

## **Chapter-6**

### **Introduction of Self-Finance Courses in The M.S. University of Baroda**

#### **Section I**

##### **6.01 Trend Towards Privatization**

The decline in public expenditure on higher education has been a global crisis. Compelled by economic reform policies or convinced of the rationale for the reduced role of the state in funding higher education, most countries have inflicted serious cuts in public budgets for higher education. According to Bray (1998), privatization is a process, rather than a state. It is the process of moving from less public ownership and financing and/or control to more private ownership, financing and/or control. Therefore, privatization has the dimensions of ownership, financing, and control.

This trend exists in many countries, in some or all of the following areas: total public expenditure on higher education, per student expenditures, public higher education expenditure's share in relation to a particular country's national income or total government budget expenditure, and allocations in absolute and relative terms to important programs that include research, scholarships and so on. The decline is not confined to developing countries, though it is more prevalent in developing than in developed countries. There has been a significant fall even in advanced countries such as the United Kingdom, Australia, and New Zealand-though generally higher education in high-income countries has not suffered much. The decline is steep in some countries-such as Botswana, Jamaica, Hungary, and New Zealand. (TilakJ.B.G. 2006)

Speaking at the UNESCO conference, Verghese said private higher education was the fastest growing sector in education and had increased its share of higher education provision. Worldwide around 30% of higher education enrolments are now estimated to be in private institutions, even though public provision is still expanding in many countries. The report quotes predictions that the demand for higher education worldwide will have expanded from 97 million

students in 2000 to more than 262 million by 2025. But the rapid growth of the private sector, particularly since the 1980s and 1990s, is bringing its own challenges for government in terms of quality control as well as equitable access. (Yojana Sharma 2009)

## 6.02 International Trends in Privatization of Higher Education

Contrary to the popular belief, many Asian countries including India and also many English-speaking African countries, now have higher levels of private higher education provision than the United States, which has remained almost stable in the last few decades at around 20-25% of total enrolments at private institutions. Indonesia, Japan, Philippines and Korea have more than 70% of enrolled students in private institutions, though elsewhere in Asia in Cambodia, China, Thailand and Vietnam, the share is well below 15%. Countries such as Chile, Brazil and a few others have more than half their students in private institutions. The proportion of students in private universities is lowest in Western European, Francophone African, and Arab countries at less than 10% of enrolments while only 3% of Australian students are in private universities. (Yojana Sharma 2009). This is shown in the table below.

**Table 6.01**  
**Share of private sector in higher education in selected countries (%)**

Country	Institutions	Enrolment
Chile	93.3	71
Malaysia	92.2	39.1
Brazil	89.9	70.8
Japan	86.3	77.1
Georgia	84.8	23.8
Philippines	81.1	76
Mexico	69.1	33.1
Thailand	68	19
USA	59.4	23.2
China	39.1	8.9
Russia	37.1	10
Germany	29.5	3.7
Israel	14	11

**Source:** Program on Research on Private higher Education,  
State University of New York at Albany 2005

There is a high participation of the private sector in higher education, in terms of the share in total number of institutions, in Japan, South Korea, Chile, Brazil, Malaysia and US. But the share of the private sector enrolment in the total enrolment in higher education is relatively low in Malaysia, Mexico, Thailand, and the US. Therefore, in many countries the private sector plays a limited or a dominant role in higher education. In some countries, privatization goes back a few centuries. In other countries, this is a new phenomenon.

### **6.03 Share of Private Sector in Higher Education in India**

By the 1980s, improvements in basic education and Indian society's growing aspirations had resulted in a huge capacity gap in higher education. The changing structure of the economy demanded new skills which the public institutions were not able to provide. Because of a general rise in income levels, private higher education was within reach for many who wanted it. The private sector had already proven itself with successful forays into the primary and secondary education markets and was poised to venture into the awaiting higher education market. In India both public and private institutions operate simultaneously. In 2000-01, of the 13,072 higher education institutions, 42 per cent were privately owned and run catering to 37 per cent of students enrolled into Higher education, that is, approximately 3.1 million out of total 8.4 million.

In Indian scenario the 1990s saw a major turn in the history of contemporary higher education. The decade was one of turmoil, with an important development being the sustained efforts toward privatization of higher education in India. The Government of India's 1997 discussion paper on Government Subsidies in India provided a revealing insight into government thinking. For the first time, higher education (as well as secondary education) was classified in the discussion paper as a "non merit good" (and elementary education as a "merit good"), government subsidies for which would need to be reduced drastically. It

reclassified higher education into a category called "merit goods," which need not be subsidized by the state at the same level as other merit goods.

Mishra S.K. (2003) has focused on the discussion that the mammoth system of higher education in India which is almost wholly government supported, is in deep financial strain with increasing needs, escalating costs and shrinking budgetary resources. He argues that it is necessary to devise means to self-finance these institutions of higher learning. He suggests that it is erroneous to think that as long as the institutions of higher learning are financed by the government, they educate students at the lower private cost, that no sooner will the government stop financing them than they will tap their fuel from the market, that the demand for higher education is potent and large and so on.

It is also likely that most of the growth in the rapidly expanding higher education sector might take place in private unaided college or in self-financing institutions. Since grant-in-aid to private colleges is becoming difficult, many governments/universities have granted recognition/affiliation to unaided colleges and many universities have authorized new 'self-financing' courses even in government and aided colleges. It is felt that as of now more than 50 per cent of the higher education in India is imparted through private institutions, mostly unaided. The gross enrolment rate of higher education in India needs to be doubled in the next decade. This involves a huge amount of investment. Since the Government will not be able to meet the requirement, all other sources of funds need to be tapped as well.

The size of demand and its projected growth, clearly indicate the need for new institutions imparting quality education in subject areas of contemporary relevance and job opportunities. Quality can be ensured only if there is sufficient competition among institutes to attract talented students and provide choices and innovative subject combinations. Unfortunately, the Indian regulatory regime tends to stunt supply rather than increase it (Sanat Kaul 2006). According to Tilak J.B.G(2002), the absence of a coherent long-term policy perspective on higher

education has been the hallmark of Indian higher education in the 1990s and even in the present decade. The government's lack of clarity on how to address the issue of privatization has led to ad hoc policies or, in their absence, to the chaos created by the several actors of higher education—the central government, the states, the University Grants Commission, the All India Council for Technical Education, the National Council of Teacher Education, universities, colleges, and (most importantly) the private sector.

#### **6.04 Government on Private Sector**

India is already a country of the largest body of illiterates in the world. Our tertiary education sector, which has set up institutes of excellence also, has a very poor record so far as government sector is concerned. The government has abdicated its responsibility to provide tertiary education to all those who desire and deserve. The southern states of Karnataka, Andhra Pradesh, Tamil Nadu and Kerala, however, allowed private institution to come up, especially in Engineering and Medical disciplines. (Sanat Kaul2006)

According to SS Gill (2005) out of 252 engineering colleges in Tamil Nadu only 14 were run by government. In Andhra Pradesh this figure was 250 and 18, in Karnataka 125 and 1, while in Kerala 220 and 11 respectively. As a result out of 818 engineering colleges in these four southern states only 5 per cent were run by state and the rest were unaided private institutions. It is these institutions, according to him, which spearheaded India's information revolution.

Figure under shows the growth of various types of institutions over the past five years. It indicates that while both the number of institutions and enrolment levels has stagnated in both government and private aided institutions, the private unaided sector has grown rapidly and this growth is of recent origin. Growth trends in India show that the higher education sector was controlled by the government till about 1980. After that, there has been a clear trend towards privatization of higher education. The figure below shows the growth of higher education institutions in the country during the period: 2000/01 and 2005/06.

**Table 6.02**  
**Percentage share of Higher education Institutions**

	2000-01	2005-06
Govt. and Aided	57.4	36.79
Pvt. Unaided	42.6	63.21

**Percentage share of enrolment in Higher education**

	2000-01	2005-06
Govt. and Aided	67.11	48.47
Pvt. Unaided	32.89	51.53

**Source:** Anandkrishnan M.(2006) “Higher Education in Regional Development Some Key Pointers”, Indo-UK Seminar on Regional Development, organized by UGC

As public funding of higher education declined in the 1990s, private sector institutions burgeoned in India. Many states have now framed legislation for setting up private universities. Accordingly, there has been an explosion of private institutions in higher education and technical education in India. In fact, private engineering colleges have been a key success factor behind India’s IT boom. (Kale .R.K.2007)

## Section II

### 6.05 Trends towards self financing course

Introducing self-financing courses can help in mobilizing funding from private resources. These courses have to be market-driven so that they can enable the students to enter into some gainful employment as soon as they finish their education at higher education institutions. The historic judgment of the Supreme Court in 1992 that practically banned high-fee-charging private colleges, known as "capitation fee colleges," stating that a capitation fee is "patently unreasonable, unfair and unjust," was followed by another historic judgment in 1993 that paved the way for the growth of the very same capitation fee colleges, under the name of self-financing colleges. Elaborate mechanisms were developed by the government

that helped in the proliferation of self-financing capitation fee colleges in the country. (Tilak J.B.G.2002)

The global competitiveness of Indian industry and also its employment generation potential is clearly dependent on availability of required skills and trained personnel. But as several recent studies have revealed the overall state of Indian higher education is dismal and therefore poses a severe constraint on the supply of qualified manpower. Over the years India has become the fastest growing economy of the world. In keeping pace with fast growth of economy the number of jobs in India too has risen. Earlier there's was a fascination among Indian youths to opt for government jobs. But today the scenario has changed though there are some youths who still prefer to go for government jobs in India as it offers life long security, good pay scale and attractive remunerations too.

Because of the carefully taken privatization and globalization policies by the government of India many jobs in India are created. It's reported that employers in the sectors of finance, insurance and real estate sectors are very optimistic about increasing the number of employees in these very sectors. These sectors were followed by increase of jobs in India in the varied services sector, where 45 per cent of the employers showed an increase in level of staffing requirements. (Prem Chandra 2009)

While Industry has a vital stake in higher education. It is not only because of the fact that the institutions of higher education provide trained manpower, but also because they, through scientific and rigorous research, open up new vistas for commercial breakthrough and economic development. It is, therefore, essential that there should be a closer interface between the universities and the industries. What is lacking in higher education system in India is unfortunate (Kale .R.K.2007).

Hence, it is clear from the above discussion that the concept of privatization including self-finance course is not new to the present decade. It existed since the inception of education in the world many decades ago in one or

the other form. But today in the present era, it has acquired a huge and crafty shape resulting from the financial crisis being faced by various economies, inculcating the education sector too as a part of its framework. (Gupta Arti, 2005). The financial crisis in education sector is visible in both developing and developed economies. Different economies have taken different measures to meet the financial need. The widely used and visible concept in this regard seeks an inclination for self-finance concept as a part of individual human investment. Today many universities in India and in other countries have adopted this concept at various levels to generate the additional finance other than the normal grants and to meet their rising needs.

#### **6.06 Self financing courses in The M. S. University of Baroda**

The M. S. University of Baroda is also no untouched with these changes taking place at the national and global level. For the past few years many self financed courses have been started in various faculties of the university. These include, Faculty of Commerce, Faculty Science, faculty of Social Work, management studies, etc. For instance, In the Faculty science three self finance courses have been introduced viz., Bachelor of Computer Applications (B.C.A), B.Sc. Bachelor Sciences (environmental science) and Seed Technology Programme. In the Faculty of Social Work various self finance courses include Master of Human Resource Management among others. The faculty of Commerce conducts five self finance courses namely Bachelor of business Administration (B.B.A), various post graduate diplomas in Accounting, Business Management, Marketing Management and Sales Management and Bachelor of Commerce as higher payment seats (B.Com). Since The Faculty of Commerce is the largest faculty in the university, an attempt is made here to understand the efforts made by the higher education system in generating internal sources of income. No doubt, there are few more things to be undertaken in context of these self-finance courses to make its existence more feasible in terms of its quality and market demand. In fact, it requires an independent study exclusively on self- finance



courses. This chapter is just a small effort to understand the contribution of various self-finance courses with a focus on the faculty of commerce.

### **6.07 Highlights of the Faculty of Commerce and its Departments:**

The present study deals with the self-financing courses conducted in the faculty of Commerce<sup>#</sup> of The M. S. University of Baroda. The Faculty of Commerce imparts professional education. The major objective of this section is as to examine the trends of income flow from self-finance courses of the faculty in generating various sources of additional income.

As already discussed earlier in chapter one, The faculty of commerce was established in the year 1949 with the student strength of 362. In the year 2007-2008 the total number of students (Under-graduate and Post-graduate) has reached a huge figure of 16,635. The courses being offered by the Faculty of Commerce enjoy tremendous demand. The faculty also offers professional P. G. Diploma Courses in the areas of Business Management, Financial Management and Sales and Advertisement. The restructuring of syllabus in B.Com. Programme has progressively been implemented year after year. All the Departments offer specialization in their individual disciplines. As a part of continuous improvement in academic achievement, the faculty has also encouraged research students for the award of degree of Ph.D. in various specialized subjects in which even the post graduate degree and diploma programmes are also offered by the faculty. .

At present the faculty is spread over four units: 1.Main Building, 2. Higher Payment Unit, 3.Girls' College and 4.Deep Ashwinbhai Patel Centre for Post-graduate Studies. It is also note worthy here that very few faculties of Commerce in the universities of India offer specialized courses in different subjects.

### **6.08 Highlights of the Departments**

The Faculty of Commerce has five independent departments:

1. **Accounting and Financial Management:** The Department of Accounting and Financial Management was established in the year 1949, right from the inception of Faculty of Commerce and The M. S. University of Baroda. The Department is engaged into teaching and promoting the discipline of Accounting and Financial Management. The varied areas covered are: Management Accounting, financial Management, Capital Market, Investment Management etc. for Under Graduate and Post-Graduate students.
2. **Banking and Insurance:** The Department is perhaps one of the premier departments in Indian Universities which is mainly engaged in Post-graduate Education and training. The P.G. Diploma in Banking provides one month training programme for the students in a nationalized bank in Baroda city as an integral part of the course curriculum.
3. **Business Economics:** The Department of Business Economics, one of the earliest departments in its field, impacts applied economics education to over 15,000 students at five locations in The M.S. University of Baroda. The department was originally with the Department of Economics, Faculty of Arts, till it got separated in 1972 as "The Department of Business Economics" attached with the Faculty of Commerce. It has the distinction of being India's second University Department, specializing in Business Economics with 30 faculty members. The faculty members' research output is reflected in over 35 Ph.D.s, and over 60 publications at national and international levels.
4. **Commerce, including Business Administration:** The second biggest Department of the Faculty of Commerce in terms of size and enrolment, having team of young and dynamic Faculty Members, has Vibrant and Active Management Students' Association. The Department was established in 1949 and it offers B.Com, M.Com and various Post-Graduate Diploma Courses in the subjects of Business Management, Marketing Management and Human Resources Management.

5. **Co-operation:** The department of Co-operation right from its inception is playing an important role in providing co-operative Education, Training and conducting Research Studies. It is also actively engaged in educating the students in 'cooperation' which is one of the thrust areas of Government Policy and Planning in materializing the Socio-Economic objectives. It is the only university department in the State of Gujarat and perhaps one of the very few in the country, imparting education in the area of Cooperatives.

As a system expands, it absorbs a population of students who come from a wide spectrum of socio-economic groups. The "massification of education" has occurred in India at the lower levels of education which feed into higher education. The quality of that education impacts on higher education. Inevitably, therefore, the higher education system has had to cope with the problems of a much diversified student body from first generation learners to those from professional and higher income families whose children are exposed to many other opportunities besides education. Increasing access and decrease in quality have been major issues confronting higher education with a very large young population and increasing strain in government resources. Murli Manohar Joshi (1998).

**Table 6.03**  
**Total Income to faculty of commerce from self financing courses**

Year	Accounting	Business Management	Marketing Management	Sales Management	B.B.A*	Total Income to faculty
2004-05	33600	20100	9600	---	1780000	1843300
2005-06	33300	19800	14100	---	2985000	3052200
2006-07	25500	20400	14400	7800	3495000	3563100
2007-08	33000	19500	17100	6600	4980000	5056200
2008-09	31500	14400	NA	NA	NA	45900
Total						13560700

**Source:** Data collected from related departments from the faculty

**Note :** --- Not started

NA : Not Available

**Table 6.04**  
**Total Income to university from self financing courses**

Year	Accounting	Business Management	Marketing Management	Sales Management	Total Income to University
2004-05	50400	30150	14400	NA	94950
2005-06	49950	29700	21150	NA	100800
2006-07	38250	30600	21600	11700	90450
2007-08	49500	29250	25650	9900	104400
2008-09	47250	21600	NA	NA	68850
TOTAL					459450

**Note:** --- Not started  
NA : Not Available

As per the syndicate resolution university gets a share of 15% of the income from these self financed courses whereas 10% share goes to t/he faculty. A very rough estimate about the income generated by the university and faculty of commerce during last five years comes to Rs. 135 lakhs and 4.5 lakhs respectively. Hence, the university and the faculty together have been able to generate an income of around Rs.140 lakhs over a period of 5 years. These figures are certainly not precise, only a rough estimate. Another question that arises here is where is this amount budgeted in the university account? This large amount is generated by the self financed courses is accounted as the “other source of income.” This raises certain policy issues. Firstly, if self- financed courses are being promoted by various agencies financing higher education, why is such a big amount of contribution by the faculties goes hidden as other income? Secondly, are these accounts being audited separately or along with other accounts of the faculty and the university? Third issue related to the efficient use of the resources as to how these funds are being utilized by the faculty? Are these funds being used for the development purposes? This issue is important as the development grants have been declining. This has already been discussed earlier. These issues need detailed analytical study for further probing.

## **6.09 Conclusion**

Privatization has become the mantra of the day everywhere, including the case of higher education. The sign of privatization of higher education has become so massive that even predominantly public higher education systems began to emerge as predominantly private in a very short period, making the relative presence of the public higher education sector almost imperceptible.

Undeniably today, the society cannot thrive without the system of higher education and therefore investment in higher education is imperative.

During the times when virtually all social sectors are facing resource crunch including the higher education sector, it is important is that there should be a growing concern about the issues of resource generation and efficiency in higher education system in the society. The universities on their part should on one hand spend the scarce resources wisely and on the other hand generate income even while within the framework of the system. The new trends of thinking and overall constraint in resources call for private initiative and community support.

Private support can help governments overcome financial, administrative and technical constraints. Several factors have encouraged this trend: the growing demand from beneficiaries for quality in education, rising incomes, lower cost of student financing, demand for new skills in the market place, declining public sector expenditures and others.

### **Note:**

\* .In case of B.B.A, data of students enrolled is collected from annual report of various years and fees considered as per prospectus of the B.B.A. course. Since, no separate data is available for various categories such as general/ higher payment/ special seats etc., fee as per the general category has been taken into consideration. This may be a gross underestimation of the fee. Because the fee for higher payment for instance, is much higher than that for general seats. This can still be useful in giving a rough idea about the self financed courses and their contribution.

# Much of the Information has been collected from faculty of commerce, information from deans of faculties/principles/heads of institutions for the year 20007-08.

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