Chapter 4

UNIVERSITY FINANCES - THE ROLE OF UNIVERSITY GRANTS COMMISSION

The university Grants Commission is the main agency for promotion and Coordination of University education and for determination and maintenance of standards in teaching examination and research. This functional role of University Grants Commission was felt necessary since the Constitution of India envisages that co-ordination of higher education is a central responsibility. An attempt is made in this Chapter to make an overview of the genesis and role of University Grants Commission in higher education in India.

THE GENESIS OF UGC

The post independence situation posed a mighty and different challenge to the system of higher education in India. It had to respond to political changes in the wake of the nation’s tryst with destiny. Education was to be vehicle for socio-economic development. The spirit of resurgent society capable generated in the wake of newly required freedom was to be nourished to train minds capable of ushering in an era of advancement of society.

University Education Commission 1948-49 (popularly known as Radhakrishnan Commission) gave considerable attention to educational reforms at the tertiary level and among other recommendations it emphasised the need for setting up an apex
body to co-ordinate the growth and development of education at the tertiary level and for maintenance of standards in higher education. Thus the University Grants Commission came into existence to be a vital link between the policy making bodies of the Government and the institutions of higher education.

The University Education Commission (RadhaKrishnan Commission) was of the opinion that no University responsible for teaching and research in India could be made possibly/efficient without the help of recurrent grants from the Centre in addition to their existing resources. The Commission therefore recommended the setting up of a committee or commission for allocating both recurrent and capital grants to University from the Centre. Radhakrishnan Commission took note of the efforts made by the central and state Governments to assess the financial needs of the Universities and strongly recommended for the University grants committee of the government of India to be constituted on the general model of the University Grants Committee of the United Kingdom with a full time Chairman and other members who were to be appointed amongst the outstanding educationists known for the wisdom and integrity. The Ministries of Finance and Education were also to be represented on the body.

The move towards the establishment of the University Grants Commission gathered momentum after the publication of the Report of the University Education Commission (Radhakrishnan Commission). The Government of India proceeded to adopt more systematic measures for the co-ordination and determination of
standards in Universities and proposed the establishment of a Central Council of University Education. A bill for the establishment of a Central Council of University Education was actually circulated to all state Governments and Universities and also to the Inter University Board (now association of Indian Universities) for eliciting opinion. After a series of conferences and consultations the idea of setting up a Central Council of University Education was abandoned and the proposal for setting up a University Grants Commission on the lines of the recommendations of the Radhkrishnan Commission was placed before the Parliament in 1954.

The Emergence of the UGC

The University Grants Commission Act (Act 3 of 1956) was passed by Parliament in March 1956. The Act provided that "with effect from such date as the Central Government may, by notification in the Official Gazette appoint there shall be established a commission by the name of the University Grants Commission." The required notification was published by the Government in November 1956 and the UGC became a statutory body from the 5th of that month.

Functions of the UGC

The UGC Act under section 12 has provided for powers and functions of the Commission Accordingly it shall be the duty of the Commission to take in consultation with the universities and other bodies concerned, all such measures as it may think fit for the promotion and co-ordination of University education and
determination and maintenance of standards of teaching, examination and research in Universities. In fulfillment of these objectives the commission can:

i. Inquire into the financial needs of the Universities.

ii. Allocate and disburse grants to the Universities.

iii. Recommend measures necessary for the improvement of University education and

iv. Advice on the allocation of grants, establishment of new Universities etc.

Section 26 of the Act provides that the Commission can frame regulations among others, on qualifications of teaching staff of Universities, defining the minimum standards of instruction for the grant of any degree; maintenance of standards and co-ordination of work facilities in Universities etc.,

Amendments of UGC Act and Extension of Functions and Powers

The UGC Act 1956 was amended in 1972 with a view to regulating the unplanned proliferation of universities by adding section 12B which states that no grant shall be given by the Central Government, the Commission or any other organization receiving any funds from the Central Government to a University which is established after the commencement of the UGC (Amendment) Act 1972 unless the Commission has, after satisfying itself as to such matters as may be prescribed, declared such University to be fit for receiving such grant".
The UGC Act was amended further in September 1984. The two important features of the amendments are:

(a) "establish, in accordance with the regulations made under this Act, institutions for providing common facilities, services and programmes for a group of Universities or for the Universities in general and maintain such institutions or provide, for their maintenance, by allocating and disbursing out of the Funds of the Commission such grant as the Commission may deem necessary".

(b) "it may after consultation with the University or Universities concerned specify by regulations the matters in respect of which fees may be charged and the scale of fees in accordance with which fees shall be charged in respect of those matters on and from such date as may be specified in the regulations on this behalf by any college providing for such course of study from or in relation to any student in connection with his admission to any prosecution of such course of study".

Financial Assistance from the UGC

The Institutions which are eligible for receiving Institutional Development Assistance from the UGC are as follows:

All Colleges (except agriculture, medicine, engineering and veterinary science).

1. All State Universities (except agricultural Universities)
2. All Central Universities.
3. All deemed to be Universities.

All Central Universities, some deemed Universities and colleges of Delhi and Constituent College of Banaras Hindu University receive
both development and maintenance grant from the consolidated funds of India through UGC. The State Universities are funded for their maintenance by the respective State Governments which establish such Universities. The maintenance grant is meant for payment of salaries to the teaching and non-teaching staff, maintenance of buildings, laboratories etc. State Universities depend on UGC only for development grants, which is also not obligatory.

The UGC has no source of income of its own. It receives plan and non-plan grants from the central government through the Ministry of Human Resource Development. The UGC in turn provides grants to the Universities. The interaction between the center and UGC is one of mutual trust, respect and co-operation. The UGC enjoys appreciable autonomy in the reallocation of funds to the Universities given by the Government.

**Type of Financial Assistance to Universities by the UGC**

UGC provides financial assistance to Universities as follows:

i. Maintenance and development grant’s to 9 Central Universities.

ii. Development grants to 101 eligible state Universities.

iii. Full maintenance grants to 8 and partial maintenance grants to 2 institutions deemed to be Universities. Development grants to 15 institutions deemed to be Universities.

iv. Central Universities are provided plan and non-plan grants by the UGC. Non-plan grant is provided to meet
the recurring expenditure of salaries of non-teaching and teaching staff and maintenance of laboratories, libraries, buildings etc. Non-plan grants are given for specific purpose and include grants for scholarships and fellowships in engineering and technology, teacher fellowship, national fellowship etc. UGC has made separate allocation of grants under Plan Grants or the development of central universities.

v. State Universities are given development grants, including grants for specific schemes in order to facilitate the procurement of such infrastructural facilities as are not normally available to them from the state government or other bodies supporting them. Assistance is generally provided for faculty posts, academic buildings, students hostels, equipment, books and journals, staff quarters and other facilities designed to promote the quality and level of teaching and research as well as to foster corporate life. The grant for schemes are provided on the basis of recommendations of experts after scrutiny of such schemes.

UGC does not provide any maintenance expenditure to the State Universities. Such expenditure is met by the respective State Governments. Non-plan grants are provided to State Universities by the UGC only for some specific purposes.
vi. Institutions which are deemed to be Universities are recognized by the UGC under section 3 of UGC Act. "an institution of higher education other than a University which is doing work of very high standard in a specific area can be declared as an institution deemed to be a university, after which it will enjoy the academic status and privileges of a University and be able to strengthen activities in the field of its specialization rather than becoming a multi faculty University of the general type. The UGC provides maintenance and development grants for these institutions deemed to be Universities both under the plan and non-plan schemes."

The UGC provides grants for other facilities like faculty housing, guest houses and construction of student hostels. The UGC also provides assistance to Universities to commemorate Jubilee and Centenary years of their establishment.

**Plan and Non-Plan Financial Assistance to Colleges:**

Colleges which have been recognized by the UGC in terms of section 2(f) and 12(b) of the UGC Act are eligible to receive development grants from the UGC. The quantum of grant is worked out on the basis of various parameters such as the level of teaching student and faculty strength etc. The UGC has relaxed norms for provision of development grants to colleges which are located in educationally backward rural or border areas and to those colleges catering to SC/ST students and to women. This is done with a view to removing disparities and regional imbalances.

Grants are generally given for buildings including hostel, strengthening of libraries, laboratories and faculty improvement programmes for teachers.
Co-ordination and Advisory Role of UGC

The functioning of the UGC can be broadly classified into two types (i) recommendatory and (ii) advisory. It can make specific recommendations to the Universities for improvement in teaching and research standards. In its advisory role it can render advice to the Universities regarding measures to be taken for improvement in University education. Hence UGC is not only a funding agency but is also responsible for the co-ordination of the University education and for determination and enforcement of the standards of teaching, examination and research in the Universities. Towards this end the UGC has constituted a number of standing committees for its specialized programmes. Each standing Committee is expected to consider if the proposals (under its scope) received from Universities/Colleges merit support from UGC. These Committees will also review how the institutions are implementing such schemes as well as the financial implications.

Each member of the UGC has been assigned with a group of schemes for overseeing their implementation, monitoring and evaluation.

The Commission (UGC) generally meets once in a month to discuss various matters like,

i. Allocation of funds to the Universities and Colleges

ii. Development schemes.

iii. Research schemes.

iv. Financial matters.

v. Administrative matters etc.
The discussion on the above matters lead to taking of policy decisions. The policy decisions are implemented by the concerned divisions under the authority of the secretary and Chairman/Vice-Chairman. Generally the Commission refers academic matters to the expert committees and the decisions are taken on the recommendations of the expert committees.

Commenting on the positive impact of the University. Grants Commission on the financial aspects of Karnataka University, Dr.D.M.Nanjundappa has observed “The coming into existence of the UGC was a boon and life saver to the Karnataka University as it was to most other State Universities. The reorganisation of the states brought the necessary strength to it for availing UGC assistance. The introduction of a four tier pattern (100 percent, 80 percent, 66.66 percent and 50 percent) by the UGC as against two tier pattern (50 percent and 100 percent) could be used by the University only because of the liberal grants by the State Government........”

He further observed “From one plan to another a rising proportion of funds given by the UGC bearing a larger share of the approved schemes is distinctly visible. This pattern has no doubt been a great advantage to the University because to the extent that larger proportion of the funds came on a 100 percent basis from the UGC. University’s reliance on the State Government to make up the difference has been reduced. It has helped the University to take up the schemes immediately.”

The ultimate success or otherwise of an apex educational organization like the University Grants Commission has to be assessed with regard to the objective with which it has been established. The objective of the UGC as per the Act of establishment is “It shall be the general duty of the Commission to take, in consultation with the Universities or other bodies concerned, all such steps as it may think fit for promotion and co-ordination of University education and determination and maintenance of standards of teaching, examination and research in Universities.”

The systematic working for the above objective would mean a well designed machinery that would supply all needed information for taking decisions for allocation of funds. Such information relates to,

i. A detailed plan taking due care of regional educational needs.

ii. Alternative economic ways of achieving the targets set in the plans.

iii. Resource requirement for the above targeted programmes.

iv. Giving guidelines for
   a. Implementation of programmes.
   b. Effective utilization of the allocated resources

v. Finally a review of this plan from time to time in the light of changes.
The above system would ensure promotion of higher education in the desired direction. "Although some development of higher education will certainly take place with the allocation of resources, yet such development may not serve or might as well go against the broader social and educational objectives." In view of the unbalanced allocation of funds among the Universities by the UGC it is mentioned that "the facts and figures about the grants in aid by the UGC however prove contrary to this....".

**Inadequacy of Allocational Efficiency:**

Allocation of funds to various Universities and colleges by the UGC has been found faulty. The UGC has not been following any systematic and proper policy in this direction. The study by Sharma\(^2\) has concluded "An important phenomenon observed in the allocation of funds by UGC is that they are not allocated to the area for which they are marked...... instances are there where in the past UGC has appropriated funds from one head to another".

**Lack of Monitoring Machinery**

The UGC has been allocating a good deal of resources for creation of infrastructure facilities like buildings, equipment, and machinery to Universities and colleges. But there is hardly any study conducted by UGC or by the receiving institutions about the extent to which educational infrastructural facilities are being utilized. Such information is useful for allocation of funds for the institution requesting the same in future. The UGC does not seem to
have any machinery which monitors the implementation of schemes sponsored by the Commission.

Flaws in Financing of Universities

The UGC's style of funding the Universities has been subject to a good deal of criticism. The lopsided ways of financing the Universities has been pointed out by a study conducted by Mr. G.D. Sharma. The following finding based on his study is quite significant. "Since its establishment (1953-75) the UGC spent Rs.344.15 crores. Of this amount, 33 percent has gone to support Central Universities and the affiliated colleges of Delhi University and some deemed universities under non-plan schemes. About 64 percent of the resources were allocated for the development of higher education. Of this science and research accounted for 13.92 percent and engineering and technology 8.20 percent humanities for 8.08 percent. The constituent and affiliated colleges accounted for 14.51 percent. The share of miscellaneous schemes works out to 19.62 percent. Administration of these schemes and miscellaneous expenditure accounted for about 3.03 percent of the total resources".

The above observations have the following implications

1. Of the total resources of the UGC almost 1/3rd has gone for the maintenance of centrally supported Universities and the colleges in Delhi.

2. Emphasis of the UGC has been to promote science and engineering/technology education followed by promotion of education in constituent and affiliated colleges and humanities.

3. Significant allocation on miscellaneous schemes may be because of a large number of schemes of various types, which are not covered under the above categories.

Mr. Sharma has concluded "This shows that many schemes are financed on adhoc basis". According to another observation by K. B. Pawar 19 Central Universities and institutions of National Importance claim about 71 percent of the total annual budget of the UGC and only 29 percent is available to all the State Universities and affiliated colleges. The budgeting system of the UGC as a whole does not seem to follow any systematic and proper pattern. The UGC's present structure has not achieved the objectives for which it was established. UGC needs an overall restructuring where in emphasis should be shifted from more funding to the institutions in an adhoc way to a systematic planning for higher education and its implementation. Allocation of funds by the UGC must be guided by efficiency criteria. There is need for working out alternative methods executing various educational programmers which may be more economical. There should be a machinery which would see that amounts allocated to various Universities are properly utilized.

The UGC is the apex body for higher education in India. In addition to the statutory powers and the funds at its disposal, it has come to be regarded as an integral part of the academic community and University system in general. It draws up policies, plan
programmes and regulations in the discharge of its duties. Despite the resources constraint, UGC has tried to provide the necessary facilities so as to strike a balance between the conflicting demands of quality and quantity in the higher education system.

**The plan and non-plan Grants Released by the UGC during 2000-2001**

The details of the plan and non plan grants released by the UGC universities institutions during 2000-2001 are given in the following table.

**Table No. 4.1**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Type of Institutions</th>
<th>Plan Grant</th>
<th>Percent of Total Plan grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Universities</td>
<td>164.06</td>
<td>36.64</td>
</tr>
<tr>
<td>2</td>
<td>Colleges of State Universities</td>
<td>148.07</td>
<td>33.07</td>
</tr>
<tr>
<td>3</td>
<td>Central Universities</td>
<td>83.00</td>
<td>18.54</td>
</tr>
<tr>
<td>4</td>
<td>Inter-University Centers</td>
<td>24.94</td>
<td>5.56</td>
</tr>
<tr>
<td>5</td>
<td>Institutions Deemed to be Universities</td>
<td>17.85</td>
<td>3.92</td>
</tr>
<tr>
<td>6</td>
<td>Miscellaneous</td>
<td>3.78</td>
<td>0.84</td>
</tr>
<tr>
<td>7</td>
<td>Colleges of Central Universities</td>
<td>6.43</td>
<td>1.43</td>
</tr>
<tr>
<td></td>
<td>Total (plan)</td>
<td>447.86</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Note: This does not include grants paid through other schemes like sports and engineering/Technology.


It is clear from the above table that state universities account for the maximum share (36.64pc) in the total plan grants released by the UGC in 2000-2001 followed by colleges of state universities (33.07pc), Central Universities (18.54pc), Inter University Centers (5.56pc), Deemed Universities (3.92pc), Colleges of Central Universities (1.43pc) and Miscellaneous (0.84pc).
The total released of plan Grants during 2000-2001 by the UGC stood at 447.86 crores. As mentioned earlier Plan Grants relate to development grants through various programmes/schemes of the commission to maintain and improve standards in the higher education.

**Non-Plan Grants Released During 2000-2001:**

The details of the non-plan grants released by the UGC during 2000-2001 are given in the following table.

**Table No. 4.2**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Types of Institutions</th>
<th>Non-Plan Grant</th>
<th>Percent of Total Non-Plan Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Maintenance to :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Central Universities</td>
<td>621.69</td>
<td>61.93</td>
</tr>
<tr>
<td>b.</td>
<td>College of Delhi University and BHU</td>
<td>243.21</td>
<td>24.22</td>
</tr>
<tr>
<td>c.</td>
<td>Institutions Deemed to be Universities</td>
<td>59.41</td>
<td>5.91</td>
</tr>
<tr>
<td>2</td>
<td>Teachers Awards, Research Fellowships, Scholarships etc.,</td>
<td>31.29</td>
<td>3.12</td>
</tr>
<tr>
<td>3</td>
<td>Inter-University Institutions</td>
<td>0.75</td>
<td>0.08</td>
</tr>
<tr>
<td>4</td>
<td>State Universities</td>
<td>5.83</td>
<td>0.58</td>
</tr>
<tr>
<td>5</td>
<td>Specific Grant for State Universities</td>
<td>22.74</td>
<td>2.26</td>
</tr>
<tr>
<td>6</td>
<td>Non-University Institutions</td>
<td>1.84</td>
<td>0.18</td>
</tr>
<tr>
<td>7</td>
<td>UGC Establishment Expenses</td>
<td>17.20</td>
<td>1.72</td>
</tr>
<tr>
<td></td>
<td>Total (Non-plan)</td>
<td>1003.96</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The details in the above table reveal that Central Universities account for a maximum of 61.93 percent of the total non-plan grant of the UGC during 2000-2001. Non-plan grants relate to maintenance of the institutions. Non-plan grants to universities are
provided to meet the recurring expenditure on salaries of non-teaching and teaching staff and for maintenance of laboratories, libraries, buildings, as also for obligatory payments such as taxes, telephone bill, postage, electricity etc., Colleges of Delhi University accounted for a substantial amount of Non-plan grants released by the UGC (24.22%pc) during 2000-2001 followed by deemed Universities (5.91 percent). Teachers Awards Research fellowship, scholarships etc. have also accounted for a good amount of Rs.31.29 crores accounting for 3-12 percent of the total Non plan grant of Rs. 1003.96 crores released by the UGC in 2000-2001.

**Resources Made Available to UGC During the Plan Period**

There has been a phenomenal growth of resources made available to the University Grants Commission by the Central Government during the last two decades from Sixth Plans onwards. The following table provides the details.

**Table No. 4.3**

<table>
<thead>
<tr>
<th>Resources Made Available to UGC during Plan Period (Rs. Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Non-Plan</td>
</tr>
<tr>
<td>Non-Plan</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

For the year 1997-98 to 2000-2001

The resources made available to UGC rose from a bare Rs.233 crores in Sixth Plan to Rs.575 crores in Seventh Plan a more than hundred percent increase. Further the resources made available to
the UGC rose to Rs.1030.76 crores under Plan category during Eighth Plan. This is almost doubling of the amount provided during the previous Plan period. There had been a further increase in the resources made available to the UGC during the Ninth Plan to Rs.1677.74 crores (during the first three years of the Plan).

Non-plan resources made available to the UGC too have gone up steeply from Rs. 388 crores in Sixth plan to Rs. 845 crores during Seventh Plan again a more than hundred percent increase during the period. Further the resources made available under non-plan head rose by more than hundred percent from Rs.845 crors to Rs.1906.45 crores during Eighth Plan period and further to Rs.3518.97 crores during the ninth plan upto 31-03-2001.

The total resources received by the UGC under both plan and non-plan heads rose from Rs.621 crores in sixth plan to Rs.1420 crores in seventh plan. It further rose from Rs.2937.41 crores in Eight Plan to Rs.5196.7 crors in Ninth Plan upto 31-03-2001.

The rate of growth of Non-Plan resources received by the UGC is much higher during the Plan period compared to the resources received by the UGC under plan category.

The UGC prepares the budget for the ensuing year showing the estimated receipt and expenditure. It submits the budget to the Ministry of Human Resources Development. This is one of the main functions of the Commission. The Commission has its own fund called "Fund of the Commission". All sums, which may be paid to the Commission by the Central Government and all the receipts of
the Commission, shall be carried to the fund and all payments by the Commission shall be made there from. The UGC Act empowers the Commission to allocate and disburse funds out of the fund of the Commission to universities, collages and other institutions of higher education in the form of maintenance (non-plan) and development (plan) grants through various programmes/schemes of the Commission to maintain and improve standards in the higher education.

**Resource Mobilization by Universities**

The scheme of resource mobilization by the Universities was introduced for the first time by the UGC in 1995. The UGC has been giving support to universities for their resource mobilization efforts. The main objectives of the scheme are to encourage universities to mobilize resources by participation/contribution of society in their development and to encourage and enhance the flow of resources coming from society for university development. Twenty five percent of the resources generated is given as the UGC share limited to a maximum of Rs.25 lakhs in financial year. An amount of Rs.326.89 lakhs was paid to eleven State Universities 8 Deemed Universities and one Central University during the period 2000-2001.

**Performance Linked Funding of Higher Education- Development Radars An Innovative Approach**

The UGC has been assisting the development needs of central, state and deemed universities, university level institutions, inter-university centres and colleges during each of the Five year plans
and has been sanctioning development assistance to the eligible institutions so as to ensure balanced growth of higher education in the country UGC committees have been visiting universities and recommending magnitude of development assistance and also the areas that needed attention of the universities and the UGC. However there has been felt a need of a mechanism that the universities could themselves identify their strengths and weaknesses and thus become performance oriented rather than expenditure oriented. Hence the need of the lower requires that the UGC develops a transparent, objective, non-discretionary and quantifiable performance parameters and link the funding with the same.

The development performance needed proper evaluation. Hence it was felt to develop objective and quantifiable indicators to reflect on the all round performance and development of the universities Hence it was proposed to work out University Development profile for each of the universities eligible to receive development funds from the UGC so as to assess their status of development in Teaching, Research and Governance parameters so as to ascertain the strength and weaknesses of each of the respective universities. The objective of this was to enable the UGC to identify areas that needed focused attention. Towards this end the UGC has taken the initiative of developing university Development profile for each of the eligible institutions so as to reflect on the following three important performance parameters namely.
i. The Academic performance

ii. Research Performance and

iii. Governance performance

Such a profile once developed will be reflected visually on the Development Radars.

**Development Radars**

The Development Radars in the context of Universities may be described as diagramatic representation of progress of universities in terms of their (1) Academic (2) Research and (3) Governance functions, each of these parameters are to be computed based on a number of performance indicators for which actual values would be plotted vis-a-vis bench marks on a scale of 0 to 10. These bench marks or norms in case of some indicators would generally be self defining and self selecting but in some other cases an element of value judgement was used to define the bench mark. The development radars give a sharp shot view of the structure, the pace and the gaps in the development of each university between two points of time. Presently these cover the beginning (1997) and the (2002) of the 9th plan period. They capture the relative contribution of different performance indicators in overall development of each of the universities. The methodology is quite innovative. It has been sporadically tried and tested in India and that too in sector other than education. Hence it appears worthwhile to give an overview of the approach and methodology. However the methodology has to be
evolving and continuously improved upon with the passage of time as the same is perfected.

The development of the radars is at the advanced stages of development performance parameters and bench marks and data have been collected by a high powered committee. The data have been collected from all universities eligible to receive the development grants from the UGC. The UGC has already circulated draft radars and profile of each university among the universities concerned and feedback received from them and the same are being currently incorporated. Once they are finalised they will become sources of objective information about the performance and relative ranking of universities which can then be used by the UGC to initiate the policy of performance linked grants in-aid system.