



RATIONALE OF FUNDING PATTERN AND ITS POLITICS IN HIGHER EDUCATION IN INDIA

ABSTRACT

Funding of Higher Education Institutions is always a matter of concern / debate among the stakeholders in all countries across the Globe, be it the state (policy makers), society, academicians or students. In recent times, there is a general trend among the stakeholders especially in emerging economies to opine that these Institutions should be self supportive financially, once the initial infrastructure is set up.

This paper discusses various methods in vogue of funding the Higher Education in India and its rationale and politics and provides theoretical answers to a number of questions. The recent policy of the Government of India encourages mobilizing funds through fee and other means for meeting the cost of higher education to a larger extent – Full recovery of revenue cost and 10% to 15% recovery of capital cost. This paper is limited in several ways. It discusses the ‘funding’ but not the ‘delivery’ of Higher Education. It does not discuss the nature of ‘product’ nor did the specific issues raised by the stakeholders while funding. This paper excludes the funding of medical and engineering education as the very nature of these institutions differ. Government is besieged with other pressing public needs, many of which seem to be more politically compelling than the claims of higher education which greatly exceed the available scarce public revenues. The result is that there is an increasing sense of austerity within the educational system and the appreciation of the importance of other-than government funds.

This paper also discusses the emergence of private educational institutions as well as their impact on quality and quantity. This paper concludes with a discussion of thorny issues that policy makers can ponder upon while making budgetary support for education specifically for higher education.

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1.INTRODUCTION

Higher education at the beginning of the 21st century was in great demand from the citizens for the occupational and social status it conveys and from governments for the public benefits to bring the social and economic well being of the country. Thus higher education is an engine in the rapidly changing economy and the critical requirement of latest knowledge by the industry and society, at large.

Due to near collapse of country's economy in 1991, specifically foreign exchange reserves, economic reform packages were introduced as a part of globalization and liberalization. The reform packages imposed a heavy compression of the public budgets on education sector, more specifically on higher education. Higher education has also become expensive with the result of the reliance of other than government support.

Thus the funding of higher education shifted from the government to parents, students, individual or institutional donors to a major extent. Government also encourages privatization of education in recent times. This paper attempts to examine the following: -

1. The various dimensions of each aspect of funding higher education.
2. Emergence of private institutions in recent times.
3. The economic and policy rationale of funding.
4. The Politics behind the funding.
5. Conclusion with discussion on thorny issues that the policy makers can ponder over while making budgetary provision.

2.BACKGROUND

In ancient times gurukul system of education system, run by rishies and sages, was in vogue. Takshashila, Vikramsila were the first universities established during 4th and 5th centuries. These universities mainly imparted knowledge on the role of state, economy, social order, universe, spiritual and other related matters. The methodologies followed were observation, conceptualization, verification, articulation and teaching. As a result, India had supremacy over other countries in the field of mathematics, medicine, astronomy, chemistry, metallurgy, physics, philosophy, yoga, meditation, auryurveda (Herbal medicine), and the like. In other words, higher education systems flourished and reached high standards during that period.

The present modern higher education systems were established by the Britishers initially. Three universities, Mumbai, Kolkata and Chennai were established and imparted knowledge in the field of

literature, history, philosophy, political science, medicine, physics, biology, engineering, and social sciences. As a result, around twenty universities and 500 colleges were established till independence in different parts of the country. Approximately a lakh of students enrolled every year, but women students were minimal.

After independence, the government concentrated in developing the education system including higher education under its five year plans. Consequently, India ranked very high in terms of size of enrolment and network of higher education system compared to many countries in South Asia and Africa, but lagging behind USA, East Asia and European countries.

The number of students enrolled in higher education has increased significantly from 0.5 per 1000 in 1951 to roughly about 8 per 1000 in recent times in both public and private higher education institutions. In terms of Universities, presently there are about 687 universities and 34,000 colleges. The majority of these institutions are in arts, science and commerce. A small number of institutions are in engineering, technical, medical, management and teacher education. The concepts of Open University system, par-time courses, distance education system have emerged in the last few decades. Currently application of Information Technology is emerging at an accelerated pace.

In order to ensure standards, Government has introduced National Level Eligibility Test and State Level Tests, to regulate appointment of Assistant Professors at entry level in colleges and Universities. But Associate Professors and Professors are selected through open selection. There is a career advancement scheme in place to elevate Assistant Professors to Associate Professors and Professor levels as well.

The higher education institutions are regulated by UGC, AICTE, NCTE and the like. These regulatory authorities coordinate and determine the standards in teaching, research and examination. The funding is governed by them based on the standards and quality of higher education. There are also some Centres of excellence like IITs, IIMs, IISC, NITs and the like.

3.ELEMENTS OF FUNDING IN PUBLIC HIGHER EDUCATION

The term 'funding' in reference to higher education, means the cost of higher education borne by the stakeholders: Government, Parents, Students, individuals or institutional donors. It includes instruction cost associated with tuition fee, user charges associated with library charges, computer usage, living cost, boarding and the like. Let us examine each element for better understanding.

3.1 GOVERNMENT

Government funding is focussed towards building infrastructure, operational expenditure and the like., Government funding essentially means the source of public revenue generated from the citizens through taxes. Taxes are collected directly (visibly) or indirectly (invisibly). Government can also fund by other means. (1) Direct taxes are collected from salary, property, business, etc., these are basically income tax. Taxes also collected by levying on certain specific goods like petroleum products, alcohol, cigarettes, lottery, imported goods, air travel, etc., namely education cess. (2) Indirect taxes are those which are passed on to the consumers in the form of higher prices on the products being sold viz. Value, Added Tax, Excise Duty, Customs Duty, Service Tax, etc. (3) Government may take the purchasing power from the citizens by merely printing money, via deficit financing. This in effect induces inflation resulting in erosion of actual value of money, thus borne by the citizens. (4) Government may also tax only the rich or large multinational companies or exclusively from export earning, etc; but such taxation is very difficult to collect. Thus it can be seen that government expenditures are borne in the end by the average citizen or taxpayers in whatever form.

3.2 PARENTS

The second party is the parents, who essentially pay tuitions fee, bear the cost of books and other academic expenditures, and bear the cost of living (Hostel) of their wards, if they are not residing in home. Normally parents spend from their earnings or sometimes from their savings, or even through borrowing i.e., drawing from their future earnings. Grand parents, relatives, philanthropic individuals or institutions can also be considered as 'parents' as they support directly the students.

3.3 STUDENTS

The third party is the student, who earn while pursuing higher education either part-time, full-time or during summer vacation. Most of the students, these days, avail loan, which, in turn, can be paid back when the students complete higher education and start earning. Government and public financial institutions like banks have created a revolving corpus specifically for this purpose linked with subsidized rate of interest. Some students take sabbatical leave or leave their current jobs to pursue higher education.

3.4 INDIVIDUALS OR INSTITUTIONAL DONORS

The last party is the donors who contribute / finance to the higher education (not to the student directly) either improving the quality by providing infrastructure or otherwise supporting the overall budget of the institutions. Some donors contribute directly to the students, in the form of grants or scholarships based on merits of the students or to those from downtrodden sections of the society or to those who need financial assistance till they complete higher studies.

A classic example is the donors create endowment funds that are preserved by the institutions, from which only the interest earned is spent in the form of scholarship or supporting revenue expenditure. These funds, in effect, go on in perpetuity, but the value might be eroded over the years in the inflationary economy. Some of them establish 'Chair - Professor' with the specific purpose and to the specific discipline to the 'eminent professors'.

The institutions itself may be a donor who provide need-based financial assistance to the downtrodden students who hail from the less privileged sections of the society. In effect, the actual donors in such cases are from the parents of wealthier students, who pay more than what they are otherwise required to pay towards tuition fee.

Government to some extent falls under this category, by funding scholarships to meritorious students or to the specific sections of the society (SC / ST). Some state governments provide subsidized academic materials, subsidized fees to the girl students and the like. This is being done to enhance enrollment in higher education, especially in government institutions.

4. EMERGENCE OF PRIVATE INSTITUTIONS

Due to paucity of public money and the compelling need to allocate funds to areas other than education including higher education, Government encourages non government institutions in the form of registered trusts or societies to establish higher educational institutions in recent times. In the past, private institutions were established by the philanthropic individuals or institutions with social cause and contributed significantly to higher education. However it is not the case in the last two decades. There are different types of private institutions, many of these are affiliated to the state owned universities. Some of the institutions

are approved as deemed universities and private universities by the regulatory agencies.

Of late, private institutions are emerging with commercial motives and they are highly pragmatic in their approach. Ownership of these institutions ranges between a spectrum of philanthropic to commercial institutions in various degrees or combination of both. Indeed, there are chain of Institutions from Kinder-garden to higher level of education by the business groups, spiritual institutions and corporate sector.

Most of their programs and courses are market driven and they are free to introduce or discard any courses. In fact, they are narrowly focused and their very survival depends on the demand for their programs and the willingness and affordability of parents and students to pay higher fees.

Some of these institutions receive huge subsidizes from the government in the form of land and tax rebates. However, these institutions behave as if no funds are received from the government. The mission of these institutions is to serve the interest of three stakeholder's viz., students - consumers, corporate - clients and trustees -owners. In order to survive and compete in the market for student enrolment, they indulge in 'misleading advertisements', which can only be called 'consumer fraud'. The faculty and other infrastructure are weak in these institutions. These institutions rely on part-time faculty or full-time faculty drawn from public universities on a visiting basis.

5. THE ECONOMICS AND RATIONALE OF FUNDING

The shift from government funding to the parents and students who can afford to pay with the provision to those unable to pay is a step towards greater equity. This is viewed as right direction towards efficiency, responsiveness and competition. The following aspects are significant:

1. The funding from the government is declining.
2. Most of the students are from affluent, upper middle classes.
3. The provision of scholarship, need-based financial assistance and grants which are directed to the downtrodden students are dismally low.

Hence the argument of equity is not tenable. Hence directly and indirectly government encourages the mobilization of funds through tuition fee and other user charges like Hostel, Mess, Library and the like. Government empathizes full recovery of running expenses and capital expenditure to some extent. Government, in recent years

encourages establishment of private institutions which are tuition fee dependent. This can be perceived as a threat to equity and encouraging unfair competition.

The dramatic increase in demand for higher education in recent times actually resulted from accelerated economic growth of the country. The visible growth of the economy in all fronts is a clear indication. The opposite is extremely cynical, catastrophic and blow to the economy in general and to the citizens in particular. It could be reiterated that the students will pursue higher education only if their social status and career opportunities increase after completion of their higher studies. Financially speaking, the inducement to pursue higher education, let's say,

$X =$ Earning after completion of secondary education to life long.

$Y =$ Earning after completion of higher education minus the cost of education and income forgone while pursuing higher education

If $X < Y$, there is encouragement to pursue higher education.

Here it is worth while to state that some of them do not pursue higher education due to family, social, and religious compulsion and other reasons.

6. POLITICS OF FUNDING

The pressing public needs on government funds other than education, especially after globalization and liberalization coupled with political pressure is towards public health, infrastructure, social welfare schemes and internal and external security. This has resulted in squeezing of funds towards education. This is further compounded by the need to support for primary and secondary education from the overall budget allocation to education. Higher education is left with spill over and meager funds, which is completely inadequate. This is further aggravated as the enrolment increased dramatically in recent times. As a result of inadequate government support and the callous and commercial attitude and motives of private participants, degradation has occurred in employment of qualified faculty, infrastructure, library resources, equipments and other support facilities over a period time.

Academicians argue that the government funding for higher education is to be viewed as an investment and not as an expenditure. After completion of higher education, the students' earning power increases and goes on life long. This not only engines the economic activities but also result in increased collection of taxes and other revenues to the Government. Over a period of time, government gets back the funds allocated to the higher education, if not more.

Some argue that there must be differential levels of tuition fee from the foreign students, affluent and privileged students (General Category), increased fees from the students pursuing beyond stipulated period of time.

There is also a justification to collect full cost of user and other charges from Hostel, Mess, Library, Sport facilities, Computer usage and the like as these will reduce the burden of funding to a greater extent. Institutions can also supplement revenues from consultancy, executive training programs, industry sponsored courses, and leasing infrastructure during summer and spare time.

4. CONCLUSION

The rapid erosion of public resources to the higher education sector is having negative impact on the quality of education. The consequence is inability to face the challenge of competition under the globalization and liberalization era. We need to realize that primary, secondary and tertiary are inter dependent and hence it is imperative to focus on funding all the levels of education.

A judicious mix of funding from all the stakeholders with a more focused approach towards subsidization to the downtrodden / poor students is required. Further

management of funding by the trustees is to be made effective, efficient and deliverable. Excessive reliance on private educational institutions will have its own repercussions on equity and quality on education in the long run. Further this will lead to lack of teachers both in quality and quantity and researchers in pure and basic disciplines, which are required for academic excellence.

The challenges to the policy makers is to ensure, regulate, monitor and guide with a view to balance equity i.e., access to the downtrodden students and efficiency i.e., quality and curriculum review periodically to meet the requirement of the liberalized economy and society.

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