FINANCING OF HIGHER EDUCATION: A CRITICAL REVIEW OF GOVERNMENT'S POLICY AND PERFORMANCE

***Pandhari Prasanna, **Nagoor B H**

**Assistant Professor, GFGC Rajnagar, Hubli*

***Professor, Department of Studies in Economics, Karnatak University, Dharwad*

ABSTRACT

This paper critically reviews the government's policy and performance in financing higher education in India. It explores the historical context and the evolution of policies from the National Education Policies of 1968 and 1986 to contemporary reforms. The analysis focuses on the government's role in funding higher education, highlighting the shift from public to mixed and private financing. Emerging trends such as increased private participation, public-private partnerships, and policy recommendations from various committees are discussed. The paper also examines the implications of these trends on the quality and accessibility of higher education. Despite efforts to mobilize non-governmental resources, the policy landscape remains inconclusive, necessitating a clear and coherent strategy for sustainable financing in higher education.

JEL Classification: I22: Educational Finance; Financial Aid; **I28**: Government Policy; **H52**: Government Expenditures and Education

INTRODUCTION

The need for investments in higher education has been well recognized all over the world, thanks to the emerging knowledge economies. Higher education provides highly skilled manpower, and thereby makes valuable contribution to the service sector, which has a major share in the GDP of most countries and particularly of India. Such massive mobilization of resources on one hand and effective utilization of the created facilities on the other depends on various aspects including the appropriate policies of the government. The Indian government acting positively on this brought out National Education Policies (NPE). The NPE which have been pronounced in 1968 and subsequently in 1986, carry important guidelines for the development of the educational sector in general and higher education sector in particular. In this paper an attempt is made to analyse these and other relevant policies which affect the financing aspects of the Indian higher education. The focus of paper would be on tracking the role of state in the higher education financing and addressing the issue of what should be the current role of government in the higher education financing. We start with a brief description of the structure of the Indian Higher education, its magnitude followed by the discussion on the policy of funding and, the emerging trends in the sector. However before proceeding further, a caveat seems to be in order: In this paper we focus on that part of higher education that includes colleges and universities. We do not address issues related to technical education which are an important aspect of higher education.

STRUCTURE AND MAGNITUDE OF INDIAN HIGHER EDUCATION

The structure of the Indian higher education has broad implications for the policy formulation, which necessitates the discussion on this. Indian higher education is composed of different lateral and vertical sections. At the helm we have the University Grants Commission (UGC) and All India Council for Technical Education (AICTE), which are the apex bodies regulating and funding the general and technical education respectively. Together with Medical Education, these two almost encompass the whole of higher education in India. However policies relating to these are framed by the Ministry of Human Resources Development of Central government and respective education ministries of the State government, subject to the provisions of the constitution. Education, higher or otherwise was state subject, implying that only state governments could have framed policies relating the education, till 1976, when with an amendment the education was inserted into the concurrent list. The insertion of education into the concurrent list gave the federal government residuary power to frame laws and policies with the state government. Following this, while the role and responsibility of the states remained unchanged, the union government had a larger role especially to maintain quality and standards and monitor the educational requirement of the country as a whole. This also implied that huge investments into the education sector was now possible, compared to earlier, when only the state governments, which had acute shortage in budget, were funding the education sector.

Magnitude of Higher Education in India:

India has the second largest higher education sector in the world (Stella, 2002). In 1950-51 India had 27 universities, which included 370 colleges for general education; by 2008-09, India had 471 universities and 22,064 colleges respectively. Out of 22064 colleges only 7,150 colleges (32 percent) have been recognized under section 2(f) and 5,921 colleges (27 percent) under Section 12 –B of the UGC Act, 1956 for the purposes of eligibility for financial assistance from the commission (GoI, 2008-09). The total number of students enrolled in the formal system in universities and colleges in 1950-51 was 2.6 lakhs, which has increased to 123.77 lakhs in 2008-09; of which 12.84 percent were enrolled in university and 87.16 percent in the colleges.

GOVERNMENT POLICY TOWARDS FUNDING HIGHER EDUCATION

The policy framework in Indian higher education seems to be very complex. Though, there are National Educational Policies which clearly dwell at the policy making for overall educational system, several committees which have been constituted by the government too have played a very important role in developing policies for education sector.

Conventionally the policy of higher education financing in India has been the one of publicly provided. The early years of Indian independence was characterized by mass illiteracy, high poverty rates, inaccessibility, regional and social imbalances in education and a lack of awareness about the benefits of education-(education as human capital). Therefore it was on the government's shoulders to act upon these issues. The policy of public provisioning of education was also ideologically supported by the welfare notion and the then emergent Keynesian economics. Building of educational infrastructure, provisioning of education (especially higher education) at an accessible cost, the educational upliftment of the weaker sections, - had to be taken up by the government. This required a huge amount of public investment and proper institutional structure to enable, implement and monitor such investments.

Acting upon this the government established University Grants Commission (UGC) in 1956. It should be noted that this was one of the important recommendations of Radhakrishnan committee (1948) set-up to review the university education. The establishment of UGC led to many important policies in the higher education sector later. Moreover the setting-up of UGC provided teeth for the implementation of many policies, primarily of funding the universities and colleges. UGC provides financial assistance to the general higher educational institutions ranging from universities to the degree colleges (provided, they satisfy the clauses of 2f / 12B norms of UGC). While on one hand UGC provides financial assistance, on the other hand it monitors the standard and quality in the general higher education, which is one of the important policy goals of higher education. On similar basis, AICTE, ICSSR, ICHR and such other higher educational bodies were created to take care of the professional education and research.

However, one needs to note that till the setting-up of Education Commission (1964-66), there were no formal education policies; and the existing legislations or acts took only a fragmented and incidental view of the whole education system. The commission undertook an overhaul of the entire education system. The commission with respect to the higher education noted the lack of public investment and the need to increase the overall expenditure on overall education to 6 percent of GDP. The commission made an important observation regarding growth, development and standard that *the Indian system of education is more wasteful than in countries such as the UK or USSR*. But the most important policy outcome was setting up the tone for the future education policies.

NPE and higher education

Accepting the recommendations of the education commission the government brought out the first NPE in 1968. The NPE of 1968 marked a significant step by aiming to promote national progress, a sense of common citizenship, culture and national integration. It stressed the need for increasing the educational investment to 6 percent of the GDP. Since the adoption of the 1968 policy, there has been considerable expansion of educational facilities all over the country at all levels. Perhaps the most notable development has been the acceptance by most states of a common structure of education throughout the country and the introduction of the 10+2+3 system (10 years of schooling +2 years of post-secondary+3 years of undergraduate studies).

NPE 1986 and Program of Action (POA) 1992

The NPE 1986 was instrumental in documenting some policy changes in the higher education funding, compared to the 1968 policy. Though it reiterated the need for government support to the higher education, it clearly made a departure by ushering different ways of mobilizing the resources. It underscored the importance of tapping non-governmental investments through mobilizing donations, asking the beneficiary communities to maintain school buildings and supplies of some consumables, raising fees at the higher levels of education and effecting some savings by the efficient use of facilities. It indicated that the institutions involved with research and the development should mobilize some funds by levying a cess or charge on the user agencies, including government departments and entrepreneurs. Though some of these measures were already in the existence informally, the present policy ushered in a wave of change in the way funds were being mobilized. An implication of the 1986 policy was that while government will provide the resources for the education sector, the government will enforce accountability in the use of resources on one hand and try to raise revenues where ever possible from the education sector *per se*. Even the Programme of Action of 1992 did not spell out any specific ways and means to achieve the target of spending 6 percent of GDP. [The Programme of Action 1992 was the document that spelled out strategies to achieve the targets of the policy document assigning specific responsibilities for organizing, implementing and financing its proposals].

However it is to be noticed that, neither the 1968 NPE nor the 1986 NPE came out clearly about the state's policy on funding the higher education. But for reiterating the Kothari commission's recommendation of increasing the funding to 6 percent of GDP, no other policy aspect can be derived from these documents. Ironically these are the only two authentic documents that should speak about the stance of the government. These indicate to the fact that the policies in the context of Indian higher education financing lack both policy and perspective [as observed by some authors (Tilak, 2004, Mehta, 2003)].

Developments after 1986 NPE (and PoA, 1992):

While there were no indications of change in the hitherto financing policy of government, the decade of nineties, ushered in a new wave of change with the onset of the economic reforms. It seems that the introduction of the Structural Adjustment Program (SAP) and Stabilization program by the government, had spillover effect on the education sector (George and Raman, 2002). It is noteworthy that though government found it difficult to finance by itself to meet the target of investment in education to 6 percent of GDP, there were no moves by the government to encourage the private sector on the policy fronts, till the economic reforms in other sectors. But following this, it seems that the government started thinking ways and means to bring in private players in the education on one hand and more importantly to reduce its own funding in the higher education. The policy backup for these thoughts came from the recommendations of the commissions set up to this respect: Justice Punnayya Committee (1993) and AICTE committee (1993). The two committees suggested about the possible ways and means of raising the resources in the respective areas of higher education sector – basically by raising fees, by raising resources at the individual institutional level, and by fixing the targets of recovery of the subsidies to the tune of 25 percent. It should be noted that when the policy is one of raising more resources at the institutional level, it would mean that the incidence of funding would shift to the private sector from the public sector.

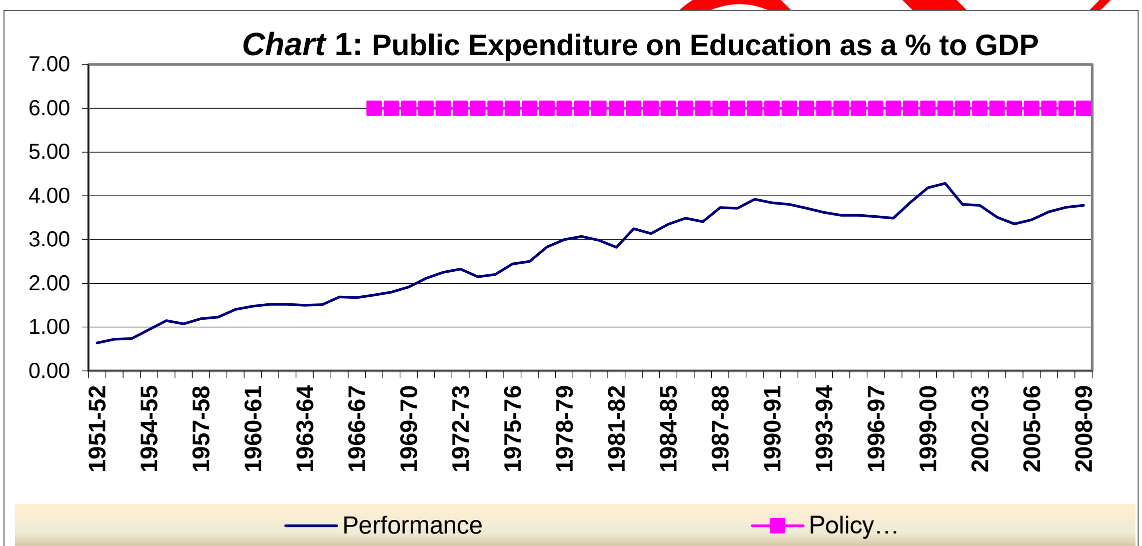
Another significant policy development was of classifying the three levels of education into merit and non-merit goods, which declared the status of public support for them. While primary good was classified into merit good, the secondary and higher education was categorized into non-merit good (GoI, 1997). This implied that the primary education has significant external benefits to the society compared to the private benefits and therefore the government would fully subsidize the primary education. Contrary to this, the government's belief was that the secondary and higher education did not bestow any significant external benefits; hence they will not be subsidized. The latter policy came in for huge criticism by the academia, since there was no sound rationale for such a policy, but for some rate of return studies (see Tilak, 2005 pp 4033), the results of which are very obscure. Though following this the state changed its policy subsequently by making a separate categorization as Merit 2 good for secondary and higher education, and Merit 1 good for primary education, the debate seems to be far from over. However on the fronts of financing the higher education, this marked a great change. This was a clear move of the state towards reduction of its role in the financing of higher education. But this policy created a lot of ripples in the higher education sector, since the government did not clearly suggest the role, the private sector has to assume.

(IJRSSH) 2014, Vol. No. 4, Issue No. III, Jul-Sep **ISSN: 2249-4642**

POLICY V/S PERFORMANCE

a. On the Policy of 6 percent of GDP Spending to Education Sector:

As discussed above, it was the education commission that first came out with the recommendation of allocating 6 percent of public spending to GDP. The committee probably might have arrived at this figure agter comparing with other nations like the erstwhile USSR and Australia, which were spending the same amount of their resources on education. A noteworthy point is that the committee suggested that such an allocation should be achieved by 1985-86. Following this, many scholars have attempted to individually estimate the warranted allocation to education sector. Most of them concluded that the 6 percent resource allocation of GDP was quite meager sum and has to be raised to 8 to 10 percent (Tilak, 1994) while another study suggested that it should be 25 percent of GDP (Bhanoji Rao, 1992).



But the government seemed to be in no confusion when it accepted the recommendation of Kothari commission, probably because it was the lowest (6 %) of all other estimates suggested by other studies. This was quite evident in the NPE of 1968 and PoA (1992). This implied that the government would act to increase the public spending to education sector to 6 percent of GDP by 1985-86. But the actual spending for 1985-86 remained at 3.5 percent which was not even half the mark of the assigned target. Further, though some higher allocations were made to reach 4.27 percent of GDP (2000-01), they were not sustainable and once again the expenditure came down to 3.67 percent (2006-07), which is of 1990s level. With these declined actual levels of spending on one hand and absence of a proper policy perspective on the other, the accomplishment of the target of 6 percent even by 2012 as recommended by the National Knowledge Commission may only be a mirage.

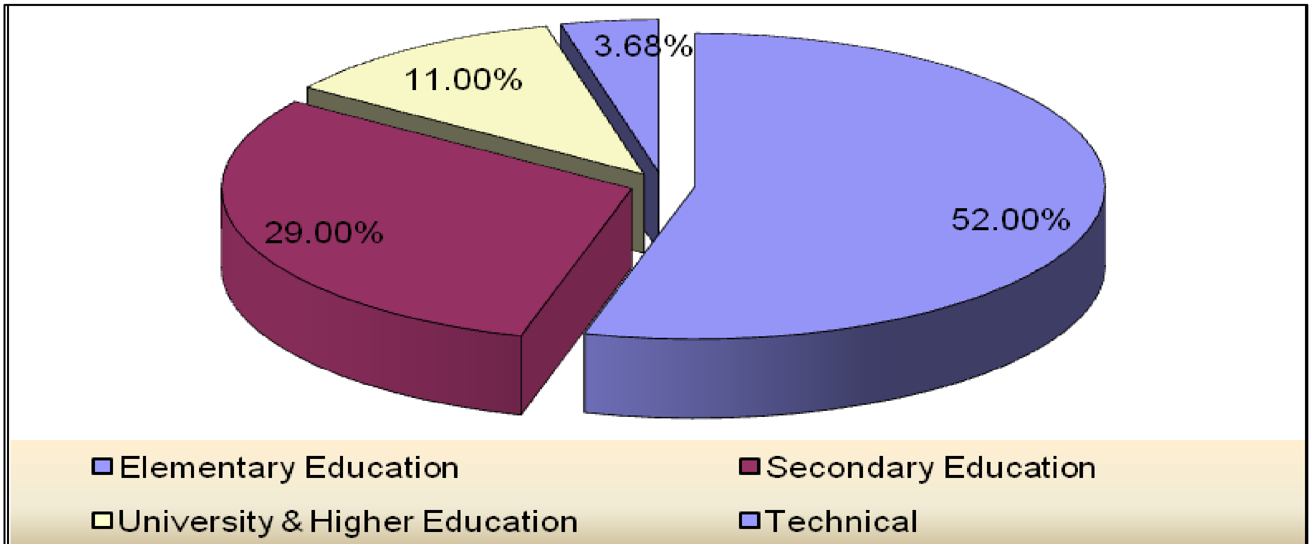
<table>
<tr><td colspan="3">Box 1: Public Spending on Higher Education: Policy v/s Performance</td></tr>
<tr><td>Commissions / Committees</td><td>Recommendations / Policy Pronouncements</td><td>Performance</td></tr>
<tr><td>Kothari Commission</td><td>Recommends public spending of 6 percent of GNP in education by 1985-86</td><td rowspan="2">Total education expenditure as percentage to GDP is 3.67 (2007-08);

[4.28 % in 2000-01, was the highest between 1950-2008 period]</td></tr>
<tr><td>Common Minimum Programme (2004)</td><td>Reiterates that 6 percent of GNP be spent on education</td></tr>
<tr><td>CABE Committee on Financing of Higher and Technical education (2005)</td><td>Of the total budget on education, 50% to elementary, 25 % to secondary and 25 % to higher education should be allocated</td><td>Public expenditure as % to total budget allocation<table><tr><td>Primary</td><td>Secondary</td><td>Higher</td></tr><tr><td>52</td><td>29</td><td>11</td></tr></table>(2005-06)</td></tr>
<tr><td>Report of the committee on NCMP’s commitment of 6 % of GDP to education (NIEPA, 2005)</td><td>The report estimated the absolute level of expenditure to be raised to reach the 6 percent of GDP in education.</td><td rowspan="3">Public expenditure as % to GDP by all levels of education<table><tr><td>Primary</td><td>Secondary</td><td>Highe</td></tr><tr><td>1.69</td><td>0.93</td><td>0.34</td></tr></table>(2005-06)</td></tr>
<tr><td>National Knowledge Commission; Note on higher education Nov, 29 2006</td><td>Government support for higher education should be at least 1.5 percent, if not 2 percent of GDP, from a total of 6 percent for education. The government should endeavor to reach these levels by 2012.</td></tr>
<tr><td>CABE Committee on Financing of Higher and Technical education (2005)</td><td>And 3.0%, 1.5 %, 1.% and 0.5 %of GDP should be spent for elementary, secondary, higher and technical education respectively.</td></tr>
<tr><td colspan="3">Source: based on Bhushan, (2008)</td></tr>
</table>

b. Inter-Sectoral Allocation to Education

The CABE committee on Higher and Technical Education (2005) made categorical recommendation about the inter-sectoral allocation of 6 percent of GDP to education. It recommended allocating 3 percent to primary, 1.5 percent to secondary, 1 percent to higher and 0.5 percent technical education out of the 6 percent of GDP. The government accepted to make these allocations, which were never realized into actions. The present levels (2006-07) of the corresponding sectors still are stagnant around 1.6 percent 0.8 percent, 0.67 percent and 0.3 percent respectively of the GDP.

Chart 2: Sectoral Allocations to Education as % to Total Education Outlay 2005-06



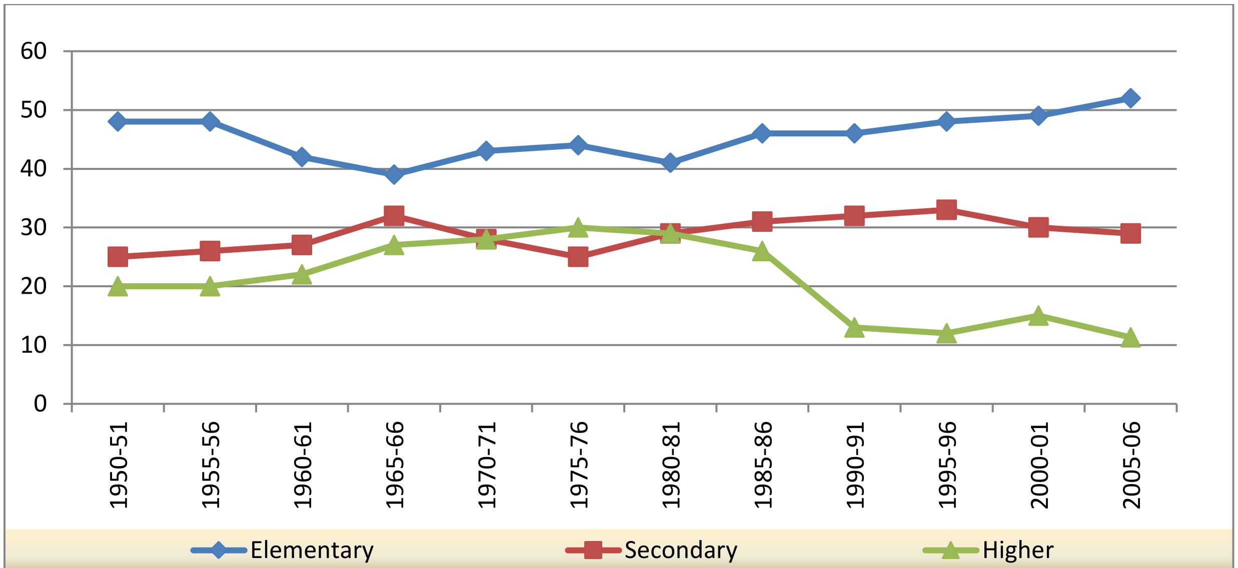
The committee (CABE, 2005) had also recommended for 50 percent of total budgetary expenditure on education be allocated to primary sector and 25 percent each to secondary and higher education. But as shown in the *Chart 2*, out of the total budgetary expenditure on education 52 percent has been to primary, 29 to secondary and 11 percent to higher education; together with technical education, the share of higher education would come up to around 15 percent. But this is still way less than the recommended 25 percent by the CABE committee.

c. The Case of Higher Education

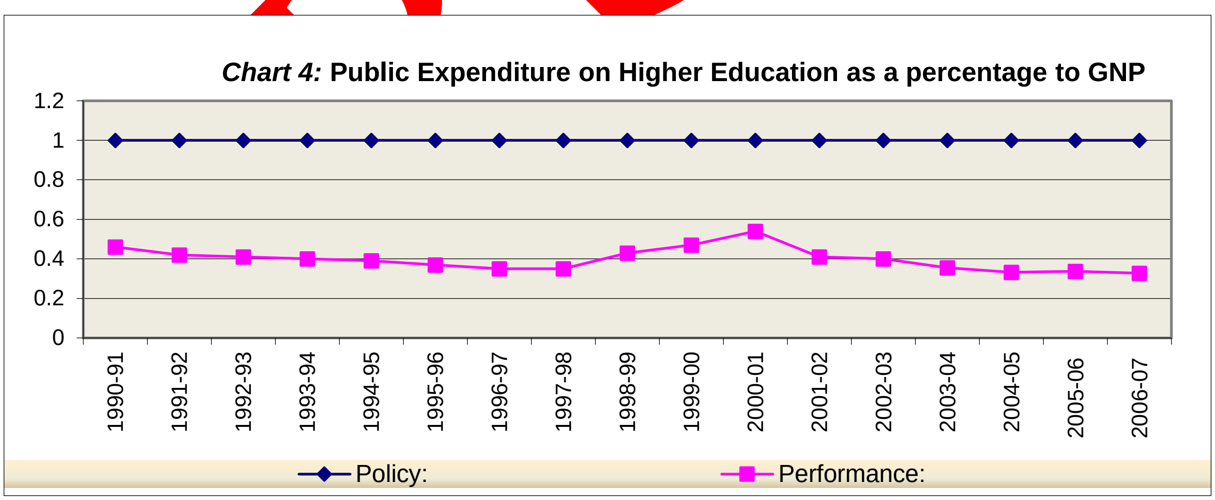
Changing Status and its Implications:

Though of late, the present status accorded to higher education has come under deep scrutiny by the academicians, thanks to the abrupt policy changes of the government in this sector. The notion of government towards higher education, until recently, was like that of primary education; implying that the higher education too confers large net external benefits on the society and therefore to be provisioned by the government. Thus the higher education enjoyed the status of Merit 1 good or that of a pure public good. However, following the policy document on government subsidies (1997), the higher education was classified as Merit 2 good. A merit 2 good would attract significantly lesser government support compared to that of the merit 1 good. The debate on correctness of classification is out of the scope of the present paper and therefore the same is not discussed here.

***Chart* 3: Trends in Intra-Sectoral Allocation of Total Expenditure on Education in India**



Nonetheless, the changed status of the higher education has greater implications, especially for the financing aspect of this sector. First, the government expenditure would reduce significantly; second, as a consequent of this, the incidence of financing will shift on the students. But there seems to be a conflict in the two policies which are simultaneously floated by the government.



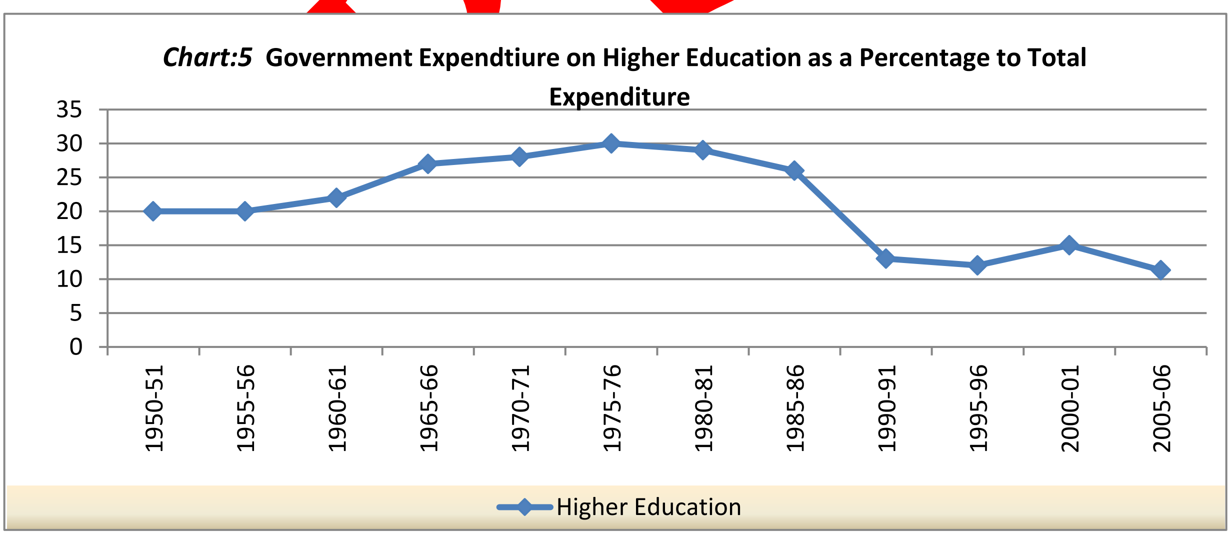
While the government makes a commitment on one hand to increase the public expenditure to 6 percent of GDP on education, of which, higher education is supposed to receive 1 percent, it also commits to reduce the expenditure in the higher education considerably. This evidences the sheer inconsistency between the policies. And when the policies per se are inconsistent, the implementation and the performance will turn out to be haywire.

Table 1: CAGR of public expenditure in higher education and GDP

	1951-52 to 1979-80	1980-81 to 2003-04
Total State and UT	15	11
Central Total	17	10
Grand Total	15	11
GDP	3.35	5.42

Source: Bhushan (2008)

Another striking feature with the policy of higher education is that of a marked mismatch between the policy and action. The government had accepted the policy of increasing the allocations to the higher education, which is categorically spelt out in the policy document of NPE (1968) and PoA (1992). This implied that the share of higher education in the GDP would be reached to 1 percent by 1985-86 only. Interestingly this was the period when the public expenditure in higher education considerably decreased.



As indicated by *Table:*1 the compound annual growth rate for public expenditure in higher education for the period 1951-1980 was, on an average, 15 percent, which has come down to 11

% (1980-2005). It is to be noted that the compound annual growth rate of GDP for the corresponding periods stood at 3.35 percent and 5.42 percent, indicating that the education sector is not receiving its due share in the GDP in the later period. The view is further corroborated by the *chart:5,* which reflects that the government expenditure on higher education as a percentage to total expenditure started declining from around 1980s and has been continuing with an exception to a marginal increase in 2000-01. It can be also be seen that the around period of 1985-86 to 1990-91, the higher education expenditure experienced steepest all-time decline. This is in sharp contrast with the policy since, during this period, the government had to make sharp increases to the higher education to keep up its promise of 1 percent to GDP as mandated by the Education Commission of 1964-66.

Two important aspects emerge out from the foregoing analysis: First, much before 1990s which heralded downsize in the public expenditure, the education sector was experiencing relative shrinkages in the public budgets; second, the government's actions have preceded the policies, indicating that there is no connection between the policy and action. Ideally actions are to be guided and based on the policies, but in this case it is, probably, other way round.

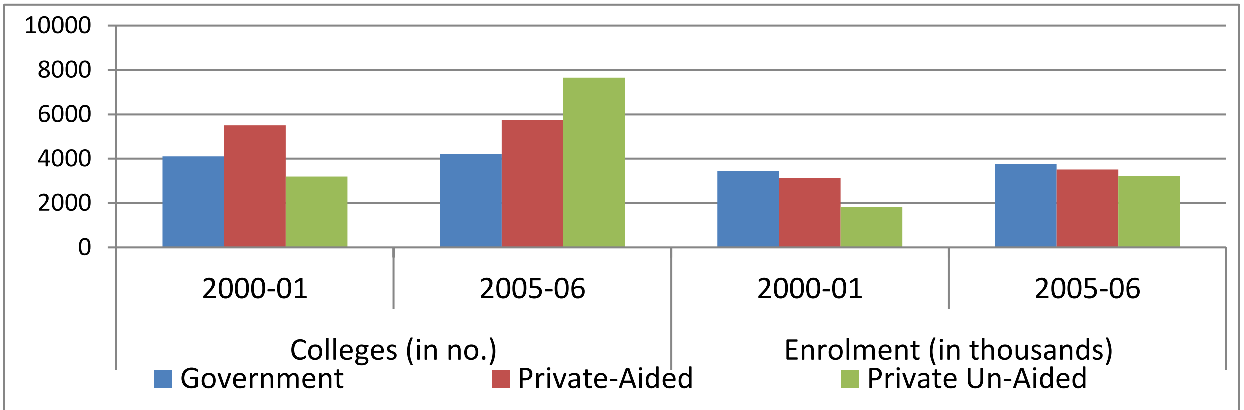
Private Funding:

The reduction of the government support to higher education from 1980s makes it imperative to search for other options. At a time, when the other sectors of the economy are increasingly driven by the processes of privatization, globalization and liberalization, education cannot remain an exception. However, it is to notice that the education sector, as against other sectors, exhibits the attributes of public good and hence may led to market failures if provisioned by private sector. Though this is the theory at large, at least higher education sector offers different behavior compared to other levels of education. Even though the debate in rate of returns to investment is not settled, among the scholars, that higher education does confer significant private benefits. However, this does not mean that there are no social benefits. Therefore to the extent the private benefits exist, there is space for private players to venture into this sector. The emerging trends around the globe too point to this fact and the Indian case in not much different either. Box 1 discusses the general phases of privatization in the higher education sector and Box 2 describes the changes that have taken place in the Indian case. It seems that, with a reduction in government support on one hand, and with government recognizing the role of increasing the other sources of funding to the higher education on the other, the Indian higher education sector is in transition from Phase I to Phase II.. *Chart 6* also reflects this emerging trend. The number of the private unaided colleges as a percentage to total colleges was only 25 percent in 2000-01, which has increased to 43.4 percent in 2005-06. The corresponding figures for government colleges (private-aided colleges) are 32 (43) percent in 2000-01 and 24 (32) percent in 2005-06. The enrolment has also increased for private unaided colleges from 21.7 to 30.7 percent between 2000-01 and 2005-

06; while for government colleges it has reduced from 41.0 percent to 35.8 percent and for private aided colleges it has come down from 37.3 to 33.5 percent in the corresponding period.

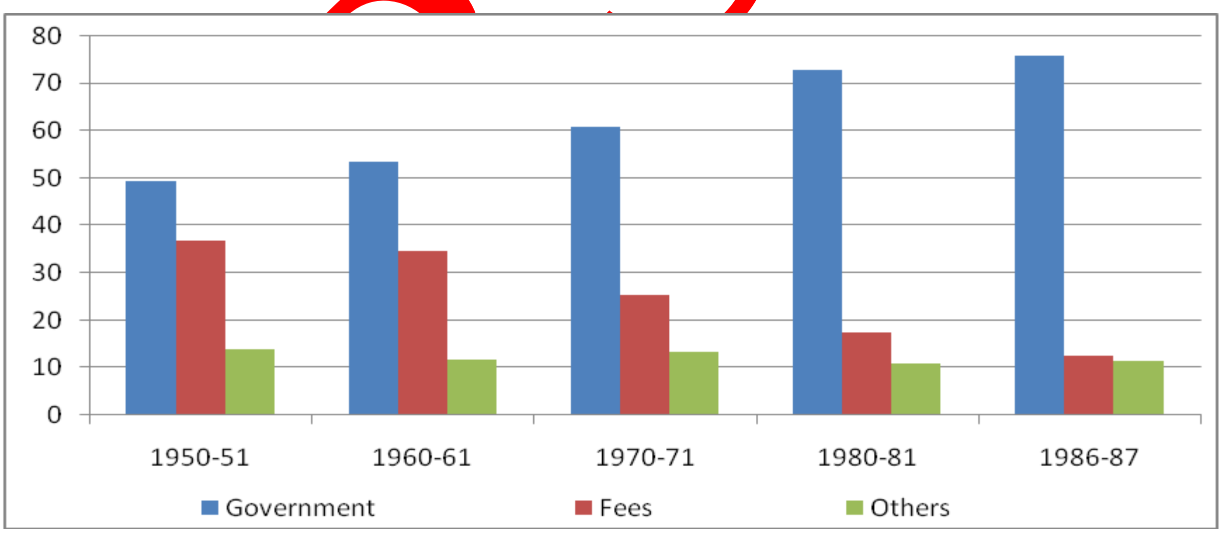
Box 2: Phases: Privatization of higher education				
Dimension	High Public -- High Private (traditional) (Modern)			
	Phase I	Phase II	Phase III	Phase IV
Mission/Purpose	Serves as a clear public mission as determined by the state/faculty	Mission avowedly both public and private	Mainly to respond to students' private interests	Mission serves private interests of students clients, and owners
Ownership	Publicly owned	Public cooperation or constitutional entity	Private non-profit; clear public accountability	Private for profit
Sources of revenue	Public / tax payers	Mainly public, but some tuition or cost sharing	Mainly private, but some public assistance (to needy students)	All private, mainly tuition
Control by government	High state control	Some control by the state	High degree of autonomy; state control limited to overseeing	Almost no control by the state
Norms of management	Academic norms, shared governance, anti-authoritarianism	Academic norms, but acceptance of need for effective management	Limited adherence to academic norms, high management control	Operated like business, norms from business management.
Source : Johnstone (1999)				

Chart* 6: *Higher Education Institutions and Enrolment (by type of Management)



Moreover, there seems to be wide scope for increasing the internal sources of funding in the higher education. The *Chart 6* indicates that while the government funds have dominated the sources of financing, the share of non-government sources such as fees has decreased considerably. It can be seen from the *chart 7* that half of the income to higher education was from the non-government sources which included fees and other categories in 1950-51. But this has decreased considerably by 1986-87, when the share of the non-government source of funding amounts to only 25 percent.

Chart 7: Sources of Income of Higher Education



The data for the recent period regarding the share of the non-government sources is not available since the MHRD stopped publishing the report - 'Education in India' thenceforth. However, a study conducted by NUEPA (2004) on university finances can be taken as a broad indicator in this regard. An important that can be derived from this study is that the fees have been revised, probably following the UGC and AICTE committee reports of 1993. According to this study, out of the 36 sample universities nearly 50 percent of the universities, collected fees more than 20 percent of their recurring income and nearly 33 percent of them collected between 10-20 percent respectively. If this can be taken as a broad indicator of the general higher education, then it can be conjectured that the share of non-government sources have increased.

If these are the important trends that are prevailing in the higher education, the advent of Indian and foreign private universities together with institutions with commercial interests present another set of emerging trends. However the policies with regard to these emerging trends seem to trail with big margin. Though there has not any particular policy statement that deals with all these issues, NPE 1986 pioneered the need for supplementing the government income with other sources. Later, the Punnaiah committee (1993) and the AICTE (1993) committee, came out with recommendations regarding the ways and means of raising internal resources from universities, which largely hinted at increasing the fee level for universities and colleges. The CABE committee on higher and technical education (2005) suggested looking into the financial reforms in the higher education.

Box 3: Emerging Trends in Policy, Planning and Financing of Higher Education	
Conventional System	**Emerging System**
Welfare Approach	Market Approach
Public higher education	mixed and private higher education
Public financing	Private Financing
Private: state-financed institutions	Private: self financing institutions
Private: government recognized institutions	Private: institutions requiring no government recognition
Private: degree awarding institutions	Private: non-degree (diploma /certificate) awarding institutions
Private: Philanthropy and educational considerations	Private: commercial motives; profit motives
No fees	Introduction of fees
Low levels of fees	High levels of fees
No student loans	Introduction student loan programmes
Commercially ineffective loan programmes- no security	Effective/commercially viable loan programmes: security/mortgage
High default rates, but based on criteria of educational qualifications and economic needs	Expected high recovery rates
Scholarly/academic disciplines of study	Self-financing /commercially viable /profitable disciplines of study

Emphasis on formal/full time education	Open/Distance /part-time education
Selection criteria for heads of institutions: academic background	Selection criteria for head of institutions : expertise in financial/money management, and in resource generation
Source: Tilak (2005)	

The main recommendations of the committee among others, covered fee revisions, loan financing, forging links with industrial sector and efficiency in the utilization of present capacity. The National Knowledge Commission (NKC) 2009, recommended for a increased private investment in the sector through public private partnerships. It particularly suggested that while the government can provide the land, the private sector can provide funds to construct the required infrastructure. To summarize, the overall policy of government with regard to private participation or raising funds from non-government sources, seems at best to be inconclusive and vague. Because most committees which recommended the non-governmental ways and means for funding the higher education also suggested that the government should still be the dominant player in the higher education segment. Moreover, some of the committees already seemed cautioning the government about the commercialization of the education and the need to regulate them. While this may be true in the case of some levels like technical education, the same may not hold good for the general higher education, where still the private sector is reluctant to invest in a big way.

Box 4: Views of committees on Private Investment

Committee / State Policy	**Observation / Statement**
NPE 1986	• Commercialization of education will be curbed • But private and voluntary effort will be devised with alternative routes
X Plan	• Emphasis on increased private participation at college level • Strategy of liberalization in higher education would be adopted
National Knowledge Commission	• Public Private Partnership in higher education • Government can provide land and private sector can provide finances
XI Plan Approach Paper	• Private sector should be allowed to charge ‘reasonable’ fee, but should provide the freeships and scholarships to the needy. • Need to review the system comprehensively to introduce greater clarity and transparency if we want to see a healthy development of quality private sector education

Source: based on Bhushan, (2008)

<table>
<tr><th colspan="3">Box 5: Recommendations on Tuition Fees and Raising Internal Resources</th></tr>
<tr><th>Committee / Policy Statement</th><th>Observation / Policy</th><th>Status of Actions / Performance</th></tr>
<tr><td>NPE 1986</td><td>Requirement of raising fees at the higher levels of education is noted.</td><td>Fee revisions have taken place.</td></tr>
<tr><td>Justice Punnaiyya Committee (1993)</td><td>Tuition fees may be revised upwards with immediate effect and may be periodically adjusted to the rise in costs

Other fees must be so charged as to recover the recurring costs on operations

Resources generated by the universities should constitute at least 15 percent of the total recurring expenditure at the end of first five years and at least 25 percent at the end of ten years.</td><td>Data for the recent years are not available, since the MHRD, GoI, stopped publishing the ‘Education in India’ which was the only source of such data.

However the latest available statistics show that fees as a proportion of total income of universities has come down from 36.8 % (1950-51) to 12.6% (1986-87)</td></tr>
<tr><td>X Plan</td><td>Fee structure in the universities is abysmally low and has remained static for more than three decades

The universities should, therefore make efforts to rationalize the fees and attempt greater generation of internal resources.

The extent to which universities can hike fees needs to be studied.</td><td rowspan="2">NIEPA (2000) had conducted a study on University Finances in India;

Out of 36 sample universities :<table><tr><th>fee income as % to total income of the universities</th><th>No. of Universities</th></tr><tr><td>> 50 %</td><td>6</td></tr><tr><td>30-50 %</td><td>4</td></tr><tr><td>20-30 %</td><td>9</td></tr><tr><td>10-20 %</td><td>7</td></tr><tr><td>10 %</td><td>10</td></tr></table>
Planning Commission suggests MHRD to set up National Education Finance Corporation (NEFC) as a loan guarantee authority. (The Hindu, May 10 2010)</td></tr>
<tr><td>CABE Committee on Financing of higher education (2005)</td><td>A desirable upper level of all types of student fees may be 20 percent of the recurring requirements of the universities.

Fees above 20 percent may hinder access to higher education

Fees above 20 percent should be a differential fees across Central and State universities, general and professional</td></tr>
</table>

	institutions, under-graduate and post-graduate colleges Institution like **Higher Education Finance Corporation** should be set up with contributions from public and private sector to provide loan finance to students	Functions of proposed **NEFC**: • refinancing student education loans and institutional loans at concessional rates with longer repayment • two divisions: one as a loan guarantee authority and the other to deal with infrastructure loans • concessional funding for philanthropic institutions at below-PLR rates[i]
National Knowledge Commission; Note on higher education Nov, 29 2006	NKC recommended 20 percent of the total expenditure in universities Price indexation of fees every two years Rationalization should be consistent with the fee waiver to the needy	
XI Plan Approach Paper	Notes internal resource generation by the universities by realistically raising fees.	
Source: based on Bhushan, (2008)		

CONCLUSION

The paper makes an attempt to analyse the government policies relating to funding of higher education sector in the light of their performances and emerging trends. The policy with regard to public financing of higher education seems to lack proper perspective. There seems to be weak relationship between the policy and performance particularly in case of allocating 6 percent of GDP to education sector or slicing one percent of it for the higher education sector. Ironically, the public funding in the higher education sector has declined from 1980s, when it should have increased to reach its target of one percent of GDP by 1985-86. Moreover there is no sign of the same to be achieved by 2012, as recommended by Knowledge Commission.

Again it was noted that the reduction in the fiscal effort on higher education has not been supplemented by other sources outside the government. The non-government sources like fees and loans fall much short of the warranted levels of the funding in the higher education sector. Thus with declining public support on one hand and lack of supplement of non-government sources on the other, the higher education sector seems to be in a state of dire problem, if not crisis. The lack of investment in higher education has severe implications for the access and equity of higher education, let alone the problems related to quality. It has been observed by many scholars that the higher education has increasingly been benefited by the upper strata of the society and the weaker sections have been the victims of the lack of access.

Another aspect that emerges out is that there is a need to redefine the role of government with respect to education sector and with special reference to each level of education. The classification of levels of education simply into merit-1 and merit-2 good may not dictate everything about the ways of financing. Clear estimations regarding the what should be the level of expenditure of government and private with regard to higher education; how much finance the colleges and universities should raise internally; what should the 'economy' in the spending on higher education imply (most state governments had cut down grants to private aided colleges as an economy in spending) etc.

It was observed that, but for, CABE committee (2005), most of the policies and committees reiterated the need for increasing spending in the higher education sector particularly from the government sector. But it is to be noted that not much light is thrown on the issues of efficient and effective use of the existing resources, which might considerably reduce the need for extra spending requirements. As observed by many the resource utilization in the higher education is very poor. Given the compulsions of political economy on one hand and problems of finding finance from the private sector on the other, it seems to be more sensible that the government banks upon such an option to augment the resources required to finance the higher education.

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