Chapter - II

University Finances
A Conceptual Framework
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UNIVERSITY FINANCES - A CONCEPTUAL FRAMEWORK

2.0.0 Introduction

Universities as the centres of higher learning play a vital role in the society. They not only enrich the academic field as apex educational institutions but also act as a catalyst for social change and economic advancement by involving themselves in curricular and extra curricular activities. However, like other organisations, Universities also need finances for performing their functions; otherwise, they will probably fail in carrying out their duties. Further, the dependence on a few sources of finance makes them lose their independence and autonomy. In view of this, the financial management of a university is envisaged in such a way that it gets its finances from different sources like the Government and other institutions. Nevertheless, the success of the Universities in realising their general and specific objectives depends on the pattern of expenditure on the one hand, and the efficiency with which the resources are utilised on the other. In this context, it is to be observed that universities raise resources in a number of ways and follow different patterns of expenditure. Besides, they follow different methods of classification of revenue and expenditure. This chapter deals with the analysis of University finances. This includes the role of University and the importance of finances, different sources and classification of income, pattern and classification of expenditure and the methods of adjusting the two.
210 Objectives and Role of Universities

University is "an institution of learning of the highest level comprising a college of liberal arts a program of graduate studies and several professional schools and authorized to confer both under graduate and graduate degrees. The University stands at the zenith of the educational institutes ranging from primary schools to the high level centres of learning. That is why historically too Universities were looked at as the centres of learning of the highest order not only in qualitative terms but also in terms of varied spheres of Jnana (Knowledge) from metaphysics to politics. Even today no educational institute whatever may be its status is kept above the University. In fact these Universities are seen as the guiding authority for all other educational centres in a particular geographical area and stand at the apex of the pyramid of education. They are being strengthened in view of the changing educational scenario, in terms of fields of study and depth of investigation. Even the reforms world-wide have not changed their status.

Moreover, Universities are thought of as houses of learning in wide-ranging subjects including fine arts sciences social sciences professional and technical courses. The advancement of knowledge however has been expanding the spheres of these subjects. The changing needs of society have led to entering new fields of study and research. As such the Universities which have started arts and science courses in the beginning later sought to start new courses from time to time thus expanding their activities in terms of number of departments necessitating the division of the Universities into different Schools.
or Centres. The growth in the number of Departments further diversified their areas of research into individual and multi-disciplinary fields. In the recent years due to knowledge explosion on the one hand and reforms on the other notably the wings of study and research have spread into not only micro fields but also to new hybrid areas of interdisciplinary approaches. Applied fields of study and research are yet another noteworthy development in which scientific and pragmatic principles are applied into every area of study. Learning is a process which the teachers also seek so that teaching and dissemination of knowledge becomes more effective. To meet this objective Universities have also started training courses for teachers.

Universities are also the authorities which confer certificates of completion of a specific study and research. They are given in the form of under and post-graduate degrees and research degrees. The Universities also confer diplomas and post-graduate diplomas in various fields. As the degrees and diplomas are the certificates of eligibility for continuing education and seeking employment, the job of conferring them is the much valued responsibility of the University. In fact, the credibility and status of the University depends upon the economic and social value of these degrees they confer on the students who have completed specified courses in different disciplines. The research degrees in the form of M Phil and PhDs flow from the special status the Universities enjoy. A university also enjoys the privilege of conferring honorary degrees on eminent persons in different fields of arts and sciences. Further Universities also have the privilege to recognize or otherwise of the degree of other Universities in India.
and abroad. Even the courses pursued in non-formal educational process are also given due recognition by the Universities and enable those students who cannot attend formal institutions also to get the benefit of education and join the regular stream of academic pursuit.

Universities are the centres of education and research both of which promote economic and social advancement by providing useful skills and knowledge in the form of technological improvement. "Universities are at the centre of socio-economic revolution that characterises our world. They are becoming potent instruments for change and reconstruction". In the hierarchy of educational system, the Universities play a vital role in preparing educated people on the one hand for further enrichment and dissemination of knowledge and on the other for filling the teaching posts at lower levels of schooling particularly at high school level. In this way they can be regarded not only as apex institutions in the educational set-up but also as centres with multifaceted objectives in the totality of academic and social scenario. Thus as far as educational development is concerned the Universities perform three dimensional functions: (1) prepare educated men and women who can occupy different teaching administrative and professional positions; (ii) prepare personnel for pursuing research career and assignment and (iii) prepare teaching personnel at lower levels of education especially at the secondary stage of education. In addition to the preservation and transmission of culture the universities have the responsibility of extending the frontiers of knowledge in arts, science and technology because they are the intellectual power houses.
on which the country depends for its progress in all directions. Each of these three is purport in its own way first in providing the necessary manpower for running the administrative machinery in all sectors second in building the research infrastructure and third in providing personnel for building and strengthening the lower rungs of academic structure.

The National Policy on Education evolved in 1986 has rightly stated that University as a centre of higher education provides people with an opportunity to reflect on the critical social economic cultural moral and spiritual issues facing humanity. It contributes to national development through dissemination of specialised knowledge and skills. It is therefore a crucial factor for survival. Being at the apex of the educational pyramid it has also a key role in producing teachers for the educational system.

2 1 1 Role of Universities Vis-a-vis Education

The importance of Universities has to be understood with respect to education as an essential ingredient in the process of national advancement. Education is an organic entity, change grows with time responds to the needs of the society and adopts to the environment. It was only an ornamental in the agricultural civilizations a tool in economic development in the industrial era and has become today all pervasive resource a resource that can find substitute for other resources but has no substitute for itself. As such, the importance of education in the society has been attaining new dimensions with the passage of time.
Education has always been important, perhaps never more so in man's history than today. In a science based world, education and research are crucial to the entire development process of a country, its welfare, progress and security. This statement is more true in the new millennium which is witnessing dramatic changes in the fields of scientific application and communication with far-reaching implications for the quality of human life and country's advancement. The multitudinous challenges at individual and social levels make education all the more imperative to enable them choose the right and more productive path of advancement. In the words of W.G. Bowen, while external effects are by no means confined to education, education is probably more likely to generate indirect benefits than any other single activity of comparable scope. Education offers social, political and cultural benefits too. "There are also, of course, important social and political benefits of education which accrue to the population as a whole—a better informed electorate, more culturally alive neighbourhood, a healthier and less crime-prone population, and so on. What is not always recognised is that these social and political consequences may, in turn, have significant economic effects—the efficiency with which goods are exchanged is obviously enhanced by general literacy."

Thus, education offers direct and indirect benefits. Nevertheless, the latter is not of less importance. According to Vaizey, the indirect benefits of education are so great that its direct benefits are not necessarily the most important aspect. The direct benefits of education appear in the form of better opportunities for employment, income, and occupational mobility. Other things
being same the educated persons find themselves positioned in higher echelons
of society and social structure. All these direct benefits can be perceived and
even measured. But the indirect benefits can be observed in the form of better
citizenship, more responsible and integral ruling class, and healthier human
relationships with an atmosphere of love and peace.

'Education also seems to help social development in two ways. One way
is to enhance the stability of the society by working towards economic growth
and self-reliance. The second way is to work towards structural transformation
of society. At any time in any given society either of these facets of
education may be dominant. For example, those in power may sometimes
desire to reinforce the stabilising role of education in order to prevent or contain
social change. At other times, they may strengthen the role of education to bring
about the changes they desire. In such circumstances, education need not
necessarily be an instrument of change; it could itself be an object of change or
development.

Higher education, in particular, is the most crucial ingredient in economic
and social development. The programme of higher education not only provides
highly trained manpower but also lends a desirable perspective and necessary
framework for formulating appropriate policies for ensuring long-term sustainable
development. 'As everyone knows, the educational process is intimately related
to advances in knowledge and is equally clear that advances in knowledge can
have important economic effects.'
Economic development involves, among other things, the use of human resources whose effectiveness dictates the efficiency with which other resources are exploited in an attempt to realise the economic and social goals. These high level human resources are prepared by and at the level of higher education which imparts the necessary knowledge and skills to make use of other resources like land, capital and machinery. The content and strength of higher education dictates the relationship between human and other resources on one hand and the non-human physical and financial resources on the other. This improved relationship results in increased productivity of all categories of human resources and increased opportunities in life and standard of living. "Higher education is a part of the larger socio-economic system and hence the University has a dynamic role to play in changing the society by changing the thinking process of young people and by putting forward new findings about society which might in turn influence the production services and management of the social system."

Higher education involving education per se and research, however, is the responsibility of the Universities in which not only the students are taught in different disciplines but also the foundation for general research is laid leading to further user-specific applications of the analysis and findings. Education and research apart, the Universities try to imbibe through the curriculum the social values woven around the personality framework of individual students and formal and informal student associations. Universities are also centres in which
leadership patterns are evolved. Thus according to the Education commission\textsuperscript{13} the functions of universities are

(i) to seek, cultivate and acquire new knowledge

(ii) to engage vigorously in the pursuit of truth and to interpret old knowledge in the light of new discoveries

(iii) to provide right kind of leadership in our youth and help them develop their potential to their full extent

(iv) to provide the society with right type of men and women trained well in the fields of arts, humanities, sciences, technology and other professions

(v) to promote equality and social justice among all citizens and to remove social, cultural and economic imbalances

(vi) to foster the ideals of good citizen dedicated to the service of the nation and well-being of fellow citizens"

All these functions of the Universities are summed up in the words of Pandit Jawaharlal Nehru\textsuperscript{14}

"A University stands for humanism for tolerance for reason for the adventure of ideas and for the search of truth. It stands for the onward march of the human race towards even higher objectives. If the Universities discharge their duties adequately then it is well with nation and the people"

Universities, by their position, are not only torch-bearers of overall development but also act as catalysts for rapid transformation of society from a
traditional superstition-bounded and static group to a modern rational and dynamic society

2.1.2 Universities and Human Resource Development

Universities play a significant role in the human resource development which is of primary importance for realising the goals of economic and social development. Among the factors that are essential for the economic development, the human factor is the most important because it is the human factor which has to operate other factors of production. "Capital, natural resources, foreign aid, and international trade of course play an important role in economic growth but none is more important than manpower." The development of human resources involves the enhancement of levels of education and training on the one hand and the improvement in health status through nutrition and health facilities on the other. Of the two, the former is of primordial importance because it is only through proper education and training that labour produces much more than what could be produced otherwise. It is for this reason that economists and planners have become intensely interested in the economic impact of investment in education. Further, education enriches the health awareness of the people and the opportunities for health improvement and, thereby leads to better health status which ultimately helps in human resource development. "One of the most important objectives of education is to churn out knowledgeable individuals who will contribute to the society actively, find gainful employment and develop a positive attitude towards life. Education
is also the mode through which culture is transmitted and transformed are social functions and status are reproduced and created" [UNESCO 1991] 15

The process of human resource development is carried out in the Universities where the students with pre-university level education are admitted and given higher education and minimum training in research and analysis so that the student inputs become highly educated manpower. Here education as a process of learning enhances the area of knowledge and increases the depth of understanding acquired at previous levels more so in specific fields of study and disciplines. Further it exposes people to new ideas, provides new skills and stirs their ambition and impels them for a change to suit the changing needs and challenges of different sectors in the economy and the nation as a whole. It also seeks to create an environment of discipline, harmony, understanding and teamwork. "The function of the universities is not merely to send out technically skilled and professionally competent men but it is their duty to produce in them the quality of compassion, the quality which enables the individuals to treat one another in a truly democratic spirit" 17

The need for human resource development is all the more essential in the rapidly changing economy. In a dynamic economy not only will there be constant increase in the demand for human resources but also, a demand for new, varied and highly skilled manpower with new types of jobs and challenges. This calls for a dynamic educational system which can prepare and supply these
human resources. The Universities, on their part, must pay greater attention for the development of the personality of their students because character-building which implies an all-round development of the cultural, moral and physical qualities of an individual should occupy the first place in any educational system.

2.1.3 Universities and Nation Building

The role of Universities in nation building is explained in inextricable terms in the assertion made by Jawaharlal Nehru. If the Universities discharge their duties adequately then it is well with the nation and the people. The term nation building includes the setting of and the realization of economic, political and specific social goals. These goals however are redefined from time to time so that the nation reaches higher levels of gratification. The goals include growth and development, eradication of illiteracy, poverty and unemployment, provision of equal opportunities of life to every individual in the society, strengthening of democratic set-up, rationalising and strengthening the cultural system, up-grading the technological levels and productive efficiency and ultimately improving the standard of living of the people at large. However, these national goals are dynamic and throw great challenges to the planners and people alike.

Universities, as the centres of higher learning, inculcate the necessary human faculties in the teachers and students, develop the required inputs like knowledge and skills in different fields of productive activities including
agriculture industry and commerce. It was succinctly described in the report of Harvard Committee20 on General Education that University education is "the training of the student to be a responsible human being, a useful citizen, and an individual fit for discharging of the duties of his profession, vocation or calling. More important they disseminate the information with regard to on-going changes across different disciplines of study regions and countries. Thus a University education must be a preparation for life not in the abstract but in the social and political context in which lot of the students is cast. It would be valueless if it did not make him realise the worth of the individual and the dignity and value of human life as it exists in the world outside and endows him with the correct social vision. This view was emphatically advocated by Truman's Commission on Higher Education and also by the University Education Commission.

The Universities also strengthen the foundation for value system and scientific temperament which are sine qua non for modern industry, particularly, in the wake of changing economic, political, social and philosophical patterns. From the portals of Universities education particularly higher education provides intelligence and skills essential to modern industry, contributes to the health and safety of the nation; helps in better conversion of natural resources, leads to personal thrifts and development of capital resources, improves the earning and spending power of the people and increases the volume of production and lifts the level of consumer demand.21 Thus Universities can be
regarded as powerful catalytic agents for social and economic changes in any country.

The developing nations call for greater role from the universities. University has to become the academic focus of national life reflecting the social, economic, cultural and political aspirations of the people. It must kindle national interest in the youth and uplift citizens and free them from ignorance, superstition and indolence. The developing nations need to undergo social transformation apart from building economic infrastructure and capital base for achieving rapid growth and development. These require the development of scientific and technical manpower on the one hand and bringing about changes in the social and political value systems on the other. In particular, universities have to be responsive to the needs and requirements of economic and social advancement and must be so organised as to make this possible.

The Universities, as apex educational institutions, have a greater role to play in the social and cultural life of the people, more so in providing leadership and in nation building. 'There is a common agreement that universities have the duty and responsibility not only of transmitting culture and diffusing knowledge but also extending the frontiers of knowledge for its own sake for national welfare and for world progress.' In this way, the Universities as forerunners in the educational system, form an integral part of national framework and sometimes transcend the national boundaries in enriching international inter-cultural
relationships. Universities provide a suitable and meaningful platform for the emergence of leadership to run the affairs of the nation in future. They must also initiate national interest in the youth and free them from parochial and regional limitations. 'Universities are the hopes of our national leaders. Our Government hopes that the Universities will produce rapidly year after year thousand and thousands of leaders to guide people a right in honesty and work throughout the country. Then all will be well. India will grow not like a structure but like a tree.'

2.2.0 Significance of Finances in Universities

Finances are the pecuniary resources of any organisation and they are one of the important inputs necessary for achieving organisational goals. "University is also a new type of organisation or institution with its own objectives, values rationale and autonomous management." The organisational objectives are determined by the values which it enshrines whereas the realization of the objectives is largely influenced by the type and rationale of management for which the finance forms the underlying life spirit. All the organisational activities are automated by the finances and, as such the lack of finances will deter the autonomy of the management. This in turn, retards the forward march of the institution. The University, as an educational institution is no exception, it needs finances for carrying out different academic and research programmes apart from the main activity of imparting education. In fact the
cases of universities failing due to lack of finances are not rare vouchsafing the truth that the finances are the real engines of development even in the case of service - institutions with objectives having more qualitative implications. Universities require finances for various activities including curricular and extra-curricular ones targeting educational and societal objectives. The lack of finances or insufficient finance either enervates the universities in their efforts or drives them to depend more upon one or other sources forcing them to sacrifice their independence and autonomy. Ultimately, the universities tend to give up their avowed goals and become mere centres of bogus activities.

2.2.1 Finances for Educational Expansion

The primary objective of the Universities is to disseminate knowledge and at the same time to explore new areas of study so that the acquired knowledge becomes total and perfect. That means education which the universities impart is not static or limited in the sense of fixed boundaries of knowledge in various fields. It should help the learner reach new frontiers of knowledge from time to time in consonance with the expanding requirements. Otherwise, what is taught and learnt becomes obsolete and irrelevant. Hence, Universities should place emphasis on the expansion of educational facilities broadly on the basis of manpower needs and with an accent on equalisation of educational opportunities. The Universities have to establish more and more academic institutions so as to produce greater manpower to suit the ever increasing demand particularly in crucial areas. Further, they have to make efforts to
enlarge the network of educational facilities so as to extend opportunities to all the sections of the society in a way that even the underprivileged people also get opportunities to be benefitted by educational development.

The expansion of educational network and involvement is dictated by societal demands on the one hand and by the economic and administrative compulsions or challenges on the other. The latter however is reflected in the job markets, the trends of which show what categories of education and training are needed to be provided from time to time and in different regions of the nation. The former that is what the society with its multi-faceted manifestations needs have to be diagnosed and invented keeping in view the necessities in order to maintain the solidarity and the integrity of society on a permanent and continuous basis. However scope must be given for dynamic changes coming within and from without. This calls for thorough alertness on the part of university to perceive the needs and for the readiness to start new courses and educational content.

2.2.2 Financing Research and Development

One of the main functions of the University is to acquire new knowledge and to engage vigorously in the pursuit of truth. In the words of Nehru: University stands for the adventure of ideas and for the search of truth. This research and development is important next to teaching. Earlier it was realised that expenditure on education is "investment in human capital". Later "the relation of education to research and of research to social returns deserved more
attention from economists. As a sequel to this, the educational institutions especially at higher education level started devoting much attention to research and began allocating a significant proportion of their budgets towards research and development. Although research institutions concentrate wholly on research and development, the contribution by the "universities to research independently and wholly" is greater in terms of the fields and depth of study.

The expenditure on research and development is thought to have far-reaching effects on the University's Capital on the one hand and on new technology on the other. In fact, the technological development is the result of the sum total spent on the research and development, in so far as it is treated as investment in technological capital. The building of this technological capital is the responsibility of the Universities also. The Universities take up both fundamental and user-specific research though the latter derives lesser emphasis. Most of the theoretical research in social sciences is carried out in the Universities rather than in special research institutions.

Universities involve themselves in research and development by directly taking up research projects and programmes and also by assisting the students in getting research degrees like M Phil and Ph D. Of course, they receive funds for research projects from Governmental and other departments and agencies like UGC, ICAR, CSIR, and ICMR. The assistance is given to the students pursuing M Phil and Ph D degrees.
2.2.3 Financing Extra-curricular Activities

Educational system is an integral part of the social and economic system. "A University does not exist in a vacuum. It exists in the context of a society and it is there that it has its proper place. It is an integral part of the society which maintains it and for which it exists." It is needless to say that university has the social responsibility of assisting developmental works and programmes. Besides it has to take up development works in the local areas in which it operates. Thus the university spends on NSS programmes, Government sponsored programmes and the like. In some cases, the Universities adopt some villages or areas for overall development.

Universities do not stand in isolation. They have to maintain relationship with other universities in the state, country and abroad. This is done through inter-university cross-country exchanges of the faculty and the students. Cultural festivals, student-exchanges, teachers visits to other universities and countries enable the improved inter-university communication and understanding of different cultures and systems including the educational system. Sports is another field in which the universities act as the centres of participation by students from different colleges in the respective areas. Sports festivals, sports meets are some of the important events to which the universities pay their attention and spend significant amount of finances.
Student-aid services now a days form an integral part of co-curricular activities provided by the universities. Employment counselling centres and pre-examination training centres are set up by the universities in order to assist the students in their attempt to get better job opportunities with their basic qualifications. Students and teachers need knowledge and training in some universal/common areas and in advanced fields like Computer Sciences and Information Technology. To meet these requirements, the universities also conduct special diploma and post graduate diploma courses in the fields which are in great demand in the academic world.

23.0 Sources and Classification of Revenue

Education is regarded as the responsibility of the Government. But the view has been different with regard to higher education, which is concerned with benefitting or serving not all the people but only a small percentage of population although it is true that the entire population receives the benefit of education.

Particularly in recent times, the user-institutions like industry and commerce are also expected to contribute to education and research at higher levels. Further, the Universities are also asked to generate at least a part of the resources, especially for the higher level. As such, at present, the universities are getting resources from the Government sector, institutional sources in the form of grants from non-governmental institutions and the self-generating revenues.
These revenues are also subjected to classification not only from the point of their resources but also in the context of their importance and effect on university administration. Hence while the classification of resources is universal, the nature and type of it differs from one university to the other. This section attempts to briefly enumerate different sources of revenue for the universities in general and also to analyse the different methods of classification in vogue.

2.3.1 Sources of Revenue

2.3.1.1 Grants

Grants are the sums of money given by the Governmental institutions or others to the Universities in view of the privileges or the responsibilities of the Universities concerned. The University receives grants from the Central Government, the State Government and from other local institutions. As higher education is an item in the Concurrent List both the Central and State Governments ought to contribute towards the development of universities as centres of higher education. The onset of reforms also did not in any way decrease the responsibility of the Central and State Governments towards higher education except that the Universities are asked to generate more income by themselves through own resources. But the fact remains that the State Government play their role directly whereas the Central Government assists the Universities indirectly through its various Departments and to a major extent through the UGC.
Moones Raza² feels that the maintenance of education however falls under the domain of the Government. Further the responsibility of providing education is shared by various federating units of the Government the Centre the State and Local bodies. Ever since education was included in the Concurrent List in 1976 education has become the joint responsibility of the Centre and the States. Therefore both are equally responsible for expediting the process of educational development by way of extending infrastructural facilities providing necessary finance and monitoring of educational programmes through mutual cooperation and coordination.

Central Government

The Constitution of India makes the Union Government responsible for higher education. As such the Union Government contributes towards the University finances through its Ministries. While the Ministry of Education is the major supplier other Ministries like Health and Agriculture also provide finances for specific studies. Under the Constitution of India the Central Government undertakes the complete responsibility of Central Universities and some institutions of national importance and higher learning and research in Science and Technology. But with regard to State Universities the Central Government takes partial responsibility only. In the case of others like the Deemed Universities also the Central Government’s contribution is limited to the extent of providing assistance for capital expenditure.
Grants from Government of India chiefly relate to research projects approved by various ministries or sponsored by them and to scholarships and youth welfare schemes. By and large, these grants are insignificant in the finances of State Universities. Grants from the Government of India refer to funds received from the various Ministries for undertaking or implementing approved projects and for specific (non-plan) purposes only, since the UGC is entrusted with plan-financing. They may be broadly divided into the following purposes: namely scholarships, youth welfare schemes, research schemes, and others.

State Government

Under the Constitution of India, the State Government bears the complete responsibility of the education except in the case of Central Universities and Institutions of national importance. The Ministry of Education is responsible for determining the educational policies and plans, duly assisted by the Secretariat and State Council for Higher Education. On the lead given by the Union Ministry of Education, the states made rapid progress in various spheres of education. This was possible because of the commitment on the part of State Government to finance educational programmes of the universities, technical and professional institutions. They thus played a vital role in educational expansion in the State. When new courses or institutions are started or when new pay scales are implemented at higher education level, the State Government bears the total
responsibility of providing financial support after the expiry of five years for which period the UGC takes the responsibility.

Prior to the establishment of the UGC, State Government Grants formed the mainstay of the University. It may however be noted that even before the UGC assumed its role as a financing agency, the relative importance of State Government grants had begun to decline. Grants from the State Government are broadly divided into Plan and Non-plan. Plan grants refer to grants made towards the execution of schemes included in each Five Year Plan of the University. Non-plan grants consist of Block Grants and grants for specific purpose. Normally Block Grants from the State Government constitute the most important source of external finance for the University. At present State Government grants account for about 35 per cent of the revenue receipts of the University.

The Block Grant is meant to support the normal administration and academic function of the University. All expenditures of recurring nature are met through Block Grant. Besides the Block Grant, the State Government provides grants for special projects on a year-to-year basis.

Generally, Block Grants for general purposes constitute the major component of State Government grants. However, occasionally Plan grants exceed Block Grants. This is largely explained by the fact that though Plan
Grants are determined on a five-year basis. The funds are released from year to year and naturally in some years more funds are released than in others.

The grant by the State Government, usually in the form of Block Grant, forms a major portion of the total receipts of the university. This is due to the fact that it is the State Government which bears the financial burden to cope with the increasing expenditure arising out of starting of new courses, institutions, periodical revision of pay scales of both the teaching and non-teaching staff and other forms of increasing administrative expenditure. While sanctioning Block Grants to the universities, the State Government normally lays down certain procedures with regard to its payment as per Universities Act and the principles according to which the money has to be spent. For the latter, it gives purpose-wise break up of the total grant too. This Block Grant is disbursed to the university in quarterly installments which will be utilised from time to time on an on-going basis. The unspent balance if any, is transferred to the Reserve Fund of the University.

Local Bodies

The nature of higher education is such that it has not only regional and national importance, but also serves local requirements by providing manpower and institutional infrastructure on an ad-hoc and temporary basis. As such, the local bodies also evince interest in the universities. The Municipal Corporations, Zilla Parishads and Committees also take part in the affairs of the university though they play a less important role than they did earlier.
University Grants Commission (UGC)

The UGC plays a vital role in promoting higher education in India by providing finances for universities especially for the developmental schemes and for building infrastructure facilities. The UGC finances totally new courses and institutions for a period of five years after which the State Governments take over this responsibility. In fact, the UGC ever since it became a statutory body in 1956 has been making definite plans for the expansion of activities of universities on the basis of grants received by them. These grants are given for a variety of schemes for the development of education, teaching and research. The Commission also gives research scholarships and fellowships to promote research in specific fields. Other programmes for which UGC gives grants include publication of doctoral thesis, workshops, seminars and symposia. Thus, the UGC grants form an indispensable part of total finances of the university. But these grants are made on the principle of sharing the participation of the State Government is also necessary.

Grants are paid under three different arrangements. The first applies to a small number of schemes which are considered nationally important. For them, the UGC's assistance amounts to cent percent. This creates fewer difficulties, the only problem being the limited resources or the occasional failure of the UGC to be equally fair to all the institutions. The second and the third relate to certain non-recurring and recurring budgetary items respectively. In these cases, the UGC has adopted its pattern of fund allocation from the Planning Commission which mediates between the Centre and the States. The
grants are paid on what is known as the sharing principle. For the Non-recurring items the UGC pays two-thirds of the expenditure and the State Governments pay the rest. For recurring ones the sharing is done on a 50-50 basis. These matching grants create many complicated problems.

The UGC cannot always accept the same priorities as proposed by State Governments in deciding its share of assistance. With an understanding of the needs of the entire country especially in areas of insufficient manpower and leadership and with concern for standards of University Education, the UGC tries to assist the qualitative growth of the system.

The UGC for the development of higher education will inquire into the financial needs of the universities and allocate and disburse grants for the maintenance and development of the universities and for any other specific purposes. It also recommends the measures necessary for the improvement of university. In this way, the UGC performs the role of a guiding and supporting authority for the universities and help achieve educational development. It also meets the changing needs of education, particularly higher education.

The general classification of grants into Plan and Non-plan applies to UGC. Grants also. Non-plan grants from the UGC are made for specific purpose like scholarships, summer schools, exchange of teachers and research by retired teachers. Plan grants relate to projects in the University Five Year Plans such as starting of new departments of study and research, strengthening of existing departments and revision of pay scales.
Next to grants, fees form the largest source of income for the universities. The universities derive one third of their revenue from fees and the balance is made up mostly of grants. Thus fees had been the second largest source of income after the contribution by the Centre and the States. "Inspite of the fact that the Central and State Governments had given increasing subvention to the educational institutions, the fees contributed almost every third rupee to the total income of the universities and colleges in 1988-89. In general terms, fee can be defined as a charge or payment for service and as a sum paid or charged for privilege, as admission fee. But in the context of financial administration, a fee is defined as a payment to defray the cost of each recurring service undertaken by the university primarily in public interest but conferring a measurable special advantage on the fee payer. The University renders many services to the students including the admission into different academic courses, teaching laboratory services, research facilities, examinations, conferring of degrees and diplomas, and providing consultancy services. For providing these services, the Universities charge fees from the receivers of the benefit including admission fee, examination fee, special fee and others.

2.3.1.3 Self Generating Resources

This is the latest, but dynamic source of finance for the Universities in general and for a few prestigious Universities in particular. The self generating resources are generated by throwing open the courses for purchase by the private user-agencies at marketable rates rather than at Government-subsidised
fee levels. Though the concept was introduced in the Universities in the 1980s, the practice of garnering resources through this method has come into vogue in the 1990s particularly after the onset of economic reforms that encompassed all the fields including education. This field witnessed emergence of many new user-specific professional courses which are in high demand and hence fetch greater revenue for the department concerned and the university in general.

2.3.1.4 Industry and Commerce

Another important source of funds for the Universities is industry and commerce. Consultancy can be offered by the University teachers in high tech areas which can earn good revenue to the University. A certain percentage can be allotted to the teachers for their work and toil. However, there is a large gap and distrust between the industry and universities. The latter is more theoretical and pedagogical in its approach whereas the industries are more concerned with immediate returns, leave alone other aspects. Hence this gap should be filled up and the distrust diluted before this important source is properly exploited.

2.3.1.5 Alumni Contribution

One of the most dynamic and continuous source of University finances which is very popular in Western universities and is unexploited is the contribution by the alumni of the university. Of course, this source is yet to be made popular and exploited in Indian Universities.
have practically neglected to tap one source of income which has proved a perennial spring in the American Universities namely the support of their alumni"34

2.3.5 Self-Financing Courses in Universities and Colleges

The time has come when the institutions of higher learning should find their own resources to keep them going. The Government cannot support them forever. Their financial dependence on the Central/State Governments must be reduced to a minimum level. One of the methods which many universities have adopted is to start a few job-oriented self-financing courses and charge reasonably high fees from the students joining these courses. At present there seems to be a lot of competition amongst various universities of the country to start such courses which have immediate job potential. "Running a few self-financing courses by the Universities is not a bad idea. On the contrary in several cases it has really helped many universities set up new departments without any outside financial assistance. The students have also been benefitted by joining these courses"35

2.3.2 Classification of Revenue

The revenue/income from different sources is presented by the Universities in their Budget Estimates and in their Annual Reports in a form which they deem fit. This form is decided by the type of revenue they receive and the pattern in which they use to disburse and spend their amounts. Thus
each university follows specific pattern of presentation of the revenue. But for the sake of analysis and evaluation the revenue received by the universities is classified in a variety of ways to suit one's type and objectives of research and study.

Revenue can be classified into (1) Current income and (2) Developmental Income. The current income is the income available for its current operations of teaching and administration. Developmental income, on the other hand, is the income received by the university for financing new activities either by way of extension of existing departments or by opening of new departments and other activities/service units. Current income is further divided on the basis of source and purpose. Source-wise current income is classified into external and internal sources. Purpose-wise it is classified into (i) educational general income (ii) auxiliary income and (iii) student aid income. Developmental income is further classified into two parts viz. revenue and capital. The revenue receipts are earmarked for salaries of teaching and non-teaching staff and research activities whereas the capital receipts are specified for the construction of buildings, purchase of equipment, library books, etc.

The revenue can also be classified on the basis of sources. E.T. Mathew classified the revenue of the Kerala University into five sources: (1) University Departments (2) State Government (3) University Grants Commission (4) Government of India and (5) Others.
240 Pattern and Classification of Expenditure

Expenditure is an essential part of finances in any organisation because the ultimate success in terms of achievement of goals depends upon the pattern of expenditure and also the effectiveness and efficiency with which the spending is carried out. The effectiveness of any organisation in accomplishing its objectives is dependent among other things on the availability of adequate financial resources and on how productively they are employed. University is not an exception to this. The expenditure pattern not only influences the realisation of objectives in an effective manner but also creates opportunities for the generation of income for further utilisation by the university in its activities.

It is a universally recognised fact that the expenditure on education particularly higher education is an investment on human capital. That is why the way in which the University allocates and spends in different educational activities has far reaching implications and effects on the economy in particular and the society in general. This is determined by the stipulations laid down by the granting authorities on the one hand and the objectives and expectations of the university on the other.

241 Pattern of Expenditure in the Universities

The Universities given their nature of meeting the higher education requirements spend on a variety of activities ranging from teaching to the maintenance of inter University relationships. The major chunk of the university expenditure goes for teaching and administration in the form of salaries for
teaching and non-teaching staff. All these are enshrined in what is called Current/Revenue Expenditure. Capital expenditure or developmental expenditure in the form of construction of buildings, purchase of equipment for laboratories and workshops and books for libraries is another major part of expenditure by the Universities. In fact, all these are essential for providing the necessary infrastructure for educational development.

**Expenditure Departments of Study and Research**

A 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 the funds which it provides for teaching and research.

It may further be noted that among the University Departments of study and research, Science Departments receive considerably larger allotment of funds than Humanities. The differential expenditure pattern as between science and humanities is partly explained by the large outlay involved in setting up science laboratories.

While salary of the academic staff absorbs about 50 per cent of the total expenditure incurred on departments of study and research, the remaining 50 per cent is spent towards salary of the non-academic staff and contingencies.
Expenditure-Other Departments

A few departments provide the supporting facilities for the departments of study and research and may be said to constitute the academic infrastructure. Hence, the University is justified in spending fairly large amounts on them. In fact, a much larger expenditure than is incurred presently is called for in view of the major role of the University Library in providing facilities for researchers in humanities. Universities also spend on Study Centres and Student-Aid Centres.

Expenditure-Works

Works constitute a major expenditure item of since the university is constantly expanding its activities. New construction has been undertaken in to provide additional space for the various departments of study, libraries, hostels, administrative offices, and guest houses.

2.4.2 Classification of Expenditure

Generally, the funds received by the university are used mainly for two purposes (1) to meet the maintenance expenditure of different educational programmes and auxiliary services and (2) to meet development requirements such as buildings, equipment, books, etc. They are classified as Current expenditure and Developmental expenditure respectively. The Current expenditure of the University is expected to cover the cost of the educational
programmes and other operating activities including general programmes, auxiliary enterprises and student aid. The developmental expenditure on the other hand is incurred on items which promote postgraduate education and research and expand the existing facilities like equipment, library, laboratories, hostels, quarters, scholarships, and student amenities. The current expenditure and developmental expenditure can also be called Revenue Expenditure and Capital Expenditure.

Moories Raza
classified University expenditure into Plan and Non-plan expenditure. He found that there are wide variations among different universities with regard to financing expenditure. In the case of State Universities, the non-plan expenditure, which constitutes about 80 per cent of the total expenditure, is met by the block grants, and the remaining plan expenditure on a matching basis by the State Government and the UGC. In the case of Central universities and the institutions of national importance, the entire expenditure, both plan and non-plan, is fully financed by the UGC and the Ministry of Human Resources Development respectively.

The expenditure can also be classified on the basis of purpose. Thus, E T Mathew
classified the expenditure as under:

(1) General Administration
(2) Examinations
(3) Colleges and Institutes of Study and Research
(4) University Departments of Study and Research
(5) Other Departments
(6) Grants and Scholarships
(7) Works
Expenditure on General Administration consists of 1 Pay of Officers 2 Pay of Establishments 3 Allowances and 4 Contingencies Pay of Officers refers to the salaries paid to officers of the gazetted rank from the Vice-Chancellor to the section officer Pay of establishment refers to salaries paid to the non-gazetted staff Allowances consist of travelling allowance dearness allowance compensatory and other allowances drawn by the gazetted officers and establishment General administration is one of the major items of expenditure and its share in total expenditure of the university has been steadily growing Of course frequent pay revision has been the main cause of rapid increase in the cost of administration in the Government also Apart from pay revisions another factor that has contributed to the rapid growth in the cost of general administration is the rapid increase in the number of employees The size of the staff has been growing partly as a result of the growth of the University But it has also been partly due to the built-in pressure for expansion In terms of expenditure incurred examinations presently account for the largest single item of expenditure It may be noted that the expenditure on examination has registered the highest rate of increase

instead of spending the major share of the income on teaching and research we have a situation where a lot of money is spent on the conduct of examinations One might question the propriety of this expenditure pattern We should however note that this situation is to some extent inescapable in an affiliating University as the students enrolled in the affiliated colleges have to be examined by the University
Grants and Scholarships expenditure consists of building and maintenance grants to recognised hostels and scholarships and schemes sponsored by outside bodies. Scholarships offered by the Universities are of different types such as research scholarships and fellowships. Government of India Scholarships, UGC scholarships from the Council of Scientific and Industrial Research, Merit Scholarships, etc. Schemes sponsored by outside bodies refer to projects entrusted to the university by outside agencies like ICAR, CSIR, ICSSR, Ford Foundation, Planning Commission, UGC, etc. In many such instances, the university is a net gainer since it is entitled to an overhead allowance. Besides capital equipment acquired for the project, if any, becomes the property of the university after expiry of the projects. Works refer to expenditure on purchase of land, construction of buildings and roads, water supply, etc. This is usually a major item of expenditure. This expenditure is also classified as Plan expenditure and Non-Plan expenditure.

2.6.0 Matching of Receipts and Expenditure

The fact that income and expenditure should be matched is timely and circumstantial consequence. The necessity of matching two arises due to the implicit requirement for every organisation to realise its objectives within a specified time and structural framework. The income and expenditure are two financial activities which are the only instruments to achieve their goals. In this sense, these two have to be manipulated independently or otherwise with an
eye to achieve the objectives already set. This exercise depends to a large extent on a multitude of factors such as the nature and the age of organisation, its objectives and obligations, the structure of the organisation and its employees.

Thus, while it is true that matching of the revenue and expenditure is universal, what differs is the way in which it is done, whether or not on the current revenue account itself or on the capital account through borrowings. However, the views about balancing differ from one economist to another. A.E. Buck\(^6\) points out that equilibrium or balance is one of the essential features of the financial plan. According to Willicoughby\(^4\), the balancing of revenues and expenditures is rightly deemed to be the essence of a budget. But Prof. Jacob Viner\(^5\) remarks that it is a mouldy fallacy that regardless of circumstances, the organisations must balance their budgets. The ultimate result is that most of the Universities end up with deficit budgets. It has been reckoned that about 40 percent of the Universities (including Sri Venkateswara University) have been consistently having deficit budgets\(^3\). No wonder the percentage has been increasing, particularly in the case of State Universities which are facing the straight problem of dwindling funds from the State Governments. The Central Universities, however, are less pressurised to adopt the policy of deficit budgets.
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