Self-financing Courses in Colleges

REPORT

Author

Sudhanshu Bhushan

Department of Higher & Professional Education

National University of Educational Planning and Administration

17-B, Sri Aurobindo Marg, New Delhi – 110016

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National University of Educational Planning and Administration (NUEPA)
17-B, Sri Aurobindo Marg
New Delhi – 110 016

Copies are available from:

Department of Higher & Professional Education
National University of Educational Planning and Administration (NUEPA)
17-B, Sri Aurobindo Marg
New Delhi – 110 016
Fax: 91-11-26853041, 26865180
E-mail: sudhanshu@nuepa.org

Research Team

Project Director

Prof. Sudhanshu Bhushan

Project Associate Fellow

Dr. Vijay Vrat Arya

FOREWORD

There are two strands of thought on the funding of higher education. In terms of a traditional approach, higher education is considered as a public good and, therefore, the funding responsibility of higher education almost solely rests upon the government. There is also an emerging viewpoint in liberal perspective that considers higher education as a private good. The responsibility of funding higher education in this case falls upon the parents and the students. In Indian context, there is an asymmetry in terms of policy and practices. The official view is that higher education is a non-profit sector. Private participation should be encouraged without commercialisation of higher education. However, the practices have been quite far away from such policy pronouncements. The resource crunch from the state to fund higher education has created compulsions for the government institutions to run the self-financing programs and shift the burden of the cost to the students. On the other hand, there has been greater participation of the private players who have introduced self-financing programs and begun to charge fees in addition to recovering capital as well as revenue expenditure incurred to run the programs.

Self-financing programs are now becoming a reality which cannot be assumed away. There is a need to understand the fee range and differentiation of the fee structures along the programs in different types of institutions. There is a need to examine how important the self-financing programs have become as a means to fund higher education? It is also important to know the differentiation in the fees between the regular and the self-financing programs. An empirical understanding of the self-financing programs and the dynamics of these practices in terms of access and equity dimensions are important aspects to be examined.

The research study, after having dealt with various research findings on the topic in the international context and empirical evidences from the Indian context, has gone into the analytical issues relating to competitiveness, demand for education and the human capital perspective of education. Feedback from students of self-financing courses points towards education as human capital formation and the importance of the expected returns from investment in human capital, the determining factor in the demand for education. This is an important finding of the study. The dominance of

market in every sphere of life has begun to influence the thinking of parents and the students to demand education not for its own sake but for employability.

Another analytical issue of importance relates to efficiency vs. equity. The dominance of structure and control has prevented the standardisation of fees. The greater differentiation of fees shows that higher education is not efficient from the market perspective and that there is lack of competition. However, it does not mean that the most efficient pricing of higher education might also guarantee equal participation. Self-financing courses may be in high demand, even though exclusive reliance on, rather the dominance of, such courses would not serve the equity objective of higher education.

The policies need to be dynamic and responsive to the practices. If it is not responsive to the practices, the alternatives will not be debated and the commercial practices will continue to adversely affect the objective of inclusiveness in higher education. There is a need to broadbase the scholarship scheme and follow the target oriented approach. There is an urgent need to follow the diversified approach to the funding of higher education rather than put exclusive reliance on state funding.

I would like to express my sincere gratitude to Dr. Vijay Vrat Arya who remained very patiently engaged in this research endeavour right from the research design to the collection of facts and analysing them properly. I also express my sincere thanks to all heads of institutions who have supplied the necessary information related to the topic. I am thankful to the Research Advisory Committee of NUEPA for advising me at the initial stages of project formulation. I thank Dr. Saumen Chattopadhyay for his incisive comments on the first draft. I express my sincere thanks to Prof. Ved Prakash, Vice Chancellor, NUEPA for allowing me to undertake the research study.

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EXECUTIVE SUMMARY

Summary of Findings and Recommendations

Tuition Fee: Rationale

1. Historically, the policy of free tuition has been followed in majority of the countries; and almost all countries of the world. The Keynesian welfare state regime has subsidized higher education. In recent years, governments in India failed to pay for the resources needed to subsidize higher education in the case of free tuition fee policy. When government fails to fulfil commitment, then the tuition fee begins to be charged. Self-financing programmes thus become the normal practice.
2. The deregulation of fees in Indian higher education is being permitted in a variety of ways. Liberal permission to grant deemed university status to private institutions and the establishment of private universities under state legislation has been increasing in recent years. There are private professional colleges affiliated to universities. The number of unrecognized private institutions is also growing at an exponential speed. Mainly, private unrecognized sector is engaged in running diploma and certificate programmes, except few running even degree programmes, either independently or in collaboration with foreign universities. They determine the fee by themselves.
3. The issue of admission and fee policy in the private professional colleges has been a contested terrain between government and private providers of higher education. Judicial pronouncements have also been made to settle the issue of admission and fee in private institutions. As a result of latest court pronouncements in Islamic Education case, different state governments have begun to regulate fees in private colleges.
4. Most of the recommendations have noted that increase in fees is necessary. Still there has not been any compensating increase in fees in government and aided institutions, necessitated by decline in public expenditure and rise in the cost of higher education. Most state governments have resisted increase in fees. As a consequence, there has been a rise in the number of self-financing institutions that have begun to charge fees on full cost recovery. On the one hand, the state did not allow rational increase in fees in government and aided private colleges and, on the other hand, it failed to control commercialization in private self-financing colleges. Despite move to enact legislation on admission and fees in private higher education institutions on the directions of honourable Supreme Court of India, the government seems to have deferred it. As a result the Market seems to dominate higher education.

Tuition Fee Policy and Experience in Select Countries

5. There are four types of tuition fee policies: (i) *Upfront tuition fee* policy is the one where tuition is paid upfront and it is the responsibility of the parents to cover some portion of the educational cost of their children; (ii) *No tuition fee* policy is based on the assumption that primarily, it is the responsibility of the state to pay for all instructional costs; (iii) *Deferred tuition fee* policy assumes that tuition fee is deferred for payment in the future. Family of the student does not have to pay the tuition fee in the present. State may pay for the tuition fee in

the present or banks advance loans in the present, equivalent to the tuition fee. In the future it is the responsibility of students to repay, the tuition fee out of the income earned, to the state in the form of tax or to repay the loan to the banks; and (iv) *Dual track tuition fee* policy is applicable where there is resistance to tuition fee. Under the policy, a certain number of free (or low) tuition university places are awarded by the government to meritorious students and other places are available to low scoring students on a tuition fee paying basis.

6. India follows a low tuition fee policy to be paid upfront in most government and aided institutions. In private institutions, on the other hand, there is tuition fee on full cost basis to be recovered upfront from the present family income of the student. Deferred tuition fee approach hardly exists. Dual track tuition policy is available in engineering education. After competitive examination at the central or state level, a student securing better percentage of marks gets entry at relatively lower tuition. A certain percentage of management quota is fixed state–wise allowing institutions to charge a full cost mark up price provided under the management quota. A full track tuition fee is charged in almost every college. For a regular course, a low tuition fee is charged. At the same time, the same institutions run self-financing courses also where high tuition fee is charged.

7. In British Isles, gradually, universities are moving towards greater share of costs to be borne by the students. Even if there is high upfront tuition fee, the income contingent loan facilitates the students to pay the top up tuition fee to be paid out of the loan. As the loan is income contingent, the students are liable to pay for the loan when income is earned by them. Means tested grant, together with a remission of fee grant and increased bursary provision in UK, guards the poor students against the burden of tuition fee and higher debt obligation.

8. In US tuition fee increased with the tightening of fiscal belt to account for increase in the cost in terms of quality. However, access is not adversely affected as an efficient and diversified grant system is available for students. Besides, competitive conditions in the market, innovations in financing and use of education technology to save the costs have been important features of higher education. Universities are becoming entrepreneurial at a rapid rate.

9. Funding pattern in Australian higher education system during 1986-98 has undergone radical changes. Government contribution fell from 87 % to 52 %. During this period, students' fees increased from 5 % to 16 %. Decline of government funding has led to innovations in the financing of higher education in Australia. Higher Education Contribution Scheme (HECS) was introduced. The new system is a combination of tuition plus income contingent loan available to most Australian students. In Japan, tuition charges and fees are critical to the financing of higher education. Every student in the private sector pays tuition and fees that are more than double to those paid by students in the national sector.

10. China introduced the policy of charging tuition and other fees. As a result, government dependence of funds reduced from 96% in 1978 to 82% in 1992. The higher education in the year 1998 made tuition fees compulsory for college students while ensuring that the government continues to increase its financial allocation to public institutions.

Research Results:

11. Pennell and West (2005) have examined research evidence relating to the impact of fee on participation in higher education by students from lower socio-economic status. In 2006, grant for new entrants to higher education was retained. Means tested grant of £1500 and a remission of fee grant of £1200 for undergraduate students from lower socio-economic groups was introduced along with income contingent loans. The above economic reform was expected to generate resources from fees without adversely affecting the participation of students from lower socio-economic status.

12. Research findings from US (Paulsen and St. John 2002) revealed the choice of students from low socio-economic background. They found that students from low socio-economic background are tuition–cost-conscious and higher cost of tuition and other living cost adversely affect their decision to continue higher studies. Davies and Elias (2003 a and 2003 b) from UK also noted that students dependent on loan as source of financing were more vulnerable to drop out due to increase in tuition fee compared to those whose main support was based on grants. Student loans and tuition fees were also likely to increase the debt level of students (Callender and Wilkinson 2003). Most interestingly, students from low socio-economic groups may be debt averse and hence less likely to participate in higher education in a changed regime of loan and tuition fee policies. Given grants and bursaries the risk element may come down and positive attitude to participation may be generated among students from lower socio-economic status (Pennell and West 2005).

13. Rolfe Heather (2003) explores the effects of changes in funding arrangements, particularly in tuition fees, on universities in UK and their strategic responses to these changes. Research findings are based on four universities ranked in order of status. All the four universities, particularly, two post-1992 universities, were increasing the amount of vocational provision. Younger universities were also considering expanding sub-degree provision. Universities were encouraging e-learning both to reduce cost and to increase quality. Students were more concerned to get value for money. Research held a central position in the strategy of all universities. Universities were also found to encourage post-graduate and international students as they were able to yield more revenue. Marketing was considered essential in order to attract students. Universities were also closing down courses which were in least demand. All the four universities were trying to create a brand image. Supply of programmes is thus more and more demand driven.

14. Dill David D (2003) suggests that performance in higher education depends on the conduct of the producers of higher education. The conduct is affected by the market structure or the degree of competitiveness of higher education and the latter depends on the institutional framework of laws and rules that include regulations, norms and traditions relating to autonomy, freedom and tenure. Government policies shape the rules and norms as well as structure of the market. Government policy also affects the conduct of higher education. The effect of tuition fee on the overall performance of higher education can be examined by the interplay of conduct, market structure and rules and norms that are shaped by government policy.

15. Another research finding from UK universities highlighted the fact that increase in tuition fee is part of the market strategy adopted by the universities and the full tuition is bound to have various other market implications. Vocational programmes, learner centered approach, innovations in curricula and emphasis on quality, technology integration by education providers will be guaranteed as programmes are normally demand driven rather than supply driven. Self-financing programmes launched in Indian universities and colleges will be guided by customer satisfaction. Thus, regular and self-financing programmes based on two philosophies in a college are bound to create tensions among academic faculty. In the former, social considerations will dominate and in the latter case, the market principles will guide the programmes.

Fees of Self-Financing Courses at University Level: Empirical Results

16. It is significant to note that a central university's fee for self-financing programmes falls in the lower fee ranges. 18% of the programmes in the central universities fall in the fee range of Rs. 0–5,000 and 10% in the fee range of Rs. 5,000–10,000 while 41% of the programmes fall in the fee range of Rs.10,000-20,000. In the case of state universities also, 26% of the programmes are in the fee range of Rs. 0–10,000 while 11% of the programmes in the case of Deemed University fall in the fee range of Rs. 0–10,000, 40% of the programmes of state universities are in the fee range of Rs 20,000-50,000 and 18% in the fee range of Rs 50,001-1,00,000. Deemed universities programmes normally fall in the high fee ranges. More than 40% of their programmes fall in fee ranges of Rs. 50,000 and above.

17. Average fee of self-financing programmes in central universities, state universities and deemed universities is Rs. 19,274, Rs. 31,388 and Rs. 46,510 respectively. Except Agriculture and General Disciplines, average fees in all the disciplines are highest in the Deemed universities.

18. It is interesting to note the fee range of the self-financing programmes in the major disciplines. Majority of the programmes in Agriculture and Law disciplines falls in the fee range below Rs. 20,000. Maximum percentage of programmes in Applied disciplines and General disciplines are in the fee range of Rs. 20,001-50,000. Self-financing programmes in Education are costlier, as 38% of programmes are in the fee range of Rs. 50,001-1,00,000. Programmes relating to IT and Management are all in the fee range - Rs.10,001-20,000, Rs. 20,001-50,000 and Rs. 50,001-1,00,000; 33% of programmes in Engineering & Allied Technology are in the fee range of Rs. 1,00,001-1,50,000. Medical & Pharmacy programmes are the costliest 28% of the programmes are in the fee range of Rs. 1,00,001-1,50,000 and 23% of the programmes in the fee range of Rs. 2,00,001 & above.

19. Average fees per student in self-financing courses in the universities of South region are the highest. It is Rs. 78,400 in these universities. Average fee per student in the western region is the lowest at Rs. 16,138. The universities in the eastern region rank only second in terms of fee of the self-financing courses.

20. Fee range across all different universities in India for the self-financing courses is very high. The highest fee range may be observed in various MSc programmes. The minimum fee of Rs.4,500 is charged in one university

whereas the maximum of Rs.24,500 is charged in another university. Similarly for bachelors in engineering the minimum fee charged is Rs.13,360 in a university and the maximum of Rs. 1,55,240 is charged in some other university. For M.Tech, MCA and MBA programmes also the fee range is unusually high. The fee range for courses like BBA and BBM is the smallest. It shows a wide diversity of fee ranges for the same programmes in different sets of universities.

Efficiency in Fee Structure

21. Efficient fee structure refers to competitive pricing. Under competition, it is expected that there will a tendency towards uniform fee. High differentiation in fee structure across different types of universities – central, state and deemed is observed; central university showing the lowest average fee and deemed university showing the highest average fee. For the same programmes also, there is very high fee range. It is indicative of inefficient fee structure of the self-financing courses resulting from lack of competition. The reason, of course, is that there are different structures of higher education and structures of different universities constrain competition and efficient pricing in higher education. It should, however, be noted that efficiency in fees does not necessarily produce socially desirable result, as there is no guarantee that participation of all socio-economic groups would be ensured with an efficient fee structure.

High Cost, the Basis of High Fees

22. If we take high cost professional disciplines such as engineering and medical, we observe that there is excess demand in the former whereas there is an excess supply in the latter discipline. Fee in engineering is, however, lower than the fee in medical. It shows that fee in engineering and medical is cost determined. In other low cost disciplines, cost seems to be explaining fees. Therefore, there is a need to subsidise the cost of professional education by the state to cut down the fees.

Fees of Self-Financing Courses at College Level: Empirical Results

23. Nearly 83% of the colleges charge fee in a range of Rs 0-5,000 for regular courses whereas only 31% of the colleges charge fee in the range of Rs 0-5,000 for the self-financing courses. As many as 47% of these colleges charge fee in the range of Rs 10,000-20,000 for self-financing courses.

24. It is observed that average fees per student in regular courses are Rs 1,759, while average fee per student for the self-financing courses is six times higher than the average fees per student of the regular course. The average fee for the self-financing course is observed to be Rs.10,428. If we take the over-all fees of students by taking regular and self-financing courses together, then incidence of fee on student is worth Rs. 3477.

25. Average fees per student in the eastern region are Rs. 5,438 only. The average fees in the colleges at Rs. 13,567 are the highest in the northern region, followed by the colleges of the southern and western regions. The eastern region is economically less advanced in comparison to all other regions. In the eastern region, relatively poorer students cannot afford to pay higher fees for self-financing courses. Hence there seems to be less demand for self-financing courses as reflected in the lowest average fees for self-financing courses. Self-financing courses flourish in those regions which are economically better off.

26. 61% of self-financing programmes in government colleges are in the lowest fee range of Rs. 0-5,000. The information shows that 28% of programmes in aided colleges and 36% of programmes in private colleges fall in the lowest fee ranges. It is interesting to note that in terms of programmes, the highest percentage of programmes, that is 39%, are in the fee range of Rs. 10,000-20,000 in aided colleges and 25% of programmes of private colleges are in this fee range. Besides, 11% of the programmes are in the fee range of Rs. 20,000 and above in the case of both aided and private colleges. It is also significant to note that 28% of programmes of private colleges and only 22% of the programmes in aided colleges are in the fee range of Rs. 5,000-10,000.

27. It may be observed that 34% of General courses in arts, science and commerce fall in the fee range of Rs. 0-5,000 and 37% fall in the fee range of Rs. 5,000-10,000. Thus, 71% of the courses in general discipline fall in the fee range below Rs. 10,000. 57% of the courses in applied discipline fall in the fee range below Rs. 10,000. On the other hand, 48% of IT and 50% of Management discipline courses fall in the fee range of Rs. 10,001-20,000. 24% of IT and 25% of Management discipline courses fall in the fee range of Rs. 20,000 and above. It amply proves that IT and Management courses in the self-financing mode are costlier than the courses in general and applied disciplines.

28. The lowest fee is charged for Bachelor in Arts. B.Com and M.A programmes are the second and the third lowest. The highest fee is charged for Masters in Computer Application and the second highest fee is for BCA. M.Sc is the third highest and BBA is the fourth highest. Various programmes in Computer thus fetch the highest fees under self-financing courses in colleges.

29. The fee range for some of the above courses is extremely high. For example, one fails to understand the fee range of Rs. 1,89,028 for BCA, Rs. 60,766 for MSc and Rs.45,000 for MCA. While some variation in fees may be accounted for differences in quality of the programme and management of the types of colleges, probably not all variation can be accounted for quality factor and management alone.

30. A little over 50% of the colleges (20 out of 36 colleges) in the sample were found to collect more that 50% of the fees from self-financing courses. Thus, the self-financing courses have emerged as the major contributor of finance to the colleges. On an average, 47% of the total fees were found to be collected from regular and 53% of the total fees were found to be collected from self-financing courses. This clearly shows the prominent role of self-financing courses in the internal resource mobilization of colleges.

31. In a sample of 36 colleges, it was noted that on an average, regular fee constituted 16% of total receipts of the colleges. Fees from self-financing courses constituted 31% of total receipts. Thus, total fee constituted 47% of total receipts. Non-fee revenue consists of central, state governments and UGC grants as well as other receipts from management and philanthropic support. On an average, non-fee receipts constitute 54% of total receipts.

32. There is an interesting finding which shows that there is very high correlation between the average fees in regular and the average fees in self-financing courses. It means that high (or low) average fees in regular course is associated with high (or low) average fees in self-financing courses. Any tendency to increase fees in either of the course (regular or self-financing) will show a tendency towards rise in fees in other courses as well. This may be stated as law

of association in fees, upward tendency in one is associated with upward tendency in others as well.

Feedback from Students and Faculty

33. The educational qualifications of parents of the students studying in the self-financing courses show that they are all highly qualified. It means that self-financing courses provide access to those students who belong to very good educational background.

34. Participation of higher proportion of girls' students breaks the myth that higher cost of education will have any bias against the enrolment of girls. This is also confirmed from the fact that educational qualifications of students' parents are very high and such families support the education of girls. Higher fees in self-financing courses do not form a barrier or restriction to participate in higher education.

35. 51% of the families of the students had income above Rs. 1 lac. Economic background of the family of the students confirm that most of the students belonged not to the poor families,

36. In self-financing courses, there is preference of students in favour of 3 year graduation and post-graduation. They hardly seem to have preference for diploma.

37. 31% of the students recorded that course provides placement opportunities. In the second as well as third ranking. The maximum students supported that placement opportunity is indeed the most important reason for pursuing Self-Financing Courses.

38. 57% of students also noted that they have campus placement opportunities in the college for the self-financing courses. 17% of students reported that they have been selected in the campus placement interview.

39. It is also important to note that students were quite satisfied with the facilities provided by the college. More than 50% students rated the facilities as very good and excellent. Move towards self-financing courses is well appreciated by the students. The high user charge was completely justified, as reported by the 71% students.

40. The information provided by students points out that for self-financing courses, fees do not account for a major component of the cost of education. The increasing price and shortage of accommodation in towns and cities have made food, housing and conveyance much costlier. Average household cost of education was reported to be Rs. 74,692. Of the total household part of the cost of education, 29 % is on account of fees; 24 % of the cost is on account of food; 21 % is on account of housing; 5% of the cost is accounted for by conveyance; 6% on account of private tuition; and 15% on account of others. Thus, household cost of education, other than fees, constitutes 71% of the cost.

41. In the opinion of the faculty, the most prominent reason for launching self-financing courses was to produce skill-oriented graduates. In the first ranking preference, 46% of the faculty felt so. They were also convinced that there is quite a high demand for self-financing courses. In the students' as well as the faculties' perception, job-orientation is an important factor in the self-financing courses.

42. Faculties, however, highlighted the fact that self-financing courses charge high fees and do not represent all social groups, particularly those who are poor. 34% faculty in their first ranking was of the opinion that high fees are the weakness of the self-financing programmes. This could be the reason for under-representation of social groups as well. In fact, faculties were also of the opinion that insofar as fees are high, this may eventually promote commercialization of higher education: 68% of the faculties agreed with this proposition.

Recommendations

1. The international experience suggests that a rise in tuition fee does have some adverse impact on the participation of students from lower socio-economic groups. However, different countries have evolved innovative ways to deal with this situation. Judging from experiences of the select countries, India needs to respond to hike in tuition fee by liberally granting scholarships to the poor students. Another policy could be to grant loan facilities at subsidised rates. Loans may be income contingent. The self-financing programmes will be more and more customer focussed with innovations in curricula. Institutions will adopt more market strategies to generate revenue. Government, while responding to it, must keep a close watch on the developments and try to reverse the situation whenever such need arises.
2. Assume that fund constraint forces central and state universities to run self-financing programmes, then it is always better that more and more self-financing programmes are allowed in central and state universities also. It will ensure better representation of social groups than private deemed universities. On the other hand, efficiency consideration will force deemed universities to lower their fees. However, it must be kept in mind that it is a desirable policy only when universities face resource crunch from the government.
3. Cost of professional education is forcing higher fees in some disciplines. Government should subsidise the cost of professional education in order to cut down fees. Subsidies could be in terms of land, infrastructure support. Government may develop education hub in different locations where all facilities could be made available at subsidised rates.
4. The flexibility in fees may lead to a continuous upward revision in fees. Fees once determined should be fixed for at least three or five years, irrespective of inflationary movement. The Knowledge Commission's recommendation that fees should be indexed to prices does not find favour, as such policy would always put an upward pressure on fees and rate of growth in fees may even outpace the rate of inflation.
5. There is need to have a strong monitoring mechanism to supervise the fees in the self-financing courses in government as well as aided and private colleges.
6. The message for the policy makers is that there is the need to provide financial support in high demand courses so that the fees in such courses are lowered and the course is made affordable to all sections of the society.
7. Differences in the fees for the same programme across all colleges need to be reduced through strong monitoring and guidelines on fees determination.
8. Universities may issue the guidelines to the colleges to collect fees from self-financing courses up to a maximum limit and can permit the collection above

this limit only in exceptional cases. This will help to prevent any commercialisation that institutions might be wishing to indulge in.

9. Colleges that charge fees as percentage of total receipts, more than 16% (i.e. above the all India average) need to explain the basis for high fees from regular courses. Universities need to monitor those cases and only in case of satisfactory reason should universities allow the college' to charge higher than all India average. 16% fees from regular courses as percentage of total receipts can be said to be the benchmark level of fees.

10. The fact that households consider higher education as human capital formation has many implications. Households seem to be interested to invest in education in the expectation of future returns. As long as expected returns exceed the cost, their propensity to invest in human capital formation will be high and will not be restricted by current income of the households. It means that fees should be justified not from the point of view of paying capacity but from the point of quality. Quality is seen in this perspective from the point of preparing students for the job market. Thus, curricular reform should be the priority of self-financing courses.

11. Universities should create a benchmark in the standards for self-financing courses in terms of curriculum, availability of competent teachers, teaching-learning practices, evaluation, library, lab facilities etc. Students' expectation of higher future returns from education should be fulfilled.

12. State needs to subsidise not only the fee component but also food, housing, conveyance and various other factors that affect demand for higher education in an important manner. Governments must make it mandatory for the institutions to have minimum accommodation facilities in or around the college campus and centralized mess facilities so that household part of the cost of education falls down significantly and students are able to bear the fee component of the cost of education.

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CONTENTS

TABLES

FIGURES

ABBREVIATIONS

ACT	American College Test
AICTE	All India Council For Technical Education
B Tech	Bachelor of Technology
B.A.	Bachelor of Arts
B.Com.	Bachelor of Commerce
BBA	Bachelor of Business Administration
BBM	Bachelor of Business Management
BCA	Bachelor in Computer Application
BE	Bachelor of Engineering
BHMCT	Bachelor in Hotel Management & Catering Technology
BHU	Banaras Hindu University
BSc	Bachelor of Science
CABE	Central Advisory Board of Education
CARG	Compound Annual Growth Rate
CET	Common Entrance Test
DETYA	Department of Education, Training and Youth Affairs
DHPE	Department of Higher & Professional Education
GUNI	Global University Network for Innovation
HE	Higher Education
HECS	Higher Education Contribution Scheme
IT	Information Technology
LL.M.	Master of Law
LCD	Liquid Crystal Display
M. Sc.	Master of Science
M. Tech.	Master of Technology
MA	Master of Arts
MBA	Master of Business Administration
MCA	Master in Computer Application
MCI	Medical Council of India
MHRD	Ministry of Human Resource Development
MSW	Master of Social Work
NAAC	National Assessment and Accreditation Council
NIEPA	National Institute of Educational Planning and Administration
NRI	Non-Resident Indian
NUEPA	National University of Educational Planning and Administration
OBC	Other Backward Class
P.G.	Post-graduate
PGDBM	Post Graduate Diploma in Business Management
PGDCA	Post Graduation Diploma in Computer Application
SAT	Scholastic Assessment Test
SC	Scheduled Caste
SES	Selected Education Statistics
SFS	self-financing schemes
ST	Scheduled Tribe
U.G.	Undergraduate
UGC	University Grants Commission
US/USA	United States of America

CHAPTER ONE
INTRODUCTION

Backdrop

Higher education in India faces a major challenge. There is a target of additional enrolment of 7 million students by 2012 over the base enrolment of 14 million in 2007-08, the first year of the 11th plan. This requires an additional institutional expansion. The 11th plan provides the targeted expansion of large number of institutions. However, the promotion of investment in the private sector is also required to meet the enrolment target. Expansion obviously requires the resources. Resources can be mobilized through budget by the state. The resources need to be mobilized by charging the price for the education services rendered either by the government or by the private providers to finance the institutional expansion.

Assume that huge expansion of institutions cannot be fully financed by budgetary resources alone. It means that fees will be levied upon students. The point is that as soon as there is hike in fees, the aggregate demand for education might fall and the target of enrolment may not be achieved. Hence, the problem is what should be the level of fees so that required resources are mobilized to finance the expansion and, at the same time, demand for education does not drastically fall and the enrolment target is achieved? In addition, there is the issue of equity. The level of fees should also be such that participation of all social and economic groups is ensured in the higher education system.

The per student public expenditure in higher education declined in the past one and a half decade by almost 25% in real terms. As a result, institutions within public sector found various alternative ways to finance higher education, chief among them being a hike in fees. The private sector has also expanded in high demand areas, putting an upward pressure on fees. A hike in fees impacts quality in one of the following ways: (i) Given decline in public expenditure in real terms, a rise in fees is sufficient to meet the cost of education to maintain quality; (ii) a rise in fees may not be sufficient to meet the cost resulting in a decline in quality; (iii) a rise in fees may be sufficient, yet there may be inefficiency, resulting in a decline in quality. Hence, an important question with respect to fees relates to an efficient fee structure that adequately compensates cost. In

terms of economic theory, the question is: does fee reflect competitive pricing? If it reflects competitive pricing, one can say that fee is optimally determined.

Optimal fee, from the point of efficiency, is, however, no guarantee of the equal accessibility to higher education. In fact, hike in fees may have asymmetric effects on different socio-economic groups: (i) Demand for higher education may not result in lowering of demand from higher income groups - It may even raise the demand if there is an expectation that education may result in higher expected returns in relation to the cost; and (ii) Demand for higher education from lower income groups may fall down, depending on whether current income or expected returns determine the perception of the households - If current income shapes the perception, then obviously, households having lower income will no longer demand education, in case fee charges go up. On the other hand, if expected returns shape the perception then obviously even households having lower income may not necessarily reduce demand for education, in case hike in fees is associated with higher expected returns.

Analysing the effects of fees on the participation of higher education from equity perspective, therefore, demands some theoretical issues relating to the demand for education to be solved.

A Theoretical Framework

To understand the implications of fee hikes on access and equity, there are certain theoretical issues that need to be clarified at the outset. The first and foremost is the issue of efficiency and the competitive process that brings about efficiency. The market principle is that demand and supply of a commodity determines the price of a commodity. If there is an excess demand it puts an upward pressure on prices and in case of an excess supply, prices fall down. If there is a perfect competition, then an equilibrium price will be established. For an equilibrium price to be established, it is necessary that there is no restriction in the market. There is a free entry and exit of the buyers and sellers in the market. There is free movement of goods and factors of production.

Without doubt, higher education is not a commodity to be freely traded in the market. However, if there is a fee or the price of higher education, which is essentially scarce, then it does acquire the character of a commodity. It has certain peculiarity. For example, the fee to be determined depends on the structure and control in the higher

education system. If higher education is provided by government institutions then the fee will be lower as it is heavily subsidised. Similarly fee in aided but privately managed institutions will have different fee structure from that of the government managed as well as from the privately managed and financed institutions. Fee determination is subject to government regulations in all sorts of institutions. Hence, there is bound to be differentiation in the fee structure, as competitive forces will be restrictive in their operation due to different structures and control. However, as fee determination takes place in the market arena, the structural restriction on fee will be less and competition will enforce lesser differentiation in fee structure. Higher differentiation will indicate lesser competition and lesser differentiation will mean greater competition and also a more efficient fee structure. Even at the cost of repetition, it needs to be added that an economically efficient fee structure does not mean that it is also a socially desirable fee and hence, efficiency may be justified from the point of resource utilization, yet the efficient resource utilization does not mean that society as a whole is better off. Thus, if the fee is inefficient, it merely tells that competitive forces in higher education are weak. From this it cannot be inferred that inefficient fee due to lack of competition is undesirable from the social point of view.

In the present study, as we examine the self-financing courses, research questions on fees from the point of efficiency are examined in detail.

The second issue is analysing and understanding the demand for higher education. This is important as understanding the implications of a fee hike on access and equity demands consideration of the demand for education. The traditional or mainstream theory states that demand for education is a function of fee. Higher fee means lower demand and vice versa, other things remaining the same. The assumption, of course, in this conception is that education is treated very much as a consumption item and expenditure on consumption is undertaken out of the current income of the household. Income of the household is given and has no effect on demand. Thus, investment in education is not treated as a stream of potential income in the future.

The traditional notion of education and the conception of the demand for education is also re-examined in the present study. The alternative conception is that education is like a capital good. Households invest in education considering it as yielding expected return in the future. Hence, the household demand for it does not depend on fee alone, nor does it depend on the current income of the household. If expected return is higher

than fees, the demand for education will be influenced by the expected return. Household will invest in education out of current income as well as from capital market by taking loan.

In the present study, as we examine the self-financing courses, research questions on the demand for education is analysed at a great depth.

Self-Financing Programmes: Concept

Self-financing programmes are the programmes which are financed by charging user-fees from students. There is almost no government subsidy for such self-financing programmes. The nature of self-financing programmes depends on the institutional mode under which it is delivered. In India, there are private universities, deemed universities, central and state universities and their affiliated colleges – government, aided and private, besides some Institutes of National Importance that deliver higher education programmes.

In the last five to six years, private universities have been established under the State Acts. There are at present 23 private universities (as on 31st March 2008). There has been an increasing tendency to establish a private university, as it provides a much greater flexibility to introduce its own programmes, admit students and charge fees to meet the cost of the educational programme. Private Deemed universities enjoy unitary status and cannot affiliate colleges/centres/institutes. They also enjoy flexibility to introduce their own programmes, admit students and charge fees to meet the cost of the educational programme. Both these types of universities need to recover the capital as well as revenue expenditure from the user-fees levied upon students. There is no effective regulatory control on the admission and fees in the private universities. Private deemed universities charge fees subject to the approval from the state level committees. However, there is no monitoring mechanism to ensure the implementation of the fees. It should be noted that it is the market principle that determines the price of higher education in case of private universities and private deemed university.

There are private colleges affiliated to a state university. These private colleges are in general as well as in professional disciplines. They are under the regulatory control of the state university. They can introduce any programme after the approval of the university. They also charge user-fees to cover capital as well as the revenue cost from

the student. All the programmes delivered are self-financing by nature in private colleges – general as well as professional.

Most of the regular programmes in Government/Government aided and privately managed colleges are subsidized by the government. However, due to the resource crunch, the institutions have begun to introduce self-financing programmes. Since these institutions have already the developed infrastructure, the user-fees from the student are charged in order to meet the recurring and, may be, small part of the capital expenditure.

It should be noted that it is the market principle that determines the price of higher education in case of private universities and private deemed university. In the case of private colleges under the statutory control of a university, the market principle of determining the fees is subject to some regulatory control. In Government/Government aided and privately managed colleges, fees are charged only on the principle of recovering recurring expenditure. Thus, there are two principles of self-financing courses. One, in which fee recovers capital as well as revenue expenditure, as in the case of a private university, a private deemed university and a private college affiliated to a university. In the former two categories, there is no effective regulation and monitoring on fees and, therefore, market principle rules. Private colleges charge fees under the same principle but it is controlled by the state university. Other principle is the one in which the fees recover the revenue expenditure, as in the case of government and aided colleges under the supervision and control of university.

Determinants Research

The promotion of self-financing courses depends on the initiatives taken by the colleges/departments. These initiatives are being supported by the university. UGC has been supporting the self-financing courses in terms of supplying curriculum design and funding support for books, libraries and equipment. There has been a variety of courses that have been launched by the universities in the last ten years. Overall response to the courses has been quite good. Institutions that have such large courses are also able to generate internal resources.

However, the pattern of self-financing courses across universities and colleges has been quite uneven and irregular. The course fees are not standardized. There is a large variation in fees for the same course in different colleges and universities all over India.

There is also variation in average fees across disciplines and there is little idea about it. There has been no information to the extent to which self-financing courses have generated internal resource. Have self-financing courses helped in achieving the objectives relating to access, equity and quality? It is also observed that where regular and self-financing courses coexist, the regular courses suffer due to negligence and the self-financing courses fare better. Another important question is whether there has been commercialisation of higher education with flexibility in the fee structure due to the introduction of self-financing courses? In terms of region, what can we say about fees in self-financing courses? In general, there is a need to closely monitor the direction in which the self-financing courses are moving. The proposed research helps in answering some of those questions.

The objectives of the research are to address some of the issues relating to self-financing courses.

Research Objectives

1. To analyse the fee structure of the self-financing courses in sample universities and colleges in different states selected from each zone – East, West, North and South in India;
2. To understand implications of the policy of self-financing programmes in terms of access, equity and quality parameters; and
3. To suggest important guidelines for self-financing courses in terms of policy, planning and management.

Justification and Relevance

The self-financing programmes are being run in colleges as well as universities for over two decades. There is a need to assess the diversification of programmes, differentiation in the fee structure, generation of financial resources, opportunities of fulfilling access and equity etc. There is a concern that self-financing of programmes should not lead to hidden commercialization, i.e., profiteering in higher education. The justification of the research pertains to highlighting some of the above mentioned issues and to finetune the programme in such a manner that it conforms to the broad objectives of higher education. The research issue is relevant in today's context, as its pervasive use may adversely affect the access to higher education. Besides, the running of programmes

must also be examined with reference to quality and this need be ascertained. A self-financing programme should not be run without regard to its relevance as well.

Research Issues:

(i) University Level

Relating to actual information on fee range and average fee across different universities, disciplines and programmes

1. What is the percentage distribution of programmes in different fee ranges in central, state and deemed universities? What is average fee in different universities?
2. Across all disciplines and all universities, what is the distribution of programmes in different fee ranges? What is average fee across all disciplines in all such universities?
3. What is the average fee in the universities across different disciplines in different regions – North, South, East and West?
4. What is programme-wise fee range and the average fee per student per annum in some selected programmes?
5. What is programme-wise variation in average fees in state and deemed universities?

Hypothesis: 1

Competitive pressures will tend to equalize the fees for self-financing courses across all universities – deemed, central and state universities.

Hypothesis: 2

Disciplines with high demand show a tendency for higher fees and disciplines with low demand show a tendency for lower fees.

Hypothesis: 3

Deemed universities charge fees across all disciplines higher than the state universities

(ii) College Level

Relating to actual information on fee range and average fee across different colleges, disciplines and programmes

1. What is the per cent distribution of colleges in different fee ranges for regular and self-financing courses?
2. What is the fee range in colleges by management types running self-financing courses?
3. What is the per-cent distribution of courses in different fee ranges in regular and self-financing modes?
4. What are the average fees per student in regular and self-financing courses in government and government aided colleges?
5. What are the regional differences across four regions in average fees per student in self-financing courses in colleges?
6. What is the discipline-wise fee structure in all colleges?
7. What is the programme-wise fee range in all colleges?
8. What is the fee share from regular programmes and self-financing programmes in the total fees of colleges?
9. What is the share of the college and the university in income from self-financing courses in colleges?
10. What is the fee and non-fee revenue as percentage of total receipts?
11. What is the salary as percentage to total receipts?

Hypothesis: 1

There is a significant difference in the fee ranges for regular and self-financing courses.

Hypothesis: 2

Regions with higher (or lower) growth of institutions show a tendency towards lower (or higher) fees of self-financing courses.

Hypothesis: 3

Competition forces less differentiation in fee range in self-financing programmes in colleges by management types

Hypothesis: 4

High demand courses in a discipline exhibit a tendency towards higher fees

Hypothesis: 5

Competition forces lower fee ranges across all disciplines and programmes of study under self-financing courses

Hypothesis: 6

Competition will force the proportion of fees from regular courses and self-financing courses to be uniform across all colleges

Hypothesis: 7

Fee as a percentage of total receipts will have a tendency to concentrate around average across all colleges. Self-financing course fee promotes efficiency and affects equity adversely

Feedback from Faculty and Students

1. What is the social, educational and economic background of the family of students pursuing self-financing courses?
2. Why do students prefer to choose self-financing courses?
3. Are fees a significant proportion to the total cost of education?
4. What are the strengths and weaknesses of self-financing courses?
5. Whether self-financing courses adversely affect the regular courses?

Feedback Hypothesis: 1

Self-Financing Courses restrict access and act as a barrier against equal opportunities.

Feedback Hypothesis: 2

Self-Financing Programmes promote the UGC policy of add-on courses and vocationalisation of higher education.

Feedback Hypothesis: 3

Students and parents consider education as human capital formation and prefer to invest in education in the expectation of future returns

Feedback Hypothesis: 4

Faculties are responsive to the market demand, yet feel inhibited to launch self-financing courses

Methodology

Information pertaining to self-financing courses was collected from two sets of questionnaires – one each at the level of university and the level of college. Questionnaires were sent to almost all the universities (central/state/deemed), excluding the private ones. 49 universities responded to the questionnaires. 29 (8%) universities returned the filled up questionnaires while 20 (6%) universities reported that they were not offering self-financing courses in their universities. There were 1 central university, 22 state universities and 6 deemed universities in the sample. Delhi, Punjab, Harayana, Uttar Pradesh and Uttrakhand from North represent 5 universities. Andhra Pradesh, Karnataka and Tamil Nadu are represented by 11 universities of the South. From the eastern states, there are 6 universities from West Bengal and Sikkim. From the western states, there are 5 universities. Central India is represented by 2 universities from Madhya Pradesh. Thus, universities in the sample may be said to be the representative from All India. There are 17 General universities, 3 each in Technical, Law and Agriculture, 1 each in Medical, Physical Education and Language in the sample. Sample universities represent 13 universities which have less than 10 departments, 3 universities which have 10 - 20 departments, 8 universities which have 21 - 30 departments, 3 universities which have 41-50 departments, one university having 41-50 and 71-80 departments each. Thus, sample consists of large, medium and small universities in terms of number of departments.

In the case of colleges, questionnaires were sent to 573 colleges (government managed and funded colleges / privately managed and government funded/ privately managed and funded). 55 (10%) colleges responded to the questionnaire, out of which 41 (7%) colleges were offering self-financing courses while 14 (2%) colleges were not offering any self-financing course in their colleges. On the basis of information, 36 colleges in the sample were selected for the analysis. Out of 36 sample colleges, 22% of the colleges were fully funded and managed by government; 67% of the colleges belonged to the category of privately managed and funded by government and 11% of the colleges in the sample were from privately managed and funded colleges. In 36 sample

colleges, 47,502 students were in regular courses and 14,215 students were enrolled in self-financing courses. Thus, the sample shows that three quarters of students are enrolled for regular courses and one quarter in self-financing courses. Information on 213 programmes in self-financing courses was obtained from the sample colleges. Of the sample colleges, almost 50% were accredited and an equal numbers of colleges were non- accredited by NAAC.

Apart from institutional sampling, five faculties and ten students were also selected from the college/university departments where the self-financing courses were running. This resulted in a sample of 325 faculty and 306 students. Feedback was received from students themselves and their parents.

So far as samples are concerned, information received for 622 programmes across 29 universities provided a large base of information to deduce the distribution of programmes in different fee ranges and calculate average fees across disciplines. In the case of colleges, information for 211 programmes across 36 colleges provided the basis of analysing the information. It may be argued that on the basis of information from 36 colleges, probably the generalization of the results cannot be obtained. However, we are confident that results based on information from 211 programmes are the nearest approximation to reality.

Feedbacks on self-financing programmes are based on 325 faculties and 306 students. They provide many valuable information about the programmes, household cost of education and the socio-economic profile of students. Some of the many results have important implications for policy makers.

Limitations of the Study

There is no large scale study relating to the cost of education. The determination of fees should be seen in relation to the cost. Cost depends on discipline, the scale of operations and quality. Variation both in costs and fees are natural even along the same programme of study. The study has generated information on fees across disciplines, types of universities and colleges. Information on fees along with unit cost could have provided in-depth understanding of fees in relation to the cost. However, information on fees – total regular and self-financing courses - in proportion to the total receipts of the colleges provides some idea of the extent of resource mobilization through fees.

It may be pointed out that the sample size comprising 27 universities and 36 colleges, indicated a low response rate, though, the coverage of programmes seemed sufficient - 622 programmes from universities and 211 programmes across 36 colleges. It may be argued that on the basis of information from 36 colleges, probably the generalization of the results cannot be obtained, even though, coverage in terms of the programmes may provide the results as nearest to reality.

Chapter Schema

The study is divided into seven chapters. **Chapter one** gives the rationale and methods of the study. **Chapter two** analyses different aspects of tuition fees such as types, impact of tuition fees and arguments for and against free tuition fee policy. It also reviews the results of self-financing programmes in some universities. The fees and admission policy in self-financing colleges and deemed universities have been subject to regulation through court interventions. Some aspects of court interventions and resulting structures and anomalies have also been discussed in the chapter.

Chapter three analyses the tuition fee policy in select countries. It reviews international practices and experiences similar to self-financing programmes in India. Cost sharing with students through hike in tuition fees is being practiced world-wide. The various ways in which cost sharing takes place is analysed along with few research results that deal with the effects of a hike in tuition fees.

Chapter four discusses the trends in fees of the self-financing courses at the level of university. The distribution of fees in self-financing programmes by different types of universities – central, state and deemed – is compared. The most interesting information is the average fee comparison across all disciplines in Indian universities. The variation of fees across disciplines in different regions of India is further analysed. Programme-wise, fee range is also analysed to understand the differentiation in fees. After having furnished detailed information on fees various hypotheses are presented to have an analytical understanding of fee structure of the self-financing courses. An issue of efficiency in the determination of fee is examined. This throws light on whether self-financing courses be promoted in central and state universities. Another interesting hypothesis is to see whether disciplines with high demand show a tendency for higher fees and disciplines with low demand show a tendency for lower fees?

Chapter five presents some idea of the average fee or the fee ranges in the self-financing courses and compares it with average fee of the subsidised course which is delivered on regular basis. The region-wise differences and differences in the fee structure by management types are also taken up in the chapter. An attempt is made to understand the fee ranges across disciplines and in a particular programme to have some idea of the variation in fee ranges. The proportion of regular and self-financing fees in the total fee receipts and the proportionality of the fee and non-fee receipts in the total receipts of the college are analysed? Information on these aspects is furnished in chapter five.

Chapter six analyses the feedback from the students and the faculty. The educational, social and economic background of the parents of the students and the analysis of their preferences are the central themes of this chapter. The perspective of human capital formation is analysed. It throws light on the perception of the students. They think of education as yielding the returns in the future. It means that cost perspective of fees is seen only in relation to the expected returns from education. Thus, the human capital perspective is explored in this chapter from the feedback received from the students and the faculty. Another interesting point relating to the household cost of education is analysed and reflections on the demand for education are presented. Last but not the least important is to understand whether regular and self-financing courses are complementary or the substitutes.

Chapter seven is on conclusions and recommendations. The study on self-financing courses presents empirical results and analyses some of the theories relating to economics of education. They have important policy implications, as presented in this concluding chapter.

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Chapter Two
Tuition Fee – Policy, Rationale and Effects

Tuition Fees Defined

The word tuition means instruction and tuition fee refers to the cost of instruction. Teachers' salary may be counted among the cost of instruction. Besides teachers' salary, there are other recurring expenditures associated with the cost of instruction such as library, laboratory, equipment, teaching-learning material etc. In addition to the cost of instruction, there are other non-instruction expenses related to hostel facilities, transportation services, canteen facilities, sports services, admission processing, examination charges, etc which may be subsidized or a fee may be levied upon students to recover expenses. Non-instruction cost is distinguished from instruction cost and usually fees refer to the former category and tuition fee is charged for the instruction cost.

Since in practice, both instruction and non-instruction costs may be free, partly subsidized or non-subsidized, the rationale for the distinction may not exist except for the different functions to which they refer. In actual practice, the accounts for different heads under which fees is collected is maintained, however, the expenditure is not booked as per the functional heads of the receipts except in few cases. What matters most are all the collections in the form of fee receipts and non-fee receipts? It is the magnitude of fee receipts that facilitates institutions to take various decisions on expenditure front. In the course of the present study, the word tuition fee and fee will be frequently used to refer to the one and the same thing, i.e., the internal receipts from students to meet, partly or fully, the cost of imparting higher education to the students.

Upfront and Deferred Fee

Fees to be collected may fall under two categories. Upfront fee is paid at the point of delivery. Upfront fee is paid out of the present income of the family. On the other hand, deferred fee is paid after the studies are over and the student joins the job market. It is thus paid out of the future income of the students. Upfront fee is based on the assumption that education is the parental responsibility. Deferred fee is based on the human capital approach. Education builds human capital, i.e., potential future income stream. Therefore, tuition fee can be deferred to the future to be paid out of future income. As universities have to be paid the tuition fee in the present to meet the cost of

education, the financial market needs to be developed to pay for the present cost to the universities and to bear the risk of receiving the payment from the students in the future. The concept of deferred fee has introduced a new dimension to the literature. Its importance follows from the fact that high cost of education is not necessarily a burden and deterrent to the participation of the students as the burden can be shifted to the future when the student is capable of paying the fee out of income. However, the implication of deferred fee is far reaching, as it leads to the expectation that education is only a means to future job and earning. The implication of deferred fee upon rich and poor students, too, may be quite different

Incidence and Impact of Tuition Fee

The incidence of tuition fee is distinguished from the impact of tuition fee. The former refers to the sum of tuition fee to be paid at the first instance and the latter to the sum of tuition fee to be paid ultimately. If the tuition fee is levied upon students, the user of education has to pay for it and the burden of payment falls on the student directly as well as indirectly. In this case, it is assumed that the fee will be met directly from the income of the family of the student. Incidence and impact of the tuition fee falls on the user, i.e., the student.

On the other hand, if the tuition fee is fully or partly subsidized and the payment for the cost of education is made by the government, then the incidence of the tuition fee shifts from the direct beneficiary to the tax payer of the country. Hence, incidence of the tuition fee falls on the government and the impact of tuition fee falls on the tax payer. In this case, the following situations may arise:

1. User of education may be from rich social and economic strata and the payment for it may be made by the people of rich social and economic strata;
2. User of education may be from rich social and economic strata and the payment for it may be made by the people of lower social and economic strata;
3. User of education may be from poor social and economic strata and the payment for it may be made by the people of rich social and economic strata; and
4. User of education may be from poor social and economic strata and the payment for it may be made by the people of lower social and economic strata.

From the point of view of the impact of tuition fee, it is situation three which is desirable from the point of view of equity, in case there is subsidy in education by the government. In this case, the beneficiary of education is the people from lower social and economic strata and the impact of tuition fee is on the people from high social and economic strata, if the taxation system is progressive. It is sometimes argued that indirect tax is regressive and quite often situation two may prevail in actual practice. In this case impact of tuition fee is on the people from lower social and economic strata. On this ground, there is an argument against subsidy. It is argued that tuition fee in such a case be fully levied upon students as they belong to the rich social and economic background and that they should bear the impact of tuition fee.

There may be another situation as well. Assume that there is subsidy on education and tuition fee is free. The government finances education at the margin through fiscal deficit, i.e., by borrowing or through deficit financing in which case subsidy will have inflationary potential and whosoever is the beneficiary of education, the impact of subsidy falls on the poor, as inflation is like an indirect tax which is paid by the people.

Thus, free or low tuition fee has asymmetric effect on the people depending upon the impact of tax or inflation on the people.

The argument that there should be free tuition fee or not rests on two considerations. Who is the direct beneficiary of higher education and who bears ultimately the impact of tuition fee? So long as rich is the beneficiary and bears the burden of tuition fee, there is the principle of fairness in it. If poor are beneficiary and the rich bears the impact of tuition fee, then the situation may be justified on the canons of equity. What is not justified is the situation where the rich is the beneficiary and the poor bears the impact of tuition fee. It goes against the principle of fairness as well as equity. The above principle derived from the field of public finance, however, may be ignored on other ground, namely, the peculiar characteristics of higher education as a public good.

The argument that tuition fee should be financed by the government rests on certain fundamental assumptions about higher education.

Argument for Free Tuition Fee Policy

Historically, the policy of free tuition has been followed in the majority of countries and almost all countries of the world, during the Keynesian welfare state regime, subsidized higher education. Free tuition fee policy rests on certain fundamental assumptions:

1. Higher education has high degree of externalities and social return is much greater than the private returns providing justification for higher education as a public good and governmental support.
2. Right perspective – basic right and human right of each and every individual – also imposes the inevitability of free tuition policy.
3. It is assumed that if tuition fee is imposed, the majority of people from poor social and economic strata cannot afford higher education.

Thus, for providing greater access and higher benefits to the society, the governments have historically followed the policy of free tuition. The governments have ignored any consideration against free tuition fee even if the beneficiary of higher education has been rich and the impact of tuition fee was felt by the poor. It is this argument which is again being revived as justification for the tuition fee. They argue that if the beneficiary of education is rich class, then the impact of tuition fee should also fall on the rich. If the government wants the beneficiary of education to be the poor, then incidence of free tuition may fall on the poor whereas the impact of tuition fee may be shifted by the use of many other policy tools such as through scholarship, loan or deferred tuition fee policy.

Free Tuition Fee Policy as an Ideology

Free tuition fee policy has been an ideology of the state most suited to the popular government. Ideology has its basis in certain principles. However, when the rational discourse is not allowed to examine the principle behind any ideology, then it becomes burdensome and practices may not be supported by the ideology. Ideology serves a dual purpose. At an external level, ideology is preached. Internally practices, however, are at variance with the ideology.

It is indeed convenient for the central and state governments to talk an ideology of free tuition fee policy. However, when it comes to its practice, the difficulty starts. Governments fail to pay for the resources needed to subsidize higher education in the case of free tuition fee policy. When government fails to fulfil commitment, then the tuition fee begins to be charged in practice. Self-financing programmes become the normal practice. The danger from such an ideology is that reality is not accepted and absence of discourse blocks alternative policy tools to be discussed.

One of the purposes of the study on self-financing courses in colleges is to understand the reality of low tuition fee policy and discover what lies hidden in the ideology of low tuition policy and begin the right discourse so that ideology becomes free of biases and prejudices and the foundations of right policy tools are established.

Determinants of Tuition Fee

An important point is to analyse the determinants of tuition fee. The exact level of tuition fee varies from country to country and even within a country, it varies institution' and programme-wise depending on a complex of factors. One of the most important determinants of tuition fee is the nature of the provider of higher education. If the provider of higher education is the public or public supported institution, then the tuition fee tends to be low and depends on the amount of public support to the institution. Tuition fee is controlled by the university and since university is accountable to the government, tuition fee is subject to scrutiny by the government. Tuition fee in India is conventionally fixed at a very low level to make it affordable to all sections of society. Gradually, other fees are revised upwards from time to time, yet aggregate fees in the university departments and the affiliated colleges of the university supported by the government are set within affordable limit for the majority. On the other hand, if the provider of higher education is the private university or a college, fees are set to cover full cost – recurring as well as part of capital expenditure and a certain mark up. Mark up depends on the degree of competition. The higher is the competition, the lower is expected to be mark up and vice versa.

Apart from the public – private provision affecting the level of tuition fee, the cost of the programme also determines the tuition fee. For example, the cost of medical education is higher than that of engineering and the cost of engineering education is higher than that of management and the cost of general education (Arts, Science and Commerce) is much lower than technical and professional education. Accordingly, the tuition fee varies as the cost of different programmes varies.

Tuition fee also depends on the prestige of the institution. An institution, which is highly reputed, may charge high tuition fee, as reputation is earned through high quality of faculty and high investment made for quality. On the other hand, a student graduating from a prestigious institution receives benefits in various ways fetching higher tuition fees for prestigious institution.

Tuition fee also depends on the expected private income that a programme carries enabling the student to compete in the job market. For example, hotel management course or teacher education course may not cost as much as IT education, yet high degree of employment opportunities that these courses offer may lead to higher tuition fee for those courses.

In any country, the level of tuition fee depends upon affordability of the people. Yet the level has to do much with the customary level. In US, 25% of tuition fee may not be opposed, yet in India, this percentage may be opposed by various stakeholders of higher education. However, it is important to note that in India, there is a large middle class who value higher education very high, as higher education provides a gateway to high income job. The demand for higher education is very high. Middle income families may not afford to pay for high tuition charged by the private institutions, yet parents discount the present in favour of future and are ready to support children even for high cost higher education. In Sweden, people customarily pay higher taxes and enjoy the benefits of free tuition. Even a smaller increase in tuition fee may be resisted in Sweden, as customarily, they are not used to pay tuition fee.

Principle of Efficiency of Tuition Fee

The principle of efficiency of tuition fee suggests that (i) the beneficiary of education should pay the tuition fee; (ii) the administration cost of the collection of tuition should be minimum; and (iii) the benefits of education in return of tuition fee should be such that marginal return of education should be equal to the marginal cost incurred in the payment of tuition fee. It is the principle of optimum benefit from tuition to the student.

In the first case, when there is low tuition fee, the beneficiary of education is not the person who necessarily pays the tax. The beneficiary may be a person from rich class whereas the tax payer may be the person from poor class. Thus, free or low tuition fee case does not support the first principle of efficiency. In case, where tuition fee is imposed the beneficiary of education is the person who pays the tuition fee. Hence, the first principle of efficiency holds if the tuition fee is imposed.

The second principle is the issue of administrative efficiency and can be taken care of by efficient administration. However, even if there is no tuition, the administrative cost of tax machinery may be huge. Similarly, the full tuition fee case may give rise to the other systems of student support such as income contingent loan and scholarship. The

administrative cost of managing loan and scholarship may be large. This may give rise to the issue of efficiency in managing the income contingent loan. Hence, when there is full tuition, it is likely to have other support system in place, giving rise to huge administration cost.

The third principle of efficiency is difficult to conceptualize. In case of free tuition fee, the marginal cost of the taxpayer and the marginal return of the beneficiary may not be equal as the tax payer and beneficiaries are different persons. In this case, the preferences of beneficiaries may not be taken account of by education providers. However, in the second case the beneficiaries' preferences may be known by the education providers. Education can be geared to the preferences of the students.

Benefits occur after a time lag when studies are over and earnings to the student begin after he/she gets a secured job. Therefore, tuition fees, out of benefits, can be paid only after a time lag. Hence, there must be instruments/institutions that can pay the top-up tuition fee to the colleges and cover the risk of collection from the students.

Principle of Equity of Tuition Fee

Principle of equity of tuition fee is based on the assumption that education is a public good. There should be equal opportunity to participation in higher education. If certain social or religious groups or economically deprived sections have the merit but does not have means to pay they should not be deprived of higher education. It is obligation of the state to provide higher education free of cost to such sections. Free tuition fee thus becomes the way to provide equal opportunity or favours the principle of equity of tuition fee.

Free tuition fee, however, favours the rich and privileged class as they enter higher education in large numbers. The free tuition fee, though beneficial to persons from the lower socio-economic group, has favoured largely the upper middle class. In course of time, the mass higher education becoming a reality the free tuition fee is not sustainable. Ways will have to be found for providing the targeted benefit to the poor on the ground of equity. However, the higher fees should be charged from those who can afford to pay the fees.

Self-Financing Programmes: Indian Experiences

Indira M (2006) reports the experience of the self-financing programmes in the University of Mysore. In the academic year 1998-1999, University of Mysore introduced the full and partial self-financing scheme (SFS). Under this scheme, some courses like M. Tech., Computer Sciences, are fully financed by the student. However, partial self-financing scheme, referred to as Scheme B, was introduced in all the departments. Under Scheme B, a percentage of the total seats in the department were offered on fully financed basis. Different amounts were fixed for different courses depending on the cost of running the course. Different social groups were charged differential amounts in order to provide opportunity to all sections. It was estimated (Heggade, 2002) that the range of fee recovery under SFS for General Merit and OBC groups was 30 to 90 per cent of the unit costs. While it was high in the case of Food Science and Nutrition (90.7%), and L.L.M (80.6%) courses, it was low in the case of courses like Zoology (36.8%) and Mathematics (39%). SFS fee, in the case of courses like Computer Science, MSW, MBA are fixed at higher than the unit cost. Some of the observations of self-financing programmes are as noted below:

1. In 29 courses the enrolment in self-financing courses increased from 161 in 1999-2000 to 362 in 2002-03.
2. Under the self-financing scheme, meritorious students also are joining the courses.
3. Responses from students indicated that only 23% of the students joined it because the course is job-oriented. (67%) opted for it because they are interested in that particular subject
4. 57% of the parents observed that it was not justified. It promotes inefficiency and is not equitable because it is accessible only to those who can afford to pay the amount
5. Over 68% of the students expressed that the fee was high. However, 19% of the students felt that the fee was justified and majority of the students were from science faculties. Any amount between Rs. 8,000 and 15,000 was suggested to be reasonable by majority (70%) of the students.
6. The amount realized under the SFS was around Rs. 154.75 lakhs in 2000-01. It increased to Rs. 200.00 lakhs by the academic year 2002-03. As per the budget

estimates, it was Rs.225.00 lakhs during the academic year 2003-04. Its share in the internal resources increased from around 16 to 20 per cent

7. Many of the Departments utilized the money to improve the library facilities, establishment of computer and laboratory facilities, purchase of modern teaching aids like Overhead Projector, LCD Projector, better infrastructure in the classrooms, laboratories etc. This scheme helped in improving the facilities in these Departments. Some Departments, like Computer Science, are able to support some of their non-teaching staff from the money received under the Self-Financing Scheme.

The deregulation of fees in higher education in India is being permitted in a variety of ways. The liberal permission to grant deemed university status to private institutions and the establishment of private universities under state legislation has increased in recent years. There are also private professional colleges affiliated to the universities. The 11th plan notes that the share of private unaided higher education institutions increased from 42.60 per cent in 2001 to 63.21 per cent in 2006. Their share of enrolment also increased from 32.89 per cent to 51.53 per cent in the same period. While the above information may be subject to scrutiny, the whole of the private sector is deregulated as fees are fixed by the institutions themselves. There are also a number of unrecognized private sectors growing at an exponential speed. Mainly, the private unrecognized sector is engaged in running diploma and certificate programmes, except few running even degree programmes, either independently and in collaboration with foreign universities. These institutions also determine fees by themselves.

There is a large segment of government funded colleges and universities, controlled by central and state governments. In the regulated sector, normally universities fix the fee to be charged by the university departments and colleges – both for the government and government aided and privately managed. However, the practice of self-financing programmes in colleges and university departments has led to deregulated fee structure even within regulated sector. The decisions to fix fees are sometimes determined by the university but in large number of cases, colleges themselves determine the fee structure and a regular and effective monitoring of universities is found to be missing.

High Court Interventions in Deregulated Higher Education Sector

The issue of admission and fee policy in the private professional colleges has been a contested terrain between government and private providers of higher education. As a

result, judicial pronouncements made to settle the admission and fee in private institutions. It would be necessary to understand various judicial pronouncements as these have influenced the directions of growth of deregulation.

Judicial Pronouncements

Miss Mohini Jain versus State of Karnatka and Others (1992): In the Supreme Court of India (1992) case, the petitioner had challenged the notification of the Government of Karnataka permitting the private medical colleges in the state to charge higher tuition fees from students of other states. Colleges in Karnataka contended that they had to charge fees according to the capital cost and expenditure, as they do not receive any aid from the government. The judgment noted that the denial of educational opportunities by charging capitation fees amounts to the denial of the fundamental rights in more than one ways and as such, "*it is not permissible in law for any educational institution to charge capitation fee as a consideration for admission to the said institution". However, institutions were free to charge differential fees from foreigners and NRI's.* The court, however, failed to suggest options for the funding of private institutions.

J P Unnikrishnan and Others Versus State of Andhra Pradesh and Others (1993): In the Supreme Court of India (1993) case, the petitioners challenged the decisions regarding charging of fees as given in the Mohini Jain Case. The petitioners also challenged various state acts that prohibited the capitation fees in Andhra Pradesh, Maharashtra and Tamil Nadu. In Unnikrishnan Judgment in 1993, it was held that "*Commercialization of education was not permissible and it was opposed to public policy and Indian tradition and the charging of capitation fee was illegal*". In this judgment, court issued guidelines regarding admission criteria in the professional unaided colleges, ceiling of fees, process of regulation under regulatory body and also suggested mechanism for regulation. In this judgment the issue of private aided recognized/affiliated educational institutions seems to have been settled as the power to frame rules and regulations in terms of admission and fees was already under the government or government run university/deemed to be university. The Court then formulated a scheme and directed every authority granting recognition/affiliation to impose that scheme upon institutions seeking recognition/affiliation, even if they were unaided institutions. The scheme that was framed, inter-alia, postulated

a. that 50% of the seats in every professional college, established under a trust or society act or under state act should be filled by the nominees of the Government or University, selected on the basis of merit, determined by a common entrance examination, which will be referred to as "free seats", the remaining 50% seats ("payment seats") should be filled by those candidates who pay the prescribed fee. The allotment of students against payment seats should be done on the basis of *inter se* merit determined on the same basis as in the case of free seats.
b. that there should be no quota reserved for the management or for any family, caste or community, which may have established such a college.
c. that it should be open to the professional college to provide for reservation of seats for constitutionally permissible classes with the approval of the affiliating university.
d. that the fee chargeable in each professional college should be subject to such a ceiling as may be prescribed by the authority or by a competent court.
e. that every state government should constitute a committee to fix the ceiling on the fees chargeable by a professional college or class of professional colleges, as the case may be. This committee should, after hearing the professional colleges, fix the fee once every three years or at such longer intervals, as it may think appropriate.
f. that it would be appropriate for the University Grants Commission to frame regulations under its Act regulating the fees that the affiliated colleges operating on a no grant-in-aid basis were entitled to charge. The AICTE, the Indian Medical Council and the Central Government were also given similar advice. The manner in which the seats were to be filled on the basis of the common entrance test was also indicated.

T M A Pai Foundation and Others Versus State of Karnataka and Others (2002): In the Supreme Court of India (2002) case, the petitioner contended that the judgment of the J P Unnikrishnan case adversely affected the autonomy of private institutions and hence needed reconsideration. The judgment delivered by the Chief Justice of India who presided over the 11- member bench, recognized the role of private initiatives. It made the observation: "*the state with its limited resources and slow moving machinery is unable to fully develop the genius of the Indian people*".

TMA Pai judgment in 2002 referred to the Unnikrishnan case and stated as follows, *"The hard reality that emerges is that private educational institutions are a necessity in the present day context. It is not possible to do without them because the Governments are in no position to meet the demand - particularly in the sector of medical and technical education, which call for substantial outlays. While education is one of the most important functions of the Indian State, it has no monopoly therein. Private educational institutions - including minority educational institutions - too have a role to play."*

J. P. Unnikrishnan's case presumably adversely affected the autonomy of private institutions and it noted in Para 45 of the judgment: *"in view of the discussion hereinabove, we hold that the decision in Unnikrishnan's case, insofar as it framed the scheme relating to the grant of admission and the fixing of the fee, was not correct, and to the extent, the said decision and the consequent directions given to UGC, AICTE, Medical Council of India, Central and State governments, etc., are overruled".* Effectively can we say that the judgment held as invalid, the concept of 'free seats' and 'payment-seats'? This was so as in Para 56, the judgment furthermore noted: *"the decision on the fee to be charged must necessarily be left to the private educational institution that does not seek or is not dependent upon any funds from the government".*

In para 57 the judgment held: "……. *the government can provide regulations that will ensure excellence while forbidding the charging of capitation fee and profiteering by the institution…… There can, however, be reasonable revenue surplus which may be generated by the educational institution for the purpose of development of education and expansion of the institution*". In Para 58, it was noted, *"For admission into any professional institution, merit must play an important role …… Appropriate regulations for this purpose may be made keeping in view the other observations made in this judgment in the context of admission to unaided institutions".* The judgment furthermore defined merit in terms of marks obtained in the qualifying examination or the marks obtained in a common entrance test.

In Para 67, *"We now come to the regulations that can be framed relating to private unaided professional institutions… it would, therefore, be permissible for the university or the government, at the time of granting recognition, to require private unaided institutions to provide for merit-based selection while giving the Management sufficient*

discretion in admitting students… For instance, a certain percentage of the seats can be reserved for admission by the Management out of those students who have passed the Common Entrance Test held by itself or by the State/University and have applied to the college concerned for admission, while the rest of the seats may be filled up on the basis of counseling by the state agency… The prescription of percentage for this purpose has to be done by the government according to the local needs".

Supreme Court of India (2003): Islamic Academy of Education and Another Vs. State of Karnataka and Others: The judgment of the Supreme Court in the TMA Pai case created buoyancy, which believed that they gave them the autonomy regarding fixation of fees and mode of admission although the government interpreted it otherwise. Litigations followed and in view of this, the Supreme Court set up a five-judge bench for the Islamic Academy of Education Vs. The Government of Karnataka Case to clarify the earlier Supreme Court judgment. The following questions were taken up for consideration by the 5-judge bench:

1. Whether the educational institutions are entitled to fix their own fee structure?
2. Whether minority and non-minority institutions stand on the same footing and have the same rights?
3. Whether private unaided professional colleges are entitled to fill-in their seats to the extent of 100 per cent, and, if not, to what extent?
4. Whether private unaided professional institutions are entitled to admit students by evolving their own method of admission?

In relation to the first question, a 4-judge majority judgment clarified that the government cannot prescribe a rigid fee structure. Every institution must have the right to fix its fees in accordance with the costs. They can also generate a surplus to be used for the betterment and growth of the institution. However, there can be no profiteering and capitation fees cannot be charged. The proposed fee structure will have to be submitted to a Committee headed by a retired judge to be nominated by the Chief Justice of the State. The other members of the committee will include a Chartered Accountant, a nominee of the AICTE/MCI and the Secretary of the State in-charge of technical education/medical education. Other details are as under:

a. The institutions shall charge fees only for one year, in accordance with the rules and not the fees for the entire course.

b. Care be taken that the institutions do not indulge in profiteering or otherwise exploiting students financially.
c. Fees once fixed shall not be changed for a period of three years, unless there exists an extraordinary reason.
d. The fees fixed by the institutions should be approved by the authority/body of the concerned State.
e. No institution should charge any fee beyond the amount fixed and the fees charged shall be deposited in a nationalized bank.
f. The statutory authority can frame rules for imposing penalties in case of any contravention and the penalty may be ten to fifteen times of the amount so collected and it can de-recognize and cancel recognition.
g. The fee already collected for long terms should be kept in a fixed deposit in a nationalized bank and the interest accrued should be given to the students.
h. However, the management can insist on a bond from the students when they are seeking admission.

In relation to questions 3 and 4, the 4-judge majority judgment pointed out that the majority judgment in the T.M.A. Pai Foundation case makes a distinction between private unaided professional colleges and other institutions. Regarding admission to various programmes, it clarified that:

1. Individual institutes cannot hold their own Entrance Tests. Institutions will have to make admissions on the basis of the Common Entrance Test conducted by the State Government or by an association of all colleges of a particular type.
2. The admissions should be based on merit in the Common Entrance Test, except for the percentage given to the management.
3. The management quota, which is to be determined by the concerned government, should be filled from the students successful in the common entrance test.
4. Institutions that have been conducting their own tests for at least 25 years can approach the committee for approval for continuing such tests.
5. The states have been directed to appoint a permanent Committee, which will ensure that the tests conducted by the association of colleges is fair and transparent. A retired Judge of the High Court, to be nominated by the Chief Justice of the State, should head such committees, the other members being an eminent engineer/doctor and the Secretary of the concerned department.

As a result of latest court pronouncements in Islamic Education case, the different state governments began to regulate fees in private colleges.

The situation in some select states may be summed up.

Review of Admission and Fee Policy of States

Kerala: The Kerala Self-Financing Professional Colleges (Prohibition of Capitation Fees and Procedure for Admission and Fixation of Fees) Act. 2004 prohibits capitation fee and lays down the procedure for admission of students and fixation of fee structure in the self-inancing professional colleges in the State of Kerala. In every self-financing professional college fifty per cent of the total seats in each branch is called government quota and the remaining fifty per cent is earmarked under management quota. Fee for government quota shall be the same as the fee prevailing for the corresponding course in the State Government colleges. The fee to be collected from the candidates admitted in the Management Quota shall be determined by the management taking into consideration the inevitable expenses for running the institution. The fees may include all or any of the following items, namely: (a) tuition fees on yearly basis; (b) library fee; (c) laboratory fee; (d) caution deposit; (e) development fee; and (f) refundable deposit, if any. The management shall not indulge in profiteering while determining the fees structure.

Karnataka: Government of Karnataka (2007) permits the following rules of admission:

Out of the total intake of seats:
(a) in non-minority institution offering Engineering courses, not less than fiftyfive per cent of total seats; (b) in minority institution offering Engineering courses not less than fortyfive per cent of total seats; (c) in non-minority institution offering Medical courses not less than forty per cent of total seats; (d) in minority institution offering Medical courses not less than twentyfive per cent of total seats; (e) in non-minority institution offering Dental courses not less than thirtyfive per cent of total seats; (f) in minority institution offering Dental courses not less than twentyfive per cent of total seats; and (g) in minority and non-minority institutions offering Indian system of medicine and Homeopathy not less than twenty per cent of total seats shall be filled through the Common Entrance Test. The remaining seats shall be filled through the Common Entrance Test conducted by the association of Private Professional Educational Institutions or the association of religious and linguistic minority institutions. State

Government reserves the right to fix the fee payable for admission to the Unaided Private Professional Educational Institutions.

Haryana: The government has through the interim guideline for admission fixed a 15% seats to management quota. State Fee Committee of the state government has fixed up the tuition fees in the range of Rs. 20,000 to Rs. 29,000 and Rs. 13,000 as other fees for MBA, tuition fee in the range of Rs. 25,000 to Rs. 36,000 for Pharmacy in private institutions and in the range of Rs. 15,000 to Rs. 50,000 in university departments, tuition fee in the range of Rs. 12,000 to Rs. 22,000 for Polytechnics, the tuition fees of Rs. 20,000 and Rs. 20,000 as other fees for hotel management institutions.

Andhra Pradesh: The State Fee Committee of the state government has fixed up the tuition fees for MBA and MCA course for category A (80% seats) and category B (20% seats) at Rs. 23,000 and Rs. 63,000 respectively. For Post-Graduate Professional Courses in Medical and Dental in Un-aided Non-Minority Professional Institutions in the State, the "Competent Authority Seats" is 50% of the sanctioned intake of the seats. 50% of seats shall be reserved for allotment by the Management. The fees per annum under "Competent Authority Seats" for Clinical P.G. Degree or Diploma Courses is Rs.2,75,000, for Para Clinical P.G. Degree/Diploma Courses is Rs 75,000 and for Non-clinical P.G. Degree/Diploma Courses is Rs 25,000/- Management seats are filled by the Management. The Management of the Institution concerned shall fix a reasonable fee, taking into consideration the recurring and non-recurring expenditure.[1]

Delhi: 15% of the sanctioned intake in each programmes in respect of Engineering programmes, Architecture, Pharmacy, MBA, MCA, BHMCT shall be filled on the basis of the merit attained by the candidate in the All India level examination, 85% seats of sanctioned intake are reserved for the students who pass the qualifying examination from Delhi schools or from I.P. University; 10% seats of the sanctioned intake for each institute are reserved as "Management Quota" to be filled from amongst the candidates qualified in the Common Entrance Test conducted by the IP University as per their rank. 10% of the sanctioned seats allocated as "Management Quota" would be a part of 85% seats allocated for students passing out from Delhi schools or IP University. For minority institutions, 50% seats of the sanctioned intake are reserved as "Management Quota" to be filled up by the management out of the merit list supplied by the University based on the CET examination and the admissions shall be restricted to the

[1] Government of Andhra Pradesh (2004)

particular minority in respect of which minority status has been accorded to the institution. For the remaining 50% seats, 85% seats shall be filled up from the students passing out from Delhi schools or IP University and 15% seats to be filled up from the students passing out from schools outside Delhi based on All India Entrance Test.

The Fee Structure for diploma level courses were fixed in the range of Rs. 10,000-15,000 for the year 2006-07 by the state level fee committee. The fee for Architecture was fixed at Rs. 45,000, for Engineering between Rs. 45,000-50,000, for MBA/MCA between Rs.50,000 and Rs. 55,000, for bachelor degree in Pharmacy Rs. 35,000, for Diploma in Pharmacy Rs. 15,000 and for hotel management Rs. 40,000.

Gujarat: The government has fixed the fees for 2006-07 to 2008-09 for Medical, Dental, Physiotherapy, Homeopathy, Naturopathy and Nursing etc. The fee range in Medical is from Rs. 1,20,000 to Rs. 2,20,000, Dental from Rs. 1,35,000 to Rs. 1,45,000, Physiotherapy from Rs. 30,000 to Rs. 60,000, Homeopathy from Rs. 18,000 to Rs. 35,000, Naturopathy Rs. 35,000 and Nursing from Rs. 32,000 to Rs. 50,000. For admission to MCA, Engineering, Pharmacy, Architecture, MBA/PGDBM, MCA, Hotel Management etc. in Gujarat, management quota seats in private unaided colleges is limited to 25 per cent, including 15 per cent for Non-Resident Indian (NRI) wards. Rest 75 per cent have been defined as Government seats to be filled through merit list.

Uttarakhand: The government and management seats are kept at 50% each on private institutions. The fee for engineering courses, MBA and MCA in government colleges is fixed at Rs. 25,000 and in private colleges between Rs. 40,000 and Rs. 46,000.

Tamil Nadu: In colleges of Tamil Nadu, out of a total of 164510 admitted students, the number of students in self-financing colleges in 2006-07 was 45534. In engineering colleges of Tamil Nadu out of a total admitted students of 73807, the number of students in self-financing colleges in 2006-07 were 70145. In all government colleges, all self-supporting courses including job oriented degree courses were converted into regular course in Engineering, Arts and Science.

From a review of admission and fees in self-financing colleges in different states, the management seats were found to be varying in the range of 10% in Delhi to 50% in Uttrakhand. The admission procedure also varies from state to state. In Delhi, the management quota is filled through the examination conducted by the IP University whereas in other states, the management quota is filled by the examination conducted

by the private colleges' association of the state on the basis of inter se merit. However, there are media reports that point out irregularities in the examination and the admission of students. The fee for the government and management quota also varies from state to state by differing margins. There is no standardisation of fees, management quotas, admission procedures which leads to harassment and financial squeezing to the students.

Career Orientation Programme of UGC

The UGC initiated a major programme of vocationalisation at undergraduate level during the VIIIth Plan (1994-95). The scheme was designed to ensure that graduates who pass out after completing these courses would have knowledge, skills and aptitude for gainful employment in the wage sector in general and self-employment in particular.

2,124 Colleges and 38 Universities have been provided assistance for the introduction of Vocational Subjects involving a total grant of more than Rs. 200 crore during this period (1994-2003). During the 10th plan, UGC decided to recast the vocationlisation programme at undergraduate level under a modified scheme of **Career Orientation Programme**. Under the programme, certificate/diploma/advanced diploma programmes are being run parallel to the conventional B.A., B.Com. and B.Sc. degrees. The Universities/Colleges formulate their own 'Need-Based', career-oriented courses based on the guidelines suggested by the UGC. The course content of the identified subjects is framed by the Universities on the pattern suggested by the UGC. At the end of three years, the students will be equipped with Certificate/Diploma/Advanced Diploma in an add-on orientation course along with a conventional degree in Science/Arts/Commerce. Assistance from the UGC to the tune of Rs. 5 lakh as one time 'Seed Money' for five years in the Humanities and Commerce streams and one time 'Seed Money' of Rs. 7 lakhs for the Science stream for a period of five years was made available, to be utilized for the upgradation of existing infrastructural facilities and existing faculty members.

So far as the fixing of fees in add-on courses is concerned, UGC does not provide any guideline. The institutions are supposed to run the course on self-financing basis alongside regular programmes on subsidized basis. Institutions work out the economic viability of the course to decide upon its fee structure. Thus, the scheme of add-on

course permits the self financing programmes as an additionality to promote the job-oriented skills of the students. It only permits certificate/diploma/advanced diploma programme; not the degree level programme.

Thus, one mode of self-financing programme, permitted by the UGC, is the add-on certificate/diploma/advanced diploma programme.

Recommendations on Tuition Fees and Raising Internal Resources

There has been enough indication that the state alone cannot support the expanding demand and increasing cost of higher education. There were many recommendations on increasing the fees and generating internal resources for higher education. The national policy on education, 1986 notes that fees would be raised at higher level of the education. 10th plan notes that it is abysmally low. CABE Committee on autonomy notes that internal resources should be exclusively used for development purposes. In respect of self-financing institutions/courses, it recommends that fees should be kept at levels which meet the actual cost and create some resonable surplus for developmental purposes. CABE Committee on financing of higher education notes desirable upper level of all types of student fees, maybe 20% of the recurring requirements of the universities. It prefers increasing resources through taxation and does not prefer any discriminatory fee structure. Knowledge Commission favours 20% fees as a norm for all institutions of higher education. A gradual process of increase in fees, indexing it with prices is suggested by the Knowledge Commission (*See Table-2.1*).

Table-2.1

Recommendations on Tuition Fees and Raising Internal Resources

MHRD (1968)	• Raising fees at the higher levels of education is noted.
Justice K. Punnaiya Committee (1993)	The recommendations of Punnaiya Committee were limited to Central Universities, deemed to be universities, Delhi University colleges and BHU as per its terms of reference. It did not examine the financial position in regard to State Universities. Its recommendations are largely quoted and are made to be applicable to all institutions whether central, State or deemed universities. Some specific recommendatios are as follows: • Tuition fees may be revised upwards with immediate effect and may be periodically adjusted to the rise in costs; • Other fees must be so charged as to recover the recurring costs on operations; and • Resources generated by the universities should constitute at least 15% of the total recurring expenditure at the end of first five years and at least 25% at the end of ten years;

Planning Commission (2002)	• The fee structure in the universities is abysmally low and has remained static for more than three decades. The universities should, therefore, make efforts to rationalise the fees and attempt greater generation of internal resources. The extent to which universities can hike fees needs to be studied.
MHRD (2005)	• Institutions should have autonomy in deciding the fee structure for different courses in consultation with State Government. The internal resources generated by an institution should be exclusively used for development purposes and should not be adjusted with any other grants provided by the government • In respect of self-financing institutions/courses in government and government aided institutions, fees should be kept at levels which meet the actual cost and create some resonable surplus for developmental purposes. Institutions must have disclosure standards to contain malpractices in relation to fees. • The scheme of UGC to promote internal generation of resources should be more broad-based and be redesigned to incorporate the aspects of financial incentives based on performance indicators.
NIEPA (2005)	• A desirable upper level of all types of student fees may be 20% of the recurring requirements of the universities. Revenue generation through student fees beyond 20% may seriously affect access to higher education. Above rates of 20% cannot be uniform for all institutions. • There should be differential fees across Central and State Universities, general and professional institutions, under graduate and post-graduate colleges etc. • Considering practical difficulties in having a sound differential fee system, the best option left is progressive taxation rather than progressive structure of fees. • A sound method of cost recovery is to serve rural areas for a minimum period. • High fee rates for foreign students may not necessarily generate huge funds for HE institutions.
National Knowledge Commission (2006)	It is for universities to decide the level of fees but, as a norm, fees should meet at least 20 per cent of the total expenditure in universities. In addition, fees need to be adjusted every two years through price indexation. Such small, continuous adjustments would be absorbed and accepted far more easily than large, discrete changes after a period of time. This rationalization of fees should be subject to two conditions: first, needy students should be provided with a fee waiver plus scholarships to meet their costs; second, universities should not be penalized by the UGC for the resources raised from higher fees through matching deductions from their grants-in-aid.
Planning Commission (2006)	Notes internal resource generation by the universities by realistically raising fees

Almost every committee has recommended rationalization of fees with a reasonable upward revision in fees. The limited findings available are presented to know how far it has been implemented.

Findings on Tuition and Fees

MHRD (1994): The latest available statistics notes that tuition fees as proportion of total income was 6.71% which was 0.62% in the case of hostel fees and 5.19 % in the case other fees in 1986-87.

NIEPA (2000) Study: A study conducted by Tilak and Geetha Rani on university finances in India examined, among other things, the fee income as a per cent to total income of the universities.

According to the study, out of 36 Universities,
6 universities charged fees in the range of 50% and above,
4 universities charged fees in the range of 30-50%;
9 universities charged fees in the range of 20-30%;
7 universities charged fees in the range of 10-20%; and
10 universities charged fees in the range of below 10%.

It shows a highly differentiated cost recovery from fees across universities. There is scope for increase in fees in at least 17 universities that charge fees considerably below the level of 20%. 19 universities recover cost in excess of 20% where fees need to be rationalised or controlled.

Government of Punjab (2005) notes that in the context of Punjab, tuition fee is very less as it accounts for only 1.8% of the total cost in government colleges. In private aided colleges in urban areas, its share is substantial, i.e, 27% of total cost. However, it notes that other funds and fees put together will be more than 25% of per student cost.

While most recommendations have noted that increase in fees is necessary. Still there has not been compensating increase in fees necessitated by decline in public expenditure and rise in the cost of higher education. Most state governments have resisted increase in fees. As a result, there has been sub-optimal level of fees in most government institutions. The effect of this has been either of the following:

1. Institutions have found own mechanisms to raise fund from the student.
2. There has been decline in the quality of teaching-learning process either due to shortage of infrastructure or shortage of teachers.

3. There has been a rise in the number of self-financing institutions that have begun to *charge fees on full cost recovery*.

The State has remained a silent spectator. On the one hand, the state did not allow a rational increase in fees in government and aided private colleges and, on the other hand, failed to control commercialization in private self-financing colleges. Although there was a move to enact the legislation on admission and fees of private higher education institutions on the directions of honourable Supreme Court of India, the government seems to have deferred it. This has supported the process of autonomous liberalization. The result of the failure of policy has been that huge investment gap could not be financed to maintain quality and excellence in government and aided private colleges. Market was allowed to dominate higher education. Cost sharing with students or society was highly mismanaged. In this regard, the official position of government on private investment in higher education needs to be proved.

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Chapter Three

Tuition Fee – Policy and Experiences in International Perspective

Introduction

There are varied forms of tuition fee policy. It varies from no tuition fee policy to upfront and deferred approach to tuition fees. There is also a dual track tuition fee that allows differential fee to be charged in the same institution. The varying practices across countries provide a rich menu of tuition fees. In terms of international experience it may be of importance to see whether the self-financing programmes in India have any parallel in other countries. In a few select countries, the trend towards rising tuition fees may be important to observe. However, what is most important to observe is the response of these countries to the rising tuition fees upon access, equity and quality dimensions of higher education. Practices in countries such as UK, USA, Australia, Japan and China are reviewed to understand the trend of rising tuition fee in these countries. One of the important responses to hike in tuition fee is increasing grants to the needy students in UK. Vulnerability of students to discontinue studies is also noted in the research results. There has also been adjustment to the deferred fee approach. Further research evidence was explored to understand change in the culture of teaching-learning process towards a customer focussed approach to the rise in tuition fees. The international experiences and research findings presented in the chapter provide a backdrop to the empirical findings on fees of self-financing programmes in India and the need to evolve appropriate response to the change process.

Tuition Fee Policy in Select Countries

Marcucci and Johnstone (2007) note four types of tuition fee policies:

a. Upfront tuition fee policy, based on the assumption that it is the responsibility of the parents to cover some portion of the educational cost of their children and they should pay according to their ability to pay. Thus, tuition is paid upfront. However, parents who are not able to pay for the tuition may be exempted to pay or the student may be supported financially through scholarship. Countries such as Austria, Canada, India, Japan, US, UK are following the policy of upfront tuition fee policy.

b. No tuition fee policy, based on the assumption that primarily it is the responsibility of the state to pay for all instructional costs. Neither students nor parents of the students are financially responsible for the education of their children. In many Scandinavian countries, Brazil and Germany, there is the policy of no-tuition fee.

c. Deferred tuition fee policy assumes that tuition fee is deferred for payment in the future. Family of the student does not have to pay the tuition fee in the present. State may pay for the tuition fee in the present or banks advance the loans in the present equivalent to the tuition fee. In the future it is the responsibility of students to repay the tuition fee out of the income earned to the state in the form of tax or to repay the loan to the banks. In Australia, parents may pay the tuition fee upfront or shift the burden on students to repay with an income contingent loan. In Scotland, the tuition fee is automatically deferred and repaid as loan. Ethiopian graduate tax is a 10% tax payment by the student after graduating and getting a job till the tuition fee paid by the state is recovered. In UK, legislation was passed in 2004 that allowed students the income contingent repayment obligation through the tax system after graduation.

d. Dual track tuition fee policy is applicable where there is resistance to tuition fee. Under the policy a certain number of free (or low) tuition university places are awarded by the government to meritorious students and other places are available to low scoring students on a tuition fee paying basis. In Australia, 25-35% seats are on a full fee paying basis. In Hungary, full tuition is charged to students with below average score. In Russia, 25% of tuition fee is said to come from university. China introduced dual track tuition and approximately 27% of recurrent higher education expenditure is recovered from tuition. A variant of dual track tuition is that international students have to pay tuition at considerably higher rate than the tuition levied on domestic students. In Kenya, module II academic programmes are meant for privately sponsored students on full tuition fee basis. These programmes run parallel to module I academic programmes where students pay traditionally 20% tuition fee. Module II academic programmes are similar in nature to the self-financing programmes in colleges covered under the present study.

e. India follows a low tuition fee policy to be paid upfront in most government and aided institutions. In private institutions, on the other hand, there is tuition fee on full cost basis to be recovered upfront from the present family income of the student. There is hardly any provision for deferred tuition fee approach. However, in many private institutions at the time of admission, the commercial banks advance loans to students for paying tuition and other costs. Students are supposed to pay the loan along with interest after graduation. Loan, however, is not income contingent as in UK or Australia, as student family is liable to pay the loan irrespective of the fact whether student has begun to earn income. There is also dual track tuition in engineering education. After the competitive examination at the central or state level, a student securing better percentage of marks gets entry at relatively lower tuition. A certain percentage of management quota is fixed state-wise. Institution charges a full cost mark up price under the management quota. A full track tuition fee is now practiced almost in every college. For regular courses, a low tuition fee is charged. On the other hand, the same institution running a self-financing course charges a high tuition fee.

International Practices and Experiences Similar to Self-Financing Programmes in India

University of Nairobi's parallel degree programme is similar in nature to self-financing programmes in India. Parallel degree programme grants admission to students who meet the minimum university entry requirement but whose grades are not competitive enough to grant them government financial support. They are full fee paying students whose acceptance to the university is based on their financial capability (Oketch, M. O, 2003). Oketch notes that parallel programmes absorbed some of the demand for higher education without direct financial pressure on the government. However, he observes that the university has cashed in on the parallel programmes but failed to upgrade facilities. In the rush to profit from the parallel programmes, the author notes, the university seems to have admitted more students than it can effectively serve. Apart from the aspect of mismanagement and other effects that a market based programme suffers from, the prevailing practice of self-funding programmes in universities of Kenya are on the rise for two reasons – fund constraint and the inevitability of higher education to expand due to surge in demand. Besides, of course the universities are becoming more innovative in launching programmes in tune with the market needs of Kenyan society. In the opinion of the author, there are, however, serious challenges

relating to the management but not to the philosophy of the programme that needs to be sorted out.

Tuition Fees: Trends Abroad

There seems to be a present phase of higher education where cost sharing with students through hike in tuition fees is being practiced world-wide. Countries who have rationalized the tuition fees structure in favour of efficiency, productivity and equity have met a part of resources for higher education. Countries who have evaded the issue on ideological grounds or merely due to political convenience have lost the resources for higher education and affected the quality rather adversely.

The time has arisen to face the issue upfront and evolve the fee structure that is rational to meet the part of resources required for higher education. Relatively speaking, India has one of the lowest tuition fee structures, as is evident from *Table-3.1*. For the most recent available year, the tuition fee is the highest in Russia and the lowest in India. Even including other fees, the fee structure is relatively cheaper in India.

Table-3.1

Representative College/University Public Sector Tuition Fee, First Degree in US Dollars

Country	High Tuition	Low Tuition
Austria	746	746
Canada	5000	1366
China	2591	518
Japan	2974	2974
India	85	20
Mexico	1159	178
Russia	12026	0
South Africa	3293	1085
USA	6000	1600
UK	1565	1565

Source: Johnstone Bruce (2006, p.12)

UK*:* In British Isles, gradually universities are moving towards greater share of costs to be borne by the students. Even if there is high upfront tuition fee, the income contingent loan facilitates the students to pay the top-up tuition fee to be paid out of the

loan. As the loan is income contingent, the student is liable to pay for the loan when income is earned by the students.

Britain in 1997, under the labour government, became the first European country to accept the principle of an increase in tuition fees in higher education. The new system allowed English universities to charge fees of upto £ 3000 a year in 2006, provided there in an 'access plan' offering bursaries to increase wider access by disadvantaged students. Fees will not be paid upfront by students, but will be paid after graduation, on an income contingent basis. Students will be given a loan to cover the full cost of their fees, and Graduate must repay the loan, after their income reaches a fixed threshold (currently 15,000 pounds per annum) by means of deduction, collected through their income tax of 9% of their income above the threshold.

In this manner, student receives the benefit of education without paying for the tuition, although the future liability to pay the tuition fee is created. In the case of sharing of costs with the students, the loan facilitates the tuition charge free at the point of delivery. In U.K., the experience of the new system is still to be tested on access and equity. In principle, the above scheme of deferred fees is considered to be fairer and less likely to damage access.

In addition, means tested grant together with a remission of fee grant and increased bursary provision in UK guards the poor students against the burden of tuition fee and higher debt obligation. It is estimated that out of £ 2.26 billion to be collected through full time undergraduate tuition fees, one-third will be recycled in bursaries and outreach activities as financial support to students. The clause of an access agreement by universities introducing top-up fees with the Director of Fair Access to Higher Education is expected to widen opportunities of access to higher education even if tuition fee is raised. (Adnett Nick 2006)

Australia: Funding pattern in Australian higher education system during 1986-98 has undergone radical changes. Government contribution fell from 87 % to 52 %. During this period, students' fees increased from 5 % to 16 % (*See Table-3.2*). Decline of government funding has led to innovations in the financing of higher education in Australia.

Table-3.2

Sources of Funds for Australian Higher Education (1986-98)

Year	Governments %	Higher education contribution scheme %	Student fees and charges for services %	Donations and investments	Other sources	Total
1986	87	0	5	8	0	100
1990	68	12	8	7	4	100
1994	62	13	11	3	11	100
1998	52	17	16	5	10	100

Source: DETYA (1999). Above table is obtained from Simon (2003)

Higher Education Contribution Scheme (HECS) introduced new system of combination of tuition plus income contingent loan available to most Australian students. The loan covers the full amount of tuition as established by the university upto limits set by the government within three bands. Upto 20 % of the tuition due is discounted for paying upfront. Repayments are income contingent on annual income above US dollar 24,898. Rates range from 3% to maximum amount of 8% on annual income in excess of US dollar 47,445. Repayments due are collected as income surtax by the employer or are paid along with estimated or year-end taxes due. As the above Table shows HECS scheme contributed 17% to the higher education finance in 1998. The scheme was necessitated due to fall in funding of the government per student from $s10,114 in 1995 to $s7,954 in 1999 (See Johnstone Bruce 2006).

Another innovation has been the corporatization and market orientation to the courses in higher education. As a result of export of higher education, international fee income reached 8.3 % of all institutional income by 1998 (DETYA 1999).

The fees in public institutions are, however, substantially less than the fees charged in private institutions.

An interesting point to analyse is whether such increase in tuition is affordable for different groups of family income. It was noted that in the low quintile income only, in terms of average cost, private higher education is unaffordable. Cost of public university higher education is much lower than the private university and hence, it is affordable in spite of increase in tuition, if the various types of grants from all sources targeted at this group are taken into account.

Tuition Fee in the US

In the US, tuition fee increased with the tightening of fiscal belt to account for increase in the cost in quality. However, the access is not adversely affected as there is efficient and diversified grant system for students. Besides the competitive conditions in the market, innovations in financing and use of education technology to save the costs have been important features of higher education. In the US, most major state universities have increased their non-state funding to around 70% of their total income. Universities are becoming entrepreneurial at a rapid rate

The larger role that the net tuition revenue plays at private institutions is very clear. The highest net tuition revenue of 80.6% is in Association of Arts (private two year colleges). Research intensive private institutions have the lowest net tuition revenue of 37.2%. They are also supported by Federal government to the extent of 35.2% at the research/doctoral level. The highest net tuition revenue of 32.5% in public institutions is at the baccalaureate level, 20% in community colleges. At the research/doctorate level, the net tuition revenue is 20.4%. Gift and endowment earnings in public and private research institutions are 10.5% and 24.4% respectively. In public institutions, government contribution ranges from 64% to 78%. In private institutions, government contribution ranges from 9% to 38%. (*See Table-3.3*)

Table-3.3

Per cent Distribution of Revenue in Colleges and Universities by Type and Control

	Research/ Doctoral	Master's	Baccalaureate	Associate of Arts
Public – 1996-1997				
Net tuition revenue	20.4	28.4	32.5	20.3
Federal government	19.8	7.6	8.9	6.1
State and local government	49.3	61.0	55.1	72.3
Gifts and endowment gifts	10.5	3.1	3.5	1.3
	100.0	100.0	100.0	100.0
Private – 1995-1996				
Net tuition revenue	37.2	76.0	64.4	80.6
Federal government	35.2	6.7	5.0	5.0
State and local government	3.1	3.8	4.2	7.4
Gifts and endowment gifts	24.4	13.4	26.5	7.0
	100.0	100.0	100.0	100.0

Source: Hanushek, E., and Finis, W. (2006) Handbook of the Economics of Education, Volume 2, North Holland.

Historically, the share of gross tuition in public institutions increased from 20% in 1939-40 to 24% in 1999-2000 as a result of decline in government funding from 74% in 1939-40 to 64% in 1999-2000. In private institutions, the share of gross tuition remained constant at 55% during 1939-40 to 1999-2000. Government funding to private institutions went up from 8% in 1939-40 to 21% in 1999-2000(*See Table-3.4*).

Table-3.4
Share of Higher Education Revenue, by Source and by Sector (Selected Academic Years)

Year	Gross Tuition	Government		Gifts and Endowment Earnings	Other
		Federal	State & Local		
Public Institutions					
1939-1940	0.20	0.13	0.61	0.04	0.01
1999-2000	0.24	0.13	0.51	0.07	0.05
Private Institutions					
1939-1940	0.55	0.05	0.03	0.38	0.03
1999-2000	0.55	0.17	0.03	0.18	0.07

Source: Hanushek, E., and Finis, W. (2006)

Japan*:* In the Japanese higher education system, substantial differences exist in the public expenditure on the national and private universities. The overall ratio of subsidy for expenditure in the two sectors is 4.25: 1. Tuition and fees provide an extra-ordinarily high share of income in private universities, exceeding 70 % of the total. The share of Government subsidies to the private universities remains around 12 %. Thus, tuition charges and fees are critical to the financing of higher education.

Every student in the private sector pays tuition and fees that are more than double those paid by students in the national sector. Essentially, therefore, students in the national sector enjoy a much more advantageous position than students in the private sector. The challenge for private universities in Japan is to diversify donations as well as funds for scholarship, since the level of tuition charges and fees may already have reached a limit beyond which further increases may be counter-productive. (See Arimoto Akira, 2006)

China: In 1989, China introduced the policy of charging tuition and other fees. As a result, government dependence on funds reduced from 96% in 1978 to 82% in 1992. The higher education, in the year 1998, made tuition fees compulsory for college students while ensuring that the government continues to increase its financial allocation to public institutions. As a result, in 1997, Government's share in the higher education funding declined to 63.4%.

The self-financing programmes, switch the funding back towards the students. In the absence of targeted subsidy, the self-financing programmes are expected to adversely affect the participation of lower socio-economic groups. Most importantly poor students are expected to switch to low cost and low risk courses as offered in the regular courses.

Research Results

Tuition and Student Grants: Pennell and West (2005) examined research evidence relating to the impact of fee on participation in higher education by students from lower socio-economic status. The system of means tested maintenance grants to the students in UK was to be replaced by income contingent loans following the recommendation of Dearing Committee Report in 1997. In 2006, grant for new entrants to higher education was retained. Means tested grant of £1,500 and a remission of fee grant of £1,200 for undergraduate students from lower socio-economic groups was introduced along with income contingent loans. As per the income contingent loan scheme, a fee of £3,000 could be levied upon all students by the universities. Students would get a loan to repay fee and meet maintenance grants. The loan will be paid back only when the graduate students' earning will exceed by £15,000. The above economic reform was expected to generate resources from fees without adversely affecting the participation of students from lower socio-economic status.

Research findings from US (Paulsen and St. John 2002) revealed the choice of students from low socio-economic background. They found that students from low socio-economic background are tuition cost conscious and higher cost of tuition and other living cost adversely affect their decision to continue higher studies. Davies and Elias studies (2003) from UK also noted that students dependent on loan as source of financing were more vulnerable to drop out to increase in tuition fee compared to those whose main support was based on grants. Student loans and tuition fees were also likely to increase the debt level of students. The average level of debt went up by 150% above inflation during 1998-99 to 2002-03 (Callender 2003). Most interestingly, students from low socio-economic groups may be debt averse and hence, less likely to participate in higher education in a changed regime of loan and tuition fee policies.

A policy of loan and tuition fee is likely to adversely affect the participation of students from lower socio-economic groups. However, it also depends upon a liberal system of grants to the students. Given grants and bursaries, the risk element may come down and positive attitude to participation may be generated among students from lower socio-economic status. (Pennell and West 2005)

Tuition and Market Strategies: Rolfe Heather (2003) explores the effects of changes in funding arrangements, and particularly in tuition fees on universities in UK and their strategic responses to these changes. Research findings are based on four universities ranked in order of status. All the four universities, particularly, two post-1992 universities, were increasing the amount of vocational provision. Younger universities were also considering expanding sub-degree provision. Universities were encouraging e-learning both to reduce cost and increase quality. Students were now more concerned to get value for money. Research held the central position in the strategy of all universities. Universities were also found to encourage post-graduate and international students as they were able to yield more revenue. Marketing was considered essential in order to attract students. Universities were also closing down courses which were in least demand. All the four universities were trying to create a brand image.

The above findings from UK universities show that funding constraints and increase in tuition fee are forcing universities to adopt market strategies. Quality consciousness is high among them, as students could be attracted to universities which would serve the interest of students more. Supply of programme is thus more and more demand driven. Thus increase in tuition fee has a far reaching effect in terms of pro-market strategies by the universities.

Tuition and Public Policy Affecting Market Strategies: Increase in tuition fee should not be looked in isolation. As noted above, it encourages universities to adopt market strategies. There is a need to look at the tuition fee policy in a much broader perspective of competitive rules of market that it promotes and the role of public policy. If increase in tuition fee means value for money, the overall performance of higher education would be affected by it. The market linked pricing policy would have effect on recruitment and promotion policy of teachers, admission policy of students, the research policy of the institution. Above all, the role of public policy in influencing the higher education will have to be analysed. Whether public policy supports the pricing policy with necessary interventions or whether it blocks the market rule of competition.

Dill David D (2003) applied the framework of industrial economics to understand the structure of higher education and the role of public policy affecting it.

Applying the industrial economics model, the author suggests that performance in higher education depends on the conduct of the producers of higher education. The conduct is affected by the market structure or the degree of competitiveness of higher education and the latter depends on the institutional framework of laws and rules that include regulations, norms and traditions relating to autonomy, freedom and tenure. Government policies shape the rules and norms as well as the structure of market. Government policy also affects the conduct of higher education. The effect of tuition fee affecting the overall performance of higher education can be examined by the interplay of conduct, market structure and rules and norms that are shaped by government policy.

In the context of US, the author quotes the study of Hoxby (1997). Hoxby notes that the advent of modern, standardized admission testing in 1943-48 (the SAT and ACT), deregulation in airlines and telecommunication leading to lower price of long distance travel, National merit scholarship programmes in 1956-58 and tuition reciprocity agreements were influential forces resulting in market integration and development of national student market to develop competition. The competition is positively related to the growth of college tuition both in the public and private sectors. It has led to an increase in the amount of subsidy per student and subsidy is higher where the increase in tuition fee is rapid. The subsidy, in spite of increase in tuition fee has attracted students from all over US in reputed institutions. Stratification between colleges and universities in student admission test scores has increased. Thus, tuition increases exceeded the growth in average family income, yet competition has created an efficient system of baccalaureate education in US. Competition was responsible for increased expenditure on educational inputs along with increases in tuition. Increased peer-effects with the development of national system of education and competition that led to increase in tuition with increase in expenditure in educational inputs substantially improved the quality of education in US.

The research result that increasingly costly competition among US colleges and universities for most able students increases the quality of learning has been questioned by Dale and Kreuger (1998). They have shown that Hoxby's findings are based on SAT score as a proxy for peer group and school quality. However, SAT score does not

determine students' subsequent life outcomes and hence, the proposition that competition increases the quality of learning in US colleges and universities is doubtful. RAND study in US highlighted 'reputation' and 'prestige' playing an important signaling function in higher education. They pointed out that tuition and funding policy in US universities is geared to attracting good students and reputed faculty in order to maintain reputation and prestige. This competitive drive is responsible for quality (Brewer et al 2002).

International evidence from research on tuition and funding of universities is interesting to understand the dynamics of self-financing courses in India. Move from low tuition fee regular programme to full tuition fee based self-financing courses in Indian colleges and universities is likely to adversely affect the participation of lower social and economic groups due to unaffordability to pay fee out of current family income. If rise in tuition fee is replaced by deferred fee through an income contingent loan, the research findings show that students from lower socio-economic groups are risk-averters and have low expectation of high earnings. As a result, deferred fee may not increase the likelihood of their participation. However, a liberal policy of student grants that include tuition as well as maintenance cost reduces the risk of deferred tuition. Hence, an important policy option in a regime of self-financing courses should be to increase the funding option through subsidized loan and student scholarship grant.

Another research finding from UK universities highlighted the fact that increase in tuition fee is part of the market strategy adopted by the universities and the full tuition is bound to have various other market implications. Vocational programmes, learner-centered approach, innovations in curricula and emphasis on quality, technology integration by education providers will be guaranteed as programmes are normally demand driven rather than supply driven.

The analysis of fees in 173 UK universities and colleges reveal that the fees at the level of undergraduate and post-graduate programmes are standardized. The fee range for the undergraduate and post-graduate home programmes are £ 9,515 and £ 10,360 respectively. For overseas programmes, fee ranges are £ 10,705 (band 1), £ 9,700 (band 2) for undergraduate and £ 12,310 (band 1), £ 15,100 (band 2) for postgraduate programmes respectively. It shows that fee range is not very high and the UK universities are competing for high quality programmes. (*See Table-3.5*)

Table-3.5
Fee Ranges (£per annum or £per semester/term) in 173 UK universities/institutions

Programme	Minimum Fee	Maximum Fee	Fee Range
UGHEU - standard Undergraduate Home/EU fee	1735	11250	9515
PGHEU - taught Post-graduate home/EU fee	1590	11950	10360
UGOS1 – Undergrad Overseas fee Band 1 ('Arts/Classroom-based' course)	5490	16195	10705
UGOS2 – Undergrad Overseas fee Band 2 ('Science/Lab-based')	6500	16200	9700
PGOS1 - taught postgrad Band 1	5490	17800	12310
PGOS2 - taught Postgrad Band 2	6500	21600	15100

Source: Data compiled from an online database of 178 UK universities and HE Colleges during 2008/9 for undergraduate, post-graduate, MBA and visiting student programmes. Last accessed on July 09, 2008 from http://web.mac.com/mikereddin/PublicGoods/Education_files/UKFees20089.xls

Self-financing programmes launched in Indian universities and colleges may have to be guided by customer satisfaction. However, regular and self-financing programmes based on two philosophies in a college are bound to create tensions among academic faculty. In the former, social considerations will dominate and in the latter case, market principles will guide the programmes.

Lastly, the full tuition fee policy has to be understood as part of higher education structure that gives rise to rules, norms, market behaviour and conduct. Tuition fee increase in US context was a costly instrument which, nevertheless, prompted competition through the national student system, maintenance of reputation and prestige by the universities which ultimately was responsible for quality in higher education. The role of public policy in generating competition was also important. In Indian context, the self-financing programmes will ultimately prompt competitiveness or not, depends on higher education structure that favours competition or blocks it. Public policy is always in a dilemma and policy of self-financing programmes in India is by default a fiscal compulsion. As a result, it is not as part of design of government policy. Competitive pressure to improve quality will tend to be weak even if the full cost pricing strategy is adopted in colleges. Self-financing programmes may develop a tendency to commercialization. Tuition fee may not lead to increased input expenditure and payment to retain reputed faculty as in US.

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Chapter Four
Self-Financing Courses: University Level Analysis

Introduction

The trend in fees of the self-financing courses at the level of university is the central focus of the chapter. The distribution of fees in self-financing programmes by different types of university – central, state and deemed – is compared. The most interesting information is the average fee comparison across all disciplines in Indian universities. Another information that caught our attention was to analyse the variation of fees across disciplines in different regions of India. Programme-wise fee range is also analysed to understand the differentiation in fees. Finally, a comparative chart of state and deemed universities' fees is presented.

After having furnished detailed information on fees, various hypotheses are presented to have an analytical understanding of fee structure of the self-financing courses. An issue of efficiency in the determination of fee is examined. This throws light on whether self-financing courses be promoted in central and state universities. Another interesting hypothesis is to see whether disciplines with high demand show a tendency for higher fees and disciplines with low demand show a tendency for lower fees.

Description of Sample University

For understanding the pattern of fees in self-financing courses, two questionnaires were sent – one at the university level and the other at the college level. There were 29 sample universities from which information could be obtained. There were 1 central university, 22 state universities and 6 deemed universities in the sample. Delhi, Punjab, Harayana, Uttar Pradesh and Uttrakhand from North represent 5 universities. Andhra Pradesh, Karnataka and Tamil Nadu are represented by 11 universities of the South. From the eastern states there are 6 universities from West Bengal and Sikkim. From the western states there are 5 universities. Central India is represented by 2 universities from Madhya Pradesh. Thus, universities in the sample may be said to be the representative from All India. There are 17 General universities, 3 each in Technical, Law and Agriculture, 1 each in Medical, Physical Education and Language in the sample. Sample universities represent 13 universities which have less than 10 departments, 3 universities which have 10 - 20 departments, 8 universities which have 21 - 30 departments, 3 universities which have 41-50 departments, one university

having 41-50 and 71-80 departments each. Thus sample consists of large, medium and small universities in terms of number of departments. From the information collected, the distribution of colleges by management types in the sample universities should also be taken note of. There are 11% government colleges, 39% aided colleges and 50% private colleges. In terms of the distribution of programmes by the type of degree, it may be noted that UG Degree represent 38% and PG Degree represent 46% of programmes. UG Diploma, PG Diploma and Certificate programmes are 4, 8 and 3% respectively.

Distribution of Self-financing Programmes in Different Fees Ranges by Type of University

In the *Table-4.1* given below the percentage distribution of programmes in different fee ranges is given. The number of programmes in all universities, state universities, a central university and deemed universities are 622, 240, 39 and 343 respectively. Altogether the programmes were obtained from 29 universities, of which programmes were obtained from 22 state universities, 1 central university and 6 deemed universities.

It is significant to note that central university's fee for the self-financing programmes falls in the lower fee range. 18% of the programmes in the central university fall in the fee range of Rs. 0–5,000 and 10% in the fee range of Rs. 5,000–10,000. 41% of the programmes fall in the fee range of Rs.10,000-20,000. In the case of state university also, 26% of the programmes are in the fee range of Rs. 0–10,000. Only 11% of the programmes fall in the fee range of Rs. 0–10,000 in the case of Deemed University. 40% of the programmes of state universities are in the fee range of Rs 20,000-50,000 and 18% in the fee range of Rs 50,001-1,00,000. Deemed universities programmes normally fall in the high fee ranges. More than 40% of programmes fall in fee ranges of Rs. 50,000 and above. *Thus self-financing programmes, as it may be expected, are cheapest in central universities. Private Deemed universities, as they are self-financing in nature, charge higher fees for the programmes.*

Table-4.1
Percentage Distribution of Programmes in Different Fees Ranges

Fees Range (Rs.)	All Universities	State Universities	Central University	Deemed Universities
0 – 5,000	9	13	18	4
5,001-10,000	10	13	10	7
10,001-20,000	24	14	41	30
20,001-50,000	26	40	21	16
50,001-1,00,000	18	18	10	20
1,00,001-1,50,000	11	1	0	19
1,50,001-2,00,000	1	1	0	2
2,00,001 & above	1	0	0	2
Total	100	100	100	100

Fee Range in the Major Disciplines in All Universities (% of Programmes)

It is interesting to note the fee range of the self-financing programmes in the major disciplines, as shown in *Table-4.2*. Majority of the programmes from Agriculture and Law disciplines fall in the fee range below Rs. 20,000. Maximum percentage of programmes in Applied Disciplines and General Disciplines are in the fee range of Rs. 20,001-50,000. Self-financing programmes in Education are costlier, as 38% of these programmes are in the fee range of Rs. 50,001-1,00,000. Programmes relating to IT and Management are in all the fee ranges - Rs.10,001-20,000, Rs. 20,001-50,000 and Rs. 50,001-1,00,000. 33% of programmes in Engineering & Allied Technology are in the fee range of Rs. 1,00,001-1,50,000. Medical & Pharmacy programmes are the costliest. 28% of these programmes are in the fee range of Rs. 1,00,001-1,50,000 and 23% of the programmes in the fee range of Rs. 2,00,001 & above.

Fees in Different Disciplines by Different Universities

Average fees of self-financing programmes overall and in comparative terms by types of universities yield important information as shown in *Table-4.3*. Average fees of Medical & Pharmacy are the highest at Rs. 1,33,521 followed by the average fees of Rs. 74,533 in Engineering & Allied Technology. Programmes in IT discipline have average fees of Rs. 50,725. Programmes in Management discipline have average fees of Rs. 39,890. Applied Discipline and Education disciplines have average fee of Rs. 34,798 and Rs. 35,901 respectively. Home Science and Agriculture disciplines have lowest average fees. Average fee of all self-financing programmes is quite high at Rs.46,519.

Average fee of self-financing programmes in a central university, state university and deemed university is Rs. 19,274, Rs. 31,388 and Rs. 46,510 respectively. Except Agriculture and General Discipline, average programme fees in all the disciplines are highest in the Deemed universities.

Table-4.2
Fee Range (in Rs.) in the Major Disciplines in All Universities (% of Programmes)

	0 – 5000	5001-10000	10001-20000	20001-50000	50001-100000	100001-150000	150001-200000	200001 & above
Applied Disciplines	16	11	19	28	22	3	1	0
General (Art+Sci+Com)	8	26	7	49	10	0	0	0
Engineering & Allied Tech	0	1	22	21	19	33	4	0
IT	3	1	30	22	29	14	1	0
Management	8	6	35	20	17	12	2	0
Medical + Pharmacy	0	0	10	15	24	28	0	23
Agriculture	0	0	85	15	0	0	0	0
Education	0	25	13	25	37	0	0	0
Law	0	50	7	7	36	0	0	0
Home Science	47	0	53	0	0	0	0	0
Others	29	13	29	29	0	0	0	0
All Disciplines	9	10	24	26	18	11	1	1

Table-4.3
Average Fees in Different Disciplines by Different Universities

	Central	State	Deemed	All
Agriculture	0	32843	15307	19433
Applied Discipline	22260	22692	51302	34798
Education	0	29411	46718	35901
Engineering & Allied Tech	17253	41556	89050	74533
General (Art+Sci+Com)	10910	28115	17923	24197
Home Science	0	7603	10875	9348
IT	14535	41735	56967	50725
Law	0	29003	0	29003
Management	13720	39381	44485	39890
Medical + Pharmacy	0	91263	145790	133521
Other	0	14564	14414	14449
All Disciplines	**19274**	**31388**	**60189**	**46510**

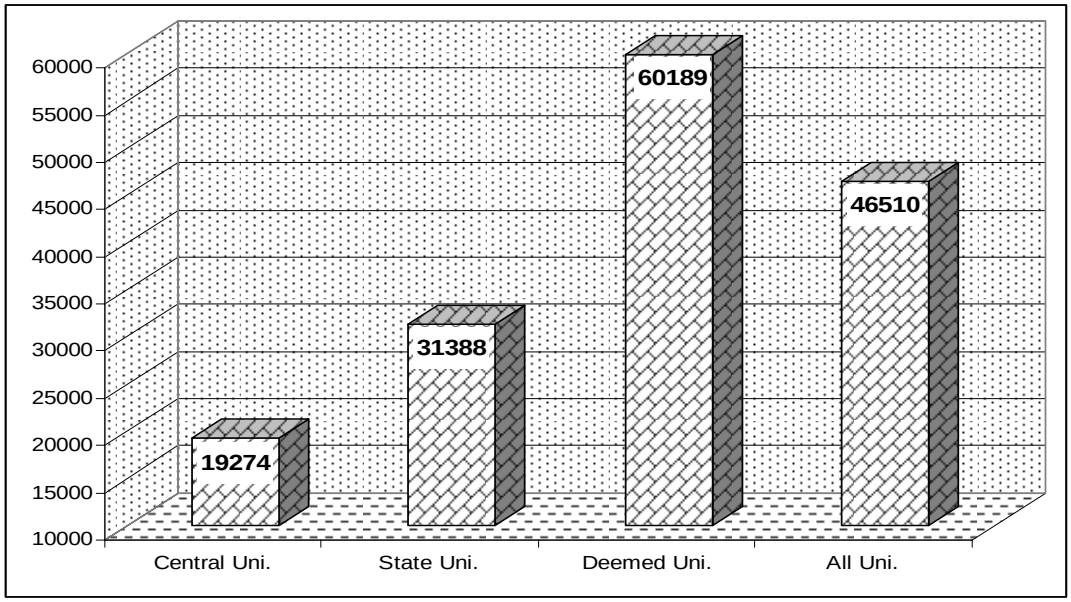


Figure 4.1: Average Fees in All Disciplines by Types of Universities (in Rs.)

Average fees per student in self-financing courses in the universities of South region are the highest, that is, Rs. 78,400. Average fee per student in the western region is the lowest at Rs. 16,138. The universities in the eastern region rank only second in terms of the fee of the self-financing courses. (*See Table-4.4 and Figure-4.2*)

Table-4.4
Region-wise Average Fee in Different Disciplines

	Average Fees (North)	Average Fees (South)	Average Fees (West)	Average Fees (East)
Agriculture	15307.69	34678.57	20000.00	0
Applied Disciplines	21737.61	63857.76	9960.57	15733.33
Education	35600.00	37805.71	41604.00	6975.00
Engg. & Allied Tech	29529.67	108419.60	31666.67	66575.83
General (Art+Sci+Com)	9313.85	32874.35	23160.33	23346.43
Home Science	10875.00	15241.67	1875.00	0
IT	29151.34	87844.62	22079.43	61781.00
Law	45750.00	31061.11	11666.67	0
Management	30454.29	77813.33	14333.33	90871.67
Medical & Pharmacy	38000.00	170596.15	61500.00	119593.75
All Disciplines	23138.40	78400.33	16138.42	57825.86

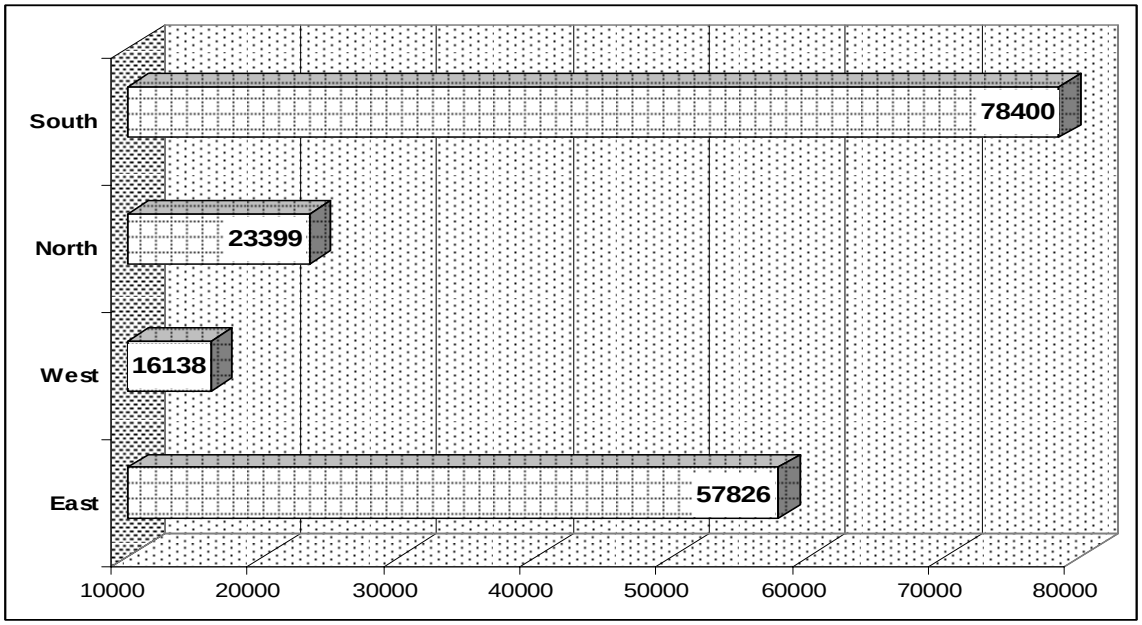


Figure 4.2: Average Fees per Student in SFC (in Rs.)

Program-wise Fee Range in Different Universities

Fee range across all different universities in India for the self-financing courses is very high. The highest fee range may be observed in various MSc programmes. The minimum fee of Rs.4,500 is charged in one university whereas the maximum of Rs.24,500 is charged in another university. Similarly, for bachelors in engineering, the minimum fee of Rs. 13,360 is charged and the maximum of Rs. 1,55,240 is charged in some other university. For M.Tech. programmes, MCA and MBA programmes also, the fee range is unusually high. The fee range for courses like BBA and BBM is the smallest. It shows a wide diversity of fee ranges for the same programmes. (*See Table-4.5*)

Table-4.5
Programme-wise Fee Range

	Minimum fees	Maximum fees	Range	Average fees
MA	3500	22000	18500	13532
BBM	13000	35000	22000	17400
BBA	15000	35000	20000	21666
BCA	12000	63590	51590	28718
BSc	3000	101000	98000	34960
MSc.	4500	245000	240500	37674
B.Tech.	14000	155240	141240	50369
MBA	13000	166240	153240	57476
MCA	10575	155000	144425	62651
M.Tech.	10000	175000	165000	95157
BE	13360	124167	110807	95769

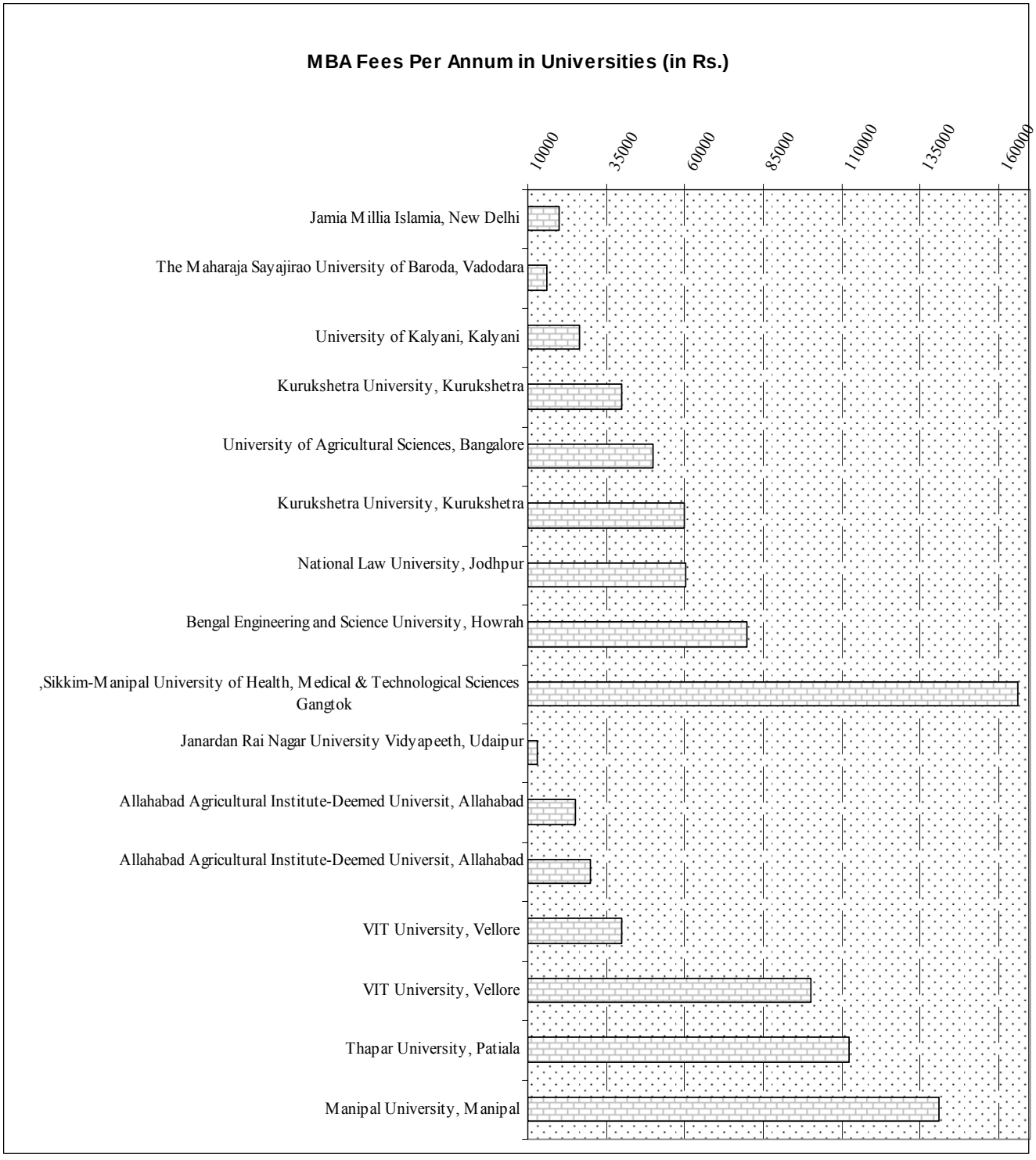
The average fee for different self-financing programmmes in different universities is given below in *Table-4.6*. The average fee for BBA, BBM, MA, MSC programmes are relatively lower and engineering programmes are relatively higher under self financing mode in different university

Table-4.6
Average Fees of Different Programmes

Program Name	Average Fees		
	All Universities	State	Deemed
BBA	21,667	15,000	25,000
BBM	17,400	0	17,400
BBA/BBM	19,000	15,000	19,571
BCA	28,718	37,795	22,667
BE	95,770	0	1,18,673
BE/BTech	65,788	42,328	78,822
BSc	34,960	18,291	37,412
B.Tech.	50,370	42,328	54,565
M.Tech.	95,158	45,430	1,16,737
MA	13,533	16,074	5,500
MSc.	37,675	34,660	40,221
MBA	57,477	62,091	57,165
MCA	62,651	62,045	63,106

University-wise Fees in Different Universities for Management Program

There is a large variation for management programmes in different universities under self-financing mode. The fee varies from Rs. 13,000 in Janardan Rai Nagar University Vidyapeeth, Udaipur to Rs. 1,66,240 in Sikkim-Manipal University of Health, Medical & Technological Sciences, Gangtok. The large variation in the fees of the management programme shows that there has not been any fees standardization in management programmes across the country. (*See Figure-4.3*)



Note: Some universities are offering more than one MBA programmes with different fee structure.

Figure 4.3: University-wise Fees in Different Universities for Management Program

Hypothesis-wise Analysis

Hypothesis: 1

Competitive pressures will tend to equalize the fees for self-financing courses across all universities – deemed, central and state universities.

The above hypothesis is based on the assumption that there are no barriers to entry. Given this competition will put pressure on institutions to reduce the fees and there will be a tendency towards equalization of fees across all institutions. This will also mean that competition will ensure efficiency in financing of higher education. However, efficient price is no guarantee that it will ensure equity in financing as all social and economic groups will not have an equal access to higher education.

The information given above suggests that average fees in self-financing courses in deemed universities is Rs. 60,189; in state universities it is Rs. 31,388 and in central universities it is Rs. 19,274. Hence, in deemed universities, fees are the highest and in central universities, the lowest. As there is quite a large variation in fees, *the hypothesis that competition will achieve uniform rate of fees is not supported*. If we look at the percentage distribution of programmes in different fee ranges across different universities, central university's fee for the self-financing programmes falls in the lower fee ranges. However, the situation between state and deemed universities is not so clear. 40% of the programmes in the state universities are in the range of fees of Rs. 20,000-50,000, whereas 30% of the programmes in the deemed universities are in the range of fees of Rs. 10,000-20,000. Roughly, equal proportion, i.e., 60% of programmes both in the state and deemed universities are in the range of fees above Rs. 20000. Thus, for certain programmes, there are equality of fees between state and deemed universities, although for large number of programmes, this may not be true.

Broadly speaking, what does the lack of competition in self-financing programmes across universities convey? It is quite natural to expect lack of competition. Central and state universities are government supported and although they charge much lower fees for many regular programmes, the fees in the case of self-financing programmes will tend to be lower as there is faculty and infrastructure support for self-financing programmes which private deemed universities do not have. They have to recover full cost from the students. Naturally, fees will be higher in deemed universities.

As there is no uniformity in fees, it is less likely that there is efficiency in determining fees. Fees are likely to be less efficient, as there is absence of competition. However, for self-financing courses, the lower fees in central and state universities means that social groups will be better represented in central and state universities than in private deemed universities. The differential fees explain low efficiency but high equity.

Assuming that fund constraint forces central and state universities to run self-financing programmes, then it is always better that more and more self-financing programmes are allowed in central and state universities. It will ensure better representation of social groups than private deemed universities. On the other hand, efficiency consideration will force deemed universities to lower their fees. However, it must be kept in mind that it is a desirable policy only when universities face resource crunch from the government.

Hypothesis: 2

Disciplines with high demand show a tendency for higher fees and disciplines with low demand show a tendency for lower fees.

The above hypothesis simply seeks to analyse the impact of demand and supply on the fee structure of self-financing courses in relevant disciplines. The rate of growth of enrolment depicts the demand factor and the rate of growth of institutions determines the supply factors. It can be seen that the rate of growth in enrolment in engineering is the highest and the rate of growth of institutions in engineering is half the rate of growth of enrolment. It means that there is an excess demand in engineering in relation to the growth in capacity. In medical, the rate of growth in enrolment is half the rate of growth in enrolment in engineering but the rate of growth of medical institutions is the highest, displaying lower barriers to entry. Assuming uniform cost in engineering and medical education the fees in medical should have been less than in engineering. However, the scenario is just the reverse. The fees in medical are the highest. It is quite likely that the assumption of uniform cost does not hold good. High unit cost in medical in relation to engineering may explain higher fees of medical education. What it basically means is that the fees in self-financing courses in engineering and medical are cost determined.

If we analyse other low cost disciplines such as general education (Art, Science & Commerce), the growth rate in enrolment is negative and institutions have expanded at

7.6% rate of growth having a depressing effect on fees. In Agriculture and Veterinary Sciences, there is little demand in relation to the growth of institutions. The lower demand may also have depressing effect on fees. In Education, high growth rate of institutions in relation to demand means that fees should have been lower, yet a higher level of fees means that cost along with an element of profit might have an influence on fees. Similarly, in Law education, high growth rate of institutions should have a depressing effect on fees. Fees will show a tendency to come down in the future. (*See Table-4.7*)

The point to note is that there is a low correlation (0.62) between the compound rate of growth in enrolment and fees. It is also not significant. There is a high correlation (0.92) between the compound rate of growth in institutions and fees. It means demand does not explain the fees. It is the cost under different modes of delivery of education that could explain fees from the supply side.

Table-4.7
Rate of Growth in Enrolment and Institutions and Fees per Student per Annum

	CARG in enrollment (UGC)	CARG in enrollment (SES)	Fees per student per annum.	Growth rate in institutions (SES)
Veterinary & Agricul.	0.4	-	19433	8.0
Education		10.4	35901	18.5
Law	4.2	-	29003	8.0
Medicine		15.7	133521	30.3
Art+Science+Comm.		-0.13	24197	7.6
Engg. & Technology		32.1	74533	16.9

Hypothesis: 3

Deemed universities charge fees across all disciplines higher than the state universities

The deemed universities are mostly private ones whereas all state universities are subsidised by the government. The hypothesis that deemed universities charge higher level of fees than the state universities should normally be supported by empirical evidence. The data given in *Table-4.8* below *confirms the hypothesis for all discipline except Agriculture and General Education*. Both these disciplines fall in the low demand category and therefore, deemed universities are not interested in such courses and they have to keep their prices below the cost. Deemed universities are interested generally in high demand discipline where they are able to charge fees higher than the state universities.

Table-4.8
Discipline-wise Average Fees in State and Deemed Universities

	State Universities	Deemed Universities
Agriculture	32843	15307
Applied Discipline	22692	51302
Education	29411	46718
Engineering & Allied Tech	41556	89050
General (Art+Sci+Com)	28115	17923
Home Science	7603	10875
IT	41735	56967
Law	29003	0
Management	39381	44485
Medical + Pharmacy	91263	145790
Other	14564	14414
All Disciplines	**31388**	**60189**

Conclusion

Self-financing programmes, as it may be expected, are cheapest in the central university. Private Deemed universities, as they are self-financing in nature, charge highest fees for their programmes. So far as state universities are concerned, while majority programmes fall in lower fee range as compared to deemed universities, yet a sizeable number of programmes are in the higher fee ranges as well. Average fee of self-financing programmes in central university, state university and deemed university is Rs. 19,274, Rs. 31,388 and Rs. 46,510 respectively.

33% of programmes in Engineering & Allied Technology are in the fee range of Rs. 1,00,001-1,50,000. Medical & Pharmacy programmes are the costliest. 28% of the programmes, in the fee range of Rs. 1,00,001-1,50,000 and 23% of the programmes in the fee range of Rs. 2,00,001 & above. IT and management courses are in lower as well as higher fee ranges. Competition in the IT and management courses seems to have put a downward pressure on fees.

As there is quite a large variation in fees, *the hypothesis that competition will achieve uniform rate of fees is not supported*. As there is no uniform fee, it is less likely that there is efficiency in determining fees. It means demand factor alone does not explain fees. It is cost under different modes of delivery of education that could explain fees from the supply side.

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Chapter Five

Analysis of Self Financing Courses in Colleges

Introduction

Self-financing courses in the colleges were launched as deliberate attempt to vocationalise higher education. UGC's policy, during the 10th plan, was to equip students through an add-on-course with some practical knowledge along with the bachelor's degree at the first stage of higher education. UGC also supported the colleges to launch first degree if the colleges could plan professional courses to meet the market needs. Both add-on courses and the first higher education professional degree level course were under self-financing mode. Colleges slowly and gradually found this as an opportunity to attract students and raise the financial resources as it was becoming difficult to launch new courses with the full subsidy of the government. There developed two types of courses – one, the regular course which was already subsidised by the government and the other, in the self-financing mode, based on the principle of the recovery of the cost of the course. Self-financing courses have now become popular in the present circumstances where market provides an opportunity for a skilled professional.

It is, however, necessary to make an academic exercise to understand the self-financing programmes at greater depth. Of central importance is to have some idea of the average fee or the fee ranges in the self-financing courses and to compare it with average fee of the subsidised course delivered on regular basis. The region-wise differences and differences in the fee structure by management types are also quite interesting to know. Then an attempt is made to understand the fee ranges across disciplines and in a particular programme to have some idea of the variation in fee ranges. It would also be of immense interest for policy makers to know what are the proportions of regular and self-financing fees in the total fee receipts and the proportionality of the fee and non-fee receipts in the total receipts of the college? Information on these aspects is furnished in this chapter.

Of further analytical importance is to know the correlation between fees in regular and self-financing courses to understand whether they move upwards in sympathy. If they do, it is necessary to have policy understanding with respect to the rigidity (or flexibility) in the fee structure. Too much flexibility in fee structure would invite

troubles in terms of upward movement. It is also attempted to understand whether growth of institutions has any relation with the fees in self-financing courses. If they have, what can we say about it in terms of the effect of demand variable on fees? With the regional differences in fees this point has been analysed. Then various hypotheses have also been put forward to test them on the factor of uniformity of fees in colleges by management types, across disciplines and programmes of study. How much variation is in the fees collection from regular and self-financing courses as also between the total fee receipts and non-fee receipts of a college? Thus, a detailed understanding of self-financing courses in these colleges is presented in the chapter.

Description of Sample Colleges

There are 36 colleges in the sample from which detailed information on self-financing courses was obtained. Out of 36 sample colleges, 22% of them were fully funded and managed by government; 67% belong to the category of privately managed and funded by government; and 11% were from privately managed and funded colleges. In 36 sample colleges, 47502 students were in regular courses and 14215 were enrolled in self-financing courses. Thus, the sample shows that three-quarters of students are enrolled for regular courses and one-quarter in self-financing courses. Information on 213 programmes in self-financing courses was obtained from the sample colleges. Of the sample colleges, almost 50% were accredited and equal numbers were non-accredited by NAAC. The phenomenon of the self-financing programmes in the colleges began in 1980s. In the sample colleges, only 14% of them had begun to introduce self-financing programmes in 1980s. In the 1990s, 43% of them started self-financing programmes and in seven years of the present decade, 43% of them introduced self-financing programmes. Thus, self-financing programmes are progressively becoming popular.

Fee Ranges in Regular and Self-Financing Courses in Colleges

Comparative analysis of fee ranges in regular and self-financing courses is given below. It may be observed that 83% of the colleges charge fee-wise range of Rs 0-5,000 for regular courses, whereas only 31% of the colleges charge fee in the range of Rs 0-5,000 for the self-financing courses. Most of the colleges (47%) charge fee in the range of Rs 10,000-20,000 for self financing courses. Very few colleges charge fees above Rs 10,000 for regular courses. (*See Table-5.1*)

Table-5.1
Fee Ranges in Regular and Self Financing Courses

Fee Range (inRs.)	Regular Courses		Self-Financing Courses	
	No.	%	No.	%
0-5,000	30	83	11	31
5,001-10,000	3	8	5	14
10,001-20,000	2	6	17	47
2,0001 & above	1	3	3	8
Total colleges	36	100	36	100

Average Fees per Student in Regular and Self-Financing Courses

Average fee per student in regular and self-financing courses in Government and aided colleges is one of the most important indicators. It was observed that average fees per student in regular courses are Rs 1,759. Average fee per student for the self-financing courses is six times the average fee per student of the regular course. The average fee for the self-financing course was observed to be Rs.10,428. If we take the over-all fees of students by taking regular and self-financing courses together, then incidence of fee on student is worth Rs. 3,477. If we take private colleges also into account in the sample where all programmes are in the self-financing mode, then sample result shows that average incidence of fee on student is worth Rs. 3,892, i.e., approximately Rs. 4000 in the colleges in India where approximately 10 million students are studying in General Arts, Science and Commerce streams and in applied disciplines. On the above basis, it may be inferred that Rs 4,000 crores are mobilized through fees in 14000 colleges in general disciplines. (*See Figure-5.1*)

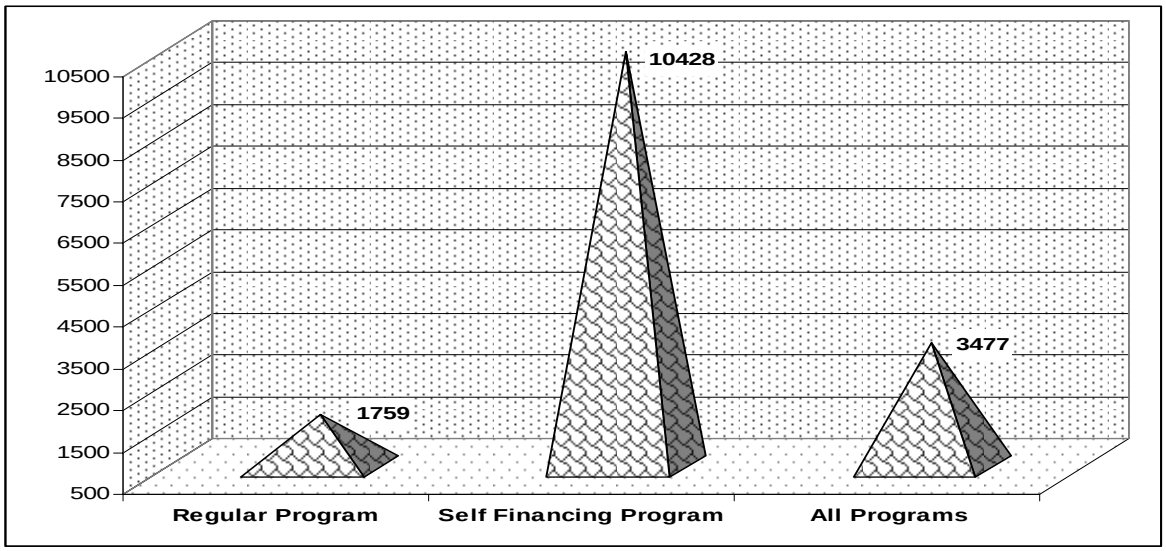

Figure 5.1: Average Fees per Student in Govt. and Aided Colleges (Rs.)

The pattern of distribution of average fees in colleges simultaneously running regular and self financing courses is given in the bar graph at *Figure-5.2*. It may be observed that although there are all sorts of colleges there is very high correlation between the average fees in regular and average fees in self-financing courses. The value of correlation was 0.82 in government and aided colleges.

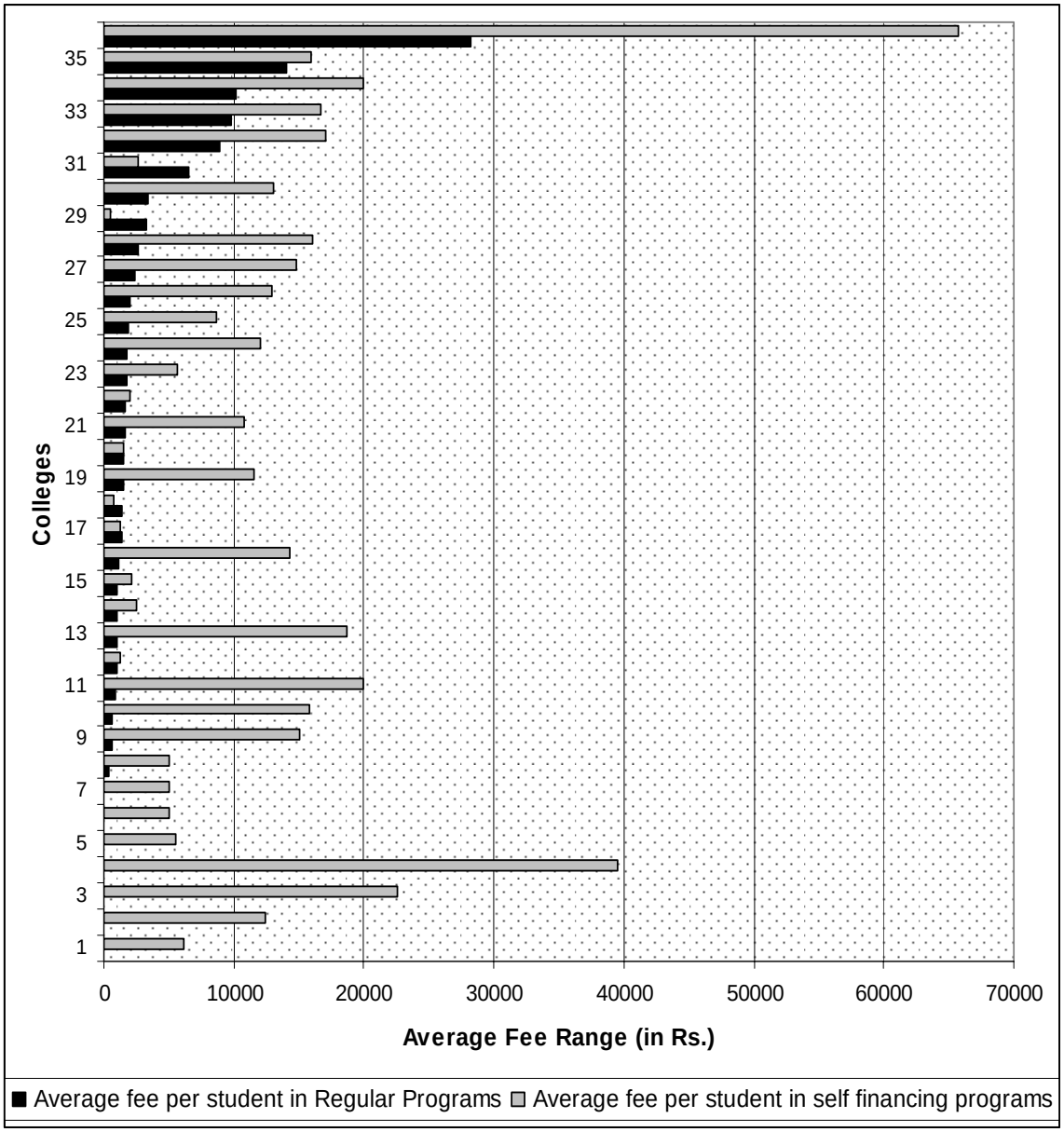

Figure 5.2: Average Fees in Regular and Self Financing Courses in Colleges (Rs.)

Region-wise Average Fees per Student in SFC in Colleges

Region-wise average fees per student in self-financing courses in colleges are given in the chart below. Colleges in eastern region are found to charge on an average much lower fees in comparison to all other regions of India. Average fees per student in the eastern region are Rs. 5,438 only. The average fees in the colleges at Rs. 13,567 are the highest in the northern region, followed by the colleges of south and western regions. The eastern region is economically less advanced in comparison to all other regions. In the eastern region, relatively poorer students cannot afford to pay higher fees for self-financing courses. Hence, there seems to be less demand for self-financing courses reflected in lower average fees for self-financing courses. Self-financing courses flourish in those regions which are economically better off. (*See Figure-5.3*)

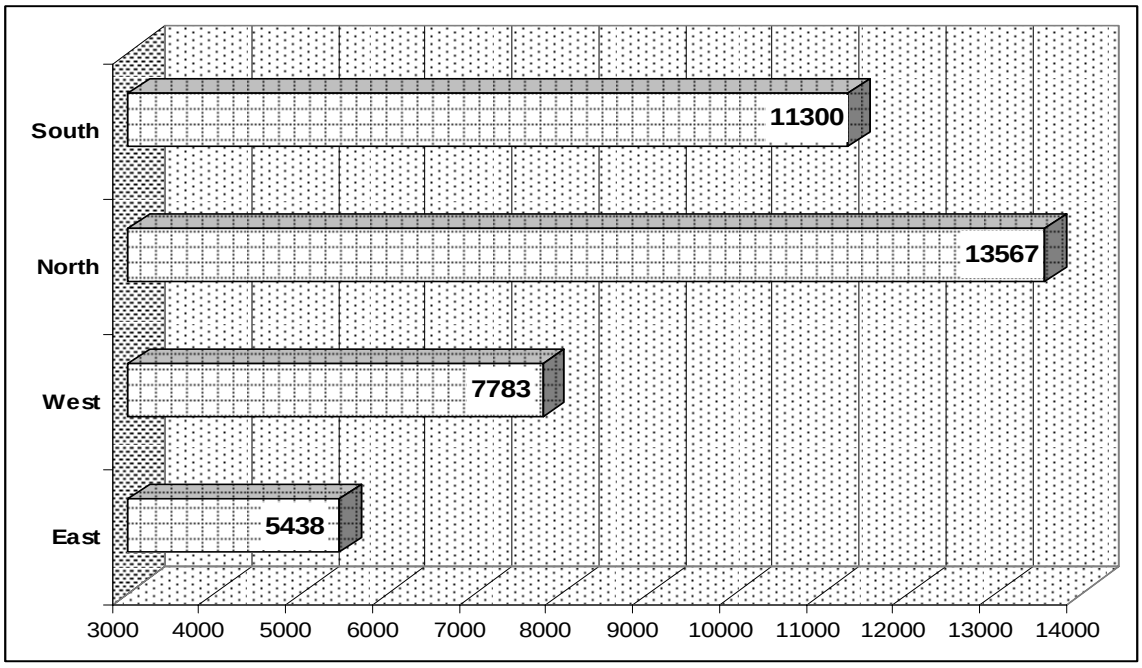

Figure 5.3: Region-wise Fee in Colleges in Self- Financing Courses

Fee Range in Colleges by Management Types Running Self-Financing Courses

A comparative understanding of the fee range in colleges running self-financing courses in terms of colleges by management type is quite interesting. It may be noted that 50% of the government colleges charge fee for the self-financing courses in the range of Rs 0-5,000. Only 32% of the aided colleges charge fee in the range of Rs. 0-5,000. None of the private colleges were found to charge fees for the self-financing courses in this range. It may also be noted that a sizeable number of government and

aided colleges also charge fees in the range of Rs 10,000-20,000 for the self-financing courses. 38% of the government and 50% of the aided colleges charge fee in the range of Rs 10,000-20,000. Equal per cent of private colleges were found to charge fees in the three fees ranges Rs.5,001-10,000, Rs.10,000-20,000 and Rs. 20,000 and above. (*See Table-5.2*)

Table-5.2
Fee Range in Self-Financing Courses in Colleges by Management Types

Fees Range (in Rs.)	Govt. Funded & Managed Colleges		Govt. Funded & Privately Managed Colleges		Privately Funded & Managed	
	No of colleges	%	No of colleges	%	No of colleges	%
0-5,000	4	50	7	32	0	0
5,001-10,000	0	0	4	18	1	33
10,001-20,000	3	38	11	50	1	33
20,001 & above	1	13	0	0	1	33
Total Colleges	8	100	22	100	3	100

Fee Range of Self-Financing Programmes in Colleges by Management Types

Distribution of the fee range of the programmes conducted by different colleges is yet important information. 61% of the self-financing programmes in government colleges are in the lowest fee range of Rs. 0-5,000. The information shows that 28% of programmes in aided colleges and 36% of programmes in private colleges fall in the lowest fee range. It is interesting to note that in terms of programmes, the highest per cent of programmes, 39% are in the fee range of Rs. 10,000-20,000 in aided colleges and 25% of programmes of private colleges are in this fee range. Besides, 11% of the programmes are in the fee range of Rs. 20,000 and above in the case of both aided and private colleges. It is also significant to note that 28% of programmes of private colleges and only 22% of the programmes in aided colleges are in the fee range of Rs. 5,000-10,000. (*See Table-5.3*)

The information suggests that government colleges are definitely charging lower fees in comparison to aided and private colleges. However, 22% of the programmes in the highest fee range of Rs. 20,000 and above also speak of government colleges following the way of the private and aided colleges so far as self-financing courses are concerned. It is also difficult to distinguish aided and private colleges in terms of self-financing programmes, as the distribution of programmes in different fee ranges almost follows the same pattern.

Table-5.3
Fee Range in Self-Financing Programmes in Colleges by Management Types

Fees Range (in Rs.)	Govt. Funded & Managed Colleges (No-8)		Govt. Funded & Privately Managed Colleges (No-27)		Privately Funded & Managed (No-4)	
	No of Programmes	%	No of Programmes	%	No of Programmes	%
0-5,000	11	61	44	28	13	36
5,001-10,000	0	0	35	22	10	28
10,001-20,000	3	17	62	39	9	25
20,001 & above	4	22	18	11	4	11
Total Program	18	100	159	100	36	100

Discipline-wise Fee Structure in All Colleges (% of Programmes)

Information on discipline-wise fee structure is given in *Table-5.4*. Four discipline-wise categories have been analysed. It may be observed that 34% of General courses in arts, science and commerce fall in the fee range of Rs. 0-5,000.and 37% fall in the fee range of Rs. 5,000-10,000. Thus, 71% of the courses in general discipline fall in the fee range below Rs. 10,000; 57% of the courses in applied discipline fall in the fee range below Rs. 10,000. On the other hand, 48% of IT and 50% of Management disciplines courses fall in the fee range of Rs. 10,001-20,000; 24% of IT and 25% of Management disciplines courses fall in the fee range of Rs. 20,000 and above. It amply proves that IT and Management courses in the self-financing mode are costlier than the courses in general and applied disciplines.

Table-5.4
Discipline-wise Fee Structure in All Colleges (% of Programmes)

	0-5,000	5,001-10,000	10,001-20,000	20,001 & above	Total
General(Art+Sci+Comm)	34	37	26	3	100
IT	13	15	48	24	100
Management	0	25	50	25	100
Applied Discipline	46	11	32	11	100

Program-wise fee range in Different Colleges

Further down below, the disciplines, the programme-wise average fees are presented in the bar graphs at *Figure-5.4*. The lowest fees is charged for Bachelor in Arts. B Com, M Com. and MA programmes are the second, the third and the fourth lowest. The highest fee is charged for Masters in Computer Application and the second highest fee is for

BCA. MSc is the third highest and BBA is the fourth highest. Various programmes in Computer, thus, fetch the highest fees under self-financing course in colleges.

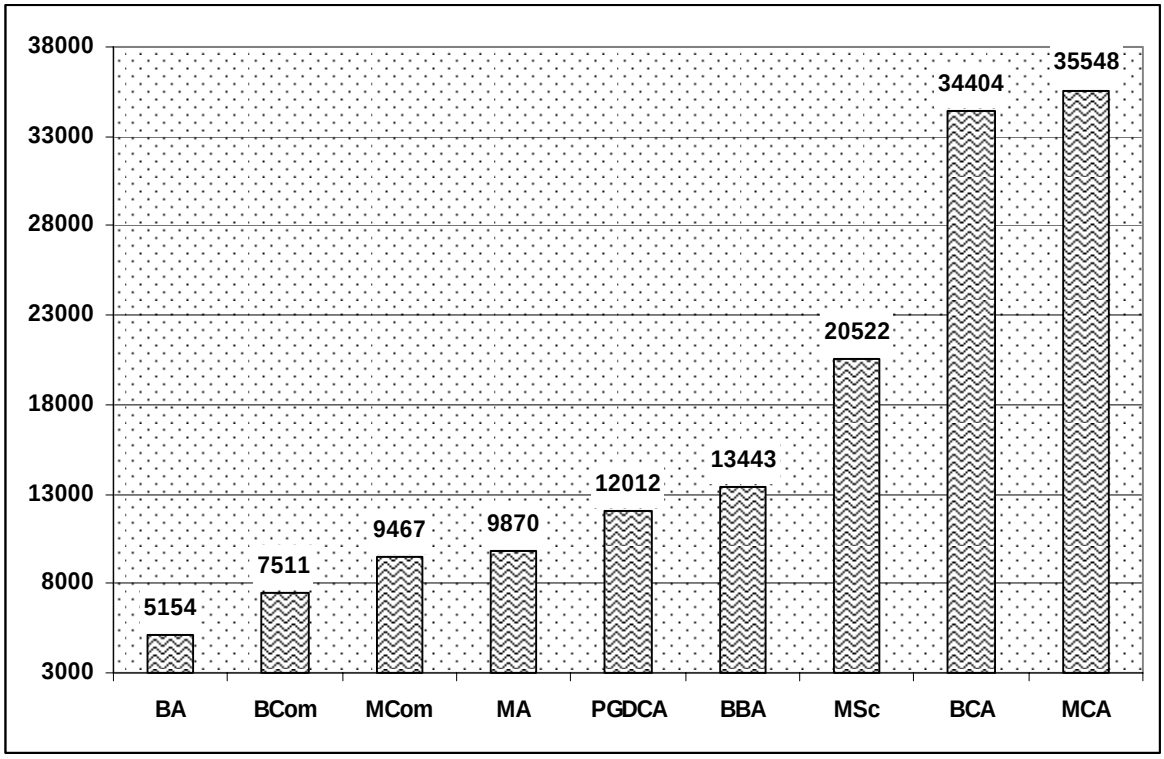

Figure 5.4: Programme-wise Average Fee in Different Colleges (in Rs.)

However, the fees range tells a little more interesting facts on fees. The fee range for some of the above courses is extremely high. For example, one fails to understand the fee range of Rs. 1,89,028 for BCA, Rs. 60,766 for M.Sc. and Rs.45,000 for MCA. While some variation in fees may be accounted for differences in quality of the programme and management of the types of colleges, probably not all variation can be accounted for quality factor and management alone. Hence, unless some objectivity in the determination of fee is introduced, huge differences are bound to exist. Probably, the exploitative element may also be present. (*See Table-5.5*)

Table-5.5

Programme-wise Fee Range in Different Colleges (in Rs.)

Programme Name	No. of Programmes	Minimum Fees	Maximum Fees	Fees Range	Average Fees
BA	12	1,957	11,940	9,983	5,154
BCom	10	1,553	17,000	15,447	7,511
MCom	8	5,500	17,000	11,500	9,467
MA	15	1,100	22,000	20,900	9,870
PGDCA	8	4,000	18,000	14,000	12,012
BBA	5	7,472	17,350	9,878	13,443
MSc	14	5,000	65,766	60,766	20,522
BCA	14	10,972	2,00,000	1,89,028	34,404
MCA	6	14,000	59,000	45,000	35,548

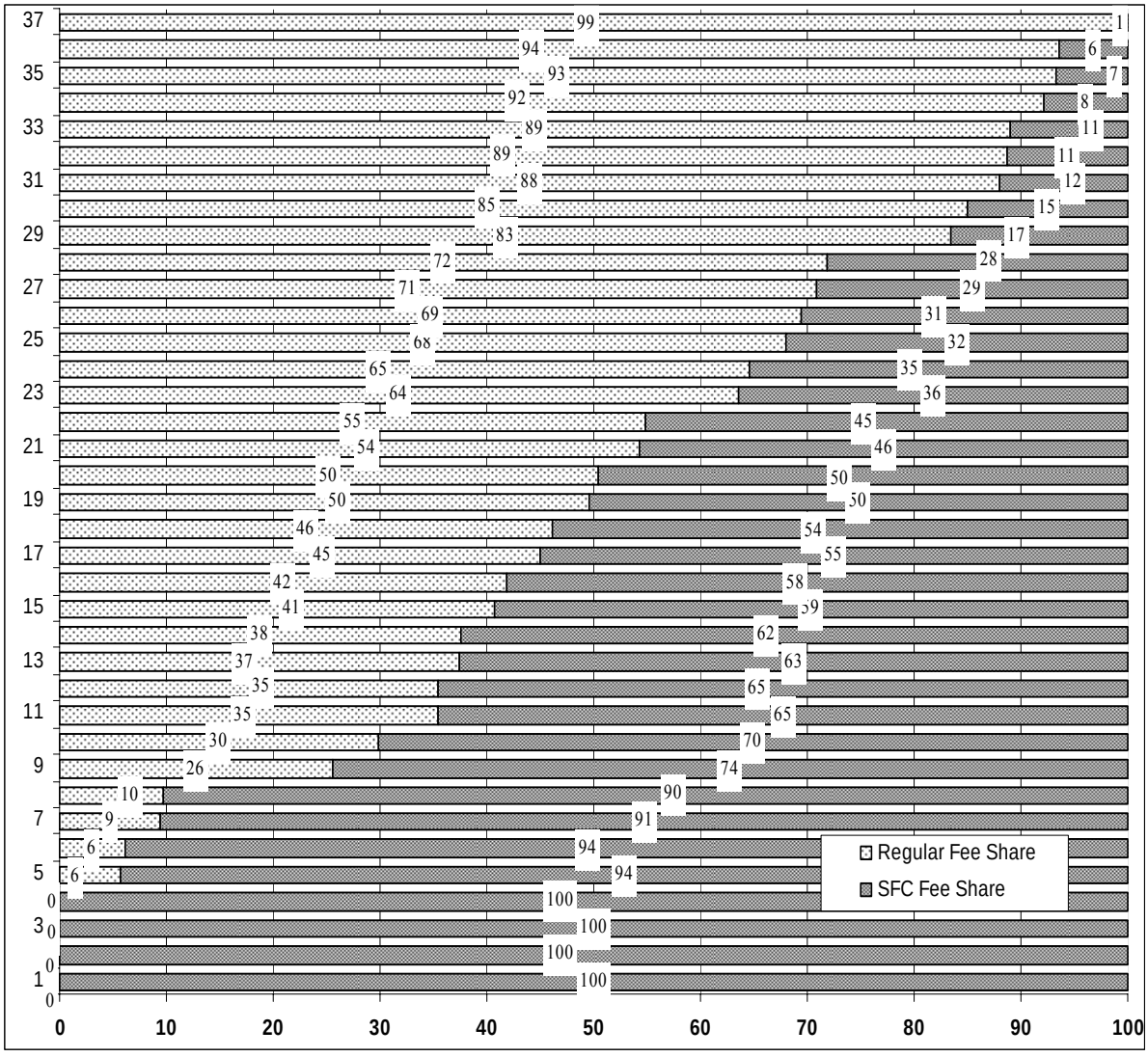

Figure 5.5: Fee Share in Regular and Self Financing Programs in Colleges

Fee Share from Regular Programmes and Self-Financing Programmes in Colleges

The dynamics of fees of the self-financing programmes in colleges is clear, if we examine the share of fee from regular as well as self-financing programmes. In the sample study, we observed that there are colleges which have 3% of the share of fees from regular courses and 97% of the fees are collected from self-financing courses. We have found that a little over 50% of the colleges (20 out of 36 colleges) in the sample were found to collect more that 50% of the fees from self-financing courses. Thus, the self-financing courses have emerged as the major contributor of finance to the colleges. On an average, 47% of the total fees were found to be collected from regular and 53% of the total fees were found to be collected from self-financing courses. This clearly shows the prominent role of self-financing courses in the internal resource mobilization of colleges. (*See Figure-5.5*)

College and University Share in the Income from Self-Financing Courses in Colleges

An important information on the issue of self-financing courses pertains to the fact as to who are the real beneficiary of the introduction of self-financing courses in colleges? Colleges were found to be the major beneficiaries of self-financing courses. Over 30% of colleges were exclusive beneficiaries. In 70% colleges, it was found that universities were beneficiaries up to a maximum of 20% share of fees from self-financing courses.

Fee and Non-Fee Revenue as Percentage of Total Receipts

It would be quite interesting to observe the pattern of fee – regular as well as self-financing courses – and non-fee receipts as a percentage of total receipts in the colleges. In a sample of 36 colleges, it was noted that, on an average, regular fee constituted 16% of total receipts of the colleges. Fees from self-financing courses constituted 31% of total receipts. Thus total fee constituted 47% of total receipts. Non fee revenue consists of central, state governments and UGC grant as well as other receipts from management and philanthropic support. On an average, non-fee receipts constitute 54% of total receipts.

The sample consists of 4 private colleges. If these colleges are excluded, then in government and aided colleges fees from regular courses constitute 17% of total receipts. Self-financing courses constitute around 23% of total receipts. Total fee in government and aided colleges amounts to 40% of the total receipts.

Analysing the distribution of colleges, it was found that among government and aided colleges 60% of the colleges charged regular fees as proportion of total receipts less than 16% and 40% of colleges charged fees as proportion of total fee receipts more than 16%. (*See Table-5.6*)

Table-5.6
Fee and Non-Fee Revenue as Percentage of Total Receipts

College Code	Regular Fee as a % of Total Receipt	SFC Fee as a % of Total Receipt	Total Fee as a% of Total Receipt	Govt. & UGC Grants as a % to Total Receipt	Other Receipts as a % to Total Receipt	Non Fee Receipts as % of Total Receipts
c0053	3	0	4	95	1	96
c0015	3	2	5	94	1	95
c0001	7	1	8	92	1	92
c0051	7	3	9	91	0	91
c0018	9	2	10	89	0	90
c0047	5	7	11	89	0	89
c0020	11	1	12	82	6	88
c0050	8	5	13	87	0	87
c0016	15	2	17	74	8	83
c0023	19	4	23	74	3	78
c0035	23	0	23	77	0	77
c0013	18	7	25	75	1	75
c0002	10	16	26	74	0	74
c0046	11	15	26	73	1	74
c0027	14	14	28	82	72	154
c0033	14	17	31	66	2	69
c0026	13	23	36	64	0	64
c0011	17	20	37	63	0	63
c0012	12	28	39	61	0	61
c0021	2	37	40	60	0	60
All Average	**16**	**31**	**47**	**50**	**4**	**54**
c0034	48	6	54	46	0	46
c0038	52	4	56	36	8	44
c0014	21	35	56	34	10	44
c0007	31	26	57	37	6	43
c0008	15	43	58	41	1	42
c0028	47	21	68	21	11	32
c0025	44	25	70	29	1	30
c0037	41	33	74	26	0	26
c0041	0	89	89	10	1	11
c0052	9	81	90	10	0	10
c0004	6	94	100	0	0	0
c0006	9	91	100	0	0	0
c0009	0	100	100	0	0	0
c0029	35	65	100	0	0	0
c0045	0	100	100	0	0	0
c0048	0	100	100	0	0	0

Salary as % to Total Receipt

It may be noted from *Table-5.7* that salary (teaching and non-teaching staff) constituted 75 per cent of total receipts of the colleges. As non-fee receipts constituted 54 % of total receipts, it was the fee from regular courses that could provide resources for salary. However, given the level of fees of around 16% from regular courses, there was still deficit of 5% for the payment of salary. Recurring expenditure for maintenance and capital expenditure are two other principal components that colleges are supposed to incur. The logic of introducing self-financing courses was to meet the deficit for the payment of salary, operating expenditure and capital expenditure. Thus, after meeting 5% of deficit for the payment of salary, 28% of resources are raised by the colleges to meet operating expenditure and capital expenditure. Thus the logic of the introduction of self-financing courses is to meet the shortage of resources for the colleges.

Table-5.7
Salary as % to Total Receipt

S.No.	College Code	Salary as a % to total receipt	S.No.	College Code	Salary as a % to total receipt
1	c0029	31	20	c0025	74
2	c0050	31		**Average**	**75**
3	c0011	45	21	c0016	78
4	c0006	47	22	c0046	78
5	c0041	48	23	c0001	85
6	c0008	50	24	c0034	85
7	c0037	55	25	c0015	89
8	c0045	57	26	c0051	89
9	c0023	59	27	c0013	90
10	c0007	60	28	c0020	90
11	c0047	63	29	c0018	93
12	c0026	64	30	c0009	96
13	c0002	66	31	c0052	96
14	c0048	66	32	c0027	99
15	c0012	68	33	c0028	100
16	c0033	70	34	c0014	109
17	c0035	70	35	c0004	110
18	c0053	70	36	c0038	128
19	c0021	74			

Hypothesis-wise Presentation

Hypothesis: 1

There is a significant difference in the fee ranges for regular and self-financing courses.

Based on the information provided in this chapter, it may be noted that average fees per student on a per annum basis in regular courses in government and aided colleges is Rs. 1,759 and average fees per student in self-financing courses is Rs.10,428. The average fee per student for the self-financing courses is six times the average fees per student of the regular course.

The difference in the value of average fees is significant. If we look at the different fee ranges in the colleges for regular and self-financing courses, it is observed that 83% of the colleges charge a fee in the range of Rs 0-5,000 for regular courses whereas only 31% of the colleges charge fee in the range of Rs 0-5,000 for the self-financing courses. Most of the colleges (47%) charge fee in the range of Rs 10,000-20,000 for self-financing courses. This provides sufficient basis to *support the hypothesis that there is a significant difference in the fee ranges for regular and self financing courses*.

However, there is an interesting finding which shows that there is *very high correlation* between the average fees in regular and average fees in self-financing courses. The value of correlation was 0.82 in government and aided colleges which was significant at 1% level of significance. It means that high (or low) average fees in regular course imply high (or low) average fees in self-financing courses or vice versa. Any tendency to increase fees in either of the course (regular or self-financing) will show a tendency towards rise in fees in other courses as well. This may be stated as law of association in fees- upward tendency in one is associated with the upward tendency in others as well.

An important policy recommendation from this is that the process of fee determination should not be kept flexible. The flexibility in fees may lead to a continuous upward revision in fees. Fees once determined should be fixed at least for three or five years, irrespective of inflationary movement. The Knowledge Commission's recommendation that fees should be indexed to prices does not find favour, as such policy would always put an upward pressure on fees and rate of growth in fees may even outpace the rate of inflation.

Hypothesis: 2

Regions with higher (or lower) growth of institutions show a tendency towards lower (or higher) fees of self-financing courses.

What this hypothesis means is that differentiation in fees in different regions is associated with growth in colleges. The logic is that higher supply of institutions will put a downward pressure on prices (fees) of self financing courses. Charts below show the relationship between the level of fees and the growth of colleges in different regions. It shows that there is a *very high correlation between the level of fees and growth of colleges in different regions*. The value of correlation is .9 at 1% level of significance. The chart *Figure-5.6* shows that North region has highest growth which is associated with the highest fees in self-financing courses. The southern region comes next – slightly lower growth in colleges and lower level of fees in comparison to the North. The findings also show that eastern states have the lowest growth in colleges as well as lowest average fees in self financing courses.

How is this relation to be explained? In fact, growth of colleges is always in relation to demand. Institution's growth is, therefore, an index of demand. As northern region and southern region display high demand, fees in SFC courses in these regions are higher than in the eastern states which have generally lower growth rate of colleges. Thus, *the hypothesis is refuted* and demand factor is used to explain the variation in fees across regions.

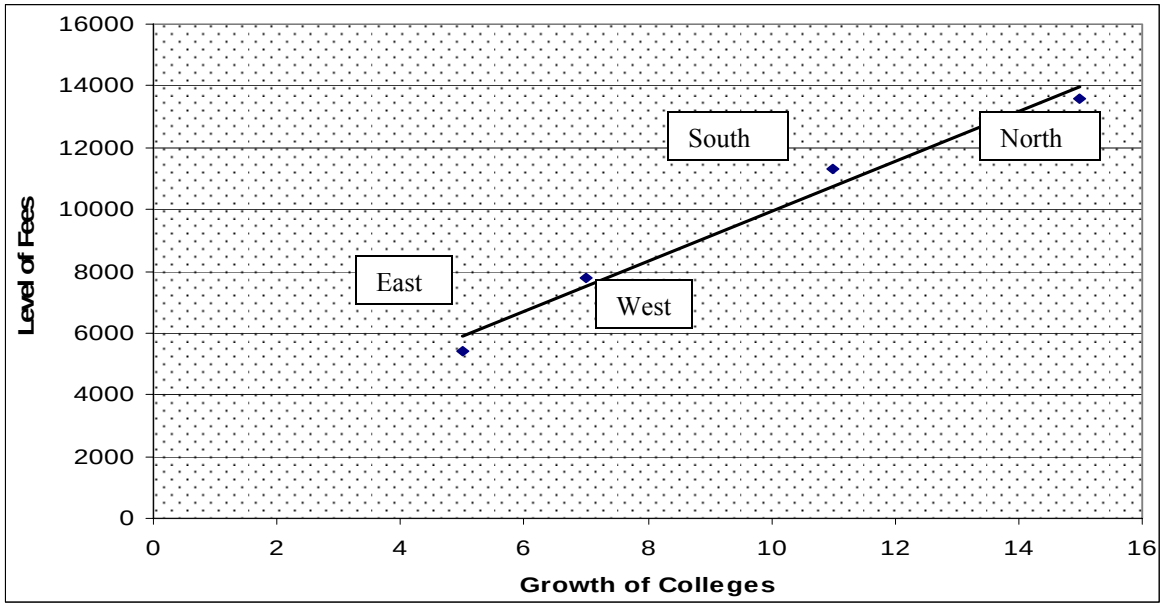

Figure 5.6: Region-wise Growth of Colleges and Fee Level

Hypothesis: 3

Competition forces less differentiation in fee range in self-financing programmes in colleges by management types

There are a large number of colleges under different management types in India. Different management types – government, aided and private - provide three different structures. The principle of competition is that there will be a tendency towards the uniformity of fees which will ensure some standardization so far as self-financing courses are concerned. The hypothesis states that along different management structures, competition will force less differentiation in fee range in self-financing courses. If there is less differentiation it means that *structures are becoming less important and market forces are making inroads into different colleges.*

So far as fee range in self-financing programmes in colleges by management types is concerned, the information suggests that government colleges are definitely charging lower fees in comparison to aided and private colleges. However, 22% of the programmes in the highest fee range of Rs. 20,000 and above also speak of government colleges following the way of the private and aided colleges so far as self-financing courses are concerned. It is also difficult to distinguish aided and private colleges in terms of self-financing programmes, as the distribution of programmes in different fee ranges almost follows the same pattern.

Above finding is quite important. It suggests that government colleges for the majority of programmes charge less fees under self-financing mode and do not behave in the same way as aided and private colleges. Nonetheless, for some 22% of programmes even the government colleges are led by market forces and charge fees in the similar manner as aided and private colleges. Can we say that government colleges are influenced by the market in a minor way, if not in any significant manner? If it is so, then the policy makers need to resort to some monitoring that self-financing courses are not heavily charged. The finding that aided colleges and private colleges have more or less same fee range indicate that structures are becoming weak in forcing competition to penetrate in the self-financing programmes. Thus, *the hypothesis is supported in the case of aided and private colleges but not so fully in the case of government colleges. This has implication for policy makers to evolve a strong monitoring mechanism to supervise the fees in the self-financing courses in government as well as aided and private colleges.*

Hypothesis: 4

High demand courses in a discipline exhibit a tendency towards higher fees

IT and management have been assumed to be high demand courses. Applied disciplines such as BBA, BBM are assumed to be high demand courses. Subjects in Arts, Science and Commerce disciplines are, however, assumed to be low demand courses. Hypothesis assumes that high demand courses will have high fees whereas low demand courses will have lower fees. Empirical observation shows that 71% of the courses in general disciplines (Arts, Science and Commerce) fall in the fee range below Rs. 10,000; and 57% of the courses in applied disciplines fall in the fee range below Rs. 10,000. On the other hand, 48% of IT and 50% of Management discipline courses fall in the fee range of Rs. 10,001-20,000; 24% of IT and 25% of Management discipline courses fall in the fee range of Rs. 20,000 and above. It amply proves that IT and Management courses which have a high demand base are costlier than the courses in general and applied disciplines. *The Hypothesis is supported except for applied discipline.*

The message for the policy makers is that there is a need to provide financial support in high demand courses so that the fees in such courses are lowered and the courses are made affordable to all sections of the society.

Hypothesis: 5

Competition forces lower fee ranges across all disciplines and programmes of study under self-financing courses

The hypothesis states whether competition reduces the differentiation in the fees across different programmes of study and even for the same programme across all colleges. If there is a large differentiation in fees, it might show that there is no standardisation and competition has not been strong enough to reduce the differentiation. Differentiation may justify the differences in quality, yet competition should ensure in the long run a tendency towards less differentiation.

It was observed that the lowest fees charged for Bachelor in Arts. B.Com and MA programmes are the second and the third lowest. The highest fee is charged for Masters in Computer Application and the second highest fee is for BCA. M Sc is the third highest and BBA is the fourth highest. Various programmes in Computer fetch the highest fees under self-financing course in colleges. Thus, there is a large difference in fees across

the programmes. However, what is most interesting to note is that along the same programme as well, there is a large range in fees. There is fee range of Rs. 1,89,028 for BCA, Rs. 60,766 for MSc and Rs.45,000 for MCA. While some variation in fees may be accounted for differences in quality of the programme and management of the types of colleges, probably not all variation can be accounted for quality factor and management alone. In fact, the competitive pressure has not been sufficient to reduce the differences in fees. Hence, the *hypothesis of competition forcing the fees to be the least is not supported through the empirical observation.*

There is a need to ensure less differentiation in the fee range for the same programmes. For programmes in different subjects as well the standardized fee at undergraduate and post-graduate level should exist with a maximum range permissible.

Hypothesis: 6

Competition will force the proportion of fees from regular courses and self-financing courses to be uniform across all colleges

The importance of self-financing courses from the stand point of finance needs to be understood. Whereas the enrolment in a regular course is roughly three times the enrolment in self-financing course, the mobilization of resources from self-financing course constitutes 31% of total receipts and from regular courses 16% of total rceipts. In the sample study, we observed that there are colleges which have 3% of the share of fees from regular courses and 97% of the fees are collected from self-financing courses. On the other hand, there were colleges which collected 99% from regular courses and only 1% from self-financing courses. On an average, 47% of the total fees were found to be collected from regular and 53% of the total fees were found to be collected from self-financing courses. There is, thus, widespread variation in the collection of fees across all colleges. The variation is the result of not the higher enrolment in self-financing courses but mainly due to higher fees in some courses necessitated by the higher cost.

The question is whether competition will force the proportion of fees collected from self-financing courses to reach a certain maximum across all colleges. *This is what this hypothesis aims at.* The discussion on this has shown that at present there is wide variation in the collection of fees from regular and self-financing courses and *the hypothesis is not supported.* There are various factors that restrict the competitive

forces to operate. Institution's decision to launch the self-financing courses from financial point of view may be guided by a number of factors such as the regulatory control on self-financing courses, management types, the demand for the course and willingness of the faculty and, above all, the funding crunch etc.

Hence, universities may issue guidelines to the colleges to collect fees from self-financing courses up to a maximum limit and can permit the collection above this limit only in exceptional cases. This will help prevent any commercialisation that institutions might be wishing to indulge in through self-financing courses.

Hypothesis: 7

Fee as a percentage of total receipts will have a tendency to concentrate around average across all colleges.

Results show that, on an average, the fee receipts from regular courses constitute 16% of total receipts and from self-financing courses 31% of total receipts. Thus, overall picture that emerges is that 47% is the total fee component of the total receipts in a college. The contribution of government and the UGC is 50% of total receipts. Roughly, 70% of the government and aided colleges were found to collect fees as percent of total receipts from regular courses in the range of 0-16%. In fact, **a little less than 50% colleges were found to collect fees as per cent to total receipts in the range of 0-10%, 20% colleges in the range of 10-16%** and **30% colleges in the range of 16% and above.** Thus, there also is a large differentiation among colleges with respect to regular fee as proportion of total receipts. Across the board, not all colleges have high collection from regular fees. *Information, thus, rejects the hypothesis that fee as a percentage of total receipts will have a tendency to concentrate around average across all colleges.*

Another finding is also interesting. With few exceptions, colleges that collect less from regular courses were also collecting less from self-financing courses. As a result, the total fee collection as per cent to total receipts was in the range of 0-10% in the case of 15% colleges and in the range of Rs.0-16% in the case of 25% colleges. However, self-financing courses in the rest of the institutions support, in a big way, to meet the expenses of the college. In general, there is hardly any transferability of financial resources from self-financing to regular courses in government colleges. In government aided and private colleges, it is quite possible that self-financing courses support colleges in payment of salary to teachers who may not be getting their remuneration

from government grants. These colleges may also be spending on infrastructure etc. out of the fees collected from self-financing courses.

Conclusion

An important conclusion of the study is that 83% of the colleges charge fee in a range of Rs 0-5,000 for regular courses whereas only 31% of the colleges charge fee in the range of Rs 0-5,000 for the self-financing courses. Most of the colleges (47%) charge fee in the range of Rs 10,000-20,000 for self-financing courses. It was observed that average fees per student in regular courses are Rs 1,759. The average fees per student for the self-financing courses are six times the average fees per student of the regular course. The average fee for the self-financing course was observed to be Rs.10428. If we take the over-all fees of students by taking regular and self-financing courses together, then the incidence of fee on student is worth Rs. 3,477.

The average fees in the colleges at Rs. 13,567 are the highest in the northern region, followed by the colleges of south and western regions. In the eastern region, relatively poorer students cannot afford to pay higher fees for self financing courses. Hence, there seems to be less demand for self-financing courses reflected in lower average fees for self-financing courses. Self-financing courses flourish in those regions which are economically better off.

The information suggests that government colleges are definitely charging lower fees in comparison to aided and private colleges. However, 22% of the programmes in the highest fee range of Rs. 20,000 and above also speak of government colleges following the way of the private and aided colleges so far as self-financing courses are concerned. It is also difficult to distinguish aided and private colleges in terms of self-financing programmes, as the distribution of programmes in different fee ranges almost follows the same pattern.

71% of the courses in general disciplines fall in the fee range below Rs. 10,000. 57% of the courses in applied disciplines fall in the fee range below Rs. 10,000. On the other, hand 48% of IT and 50% of Management discipline courses fall in the fee range of Rs. 10,001-20,000; 24% of IT and 25% of Management discipline courses fall in the fee range of Rs. 20,000 and above. It amply proves that IT and Management courses in the self-financing mode are costlier than the courses in general and applied disciplines.

The self-financing courses have emerged the major contributor of finance to the colleges. On an average, 47% of the total fees were found to be collected from regular and 53% of the total fees were found to be collected from self-financing courses. This clearly shows the prominent role of self-financing courses in the internal resource mobilization of colleges.

It may be noted that salary constituted 75 per cent of total receipts of the colleges. As non-fee receipts constituted 56 % of total receipts, it was the fee from regular courses that could provide resources for salary. However, given the level of fees of around 16% from regular courses, there was still deficit for the payment of salary and recurring expenditure for maintenance and capital expenditure. The logic of introducing self-financing courses was to meet the deficit for the payment of salary, operating expenditure and capital expenditure.

At the level of college, it is the demand factor that is used to explain the variation in fees across regions. An important policy recommendation from this is that the process of fee determination should not be kept flexible. The flexibility in fees may lead to a continuous upward revision in fees. Fees once determined should be fixed for at least three or five years, irrespective of inflationary movement.

The finding that aided colleges and private colleges have more or less same fee range indicate that structures are becoming weak in forcing competition to penetrate in the self-financing programmes. Thus, *the hypothesis that Competition forces less differentiation in fee range in self-financing programmes in colleges by management types is supported in the case of aided and private colleges but not so fully in the case of government colleges.* This has implications for policy makers to evolve a strong monitoring mechanism to supervise the fees in the self-financing courses in government as well as aided and private colleges.

An important analytical result of the study is that there is a need to ensure less differentiation in the fee range for the same programmes. For programmes in different subjects as well the standardized fee at undergraduate and post-graduate level should exist within a maximum range permissible.

A little less than 50% colleges were found to collect fees as per cent to total receipts in the range of 0-10%; 20% colleges in the range of 10-16%; and 30% colleges in the range of 16% and above. Thus, there also is the large differentiation among colleges

with respect to regular fee as proportion of total receipts. Across the board, not all colleges have high collection from regular fees. Information, thus, rejects the hypothesis that fee as a percentage of total receipts will have a tendency to concentrate around average across all colleges.

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Chapter Six

Students and Faculties Feedbacks

Introduction

So far the self-financing courses were examined from the institutional point of view. The fee under the self-financing mode was the principal focus of the analysis. The feedback from the students and the faculty were missing in our analysis. An interesting dimension of the study is to know the family background of the students pursuing self-financing course. The educational, social and economic background of the parents of the students and the analysis of their preferences are the central themes of this chapter. Analytically, an interesting question is to understand the perception of students and their parents towards education itself. The perspective of human capital formation is analysed. It throws light on the perception of the students. They think of education as yielding returns in the future. It means that cost-perspective of fees is seen only in relation to the expected return from education. If fees are justified from return point of view, then cost hardly matters. The human capital perspective is explored in this chapter from the feedback received from the students and the faculty.

Another interesting point is to throw light on the household cost of education. The household cost of education is relegated to the background in any discussion on fees. It is implicitly assumed that demand for education is a function of fees. However, there are other components of the household cost of education which cannot be ignored. The study throws light on those components and further suggests that they cannot be ignored as they are major components. Policies in higher education should address non-fee components of the household cost of education as well. More than fees, other components may be stumbling blocks in guaranteeing the equality of opportunity.

Last but not the least important is to understand whether regular and self-financing courses are complementary or the substitutes. In the case of the former, the self-financing courses increase access and in the case of latter, it may, restrict access. Thus, the effect of self-financing courses on access is examined in the present chapter. Various recommendations emerging from our analysis are also examined.

Basic Information of the Sample Students

It is important to report feedback from the students enrolled in self-financing programmes. A total of 306 students provided us the information and the feedback on self-financing programmes. The sample of students was taken randomly from the colleges that provided detailed information on self-financing courses. The students selected to report the feedback on self-financing courses were taken from Andhra Pradesh (3%), Assam (12%), Delhi (9%), Goa (8%), Harayana (4%), Himachal Pradesh (3%), Jharkhand (10%), Karnataka (1%), Maharashtra (7%), Orissa (3%), Punjab (7%), Rajasthan (8%), Tamil Nadu (10%), Uttar Pradesh (1%), Uttarakhand (1%) and West Bengal (3%). Thus, sample of students was well spread across all states. The self-financing programmes covered mainly students from two age groups. 62% students belonged to 20-24 year age group and 32% students belonged to 18-20 year age group.

Social and Educational Background of the Family of Students

Social background of the students studying in the self-financing courses shows that majority of students, 87%, belong to the general category of students. Only 6% of them are from scheduled castes and 4% from scheduled tribe category. 3% of the students are from differently challenged category. Thus, the social composition of students is biased against socially deprived classes. Information in the questionnaire from the institutions reported that they follow the rules of reservation for SC and ST categories. The lower representation of SC and ST shows that availability of reservation does not guarantee the accessibility, if access to higher education is restricted on many other considerations.

Educational background of the families of students, i.e., educational qualification of students' father and mother is important information that throws light on the background of students who have access to the self-financing programmes. It is observed that the highest percentage of students' father is graduate. A little above 50% of the fathers of students studying in self-financing programmes are either graduates or the post-graduates; 24% of them are higher secondary and 20% are high school pass. Only 4% of the students report that their father had some school education and none of them reported that their father was illiterate. If we look at the mother's qualification we

notice that 19% of them are graduates and 8% are post-graduates; 23% of the students mothers are higher secondary and 30% are high school pass. (*See Figure-6.1 and 6.2*)

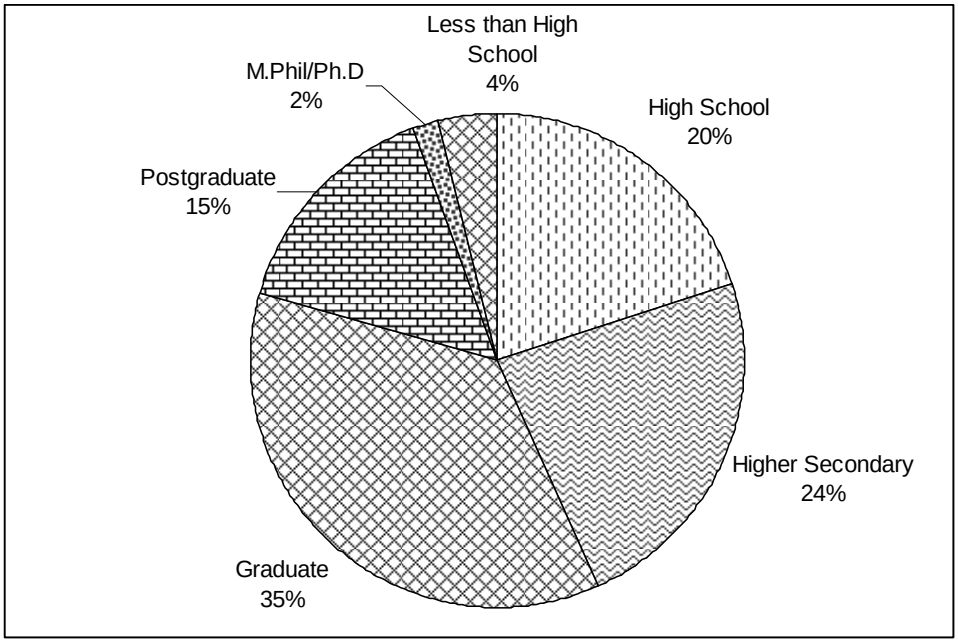

Figure 6.1: Educational Qualification of Father (%)

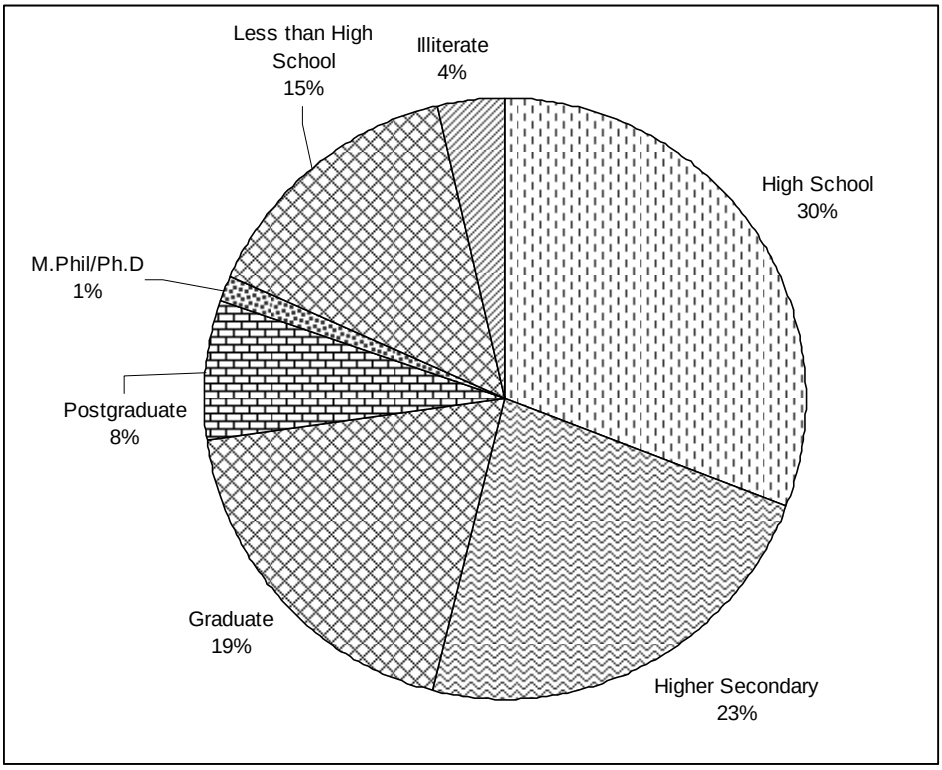

Figure 6.2: Educational Qualification of Mother (%)

Educational qualifications of the parents of the students studying in the self-financing courses show that they are all highly qualified. It means that self-financing courses provide access to those students who belong to very good educational background.

It is important to note that most of the female students were enrolled in self-financing programmes. The respondent female students constituted 64% of the total number of students in the sample and if it could be generalized it may be noted that self-financing courses do not discourage the participation of girl students. At all India level, 40% of girl students participate in higher education. In self-financing courses, however, participation of higher proportion of girl students breaks the myth that higher cost of education will have any bias against the enrolment of girls. This is also confirmed from the fact that the educational qualification of the students' parents is very high and such families support the education of girls. Higher fees in self-financing courses do not form a barrier or restriction to participate in higher education for the girls of the well to do families.

Economic Background of the Students' Family

One of the most important indicators of accessibility is the affordability of students. The affordability can be measured from the family income of the students. Students reported that 49% of their family's income is less than Rs. 1 Lakh; 36% of the family's income was in the range of Rs. 1 Lakh to 3 Lakhs; while 15% of the families' income was above Rs. 3 Lakhs. Thus, 51% of families of the students had income above Rs. 1 Lakh. Economic background of family of the students confirm that most of the students belonged not to the poor families, only a minor proportion may not have been able to afford education out of the current income of the family. They may have been providing education out of the past saving or by borrowing from different sources. (*See Table-6.1*)

Table-6.1
Family Income of the Students

Family Income	No. of Students	%
Less than Rs. 1 Lakh	150	49
Rs. 1 Lac to Rs. 3 Lakhs	111	36
Rs. 3 Lacs to Rs. 5 Lakhs	36	12
More than Rs. 5 Lakhs	9	3
Total	306	100

Level of SFC Course

48% of students responded that their previous educational attainment was higher secondary. Of those who had finished higher secondary, 43% of these students were pursuing SFC courses at the level of graduation and 5% of them were studying at the diploma level. It shows the preference of students in favour of 3 year graduation. They hardly seem to have preference for diploma. 43% of students pursuing SFC were already graduates. 35% of them were pursuing post-graduate qualification and 7% were doing post-graduate diploma. Here also we notice there is preference only for the two year post-graduate degree rather than post-graduate diploma. (*See Figure-6.3*)

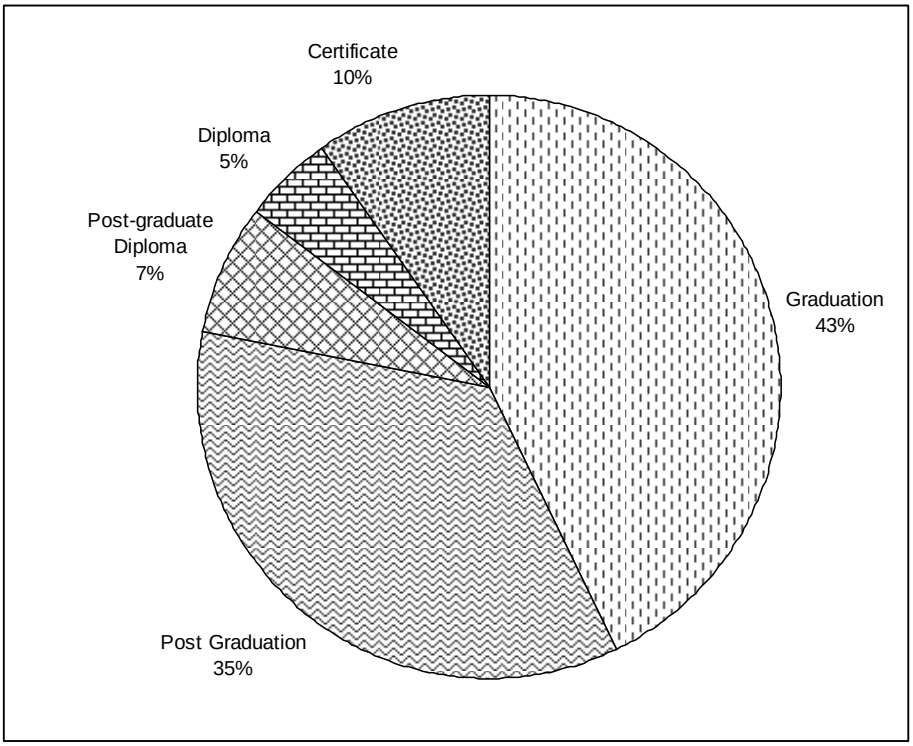

Figure 6.3: Educational Level of Students of SFC (%)

Preference for Choosing Self-Financing Courses

It is quite interesting to analyse the responses of students regarding preference for choosing Self Financing Courses. In all three rankings students do not consider relevance of curricula of any importance for the choice of SFC courses. It is also interesting to observe that boredom with regular courses is also not the reason for choosing self financing courses. In the first ranking 43% of students responded that personal interest is the reason why they are pursuing the SFC courses. 31% of the

students recorded that course provides placement opportunities. In the second ranking as well as third ranking the maximum students supported that placement opportunity is indeed the most important reason for pursuing Self Financing Courses (*See Table-6.2*).

Table-6.2
Preferences to Choose the SFC Programme

No.	Preference for SFC	Ranking					
		Ist	%	IInd	%	IIIrd	%
1.	Personal Interest	132	43	55	18	50	16
2.	Recommended by others	9	3	24	8	32	10
3.	Course provides placements opportunities	94	31	79	26	57	19
4.	Boredom with regular courses	3	1	10	3	12	4
5.	Wide academic scope of the course	55	18	67	22	48	16
6.	Relevant curricula	1	0	8	3	23	8
7.	No preference	12	4	63	21	84	27
	Total	306	100	306	100	306	100

57% of students noted that they have campus placement opportunities in the college for the self-financing courses; 17% of them reported that they have been selected in the campus placement interview; while 9% of them could not be selected in the campus placement. 69% students had so far not appeared in the campus placement as they were still studying the course. 17% of the respondents reported that they were doing part-time job to enhance their professional skills. 21% students responded that they were in favour of doing job. 58% reported that they will continue their studies in order to enhance employability in the job market. It is also important to note that students were quite satisfied with the facilities provided by the college. More than 50% students rated the facilities as very good and excellent. 67% students reported that faculties engaged in the colleges were very good.

Is High User Charge of the Course Justified in Terms of its Performance?

Students' satisfaction from self-financing course noted above was further confirmed by asking their views on fees of self-financing courses. The high user charge was completely justified, as reported by the students. 71% students justified it. Only 19% felt that it was not justified. (*See Figure-6.4*)

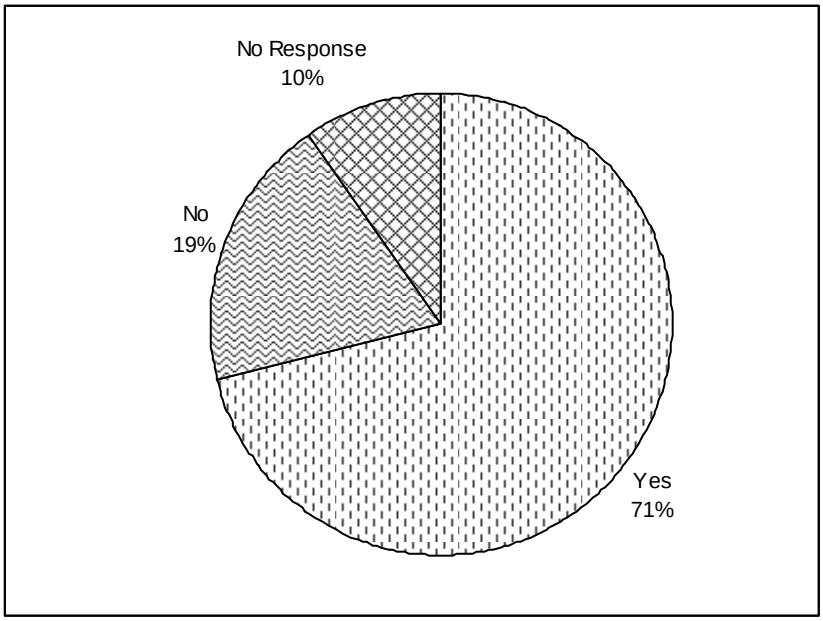

Figure 6.4: Is High User Charge Justified?

Financing the Cost of Education

There is an extremely interesting finding emerging from the information on total cost of education. There is the traditional belief that the instruction cost of education should be subsidized by the state and hence the tuition fee should be kept at the minimum possible level. All other non-instruction cost such as examination, canteen facilities, culture, sports, library etc. should also be subsidized by state, yet the cost of non-instruction may be shared with the students. Under this logic, tuition fee was kept at a very low level. However, increasing non-instruction and development cost was transferred from state to the students. Hence, total fees went on rising for regular courses. Not much attention was paid to the third important component of education, as it was thought that it was the primary responsibility of the family/household to meet the expenses on account of food, housing, conveyance and the teaching-learning material. State also, in a limited way, subsidized this component of the cost by providing hostel facilities, bus facilities and the subsidized ration. In most academic discussions the issue of fee receives utmost attention, whereas other components of household cost of education are relegated to the background. In this study, information was collected to understand the magnitude of other components of the household cost of education.

The information provided by students points out that for self-financing courses, fees do not account for a major component of the cost of education. The increasing price and shortage of accommodation in the towns and cities have made food, housing and conveyance much costlier. Of the total household part of the cost of education, 29 % is on account of fees; 24 % on account of food, and 21 % on account of housing; 5% on account of conveyance; 6% on account of private tuition; and 15% on account of others. Thus, household cost of education other than fees constitutes 71% of the cost.

On the basis of the institutional survey, it was noted that average fees per students is approximately Rs.11,000 which seems under-reporting in comparison to the information given by the students. However, if the institutional result is taken as valid, more than three-quarter of the non-fees constitutes the household cost of education.

Thus, other household cost should not be ignored in the economics of education of a student. It is a major cost both in magnitude and proportion. It should be the primary responsibility of the institution to provide accommodation and mess facilities to the students on a full cost basis. Institutional arrangement for food, housing and conveyance would drastically reduce the cost in comparison to the market price of these components of the household cost. Such arrangements can also be made by the institution on public-private partnership basis. It is interesting to note that 50% saving in the cost of food, housing and conveyance would mean a saving of around Rs. 18,000. It means that an equivalent amount of the consumer surplus is generated which can be either used to cross subsidise the poor students or used in reducing the fees or even transferring the surplus to the students. At least 25% of the students in a college whether in a regular course or in a self-financing course should be completely covered by the subsidized availability of these facilities. (*See Table-6.3*)

Table-6.3
Average total cost of education per annum (Rs.)

	Average total cost of education per annum (Rs.)	%
Fees	21,785	29
Food	17,591	24
Housing	15,789	21
Conveyance	3,904	5
Private tuition	4,195	6
Other	11,428	15
Total	74,692	100

Feedback from the Faculty

Among the feedback on self-financing courses, received from 325 faculty members, 25% of them were doctorates. 43% had Master of Philosophy as their qualification and 31% the post-graduates. Of those who were engaged in self-financing courses, 4% were professors, 9% were Associate Professors and 82% were Assistant Professors/Lecturers. Sample of faculty was quite well representative across different states. Faculty members were asked to give feedback on their preference for the launching of self-financing courses in the institution.

In the opinion of the faculty, low demand for regular subsidized course is not the reason for launching self-financing course. Institution's financial viability is also not the reason for the launch of self-financing course. In the second and third ranking quite a few of the faculty (16-18%) admitted that to introduce innovation in regular course is difficult due to bureaucracy. The most prominent reason for launching self-financing course was to produce skill oriented graduates. In the first ranking preference, 46% of the faculty felt so. They were also convinced that there is quite a high demand for self-financing course. (*See Table-6.4*)

It is, thus, important to note that, even faculty feel that the demand for education is for building skill among the students. Self-financing courses fulfill largely this demand and hence, it is popular among students even at a high user fees. Faculty thus feels that self financing course fulfils the demand for students. The relevance of education is to fulfil the demand of the clients which is obviously to give them the necessary skill for the job.

Table-6.4
Preferences for Launching of Self-Financing Courses in the Institution

No.	Reason of Launching SFC	Ranking					
		Ist	%	IInd	%	IIIrd	%
1.	High demand for self-financing course	89	27	54	17	42	13
2.	Low demand for regular course	9	3	27	8	37	11
3.	To introduce locally relevant curricula	29	9	46	14	42	13
4.	To create an image of the institution	6	2	26	8	46	14
5.	To produce skill-oriented graduates	148	46	83	26	34	10
6.	To make institution financially viable	29	9	23	7	32	10
7.	To support teachers in terms of financial benefit	1	0	10	3	15	5
8.	To introduce innovation in regular course is difficult due to bureaucracy	13	4	51	16	58	18
9.	No preference	1	0	5	2	19	6
	Total	325	100	325	100	325	100

Strengths and Weaknesses of Self-Financing Courses

Faculty across the sample was asked to point out the strengths of self-financing courses. They hardly supported the view that the self-financing courses provide financial stability to the institution. Around only 5% of them noted in all rankings that self-financing courses provide financial stability to the institution. Quality of students also was not the strength of the self-financing courses. 29% in the first ranking, 17% in the second ranking, 19% in the third ranking supported that job placement is one of the important strengths of self-financing courses. Thus, in the students' perception as well as that of the faculty, job-orientation is important factor in the self-financing courses. As per perception of the faculty curriculum, attractive teaching-learning, quality of faculty and that of infrastructure are the strengths of the self-financing courses. Students' satisfaction from self-financing courses delivered in the colleges also testifies the above strengths highlighted by the faculty. (*See Table-6.5*)

Table-6.5

Strengths of Self-Financing Courses

No.	Strengths of SFC	Ranking					
		Ist	%	IInd	%	IIIrd	%
1.	Curriculum	44	14	31	10	34	10
2.	job placement	94	29	54	17	63	19
3.	Attractive teaching-learning	67	21	62	19	45	14
4.	Quality of the faculty	56	17	72	22	62	19
5.	Quality of students	1	0	22	7	35	11
6.	Quality of infrastructure	48	15	54	17	53	16
7.	Financial stability to the institution	14	4	24	7	20	6
8.	No preference	1	0	6	2	13	4
	Total	325	100	325	100	325	100

Faculty, however, highlighted the fact that self-financing courses charge high fees and do not represent all social groups, particularly those who are poor. 34% faculty in their first ranking was of the opinion that high fees are the weakness of the self-financing programmes. This could be the reason for under-representation of social groups as well. In fact, faculty was also of the opinion that insofar as fees are high, this may promote eventually the commercialization of higher education. 68% of the faculty agreed with this and 38% opposed the thesis of commercialisation due to high fees. (*See Table-6.6*)

Table-6.6

Weaknesses of Self-Financing Courses

No.	Weaknesses of SFC	Ranking					
		Ist	%	IInd	%	IIIrd	%
1.	High fees	112	34	34	10	33	10
2.	Social groups not represented	45	14	79	24	28	9
3.	Poor Quality of the programme	10	3	17	5	10	3
4.	Curricula not Attractive	11	3	9	3	32	10
5.	Job placement not good	34	10	29	9	27	8
6.	Not enough applicants received	47	14	47	14	37	11
7.	Unavailability of good teachers	19	6	24	7	31	10
8.	No preference	47	14	86	26	127	39
	Total	325	100	325	100	325	100

Whether Affects Adversely the Regular Courses

Regular courses are heavily subsidized and average fees of regular courses are low. In government or government aided colleges, it is the primary responsibility of a teacher to support in teaching-learning processes to students belonging to all social groups. To meet the expansion need due to high demand for job-oriented courses, these institutions began to launch self-financing courses. Government found it difficult to meet the increasing financial liability on account of expansion and implicitly supported the institutions in terms of policy of self-financing programmes. It is feared that policy of self-financing programmes may adversely affect the regular courses. Whether this fear is right in the perception of faculty? Faculty answered on a 50-50 basis, 50% supporting this fear, and, an equal percentage opposing this fear as well. As 52% faculty argued that faculty gives more time in self-financing courses as compared to regular course, there seems to be a potential fear of marginalization of regular courses at the cost of self-financing courses. The very fact that 43% of students reported that Entrance/Interview is the admission criteria for SFC programme also shows that it has the competitive edge over regular courses. Thus, parallel programme on self-financing basis may in future replace the regular programme. Regular programme will have lower demand for those who can afford to pay high fees. Naturally, fee-based programme will generate students' expectation and to meet the high expectation level of students, teachers will have to devote time for it. On the other hand, no innovation will be possible for a low cost regular programme which finds greater representation of all social groups. Hence, there is a need to be cautious in promoting the self-financing courses.

Hypothesis: 1

Self-Financing Courses restrict access and act as a barrier against equal opportunities.

Case: 1

Assume that there is the total demand, X, for higher education. Also assume that Y1 number of students are enrolled in the regular course, such that X –Y1= Z is greater than zero. If self-financing courses enroll students, Y2, so that its enrolments reduce the value of Z without affecting Y1 or X, then we can say that self-financing courses are complementary to regular courses. In such a situation, Self-Financing Courses **increase the access** and reduce the value of excess demand. This may be called the complementary effect of the introduction of self-financing courses. In this case, some unenrolled students who can afford to pay enroll in the self-financing courses.

Case: 2

If self-financing courses enroll students, Y2, so that its enrolment does not affect the value of Z or X, but reduces the value of Y1, then self-financing courses are said to substitute regular courses and **access to higher education continues to remain the same.** This may be called the substitution effect of the introduction of self-financing courses. There is simply a shift from regular enrolment to self-financing enrolment. The shift may take place because the attractive curricula and job-placements may attract students from regular courses to self-financing courses

Case: 3

In another case, if self-financing courses enroll students, Y2, so that its enrolment reduces the value of Z, but it does so by reducing the value of X, without any change in the value of Y1 then **access increases**, excess demand falls just by restricting the demand for it. It is a situation when due to high fees of self-financing courses demand for higher education from lower socio-economic groups falls down. However, a part of demand from higher socio-economic group is met through self-financing courses.

Case: 4

This is a special situation of case 2. If self-financing courses enroll students, Y2, so that its enrolment does not affect X but the negative effect on Y1 is greater than the positive effect on Y2, the value of Z, as a result, goes up. **This is strictly speaking a situation which the hypothesis states, i.e., Self-Financing Courses restrict access.** This may

happen when a self-financing course leads to an increase in the fees of regular courses so that enrolment in regular courses drastically falls down and is not compensated by an increase in the enrollment in self-financing courses which was referred to above as the law of association of fees.

Sample results show that roughly one-quarter of the enrollment in higher education is in self-financing courses. There is also a significant difference in the fees of regular and self-financing courses. High correlation between fees of regular and self-financing course also proves the law of association of fees. From two observations can we say that case 4 holds in the Indian context? Case 4 does not hold true because there is a growth in regular enrollment as well as self-financing enrollment over a period of time. In spite of high fees charged in self-financing courses and the possibility of fees in regular courses increasing in affinity enrollment in higher education is increasing. It points towards the possibility of case 1 referred to as above. It means that regular and self-financing courses are more in the nature of complementary goods. Thus, *hypothesis 1 is rejected*.

Hypothesis: 2

Self-Financing Programmes promote the UGC policy of add-on courses and vocationalisation of higher education.

Policy of UGC is to promote vocationalisation under Career Orientation Programme. Under the programme certificate/diploma/advanced diploma programmes are being run parallel to the conventional B.A., B.Com. and B.Sc. degrees. At the end of three years, the students will be equipped with Certificate/Diploma/Advanced Diploma in an add-on orientation course along with a conventional degree in Science/Arts/Commerce. Assistance from the UGC is available for such add-on courses.

Research results show that 22% programmes are run under certificate, diploma and PG diploma. 78% programmes are either at the graduate or at the post-graduate level. Thus, the dual degrees are being given utmost in 22% cases only. The research findings show that most of the programmes under self-financing mode are full graduate or post-graduate programmes which were not the intent of the UGC policy. Besides, the decision to fix the price without any cost guidelines also may have encouraged the institutions to charge fees under self-financing mode a little higher. Therefore, it is

recommended that UGC should issue guidelines relating to cost and fee range to determine for different programmes under some formula.

Hypothesis: 3

Students and parents consider education as human capital formation and prefer to invest in education in the expectation of future returns

This hypothesis can be examined from different standpoints. First of all, it should be noted that the hypothesis refers to those households whose children are studying in self-financing courses. They may be dominantly from a particular socio-economic background. Thus, the hypothesis does not refer to all households in India. The research findings suggest that the parents of students studying in the self-financing courses are all highly qualified and have very good educational background. Economic background of the family of the students also confirms that most of the students belonged to the middle income group of the families.

If we examine the fees per annum and more importantly the household cost of education as a ratio to the average income of the households in different income groups, we observe that the ratio varies widely from lower income family (less than Rs. 1 lakh) to middle income family (lower in the range of Rs. 1-3 lakh and higher in the range of Rs. 3-5 lakh) and to higher income group in the range of Rs. 5 lakhs and above. In the lower income group and even in the middle income group, the income is not sufficient to finance the household cost of higher education which is worth Rs. 75,000. Still families are educating their children. This amply proves that those households are treating education as human capital formation. They may have been providing education out of the past saving or by borrowing from different sources.

Given the above social and economic background of the households, the perception of the family about education is examined. Placement opportunity, in students' perception, turns out to be the most important reason for pursuing Self-Financing Courses. Most of the students justified high user charge of the self financing courses and some of them had secured a job in campus selection. Faculties admitted that job placement is one of the important strengths of self-financing courses. They also admitted that to produce skill-oriented graduates is the main reason for launching self-financing courses. Above perception of the different stakeholders proves that education is being considered as

human capital formation. Households prefer to invest in education in the expectation of future returns.

The fact that households consider higher education as human capital formation has many implications. Households seem to be interested to invest in education in the expectation of future returns. As long as expected returns exceed the cost, their propensity to invest in human capital formation will be high and will not be restricted by current income of the households. It means that fees should be justified not from the point of view of paying capacity, i.e., income of the household but from the point of quality. Quality is seen in this perspective from the point of preparing students for the job market. Thus, curricular reform should be the priority of self-financing courses.

Hypothesis: 4

Faculties are responsive to the market demand, yet feel inhibited to launch self-financing courses

It is important to analyse the opinion of the faculty towards self-financing courses. Is faculty in the colleges responsive to the demand of students for market relevant curricula and courses? What do they feel about strengths and weaknesses of the self-financing programmes?

In the opinion of the faculty, the most prominent reason for launching self-financing courses was to produce skill-oriented graduates. In the first ranking preference, 46% of the faculty felt so. They were also convinced that there is quite a high demand for self-financing courses. They also admitted that job placement is one of the important strengths of self-financing courses. This perception of the faculty, negating the financial viability and low demand for regular courses, is a positive indication of their attitude towards self-financing courses. It shows their readiness to launch self-financing courses.

Faculty members, however, highlighted the fact that self-financing courses charge high fees and do not represent all social groups, particularly those who are poor. 34% faculty in their first ranking was of the opinion that high fee is the weakness of the self-financing programmes. In fact, faculty was also of the opinion that insofar as fees are high, this may promote eventually the commercialization of higher education. 68% of the faculty agreed with this and 38% opposed the thesis of commercialisation due to high fees.

Under the circumstances, in the government colleges, faculties do have some inhibition to launch the self-financing courses and expect that government support would ease the pressure of high fees in self-financing courses.

Hypothesis: 5

Fees constitute an important component of the household demand for education.

In academic and policy circles fees are one of the most hotly debated issues. Fees are also politically sensitive as they, directly impact the students. It is generally assumed that fees are an important constituent of the cost of education – instruction as well as non-instruction cost to be borne by the students. Little attention is, however, paid on the household component of the cost of education. Hypothesis is posed from the demand side of education. It is important to know what the proportion of fees is in the household cost of education. The demand for education is not simply the function of fees but it also depends on the cost of housing, food, conveyance and others. Students receive higher education outside the place of residence and they have to rely on market forces for food, accommodation etc. Hypothesis states whether fees constitute an important component of the household demand for education.

For the household, income and other socio-cultural factors are also important factors determining demand for higher education. Considering income and other factors as given, should only fees as price variable be considered in the demand function? The analysis of the cost of education shows that fees constitute only 25% of the total cost of education. 75% of the cost is accounted for by food, housing, conveyance, tuition cost and others, as students have to live outside the place of residence for higher studies. Hence, the appropriate demand function for higher education must include price of other factors as well. The implication for policy is that state needs to subsidise not only the fee component but also food, housing, conveyance and various other factors that affect demand in an important manner.

Another point to consider is the income in the determination of demand for education. Under hypothesis 3, we examined this issue at length and observed that households consider education as an investment in capital formation. As an investment good household cost of education, of course, matters but what matters most is the expected return from investment in human capital. From investment point of view, the

households' current income is also not an important consideration in the demand for education.

Thus, the conclusion is that fees do not constitute an important component of the household demand for education. There are other costs that are equally important in affecting the demand for education. More importantly, education is considered as an investment in human capital. From this perspective, fees should be considered in relation to the expected returns from investment in education.

Conclusion

The information provided by students pursuing self-financing courses is quite interesting. First of all, it must be noted that as opposed to regular courses which are highly subsidized, the self-financing courses are being pursued by the students belonging to well-off families. Both the parents are highly educated and well paid off. Information received points towards the fact that education is more an investment in human capital. At the higher education level, of course, the investment is lumpier. They prefer a course that could secure a job to the students. Given job-oriented courses, the fee charged to recover the cost is not an obstacle or difficulty. Even if the current income is not sufficient to meet the cost of education, parents are willing to bear the burden of high cost. Obviously, the parents can meet the cost out of their past savings. Education is no longer a consumption item that can be purchased out of current income. It is very much an investment that families undertake in the hope of expected return that could compensate the cost. It is for this reason that the demand for self-financing courses seems to be quite high.

Another interesting observation that the study points out is that fees in self-financing courses do not constitute a very large proportion of total household cost of higher education. Inflation over a period of time has affected the food price and shortage of housing facilities near the college in the towns has increased the household cost of education. Household component of the cost of education has been so far a neglected area both in academic research and government policy. Governments must make it mandatory for the institutions to have minimum accommodation facilities in or around the college campus and centralized mess facilities so that household part of the cost of education falls down significantly and students are able to bear the fees component of the cost of education. The argument holds for the regular courses as well.

The most prominent reason for launching self-financing courses was to produce skill-oriented graduates. Most of the students recorded that a self-financing course provides placement opportunities. Students also reported that they have been selected in the campus placement interviews.

Faculty, however, highlighted the fact that self-financing courses charge high fees and do not represent all social groups, particularly those who are poor. 34% of the faculty in their first ranking was of the opinion that high fees is the weaknesses of the self-financing programmes.

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Chapter Seven

Summary of Findings and Recommendations

Tuition Fee: Rationale

1. Historically, the policy of free tuition has been followed in the majority of countries and almost all countries of the world. The Keynesian welfare state regime have subsidized higher education. Thus, for providing greater access and higher benefits to the society, the governments have historically followed the policy of free tuition. The governments have ignored any consideration against free tuition fee even if the major beneficiary of higher education have been the rich. The impact of tuition fee has been felt by all sections of society, including the poor as well. It has indeed been convenient for the central and state governments to talk of an ideology of free-tuition-fee policy. However, when it comes to practice, the difficulty starts. Governments fail to pay for the resources needed to subsidize higher education in the case of free tuition fee policy. When government fails to fulfil commitment, then the tuition fee begins to be charged in practice. Self-financing programmes become the normal practice. The danger from such an ideology is that reality is not accepted and absence of discourse blocks alternative policy tools to be discussed.

2. The principle of efficiency of tuition fee suggests that: (i) the beneficiary of education should pay the tuition fee; (ii) the administration cost of the collection of tuition should be minimum; and (iii) the benefits of education in return of tuition fee should be such that marginal return of education should be equal to the marginal cost incurred in the payment of tuition fee. It is the principle of optimum benefit from tuition to the student. If there is low tuition fee, the beneficiary of education is not the person who necessarily pays the tax. The beneficiary may be a person from rich class whereas the tax payer may be the person from poor class. Thus, the free or low tuition fee case does not support the first principle of efficiency. In case where tuition fee is imposed the beneficiary of education is the person who pays the tuition fee. Hence, the first principle of efficiency holds if the tuition fee is imposed.

3. The deregulation of fees in the Indian higher education is being permitted in a variety of ways. The liberal permission to grant deemed university status to the private institutions and the establishment of private universities under state

legislation has been increasing in recent years. There are private professional colleges affiliated to the universities. There are also a number of unrecognized private sector which is growing at an exponential speed. Mainly, the private unrecognized sector is engaged in running diploma and certificate programmes, except a few running even degree programmes, either independently or in collaboration with foreign universities. These institutions also determine fees by themselves.

4. The issue of admission and fees policy in the private professional colleges has been a contested terrain between government and private providers of higher education. Judicial pronouncements were made to settle the admission and fee in private institutions. As a result of latest court pronouncements in Islamic Education case, different state governments began to regulate fees in private colleges.

5. Most of the recommendations have noted that increase in fees is necessary. Still there has not been a compensating increase in fees necessitated by decline in public expenditure and rise in the cost of higher education. Most state governments have resisted increase in fees. There is a sub-optimal level of fees in most government institutions. As a consequence, there has been a rise in the number of self-financing institutions that have begun to charge fees on full cost recovery. On the one hand, state did not allow a rational increase in fees in government and aided private colleges and, on the other hand, failed to control commercialization in private self-financing colleges. Although there was a move to enact the legislation on admission and fees of private higher education institutions on the directions of honourable Supreme Court of India, the government seems to have deferred it. Market was allowed to dominate higher education.

Tuition Fee Policy and Experience in Select Countries

1. There are four types of tuition fee policies: (i) Upfront tuition fee policy is the one where tuition is paid upfront and it is the responsibility of the parents to cover the educational cost of their children; (ii) No tuition fee policy is based on the assumption that primarily it is the responsibility of the state to pay for all instructional costs; (iii) Deferred tuition fee policy assumes that tuition fee is deferred for payment in the future. Family of the student does not have to pay the tuition fee in the present. State may pay for the tuition fee in the present or banks

advance the loans in the present equivalent to the tuition fee. In the future it is the responsibility of student to repay the tuition fee out of the income earned to the state in the form of tax or to repay the loan to the banks; and (iv) Dual track tuition fee policy is applicable where there is resistance to tuition fee. Under the policy, a certain number of free (or low) tuition university places are awarded by the government to meritorious students and other places are available to low scoring students on a tuition fee paying basis.

2. India follows a low tuition fee policy to be paid upfront in most government and aided institutions. In private institutions, on the other hand, there is tuition fee on full cost basis to be recovered upfront from the present family income of the student. There is hardly any deferred tuition fee approach. There is dual track tuition in engineering education. After a competitive examination at the central or state level, a student securing better percentage of marks gets entry at a relatively lower tuition. A certain percentage of management quota is fixed state-wise. Institution charges a full cost mark up price under the management quota. A full track tuition fee is now in practice in almost every college. For a regular course, a low tuition fee is charged. On the other hand, the same institution runs some self-financing courses and charges a high tuition fee.

3. In British Isles, gradually universities are moving towards greater share of costs to be borne by the student. Even if there is high upfront tuition fee, the income contingent loan facilitates the student to pay the top-up tuition fee to be paid out of the loan. As the loan is income contingent, the student is liable to pay for the loan when income is earned by the student. In U.K., the experience of the new system is still to be tested on access and equity. In principle, the above scheme of deferred fees is considered to be fairer and less likely to damage access. Means tested grant together with a remission of fee grant and increased bursary provision in UK guards the poor students against the burden of tuition fee and higher debt obligation.

4. In U.S., tuition fee has increased with the tightening of fiscal belt to account for the increase in the cost in quality. However, the access is not adversely affected as there is efficient and diversified grant system for students. Besides the competitive conditions in the market, innovations in financing and use of education technology to save the costs have been important features of higher education. In U.S., most major state universities have increased their non-state funding to around 70% of

their total income. Universities are becoming entrepreneurial at a rapid rate. At the research/doctorate level, the net tuition revenue is 20.4%. Gift and endowment earnings in public and private research institutions are 10.5% and 24.4% respectively. In public institutions, government contribution ranges from 64% to 78%. In private institutions government contribution ranges from 9% to 38%.

5. Funding pattern in Australian higher education system, during 1986-98, underwent radical changes. Government contribution fell from 87 % to 52 %. During this period students' fees increased from 5 % to 16 %. Decline of government funding led to innovations in the financing of higher education in Australia. Higher Education Contribution Scheme (HECS) was introduced. The new system is a combination of tuition plus income contingent loan available to most Australian students. Another innovation has been the corporatization and market orientation to the courses in higher education. As a result of export of higher education, international fee income reached 8.3 % of all institutional income by 1998. Fees in public institutions are, however, substantially less than the fees charged in private institutions.
6. In Japan, tuition charges and fees are critical to the financing of higher education. Every student in the private sector pays tuition and fees that are more than double to those paid by students in the national sector. Essentially, therefore, students in the national sector enjoy a much more advantageous position than students in the private sector.
7. China introduced the policy of charging tuition and other fees. As a result, government dependence of funds reduced from 96% in 1978 to 82% in 1992. The higher education, in the year 1998, made tuition fees compulsory for college students while ensuring that the government continues to increase its financial allocation to public institutions. As a result, in 1997, Government share in the higher education funding declined to 63.4%.

Research Results

1. Pennell and West (2005) have examined research evidence relating to the impact of fee on participation in higher education by students from lower socio-economic status. In 2006, grant for new entrants to higher education was retained. Means tested grant of £1,500 and a remission of fee grant of £1,200 for undergraduate

students from lower socio-economic groups was introduced alongwith income contingent loans. The above economic reform was expected to generate resources from fees without adversely affecting participation of the students from lower socio-economic status.

2. Research findings from US (Paulsen and St. John, 2002) revealed the choice of students from low socio-economic background. They found that students from low socio-economic background are tuition cost conscious and higher cost of tuition and other living cost adversely affect their decision to continue higher studies. Davies and Elias studies (2003 a and 2003 b) from UK also noted that students dependent on loan as source of financing were more vulnerable to drop out to increase in tuition fee compared to those whose main support was based on grants. Student loans and tuition fees were also likely to increase the debt level of students. The average level of debt went up by 150% above inflation during 1998-99 to 2002-03 (Callender and Wilkinson, 2003). Most interestingly, students from low socio-economic groups may be debt-averse and, hence, less likely to participate in higher education in a changed regime of loan and tuition fee policies. A policy of loan and tuition fee is likely to adversely affect the participation of students from lower socio-economic groups. However, it also depends upon a liberal system of grants to the students. Given grants and bursaries the risk element may come down and positive attitude to participation may be generated among students from lower socio-economic status. (Pennell and West, 2005)

3. Rolfe Heather (2003) explores the effects of changes in funding arrangements, and particularly in tuition fees, on universities in UK and their strategic responses to these changes. Research findings are based on four universities ranked in order of status. All the four universities, particularly, two post-1992 universities, were increasing the amount of vocational provision. Younger universities were also considering expanding sub-degree provision. Universities were encouraging e-learning, both to reduce cost and increase quality. Students were now more concerned to get value for money. Research held the central position in the strategy of all universities. Universities were also found to encourage post-graduate and international students as they were able to yield more revenue. Marketing was considered essential in order to attract students. Universities were also closing down courses which were in least demand. All the four universities were trying to create a

brand image. The above findings from UK universities show that funding constraints and increase in tuition fee are forcing universities to adopt market strategies. Quality consciousness is high among them, as students could be attracted to universities which would serve the interest of students more. Supply of programme is thus more and more demand-driven.

4. Dill David D (2003) suggests that performance in higher education depends on the conduct of the producers of higher education. The conduct is affected by the market structure or the degree of competitiveness of higher education and the latter depends on the institutional framework of laws and rules that include regulations, norms and traditions relating to autonomy, freedom and tenure. Government policies shape the rules and norms as well as the structure of market. Government policy also affects the conduct of higher education. The effect of tuition fee affecting the overall performance of higher education can be examined by the interplay of conduct, market structure and rules and norms that are shaped by government policy.

5. Another research finding from UK universities highlighted the fact that increase in tuition fee is part of the market strategy adopted by the universities and the full tuition is bound to have various other market implications. Vocational programmes, learner centered approach, innovations in curricula and emphasis on quality, technology integration by education providers will be guaranteed as programmes are normally demand-driven rather than supply-driven. Self-financing programmes launched in Indian universities and colleges will be guided by customer satisfaction. Thus, regular and self-financing programmes based on two philosophies in a college are bound to create tension among academic faculty. In the former the social considerations will dominate and in the latter case, the market principles will guide the programmes.

Recommendations

The international experience suggests that a rise in tuition fee does have some adverse impact on the participation of students from lower socio-economic groups. However, different countries have evolved innovative ways to deal with this situation. Judging from experiences of the select countries, India needs to respond to hike in tuition fee by liberally granting scholarships to poor students. Another policy could be to grant loan facilities at subsidised rates. Loans may be income contingent. The self-financing programmes will be more and more customer focused with innovations in curricula. Institutions will adopt more market strategies to generate revenue. Government, while responding to it, must keep a close watch on the developments and try to reverse the situation whenever such need arises.

Fees of Self-Financing Courses at University Level:

Fee Ranges in Self-Financing Courses in universities

1. It is significant to note that central university's fee for the self-financing programmes falls in the lower fee ranges. 18% of the programmes in the central university fall in the fee range of Rs. 0–5,000; 10% in the fee range of Rs. 5,000–10,000; and 41% of the programmes fall in the fee range of Rs.10,000-20,000. In the case of state university also, 26% of the programmes are in the fee range of Rs. 0–10,000. 40% of the programmes of state universities are in the fee range of Rs 20,000-50,000 and 18% in the fee range of Rs 50,001-1,00,000. Only 11% of the programmes fall in the fee range of Rs. 0–10,000 in the case of Deemed University.. Deemed universities programmes normally fall in the high fee ranges. More than 40% of programmes fall in fee ranges of Rs. 50,000 and above.
2. Average fee of self-financing programmes in central university, state university and deemed university is Rs. 19,274, Rs. 31,388 and Rs. 46,510 respectively. Except Agriculture and General Discipline, average fees in all the discipline programmes are highest in Deemed universities.
3. It is interesting to note the fee range of the self-financing programmes in the major disciplines. Majority of the programmes from Agriculture and Law disciplines fall in the fee range below Rs. 20,000. Maximum percentage of

programmes in Applied disciplines and General disciplines are in the fee range of Rs. 20,001-50,000. Self-financing programmes in Education are costlier as 38% of programmes are in the fee range of Rs. 50,001-1,00,000. Programmes relating to IT and Management are in all the fee ranges Rs.10,001-20,000, Rs. 20,001-50,000 and Rs. 50,001-1,00,000. 33% of programmes in Engineering & Allied Technology are in the fee range of Rs. 1,00,001-1,50,000. Medical & Pharmacy programmes are the costliest with 28% of the programmes in the fee range of Rs. 1,00,001-1,50,000 and 23% of the programmes in the fee range of Rs. 2,00,001 & above.

4. Average fees per student in self-financing courses in the universities of South region are the highest. It is Rs. 78,400 in the universities of the southern region. Average fee per student in the western region is the lowest at Rs. 16,138. The universities in the eastern region rank only second in terms of the fee of the self-financing courses

5. Fee range across all different universities in India for the self-financing courses is very high. The highest fee range may be observed in various MSc programmes. The minimum fee of Rs.4,500 is charged in some university whereas the maximum of Rs.24,500 is charged in another university. Similarly, for Bachelors in engineering, the minimum fee of Rs. 13,360 is charged and the maximum of Rs. 1,55,240 is charged in some university. For M.Tech; MCA and MBA programmes also the fee range is unusually high. The fee range for courses like BBA and BBM is the smallest. It shows wide diversity of fee ranges for the same programmes.

- As there is no uniformity in fees it is less likely that there is efficiency in determining the fees. Fees are likely to be less efficient, as there is absence of competition. However, for self-financing courses, the lower fees in central and state universities means that social groups will be better represented in central and state universities than in private deemed universities. The differential fees explain low efficiency but high equity.

Recommendation

Assume that fund constraint forces central and state universities to run self-financing programmes, then it is always better that more and more self-financing programmes are allowed in central and state universities. It will ensure better representation of social groups than private deemed universities. On the other hand, efficiency consideration will force deemed universities to lower the fees. However, it must be kept in mind that it is a desirable policy only when universities face resource crunch from the government.

- Neither demand nor supply can adequately explain the level of fees. High unit cost in medical in relation to engineering may explain higher fees of medical education. What it basically means is that fees in self-financing courses in engineering and medical are cost determined. If we analyse other low cost disciplines such as general education (Art+Science+Commerce), the growth rate in enrolment is negative and institutions have expanded at 7.6% rate of growth having a depressing effect on fees. In agriculture and veterinary sciences, there is little demand in relation to the growth of institutions. The lower demand may also have depressing effect on fees. In education, high growth rate of institutions in relation to demand means that fees should have been lower, yet a higher level of fees means that cost along with an element of profit might have an influence on fees. Similarly in, Law education, high growth rate of institutions should have depressing effect on fees. Fees will show a tendency to come down in the future.
- The point to note is that there is a low correlation (0.62) between the compound rate of growth in enrolment and fees. It is also not significant. There is a high correlation (0.92) between the compound rate of growth in institutions and fees. It means demand does not explain the fees. It is the cost under different modes of delivery of education that could explain fees from the supply side.

Recommendation
Cost of professional education is forcing higher fees in these disciplines. Government should subsidise the cost of professional education in order to cut down fees. Subsidies could be in terms of land and infrastructure support. Government may develop education hubs at different locations where all facilities could be made available at subsidised rates.

Fees of Self-Financing Courses at College Level:

Fee Ranges in Regular and Self-Financing Courses in colleges

1. 83% of the colleges charge fee in the range of Rs 0-5,000 for regular courses whereas only 31% of the colleges charge fee in the range of Rs 0-5,000 for the self-financing courses. Most of the colleges (47%) charge fee in the range of Rs 10,000-20,000 for self-financing courses.
2. It was observed that average fees per student in regular courses are Rs 1,759. The average fee per student for the self-financing courses is six times the average fees per student of the regular course. The average fee for self-financing courses was observed to be Rs.10,428. If we take the overall fees of students by taking regular and self-financing courses together, then incidence of fee on the students is worth Rs. 3,477.
3. Average fees per student in the eastern region are Rs. 5,438 only. The average fees in the colleges at Rs. 13,567 are the highest in the northern region, followed by the colleges of south and western regions. The eastern region is economically less advanced in comparison to all other regions. In the eastern region, relatively poorer students cannot afford to pay higher fees for self-financing courses. Hence, there seems to be less demand for self-financing courses reflected in lowest average fees for self-financing courses. Self-financing courses flourish in those regions which are economically better off.
4. 61% of the self-financing programmes in government colleges are in the lowest fee range of Rs. 0-5,000. The information shows that 28% of programmes in aided colleges and 36% of programmes in private colleges fall in the lowest fee ranges. It is interesting to note that, in terms of programmes, the highest per cent of programmes, 39%, are in the fee range of Rs. 10,000-20,000 in aided

colleges and 25% of programmes of private colleges are in this fee range. Besides, 11% of the programmes are in the fee range of Rs. 20,000 and above in the case of both aided and private colleges. It is also significant to note that 28% of programmes of private colleges and only 22% of the programmes in aided colleges are in the fee range of Rs. 5,000-10,000.

5. It may be observed that 34% of General courses in arts, science and commerce fall in the fee range of Rs. 0-5,000 and 37% fall in the fee range of Rs. 5,000-10,000. Thus, 71% of the courses in general disciplines fall in the fee range below Rs. 10,000. 57% of the courses in applied discipline fall in the fee range below Rs. 10,000. On the other hand, 48% of IT and 50% of Management discipline courses fall in the fee range of Rs. 10,001-20,000; 24% of IT and 25% of Management discipline courses fall in the fee range of Rs. 20,000 and above. It amply proves that IT and Management courses in the self-financing mode are costlier than the courses in general and applied disciplines.

6. The lowest fee is charged for Bachelor in Arts; B.Com and MA programmes are the second and the third lowest. The highest fee is charged for Masters in Computer Application and the second highest fee is for BCA. MSc is the third highest and BBA is the fourth highest. Various programmes in Computer, thus, fetch the highest fees under self-financing courses in colleges.

7. The fee range for some of the above courses is extremely high. For example, one fails to understand the fee range of Rs. 1,89,028 for BCA, Rs. 60,766 for MSc and Rs.45,000 for MCA. While some variation in fees may be accounted for differences in quality of the programme and management of the types of colleges, probably not all variation can be accounted for quality factor and management alone.

8. A little over 50% of the colleges (20 out of 36 colleges) in the sample were found to collect more that 50% of the fees from self-financing courses. Thus, the self-financing courses have emerged as the major contributor of finance to the colleges. On an average, 47% of the total fees were found to be collected from regular and 53% of the total fees were found to be collected from self-financing courses. This clearly shows the prominent role of self-financing courses in the internal resource mobilization of colleges.

9. In a sample of 36 colleges, it was noted that, on an average, regular fee constituted 16% of total receipts of the colleges. Fees from self-financing courses constituted 31% of total receipts. Thus total fee constituted 47% of total receipts. Non-fee revenue consists of central, state governments and UGC grant as well as other receipts from management and philanthropic support. On an average, non-fee receipts constitute 54% of total receipts.

- There is an interesting finding which shows that there is very high correlation between the average fees in regular and average fees in self-financing courses. It means that high (or low) average fees in regular course imply high (or low) average fees in self-financing courses or vice versa. Any tendency to increase fees in either of the course (regular or self-financing) will show a tendency towards rise in fees in other courses as well. This may be stated as law of association in fees upward tendency in one associated with the upward tendency in others as well.

Recommendation

An important policy recommendation from this is that process of fee determination should not be kept flexible. The flexibility in fees may lead to a continuous upward revision in fees. Fees once determined should be fixed for at least three or five years irrespective of inflationary movement. The Knowledge Commission's recommendation that fees should be indexed to prices does not find favour, as such policy would always put an upward pressure on fees and rate of growth in fees may even outpace the rate of inflation.

- Government colleges for majority of the programmes charge less fees under self-financing mode and do not behave in the same way as aided and private colleges. Nonetheless, for some 22% of the programmes even the government colleges are led by market forces and charge fees in a similar manner as aided and private colleges. The finding that aided colleges and private colleges have more or less same fee range indicates that structures are becoming weak in forcing competition to penetrate in the self-financing programmes.

Recommendation

This has implication for policy makers to evolve a strong monitoring mechanism to supervise the fees in the self-financing courses in government as well as aided and private colleges.

- IT and Management courses, which have a high demand base, are costlier than the courses in general and applied disciplines.

Recommendation

The message for the policy makers is that there is a need to provide financial support in high demand courses so that the fees, in such courses, are lowered and the course is made affordable to all sections of society.

- Along the same programme, there is a large range in fees. There is fee range of Rs. 1,89,028 for BCA, Rs. 60,766 for MSc and Rs.45,000 for MCA. While some variation in fees may be accounted for differences in quality of the programme and management of the types of colleges, probably not all variations can be accounted for quality factor and management alone. In fact, the competitive pressure has not been sufficient to reduce the differences in fees. Thus, standardisation in fee structure is lacking

Recommendation

Differences in fees for the same programme across all colleges need to be reduced through strong monitoring and guidelines on fee determination.

- There is wide variation in the collection of fees from regular and self-financing courses. On an average, 47% of the total fees were found to be collected from regular and 53% of the total fees were found to be collected from self-financing courses. There are various factors that restrict the competitive forces to operate so that the proportion of fees from regular courses and self-financing courses tends to be uniform across all colleges

Recommendation

Universities may issue the guidelines to the colleges to collect fees from self-financing courses up to a maximum limit and can permit the collection above this limit only in exceptional cases. This will help prevent any commercialisation that institutions might be wishing to indulge in.

- A little less than 50% colleges were found to collect fees from regular courses as per cent to total receipts in the range of 0-10%; 20% colleges in the range of 10-16% and 30% colleges in the range of 16% and above. Thus, there is large differentiation among colleges with respect to regular fee as proportion of total receipts. Across the board not all colleges have high collection from regular fees.

Recommendation

Colleges that charge fees as per cent of total receipts in more than 16% (i.e. above the all India average) need to explain the basis for high fees from regular course. Universities need to monitor these cases and only in case of satisfactory reason should universities allow the college to charge higher than all India average. 16% fees from regular course as per cent of total receipts can be said to be the benchmark level of fees.

Feedback from Students and Faculty

1. Educational qualification of the parents of the students studying in the self-financing courses shows that they are all highly qualified. It means that self-financing courses provide access to those students who belong to very good educational background.
2. Participation of higher proportion of girl students breaks the myth that higher cost of education will have any bias against the enrolment of girls. This is also confirmed from the fact that the educational qualification of the students' parents is very high and such families support the education of girls. Higher fees in self-financing courses do not form a barrier or restriction to participate in higher education by girls.

3. 51% of the families of students had income above Rs. 1 lakh. Economic background of the family of the students in self-financing institutions confirm that most of these students belonged to well-of families and not to the poor families,

4. In self-financing courses, there is preference of students in favour of 3-year graduation and post-graduation. They hardly seem to have preference for diploma.

5. 31% of the students recorded that the course provides placement opportunities. In the second as well as third rankings, maximum students supported that placement opportunity is indeed the most important reason for their pursuing Self-Financing Courses.

6. 57% of students also noted that they have campus placement opportunities in the college for the self-financing courses. 17% of students reported that they have been selected in the campus placement interview.

7. It is also important to note that students were quite satisfied with the facilities provided by the college. More than 50% students rated the facilities as very good and excellent. Move towards self-financing courses is well appreciated by the students. The high user charge was completely justified, as reported by the students. 71% students justified it.

8. The information provided by students points out that for self-financing courses, fees do not account for a major component of the cost of education. The increasing price and shortage of accommodation in the towns and cities have made fooding, housing and conveyance much costlier. Average household cost of education was reported to be Rs. 74,692. Of the total household part of the cost of education 29 % is on account of fees. 24 % of the cost is on account of food and 21 % is on account of housing. 5% of the cost is accounted for by conveyance, 6% on account of private tuition and 15% on account of others. Thus, household cost of education other than fees constitutes 71% of the cost.

9. In the opinion of the faculty, the most prominent reason for launching self-financing course was to produce skill oriented graduates. In the first ranking preference, 46% of the faculty felt so. They were also convinced that there is quite a high demand for self-financing courses. In the students' perception as

well as the faculties' perception, job-orientation is an important factor in the self-financing courses.

10. Faculties, however, highlighted the fact that self-financing courses charge high fees and do not represent all social groups, particularly those who are poor. 34% faculty in their first ranking was of the opinion that high fees are the weakness of the self-financing programmes. This could be the reason for under representation of social groups as well. In fact, 68% of the faculty were also of the opinion that insofar as fees are high, this may eventually promote commercialization of higher education.

- The fact that households consider higher education as human capital formation has many implications. Households seem to be interested to invest in education in the expectation of future returns. As long as expected returns exceed the cost, their propensity to invest in human capital formation will be high and will not be restricted by current income of the households. It means that fees should be justified not from the point of view of paying capacity but from the point of quality. Quality is seen in this perspective from the point of preparing students for the job market. Thus, curricular reform should be the priority of self-financing courses.

Recommendation

Universities should create a benchmark in the standards for self-financing courses in terms of curriculum, availability of competent teachers, teaching-learning practices, evaluation, library, lab facilities etc. Students' expectation of higher future returns from education should be fulfilled.

- Analysis of the cost of education shows that fees constitute only 25% of the total cost of education. 75% of the cost is accounted for by food, housing, conveyance, tuition and others, as students have to live outside the place of residence for higher studies. Hence, appropriate demand function for higher education must include price of other factors as well.

Recommendation

The implication for policy is that the state needs to subsidise not only the fee component but also food, housing, conveyance and various other factors that affect demand for higher education in an important manner. Governments must make it mandatory for the institutions to have minimum accommodation facilities in or around the college campus and centralized mess facilities so that household part of the cost of education falls down significantly and students are able to bear the fees component of the cost of education.

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