

ECONOMIC REFORMS AND EDUCATIONAL RESTRUCTURING

Ghanasyam Panda*

In the present context of deregulation and market driven approach to development there is likely to be greater demand for university graduates in all sectors of the economy. Will the university education in particular and higher education in general fulfil their aspirations? What is the mission? What is the strategy? What would be the structure? The answer to these questions lies in reinventing government and a spirit of entrepreneurial transformation in higher education.

INTRODUCTION

The Indian development strategy since the 1950s through the 1980s was carried out through the mixed economy institutional framework. But forty years later, it is realised that in general, public sector enterprises, managed and controlled by the government, have been a burden on the economy. In fact, they have contributed to an inefficient and capital intensive investment strategy. In the pursuit of speedy modernisation and industrialisation, rural development, health, education and welfare did not receive the attention they deserved. Private sector was protected and inefficient.

With the new economic reforms and pressure for competing in international markets, it is likely that the role of education would become very crucial in transforming the world of science, technology, finance and industry. The resources invested in education must find new ways to heighten both efficiency and their effectiveness even as the world is becoming more and more knowledge intensive.

In the context of economic restructuring, competition and globalisation, higher education plays an important part. The

availability of high-skilled educated persons in different disciplines facilitates foreign investment. This demand cannot be met by the products of secondary schools. In fact, there may be shortage of manpower for industrial reconstruction and of path finders for an evolving society.

However, the whole system of higher education in India has become warped, disoriented and dysfunctional, thereby producing a number of unemployable young men and women. This discovery is not new. The government has set up several committees and their recommendations are in archives. We diagnose the illness and formulate elaborate prescription but run out of energy in carrying out the treatment. The operational fatigue overtakes us. One major defect is lack of professionalism in management. The others are inadequate funding, political interference and general indiscipline. In management terms the defects are attributable to the resistance to change (inaction) and the failure to count cost and benefit.

The basic issues of decision making in education concern (a) Quality of services; (b) Quantum of services; (c) Institutional

* Professor and Director, School of Business Studies, Berhampur University, Berhampur.

structure of services; and (d) Price of services. The current situation is as follows. The mission of education in general comprises transmission of advanced knowledge to next generation, locating intellectuals and experts at one centre to advance frontiers of knowledge and providing high level manpower needs of society. This is found in the enrolment explosion from 2-5 lakhs to 40 lakhs during the last 40 years at the growth of 7 per cent per year. The institutional structure has three sub-structures, the university departments, the colleges and the deemed universities. The customers of education are students, and the price is highly subsidized by government (at less than full cost). The general view is that educated persons are expected to receive from society the opportunity to develop their talents and to grow to their fullest potential. In return, they have to give their best to society. This cost and benefit calculation is not available. Whatever available is specific to situations and judicially decided. The liberalization mode and economic reforms bring the cost-benefit analysis into sharper focus. The opinions are varied and divided. Higher education improves one's capacity to produce an income earning power. This accrues to the individual in the first place and only next to society in the shape of higher GNP. The benefits are obtained by the owner of the knowledge. The spill-over from individual to society depends upon the stage of education. The social benefits are better citizenry (voter literacy). These accrue best from primary education. The sophistication of citizens comes through secondary and higher secondary education. In higher education the social spill-over benefits are the least. The costs incurred are explicit or implicit. The explicit costs are capital and labour provided in the budgets of management. The students make their private outlays. The social cost is much

higher than that of the management and customer. It comprises income foregone by family and national product by society. The implicit cost to society is the opportunity of investment foregone elsewhere equal to that of higher education. Even if explicit cost is paid entirely (private institutions) by the purchaser of education still the non-monetary invisible cost will be present. They consist of (i) land for institution (free/low rent) even by depriving someone, (ii) services (free) of social workers, (iii) benefits of subsidies (exemption from taxes, duties) on equipments, (iv) instructions imparted (accumulated and inherited knowledge) at lower salary than an equally qualified expert would get, and lastly, opportunity cost of displacing primary education elsewhere. From the present budget of education, 60 per cent goes to colleges, 25 per cent to secondary and 15 per cent to primary. That means less than 15 per cent population gets 85 per cent of the funds while more than 85 per cent of the population which is the most needy, gets 15 per cent of the funds. In many developing countries and all developed countries, education beyond the secondary stage is at full cost.

HIGHER EDUCATION AS PRIVATE PROPERTY

In China, schools are required to overcome financial problems by running profit-making enterprises, generating donations and charging miscellaneous fees. Higher fees are charged from over half of all students. Scholarships are given to the most accomplished students and in certain priority subjects where skills are scarce. The poor students get loans. They are expected to repay after graduation, however poor they might be earlier. In India some favour the above view, by saying that there should be a distinction between primary and higher education. Primary education releases

energy to society, and so it is a public property. This is different in higher education, especially technical. An engineer or doctor acquires human capital, which earns him a handsome return in the form of higher (personal) earning. It is private property. The person does not go to backward areas where society requires him the most. He prefers to stay in city or go abroad in search of higher earnings. Thus, it is commercial transaction. There is no reason to offer such private property to graduates free of charge since the college goers are rich (not poor).

The mutuality of restructuring of higher education and the economic restructuring in China should be appreciated. China's GNP grew at the rate of 9 per cent per annum since 1978. This growth is equal to the rate (fastest) of growth of the first-quarter-century performance found in Japan, Taiwan and South Korea. To suit the new climate, the universities are required to promote four modernizations emphasized by government. The universities are changing their policies to emphasise higher quality research and starting enterprises to generate their own resources. Thus, the thrust is towards private financing of education.

HIGHER EDUCATION : A SOCIAL NEED

Financing higher education in India is essentially the responsibility of government. The reason is that unlike the developed countries, the developing countries have not reached a stage when the share of education in total national expenditure can increase. We have roughly 10 per cent of boys and girls receiving higher education. This is below that of Egypt and Thailand, and much below that of U.K.(22 per cent), Japan (29 per cent), Germany (30 per cent) and U.S.A.(59 per cent). The fact is that in

spite of the concern over the explosive growth in the number of Indian universities, we need to expand the opportunities for higher education even further because the products of secondary school cannot meet the vast and varied requirements of a growing economy in the context of reforms. Moreover, the donors' motives may bias the institutions. The scouting for funds from various sources may result in loss of autonomy and spur politicisation. The government funding can safeguard the ideological basis and public character of education. Further, there is no contradiction whatsoever between the national need to invest in literacy, elementary, primary and secondary education on the one hand and the maintenance of the Constitutional mission of the Indian state, of the potential of Indian universities for allround excellence. For every success in the fields of literacy, primary and secondary education will entail expansion of democratic access to university education which can only be denied at a great peril to the nature and future of the Indian democracy itself.

Demand for education cannot be determined from the point of view of labour market alone without consideration of social, cultural and humanistic aspects of education. Just to emphasize the viewpoint, two examples are sufficient. The weaker sections in India consider higher education as a means to vertical social and economic mobility. Further, expansion in primary and secondary levels would require increasing number of professionals as managers. The economic reform and technology growth would require universities for basic research. Basic research in all branches of science is necessary for understanding phenomena that produce technology. In view of these opinions and circumstances, the nature of interaction of higher education-institution and student cannot be interpreted as a commercial profit oriented transaction at

least in India. However, survival is at stake and funds are scarce.

ECONOMICS OF HIGHER EDUCATION

Ideology apart, economics which governs other enterprises has had no discernible influence on what we do in education. We set up high-tech-investment-intensive educational establishments at the cost of many factories in the public sector without any cost-benefit, logistic or even moral analysis of what we are bringing into existence. We do not calculate the cost of teaching per student. What is the professional responsibility of the beneficiary? The general approach is to avoid these as costly exercises.

This casual approach to cost is compounded by operational inefficiency in neglecting the allocation of right amount of funds in time. The manager (Principal/Vice-Chancellor/Director) suffers from anxiety and often diverts funds from development to operations. The reasons are rigid code of grants-in-aid (even insufficient for covering the postal rates and railway fare hikes). Block grants are fixed and cut as arbitrarily as conceivable. The states fail to give matching grant at the end of the UGC grant and maintenance grants.

The state governments are dissatisfied with institutions for (i) appointments without prior sanctions, and (ii) unauthorised expenses. Thus, the disenchantment between the states and higher educational institutions is mutual, while the institutions suffer.

RECENT TREND OF FUNDS FLOWS

In general, in the Indian economy the total expenditure on education (Budgetary allocation) fails to keep pace with the

growth of educational institutions and their demand for funds. For the past four decades, the thrust of expenditure has been in favour of higher and professional education. It has generally been weakened, though. The government outlay has been increasing but fee and other charges from students are unchanged since 1947. Since 1991 each Budget is cutting expenditure on social services, the sharpest being in 1993. The IITs and IIMs could absorb their cuts but the central universities got their shares restored. The UGC is not flawed for overuse but underuse of its power to raise funds or to bring financial rationalization in universities. Its advice to seek internal funds from own sources is acted upon by a few only.

Tuition fees become impossible to raise. On the side of expenditure, maintenance (salary) absorbs 85 per cent and library, examinations, appointments and research another 15 per cent. Internal funds, even if raised, cannot be used for salary. Therefore, the modification of grant procedure by the UGC from "meet the deficit" to full grants does not help. Even the donation exemption allowed upto 100 per cent for higher education and 125 per cent for technological institutions from tax is not so much helpful. The state universities are particularly worst affected. In the 1980s the central universities and the Delhi University colleges got one-third of UGC grants. In the 1990s they got two-thirds. The colleges outside Delhi got very little. The technical and professional and research institutions are already under obligation to fund 50 per cent of their activities from own sources.

The fact is that a large majority of students in professional institutions are from middle class families. Although they are above the minimum income cutoff line called "affluent", they are really not so. But the Supreme

Court (SC) implies professional study as a private property. In the case of MBBS course of the Manipal Academy the SC fixed the fees for meritorious SC/ST students from government conducted entrance test at Rs. 8,000 and at Rs. 140,000 for others. Then it directed the UGC to prepare the fee structure. In another case of St. Stephen's College in 1991 regarding a minority institution's freedom on admission, the SC divided the students into two categories—one category, at least 50 per cent, shall pay fees equivalent to that of a government college and the rest shall pay fees such as to be determined by the state government. Thus, the discriminating differential fee structure is accepted. As it appears, there is a general consensus of opinion which favours a higher fees for at least 50 per cent of students.

The two agencies specified in different judgements by the SC to fix the fees are

(i) UGC and (ii) state government. But state governments are financially weak and cash strapped. Their institutions in higher education (colleges and universities) are the worst sufferers. Several experts who have devoted time and energy to study the problem suggest that technological institutions must find 50 per cent of their expenses and others must find out 25 to 40 per cent of their expenses of operations.

CONCLUSION

The strategy of technological achievement depends upon the structure of institutions. Two things most important for good structure are autonomy and accountability of operations. But these two have no meaning without financial freedom. This throws up the challenges of entrepreneurial actions by government and people at large at the decentralized grassroot levels.