ECONOMIC REFORMS AND HIGHER EDUCATION IN INDIA AND TAMILNADU

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ABSTRACT
Education is economically and socially investment. The concept of education begin a function of state has recent origin, both in the occident and the orient. In many developing countries, education is financed and provided predominantly by the state. The expansion of education therefore depends on fiscal resources. In the early 80s and 90s a major economic crisis surfaced in many developing countries. As a result the governments of various developing economies have followed a policy of macroeconomic stabilization and have introduced certain structural reforms. The policy of a sustainable fiscal position about by containing public expenditure seems to be the only way-out. Many times, financing arrangements also result in the misallocation of public spending on education. There is evidence, derived from various studies that returns to primary education are higher than returns to secondary education, which in turn are higher than to higher education. As a result a large number of graduates are produced in the fields like humanities; commerce etc. while there is short age in other fields.

With the fiscal containment, especially visible I higher education, it would be feasible to give greater role to private sector in financing with the introduction of widely available student loans and a limited number of selective scholarship. The available loans would enable the students to finance the current education against future income. Thus, the problem for lower income students would also be solved and education would not be limited to applicants with necessary funds at the time of enrolment. Along with this, the government could provide scholarships to low income students to finance tuition as well as living expenses. A greater extent of decentralization is needed. Some academicians oppose decentralization on the ground that decentralization destroys the capacity of the central government to direct local authorities to meet long range national needs for training personal. It prevents progressive administration from imposing high standards of public morality and efficiency on backward local authorities. But this cannot be thought of largely with adverse, macroeconomic conditions. Secondly, greater decentralization including more leeway for private and community schools is encouraging greater competition among them. If competition increases, better educational services are available, the cost for, leading to wider choices of schools for parents and students. This in turn increases the efficiency of the school.

Keywords: Economic Reforms; Higher Education

INTRODUCTION
Education is economically and socially investment. The concept of education begin a function of state has recent origin, both in the occident and the orient. In many developing countries, education is financed and provided predominantly by the state. The expansion of education therefore depends on fiscal resources. In the early 80s and 90s a major economic crisis surfaced in many developing
countries. As a result the governments of various developing economies have followed a policy of macroeconomic stabilization and have introduced certain structural reforms. The policy of a sustainable fiscal position about by containing public expenditure seems to be the only way-out.

The adverse macroeconomic conditions changed the course of the economic reforms in many developing countries. They envisage short term stabilization and long term structural adjustment policies and would definitely result in cuts in public financing for education. At the same time, the potential contributions of households are limited by the current financing arrangements. Various studies have revealed that, the per capita household expenditure on education in developing countries has not shown any significant increase. According to Tilak, the elasticity of expenditure on education (measure as percentage increase in expenditure on education for a unit increase in total expenditure) of the households is much less than the elasticity with respect to government expenditure. The results are underinvestment in education and an untapped willingness of households to pay for education.

Many times, financing arrangements also result in the misallocation of public spending on education. There is evidence, derived from various studies that returns to primary education are higher than returns to secondary education, which in turn are higher than to higher education. In spite of this, in many developing countries, governments heavily subsidize higher education at the cost of primary education. In higher education, investments in some specializations yield better private and social returns than in others, but public spending is not distributed accordingly. As a result a large number of graduates are produced in the fields like humanities; commerce etc. while there is shortage in other fields.

Many educationists have advocated the role of state in education because externality effects of education are significant. Social benefits are far greater than benefits perceived by individuals, and private markets fail to provide optimum education relative to its social merits. Secondly, to ensure equality of opportunity in education, state funding of education become necessary. Thirdly, education is subject to technical economies of scale and it is more convenient for government than private individuals to provide it. But the adverse macroeconomic conditions and the new economic policy indicate containment of public spending in more of the developing countries. The question of concern here is where public financing of education should end and where should private financing begin? The research analyzing alternative mixes of public and private financing of education does not suggest any theory of optimum mix of these two sources of financing.

Recovering Public Costs and Reallocating Resources

In countries where students receive tuition free higher education or pay partial tuition fee, an important step would be to charge tuition fee to recover at least part of the cost of providing higher education. The concept of free tuition and partial tuition fee should be confined to low income students. These charges would bring in substantial income students. These charges would bring in substantial income without reducing enrolments. A similar policy with less horizon of implementation could be introduced at the secondary level too.

But this concept cannot be brought in at primary level. The role of government has to vital. Two reasons for state action are the imperfections of the capital market, and the belief that there is social benefit from education not capture by the student. The first of these would suggest loans to parents as the appropriate remedy. Secondly, the child can have only a limited influence over educational choices made by the parents. If those problems are commanded by those related to social benefits, then the form of subsidization and state financing becomes more appropriate.

The first Commission on University Education (1948-49) appointed after independence in 1947 under Chairmanship of Dr. S. Radhakrishnan set out the basic aims of university education. It emphasized that the policies and the programmes of universities should ensure the reorientation of higher education to meet the national demand in the changed context. It outlined the goals of universities as follows:
To foster the kind of leadership in all walks of life by helping the individuals develop their potentials

To provide society with competent men and women trained in all professions who as cultivated individuals, are endowed with a sense of social purpose.

To strive to promote equality and social justice and to reduce social and cultural differences through diffusion of education.

To foster in the teachers and students and through them in the society generally, the attitudes and values needed for developing the good life in individuals and society.

To bring the universities closer to the community through extension of knowledge and its application to problem-solving.

Based on its recommendations the University Grants Commission (UGC) was constituted as the apex body on higher education in 1953 by an Act of the Parliament to provide the direction and support for the development of university education.

**University Grants Commission**

The University Grants Commission was constituted in 1953. The Commission was given an autonomous statutory status by an Act of Parliament in 1956. The Commission was principally entrusted with the charge of matters related to education. This included the determination and coordination of standards and the facilities for study. The Commission was asked to make a thorough research about these matters. The Central Government annually places at the disposal of the UGC adequate funds. The funds were required to implement new development schemes.

**Kothari Commission**

To review the national condition of education and to plan developmental schemes for education, an education commission was appointed by the government of India under the chairmanship of Dr. S. Kothari in July 1964. The Kothari Commission was also instructed to advise the government about the principles and policies to be adopted for the development of education. The Commission recognized that education and research were crucial to the entire development and progress of socio-economic and cultural progress of the country. At the same time the Commission also condemned the rigidity of the existing system of education.

- The Commission recommended for the introduction of work experience and social services as an integral part of general education.
- Emphasis was given to moral education which would inculcate a sense of social responsibility.
- The Commission also recommended vocationalisation of secondary education and strengthening the Centers of advanced study.
- To set up universities providing education of international standard was recommended by the Commission.

**National Policy On Education**

Two decades later the Government of India produced the National Policy on Education (NPE) in 1986, (with modifications undertaken in 1992) reaffirming that “Education is a Unique investment in the present and future”. It emphasized that higher education system should:

- Contribute to national development through dissemination of specialized knowledge and skills.
- Play a key role in producing teachers for the education system.
- Become dynamic as never before in the context of unprecedented explosion of knowledge.
Be consolidated and expended to meet the need for large number of universities and colleges.
Launch the Open University system as an instrument of democratizing education.
Develop a new pattern of Rural Universities to transform rural areas.

To realize and fulfill these objectives, a number of policy decisions have been taken from time to time which have led to considerable expansion and diversification of the university system, and, accordingly, growth in institutions, enrolment and finance has recorded manifold increase during the plan period.

At the time of Independence, the country was characterized by a weak economic and social infrastructure and prevalence of mass illiteracy and poverty. Since the mid-1950's the theory and practice of public expenditure economics have radically changed. With the parliament passing in December 1954, a resolution adopting the socialist pattern of society as the objective of economic and social policy, the government was required to play a crucial role and assume greater responsibility in financing the social sector, the inter-sectoral plan outlay in public sector in India. The total public expenditure which was not even Rs. 2000 crores in the First Five Year Plan increased consistently, and reached an enormous figure of more than 15,00,000 crores in the Tenth Five Year Plan. While a part of increase is due to inflation the greater of it is due to the expansion in all sectors of the economy as well as greater role played by the government in the economic affairs of the country. The social sector, which accounted for 24% (Rs. 472 crores) of plan outlay in the First Plan lost priority in subsequent plans. Though the Fourth Plan raised the outlay to 25% (Rs. 3986 crores) in the Fifth Plan it fell to 17% and remained more or less at this level for the next three plan periods. The Ninth and Tenth Plans again witnessed a rising public expenditure on the social sector. Education is an important component of the social sector. Expenditure on education was 7.6% in the First Five Year Plan, but got reduced subsequently, and by the Fifth Five Year Plan, it was 3.8% only. In fact, as will be observed from data for the successive plans, percentage expenditure on education could never get the priority that was accorded to it the First Plan.

From the Eight Plan onwards began a period of economic reforms with privatization as one of the important elements of it. Though governments commitment to the social sector was reiterated the education sector, especially higher education expanded in an unprecedented manner. Government's support to the education sector saw a decline as is reflected by public expenditure on education from Eighth to Tenth Plan. In a poor country, the government intervention is necessary to support the social sector. And education, an important component of the social sector, accounted for lesser amounts with each successive Plan, not even 3% in the Sixth Plan. The percentage of expenditure allocated to education was marginally higher in the Seventh Plan, at 3.5% and in Eighth Plan it was 4.37% but in Tenth Plan it again declined to 3.72%.

Not only has there been a reduced percentage allocation to the educational sector, the amount initially proposed gets reduced at different stages of the planning process. Although, by and large, the sector of education is under the jurisdiction of the State Government, some responsibility such as co-ordination of educational facilities, determination of standards of higher education, scientific and technical education, has been entrusted to the Centre. The 42nd amendment to the Constitution of India in 1976 brought Education from the “State List” to the “Concurrent List” whereby Central Government gained more power to intervene in education at all levels.

The Eleventh Plan outlay for education was Rs. 274228 crores, which works out to 7% of total outlay. However, the expenditure on education during first year of the Eleventh Plan was only 5.1% of total outlay which declined to 4.26% of total outlay in 2009-10.

Though percentage allocation to education has declined significantly, on examining plan resources to education we find that there has been a rapid rise in the absolute amount of expenditure on education since the First Plan from Rs. 149 crores in the First Plan, plan expenditure on education increased to Rs 274228 crores in the Eleventh Plan. The Plan expenditure on education increased to Rs 273 crores,
Rs 589 crores, Rs 786 crores, Rs 1526 crores, Rs 2977 crores, Rs 7686 crores, Rs 22407 crores, Rs 23792 crores and Rs 62461 crores in the Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Plan respectively. In spite of increased absolute amount of expenditure during the plan periods, in percentage terms the First Plan figure of 7.6% on education could not be reached again for any plan period. This amount is much less than what is spent in other countries on education. With government’s emphasis on human development this is a poor reflection of the readiness of government to spend on education.

The most important head under social sector is education both in terms of expenditure as well as in terms of its impact on the economy. Education is the catalytic factor, which leads to human resource development comprising better health and nutrition, improved socio-economic opportunities and more congenial and beneficial natural environment for all. Education at the base level or primary education is very important because it helps in removing the stranglehold of traditions, which characterize the society in under developed countries, and these traditions discourage development and growth. Education at the secondary level provides the base for higher and technical education. Higher education is important as it provides manpower for higher cadre posts both in private and public sectors. It hastens and facilitates the process of national development by encouraging scientific temper in students and encouraging them to develop and progress so that they can live a satisfying existence. The National Policy on Education, 1986 and the Programme of Action (POA) 1992 envisage free and compulsory education of satisfactory quality for all children up to the age of 14 years before the commencement of the 21st century. As per the commitment of the Government, about 6% of the Gross Domestic Product (GDP) would be earmarked for Education Sector and 50% of the outlay would be spent on Primary Education.

National Policy on Education, 1986, which visualizes education on different plane, has envisaged a new role for higher education that is more meaningful in the context of societal development. The government has tried to give a new direction to an age old process. According to the NPE areas that need attention range from autonomy of colleges and departments to better infrastructure, rationalized funding for research, integration of teaching, research and evaluation to make higher education dynamic as never before.

With the commitment of augmenting resources for education, the allocation to education has, over the years increased significantly. The increased literacy rate (65.38%) in India is not very much encouraging so far as economic development of this country is concerned.

Expenditure on sub-sectors of education in India during the planning period plan expenditure on total education increased from Rs. 149 crores in the First Five Year Plan to Rs. 43825 crores in the Tenth Five Year Plan. However, percentage allocation to total education which was 7.6% in the First Five Year Plan witnessed a successive decline subsequently and was only 2.7% in the Sixth Plan. It then increased to 3.5% and 4.5% in Seventh and Eighth Plans respectively but it then again decreased and was 2.8% in the Ninth and Tenth Five Year Plan.

The most important head under social sector is education in terms of expenditure as well as in terms of its impact on the economy. Other heads are health and nutrition, water supply, housing, sanitation etc. Education at the base level or primary education is very important as it helps in removing the stranglehold of traditions, which characterized the society in underdeveloped countries and is inimical to growth and development. Basic education is a catalyst of social change. Spread of education helps to overcome the traditional inequalities of caste, class and gender. Education is widely perceived by socially and economically disadvantaged groups as the only means of moving up the social ladder and overcoming economic backwardness. Education at the secondary level provides the base for higher and technical education. Higher education is important as it provides manpower for higher cadre posts both in the private and public sectors. It hastens and facilitates the process of national development by encouraging scientific temper in students and inculcating them the urge to develop, to progress, to be able to live a satisfying existence. After the independence of the country, the Five Year Plans ushered
in an era of systematic economic and social development in India. In the Plan priorities social services were assigned noteworthy priority and efforts were made for all round development of education.

There has been an enormous increase in higher educational expenditure from just Rs. 14 crores during the First Plan to Rs. 64,715 crores during the Eleventh Plan. Higher educational expenditure as percentage of social service expenditure was 2.96 percent in the First Plan jumping to 5.61 percent in the Second Plan. The Plan laid stress on improvements in standard of colleges and university education and extension of facilities for technical and vocational education. The proportion spent on higher education in the Third Plan was the same but subsequently declined. A drastic reduction in the Eighth Plan heralded onset of a wave of the privatization which continued during the next two plans also. Because the goal of Eighth Plan was human development, of which human resource development was a necessary pre-requisite, during this plan, early childhood education was emphasized and sought to be expanded. Again, in Tenth Plan higher educational expenditure as percentage of social service expenditure reduced to 0.96 percent as the major thrust in the Tenth Plan was to meet the increased demand for secondary education. The eleventh Plan with its focus on improving the quality of education to improve India’s competitiveness in the globalised economy, allocated 5.87 percent of social sector expenditure on higher education.

The two most important components of social sector are education and health. It was expected that the share of education and consequently of higher education has remained constant over the period under study, though in terms of actual expenditures a phenomenal increase in both has taken place. As the state of health as well as that of education was poor when planned development was launched in India, both these sectors required heavy investments. It was therefore expected that over the period their relative significance would remain the same.

Expenditure on education as a ratio of Social Service Expenditure in some states over the period 1990-91 to 2007-08 shows that an increasing percentage of social service expenditure has been devoted to education, which obviously means that the other important component, i.e., health as well as other components has been receiving a smaller share over time. Higher educations’ share in total education was between 5% - 12 % on an average. Besides, over the entire period the share of higher education in total educational expenditure has fallen for almost all the major states except Assam, Bihar and Orissa. However, because the share of education in total social service expenditure increased the share of higher education expenditure in eight out of fifteen states actually increased, in two states there was a reduction while in the rest it remained more or less the same. Thus an inconclusive picture has emerged. However, if we examine the plan data, from the First to the Eleventh, we find that the share of higher education in social sector expenditure in the First Plan was low, then almost doubled in the Second Plan.

Subsequently there was a consistent fall to as low as 0.96 in the Tenth Plan. A sharp reduction after the Seventh Plan is notable which was not unexpected as it was during this period that economic reforms were undertaken. Higher education sector started to be viewed as a non-merit good by the government. An era of large scale privatization set in, especially in the sector of higher education. Government gave a free hand to the private sector which led to sprouting of a large number of higher education institutions, especially in areas like business management, finance, engineering, law, hospital sector, information technology etc. many of these were of dubious quality. So far as government expenditure on higher education was concerned, its emphasis was on consolidation of existing facilities rather than expansion.

The revenue or fiscal resources generated should be allocated at the level where social returns are highest. In general they should be reinvested in education because the social pay offs to additional investments are at least comparable with the returns to alternative investments in physical capital and social infrastructure. With the increased cost recovery in higher and partially in secondary education, the economy’s total resources for education would increase. This policy would bring a change in the allocation pattern of public expenditure towards the level and type of education while considering the highest social returns. The shifts towards greater private financing would improve the quality of
student’s selection and performance on one side and would also bring the concept of equity to forefront through expansion of education for lower income groups.

**Establishing Credit Market in Education**

With the fiscal containment, especially visible in higher education, it would be feasible to give greater role to private sector in financing with the introduction of widely available student loans and a limited number of selective scholarship. The available loans would enable the students to finance the current education against future income. Thus, the problem for lower income students would also be solved and education would not be limited to applicants with necessary funds at the time of enrolment. Along with this, the government could provide scholarships to low income students to finance tuition as well as living expenses. But these criteria would create problems in the long run and lose its sustainability because an increasing number of students would come forward to enroll in higher education. So, it would be feasible for cost recovery to have widely available student loans and selective scholarships to be awarded on the basis of economic and need and academic potential. This would boost up to incentives of better performance of students in higher education and make students of poor families ease their financial burden. The concept of education is not much popular in the developing countries. No doubt, the fiscal constraints will bring this concept to light during the course of time. In implementation of these schemes, the collection costs are likely to be high at least initially, and default rates may be substantial. Since the cost of lending to students may be too large for financial institutions to absorb without prohibitive interest charge, the provision of government guarantee becomes necessary. The extent of this scheme at secondary level is complex because the cost recovery is difficult. In this way, the state can meet the required investment in education.

**Private Management and Decentralizing Management**

In many developing countries in the administration of primary and secondary schools, the governments seek a highly centralized management and restrict the operation of trust and private schools. Complex centralization implies an excessive amount of bureaucratic delay in making decisions, and it also entails, probably incapacity to make proper account of changes in local needs and desired practices. The levied restrictions range from outright prohibition to strict control over fees, curricula, teachers, qualification and salaries. Among these restrictions like fee etc., need to be relaxed and some need to continued to control the fraudulent operators and to maintain the standards as well as efficiency.

For all this, a greater extent of decentralization is needed. Some academicians oppose decentralization on the ground that decentralization destroys the capacity of the central government to direct local authorities to meet long range national needs for training personal. It prevents progressive administration from imposing high standards of public morality and efficiency on backward local authorities. But this cannot be thought of largely with adverse, macroeconomic conditions. Secondly, greater decentralization including more leeway for private and community schools is encouraging greater competition among them. If competition increases, better educational services are available, the cost for, leading to wider choices of schools for parents and students. This in turn increases the efficiency of the school.

To make all these policies more effective, the following issues should be taken into account:

- The current major sources of inefficiency in the education, in terms of provision and financing, and an analysis of various ways to eradicate it through various policies.
- Various possibilities for recovering costs. The willingness of the household to pay for education along with the magnitude of extra revenue.
- The extent of improvement in efficiency and equity through various policies.

These policy options in context of economic reforms do not suggest complete implementation of various policies at one go. The suggested reforms need to be carried gradually in different phases. The
time period of each phase may vary from one to other developing country according to its social, political, and economic conditions.

REFERENCES


