CHAPTER II

REVIEW OF RELATED LITERATURE
The main work in this field has been done during last two decades prominently in the Universities of the United States of America and by the UNESCO, the economists of the United Kingdom. The significant works since then have been those of John Kaisel, The Economics and Cost of Education (1962), Schults, The Economic Value of Education (1963), Gary Becker, the Returns on Education Investment (1964), and Sydeny Tickton, Planning in Education and Educational Salaries. Claus Moser, Richard Layord, John King, M. Blaug, M. Peston, Tyrrell Burgess, M. Woodhall and many others have come out recently with their studies.

Research on this subject in India started in 1959 when Dr. Atmaanand Misra submitted his comprehensive study on Educational Finances of this country, over three centuries at all levels of
education and administration. Since then several regional studies have appeared and case studies have been conducted. Over 30 years have elapsed since we laid stress on research in education, but very few good investigations on the subject have been listed up-to-date. Some of the theses and dissertations are, no doubt, fine pieces of research, but much more needs to be done for this important field of research. The significance of investigations in this field cannot be too much emphasized for proper educational planning and effective utilization of resources.

A study of relevant literature on Financing of Education in India shows that Nair (1959) dealt with the educational finances of the whole country including the Madhya Pradesh at all levels of the education for a period of over three centuries. Nair and Pillai (1963) have dealt with educational finances of Kerala at different levels of administration. Karmik (1967) survey the educational finances for a decade after independence of Gujarat. Shah (1969) dealt with the educational finances of the whole country from 1951 to 1961. Ansad (1972) dealt with the financing of higher education of in whole of the country and analyse the expenditure and grant-in-aid systems. The other researches are case studies of the finances of a University conducted at the instance of ISSR.
The researches carried on the M. Ed. level are small attempts and deal with some aspect of educational finances.

It is, therefore, evident that no attempt has been made to study the finances of all the Universities of Madhya Pradesh. The present is the first attempt in this direction. The methodology adopted in other such researches is historical method which has also been used in this research. The sources of data differ and the findings in most cases are dissimilar for regional differences and the revenue resources of the State Government bringing disparities in financing of higher education. It is, therefore, natural that the conclusion and findings of this study differ in large extent from those of research studies reviewed in this chapter.

Dr. Misra (1969) has studied the finances of Indian education during 1933-1956. He has used a historical research methodology. He has analyzed the reports, reviews and documents of the central and State governments of India and other primary and secondary sources dealing with education. Financial policy in education has been examined and the extent of contribution of various sources to education, total expenditure on various objects, the country's budget and the population, and their allocation to the various objects of expenditure have been assessed and evaluated. He has studied the

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financing of all branches of education by various levels of administration during nearly three centuries.

The results have revealed some problems of education due to the increase in population, peasant society, education for the masses, the needs of the country and of the handicapped sections and the demand for technical personnel. Professor Misra's study recommend that the education departments in States should be reorganized so as to decentralise the administration and to coordinate various efforts for education to eliminate ineffectiveness in educational expenditure and to put finances on sound base in education.

Nair and Pillai (1962) in their study of History and Problems of Educational Finance in Kerala, have examined (i) the increase in expenditure on items on which it can be cut and items on which it can be increased, (ii) procedures of educational finance, (iii) State's role in educational finance; (iv) sources from which finance can be tapped; and (v) responsibilities of different administrative authorities - central, State, local and private agencies. Their study was based on records in State reports on education, administrative records, education codes and budgets.

The study revealed (i) that expenditure on education in Kerala has been growing very rapidly in recent years; (ii) that the low standard attained by pupils at the end of school points
to a colossal wastage caused by the poor quality of educational services; (iii) that a tremendous increase in expenditure on school buildings, equipments, salaries of teachers, teachers' training, refresher courses, health inspection and extension was necessary.

Kamik (1967) conducted a survey on educational development in Gujarat during 1951-1961. The growth of education was assessed in terms of enrolment, budget allotment, and the number of institutions at different levels. For his research the major sources of data were annual and periodical reports and year-books published by the central and state governments and the NCERT. A relationship between certain variables of economic growth and indices of educational development was found out.

Shah (1969) has studied (i) the financial resources entering education in India, (ii) the allocation of funds to various levels and types of education; (iii) the performance of various levels and types of education; (iv) the financing of education by the public and private sectors; (v) the growth of educational expenditure during the period 1950-51 to 1960-61 and (vi) the role of private sector and the government in the financing of education according to level and type of education as well as according to institutions, by management, at the national level.
The major findings are as follows:

(i) The public sector spent 2.9 percent of the national income on education during 1965-66 which increased to 4.5 percent when added to the private personal expenditure.

(ii) Total recorded educational expenditure in India increased by 204 per cent (at current prices) over the decade 1950-1960.

(iii) The share of primary education in the total expenditure on education has declined, whereas that of secondary and higher education has increased over the decade and a half.

(iv) The direct expenditure, per pupil, of elementary schools declined by about eight per cent in real terms, whereas that of secondary schools remained more or less unchanged and that of college level showed an increase of 7.3 per cent.

(v) There appeared to be a large scope for the increase in enrolment capacity without providing for additional resources at the second and third stages of education, and for vocationalising education by shifting the emphasis from general education to professional education.

(vi) Tuition fees are mostly covered by aid received from various sources and its contribution comes almost to zero (see Karnik and Pandya, 1972).
Azad (1972) conducted a critical study of the financing of higher education in India in the post-independence period. He has attempted (i) to analyse the patterns of higher education finance - aggregative as well as institutional, (ii) to study the patterns and procedures of financing of higher education adopted by the central and the State governments, (iii) to discuss certain basic policy issues relating to the subject under reference. The study was mainly limited to higher education during 1947-1966. The major findings of that study are as follows:

(i) The annual rate of growth of expenditure over the years under study (at constant prices) is the highest (12%) in the case of higher education. (ii) Both as a per centage of national income and of educational expenditure as a whole, the expenditure on higher education has indicated a much higher rate of growth. (iii) In terms of per capita expenditure on education, as a proportion of per capita net national product, there have been material changes in the position of States over the years under study. It is, however, found that the difference among the States have indicated a tendency to narrow down. The study has also revealed that the States which spend more on education also spend more on higher education. Further, the disparities among the States as reflected in their proportionate expenditure on higher education have narrowed down over the years. (iv) The Universities have been planning larger outlays on 'consumption', i.e., staff salaries,
scholarship, and conduct of examinations than on investment like buildings, equipments and libraries. (v) The main sources of finance for higher education have been the central and the State governments; the fees are the second largest source of University finance. Their appropriate contribution has, however, gone down. The same is the case with endowments. (vi) There has been no clear-cut demarcation between the central and the State governments in the matter of financing of institutions of higher education and the systems of financing by the government have not always been based on rationally devised criteria for providing requisite financial assistance. (vii) The State government grants for various types of institutions of higher education are based on widely varying patterns and procedures. The system lacks specificity and dynamism and is largely bound to a rigid institutional pattern which makes innovation and experimentation difficult, and the 'deficit' grant system, which is generally in vogue, dampens the enthusiasm of the private bodies.

Jha (1974) investigated the Study of the Finances of the Patna University for the period of 1952-53 to 1972-73. The major objectives of the investigation were: (i) to study

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the sources of income and their relative importance; (ii) to examine the steadiness and adequacy of the income; and (iii) to ascertain whether the University was under financial stresses and strains which adversely affected its operational efficiency. The major findings of that study are as follows:

(i) The major sources of University finances were grants received from the state government and the UGC, and the fees and other charges realized from students; (ii) the grant from the state government increased from six percent in 1947-48 to fifty-three percent in 1952-53 and this further increased in recent years; (iii) income from examination fees was growing fast every year; (iv) when the University ceased to be an affiliating University after 1962 and became a teaching-cum-residential University the expenditure increased enormously; (v) development of new departments and modernisation of courses of study also entailed increase in expenditure; (vi) the rise in prices since 1962 had a very important influence on the University finances; (vii) the efforts to meet the revenue expenditure by diversion of funds from capital grants prevented the authorities to derive further capital grants which further added to the hardship of the University finances; (viii) from 1964-65, the University was running with increasing deficit budgets except in 1965-66 when there was a small surplus; (ix) during 1962 to 1974, due to large increase in enrolment at undergraduate and
postgraduate levels, the University remained under constant pressure of increasing seats in all classes; and (ii) the finance committee failed to function properly due to the absence of elaborate financial rules, lack of suitable conventions, and due to pressures exerted on them in the context of overall shortage of funds.

Mathew (1974) conducted the study of the Kerala University Finances, (Dept. of Eco.) for the period of 1967-68 to 1970-71. The major aims of the study were: (i) to find out the main sources of income in terms of their relative importance; (ii) to examine whether the income derived was steady and adequate, and (iii) to ascertain whether the University was subject to any financial stresses and strains which adversely affected its operational efficiency. The major findings of that study are as follows:

(i) The University derived revenues from University departments, grants from the state government, the UGC, the government of India and from other sources; (ii) the conducting of examination happened to be the single largest source and lately became a major concern for heavy outlay; (iii) till 1964-65, the state government was the main financer of the University, afterwards government of India came into picture and the UGC

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1. MATHON, B. T., A Study of Kerala University Finances, Dept. of Eco., Ker. U., 1974 (ICSSR financed)
started financing from 1957-58; (iv) there had been a rapid expansion of expenditure in the University, frequent pay revision and fast expansion of number of employees being the suggested reasons; (v) more money was spent on examination than teaching and research; (vi) the expenditure in study and research in science departments was nearly the double of the funds spent in humanities; (vii) the overall expenditure of the University increased by seventeen percent per year; (viii) the expenditure on general administration increased from seven percent in 1947-48 to nineteen percent in 1970-71; (ix) the teaching and research department ranked somewhat low on expenditure pattern of the University; (x) the budget estimates largely remained the same over the period 1970-71 to 1973-74; and (xi) in terms of finances the University was entering a period of stringency.

1. Mukerji (1974) conducted the study of Calcutta University Finances. The total period of study was from 1947-48 to 1971-72. The present investigation aimed at (i) studying the sources of finance of Calcutta University with relative importance on each source; (ii) examining the relationships between the state and the central authorities and the University regarding University finances; and (iii) ascertaining if the University had been under financial stresses and strains with the consequences thereof.

1. MUKERJI, K.M., Study of Calcutta University Finances, Dept. of Com., Cal. U., 1974 (ICSSR financed)
The major findings of that study are as follows:

(i) The undergraduate examination fees by themselves, or the total examination fees, constituted the largest single source of receipt for the University; the next in order were grants from the state government, and individual small items like other fees, income from capital funds, etc.; (ii) the administrative expenditure remained stable around thirty-three percent between 1949-50 and 1969-70, but the salaries of teachers after reaching a peak of 33.13 percent in 1951-52 fell gradually to 12.76 percent in 1969-70, and miscellaneous expenditures remained stable around eighteen percent, though there were large fluctuations during the intervening years; (iii) the financial arrangements under which the University operated did not provide for any procedure by which a physical programme was considered and translated into financial terms; (iv) expenditure on academic aspects was often delayed due to redtapism; (v) there was found no departmental working plans with a reasonable synthesis between teaching, nonteaching and material inputs; (vi) the University did not have any formal legal support from the government in respect of financial liabilities although the institutional grant was becoming increasingly more important; and (vii) the trusts and endowments funds went a long way in the past to sustain the finances of the University of Calcutta.
Nigam (1974) conducted the study of the Finances of the University of Rajasthan for the period from 1960-61 to 1970-71. The major objectives of the study were: (i) to find out the sources of income of the University of Rajasthan; (ii) to study the relative importance of these sources of income; (iii) to examine the steadiness and adequacy of the income; and (iv) to ascertain whether the University was subjected to financial stress that affected its operational efficiency and independence. The major findings of that study are as follows:

(i) The different sources of finances were the fees from students, the grants received from the state government and the UGC; (ii) due to the phenomenal development of the University since 1962, there had been huge and recurring deficit in the budget of the University; the government grant was found to be inadequate; (iii) the method of ad hoc grants to cover deficit was found to be unsatisfactory; and (iv) the fixing of non-plan maintenance grant was a welcome measure, but the accompanying conditions curtailed the University autonomy of maneuvering of the fund to reallocate for their optimal use. It was opined that (a) a state level body in the pattern of UGC would help in settling the financial issues better; (b)

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1. NIGAM, M. S., A Study of the Finances of the University of Rajasthan, Dept. of Eco., Raj. U., 1974 (ICSSR financed)
within the University, selective allocation of funds to different departments would promote better settlement; and (c) the per capita material and educational facilities should be stabilised.

Panchamukhi (1974)\(^1\) conducted the study of the Economics of the Bombay University Finances. The project was an attempt to lay down the principles of economics of University finances with the Bombay University as a case in point. The specific objectives of the study were: (i) to define the objective function of the University in an operational sense; (ii) to analyse how the University attempted to attain its objective through raising and using resources; (iii) to inquire into the economic behaviour of the sources which contributed to the University; and (iv) to examine the resource-using activity as well as resource-getting activity of the University. The major findings of that study are as follows:

(i) Regarding the sources of finance the Bombay University needed to rationalize its attitude towards fee policy, endowments, extension services and publication. Raising tuition and examination fees, better efforts for more donations, more planned efforts at extension programme and rationalisation in pricing of University publications might prove to be more

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1. PANCHAMUKHI, P. R., Economics of University Finances, Dept. of Eco., Pan., U., 1974 (ICSSR financed)
productive sources of revenue for the University. (ii) The University could start more auxiliary enterprises of its own to increase its general fund. (iii) There was much ad\- hocism in the entire grant-in-aid policy to the University. While the state grants had, by and large, covered some of the revenue needs, the UGC grants met partially the capital needs of the University. (iv) Income elasticity of expenditures was fairly high and it was rising over time. Maximum percentage share in expenditures was claimed by administration. (v) The financial position of the Bombay University could not be considered to be very satisfactory on the basis of the principles of financial soundness and in comparison with other Universities. (vi) Increase in the basic infra-structure might prove to be a crucial factor in raising the functional efficiency of the University.

Nanjundappa (1975) conducted the study of the Karnataka University Finance, for the period of 1949 to 1972-73. The main objective of the investigation was to study the working of University finances with reference to (a) growth of revenue and behaviour of components of revenue; (b) growth of expenditure and behaviour of components of expenditure; (c) allocation of available funds among the different activities and disciplines; and (d) financial relations

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between the University and the UGC and that between the government and the University. The major findings of that study are as follows:

(i) The total revenue increased from Rs. 1.45 lakhs (1949-50) to Rs. 177.85 lakhs (1972-73) showing an average annual growth offortytwo percent; (ii) the per capita revenue grew from Rs. 023 (1949-50) to Rs. 6910 (1959-60) and Rs. 2819 (1972-73); (iii) the state government financed upto fiftyfour percent, the income from fees shared thirty-five percent and the UGC shared four to five percent; (iv) there was a decline in the per capita grants indicating the comparative decline of University finances when compared to increased enrolment; (v) the total expenditure increased from Rs. 35,036 in 1949-50 to 2.23 crores of rupees in 1972-73; (vi) the change in the per capita expenditure was from Rs. 80.00 (1949-50) to Rs. 5401 (1959-60) and Rs. 3306 (1972-73); (vii) the rise in the per capita expenditure between 1949-50 and 1972-73 were from Rs. 262 to Rs. 375 in case of library, Rs. 1 to Rs. 3 in student facilities, Rs. 46 to Rs. 70 in case of fellowships, Rs. 28 to Rs. 92 for hostels, Rs. 4 to Rs. 103 in case of examinations, Rs. 74 to Rs. 1500 for academic departments and Rs. 6 to 53 for administration; (viii) the cost of education of an individual amounted to Rs. 5372 of which net academic cost (public cost) came to
Rs. 3343 and private cost to Rs. 2130; (ix) the physical facilities available during 1961-62 declined in the later years; (x) the establishment of UGC and its introduction of four tier pattern of grants was a boon and a life saver to the University - the larger share of UGC grants in approved schemes helped the University to reduce reliance on the state government; (xi) over the four plan periods the proportion of grants for teaching staff was only thirteen percent; and (xii) the economic-expenditure classification showed that there was a non-optimal allocation of funds among the different items of expenditure indicating the utmost economy of expenditure to be imposed on general services.

There are also a few dissertations for the Master's Degree in the particular branch which are related to the finances of higher education. Although some other dissertations exist in the field of educational finance as well but they are not related to the higher education i.e. G.S. Bommuru (1966), T.B. Ekbote (1958), B. D. Ruikev (1957)


Ramaswathi (1950) has critically examined the methods of financing education in Madras State and suggested improvements in the grant-in-aid code to encourage enterprise in education. Udayav (1964) has studied educational finance in Rajasthan, and found that greater contribution of the State and local community was necessary for development of education in the State. Nair (1961) has traced the history of educational finance in Kerala and listed a number of problems which required solution for better financing of education. Parasher (1974) has studied the Sanger University Budget 1966-72 and found that University finances are not in a satisfactory state. Resources were limited and expenditure was increasing gradually. He has made suggestions for improvement in income and for minimising and controlling wasteful expenditure. He also studied the unit cost of University education. Kala Dixit (1975) has studied the Sanger University finances Faculty-wise and arrived at the Faculty-wise cost of expenditure in his study.