UNIT 9 : FINANCING IN HIGHER EDUCATION

UNIT STRUCTURE

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9.1 LEARNING OBJECTIVES

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

- explain the importance of financing in higher education.
- mention the different sub-heads of expenditure on higher education in India.
- explain the magnitude and pattern of the expenditure in higher education during the period from 2004 to 2013.
- elucidate the growth and trend of expenditure in higher education.
- elaborate the present issues in the financing of higher education in India.

9.2 INTRODUCTION

Higher education, also known as tertiary education, is the level of education obtained after higher secondary in most of the developing countries

like India. During the last few years of the 20th Century, especially in the 80s and 90s, there was a remarkable growth in the enrolment in higher education both in the developed and developing countries. In many countries, higher education is partly demand-driven because of the increasing private rates of return, and in some countries, it is supply-driven due to the policy initiatives to increase the number of universities and other institutions of higher learning.

9.3 IMPORTANCE OF FINANCING IN ELEMENTARY EDUCATION

There is no dearth of empirical studies on the importance of higher education and it is beyond doubt that there is a positive relation between education and economic growth. The rate of return in higher education is high in terms of private return. Moreover, there are positive externalities of higher education, which raised the social rate of return of higher education. In other words, the consensus is that higher education provides considerable returns to individuals, which are well in excess of the potential rate of return on investing in the costs of undertaking a university course.

Nevertheless, the current notion of 'knowledge base economy' is completely dependent on higher education for professional expertise and other technical know-how. Research and Development (R&D) is another contribution of higher education, which is considered the most important factor of development.

9.4 TYPES OF EXPENDITURES IN HIGHER EDUCATION

Expenditure in higher education is one of the major expenditure heads of education in India. However, within higher education, there are many sub-heads of expenditure. These sub-heads of higher education in India as per

the 'Analysis of Budgeted Expenditure on Education' published annually by the Ministry of Human Resource Development, Government of India, are given as below:

- Expenditure on Direction, Inspection and Administration: All expenditure incurred on administration and management of the higher education department is included in this budget head.
- Assistance to Universities: The financial assistance given to the state and central universities for improvement of infrastructure including construction of new universities is included in this head.
- Expenditure on Govt. Colleges: Total expenditure on Govt. colleges such as salaries to the college teachers, infrastructure development and administration expenses of the colleges are included in this budget head.
- Assistance to Non-Govt. Colleges: Unlike Govt. colleges, occasional financial assistance to non-govt. colleges is included into this head.
- Expenditure for Scholarships: Expenditure for providing scholarships to the students of colleges and universities pursuing higher education is included into this head.
- Other expenditure: All other expenditure related to higher education is placed under this head.



CHECK YOUR PROGRESS

Q 1. What is higher education?

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Q 2. What is the importance of financing in higher education?

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Q 3. What are the types of expenditure on higher education?

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9.5 MAGNITUDE AND PATTERN OF EXPENDITURE IN HIGHER EDUCATION

In the following Table (Table 9.1), the total amount spent (in crores) on higher education in both India and Assam has been shown from the period 2004-05 to 2013-14 along with the percentage share of Assam in the total expenditure of the country on higher education.

In the Table, it is seen that the total expenditure on higher education in India has increased from around 9503.21 crore rupees in 2004-05 to 47460.52 crore rupees in 2013-14. On the other hand, in Assam the total expenditure has increased from 260.25 crore rupees to 1382.84 crore rupees over the same period. Thus, the amount spent on higher education in India has increased by almost five-fold whereas in Assam the amount increased by more than five-fold over that period. But, the percentage share of Assam in the total budgeted expenditure on higher education in the country shows a very slow increasing trend from 2.7% to 2.9%with an average of 2.7% during the period from 2004-05 to 2013-14.

Table 9.1: Total Expenditure (Revenue) on Higher Education in India and Assam

(Amount in Crore Rupees)

Year	Amount		% Share of Assam
	India	Assam	
2004-05	9503.21	260.25	2.7
2005-06	11013.35	272.02	2.5
2006-07	12541.09	266.41	2.1
2007-08	14311.43	390.37	2.7
2008-09	18605.01	470.47	2.5
2009-10	22737.11	486.20	2.1
2010-11	29169.42	816.91	2.8
2011-12	33030.53	895.20	2.7
2012-13	40403.01	1492.07	3.7
2013-14	47460.52	1382.84	2.9

Source: Ministry of Human Resource Development, Government of India

Note: * Revised Estimates (RE) and ** Budget Estimates (BE)

However, the pattern of expenditure on higher education can be examined by the share of plan and non-plan expenditure in the total amount. In India, the share of plan expenditure in the total budgeted expenditure is increasing from around 14% in 2004-05 to 25% with a rising trend over the period. But, during the same period the share of plan expenditure in Assam is declining from 10% to meager 4% which indicates that the development aspect of the higher education in the state is not improving.

Table 9.2: Plan and Non-Plan Expenditure on Higher Education in India and Assam *(Figures are in Percentage)*

Year	India		Assam	
	Plan	Non-Plan	Plan	Non-Plan
2004-05	13.7	86.3	10.1	89.9
2005-06	14.4	85.6	4.0	96.0
2006-07	18.0	82.0	2.2	97.8
2007-08	21.4	78.6	1.5	98.5
2008-09	26.7	73.3	2.3	97.7
2009-10	24.4	75.6	6.1	93.9
2010-11	25.7	74.3	7.4	92.6
2011-12	27.7	72.3	13.8	86.2
2012-13	24.5	75.5	14.0	86.0
2013-14	24.6	75.4	4.0	96.0

Source: Ministry of Human Resource Development, Government of India

Figure 9.1: Percentage Share of Plan and Non-Plan Expenditure on Higher Education in India

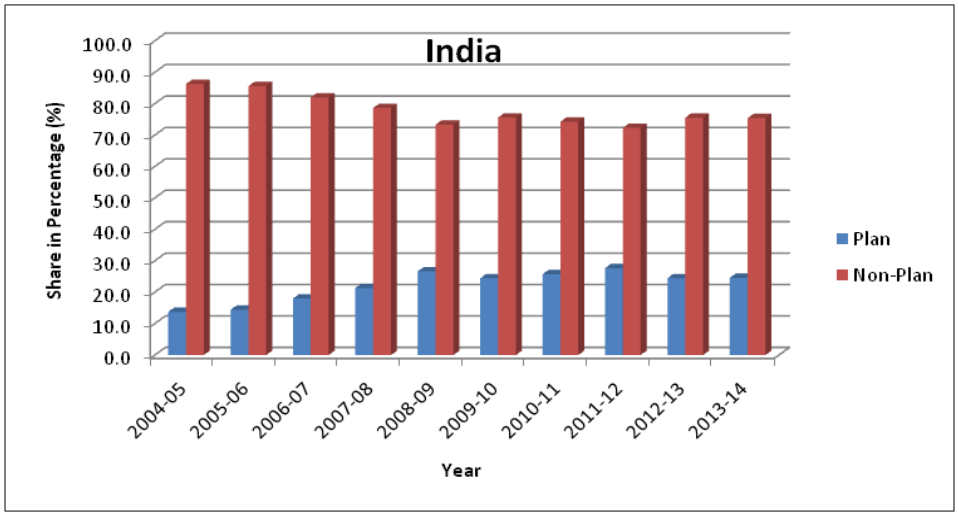
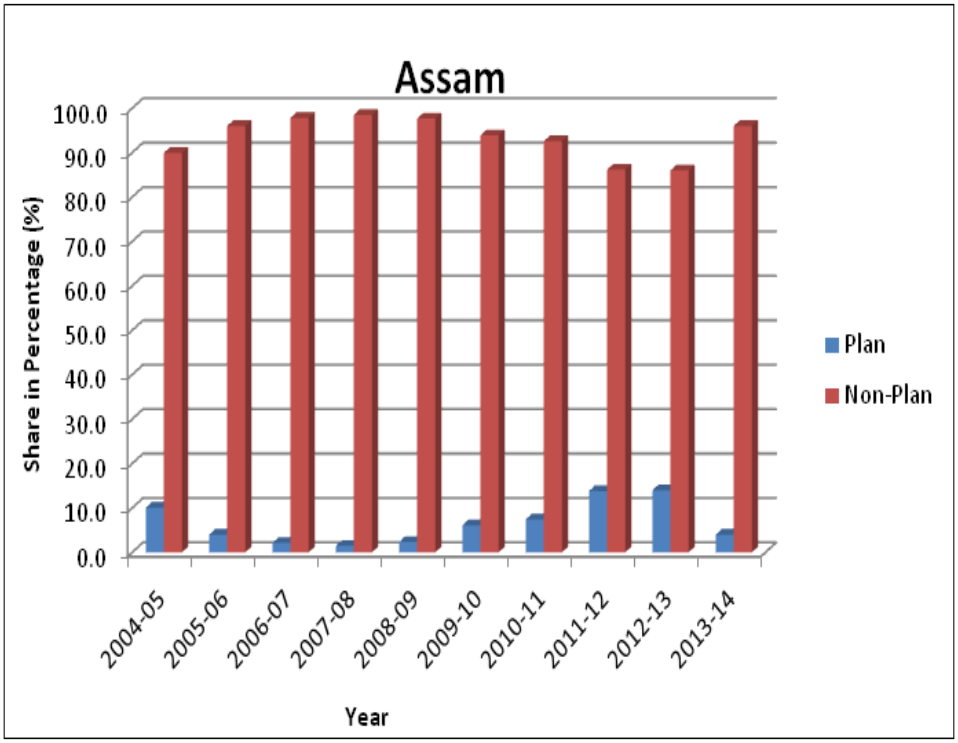


Figure 9.2: Percentage Share of Plan and Non-Plan Expenditure on Higher Education in Assam



9.6 GROWTH AND TREND OF EXPENDITURE IN ELHIGHER EDUCATION

During the period from 2004-05 to 2013-14, the growth rate of expenditure on higher education for both India and Assam has been shown in the following Table (Table 9.3). It is seen that the average growth rate of expenditure for India during the same period is more or less 20%, but in Assam, the growth rate is highly fluctuating from negative growth in 2006-07 and 2013-14 to very high growth rate of more than 60% 2010-11 and 2012-13.

Table 9.3: Growth Rate of Expenditure on Higher Education in India and Assam

Year	Growth Rate	
	India	Assam
2004-05		
2005-06	15.89	4.52
2006-07	13.87	-2.07
2007-08	14.12	46.53
2008-09	30.00	20.52
2009-10	22.21	3.34
2010-11	28.29	68.02
2011-12	13.24	9.58
2012-13	22.32	66.68
2013-14	17.47	-7.32

9.7 PROBLEMS OF FINANCING THE HIGHER EDUCATION IN INDIA

Like other sectors of education, there are many problems in financing education in India especially higher education. However, some of the important problems and loopholes in financing higher education are discussed below.

- **Inadequacy of Resources :**

Like in case of elementary and secondary education in India, the main issue while financing higher education is the inadequacy of resources. Many international agencies on education emphasised that the total expenditure on education in a country should be at least 1% of GDP of the country. Currently, the expenditure on higher education in India is less than 1% of GDP.

- **Lack of Private Participation:**

Lack of private participation in the financing of education, particularly on higher education, is one of the major obstacles of educational develop-

ment in India. In most of the developed countries, the share of private investment on higher education is very high compared to India.

- **Misallocation of Resources and Under-utilisation :**

Misallocation of resources is another problem of financing higher education in the country due to lack of expertise and proper planning. There are many loopholes in the utilisation procedure of the fund while financing education in the country. Thus, inefficiency in terms of under-utilisation of resources while provisioning educational infrastructure is one of the major problems in financing higher education.

- **Lack of Accountability:**

Lack of accountability of fund allocation is another problem of financing in education. In India, there is almost no accountability in the entire education system including higher education.



9.8 LET US SUM UP

- Higher education is the level of education obtained after the higher secondary in most of the developing countries like India.
- In case of some countries, higher education is partly demand-driven and in some other countries, it is supply-driven.
- The rate of return in higher education is high in terms of private return and there are positive externalities of higher education, which raised the social rate of return of higher education.
- Moreover, the need of technical know-how in the fields of Science and Technology and high demand of Research and Development (R&D) are some of the important necessities of higher education.
- Like other levels of education, higher education also has many expenditure sub-heads in financing in India.
- In both India and Assam, the budgeted allocation on higher education has increased by five-fold.

- Plan expenditure on higher education has increased for India, whereas for Assam, it has decreased during the period from 2004-05 to 2013-14.
- In India, the growth rate of expenditure on higher education is more or less 20% but in Assam, the growth rate is highly fluctuating.
- Finally, while discussing the problems of financing higher education in India, it is found that inadequacy of fund, lack of private participation, misallocation, underutilisation and non-accountability are the main issues.



9.9 FURTHER READING

1. Blaug, M. (1970). *An Introduction to the Economics of Education.* London: Allen Lane
2. Johnes, Geraint & Johnes, Jill. (Eds.). (2004). *International Handbook on the Economics of Education.* Cheltenham (UK): Edward Elgar Publishing Ltd.
3. Government of India. (2004 to 13). Analysis of Budgeted Expenditure on Education. New Delhi: *Annual Reports.* published by Ministry of Human Resource Development.
4. Varghese, N. V. & Tilak, J.B.G. (1991). *The Financing of Education in India.* Paris: International Institute for Educational Planning.



9.10 ANSWERS TO CHECK YOUR PROGRESS

Answer to Q No.1:

Higher education, sometimes known as tertiary education, is the level of education obtained after the higher secondary in most of the developing countries like India. During the last few years of the 20th Century, especially in 80s and 90s, there was a remarkable growth in participation in terms of enrolment in the higher education both in the

developed and developing countries. In many countries, higher education is partly demand-driven because of increasing private rates of return and in some countries; it is supply-driven due to policy initiatives to increase the number of universities and other institutions of higher learning.

Answer to No.2:

There is no dearth of empirical studies on the importance of higher education and it is beyond doubt that there is a positive relation between education and economic growth. The rate of return to higher education is high in terms of private return. Moreover, there are positive externalities of higher education, which raised the social rate of return of higher education. In other words, the consensus is that higher education provides considerable returns for individuals that are well in excess of the potential rate of return on investing in the costs of undertaking a university course.

Nevertheless, current notion of 'knowledge base economy' completely depends on higher education for professional expertise and other technical know-how. Research and Development (R&D) is another contribution of higher education, which is considered the most important factor of development.

Answer to Q No.3:

There are many sub-heads of expenditure within higher education. These sub-heads of elementary education in India are:

(i) Expenditure on Direction, Inspection and Administration
(ii) Assistance to Universities
(iii) Expenditure on Govt. Colleges
(iv) Assistance to Non-Govt. Colleges
(v) Expenditure for Scholarships and
(vi) Other expenditure related to higher education.



9.11 MODEL QUESTIONS

Q1. Why does the government need to finance higher education?

Q2. What is the magnitude of expenditure on higher education in India?

Q3. Write on the growth rate of expenditure on higher education in India.

Q4. Write on the pattern of expenditure on higher education in India.

Q5. Explain the importance of financing higher education.

Q6. What are the different types of expenditure sub-heads under higher education in India?

Q7. Write a note on the magnitude and pattern of expenditure on higher education in India and Assam.

Q8. Write a note on the growth rate and trend of expenditure on higher education in India and Assam.

Q9. What are the problems of financing higher education in India?

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