2.0 Introduction

In this chapter the researcher propose to make a detailed survey of the literature on financing education in general and higher education in particular. The researcher has made an attempt in this chapter to review major available literature in the area of University finances, income and expenditure, problems faced by the Universities, economic reforms and financing of Higher Education and mobilization of resources.

2.1 University Problems

Universities have been facing a variety of problems ever since their inception more so after attaining social significance. In the early days, the problems were due to the increasing number of students and courses, and at a later period, they were due to lack of adequate finances.

While highlighting the problems of financing University education, Paramanand Singh (1975) found that ‘there was decline in the percentage of fees (from 52.6 percent in 1951 to 28.4 percent in 1967) and that the contribution of local bodies was almost nil and that of endowments insignificant’. The author suggested that ‘all available resources should be tapped so that per student expenditure can be recovered’.
S.K. Gandhi (1994)\(^2\) believed that ‘there has been a gradual decline in the quality of education, especially in the State Universities, mainly due to the paucity of funds’. He opined that “since the State Government funds are highly limited and incomes cannot be augmented by fee rise, most of the colleges and Universities have suffered from insufficient academic infrastructure, resulting in poor quality of education. There is a dichotomy in this country where very few centres of excellence like IITs and IIMs have been created whereas in overwhelming majority of colleges and Universities have failed to offer quality education”.

Amrik Singh, and G.D. Sharma (1989)\(^3\) states that “the depressing situation can be improved certainly by improving the financial position of the University and making it free from financial constraints on the one hand, and independent from other organizational controls in decision making on the other. That means Universities should be made autonomous not only in theory but also in practice. There is a strong belief that in the log-run, Universities and other academic institutions will fair much better if the issue of their autonomy is viewed as an organizational and managerial pre-requisite for the fulfilment of the nature of responsibilities assigned to them with regard to research, teaching and extension”.

Over years situation remains the same. Perhaps, the problem of financial crunch has been plaguing almost all the Universities. S.K. Gandhi (1994)\(^4\) has opined that “in the recent years almost all the Universities in the country have been facing a financial crunch. One
obvious reason is that there is a general dearth of funds compared to demands thereon from sectors of development”. He also felt that “the problem is more serious in the case of State Universities. The State Universities are expected to be funded by the State Government, but many of the State Governments are themselves facing a severe financial crunch”.

Lack of finance or insufficient finance is one of the most important problems that the Universities are facing and this fact is most prominently realized by everyone, concerned with higher education, and Universities. A.R.Lakshmanan (2000)\textsuperscript{5}, states “It is fairly well-known that some, if not most of the Indian Universities are being overtaken by financial crisis, and there is a general feeling that the sooner the seriousness of the situation is grasped by powers that be, the better”.

N.M.Munshi (1998)\textsuperscript{6} views the problems of the University as problems of management or of organizational development. According to him, “Indian Universities, for the last few years, are following the footsteps of sick units and University education lost its credibility. Barring a few, Indian Universities lament their unsuccessful story of lack of resources and unfavourable situations”. The author advocated that the real issue is management of University education – a problem not of ideology but of administration. He also stated that “the University organizational structure should be restructured in accordance with the requirements to minimize the square pegs in round holes”.

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According to S.P. Srivatsava (1999)\textsuperscript{7}, “of all the problems of our University system the one that needs mention first is the inability of most of our Universities to cope up with the rapid expansion in numbers of students, most of whom are not cut out for University education”. Srivatsava states that other problems of university are, “financial crunch, political interference, erosion of functional autonomy and continuously falling standards of education”. The author advocated adopting a new policy under which the expansion is done in a planned manner and consistent with the maintenance of high academic standards.

P. Geetha Rani (2005)\textsuperscript{8} has stated that a major concern in recent years has been the fallout of economic reforms and globalisation that is characterized by intensification of competitive pressures in the educational sector, in turn, de-emphasising the redistributive strategies. Equity comprises of two elements, i.e., \textit{access and financial support} to a number of socially and economically disadvantaged groups. They comprise students from rural and isolated areas, students with disabilities, women, and the first generation university students. Geetha Rani examines equity in terms of access to higher education and subsidies and incentives utilised by the students enrolled in higher education across different income groups both from rural and urban areas and across male and female students. The Indian government has encouraged augmentation of resources by higher educational institutions, especially to make good a part of the cost of education by way of full cost recovery from the students. Such
an approach has been thought of even in regard to public higher educational institutions. A comprehensive student support system must be in place when fees are raised. But, as Geetha Rani observes, the number of scholarship schemes and share of resources allocated to scholarships has been declining. Further, the new student loan programme, introduced in 2001, is insensitive to the needs of the weaker sections. Hence, she argues that an alternative loan programme must be evolved which is sufficiently flexible to suit the requirement of students. If the larger social objective of such a loan scheme is to encourage equal access and participation of the weaker sections, the cost of its administration would be higher than the actual amount of loans recovered from poor students. Hence, instead of loans to poor students, means-tested fee exemption and scholarships should be in place.

S.N. Hegde (1999) observes that, “It is the responsibility of the State and Central Government to take care of the payment of salary and allowances to the teaching faculty and administrative staff of aided institutions. By and large, this is satisfactorily met by these Governments. The problem is to find funding for developmental activities in diverse and emerging disciplines”.

Jean-Claude Eicher and Thierry Chevaillier (1992), observed that “throughout the world, the financing of education is in a state of crisis, a condition made even more acute by the simultaneous appearance of a doctrinal crisis with regard to the ends and the utility of education. For European higher education, the situation calls for
the diversification of funding mechanisms. The public authorities which up until now have born most of the burden of higher education financing must transfer a goodly portion of the burden to users, i.e., students and parents, and to the private sector”. The author opined that various methods for financial diversification are explored as well as different formulae for user-financing.

R.P.Saxena (1990) observed that “India with a current student population of around 4 million in its universities and colleges is the third largest system in the world after USA and USSR. The unprecedented expansion of higher education in India, which took place in the last four decades, has, however, been extremely uneven and resulted in the neglect of quality, research and managements aspects. The universities and colleges function much below their optimal levels and fail even to fulfil their minimum and basic tasks such as making admissions, completing teaching, conducting examinations, declaring results and awarding degrees on time. The very credibility of the university system stands eroded”.

He stated that ‘increasing government control, extra-constitutional pressures in their governance, appointment and dismissal of Vice-Chancellors on political considerations and drift of the academic community from serious academic pursuits have undermined the autonomy of the universities’. The paper attempts to analyse from macro-micro angles the causes for the decay of the university system.
The paper brings forth some of the important issues vital to the governance of the universities and highlights the need for a collective endeavour of teachers, students, educational administrators and government and rigorous system of performance audit to bring dynamism into the system.

K.V. Rao, G. Prasad, and Y.S. Kiranmayi (1987)\textsuperscript{12} stated that “Many of our universities are in deep financial crisis. They have viewed financial management as ways of getting funds from state governments and the University Grants Commission”. They have analysed the situation and made recommendations to universities, state governments, and the University Grants Commission on how to carry out the finance function more effectively.

\section*{2.2 University Finances}

Finances have significant implications in the administration of Universities. The nature, the pattern of financing, the sources of income, the pattern of allocation of finances and the methods of balancing have their impact on the organizational effectiveness of Universities in quantitative as well as qualitative terms.

J.L. Azad (1975)\textsuperscript{13} opined that “there were wide variations in the allocation of financial resources among different States in the country”. He suggested that “the present policy of adhocism in Government support should be replaced by rationally devised criteria. Further, the agencies financing Universities should have an in-built mechanism of mutual consultation and coordination”.

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E.T. Mathew (1980) also opined that “the plans (of expenditure) are not based on clear understanding of the developmental needs but are characterized by adhocism”. He observed that ‘as sufficient care was not exercised in formulating plans, there was yawning gap between the proposals and response as far as the quantum of financial assistance is concerned’. He concluded that ‘there should be a clear understanding of the development needs of the University’.

P.R. Panchamukhi’s (1996) paper on University Finances in India noted the fact that “all the Universities in India were confronting with major resource crunch”. He attributed this crisis to the lack of sound financial management. He suggested three principles as the basis for the financial management of any University. They were:

(a) The principle of adequacy of resources
(b) The principle of built-in flexibility of the resources
(c) The principle of autonomy in respect of resource mobilization and use

Panchamukhi reminded that ‘a University was not an earning institution like a firm, but essentially a spending institution. Resource mobilization by a University was possible, but only to a limited extent’. Panchamukhi also explored the causes of the financial crisis faced by the Universities. The following were the important causes identified:

(a) The unit cost of University education was very high but the per unit resource mobilization was relatively low.
(b) The unit cost had a tendency to rise faster than unit resource mobilization.
(c) The Universities’ own resources including fees were sticky in the upward direction.

Madanmohan Sharma (1992)\textsuperscript{16} after an in-depth study of Financial Management of Universities, suggested that “Universities have to be encouraged to raise their own revenues and, for this, Government grants are to be determined on the basis of expenditure incurred in the previous year minus internal income while fixing grants”. He recommended several measures for improving the Financial Management of Universities, like adequate funds, flexibility in the allocation of Hinds, timely allotment of funds and performance budgeting.

According to Nicholas Barr (2009)\textsuperscript{17}, “the finance of higher education faces a clash between technological advance, driving up the demand for skills, and fiscal constraints, given competing imperatives for public spending. Paying for universities is also immensely politically sensitive”. In the paper, Nicholas Barr sets out core lessons for financing higher education deriving from economic theory, including the desirability of loans with income-contingent repayments. Subsequent discussion includes a general strategy for OECD countries derived from the theoretical analysis, and reforms in England in 2006 which illustrate the strategy. The author concludes with discussion of the appropriate role of government in higher education.

With regard to State Government’s contribution towards University finances, UNESCO (1995)\textsuperscript{18} expressed concern over the reduction in State contribution to higher education. The Report states
that “State and society must perceive higher education as a burden on federal budget”, and that “public support to higher education is essential in order to ensure its educational, social and institutional mission”. Further, ‘Universities, by accessing people to higher education, can render themselves to be a part of any sustainable development programme in which higher level human expertise and professional skills are required’.

P.H.Sethumadhava Rao (1996) after studying higher education from 1947 to 1996, concluded that “institutions of higher education should think in terms of generating their own resources so as to reduce dependence on State funding”. According to Rao, ‘higher education needs to be updated so that decisions can be taken quickly apart from following different strategies of development and adopting innovations. As such, the Universities should depend less upon state funding and more upon their own generated resources’.

S.G.Gupta (1998) opines that “Financial Management is necessary for University organizations as in the case of other organizations. University finances are funded by and large, by State Government and philanthropists. But they need effective administration. The efficient management of funds has a bearing on academic and administrative functions of Universities”. Gupta finally suggested that ‘if the Universities manage their financial resources properly, they can hope to achieve their objectives’.

The introduction of self-financing method of resource mobilization in the Universities, particularly in the post-liberalization
era, has helped some to come out of the financial crunch while others, particularly those with severe financial crisis, have suffered because of this new policy. The latter is true in the case of State Universities while the former is true in the case of a few Central Universities and high level institutions. “After liberalization, funds for different Universities were curtailed by the UGC in the pretext of ‘financial crunch’. State Universities were the worst sufferers as the matching grant from the State also got reduced in proportion to the grant received from the UGC. Consequently, expenditure on research programmes, laboratory equipment and library facilities were lowered as the expenditure on establishment could not be reduced”, according to Subodh Dhawan (2000)\textsuperscript{21}.

The self financing scheme can improve the financial position of the Universities and enable them to autonomously pursue their own educational programmes. According to S.F.Patil and R.M.Kothari (2000)\textsuperscript{22}, “The Universities would be made self-reliant in monetary resources so that no programme targeted towards academic efficiency and excellence remains thwarted due to lack of finance and apathy/delay/denial by the financing agencies”.

J.B.G.Tialk (1997)\textsuperscript{23} narrated the dilemma of reforms. His study was made in the light of national and international experiences. The study noted that “higher education in India was experiencing significant stress in the field of financing, especially after the implementation of the New Economic Policies from 1991. As a result of the Structural Adjustment Programme (SAP), public resources for
higher education have become increasingly limited. The proponents of SAP advocated that more private investments, including inflows from abroad would augment resources for higher education. On the contrary, these reforms created severe financial crunch”. The study highlighted a few trends in financing higher education in India.

1. The total expenditure on higher education increased remarkably in the years that immediately followed independence.
2. The priority given to higher education later had been steadily falling.
3. In the 1980s, the growth of expenditure in higher education had been showing erratic trends.
4. The 1990s saw a period of austerity and higher education suffered most because of it.

Tilak also mentions a number of major policy prescriptions that were put forward by influential international organizations like the World Bank, International Monetary Fund, etc. The author enumerates them.

(i) Reduce the state expenditure on higher education (subsidies)
(ii) Increase fees in higher education substantially (cost recovery)
(iii) Along with the enhancement of fees, introduce efficient scholarship schemes
(iv) Introduce students loan scheme
(v) Reduce the demand for higher education
(vi) Concentrate all efforts on basic education until it is universalized
Tilak examines each one of these prescriptions in detail and refutes them one by one as they are impractical. The author also sees these prescriptions as an attempt to enslave the developing nations to the intellectual hegemony of developed nations.

S.D. Tripathi (2000) felt that “the time has come when the institutions of higher learning have to find their resources to keep going. The Government cannot support them forever. Their financial dependence on the Central/State Government must be reduced to a minimum level”. That means Universities have to generate their own resources so that their dependence on Government for financing their educational and developmental programmes is reduced. For this, the Universities have to explore methods of generating finances through starting different educational and training courses which are in vogue and required by the people. The author felt that “One of the methods which the Universities have adopted is to start a few job-oriented, self-financing courses and charge reasonably high fees for the students joining these courses”.

In India particularly in the case of State Universities, the States contribute significantly towards the finances. D.M. Nanjundappa (1975) found that “in the case of Karnatak University, the inflow of funds is 50 per cent from the State Government and 35 per cent from the students fee and the rest of 15 per cent from the other resources like charitable institutions. However, the per capita grants have declined”. 
P.R. Panchamukhi (1977)\(^{26}\) expressed the opinion of making serious attempts to tap the private source of financing for developmental programmes in higher education. He felt that “the fee income has to be progressively enhanced by formulating imaginative plans and widening the scope of extension courses in the budgetary system”.

After a careful study of finances of Andhra University for a period of about fifty years, G. Subramanyam (1982)\(^{27}\) found that “the State Government’s share constituted over 90 percent, and that academic source of income constituted eight per cent of the total income while the rest of the income from non-academic sources”.

E.T. Mathew (1980)\(^{28}\) also feels that expenditure is an important aspect of University, because “University is an academic institution. As such its predominant concern should be teaching and research. The importance which a University attaches to its academic objectives can, to a large extent, be measured” in terms of funds which it provides for teaching and research.

Moories Raza (1982)\(^{29}\) pointed out that “the patterns of recurring expenditure on higher education, including on Universities, Deemed Universities, institutions of national importance, research institutes and other institutions awarding degrees, indicated that the payment of salaries constitute about 68 per cent of the total expenditure on higher education, while the expenditure on equipment, apparatus, chemicals etc., was estimated to be in the range of about three per cent”.

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The analysis among three different Universities, Moories Raza states that “the expenditure on salaries of teaching and non-teaching staff has generally declined in all Central Universities and Deemed Universities, whereas the same has risen in State Universities. The pattern of expenditure also indicated a rising trend in respect of payments of salaries to academic and non-academic staff. The share of salaries constitutes about 60 per cent of the total expenditure of Universities”.

Nicholas Barr and Iain Crawford (2004)\textsuperscript{30} in an article titled, “Financing Higher Education: A Universal Model” tells the story of the United Kingdom debate on financing higher education, illustrating a head-on collision between the economic imperatives of student loans and regulated market forces, and the political imperative of ‘free’ higher education. In telling the story of the partnership of an economist and a political professional, the book offers lessons about both policy design and the politics of reform: of particular relevance to countries which have not yet addressed the issue, including many OECD countries, the more advanced post-communist reforming countries and, increasingly, to middle-income developing countries.

John Sheehan (1997)\textsuperscript{31} in an article gives a broad outline of policy issues in the financing of higher education given the major quantitative expansion of higher education in recent years, its diversification, financial constraints, internationalization, democratization, globalization, regionalization, polarization, marginalization, and fragmentation. Policy options bearing these trends in mind should be judged in terms
of efficiency and equity, bearing in mind such basic sources of funding as taxpayers, students, parents, and higher education institutions. Regardless of the source of funding, the single most important policy issue facing those concerned with overall policy responsibility for the operation of higher education systems is the proper formulation of the rules and mechanisms used to allocate resources from governments to institutions. According to the Author, “the various financial mechanisms are classed according to four principal dimensions: institutional/student finance, full/partial finance, budget/formula finance, and input/output finance. Choosing the right funding formula is a complex process that is always beset with the need for trade-offs for various reasons”.

The paper of Fang Zhao (2001) explores the effects of diversification in financing sources upon quality of higher education. The author found that “there is no evidence indicating that a diversified financing pattern improves the current stringent financial situation of higher education. The funding deficiency has affected not only higher education infrastructure but also quality of teaching and learning”. ‘Paying the piper and calling the tune’ is clearly threatening the integrity and academic independence of higher education as sponsor funding increases. The linkages between universities and industry initiated mostly for economic and funding reasons have brought to both parties benefits as well as concerns in terms of quality. This author holds the view that “assessment of higher education quality should go far beyond quantifiable indicators upon
which funding is based. Quality of higher education should be evaluated based upon its achievement of both economic and social goals, and on both short-term benefits and long-run interest of a nation”.

J.L. Azad (1976)\textsuperscript{33}, observed that “the contribution of tuition fees to the income of higher education institutions in India is reviewed against a background of inadequate financial support”. He suggested a differential system of tuition fees under which students not deemed suitable for higher education would be admitted to universities or colleges subject to payment of tuition fees which reflected the full costs of their higher education.

In an article, “Financing higher education in India: principles, practice, and policy issues”, J.B.G. Tilak (1993)\textsuperscript{34}, states “the financing higher education in India has been a complicated problem due to theoretical and practical problems. It has been largely a state funded activity with about three-quarters of the total expenditure being borne by government. The shares of non-governmental sources such as fees and voluntary contributions have been declining. At the same time the needs of the higher education system have been growing rapidly. It is being increasingly realized that public budgets cannot adequately fund higher education, particularly when sectors of mass education are starved of even bare needs. Hence of late several policy proposals are made, including ‘privatization’”. This article critically reviews these proposals, and argues that the Indian higher education system is not yet ready for ‘privatization’. At the same time the need for
experimentation with several alternatives, including student fees, students loans, graduate tax, and privatization in general is emphasized.

This paper is an attempt to analyse the present pattern of funding higher education in India and to discuss the desirability and feasibility of various alternative methods of funding the same. Higher education in India is basically a state funded sector. But as higher education benefits not only society at large, but also individuals specifically, and as it attracts relatively more privileged sections of the society, there is a rationale for shifting the financial burden to the individual domain from the social domain.

It is argued by Tilak that given the resource constraints and equity considerations, financing higher education mostly from the general tax revenue may not be a desirable policy in the long run. Accordingly some of the alternative policy choices are discussed, including financing higher education from the public exchequer, student loans, graduate tax, student fees, and the role of the private sector. Among the available alternatives, it is argued that a discriminatory pricing mechanism would be relatively more efficient and equitable. While given the socio-economic and political realities, the government has to continue to bear a large responsibility for funding higher education, instead of relying on a single form of funding, efforts should be made to evolve a model of funding that provides a mix of the various methods. It is also argued that fee and
subsidy policies need to make distinctions across various layers and forms of higher education.

J.B.G. Tilak (1991)\textsuperscript{35}, in an article states that confronted with declining public budgets for education on the one hand, and the need for more resources on the other, many developing countries such as India, have been examining alternative methods of financing higher education. One such mechanism is student loans. He observed that student loan programme is not a new phenomenon in India. The National Loans Scholarship Scheme has been in operation since 1963. This article critically reviews the experience of implementation of the National Loan Scholarship scheme. The writer examines strengths and weaknesses and problems specific to this programme in India, with a view to identifying measures for marginal improvement in the programme. He concludes that at present student loans make little contribution to either the efficiency or equity of higher education in India.

In his article, Maharaja Krishen Kaw (2005)\textsuperscript{36} describes four main avenues for financial resources in higher education: government financing, support from multilateral funding agencies, private sector, and foreign initiatives. The author recommends that the credentials of every private or foreign player on ideological consideration should not be doubted. Bridges need to be build between different systems to enable the free movement from one to the other with credit transfer. Deemed and private universities should be encouraged. Of course, strict adherence to norms is a sine qua non. Constitution or
regulatory authorities be vested with powers even to close down institutions, if so required, has been advocated. There is need for a Central Act to regulated foreign universities operation in India, the author proposes.

M.M.Ansari (1994) felt that in the context of ongoing economic reforms; at least two important questions are to be dealt with. One relates to internal efficiency of universities which essentially refers to allocation and management of resources in a manner that ensures cost-effectiveness of educational programmes; and the other relates to external efficiency of universities which broadly refer to the quality of teaching and research programmes and their relevance to the needs of contemporary society and economy. This paper discusses about the financial situation of the higher education in the country and suggests some viable strategies for funding the higher education. Ansari, the author, argues that for bringing qualitative improvement in the present higher education system, financial reform is a must. The prevailing system of financing universities by the centre and the state governments allows for the simultaneous existence of the best or worst performing university departments. The funds are provided on the basis of the past trends rather than the realistic requirements for planned programmes or the performance of the universities as judged from their quality of teaching and research. The author suggests following measures to economize the expenditure.

- Reduction in non-academic expenditure
- Optimum utilization of infrastructure
• Sharing of facilities
• Economizing expenditure on examinations
• Reducing the cost of admissions to different courses
• Diverting students to Distance Learning System

Apart from this the author also suggests some dynamic strategies for resource mobilization and some alternative funding strategy to bring reform in the higher education system of the country.

S. Narayanan and Renuka Sane (2005)\textsuperscript{38} present an overview of the current status of higher education. They reflect upon issues of reforms in higher education. The authors feel concerned about the declining rate of students taking admission to higher education which they attribute to poor quality of services provided by the present system. Reform in the education sector merits reforms on a priority basis. The authors notice their concern over the marginalization of higher education as reflected in the objectives of the Tenth Plan. The government ought to come out with a clear policy on raising resources for education. A privatization process wherein private capital is channelized into viable areas, economically, may be desirable. Simultaneously, the government may operate universities out of its own budget, in areas not served by the private enterprise, they suggest.

R.P. Singh (2004)\textsuperscript{39} examines the question of subsidizing education at different levels for different groups. The issue of subsidy has, at its base, the logic of market-economy versus social welfare schemes, as evidenced in countries which have pursued market-
driven polices for development. The author traces its reason to the lack of sustained investments in health and education. The government policy has clearly failed to take note of researches conducted on a variety of correlations between education and society. Either the government is trying to rationalize the failure of not having understood the needs of the people it (serves) governs, or has missed on imaginations regarding the consequences of their colonial psyche, express the anguished author. Who should finance higher education: the debate continues.

Mohan S.Karuppayil (2005)\textsuperscript{40} vehemently argues that “if we feel that privatization and globalization can relieve us from public spending on education, we may be living in fool’s paradise. Private eyes are generally on money and, not on sharing the responsibility to educate the youth of our country. One need not take refuge behind the smoke screen of philanthropy, while starting an education institution and need not feel guilty of exploiting the students and/or employees. In a capitalistic globalized economy, this is justified”, caricatures Karuppayil. The World Bank advised us not to spend our scarce resources on higher education which perhaps caters only to individual interests. Education, they sermonize, is a non-merit good.

The Indian higher education system is presently facing several challenges. The challenge of global competitiveness has been added to other demanding tasks such as access, equity, relevance, quality, privatisation and internationalisation in the face of a resource crunch. This article gives an overview of trends in the expansion of higher
education and examines variations in participation across states, gender and social groups. An attempt has also been made to discuss the trends in the financing of higher education and the required resources to meet the target of allocating 6 per cent of the GDP to education. Ved Prakash (2007)\(^1\) argues that “without appropriate policy interventions in school education, it would be of little use to have interventions at the higher educational level, which discriminate in favour of girls, SCs and STs”.

R.L. Hyderabad and S.G. Hundekar (2005)\(^2\) describe challenges and strategies for financing higher education in India. They suggest a holistic approach to tackle complexities of the situation. The authors plead for increased government investment till such time as institutions become self-sustaining. The financing of higher education in India presents a paradox. The authors states that “higher education warrants higher investment both individually and collectively. A sudden stoppage of oxygen to the ailing system is not at all advisable. The government should motivate an institution to develop innovative and creative methods of raising finances”.

M.V. Pylee (2004)\(^3\) points out resource constraints as one of the major drawbacks on qualitative and quantitative developments of higher education. He observes that decentralizations of power may improve university finances. The author recommends financial autonomy for institutions, within defined parameters of overall funding. While pleading for budgetary reforms and improvement in financial management, he pleads that “the universities similarly
placed in terms of nature and type, should be given similar treatment in providing grant-in-aid in consonance with the spirit of equity, justice and fair play”. The phenomenon of *deficit disease* has acquired chronic and unmanageable dimensions. Pylee observed that “besides resource constraint, diverse procedures with dilatory practices are followed for the funds by the state agencies. There is mismatch between training and degree, and job and employability, resulting in the cardinal question of allocative efficiency of public funds”.

C.P.S.Chauhan (2004)\textsuperscript{44} states that the expansion of higher education in India has been in quantitative terms. Growth and development of higher education is subjected to social pressure: the demand, being primarily from upper and middle income groups. Monopolization of seats by the well-to-do results in the major part of the government subsidy going to those who need the least. The author has observed that fees being generally low and nearly frozen, a graduate in arts, science and commerce receives a subsidy of 86% while in professional and more profitable courses, he/she receives a subsidy of over 90%. The author quotes, pointing to the paradox – the more expensive the course (medicine, engineering, management, etc), the higher the subsidy. The strategy of funding the university on the basis of performance should become operational. Such a mechanism will lead to competence, quality and efficiency. The National Assessment and Accreditation Council (NAAC) may recommend performance based changes in grants to the universities which can
play a significant role in the management of scarce funds by putting fetters on misuse and wastage, the author suggests.

M.R. Gosai (2005)\textsuperscript{45} gives a summary of various commissions and committees on education with special reference to the changing paradigm of financing of Indian public universities. The government is suffering from a withdrawal syndrome, which according to the author, is devoid of moral, legal and social justification. He suggests that the universities generate revenue by accommodating more Indian students and, make India the destination of foreign students. Self-financing distance education courses may boost the sagging university economy. The universities can save their precious resources by outsourcing the support services, wherever feasible. The universities must be encouraged to form partnership with industry, he argues, in view of the 2000, Ambani-Birla Report on Education.

S.V. Narayanan (1998)\textsuperscript{46} defines subsidy as a welfare augmenting device, an extended instrument of fiscal policy, as higher education institutes need to be subsidized if they are unable to finance themselves, despite genuine efforts. There are two types of subsidies in operation in higher education. The author opposes the arguments that subsidies in education are non-merit. He points out that subsidies are negotiable and, therefore, state intervention becomes mandatory.

K.B. Powar (1998)\textsuperscript{47} emphasizes that “the universities should make an endeavour to find out where the money goes for identifying areas of over-expenditure, as also those that are inadequately
supported. A comparison of actual unit cost and optimum unit cost should help initiate a process of adjustment as regards faculty strength, number of administrative support staff, laboratory and library support, support for research activities, and other expenditures”. He recommends, adding a word of caution: funding agencies and grant-giving bodies have to bear in mind that optimum unit cost cannot form the basis for abrupt changes in funding pattern. The government cannot abruptly withdraw support to higher education. Such a step will be detrimental to socio-economic development. It is a sine qua non that government continues to shoulder the major responsibility as regards funding of higher education, the author advocates.

Aruna Goel (2001) while highlighting the role of UGC in promoting development activities through financial support in programmes of improving laboratories, libraries, syllabi, etc., informs that funding is also provided for training courses for teachers, orientation and refresher courses, research assistance under Special Assistance Programme (SAP), strengthening of infrastructure in science and technology, vocational courses and for holding seminars/conferences, etc., in emerging areas. For effective functioning of the programmes, the author suggests several measures to be adopted by UGC.

J.Madegowda (2005) has attempted to evaluate different dimensions of financing higher education. According to the author, “the criteria for evaluation are based on budgetary support by the
government for general higher education”. He points that the recent policy decision of many state governments to reduce 10-15% budgetary allocations annually to universities and colleges is aggravating the problems. The problems of unaided private institutions are much more. Most of the institutions are, therefore, borrowing from financial institutions to meet their inescapable recurring expenses, which they may not be in a position to pay back. The author opines that educational institutions deserve and need the continuation of government budgetary support. This is necessary due to the massive economic backwardness which prevails in the country and, students are unable to pay the cost-based fees.

P.R.Panchmukhi (1998)\textsuperscript{50} discusses liberalization, privatization and globalization and their implications on the growth of social sector. Public outlays on education, health and housing may be gradually reduced, he observes. The role of higher education has been highlighted, as its neglect would affect socio-economic development of the country. A blanked justification of diversion of resource from higher to elementary education on the plea that the former is a de-merit good, is without any merit, erroneous and un-called for, the author articulates. Subsidy to higher education, being a non-negotiable right, is not a charity, but a legitimate responsibility of the state, author asserts.

A.N.P.Ummerkuty (1994)\textsuperscript{51}, states that higher education represents the free and unrestrained pursuit of human excellence, both individual and collective, which alone can ultimately make the
people truly free, democratic and republican. Autonomy of the higher education institutions is an essential component, which facilitates their growth and equips them to pursue the academic excellence. According to Ummerkuty, “the institutions must be amply supported by academic as well as financial autonomy in order to realize their goals effectively”. The author of this article supports the recommendations of Justice Punnayya Committee (1992-93) for financing the universities. Since education is in the concurrent list of Indian constitution the author has put an argument that the Central Government must lend a major financial support to the state universities. It has been suggested that the UGC must play a more assertive and effective role in restoring the financial health of the state universities, which is in the verge of continuous deterioration. However, in conclusion the author emphasizes the role of state universities in nations educational life and suggests working out a model fee structure for their financing.

V.Natarajan (1995)\textsuperscript{52} made an effort in the direction of applying financial management techniques at university level by examining the finances of Pondicherry and Hyderabad universities.

In a monograph, D.B.Johnstone and P.N.Marcucci (2007)\textsuperscript{53} has made an attempt to address the trends in the financial status of universities and other institutions of higher education. They have paid special attention to one of the most increasingly implemented, yet still highly contested, policy solutions, which is the shift of portions of the costs of instruction, which in most countries has been born
substantially or sometimes even exclusively by government (or taxpayers), to parents and/or students, as well as the policies then designed to preserve or even to expand accessibility in the face of this shift.

In their paper, S.V. Narayanan and Raju Chandrashekhar (2007) stated that “the educational system in India is predominantly a state funded and directed activity. India, finds it difficult to cope with the ever increasing financial requirements of an expanding system. Additional resource mobilization to reduce the burden on the public exchequer is the logical way forward. Improving efficiency in the functioning of public institutions and developing resources from non-governmental sources are the identified steps”. They also opined that ‘the continuous reformation of the financing of higher education sector has resulted in shifting the burden of cost from the public to private and household domains’.

Sanyal S. Bikas and Michaela Martin (1998) attempts to give a broad picture of strategies adopted by both governments and universities in the management of their finances. Since there is a broad trend of granting an increasing amount of financial autonomy to institutions, they focused on financial management at the university level. They stated “the financial management of university operates within constraints determined by three main factors: their mission statement, the distribution of authority over financial management, and the mechanisms through which institutions receive their finances”. Sanyal & Martin discussed that the acquisition or
mobilization of resources, the management of cash reserves, the allocation and utilization of resources, evaluation and auditing are the main function of financial management. They have stated the strategies for financial management in terms of national strategies and institutional strategies.

In a paper, Shakeel Ahmed (2008) attempted an assessment of the funds provided by the UGC to Universities & college in India for maintaining and for further development of higher education during the 10th plan. He concluded that the funds provided for education especially to Universities and colleges by the government through the UGC are not sufficient. He suggested that the UGC needs to make the necessary efforts to get more funds from the government during the 11th plan and provide the same to universities and colleges to enhance the standard of higher education at all levels to give it to a competitive edge and also to open new universities and college to achieve the target of enhancing access to higher education and to raise the enrolment ratio to a minimum threshold level for sustained economic development.

Sanyal S.Bikas and Michaela Martin (2006), introduce the paper with a list of six factors influencing the new trends of financing higher education. These are: massive expansion in higher education, inability of the state to finance this massive expansion leading to the emergence of the private sector, the rationale for cost-sharing with parents and students, the public call for accountability and 'value for money', the emergence of foreign providers through the General
Agreement on Trade in Services (GATS), and finally, the need for adjustment in state funding to reduce widening disparity. The authors then establish the reciprocal relationship between financing of higher education and its mission at system and institutional levels. The paper touches upon the evolution of the steering mechanism of higher education because of the changes in financing pattern. The role of the state in financing higher education is then discussed with empirical evidence with the conclusion that although the state is making an effort to finance higher education, its share in the education budget expenditure per student has gone down drastically, primarily because of the massive expansion. The case for the need for partnership with other entities is established. In this respect, the role of the private sector in its four forms is discussed. These are: privatization of public institutions, establishment of private institutions with government support, self-financed private institutions, and profit-making private institutions. Examples of each of these forms are provided, ending with the public-private debate providing merits and demerits of their partnership, with the conclusion that in order to meet the social and economic demand for higher education, partnership between the state and other stakeholders is essential. This leads to an analysis of cost-sharing between different partners and its seven forms following Bruce Johnstone. These are: the introduction of tuition fees, the dual tuition track, a sharp rise in tuition, the imposition of user charges, a diminution of student grants and scholarships, the introduction of various measures to recover student loans, and the imposition of
ceilings in low-fee enrolment and/or free enrolment in public institutions. Suggestions for effective cost sharing programmes are offered by the authors. The paper goes forward with the methods of generating non-traditional, non-state income by institutions and systems to finance higher education and provides examples of the best practices from around the world. A discussion of the financial implications of the internationalization of higher education through GATS follows, indicating the latest position of UNESCO in the debate on higher education as a ‘public good’ and a ‘tradable good’ protecting the interests of Developing countries. The role of distance learning with the availability of information and communication technology (ICT) and the ease of access to training materials in meeting the massive expansion of higher education with less cost is then mentioned, citing the example of the British Open University. The authors discuss in detail the role of effective management in financing higher education and show how the better allocation of funds, improved management of cash reserves, production of financial indicators, better utilization of resources, evaluation and auditing, and protection from fraud could provide additional funds for higher education. The paper ends with some conclusions for strategies in financing higher education at the system and the institutional levels.

Shakeel Ahmed (2008)\textsuperscript{58} has analyzed and compared financial assistance provided for maintenance and development of university education under various heads of both the Maintenance and Development Grants to the Central Universities in India in general
and the Central Universities of Delhi in particular, by the UGC during the Tenth Plan. He stated that UGC provided tremendous financial support to the Central Universities of Delhi during the 10th Plan. Since the requirement of funds has been increasing and a few more new central universities are going to be set up in other States of the country by the Central Government, the central universities are required to take some initiatives to tackle funding problem in the future. He suggested to develop a corporate type of environment in university administration so that expenditure on non-academic activities is reduced and efficiency is increased.

In a paper J.B.G.Tilak (2009), commented that conventionally, higher education is regarded as a public good, benefiting not only the individuals but also the whole society by producing a wide variety of externalities or social benefits. Of late, however, the chronic shortage of public funds for higher education, the widespread introduction of neo-liberal economic policies and globalization in every country and in every sector, and the heralding of the international law on trade in services by the World Trade Organization and the General Agreement on Trade and Services - all tend to challenge the long-cherished, well-established view of many that higher education is a public good, and to propose and legitimize the sale and purchase of higher education, as if it is a normal commodity meant for trade. The very shift in perception on the nature of higher education from a public good to a private good - a commodity that can be traded - will have serious implications. The paper describes the nature of the shift from viewing
higher education as a public good to a private, tradable commodity and its dangerous implications.

2.3 Resource Mobilization & Self-sufficiency in Higher Education

J.L. Azad (1995)\textsuperscript{60} emphasizes the need for mobilising alternative sources of finances for higher education. A package suggested by him includes raising resources through enhancement of fees, laying emphasis on loans rather than grants and harnessing private and industrial resources. A vital component in financial management is plugging the leakages which occur due to large-scale wastage of resources in failures in examinations, under utilization of academic and physical infrastructure, the author points out. According to him, participation of private bodies should be encouraged, but the government can not afford to abdicate its responsibility of financing higher education as it is far too important an enterprise to be left to the whims and caprices of private organizations. While advocating perpetual monitoring of their performance, he suggests that non-viable institutions should be gradually closed down.

Atri Bhowmik (2006)\textsuperscript{61} attempts to explore the usefulness of strategic cost management in financial governance as an efficient tool to develop sustainable competitive advantage so essential in market driven economy. Author points out that the strategic surgery of unproductive expenditure, redeployment of scarce resources, honouring requirement of paradigm shifts of environment, are now priorities to ensure optimal allocation of resources. He states, these
technique may enhance quality, efficiency, transparency and accountability to sustain us as good effective players in the global field.

T.K. Chatterjee (2005) looks into the policy planning exercises of government and international organizations on higher education where market forces have become active. The author points out that “in developing countries like India where markets are incomplete and imperfect, the outcomes, naturally, are far from perfect, and in fact, in some areas, disastrous”. Having said that, he suggests the formation of a comprehensive policy on higher education, taking into consideration all the attending factors, globalized national economy, external service providers, nascent set of skills, competitive agility in the GATS regime, and above all, shrinking capacity of the state to finance colleges and universities.

Pratibha Khanna (2005) traces the history, develops the concept and presents the future of privatization of higher education in India. Privatization of education is not a new malady; it has been in existence from times immemorial, but not in its present form, as a commercial venture. The author views future funding in higher education as a tie-up between industry and academics. She feels that this may also result in significant scientific output from reputed institutes.

B.S. Rajpurohit and Ridhima Suri (2005) highlight government's resort to cutbacks in higher education since 1990s, paving the way for expansion of self-financing private higher education. The authors
support imposing graduate tax as a measure to recover the cost of higher education. An employee can be asked to pay an annual tax to the government for each graduate recruited. The revenues, thus generated through taxation can be ploughed back for further development of higher education. Rationale of student education loans is also presented by the authors. The Reserve Bank of India has issued guidelines to all commercial banks as a result of which a large number of banks have launched educational loan schemes.

D. Swaminadhan (1995) states that higher education is considered as a powerful tool for national development. It assumes its importance through creating and disseminating knowledge and supplies the competent manpower required for all sectors of society. In last few decades, Indian higher education system has registered an impressive growth. The growth has been in terms of quantity rather than quality. The author has taken a fair attempt to invite the attention of the academic community towards the change in higher education system world over and the subsequent change in Indian higher education system. This has been emphasized that competition and the pace of technological change have intensified at all sectors of economy. Since the knowledge-based industries are upswing, we will have to produce high skilled workforce to cater to their manpower need. Basic research has to be given additional emphasis. The system of higher education, according to the author, faces two major imperatives; a) need to cope with inadequacy of resources and; b) need to respond to the demand for providing competent manpower and high
quality research and development support. The author concludes that this has been realized that the government alone cannot bear the total burden of financing higher education. Therefore, alternative and innovative ways must be employed to mobilize additional resources. An increase in tuition fees and other changes may be considered for the purpose. Some rational norms should be evolved for providing financial grants to the universities and colleges based on per capita cost, teacher-student ratio, proportion of teaching and non-teaching staff, types of courses offered, costing of courses, services, and extent of their subsidization. At the end, the author suggests implementing some innovative recommendations of Swaminadhan Committee (AICTE) and Punnayya Committee (UGC) for university financing, which may be useful in bringing some reforms in higher education.

In an article, J.B.G. Tilak (1999) presents a picture of the government's investment policy, financial grants, and financial reforms. The system of higher education, its growth, declines in government expenditure on higher education are the issues that have been mainly highlighted in the article. A description of the recent reforms in higher education with respect to both conventional and distance mode has been given. The author concludes that while some reforms are necessary to improve the efficiency of higher education, some of the developments in the realm of higher education seem to go against some of the cherished functions of higher education. Emphasis is being laid on financial efficiency, measured in terms of resource generation at the cost of academic excellence. There is a need to
balance the main functions of higher education, and the imperative of raising resources for the system.

Rajan M.Welukar, P.V.Page and V.M.Vaidya (2004)\textsuperscript{67} suggest schemes for resource mobilization and address a trillion-dollar question as how to raise funds for higher secondary and higher education. In one of schemes, which the authors have titled Greatfulness Fund, under which every student may express his/her gratefulness towards society by making a small contribution of Rs. 50 per year to the corpus. Taking the number of the students pursuing education at +2 and degree level to be 10 crore, Rs. 500 crore can be collected per year. Their suggestions, if implemented, can go a long way, slowly, gradually and collectively, without creating big holes in the pockets of the students. After all, every drop in ocean does matter.

M.A.Varghese (2005)\textsuperscript{68} offers some strategies for financing higher education. One of the important sources of raising resources is through institution-industry interaction, which is possible as both of them benefit from such cooperation. The author suggests that differential fee structure may be employed for cost recovery. The suggested alternatives by the author include student loans with effective recovery mechanism, donations from alumni and others, international collaboration with foreign universities, fee enhancement, etc.

Nageshwar Rao and R.P.Das (2001)\textsuperscript{69} emphasise the need to reorient and review strategies for self-sufficiency to resolve the issue of university finances. They also examine some measures for fund raising and suggest restructuring of university administration.
L.C. Singh (2003) described various factors that led to the establishment of self-financing colleges in the last couple of decades. The article mentions four existing models of self-financed courses: Manipal Model, Marketing Model, Sponsoring Model and Franchising Model. Quality differences do exist among self-financing institutions, notwithstanding their (pretentious) adherence to the norms and standards prescribed by the regulatory bodies. Accordingly there is need for rigorous implementation of the regulatory norms and standards prescribed by the apex agencies such as AICTE, NCTE, MCI, etc., before granting recognition for setting up of a new institution or a new course. This is necessary to ensure a minimum standard to be maintained in imparting professional education to produce capable manpower, the author argues.

S.F. Patil and R.M. Kothari (2001) explain strategies to generate funds initiated by North Maharashtra University, Jalgaon. The alarming situation created by the non-receipt of funds from state government has led to evolution of different strategies for self-reliance. According to the authors, “the universities must muster courage and conviction for adopting new strategies to demonstrate semblance of standards higher than the existing ones to seek entry in the comity of institutions of excellence”.

K.R. Shah (2008), in an article, opined that the exploration of alternative sources of financing higher education should have examined further the traditional sources like the state and families of students. Shah has observed that the state is yet to keep to its
promise of increased spending. And university fees should at least be indexed to inflation.

Saumen Chattopadhyay (2007) states that higher education holds the key to “inclusive growth” and to lead in the world of knowledge production. The mode of financing higher education is crucial for understanding how higher education is provided to society and at what price. Despite recent increases in budgetary allocation for higher education, the importance of exploring alternative sources of financing higher education remains. This paper reviews literature on government intervention in education and discusses the pros and cons of some alternative sources of financing higher education from the point of view of social justice and efficiency in allocation of resources. It argues that keeping in mind India’s imperatives, the government has to continue to play a leading role in the provision of higher education. Among the measures suggested, fee enhancement and education loans are of limited significance in a country like India.

2.4 Conclusion

An overview of literature on funding higher education shows that higher education is in crisis everywhere. The root of the crisis lies in the resource crunch. Demand for funds to diversify educational institutions and academic programmes to suit the changes taking place in science and technology is increasing. But the state is slowly withdrawing from higher education partly due to fiscal compression and partly due to the paradigm shift from welfare to market economy.
One of the easier methods adopted recently to overcome the financial crisis in higher education is to introduce cost sharing programmes. “Let the buyer pay”, is the principle of financing guiding these programmes.
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