2.1 INTRODUCTION

The education plays a pivotal role in the economic development of country as it not only transforms people into civilized citizens of the nation but also brings considerable enhancement in productivity. It helps to satisfy the social and public wants. The higher education has a significant role in contributing to an increasing in gross domestic product; it is extremely difficult for notification. In other words, how for higher education contributes for increasing gross domestic product is in a difficult matter for estimation. Besides educated citizen the individual with higher education becomes a technical asset to the business industry trade and commerce. As a matter of fact in the modern days the expenditure on education and higher education is considered as a factor of human resource development. No wonder the education ministry has been renamed as ministry for human resource development (HRD). Given this background, the purpose of the chapter is to examine the financing aspects of education in general and the state government grants and the grants from University Grants Commission grant, from central government and own sources of the university in particular. For convenience this chapter is divided into the following parts. The main chunk of finance i.e., in part 1. state government grants are noted in part 2(a). Because the education and higher education is a state subject.

The grants from UGC which compliment the university finance in general are noted in part 2 (b). The central government grants to the state universities through various schemes/ programmes are also important. These are noted in part 2(c). In the process of self financing the universities have their own sources of finances such as fee, fine and endowments. The fact is that
there was a move for the establishment of private Universities. Accordingly the bill for cent percent financed private Universities Act in India is passed in the parliament. Therefore, the own sources of finance of the universities require a serious examination. Besides it is pertinent to note that the higher education (especially the professional education) may be treated as besides public goods but low less important as a merit good. In other words, recovering cost of education through the fees assumes greater significant. This has been accounted in part-3. They have to struggle for collecting fees, finance if necessary, taken private finance as a donation/ endowments in part-4. A critical evaluation of the general aspects of University finance is done in part-5. The summary and conclusion are noted in Part-6.

PART-1

General Aspects

Finance is the life-blood of University organization. It must be properly managed University financial management is concerned with the planning, organizing, controlling of procurements utilization and maintenance of finance. The subject matter for economists has been by and large considered to be any entity which maximizes its personal gains in a social set-up. Thus, the consumer is considered as an economic entity maximizing his utility. Economics thus can be the considered as a science studying the behavior of maximization of its personal gains in a social set-up either, utilities or profit, However, in any economy, a substantial amount of resources are consumed and a significant number of economic activities are generated, also by another types of economic entity, which can be described as an entity not interested in maximizing its personal gains or profits.

The University distinguish itself from the profit making institution in respect of the mechanic of its decision making as well while in case of the firm, the market process guides decision it is the practical process voting in a democratic set-up that guides decision of the University. There are council of
decision makers, the executive, the syndicate, the academic council etc. the
member of which have equal votes. In contrast to the firm where those are
money biddings in case of this no-profit institution the University there are
biddings by voters for different actions. The non-profit institution may adopt
the majority rules as a convenient from of the political process for decision
making. Majority voting may at times lead to indeterminacy depending upon
the number of voting members and their ordering.

There are several distinguishing features of the decision making of the
University in respect of the basic objectives, interaction of decisions of
decisions importance of distributional consideration in decision and the actual
mechanics of decision making. The character of the University has also under
gone a significant change. At present, it is an affiliating, examining and
teaching University with emphasis also on the conduct of research. The source
of finance of funds and spending agents are classified into two categories
public and private. The public sources of finance may be classified according
to the layer of the government and other public agencies. Private source may be
classified into the charges fees capitation fees, donation and other sources.

The central objective of economic activity in the broadest sense is the
conservation or increasing of economic resources for the purpose of improving
national and social welfare.

From the view point of finance there are two types of organization.
1. Self-financing
2. Budget-financing.
3. Self-financing organizations are those in which there is
   commercial profit motive.
4. Budget-financed organization is for public project and
government departments such organization is usually financed
out of public funds. University is one of the most important
educational institutions where budget finance is the major source of funds raising.

PART-2
Grants

The main source of University finance is grants-in-aid. The state or central government supply funds to universities along with certain conditions, like any government department, University also suffers due to the rigid financial units and ever rising deficits, in the government budget. In University every year demand for funds increasing due to heavy rush for admission raising and new demands for research for research and development.

The Gulbarga University has been receiving grants from the state government, the UGC and other government agencies like HKDB fund. Mechanics of grants-in-aid are different granting authorities and the mechanic also depends upon the item to be financed by grants. Different agencies like UGC, CSSR, CSSR, ICAR, ICHR and other extend grants to Universities many times in state sharing basis. Major portion of grant-in-aid is spend on the salaries, maintenance purpose and buildings. The government should spend more on locating and helping their talent regulating the spread of educational facilities, equalizing the level of faculties for higher education and persuading private financing. In orders to improve the utilization of the grants they should be released at appropriate time.

Government and its agencies are required to adopt liberal attitude towards University finances. At the same time University management should engage in continuous research and designing of new scheme utilization of funds.

Financing higher education has undergone significant changes both in magnitude and pattern with the coming in to existence of the UGC Universities
have varying records of current and development expenditure. Depending upon the size of the block grants given by the state/central government and the development grants given by the state/central government and the development grants given by the state/central government to match the financial assistance given by the University Grant commission they differ in their financial strength and stability\(^5\).

The appropriate mechanics of grant-in aid to the University on the basis of the normative and operating principles. Mechanics of grant-in-aid are different for different granting authorities and the mechanics also depends upon the item to be financed by grants. Hence the purpose is to examine the mechanic of state government grant and of UGC grants separately. The main source of public funds for higher education is the central government UGC planning commission the state government and the local government organization.

**PART-II(A)**

**2.2 SOURCES OF GRANTS**

Generally the grants were classified into four parts.

1. State government.
2. University Grant Commission (UGC).
3. Government of India
4. Other public Bodies are special scheme.

**2.2.1 STATE GOVERNMENT GRANTS**

The state government is responsible for the maintenance of the state Universities. The development of the state Universities, however the joint responsibility of the central government (acting through the University Grant Commission (UGC), Indian Council Social Science Research (ICSSR) Indian Council of Agricultural Research etc.) and state government. The maintenance as well as developmental expenditure is the responsibility of the state
government. The grants from the state government are broadly divided into plan and non-plan.

a) The plan grants refer to grants made towards the execution of scheme included in each five-year plan of the University or towards the execution of action plans sent to Higher Education Department of state Government.

b) Non-plan grants consist of block grants and grants for specific purpose. Normally block grants from the state government constitute the most important the block grants in fixed by the state government every year in State Government Budget bulk of the non-plan grant is account for the block grants. Generally block grants for general purpose constitute the major component of state government grants. Further, state government also bears a portion of the total cost of the University five-year plan schemes. In recent years the Hyderabad Karnataka Development Board also extending the financial assistance to the Gulbarga University for specific activities which are approved by the HKDB. Any contribution or grants made by the state government in section 41 of the Karnataka state Universities Act, 1976.

The state government also gives the grants in the form of developmental grant which is equal to the matching grants of the University. The developmental grants provided by the state governments Universities for creation of infrastructure facilities also constitutes major share in budget.

According to J.L.Azad the state government grants to the State Universities may be broadly classified into the following categories.

1. Statutory grants like the foundations/endowment fund etc.
2. Maintenance grants/block grants which are determined for a specified period.
3. Development grants which include provision of matching contribution in respect of UGC schemes.
4. State government which is responsible for all education including the Universities.

The establishment and maintenance of Universities is the responsibility of the state government”, besides, the central and the state government launched various schemes for providing financial assistance to educational institutions. Simultaneously the existing policies and procedures of government grant-in-aid to institution of higher education were modified. Generally two most important items for which specific grant are made by the granting authorities are i. Revision of scales of salaries of the University staff, ii. Purchase of books for the development of the library, Revision of salary scales were specifically covered by the grant.7

The separate grants to the general fund of the University post graduate departmental and other appears as a matter of an internal arrangement it has a significance of its own so far as the functioning of the department it has a significance of its own so far as the functioning of the department in concerned. And separate grants to the department and the library would introduce a sense of autonomy and a need for financial produce in their operations state grants are being made separately for the individual departments of the University. While during the earlier years general funds grants are important in recent year the state grants to the department have grown significantly.

The substantial expenditure towards maintenance and repairs of building by state government grants. The government directed to university to maintain a separate account of the building depreciation fund where the depreciation grant should be credited. It was maintained that part of the funds from the amount should be used for general purpose buildings. Every year the University has just kept on expecting a favorable decision in the matter. The Vice-Chancellor has early stated to the state government that in view of the deleted position of its general fund unless the government made substantial ad-
hoc grants it would be difficult for the University to accept any further grants offered by the UGC for its various developmental activities.

In the determination of the development grant the needs of the University should guide the state government. Also the government should try to equalize the educational opportunities and physical facilities in all the Universities in the state. Also the government should try to equalize the educational opportunities and physical facilities in all the Universities in state. An objectives criteria that could held the state in this regard should include considerations like student enrolment per capita expenditure number of colleges within the jurisdiction of the University age of the University, stock development grant/student ratio and state educational policy towards expansion programmes like post graduate centre and the Universities enrolment policy and development grant both by the UGC and state government have to be released according to set schedule to present escalation in costs. And proper guidelines have to be developed for optional inter functional allocation of funds and the preparation of the University budget adopting an economic-come-financial classification. It is useful to set-up a planning committee for Universities at state government level and planning advisory Board and a planning all cells at the University level. The state government which to make maintenance grants to Universities have a bigger say in respect of University finance. The state government which are primarily responsible for all education including the Universities. The establishment and maintenance of Universities is the responsibility of the state government.

According to P.R.Panchamukhi\textsuperscript{8}: the state grant to the University has emerged in terms of five types of grants.

1. Maintenance grants.
3. Maintenance grants to the Universities on scheme on which UGC assistance ceases.
4. Depreciation grants.
5. Improved salary scale grants.

1. **Maintenance grants:** the government decided in the light of the recommendation made by the Universities coordination’s committee that the block maintenance grants to all the Universities. The University is entitled to receive financial assistance to meet additional expenditures on account of payment of D.A to their administrative and teaching staff at enhanced rates as sanctioned by the government of its own employees.

2. **Matching grants:** The state government makes matching grant to University in the state on their development schemes which are financed partially by the UGC and for which UGC’s approval as to their cost and the basis of sharing it by the state government has been received. There grants were paid to these universities on the basis of the actual expenditure increase by the Universities subject to the conditions laid down by the UGC about the cost and sharing basis. This was the procedure followed regarding the schemes of development during the 2\textsuperscript{nd} and 3\textsuperscript{rd} years plan.

3. **Maintenance grants to the Universities on scheme on which UGC assistance ceases:** UGC’s grants for schemes of development ceases at the end of the plan period. As a part of the condition of grants, these schemes will have to taken over by the state government after the plan period. The state government marks, maintenance grants to meet the cost of such development schemes. For the payments of these grants the recurring expenditure incurred on the scheme. During last year of its recurring assistance from the UGC is taken as the base and every year to the grants increases.

4. **Depreciation grants:** The government started making separate grants for creating depreciation for the buildings. Such grants made every year have to be used for maintaining the building depreciation fund and they have to be utilized only for heavy special repairs for reconditioning of the buildings. The actual basis of calculation of the depreciation grants in percent on building construction.
5. **Improved salary scale grants:** with effect from 1966 April, revised salary scales have been sectioned for the University teacher on the recommendations of the UGC. The additional expenditures on this account has been reimburse to the University on a cent percent basis by way of improved salary scale grants for the years 1966-67 to 1969-70, in respect of the post of teacher and librarian existing on 01.04.1966 and which were not lying vacant for more than six months as an that date.

University is a non-income generating unit. It does not produce any products or services which can be sold in the market. In addition to grants-in-aid, University gets funds from tuition fees, income from publications examination fees, private donation, endowments, investments on securities, etc. Except grants-in-aid all other sources contribute a very little to the overall University funds as for as income from tuition and examination fees are convened, it is inelastic sources. The experiences of many Universities show that any increase in fees, however small it may be strongly, rejected by students.

**PART-II(B)**

2.2 **UNIVERSITY GRANTS COMMISSION GRANTS**

The university grants commission was established in 1956 with wide-ranging function in the field of higher education and one of its main achievements had been the expansion of facilities for research. The system of awarding research degree has been rationalized by introducing registration and supervision. The UGC’s main objectives are promotion and coordination of University education and the determination and maintenance of standards of teaching, examination and research in Universities. There are broadly two types of grants made by the UGC.

1. Plan grants which are made on the recommendation of the visiting committee for the plan period.
2. Grant outside the plan which are provided to the Universities for special programmes sponsored by the commission. Such special programmes that are financed so far are centre of advanced study scholarship and fellowship, travel grants, research grants for learned, work welfare programme etc. These grants are made according to certain principles, which vary from purpose to purpose and they are released in different in progress of expenditure to the submitted by the University. Besides, a doctorate or high University appointment and promotion and same research qualification is now needed for under graduate teaching also. A university teacher improves his qualifications if they can show that he has published a number of bloods and papers and that he has a large number of research students working under him, some times the number of such registration under a single supervisor is so large that the system does not work because no body works. Many of the registered student dropout before completing their assignment and sometime before even the preliminary steps have been taken. The Universities and the UGC publish impressive figures of the doctorates awarded but it will be instructive to collect the data about the appropriately lagged input output ratio showing the rates of dropping of stagnation and failure. This will also give a true picture of the effective average cost of producing research degree holder.

The UGC has the schemes which promote directly the PG training and research such as development of the PG teaching facilities, libraries, computers, assistance, scholarships, and fellowship etc. are in the highest priority of UGC’s its grants-in-aid programmes. For these UGC contribution is 100% of the actual expenditures. Normally for non-recurring expenditure on post graduates facilities such as buildings machinery and equipments, the UGC share is 66% with state government sharing the remaining burden.

The UGC bears entire expenditure against the academic staff; it does not bear ancillary expenditure, i.e. an administrative. Staff that many have to be appointed when the academic staff is appointed and UGC has been the major
sources of funds for capital expenditure for the extension of existing building construction of new ones acquisition of new equipments.

2.3 CENTRAL GOVERNMENT GRANTS:

The education and needless to say higher education is a subject coming under the concurrent list. That means for this besides state government, the government, of India owned responsibility for expense and development. This being show, the Union Government has no small responsibility for development of higher education in different states.

The central government provides funds to the UGC and in turn it provides grants to the Universities. The interaction between the centre and UGC is one of the mutual trust, respect and co-operation.

According to Pandit Nehru “The purpose having a higher powered UGC is to make them responsible for the division of the money available for the purpose among the Universities concerned, which means all Universities in India including the central Universities. For this purpose the commission should be practically autonomous. It is for the government’s to determine the total amount to be placed at the disposal of the commission for grants-in-aid to the Universities. In this matter the commission advice may be sought but the decision must be that of the government”. It is for the governments to determine the total amount to be placed at the disposal of the commission for grants-in-aid to the Universities. In this matter the commission advice may be sought but the decision must be that of the government. The government came to an opinion that Universities has failed to contribute sufficiently to the promotion of national economy, it replaced to UGC committee by Universities funding council (UGC) in 1989. The UFC has to allocate funds in accordance with financial memoranda laid down by the treasury and department of education and science.
The ministry must also play a dominating role in providing direction and the tone of development of higher education by making adequate investments in this area of importance which has a vital bearing on the social economic development of country\textsuperscript{10}.

Central Government which under the constitution of India is responsible for the coordination and determination of standards of institutions for higher education of research and scientific and technical institutions.

Grants from the government of India chiefly relate to research project (proved or sponsored by its various ministries). Scholarship and youth welfare improve the education in backward area. By and large the governments of India grant are an insignificant item in the finance of the Universities in India.

The central Government programme intended for the qualities improvement of higher education that is for providing additional buildings equipments, libraries, and laboratories etc. The emphasis should primarily be an providing assistance of a non-recurring character. This will obviate the difficulty experienced hither to by state installing over the financial responsibility of a recurring nature after the central assistance is stopped.

Programme which is improvement from the national point of view should be centrally assisted. This would means supporting schemes of post graduate education and research including what respondents in the questionnaire study have refried to as the centers of excellence. These programme of crucial importance which the central government may as well take over with the consent of the state government. Further, central government should also finance programme of national integration like the exchange of students and teachers among various University institutions study course etc\textsuperscript{13}. 

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Programmes of identifying and assisting talent, this would necessitate a large scholarship and fellowship programme particularly at the P.G. education and research levels. Providing assistance for the production of reference book text book in English, Hindi and other important Indian language.

The central government gives grant for maintenance of the institutions such as sharing in salary of the teaching staff development grant for building construction libraries, laboratory etc. Specific grants for specific scheme like library books. The central government also gives scholarship stipend and other financial assistance to the scheduled caste and schedule tribes who so in for higher education11.

The government of India gives proportional grants to the state for various schemes of educational development. If this proportion is half it is called a matching grant if whole a cent percent grant. The centre gave grants for specific purpose. This system of grant-in-aid had the advantage of being single and promoting development in desirable section on pre-determined lines.

The centrally, sponsored schemes were confined to programmes of research, evaluation pilot project and such other subject as were declared the responsibility of the centre by the constitution. They included pilot projects in examination reform educational and vocational guidance rural higher education physical education sports and youth welfare development of Hindi and Sanskrit education for the handicapped and programme of research and publication.

The expenditure on programme of educational development during a plan period is called development expenditure or plan expenditure for which the centre gives grant to the state. The expenditure on continuance of the programme of the previous plan is called committed expenditure standing or non-plan expenditure for which the centre given no direct grants. The latter grows gradually for year to year and plan to plan and has now become very
large almost four to five times as much as the former or the plan expenditure. The states are gradually finding it difficult to meet the committed or non-plan expenditure.

At the state level the local needs and political pressures so work up the government that the major part of the available resources are spent on qualitative expansion and the quality of education suffers, which has led to cry of falling standard form all directions. This again tends to emphasize short term and local interest in performance to the long term and national.

The Government of India started giving grant to Universities and scholarships to student for training and research in physical and applied science and reorganizing some technical institutes of higher education studies. The Centre Government gave proportional or matching grants or the whole cost of several educational projects and schemes in various states and maintained it own institutions and education in the Union territories.

Grant from the Government of India refers to funds received from the various ministries for under taking or implementing approved projects. Grants from the Government of India are for specific purpose only since the UGC is entrusted with plan financial grants frame the government, of India may be broadly divided in to the following purpose namely scholarship, youth welfare, research scheme and others.

The governments of India grants are provided mostly for research project and scholarship. As regard the research project supported by the Government of India the Project, supported are of particular significant from the point of view of national economic development. Family planning communication and research project and study of cost of cultivation of principal crops are two of the important ongoing research project finance by the government of India.
PART-III

2.3 FEES

In the process of financial higher education and making it self sufficient, the examination becomes not only last but most important activity for University. For financing higher education if at all examination at latest should be self financing the examination fees becomes important with discard to the grants from state government and UGC central Government including the fees, the endowment also very important sources of financing University education. The problems, difficult and scope for fees and endowment become very significant for financing higher education in India in the context of private University bill. The importance of these sources of pending University finance has been discussed below.

Fees constitute the largest single non-government source of University and college finances. Fees have been the second largest source of University income after government contribution. The fees contributed almost every third rupees to the total income of the Universities. It would be noted that although in earlier years, there was a wide scatter of contribution from fees to the University finances is later year fees contributions has tended to concentrate on intermediate ranges\textsuperscript{12}. The University has been collected the finance from examination fee, term the tuition fee registration fee, Ph.D. fee. Eligibility fee, affiliation fee, migration fee, and fees collected form colleges other fees.

In the recent years fees continue to the one of the most important sources of higher education finance in almost all the states of India. It is the intention of raising additional fiancés through this source prompted the planning commission to suggest the levying of an appropriate charge for education services, combined with a scheme that scheme of scholarship, free ship and loans.
As a purely fiscal device the proposal relating to the raising of fees is likely to prove attractive to persons concerned with educational finance because of it’s potentially to raise additional resources. In view of the fact however that it implementation will impinge upon a sizeable proportion of the student population its sociological academic and administrative implication do call for a closer examination.

2.3.1 TUITION FEE

The higher tuition fees would reduce the rush on Universities and colleges thus enable state government, to utilize their financial resources more for improving the quality of education than for expanding the institution simply to accommodate the even-rising enrolment. All P.G. students are required to pay tuition fees fixed by the University in colleges and colleges pay to the University its share of the tuition fees received from students.

The official fees rates for different P.G. facilities with the per student revenue expenditures by the University show that University spending substantially large magnitudes of resources on each PG students than the resources it is receiving from him. The ranks given to different department according to tuition income per student as percentage of per students revenue expenditures per student expenditure on teaching facilities, and per student expenditure and teaching and research in the respective department it is possible to understand the extent of subsidization of P.G. education defined differently. Higher the rank given higher will be the degree of subsidization as highest rank is given to the department for which the relevant percent in lowest.

The case for raising fees in higher education was made out on two counts.

1. The cost of education as on all goods and services has increased and, therefore the fees should also be raised.
2. The agricultural and business classes should pay higher fees since their incomes have gone up substantially.

There could be several types of fees in higher education, such as tuition fees, eligibility fees, examination fees, convocation fees, Application fees, library fees, laboratory fees, late fees, recounting fees, admission fees etc. the University education is considered as an economic good, then, whether this good is a private good to be sold in the market at a price or whether it is a public good to be supplied free to all which should be financed by the government out of its tax revenue. A public good is that good which according to must grave is characterized by the following two features Viz.
1. Non-excludability in consumption.
2. Non-realness in consumption.

The public good generates utilities which are interdependent. In other words the public good of the same quality enter in to the utility functions of all. It is this sense that it is termed sometimes an equal consumption

2.3.2 PRINCIPLES OF FEE RATE DETERMINATION:

The first basis for the fee rate determination would lead to profit maximizing output the second basis leads to an optional output where however in view of the declining cost schedule for University education all the cost will not be covered. The total revenue expenditure or academic expenditure per student the tuition fees per student are substantially lower indication a significant amount of subsidization of the cost of student academic pursuits by the university.

Receipts of tuition income depending upon the official fees rate the number of students receiving education and the number of students receiving free studentship. The fees receipts have not increasing proportionality to the increase in the number of students. This may be due to.
1. Larger increase in the number of non fee paying students’ or large number of free studentship.

2. Division of students from high fee rate course to low fee rates course.

As there are varying fees rate for different courses receipts factor causing changes in tuition fees receipts in the official fee rate and the mechanic of collection fees. It is necessary keep in mind a basic distinction in the collection tuition fee from post graduate department and from constituted college which also conduct some post graduate work. While the entire fee receipts of the University department accrue to the university only a portion of the conducting post graduate programme with the permission to the university accrues of the university.

RECEIPTS FROM EXAMINATION FEES:

At the higher education level examinations have been considered as a major source educational finances. The examination budgets of the Universities have been normally found to be surplus budget indicating that the examination fees are the very significant receipts sources.

1. The receipts from examination through fees from a major portion of the own income of Universities.

2. The examination budget is a surplus budget in the case of universities.

3. Collection from the examination to the own income of universities is much more than the contribution from tuition and other fees and also the auxiliary enterprises.

Receipts from examination have emerged as the main stay of the University as far internal resources are concerned. Examination in different faculties yield different amount of surplus since remuneration costs alone are allocable to different faculties the concept of surplus here means excess of examination receipt over remuneration cost. Some examination, the fees rates are higher in case of those students who have registered for a particular degree.
or diploma. For science examinations and examination involving particular the fees rates are generally higher.

OTHER FEES:

The receipts head other fees on the other hand has been by and large showing a rising trend. This head consists of given as below.

1. Fees for enrolment certificate
2. Fees for eligibility certificates,
3. Fees for migration certificate.
4. Convocation fees.
5. Fees for registration of graduates,
6. Fees for supply and verification of marks, is being included under the examination receipts.

Fees are an important source receipts which depends mostly on enrolment and rate of fees. During this period elementary education was made compulsory and a large number of students turned out to join secondary and higher education. Therefore, the enrolment increased considerably. Since the cost of living rose to fee rates were enhanced. Various types of fees charged the main being admission fee, tuition fee, library fee, laboratory fees, examination fees, magazine fee transport fee, hostel fee etc. the rate of each of these types of fees vary from state to state and sometimes from region to region within the state. The fee structure in government institution is fixed, but private institution it is varied by including other types of fees like building fees not institution, are often equal to these in the former but same times they are more are less than these prescribed for government institutions. Beside, games fees sometimes called sports or recreation fee and in some state realized towards an amalgamated funds is generally charged at rates ranging increasing the fees rate Rs.2=0, 4=00, 8=00, 16=00, 17=00 etc. per annum.
CAPITATION FEES

The system of capitation fees consists of payment of huge sums of money running in several thousands of rupees before admission is granted to a particular student. This payment will naturally made by the parents or guardians of the students. If the amount is received formally through it’s entry in the books of account and with the passing of a receipts to the payer then the system can be considered of formal system of capitation fees. The system has roused a lot of controversy regarding the principle of educational finance. Some of the higher educational institution in Karnataka took recourse to this method of financing medical and engineering education is particular. Since the capitation fee is invariably a very big amount being several multiple of the existing tuition fees the systems of capitation fees raises some of the fundamental issues in educational finance. The second way of augmenting resources for development of higher education is to make increased efforts for attracting private contribution, donation endowments etc. This source has been drying up quite rapidly, and it needs to be stimulated and revival, especially through the strengthening of college/University community relationship.

PART-IV

2.4 ENDOWMENT/DONATIONS

These refer to a sum of money, the principal of which is to maintained in fact and only the income of which can be used. Endowed colleges and universities means institutions supported largely from endowment funds. The income of educational endowment for trust is wholly devoted to educational purpose but religious and philanthropic endowments may also make provision for some allocations to education. The income from endowments is generally steady and almost fixed unless the principal sum is varied\textsuperscript{13}.

The major sources of finance for all types of education including university education happened to be the private sector in the past. The private sources of finance consist of fees of various types and donation and charitable
contributions. To briefly discuss some of the general of aspects of donations and endowment for higher education and them examine the relative importance of this source of finance. The role of endowments and donations for the purpose of financing the first level education has been very marginal and declining over the period. The measures to promote this source for the first level deserve serious consideration. The government role in financing educational institutions increased during this period and other sources of financing such as endowment funds, which had been an important source for quite some years, declined.

The undoubtedly benefited from the general and professional degree holder produced by the educational institutions. But their contribution to education institution in the form of endowment particularly to these institutions which are also supported by the government has not increased in the same proportion. This is somewhat anomalous. Normally industrial houses should have contributed voluntarily to the growth and development of higher education.

2.5 DONATIONS

University has to activate its programme of fund collection from private sources (donations). Donations to the educational institutional can be considered from two points of view.
1. From the point of view of the agency making donations.
2. From the point of view of the educational institutions receiving donations.

Donors are this sense can be considered as suppliers and educational institutions as the consumers of donations. It may be useful to examine motivation of the donors and motivation and responses of the consumers when a donation is made. Knowledge of these aspects of donational activity might
help in making adjustments in the public policy towards donations with a view to encouraging such contribution to education.

Profits are the gross earnings from particular enterprise minus all the costs of running that enterprise. The supplier fund in a capital market also has the objective of profits the rate of return of his capital. He would like to invest his funds that line of activity for which the present value of aggregate not benefit is maximum or the rate of return is highest. The donor on the other has distinguish himself from the usual investor of funds is that his objective function is not the commercial profit.

In fact one lists a down number of objectives of the donor when he makes donations.

1. Donations may be made purely out of philanthropic motives. Man being a social animal wisher to distribute his fortunes for the benefit of others thus he gets satisfaction on seeing the improved conditions of others.

2. Donations give some name and fame to the donor. Reputation may increase as the marginal contribution go on increasing. The society gives special recognition to the big donors. The status that the donor gets, and satisfaction that he gets there from, may be a powerful motivational factors. Since social status facilities procurement of some gains in the commercial sense such as, better job prospects to the dear ones, desired promotions, greater influence with key persons in the government to get the things done, etc. the objective of social status can be translated in terms of tangible items. Larger the variety of donations and greater the size of the marginal contributions to each item for which donation is made, greater will be the personal influence of the donor on the nature of educational development by the institution. In this sense the personal gain may be intangible in the sense of satisfaction by developing education according to his views, a development of education.
3. Alternatively, the objective of donations may be direct monetary gain in the form of fax advantages, for donation to charitable institutions like educational institutions are allowed as deduction for the donor while calculating the taxable income such donation income are exempted from taxation in case of the educational institution as well, as income of educational institution is tax exempt.

The quantum of fax advantages may determine size of his donations, if the former happen to form his objective function. Strictly in this commercial sense, the donor may wish to equate the present value of the fax advantage over his life time with the capital lost in donations. Obviously the tax advantage will be larger in a system of progressive taxation.

The donations to University have to be activated; a situation should be enacted when both the price of their acceptance and the cost of their supply are a reduced significantly at every level of donation. Maximum number of endowment exists for language, followed by the combined group of technology and engineering. Endowments, for medicine occupy the third place. From this, it appears that the donors have preference for conventional subject like languages. The university has to make more dynamic effort to attract donations from private sources for financing its developmental programmes. This might involve additional expenditures. In order to meet these expenditures and the increasing cost of administration of endowment the University may be authorized to a large claim in the interest income of endowment.

2.5 Philanthropic contribution

While private philanthropic has a sizeable contribution in the setting up of institutions and continuous to dominate the field the financial contribution from the private source is hardly commensurate with the institutional proliferation even the present rate of their contribution has shown a tending to diminish in proportionate terms. It has been found that the private bodies are
interested mainly in providing assistance of a non-recurring nature and not of a continuing nature. The possibility of any increase in the University finance through donations from private benefaction. Now, the private philanthropic contribution has declared over three years in India its importance as a potential source of University finance cannot be denied. It is, therefore necessary that efforts should continue to stimulate philanthropic contribution.

The following measures are suggested for harnessing private resources for especially higher education development.

1. Final measure; Tax exemption are already available, to a limited extent, to the private bodies for their financial contribution to higher education.
2. There should be central or state legislation to encourage private establishments to contribute a portion of their profits for higher educational purposes.
3. State grants-in-aid rules may be liberalized so as to encourage private bodies to establish educational institutions.
4. An effective measure of stimulating private contributions to educational development is to establish a rapport with the community around the institutions. The general body of people has not been made aware of the needs of the colleges and Universities with result that, except for some enlightened donors, they have not contributed to the development of educational institutions.

PART-V

If we look at the finance of University education in the general setting there are a number of emerging critical issues. For example the education and higher education being a state subject the state government has now uncompromising responsibility. The funding of state Universities is the responsibility in the state. As midway wife there is UGC with doubtless responsibility to improving academic standard and quality in higher education. The government of India has no less important responsibility toward higher
education. Because it is a subject coming under concurrent list. The educational institutions particularly University cannot wash off. There hand by simply saying that they have no responsibility of the finance. They have to struggle for collecting fees, fines, if necessary and endowment if at all they have to become self financing by way of evaluation these aspects are noted in the following.

Unlike the foreign method of financing higher education (cent percent cost recovery), in India not only education but also higher education is highly subsidized. In other words the cost of higher education is one greatly by the government (state and centre). With this respect with worthwhile to not that the state Universities are supported by means of grants generally given by state government as well central government (through the UGC).

The state government has a number of limitations for providing grants to the University. Maintenance grants to the University. Maintenance grants matching grants, maintenance grants to the universities on scheme on which UGC assistance cease depreciation grants improved salary scale grants. Likewise assessment of university for grant disbursement recommending and advising the university collection information data inspection, relationship between the UGC and Indian Universities. UGC and the Union Government procedure for development grant etc. No doubt the state government take very keen interest in the establishment of new university, the government India has fore more greater responsibility for maintain the Universities. This is done with the help of UGC. The UGC taken up only a part of fending through the grant. It is unfortunate that the institutions of higher learning are Universities are sandwiched between state government and UGC (Central Government). It is further unfortunate to note that there are money conditionalities for financing higher education not only for the state government but also by the UGC. It any University wants to upgrade the academic standard if is largely defeated by the procedure and conditions of state government as well as UGC. In fact the problems are so serious that every University needs a high liaison officer for
state government as well as the UGC. It is a simple think the University has to fight with state government for the release of monthly salary for employees. Similarly, to get a pie from UGC several visits to the office of UGC by the Vice-Chancellor are no wonder. For financing higher education the endowment and fees are no less imported. However, it is unfortunate to note that people have (rich people lost faith in education), because the higher education has failed in India to provide minimum needs to the people. Accordingly the business and industry don’t take much interest in financing higher education.

As matter of fact it is work to note that there is steady decline in endowment as source finance for Universities.

The fees (Tuition, Academic, and examination) have a various serious limitations. An increase in fees would lead to the student strike. Not only that in the highly subsidized system increase in fees is a greater recent to the society. The present object it is very seriously. Therefore it is not possible to increase the fees for the students. Any attempts to increases fees will be met by greater opposition by the students. There is no less politics in the process.

**PART-VI**

**SUMMARY & CONCLUSION**

The purpose of this chapter has been to detail explain the general aspects of University finances. It is clear understand that the University is essentially a non-profit making institution. The fundamental objective of university is to impact education to the people. It has also responsibility of providing skill and knowledge to the people in short, to create educated man power in the process of economic development. However, the principles of University finances are founded a different basic. It is totally founded by the public exchange. Accordingly, there are different sources from which University receive fund for its finances. The examination of different sources of finances clearly which that
There are grants from state government which are classified.

1. Maintenance grants.
3. Maintenance grants to the Universities on scheme on UGC assistance ceases.
4. Depreciation grants.
5. Improved salary scales grants.

1. **Maintenance grants**: The government decided in the light of the recommendation made by the Universities coordination committee that the block maintenance grants to all the Universities.

2. **Matching grants**: the state government makes matching grant to Universities in the state on their development schemes which are financed partially by the UGC and for which UGC’s approval as to their cost and the basis of sharing it by the state government has been received.

3. **Maintenance grants to the Universities on scheme on UGC assistance ceases**: UGC’s grants for schemes of development ceases at the end of the plan period. As a part of the condition of grants, these schemes will have to taken over by the state government after the plan period.

4. **Depreciation grants**: the government started making a separate grant for creating depreciations for the buildings. Such grants made every year have to be used for maintaining the building depreciation fund and they have to be utilized only for heavy special repairs for reconditioning of the buildings.

5. **Improved salary scales grants**: the salary scales have been sanctioned for the University teacher on the recommendations of the UGC. The additional expenditure on this account has been reimbursed to the University on a cent percent basis by way of improved salary protest.

The examination fee is also collected by the University. But unfortunately the exam expenditures exceed the amount of fees collected from students. Because payment of T.A. and D.A. remuneration, printing of question
paper and answer scripts require more amount of money that is collected from the students.

The hostel fees are generally meet by different organization. The students pay only marginal amount in the forms of room rent. The other fees amounts collected by the University are very small. Thus, the general analysis of the university finances attempted in this chapter brings out the significant paint which are noted in the following.

1. The important conclusion emerges about from the above is that the Universities are founded and funded by the state government. Therefore, the state government interference with the administration to the university. The most significant point is that the vice-chancellor is appointed by state government. No doubt some early going procedures are adopted, but from the top itself the autonomy of Universities is minded. There is enough politics in the process. Under these circumstances, the accident excellence Universities badly affected.

The UGC grants are very peculiar. They encourage for creating many activities. But these activities are financed only for a short period. Therefore, to maintain them in the process became the liability of the University. If there are more grants from UGC, the University has more responsibilities.

1. The fees cannot be increase, more amount cannot be collected and therefore the University have move financial burdens.

Fourth Scheme: UGC contribution is 50%,
- Recurring expenditure on P.G. facilities
- Development of diploma courses in engineering and technology both recurring and non-recurring.
• Staff quarters.
• Means hostel.

Fifth Scheme the special grant of stipulated amount by the UGC

• Utilization of service of retired teachers Rs.6000 pa 1000 contingencies.
• University health center non-recurring Rs.5000 to 100000.
• Student aid and fund grant equal to making contribution by the University up to 15000 pa.

The other peculiarly source of income to the University are the fees. The University imposes and collects various types of fees. These are broadly classified as the tuition fee which is collected for two terms in an academic year. But unfortunately this is a very small amount due to very low rate fixed for per term.

The University face economic, political and psychological problems for their for being the tuition fees amount because, a small increase in the fee creates the problem of protest from the students. There are many instances where the Universities have to yield to the pressure by students. There are also grants from the UGC grants. The UGC is interested in providing grants academic activities. These are constitutional relationship between the UGC, State Government and Universities. The UGC makes various types of grants. These include.

A. UGC assistance to Universities.
   a. Scheme for which the UGC contribution in 100% P.G. teaching.
   b. University departments which are centre of advanced study.
   c. Research/P.G. facilities both recurring and non-recurring.
   d. Engineering and technology P.G/ Research facilities.
   e. Library books.
   f. Research and learned work by teachers.
g. Publication grant for publication of learned by members of staff doctoral thesis and report of research project.
h. Computer assistance preparation of teaching aids etc.

B. Second Scheme
The UGC contribution is 75% and the state government contribution is 25%.

- Teachers hostels
- Women hostels (for men hostel UGC contribution is 15%)
- Employment of trained coaches.
- Construction of Gymnashium.

C. Third scheme
The UGC contribution is 66%, the State Government contribution is 33%.

- Non-recurring expenditure on P.G. facilities: The private donations endowments and charitable from burins’ organization don not increase with the increase in the University expenditures. Therefore, there are many problems with private funding of the University education. It may be concluded that, if universities education is separated as a private goods to be financed austerely by private finance this points out a separate problem which is essentially going. In particular, discrimination between different costs different social group and discrimination between poor and rich become very important.
Notes and references: