Chapter - II

REVIEW OF RELATED LITERATURE
2.1 BACKDROP

Economics of education started as a small rivulet in the 1960's and today, it is a magnificent river over-flooded by research studies and investigations. Financing of education has drawn the attention of many research scholars who have investigated into financing of education at different levels (Primary/Secondary/Higher) as well as financing of universities. Research studies related to the present topic have been discussed in this chapter.

2.2 INDIAN STUDIES

Quite a good number of scholars in India have conducted their studies on financing of different universities in India. These studies have been discussed hereunder.


*JHA (1974)* conducted a study on the finances of the Patna University with the objectives (i) to study the sources of income and their relative importance; (ii) to examine the steadiness and adequacy of the income; and (iii) to ascertain whether the university was under financial stresses and strains which adversely affected its operational efficiency.
The study revealed:

1. The major sources of university finances were the state government, UGC, fees and other charges realized from students.

2. The grant from state government increased from six percent in 1947-48 to fifty three percent in 1952-53 and this further increased in recent years.

3. Income from examination fees was growing fast every year.

4. The rise in prices since 1962 had a very important influence on the university finances and from 1964-65, the university was running with increasing deficit budget except in 1965-66.


MATHEW (1974) investigated into the Kerala university finances. The major objectives of the study were: (i) to find out the main sources of income in terms of their relative importance; (ii) to examine whether the income derived was steady and adequate, and (iii) to ascertain whether the university was subject to any financial stresses and strains which adversely affected its operational efficiency.

The major findings of the study were:

1. The university derived revenue from university departments, grants from the state government, the UGC, the government, of India and from other sources.
2. There had been a rapid expansion of expenditure in the university due to frequent appointment of large number of employees;

3. More money was spent on examination than teaching and research;

4. The overall expenditure of the university increased by seventeen per cent per year;

5. The budget estimates largely remained the same over the period 1970-71 to 1973-74; and

6. In terms of finances, the university was in a state of stringency.


*MUKERJI* (1974) conducted a study on the finances of the Calcutta University with the objectives: (i) to study the sources of finance of Calcutta university with relative importance on each source; (ii) to examine the relationship between the state and the centre regarding university finances, and (iii) to ascertain if the university had been under financial stresses and strains.

The study conducted by Mukerji revealed:

1. Examination fees constituted the largest single source of receipt for the university. Next, in order, were grants from the state government, fees, income from capital founds, etc.;
2. The administrative expenditure remained stable around thirty three per cent between 1948-49 and 1969-70, but the salaries of teachers after reaching a peak of 33.12 per cent in 1951-52 fell gradually to 18.76 per cent in 1969-70, and miscellaneous expenditure remained stable around eighteen per cent.

3. Expenditure on academic aspects was often delayed due to red tapism.

4. The university did not have any format loyal support from the government in respect of financial liabilities although the institutional grant was becoming increasingly more important.

5. The trust and endowment funds went a long way to sustain the finances of the university of Calcutta.


Nigam (1974) studied the finances of Rajasthan university and the major objectives of the study were: (i) to find out the sources of income of the university of Rajasthan. (ii) to study the relative importance of these sources of income. (iii) to examine the steadiness and adequacy of the income, and (iv) to ascertain whether the university was subjected to financial stress that affected its operational efficiency and independence.
The major findings of the study were:

1. The different sources of finance were the fees, the state government and the UGC;

2. Due to phenomenal development of the university since 1962, there had been recurring deficit in the budget of the university

3. The government grant was found to be inadequate.

4. The adhoc grants to cover deficit was found to be unsatisfactory;

5. The fixing of non-plan maintenance grant was a welcome measure.

PANCHMUKHI, P.R.: 'ECONOMICS OF UNIVERSITY FINANCES', DEPARTMENT OF ECONOMICS, BOMBAY UNIVERSITY, 1974

Panchmukhi (1974) attempted to lay down the principles of economics of university finances of Bombay university. The objectives of his study were: (i) to define the objective function of the university in an operational sense; (ii) to analyse how the university attempted to attain its objective through raising and using resources; (iii) to inquire into the economic behaviour of the sources which contributed to the university; and (iv) to examine the resource using activity as well as resource getting activity of the university.
The major findings of the study were:

1. As regards the sources of finance, Bombay university needed to rationalise its attitude towards fee policy, endowments, extension services and publication.

2. Raising tuition and examination fees for more donations, more planned efforts at extension programme and rationalisation in pricing of university publications were thought of to be more productive sources of revenue for the university. There was much adhocism in the entire grant-in-aid policy to the university.

3. Income elasticity of expenditure was fairly high.

4. The financial position of the Bombay university could not be considered to be very satisfactory on the basis of financial soundness and in comparison with other universities.

5. Increase in the basic infrastructure proved to be a crucial factor in raising the functional efficiency of the university.


Nanjundappa (1975) investigated into the university finance with the objective: (i) to study the growth of revenue and behaviour of components of revenue; (ii) to study the growth of expenditure and behaviour of components of expenditure; (iii) to examine the allocation of available funds
among the different activities and disciplines, and (iv) to ascertain the financial relations between the university and the UGC and that between the government and the university.

**The major findings of the study were:**

1. The total revenue increased from Rs. 1.45 lakh (1949-50) to Rs. 177.85 lakh (1972-73) showing an average annual growth of forty two per cent;

2. The state government financed up to fifty four per cent, the income from fees shared thirty five per cent and the UGC shared four to five per cent;

3. There was a decline in the per capita grant indicating the comparative decline of university finance when compared to increased enrolment;

4. The total expenditure increased from Rs. 33,036 in 1949-50 to 2.23 crore in 1972-73;

5. The larger share of UGC grants in approved schemes helped the university to reduce reliance on the state government;

6. The economic-cum-functional classification showed that there was a non-optimal allocation of funds among the different items of expenditure indicating the utmost economy of expenditure to be imposed on general service.
Parashar (1981) investigated into the university finance in Madhya Pradesh. The objectives of the study were: (i) to provide a clear picture of the financial position of different universities in Madhya Pradesh; (ii) to discuss sources of income, their proportional contribution, limitations and trends in various universities in Madhya Pradesh; (iii) to identify the items of expenditure and emerging trends therein, and (iv) to estimate the unit cost in each university finances in Madhya Pradesh.

The major findings of the study were:

1. Formerly block grants were given to universities.

2. With the coming into existence of UGC, developmental grants began to be received sharing a matching grant by the state government.

3. The Uchha Siksha Anudan Ayog was established in 1973 to provide maintenance grants to the universities of Madhya Pradesh. But the state government enjoyed sole power and financial control over the universities. Thus, the Ayog could not develop into an independent body like the UGC and its function was reduced to that of a post-office.

4. The source of recurring income and recurring expenditure varied from university to university during the period of study. It was
highest in case of Sagar University and lowest in case of Rewa University.

5. Some major financial problems such as deficit financial position of universities of Madhya Pradesh, non-availability of maintenance grant, apathy of the state government to share financial burden, conventional budgeting, financial irregularities were observed.


Kumaran (1982) conducted a study to find out the cost of education in Annamalai university. The major objectives of the study were: (i) to analyse the revenue and cost of education, and (ii) to study the trend of growth in revenue and cost, the fixed base indices and chain relative indices with respect to major components/items of total revenue/cost.

Kumaran concluded:

1. The revenue at current rates increased from Rs. 12.03 lakh in 1947-48 to Rs. 114.66 lakh in 1978-79. At 1961-62 prices, the increase was from Rs. 18.90 lakh in 1947-48 to Rs. 34.55 lakh in 1978-79.

2. Academic fees (51.8 per cent) and income from other sources (endowments and grants-36.6 per cent) formed the major sources of revenue,
3. The administration cost and miscellaneous cost had fallen and academic cost had increased during the period.

4. The salary of the teachers formed 38.3 per cent of the total cost and the salary of the non-teaching staff 19.5 per cent, and

5. The per student total cost was high for the agriculture faculty (Rs. 2004.50) and low (Rs. 763.53) for the education faculty.


Jena (1983) investigated into the university finances of Maharaja Sayaji Rao University of Baroda and the objectives of his study were: (i) to examine the sources of revenue for the university; (ii) to study the operating expenditure of the university, and (iii) to examine possibilities of augmenting the resources of the university in terms of conventional sources and supplementary sources.

**The major findings of the study were:**

1. The share of state grants, students' fees and receipt from the university's activities constituted around 58, 32 and 10 per cent respectively of the university's income.

2. A trend of increasing reliance on grant from the state government was seen as the internal receipt decreased from about 50 per cent in 1970-71 to 27 per cent in 1978-79.
3. The grant-in-aid system was evolved through a process of confrontation, collision and persistent persuasion which was dissonance with the parameters of adequacy, efficiency, equity, elasticity and specificity.

4. The proportionate share of different heads of expenditure were faculties and institutions (71%), students' welfare (10%) and examination (3%).

5. The university had deficit budget throughout its existence.

6. The factors contributing to the recurrent incidence of deficits were: (a) inadequacy of state grants, (b) the mechanics of fixation of grants, (c) inordinate delay in the finalisation and release of grants, (d) conflicting perceptions of the state government and the university on usual expenditure, and (e) the high income elasticity of expenditure.


Aher (1936) critically analysed the university finances in Maharastra. The specific objectives of the study were: (i) to study the financial administration of the universities of the state; (ii) to analyse their financial working in relation to income from various sources including fees, grants from state and central governments, endowments, and (iii) to analyse the expenditure pattern.
The major findings of the study were:

1. The govt. of Maharastra has been paying block grants with 6 per cent increase over the previous year. From 1962-63 onwards, it was reduced to 3 per cent.

2. The state government had a discriminating grant-in-aid formula for universities. Among the universities, Marathwada university, Aurangabad university and Shivaji university were paid maintenance grants on 100 per cent deficit basis.

3. In 1980-81, the total recurring annual income of Maharastra universities was Rs.17.52 crore. The main sources of income of universities of Maharastra were government grants, fees, examination fees, hostel fees, library fees, publications, printing, endowments and miscellaneous.

4. Recurring annual expenditure of universities in Maharastra varied very widely in year 1980-81. The total recurring expenditure was Rs.19.30 crore, the highest being the Bombay university (Rs.5.25 crore) and the lowest being that of Shivaji university (Rs.2.97 crore).

5. The universities in Maharastra faced major financial problems like stringency of funds and wasteful expenditure.

Tewari (1986) studied the budget of Kumaun university for the period 1974-82. The objectives of the study were: (i) to study the amount of grants received by the Kumaun university and its expenditure on different educational programmes, and (ii) to examine the suitability of expenditure on different faculties and at different levels.

The main findings of the study were:

1. There was no consistent and rational policy underlying fixation of priorities regarding expenditure under different headings.

2. There was lack of planned development of various programmes of education.

3. There was no qualitative improvement in education during the period under study.

4. Per student expenditure in the faculty of science was the highest.

5. Per student expenditure in the faculties of commerce and law was quite low.

Rao and Mavi (1987) examined the financial administration of Nagarjuna university. They studied the financing, budgeting and asset management of Nagarjuna university.
The investigators came to the conclusion: (i) State
government, UGC, examination receipts and examination fees and other fees
were the different sources of income of Nagarjuna university. (ii) Government
was the main financing agency (60.6%) followed by, in order, examination
receipts, (27.0%), UGC (8.9%) and examination fees and other fees (2.6%).

_The investigators suggested:_

1. A well organised finance division was a pre-requisite for Nagarjuna
   university;

2. Internal audit department should be created;

3. Planning in terms of activities (performance budgeting) should be
   introduced;

4. The Management Information System (MIS) should be introduced
   which will facilitate the functions of not only the Vice-Chancellor but
   also of all the university officers and authorities.

_Balachander, K.K.: 'FUNDING OF STATE UNIVERSITIES
IN INDIA: SOME CRUCIAL ISSUES'._

_Balachander_ (1991) investigated into the
funding of state universities in India. The study revealed:

(i) The universities in India received funds from
   (a) Government (State and Centre/UGC),
   (b) Fees, and
   (c) other contribution (donation/ endowments).
(ii) The share of government was 70 per cent; fees (17%) and other contributions (13%) by 1979-80.

(iii) The state universities, especially the old, large and leading ones, were reeling under severe financial strains;

(iv) The state universities were saddled with huge budget deficits and many of them were frantically taking recourse to borrowings/overdrafts from banks to meet their current expenditures.

The researcher suggested:

1. The universities have not so far been successful in creating in the community an awareness of the constraints, pressures and challenges being faced by them. If they cast away their public and go in a big way to mobilise private non-governmental resources (including the help of the alumni), they will be able to avert, to some extent, further deterioration in financial crisis;

2. There is a need for a deeper probe into the administrative expenditure in the universities;

PANDA, N.M.: 'APPLICATION OF ZERO BASE BUDGETING TO INDIAN UNIVERSITY SYSTEM: WHY AND HOW?'

Panda (1994) made a critical study on the application of zero base budgeting to Indian Universities. He aimed at (i) to outline the rationale of zero base budgeting in the Indian university system; (ii) to
describe, in detail, the process of implementation; (iii) to evaluate the implementation by means of a SWOT analysis, and (iv) to draw some conclusions regarding successful implementation of the technique.

The study revealed:

1. Zero base budgeting, as a technique of planning, allocation and controlling, had the potential to have an impact on the structure and operations of organisation.

2. Zero base budgeting is very effective in the area of discretionary costs.

SHAH, K.R.; 'UNIVERSITY-INDUSTRY RELATIONS IN FINANCING HIGHER EDUCATION: SOME ISSUES'.

Shah (1999), in his study, attempted to answer the pertinent questions like; what should be the basis of the allocation of funds as between universities and colleges? How will it make the system more competitive and efficient?

Shah concluded:

1. The origin of financial crisis was traced back to the heavy dependence of education on government funds. Higher education has been heavily subsidised, making higher education a free good though it is a quasi public good.

2. The crisis is the creation of the government itself.
3. The free provision of higher education has turned out to be counter-productive in the sense that students (and parents as well) have not only lost faith in the system but started supporting the emergence of the parallel education system.

4. The involvement of industry (i.e. the private corporate sector) in financing higher education had rarely been considered so far.

The corrective offered by the investigator were: (1) The contribution of fees which had turned insignificant should be raised. This will generate extra revenue, lessen the government's burden and make students realise the value of higher education. (2) With the wake of globalisation and liberalization, the involvement of industry will be a step in the right direction. (3) On the premise that the financing of higher education should be a joint responsibility of students, industry and government, a scheme of financing marketable and non-marketable courses on the basis of 20 per cent allocation of funds to higher education out of 6 per cent of national income to be devoted to the education sector as a whole.

MISHRA, N.K. AND PANDA, N.M.: 'UNIT COST OF HIGHER EDUCATION: A CASE STUDY OF NORTH EASTERN HILL UNIVERSITY'.

Mishra and Panda (2000) studied the unit cost of North Eastern Hill University (NEHU). The unit cost of higher education in NEHU had been computed for the financial year 1996-97. In working out the unit cost of education, the formula recommended by the Pylee Committee
(UGC 1997) had been adhered to. The sources of information for computing unit cost of NEHU were Annual Accounts of NEHU for years 1995-96 and 1996-97.

**The study revealed:**

1. NEHU's per student cost both at the level of individual department and the institution as a whole, was much higher than that of its referent others and the administrative component of cost was greatly responsible for such unfavourable cost structure.

2. There was wide scope for curtailing cost at various responsibility centres through strategic and structural intervention.

### 2.3 STUDIES IN ORISSA

In Orissa, no researcher has so far attempted to study the financing of any of the universities of Orissa. However, Sahoo (1989 & 1999) has studied the financing of education in Orissa in his Ph.D. and D.Litt. works which have been discussed hereunder:

**Sahoo (1989)** in his Doctoral work, studied the educational planning and finance in Orissa for the period 1951-66. The objectives of his study were: (i) to trace the origin and evolution of educational planning in India; (ii) to trace the pre-independence and post-independence efforts in the direction of educational planning in India; (iii) to
spell out different priorities in educational planning for the First, Second and Third Plans; (iv) to trace the quantitative expansion of general education in Orissa from 1951 to 1966; (v) to study the allocation of resources for education for the first three plan periods in Orissa; (vi) to study the pattern of allocation of resources for the first three Plans in Orissa; (vii) to study the expenditure on education in relation to other social services in Orissa; (viii) to study the per capita expenditure and budgetary provision on education in Orissa, and (ix) to locate different financing agencies for education in Orissa.

The study revealed:

1. The major sources of financing education in Orissa were the government, local boards, fees, endowments and other sources. But the government met the lion's share.

2. The Plan expenditure increased from Rs.8.88 crore in 1951-52 to Rs.42.47 crore in 1965-66. The Non-Plan expenditure increased from Rs.1.25 crore in 1951-52 to Rs.6.46 crore in 1965-66.

3. The Plan expenditure on elementary education was 59 per cent of the total allocation during the First Plan, 47 per cent during the Second Plan and 72 per cent during the Third Plan.

4. The percentage of expenditure on secondary education was 15 in the First Plan, 20 in the Second Plan and 28 in the Third Plan.
5. The Plan expenditure on higher education was 3.2 per cent in the First Plan, 2.5 per cent in the Second Plan and 18 per cent in the Third Plan.

6. Education was one of the items in social services and this always received more than 50 per cent share.

7. The per capita expenditure on education was less than a rupee in Orissa in 1950-51 which increased to Rs.8.00 in 1965-66.

Sahoo (1999), in his D.Litt. Thesis in Education, studied the financing of education in Orissa during pre-independence (1803-1947) and post-independence period (1947-78). The objectives of the study were: (i) to study the allocation of resources on education during pre-independence and post-independence periods in Orissa; (ii) to study the pattern of allocation of resources (Plan-Non-Plan; Direct-Indirect) on education in Orissa; (iii) to study the sector-wise and item-wise allocation of resources on education in Orissa; (iv) to study the allocation of resources on education in relation to other social services in Orissa; (v) to study the sources of expenditure on education in Orissa; (vi) to study the impact of finance on the educational system in Orissa, and (vii) to suggest some alternative schemes of additional resource mobilisation for equating the need in Orissa.

The study was limited to primary, secondary and higher (Collage) education of Orissa. Different publications of the government,
Plan Documents, Education Commission and Committee Reports, Abstracts, Census Reports, Annual Administration Reports, Quinquennial Reports etc. were consulted for the study.

The major findings of the study were:

1. In Orissa, educational finance available in the pre-independence period was insignificant.

2. There had been a steady rise in expenditure on education in Orissa from 1947-48 to 1977-78 (Rs.0.78 crore in 1947-48 to Rs.72.97 crore in 1977-78).

3. Elementary education in Orissa received more Plan and Non-Plan outlay in comparison to secondary and higher education for the period 1947-48 to 1977-78.

4. Direct expenditure on education in Orissa for the period 1951-52 to 1977-78 varied from 60.8 per cent to 96.7 per cent and the indirect expenditure varied from 3.3 per cent to 39.2 per cent for the same period.

5. As regards item-wise direct expenditure on higher education in Orissa from 1951-52 to 1977-78, the government colleges received more grants and the government professional colleges received less grants.

6. As regards item-wise direct expenditure on secondary education, the government secondary schools received more grants (31% to
70%) followed by ncn-government secondary schools (17.6% to 68.4%) and local bodies (0.2% to 21.3%).

7. As regards item-wise direct expenditure on primary education, grants to government primary schools went on decreasing from 54 per cent in 1951-52 to 2.1 per cent in 1977-78. On the contrary, grants to local bodies went on increasing from 34 per cent in 1951-52 to 79.7 per cent in 1977-78.

8. Under 'indirect charges', the head 'Miscellaneous' received more funds in comparison to other items.

9. Education was one of the items under social services and this always received a lion's share (48.0% to 70.0%).

10. The major financing agency for education in Orissa was the state government. Fees and endowments occupied the second and third places respectively. The share of the local bodies was quite marginal.

11. Per capita expenditure on education in Orissa was always less than many states of India.

12. Budgetary provision on education in Orissa was less than many states of India.
13. Orissa had been able to push up expenditure beyond the target fixed by the Kher Committee (20%), but the central government had lagged behind the target of the Kher Committee (10%).

14. The average annual cost per pupil in Orissa was very low in comparison to other states of India.

2.4 CONCLUSION

The studies narrated above indicate that financing of Sambalpur University has not been studied by any scholar so far. Therefore, the researcher was fascinated to conduct study on this untravelled road rather than beaten path. Hence, this study is claimed to be the first of its kind in the State of Orissa.
REFERENCES


