CHAPTER-7

GENERATION OF FUNDS & THEIR UTILIZATION

7.1 RESOURCE GENERATION WITH HELP OF IMC & ITS EFFICIENT UTILIZATION

Worthwhile steps are taken by IMCs for promotion of effective interaction between industries and institutes taking into consideration mutually beneficial strategies. ITIs/Engineering institutions are equipped with a variety of machinery, equipment, instruments, workshop facilities, gauges, computers, etc. It has been found that overall 25% of infrastructure is being utilised in ITIs. For mutual benefits of Institute & Industry it is imperative to use 80% to 100% of infrastructure available with them to enhance the resource generation by using it for part time courses. Also courses should be divided in morning & evening shifts so that institutes could run to maximum capacity. In the evening the workshops/labs should be shared with local industry on Public Private Partnership with active role of IMC.

Moreover, certain faculty members have academic and theoretical background as well as expertise in designing, planning and conducting new experiments. There is a scope for utilizing the infrastructure for research also.

7.2 GENERATE INCOME EARNING IN ITI'S

As State Governments seem to continue maintaining current low funding levels, IMCs should be encouraged to generate revenues through offering training and other services. The IMCs could play a key role in creating opportunities in ITIs to generate revenues through offering training and other services in the market. Given the difficult situation with equipment, buildings, courses and training materials, it is only the expansion of private funding with the help of IMC that can improve ITIs conditions and ensure healthy growth. Income-generating activities can only become realistic if IMCs are provided with necessary levels of operational autonomy in all possible areas. IMCs should be allowed to introduce student fees within the limits regulated by state Governments or the DGE&T. Given their solid reputation and better instructors and equipment, it is most likely that they would receive a considerable number of student applicants for the fee-paid courses. They should also be encouraged to develop some
training-cum-production activities. Entering into income-generating activities requires a completely new accounting culture in ITIs. They should introduce accounting rules applied in the private sector as well as professional accountants. This means that training and other equipment installed in ITIs should be treated as having amortization life while the process of costing training and production services should involve amortization charges for equipment and buildings. Revenues should be used to cover operational costs plus financing maintenance and replacement of the amortized equipment and buildings. This would help to avoid unfair competition with proprietary training institutions and to establish the amortization funds that will finance replacement of equipment and repair of buildings.

7.3 BUDGET ALLOCATION

The detailed break-up of annual budget under the heads of salary, building and repair, buying equipments, raw material, staff training and development, other major expenses shows that disproportionately large amounts of the funds allocated for salary payment to the institute staff. A survey conducted by FI shows that 50% of the institutes salary outlay for the year 2003-04 account for more than 90% of the total budget allocation.

Figure 7.1: Salary budget as a proportion of total annual budget
A detailed analysis of the budget of the participating ITIs shows that two key areas namely purchase of raw materials and staff training & development are severely neglected if one were to go by the allocations made under these heads. The table clearly brings out the highly skewed nature of the expenses towards salaries.

**Table 7.1: Budget allocation under different heads**

<table>
<thead>
<tr>
<th></th>
<th>Number of ITIs with an allocated amount in the year 2003-04</th>
<th>Proportion of ITIs with an allocated amount in the year 2003-04</th>
<th>Average proportion of budget allocated in the year 2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>63</td>
<td>100%</td>
<td>77%</td>
</tr>
<tr>
<td>Building repair</td>
<td>16</td>
<td>25%</td>
<td>7%</td>
</tr>
<tr>
<td>Buying equipments/</td>
<td>36</td>
<td>57%</td>
<td>5%</td>
</tr>
<tr>
<td>machines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw material</td>
<td>60</td>
<td>95%</td>
<td>6%</td>
</tr>
<tr>
<td>Staff training and</td>
<td>19</td>
<td>30%</td>
<td>2%</td>
</tr>
<tr>
<td>development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other major expenses</td>
<td>48</td>
<td>76%</td>
<td>6%</td>
</tr>
</tbody>
</table>

**Notes:**

1. The above table is based budgetary allocation for the year 2003-04.
2. Data for budgetary allocation for 2003-04 was provided by 63 ITIs out of the 69 ITIs that participated in the survey.
3. For the purpose of computing the average proportion of budget allocated under each head/category only the ITIs that had made allocation under the respective heads in the year 2003-04 have been considered.

As the above table shows nearly 77% of the budget of ITIs is on average allocated for salaries, leaving precious little for other expenses.

Another important finding to be noted is that while nearly 95% of the ITIs had allocated money for purchase of raw material used in the machines and equipment, the average proportion allocated under this head was a meager 6% of the budget.
Expenditure on staff training and development, which is an important area for any educational institution, was also found to be lacking in the ITIs. As the table shows, only 30% of the ITIs had allocated budget for staff training and development in the year 2003-04. Further, the average proportion allocated for staff training and development was a miniscule 2% of the total budget.

7.4 FICCI SURVEY

7.4.1 IMCs for improvement of Infrastructure in ITIs

IMCs to ensure a smooth transfer of ITIs to operational autonomy, their potential for improving operational efficiency should be strengthened. For selected ITIs, an overhaul of buildings and equipment should be conducted with the aim to write off the nonfunctional equipment and to free space for new programmes and increased enrolments. Also, lights, wiring, and internal walls should be reviewed enabling improvement in space utilization and working conditions. Since the rules for writing off non-functional equipment are extremely cumbersome, they should be reviewed by competent authorities. IMCs, planned to become autonomous, should receive some government resources to upgrade the training equipment.

7.4.2 The Revenue-Generating Schemes Adopted by DGE&T

In order to utilize the training facilities efficiently, the Government empowered the ITIs to conduct short (three to six month) courses in basic trades according to student demand for them. Between January 2002 and April 2003, there were around 6,560 youth trained on such courses. Training fees were maintained at around Rs.300-400 per course. These activities were implemented by the ITIs under the so-called pilot “Production oriented training scheme” which aims to facilitate the introduction of new trades and achieve some recovery of the public training expenditure. The ITIs, when delivering courses under the above scheme, charge students the cost of raw materials and equipment depreciation. The labour cost for delivering short-term training courses is based on Rs.50 per hour. The amounts earned from depreciation of training equipment, as well as the overhead charges, are credited to the state government budget. Half of the revenue earned towards wage-related charges is credited to ITI development accounts while the other half is distributed among the administrative and teaching staff. The development account can be disbursed only subject to the authorization of the State Director, Training, and a one-
year grace period is established before any expenditure can be made. In addition to student fees, ITIs may undertake production work, rent out premises and machinery, and undertake other reasonable revenue-generation, while using the fixed arrangements for distributing the revenue. They can recruit production experts if need be. When revenues are earned through training-cum-production activities, trainees also become entitled to part of the revenue earned. ITIs and the Government itself had an interest in ITI production, repair and services contracts from private agencies as well as from public institutions. Such contracts involve servicing air-conditioners and computers, production of wooden and iron furniture, etc. For implementing every training-cum-production work, a separate Working Committee was to be appointed in the ITI to ensure the flow of materials and semi-finished goods, payments and expenditures, storage and delivery. Participation in the above scheme was compulsory and each ITI was required to earn minimum revenue of 10 per cent of its budget. The revenue collected is said to be used by the Government for procuring modern training equipment for the ITIs and also be spent on other projects. The revenue is collected by the ITIs, with part of it remitted to the state government. So far the Government has collected around $25,000 (Rs.12 lakh) of such revenues. The Lok Seva Kendra Scheme provides short-term courses to promote self-employment. In order to efficiently utilize vacant training facilities, the Government has also introduced the self-employment promotion scheme that aims at ITI graduates, assists members of self-help groups under the SGSY scheme, as well as school drop-outs. The District Development Committees have been formed with the aim to determine skills development and employment promotion needs. At their request, the 113 ITIs that have their own buildings, became involved in the delivery of short-term training and training-cum-production courses for the above target groups. Groups of such trainees are requested to establish cooperative societies; this would enable them to use ITI facilities for production purposes. Special facilities are allocated for this purpose in each such ITI. The course duration varies broadly and curricula are designed by ITI staff without, however, any definite guidelines; this may, obviously, create a quality control problem. The participants of the Scheme are allowed to stay in the ITI for one to two years and should leave afterwards allowing places for new entrants. Such courses do not require high levels of general education and do not lead to the National Trade Certificate. Trainees are charged fees that are established on the basis of rules applied for the above revenue-generating scheme. Such courses are also conducted for
people who already work in the unorganized sector and who are willing to speed up their training or acquire some theoretical knowledge enabling them to sit for National Trade Test. Training is usually conducted in the evenings or at weekends. In the last 12 months, around 1,000 boys have received such training.

7.4.3 To Achieve Financial Self Sufficiency in ITIs

Following actions are required to be taken up in ITIs as per recommendations of IMCs for getting self sufficiency (Salary to permanent staff, Basic fees from students, Cost of infrastructure and its maintenance excluded):

- Industry Interface Cell to apprise industry about development plans and needs
- Industry Interface Cell to procure new used and obsoletes equipment from industries.
- Course sponsorship by Industry to get industry's help after convincing them of reduction in their recruitment and training cost.
- Job work from industries. (Handled by trainees and faculty)
- Special training modules for industries.
- Earnings from study materials
- To achieve 10%-20% self sufficiency
- Active Alumni Association
- Alumni Interface Cell- whereabouts of alumni
- Institute newsletter to ex-students
- Event sponsorships by industry

7.4.4 Probable Financial Resource for Institutes

1. Training cum Production Centre
2. Institute and Industries Interaction for giving training to industrial worker
3. Through Government fund
4. Donation from industrial Organization
5. Financial Aid from Alumni of the Institutes
6. Placement drives for industry

7. Trainees fees

8. Generation of funds by various ITI

7.5 ITI SOLAN

The Solan ITI has obtained ISO 2000 certification in institutional management; which is an indicator of internal efficiency at the ITI level. The Solan ITI has licences of government approved class ‘A’ electrical contractor and a pollution control certification licence (PUC). The students are trained on the job while the trainers and some of the alumni take up contracts of wiring and electrification of government and PWD buildings generating revenue for the ITI. Similarly, the students carry out the PUC testing and earn practically while the revenue is generated. The IMC has fixed a stipend for the practical trainings of the students which the industry pays the students and half of the amount is paid to the student while the other half goes to the IMC funds which are then utilised for the periodical upgrading and placement cells and other activities. The industry participation in the Solan ITI was found excellent even in the number of companies coming for the placement. The placement ratio is about 80% in this ITI for the past few years.

7.5.1 Generation of Internal Funds in ITI Solan

- After the formation of IMC, Internal Funds amounting to Rs. 8,33,626.00 have been generated by ITI, Solan till November 2005.

- Before the constitution of IMC, there was no revenue generation of internal funds.

Organizing of Free Pollution Check Camp for Vehicles in collaboration with M/s Sikand & Company, Solan:

- The Instructor and trainees of Mechanic Motor Vehicle Trade of ITI Solan have organized free Pollution Check Camps, 1 in year 2000 and 2 in year 2002 and 1 in 2003 in collaboration with M/s Sikand & Company, Solan and Motor Vehicle Inspector, Solan using the pollution check machines of ITI, Solan for petrol and diesel driven vehicles.
Before the constitution of IMC, there was no provision

Table 7.2: Year-wise bifurcation for Internal Revenue Generation

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2,375.00</td>
</tr>
<tr>
<td>2000</td>
<td>1,59,417.00</td>
</tr>
<tr>
<td>2001</td>
<td>1,23,737.00</td>
</tr>
<tr>
<td>2002</td>
<td>2,14,874.00</td>
</tr>
<tr>
<td>2003</td>
<td>83,190.00</td>
</tr>
<tr>
<td>2004</td>
<td>2,37,449.00</td>
</tr>
<tr>
<td>2005</td>
<td>12,584.00</td>
</tr>
<tr>
<td>Total</td>
<td>8,33,626.00</td>
</tr>
</tbody>
</table>

7.5.2 Utilization of IMC Fund

- Till November 2005, funds amounting to Rs. 1,20,038.00 have been used to purchase Computer Pentium-III, UPS-625 VA, 56 Kps, Extrem Colour Printer HP-640, Digital Scanner & Internet Connection.
- Till November 2005, funds amounting to Rs. 2,69,381.00 have been used to stipend for 672 trainees during One Month In-Plant Industrial Training.
- Till November 2005, funds amounting to Rs. 1,76,901/- has been spent on Labour Charges/ Honorarium to Trainees and Staff for doing different job work/electrical wiring work.
• Till November 2005, funds amounting to Rs. 14,973/- has been paid as Traveling Expenses to Staff for providing their services for various activities of IMC.

• Till November 2005, funds amounting to Rs. 38,216/- has been paid as Honorarium to Staff during one month In-Plant Industrial Training

Table 7.3: Year wise detail of utilization of IMC funds

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchase of Machinery equipments Tools</th>
<th>Stipend to Students for In-Plant Training</th>
<th>Honorarium to Students Staff for Job Work</th>
<th>Hon. To staff for In-Plant training</th>
<th>Exp. On TA of staff for IMC work</th>
<th>Misc. Exp</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>45,100/-</td>
<td>62,400/-</td>
<td>400/-</td>
<td>--</td>
<td>--</td>
<td>115/-</td>
<td>1,08,015/-</td>
</tr>
<tr>
<td>2001</td>
<td>11,225/-</td>
<td>47,360/-</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>58,585/-</td>
</tr>
<tr>
<td>2002</td>
<td>44,525/-</td>
<td>32,896/-</td>
<td>1,40,383/-</td>
<td>--</td>
<td>--</td>
<td>50/-</td>
<td>2,17,854/-</td>
</tr>
<tr>
<td>2003</td>
<td>13,225/-</td>
<td>28,425/-</td>
<td>23,950/-</td>
<td>--</td>
<td>--</td>
<td>1,259/-</td>
<td>66,859/-</td>
</tr>
<tr>
<td>2004</td>
<td>5,959/-</td>
<td>98,300/-</td>
<td>12,168/-</td>
<td>13,781/-</td>
<td>13,086/-</td>
<td>5,424/-</td>
<td>1,48,718/-</td>
</tr>
<tr>
<td>Total</td>
<td>1,20,034/-</td>
<td>2,69,381/-</td>
<td>1,76,901/-</td>
<td>13,781/-</td>
<td>13,086/-</td>
<td>6848/-</td>
<td>6,16,065/-</td>
</tr>
<tr>
<td>2005</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,435/-</td>
<td>1887/-</td>
<td>3612/-</td>
<td>29,934/-</td>
</tr>
<tr>
<td>G. Total</td>
<td>1,20,034/-</td>
<td>2,69,381/-</td>
<td>1,76,901/-</td>
<td>38,216/-</td>
<td>14,973/-</td>
<td>10,460/-</td>
<td>6,45,999/-</td>
</tr>
</tbody>
</table>

The following line chart gives the distribution of details of year wise utilization of IMC funds and revenue generated from them in years 1999 – 2005 from the ITI.

Figure 7.2: Year wise detail of utilization of IMC funds
7.6 IMPROVING EFFICIENCY THROUGH DELIVERING SHORT COURSES IN THE ITI, AMBERNATH

The approach to utilize the ITIs’ spare space and equipment and generate revenues through the provision of short courses could be illustrated by the experience of the largest ITI, Ambemath, Maharashtra. Short courses generate considerable revenues for this ITI. For instance, 118 students in the CNC training course generated more than 118,000/- while 70 participants in the computer hardware course generated 153,000/-. More than 2,400 students in the computer literacy course brought 38,52,000/-. The revenues have been spent on setting up a laboratory, development of a meeting hall, audio-visual facilities, a modern tools room, a CNC training centre. From all sources of revenues generated in 2002-03, this institution has been able to credit its development account with the amount of 21.3 lakhs. In Maharashtra, overall, some 44 short courses in electrical, electronics and TV, civil engineering, fashion design and dress making, art work, refrigeration and air conditioning, automobile, and computer trades have been developed and offered in the market in subjects that may not necessarily lead to employment or self-employment but also enable implementation of some work in households, or add some expertise to the existing personal competence.

7.7 SUPPORT OF LOCAL INDUSTRIES TO ITI BHUJ (GUJARAT)

Ashapura Group of Industries is sponsoring the two ITIs for train more trainees in short time by providing donation of approximately Rs. 10 Lac for Machinery and Equipments and recurring expenditure about Rs. 600/- and Rs. 300 to 600/- of stipend per trainee.

7.8 GENERATION OF FUNDS FOR SKILL DEVELOPMENT IN DIFFERENT COUNTRIES

Singapore uses a levy on the wages of workers to upgrade worker skills through the Skills Development Fund (SDF). The SDF was established in October 1979 with the objective of encouraging employers to train and upgrade the skills of their employees. The SDF does this by offering grants as an incentive to companies to defray the cost of training their workers. These grants are financed by collections from the Skills Development Levy (SDL). Under the SDL Act,
every employer, both local and foreign, is required to pay, monthly, a skills
development levy for each of their employee whose remuneration in any month is
Singapore Dollars 1000 or less. The rate of levy for an employee for any month is
1% of the remuneration or $ 2.00 whichever is greater. The Fund’s aggressive
efforts- to raise awareness of training among firms, to support development of
company training plans, and to provide assistance through industry associations-
have led to a steady rise in the incidence of training, especially among smaller
firms.

Other salient features of the SDF are as given below:

a) No skills development levy is payable in respect of any employee
whose remuneration is more than $ 1000 for any month. For the
purposes of the Act, “remuneration” includes wages, salaries,
commissions, bonuses, allowances and other emoluments paid in cash.

b) The term ‘employee’ includes casual, part-time and foreign workers
rendering services wholly or partly in Singapore. Employers of
domestic servants, chauffeurs or gardeners are also liable to pay the
levy. However, private individual employers employing any of these
persons wholly and exclusively for domestic purposes are not liable to
pay such levy.

c) The skills development levy should be paid to the Central Provident
Fund Board. Together with the submission of the return of payroll in
the prescribed form, the skills development levy for any month must be
paid by every employer within 14 days after the end of that month or by
such later date as agreed by the Singapore Productivity and Standards
Board (PSB).

d) Any employer who gives any false or misleading information relating to
the return on the payment of the levy or who contravenes the provisions
of the Act or Regulations shall be liable, if convicted, to a fine or
imprisonment or both. In addition, a penalty at the rate of 10% per
annum of the amount outstanding shall be imposed for late payment.
7.9 FUNDING OF TRAINING AT NATIONAL AND INTERNATIONAL LEVEL

7.9.1 South Korea

The huge investment in vocational and technical education is supported by the Ministry of Education by subsidising the cost of practical training laboratories, workshops and vocational schools. Also, there is large amount of funding from IBRD, OECD and other donor agencies. Many Trade Union Centres have education structures and programmes. These get financial support from national trade union bodies and public funds on mutually accepted criteria.

The financing is done through four categories:

a) Allocation from workers’ union funds

b) Funding from public revenue by State/Local bodies or through other agencies

c) Per capita payment from employers to union education fund

d) International agencies and other donor agencies

7.9.2 United Kingdom

Very few non-formal education programmes are from public funding. Fees often cover the full cost of the courses. 13% total public expenditure is for formal and non-formal education and training programmes, but estimates of share of private resources are not available. Department of Employment and Manpower Service Commission provide special funds for training of the unemployed. There is also assistance for formal training programmes from local education authorities.

7.9.3 Mauritius

1% of wage bill of employers is set apart for funding industrial and vocational training which is a training cess. All training programmes both formal and non-formal are to be approved by IVTB (Industrial & Vocational Training Board). For many approved training programmes, reimbursement of 30% of the training cost/fee is made to the employer. Besides, employers also get tax concession for an amount equal to twice the expenditure on training, which
reimburses 40% to 60% of the training cost, depending upon the income bracket in which the employer falls.

7.9.4 Australia

Further education is done through TAFE colleges and schools, which are run by the State Governments. Funding is from Central and State Governments.

7.9.5 Uganda

A very interesting initiative of providing support to small and medium-sized enterprises has been reported from the. The Uganda Gatsby Trust, through the faculty of Engineering of the university of Makerere, offers an integrated set of services to the SME sector of loans and advisory services by staff and students, partially through student and staff placements. This allows the Faculty to transfer their knowledge directly to the SME sector where it is most needed for local economic development.

7.9.6 Costing and pricing policy at BITS, India

The entire education will be conducted at the workstation by integrating work and learning. In case the industries have to pay the prevailing tuition fees of the institute for each of the employees to be trained. Further, the industries should provide, at their cost, classroom/laboratory/computer facilities and also nominate senior officers of the industries to act as mentors for the students.

7.9.6.1 Practice school

This activity is essentially initiated by the university for the benefit of practical training of its students and becomes part of the academic programme of the student. Hence its costing become part of the on-campus educational cost.

Indirect costs and direct salary and other salary-related staff costs. Institutions should prepare schedule of labour rates for the various categories of staff. Enterprise development can be geared either to the development of existing SME’s or to the creation of start-up firms, usually set up by an academic staff member or a graduate student to commercialize a university invention.
7.10 CONCLUSION OF THIS CHAPTER

Different techniques are being used world over for generation of funds for the technical institutes. As, the funding agencies to these institutes are generally concerned Government, but, now, these governments are shrinking their responsibilities and the resource mobilizations are being enforced by the institutes for self-sustainability. The IMCs in ITIs are playing a significant role in generation of funds for the institutes. IMC is a body formed with the collaboration of industrialists of the local area. Hence, different innovative techniques have been suggested and implemented by these industrialists to enhance the earning of these institutes with the involvement of students and staff.