CHAPTER - II
THEORIES AND REVIEW OF LITERATURE

This chapter records the findings of the research studies conducted previously on the financing of higher education in various parts of India. Section I provides the findings on theoretical framework on higher education. Section II brings out the various reviews of related literature on higher education.

2.1. THEORY OF HIGHER EDUCATION

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The concept of efficiency in higher education has clearly two aspects. Resources employed must be used efficiently in the sense that there must be the maximum output realized per unit of resources. Supply must reflect demand and there must not be too much mismatch between them.

Generally, this kind of argument leads to an endorsement of an increase in the number of students per teacher or, at times, even of restraint on the salary of teachers both near to budget cutting bureaucrats and politicians. But there is hardly any sense in increasing quantity by reducing quality.

The issue of mismatch between supply and demand is also not so simple. We are obviously not speaking here of effective demand only as understood in economics. Demand for some discipline like medicine and priesthood may have to be created if it does not exit for reasons of cost or rewards.

A temporary mismatch in the form of unemployment cannot be avoided when change is the order of the day. Such a mismatch has to be met by remedial training rather than by changing the educational profile, except perhaps to make education a more versatile tool generally. It is undoubtedly, true that developing

countries produce far too many unemployable graduates, or graduates with very little added value. But this is because the quality of education is so low and not because the educational profile is wrong.

**KEITH HINCHLiffe**

Two issues will be concentrated on, (a) the degree of appropriateness of federal government involvement in the provision of particular educational services. (b) The methods by which both vertical and horizontal fiscal imbalances in the provision of education can be reduced.

In Mathews (1983) views, “if decisions taken at the local level are likely to have significant educational or other effects outside the jurisdiction of the authority making the decisions, the ultimate responsibility for those decisions should… be transferred to a higher level government”, and again…. “The federal government should have the ultimate responsibility for expenditure decisions which if made by states would have spill-over effects beyond state boundaries; and for financing decisions which will permit individual states to be compensated for revenue raising (disparities) and cost disparities as between their school system”.

**Vertical imbalance in education**

Education is most appropriate for additional, direct and indirect, federal funding and which fiscal mechanisms should be used have to be answered. Federal government involvement at primary and secondary levels should be restricted to broad programme strategies. This suggests that general purpose grants focused on objectives such as raising standards or provision of pre-school education are often more appropriate than specific purpose grants.

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Horizontal imbalance in education

In general, two approaches to horizontal fiscal equalization have been used in federation.

The Fiscal performance equalization approach operates on the expenditure side of the budgets of governments. Receiving assistance and standards require the granting government to specify standards of performance for particular services. The main tool of the fiscal performance equalization approach is the special purpose grants.

The fiscal capacity equalization approach operates on the revenue side of the receiving government’s budget. It is possible for governments to provide sacrifices at a standard level, provided they impose taxes at a standard rate. The alternative approach to fiscal equalization works through the revenue side of the recipient government’s budget and aims to equalize the capacity of governments or school systems or schools to provide services, rather than provide the services themselves.

JERE R. BAHRMAN

The developing countries have major economic goal related to economic growth and to equity. The pursuit of these goals relates to

1. Increasing the efficient use of production assets.
2. Changing the distribution of assets among members of society.
3. Ensuring that all members of society have some basic level of access to control over resources and assets.

Human resources usually refer to education health and nutrition and exert their impact on the size of the population, fertility and mortality. Though there are important dimensions of each of these and of the interactions among them, probably it is education that has been most emphasized among them, particularly basic education, is quite high in comparison to other investments.

This perspective has been reinforced by the so-called ‘Neo – Classical Growth Theory” of Romer (1986), Lucas (1988), Azariadis and Drazan (1990) and others which places externalities in the stock of knowledge at the center of analytical growth models. These models are consistent with such phenomena as divergent growth models. For such reasons investments in education are advocated as a major means of pursuing growth and equity goals. In short, whatever the relative importance of these reasons, there is more knowledge about the role of formal education than about forms of education in development. This may highlight the need for further analysis of other forms of education.

**REVIEW OF LITERATURE**

It is necessary and useful to review the available literature to know the areas that have invited the attention of the researcher so far and the areas that seek the attention of the future researchers. Hence a brief review of related literature and theories of the study under consideration is presented in this chapter.

Economics of education is a field of recent origin both in India and abroad. Researchers in this area, owe their inspiration to the contributions of Schultz who is considered to be the Father of modern economics of education. Schultz along with Dennison and others have felt that recognition of education, as an economic factor would help to resolve a number of puzzles in the theory of economic growth.
Robert Solow has expressed the inability of the conventional factors to fully explain, economic growth in his classic contribution to technical progress and aggregated production function and this could be resolved by recognizing education as an additional factor.

Higher education plays the role of a liberating instrument or force. It liberates human mind from ignorance and bondage and leads man towards freedom and immortality as is evident from the famous Sanskrit saying: "Sa Vidya, Ya Vimukthaya", meaning thereby education is that which liberates. Higher education aims at supplying the trained manpower for the services of the State and the society. Higher education plays a crucial role in national Development. It ought to be an instrument to promote universal values such as Humanism, Tolerance and Universal reason as was conceived by Jawaharlal Nehru, the First Prime Minister of Independent India.

Further, higher education should promote national ethos and culture, which are also compatible with the modern constitutional values. It should provide a platform to bring about expected changes in social, economic, political and civic life in a metamorphic and transitional, contemporary (Indian) society. It should promote excellence in all walks of national life, give a fillip to social mobility of large cross sections of the society, meet manpower requirements of a society on the road to modernization and industrialization and finally promote a culture of 'good life', 'good society' and 'good governance' (Seetharamu: 2002). The appreciation of the role of education in enhancing the quality of human life and civilization has lead Bertrand Russell (1954) to title one of his significant work as "Education and Good Life".

The Indian position on the objective of higher education is well brought out by the paper entitled "Higher Education in India- vision and Action", presented at the UNESCO World Conference on Higher Education in the 21st century where it is observed thus: "Pursuit of integral knowledge and liberation, which has been a
constant endeavour of Indian Culture, is also the central objective of education. Education is also visualized as an evolutionary force so that each individual is enabled to evolve from purely material consciousness towards superior plans of intellectual”. And spiritual consciousness, Education is also perceived as a bridge between the past, present and the future and as a means by which the best of the heritage is transmitted to the new generations for its further progression. In receiving the modern message of learning to be, our endeavour is to harmonize it with the insight of our ancient Indian wisdom according to which this goal can be achieved only by the realization of our internal and imperishable being.

Our educational system aims at promoting environmental protection, universal peace and international cooperation; and since harmony and unity in external space can best be realized through internal purification and perfection, our educational system endeavours to promote harmonious relationship between both the internal and external dimensions of the individual, environment and the cosmos. Our objective in higher education is not only to promote equality and social justice, but also to provide the right kind of work ethos, professional expertise and leadership in all walks of life. Above all, our endeavour is to foster among teachers and students and through them in society generally, integral development of values inherent in physical, emotional, rational, aesthetic, ethical and spiritual education. There are major trends in funding higher education.

a. The decline in the public expenditure on higher education compelled by the economic reforms polices of some countries on one hand and convinced by the rational of reduced role of the state in funding higher education and the role of the markets in higher education by other, most countries have deliberately inflicted serious cuts in public budgets for higher education.

b. There have been increased efforts on cost recovery through introduction of tuition fees in those societies where higher education used to be provided by charging no fees and increase in fee rates in other places where fees already existed.
c. Student loan programs are particularly becoming popular in many countries, though loan as a mechanism of higher education is also associated with certain inherent weaknesses, apart from poor rates of recovery. Loan as a method of financing of higher education was introduced in recent years. Several loan programmes were changed into income contingent loans. The fundamental assumption underlying loan programmes is that higher education neither a public goods nor social merit goods, but it is a highly individualized private goods.

d. Governments began insisting on the public universities to generate resources from ‘third parties’ such as corporate sectors. Corporate sector also finds it convenient to provide research funds to universities and research institutions, if such project benefits their business.

e. Privatization has become the mantra of the day everywhere. Many modes of generation of funds for higher education. Some of which are desired above, do mean privatization of public higher education.

f. Lastly, the cuts in public grants to higher education institutions in many countries also forced them to go across the borders in search of finances. University is fast becoming entrepreneurial institutions both domestically and internationally.

The review of related literature shows the objective of the study which is given below. It shows different literature of the study. These are the headings showing the review of the related topic.

- Socio-economic condition of selected sample respondent (student) in the study area.
- Trends and pattern of Expenditure by the Higher Educational institutions.
- Financial support provided by the banking institutions.
- Constraints experienced by the students, higher educational institutions and financial institutions.
2.2 SOCIO-ECONOMIC CONDITION ACCESS TO HIGHER EDUCATION

The role of higher education as a status stabilizer is essential to know as much as possible about the social background of students. This analyses the social background of the students in terms of their sex, religion and caste, the education, occupation, income and the rural / urban background of their families, and the type of schooling they have had including the medium of instruction. ‘The fact that the variables are discussed separately does not mean that they work independently; on the contrary ‘their effects are always intertwined’ and they are ‘to some extent compensatory’. (Wolfel 1961: 217).

Sex

It has been held that enlightened womanhood is one of the prerequisites for ‘modernization’ (McClelland 1961:399-400). But the under representation of women at all educational levels seems to be an ubiquitous feature of the educational systems of developing area (foster 1971:27).

The tendency for women to be concentrated in certain courses, according to K. Ahmad (1979: 38 and 39), is possibly ‘due to various socio-cultural factors or due to discrimination’. The role perceptions and self-image developed in early childhood and reinforced in the school emphasized the role of home-maker. In other words as Krishnaraj (1980:388) has observed the sex role expectations influence choice of course by girls.

Studies on the socio-economic background of women students (Siva Kumar 1982 and K. Ahmad 1974) and educated women (Mehta 1970 and Goldstein 1972) have shown that the opportunities for higher education available to women are mostly appropriated by those in upper social strata.

Religion and Caste

In a plural society like India the significance of religion and caste as factors influencing educational recruitment can hardly be exaggerated. Muslims, and some other religious communities, though few in the sample are better represented in the
government medical college and in the university departments. More medical students tend to come from high occupational background followed by research scholars and postgraduate students. The private medical college seems to attract more students from high occupational background compared to the government medical college.

Students in higher and professional education tend to come from an economically sound background though income as a factor is not as significant as the educational and occupational background of the family. The medical students are again a select group, followed by research scholars and postgraduate students. And private medical college students are still more select than the government medical college students.

**Rural-urban Background**

The urban bias of the Indian educational system is well known and manifests itself in various ways (Jayaram 1984 b).

The almost cent percent representation of urbanites in the government medical college sample is understandable since it attracts predominantly students from the city where it is located. Rural students are better represented in research and postgraduate courses (especially of the science group).

The foregoing analysis calls into serious question the role of higher education in upward social mobility and the common assertions regarding its functioning as a catalyst for the emergence of a more egalitarian society. With widespread inequality in opportunities for education resulting from the operation of socio-economic factors, higher education seems to have failed as effective equalizing factors.

The expenditure incurred by the individual students on food maintenance, transport, books and stationary, tuition fees, examination fees and other related items add up to the personal costs of education. Even though, higher education is
highly subsidized by the government as explained earlier, still a considerable amount is spent by the parents. The personal costs are an expenditure such items like pre – admission, transport, books, etc., these costs along with the costs of food and maintenance expenditure should be considered cost of education as long as the students are not part of the labour force and are not earning members of the society.

The socio economic background of the students generally influences their expenditure habits. In this study, the student’s average expenditure is analyzed by dividing the students by their parental income, occupation and caste background. The students covered in the income groups, which limits as guiding principles, are set out in this study. The personal costs by income background, occupational background and caste background are presented per year per student. This is done for the purpose of arriving at net personal cost of the students of the weaker sections for whom government subsidies are provided per year.

Vaizey (1952)⁶ The inclusion of income in the cost of education opens the floodgate of approximations, which would take the concepts of national income away from its origin as an estimation of the measurable flows of the economy…. If income foregone is added to educational costs, it must also be added to other sectors of the economy (notably house views, mothers, and unpaid sister’s involuntary work of all sorts).

Schultz (1961)⁷ The expenditure on food should not be treated as consumption expenditure in under developed countries where, “the work is mainly the application of brute human force, calling for energy and stamina, and where the intake of food is far from enough to do a full day’s work. On the ‘hungry steeper’ and in the teeming valleys of Asia millions of adults agree diet that they cannot do more than a few hours of hard work. To call them underemployed does not seem

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⁶ Vaizey, J (1952) the economics of education, Faber & Faber, London 1952 p.40.
pertinent. Under such circumstance it is certainly meaningful to treat food partly as consumption and partly as current producer goods.

Government of India (1964-66)\(^8\), the estimation and analysis of private cost of higher education in India have not received the much-needed attention, which they richly deserve from experts. The education commission (1964 – 66) in its report has made attempts to estimate the cost of books and stationery, cost of tuition fees to point out the non-egalitarian trends of education in India.

Cost of books and stationery, private tuition, transport and refreshment and have lodging and boarding in the non-tuition cost estimate of elementary education. He has argued in his study that non tuition costs form a considerable proportion of the private costs”.

Banks (1968)\(^9\) educated parents do not merely guide their children, but also regularly observe their performance. They consciously create a more conductive atmosphere at home, keep in touch with the teachers and also make efforts to motivate their children. This continuous support and backup helps the children perform well in schools.

Shah (1969)\(^10\) The private cost estimates of the education commission are not comprehensive since they did not take into account all the items of private costs of education. An attempt was made by Shah to estimate the private costs of elementary education on the basis of a sample survey conducted in Baroda in 1966.

Blaug, et, all, (1969)\(^11\) in any under developed country young children are frequently economically active, so that their time does have a positive opportunity cost …. Thus, by sending them to school, the family loses the income the child could have contributed either directly or indirectly by freeing the mother from looking after young children”.

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\(^9\) O.Banks (1968) sociology of education, London Bats ford.


Dey (1969)\textsuperscript{12} the estimation of opportunity cost brings into play another interesting problem. In the estimation of private costs, the costs of food, maintenance and other associated expenditure on education are generally included. It is pointed out by some writers that the inclusion of opportunities cost in the total resources costs along with these private costs may result in double counting. In some estimate of private costs of education, the cost of maintenance and associated expenditure are included in the private costs.

Pandit (1969)\textsuperscript{13} plan of studies in economies of education has shown the cost of maintenance, tuition, fees, etc., in the students cost component of education.

Pandit (1969)\textsuperscript{14} the dimension of quality of education added to the students is very difficult to measure. The usual methods for judging the quality of output of educational institution is to conduct large scale educational tests. But, present examination results are not at all a guide for measuring the quality of output of education depend on personal characteristics like motivation, personal ambition, health, past records etc.,

Halsey, et all (1969)\textsuperscript{15} social class of a child may either offset or reinforce a child’s tendency to learn. If a child comes from a family whose material condition is rated as good, then his attitude towards education is likely to be favourable. Those children who come from a home rated as having poor material conditions are more likely to be unfavourable to education.

\textsuperscript{12} Dey.B.,” on costing of education in measurement of cost productivity and efficiency of education (ed) N.C.E.R.T., 1969, P.17.
\textsuperscript{14} Pandit, H.N (1969) a study on costs at the school state in India, a design of the research report in pandit H.N (ed) p.10.
Newman, & Peacock (1970)\textsuperscript{16} the opportunity cost of students time is generally treated as the value opportunity or incomes foregone by the students which they are in the educational institutions. In a broader sense of the term, it can be viewed that this cost is not student related costs, but also a social cost because the society loses the same amount that could have been added to the GNP of a country. However, some economists have argued against the estimation of opportunity cost of education.

Government of India (1971)\textsuperscript{17} describes “fees are the most regressive form of taxation, fall more heavily on the poorer classes of society and act as an anti-egalitarian force”.

Robert Campbell and Barry, Siegel, (1971)\textsuperscript{18} Non-monetray costs, “include such things as the burden of study and for some students the pain of being away from home”.

Blauy (1972)\textsuperscript{19} The estimation of resources according to this approach should also take into account the opportunity costs of teachers who would earn in an alternative occupation the opportunities’ costs of the physical assets which would earn if they rented out and opportunities costs of students time if they were employed.

Blaug (1972)\textsuperscript{20} Commenting on vaizey’s arguments observed that, “to measure the net flows of goods and service in the economy is one thing to measure the real cost of activity is another. The fallacy of identification of the two is made apparent by substituting ‘unemployment for education’. The equivalent argument then reads; it would be wrong to include income foregone in a calculation of cost

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\textsuperscript{16} Newman’s. & Peacock A (1970) report on wages, income and prices table 2 p.103 for the information on share in disposable income by deciles groups in the household sector of India.
\textsuperscript{17} Government of India, education and national development, report of the education commission, 1964 – 66, chapter VI, NCERT, Delhi 1971,pp 199 – 206.
\textsuperscript{18} Robert Campbell and Barry, N.Siegel, (1971) the demand for higher education in the United States, 1919-1964, American Economics Review, No.57, reprinted in Rogers and Ruchlin (ed), 1971
\textsuperscript{19} Blaug, M an introduction to the economics of education, penguin, 1972, p.50.
\textsuperscript{20} Blaug (1972) an introduction to the economics of education M.Penguin 1972 p.50.
of unemployment because measured national income does not include the goods and services the unemployed would have produced if they had been working”.

Marc Nerlove (1972)\textsuperscript{21} basic research and graduates training and the provision of undergraduate educational services are carried on within the same institution and frequently by the same individual suggest that the two activities are complementary in production.

Brijpal Singh (1974)\textsuperscript{22} the importance of opportunity cost in the Indian context, “its relevance is provided by the schemes of scholarship and assistance in addition to the tuition fees disbursement. These are shadow payment for student’s maintenance and are not objected to when included among the cost of education.

Naik (1975)\textsuperscript{23} the constitution has guaranteed and also safeguarded the political and educational rights of these castes. But, the legal safeguards for these communities cannot bring the desired result unless they are put into practices effectively. Therefore, the educational and employment opportunities and reservation of seats in educational institutions have been made an effective instrument to achieve this goal. The five-year plans launched by the government of India to bring socio economic development of the people, have also made equalization of opportunities as one of the major objectives of the plans. And a considerable headway in this direction has been made through the programme of expansion of educational facilities at all levels of education.

Verry & Davies (1976)\textsuperscript{24} The institutional cost only is considered as the cost of education. In fact, an institutional cost differs from the government cost where private management institution exists and receives grant in aid from the students. If the government gives full maintenance grants the government costs

\textsuperscript{21} Marc Nerlove (1972) one tuition & the cost of higher education; prolegomena to a conceptual framework, investment in education the university of Chicago press 1972 p. 204.
\textsuperscript{23} Naik, J.P (1975) educational planning in India in bulletin of the UNESCO regional officers for education in Asia, no.16, and June 1975 p.11..
\textsuperscript{24} Verry & Davies (1976) Have derived the cost function from the production function of the universities in UK university costs and output Elsevier, 1976.
will be the institutional cost minus the receipts from students, and income from the endowment plus the government’s direct subsidy to the students (scholarships etc). According to their socio economic background (income and cost) the students are asked to give the average monthly expenditure for items like food, transport, magazines etc., on the basis of the average obtained for the preceding four months. The expenditure on fees, clothing, pre admission. Etc, are however obtained per annum.

Chellam (1978)\textsuperscript{25} The difficulties encountered in estimating the resources cost of higher education in India are empirical examples. The unit costs of education adopted in various countries do not detract the importance of unit cost for different purposes.

Louis Levy (1977)\textsuperscript{26} The information available in expenditure and costs of education is much less detailed and satisfactory. Different countries adopt different definitions of cost, expenditure statistics. They are generally available only for the public sector of education and these statistics may or may not include expenditure on student grants or loans, medical or welfare activities, food and transportation.

Kothari & Panchamukhi (1980)\textsuperscript{27} The ICSSR trend report on economies of education opined that “ so far as hostel and boarding expenses are concerned, it is necessary to arrive at an agreement as to whether included or only the excess of expenditure over what would otherwise have been spent at home”.

Gopinathan Nair (1981)\textsuperscript{28} the effective cost of education in Kerala within the help of the morkhov chain model to arrive at first dropout and stagnation rates, are ultimately used to find out the number of pupils’ years of schooling. (Primary education population growth & socio economic change, allied publisher, New Delhi, 1981.)

\textsuperscript{25} K.S.Chellam (1978) expenditure on university education; a unit cost analysis journal of higher education autumn 1978.
Parvathama (1984)\textsuperscript{29} occupational status of the parents is one of the most significant factors associated with the educational attainment of the members of their family. One’s family or father’s occupation also provides the earliest motivations to the children towards the acquiring of professional skills.

Blackledge & Hunt, (1985)\textsuperscript{30} student’s social background has an important bearing on their educational progress or career. It decides the availability or non-availability of educational facilities to the students. It influences the career planning of the students. The relationship of social background to the educational attainment of a student is one of the many dimensions of the relationship between education and environment and perhaps one of the most important dimensions.

Desai (2006)\textsuperscript{31} generally observed that relatively more educated than uneducated parents encourage their children to complete their course as the former find education to be of great value. Although a major part of the early socialization and education process is taken over by kindergarten and other nursery centers. The basic role played by the family cannot be under estimated. In fact, the degree of academic achievement of children depends largely upon the degree of the education of the parents.

Peer (2007)\textsuperscript{32} income is closely associated with the level of education one gets and the kind of occupation one takes up. As a result the difference in education and occupation is carried over to the difference in income. The income of the family is an indicator of educational status of the children. The parents exposed to education may command more income. Thus, it is likely that educated parents are aware of the value of education.

\textsuperscript{29} Parvathama.C.(1984) employment problems of university graduates New Delhi; Ashish publishing House.
\textsuperscript{31} Desai (2006) determinant of educational performance in India; role of home & family international reviews of education 37; 2, 245 – 265.
\textsuperscript{32} M.Peer (2007) a journal of society for educational research and development; perspective in education higher education and employment, jaipur rawat publication April 2007 vol 23,no 2.
Chapman Bruce and Chris Ryan (2002)\textsuperscript{33} The relatively low higher education participation rates of people from lower socioeconomic background and the apparent resistance of these participation rates to equity programs, present a major challenge for young people created from lower socio-economic background created by the cumulative effect of the relative absence of encouraging factors and the presence of a stronger set of inhibiting factors. The predominant effects appear to be psychosocial factors associated with the perceived relevance of higher education.

Samunga Singh (2006)\textsuperscript{34} the purpose of higher education is not confined to bring about a total development of the individuals physically, intellectually and spirituality. It is to equip with the skills necessary for this material well being of as well as for the socio-cultural and economic development of the society as whole. The students seem to have been influenced by pure academic interest and better employment prospects to choose a particular course of study. Interestingly a majority of the students stated that they intend to go for academics as their future career choice.

\textsuperscript{33} Chapman Bruce and Chris Ryan (2002) income-contingent financing of students charges for higher education assessing the Australian innovation centre economic policy research Australia national university.

2.3 TRENDS AND PATTERN OF EXPENDITURE BY THE HIGHER EDUCATIONAL INSTITUTIONS.

Rizvi (1960)\textsuperscript{35} examined the pattern of expenditure of higher education against the backdrop of economic development. He calculated that the public funds and fee were the main stay for the finances of higher education. The proportion of total educational expenditure allocated to higher education was much below the expected level of investment. He further concluded that government subsidization of education would remove the element of unduly low level of investment in education. However, the study did not touch the issue of resources argumentation from non – government agencies.

Lakdawala and shah (1978)\textsuperscript{36} In their work “optimum utilization of education expenditure in Gujarat” have studied the problem of higher educational finance for the state of Gujarat. The study deals exhaustively with the educational expenditure of government of Gujarat and the finance of the three universities in the state for the period 1960-61 to 1969-70. They have also examined the unit cost in colleges and the economic optimum size of colleges.

Grag (1985)\textsuperscript{37} studied the case of Punjab University and examined the pattern of expenditure for the period 1952-82. The study attempted to work out the institutional and private cost of university education. The results of various exercise carried out in the study indicated that the cost of education increased overtime.

UGC (1987)\textsuperscript{38} “the university system also has a great responsibility to society on the whole. All universities and colleges should develop close relationship of mutual service and support with their local communities, and all students and teachers must be involved in such programmes as an integral part of their education”.

\textsuperscript{35}Rizvi.F.H (1960) financing of higher education less developed countries, A.M.U
\textsuperscript{36}Lakdawala and shah (1978) optimum utilization of educational expenditure in Gujarat sander Patel institute of economic social research, ahmedabad.
\textsuperscript{37}Grag (1985) cost analysis in higher education metropolitan, New Delhi.
\textsuperscript{38}UGC (1987) University system and extension as third Dimension, UGC New Delhi.
Leslie and Brinkman (1988, p.118) found that “higher education in most cases does contribute to progress and moreover when the analytical methods employed are most advances progress is found without exception”.

Mathew (1991) attempted to study the aspect of income and expenditure of private colleges in Kerala. The study pointed out that in spite of substantial amount of collection of donations on account of appointment of teachers and admissions of various courses, the colleges were dependent on government grants to the extent of 90 percent or even more. For improving the financing of colleges, it was suggested that fee structure should be revised and linked to the ability to pay by the beneficiaries of education.

Sulochana (1991) examined the financial problem of Osmania University. The pattern of income and expenditure of the university are discussed in historical perspective. The study stressed the need from internal sources like fees. Finally, it was suggested that the system of audit control in universities should be made effective.

Jamil Salmi (1992) the most effective approach is an institutional diversification strategy where by the social demand for higher education is managed through the development of a variety of cost alternative institutions differentiated in terms of missions, function and models of delivery. This is already reflected in the increasing trend towards community colleges, polytechnics adult and continuing education programms and distance learning programs.

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41 Sulochana, M (1991) financial management of higher education in India, chugh publication Allahabad.
Government of India (1992)\textsuperscript{43} Eight Five Year Plan financially self-supporting higher education has been advocated. Expansion of higher education in an equitable and cost-effective manner, in the process, making the higher education system financially self-supporting”.

UGC (1993)\textsuperscript{44} higher educations determined its economics and technological progress in the globalized era, which is necessary and sufficient condition for growth and development respectively. Even for very low enrollment ratios in higher education in India, it is increasingly realized that public budgets cannot adequately fund higher education particularly when the sector of mass education is starved of even bare needs. Hence, the resources from higher education are being diverted to the development of primary education. It cannot at the same time afford to regulate to a neglected position to achieve global standards in higher education.

UGC (1993)\textsuperscript{45} tuition fees may be revised upwards with immediate effect and may be periodically adjusted keeping in view inflation and rise in costs of higher education. The revision of fees must be related in a meaningful manner to the recurring costs of the course of study and employment opportunities offered by the courses.

UGC (1993)\textsuperscript{46} with regard to fees for admission and examination fees, it is recommended to recover the recurring costs of operations. While library, laboratory, and sport and similar other facilities are concerned, it is suggested that these fees must be revised to recover a significant part of the recurring costs.

UGC (1993)\textsuperscript{47} various committees recommended that institutions should raise the fee levels in such a way that at least 15 to 25 percent of the annual

\textsuperscript{43} Government of India (1992) programmes of action on the national education policy, ministry of HRD New Delhi.
\textsuperscript{44} UGC (1993) UGC funding of institution of higher education, report of justice, Dr.K.Punnayya ommitee, 1992-93 UGC, New Delhi.
\textsuperscript{45} Ibid
\textsuperscript{46} Ibid
\textsuperscript{47} Ibid
recurring costs per students is recovered from the students in the form of fees and from other sources at the end of ten years. Government should in courses of time shift the funding of universities to a system of student funding.

**AICTE (1994)** the tuition fee for the government funded and government aided institution is to be revised to at least 20 percent of the recurring expenditure per student per year. Fees are fixed aid may be reviewed and refined once in every three years.

**AICTE (1994)** full cost recovery is suggested in government and aided institutions targeting that the established government funded aided colleges may be allowed to start new specialized programmes for specific target groups on self-financing net revenue earning basis. Tuition will seek to recover the actual cost of imparting education. Tuition and all other fees, which are not to be charged on one time basis, but should be tenable for 12 months.

**WORLD BANK (1994)** the experience of world bank suggests that if public institutions are to achieve higher quality and greater efficiency, governments will need to implement sweeping reforms in higher education financing in mobilizing private financing for public higher education and fostering efficiency in allocating and utilizing resources among and within public institutions.

**WORLD BANK (1995)** higher education also contributes to self-sustaining growth through the impact of graduates on the spread of knowledge.

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48 ACITE (1994) report of high power committee for mobilization of additional resources for technical education, ACITE, New Delhi.
49 Ibid
50 World Bank (1994) higher education; lesson from experience, Washington, DC.
Urberoi N.K (1995)\(^{52}\) the challenge of education (1985) has become warped disoriented and functional producing a number of unemployable young men and women. In India higher education is faced with deteriorating conditions resulting from expansion and worsened by afflation system and shrinking resources. There are today 200 universities 8000 colleges’ 5 million students and 27,000 teachers in higher education.

Government of India (1997)\(^{53}\) the approach paper to the ninth five-year plan says, “Emphasis will be placed on consolidation and optimal utilization of the existing infrastructure through institutional net working…and through open university system. Grant-in-aid will be linked to performance criteria to improve quality and inject account ability fees will be restructured on units cost criteria and paying capacity of the beneficiaries.

UNESCO (2000)\(^{54}\) it should be noted that higher education institutions play an important role in setting the academic standard for primary and secondary education. They are responsible for not only providing the specialized human capital in order to corner the gains from globalization, but also for research and development, training inside the country provide policy advice etc., it is to be realized that “ higher education is no longer a luxury, it is essential to national social and economic development”.

UNESCO (2000)\(^{55}\) private investment alone in higher education would be socially sub-optimal. It is because the private and households do not come forth to invest on non-market oriented courses in higher education and development. Further, increased role of market jeopardizes the participation of meritorious

\(^{52}\) Urberoi N.K (1995) International higher education may 1995 some current development in India higher education N.K. Uberoi is director centre for professional development in higher education Delhi University Delhi 110007 India


\(^{55}\) UNESCO (2000) higher education in developing countries; peril and promise, the task forces on higher education and society, world bank, Washington, DC.
students from economically disadvantageous groups, women and minorities. Further, markets can crowd out important educational duties and opportunities.

**William Hoxly (2000)** Asian countries will have to decide the best way to maximize educational service at least cost if development is to occur. As a neither economic nor social change is likely to occur without a literate and healthy population, education is a major determinate of development everywhere in Asia. The challenges of Asia is to find low cost solution that offers quality basis education to help the world’s population when its estimated public expenditure on education in 1997 amounted to 7 percent of the worlds’ spending on education. Education is investment and consumption, a public and a private good, and has public and private costs and benefits. Social benefits usually weigh private benefits due to much positive externality from education that accrue to society, but often the social costs are less a private costs due to market failures.

**Government of India (2001, 2002-07)** it can be noticed from the approach paper to the 10th five year plan document that, “since budget resources are limited and such resources as are available, need to be allotted to expanding primary education, it is important to recognize that the universities must make greater efforts to supplement resources from the government”.

**World Bank (2002)** indicates that the higher education system in developing countries and the institutions can only survive if they are flexible for change. The message is clear that the most flexible system as well as institutions survive and those do not, decay. More differentiated system, including private and non –university institutions can help meet growing demand and make higher education more responsive to labour market needs

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58 World bank (2002) constructing knowledge societies; new challenges for territory education, Washington, DC.
Raines, Patrick and Charles Leather (2003)\textsuperscript{59} The emerging higher education system can be summed up as a transformation of academic institution into entrepreneurial universities’ and ‘commercial institution’ whose single most important objective seems to be mobilization of more and more resources.

Onkar Goswami (2004)\textsuperscript{60} There has been a significant increase in the real per capita expenditure on education. In 1993-94, the average per capta spends on education in rural India was Rs.128 or 1.5 percent of total expenditure. By 2001-02 it was Rs.245 or 2.5 percent of total spending, measured in constant prices (total expenditure being Rs.9,800) The average expenditure per students pursuing primary education in rural India in a government school for students going to local body school, private aided school and private unaided schools were Rs.223, RS.622 and Rs.911 respectively in 1995-96.

Kothari Commission Report (2004)\textsuperscript{61} the government education expenditure as a percentage of GDP has risen above 4.3 percent, the target of 6 percent having been set as far back as 1968 by Kothari Commission. The GDP seems to be raising at much faster a government’s education expenditure to be able to reach the 6 percent target. Finding the money to bridge this gap will be quite a challenge. The Public expenditure on education was Rs.84,179 crores (at 4.02 percent of GDP). The 6 percent target, we would have had to spend Rs.125,641 crores, an additional Rs.41,461 crores over what was spent about a 50 percent increase. But the public expenditure on education as a percentage of government expenditure across all sectors has been as high as 14.6 percent and averages 13.5 over the past few years.

Shi jinghavan (2005)\textsuperscript{62} this is a crucial periods for china’s universities, the whole society, and higher education with transition. This year seniors have been among the first to feel the impact of attending one of the seven institutions tipped to complete with Harvard’ and Sorbonne’ with foreign scholars and recreated them to teach and its offering some classes in both Chinese and English. It is requiring more general education and allowing under graduates to enroll in dozen schools from management.

UGC Report (2005)\textsuperscript{63} The higher education system of India has seen a 14 fold increase in the number of universities and 33 fold increase in the number of colleges in comparison to the number at the time of independence. There are 329 universities and 203 state universities in all at present. The Indian higher education system comprises of 18 central universities, 90 deemed universities five institutions established under states established by central legislation nearly 16,885 colleges including around 1,798 women colleges. In the beginning of the academic year 2004 the total number of students enrolled in the formal system of education in universities and colleges was 99.53 lakh -12.97 lakh (13.03 percent) in university departments and 86.57 lakh (86.97 percent) in affiliated colleges.

Sheetal Sharma (2006)\textsuperscript{64} India has one of the largest higher education systems in the world. Every year approximately 19.25 million students are enrolled in high schools, and around 60 million students are controlled in PG degree courses all over India. Since 1953 in the last 50 years after independence, the number of colleges and universities in India has grown form 565 and 25 to 15,600 and 311 respectively in 2004. The number of students enrolled. Pursuing higher education has grown from 23,000 to 9,28,000. According to a study of the US Based consultancy firm Goldman Sachs-India produces over 2.5 million universities graduates per year. The overall enrolment of students in the college is growing by on an average, about 5 percent per year. The faculty employed in the institution of higher education has risen from 15,000 to 4.62 lakhs currently.

\textsuperscript{62} Shi jinghavan (2005) July 31, 2005, the Hindu, the Christian Science monitor report china. 
\textsuperscript{63} UGC Annual Report (2004-05) 
\textsuperscript{64} Sheetal Sharma (2006) Do we have enough Job, University News 44(38) sep 18-24,2006
are around 300 universities and 15,000 colleges in India. Every year around 5,000 candidates become eligible for the position of colleges or university teachers.

R.K.Kala (2006) Education is known to be an investment both at the individual and society level. The higher education has never been the priority of government of India. Amazingly, the interdependence of various levels of education was ignored and more emphasis was given to literacy and primary education. The most important assumption that was widely held for long time was that higher education is not important for economic growth and development. Public expenditure on higher education shows the financial support for India’s higher education in terms of GDP. It continuously decreased from 1 percent in 1971 onwards to reach at 0.4 percent in 2001. Indian higher education has been starving for funds.

Pramod Mathur & Pattanayak (2006) Higher education institutions in India are considered as service entities under non-corporate sector for which no suitable accounting guidelines are available. Most of these institutions are public institutions with power to regulate academic activities on their compasses as well as in their area of jurisdiction through the affiliating system. Most of them are funded by the government of India and all are government by the rules and regulations framed by the government from time to time considering the importance of financial reporting by Higher Educational institutions in India. In fact those macro economic reforms imply profound changes in the relationship between government and higher education and also considerable expansions of the private sector in the higher education.

Sheetal Sharma (2006) According to UGC Indian university student population is projected to grow from 9.3 million students now to 11 millions by 2008. Approximately 7.2 percent of adults in the 17-24 age group have the privilege of getting higher education. But the percentage is far less compared to some other countries. The figures for the US and Australia are 80 percent, 88 percent Canada and 74 percent and the UK 52 percent. The rate of growth in number of faculty is far less as compared to the growth rate of number of students. With large number of students enrolling every year and number of faculty remaining almost stable there is a continuous rise in student teacher ration in our country in the institutions of higher education.

Achyotanand Mishra (2006) Higher Education has more than 300 universities and nearly 16,000 colleges in our country catering to nearly one crore students drawn from a large number of disciplines. India’s higher education system has also undergone a remarkable transition from an elite system to an egalitarian system. Higher education institution is expected to submit their annual auditing statement of income and expenditure for the grants received from the funding agency and monitoring is evolved to verify the annual reports of the institutions.

Sudha Rao (2007) Today higher education system is geared for the mass catering to meet the demands of a vibrant democracy committed to the principles of equity India today takes pride in its institutions and products. Over the time there has been emergence of new types of higher education in India. No private institution proliferated distance education programme gained wider acceptance. Public universities and colleges started self financing programmes, foreign institutions started offering programmes either by themselves or in partnership with Indian institutions and non university sector also grew rapidly. Many colleges established in rural areas are non viable and are under enrolled and have extremely poor infrastructure and facilities with just a few teachers. A few efforts made now

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and then are not rooted in the new global realities based on competition and increased mobility of students and work force.

**Maha patra (2007)** The universities and higher education institutions must continue to be in apposition to meet the demands and thus must constantly adopt specialized courses of study to meet the needs of the society. The higher education institutions will have to meet wider access and global challenges in the field of education will be to combat underachievement especially for the people coming from disadvantageous background. A new approach will emerge by widespread application of practices of alternative periods of education with period of work. This may be an effective tool for fighting against wastages and stagnation.

**Arun Nigavekar (2007)** The country should switch over to the state-supervising model in higher education besides ensuring decentralization of the process of giving degrees by institutions to face new challenges posed by globalization. The public education would continue to play an important role for many decades to come more particularly when the access rate to higher education was only 7 percent.

**Shakeel Ahmed (2007)** Higher education in the form of increase in number of universities colleges and other institutions of higher education learning has expanded tremendously in India after independence.

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2.4. PRIVATE AND PUBLIC SECTOR EXPENDITURE ON HIGHER EDUCATION

Higher education (1965)\textsuperscript{73} it is the purpose of this part to provide, through institutions of higher education, educational opportunities and grants to assist in making available benefits of higher education to qualified high school graduates of exceptional financial need, who for lack of financial means of their own or of their families would be unable to obtain such benefits without such aids.

Brodsky et all (1980) Langfitt, et, all (1983)\textsuperscript{74} university could generate funds by signing research contracts with industries, and by providing technical consultation for enterprises and communities. Universities in china have just begun to establish direct links with industries they should be more aggressive and show more initiative in developing university – industries cooperation.

Anderson and Rosegart (1987)\textsuperscript{75} the central government funds to higher education are re-channeled through the Ministry Of Education (MOE). These central government funds cater to both for recurrent and development expenditures. The MOE funds higher education through block grants paid to the two universities and to individual students who are sponsored by the government.

Dawkins Green paper (1987)\textsuperscript{76} fore shadowed the abolition from 1988 of the binary higher education system under which the traditional universities were funded for research and teaching, while the Colleges of Advanced Education (CAE’s) funded for teaching. The Australian Research Council (ARC) created to claw back resources from the grants and to make them available on competitive basis and in terms of national priorities to the traditional universities as well as the CAEs.

\textsuperscript{73} Higher education act of 1965, pub. l, no.89-329.
\textsuperscript{75} Anderson and Rosegart (1987) education in Tanzania government expenditure Swedish international development authority.
\textsuperscript{76} Dawkins Green paper (1987] higher education a policy discussion paper (Canberra, AGP).
Haddad & Demsky (1987)\textsuperscript{77} Nature and purpose of higher education has not altered and therefore its provision should also depend on the country’s financial ability. User fees entail any fees paid for tuition at the primary, secondary and higher education levels as well as room fees at university.

Brademas (1988)\textsuperscript{78} Western countries had decreased state financing of higher education at the same time showing increasing interest in the social objectives of their policies. He went on however to argue that the way forward was to find alternative methods of financing higher education which should cease to be part the states’ provision so that governments, like the talented would now figure as customers rather than providers.

Wran report (1988)\textsuperscript{79} An up front fee of dollar 250 in real terms in the form of a higher education administration charges was levied in 1987. This rose around 100 million dollars at 1989 prices, but was highly inadequate even in terms of the additional funding of around 800 million dollars which was required.

Hinich and Ordershock (1989)\textsuperscript{80} have shown that maximizing the probability of winning is not the same as maximizing one’s majority, and a candidate may follow different strategies to reach these two goals. In practice, some of the observed behaviour of candidates looks better since if viewed in the light of the latter goals rather than the former.

Brons (1989a)\textsuperscript{81} stated, that we must be very careful in translating the goal impairing the quality of education and research into the funding system. All parties concerned will of course endorse this goal, as long a there is talk of optimizing activities within the institutions for higher education.

\textsuperscript{77} Haddad & Demsky (1987) planning and mobilization of financial resources for education in the middle east, Washington, world bank.
\textsuperscript{79} Warn report (1988) report of committee on higher education funding (canberea, AGPs)
\textsuperscript{80} Hinich and Ordershock (1989) purity maximizations vs. vote maximization; a spatial analysis with variables participation; America political science review 64 (cited by Glazer et at p.471)
\textsuperscript{81} Brons (1989a) changes financial relation between government and higher education, the Netherlands culembary lemma [pp 61 – 82]
Oake Shott (1989)\textsuperscript{82} a university is a number of people engaged in a certain sort of activity. The middle Ages called it stadium; we may call it pursuit of learning, one of the properties of the virtue of a civilized way of living.

Brons (1989b)\textsuperscript{83} analyzed the topic term of enrollment in relation to lowering costs as a governmental goal. Another governmental goal can be maximizing the time people can be productive in the labour market.

UNESCO (1989)\textsuperscript{84} Fees are not paid directly by individual students. Various government minorities and agencies sponsor students by bearing the cost of their tuition, accommodation food, transportation, books and a stipend known as the higher education allowances. The sponsored students are supposed to be bonded and work for their sponsor for five years. In practice a good number of students are hired by non-sponsoring employee after graduation.

PCFC [1989]\textsuperscript{85} circular announced that about 5 percent of its funds would be held back for competitive bidding system starts a year later, by institution, although it will apply to all the universities recurrent funds. Universities are being invited by the UFC to attach offer prices per students placed in each of 24 subject groups. According to the number of UG and PG they are prepared to teach during the period 1991 -95. Bidding implies that and is meant to enhance the extent to which institutions are in competition with each other. It is meant to drive down the ‘unit of resources’, and has been seen as threatening standards and the relationship between teaching and research.

Roy Campbell (1989)\textsuperscript{86} The writing is now clearly on the wall for a sharpening of the level of social differentiation there by reinforcing the crisis of ideological legitimizing. And when parents have to choose which children should be sent to school, invariably the male children get the preference.

\textsuperscript{82} Oake Shott (1989) the voice of liberal learning; Michael oakshotton education (ed)

\textsuperscript{83} Brons (1989b) major changes in the funding system foe higher education in the nether land paper presented at the 23\textsuperscript{rd} AIR fourm Baltimore, Maryland may 1 , 1989.

\textsuperscript{84} UNESCO (1989) education in tanziania; March vol II UNESCO. Paris, 1


\textsuperscript{86} Roy Campbell (1989) education ideology and the crisis in Tanzania paper in education and development, 15 faculty of education; university of dar es salaum
Hansen (1991)⁸⁷, the policy realignment was not a deliberate manner of altering the balance of responsibility for paying for college. “The fiscal legacy of the 1980’s a national debt of more than 4 trillion dollars…. Cost a long shadow over policy making in the 1990s. Facing tough choice, the new president decided to emphasize debt reduction, sharply constraining resources for the social and educational investment he championed during his election campaign.

Levy & murnane murphey & welch (1992)⁸⁸ the increased reliance an loan for financing higher education in America was enabled by the economic data that showed an increasing college wage premium or the additional earning enjoyed by college graduates compared to individuals who entered the labour market with only a high school diploma. Beginning in 1980, the colleges wage premium began a steep rise driven both by increase in the earning of college graduate as well stagnating wages for those with less education.

Larry I Leslie & Paul (1993)⁸⁹ In 2003-04, New York’s college and universities spent $30 billion on operation and sponsored research. That total included $26.6 billion in direct operations expenditure by public and independent institutions. In recent years, however, state financial support for higher education has barely sustained new York’s highly effective higher education system, it has not enabled the system to develop further state appropriation supported 14 percent of expenditures. The other 86percent came from private sources local government and the federal government. Between 2002-03 &2003-04, New York’s general fund revenue grew by 2.9percent and its total general funds expenditures grew by 2.6 percent its financial support for higher education operation declined by 4.5 percent.

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⁸⁷ Hansen, j (1991) the shifting roles of parents and students, the changing dimension of students aid nu.74, san Francisco ca, new direction for institutional research
Uberoi (1995)⁹⁰ Now about the shrinking finances for higher education: In India except for a couple of private universities the national or a state government finances all universities. Government also largely funds the colleges. The students pay a nominal fee that constitute less then 10 percent of the budget of the institution. This higher education is currently heavily subsidized faced with a severe resources crunch the government and the UGC are encouraging colleges and universities to generate their own fund and ultimately become self-reliant (a utopian idea).

Mcpherson & Schapiro (1998): mumper (1996)⁹¹ The waning purchasing power of federal grants, together with mounting student loans and record levels of unmet need, have increased the opportunity gap for low income students in higher education.

Philip G Altbach J.Donald Monan (1998)⁹² Private higher education has been thrust into the limelight at the end of the 20th century, largely because of the decline of the state sector. Governments are reluctant to spend public funds on post secondary education while at the same time demands for assessment and skilled personal remain high private institutions are providing both access and the skills needed for the economy of the 21st century.

Public institutions are being privatized as public funds shrink and universities are forced to find alternative sources of support. Public universities increasingly resemble private institutions in funding patterns.

Michigan merit Award Scholarship Act (1999)⁹³ the legislation that created the Michigan Merit Award Scholarship program had a stated goal, to

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⁹⁰ Uberoi (1995) International higher education may 1995, some current Development in India’s Higher education N.K.Uberoi director, centre for professional development in higher education, Delhi university Delhi 110007 India.
increase access to post secondary education and reward Michigan high school graduates who have demonstrated academic achievement.

Vssensteyn (1999)\textsuperscript{94} Dutch institutions provide “achievement related grants” to students in the form of loans that convert to grants if students complete a four-year degree within six years. However, students who voluntarily assume student loans don’t get benefits from this convertible grants programmes.

Kane (1999)\textsuperscript{95} “the most basic goal of federal and state financial aid should be to ensure that lack of money is not the primary obstacle preventing low income youth from making crucial educational investment”

Alexander (2000)\textsuperscript{96} Federal financial aid programs favour institutions that rely heavily on student’s tuition fee, covering about 40 percent of the costs of high tuition private institutions, allowing them to increase tuition fee substantially in recent years. In contrast, political constraints and public perceptions have limited full advance of such financial aid programme.

K.Venkatamasubramanian (2002)\textsuperscript{97} To meet the challenges of the 21\textsuperscript{st} century and to acquire a competitive edge, the higher education system has to transform to make it more socially relevant, information and technology oriented, diversified and of high quality. The skills and specialization of graduates, produced by our system should match the real needs of the productive sectors in the market place and the changing needs of our society.

\textsuperscript{94} Vssensteyn (1999) where in Europe would people like to study? The affordability of higher education in nine western European countries. Higher education, 37, 159 – 176.
\textsuperscript{95} Kane (1999) the price of admission rethinking how American pay for college Washington, D.C, brooking institution press.
\textsuperscript{97} K.Venkatamasubramanian (2002) Member planning commission on line edition of India’s National Newspaper Tuesday, Feb 19, 2002.
American council on education (2002)\(^98\) the changes seen in the US are being mirrored in many European countries, as well as other countries around the world. “Increasingly, government on both sides of the Atlantic are shifting the burden of financing from the state to the institution, and then on to the students”.

McPerson & Schapiro (2002)\(^99\) have documented this stratification in the US, finding that in 1999, over 40 percent of students coming from families with income above 50,000 dollar attended either medium or highly selective 4 year universities courses while less than 16 percent of students from families with incomes below 15,000 dollars per years enrolled in this sector. In contrast, 39 percent of these lower income students were enrolled in community colleges, while less than 15 percent of the upper income students were enrolled there.

Galbraith (2003)\(^100\) higher education in Britain is a near perfect example of the problems that were described in OECD countries. Reductions in state funding and greater cost pressures have called the quality of British institutions into question. In 1999, Britain spent 1.1 percent of its GDP on higher education. Comparably, the US invested 2.3 percent of its GDP in higher education. 75 percent of funds come from government in Britain, but spending per full time equivalent student decreased by 37 percent in real terms between 1989 & 2000.

Kene, Thomas & Peter Orzag (2003)\(^101\) state government abrogated an earlier agreement to restore funding cuts if the universities would hold tuition increases below inflation. The universities honoured their end of the bargain, the state did not end cut appropriations still further over a four year period from 25 percent to 40 percent on inflation adjusted, per student basis. Hence the universities had no choice in 2005 but to begin to raise tuition levels at double-

\(^98\) American council on education (2002) the brave new (and smaller) world of higher education: a transatlanties view Washington DC American council on education.
digit rates. AT the national level, state appropriations have fallen from $8.50 per $1,000 of personal income to $7000 a decline of 20 percent during the 1980 and 1990s. Funding of higher education dropped from 7.2 percent of state expenditure is 1977 to from 7.2 percent of state expenditure in 1977 to 5.3 percent in 1997 a 27 percent drop. The shares of public university budgets provided by the states have dropped form 50 percent in 1979 to 35 percent in 2000 and in the wake of a weak economy have dropped even further.

**College Board (2003)** it appears that the US has met its stated goal of removing prices as a barrier to higher education for needy, college qualified students. Numerous federal state and institutional grants and loan programms totally over 100 billion dollars have enabled students to secure funding to further their educational attainment since the passage of the higher education act of 1965.

**Labi (2003)** higher education has been virtually free; students have taken to the streets to protect the shifting of the burden of the costs of education to the students. For the first time in history, German legislators would like to introduce a tuition charge of upto 725 dollar per year to attend German Universities.

**Labi (2004)** Students fear that the fees increase will result in a multi-tiered system of higher education because tuition fees are not uniform across Britain. Liberal democrats refused to support the bill because they thought that it would create a system in which cost was an indicator of quality.

**Labi (2004)** Britain’s Labour Government introduced the higher education bill to increase university revenue by allowing English institutions to charge “top-up fees’ (with government approval and capping) of upto 5.475 dollars per year staring in sep 2006, up from the 2003 level of 2,050 dollars per year.

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103 Labi (2003) dec 19 across western European students protect plans to increase tuition, the chronicle of higher education, vol 50 issue 17, p. A40.
104 Labi (2004) July 16 “British tuition increase passes final hurdle the chronicle of higher education”, vol 50 issue 45 p. a34.
105 Labi (2004) April 9 “bill allowing higher tuition in England and weales survives author key vote”; the chronicle of higher education vol.50 issue 31, p.a42.
OECD (2004)\textsuperscript{106} has identified several policy challenges that higher education institutions currently face in OECD countries. The two challenges that are most relevant to student financing of higher education in Europe are: the growth in volume of higher education activity and the complexity of the activity, more diverse student with diverse needs and the lag in state support behind this student growth.

Labi (2004)\textsuperscript{107} the continued expansion of the European Union has had will continue to have a wide-ranging impact on the distribution of higher education and student’s financial aid. “Students within the European union no matter what their country of origin is to compete equally for space at universities and for financial aid”

OECD (2004)\textsuperscript{108} this public proclamation of support for a more highly educated citizenry has not been accompanied by an adequate level of funding. In England, between 1982 & 1997, funding for higher education decreased by 36 percent in real terms. Other European countries experienced similar shrinking state support. Spanish higher education experienced a 17 percent drop in funding from 1994 to 2001 while Irish universities saw a slight nominal 4 percent increase in funding, but this was in facts a decrease in real term.

Planning commission (2005)\textsuperscript{109} central government should take the lead and increase in fees and higher education institutions run by the centre, “when banks are offering long term educational loans on easy installment there is no need to subsidize higher education. Students can be easily repaying the loan amount once they get a job. Hence the government should allocate more funds for primary

\textsuperscript{106} OECD (2004) on the edge security a sustainable future for higher education, Paris France OECD publication.) Labi (2004) march 19 expansion of European union will have major impact on British higher education, study funds, the chronicle of higher education, vol 50 issue 28 p a 38
\textsuperscript{107} Labi (2004) July 16 British tuition increase passes final hurdle the chronicle of higher education, vol 50 issue 45 p. a34.
\textsuperscript{108} OECD (2004) on the edge security a sustainable future for higher education, Paris France OECD publication.) Labi (2004) march 19 expansion of European union will have major impact on British higher education, study funds, the chronicle of higher education, vol 50 issue 28 p a 38.
\textsuperscript{109} The planning commission proposes higher fees and educational loans to fund higher education, The Economic Times June 28,2005.
and secondary education’ a senior government official said. In order to provide more resources for increasing access and improving quality, apart from a substantial increase in public funding increasing the fees paid by students is equally necessary.

Anandakrishnan (2006) Government funding for education has been on a steep decline in real terms though there are nominally higher allocations for education year after year in the government budgets. They are near the real needs filling up vacant positions or providing minimally decent infrastructure. There should be predictability of funding for education as prescribed percentage of GDP by central government and as a prescribed ratio of Net State Domestic Product (NSDP) in the case of state funds Government institutions capable of mobilizing extra-budgetary funds should be allowed to use them for their own development rather than submit them to the government pool, thereby removing all incentives to raise additional resources. Self-financing courses should be banned from government and government aided institutions.

Chidambaram P (2006) The implementation of 7 percent reservation for other backward classes in central institutions of higher education is imminent and it is just a matter of time before it comes as the law providing for the reservation enacted this year. Loan for students had gone up to Rs.10000 crore from just Rs.3000 crore issued when the UPA assumed office.

Susai Mary & Seetharam (2006) Higher education is an expensive undertaking and there is much debate concerning how to find expanding academic systems. This new thinking combined with constructions on public expenditure in many countries has met with severe financial position.

For academic Higher education problems have been exacerbated in many of the poorer parts of the world by the ideas popular in the past several decades and stressed by the World Bank and other agencies that basic education was most cost effective as a result major lending and donor agencies ignored higher education.

**Manpatra (2007)** The higher education institution will have to meet due to wider access and global challenges in the field of education and will be to combat under achievement especially for the people coming from disadvantaged background. A new approach will emerge by wide spread application of practices of alternative periods of education with periods of work. This may be an effective tool for fighting against wastages and stagnation.

**Chitra Deepa (2007)** the economics of education is such that if you really want to provide quality educational standards, it is difficult to run institutions with only a profit Motive.

**Vani Doraisamy (2007)** For long considered the scourge of privately funded education in the state; the issue of capitation fee is once again grabbing the headlines with a series of surprise checks by government officials in record days. The checks come in the middle of an extremely troubled academic year, when the government seems to be caught in an endless battle of legal wits with private players over fixation of tuition fee and surrender of seats to the government pool.

**Shubhajit Roy (2007)** the annual outlay will be increased from Rs.2, 529 crore in the current fiscal to Rs.6, 483 crore in 2007-08. This increase will translate into an unprecedented 156 percent hike in the higher education budget. Half of this increased sum Rs, 3240 crore will go towards upgrading the infrastructure in seven IITs, six IIMs and about thirty NITs among other technical

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institutions. Among the 2,400 principal investigators funded through the projects in 2004-05, 485 were women which accounts for just 19 percent (Research funds are there for the asking, students told, ‘Inbreeding affects standard of teaching & research in institutions’)

George Miller (2007)\textsuperscript{117} The bill seeks to lower the cost of higher education by reducing subsidies by $19 billion and then investing those funds in programs that increase grant amount to students, improve access to student loans, cut interest rates on student loans, provide for the repayment of parts of the loan through employment or services in areas of national need and reward colleges for lowering cost for students.

\textsuperscript{117} George Miller (2007) The college cost reduction Act of 2007 (HR 2669) sponsored by House committee on education and labour was introduced on June 12, 2007.
2.5. FINANCIAL ASPECTS ON HIGHER EDUCATION

Sanyal (1987) It may be noted that the expansion of the system was tremendous and it conforms to the international pattern of high growth rates of growth in the 1970’s. Physical expansion as well as financial investment follows the same trend. The expansion of the system was due to the various considerations and compulsions. The objective of higher education development in India has been to promote and sustain self-reliant socio economic development.

Nair (1990) all types of higher education have been found to be contributing significantly to economic development of the nation but in various degrees. While there are a good number of studies on rates of return to investment in education in India, very few of them estimated rates of returns to the various levels and types of higher education separately. No study has estimated rates of returns exclusively for research.

Tilak (1987) within higher education second-degree education yields higher rate of return than first degree. This is true both with respect to general and professional education. Thus the second degree forms a better terminal level of education.

Tilak and Varghese (1985) Relative to the expenditure per pupil, the cost recovery from fees is the least in the faculty of business management, and the highest in the case of arts and science faculties. In fact, accordingly to net fee, the recovery of cost is very small in all professional courses, and is negative in medical courses, compared to arts and science courses. It is well known that the student composition of the professional course is mostly skewed in favour of better socio-economic groups of population: yet they are heavily subsidized. All these are

120 Tilak, [1987] Economics of Inequality in Education, New Delhi, Saga Publications.
average and hence do not reflect individual differences based on the scholarship actually received and fees actually paid by each individual student.

Birdsall (1988)\textsuperscript{122} fees in research institutions are low in India and net fees are indeed negative. So in the case of Deemed University that specializes in a given particular area. Given that research and development should be an important area for public investment, this pattern seems to be desirable.

Azad (1988)\textsuperscript{123} in the micro economy, where the private sector has contributed significantly to industrial and agricultural development, the role of the private sectors in the field of higher education, particularly higher education is suffering due to paucity of resources. Most private colleges in India receive nearly the whole of their expenses from the state exchequer. The fee contribution in the private aided colleges is however not high as they are regulated by the government. There are a few private colleges recognized by the government that do not receive any state subsidy and are least regulated by public authorities, but they constitute a negligible proportion of the total number of colleges in the country. Most private colleges, which have been founded in the recent past, are operated as commercial enterprises.

Nirmal Singh (1983)\textsuperscript{124} noted, with lesser resources investment greater resources are brought under control of the private education enterprises for conversion into profit and power. The governments in Karnataka, Tamilnadu, Maharastra and recently in Gujarat and Andhra Pradesh allow private unaided engineering and medical colleges.

\textsuperscript{124} Nirmal Singh [1983] education under sieges concept; New Delhi.
Kothari (1986) with these private colleges the system of interlocking interest of capitals, educated elites, bureaucrats and politicians is thus mutually supportive and complete, this ill effect of private colleges particularly on equity, some of which are inherent in a private system, but many of which are attributable to the undesirable practices in India outweigh the positive system, but many of which are attributable to the positive effect of private education. This objective of equal opportunities for education would be jeopardized in a big way. The overall effect would be to convert education into forces for reinforcing the existing stratification of society.

Pascharopoulos 1977, Blauy (1982) low or no fees do not necessarily promote equity in access to higher education. It is argued sometimes that higher education in developing countries grows at the cost of primary educational and literacy programmes. The choices revolve around the three major patterns of financing education viz., the government, the students /parent’s and the community at large.

Schultz (1981) public spending on higher education is also required so that economically unable yet educationally suitable students do pursue higher education. In the present juncture, the share of the government in total spending on higher education has reached a stage beyond which it is difficult, if it is impossible for the government to sustain the present level of spending not to talk of increased spending.

Tilak (1987) the economic efficiency point of view as rates of returns to higher education are found to be lower than the rate of returns to primary and secondary education, and it is believed that higher education expands at the cost of

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125 Kothari (1986) private unaided engineering and medical colleges consequences of misguided policy economic and political weekly 21 (14) 53 –596
primary education, it would be necessary to reduce public subsidies to higher education and to reallocate them in favour of school education. This also becomes imperative in view of the constitutional commitment to universalisation of elementary education.

**Tullock (1983)** the credit market in India is not well developed to float educational loans. The private financial institutions will seek security when the students may not be able to provide therefore, public intervention is needed to give or guarantee assurance etc., for providing loan scholarship to the students. The former argument amounts to saying that the government intervention is essential to facilitate administration of loan scholarships. Invariably, it may also lead to a position where the loans are to be funded and administered by the public authorities. This may put further strain on the public exchequer in the short run, unless fees are increased significantly.

**Woodall (1989)** administration of loans has some peculiar problems specific to many developing countries. In many developed countries by providing student’ loans the government saves the resources, which otherwise would have to be spent social security system, unemployed allowances and housing benefits. And the real incidence of loan on the government purses is the difference between the actual loan amount and the amount which would have otherwise been spent on social securities.

**Hansen (1989)** mentioned, students loan defaulters have become a major political issue in Washington in the past year because they now cost the federal government over 1.50 billion annually. If this is the case in a country like the US where the administration mechanism to recover loans is somewhat efficient as well as established, one can imagine the extent of recovery possible in developing

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129 Tullock (1983) economics of income distribution Boston wuwer, nijhoff  
130 Woodall .M (1989) international experience of financial support for students recent trends and development in wood hall (ed) financial support for students loans or graduate tax London kogan pp 67 – 64  
131 Hansen (1989) p 62 loan for learning the loan versus grants debate in international perspective higher education quarterly 43 (1) 76 – 87
countries like India. The Indian experience with the recovery of national loan scholarship to students is not all encouraging.

**Hansen 1989, woodhall (1989b)**\(^{132}\) when education does not guarantee employment and if repayment becomes compulsory, people from relatively poorer sections will be the worst affected. Further, unless student’ loans are accompanied by carefully formulated policies regarding fees, loan may aggregate inequities the rich getting public subsidies through low level of fees and the poor paying back in full for their education. All this may lead to inequalities in participation in higher education by these groups.

**Stubblebine (1965)**\(^{133}\) discriminatory pricing may be efficient as it provided additional resources and as it is related to cost of higher education, as well as equitable as students are charged according to their future benefit from their education.

**World Bank (1986)**\(^{134}\) There is low student to total staff ratio and student to teacher ratio. In 1988 the students / staff ratio was 2.1:1 and the student’ teacher ratio was 5.3:1, while an average level of student / teacher ratio is 12:1 elsewhere in East Asia and the pacific.

**Augusto Franco (1991)**\(^{135}\) The growth of private education financed by families has been a solution in the face of pressures for higher education in this country and the lack of fiscal resources for public institutions. Cost conditions in public institution and private establishments differ significantly. The private being the more efficient schemes for work-study scholarship could be designed without requiring work contracts.

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\(^{132}\) Hansen 1989, wood hall (1989b) P.6 cost sharing in higher education us experience in wood hall m. Financial support for students loan or graduate tax London kogan pp 45 – 66

\(^{133}\) Stumblebum (1965) Institutional elements in financing of higher education southern economics journal 32 July supplements 15 – 20.

\(^{134}\) World Bank (1986) London press

\(^{135}\) Augusto Franco (1991) financing higher education in Colombia, higher education review (21).
Bray (1986)\textsuperscript{136} as the director of audit noted, the low level of fees was particularly regrettable because the government has since 1969 operated a system of student loans. The loan scheme aims to ensure that no eligible student who has been offered a place in an institution of tertiary education should be unable to accept it for lack of means. To a large extent it seems to have been successful in this goal.

Audit (1986)\textsuperscript{137} the universities were requested to review their fees “it was important that fees should be increased once the student finance scheme was introduced as otherwise the more wealthy students would be subsidized unnecessarily”.

Hayek (1944)\textsuperscript{138} there is no meaning to “social good” and social welfare, there is no such thing as society or value to society that is inseparable from individual gains. Only individuals are real and their gains are crucially important and individual freedom is more important than even democratic values. Public goods and social justice are viewed as impossible even as not necessary and desirable.

Robin’s committee on higher education in UK (1961-63)\textsuperscript{139} had noted that spill over effects of higher education in UK (1961-63) were so far reaching that is was difficult to identify them leave alone the measurement. It is therefore total educational expenditure, which will have to be taken as investment and not any part of it.

\textsuperscript{136} Bray (1986) students loan for higher education, Hong Kong experience international perspective, higher education 15, 343, 354.
\textsuperscript{137} Director of Audit (1986) p.10 report of director of audit on the accounts of the hongkong government for the year ended 31-march 1986-HongKong government printers.
\textsuperscript{138} Hayek F.A.(1944) The Road to serfdom: London, Rowtledge & Kegen Paul (Reprint 1962)
\textsuperscript{139} Robin’s committee on Higher education in UK (1961-63)
Or the “uncompensated benefits”\textsuperscript{140} school education is regarded to be legion. Further, when viewed democracy reduction of crime, economic growth, redistribution of resources etc as other public good, its important to note that education helps in their fulfilment.

\textbf{Nerlore (1972)}\textsuperscript{141} the positive externalities constitute a powerful justification for the state to play a crucial role in education. Vaizey (1962) observed there is along and honourable tradition from Adam Smith to Alfred Marshall which assigns to public supported education a major role not only in promoting social peace and harmony and self improvement but in the process of wealth creation itself. Accordingly, a gold standard tradition was established, characterized by state provision and financing of education.

\textbf{Power (1990)}\textsuperscript{142} As Critics their function has been to analyze the economic, social, political and cultural developments of the nation and particularly of their own region. As advisors they have been conducting research on various social problems relating to agriculture, industry and management and rendering advice.

\textbf{Tialk (1991)}\textsuperscript{143} There is a strong degree of privatization, which means recovery of full costs of public higher education from user students, their employers or both. There is a moderate form of privatization implying public provision of higher education but with a reasonable level of financing from non-governmental sources. There is what can be termed ‘pseudo-privatization’ which cannot be really called privatization; higher education institutions under this category are privately managed but government aided. Private bodies originally created them but receive nearly the whole of their expenditure from government.

\textsuperscript{140} On Tuition and cost of higher education prolegomena to a conceptual frame work, Journal of political economy, 1980 (May\June p 178-218
\textsuperscript{141} Nerlore (1972) The Economics of Education, London: Farber &Faber
\textsuperscript{143} Tialk (1991) Privatization of higher education prospects, quarterly review of education (UNESCO) 21(2); 227-39
World Bank (1994)\textsuperscript{144} higher education is of paramount importance for economic and social development. Institutions for higher education have the main responsibility for equipping individuals with the advanced knowledge’ skills required for positions of responsibility in government, business and the professions. Estimated social rates of returns of 10\% or more in many developing countries also indicate that investment in higher education contributes to increase in labour productivity and to higher long term economic growth which are essential for poverty alleviation.

World Bank (1994)\textsuperscript{145} higher education investments are important for economic growth. They increase individual’s productivity and incomes as indicated by rate of return analysis and the also produce significant external benefits not captured by such analysis such as long term return to basic research and to technology development and transfer.

UNESCO (1995)\textsuperscript{146} maintains that there is a well-established correlation between investment in higher education and the level of social economic and cultural development of a country. It maintains “state and society must perceive higher education not as a budget on federal budgets but as a long term domestic investment, in order to get economic competitiveness, cultural development and social cohesion.

Tilak (1997)\textsuperscript{147} believes that government financing, ‘is held not only to be necessary for the development of education, but also as a desirable form of providing education, because markets cannot provide the socially optimum quantities and qualities of education, as markets do not captive externalities.

\textsuperscript{144} World Bank (1994) Higher education: the lessons of experience, the World Bank Washington, D.C.
\textsuperscript{147} Tilak (1997) The Dilemma of reforms on financing education in India, Higher education policy
K. Kasturirangan (1998) “man power resources constitute a primary & essential input for a country’s socio-economic development process. The goal of economic and social development can only be achieved if there exists adequate supply of man power with requisite education and skills”

Task force on higher education & society (2000) Education is a state function in almost all countries of the world. This is not confined to basic education, even higher education, including higher education technical and professional education are heavily subsidized by the state not only in the economies whose development polices are explicitly in favour of welfare and equity, but also in the developed market economics.

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2.6. CONSTRAINTS EXPERIENCED BY THE STUDENTS IN HIGHER EDUCATIONAL INSTITUTIONS AND FINANCIAL SUPPORTING INSTITUTIONS

The system of higher education in India is one of the biggest man making enterprises in the world. We have now around 200 universities, both statutory and deemed and 7000 colleges of all sizes and shapes. A student population of nearly four million is being groomed into an adulthood by about 250000 teachers. And the per captia investment in higher education ranges between Rs.1, 500 and Rs.5,500 depending upon the type of course pursued by the student and the institution at which he studies. The expansion of the system after independence has been almost astronomical.

One need not indulge in an evaluative exercise of determining which side won; rather one should make an objective survey of the operation of the twin forces of constraints that result in the squeeze leading to a severe handicap on the process of healthy development of the system of higher education in the country.

CONSTRAINTS IN HIGHER EDUCATION

There are five major constraints on the system.

Philosophical constraint underlies the psycho moral intellectual vacuum the Indian higher educational scenario suffers from. The agonizing part is its manifestation in the meaninglessness of the pursuit in the classrooms and on the campuses. This gets reflected in symptoms like agitations, strikes, work to rule movement’s boycott of examination etc.

Cultural constraints are too obvious as witnessed in the people’s attitudes to each other and towards their work. Anthropologically culture is a very powerful determinant of a person’s perceptions of his roles as a member of society and the quality of the acquittal of his role. Cultural constraints have dealt a crippling blow to the movement for injecting twin elements of autonomy of action and accountability for results in the system of our higher education. One observable
consequence of this is the tardy pace of the implementation of New Economic policy (1986)

**Economic constraints** are too well known to need elaboration for they affect all our development plans. Ours is a developing economy still very largely dependent upon labour intensive primitive methods of production in millions of units scattered all over the country. New technologies are a recent entrant into the field. The productivity of the average Indian workers is much below his potential thanks to multiple causes like poor training, low motivation and lacked appropriate technology. Consequently, there is a low per capita income leaving little for saving and resultant investment. Social services including education have been the first victim of the economy drive in every budgeting exercise of the country.

**Operational constraints** are the products of human inadequacies. Students and their teachers constitute the core human resources of our tertiary system. They must operate effectively in their respective capacities in order that the primary aims of teaching and learning are realized. The academic calendar, the courses of study, the programmes of activities, the schedules of examination and convocation and the entire interactive gamut of socio-academic life on and off the campus have to be operationalised at the maximum rule of the game.

**Managerial constraints** that plague the system of higher education are a legacy of our colonial past that is ill at ease with the democratic present. For more than a century we have administered education through a culture of command and control at all levels. Participative management as a modern adopted in industry and business is a recent arrival in the field of education. Its induction has been marked by apathy and reluctance, if not outright hostility. Unfortunately, these constraints persist in the system in one form or another and in varying degrees

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The higher education sector is one of the social sectors that has also been affected by the economic measures undertaken by the Tanzanian Government to rectify the long-time economy. The adopted measures included the World Bank advocated policies, especially the National Economic Survival Programmes (NESP) the Structural Adjustment Programmes (SAP) and the Economic Recovery Programmes (ERP). To a larger extent, these programmes and measures have focused on attainment of economy performance indicators, e.g., public sector and trade deficit, reduced areas, increased, international reserves etc.

S.R. Sharma (2003)\textsuperscript{152} The major constraints to funding higher education are the unchanging attitudes and beliefs of some people on how education should be financed. There is inertia to change things for the better. Among technocrats, politicians, and academicians, there is a strong but unwise reluctance to accept new financing formulae, especially those formulae that advocate cost sharing or institutional autonomy and control. The absence of effective decision-making and policy formulation machinery to correct this culture whose correction might have helped to raise more revenue or instill some cost consciousness poses a funding constraint. This is so much so in Tanzania where studies have shown that only a minority is overrepresented at secondary and university level. Funding higher education involves the use of foreign exchange; Foreign exchange is needed to procure equipment and materials, building materials, chemical, and textbooks, which are not readily available domestically.

\textsuperscript{151} Tibaijuke (1988) The need to monitor the welfare implication of structural adjustment programmes in Tanzania, a paper presented at the 5th Economic policy workshop, Dares Sale 23-25 May.

\textsuperscript{152} Funding, selected issues and trends in Tanzania Higher Education, S.R. Sharma, Poniter Publisher, Jaipur 30, 2003 India in 1997.