

Financing of Higher Education in India Present State & Challenges

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Abstract

Financing Higher Education in India has been a complicated problem due to theoretical and practical problems. It is declining at the same time, when the needs of the higher education system have been growing rapidly. It is being increasingly realized that public budgets cannot adequately fund higher education. In India higher education traditionally was looked after by the government but in view of lack of resources to meet the increasing demand, private sector has been allowed to share the responsibility. So, to meet the challenges of Higher education there is a need to entertain Public Private Partnership. Along with that, our government should emphasize on the resources required to operate Higher Education in a fruitful manner in India.

Keywords: Higher Education Financing, Present State, Challenges.

Introduction

In the present era of knowledge based economy, Higher Education has become an instrument in the overall development of any country like India. Higher Education is an engine of economic growth as well as human development which improves quality of life. Education is a process by which a person's body, mind and character are formed and enable him to develop his all round personality, exploring the best in him or her. But due to enhanced competitiveness in a globalised economy the Higher Education has become a priority sector. However, the sector is facing great challenges in terms of quality and quantity of Education delivery.

The World Declaration on Higher Education for the 21st century, (article 14) issued in 1998 and supported again in 2003 mentioned that 'The Funding of Higher Education requires both Public and Private resources.' As we know that Financing of higher Education is one of the so called challenges in Indian Economy. Knowledge is the driving force in the rapidly changing globalised economy and society. Quantity and quality of highly specialized human resources determine their competence in the global market. It is now well recognized that the growth of the global economy has increased opportunities for those countries with good levels of education and vice versa. Developing and transition countries are further challenged in a highly competitive world economy because their higher education systems are not adequately developed for the creation and use of knowledge. Though the higher education system and the pattern of financing higher education vary across countries in terms of their size and

strength and degree of diversification of higher education institutions, yet they all face a severe challenge. It is to be realized that while primary education is fundamental to the nation, higher education determines its economic and technological progress in the globalised era, which are the necessary and sufficient conditions for growth and development respectively. Even for very low enrolment ratios in higher education in India, it is increasingly realized that public budgets cannot adequately fund higher education, particularly when sectors of mass education are starved of even bare needs. Hence, the resources from higher education are being diverted to the development of primary education. But it is stressed that while it is mandatory that the nation achieves universal elementary education and total literacy, it cannot at the same time afford to relegate to a neglected position to achieve global standards in higher education (UGC, 1993). Greater attention should be paid to seek new and diversified funding sources and methods. With this perspective, the present paper attempts to examine financing of higher education in India as a major challenge.

Objectives of the Research

The present research paper has the following objectives:

1. To understand the governance of higher education in India.
2. To review the present state of higher education in India.
3. To examine the efficiency and quality concerns of Indian higher education.
4. To identify the major issues faced by higher education in India.

Present State of Higher Education in India

The Indian higher education sector has expanded at a phenomenal rate in the last decade. Government has made special efforts in this field. Over the last 50 years, government of India has provided full policy support and substantial funds to create one of the largest systems of higher education. Starting with 1950-51, there were only 263000 students in all disciplines in 750 colleges affiliated to 30 universities. This has grown by 2006 to 10.5 million students in 17973 colleges affiliated to 348 universities (composed of general universities; science and technical universities; open universities; agricultural universities; women's universities; language universities and medical universities) making India's system of higher education the third largest in the world in terms of enrolment and the largest in terms of number of institutions (Agarwal, 2006). India has also developed Open University system to encourage distance learning. But there are number of problems faced by people before going for higher education. There exist socio-economic, cultural, time and geographical barriers for people who wish to pursue higher education (Bhattacharya and Sharma, 2007).

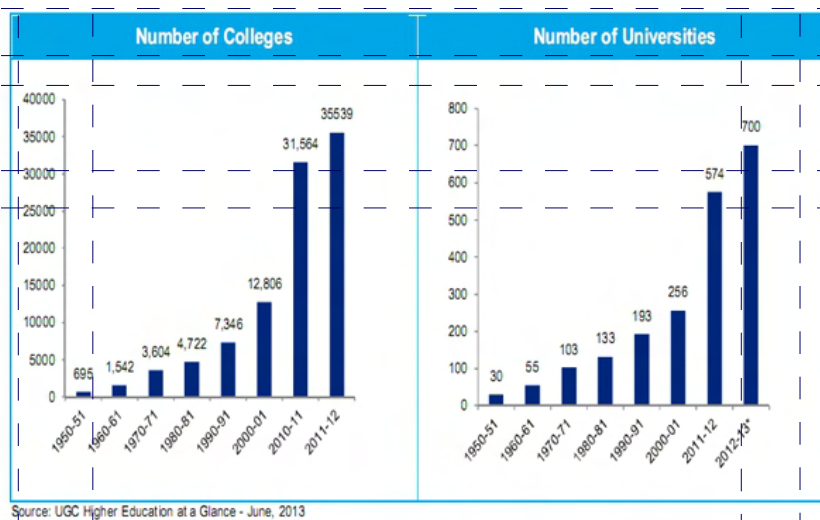


Figure -1 No. of Colleges & Universities in India, 2013 (Annual Status of Higher Education of States and UTs in India Report, November, 2013, P. 9)

The above figure reveals that there has been tremendous growth of Higher Education since the Post reform era. Number of Universities, Colleges and Institutions in India has grown up in considerable manner, as a result, the number of students has also increased significantly. The growth of number of teachers over the time in India may be because of the huge investment by Government at School level in form of Primary as well as Secondary education. In the 12th five year plan, government has made an effort to enhance access to higher education by creating two million additional seats for each age cohort aligned to the skill needs of the economy. The Government has planned expenditure of INR 1,107 billion on higher education during the Twelfth Five Year plan, 1.3 times higher than the planned expenditure in Eleventh plan.

Financing as a major challenge in Higher Education:

It is needless to repeat that Higher Education in our country is passing through a major transition since the last few years and it is yet to stabilize. Funding is the major challenge Higher Education is facing. The funds for Higher Education in India comes from three resources, i.e. government, fee income from students and other sources of income from philanthropy, industry, sale of publications etc. Under the deep waves of globalization and competition, important economic rationale for government funding for Higher education is neglected. Increasing needs stemming from population growth, need for modernization and the limited nature of resources, are problems facing financing of education. The concept of 'investment in education' was explicitly adopted by the Government of India in the National Policy on Education, 1968. Keeping in view the growing requirements of the education system, the Government of India had promised to allocate at least six per cent of national income to education from the public

exchequer. Besides its social and cultural dimensions, education is also an economic and political investment yielding long-term benefits. It is, therefore, not only justifiable but desirable to raise money from private sources in order to ease pressure on public spending. This, of course, is not meant to release the state from its financial commitments, which have been substantial in India. Demand for higher educated manpower will increase substantially in the near future and this will impel central focus on the quality and quantity of manpower produced by the higher education system. Both for quantitative expansion and improvement in quality, the system requires large additional resources.

Another aspect which should be given an emphasis is quality of Education. In India from 1950-51, there has been a tremendous growth in number of colleges and students. In 2006, 10.5 million students in 17973 colleges affiliated to 348 universities were recorded. But this growth of higher education in India has been at the cost of its quality. Over the last decade, the quality of Education has become an important concern the world over, even as various concerns for this quality differ significantly in their content. Global organizations like UNESCO and UNICEF have published their own account of quality, taking into consideration learning achievements as well as developmental goals for education that are guided by an overall vision thrust in the direction of quality. To make some improvements in the field of quality the draft of the code of professional ethics developed in a national workshop with a view to evolving a fresh code of professional ethics for teachers in the light of changing role of teachers. The role of Higher Education in this emerging scenario of knowledge economy is very crucial and multifaceted. As we know quality in Higher Education is a burning issue, which can be ensured through regular review of the function of the Institutions either through self assessment or through outside agencies and by accrediting the Institutions.

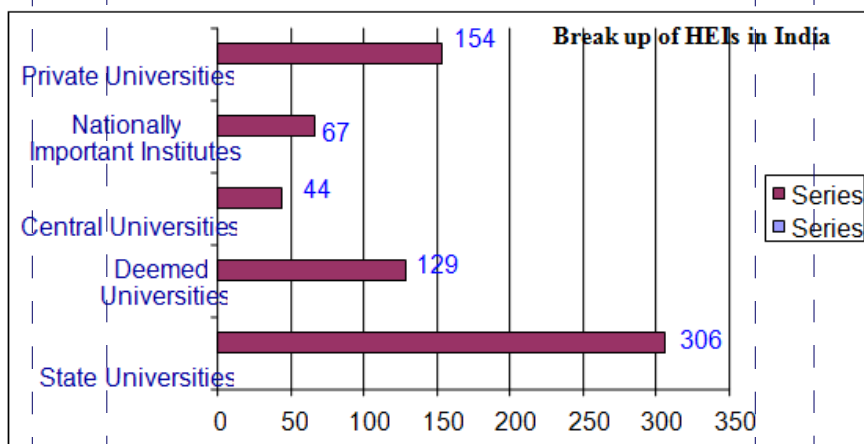


Figure-2 (Annual Status of Higher Education of States and UTs in India Report, November, 2013, Pg. 10)

Source: UGC Higher Education at a Glance – June, 2013

From the above representation the growth of the higher education can be recorded as of now we have 306 State, 154 Private, and 129 Deemed, 67 nationally important and 44 Central Universities in India. Thus in the view of above data, India ranks second in the world in terms of enrolment of students in higher education as per the XII Five year plan and UNESCO's Global Education Report, 2011. Which referred that India has taken a long leap in students enrolment in HEIs when compared with USA.

Government has set a target of increasing the Gross Enrolment Ratio (GER) from the present level of about 12% to 15% by the end of XII Five Year Plan and to 30% by the year 2020. The main issue is that our government is more active towards School Education as comparative to Technical and Professional Education. Higher education in India is in financial stress. However, it should be noted that huge investments have been made in higher education in independent India. Total expenditure on higher education has increased remarkably during the post-independence period. At the inception of planning in the country (1950-51), India was spending Rs. 172 million on Higher Education. During the 1960's the expenditure increased with a massive annual growth rate of 11%. Inflation and recession had an adverse effect on Education System. Various sources of funding are not operated in a proper manner like fee structure of Institutions is not appropriate. Generally it is felt that the levels of fees in higher education in India are very low and that there exists much scope for increase in the fee and for rationalization of the fee structure. This is more so in case of higher technical education. The UGC and AICTE Committees recommended that at least 20 per cent of the recurring expenditure per student has to be generated through student fees (and other sources).

The shrinking fiscal space has given rise to the thinking of inviting public private partnership (PPP) in the administration and financing of Higher Education. Fiscal space can be defined as room in a Governments budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position. PPP is the new dimension of the joint responsibility for the development of education sector by non + public resources. Under the influence of globalization, this change is also visible in Higher Education (not on free provisions but on priced supply). (Muzammil, 2010). As the population of India is keep on increasing, presently the population of India is more than 1,170,938,000 (-2010 Source: World Bank). So, there is a need that our government should emphasis on quantity aspect of education and for this private level interference is required. But, in spite of vast efforts over the last 50 years, it is only now that the country is slowly emerging out of the fetters of old ideas and rigid structures, built during the colonial rule. There is at present a demand for radical changes which have the potential to actualize a national system of education that was visualized during the freedom struggle.

Public Expenditure on Higher Education in India:

Higher Education occupies a low priority in public expenditure in India. Although expenditure on education was 0.62 % Gross Domestic Product (GDP) in the year 1950-51 which has been increased to 4.29 % during 2012-13 but the share in education is still very low. Table – 1 reveals the total public expenditure on education as percentage of GDP from the year 2001-13.

Year	Total expenditure on Education by Education Department as % of GDP	Total expenditure on Education by Education Department & other Departments as % of GDP
2001-02	2.99	3.68
2002-03	2.93	3.66
2003-04	2.79	3.40
2004-05	2.73	3.26
2005-06	2.79	3.34
2006-07	2.79	3.48
2007-08	2.74	3.46
2008-09	2.88	3.56
2009-10	3.11	3.95
2010-11	3.22	4.05
2011-12	3.37	4.18
2012-13	3.45	4.29

Figure-3

Source: MHRD (2013), Annual Report of Human Resource Development, Department “Annual Status of Higher Education of States and UTs in India”, P. 17.

According to above table the percentage of GDP on education during 2001-02 was 3.68% by education department and other departments, but there was a declining trend in the subsequent years and again rise gradually and consequently it was 4.29 % during the year 2012- 13. However, percentage of GDP spent on higher education sector revealed the low priority given on higher education in terms of public expenditure.

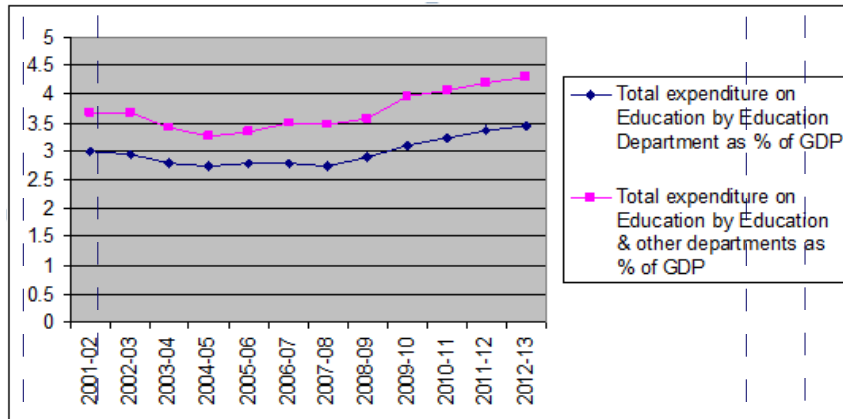


Figure -4 Source: MHRD (2013), Annual Report of Human Resource Development, Department “Annual Status of Higher Education of States and UTs in India”, P. 17.

India has made significant increase into the total expenditure outlay for education in its annual budget. However in the words of expert, the figure of public expenditure in Higher Education is still less than the promised 6 % of GDP and government needs to do much more to improve the whole system of Financing in Higher Education. Public expenditure is not enough to fulfill all the requirements of Higher Education, there should be joint help taken from private expenditure. (Public Private Partnership – PPP)

Public Private Partnership (PPP) in Higher Education:

Imparting education is generally perceived as the responsibility of the government. But, lack of financial and managerial capacity often impede the government's ability with regard to national education system. Another problem is the rotation of power both in the centre and in the states. Till now the central government has been spending one per cent of the GDP in education and is planning to increase it to 1.5 per cent.

Recently, the University Grants Commission (UGC) has recommended four models of Public Private Partnership to the Planning Commission and according to an estimate; the country requires an investment of over US \$ 150 billion in the next 10 years.

The four models proposed by the Planning Commission are –

1. The first basic infrastructure model in which the private sector invests in infrastructure and the government runs and operates the institutions and in turn pays to the private investor.
2. In the second model the private sector will not only invest in the infrastructure but also run and manage the institutions and the government will pay for the selective services it will avail from the institution.
3. In the third model the investment will be done by both the government and the private sector but the institutions will be run and managed by the private players.
4. In the fourth model, the government will invest in the infrastructure and private sector will run and manage the institution.

Conclusion & Policy Implications

So, the Higher Education is an important aspect of Indian Economy and for our Society. But from last few decades it is continuously facing the various problems, financing is one of the major among that. In the present study, we have seen various aspects of financing as a major issue in Higher education like lack of government resources, less interest towards higher education, more emphasis on School level education etc. So, it is very important to note the required fundamental transformations at both system level and at institutional level in Higher Education. Effective financial management at institutional level is mandatory. It is essential that funding resources must be diversified but cost – sharing with students has social and political limits, and excessive commercialization of Higher Education should be forbidden.

As we know that fiscal space is shrinking regularly for Higher Education, now it is the time to think upon Public Private Partnership (PPP). It will serve as the new dimension of joint responsibility for the development of education system by non – economic sources. The sustainability of any sector depends on the viability of costs and benefits, and Public Private Partnership in Higher Education has come to flourish on the principle of cost and benefit sharing. Along with these changes more emphasis should be given on Higher Education by our government.

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