CHAPTER - I

INTRODUCTION

Human Resource Development is the process of increasing knowledge, skills and the capacities of all the people in a society. In economics terms, it could be described as the accumulation of human capital and its investment in the development of an economy. It unlocks the doors’ to modernization.

After independence, the Government of India paid special attention to the growth of Higher Education since it has contributed its role in the growth of world economies. Indian Five Year plans, Kothari Commission on Education (1964) and Indian Constitution have strongly provided the suitable atmosphere in this respect. Today, the central and the state governments are playing pivotal role by increasing funds for higher education year after year.

Educational finance should be tailored to meet the changing priorities and pattern of life style. Financing of education designs the sustainable phenomena of which present consumption, future consumption and investment exist. In the contemporary education finance and its performance bring forth effective inequalities in developing countries. Higher education spread at a faster pace after independence. The quality of education is an important measure of productivity, social, political and economic charges. The formulation of economic criteria for collective provision of educational facilities focused on incremental human resources.

Higher education system in India today has recorded a phenomenal development. It has the second largest education system of the world after China and USA. However, the country is still to go a long way to fulfil the constitutional obligations of the public funded educational system. About 36 percent of the people who live in poverty are illiterates, mainly due to the fact that they have no access to higher education. Besides, higher education is not receiving desirable levels of allocation from the state. The government, in spite of its repeated
resolutions to allocate at least 6 percent of it’s GDP on education, has not been able to accomplish this so far. On the other hand, the share of public funded education, in general and higher education in particular in the total outlay is decreasing gradually. It is not a surprising fact that the development of higher education in industrialized countries, despite their consistent advice to India to reduce public spending on higher education is steadily moving towards Universal Higher education. They spend more than 80 percent of their expenditure on higher education from public exchequer.

Higher education is one of the prime codes of expenses in any national budget. It is also the same in India. The educational system in India is predominantly a state funded and directed activity. India, finds it difficult to cope with the ever-increasing financial requirements of an expanding system. Additional resources mobilization to reduce the burden on the public exchequer is the logical way. Improving efficiency in the functioning of public institutions and developing resources from non-governmental sources are the identified steps. “The financing of universities in many countries is regressive, since the money comes from general taxation but the major beneficiaries are from better off backgrounds. If it is not possible to rely wholly on public funding, it is necessary to bring in private finance, but in ways that do not deter students from poor backgrounds”.

Nicholas Barr, (2005) ¹

Expenditure on higher education in India has increased remarkably during the post-independence period; the increase in real prices is not rosy. Increase in expenditure per pupil is very small and in real prices the same has indeed declined. The priority given to higher education in allocation of resources of the economy has been steadily coming down. The share of higher education in GDP was nearly one percent during 1980 - 81. Since 90s the priority given to higher education has declined. The proportion of GNP allocated to higher education showed a decline,

hardly constitute 0.46 percent of GNP in 1990-91 and further declined to 0.34 percent during 2004 - 05.

Distinct signals from the government towards hike in fees and shift of resources from higher to primary education can be noticed from the approach to the 10th Five Year Plan, “since budget resources are limited, and such resources are available, need to be allocated to expenditure on primary education, it is important to recognize that the universities make greater efforts to supplement resources from the government. University fees are unrealistically low and in many universities have not been raised for decades. A substantial hike in university fees is essential”. Government of India, pp 37 (2001)²

ECONOMICS

Economics is the most important, logical and dynamic discipline in social sciences. Economics touches human life, socio-political set-up, business, administration, international relations, etc., at many points. The development of economics has passed through different stages its nature and scope has changed under different socio-economic and political conditions. It would be interesting to know how economics developed as a science and how it came to be considered as the most significant part of the study of human life.

Economics is primarily a study of man and not of wealth. It does study man not as an isolated individual but as one who lives in society, affecting society by his actions and exposed to social influences. Economics is not so much concerned with the “Economic Man” but with the man of flesh and blood influenced by ordinary human motives, noble or ignoble, and having his ordinary share of human virtues and vices.

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EDUCATION

The word ‘Education’ has been interpreted in various ways. The following are the different interpretations given to education.

Etymological Meaning of Education

The word “Education” is derived from the Latin roots as under:

- **EDUCATUM**: to train, act of teaching or training.
- **EDUCERE**: to lead out, to draw out.
- **EDUCARE**: to bring up, to rise, and to educate.

The Latin word “educatum” means to train. “E” means from inside and “DUCO” means to draw out, to lead out or to bring up. To combine the two words mean as to draw from within. Education is to draw out these powers out and develop them best to fulfil the man and child.

According to *Vivekananda*, Education is a manifestation of perfection which is already in a man or drawing out the best in a child”.

According to the *Dictionary of Education*, Education is the successful learning of knowledge, skills and studies, where and what is learned is worthwhile to a learner. It is learned in such a way, that the learner can expresses one’s own individuality through what one learned and can subsequently apply it and adopt its flexibility, to situations and problems other than those are considered learning”.

The tendency of linking education with economics is of recent origin. The old concept of education for the sake of education; meant that education promotes physical, mental, moral and spiritual development of the child. Education was considered only as an item of expenditure. As such, expenditure on education was readily curtailed whenever any need arose for thrift or cuts in the budget allocations. Education planning was not correlated with economic planning or total national planning.

Education seeks the help of economics to achieve its aims of national development including economic prosperity and national security. Going to an
intimate relationship between education and economics, the economy of a particular society influences its education, while the return of education affects the planning of education of that society. Thus, education and economics are integrally correlated as two sides of a coin.

**ECONOMICS OF EDUCATION**

Economists have long been aware of human resources development. Adam Smith stressed the importance of education at various points in the “wealth of nation”. Alfred Marshall said, “The most valuable of capital is that invested in human beings.”

Expenditure on education is to large degree in the nature of investment to satisfy cultural wants and economic considerations. Economics of education is concerned mainly with the areas of concept of human capital, education and economic development, investments in education, returns from education, man over planning approach to education, measurement of costs of education, financing of education, labour market and educated persons, internal market and educated persons, internal efficiency of education and economic issue in educational policy.

**HIGHER EDUCATION**

Higher education in India is facing an acute resource crisis. Ever since India became independent, attempts have been made to improve the quality of higher education and extend it to all socio economic level of her increased several folds with the realization that in a world order based on science and technology, it is the quality of higher education that decides the country’s pace of economic and social development. In order to provide better education financial problems should be tackled efficiently. The requirements of funds for higher education have increased substantially mainly due to its rapid expansion; where as the allocation of funds to this sector has declined considerably in recent years.
In addition, inflation has eroded the value of grants, thus causing a setback to both non-plan and plan activities of the institution and compelled them to reduce or defer essential expenditure. These problems have prompted the researcher to undertake an in-depth study to understand the factual position. To understand it fully, an attempt is required to know the resources of finance for higher education.

The ideal of education for the sake of knowledge is a misconceived notion. Whatever, amount of funds allocated and spent in their sector may be thought to be an escape. A detour for the government is to save themselves in the name of the rare cause and pride of catering education to the masses as a mask to have their failure in providing jobs. Instead of directing the youth acquire higher degrees by increasing the number of the institutions of higher education. The government should try to have a balance between the scope of educational opportunities and creating job opportunities matching the educated mass or providing self-employment resources to them. So that the youth should not waste their time and energy unduly seeking higher degree with no plausible solace.

**GROWTH OF ECONOMICS IN HIGHER EDUCATION**

To show the intimate relationship between economics and education, some scholars developed a new field of study called the economies of education. Adam Smith, T.A. Malthus, and Marshall etc., had already laid the foundation of economics of education by pointing out the directions of further growth and development of this discipline.

The sociological tendency assisted the provision of universal, compulsory and free education for all children such scheme entailed vast outlay of funds. Under these circumstances, it becomes natural for people to think of returns of this huge expenditure on education. This thinking led to the development of the study of economics of education. Economics of higher education is a new concept, which studies the expenditure on education in depth with the corresponding return and it brings to the nation which spends so much on it for its own good.
1.1 MOTIVATION OF THE STUDY

Higher education is generated directly by the motivation in respect of occupation, functioning of the education system, the individual, family, community and early educational characteristics and indirectly by the resources potential, economy and the society, and the education system through socio economic condition of the students, family background etc. It is considered that if a society is to be democratized, the education system, the economy and the society have to give emphasis to changing the micro characteristics to generate occupational and educational expectation and financial constraints of the career of individuals.

The Indian academic research environment is now friendly competitive in terms of government resources and is increasingly dependent on funding from non-government sources. Government lays stress on research in higher education

Research should be more relevant to the nation’s socio economic needs and directly funding specific research areas and raising funds from business in order to support public sector research are essential. As a result, funding has become highly competitive and there is a greater emphasis on accountability.

The quality of a civilization depends upon the quality of its knowledge base that is preserved, transmitted, perpetuated and replenished through a system of higher education and research. Higher education provides a base for technological inventions and innovations. Supply of high-level skilled manpower to the economy is another outcome. Modernization of society takes place through the outputs of the system of higher education. As an instrument of social and economic mobility, higher education has been employed to foster the welfare and egalitarian objectives of the state. It also provides a platform for nurturing, nourishing and developing leadership in the society. In essence, culture and 'good life' are possible through higher education.
1.2. SIGNIFICANCE OF THE STUDY

The foreword to the report of the World Conference on Higher Education, held in Paris in 1998, observes: "It is no longer necessary to demonstrate the importance of education for sustainable, endogenous development, for democracy and peace, for a strengthening of the defense of peace as a human value, and for respect and protection of all human rights and fundamental freedoms. Far-reaching changes now take place in the world, and the entry of human values into a society based on knowledge and information, reveals how overwhelmingly important education and higher education are".

Higher Education improves people's ability to acquire and use information, deepens their understanding of the world, enriches their minds by broadening their experience, and improves the choices they make as consumers, producers and citizens. It increases their productivity and potential to achieve higher standards of living. Higher education improves their ability to create and innovate and also fosters values necessary for civil society. The attention of the researchers in early days was to highlight the significance of education and its contribution of economic growth. Having realized the contribution of education to national development, countries all over the world are sparing and increasing the share of their national income for education. Therefore, the researcher focuses her attention to estimate the cost of education and returns from education to ensure that the scarce resources are put the best possible uses.

1.3 NEED FOR THE STUDY

Higher education assumes paramount importance because of its pivotal role in producing and training human resources required by every productive system. In conducting scientific and technological research that forms the basis for industrial development, and which is essential for a country's survival and prosperity by examining every sphere of human endeavour in turn in the generation and transmission of knowledge. It is very essential for promoting a better social and economic order. However, for meaningful contributions that would lead to
economic development, it is tertiary education that holds the promise of substantial contribution. The very vigorous growth of socially committed universities reflect a confidence in higher education as a major instrument of social and economic progress.

Education is an increasing share for the total resources of the economy. While stagnation was found be the cause for raising the private cost, wastage led to an increase in social cost at different levels of education. Further it was found that the social and private rate of the returns diminishes with an increase in the level of education. The research is concerned and analyses the very concept of human capital, education and economic development, investment in education, man power planning, measurement of cost of education financing of education, internal efficiency education and economic issues in educational policy.

1.4 SCOPE OF THE STUDY

The term higher education has a very broad scope for it embraces all kinds of post matric education such as general education in arts, science, commerce, and professional courses. It is well high impossible to deal with this vast area of higher education and study the innumerable problems faced by each branch in detail in any single study. Obviously, the researcher is constrained to delimit the scope of the study to a few of the problems of some of the branches. Hence, it was thought to limit this study to under graduate only, and an in depth study on financial resources of colleges, by the government.

The higher education system in India has come of age, it was thought appropriate to take a period of five to ten years for analysis purposes. The main focus of the study as such will be on the socio economic condition of the student. The deficiencies in respect of both of these students, colleges are to be identified and the measures suggested to improve the financial aspect of the students and in colleges.
This study will be of use to the government’s education department how the students benefits from its scheme of providing the necessary fellowship. While the earlier categories of beneficiaries are to be retained, there should be efforts to bring more new categories under this scheme. It can help to assess the performance of the students receiving the scholarship. The study shows the socio economic condition of the students and their parents’ occupation, monthly income, educational values which benefit the students through their studies and the cost of the daily expenditure and it how improves the status of the students towards economic growth of country. It paves the way to get ideological and qualitative studies on investment.

1.5. GENERAL DIFFICULTIES IN HIGHER EDUCATION

The expansion of higher education has not taken place in accordance with the new need and interests of the country. Generally, the policy of the Government has been to increase number of institutions of higher education rather than aim at the qualitative progress of higher education. Besides this, there are multilateral problems of higher education, which have not attracted the proper attention of the Government and special efforts have not been make so far to rectify defects of higher education. The Government may take appropriate action to solve the problems in higher education.

In India higher education relies totally on government funding. Hardly any private organization comes forward to fund Higher education. According to an estimate the government allocates only 3.8 percent of GDP for higher education. Even this is dwindling over the years. In such a situation institutions are asked to generate their own resources. Naturally universities and affiliated colleges are increasing their tuition fees year after year and are forced to start self – financing new courses. Here the performance of rural colleges is not encouraging as there is not much scope for generating internal resources for these colleges.
Though the higher education system has produced a few outstanding academic people equipped with scientific and technological capability, by and large, higher education is neither quite relevant nor effective to meet the challenges of 21st Century. Kothari Commission points out that the higher education is unsatisfactory and even alarming in some ways that the average standard has been falling and that rapid expansion and traditional techniques of teaching learning have resulted in lowering of quality.

Barring some reputed institutions of higher education, generally, students are poorly taught adopting traditional techniques. Classroom communication is not a mere one-sided presentation of facts or imposition of teacher’s ideas on the young minds; it is a meaningful interaction between the student and teacher with constant reciprocal feedback.

Colleges need to exploit our innate abilities and utilize opportunity for creating market for our education as we have comparative advantages in various areas and prove that India can contribute to the world’s betterment and welfare.

1.6. STATEMENT OF THE PROBLEM

Education is the nourishment of the mind with knowledge that is practical, purposeful and productive. It is meant to discipline the thinking faculty and it is a process of increasing knowledge, skill and capacities of all the people in an undertaking and a society. This study analyses the socio-economic condition of the students in the college. The Government spends more than the private agencies for education. It helps in the way for financing through banks by providing loans and award for the students. Government expenditure on higher education has been increasing over the years.

Higher education needs to concentrate on human resources required by every productive system in conducting scientific and technological researcher. Higher education is the basic criteria on which a nation builds up its prosperity and promotes a better social order and economic order. Economic miracles have
taken place in some developing countries mainly due to high rate of growth of their educational institutions. Expenditure of colleges and universities and students requires a study of the economic growth of a country. Out of the enlarged income flow, a nation can afford to finance higher education, in order to reflect on the critical socio economic growth, and therefore, the study analyses socio-economic condition and expenditure on higher education by Government. The study consolidates the report of the facilities given by private and public sector and global economy in education. Hence, the government invests a handsome amount towards education; there by the study is much closer and richer to analyze all these under entitled “A Study on the Socio-Economic Conditions and Institutional Support for students of Higher Education in Tiruchirappalli”.

1.7. OBJECTIVES OF THE STUDY

The overall objective of the study are

1. To identify and examine the socio-economic condition of selected sample student respondents in the study area.
2. To study the trends and pattern of Expenditure by the Higher Educational institutions.
3. To find out the financial support provided by the banking institutions.
4. To identify the constraints experienced by the students from higher educational institutions and financial institutions.
5. To offer valid and suitable suggestion for policymaking.

Key Concepts:

Objective 1: Family Background, Educational Status, Institutional Expenses, and Personal Expenses, Financial Aid by Colleges, Financial Difficulties, And Motive in Education

Objective 2: Growth of Student Strength, Educational Expenditure on Laboratory, Library, Miscellaneous items, and scholarship.
1.8. HYPOTHESES OF THE STUDY

1. Socio-economic conditions do not have strong influence on higher education.
2. Higher educational expenditure of aided and unaided institutions are same.
3. Role played by the financial institution for higher education is adequate.
4. There is no significant association between the specialization of degree courses and financial problems of the students in higher education.
5. There is no significant association between the specialization of degree courses and difficulties in studies for students of higher education.
6. Global education strengthens the financial status for students of higher education.
7. Higher Educational system reduces the problem faced by the students in financial difficulties.

1.9. LIMITATION OF THE STUDY

The present study has been restricted to Trichirappalli, which has Government, and Govt. Aided colleges. The researcher has identified major issues and crisis among arts and science colleges, students in their financial level. Data collection has been restricted to selected college offices as a ten years data from 1997-98 to 2006-07 to find out the growth of educational expenditure among the colleges. Data collection has been restricted to two percent student strength of the selected colleges to marginalize their socio-economic conditions of the students in higher education according to their discipline. Totally 600 respondents from under graduates have furnished their details through questionnaire method, and the financial status of the educational loans to students, has been furnished through collecting data from respective banks. The researcher restricted herself to the limited samples from selected arts and science colleges, and banks, because of lack of adequate information from the sources. Therefore the generalization of findings has been made with care, because financial conditions of the colleges and the
students differ year by year and also from Government colleges and Government aided colleges.

1.10 PLAN OF THE STUDY

The thesis is divided into five chapters. The details of each chapter are given below.

Chapter I

This chapter deals with the introductory aspects, such as motivation of the study, need for the study, significance of the study, statement of the problem, objectives of the study, hypotheses and null hypotheses of the study, period of the study, limitations, and plan of the study.

Chapter II

The review of literature is an important aspect in any field of research. Broadly, there are two sections in this chapter. Section I deals with the theories of higher education. Section II deals with the records and findings of the research studies conducted previously on economics of higher education by different authors.

Chapter III

This chapter brings out the methods and materials. This chapter explains the procedure followed in the selection of study area and sample students and colleges. This also explains the types of data compiled for the study and the statistical tools used. It is also devoted to the profile of the study area in Tiruchirappalli.

Chapter IV

The chapter contains four parts of analysisisation as,

Analyses - I : Financial status on higher education - Micro level analysis by Socio Economic conditions of the student in higher education, data were collected from the students studying (2007-08) in various selected colleges.
Analyses - II: In Section I deals with General Education System on Higher Education and their expenses rendered by the government with restricted years. Section II deals with recurring expenditure by the government and government aided colleges, scholarship provided to the students was collected and analyzed. Through questionnaire method data were collected to understand the economic condition of the colleges at education level.

Analyses - III: Constraints Experienced by the students from the educational institutions and financial supporting institutions on higher education in Tiruchirappalli.

Analyses - IV: This chapter deals with the analysis of financial supporting institution provided by the banking institution.

Chapter V

This chapter furnishes the major findings, conclusions, suggestions. A small note on the area for future research is also given.