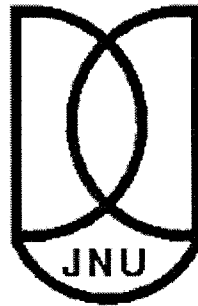


**PUBLIC EXPENDITURE ON HIGHER EDUCATION IN INDIA: A
COMPARISON BETWEEN PRE AND POST LIBERALISATION
PERIOD**

*Dissertation submitted to Jawaharlal Nehru University in partial
fulfilment of the requirements for the award of the degree of*

MASTER OF PHILOSOPHY

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Declaration

I declare that the dissertation entitled “**Public Expenditure on Higher Education in India: A Comparison between Pre and Post Liberalisation Period**” submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. This dissertation has not been submitted for any other degree of this University or any other University.

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Certificate

We recommend that this dissertation be placed before the examiners for evaluation.

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ABBREVIATIONS

AICTE	All India Council of Technical Education
AIU	Association of Indian Universities
BHU	Banaras Hindu University
CABE	Central Advisory Board of Education
CARG	Compound Annual Rate of Growth
CV	Coefficient of Variation
EFYP	Eleventh Five Year Plan
FCPC	Fifth Central Pay Commission
FFYP	First Five Year Plan
FRBM	Fiscal Responsibility and Budgetary Management Act
FEC	First Education Commission
GER	Gross Enrolment Ratio
GDP	Gross Domestic Product
GNP	Gross National Product
HK	Human Capital
ICL	Income Contingent Loans
IIT	Indian Institute of Technology
IIM	Indian Institute of Management
IRAHE	Independent Regulatory Authority for Higher Education
JRF	Junior Researcher Fellowship
JNU	Jawaharlal Nehru University
MHRD	Ministry of Human Resource Development
NAAC	National Assessment and Accreditation Council
NBA	National Board of Accreditation
NCHER	National Commission of Higher Education and Research
NFYP	Ninth Five Year Plan

NKC	National Knowledge Commission
NEP	New Economic Policy
NET	National Eligibility Test
NPE	National Policy on Education
OBC	Other Backward Classes
PPP	Public Private Partnership
SAP	Structural Adjustment Policy
ST	Scheduled Tribe
SC	Scheduled Caste
SFYP	Second Five Year Plan
TFYP	Twelfth Five Year Plan
UGC	University Grants Commission
YCR	Yashpal Committee Report

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Chapter- 1

Introduction

1.1 Introduction

Since ancient time to the contemporary India, higher education has played a prominent role in the field of higher learning in Indian history. In the ancient times, Nalanda, Takshshila and Vikramsila universities were the renowned seats of higher learning that attracted students not only from within but also from across the border.¹ In fact the art of higher learning in India was deeply rooted in the national history and culture. Higher education in India has also been influenced by the changing socio-economic environment of the nation. Certainly the present system of higher education in India can be traced back to Charles Wood's Dispatch of 1854 where it articulated the scheme of primary education to the university system of education. And it was from this juncture, the idea of establishing universities was contemplated. Some of the universities were created in the major cities of the country. Universities of Kolkata, Mumbai and Chennai were set up in 1857 followed by the University of Allahabad in 1887.² Later the government felt the need for the inter-university board to look after activities of the universities and some other allied areas. And in correspondence to this need, an Association of Indian Universities (AIU) was established in 1925 to promote the university and higher education in India. Subsequent to the establishment of AIU the first national system of education was formulated in India under the Sargeant Report in 1944. The main concern of this Report was to make the university education more relevant to the needs of the community. And eventually the University Education Commission was appointed in 1948 commonly known as Radhakrishnan Commission. It emphasized that the Indian education must be rooted in its cultural heritage.³ Though the University Grants Commission (UGC) was formed in 1953 but the statutory status of the Parliament Act was passed only in 1956. UGC recommended restructuring, allocating and disbursing

¹ S.R. Sharma, (2006), *University Grants Commission: Role in Development & Growth of Higher Education*, Mangal Deep Publications, Jaipur, p.1.

² Ibid., p.2.

³ K.B. Powar, (2001), *Indian Higher Education: A Conglomerate of Concepts, Facts and Practices*, Concept Publishing Company, New Delhi, p.31.

funds to both the State and the Central Universities. In the meantime, the Kothari Commission of 1964-66 also examined the state of higher education in India. The major concern of the Commission was to bring about a radical change and improvement in the quality and standard of higher education, research and expansion of higher education to meet the manpower requirements of the nation, thereby raising social ambitions and expectations of the people.⁴

Today higher education in India serves as the third largest system of higher learning in the world next to USA and China. Essentially this was due to the transformation of higher education system from elite to mass system of education and the expansion of more institutions in the country. According to CUBE (2005) the number of universities including institutions deemed to be universities increased from a meagre 28 in 1950-51 to above 300. Number of colleges offering general and professional education increased from less than 700 to more than 15,000 by 2004. India is known to have a largest reservoir of both scientific and technical manpower in the world. But to our surprise no Indian higher education institute could be at the top level in the world ranking in term of quality and standard. The enrolments of the student in higher education increased from less than half a million in 1950-51 to about one crore in 2003.⁵ Despite this massive increase in the number of the students in higher education, enrolment still could be considered to be low. Hardly 8-9 per cent of the relevant age group of population of the country was enrolled in higher education institutions.⁶ In fact, the gross enrolment ratio (GER) in India is far below from the developed countries. The GER for the developed countries like Finland, USA and Australia are considered to be very high with 87, 82 and 72 per cent respectively. Therefore, CUBE has recommended to spend a level of 1 per cent of GDP on higher education to raise the GER.

In order to assess and analyze the status of higher education, National Knowledge Commission (NKC) was constituted in 2006. The Commission felt that the universities and the institutions of higher learning in the country are to be restructured. NKC opined

⁴ Ibid.

⁵ CUBE Committee (2005), 'Report of the CUBE Committee on Financing Higher Education and Technical Education', NIEPA, p.6.

⁶ Ibid.

that expansion and accessibility were found to be restricted as a consequence of low investment in higher education. This affects the quality of higher education. The relevant age group (18-24) enrolled in higher education was just around 7 per cent which was abysmally low. Consequently, higher education in India faces a number of challenges. Therefore, to achieve the GER of at least 15 per cent by 2015 from around 11 per cent at present, a massive expansion of higher education to 1500 universities in the country is required. NKC was more or less concerned about the expansion of more institutions of higher learning and to enhance the accessibility of more students and to ensure the quality education for higher education. But the public support towards the higher education in India has been on decline in real terms. According to NKC (2009), the present support for higher education at 0.7 per cent of GDP is substantially low by international standard. Therefore, the Commission suggested that the government should spend at least of 1.5 per cent if not 2 per cent of GDP on higher education. The public resources are largely dedicated to the quantitative and the qualitative achievement in elementary education. And so there is a need to restructure the university and higher education in India. NKC argues for negation of the role of the state and favour more of market operations in the different sphere of education, in particular, higher education. This will promote and encourage the entry of private institutions but should be permitted within the framework of existing state control.⁷

The privatization of higher education is mushrooming in the country as the public universities and higher education are suffering from the resource crunch. Higher education in India are over-regulated and under- governed. Thus to change the system of regulation, Independent Regulatory Authority for Higher Education (IRAHE) was recommended. The Ministry Human Resource Development (MHRD) in 2009 appointed yet another committee under the chairmanship of Professor Yashpal. The Committee felt that a higher education in India needs a structural transformation. A university is considered to be a place where culture, knowledge and the research are ultimately developed. But 'the process of knowledge creation in university should not take place in

⁷ Sudhanshu Bhushan (2009). *Restructuring Higher Education in India*, New Delhi, Rawat Publications, p.155.

isolation'.⁸ The report favoured less regulation in the universities which will usher in a congenial atmosphere for the knowledge creation. The environment of the university will create a place for the debate and discourse to be carried out. This will lead to an individual 'to think beyond regulation'.⁹ The different disciplines in the universities should not be isolated from one another but allowed to grow in organic unity which will generate knowledge in the universities. Fragmentation or isolation of one discipline from the other is not conducive for the knowledge generation. National Commission of Higher Education and Research (NCHER) was recommended under the domain of Yashpal Committee Report (YCR) recommendations which would eliminate the fragmentation of knowledge and nurture knowledge in the university. All in all both NKC and YCR 'admitted that reduction in public funding and demand factors have propelled the growth of private colleges, deemed and private universities'¹⁰ in the country.

Higher education in India is known to face with major challenges and the issues relating to finance and management. The issues like access, equity and quality in higher education are still elusive. The 11th Five Year Plan attempted to address these issues. The hallmark of the 11th Five Year Plan (EFYP) is to increase the number of institutions and the enrolment of the students irrespective of their caste, gender, religions and different economic background. The Plan has given a relative priority on higher education in the allocation of resources. According to Bhushan (2009) the first two years of the 11th Plan allocation in university and higher education was Rs.5,800 crore as against Rs.4,183 crore in the 10th Plan. Hence, there is a huge increase in the allocation of resources on higher education during the 11th Plan. Therefore, an 11th Plan has marked a trajectory turn in financing of university and higher education in India. Higher education is considered as a long-term social investment for the promotion of economic growth, cultural development, social cohesion, equity and justice.¹¹ The 11th Plan has set a target to reduce the regional disparities in an enrolment of the students in higher education. The plan also focuses to increase the GER of those economically and educationally backward

⁸ Ibid., 171.

⁹ Ibid.p.,174.

¹⁰ Ibid.

¹¹ Planning Commission (2006), 'Draft Report of Working Group on Higher Education: 11th Five Year Plan', New Delhi, GOI, p.10.

regions of the country. Therefore, an additional financial support was to be provided to the universities and colleges which are located in this region. The major thrust of the 11th Plan was to increase the GER to 15 per cent by the end of the 11th Five Year Plan.

1.2 Trend in Public Expenditure on Higher Education

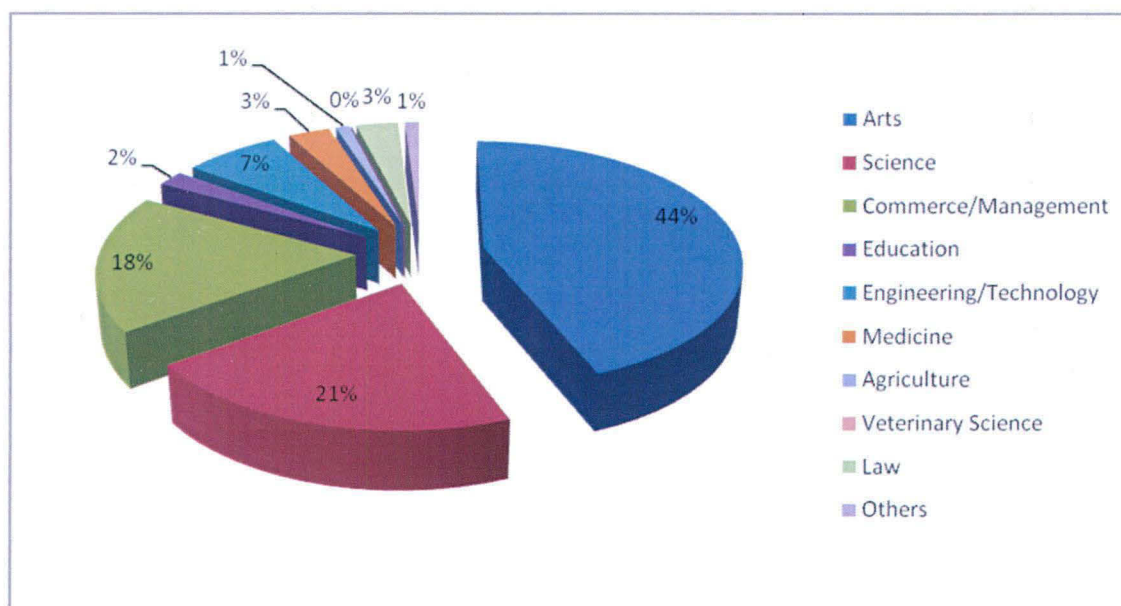
The trend in public expenditure on university and higher education in India could be studied in three different phases. The first phase from 1986-87 to 1988-89 constitutes a high growth phase; and the second phase from 1989-90 to 2003-04 experienced a low growth rate. And finally, a phase from 2006-07 to 2010-11 witnessed a high growth rate. The public expenditure on university and higher education in term of annual growth rate seemed to improve till 1988-89. But it begins to suffer significantly in 1989-90. The annual growth rate in 1987-88 was 42.7 per cent. And this further improved to 55.8 per cent in subsequent year. The annual growth rate declined significantly to (-) 11 per cent in 1989-90. Again this improved to 31.3 per cent in 1997-98 and reached the peak in 1998-99. Hence, the annual growth rate was 68.2 per cent in 1998-99. The annual growth rate further declined to 35.1 per cent in 1999-2000 and touched an all time low level at (-) 36.3 in 2001-02. However, the annual growth rate began to recover from the third phase. The public expenditure on university and higher education in term of annual growth rate was 23.6 per cent in 2006-07. This further improved to 31.4 and 53.9 per cent in 2007-08 and 2008-09.

The GER in India is not only low, but it also varies across the region, caste, gender and religion. Further, the GER among the caste also varies between the rural and urban area. The total Scheduled Tribe (ST) GER in rural area is 5.11 as against 15.83 in the urban area in 2000. Similarly, the total Scheduled Caste (SC) GER in rural area is 3.40 as against 11.53 in urban area during the same year. The total GER for both the (OBC) Other Backwards Classes and General Classes in rural and urban area are 4.10, 15.51, 9.01 and 29.28 respectively in 2000.¹² Similarly, there is also an inter-religion difference in term of GER in higher education in India. No doubt, ST/SC and OBC from

¹² Ravi S. Srivastava and S. Sinha (2008), 'Inter-Social Groups Disparities in Access to Higher Education', New Delhi, University Grants Commission Publications, p.103.

all religion suffered from their low GER in higher education. According to Thorat (2008), the GER for the Hindus, the Muslims, the Christians, the Sikhs, and Others stood at 11.9, 6.84, 16.68, 12 and 15.4 percentages respectively in 2004-05. The access to higher education in India also differs among the gender. GER for the male is higher than the female in terms of access to higher education. The GER for male is 12.42 per cent as against 9.11 per cent for the females in 2004-05.¹³ Enrolment of the students on higher education also differs across the disciplines. And this can be seen from the figure 1.1 given below.

Figure 1.1: Enrolment Faculty-Wise: 2007-2008



Source: UGC (2008), Annual Report (2007-08), New Delhi.

Initially higher education in India was largely funded by the government. But the scenario gradually changed as the government suffered from the resource crisis. Hence government attempted to explore alternative sources of financing higher education. Along with the decline in the public support privatizations of higher education is mushrooming. According to Agarwal (2009) nearly 50% of the higher education expenditure comes from private sources in India.

¹³ Sukhadeo Thorat (2008), 'Emerging Issues in Higher Education-Approach and Strategy in 11th Plan', New Delhi, UGC Publications, p.8.

1.3 Higher Education: A Public Good or a Mixed Good or a Merit Good

Is higher education a public good? An argument on financing of higher education always begins with an issue whether higher education is public, mixed or merit good. Initially to address these issues let us examine what is a public good before we define the nature and service of higher education. According to Samuelson (1954) a public goods or services are defined as goods or services which are both non-rivalrous and non-excludable. Therefore unlike a private good, a public good cannot be confined to the individual alone or 'traded in the markets'¹⁴ either. Good are considered to be a non-rivalrous when they are consumed by the masses of the people without being depleted. A good can be non-excludable that is the benefits cannot be enjoyed by the individual alone. Hence, a public good is a 'common good' in which no individual is left out in consumption of such a good. 'A public good sometimes referred to as a collective good or a social good which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good'.¹⁵

Public goods differ from the private goods. And to distinguish a private good from the public good there are two basic properties that need to be satisfied in consumption of such goods. Private goods are highly rival and excludable in nature in contrast to the public goods. Now what makes the two goods differ remarkably from each other is that public good is free from both this properties. Quasi-public goods consist of a feature of both private and public goods. Hence, they can be either exclusively public or exclusively private or balance between the two (Marginson, 2007). Merit good is defined to be a good preferred by the community as a whole and it is meant for societal benefit without any reference to the individual choice.¹⁶

Now it will be clear for us to identify to what class of good higher education belongs to. According to Marginson (2007), whether a good is public or private is

¹⁴ Paul M. Romer (1990), 'Endogenous Technological Change', *Journal of Political Economy*, Vol. 98, No.2, The University of Chicago.

¹⁵ John Cullis and Philip Jones (1998), *Public Finance and Public Choice*, Oxford University Press, p.46.

¹⁶ Musgrave and Musgrave (2005), *Public Finance in Theory and Practice*, New Delhi, Tata McGraw-Hill Publishing Company Limited.

intrinsically determined by the nature of the product. And in order to identify higher education as a public good and private good it need to satisfy the above given properties-- non-rivalry and non-excludable in consumption. Public Goods also generate externalities--public goods impose both benefits and cost on individuals and the firms. Higher education does not satisfy the above two conditions to qualify as a pure public good. To get admission into the institutions of higher learning, it often requires certain eligibility and the credential certificates are given to those successful candidates who pass the examination and comply with the norms of the institutions and considered as a successful candidates.¹⁷ Hence, it is not possible for every candidate to enroll in higher education unless they have their own credential certificates of certain degree. It is clearly seen that an admission to higher education is rival in nature. Similarly a higher education and training for skill development is not the same with the private service either, that is bought and sold in the market. And paying for such a service does not entitle the student to certain degree but it has to be earned or acquired.¹⁸ Indeed a higher education cannot be treated a pure public goods as it exhibits a properties of rivalry as its supply is limited.

Higher education is widely recognized as a quasi-public good 'as it combines the features of a private and public good'.¹⁹ Apparently 'the private goods produced in higher education are individualized status benefits, or positional goods that are obtained by students'.²⁰ It is also seen that some of the prestige universities which stood up as a highest value according to the status of goods. And so, it is also elite in nature where large parts of the society are subjected to both rivalry and exclusion 'even when that a higher education is entirely state-owned and free of tuition charges'.²¹ Simultaneously higher education also produced some certain public goods. In fact, knowledge, collective literacy and common culture are some of the classic public goods. Knowledge is no longer a private good since it is non-rival and excludable. For instance 'the mathematical

¹⁷ Saumen Chattopadhyay (2007), 'Exploring Alternative Sources of Financing Higher Education', *Economic and Political Weekly*, p.4252.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Simon Marginson (2007), 'The Public/Private divide in higher education: A global revision', *Higher Education*, Springer, p.317.

²¹ Ibid., p.318.

theorem retains its value no matter how many times or how many people use it'.²² Therefore, a higher education possesses properties of both private and public goods and it does generate 'a huge set of economic, social, cultural, demographic and political externalities'.²³ Based on this fact, there is a need for the government to intervene in the case of the quasi-public good like a higher education.

1.4 Rationale for the Public Expenditure on Higher Education

The wisdom of expending public and private funds on education is not measured by its direct fruits alone. It will be profitable as a mere investment, to give the masses of the people much greater opportunities than they can avail themselves of (Cohn et al, 1990, p.358).

In fact, rational behind public expenditure on higher education is debatable in all over the world. But the problems become more serious particularly in the developing countries like India. The resources are in the shortage subsequently these resources are diverted to other sectors of the economy. Education is the most neglected sector particularly higher education. The university and higher education in India are expanding with an increment in the GER that further requires the funds to increase adequately. And 'with the landscape for higher education changing rapidly, one cannot think of a stable funding structure for higher education'.²⁴ And as we live in an era of globalization the knowledge and the skills are to be enhanced in order to come up to the level of global competitiveness. And to ponder over, a public expenditure on higher education cannot be ignored.

In most of the world higher education has been supported by the government in one way or other. Perhaps, the government does not only support the students and institutions but also regulate the activities of higher education.²⁵ But now it is argued that an investment on higher education has been profitable on an individual's point of view.

²² Ibid.

²³ CABE (2005), 'Report of the CABE Committee on Financing Higher and Technical Education', NIEPA, New Delhi, p.7.

²⁴ R.K.Tiwari (2009), *Financing Higher Education in India*, New Delhi, Neeraj Publications, p.1.

²⁵ Erik Canton and Richard Venniker (2001), 'Economics of Higher Education', accessed on net, on 26th March, 2011, <http://doc.utwente.nl/37703/1/bijz29.pdf>

Then a question arises why public support for higher education? In fact, the argument for the government intervention on higher education was the market failures and the positive externalities that are generated through higher education. The market failures related to higher education are human capital spillovers, capital market constraints, risk/insurance market imperfections and imperfect information.²⁶ Further it also enhances the productivity of co-workers, increase social mobility and indulge in less crime activities in the society. All in all an investment in higher education is considered to exceed the social returns over the private returns.

According to Canton and Venniker (2001) government intervention towards a higher education is to correct an income tax distortion. In many countries the public expenditure are financed through an income taxes. And this income tax is often distorted through the decision and emergence of the private agencies. Therefore, the distortions of income taxes are often corrected through the public subsidies on higher education. The public support on higher education is also justified on the basis that a higher education is a public good or at least a quasi-public good that produces a huge set of positive externalities. Higher education also helps in the promotion and improvement of equity and accessibility. Initially a public support for financing of higher education is strongly advocated by human capital (HK) theory. Significantly an investment in HK generates economic growth and development. An investment in HK or a labour input is the source of the technological progress as it helps to acquire new skills and knowledge which is indispensable for the economic growth and development. According to Lucas (1988), acquiring of new skills and knowledge will not only make a worker more productive but also increase the productivity of capital and other workers in the economy. Now it is well considered that an individual's labour productivity can be enhances with an accumulation of HK. Growth rate depends on the rate of investment in HK. Therefore growth would be higher with more investment in HK.²⁷ Further, an investment in HK also helps in reduction of poverty, unemployment, and criminal behavior, and better income distribution, social and political development of one nation.

²⁶ Ibid.,p.38.

²⁷ Pierre-Richard Agenor et al. (1996). *Development Macroeconomics*, Princeton, Princeton University Press, p.521.

Public expenditure on higher education is essential particularly in developing countries like India to compete in the global economy. The public expenditure on higher education particularly technical education becomes a crucial factor as it is formed as a specialized HK. Rates of return under the specialized human capital are very high. Higher education is also responsible for the 'creation and dissemination of knowledge; supply of power, specifically knowledge workers; attitudinal changes for modernization and social transformation; formation of a strong nation-state, and promotion of higher of individual and social life'.²⁸ Higher education is indispensable for every nation particularly underdeveloped and developing economies. Hence there is a need to improve the system of higher education so that it addresses the issues of accessibility and equity. In fact, the rationale behind public support towards higher education 'was to achieve socio-economic equity as higher education promotes social mobility by making the acquisition of skills and training accessible to the economically challenged section of the society'.²⁹ And as we enter into an era of knowledge economy it is greatly felt the need to developed higher education. Bearing this in mind higher education cannot be a non-priority area. Instead government should improve and increase more funds to finance on higher education.

1.5 UGC: Financing Higher Education in India

UGC is an apex and statutory body that was established on 28th December 1953 but became a statutory organization by an Act of the Parliament in 1956. In fact, the Commission was established after a numerous consultations and conferences but the idea of UGC was conceived in the Britain. Nevertheless the Commission in both the countries was varied in certain cases. The UGC in India was responsible for coordination and maintenance of the standards, allocation and disbursement of grants. The UGC got the power to provide grants to all the eligible universities and higher education in India. In reality all the universities and higher education in India are not eligible to receive the grants from the UGC. Subsequently there are certain power exercised by the Commission

²⁸ C.A.B.E (2005), p.8.

²⁹ Op.cit. Saumen Chattopadhyay, 'Exploring Alternative Sources of Financing Higher Education' *Economic and Political Weekly*, Vol.XLII, No.42 p.4253.

in order to allocate the funds to those universities and colleges. Hence the UGC has the fitness of grants. And to decide the fitness of grants to all the universities in India the Section 12(B) of the Act was applied by the Central Government. Under this the fund amount is restricted to all the universities and colleges that established after the commencement of the UGC Act, 1972 except an agricultural universities and the universities which were established against the advise of the Commission. Apparently, the grants consists of both development (Plan) and maintenance (Non-Plan) grants. However, the Central Universities and the Colleges received both plan and non-plan grants from the UGC. But the State Universities and the affiliated Colleges received only the development grants. A major chunk of the funds was release to the Central Universities or the affiliated Colleges. Perhaps, the UGC did not have its own funds nonetheless the UGC still remained a major funding agency in the country.

1.6 Organization of the Study

The public expenditure on higher education in India is considered to be inadequate. The role of the government in financing higher education in India is also getting marginalized. The budgetary allocation on higher education does not match with the increase in enrolment and institutional expansion. Hence there exists a mismatch between the budgetary allocation and expansion of enrolment in higher education in India. The Union Government in financing higher education in India is limited and uneven. Nevertheless, the public expenditure on higher education is very crucial for the developing country like India where the major sections of the society are beyond the reach of their affordability. The public expenditure on higher education in India is also very important in order to meet the major issues of quality and excellence and improving access with inclusiveness. Furthermore the public expenditure on higher education is also justified on the ground of public good or at least a quasi-public good that produces a spillover effect to the society. Higher education benefited the society at large rather than the individuals himself/herself.

Higher education is also widely responsible for the social cohesion or mobility and helps in the promotion of equity. In financing of university and higher education in India a major chunk of the funds is flown from the UGC itself. Subsequently, an attempt

has been made to study the UGC budget on financing of university and higher education in India. In view of this the theoretical aspects in financing university and higher education will discuss in the next chapter addressing the above issues. The third chapter will try to bring out the trends analysis of the public expenditure on university and higher education in India. And under this the trends would be to analyze since 1986-87 to 2010-11. And to consolidate the third chapter the UGC budget in financing university and higher education in India will be studied. And finally the last chapter will draw concluding remarks or the findings from the above chapters. Against this backdrop there is a need to seriously analyze the issues related to financing of higher education. We believe that this is important for formulating an informed opinion about the underlying problems and for formulating effective solutions. There is a need to address the following research question in detail:

1.7 Research Questions

- 1) What are the reasons for the frequent shift in the policy with the Union Government in financing higher education over the years?
- 2) Why has the growth rate of the public expenditure on higher education fluctuated over time? What are the policies behind for the deceleration of public expenditure on higher education?
- 3) What was the role of the UGC in financing of higher education in India?
- 4) What are the grants that have been released by UGC in financing of higher education?
- 5) How does UGC finance the higher education in India?
- 6) What are the reasons for the low GER on higher education in India?

1.8 Objectives

- 1) To examine the size and composition of the public expenditure on higher education.
- 2) To study the relative share of the budget on public expenditure on higher education.

- 3) To delineate and explain the factors which influences the current states of public expenditure on higher education.
- 4) To examine the UGC Budget in financing of higher education in India.
- 5) To assess the role of the UGC in the present context of financing higher education in India.
- 6) To examine the relative share of the UGC Budget in financing of higher education.

1.9 Methodology and Data Sources

To achieve the above objectives both primary and secondary sources have been used. Expenditure incurred by the Central Government and the UGC on higher education has been analysed for the period under reference using descriptive statistical measures. The main sources of data are Central Government Budgets, various publications of the Ministry of Human Resource Development (GOI), National Account Statistics (CSO) GOI, UGC Annual Reports, Official Reports, Published and Unpublished theses, Journals and Newspapers etc.

1.10 Scheme of the Chapter

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Chapter- 2

Issues in Public Expenditure on Higher Education in India: A Theoretical Overview

2.1 Introduction

The preceding Chapter clearly maps the critical role which public expenditure on university and higher education plays in the socio-economic transformation of a developing economy like India. Given this significance an attempt has been made in the present chapter to examine the received theory of public expenditure on university and higher education. Public expenditure refers to the overall expenditure borne by the government for the benefits and well being of the society. In the beginning economists did not pay much attention to public expenditure. But the situation gradually changed as the economic activities become more complex with the passage of time. Eventually the concept of public expenditure became an integral part of teaching, research and policy.

The government is expected to incur an expenditure on different sectors of the economy. But due to the paucity of resources there is a competition among the different sectors in the use of resources. An allocation of resources is ideally based on the national priorities. In most of the countries the public expenditure is determined in view of the national objective and policy. The public expenditure diverts the economic resources into the channels determined by government in accordance with national objective and public policy. Hence, we observe that more resources are allocated on the defence sector and less resources on development and welfare sectors whereas, in an ideal situation, the reverse should be the case. In line with this, developing countries like India education sector was the most neglected sectors and higher education in particular. Certainly this is visible in both the developed and developing countries. We also notice that the public expenditure on higher education was also strongly backed by political and philosophy of the state. Undoubtedly, a state has to emphasise and confine itself to the defence of the country from external enemies, maintenance of law and order within the country and administration of justice and so on but human resource development should constitute central to any development agenda of a nation, rich and poor alike (Prakash and Chowdhury,1994).

Public expenditure on higher education was supported by the human capital (HK) theory. Therefore HK theory is the crux of economics of investment on higher education. The theory has laid down a strong foundation for the public support on higher education. The expenditure on education essentially produces manpower that is required for the economy secondly it also gives high rate of return to the individuals and to the country as a whole. And lastly, an investment on education does not benefit the individual alone but it also benefits and meets the needs of the entire society. Empirically this proves that an investment in higher education enhances labour productivity, higher earnings and higher level of economic growth. Equally an investment in higher education helps in reduction of poverty, improvement in income distribution and overall it helps in social, demographic and political development (Tilak, 1993).

An investment on higher education is crucial for the national development as well as for better welfare of the society. Since the skills and knowledge are enhanced through an investment in HK and thereby increases the national output. An investment in HK improves the quality of human life. In fact, the productivity and earnings of one individual is directly correlated to education. Hence, the differential in earnings is closely corresponding to the differentials in education. An investment in HK importantly affected the personal income dispersions (Sweetland, 1996). The public expenditure on higher education has a positive effect on life time earnings and occupation and has a significant effect on rate of return. Nonetheless it is not only education that increases the value of HK. Perhaps, it is also formed through better health, welfare activities, informal education and training, migration, etc. (Woodhall, 1967). Higher education is considered to be a crucial factor for nation building and the base for all other development. But in the resource scare countries like India, the public expenditure on higher education needs to be critically examined. The resource for basic educations in India is yet to meet; therefore, it is difficult to allocate enough resources for higher education. Besides, it is also believed that there is wastage of human resource in investment of higher education and the rate of return is considered to be least as compared to the primary education (Tilak, 1993).

However the main concern for the government is to gain access to higher education by the masses of the society. In doing this the institutions should be able to provide the opportunities to those candidates who deserve to pursue higher learning in

respect of their own choice. The government should give fair and equal opportunities particularly to the marginalised section of the society on higher education. Higher education should be of good quality and to the standard so that it meets the needs of the society. And as we climb up the ladder of education the cost of higher education become more expensive therefore it becomes unaffordable to many section of the society.

Higher education in the present scenario faces major challenges in terms of accessibility, equity and quality, etc. Subsequently there is a need for the government to intervene especially in financing higher education in India. And it was the 11th Plan that set a target to expand the number of institutions and make it affordable to the masses of the society particularly to the economically challenged classes. Considerably the main aim of the government is to increase the number of students in higher education in the near future. Besides, the government also put a special focus in some of the remote regions and backward places to improve the condition of accessibility and equity. In a way to make higher education equitable and accessible to all, public expenditure is one of the effective instruments and a possible solution to these problems.

The public expenditure on higher education in India has to increase as there is an expansion in institutional capacity in higher education. The progress in the institution's capacity is determined by three indicators namely, the number of educational institutions- universities and colleges, number of teachers and students (Thorat, 2008, p.2). Higher education system has increased to a great extent since India gained independence. The number of higher institutions, teachers and number of the students also increased to a certain extent. During 1950 and 2008, the number of universities has increased from 20 to about 431, colleges from 500 to 20,677 and the teachers from 15,000 to nearly 5.05 lakhs. Subsequently the enrolment of the students has increased from 1.00 lakhs to 116.12 lakhs during the same period (ibid).

Globalisation has given a severe thrust in the development of higher education in India. Further, this leads to the internationalisation of higher education in India. Consequently there is a need to reshape higher education in India in order to make them globally competitive. The emergence of globalisation enhanced the international competition, building up of the knowledge society, and also increasing the rates of

international outflow of human capital hence the needs of the higher priority on higher education arises in countries like India (CABE.2005). Considering this, there is a need to allocate sufficient amount of funds on higher education. The resource on higher education in India was always in a crisis, therefore, it is also encouraged to both the institutions and the government to mobilise the resources through some other alternative means. Financing of higher education in most of the countries come from the public sector. The public expenditure on higher education is considered to be an effective instrument for the realisation of equal distributions of income and accessibility to the masses of the society. Therefore, in spite of the alternative methods of resource mobilisation the public should continue to support the higher education.

2.2 Review of Literature

Schultz (1962, 1971, 1982) observed that the different amounts invested in HK resulted in different earnings in one individual's life. The wages of an individual is determined by the various formation of HK. The investment in human capital does not involve only in education but also includes health and trainings of an individual. An investment in HK improves the quality of work and thereby a major source for the economic growth. And the differences in earnings are the result of the additional cost incurred in schooling. Schultz further argues that HK formed through the higher education is in fact far from homogeneous. It is a combination of both the consumption and production which are of many different types.

The values of those HK depend on the value of the services rendered and not its original costs. The formation of the HK under the higher education takes a longer period of time as a major part of life is involved in a students' life. The benefits accrued through the higher education to the students consist of future earnings and future non pecuniary satisfactions. And the HK form through higher education is subject to obsolescence like reproducible material capital. And the investment in HK reduces the inequality in distribution of the personal income. Furthermore education no doubt increases the mobility of labour force which in turn takes the advantage of better job opportunities predominantly for their private benefits. Educated labours are prone to access more of the relevant information of the economic activities than the uneducated labour. And the higher education tends to make better citizens and better

political democracy. Schultz (1982) contends that it is the HK approach that concern about the economics of time allocation, consumption activities, and distribution of personal income and on the intergenerational transmission of inequality. The productivity and welfare of the economy wholly depends on this theory. But the HK are badly affected in public schools as there is a deep cut in public budget as a consequence of inflation and some other factors. Normally parents are also tied by the virtue of their residence since the alternative options are more expensive and subsequently schooling of their children receives a minimal level. And it was the HK approaches that force their parent to prefer a high quality of schooling. Schultz ignores about the politics in education but the competition that bring greater efficiency and better quality of education. And competition is the main domain in investment of HK.

Becker (1962, 1993) an investment in HK likes on the job training and schooling increases an earnings level of one individual. But the earnings may vary from one individual to another since the other may invest more than the others. Besides the abler person has the tendency to invest more than the other hence the distribution of earnings tends to be unequal. Training has affected the life of one individual earnings and the age. Subsequently earnings increase with the age at the decreasing rate. And certainly the rate of earnings is affected more at the younger one than the older one. And it is wholly on the HK analysis that the individuals decide their education, training, medical care and other additions to knowledge and health by weighing the benefits and costs. The private and social rate of returns among the gender and other groups are also varying as a consequence of an investment in different levels of education. There is also empirical evidence that the higher earnings are more for better educated persons for the fact that they are abler, with higher IQ. In actual fact an investment on education has a positive effect on mortality, income taxes, and economic growth. The most influential concepts on HK theory are the analysis between the general and specific training and the knowledge of one individual. And it is the HK theory that brings an inequality in earnings as an outcome of differences in talents, family background, and bequests and other assets. The inequality in HK is also based on differences in schooling and the training of one individual. The concepts of HK theory probe a gender gap in terms of earnings.

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Overall an investment in HK is one of the major elements that accelerated an economic growth.

Woodhall (1967, 1997) opines that an expenditure on education and health is known to be an investment in HK and it's responsible for the future income of one individual. The level of education is highly correlated to the levels of lifetime earnings. He further argues that education has a positive effect on lifetime earnings and occupation status of an individual. Consequently the rate of return varies among the individual as a result of the different types of education one takes up in his life. In fact it is not only the formal education that increases the value of human resources but the other things also play pivotal role in increasing the value of HK. A HK is also formed through welfare activities, health, informal education and some sort of labour training. A labour training programme and the relevant types of education are available for all types of workers to solve the problem of skill obsolescence. An investment in HK is an essential condition for the economic growth and development. HK is essentially formed through the education which further helps in mobility of one individual. Woodhall also argues that it is the HK approach that led to the investment of human beings. The expenditure on education yields a higher future income which further increases the lifetime of the individual. The cost normally incurred on education as an investment in HK which increases the lifetime earnings of the workers. He further argues that an investment in HK benefits not only an individual but the entire society. Woodhall argues that the cost of education is to be borne by the governments.

Blaug (1976) on the other has the same opinion that it was the HK concept or 'hard core' of the HK approach that backed the people to invest on education. An expenditure on HK is not merely for the present financial benefits but for the future returns. He also argues that an investment in HK is more important than the consumption. The screening hypothesis has put a turning point in investment of HK that further require for the labour market. There is a differential in earnings as a consequence of HK theory which fails to compete in the same terrain. And a variation in earnings is caused by additional year of schooling. The social rates of return on educational investment are considered through the pecuniary and non-pecuniary profits and the externalities associated with the education. The labour training and the

formal schooling are the investment in the HK nonetheless the major portions of the HK are invested in education.

Majumdar (1983) opines that investment in education is considered to be a major form of investment in HK. The HK is formed through the process of education depending on the investments made in two complementary parts and decided in two domains. An investment in education is made through individual decisions and institutional decisions. Individual investors in education in fact look forward for the economic returns. The main concern of the individual is to maximise the expected rate of returns through investment in education to improve their lifetime earnings. And the rates of return from the different level of education are determined by the number of years of education. The rate of return approach in educational investment would be incomplete unless a non formal education is emphasised upon.

Tilak (1993) in 'Financing higher education in India: Principles, practice, and policy issues' asserted that it is the HK theory that provides strong support for funding of higher education. An investment in education increases one individual's labour productivity. Further it helps to contribute a higher individual earnings and higher levels of economic growth. And it also generates a huge set of positive externalities to the entire society. An investment in education further helps to reduce the poverty rate and improvement in income distribution in addition to social, demographic and political development.

Psacharopolous and Patrinos (2004) argue that a return to education is based on the matter of the HK theory which has been estimated since the last 1950s. And based on this theory an empirical result has estimated an inequality in earnings in most of the countries as consequences of the returns from schooling. And a rate of return has a causality debate between the schooling and earnings as a result of one individual ability and family background. The private returns to higher education are increasing and private returns on different level of education are higher than the social returns as a consequence of the public subsidization on education. The degree of public subsidization also increases with different level of education which has a regressive income distribution. And the rates of returns on different levels of education are also varying among gender across the globe.

In view with McMahon (1982) an education budget often compressed as a result of inflation accordingly the resources should be better utilised and equally distributed among the different segments of the population. A proper utilisation of resources improves the quality of education and educational opportunities which will further contribute towards a humane growth in the whole society. Public expenditure and tax-side decisions fulfilled both efficiency and equity. McMahon argue that an equity applied to the outcome of education goes beyond the equality of opportunity and horizontal equity since the student's academic abilities and parental abilities to pay are unequal. The student abilities, parental education and family wealth contribute to the formation of human capital which enhances the higher earnings in the later life of the students. And later a real humane growth criterion can be fulfilled if and only if there is an improvement in both efficiency and equity.

Alexander (1982) an inequity in educational system prevails as a result of economic disparities among the individuals, school programmes, school districts and states. He further argues that equity in education should be viewed with the concept of commutative equity equal distribution of the fiscal resource base, restitution and positivism. In equity educational finance the state should provide an adequate level of education and should be able to compensate those students who belong to the disadvantaged section of the society and provide equal treatment and supplementary needs to those disadvantaged students. An educational opportunity and overall substantial educational services are not able to meet the needs of the majority students as a result of inadequate funds with the government.

Subsequently to achieve equity throughout the state the resources should be adequately funded especially the basic developmental educational programmes to established thorough, efficient and uniform educational opportunity. And to ensure equal educational opportunities to every student a burden of taxation on education should be uniform to achieve a desirable education to every student. Alexander also argues that there is an equity that exists from the lower to higher level in the society. The Carnegie Commission on Higher Education (1973) educational subsidies will help an equitable distribution of resources where an equality of opportunity could be achieved. But the equity in higher education faces a problem due to the existence and vitality of private higher education. But the concern of the government is to issue the pricing policy in public institutions and partial subsidization of an educational cost at

private institutions. However the government is concerned about the assistance of the low income students and to bring about a regional equalisation of educational resources even under the specific areas of study. And to ensure a more equitable access to higher education grant, aid and subsidies are essential.

Sun and Armando (2009) argue that to sustain an economic growth for the future it needs both quantity and quality in investment of human resources. The public expenditure on higher education helps to achieve the condition of both efficiency and equity. An investment in HK like education enhances the future labour productivity and should be given a high priority. The decentralisation and privatisation in financing of higher education increases an inequality among the various sections of the society and the increase in fees make the matter worse. Nevertheless the public expenditure on higher education was to bring down an inequality among the various section of the society. And in most of the developing countries underinvestment in human resource is significant due to unaffordable of the poor families. And to overcome all those restrictions imposed in an investment of HK a strong support from the public sector is to be provided. Palacios (2002) argues that financing of higher education faces a major challenges and remains with the public domain in policy making. In fact, it is acknowledged to everyone the importance of education but still then it is hard to finance through the traditional market mechanisms like loans due to the intangible nature of education. But the funding crisis can be resolved through the private equity investment in higher education under the ‘human capital contract’¹. And the loans are considered to be unsuitable due to its uncertainty and riskiness in financing education. However it is considered that the private sector would be feasible in financing higher education.

Penalosa and Walde (2003) argue that it is the subsidies on higher education that provide equality to all the agents regardless of their family backgrounds. But the concern of the government is to subsidise education and to raise the essential revenue through the taxation and maintain a balanced budget. And in absence of the government intervention individuals have to finance the cost of education through his or her inherited wealth. Borrowing money to finance the education is not always possible as HK is not satisfactory collateral for the private lenders. And such situation

¹ A financial instrument by which in exchange for financial support, a student agrees to pay a percentage of his or her income for specified period of time.

will lead an economy to classify the labour into skilled and unskilled human capital. The skill of an individual is determined by the inheritance of the wealth within the households. Penalosa and Walde further argue that the efficient subsidy does not remove the inequality as the incomes are still distributed among the richer groups of the society. A subsidy on higher education is not given to everyone but the students who enrol in the higher education are subsidised. Nonetheless to provide a universal access to education is to fully subsidise the education. The government also introduces a better mechanism of financing higher education through a 'loan scheme'². Furthermore an income contingent loan also introduces to finance higher education but found to be less efficient than the graduate tax system.

Chapman (2006) contends that an income contingent loan (ICL) was used as a new phenomenon in financing higher education and it is a possible solution to the capital market problems. An ICL includes higher education institution in which the fees are charged in upfront manner. It is a mean tested provision loans based on the family income which concerns about the sharing of the financial resources within the families. Considerably to all prospective students the loans are made available as the sharing financial resources are out of reach to many of the families. ICL complete default protection for the borrowers and solve the capital market failure. It also eliminated the repayment obligation in period of future financial adversity and delivers the important benefit of consumption smoothing. And ICL are of various types that help in financing of higher education.

Cohn and Geske (1990) argue that ICL is the self financing loans programmes to finance higher education. An institution under the ICL is considered to be a best judge's based on the student ability, talent and professional chances. A loan under this scheme is not to be repaid in any other mode except a portion of the student future earnings. A repayment of the loans in fact depends on future earnings of the students. An institution under the ICL basically selects and offers a curriculum to the student who later maximise their future earnings. Subsequently the future earnings of the student in turn bring about social educational benefits such a scheme is likely to promote an optimal utilisation of resources. The purpose of the scheme is to enhance

² An individual who enrolls in higher education can take up a loan and repay it later once they start working.

the equality of opportunity as the institutions select the capable student regardless of their family background.

Greenaway and Haynes (2004) opine that an ICL is the alternative options for financing higher education. A fee has increased over a year's which affects the entrants of the low-income family background. Further it is also argued that the differential in fees has an adverse effect on access and equity. But the ICL scheme will have a positive aspect in widening student participation. The scheme also generates additional resources that improved the accessibility of the students and avoid the leakages of the resources. In financing higher education ICL maintains the issues of equity and efficiency. Chattopadhyay (2007) argues that to some extent the ICL is applicable in some of the developed countries because of job market uncertainty in the developing countries and limit for demanding loans has significantly reduced as the loans are required to pay only if the income level exceeds the threshold limit. Practically the government plays a major role in comparison to commercial banks. A major advantage of the scheme is that it does not pay an upfront payment.

Migali (2006) argues that an investment in higher education is risky as the probability of earnings after the completion of the study is uncertain. In financing of higher education through a loan schemes ICL is preferred. A graduate with a high variance in income feel more secure in repayment of the loans. In fact ICL are more demanded in the private sector than the public sector since it offers an implicit insurance against uncertainty. An individual borrows the whole amount of loans for running the cost of education and began to pay back after the completion of graduation. Repayment of the debt depends on one's individual earnings in the future.

Guillemette (2006) asserts that for the students investing on higher education normally involve a financial risk particularly for those students who borrow money with no certainty. A choice made by the students is distorted with the risks and discourages the low income students from attending the university. An ICL essentially act as an insurance mechanism that reduce risks and further helps in an accessibility of the students. The scheme was made available to all the students who wanted to invest in education regardless of their poor family backgrounds. A student has the

obligation to repay back the loans in future. A bad risk is likely to come from the poor family backgrounds. The revenue plan by the government under the ICL was to merge both the bad and good risks. The rationale behind for the ICL plan was to fairly protect those students and to improve their accessibility in post secondary education system. An ICL scheme plan to give a perverse incentive to the borrowers which can be in various forms:

First an ICL would increase the relative attractiveness of disciplines that have high consumption value. Second, it would increase the relative attractiveness of majors that lead to jobs with relatively high non-monetary compensation. Third, because the program would provide a sort of de facto income insurance for university graduates, it would increase the relative attractiveness of occupations with high variances in earnings. Finally, and perhaps most important, income-contingent loans would raise the already very high marginal income tax rates facing most workers. This would lead them to work less and enjoy more leisure (Guillemette 2006, pp.19-20).

And based on the same argument Vandenberghe and Debande (2005) opine that student borrows money to finance their educations which consists of both riskiness and uncertainty. An ICL is one of the solutions to these problems. Considerably an ICL performed the work of insurance which bring against the loss of those earnings. The main concern of the ICL is to provide free risk in investment of HK. ICL scheme is also one of the instruments for raising the finance for higher education. And the vertical equity is to be achieved through the ICL since the payment is based on the graduates' ability to pay.

Birdsall (1996) states that the educational resources allocated on different levels of education must be allocated from the higher level to lower levels of education. Considerably the social rates of return to higher education are below the lower level of education nonetheless in the higher education, exceeds the social rates of return to other investments. Reasonably the public funds should be given a relative priority on higher education. Higher education is known to move beyond the training; basic research and national building are the outcome of higher education sector. Further, it also generates the positive externalities which are known to involve beyond any public goods. The tuition and other user charges are some of the mechanisms in financing education and loans programmes are also provided to ensure the

accessibility of those students who are not able to pay their fees. And the research grants are also provided to those students who attach to the research institute of higher learning.

Vogelink (1960) expresses that the public expenditure on higher education needs to increase to meet the corresponding rise in enrolment and universities with specialised research centres. The resources for higher education need to increase substantially to meet the needs of the future expansion of higher education. The public expenditure on higher education is also based on political, social and economic organisations of the country. In fact, there are three main sources of funds in financing of higher education, government, student charges and voluntary contributions. Yet the government contribution was known to be a major source in financing higher education.

Rogers (1971) argues in 'Financing of higher education in less developed countries' endowments, private contributions, low or no interest loans, government grants, scholarships, fellowships and bursaries are used to cut the cost of the students. Higher educations in these countries are highly subsidised and more prominent than the developed countries. An educational cost consists of both 'direct and opportunity cost'.³ But an inequitable in financing higher education is prevalent in less developed countries to a certain extent and hence this was corrected through grants and scholarships. And there are various types of loans programmes available to the students for financing higher education. The loans programmes are beneficial to the students in many respects for the students who are committed to pay a portion of their future income will be more serious than those students who got a free ride at the expense of government. The loans will not only benefit their academic career but to the society as a whole. Financing of higher education through this loan create accessibility to the students and give a fiscal effect on the government.

Tilak (1999) contends that student loan is a solution to the resources crisis in higher education. The concerned of the student loans is to remove the regressive effects upon the steep hike in student fees. Certainly the main challenge of the student

³ Direct costs are the resources used up in education such as materials (books, chalks, paper); wear and tear on buildings and equipment (depreciation); and the labour of teachers, administrators, and other staff. Opportunity costs are the value of resources which are not paid for but could be used in producing goods or services; the largest opportunity cost being the time of the students.

loans is to address the issues of equity and accessibility. And through this, resources can be mobilised within short span of time and higher education can be made self financing with the repayment of the loans. It is a better mechanism for the resources mobilisation which is considered to more efficient and generates direct benefits to the higher education. Student loans removed the wastage of resources and make the student to be serious in their career and the choice.

Eedle (1971) in 'Financing education in developing countries', argues that the funds raise for the education can be either through monetary and other sources from the central government, local government, private sources and from the external provision etc. And the public systems of education are believed to benefit the rich than the poor as the subsidisation of higher education are regressive in nature and no matter of what both the rich and poor pay the taxes either directly or indirectly. Further it is also believed that in financing of higher education a major source of funds flows from the central government. And to increase the efficiency of the education provision administration, staffing, recruitment and wastage, educational buildings, educational equipment and the mass media, curricula and courses and informal education should be properly managed and maintained.

2.3 UGC-Financing Higher Education in India

The UGC in India is an apex and statutory body for disbursement and allocation of funds to the universities and colleges both for the maintenance and development. In fact not all the universities and colleges in India receive the grants from the UGC except some of the eligible universities and colleges that are declared fit to receive the grants. The Commission is wholly responsible for the promotion and coordination of the university education. The UGC is also equally responsible for the maintenance of the standards and quality of teaching, examination and research. However the UGC in India differed significantly from any other countries of the world in matter of grant-giving agency. Considerably the Commission in India possesses with two powers simultaneously. But the idea of establishing UGC is borrowed from the Britain nonetheless the Commission differed from each other in one significant aspects. The UGC is responsible for estimating grants from the government to the universities to supplement their income from tuition fees and other sources. The Commission in India has no funds of its own however the major portion

of the grants flow from the UGC to all the eligible universities and colleges. UGC receives two grants both the plan and non-plan grants from the Central Government of India under the Ministry of Human Resources Development. And the UGC is responsible to extend all those plan and non-plan assistance to all the universities and colleges. The Central and Deemed universities receive both plan (Development) and non-plan (Maintenance) schemes from the UGC. While the state universities and colleges receive only plan (Development) schemes from the Commission. Subsequently the major share of the grants from the Commission flow to the Central universities and Colleges and a small portion of the grants flow to the state universities and colleges.

Shattock and Berdahl (1984) argue that the idea of University Grants Commission is shaped by historical and political context of one nation. In most of the world the system of the university is borrowed from the ideas of British university model. And the university is crucial for the development of one nation. The purpose of the UGC is to finance and coordinate the university. But in the case of Hong Kong and Nigeria the UGC control and coordinate the expansion of higher education. However, the UGC in New Zealand creates balanced university development. Indeed the role of the UGC in India, New Zealand and Nigeria is to initiate the maintenance of the academic standards. But in the case of Britain the Commission is to distribute the government funds to those institutions which are self-supporting. The success and progress of the UGC also depend on both the political and social structure of one nation since it requires strong and political support from the above and loyalty understanding from institutions below. The growth and development of higher education and changes in government machinery also influence the structure of the UGC. At time the higher education come under the direct control of the government as a consequence of the political orthodoxy which stifle the university role and immediate demands for the high man power in an economy.

Singh (1984) asserts that initially the UGC was created in Britain in 1919 to buffer between the state and universities. But after the end of the World War I the Commission later act as an advisory body to the treasury. However UGC in India was very shortly established just after the independence. The Commission in India is different from any other country in one significant way; subsequently the Commission is vested with two powers at one point of time. It is responsible for regulating the

academic standards and disbursing the grants to all universities and colleges. The statement of the 'universities Bill' to universities and state are as follows:

The constitution of India vests Parliament with exclusive authority in regard to "co-ordination and determination of standards in institutions for higher education." It is obvious that neither co-ordination of institutions nor determination of their standards is possible unless the central government has some control over the establishment of new universities, the definition of territorial jurisdiction and the determination of standards of teaching and examination in universities, both old and new (Singh, 1984, pp. 519-20).

In fact the UGC is responsible for the co-ordination and determination of the standards and allocate and disbursement of funds to both the Central and the State universities and colleges. Obviously the major concern of the UGC is to bring an improvement in university education and proper allocation of resources to all the universities and colleges. Certainly the UGC came up as a grant giving agency to all the universities and colleges in India.

Tiwari (2009) remarked that an education in India is governed and managed by several agencies but the university education falls under the purview of UGC. The Commission is responsible for the promotion and co-ordination of the university education in India. Besides, the UGC should also look into the financial needs of the universities and allocating those grants for the maintenance and development of the higher education and universities. However all the institutions of higher education are not eligible to receive the grant from the UGC if they are established after the commencement of the UGC Act of 1972. In India UGC is the statutory and apex body which is to provide the grants to the universities. And it is evident that the demand for higher education increases over the years from different sections of the society as the population also increases simultaneously. And at this juncture the UGC has plan to include cost concept like academic cost and unit cost per student based on this the universities who have less cost, are rewarded and who have more cost will try to reduce it. Obviously the UGC tries to include all those concepts and make universities responsible for their Acts.

Agarwal (2009) in 'Indian Higher Education: Envisioning the Future', asserts with the same argument that the university in India was set up with an idea borrowed

from England. The UGC is the main source in financing university and higher education. Huge amount of UGC budget is meant for meeting the central universities and Delhi colleges. In fact, the major responsibility of the UGC budget was to meet the central university expenditure. But it is found that all the colleges and universities are not eligible to receive the grants from the UGC. The only selected colleges and universities receives the grants from the Commission considerably this is due to the scarcity of the resources. And only a few recurrent grants flow to the institutions of higher education from the Commission. The major portion of the grants was incurred on salaries, pension and other pre-emptive claims like water, electricity and a very mere amount is left for the library, and other academic activities. The constant crisis of the resources with the Commission on higher education is poorly distributed and funded. Further the Commission grants on higher education are unequally distributed among the universities and colleges in India. Consequently the major section of higher education in India does not receive the grants from the Central Government or the Commission. And even those eligible institutions receive a mere amount of grants from the Commission.

Azad (1975) contends that the UGC is a statutory body who is responsible for the coordination and determination of the standard of higher education and research. The UGC budget on higher education has increased to certain extent since its establishment in 1953. The resource on higher education is always in crisis in India hence there is a competing claims on the available resources from different sectors of the economy. Hence a proper mechanism in allocation of the resources is required. The UGC budget has favoured Central Universities more as against the state universities with respect to financial assistance. The Central and Deemed Universities received both plan and non-plan expenditure from the Commission but the state universities receives only plan expenditure. The Commission on financing of higher education is to be on the comprehensive approach rather than the selected sector approach.

Punnayya Committee (1992-93) reiterated that the present pattern of funding universities distinguishes on the basis of two set of activities such as plan and non-plan expenditure. And it is under the Section 12(B) of the UGC Act where the Commission has the power to allocate and disburse funds for both the development and maintenance of universities. The maintenance grant of the Commission is

allocated and disbursed to the Central Universities. The maintenance grants of the UGC budget on higher education went on increasing each year as a consequence of annual increase in the salaries package. The Commission grants on higher education increases at a varying rate over the years and likewise the magnitude of the grants also varies from one institution to another institution. The Commission also sanctions the development grants to universities to meet the expansion activities and development of new programmes. Unlike the maintenance grants, the development grant does not grow proportionately as the universities developed. And it is found that the development grants is more or less ad-hoc in nature where the grant is provided once in five years by UGC to the central universities.

2.4 Public Expenditure on Higher Education –An Indian Context

Higher education in the 21st century is increasingly becoming more important. It increases one individual earnings, better life and status but also to the society at large. It is also responsible for both economic and social development. Higher education equipped one individual with advanced knowledge and skills which is important for both the individual and the entire society. Therefore the public expenditure on higher education increases the productivity of one individual's labour which in turn generates economic growth and development and further helps to alleviate poverty. In fact the public expenditure on higher education should not be considered as a burden on the government budget but an investment to both individual's and the nation as a whole. Higher education increases the economic competitiveness, cultural development and social cohesion; hence the public support on higher education is considered to be essential to ensure its educational, social and institutional mission (Powar, 2002).

And as the background of the higher education is rapidly changing there is a need to reallocate and redistribute the resources. There is a massive growth in the enrolment, expansion of the institutions of higher education hence there is a need to increase the resources commensurately. A financing of higher education faces great challenges in almost every country particularly in developing countries like India. The resources on higher education need to rise for the increase in demand from the students and expansion of the institutional capacity. The cost per unit of student in higher education increases simultaneously and the demand for high quality of

education also increases. However the resource for higher education is always in throes of crisis. Hence there is a huge gap between the available resources with the government and resource required for higher education.

Since independence higher education in India has increased to a great extent in its institutional capacity. A number of universities have increased from 20 to about 431, colleges from 500 to 20,677 and the teachers from 15,000 to 5.05 lakhs approximately since 1950 to 2008. Likewise the enrolment of the students has increased from a mere 1.00 lakh to over 116.12 lakhs during the same year. Hence funds are needed to rise in order to meet the institutional capacity of higher education in India. Recognising this threat the 11th Plan put a remarkable turn on higher education. In fact, 11th five years Plan has made a reversal trends in financing of higher education in India. The Central Plan expenditure on higher education has increased to Rs. 40000 crore during the 11th Plan as against Rs.4183 crore in 10th Plan; similarly the State Plan expenditure on higher education has increased to Rs.27000 crore during 11th Plan as against Rs.2771 crore in 10th Plan (Thorat,2008).

Tilak (1995, 1993) in 'The dilemma of reforms in financing higher education in India' argues that financing higher education in India is in crisis. Initially the crisis for higher education in India begins in 1990. The crisis in resources forces the government to explore for the alternative methods of resource mobilisation. The public expenditure on higher education has increased since independence but this increase has been offset through the rise in price and other factors. Public budget for higher education fluctuate over the years. It is felt that more resources have to allocate on higher education to meet the quantitative expansion, improvement in quality and equity. The fees and voluntary contributions start financing higher education in India though their contributions were considered to be small. However even today the public expenditure forms a major portion in financing of higher education in India as market cannot capture both externalities and socially optimum quantities and quality of education. The student loans and scholarships are provided in financing higher education in India particularly to uplift the weaker section of the society. The growth rate for higher education system in India is high but the participation of the eligible age student on higher education is very low. The public funds cannot sufficiently meet higher education as it increasingly needs to finance more on primary education. The HK theory and screening, theses provide a strong support for financing of higher

education. Higher education is a quasi-public good; there is a need for the government to intervene. The contribution of higher education to the development is very significant; but the 100 percent intervention of the government in financing of higher education is not justified. However an increasing demand for quantitative expansion, qualitative improvement and increase in enrolment of the students requires a huge resource.

Azad (2008) argues that the resource allocation on higher education and university has shown a declining trend in 1990s. There is a mismatch between an enrolment and public expenditure on higher education in India. The resource crisis with the public severely affected the quality of educational services. The Centre and State faced with a fiscal crisis in financing higher education in India. Consequently the government encourages other sources in mobilisation of resources other than public funding on higher education. Noticeably it is found that the budgetary allocation on education sector is always in favour of primary education. And to raise the resources besides the public funds; fees, student's loans and privatisation are also encouraged. Nevertheless the public support for higher education remains a crucial factor to achieve a balanced growth in educational and social objectives apart from securing a knowledge- based society.

Chattopadhyay (2007) in 'Exploring alternative sources of financing higher education' argues that the sources for financing higher education need to increase. The government needs to intervene in higher education to enhance more skill manpower and compete India with the global economy and to ensure social cohesion. The positive externalities, market failure, socio-economic equity and accessibility has forced the public to support towards the higher education. And in the knowledge driven society higher education is crucial for the national development and dissemination of knowledge. Nonetheless the public budgets on education remain tilted in favour of primary education. But the public expenditure on higher education in India declined as a consequence of resource crunch. And even raising the level of 1 per cent of GDP in financing higher education in India would prove to be insufficient. And in view of institutional expansion, increment in the enrolment of the student and hike in price in higher education; there is a need for exploring alternative sources of financing higher education in India.

Tilak and Varghese (1991) argue that a higher education in India comprise various heterogeneous institutions. The higher education in India has various layers undergraduate, graduate, post graduate and research. Further this consists of both general and professional education like technical and technological education. But the composition of the students in the various layers of education also varies in India. Similarly the returns from the various forms of education also vary. Consequently the policies for fee and subsidy need to make distinctions across those various form of higher education. Basically a higher education in India is a state funded subject. Indeed a major chunk of the expenditure is borne by the state government. And in the mixed economy like India a private sector plays an important role in financing higher education. The concept of equity has become more problematic as the resource on higher education is in constant crisis. Financing higher education needs some other sources like the public exchequer, student loans, a graduate tax, and student fees. However for the equitable aspects and to meet the need of the weaker section of the society the government need to bear the major responsibilities in financing higher education in India.

Tilak (1995) argues that there is a strong need for the government to finance higher education in India. In the context of globalisation and liberalisation the domestic economy needs a skilled manpower to compete with foreign counterpart. Besides a higher education in India has a low GER. And to increase the accessibility and social mobility of the weaker sections of the society the state should liberally subsidise higher education. He further argues that public expenditure on higher education ensures the process of equity and social justice. Higher education widens the horizons of the knowledge and adds a stock of knowledge to the society. But the fund for higher education in India needs to rise from outside government source. An effort should be made to raise the resources from non-governmental source in order to supplement the governmental resources without effecting the equity and efficiency in education. It is increasingly felt that there is a need to increase in fees in order to recover the recurring cost of higher education to 20-25 per cent. And it is also felt that a student loans scheme and scholarship programme should be provided to the students to enhance the accessibility and enrolment in higher education. But the aspects of financing higher education like grants, costs, fees, cost recovery, scholarships, and other direct and indirect subsidies should be completely transparent.

Azad (1976) argues that a tuition fees is one of the sources in raising the funds for higher education in India. However the contribution of the tuition fees on higher education is considered to be insufficient in financing higher education. Likewise the public expenditure on higher education is considered to be insufficient due to the rapid expansion of institutional capacity, and increase in cost of the educational apparatus. This seeks for the alternative methods of resources mobilisation in financing higher education. In India it is advisable to raise the tuition fees. Significantly raising the tuition fees helps in mobilisation of the additional resources in financing of higher education but should not restrict the flow of talented and economically challenge students in higher education. An adieu with this the scholarship scheme should be provided to those eligible students who join in any university and collegiate institutions. Further a special consideration should be kept for those of economically challenged section of the society.

Tilak (1988) in 'University finances in India: A review of problems and prospects' argues that an education system is treated to be an industry where it produces young skill manpower as an intermediate product in an economy. The share of higher education is crucial in the educational industry but he argues that higher education in India is over invested hence the resource needs to reallocate more on mass education. However in India the different levels of education are in crisis, particularly the university and higher education. The growth of the university in India has taken so much that the resources are also expected to invest in a proportionate manner. However this has been offset by both enrolment and price rise in an economy. He has identified the government sources, students' fees and endowments are the various sources of finance that flow into the university education. But the government fund constitutes a major source in university finance. Nonetheless it is considered that the expenditure side of the teachers' salaries constitute a single largest expenditure incurred by the government. The 'grants'⁴, students' fees, 'internal resources'⁵ and 'other sources'⁶ are the sources of income for the university. However the grants occupy a single important source of income for the university. The

⁴ State government grant, federal government and UGC grants.

⁵ Auxiliary services like hostels, press, computers etc.

⁶ Endowments and donations etc.

expenditure of the universities essentially consists of 'recurring'⁷ and 'non-recurring'⁸ expenditure but the major expenditure is borne on the recurring side.

Azad (2008) affirms that a higher education in India is largely financed by the government both centre as well as state. And since 1980's state is considered to incur huge amount of expenditure on higher education but the direction gradually changes after 1980's. The universities and higher education in India are facing resource problems hence it compels the university and higher education to introduce some certain measures to allocate the additional resources. The source of the income for the university consists of government, non-government, university and other sources. However the pattern of the university expenditure can be either of recurring and non-recurring expenditure. The grant is one of the major sources that contributed to the universities for the development. The grant is available to both the Central and State University but the major portion of the grants is received by the Central University. Further the grants allocated by the government to those of Central, Deemed and State University are also unequally distributed. And it is with sharp decline in the government expenditure on university and higher education the university and higher education explore for the non-governmental sources to recover the cost of education.

In 'Changing pattern of university finances in India' Tilak and Rani (2003) argue, 'it is increasingly felt that the importance of higher education in a developing country like India the state should take the major responsibility in financing of university and higher education.' But the introduction of the structural adjustment policies (SAP) in early 1990s put a severe squeeze on the public budget which trickled down the budget on education particularly on higher education. On the other hand the need for higher education is growing so the government also seek for the 'alternative policy'⁹ for mobilisation of resources. And to examine the resources mobilisation for higher education the Punnayya and Swaminadhan committee were formed to restructure and reform the fees. The source of finances for the universities in India consists of government grants, non-governmental sources, income from the other schemes and private sources. The UGC incurred huge amount of grants to both the state and central university but there is variation in allocations of resources among

⁷ Expenditure on academic activities, viz., teaching, research, library, publications etc.

⁸ Expenditure includes on buildings, equipment and others.

⁹ Its include student fees, student loans, graduate tax and privatization.

the State, Deemed and Central Universities. Likewise the fees income and 'internal sources'¹⁰ also varies among the various universities in India. But the pattern of expenditure on higher education in India consists of academic expenditure, administrative expenditure, expenditure on total salaries, non-salary academic expenditure, student welfare and expenditure on 'other services'.¹¹ But the pattern of financing and expenditure on universities in India has been influenced by the policies shift with the government.

Khadria (1989) in 'The subsidies question in higher education' asserts that funding higher education in most of the developing economy solely remained with the state. However financing of higher education in both developed and developing economy may vary in certain aspect as funding in developing country are largely financed through 'public subsidies'¹² whereas the 'private subsidies'¹³ in developed country. But in the context of developing country a public financing of higher education through subsidies is regressive in nature as recipients of the subsidies are largely accrued to the betterment of society. In most of the country the resources are limited and further the SAP make the situation worse so the education sector often suffer from the shortage of funds. And based on the HK formation the resource are always in favour with the primary education to higher education since the rates of return are supposed to higher in case of primary education. And it is also argued the universalisation of elementary education makes an entry to higher education. Nonetheless there is a circular interdependence with the lower level of education to the higher level of education. But the adverse outcome of the higher education to lower level of education was the outsourcing of high qualified and trained labour to abroad. However in developing country like India user-charge was one of the educational objectives.

Tilak (2004) affirms with the same argument that in almost every country both developed and developing education is publicly funded. An education including both

¹⁰ Income from internal sources comprises of other internal income, such as income from university press and other sources of internal income include rent from university land, buildings income from consultancy services and research projects etc.

¹¹ Other service consists of expenditure on maintenance of buildings, electricity, telephone/fax and other miscellaneous items.

¹² Public subsidies takes the form of state grants of freeships, scholarships etc that goes to the students.

¹³ Sponsorships and fellowships etc offered to the students directly through endowment, funds, donation funds and chairs etc.

mass and higher education are publicly funded under subsidies. A subsidisation of education is also based on the ground of public good nature of higher education and the magnitude of the externalities generated through an education. A strong support for financing higher education under subsidies is also based on the existence of imperfections in capital market and asymmetric information. In fact subsidisation of education is not confined only to basic education but includes higher education like technical and professional education. But the objective of the subsidies is to increase the number of students in higher education. Nevertheless there is also a critique against the subsidies in financing higher education in India since it transfers the resources from the poor to the rich. However subsidisation of education including higher education is no more elitist but it is democratised as it allows a larger portion of a weaker sections of the society to take part in higher education. Indian higher education is highly subsidised to access the socio-economic mobility of the weaker sections of the society.

And since 1950 to 1980s, India was ensuring a distributive justice, balanced regional growth and positive discrimination against the weaker section of the society in higher education. But the introduction of the NEP in early 1990s has marked a turning point in the history of higher education in India. The public expenditure on higher education has reduced as a consequence of private sector. And the Indian higher education has been suffering from the various issues like an access, equity, relevance and quality. And in terms of the number of the institutions Indian higher education is considered to be the largest in the world, however in GER it is still abysmally low. The demand for the higher education increases over the years but the resources allocated on higher education is still lagging behind. The GER on higher education in India also varies across state. Higher education in India also suffers from the accessibility on the basis of gender, caste and religion. The public expenditure on higher education since independence termed to be good but later suffers in early 1990s. Hence it is often notice that there is a constant shift with the government policies in allocation of resources. The budget for higher education has been compressed as a result of fiscal problems with the Centre and State. All in all higher education in India faces major challenges in term of access, equity, privatisation and internationalisation of higher education (Prakash, 2007).

Tilak (2006) in 'Global trends in funding higher education' argues that it is a common phenomenon that in most of the country a public expenditure on higher education is on the decline. A steep cut in public expenditure on higher education is inflicted by the NEP introduced in an economy. Nonetheless a higher education has been subsidised but the increase in cost recovery is one of the possible reason for the decline in public expenditure. The government funding on higher education is also effected by student loans and increase in non-governmental resources. And the wave of the privatisation on higher education has become a predominant role in financing higher education. Trends and decline in public funding on higher education is affected by the internationalisation of higher education.

The Kothari Commission is considered to be a landmark in history of Indian education. The Commission has given several important suggestions which were not only relevant in the present but also for the future. The Commission felt that there is a need to allocate a 6 per cent of GDP on education. The Commission further acknowledged that the various level of education is interdependent and so it should have a balanced and holistic approach to educational development. And on the outset of developing the different level of educational institutions there is a need for the budget to allocate on both recurring and non-recurring expenditure. It is also felt that the scholarship is to be given serious importance in public expenditure as it promotes equity and accessibility in educational system. The state as well as centre funds are responsible for the development of the higher educational institutions. However the Indian educational system is still characterised with conspicuous failures-in eradicating illiteracy, in universalising elementary education, in vocationalisation of secondary education, in ensuring excellence and high standards in higher education, in allocating adequate resources for education and improving the financial efficiency system. And the reforms package suggested by the Commission is also taken in a piecemeal manner. Hence there exists inaction of the government due to the lack of strong political power (Tilak, 2007).

Tilak (1989) argues that there is a variation in trends in centre-state roles in education development in India. Centralisation has already been there since the post independent period, culminating in the constitutional amendment of 1976 that placed

education on the 'concurrent list'.¹⁴ And it is necessarily felt that both the centralisation and decentralisation policies are not helpful to education sector in India. Since independence an education sector was under the state list where the centre wants to make it more effective by placing education under a concurrent list. However it is found that the share of the central budgetary allocation on education has declined further. The physical concurrency without adequate financial concurrency will eventually weaken the centre-state relationships. And to improve the situation there should be larger amount of resources with centre to the state. In this juncture a wide network of the autonomous institutions is crucial for meditating between the centre and states. The centre should help the states in widening the resource bases so that the states can manage the resources with themselves.

2.5 Higher Education and 11th Five Year Plan

In fact the policy for the development of higher education in India is based on the National Policy on Education 1986. The policy was further modified in 1992 known as a Programme of Action. And the two policies on education have laid down a landmark in the history of higher education in India. But the University Education Commission Report or Radhakrishnan Commission of 1948-49 and Education Commission Report or Kothari Commission of 1964-66 build the National Policy on Education of 1986. The two policies framework has laid down a strong foundation of higher education in India. The day when the two Commissions is frame higher education is given a national priority. Perhaps, the Radhakrishnan Commission is responsible for the development of higher education in India. The Commission has set up a goal for the development of higher education in India and in articulating these goals it has put in the following words:

The most important and urgent reform needed in education is to transform it, to endeavour to relate it to the life, needs and aspirations of the people and thereby make it the powerful instrument of social, economic and cultural transformation necessary for the realisation of the national goals. For this purpose, education should be developed so as to increase productivity, achieve social and national integration,

¹⁴ The responsibilities of education get concentrated in federal government of the country over a period of time.

accelerate the process of modernisation and cultivate social, moral and spiritual values' (11th Five Year Plan, Govt. of India).

And to build the nation with excellence in the field of education, research and other higher learning, the system of higher education in a country needs a reform. Higher education should be strong, excellent and relevant to the society to emerge in the global scenario with high quality and excellence. In view of this the two Commissions (Radhakrishnan and Kothari Commission) have set a goal for higher education that comprises of greater access, equal access, quality and excellence, relevance and value based education. However higher education in India faces major challenges in view of the above said objective in terms of financing and management. The resources are in constant crisis the government is unable to allocate adequately on higher education particularly when the basic educations are still suffering from its bare need. In fact, the 11th Plans are to address these issues. The Plan is set up with a high priority on higher education and to come up to the level of global competitiveness.

Besides higher education in India should be able to meet the distributive justice and equitable in the development of higher education. And with all this in mind the 11th Plan is to meet the above objectives- access, equity, excellence and relevance and value based education to the society. Therefore, the main agenda of the 11th Plan is to prioritise the higher education in a national objective. Subsequently an allocation of the budget is roughly around 10 times the size of the 10th Plan (Bhushan, 2009). Perhaps, the Plan is to solve the issues of enrolment in higher education. Noticeably a GER on higher education in India is still very low. Thus, the aim of the plan is to raise the GER to at least 15 per cent by the end of the 11th FYP and eventually to raise it to 21 per cent by the end of the 12th FYP. In spite of the huge positive externalities generated through the higher education it becomes a less prioritised sector in allocation of educational finance. The low enrolment ratio is solely responsible for the poor finance with public domain and growth of private sector since it is poorly regulated and concerned with profit motive (Srivastava, 2008).

2.6 Conclusion

In the preceding pages we have reviewed some of the seminal studies to present the theoretical and empirical underpinnings for the crucial role which investment in higher education plays in the socio-economic transformation of a nation. This review also traces the linkages between investment in higher education and private/social rates of returns. The review also helps to appreciate the relative merits and demerits of different sources of financing higher education. Despite their obvious limitations the seminal studies reviewed above are crucial for formulating an informed opinion about the underlying theoretical issues and policy options.

Chapter- 3

A Trend Analysis of Public Expenditure on Higher Education

3.1 Introduction

It is evident from the previous chapter that there is a rationale behind for the public support towards the higher education in India. It is considered to be a 'public good' or at least a 'quasi-public good' (CABE, 2005; Prakash, 2007). Higher education cannot be left entirely in the hands of market forces like private goods as it generates spillovers or positive externalities to the society. The importance of higher education was recognised even before India gained Independence. Subsequently, Government of India accorded high importance to higher education from the First-Five Year Plan (FFYP) onwards. This is reflected in the relative share of public expenditure on higher education. It recorded a real growth rate of 7.5 per cent per annum from 1950s onwards improving further in the subsequent years with a real growth rate of 11 per cent per annum.

Further, if we examine the public expenditure in terms of annual growth rate on higher education before new economic reform it seems to have improved; but it began to decline in 1989-90 (Annexure: Table 3.3). This is attributed to the fiscal crisis faced by both the Central and State Governments during this period and the new economic policy that was introduced in the early 1990s. And a large private sector education began to receive more state support in 1989-90; hence a massive subsidy accrues to the private institutions and left very little for the government education institutions (Tilak, 2004). Besides, the growing enrolment of the students can also squeeze per unit availability of resources; though per student public expenditure on higher education increased in nominal terms but decline in real prices (Prakash, 2007).

An overview of public expenditure on higher education in India reveals three interesting scenarios. In term of annual growth rate a first phase from 1986-87 to 1988-89 is considered to be a high growth phase and a second phase from 1989-90 to 2003-04 is the low growth phase. And thirdly a phase from 2006-07 to 2010-11 again witnessed a high growth phase. However, it was from 2006-07 the budget allocations for higher education began to increase very significantly. Though government realized

the importance of higher education since the Second Five-Year Plan (SFYP) yet it was only in the Post- Kothari Commission period that higher education received a better treatment. Similarly, it was the Post-National Policy on Education (NPE) that government decided that 6 per cent of GDP should be allocated to education. Government also realised that the overall development relied on higher education and research. Finally, the expenditure began to grow and larger part of the expenditure is allocated to higher education and research. Therefore, it is very important to analyse these trends in detail. With this objective in mind the present chapter seeks to:

- I) To analyse the annual growth rate of the public expenditure on higher education and also in terms of GDP from 1986-87 to 2010-11; compare to know whether the growth was commensurate in term of GDP growth.
- II) To study the compound annual growth rate of various components of public expenditure on higher education during the period under reference.
- III) To study the composition of the budget and relative share of Plan and Non-Plan expenditure on higher education.
- IV) To examine the policy of the government in financing of higher education in during 1986-87 to 2010-11.

3.2 The Annual Growth Rate of the Public Expenditure on Higher Education

The trends of the public expenditure on university and higher education can be understood better by studying annual growth rates. The annual growth rate on university and higher education seems to have improved since 1988-89. But it began to suffer a way back in 1989-90. The annual growth rate for the university and higher education in 1987-88 was 42.7 per cent. Similarly it further improved over the previous years to 55.8 per cent in 1988-89. But the university and higher education suffered significantly in 1989-90. The annual growth rate has declined to (-) 11.1 per cent in the same year. Similarly let us now examine the annual growth rate of the public expenditure on university and higher education after the post reform period. The university and higher education continued to suffer in 1990-91; but slightly improved as against the previous year. Hence the annual growth rate in 1990-91 was (-) 3.8. But the annual growth rate slightly improved over the previous year in 1991-

92. The annual growth rate in 1991-92 was 5.6 per cent. But it again declined to 2.4 per cent in 1992-93.

The annual growth rate increases for another two consecutive years but faced a steep cut in 1996-97. Therefore, the annual growth rate in 1993-94 and 1994-95 was 7.1 and 16.8 per cent respectively. But it decline to 13.7 and (-) 0.02 per cent in 1995-96 and suffered a negative growth rate in 1996-97. The annual growth rate on higher education improved further in 1997-98 and reached the peak in 1998-99. The annual growth rate in 1997-98 and 1998-99 was 31.3 and 68.2 per cent respectively. But again it decline in 1999-2000 and 2000-01 and touched to an all time low level in 2001-02. Hence, the annual growth rate in 1999-2000, 2000-01 and 2001-02 were 35.1, 19.7 and (-) 36.3 per cent respectively. Therefore the annual growth rate has the worst time in 2001-02. But it climbed up to 5.9 per cent in 2002-03 but declined to 0.1 per cent in 2003-04. Similarly the annual growth rate climbed up to 14.4 per cent in 2004-05, but suffered again in 2005-06. Hence the annual growth rate decline to 13.9 per cent in 2005-06.

But now if we examine the annual growth rate during the pre-reform period on university and higher education it seemed to have had a good time in 1987-88 and 1988-89. The Government has given a due importance to higher education since the SFYP hence an 'allocation to higher education was doubled from 9 per cent to 18 per cent of the total education outlay'.¹ Besides, it was the Post-Kothari Commission period where higher education received a better treatment in allocation of funds from the Union Government. And the goal to achieve the 6 per cent of GDP was also reiterated in 1986. The Government also realised that the overall development relied on higher education and research. According to Tilak (2007) it was just after 1985 the important on the development of higher education and research was overtaken. Consequently, the public expenditure on higher education in term of percentage to GDP was all time high in 1988-89.

But the annual growth rate on university and higher education drastically declined in 1989-90. In fact, this was attributed more to the resource scarcity faced by the Union Government. And consequently 'the relative priority accorded to higher

¹ J.B.G. Tilak (2003), *Financing Education in India: Current Issues and Changing Perspectives*, New Delhi, NIEPA Publications, p.27.

education has drastically come down'.² And during 1989-90 a huge amount of subsidies including both 'explicit'³ and 'implicit'⁴ accrued more to the private institutions and left very little for the government education institutions.⁵ The annual growth rate continued to suffer in 1990-91 but slightly improved over the previous year. Reasonably, the decline in the annual growth rate was responsible for the inflicting steep cut in the allocations of resources on higher education. Further this also affected a drastic change in the perceptions of public financing on higher education in 1990-91. An introduction of the new economic policies (NEP) in the beginning of the 1990s' made the 'public finances for education were subjected to severe squeezes and so the relative priorities were also affected, and the shift has been away from education sector.'⁶

Besides, the NEP or neo-liberal policies which resulted in the early 1990s' have put a significant shift in the public approach to education.⁷ Eventually these results the growth of privatisation in higher education which lead to a declined in the investment of higher education in India. In fact, the neo-liberal policies, favour the growth of privatisation on higher education since most of the public institutions are facing with resource crunch. Therefore self-financing private institutions are promoted to fill the void (Bhushan, 2009). And the privatisation of higher education may lead to the principle of exclusion since the ability to pay become more relevant. And as we move up to the ladder of education the cost of education become more expensive compared to the lower level of education. Hence this becomes a major threat in India since the major sections of the society are from the economically challenge classes; consequently many of them are left out from higher education.

The public approach to higher education as a 'quasi-public good' character is being forgotten and the profit-seeking private sector is gaining strength. The private sector exclusively depends on student fees. The privatisation of higher education led

² J.B.G. Tilak (2004), 'Public Subsidies in Education in India', *Economic and Political Weekly*, p.348.

³ Subsidies which are made as a direct transfer payments to schools, colleges and universities.

⁴ Implicit subsidies take the form of provision of land at concessional prices, tax exemptions on material used for the construction of schools, colleges and universities.

⁵ Ibid.pp.348-49.

⁶ J.B.G.Tilak, (2003) *Financing Education in India: Current Issues and Changing Perspectives*, New Delhi, NIEPA Publications, p.18.

⁷ J.B.G. Tilak (2008), 'Transition from higher education as a public good to higher education as a private good: the saga of Indian experience', *Journal of Asian Public Policy*, Vol.1, No.2, p.221.

to the introduction of cost recovery measures where the 'efforts were also initiated to towards directs privatisation of higher education and rapid growth of private institutions, all in conformity with the structural adjustment policies, which include liberalisation, privatisation and globalisation.'⁸ And this may further create the problems of accessibility and equity on higher education. The NEP was consider to have reduced the role of the government in financing higher education since both the public and private sectors have come together at one umbrella in financing of higher education in India. And it was under the Public Private Partnership (PPP) models in financing higher education in India the private sector considered to have 'supplement public efforts'.⁹ All in all the NEP considered to have trickled down the public expenditure on education particularly higher education. Consequently the public expenditure on higher education faced a disturbing trend in 1990-91.

The annual growth rate on university and higher education climbed up to 5.6 per cent 1991-92 but it declined to 2.4 per cent in 1992-93. In fact, the 'needs of the higher education system have been growing rapidly, it is increasingly being realised that the public budgets cannot adequately fund higher education, particularly when sectors of mass education are starved of even minimum needs.'¹⁰ And as the numbers of the student increases the allocation of the resources does not increased in a commensurate manner. Besides, the relative priority was given to the elementary education in allocation of government budgetary resource. Similarly, the annual growth rate on university and higher education increases for the two another consecutive years but faced a steep decline in 1996-97. Accordingly the decline in public expenditure was further aggravated by the 'fiscal deficit face by the Centre, State and Union Territories in 1996-97.'¹¹ Consequently, this led to the reduction of the subsidy rate by 50 per cent during this period. Besides, the public resources have prioritised the primary education. According to Nauriyal and Bhalla (2004) the changing social and economic priorities such as health care and its escalating costs,

⁸ C A B E (2005), 'Report of the C A B E Committee on Financing Higher and Technical Education, New Delhi, NIEPA, p.39.

⁹ Pawan Agarwal (2009), *Indian Higher Education: Envisioning the Future*, New Delhi, Sage Publications, p.137.

¹⁰ J.B.G. Tilak (1993), 'Financing Higher Education in India', in Altbach Philip G. and Chitnis Suma. (ed), *Higher Education Reform in India*, New Delhi, Sage Publications, p.41.

¹¹ Op.cit. J.B.G. Tilak, 'Transition from higher education as a public good to higher education as a private good: the saga of Indian experience', p.225.

expanding social safety net and the growing needs of elementary and secondary educational systems have resulted in relative decline in government funding of the higher education institutions during this period.

The annual growth rate further climbed up and improved over the previous year in 1997-98 and reached the peak in 1998-99. During 1998-99 the State support on higher education was decline and the rising costs and increased in the enrolment of the students put a dramatic turn on Union Government to finance heavily on higher education (Powar, 2001). Besides, the fast growing knowledge-based industries it is realised that higher education is crucial for the dissemination of knowledge and helps come up to the level of global competitiveness (CABE,2005). Hence the Union Government increased its allocation on higher education substantially in 1998-99. But this did not last for long. The annual growth rate again declined in the following years and touched to an all time low level in 2001-02. The steep decline in public expenditure on higher education in 2001-02 ‘could be attributed more to the resource scarcity as experienced by the Government’¹² and policy changes.

The education budget in India was in crisis and to have a balance growth in allocation of resources within the different level of education was not possible therefore ‘the education budget has always remained tilted in favour of primary education.’¹³The annual growth rate improved over the previous year in 2004-05 but it declined in 2005-06. Education other than the elementary education was described as a ‘merit-II good’.¹⁴ Therefore, based on this approach the public resources prioritise the elementary education. Consequently the major portion of the budget is diverted to the elementary education. The annual growth rate on elementary education was all time high and reached the peak in 2005-06. It was 56.6 per cent as against 13.9 per cent on higher education (Annexure: Table 3.3).

Similarly let us examine the annual growth rate on university and higher education since the beginning of the Eleventh Five Year Plan (EFYP). The annual growth rate on university and higher education climbed up to 23.6 per cent in 2006-07

¹² J.B.G.Tilak (2004), ‘Public Subsidies in Education in India’, *Economic and Political Weekly*, p.348.

¹³Saumen Chattopadhyay (2009), ‘The Market in Higher Education: Concern for Equity and Quality’, *Economic and Political Weekly*, p.54.

¹⁴Saumen Chattopadhyay (2007), ‘Exploring Alternative Sources of Financing Higher Education’, *Economic and Political Weekly*, p.4253.

as against 13.9 per cent in the previous year. Further the annual growth rate on university and higher education increases for the two other consecutive years but declined in 2009-2010. It increases to 53.9 per cent in 2008-09 as against 31.4 per cent in 2007-08. But it declined to 39.8 per cent in 2009-2010. Obviously the beginning of the EFYP put a U-turn in budgetary allocation on higher education. The EFYP was given a high priority on higher education. The EFYP has three broad objectives-access and expansion, inclusiveness and quality and excellence. The concern of the Plan was to achieve 15 per cent of GER by the end of the Plan and finally to achieve the level of 21 per cent by the end of 12th Five Year Plan. The Plan is also to produce vibrant and relevant types of education to meet the need of the society. The object of the Plan was also to reduce the regional imbalances and social gaps in higher education.¹⁵

And prior to EFYP the National Knowledge Commission (NKC) was initiated in 2006. The Commission observed that 'higher education is in a quiet crisis and requires a systemic reform.'¹⁶ The NKC was concerned about the expansion of higher education in the country. Consequently, the main aim of the NKC was to create a number of universities in the country. The NKC also suggested setting up of a system of regulation under the independent regulatory authority for higher education (IRAHE). Through this new regulatory authority NKC wanted to reduce the powers and functions of UGC. The NKC also suggested that the government expenditure on higher education should be at least 1.5 per cent of GDP. At the same time it opined that 1 per cent of GDP on higher education was considered to be abysmally low and might not be able to meet the needs of higher education. And so the government should also explore or venture out with some other means of resource mobilisation.

The NKC also showed concern about the quality, excellence, access and inclusion of higher education in India. Therefore, it did not favour an increase in allocation of resources on primary education alone by cutting down expenditure on higher education and vice versa. The two level of education are equally important, the primary education is essential in order to achieve the social justice and also to help in

¹⁵ Sudhanshu Bhushan (2009), *Restructuring Higher Education in India*, New Delhi, Rawat Publications, p.258.

¹⁶Ibid.,p.143.

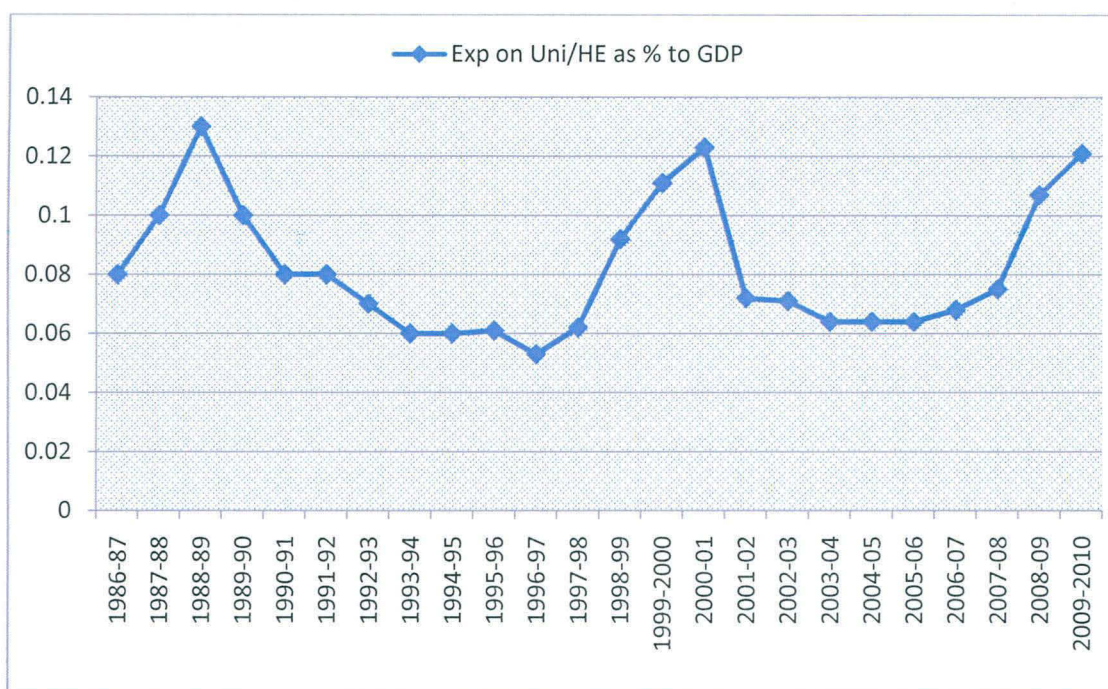
the transformation of the national economy. On the other hand the development of higher education and research is core to the entire development process. And so the two levels of education should balance with each other. Though the investment in higher education is believed to be sub-optimal because it generates set of huge positive externalities and market failure since the gestation periods is long and some other factors like uncertainty and information asymmetry. Nevertheless, it becomes a necessary condition for the economy since the entire development is based upon research and higher education. According to Chattopadhyay (2007) in the knowledge driven society, higher education is responsible for the innovation, development and dissemination of technology.

Now let us examine the public expenditure on university and higher education in term of percentage to GDP during the pre-reform period. The allocation for the university and higher education was work out to be 0.08 per cent in 1986-87. The public expenditure in term of percentage to GDP further improves in the two subsequent years. The public expenditure in term of GDP in 1987-88 was 0.10 per cent. The GDP was further improved to 0.13 per cent in the subsequent year and declined to 0.10 per cent in 1989-90.

Similarly let us also examine the public expenditure in term of percentage to GDP on university and higher education in the post-reform period. The public expenditure in term of GDP was decline to 0.08 per cent in 1990-91. But it declined further in 1992-93. The allocation in term of GDP was worked out to be 0.06 per cent as against 0.07 per cent in 1991-92. The public expenditure in term of percentage to GDP in 1993-94 and 1994-95 were 0.06 and 0.06 per cent respectively. The allocation in term of GDP on university and higher education touched to an all time low level in 1996-97. The GDP was work out to be 0.05 per cent in 1996-97. Similarly, the public expenditure in term of GDP in 1997-98 and 1998-99 was 0.06 and 0.09 per cent respectively. And it improved to 0.11 and 0.12 per cent in 1999-2000 and 2000-01. The public expenditure on university and higher in term of percentage to GDP was stable in 2001-02 and 2002-03. Hence the GDP was work out to be 0.07 and 0.07 per cent respectively. But it declined to 0.06 and 0.06 per cent respectively in 2003-04 and 2004-05. Yet GDP continued to remains at 0.06 per cent in 2005-06 (Annexure: Table 3.2).

However, the public expenditure on university and higher education in term of GDP continued to improve from the EFYP. The GDP climbed up to 0.07 and 0.10 per cent in 2007-08 and 2008-09 and reached the peak in 2009-2010. Therefore the GDP was work out to be 0.12 per cent (Annexure: Table 3.2). And this is shown from the figure 3.1 given below.

Figure.3.1: Expenditure on University and Higher Education as Percentage to GDP (Rs. Crores)



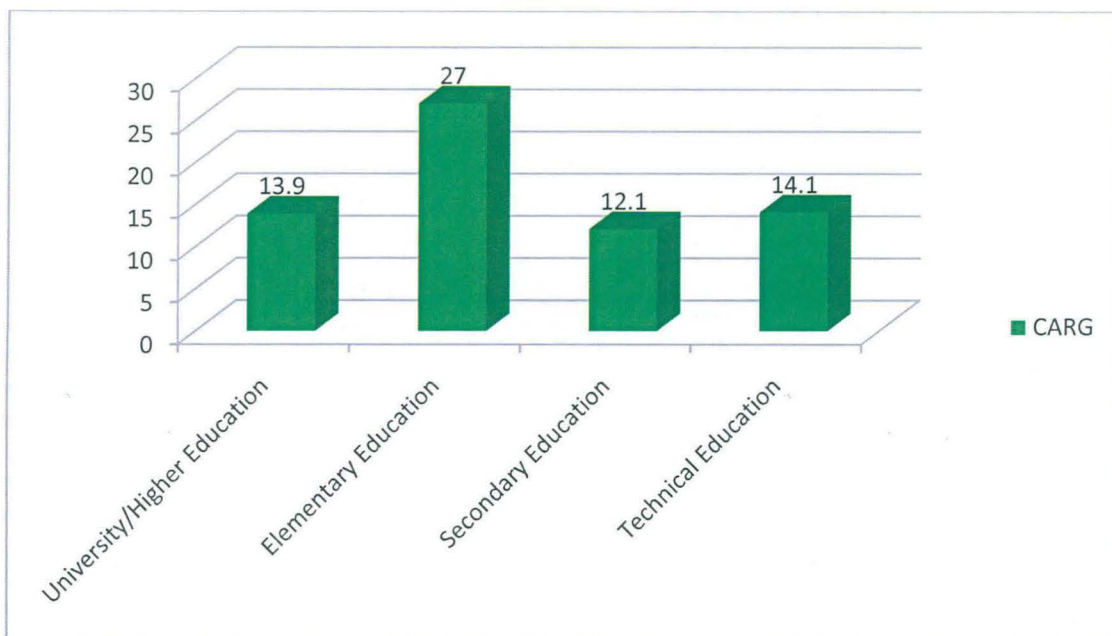
Source: Union Budget, GOI, New Delhi.

3.3 A Compound Annual Growth Rate of the Public Expenditure on Higher Education

Now let us examine the compound annual rate of growth (CARG) on university and higher education during the period under reference. The CARG on university and higher education was work out to be 13.9 per cent (1988-89 to 2010-11). Similarly, the CARG for the elementary education was 27.0 per cent during the same period under reference. But the CARG for both the secondary education and technical education was work out to be 12.8 and 14.1 per cent respectively (Annexure: Table.3.8). Hence the CARG for the elementary education was considered to be highest among the intra-sectoral/different levels of education. This reflects the relative priority in allocations of resources. Perhaps, this was mentioned earlier in the above discussion an education other than elementary was described as a ‘merit-II good’

therefore the extent of subsidisation was lower as compared to ‘merit-I good’ (Chattopadhyay,2007).

Figure 3.2: CARG on Different Levels of Education in India (1988-89 to 2010-11)



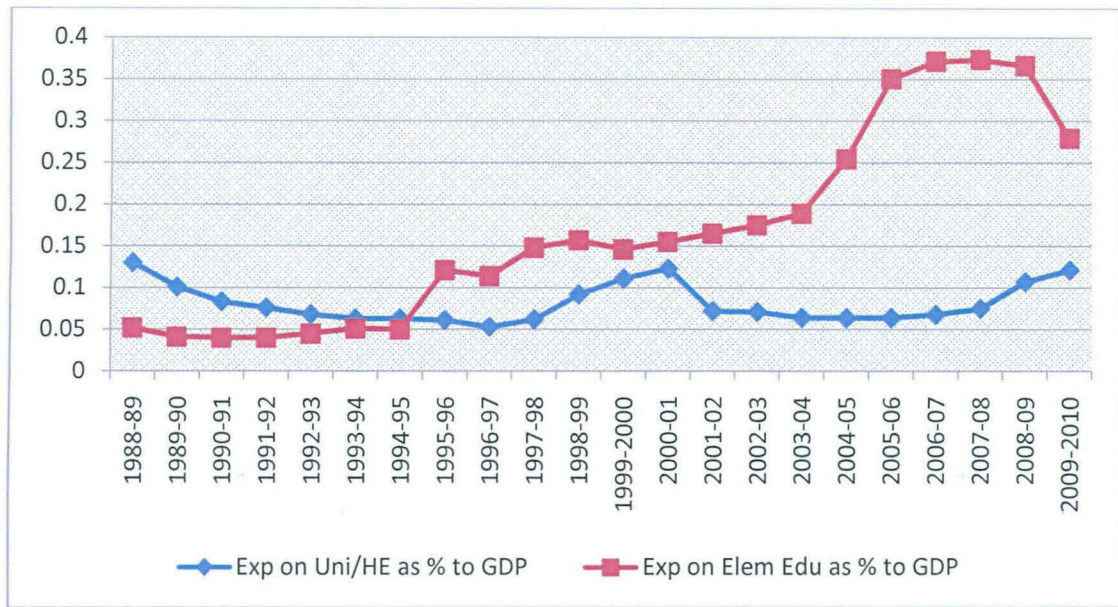
Source: Union Budget, GOI, New Delhi.

Now let us examine the CARG on intra-sectoral education/different levels of education. Perhaps, it is clear from the above figure 3.2 the relative priority in allocation of Union Budget was given to the elementary education. The CARG for the technical education seems to be slightly better compared to the university and higher education. In fact, it was considered that ‘non-technical education has limited positive externalities as compared to the technical education’.¹⁷ Therefore the technical education particularly scientific research was classified as merit goods and hence they are subsidised (ibid).

We shall further study the public expenditure on university/higher education and elementary education in term of percentage to GDP.

¹⁷ Op.cit, Saumen Chattopadhyay, ‘Exploring Alternative Sources of Financing Higher Education’, *Economic and Political Weekly*, p.4253.

Figure 3.3: Expenditure on University/Higher and Elementary Education in term of % to GDP (Rs. Crore)



Source: Union Budget, GOI, New Delhi.

In fact, it is obvious from the above figure 3.3 initially university and higher education received a major portion of the budget from the Union Government. Therefore, since 1988-89 to 1994-95 university and higher education received a major portion of the budget from the Union Government. But the allocation of the budget for the university and higher education began to shift in 1995-96. An elementary education continues to received a larger portion of the budget from the Union Government from 1995-96. Therefore, a budget is an important document that reflects the relative priorities including changing priorities of the government in terms of financial allocations.¹⁸ And it was in 1995-96 a relative priority was given to the elementary education and continues to receive a major portion of the funds from the Union Government. Thus the budget for the elementary education began to increase in 1995-96 and exceed over the university and higher education budget. In fact, this was because of the new programme that was implemented under the elementary education. A National Programme of Nutritional Support to Primary Education was launched for the first time in the country. And it was a nation-wide programme that was first launched on the 15th August, 1995. The programme was intended to give a boost to

¹⁸ J.B.G. Tilak (1999), 'National Human Development Initiative: Education in the Union Budget', *Economic and Political Weekly*, p.614.

universalisation of primary education by increasing enrolment, retention and attendance and simultaneously impacting on nutrition of students in primary classes.

The programme was commencing from 1995-96, to all the students of who comes under the primary classes (I-V) in all Government, local body and Government-aided schools in the country (Union Budget, 1996-97,p.110). And under the various elementary education programmes a Nutrition Support to Primary Education receives a major portion of the budget in 1995-96 amounting to Rs.611.79 crore (Annexure: Fig.3.6). Besides, there is also a rapid progress in the enrolment of the children in the schools 1995-96.¹⁹ And in 2008-09, the budgetary allocation for elementary education was all time high and reach the peak. Considerably this was due to the frequent shift with the Government policies and programmes that was implemented over the year. And in 2008-09, a more new scheme has launched for the creation of the girls' hostel facilities. And under the National Programme of Mid-Day Meals in Schools has been further expanded to cover the children at the primary level in the entire block of the country. Further the scheme was also revised and extended to all the children in upper primary level (Classes VI-VIII) in 3479 educationally backwards blocks (Union Budget, 2008-09). The programme was implemented to cover all the children up to Classes-VIII in all areas across the country.

3.4 Plan and Non-Plan Expenditure on University and Higher Education

Both the plan and non-plan expenditure form the total budget expenditure of the Union Government. Therefore plan and non-plan expenditure are equally important. However, as the institutions system grows and changes over the period of time the non-plan expenditure become more important. The size of the non-plan expenditure gradually changes over the years. Plan expenditures are meant for meeting the development expenditure of both Central and State Universities and Colleges; whereas the non-plan expenditures are meant for meeting the maintenance expenditure of Central Universities, Deemed to be Universities and Colleges of Delhi and BHU Universities. Perhaps, the non-plan expenditure 'is referred to as committed

¹⁹ Op.cit, J.B.G.Tilak, 'National Human Development Initiative: Education in the Union Budget', *Economic and Political Weekly*.

expenditure.²⁰ Plan expenditure is relatively smaller as compared to non-plan expenditure. Consequently, a major portion of the expenditure is constituted by the non-plan expenditure.

Now let us examine the allocation of the Union Budget, both plan and non-plan expenditure on university and higher education in India. And if we observe the figure: 3.4 below, the Union Budget for the university and higher education during the period under reference. The non-plan constitutes a larger portion of the budget. The non-plan expenditure was meant for meeting the recurring expenditure on salaries of teaching and non-teaching staff for maintenance of laboratories, libraries, and building as also for obligatory payments such as taxes, telephones, postage and electricity bills etc.²¹ And similarly according to Bhushan (2010) the UGC under the Ministry of Human Resource Development (MHRD) disburses more amounts of non-plan resources than the plan resources on university and higher education in India.

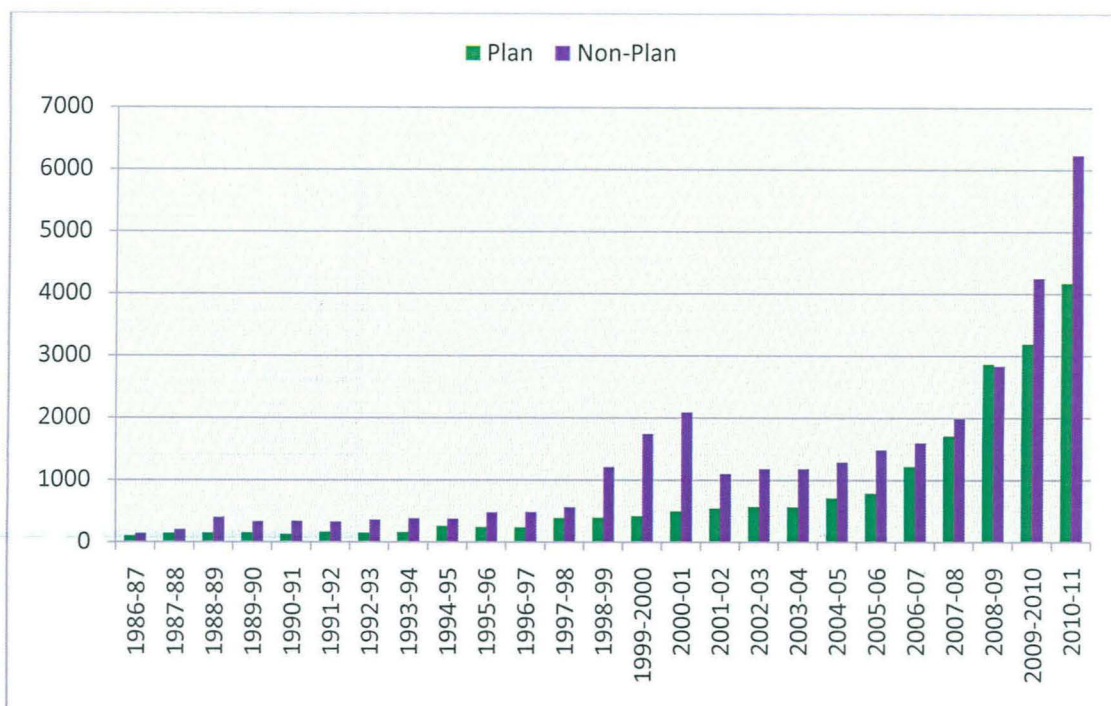
The non-plan expenditure on university and higher education increases to a certain extent in 1988-89. And as a consequence there is a sudden shift in the allocation of non-plan expenditure on university and higher education during this year. Basically, this is due to the revision of the salary scales of the university and college teachers during this year. Further an improvement of the teacher's salary scales for the technical education was also revised. Under this a 'provision is made for meeting the increased emoluments of teachers whose salary scales have been revised.'²² Therefore, it is clear that out of the total recurring expenditure the teachers' salaries comprise the major portion of the budget. Actually a hike in non-plan expenditure was responsible for the number of the institutional expansion, number of the staff both teaching and non-teaching staff also increase to a great extent. Consequently the pay scale for both the teaching and non-teaching staff also increases accordingly. According to Venkatasubramanian (2002) stated that most of the expenditure is on salaries especially on the non-teaching staff, which in some universities number five times the teaching staff. Furthermore, the salaries and perquisite have grown precipitously with no corresponding reduction in numbers.

²⁰ Op.cit, J.B.G. Tilak, *Financing Education in India: Current Issues and Changing Perspectives*, New Delhi, NIEPA Publications.

²¹ UGC (2006) Annual Report 2005-06, New Delhi, p.39.

²² Union Budget, GOI, Expenditure Budget Vol.2, 1989-90, p.113.

Figure.3.4: Plan and Non-Plan Expenditure on University and Higher Education (Rs. In Crore)



Source: Union Budget, GOI, New Delhi.

Similarly a non-plan expenditure on university and higher education sharply rise in 1998-99. This reflects that a huge amount of the expenditure was borne through the non-plan expenditure. According to Powar (2001) the government incurs more of the expenditure on the salaries for both the academic and non-academic and some other maintenance expenditure in 1998-99. And also in the countenance of rising costs and increased in the enrolment of the students that make a dramatic turn on Union Government to finance heavily on higher education and particularly on non-plan expenditure. Non-plan expenditure on university and higher education continued to increase for another two consecutive years. Perhaps, the Government take the major responsibilities on financial support on higher education and could not withdraw from its responsibilities of supporting higher education. The Government also recognised that higher education institutions are responsible for the academic standard of both the primary and secondary education. Further it is also responsible for the national, social and economic development of one economy.²³

²³ K.B. Powar (2001), *Indian Higher Education: A Conglomerate of Concepts, Facts and Practices*, New Delhi, Concept Publishing Company.

Non-plan expenditure on university and higher education decline in 2001-02, began to recover in 2007-08 and reach to an all time high in 2010-11. A steep decline in the non-plan expenditure on university and higher education during 2001-02 was attributed to the resource scarcity with the Government. The resource crisis with the Government and to make expansion of higher education inclusive with commensurate attainments in quality and budget for education has tilted in favour of primary education.²⁴ The total expenditure (consisting of both plan and non-plan expenditure) increases in 2007-08. Under this expenditure the non-plan constitutes a major portion of the Union Budget. Apparently this is affected with the policy changes with the Union Government. And it was during this period the EFYP has just begins. The plan has given a high priority on higher education in allocation of the budgetary resources. Therefore, it is believed that ‘the size of the 11th Plan on higher education is expected to be roughly 10 times the size of the 10th Plan’.²⁵ The Plan also set a target to established many more university and colleges in the country. The Plan also set an objective to achieve the major challenge like equity, expansion, accessibility and excellence in higher education. Specifically the 11th Plan was to attain the GER of 15 per cent by the end of the 11th Plan.

3.5 A Policy Perspective of Public Expenditure on Higher Education.

Higher education is viewed as a long term social investment for the promotion of economic growth, cultural development, social cohesion, equity and justice. In many ways a higher education in India faces major challenges such as: financing, management, access, equity, relevance and reorientation of programme by laying emphasis on values, ethics and quality of higher education together with the assessment of institutions and their accreditation. These are the important issues that the government needs to ponder upon. Higher education is considered to be an important and powerful tool in transforming one country. And the 21st century is known to be an age of science and technology in which the higher education and research will dominate. It has created both new challenges and opportunities for higher education. And it is through research and development where new ideas,

²⁴ Saumen Chattopadhyay (2009), ‘The Market in Higher Education: Concern for Equity and Quality’, *Economic and Political Weekly*.

²⁵ Op.cit, Sudhanshu Bhushan, *Restructuring Higher Education in India*, Rawat Publications, New Delhi, p.4.

innovation and advanced technology are normally carried out. Actually ‘institutions of higher learning have to perform multiple roles like creating new knowledge, acquiring new capabilities, producing intelligent human resource pool.’²⁶

Therefore, the Indian higher education has to address these issues so that it can come up to the level of global competitiveness. Perhaps, this will help to meet the needs of the society. The main objective of the EFYP plan was to meet the genuine endogenous and sustainable development in higher education. Hence, the EFYP was also concerned about the inclusive growth in order to provide social justice and equity. This will create higher education in generating research-based knowledge and thus it will help in the development of skilled to the mass of the society and also educated personnel. And also in the globalized economy there is a constant exposure to the competition in different work sphere. However, a high quality of research and higher education become a major concern in this respect. The major concern of the EFYP was the expansion of access; promote quality and excellence and inclusion of higher education. And so ‘higher education system is to be vibrant, competitive, meaningful and relevant and also to grow both in terms of quantity as well as quality, mainly with a view to convert its vast population as a asset, rather than a liability.’²⁷

From Eleventh Plan onwards the Union Government began to raise budgetary allocation for higher education. Consequently the budgetary allocation for university and higher education increased since the beginning of the EFYP (Annexure: Table 3.3). A high target has been kept by the Government of India for higher education to incumbent the stock of the contemporary global scenario so that it brings to the level of global competitiveness. Along with this a high priority of distributive justice and equitable access to the growth of higher education was also given. The Union Government under the EFYP also make a provision for the intake of more women students in different disciplines. To achieve these objective hostel facilities and more infrastructures were also created in the universities. This is expected to bring more women students in the realm of higher education.

²⁶ Planning Commission (2006), ‘Draft Report of Working Group on Higher Education 11th Five Year Plan’, Govt. of India, New Delhi, p.10.

²⁷ Ibid.

But in spite of the huge allocation of resources on university and higher education it is found that the resources are not properly utilised. According to Chhappia (2010), the Planning Commission which conducted a review of EFYP (2007-2012), is likely to slash budgetary allocations for higher education by nearly half the original amount. And it is also found that money allotted for the first three years of the plan period has not been spent. Despite making the ambitious announcements most of the schemes have not taken off. In fact, this is due to 'the overwhelming important of attaining GER in higher education to 15 per cent by the end of 2012 from around 11 per cent at present and given concern for access and quality hence the higher education sector needs to be overhauled in 11th Five Year Plan.'²⁸ More or less the Union Government is concerned about the expansion of more institutions of higher learning in the country.

And it is through this policy the Union Government has planned to set up more of universities and colleges in different part of the country. Eventually, this policy may help to access the masses of the society including the marginalised section of the society. The policy behind the EFYP was to achieve three main objectives that include expansion, inclusion and excellence in higher education. The intention of the Union Government is also to create a balanced development in higher education in India. Besides, the concerned of the Union Government is also to set up some of the colleges aided by the government in the backward, rural and tribal regions with good institutions and facilities. And as long as the higher education is concerned the issues of quality and excellence should be given more importance in the case of India. Therefore, it is the 'quality and excellence which are the watch-words in today's liberalized environment. Making higher education globally competitive, hence this cannot be postponed any further.'²⁹Therefore, the 11th Plan encompassed a broad policy and objectives. However, the question is the implementation of those policy and objectives.

According to Chattopadhyay (2009), in view of the shortage of quality teachers, creation of world class universities would remain an arduous task, if not

²⁸ Op.cit. Saumen Chattopadhyay, 'The Market in Higher Education: Concern for Equity and Quality', *Economic and Political Weekly*, p.54.

²⁹ Planning Commission (2006), 'Draft Report of Working Group on Higher Education 11th Five Year Plan', Govt. of India, New Delhi, p.13.

impossible, at least during the plan period. Besides, 'the state of governance in the existing set up is often poor. Further, the absorptive capacity of such a huge allocation is doubtful specially when the Planning Commission still grappling with the finalisation of a blueprint for implementation. It may possibly lead to suboptimal utilisation of resources.'³⁰ Consequently, a higher education in India faces major challenges in the present scenario with respect to the quality and excellence and also the access. Hence, it is through access that helps to bring the inclusive growth in the system of higher education.

But now if we examine the education sector we find the quality is uneven within the different segments of the society. The quality is uneven in both in government aided institutions and also the private unaided institutions. This indicates that an institution has very poor standards of quality which is to blame for the poor infrastructure and teacher. The problems are much more serious to those of public funded institutions where the institutions are often suffered from poor teachers who lack experience and training or not well equipped in the fields of teaching and with inadequate infrastructure. Besides, there is also an imbalance across the region with respect to male, female, poor and the non-poor, urban and rural etc. The main thrust of the EFYP was to ensure the accessibility of those backward and poor people who settle in the rural and hilly region of the country. And to achieve the targeted GER in the country before the end of 11th Plan. But this may not be possible with the public sector alone to tackle the above problems hence both the public and the private sector may come together under one umbrella to tackle the above challenges. The 11th Plan which set a target to achieve the three main objectives with respect to higher education is still a problem. 'In view of the government's stated commitment to realise the three objectives with respect to higher education –expansion, inclusion and excellence-the uncontrolled growth of private sector within higher education has made the scenario complex and confusing.'³¹

The private sector which emerges in higher education institutions are mainly concerned about the profit maximisation. They usually charge a high fee in order to

³⁰Op.cit, Saumen Chattopadhyay, 'The Market in Higher Education: Concern for Equity and Quality' *Economic and Political Weekly*, p.54.

³¹ Ibid., p.54.

recover the full cost of running the institutions. Hence it becomes unaffordable for those of the marginalised section of the society. Now the question of inclusion is a problem in case of the private institutions. In contrary the NKC on higher education has 'favoured the privatisation of higher education for drastically reduced role of the state.'³² Higher education in India is in a crisis so financing alone with the public sector may lead to sub-optimal in real per capita terms. In fact, the privatisation of higher education is one of the alternative methods of financing higher education. And it is one of the solutions to the problems. Consequently, the Planning Commission set up a Public Private Partnership (PPP) models in 2008 in order to explore a possible means of raising the additional resources for higher education. Actually 'it is expected that private financing through the PPP model will supplement public efforts.'³³

The privatisation of education takes place in many other forms such as an extreme, strong, moderate and pseudo form of privatisation. According to Tilak (2008), an extreme version of privatisation implying total privatisation of higher education-all institutions being managed and funded by the private sector with little government intervention. And a strong form of privatisation emphasis on full costs recovery of public higher education from the students. And the moderate form imply public provision of higher education but with a reasonable level of financing from non-governmental sources, and finally the 'pseudo' privatisation refers to privately managed institutions with public money. Preferably it should be neither too extreme nor strong form of privatisation but a moderate form of privatisation in higher education institutions.

Therefore, considering from the above discussion there is a need to rise the public funding for university and higher education in India. Perhaps, the public expenditure on university and higher education are not even sufficient for the existing enrolment. The low spending on higher education is also responsible for the low gross enrolment ratio (GER) in India. According to Prakash (2007) the public funding of higher education could not keep pace with the growing enrolment. Therefore, it is

³²J.B.G. Tilak (2007), 'Knowledge Commission and Higher Education', *Economic and Political Weekly*, p.630.

³³Pawan Agarwal (2009), *Indian Higher Education: Envisioning the future*, New Delhi, Sage Publications, p.137.

often found that in most of the developing country a ‘gross enrolment ratio’³⁴ is very low. And it is also argued that ‘there is a broad positive correlation between the GER at the higher education level and per capita GDP of a nation’.³⁵ Therefore a country which has a high GER or the high accessibility of the students in higher education are considered to be more advanced and developed than those of low GER country. Now let us examine how GER is positively correlated with per capita GDP of a nation.

Figure.3.5: Gross Enrolment Ratio in Selected Countries



Source: Duraisamy (2008) New Delhi.

Developed and well advance countries are better off in term of the accessibility of the students in higher education and vice versa. And in term of the GER or accessibility of the students in higher education a developed countries like Finland and United States listed a top position in the world with 87 per cent and 82 per cent respectively. But developing or less developed countries like China and India are listed in the bottom with 19 per cent and 11 per cent respectively.

³⁴Gross Enrolment Ratio is a ratio of persons enrolled in higher education institutions to total population of the persons in age group of 18 to 23 years. In fact the access to higher education is measured in term of GER.

³⁵Ved Prakash (2007), ‘Trends in Growth and Financing of Higher Education in India’, *Economic and Political Weekly*, p.3251.

3.6 Conclusion

The budgetary allocation by the Centre on university and higher education can be considered to be better in terms of annual growth rate during the pre-reform period. However, during the post-reform period, the budgetary allocations for the university and higher education in the Union budget exhibit a fluctuation. During 1990-91 and 1996-97, its share in GDP fell from 0.08 per cent to 0.05 per cent. The share started rising in 1997-98 and the growth momentum was sustained for merely three consecutive years. The share remained stable for two years at 0.07 per cent during 2001-02 and 2002-03. It fell further, albeit marginally to 0.06 per cent of GDP and maintained that share 2006-07. The next phase saw the share improving with the initiation of the 11th Five Year Plan. However, the share witnessed only a genuine rise in 2008-09. Therefore, only in the recent years, higher education is about to earn its legitimate importance in the Union Budget. If we add the states' share, the scenario does not improve much. In fact, the states too came under fiscal crunch with the FRBM Act during the late nineties. Since almost three-fourth of higher education budget is spent by the states, overall situation continues to remain bleak. It follows that the stabilisation policy coupled with the logic of the structural adjustment policy, the compression in the budget for higher education put one of the largest higher education sector under severe stress. This has serious implications as the demand for higher education continued to grow during the entire period under study. The gap was being filled up, as expected, by increasing private sector participation. The trend continues even after the unprecedented 9 times increase in the budget for higher education in the 11th FYP. However, it seems doubtful whether the budgeted amount will be spent by the end of 11th FYP.

The sharp hike in the public expenditure on higher education in 1998-99 was due to the implementation of the Fifth Pay Commission which led to an increase in salaries of both the academic and non-academic staff. While a rise in the budgetary allocation for higher education was a welcome change, but the rise did not contribute to a physical expansion of the sector. One can argue that this rise was commensurate with the overall rise in public expenditure and no special importance was assigned to the higher education sector. The outcome was inevitable. Shortages of staff as vacancies were not filled up. Poor maintenance of infrastructure facilities also led to poor standard of education in the state sector.

The widespread introductions of neo-liberal economic policies favour the growth of privatisation on education. And to a certain extent the NEP reduced the role of the government. The education sector suffers significantly particularly the higher education institutions due to the insufficiency of funds with the government. And as a result, committees were formed such as Dr. Justice K. Punnayya Committee and Dr.D. Swaminathan Committee in 1993 and 1994 to suggest measures and means for financing of higher education and technical education.

Initially the Union Budget accrued more to university and higher education but gradually the policy of the government changed over the year. Accordingly, the allocation of the Union Budget also changes. Hence, elementary education continues to receive a major share of the budget. In fact, the resource crisis with the government is one of the factors behind the policy changes. Over the years the demand for higher education increases accordingly and the resources are not able to mark up with the demand. Therefore, higher education in India is at a cross road. Higher education in India faced major challenges. The issues like equity, expansion and quality are yet to be met in India. The GER in India are far below the world level. Perhaps, the privatisation and low public spending on higher education are not the only factors behind for low GER; still a majority of the people in India are poor.

The resource in higher education is always inadequate. Therefore, the government also encouraged to seek for other alternative methods like fee reforms, student loans and self-financing courses etc. The fee structure in India is still very low in many of the university and higher education hence there is a further scope to raise the fee structure. The UGC and AICTE were responsible for financing of higher education and technical education. The referred committees recommended that the fee level should rise to at least 20 per cent as a cost recovery in running the institutions. It is clear from the above description that the public expenditure on university and higher education in India has greatly affected by the approach and policies of the Union Government. But gradually the policies changed over the period of time and government realised the importance of higher education an investment on higher education also contributes to the economic growth and development. Research and higher education are the driving forces in the fast growing economy and the society. In fact, higher education is an engine of development for all other sectors. Despite this

re-emphasis on higher education and research public expenditure on higher education did not increase in the desired manner.

The introduction of the NEP in the beginning of 1990s' the situation took a U-turn. The education budget particularly higher education faced a crisis during this period. The educational funds were mostly diverted to the primary education. Besides number of expert committee's government appointed NKC for higher education in 2006. The Commission proposed additional resources for financing of higher education through the active participation of private sector. Again in late 2009, the Yashpal Committee Report (YCR) argued that higher education in India is over-regulated. In the 11th Five Year Plan (2007-2012) government yet again emphasised the role and significance of higher education. From the above discussion it is clear that the UGC disbursed huge amount of funds to university and higher education. It is the major recipient and spender of the resources for the university and higher education.³⁶ And based on this backdrop the following chapter will discuss the UGC in detailed.

³⁶ Sudhanshu Bhushan (2010), *Public Financing and Deregulated Fees in Indian Higher Education*, New Delhi, Bookwell Publications, p.28.

Chapter-4

The UGC: Financing of Higher Education in India

4.1 Introduction

The present chapter attempts to examine the role of University Grants Commission (UGC) in financing of university and higher education in India. The chapter also tries to examine the UGC's mechanism and regulation of funds disbursed to the colleges and universities. Establishment of UGC was mooted by the Radhakrishnan Commission or the First Education Commission (FEC). The Commission considered it necessary to expand the extent of coverage of the higher educational system in India. Universities too were in favour of establishing a highest statutory body for coordination and determination of the standards of higher learning. Eventually the UGC was established as an apex and the statutory body on 28th December, 1953 though it 'became a statutory organisation by an Act of Parliament only in 1956'.¹ The UGC in India is not merely a grants giving agency but it also is concerned about the coordination and maintenance of standards. It has to shoulder wide-ranging responsibilities in the process of coordination and maintenance of standards, allocation and disbursement of grants.

4.2 Growth and Organisation of UGC

Since ancient times higher education has occupied an important place in the art of higher learning in India. Universities like Nalanda, Takshshila and Vikramsila attracted not only the students from within the country but also from abroad. However the present system of higher education owes its origin to Lord Macaulay and Sir Charles Wood's Dispatch of 1854. The idea of universities in India was first incorporated by Sir Charles Wood's Dispatch commonly known as the Magna Carta. Through this Wood's Dispatch, the present system of higher education was put in place covering the entire gambit of education from primary school to the university. Three leading universities were established in Mumbai, Kolkata and Chennai in 1857. These universities were modelled after the London University. Subsequently some universities were also established in different parts of the country like Allahabad, Aligarh and Banaras. In 1924 Government of India organised a conference in Shimla

¹ UGC (2008) Annual Report 2007-08, New Delhi, UGC, p.16.

to discuss the issues related to higher education and suggest concrete measures. On the recommendations of this conference, fourteen universities agreed to establish the first All India University organisation in 1924. Subsequently, an Association of Indian Universities (AIU) was set up in 1925 for the promotion of Indian university activities in different spheres. According to Sharma (2006), AIU was established to promote the sharing of information and cooperation in the field of education, culture, sport and allied areas. In the process, the first attempt was also made to formulate a national system of education in 1944. The University Education Commission was set up in 1948 under Dr. S. Radhakrishnan which is known as the First Education Commission (FEC). The Commission recommended that the UGC should be empowered to allocate grants-in aid from public funds to the universities and the institutions of higher learning. As per the Act it was vested with the powers and responsibilities for 'the determination and maintenance of the standards in teaching, examination and research'². Accordingly, the Commission has statutory authority of recommending to universities the measures necessary for improvement in education and also advise them to take necessary action in that regard.³ Besides, the UGC will also take the responsibility to look into the financial needs of universities and allocate or disburse funds for development of the infrastructural facilities and other components of the university system. Thus the main function of the UGC is to allocate and distribute the available grants to the different Universities.

The organisational set up of the Commission consists of twelve members. The Commission consists of the Chairperson, vice-Chairperson and ten other members appointed by the Government of India.⁴ Chairman and the Vice-Chairman are the full-time working members of the Commission while the other members are part time. Among the ten members of the Commission the two members represent the Central Government. The four members of the Commission represent the university teachers and the remaining four are appointed from among Vice-Chancellors, who are known and reputed educationists.⁵ The secretary is the head of the executive. In formulation,

² A.S. Desai (1995), *Policies in Higher Education in India*, Association of Indian Universities, New Delhi, p.2.

³ UGC (1991), Annual Report 1990-91, University Grants Commission, New Delhi, p.1.

⁴ UGC (2008), Annual Report 2007-08, University Grants Commission', New Delhi, p.16.

⁵ S.R. Sharma (2006), *University Grants Commission: Role in Development & Growth of Higher Education*, Mangal Deep Publications, Jaipur, p.38.

evaluation and monitoring of its programmes, the UGC seeks the help of the subject experts from the Universities, Colleges, National Laboratories and other Institutions.

4.3 Powers and Functions of the Commission

As mentioned above, the Indian University Grants Commission was established more or less on the British Model of UGC. The main concern of the British UGC was to assess the financial needs of the universities and also to disburse grants. But between the two models there is a major difference. Indian UGC's prime responsibility is not only the disbursement of funds/grants to the universities but it has to coordinate, prescribe and determine the standards of the higher education. According to Singh (2004), the UGC in India is different from any grant-giving agency in any country of the world. In fact, the UGC in India is vested with two powers at the same time.

In some developed countries like Canada, Australia, USA and Germany the funds are allotted by the federal governments unlike in India. Besides this, the federal governments do not have the powers to set standards. In India, UGC is not only the grant giving agency but also a policy making body. The UGC as an apex and statutory body has got the powers to provide grants to all the universities who are eligible to receive these grants. In its formative years, all the universities were not eligible to receive this grant in accordance with the section 12(B) of the Act. It was only in 1974 the Act was amended to provide grants-in-aid to all the universities. It covered all the universities established after the commencement of the UGC Act, 1972 with certain exceptions. No grant is provided either by the Central Government or by the UGC if the university is established after the UGC Amendment Act 1972 unless the Commission declared it fit for receiving such grant.

According to Agarwal (2009), the UGC's policy on the eligibility for grants, had become restrictive because of the funds constraint and this is likely to be reversed during the 11th Five Year Plan (EFYP). As a consequence, few institutions of the higher education received the grants from the UGC or Central Government. In terms of funding the budgetary allocation made by UGC on 'higher education is grossly inadequate and skewed in favour of selected universities and colleges in India.'⁶ It

⁶Pawan Agarwal (2009), *Indian Higher Education: Envisioning the Future*, Sage Publications, New Delhi, p.131.

may be noted that some State Colleges and University received more grant than the other. According to Bhushan (2008), states like Maharashtra and Tamil Nadu received the maximum plan support of 12 per cent and 11 per cent respectively. Six states like Maharashtra, Tamil Nadu, West Bengal, Uttar Pradesh and Andhra Pradesh received around 47 per cent of the plan resources from the Commission.

But the economically and educationally backward States like Bihar, Chhattisgarh, Jharkhand, Uttaranchal and Rajasthan received abysmally a low amount of plan support from the Commission. Besides, these States are also faced with resource constraint in financing higher education. Owing to this fact, some states have a favourable support from the UGC and received more grants from them. The UGC at present is funding about 145 universities and 4600 colleges under different schemes apart from funds given to research and teachers.⁷ Therefore, most of the institutions of higher education receive no grants from the Central Government or the UGC because in majority of the cases, they are not affiliated as they are required to conform to the UGC regulation regarding quality. In the recently held Vice-Chancellors conference, it was proposed that UGC grants may be given 'without insistence on 12(B) recognition as a pre-condition'⁸. It may be noted that the states often suffer from the fiscal constraints. The FRBM Act arguably restricts the state governments' spending so that the state fiscal deficits remain within the stipulated limit of 3 per cent of SGDP. Subsequently, the states face a problem to meet the demands of access, equity and quality in investment of higher education. Therefore, the UGC is urgently required to address these very issues to support the financial need of the universities in order to supplement inadequacy in the state governments' fund allocation as well as to ensure coordination, avoid conflicts and regional disparities.

The Commission has the authority to regulate fees structure and prohibit the donations in certain cases. 'No grants shall be given by the Central Government, the Commission, or any other organisation receiving any funds from the Central Government, to a university which is established after the commencement of UGC Act, 1972, unless the Commission has, after satisfying itself as to such matters as may

⁷ Kavita A. Sharma (2003), *Fifty Years of University Grants Commission*, UGC, New Delhi, p.45.

⁸ University and Society (Draft) Proceedings of the Vice-Chancellors' of State and Central Universities, p.38.

be prescribed, declared such university to be fit for receiving grant as per 12(B)'.⁹ The Commission also has the power to make rules, regulations and delegate. But all these rules and regulations have to be made by the Parliament as pointed out earlier in this Chapter.

Since UGC receives funds from the Central Government, this affects the capability of the Commission to provide the grants to the universities and higher education institutions. Grants consist of both plan and non-plan expenditure to meet the maintenance and development needs of all the universities and colleges that declared fit to receive such grants. But the 'State Universities, Colleges and other institutions of higher education receive support only from the plan grant for development schemes.'¹⁰

Higher education in India exists with lot of heterogeneity. We have the people from different social and economic backgrounds, religions and regions. Therefore, higher education in India is not free from disparities and imbalances. These problems are still visible among the different regions and religions. The overall Gross Enrolment Ratio (GER) in higher education in India is about 10 per cent, the GER for SC/ST and OBC is only 6-7 per cent, compared to 17 per cent for others.¹¹ Further, Duraisamy (2008), stated that the GER in term of religious groups the GER for Muslims are 5.2 per cent compared to 10.4 per cent for Hindu, 11.2 per cent for Sikhs and 18.6 per cent for the Christians and other religious groups. Until now the masses of the population in the country are excluded from higher education on the basis of economic, social, gender and some other factors through discrimination. Due to this fact the higher education in India face major challenges in term of accessibility and equity. This is 'one of the greatest challenges to the system so that it makes higher education more accessible, more relevant and at same time more affordable.'¹² Consequently, the concern of the Commission was to promote some of the schemes so that it helps to overcome those social and economic barriers in higher education.

9R.K. Tiwari (2009), *Financing Higher Education in India*, Neeraj Publications, New Delhi, p.53.

¹⁰ Op.cit, S.R. Sharma, *University Grants Commission: Role in Development & Growth of Higher Education*, p.21.

¹¹ P.Duraisamy (2008), 'Enrolment Forecast of Higher Education for Inclusive Growth in the 11th Five Year plan', UGC, New Delhi, p.27.

¹² Op. cit, S.R. Sharma, *University Grants Commission: Role in Development & Growth of Higher Education*, p.21.

Further it is observed that there are wide disparities in the assistance provided by the Commission to different types of educational institutions.¹³ In fact there are great disparities in allocation of budgetary resources among the central universities, state universities and colleges. Subsequently the universities and colleges are not equally developed and it varied from region to region. Some of the backward places like hill and tribal regions are still left far behind the national level. These institutions lack not only physical infrastructure facilities but also suffer from poor performance of the staff (ibid). The teachers are not well trained or well equipped in the field. It is the responsibility of the UGC to look after these universities and colleges and provide grants and well trained staff to these institutions. Besides, there also exist young and newly established universities which are yet to be developed firmly. These institutions require special development grant from the Commission which will enable them to introduce innovations in academic programmes.

According to Sharma (2006), UGC operates a scheme of autonomous colleges which enables potential college to design their curriculum, evolve new methods of learning, frame their own rules for admission and prescribe their own course of studies and conduct of examination. The concern of the Commission was to improve the quality of the autonomous colleges by giving them more academic freedom. It has also operated special schemes for the disadvantaged sections of the society. In most of the universities in India ST/SC Cells are functioning to enhance more opportunities to these deprived sections during the times of admissions, recruitment and provision of residential facilities, etc. In addition to this, the Commission also organises special coaching class for qualifying the JRF and NET. These measures were intended to address the issues of access and equity. In the present scenario the number of the students enrolled in higher education has increased but the infrastructure facilities are still in a bad shape. Subsequently the institutions of higher education suffer from both poor quality and excellence. The Commission 'has been promoting a large number of reforms in classroom teaching, laboratory practices, fieldwork, evaluation methods and other related aspects, which have a bearing on the quality of education.'¹⁴ The Commission is also constantly in touch with the Central and State governments for

¹³R.B. Agarwal (1993), *Financing of Higher Education in India*, Ganga Kaveri Publishing House, Varanasi, p.95.

¹⁴ Op. cit, S.R.Sharma, *University Grants Commission: Role in Development & Growth of Higher Education*, p.31.

the necessary measures to be taken in order to improve quality of higher education. In the country like India there is an existence of numerous fake Universities. To monitor this problem the UGC has special malpractice cells which are responsible to collect and submit the list of fake universities before the Commission for further necessary action.

An Indian higher education system is also assessed and accredited by a body called the NAAC (National Assessment and Accreditation Committee) which was established in 1994. The main concern of the body was to assess and accredit colleges and universities within a specific time frame. Number of colleges and universities were assessed and accredited. NAAC in India was set up through voluntary initiative but it has worked under the supervision and purview of the UGC. To some extent, NAAC also works autonomously. The UGC also nominates a number of persons who sit on the various NAAC bodies.¹⁵ In the case of general education courses in India the development grants provided to the colleges and universities are largely given by the UGC. The UGC normally sends the review committees in order to review and ascertain the financial needs, standards of teaching, examination and research after consultation with the university. In case of the State Universities it is the government who send the review committees for the inspection rather than the UGC. UGC provides a small amount of grants to the State Universities and Colleges. Consequently, the major portion of the grants was flow from the State Governments itself.

In fact, only the central universities and central government institutions of higher learning are funded by the UGC. The other institutions are either funded by other ministries, agencies of Central Government, State Government and trusts. Higher education in India is also funded either through entrepreneurial activities and donations. According to Agarwal (2009), entrepreneurial activities includes various forms of franchising, licensing, sponsorship and partnering with the third parties, technology transfer, business incubator, research parks, testing services, executive education, venture capital investment and investment in real estate and so on. Besides this, we have the bodies like AICTE for financing, coordination and management of

¹⁵ Amrik Singh (2004), *Fifty Years of Higher Education in India: The Role of the University Grants Commission*, Sage Publications, New Delhi, p.124.

technical educations. A number of higher education institutions in India are also funded through private sources.

4.4 UGC- Funding Mechanisms

In a developing country like India, higher education needs a huge amount of funds because of the rapid growth in demand and building up of quality infrastructure. Till today, the funds for universities are always in a shortage. The resource for universities and higher education are becoming lesser and lesser. However 'a higher education requires a large amount of funds not only to provide good knowledge but to give country great architects of society also'.¹⁶ Considering this, Governments provide a direct financial assistance to both the universities and colleges. The other main reason for the public support towards higher education was its positive externalities. Perhaps, the positive externalities can be either monetary or non-monetary benefits that accrue to the society. And in view of the positive externalities and inclusive expansion of higher education, the government has continued to provide subsidies to universities and higher education. In fact, the UGC funding is revisited; the funding approaches are either influenced through political, social and economic factors. And in funding of higher education the Government has its own objective functions essentially based on 'egalitarian approach'¹⁷ to overcome shortages of labour supply and a steering philosophy or in other word, a market driven system.

Funding of higher education in some of the countries follows a pattern related to 'inputs funding'.¹⁸ And it is through the input funding that construct a relationship between costs and efficiency. The cost here has parameters which includes like student-teacher ratio, staff-student ratio and space allocation, etc.¹⁹ However, an input funding still remains a problem particularly in the case of quality as it puts the institutions under pressure. And input funding also affected the innovation and diversification hence research is likely to suffer.²⁰ And in contrast to this we also had

¹⁶Op.cit,R.K Tiwari, *Financing Higher Education in India*, p.57.

¹⁷ For instance an equal subsidy is to be provided to all students in all the programmes.

¹⁸ A financial means available to institutions to cover distinct costs such as staff salaries, material means, building maintenance costs, and investment.

¹⁹ Justice K. Punnayya Committee (1992-93). 'UGC Funding of Institutions of Higher Education', New Delhi. UGC Publications.

²⁰ Ibid.

an ‘output funding’.²¹ In fact, institutions are rewarded for their output and the number of graduates and post graduates they had in their institutions. But still the issues of quality could not be solved. The third type is the negotiated funding where most of the countries follow this methods including India. Funding is also based on extent of the availability of funds, requirements, negotiating skills of the institutions and its political influence. Finally we have a student funding where the institutions are free to fix the fees and the state funds students, thereby their tuition and living costs are met.

Planned, input-based funding through providers:

A planned, input-based funding through providers is a centralised or regulated system of funding. In other words, it is a negotiated funding. In fact, the budgetary authority allocates funds to the institutions on the basis of their planned activities and proposals. The budgetary authority sanctions and allocates the funds based on this criterion. Allocations of the budget are always dependent on the previous budget allocations. Hence a planned, input-based funding through providers is based on ‘line item based’²².

Performance-based funding of providers:

Under this mechanism, funds are allocated on the outputs based on the performance of the institutions. Like negotiated funding, it comes under a centralised or regulated system. Under this mechanism universities or institutions of higher learning have to compete with one another to attract more funds from the funding agency. According to Chattopadhyay (2009) a reputed institution attract more funds in a scenario of competitive funding, more endowments from the reputed alumni as they come forward to donate and form a network, which enable those institutions to offer more scholarships and lower fees to attract good students. Therefore, the best educators and the learners are attracted to this institution; consequently the best minds in the country cling to the best institutions. Hence, the top institutions continue to

²¹ A funding arrangement where institutional budgets are tied to specific teaching and research outcomes of the institutions activities.

²² It shows the different expenditure items as separate lines of the budget and it is determine by referring to norms with respect to indicators such as unit cost or capacity (e.g., funded number of students).

remain the same and the mediocre institutions at the middle and not so good ones are at the bottom (ibid, p.55).

Purpose-specific purchasing from providers:

Perhaps, this is also one of the funding mechanisms. It is a market oriented system. Funds for the research work are awarded through the research councils. According to Jongbloed (2007), higher education institutions are invited to submit a tender for a given supply of graduates or research activities. And the tenders are selected by the funding agency become a most price competitive (ibid, p.124). This creates the higher education institutions to compete with one another for education, training and research and produce high skill manpower and meet the needs of the society. And the funds for the research work are awarded through the research councils. A contract is signed between the two agents, an institution and funding agency. And in the contract, the institution agrees to produce a number of graduates and research output and supply a number of labour forces to the market and strengthen the innovative capacity of the country.

Demand-driven, input-based funding through clients:

The demand-driven input-based funding through clients is the last stage of the funding mechanism for higher education. Under this mechanism ‘a voucher systems’²³ is one of the alternative methods in financing of higher education. A voucher system provides a student more freedom of exercising his/her own choice. This programme attracts more students to the institutions and receives more funds from the funding agency. And this system of funding creates more incentives and competition among the institutions. According to Teixeira *et al.* (2004) a voucher system entails flow of government funding directly to students and from them to the institutions which would create, arguably, more competition between the institutions and would lead to a proper utilisation of resources. Therefore, universities and other higher education institutions have to compete with one another in term of ‘the quality of their teaching and their supply of courses’.²⁴ This programme attracts more

²³ It is only one of the options that brought forward for funding of higher education. It promotes greater competition among providers of a good or service by providing public support indirectly the consumers rather than directly to providers.

²⁴ Ben Jongbloed (2007), ‘Creating Public-Private Dynamics in Higher Education Funding: A Discussion of Three Options, p.125.

students to the institutions and receives more funds from the funding agency. The voucher system creates a competition between the two agent's supply side (institutions) and demand side (students). 'Students compete for limited supports and only the best students get the voucher likewise to compete for the students, institutions have to responds the students and labour demands'.²⁵

According to Cheung (2004) the rationale and functions of the voucher systems are stated below; (1) *Consumer choice, which refers to a freedom of choice of institutes and shift of focus from institutes-centred to student-centred;* (2) *Personal advancement, which is based on the belief that people want to shape their own destinies, such a decision can stimulate interest, participation, enthusiasm and dedication;* (3) *Promotion of competition, based on marketing sense, under competition only the good and strong players can stay, so it be further deduced that competitions provide institute with incentives to improve quality and to introduce dynamic innovation while at the same time costs can be reduced;* (4) *Last but not the least the voucher system provides equal opportunity, which envisages that disadvantaged students will not be discriminate.*

Perhaps, the core idea of the voucher system is that the students have the choice of their own freedom to what institutions to attend and what programme. Universities and higher institutions have to compete with one another for students. Hence a competition exists between the two sides, the demand and supply sides²⁶. A voucher system provides a student-centred funding methods rather than the direct transfer of public funds from government to higher education institutes (ibid, p.55).

4.5 UGC and its Regulations:

The notion of the government intervention is associated with the positive externalities, market failure on account of information asymmetry, risk and uncertainty. In fact, the government intervention is to produce sufficient incentives so that it ensures the providers to reveal their own quality of their services and thereby, the consumers as students will be clear with their demands as well as with the capacities. Hence the government is to act as a watchdog. The government regulation becomes indispensable when the 'markets produce too much or too little of goods and

²⁵ Bryan Cheung (2004), 'Adoption of the Voucher system in government funded universities: Perspectives of Higher Education Students and Workers of Hong Kong', Delhi Business Review, Vol. 5, No. 1, p.56.

²⁶ The concept and nature of competition it is argued is not similar to the text-book description.

services from the society's point of view'.²⁷ This has caused various types of market failure which is mentioned above. According to Hall (2006), the government intervention into the education is justified on the basis of positive externalities. The positive externalities accrue when external benefits are generated by the producer of a good but because there is no market for externality, the producer cannot get compensated for producing this extra benefit (ibid, p.165).

According to Hanushek (2002) and Hall (2006) the perspective is stated as follows:

'If a highly skilled workforce permits entirely different kinds of technologies to be introduced, or to be introduced earlier in a development cycle, expanded education of an individual may indeed affect other workers in the economy. Or, if improved abilities of the best students lead to more rapid invention and development of new technologies, spillovers of educational investment may result'.

And it was through the wider social goals that led the government to intervene through regulation. The regulation encompasses correcting unequal 'bargaining power'²⁸, protecting the interests of the future generations and preventing socially, morally and politically undesirable behaviour.²⁹ Equity is also one of the issues for the government to intervene. In fact the resources are unequally distributed and so the people have the unequal bargaining power and led the opportunities to vary across the society. Therefore, the intention of the government was to redistribute the resources and give equal opportunities to all the individuals. According to Teixeira (2004) in case of the higher education market the government intervention is to provide equal opportunities to all qualified individuals who wish to participate in a higher education course regardless of their parental income. Therefore, equity is concerned with the redistribution of resources so that a talented and qualified individual are not restricted by their own families' income. Therefore, to have an inclusive policy in higher education, student subsidies, grants, loans and scholarships are not sufficient conditions but would require regulation.

²⁷ Ben Jongbloed (2004), 'Regulation and Competition in Higher Education', in P. Teixeira et al. (ed), *Markets in Higher Education: Rhetoric or Reality*, Netherlands, Kluwer Publications, p.91.

²⁸ This was cause due to the uneven distribution of income and wealth.

²⁹ Op.cit, 'Regulation and Competition in Higher Education', in P. Teixeira et al. (ed), *Markets in Higher Education: Rhetoric or Reality*, Netherlands, Kluwer Publications, p.91.

But in the context of the market it is the social policy that calls for government intervention on higher education. And this consists of four different issues: 1) Regulation with respect to quality and quantity; 2) Finance like subsidies, taxes, fees, loans, vouchers and income transfers; 3) Public provision like public universities; 4) Information and communication to improve a decision making process (Jongbloed, 2004, p.92). With regard to the first issue, the government intervention is not only to increase the number of the institutions of higher learning but to provide relevant types of education that meets the needs of the society. The quality of higher education needs to promote so as to meet the change in the technology and ideas that exists in the emerging knowledge economy. Likewise an expansion of the institutions is also required to increase the GER. Therefore a quantitative expansion and qualitative improvement on higher education should be a highest priority in policy making.³⁰

A public funding for higher education does not only improve the quality and expansion of the institutions, but it meets both the social justice and equity through accessibility. Therefore this increases the GER in higher education. It also enhances the skill and manpower which is crucial for national development. In this context, financing of higher education should still remain with the public bodies. The issue of financing of higher education becomes important as it leads in the world of knowledge production; ensure social mobility and social cohesion.³¹ And as the resources are in crisis, the government is forced to explore for the alternative methods of resources mobilisation. All and all, public funding on higher education in India is considered to be the best method for ensuring the accessibility particularly to the economically challenge classes. A government intervention is also required to provide a number of public universities and to improve the decision making with respect to choice of the institutions and discipline.

Besides, the above mentioned government intervention in higher education, regulation can be further classified into ‘state-imposed regulation’³², self-regulation and enforced self-regulation’ (Jongbloed, 2004, p.92). In the context of higher education in India, the quality on goods and services are assessed and accredited by a

³⁰ Ved Prakash (2007), ‘Trends in Growth and Financing of Higher Education in India’, *Economic and Political Weekly*, p.3258.

³¹ Saumen Chattopadhyay (2007), ‘Exploring Alternative Sources of Financing Higher Education’, *Economic and Political Weekly*, p.4251.

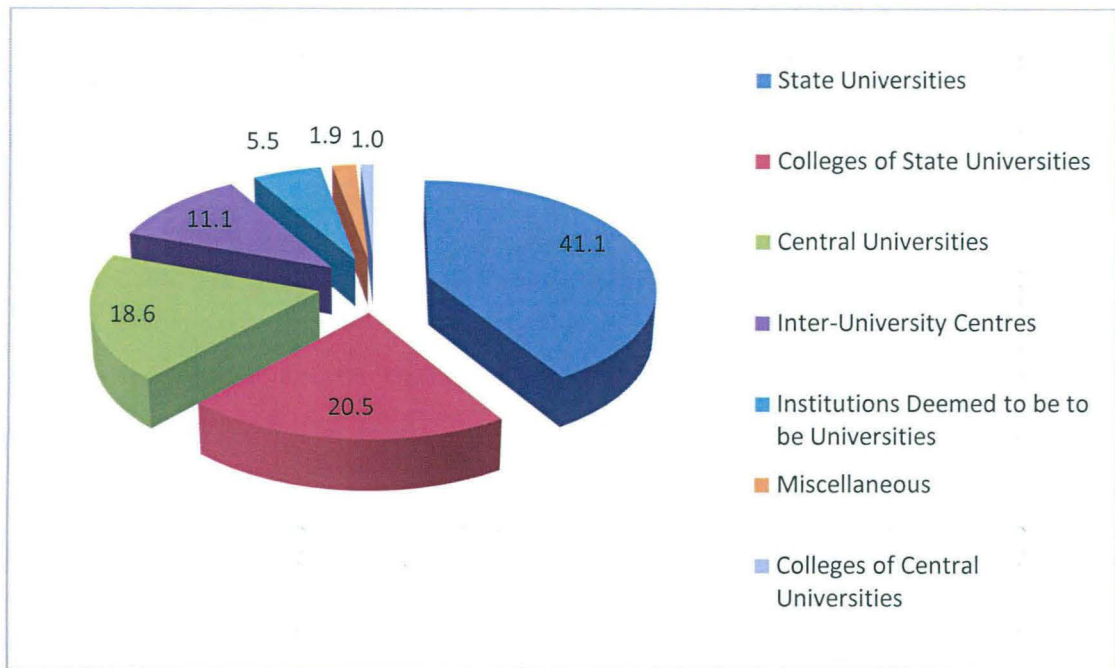
³² A state-imposed regulation is the regulation of quality on the goods and services market.

body called NAAC. The NAAC in India is to assess the universities and colleges based on certain criteria like ‘curricular content, teaching, learning and evaluation, infrastructure and learning resources, organisation and governance, research, consultancy and extension, student support and progression and other healthy practices’.³³ NBA (National Board of Accreditation) is also another body that is engaged in assessment and accreditation the quality and standards of the educational services. And in higher education, under the enforced self-regulation ‘the norms of academic professionalism act as systems of self-regulation’ (ibid, p.93). In India, the UGC has a norm with regard to the allocation and sanctions of the expenditure. Therefore, based on the number of the students, teaching, and non-teaching staff at different faculties the resources are allocated.

Now let us examine the relative share of the grants under the plan and non-plan composition of the UGC budget under two different phases. A phase from 1993-94 to 2005-06 was placed under the first phase. And the phase from 2006-07 to 2008-09 was placed under the second phase. Perhaps, there exist wide disparities in allocation of the plan and non-plan grants between Central and State Universities and Colleges. During the first phase the State Universities received a larger share of the UGC budget. However the mode of funding continued to remains till the second phase. The relative share of the plan grants composition is given in the figure 4.1 below.

³³ Amrik Singh (2004), *Fifty Years of Higher Education in India: The Role of the University Grants Commission*, New Delhi, Sage Publications, pp.118-119.

Figure 4.1: Percentage of Plan Grants on various compositions (Rs. in Crores) 1993-94



Source: UGC (1994) Annual Report 1993-94, New Delhi.

It is clear from the above figure 4.1; the major share of the budget was released to State Universities with 41.1 per cent. But the relative share of the Central Universities was worked out to be 18.6 per cent. Similarly, the relative share of the Deemed Universities was 5.5 per cent during the same year (Annexure: Table 4.1). In fact, this shows that the UGC funding of higher education in India is inadequate and skewed in favour of the selected colleges and universities.³⁴ Besides, the UGC policy on eligibility for grants becomes restrictive as a consequence of resources constraint (ibid). Due to this policy most of the colleges and universities in the country are left out from the UGC grants.

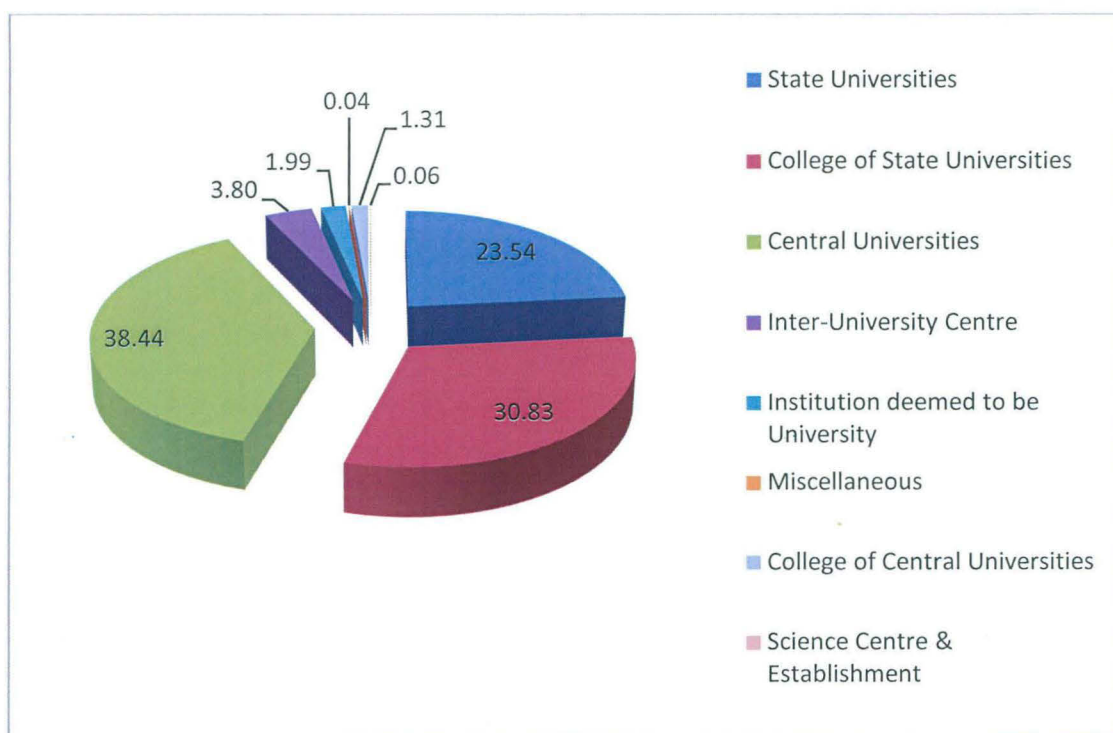
But on the contrary the non-plan grant disburses more to the Central Universities during the same year. And this mode of funding continued to remain till 2005-06. Therefore, the relative share of the non-plan expenditure on Central Universities was 65.7 per cent. But the State Universities received a share of 0.8 per cent in the same year. Therefore, this indicates that larger amount of the maintenance expenditure was disbursed to the Central Universities. According to Agarwal (2009)

³⁴ Op.cit, Pawan Agarwal, '*Indian Higher Education: Envisioning the Future*', New Delhi, Sage Publications, p.131.

most of the public funding for higher education is institutions based. Consequently, a better Central Universities received a larger share of the budget from the Commission.

But there was a U-turn of the plan grant released on Central and State Universities in 2006-07. The plan grants accrued more to the Central Universities as against the State Universities. The UGC budget (consisting both plan and non-plan) expenditure begins to disburse more on the Central Universities from this second phase onward. Therefore, the relative share of both plan and non-plan expenditure for the State Universities was worked out to be 23.5 and 0.6 per cent respectively in 2006-07. Similarly, the relative share of the plan and non-plan expenditure for the Central Universities was 38.4 and 61.0 per cent respectively (Annexure: Table 4.1). But the relative share of the plan grants on science centre and establishment was abysmally low with 0.04 per cent. The percentage of the plan grants expenditure on various compositions of the budget is given below.

Figure 4.2: Percentage of Plan Grants on various compositions (Rs. in Crores) 2006-07

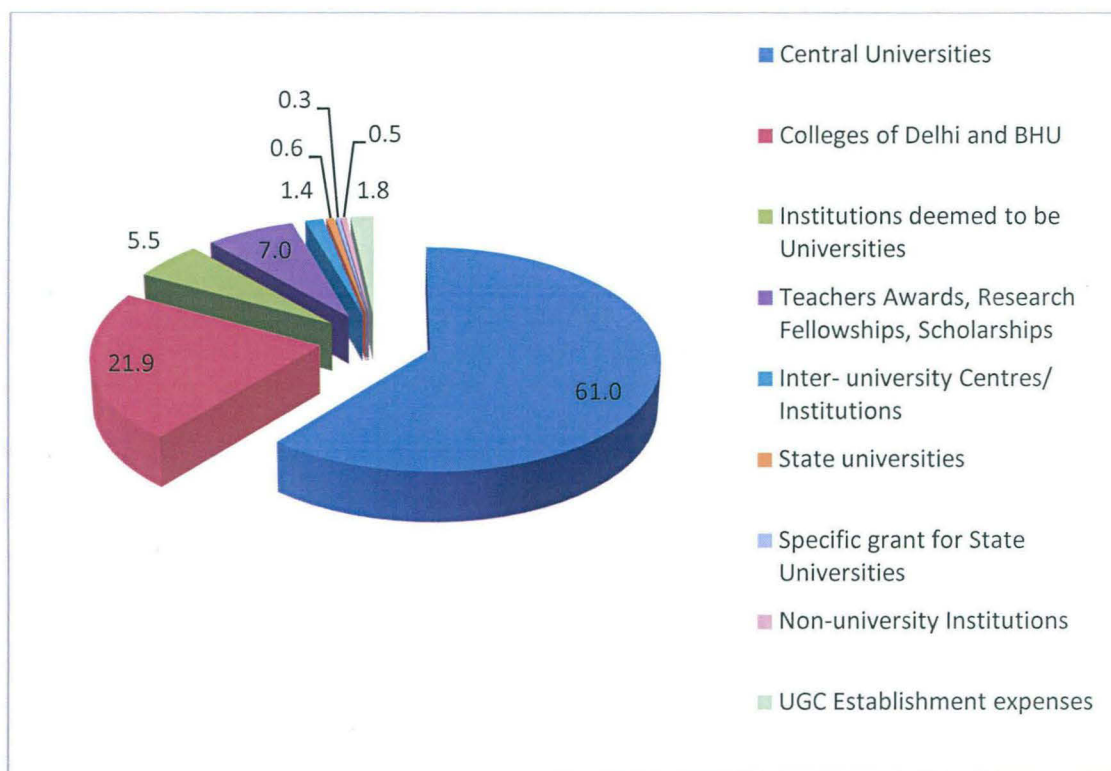


Source: UGC (2007) Annual Report 2006-07, New Delhi.

Similarly if we examine the UGC budget on non-plan grants under the different composition the major portion of the funds was disburses to the Central Universities. Hence, under the non-plan grant the Central Universities constitute a

proportion of 61 per cent. The colleges of Delhi Universities and BHU constitute a proportion of 21.9 per cent similarly the State Universities constitute a very small amount of 0.6 per cent respectively. No doubt, the Central Universities is the major recipient of both plan and non-plan grants since the second phase.

Figure 4.3: Percentage of Non-Plan Grants on various Compositions (Rs. In Crores) 2006-07



Source: UGC (2007) Annual Report 2006-07, UGC, New Delhi.

The academic year (2006-07) was the beginning of the 11th Five Year Plan and the end of the 10th Five Year Plan. The Plan was given a well deserve policy in development of higher education in India. According to Vice Chancellor Conference on higher education (2011) there is around a nine fold increase in the 11th FYP allocation as compared to the 10th FYP grants to higher education. There are 376 universities in India during this period including 229 State Universities, 20 Central Universities, 109 Deemed Universities, 13 Institute of National Importance and 5 Institutions established under State legislature (UGC, Annual Report, 2006-07). And under the Section 12(B) of the UGC Act out of 229 State Universities 160 are eligible to receive the grants from the Central assistance. And the 3 institute that established under the state legislature are eligible to receive the grant from the UGC. Likewise the enrolment of the students on various courses in different level of higher education also

increases from 110.28 lakh to 116.13 lakh in 2006-07. The strength of the faculty member in both the universities and colleges registered an increase from 4.88 lakh to 5.05 lakh during the same year. And number of the women colleges also increases from 1195 to 2166 since 1996-97 to 2006-07. Accordingly the enrolment of the women students in higher education has increased from 10 per cent to 40.55 per cent since independence to 2006-07 (ibid).

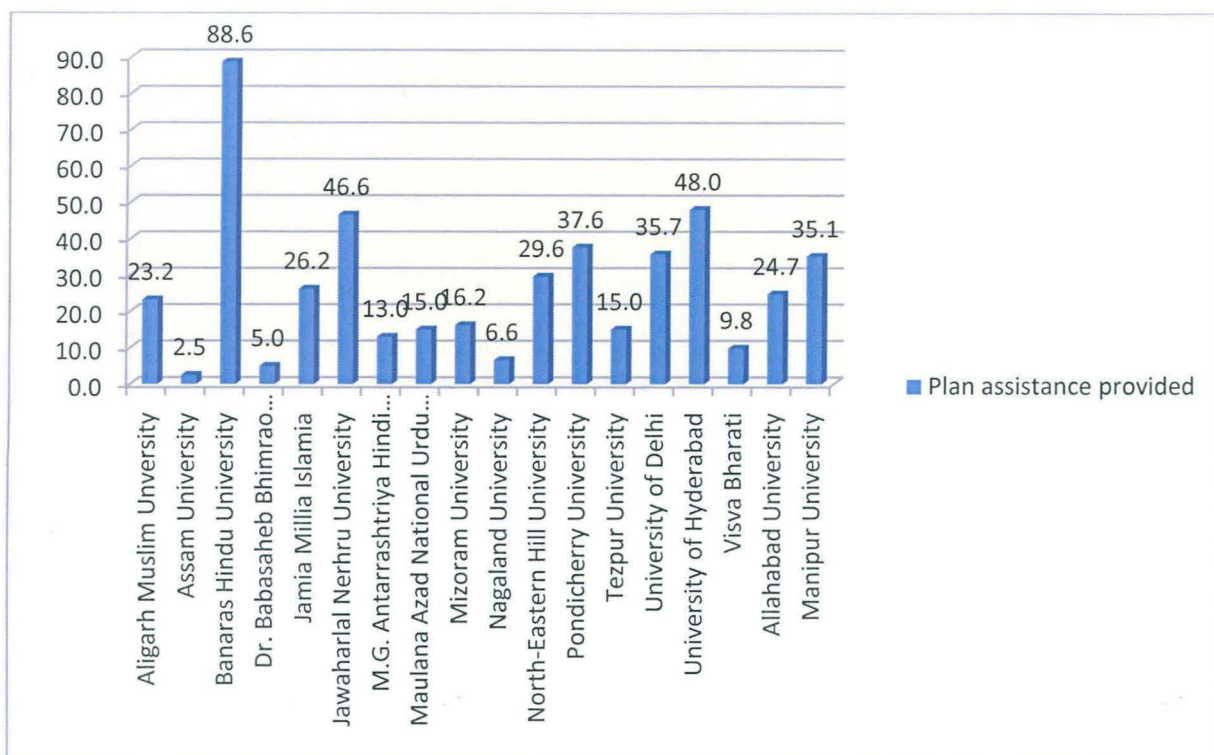
We had already mentioned in the above discussion the UGC grant consists of both plan and non-plan expenditure that accrued to the Central Universities. Out of 20 Central Universities in India 18 Central Universities received plan grant assistance from the UGC.³⁵ And the plan assistance was disbursed to 18 Central Universities under the various 'scheme and programme'³⁶ The UGC disbursed a plan grant of Rs.480.59 crore to 18 Central Universities. But under the non-plan assistance the UGC disbursed a grant for meeting both the recurring and non-recurring expenditure. And during 2006-07 the UGC released maintenance grants of Rs.992.32 crore in meeting the assistance of 18 Central Universities. And under the plan grant assistance BHU received the highest funds from the Commission and least amount of grant was accrued to Assam of University (Figure 4.4).

Similarly let us examine non-plan grant for the various Central Universities during the same period (Figure 4.5). Under the non-plan assistance BHU received the major portion of the grants from the Commission. The least amount of grant was disbursed to M.G. Antarrashtriya Hindi Vishwavidyalaya in the same year. And during the same period the Commission also disburse a maintenance grant of Rs.22.71 crore to the University College of Medical Sciences under Delhi University. And in the same academic year (2006-07) the UGC provided a development grant of Rs.294.25 crores to 136 State eligible Universities. Besides, the Commission also released a grant of Rs.178.58 lakh to 14 State Universities as Jubilee grants for completing anniversaries of 25, 50, 75, 100 and 150 years.

³⁵ UGC (2007) Annual Report 2006-07, New Delhi, UGC, p.49.

³⁶ The grant is utilized for modernizing teaching, research and administration as also for the extension and for carrying out research activities and to meet the changing needs of the universities to respond appropriately to the demands of the society. It is also meant for meeting the assistance of central universities under sub head such as staff, building, equipment, books and books and journals and campus development etc.

Figure 4.4: Plan Grant Assistance Provided to Central Universities (Rs. in Crore) 2006-07

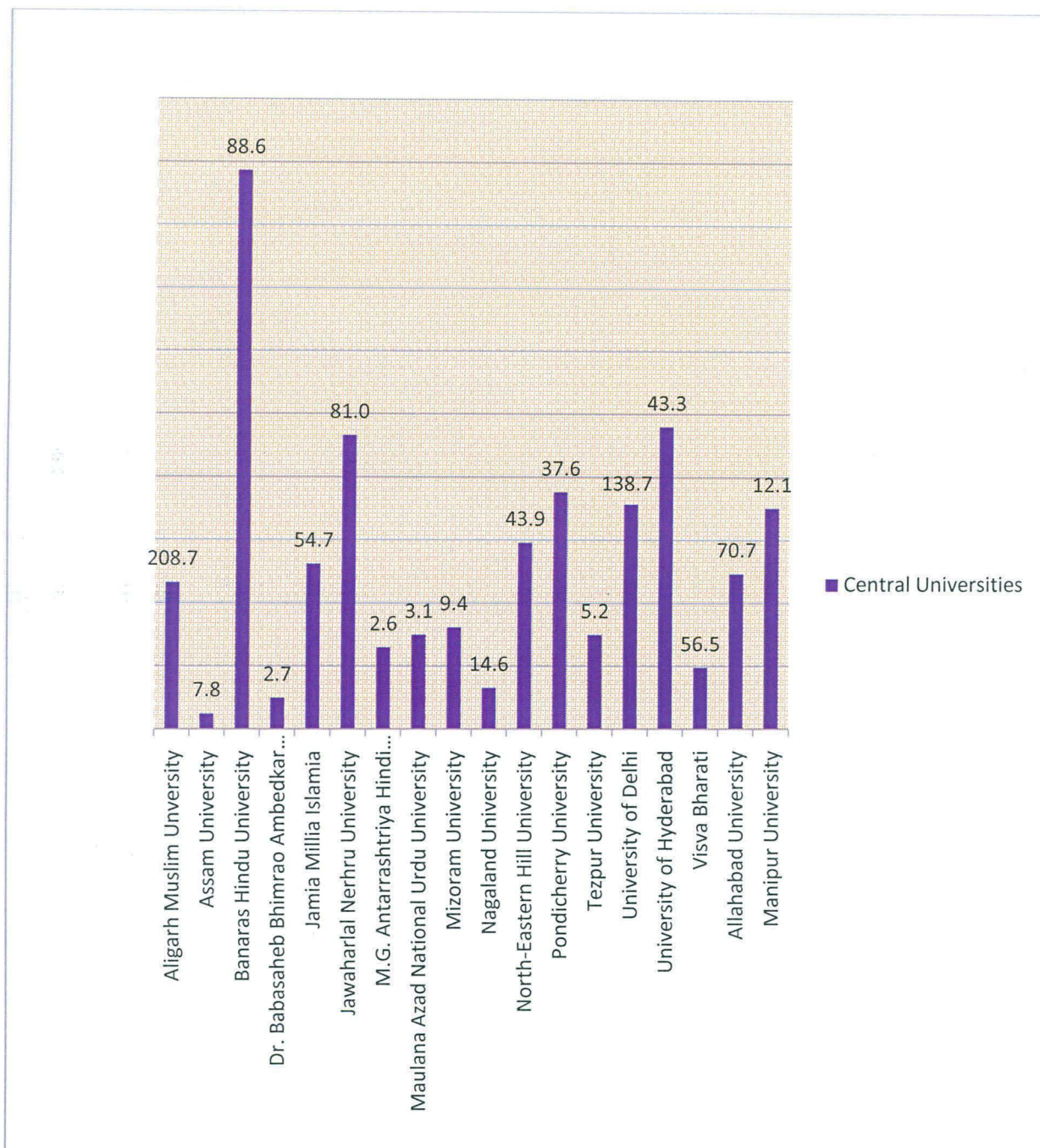


Source: UGC (2007) Annual Report 2006-07, UGC, New Delhi.

The central objective of the 11th Plan is expansion of enrolment in higher education with inclusiveness, quality and relevant education and supported by necessary academic reforms in the university and the colleges system. First two years of the 11th Plan allocation on the university and higher education was Rs.5,800 crores which touched the peak as compared to the total 10th Plan expenditure of Rs.4,183 crores in university and higher education. Similarly, the grants release by the Commission is on the peak in 2008-09 with the total allocation of Rs.5879.28 crores as compared to Rs.2198.56 crores in 2005-06. Hence, the 11th Five Year Plan has marked a visible shift in financing of university and higher education in India.

In 1947 there were only 20 universities and 500 colleges in India. Around 679 new colleges were established alone in this year therefore the total number of the colleges has increased to 16,885 as compared to 16,206 in 2002-03. On the other hand the enrolment of the students also increases very significantly. The total number of the student's enrolment on higher education in 2003-04 was 99, 53,506 as against 95, and 16,773 in the previous year.

Figure 4.5: Non-Plan Assistance provided to various Central Universities (Rs. In Crore) 2006-07



Source: Annual Report (2006-07) UGC, New Delhi.

The UGC also provided a plan assistance of Rs.24.82 crore to 36 Deemed Universities for meeting the development expenditure; and non-plan assistance to 30 Deemed Universities amounting to Rs.98.14 crore in 2006-07. Rs.98.14 crore was provided to 30 Deemed Universities for meeting the maintenance expenditure during the same period. And an amount of Rs.5.36 crore was provided to 16 young universities under the special development grants to universities. And similarly an

amount of Rs.4.03 crore were paid to 25 universities including 20 State Universities and 5 Deemed Universities situated in the backward areas. Besides, a regular special grant additional plan grant was provided to 7 universities including Aligarh Muslim University, BHU, Manipur University, Jamia Millia Islamia, JNU, University of Hyderabad and Pondicherry University amounting to Rs.82.75 crore in 2006-07 (Annual Report UGC, 2006-07).

And the Plan grant of Rs.385.42 crore was provided to 23 State Universities. Similarly non-plan grants of Rs.330.08 and Rs.3.35 crore is provided to Delhi Colleges and BHU Colleges in 2006-07. And under the autonomy grant all the regional offices of UGC have released a grant of Rs.15.61 crore to the autonomous colleges during the same period (ibid, p.88). And a scheme of development assistance to colleges is also initiated in 2006-2007. In fact, the scheme was to strengthen infrastructure, remove or reduce social disparities and regional imbalances and to provide special remedial coaching class to backward classes.³⁷ Accordingly an amount of Rs.472.91 crores is allocated to 4898 colleges during the Plan. A total grant of Rs.61.81 crore is provided to all 2734 eligible colleges in 2006-2007.³⁸

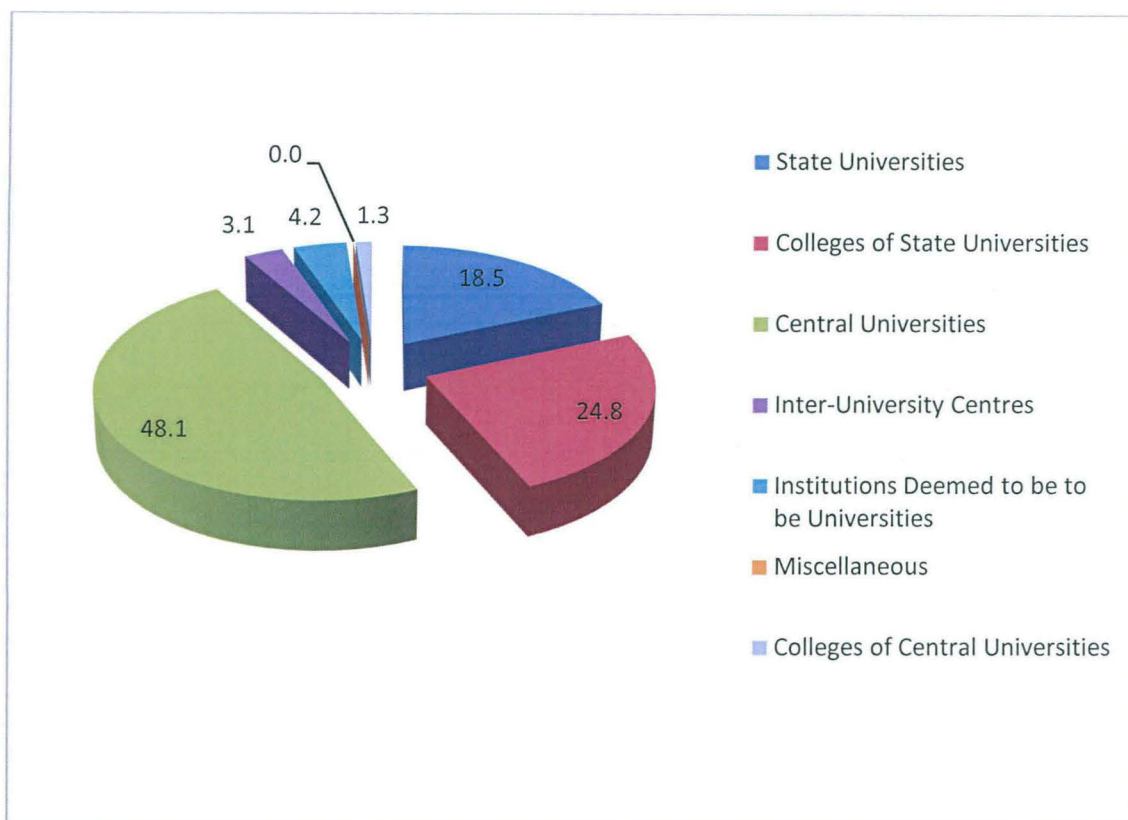
The UGC plan and non-plan grants continued to accrue more on the Central Universities in the academic year 2007-08. In the academic year 2007-08 the total number of colleges recognised under the Section 2(f) of the UGC Act, 1956 has been 6,773 as compared to 6,352 in 2006-07 (UGC, Annual Report, 2008). And out of 6773 colleges 5819 colleges are eligible to receive the assistance from the Commission under the Section 12(B) of the Act, 1956. And out of 242 State Universities, 75 universities and two institutions out of five institutions established through State Legislative Act are not eligible to receive Central assistance from the Commission under the Section 12(B) of the UGC Act, 1956. And the 13 State Universities, 11 Deemed universities, 5 Central Universities and 20 Institutes of National Importance has been included in the UGC list of universities recognised under Section 2(f) and four universities have been declared fit to receive central assistance under Section 12(B) of the Act, 1956 (ibid). And under plan grants the Commission disburses Rs.630.35 crores to 23 Central Universities for various development schemes in 2007-08. Similarly the UGC also disburses an amount of

³⁷ Ibid., p.5.

³⁸ Ibid.

Rs.1304.52 crores under non-plan grants assistance on 21 Central Universities in the same year. The Commission also disburses a plan grant of Rs.572.20 crores to 22 State Universities and plan grant of Rs.55.74 crores and non-plan grants of Rs.87.20 crores respectively to Deemed Universities (ibid).

Figure 4.6: Percentage of Plan Grants on Central Universities (Rs. in Crore) 2008-09

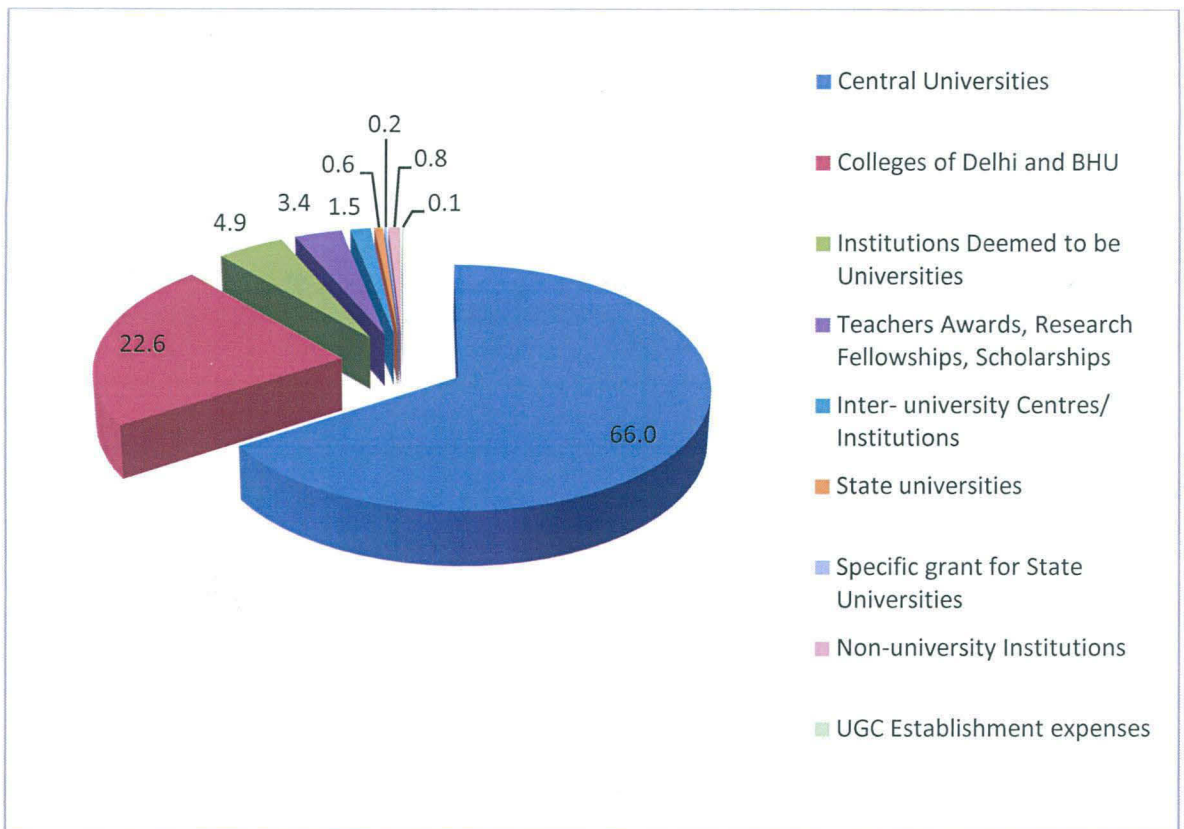


Source: UGC (2009) Annual Report 2008-09, UGC, New Delhi.

Since the beginning of the 11th Plan the allocations of the resources on university and higher education was given a high priority. Therefore, total expenditure (plan and the non-plan) expenditure on university and higher education increased very significantly. The total expenditure (plan and non-plan) expenditure also increased to a great extent. The total plan grants exceed the non-plan grant expenditure in 2008-09. Perhaps, the UGC budget began to release more on the Central University under the plan expenditure since the beginning of 11th Plan. The relative share of the plan grant on Central University was worked out to be 48.0 per cent in 2008-09 as against 33.1 per cent in 2007-08. But the relative share of the State Universities and Colleges of State Universities was 30.3 and 25.6 respectively in 2008-09 under the plan assistance (Annexure: Table 4.1). Therefore, this reflects wide disparities of the

resource allocation on State and Central Universities. The relative share of plan grant for the Central Universities claimed was 48.0 per cent and State Universities and Colleges of State Universities got 18.5 per cent and 24.8 per cent respectively in 2008-09.

Figure 4.7: Percentage of the Non-Plan Grants on various Compositions (Rs. in Crores) 2008-09



Source: UGC (2009) Annual Report 2008-09, UGC, New Delhi.

Similarly, the non-plan expenditure under various budget heads is released to the Central Universities. The relative share of the non-plan grant under Central Universities was 65.9 per cent in 2008-09. The Colleges of Delhi and BHU was worked out to be 22.5 per cent. Similarly the State Universities was also worked out to be 0.6 per cent in the same year (Annexure: Table 4.1). Therefore, this indicates that the Central Universities was given more important in allocation of resources since the beginning of the 11th Plan. Hence, Central Universities begin to receive more grants (plan and non-plan) from the Commission.

4.6 Conclusion

The UGC in India is an apex and statutory body. The Commission is not only responsible for funding through grant but also for the determination and maintenance and of standards of higher education. The UGC disburses grants to the State and Central Universities. The Central Universities received both plan and non-plan expenditure from the Commission. On the contrary the State Universities received only plan expenditure from the Commission. Further the number of State Universities is far greater than the Central Universities. Allocation of grants is in favour of the Central Universities. Hence, there is skewness in the distribution of the UGC budget between the State and Central Universities. During the first phase the State Universities received a larger share of the plan expenditure from the UGC. But the Central Universities received smaller proportion of the UGC budget under the plan head expenditure in this phase.

However the mode of funding universities in India begins to shift in the second phase. Hence, there is a U-turn in allocations of the resources from the UGC. The Central Universities continued to receive a larger share of both plan and non-plan expenditure from the UGC. In fact, the second phase is the beginning of the 11th FYP where the government has given a well deserved priority in development of higher education in India. Consequently, the UGC budget begins to prioritise the Central Universities. And it was from this juncture both the (plan) development and (non-plan) maintenance expenditure was released to the Central Universities. The government has given so much importance to the Central Universities even under the development expenditure; the development expenditure began to grow more than maintenance expenditure in 2008-09. Nonetheless, even within the Central Universities there exist wide disparities in allocations of funds. The Central University like BHU, JNU and University of Hyderabad received a major share of the grants (plan and non-plan) from the UGC. But on other hand the Central University like Assam, Nagaland and Ambedkar University received a small amount of plan assistance from the UGC. This reflects that better and reputed Central Universities receive a major portion of the budget from the UGC.

But the mode of funding, the UGC was contemplating the changes the Vice Chancellor meeting recently held in New Delhi, was likely to bring about a share in

funding. In fact, the formula base funding seeks to treat the State and Central Universities in terms of funds release because the disbursement would be a need base. Therefore, this will lead the Central Universities to explore out an alternative source of funding, like cost recovery system etc. The public expenditure on higher education is abysmally low but the demand for the higher education in India increases over the years. Hence, the government under different Commissions felt that there is a need for the funds to raise a level of 1 to 1.5 per cent of GDP. In fact, this will not only addressed the issues of equity, accessibility but also a quality. Consequently the government regulation on higher education is considered to be indispensable to address the above issues. The Commission also provided a special schemes Rajiv Gandhi National Fellowship and Maulana Azad Fellowship to all the economically challenge classes and other backward classes who enrol in research level. Basically, the main concerned of the government was to raise the GER to 15 per cent by the end of the 11th FYP and finally to raise the level of 21 per cent by the end of the 12th FYP.

Chapter-5

Concluding Remarks

This study analyses the public expenditure on university and higher education in India during 1986-87 to 2010-11. In particular, the study attempts to focus on the Union Budget since 1986-87 to 2010-11. The dissertation is also an analysis of the UGC Budget and policies, in particular. Even before India gained independence, higher education was considered to be important for the national development. Subsequently, the University Grants Commission (UGC) also began to assume the responsibilities of directing and regulating the higher education in India. Therefore, the first Commission which is commonly known as 'Radhakrishnan Commission on Higher Education' was formed in 1950. Besides, to regulate the standard of higher education in India, the UGC was also formed on 28th December, 1953 and became a statutory organisation by an Act of Parliament in 1956. Corresponding to this, Kothari Commission was also established in 1964-66 to look into the various aspects of higher education both academic, administrative and the role and function of the UGC. The public expenditure on university and higher education in India was taken up jointly by the UGC and the AICTE under the chairmanship of Justice K. Punnayya and D. Swaminadhan respectively. The UGC finances the university and higher education while the AICTE finance the technical education.

The allocation of the public resources on higher education is considerably low in India. In fact, the government has not been able to allocate even 1.5 per cent of GDP as recommended by the National Knowledge Commission (NKC). A decline in public expenditure on university and higher education is a global phenomenon but the decline seemed to be more significant for the developing countries like India. And even the public budgetary allocations on intra-sectoral education, resources have been devoted more towards elementary education compared to higher education. As discussed in Chapter 3, the compound annual growth rate of expenditure on elementary education was found out to be 26 per cent compared to around 14 per cent for higher education during 1988-89 and 2010-11. The public resources, however favour elementary education more. Higher education is neither considered as a pure public good nor a merit good but considered as a quasi-public good. Considering this, the spread of benefits arising out of the primary education does not remain confined to

the class rooms with the immediate recipients. Furthermore, it is believed that the benefits of these goods/services accrue to the society at large. Leakage and wastage of the public resources in higher education has been much discussed. The prerequisite for meaningful and productive utilisation of budgetary allocation is to ensure good governance. Good governance in education requires much more than reform. How to increase motivation level of the teachers and make them committed to the cause of the institution is a big challenge. Besides, the government also often suffered from the resource crisis that led the government to shift the policy over the years. The Central Government's capacity to fund depends on the availability of the resources. The allocation of the funds on higher education fluctuates over the years as the policy of the government also changes.

The budgetary allocations by the Centre on university and higher education can be considered to better in terms of growth rate during the pre-reform period. However, during the post-reform period, the budgetary allocations for the university and higher education in the Union budget exhibit a fluctuation. During 1990-91 and 1996-97, its share in GDP fell from 0.08 per cent to 0.05 per cent. The share started rising in 1997-98 and the growth momentum was sustained for merely three consecutive years. The share remained stable for two years at 0.07 per cent during 2001-02 and 2002-03. It fell further, albeit marginally to 0.06 per cent of GDP and maintained that share 2006-07. The next phase saw the share improving with the initiation of the 11th Five Year Plan.

However, the share witnessed only a genuine rise in 2008-09. Therefore, only in the recent years, higher education is about to earn its legitimate importance in the Union Budget. If we add the states' share, the scenario does not improve much. In fact, the states too came under fiscal crunch with the FRBM Act during the late nineties. Since almost three-fourth of higher education budget is spent by the states, overall situation continues to remain bleak. It follows that the stabilisation policy coupled with the logic of the structural adjustment policy, the compression in the budget for higher education put one of the largest higher education sector under severe stress. This has serious implications as the demand for higher education continued to grow during the entire period under study. The gap was being filled up, as expected, by increasing private sector participation. The trend continues even after the unprecedented 9 times increase in the budget for higher education in the 11th FYP.

However, it seems doubtful whether the budgeted amount will be spent by the end of 11th FYP. The sharp hike in the public expenditure on higher education in 1998-99 was due to the implementation of the Fifth Pay Commission which led to an increase in salaries of both the academic and non-academic staff.

In fact, the inability and unwillingness of the government to spend a level of 1.5 per cent of GDP was one of the reasons for the private sector to take part in higher education. The hidden agenda of the government was to fill the gap by allowing the private sector to participate. It is argued by the policy makers, that the government alone cannot manage it. Nonetheless the private sector functions through cost recovery system. Hence to a large extent, higher education became out of reach for many sections of the society. Since the majority of the people in the country are from the poor economically background. Therefore this is one of the probable reasons for the low GER in India. The cost of higher education became more expensive compared to the lower level of education. Thus the accessibility to higher education becomes more problematic to the masses of the society. The higher education in India needs to expand to cater to the masses of the society but the increasing needs of higher education system could not match with the public budget particularly when the basic education is yet to fulfil the resource needed. The resource crisis in higher education in India is severe even in the present context. As a result, the two committees were formed under Justice K. Punnayya and Swaminadhan committee in 1993 and 1994 respectively to restructure the fees reform.

Seemingly, a higher education in India faced a major setback in 2001-02. The annual growth rate drastically declined to (-) 36.3 as a result of the paucity of funds with the government. The decline in public expenditure on university and higher education is also a result of the government which often change their policy over a period of time. The decline in budgetary allocation on university and higher education is also responsible for the relative priority given to the primary education. The non-plan expenditure constitutes a major portion of the budget during the period under reference. Furthermore, trend of the public expenditure on university and higher education again increases in 2006-07. This is influenced by the NKC recommendation of 2006. Besides, it is also the end of the 10th Plan and the beginning of the 11th Plan. A coefficient of variation (CV) for the university and higher education work out to be 1.36; but the CV for both the UGC and technical education is 0.97 and 1.44

respectively. Therefore, the budget under the UGC seemed to be more uniform and stable as compared to technical education. And it is found that there is less stability and uniformity in allocations of funds to university and higher education under the Union Government. Reasonably this was due to the change of policy with the Union Government because of resource crunch. And it is also associated with the expansion of more institutions, enrolments of the students and escalation of the price over the years.

For now higher education is placed under the Concurrent list of the Indian Constitution in which the UGC involved directly in the academic affairs. A higher education in India needs huge amount of resources not merely to provide good quality of education but to transform the nation as a whole. The Commission took the responsibilities to execute the expenditure through plan and non plan expenditure that received from the Central Government. However the objective of the funds is to promote the universities, institutions and developed their own internal assessment. But the Central Universities should ensure all India character in terms of quality, innovation and at the same time access to weaker section of the society. In practice, the UGC has no funds of its own but receives resources from the government through the MHRD hence the UGC Budget constitute major portion in financing university and higher education in India.

The grants consist of both plan and non plan expenditure to meet the development and maintenance of the universities and higher educational institutions in India. Section 12(B) of the UGC Act aims to allocate and disburse the funds of the Commission, grants to universities established or incorporated by the Central Act for the maintenance and development of those universities. In fact the UGC is the main recipient and spender of the budgetary resources to the universities and higher education in India. Initially the major portion of the plan expenditure was released to the State Universities. But later change in the second phase (2006-07 to 2008-2009); the Central Universities began to receive a major portion of the total budget (plan and non-plan) expenditure from the Commission. State Universities received only the plan grant from the Commission on the other hand Central Universities received both plan and non-plan grant from the Commission. And as the Commission has limited resources, the UGC makes a restrictive policy in disbursement of funds. Consequently, even within the Central Universities there exist disparities in

disbursement of fund. In fact, only some of the reputed Central Universities received a larger share of the funds from the Commission. Regarding the mode of funding, the UGC is contemplating a change in the near future. Therefore, in the formula based funding, the State as well as Central Universities may be treated alike in terms of fund released because disbursement would be on a need base. If the resource allocated to higher education, and in particular UGC is not substantially enhanced, the state funded universities are likely to gain which will compel the Central University to explore alternative sources of financing. Basically the concern of the government was to reduce the disparities across the universities so as to improve the accessibility to and quality in higher education.

The crisis was also associated with the increment in enrolment of the student but the resources are not allocated adequately. Consequently this led to the huge gap between the availability of the resources and the number of the students in higher educational institutions. The growing demand expansion for higher education did not match with the available resources. In fact the performance of higher education depends on availability of resources. The emergence of globalisation also helps the government to change their policy on higher education. Public expenditure on university and higher education is important not only for the technological and economic development but also for the accessibility of the masses of the society particularly the weaker sections. Furthermore it is also considered to be an investment in the nation building.

Public expenditure on university and higher education is incurred by the Central and State Governments. The public expenditure fluctuates over the years. The allocation of the resources has been largely influenced by the government policy. The transformation of higher education from the elitist system to the mass system of higher education put a severe strain on allocation of resources. Besides, the resources on higher education are also not utilised properly as some portion of the resources remain unutilised. The public expenditure began to increase in 2006-07. In fact, this was the beginning of the 11th Five Years Plan where the higher education was given a special importance in terms of expansion, inclusion and excellence. The theme of Plan was to increase the GER to 15 per cent by the end of the 11th FYP. The main target of the government was to reach the level of 21 per cent of GER by the end of 12th FYP.

Therefore the prime objective of the government is to achieve the threshold level by the end of the 12th FYP.

The public expenditure on university and higher education in India places an important role in investment of human resource not only for the present but for the future too. To a great extent it addresses the issues of equity and accessibility and expansion of higher education in India. Though investments in primary and secondary education are equally important but should not ignore the importance of higher education. It is futile to look at the higher education sector separately because of the interdependence between the school education and higher education. The quality of higher education depends on the quality of students from the school as well the quality of students produced by the higher education sector as some of them become school teachers subsequently. In India the scarcity of resources is not the only problem but the problem is one of under utilisation of resources. Even the available resources are not properly utilised still a large proportion of the budgets on higher education are wasted. Hence there should be a proper mechanism for the better effective utilisation of resources. The Union Budget on higher education in India since 1986-87 to 2009-2011 increases in public expenditure does not necessarily increase an expenditure on higher education. In fact the budget fluctuates over the years as a consequence of the government policy.

Higher education in India is always in resource crunch therefore the government should look for the alternative methods of resource mobilisation without compromising on the question of autonomy. Privatisation of higher education is only a solution to the problems though access to the higher education is restricted to the lower income groups as long as they comply with rules and norms set up by the UGC. Therefore privatisation of higher education should be neither too extreme nor strong but a moderate form. Therefore the provision of fees under privatisation should be reasonable and affordable to the masses of the people. The growth and the expansion of the public institution often suffer due to low budgetary allocations. Hence to provide a considerable relief from the financial constraint there is a need for privatisation on higher education. The government should raise the additional resources through non-governmental sources like philanthropy and some voluntary contribution. The university institutions should be able to generate its own sources like income from the university press, internal income includes rent from university

land, building income from consultancy services research project, alumni contributions and other university publications. The government should also encourage in setting up of an open and the distance learning educational programme in many parts of our country. Nevertheless the quality of the standard may not be satisfactory and even according level to the national level. However it is one of the solutions to the problems of expansion and accessibility to some extent.

The policy of the government should not be too rigid but should be flexible. Possibly this will cater to the needs of resources on higher education. The State and Central government should also have a proper coordination between them in financing of higher education in India. The fees structure in India is still very low hence raising the fees level to a certain extent is also advisable. This will enhance an additional amount of resource to the institutions and government. Therefore in order to cater to the needs of the marginalised section of the society the government should provide a financial assistance through scholarships and some other schemes. The government should also encourage in setting up of the self-financing courses within the government institutions. The demand for higher educational institutions increases over the years but the funds do not increase in proportionate manner. Hence there is a mismatch between the availability of resources and the demand for higher education. All in all the public expenditure on higher education is one of the solutions to the problems. The public expenditure is one of the best solutions that reduce inequality of income among the masses of the society. In fact, it leads to the maximum social benefits. Further the public expenditure on higher education gives direct benefit to the masses of the society as it increases access on higher educational opportunities through lower prices and increases an institutional capacity.

ANNEXURE

Table 3.1: The Union Budget allocations on intra-sectoral education (Rs. in Crores)

Items	1986-87			1987-88		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	...	...	...	...	...	...
Secretariat	0.05	4.24	4.29	...	...	...
Secondary Education	85.23	98.47	183.7	299.17	108.71	407.88
Total university/ Higher Education	103.02	145.13	248.15	145.56	208.58	354.14
University Grants Commission	85.46	142.02	227.48	120.00	180.00	300.00
Adult Education	44.02	2.24	46.26	70.16	2.3	72.46
Distance Learning	...	...	...	...	...	...
TICT	...	...	...	...	...	...
Development of Languages	6.53	7.10	13.63	9.25	7.52	16.77
General Book UNESCO	...	...	...	...	...	...
General Education	246.80	265.95	512.75	538.39	365.44	903.83
Technical Education	67.57	85.46	153.03	173.00	96.87	269.87
Total Department of Higher Education	315.18	359.49	674.67	737.85	471.41	1209.26
Total Education	400.41	457.96	858.37	1037.02	580.12	1617.14

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	1988-89			1989-90		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	220.02	0.15	220.17	200.88	0.14	201.02
Secretariat	0.20	4.97	5.17	0.12	5.53	5.65
Secondary Education	190.27	132.98	323.25	183.91	143.34	327.25
Total university/ Higher Education	147.67	403.96	551.63	154.25	335.93	490.18
University Grants Commission	120.00	191.87	311.87	120.00	207.24	327.24
Adult Education	81.97	2.45	84.42	88.41	3.86	92.27
Distance Learning	...	...	...	...	...	...
TICT	...	...	...	...	...	...
Development of Languages	11.63	8.60	20.23	10.38	9.82	20.20
General Book UNESCO	...	...	...	...	...	...
General Education	657.21	586.22	1243.43	648.22	532.25	1180.47
Technical Education	150.03	149.27	299.3	135.27	142.94	278.21
Total Department of Higher Education	854.39	749.74	1604.13	834.40	687.66	1522.06
Total Education	1264.68	882.87	2147.55	1219.19	831.14	2050.33

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	1990-91			1991-92		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	224.30	0.15	224.45	267.54	0.81	268.35
Secretariat	...	...	...	...	...	...
Secondary Education	174.19	213.81	388.00	191.24	232.59	423.83
Total university/ Higher Education	131.60	340.00	471.60	164.62	333.51	498.13
University Grants Commission	112.50	238.20	350.70	141.68	260.03	401.71
Adult Education	131.12	5.46	136.58	105.00	5.53	110.53
Distance Learning	10.98	11.79	22.77	11.83	12.51	24.34
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	677.00	597.9	1274.90	745.21	600.67	1345.88
Technical Education	159.20	153.99	313.19	158.82	159.87	318.69
Total Department of Higher Education	886.60	765.00	1651.6	959.98	774.00	1733.98
Total Education	1285.09	978.97	2264.06	1418.76	1007.40	2426.16

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	1992-93			1993-94		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	339.00	0.66	339.66	442.84	0.86	443.70
Secretariat	...	...	...	...	...	...
Secondary Education	225.00	230.98	455.98	304.93	256.46	561.39
Total university/ Higher Education	149.97	360.12	510.09	162.23	384.26	546.49
University Grants Commission	124.90	306.54	431.44	132.00	336.95	468.95
Adult Education	109.55	4.91	114.46	167.53	2.48	170.01
Distance Learning	10.79	12.71	23.5	16.47	14.22	30.69
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	840.55	626.58	1467.13	1105.02	675.95	1780.97
Technical Education	170.00	171.67	341.67	193.79	207.25	401.04
Total Department of Higher Education	1011.30	812.87	1824.17	1299.63	892.63	2192.26
Total Education	1575.30	1044.51	2619.81	2047.40	1149.95	3197.35

Source: Union Budget, Government of India, New Delhi.

3.1 (Continued)

Items	1994-95			1995-96		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	511.25	0.86	512.11	1443.03	0.99	1444.02
Secretariat	...	...	...	...	...	...
Secondary Education	339.40	262.30	601.70	363.51	364.46	727.97
Total university/ Higher Education	257.53	380.70	638.23	245.41	480.56	725.97
University Grants Commission	184.30	343.18	527.48	189.29	450.82	640.11
Adult Education	210.51	2.63	213.14	170.35	2.61	172.96
Distance Learning	15.60	14.67	30.27	18.56	13.27	31.83
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	1341.51	678.76	2020.27	2249.05	876.41	3125.46
Technical Education	232.02	232.07	464.09	253.21	258.83	512.04
Total Department of Higher Education	1574.30	920.22	2494.52	2503.07	1146.36	3649.43
Total Education	2424.95	1183.38	3608.33	4309.61	1511.81	5821.42

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	1996-97			1997-98		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	1566.90	0.98	1567.88	2265.32	1.44	2266.76
Secretariat	...	...	...	...	...	...
Secondary Education	367.24	341.37	708.61	253.98	451.45	705.43
Total university/ Higher Education	239.75	486.04	725.79	386.61	566.1	952.71
University Grants Commission	183.13	466.14	649.27	323.10	545.00	868.1
Adult Education	112.16	2.73	114.89	81.42	3.06	84.48
Distance Learning	21.62	14.89	36.51	26.25	17.31	43.56
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	2314.98	860.5	3175.48	3031.55	1054.56	4086.11
Technical Education	257.62	284.20	541.82	318.51	294.07	612.58
Total Department of Higher Education	2573.04	1156.81	3729.85	3350.45	1365.40	4715.85
Total Education	4507.18	1499.16	6006.34	5869.75	1818.29	7688.04

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	1998-99			1999-2000		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	2741.33	1.75	2743.08	2931.28	5.60	2936.88
Secretariat	...	...	...	...	...	...
Secondary Education	432.78	560.37	993.15	474.65	581.84	1056.49
Total university/ Higher Education	392.54	1210.01	1602.55	419.09	1745.56	2164.65
University Grants Commission	330.35	1009.00	1339.35	348.00	975.00	1323.00
Adult Education	77.05	3.16	80.21	...	...	...
Distance Learning	36.72	20.40	57.12	47.34	20.00	67.34
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	3699.73	1810.86	5510.59	962.17	2363.97	3326.14
Technical Education	344.02	523.04	867.06	490.93	544.33	1035.26
Total Department of Higher Education	4044.18	2352.64	6396.82	1453.68	2927.12	4380.80
Total Education	7218.29	2914.76	10133.05	4859.61	3514.56	8374.17

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	2000-01			2001-02		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	3250.00	7.89	3257.89	3750.00	4.60	3754.60
Secretariat	...	...	...	...	...	...
Secondary Education	574.14	619.77	1193.91	615.40	620.20	1235.60
Total university/ Higher Education	499.72	2091.48	2591.20	545.00	1105.49	1650.49
University Grants Commission	399.00	1000.00	1399.00	435.78	1020.68	1456.46
Adult Education	...	...	...	...	...	...
Distance Learning	73.12	27.46	100.58	72.24	29.03	101.27
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	1183.02	2757.91	3940.93	1273.41	1773.96	3047.37
Technical Education	516.18	612.54	1128.72	545.77	698.42	1244.19
Total Department of Higher Education	1700.00	3392.84	5092.84	1820.00	2495.73	4315.73
Total Education	5524.14	4020.50	9544.64	6185.40	3120.53	9305.93

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	2002-03			2003-04		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	4300.00	4.58	4304.58	5450.00	4.60	5454.60
Secretariat	...	...	...	...	...	...
Secondary Education	516.35	716.20	1232.55	659.43	738.38	1397.81
Total university/ Higher Education	569.41	1178.96	1748.37	566.22	1183.18	1749.4
University Grants Commission	508.09	1101.39	1609.48	516.75	1112.3	1629.05
Adult Education	...	...	...	...	...	...
Distance Learning	70.88	36.16	107.04	105.4	36.82	142.22
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	1198.66	1953.73	3152.39	1350.00	1983.81	3333.81
Technical Education	547.88	811.18	1359.06	650.00	815.52	1465.52
Total Department of Higher Education	1942.33	2789.61	4731.94	2000.00	2832.40	4832.40
Total Education	6758.68	3510.39	10269.07	8109.43	3575.38	11684.81

Source: Union Budget, Government of India, New Delhi.

3.1 (Continued)

Items	2004-05			2005-06		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	8000.00	4.58	8004.58	12531.68	4.65	12536.33
Secretariat	...	...	...	...	...	...
Secondary Education	588.24	772.18	1360.42	759.40	863.89	1623.29
Total university/ Higher Education	710.95	1290.22	2001.17	788.8	1489.59	2278.39
University Grants Commission	625.27	1182.85	1808.12	709.72	1389.61	2099.33
Adult Education	...	...	...	...	...	...
Distance Learning	103.30	38.25	141.55	102.74	40.75	143.49
TICT	...	...	...	...	...	...
Development of Languages	...	...	...	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	1413.81	2125.68	3539.49	1678.57	2425.30	4103.87
Technical Education	597.92	843.46	1441.38	580.93	833.92	1414.85
Total Department of Higher Education	2224.15	3000.00	5224.15	2510.00	3290.00	5800.00
Total Education	10812.39	3776.76	14589.15	15801.08	4158.54	19959.62

Source: Union Budget, Government of India, New Delhi.

3.1(Continued)

Items	2006-07			2007-08		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	17128.00	5.00	17133.00	18433.91	5.70	18439.61
Secretariat	...	...	...	...	...	...
Secondary Education	960.30	901.04	1861.34	1472.80	992.38	2465.18
Total university/ Higher Education	1215.85	1600.10	2815.95	1708.34	1991.09	3699.43
University Grants Commission	1139.47	1560.70	2700.17	1633.07	1948.87	3581.94
Adult Education	...	...	...	...	...	...
Distance Learning	96.75	4.97	101.72	109.80	6.62	116.42
TICT	4.95	...	4.95	...	...	...
Development of Languages	111.95	40.85	152.80	...	...	...
General Book UNESCO	...	...	...	...	...	...
General Education	2420.93	2573.45	4994.38	1958.37	2072.68	4031.05
Technical Education	841.14	895.20	1736.34	981.48	1020.37	2001.85
Total Department of Higher Education	3616.00	3500.00	7116.00	3261.35	3136.01	6397.36
Total Education	21704.30	4406.04	26110.34	23168.06	4134.09	27302.15

Source: Union Budget, Government of India. New Delhi.

3.1(Continued)

Items	2008-09			2009-2010		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary Education	19484.57	4.05	19488.62	17175.30	6.10	17181.40
Secretariat	...	...	...	...	...	...
Secondary Education	24500.00	1526.57	26026.57	22729.00	2609.00	25338.00
Total university/ Higher Education	2863.06	2831.73	5694.79	3193.14	4249.13	7442.27
University Grants Commission	2761.50	2720.86	5482.36	3244.02	3977.78	7221.80
Adult Education	...	...	...	...	...	...
Distance Learning	111.40	7.42	118.82	144.00	7.50	151.50
TICT	368.44	...	368.44	280.00	...	280.00
Development of Languages	110.49	59.64	170.13	133.75	73.88	207.63
General Book UNESCO	...	...	...	...	...	...
General Education	3475.13	2936.49	6411.62	3778.59	4378.91	8157.50
Technical Education	2642.38	1546.95	4189.33	3374.42	1986.71	5361.13
Total Department of Higher Education	6800.00	4540.00	11340.00	7952.00	6437.00	14389.00
Total Education	31300.00	6066.57	37366.57	30681.00	9046.00	39727.00

Source: Union Budget, Government of India (from various Volumes), New Delhi.

Table 3.2: Total Expenditure on Intra-Sectoral Education as Percentage to GDP (Rs. in Crores)

Year	GDP at Market Prices	Exp on Total Edu as % to GDP	Exp on Elem Edu as % to GDP	Exp on Sec Edu as % to GDP	Exp on Uni/HE as % to GDP	Exp on UGC as % to GDP
1986-87	314816	0.27	...	0.06	0.08	0.07
1987-88	357861	0.45	...	0.11	0.10	0.08
1988-89	424531	0.51	0.05	0.08	0.13	0.07
1989-90	487684	0.42	0.04	0.07	0.10	0.07
1990-91	569624	0.40	0.04	0.07	0.08	0.06
1991-92	654729	0.37	0.04	0.06	0.07	0.06
1992-93	752591	0.35	0.05	0.06	0.06	0.06
1993-94	865805	0.37	0.05	0.06	0.06	0.05
1994-95	1015764	0.36	0.05	0.06	0.06	0.05
1995-96	1191813	0.49	0.12	0.06	0.06	0.05
1996-97	1378617	0.44	0.11	0.05	0.05	0.04
1997-98	1527158	0.50	0.14	0.04	0.06	0.05
1998-99	1751199	0.57	0.15	0.05	0.09	0.07
1999-00	1952036	0.42	0.15	0.05	0.11	0.06
2000-01	2102314	0.45	0.15	0.05	0.12	0.06
2001-02	2278952	0.40	0.16	0.05	0.07	0.06
2002-03	2454561	0.41	0.17	0.05	0.07	0.06
2003-04	2754621	0.42	0.19	0.05	0.06	0.05
2004-05	3149412	0.46	0.25	0.04	0.06	0.05
2005-06	3580344	0.55	0.35	0.04	0.06	0.05
2006-07	4145810	0.63	0.41	0.04	0.06	0.06
2007-08	4947857	0.55	0.37	0.05	0.07	0.07
2008-09	5321753	0.70	0.48	0.07	0.10	0.10
2009-2010	6164178	0.64	0.41	0.09	0.12	0.11

Source: 1. Union Budget, Government of India, New Delhi.

2. National Account Statistics, (Central Statistical Organisation) GOI, New Delhi.

Table 3.3: Annual Growth Rate Estimation on Different Levels of Education (Rs. in Crores)

Years	Elementary Education	Secondary Education	Technical Edu	UGC	HE/University
1986-87	...	...	...	...	...
1987-88	...	122.0	76.4	31.9	42.7
1988-89	...	-20.7	10.9	4.0	55.8
1989-90	-8.7	1.2	-7.0	4.9	-11.1
1990-91	11.7	18.6	12.6	7.2	-3.8
1991-92	19.6	9.2	1.8	14.5	5.6
1992-93	26.6	7.6	7.2	7.4	2.4
1993-94	30.6	23.1	17.4	8.7	7.1
1994-95	15.4	7.2	15.7	12.5	16.8
1995-96	182.0	21.0	10.3	21.4	13.7
1996-97	8.6	-2.7	5.8	1.4	-0.02
1997-98	44.6	-0.4	13.1	33.7	31.3
1998-99	21.0	40.8	41.5	54.3	68.2
1999-00	7.1	6.4	19.4	-1.2	35.1
2000-01	10.9	13.0	9.0	5.7	19.7
2001-02	15.2	3.5	10.2	4.1	-36.3
2002-03	14.6	-0.2	9.2	10.5	5.9
2003-04	26.7	13.4	7.8	1.2	0.1
2004-05	46.7	-2.6	-1.6	11.0	14.4
2005-06	56.6	19.3	-1.8	16.1	13.9
2006-07	36.7	14.7	22.7	28.6	23.6
2007-08	7.6	32.4	15.3	32.7	31.4
2008-09	41.1	...	109.3	53.1	53.9
2009-2010	-11.8	...	...	...	39.8
2010-11	...	...	...	...	...

Source: Union Budget, Government of India, New Delhi.

Table 3.4: Total Union Budget Allocations on UGC and Higher Education (Rs. in Crores)

Year	UGC			Higher education/ University		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1986-87	85.46	142.02	227.48	103.02	145.13	248.15
1987-88	120.00	180.00	300.00	145.56	208.58	354.14
1988-89	120.00	191.87	311.87	147.67	403.96	551.63
1989-90	120.00	207.24	327.24	154.25	335.93	490.18
1990-91	112.5	238.20	350.70	131.6	340.00	471.6
1991-92	141.68	260.03	401.71	164.62	333.51	498.13
1992-93	124.9	306.54	431.44	149.97	360.12	510.09
1993-94	132.00	336.95	468.95	162.23	384.26	546.49
1994-95	184.30	343.18	527.48	257.53	380.70	638.23
1995-96	189.29	450.82	640.11	245.41	480.56	725.97
1996-97	183.13	466.14	649.27	239.75	486.04	725.79
1997-98	323.10	545.00	868.10	386.61	566.10	952.71
1998-99	330.35	1009.00	1339.35	392.54	1210.01	1602.55
1999-00	348.00	975.00	1323.00	419.09	1745.00	2164.09
2000-01	399.00	1000.00	1399.00	499.72	2091.48	2591.2
2001-02	435.78	1020.68	1456.46	545.00	1105.49	1650.49
2002-03	508.09	1101.39	1609.48	569.41	1178.96	1748.37
2003-04	516.75	1112.30	1629.05	566.22	1183.18	1749.4
2004-05	625.27	1182.85	1808.12	710.95	1290.22	2001.17
2005-06	709.72	1389.61	2099.33	788.8	1489.59	2278.39
2006-07	1139.47	1560.70	2700.17	1215.85	1600.10	2815.95
2007-08	1633.07	1948.87	3581.94	1708.34	1991.09	3699.43
2008-09	2761.5	2720.86	5482.36	2863.06	2831.73	5694.79
2009-2010	3244.02	3977.78	7221.8	3193.14	4249.13	7442.27

Source: Union Budget, Government of India, New Delhi.

Table 3.5: Total Union Budget Allocations on Technical Education and Secondary Education (Rs. in Crores)

Year	Technical Education			Secondary Education		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1986-87	67.57	85.46	153.03	85.23	98.47	183.70
1987-88	173.00	96.87	269.87	299.17	108.71	407.88
1988-89	150.03	149.27	299.30	190.27	132.98	323.25
1989-90	135.27	142.94	278.21	183.91	143.34	327.25
1990-91	159.20	153.99	313.19	174.19	213.82	388.01
1991-92	158.82	159.87	318.69	191.24	232.59	423.83
1992-93	170.00	171.67	341.67	225.00	230.98	455.98
1993-94	193.79	207.25	401.04	304.93	256.46	561.39
1994-95	232.02	232.07	464.09	339.40	262.30	601.70
1995-96	253.21	258.83	512.04	363.51	364.46	727.97
1996-97	257.62	284.2	541.82	367.24	341.37	708.61
1997-98	318.51	294.07	612.58	253.98	451.45	705.43
1998-99	344.02	523.04	867.06	432.78	560.37	993.15
1999-2000	490.93	544.33	1035.26	474.65	581.84	1056.49
2000-01	516.18	612.54	1128.72	574.14	619.77	1193.91
2001-02	545.77	698.42	1244.19	615.40	620.20	1235.60
2002-03	547.88	811.18	1359.06	516.35	716.20	1232.55
2003-04	650.00	815.52	1465.52	659.43	738.38	1397.81
2004-05	597.92	843.46	1441.38	588.24	772.18	1360.42
2005-06	580.93	833.92	1414.85	759.40	863.89	1623.29
2006-07	841.14	895.20	1736.34	960.30	901.04	1861.34
2007-08	981.48	1020.37	2001.85	1472.80	992.38	2465.18
2008-09	2642.38	1546.95	4189.33	2540.72	1516.07	4056.79
2009-2010	3374.42	1986.71	5361.13	2845.50	2595.36	5440.86
2010-11	3822.83	1971.83	5793.90	4087.38	2291.44	6378.8

Source: Union Budget, Government of India, New Delhi.

Table 3.6: Total Union Budget Allocations on Elementary Education and Total Education (Rs. in Crores)

Year	Elementary Education			Total Education		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1986-87	...	...	...	400.41	457.96	858.37
1987-88	...	...	...	1036.82	580.12	1616.94
1988-89	220.02	0.15	220.17	1264.68	882.87	2147.55
1989-90	200.88	0.14	201.02	1219.19	831.14	2050.33
1990-91	224.30	0.15	224.45	1285.09	978.97	2264.06
1991-92	267.54	0.81	268.35	1418.76	1007.40	2426.16
1992-93	339.00	0.66	339.66	1575.30	1044.51	2619.81
1993-94	442.84	0.86	443.7	2047.40	1149.95	3197.35
1994-95	511.25	0.86	512.11	2424.95	1183.38	3608.33
1995-96	1443.03	0.99	1444.02	4309.61	1511.81	5821.42
1996-97	1566.90	0.98	1567.88	4507.18	1499.16	6006.34
1997-98	2265.32	1.44	2266.76	5869.75	1818.29	7688.04
1998-99	2741.33	1.75	2743.08	7218.29	2914.76	10133.05
1999-2000	2931.28	5.60	2936.88	4859.61	3514.56	8374.17
2000-01	3250.00	7.89	3257.89	5524.14	4020.50	9544.64
2001-02	3750.00	4.60	3754.60	6185.40	3120.53	9305.93
2002-03	4300.00	4.58	4304.58	6758.68	3510.39	10269.07
2003-04	5450.00	4.60	5454.60	8109.43	3575.38	11684.81
2004-05	8000.00	4.58	8004.58	10812.39	3776.76	14589.15
2005-06	12531.68	4.65	12536.33	15801.08	4158.54	19959.62
2006-07	17128.00	5.00	17133.00	21704.30	4406.04	26110.34
2007-08	18433.91	5.70	18439.61	23168.06	4134.09	27302.15
2008-09	24500.00	1526.57	26026.57	31300.00	6066.57	37366.57
2009-2010	22729.00	2609.00	25338.00	30681.00	9046.00	39727.00

Source: Union Budget, Government of India, New Delhi.

Table 3.7: Annual Growth for Plan and Non-Plan Expenditure (Rs. in Crores)

Year	Elementary Education		Total Education		Total Dept of HE	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1987-88	...	...	158.9	26.7	134.0	31.1
1988-89	...	...	22.0	52.2	15.8	59.0
1989-90	-8.6	-6.7	-3.6	-5.9	-2.3	-8.3
1990-91	11.6	7.1	5.4	17.8	6.3	11.2
1991-92	19.3	440.0	10.4	2.9	8.3	1.2
1992-93	26.7	-18.5	11.0	3.7	5.3	5.0
1993-94	30.6	30.3	30.0	10.1	28.5	9.8
1994-95	15.4	0.0	18.4	2.9	21.1	3.1
1995-96	182.3	15.1	77.7	27.8	59.0	24.6
1996-97	8.6	-1.0	4.6	-0.8	2.8	0.9
1997-98	44.6	46.9	30.2	21.3	30.2	18.0
1998-99	21.0	21.5	23.0	60.3	20.7	72.3
1999-2000	6.9	220.0	-32.7	20.6	-64.1	24.4
2000-01	10.9	40.9	13.7	14.4	16.9	15.9
2001-02	15.4	-41.7	12.0	-22.4	7.1	-26.4
2002-03	14.7	-0.4	9.3	12.5	6.7	11.8
2003-04	26.7	0.4	20.0	1.9	3.0	1.5
2004-05	46.8	-0.4	33.3	5.6	11.2	5.9
2005-06	56.6	1.5	46.1	10.1	12.9	9.7
2006-07	36.7	7.5	37.4	6.0	44.1	6.4
2007-08	7.6	14.0	6.7	-6.2	-9.8	-10.4
2008-09	...	...	35.1	46.7	108.5	44.8
2009-2010	...	...	-2.0	49.1	16.9	41.8

Source: Union Budget, Government of India, New Delhi.

Table 3.8: Compound Annual Rate of Growth for Intra-sectoral Education (1988-89 to 2010-11) Rs. in Crores

Year	Tech Edu	Time	CARG	Uni/HE	CARG	Elem Edu	CARG	Sec Edu	CARG
1988-89	299.3	1	14.1	551.63	13.9	220.17	27.0	323.25	12.8
1989-90	278.21	2		490.18		201.02		327.25	
1990-91	313.19	3		471.6		224.45		388.00	
1991-92	318.69	4		498.13		268.35		423.83	
1992-93	341.67	5		510.09		339.66		455.98	
1993-94	401.04	6		546.49		443.7		561.39	
1994-95	464.09	7		638.23		512.11		601.70	
1995-96	512.04	8		725.97		1444.02		727.97	
1996-97	541.82	9		725.79		1567.88		708.61	
1997-98	612.58	10		952.71		2266.76		705.43	
1998-99	867.06	11		1602.55		2743.08		993.15	
1999-00	1035.26	12		2164.65		2936.88		1056.49	
2000-01	1128.72	13		2591.20		3257.89		1193.91	
2001-02	1244.19	14		1650.49		3754.60		1235.60	
2002-03	1359.06	15		1748.37		4304.58		1232.55	
2003-04	1465.52	16		1749.40		5454.60		1397.81	
2004-05	1441.38	17		2001.17		8004.58		1360.42	
2005-06	1414.85	18		2278.39		12536.33		1623.29	
2006-07	1736.34	19		2815.34		17133.00		1861.34	
2007-08	2001.85	20		3699.43		18439.61		2465.18	
2008-09	4189.33	21		5694.79		19488.62		26026.57	
2009-10	5361.13	22		7442.27		17181.40		25338.00	
2010-11	5793.9	23		10404.00		26207.99		6378.80	

Source: Union Budget, Government of India, New Delhi.

N.B: Tech-Technical, Uni-University, HE-Higher Education, Sec-Secondary, Elem-Elementary, Edu-Education, CARG- Compound Annual Rate of Growth.

Table 3.9: Public Expenditure on Education (Rs. in Crores)

Year	Expenditure by all Sectors	Expenditure by Education depart(C+S)	Expenditure Education & Other departments (C+S)	Exp by Edu Dept as % to Total exp	Exp on Edu as % of GDP	Exp by all means as % to Total Exp	Exp by all means as % to GDP
1951-52	814	64.5	64.5	7.92	0.64	7.92	0.64
1952-53	858	72.3	72.3	8.43	0.67	8.43	0.67
1953-54	908	80.1	80.1	8.82	0.76	8.82	0.76
1954-55	974	95.8	95.8	9.84	0.84	9.84	0.84
1955-56	1111	118.4	118.4	10.65	1.09	10.65	1.09
1956-57	1158	132.9	132.9	11.47	1.20	11.47	1.20
1957-58	1417	150.3	150.3	10.61	1.14	10.61	1.14
1958-59	1594	173.8	173.8	10.90	1.28	10.90	1.28
1959-60	1770	207.6	207.6	11.73	1.38	11.73	1.38
1960-61	1998	239.6	239.6	11.99	1.51	11.99	1.51
1961-62	2225	260.3	260.3	11.70	1.50	11.70	1.50
1962-63	2943	278.8	278.8	9.47	1.51	9.47	1.51
1963-64	3489	313.9	313.9	9.00	1.58	9.00	1.58
1964-65	3845	369.3	369.3	9.60	1.62	9.60	1.62
1965-66	4405	432.6	432.6	9.82	1.63	9.82	1.63
1966-67	5100	487.8	487.8	9.56	1.74	9.56	1.74
1967-68	5620	593.1	593.1	10.55	1.87	10.55	1.87
1968-69	6922	649.1	649.1	9.38	1.75	9.38	1.75
1969-70	7908	760.2	760.2	9.61	1.93	9.61	1.93
1970-71	8787	892.4	892.4	10.16	2.06	10.16	2.06
1971-72	10611	994.8	1011.1	9.38	2.15	9.53	2.19
1972-73	11864	1128.8	1150.4	9.51	2.28	9.70	2.32
1973-74	12884	1274.3	1300.7	9.89	2.33	10.10	2.38
1974-75	14625	1540.0	1570.7	10.53	2.32	10.74	2.36
1975-76	17959	1809.1	1849.5	10.07	2.31	10.30	2.36
1976-77	20483	1987.4	2039.1	9.70	2.36	9.96	2.42
1977-78	22666	2256.2	2630.6	9.95	2.49	11.61	2.90
1978-79	26135	2561.1	2994.7	9.80	2.49	11.46	2.91
1979-80	30915	2868.9	3347.6	9.28	2.58	10.83	3.01
1980-81	36398	3374.3	3884.2	9.27	2.76	10.67	3.18
1981-82	41716	3790.2	4298.3	9.09	2.61	10.30	2.96
1982-83	49769	4761.8	5509.2	9.57	2.79	11.07	3.23
1983-84	61889	5454.5	6229.5	8.81	2.85	10.07	3.26
1984-85	69025	6432.8	7455.9	9.32	2.89	10.80	3.35
1985-86	67091	7457.0	8713.0	11.11	2.99	12.99	3.50
1986-87	80455	8450.3	9479.1	10.50	3.00	11.78	3.37
1987-88	92518	10430.2	11798.4	11.27	3.31	12.75	3.75
1988-89	107544	12408.7	14069.8	11.54	3.47	13.08	3.93
1989-90	126046	15044.2	17192.5	11.94	3.54	13.64	4.05

Source: Analysis of Budgeted Expenditure, MHRD, Govt. of India. RBI for GDP Series

Table 3.9 (Continued)
Public Expenditure on Education: Post 1990-91 (Rs in Crores)

Year	Expenditure by all Sectors	Expenditure by Education depart(C+S)	Expenditure Education & Other departments (C+S)	Exp by Edu Dept as % to Total exp	Exp on Edu as % of GDP	Exp by all means as % to Total Exp	Exp by all means as % to GDP
1990-91	146712	17193.7	19615.9	11.72	3.53	13.37	4.02
1991-92	170370	18757.6	22393.7	11.01	3.29	13.14	3.93
1992-93	190327	20953.0	25030.3	11.01	3.20	13.15	3.82
1993-94	218535	23413.1	28279.7	10.71	3.11	12.94	3.76
1994-95	251692	27232.2	32606.2	10.82	3.15	12.95	3.77
1995-96	286195	31516.6	38178.1	11.01	3.10	13.34	3.76
1996-97	329390	36371.6	43896.5	11.04	3.05	13.33	3.68
1997-98	370838	41109.3	48552.1	11.09	2.98	13.09	3.52
1998-1999	439768	51225.3	61578.9	11.65	3.35	14.00	4.03
1999-2000	512519	61281.5	74816.1	11.96	3.50	14.60	4.27
2000-01	572160	62498.1	82486.5	10.92	3.20	14.42	4.23
2001-02	619713	64847.7	79865.7	10.46	3.08	12.89	3.80
2002-03	678548	68561.6	85507.3	10.10	3.01	12.60	3.75
2003-04	743669	73044.9	89079.3	9.82	2.98	11.98	3.63
2004-05	797346	81280.9	96694.1	10.19	2.95	12.13	3.51
2005-06	889714	94483.7	113228.7	10.62	3.00	12.73	3.60

Source: Analysis of Budgeted Expenditure, MHRD, Govt. of India, Various Volumes.
Reserve Bank of India for GDP Series.

Table 3.10: Scheme wise Expenditure on University and Higher Education in India

Scheme(s)	Seventh Plan(1985-1990)	Eighth Plan(1992-1997)	Ninth Plan(1997-2002)	Tenth plan (2002-07)
Association of Indian Universities	0.38	0.64	1.39	2.09
Institutions of Higher Learning	1.54	1.61	1.98	3.85
Dr. Zakir Husain Memorial College Trust	1.07	1.06	0.05	1.25
U.G.C.	588	874.41	2027.1	3801.28
I.G.N.O.U.	44.01	131.31	163.24	240.49
Institutions of research				
I.C.H.R	1.96	2.02	6.02	13.67
I.I.A.S	1.88	5.65	7.23	10.49
I.C.P.R	3.1	6.01	6.12	8.87
I.C.S.S.R	13.28	18.55	50.29	88.75
PHISPC			3.04	8.22
National Council of Rural Institutes	0.45	6	0	1.14
Strengthening of Admn. Machinery	0.24	2.96		
Commonwealth of Learning	1.25	3.1		
Other Schemes#	2.8	2.5	4.46	0
Total (Universities and H.E.)	659.96	1055.82	2270.92	4180.1
# include expenditure on Punjab university, Hindi university, Urdu university, population education project and Source: Department of Higher Education ,MHRD, Govt. of India(downloaded from indiastat.com)				

Source: Department of Higher Education, MHRD, Govt. of India.

Table 3.11: Year-wise statement of court cases and expenditure incurred on the fees of advocates by UGC

Year	No. of cases received	Exp on bills of advocates (Rs in Lakh)
1998-99	289	1.32
1999-2000	369	7.34
2000-01	365	1.86
2001-02	337	4.86
2002-03	357	27.73
2003-04	247	15.67
2004-05	306	30.05
2005-06	340	22.06

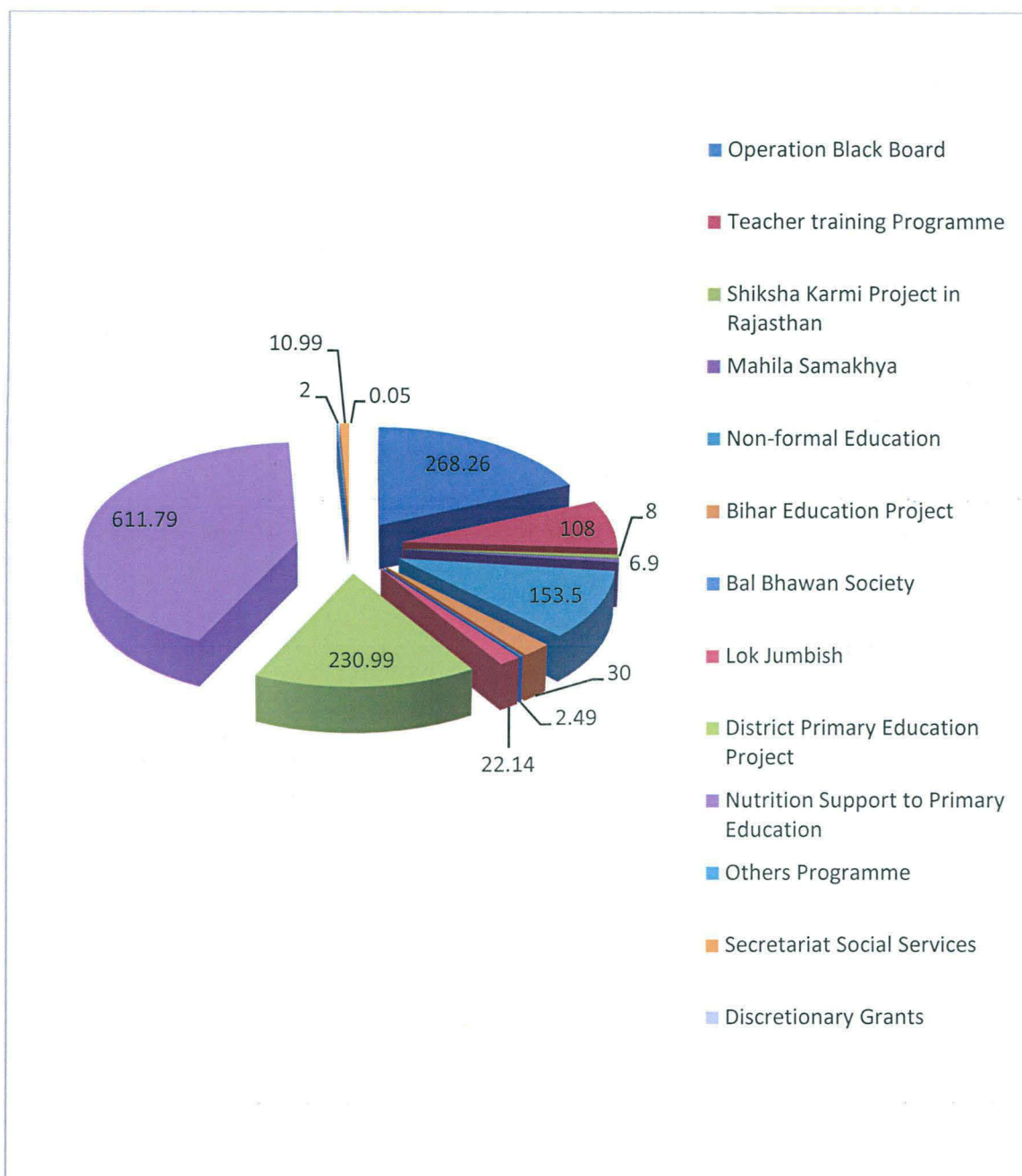
Source: UGC Annual Report, 2005-06, New Delhi.

Table 3.12: Coefficient of Variance on Different levels of Education

Year	Uni/HE	UGC	Techn Edu	Elem Edu	Sec Edu
1987-88	42.7	31.9	76.4		122.0
1988-89	55.8	4.0	10.9		-20.7
1989-90	-11.1	4.9	-7.0	-8.7	1.2
1990-91	-3.8	7.2	12.6	11.7	18.6
1991-92	5.6	14.5	1.8	19.6	9.2
1992-93	2.4	7.4	7.2	26.6	7.6
1993-94	7.1	8.7	17.4	30.6	23.1
1994-95	16.8	12.5	15.7	15.4	7.2
1995-96	13.7	21.4	10.3	182.0	21.0
1996-97	0.0	1.4	5.8	8.6	-2.7
1997-98	31.3	33.7	13.1	44.6	-0.4
1998-99	68.2	54.3	41.5	21.0	40.8
1999-2000	35.1	-1.2	19.4	7.1	6.4
2000-01	19.7	5.7	9.0	10.9	13.0
2001-02	-36.3	4.1	10.2	15.2	3.5
2002-03	5.9	10.5	9.2	14.6	-0.2
2003-04	0.1	1.2	7.8	26.7	13.4
2004-05	14.4	11.0	-1.6	46.7	-2.7
2005-06	13.9	16.1	-1.8	56.6	19.3
2006-07	23.6	28.6	22.7	36.7	14.7
2007-08	31.4	32.7	15.3	7.6	32.4
2008-09	53.9	53.1	109.3	41.1	
Mean	17.7	16.5	18.4	30.7	15.6
ST DEV	24.1	16.0	26.5	39.1	27.8
CV	1.36	0.97	1.44	1.27	1.79

Source: Union Budget, Government of India, New Delhi.

Figure 3.6: Total Expenditure under Elementary Education (Rs. in Crores)



Source: Union Budget, 1996-97, Government of India, New Delhi.

Table 4.1: Plan and Non-Plan Grants Released to Institutions during 1991-92& 1993-94 (Rs.in Crores)

Type of institutions	1991-92 Plan	Relative share	% of total Plan grant	1993-94 Plan	Relative share	% of total Plan grant
State Universities	72.08	0.42	42.45	66.25	0.41	41.17
Colleges of State Universities	20.55	0.12	12.10	33.03	0.20	20.52
Central Universities	47.97	0.28	28.25	30.06	0.18	18.68
Inter-University Centres	...	...	...	17.91	0.11	11.13
Institutions deemed Universities	10.62	0.06	6.25	8.91	0.05	5.54
Miscellaneous	2.48	0.01	1.46	3.14	0.02	1.95
Colleges of Central Universities	2.57	0.01	1.51	1.63	0.01	1.01
Science Centre & Establishment	13.52	0.08	7.96	0.00	...	...
Total	169.79	1	100	160.93	1	100
Maintenance to:	Non- plan	Relative share	% of total Non-plan	Non- Plan	Relative Share	% of total Non-plan
Central Universities	159.27	0.59	59.82	222.50	0.65	65.71
Colleges of Delhi and BHU	57.31	0.21	21.52	75.98	0.22	22.44
Institutions deemed to be Universities	33.8	0.12	12.69	18.13	0.05	5.35
Teachers awards, Research fellowship etc.	6.44	0.02	2.42	8.6	0.02	2.54
Inter-University Centres/Institutions	...	...	...	2.75	0.00	0.81
State Universities	1.93	0.00	0.72	2.91	0.00	0.86
Specific grant for State universities	...	...	...	...	...	...
Non-University Institutions	0.17	0.00	0.06	0.4	0.00	0.118
UGC Establishment expenses	4.86	0.01	1.83	7.32	0.02	2.162
HBA to deemed universities	...	...	...	...	...	...
Media centre	2.48	0.00	0.931	...	...	...
Total	266.26	1.00	100.00	338.59	1.00	100.00
Grand total (Plan+Non-Plan)	436.05	...	...	499.52	...	...

Source: UGC (1992) Annual Report 1991-1992, New Delhi.

UGC (1994) Annual Report 1993-1994, New Delhi.

Table 4.1(Continued)

Type of institutions	1994-95 Plan	Relative share	% of total Plan grant	1995-96 Plan	Relative share	% of total Plan grant
State Universities	84.37	0.42	41.62	62.75	0.35	34.61
Colleges of State Universities	48.1	0.24	23.73	38.11	0.21	21.02
Central Universities	38.8	0.19	19.14	42.77	0.24	23.59
Inter-University Centres	18.02	0.09	8.89	25	0.14	13.79
Institutions deemed Universities	6.81	0.03	3.36	8.71	0.05	4.80
Miscellaneous	3.87	0.02	1.91	0	0.00	0.00
Colleges of Central Universities	2.73	0.01	1.35	3.99	0.02	2.20
Science Centre & Establishment	...	...	...	...	...	...
Total	202.7	1	100	181.33	1	100
Maintenance to:	Non- plan	Relative share	% of total Non-plan	Non- Plan	Relative share	% of total Non-Plan
Central Universities	222.93	0.64	64.07	276.95	0.62	62.49
Colleges of Delhi and BHU	80.92	0.23	23.26	96.99	0.22	21.88
Institutions deemed to be Universities	21.69	0.06	6.23	30.42	0.07	6.86
Teachers awards, Research fellowship etc.	7.99	0.02	2.30	27.04	0.06	6.10
Inter-University Centres/ Institutions	3.25	0.01	0.93	0.51	0.00	0.12
State Universities	2.11	0.01	0.61	2.22	0.01	0.50
Specific grant for State universities	1.05	0.00	0.30	0	0.00	0.00
Non-University Institutions	0.42	0.00	0.12	0.45	0.00	0.10
UGC Establishment expenses	7.6	0.02	2.18	8.64	0.02	1.95
HBA to deemed universities	...	...	...	...	...	...
Media centre	...	...	...	...	...	...
Total	347.96	1.00	100.00	443.22	1.00	100.00
Grand total (Plan+Non-Plan)	550.66	...	...	624.55	...	...

Source: UGC (1995) Annual Report 1994-1995, New Delhi.

UGC (1996) Annual Report 1995-1996, New Delhi.

Table 4.1(Continued)

Type of institutions	1996-97 Plan	Relative share	% of total Plan grant	1997-98 Plan	Relative share	% of total Plan grant
State Universities	73.00	0.32	32.18	114.66	0.32	32.03
Colleges of State Universities	69.70	0.31	30.72	111.89	0.31	31.26
Central Universities	40.26	0.18	17.75	75.98	0.21	21.23
Inter-University Centres	28.81	0.13	12.70	30.71	0.09	8.58
Institutions deemed Universities	8.57	0.04	3.78	17.94	0.05	5.01
Miscellaneous	4.19	0.02	1.85	2.48	0.01	0.69
Colleges of Central Universities	2.33	0.01	1.03	4.28	0.01	1.20
Science Centre & Establishment	...	...	...	...	...	...
Total	226.86	1.00	100.00	357.94	1.00	100.00
Maintenance to:	Non-Plan	Relative share	% of total Non-Plan	Non-Plan	Relative share	% of total Non-Plan
Central Universities	294.66	0.62	62.29	350.02	0.64	64.20
Colleges of Delhi and BHU	106.28	0.22	22.47	117.90	0.22	21.62
Institutions deemed to be Universities	31.19	0.07	6.59	34.60	0.06	6.35
Teachers awards, Research fellowship etc.	19.75	0.04	4.18	19.02	0.03	3.49
Inter-University Centres/Institutions	0.49	0.00	0.10	0.47	0.00	0.09
State Universities	5.41	0.01	1.14	4.83	0.01	0.89
Specific grant for State universities	2.70	0.01	0.57	3.04	0.01	0.56
Non-University Institutions	1.60	0.00	0.34	0.55	0.00	0.10
UGC Establishment expenses	10.94	0.02	2.31	14.78	0.03	2.71
HBA to deemed universities	...	...	...	...	...	...
Media centre	...	...	...	...	...	...
Total	473.02	1.00	100.00	545.21	1.00	100.00
Grand total (Plan+Non-Plan)	699.88	...	...	903.15	...	...

Source: UGC (1997) Annual Report 1996-1997, New Delhi.

UGC (1998) Annual Report 1997-1998, New Delhi.

Table 4.1(Continued)

Type of institutions	1998-99 Plan	Relative share	% of total Plan grant	1999-2000 Plan	Relative share	% of total Plan grant
State Universities	110.26	0.29	29.39	143.52	0.35	34.58
Colleges of State Universities	127.11	0.34	33.88	116.66	0.28	28.11
Central Universities	71.69	0.19	19.11	106.04	0.26	25.55
Inter-University Centres	36.27	0.10	9.67	18.82	0.05	4.53
Institutions deemed Universities	19.67	0.05	5.24	17.75	0.04	4.28
Miscellaneous	4.81	0.01	1.28	4.41	0.01	1.06
Colleges of Central Universities	5.32	0.01	1.42	7.82	0.02	1.88
Science Centre & Establishment	...	...	...	...	...	...
Total	375.13	1.00	100.00	415.02	1.00	100.00
Maintenance to:	Non-Plan	Relative share	% of total Non-Plan	Non-Plan	Relative share	% of total Non-Plan
Central Universities	623.33	0.62	62.34	594.19	0.61	60.86
Colleges of Delhi and BHU	249.09	0.25	24.91	252.43	0.26	25.85
Institutions deemed to be Universities	56.24	0.06	5.62	49.11	0.05	5.03
Teachers awards, Research fellowship etc.	24.95	0.02	2.50	30.9	0.03	3.16
Inter-University Centres/Institutions	0.76	0.00	0.08	1.13	0.00	0.12
State Universities	4.86	0.00	0.49	5.68	0.01	0.58
Specific grant for State universities	20.15	0.02	2.02	24.75	0.03	2.54
Non-University Institutions	1.26	0.00	0.13	2.62	0.00	0.27
UGC Establishment expenses	19.27	0.02	1.93	15.52	0.02	1.59
HBA to deemed universities	...	...	...	...	...	...
Media centre	...	...	...	...	...	...
Total	999.91	1.00	100.00	976.33	1.00	100.00
Grand total (Plan+Non-Plan)	1375.04	...	...	1391.35	...	...

Source: UGC (1999) Annual Report 1998-1999, New Delhi.

UGC (2000) Annual Report 1999-2000, New Delhi.

Table 4.1 (Continued)

Type of institutions	2000-01 Plan	Relative share	% of total Plan grant	2001-02 Plan	Relative share	% of total Plan grant
State Universities	164.00	0.37	36.62	175.62	0.39	38.93
Colleges of State Universities	148.02	0.33	33.05	142.38	0.32	31.56
Central Universities	83.00	0.19	18.53	81.31	0.18	18.02
Inter-University Centres	24.94	0.06	5.57	18.02	0.04	3.99
Institutions deemed Universities	17.85	0.04	3.99	20.87	0.05	4.63
Miscellaneous	3.78	0.01	0.84	4.86	0.01	1.08
Colleges of Central Universities	6.43	0.01	1.44	8.09	0.01793	1.79
Science Centre & Establishment	...	...	...	...	...	...
Total	447.86	1.00	100.00	451.15	1.00	100.00
Maintenance to:	Non-Plan	Relative share	% of total Non-Plan	Non-Plan	Relative share	% of total Non-Plan
Central Universities	621.69	0.62	61.92	586.93	0.58	58.44
Colleges of Delhi and BHU	243.21	0.24	24.23	276.99	0.28	27.58
Institutions deemed to be Universities	59.41	0.06	5.92	60.77	0.06	6.05
Teachers awards, Research fellowship etc.	31.29	0.03	3.12	27.68	0.03	2.76
Inter-University Centres/Institutions	0.75	0.00	0.07	20.7	0.02	2.06
State Universities	5.83	0.01	0.58	6.76	0.01	0.67
Specific grant for State universities	22.74	0.02	2.27	4.51	0.00	0.45
Non-University Institutions	1.84	0.00	0.18	2.85	0.00	0.28
UGC Establishment expenses	17.20	0.02	1.71	17.12	0.02	1.70
HBA to deemed universities	...	...	...	...	...	...
Media centre	...	...	...	...	...	...
Total	1003.96	1.00	100.00	1004.31	1.00	100.00
Grand total (Plan+Non-Plan)	1451.82	...	...	1455.46	...	...

Source: UGC (2001) Annual Report 2000-2001, New Delhi.

UGC (2002) Annual Report 2001-2002, New Delhi.

Table 4.1 (Continued)

Type of institutions	2002-03 Plan	Relative share	% of total Plan grant	2003-04 Plan	Relative share	% of total Plan grant
State Universities	180.07	0.32	32.18	180.6	0.29	29.41
Colleges of State Universities	132.16	0.24	23.62	160.32	0.26	26.11
Central Universities	134.68	0.24	24.07	192.97	0.31	31.42
Inter-University Centres	74.12	0.13	13.24	38.31	0.06	6.24
Institutions deemed Universities	25.68	0.05	4.59	29.25	0.05	4.76
Miscellaneous	7.02	0.01	1.25	7.74	0.01	1.26
Colleges of Central Universities	5.91	0.01	1.06	4.89	0.01	0.80
Science Centre & Establishment	...	...	...	...	...	...
Total	559.64	1.00	100.00	614.08	1.00	100.00
Maintenance to:		Relative	% of total		Relative	% of total
	Non-Plan	share	Non-Plan	Non-Plan	share	Non-Plan
Central Universities	700.04	0.62	62.16	692.13	0.61	61.04
Colleges of Delhi and BHU	265.87	0.24	23.61	272.44	0.24	24.03
Institutions deemed to be Universities	66.12	0.06	5.87	65.74	0.06	5.80
Teachers awards, Research fellowship etc.	30.41	0.03	2.70	30.47	0.03	2.69
Inter-University Centres/Institutions	19.02	0.02	1.69	15.17	0.01	1.34
State Universities	6.16	0.01	0.55	5.59	0.00	0.49
Specific grant for State universities	3.86	0.00	0.34	23.69	0.02	2.09
Non-University Institutions	4.82	0.00	0.43	3.29	0.00	0.29
UGC Establishment expenses	20.41	0.02	1.81	22.22	0.02	1.96
HBA to deemed universities	9.55	0.01	0.85	3.15	0.00	0.28
Media centre	...	...	...	...	...	...
Total	1126.26	1.00	100.00	1133.89	1.00	100.00
Grand total (Plan+Non-Plan)	1685.9	...	...	1747.97	...	...

Source: UGC (2003) Annual Report 2002-2003, New Delhi.

UGC (2004) Annual Report 2003-2004, New Delhi.

Table 4.1 (Continued)

Type of institutions	2004-05 Plan	Relative share	% of total Plan grant	2005-06 Plan	Relative share	% of total Plan grant
State Universities	238.47	0.32	31.74	266.89	0.33	33.00
Colleges of State Universities	193.78	0.26	25.79	213.99	0.26	26.46
Central Universities	225.73	0.30	30.04	222.73	0.28	27.54
Inter-University Centres	56.37	0.08	7.50	59.09	0.07	7.31
Institutions deemed Universities	27.5	0.04	3.66	29.35	0.04	3.63
Miscellaneous	3.15	0.00	0.42	1.62	0.00	0.20
Colleges of Central Universities	6.33	0.01	0.84	15.07	0.02	1.86
Science Centre & Establishment	...	...	...	...	...	...
Total	751.33	1.00	100.00	808.74	1.00	100.00
Maintenance to:	Non- Plan	Relative share	% of total Non-Plan	Non- Plan	Relative share	% of total Non-Plan
Central Universities	730.98	0.61	61.31	878.65	0.63	63.22
Colleges of Delhi and BHU	292.06	0.24	24.50	315.24	0.23	22.68
Institutions deemed to be Universities	70.00	0.06	5.87	83.11	0.06	5.98
Teachers awards, Research fellowship etc.	39.59	0.03	3.32	46.46	0.03	3.34
Inter-University Centres/Institutions	18.6	0.02	1.56	20.00	0.01	1.44
State Universities	8.55	0.01	0.72	9.10	0.01	0.65
Specific grant for State universities	4.27	0.00	0.36	4.35	0.00	0.31
Non-Universities Institutions	4.90	0.00	0.41	6.75	0.00	0.49
UGC Establishment expenses	23.29	0.02	1.95	26.16	0.02	1.88
IIBA to deemed universities	...	...	...	...	...	...
Media centre	...	...	...	...	...	...
Total	1192.24	1.00	100.00	1389.82	1.00	100.00
Grand total (Plan+Non-Plan)	1943.57	...	...	2198.56	...	...

Source: UGC (2005) Annual Report 2004-2005, New Delhi.

UGC (2006) Annual Report 2005-06, New Delhi.

Table 4.1 (Continued)

Type of institutions	2006-07 Plan	Relative share	% of total Plan grant	2007-08 Plan	Relative share	% of total Plan grant
State Universities	294.25	0.24	23.54	572.18	0.30	30.36
Colleges of State Universities	385.42	0.31	30.83	483.86	0.26	25.67
Central Universities	480.6	0.38	38.44	623.86	0.33	33.10
Inter-University Centres	47.56	0.04	3.80	119.68	0.06	6.35
Institutions deemed Universities	24.82	0.02	1.99	55.75	0.03	2.96
Miscellaneous	0.45	0.00	0.04	0.68	0.00	0.04
Colleges of Central Universities	16.32	0.01	1.31	27.27	0.01	1.45
Science Centre & Establishment	0.80	0.00	0.06	1.67	0.00	0.09
Total	1250.22	1.00	100.00	1884.95	1.00	100.00
Maintenance to:	Non-Plan	Relative share	% of total Non-Plan	Non-Plan	Relative share	% of total Non-Plan
Central Universities	992.32	0.61	61.01	1311.95	0.69	69.17
Colleges of Delhi and BHU	356.15	0.22	21.90	386.41	0.20	20.37
Institutions deemed to be Universities	89.67	0.06	5.51	83.65	0.04	4.41
Teachers awards, Research fellowship etc.	113.94	0.07	7.01	51.47	0.03	2.71
Inter-University Centres/Institutions	22.98	0.01	1.41	28.5	0.02	1.50
State Universities	10	0.01	0.61	0.00	0.00	0.00
Specific grant for State universities	4.97	0.00	0.31	4.38	0.00	0.23
Non-University Institutions	7.68	0.00	0.47	10.71	0.01	0.56
UGC Establishment expenses	28.84	0.02	1.77	19.67	0.01	1.04
HBA to deemed universities	...	...	...	...	...	...
Media centre	...	...	...	...	...	...
Total	1626.55	1.00	100.00	1896.74	1.00	100.00
Grand total (Plan+Non-Plan)	2876.77	...	...	3781.69	...	...

Source: UGC (2007) Annual Report 2006-2007, New Delhi.

UGC (2008) Annual Report 2007-2008, New Delhi.

Table 4.1 (Continued)

Type of institutions	2008-09 Plan	Relative share	% of total Plan grant
State Universities	585.27	0.19	18.54
Colleges of State Universities	783.53	0.25	24.82
Central Universities	1517.7	0.48	48.08
Inter-University Centres	97.67	0.03	3.09
Institutions deemed Universities	131.28	0.04	4.16
Miscellaneous	0.93	0.00	0.03
Colleges of Central Universities	39.94	0.01	1.27
Science Centre & Establishment	...	...	...
Total	3156.32	1.00	100.00
Maintenance to:	Non-Plan	Relative share	% of total Non-Plan
Central Universities	1795.80	0.66	65.95
Colleges of Delhi and BHU	613.95	0.23	22.55
Institutions deemed to be Universities	132.91	0.05	4.88
Teachers awards, Research fellowship etc.	93.51	0.03	3.43
Inter-University Centres/Institutions	40.00	0.01	1.47
State Universities	16.26	0.01	0.60
Specific grants for State universities	4.66	0.00	0.17
Non-University Institutions	22.87	0.01	0.84
UGC Establishment expenses	3.00	0.00	0.11
HBA to deemed universities	...	...	...
Media centre	...	...	...
Total	2722.96	1.00	100.00
Grand total (Plan+Non-Plan)	5879.28	...	...

Source: UGC (2009) Annual Report 2008-2009, New Delhi.

Table 4.2: Annual Growth Rate and Expenditure on UGC as % to GDP

Sl. No.	Year	Grand Total	Annual Growth Rate	GDP at Market Prices	Exp on UGC as % to GDP
1	1991-92	436.05	...	654729	0.06
2	1992-93	...	...	752591	...
1	1993-94	499.52	...	865805	0.05
2	1994-95	550.66	10.24	1015764	0.05
3	1995-96	624.55	13.42	1191813	0.05
4	1996-97	699.88	12.06	1378617	0.05
5	1997-98	903.15	29.04	1527158	0.05
6	1998-99	1375.04	52.25	1751199	0.07
7	1999-00	1391.35	1.19	1952036	0.07
8	2000-01	1451.82	4.35	2102314	0.06
9	2001-02	1455.49	0.25	2278952	0.06
10	2002-03	1685.9	15.83	2454561	0.06
11	2003-04	1747.97	3.68	2754621	0.06
12	2004-05	1943.57	11.19	3149412	0.06
13	2005-06	2198.56	13.12	3580344	0.06
14	2006-07	2876.77	30.85	4145810	0.06
15	2007-08	3781.69	31.46	4947857	0.07
16	2008-09	5879.28	55.47	5321753	0.11

Source: UGC, Annual Report, (for various years), New Delhi.

Table 4.3: All India Growth of Students Enrolment: 1986-87 to 2008-09

Year	Total Enrolment	Increase over the Preceding year	Percentage
1986-87	37,57,158	1,52,129	4.2
1987-88	40,20,159	2,63,001	7.0
1988-89	42,85,489	2,65,330	6.6
1989-90	46,02,680	3,17,191	7.4
1990-91	49,24,868	3,22,188	7.0
1991-92	52,65,886	3,41,018	6.9
1992-93	55,34,966	2,69,080	5.1
1993-94	58,17,249	2,82,283	5.1
1994-95	61,13,929	2,96,680	5.1
1995-96	65,74,005	4,60,076	7.5
1996-97	68,42,598	2,68,593	4.1
1997-98	72,60,418	4,17,820	6.1
1998-99	77,05,520	4,45,102	6.1
1999-2000	80,50,607	3,45,087	4.5
2000-01	83,99,443	3,48,836	4.3
2001-02	89,64,680	5,65,237	6.7
2002-03	95,16,773	5,52,093	6.2
2003-04	99,53,506	4,36,733	4.6
2004-05	1,04,81,042	5,27,536	5.3
2005-06	1,10,28,020	5,46,978	5.2
2006-07	1,16,12,505	5,84,485	5.3
2007-08*	1,23,76,718	7,64,213	6.6

Source: UGC, Annual Report 2007-08

*Provisional

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