament were held under an interim government headed by the Chief Justice of the Supreme Court, Shahabuddin Ahmad, as the President. The Bangladesh Nationalist Party, BNP, emerged as the major winner and formed a new government in April 1991. FPER members and some others started to work with the government to pass an Act to establish universities in the private sector. Barrister Jamiruddin Sirker was the Minister in charge of education, and the BNP government was moving along many reform programmes underway from the past decade and a half. Towards the latter part of 1992, the Parliament passed the Private University Act of 1992 and the door was opened for a new system of higher education in Bangladesh. On 5 November 1992, the government approved the establishment of North South University and it was granted the Charter to offer degree level courses. The then Prime Minister, Khaleda Zia, formally inaugurated North South University (NSU) on 10 February 1993 with 143 students. Muslehuddin Ahmad was the first President of the university. FPER, the founder of North South University, was later renamed as the North South University Foundation and Iftekherul Alam, a business leader, was the founding chairman of the foundation. Within a year or two, four to five new universities were set up. USTC, IUB, DIU and IUBAT followed North South University.

During the regime of BNP, 16 private universities were approved: USTC and Islamic University Chittagong (IUC), Comilla University, and the other thirteen in Dhaka City. Six other applications were under processing for approval. Some critics considered such rapid growth of private universities like mushrooms, as some of them were not properly planned and organized. The Awami

League (AL) came to power in mid-1996 and put a halt to the approval of new universities. They asked UGC to start some fact-finding on those that were operating. UGC pointed out the lack of infrastructural development and the shortage of permanent faculty members in all of the private universities. Meanwhile, the AL Government prepared the Fifth Five-Year Plan (FFYP) and proposed the establishment of 12 new universities of science and technology in the headquarters of 12 old districts where there was no public university. The Seventh Parliament (July 1996 to July 2001) during the Awami League regime amended the PRUA of 1992 in 1998. It raised the amount of deposit money to Tk. 50.0 million and teachers' salary scales and fees from students were to be made public. The new government under the changed rule has approved six private new universities during the last year of its rule. Out of that, Manarat, BRAC, Viqarunnessa and Bangladesh University have started functioning in Dhaka. The other two are yet to start operation in Sylhet, in the eastern division of Bangladesh. In total, 20 private universities have started programmes so far, and about 15,000 students have been studying in these universities. About 70,000 students are studying in nine public universities. The number of private universities increased to 54 by 2004 (see the next chapter).

2.3 Financing arrangements

As indicated earlier, higher education has not been a priority sub-sector in the development budget of governments. During 1990-1991 and 1999-2000, public universities accounted for less than one per cent of national development budgets. It was 0.85 per cent in 1991-1992 and it came down to 0.56 per cent in 1999-2000. While the government's allocation for the education sector as a whole increased as a percentage of national development budgets from six per cent in 1990-1991 to 15 per cent in 1994-1995 and then declined to 13 per cent in 1999-2000, the share of public universities continued to decrease during the decade. The share of public universities was 15 per cent in 1990-1991, and in 1999-2000 it was only four per cent out of the total allocation for the education sector.

One may expect to see a pattern of shift in development expenditure from the public to the private sector. In fact, there was no systematic effort in doing so, as is explained below. The private universities started functioning with limited capital funds and with mostly part-time faculty members. With the exception of USTC that started with a medical college in Chittagong, other private universities started functioning in hired premises and with part-time faculty from public universities. There was no plan for building campuses in the early years, and no plan to raise capital funds for that purpose was made. The Bangladesh Rural Advancement Committee (BRAC), a large NGO, constructed a building for the proposed university, but they were not granted approval by the government for legal problems. Finally, BRAC University was permitted to start functioning from the year 2000.

The initial success of the private universities to finance their current operation through the collection of fees and charges from students and generate large surpluses left them somewhat myopic about long-term requirements for capital funds. Although they were supposed to move to their own campus after five years of establishment, none other than USTC did that in Chittagong. Only IUBAT got plots of land allotted in Dhaka from the government at less than the market price. Others were trying to buy land from the real estate developers, and finally IUB and North South University bought very expensive plots in a posh area called Baridhara. By those purchases, two of the leading private universities in Dhaka drained off most of their accumulated surpluses over five to six years.

It may be mentioned that private universities were capable of saving roughly 40 to 50 per cent of their earnings from students. Being located in posh areas of the city, these two universities were

paying huge rental charges for space used for classes and offices. One of the authors of the present study worked as the treasurer of North South University for a short period in 1998. It was estimated that if North South University had bought plots in that area during 1993-1994 at half the price, it could have built 800,000 ft² of space with the total rent it paid during the following five years. It would have been possible for North South University and other universities to borrow money from banks against future cash flows and get their own campuses by the end of 2000. Similarly, none of the private universities adopted any plan for faculty development for the long-term. So far, they have been benefiting from public investment in faculty development. That pool seems to have been exhausted, at least in some areas such as business administration and computer science. Public investment made in the past for faculty development was substantial. Donors also supported such government and individual efforts in higher studies. Now that the demand for higher education has been rising rapidly, such sources of funds for faculty development have almost dried up. For university education to attain a competitive quality, huge investments will be needed by both the public and private sector to train qualified teachers.

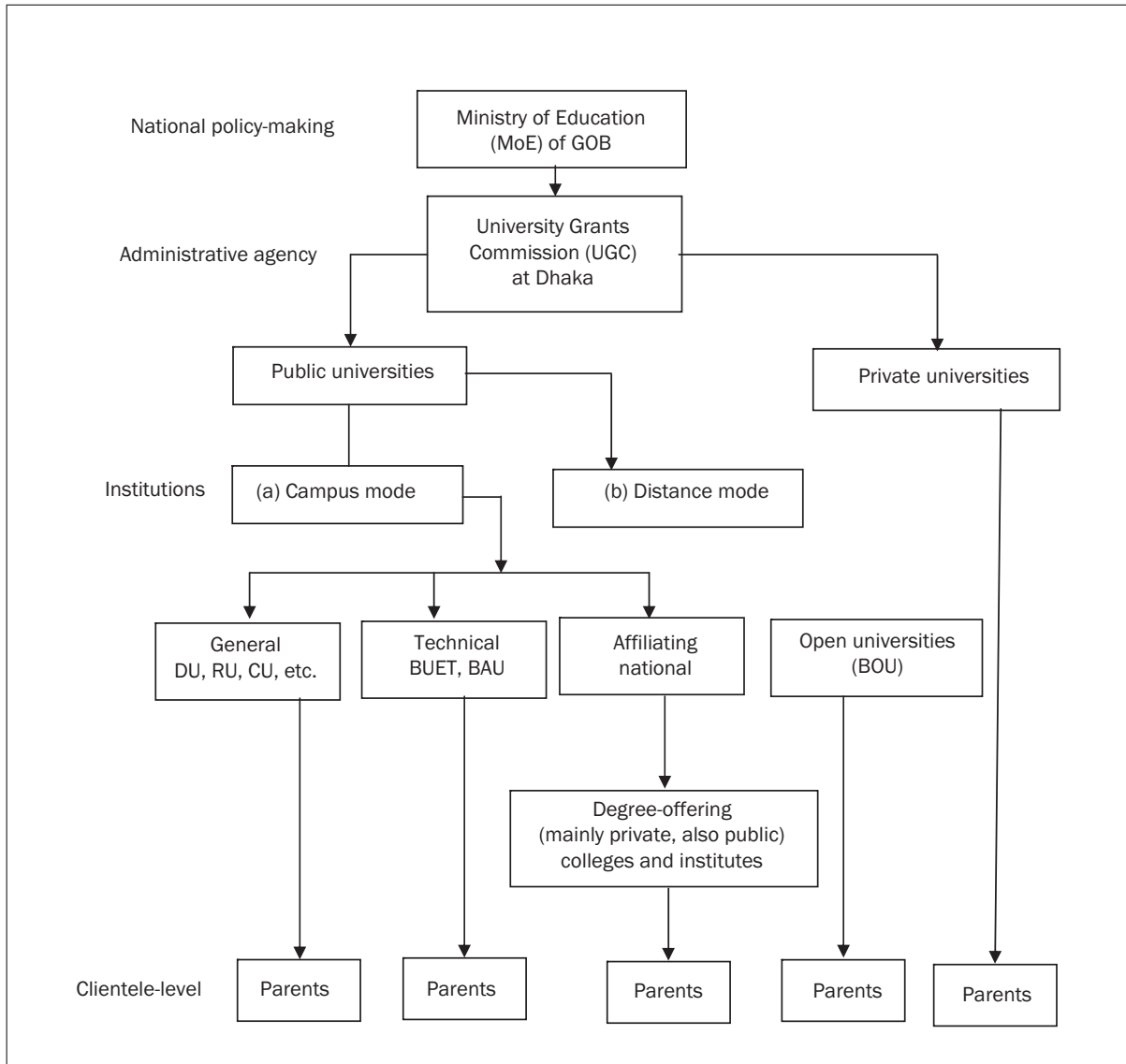
On the other hand, the previous (1996-2001) AL Government proposed to establish 12 more public universities in the country during the Fifth Five-Year Plan (1997-2002) outside of Dhaka. This indicates that the government did not consider private universities as an alternative to public investment. It did not even try to work out any investment options for university education with the private sector. For example, there was scope to allot land at lower prices to private universities out of development budgets for the proposed new universities that will take many years to offer courses of study. The government, of course, allowed private universities to operate without paying income tax, as they are established under the Societies' Act as non-profit organizations. From that perspective, the government is contributing to the development of infrastructure out of the tax savings.

The implication of high fees charged by private universities to generate large surplus may be serious for their long-term growth. These universities have been attracting students mainly from the rich families who fail to get places in public universities. It is generally known that DU, BUET, and medical colleges admit most of the top students that pass the HSC public exams. The rest get places in other public and private universities, depending on their financial status. The result is that bright students in public universities do not get quality education as indicated above and suffer from session jams extending for three to four years mostly at public cost. On the other hand, students from wealthy families and with lower academic credentials are registering in private universities of high cost, most of which are not offering quality education.

2.4 Management and administrative control of higher education

Organization of the higher education sub-sector in Bangladesh takes into account this reality of the emerging private sector. Figure 2.1 presents a graphic picture showing how tertiary-level education in Bangladesh is organized. The Ministry of Education (MoE) is the apex policy-making body Bangladesh. The University Grants Commission (UGC) is the main administrative agency headed by a Chairperson (with some members) to regulate and co-ordinate plans and programmes of different public and private universities. The public universities enroll an overwhelming number of students. There are three types of public universities: (a) the national (affiliating) university – a campus-mode type: All the degree-awarding (both first and second degrees) colleges dispersed throughout the country, numbering around 1,075, are administered by this university; (b) the campus-based residential universities – both general and technical types – enrolling about 125,000 students in a year, and; (c) the distance-mode type, i.e. Bangladesh Open University (BOU), enrolling about 100,000 students in a year.

Figure 2.1 Organization of the tertiary-level (first degree and above) education system in Bangladesh, 2004



The private university stream of tertiary education in the country – whether an institution offering a degree, first degree or beyond – 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 other similar aspects are supposed to be taken care of by UGC.

Management of the higher education system in Bangladesh is characterized by a mix of autonomy granted to universities and loose control by the government. Older public universities operate under the 1973 Order approved by an Act of the Parliament. Other public universities were set up under respective acts of the parliament. All private universities are set up under the Private Universities Act of 1992. The Senate is the highest legal body for public universities. Elected representatives

of old graduates, teachers, government nominees, and some members of elected students' bodies constitute the Senate. Normally, it meets once a year, reviews university operations for the past year, approves the annual budget prepared by the Treasurer, and makes some legal changes as may be proposed by the Syndicate. The Syndicate is the highest executive body and it is constituted by elected representatives of all ranks of teachers, Provosts of halls of residences for students, Deans of faculties, and government officials representing Ministries of Education (MoE) and Finance (MoF). The Academic Council comprises all professors, all chairpersons of departments, directors of institutes and nominees from government departments. It approves all academic activities of the university including student admission, examinations, graduations, creation of teaching positions, and so on. The Vice Chancellor (VC) acts as the chairperson of all the three bodies mentioned above, and the Registrar acts as its secretary. The Registrar is the top administrative official. The VC appoints the Registrar. Teachers also elect Deans of faculties from respective faculties. Chairpersons of departments and Directors of institutes are appointed on a three-year term by the Vice Chancellor on a rotation basis from among professors and associate professors of the respective departments and institutes. The VC is the CEO; a Pro-VC assists him. The Treasurer is the chief finance executive. The Chancellor appoints the VC from a panel of three members elected by the Senate. The Chancellor also appoints the Pro-VC and the Treasurer from among senior professors on the basis of recommendation from the MoE. All of the top three positions get appointed for a four-year term.

It is generally recognized by all concerned that the administrative system is primarily based on elections in the public universities and has become dysfunctional due to political linkages with governments in power. Hence, the autonomy, as given in the Acts, has become nominal and the party in power effectively controls the university. Teachers and students have also become linked with national politics. The President of Bangladesh repeatedly called for de-linking students from national politics. However, political parties paid little heed to his clarion calls, as they still are interested in using students for getting into power. Democratic practices are yet to take real roots in Bangladesh, although governments have been elected through fair elections in 1991, 1996 and 2001. Students' politics are also linked with extracting sizeable rent from development projects of public universities. That in turn affects the quality of construction projects in public universities and increases repair and maintenance costs in a cyclical order. The public universities get over 90 per cent funding from the government budget, although there is no restriction for the public universities to raise money from students and other sources. For fear of political backlash, it is hardly tried – although there is justification to reduce dependence on public money. Prima facie evidence shows that in Dhaka University over 90 per cent of the students come from well-to-do urban families.

There is an intermediate body between the government and the universities called the University Grants Commission (UGC) to directly supervise activities of universities, approve the budget, obtain money from the government, and disburse them to universities. It has no role in the selection of top university executives, teachers and officials. In fact, UGC has turned out to be a useless extension of university administration, and top positions such as the chairperson and members of the UGC are appointed by the MoE from among senior teachers belonging to the party in power. There has been demand to abolish UGC from many quarters as it seems to perform very little of substance and adds substantial expenditure to maintain the bureaucracy. From time to time, it publishes annual reports that supply some basic information on the operation of universities including private universities.

The Private Universities Act of 1992 provided for complete autonomy in the matters of academic functions including offering programmes and the recruitment of teachers and staff. They also enjoy financial authority to charge fees and pay salaries, as they deem fit to attract good teachers. Before a programme of study is offered, private universities have to get it approved by the UGC. The UGC in turn requests experts from public universities to give their opinion on the programme, such as BBA, including on the structure of courses, library books and teachers. In most cases, they leave the teachers' section blank and state that qualified teachers are being recruited. The names of some teachers from public universities may be listed as part-time faculty.

On the administrative side, private universities have been prescribed a structure quite similar to public universities. There are positions for a Vice Chancellor, Pro-Vice Chancellor, Treasurer, Deans of Faculties, Chairpersons of Departments and a Registrar. Appointments to these positions are made by the Board of Governors/Trustees that sponsor private universities, subject to the approval of the Chancellor. The Board of Governors is the highest executive authority in private universities. It seems the Act intended the government to exercise some control over the day-to-day operations of the private universities by approving the appointment of Deans, Chairpersons and a Registrar. In public universities, the VC makes these appointments. Private universities constitute their Administrative Committee (AC), Finance Committee (FC), Committee of Courses, Tender Committee, Selection Committee, etc. The VC acts as the Chairperson of these committees and he is also a member of the Board of Governors. The VC works as the CEO and works as the link between academic and administrative functions in private universities. Chairpersons of departments and Directors of institutes are responsible for day-to-day operations involving the scheduling of courses and examinations, receiving grades from teachers, and the publication of results. They manage the admission of students, recruit suitable teachers to offer courses on a part-time basis, and other related academic matters.

2.5 Regulation of quality control measures

As of today, there is no body to regulate private universities and assure the quality of education, other than the weak supervision of the UGC. Since private universities receive no funding from the UGC, there is little that the UGC can do other than report some facts for the government. The MoE is the ultimate authority to institutionalize quality control measures if there are to be any. The UGC and the GoB, of course, exercise little control over the quality of education in public universities. The UGC merely acts as an intermediate unit for the MoE for consolidating budgets and the distribution of budgeted sums to public universities. Assurance of quality in university education has been left with the universities themselves. In turn, within a particular public university, certain bodies such as the Academic Council and Board of Advanced Studies merely process ongoing activities such as admitting students, approving courses and panels of examiners, opening new departments, sanctioning additional teaching posts, etc.

Quality control in higher education mainly involves the following:

- quality of inputs: selection of students;
- quality of processing of inputs to final products.

2.6 Quality of inputs: selection of students

As mentioned earlier, private universities in general are not attracting top-quality students, although all of them apply some form of admission tests of their own. Despite a sharp decline in quality, public universities are still the first choice by all admission seekers. For example, Dhaka University admits less than 10 per cent of the students applying for about 5,000 places. This factor alone

puts DU into a relatively higher position among 50 universities surveyed by Asia Week 1999. DU admits the top students, after BUET and the medical colleges in Dhaka.

High fees charged by the private universities may be one of the reasons for not attracting bright students. These universities are yet to get general recognition for the education being imparted, although many degree colleges and some university colleges have been in place for a long time in the private sector. Newness aside, private universities are not offering courses in natural sciences such as physics, chemistry and biology, etc., and most other courses in the social sciences. Excepting one, all of them began offering courses in business administration and computer science in view of the potential demand for those programmes.

In terms of the processing of students, all private universities have adopted the American course and semester/term systems and the continuous system of evaluation by course teachers resulting in letter grades and GPA. The curriculum is also drawn up according to what is followed by American universities, excepting IUC and DIU. These two private universities have included some courses on Islamic knowledge and practices as may be found in Arab countries. All private universities have introduced term/semester systems to offer courses of certain credit hours by US standards. For example, the BBA programme requires the completion of at least 40 courses of 120 credit hours. Unlike in public universities, students are given the flexibility to take courses according to their abilities. That is, a student may be allowed to take two courses to remain in the programme when a full load may be five courses. This has allowed many students with poor performance to continue in the programme for a longer period. There are also allegations of grade inflation in some of the weaker private universities. This is expected because during the initial years many private universities admitted students without sufficient testing. Excepting North South University (NSU), the practice may still be going on in other private universities.

An important issue in the processing of students is the supply of trained teachers, books and equipment relevant to the courses and method of delivery used in classrooms. The physical condition of the classroom is also important. The general physical condition of classrooms, libraries, and computer centres is much better in private universities. Most of the facilities are air-conditioned and fitted with audiovisual equipment. Multimedia is used by some of the teachers trained abroad. As mentioned earlier, the supply of qualified teachers is limited in Bangladesh. Although foreign-trained teachers are sought and preferred by the private universities, perhaps North South University (NSU) has most maintained that practice so far. It does not allow teachers without a PhD to teach in the Master's programme, such as the MBA, and no one without a Master's degree from the USA, UK, Canada or Australia is recruited as a lecturer. It has also established a tenure track system for recruitment at higher ranks.

NSU and a few others began developing a library and a computer laboratory right from the beginning. NSU has a strong collection of foreign journals in its library. Textbooks on most subjects are available in the local market from Indian sources. Cheaper editions of most of the American books are bought by the students. The photocopying of unavailable books is rampant, ignoring all kinds of restrictions from publishers.

The conclusion on quality assurance in higher education in Bangladesh is that UGC has a role in setting certain minimum qualifications for recruiting teachers in general for both public and private universities. However, it lacks the ability to exercise such control due to politicized campuses and the weak structure of UGC. Individual institutions are left to assure the quality of education and research. Private universities do try to monitor and evaluate teachers and quality of instruction through students' reports and supervision by Heads of departments. However, private universities

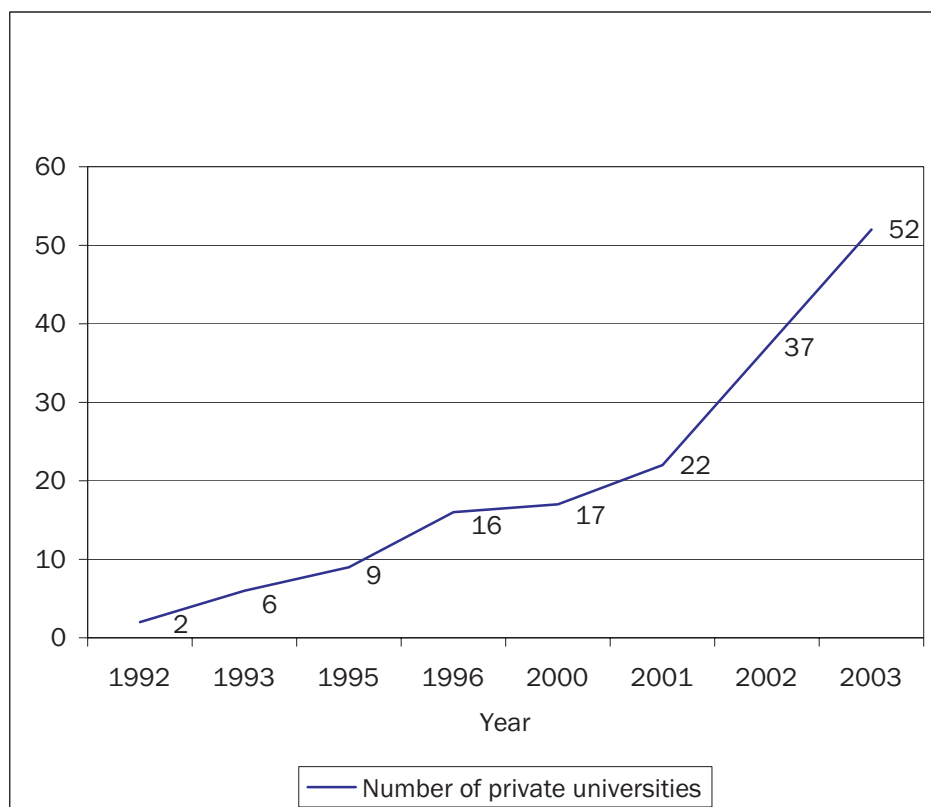
generally do not admit brighter students, although some of them are showing strengths in developing students' potential by trained and motivated teachers and better support services. The lack of highly qualified teachers is posing a threat to the quality and expansion of private universities, as they are currently dependent on part-time teachers. Research is not on the agenda in private universities. Public universities lack funding for research and the low pay of teachers encourages them to undertake income-supplementing jobs, such as consulting for government departments, NGOs and donor agencies, and part-time teaching in private universities. Hence, quality control issues in higher education are seriously neglected both in public and private universities in Bangladesh.

3 Growth and expansion of the private sector

3.1 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 5 November 1992. The then political government of the Bangladesh Nationalist Party (1991-1996) had a more favorable stance towards the private university sub-sector. *Figure 3.1* below shows that during that period, 16 private universities (mostly in metropolitan Dhaka and only two in Chittagong) came on stream. The following period of the Awami League Government (1996-2001) was not favourably disposed to the concept of a private university. It is reflected in the empirical data, i.e. only another four private universities were added during that period. Again, with the assumption of a BNP-dominated four-party alliance government in October 2001, the private university sub-sector got a significant fillip. The official UGC figure shows (see *Figure 3.1*) that in the last three and a half years, the total number of private universities has gone up to 54; there has been an addition of 30 private universities in the period, i.e. on average nine to ten universities added each year.

Figure 3.1 Growth of private universities in Bangladesh, 1992-2003



Sources: Personal communications with Director (Research) of UGC, Dhaka; and UGC Annual Report 2001-2003.

3.2 Courses on offer, evolution with time and market demand

Table 3.1 gives some idea on the subjects/courses offered as of December 2003.

Table 3.1 Bangladesh private universities: courses on offer, 2003

A.	More frequent:
	Undergraduate courses
(i)	BBA
(ii)	Computer science
(iii)	Computer science & engineering
(iv)	Computer science & informatics
(v)	English language & literature
	Post-graduate courses
(i)	MBA
B.	Growing/less frequent:
	Undergraduate courses
	Civil engineering
(i)	Architecture
(ii)	Electrical and electronic engineering
(iii)	Law (LLB)
	Post-graduate courses
(i)	Development studies
(ii)	Economics
(iii)	Medicine
(iv)	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 remains, as was originally observed in the first half of the 1990s. The importance of the English language and literature cannot be underestimated in an open economy such as in Bangladesh. The new disciplines/courses being 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 (e.g. civil and electrical engineering, architecture and so on).

Another reason for some diversification in the courses is not difficult to be identified; 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.

3.3 Teaching staff, teacher-student ratios and the teaching-learning situation

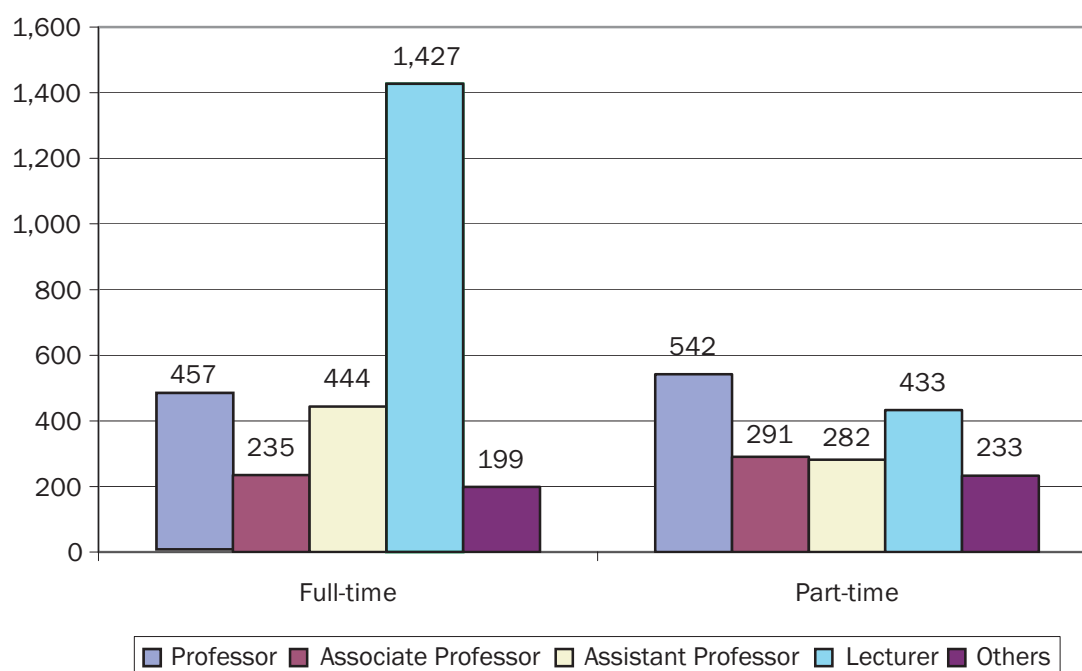
Both teacher and student numbers have grown at phenomenal rates in the period of 1997-2003 (see Table 3.2). The simple annual rates of growth are 100.1 per cent for students and 49.3 per cent for teachers. The teacher-student ratio hovers around 1:10 during the period of 1997-2003.

Table 3.2 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	5,668	636	1:9
1998	16	8,718	914	1:9
1999	16	13,340	1,214	1:11
2000	19	32,791	1,608	1:20
2001	22	27,245	2,205	1:12
2002	41	34,432	2,948	1:12
2003	52	46,080	4,543	1:10

Source: BANBEIS, Bangladesh Education Statistics – 2003, 2003.

Figure 3.2 Number of teachers in private universities of Bangladesh, 2003



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

See Figure 3.2, which 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 revealed by the figure is that the majority of the faculty are younger professionals, i.e. lecturers (56 per cent of the total full-time teachers). Among the part-time teaching staff, the Professor category (i.e. the most senior faculty) dominates. It seems that this faculty configuration

of full-timers and part-timers and different hierarchical positions make financial and management sense.

The teaching learning transactions in about 16-20 private universities are rated to be satisfactory.¹ The teacher-student ratio (around 1:10) is favourable, and there are 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. There is no session-jam; the courses and their assessments are completed according to the academic calendar and on time. But, we should note that the majority (i.e. about 66 per cent) of the total private universities do not meet the critical minimum requirements of physical and human resources (e.g. faculty, their mix).

3.4 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 sub-sector and world of work (whether wage-based and/or self-employment). The age-old public universities (built in the 1920s to 1960s, sparing about a half-century), fully subsidized by the state budget, have always been inflexible and never responded effectively to the market demands of skilled manpower. Therefore, a major performance indicator of any private university is the marketability of its graduates, i.e. how far the graduates from any university are being absorbed productively in the job market and/or in self-employment.

Bangladesh state-level agencies BANBEIS, BBS and UGC, do not publish any comprehensive and regular data on the placement of the private universities (nor any placement data on public universities). From two leading private universities, i.e. North-South University (NSU) and Independent University of Bangladesh (IUB), we obtain the following pattern:

- In recent years (2000-2001), about 66 per cent of the graduates were absorbed in salaried jobs. Another 12 per cent were involved in self-employed activities (IUB, 2004).
- The graduates entering the job market were mainly in the private sector; the private firms merged from real sectors (manufacturing, e.g. textiles/garments, agro-based engineering works), financing/banking institutions and other service sectors (e.g. educational institutions, software, multinational/multilateral agencies).
- Their average income levels were significantly above the income levels of their counterparts from the public universities (the sole exception were the graduates from IBA of Dhaka University).

1. See *Daily Star*, 2004. A committee headed by the chairman of UGC of Bangladesh assessed how far the existing 54 private universities in the country satisfy the critical minimum requirements (i.e. the ground rules) set by the UGC. The paper notes the UGC chairman reported that about one-third of these universities satisfy the requirements.

4 Characteristics of private higher education institutions: study of two private universities

As part of the study, an in-depth analysis of two private universities was made. These case studies analyzed details pertaining to ownership, admissions, teacher profiles, sources of financing, and management of private universities.

4.1 Why these two cases and data for the study

We analyze two cases of private universities in Bangladesh:

- North South University (NSU), Dhaka
- University of Science and Technology, Chittagong (USTC)

The reasons for the selection of the case studies are threefold. Firstly, these two private universities started functioning immediately after the enactment of the Private University Law of 1992. In fact, the founders (i.e. Muslehuddin Ahmed of NSU and Nurul Islam of USTC) of these two initially established private universities gave significant input in framing the Parliamentary Act. Secondly, the two differ in terms of their specializations, i.e. main courses/degrees offered. NSU specializes in business, economics, computer science and environment-related degrees, while USTC specializes in medical science-related degrees. Thirdly, these two pioneering private universities have proven to be financially viable; they are completing almost a decade of their existence and visible signs show that these institutions are expanding. Their degrees/graduates are being recognized both at home and abroad.

Data for the case studies were collected from the official records of the institutions. Secondary data from the state agencies, e.g. BBS and BANBEIS, have been utilized. We have also talked to a number of important administrative personnel (e.g. VC of USTC) of the two institutions on different matters related to management, financing, and so on.

4.2 Ownership and management

NSU

Both the private universities under review are owned by a private (non-profit) philanthropic organization. The North South University (NSU) is the first private university in Bangladesh. Muslehuddin Ahmad, a retired government official and Ambassador, conceived the idea of a private institution of higher learning in Bangladesh in 1988. His exalted proposal was well received by a group of enterprising and visionary industrialists, opinion leaders, intellectuals and professionals. With their active interest and propitious initiative, a 30-member organization – the Foundation for Promotion of Education and Research (FPER) – was established in May 1990. This non-profit, non-political and charitable organization was registered under the Societies Registration Act of 1860. Mainly as a consequence of concerted FPER effort, along with the assistance and cooperation of prominent persons in various endeavors, including influential legislators and government luminaries, the Private Universities Act was passed by the Parliament in 1992. On 5 November 1992, the government approved the establishment of North South University and awarded the Charter. NSU was formally inaugurated by the then Prime Minister on 10 February 1993. Muslehuddin Ahmad was the first President of the university. FPER, the founder of NSU, was later renamed as the NSU

Foundation (NSUF). Iftekhharul Alam was the first Chairman of the NSU Foundation. M.A. Awal is the immediate past Chairman. M.A. Kashem is the current Chairman of the NSU Foundation.

The NSU academic programmes are modeled after universities in the USA. The curricula were initially designed in consultation with the University of Illinois, Urbana-Champaign, USA. Selim Rashid, professor of economics at this university, initially assisted significantly in developing the curricula and programmes. Along with Selim Rashid, Munir Quddus, professor and Chairman of the Economics Department, Southern Indiana University, USA, helped with programmes and faculty hiring. The Bangladesh University Grants Commission (UGC), the sole accrediting agency for universities in Bangladesh, approved the programmes and curricula. Since joining NSU in 1993, Hafiz G.A. Siddiqi, the current Pro Vice Chancellor, provided leadership in improving, expanding and diversifying various academic programmes. The academic programmes and curricula are continually revised and upgraded to suit the changing circumstances.

NSU has six important committees which are responsible for the management and administration of the institution. They are:

- Management Committee ('Porichalona Porshod'): It consists of all members of the Board of Governors of the NSU-Foundation, plus chairpersons of the five other committees listed below, i.e. the Academic Council to the Faculty Selection Committee.
- Academic Council: It consists of a Pro Vice Chancellor, Director of different programmes, chairpersons of different departments, eminent educationists (outside of the NSU faculty), and a few members of the NSU foundation.
- School of studies: It consists mainly of the chairpersons of different departments, Directors of different programmes and a member of the Management Committee.
- Curriculum Committee: It consists of all heads of academic departments/programmes, two eminent university teachers outside of NSU.
- Finance Committee: It consists of nine members, including the Pro Vice Chancellor, who is the chairperson of the Committee. Other members of the Committee include the Treasurer of NSU, heads of a number of academic departments/programmes, plus three members of the NSU foundation.
- Faculty Selection Committee: It is headed by the chairperson of the Economics Department. Others include three academic staff members (chairpersons of different departments/programmes), four eminent educationists from other (mainly public) universities of the country and five members of the NSU foundation.

USTC

The other university, i.e. USTC, has apparently taken a meandering course in becoming a fully-fledged management-cum-administrative entity. At the moment (from the late 1980s until today), it is the Janasheba Foundation ('Janasheba' stands for the people's service/welfare) which governs the USTC. The foundation has a Trustee Board consisting of nine members, including Nurul Islam (the dreamer and main person behind USTC) as its chairperson. Other trustees are more or less nominated by him, including his own family members, eminent medical practitioners of the country, and a state functionary from the Ministry of Health (MoH), not below the rank of Joint Secretary.

USTC has an academic council, a construction and development committee, one accommodation committee (for residential purposes to the students and some staff-members), one selection committee and one extra co-curricular committee. These committees support the activities of the Governing body of the Janasheba Foundation; thus the committees are guided by the rationale, goals and objectives set before them by the governing body. The trustee-board of the Janasheba

Foundation in turn is clearly dominated by Nurul Islam. The Janasheba Foundation is registered as a non-profit organization under the Societies Act of 1860.

4.3 Courses offered, trends in enrolment

The selected universities offer courses that are in demand in the country. For example, NSU offers degrees in business (both Bachelor’s and Master’s), economics (both types), computer science, English and environmental science. See *Table 4.2* for NSU degree and enrolment sizes (total) in 2000 and 2001. An inspection of the table brings out the following aspects of NSU enrolment in particular:

Between 2000 and 2001, the total enrolment grew by 13 per cent, from 5,643 in 2000 to 6,378 in 2001.

The most noteworthy growth rate was recorded for the MBA, i.e. 31 per cent (we ignore the MS in Economics because the enrolment for the degree grew from a low base); then follows the growth rate in computer science of 20 per cent.

If the (2000-2001) incremental enrolment in environmental science is any indication, then either the course content/pedagogy is not interesting and/or there is a significant decline in the market demand for the course. Similar statements can be made for the degree in English.

Table 4.1 Courses offered by private universities: North South University (NSU) and University of Science and Technology, Chittagong (USTC)

	NSU	USTC
1	MBA	MBBS
2	BBA	Bachelor in pharmacy
3	Computer science (BSc)	Master in pharmacy
4	BS in economics	BBA
5	MS in economics	BSc in computer science
6	English	(-)
7	BSc in environmental science	(-)

Source: NSU Catalog 2000, Dhaka and personal communications with the Deputy Director, USTC, Dhaka Office on 29 November 2001.

Note: (-) means not applicable.

Table 4.2 Number of registered students by teaching departments, NSU, 2000 and 2001

	Teaching department	Number of students	
		Year 2000	Year 2001
1	BBA	3,087	3,371
2	Computer science	1,860	2,233
3	Economics (BS)	146	149
4	Economics (MS)	21	28
5	English	104	107
6	Environmental science	151	132
7	MBA	274	358
	Total	5,643	6,378

Source: Personal communications with the Administrative Office, NSU, on 5 December 2001, Dhaka.

Table 4.3 Student enrolment, USTC, 1993-2000

Programmes	Number of students by year															
	1993		1994		1995		1996		1997		1998		1999		2000	
	(a) Male (Female)	(b) Foreign (Female)	(a) Male (Female)	(b) Foreign (Female)	(a) Male (Female)	(b) Foreign (Female)	(a) Male (Female)	(b) Foreign (Female)	(a) Male (Female)	(b) Foreign (Female)	(a) Male (Female)	(b) Foreign (Female)	(a) Male (Female)	(b) Foreign (Female)	(a) Male (Female)	(b) Foreign (Female)
1. MBBS (a) 1st batch	74 (26)	21	71 (24)	18	107 (45)	22	119 (52)	27	122 (55)	33	116 (46)	31	109 (45)	40	89 (42)	33
(b) 2nd batch	50 (19)	8														
B. Pharmacy (a) 1st batch	34		25		31		25		19		14		20		15	
(b) 2nd batch	17															
3. M. Pharmacy (a) 1st batch									14		14		14		29	
(b) 2nd batch															12	
4. Computer science (a) 1st batch															30	
(b) 2nd batch															15	
(c) 3rd batch															31	
5. BBA	175 (45)	29	96 (24)	18	138 (45)	22	174 (52)	27	186 (55)	33	195 (46)	31	177 (45)	40	257 (42)	33

Source: Personal communications with the Deputy Director, USTC Dhaka Office, and the Registrar, USTC Chittagong, between November 04 and November.

The total enrolment figures for USTC for a longer period (1993-2000) are given in *Table 4.3*. The table presents us with the following observations:

- The total enrolment size in the terminal year (i.e. 2000) is around 234 (including both national and foreign students), which is much lower than that of NSU.
- Every year, USTC has maintained a significant share of foreign students ranging from 20 to 33 pupils. They are mainly from Nepal; then follow Sri Lanka, Palestine, Malaysia, and Saudi Arabia.
- USTC is an overwhelmingly MBBS-awarding institution. Other degrees in pharmacy or business would not attract as many clients.

If we look at the time trend of enrolment in the two case study universities (we were able to obtain enrolment data for only two years in the case of NSU), broadly speaking, there has not been any significant change in the mix of courses offered by each of the institutions. NSU (located in Dhaka) is basically a business and computer science-dependent university, and USTC (in Chittagong) is mainly dependent on MBBS (medical)-related courses. NSU’s plan to develop/enhance enrolment in environmental science and economics (both first and second degree) has not been fully successful. Similarly, USTC’s plan to further develop the enrolment in business and computer science has not been materialized.

Table 4.4 Administrative and academic staff profile of NSU and USTC, 2000

Name of department	(Administrative)		(Academic)					
	Number of :		Number of :					
	Officers	Employees	Prof.	Associate Prof.	Assistant Prof.	Lecturers	Researchers	Others
1. USTC								
Department of pharmacy			1	1	3	5	--	17
BBA	29	151	1	1	0	5	--	4
Computer science			1	0	0	3	--	3
MBBS			10	8	22	32	--	25
2. NSU								
	29	32	5	7	4	14	--	--

Source: NSU Catalog 2000, Dhaka and personal communications with the Deputy Director, USTC, Dhaka Office and Registrar, USTC, Chittagong between 4-27 November.

Note: -- means non-existent/does not apply.

4.4 Composition of students, administrative staff and academic staff

From an impressionistic view, we can say that the students in the case-study universities and in other private universities in general, come from relatively rich families of society; they belong to the top five per cent of the income groups in the country. Generally, the students come from the households of businessmen, highly paid professionals and well-off civil and military bureaucrats. Nevertheless, all the private universities, including the two private universities under our review, talk quite categorically of giving different financial incentives to meritorious students (e.g. those performing exceptionally well in the HSC-level public exams); their participation in the private universities (and also in NSU and USTC, our two cases) is still not significant. *Table 4.4* presents the pattern of administrative and academic staff in the two case study universities. We can observe the following points from the table:

- In terms of officer-employee ratio, NSU seems to be more balanced; it is almost 1:1, whereas USTC has a disproportionately higher number of employees and the officer-employee ratio is about 1:5.
- NSU has an academic staff number of 32 (regular or full-time members) compared to USTC which reports an academic staff number of 93, about three times that of NSU's academic staff. Of these academic staff, about 14 to 15 per cent in either universities are Professors. In the junior-level academic posts, i.e. Lecturers and Assistant Professors, the percentage share varies between 56 per cent in NSU and 75 per cent in USTC.
- NSU has a quite good number of part-time faculty members when compared with the other institution. Being located in Dhaka, NSU can easily benefit from a number of public universities in and around Dhaka (e.g. DU, JU, BUET) by drawing upon their trained and well-educated teaching staff. NSU also has a number of visiting faculty members from abroad, e.g. from USA, Australia and Canada. USTC draws part-time faculty members from CU and Chittagong Medical College. It seems USTC has limited options for part-time teaching members due to supply constraints.

4.5 Affiliation to universities, degree-awarding institutions

The two universities under our study are more or less self-sufficient entities; they award degrees themselves. They are supervised by the academic/administrative rules set by the UGC of the country. NSU has an arrangement to transfer academic credits to a number of US and Canadian universities. Both USTC- and NSU-awarded degrees are recognized by different Asian and US-European universities.

5 Financing and management of private universities

5.1 General observations

Some aspects of financing higher education and management of private universities were covered in *Chapter 2* of this report. There is enough coverage of management-related aspects in the same chapter. This chapter deals more with financial matters relating to North South University and USTC. It is prepared based on the data collected from the selected universities for the last three years. It should be mentioned that private institutions and NGOs in Bangladesh are reluctant to share their financial information with outsiders. As mentioned earlier, 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 the UGC. Private universities of the country know that it is a mere formality, as nobody in the UGC would raise any question as they are not authorized 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 of the universities. Because of close personal contact with the VCs by one of the researchers and also because of his positive standing in higher education in the private sector, annual accounts were supplied on an unofficial basis. The author was the pioneer in establishing an institute (BIBA) for offering the BBA programme in the private sector which is now being offered in ten places under the National University of Bangladesh. As a Professor of Finance, it was also possible for him to collect data from the accounting statements and prepare three-year summary tables presenting balance sheets and income and expenditure statements as given in *Table 5.1*.

5.2 Sources of funding

Both of the universities started with initial statutory deposits of Tk. 10.00 million in a bank account and some smaller amount as working capital, perhaps not exceeding Tk. 3.0 million. As noted above, cash flowed in heavily from students 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 and the same grew by 14 per cent and 39 per cent in 1999 and 2000 respectively. In 1998, it earned a cash flow income (net income + depreciation and write-off) of Tk. 36.9 million, and the same grew by 25 per cent and 49 per cent in 1999 and 2000 respectively. Average earnings over three years was Tk. 140.7 million, of which 28 per cent was paid as faculty salaries, seven per cent to staff, and four per cent as financial aid to students. Cash flow surplus over the same period was 36 per cent.

As indicated earlier, the dual structure of administration in private universities is accompanied by maintaining separate accounts for the sponsors. The North South University Foundation prepares its own financial statements as shown in *Table 5.2*. 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, and the same grew by 32 per cent and 29 per cent in 1999 and 2000, respectively. The 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. The three-year average income was Tk. 43.60 million; 13 per cent of the yearly income was spent and the rest, 87 per cent, was saved and credited to an accumulated surplus

account. The combined surplus was Tk. 79.5 million and the total income was Tk. 184.3 million, resulting in a 43 per cent (79.5/184.3) saving or net income margin.

Table 5.1 Financial statements of NSU, financial years 1998-2000 (in million Taka)

Balance sheet	Years			Yearly average	% of fees
	2000	1999	1998		
A. Fixed assets (net)	71	57	43.4		
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		
E. Total assets	307.8	221.3	193.6		
Per cent increase over previous year	39%	14%			
F. Financed by					
NSU Foundation	84.3	64.8	50.8		
The Ford Foundation (Books)	0.4	0.4	0.4		
Accumulated depreciation	35.9	26.3	20		
Students activity reserve	14.7	10.6	8.2		
Accumulated surplus	172.4	119.1	80.9		
G. Total funds	307.8	221.3	160.3		
H. Income and expenditure statement	2000	1999	1998		
Fees from students and interest	174.1	135.6	112.4	140.7	
Faculty payroll	43.9	38.2	36.1	39.4	28%
Staff payroll	13.3	10	7.9	10.4	7%
Financial aid to students	6.7	4.8	3.6	5.0	4%
Depreciation and write-off	11.4	7.4	7.3		
Others	41.7	36.6	27.9		
Total expenses	117.0	97.0	82.8	98.9	70%
I. Excess of income over expenses	57.1	38.6	29.6	41.8	30%
Added back depreciation and amortization	11.4	7.4	7.3		
J. Cash flow	68.5	46	36.9	50.5	36%
Percentage increase over previous year	49%	25%			

Source: All sources of data collected by the researchers.

N.B. US\$1= Tk. 57.5 (approximately) in January 2002.

Table 5.2 Financial statements of NSU Foundation, 1998-2000 (in million Taka)

Balance sheet	Years			
	2000	1999	1998	
A. Fixed assets	1.90	2.20	0.20	
B. Current assets	199.00	153.60	118.10	
C. Current liabilities	0.20	0.30	0.00	
D. Net current assets	198.80	153.40	118.10	
E. Total assets	200.70	155.60	118.30	
	0.29	0.32		
F. Financed by :				
Endowment fund	11.30	11.30	11.30	
Accumulated surplus	189.40	144.30	107.00	
Total fund	200.70	155.60	118.30	
Income and expenditure statement				
Income	Year			
	2000	1999	1998	3 years average
Annual development fee/students	51.50	40.90	31.60	
Interest earned	2.60	2.20	2.00	
Total income	54.10	43.10	33.60	43.60
Percent change (yearly)	26%	28%		
Expenditures				
Payroll	1.30	1.00	0.60	
Honorarium to members	1.40	0.60	0.30	
Financial aid to students	2.80	2.00	1.30	
Depreciation and write-off	0.70	0.70	0.05	
Others	2.80	1.40	0.65	
Total expenses	9.00	5.70	2.90	5.87
Excess income over-expense	45.10	37.40	30.70	37.73
Depreciation and write-off	0.70	0.70	0.05	
Cash flow earnings	45.80	38.10	30.75	
	20%	24%		

Source: All sources of data collected by the researchers.

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 estate and constructing buildings. It is buying foreign books and journals and has been building a strong computer centre. However, amounts for these items were not available.

This shows a high profitability of operations for North South University. It may be noted that the foundation pays a honorarium to members of the sponsors for attending meetings as well as 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 will be critical for the future growth of the university and to maintain its quality in education.

Table 5.3 USTC financial statements, financial years 1998-2000 (in million Taka)

Balance sheet	Years			Yearly average	% of fees
	2000	1999	1998		
A. Fixed assets (net)	85.8	76.8	69.7		
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		
E. Total assets	353.4	292.5	232.5		
Per cent increase over previous year	21%	26%			
F. Financed by :	1999	1998	1997		
Capital, development and other funds	302.2	239.5	181.4		
Accumulated surplus	51.2	53.0	51.1		
G. Total funds	353.4	292.5	232.5		
H. Income and expenditure statement	2000	1999	1998		
Fees from students and interest	51.7	46.7	40.3	46.23	
Expenses (details not given)	27.5	24.3	18.8	23.53	51%
I. Excess of income over expenses	24.2	22.4	21.5	22.7	49%
Added back depreciation and amortization	3.8	3.5	2.6		
J. Cash flow	28	25.9	24.1	26	56%
Per cent increase over previous year	8%	7%			

Source: All sources of data collected by the researchers.

In the case of USTC, its assets amounted to Tk. 232.5 million in 1998, and the same grew by 26 per cent and 21 per cent in 1999 and 2000. Its cash flow earning in 1998 was Tk. 24.1 million, and the same grew by seven and eight per cent in 1999 and 2000 respectively. On average, USTC spent 51 per cent of its income and saved 49 per cent. However, the breakdown for expenses into categories was not available in the statement. It is located in Chittagong in the south-eastern tip of Bangladesh. Supply of both quality students and teachers are limited there. Most of the good students from that 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 less to faculty and staff from that area.

The sponsor of USTC is the Janasheba Foundation established by the renowned physician, Nurul Islam. Earlier, the foundation started a medical college in 1989 and got some prime real estate from the city corporation at a nominal cost. In 1999, the foundation had net assets of Tk. 229.3 million, and the same grew by 28 per cent and six per cent respectively, over the next two years. The three-year average income was Tk. 12.95 million, and of that 10 per cent was spent for operation and 90 per cent was saved and transferred to funds. On a combined basis average, the yearly income was Tk. 59.18 million and the average expense was Tk. 24.78 million over the three-year period. This resulted in a net surplus of Tk. 34.4 million and 58 per cent of income. This proves the earlier point that USTC was spending a relatively lower proportion of its earnings for students when compared with North South University. USTC has been building its own campus from early years. Besides real estate obtained from the city corporation, it received a grant from a Japanese foundation and built a four-story library and computer building. It may be mentioned that the medical college of USTC admits 20 to 30 foreign students per year, mostly from Nepal, and collects higher fees and development charges from them. USTC has also built dormitories for the 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 in business and computer sciences in that corner of the country. There is a public university in Chittagong (CU) which also suffers from such shortages of qualified teachers in those subjects.

Table 5.4 Financial statement of Janasheba Foundation (USTC), 1999-2000 (in million Taka)

A. Balance sheet	Years				
	2001	2000	1999		
Fixed assets	18.1	7.1	0.84		
Current assets	293.2	286.6	228.46		
Current liabilities	0	0	0		
Net current assets	293.2	286.6	228.46		
Total assets	311.3	293.7	229.3		
	6%	28%			
Financed by funds	311.3	293.7	229.3		
B. Income and expenditure statement	Years			3 years average	Annual rate of growth
	2000	1999	1998		
Interest and dividend received	9.75	12.45	16.66	12.95	
Expenses (details not given)	3.14	0.52	0.05	1.24	10%
Surplus transferred to general fund	6.61	11.93	16.61	11.72	90%

Source: All sources of data collected by the researchers.

USTC is more profitable than North South University. USTC’s surplus averaged 58 per cent, whereas that of North South University averaged 43 per cent per year. Net assets of both universities are

invested mostly (~80 per cent) 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 physical asset-building only. This has a tradeoff 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 government. One of the priorities must lie in using a sizeable amount of the current asset in near cash items for the purpose of faculty development at home and abroad.

Tuition fees

As tuition fees, a student has to spend a sum of Tk. 312,000 (US\$5,474) for an MBA degree in NSU to Tk. 494,625 (US\$8,678) for a computer science (BSc) in the same university (see *Table 5.5*). In USTC, an MBBS student has to spend a sum of Tk. 650,000 (US\$11,403) to obtain a degree.

5.3 Important issues of private university management

Basically, private universities have adopted a two-tier administrative structure. At the top is the Board of Governors/Trustees of the sponsoring foundation. A Chairperson elected by the members of the Foundation/Trust heads this board. It takes policy decisions regarding development, long-term financing, and the overall management of the university. The second tier deals with the management of academic programmes and related affairs. The VC acts as the CEO for this level of activities in private universities. It should be mentioned that during initial years, organizational design matters were neglected and confusion compounded in most of the private universities. In two cases, conflicts between Boards and VCs resulted in an ouster of the VCs from the university. Both of them were founder members of the Boards. The weak administrative setup also resulted in some misuse of funds that started to flow rather unexpectedly at a high volume. There are allegations that somewhat loose control over expenses and over-invoicing of purchases from related parties of the sponsors caused a substantial amount of leakage to take place in most of the private universities. Stronger administrative and financial control could have resulted in a larger amount of savings. Some of the private universities also faced student unrest for failing to provide good management and desired services to the students.

The Private University Act provides for the commercial audit of accounts of these universities by a firm of chartered accountants. However, the accounting profession is frequently blamed for weaknesses in function and ethics. If the government's intention was to see that tax-free earnings are well spent for building private universities by requiring such commercial audits, then that goal has been frustrated. It is similar to the situation in other commercial enterprises. Public universities are not required to get their accounts audited by commercial accounting firms. There is a system of running an annual audit by the office of the Controller and Auditor General. Corruption is alleged in such government audits also. This is a social problem due to the lack of professionalism and ethical standards that generally pervade most spheres of life in a poor country.

As mentioned earlier, all of the private universities started functioning in hired premises for classrooms and offices. They left the task of providing residences for students from outside the city with the students. That is, no dormitory service is provided to students and no housing is provided to teachers. Full-time teachers are given sufficient housing allowances to rent houses in the city. Unlike public universities, none of the private universities offer any transport services for students.

The education sector and its organs are generally under-managed in Bangladesh. Invariably, teachers with little knowledge and experience in management are placed in higher managerial positions as

a part of national politics either in public universities or other places such as boards for secondary and higher secondary education. The government maintains a hands-off position due to political compulsion and the lack of strategic vision for the education sector as a whole. Private universities also started out with a weak management structure. However, most of them are trying to improve the management system through trial and error. Management skills are distinct from technical proficiencies and are less understood as a whole in less developed countries.

Table 5.5 Tuition fees by programmes, NSU and USTC, 2000

NSU							USTC
	Programme	Registration fee (Tk.)	Credits	Fee per credits (Tk.)	Other charges (Tk.)	(7=3+4*5+6) Total (Tk.)	Total (Tk.)
1	MBA	10,000	60	5,000	2,000	312,000	--
2	BBA	10,000	125	3,575	2,000	458,875	222,000
3	Computer science (BSc)	10,000	135	3,575	2,000	494,625	327,000
4	BS in economics	10,000	125	3,575	2,000	458,875	--
5	MS in economics	3,000	30	3,700	2,000	116,000	--
6	English	10,000	124	3,575	2,000	455,300	--
7	BSc in environmental science	10,000	125	3,575	2,000	458,875	--
8	M.B.B.S.	--	--	--	--	--	650,000
9	Bachelor in pharmacy	--	--	--	--	--	250,000

Sources: NSU Catalog 2000, Dhaka and personal communication with the Deputy Director, USTC, Dhaka Office, 27 November 2001.

Note: (--) means not applicable.

System-wise, there is little difference in the management structure between private and public universities. However, private universities are trying to avoid or bypass some of the provisions of the Act in terms of some appointments at senior administrative positions, such as Treasurer, Registrar, Dean and Chairpersons. The government, on the other hand, has proposed to nominate government officials to exercise control over private universities. This should be resisted by private universities as it would be dysfunctional and potentially lead to corruption. There is, however, little doubt that private universities are much more efficient in operations and management compared with their counterparts in public universities.

6 Summary and conclusions: performance of the private universities

6.1 Large number not performing optimally, some sustainable

It is not unfair to state that the private university sub-sector in Bangladesh has come here to stay; it is a positive development in the field of tertiary education in the country. Our empirical data and anecdotal evidence correspond with the recently concluded UGC-led assessment of all the private universities of Bangladesh (*Daily Star*, 2004). Out of the total private universities (N=54) in 2004, roughly eight universities (e.g. NSU, IIUC, IUB, EWU, AMA international universities, BRAC universities) are performing highly satisfactorily; another 10 private universities are also performing well and at an acceptable standard (in terms of teaching- learning, teachers, student intake and market acceptability of their graduates). But a large number of these institutions (numbering 36) do not satisfy the critical minimum indicators of performance. These under-performing institutions lack good will and may not enrol many students. But the state (Ministry of Education/UGC) and its relevant agencies have a definite role to help (by giving advice, guidance and oversight) these nascent private universities to develop on the one hand, and to safeguard the interests of students/parents (so that they are not deceived by the fraudulent profit-makers/entrepreneurs) on the other hand. Below, we try to summarize the major lessons learned from the development of the private university sub-sector in Bangladesh. We also try to indicate the way forward corresponding to the particular challenge faced by the sub-sector.

6.2 Graduation rate

A number of indicators may be utilized to assess the performance of the institutions in our study. They are mainly of two types: (a) internal efficiency related; (b) external efficiency related.

Table 6.1 Number of students graduated by teaching departments, NSU, 1996, 1998-2001

	Teaching department	Number of graduates by year				
		1996	1998	1999	2000	2001
1	BBA	69	92	71	82	108
2	Computer science	19	25	19	30	58
3	Economics Bachelor's (BS)	6	12	4	7	2
4	Economics Master's (MS)	2	3	2	2	0
5	English	0	0	0	0	2
6	Environmental science	0	4	4	1	4
7	MBA	0	0	0	44	29
	Total	96	136	100	166	203

Source: Personal communications with the Administrative Office, NSU, Dhaka, 5 December 2001.

Other indicators of performances in terms of financial viability (of these institutions) and access by socio-economically disadvantaged groups (e.g. the rural and urban poor female population) are quite important.

Table 6.2 USTC: results of examination, January to September 1992

Time	No. of students appeared	Pass	Refereed	Fail	Percentage
January 1992	34	15	13	6	44.11%
May 1992	20	12	5	3	60.00%
September 1992	8	6	1	1	75.00%

Source: USTC (2000)

We do not get an adequately clear idea with regard to the graduation rates of the private universities. Even the data supplied by the case study universities of NSU and USTC on graduates are not complete. From *Table 6.1* (on NSU) and *Table 6.2* (on USTC), we can make the following observations:

In the case of NSU, there has been a secular upward trend in terms of graduates coming out of the university in the period from 1996 to 2001, excepting the year 1999; the number more that doubled in that period. Again, it is basically the fields of BBA and computer science where the most enrolments and graduates are generated or produced.

In USTC, the pass rates for three MBBS exams (groups) are given, i.e. for the candidates appearing in January, May and September of 1992. The number of students taking exams is not high, ranging from 34 in January 1992 to only eight in September 1992; the pass rate varies from 44 per cent in January 1992 to 75 per cent in September 1992.

6.3 Employment prospects

By and large, the graduates of our case study universities do get employment because the types of graduates the two institutions are generating, e.g. BBA, computer science, and MBBS (medical) graduates, are in great demand on the market. In fact, USTC has a large number of graduates coming from neighboring and other developing countries, e.g. Nepal, Sri Lanka, Palestine and Saudi Arabia. The Bangladeshi students who enrol and graduate from these institutions are not the best of the lot (as we have mentioned earlier, the best students mainly enroll in the public universities of the western universities), but due to intensive course work and a more caring educational atmosphere, they are better trained and motivated. Our impressionistic view is that the modern sector (formal) private employers (who are emerging as the most important job creators in the economy) have some positive attitudes towards these private university graduates. This is because of their training, skill and work motivation, which contrasts significantly with the set of graduates churned out by the public universities.

6.4 Probability and equity aspects

Both the institutions are quite viable in financial terms. See *Table 5.1* and *Table 5.3* of *Chapter 5*, which present the financial statements of NSU and USTC, respectively. The tables show that, for the years 1998-2000, the universities retain a financial surplus of Tk. 81 million (in 1998) to Tk. 172 million (in 2000) in the case of NSU, and Tk. 107 million (in 1998) to Tk. 189 million

(in 2000) for USTC. Therefore, the universities under study are financially viable and are growing stronger with every passing year.

The universities have an avowed policy of incorporating equity in disseminating education and knowledge. For example, in their admission-related advertisements, they clearly notify that meritorious students will be given financial assistance (e.g. waiver of tuition fees, maintenance allowance, and so on). NSU financial statements show a significant amount of around Tk. 5.0 million (yearly averages of 1998-2000) spent for financial aid to students. See row 'H' in *Table 5.1* of *Chapter 5*. No such expenditure item is observed in USTC. The impression is that top students (getting good grades in the HSC public examination) with disadvantaged socio-economic backgrounds do not enrol with the private universities. Therefore, even the financial aid given by NSU authorities to the students may not be reaching the neediest students. A more careful and in-depth study will be held to assert this statement.

6.5 Public vis-à-vis private universities

Although the state (especially in the late 1980s to 1996, and now from 2001 onward) has taken a liberal attitude toward the founding of private universities in the country, the parents/potential students are not fully clear in their minds about the relative strengths/efficiency of private universities compared to public universities, in general. This is due to the non-transparent style and money-making motivations of some private university managers/organizers. Of course, articulate and efficient private university organizers (e.g. NSU, IUB, etc.) have developed goodwill both at home and abroad. These universities do not get any state subsidies and, on the contrary, get rough times from the UGC and/or other regulatory bodies.

The public universities that maintain low tuition fees (e.g. BUET, Dhaka University) still attract the best students in spite of student and teacher activism. It seems that the reputation and teaching-learning process of the public universities are secularly on the decline, yet their worldwide reputation, especially of BUET and Dhaka University, is still far above that of the emerging good private universities. Also, the public universities offer certain courses that are not offered by the private universities, for example: civil engineering, electrical engineering and electronics, mechanical engineering, agricultural science, irrigation engineering, physics, chemistry, microbiology, biochemistry, applied physics and so on. Excepting the courses on BBA, MBA (in business administration), computer science, and medical science, public and private universities do not compete too much for potential students.

6.6 Lessons learned and way forward

Table 6.3 Lessons learned 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 money (i.e. the high tuition fees and related costs). Taking advantage of the liberal policy of the state and absence of an adequately developed oversight mechanism, some individuals/groups of people are not delivering the services they are supposed to render to their clients (e.g. students, parents, and so on).</p> <p>The present (de facto) rule of the Ministry of Education (GoB) to allow the market (demand and supply) forces to decide if 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, nor is its teaching-learning 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, 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) with the private universities; (b) encouraging the private universities (with an optimal faculty mix) to go for optimal (more balanced in favor 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 (medium-term) period.</p>
3. Quality intake	<p>In general, the private universities are not able to enroll the best HSC graduates due to high tuition fees charged by them. Some institutions (e.g. NSU, IUB, EWU) religiously follow the mandatory (5% rule) principle as enunciated in the Act (PRUA) of 1992. The potential of tapping the best HSC graduates going to public institutions (e.g. Dhaka University, BUET, Dhaka Medical College, and so on) remains unutilized.</p>	<p>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 costs 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 innovations need to be well documented, publicized, and get some fiscal incentives (e.g. tax-exemptions) from the state.</p>

<p>4. Financing, management and governance</p>	<p>There are potentially (imaginative) good organizers of private universities who need some financial support from the banking system/state. Any educational institution takes a minimum of 4-5 years to show concrete results in terms of outputs.</p> <p>Existing rules based on PRUA (1992) do not adequately define the responsibilities/obligations of major actors, e.g. 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.</p>	<p>For defining the roles/responsibilities/powers of different actors (e.g. Founders, CEO, Syndicate, 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.</p> <p>Some financial support (low interest rate-bearing loans) may be given to those deserving (based on some performance indicators of inputs and teaching-learning processes). 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.</p>
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The book

Although universities in most countries have been dependent on public funding, the private sector is now the fastest growing segment of higher education in many countries. The private sector includes publicly-funded, self-financing and for-profit institutions, with the latter two predominating.

Many for-profit institutions were established by corporations engaged in the trade of stocks and shares of educational institutions. The self-financing universities/institutions, established mainly by individuals or by religious organizations, also mushroomed in the 1990s.

This study is part of an IIEP research project to examine the private sector of higher education. The study looks at policy changes in Bangladesh in favour of the private sector, trends and patterns in the growth and expansion of private higher education institutions, and the sources of financing and management of these institutions. Although there were discussions on establishing private universities as of the 1980s, the Parliament Act on this was passed in 1992. The first private university was established in the same year. Now there are more than 50 private universities in the country. This study shows that the private universities in Bangladesh, as in many countries, offer courses in limited market-friendly subject areas, and their income relies mainly on fees collected from students. Some of them are affiliated to foreign universities.

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