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Factors Determining the Efficiency of Information Environment in the Markets for Private Professional Education

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Abstract:

This paper presents the information environment in the markets with respect to the markets for private professional education in India. The paper also discusses the factors influencing the information environment in these markets from three angles namely the availability of information, accessibility of information and the processing of information. This paper considers efficiency of information environment in any market is determined by the capacity to read information by receiver and the sender. The essence of the paper is that, privatization and expansion in the choices in the market for private professional education created uncertainty in the minds of the aspirants (candidates aspiring to do professional programs) of the professional program (professional course). Education is an experienced good and with effects on the life chances of individuals. Therefore proper information should be made available to the aspirants to ensure the quality in their choice. But one of the problems faced by the developing nations compared to the developed ones is the lack of an adequate information data base which includes comprehensive information about the features and quality of the alternatives available in the markets.

JEL Classification: D82, D83, E26, I23, L33

1. Introduction

The privatization of higher education was advocated to increase the efficiency of higher education market in India. It is an undisputed fact that privatization always results in choice explosion in all products or services and naturally for education also. Higher education is dominated by private sector in India, especially with respect to some professional programs. For the past two decades India witnessed sharp rise in the private educational institutions, both at school education and higher education level. The role of private players in enhancing the educational opportunities of India is appreciable as it raised the choices of aspirants and enrollment to higher levels.

Often it is pointed out that, privatization of education changed the face of education from service to commodity. The education market followed the price and also non-price competition of commodity market as the part of their competition policy. While increasing educational alternatives on one hand, private parties exercised undue influence on the choice of aspirants through marketing strategies on the other hand. One of the criticism leveled against this type of expansion of educational institutions is related with informational efficiency of these markets. With respect to the expansion of choices, developed countries has the required information database and information channels, whereas such an information base is still absent in developing countries like India. Therefore, the decisions of the buyers are still placed on the information provided by seller in many markets. The problem is crucial in case of the market for experienced products like education, where the choices of aspirants are based on information given by providers of professional program. Any imperfections in information transmission in such markets may end in market failure.

The waves of privatization affected the markets for professional education also. More specifically, it transferred education from the nature of service to the nature of commodity. Increased privatization leads to the mushrooming of the private professional educational institutions at least in certain states of India. It offered large number of alternatives to the aspirants for a given professional course. It created quality uncertainties in these markets. Information dissemination in such markets has an important role since better information reduces uncertainties since it helps the consumer in assigning returns to their alternatives. Competition do not inspire the universities or the faculties to do as much as they might to improve their instruments in the way that it forces computer companies to work at improving their products (Bok, 2011).

Education is an investment in human capital. It is a signaling device to the labour market, and it is concerned with the future earnings and standard of living of a person and his family. As far as the minorities are concerned, the slum school education decreases the educational possibilities of the students. The employers are less willing to employ students from this category since it is very difficult to determine the students with good quality. As a result, the companies were compelled to fix the remuneration for the average quality

for the students from the slum schools due to the quality uncertainty (Akerlof, 1970). Higher education is not only perceived to be an experienced good and a rare purchase but also a major influence on students' "life chances". Due to information asymmetry the social cost of education may fail to produce optimum social results. Information is a precondition for the freedom of choice, in the absence of proper information the freedom of choice will be distorted." Therefore, a strong argument can be made for adequate consumer information in higher education (Cave, 1994).

2. Information Environment in the Markets for Private Professional Education

The informational efficiency of the markets for private professional education is determined by the extent of disclosing information by the educational institutions as well as the aspirants' innate ability to access and process the disclosed information. An assessment of the entire process of dissemination of information – from the disposal to absorption, can be viewed from three angles;

- 1.1 Availability of information
- 1.2 Accessibility of information
- 1.3 Processing of information

2.1. Availability of Information

The availability of information implies the quantum of information about the professional course available in the market through various sources of information. The availability of information is related with market structure. It requires an institutional set up favorable for the dissemination of information. The quality of the institutions is directly related with the dissemination of information. The most important party who possess information about the quality of the professional program in the market is the institution. Therefore, the availability of information is relatively more closely connected with them than the aspirants. The important point noted here is that, the chance for prior experience and re-sale are absent in education markets. Therefore, each unit of information is relevant from aspirant's point of view. But, for the aspirants it is impossible to fully read the experience of an individual belonging to his social networks or from neutral sources since most of the information units consisting of contract in higher education market is qualitative than quantitative in nature. The availability of information is depended on the sources of information and the transparency of the information source. Transparency of information is the clearness of the information with respect to contents and origin. A transparent information will be credible, reliable and informative. The sources of information mean all the means available for the aspirants in the market for professional program (both provided by the market and through consumers' social networks) to gather the information about a particular course. The sources of information in the market for private professional education can be briefly summarized as follows;

2.1.1. Commercial Sources of Information

The commercial sources of information are created for commercial and marketing purpose which includes (a) personnel sources of information where people are engaged directly, and (b) impersonal sources of information. The personnel source of information included (a) Direct oral information by institutions, (b) Information through agents & (c) Educational expos. The impersonal sources of information considered in the study were (a) Brochures and (b) Advertisements through Media.

2.1.2. Non – Commercial Sources of Information

Non-commercial sources of information are related with social networks of the aspirants such as family members, peer group, neighbours and so on. It may be or may not be persuasive. They are passing information within the networks as the part of normal conversation rather than marketing purpose. By non- commercial sources means the social networks as information sources. The following parties were included in the non-commercial sources of information; (a) Peers, (b) Relatives, (c) Friends, (d) Teachers, (e) Neighbors and (f) Other parties.

2.1.3. Neutral Sources of Information

Neutral sources of information are neither marketing nor persuasive. For E.g.: (a) The Government reports, (b) the newspaper reports, (c) Consumer Reports or journals, (d) Rating/ranking reports etc.

2.2. Accessibility of Information

Accessibility of Information: It is related aspirants' capacity to search information from all the sources available in the market. The available information doesn't have any meaning if it is provided to an aspirant who has no ability to identify and access the source. The aspirants in these markets search information available in the market directly through institution, mediators and also through various media. It uses their social networks such as friends, relatives, teachers and other experts in the field whom they are already connected.

2.3. Processing of Information

This is aspirant's ability to read and manage information correctly to take a decision. A wrong reading of information has dangerous consequences on the decisions which is worse than the decision taken without information. Therefore, the aspirant is expected to possess the ability to manage the information by eliminating undue influences and irrelevant information. It is desirable that aspirant

possess inherent capacity to understand the technicalities of the product contained in the information and to reveal his preference towards a particular choice without any confusion.

3. Conclusion

This paper discussed the role of information and factors determining a good informational environment in the market for private professional programs. Though, there is no overall mushrooming of private professional institutions, it can be seen in many states in India. Huge number of private professional colleges are functioning under same universities, offering similar course and certificate but charging different prices. Therefore, for the efficient functioning of the market, proper market information is very essential. In the absence of such information, there are possibilities for making wrong choices and it may lead to market failure in the markets for private professional education in India.

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