



## GLOBAL JOURNAL OF HUMAN-SOCIAL SCIENCE: E ECONOMICS

Volume 15 Issue 3 Version 1.0 Year 2015

Type: Double Blind Peer Reviewed International Research Journal

Publisher: Global Journals Inc. (USA)

Online ISSN: 2249-460X & Print ISSN: 0975-587X

# Paucity of Public Funds and Growth of Professional Colleges in India

By Dr. (Mrs.) Medha. J. Gupte

*Bharatiya Vidya Bhavans H.S. College of Arts, India*

**Abstract-** Indian higher education has undergone a metamorphosis in the last several years. The right to education is a fundamental right in India. Education falls under the Concurrent list of the Indian Constitution. In 1997 the Indian Government, in its proposals for subsidies, accorded higher education the status of a 'non - merit' good while elementary education remained a 'merit good'. The Ministry of Finance, Government of India thus reclassified higher education as a 'merit-2-good' which need not be subsidized by the state as a 'merit good'.

One of the major hurdles confronting our system is that of scarcity of finance. Beginning with the Kothari Commission all the succeeding Committees have emphasized the need for increasing the budgetary allocation for higher education. However, in the light of increasing demand and competitiveness more specifically after 1991, public funding is becoming difficult and this has led to growing privatization in the education sector.

**Keywords:** *financial constraints, privatization, professional colleges.*

**GJHSS-E Classification :** FOR Code: 149999



*Strictly as per the compliance and regulations of:*



# Paucity of Public Funds and Growth of Professional Colleges in India

Dr. (Mrs.) Medha. J. Gupte

**Abstract-** Indian higher education has undergone a metamorphosis in the last several years. The right to education is a fundamental right in India. Education falls under the Concurrent list of the Indian Constitution. In 1997 the Indian Government, in its proposals for subsidies, accorded higher education the status of a 'non - merit' good while elementary education remained a 'merit good'. The Ministry of Finance, Government of India thus reclassified higher education as a 'merit-2-good' which need not be subsidized by the state as a 'merit good'.

One of the major hurdles confronting our system is that of scarcity of finance. Beginning with the Kothari Commission all the succeeding Committees have emphasized the need for increasing the budgetary allocation for higher education. However, in the light of increasing demand and competitiveness more specifically after 1991, public funding is becoming difficult and this has led to growing privatization in the education sector.

The spurt in Privatization is more clearly reflected in the Professional sector, where India has witnessed the growth of Professional Colleges, (namely engineering, medicine and management.). They have their own merits and demerits. While India boasts of a few high quality institutions some are very backward. They have to be regulated if India has to make her mark as a knowledge hub in the near future.

**Keywords:** financial constraints, privatization, professional colleges.

## I. INTRODUCTION

Indian higher education has been facing an unprecedented transformation in the last few years. This has been largely helped by economic and demographic changes. It is generally predicted that by 2020, India would be the third fastest growing economy, besides she also has the advantage of having the youngest populations in the world. In this Paper an attempt is made to look at the source of public spending, the need for Privatization of Indian higher education, the sources of private funds and examine in detail the growth of Professional Institutes in India.

## II. PUBLIC FUNDING OF HIGHER EDUCATION

The right to education at the elementary level is a fundamental right in India. Education in India is essentially a state supported service falling under the control of both the Union Government and the State Governments. The challenge confronting the Indian higher education is, finding out diverse sources of

*Author:* I/C Principal and Associate Principal, Bhavan's HS and JP College, KM Munshi Marg, Chowpatty.  
e-mails: guptemj@rediffmail.com, edueconomics2009@rediffmail.com

funding, while simultaneously ensuring an efficient allocation of resources, so as to achieve the three main goals of access, equity and quality of higher education.

In 1997 the Indian Government, in its proposals for subsidies, accorded higher education the status of a 'non - merit' good while elementary education remained a 'merit good'. The Ministry of Finance, Government of India thus reclassified higher education as a 'merit-2-good' which need not be subsidized by the state as a 'merit good'. In line with this thought process, a Private University Bill was introduced in the Rajya Sabha, which has not been passed to date.

As early as 1964 the Kothari Commission recommended that 6% of GDP should be on education. The Knowledge Commission, appointed in 2005 under the Chairmanship of Shri Sam Pitroda, echoed the same wave of thinking, when it recommended that out of the 6% of the GDP on education 1.5% should be on higher education.

Under the Twelfth Five Year Plan the target spending on higher education is expected to be 1.5% of India's GDP, up from current 1.22%.

The introduction of economic reforms in India in 1991, led to laying of emphasis on improving competitiveness. They included both structural adjustments and stabilization policies. This led to fiscal constraints in all investments in the social sectors. The result was a cut in the budgetary allocation to higher education.

One can say that the major sources of finance are:

### a) State Finance

Higher education is essentially a merit/public good which falls in the Concurrent list of the Indian Constitution, hence, it follows that the primary responsibility of financing higher education lies with both the central and state governments. While 80% of the funding is from the state governments, 20% comes from the central government.

### b) Raising the tuition fees

It is generally believed that tuition fees are low in India, which have not been hiked for years. The need is for periodic assessment of fee structure, in keeping with the existing inflation and rising cost of education. But there are general apprehensions that rise in fees will discourage poor families from pursuing higher education.

Several Committees have been appointed from time to time to look into the financing of Indian higher education. The Consensus among them is that, students should bear the costs and the government should only support those fields which lack market orientation. Accordingly, in 2000, the Ministry of Higher Education decided that the colleges and universities should hike the fee regularly.

*c) Student Loan Scheme*

To complement the increase in fees, a new education loan program was announced in 2001. The Scheme covers loans for poor and needy students desirous of undertaking basic education and meritorious students wishing to pursue higher education at home and abroad. The maximum amount awarded is Rupees 7, 50,000 for studies in India and 15, 00,000 for studies abroad.

In addition, in order to ensure that talented students are not deprived entry to technical and professional courses on account of shortage of resources, a scheme is in operation since the year 2009-10 to provide full interest subsidy, during the moratorium on educational loans taken by students belonging to economically backward classes whose parental income is less than Rupees 4.5 Lacs per annum.

*d) Sale of Publications*

The government comes out with various publications related to higher education. The sale proceedings can be seen as a means of financing higher education.

*e) Donations and linkages between academic and corporate bodies*

Several Philanthropists have made contributions to India in the past. This source has to be encouraged to supplement the much starved financial institutions of its resources. Many of our educational institutions have the ability and coursework to facilitate manpower development. Several of these topics are of interest to the industry and institutions, and they can facilitate training in areas which are of interest to the industry. The corporate bodies, however, have remained far away. They have to be encouraged to not just provide monetary support but also help in the setting up of Post-Graduation and Research activities.

The introduction of the process of Globalization laid emphasis on the competence of human capital. Economic reforms were introduced in India in 1991. They were inclusive of structural adjustments and stabilization policies. This led to fiscal constraints in all investments in the social sectors. Consequently, there was a cut in the budgetary allocation to higher education. Under these circumstances there exist pressures for mobilizing resources from non-governmental sectors. Therefore, steps have to be initiated, to implement measures such as hike in fees,

provision of student loans and encouragement of privatization in order to mobilize resources. The need is for changing our policies and regulations to permit other forms of funding and bring about complementarity between public and private educational institutions.

Four major challenges tend to impair India's rate of growth. These include:

1. Gap between supply of higher education and demand for higher education associated with low enrolment ratio;
2. Low quality of teaching and learning, largely on account of faculty crunch, outdated/rigid curricula and pedagogy, absence of quality assurance and separation of research and teaching;
3. Absence of proper facilities for carrying out Research and a poor Research Record;
4. Uneven growth and existence of disparities which hamper opportunities to the weaker sections of society.

Under these circumstances there exist pressures for mobilizing resources from non-governmental sectors. Therefore steps have to be initiated, to implement measures such as hike in fees, provision of student loans and encouragement of privatization in order to mobilize resources. The need is for changing our policies and regulations to permit other forms of funding and bring about complementarity between public and private educational institutions.

### III. PRIVATIZATION OF HIGHER EDUCATION AND GROWTH OF PROFESSIONALISM

Indian system of higher education has experienced unprecedented growth over the years. This remarkable change, particularly since the nineties, can largely be attributed to the alarming growth of private sector. In fact one can say that the size of the private sector in terms of enrolment and number of institutions is far larger than the public sector.

The most important challenging problem of higher education is one of funding. According to the policy framework, higher educational institutions are required to have a non-profit structure irrespective of how they are funded. However, the power of awarding degrees lies solely with the University Grants Commission (UGC), as specified under Section 23 (3) of the UGC Act 1956.

The Act resulted in a unique and complex system encompassing hundreds of teaching colleges- both private and public affiliated to Public Universities. The latter in turn can be funded by state or central sources.

In India there is a huge demand for university education and over the past few decades, India has witnessed a phenomenal growth in the number of universities and colleges. The growth is even more pronounced in case of Professional colleges (more

particularly engineering, management and medicine.), as also private vocational training courses especially those catering to the IT sector.

All this results in an increasing trend towards privatization, although the degree to which states have allowed private higher educational institutions and the quality of such institutions, varies widely from state to state. Privatization of higher education manifests itself in the following forms:

*a) Privatization of public institutions*

Government has been encouraging institutions to adopt privatization policies. This implies withdrawal of government grants, encouraging though incentives mobilization of resources from private sources which is inclusive of fees and introduction of courses which have a high market value. The state however, continues to remain an important source of finance.

*b) Establishment of private institutions with government support.*

This source is becoming more and more popular in developing countries like India. The sources of finance are tuition fees, donations from Philanthropists, contribution of foundations' and government support.

*c) Self-Financing Non Profit Institutions*

Over the years the trend is towards vocational courses, this becomes reasonable when one thinks of the future prospects, in terms of employment and further studies. This resulted in the introduction of a number of market oriented courses. This together with the willingness of the students to pay for these courses led to a supportive environment, which resulted in the introduction of these courses at the Under Graduate and Post Graduate Courses, after obtaining the necessary approval from the UGC. Keeping in mind the fact that these courses have different fee structures, they are commonly referred to as Self-Financing Courses.

*d) Profit making financial institutions*

The primary aim of private bodies is, to establish institutions which are founded, funded and run by them. Their primary aim is maximization of profits.

#### IV. GROWTH OF PROFESSIONAL EDUCATION IN INDIA

In keeping with the manifold needs of a fast moving economy, the private sector has cropped up to complement the public educational institutions. Privatization in India is more noticeable in case of Professional Education. The basic objective of privatization of higher education has been to reduce the number of public colleges and universities, authorize decentralization of academic administration and promote creativity, innovation and higher standard.

Higher education in India has witnessed the growth of privatization and the most noticeable trend has been the transformation in the provision of Professional education, particularly engineering, medicine and business schools. There are a large number of courses at the Under Graduate Level and students can opt for them depending on the basis of eligibility and interest.

- 1) MBBS: - is a Course at the Undergraduate level. Its full form is Bachelor of Medicine, Bachelor of Surgery;
- 2) Engineering is a four year course and after which you are awarded a BE (Bachelor of Engineering) or BTech Degree
- 3) Management is generally a two year course, at the end of which you get a Management Degree.

The main regulating Body of Technical education is the AICTE (All India Council for Technical Education). It was constituted in 1945 as an advisory body and was given the statutory status in 1987 by an Act of Parliament. It has been playing an important role in the development of technical education in the country.

The AICTE has delegated to the respective state governments the power to process and grant approval for the starting of new technical institutes, for the introduction of new courses and for variation in the intake capacity of technical institutions.

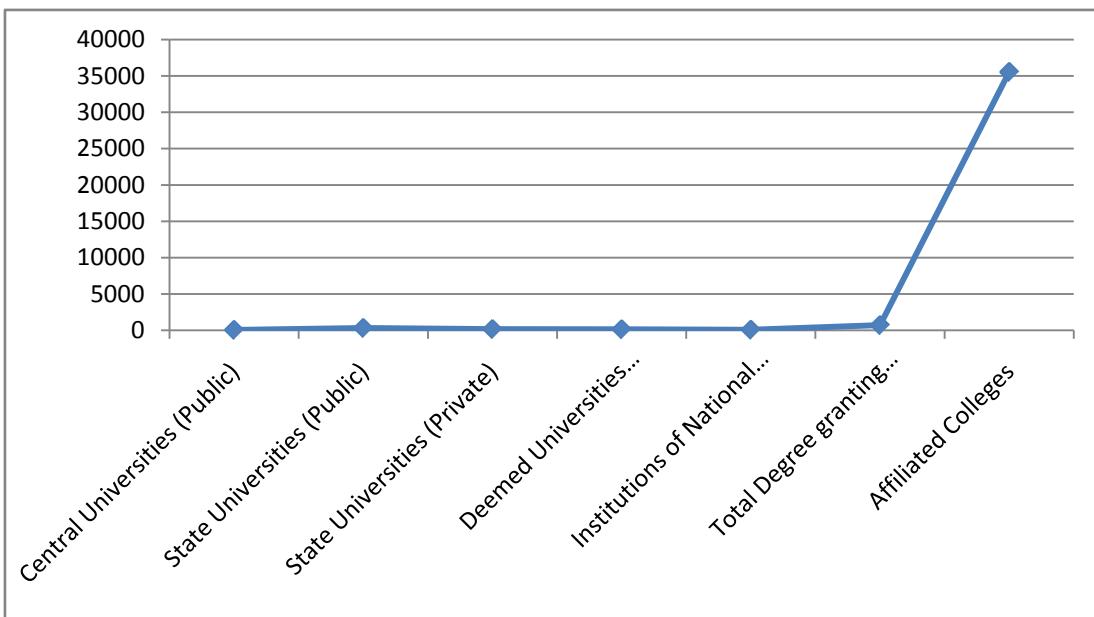
The AICTE has to shoulder the responsibility of ensuring quality development of technical institutions and also laying down the norms and standards for such institutions. The AICTE also has a promotional role to play by promoting schemes which promote technical education of women and physically, socially and economically backward sections of society.

The technical institutions under the AICTE include Post Graduate, Undergraduate and Diploma in the whole spectrum of technical education. The All India Institute of Medical Sciences looks after medical education.

*Table 1 : Types of Institutions in India*

Central Universities (Public)	44
State Universities (Public)	306
State Universities (Private)	154
Deemed Universities (Private/ Public)	129
Institutions of National Importance	67
Total Degree granting institutions	700
Affiliated Colleges	35,539

Graph 1



The table and Graph above clearly show that colleges affiliated to the universities dominate the scene, with the others lagging way behind.

Table 2 : Enrolment of Indian Students by fields of study

Field	Percentage of Total
Arts	37
Science	19
Commerce & Management	18
Engineering & Technology	16
Medicine	4
Law	2

The Arts stream seem to be dominating the scene followed by science, commerce/management and engineering in that order. Although there seems to be an increase in the growth of Professional Courses India has still a long way to go.

Graph 2

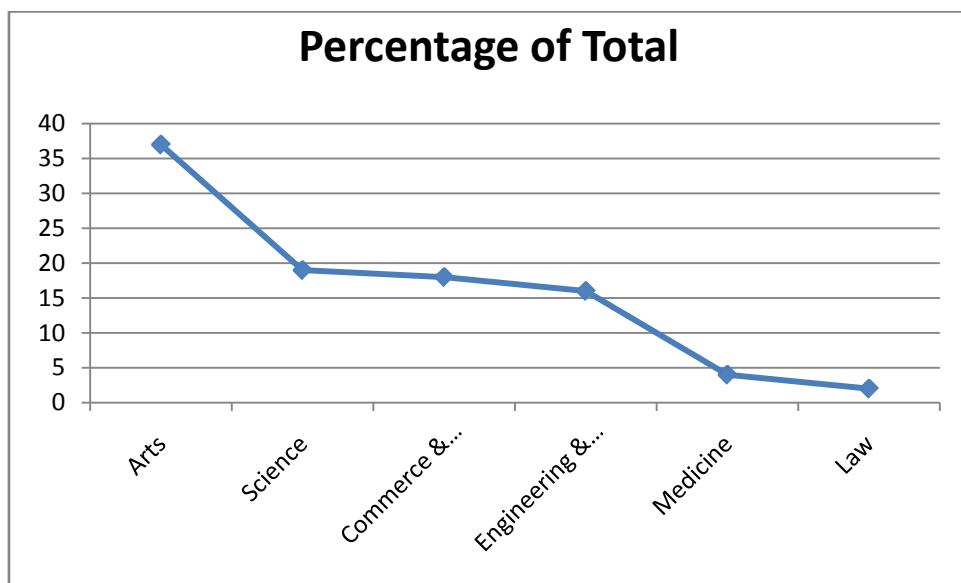
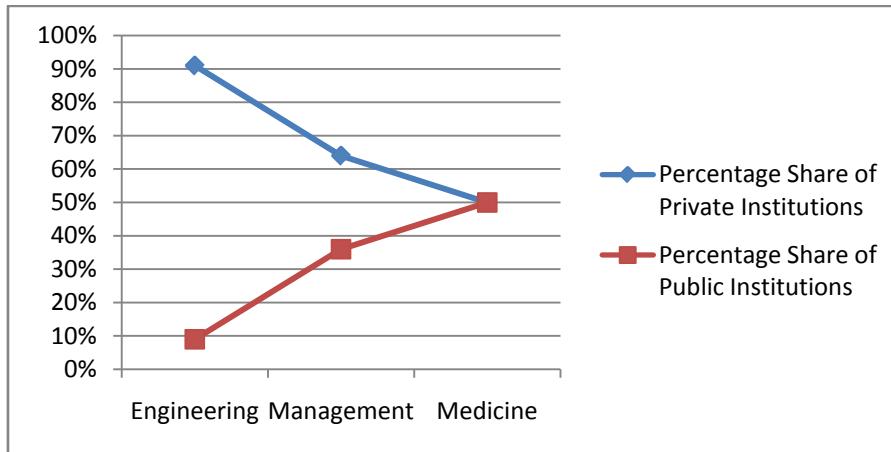


Table 3 : Share of Public and Private Courses in select Professional Courses

Course	Percentage Share of Private Institutions	Percentage Share of Public Institutions
Engineering	91%	9%
Management	64%	36%
Medicine	50%	50%

Source: AICTE and Other Professional Council 2009

Graph 3



The Professional Stream shows a trend towards privatization. While the share is as high as 91% in case of engineering colleges it is 64% and 50% in case of management and medical colleges.

When one looks into the origin of Professional education in India, we can say that it started in the 19<sup>th</sup> century, although it received momentum in the 20<sup>th</sup> century with the onset of the Constitution of Technical Education (CABE). The establishment of Indian Institute of Technology, Indian Institute of Management and Indian Institute of Science were major steps in this direction.

The history of IIT dates back to 1946 and the first IIT was formed in Kharagpur in 1950. The Indian Institute of Science was established by Jamshetji Tata in 1909. Engineering can be said to be go back to 1900. The first Indian Institute of Management was set up in Kolkata in November 1961. The study of medical sciences on the other hand goes back to the British Raj and the Calcutta Medical College was established in 1835.

After independence there has been a rapid expansion of the Professional education and in fact after the opening of the Indian economy in 1991 there has been a real spurt in expansion. Undoubtedly there is an increase in the participation of the private sector in India. But year after year we churn out graduates who are unemployable. In addition doubts can be raised about the profit motive objectives of these institutions. One must not forget the fact that two major problems plague Indian economy namely: poverty and population

expansion. Thus in keeping with the current trend privatization is essential, the latter should be regulated.

## V. CONCLUSION

The Indian education system thus seems to be undergoing changes. Population growth, emerging middle class and rising aspirations of the people are factors responsible for laying emphasis on higher education. As public funding is subject to a lot of competing demands, it follows that the private sector is gaining more importance in the field of higher education. However, while recognizing its role one must not forget that this sector should be kept under strict vigilance which would also keep in mind the cultural values, maintaining the dignity of teaching-learning process and laying emphasis on socio-economic and democratic values.

Many of our private institutions have attained international reputation for their quality and standards. The government should encourage private participation in the higher education sector, without in any way compromising on quality and social objectives. There is little scope for profit seeking private higher education institutions. The final objective is to encourage the knowledge potential of the country and make India an attractive destination and knowledge hub of international standards.

## REFERENCES RÉFÉRENCES REFERENCIAS

1. Cheney Getchen Rhines, Ruzzi Betsy Brown and Muralidharan Karthik, (2005): "A Profile of the Indian education system", Paper prepared for the New Commission on the skills of the American Workforce, November.
2. Choudaha, Rahul, (2013): "Three Solutions for Reforming Indian higher education", *Comparative and International Higher Education*, 5
3. Dr.Gupta, DP, and Dewanga, Arvind, (2012): "Challenges before engineering education in India", *Researchers World Journal of Arts, Science and Commerce*, April.
4. Forbes, Naushad: "Higher Education in India: Growth with challenges, Chapter 4", *Confederation of Indian Industry and Forbes Marshall Limited*.
5. Gupta Deepti, and Gupta Navneet, (2012): "Higher Education in India: Structure, Statistics and Challenges", *Journal of Education and Practice*, Volume 3, No2.
6. Report of the British, Council, (2014): "Understanding India: The future of higher education system and opportunity for international cooperation", February.
7. Rizvi, Fasal, and Gorur, Radhika, (2011): "Challenges facing Indian Higher Education", *Australia India Institute*, Volume 2.
8. Stolavick, Kevin, (2014): "India's Higher Education system", *Working Paper Series*, April.
9. Sundararajan, N, and Gopal, Nanda, VB, (2013): "Private Sector Participation in Higher Education", *University News*, Vol. 53, No 33, August, 19-25.
10. Tilak, Jandhyala, (2014): "Private Higher Education in India", *Economic and Political Weekly*, October, 4.