



Operating Expense of Superior Education and Partial Funds: Origin and Probable Modification

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Abstract:

Higher Education is heavily subsidized in India. In all the states, on whose shoulders the ultimate responsibility of financing higher education rest, the contribution of students' fees at all level has substantially declined over the last four decades and the contribution of the state government has gone up almost to the point of totality. For instance, in Uttar Pradesh, the largest State of India, with as many as 25 Universities and 419 degree colleges, the contribution of fees in higher education, which was 32 percent of the total in 1950-51, came down to 19 percent in 1979-80. Subsequently, owing to substantial increase in public financing of higher Education and stagnant rates of fees, there has occurred a further decline. For example, in Lucknow University alone, whose annual budget is over Rs.13 corers, the contribution of fees is Rs. 76 lakh only, thus accounting for less than six percent of the University budget in 1990-91.

Keywords: *Superior Education, Funds, Origin, Modification, State Control*

1. Introduction

Under the influence of the new economic policy, the government of India is bent upon cutting down subsidies (on fuel, fertilizer and even food, leave alone higher education) and, if possible, abolishing these subsidies altogether. If it happens, the axe will fall in the funding of higher education is enough. With dwindling internal sources of finance (fees, donations, and endowments), reliance on government itself, the financial crunch of the universities is bound to become much arise immediately:

1. What are the reasons because of which such a situation has emerged?
2. How are the other countries, facing such a situation, going to sustain their system of University education?
3. What reforms should be undertaken for making the financing of universities a dependable and autonomous?

2. Manifestation of the Current Position

University education in India began largely with philanthropic Endeavour, private charity and voluntary endowments which remained, for long, the mainstay of universities' finances. Student's fees, donations and other voluntary contribution of various kinds played an important role. But, gradually, a declining trend in these set in. The share of income and utility charges on account of laboratories, hostels, examinations etc. has gradually declined, indicating lack of concerted efforts to augment resources from beneficiary groups. The University leadership successively failed in prevailing upon the potential donors to make contributions. The noble tradition of voluntary private contributions continued to decline and, with the advent of our own government after the independence, the burden got gradually shifted on to the shoulders of the

government which itself in those days was eager and to embark upon ambitious plans for the development of higher education. The government's responsibility of financing higher education has been continuously increasing but, the government's enthusiasm, willingness and, of course, capacity to continue to shoulder this burden has been declining.

Continued heavy reliance of universities on government fund has had a very depressing effect on them by weakening their endeavor to raise their own resources. Fast declining of 'internal' resources and much lower increases in public financing that commensurate with the ever-growing needs, appear to be the veritable reasons behind the present financial crisis in this sector. Sever resource constraints on the one hand and the ever-increasing demand for higher education of various types on the other, have made things progressively worse.

3. Breakdown of Common Good Premise and State Control

Higher education has traditionally been left out of the purview of market theory but now when it is competing for an increased share in the budget of the government and when people are increasingly feeling concerned about its quantity and quality, it cannot be treated in isolation without reference to factors like the demand for and supply of higher education, resources, costs, the divergence theory, its implications etc.

If a theory of social good is applied to higher education, it escapes the application of market mechanism in its entire operation and will have to be treated as a pure social good, the supply of which remains a function of government's directive. Application of social good theory in the provision of higher education has not yielded the desired results. As important reason for the inefficient working of the higher education sector has been, as in the case of many other public undertakings, assured salaries and absence of a monitoring system of the performance of the institutions of higher learning financed almost entirely by government with least participation of students finance (the consumers of the service) has been very inefficient. While in those institutions where private participation in one form or the other is substantial, the working has certainly shown better results.

4. Charge as a Cost of Superior Education

Higher Education today is a sector where consumers (students) purchase this service at an unrealistic price which is not determined by the market forces. Student in universities, in particular, are consuming education at a price which can by no means be said to be an appropriate price for the service. One may say that it is true of other pure social goods also but higher education has never been regarded by economists as a pure social good. Even later economists viewed higher education as a good which should go with a price.

In most cases, the prevailing fees rates of higher education cannot be said to be appropriate. Only in a few institutions is higher education appropriately priced; these are rare cases but merit attention due to remarkably better performance of these institutions.

5. Auxiliary Markets in Superior Education

This phenomenon of recent origin can be explained by the fact that market theory is not being applied to the higher education sector. Excess demand for education, which results from a policy of restricted admission at sub-optimal fee rates, gives rise to sub-markets in higher education. The mushroom growth of coaching institutions and the like is proof of this. These sub-markets operate on the basis of free market pricing policy and are running efficiently. The existence and strength of these sub-markets disturb the working of the main market-higher education in the University and collegiate sector. The suppliers of education (teachers) in the main market are employed on assured salaries but teach in the sub markets, where they can dictate the price of

their services, tend to work more sincerely and to the best of their ability. Consequently, teaching in the main market, the main educational institutions, suffers. Students go voluntarily to the sub markets and pay market price for purchasing education, because they are sure that the service which they are getting there is worth the price they are paying. That is why the subsidiary markets have not only come up but are increasing in number and flourishing. Since they are working on market principle, they are working well. On the other hand, in the main market, the operation being carried on at less than equilibrium price and market theory not being adhered to, the efficiency has fallen and caused severe financial crises.

6. Knowledge Overseas

Government withdrawing from financing of higher educational institutions resorting to raising their own resources themselves in a professional manner are now common features abroad. There is a visible shift for state-supported higher education to the self-financed economics such as those of great Britain but also in a county like China, where economic reforms have been undertaken only recently on a large scale. There are reports of privatizing universities and raising the fees several times the per capita income, in a few instances in China. Universities in Britain also are gradually making themselves financially autonomous by reducing their reliance upon government funding agencies. In several countries abroad, student's fees, for several specific courses are almost equal to the actual per pupil cost of providing these courses. Thinking on these lines becomes necessary because financing is linked to efficiency and productivity.

7. Voluntary Modifications

Since the present financial crisis in higher education has several dimensions, one is likely to constrain oneself, in the analysis and suggesting of workable reforms, to one or just a few particular angles. This will not be holistic and may not be entirely satisfactory. With this limitation in mind, if we attempt to provide an answer to this vexed problem from the viewpoint of economic theory, we would have to expect the consumers (students) to purchase higher education and, if they do so, pay a reasonable price. When food and fertilizer subsidies are being withdrawn, there appears to be no logic in continuing, subsidization of higher education. The government has already started thinking in terms of freeing grant to higher education, if not totally withdrawing them, for the moment. If grants are frozen or reduced, the universities will be left with no alternative but to raise fees to the extent that it can reasonably cover the costs involved. The application of market theory in higher education will not only resolve the financial crisis, but will, at the same time, improve efficiency to the maximum.

The producers of the service of education should be able to bell the same. The mores scarce and specific educational services, particularly, should be adequately charged for. An important reason for the decline in general academic standards in higher education is that it is being offered so cheap.

For maintaining the existing level of equity in higher education, if not enhancing it further, the present system of highly subsidized higher education with admission on merit/ reservation should continue so that meritorious and the poor are not burdened with higher fees. However, there is no justification for keeping the fees very low across the board. For overall improvement of quality and raising the level of equity in the true sense of the term, the inefficient inputs in the present system leading to poor quality should be augmented by savings from self-financed programmes. It follows, therefore, that those who have the capacity to pay, should be entitled to get the type of education desired by them at a price, a little higher than what it actually coasts to provide it. The net revenue generated by these self-financed programmes can be used to enhance the quality and performance as well as to introduce loan scholarships to enable the economically backward

sections to take advantage of the innovative educational programmes which are not supported by the government. Thus, in effect, self-financing introduces innovation and overall modernization, effectively raises the level of equity and reduces the dependence of the system of the system on the government.

University stands to gain in financial terms, if students who desire education on specific lines pay the University more than what it costs to provide that service. However, the introduction of self-financed programmes in a University may immediately lead to an adverse reaction among students, teachers and guardians. Groups with vested interests and in search of issues for agitation may try to take advantage of the situation. They will make a hue and cry about merit being ignored and devalued, temples of learning becoming teaching shops and shifting of emphasis from scholarship to finance and social justice being compromised by the introduction of the self-financed programmes beyond the reach of many potential students.

Therefore, the introduction of self-financed academic programmes has to be preceded by a well planned publicity exercise to avert misunderstanding. It must be made clear to all those who are in any way concerned with higher education that:

- In view of the present financial constraints on the universities, new academic programmes are not at all possible except on a self-financed basis.
- If self-financed programmes are not available at the University, those students who can afford such self-financed innovative courses can join such programmes elsewhere and, in case it should be abroad, it will put an additional demand on foreign exchange, the situation of which is already precarious
- A self-financed programme is an effective means to innovative educational experiments.
- All teachers and students stand to gain from strengthening of the infrastructure made possible by such programmes and the improved infrastructure, in turn, will generate immense goodwill for such programmes.
- There will be no curtailment of seats/facilities in existing course due to the introduction of self-financed innovative programmes.
- Self-financed programmes will lead to lesser financial dependence on the government and, hence, will ensure greater autonomy for the University.

Another avenue of generating funds for higher education is through exporting education. Excellence in teaching combined with the ability to tailor educational programmes to suit the clients and good marketing can elicit sufficient demand abroad and corresponding financial support. Our neighboring countries and other developing countries in many parts of the world can benefit from our expertise. In this context, we may have the following types of projects:

- Assistance in setting up or running educational programmes at established educational institutions.
- Setting up, on turn-key basis, an educational or training establishment.
- Taking up projects in collaboration with developed countries, for instance, arranging instruction for two years bachelor's programmes in a developing country, followed by two year P. G. Programme in a developed country.
- Setting up a professional institute, which is recognized by the host country, with India/other investment with full/part ownership? If necessary the degree may be given by a University in India. Australian University offers such programmes in Singapore.

Mobilization of additional funds, independent of government support, for universities, can also be attempted through sponsored research and consultancy. There is plenty of scope for expansion

of these activities in most universities. Faculty members may also be encouraged to bring in research projects and consultancies. Institutions of higher education may undertake production of materials and services which they can produce cheaper and better. Universities may start publishing house-journals of their own. Since University faculty provides the largest authorship to books released each year, the profits from which go to private publishers, if universities singly/or in collaboration establish publishing houses, them, apart from the copyright remaining with faculty members, the universities may also earn profit.

8. Conclusion

Thus, for solving the financial crisis in higher education, a two-pronged strategy is needed :(1) the existing system of government funding needs to be rationalized, made more effective and equitable (2) each University, an individual firm, should look for other options to evolve its own programmed of generating funds so that it gradually emerges as professional University. This is precisely the system towards which higher education will move, slowly but surely, in the days to come.

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