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CHANGING PATTERN OF FINANCING OF HIGHER EDUCATION IN INDIA SINCE 1991

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Abstract:

This paper attempts to study the changing pattern of financing of higher education in India since 1991. India has the third largest higher education system in the world, next to China and the United States (World Bank). It possesses a highly developed higher education system which offers facility of education and training in almost all aspects. The growth of higher education in India has been phenomenal. In 1950-51, there were only 263,000 students in 750 colleges affiliated to 30 universities. The emphasis on higher education in India can be understood by the number of universities currently present in India. Even though we find expanding and flourishing institutes and professional schools but evidences from recent studies finds that India is facing a deep crisis in higher education. It may so happen because higher education institutions in India may have become incapable of producing students who have skills and knowledge. Students are forced to spend more years along with large resources, however such investment may not very fruitful latter.

Key words: Higher education, UGC, Central Universities, State Universities, Deemed Universities.

1. Introduction

Actions of an educated person are better conceived, considered and coordinated and therefore can show better results in whatever they choose to practice. One may not possibly ignore the importance of better education in economic development. In order to develop an education system that is at par with the global standard, it is necessary to have a proper understanding of foreign education system and the current prevailing Indian education system. Finding the gap in the existing system will help to build strategies to bridge the gap.

India has the third largest higher education system in the world, next to China and the United States (World Bank). It possesses a highly developed higher education system which offers facility of education and training in almost all aspects. Higher education system consists of Central Universities, State Universities, Deemed Universities, Institutions of national importance etc. The Technical Education system covers courses in engineering, technology, management etc. The **University Grants Commission (UGC)** is the apex body to look after higher education system in the country. It came into existence on 28th December, 1953 and became a statutory organization established by an Act of Parliament in 1956, for the coordination, determination and maintenance of standards of university education.

The National Policy on Education 1968 and 1986 which was modified in 1992 recognized education as a precondition for development and set out three critical issues in those policies – equity, accessibility and quality. It worked as a guiding document for policies in education sector for the central government for about two decades. Significant changes took place during this period in India and the world too which reshaped the higher education scenario. Hence taking into consideration the changes worldwide, there came the need of formulating a new NPE which could enhance further development of the education sector and a new policy i.e National Policy on Education 2016 was formulated.

Review of Literature

Araf, 2016 in his paper finds that India is the second most populous country in the world, having world largest school going age population. Whereas the combined public expenditure incurred by both central and state government on education is around 3 to 4 percent of GDP since 2001. Indian education system has severely starved of funds. It requires huge flow of funds for its quantitative expansion, qualitative improvement and for universal access. Even though the quantum of expenditure on education has increased significantly since 2001, still the actual amount of money spent on education sector is less than the required amount. There is need to increase spending on education beyond 6 percent of Gross Domestic Product.

A National report on "*Status of Education in India*" by Department of Higher Education, Ministry of Human Resource Development states that higher education has vital importance and is a powerful tool to build knowledge based society of the 21st century. Improvement of access and quality, relevance of higher education through curriculum reform, vocationalisation, networking, information technology and distance education are the main policy initiatives of higher education sector.

The growth of higher education in India has been phenomenal. In 1950-51, there were only 263,000 students in 750 colleges affiliated to 30 universities. It increased by 2005 to 11 million students in 17,000 colleges affiliated to 230 universities. In addition, there are about 10 million students in over 6500 in vocational institutions. The enrolment is growing at the rate of 5.1 per cent per year. The demand for professional courses is growing rapidly (Thakkar, 2015).

Tilak, 2004 made an extensive study of subsidy in higher education.

Education is subsidized by the state in almost all countries of the world. This is not confined to basic education but covers higher education, including higher technical and professional education, is heavily subsidized by the state. It is not limited to those economies which are in favour of welfare and equity, but also in the developed market economies. This paper gives a quick review of some of these arguments being made in favour of and against public subsidization of education and restated how important it is to subsidize education by the state. It is argued that significant reduction in public subsidies to education is neither feasible, nor desirable. The argument against subsidy on higher education is based on three important premises: (a) externalities associated with basic education are high; but they may not be so high in case of higher education; (b) similarly basic education could be a merit good, while the merit good nature is less in case for higher education; and (c) higher education caters to the needs of the affluent and government should not subsidize the education of the affluent.

2. Objectives

- (i) To know the growth of Higher Education In India
- (ii) To know the changing pattern Higher Education In India

3. Methodology

Secondary data is the base for this study. The secondary data has been collected from relevant books, journals research articles, Papers presented at seminars, Websites, Ph.D. Thesis etc.

4. Results and discussions**Growth of Higher Education in India**

In order to improve the system of higher education in India, several attempts has been taken by the government. There is continuous Increase In academic Institutions which is shown in Table 1. Establishment of Academic Staff College, Autonomous Colleges and several Rural Institutions are also some of the positive initiatives.

Table 1: Number of Academic Institutions for Higher Education

Academic Institutions	1980	1993	2006	2013	2017(june)
Central Universities	8	10	20	42	47
State Universities	81	112	216	310	367
Deemed Universities	12	30	101	127	123
Institutions of National Importance	9	10	13	68	103
Private Universities	Nil	Nil	10	143	282
Colleges	5639	5748	18064	36671	37204

Source: Ministry of Human Resource Development, Department of Higher Education

The emphasis on higher education in India can be understood by the number of universities currently present in India. Similarly table 2 shows the continuous trend of growth of higher educational institutes such as colleges for general Education, professional education as well as various universities.

Table 2: Growth of Colleges for General Education, Colleges for Professional Education, and Universities during 1990-91 to 2004-2005

Years	Colleges for General Education	Colleges for Professional Education	Universities/Deemed Univ./Institutes of National Importance
1990-91	4862	886	184
1991-92	5058	950	196
1992-93	5334	989	207
1993-94	5639	1125	213
1994-95	6089	1230	219
1995-96	6569	1354	226
1996-97	6759	1770	228
1997-98	7199	2075	229
1998-99	7494	2113	237
1999-00*	7782	2124	244
2000-01*	7929	2223	254
2001-02*	8737	2409	272
2002-03*	9166	2610	304
2003-04*	9427	2751	304
2004-05*	10377	3201	343
2005-06*	11698	5284	350

**Includes institutions for Post-Matric courses.

Source: Educational Statistics 2004-2005, MHRD 2007

History of the National Policy of Education

In 1968, when the National Policy of Education was formulated for improving the educational scenario in our country, it was envisaged that it would be followed by a „five yearly review of progress and working out of new policies and programmes“, to assess the drawbacks or shortcomings as well as achievements of education.

The National Policy of Education 1986 is the result of the reviews which was discussed and adopted during the budget session of 1985. Later, a committee was set up in May 1990 to review National Policy of Education (NPE) and to make recommendations for its modifications. Taking into considerations some of the modifications in NPE its report is known as National Programme of Action of 1992. This policy aimed to promote national progress and to strengthen national integration. It laid stress on the need for a radical reconstruction of the education system, to improve its quality at all stages. The main objective of the National Policy of Education of 1986 and Programme of Action, 1992 was to establish a national system of education so that all students irrespective of caste; creed, sex, and religion have access to quality education, so that they have an opportunity to reflect on the critical social, economic, cultural, moral and spiritual issues. Emphasis was given that education must play a positive and interventionist role in correcting social and regional imbalance, empowering women, and in securing rightful place for the disadvantaged and the minorities. Enhancing and promoting vocational education, adult education, education for the mentally and physically challenged persons, non-formal education, open universities and distance learning, rural university, early childhood care and education.

After nearly three decades since the last policy, National Policy on Education 2016 was formulated. It recognizes the criticality of education as the most important vehicle for social, economic and political transformation. Importance was given to inculcate values, provide skills so as to contribute to the nation's well-being. Education is a powerful tool for preparing our citizens in the knowledge society. Education will amalgamate globalization with localization, enabling our children and youth to become world citizens, with their roots deeply embedded in Indian culture and traditions.

NPEs of 1968 and 1986, as modified in 1992, recommended 6% of GDP as a norm for the national outlay on education. And the aim was to gradually increase the investment. However, the expenditure on education has consistently remained well below this level. From 3.84% in 1990-91, it briefly breached the 4% threshold at the turn of the millennium but has thereafter reverted to a level of around 3.5% in recent years. Table 3 shows the government expenditure incurred on higher and technical education. It is seen that there is continuous increase in expenditure from that of 1990 to 2006.

Table 3: Expenditure on Education from 1990-91 to 2005-06

Year	Higher	Technical
1990-91	2165	613
1995-96	3871	1290
1996-97	4288	1450
1997-98	4859	1623
1998-99	6117	2073
1999-00	8248	2459
2000-01	9195	2528
2001-02	8087	2560
2002-03	8859	2820
2003-04	9060	2833
2004-05	9998	3275
2005-06	10689	3720

Source: Analysis of Budgeted Expenditure on Education *Figures in Rs. in 10 million

Arguments in favour of subsidy

Education is a public good (Levin, 1987) producing a wide variety and huge magnitude of externalities. The externalities include improvement in health, reduction in population growth, reduction in poverty, improvement in income distribution, reduction in crime, rapid adoption of new technologies, strengthening of democracy, ensuring of civil liberties etc. These positive externalities constitute a powerful justification for public subsidies.

Secondly, education is also considered to be a merit good, consumption of which needs to be promoted. People may sometimes ignore the benefits of education, or may not appreciate the value of education and therefore may not will to invest in education. But government should come forward and provide better information to individuals and families, and accordingly take wise decisions regarding investment in education.

Thirdly, subsidies in education are advocated on the grounds of providing equality of opportunity irrespective of not only social background, but also economic background. Many favour that it is necessary to provide free education at all levels or to provide subsidy to promote „equality of educational opportunity“.

Arguments against subsidy

First, opposition to public subsidy for education, particularly higher education, has emerged from estimates of rates of return to education. The social rates of return are found to be consistently lower than private rates of return to education, and hence it was recommended that public subsidies could be reduced, and individuals could be asked to pay for their education (World Bank 1994).

Secondly, it is argued that subsidies for higher education accrue more to the rich than to the poor. Therefore public subsidisation of higher education would be regressive, increasing income inequalities by transferring the resources from the poor to the rich.

Thirdly, governments in developing countries are increasingly facing resource crunch. Economic reform policies adopted in many developing countries necessitate cuts in public expenditures. Also given the high private rates of return from higher education, people will be willing to pay for education themselves.

Privatisation of Higher Education

Privatization of education refers to the process of transfer of activities, assets and responsibility from government, public institutions and organizations to private individuals and agencies. It encourages the individual and society to establish school, colleges and private universities to meet the growing demand for education. As a result, private educational institutions are growing day by day throughout the country leading to rapid change in the educational scenario of India. Whereas till nineties higher education in India was mostly funded and governed by the state and central government. Some of the causes of privatization are:-

- A. According to a new policy of government of India, there should be free and compulsory education for all children between the ages of 6-14 years. So focus has shifted to elementary education. As a result, the involvement of the state in higher education has been reduced giving way to private sector.
- B. The expenditure on expansion and establishment of education institution is increasingly high. State finds it very difficult to further expand education system due to scarcity of resources. It is therefore felt that the private sector be inducted in education so that it can share the burdens in funding education.
- C. Knowledge explosion is taking place in the world. Education now a days is considered as a necessary economic input. In this effort the private sector is also considered to play its part as a major beneficiary of the knowledge industry.
- D. Private sector can easily respond to market signals or market demand than the public sector, which finds it very difficult to introduce flexibility in operations of human resource development.

5. Conclusion

Even though we find expanding and flourishing institutes and professional schools but evidences from recent studies finds that India is facing a deep crisis in higher education. It may so happen because higher education institutions in India may have become incapable of producing students who have skills and knowledge. Students are forced to spend more years along with large resources, however such investment may not very fruitful latter.

Government focusing more on elementary education causes shortage of funds in the higher education sector which acts as obstacles in expansion and improvement. A disturbing trend was experienced in public expenditure of higher education during the 1990s i.e. during the phase of economic reforms. It can also be noted that the relative priority accorded to higher education has fallen drastically. As a proportion of GNP, public expenditure on higher education has declined from 0.55 per cent in 1989-90 (it was nearly 1 per cent in 1980-81) to 0.39 per cent in 1993-94. (Analysis of Budget Expenditure on Education, MHRD)

Before we conclude, we have to note about an important issue i.e. public subsidy to higher education. It is argued that pure public and merit good nature of school education justifies 100 per cent government financing. But regarding higher education, one can draw lesson from international evidence both from developed and developing countries. These evidences suggest that perhaps it is neither desirable nor feasible to sharply reduce public subsidies in developing countries like India. But care should be taken that public subsidies should be targeted to the poor. Student loan programmes are particularly becoming popular in many countries.

In India both public and private institutions operate simultaneously. It is felt that mostly higher education in India is imparted through private institutions because of resource constraints of the government to meet the growing demand for higher education. Hence privatization has become a reality. Also there is increasing demand for education abroad.

Thus we can conclude that there is vast change in the financing pattern of higher education in India i.e. with more government institutions and subsidies to private sector with reduced subsidies. But proper monitoring should continue so that at any cost the quality of education could not degrade. Also encourage more individuals to take up higher studies. Some other kind of incentives could be provided like scholarship, loans, and grants. Along with books, stationary etc at reduced price. Also transportation can be given at concession rates.

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