CHAPTER VI

SUMMARY AND RECOMMENDATIONS

Higher education in India has expanded at a very fast rate, in terms of the number of institutions and enrolment, during the post independence era. This is in tune with trends all over the world. It is claimed that the Indian educational network is the second largest in the world. It is also claimed that India has the third largest pool of scientists and technologists. But despite this expansion enrollment ratio remains low at about 6 percent. Higher education in Kerala also has witnessed phenomenal growth in terms of number of institutions and the number enrolled during the last four decades. Despite this large growth, gross enrollment is only 3.7 percent which is much lower than the national average. It is also lower than that of most other states.

6.1 Global and Indian Context

The government is still the most important financier of higher education in both developed and developing economies. But adverse macro economic conditions and competition for public funds have
reduced the capacity of governments world wide to support higher education. Governments have introduced structural adjustment programmes to tide over the economic crisis in most of the developing countries including India. This has led to fiscal compression leading to squeeze on funding for education in general and higher education in particular. The view that higher education is not a merit good is gaining ground. This has affected state funding of higher education. For instance, the Government of India in its white paper on subsidies has argued for reduced subsidies to "non-merit" goods like higher education. The reduced funding for higher education is taking place when new demands are placed on it.

The determination of the optimum amount of money the state should invest in education is a difficult problem. Adequate revenue provides the possibility of producing a good educational programme, but does not guarantee it. Inadequate revenue, however, will almost certainly guarantee a poor educational programme. In the absence of continuous infusion of funds, the traditional structure on which vast amount of resources have been invested over a long period of time will be enfeebled and will go out of use. This is a social wastage of colossal dimension. Its inevitable consequence is the narrowing down of the human resource base.
6.2 Financial Crisis in Kerala’s Education Sector.

Kerala stands first among the Indian states as far as the share of state domestic product (SDP) set apart for education is concerned. The share of education in the state’s budget is also one of the largest among the Indian states. Even with this extent of financing by the state, expenditure on education cannot keep pace with the requirements of the sector because of the poor growth of the state’s resource base. Besides, the government of Kerala has been progressively reducing its budgetary share for education. This is particularly true of the share of education in plan expenditure. The share of higher education in the total educational budget has not been growing in consonance with the growth in demand for higher education following large school enrollment. As a result of financial strain, both quantitative and qualitative improvements of existing system of higher education have become impossible.

In the case of Kerala, the role of the central government funding agencies has also contributed to the financial crisis in education in the state. This is partly because, to them, Kerala is already developed in education. Very often these agencies are unaware of the actual situation in Kerala because only the positive side of state’s educational developments gets projected. As a
result, all Finance Commissions in the past have failed to provide upgradation and special problem grants to the educational sector in Kerala. It appears that the state is a victim of its successes in literacy and school education. But neither the Finance Commissions nor the Planning Commission has taken note of the qualitative dimensions of education in Kerala. Nor have they taken into account the urgent need for developing higher and technical education in Kerala, both in quantitative and qualitative terms. The flow of funds from UGC and other funding agencies to Kerala has also been drastically reduced partly because budgetary support to these agencies is coming down as the central government priorities have shifted away from higher education to literacy and school education. Secondly, co-ordinated efforts to seek more assistance from these agencies are not made by the government of Kerala, Universities and Colleges.

In the past, the private educational agencies used to contribute liberally towards the development of higher education. But these non-governmental investments have been coming down steadily. There has also been a steady reduction in funding of the educational sector by the local bodies. The contribution of fees has also been coming down drastically. All these changes have pushed up the government share in educational finance. But the state’s
capacity and willingness to spend more on education, particularly higher education are getting reduced.

6.3 Self Financing

It was under such a situation that the government of Kerala has been veering around from the 1980's to self-financing in education. It took a decision in 1993 to establish two self-financing engineering colleges, which were designed to recover their full costs from the students. With the introduction of self-financing education, the pendulum has swung from one extreme position to another in Kerala. From high degree of subsidisation, the pendulum has swung to 100 percent cost recovery. The present study has been an attempt to assess the implications of this 'U' turn in public policy towards funding higher education.

The advocates of self-financing education argue that at this time of government's fiscal crisis, the state's capacity to spend on education on the past scale is almost exhausted. It is pointed out that the state has reached the upper limit in regard to mobilisation of resources for public expenditure, that the deficit of the government has reached alarming levels, and that one of the causes of the fiscal crisis is the high level of public expenditure on social services in general and education in particular. On the other hand, it
is argued that the state will be taking a major risk if it changes its past expenditure pattern to solve its present fiscal crisis. It is quite possible that the state may lose its existing advantages, while the gains are uncertain.

A comparative analysis of regular and self financing engineering education has been carried out to understand (1) whether engineering education as a whole is appropriated by students belonging to high income groups and better social and educational background (2) whether the representation of students belonging to poorer socio-economic backgrounds has further come down as a result of self financing. It has been found that majority of students in engineering colleges are from urban areas. The only exception is SC/ST students. Likewise, majority of students except those belonging to SC/ST and other reservation categories are drawn from private schools. A vast majority of students have studied in English medium schools (except SC/ST and other reservation categories).

It is found that over 80 percent of engineering students have attended entrance coaching classes, mostly in coaching centres located in metropolitan and district headquarter towns. The students from municipal and corporation areas have a time and cost
advantage over those coming from rural areas and mofussil towns. Entrance coaching involves huge private cost. Entrance coaching is considered as an added advantage along with better secondary education in getting admission to engineering. Giving equal weightage to marks in the qualifying and entrance examinations was suggested by majority of students interviewed.

The socio-economic background of the parents like educational status, occupation status, and income play a very important role in influencing access of their children to higher education. Our study has shown that in Kerala engineering education provides only very little room for those students hailing from educationally backward households. The educational attainments of the parents of regular engineering students are generally high. But in the case of self-financing engineering students, the educational attainments of the parents are still higher. It has been revealed that 70 percent of fathers of regular students are graduates and above and in the case of self-financing stream the percentage is 82. Almost the same pattern is found in the case of educational qualifications of mothers.

The study has estimated the academic, non-academic and total costs of engineering education. The total cost for a regular hosteller
student comes to Rs.22520 per year. The annual cost of a self-financing hosteller student is around Rs.64156. The non-academic costs of regular students exceed their academic costs. Fees constitute only a small share of the total cost of students in the regular stream.

The distribution of engineering students according to household income groups shows that majority of students are from middle and high-income households. The analysis shows that 70 percent engineering seats are appropriated by middle and high-income groups. The low income and the lower middle income groups together get only 11 percent seats. But these high-income groups constitute only a small percentage of households in Kerala. The introduction of self-financing has made engineering education further inaccessible to the low income households.

The present educational policies of subsidization limiting it to fees alone are inadequate means for reducing inequality in educational opportunities. Our study confirms the finding that in many developing countries, redistributive tools such as subsidies favour the rich.
6.4 Suggestions for Financial Reforms

The discussion which follows is based largely on the experiences abroad. It is also based on my discussion with educationist and top officials of Universities in Kerala. There is no single blueprint for reforms appropriate for every country, because political and socio-economic conditions vary. Reform requirements too vary from nation to nation. The global experiences can at best serve as an indicator.

State funding has shown, over the years, fluctuations and, therefore, higher education institutions are involved in diversification of funding. These institutions all over the world are busy with enhancing their financial stability by tapping non-governmental sources. Many countries have achieved a high degree of success in resource diversification. This has reduced their dependence on public financing and their vulnerability to budget fluctuations.

6.5 Diversification of Funding

Multiplicity of funding sources is desirable because it helps safeguard autonomy and act as a buffer against government. Very often, the government funding may have strings and the
commitment of the government may change, with voter preferences. Just as there is wide diversity of clientele for higher education, funding diversity is in the best long-term interest of higher education. The diversity of funding is at the heart of the diversity of character and function of American higher education. American Universities and colleges get support not only from federal, state and local governments but also from many private sources such as churches, business firms, foundations, alumni, individuals, tuition fees, health services, hospital patients etc.

In Kerala, the diversity of funding came almost to an end as a result of government undertaking to meet almost all cost at all levels. The government did not really apply its mind when progressively encouraging indiscriminate subsidisation and extension of its role. Faced with fiscal crisis, the state today is compelled to reduce its investment in education, particularly higher education. This has resulted in the emergence of 'self-financing or cost sharing' higher education institutions which again go to the other extreme of single source financing.

6.6 Educational Agencies and Financing

Private educational agencies like Christian denominations, Nair Service Society (NSS), Sree Narayana Dharma Paripalana
Sangham (SNDP), Muslim Education Society (MES) have played a major role in promoting education in Kerala. These educational agencies used to invest a lot for the development of higher education, till the Direct Payment of private colleges was introduced in 1972. But thereafter, these agencies have reduced further investment in education. This gradual withdrawal comes at a time when a lot of investment is required to modernise, restructure and diversify the existing conventional higher education system in order to meet the present day requirements. The investment required for updating is negligible when compared to the existing infrastructure already built up by them. If further investment is not made, the existing infrastructure, on which vast amount has already been invested, will go waste.

The community and non governmental investment in higher education has been coming down partly due to the excessive regulations and control by the government. The price of government control is that the entire financial responsibility of higher education is now shouldered by the state government. Various Commissions appointed by government of Kerala to look into the functioning of Universities have come out with the recommendations to accord greater autonomy to private affiliated
colleges. But mere academic autonomy without financial and administrative autonomy cannot go far.

The governments in Kerala have been making unplanned shifts in its policy of funding higher education. In the nineties it abolished totally the already low fees for pre degree courses. In the same period, it started implementing the policy of self financing in education avowedly due to fiscal constraints. But there is a limit to self financing mode of financing. Self-financing can be implemented only in vocational, professional or other job oriented programmes. The beneficiaries are prepared to meet the total cost of education only because of the employment opportunities they get at the moment. The moment this type of education fails to provide employment opportunities, the attraction will fade out. Examples can be found in the Centres started by Universities in Kerala (other than Engineering) and the UGC sponsored vocational courses started in various colleges in Kerala.

Our study has shown that only the upper middle and high income households can afford self financing education. But according to the NCAER survey, the percentage of middle and high income groups in Kerala, capable of purchasing self financing
education, is only around five percent as against 14 percent for the country as a whole.

6.7 Resource Allocation and Utilisation

The government is the single largest financier of public higher education and, therefore, it is necessary that the allocation of these resources is well planned and is done in a transparent and efficient manner. The criteria for fund allocation should create incentives for the institutions to use the resources efficiently. In India, we still follow the method of negotiated funding, basing the allocation largely on the previous year’s allocation and providing for an increment. With the fast expansion of higher education and with the squeeze on education budgets, this mode of financing has proved to be inefficient.

The higher education institutions, in a number of countries are experimenting with input based funding. The unit cost, the enrolment figures and socio-economic levels of students are often taken into consideration for the allocation of funds. The result oriented funding mechanisms like output based funding and quality based funding have also been adopted in a number of countries. Resources are allocated on the basis of performance/quality. This could ensure efficient use of scarce public resources and promote a
healthy spirit of competition among the institutions. Higher education institutions are held accountable for their performance. In other words, the quality control mechanism of Universities are to be strengthened to become eligible for public funds.

Reforms like resource diversification and more efficient use of resources can be achieved only with greater institutional autonomy, according to the World Bank. Autonomous institutions are more responsive to incentives for quality improvement. Only when the Universities are given the incentives to generate and use the additional resources, the diversification process will become effective. In many countries, government concurrence is required for diversification and enhancement of resources and such restrictions create management rigidity and inefficiency.

6.8 Accountability and Funding

Generally, in our discussion on financial crisis in higher education, we talk more about cost recovery rather than on cost reduction. In the context of serious financial constraints in Universities, it is all the more important that strict control is maintained on expenditure. There is plenty of scope for expenditure management in our higher educational system. The bureaucratic procedures are strictly followed in our Universities
and institutions of higher learning causing inordinate delays and waste of time, energy and money. This requires to be changed. This in turn demands organisational and work studies. Some of the Universities in Kerala have carried out such studies but the suggestions made in the reports have not been implemented. A High Level Expert Committee appointed to study the financial position of the Cochin University of Science and Technology and to suggest methods to improve it, had identified a large number of instances where strict expenditure control is possible.

In the past, educators have done remarkably well in convincing large segments of tax payers that education is a worthwhile investment in people. But they have not done so well in showing the taxpayer, how much they have earned on the added investments. The taxpayer, at the moment, demonstrates displeasure, against any tax increase for education, because he is convinced of the inept handling and mismanagement of institutions of higher learning. This calls for urgent steps to improve efficiency, and to acquire the confidence of the people by higher educational institutions. This is the first step to enable government to mobilize a larger quantum of resources.
Higher cost sharing by students will certainly strengthen the financial base of higher education institutions. The extent of cost sharing varies between countries and the range is generally between five to forty percent of the total expenditure. The Indian model of 100 percent cost sharing by students is rather unique. The UGC and AICTE Committee Reports are important as far as mobilisation of resources are concerned. They have recommended a cost recovery of 25 percent of the recurring costs, which may be done in two phases.

Coming to Kerala, the cost recovery ratios in education have always been lower than in other states. Besides these ratios have been coming down sharply in recent years. The revision of fees has not taken place in Kerala, taking into consideration either the increase in input costs of education or the improvement in the students' capacity to pay. The per capita income has been going up considerably and therefore increase of fees as per the guidelines given in UGC and AICTE committee recommendations will not seriously affect the average households in Kerala.

The socio economic profile of the students, emerging out of our study, shows that a large majority of them can afford to pay higher fees. It is anomalous that sixty percent of the regular
engineering students, who pay only Rs. 1200 as tuition fee, are on par with the self financing students who pay Rs.35000 as fee and Rs. one lakhs as deposit. It may not be necessary that the elite regular students are to be subsidised to this extent. Higher education and the participants in higher education are not homogeneous and therefore they are to be treated differently. This calls for a differential fee system in higher education.

Even when 80 percent of self financing students and 60 percent of the regular stream students are capable of sharing the cost of engineering education, 60 percent of the regular stream students meet only 11.5 percent of the academic expenses paid by the self financing students who meet the full cost of engineering education. The gulf between these two streams is not so wide as to maintain this differential cost recovery. What is requires is a via medium solution. The 100 percent cost recovery is to be brought down to a reasonable level as far as self financing engineering studies are concerned. At the same time, the very low degree of cost sharing by regular engineering students must be enhanced to a reasonable level. What should be the meeting point is to be judged after taking into consideration the paying capacity of students, the scope for resource mobilization by the college managements,
Universities and the government’s own ability to subsidise educational costs

Even with the present level of subsidised fees, many potential students cannot afford engineering education as fees constitute only a small portion of the cost. There are non fee academic costs and maintenance costs. The present quantum of maintenance allowance under Kumara Pillai Commission Report (KPCR) and the eligibility limit are too low to be realistic. Equity should not be considered synonymous with equality. Spending the same amount on each student is evidence of equality, but it may not be equitable. Some students require greater help than others. The situation demands unequal treatment of unequals, because the Kerala society is stratified socially, educationally and economically. No one has determined exactly how unequally, should those with unequal needs or abilities be treated. It is really a difficult task and therefore, the general subsidy continues as an escapist solution.

6.9 Industry University Tie Ups

Education Commissions, right from Kothari Commission down to Punnayya and Swaminathan Commissions, have underlined the need for establishing a strong relationship between industries and Universities. The justification for mobilising resources for
higher education from industry lies in the fact that it is the largest beneficiary of higher education. The beneficiary sector may therefore be expected or required, under mandate, to contribute a percentage of the salary of their educated employees to University. Many countries have introduced pay roll taxes and graduate taxes. Many academic centers of repute like the Indian Institutes of Technology (IIT's) and Indian Institutes of Management Studies (IIM's), arrange their faculty to take up consultancy for industry, government and non-governmental organisations. The consultancy is considered not only as a source of finance, but also as a means for better interaction between University and industry. It is an opportunity to understand each other's problems and to give practical shape to the theoretical knowledge. Universities can take up sponsored research in science, technology and social sciences. Every department and every faculty member must be able to put to practical use the knowledge acquired and make such services available to industry. But all these call for updated facilities in the Universities and dedicated scientists and researchers, willing to make the best of the facilities available. There are a number of constraints, like the weak University-industry linkages, non availability of facilities, lack of orientation and motivation of faculty. These require to be removed.
Any programme for mobilising resources from non-governmental sources calls for a change in the mind-set of the Universities and government at all levels. The conventional style of functioning must be replaced. The present bureaucratic, hierarchical and centralised culture must change to a more decentralised management culture. The Universities have to imbibe industry's management style and culture.

6.10 Alumni Associations

Universities abroad have been tapping this source successfully. Some colleges in Kerala have been able to mobilise substantial amounts from their alumni. Help could also come in the form of equipments, computers, books, journals etc. They can also arrange consultancy and sponsored research. Many of them can contribute as visiting/guest faculty. But the most important task is to organise the alumni and to build up a strong relationship between the old students and their alma mater.

Summing up, our search for ways of mobilising resources for higher education leads to more than one possible solution. As there are more than one reason for the financial crisis a combination of solutions is more effective than a single solution.
The success of financial reforms in Universities and colleges depends on the governance model the government tends to adopt. Broadly, there are two governance models that governments can adopt for managing their system of higher education. The first is the state control model infringing on the autonomy of the Universities and colleges. This is the model which is being followed now in Kerala and in other states. The second model is the state supervision model. According to this model, the whole process of higher education is overseen by the state agencies like the Higher Council of Education in U.K. and National Council of Higher Education in Canada. The main purpose of the HCEs is to evolve perspective plans for higher education development. It could also involve itself in promoting co-operation and co-ordination among institutions, encouraging innovations in restructuring and upgradation of the existing academic programmes, augmenting additional resources, improving the standard of examinations, examining the University rules without prejudice to the autonomy etc. The international and national experiences indicate that these bodies can give useful direction and perspective to higher education. Some of the recent Education Commissions had recommended the constitution of these councils in the states. The neighbouring states of Tamil Nadu, Karnataka and Andhra
Pradesh have already formed such state councils. Kerala too has formed such a council. But it has not yet started functioning effectively. The present Inter University Consultative Committee is no substitute for a policy planning body like the Higher Education Council.