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## **First Draft**

### **Committee on Policy Making for Attracting Private Investment in Higher Education in Uttar Pradesh**

The Government of Uttar Pradesh (UP) has constituted a committee as under to help formulate policy for attracting private investment in higher education in the state. The Committee comprises of the following. It is likely to submit its report to the Government of Uttar Pradesh soon.

1. Prof Mohd Muzammil, Vice Chancellor, MJP Rohilkhand University, Bareilly (Chairman)
2. Secretary, Higher Education, Government of UP, (Member)
3. Shri V Balakrishnan, Chief Financial Officer, Infosys, (Member)
4. Sushri Roshni Nadar, CEO HCL Corporation, (Member)
5. Director IIM, Ahmadabad (Member)
6. Vice Chancellor, Amity University, UP, Gautam Budh Nagar, (Member)
7. Vice Chancellor, Shiv Nadar Vishwavidyalaya, Ghaziabad (Member)
8. Vice Chancellor, Gautam Budha Technical University, Lucknow
9. Director Higher Education UP, Allahabad, (Member Secretary)

The Committee is working on the ways and means through which efforts should be made to attract more private finance in higher education in UP both in urban and rural areas. It has also taken on board a few invited (co-opted educationists who have been very helpful in discussions and preparing this draft. Most notable among them are Prof Geeta Gandhi Kingdon, Prof M S Sodha and Prof Mehrotra.....). The work is in progress.

The main points of discussion on this draft are the following:

- State's fiscal capacity and the public expenditure on higher education
- Present position of the participation of private finance in higher education in UP
- Relative roles of public and private financing of Higher education Education in UP
- Emerging trends in public and private financing of HE in the last few decades
- Different designs of private investment in higher education
- Sources of private finance and their relative significance
- Present system and problems of private investors in higher education in the state of UP
- Critical Appraisal of the forms, aims and routes of private finance
- Experience of Private finance participation in HE in other states of the country
- Possibilities of attracting private finance in UP from within, other states and abroad

## **Fiscal Capacity and Expenditure**

Financing of higher education has largely been a responsibility of the state government in UP. Three types of institutions did exist: government, private aided and private unaided. The brief account given below will give an idea of how state government has been financing higher education in the state. It will also provide the background why private finance is needed for the development of higher education in the state.

Educational expenditure as a ratio of total budgetary expenditure in Uttar Pradesh (UP) had reached (highest proportion level) 24 percent on the eve of economic reforms in 1989-90. The reforms focused on reducing the size of government budget, the fiscal space for education thus got reduced. In the post reform period, the allocation to education has come down from 24 percent to 16 percent and for higher education it has gone down from 10 percent to 6 percent. But recently there is a reversal in trend again and the ratio of expenditure on education is rising.

Fiscal allocation to higher education is always an integral part of the total fiscal allocation for the head 'education'. The improved funding capacity was often utilized for raising school education budget by marginalizing higher education allocation. But, financing of higher education should be seen not in isolation but in the broader context of education over the course of a person's life. There is thus a complimentary relation in the funding of different levels of education. The challenge is to create a fiscal space to finance higher education in ways that promote quality and also avoid in turn crowding out of school education funding in the State.

Public funding depends upon fiscal space which is a relatively new term. It can be defined as room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy. The idea is that fiscal space must exist or be created if extra resources are to be made available for worthwhile government spending on higher education. A government can create fiscal space by raising taxes, securing outside grants, cutting lower priority expenditure, resorting to internal or external borrowings. But the government must do this without compromising economic stability and fiscal sustainability. The government must ensure that higher expenditure in the short term, and any associated future expenditure, including any recurrent spending on operations and maintenance required by an infra structure investment or by establishment of a new educational institution – can be financed from current and future revenues.

The new approach is that more fiscal space be created not by raising taxes but by *rationalizing taxes*, not by cutting down expenditure but by *prioritizing* expenditure which may necessarily involve curbing unproductive government spending. This is often viewed in terms of cuts in subsidies in government budget. Creating additional fiscal space in the state government budget is also related with streamlining the implementation of the expenditure programmes,

reduce corruption and improve governance. Reducing administrative overhead expenditure often provides impetus to create additional fiscal space for productive expenditures.

If resources allocated by budget still fall short of the requirement for increasing access and quality improvement, private finance is needed for quantitative expansion and quality improvement. That is why an enquiry is being made into finding out ways for attracting private finance in higher education.

### **Fiscal Space under Economic Reforms**

Economic reforms have affected the financing of education very significantly. The reforms were initiated by the central government. But in a federal country, the role of the state government in educational development remains nothing less than massive. In fact, financing the development of many economic and social sectors like education and health are virtually the main responsibility of the state government. The beginning of economic reform at the state level came much later and the pace of reform has also been slow. Most of the issues in fiscal sector reform are to be addressed at the state level. Successive Finance Commissions (while recommending additional resources to the state from the central pool) have focused on prioritizing expenditure and fiscal accountability. Centre-state financial coordination along with good governance therefore assumes great significant in the new strategy of financing and development of education in the state of UP.

The economic reforms at the state level in UP remained mostly related to fiscal and budgetary reforms, industrial and public sector reforms and the governance in general. The social sectors particularly education and health were taken up for reforms at a very late stage. Even the commentators of the national economic reforms did not advocate for reforms in the social sector. For example, the book by John P Lewis on the Political economy of India has devoted only a single paragraph when it talks of social sector reform in India. Still the wave of economic reforms in the State of UP has not left higher education untouched. The influence is visible in many ways. Even otherwise owing to its overwhelming significance, the sector of higher education has been undergoing policy reforms over period of time.

### **Funding capacity and Educational Expenditure**

Successive stages of economic growth lead to building up the funding capacity of the state government. But the same has not been reflected in allocation to education and higher education in particular. On the contrary, the economic reform period has witnessed gradual decline in the ratio of expenditure on education as percent of State Domestic Product (SDP). It was expected that the government will spend larger amount on education as it would be relieved of expenditure liabilities from other sectors of the economy where private sector was doing better. But that did not happen. The sorry state of affairs is depicted below.

There is no dispute that it is largely the responsibility of the state government to provide school education in the state. In order to fulfill its Constitutional commitment, the state government spends a huge amount of money on elementary and secondary education. It may be said that both elementary and secondary education remains largely a state funded activity in UP. The role of private participation is marginal.

The state's capacity to spend on education (or for that matter on any head of development) is determined by the State Domestic Product (SDP) or state income and the total budgetary revenues of the state budget. The state government's expenditure on education (all levels) has gone up from 2.48 percent of the State Domestic Product (SDP) in 1980-81 to 3.78 percent in 2000-01. This ratio stood at 3.34 percent in 2006-07. It came down to below three percent level in 2003-04 and 2004-05. The buoyancy of state economy was used for providing additional allocation to education but the rate of increase in UP has been much slower as compared to other states in India (Muzammil: 2010a)

### **Fiscal Allocation in Pre Reform phase**

The development of education in UP started from a very low base. In 1951 the percentage of literacy in UP was only 12 percent as against 18 percent literacy at the national level. Many other states were way ahead of UP at that time. The difference in the performance of UP and that of the country as whole (India) continued to remain large until 1991. It was only in 2001 that the difference in literacy between UP and India narrowed down. The trend continued in 2011 census.

The efforts made by the government through fiscal allocations for the development of education (of which literacy rate is an important indicator) are reflected in successive increases in allocation of budgetary resources on education over the years since 1950-51. It's a long period since but a quick look on fiscal allocations would reveal the story for itself. More often than not educational expenditure in UP has been of the order of *one fifth* of the total state budget. (Kingdon and Muzammil: 2009) In the pre reform phase the fiscal allocation to education in UP went up from 14 percent to 22 percent of the total budgetary expenditure. It shows a very significant increase in the fiscal efforts of the state government for the development of education in the state.

### **Fiscal Allocation in the Post Reform Period**

Fiscal reforms aimed at making the policy more liberal. Although state government's fiscal allocation to education in UP has been on a rise continuously in absolute terms but the ratio of allocation to total state budgetary expenditure declined from about 22 percent just before reforms began to (in 1990-91) to about 16 percent in the year 2008-09. It went up to almost 20 percent by 2012-13. There is no consistent and uniform decline but there is certainly an overall

declining trend in fiscal allocation to education in UP as a ratio of total budgetary expenditure. The following table provides the relevant data for selected years.

**Table 1**  
**Fiscal Allocation to Education and Total Budgetary expenditure in UP**  
**(Post Reform Scenario)**  
(Rs. Crores )

Year	Fiscal allocation to Education	Total Budgetary Expenditure	(2) as % of (3)
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1990-91	2093.81	9538.36	21.95
1995-96	3360.92	17555.86	19.14
1997-98	4156.85	22195.03	18.73
1998-99	5840.15	27465.89	21.26
2000-01	6090.86	31032.61	19.63
2001-02	6018.15	31779.71	18.94
2003-04	6254.58	37943.72	16.48
2004-05	7200.10	44610.35	16.14
2005-06	8482.44	46617.14	18.19
2006-07	10471.54	55698.90	18.80
2007-08 RE	11599.85	67550.73	17.17
2008.09BE	12300.54	74828.67	16.44
2011-12	19935.96	107675.61	18.51
2012-13 BE	30290.82	152963.61	19.80

Source: Government of Uttar Pradesh: State Budget

What is very remarkable and rather disappointing from the view point of the social sector goals, is that since 1990-91, the share of education in the total state budget has come down from about 22 percent to 16 percent in 2008-09 (BE). This can be interpreted as the effect of new economic policy being implemented in UP as in the country since 1991. The new reform policy aims at reducing the size of public expenditure and relying more on private support. It also tries to enhance the contribution from students in the form of user charges to compensate for the loss of public allocation of money to the sector of education.

A close scrutiny of the fiscal allocation to education also shows that the revised estimates for education for the years 2004-05, 2005-06 and 2006-07 were higher than the actual for these years. This is an indication that fiscal allocation to education was reduced after giving a revised thought to it. It goes against the targets fixed for achieving educational goals in the state. The axe fell more sharply on fiscal allocation to higher education than to other levels of education.

The latest trend in fiscal allocations is shown here in the following tables. It indicated that the share of higher education has come down to about 5 percent of the total allocation to education and went up to 7.5 percent in 2013-14 BE.

Table 2 (A)

Fiscal Allocation to Different levels of Education in UP

(Rs crores)

Level of Education	2007-08 (Actuals)	2008-09 (Revised Estimates)	2009-10 (Budget Estimates)
Elementary Education	7507.11 (65.79)	8753.41 (63.56)	11049.84 (63.98)
Secondary Education	2881.94 (25.25)	3704.29 (26.89)	4778.98 (27.67)
<b>Higher Education</b>	<b>778.04</b> <b>(6.81)</b>	<b>971.85</b> <b>(7.05)</b>	<b>1141.07</b> <b>(6.60)</b>
Other Heads	243.58 (2.13)	341.37 (2.47)	299.81 (1.73)
Total for EDUCATION	11410.67 (100.00)	13770.92 (100.00)	17269.70 (100.00)

Source: Calculated from the figures in the State budget for the related years.

Table 2 (B)

## Fiscal Allocation to Different Levels of Education in U.P.

(Rs. in crores)

Sl.No.	Item	2010-11 Actual	2011-12 Revised Estimate	2012-13 B.E.
1.	Primary Education	12586.58 (63.14)	17779.63 (67.53)	19441.57 (64.18)
2.	Secondary Education	5708.97 (28.64)	6876.88 (26.12)	8156.41 (26.93)
3.	Higher Education	1326.59 (6.65)	1312.10 (4.98)	2284.68 (7.54)
4.	Others ( Including Technical Education & Educational Institutions and Training)	313.82 (1.57)	360.65 (1.37)	408.16 (1.35)
	Total	19935.96 (100.00)	26329.26 (100.00)	30290.82 (100.00)

Source: State Budgets

Keeping in line with the Wagener's Law, there is a regular increase in public expenditure of the governments 'of progressive people' and the same is true of figures related with educational allocation in UP. The major amount of fiscal allocation to education goes in the form of grants in aid to education. In primary education it goes to district level primary schools. Similarly, the budgetary allocation at secondary level goes in the form of grants in aid to finance the privately managed aided secondary educational institutions.

At the higher education, the major claimant in the total higher education fiscal allocation is the grant to private aided degree colleges then come the grants to state universities. The category of government degree colleges is relatively of smaller expenditure liability. Government degree colleges however are under direct funding of the government. Private unaided colleges raise their resources mainly through tuition fees and other charges from students. In view of the public resource crunch due to shrinking fiscal space, the government of India and the state government of UP both are encouraging privatization of primary, upper primary, secondary and higher education in the state. (for full argument vide, Muzammil:2001)

## Educational Allocation under Plans

The economic reform necessitated that in addition to the level of spending, the quality of public expenditure should be improved. One of the connotations of quality improvement of public expenditure is to spend more on lower levels. The data from plan expenditures in UP confirm to this requirement. The composition of Plan allocation is skewed in favour of elementary education which shows the qualitative change in the expenditure pattern on social services like education. Quality improvement surely means that relatively more amounts are spent on lower levels than on higher levels as the benefits of this goes relatively more to the poorer people of the society.

The quality of public expenditure also needs to be probed from the view point of its efficiency and responsiveness to the needs of the people. From this point of view the record of public expenditure on education in UP has been disappointing. The quantity has been on a decline and the quality of expenditure leaves much to be desired. Increasing enrolment in private schools shows that there is parental dis-satisfaction with public school in the state and the public spending on education is not of high quality. Even most celebrated programmes of like District Primary Education Programme (DPEP) could show its influence in raising the enrollment in the initial years and gradually the effect of DPEP became less effective.

Table 3

### Composition of Plan Expenditure on Higher Education in UP

(Rs Crores)

Year	Primary education	Secondary education	Higher education	Others	TOTAL
Tenth Plan (2002-07) Outlay	2795.65 (86.88)	198.07 (6.16)	168.18 (0.03)	55.60 (1.73)	3217.50 (100.00)
2002-03	213.88 (82.07)	33.42 (12.82)	12.12 (4.65)	1.19 (0.46)	260.61 (100.00)
2003-04	198.61 (73.50)	49.44 (18.30)	21.27 (7.87)	0.88 (0.33)	270.20 (100.00)
2004-05	546.24 (59.66)	264.81 (28.92)	102.76 (11.22)	1.81 (0.20)	915.62 (100.00)
2005-06	706.81 (56.12)	363.44 (28.85)	187.25 (14.86)	2.22 (0.17)	1259.72 (100.00)
2006-07 (Revised)	980.28 (52.72)	737.49 (39.67)	137.37 (7.39)	4.09 (0.22)	1859.23 (100.00)
Tenth Plan (2002-07) Anti. Exp.	2645.78 (86.88)	1448.60 (31.73)	460.78 (10.09)	10.22 (0.23)	4565.38 (100.00)



Eleventh Plan (2007-12) Outlay	12008.42 (73.48)	3430.00 (20.98)	868.72 (5.32)	36.00 (0.22)	16343.14 (100.00)
Twelfth Plan 2012-17					

Sources: GOUP: Five Year Plans, State Planning Commission, Lucknow

Note: Figures in brackets show the percentages The anticipated expenditure of the Tenth Plan is based on actual figures for four years and the revised figures for the last year -2006-07.

The above table shows that primary education is the most important component of the total plan allocations and expenditures during the Tenth Plan period and the outlay of the Eleventh Plan (2007-2012). The same has been true for the earlier plans as well. While the Tenth Plan allocated 87 percent of the resources to primary education, the actual expenditure was pegged at 58 percent. The Eleventh Five Year Plan had allocated 74 percent to primary education, and 21 percent to secondary education. The allocation to higher education was reduced to just 5 percent of the total. The Twelfth Five Year Plan (2012-17) has shown encouraging picture in terms of allocation and plan programs for educational development.

### **Composition of Higher Educational Expenditure**

In case of attracting public money to higher education, the background must be kept in mind. The composition does provide a helpful guidance to investment in different types of institutions. Looking at the expenditure on higher education in UP, the total amount of expenditure is usually split into the following categories:

- i. Expenditure on direction and inspection
- ii. Grants to Universities
- iii. Grants to Government colleges and institutes
- iv. Grants to non government degree colleges and institutes
- v. Scholarships
- vi. Other expenditures

Of these above mentioned categories, grant in aid to non government colleges and institutes is the largest head in terms of the proportion of expenditure on higher education.

Table 4

## Composition of Expenditure on Higher Education

(Rs. in Lakhs)

Title	2011-12	2012-13	2012-13	2013-14
	Actual	BE	RE	BE
1	2	3	4	5
Mercy Grants from Legislative Council/Ministers	0.00	0.50	0.50	0.50
<b>General Education</b> University and Higher Education, Direction and Administration	754.00	884.12	884.12	967.41
Grants to Universities	12387.41	13050.18	13090.18	12671.91
Grants to Government Colleges and Institutes	14507.60	15804.56	15804.56	17573.60
Grants for Non-Government Colleges and Institutes	105633.95	117468.92	117468.92	141283.67
Scholarships	0.00	0.02	0.02	0.02
Other Expenditure	2384.82	80207.68	207.70	79692.82
<b>Higher Education (Total)</b>	<b>135667.78</b>	<b>227415.48</b>	<b>147455.50</b>	<b>252189.43</b>

Source: State budgets

**Contribution of Fees**

Interestingly, public arguments now do not go in favour of raising fee as it would distort equity. The focus is that fees should not be seen as a source of revenue. Participation of stake holders is suggested in a more rational manner. This is a key issue on which government policy will go a long way in attracting private providers. State government should not fix both fee rates and salary structure for teachers in higher education. Fixing both will tie up the hands of the

private financiers. As of now, the collection from fee is not able to meet the salaries if these are to be given as per the norms of scales adopted by the government for higher educational institutions. If fees can meet only (say) 60 percent of the salary cost, where from the remaining 40 percent will come and what about other infrastructural expenditures. Private investors may work on charity basis in the very short period but in the long run they would expect some positive return on their investments to be able to recycle them in the higher educational system.

As of now, compulsory sources include fees and other charges from *bonafide* students of universities and colleges. This is called compulsory because the students once willing to join university *will have* to pay admission fee and other tuition charges and related payments etc. The main source of income for the universities and colleges is usually comprised of various types of fees related with examination etc. A newly structured taxonomy of educational fees may provide more dependable source of revenue to private investors in education. Traditionally, in the state of UP, affiliating universities also receive noteworthy income from the following two heads: recognition fee and affiliation fee. This has been very rightly decried by the new proposals of the government and it argues for giving more autonomy to affiliated institutions.

As argued above, there is a need to rationalize the entire fee structure and relook at the level of the rates that are prevalent for many years together. A big problem is faced by the universities in connection with the reimbursement of fee for the SC/ST students by the government. Now, since the money is to be given to the students directly who in turn deposit the same to the university/ college as the case may be, the delay in this transfer causes undue financial problems to colleges and to the university concerned. If private universities and colleges come into operation, a new system and more streamlined mechanism will need to be worked out for making this arrangement of government's financial help more effective without hampering equity in higher education and the financial working of the institution concerned.

Private investors in UP would not find the present rates of fee commensurate to meet the related expenditures. Therefore, these need to be relooked and rationalized. Coming up universities in UP also earn income from publications of the university and sale of forms etc. Income is also generated from the hostel fee, residential buildings, and university guest house. There is a room for improving these services and in turn realize more revenue. A more professional approach will help gathering more revenue so that the programmes of fresh private investments in higher education do not run the risk of non-viability when these are attracted to the university level. A new system will have to be invented if the case of underprivileged students is to be taken care of in the regime in which private institutions (based on private investment) in higher education become the order of the day.

## **Public Private Partnership**

The shrinking fiscal space has given rise to the thinking of inviting public private partnership in higher education. This is the new dimension of the joint responsibility for the development of education in the state. Private sector has made its presence felt in a big way after the economic reforms came to be implemented in the education sector. The public private partnership in the administration and financing of education is to be encouraged through community and NGO participation.

The State's Five Year Plan documents issued in the reform phase have included the policy for increasing the role of private finance. For instance, the Tenth Five Year Plan aimed at promoting the participation of private entrepreneurs in establishing, expanding and upgrading educational institutions, particularly at the secondary level in view of the fast expanding demand for this level of education. The Tenth Plan of UP stated: "the vision and strategies of the Tenth Five Year Plan would necessarily entail the following: (a) Public private partnership, (b) NGO participation, (c) Cross learning of good practices, and (d) An On line monitoring and evaluation of achievement" (GOUP: 2002, Vol I Part II, p. 252)

The sustainability of any sector depends on the viability of costs and benefits. Only that system can function efficiently and can sustain its existence which is marked by appropriate pricing of goods produced and supplied there. Public Private Partnership in education has come to flourish on the principle of cost and benefit sharing. Thus, if the consumers of education, the students, do not pay appropriately for their consumption (education), the system can hardly operate efficiently under the PPP. Over the years, the demand for education has increased enormously for all levels of education, but its price (fees) has not increased commensurately (or was constrained to go up). In most of the cases, the prevailing fee rates cannot be said to be appropriate price for education.

Only in selected very few institutions, education is appropriately priced but these are very rare cases and merit attention due to their remarkably better functioning and good results. The development of education through PPP is not visualized on *free* provision of education but on *priced* supply of education.

However, there are areas of great concern in the PPP in education which need to be addressed before any major headway is made in this direction. Private partners in education are also viewed with great suspicion. Noted educationist Krishna Kumar is of the opinion that "public private partnership in education is projected as a strategy to distribute the ownership of institutions rather than tasks within institutions, between private entrepreneurs and NGOs on the one hand and government or the state on the other. (Kumar: 2008, p.8). Therefore the onus again falls on the state government to provide fiscal resources for higher education to ensure its suitable development in the state. However, the demands for higher education are rising and adequate financing will have to depend on both public and private sources.

## **Privatization at Higher Education**

The effect of shrinking fiscal space in UP is visible in the planning process of the state. In the Eleventh Plan of UP (GOUP: 2007), the government has expressed the view that private sector may be persuaded to set up university college in the unserved areas or adopt a college requiring financial assistance for quality improvement. Private support has also been sought for sponsoring research, scholarships, fellowships and Chairs in university departments and financial assistance to add to the infrastructure of the institution. Private sector has also been expected to assist in the development of entrepreneurial skills among students and thereby reduce their dependence on government jobs.

At the national level, a need has been felt to have some regulatory mechanism for private institutions in higher education. In view of the fast growing influence of private universities and private colleges for general and specialized education, the 'National Knowledge Commission' (NKC: 2008) has recommended the setting up of an Independent Regulatory Authority for Higher Education (IRAHE). This proposal is in line with the setting up of regulatory authority for other services like telecommunications and electricity. This is an economic reform specific measure to regulate the private sector's involvement in the provision of financing for social services like higher education

## **The New Financing Strategy**

Higher education in UP is still a publicly funded activity. Public funding remains the main source of support for higher education and other social services. Recently, owing to shrinking fiscal space the funding is increasingly supplemented by *non-public resources*. These changes however bring market forces to bear in ways unusual so far in the financing of public education.

New financing strategies have been put into place in the public sector to generate revenue from institutional assets, to mobilize additional resources from students and their families, and to encourage donations from Private (third-party) contributors. Under the influence of globalization, the change is also visible in higher education (Muzammil: 2010c) The state government has also encouraged the creation of private institutions as an effective approach to ease pressures on the public purse and satisfy the rising demand for higher education. As its direct involvement in the funding diminishes, government will rely less on the traditional state control model to make reforms happen. Instead it will bring about change by guiding and encouraging such institutions with (i) a coherent policy framework, (ii) an enabling regulatory environment, and (iii) appropriate financial incentives to the private sector. The government must however not forget that higher education is a merit good; it is not a private good. (see Muzammil: 1998 for this discussion)

The fiscal constraint driven crisis in higher educational finance has given rise to the assessment of the prospects for economic reform as an important issue. In exploring strategies and options to improve the performance of higher education system, focus is likely to be laid on the following four main directions: (i) greater differentiation of educational institutions; (ii) diversification of funding sources for public education; (iii) a redefinition of the role of the state in education, with greater emphasis on autonomy and accountability of institutions; and (iv) an extra emphasis on policies explicitly designed to give priority to quality and equity objectives in education. (vide Muzammil: 2010b)

The fiscal reforms at the national level in India have put up new challenges in the state of UP as well. A beginning has already been made. The shrinking fiscal space is telling on higher education. Many significant fiscal reforms are already in place under the FRBM Act producing further constraints in the way of government fiscal support for higher education. Lessons drawn from other states and international experiences (as drawn out in - Muzammil: 2010d) in this direction will also provide a guideline and a menu of policy options to be charted out in the State in near future.

The prospects for private participation in higher education are very bright. The announcement of the Rashtriya Uchchar Shiksha Abhiyan (RUSA) by the Ministry of Human Resource Development, (MHRD) Government of India (GOI) has come at a time when the Indian higher education system has reached a state in the process of expansion and improvement (of education) which may be termed as “educational revolution in higher education”.

The background is cast in the record of progress registered in three directions: quantitative expansion, quality improvement, and developments in equitable provision of higher education in India during the XI Five Year Plan of India. The outlook of the XII Plan particularly in the sector of higher education provides the overall development vision for higher education. Accordingly, several commitments have also been shown. The entire depiction of the present scenario and the future projections of the goals are based on the abovementioned background for higher education as a whole in India and also for different states keeping in view the regional settings and varying conditions.

The number of central universities has now gone up substantially under the XI Plan period that was largely a result of the National Knowledge Commission (NKC) Report which had recommended the need for at least one central university in each state. But even then, the larger responsibility of providing extensive higher education in most populous states is still the responsibility of the state universities. Uttar Pradesh being the largest populated state of India the challenge is really severe and daunting from the view of providing qualitative higher education on such a large scale.

Traditionally, universities have been receiving funds from private sources and public sources. Private sources have been of two types: voluntary and compulsory. Voluntary sources have been mostly in the form of endowments and donations. These are on a decline. This is apparently because the educational leadership has failed to prevail upon the possible dispensers of funds. The policy should be made very liberal for inviting private donations and voluntary

contributions. Decisions may be taken at the university level to facilitate the inflow of such funds whose share has been on a decline gradually.

Endowments also need to be encouraged so that a regular flow of educational funds may be available for use in future. Earlier endowments in the form of landed property were common and now these may be made available and accepted in the form of fixed deposits or in the form of other financial assets whose yields may be utilized on a regular basis keeping the capital intact. Under the public grants, miscellaneous receipts funding agencies like UGC, ICSSR, CSIR etc along with grants from central and state governments for seminars, conferences, workshops etc. also add to the resources of the university from time to time.

### **Financial Governance**

Efficiency of expenditure and productivity of investment depends on well-organized financial governance. Long back, the Gajendragadkar Committee on the Governance of Universities in India (which was appointed by the UGC, New Delhi in 1969 and reported in 1971) stretched its recommendations too far and wide. It touched upon virtually every dimension of university education viz. the structure of universities, functions of statutory bodies, service conditions of staff, participation of students, and financial efficiency. Coming straight away to the National Knowledge Commission (NKC) which reported in 2006, perceived the need for establishing an Independent Regulatory Authority for Higher Education (IRAHE) to better govern the higher education system in India which it noted was 'over-regulated but under-governed'.

Now, the new policy of attracting private finance will have to focus on the same in the renewed context through different paradigms and new approaches and breakthrough strategies. This will ensure continued improvement in the physical outcome of financial investments.

The funding method in the new system of private institutions will not be entirely free. Instead, it will need to incorporate the essentials of good governance i.e. transparency, predictability, accountability, fairness and efficiency. The funding formula based on students, subjects and research provides the essence of financial governance in many countries abroad including England which we may emulate to improve the university education system. The Browne Report and White Paper on British higher education also suggest that students' participation in the governance process and the increased level of fee will play bigger roles in the days to come and will make it easier to address the issue of improving financial governance. Such an approach, if adopted by the state government will not only attract more private money to education, it will also make public investment in higher education more transparent and efficient

The philosophy underlying the funding of higher education envisaged here is that public financing has to be rationalized and the beneficiaries of higher education should need to make a larger contribution towards its costs. The state of Uttar Pradesh should not be too far behind. In view of the resource crunch and continuously declining strength of state funded staff in

universities, if the university system has to survive and be able to better compete in the country, participation of private finance, governance reforms and financial restructuring would be needed on a large scale, the preparation for which needs to be made from today.

Statistical data show that higher education in Uttar Pradesh is a very large system of education in terms of institutions, teachers, students and the resources spent on the provision of higher education. This is one of the largest systems in India of its type which has the largest number of students to educate and the higher education level. Three dimensions stand out that are always addressed on priority basis by the state government, namely the issues of quantity/access, quality and equitable provision. In doing so, two concerns are of paramount significance; those of financing and management of institutions in order that they are able to perform their functions effectively and efficiently.

The issue of financing of higher education assumes greater significance in view the escalating costs of provision of the quality education and also the pressure on the government for spending more on school level of education and thus shrinking fiscal space for funding higher education.

State universities in Uttar Pradesh are largely funded by the state government but they also receive grants from the central government through the University Grants Commission. Although the role of the UGC is very limited in this contest as the money allocated by the UGC is very small proportion of the annual budget of the university concerned. UGC's mandate allows funding only to a limited number of institutions that are covered under sections 12B and 2f of the UGC Act. UGC is also not allowed to channelize funds through the state government or any entity other than the educational institution which makes it impossible for the UGC to fund any planning and expansion activity through a state level education body. In fact, an institutional body is needed at the state level that should coordinate the funding of the UGC to institutions of higher education in the state and the UGC is also able to implement planning an expansion activities through the novel institution at the state level.

However, in view of the fiscal constraints of the state government and the limited role of the UGC, the additional financial requirements of the higher education sector can only be met by increasing private participation in many forms – traditional and nontraditional. This has also to be seen in the light of the growth of a large number of institutions of various types in the state, universities, general, technical and professional colleges, research institutions, training organizations and the like. All these have been set up with the aim of promoting the cause of higher education in the state, which is a welcome sign. Public initiatives did play an important role in shaping the system of higher education and the public institutions were provided with money and powers to regulate higher education within the institutions and under those that come in their jurisdiction.



Even private institutions that were set up by the erstwhile landlords and other well to do families for the noble cause for higher education did start receiving government grants from public exchequer for their institutions.

Now in view of the growing demand for higher education and the need for providing quality higher education, there is no other alternative but to supplement the public resources by inviting funds from the private providers and attract private initiative in higher education in the state of Uttar Pradesh.

### **Present Policy on Higher Education**

The Government of UP is concerned with the quantitative expansion and quality improvement in higher education in the state. It is also alive to the issue of providing equitable access by inventing a mechanism to help the poor and meritorious students who are joining higher education institutions. The following points are noteworthy for improving quality and higher education development in the state.

#### **(i) Increasing Access:**

Uttar Pradesh in general is having low gross enrollment ratio in higher education (as in other levels) and this proportion is lower in the minority dominated districts of the state. The Government of India has identified that there are 41 districts where the GER is lower than the average. In 36 districts of these the Government of UP is setting up Model Government Degree Colleges which are meant for coeducation so that girls' enrollment could also be raised. Of these 5 districts are those that are dominated by minorities and this policy would thus also help in increasing the access to minority students. The Central Government is to provide 33 percent financing for this scheme and the rest 67 percent will be borne by the state government. But this endeavour of the government also needs to be supplemented by private efforts so that commensurate access to education is ensured.

#### **(ii) Improving Quality:**

One of the measures through which better quality in higher education can be ensured is the formulation and modification of the syllabi. The Government of UP has ensured that in all subjects at the undergraduate level, it must be ensured that all students in all the universities do have the opportunity to read the common minimum of the syllabi to ensure standardization and quality improvement in every subject of study. This scheme has particularly been very useful for the benefit of college students along with their counterparts in university departments.

The state government is also giving special grants for organizing seminars, conferences and symposia and workshops in colleges and universities to discuss and disseminate new frontiers of knowledge. This facility is available to all types of institutions in the state, the state

universities, government colleges and government aided institutions of higher education. This scheme has created academic activism in the institutions and the total ambience is being inspired.

State universities are also to be developed as 'centres of excellence' for which special promotion schemes are in place. On these lines the private institutions also need to be encouraged to develop themselves as centres of excellence as per the norms of the NAAC and other regulatory agencies.

### **(iii) Fee Rates:**

In view of the possibility of exploitation of the students at the hands of the private college management, the government of UP has prescribed fee structure for all private colleges/institutes in the state that are running B Ed programmes. Since B. Ed is a professional course and the admission process is also centralized in the state, this effort will go a long way in ensuring that students are not asked to pay higher fees and thus saved from financial extortion.

### **(iv) Infrastructural facilities:**

For maintain the minimum infra structural facilities in universities and colleges, the government has proposed to give priority to the development of infra structural facilities in higher education institutions. Provision of furniture and education aids is on priority and in many institutions Virtual class rooms have been created to use the Information and Communication Technology for the larger benefit of students,

### **(v) Encouraging Teachers and Entrepreneurs**

The quality of education imparted depends on the quality of teachers and that in turn is also a function of incentives given to teachers for better performance. The State government in UP has come out with a scheme of Awards for teachers which has immensely motivated them to perform still better and be the role models for their counterparts. '*Shikshak Shree*' and '*Saraswati Samman*' are such distinguished awards for teachers in higher education which are given for excellent contribution in higher education. The government has also increased the prize money. Incentives and disincentives are distinguished features of privately financed system.

Similarly, the government of UP is encouraging private entrepreneurs and investors in education to set up colleges/institutions of higher learning in un-served areas with a view to provide facilities in the deprived regions of the state. Private investment in these areas will in fact supplement the efforts of the central government and that of the state government.

## **Blueprint of Revised Policy**

In the beginning there were only public universities and government colleges and aided colleges, gradually in the decade of 1970s onwards distinguished institutions were deregulated

and were given 'autonomous status' and many of these later became 'deemed to be universities institutions'. Now over the last 10-12 years, a large number of private universities have also come up in the sector of higher education in the state. These developments have changed the scenario of financing of high education in the state.

The first and foremost responsibility of financing higher education is of the state government. Because it is the primary duty of the government to ensure equitable provision of higher education and that no child is denied of higher education for social and economic deprivation. In order the equitable provision is maintained the role of the state cannot be undermined in any way. The state exchequer must ensure equitable access to higher education.

There should a State Higher Education Corpus Fund with Rs 1000 crores to begin with the regular yield of that be used for ensuring equitable provision of quality and specialized higher education to the deserving and the needy students coming from the downtrodden sections of the society. The provision of this fund will take care of equity concern in higher education and will also provide motivation to the private institutions to institute similar endowments even at meager scales to the support the needy students. No talented students should be denied higher education opportunities on the grounds of economic and social backwardness.

This fund may be used for scholar ships for partial financial support and for providing financial assistance to students to in need of support. There also needs to have a well designed and foolproof mechanism in place to spot meritorious and deserving students who really deserve help from the said fund of the government. This will give a strong message that all is not being left to the private initiative in higher education in the state of UP.

How to get money for creating this fund is also an issue of concern. One straight way may be to allocate money though the annual budgetary allotment of funds from the state budget for this purpose. Another alternative may be that the beneficiaries of higher education are made to pay for this fund. Donations from alumni association of various universities and colleges and the beneficiary industries' contributions can go a long way in assuring non government support to this fund. The main beneficiaries of modern higher education are also the industries and they may be encouraged to take up projects of human resource development with existing institutions and fund these projects to education and train further youths for them directly and for the society at large.

Many industries which absorb the valuable human resources trained in universities may be encouraged to establish state of the art research and training centres with given incentives. This will provide a partnership with the state of the private sector and they will also stand to gain as the pass outs will especially beneficial to the industry itself. In liberal arts, humanities and many social sciences and other such subjects that are not on the priority list of the private and new upcoming universities, it is the duty of the government of the state to provide financial

support so that these branches of knowledge also do have ample opportunity to grow and do not become deprived of funds.

Many new and expensive programmes of study in management, medical, science and technology and engineering, of fall the seats allotted to the private institution, some 10 percent or so be declared as scholarship funded seats and the scholarship be provided by the institution concerned. This will provide an opportunity to the meritorious and the poorer students to pursue these programmes of study without any financial hindrance. In view of the incentives given to the private participation, there may come many institutions that may not be able to maintain quality. It would therefore be necessary to put in place a strong mechanism of monitoring and quality control. It must ensure that institutions work at above the acceptable benchmark of quality and if they slip down, there must be provision to close them down. A regulatory mechanism be put in place to ensure quality control on continued and regular basis.

For renewal of recognition and accreditation of the institutions the qualitative performance of the institution be made the only criteria to be taken into account. This will put a check on quality control and also help in healthy competition. Private institutions may also be encouraged to come in provide work experience of diploma and certificate levels courses that will only supplement the skills and education earned though degrees in educational institutions. The University Grants Commission has focused on many such degree and diploma level programs that are more job oriented and where the gestation period is also relatively short.

Educational institutions should not only provide the knowledge and skills needed today. They are expected to look beyond and work for creating and preparing the stage for that knowledge which will be needed in the days to come. A strategic approach will be needed from the educational institutions that will meet the requirement in such quick changing world where science and technology are changing at a very fast rate and new generation technology and knowledge comes up very soon. Private higher education institutions are particularly needed to be encouraged on these lines so that they can meet the needs of future generation along with meeting the requirements of today.

Private universities need to be governed with a transparent regulatory mechanism that should direct their activities and ensure social accountability as well. Higher education cannot be left only to market forces, although market forces do have checks and balances but state regulation will be necessary even as liberal environment is created for massive investment in higher education in the State of Uttar Pradesh. Cumbersome procedural and administrative practices do need a through reform to attract private money to the higher education sector. A healthy public-private partnership can do much in this regard by sharing best practices. Many dated institutions that are state aided are too old to be efficient for one reason or the other. Private organizations can bring in modern management practices to traditional institutions of higher learning that can make them better managed and improve quality.

Private this should not only establish their own organizations they may be needed in making the existing institutions more outcome oriented and in their restructuring to become relevant and useful to the society in general and pursuit of high quality knowledge in particular. A more open-minded approach will be needed on the part of the state government to accord autonomous status to well performing private institutions of higher learning. It will facilitate rapid development of good institutions and state of the art colleges and institutes.

University industry interaction is an important area that can gather private participation in higher education. There are in fact two alternatives: one that public research grants are forthcoming in adequate amount and that independent fundamental researches are being taken up in their own right. Secondly, if these grants are not forthcoming or adequate then industry university interaction for industrial innovation will be important but then that will tie up research with industries and academic freedom of the researchers may be constrained. The vitality of research will be threatened if financial support is not forthcoming. In such situations, even industrially earmarked research support will be a welcome measure. Thus viewed, industry-university collaboration is the new area that is seen with hope and promise and that can go a long way in facilitating privately funded research activities in universities and technical institutes. For achieving this, a more congenial and amiable policy is called for.

### **Summing Up**

This first draft of the Committee on policy making to attract private finance in higher education in Uttar Pradesh has looked into the basis issue of why at all the need was felt to attract in a special way the private finance in education whereas higher education sector in the state has provided one of the early examples of public private partnership in the form that institutions have been managed privately and the government has been giving grants in aid from the public exchequer. Historically, the private management took the lead to provide land and other endowments and government came much later to start providing financial grants to these institutions of higher learning, mostly degree colleges. For long the system worked well and in many cases it is still doing satisfactorily. But owing to financial constraints the grants in aid system came under scrutiny and more institutions were not taken on grants in aid list. The fiscal capacity of the state is limited and the expenditure requirements are ever rising. It could not be continued on the basis of the existing fiscal space and therefore educational fiscal reforms were attempted.

Fiscal allocations to different levels of education reveal that the share of higher education in the total often showed decline and only recently once again a reversal is visible. Under the plan priorities in the state, the top most educational agenda and support under centrally sponsored schemes go to promote school education and higher level again appears to be starving of funds. The composition of higher educational expenditure shows that the largest share is of the grants to non government degree colleges, followed by grants to universities; still the number of unaided self financed institutions is rapidly in a rise in the state. The point is not only to attract

private money to higher education in the form of self financed colleges but how to ensure good quality education in privately funded institutions.

Privatization of higher education and the application of new forms/ designs of PPP models have ushered in and the contribution from students' fee is also being looked upon as the main source of financing higher education. It is no more a token charge but is being used as a technique of financing the entire cost of education also possibly generating a normally accepted rate of return on the investment in education. The new financing strategy has taken note of the changing scenario and the challenges posed by the new system of education where public and private institutions have come to coexist in both competitive and complementary manner.

Private providers feel difficulties in fulfilling some onerous and infeasible norms: e.g. in getting government recognition for a degree college, in obtaining a no objection certificate, and in getting affiliation with a university. Some norms are mutually incompatible. To take just one example, a college must pay government prescribed teacher salary, but the private colleges cannot raise fees accordingly. Consequently they start relying on hidden charges from students. Thus, norms need to be made practical, realistic and compatible so that the law abiding colleges are able to run efficiently.

If given a more congenial environment, private investors can play a better role in the development of higher education in the state. It also includes non government and nonprofit organizations that are coming up for taking responsibility in higher education in UP. Their legitimate role in expanding higher education needs to be recognized and more flexible approach needs to be adopted to encourage them further to invest more in higher education. The current restraining and regulatory restrictions on private providers needs to be eased further (beginning has already been made by the state government). A single window system may be adopted so that the process of opening new colleges/institutes by private providers is streamlined. A truly flexible approach will make things attractive. The states that have already adopted more flexible approach have shown better results. Private providers need to be encouraged to set up more colleges/institutes of higher learning and also held accountable for providing quality education. These institutions also need to ensure total transparency in their operation. The overall responsibility of financial governance in higher education sector will continue to rest with state government.

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## Annexure I

### Number of Universities, Colleges, Students and Teachers

Sl. No.	Educational Institutions, Students and Teachers	2010-11	2011-12	2012-13
1	2	3	4	5
1	Number of Universities			
	A- State Universities	13	13	13
	B- Open Universities	01	01	01
	C- Private Universities	14	16	18
2	Number of Deemed Universities	01	01	01
3.	Number of Colleges:-			
	Co-education colleges	2681	3012	3261
	Women's colleges	484	541	590
	<b>TOTAL</b>	<b>3165</b>	<b>3553</b>	<b>3851</b>
4.	Govt. Colleges	136	137	138
	Non-Govt. Aided Colleges	331	331	331
	Unaided/Self Financed coll	2698	3085	3382
	<b>TOTAL COLLEGES .</b>	<b>3165</b>	<b>3553</b>	<b>3851</b>
5.	Number of Students in Colleges*			
	Boys	1296064	1405864	1476157
	Girls	987265	1067265	1135630
	<b>TOTAL</b>	<b>22,83,329</b>	<b>24,73,129</b>	<b>26,11,787</b>
6.	Number of Teachers in Colleges**			
	Male	11828	11843*	11864*
	Female	3719	3719*	3725*
	<b>TOTAL</b>	<b>15,547</b>	<b>15,562*</b>	<b>15,589*</b>

\* Provisional Data for the years 2012-13 and 2013-14 \*\* (not inclusive the number of Teachers of Un-aided/Self financed Colleges

## Annexure II

Number of state Universities/ Deemed universities governed under Higher Education  
Department

Sl.No.	<u>Name of University</u>	<u>Esbt. Year</u>
<b>A-</b>	<b><u>Run by Higher Education</u></b>	
1.	Lucknow University, Lucknow	1921
2.	Dr. Bhimrao Ambedkar Agra University, Agra	1927
3.	Deen Dayal Upadhyay Gorakhpur University, Gorakhpur	1957
4.	Sampurnanand Sanskrit University, Varanasi	1958
5.	Chhatrapati Sahu Ji Maharaj University, Kanpur	1965
6.	Chaudhary Charan Singh University, Meerut	1965
7.	Mahatma Gandhi Kashi Vidyapeeth, Varanasi	1974
8.	Bundelkhand University, Jhansi	1975
9.	Dr. Ram Manohar Lohia Avadh University, 1975	
10.	Mahatma Jyotiba Phule Rohilkhand University, Bareilly	1975
11.	Veer Bahadur Singh Purvanchal University, Jaunpur	1987
12.	Dr. Ram Manohar Lohia National Law University, Lucknow	2005
13.	Khwaja Moinuddin Chishti Urdu-Farsi University, Lucknow	2010
<b>B-</b>	<b><u>Open University</u></b>	
1-	U.P. Rajarshi Tandan Open University, Allahabad	1998-99
<b>C-</b>	<b><u>Deemed University</u></b>	
1.	Dayalbagh Educational Training Institute Dayalbagh, Agra	1981
<b>D-</b>	<b><u>Private Universities</u></b>	
1.	Integral University, Kursi Road, Lucknow	2004
2.	Amity University, NOIDA, Gautambudh Nagar	2005
3.	Moh. Ali Jauhar University, Rampur	2006
4.	Manglayatan University, Aligarh	2006
5.	Swami Vivekanand Subharati University, Meerut	2008
6.	Teerthankar Mahaveer University, Moradabad	2008
7.	Sharda University Greater NOIDA, Gautambudh Nagar	2009
8.	GLA University, Mathura	2010
9.	Invertis University, Bareilly	2010
10.	Monad University, Hapur, Ghaziabad	2010
11.	NOIDA International University, Greater NOIDA, Gautam Budh Nagar	2010
12.	IFTM University, Okardham Lodhipur Rajput, Delhi Road, Moradabad	2010
13.	Venkateshwara University, Gajraula, Jyotibaphule nagar	2010
14.	Babu Banarasidas University, Lucknow	2010
15.	Galgotiaz University Greater NOIDA, Gautambudh Nagar	2011
16.	Shivnadar University, Dadri, Gautambudh Nagar	2011
17.	Sri Ramswarup Memorial University, Barabanki	2012
18.	The Global University, Saharanpur	2012

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Source: Government of UP: Performance Guide of Higher Education (in Hindi)



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