UNIT 14: SELF-FINANCING AND FUND MOBILISATION IN THE EDUCATIONAL INSTITUTIONS

UNIT STRUCTURE

14.1 Learning Objectives

14.2 Introduction

14.3 Cost of Education

14.3.1 Private Costs

14.3.2 Social Costs

14.3.3 Opportunity Costs

14.4 Self-financing Education and Its Role in India

14.5 Nature and Type of Self-financing Programmes

14.6 Problems of Self-financing Education in India

14.7 Fund Mobilisation in Educational Institutions in India

14.8 Educational Institutions and Their Sources of Fund in India

14.9 Lets Us Sum Up

14.10 Further Reading

14.11 Answers to Check Your Progress

14.12 Model Questions

14.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- identify the cost of education particularly in the elementary and higher level
- mention the pattern of financing in education
- recognise the different types of self-financing programmes in India
- identify the different problems involved in self-financing programmes
- explain the sources of fund of the different types of educational institutions in the country.

14.2 INTRODUCTION

The leading issue in the economics of education is the question of how education should be financed. This issue raises many ideological differences regarding how the financial burden should be shared among the government, individuals and employees of the educational institutions and what should be the balance between public and private sources of finance.

In India, education is predominantly a state controlled sector and is highly subsidised especially in the elementary education sector. India has a federal structure and hence different layers of governmental activities are involved in the provision of education. The constitution of India clearly demarcates the areas of operation of the central and state governments. India has set up agencies to specifically deal with the issues pertaining to the devolution of resources between the central and state governments. The financing mechanism and the funding pattern existing in India are completely dependent on the constitutional demarcation of powers and negotiated devolution of resources among the different states in the country.

14.3 COST OF EDUCATION

Since education is a good in the terminology of economics, the consumption of education involves monetary and non-monetary costs. These costs are briefly discussed below:

14.3.1 Private Costs

Private Costs or individual costs of education are those that are incurred by the students or their parents, guardians or by the family as a whole. For example, tuition fees, examination fees, other fees, books, technological equipments, uniforms, bags, transportation costs and hostel or living expenses etc. come under the category of

individual or private costs. There are two types of private costs namely, direct private cost and indirect private cost.

14.3.2 Social Costs

These costs are the concern of the society. They are borne out as a result of training and educational activities in the education process at a given point of time. These are the costs as the name implies, incurred at the institutional level-government, private or mixed. These are the institutional or the public costs of education. The social costs include all recurring and non-recurring costs of education, current and capital expenditure and other institutional costs borne by the state.

14.3.3 Opportunity Costs

In economics analysis, the value of resources is measured in terms of the alternative opportunities that are sacrificed when resources are allocated in a particular way and those resources are limited. Government can use the resources devoted to education to provide health care or other welfare activities. For example, the opportunity cost of going to college for a three-year degree is the money you would have earned if you worked somewhere else instead in those three years. Thus, opportunity cost is the cost of alternatives fore-gone.

14.4 SELF-FINANCING EDUCATION AND ITS ROLE IN INDIA

Self-financing programmes or courses are the programmes, which are financed by charging user fee from students (i.e. from the parents of students). In addition, the government subsidy for these programmes is almost zero. The nature of the self-financing programmes depends on the

institutional mode under which it is delivered. There are several programmes in the country, which are delivered through self-financing option. For example, there are a number of self-financing technical and professional courses in the fields of Engineering, Business Administration, Information Technology, etc. viz. B. E. (Bachelor of Engineering), BBA (Bachelor of Business Administration), BCA (Bachelor of Computer Application), MBA (Master of Business Administration), MCA (Master of Computer Application) etc.

In India, myriads of educational institutions provide such self-financing programmes. These institutions include private universities, deemed universities, central and state universities and their affiliated colleges-government, aided and private, besides some Institutes of National Importance. These institutions deliver regular higher education programmes along with the self-financing programmes.

14.5 NATURE AND TYPE OF SELF-FINANCING PROGRAMMES

One of the main reasons of the commencement of self-financing programmes in the country is the inadequate fund allocation in education particularly in higher education. Most of the regular programmes in Government or Government aided and privately managed colleges are subsidised by the government. However, due to the paucity of resources, the institutions have begun to introduce self-financing programmes. Since these institutions already have developed infrastructure, the user fee from the students is charged in order to meet the recurring and capital expenditure. It should be noted that it is the market principle that determines the price of higher education in case of private universities and private deemed university. In case of private colleges under the statutory control of a university, the market principle of determining the fees is subject to some regulatory control.

In Government or Government-aided and privately managed educa-

tional institutions like colleges, fee are charged only on the principle of recovering recurring expenditure. Theoretically, there are two types of self-financing courses. According to the first type, there are some self-financing programmes in which the course fee recovers capital as well as revenue expenditure as in case of a private university, a private deemed university and a private college affiliated to a university. In these institutions, there is no effective regulation and monitoring on fees and, therefore, here market principle rules. Private colleges charge fee under the same principle but it is controlled by the state university. On the other hand, according to the second type, self-financing programmes are those programmes in which the course fees recover the revenue expenditure only as in case of government and aided colleges under the supervision and control of university.

14.6 PROBLEMS OF SELF-FINANCING EDUCATION IN INDIA

In India, the growth of self-financing programmes is not appalling but the progress is hampered by many factors. Some of those factors are discussed below:

- **High Course Fee:**

  The course fee is very high because the private institutions in India provide most of self-financed courses. As a result, the course fee of the education is quite high. Moreover, the cost of professional self-financed courses is forcing higher fee in some disciplines compared to other programmes.

- **Lack of Financial Support:**

  In India, there is lack of financial support for the students who pursue self-financed courses. Financial support in the forms scholarship, grants and subsidised loans is very inadequate in comparison to other countries like Japan, USA and Brazil. Thus, the state needs to subsidise not only the fee component but also food, housing, con-

veyance and various other factors that affect demand for higher education in an important manner.

- **Lack of Curricular Reform in Self-financing courses:**
  Courses are not customer orientated and their curriculum is not innovative compared to the international standards.

- **Absence of Monitoring Mechanism:**
  There is no monitoring mechanism to supervise the fee in case of the self-financing courses in government as well as aided and private colleges in India. Therefore, the universities should create a benchmark in the standards for self-financing courses in terms of curriculum, availability of competent teachers, teaching learning practices, evaluation, library, lab facilities etc.



CHECK YOUR PROGRESS

Q 1. How is education financed in India?

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Q 2. What is the private cost of education?

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Q 3. What is the social cost of education?

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Q 4. What is the opportunity cost of education?

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Q 5. What is meant by self-financing education?

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14.7 FUND MOBILISATION IN EDUCATIONAL INSTITUTIONS IN INDIA

In most countries, a major portion of the cost of education is financed through general taxation or other government revenue particularly at the primary and secondary levels. In some countries, students receive free education or pay very low fee like in case of a country like India. However, in case of private schools, the fee is very high because of the numerous facilities provided by private schools and fee is the only source of their revenue. However, there are some private schools where there is often some degree of public subsidy either by means of tax concessions for those institution or direct financial assistance for teachers' salaries and so on.

In many countries, fee is charged in institutions of higher education, but this fee is often below the true costs of the higher education. But, many students receive financial aids in the form of scholarships, grants and subsidised students loans, which help to reduce the financial burden of education which reduces the private costs of education and thus increases the private rate of return.

The major sources of the funds for education in India are mainly the government sources-from both the central and state governments. As directed by the Constitution of India, education used to be the responsibility of the state governments. But, at present, education comes under the joint responsibility of both the central and state governments. Even then, a substantial portion of the resources for education comes from the state governments, which expect devolution of a larger share of resources from the central government. Besides, there is competition among the states to get larger shares of the central resources. This competition sometimes results in disagreement between state governments and central government on the question of the devolution of resources.

More often than not, the resources actually made available to educa-

tion are more a reflection of the interaction of various forces at different levels of governmental controls rather than a reflection of sound economic or investment criteria. While the pattern of devolution of resources may indirectly ensure the national priorities in education, its actual utilisation is the responsibility of the state government. The multi-level structure of planning and management within the federal framework therefore becomes crucial in the allocation and utilisation of resources for education in India.

14.8 EDUCATIONAL INSTITUTIONS AND THEIR SOURCES OF FUND IN INDIA

There are many types of educational institutions in India and the source of finance for these institutions is also different from each other. However, depending upon the levels of control and patterns of management, educational institutions in India can be broadly divided into three categories:

- **Government Institutions**

  Government institutions are those institutions where the funding, administration and management of the institutions are under the full responsibility of the government. In India, government institutions form the major chunk of the total educational structure especially in the primary education sector.

- **Semi-Government Institutions**

  These institutions are government aided or grant receiving institutions, which are mostly funded by the government but are managed by private enterprises. The share of semi-government institutions is increasing in the country particularly in case of primary and higher education.

- **Private institutions**

  Private institutions may be recognised or may not be recognised by the government. They do not receive grants from the government. In that case, the government neither provides the funds nor is involved

with the administration, supervision and management of the institutions. In addition, there are some institutions, which are totally private institutions because those institutions are neither funded nor recognised by the public authorities. This category of institutions is mainly seen in the pre-primary stages in the field of school education. The number of private schools, nowadays, growing rapidly and they constitute a large proportion of educational institutions in the urban areas.



14.9 LET US SUM UP

- Now a day, financing education is one of the important issues in the economics of education.
- The financing mechanism and the funding pattern existing in India are a reflection of the Constitutional demarcation of powers. Presently in India, education is the joint responsibility of the state and centre.
- Since education is a good in the terminology of economics, the consumption of education involves monetary and non-monetary costs. There are three types of cost of education-private costs, social costs and opportunity costs.
- Self-financing programmes or courses are the programmes financed by charging user fee from students. There are several programmes in the country, which are delivered through the self-financing option.
- Paucity of resource is the main reason of the commencement self-financing programmes in the country. There are two types of self-financing courses. In the first, the course fee recovers the capital as well as revenue expenditure. And, in the second, the course fee recovers the revenue expenditure only.
- However, the growth of the self-financing programmes is hampered by factors such as-high course fee, lack of financial support, traditional curricula and absence of monitoring mechanism.

- In India, the cost of education is financed through general taxation or other government revenue particularly at the primary and secondary levels. The major sources of funds for education in India are mainly the sources from both the central and state governments.
- Depending upon the levels of control and patterns of management, educational institutions in India can be divided into three categories- government institutions, semi-government institution and private institutions.



14.10 FURTHER READING

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14.11 ANSWERS TO CHECK YOUR PROGRESS

Answer to Q No.1:

In India, education is predominantly a state controlled sector and highly subsidised especially in case of elementary education. India has a federal structure and hence different layers of government are involved in the provision of education. The constitution of India clearly demarcates the areas of operation of the central and state governments.

India has set up agencies to specifically deal with the issues pertaining to the devolution of resources between the central and state governments. The financing mechanism and the funding pattern existing in India are completely dependent on the constitutional demarcation of powers and negotiated devolution of resources among the different states in the country.

Answer to Q No.2:

Private Costs or individual costs of education are those that are incurred by the students or their parents, guardians or by the family as a whole. For example, tuition fees, examination fees, other fees, books, technological equipments, uniforms, bags, transportation costs and hostel or living expenses etc. come under the category of individual or private costs. There are two types of private costs namely, direct private cost and indirect private cost.

Answer to Q No.3:

Private Costs or individual costs of education are those that are incurred by the students or their parents, guardians or by the family as a whole. For example, tuition fees, examination fees, other fees, books, technological equipments, uniforms, bags, transportation costs and living expenses etc. come under the category of individual or private costs. There are two types of private costs namely, direct private cost and indirect private cost.

Answer to Q No.4:

In economics, the cost measured in terms of the alternative opportunities is very important while judging resources allocation to a particular sector in an economy. The government can use the resources devoted to education to provide health care or other welfare activities.

For example, the opportunity cost of going to college for a three-year degree is the money you would have earned if you worked somewhere else instead in those three years. Thus, opportunity cost is the cost of alternatives foregone.

Answer to Q No.5:

Self-financing programmes or courses are the programmes, which are financed by charging user fees from students (i.e. from parents of students). In addition, the government subsidy for those programmes is almost zero. The nature of self-financing programmes depends on the institutional mode under which it is delivered. There are several programmes in the country, which are delivered through the self-financing option. A number of technical and professional courses in the fields of Engineering, Business Administration and Information Technology are available through self-financing mode in India.



14.12 MODEL QUESTIONS

A) Short Questions (Answer each question in about 50-150 words)

Q 1. Why do you think that self-financing is important for education?

Q 2. What is the private cost of education?

Q 3. What is the social cost of education?

Q 4. What is the opportunity cost of education?

Q 5. What is self-financing education?

Q 6. Explain the different types of cost of education.

B) Long Questions (Answer each question in about 300-500 words)

Q 1. What is self-financing education? What are the nature and types of self-financing courses in India?

Q 2. Discuss the problems of self-financing education in India.

Q 3. Explain the fund mobilisation processes in the educational institutions of India.

Q 4. What are the types of educational institutions in India? Explain their source of finance.

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Learner's Feedback on Course

Dear Learner,

Regarding the course as mentioned above, we would like to know your opinions and comments so as to improve the quality of self learning materials in future. Please respond to the following statements by ticking the number you feel most reflect your opinion. After completion of the additional comments, please detach the page and send/mail the same to us at the address given below.

The Director, Centre for Internal Quality Assurance, KKHandiqui State Open University
Housefed Complex, Dispur, Guwahati- 781006
(E-mail id: ciqa@kkhsou.in)

1. Approximately how many hours did you spend for studying the units in the course? | | | |
2. Please give your opinions (by √ mark) to the following items based on your reading of the block:

Sl. No.	Statements	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I.	The SLMs of the course fulfil the learning objectives set out in the beginning of each unit					
II.	The units of the SLM could satisfy my academic needs and expectations					
III.	The Unit writers have excellent knowledge about the course contents					
IV.	Language and contents of the units were presented at a level which I could readily understand					
V.	Ample opportunity for participation in the activities provided in the units					
VI.	Used enough Illustrations (Diagrams, tables etc.) for conceptual clarity					
VII.	Quality of content is engaging, relevant, and up-to-date					
VIII.	The self check questions are very helpful					
IX.	The Possible/model questions and the answers to check my progress have benefited me a lot					

Additional Comments: *(Please feel free to provide your open comments)*

1. Which aspects of the SLM, according to you, worked well?

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2. What sort of changes/improvements do you feel KKHSOU could implement to improve the overall quality of the SLM?

Thank you for taking the time to complete this form.

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(To be inserted as last page after the end of the last unit of the course)