

Financing Higher Education in India

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I. INTRODUCTION

Knowledge is the driving force in the rapidly changing globalised economy and society. Quantity and quality of highly specialized human resources determine their competence in the global market. Emergence of knowledge as driving factor results in both challenges and opportunities. It is now well recognised that the growth of the global economy has increased opportunities for those countries with good levels of education and vice versa. The benefits of globalization accrue to the countries with highly skilled human capital and it is a curse for the countries without such specialized human capital. Developing and transition countries are further challenged in a highly competitive world economy because their higher education systems are not adequately developed for the creation and use of knowledge. Converting the challenges into opportunities depend on the rapidity at which they adapt to the changing environment. Though the higher education system and the pattern of financing higher education vary a great deal across countries in terms of their size and strength and degree of diversification of higher education institutions, yet they all face a severe financial crisis in the public finances available for higher education.

II. FINANCING OF HIGHER EDUCATION IN INDIA, WITH SPECIAL REFERENCE TO GENERAL EDUCATION.

It is now well understood that, on average, countries with higher levels of growth have labour forces with higher levels of formal schooling. With the shift to an information economy, globalization and flexible organizations of production, these arguments are further reinforced. The arguments that link high levels of education are linked not only to scientifically trained manpower but to higher levels of general education. In the light of these arguments, countries such as China and India are putting emphasis on the growth of education, including higher education. In India, the Approach Paper to the 11th Plan, has put behind more than a decade of relative neglect of higher education, to argue for much higher public investments in the sector. Expansion, quality and relevance are the key objectives in both countries. Indian policy goals also explicitly emphasise

access and inclusiveness. Both countries have distinct roles for the public and private sector which are to some extent still unfolding. But the differing evolution of the system in India and China also dictates to some extent, their present trajectories.

The Indian higher education system has undergone phenomenal qualitative change and expansion since the advent of the modern system in the first half of the nineteenth century. The first universities in the three presidencies of Madras, Calcutta and Bombay were formed in 1857 and were followed by the universities in Lahore and Allahabad in 1882 and 1887 respectively. In the early part of the 20th century, nationalistic and social aspirations led to the creation of a few universities, such as Banares Hindu University (1916), Viswabharati (1921), Aligarh Muslim University (1920), Delhi University (1922) and a large number of colleges. The funding of these universities and colleges depended primarily on philanthropic effort, with some support from the state. By 1951, India had 28 universities and less than colleges imparting higher education with less than half a million enrolled students. By 2005-06, there were over 325 universities, including Central, State, and Deemed) 1 and more than 17,000 colleges, enrolling an estimated ten to fifteen million students.

III. SOURCES OF FINANCE FOR HIGHER EDUCATION

Three major sources of finance for higher education can be distinguished. The 1st is state finance (Central and Provincial). The 2nd source comes from charitable and philanthropic non-governmental sources. The 3rd source is profit-seeking non-governmental finance, both domestic and foreign. The contribution of each of these sources and the role assigned to them has been different in different periods. Since 1951, education has primarily been a responsibility of the states, but in the case of higher and technical education, a greater responsibility was placed with the Central government. The Constitution of the Republic of India made education a state subject.

The responsibility of only certain categories of education/institutions and subjects continues to vest in the

Central government. However, in 1976, the omnibus 42nd Amendment to the Constitution brought “Education, including, technical education, medical education and universities” into List 3 of the Seventh schedule dealing with subjects in the joint purview of both central and state governments. More recently, the Constitution 73rd and 74th Amendments have recognized the rural and urban local bodies in India as the third tier of government and “education, including primary and secondary schools”, “technical training and vocational education” and “adult and non-formal education” have been placed in the purview of the local bodies in Article 243G of the Constitution. However, higher education is not in the purview of local bodies.

The impact of the 42nd Amendment was felt only after 1985-86, when the Central government gradually increased its contribution, after formulating the New Policy of Education (NPE) in 1986, and began to give greater priority to primary and elementary education. This thrust continued after the Alma Ata Declaration on ‘Education for All’ and the revised Policy on Education (1992). At the same time, while structural adjustment and liberalization put fiscal resources of the Centre and the State under stress, on the one hand, the dominant strand in thinking differentiated between elementary education which was treated as a merit good while higher education was treated as a private good. While the State has been the dominant source of finance for higher education, non-governmental finance provided by religious endowments, charitable trusts and others has been an important source of funding. Many of these institutions are able to receive regular state grants to meet a large proportion of their recurrent expenditure after they meet eligibility criteria. Privately managed institutions, which receive regular grants from government are known as ‘private- aided’ institutions. Privately managed institutions which do not receive government funding could be both non-profit institutions or for-profit institutions, which either are not eligible for state funding or do not wish to receive the same. Since about a decade or more, most state governments have virtually ceased to expand the list of government aided institutions, thereby increasing the percentage of ‘self-financed’ or ‘private unaided institutions’. These institutions have now become an important source of finance for higher education and dominate some segments of technical and professional education.

IV. TRENDS IN GOVERNMENT FINANCING OF HIGHER EDUCATION

Of the two levels of government, the bulk of expenditure on education comes from the state governments, although the Centre shares a greater proportion of the expenditure on higher education. The annual shares of the Central and state governments in total public expenditure on education and on higher education since 1950-51. The central government share in expenditure still continues to be lower than that in the first two decades. The share of the Central government in total expenditure declined from 24.7

during 1970-71 to 1980-81 to 21.1 during 1981-82 to 1991-92 and further to 20.3 during 1992-93 to 2003-04. The Central government also spends a greater proportion of its education expenditure on higher education. This is indeed consistent with the role set out for the Centre in the Constitution. The share of the government’s development spending on education can be estimated by its plan spending. The proportion of State and Central expenditure devoted to higher education relative to the total expenditure on education at each level of government period-wise average shares are given in the Table.

| Planning period | State | Centre | Total |
|-----------------|-------|--------|-------|
| 1952-1961 | 9.3 | 20.7 | 10.6 |
| 1962-1971 | 8.9 | 40.3 | 11.8 |
| 1972-1981 | 11.5 | 47.9 | 14.0 |
| 1982-1992 | 12.2 | 36.2 | 14.2 |
| 1993-2004 | 11.4 | 23.3 | 12.7 |

Table 1: State and Central expenditure on Higher Education

Total government finance for higher education has grown significantly since 1951. But the trend in growth of expenditure on higher education has been different from that of total education. The trend is also different between the Central and State governments. Both total education and higher education grew at the highest rate in the first two decades (1951-1971) and decelerated sharply during the 1970s. During 1982-83/1992-93, and 1992-93/2003-04 the Central government again stepped up the rate of growth of expenditure on both total and higher education. However, the states’ expenditure on education experienced a lower growth rate, particularly during the last period. As a result, as far as higher education is concerned, the rate of growth of public expenditure has continued to fall during every successive decade, and for both total and higher education, the rate of growth of expenditure was The rate of growth of expenditure on total as well as higher education was significantly higher than the rate of growth of national income in the first two decades.

It can be observed that both total expenditure on education and higher education increased as a percentage of GDP till the 1980s. There was an upward movement in the total education expenditure to GDP ratios during 1987-88 to 1988-00 and then a decade later in response to pay commission awards, but abstracting from these, the expenditure to GDP ratio has remained virtually constant. In the case of higher education, expenditure to GDP ratios were 0.43 % on average during the 1980s and also during 1992-93 to 2003-04. Thus despite various pronouncements, the state has not been able to increase the expenditure/GDP ratio for education. As we noted initially, enrolment in higher education has been expanding at a brisk pace, even as the tempo of public expenditure has not been maintained. Particularly in the reform phase since 1992-93, the increase in real expenditure has lagged behind the rate of increase in student enrolment in general education. As a result, during this phase, the rate of growth in per student expenditure has been negative.

The year wise trend for the period 1981-82 to 2003-04 is increased gradually. Per student public expenditure has registered a negative rate of growth both for Central as well as State expenditure. Overall, per student expenditure has declined at a rate of 2.4 % since 1992-93. The average real expenditure on higher education per enrolled student declined from Rs 8322 in the period 1981-82 to 1991-92 to Rs. 6790 in the period 1992-93 to 2003-04. lower in the post-reform period as compared to the preceding decade.

V. FEW BROAD CONCLUSIONS REGARDING PUBLIC FINANCING OF HIGHER EDUCATION IN INDIA ARE, AS FOLLOWS:

Public expenditure on higher education grew at a very rapid rate till the early 1970s but continued to exceed the rate of growth of national income till the mid-1980s. As a result, the share of public expenditure in higher education to GDP rose on this period. Thereafter, the trend is towards stagnancy or decline. The most noticeable feature is a decline in per student real expenditure on higher education in the period after 1992-93. Per student expenditures on higher education were low in India to begin with the modernisation of education, these should have grown at a high rate to provide infrastructural support of the necessary quality.

VI. PRIVATE FINANCE FOR HIGHER EDUCATION

As shown earlier, private initiative and funding of education has always been an important source of the funding of higher education. But till the phase of liberalisation and economic reforms, private funding of education was generally considered to be of a non-profit character. Due to the high cost of financing higher education, except in a small number of cases, the trajectory generally followed by private managements was to start the educational institution by putting into place the requisite teaching and physical infrastructure and to then seek public funding to meet the major part of the recurring costs, especially the salary costs. This, however, subjects the educational institution to the regulatory provisions and financial discipline of the funding entity, which may be the state government or the University Grants Commission. The last decade and a half has seen the strong emergence of for-profit educational institutions, principally in the areas of professional education (engineering, technology, medicine and para-medicine, management etc.) but also in other streams of general education. Private ('recognized') institutions, which do not seek government funding are expected to adhere to minimum standards but are subject to fewer regulations with respect to fees, admissions etc. No firm estimates are available of the expenditure on financing education by private managements.

The National Sample Survey occasionally carries out household surveys to estimate participation in education and household costs of education. Household costs are divided into different types of fees (tuition, examination, other fees)

and other costs (private tuition, transport, lodging etc.). The survey results are available for 1995-96, and capture the initial impact of liberalization on the higher education sector. As can be visualised, costs per student in higher education are considerably higher in privately managed colleges, especially in unaided colleges. Fees are also much higher in engineering and other professional courses compared to general courses and arts/humanities. The details of annual fee per student in general education and all higher education including technical education are given in table 2.

| Institutes | General education | General & Tech. education |
|-------------------------|-------------------|---------------------------|
| Government / Local body | 851 | 877 |
| Private – aided | 1374 | 1497 |
| Private – unaided | 3331 | 3495 |
| All | 1198 | 1276 |

Table 2: Total Fee per Student, 1995-96 (Rs.)

- Source: Computed from NSS, 52nd Round, unit record data.

Government funding finances an overwhelming proportion of expenditure in government institutions. In private-aided institutions, government finances contribute to a major part of the recurrent expenditure (with some part of the fee being debited against specific types of expenditure) (and in some cases, part of the capital expenditure) but the revenue accruing to these colleges is supposed to cover other types of expenditure. In the case of private unaided colleges, their entire revenue goes towards the maintenance of these institutions. Thus, the total fee realized by the private colleges can be considered to be an approximation of the expenditure incurred by these private entities. In 1995-96, a total of Rs. 320 crores was realised as fees by the government institutions, and an equal amount of fee was realised by private-aided institutions, while Rs. 147 crores was realised as fee by private unaided institutions. Thus, the private institutions in general education realised a total of Rs. 467 crores, equivalent to only 0.045 % of GDP. During the same year, the Central and state governments together spent Rs. 3871 crores. Thus, under the assumption discussed above, the expenditure by private managements was probably only around 10.8 % of public expenditure. However, the private sector has been making higher investments in higher education, which would not be reflected through cost recovery in existing institutions.

The general point here is that although firm estimates of financial expenditure by private institutions in higher education are not available, available indirect estimates suggest that these may have amounted to just over 10 % of the total public expenditure on education. These estimates need to be improved upon, and it is very likely that they have increased significantly in the last decade, but they do suggest that the public sector clearly dominates spending on higher education in India, except perhaps in some segments of professional and/or technical education.

VII. FINANCIAL REQUIREMENTS FOR HIGHER EDUCATION

The NAAC grades universities and colleges in India based on an assessment of various dimensions of their education performance. In order to be graded, institutions have to come forward voluntarily thus rendering a self-selection bias in the grading. Nonetheless, a large number of these institutions do not come up an average level of performance and the deficiencies are largely related to sub-optimal size and infrastructure. As shown earlier, real per student public expenditure in India is not only low, it has also been declining over recent decades. At the same time, the need to increase enrolments and expand the coverage of higher education is strongly felt and this is considered to be closely linked to the goal of national development. Recently, the National Planning Commission and the University Grants Commission have both stressed the need to expand enrolment in higher education by five % of India's Five Year Plan period (2006-07 to 2011-12).

Improvement in quality along with expansion in enrolments has to take place along with provision of equitable access to all sections of society. This puts the primary burden on public expenditure, as private education can't be expected to take care of social goals and a policy of private-for-profit provisioning based on public subsidies is likely to sub-optimal. We have estimated the requirement of public expenditure in order to achieve a target increase of 5 % in Gross Enrolment Rate, under different scenarios. The assumption and results of this exercise are briefly discussed below.

(a) Current Enrolment Scenarios. There are large variations in the estimates of enrolment according to various sources of data, leading to various base level scenarios. At present, the Ministry of Human Resource Development compiles detailed enrolment data, by type of course, based on data provided by states and councils of education. These are published annually in the Selected Education Statistics (SES). This data source is the most comprehensive annual source on enrolment in higher education. The latest year for which provisional results are currently available is 2003-04. A projection of the enrolment data of the SES for 2006-07 shows that the total reported student intake in 2006-07 is likely to be 1.28 crores (GER: 9.7 %), with the intake of students in the general stream (including B. Ed.) being 1.04 crores. The fitted trend shows that during 1993-94 to 2003-04, general student grew at a rate of 8.3 % whereas enrolment in technical enrolment grew at a rate of 12.4 % annually.

The National Sample Survey and the Population Census. However, it may be pointed out that a projection of the growth rate of enrolment in the 1991 and 2001 Census provides an estimate of total enrolment in higher education of 2.07 crores or a GER of 15.6 %. With the proposed 11th Plan target, the total enrolment is estimated to increase to 2.97 crores (by 90.7 lakhs) and the GER to 20.6 % in the terminal year of the Eleventh Plan. The Census estimates

may be treated as upper bound estimates, covering both the formal and informal, public and private systems, as also recognised diploma and certificate education.

However, for the purpose of this paper, we have constructed scenarios based on the premise that despite limitations, the SES is the best possible source of data on formal higher education with a fairly large coverage of the government supported sector in education. Since no other source of data provides disaggregated trend values of enrolment in this sector, this note builds two different scenarios based on SES data to form the basis of the estimates of public financing for the Eleventh Plan. faster rate in recent years – varying from 1.5 times (SES) to nearly double (NSS). This is also consistent with the changing demand of the economy. Hence, the composition of enrolment is likely to change over the 11th Plan period. Estimates that have been prepared reflect this change.

Private (unaided) education has also grown at a rapid rate in the last several years. However, no firm estimates are available of the share of private in total enrolments. The only source of such information is the NSS 52nd round, which gives estimates for 1995-96. According to estimates generated from household data of this NSS Round, 8 % of enrolment in the higher education sector was in private unaided institutions. The share of private education was higher in technical and professional education (20 % in engineering, 10 % in medicine). However, the share of private unaided education in the enrolment figures reported in the SES is likely to be very small and can also be ignored in estimating the financial requirements based on SES estimates. Hence, we have assumed (as stated earlier) that the SES enrolment largely reflects the government supported formal sector in higher education, and not the private unaided and informal sector.

(b) Recurrent and non-recurrent expenditure per student. Normative requirements of recurrent expenditure to meet quality standards, and non-recurrent expenditure to cater to expansion of capacity are difficult to come by. We have, however, benefited by a detailed exercise done by a High Power Committee set up by the Central government (the Oversight Committee) and a subgroup of the Committee (Group on Central Universities). We have particularly considered the benchmarks of the Group for colleges of Delhi University. The per student expenditures for Central Universities finally recommended by the Oversight Committee for Social Inclusion are 1.62 lakhs (non-recurring) and Rs. 1.21 lakhs (recurring, per year). By revising the benchmarks of the Committee, we have adopted a norm of Rs. 26,250 per student as recurring expenditure, and Rs. 40,000 per student as non-recurring expenditure. We have also considered an alternative scenario in which the government does not reach the above norm, but is able to raise present per student expenditure in 1993-94 by 25 % in real terms (to Rs 21,200 per student in 2006-07 prices). Our calculations are based on the premise that the increased revenue expenditure will be available to about one fifth of the enrolled students each year over the Plan period in the

form of increased support to educational activities. This expenditure includes both Plan and non-Plan, Centre and State. Similarly, we assume that the total non-recurring expenditure will spread over five years in the following ratios: 10%, 15%, 25%, 25% and 25%.

VIII. ESTIMATE OF FINANCIAL REQUIREMENT.

The estimates based on norm-based requirements for recurring costs. This indicates that the total additional outlay required for of achieving the enrolment targets will increase from about Rs 5,474 crores in the first year to Rs. 25,127 crores over the Plan period. As a %age of GDP, the total outlay on higher education will increase from 0.65% to 1.06 %. Our estimates, based on a mark-up over existing recurring costs are also presented in the table. These show that the total additional outlay required for of achieving the enrolment targets will increase from about Rs 3,849 crores to Rs. 14,345 crores over the Plan period. The total additional outlay which will be required over the 11th Plan period will be Rs 47,362 crores. As a %age of GDP, the total outlay on higher education will increase from 0.59% to 0.79 %. The additional outlay required will increase from 0.13 % in the first year of the Plan to 0.36 % in the final year. In addition, the government has already committed itself to a considerable increase in investment in Centrally funded institutions in order to make them socially inclusive. The likely costs to meet this requirement could be about Rs. 3260 crores or only about 0.02 % of GDP. The norm based estimate that we have made shows that the cost of higher education will exceed 1 % of GDP in the final year.

The recommendations of the Over sight Committee are over and above this expenditure. Although, such an increase is desirable, it may not be immediately forthcoming. It may be noted that a Committee chaired by the noted economist, Prof. Tapas Mazumdar, has recommended a target of 1 % of GDP for higher education, consistent with the commitment of the present government, made in its Common Minimum Programme, of reaching a target spending of 6 % on education. On the other hand, the Approach paper has recommended has recommended an expenditure increase by 0.25 % of GDP. This would imply a total expenditure by the Centre of 0.30 to 0.32 % of GDP (excluding technical education). As per our calculations, an additional outlay of 0.62 % will be needed over the Plan period with norm based expenditures, and 0.36 % with the lower mark-up based expenditures. Three important issues concern the total targeted outlay and the contribution of the Centre and the States.

First, the required increase in outlay will have to come from an increase in the Plan outlay. Second, since higher education is a concurrent responsibility of both the Centre and the States, a formula needs to be devised by which both the Centre and the States can share this responsibility. This would mean that the States share in the required development outlay, although the major responsibility may remain with the Centre. Third, the

required expansion will ultimately transfer the almost entire financial burden to the States unless the Centre also comes up with a scheme by which it can participate in the maintenance of institutions normally fully maintained by the States. In other words, it would be necessary to think of a financing regime in which the Central and State governments share in both development and maintenance costs.

IX. ISSUES AND OPTIONS IN THE FINANCING OF EDUCATION

The imperatives in higher education in India today demand a rapid and significant expansion of the higher education system, keeping in mind concerns of access, quality and relevance. This implies a much greater role for both the public and private sector. Ideally, given the high rate of social return from higher education, the private sector should come forward on a non-profit basis, but in the emerging scenario, with education being slated as a global commodity, policy has to reckon with increased interest in education as a profit-making venture. At the same time, public expenditure will have to continue to play a role in expanding the higher education sector, maintaining quality and relevance, and providing equitable access. This calls for a much higher increase in public expenditure. In the changed scenario, the higher education confronts the following important issues:

X. HOW AND TO WHAT EXTENT CAN PUBLIC EXPENDITURE ON EDUCATION BE RAISED?

As we have shown in the preceding sections, the real expenditure on higher education needs to be increased quite significantly. Assuming a rate of growth of GDP of about 7 % annually, we estimate that public expenditure would have to increase to more than one % of GDP, from its present level of only about 0.40 % of GDP. Even if this increase takes place in a graduated manner, as we have projected, it would call for a considerable reprioritisation and fiscal effort on the part of both the Centre and the States. If, as is being envisaged presently, the fiscal position of the centre and the states continues to improve, and national income increases at 9 % over the next five or ten year period, the relative fiscal effort required to achieve a certain target in terms of real per student expenditure would be lower.

The centre already levies a cess on tax for financing elementary education. In the event that general tax revenue is not found to be sufficient, the centre and the states could consider levying such a tax to fund the needs of other education segments, including higher education. Although a segment of opinion does not favour the levy of a cess, for example, the CABE committee, cesses are effective in mobilising public opinion in favour of higher expenditure on specific sectors. At the same time, as we have pointed out, new financing mechanisms may be needed, by which both the central and state governments partake in the development as well as maintenance expenditure on higher education.

XI. HOW AND TO WHAT EXTENT CAN RESOURCES TO PUBLIC INSTITUTIONS BE SUPPLEMENTED BY OTHER SOURCES?

Given the constraint on public resources, several proposals have been put up in the past which focus on increasing resources at the institutional level. These include (a) increase in student fee; (b) starting of self-financing courses; (c) more effective partnerships with industry and more consultancy assignments; (d) philanthropic donations; (e) utilization of land resources for commercial purposes (mooted recently by the National Knowledge Commission or NKC). Of these proposals, (c) and (d) are not particularly controversial, provided that they are not treated as prerequisites and do not substitute for existing resources. On the issue of fees, there is general agreement that in most cases, the real tuition fee per student has been declining in government institutions. The CAGE committee has assessed that total fee formed about 15 % of recurring cost of universities and colleges in the late 1980s while tuition fee formed only 2-3 % of such costs. But in some cases total fee realisation was 40 % or more of cost.

Internationally, fees constituted 15 % of recurring costs in many developing and developed countries, including public universities in the USA. However, in China fee realisation now constitutes about 30 % of recurring cost. In principle, the fee could be raised for better off students, while offering free ships and scholarships to the needy. This is also one of the recommendations of some UGC committees and of the NKC. In courses, where market rate of returns are perceived to be high, needy students could draw upon loans. In practice, given the size of India's informal economy, assessing the financial status of a student's family is likely to be difficult. Moreover, banks continue to be very conservative in granting student loans, insisting upon collateral and guarantees.

The present experience in this respect is not encouraging, although reforms in the system could make the loan system a more effective tool. Further, one needs to consider the merits of realisation of fee revenue over a system of progressive taxes used to finance education, as is the case large number of countries where fee realisation continues to be very low. This is also the recommendation of the CAGE committee on education. The issue of self-financing courses also needs to be examined carefully in the light of experience gained so far. Universities and colleges are now prone to start any 'marketable' degree as a self-financing course with high fees. Apart from the issue of fees, such courses also draw faculty away from the core courses in institutions. Hence, this issue needs to be reviewed in depth.

XII. SHOULD PUBLIC EXPENDITURE SUBSIDISE PRIVATE INSTITUTIONS?

In the past, as discussed, the practice in India has been for the private sector to set up educational institutions and to run these so that they meet the eligibility criteria set

by the state governments for funding. Gradually, governments provide regular funding to these institutions to cover a significant portion of their recurrent costs. Although not explicitly stated, the assumption has been that the management of these institutions has established these institutions on a non-profit basis to meet a public cause. In effect, however, private managements may have had a variety of motives to set up these institutions and we discuss below there may be a difficulty in distinguishing between those establishing institutions for profit and those doing so for charitable purposes. In recent decades, a decline in philanthropic capital in education, with a rapid increase in 'de facto' privatisation.

In principle, state support to non-profit institutions working for public good appears to be well-founded, but will need to be made on a clear distinction between different types of institutions. Recent court judgements have clouded this distinction. Further, in any case, grants to such institutions (i.e. those which are instituted on a philanthropic basis) need to be open, rather than hidden (as would be the case with land grants).

XIII. WHAT SHOULD BE THE ROLE OF PRIVATE FOR-PROFIT INSTITUTIONS?

The private for-profit or self-financing institutions have acquired a large, and mostly undocumented, presence in the higher education system. The data base for such institutions is extremely weak. As discussed earlier, their presence has been most noted in professional and technical education but even here enrolment figures are not available, and analysts rely on the numbers of recognized institutions or permitted intake. But even in general education, there is now a mushrooming of private, self-financing colleges. In one university alone, the number of such colleges outnumbered state assisted colleges in the ratio of 3:1. The growth of self-financing institutions has been most marked in the three Southern states of Tamil Nadu, Andhra Pradesh and Karnataka, and the Western state of Maharashtra. In Tamil Nadu, self financing colleges comprised 56 % of arts and science colleges, and 96 % of engineering colleges in 2003-04. The enrolment in these colleges accounts for the major part of the difference between the enrolments reported in the official statistical system and those captured by household surveys. According to the CAGE committee report, there is a sense in which the Indian higher education system is one of the most privatised in the world. These institutions charge commercial fee rates, but besides have in the past been known not to adhere to any transparent admission procedure and in many cases, charge 'capitation fees'. There have been attempts to regulate their fee structure (at least for part of the admissions), and systemize admission procedure in a piecemeal fashion through court judgments and state or national level regulations.

In the case of the self-financed institutions, the basic casualty is equity and access, both of which have to be provided through the public education system. The issue now is institute a proper regulatory framework, which can

safeguard the interests of all sections and at the same time permit these institutions to add to the capacity of the higher education sector. This is also the case with foreign universities, for whom detailed regulations are required, so that only universities with high international standards and non-commercial motivation, are able to use the WTO/GATS provision to operate in the country.

XIV. CONCLUSION

There is now sufficient evidence to show that higher education generated large positive externalities for growth and that the level of development of a country and the stock of highly educated manpower is related. This is also now widely recognized both in India and China. Among the BRIC countries (Brazil, Russia, India and China), the enrolment rate in higher education is the lowest in India and also appears to be growing the most slowly. Although, it is likely that expansion in enrolments in India is underestimated due to the poor data base regarding private unaided education, still the performance of China in expanding enrolment in higher education stands out as exceptional. The GER in higher education in China increased from 3 % in 1985 to 16 % in 2001. An area of great concern in India is the low level of per student expenditure, reflecting poor educational support and infrastructure. According to Carnoy (*ibid.*), the per student expenditure in Brazil in 2000 was \$5,5000 PPP, whereas in China it was about \$11,000 PPP. By contrast, the per student expenditure in India in 2000-01 was only \$1300 PPP. The financing of higher education in India is still largely in the public domain. In India, however, private educational institutions played an important role from the very beginning. A large percentage of these institutions were provided recurrent financial support by governments and were closely regulated by the state. However, the new self-financing institutions which have grown rapidly since the 1990s are poorly regulated and are mainly governed by commercial motives. In China, by comparison, higher education was completely state financed but since the 1990s, nearly 30 % of total expenditure is financed through fee realization, while in India this element is lower, at about 12-15 %.

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