RESEARCH FRONT

ISSN
(Print) 2320 – 6446, (Online) 2320 – 8341
Impact Factor – 1.115

PRIVATE AND PUBLIC FINANCING IN HIGHER EDUCATION

Dr. Munila Naqvi
Assistant Professor,
Bora Institute of Management Sciences, Lucknow.

ABSTRACT

The perceptions are based on real world experiences though these may suffer from undue generalizations. It would be unfair to characterize all self-financing private institutions as indulging in undesirable practices. Number of privately funded and managed institutions that are committed to educational excellence and conscious of their responsibility to their students. A substantial number of them are known for transparency and academic commitment. An analysis of such institutions reveals that their governing bodies consist of eminent persons, known for their integrity and knowledge of educational systems. Such bodies are not controlled or manipulated by private individuals or family members. These are established as public trusts or societies true to the spirit that education is a charitable and non-commercial venture. They allow considerable autonomy to the head of the institution and the faculty and treat them with dignity so that competent teachers are attracted to such institutions.

The objective of this paper is to identify the excess incomes generated by such institutions which are generally not hidden or misappropriated but utilised for further growth and development of the institution. They are keen on providing post graduate and research programmes and establish good reputation and academic image. In such institutions, the curriculum, recruitment procedures, admission requirements, various fees, details of faculty, results etc., are transparent through their publications and websites. According to the Reports nearly 25 per cent of private institutions will fit this characterization, whereas the large majority of the other self -financing private institutions who do not exhibit the above traits result in poor image of many of the private institutions.

Keywords: Private institutions, Publications, Academic Image, Recruitment Procedure and Self-Financing.

INTRODUCTION

In India, over the years, there have been private initiatives in education initially for philanthropic reasons and eventually in professional and even in general higher education not only to meet the growing demands but also to realize the huge and quick profits potential. Privatization of higher education has emerged in several forms and types in the recent decade in India. One, privatisation within government higher education institutions take place in the form of introducing self-financing courses within government institutions; two, converting government-aided private institutions into private self-financing institutions; three, allowing to expand self-financing private institutions with recognition and also without recognition, which may be termed as commercial private higher education institutions.

The approach of commercial private higher education emerges from market forces and tied to economic and global forces. They thrive on the principles of commercialism, primarily focus on vocational courses and highly pragmatic. Their commercial thrust is training jobs, indeed, part of the curriculum is industrial training. Not only training for jobs but also place their students in well-paid jobs. This indeed speaks about the strong industry–institution linkages.

ISSN
(Print) 2320 – 6446, (Online) 2320 – 8341
Impact Factor – 1.115

They are narrowly focused, rather micro specific in designing their course and training. This narrow focus is their strength as well weakness. It is a strength as long as there is demand for such specific nature of the courses and a weakness once such a demand is satiated. Moreover, the built-in set up / infrastructure do not allow them to diversify. They cater to the unmet demands or rather demand- absorbing from the non-university higher education sector. Ownership of these private institutions ranges between a spectrum of substantially weaker and stronger commercial institutions. Indeed, there are chain of institutions from Kinder- garden to higher levels of education by well-known business groups and corporate sector. Since 1993 with the Supreme Court judgment, growth of commercial higher education in the name of capitation fee or self-financing colleges is mushrooming.

The private institutions include colleges, training centres, etc. Neither the Department of Education nor the University Grants Commission collect, compile and publish the information on the size and growth of institutions and enrolments on this rapidly growing private higher education. There are also different types of these private institutions. Many of the self-financing engineering colleges and management institutions are affiliated to the conventional universities (Examples as found in Tamil Nadu, Karnataka and Andhra Pradesh). In which, the course structure, design, curriculum, and the pattern of examination fall within the purview of the national or state pattern.

On the other hand, some of these self-financing private institutions are also non-affiliating to any universities and cater to the demands of the corporate sector nationally and internationally. Whether the private institutions follow multi-faculty or discipline are decided by the individual institutions. Since the programs and courses are market-driven and each private institution decides on their own the course and subjects it offers. Hence, they also have a free hand to introduce new programs and discard the old. Student is the power while faculty is weak in these private institutions. Indeed, the faculty lack the position, power and autonomy as they traditionally enjoy at universities. Basically they serve to students and their practical orientations in commercial private institutions. These institutions rely on part-time faculty and may be drawn from full-time faculty at public universities (and hence do not add to further employment opportunities). When employing full-time faculty, they pay meagre salary. Perhaps many of them have neither practical nor academic expertise and lack training

The management of finances of these private enterprises seem to be free to raise and deploy resources to meet their own norms. Private universities elsewhere, for instance in USA mobilise the resources of about 30 to 40 per cent of the recurring cost of education from students.

On the contrary, the structure of fee in these private enterprises in India are highly expensive as they fully depend upon student payments. Indeed, 18these institutions make huge profits, sometimes recover more than their recurring costs (full of recurring cost plus part of the capital cost). Such institutions survive as long as there is a demand for their services and the students are willing to pay for such job-directed training

A committee was appointed by the Government of India in its Prime Minister's Council on Trade and Industry, to suggest required reforms in the education sector, along with other sectors (headed by M.Ambani and K. Birla). It strongly suggested for full cost recovery (user pays principle) from students even in public higher education institutions through hike in fees and introduction of self-financing courses and seats; shifting of resources from higher to primary level of education that government should leave higher education altogether to the private sector and confine itself to elementary and secondary education. Further, the report urged the private university bill to be passed and also suggested that the user-pays principle be strictly enforced in higher education, supplemented by loans and grants to economically and socially backward sections of society (Ambani-Birla, 2001). In addition, number of foreign universities and franchise of multinational educational (business) centres compete in developing their own centres in India at a full cost recovery basis. It is important to note that in the U.S., drive for efficiency and profits are categorically powerful among the private higher education providers. In developing countries like India, it is only the profit, which thrives these institutions and efficiency is jeopardized. Further, the important dimensions of complementarity and competition found in the U.S. private higher education sector boosts the growth and survival of both the public and private higher institutions, which is conspicuously absent in India.

There are a number of important factors that led to emergence and rapid expansion of private higher education in India. They are classified here as the conventional pull and push factors. In addition to these, the external factors that have been conducive for the growth of private higher education is also discussed.

OBJECTIVES OF THE STUDY

The objective of the present paper is to examine the need and sources of finance for higher education which is shrinking. Higher education is facing with the problem of non-availability of adequate finance since allocation of funds have declined from government side. Higher education has been expanded sufficiently in the last 66 years of planning. The study focuses on the problems of funding higher education and have suggested measures for its improvement and betterment.

- ❖ To study the nature of change that has taken place in the field of higher education both at national and international level.
- ❖ To find out the quantum and level of expenditure made on higher education both by the public as well as the private sector.
- ❖ To justify the essence of privatisation of higher education and its possible implications.
- ❖ To study the level of resources allocated for higher education from time to time by government.

METHODOLOGY AND SOURCES OF DATA

Within the framework of above mentioned objectives the present study seeks to analyse the funding of higher education in India through public and private sources. For the analysis statistical tools like percentage, average and growth rate have been used. Plan documents including Five Year and Annual plans, Plan reviews and evaluation reports of the Central and State governments embodying policy pronouncements and action programmes constitute yet another layer of source material.

Factors Responsible for Increasing Higher Education

Over the period of time, all over the world including India, there has been rapid expansion and demand for higher education known as masification of higher education. The conventional university sector is not able to cater to the demands of the new sections of the rapidly growing eligible age group population for higher education. As an alternative, private enterprises are sought to accommodate this evolving pressure on higher education in various forms, types and levels.

Inflexibility in Traditional education structure

Traditional courses of university are not able to cater to the immediate demands of the market as it takes considerable amount of time for a change within the formal higher education / university

ISSN
(Print) 2320 – 6446, (Online) 2320 – 8341
Impact Factor – 1.115

system. This academic inflexibility boosted the rapid development of private initiatives in higher education. Perhaps, many providers /stakeholders in many of these private institutions are the one who struggled to change the formal system to suit to the needs of the students who, in turn, demand depending upon the marketability of a course, the emphasis being pragmatism.

Participation from other sectors

The responsiveness of higher education to labour market demands implying business participation in governing boards of institutions, the creation of financial incentives for joint industry-university research, corporate-sponsored internships for students, and part-time academic appointments for professionals from the productive sector are lacked by the conventional institutions. Alternatively, such a nexus between academics and industry is met by private institutions with multi-disciplinary and/or inter-disciplinary courses, which are short-term in nature with a very narrow focus. Hence, led to proliferation of short-term / market-oriented courses. However, leaving a few reputed private higher learning institutions, majority of them are education shops catering to the majority of the students, who are willing to pay with a desperate hope to get into the job market.

In a nut shell, these private institutions marketed their service in technology courses varying from hi-tech to fashion technology; management courses ranging from institutional management to hotel management; and promised to produce not only employable youth but also to place them in jobs.

Financial Constraint

Expenditure compression referred as resource constraint of the government on account of economic reforms led to financial privatization of higher education in various forms such as reduced allocation to higher education (decline in public expenditures and plan allocation on higher education); introduction of cost-recovery measures within public institutions and directed policy measures toward privatization of higher education. Government of India introduced the Private Universities Establishment and Regulation Bill in 1995. The bill is still pending in the Parliament because the private sector was not interested in several clauses in the bill, primarily on the clause on the provision of scholarship for the economically and socially backward sections of the population. Though, there have been deliberations on the private sector initiatives in higher education in different forums, there is no clear perspective on the issue. Yet another important factor is the deteriorating quality of the higher education over the years has indirectly made the students to look for alternatives

Setting up of Foreign Universities

In the phase of internationalising higher education, foreign universities and institutions have been allowed to come into India and establish franchise centres in the country, offering degrees or diplomas, which are not necessarily recognized by the parent universities in their own countries. Indian providers also set up institutions in other countries.

On the basis of rates of return analysis World Bank (1994) focuses on basic education, whereas its involvement in higher education is guided by calls for equitable and cost-effective financing. It highly favours cost-sharing and the promotion of private higher education to free up scarce public resources for improving basic education. It recommends forcefully that further enrolment expansion in higher education should take place in the private sector.

Allocation of Resources

The indicators in terms of allocation of resources to higher education in GDP and intra sectoral allocation to university and higher education and technical education show a declining

ISSN
(Print) 2320 – 6446, (Online) 2320 – 8341
Impact Factor – 1.115

trend. It is also evident that enrolment growth has not been accompanied by the growth in public expenditure. This rapid erosion of public resources for the rise in enrolment will have a negative impact on the quality of educational services. It is unambiguous that policy of the Government of India and state governments now encourages augmentation of resources for covering a larger portion of cost of higher education. Recent policy changes in India often favour to divert resources from higher to primary level of education. While it is essential that the nation achieve universal elementary education, it cannot afford to neglect higher education in the period of globalisation. Further, it needs to be realised that all levels of education are inter-dependent; the principle should not be the growth of one level of education at the cost of another. Private investment alone in higher education would be socially sub-optimal.

It is because the private and households do not come forth to invest on non-market oriented courses in higher education and research and development. Further, increased role of market jeopardises the participation of meritorious students from economically disadvantageous groups, women and minorities. Further, markets can crowd out important educational duties and opportunities (UNESCO, 2000).

Policy Implications

Further, the recent policy directions in India exacerbate full cost recovery from student seven in public higher education institutions including hike in fees. Under the deep waves of globalisation and competition, important economic rationale for government funding for higher education is neglected. Cost recovery measures comprising increase in fees, student loans currently operated by commercial banks and privatisation will exacerbate inequality in the society. Indeed, there seems to be a nexus between the present student loan scheme and full cost recovery. It needs to be noted that the maximum income that can be raised from fees is on an average around 25 per cent of the total recurring expenditure in a span of ten years. Further, it is important to notice that self-financing courses are short term in nature and heavy reliance on them will have repercussions on the equity, balance and quality of education system in the long run. This will also lead to lack of teachers and researchers in pure and basic disciplines in the near future as it is being experienced in United Kingdom.

Dependency on other Expenditures

Increasing dependency on student fees, student loans and privatisation without considering the low income groups may produce regressive effects in the society. Hence, an alternative student loan scheme specifically for the weaker sections should be evolved. Such a programme must be flexible enough to suit their requirements, which may involve government guaranteed loans, subsidised interest rates, liberal terms of repayment ,waivers for those students with less future incomes, etc , in addition to a strong student support system. Under the deep waves of globalisation and competition, important economic rationale for government funding especially for higher education is neglected.

Increasing Public Support

Public support for higher education remains essential to ensure a balanced achievement of educational and social missions, apart from surviving in the knowledge-based society. Sequencing of policies, i.e., universal primary education first, secondary and higher education later (as and when resources are available or / and left to private initiatives) would be very costly strategies in the era of globalisation.

The required fundamental transformation at both system level and at institutional level in higher education is equally important. Effective financial management at institutional level is

ISSN
(Print) 2320 – 6446, (Online) 2320 – 8341
Impact Factor – 1.115

mandatory. It is essential that funding sources must be diversified but cost-sharing with students has social and political limits, and excessive commercialization of higher education should be forbidden. Before concluding, the challenge to public policy on higher education in India remain to combine private providers with continuing responsibility of governments to guide, regulate, monitor and continuing the provision of subsidised higher education with a view to strike a balance between equity (assurance of access for the low-income students) and efficiency (quality and academic coverage for the needs of the globalised economy and society) principles. (Economic Reforms and Financing Higher Education in India , NUEPA).

Growing Importance of PPP

The shrinking fiscal space has given rise to the thinking of inviting public private partnership in higher education. This is the new dimension of the joint responsibility for the development of education in the state. Private sector has made its presence felt in a big way after the economic reforms came to be implemented in the education sector. The public private partnership in the administration and financing of education is to be encouraged though community and NGO participation.

The State's Five Year Plan documents issued in the reform phase have included the policy for increasing the role of private finance. For instance, the Tenth Five Year Plan aimed at promoting the participation of private entrepreneurs in establishing, expanding and upgrading educational institutions, particularly at the secondary level in view of the fast expanding demand for this level of education. The Tenth Plan of UP stated: "the vision and strategies of the Tenth Five Year Plan would necessarily entail the following: (a) Public private partnership, (b) NGO participation, (c) Cross learning of good practices, and (d) An On line monitoring and evaluation of achievement" (GOUP: 2002, Vol I Part II, p. 252)

The sustainability of any sector depends on the viability of costs and benefits. Only that system can function efficiently and can sustain its existence which is marked by appropriate pricing of goods produced and supplied there. Public Private Partnership in education has come to flourish on the principle of cost and benefit sharing. Thus, if the consumers of education, the students, do not pay appropriately for their consumption (education), the system can hardly operate efficiently under the PPP. Over the years, the demand for education has increased enormously for all levels of education, but its price (fees) has not increased commensurately (or was constrained to go up). In most of the cases, the prevailing fee rates cannot be said to be appropriate price for education.

Only in selected very few institutions, education is appropriately priced but these are very rare cases and merit attention due to their remarkably better functioning and good results. The development of education through PPP is not visualized on free provision of education but on priced supply of education.

Challenges before Public Financing

The investments in human capital are extremely important, both for instrumental and intrinsic reasons .In other words, they are desirable goals in themselves, but also facilitators of a whole range of extremely vital processes and outcomes towards economic and social development. In economic theory, for instance, there is a burgeoning literature, from 1950s onwards, that views economic growth as a function, not only of physical resources, such as machines, raw materials, well-defined labour units, etc., but also of skills, knowledge and related factors, in short, human capital .Studies have tried to show that an increase in investments in people is immensely beneficial to economic development Among these too, education forms the

ISSN
(Print) 2320 – 6446, (Online) 2320 – 8341
Impact Factor – 1.115

crucial component for its multidimensional instrumental roles, including contributions to skill enhancements and health and nutritional improvements . Paul M Romer, with his pioneering work on the endogenous growth models calls for a novel outlook in terms of economic policy for a country by sustained investment in education .The recognition of education as the key driver of a nation's well-being, both social and economic, is growing across the world, spurred by convergence of changing demographic profiles, increased globalization and knowledge driven economies. Public policy discourses in the recent years have shown increased recognition of the critical importance of education in a nation's well-being. Easy access and affordability of education are the major determinants in the formation of quality human capital and economic growth, and these, in turn, are obviously governed by the robustness of a country's education structure. As already mentioned, investment in education is viewed as a critical component in the formation of human capital and various studies have shown that there are impressive, both private as well as social rates of return to investments in education .Hence, it benefits both the individual as well as society. This provides for a strong basis for public spending in education.

With the opening up of the Indian economy and the rapid changes witnessed in science and technology, the pressing need to improve quality of life and to reduce poverty, it becomes more urgent than ever before that school leavers acquire higher levels of knowledge and skills than what they are provided in the 8 years of elementary education. The secondary stage has received inadequate attention in public policy discourses in India, almost throughout the post-Independence period, and the neglect in terms of its provisioning by the State has become even more acute in the last couple of decades in some ways. The story with the higher levels of education is almost similar. It hardly needs to be emphasised that a vibrant and equitable system of higher education that encourages quality learning as a result of both teaching and research, is fundamental for any kind of success in the emerging knowledge economy, education contributes significantly to economic development.

The fact that any amount of investment in higher education is purely legitimate is being appreciated by the developed world. As against a meagre 0.37 per cent share of GDP spending on higher education in India, the USA (1.41 per cent), the UK (1.07 per cent) and even China (0.5 per cent) spend considerably more.

The National Knowledge Commission estimates that a minimum of 1.5 per cent of the GDP must go towards higher education, out of a total of 6 per cent for education as a whole. An increasing trend has been recently observed in terms of privatization of higher education in India. However, it is of interest to note that regardless of considerable presence of the private sector in higher education (in the form of private institutions) in countries like the USA (59.4 per cent), Germany (29.5 per cent), Israel (14 per cent), and China (39.1 per cent), students' preference continues to tilt towards public institutions. This is evident from the share of enrolment in private institutions for the aforesaid countries which respectively 23.2 per cent, 3.7 per cent, 11 per cent and 8.9 per cent as reported in 2005. The corresponding figures for India are 51.53 per cent. This, in large measure, connotes that contrary to the trend in India; higher education is still taken more seriously as a 'public' service in these countries, and compares well, in terms of quality, with private institutions.

Starting from the idea that "education is the way to economic prosperity, the key of scientific and technological development, the way to combat unemployment, the base of social equity and the spread of political socialisation and cultural vitality" (Psacharopoulos, G., 1985), governments were interested in financing higher education especially for the fact that the state

ISSN
(Print) 2320 – 6446, (Online) 2320 – 8341
Impact Factor – 1.115

was the main beneficiary of the system of higher education, and it does not imply an economic burden to the public.

According to the World Bank report since 1994, educational reform agenda was underlying the need to reach the market orientation of education from both financial and social point of view to public governance or governmental planning detriment.

But once the development of higher education occurred the role of universities has changed, being oriented to the satisfaction of free labour market needs. Liberalization of trade and labour market in the conditions of globalisation increases the hope in terms of integrating graduates of higher education despite an increasing demand from the public system for tertiary education.

CONCLUSION

A general rise in incomes caused by productivity growth may also reduce the public role of education financing, but this would require a distinctly higher income effect on risk aversion. Indeed, the view that economic growth could lead to a stimulation of private demand for education has to be met with cautious.

At present, university education requires a substantial financial effort of the public budget and the need to determine the effectiveness of using public funds for this sector becomes increasingly severe.

The individual's education represents an example of a positive externality. The source of the externality may be for the benefit of interaction in social work and, with better trained people. A large proportion of worldwide studies indicate public outputs of higher education (eg productivity growth) but there has not been yet demonstrated a strong link between these benefits and public spending for higher education. Also, it is found that state intervention in financing higher education is not aimed at achieving positive externalities, but rather correcting the failure of market loans for studies.

However, as per the principle of equity, the state must ensure equal access to higher education to all persons who are able to learn, regardless of the amount of their economic resources. Following this idea, many people consider that university education is a right which should be financed entirely from public funds. However, one thing that is regarded as a right does not require public financing. As an example, appears the right to have access to food or information for which no one disputes the financial aspect.

Effectiveness and equity represent undoubtedly the main arguments for continuing the funding of higher education from public funds, but the real problem lies in finding a private source for financing higher education because without the necessary investment in education, the long term development cannot be sustained.

REFERENCES

1. R. K. Sahoo and T. Senapati (2008) Resource Mobilisation for Higher Education.
2. Kartik Chandra Samanta (2013) Higher Education in India-Contemporary Issues.
3. Rekha Ram Chandra Choudhary (2015) Higher Education in India-System, Regulation and Global Challenges.