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Chapter-1

Introduction

Section I

1.01 Introduction

According to World Bank "If knowledge is electricity of the new informational international economy, then institutions of higher education are the power source on which new development process must rely "(world Bank, 1993)

Developing countries and developed ones have rapid economic development as the primary objective. Human beings play a crucial role in this development. Gerald M, Meir has aptly remarked: "The key to development is human being and his (her) abilities, values and attitudes must be changed in order to accelerate the process of development" (Meir, G.M., 1975). Education plays a key role in this process. Theoretical and empirical researches have substantiated the fact that investment in human capital formation of a country plays a fundamental role in improving the efficiency and productivity of human beings, and through them the various factors that complement and supplement the production process. This investment in people, especially through the medium of education has attracted the attention of economists across the world. A properly planned education system contributes significantly to the growth and economic development of a country (Agrawal, P., 1982).

Education influences economic development directly and also indirectly. The direct impact is through productivity, employment, composition of the labour force, division of labour, mobility of labour, and other such factors. The indirect impact is through savings, limiting family size, inculcating right attitudes and skills, and by removing obstacles to social change and progress (Goel S.C, 1975).

Modern societies cannot achieve high economic growth, cultural expressions, and living standards without optimizing the use of their citizens' talents and potentials. After the independence, attempts have been made in India to extend higher education to all socio-economic stratum of the society. The Radhakrishnan Commission that was set up in 1948 recommended educational

reforms and expressed concern for university education, showing the importance given to this crucial sector. Higher education contributes to the formation of a strong nation-state and a better quality of life. It serves to create and disseminate knowledge. It equips and supplies manpower, specifically knowledge workers for today's IT industry. It facilitates attitudinal changes for modernization and social transformation. These traditional functions of higher education are recognized as relevant for all societies- modern and traditional; developed and developing (NIEPA, 2005).

1.02 Higher Education: A Historical perspective

The modern university system in India came into existence during British rule. However, the seeds of higher learning have its deep rooted origin since the *vedic* times in the form of *gurukuls* and *ashrams*. The glory of development in higher education is an embodiment of a long heritage starting from the Vedic system of higher education that attracted scholars from all over the world.

In ancient India, vedic rishis and sages shaped the theme of higher education. The system of education was influenced by the *Vedas*, the *Upanishads*, and the *Purans* (Gujarat Education Department 2007). The ancient universities of Takshashila and Nalanda survived till the end of the 5th and 12th century respectively. They imparted knowledge in accordance with the requirements of the contemporary society.

The educational system during the ancient times had achieved great success not just in terms of personality development and contribution to knowledge but also in the social welfare and prosperity of the nation. Education in the modern times, particularly higher education and research plays a much more important role as knowledge occupies a centre stage in the development of humankind. As, in the present times, the world society is getting transformed into a knowledge society where physical capital is getting superseded by human capital.

In India, during the British rule, the first three universities were set up in 1857 and the thrust of development was mainly on liberal Arts education. Growth was modest with 18 universities established over a period of 90 years. Most of these followed the model of the three leading universities at Bombay, Calcutta and madras. At the time of independence, there were 20 universities and about 500 colleges, with an enrolment of less than 150,000. Presently, the Indian system of higher education is one of the largest in the world (Tilak JBG, 2007). It has undergone rapid development during the post independence period. As per the available statistics India has the third largest higher education system in the world after China and the US in terms of enrolment. There are more than 400 universities and 17,000 colleges as of 2004-05, with a student enrolment of more than 12 million, and 4, 70,000 teachers.

Table 1.01
Growth of Institutions, Enrolment and Teachers in Higher Education in India

Year	Universities *	Colleges	Enrolment ('000)	Teachers ('000)
1950-51	28	578	174	24
1960-61	45	1819	557	62
1970-71	93	3227	1956	190
1980-81	123	4738	2752	244
1990-91	184	5748	4925	271
2004-05	348	17625	10481	472

Source: Agrawal P., (2006) 'Higher Education in India: the Need for Change', Working paper No 180. Indian Council for Research and International Economic Relations.

Note : * Universities include central, state, private and deemed to be universities as also institutions of national importance established both by the central and state Governments.

During 1950-51 to 2004-05, the number of universities has increased from 28 to 418, and the number of colleges from 578 to 17,635. During the same period, enrolment in higher education has also increased from 0.174 million to

10.48 million. The number of teachers has also gone up from around 24,000 in 1950-51, to 4,72,000 in 2004-05.

The expansion of higher education after independence was higher during the decades of 1950s and 1960s. This may be because of the growing demand for higher education during this period which was a global phenomenon. The growth of such institutions was comparatively slow during the 1970s and 1980s. However, during 1990s and onwards, the expansion of higher education system has regained momentum.

Table 1.02
Growth of higher education in India (CAGR %)

Year	Universities	Colleges	Enrolment	Teachers
1950-51 to 1960-61	4.86	12.15	12.34	9.96
1960-61 to 1970-71	7.53	5.90	13.38	11.85
1970-71 to 1980-81	2.84	3.92	3.47	2.53
1980-81 to 1990-91	4.11	1.95	5.99	1.06
1990-91 to 2000-01	3.75	6.85	5.48	3.84
2000-01 to 2004-05	11.22	12.14	5.69	4.55

Source: Computed on the basis of Table 1.01

During the year 1950-51 to 1960-61, the number of universities has grown at a compound annual growth rate (CAGR) of 4.86% per annum, while colleges at a rate of 12.15% per annum. During 1970s, 1980s and 1990s, the rate of growth was relatively low compared to the earlier period on all parameters. This has increased considerably during the period 2000 and then after when the compounded annual growth rate of universities has been more than 11% per annum and that of students' enrolment and teachers being around 5% per annum. In the present times, as shown in table 1.05, as of 2006, the number of institutions has grown considerably during the period 2001 and onwards. This may be because of the efforts made by the government in promoting the establishment of institutions of higher education etc.

Table 1.03
Growth of Universities and Other Academic Institutions till 2006

Academic Institutions	Total number up to:				
Type of Universities and other Academic Institutions till 2006	1947	1966	1980	1993	2006
Central Universities	3	5	8	10	18
Institutions recognized as 'Deemed Universities'	5	11	12	30	95
Institutions of National Importance	2	9	9	10	13
State General Universities	18	56	81	112	176
State Agriculture Universities	---	6	20	25	40
Total	28	87	130	187	342

Source: Singh N. (2007) Selection and Promotion of Teachers in Indian Universities: Myths and Realities, University News, 45(52) December 24-30,2007.

Note : --- Not Available

As is shown in the table 1.03 there has been a sharp increase in the number of state universities and institutions recognised as "deemed to be universities during the recent times" and the total number of universities and other institutions has increased from 28 at the time of independence which has risen to 342 during 2006.

Table 1.04
Faculty-wise Student Enrolment in Higher Education

Faculty	2002-03 (%) to total enrolment	2004-05 (%) to total enrolment
Arts	45.07	45.12
Science	19.88	20.44
Commerce/Mgt	17.99	17.99
Education	1.43	1.47
engineering/Technolog	7.5	7.20
Medicine	3.25	3.15
Agriculture	0.6	0.59
Veterinary science	0.16	0.15
Law	3.23	3.05
Others	0.88	0.84
Total	100	100.00

Source: University Grants Commission Annual Reports, 2003-04 and 2004-05

It will also be useful to understand the faculties that have witnessed a high growth. A look at the distribution of students by courses shows that majority of the students have entered into general education rather than technical and professional courses. As the table 1.04 shows general education still dominates in India. As against 2002-03, there is little change in the distribution of enrolment across faculties in 2004-05. Arts faculty has the highest percentage of students followed by Science and Commerce where as Agriculture has the lowest percentage of students enrolled.

"Expansion of higher education by and large is characterised by a policy of drift on account of which admission to higher education, particularly in humanities and social sciences are virtually denied to none. Precious little effort is made in relating the out turn of university graduates to the need of the economy (Azad Z.L 1975). Report of the Kothari Commission on Education had also mentioned that "the rapid expansion in Arts and commerce courses at the first degree level has been dictated not so much by the enrolment capacity of the

institutions concerned or the employment opportunities available, but by the pressures of public demand which have increased immensely"(GOI,1966).

In India, policies regarding the development of higher education vary from state to state. They deal with provision of access to higher education, funding, quality of education, etc. Some states have expanded their higher education systems very quickly, but many are lagging behind (Ved Prakash 2007). There are wide variations in gross enrolment ratio across states and union territories.

As of 2003-04, the GER at the higher education level is as low as 4.33 % in Nagaland, and as high as at 28.68 % in Chandigarh. The GER is less than 7% in Arunachal Pradesh, Tripura and Sikkim. It is less than 10% in 14 states. The extent of higher education is generally measured by enrolment ratio in higher education. The GER measures the access level by taking the ratio of persons in all age group enrolled in various programs to total population in age group of 18 to 23. Three alternative sources namely selected educational statistics (SES). National Sample Survey (NSS) and Population Census (PC) provide data on number of student enrolment for the early 2000 the GER based on the SES is 8%. The NSS and PC arrived at enrolment ratio of about 10% and 14% respectively. Thus the SES data under reports gross enrolment rate by 4.5%, for 2003/4, the GER workout to 9%, 13.22% and 14.48% respectively (Thorat S., 2006).

Table 1.05
Gross Enrolment Ratio in Higher Education in Major States in India (2002-03)

States	Gross Enrolment Ratio
Andhra Pradesh	9.51
Arunachal Pradesh	6.37
Assam	8.67
Bihar	7.3
Chhattisgarh	7.77
Delhi	10.94
Goa	13.47
Gujarat	9.65
Haryana	10.56
Himachal Pradesh	12.76
Jammu and Kashmir	4.95
Jharkhand	7.27
Karnataka	8.12
Kerala	9.92
Madhya Pradesh	7.66
Maharashtra	12.3
Manipur	13.19
Meghalaya	10.94
Mizoram	9.51
Nagaland	4.33
Orissa	8.71
Punjab	8.53
Rajasthan	8.77
Sikkim	6.29
Tamil Nadu	10.91
Uttar Pradesh	7.03
Uttaranchal	12.25
West Bengal	8.21

Source: Selected Educational statistics 2003-04

While considering GER at all India level at 9%, comparing this, the states of Jharkhand, Karnataka, Madhya Pradesh, Chhattisgarh, Orissa, Punjab,

Rajasthan, West Bengal, etc. have GER lower than All India average and states such as Andhra Pradesh, Goa, Himachal Pradesh, Kerala, Maharashtra, Manipur, Meghalaya, Uttaranchal, etc. having higher than all India GER level. In short, given this GER at all India level, only 12 states have GER higher than all India average where as majority states have GER lower than all India level.

Keeping in view the increasing demand for skilled manpower in the emerging knowledge society, the CABE Committee in its report of 2005 (NIEPA, 2005) has recommended that it would be necessary to provide for a substantial increase in the GER, perhaps in the range of about 20 percent in the next 15 to 20 years by doubling the existing capacity. This would also call for provision of specifically targeted interventions in states where the GER is very low.

1.03 Participation of Female in higher education

In a democratic society, access to higher education must necessarily be linked to equity. In keeping with this expectation, the National Policy on Education, 1986(Government of India, 1986) emphasised the need to remove disparities and equalise educational opportunities, especially for those sections of society that were denied equality in the past. The categories identified for special consideration by the Government of India are women, the scheduled castes, scheduled tribes and other backward areas. Reservations are provided in educational institutions, and admission-criteria are relaxed for students from most of these categories. In addition, financial support is provided by governments in the form of free ships and grants. Thus, in India the thrust of the educational policy has been on 'growth with equity', though there may be shortfalls in actual implementation (Power K, 2002).There has been some improvement in the area of equity in higher education over the years. Participation of girls in higher education has been increasing steadily since 1950-51. Starting from 1950-51 when the proportion of women was 10.9 percent to 40.05 percent in 2002-03, the increase has been significant. There were 10 women per 100 men in 1950-51 which has increased to around 39 in 2004-05. Thus, the proportion of women entering higher

education today has increased rapidly from 16,85,926 (32.0%) during 1991-92 to 40 percent(36,95,964) of all students during 2002-03 (Table 1.06).

Table 1.06
Enrolment in Higher Education by Gender (Numbers and Percentage)

Year	Women		Men		Total
	Number	Percent	Number	Percent	
1950-51	43126	10.9	353619	89.1	396745
1960-61	170455	16.2	879409	83.8	1049864
1970-71	655822	21.9	2345470	78.1	3001292
1980-81	748525	27.2	2003912	72.8	2752437
1991-92	1685926	32	3579960	68	5265886
1995-96	2191138	34.1	4234486	65.9	6425624
2002-03	3695965	40.05	5531868	59.05	9227833

Source: Karuna Chanana(2007)'Globalisation, Higher Education and Gender Changing Subject Choices of India Women Students' Economical and Political Weekly, February 17,2007

Looking at the faulty wise distribution, majority of the women are mainly enrolled in general stream rather than technical and professional courses as in the case of total enrolment. For instance, the proportion of women in commerce was 0.6 percent during 1950-51 and increased to 15.9 percent during 1980-81. Thereafter it has been going up steadily and now stands at 36.7 percent during 2002-03, in engineering/technical courses, their proportion was 0.2 percent during 1950-51; 3.8 percent during 1980-81 and is now 22.3 percent.

Table 1.07
Proportion of Male and Female students in Total enrolment by Gender and Disciplines/Subject (1950-51 to 2002-03)

	1950-51		1960-61		1970-71		1980-81		1991-92		2000-01		2002-03	
Faculties	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Arts	16.1	83.9	24.6	75.4	31.7	68.3	37.7	62.3	41.8	58.2	44.2	55.8	45.4	56.6
Science	7.1	92.9	10.5	89.5	17.8	82.2	28.8	71.2	32.9	67.1	39.4	60.6	40.2	59.9
Commerce	0.6	99.4	0.9	99.1	3.7	96.3	15.9	84.1	22.1	77.9	36.5	63.5	36.7	63.3
Education	32.4	67.6	32.8	67.2	36.5	63.5	47.3	52.7	50.2	49.8	51.2	48.8	50.6	49.4
Technology & Engineering	0.2	99.8	0.9	99.1	1	99	3.8	96.2	7.6	92.4	21.5	78.5	22.3	77.8
Medicine	16.3	83.7	21.9	78.1	22.8	77.2	24.4	75.6	33.2	66.8	44	56	44.7	55.3
Law	2.1	97.9	3	97	3.7	96.3	6.9	93.1	11	89	20	80	20.8	79.2
Agriculture	5.8	94.2	7	93	9.5	90.5	13.6	86.4	7.1	92.9	17.4	82.6	20.2	79.8
Veterinary Science*	---	---	---	---	---	---	---	---	8	92	20.9	79.1	16.9	83.2
Others	---	---	---	---	---	---	---	---	38.3	61.7	37.7	62.3	37.9	62.2

Source: Karuna Chanana(2007)'Globalisation, Higher Education and Gender Changing Subject Choices of India Women Students 'Economical and Political Weekly, February 17,2007

Note : *Agriculture, veterinary science and others are merged for the years 1950-51 to 1980-81.
---- Merged in years 1950-51 to 1980-81

Moreover, wide variations in the enrolment of female have been found across states and union territories. GER of the female participation in higher education is relatively low in Rajasthan, Orissa, West Bengal, Madhya Pradesh, Uttar Pradesh, Jharkhand, Chhattisgarh and Bihar (Table 1.08).

Table 1.08
State wise enrolment of Women (%) in Higher Education (2004-05)

States	Female
All India	40.4
West Bengal	39.38
Uttaranchal	42.39
Uttar Pradesh	36.83
Tamil Nadu	45.72
Rajasthan	33.98
Punjab	51.64
Orissa	35.93
Mizoram	45.6
Meghalaya	48.11
Maharashtra	41.4
Maya Pradesh	37.17
Kerala	60.85
Karnataka	41.34
Jharkhand	30.54
Jammu and Kashmir	46.8
Himachal Pradesh	43.79
Haryana	41.28
Gujarat	44.41
Goa	59.05
Delhi	48.82
Chhattisgarh	37.04
Bihar	24.46
Assam	41.4
Andhra Pradesh	40.17

Source: UGC, Annual Report, 2004-05

These days' young female and male like to earn as soon as they can, the revolution in values cuts across upper and middle strata, who want to begin

earning as soon as possible. In this changed situation, the priorities of female have also changed. They too want professional education and are, therefore, entering the so-called masculine disciplines (Karuna Chanana, (2007). Thus, two simultaneous trends of clustering and dispersal can be seen in the enrolment of male and female in higher education. During the first three decades while female tended to be clustered in the general disciplines of Arts and sciences(nearly 90 percent); men's participation was characterised by both clustering in Arts and sciences disciplines but also significantly dispersed in others such as commerce, engineering/technical and law. Hence, the gross enrolment ratio of female though increasing is still low compared to men.

Nevertheless, in spite of these impressive figures, India lags far behind the developed countries with a population of 100 crores the country has only 417 universities. In contrast to this, Japan with a population of 12.7 crores has 684 universities and The USA, with a population of 27.6 crores, has 2364 universities. Germany has 330 universities with population of 8.2 crores. The average size of Indian higher education institution in terms of enrolment is much smaller (500-600) compared to that of Europe and US (3000-40000 and China (8000-9000) (Agrawal P, 2006) .

Table 1.09
Student Enrolment (%) in Higher Education in some selected countries

Country	Enrolment
Canada	88
Australia	79.8
USA	80.9
UK	52
Thailand	19
Brazil	12
Indonesia	11
India	6

Source: Kale R.K.(2006) 'Higher Educational Development of the Nation', University News, Vol.44, No.33

As shown in Table 1.10 where as trends in the enrolment of students in higher education reveal the scenario countries like Canada, USA and Australia 80%-88%. India is even behind Thailand, Brazil and Indonesia where enrolment in higher education is 19%, 12%, and 11% respectively.(Kale R.K 2006). It is estimated that even after having the largest number of higher education institutions, India needs at least 3000 more universities each having capacity to enrol not less than 10000 students to meet the increasing demand for higher learning (Bhargava P, 2006)

During the times, when the country is moving on the path of growth with service sector that demands a diverse set of skills and higher levels of education, it is imperative that education is the most crucial input for socio-economic development transforming people into human resources. Education has the power to influence productivity and employment inculcating right attitudes and skills. The developed world understood much earlier, that individuals with higher education have an edge over their counterparts, justifying any level of investment in higher education (Ved Prakash 2007).

1.04 Higher education: Challenges and Paradigms

The main source of public funds for higher education is the central government, Universities Grant Commission, The State Government, etc. Unless the "modern gurukul", the university, has the needed finances, it will be unable to provide new, innovative ideas and good faculties (Misra S. 2004).

In the recent times many private educational institutions have mushroomed but they remain beyond the reach of the majority of Indians because of high fees. Hence, it is critical to study the trends in governmental support and financing of higher education, to help make higher education in India affordable and sustainable in the long run.

Section II
Financing of Higher Education in India

1.05 Introduction

Higher education in the present day context is much more complex due to interaction between many factors such as the role of government, public private partnership, impact of globalization, educational standards, values etc. The problems of growth in higher education are all the more complicated in less-developed economies like India, where the sources of finance for higher education are still desired to be dominated by government funding. However, the financial profligacy of the 1990s in the developing countries had altered the priorities making higher education a non-merit good.

The emergence and growth of private sector education was seen as a possible means of reducing the financial burden on the Government. It is therefore imperative to analyse and understand the trends in financing of higher education as a necessary step towards finding probable and effective solutions. Since there are different sources of finance that contribute to the university, one needs to enquire into the economic behaviour of these sources themselves (Tilak JBG, 2003).

1.06 Globalisation and University Finance

The benefits of globalization accrue to countries with highly skilled human capital and are accurse for countries without such specialized human capital. Developing countries and countries in transaction 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. (Geeta Rani , 2003).

Globalisation in India has created an unprecedented demand for knowledge workers and IT skills. Higher education Institutions have expanded and increased in order to address the emerging manpower needs of a competitive India. Higher education has traditionally been mainly funded by the Government. The present crisis arising due to reduction in funding by the government in the 1990s and growing demand for education needs immediate attention. This would in other circumstances lead to compromising with the potential of Indian universities to develop manpower and creating knowledge having wider implications. Financing of higher education and the role of India as a world economic power are inter-related. Only those societies are harvesting the fruits of globalization that have a strong and widespread higher education system. The fund-starved Indian higher education system is neither strong nor widespread and unlikely to support and contribute effectively towards making India a developed nation (Kale R.K., 2006). The Government of India admitted in the Tenth Five Year Plan that "part of the problem facing universities is the inadequate provision of budgetary resources from the Government." As a result, a number of universities and institutions of higher education are in continuous deficit. The unveiling of economic reform policies in the early 1990s also accentuated the financial hardships of these institutions. (NIEPA, 2005).

This financial crisis in higher education demands urgent attention, and provision of the required resources. A serious rethinking is needed on policies relating to financing higher education, including the specific financial reforms that have been introduced during the last decade and a half.

The structural adjustment programs favoured by IMF and World Bank emphasize reduction in public expenditure largely because of budget deficits and external debts. This state of affairs has prompted many countries to search for alternative sources other than the public treasury. In the context of higher education advocacy of private financing has become increasingly common. The measures for effective cost recovery and private investment too have emerged as an accepted tool.

Today majority of the governments in developing countries are under great pressure to restrain public spending on higher education (Tilak JBG, 2005). The demand for education at every level is rapidly increasing. However, funds for education are not increasing at a commensurate level resulting into the widening gap. In India, over the years, the union and state Governments have considerably increased their total public expenditure on education from Rs. 114 crores in 1950-51 to nearly Rs. 100,000 crores in 2005-06. The goal of allocating six percentage of national income to education is still elusive. (Tilak JBG, 2003) According to latest estimates, only 3.5 per cent of GDP is spent on education.

Yet another fact is that the Government and UGC are finding it increasingly difficult to even sustain the current level of funding to the institutions of higher education. Managing the present financial liabilities of the universities especially the state universities is in utter chaos. In the eighth plan, the policy of financially self-supporting higher education was advocated, the "expansion of higher education in an equitable and cost-effective manner is imminent in the process, making the higher education system financially self-supporting" (Government of India, 1992).

The emergence and growth of private sector education is seen as a means to reduce the financial burden of education on the Government. The present growth in demand for education is at a time when the Government is faced with a severe budgetary crunch, and intense competition for its scare resources from several sectors (Tilak J.B.G. 2007).

1.07 Sources of Finance to higher education

One major source of funding for universities and colleges is the University Grants Commission. The first attempt to formulate a national system of education came into existence in 1944, with the Sergeant Report recommendation for the formation of a University Grants Committee, to oversee the functioning of the three Central Universities of Banaras, Aligarh, and Delhi. In 1947, The Committee was entrusted with the responsibility of dealing with all the existing universities at the time.

The UGC is a statutory organization established under an act of Parliament in 1956 for the coordination, determination, and maintenance of standards in university education. An amendment is under consideration before the Government of India to meet emerging challenges. According to Section 2(f) of this Act, UGC recognizes those universities that have been established or incorporated by or under a Central Act, a Provincial Act or a State Act, and may include any such institute in consultation with the university concerned.

The Commission in consultation with the concerned universities can take all such steps as it may think fit for the promotion and coordination of university education and for the maintenance of standards in teaching, examination and research. For the purpose of performing its functions, the Commission may allocate and disburse out of the Fund of the Commission, grants to universities and colleges for maintenance and development. UGC also advises Central Government, state Governments and Institutions of higher learning on the measure necessary for the promotion of university education.

The ninth plan policy imperatives focused on

- Access and equity
- Relevance and quality of Education
- Universities and social change
- The Delivery Systems the institutional and organizational structures and management

- Funding which constitutes the necessary resources underpinning development.

1.08 Heads of Grants

UGC is the open body for providing grants to the universities.

There are two kinds of grants for universities, deemed universities, and colleges. They are:

- Development (Plan) Grants
- Maintenance (Non-Plan) Grants

1.09.1 Development Grants

As universities develop, size of their development grants does not increase proportionately. UGC provides Plan Grants to central universities once in five years, based on negotiations and approval of their five-year plans. The Plan assistance is provided for teaching and non-teaching staff, for laboratories, special office equipment, construction of new buildings, academic and administrative purposes, construction of staff quarters, hostels, guest-houses and major repairs/renovations of old buildings.

1.09.2 Development Grants to State Universities

UGC provide budgetary allocation of plan grants to the state universities. Under this provision, these universities receive grants for those infrastructural facilities for which grants are not available to them from State Governments or other bodies. During 2001-02, Plan Grant was paid to 123 eligible state universities.(UGC Annual Reports 2001-02) This financial assistance is being given for staff, equipment, books and journals, buildings, campus development, health centres, student amenities etc.

Apart from these development grants, state universities are also provided with additional grants over and above the Ninth Plan development assistance. These grants are provided under different schemes such as Jubilee grants, special one time grant for upgrading existing laboratories and libraries, development

assistance to PG centres of state universities, day-care centres in universities, visiting professors/fellows etc.

1.09.3 Maintenance (Non-Plan) Grants

The objective of providing plan assistance is not only to improve infrastructure and basic facilities of the universities, but also to develop excellence in those areas which are already at threshold level. These are not intended to supplement the requirements under maintenance grant.

The UGC provides Non-Plan assistance to universities to help them meet their recurring expenditure on salaries of non-teaching and teaching staff and for maintenance of laboratories, libraries, buildings, as well as for obligatory payments such as taxes, telephone bills, electricity and other purposes.

Development assistance is utilized for consolidation of existing infrastructure and for modernizing teaching, research, and administration in order to meet the changing demands of society. The exact amount of maintenance grant payable to central universities and institutions deemed to be universities is determined on the basis of "covering of deficit", i.e., the internal receipt is deducted out of the actual expenditure incurred in any year. The institutions cannot build up any reserve out of the maintenance grant paid to it. This grant increases incrementally for each institution every year, with the size of increment varying from institution to institution (UGC, 2001-2002.).

With demand for higher education increasing day by day, UGC resources need to be supplemented by other sources to meet needs. Universities need to be helped in finding these additional sources.

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Table 1.10
Plan & Non Plan Budgeted Expenditure on Higher Education Departments of State & Centre (Revenue Account)
(Figure in Rs. Thousand Crore)

Year	Higher	Technical	Total Higher + Technical
1993-94	3104	1018	4122
1994-95	3525	1189	4714
1995-96	3871	1290	5161
1996-97	4288	1450	5738
1997-98	4859	1623	6482
1998-99	6117	2073	8190
1999-00	8248	2459	10707
2000-01	9195	2528	11723
2001-02	8087	2560	10647
2002-03	8859	2820	11679
2003-04(RE)	9380	3138	12518
2004-05(BE)	9562	3387	12949

Source: Analysis of Budgeted expenditure on Education, MHRD, Government of India, Various Years
Note : RE: Revised Budgeted Estimates
BE: Budgeted Estimate

It is in this content that the public expenditure on higher education needs to be understood. The trend of the public expenditure on higher education as shown in table no 1.10 indicates that during 1993-94 and 2004-05, the public expenditure in higher education has increased roughly by three times. The Sectoral allocation of public expenditure on education for all these years on higher (general) and technical education remained at roughly around 12 and 4 percentage points respectively.

Recognizing this requirement as also the basic fact that the institutions of higher learning have to perform multiple roles like creating new knowledge, acquiring new capabilities, producing intelligent human resource pool, Indian Higher Education system has to address itself to global challenges through channelizing teaching, research and extension activities , and maintaining the right balance between the need and the demand.

1.10 Public Expenditure on Higher Education

Public expenditure on higher education increased from a modest level of Rs. 1715 million in 1950-51 to Rs. 95620 million in 2004-05. It had a good start during the 1950s with a real growth rate of 7.5 percent per annum, while during the 1960s with a real growth rate of 11 percent per annum but during the 1970s annual real growth rate declining to 3.4 percent and recovered somewhat during the 1980s with the annual growth rate improving to 7.3 percent.

Table 1.11
Public Expenditure on Higher Education

Year	Budget Expenditure (Revenue)(Rs. Million)		Per Student Expenditure (Rs)		Index(per student)
	Current Prices	Constant Prices	Current Prices	Constant Prices	
	General Higher Education				
1990-91	23120	31400	5652	7676	100
1991-92	24440	29170	5636	6727	88
1992-93	27000	29640	6111	6710	87
1993-94	31040	31040	6738	6738	88
1994-95	35250	32170	7329	6687	87
1995-96	38710	32390	6944	5810	76
1996-97	42880	33430	7207	5619	73
1997-98	48590	35500	7793	5693	74
1998-99	61170	41370	9536	6450	84
1999-00	82480	53710	10683	6956	91
2000-01	91950	57880	10543	6636	86
2001-02	80880	49230	9669	5886	77
2002-03	88600	51790	9310	5442	71
2003-04(RE)	93810	53250	...	....	....
2004-05(BE)	95620	51520	....	...	....
Growth Rate					
1990-91 to 2004-05	12.3	5.4	5.6	-1.5	....

Source: Ved Prakash (2007) 'Trends in Financing of Higher Education in India', Economic and Political Weekly, August 4,Mumbai
Note : Growth rates were calculated with semi-log equation.
RE: Revised Budgeted Estimates
BE: Budgeted Estimate

The public expenditure on higher education increased from Rs.23120 million during 1990-91 to 95620 million during 2004-05(BE) in current prices with an annual growth rate of 12.3 percent. At a given level of education, the growing enrolment can also squeeze as per unit availability of resources, though per student public expenditure on higher education increased in nominal terms but declined in real prices. For example, per student expenditure increased in current prices from Rs. 5652 in 1990-91 to Rs. 9310 in 2003-04. In real prices, it declined from Rs. 7676 to Rs. 5442 during the same period registering a negative growth of 1.5 percent per annum. In fact, the public expenditure on higher education per student in the 2000s is nearly 30 percent less than what it was in 1990-91.

To get a realistic picture, one may have to look at trends in public expenditure adjusted for inflation. After adjusting public expenditure for inflation with national income deflators, the annual growth rate turns out to be just 5.4 percent (table 1.11).

Public expenditure per student on higher education in nominal terms increased by several times during post-independence period, but the real expenditure has registered a negative growth. Decline has been significant during the 1990s. At 1993-94 prices, expenditure on higher education per student declined.

During the reforms period per pupil outlay in current prices has increased year after year barring during the two years except 2001-02 and 2002-03. In fact it almost doubled. As contrast to popular belief, real outlay has declined by nearly Rs. 2000 per student during 1990-91 to 2002-03 periods. The sharper fall is pronounced after the initial phase of economic reforms i.e. 1994-95. It may be due to diversion of funds towards lower levels of education or emergence of private sector on the sphere of tertiary education. (Achanta J. and D. Ramesh, 2009)

1.11 Proportion of GNP to higher education

In the context of globalization and increased competition, the higher education cannot be overlooked either. Having regard to these realities, a consensus of a sort is gradually emerging to allocate at least 3 percent of GNP to elementary education, 1.5 percent to secondary education and the remaining 1.5 percent to higher and technical education. With this background, it is important to examine the priority accorded to higher education. (NIEPA 2005)

Table 1.12
Public Expenditure on higher education
(as percentage of GNP and Budget Expenditures.)

Year	Higher Education as % of GNP	Higher Education as % of Budgeted Expenditure
1990-91	0.46	1.58
1991-92	0.42	1.43
1992-93	0.41	1.42
1993-94	0.40	1.42
1994-95	0.39	1.40
1995-96	0.37	1.35
1996-97	0.35	1.30
1997-98	0.35	1.31
1998-99	0.39	1.39
1999-00	0.47	1.61
2000-01	0.49	1.79
2001-02	0.39	1.31
2002-03	0.40	1.31
2003-04(RE)	0.37	1.22
2004-05(BE)	0.34	1.18

Source: Analysis of Budgeted Expenditure, Various Years
Note : BE: Budgeted Estimate
RE: Revised Budgeted Estimates

Since the 1990s, the priority given to higher education has declined even as their importance in facing the new global challenges is growing. Share of higher education in the total government expenditure may tell more clearly about the priority that the government attaches to higher education, as the government has direct control on its own expenditure than on the national income as a whole. As a proportion of GNP allocated to higher education has sharply declined from 0.46 percent in 1990-91 to 0.34 percent in 2004-05(BE).

As proportion of total government expenditure, the share of higher education declined from 1.6 percent in 1990-91 to 1.3 percent in 1996-97; it has increased in the later years to 1.6 percent in 2000-01. According to the latest figures, it has declined steeply to 1.2 percent in 2003-04, i.e, to much below the 1990-91 level.

1.12 Higher Education during Five-year Plans

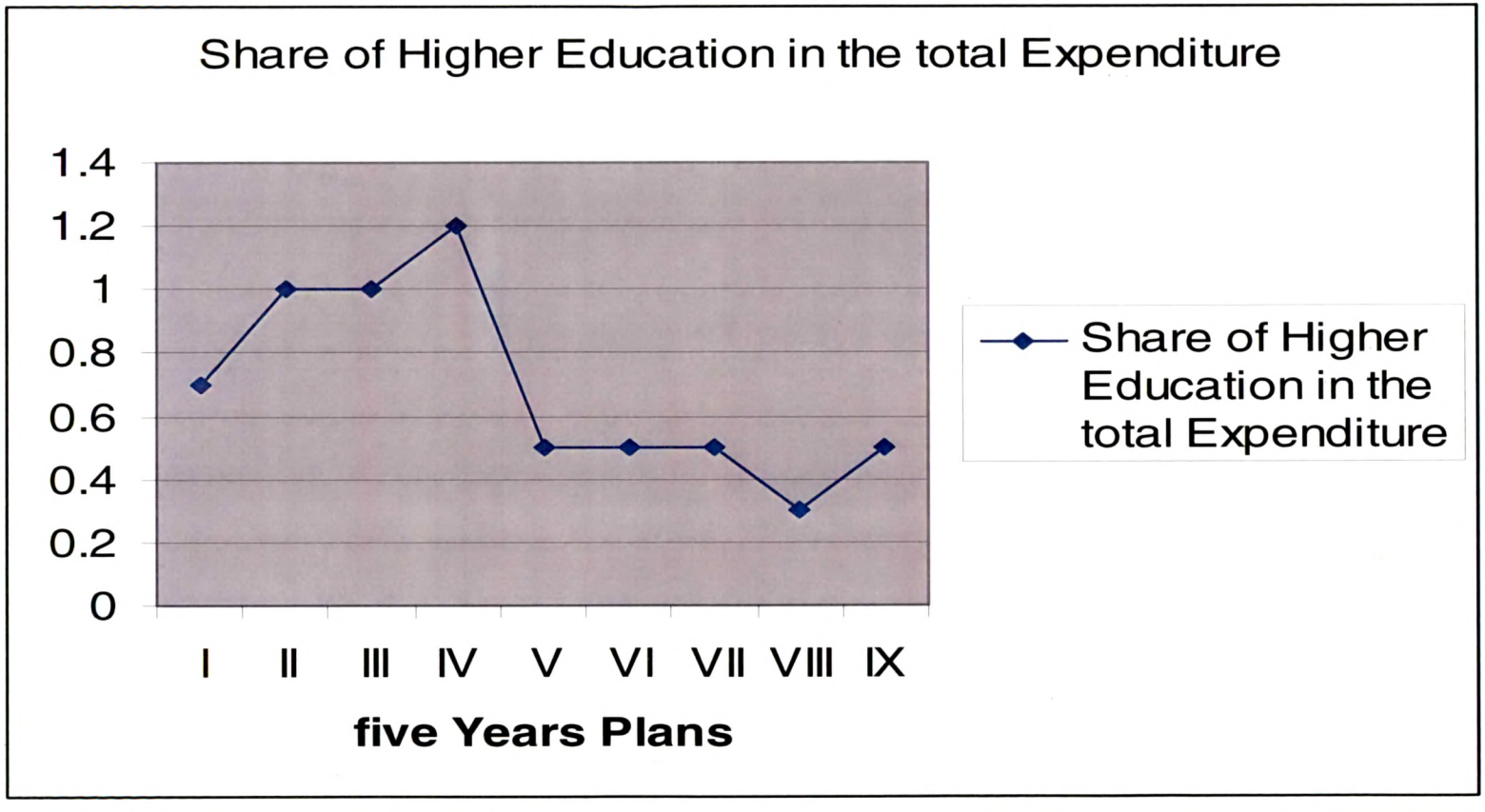
Five-year plans are important instruments in setting new directions for quantitative developmental expansion, improvement in quality, as well as several other dimensions of the education development strategy adopted by independent India. The share of higher education in the total five-year plan expenditure increased from 0.7 % in the first five-year plan (1951-56) to 1.2 % in the fourth five-year plan (1969-74). However, it has declined continuously during the seventh five-year plan (1986-90) to 0.5%, and still further down to 0.3 % in the eighth five-year plan (1992-97). Relative allocations to higher education in the eighth and the ninth five year plans reached the all time bottom levels.

Table 1.13
Share of Higher Education in five years plans

Five-year Plan	Share of Higher Education in the total Expenditure	Plan Allocation Expenditure to Higher Education (Rs. in Crores)	Total on Education as % of Total Plan Outlay
I	0.7	14(9)	7.86
II	1.0	48(18)	3.83
III	1.0	87(15)	6.87
IV	1.2	195(25)	5.04
V	0.5	205(22)	3.27
VI	0.5	530(18)	2.7
VII	0.5	1201(14)	3.5
VIII	0.3	1516(7)	4.9
IX	0.5	4350(8)	6.20

Source: NIEPA, 2005
Note: Figures in parenthesis are % to total

Chart 1.01


Share of Higher Education in the total Expenditure
1.4
1.2
1
0.8
0.6
0.4
0.2
0
I
II
III
IV
V
VI
VII
VIII
IX
five Years Plans
Share of Higher Education in the total Expenditure

It can be noticed from above table that during the first five-year plan, higher education was not on high priority and only 9% was allocated for higher education. However, during of the total plan expenditure on education, the share of higher education doubled to 18% however, during the second five-year plan. During 1970s after the Kothari Commission report, higher education received better treatment out of the total outlay was of more than 20% allocated to higher education. However, the share of higher education doubled to 18% during the VI five-year plan period. It increased to an all time high of 25% during the fourth five-year plan period. Since then, it has been consistently declining reaching 8% during the ninth five-year plan period.

It is important to understand that higher education had an increasing allocation of public resources, during the second five-year plan and thereafter from the seventh five-year plan onwards however, higher education did not receive the attention it deserved. This resulted in erratic growth, affecting access, equity, relevance and excellence. It also led to a rise in inequalities in higher education by gender, caste, and religion. A third result is that inter-institutional variations in quality of higher education are remarkably visible (Tilak JBG, 2005). In order to meet the 11th Plan aim of inclusive growth and to ensure genuine endogenous and sustainable development along with social justice and equity the higher education sector has to play a pivotal role, especially in generating research-based knowledge and developing a critical mass of skilled and educated personnel (Achanta and Ramesh, 2009).

It is also clear from the above discussion that public allocation for higher education is not only inadequate but also declining over the years.

Section III
Research Methodology

1.13 Rationale of the Study

Higher education is under twin pressures. An enormous increase in student numbers and also the expectations that have traditionally been served by

universities. Both the numbers and expectations involved here are huge, having serious repercussions on the system (Tilak JBG, 2005).

In this scenario of financial resource crunch and the emerging challenges of privatization, globalization, quality, and competitiveness, there is a compelled need to analyze the problems and find solutions for higher education to gain and maintain its regard.

1.14 Objectives of the Study

The present study has been carried out with the following objectives:

1. Examine the trends in the growth of the university considering various criterion such as trends in the enrolment of students, teachers.
2. Examine the trends in the major sources of receipts of the university.
3. Examine the trends in the major sources of expenditures of the University.
4. Assess the trends in performance of the university based on receipts and expenditures.
5. Examine the trends in the efforts made by the University for augmenting the income of the University.

1.15 Hypotheses

1. The educational system in the university is predominantly a state funded and directed activity.
2. The financial resources from the government are declining.
3. The university system is developing alternative sources of finance.

1.16 Geographical Area

Vadodara is an ancient settlement, founded around 1000 B.C. on the banks of the river Vishwamitri in the central-eastern mainland of Gujarat. The city's greatest period was during the Maratha rule of Baroda, starting with the ascension of Maharaja Sayajirao Gaekwad III to the throne in 1875. It was an era of progress and constructive achievement in all fields. The Maharaja was one of the foremost administrators and reformers of his time (MSU, 1980). In particular, he introduced a series of bold socio-economic reforms, and started a higher educational

institution in English medium with residential facility for outside students to promote knowledge and development. His foresight led to the conceiving the idea of the university in Vadodara as early as 1909 and establishment and development of The M.S. University of Baroda in 1949, an important centre for higher education in the country, providing advanced professional courses to students not just from across Gujarat and the nation but also from abroad. The University enjoys a worldwide reputation.

The M.S. University of Baroda started functioning on 30th April 1949 as a Unitary Residential University restricting its jurisdiction to a radius of 10 miles from the University office. Soon after coming into existence, the University brought several institutions into its fold and within a year the various faculties were organized. The M.S. University of Baroda is renowned as one of the premier institutions of higher learning in India and abroad. Since its inception, the university has strived to achieve academic excellence in diverse disciplines. The M.S. University of Baroda is the only English-medium residential university in the state of Gujarat. The University campus spread over 275 acres, is dotted with several beautiful buildings and heritage structures. The University today caters to the educational needs of more than 38,000 students who are imparted knowledge by 1200 teachers and 1800 strong administrative staff. The university offers advanced research facilities, a wide choice of disciplines and courses that cater to the needs of the society and the economy. Teaching and research take place in 86 academic departments organized under 13 Faculties and 3 Colleges. The university has entered into Memoranda of Understanding with prestigious universities abroad such as Oxford, South Florida, and Penn University etc. (MSU 2008). Since the university has distinctive it would be appropriate to begin this study with an overview of the dimensions and directions of the university's development.

The M.S. University of Baroda has been chosen for study.

1.17 Faculties and Institutions of the University

There are presently 13 faculties and 3 other institutions of higher learning. It is worthwhile here to understand in brief about the various faculties and institutions of the university.

1.17.1 Faculty of Arts

The Faculty of Arts established in 1881 by H. H. Maharaja Sayajirao Gaekwad III of the erstwhile Baroda State, developed into a full-fledged degree institution in 1889. The idea of establishing a Separate University' for Baroda was mooted first as early as 1927 by Sir Sayajirao himself. It came into existence on April 30, 1949, at the time of the merger of the Baroda State with the State of Bombay.

1.17.2 Faculty of Science

The Faculty of Science is a Constituent Institution of the Maharaja Sayajirao University of Baroda under the direct management and control of the University. The Old Baroda College which was founded in the year 1881 consisted of Arts and Science Sections. The Faculty of Science started its independent existence in March, 1951 with Dr. C.S. Patel as its First Dean.

1.17.3 Faculty of Education and psychology

The Faculty of Education & Psychology of the Maharaja Sayajirao University of Baroda has its origin from the Secondary Training College, Baroda. Mr. R. Littlehaile's, Education Commissioner with the Government of India, made a survey of Education in the Baroda State in 1933. It was affiliated to the University of Bombay in the year 1938.This institution became the Faculty of Education & Psychology in the year 1949 as the constituent of the Maharaja Sayajirao University of Baroda with two departments – Education and Psychology.

1.17.4 Faculty of Commerce

The Faculty of Commerce has been a premier institute of education in Business Studies since 1949 and it was the first of its kind in India. When it was established in 1942, it was known as the Maharaja Pratapsinh College of Commerce and Economics. The varied academic staff has the experience and qualifications to take up the challenges of education and research in Business Studies. The Faculty offers undergraduate, post-graduate, and doctoral programmes leading to B.Com., M.Com. and Ph.D. Degrees. The faculty also offers BBA and three Post Graduate Diplomas in Business Management, Banking and Co-operation to cater to specialized needs of students.

1.17.5 Faculty of Medicine

The College started its working from June, 1949. This is a Government Institution affiliated to the M.S.University of Baroda. The College started its working from June, 1949. This is a Government Institution affiliated to The M. S. University of Baroda.

The College is housed in a spacious modern Three Storied Building 300 ft. in length and breadth. The Department of Anatomy, Physiology are placed on the Second Floor. The Ground Floor consists of the Department of Preventive and Social Medicine, Administrative Block, Medicine Department, Clinical Chemistry and Bio-Chemistry Department etc.

1.17.6 Faculty of Technology and Engineering

The Faculty of Technology and Engineering as it stands today formed along with the establishment of the Maharaja Sayajirao University in 1949 is an outgrowth of what was popularly known as the "Kala Bhavan Technical Institute" (KBTI) established in June 1890 by his late Highness The Maharaja Sayajirao Gaekwad III of Baroda state. In May 1990,it completed 100 years of glorious services for the cause of Technical Education.

The Kala Bhavan started its activity in 1890 with the modest but novel objective of producing skilled artisans and apprentices by imparting instruction in

local language in the following fields: Civil, Mechanical, and Electrical Engineering, Drawing and Printing, Architecture and Photo engraving, Textile Chemistry including Dyeing, Bleaching, Sizing & Printing, oil and Soap making etc.

1.17.7 Faculty of Law

The Faculty of Law, M. S. University, Baroda has been a premier law institute in Gujarat since the sixties. The varied academic talent of the faculty is capable to tackle the emerging legal trends. It offers various courses like LLB (General) , LLB (Special) ,LLM (Business Law), LLM (Criminal Law), Post Graduate Diploma in Taxation Practice, Post Graduate Diploma in Labour Practice , Post Graduate Diploma in Cyber Law, Post Graduate Diploma in Human Rights , B.A.LL.B. (Five Years Integrated Law Degree Course) and Ph.D. program.

Presently, Faculty of Law has started 'Baroda School of Legal Studies' (BSLS), which shall impart Five Years Integrated Law Course. Apart from the GNLU, Gandhinagar, this is the only University in Gujarat to offer this course.

1.17.8 Faculty of Fine Arts

The Faculty of Fine Arts is a constituent institution of the Maharaja Sayajirao University of Baroda which was founded 43 years ago. The University was the first in the Country to take the initiative of offering degree and Post-Graduate Courses in the various branches of Fine Arts. This offered the challenging opportunity to build an entirely new kind of Art Institution replacing the traditional rigidity of the conventional academics and technical institutions and to embark on a more innovative and broad approach to teaching of Fine Arts and design for fostering creative and intuitive abilities and for providing a wider horizon so essential for creative expression.

1.17.9 Faculty of Family and community science

The Former Baroda State Government created on the 17th December, 1948 a Women's Education Trust Fund to establish a Home Science College in Baroda.

The Trustees handed over this Educational Fund to the newly established Maharaja Sayajirao University for constructing a building for the Faculty of Home Science. The faculty has been presently renamed as Faculty of Family and Community Sciences.

Home Science is a unique field of knowledge with its major thrust on strengthening family life. Its inter-disciplinary approach in synthesizing knowledge drawn from Physical, Biological, Social Sciences and Arts and humanities has enriched its educational Programmes which prepare an individual in improving the standard of living. It is the body of knowledge which focuses on family life as its core and nucleus.

1.17.10 Faculty of Social Work

The Faculty of Social Work, Baroda owes its origin to the progressive outlook and vision of the first Vice Chancellor of M. S. University, Smt. Hansa Mehta. Though, chronologically it was the third institution imparting social work education in India, it happens to be the very first institute to have gained a faculty status. Established on March 15, 1950, the Faculty made a modest beginning as the Baroda School of Social Work (in 1951, elevated to the faculty status) in the White Pavilion building in Sayajibaug. Following which, it was moved to the seminar building of the Baroda College to occupy its present premises in 1960.

1.17.11 Faculty of Performing Arts

The faculty of Performing Arts, formerly known as College of Indian Classical Music, Dance and Dramatics was established as "Gayan Shala" in February 1886 by visionary, His Highness late Maharaja Sir, Sayajirao Gaekwad with Khan Sahib Maulabaksh as its first principal.

It is a unique faculty of its kind in the entire western region, which imparts training at the university level in performing arts viz. Music, Dance and Drama offering courses up to Ph. D. in these disciplines. Over & above the Indian Students from different regions, it also attracts students from various foreign countries viz; U.K., U.S.A., Bangladesh, Nepal, Mauritius and Japan.

The goal is to train students to develop their creative and intuitive abilities whereby attaining a systemic understanding of the art and science of performing arts and its aesthetic applications.

1.17.12 Faculty of Management Studies

Vision for the Faculty of Management Studies is to develop into a world class centre for executive education, which will be known for its contribution, to the development of business leadership and corporate excellence through research, mid-career executive education programmes, consultancy and training in selected strategic areas.

The M.S. University of Baroda situated in Vadodara the cultural capital of Gujarat, is one of the finest universities of the country. Its management studies wing, M.S. Patel institute, the Faculty of Management Studies (FMS), houses the best brains and the best talent in terms of their students. Students, in the two - year stint at FMS, are exposed to the best in academic expertise and industrial exposure.

1.17.13 Faculty of Journalism and communication

Vadodara being a centre of Education, culture and industry has seen in past several years rapid growth in various fields. It has also made it's place in Gujarat by establishing number of Institutions for Publishing State level as well as National News Papers over and above outer Publishing Houses of Local News Papers etc. To cater to the needs of the Society and to make its mark in the Education of Journalism, the University Established in October 1992 the Faculty of Journalism & Communication. The Faculty offers a two-year course of Master of Communication Studies(MCS). Journalism, Mass Communication, Media Law, Feature Writing, Reporting, Electronic Media, Media Management, Advertising, Public Relations and Communication Research are some of the main components of the Course.

1.17.14 Faculty of Baroda Sanskrit Mahavidhyalaya

Sanskrit Mahavidhyalaya of the M.S.University of Baroda, formerly known as the "Rajkiya Sanskrit Mahavidhyalaya" during the time of the erstwhile Baroda state, has completed 92 years (1915-2007). Baroda Sanskrit Mahavidhlaya which has been an internationally reputed institution of the traditional Sanskrit studies. Recently the institute has undertaken some educational experiments to modernise Sanskrit education and thereby to satisfy the cultural needs of the community at large, under the programme of popularization of Sanskrit learning. There is a good response from the community to these courses. These courses are being prescribed in view of the recommendation of various education committees and commissions.

1.17.15 Shri M.K. Amin Arts and science collage and collage of Commerce, Padra

Shri M.K. Amin Arts and science collage and collage of commerce, Padra (Padra College) is a constituent collage of the M. S. University of Baroda conducting degree courses in B.A. and B.Com in synchronization with respective departments and faculties at Baroda. The college has a good library, strength of 20 permanent teaching staff, department of physical education with facilities for various games. NCC (Army wing) functions having about 50 cadets under a Second Lieutenant.

1.17.16 Polytechnic

The concept of having an institute for providing Technical Education was first conceived in August 1886 during a price distribution ceremony at Baroda collage. In order to fulfil the dram of maintaining the pace of Baroda university with the increasing requirements of technical knowhow in various fields of engineering and technology, His Highness Maharaja Sayajirao Gaekwad III of Baroda state established "Kalabhavan", a technical institute in 1890 at Kalabhavan Baroda. The prime objective of institute at that time was to improve the existing industries, and to introduce few more industries in the state of Baroda, which will be participating in the industrial development of the country.

1.18 Research Techniques

The data has been collected from annual reports and budgeted estimates published by The M. S. University of Baroda for the period 1980-81 to 2006-07. Statistical tools such as simple growth rate, ratios, and Compound Annual Growth Rate, Percentage, Growth Index, have been used in the study. For forecasting of total non-plan revenue expenditure ARIMA model has been used.

The study has been conducted during the period 1980-81 to 2006-07. This is to understand the long trends in the Revenue and Expenditure of the university system. To understand these pre and post reform trends, the study period has been divided into two periods. viz; pre reform period from 1980-81 to 1990-91 and post reform period from 1991to onwards i.e. up to 2006-07.

1.19 Limitations of the study

1. The receipts and expenditures on Non-Plan Capital Account exhibit wide fluctuations from year to year, with trends that are quite inconsistent and disturbing. Therefore, an attempt has been made to take a close look at the overall financial structure of The M.S. University analyzing the contribution of non-plan (Revenue).
2. During the entire period of study the sub-head of expenditures in Faculties and Institutions have been changing and hence only the total figures have been taken into consideration.

1.20 Chapter Scheme

The thesis is divided into seven chapters. Chapter One is an introduction to the growth of higher education in India. Chapter Two presents a review of literature on university finance. Chapter Three deals with the profile of The M.S. University of Baroda. Chapter Four deals with receipts of the university. Chapter Five examines the expenditure of the university. Chapter Six deals with the introduction of self-finance courses in the university. The faculty of commerce has been chosen as a case study, this being the largest faculty.. Chapter Seven presents the conclusions and recommendations.

Note: * Much of the information is based on information about university on the University website: www.msu.ac.in, and Annual Reports of the M. S. University of Baroda.

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